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EQUITY MARKETS

India	29-Feb	Change %		
		1-day	1-mo	3-mo
Sensex	17,753	0.1	3.3	10.1
Nifty	5,385	0.2	3.6	11.4

Global/Regional indices

Dow Jones	12,952	(0.4)	2.5	7.5
Nasdaq Composite	2,967	(0.7)	5.4	13.2
FTSE	5,872	(1.0)	3.3	6.7
Nikkie	9,826	1.1	11.5	14.3
Hang Seng	21,607	(0.3)	6.3	13.7
KOSPI	2,030	1.3	3.6	6.0

Value traded - India

Cash (NSE+BSE)	192	194	110
Derivatives (NSE)	1,000	700	923
Deri. open interest	1,150	988	1,055

Forex/money market

	Change, basis points			
	29-Feb	1-day	1-mo	3-mo
Rs/US\$	49.1	14	(44)	(315)
10yr govt bond, %	8.3	(1)	(9)	(53)

Net investment (US\$mn)

	28-Feb	MTD	CYTD
FII	174	-	5,569
MFs	22	-	(282)

Top movers -3mo basis

Best performers	Change, %			
	29-Feb	1-day	1-mo	3-mo
WLCO IN Equity	146.6	5.0	27.6	112.5
HDIL IN Equity	114.4	1.4	43.1	82.1
IBULL IN Equity	229.6	2.7	25.4	70.4
IVRC IN Equity	56.7	5.1	0.9	55.8
MMTC IN Equity	849.2	5.0	(5.1)	52.6
Worst performers				
UNSP IN Equity	572.6	(3.4)	(16.6)	(18.5)
ESOIL IN Equity	61.1	(2.8)	(2.9)	(11.6)
BHARTI IN Equity	350.2	2.0	(3.1)	(7.6)
NHPC IN Equity	21.2	0.0	4.4	(6.4)
GAIL IN Equity	374.9	0.2	(0.5)	(5.6)

FEBRUARY 29, 2012
NEW RELEASE

BSE-30: 17,753

ECB 'fine-tuning' puts global markets in overdrive. Global markets have seen a strong rally since ECB's first liquidity-providing fine-tuning operation on December 21, 2011. Gross liquidity injection of EUR489 bn was seen due to relaxed collateral eligibility and an extended LTRO maturity period. Interesting similarities are visible when recent events are compared with the liquidity injection phases in the recent past (QE1 and QE2). Besides strong foreign flows into various EM regions, a strong domination of ETFs in regions like India and Korea is evident. Although Indian valuations are fair at 13.8X EPS (12-month forward consensus), these liquidity-injection phases have stretched fair valuations in the past. With the second 'fine-tuning operation' amounting to EUR529.5 bn, this liquidity injection has exceeded its predecessor and may sustain Indian market sentiments in the near term. Although, we believe that the signals sent by the Government through the FY2013 Union Budget will be critical in maintaining the positive momentum locally.

LTRO versus QE1 and QE2: Will history repeat?

The recent rally after the first 'fine-tuning operation' (LTRO1) has most of the attributes of the previous phases of liquidity injection (QE1 and QE2). While the BSE-30 Index almost doubled during the QE1 phase, performance during the QE2 phase was subdued as India underperformed emerging markets by ~14%. With ECB's second 'fine-tuning operation' exceeding broader market expectations with liquidity injection amounting to EUR529.5 bn, parallels can be drawn with the previous QE phases.

Quantitative Easing: its attraction to emerging markets

QE1 and QE2 resulted in massive foreign inflows into emerging markets such as India, Korea and Taiwan. While the cumulative inflow for these three EM regions was US\$67 bn during QE1, foreigners bought equity worth about US\$33 bn during QE2. It is interesting to observe that a significant portion of the net inflows during QE2 took place even before the official start of the program. The recent liquidity injection has resulted in US\$19.9 bn of net foreign inflows into the aforementioned economies with net FII inflows worth US\$8.5 bn into India.

The ETF connection: have dominated most of the net inflows as per EPFR

EPFR data suggest significant participation by ETFs during these liquidity injection phases. In the recent rally, up to ~64% of total net inflows into India tracked by EPFR (US\$1.4 bn) were attributed to ETFs. The following hypothesis is justified even if we consider the global ETF AUM explosion in CYTD12. While ETF AUMs shot up US\$145 bn during the same period, equities were the biggest beneficiaries. Segregating the increase in AUMs as per regional focus, US, global and international ETFs saw the largest spikes in AUMs.

The Indian perspective – recurring trends during liquidity injection phases

The ECB's second 'fine-tuning operation' has exceeded its predecessor in terms of gross liquidity injection and may sustain market sentiments in the near term. We believe that the signals sent by the Government through the FY2013 Union Budget will be critical in maintaining the positive momentum. Beyond the obvious market rallies that stretched valuations during the previous liquidity injection phases, we observed interesting recurring trends in the Street's rating activity: (1) the initial phases of QE1 and QE2 were used by the Street to downgrade ratings even as valuations stretched, (2) liquidity injection phases have had a tendency to leave behind consensus fair values.

QUICK NUMBERS

- **LTRO 2 witnesses EUR529.5 bn gross liquidity injection**
- **FII net inflows into EM regions like Korea, Taiwan and India amounts to US\$19.9 bn since December 2012**
- **Liquidity injection phases have had a tendency of leaving fair values behind**

FEBRUARY 29, 2012

UPDATE

Coverage view: **Neutral**

Price (Rs): **127**

Target price (Rs): **160**

BSE-30: **17,753**

Signs of a turnaround. Zee TV continues to consolidate its ratings performance in 4QFY12, after a disappointing 3QFY12, with the launch of its latest fiction show, 'Punarvivah'. Renewed traction in the flagship channel supports key drivers: (1) advertising recovery in FY2013E and beyond, (2) potential benefits of digitization (otherwise robust DTH growth), (3) a large bouquet (regional channel diversification) and (4) a robust balance sheet. Reiterate BUY with FY2013E fair value of Rs160; reasonable valuations at 17X FY2013E consolidated earnings (including sports losses).

Company data and valuation summary

Zee Entertainment Enterprises

Stock data

52-week range (Rs) (high,low) 146-106

Market Cap. (Rs bn) 124.4

Shareholding pattern (%)

Promoters 43.5

FII 35.6

MFs 6.9

Price performance (%)

Absolute (2.7) 0.8 5.3

Rel. to BSE-30 (5.8) (8.5) 5.7

	Forecasts/Valuations		
	2011	2012E	2013E
EPS (Rs)	5.8	6.1	7.4
EPS growth (%)	9.2	3.9	22.6
P/E (X)	21.8	20.9	17.1
Sales (Rs bn)	29.5	29.0	33.7
Net profits (Rs bn)	5.7	5.9	7.3
EBITDA (Rs bn)	7.6	7.9	9.9
EV/EBITDA (X)	14.7	14.1	11.2
ROE (%)	14.2	14.0	16.5
Div. Yield (%)	1.1	1.0	1.2

Turnaround in Zee TV ratings led by revamp of fiction/non-fiction slate

Zee TV ratings for the most recent week (Feb19-25) increased sharply to 222 GRPs from 179 GRPs previously, led by the launch of its latest fiction show, 'Punarvivah' (remarriage). Zee moved ahead of Colors and was placed third in the Hindi GE segment behind Star and Sony; more important is the likely sustainable nature of the ratings, since there was limited contribution of 'discretionary' events/films (though we believe they will be an integral part of a GE channel line-up). Recognizing the volatile and cyclical nature of ratings/programming, we believe Zee can still sustain 200+ GRPs. We note that Zee's revamp has only involved replacing weak programming; stability in primetime ratings performance will provide it with the opportunity to expand its line-up.

Zee Cinema and regional channels report robust average performance

Investors have also been concerned (rightly so, in our view) with increasing investment in film content at a late stage in the inflation cycle. However, we believe the investments would be worth the price if they helped to sustain market share in a competitive environment; Zee Cinema has maintained its market share despite Star Gold's sharp growth. Additionally, we note that Zee had to spend Rs1.5-2.0 bn a year on film content given GE as well as cinema channels; incremental investment was Rs0.5-0.7 bn. Zee's regional channels continue to report robust average performance; the company's dependence on Zee TV has declined after the acquisition of regional channels (contribution down to ~30% from over 50% previously).

Reiterate BUY with FY2013E fair value of Rs160 as drivers outweigh risks

Our FY2013E earnings estimates for Zee (Rs7.4) continues to be ahead of the Street consensus (Rs7.0) since we do not believe there is complete recognition of either (1) potential for cyclical improvement in Zee TV ratings (typically volatile), (2) advertising recovery in FY2013E and beyond (led by FMCG) and (3) potential benefits from digitization for large broadcasters such as Zee (higher subscription revenue, reduced placement fees). Potential risks include: (1) uncertainty over a turnaround in the sports business (we factor losses in the medium-term and believe sustained profitability is possible as revenue/cost structure corrects over time) and (2) competition in few genres (though we believe this is considerably overhyped; we continue to see signs of consolidation in an already over-fragmented market, over FY2006-10).

Zee's primetime programming and ratings performance

Time-slot	Weekday	TRP (%)	Weekend	TRP (%)
February 19, 2012				
07.00-07.30PM	AFSAR BITIYA	2.0		
07.30-08.00PM	CHHOTI BAHU	2.7		
08.00-08.30PM	HITLER DIDI	2.5	SHOBHA SOMNATH KI	0.6
08.30-09.00PM	YAHAN MEIN GHAR GHAR KHELI	3.0		
09.00-09.30PM	PAVITRA RISHTA	3.5	MARUTI SUZUKI-DANCE INDIA DANCE-3	2.2
09.30-10.00PM	RAM MILAYI JODI	2.2		
10.00-10.30PM	MRS KAUSHIK KI PAANCH BAHUEIN	2.6		
10.30-11.00PM	PUNARVIVAH	2.6		
February 12, 2012				
07.00-07.30PM	AFSAR BITIYA	1.5		
07.30-08.00PM	CHHOTI BAHU	2.3		
08.00-08.30PM	HITLER DIDI	2.3	SHOBHA SOMNATH KI	0.5
08.30-09.00PM	YAHAN MEIN GHAR GHAR KHELI	3.0		
09.00-09.30PM	PAVITRA RISHTA	3.3	MARUTI SUZUKI-DANCE INDIA DANCE-3	2.4
09.30-10.00PM	RAM MILAYI JODI	2.1		
10.00-10.30PM	MRS KAUSHIK KI PAANCH BAHUEIN	2.1		
10.30-11.00PM	BHAGONWALI BAANTE APNI TAQDEER	0.9		

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Hindi GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
Colors	257	240	245	233	207	(19)
Imagine TV	80	71	77	71	60	(25)
LifeOK	36	36	37	45	87	141
SAB	140	136	125	119	133	(5)
Sony TV	160	151	218	249	225	40
Star Plus	322	299	305	316	294	(9)
Zee TV	220	198	193	158	188	(15)
Total	1,217	1,130	1,200	1,191	1,195	(2)
Share (%)	18	18	16	13	16	

Source: TAM Media Research, Kotak Institutional Equities

Primetime GRPs of key Hindi GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
Colors	163	132	143	142	135	(17)
Imagine TV	45	36	42	40	35	(23)
LifeOK	18	15	15	17	43	137
SAB	72	61	60	58	74	2
Sony TV	86	63	121	148	133	55
Star Plus	176	150	162	182	187	6
Zee TV	150	123	118	98	122	(18)
Total	709	580	662	686	728	3
Share (%)	21	21	18	14	17	

Source: TAM Media Research, Kotak Institutional Equities

Share of top-100 programs of key Hindi GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
Colors	29	31	29	24	21	(28)
Imagine TV	0	1	0	-	-	(100)
LifeOK	-	-	-	-	1	
SAB	5	6	5	4	5	5
Sony TV	5	6	14	17	16	213
Star Plus	36	34	34	40	37	4
Zee TV	24	23	18	15	19	(22)
Total	100	100	100	100	100	

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Hindi movie channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
FILMY	25	24	21	18	20	(20)
SET MAX (a)	129	130	139	123	111	(14)
Star Gold	111	127	147	152	152	38
UTV Action	32	29	26	26	27	(16)
UTV Movies	37	41	33	31	31	(16)
Zee Cinema	124	126	140	119	129	4
Total	458	476	505	468	470	3
Share (%)	27	26	28	25	27	

Notes:

(a) SET MAX ratings are adjusted for IPL.

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Marathi GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
DD Marathi	25	21	27	22	22	(12)
ETV Marathi	167	179	210	211	200	20
Mi Marathi	40	32	46	24	18	(55)
Star Pravah	129	160	216	193	219	69
Zee Marathi	221	192	185	168	166	(25)
Zee Talkies	77	76	74	57	64	(16)
Total	659	659	759	675	690	5
Share (%)	45	41	34	33	33	

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Bengali GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
Akash Bangla	41	35	35	30	27	(33)
ETV Bangla	173	143	158	136	137	(21)
Rupashi Bangla	60	57	55	47	53	(12)
Sony Aath	55	48	63	57	50	(9)
Star Jalsha	452	427	430	480	508	12
Zee Bangla	372	314	374	427	481	29
Total	1,153	1,025	1,115	1,177	1,256	9
Share (%)	32	31	34	36	38	

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Telugu GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
Eenadu TV	366	357	381	343	348	(5)
Gemini Movies	329	298	271	204	268	(18)
Gemini TV	794	758	743	640	734	(8)
Maa Movies	70	124	126	112	123	77
Maa Telugu	301	387	426	401	431	43
Zee Telugu	344	326	339	311	329	(4)
Total	2,204	2,250	2,287	2,011	2,234	1
Share (%)	16	14	15	15	15	

Source: TAM Media Research, Kotak Institutional Equities

24-hour GRPs of key Kannada GE channels (%)

	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	chg (%)
ETV Kannada	209	212	214	199	192	(8)
Kasturi	100	91	99	87	75	(25)
Suvarna	266	250	311	327	294	11
Udaya Movies	230	215	201	185	166	(28)
Udaya TV	537	582	609	576	569	6
Zee Kannada	222	221	258	273	265	20
Total	1,564	1,571	1,691	1,648	1,561	(0)
Share (%)	34	37	36	35	36	

Source: TAM Media Research, Kotak Institutional Equities

Summary of financials and valuations of Zee and Sun TV, March fiscal year-ends

	Financials (Rs bn)				Valuations (X)			
	2010	2011	2012E	2013E	2010	2011	2012E	2013E
Zee consolidated								
Revenues	22.0	29.5	29.0	33.7				
EBITDA	6.1	7.6	7.9	9.9	18.3	14.7	14.2	11.4
EPS (Rs/share)	5.8	5.8	6.1	7.4	21.8	21.9	20.9	17.1
Sports business								
Revenues	3.2	4.4	2.6	3.2				
EBITDA	(0.6)	(2.1)	(1.1)	(0.8)				
R-GECs business								
Revenues	1.1	5.3	5.8	6.8				
EBITDA	0.3	1.8	1.8	2.3				
Hindi-rest business								
Revenues	17.8	19.8	20.6	23.7				
EBITDA	6.4	7.9	7.2	8.3				
Zee core business								
Revenues	18.8	25.1	26.4	30.5				
EBITDA	6.7	9.7	9.0	10.6	16.7	11.6	12.5	10.6
EPS (Rs/share)	6.4	7.4	6.9	8.0	19.9	17.2	18.3	15.9
Sun TV consolidated								
Revenues	14.5	20.1	19.2	21.9				
EBIT	7.7	11.0	10.3	11.8	15.0	10.5	11.2	9.8
EPS (Rs/share)	13.2	19.5	18.5	21.4	23.6	15.9	16.8	14.5
Sun TV stress-case								
Revenues	14.5	20.1	19.2	20.3				
EBIT	7.7	11.0	10.3	9.4	15.1	10.6	11.3	12.4
EPS (Rs/share)	13.2	19.5	18.5	17.0	23.6	15.9	16.8	18.3

Notes:

(a) Zee's FY2010 financials include only one quarter (4QFY10) of R-GEC financials.

Source: Company data, Kotak Institutional Equities estimates

Ad spends of listed FMCG companies (Rs bn)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Advertising expenditure						
HUL	6,465	7,433	6,233	6,330	6,514	6,902
Dabur India	947	1,090	748	929	725	1,276
Glaxo India	1,077	898	1,026	1,000	1,196	1,142
Colgate India	789	1,206	804	988	1,143	1,075
Marico India	547	592	413	727	627	877
GCPL	511	592	400	656	564	588
Total	10,336	11,811	9,624	10,630	10,769	11,860
growth (%)	20	(1)	(5)	4	0	
Overhead expenditure						
Nestle India	4,079	4,277	4,201	4,092	4,650	
Asian Paints	2,961	3,343	3,348	3,277	3,848	4,102
TGB	1,254	1,310	1,287	1,194	1,276	1,433
Total	8,294	8,930	8,836	8,563	9,774	5,535
growth (%)	22	21	18	18		

Source: Company data, Kotak Institutional Equities

Breakdown of Zee's subscription revenues, FY2011-15E (Rs bn)

	2015E		
	2011	Base	Potential
Analog cable			
Subscription revenues (Rs bn)	3.8	5.2	-
Subscriber base (mn)	40	45	-
Revenue per sub (Rs)	8	10	NA
Addressable digital - cable or DTH			
Subscription revenues (Rs bn)	3.4	7.0	17.6
Subscriber base (mn)	15	30	75
Revenue per sub (Rs)	19	20	20
Domestic subscription revenues			
Domestic subscription (Rs bn)	7.2	12.2	17.6
Digital/analog (X)	2.4	2.0	2.0
Potential upside (%)			44

Notes:

(a) Assuming 50% of subscribers take Zee bouquet of channels.

Source: Kotak Institutional Equities estimates

Estimated consolidated financials of ZEEL + ZEEN R-GECs, March fiscal year-ends, 2009-20E (Rs mn)

	Actuals			KIE estimates								
	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
ZEEL + ZEEN R-GECs												
Total revenues	21,773	21,998	29,510	29,002	33,749	39,011	44,228	48,606	53,887	59,203	65,069	71,565
--Advertising revenues	10,593	10,670	17,081	15,545	18,351	21,688	25,173	28,130	31,892	36,092	40,854	46,257
--Subscription revenues	9,038	9,869	11,361	12,737	14,530	16,392	18,058	19,428	20,895	21,956	23,003	24,036
Operating income	5,480	6,135	7,604	7,867	9,869	12,541	14,648	16,107	18,357	20,434	22,780	25,121
Margin (%)	25.2	27.9	25.8	27.1	29.2	32.1	33.1	33.1	34.1	34.5	35.0	35.1
--Other income	1,572	1,220	838	1,095	1,126	1,062	1,094	1,151	1,171	1,117	991	829
--Interest expense	(889)	(331)	(102)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
--Depreciation	(310)	(285)	(264)	(284)	(324)	(333)	(351)	(347)	(341)	(328)	(357)	(387)
Profit before tax	5,853	6,738	8,077	8,631	10,623	13,223	15,344	16,863	19,139	21,176	23,368	25,516
--Tax expense	(1,633)	(2,210)	(2,826)	(2,684)	(3,310)	(4,123)	(4,788)	(5,249)	(5,951)	(6,564)	(7,254)	(7,916)
--Minority interest	(98)	195	116	(4)	(28)	(54)	(71)	(74)	(88)	(86)	(93)	(88)
--Extraordinary items	949	1,637	1,004	—	—	—	—	—	—	—	—	—
Net income	5,072	6,361	6,371	5,942	7,285	9,046	10,485	11,540	13,100	14,526	16,021	17,512
Adj. net income	4,351	5,241	5,679	5,942	7,285	9,046	10,485	11,540	13,100	14,526	16,021	17,512
Adj. EPS (Rs)	5.0	5.8	5.8	6.1	7.4	9.2	10.7	11.8	13.4	14.8	16.4	17.9

Source: Company data, Kotak Institutional Equities estimates

FEBRUARY 29, 2012**UPDATE**BSE-30: **17,731**

T(r)ough times. GDP growth in 3QFY12 slowed down to a 10-quarter low of 6.1%. Most of the drop was on account of the industrial sector which grew by 0.8%, led by dips in mining and manufacturing. Agricultural sector growth was disappointing at 2.7%, considering that the *kharif* output effect is included in this quarter. Investment contracted again in 3QFY12 with fixed capital formation contracting 1.2%. Private consumption growth bounced up to 6.2% though the YTD growth rate is lower at 5%.

Disappointing agriculture growth and continually weakening industrial sector

In nominal terms, the agricultural sector grew by 9.9% compared to 21% last year. While this could be an effect of falling fruits and vegetables prices, there was also a negative base effect. Growth in real terms was 2.7% in 3QFY12 compared to 11% in 3QFY11. Industrial sector growth remained weak at 0.8%, down from 2.8% in 2QFY12. Mining sector contracted by 3.1% compared to contraction of 2.9% in 2QFY12. Manufacturing sector growth contracted 0.4% compared to +2.7% in 2QFY12. Electricity grew by 9% compared to 9.8% in 2QFY12. January electricity production in IIP was low at 2.4% and may depress electricity growth in 4QFY12E.

Construction sector springs a positive surprise

After a couple of quarters of relatively muted performance, construction sector growth jumped up to 7.2%. Cement and steel production (as indicated in IIP) grew by 10% and 6% respectively in 3QFY12. Hence, the higher growth for the construction sector may not have been a total surprise though much is not witnessed in reality. 'Trade, hotel, transport and communication' and 'finance, insurance, real estate and business services' moderated slightly to 9.2% and 9% respectively in 3QFY12 from 9.8% and 10.5% in 2QFY12. These two sectors contribute ~46% of the total GDP. 'Social and personal services' growth was strong at 7.9% compared to 6.6% in 1QFY12 due to (1) positive base effects (3QFY11 growth at (-)0.8%), (2) government expenditure remaining strong.

Trends in investment and inventories point to further moderation

From a demand perspective, consumption expenditure growth at 6.2% was definitely instrumental in preventing any bigger dip in the GDP growth. The trends in investment and inventories now show two quarters of contraction. Gross fixed capital formation contracted by 1.2% (2QFY12 contraction of 4%) while inventories contracted by 0.4% (2QFY12 contraction of 4.7%). The destocking phenomenon is slightly disconcerting given that it is usually indicative of a further slowdown and weak expectations from the demand side. Going by the numbers, the last destocking phase was in FY2009 when the GDP growth had slowed down to 5.9% in 4QFY09 from 7.9% in 1QFY09. Contribution of net exports to GDP growth was back to the negative zone as exports growth started to slow down post September while imports maintained a healthy trend.

We keep our GDP growth estimates unchanged for FY2012 at 6.7% and FY2013 at 6.6%

3QFY12 GDP at 6.1% corroborate our expectation of the growth trajectory and we retain our FY2012E estimate at 6.7%. We expect some recovery in the 2HFY13E in the industrial sector as a result of improved investment sentiments with policy rate cuts by the RBI (by 100 bps in FY2013E with the first cut in April). However, it is difficult to factor in a sharp V-shaped recovery (similar to the post-Lehman phase) as domestic macro conditions are now weaker with relatively sticky inflation, high current account deficit and high fiscal deficit. This could limit the scope for RBI to ease monetary policy aggressively. Moreover, despite drops in the policy rates, the transmission onto the funding costs of the corporate sector could be limited with Rupee liquidity concerns persisting. Services are expected to see moderation, though the growth rate is likely to remain strong at 8.1% in FY2013E.

QUICK NUMBERS

- **GDP growth in 3QFY12 at 6.1%**
- **Fixed capital formation contracts by 1.2%**
- **We maintain our FY2012 estimate of 6.7% and FY2013 estimate of 6.6%**

Indian economy likely to grow at 6.7% in FY2012E and 6.6% in FY2013E

Growth in real GDP at factor cost and components, March fiscal year-ends, 2010-13E (%)

Sector	2010	2011	1QFY12	2QFY12	3QFY12	4QFY12E	2012E	2013E
Agriculture and allied activities	1.0	7.0	3.9	3.2	2.7	2.0	2.9	3.1
Industry	8.9	6.8	6.7	2.8	0.8	1.4	2.8	4.1
Mining and quarrying	6.3	5.0	1.8	(2.9)	(3.1)	(3.0)	(1.8)	1.1
Manufacturing	9.7	7.6	7.2	2.7	0.4	1.5	2.9	4.0
Electricity, gas and water supply	6.3	3.0	7.9	9.8	9.0	6.0	8.0	8.0
Services	10.0	9.2	8.9	8.7	8.7	8.4	8.7	8.1
Construction	7.0	8.0	1.2	4.3	7.2	6.5	4.8	5.6
Trade, hotels, transport, storage and communication	10.3	11.1	12.8	9.9	9.2	9.5	10.3	9.1
Financing, insurance, real estate and business services	9.4	10.4	9.1	10.5	9.0	9.0	9.4	9.0
Community, social and personal services	12.0	4.5	5.6	6.6	7.9	6.5	6.6	6.1
Real GDP at factor cost	8.4	8.4	7.7	6.9	6.1	6.1	6.7	6.6
Non-agricultural GDP	9.8	8.6	8.4	7.3	6.8	6.8	7.3	7.2

Source: CEIC, Kotak Economic Research estimates

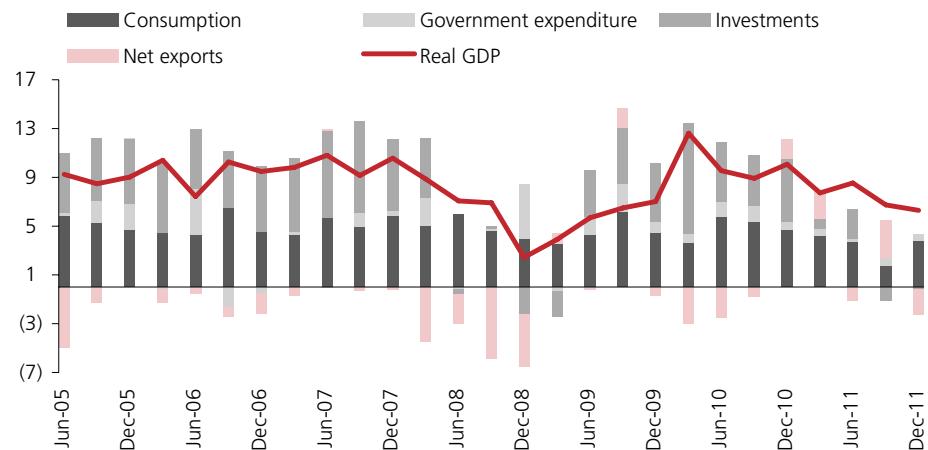
Destocking and investment construction points to further moderation

Growth in real GDP at market prices and components (%)

	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Private consumption	8.7	7.6	8.0	5.9	2.9	6.2
Government expenditure	12.2	4.7	4.9	2.9	6.1	4.4
Gross capital formation	10.3	14.2	2.2	6.2	(2.7)	(0.5)
GFCF	6.9	11.1	0.4	4.9	(4.0)	(1.2)
Inventory	35.5	37.7	4.6	1.8	(4.7)	(0.4)
Valuables	29.3	33.0	32.3	27.6	17.6	9.8
Exports	16.7	28.1	25.0	23.2	23.3	13.1
Imports	14.9	14.2	10.3	20.8	6.9	17.3
Real GDP	8.9	10.1	7.7	8.5	6.7	6.3

Source: CEIC, Kotak Economic Research

Private consumption has been the only positive factor in 3QFY12
 Contribution to real GDP at market prices (%)



Source: CEIC, Kotak Economic Research

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	29-Feb-12		Mkt cap.			O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			Target price		
	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	(Rs)	(%)	(US\$ mn)			
Automobiles																													
Apollo Tyres	85	BUY	43,049	877	504	8.7	7.4	10.0	(26.1)	(15.4)	34.6	9.8	11.5	8.6	6.7	6.0	4.8	1.6	1.4	1.2	0.6	0.5	0.7	20.1	14.4	16.8	90	5.4	3.8
Ashok Leyland	28	ADD	75,297	1,533	2,661	2.4	1.7	2.8	68.1	(26.8)	58.6	11.9	16.3	10.3	8.1	9.3	7.0	1.7	1.6	1.5	3.5	3.5	3.5	21.8	14.6	21.5	33	16.6	3.7
Bajaj Auto	1,802	SELL	521,383	10,617	289	90.4	106.6	122.3	43.9	18.0	14.7	19.9	16.9	14.7	15.2	12.7	11.3	10.6	7.6	5.8	2.2	2.2	2.2	84.9	52.5	44.7	1,715	(4.8)	21.1
Bharat Forge	308	REDUCE	73,183	1,490	237	12.5	17.5	20.0	1,402.1	39.2	14.6	24.6	17.7	15.4	11.3	8.9	7.9	3.3	2.8	2.4	1.1	—	—	8.2	14.6	15.6	315	2.1	2.5
Exide Industries	135	SELL	114,878	2,339	850	7.5	5.1	6.5	18.0	(32.1)	28.4	18.1	26.7	20.8	13.1	17.3	13.9	4.2	3.8	3.3	1.1	0.9	0.9	25.5	14.9	17.0	105	(22.3)	3.8
Hero Motocorp	1,946	SELL	388,636	7,914	200	99.3	118.0	131.8	(11.1)	18.8	11.7	19.6	16.5	14.8	12.9	11.8	10.4	8.3	7.2	6.1	5.4	3.6	3.6	56.5	66.1	59.5	1,850	(4.9)	24.1
Mahindra & Mahindra	710	BUY	435,848	8,875	614	41.7	42.8	46.4	22.7	2.5	8.5	17.0	16.6	15.3	13.1	12.5	11.2	4.1	3.5	2.9	1.6	1.3	1.3	22.5	20.8	18.5	17.6	37.8	
Maruti Suzuki	1,255	SELL	362,512	7,382	289	79.2	52.3	89.9	(8.4)	(33.9)	71.7	15.8	24.0	14.0	10.0	16.3	8.5	2.6	2.4	2.1	0.6	0.6	17.6	10.3	15.8	1,250	(0.4)	19.0	
Tata Motors	271	REDUCE	900,909	18,345	3,325	27.2	34.3	38.7	737.9	26.2	12.8	10.0	7.9	7.0	6.7	5.2	4.4	4.6	3.1	2.2	1.4	1.1	66.1	46.8	37.0	285	5.2	79.1	
Automobiles		Cautious	2,915,695	59,371					82.8	10.7	17.8	14.2	12.8	10.9	9.3	8.2	6.8	4.4	3.5	2.8	2.0	1.6	1.6	31.1	27.5	25.8			
Banks/Financial Institutions																													
Andhra Bank	131	BUY	73,249	1,492	560	22.6	23.6	23.0	5.0	4.4	(2.8)	5.8	5.5	5.7	—	—	—	1.1	1.0	0.9	4.2	4.4	4.3	23.2	19.0	16.3	150	14.6	1.6
Axis Bank	1,178	BUY	499,753	10,176	424	82.5	95.5	102.8	33.0	15.7	7.6	14.3	12.3	11.5	—	—	—	2.6	2.2	1.9	1.2	1.4	1.5	19.3	19.6	18.2	1,350	14.6	60.5
Bajaj Finserv	642	ADD	92,863	1,891	145	78.2	63.2	62.9	102.3	(19.2)	(0.4)	8.2	10.2	10.2	—	—	—	2.6	1.9	1.5	1.9	1.9	1.9	37.2	21.9	16.8	650	1.3	1.8
Bank of Baroda	804	BUY	315,974	6,434	393	108.0	115.6	121.2	29.1	7.1	4.9	7.4	7.0	6.6	—	—	—	1.6	1.4	1.2	2.4	2.6	2.7	25.9	21.5	19.2	1,050	30.5	9.3
Bank of India	372	BUY	203,702	4,148	547	45.5	46.7	62.0	37.4	2.7	32.8	8.2	8.0	6.0	—	—	—	1.3	1.1	1.0	2.2	2.2	3.0	17.3	15.1	17.6	450	20.9	6.0
Canara Bank	511	BUY	226,329	4,609	443	90.9	74.8	93.2	23.3	(17.7)	24.6	5.6	6.8	5.5	—	—	—	1.3	1.1	0.9	2.2	2.3	2.3	23.2	15.5	16.9	550	7.7	8.4
Corporation Bank	468	BUY	69,384	1,413	148	95.4	107.5	107.5	16.3	12.7	(0.0)	4.9	4.4	4.4	—	—	—	1.0	0.8	0.7	4.3	4.8	4.8	21.9	20.6	17.8	600	28.1	0.8
Federal Bank	406	BUY	69,368	1,413	171	34.3	42.4	49.7	26.3	23.5	17.3	11.8	9.6	8.2	—	—	—	1.4	1.3	1.2	2.1	2.6	3.0	12.0	13.5	14.3	500	23.3	4.4
HDFC	663	REDUCE	972,775	19,808	1,467	24.1	27.7	31.8	22.4	14.9	14.7	27.5	24.0	20.9	—	—	—	5.6	5.0	3.8	1.4	1.6	1.9	21.7	22.0	21.4	725	9.3	72.1
HDFC Bank	517	ADD	1,202,841	24,493	2,326	16.9	22.1	28.1	31.0	30.9	27.2	30.6	23.4	18.4	—	—	—	4.7	4.1	3.5	0.6	0.8	1.1	16.7	18.8	20.5	560	8.3	34.2
ICICI Bank	906	BUY	1,043,894	21,256	1,152	44.7	53.2	56.7	23.9	19.0	6.5	20.3	17.0	16.0	—	—	—	1.9	1.8	1.6	1.5	1.8	1.9	9.7	10.7	10.7	1,100	21.4	111.3
IDFC	141	ADD	213,327	4,344	1,509	8.8	10.6	12.8	4.6	20.6	20.8	16.1	13.4	11.1	—	—	—	2.0	1.7	1.5	1.5	1.5	1.8	14.7	13.9	14.6	155	9.6	25.7
India Infoline	70	SELL	219,919	406	286	7.4	4.0	4.3	(9.3)	(45.5)	5.7	9.4	17.3	16.4	—	—	—	1.2	1.1	1.0	5.1	1.2	1.2	12.9	6.7	7.3	70	0.6	1.1
Indian Bank	241	BUY	103,746	2,113	430	38.8	41.9	46.6	10.5	8.0	11.2	6.2	5.8	5.2	—	—	—	1.3	1.1	1.0	3.1	3.3	3.6	22.3	20.4	19.4	300	24.3	2.1
Indian Overseas Bank	102	BUY	63,112	1,285	619	17.3	14.4	27.8	33.6	(17.2)	93.6	5.9	7.1	3.7	—	—	—	0.8	0.7	0.6	4.9	1.9	3.8	12.7	9.1	15.9	140	37.3	1.8
IndusInd Bank	312	ADD	145,498	2,963	466	12.4	16.8	17.9	45.2	35.2	7.1	25.2	18.6	17.4	—	—	—	3.6	3.1	2.7	0.6	0.9	0.9	20.8	19.3	17.4	330	5.7	4.6
J&K Bank	814	ADD	39,473	804	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	260	ADD	123,677	2,518	475	20.5	19.3	29.5	47.2	(5.8)	52.7	12.7	13.5	8.8	—	—	—	3.2	2.7	2.3	1.7	1.6	2.4	25.8	20.3	26.0	270	3.7	14.1
Mahindra & Mahindra Financial	759	BUY	77,797	1,584	102	45.2	55.6	71.9	26.1	23.0	29.3	16.8	13.7	10.6	—	—	—	3.2	2.8	2.4	1.3	1.6	2.1	22.0	21.1	23.1	825	8.6	1.6
Muthoot Finance	156	BUY	57,885	1,179	371	15.7	23.1	27.5	108.4	46.4	19.3	9.9	6.8	5.7	—	—	—	4.3	1.9	1.4	—	—	—	51.5	38.7	28.4	240	54.0	—
Oriental Bank of Commerce	281	BUY	82,058	1,671	292	51.5	43.0	57.9	13.7	(16.5)	34.7	5.5	6.5	4.9	—	—	—	0.8	0.7	0.7	3.7	3.1	4.2	15.5	10.9	13.4	370	31.6	3.0
PFC	199	BUY	262,740	5,350	1,320	22.8	27.7	29.3	11.1	(0.5)	29.0	8.7	8.8	6.8	—	—	—	1.7	1.3	1.2	2.0	2.3	2.9	18.4	16.7	17.4	225	13.0	15.5
Punjab National Bank	953	BUY	302,017	6,150	317	140.0	152.0	166.5	13.0	8.6	9.5	6.8	6.3	5.7	—	—	—	1.5	1.3	1.1	2.3	3.3	3.6	24.4	22.0	20.5	1,270	33.2	9.3
Reliance Capital	404	ADD	99,461	2,025	246	9.3	8.4	22.6	(25.3)	(10.2)	17.0	43.4	48.3	17.9	—	—	—	1.4	1.4	1.3	0.9	0.8	2.2	3.3	2.9	4.7	16.3	31.6	
Rural Electrification Corp.	216	BUY	212,980	4,337	987	26.0	28.7	33.7	28.1	10.5	17.2	8.3	7.5	6.4	—	—	—	1.7	1.5	1.3	3.5	3.8	4.5	21.5	20.7	21.1	230	6.6	11.6
SKS Microfinance	134	RS	9,866	201	74	15.7	(89.1)	(27.5)	(41.8)	(667.7)	(69.1)	8.5	(1.5)	(4.9)	—	—	—	0.6	0.9	1.0	—	—	—	8.3	(44.7)	(19.3)	—	—	2.2
State Bank of India	2,248	BUY	1,511,682	30,782	673	130.2	179.2	219.6	(9.9)	37.7	22.6	17.3	12.5	10.2	—	—	—	2.3	1.8	1.6									

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	29-Feb-12	Rating	O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			Target price (Rs)			Upside (%)	ADVT-3m (US\$ mn)	
	Price (Rs)		Mkt cap. (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			
Consumer products																													
Asian Paints	3,171	SELL	304,118	6,193	96	80.8	94.4	106.9	13.0	16.8	13.3	39.2	33.6	29.7	26.2	22.8	18.5	14.8	11.4	9.3	1.0	0.9	1.1	43.9	39.9	35.6	2,500	(21.1)	
Colgate-Palmolive (India)	1,049	SELL	142,595	2,904	136	29.6	32.5	39.1	(4.9)	9.9	20.3	35.4	32.2	26.8	30.9	27.7	22.3	37.1	37.8	30.1	2.1	2.7	2.6	113.4	116.1	124.9	900	(14.2)	
Dabur India	104	ADD	181,086	3,687	1,740	3.3	3.7	4.4	12.8	12.1	19.2	31.8	28.4	23.8	25.7	21.7	18.6	13.8	10.7	8.5	1.1	1.2	1.5	51.2	43.2	40.2	115	10.5	
GlaxoSmithKline Consumer (a)	2,591	ADD	108,968	2,219	42	71.3	84.5	105.4	28.8	18.5	24.8	36.3	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	15.8	
Godrej Consumer Products	451	ADD	145,777	2,968	324	14.9	16.8	21.8	31.3	13.1	29.8	30.3	26.8	20.6	25.5	20.4	15.2	18.4	6.3	5.1	1.1	0.7	0.7	35.9	27.6	28.9	500	11.0	
Hindustan Unilever	380	REDUCE	821,018	16,718	2,159	9.9	11.8	14.2	4.8	19.7	19.7	38.5	32.2	26.9	32.9	26.3	21.0	31.2	26.8	23.0	2.0	2.6	3.1	66.3	89.8	92.4	420	10.5	
ITC	208	ADD	1,594,892	32,476	7,681	6.4	7.9	9.0	20.7	22.5	14.1	32.4	26.4	23.2	21.5	18.0	15.6	9.5	8.2	7.2	2.2	1.8	2.2	33.2	34.9	34.3	230	10.8	
Jubilant Foodworks	1,041	SELL	68,286	1,390	66	11.2	16.3	24.0	99.6	45.4	47.3	92.9	63.9	43.4	56.9	35.4	24.4	35.6	22.9	15.0	—	—	—	46.6	43.6	41.7	800	(23.1)	
Jyothy Laboratories	196	ADD	15,183	309	78	10.3	8.4	10.8	(6.2)	(18.8)	28.0	18.9	23.3	18.2	15.4	35.4	26.3	2.3	2.2	2.1	3.1	2.4	3.0	12.3	9.7	11.7	190	(2.9)	
Marico	157	BUY	96,803	1,971	615	3.9	5.2	6.8	(12.8)	33.5	31.7	40.6	30.4	23.1	24.9	21.5	16.3	10.3	8.1	6.2	0.4	0.5	0.6	30.3	30.3	30.8	190	20.8	
Nestle India (a)	4,413	SELL	425,502	8,664	96	86.8	104.6	125.1	16.7	20.5	19.6	50.8	42.2	35.3	33.8	27.9	22.6	49.7	33.4	19.9	1.1	1.1	1.3	116.5	94.7	97.0	3,600	(18.4)	
Tata Global Beverages	126	BUY	77,640	1,581	618	4.0	5.3	6.6	(34.6)	35.1	23.0	31.7	23.5	19.1	13.2	12.9	10.4	1.5	1.4	1.4	1.6	1.4	1.7	6.4	8.2	9.5	110	(12.4)	
Titan Industries	228	ADD	202,770	4,129	888	4.9	6.5	7.9	71.7	32.5	20.7	46.5	35.1	29.0	32.6	24.7	20.0	19.5	14.8	11.4	0.5	1.0	1.3	49.2	48.0	44.4	230	0.7	
United Spirits	573	BUY	71,915	1,464	126	35.3	36.6	42.7	29.5	3.5	16.9	16.2	12.4	10.5	9.7	1.7	1.6	1.4	0.5	0.4	0.6	11.2	10.5	11.1	900	57.2			
Consumer products	Attractive		4,256,554	86,674		16.3	19.3	18.1	35.4	29.7	25.1	24.8	20.8	17.3	11.0	9.4	8.0	7.0	1.7	1.6	2.0	31.0	31.6	31.8					
Constructions																													
IVRCL	57	ADD	15,126	308	267	5.9	2.9	3.9	(25.2)	(50.5)	33.6	9.6	19.3	14.5	6.7	8.6	7.4	0.8	0.7	0.7	1.1	0.7	0.7	8.2	3.9	5.0	70	23.6	
Nagarjuna Construction Co.	60	BUY	15,305	312	257	6.4	1.8	3.7	(29.7)	(71.1)	100.8	9.4	32.3	16.1	7.9	9.7	8.3	0.6	0.6	0.6	1.7	3.4	3.4	7.1	2.0	4.0	65	9.0	
Punj Lloyd	57	REDUCE	19,390	395	340	(1.5)	5.1	6.6	(56.6)	(442.7)	28.9	(38.5)	11.2	8.7	12.8	9.4	6.5	0.7	0.6	0.6	(0.1)	0.8	1.0	(1.7)	5.7	6.9	5.1	5.5	1
Sadhav Engineering	138	BUY	20,720	422	150	7.8	10.0	10.0	51.0	28.5	0.5	17.8	13.9	10.5	8.5	8.3	3.2	2.7	2.3	0.4	0.4	0.4	18.1	19.2	16.3	180	30.2		
Construction	Attractive		70,542	1,436		(1.1)	15.6	27.8	18.2	15.8	12.3	9.1	9.1	7.3	0.9	0.8	0.8	0.7	1.2	1.3	4.8	5.4	6.5						
Energy																													
Aban Offshore	495	BUY	21,548	439	44	134.2	71.5	92.4	25.9	(46.7)	29.1	3.7	6.9	5.4	6.7	7.7	6.8	1.0	1.3	1.1	0.7	0.8	0.9	33.3	20.8	21.4	615	24.2	
Bharat Petroleum	662	RS	239,430	4,875	362	38.9	42.3	53.5	(32.5)	8.8	26.3	17.0	15.6	12.4	10.8	8.5	8.0	1.6	1.5	1.4	2.1	2.1	2.6	9.2	9.3	11.0	—	8	
Cairn India	369	SELL	702,196	14,298	1,903	33.3	45.7	63.8	50.1	37.1	39.7	11.1	8.1	8.1	6.3	4.0	1.7	1.5	1.3	—	—	4.1	16.9	19.7	360	(2.4)			
Castrol India (a)	480	SELL	118,608	2,415	247	19.8	19.5	21.0	28.5	(1.8)	7.8	24.2	24.7	22.9	15.5	16.9	15.5	23.0	21.7	20.2	3.1	3.1	3.4	100.2	90.4	91.4	400	(16.6)	
GAIL (India)	375	ADD	475,553	9,683	1,268	28.2	29.6	28.0	13.8	5.2	(54)	13.3	12.6	13.4	8.4	8.9	9.2	2.3	2.0	1.8	2.1	2.1	1.7	15.5	16.1	13.3	435	16.0	
GSPL	77	REDUCE	43,516	886	563	8.9	9.2	8.5	21.7	3.4	7.1	8.7	8.4	9.1	5.8	5.3	5.3	1.9	1.6	1.4	1.3	1.8	2.8	2.5	2.05	16.2	87	12.5	2
Hindustan Petroleum	314	RS	106,314	2,165	339	40.8	11.0	28.8	(20.8)	(73.2)	162.9	7.7	28.6	10.9	3.5	3.0	3.5	0.7	0.7	0.6	4.5	1.1	2.8	9.0	2.2	5.7	—	5	
Indian Oil Corporation	284	RS	689,052	14,031	2,428	32.4	30.1	29.8	(34.0)	(7.2)	(0.9)	8.8	9.4	9.5	8.4	7.3	6.7	1.2	1.2	1.1	3.3	0.6	3.1	13.3	12.2	11.1	—	2	
Oil India	1,283	BUY	308,485	6,282	240	120.0	146.1	189.9	4.2	21.8	30.0	10.7	8.8	6.8	5.3	3.5	2.5	1.8	1.6	1.4	2.9	4.3	5.8	16.2	17.5	20.1	1,750	36.4	
Oil & Natural Gas Corporation	293	BUY	2,508,478	51,079	8,556	24.7	28.7	35.2	7.4	16.3	22.8	11.9	10.2	8.3	4.5	4.2	3.2	1.7	1.5	1.4	3.0	3.4	3.9	14.3	14.8	16.3	330	12.6	
Petronet LNG	169	SELL	126,450	2,575	750	8.1	14.9	13.6	50.3	83.4	(8.2)	20.8	11.3	12.4	12.0	8.0	8.6	4.2	3.2	2.6	1.2	1.8	1.8	20.9	31.1	22.5	140	(17.0)	
Reliance Industries	821	REDUCE	2,446,656	49,820	2,981	62.0	62.7	61.6	24.8	1.2	(1.7)	18.2	13.2	13.1	13.3	7.2	6.6	6.6	1.5	1.4	1.2	1.0	1.0	1.0	13.0	11.9	10.6	855	4.2
Energy	Attractive		7,786,285	158,548		11.6	8.4	14.2	11.6	10.7	9.4	6.4	5.7	4.9	1.6	1.5	1.3	2.0	1.9	2.8	13.8	13.6	14.0						
Industrials																													
ABB	810	SELL	171,646	3,495	212	3.0	11.7	22.7	(82.2)	291.5	94.5	271.4	69.3	35.6	197.7	46.0	23.2	7.1	6.6	5.7	0.2	0.4	0.4	2.6	9.9	17.3	515	(36.4)	
BGR Energy Systems	369	REDUCE	26,626	542	72	44.8	29.4	27.2	60.0	(34.4)	(7.4)	8.2	12.6	13.6	5.5	6.5	5.7	2.8	2.4	2.1	2.7	1.6	1.5	39.0	20.5	16.5	260	(29.5)	
Bharat Electronics	1,618	ADD	129,436	2,636	80	107.3	115.8	132.8	11.6	8.0	14.7	15.1	14.0	12.2	7.1	7.9	5.5	2.5	2.2	1.9	1.3	1.5	1.5	18.2	16.8	16.9	1,650	2.0	
Crompton Greaves	143	ADD	91,446	1,862	642	14.3	6.4	10.3	11.5	(55.2)	60.0	9.9	22.2	13.9	6.4	10.9	7.6	2.8	2.5	2.2	1.7	1.0	1.1	31.7	12.0	17.0	19.3	7	
Cummins India	466	REDUCE	129,161	2,630	277	22.2	21.6	25.9	37.1	(2.9)	19.8	21.0	21.6	18.0	18.8	19.4	15.4	7.2	6.3	5.5	2.3	2.2	2.7	35.1	29.7	31.2	475	1.9	
KEC International	62	BUY	15,939	325	257	8.0	6.7	8.1	4.1	(16.5)	21.6	7.7	9.3	7.6	6.2	6.6	5.7	1.6	1.4	1.2	1.1	2.0	2.2	16.2	17.2	65	4.8	0	
Larsen & Toubro	1,308	REDUCE	796,406	16,217	609	67.7	80.7	87.0	18.1	19.2	7.8	19.3</td																	

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

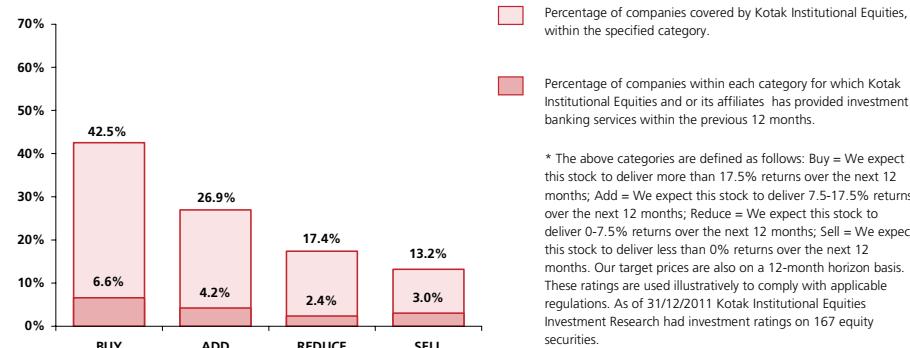
Company	29-Feb-12	Rating	Mkt cap.			O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price			Upside		ADVT-3mo	
	Price (Rs)		(Rs mn)	(US\$ mn)	(mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	(Rs)	(%)	(US\$ mn)							
Media																																				
DB Corp	204	BUY	37,417	762	183	14.1	11.2	13.5	32.7	(20.7)	20.6	14.5	18.3	15.1	9.4	10.7	8.8	4.5	3.9	3.5	2.0	2.0	2.9	35.0	23.0	24.5	300	47.0	0.1							
DishTV	54	BUY	57,668	1,174	1,063	(1.8)	(0.7)	0.6	(27.7)	(62.1)	(192.8)	(30.4)	(80.2)	86.5	27.3	12.7	9.5	91.9	(632.2)	100.2	—	—	—	(81.9)	(268.1)	275.3	80	47.5	7.6							
Eros International	185	BUY	17,939	365	97	11.8	15.6	19.6	19.0	32.7	25.6	15.7	11.8	9.4	10.8	8.3	5.9	2.7	2.2	1.7	—	—	—	24.9	20.1	20.4	270	45.9	1.5							
Hindustan Media Ventures	141	BUY	10,344	211	73	7.3	9.0	10.6	198.0	23.3	17.8	19.3	15.6	13.3	9.4	9.0	6.8	2.7	2.3	2.1	0.7	0.7	1.4	23.3	16.1	16.5	190	34.8	0.1							
HT Media	144	ADD	33,892	690	235	7.7	7.5	9.2	31.0	(3.1)	23.3	18.7	19.3	15.7	8.9	9.7	7.2	2.4	2.2	2.0	0.2	1.4	2.8	14.9	11.8	13.4	160	11.0	0.1							
Jagran Prakashan	107	BUY	33,839	689	316	6.8	6.5	7.8	16.7	(5.3)	21.6	15.7	16.6	13.6	9.4	9.0	7.8	4.8	4.4	3.9	3.3	3.7	32.8	27.6	30.0	150	40.2	0.2								
Sun TV Network	311	ADD	122,539	2,495	394	19.5	18.5	21.4	48.1	(5.4)	15.9	16.8	14.5	9.6	9.9	8.7	5.1	4.6	4.3	2.8	3.5	4.5	36.5	30.2	32.2	390	25.4	6.7								
Zee Entertainment Enterprises	127	BUY	124,399	2,533	978	5.8	6.1	7.4	9.2	3.9	22.6	21.8	20.9	17.1	14.7	14.1	11.2	2.9	2.8	2.7	1.1	1.0	1.2	14.2	14.0	16.5	160	25.8	3.6							
		Neutral	438,037	8,920					51.2	3.9	27.6	22.2	21.3	16.7	11.8	11.0	9.0	4.1	3.8	3.5	1.5	1.8	2.4	18.4	17.7	20.8										
Media																																				
Metals & Mining																																				
Coal India	335	ADD	2,112,824	43,022	6,316	17.3	23.4	26.9	13.6	35.1	14.9	19.3	14.3	12.5	11.3	8.8	7.5	6.0	4.8	3.8	1.2	2.1	2.4	35.1	37.3	34.1	380	13.6	30.9							
Hindalco Industries	149	REDUCE	285,129	5,806	1,915	12.8	17.2	16.1	(36.0)	34.3	(6.0)	11.7	8.7	9.2	6.2	7.0	6.7	1.0	0.9	0.8	1.0	1.0	1.0	9.7	10.8	9.2	160	7.5	33.2							
Hindustan Zinc	145	ADD	613,681	12,496	4,225	11.6	12.7	14.7	21.8	8.8	16.0	12.5	11.5	9.9	8.4	7.4	5.3	2.7	2.3	1.9	0.7	1.7	1.7	24.3	21.8	21.4	150	3.3	2.3							
Jindal Steel and Power	583	REDUCE	544,463	11,087	934	40.2	40.9	46.1	5.1	1.7	12.7	14.5	14.3	12.7	10.6	10.2	9.4	3.9	3.1	2.5	0.3	0.3	0.3	30.9	24.1	21.8	530	(9.1)	24.3							
JSW Steel	809	SELL	182,744	3,721	226	78.6	32.3	77.7	(2.2)	(58.9)	140.5	10.3	25.0	20.4	7.1	5.9	6.4	1.1	1.1	1.0	1.5	1.2	1.2	13.6	14.1	9.9	680	(15.9)	42.7							
National Aluminium Co.	61	SELL	156,567	3,188	2,577	4.2	3.2	3.7	36.4	(23.9)	15.8	14.6	19.2	16.6	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	(12.8)	0.9							
Sesa Gea	214	REDUCE	191,823	3,906	895	48.6	32.7	46.8	65.3	(32.7)	43.1	4.4	6.6	4.6	3.7	5.7	6.1	1.5	1.2	1.0	1.8	1.8	1.8	36.8	17.2	22.1	220	2.6	20.5							
Sterlite Industries	125	ADD	418,974	8,531	3,361	15.2	13.5	15.2	26.2	(11.0)	12.4	8.2	9.2	8.2	5.1	4.4	3.5	1.0	0.9	0.8	0.9	1.6	1.6	13.0	10.5	10.8	132	5.9	25.8							
Tata Steel	473	ADD	459,040	9,347	971	75.3	27.8	58.4	(2,258.1)	(63.1)	110.4	6.3	17.0	8.1	5.9	7.9	6.1	1.3	1.1	1.0	2.5	2.5	2.5	24.7	7.1	13.4	525	11.1	64.5							
		Cautious	4,965,245	101,105					39.1	(1.9)	18.4	12.0	12.2	10.3	7.6	7.5	6.4	2.3	2.0	1.7	1.2	1.8	1.9	19.0	16.3	16.7										
Metals & Mining																																				
Pharmaceutical																																				
Apollo Hospitals	580	BUY	80,518	1,640	139	13.2	17.1	21.2	21.0	29.3	24.0	43.8	33.9	27.3	19.9	14.8	12.7	4.2	3.2	2.8	—	—	9.8	10.3	10.5	650	12.1	5.6								
Biocon	276	BUY	55,100	1,122	200	18.4	16.8	20.7	23.9	(8.7)	23.2	15.0	16.4	13.3	8.4	9.2	7.3	2.7	2.4	2.2	—	—	19.4	15.7	17.2	380	37.9	4.1								
Cipla	317	SELL	254,486	5,182	803	12.3	14.1	17.7	(10.0)	14.1	25.5	25.7	22.5	18.0	18.0	22.3	17.6	3.5	3.4	3.0	0.9	0.9	1.1	15.4	15.6	17.3	320	1.0	9.6							
Cadila Healthcare	726	REDUCE	148,668	3,027	205	34.7	31.1	40.9	40.6	(10.5)	31.4	20.9	23.4	17.8	18.2	18.2	13.7	6.8	5.6	4.5	0.9	0.9	1.1	37.5	26.4	28.1	700	(3.6)	2.0							
Dishman Pharma & chemicals	52	REDUCE	4,209	86	81	9.8	5.1	8.3	(31.8)	(48.6)	64.7	5.3	10.2	6.2	7.7	7.3	5.5	0.5	0.4	—	—	9.6	4.6	7.2	60	15.9	0.3									
Divi's Laboratories	728	ADD	96,562	1,966	133	32.4	37.4	46.4	25.7	15.6	22.5	19.5	15.7	18.5	15.1	11.0	5.4	4.6	3.9	—	—	25.9	25.4	26.8	31	28.5	13.0									
Dr Reddy's Laboratories	1,643	REDUCE	279,202	5,685	170	64.9	90.7	106.9	93.25	39.7	17.8	18.1	15.4	17.8	11.8	9.8	6.1	4.7	3.7	0.7	0.8	0.8	24.8	29.3	27.1	1,740	5.9	13.0								
GlaxoSmithKline Pharmaceuticals (a)	2,075	SELL	175,746	3,579	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	35.0	1,930	(7.0)	1.2							
Glenmark Pharmaceuticals	309	REDUCE	83,491	1,700	270	17.0	19.9	22.4	33.6	17.6	12.2	18.2	15.5	13.8	20.3	19.0	11.2	4.1	3.3	2.7	—	—	20.6	23.6	21.5	340	10.1	3.1								
Jubilant Life Sciences	190	REDUCE	30,275	616	159	14.4	16.9	29.5	(45.6)	17.3	74.1	13.2	11.2	6.4	10.8	8.1	6.4	1.4	1.2	1.0	1.1	1.1	1.6	12.3	16.3	18.0	180	(5.3)	0.5							
Lupin	481	ADD	215,513	4,388	448	19.2	21.1	26.5	25.6	9.7	25.3	25.0	22.8	18.2	20.9	18.1	13.4	6.5	5.2	4.2	0.6	0.7	0.9	29.5	25.8	26.2	520	8.1	7.7							
Ranbaxy Laboratories	429	SELL	180,825	3,682	422	40.6	19.9	30.4	47.49	(50.9)	52.3	10.6	21.5	21.8	14.1	13.0	13.7	10.0	3.2	4.4	3.4	—	—	34.5	17.4	27.4	380	(11.4)	10.6							
Sun Pharmaceuticals	550	ADD	569,994	11,606	1,036	17.5	23.4	28.1	34.4	33.4	20.1	31.4	23.5	19.6	26.9	17.0	14.0	5.5	4.5	3.7	0.6	0.7	0.9	21.0	23.1	22.9	625	13.6	10.2							
		Neutral	2,174,588	44,280					43.1	8.5	24.2	22.8	21.0	16.9	18.5	14.5	11.2	3.6	3.2	2.7	0.7	0.8	0.9	16.0	15.3	16.1										
Property																																				

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	29-Feb-12 Price (Rs)	Rating	Mkt cap. (Rs mn) (US\$ mn)			O/S shares (mn)			EPS (Rs) 2011 2012E 2013E			EPS growth (%) 2011 2012E 2013E			PER (X) 2011 2012E 2013E			EV/EBITDA (X) 2011 2012E 2013E			Price/BV (X) 2011 2012E 2013E			Dividend yield (%) 2011 2012E 2013E			Target price (Rs) Upside (%) (US\$ mn)		
			2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E			
Technology																													
HCL Technologies	485	REDUCE	341,890	6,962	705	22.9	33.8	39.9	30.4	47.9	18.0	21.2	14.3	12.2	12.9	8.5	7.3	4.1	3.0	2.5	1.5	1.6	1.7	21.0	22.8	22.3	460	(5.1)	10.8
Hexaware Technologies	122	ADD	35,792	729	294	3.0	9.1	10.7	(36.8)	207.9	17.3	41.3	13.4	11.4	33.6	11.9	8.0	3.7	3.5	2.9	1.2	2.5	2.7	9.3	26.9	28.0	110	(9.8)	3.7
Infosys	2,883	ADD	1,655,100	33,702	574	119.7	146.1	173.7	10.5	22.0	18.9	24.1	19.7	16.6	16.6	13.3	10.6	6.4	5.3	4.4	2.1	1.6	1.9	28.0	29.3	28.9	3,100	7.5	73.5
Mahindra Satyam	69	REDUCE	80,850	1,646	1,176	4.2	8.7	8.1	68.9	106.3	(6.5)	16.4	7.9	8.5	11.8	5.3	4.1	4.7	2.9	2.2	—	—	—	27.6	45.7	29.7	80	16.4	7.4
Mindtree	464	ADD	19,113	389	41	24.7	50.5	53.9	(52.7)	104.5	6.8	18.8	9.2	8.6	10.5	6.2	4.8	2.5	2.0	1.7	0.5	1.1	3.5	14.4	23.9	21.5	540	16.3	0.7
Mphasis	433	SELL	91,327	1,860	211	51.8	39.0	34.6	18.8	(24.6)	(11.4)	8.4	11.1	12.5	7.1	9.3	8.4	2.8	2.3	2.0	0.9	1.0	1.2	38.6	22.8	17.3	310	(28.5)	2.9
Polaris Financial Technology	161	REDUCE	16,067	327	100	19.3	21.7	24.0	25.7	12.5	10.4	8.3	7.4	6.7	5.1	3.2	2.4	1.6	1.3	1.1	2.3	2.4	2.5	20.2	19.2	18.2	145	(10.0)	1.4
TCS	1,222	REDUCE	2,391,601	48,699	1,957	44.5	54.6	66.4	26.8	22.6	21.6	27.4	22.4	18.4	20.6	15.7	12.8	9.5	7.6	6.1	1.1	1.6	1.9	37.8	37.6	36.6	1,250	2.3	40.0
Tech Mahindra	601	SELL	75,663	1,541	126	48.0	74.7	80.7	(26.3)	55.5	8.0	12.5	8.0	7.4	8.5	9.1	7.4	2.3	1.9	0.7	1.7	20.2	27.0	25.5	600	(0.1)	2.0		
Wipro	432	ADD	1,060,987	21,604	2,454	21.6	23.2	28.2	14.5	7.4	21.7	20.0	18.7	15.3	14.9	12.7	10.1	4.4	3.7	3.1	1.0	1.1	1.4	24.3	21.7	22.2	460	6.4	14.1
Technology	Attractive			5,832,219	118,758				17.0	20.9	18.1	22.7	18.8	15.9	16.4	13.0	10.6	6.0	4.9	4.0	1.5	1.5	1.8	26.2	25.9	25.3			
Telecom																													
Bharti Airtel	350	ADD	1,329,920	27,080	3,798	15.9	12.8	20.8	(32.6)	(19.9)	62.9	22.0	27.4	16.8	9.7	8.2	6.3	2.7	2.7	2.3	—	—	—	13.3	9.9	14.7	390	11.4	56.4
IDEA	95	ADD	312,162	6,356	3,303	2.7	2.1	4.6	(0.5)	(22.2)	118.5	34.7	44.6	20.4	11.1	8.7	6.5	2.5	2.5	2.2	—	—	—	7.6	5.7	11.6	100	5.8	12.5
MTNL	32	RS	20,255	412	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(3.1)	(3.5)	(3.8)	0.8	1.1	1.4	0.2	0.2	0.2	—	—	—	(6.1)	(5.7)	(5.5)	—	—	1.7
Reliance Communications	95	SELL	195,048	3,972	2,064	6.5	3.9	1.0	(71.1)	(39.7)	(73.5)	14.5	24.0	90.5	6.3	8.2	6.9	0.5	0.5	0.5	—	—	—	3.2	2.0	0.6	60	(36.5)	26.9
Tata Communications	234	REDUCE	66,590	1,356	285	(24.9)	(27.0)	(26.6)	(13.0)	8.4	(1.4)	(9.4)	(8.7)	(8.8)	11.7	8.7	7.8	1.9	2.6	4.3	—	—	—	(17.5)	(25.1)	(37.0)	215	(8.0)	1.7
Telecom	Cautious			1,923,974	39,177				(45.8)	(27.5)	66.7	27.8	38.4	23.0	9.3	8.4	6.6	1.7	1.7	1.6	—	—	—	6.0	4.4	6.9			
Utilities																													
Adani Power	76	SELL	181,524	3,696	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)	8.9
CEC	270	BUY	33,789	688	125	39.1	32.1	39.9	13.1	(17.9)	24.4	6.9	8.4	6.8	4.7	6.7	6.4	0.7	0.7	0.6	1.5	1.5	1.8	10.8	8.2	9.4	400	47.9	1.6
JSW Energy	65	REDUCE	106,108	2,161	1,640	5.1	1.6	2.3	12.9	(69.5)	44.8	12.6	41.4	28.6	12.9	19.2	8.9	1.9	1.9	1.7	(1.5)	—	—	16.1	4.5	6.3	43	(33.5)	3.6
Lanco Infratech	21	BUY	46,461	946	2,223	1.6	0.8	0.9	(22.6)	(48.7)	3.0	12.7	24.7	24.0	10.9	10.5	8.7	1.0	0.9	0.9	—	—	—	9.2	3.9	3.7	33	57.9	13.8
NHPC	21	BUY	260,776	5,310	12,301	1.3	2.0	2.2	(27.2)	(49.2)	7.2	15.7	10.5	9.8	11.5	10.7	7.7	1.0	0.9	0.9	2.8	2.6	2.8	6.4	9.0	9.1	29	36.8	2.9
NTPC	181	REDUCE	1,492,841	30,398	8,245	10.9	11.4	12.2	4.2	4.1	7.6	16.6	15.9	14.8	12.5	13.9	11.9	2.2	2.0	1.8	2.2	1.9	2.0	13.6	13.0	12.9	175	(3.3)	9.5
Reliance Infrastructure	594	BUY	157,514	3,207	265	58.0	65.3	71.4	(6.5)	12.5	9.4	10.2	9.1	8.3	13.2	7.5	8.3	0.7	0.6	0.6	1.2	1.7	1.9	6.8	11.7	8.9	890	49.9	27.5
Reliance Power	119	SELL	335,072	6,823	2,805	2.7	2.6	2.9	(0.2)	(5.3)	13.5	44.1	46.5	41.0	169.9	64.0	27.3	2.0	1.9	1.8	—	—	—	4.9	4.2	4.5	76	(36.4)	14.6
Tata Power	115	BUY	283,613	5,775	2,468	7.6	4.9	8.7	21.5	(36.3)	77.6	15.0	23.6	13.3	11.3	9.7	8.4	1.9	2.0	1.8	1.2	1.3	1.5	13.8	8.4	14.5	125	8.8	10.5
Utilities	Cautious			2,897,698	59,004				4.3	(1.1)	21.9	17.0	17.2	14.1	14.0	13.4	10.1	1.7	1.6	1.5	1.5	1.4	1.6	9.9	9.2	10.4			
Others																													
Carborundum Universal	163	REDUCE	30,537	622	187	9.1	11.6	11.7	67.7	26.6	1.0	17.9	14.1	14.0	11.0	8.0	7.7	3.6	2.9	2.5	1.2	1.5	1.5	25.2	25.9	22.0	150	(8.2)	0.1
Havells India	543	ADD	67,703	1,379	125	24.5	29.7	33.0	334.1	21.1	11.0	22.1	18.3	16.5	13.8	11.6	10.0	9.5	6.8	4.9	0.5	0.6	53.9	43.3	34.7	500	(7.9)	3.9	
Jaiprakash Associates	76	BUY	161,717	3,293	2,126	6.0	6.4	8.1	230.2	6.2	26.1	12.6	11.9	9.4	12.0	10.7	8.3	1.5	1.4	1.2	—	—	—	13.3	12.0	13.6	97	27.5	28.9
Jet Airways	308	SELL	26,568	541	86	(10.1)	(233.8)	(33.8)	(91.0)	(22.2)	2,225	(85.6)	(30.6)	(1.3)	(9.1)	10.0	(163.0)	10.6	1.7	(6.3)	(3.7)	—	—	(5.0)	—	—	280	(9.0)	16.4
Spicelot	21	BUY	9,313	190	441	2.5	(8.7)	1.9	(1.8)	(450.3)	(122.1)	8.5	(2.4)	10.9	12.3	(7.4)	10.9	2.9	15.2	6.4	—	—	(961)	(201.8)	82.1	45	113.3	1.9	
Tata Chemicals	362	REDUCE	92,336	1,880	255	26.2	32.9	38.8	(0.7)	25.4	17.9	13.8	11.0	9.3	8.1														

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As of December 31, 2011

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