

### Contents

### Daily Alerts

#### Company

#### Reliance Industries: One, two, three, all fall down

- ▶ Sharp decline in refining margins to impact profits of refining segment
- ▶ Sustained contraction in petchem margins to hurt profits of chemical segment
- ▶ Decline in KG D-6 gas production may continue for 2-3 years
- ▶ Retain REDUCE; buyback may support stock price

#### Wipro: NDR meeting notes

- ▶ Reaping benefits of revamped organization structure
- ▶ Confident of acceleration in growth rates
- ▶ High emphasis on improving profitability
- ▶ Maintain ADD rating; reorganization is delivering results

#### Adani Power: Bumpy road ahead

- ▶ Imported coal - assured supply at US\$36/ton hinges on ramp-up at Bunyu Island
- ▶ Domestic coal availability and pricing indecisive despite Government directive
- ▶ Incidence of MAT at Mundra could further erode value

### EQUITY MARKETS

| India                          | Change % |       |       |       |
|--------------------------------|----------|-------|-------|-------|
|                                | 5-Mar    | 1-day | 1-mo  | 3-mo  |
| Sensex                         | 17,363   | (1.6) | (1.4) | 3.3   |
| Nifty                          | 5,280    | (1.5) | (0.9) | 4.8   |
| <b>Global/Regional indices</b> |          |       |       |       |
| Dow Jones                      | 12,963   | (0.1) | 0.8   | 7.2   |
| Nasdaq Composite               | 2,950    | (0.9) | 1.5   | 11.1  |
| FTSE                           | 5,875    | (0.6) | (0.4) | 5.5   |
| Nikkie                         | 9,658    | (0.4) | 8.2   | 12.6  |
| Hang Seng                      | 21,032   | (1.1) | 1.6   | 11.0  |
| KOSPI                          | 2,008    | (0.4) | 1.8   | 5.6   |
| <b>Value traded – India</b>    |          |       |       |       |
| Cash (NSE+BSE)                 | 132      |       | 193   | 118   |
| Derivatives (NSE)              | 861      |       | 955   | 888   |
| Deri. open interest            | 1,231    |       | 1,194 | 1,177 |

#### Forex/money market

|                   | Change, basis points |       |      |       |
|-------------------|----------------------|-------|------|-------|
|                   | 5-Mar                | 1-day | 1-mo | 3-mo  |
| Rs/US\$           | 49.7                 | (16)  | 61   | (164) |
| 10yr govt bond, % | 8.3                  | -     | 1    | (28)  |

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

|     | 2-Mar | MTD  | CYTD  |
|-----|-------|------|-------|
| FIs | 122   | 178  | 7,492 |
| MFs | (30)  | (69) | (282) |

#### Top movers -3mo basis

| Best performers         | Change, % |       |        |        |
|-------------------------|-----------|-------|--------|--------|
|                         | 5-Mar     | 1-day | 1-mo   | 3-mo   |
| WLCO IN Equity          | 139.1     | (5.0) | 10.4   | 98.2   |
| RELI IN Equity          | 657.6     | 5.8   | 19.7   | 60.5   |
| IBULL IN Equity         | 216.4     | (6.8) | 20.3   | 58.5   |
| HDIL IN Equity          | 102.1     | (3.3) | 19.8   | 55.8   |
| RPWR IN Equity          | 135.4     | 5.0   | 34.6   | 53.9   |
| <b>Worst performers</b> |           |       |        |        |
| UNSP IN Equity          | 520.7     | (6.9) | (30.9) | (28.0) |
| ESOIL IN Equity         | 60.0      | (1.9) | (8.8)  | (13.9) |
| DLFU IN Equity          | 192.1     | (5.5) | (18.3) | (13.6) |
| GAIL IN Equity          | 353.3     | (4.9) | (9.3)  | (11.5) |
| BHARTI IN Equity        | 349.1     | (0.1) | (10.3) | (10.6) |

MARCH 05, 2012

UPDATE

Coverage view: **Attractive**

Price (Rs): **798**

Target price (Rs): **855**

BSE-30: **17,363**

**One, two, three, all fall down.** The recent contraction in global refining and petchem margins led by weak downstream demand and persistent decline in production from KG D-6 block pose large downside risks to our below-consensus FY2013-14E earnings estimates for RIL. We maintain our REDUCE rating on the RIL stock given a modest potential upside of 7% to our SOTP-based target price of ₹855. The ongoing buyback program may support the stock price in the near term.

#### Company data and valuation summary

Reliance Industries

##### Stock data

|                               |           |
|-------------------------------|-----------|
| 52-week range (Rs) (high,low) | 1,066-687 |
| Market Cap. (Rs bn)           | 2,377.3   |

##### Shareholding pattern (%)

|           |      |
|-----------|------|
| Promoters | 41.0 |
| FIs       | 20.5 |
| MFs       | 3.0  |

##### Price performance (%)

|                | 1M    | 3M    | 12M    |
|----------------|-------|-------|--------|
| Absolute       | (4.9) | (1.1) | (18.8) |
| Rel. to BSE-30 | (3.5) | (4.3) | (13.6) |

##### Forecasts/Valuations

|                     | 2012    | 2013E   | 2014E   |
|---------------------|---------|---------|---------|
| EPS (Rs)            | 62.7    | 61.6    | 64.2    |
| EPS growth (%)      | 1.2     | (1.7)   | 4.2     |
| P/E (X)             | 12.7    | 12.9    | 12.4    |
| Sales (Rs bn)       | 3,660.1 | 3,703.5 | 3,531.4 |
| Net profits (Rs bn) | 205.3   | 201.8   | 210.1   |
| EBITDA (Rs bn)      | 348.7   | 315.4   | 323.5   |
| EV/EBITDA (X)       | 6.3     | 6.3     | 5.5     |
| ROE (%)             | 11.9    | 10.6    | 10.1    |
| Div. Yield (%)      | 0.9     | 0.9     | 1.0     |

#### Sharp decline in refining margins to impact profits of refining segment

We see downside risks to earnings of RIL's refining segment due to sharp decline in refining margins over the past one month. Exhibit 1 shows that Singapore complex refining margins have declined sharply to -US\$1.5/bbl for the week ended March 2, 2012 from US\$3/bbl at the beginning of February 2012. We model RIL's refining margins for FY2013-14E at US\$9.2/bbl and US\$9.7/bbl (see Exhibit 2) but see large risks to our assumptions. Exhibit 3 shows that RIL's earnings are impacted by ~10% for a US\$1/bbl decline in refining margins.

#### Sustained contraction in petchem margins to hurt profits of chemical segment

Exhibit 4 shows that the margins of key polymers have contracted sharply in CY2012YTD to their lowest levels in a decade. The recent sharp decline in petchem margins (see Exhibit 5) reflects (1) sharp increase in naphtha prices led by a surge in crude oil prices and (2) lack of commensurate increase in product prices given continued weakness in downstream demand. We see downside risks to our assumptions of already low chemical margins for RIL in FY2013-14E (see Exhibit 6).

#### Decline in KG D-6 gas production may continue for 2-3 years

We are wary of continued decline in production from RIL's KG D-6 block due to complex reservoir geology and long time required to drill new wells and to order and install sub-sea systems. We currently model KG D-6 gas production at 30 mcm/d in FY2013E and 25 mcm/d in FY2014E versus management guidance of 28 mcm/d and 23 mcm/d, as per various media articles. We believe (1) any reversal of decline in gas production from a likely revised development plan for D-1 and D-3 fields and (2) new production from the recent approved satellite fields, is unlikely to take place before CY2015-16 given the limited availability of operational weather window in KG basin area.

#### Retain REDUCE; buyback may support stock price

We reiterate our REDUCE rating on the RIL stock noting (1) modest 7% potential upside to our SOTP-based target price of ₹855 based on FY2013E estimates and (2) expensive valuations at 11.7X FY2013E adjusted EPS given downside risks to earnings. RIL's ongoing buyback program may provide downside support at ₹775-800 in the near term.

#### QUICK NUMBERS

- Singapore complex refining margins have declined to -US\$1.5/bbl in the recent week
- Asia PE and PP margins have declined to US\$225-335/ton
- KG D-6 gas production has declined to 35.8 mcm/d in the first week of February

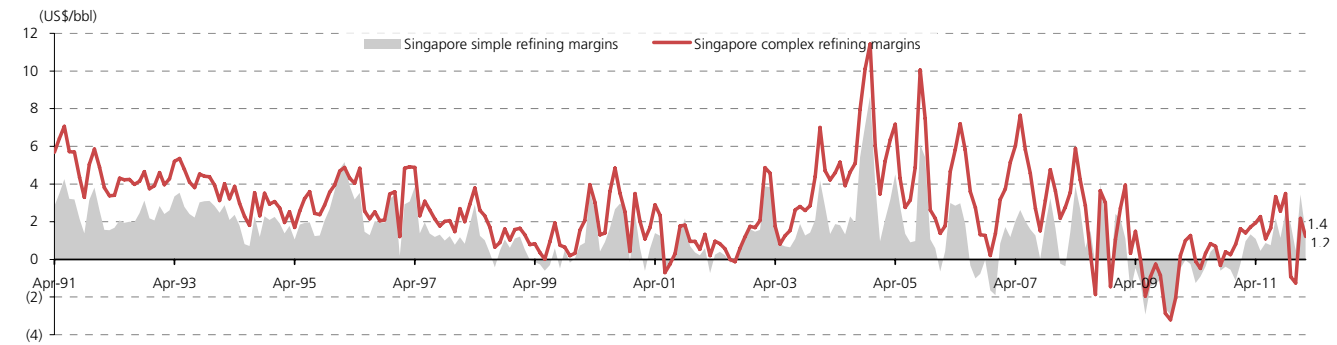
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## Singapore complex refining margins have declined sharply in the recent weeks

Singapore refining margins (US\$/bbl)



| Simple refining margins, March fiscal year-ends (US\$/bbl) |       |      |      |      |      |       |      |      |       |       |         |
|--|-------|------|------|------|------|-------|------|------|-------|-------|---------|
|  | 2002  | 2003 | 2004 | 2005 | 2006 | 2007  | 2008 | 2009 | 2010  | 2011  | 2012YTD |
| 1Q   | 0.5   | 0.3  | 1.0  | 1.7  | 3.0  | 2.5   | 2.3  | 2.4  | (1.5) | (0.9) | 0.8     |
| 2Q   | 0.4   | 0.1  | 1.2  | 3.1  | 2.8  | (0.7) | 1.0  | 1.7  | (1.3) | 0.2   | 1.3     |
| 3Q   | 1.1   | 1.4  | 1.6  | 6.5  | 2.2  | (1.2) | 2.3  | 1.3  | (2.5) | (0.7) | 1.5     |
| 4Q   | (0.0) | 3.0  | 2.9  | 2.1  | 1.1  | 1.2   | 0.2  | 0.7  | (0.3) | 0.7   | 1.9     |
| Average  | 0.5   | 1.2  | 1.7  | 3.3  | 2.3  | 0.5   | 1.5  | 1.5  | (1.4) | (0.2) | 1.4     |

| Weekly margins |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Current        | -1 Wk | -2 Wk | -3 Wk | -4 Wk |
| (2.0)          | (0.7) | 0.5   | 2.4   | 3.6   |

| Complex refining margins, March fiscal year-ends (US\$/bbl) |      |      |      |      |      |      |      |      |       |       |         |
|---|------|------|------|------|------|------|------|------|-------|-------|---------|
|   | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010  | 2011  | 2012YTD |
| 1Q  | 1.3  | 0.8  | 1.2  | 4.6  | 4.9  | 6.2  | 6.6  | 4.3  | (0.1) | (0.1) | 1.8     |
| 2Q  | 0.6  | 0.1  | 2.3  | 5.8  | 6.1  | 2.5  | 2.9  | 0.7  | (0.7) | 0.4   | 2.5     |
| 3Q  | 1.2  | 1.6  | 3.2  | 9.0  | 3.9  | 1.0  | 3.9  | 1.0  | (2.7) | 0.5   | 0.3     |
| 4Q  | 0.6  | 3.7  | 5.4  | 5.0  | 2.8  | 4.1  | 2.8  | 2.4  | 0.8   | 1.6   | 1.3     |
| Average   | 0.9  | 1.5  | 3.1  | 6.1  | 4.4  | 3.4  | 4.0  | 2.1  | (0.7) | 0.6   | 1.5     |

| Weekly margins |       |       |       |       |
|----------------|-------|-------|-------|-------|
| Current        | -1 Wk | -2 Wk | -3 Wk | -4 Wk |
| (1.5)          | (0.5) | 0.6   | 1.8   | 3.0   |

Source: Bloomberg, Kotak Institutional Equities estimates

## Major assumptions of RIL's refinery division, March fiscal year-ends, 2007-14E (US\$/bbl)

|  | 2007        | 2008        | 2009        | 2010        | 2011        | 2012E       | 2013E       | 2014E       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>RIL refinery</b>                          |             |             |             |             |             |             |             |             |
| Rupee-dollar exchange rate                   | 45.3        | 40.3        | 45.8        | 47.4        | 45.6        | 48.0        | 50.5        | 50.0        |
| Import tariff on crude (%)                   | 5.1         | 2.4         | 1.3         | 1.1         | 5.4         | 1.7         | 0.5         | 0.5         |
| Refinery yield (per bbl of crude throughput) | 75.2        | 98.1        | 104.8       | 83.1        | 96.5        | 128.6       | 124.1       | 118.8       |
| Cost of inputs (per bbl of crude throughput) | 63.5        | 83.1        | 92.6        | 76.3        | 88.6        | 120.9       | 116.1       | 110.3       |
| <b>Net refining margin</b>                   | <b>11.7</b> | <b>15.0</b> | <b>12.2</b> | <b>6.8</b>  | <b>7.8</b>  | <b>7.7</b>  | <b>8.1</b>  | <b>8.5</b>  |
| Crude throughput (mn tons)                   | 31.8        | 31.8        | 32.0        | 32.0        | 33.3        | 34.3        | 34.0        | 34.0        |
| Fuel and loss-own fuel used (%)              | 8.0         | 8.0         | 8.0         | 6.0         | 6.0         | 6.0         | 6.0         | 6.0         |
| Fuel & loss equivalent-gas used (%)          |             |             |             | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         |
| <b>SEZ refinery</b>                          |             |             |             |             |             |             |             |             |
| Import tariff on crude (%)                   |             |             |             | —           | 0.6         | 0.7         | 0.5         | 0.5         |
| Refinery yield (per bbl of crude throughput) |             |             |             | 70.5        | 91.5        | 128.0       | 124.4       | 119.2       |
| Cost of inputs (per bbl of crude throughput) |             |             |             | 64.2        | 82.6        | 118.0       | 114.1       | 108.3       |
| <b>Net refining margin</b>                   |             |             |             | <b>6.3</b>  | <b>9.0</b>  | <b>10.1</b> | <b>10.3</b> | <b>10.9</b> |
| Crude throughput (mn tons)                   |             |             |             | 28.9        | 33.3        | 33.3        | 34.0        | 34.0        |
| Fuel and loss-own fuel used (%)              |             |             |             | 6.5         | 6.5         | 6.5         | 6.5         | 6.5         |
| Fuel & loss equivalent-gas used (%)          |             |             |             | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         |
| <b>Blended refining margin (US\$/bbl)</b>    |             |             |             | <b>6.6</b>  | <b>8.4</b>  | <b>8.9</b>  | <b>9.2</b>  | <b>9.7</b>  |
| <b>Total crude throughput (mn tons)</b>      |             |             |             | <b>60.9</b> | <b>66.6</b> | <b>67.6</b> | <b>68.0</b> | <b>68.0</b> |

Source: Company, Kotak Institutional Equities estimates

## Reliance's earnings have high leverage to refining margins

Sensitivity of RIL's earnings to key variables

|  | Fiscal 2012E |           |            | Fiscal 2013E  |           |             | Fiscal 2014E |           |            |
|--|--------------|-----------|------------|---------------|-----------|-------------|--------------|-----------|------------|
|  | Downside     | Base case | Upside     | Downside      | Base case | Upside      | Downside     | Base case | Upside     |
| <b>Rupee-dollar exchange rate</b>          |              |           |            |               |           |             |              |           |            |
| Rupee-dollar exchange rate                 | 47.0         | 48.0      | 49.0       | 49.5          | 50.5      | 51.5        | 49.0         | 50.0      | 51.0       |
| Net profits (Rs mn)                        | 198,037      | 205,313   | 212,589    | 195,791       | 201,751   | 207,718     | 203,138      | 210,135   | 217,147    |
| EPS (Rs)                                   | 60.5         | 62.7      | 64.9       | 59.8          | 61.6      | 63.5        | 62.1         | 64.2      | 66.3       |
| <b>% upside/(downside)</b>                 | <b>(3.5)</b> |           | <b>3.5</b> | <b>(3.0)</b>  |           | <b>3.0</b>  | <b>(3.3)</b> |           | <b>3.3</b> |
| <b>Chemical prices</b>                     |              |           |            |               |           |             |              |           |            |
| Change in prices (%)                       | (5.0)        |           | 5.0        | (5.0)         |           | 5.0         | (5.0)        |           | 5.0        |
| Net profits (Rs mn)                        | 199,390      | 205,313   | 211,237    | 196,358       | 201,751   | 207,144     | 204,139      | 210,135   | 216,131    |
| EPS (Rs)                                   | 60.9         | 62.7      | 64.5       | 60.0          | 61.6      | 63.3        | 62.4         | 64.2      | 66.0       |
| <b>% upside/(downside)</b>                 | <b>(2.9)</b> |           | <b>2.9</b> | <b>(2.7)</b>  |           | <b>2.7</b>  | <b>(2.9)</b> |           | <b>2.9</b> |
| <b>Blended refining margins (US\$/bbl)</b> |              |           |            |               |           |             |              |           |            |
| Margins (US\$/bbl)                         | 7.9          | 8.9       | 9.9        | 8.2           | 9.2       | 10.2        | 8.7          | 9.7       | 10.7       |
| Net profits (Rs mn)                        | 185,505      | 205,313   | 225,071    | 180,932       | 201,751   | 222,559     | 189,461      | 210,135   | 230,783    |
| EPS (Rs)                                   | 56.7         | 62.7      | 68.8       | 55.3          | 61.6      | 68.0        | 57.9         | 64.2      | 70.5       |
| <b>% upside/(downside)</b>                 | <b>(9.6)</b> |           | <b>9.6</b> | <b>(10.3)</b> |           | <b>10.3</b> | <b>(9.8)</b> |           | <b>9.8</b> |

Source: Kotak Institutional Equities estimates

## Asian margins for key polymers are at their lowest levels

Asian chemical margins, calendar year-ends, 1996-2012YTD (US\$/ton)

|                               | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012YTD |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|---------|
| HDPE – naphtha                | 602  | 552  | 380  | 409  | 389  | 327  | 303  | 339  | 556  | 548  | 655  | 629  | 611  | 556  | 488  | 395  | 315     |
| LLDPE – naphtha               | 605  | 551  | 407  | 424  | 406  | 335  | 307  | 350  | 582  | 577  | 654  | 643  | 670  | 594  | 561  | 373  | 227     |
| LDPE – naphtha                | 683  | 687  | 491  | 476  | 466  | 377  | 359  | 408  | 710  | 644  | 660  | 749  | 775  | 618  | 739  | 620  | 335     |
| Propylene – naphtha           | 221  | 242  | 103  | 152  | 174  | 131  | 208  | 262  | 414  | 424  | 509  | 373  | 353  | 336  | 454  | 470  | 349     |
| PP – naphtha                  | 612  | 492  | 319  | 350  | 341  | 281  | 341  | 421  | 564  | 587  | 645  | 628  | 630  | 495  | 571  | 575  | 336     |
| PS – naphtha                  | 504  | 444  | 347  | 404  | 594  | 332  | 449  | 517  | 786  | 670  | 649  | 730  | 571  | 508  | 581  | 571  | 530     |
| PVC – naphtha                 | 482  | 528  | 355  | 411  | 423  | 250  | 320  | 350  | 492  | 326  | 250  | 249  | 199  | 244  | 265  | 128  | (12)    |
| PSF – 0.85 x PTA – 0.34 x MEG | 541  | 332  | 361  | 254  | 299  | 267  | 241  | 296  | 157  | 247  | 240  | 324  | 347  | 269  | 413  | 461  | 293     |
| PFY – 0.85 x PTA – 0.34 x MEG | 521  | 587  | 462  | 363  | 346  | 382  | 402  | 374  | 398  | 398  | 391  | 541  | 578  | 425  | 722  | 676  | 638     |
| PX – naphtha                  | NA   | 279  | 133  | 178  | 159  | 173  | 185  | 334  | 418  | 414  | 572  | 435  | 337  | 422  | 320  | 607  | 590     |

Source: Platts, Kotak Institutional Equities

Margins for key polymers have contracted in the recent months  
Asia chemical margins, calendar year-ending (US\$/ton)

|  | Annual average margins |            |            |            | Quarterly average |            |            |             |               | Monthly average |            |            |             |              | Recent      |             |             |             |
|--|------------------------|------------|------------|------------|-------------------|------------|------------|-------------|---------------|-----------------|------------|------------|-------------|--------------|-------------|-------------|-------------|-------------|
|  | 2008                   | 2009       | 2010       | 2011       | 2Q11              | 3Q11       | 4Q11       | 1Q12        | qoq (%)       | Nov             | Dec        | Jan        | Feb         | mom (%)      | Feb 10      | Feb 17      | Feb 24      | Mar 2       |
| <b>Ethylene chain</b>                        |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| Ethylene – naphtha                           | 336                    | 274        | 355        | 225        | 250               | 135        | 160        | 223         | 39.4          | 140             | 230        | 206        | 240         | 16.4         | 189         | 283         | 263         | 248         |
| HDPE – 1.015 x ethylene                      | 258                    | 270        | 116        | 153        | 101               | 271        | 210        | 74          | (64.6)        | 255             | 104        | 92         | 57          | (37.5)       | 122         | 5           | (10)        | 18          |
| LLDPE – 1.015 x ethylene                     | 317                    | 307        | 190        | 131        | 76                | 213        | 123        | (14)        | NA            | 162             | 20         | 7          | (36)        | NA           | 26          | (95)        | (101)       | (65)        |
| LDPE – 1.015 x ethylene                      | 422                    | 331        | 367        | 378        | 361               | 429        | 316        | 94          | (70.1)        | 353             | 160        | 120        | 68          | (43.3)       | 127         | 15          | (1)         | (0)         |
| <b>HDPE – naphtha</b>                        | <b>611</b>             | <b>556</b> | <b>488</b> | <b>395</b> | <b>370</b>        | <b>422</b> | <b>386</b> | <b>315</b>  | <b>(18.3)</b> | <b>410</b>      | <b>351</b> | <b>315</b> | <b>316</b>  | <b>0.3</b>   | <b>329</b>  | <b>308</b>  | <b>273</b>  | <b>286</b>  |
| <b>LLDPE – naphtha</b>                       | <b>670</b>             | <b>594</b> | <b>561</b> | <b>373</b> | <b>345</b>        | <b>365</b> | <b>298</b> | <b>227</b>  | <b>(24.0)</b> | <b>318</b>      | <b>267</b> | <b>230</b> | <b>223</b>  | <b>(3.2)</b> | <b>233</b>  | <b>208</b>  | <b>182</b>  | <b>203</b>  |
| <b>LDPE – naphtha</b>                        | <b>775</b>             | <b>618</b> | <b>739</b> | <b>620</b> | <b>630</b>        | <b>580</b> | <b>491</b> | <b>335</b>  | <b>(31.7)</b> | <b>508</b>      | <b>407</b> | <b>344</b> | <b>327</b>  | <b>(4.8)</b> | <b>334</b>  | <b>318</b>  | <b>282</b>  | <b>268</b>  |
| <b>Propylene chain</b>                       |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| Propylene – naphtha                          | 353                    | 336        | 454        | 470        | 512               | 534        | 342        | 349         | 1.9           | 345             | 285        | 360        | 338         | (6.2)        | 364         | 306         | 263         | 273         |
| PP – 1.01 x propylene                        | 265                    | 151        | 106        | 91         | 83                | 23         | 130        | (26)        | NA            | 161             | 113        | (43)       | (9)         | NA           | (4)         | 21          | 26          | 16          |
| <b>PP – naphtha</b>                          | <b>630</b>             | <b>495</b> | <b>571</b> | <b>575</b> | <b>610</b>        | <b>572</b> | <b>485</b> | <b>336</b>  | <b>(30.7)</b> | <b>518</b>      | <b>409</b> | <b>330</b> | <b>342</b>  | <b>3.8</b>   | <b>374</b>  | <b>341</b>  | <b>302</b>  | <b>303</b>  |
| <b>Styrene chain</b>                         |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| Benzene – naphtha                            | 153                    | 126        | 190        | 168        | 165               | 173        | 109        | 183         | 67.9          | 99              | 126        | 207        | 158         | (23.5)       | 165         | 141         | 131         | 111         |
| Styrene – 0.81 x benzene                     | 131                    | 157        | 137        | 161        | 118               | 227        | 188        | 104         | (44.6)        | 204             | 150        | 109        | 99          | (8.5)        | 109         | 87          | 86          | 111         |
| – 0.29 x ethylene                            |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| Polystyrene – 0.98 styrene                   | 161                    | 132        | 139        | 142        | 165               | 152        | 172        | 143         | (17.1)        | 159             | 162        | 136        | 149         | 9.7          | 153         | 144         | 146         | 130         |
| PS – naphtha                                 | 571                    | 508        | 581        | 571        | 559               | 624        | 557        | 530         | (4.8)         | 546             | 545        | 540        | 521         | (3.5)        | 524         | 503         | 493         | 483         |
| <b>Vinyl chain</b>                           |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| EDC – (0.3 x ethylene)                       | 35                     | 109        | 176        | 99         | 168               | 124        | (16)       | (61)        | NA            | (30)            | (50)       | (49)       | (73)        | NA           | (55)        | (94)        | (94)        | (96)        |
| PVC – 1.025 (0.235 x ethylene + 0.864 x EDC) | 405                    | 283        | 286        | 387        | 423               | 429        | 387        | 420         | 8.4           | 383             | 411        | 418        | 422         | 1.0          | 433         | 420         | 420         | 418         |
| <b>PVC – naphtha</b>                         | <b>199</b>             | <b>244</b> | <b>265</b> | <b>128</b> | <b>213</b>        | <b>138</b> | <b>17</b>  | <b>(12)</b> | <b>NA</b>     | <b>(5)</b>      | <b>41</b>  | <b>6</b>   | <b>(29)</b> | <b>NA</b>    | <b>(26)</b> | <b>(37)</b> | <b>(57)</b> | <b>(78)</b> |
| <b>Polyester/intermediates</b>               |                        |            |            |            |                   |            |            |             |               |                 |            |            |             |              |             |             |             |             |
| <b>PSF – 0.85 x PTA – 0.34 x MEG</b>         | <b>347</b>             | <b>269</b> | <b>413</b> | <b>461</b> | <b>645</b>        | <b>299</b> | <b>368</b> | <b>293</b>  | <b>(20.2)</b> | <b>424</b>      | <b>285</b> | <b>265</b> | <b>322</b>  | <b>21.6</b>  | <b>—</b>    | <b>—</b>    | <b>333</b>  | <b>—</b>    |
| <b>PFY – 0.85 x PTA – 0.34 x MEG</b>         | <b>578</b>             | <b>425</b> | <b>722</b> | <b>676</b> | <b>727</b>        | <b>594</b> | <b>676</b> | <b>638</b>  | <b>(5.5)</b>  | <b>739</b>      | <b>650</b> | <b>630</b> | <b>647</b>  | <b>2.7</b>   | <b>—</b>    | <b>—</b>    | <b>658</b>  | <b>—</b>    |
| PTA – 0.67 x PX                              | 126                    | 179        | 269        | 236        | 255               | 196        | 136        | 124         | (8.5)         | 130             | 144        | 127        | 121         | (4.8)        | 123         | 104         | 105         | 90          |
| PX – naphtha                                 | 337                    | 422        | 320        | 607        | 534               | 617        | 568        | 590         | 3.8           | 529             | 525        | 599        | 581         | (3.0)        | 596         | 560         | 552         | 554         |
| MEG – naphtha                                | 105                    | 77         | 160        | 246        | 167               | 293        | 229        | 100         | (56.3)        | 209             | 183        | 147        | 53          | (64.1)       | 67          | 18          | 9           | 7           |
| MEG – 0.6 x ethylene                         | 235                    | 135        | 236        | 485        | 412               | 593        | 488        | 364         | (25.5)        | 476             | 403        | 407        | 321         | (21.1)       | 364         | 267         | 278         | 293         |

Source: Platts, Kotak Institutional Equities

Key chemical prices and margins assumptions for RIL, March fiscal year-ends, 2007-14E (US\$/ton)

|  | 2007       | 2008       | 2009       | 2010       | 2011       | 2012E      | 2013E      | 2014E      |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Chemical prices</b>                       |            |            |            |            |            |            |            |            |
| LDPE   | 1,360      | 1,600      | 1,400      | 1,500      | 1,555      | 1,650      | 1,500      | 1,510      |
| LLDPE  | 1,350      | 1,575      | 1,330      | 1,400      | 1,455      | 1,475      | 1,375      | 1,385      |
| HDPE   | 1,340      | 1,500      | 1,275      | 1,375      | 1,415      | 1,525      | 1,425      | 1,435      |
| Polypropylene                                | 1,350      | 1,470      | 1,300      | 1,360      | 1,525      | 1,625      | 1,525      | 1,510      |
| PVC  | 890        | 1,100      | 925        | 1,000      | 1,075      | 1,100      | 1,050      | 1,035      |
| PFY  | 1,400      | 1,550      | 1,485      | 1,380      | 1,640      | 1,775      | 1,750      | 1,735      |
| PSF  | 1,360      | 1,475      | 1,320      | 1,310      | 1,660      | 1,910      | 1,780      | 1,765      |
| Paraxylene                                   | 1,225      | 1,200      | 1,085      | 1,050      | 1,125      | 1,550      | 1,485      | 1,395      |
| <b>Chemical margins</b>                      |            |            |            |            |            |            |            |            |
| <b>LLDPE—naphtha</b>                         | <b>820</b> | <b>850</b> | <b>655</b> | <b>770</b> | <b>725</b> | <b>540</b> | <b>465</b> | <b>515</b> |
| HDPE—naphtha                                 | 810        | 775        | 600        | 745        | 685        | 590        | 515        | 565        |
| <b>PP—naphtha</b>                            | <b>820</b> | <b>745</b> | <b>625</b> | <b>730</b> | <b>795</b> | <b>690</b> | <b>615</b> | <b>640</b> |
| PVC—1.025 x (0.235 x ethylene + 0.864 x EDC) | 247        | 396        | 401        | 389        | 367        | 383        | 356        | 368        |
| <b>POY—naphtha</b>                           | <b>870</b> | <b>825</b> | <b>810</b> | <b>750</b> | <b>910</b> | <b>840</b> | <b>840</b> | <b>865</b> |
| PSF—naphtha                                  | 830        | 750        | 645        | 680        | 930        | 975        | 870        | 895        |
| <b>PX—naphtha</b>                            | <b>695</b> | <b>475</b> | <b>410</b> | <b>420</b> | <b>395</b> | <b>615</b> | <b>575</b> | <b>525</b> |
| POY—0.85 x PTA—0.34 x MEG                    | 329        | 364        | 496        | 341        | 437        | 334        | 424        | 427        |
| <b>PSF—0.85 x PTA—0.34 x MEG</b>             | <b>289</b> | <b>289</b> | <b>331</b> | <b>271</b> | <b>457</b> | <b>469</b> | <b>454</b> | <b>457</b> |
| PTA—0.67 x PX                                | 89         | 121        | 133        | 217        | 281        | 187        | 125        | 170        |

Source: Company, Kotak Institutional Equities estimates

SOTP valuation of Reliance is ₹855 per share on FY2013E estimates

Sum-of-the-parts valuation of Reliance Industries, FY2013E basis (₹)

|  | Valuation base (Rs bn) |        | Multiple (X) |           | EV<br>(Rs bn) | Valuation<br>(Rs/share) |
|--|------------------------|--------|--------------|-----------|---------------|-------------------------|
|  | Other                  | EBITDA | Multiple     | EV/EBITDA |               |                         |
| Chemicals                                    |                        | 88     |              | 6.0       | 528           | 177                     |
| Refining & Marketing                         |                        | 158    |              | 6.0       | 948           | 318                     |
| Oil and gas—producing (PMT and Yemen)        |                        | 29     |              | 3.0       | 86            | 29                      |
| Gas—producing and developing (DCF-based) (a) | 258                    |        |              |           | 258           | 86                      |
| KG D-6                                       | 213                    |        |              |           | 213           | 71                      |
| NEC-25                                       | 45                     |        |              |           | 45            | 15                      |
| Oil—KG-DWN-98/3 (b)                          |                        | 27     |              |           | 27            | 9                       |
| Investments other than valued separately     | 289                    |        |              |           | 289           | 97                      |
| Retailing                                    | 52                     |        | 80%          |           | 42            | 14                      |
| Capital WIP (book value)                     | 68                     |        | 100%         |           | 68            | 23                      |
| <b>Total enterprise value</b>                |                        |        |              |           | <b>2,246</b>  | <b>753</b>              |
| Net debt                                     |                        |        |              |           | (304)         | (102)                   |
| <b>Implied equity value</b>                  |                        |        |              |           | <b>2,550</b>  | <b>855</b>              |

Notes:

(a) We value KG D-6 and NEC-25 blocks on DCF.

(b) 90 mn bbls of recoverable reserves based on gross OOIP of 0.35 bn bbls.

(c) Capital WIP includes capex on new petrochemical units.

(d) We use 2.981 bn shares (excluding treasury shares) for per share computations.

Source: Kotak Institutional Equities estimates

RIL: Profit model, balance sheet, cash model, March fiscal year-ends, 2007-14E (₹ mn)

|  | 2007             | 2008             | 2009             | 2010             | 2011             | 2012E            | 2013E            | 2014E            |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Profit model (Rs mn)</b>                |                  |                  |                  |                  |                  |                  |                  |                  |
| Net sales                                  | 1,114,927        | 1,334,430        | 1,418,475        | 1,924,610        | 2,481,700        | 3,660,113        | 3,703,482        | 3,531,444        |
| <b>EBITDA</b>                              | <b>198,462</b>   | <b>233,056</b>   | <b>233,139</b>   | <b>305,807</b>   | <b>381,257</b>   | <b>345,099</b>   | <b>311,837</b>   | <b>319,962</b>   |
| Other income                               | 4,783            | 8,953            | 20,599           | 24,605           | 30,517           | 56,702           | 74,292           | 63,290           |
| Interest                                   | (11,889)         | (10,774)         | (17,452)         | (19,972)         | (23,276)         | (25,897)         | (29,129)         | (13,324)         |
| Depreciation & depletion                   | (48,152)         | (48,471)         | (51,953)         | (104,965)        | (136,076)        | (111,909)        | (94,970)         | (95,423)         |
| Pretax profits                             | 143,205          | 182,764          | 184,332          | 205,474          | 252,422          | 263,995          | 262,030          | 274,505          |
| Extraordinary items                        | 2,000            | 47,335           | —                | —                | —                | —                | —                | —                |
| Tax  | (16,574)         | (26,520)         | (12,634)         | (31,118)         | (43,204)         | (55,003)         | (53,394)         | (57,605)         |
| Deferred taxation                          | (9,196)          | (8,999)          | (18,605)         | (12,000)         | (6,355)          | (3,678)          | (6,885)          | (6,765)          |
| Net profits                                | 119,434          | 194,580          | 153,093          | 162,357          | 202,863          | 205,313          | 201,751          | 210,135          |
| <b>Adjusted net profits</b>                | <b>117,789</b>   | <b>152,605</b>   | <b>153,093</b>   | <b>162,357</b>   | <b>202,863</b>   | <b>205,313</b>   | <b>201,751</b>   | <b>210,135</b>   |
| <b>Earnings per share (Rs)</b>             | <b>40.5</b>      | <b>52.5</b>      | <b>50.6</b>      | <b>49.6</b>      | <b>62.0</b>      | <b>62.7</b>      | <b>61.6</b>      | <b>64.2</b>      |
| <b>Balance sheet (Rs mn)</b>               |                  |                  |                  |                  |                  |                  |                  |                  |
| Total equity                               | 673,037          | 847,853          | 1,263,730        | 1,371,706        | 1,515,403        | 1,692,997        | 1,867,027        | 2,047,709        |
| Deferred taxation liability                | 69,820           | 78,725           | 97,263           | 109,263          | 115,618          | 119,296          | 126,181          | 132,947          |
| Minority interest                          | 33,622           | 33,622           | —                | —                | —                | —                | —                | —                |
| Total borrowings                           | 332,927          | 493,072          | 739,045          | 624,947          | 673,967          | 723,506          | 483,963          | 117,822          |
| Current liabilities                        | 192,305          | 251,427          | 357,019          | 404,148          | 542,206          | 596,519          | 609,642          | 579,295          |
| <b>Total liabilities and equity</b>        | <b>1,301,712</b> | <b>1,704,700</b> | <b>2,457,057</b> | <b>2,510,064</b> | <b>2,847,194</b> | <b>3,132,318</b> | <b>3,086,815</b> | <b>2,877,773</b> |
| Cash                                       | 18,449           | 42,823           | 221,765          | 134,627          | 271,349          | 807,534          | 787,935          | 614,062          |
| Current assets                             | 286,566          | 402,720          | 325,357          | 489,165          | 644,070          | 698,565          | 708,140          | 680,617          |
| Total fixed assets                         | 899,403          | 1,081,638        | 1,693,869        | 1,653,987        | 1,555,260        | 1,249,703        | 1,214,225        | 1,206,579        |
| Investments                                | 97,294           | 177,519          | 216,065          | 232,286          | 376,515          | 376,515          | 376,515          | 376,515          |
| Deferred expenditure                       | —                | —                | —                | —                | —                | —                | —                | —                |
| <b>Total assets</b>                        | <b>1,301,712</b> | <b>1,704,700</b> | <b>2,457,057</b> | <b>2,510,064</b> | <b>2,847,194</b> | <b>3,132,318</b> | <b>3,086,815</b> | <b>2,877,773</b> |
| <b>Free cash flow (Rs mn)</b>              |                  |                  |                  |                  |                  |                  |                  |                  |
| Operating cash flow, excl. working capital | 164,285          | 180,718          | 174,508          | 222,605          | 304,310          | 259,107          | 226,343          | 246,028          |
| Working capital                            | (13,075)         | (31,071)         | (37,983)         | (53,015)         | 695              | 89,857           | 3,549            | (2,825)          |
| Capital expenditure                        | (247,274)        | (239,691)        | (247,128)        | (219,427)        | (123,661)        | (59,881)         | (69,919)         | (83,194)         |
| Investments                                | (105,760)        | (78,953)         | (10,392)         | 14,206           | (195,439)        | —                | —                | —                |
| Other income                               | 4,143            | 6,132            | 16,195           | 22,043           | 23,316           | 56,702           | 74,292           | 63,290           |
| <b>Free cash flow</b>                      | <b>(197,681)</b> | <b>(162,865)</b> | <b>(104,800)</b> | <b>(13,587)</b>  | <b>9,220</b>     | <b>345,785</b>   | <b>234,266</b>   | <b>223,299</b>   |
| <b>Ratios (%)</b>                          |                  |                  |                  |                  |                  |                  |                  |                  |
| Debt/equity                                | 44.8             | 53.2             | 54.3             | 42.2             | 41.3             | 39.9             | 24.3             | 5.4              |
| Net debt/equity                            | 42.3             | 48.6             | 38.0             | 33.1             | 24.7             | (4.6)            | (15.3)           | (22.8)           |
| RoAE                                       | 20.3             | 18.9             | 13.6             | 11.8             | 13.1             | 11.9             | 10.6             | 10.0             |
| <b>RoACE</b>                               | <b>13.9</b>      | <b>12.7</b>      | <b>10.0</b>      | <b>8.6</b>       | <b>10.1</b>      | <b>9.3</b>       | <b>8.9</b>       | <b>9.2</b>       |
| <b>Adjusted ROACE</b>                      | <b>18.8</b>      | <b>21.7</b>      | <b>17.3</b>      | <b>12.3</b>      | <b>12.5</b>      | <b>13.4</b>      | <b>14.7</b>      | <b>15.4</b>      |

Source: Company, Kotak Institutional Equities estimates

MARCH 05, 2012

UPDATE

Coverage view: **Attractive**

Price (Rs): **431**

Target price (Rs): **460**

BSE-30: **17,363**

**NDR meeting notes.** We hosted a series of meeting for Wipro in Europe. Key takeaways from NDR are (1) organization restructuring is almost complete. The company has started reaping benefits of the same through lower attrition, healthy order pipeline and strong growth in large accounts, (2) appears confident of acceleration in revenue growth post 4QFY12 and (3) confident of driving operational efficiencies, most of which will be reinvested in business. Wipro has laid the right platform to grow in line with peers, in our view. Maintain ADD rating.

**Company data and valuation summary**

Wipro

**Stock data**

|                               |         |
|-------------------------------|---------|
| 52-week range (Rs) (high,low) | 490-310 |
| Market Cap. (Rs bn)           | 1,058.5 |

**Shareholding pattern (%)**

|           |      |
|-----------|------|
| Promoters | 79.2 |
| FIs       | 7.4  |
| MFs       | 2.3  |

**Price performance (%)**

|                | 1M  | 3M   | 12M   |
|----------------|-----|------|-------|
| Absolute       | 0.9 | 10.6 | (2.3) |
| Rel. to BSE-30 | 2.3 | 7.0  | 4.0   |

**Forecasts/Valuations**

|                     | 2012  | 2013E | 2014E |
|---------------------|-------|-------|-------|
| EPS (Rs)            | 23.2  | 28.2  | 31.9  |
| EPS growth (%)      | 7.4   | 21.7  | 12.9  |
| P/E (X)             | 18.6  | 15.3  | 13.5  |
| Sales (Rs bn)       | 381.7 | 451.5 | 500.1 |
| Net profits (Rs bn) | 56.9  | 69.2  | 78.2  |
| EBITDA (Rs bn)      | 77.7  | 94.3  | 105.0 |
| EV/EBITDA (X)       | 12.7  | 10.1  | 8.7   |
| ROE (%)             | 21.7  | 22.2  | 21.1  |
| Div. Yield (%)      | 1.1   | 1.4   | 1.7   |

**Reaping benefits of revamped organization structure**

Terming the reorganization as almost complete, Wipro highlighted three key benefits—(1) growth in large relationships through improved relationship management structure, profile of people and cross-sell of services. The company has increased US\$100 mn+ customers to six from one in 3QFY11 with the largest customer at a run-rate of US\$200 mn+, (2) increase in customer satisfaction and (3) decline in attrition rates to 15.8% in IT services from 23%+ before reorganization.

**Confident of acceleration in growth rates**

Wipro termed Nasscom guidance of 11-14% growth in IT services exports as realistic and was confident of Tier-1 IT outperforming industry growth rates. Wipro is confident of acceleration in growth post March 2012 quarter (while reiterating 1-3% qoq revenue growth for Mach 2012 quarter). A strong deal pipeline (pursuing 15+ US\$100 mn deals, and 40+ US\$50 mn+ deals) and pick-up in business activity after a slow start to the year will contribute to the acceleration.

**High emphasis on improving profitability**

Wipro believes it has scope to tighten operations which will help bridge the gap in profitability with TCS and Infosys over the medium term. Some of the areas are correcting bulge in employee pyramid, improvement in FPP execution etc. Not all of the improvement in operations may flow through the margins as some of it may be reinvested in business development and strengthening of sales organization. Wipro also emphasized its focus on profitable growth and aspirations to close the gap in profitability with peers.

**Maintain ADD rating; reorganization is delivering results**

Wipro has bridged the gap on revenue growth with peers in a seasonally weak quarter. The next challenge is to ensure growth in line with peers in a seasonally strong quarter as well; the company appears to have laid the right foundations. This turnaround is partly captured in analyst estimates. Retain ADD rating.

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### A brief on reorganization

We summarize key changes to the organization structure:

- ▶ Single CEO and complete ownership of P&L with vertical heads has led to increased focus and faster decision-making. Delivery heads are responsible for cost targets instead of P&L targets earlier.
- ▶ Client engagement managers are responsible for account management at a P&L level. Recruitment of senior consultants and client partners has improved client engagement to the CXOs level rather than restricting it to the CTO, as was the case before.
- ▶ Employee interests are more closely linked to account-level revenue, profitability and customer satisfaction. This has been done through linking variable compensation of the entire team (delivery and sales) with account-level performance.

### Other details

- ▶ Wipro would like to maintain around US\$500 mn of net cash balances, and around US\$1 bn for acquisitions. Any excess cash is likely to be given out as dividends.
- ▶ Wipro expects wage inflation to moderate in FY2013E, consistent with commentary of other Tier-1 IT.
- ▶ Forex hedges maintained at 2-4 quarters of forward net cash inflow. Current hedge book is at US\$1.8 bn.

Exhibit 8: Profit model, balance sheet, cash model of Wipro Limited, March fiscal year-ends, 2010-14E (Rs mn)

|   | 2010           | 2011           | 2012E          | 2013E          | 2014E          |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Profit model</b>                             |                |                |                |                |                |
| <b>Revenues</b>                                 | <b>271,242</b> | <b>310,986</b> | <b>381,675</b> | <b>451,546</b> | <b>500,085</b> |
| Cost of revenues (incl. deprn)                  | (186,299)      | (212,850)      | (267,342)      | (312,136)      | (345,658)      |
| <b>Revenues</b>                                 | <b>84,943</b>  | <b>98,136</b>  | <b>114,334</b> | <b>139,410</b> | <b>154,427</b> |
| SG&A expenses (incl. deprn)                     | (33,430)       | (40,469)       | (48,356)       | (58,261)       | (64,065)       |
| <b>EBITA</b>                                    | <b>51,513</b>  | <b>57,667</b>  | <b>65,977</b>  | <b>81,149</b>  | <b>90,362</b>  |
| Amortization of intangibles                     | —              | —              | —              | —              | —              |
| <b>EBIT</b>                                     | <b>51,513</b>  | <b>57,667</b>  | <b>65,977</b>  | <b>81,149</b>  | <b>90,362</b>  |
| Other income                                    | 3,369          | 4,718          | 4,595          | 5,507          | 7,850          |
| <b>Pre-tax profits</b>                          | <b>54,882</b>  | <b>62,385</b>  | <b>70,572</b>  | <b>86,656</b>  | <b>98,212</b>  |
| Provision for tax                               | (9,293)        | (9,714)        | (13,856)       | (17,605)       | (20,199)       |
| <b>PAT</b>                                      | <b>45,589</b>  | <b>52,671</b>  | <b>56,715</b>  | <b>69,051</b>  | <b>78,013</b>  |
| Equity in earnings of affiliates                | 530            | 648            | 443            | 465            | 488            |
| <b>Reported PAT</b>                             | <b>46,119</b>  | <b>53,319</b>  | <b>57,158</b>  | <b>69,516</b>  | <b>78,501</b>  |
| <b>EPS (Rs)</b>                                 | <b>18.9</b>    | <b>21.6</b>    | <b>23.2</b>    | <b>28.2</b>    | <b>31.9</b>    |
| <b>Balance Sheet</b>                            |                |                |                |                |                |
| Shareholders funds                              | 196,112        | 239,680        | 284,164        | 339,399        | 399,750        |
| Borrowings                                      | 26,009         | 30,454         | 13,126         | 15,529         | 17,198         |
| Minority interest                               | 437            | 691            | 969            | 1,276          | 1,613          |
| <b>Total liabilities</b>                        | <b>222,558</b> | <b>270,825</b> | <b>298,260</b> | <b>356,204</b> | <b>418,560</b> |
| Net fixed assets                                | 53,458         | 55,094         | 61,445         | 68,634         | 76,850         |
| Cash and bank balances                          | 95,298         | 110,423        | 71,699         | 105,995        | 148,024        |
| Net current assets excluding cash               | 2,846          | 21,273         | 68,879         | 79,825         | 87,944         |
| Other assets                                    | 70,956         | 84,035         | 96,237         | 101,749        | 105,743        |
| <b>Total assets</b>                             | <b>222,558</b> | <b>270,825</b> | <b>298,260</b> | <b>356,204</b> | <b>418,560</b> |
| <b>Cashflow statement</b>                       |                |                |                |                |                |
| Operating profit before working capital changes | 59,056         | 67,434         | 77,749         | 94,252         | 104,991        |
| Tax paid  | (9,293)        | (9,714)        | (13,856)       | (17,605)       | (20,199)       |
| Change in working capital/other adjustments     | (9,709)        | (14,948)       | (18,409)       | (13,590)       | (9,955)        |
| Capital expenditure                             | (12,979)       | (12,211)       | (18,123)       | (20,293)       | (22,844)       |
| <b>Free cash flow</b>                           | <b>21,362</b>  | <b>30,639</b>  | <b>21,961</b>  | <b>42,764</b>  | <b>51,993</b>  |

Source: Company, Kotak Institutional Equities

MARCH 06, 2012

UPDATE

Coverage view: **Cautious**

Price (Rs): **76**

Target price (Rs): **60**

BSE-30: **17,363**

**Bumpy road ahead.** We maintain our cautious stance on Adani Power (APL), despite recent optimism on visibility of domestic coal availability as (1) actual availability and pricing of domestic coal remain questionable, (2) availability of imported coal at US\$36/ton hinges on ramp-up of Indonesian coal mines, and (3) tax impact due to incidence of MAT could be a reality for Mundra projects. As APL sells most power through non-scalable competitive bids, the cost incidence in most instances will be earnings dilutive. We maintain our SELL rating with a target price of Rs60.

#### Company data and valuation summary

Adani Power

##### Stock data

|                               |        |
|-------------------------------|--------|
| 52-week range (Rs) (high,low) | 122-59 |
| Market Cap. (Rs bn)           | 181.6  |

##### Shareholding pattern (%)

|           |      |
|-----------|------|
| Promoters | 73.5 |
| FIs       | 10.3 |
| MFs       | 0.2  |

##### Price performance (%)

|                | 1M    | 3M    | 12M    |
|----------------|-------|-------|--------|
| Absolute       | (7.5) | (0.6) | (31.2) |
| Rel. to BSE-30 | (6.2) | (3.8) | (26.8) |

##### Forecasts/Valuations

|                     | 2012  | 2013E | 2014E  |
|---------------------|-------|-------|--------|
| EPS (Rs)            | 2.3   | 8.1   | 6.4    |
| EPS growth (%)      | (4.3) | 259.1 | (21.1) |
| P/E (X)             | 33.7  | 9.4   | 11.9   |
| Sales (Rs bn)       | 44.8  | 120.2 | 127.5  |
| Net profits (Rs bn) | 5.4   | 19.4  | 15.3   |
| EBITDA (Rs bn)      | 17.5  | 63.0  | 61.0   |
| EV/EBITDA (X)       | 23.4  | 6.6   | 6.4    |
| ROE (%)             | 7.9   | 23.2  | 15.1   |
| Div. Yield (%)      | 0.0   | 0.0   | 0.0    |

#### Imported coal – assured supply at US\$36/ton hinges on ramp-up at Bunyu Island

APL's fuel cost increased 135% yoy in 3QFY12, driven mainly by 30% of its coal imports being at market prices (instead of the contracted price of US\$36/ton) following a change in Indonesian laws in September 2011 that prevented APL from obtaining incremental coal supplies at subsidized rates. We factor sustained supply of 6.5 mtpa from Bunyu Island at US\$36/ton, implying imports of 3.1 mtpa at market prices for the residual demand (see Exhibit 1), and highlight risk to both volume and pricing assumptions if production at Bunyu (currently 2.8 mtpa) fails to ramp-up.

We further highlight that APL's related-party disclosures (in its 2011 Annual Report) show no coal purchases from AEL (or its subsidiaries) in FY2011, contrary to the stated fuel supply agreements for the supply of coal.

#### Domestic coal availability and pricing indecisive despite Government directive

We contain our optimism on the recent Government diktat for Coal India to sign fuel supply agreements for power plants commissioned after FY2009. We note that the directive assures 80% of contracted quantity (usually at 85% PLF), implying assured supply for 68% PLF, and given the demand supply imbalance faced by CIL, blending of imported coal is inevitable (see our note titled *FSAs in place, but (1) where's the coal, and (2) who will pay for it?*), thus pushing up fuel costs for procurers. We highlight that our estimate for APL's linkage-based capacity at Tiroda factors a PLF of 80% and supply of coal at current notified prices of CIL, which may be at risk, given the paucity of domestic coal supplies.

#### Incidence of MAT at Mundra could further erode value

The Union Budget 2011 amended the provisions of the Income Tax Act and consequently, SEZ developers were liable to pay MAT. APL has however challenged the constitutional validity of this, and has not provided for MAT in 9MFY12. We note that APL's total MAT liability for 9MFY12 is Rs330 mn and potential incidence of MAT could erode Rs8/share from our fair value estimate.

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### Maintain SELL with target price of Rs60

We maintain our SELL rating on APL with a target price of Rs60. Our target price does not factor the risk emanating from (1) potential incidence of MAT which could erode Rs8/share from our fair value estimate, and (2) pricing and availability of both domestic and imported coal. Our target price includes value for 6,600 MW of power projects under implementation, and implies a ratio of 7X on sustainable earnings beyond FY2015E.

**Exhibit 1: Increased dependence on spot purchase of imported coal**  
Details of coal mix for Mundra capacity

|  | 2013E     | 2014E     | 2015E     | 2016E     |
|--|-----------|-----------|-----------|-----------|
| <b>Mundra I&amp;II (1,320 MW)</b>        |           |           |           |           |
| Coal from Bunyu Island (mn tons)         | 2.99      | 2.99      | 2.99      | 2.99      |
| Spot purchase of imported coal (mn tons) | 1.28      | 1.28      | 1.28      | 1.28      |
| <b>PLF (%)</b>                           | <b>80</b> | <b>80</b> | <b>80</b> | <b>80</b> |
| <b>Mundra III (1,320 MW)</b>             |           |           |           |           |
| Coal from Bunyu Island (mn tons)         | 2.68      | 2.68      | 2.68      | 2.68      |
| Spot purchase of imported coal (mn tons) | 1.15      | 1.15      | 1.15      | 1.15      |
| <b>PLF (%)</b>                           | <b>80</b> | <b>80</b> | <b>80</b> | <b>80</b> |
| <b>Mundra IV (1,980 MW)</b>              |           |           |           |           |
| Linkage coal (mn tons)                   | 4.41      | 5.50      | 5.50      | 5.50      |
| Coal from Bunyu Island (mn tons)         | 0.69      | 0.86      | 0.86      | 0.86      |
| Spot purchase of imported coal (mn tons) | 0.69      | 0.86      | 0.86      | 0.86      |
| <b>PLF (%)</b>                           | <b>80</b> | <b>80</b> | <b>80</b> | <b>80</b> |

Source: Company, Kotak Institutional Equities estimates

**Exhibit 2: Our fair value estimate could be eroded significantly if supplies of 6.5 mtpa at US\$36/ton do not materialize**

Sensitivity of APL's fair value on the price of Indonesian coal

| Merchant tariff (Rs/kwh) | Coal price (US\$/ton, CIF) |    |    |    |    |
|--------------------------|----------------------------|----|----|----|----|
|                          | 36                         | 45 | 50 | 60 | 70 |
| 2.5                      | 48                         | 43 | 41 | 33 | 46 |
| 3.0                      | 54                         | 49 | 47 | 41 | 37 |
| 3.5                      | 61                         | 56 | 53 | 48 | 44 |
| 4.0                      | 67                         | 63 | 60 | 55 | 48 |
| 4.5                      | 74                         | 69 | 67 | 62 | 56 |

Source: Kotak Institutional Equities estimates

**Exhibit 3: Our SOTP-based target price ascribes value to 6,600 MW of capacities**  
SOTP APL

| Project                | Type    | Capacity (MW) | Cost       |              | Equity    |             |                | Ownership (%) | Value (Rs bn) | CoE (%) |
|------------------------|---------|---------------|------------|--------------|-----------|-------------|----------------|---------------|---------------|---------|
|                        |         |               | (Rs bn)    | (Rs mn / MW) | (%)       | Invested    | To be invested |               |               |         |
| Mundra 1&2             | Thermal | 1,320         | 44         | 33           | 16        | 7           | 0.0            | 100           | 39            | 12      |
| Mundra 3               | Thermal | 1,320         | 58         | 44           | 24        | 14          | 0.2            | 100           | 12            | 12      |
| Mundra 4               | Thermal | 1,980         | 110        | 55           | 20        | 6           | 16.1           | 100           | 22            | 12      |
| Tiroda 1               | Thermal | 1,320         | 66         | 50           | 20        | 5           | 8.3            | 100           | 27            | 12      |
| Tiroda 2               | Thermal | 660           | 27         | 41           | 20        | 4           | 1.6            | 100           | 22            | 12      |
| <b>Total</b>           |         | <b>6,600</b>  | <b>304</b> | <b>223</b>   | <b>20</b> | <b>35.1</b> | <b>26.2</b>    |               | <b>122</b>    |         |
| <b>Cash</b>            |         |               |            |              |           |             |                |               | <b>23</b>     |         |
| <b>Total value</b>     |         |               |            |              |           |             |                |               | <b>145</b>    |         |
| No. of Shares          |         |               |            |              |           |             |                |               | 2             |         |
| <b>Value per share</b> |         |               |            |              |           |             |                |               | <b>61</b>     |         |

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Profit model, balance sheet, cash model of APL, March fiscal year-ends, 2009-15E (Rs mn)

|  | 2009            | 2010            | 2011             | 2012E          | 2013E          | 2014E          | 2015E          |
|--|-----------------|-----------------|------------------|----------------|----------------|----------------|----------------|
| <b>Profit model</b>                        |                 |                 |                  |                |                |                |                |
| Net revenues                               | —               | 4,349           | 21,352           | 44,751         | 120,209        | 127,533        | 127,157        |
| <b>EBITDA</b>                              | <b>(28)</b>     | <b>2,446</b>    | <b>12,205</b>    | <b>17,507</b>  | <b>62,950</b>  | <b>61,044</b>  | <b>60,939</b>  |
| Other income                               | —               | 319             | 1,045            | 2,357          | 2,057          | 3,761          | 5,847          |
| Interest (expense)/income                  | —               | (377)           | (3,232)          | (6,828)        | (22,944)       | (27,602)       | (25,849)       |
| Depreciation                               | —               | (354)           | (1,886)          | (5,148)        | (12,083)       | (12,948)       | (12,948)       |
| <b>Pretax profits</b>                      | <b>(28)</b>     | <b>2,035</b>    | <b>8,132</b>     | <b>7,889</b>   | <b>29,981</b>  | <b>24,255</b>  | <b>27,989</b>  |
| Tax  | —               | —               | —                | —              | (1,988)        | (2,272)        | (2,430)        |
| Deferred taxation                          | —               | (327)           | (3,000)          | (2,495)        | (8,620)        | (6,707)        | (5,298)        |
| Minority interest                          | 2               | —               | 4                | —              | —              | —              | —              |
| <b>Net income</b>                          | <b>(26)</b>     | <b>1,708</b>    | <b>5,136</b>     | <b>5,394</b>   | <b>19,373</b>  | <b>15,277</b>  | <b>20,261</b>  |
| Extraordinary items                        | —               | —               | —                | —              | —              | —              | —              |
| Reported profit                            | (26)            | 1,708           | 5,136            | 5,394          | 19,373         | 15,277         | 20,261         |
| <b>Earnings per share (Rs)</b>             | <b>(0.0)</b>    | <b>0.8</b>      | <b>2.4</b>       | <b>2.3</b>     | <b>8.1</b>     | <b>6.4</b>     | <b>8.5</b>     |
| <b>Balance sheet</b>                       |                 |                 |                  |                |                |                |                |
| Paid-up common stock                       | 18,420          | 21,800          | 21,800           | 23,932         | 23,932         | 23,932         | 23,932         |
| <b>Total shareholders' equity</b>          | <b>22,743</b>   | <b>57,780</b>   | <b>62,873</b>    | <b>73,930</b>  | <b>93,303</b>  | <b>108,579</b> | <b>128,841</b> |
| Deferred taxation liability                | —               | 120             | 3,120            | 5,615          | 14,235         | 20,941         | 26,239         |
| Minority interest                          | 703             | 1,023           | 5,663            | 0              | 0              | 0              | 0              |
| Total borrowings                           | 49,897          | 105,705         | 245,027          | 250,234        | 269,638        | 259,417        | 216,630        |
| <b>Total liabilities and equity</b>        | <b>73,343</b>   | <b>164,628</b>  | <b>316,683</b>   | <b>329,779</b> | <b>377,176</b> | <b>388,938</b> | <b>371,710</b> |
| Net fixed assets                           | 3,368           | 27,871          | 87,472           | 147,838        | 301,452        | 288,504        | 275,557        |
| Capital work-in progress                   | 65,845          | 127,691         | 236,909          | 172,299        | 35,000         | 35,000         | 35,000         |
| Investments                                | —               | —               | 100              | 100            | 100            | 100            | 100            |
| Goodwill                                   | —               | —               | —                | —              | —              | —              | —              |
| Cash                                       | 5,585           | 11,654          | 12,551           | 22,545         | 32,833         | 51,163         | 47,043         |
| Net current assets (excl. cash)            | (1,456)         | (2,587)         | (20,349)         | (13,004)       | 7,791          | 14,170         | 14,011         |
| Net current assets (incl. cash)            | 4,129           | 9,066           | (7,798)          | 9,542          | 40,623         | 65,333         | 61,054         |
| <b>Total assets</b>                        | <b>73,343</b>   | <b>164,628</b>  | <b>316,683</b>   | <b>329,779</b> | <b>377,176</b> | <b>388,938</b> | <b>371,710</b> |
| <b>Free cash flow</b>                      |                 |                 |                  |                |                |                |                |
| Operating cash flow, excl. working capital | (28)            | 2,389           | 10,018           | 13,037         | 40,075         | 34,931         | 38,507         |
| Working capital changes                    | (1,142)         | 1,131           | 17,761           | (7,345)        | (20,794)       | (6,380)        | 159            |
| Capital expenditure                        | (44,709)        | (86,923)        | (170,952)        | (903)          | (28,398)       | —              | —              |
| <b>Free cash flow</b>                      | <b>(45,879)</b> | <b>(83,403)</b> | <b>(143,173)</b> | <b>4,788</b>   | <b>(9,117)</b> | <b>28,551</b>  | <b>38,666</b>  |
| <b>Ratios</b>                              |                 |                 |                  |                |                |                |                |
| Net debt/equity (%)                        | 189.0           | 159.9           | 339.2            | 308.0          | 253.8          | 191.8          | 131.6          |
| Return on equity (%)                       | (0.1)           | 4.2             | 8.5              | 7.9            | 23.2           | 15.1           | 17.1           |
| Book value per share (Rs)                  | 12.3            | 26.6            | 30.3             | 33.2           | 44.9           | 54.1           | 64.8           |
| <b>ROCE (%)</b>                            | <b>(0.1)</b>    | <b>1.4</b>      | <b>2.1</b>       | <b>1.7</b>     | <b>6.0</b>     | <b>4.6</b>     | <b>6.0</b>     |

Source: Company, Kotak Institutional Equities estimates

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

| Company                             | 5-Mar-12   |        | 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 |
|-------------------------------------|------------|--------|-----------|-----------|-------|------------|--------|--------|----------|---------|--------|----------------|-------|-------|---------|-------|-------|---------------|-------|-------|--------------|-------|-------|--------------------|--------|--------|---------|--------|-----------|--------------|--------|----------|
|                                     | Price (Rs) | Rating | (Rs mn)   | (US\$ mn) | (mn)  | 2011       | 2012E  | 2013E  | 2011     | 2012E   | 2013E  | 2011           | 2012E | 2013E | 2011    | 2012E | 2013E | 2011          | 2012E | 2013E | 2011         | 2012E | 2013E | 2011               | 2012E  | 2013E  | (Rs)    | (%)    | (US\$ mn) |              |        |          |
| <b>Automobiles</b>                  |            |        |           |           |       |            |        |        |          |         |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |
| Apollo Tyres                        | 78         | BUY    | 39,067    | 786       | 504   | 8.7        | 7.4    | 10.0   | (26.1)   | (15.4)  | 34.6   | 8.9            | 10.5  | 7.8   | 6.3     | 5.7   | 4.5   | 1.4           | 1.3   | 1.1   | 0.6          | 0.5   | 0.7   | 20.1               | 14.4   | 16.8   | 90      | 16.1   | 3.8       |              |        |          |
| Ashok Leyland                       | 28         | ADD    | 74,765    | 1,505     | 2,661 | 2.4        | 1.7    | 2.8    | 68.1     | (26.8)  | 58.6   | 11.8           | 16.2  | 10.2  | 8.1     | 9.3   | 7.0   | 1.7           | 1.6   | 1.5   | 3.6          | 3.6   | 3.6   | 21.8               | 14.6   | 21.5   | 33      | 17.4   | 3.7       |              |        |          |
| Bajaj Auto                          | 1,702      | SELL   | 492,530   | 9,915     | 289   | 90.4       | 106.6  | 122.3  | 43.9     | 18.0    | 14.7   | 18.8           | 16.0  | 13.9  | 14.3    | 12.0  | 10.7  | 10.0          | 7.2   | 5.5   | 2.4          | 2.4   | 2.4   | 84.9               | 52.5   | 44.7   | 1,715   | 0.8    | 20.3      |              |        |          |
| Bharat Forge                        | 304        | REDUCE | 72,056    | 1,451     | 237   | 12.5       | 17.5   | 20.0   | 1,402.1  | 39.2    | 14.6   | 24.2           | 17.4  | 15.2  | 11.2    | 8.8   | 7.8   | 3.2           | 2.7   | 2.3   | 1.1          | —     | —     | 8.2                | 14.6   | 15.6   | 315     | 3.7    | 2.5       |              |        |          |
| Exide Industries                    | 133        | SELL   | 113,178   | 2,278     | 850   | 7.5        | 5.1    | 6.5    | 18.0     | (32.1)  | 28.4   | 17.9           | 26.3  | 20.5  | 12.9    | 17.1  | 13.6  | 4.1           | 3.7   | 3.3   | 1.1          | 1.0   | 1.0   | 25.5               | 14.9   | 17.0   | 105     | (21.1) | 3.7       |              |        |          |
| Hero Motocorp                       | 1,887      | SELL   | 376,824   | 7,586     | 200   | 99.3       | 118.0  | 131.8  | (11.1)   | 18.8    | 11.7   | 19.0           | 16.0  | 14.3  | 12.4    | 11.4  | 10.0  | 8.1           | 7.0   | 5.9   | 5.6          | 3.7   | 3.7   | 56.5               | 66.1   | 59.5   | 1,850   | (2.0)  | 22.1      |              |        |          |
| Mahindra & Mahindra                 | 675        | BUY    | 414,634   | 8,347     | 614   | 41.7       | 41.6   | 44.4   | 22.7     | (0.2)   | 6.7    | 16.2           | 16.2  | 15.2  | 12.5    | 12.3  | 11.1  | 3.9           | 3.3   | 2.8   | 1.7          | 1.4   | 1.4   | 27.3               | 22.0   | 20.1   | 815     | 20.7   | 37.3      |              |        |          |
| Maruti Suzuki                       | 1,315      | SELL   | 379,961   | 7,649     | 289   | 79.2       | 52.3   | 89.9   | (8.4)    | (33.9)  | 71.7   | 16.6           | 25.1  | 14.6  | 10.6    | 17.3  | 9.1   | 2.7           | 2.5   | 2.2   | 0.6          | 0.6   | 0.6   | 17.6               | 10.3   | 15.8   | 1,250   | (5.0)  | 19.1      |              |        |          |
| Tata Motors                         | 274        | REDUCE | 911,549   | 18,350    | 3,325 | 27.2       | 34.3   | 38.7   | 737.9    | 26.2    | 12.8   | 10.1           | 8.0   | 7.1   | 6.7     | 5.3   | 4.4   | 4.7           | 3.1   | 2.2   | 1.4          | 1.0   | 1.0   | 66.1               | 46.8   | 37.0   | 285     | 4.0    | 77.4      |              |        |          |
| <b>Automobiles</b>                  |            |        |           |           |       |            |        |        |          |         |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |
| <b>Banks/Financial Institutions</b> |            |        |           |           |       |            |        |        |          |         |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |
| Andhra Bank                         | 123        | BUY    | 69,080    | 1,391     | 560   | 22.6       | 23.6   | 23.0   | 5.0      | 4.4     | (2.8)  | 5.5            | 5.2   | 5.4   | —       | —     | —     | 1.1           | 0.9   | 0.8   | 4.5          | 4.6   | 4.5   | 23.2               | 19.0   | 16.3   | 150     | 21.5   | 1.6       |              |        |          |
| Axis Bank                           | 1,150      | BUY    | 487,978   | 9,823     | 424   | 82.5       | 95.5   | 102.8  | 33.0     | 15.7    | 7.6    | 13.9           | 12.0  | 11.2  | —       | —     | —     | 2.6           | 2.2   | 1.9   | 1.2          | 1.4   | 1.5   | 19.3               | 19.6   | 18.2   | 1,350   | 17.4   | 58.7      |              |        |          |
| Bajaj Finserv                       | 627        | ADD    | 90,693    | 1,826     | 145   | 78.2       | 63.2   | 62.9   | 102.3    | (19.2)  | (0.4)  | 8.0            | 9.9   | 10.0  | —       | —     | —     | 2.6           | 1.9   | 1.5   | 2.0          | 2.0   | 2.0   | 37.2               | 21.9   | 16.8   | 650     | 3.7    | 1.8       |              |        |          |
| Bank of Baroda                      | 818        | BUY    | 321,316   | 6,468     | 393   | 108.0      | 115.6  | 121.2  | 29.1     | 7.1     | 4.9    | 7.6            | 7.1   | 6.7   | —       | —     | —     | 1.7           | 1.4   | 1.2   | 2.3          | 2.5   | 2.6   | 25.9               | 21.5   | 19.2   | 1,050   | 28.4   | 9.9       |              |        |          |
| Bank of India                       | 355        | BUY    | 194,153   | 3,908     | 547   | 45.5       | 46.7   | 62.0   | 37.4     | 2.7     | 32.8   | 7.8            | 7.6   | 5.7   | —       | —     | —     | 1.2           | 1.1   | 0.9   | 2.3          | 2.4   | 3.1   | 17.3               | 15.1   | 17.6   | 450     | 26.8   | 6.0       |              |        |          |
| Canara Bank                         | 493        | BUY    | 218,266   | 4,394     | 443   | 90.9       | 74.8   | 93.2   | 23.3     | (17.7)  | 24.6   | 5.4            | 6.6   | 5.3   | —       | —     | —     | 1.2           | 1.1   | 0.9   | 2.2          | 2.4   | 2.4   | 23.2               | 15.5   | 16.9   | 550     | 11.6   | 8.0       |              |        |          |
| Corporation Bank                    | 463        | BUY    | 68,547    | 1,380     | 148   | 95.4       | 107.5  | 107.5  | 16.3     | 12.7    | (0.0)  | 4.9            | 4.3   | 4.3   | —       | —     | —     | 1.0           | 0.8   | 0.7   | 4.3          | 4.9   | 4.9   | 21.9               | 20.6   | 17.8   | 600     | 29.7   | 0.8       |              |        |          |
| Federal Bank                        | 408        | BUY    | 69,736    | 1,404     | 171   | 34.3       | 42.4   | 49.7   | 26.3     | 23.5    | 17.3   | 11.9           | 9.6   | 8.2   | —       | —     | —     | 1.4           | 1.3   | 1.2   | 2.1          | 2.6   | 3.0   | 12.0               | 13.5   | 14.3   | 500     | 22.6   | 4.3       |              |        |          |
| HDFC                                | 657        | REDUCE | 963,973   | 19,406    | 1,467 | 24.1       | 27.7   | 31.8   | 22.4     | 14.9    | 14.7   | 27.3           | 23.7  | 20.7  | —       | —     | —     | 5.6           | 4.9   | 3.8   | 1.4          | 1.6   | 1.9   | 21.7               | 22.0   | 21.4   | 725     | 10.3   | 70.7      |              |        |          |
| HDFC Bank                           | 511        | ADD    | 1,188,535 | 23,926    | 2,326 | 16.9       | 22.1   | 28.1   | 31.0     | 30.9    | 27.2   | 30.3           | 23.1  | 18.2  | —       | —     | —     | 4.7           | 4.1   | 3.5   | 0.6          | 0.8   | 1.1   | 16.7               | 18.8   | 20.5   | 560     | 9.6    | 32.7      |              |        |          |
| ICICI Bank                          | 870        | BUY    | 1,002,487 | 20,181    | 1,152 | 44.7       | 53.2   | 56.7   | 23.9     | 19.0    | 6.5    | 19.5           | 16.4  | 15.4  | —       | —     | —     | 1.8           | 1.7   | 1.6   | 1.6          | 1.8   | 2.0   | 9.7                | 10.7   | 10.7   | 1,100   | 26.4   | 100.3     |              |        |          |
| IDFC                                | 140        | ADD    | 211,743   | 4,263     | 1,509 | 8.8        | 10.6   | 12.8   | 4.6      | 20.6    | 20.8   | 16.0           | 13.3  | 11.0  | —       | —     | —     | 2.0           | 1.7   | 1.5   | 1.5          | 1.5   | 1.8   | 14.7               | 13.9   | 14.6   | 155     | 10.4   | 25.1      |              |        |          |
| India Infoline                      | 70         | SELL   | 20,019    | 403       | 286   | 7.4        | 4.0    | 4.3    | (9.3)    | (45.5)  | 5.7    | 9.5            | 17.4  | 16.4  | —       | —     | —     | 1.2           | 1.1   | 1.0   | 5.0          | 1.2   | 1.2   | 12.9               | 6.7    | 7.3    | 70      | 0.1    | 1.1       |              |        |          |
| Indian Bank                         | 232        | BUY    | 99,728    | 2,008     | 430   | 38.8       | 41.9   | 46.6   | 10.5     | 8.0     | 11.2   | 6.0            | 5.5   | 5.0   | —       | —     | —     | 1.3           | 1.1   | 0.9   | 3.2          | 3.4   | 3.8   | 22.3               | 20.4   | 19.4   | 300     | 29.3   | 2.0       |              |        |          |
| Indian Overseas Bank                | 99         | BUY    | 61,442    | 1,237     | 619   | 17.3       | 14.4   | 27.8   | 33.6     | (17.2)  | 93.6   | 5.7            | 6.9   | 3.6   | —       | —     | —     | 0.8           | 0.7   | 0.6   | 5.0          | 1.9   | 3.9   | 12.7               | 9.1    | 15.9   | 140     | 41.0   | 1.8       |              |        |          |
| IndusInd Bank                       | 307        | ADD    | 142,912   | 2,877     | 466   | 12.4       | 16.8   | 17.9   | 45.2     | 35.2    | 7.1    | 24.8           | 18.3  | 17.1  | —       | —     | —     | 3.5           | 3.1   | 2.7   | 0.7          | 0.9   | 0.9   | 20.8               | 19.3   | 17.4   | 330     | 7.6    | 4.4       |              |        |          |
| J&K Bank                            | 814        | ADD    | 39,473    | 795       | 48    | 126.9      | 155.4  | 160.6  | 20.1     | 22.5    | 3.4    | 6.4            | 5.2   | 5.1   | —       | —     | —     | 1.1           | 1.0   | 0.9   | 3.2          | 3.9   | 4.0   | 19.0               | 20.0   | 17.9   | 950     | 16.7   | 0.5       |              |        |          |
| LIC Housing Finance                 | 247        | ADD    | 117,313   | 2,362     | 475   | 20.5       | 19.3   | 29.5   | 47.2     | (5.8)   | 52.7   | 12.0           | 12.8  | 8.4   | —       | —     | —     | 3.0           | 2.5   | 2.2   | 1.8          | 1.7   | 2.6   | 25.8               | 20.3   | 26.0   | 270     | 9.3    | 13.8      |              |        |          |
| Mahindra & Mahindra Financial       | 676        | BUY    | 69,258    | 1,394     | 102   | 45.2       | 55.6   | 71.9   | 26.1     | 23.0    | 29.3   | 15.0           | 12.2  | 9.4   | —       | —     | —     | 2.8           | 2.5   | 2.1   | 1.5          | 1.8   | 2.3   | 22.0               | 21.1   | 23.1   | 825     | 22.0   | 1.6       |              |        |          |
| Muthoot Finance                     | 156        | BUY    | 58,089    | 1,169     | 371   | 15.7       | 23.1   | 27.5   | 108.4    | 46.4    | 19.3   | 9.9            | 6.8   | 5.7   | —       | —     | —     | 4.4           | 1.9   | 1.4   | —            | —     | —     | 51.5               | 38.7   | 28.4   | 240     | 53.5   | —         |              |        |          |
| Oriental Bank of Commerce           | 282        | BUY    | 82,379    | 1,658     | 292   | 51.5       | 43.0   | 57.9   | 13.7     | (16.5)  | 34.7   | 5.5            | 6.6   | 4.9   | —       | —     | —     | 0.8           | 0.7   | 0.7   | 3.7          | 3.1   | 4.1   | 15.5               | 10.9   | 13.4   | 370     | 31.0   | 2.9       |              |        |          |
| PFC                                 | 186        | BUY    | 245,778   | 4,948     | 1,320 | 22.8       | 22.7   | 29.3   | 11.1     | (0.5)   | 29.0   | 8.2            | 8.2   | 6.4   | —       | —     | —     | 1.6           | 1.2   | 1.1   | 2.1          | 2.4   | 3.1   | 18.4               | 16.7   | 17.4   | 225     | 20.8   | 13.7      |              |        |          |
| Punjab National Bank                | 941        | BUY    | 298,136   | 6,002     | 317   | 140.0      | 152.0  | 166.5  | 13.0     | 8.6     | 9.5    | 6.7            | 6.2   | 5.7   | —       | —     | —     | 1.5           | 1.3   | 1.1   | 2.3          | 3.3   | 3.6   | 24.4               | 22.0   | 20.5   | 1,270   | 35.0   | 9.2       |              |        |          |
| Reliance Capital                    | 428        | ADD    | 105,320   | 2,120     | 246   | 9.3        | 8.4    | 22.6   | (25.3)   | (10.2)  | 170.0  | 46.0           | 51.2  | 19.0  | —       | —     | —     | 1.5           | 1.5   | 1.4   | 0.9          | 0.8   | 2.1   | 3.3                | 2.9    | 7.6    | 470     | 9.9    | 33.4      |              |        |          |
| Rural Electrification Corp.         | 197        | BUY    | 194,072   | 3,907     | 987   | 26.0       | 28.7   | 33.7   | 28.1     | 10.5    | 17.2   | 7.6            | 6.8   | 5.8   | —       | —     | —     | 1.5           | 1.3   | 1.2   | 3.8          | 4.2   | 4.9   | 21.5               | 20.7   | 21.1   | 230     | 17.0   | 11.5      |              |        |          |
| SKS Microfinance                    | 123        | RS     | 9,041     | 182       | 74    | 15.7       | (89.1) | (27.5) | (41.8)   | (667.7) | (69.1) | 7.8            | (1.4) | (4.5) | —       | —     | —     | 0.5           | 0.8   | 0.9   | —            | —     | —     | 8.3                | (44.7) | (19.3) | —       | —      | 2.1       |              |        |          |
| State Bank of India                 | 2,176      | BUY    | 1,463,592 | 29,463    | 673   | 130.2      | 179.2  | 219.6  | (9.9)    | 37.7    | 22.6   | 16.7           | 12.1  | 9.9   | —       | —     | —     | 2.3           | 1.8   | 1.6   | 1.5          | 1.6   | 1.7   | 12.6               | 16.4   | 16.8   | 2,450   | 12.6   | 145.6     |              |        |          |
| Union Bank                          | 228        | BUY    | 122,019   | 2,456     | 536   | 39.5       | 31.6   | 44.0   | (3.9)    | (19.8)  | 39.0   | 5.8            | 7.2   | 5.2   | —       | —     | —     | 1.1           | 1.0   | 0.8   | 3.4          | 2.8   | 3.9   | 20.9               | 14.4   | 17.5   | 340     | 49.4   | 6.5       |              |        |          |
| Yes Bank                            | 340        | ADD    | 117,926   | 2,374     | 347   | 20.9       | 27.1   | 31.8   | 39.6     | 29.3    | 17.3   | 16.2           | 12.5  | 10.7  | —       | —     | —     | 3.1           | 2.6   | 2.1   | 0.7          | 1.0   | 1.1   | 21.1               | 22.4   | 21.7   | 375     | 10.4   | 19.4      |              |        |          |
| <b>Banks/Financial Institutions</b> |            |        |           |           |       |            |        |        |          |         |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |
| <b>Cement</b>                       |            |        |           |           |       |            |        |        |          |         |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |
| ACC                                 | 1,300      | SELL   | 244,178   | 4,916     | 188   | 53.0       | 57.1   | 69.9   | (36.3)   | 7.8     | 22.4   | 24.5           | 22.8  | 18.6  | 14.6    | 13.7  | 9.9   | 3.6           | 3.2   | 2.8   | 2.7          | 1.8   | 1.8   | 17.5               | 16.1   | 17.6   | 1,030   | (20.7) | 9.8       |              |        |          |
| Ambuja Cements                      | 162        | SELL   | 247,158   | 4,975     | 1,522 | 7.9        | 7.8    | 10.0   | (1.5)    | (1.2)   | 28.6   | 20.6           | 20.8  | 16.2  | 12.6    | 11.9  | 8.9   | 3.1           | 2.8   | 2.5   | 1.3          | 1.4   | 1.5   | 16.6               | 14.6   | 17.1   | 145     | (10.7) | 9.3       |              |        |          |
| Grasim Industries                   | 2,702      | BUY    | 247,869   | 4,990     | 92    | 232.0      | 275.8  | 281.7  | (22.9)   | 18.9    |        |                |       |       |         |       |       |               |       |       |              |       |       |                    |        |        |         |        |           |              |        |          |

# Kotak Institutional Equities: Valuation summary of KIE Universe stocks

| Company                       | 5-Mar-12   |                   | Mkt cap.         |                | O/S         | EPS (Rs) |       |       | EPS growth (%) |             |             | PER (X)     |             |             | EV/EBITDA (X) |             |             | Price/BV (X) |            |            | Dividend yield (%) |            |            | RoE (%)     |             |             | Target price | Upside | ADVT-3mo  |
|-------------------------------|------------|-------------------|------------------|----------------|-------------|----------|-------|-------|----------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|--------------|------------|------------|--------------------|------------|------------|-------------|-------------|-------------|--------------|--------|-----------|
|                               | Price (Rs) | Rating            | (Rs mn)          | (US\$ mn)      | shares (mn) | 2011     | 2012E | 2013E | 2011           | 2012E       | 2013E       | 2011        | 2012E       | 2013E       | 2011          | 2012E       | 2013E       | 2011         | 2012E      | 2013E      | 2011               | 2012E      | 2013E      | 2011        | 2012E       | 2013E       | (Rs)         | (%)    | (US\$ mn) |
| <b>Consumer products</b>      |            |                   |                  |                |             |          |       |       |                |             |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |              |        |           |
| Asian Paints                  | 3,235      | SELL              | 310,272          | 6,246          | 96          | 80.8     | 94.4  | 106.9 | 13.0           | 16.8        | 13.3        | 40.0        | 34.3        | 30.3        | 26.7          | 23.3        | 18.8        | 15.1         | 11.6       | 9.5        | 1.0                | 0.9        | 1.1        | 43.9        | 39.9        | 35.6        | 2,500        | (22.7) | 5.6       |
| Colgate-Palmolive (India)     | 1,032      | SELL              | 140,399          | 2,826          | 136         | 29.6     | 32.5  | 39.1  | (4.9)          | 9.9         | 20.3        | 34.9        | 31.7        | 26.4        | 30.4          | 27.3        | 22.0        | 36.6         | 37.2       | 29.6       | 2.1                | 2.7        | 2.7        | 113.4       | 116.1       | 124.9       | 900          | (12.8) | 2.0       |
| Dabur India                   | 104        | ADD               | 180,825          | 3,640          | 1,740       | 3.3      | 3.7   | 4.4   | 12.8           | 12.1        | 19.2        | 31.8        | 28.4        | 23.8        | 25.6          | 21.7        | 18.5        | 13.8         | 10.7       | 8.5        | 1.1                | 1.2        | 1.5        | 51.2        | 43.2        | 40.2        | 115          | 10.7   | 3.3       |
| GlaxoSmithKline Consumer (a)  | 2,592      | ADD               | 109,004          | 2,194          | 42          | 71.3     | 84.5  | 105.4 | 28.8           | 18.5        | 24.8        | 36.4        | 30.7        | 24.6        | 26.3          | 23.1        | 18.9        | 11.7         | 9.9        | 8.2        | 1.9                | 1.4        | 1.7        | 32.2        | 33.8        | 35.2        | 3,000        | 15.7   | 1.0       |
| Godrej Consumer Products      | 445        | ADD               | 144,095          | 2,901          | 324         | 14.9     | 16.8  | 21.8  | 31.3           | 13.1        | 29.8        | 29.9        | 26.5        | 20.4        | 25.3          | 20.2        | 15.1        | 8.3          | 6.3        | 5.1        | 1.1                | 0.7        | 0.7        | 35.9        | 27.6        | 28.9        | 500          | 12.3   | 1.9       |
| Hindustan Unilever            | 383        | REDUCE            | 826,092          | 16,630         | 2,159       | 9.9      | 11.8  | 14.2  | 4.8            | 19.7        | 19.7        | 38.7        | 32.4        | 27.0        | 33.2          | 26.5        | 21.1        | 31.4         | 27.0       | 23.1       | 2.0                | 2.6        | 3.1        | 66.3        | 89.8        | 92.4        | 420          | 9.8    | 20.8      |
| ITC                           | 207        | ADD               | 1,589,899        | 32,006         | 7,681       | 6.4      | 7.9   | 9.0   | 20.7           | 22.5        | 14.1        | 32.3        | 26.4        | 23.1        | 21.4          | 18.0        | 15.5        | 9.5          | 8.2        | 7.1        | 2.2                | 1.8        | 2.2        | 33.2        | 34.9        | 34.3        | 230          | 11.1   | 29.9      |
| Jubilant Foodworks            | 945        | SELL              | 61,989           | 1,248          | 66          | 11.2     | 16.3  | 24.0  | 99.6           | 45.4        | 47.3        | 84.3        | 58.0        | 39.4        | 51.6          | 32.2        | 22.1        | 32.3         | 20.8       | 13.6       | —                  | —          | —          | 46.6        | 43.6        | 41.7        | 800          | (15.3) | 22.3      |
| Jyothy Laboratories           | 192        | ADD               | 14,869           | 299            | 78          | 10.3     | 8.4   | 10.8  | (6.2)          | (18.8)      | 28.0        | 18.5        | 22.8        | 17.8        | 15.0          | 34.7        | 25.8        | 2.2          | 2.1        | 2.0        | 3.2                | 2.4        | 3.1        | 12.3        | 9.7         | 11.7        | 190          | (0.9)  | 0.4       |
| Marico                        | 159        | BUY               | 97,726           | 1,967          | 615         | 3.9      | 5.2   | 6.8   | (12.8)         | 33.5        | 31.7        | 41.0        | 30.7        | 23.3        | 25.1          | 21.7        | 16.5        | 10.4         | 8.1        | 6.3        | 0.4                | 0.5        | 0.6        | 30.3        | 30.3        | 30.8        | 190          | 19.6   | 0.7       |
| Nestle India (a)              | 4,459      | SELL              | 429,898          | 8,654          | 96          | 86.8     | 104.6 | 125.1 | 16.7           | 20.5        | 19.6        | 51.4        | 42.6        | 35.6        | 34.2          | 28.2        | 22.9        | 50.3         | 33.7       | 20.1       | 1.1                | 1.1        | 1.3        | 116.5       | 94.7        | 70.7        | 3,600        | (19.3) | 2.5       |
| Tata Global Beverages         | 116        | BUY               | 71,734           | 1,444          | 618         | 4.0      | 5.3   | 6.6   | (34.6)         | 35.1        | 23.0        | 29.3        | 21.7        | 17.6        | 12.1          | 11.8        | 9.6         | 1.4          | 1.3        | 1.3        | 1.7                | 1.5        | 1.9        | 6.4         | 8.2         | 9.5         | 110          | (5.2)  | 7.2       |
| Titan Industries              | 224        | ADD               | 198,820          | 4,002          | 888         | 4.9      | 6.5   | 7.9   | 71.7           | 32.5        | 20.7        | 45.6        | 34.4        | 28.5        | 32.0          | 24.2        | 19.5        | 19.2         | 14.5       | 11.2       | 0.6                | 1.0        | 1.3        | 49.2        | 48.0        | 44.4        | 230          | 2.7    | 18.6      |
| United Spirits                | 521        | BUY               | 65,391           | 1,316          | 126         | 35.3     | 36.6  | 42.7  | 29.5           | 3.5         | 16.9        | 14.7        | 14.2        | 12.2        | 11.8          | 10.1        | 9.3         | 1.6          | 1.4        | 1.3        | 0.5                | 0.5        | 0.6        | 11.2        | 10.5        | 11.1        | 900          | 72.9   | 21.7      |
| <b>Consumer products</b>      |            | <b>Attractive</b> | <b>4,241,012</b> | <b>85,375</b>  |             |          |       |       | <b>16.3</b>    | <b>19.3</b> | <b>18.1</b> | <b>35.3</b> | <b>29.6</b> | <b>25.0</b> | <b>24.7</b>   | <b>20.7</b> | <b>17.2</b> | <b>10.9</b>  | <b>9.3</b> | <b>8.0</b> | <b>1.7</b>         | <b>1.7</b> | <b>2.0</b> | <b>31.0</b> | <b>31.6</b> | <b>31.8</b> |              |        |           |
| <b>Constructions</b>          |            |                   |                  |                |             |          |       |       |                |             |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |              |        |           |
| IVRCL                         | 54         | ADD               | 14,325           | 288            | 267         | 5.9      | 2.9   | 3.9   | (25.2)         | (50.5)      | 33.6        | 9.1         | 18.3        | 13.7        | 6.6           | 8.4         | 7.3         | 0.7          | 0.7        | 0.7        | 1.2                | 0.7        | 0.7        | 8.2         | 3.9         | 5.0         | 70           | 30.5   | 10.6      |
| Nagarjuna Construction Co.    | 60         | BUY               | 15,344           | 309            | 257         | 6.4      | 1.8   | 3.7   | (29.7)         | (71.1)      | 100.8       | 9.4         | 32.4        | 16.1        | 8.0           | 9.7         | 8.3         | 0.6          | 0.6        | 0.6        | 1.7                | 3.3        | 3.3        | 7.1         | 2.0         | 4.0         | 65           | 8.7    | 1.7       |
| Punj Lloyd                    | 54         | REDUCE            | 18,338           | 369            | 340         | (1.5)    | 5.1   | 6.6   | (56.6)         | (442.7)     | 28.9        | (36.4)      | 10.6        | 8.2         | 12.6          | 9.2         | 6.4         | 0.6          | 0.6        | 0.6        | (0.1)              | 0.8        | 1.1        | (1.7)       | 5.7         | 6.9         | 60           | 11.1   | 5.1       |
| Sadbhav Engineering           | 134        | BUY               | 20,136           | 405            | 150         | 7.8      | 10.0  | 10.0  | 51.0           | 28.5        | 0.5         | 17.3        | 13.5        | 13.4        | 10.3          | 8.3         | 8.0         | 3.1          | 2.6        | 2.2        | 0.4                | 0.4        | 0.4        | 18.1        | 19.2        | 16.3        | 180          | 34.0   | 0.5       |
| <b>Constructions</b>          |            | <b>Attractive</b> | <b>68,142</b>    | <b>1,372</b>   |             |          |       |       | <b>(1.1)</b>   | <b>15.6</b> | <b>27.8</b> | <b>17.6</b> | <b>15.2</b> | <b>11.9</b> | <b>9.0</b>    | <b>9.0</b>  | <b>7.2</b>  | <b>0.9</b>   | <b>0.8</b> | <b>0.8</b> | <b>0.7</b>         | <b>1.3</b> | <b>1.3</b> | <b>4.8</b>  | <b>5.4</b>  | <b>6.5</b>  |              |        |           |
| <b>Energy</b>                 |            |                   |                  |                |             |          |       |       |                |             |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |              |        |           |
| Aban Offshore                 | 467        | BUY               | 20,336           | 409            | 44          | 134.2    | 71.5  | 92.4  | 25.9           | (46.7)      | 29.1        | 3.5         | 6.5         | 5.1         | 6.6           | 7.6         | 6.8         | 0.9          | 1.2        | 1.0        | 0.8                | 0.9        | 1.0        | 33.3        | 20.8        | 21.4        | 615          | 31.6   | 11.6      |
| Bharat Petroleum              | 666        | RS                | 240,822          | 4,848          | 362         | 38.9     | 42.3  | 53.5  | (32.5)         | 8.8         | 26.3        | 17.1        | 15.7        | 12.5        | 10.9          | 8.5         | 8.0         | 1.6          | 1.5        | 1.4        | 2.1                | 2.1        | 2.6        | 9.2         | 9.3         | 11.0        | —            | —      | 7.7       |
| Cairn India                   | 370        | SELL              | 704,004          | 14,172         | 1,903       | 33.3     | 45.7  | 63.8  | 501.1          | 37.1        | 39.7        | 11.1        | 8.1         | 5.8         | 8.2           | 6.3         | 4.0         | 1.7          | 1.5        | 1.3        | —                  | —          | 4.1        | 16.9        | 19.7        | 23.9        | 360          | (2.7)  | 21.2      |
| Castrol India (a)             | 508        | SELL              | 125,643          | 2,529          | 247         | 19.8     | 19.5  | 21.0  | 28.5           | (1.8)       | 7.8         | 25.7        | 26.1        | 24.2        | 16.5          | 17.9        | 16.4        | 24.3         | 23.0       | 21.4       | 3.0                | 3.0        | 3.2        | 100.2       | 90.4        | 91.4        | 400          | (21.3) | 0.9       |
| GAIL (India)                  | 353        | ADD               | 448,091          | 9,020          | 1,268       | 28.2     | 29.6  | 28.0  | 13.8           | 5.2         | (5.4)       | 12.5        | 11.9        | 12.6        | 7.9           | 8.4         | 8.7         | 2.1          | 1.9        | 1.7        | 2.1                | 2.3        | 2.3        | 17.5        | 16.1        | 13.3        | 435          | 23.1   | 11.3      |
| GSPL                          | 76         | REDUCE            | 42,784           | 861            | 563         | 8.9      | 9.2   | 8.5   | 21.7           | 3.4         | (7.1)       | 8.5         | 8.3         | 8.9         | 5.7           | 5.2         | 5.3         | 1.9          | 1.5        | 1.4        | 1.3                | 1.8        | 2.8        | 25.2        | 20.5        | 16.2        | 87           | 14.4   | 2.8       |
| Hindustan Petroleum           | 308        | RS                | 104,517          | 2,104          | 339         | 40.8     | 11.0  | 28.8  | (20.8)         | (73.2)      | 162.9       | 7.5         | 28.1        | 10.7        | 3.4           | 2.9         | 3.4         | 0.7          | 0.7        | 0.6        | 4.5                | 1.1        | 2.9        | 9.0         | 2.2         | 5.7         | —            | —      | 4.8       |
| Indian Oil Corporation        | 277        | RS                | 673,028          | 13,549         | 2,428       | 32.4     | 30.1  | 29.8  | (34.0)         | (7.2)       | (0.9)       | 8.5         | 9.2         | 9.3         | 8.5           | 7.2         | 6.6         | 1.1          | 1.1        | 1.0        | 3.4                | 0.6        | 3.2        | 13.3        | 12.2        | 11.1        | —            | —      | 2.8       |
| Oil India                     | 1,270      | BUY               | 305,396          | 6,148          | 240         | 120.0    | 146.1 | 189.9 | 4.2            | 21.8        | 30.0        | 10.6        | 8.7         | 6.7         | 5.2           | 3.4         | 2.4         | 1.8          | 1.6        | 1.4        | 3.0                | 4.3        | 5.9        | 16.2        | 17.5        | 20.1        | 1,750        | 37.8   | 2.7       |
| Oil & Natural Gas Corporation | 284        | BUY               | 2,427,200        | 48,862         | 8,556       | 24.7     | 28.7  | 35.2  | 7.4            | 16.3        | 22.8        | 11.5        | 9.9         | 8.1         | 4.4           | 4.0         | 3.1         | 1.6          | 1.5        | 1.3        | 3.1                | 3.5        | 4.1        | 14.3        | 14.8        | 16.3        | 330          | 16.3   | 20.0      |
| Petronet LNG                  | 162        | SELL              | 121,650          | 2,449          | 750         | 8.1      | 14.9  | 13.6  | 50.3           | 83.4        | (8.2)       | 20.0        | 10.9        | 11.9        | 11.6          | 7.7         | 8.3         | 4.0          | 3.1        | 2.5        | 1.2                | 1.8        | 1.8        | 20.9        | 31.1        | 22.5        | 140          | (13.7) | 6.8       |
| Reliance Industries           | 798        | REDUCE            | 2,377,348        | 47,858         | 2,981       | 62.0     | 62.7  | 61.6  | 24.8           | 1.2         | (1.7)       | 12.9        | 12.7        | 12.9        | 7.0           | 6.4         | 6.4         | 1.5          | 1.3        | 1.2        | 1.0                | 1.0        | 1.0        | 13.0        | 11.9        | 10.6        | 855          | 7.2    | 87.7      |
| <b>Energy</b>                 |            | <b>Attractive</b> | <b>7,590,818</b> | <b>152,810</b> |             |          |       |       | <b>11.6</b>    | <b>8.4</b>  | <b>14.2</b> | <b>11.3</b> | <b>10.4</b> | <b>9.1</b>  | <b>6.3</b>    | <b>5.6</b>  | <b>4.8</b>  | <b>1.6</b>   | <b>1.4</b> | <b>1.3</b> | <b>2.1</b>         | <b>2.0</b> | <b>2.9</b> | <b>13.8</b> | <b>13.6</b> | <b>14.0</b> |              |        |           |
| <b>Industrials</b>            |            |                   |                  |                |             |          |       |       |                |             |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |              |        |           |
| ABB                           | 801        | SELL              | 169,834          | 3,419          | 212         | 3.0      | 11.7  | 22.7  | (82.2)         | 291.5       | 94.5        | 268.6       | 68.6        | 35.3        | 195.5         | 45.5        | 22.9        | 7.0          | 6.6        | 5.7        | 0.2                | 0.4        | 0.4        | 2.6         | 9.9         | 17.3        | 515          | (35.7) | 1.9       |
| BGR Energy Systems            | 347        | REDUCE            | 25,041           | 504            | 72          | 44.8     | 29.4  | 27.2  | 60.0           | (34.4)      | (7.4)       | 7.7         | 11.8        | 12.8        | 5.2           | 6.1         | 5.3         | 2.6          | 2.2        | 2.0        | 2.9                | 1.7        | 1.6        | 39.0        | 20.5        | 16.5        | 260          | (25.1) | 8.1       |
| Bharat Electronics            | 1,558      | ADD               | 124,652          | 2,509          | 80          | 107.3    | 115.8 | 132.8 | 11.6           | 8.0         | 14.7        | 14.5        | 13.5        | 11.7        | 6.6           | 7.3         | 5.0         | 2.4          | 2.1        | 1.9        | 1.4                | 1.6        | 1.6        | 18.2        | 16.8        | 16.9        | 1,650        | 5.9    | 1.9       |
| Crompton Greaves              | 137        | ADD               | 87,693           | 1,765          | 642         | 14.3     | 6.4   | 10.3  | 11.5           | (55.2)      | 60.0        | 9.5         | 21.3        | 13.3        | 6.2           | 10.4        | 7.3         | 2.7          | 2.4        | 2.1        | 1.8                | 1.0        | 1.1        | 31.7        | 12.0        | 17.0        | 170          | 24.4   | 7.6       |
| Cummins India                 | 458        | REDUCE            | 126,916          | 2,555          | 277         | 22.2     | 21.6  | 25.9  | 37.1           | (2.9)       | 19.8        | 20.6        | 21.2        | 17.7        | 18.4          | 19.1        | 15.1        | 7.0          | 6.2        | 5.4        | 2.3                | 2.3        | 2.7        | 35.1        | 29.7        | 31.2        | 475          | 3.7    | 2.8       |
| KEC International             | 62         | BUY               | 16,042           | 323            | 257         | 8.0      | 6.7   | 8.1   | 4.1            | (16.5)      | 21.6        | 7.8         | 9.3         | 7.7         | 6.2           | 6.6         | 5.7         | 1.6          | 1.4        | 1.2        | 1.9                | 2.1        | 2.0        | 22.5        | 16.2        | 17.2        | 65           | 4.2    | 0.5       |
| Larsen & Toubro               | 1,267      | REDUCE            | 771,261          | 15,526         | 609         | 67.7     | 80.7  | 87.0  | 18.            |             |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |              |        |           |

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

| Company                              | 5-Mar-12        |        | 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)     |                 | 2011     | 2012E | 2013E | 2011           | 2012E        | 2013E       | 2011        | 2012E       | 2013E       | 2011          | 2012E       | 2013E       | 2011         | 2012E      | 2013E      | 2011               | 2012E      | 2013E      | 2011        | 2012E       | 2013E       |                   |            |                    |
| <b>Media</b>                         |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
| DB Corp                              | 205             | BUY    | 37,655           | 758           | 183             | 14.1     | 11.2  | 13.5  | 32.7           | (20.7)       | 20.6        | 14.6        | 18.4        | 15.2        | 9.5           | 10.7        | 8.9         | 4.5          | 4.0        | 3.5        | 1.9                | 1.9        | 2.9        | 35.0        | 23.0        | 24.5        | 300               | 46.0       | 0.1                |
| DishTV                               | 54              | BUY    | 57,243           | 1,152         | 1,063           | (1.8)    | (0.7) | 0.6   | (27.7)         | (62.1)       | (192.8)     | (30.2)      | (79.7)      | 85.8        | 27.1          | 12.6        | 9.4         | 91.2         | (627.5)    | 99.4       | —                  | —          | —          | (81.9)      | (268.1)     | 275.3       | 80                | 48.6       | 7.7                |
| Eros International                   | 186             | BUY    | 18,050           | 363           | 97              | 11.8     | 15.6  | 19.6  | 19.0           | 32.7         | 25.6        | 15.8        | 11.9        | 9.5         | 10.9          | 8.4         | 6.0         | 2.7          | 2.2        | 1.7        | —                  | —          | —          | 24.9        | 20.1        | 20.4        | 270               | 45.0       | 1.4                |
| Hindustan Media Ventures             | 132             | BUY    | 9,713            | 196           | 73              | 7.3      | 9.0   | 10.6  | 198.0          | 23.3         | 17.8        | 18.1        | 14.7        | 12.5        | 8.7           | 8.3         | 6.3         | 2.5          | 2.2        | 1.9        | 0.8                | 0.8        | 1.5        | 23.3        | 16.1        | 16.5        | 190               | 43.6       | 0.1                |
| HT Media                             | 143             | ADD    | 33,563           | 676           | 235             | 7.7      | 7.5   | 9.2   | 31.0           | (3.1)        | 23.3        | 18.6        | 19.1        | 15.5        | 8.8           | 9.6         | 7.1         | 2.4          | 2.2        | 2.0        | 0.3                | 1.4        | 2.8        | 14.9        | 11.8        | 13.4        | 160               | 12.1       | 0.1                |
| Jagran Prakashan                     | 102             | BUY    | 32,242           | 649           | 316             | 6.8      | 6.5   | 7.8   | 16.7           | (5.3)        | 21.6        | 15.0        | 15.8        | 13.0        | 8.9           | 8.6         | 7.4         | 4.6          | 4.1        | 3.7        | 3.4                | 3.4        | 3.9        | 32.8        | 27.6        | 30.0        | 150               | 47.1       | 0.2                |
| Sun TV Network                       | 317             | ADD    | 125,101          | 2,518         | 394             | 19.5     | 18.5  | 21.4  | 48.1           | (5.4)        | 15.9        | 16.3        | 17.2        | 14.8        | 9.8           | 10.2        | 8.9         | 5.2          | 4.7        | 4.4        | 2.8                | 3.5        | 4.4        | 36.5        | 30.2        | 32.2        | 390               | 22.9       | 6.5                |
| Zee Entertainment Enterprises        | 141             | BUY    | 138,243          | 2,783         | 978             | 5.8      | 6.1   | 7.4   | 9.2            | 3.9          | 22.6        | 24.2        | 23.3        | 19.0        | 16.5          | 15.8        | 12.6        | 3.3          | 3.1        | 3.0        | 1.0                | 0.9        | 1.1        | 14.2        | 14.0        | 16.5        | 160               | 13.2       | 3.6                |
| <b>Media</b>                         |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
|                                      | <b>Neutral</b>  |        | <b>451,809</b>   | <b>9,095</b>  |                 |          |       |       | <b>51.2</b>    | <b>3.9</b>   | <b>27.6</b> | <b>22.9</b> | <b>22.0</b> | <b>17.3</b> | <b>12.2</b>   | <b>11.4</b> | <b>9.3</b>  | <b>4.2</b>   | <b>3.9</b> | <b>3.6</b> | <b>1.5</b>         | <b>1.8</b> | <b>2.3</b> | <b>18.4</b> | <b>17.7</b> | <b>20.8</b> |                   |            |                    |
| <b>Metals &amp; Mining</b>           |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
| Coal India                           | 328             | ADD    | 2,070,820        | 41,687        | 6,316           | 17.3     | 23.4  | 26.9  | 13.6           | 35.1         | 14.9        | 19.0        | 14.0        | 12.2        | 11.0          | 8.5         | 7.3         | 5.9          | 4.7        | 3.8        | 1.2                | 2.1        | 2.5        | 35.1        | 37.3        | 34.1        | 380               | 15.9       | 29.9               |
| Hindalco Industries                  | 140             | REDUCE | 267,895          | 5,393         | 1,915           | 12.8     | 17.2  | 16.1  | (36.0)         | 34.3         | (6.0)       | 11.0        | 8.2         | 8.7         | 6.0           | 6.8         | 6.5         | 0.9          | 0.8        | 0.8        | 1.1                | 1.1        | 1.1        | 9.7         | 10.8        | 9.2         | 160               | 14.4       | 32.9               |
| Hindustan Zinc                       | 136             | ADD    | 575,023          | 11,576        | 4,225           | 11.6     | 12.7  | 14.7  | 21.8           | 8.8          | 16.0        | 11.7        | 10.7        | 9.3         | 7.7           | 6.7         | 4.8         | 2.6          | 2.2        | 1.8        | 0.7                | 1.8        | 1.8        | 24.3        | 21.8        | 21.4        | 150               | 10.2       | 2.2                |
| Jindal Steel and Power               | 568             | REDUCE | 530,916          | 10,688        | 934             | 40.2     | 40.9  | 46.1  | 5.1            | 1.7          | 12.7        | 14.1        | 13.9        | 12.3        | 10.4          | 10.0        | 9.2         | 3.8          | 3.0        | 2.4        | 0.3                | 0.3        | 0.3        | 30.9        | 24.1        | 21.8        | 530               | (6.7)      | 23.3               |
| JSW Steel                            | 757             | SELL   | 171,127          | 3,445         | 226             | 78.6     | 32.3  | 77.7  | (2.2)          | (58.9)       | 140.5       | 9.6         | 23.4        | 9.7         | 6.8           | 5.7         | 6.2         | 1.0          | 1.0        | 0.9        | 1.6                | 1.3        | 1.3        | 13.6        | 14.1        | 9.9         | 630               | (10.2)     | 41.6               |
| National Aluminium Co.               | 60              | SELL   | 155,665          | 3,134         | 2,577           | 4.2      | 3.2   | 3.7   | 36.4           | (23.9)       | 15.8        | 14.5        | 19.1        | 16.5        | 6.6           | 9.3         | 7.4         | 1.4          | 1.4        | 1.3        | 2.5                | 2.5        | 2.5        | 9.9         | 7.2         | 8.0         | 53                | (12.3)     | 0.8                |
| Sesa Goa                             | 206             | REDUCE | 184,263          | 3,709         | 895             | 48.6     | 32.7  | 46.8  | 65.3           | (32.7)       | 43.1        | 4.2         | 6.3         | 4.4         | 3.6           | 5.5         | 5.9         | 1.4          | 1.2        | 0.9        | 1.9                | 1.9        | 1.9        | 36.8        | 17.2        | 22.1        | 220               | 6.8        | 20.0               |
| Sterite Industries                   | 121             | ADD    | 405,025          | 8,153         | 3,361           | 15.2     | 13.5  | 15.2  | 26.2           | (11.0)       | 12.4        | 7.9         | 8.9         | 7.9         | 5.0           | 4.3         | 3.4         | 1.0          | 0.9        | 0.8        | 0.9                | 1.7        | 1.7        | 13.0        | 10.5        | 10.8        | 132               | 9.5        | 25.0               |
| Tata Steel                           | 451             | ADD    | 437,814          | 8,814         | 971             | 75.3     | 27.8  | 58.4  | (2,258.1)      | (63.1)       | 110.4       | 6.0         | 16.2        | 7.7         | 5.8           | 7.8         | 5.9         | 1.2          | 1.1        | 1.0        | 2.6                | 2.6        | 2.6        | 24.7        | 7.1         | 13.4        | 525               | 16.5       | 62.2               |
| <b>Metals &amp; Mining</b>           |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
|                                      | <b>Cautious</b> |        | <b>4,798,548</b> | <b>96,599</b> |                 |          |       |       | <b>39.1</b>    | <b>(1.9)</b> | <b>18.4</b> | <b>11.6</b> | <b>11.8</b> | <b>10.0</b> | <b>7.3</b>    | <b>7.2</b>  | <b>6.2</b>  | <b>1.2</b>   | <b>1.9</b> | <b>1.7</b> | <b>1.2</b>         | <b>1.8</b> | <b>2.0</b> | <b>19.0</b> | <b>16.3</b> | <b>16.7</b> |                   |            |                    |
| <b>Pharmaceutical</b>                |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
| Apollo Hospitals                     | 563             | BUY    | 78,254           | 1,575         | 139             | 13.2     | 17.1  | 21.2  | 21.0           | 29.3         | 24.0        | 42.5        | 32.9        | 26.5        | 19.3          | 14.4        | 12.4        | 4.1          | 3.1        | 2.7        | —                  | —          | —          | 9.8         | 10.3        | 10.5        | 650               | 15.4       | 5.3                |
| Biocon                               | 276             | BUY    | 55,220           | 1,112         | 200             | 18.4     | 16.8  | 20.7  | 23.9           | (8.7)        | 23.2        | 15.0        | 16.5        | 13.4        | 8.4           | 9.2         | 7.3         | 2.7          | 2.4        | 2.2        | —                  | —          | —          | 19.4        | 15.7        | 17.2        | 380               | 37.6       | 4.0                |
| Cipla                                | 313             | SELL   | 251,355          | 5,060         | 803             | 12.3     | 14.1  | 17.7  | (10.0)         | 14.1         | 25.5        | 25.4        | 22.3        | 17.7        | 22.0          | 17.4        | 13.4        | 3.8          | 3.4        | 2.9        | 0.9                | 1.0        | 1.1        | 15.4        | 15.6        | 17.3        | 320               | 2.2        | 9.2                |
| Cadila Healthcare                    | 694             | REDUCE | 142,136          | 2,861         | 205             | 34.7     | 31.1  | 40.9  | 40.6           | (10.5)       | 31.4        | 20.0        | 22.3        | 17.0        | 17.4          | 17.5        | 13.2        | 6.5          | 5.4        | 4.3        | 0.9                | 0.9        | 1.2        | 37.5        | 26.4        | 28.1        | 700               | 0.8        | 1.9                |
| Dishman Pharma & chemicals           | 53              | REDUCE | 4,290            | 86            | 81              | 9.8      | 5.1   | 8.3   | (31.8)         | (48.6)       | 64.7        | 5.4         | 10.4        | 6.3         | 7.7           | 7.4         | 5.5         | 0.5          | 0.5        | 0.4        | —                  | —          | —          | 9.6         | 4.6         | 7.2         | 60                | 13.7       | 0.4                |
| Divi's Laboratories                  | 725             | ADD    | 96,230           | 1,937         | 133             | 32.4     | 37.4  | 46.4  | 25.7           | 15.6         | 24.1        | 22.4        | 19.4        | 15.6        | 18.5          | 15.0        | 11.0        | 5.4          | 4.6        | 3.9        | —                  | —          | —          | 25.9        | 25.4        | 26.8        | 935               | 28.9       | 3.0                |
| Dr Reddy's Laboratories              | 1,675           | REDUCE | 284,607          | 5,729         | 170             | 64.9     | 90.7  | 106.9 | 932.5          | 39.7         | 17.8        | 25.8        | 18.5        | 15.7        | 18.1          | 12.1        | 10.0        | 6.2          | 4.8        | 3.8        | 0.7                | 0.8        | 0.8        | 24.8        | 29.3        | 27.1        | 1,740             | 3.9        | 12.6               |
| GlaxoSmithkline Pharmaceuticals (a)  | 2,075           | SELL   | 175,780          | 3,539         | 85              | 68.3     | 74.3  | 82.8  | 15.5           | 8.8          | 11.5        | 30.4        | 27.9        | 25.1        | 20.2          | 20.1        | 16.7        | 9.0          | 9.1        | 8.5        | 1.9                | 2.2        | 2.7        | 30.9        | 32.4        | 25.0        | 1,930             | (7.0)      | 1.2                |
| Glenmark Pharmaceuticals             | 302             | REDUCE | 81,652           | 1,644         | 270             | 17.0     | 19.9  | 22.4  | 33.6           | 17.6         | 12.2        | 17.8        | 15.1        | 13.5        | 20.0          | 18.6        | 11.0        | 4.0          | 3.2        | 2.6        | —                  | —          | —          | 20.6        | 23.6        | 21.5        | 340               | 12.6       | 3.0                |
| Jubilant Life Sciences               | 187             | REDUCE | 29,773           | 599           | 159             | 14.4     | 16.9  | 29.5  | (45.6)         | 17.3         | 74.1        | 13.0        | 11.0        | 6.3         | 10.7          | 8.0         | 6.4         | 1.3          | 1.2        | 1.0        | 1.1                | 1.1        | 1.6        | 12.3        | 16.3        | 18.0        | 180               | (3.7)      | 0.4                |
| Lupin                                | 495             | ADD    | 221,788          | 4,465         | 448             | 19.2     | 21.1  | 26.5  | 25.6           | 9.7          | 25.3        | 25.7        | 23.4        | 18.7        | 21.5          | 18.6        | 13.8        | 6.7          | 5.4        | 4.4        | 0.6                | 0.7        | 0.9        | 29.5        | 25.8        | 26.2        | 520               | 5.1        | 7.8                |
| Ranbaxy Laboratories                 | 418             | SELL   | 176,313          | 3,549         | 422             | 40.6     | 19.9  | 30.4  | 474.9          | (50.9)       | 52.3        | 10.3        | 21.0        | 13.8        | 12.6          | 13.4        | 9.7         | 3.1          | 4.3        | 3.3        | —                  | —          | —          | 34.5        | 17.4        | 27.4        | 380               | (9.1)      | 8.7                |
| Sun Pharmaceuticals                  | 558             | ADD    | 578,072          | 11,637        | 1,036           | 17.5     | 23.4  | 28.1  | 34.4           | 33.4         | 20.1        | 31.8        | 23.9        | 19.9        | 27.4          | 17.3        | 14.3        | 5.6          | 4.6        | 3.7        | 0.6                | 0.7        | 0.9        | 21.0        | 23.1        | 22.9        | 625               | 12.0       | 9.9                |
| <b>Pharmaceuticals</b>               |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
|                                      | <b>Neutral</b>  |        | <b>2,175,469</b> | <b>43,794</b> |                 |          |       |       | <b>43.1</b>    | <b>8.5</b>   | <b>24.2</b> | <b>22.8</b> | <b>21.0</b> | <b>16.9</b> | <b>18.5</b>   | <b>14.5</b> | <b>11.2</b> | <b>3.6</b>   | <b>3.2</b> | <b>2.7</b> | <b>0.7</b>         | <b>0.8</b> | <b>0.9</b> | <b>16.0</b> | <b>15.3</b> | <b>16.1</b> |                   |            |                    |
| <b>Property</b>                      |                 |        |                  |               |                 |          |       |       |                |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |
| DLF                                  | 192             | ADD    | 329,284          | 6,629         | 1,715           | 9.1      | 9.7   | 12.7  | (14.5)         | 6.5          | 31.5        | 21.2        | 19.9        | 15.1        | 14.8          | 13.6        | 11.0        | 1.3          | 1.2        | 1.1        | 1.0                | 1.3        | 1.5        | 5.4         | 6.1         | 7.6         | 260               | 35.4       | 43.6               |
| Housing Development & Infrastructure | 102             | BUY    | 45,027           | 906           | 441             | 19.8     | 19.4  | 29.8  | 24.2           | (2.1)        | 53.6        | 5.2         | 5.3         | 3.4         | 5.2           | 6.6         | 4.9         | 0.5          | 0.4        | 0.4        | —                  | 1.0        | 1.5        | 10.0        | 8.4         | 11.6        | 130               | 27.3       | 30.5               |
| Indiabulls Real Estate               | 68              | RS     | 27,393           | 551           | 402             | 4.0      | 8.5   | 15.4  | (1,095.5)      | 114.1        | 81.5        | 17.1        | 8.0         | 4.4         | 12.5          | 10.0        | 4.3         | 0.2          | 0.2        | 0.2        | 0.4                | 0.7        | 1.0        | 1.4         | 2.9         | 5.0         | —                 | —          | 10.8               |
| Mahindra Life Space Developer        | 326             | BUY    | 13,308           | 268           | 41              | 24.9     | 26.7  | 32.2  | 30.2           | 6.9          | 20.8        | 13.1        | 12.2        | 10.1        | 10.0          | 8.2         | 6.5         | 1.3          | 1.2        | 1.1        | 1.5                | 1.4        | 1.5        | 10.4        | 10.2        | 11.2        | 405               | 24.2       | 0.4                |
| Oberoi Realty                        | 278             | BUY    | 91,584           | 1,844         | 330             | 15.7     | 14.9  | 26.4  | 14.8           | (5.0)        | 77.3        | 17.7        | 18.6        | 10.5        | 13.4          | 13.7        | 6.6         | 2.7          | 2.4        | 2.0        | 0.4                | 0.5        | 0.9        | 19.9        | 13.9        | 21.1        | 300               | 8.0        | 0.5                |
| Phoenix Mills                        | 196             | BUY    | 28,325           | 570           | 145             | 6.3      | 7.4   | 10.7  | 53.0           | 17.2         | 44.1        | 30.9        | 26.4        | 18.3        | 22.9          | 19.1        | 14.3        | 1.8          | 1.7        | 1.6        | 0.9                | 1.0        | 1.0        | 5.8         | 6.6         | 8.9         | 300               | 53.4       | 0.2                |
| Puravankara Projects                 | 72              | REDUCE | 15,356           | 309           | 213             | 5.5      | 7.4   | 9.5   | (18.9)         |              |             |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                   |            |                    |



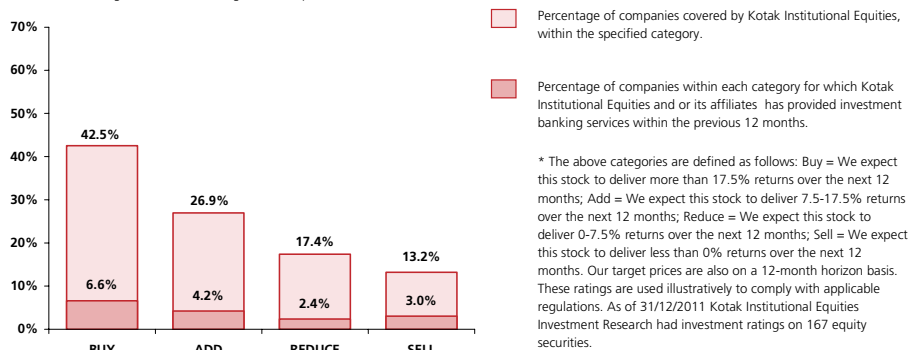
## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

| Company                          | 5-Mar-12<br>Price (Rs) | Rating            | Mkt cap.          |                | O/S<br>shares<br>(mn) | EPS (Rs) |         |        | EPS growth (%) |               |              | PER (X)     |             |             | EV/EBITDA (X) |             |             | Price/BV (X) |            |            | Dividend yield (%) |            |            | RoE (%)     |             |             | Target<br>price<br>(Rs) | Upside<br>(%) | ADVT-3mo<br>(US\$ mn) |  |  |  |
|----------------------------------|------------------------|-------------------|-------------------|----------------|-----------------------|----------|---------|--------|----------------|---------------|--------------|-------------|-------------|-------------|---------------|-------------|-------------|--------------|------------|------------|--------------------|------------|------------|-------------|-------------|-------------|-------------------------|---------------|-----------------------|--|--|--|
|                                  |                        |                   | (Rs mn)           | (US\$ mn)      |                       | 2011     | 2012E   | 2013E  | 2011           | 2012E         | 2013E        | 2011        | 2012E       | 2013E       | 2011          | 2012E       | 2013E       | 2011         | 2012E      | 2013E      | 2011               | 2012E      | 2013E      | 2011        | 2012E       | 2013E       |                         |               |                       |  |  |  |
| <b>Technology</b>                |                        |                   |                   |                |                       |          |         |        |                |               |              |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                         |               |                       |  |  |  |
| HCL Technologies                 | 481                    | REDUCE            | 338,999           | 6,824          | 705                   | 22.9     | 33.8    | 39.9   | 30.4           | 47.9          | 18.0         | 21.0        | 14.2        | 12.1        | 12.8          | 8.4         | 7.2         | 4.0          | 3.0        | 2.5        | 1.5                | 1.7        | 1.7        | 21.0        | 22.8        | 22.3        | 460                     | (4.3)         | 9.7                   |  |  |  |
| Hexaware Technologies            | 109                    | ADD               | 32,021            | 645            | 294                   | 3.0      | 9.1     | 10.7   | (36.8)         | 207.9         | 17.3         | 36.9        | 12.0        | 10.2        | 29.6          | 10.5        | 7.1         | 3.3          | 3.2        | 2.6        | 1.3                | 2.7        | 3.0        | 9.3         | 26.9        | 28.0        | 110                     | 0.8           | 3.9                   |  |  |  |
| Infosys                          | 2,810                  | ADD               | 1,612,854         | 32,468         | 574                   | 119.7    | 146.1   | 173.7  | 10.5           | 22.0          | 18.9         | 23.5        | 19.2        | 16.2        | 16.1          | 12.9        | 10.3        | 6.2          | 5.2        | 4.3        | 2.1                | 1.6        | 1.9        | 28.0        | 29.3        | 28.9        | 3,100                   | 10.3          | 70.8                  |  |  |  |
| Mahindra Satyam                  | 67                     | REDUCE            | 78,380            | 1,578          | 1,176                 | 4.2      | 8.7     | 8.1    | 68.9           | 106.3         | (6.5)        | 15.9        | 7.7         | 8.2         | 11.2          | 5.1         | 3.9         | 4.5          | 2.9        | 2.1        | —                  | —          | —          | 27.6        | 45.7        | 29.7        | 80                      | 20.0          | 7.4                   |  |  |  |
| Mindtree                         | 447                    | ADD               | 18,394            | 370            | 41                    | 24.7     | 50.5    | 53.9   | (52.7)         | 104.5         | 6.8          | 18.1        | 8.9         | 8.3         | 10.1          | 6.0         | 4.6         | 2.4          | 1.9        | 1.7        | 0.6                | 1.1        | 3.6        | 14.4        | 23.9        | 21.5        | 540                     | 20.8          | 0.7                   |  |  |  |
| Mphasis                          | 394                    | SELL              | 83,025            | 1,671          | 211                   | 51.8     | 39.0    | 35.9   | 18.8           | (24.6)        | (8.1)        | 7.6         | 10.1        | 11.0        | 6.5           | 8.4         | 7.4         | 2.5          | 2.1        | 1.8        | 1.0                | 1.1        | 1.3        | 38.6        | 22.8        | 17.9        | 350                     | (11.2)        | 3.1                   |  |  |  |
| Polaris Financial Technology     | 153                    | REDUCE            | 15,254            | 307            | 100                   | 19.3     | 21.7    | 24.0   | 25.7           | 12.5          | 10.4         | 7.9         | 7.0         | 6.4         | 4.8           | 2.9         | 2.2         | 1.5          | 1.3        | 1.1        | 2.4                | 2.5        | 2.7        | 20.2        | 19.2        | 18.2        | 145                     | (5.2)         | 1.3                   |  |  |  |
| TCS                              | 1,207                  | REDUCE            | 2,362,928         | 47,568         | 1,957                 | 44.5     | 54.6    | 66.4   | 26.8           | 22.6          | 21.6         | 27.1        | 22.1        | 18.2        | 20.3          | 15.5        | 12.6        | 9.4          | 7.5        | 6.0        | 1.2                | 1.6        | 1.9        | 37.8        | 37.6        | 36.6        | 1,250                   | 3.5           | 38.1                  |  |  |  |
| Tech Mahindra                    | 607                    | SELL              | 76,488            | 1,540          | 126                   | 48.0     | 74.7    | 80.7   | (26.3)         | 55.5          | 8.0          | 12.6        | 8.1         | 7.5         | 8.6           | 9.2         | 7.5         | 2.3          | 2.0        | 1.7        | 0.7                | 0.7        | 1.6        | 20.2        | 27.0        | 25.5        | 600                     | (1.2)         | 2.0                   |  |  |  |
| Wipro                            | 431                    | ADD               | 1,058,533         | 21,309         | 2,454                 | 21.6     | 23.2    | 28.2   | 14.5           | 7.4           | 21.7         | 20.0        | 18.6        | 15.3        | 14.8          | 12.7        | 10.1        | 4.4          | 3.7        | 3.1        | 1.0                | 1.1        | 1.4        | 24.3        | 21.7        | 22.2        | 460                     | 6.6           | 12.9                  |  |  |  |
| <b>Technology</b>                |                        | <b>Attractive</b> | <b>5,739,767</b>  | <b>115,546</b> |                       |          |         |        | <b>17.0</b>    | <b>20.9</b>   | <b>18.2</b>  | <b>22.3</b> | <b>18.5</b> | <b>15.6</b> | <b>16.1</b>   | <b>12.7</b> | <b>10.4</b> | <b>5.9</b>   | <b>4.8</b> | <b>4.0</b> | <b>1.5</b>         | <b>1.5</b> | <b>1.8</b> | <b>26.2</b> | <b>25.9</b> | <b>25.3</b> |                         |               |                       |  |  |  |
| <b>Telecom</b>                   |                        |                   |                   |                |                       |          |         |        |                |               |              |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                         |               |                       |  |  |  |
| Bharti Airtel                    | 349                    | ADD               | 1,325,552         | 26,684         | 3,798                 | 15.9     | 12.8    | 20.8   | (32.6)         | (19.9)        | 62.9         | 21.9        | 27.4        | 16.8        | 9.7           | 8.2         | 6.3         | 2.7          | 2.7        | 2.3        | —                  | —          | —          | 13.3        | 9.9         | 14.7        | 390                     | 11.7          | 48.0                  |  |  |  |
| IDEA                             | 95                     | ADD               | 314,970           | 6,341          | 3,303                 | 2.7      | 2.1     | 4.6    | (0.5)          | (22.2)        | 118.5        | 35.0        | 45.0        | 20.6        | 11.2          | 8.7         | 6.6         | 2.6          | 2.5        | 2.3        | —                  | —          | —          | 7.6         | 5.7         | 11.6        | 100                     | 4.9           | 10.3                  |  |  |  |
| MTNL                             | 32                     | RS                | 20,412            | 411            | 630                   | (10.4)   | (9.1)   | (8.4)  | (33.7)         | (11.9)        | (8.1)        | (3.1)       | (3.5)       | (3.9)       | 0.8           | 1.1         | 1.4         | 0.2          | 0.2        | 0.2        | —                  | —          | —          | (6.1)       | (5.7)       | (5.5)       | —                       | —             | 2.0                   |  |  |  |
| Reliance Communications          | 97                     | SELL              | 199,692           | 4,020          | 2,064                 | 6.5      | 3.9     | 1.0    | (71.1)         | (39.7)        | (73.5)       | 14.8        | 24.6        | 92.7        | 6.4           | 8.2         | 7.0         | 0.5          | 0.5        | 0.5        | —                  | —          | —          | 3.2         | 2.0         | 0.6         | 60                      | (38.0)        | 27.7                  |  |  |  |
| Tata Communications              | 235                    | REDUCE            | 67,061            | 1,350          | 285                   | (24.9)   | (27.0)  | (26.6) | (13.0)         | 8.4           | (1.4)        | (9.4)       | (8.7)       | (8.8)       | 11.7          | 8.8         | 7.9         | 1.9          | 2.6        | 4.3        | —                  | —          | —          | (17.5)      | (25.1)      | (37.0)      | 215                     | (8.6)         | 1.7                   |  |  |  |
| <b>Telecom</b>                   |                        | <b>Cautious</b>   | <b>1,927,686</b>  | <b>38,806</b>  |                       |          |         |        | <b>(45.8)</b>  | <b>(27.5)</b> | <b>66.7</b>  | <b>27.9</b> | <b>38.5</b> | <b>23.1</b> | <b>9.3</b>    | <b>8.8</b>  | <b>6.6</b>  | <b>1.7</b>   | <b>1.7</b> | <b>1.6</b> | <b>—</b>           | <b>—</b>   | <b>—</b>   | <b>6.0</b>  | <b>4.4</b>  | <b>6.9</b>  |                         |               |                       |  |  |  |
| <b>Utilities</b>                 |                        |                   |                   |                |                       |          |         |        |                |               |              |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                         |               |                       |  |  |  |
| Adani Power                      | 76                     | SELL              | 181,644           | 3,657          | 2,393                 | 2.4      | 2.3     | 8.1    | 200.7          | (4.3)         | 259.1        | 32.2        | 33.7        | 9.4         | 34.4          | 23.4        | 6.6         | 2.9          | 2.5        | 1.9        | —                  | —          | —          | 8.5         | 7.9         | 23.2        | 60                      | (20.9)        | 9.2                   |  |  |  |
| CESC                             | 265                    | BUY               | 33,139            | 667            | 125                   | 39.1     | 32.1    | 39.9   | 13.1           | (17.9)        | 24.4         | 6.8         | 8.3         | 6.6         | 4.6           | 6.6         | 6.3         | 0.7          | 0.7        | 0.6        | 1.5                | 1.5        | 1.8        | 10.8        | 8.2         | 9.4         | 400                     | 50.8          | 1.5                   |  |  |  |
| JSW Energy                       | 64                     | REDUCE            | 104,140           | 2,096          | 1,640                 | 5.1      | 1.6     | 2.3    | 12.9           | (69.5)        | 44.8         | 12.4        | 40.6        | 28.0        | 12.8          | 19.0        | 8.8         | 1.8          | 1.8        | 1.7        | (1.6)              | —          | —          | 16.1        | 4.5         | 6.3         | 43                      | (32.3)        | 3.6                   |  |  |  |
| Lanco Infratech                  | 20                     | BUY               | 43,904            | 884            | 2,223                 | 1.6      | 0.8     | 0.9    | (22.6)         | (48.7)        | 3.0          | 12.0        | 23.3        | 22.7        | 10.8          | 10.3        | 8.6         | 0.9          | 0.9        | 0.8        | —                  | —          | —          | 9.2         | 3.9         | 3.7         | 33                      | 67.1          | 14.2                  |  |  |  |
| NHPC                             | 21                     | BUY               | 257,085           | 5,175          | 12,301                | 1.3      | 2.0     | 2.2    | (27.2)         | 49.2          | 7.2          | 15.5        | 10.4        | 9.7         | 11.4          | 10.6        | 7.7         | 1.0          | 0.9        | 0.9        | 2.9                | 2.6        | 2.8        | 6.4         | 9.0         | 9.1         | 29                      | 38.8          | 2.9                   |  |  |  |
| NTPC                             | 176                    | REDUCE            | 1,448,316         | 29,156         | 8,245                 | 10.9     | 11.4    | 12.2   | 4.2            | 4.1           | 7.6          | 16.1        | 15.4        | 14.3        | 12.2          | 13.6        | 11.7        | 2.1          | 1.9        | 1.8        | 2.3                | 1.9        | 2.1        | 13.6        | 13.0        | 12.9        | 175                     | (0.4)         | 9.2                   |  |  |  |
| Reliance Infrastructure          | 658                    | BUY               | 174,395           | 3,511          | 265                   | 58.0     | 65.3    | 71.4   | (6.5)          | 12.5          | 9.4          | 11.3        | 10.1        | 9.2         | 14.3          | 8.1         | 9.1         | 0.7          | 0.7        | 0.7        | 1.1                | 1.6        | 1.7        | 6.8         | 11.7        | 8.9         | 890                     | 35.4          | 30.0                  |  |  |  |
| Reliance Power                   | 135                    | SELL              | 379,674           | 7,643          | 2,805                 | 2.7      | 2.6     | 2.9    | (0.2)          | (5.3)         | 13.5         | 49.9        | 52.7        | 46.5        | 189.4         | 71.5        | 29.9        | 2.3          | 2.2        | 2.1        | —                  | —          | —          | 4.9         | 4.2         | 4.5         | 76                      | (43.8)        | 16.7                  |  |  |  |
| Tata Power                       | 114                    | BUY               | 280,157           | 5,640          | 2,468                 | 7.6      | 4.9     | 8.7    | 21.5           | (36.3)        | 77.6         | 14.8        | 23.3        | 13.1        | 11.2          | 9.6         | 8.3         | 1.9          | 2.0        | 1.8        | 1.2                | 1.3        | 1.5        | 13.8        | 8.4         | 14.5        | 125                     | 10.1          | 10.3                  |  |  |  |
| <b>Utilities</b>                 |                        | <b>Cautious</b>   | <b>2,902,455</b>  | <b>58,429</b>  |                       |          |         |        | <b>4.3</b>     | <b>(1.1)</b>  | <b>21.9</b>  | <b>17.0</b> | <b>17.2</b> | <b>14.1</b> | <b>14.0</b>   | <b>13.4</b> | <b>10.1</b> | <b>1.7</b>   | <b>1.6</b> | <b>1.5</b> | <b>1.5</b>         | <b>1.4</b> | <b>1.6</b> | <b>9.9</b>  | <b>9.2</b>  | <b>10.4</b> |                         |               |                       |  |  |  |
| <b>Others</b>                    |                        |                   |                   |                |                       |          |         |        |                |               |              |             |             |             |               |             |             |              |            |            |                    |            |            |             |             |             |                         |               |                       |  |  |  |
| Carborundum Universal            | 157                    | REDUCE            | 29,415            | 592            | 187                   | 9.1      | 11.6    | 11.7   | 67.7           | 26.6          | 1.0          | 17.2        | 13.6        | 13.5        | 10.6          | 7.8         | 7.5         | 3.4          | 2.8        | 2.4        | 1.2                | 1.5        | 1.6        | 25.2        | 25.9        | 22.0        | 150                     | (4.7)         | 0.1                   |  |  |  |
| Havells India                    | 518                    | ADD               | 64,665            | 1,302          | 125                   | 24.5     | 30.4    | 36.1   | 334.1          | 23.8          | 19.0         | 21.1        | 17.1        | 14.3        | 13.3          | 11.0        | 9.1         | 9.1          | 6.4        | 4.6        | 0.5                | 0.5        | 0.6        | 53.9        | 44.1        | 37.1        | 600                     | 15.8          | 3.7                   |  |  |  |
| Jaiprakash Associates            | 70                     | BUY               | 149,596           | 3,011          | 2,126                 | 6.0      | 6.4     | 8.1    | 230.2          | 6.2           | 26.1         | 11.7        | 11.0        | 8.7         | 11.7          | 10.5        | 8.2         | 1.4          | 1.3        | 1.1        | —                  | —          | —          | 13.3        | 12.0        | 13.6        | 97                      | 37.9          | 28.6                  |  |  |  |
| Jet Airways                      | 285                    | SELL              | 24,591            | 495            | 86                    | (10.1)   | (233.8) | (33.8) | (91.0)         | 2,225         | (85.6)       | (28.3)      | (1.2)       | (8.4)       | 9.9           | (161.0)     | 10.4        | 1.5          | (5.8)      | (3.4)      | —                  | —          | —          | (5.0)       | —           | —           | 280                     | (1.7)         | 15.9                  |  |  |  |
| Spicelot                         | 21                     | BUY               | 9,401             | 189            | 441                   | 2.5      | (8.7)   | 1.9    | (1.8)          | (450.3)       | (122.1)      | 8.5         | (2.4)       | 11.0        | 12.4          | (7.4)       | 11.0        | 2.9          | 15.3       | 6.4        | —                  | —          | —          | (96.1)      | (201.8)     | 82.1        | 45                      | 111.3         | 1.9                   |  |  |  |
| Tata Chemicals                   | 355                    | REDUCE            | 90,528            | 1,822          | 255                   | 26.2     | 32.9    | 38.8   | (0.7)          | 25.4          | 17.9         | 13.5        | 10.8        | 9.2         | 8.0           | 5.6         | 4.8         | 1.7          | 1.5        | 1.3        | 2.8                | 3.4        | 4.2        | 16.9        | 18.6        | 19.5        | 365                     | 2.7           | 2.2                   |  |  |  |
| United Phosphorus                | 135                    | ADD               | 62,274            | 1,254          | 462                   | 12.3     | 11.8    | 17.9   | 3.9            | (4.4)         | 51.5         | 10.9        | 11.4        | 7.5         | 6.7           | 5.4         | 4.3         | 1.7          | 1.5        | 1.3        | 1.5                | 2.2        | 2.6        | 18.0        | 14.5        | 19.0        | 150                     | 11.2          | 4.2                   |  |  |  |
| <b>Others</b>                    |                        |                   | <b>430,470</b>    | <b>8,666</b>   |                       |          |         |        | <b>233.8</b>   | <b>(67.1)</b> | <b>326.9</b> | <b>15.2</b> | <b>46.1</b> | <b>10.8</b> | <b>10.3</b>   | <b>10.9</b> | <b>7.5</b>  | <b>1.8</b>   | <b>1.8</b> | <b>1.6</b> | <b>1.0</b>         | <b>1.2</b> | <b>1.5</b> | <b>12.1</b> | <b>3.9</b>  | <b>14.7</b> |                         |               |                       |  |  |  |
| <b>KS universe (b)</b>           |                        |                   | <b>46,511,892</b> | <b>936,324</b> |                       |          |         |        | <b>18.4</b>    | <b>7.9</b>    | <b>19.9</b>  | <b>15.8</b> | <b>14.7</b> | <b>12.2</b> | <b>10.2</b>   | <b>9.1</b>  | <b>7.6</b>  | <b>2.4</b>   | <b>2.2</b> | <b>1.9</b> | <b>1.5</b>         | <b>1.6</b> | <b>1.9</b> | <b>15.4</b> | <b>14.8</b> | <b>15.6</b> |                         |               |                       |  |  |  |
| <b>KS universe (b) ex-Energy</b> |                        |                   | <b>38,921,075</b> | <b>783,514</b> |                       |          |         |        | <b>20.6</b>    | <b>7.7</b>    | <b>21.6</b>  | <b>17.2</b> | <b>15.9</b> | <b>13.1</b> | <b>11.9</b>   | <b>10.6</b> | <b>8.7</b>  | <b>2.7</b>   | <b>2.4</b> | <b>2.1</b> | <b>1.4</b>         | <b>1.5</b> | <b>1.7</b> | <b>16.0</b> | <b>15.2</b> | <b>16.2</b> |                         |               |                       |  |  |  |

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As of December 31, 2011

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**SELL.** We expect this stock to deliver less than 0% returns over the next 12 months.

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