



Economy News

- ▶ The government on Thursday said it will look into a demand to raise the quota of subsidized LPG cylinders to 12 per household in a year from the current nine. The move came after the price of a non-subsidised gas cylinder was increased by a steep Rs 220. (ET)
- ▶ The government-appointed Justice MB Shah Commission, set up to probe allegations of illegal mining in the country, has recommended auctioning of all future iron ore leases in Odisha, a cap on current output and sale through e-auctions. (ET)
- ▶ The Cabinet has approved the land policy guidelines for 2.65 lakh acres that belong to 12 major ports in the country. The policy aims to speed up the port development projects that involve leasing or licensing of land. (TOI)
- ▶ The Government has decided to further ease the Mega Power Policy in a move that will help nearly 25 projects with investments of more than Rs 1.6 trillion. This is expected to increase power availability in the country and also ensure that consumers are charged reasonably for electricity supply. (BL)
- ▶ The Delhi high court has refused to stay guidelines governing supply of CNG to states, even as the Delhi government told HC it apprehends further increase in price of CNG due to reduction in allocation. (TOI)

Corporate News

- ▶ **Coal India** has missed both its production and sales targets for the first nine months of the current fiscal year. The company said its output fell 15 million tonnes short of target between April and December while sales were 12 million tonnes off the plan. (ET)
- ▶ **Hindustan Construction Company** said it has been awarded a contract worth Rs 4.4 bn by IRCON International to construct a tunnel and two bridges in Northern India. (ET)
- ▶ **State Bank of India** has raised Rs 20 bn by selling bonds, while its board has cleared a proposal to raise a similar amount by issuing preferential shares to the government. The state-run bank privately sold 10-year Tier-II bonds at 9.69% soon after its board cleared the proposal. (ET)
- ▶ **Novartis** has picked up 8.7 lakh square feet of office space in Hyderabad in a bid to consolidate its operations in the city. The new office space will have seating capacity for more than 8,000 employees and is the largest in the past five years. (ET)
- ▶ Chances for a settlement of the dispute between **GMR infrastructure** and the Maldives Government over the Male international airport appear bright after a meeting between Prime Minister Manmohan Singh and a Maldives delegation led by President Abdulla Yameen Abdul Gayoom. GMR is seeking out of court and out of arbitration settlement with Maldives government. (BL)
- ▶ **Oil and Natural Gas Corporation (ONGC)** is hopeful of completing sale of minority stakes in three of its coal-bed methane (CBM) assets located in Jharkhand and West Bengal to private players this fiscal. (BL)
- ▶ **Pratibha Industries** has reported that its water management and building verticals have received orders worth Rs 5.9 bn. The biggest order, valued at Rs 2.2 bn, was from Gujarat Water Supply and Sewerage Board for construction of underground drainage system in some areas of Rajkot. (BS)
- ▶ **Biocon Ltd's** President-Marketing Rakesh Bamzai is leaving the company. He has been associated with Biocon for 19 years. (BL)

Equity

| | 2 Jan 14 | % Chg | | |
|-----------------------|----------|-------|-------|--------|
| | | 1 Day | 1 Mth | 3 Mths |
| Indian Indices | | | | |
| SENSEX Index | 20,888 | (1.2) | 0.2 | 5.0 |
| NIFTY Index | 6,221 | (1.3) | 0.3 | 5.3 |
| BANKEX Index | 12,774 | (1.8) | (0.3) | 9.7 |
| BSET Index | 9,032 | 0.1 | 6.7 | 12.4 |
| BSETCG INDEX | 9,978 | (2.8) | 0.4 | 24.0 |
| BSEOIL INDEX | 8,650 | (1.7) | (0.1) | 3.4 |
| CNXMcap Index | 7,941 | (2.1) | 2.6 | 11.1 |
| BSESMCAP INDEX | 6,514 | (2.0) | 5.4 | 17.6 |
| World Indices | | | | |
| Dow Jones | 16,441 | (0.8) | 3.3 | 9.6 |
| Nasdaq | 4,143 | (0.8) | 2.6 | 9.8 |
| FTSE | 6,718 | (0.5) | 2.8 | 4.2 |
| NIKKEI | 16,179 | 0.0 | 4.0 | 12.7 |
| HANGSENG | 23,340 | 0.1 | (4.1) | (1.3) |

Value traded (Rs cr)

| | 2 Jan 14 | % Chg - Day |
|-------------|----------|-------------|
| Cash BSE | 2,566 | 84.6 |
| Cash NSE | 12,129 | 100.2 |
| Derivatives | 139,091 | 313.2 |

Net inflows (Rs cr)

| | 1 Jan 14 | % Chg | MTD | YTD |
|-------------|----------|-------|------|----------|
| FII | 7 | (97) | - | 112,539 |
| Mutual Fund | (11) | (46) | (11) | (22,121) |

FII open interest (Rs cr)

| | 1 Jan 14 | % Chg |
|-------------------|----------|-------|
| FII Index Futures | 13,805 | (0.6) |
| FII Index Options | 31,513 | 1.9 |
| FII Stock Futures | 30,573 | (1.0) |
| FII Stock Options | 1,062 | 59.7 |

Advances / Declines (BSE)

| | 2 Jan 14 | A | B | T | Total | % total |
|-----------|----------|-------|-----|-------|-------|---------|
| Advances | 32 | 758 | 232 | 1,022 | 38 | |
| Declines | 172 | 1,152 | 222 | 1,546 | 57 | |
| Unchanged | 1 | 84 | 39 | 124 | 5 | |

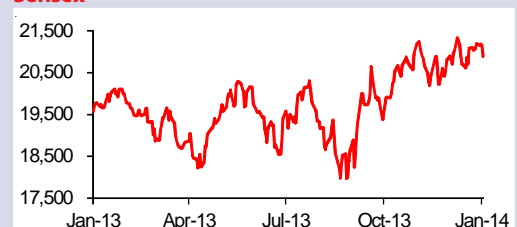
Commodity

| | 2 Jan 14 | % Chg | | |
|--------------------------|----------|-------|-------|--------|
| | | 1 Day | 1 Mth | 3 Mths |
| Crude (NYMEX) (US\$/BBL) | 95.5 | 0.1 | (0.5) | (7.5) |
| Gold (US\$/OZ) | 1,224.6 | 1.6 | 0.8 | (6.4) |
| Silver (US\$/OZ) | 20.1 | 3.4 | 5.1 | (7.5) |

Debt / forex market

| | 2 Jan 14 | 1 Day | 1 Mth | 3 Mths |
|---------------------|----------|-------|-------|--------|
| 10 yr G-Sec yield % | 8.8 | 8.8 | 8.7 | 8.7 |
| Re/US\$ | 62.2 | 61.9 | 62.3 | 62.5 |

Sensex



RESULT PREVIEW

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INFORMATION TECHNOLOGY

Overall, we expect companies under our coverage to report muted performance, both on the topline as well as operating profit levels. The October - December quarter is generally a lean quarter for the industry because of furloughs / shutdowns and holidays which result in lower number of billable hours. Margins are also expected to remain largely stable or decline a bit QoQ.

We understand that, over the quarter, the overall demand scenario has remained stable / improved across sectors. The economies of USA and EU have started showing signs of improvement and stabilization, respectively. This should bode well for FY14 budgets. We will watch out for management comments on the same. We maintain our constructive view on the medium-to-long term prospects of the sector on expectations of improving demand over this period. There is some unease over the proposed Immigration Bill in USA as well as the future of the Fed taper program. However, we believe that, the fundamental impact of the same, if any, will be limited.

Muted revenue growth expected

We expect revenues in USD terms to grow by 1.7% - 3% QoQ, for the top 4 companies. This includes a cross currency benefit of about 0.5% - 0.7%. For all companies under coverage, INR revenues are expected to rise by 1.3% QoQ.

We understand that, the demand scenario has remained stable or has improved across verticals. However, specific cases of ramp-downs by clients or cut-overs (closed project not substituted with new ones) may impact some mid-tier companies.

Moreover, the October - December quarter has traditionally been a weak quarter for the sector because of lower number of billable hours. This is expected to impact the growth rates during the quarter.

The cross currency fluctuations between USD, Euro, GBP and AUD is expected to help USD revenue growth by about 0.5% - 0.7% QoQ. The USD has depreciated v/s Euro, GBP as well as v/s AUD and that will have a positive impact on reported USD growth. In INR terms, the growth is expected to be lower because of the slight appreciation of the rupee v/s USD (on an average basis). Average realizations are expected to have remained largely stable QoQ. For the companies under our coverage, INR revenues are expected to grow by about 1.3%, with the Top 4 reporting a 1.6% growth.

EBIDTA margins stable

Margins are expected to be largely stable to marginally lower because of the slight rupee appreciation, salary hikes (in some cases) and the relatively lower revenue growth. For the companies under our coverage, we expect almost flat EBIDTA QoQ. PAT growth is seen higher because of volatility in the forex gain / loss component for a few companies.

PAT expected to rise by 6.5% QoQ

The slight rupee appreciation (v/s a sharp depreciation in 2Q) will lead to lower hedging losses for companies. Companies follow different hedging strategies and different accounting policies. This may lead to corresponding impact of currency volatility on other income. On the other hand, there will be translation losses on forex assets of companies. Consequently, PAT is expected to grow by about 6.5% QoQ for companies under our coverage and by about 8% for the Top 4 companies.

What to watch out for?

As usual, markets will watch out for and change in the FY14 revenue guidance by Infosys. The return of Mr. Murthy to Infosys has raised hopes on the medium-to-long term prospects of the company. Based on our expected revenues in 3Q, we expect the company to increase the guidance range.

We will also watch out for comments by company managements on the improvement seen in spending patterns and budgets for CY14. Discretionary spends have been improving and we will watch out for comments relating to the same. Order bookings in re-bids market by various players will also be a point of interest. While we expect pricing to remain largely stable, we will closely watch the management commentary about their expectations on the same.

Companies have benefited in FY13 because of the depreciation of the rupee. Given the inherent volatility, it will be interesting to see if companies re-invest the benefits in demand - generating initiatives or retain the same.

We will also watch the progress made by and expectations of the various companies in new areas of opportunities like Cloud Computing, Analytics, Mobility, etc. Demand trends in these businesses will be of interest to us. Non-linear initiatives are becoming very important from the perspective of sustaining margin. Progress on the same by various companies will be something to watch out for.

Remain constructive on medium-to-long term prospects; to watch macro scene closely

We understand that, over the quarter, the overall demand scenario has remained stable / improved across sectors. The economies of USA and EU have started showing signs of improvement and stabilization, respectively. This should bode well for FY14 budgets. We will watch out for management comments on the same.

We maintain our constructive view on the medium-to-long term prospects of the sector on expectations of improving demand over this period. There is some unease over the proposed Immigration Bill in USA as well as the future of the Fed taper program. However, we believe that, the fundamental impact of the same, if any, will be limited.

Quarterly Estimates (October - December 2013) - Information Technology

| Company | Revenues (Rs mn) | | | | | EBIDTA (%) | | | PAT (Rs mns) | | | | | EPS (Rs) | | | | |
|--------------|------------------|----------------|--------------|----------------|--------------|-------------|-------------|-------------|----------------|----------------|---------------|---------------|-------------|------------|------------|------------|------------|------------|
| | Q3 FY14 | Q2 FY14 | QoQ (%) | Q3 FY13 | YoY (%) | Q3 FY14 | Q2 FY14 | Q3 FY13 | Q3 FY14 | Q2 FY14 | QoQ (%) | Q3 FY13 | YoY (%) | Q3 FY14 | Q2 FY14 | QoQ (%) | Q2 FY13 | YoY (%) |
| Infosys ^ | 130,035 | 129,650 | 0.3 | 104,240 | 24.7 | 24.0 | 23.6 | 25.7 | 26,860 | 24,070 | 11.6 | 23,690 | 13.4 | 47 | 46 | 2 | 42 | 11.38 |
| TCS | 212,841 | 209,772 | 1.5 | 160,699 | 32.4 | 31.3 | 31.6 | 29.0 | 51,337 | 47,018 | 9.2 | 35,518 | 44.5 | 26 | 24 | 9 | 18 | 44.54 |
| Wipro ^^ | 113,759 | 109,920 | 3.5 | 110,246 | 3.2 | 22.8 | 22.7 | 20.0 | 20,267 | 19,424 | 4.3 | 17,163 | 18.1 | 8 | 8 | 4 | 7 | 17.94 |
| HCL Tech * | 80,509 | 79,610 | 1.1 | 62,738 | 28.3 | 25.2 | 26.3 | 22.6 | 14,514 | 14,160 | 2.5 | 9,445 | 53.7 | 21 | 20 | 3 | 13 | 53.23 |
| TOTAL | 537,144 | 528,952 | 1.5 | 437,923 | 22.7 | | | | 112,979 | 104,672 | 7.9 | 85,816 | 31.7 | | | | | |
| Geometric | 2,807 | 2,865 | (2.0) | 2,508 | 11.9 | 21.3 | 23.0 | 21.0 | 301 | 166 | 81.9 | 191 | 57.9 | 5 | 3 | 82 | 3 | 57.88 |
| Infotech Ent | 5,584 | 5,493 | 1.7 | 4,751 | 17.5 | 19.3 | 19.8 | 18.5 | 725 | 725 | (0.0) | 618 | 17.3 | 6 | 6 | (0) | 6 | 17.27 |
| KPIT | 7,075 | 7,028 | 0.7 | 5,633 | 25.6 | 17.8 | 15.4 | 15.6 | 760 | 667 | 13.9 | 504 | 50.7 | 4 | 4 | 14 | 3 | 57.57 |
| NIIT Ltd | 2,339 | 2,624 | (10.9) | 2,501 | (6.5) | 4.4 | 9.3 | 10.0 | 42 | 119 | (64.3) | 407 | (89.6) | 0 | 1 | (64) | 2 | -89.57 |
| NIIT Tech | 5,896 | 5,873 | 0.4 | 5,144 | 14.6 | 15.3 | 15.1 | 15.8 | 559 | 624 | (10.3) | 561 | (0.3) | 9 | 10 | (10) | 9 | -0.55 |
| Oracle | 8,819 | 9,650 | (8.6) | 8,528 | 3.4 | 35.3 | 37.9 | 32.8 | 2,538 | 3,595 | (29.4) | 2,683 | (5.4) | 30 | 43 | (29) | 32 | -5.40 |
| Zensar | 5,976 | 5,898 | 1.3 | 5,248 | 13.9 | 15.3 | 15.7 | 13.2 | 578 | 706 | (18.1) | 487 | 18.8 | 13 | 16 | (18) | 11 | 18.78 |
| TOTAL | 38,496 | 39,431 | (2.4) | 34,313 | 12.2 | | | | 5,505 | 6,602 | (16.6) | 5,451 | 1.0 | | | | | |
| TOTAL | 575,640 | 568,382 | 1.3 | 472,236 | 21.90 | 26.4 | 26.6 | 24.6 | 118,484 | 111,274 | 6.5 | 91,267 | 29.8 | | | | | |

Source: Companies, Kotak Securities - Private Client Research

* - Estimates are for 2QFY14

^ - Margin numbers and % are EBIT and EBIT %, respectively, for Infosys

^^ - 3QFY13 numbers include numbers of businesses de-merged WEF 1QFY14

AUTO INDUSTRY UPDATE

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AUTO INDUSTRY VOLUME UPDATE - DECEMBER 2013

For most of the automakers, December 2013 remained gloomy for auto sales. Despite raining offers and discounts, majority of the players reported YoY decline in sales. December is generally a dull month for automobile sales and the grim economic situation only added to the woes. Having said that, we believe the volumes in absolute terms will improve in the coming months. However resumption of normal growth may take some more time. In the near term, players with meaningful rural exposure are expected to perform better than the competitors.

Summary - December 2013 volumes (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|---|----------------|----------------|----------------|----------------|----------------|------------------|------------------|---------------|
| Hero MotoCorp | | | | | | | | |
| 2W | 541,615 | 530,530 | 524,990 | (3) | (1) | 4,548,232 | 4,656,433 | 2 |
| TVS Motor | | | | | | | | |
| Scooters | 30,398 | 38,331 | 41,817 | 38 | 9 | 343,816 | 340,974 | (1) |
| Motorcycles | 60,210 | 61,471 | 57,576 | (4) | (6) | 562,625 | 597,111 | 6 |
| Mopeds | 61,127 | 55,802 | 53,965 | (12) | (3) | 582,320 | 522,794 | (10) |
| Total 2W sales | 151,735 | 155,604 | 153,358 | 1 | (1) | 1,488,761 | 1,460,879 | (2) |
| 2W Exports (incl. above) | 17,169 | 20,386 | 20,694 | 21 | 2 | 157,246 | 177,373 | 13 |
| 3W | 4,486 | 6,304 | 6,137 | 37 | (3) | 34,894 | 59,530 | 71 |
| Overall sales | 156,221 | 161,908 | 159,495 | 2 | (1) | 1,523,655 | 1,520,409 | (0) |
| Maruti Suzuki | | | | | | | | |
| A1&A2 (M-800, Alto, Wagon-R, Estilo, Ritz, Swift, A-Star) | 55,279 | 56,162 | 57,457 | 4 | 2 | 478,139 | 491,318 | 3 |
| A3 (SX4, D'zire) | 13,405 | 15,486 | 15,698 | 17 | 1 | 118,694 | 146,062 | 23 |
| A4 (Kizashi) | 45 | 1 | - | (100) | (100) | 186 | 1 | (99) |
| MUV (Grand Vitara, Gypsy, Ertiga) | 5,447 | 5,840 | 5,146 | (6) | (12) | 60,652 | 44,626 | (26) |
| C (OMNI, Eeco) | 7,897 | 8,021 | 8,312 | 5 | 4 | 84,504 | 73,086 | (14) |
| Total Domestic | 82,073 | 85,510 | 86,613 | 6 | 1 | 742,175 | 755,093 | 2 |
| Export | 13,072 | 6,630 | 4,311 | (67) | (35) | 85,550 | 75,078 | (12) |
| Total Sales | 95,145 | 92,140 | 90,924 | (4) | (1) | 827,725 | 830,171 | 0 |
| M&M | | | | | | | | |
| Passenger Vehicles (incl. Verito) | 22,761 | 16,771 | 16,436 | (28) | (2) | 203,447 | 166,622 | (18) |
| 4W Commercial | 13,706 | 13,186 | 14,399 | 5 | 9 | 127,403 | 130,137 | 2 |
| 3W | 5,209 | 5,861 | 5,606 | 8 | (4) | 50,065 | 46,875 | (6) |
| CV (3.5T and above) | 631 | 443 | 440 | (30) | (1) | 8,535 | 5,731 | (33) |
| Total Domestic | 42,307 | 36,261 | 36,881 | (13) | 2 | 389,450 | 349,365 | (10) |
| Export | 2,990 | 2,994 | 2,730 | (9) | (9) | 24,692 | 21,324 | (14) |
| Total Sales | 45,297 | 39,255 | 39,611 | (13) | 1 | 414,142 | 370,689 | (10) |
| Tractors | 14,759 | 23,119 | 17,037 | 15 | (26) | 174,221 | 212,260 | 22 |
| Tata Motors | | | | | | | | |
| M&HCV | 9,866 | 6,823 | 7,659 | (22) | 12 | 109,179 | 80,494 | (26) |
| LCV | 37,649 | 19,993 | 18,079 | (52) | (10) | 281,192 | 214,721 | (24) |
| Utility | 2,928 | 2,466 | 2,735 | (7) | 11 | 37,115 | 23,619 | (36) |
| Cars | 11,257 | 7,910 | 6,537 | (42) | (17) | 146,828 | 79,937 | (46) |
| Total Domestic | 61,700 | 37,192 | 35,010 | (43) | (6) | 574,314 | 398,771 | (31) |
| Export | 3,882 | 3,671 | 2,842 | (27) | (23) | 39,403 | 36,260 | (8) |
| Total Sales | 65,582 | 40,863 | 37,852 | (42) | (7) | 613,717 | 435,031 | (29) |

Source: Companies

HERO MOTO CORP (HMC)

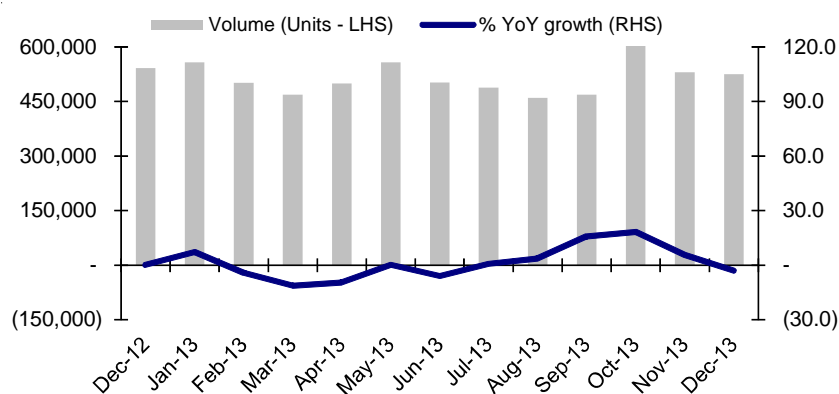
Hero MotoCorp - sales volume (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|----|-------------|-------------|-------------|----------------|----------------|-------------|-------------|---------------|
| 2W | 541,615 | 530,530 | 524,990 | (3.1) | (1.0) | 4,548,232 | 4,656,433 | 2.4 |

Source: Company

HMC's December 2013 wholesale dispatches came in at 524,990 units. Even though the company reported 3% YoY decline, volumes were still better than expectation. HMC is planning various new launches in 2014. Apart from new products, HMC will continue to gain footprint in new markets and focus on network expansion will continue. Given strong rural presence, volumes in the near term are expected to receive support from rural geography due to good monsoons.

HHML - 2W sales volume



Source: Company

TVS MOTORS (TVSM)

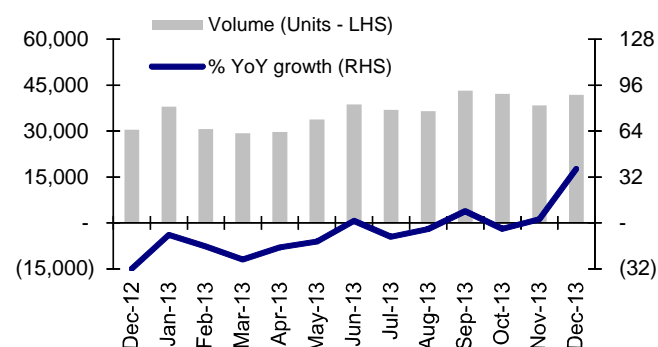
TVS Motors - sales volume (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|--------------------------|----------------|----------------|----------------|-------------|--------------|------------------|------------------|--------------|
| Scooters | 30,398 | 38,331 | 41,817 | 37.6 | 9.1 | 343,816 | 340,974 | (0.8) |
| Motorcycles | 60,210 | 61,471 | 57,576 | (4.4) | (6.3) | 562,625 | 597,111 | 6.1 |
| Mopeds | 61,127 | 55,802 | 53,965 | (11.7) | (3.3) | 582,320 | 522,794 | (10.2) |
| Total 2W sales | 151,735 | 155,604 | 153,358 | 1.1 | (1.4) | 1,488,761 | 1,460,879 | (1.9) |
| 2W Exports (incl. above) | 17,169 | 20,386 | 20,694 | 20.5 | 1.5 | 157,246 | 177,373 | 12.8 |
| 3W | 4,486 | 6,304 | 6,137 | 36.8 | (2.6) | 34,894 | 59,530 | 70.6 |
| Overall sales | 156,221 | 161,908 | 159,495 | 2.1 | (1.5) | 1,523,655 | 1,520,409 | (0.2) |

Source: Company

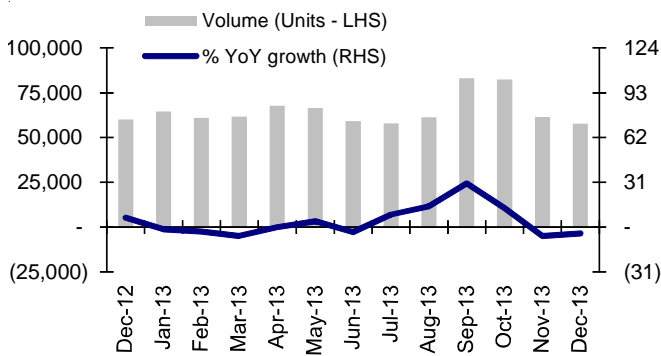
TVSM reported decent dispatch figures amid ongoing slowdown. Company sold 159,495 units, 2% more than corresponding period last year. Given that December is weak month for sales, sequentially volumes declined marginally by 1.5%. Scooter segment led the growth, albeit the growth was on a low base. Scooter volumes increased by 38% YoY to 41,817 units. Motorcycle and moped segment reported YoY decline in sales. 2W exports grew by 21% YoY with YTD growth standing at 13%. 3W volumes jumped up by 37% and stood at 6,137 units. We expect TVSM's volumes to improve in 4QFY14 aided by newly launched scooter and expected pick-up in moped demand on the back of good monsoons. Overall recovery in the 2W segment and further new launches will drive company's volume growth in the medium term.

Scooters sales volume trend



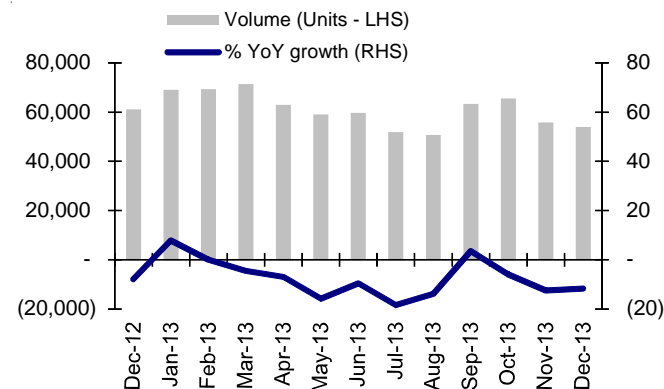
Source: Company

Motorcycles sales volume trend



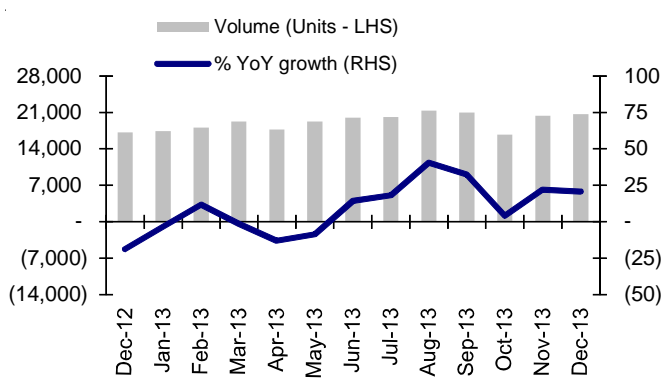
Source: Company

Mopeds sales volume trend



Source: Company

Exports sales volume trend



Source: Company

MARUTI SUZUKI INDIA LIMITED (MSIL)

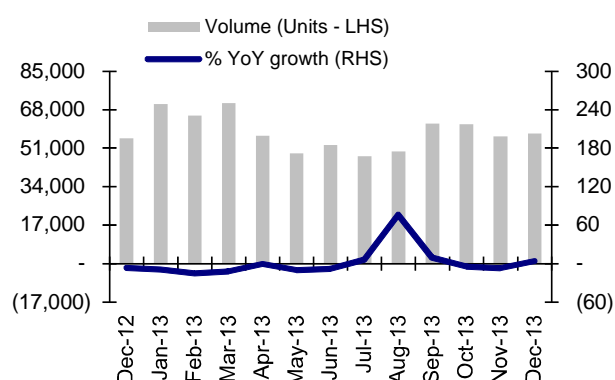
MSIL - sales volume (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|---|---------------|---------------|---------------|--------------|--------------|----------------|----------------|------------|
| A1&A2 (M-800, Alto, Wagon-R, Estilo, Ritz, Swift, A-Star) | 55,279 | 56,162 | 57,457 | 3.9 | 2.3 | 478,139 | 491,318 | 2.8 |
| A3 (SX4, D'zire) | 13,405 | 15,486 | 15,698 | 17.1 | 1.4 | 118,694 | 146,062 | 23.1 |
| A4 (Kizashi) | 45 | 1 | - | (100.0) | (100.0) | 186 | 1 | (99.5) |
| MUV (Grand Vitara, Gypsy, Ertiga) | 5,447 | 5,840 | 5,146 | (5.5) | (11.9) | 60,652 | 44,626 | (26.4) |
| C (OMNI, Eeco) | 7,897 | 8,021 | 8,312 | 5.3 | 3.6 | 84,504 | 73,086 | (13.5) |
| Total Domestic | 82,073 | 85,510 | 86,613 | 5.5 | 1.3 | 742,175 | 755,093 | 1.7 |
| Export | 13,072 | 6,630 | 4,311 | (67.0) | (35.0) | 85,550 | 75,078 | (12.2) |
| Total Sales | 95,145 | 92,140 | 90,924 | (4.4) | (1.3) | 827,725 | 830,171 | 0.3 |

Source: Company

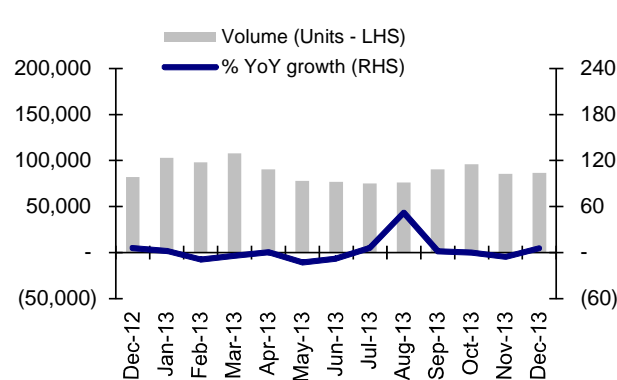
Maruti Suzuki's December 2013 dispatches stood at 90,924 units, de-growth of 4.4% over December 2012 volumes of 95,145 units. Domestic volumes grew by 5.5% YoY to 86,613 units. Volumes in the mini car segment (Alto, Wagon R) and the super compact segment (Dzire) grew strongly, though the growth came in on lower last December base. Compact segment (Swift) volumes reported sharp decline on a YoY basis. Exports during the month came in very weak. At 4,311 units, exports witnessed decline of 67% YoY and 35% MoM. In the domestic market, the demand for passenger cars remains subdued. We expect domestic volumes in the next 2-3 months to improve in absolute terms, even though there would be de-growth on YoY basis. Company's focus on rural sales will likely remain the key in the near term. Over the medium to long term, factors such as new launches/facelifts and pick-up in urban demand will be the growth drivers. In exports, we expect MSIL to continue reporting YoY volume drop over the balance part of FY14.

A1 & A2 segment domestic volume trend



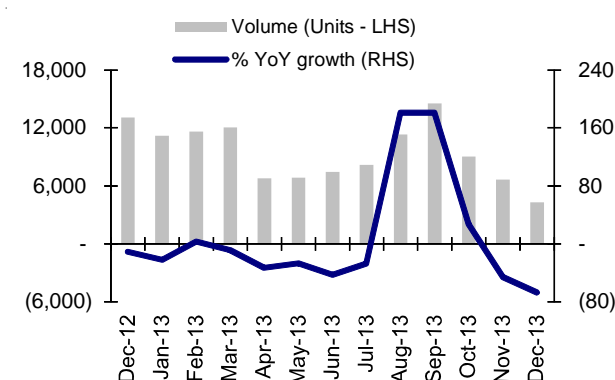
Source: Company

Domestic sales volume trend



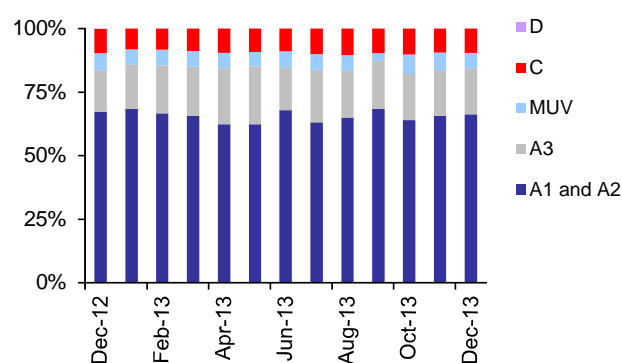
Source: Company

Export volume trend



Source: Company

Business Mix (Domestic)



Source: Company

MAHINDRA AND MAHINDRA (M&M)

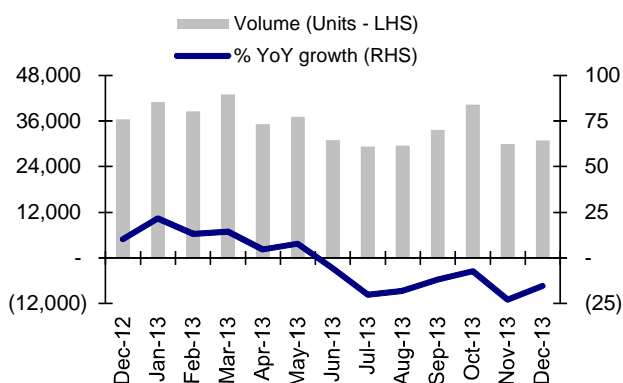
M&M - sales volume (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|-----------------------------------|---------------|---------------|---------------|---------------|-------------|----------------|----------------|---------------|
| Passenger Vehicles (incl. Verito) | 22,761 | 16,771 | 16,436 | (27.8) | (2.0) | 203,447 | 166,622 | (18.1) |
| 4W Commercial | 13,706 | 13,186 | 14,399 | 5.1 | 9.2 | 127,403 | 130,137 | 2.1 |
| 3W | 5,209 | 5,861 | 5,606 | 7.6 | (4.4) | 50,065 | 46,875 | (6.4) |
| CV (3.5T and above) | 631 | 443 | 440 | (30.3) | (0.7) | 8,535 | 5,731 | (32.9) |
| Total Domestic | 42,307 | 36,261 | 36,881 | (12.8) | 1.7 | 389,450 | 349,365 | (10.3) |
| Export | 2,990 | 2,994 | 2,730 | (8.7) | (8.8) | 24,692 | 21,324 | (13.6) |
| Total Sales | 45,297 | 39,255 | 39,611 | (12.6) | 0.9 | 414,142 | 370,689 | (10.5) |
| Tractors | 14,759 | 23,119 | 17,037 | 15.4 | (26.3) | 174,221 | 212,260 | 21.8 |

Source: Company

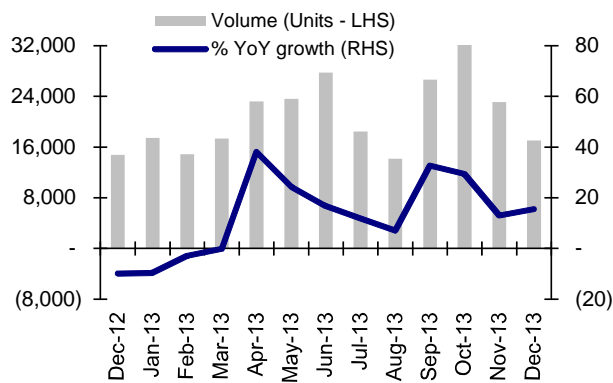
M&M's performance in the auto segment remained lackluster in December 2013. Wholesale dispatches during the month decreased by 13% YoY and stood at 39,611 units. As compared with November 2012, performance remained largely static. Passenger vehicle dispatches dropped by 28% YoY with YTD drop in this segment standing at 18%. 4W commercial and 3W segment provided some respite with both posting YoY growth. Exports dipped by 9% - both YoY and MoM. In the farm equipment business, tractor sales reported a robust 15% jump in volumes. December is seasonally a weak month for tractor sales and hence we see sharp MoM drop. Going ahead into 4QFY13, we do not expect much change from the current scenario. We believe environment for auto segment will remain challenging and accordingly expect YoY drop in sales to continue for M&M. In the farm equipment business, tractor volumes are expected to continue with robust double digit growth in the near term.

4W - domestic volume trend



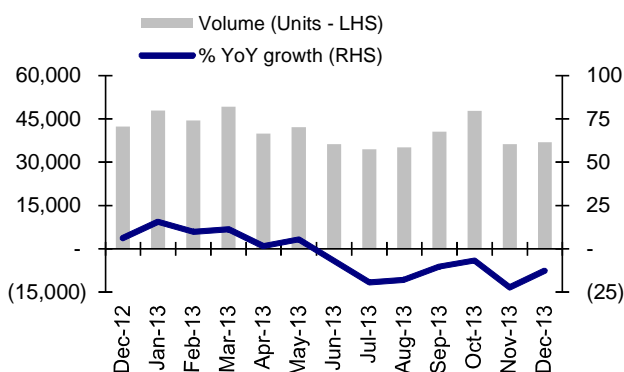
Source: Company

Tractor - volume trend



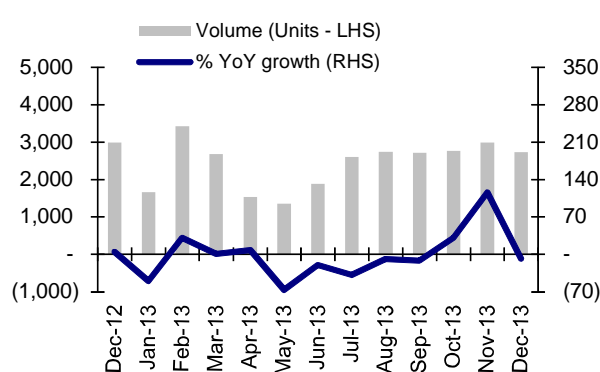
Source: Company

Domestic volume trend (Automotive)



Source: Company

Export volume trend (Automotive)



Source: Company

TATA MOTORS (TAMO)

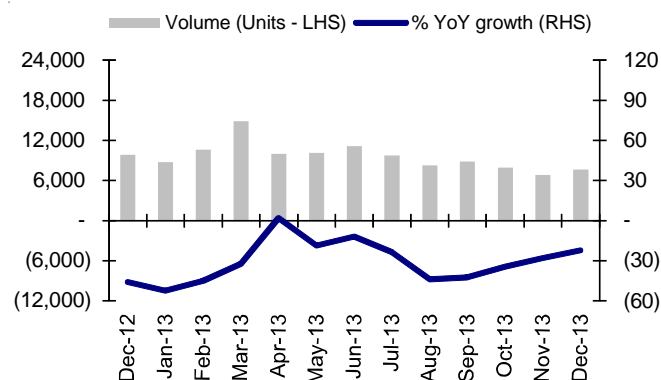
Tata Motors - sales volume (Nos)

| | Dec 2012 | Nov 2013 | Dec 2013 | YoY gth (%) | MoM gth (%) | FY13 YTD | FY14 YTD | Growth (%) |
|-----------------------|---------------|---------------|---------------|---------------|--------------|----------------|----------------|---------------|
| M&HCV | 9,866 | 6,823 | 7,659 | (22.4) | 12.3 | 109,179 | 80,494 | (26.3) |
| LCV | 37,649 | 19,993 | 18,079 | (52.0) | (9.6) | 281,192 | 214,721 | (23.6) |
| Utility | 2,928 | 2,466 | 2,735 | (6.6) | 10.9 | 37,115 | 23,619 | (36.4) |
| Cars | 11,257 | 7,910 | 6,537 | (41.9) | (17.4) | 146,828 | 79,937 | (45.6) |
| Total Domestic | 61,700 | 37,192 | 35,010 | (43.3) | (5.9) | 574,314 | 398,771 | (30.6) |
| Export | 3,882 | 3,671 | 2,842 | (26.8) | (22.6) | 39,403 | 36,260 | (8.0) |
| Total Sales | 65,582 | 40,863 | 37,852 | (42.3) | (7.4) | 613,717 | 435,031 | (29.1) |

Source: Company

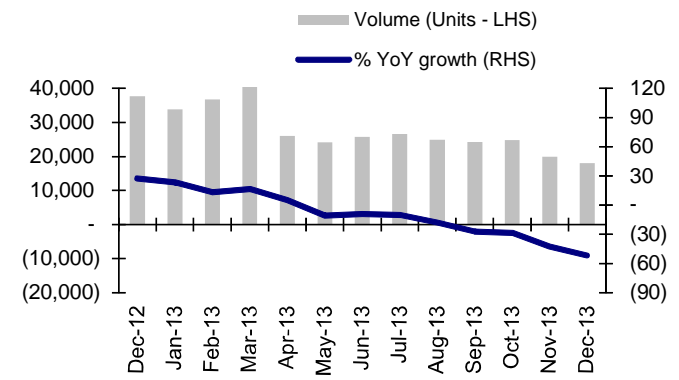
For Tata Motors, dispatches in December 2013 were the lowest since April 2009. Company sold 37,852 units in December 2013, a significant downfall of 42% over December 2012 dispatch figure of 65,582 units. Over November 2013, sales decreased by 7.4%. Volumes for the company declined across all the segments. LCV sales was the most hit - YoY lower by 52%. We expect the weakness in volumes to persist for the company over the next quarter (4QFY14). As low base effect comes into play, we expect de-growth in certain segments may not be as sharp as reported in December 2013. Improvement in the economy coupled with successful new launches from the company will dictate growth over the medium to long term.

M&HCV - domestic volume trend



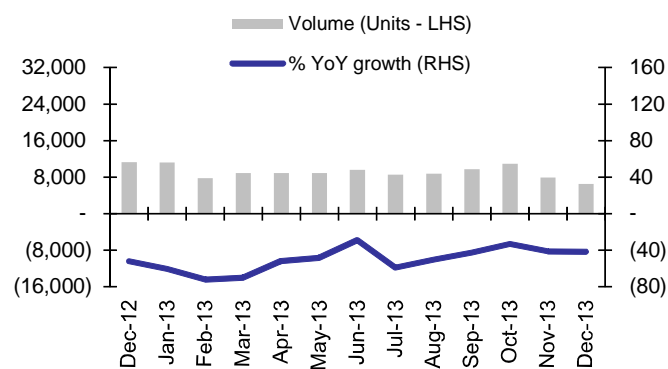
Source: Company

LCV - domestic volume trend



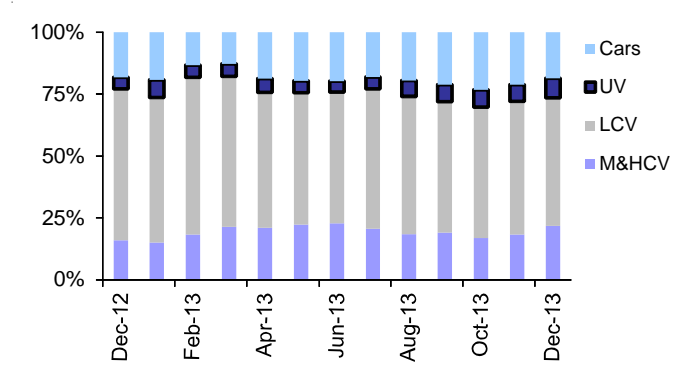
Source: Company

Cars - domestic volume trend



Source: Company

Business Mix (Domestic)



Source: Company

Bulk deals

Trade details of bulk deals

| Date | Scrip name | Name of client | Buy/ Sell | Quantity of shares | Avg. price (Rs) |
|--------|-----------------|---|--------------|-----------------------|-----------------------|
| 02-Jan | Adi Rasayan | Indu Aggarwal | S | 49,700 | 25.7 |
| 02-Jan | Adi Rasayan | Arnav Capital Ltd | B | 185,000 | 26.1 |
| 02-Jan | Alliance Int | Alliance Integrated Metaliks Ltd | B | 200,000 | 160.0 |
| 02-Jan | Alliance Int | Allianz International Pvt Ltd | S | 150,000 | 160.0 |
| 02-Jan | Arvind | Multiples Private Equity Fii I | B | 3,625,000 | 149.9 |
| 02-Jan | Atwl | Aavia Buildtech Pvt Ltd | S | 96,000 | 23.5 |
| 02-Jan | Chambal Brew | Umesh Kalu Poojary | B | 64,885 | 8.5 |
| 02-Jan | Eduexel | Discovery Infoways Ltd | S | 172,000 | 8.3 |
| 02-Jan | Eduexel | Sujata Bai | B | 99,000 | 8.3 |
| 02-Jan | Eduexel | Rakhee | B | 101,000 | 8.3 |
| 02-Jan | Globus Con | Varshaben Bhaveshbhai Shah | B | 50,000 | 102.0 |
| 02-Jan | Globus Con | Vallabh Realtors Pvt Ltd | S | 99,000 | 102.0 |
| 02-Jan | Globus Con | Urvija Bhaveshbhai Shah | B | 48,975 | 102.0 |
| 02-Jan | Gradiente Info | Hallmark Lifespace Pvt Ltd. | S | 210,200 | 0.7 |
| 02-Jan | Josts Engr | Hafeez Sorab Contractor | S | 5,090 | 309.0 |
| 02-Jan | Josts Engr | Sharad Kanayalal Shah | B | 5,000 | 309.0 |
| 02-Jan | Matra Rlty | Ketan Bhanuchandra Mehta | B | 200,000 | 0.8 |
| 02-Jan | Matra Rlty | Ruchiraj Shares & Stock Brokers Pvt Ltd | S | 194,971 | 0.8 |
| 02-Jan | Mbl Infra | Prefer Abasan Pvt Ltd | S | 106,097 | 88.8 |
| 02-Jan | Parichay Invest | Amul Gagabhai Desai | S | 11,282 | 18.3 |
| 02-Jan | Parichay Invest | Vikrambhai Manibhai Thakor | B | 16,500 | 18.3 |
| 02-Jan | Parikh Herbals | Heena Rameshbhai Patel | B | 532,901 | 31.3 |
| 02-Jan | Regency Trust | Ketan Bhanuchandra Mehta | B | 80,000 | 11.0 |
| 02-Jan | Regency Trust | Ruchiraj Shares & Stock Brokers Pvt Ltd | S | 80,000 | 11.0 |
| 02-Jan | Sangam India | Pr Vyapaar Private Limited | S | 1,635,229 | 38.0 |
| 02-Jan | Sangam India | Hawamhal Finance Pvt. Ltd. | B | 1,635,229 | 38.0 |
| 02-Jan | Shree Nath | Olympia Multitrading Pvt Ltd | B | 125,000 | 8.6 |
| 02-Jan | Splash Media & | Singur Cold Storage Pvt Ltd | S | 500,000 | 2.1 |
| 02-Jan | Thirinfra | Decoromsoftware Pvt Ltd | S | 26,900 | 30.0 |
| 02-Jan | Trimurthi Dr | Antala Real Broking & Empex Pvt Ltd | S | 43,000 | 13.0 |

Source: Bloomberg

Gainers & Losers

Nifty Gainers & Losers

| | Price (Rs) | chg (%) | Index points | Volume (mn) |
|-----------------|------------|---------|--------------|-------------|
| Gainers | | | | |
| Power Grid Corp | 102 | 2.4 | NA | 16.7 |
| TCS | 2,167 | 0.6 | NA | 0.9 |
| Infosys | 3,481 | 0.4 | NA | 0.6 |
| Losers | | | | |
| IDFC | 105 | (4.7) | NA | 14.1 |
| Jaiprakash Asso | 53 | (4.3) | NA | 28.6 |
| PNB | 611 | (3.7) | NA | 2.8 |

Source: Bloomberg

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