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### EQUITY MARKETS

India	Change %			
	1-Mar	1-day	1-mo	3-mo
Sensex	17,584	(1.0)	1.6	6.7
Nifty	5,340	(0.8)	2.0	8.2

#### Global/Regional indices

Dow Jones	12,980	0.2	2.1	8.0
Nasdaq Composite	2,989	0.7	4.9	13.8
FTSE	5,931	1.0	2.4	8.1
Nikkie	9,731	0.2	9.6	12.6
Hang Seng	21,615	1.1	4.2	13.5
KOSPI	2,039	0.5	4.1	6.4

#### Value traded – India

Cash (NSE+BSE)	160	196	113
Derivatives (NSE)	974	968	1,134
Deri. open interest	1,180	1,127	1,098

#### Forex/money market

	Change, basis points			
	1-Mar	1-day	1-mo	3-mo
Rs/US\$	49.2	(2)	12	(194)
10yr govt bond, %	8.3	1	(2)	(41)

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

	29-Feb	MTD	CYTD
FII	133	-	5,569
MFs	(13)	-	(282)

#### Top movers -3mo basis

	Change, %			
	Best performers	1-Mar	1-day	1-mo
WLCO IN Equity	147.4	0.5	21.1	104.0
IBULL IN Equity	232.5	1.3	27.8	72.3
HDIL IN Equity	109.8	(4.0)	36.5	69.1
MMTC IN Equity	864.2	1.8	(2.0)	54.6
IVRC IN Equity	56.1	(1.0)	(1.8)	52.2
Worst performers				
UNSP IN Equity	563.5	(1.6)	(21.1)	(21.1)
ESOIL IN Equity	62.0	1.5	(0.8)	(12.3)
BHARTI IN Equity	346.3	(1.1)	(10.3)	(11.3)
MM IN Equity	681.8	(4.0)	(2.7)	(9.1)
GAIL IN Equity	373.8	(0.3)	(3.8)	(6.2)

**MARCH 01, 2012**
**RESULT**
**Coverage view: Attractive**
**Price (Rs): 434**
**Target price (Rs): 310**
**BSE-30: 17,584**

**Another weak quarter.** Mphasis reported weak Jan 2012 quarter with revenue, EBITDA and net income missing our estimates by 3-10%. Revenue miss was again contributed by a steep decline in HP revenues, while non-HP business growth was UID project-led. We will update our estimates and target price post quarterly earnings call. We expect weak performance to continue as HP remains a drag. Stock performance will largely be driven by buyback or delisting hopes. **SELL.**

**Company data and valuation summary**
**Mphasis**
**Stock data**

52-week range (Rs) (high,low)	488-277
Market Cap. (Rs bn)	91.4
<b>Shareholding pattern (%)</b>	
Promoters	60.5
FIIs	20.2
MFs	3.2
<b>Price performance (%)</b>	
Absolute	15.9
Rel. to BSE-30	14.0
1M	37.9
3M	(4.8)
12M	(0.1)

	2012	2013E	2014E
EPS (Rs)	39.0	34.6	33.7
EPS growth (%)	(24.6)	(11.4)	(2.6)
P/E (X)	11.1	12.5	12.9
Sales (Rs bn)	51.0	56.4	58.9
Net profits (Rs bn)	8.2	7.3	7.1
EBITDA (Rs bn)	9.8	10.2	9.8
EV/EBITDA (X)	9.3	8.5	8.2
ROE (%)	22.8	17.3	14.8
Div. Yield (%)	1.0	1.2	1.3

**Weak quarter; significant EBIT and net income miss**

Mphasis reported a 2% qoq decline and 1.3% yoy growth in revenues to US\$271 mn, 1.5% below our estimate. Revenue decline could have been more but for pass-through revenues from the UID project. Reported EBITDA margin of 18.5% increased 60 bps qoq but declined 240 bps yoy. Margins barely increased on a sequential basis due to (1) aggressive hedging at Re/US\$ rate of 47-48, and (2) shift in mix of revenues towards APJ markets and increase in quantum of pass-through revenues. The above two factors offset the benefit of (1) sharp 6.2% qoq Rupee depreciation. Management indicates that ~35% of overall billing is in Rupee, thereby limiting benefit of Rupee depreciation to 10 bps for every 1% change, (2) aggressive direct cost rationalization with 1,628 qoq headcount decline, and (3) decline in SG&A expenses. Net income of Rs1.84 bn (+1% qoq and -19% yoy) came in 9% below our estimate despite the boost from lower tax rates.

**HP revenues decline further; non-HP revenue growth at a cost**

Revenues from the HP channel declined 7.3% sequentially to US\$158 mn. Management attributed the sequential decline in revenues to (1) year-end shutdown at HP, (2) completion of projects, and (3) shift in some business to HP's 100% subsidiary. As highlighted in our earlier notes, Mphasis has credible offshore capabilities through its wholly owned subsidiary; allocation of work between the two can sometimes be a grey area. On a yoy basis, HP channel revenues were down nearly 13.9%. This offset strong 6.5% qoq and 34.5% yoy growth in non-HP business (now 42% of revenues). However, non-HP growth is being led by lower-margin geographies; ability of Mphasis to protect profitability will be tested if the trend of shift continues. We expect weak overall growth for Mphasis as weak HP traction could continue to exert pressure in the coming quarters.

**Estimates/TP under review; SELL after strong rally**

Despite weak fundamentals, Mphasis stock has rallied 43% CYTD and has been the best-performing mid-cap IT name. Buyback or delisting hopes aside, Mphasis does not stack well versus some of the other mid-cap names. Revenue growth story is substantially weaker, while risks to its margin profile are substantially higher. Use the recent rally to **SELL**.

Exhibit 1: Mphasis consolidated quarterly performance - Jan 2012, October fiscal year-ends (Rs mn)

	Jan-11	Oct-11	Jan-12	qoq (%)	oyoy (%)	Jan-12E	Deviation (%)
<b>Revenues (US\$ mn)</b>	<b>267.3</b>	<b>276.2</b>	<b>270.6</b>	<b>(2.0)</b>	<b>1.3</b>	<b>274.8</b>	<b>(1.5)</b>
Re/US\$	46.2	47.6	50.5	6.2	9.5	52.0	(2.9)
<b>Revenues</b>	<b>12,335</b>	<b>13,138</b>	<b>13,672</b>	<b>4.1</b>	<b>10.8</b>	<b>14,301</b>	<b>(4.4)</b>
Cost of revenues	(8,769)	(9,626)	(9,994)	3.8	14.0	(10,297)	(2.9)
<b>Gross profits</b>	<b>3,566</b>	<b>3,512</b>	<b>3,678</b>	<b>4.7</b>	<b>3.1</b>	<b>4,004</b>	<b>(8.2)</b>
SG&A expenses	(992)	(1,165)	(1,155)	(0.9)	16.4	(1,287)	(10.3)
<b>EBITDA</b>	<b>2,574</b>	<b>2,347</b>	<b>2,523</b>	<b>7.5</b>	<b>(2.0)</b>	<b>2,717</b>	<b>(7.1)</b>
Depreciation	(359)	(414)	(469)			(450)	
<b>EBIT</b>	<b>2,215</b>	<b>1,933</b>	<b>2,054</b>			<b>2,267</b>	<b>(9.4)</b>
Forex gain/(loss), net	202	199	74			100	
Other income/(loss)	144	301	283			336	
Interest income / (expense)	(0)	(21)	(24)			(49)	
<b>PBT</b>	<b>2,561</b>	<b>2,412</b>	<b>2,387</b>	<b>(1.0)</b>	<b>(6.8)</b>	<b>2,654</b>	<b>(10.1)</b>
Provision for tax	(295)	(582)	(544)			(637)	(14.6)
<b>PAT</b>	<b>2,266</b>	<b>1,830</b>	<b>1,844</b>	<b>0.7</b>	<b>(18.7)</b>	<b>2,017</b>	<b>(8.6)</b>
Extraordinaries	-	-				-	
<b>Reported PAT</b>	<b>2,266</b>	<b>1,830</b>	<b>1,844</b>			<b>2,017</b>	
<b>Recurring EPS (Rs/share)</b>	<b>10.8</b>	<b>8.7</b>	<b>8.7</b>	<b>0.8</b>	<b>(18.6)</b>	<b>9.6</b>	<b>(8.6)</b>
<b>Margins (%)</b>							
Gross margin	28.9	26.7	26.9			28.0	
EBITDA margin	20.9	17.9	18.5			19.0	
EBIT margin	18.0	14.7	15.0			15.9	
PAT margin	18.4	13.9	13.5			14.1	
SG&A expenses (% of revenues)	8.0	8.9	8.4			9.0	
Tax rate (as % of PBT)	11.5	24.1	22.8			24.0	

Source: Company, Kotak Institutional Equities estimates

**MARCH 01, 2012**
**UPDATE**
**Coverage view: Neutral**
**Price (Rs): 549**
**Target price (Rs): 625**
**BSE-30: 17,584**

**Decoding Doxil opportunity.** In a rare and extraordinary move, US FDA has allowed temporary importation of liposomal doxorubicin (Lipodox) as an alternative to Doxil from Sun Pharma. This has come despite FDA not approving the product formally. This is a temporary arrangement but our analysis shows this opportunity might sustain over 2012E for Sun as (1) J&J has categorically stated that it will be unable to find a supplier till late 2012E and (2) Sun might be among the earliest applicants for Lipodox, which rules out any alternative generic supplier at the moment. Although Sun dispatched the first batch of Lipodox in February-end, sizing up the opportunity remains difficult for the company. We leave our estimates unchanged and maintain ADD; target price at Rs625.

**Company data and valuation summary**
**Sun Pharmaceuticals**
**Stock data**

52-week range (Rs) (high,low)	603-410
Market Cap. (Rs bn)	568.4

**Shareholding pattern (%)**

Promoters	63.7
FIIs	19.3
MFs	2.3
<b>Price performance (%)</b>	<b>1M 3M 12M</b>
Absolute	(0.1) 5.0 23.0
Rel. to BSE-30	(1.7) (1.6) 29.0

Forecasts/Valuations	2012	2013E	2014E
EPS (Rs)	23.4	28.1	31.3
EPS growth (%)	33.4	20.1	11.5
P/E (X)	23.5	19.5	17.5
Sales (Rs bn)	76.7	93.3	105.7
Net profits (Rs bn)	24.2	29.1	32.4
EBITDA (Rs bn)	31.5	36.5	40.5
EV/EBITDA (X)	16.4	13.6	11.6
ROE (%)	23.1	22.9	21.3
Div. Yield (%)	0.7	0.9	1.1

**Sun to supply liposomal doxorubicin to bridge shortage of Doxil**

Doxil, marketed by J&J in US and indicated for refractory ovarian cancer and multiple myeloma and other types of cancer, has been facing acute shortage since mid-2011 due to supply-side issues with the contract manufacturer, Ben Vue Laboratories. The patent for Doxil expired in October 2009; however, Doxil is protected against generic competition until May 2014 because the FDA has granted it 'orphan drug exclusivity'. Doxil is liposomal doxorubicin in which the active agent has two layers of protective coating that allows the drug to evade destruction by the immune system, thereby increasing the time the drug remains in the body.

**Doxorubicin has gone generic but there is no generic for Doxil (liposomal doxorubicin) yet**

Sun along with other generic companies received approval for doxorubicin in February 2012. However, the RLD (reference-listed drug) is not Doxil. Doxil or liposomal doxorubicin has no generic available in the market. According to our analysis and discussions with Sun, FDA allowing temporary importation of the drug may imply that approval of a generic version is still some time away. However, FDA allowing importation of the drug from Sun might imply that Sun may be among the earliest generic applicants with a substantially complete ANDA.

**Sizing up the opportunity for Sun remains difficult at this moment**

In 4Q2011, sales of Doxil shrunk 80% yoy to reach US\$10 mn for J&J due to acute supply-side issues and because new patients were not put on this drug. With assured supply, scope for market expansion exists now; however, it will depend largely on the prescriber or the doctor.

**We await Sun's FY2013E sales growth guidance**

We leave our estimates unchanged and await Sun's FY2013E sales growth guidance to be announced after 4QFY12 results. We would consider sales growth guidance of above 20% in Rupee terms to be a strong and bullish guidance, especially coming on the back of a strong FY2012E during which sales growth is expected at 32-34% in Rupee terms.

**QUICK NUMBERS**

- Doxorubicin has gone generic but there is no generic for Doxil (liposomal doxorubicin) yet
- We await Sun's FY2013E sales growth guidance

## Break-up of profit (Rs mn)

	FY2010	FY2011	9MFY12	FY2012E	FY2013E	FY2014E
<b>Revenues</b>						
Base	31,954	38,511	42,145	57,213	66,123	79,294
Exclusive	6,132	11,012	—	—	3,510	—
Taro (ex ROW)	—	7,692	14,609	19,438	23,638	26,376
<b>Total net</b>	<b>38,086</b>	<b>57,214</b>	<b>56,754</b>	<b>76,652</b>	<b>93,270</b>	<b>105,670</b>
<b>EBITDA</b>						
Base	7,733	10,226	16,308	22,061	24,345	29,979
Exclusive	4,599	8,259	—	—	2,632	—
Taro (ex ROW)	—	2,332	6,644	8,470	8,510	9,495
<b>Total</b>	<b>12,332</b>	<b>20,818</b>	<b>22,952</b>	<b>30,531</b>	<b>35,487</b>	<b>39,474</b>
<b>EBITDA, %</b>						
Base	24.2	26.6	38.7	38.6	36.8	37.8
Exclusive	75.0	75.0	—	—	75.0	—
Taro (ex ROW)	—	30.3	45.5	43.6	36.0	36.0
<b>Total</b>	<b>32.4</b>	<b>36.4</b>	<b>40.4</b>	<b>39.8</b>	<b>38.0</b>	<b>37.4</b>
<b>PAT</b>						
Base	11,625	10,878	—	22,259	24,395	29,324
Exclusive	4,104	7,075	—	—	2,137	—
Interest income	1,084	1,257	—	1,964	2,548	3,094
<b>Total</b>	<b>16,813</b>	<b>19,210</b>	—	<b>24,223</b>	<b>29,081</b>	<b>32,418</b>
<b>EPS Rs</b>						
Base	8.0	10.5	—	21.5	23.6	28.3
Exclusive	4.0	6.8	—	—	2.1	—
Interest income	1.0	1.2	—	1.9	2.5	3.0
<b>Total</b>	<b>13.0</b>	<b>18.5</b>	—	<b>23.4</b>	<b>28.1</b>	<b>31.3</b>

Source: Kotak Institutional Equities estimates, Company

## Profit and loss statement, March fiscal year-ends, 2008-14E (Rs mn)

	2008	2009	2010	2011	2012E	2013E	2014E
<b>Net sales</b>	<b>33,565</b>	<b>42,723</b>	<b>38,086</b>	<b>57,214</b>	<b>76,652</b>	<b>93,270</b>	<b>105,670</b>
Materials	(7,222)	(8,556)	(10,978)	(14,607)	(15,485)	(21,325)	(23,247)
Selling and administration	(3,759)	(5,543)	(5,497)	(11,864)	(15,069)	(18,083)	(21,700)
Employee cost	(2,331)	(3,401)	(4,822)	(7,996)	(11,274)	(12,965)	(14,910)
R& D	(2,725)	(3,099)	(2,472)	(3,076)	(4,292)	(5,410)	(6,340)
Others	(2,017)	(3,484)	(2,676)	—	—	—	—
<b>Total expenditure</b>	<b>(18,054)</b>	<b>(24,084)</b>	<b>(26,446)</b>	<b>(37,543)</b>	<b>(46,120)</b>	<b>(57,783)</b>	<b>(66,196)</b>
<b>EBITDA</b>	<b>15,511</b>	<b>18,640</b>	<b>11,640</b>	<b>19,672</b>	<b>30,532</b>	<b>35,487</b>	<b>39,474</b>
Depreciation and amortisation	(969)	(1,233)	(1,533)	(2,041)	(2,869)	(3,200)	(3,500)
<b>EBIT</b>	<b>14,543</b>	<b>17,407</b>	<b>10,107</b>	<b>17,631</b>	<b>27,663</b>	<b>32,287</b>	<b>35,974</b>
Net finance cost	(88)	—	—	—	—	—	—
Other income	1,539	2,085	4,042	2,727	3,179	3,800	4,400
<b>Pretax profits before extra-ordinaries</b>	<b>15,994</b>	<b>19,492</b>	<b>14,148</b>	<b>20,358</b>	<b>30,841</b>	<b>36,087</b>	<b>40,374</b>
Current tax	(1,288)	(1,192)	(679)	(1,284)	(3,039)	(3,248)	(3,634)
Deferred tax	804	481	—	—	—	—	—
<b>Reported net profit</b>	<b>15,509</b>	<b>18,780</b>	<b>13,470</b>	<b>19,074</b>	<b>27,803</b>	<b>32,839</b>	<b>36,740</b>
Minority Interests	640	603	(41)	913	3,579	3,758	4,322
<b>Reported net profit after minority interests</b>	<b>14,869</b>	<b>18,177</b>	<b>13,511</b>	<b>18,161</b>	<b>24,223</b>	<b>29,081</b>	<b>32,418</b>

Source: Kotak Institutional Equities estimates, Company

Balance sheet, cash model, March fiscal year-ends, 2008-14E (Rs mn)

	2008	2009	2010	2011	2012E	2013E	2014E
<b>Balance sheet</b>							
Total equity	49,915	70,449	78,289	94,834	114,915	138,818	165,023
Total debt	1,436	1,789	1,712	4,256	4,256	4,256	4,256
Current liabilities	6,373	7,198	7,579	14,234	15,840	17,048	18,255
Minority Interests	1,886	1,970	1,932	8,472	12,051	15,809	20,131
Deferred tax liabilities	92	(679)	(890)	(3,652)	(3,652)	(3,652)	(3,652)
<b>Total equity and liabilities</b>	<b>59,701</b>	<b>80,728</b>	<b>88,621</b>	<b>118,142</b>	<b>143,409</b>	<b>172,278</b>	<b>204,013</b>
Cash and cash equivalents	12,389	16,690	6,073	21,936	32,639	53,068	78,564
Current assets	26,983	25,993	31,048	38,236	47,183	54,823	60,562
<b>Net fixed assets</b>	<b>10,354</b>	<b>14,625</b>	<b>15,328</b>	<b>25,234</b>	<b>28,865</b>	<b>29,665</b>	<b>30,165</b>
Intangible assets	1,729	3,253	4,060	7,720	9,275	9,275	9,275
Capital -WIP	686	1,571	1,448	2,706	2,706	2,706	2,706
Investments	7,560	18,595	30,664	22,310	22,741	22,741	22,741
<b>Total assets</b>	<b>59,701</b>	<b>80,728</b>	<b>88,621</b>	<b>118,142</b>	<b>143,409</b>	<b>172,278</b>	<b>204,013</b>
<b>Free cash flow</b>							
Operating cash flow, excl. working capital	15,198	18,841	13,919	19,857	28,708	33,491	37,146
Working capital	(7,183)	1,113	(4,702)	5,115	(4,379)	(3,881)	(1,417)
Capital expenditure	(1,787)	(6,401)	(1,742)	(17,938)	(6,500)	(4,000)	(4,000)
Investments	(5,017)	(11,035)	(12,069)	8,354	(431)	—	—
<b>Free cash flow</b>	<b>1,210</b>	<b>2,519</b>	<b>(4,594)</b>	<b>15,389</b>	<b>17,397</b>	<b>25,610</b>	<b>31,730</b>

Source: Kotak Institutional Equities estimates, Company

## ANDA approvals – April-till date

	Drug	Brand	Innovator	Size (US\$ mn)	Competition
<b>SUN</b>					
Taro	Imiquimod	Aldara	Graceway	340	5 generics
	Sumatriptan injection	Immitrex injection	Glaxo	190	Only generic in stat dose system which is 90% of US\$190 mn
	Docetaxel	Docefrez	Sanofi	1,200	2nd generic behind Hospira+AG, intas +Sandoz have got approvals as of June 2011
	Donepezil	Aricept	Eisai	2,000	Crowded , post 180 day of Ranbaxy
	Letrozole	Femara	Novartis	682	Crowded , post 180 day of Mylan
Taro	Risperidone solution				Crowded
Taro	Ondansetron				Crowded
Taro	Ranitidine syrup				Crowded
Taro	Meprobamate				4 generics
	Anastrazole	Arimidex	Astrazeneca	495	Crowded
	Alfuzosin	Uroxatral ER	Sanofi Aventis	250	180 day exclusivity, crowded post exclusivity, shared FTF, Mylan, teva, Apotex, Torrent got approvals
	Chlorothiazide Sodium				
Taro	Cetirizine oral solution				
	Gemcitabine	Gemzar	Eli Lilly	780	Crowded
	Ranitidine syrup				Crowded
	Epinastine	Elestat	Allergan		4 comps apart from SUN - Sandoz, Inc., PharmaForce, Inc. and Apotex, Cypress
	Diltiazem CD	Cardizem	Valeant	300	7 incl innovator- Mylan, Watson, KV, Apotex, Actavis. SUN has exclusivity till Aug 2012 before Actavis enters in 360 mg version. SUN has settled with Valeant to launch upon FDA approval and has to pay royalty on sales till Aug 2012 on all strengths
	Tiagabine	Gabitril	Cephalon	40	First patent expired Sep 2011, SUN has not launched
	Tramadol ER	Ultram ER	Valeant	132	Par launched in Nov 2009, Par does not have 300 mg, Lupin first entrant in 300 mg, 3 other filers
	Verapamil				
	Fexofenadine	Allegra	Sanofi		OTC, crowded
	Naltrexone				Accord, Teva, Sandoz, Mallinckrodt
	Doxorubicin		Bedford		Not Liposomal, Teva, APP, Onco Therapeutics, Pharmachemie are other generics present
	Olanzapine ODT	Zyprexa Zydis	Eli Lilly	360	Post DRL's exclusivity, likely to be crowded

Source: Kotak Institutional Equities estimates, Company

**MARCH 01, 2012**
**UPDATE**
**BSE-30: 17,584**

**Auto sales spring a positive surprise.** February 2012 auto volumes surprised us positively in case of most manufacturers despite tractor volumes slipping by 21% yoy. Hero Motocorp, Maruti, Tata Motors and M&M (auto) volumes were above our estimates but M&M domestic tractor volumes declined by 21% yoy, which was significantly below expectations. We believe auto volumes held up well in February as consumers are buying before the Union Budget in fear of hikes in excise duty.

#### **Hero Motocorp volumes grow 11% yoy; Maruti Suzuki up 7% yoy**

Hero Motocorp total volumes grew by 11% yoy while Maruti Suzuki rose by 7% yoy, which were above our expectations. Maruti Suzuki domestic volumes grew by 6% yoy while export volumes rose by 12% yoy. Domestic volumes were boosted by new Swift Dzire dispatches and strong growth in Swift diesel volumes. Customers bought diesel models ahead of the Union Budget due to expectations of an increase in tax on passenger diesel vehicles. We expect strong volume growth to continue in March while demand is expected to wane off for both two-wheelers and passenger cars from April.

#### **Tata Motors LCV volumes surprise positively**

Tata Motors reported a 10% yoy growth in domestic MHCV volumes and 38% yoy growth in domestic LCV volumes driven by Ace. Domestic utility vehicle volumes rose sharply by 42% yoy due to Safari Storm and Sumo Gold launches. Domestic passenger car volumes grew by 4% yoy aided by 12% yoy growth in Nano volumes. Indica volumes grew by 4% yoy while Indigo volumes declined by 4% yoy.

#### **M&M auto volumes were in line with estimates but tractor volumes declined significantly**

M&M passenger utility vehicle volumes grew by 33% yoy boosted by addition of XUV500 volumes and strong growth in Scorpio, new Xylo and Bolero volumes. We expect utility vehicle volume growth to moderate after March as we expect steep hike in excise duty on diesel passenger vehicles. LCVs (Maxximo + Gio + pick ups) grew by 37% yoy while export volumes grew by 86% yoy.

Tractor domestic volumes declined by 21% yoy in February 2012, a key negative surprise, which we believe was due to – (1) a decline in crop prices (especially cotton and paddy prices) which impacted South and West demand more than North India, (2) poor monsoons in South India and drought in certain regions of Andhra Pradesh, and (3) farmers are preferring to hire than purchase because of a significant rise in tractor prices. This has resulted in a slide in buying sentiment since November 2011; however, we highlight tractor monthly volume growth/decline trends have been quite volatile (see Exhibit 4). We expect tractor volume growth to pick up from April/May when farmers make money from their rabi output, which has been good. We forecast a 7% yoy growth in tractor volumes in FY2013E.

We have revised our estimates downwards by 3-4% in FY2012/13E driven by 3-4% downward revision in our tractor volume forecasts and 30-40 bps downward revision in our EBITDA margin forecasts. We are factoring in 200 bps yoy decline in tractor EBITDA margins in FY2013E as we expect tractor manufacturers to cut prices to revive growth. We do not see any signs of a slowdown in lending to farmers, which could have led to a decline in tractor growth in FY2013E. We maintain our BUY rating on M&M but cut our target price slightly to Rs815 (from Rs835 earlier) based on sum-of-the-parts valuation methodology.

**Exhibit 1: Hero Motocorp reported 11% yoy growth in volumes in Feb 2012**  
 Hero Motocorp Feb 2012 wholesale volumes (units)

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Source: Company

**Exhibit 2: Maruti surprises positively on pre-budget buying and new Swift Dzire dispatches**  
 Maruti Suzuki Feb 2012 wholesale volumes (units)

	<b>Feb-12</b>	<b>yoY chg (%)</b>	<b>mom chg (%)</b>	<b>FY12 YTD</b>	<b>yoY chg (%)</b>
M800, Alto, A-Star, Wagonr	49,104	(8.2)	(5.6)	438,563	(14.7)
Swift, Estillo, Ritz	27,899	31.1	8.3	207,841	(13.1)
Dzire	15,068	58.8	74.5	93,681	(4.1)
SX4	2,033	(42.5)	4.8	16,477	(16.3)
Kizashi	14		55.6	410	
Gypsy and Vitara	230	47.4	(0.4)	4,995	(1.0)
Omni and Eeco	13,305	(1.7)	7.0	131,625	(10.0)
<b>Total Domestic</b>	<b>107,653</b>	<b>6.0</b>	<b>6.5</b>	<b>893,592</b>	<b>(12.6)</b>
Exports	11,296	11.8	(21.5)	114,151	(9.9)
<b>Total Volumes</b>	<b>118,949</b>	<b>6.5</b>	<b>3.0</b>	<b>1,007,743</b>	<b>(12.3)</b>

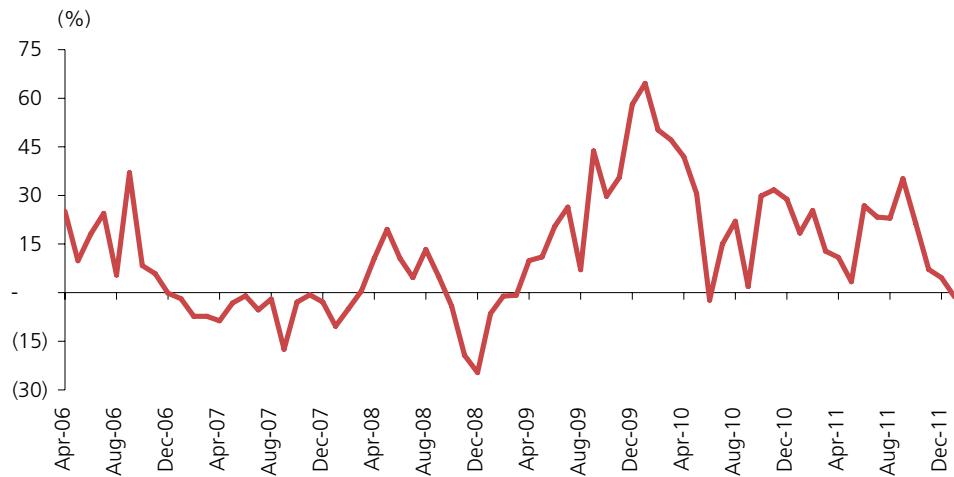
Source: Company

**Exhibit 3: Mahindra domestic tractor volumes decline by 21% yoy while auto volumes were in line with estimates**  
 Mahindra & Mahindra Feb 2012 wholesale volumes (units)

	<b>Feb-12</b>	<b>yoY chg (%)</b>	<b>mom chg (%)</b>	<b>FY12 YTD</b>	<b>yoY chg (%)</b>
Passenger Uvs	18,941	32.6	0.5	181,019	18.4
Maxximo + Gio + pick ups	13,522	36.5	(1.5)	137,977	46.7
MNAL	1,255	39.4	(18.7)	12,305	20.7
3-wheelers	5,111	(10.7)	(16.6)	62,351	10.6
Exports (Auto sector)	2,626	86.1	(21.6)	26,517	75.6
Verito	1,632	41.8	45.7	16,076	47.6
<b>Auto division</b>	<b>43,087</b>	<b>29.1</b>	<b>(3.6)</b>	<b>436,245</b>	<b>28.5</b>
Tractors (Dom + Exp)	15,316	(19.6)	(20.9)	218,047	12.5
<b>Total</b>	<b>58,403</b>	<b>11.4</b>	<b>(8.8)</b>	<b>654,292</b>	<b>22.7</b>

Source: Company

**Exhibit 4: Domestic tractor monthly volume growth has been very volatile over the years**  
 Domestic monthly tractor volume growth, Apr 2005-Jan 2012 (%)



Source: TMA

**Exhibit 5: Tata Motors LCV volumes surprise positively**  
 Tata Motors Feb 2012 wholesale volumes (units)

	Feb-12	yoY chg (%)	moM chg (%)	FY12 YTD	yoY chg (%)
MHCVs	20,532	7.4	1.7	198,261	7.4
LCVs	35,855	36.6	12.5	324,125	26.1
<b>Total CVs</b>	<b>56,387</b>	<b>24.3</b>	<b>8.3</b>	<b>522,386</b>	<b>18.3</b>
UVs	6,596	41.6	6.7	49,479	29.6
Cars	29,136	5.9	(0.2)	234,493	(2.4)
<b>Total PV</b>	<b>35,732</b>	<b>11.1</b>	<b>1.0</b>	<b>283,972</b>	<b>2.0</b>
<b>Total Sales</b>	<b>92,119</b>	<b>18.8</b>	<b>5.3</b>	<b>806,358</b>	<b>12.0</b>

Source: Company

**Exhibit 6: M&M volume assumptions**

Mahindra & Mahindra volume assumptions, March fiscal year-ends, 2009-14E (units)

	2009	2010	2011	2012E	2013E	2014E
Utility Vehicles - domestic	153,655	201,489	230,110	271,530	293,252	337,240
XUV500				15,000	42,000	46,200
Utility Vehicles - exports	8,500	10,567	19,042	28,563	32,847	37,775
Utility vehicles	162,155	212,056	249,152	315,093	368,100	421,215
Maxximo + Gio		12,639	44,683	67,025	77,078	88,640
3-wheelers	44,533	57,424	62,142	68,978	74,496	80,455
<b>Auto division</b>	<b>206,688</b>	<b>282,119</b>	<b>355,977</b>	<b>451,095</b>	<b>519,674</b>	<b>590,310</b>
Tractors	95,348	174,634	213,653	235,018	251,470	271,587
<b>Total vehicles</b>	<b>302,036</b>	<b>456,753</b>	<b>569,630</b>	<b>686,113</b>	<b>771,143</b>	<b>861,897</b>
<b>Growth (yoY %)</b>						
Utility Vehicles - domestic	3.3	31.1	14.2	18.0	8.0	15.0
XUV500					180.0	10.0
Utility Vehicles - exports	(31.2)	24.3	80.2	50.0	15.0	15.0
Utility vehicles	0.6	30.8	17.5	26.5	16.8	14.4
Maxximo + Gio			253.5	50.0	15.0	15.0
3-wheelers	31.3	28.9	8.2	11.0	8.0	8.0
<b>Auto division</b>	<b>6.0</b>	<b>36.5</b>	<b>26.2</b>	<b>26.7</b>	<b>15.2</b>	<b>13.6</b>
Tractors	(3.4)	83.2	22.3	10.0	7.0	8.0
<b>Total vehicles</b>	<b>2.8</b>	<b>51.2</b>	<b>24.7</b>	<b>20.4</b>	<b>12.4</b>	<b>11.8</b>

Source: Company

**Exhibit 7: We have revised our M&M earnings forecasts downwards by 3-4% in FY2012-13E**  
 Earnings revision table, March fiscal year-ends, 2012-13E (Rs mn)

	New		Old		% change	
	2012E	2013E	2012E	2013E	2012E	2013E
<b>Volumes (units)</b>	<b>686,113</b>	<b>771,143</b>	<b>691,135</b>	<b>774,065</b>	<b>(0.7)</b>	<b>(0.4)</b>
Net sales	306,283	363,657	308,436	365,138	(0.7)	(0.4)
EBITDA	35,326	38,733	36,252	40,370	(2.6)	(4.1)
EBITDA margin (%)	11.5	10.7	11.8	11.1		
<b>Profit after tax</b>	<b>25,657</b>	<b>27,263</b>	<b>26,352</b>	<b>28,491</b>	<b>(2.6)</b>	<b>(4.3)</b>
EPS FD	41.8	44.4	42.9	46.4	(2.6)	(4.3)
EPS FD (ex subs dividends)	39.2	41.6	40.4	43.6	(2.8)	(4.6)
M&M + MVML EPS FD	43.8	50.4	45.4	52.1	(3.6)	(3.4)
M&M + MVML EPS FD (ex sub dividends)	41.7	47.5	43.3	49.3	(3.8)	(3.6)

Source: Kotak Institutional Equities estimates

**Exhibit 8: We expect M&M standalone earnings to grow by 6% yoy in FY2013E**

M&M standalone profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2009-14E (Rs mn)

	2009	2010	2011	2012E	2013E	2014E
<b>Profit model (Rs mn)</b>						
Net sales	130,937	186,021	234,937	306,283	363,657	414,890
<b>EBITDA</b>	<b>10,926</b>	<b>29,552</b>	<b>34,655</b>	<b>35,326</b>	<b>38,733</b>	<b>43,010</b>
Other income	2,703	1,994	3,095	3,648	3,269	3,625
Interest	(453)	(278)	503	443	647	791
Depreciation	(2,915)	(3,708)	(4,139)	(5,341)	(6,298)	(7,430)
<b>Profit before tax</b>	<b>10,262</b>	<b>27,560</b>	<b>34,114</b>	<b>34,075</b>	<b>36,351</b>	<b>39,996</b>
Current tax	(585)	(7,493)	(7,617)	(8,519)	(9,088)	(9,999)
Deferred tax	(1,412)	(97)	(958)	—	—	—
<b>Net profit</b>	<b>8,368</b>	<b>20,878</b>	<b>26,714</b>	<b>25,955</b>	<b>27,263</b>	<b>29,997</b>
<b>Adjusted net profit</b>	<b>8,368</b>	<b>20,878</b>	<b>25,619</b>	<b>25,657</b>	<b>27,263</b>	<b>29,997</b>
<b>Adjusted earnings per share (Rs)</b>	<b>14.0</b>	<b>33.9</b>	<b>41.7</b>	<b>41.8</b>	<b>44.4</b>	<b>48.9</b>
<b>Adjusted earnings per share ex subs dividends (Rs)</b>	<b>11.8</b>	<b>32.5</b>	<b>39.7</b>	<b>39.2</b>	<b>41.6</b>	<b>45.8</b>
<b>Balance sheet (Rs mn)</b>						
Equity	52,621	80,671	106,678	125,603	146,236	169,602
Total Borrowings	40,528	28,802	24,053	18,293	18,293	18,293
Current liabilities	47,978	52,000	67,676	86,081	99,840	111,436
<b>Total liabilities</b>	<b>141,126</b>	<b>161,473</b>	<b>198,406</b>	<b>229,978</b>	<b>264,368</b>	<b>299,331</b>
Net fixed assets	32,143	37,027	43,719	55,377	66,079	74,649
Investments	57,864	63,980	93,253	99,753	107,253	112,253
Cash	15,744	17,432	6,146	(136)	1,737	10,476
Other current assets	35,249	42,992	55,288	74,984	89,299	101,953
Miscellaneous expenditure	126	41	—	—	—	—
<b>Total assets</b>	<b>141,126</b>	<b>161,473</b>	<b>198,406</b>	<b>229,978</b>	<b>264,368</b>	<b>299,331</b>
<b>Free cash flow (Rs mn)</b>						
Operating cash flow excl. working capital	10,395	23,409	27,724	26,807	29,645	33,011
Working capital changes	5,918	(45)	2,074	106	(557)	(1,057)
Capital expenditure	(9,152)	(9,607)	(12,070)	(17,000)	(17,000)	(16,000)
<b>Free cash flow</b>	<b>7,161</b>	<b>13,758</b>	<b>17,728</b>	<b>9,913</b>	<b>12,088</b>	<b>15,954</b>
<b>Ratios</b>						
EBITDA margin (%)	8.3	15.9	14.8	11.5	10.7	10.4
PAT margin (%)	6.4	11.2	11.4	8.5	7.5	7.2
Debt/equity (X)	0.8	0.4	0.2	0.1	0.1	0.1
Net debt/equity (X)	0.5	0.1	0.2	0.1	0.1	0.0
Book Value (Rs/share)	89.1	135.4	173.7	204.6	238.2	276.2
RoAE (%)	17.1	30.0	27.3	22.0	20.1	19.0
<b>RoACE (%)</b>	<b>10.6</b>	<b>19.9</b>	<b>21.0</b>	<b>18.4</b>	<b>17.4</b>	<b>16.7</b>

Source: Company, Kotak Institutional Equities estimates

MARCH 01, 2012

UPDATE

BSE-30: 17,584

**Near-term capital concerns addressed.** We maintain our positive outlook on public banks and believe that the recent capital infusion provides comfort against medium-term risks to loan growth as tier-1 ratio will likely improve by 70 bps to 8.8%. Higher capitalization increases buffer against deterioration in asset quality and will facilitate smoother transition to Basel III. However, dilution below book value is negative for existing investors and will impact near-term RoE by 60-100 bps.

### Capital infusion by Gol and LIC to increase tier-1 ratio by 70 bps; core tier-1 ratio at 8%

We note that the recent announcements by various banks on capital infusion by the Government of India (Gol) and LIC will likely improve tier-1 ratio by nearly 70 bps to 8.8% by FY2012E. Gol along with LIC is likely to infuse US\$4.7 bn across 14 public banks in FY2012E. Of the total increase, nearly US\$3.2 bn would be invested by Gol and about US\$1.5 bn by LIC. Post the increase, Gol holding would fall below 58% in Vijaya Bank, Union Bank, IDBI and BoI.

Increase in net worth, post the infusion, would be about 10% with select banks seeing an increase of about 20% levels. PSU banks like Bank of Maharashtra (BoMH), IOB, PNB and BoB would see their tier-1 ratios improve by over 100-200 bps.

### Valuation dilutive in select banks as infusion is below book; near-term RoE down by 60-100 bps

With most public banks trading at below FY2012E book value, we note the current capital infusion would be dilutive to existing investors. The impact is negative for most banks, especially large for BoMH, IOB, Punjab and Sind Bank (PSB) (of about 5%) while it is book value accretive for BoB, BoI, PNB, SBI and Union Bank. Impact on near-term RoE would be about 60-100 bps across all banks as banks would take time to leverage the current capital.

### Transition to Basel III guidelines moving smoothly; leverage ratio declines 180 bps

We believe that the current infusion is a positive step towards the transition schedule for Indian banks meeting Basel-III guidelines by FY2017E. Tier-1 ratio under Basel III requires Indian banks to have core tier-1 ratio of 8% (5.5% in minimum common equity and 2.5% in capital conservation buffer) and another 2% through alternate tier-1 instruments. Leverage ratio, post capital infusion, will decline 180 bps in FY2012E to 17.7X (5.6%) while Basel-III guidelines cap leverage ratio at 20X (5%).

### Capital addresses near-term risks to balance sheet; payouts not taking a share of capital

The current capital infusion does address some near-term concern on balance sheet, especially with large increase in slippages and restructured loans witnessed in public banks over the past few quarters. Nearly about 55% of the increase in net NPLs and restructured loans would be covered through the current capital infusion in banks.

We also note that not all the capital raised would be given back as dividends, with Gol being the largest shareholder. Our analysis shows that nearly 75% of the capital would be retained under our current payout policy (similar to what was retained in the capital-raising exercise undertaken in FY2011).

### QUICK NUMBERS

- Tier-1 ratio to improve 70 bps to 8.8%
- US\$4.7 bn infusion by Gol and LIC

### Strong capital infusion to improve tier-1 ratio for public banks

We expect the overall tier-1 ratio for public banks to improve by about 80 bps to 8.8% by FY2012E based on our expected growth rate of (1) risk-weighted assets, (2) earnings growth, (3) dividend payout, and (4) capital infusion. Select banks, like SBI, are aggressively looking at methods to reduce their RWA through portfolio insurance and better utilization of capital funds.

Mid-tier banks like BoMH and IOB could witness an improvement of 150-200 bps in their overall tier-1 ratio while BoB, PNB, Syndicate and Bol would witness an improvement of about 100 bps post the infusion. SBI would witness an improvement in tier-1 ratio of about 60 bps to 8% levels. However, we expect this tier-1 ratio closer to 9% levels, including the improvement in ratings that the bank reported in 3QFY12 (unadjusted for profits of 9MFY12).

#### Capital infusion is likely to increase tier-1 ratio by about 70 bps

Impact of dilution on tier-1 ratio, March fiscal year-ends

Tier-1 funds 2011 (Rs bn)	2012E				RWA 2012E (Rs bn)	Tier-1 ratio		
	PAT (Rs bn)	Dividends (Rs bn)	Capital infusion (Rs bn)	3QFY12 Tier-1 ratio (%)		Pre-infusion (%)	Post-infusion (%)	
BoB	218	45	8	24	2,411	9.3	10.6	11.6
Bol	171	26	5	21	2,348	7.7	8.2	9.1
BoMH (1)	34	5	1	10	528		7.2	9.1
CBol(1)	98	8	1	10	1,372	7.4	7.7	8.4
Dena (1)	36	7	1	1	454	8.5	9.4	9.7
IDBI (1)	157	17	4	5	2,146	7.5	7.9	8.2
IOB	85	9	1	20	1,316	6.7	7.1	8.6
PNB	208	48	10	29	2,840	7.9	8.7	9.7
Punjab & Sind (1)	32	4	0	2	423		8.5	8.9
SBI (2)	851	118	23	79	12,686	7.6	7.5	8.1
Syndicate (1)	74	13	3	9	949	8.4	8.9	9.8
UCO (1)	70	6	1	8	897	7.8	8.3	9.2
Union	122	17	3	10	1,708	8.0	7.9	8.5
Vijaya (1)	45	5	1	1	542	9.3	9.0	9.3
<b>Total</b>	<b>2,202</b>	<b>329</b>	<b>61</b>	<b>228</b>	<b>30,619</b>		<b>8.1</b>	<b>8.8</b>

#### Notes:

- (1) Stocks not under coverage. Growth in FY2012 has been estimated based on the last available data.
- (2) Tier-1 ratio improvement for SBI does not include the change in RWA as of 3QFY12.
- (3) Tier-1 funds for FY2012 have been estimated on our expected profits, growth in risk-weighted assets and dividend payout ratios. We have used the last available data on risk-weighted assets for banks for our expected growth for FY2012E.
- (4) Dilution (price or shares to be issued) for select stocks have not been explicitly stated for select stocks. We have taken the latest price for dilution and assumed dilution of shares based on expected dilution announced by respective banks.

Source: Company, Kotak Institutional Equities estimates

### Infusion of US\$4.7 bn across banks in 4QFY12; a third would be from LIC

We expect a total infusion of US\$4.7 bn across public sector banks in 4QFY12 with most banks announcing the expected dilution over the past fortnight. Banks would see an increase of about 10% of FY2012E net worth.

A total of 14 public banks would get capital from Gol and/or LIC. We note that nearly 65% (US\$3.2 bn) would be infused by Gol and the balance (US\$1.5 bn) would be infused by LIC. However, shareholding for various public banks would fall below the 58% comfort level that Gol indicated in FY2012 across public banks. These include BoB, Dena, Union and Vijaya Bank at about 55% and PNB at 57%. Overall shareholding would fall by about 90 bps post the infusion from LIC.

## Expect infusion of about ₹228 bn across 14 banks

Capital infusion and impact of GoI holding across public banks, March fiscal year-ends (₹ mn)

	Networth			Infusion		GoI holding (%)	
	2012E (pre)	Infusion	% of net worth	GoI	LIC	Pre	Post
BoB	244,270	23,757	9.7	7,750	16,007	57.0	55.4
BoI	192,740	20,550	10.7	10,313	10,238	65.9	64.4
BoMH (1)	37,264	9,951	26.7	8,600	1,351	79.2	81.2
CBi(1)	102,760	10,000	9.7	6,586	3,414	80.2	77.5
Dena (1)	42,712	1,467	3.4	—	1,467	58.0	55.2
IDBI (1)	158,063	5,415	3.4	—	4,923	65.1	62.0
IOB	100,938	19,776	19.6	16,750	3,026	65.9	70.5
PNB	249,994	28,749	11.5	12,850	15,899	58.0	56.9
Punjab & Sind (1)	39,349	1,857	4.7	934	923	82.1	79.2
SBI	741,704	79,000	10.7	79,000	-	59.4	61.6
Syndicate (1)	80,054	8,662	10.8	5,392	3,270	69.5	68.6
UCO (1)	58,544	7,594	13.0	2,592	5,002	68.1	63.8
Union	138,447	10,053	7.3	3,550	6,503	57.1	55.5
Vijaya (1)	39,400	1,442	3.7	—	1,442	57.7	54.9
<b>Total</b>	<b>2,226,241</b>	<b>228,273</b>	<b>10.3</b>	<b>154,316</b>	<b>73,464</b>		

Notes:

(1) Stocks not under coverage. Growth in FY2012 has been estimated based on the last available data.

(2) Dilution for select banks have been taken on latest prices.

Source: Company, Kotak Institutional Equities estimates

**Transition to Basel-III guidelines likely to be smooth**

We maintain that the transition to Basel-III guidelines for Indian banks is likely to remain smooth. We see Indian banks already reaching most of the critical targets set under Basel III as the quality of capital infused currently is much better (common equity) as against preference shares witnessed in the past.

Banks would need to comply with Basel-III guidelines only by FY2017 but we believe that banks would be compliant earlier than the scheduled timeline.

- ▶ Of the banks that would receive capital this quarter, tier-1 ratio would improve to 9% (against a requirement of 9.5%) with core tier-1 ratio at 8% (as required under the guidelines). However, banks like IDBI, CBi, UCO, BoMH, Vijaya, SBI and Union Bank would need more common equity in the next few years as they are below 8% levels.
- ▶ Leverage, post the infusion, would come down to 17.7X from 19.5X (without infusion) for the sector (Basel III is looking at leverage capped at 20X/5%).

We believe that internal accruals would play a critical role in meeting the required capital (balance 50 bps and balance sheet growth) and the slowing of loan growth currently augurs well as overall RoEs are comfortable at 17-18% levels (payout ratios of 20% levels).

Core tier-1 ratio is now at 8% levels – in line of Basel III requirements  
 Tier-1 ratio and core tier-1 ratio for banks, March fiscal year-end, 2012E (%)

	Tier-1 funds 2011	RWA 2012E	Tier-1 capital	Core Tier-1 capital
BoB	218	2,411	11.6	10.8
Bol	171	2,348	9.1	8.2
BoMH (1)	34	528	9.1	7.4
CBol (1)	98	1,372	8.4	6.8
Dena (1)	36	454	9.7	9.7
IDBI (1)	157	2,146	8.2	6.4
IOB	85	1,316	8.6	8.4
PNB	208	2,840	9.7	9.0
Punjab & Sind (1)	32	423	8.9	8.5
SBI	851	12,686	8.1	7.6
Syndicate (1)	74	949	9.8	9.0
UCO (1)	70	897	9.2	6.7
Union	122	1,708	8.5	7.8
Vijaya (1)	45	542	9.3	7.1
<b>Total</b>	<b>2,202</b>	<b>30,619</b>	<b>8.8</b>	<b>8.0</b>

Notes:

(1) Stocks not under coverage. Growth in FY2012 has been estimated based on the last available data.

Source: Company, Kotak Institutional Equities

Leverage to come off by 180 bps to 18X for the banks raising capital  
 Leverage ratios for banks, March fiscal year-ends, 2008-12E (%)

	2008	2009	2010	2011	2012E Pre	2012E Post
BoB	16.3	17.7	18.4	17.1	17.5	15.9
Bol	16.9	16.7	19.3	20.3	20.0	18.1
BoMH (1)	27.0	23.5	24.9	22.6	25.0	19.7
CBol(1)	24.2	26.9	28.9	22.7	22.4	20.5
Dena (1)	21.5	22.3	22.1	19.4	19.0	18.4
IDBI (1)	14.8	18.3	23.0	17.4	16.7	16.2
IOB	21.0	16.9	17.4	19.2	21.0	17.6
PNB	16.2	16.9	16.7	17.6	17.8	16.0
Punjab & Sind (1)	14.8	21.3	23.5	19.0	22.1	21.1
SBI	14.7	16.6	16.0	18.8	18.8	17.0
Syndicate (1)	24.5	26.0	24.7	22.2	22.8	20.6
UCO (1)	30.7	34.4	33.9	29.3	29.4	26.0
Union	16.9	18.4	18.7	18.6	18.9	17.6
Vijaya (1)	22.8	23.5	23.6	22.6	25.1	24.2
<b>Total</b>	<b>17.1</b>	<b>18.5</b>	<b>18.9</b>	<b>19.3</b>	<b>19.5</b>	<b>17.7</b>

Notes:

(1) Stocks not under coverage. Growth in FY2012 has been estimated based on the last available data.

Source: Company, Kotak Institutional Equities

Capital adequacy norms for India are a bit more stringent as compared to International Basel-III guidelines  
 Common equity, tier-1 capital and total capital requirements (%)

	International			India		
	Common Equity	Tier-1 Capital	Total capital	Common Equity	Tier-1 Capital	Total capital
Minimum	4.5	6.0	8.0	5.5	7.0	9.0
Capital conservation buffer	2.5	2.5	2.5	2.5	2.5	2.5
Minimum and conservation buffer	7.0	8.5	10.5	8.0	9.5	11.5
Counter cyclical buffer	0-2.5			0-2.5		

Source: Company, Kotak Institutional Equities

### Dilution negative to existing investors in mid-cap PSU banks

While the capital infusion is positive, we note that most banks are trading at below their current book values—which would be negative for existing investors. Banks, especially the mid-tier public banks, are trading at nearly 70-80% of FY2012E book value, which would imply a dilution of nearly 3% post the dilution. We see higher impact on BoMH and IOB which are trading at 0.7-0.8X FY2012 book but would be diluting over 20% of net worth. We see book value being accretive for the larger banks like PNB, BoB and SBI.

RoE impact post the dilution would be about 60-100 bps for FY2012-13E as banks take time to deploy the capital. Mid-tier public banks would trade at 0.8X FY2012E book while the large banks would trade at about 1.1-1.4X book.

**Dilution in many banks are happening at lower than current book value**  
 Impact of dilution on book-value, EPS and RoE, March fiscal year-ends, 2012-13E (₹)

CMP	Dilution price	Book value				EPS				RoE (%)				
		Pre dilution		Post dilution		Pre dilution		Post dilution		Pre dilution		Post dilution		
		2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	
BoB	869	815	584	680	601	693	116	121	109	116	21.5	19.2	20.6	17.9
Bol	376	375	329	378	333	380	47	62	44	58	15.1	17.6	14.5	16.4
BoMH (1)	53	56	68	78	65	73	9	12	7	10	13.8	15.7	12.7	13.5
CBol (1)	102	106	130	144	127	140	10	16	9	15	8.5	11.2	8.3	10.7
Dena (1)	84	78	122	145	121	142	22	26	21	25	19.1	19.4	18.8	19.0
IDBI (1)	108	110	142	160	140	157	17	24	16	23	12.7	15.7	12.6	15.4
IOB	135	98	146	171	134	153	14	28	12	22	9.1	15.9	8.8	14.2
PNB	1,095	1,004	748	875	771	890	152	166	141	157	22.0	20.5	20.9	18.9
Punjab & Sind (1)	83	83	143	167	138	159	17	26	16	24	14.0	22.9	13.7	22.0
SBI	2,231	2,192	1,066	1,249	1,128	1,303	172	209	166	203	18.1	19.8	17.0	18.4
Syndicate (1)	117	110	133	150	130	146	23	26	20	23	18.2	18.2	17.5	16.9
UCO (1)	82	83	86	95	86	94	7	15	6	14	8.4	14.5	8.3	13.8
Union	278	248	236	270	237	270	32	45	30	42	14.5	17.7	14.1	16.8
Vijaya (1)	62	61	77	84	77	83	9	9	9	9	18.5	19.1	18.3	18.7

Notes:

(1) Stocks not under coverage. Growth in FY2012 has been estimated based on the last available data.

(2) Timing of dilution has not been considered for EPS/book value impact.

Source: Company, Kotak Institutional Equities

Impact on select banks would be negative for investors as they are trading below book value  
March fiscal year-ends, 2012-13E (X)

	Book value				EPS			
	Pre dilution		Post dilution		Pre dilution		Post dilution	
	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E
BoB	1.5	1.3	1.4	1.3	7.5	7.2	8.0	7.5
Bol	1.1	1.0	1.1	1.0	8.0	6.1	8.6	6.4
BoMH (1)	0.8	0.7	0.8	0.7	5.6	4.3	7.3	5.5
CBol(1)	0.8	0.7	0.8	0.7	9.8	6.4	10.8	6.9
Dena (1)	0.7	0.6	0.7	0.6	3.9	3.2	4.1	3.4
IDBI (1)	0.8	0.7	0.8	0.7	6.3	4.6	6.6	4.7
IOB	0.9	0.8	1.0	0.9	9.4	4.9	11.8	6.1
PNB	1.5	1.3	1.4	1.2	7.2	6.6	7.7	7.0
Punjab & Sind (1)	0.6	0.5	0.6	0.5	4.8	3.2	5.2	3.5
SBI	2.1	1.8	2.0	1.7	13.0	10.7	13.5	11.0
Syndicate (1)	0.9	0.8	0.9	0.8	5.2	4.5	5.7	5.0
UCO (1)	1.0	0.9	1.0	0.9	12.0	5.6	13.0	6.1
Union	1.2	1.0	1.2	1.0	8.6	6.2	9.1	6.5
Vijaya (1)	0.8	0.7	0.8	0.7	6.5	6.8	6.8	7.0

Notes:

(1) Stocks not under coverage.  
(2) Growth in FY2012 has been estimated based on the last available data.

Source: Company, Kotak Institutional Equities

### Capital infusion addresses balance-sheet risks—albeit to some extent

Capital infusion addresses some of the balance-sheet risks that have emerged in recent quarters for public banks—the infusion gives confidence on the banks' ability to grow balance sheets with relatively lesser concern on capital as compared to the past.

We note that nearly 55% of the increase in net NPLs and restructured loans is covered by the recent capital infusion. However, this is not uniform, with select banks like Bol, PNB, CBol and Union Bank witnessing a much higher share of increase in stressed loans (net NPLs and restructured loans) as compared to the capital infusion.

**Nearly 55% of increase in net NPL and restructured loans has been covered with the infusion 9MFY12 increase in net NPL as compared to capital infusion in banks, March fiscal year-end, 2012 (₹ bn)**

	Infusion	9MFY12 increase in net NPL	9MFY12 Increase in restructured loans	Total	% of capital raised
BoB	24	5	32	38	63.0
Bol	21	21	30	52	39.7
BoMH (1,2)	10	(3)		(3)	
CBol (1)	10	18	46	64	15.5
Dena (1)	1	(0)	3	3	53.3
IDBI (1)	5	14	(10)	4	152.4
IOB	20	3	31	34	58.4
PNB	29	9	67	76	37.8
Punjab & Sind (1,2)	2	1		1	136.6
SBI	79	65	33	97	81.3
Syndicate (1)	9	(0)	(5)	(5)	
UCO (1)	8	3	8	11	70.2
Union	10	11	30	41	24.5
Vijaya (1)	1	3	(3)	(1)	
<b>Total</b>	<b>228</b>	<b>148</b>	<b>263</b>	<b>411</b>	<b>55.5</b>

Notes:

(1) Stocks not under coverage.  
(2) Growth in FY2012 has been estimated based on the last available data.  
(3) Increase in restructured loans is not available for BoMH and Punjab and Sind Bank.

Source: Company, Kotak Institutional Equities

### Capital retained is about 75-80% in the past two dilutions

Dilution in the previous year had happened in the last fortnight of March (similar to current schedule) while the payout of dividends have been completed in the first quarter of the next financial year, indicating that banks do not enjoy the complete benefit of capital raised. However, we believe that capital retained by banks is about 75-80% in the past two dilutions (FY2011 and what is expected to be completed in FY2012E) adjusted for dividends paid back to GoI. In FY2011, this was about 75% while the same in FY2012 would be about 78%. A lower payout ratio would augur well for reaching better capital adequacy levels for the bank but given the weak financial position of GoI, we believe that this is unlikely in the near term.

#### Capital retained is about 75-80% in the last two dilutions by GoI

Capital infused and dividend paid to GoI, March fiscal year-ends, 2011-12 (₹ bn)

Capital Infusion 2012				Capital Infusion 2011			
Capital infusion by GoI	Dividend to GoI	Net received by bank	% of capital infused	Capital infusion by GoI	Dividend to GoI	Net received by bank	% of capital infused
BoB	7,750	4,464	3,286	42.4	Allahabad	6,701	5,044
BoI	10,313	2,941	7,371	71.5	Andhra	11,730	9,945
BoMH	8,600	727	7,873	91.5	BoB	24,610	20,314
CBi	6,586	572	6,014	91.3	BoI	10,100	4,962
IOB	16,750	840	15,910	95.0	BoMH	3,520	763
PNB	12,850	5,592	7,258	56.5	Corporation	3,090	1,734
Punjab & Sind	934	258	676	72.4	Dena	5,390	426
SBI	79,000	14,031	64,969	82.2	IOB	10,540	2,024
Syndicate	5,392	1,985	3,407	63.2	OBC	17,400	1,760
UCO	2,592	874	1,718	66.3	PNB	1,840	4,043
Union	3,550	1,891	1,659	46.7	Syndicate	6,330	1,474
					UCO	9,400	1,979
					Union	6,820	2,394
					United	3,080	648
					Vijaya	3,680	682
<b>Total</b>	<b>154,316</b>	<b>34,176</b>	<b>120,141</b>	<b>77.9</b>		<b>124,232</b>	<b>30,626</b>
							<b>93,606</b>
							<b>75.3</b>

Source: Company, Kotak Institutional Equities

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

Company	1-Mar-12	Rating	Mkt cap.			O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			Target price		
	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	(Rs)	(%)	(US\$ mn)			
<b>Automobiles</b>																													
Apollo Tyres	82	BUY	41,285	840	504	8.7	7.4	10.0	(26.1)	(15.4)	34.6	9.4	11.1	8.2	6.6	5.9	4.6	1.5	1.3	1.2	0.6	0.5	0.7	20.1	14.4	16.8	90	9.9	3.9
Ashok Leyland	28	ADD	74,233	1,510	2,661	2.4	1.7	2.8	68.1	(26.8)	58.6	11.8	16.1	10.1	8.0	9.2	6.9	1.7	1.6	1.5	3.6	3.6	3.6	21.8	14.6	21.5	33	18.3	3.7
Bajaj Auto	1,774	SELL	513,453	10,443	289	90.4	106.6	122.3	43.9	18.0	14.7	19.6	16.6	14.5	15.0	12.5	11.1	10.4	7.5	5.7	2.3	2.3	2.3	84.9	52.5	44.7	1,715	(3.3)	21.0
Bharat Forge	307	REDUCE	72,780	1,480	237	12.5	17.5	20.0	1,402.1	39.2	14.6	24.5	17.6	15.3	11.3	8.9	7.9	3.3	2.8	2.4	1.1	—	—	8.2	14.6	15.6	315	2.7	2.5
Exide Industries	134	SELL	113,858	2,316	850	7.5	5.1	6.5	18.0	(32.1)	28.4	18.0	26.5	20.6	12.9	17.2	13.7	4.2	3.7	3.3	1.1	1.0	1.0	25.5	14.9	17.0	105	(21.6)	3.8
Hero Motocorp	1,938	SELL	386,929	7,870	200	99.3	118.0	131.8	(11.1)	18.8	11.7	19.5	16.4	14.7	12.8	11.7	10.4	8.3	7.2	6.1	5.4	3.6	3.6	56.5	66.1	59.5	1,850	(4.5)	22.8
Mahindra & Mahindra	682	BUY	418,595	8,514	614	41.7	41.6	44.4	22.7	(0.2)	6.7	16.3	16.4	15.4	12.6	11.2	3.9	3.3	2.9	1.7	1.4	1.4	27.3	22.0	20.1	815	19.5	38.0	
Maruti Suzuki	1,315	SELL	379,918	7,727	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	0.6	0.6	17.6	10.3	15.8	1,250	(4.9)	19.6		
Tata Motors	267	REDUCE	888,440	18,071	3,325	27.2	34.3	38.7	737.9	26.2	12.8	9.8	7.8	6.9	6.6	5.2	4.3	4.6	3.1	2.2	1.4	1.1	66.1	46.8	37.0	285	6.7	79.1	
<b>Automobiles</b>		Cautious	2,889,490	58,771					82.8	10.4	17.7	14.1	12.8	10.9	9.3	8.1	6.7	4.4	3.5	2.8	2.1	1.6	1.6	31.1	27.4	25.7			
<b>Banks/Financial Institutions</b>																													
Andhra Bank	128	BUY	71,654	1,457	560	22.6	23.6	23.0	5.0	4.4	(2.8)	5.7	5.4	5.6	—	—	—	1.1	1.0	0.9	4.3	4.5	4.4	23.2	19.0	16.3	150	17.1	1.6
Axis Bank	1,153	BUY	489,208	9,950	424	82.5	95.5	102.8	33.0	15.7	7.6	14.0	12.1	11.2	—	—	—	2.6	2.2	1.9	1.2	1.4	1.5	19.3	19.6	18.2	1,350	17.1	60.2
Bajaj Finserv	637	ADD	92,190	1,875	145	78.2	63.2	62.9	102.3	(19.2)	(0.4)	8.1	10.1	10.1	—	—	—	2.6	1.9	1.5	2.0	2.0	2.0	37.2	21.9	16.8	650	2.0	1.8
Bank of Baroda	823	BUY	323,202	6,574	393	108.0	115.6	121.2	29.1	7.1	4.9	7.6	7.1	6.8	—	—	—	1.7	1.4	1.2	2.3	2.5	2.6	25.9	21.5	19.2	1,050	27.6	9.7
Bank of India	368	BUY	201,322	4,095	547	45.5	46.7	62.0	37.4	2.7	32.8	8.1	7.9	5.9	—	—	—	1.3	1.1	1.0	2.2	2.3	3.0	17.3	15.1	17.6	450	22.3	6.0
Canara Bank	501	BUY	221,810	4,512	443	90.9	74.8	93.2	23.3	(17.7)	24.6	5.5	6.7	5.4	—	—	—	1.2	1.1	0.9	2.2	2.4	2.4	23.2	15.5	16.9	550	9.8	8.3
Corporation Bank	462	BUY	68,488	1,393	148	95.4	107.5	107.5	16.3	12.7	(0.0)	4.8	4.3	4.3	—	—	—	1.0	0.8	0.7	4.3	4.9	4.9	21.9	20.6	17.8	600	29.8	0.8
Federal Bank	400	BUY	68,470	1,393	171	34.3	42.4	49.7	26.3	23.5	17.3	11.7	9.4	8.0	—	—	—	1.4	1.3	1.1	2.1	2.6	3.1	12.0	13.5	14.3	500	24.9	4.3
HDFC	669	REDUCE	981,943	19,972	1,467	24.1	27.7	31.8	22.4	14.9	14.7	27.8	24.2	21.1	—	—	—	5.7	5.0	3.8	1.3	1.5	1.8	21.7	22.0	21.4	725	8.3	72.1
HDFC Bank	514	ADD	1,195,630	24,319	2,326	16.9	22.1	28.1	31.0	30.9	27.2	30.5	23.3	18.3	—	—	—	4.7	4.1	3.5	0.6	0.8	1.1	16.7	18.8	20.5	560	8.9	33.7
ICICI Bank	884	BUY	1,017,633	20,698	1,152	44.7	53.2	56.7	23.9	19.0	6.5	19.8	16.6	15.6	—	—	—	1.8	1.7	1.6	1.8	1.9	1.9	47.7	10.7	10.7	1,100	24.5	105.0
IDFC	137	ADD	206,387	4,198	1,509	8.8	10.6	12.8	4.6	20.6	20.8	15.6	12.9	10.7	—	—	—	2.0	1.7	1.5	1.6	1.5	1.9	14.7	13.9	14.6	155	13.3	25.7
India Infoline	69	SELL	19,848	404	286	7.4	4.0	4.3	(9.3)	(45.5)	5.7	9.4	17.2	16.3	—	—	—	1.2	1.1	1.0	5.1	1.2	1.2	12.9	6.7	7.3	70	1.0	1.1
Indian Bank	232	BUY	99,793	2,030	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	29.2	2.0
Indian Overseas Bank	102	BUY	62,927	1,280	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	37.7	1.8
IndusInd Bank	310	ADD	144,426	2,938	466	12.4	16.8	17.9	45.2	35.2	7.1	25.0	18.5	17.3	—	—	—	3.6	3.1	2.7	0.6	0.9	0.9	20.8	19.3	17.4	330	6.5	4.5
J&B Bank	814	ADD	39,473	803	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	254	ADD	120,400	2,449	475	20.5	19.3	29.5	47.2	(5.8)	52.7	12.4	13.1	8.6	—	—	—	3.1	2.6	2.2	1.7	1.6	2.5	25.8	20.3	26.0	270	6.5	14.1
Mahindra & Mahindra Financial	734	BUY	75,210	1,530	102	45.2	55.6	71.9	26.1	23.0	29.3	16.2	13.2	10.2	—	—	—	3.1	2.7	2.3	1.4	1.7	2.2	22.0	21.1	23.1	825	12.4	1.6
Muthoot Finance	155	BUY	57,476	1,169	371	15.7	23.1	27.5	108.4	46.4	19.3	9.8	6.7	5.6	—	—	—	4.3	1.9	1.4	—	—	51.5	38.7	28.4	240	55.1	—	
Oriental Bank of Commerce	278	BUY	81,241	1,652	292	51.5	43.0	57.9	13.7	(16.5)	34.7	5.4	6.5	4.8	—	—	—	0.8	0.7	0.7	3.7	3.1	4.2	15.5	10.9	13.4	370	32.9	3.0
PFC	196	BUY	259,176	5,272	1,320	22.8	27.7	29.3	11.1	(0.5)	29.0	8.6	8.6	6.7	—	—	—	1.7	1.3	1.2	2.0	2.3	3.0	18.4	16.7	17.4	225	14.6	14.5
Punjab National Bank	949	BUY	300,544	6,113	317	140.0	152.0	166.5	13.0	8.6	9.5	6.8	6.2	5.7	—	—	—	1.5	1.3	1.1	2.3	3.3	3.6	24.4	22.0	20.5	1,270	33.9	9.3
Reliance Capital	428	ADD	105,295	2,142	246	9.3	8.4	22.6	(25.3)	(10.2)	17.0	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	32.7
Rural Electrification Corp.	208	BUY	205,525	4,180	987	26.0	28.7	33.7	28.1	10.5	17.2	8.0	7.3	6.2	—	—	—	1.6	1.4	1.2	3.6	4.0	4.6	21.5	20.7	21.1	230	10.5	11.7
SKS Microfinance	130	RS	9,572	195	74	15.7	(89.1)	(27.5)	(41.8)	(667.7)	(69.1)	8.3	(1.5)	(4.7)	—	—	—	0.5	0.8	1.0	—	—	8.3	(44.7)	(19.3)	—	—	2.2	
State Bank of India	2,219	BUY	1,492,311	30,353	673	130.2	179.2	219.6	(9.9)	37.7	22.6	17.0	12.4	10.1	—	—	—	2.3	1.8	1.6	1.4	1.6	1.7	12.6	16.4				

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Mar-12	Rating	Mkt cap. (Rs mn)	(US\$ mn)	(mn)	O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)			Upside (%)		ADVT-3mo (US\$ mn)	
	2011					2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	
<b>Consumer products</b>																																				
<b>Consumer products</b>																																				
Asian Paints	3,150	SELL	302,114	6,145	96	80.8	94.4	106.9	13.0	16.8	13.3	39.0	33.4	29.5	26.0	22.7	18.3	14.7	11.3	9.2	1.0	0.9	1.1	43.9	39.9	35.6	2,500	(20.6)	5.6							
Colgate-Palmolive (India)	1,035	SELL	140,793	2,864	136	29.6	32.5	39.1	(4.9)	9.9	20.3	35.0	31.8	26.5	30.5	27.3	22.0	36.7	37.3	29.7	2.1	2.7	2.6	113.4	116.1	124.9	900	(13.1)	2.0							
Dabur India	103	ADD	179,346	3,648	1,740	3.3	3.7	4.4	12.8	12.1	19.2	31.5	28.1	23.6	25.4	21.5	18.4	13.7	10.6	8.4	1.1	1.3	1.5	51.2	43.2	40.2	115	11.6	3.4							
GlaxoSmithKline Consumer (a)	2,589	ADD	108,901	2,215	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	15.9	1.0							
Godrej Consumer Products	446	ADD	144,451	2,938	324	14.9	16.8	21.8	31.3	13.1	29.8	30.0	26.5	20.4	25.3	20.2	15.1	8.4	6.3	5.1	1.1	0.7	0.7	35.9	27.6	28.9	500	12.0	1.9							
Hindustan Unilever	380	REDUCE	821,342	16,706	2,159	9.9	11.8	14.2	4.8	19.7	19.7	38.5	32.2	26.9	33.0	26.4	21.0	31.2	26.8	23.0	2.0	2.6	3.1	66.3	89.8	92.4	420	10.4	21.9							
ITC	207	ADD	1,588,747	32,315	7,681	6.4	7.9	9.0	20.7	22.5	14.1	32.3	26.3	23.1	21.4	17.9	15.5	9.5	8.2	7.1	2.2	1.8	2.2	33.2	34.9	34.3	230	11.2	31.0							
Jubilant Foodworks	1,007	SELL	66,040	1,343	66	11.2	16.3	24.0	99.6	45.4	47.3	89.9	61.8	42.0	55.0	34.3	23.5	34.5	22.1	14.5	—	—	—	46.6	43.6	41.7	800	(20.5)	22.8							
Jyothy Laboratories	199	ADD	15,443	314	78	10.3	8.4	10.8	(6.2)	(18.8)	28.0	19.2	23.7	15.7	35.9	26.7	2.3	2.1	3.0	2.4	2.9	12.3	9.7	11.7	190	(4.5)	0.4									
Marico	157	BUY	96,803	1,969	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	30.8	190	20.8	0.8	0.8							
Nestle India (a)	4,377	SELL	422,050	8,584	96	86.8	104.6	125.1	16.7	20.5	19.6	50.4	41.9	35.0	33.6	27.6	22.4	49.3	33.1	19.8	1.1	1.1	1.3	116.5	94.7	70.7	3,600	(17.8)	2.5							
Tata Global Beverages	123	BUY	76,280	1,552	618	4.0	5.3	6.6	(34.6)	35.1	23.0	31.2	23.1	18.7	12.9	12.6	10.2	1.5	1.4	1.3	1.6	1.4	1.8	6.4	8.2	9.5	110	(10.8)	7.4							
Titan Industries	229	ADD	203,170	4,132	888	4.9	6.5	7.9	71.7	32.5	20.7	46.6	35.1	29.1	32.7	24.8	20.0	19.6	14.8	11.5	0.5	1.0	1.3	49.2	48.0	44.4	230	0.5	19.4							
United Spirits	563	BUY	70,766	1,439	126	35.3	36.6	42.7	29.5	3.5	16.9	15.9	15.4	13.2	12.3	10.5	9.6	1.7	1.5	1.4	0.5	0.4	0.6	11.2	10.5	11.1	900	59.7	21.9							
<b>Consumer products</b>	<b>Attractive</b>	<b>4,234,244</b>	<b>86,164</b>				<b>16.3</b>	<b>19.3</b>	<b>18.1</b>	<b>29.5</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>7.9</b>	<b>7.1</b>	<b>1.7</b>	<b>2.0</b>	<b>3.0</b>	<b>31.6</b>	<b>31.8</b>													
<b>Construction</b>																																				
IVRCL	56	ADD	14,979	305	267	5.9	2.9	3.9	(25.2)	(50.5)	33.6	9.5	19.2	14.3	6.7	8.5	7.4	0.8	0.7	0.7	1.1	0.7	0.7	8.2	3.9	5.0	70	24.8	10.7							
Nagarjuna Construction Co.	59	BUY	15,164	308	257	6.4	1.8	3.7	(29.7)	(71.1)	100.8	9.3	32.0	16.0	7.9	9.7	8.2	0.6	0.6	1.7	3.4	3.4	3.4	7.1	2.0	4.0	65	10.0	1.6							
Punj Lloyd	57	REDUCE	19,305	393	340	(1.5)	5.1	6.6	(56.6)	(442.7)	28.9	(38.3)	11.2	8.7	12.8	9.4	6.5	0.6	0.6	(0.1)	0.8	1.0	1.7	5.7	6.9	60	5.5	5.2	5.2							
Sadbhav Engineering	139	BUY	20,773	423	150	7.8	10.0	10.0	51.0	28.5	0.5	17.9	13.9	13.8	10.6	8.5	8.3	3.2	2.7	2.3	0.4	0.4	0.4	18.1	19.2	16.3	180	29.9	0.5							
<b>Construction</b>	<b>Attractive</b>	<b>70,222</b>	<b>1,428</b>				<b>(1.1)</b>	<b>15.6</b>	<b>27.8</b>	<b>18.1</b>	<b>15.7</b>	<b>12.3</b>	<b>9.1</b>	<b>9.1</b>	<b>7.3</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>	<b>1.3</b>	<b>4.8</b>	<b>5.4</b>	<b>5.6</b>													
<b>Energy</b>																																				
Aban Offshore	484	BUY	21,052	428	44	134.2	71.5	92.4	25.9	(46.7)	29.1	3.6	6.8	5.2	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	27.1	11.9							
Bharat Petroleum	659	RS	238,201	4,845	362	38.9	42.3	53.5	(32.5)	8.8	26.3	16.9	15.6	12.3	10.8	8.5	8.0	1.6	1.5	1.4	2.1	2.1	2.7	9.2	9.3	11.0	—	—	8.0							
Cairn India	377	SELL	717,229	14,588	1,903	33.3	45.7	63.8	50.1	37.1	39.7	11.3	8.3	5.9	8.3	6.5	4.1	1.8	1.5	1.3	—	—	4.0	16.9	19.7	23.9	360	(4.5)	21.5							
Castrol India (a)	481	SELL	118,942	2,419	247	19.8	19.5	21.0	28.5	(1.8)	7.8	24.3	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	(16.8)	0.9							
GAIL (India)	374	ADD	474,094	9,643	1,268	28.2	29.6	28.0	13.8	5.2	(5.4)	13.3	12.6	13.3	8.3	8.9	9.1	2.3	2.0	2.1	1.7	1.5	1.6	16.1	13.3	435	16.4	11.5	11.5							
GSPL	76	REDUCE	42,869	872	563	8.9	9.2	8.5	21.7	3.4	(7.1)	8.6	8.3	5.2	5.3	5.8	2.3	1.9	1.5	1.4	1.3	1.8	2.5	22.5	20.5	16.2	87	14.2	2.9							
Hindustan Petroleum	311	RS	105,398	2,144	339	40.8	11.0	28.8	(20.8)	(73.2)	162.9	7.6	28.4	10.8	3.4	3.0	3.4	0.7	0.7	0.6	4.5	1.1	2.9	9.0	2.2	5.7	—	—	4.9							
Indian Oil Corporation	278	RS	674,120	13,711	2,428	32.4	30.1	29.8	(34.0)	(7.2)	(0.9)	8.6	9.2	9.3	8.3	7.2	6.6	1.2	1.1	1.0	3.4	0.6	3.2	13.3	12.2	11.1	—	—	2.9							
Oil India	1,267	BUY	304,578	6,195	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	38.2	2.8							
Oil & Natural Gas Corporation	288	BUY	2,465,700	50,152	8,556	24.7	28.7	35.2	7.4	16.3	22.8	11.7	10.1	8.2	4.4	4.1	3.1	1.7	1.5	1.3	3.0	3.5	4.0	14.3	14.8	16.3	330	14.5	20.3							
Petronet LNG	166	SELL	124,538	2,533	750	8.1	14.9	13.6	50.3	83.4	(8.2)	20.5	11.2	12.2	11.8	7.9	8.5	4.1	3.2	2.6	1.2	1.8	1.8	20.9	31.1	22.5	140	(15.7)	6.9							
Reliance Industries	811	REDUCE	2,417,442	49,170	2,981	62.0	62.7	61.6	24.8	1.2	13.1	12.9	13.2	7.2	6.5	6.5	1.5	1.3	1.2	1.0																

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

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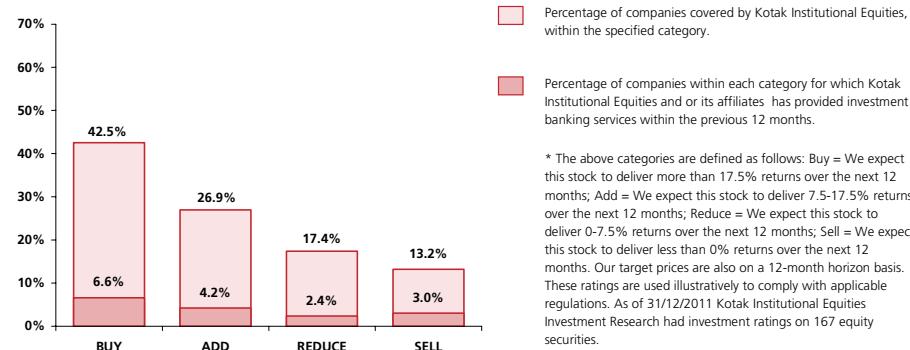
Company	1-Mar-12	Rating	Mkt cap.			O/S shares			EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price		
	Price (Rs)		(Rs mn)	(US\$ mn)	(mn)	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	(Rs)	(%)	(US\$ mn)			
<b>Media</b>																																
DB Corp	202	BUY	37,096	755	183	14.1	11.2	13.5	32.7	(20.7)	20.6	14.4	18.1	15.0	9.3	10.6	8.7	4.5	3.9	3.5	2.0	2.0	3.0	35.0	23.0	24.5	300	48.2	0.1			
DishTV	57	BUY	60,591	1,232	1,063	(1.8)	(0.7)	0.6	(27.7)	(62.1)	(192.8)	(31.9)	(84.3)	90.8	28.5	13.3	9.9	96.6	(664.2)	105.2	—	—	—	(81.9)	(268.1)	275.3	80	40.4	7.8			
Eros International	186	BUY	18,031	367	97	11.8	15.6	19.6	19.0	32.7	25.6	15.8	11.9	9.5	10.9	8.3	6.0	2.7	2.2	1.7	—	—	—	24.9	20.1	20.4	270	45.2	1.4			
Hindustan Media Ventures	135	BUY	9,908	202	73	7.3	9.0	10.6	198.0	23.3	17.8	18.5	15.0	12.7	8.9	8.5	6.5	2.6	2.2	2.0	0.7	0.7	1.5	23.3	16.1	16.5	190	40.7	0.1			
HT Media	141	ADD	33,187	675	235	7.7	7.5	9.2	31.0	(3.1)	23.3	18.3	18.9	15.4	8.7	9.5	7.0	2.3	2.1	2.0	0.3	1.4	2.8	14.9	11.8	13.4	160	13.4	0.1			
Jagran Prakashan	107	BUY	33,981	691	316	6.8	6.5	7.8	16.7	(5.3)	21.6	15.8	16.7	13.7	9.4	9.0	7.8	4.8	4.4	3.9	3.3	3.7	32.8	27.6	30.0	150	39.6	0.2				
Sun TV Network	309	ADD	121,928	2,480	394	19.5	18.5	21.4	48.1	(5.4)	15.9	15.8	16.7	14.5	9.6	9.9	8.7	5.0	4.6	4.3	2.8	3.6	4.5	36.5	30.2	32.2	390	26.1	6.7			
Zee Entertainment Enterprises	130	BUY	127,187	2,587	978	5.8	6.1	7.4	9.2	3.9	22.6	22.2	21.4	17.5	15.0	14.4	11.5	3.0	2.9	2.8	1.0	1.0	1.2	14.2	14.0	16.5	160	23.1	3.4			
<b>Media</b>	<b>Neutral</b>	<b>441,909</b>	<b>8,988</b>			<b>51.2</b>	<b>3.9</b>	<b>27.6</b>	<b>22.4</b>	<b>21.5</b>	<b>16.9</b>	<b>11.9</b>	<b>11.1</b>	<b>9.0</b>	<b>4.1</b>	<b>3.8</b>	<b>3.5</b>	<b>1.5</b>	<b>1.8</b>	<b>2.4</b>	<b>18.4</b>	<b>17.7</b>	<b>20.8</b>									
<b>Metals &amp; Mining</b>																																
Coal India	335	ADD	2,112,824	42,974	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	150	REDUCE	287,905	5,856	1,915	12.8	17.2	16.1	(36.0)	34.3	(4.0)	11.8	8.8	9.3	6.3	7.0	6.7	1.0	0.9	0.8	1.0	1.0	1.0	9.7	10.8	9.2	160	6.4	33.5			
Hindustan Zinc	142	ADD	598,471	12,173	4,225	11.6	12.7	14.7	21.8	8.8	16.0	12.2	11.2	9.6	8.2	7.1	5.1	2.7	2.2	1.9	0.7	1.8	1.8	24.3	21.8	21.4	150	5.9	2.3			
Jindal Steel and Power	575	REDUCE	537,036	10,923	934	40.2	40.9	46.1	5.1	1.7	12.7	14.3	14.1	12.5	10.5	10.1	9.3	3.8	3.0	2.5	0.3	0.3	0.3	30.9	24.1	21.8	530	(7.8)	24.2			
JSW Steel	780	SELL	176,224	3,584	226	78.6	32.3	77.7	(2.2)	(58.9)	140.5	9.9	24.1	10.0	6.9	5.8	6.3	1.1	1.0	1.0	1.6	1.3	1.3	13.6	14.1	9.9	680	(12.8)	42.8			
National Aluminium Co.	62	SELL	158,500	3,224	2,577	4.2	3.2	3.7	36.4	(23.9)	15.8	14.8	19.5	16.8	6.7	9.5	7.6	1.4	1.3	2.4	2.4	9.9	7.2	8.0	53	(13.8)	0.9					
Sesa Gea	213	REDUCE	190,347	3,872	895	48.6	32.7	46.8	65.3	(32.7)	43.1	4.4	6.5	4.6	3.7	5.7	6.1	1.5	1.2	0.9	1.9	1.9	1.9	36.8	17.2	22.1	220	3.4	20.5			
Sterlite Industries	124	ADD	417,293	8,488	3,361	15.2	13.5	19.6	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	6.3	25.8			
Tata Steel	463	ADD	449,569	9,144	971	75.3	27.8	58.4	(2,258.1)	(63.1)	110.4	6.1	16.7	7.9	5.9	7.9	6.0	1.3	1.1	1.0	2.6	2.6	2.6	24.7	7.1	13.4	525	13.4	64.7			
<b>Metals &amp; Mining</b>	<b>Cautious</b>	<b>4,928,168</b>	<b>100,237</b>			<b>39.1</b>	<b>(1.9)</b>	<b>18.4</b>	<b>11.9</b>	<b>12.1</b>	<b>10.2</b>	<b>7.5</b>	<b>7.4</b>	<b>6.4</b>	<b>2.3</b>	<b>2.0</b>	<b>1.7</b>	<b>1.2</b>	<b>1.8</b>	<b>1.9</b>	<b>19.0</b>	<b>16.3</b>	<b>16.7</b>									
<b>Pharmaceutical</b>																																
Apollo Hospitals	578	BUY	80,309	1,633	139	13.2	17.1	21.2	21.0	29.3	24.0	43.7	33.8	27.2	19.8	14.8	12.7	4.2	3.2	2.8	—	—	9.8	10.3	10.5	650	12.4	5.6				
Biocon	275	BUY	55,020	1,119	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	38.1	4.1				
Cipla	315	SELL	253,041	5,147	803	12.3	14.1	17.7	(10.0)	14.1	25.5	25.6	22.4	17.9	22.1	17.5	13.5	3.8	3.4	3.0	0.9	1.0	1.1	15.4	15.6	17.3	320	1.5	9.6			
Cadila Healthcare	711	REDUCE	145,556	2,961	205	34.7	31.1	40.9	40.6	(10.5)	31.4	20.5	22.9	17.4	17.8	17.9	13.5	6.7	5.5	4.4	0.9	0.9	1.1	37.5	26.4	28.1	700	(1.5)	2.0			
Dishman Pharma & chemicals	53	REDUCE	4,339	88	81	9.8	5.1	8.3	(31.8)	(48.6)	64.7	5.4	10.5	6.4	7.8	7.4	5.6	0.5	0.5	0.5	—	—	9.6	4.6	7.2	60	12.5	0.4				
Divi's Laboratories	744	ADD	98,718	2,008	133	32.4	37.4	46.4	25.7	15.6	24.1	23.0	19.9	16.0	19.0	15.4	11.3	5.5	4.7	4.0	—	—	25.9	25.4	26.8	935	25.7	3.1				
Dr Reddy's Laboratories	1,668	REDUCE	283,451	5,765	170	64.9	90.7	106.9	93.2	39.7	17.8	25.7	18.4	15.6	18.0	12.0	10.0	6.2	4.8	3.8	0.7	0.8	0.8	24.8	29.3	27.1	1,740	4.3	13.0			
GlaxoSmithKline Pharmaceuticals (a)	2,087	SELL	176,809	3,596	85	68.3	74.3	82.8	15.5	8.8	33.6	17.6	12.2	18.3	15.6	13.9	20.4	19.1	11.3	4.1	3.3	2.7	—	20.6	23.6	21.5	340	9.5	3.1			
Glenmark Pharmaceuticals	311	REDUCE	84,005	1,709	270	17.0	19.9	22.4	33.6	17.6	12.2	18.3	15.6	13.9	20.4	19.1	11.3	4.1	3.3	2.7	—	—	20.6	23.6	21.5	340	9.5	3.1				
Jubilant Life Sciences	190	REDUCE	30,219	615	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	(5.1)	0.4			
Lupin	483	ADD	216,275	4,399	448	19.2	21.1	26.5	25.6	9.7	25.3	25.1	22.9	18.2	21.0	18.1	13.5	6.5	5.3	4.3	0.6	0.7	0.9	29.5	25.8	26.2	520	7.8	7.6			
Ranbaxy Laboratories	425	SELL	179,307	3,647	422	40.6	19.9	30.4	47.4	(50.9)	52.3	10.5	21.3	14.0	12.9	13.6	9.9	3.2	4.4	3.3	—	—	34.5	17.4	27.4	380	(10.6)	10.4				
Sun Pharmaceuticals	550	ADD	569,942	11,592	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	10.1			
<b>Pharmaceuticals</b>	<b>Neutral</b>	<b>2,176,991</b>	<b>44,279</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>	<b>Cautious</b>	<b>741,901</b>	<b>15,090</b>			<b>5.3</b>	<b>12.4</b>	<b>45.0</b>	<b>17.3</b>	<b>15.4</b>	<b>10.6</b>	<b>13.6</b>	<b>12.6</b>	<b>9.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.7</b>	<b>1.0</b>	<b>1.3</b>	<b>6.1</b>	<b>6.4</b>	<b>8.5</b>									

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	1-Mar-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) (%) (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				
<b>Technology</b>																														
HCL Technologies	482	REDUCE	339,810	6,912	705	22.9	33.8	39.9	30.4	47.9	18.0	21.1	14.3	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	(4.6)	10.1	
Hexaware Technologies	114	ADD	33,459	681	294	3.0	9.1	10.7	(36.8)	207.9	17.3	38.6	12.5	10.7	31.1	11.1	7.4	3.5	3.3	2.7	1.3	2.6	2.9	9.3	26.9	28.0	110	(3.5)	3.9	
Infosys	2,857	ADD	1,639,717	33,351	574	119.7	146.1	173.7	10.5	22.0	18.9	23.9	19.6	16.4	16.4	13.1	10.5	6.3	5.2	4.4	2.1	1.6	1.9	28.0	29.3	28.9	3,100	8.5	73.3	
Mahindra Satyam	68	REDUCE	80,262	1,633	1,176	4.2	8.7	8.1	68.9	106.3	(6.5)	16.3	7.9	8.4	11.7	5.3	4.1	4.7	2.9	2.2	—	—	—	27.6	45.7	29.7	80	17.2	7.5	
Mindtree	456	ADD	18,753	381	41	24.7	50.5	53.9	(52.7)	104.5	6.8	18.5	9.0	8.4	10.3	6.1	4.7	2.4	2.0	1.7	0.5	1.1	3.6	14.4	23.9	21.5	540	18.5	0.7	
Mphasis	434	SELL	91,369	1,858	211	51.8	39.0	34.6	18.8	(24.6)	(11.4)	8.4	11.1	12.5	7.1	9.3	8.5	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	157	REDUCE	15,633	318	100	19.3	21.7	24.0	25.7	12.5	10.4	8.1	7.2	6.5	4.9	3.0	2.3	1.5	1.3	1.1	2.4	2.5	2.6	20.2	19.2	18.2	145	(7.5)	1.4	
TCS	1,220	REDUCE	2,387,001	48,551	1,957	44.5	54.6	66.4	26.8	22.6	21.6	27.4	22.3	18.4	20.5	15.6	12.8	9.5	7.6	6.1	1.2	1.6	1.9	37.8	37.6	36.6	1,250	2.5	39.7	
Tech Mahindra	597	SELL	75,159	1,529	126	48.0	74.7	80.7	(26.3)	55.5	8.0	12.4	8.0	7.4	8.4	9.0	7.4	2.2	1.9	1.7	0.7	1.7	20.2	27.0	25.5	600	0.6	2.0		
Wipro	425	ADD	1,042,582	21,206	2,454	21.6	23.2	28.2	14.5	7.4	21.7	19.7	18.3	15.1	14.6	12.5	9.9	4.3	3.7	3.1	1.1	1.5	24.3	21.7	22.2	460	8.3	13.8		
<b>Technology</b>	<b>Attractive</b>		<b>5,787,262</b>	<b>117,711</b>					<b>17.0</b>	<b>20.9</b>	<b>18.1</b>	<b>22.5</b>	<b>18.6</b>	<b>15.8</b>	<b>16.2</b>	<b>12.9</b>	<b>10.5</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	346	ADD	1,315,109	26,749	3,798	15.9	12.8	20.8	(32.6)	(19.9)	62.9	21.7	27.1	16.7	9.6	8.1	6.3	2.7	2.7	2.3	—	—	—	13.3	9.9	14.7	390	12.6	50.8	
IDEA	93	ADD	308,033	6,265	3,303	2.7	2.1	4.6	(0.5)	(22.2)	118.5	34.3	44.0	20.2	11.0	8.6	6.5	2.5	2.5	2.2	—	—	—	7.6	5.7	11.6	100	7.2	10.9	
MTN	34	RS	21,263	432	630	(10.4)	(9.1)	(8.4)	(33.7)	(11.9)	(8.1)	(3.3)	(3.7)	(4.0)	0.7	0.9	1.2	0.2	0.2	0.2	—	—	—	(6.1)	(5.7)	(5.5)	—	—	1.9	
Reliance Communications	95	SELL	196,699	4,001	2,064	6.5	3.9	1.0	(7.1)	(39.7)	(73.5)	14.6	24.2	91.3	6.3	8.2	7.0	0.5	0.5	0.5	—	—	—	3.2	2.0	0.6	60	(37.0)	27.2	
Tata Communications	236	REDUCE	67,317	1,369	285	(24.9)	(27.0)	(26.6)	(13.0)	8.4	(1.4)	(9.5)	(8.7)	(8.9)	11.7	8.8	7.9	1.9	2.6	4.3	—	—	—	(17.5)	(25.1)	(37.0)	215	(9.0)	1.7	
<b>Telecom</b>	<b>Cautious</b>		<b>1,908,420</b>	<b>38,817</b>					<b>(45.8)</b>	<b>(27.5)</b>	<b>66.7</b>	<b>27.6</b>	<b>38.1</b>	<b>22.9</b>	<b>9.2</b>	<b>8.3</b>	<b>6.5</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	78	SELL	187,148	3,807	2,393	2.4	2.3	8.1	200.7	(4.3)	259.1	33.2	34.7	9.7	34.8	23.7	6.7	3.0	2.5	2.0	—	—	—	8.5	7.9	23.2	60	(23.3)	9.2	
CESC	266	BUY	33,270	677	125	39.1	32.1	39.9	13.1	(17.9)	24.4	6.8	8.3	6.7	4.6	6.7	6.3	0.7	0.7	0.6	1.5	1.5	1.8	10.8	8.2	9.4	400	50.2	1.5	
JSW Energy	65	REDUCE	106,190	2,160	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	(33.6)	3.6	
Lanco Infratech	21	BUY	46,794	952	2,223	1.6	0.8	0.9	(22.6)	(48.7)	3.0	12.8	24.9	24.1	10.9	10.5	8.7	1.0	0.9	0.9	—	—	—	9.2	3.9	3.7	33	56.8	14.1	
NHPC	22	BUY	265,081	5,392	12,301	1.3	2.0	2.2	(27.2)	(49.2)	7.2	16.0	10.7	10.0	11.6	10.8	7.8	1.0	0.9	0.9	2.8	2.5	2.7	6.4	9.0	9.1	29	34.6	2.9	
NTPC	176	REDUCE	1,454,912	29,592	8,245	10.9	11.4	12.2	4.2	4.1	7.6	16.2	15.5	14.4	14.2	12.2	13.6	11.7	2.1	1.9	1.8	2.2	1.9	2.1	13.6	13.0	12.9	175	(0.8)	9.5
Reliance Infrastructure	610	BUY	161,837	3,292	265	58.0	65.3	71.4	(6.5)	12.5	9.4	10.5	9.4	8.5	13.4	7.7	8.5	0.7	0.6	0.6	1.2	1.7	1.9	6.8	11.7	8.9	890	45.9	28.2	
Reliance Power	123	SELL	343,909	6,995	2,805	2.7	2.6	2.9	(0.2)	(5.3)	13.5	45.2	47.8	42.1	173.7	65.5	27.8	2.0	2.0	1.9	—	—	—	4.9	4.2	4.5	76	(38.0)	15.0	
Tata Power	116	BUY	286,822	5,834	2,468	7.6	4.9	8.7	21.5	(36.3)	77.6	15.2	23.8	13.4	11.4	9.7	8.4	2.0	2.1	1.8	1.2	1.3	1.5	13.8	8.4	14.5	125	7.6	10.5	
<b>Utilities</b>	<b>Cautious</b>		<b>2,885,963</b>	<b>58,700</b>					<b>4.3</b>	<b>(1.1)</b>	<b>21.9</b>	<b>16.9</b>	<b>17.1</b>	<b>14.0</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	159	REDUCE	29,752	605	187	9.1	11.6	11.7	67.7	26.6	1.0	17.4	13.8	13.6	10.7	7.9	7.5	3.5	2.9	2.4	1.2	1.5	1.5	25.2	25.9	22.0	150	(5.7)	0.1	
Havells India	533	ADD	66,511	1,353	125	24.5	29.7	33.0	334.1	21.1	11.0	21.7	17.9	16.2	13.6	11.4	9.9	9.4	6.6	4.9	0.5	0.5	0.6	53.9	43.3	34.7	500	(6.2)	3.9	
Jaiprakash Associates	75	BUY	159,058	3,235	2,126	6.0	6.4	8.1	230.2	6.2	26.1	12.4	11.7	9.3	11.9	10.6	8.3	1.5	1.3	1.2	—	—	—	13.3	12.0	13.6	97	29.7	29.1	
Jet Airways	294	SELL	25,368	516	86	(10.1)	(233.8)	(33.8)	(91.0)	(22.2)	2,225	(85.6)	(29.2)	(1.3)	(8.7)	9.9	(161.8)	10.5	1.6	(6.0)	(3.6)	—	—	(5.0)	—	—	280	(4.7)	16.4	
Spicelot	21	BUY	9,180	187	441	2.5	(8.7)	1.9	(1.8)	(450.3)	(122.1)	8.3	(2.4)	10.8	12.1	7.4	10.9	2.5	15.0	6.3	—	—	(961)	(201.8)	82.1	45	116.3	1.9		
Tata Chemicals	360	REDUCE	91,585	1,863	255	26.2	32.9	38.8	(0.7)	25.4	17.9	13.7	10.9	9.3	8.0	5.7	4.8	1.7	1.5	1.3	2.8	3.3	4.2	16.9	18.6	19.5	365	1.5	2.	

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of December 31, 2011

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