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Update

Coal India: Stumbling over environment hurdle

News Round-up

- ▶ With the Centre developing cold feet on increasing diesel prices, the finance ministry may give in to the petroleum ministry demand for increasing the govt.'s share in petroleum subsidy. (BSTD)
- ▶ Despite the high statistical base last year, wholesale food inflation for the week ended Dec. 18 touched a 10 month high of 14.44%. (BSTD)
- ▶ Growth of six core infrastructure sectors slumped to the lowest level since Sept. 2002 to 2.3% in Nov. 2010, primarily due to a steep fall in cement production during the month. (BSTD)
- ▶ The Reliance Anil Dhirubhai Ambani Group is rebranding all its businesses as "Reliance" rather than maintaining individual identities for each services. (ECNT)
- ▶ The environment ministry have deferred clearances for JSW Steel's (JSTL IN) USD 5.55bn capacity expansion proposal at Bellary plant & sought details of coal linkage & disaster management plans among other things. (BSTD)
- ▶ SBI (SBIN IN) plans to raise USD 2.66bn through bonds to fund its business growth. (BSTD)
- ▶ MOIL (MOIL IN) is in talks with Gabon's govt. over acquiring possible mining concessions in central African state. Gabon is the world's second largest producer of manganese. (BSTD)
- ▶ ONGC (ONGC IN) has hired an ultra-deep water drilling rig from Vantage Drilling Co. for USD 1.1bn for five years. (BSTD)
- ▶ Sahara Group has bought Grosvenor House Hotel in Central London for USD 733.33mn, making it the one of the largest acquisitions in the hospitality space by an Indian company. (BSTD)
- ▶ HCL Infosystems (HCLI IN) would acquire 20% stake in Dubai firm Techmart Telecom Distribution FZCO, through its Singapore based SPV. (BSTD)
- ▶ KS Oils Ltd. (KSO IN) board has approved the allotment of 16.4 million equity shares of INR 1 each to its promoters. (BSTD)
- ▶ Lanco Infratech (LANCI IN) has won a new USD 222.22mn road project in Uttar Pradesh. (BSTD)

Source: ECNT= Economic Times, BSTD = Business Standard, FNLE = Financial Express, THBL = Business Line.

EQUITY MARKETS

India	Change %			
	30-Dec	1-day	1-mo	3-mo
Sensex	20,389	0.7	4.4	1.6
Nifty	6,102	0.7	4.1	1.2
Global/Regional indices				
Dow Jones	11,570	(0.1)	5.1	7.2
Nasdaq Composite	2,663	(0.1)	6.6	12.4
FTSE	5,971	(0.4)	8.0	7.6
Nikkie	10,229	(1.1)	2.9	9.2
Hang Seng	22,999	0.1	(0.0)	2.9
KOSPI	2,051	0.4	7.7	9.5
Value traded - India				
Cash (NSE+BSE)	185	182	207	
Derivatives (NSE)	1,682	1,150	2,116	
Deri. open interest	1,687	1,303	2,107	

Forex/money market

	Change, basis points			
	30-Dec	1-day	1-mo	3-mo
Rs/US\$	44.8	(9)	(109)	(17)
10yr govt bond, %	7.9	2	(13)	9
Net investment (US\$m)				
	29-Dec	MTD	CYTD	
FIs	134	(466)	28,525	
MFs	(52)	322	(282)	

Top movers -3mo basis

Best performers	Change, %			
	30-Dec	1-day	1-mo	3-mo
TCS IN Equity	1170.2	1.1	8.8	26.2
HNDL IN Equity	244.7	1.3	18.4	24.2
IBULL IN Equity	170.9	3.0	(1.8)	20.0
SUNP IN Equity	482.5	0.4	7.8	19.4
TTMT IN Equity	1300.2	2.1	5.3	18.4
Worst performers				
HDIL IN Equity	188.6	1.0	(0.4)	(27.2)
SCS IN Equity	66.0	(1.3)	5.9	(26.9)
UT IN Equity	64.8	2.0	2.2	(26.6)
RELI IN Equity	810.4	0.6	(4.0)	(24.2)
DLFU IN Equity	287.4	0.1	(6.3)	(24.0)

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UPDATE

Coverage view: **Attractive**

Price (Rs): **308**

Target price (Rs): **345**

BSE-30: **20,389**

Stumbling over environment hurdle. Coal India Ltd continues to be plagued by environment hurdles, now manifested in the form of Comprehensive Environment Pollution Index (CEPI) that threatens 39 mn tons out of 486 mn tons of production targeted in FY2012E. We believe that the environmental hurdle remains a key bottleneck for projected volume growth and have maintained a conservative 4.7% CAGR in volumes versus the company target of 6% volume growth.

Company data and valuation summary

Coal India

Stock data

52-week range (Rs) (high,low)	358-245
Market Cap. (Rs bn)	1,959.7

Shareholding pattern (%)

Promoters	90.0
FIs	3.3
MFs	0.4

Price performance (%)

	1M	3M	12M
Absolute	(2.2)	0.0	0.0
Rel. to BSE-30	(6.3)	0.0	0.0

Forecasts/Valuations

	2010	2011E	2012E
EPS (Rs)	15.2	17.8	20.8
EPS growth (%)	363.0	16.8	16.7
P/E (X)	20.4	17.4	14.9
Sales (Rs bn)	485.8	537.4	600.4
Net profits (Rs bn)	96.2	112.4	131.2
EBITDA (Rs bn)	127.9	151.0	164.3
EV/EBITDA (X)	12.3	10.0	8.6
ROE (%)	40.4	36.4	34.0
Div. Yield (%)	1.1	1.7	2.0

Management indicates production slippages on account of CEPI

CIL management has indicated that the production for the next two years will likely fall short of their original targets if stricter environmental norms and proposed classification of no-go mining areas continue to inhibit the required capacity ramp-up. We, however, highlight that lower-than-guided production is factored to an extent in our estimates as we build in production of 443 mn tons in FY2011E and 463 mn tons in FY2012E as against official company target of 460 mn tons and 486 mn tons, respectively; though we do not entirely rule out downside risks to our numbers if the standoff between Ministry of Coal and Ministry of Environment and Forest does not find an early resolution.

Comprehensive Environmental Pollution Index (CEPI) – a new environment hurdle

CIL management has indicated that a continuation of CEPI norms could impact production targets by 16 mn tons and 39 mn tons in FY2011E and FY2012E, respectively. CEPI was introduced by Ministry of Environment and Forest (MoEF) in 2009 to assess the environmental quality of industrial clusters in India. In January 2010, MoEF imposed a temporary moratorium on development projects in 43 clusters which also includes seven coalfields of CIL. The moratorium was put in place till August 2010 but was further extended by MoEF (in October 2010) till March 2011 thus further delaying the award of environmental clearance for these projects.

Maintain ADD with a target price of Rs345/share

We maintain our ADD rating with a target price of Rs345/share. Our target price is based on 12.5X FY2012E EPS adjusted for overburden removal and interest income and implies an EV/EBITDA of 9.2X on FY2012E EBITDA (adjusted for overburden removal). CIL currently trades at 15X FY2012E EPS (reported) and 9.7X FY2012E EBITDA (reported).

We highlight that if CIL were to achieve volumes of 435 mn tons in FY2012E, 5% lower than our estimate of 458 mn tons, earnings would be impacted by 14% to Rs18/share from Rs21/share currently, eroding Rs42/share from our target price of Rs345/share (see Exhibit 2). We maintain our estimates as we remain optimistic that the debate between environment and development will likely find a plausible solution that does not put to risk India's energy requirements.

In our view, CIL will likely continue to command premium multiples to account for (1) expectations of narrowing discount to global coal prices, and (2) constantly improving employee efficiency metrics that will further propel margin expansion. Lower-than-estimated volumes and possible imposition of mining tax could be a key risk to our earnings and valuation estimates.

Exhibit 1: Our target price implies an EV/EBITDA of 9X on FY2012E adjusted EBITDA
Target price calculation of CIL

EBITDA (Rs bn)	147
OBR (Rs bn)	32
Adjusted EBITDA (Rs bn)	179
Interest income (Rs bn)	32
PAT (Rs bn)	131
Adjusted PAT (Rs bn)	131
EPS (Rs/share)	21
Adjusted EPS (Rs/share)	21
P/E on FY2012E adjusted PAT (X)	12.5
Value of coal business (Rs bn)	1,636
Cash (Rs bn)	543
Market Cap (Rs bn)	2,179
Target price	345

Notes.

(1) Adjusted EBITDA is calculated after removing the effect OBR adjustment.

(2) Adjusted PAT is calculating after removing the effect of OBR adjustment and interest income net of taxes.

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: 5% lower volumes in FY2012E erodes Rs42/share from our target price
Sensitivity of target price to FY2012E volumes

	Target price					
	Volumes in FY2012E (mn tons)					
	413	435	458	481	505	
	-10%	-5%	Base	+5%	+10%	
Blended realization in FY2012E (%)	985	121	153	187	221	256
	1,094	189	224	262	300	339
	1,216	264	304	346	387	431
	1,338	339	383	429	475	523
	1,471	422	470	521	572	625

Source: Company, Kotak Institutional Equities estimates

CEPI – affected coal blocks and subsidiaries

CEPI has identified 43 clusters in India as critically polluted and has temporarily stalled development projects in these clusters. These clusters include seven coalfields of CIL including Chandrapur, Korba, Jharia, Talcher, Singrauli, Raniganj and IB Valley. The directly affected CIL subsidiaries are ECL (Raniganj), BCCL (Jharia), SECL (Korba), NCL (Singrauli) and MCL (Talcher and IB Valley). CIL's coalfields, identified as critical under CEPI, contributed 295 mn tons or 68% of FY2010 production and account for ~66% of CIL's total extractable reserves of 21.75 bn tons (see Exhibit 4).

We also highlight that a significant portion of near-term capacity addition of CIL was supposed to be undertaken in the Talcher and IB Valley coalfields of MCL and continuation of CEPI norms could impact near-term ramp-up of capacity and hence production growth.

Exhibit 3: ECL, CCL and MCL are lagging in production
 Subsidiary-wise production of CIL as of November 2010 (mn tons)

	Production target		Production	Achieved (%)	
	FY2011E	April-Nov 2010	As of Nov-2010	FY2011E	April-Nov 2010
ECL	33.0	18.3	17.8	53.8	96.9
BCCL	29.0	18.5	17.6	60.8	95.5
CCL	50.0	29.6	25.9	51.7	87.5
WCL	46.5	28.9	27.0	58.0	93.4
SECL	112.0	69.7	68.4	61.1	98.1
MCL	116.8	69.4	59.9	51.3	86.3
NCL	72.0	45.2	39.2	54.4	86.6
NEC	1.3	0.6	0.5	38.6	80.9
Total CIL	460.5	280.1	256.1	55.6	91.4

Source: Company, Kotak Institutional Equities

'No Go'—another stumbling block

Pursuant to a proposal dated July 8, 2010, MoEF introduced initiatives for the identification of environmentally sensitive areas classified as 'No Go' where coal mining activities would not be permitted. 'No Go' areas for mining have been defined as those that have over 30% gross forest cover or over 10% weighted forest cover. Several significant coalfields where CIL is currently carrying on mining activities have been classified as 'No Go' including large mines such as North Karanpura in Jharkhand, IB Valley in Orissa and Chhattisgarh, Singrauli Coalfield in Madhya Pradesh and Uttar Pradesh and Talcher coalfield in Orissa.

Exhibit 4: CEPI-affected coalfields contributed 68% of FY2010 production
Production and reserves profile of CIL coalfields

Coalfield	Subsidiary	Location	2010		Reserves (mn tons)				
			Capacity (mn tons)	Production (mn tons)	Proved	Indicated	Inferred	Reserves	Extractable
BCCL									
Jharia	BCCL	Dhanbad, Bokaro/Jharkhand	32.74	27.45	5,983	1,009	51	7,043	1,145
Total BCCL			32.74	27.45	5,983	1,009	51	7,043	1,145
CCL									
North Karanpura	CCL	Ranchi, Hazaribagh, Chatra, Palamu and Latehar/Jharkhand	23.67	23.56	4,458	35	0	4,493	2,072
East Bokaro	CCL	Bokaro/Jharkhand	10.47	12.7	2,116	1,110	0	3,227	692
West Bokaro	CCL	Ramgarh, Hazaribagh/Jharkhand	6.57	5.16	1,516	236	10	1,762	462
South Karanpura	CCL	Ramgarh, Hazaribagh/Jharkhand	4.98	3.98	1,550	196	7	1,753	308
Ramgarh	CCL	Ramgarh/Jharkhand	1.36	1.1	386	19	0	405	138
Giridih	CCL	Giridih/Jharkhand	0.93	0.58	18	0	0	18	15
Total CCL			47.98	47.08	10,044	1,596	17	11,658	3,687
ECL									
Raniganj	ECL	Burdwan, Bankura, Purulia, Birbhum/West Bengal Dhanbad/Jharkhand	20.97	17.02	7,556	1,242	379	9,177	662
Rajmahal/Deogarh	ECL	Deograh and Godda/Jharkhand	11.14	13.1	1,378	382	579	2,339	546
Total ECL			32.11	30.12	8,934	1,624	958	11,516	1,208
MCL									
Talcher	MCL	Angul/Orissa	69.3	59.74	7,568	1,721	640	9,929	5,893
IB Valley	MCL	Jharsugudah and Sundergarh/Orissa	45.3	44.34	3,242	161	0	3,403	2,119
Total MCL			114.6	104.08	10,810	1,882	640	13,332	8,012
NCL									
Singrauli	NCL	Madhya Pradesh and Uttar Pradesh	77.36	67.67	3,270	212	0	3,482	1,891
Total NCL			77.36	67.67	3,270	212	0	3,482	1,891
NEC									
Makum	NEC	Tinsukia/Assam	1.1	1.11	362	0	0	362	239
Total NEC			1.1	1.11	362	0	0	362	239
SECL									
Korba	SECL	Korba/Chattisgarh	75.22	78.46	3,896	1,605	51	5,552	2,670
Central India Coalfields	SECL	Madhya Pradesh and Chattisgarh	28.63	24.72	2,665	892	123	3,681	774
Mand Raigarh	SECL	Raigarh/Chattisgarh	5.24	4.83	1,957	114	0	2,070	659
Total SECL			109.09	108.01	8,518	2,611	174	11,303	4,103
WCL									
Wardha Valley	WCL	Chandrapur and Yeotmal/Maharashtra	29.23	29.32	2,249	614	58	2,921	795
Kamptee	WCL	Nagpur/Maharashtra	4.78	5.03	817	121	0	938	214
Umrer Nand Bander	WCL	Nagpur/Maharashtra	4.31	4.27	558	1	0	558	215
Pench-Kanhan	WCL	Chindwara/Madhya Pradesh	5.01	3.86	693	199	44	936	148
Pathakhera	WCL	Betul/Madhya Pradesh	3.56	3.26	190	28	0	218	87
Total WCL			46.89	45.74	4,507	963	102	5,571	1,459
Total CIL			461.87	431.26	52,428	9,897	1,942	64,267	21,744

Source: Company, Kotak Institutional Equities

Exhibit 5: Profit model, balance sheet, cash model of CIL, March fiscal year-ends, 2009-2015E (Rs mn)

	2009	2010	2011E	2012E	2013E	2014E	2015E
Profit model							
Net sales	387,888	446,153	497,386	556,970	615,841	671,253	724,139
Coal issued for other purpose	20,220	20,690	23,801	28,022	31,893	34,659	37,483
Transport and loading recovery	14,698	12,260	13,058	13,715	14,422	15,063	15,602
Total income	424,142	485,774	537,412	600,403	663,790	722,151	778,181
EBITDA	39,309	114,735	133,515	146,816	177,350	204,028	227,316
Interest income	28,447	26,940	19,925	32,492	42,142	53,577	67,163
Other Income (ex transport, interest)	8,051	13,209	17,447	17,447	17,447	17,447	17,447
Interest expense	(1,789)	(1,560)	(1,373)	(1,293)	(1,193)	(1,134)	(1,118)
Depreciation	(16,909)	(13,138)	(13,925)	(15,137)	(16,859)	(18,223)	(19,237)
Pretax profits	57,110	140,186	155,589	180,325	218,887	255,695	291,570
Tax	(36,336)	(43,996)	(43,221)	(49,163)	(57,418)	(70,677)	(83,151)
Net income	20,774	96,190	112,368	131,162	161,470	185,018	208,419
Extraordinary items	13	35	—	—	—	—	—
Reported profit	20,787	96,224	112,368	131,162	161,470	185,018	208,419
Earnings per share (Rs)	3	15	18	21	26	29	33
Balance sheet							
Paid-up common stock	63,164	63,164	63,164	63,164	63,164	63,164	63,164
Total shareholders' equity	191,651	257,952	326,497	406,505	505,002	617,862	744,998
Minority interest	19	236	236	236	236	236	236
Total borrowings	21,485	20,869	17,869	15,469	13,148	12,540	12,140
Shifting and rehab fund	12,238	14,774	18,092	21,519	25,521	30,445	36,088
Total liabilities and equity	225,393	293,831	362,693	443,729	543,906	661,083	793,462
Net fixed assets	110,212	120,354	118,056	150,701	171,266	181,969	181,807
Capital work-in progress	19,195	22,107	56,269	52,601	52,477	48,958	45,430
Investments	15,052	12,823	12,823	12,823	12,823	12,823	12,823
Cash	296,950	390,778	456,187	543,081	660,078	809,928	989,034
Current assets (excl. cash)	174,009	152,466	168,530	185,912	203,852	220,511	236,401
Current liabilities and provisions	399,293	414,316	458,931	510,598	565,396	621,017	679,357
Deferred tax asset	9,268	9,604	9,759	9,208	8,804	7,910	7,322
Misc. expenditure	—	15	—	—	—	—	—
Total assets	225,393	293,831	362,694	443,729	543,906	661,083	793,462
Free cash flow							
Operating cash flow, excl. working capital	39,616	106,073	126,138	146,849	178,732	204,135	228,245
Working capital changes	77,708	22,856	28,551	34,285	36,859	38,962	42,449
Capital expenditure	(18,758)	(19,804)	(45,789)	(44,114)	(37,299)	(25,408)	(15,547)
Free cash flow	98,567	109,125	108,900	137,020	178,291	217,690	255,147
Ratios							
Net debt/equity (%)	(143.7)	(143.4)	(134.2)	(129.8)	(128.1)	(129.1)	(131.1)
Return on equity (%)	11	43	38	36	35	33	31
Book value per share (Rs)	30	41	52	64	80	98	118
ROCE (%)	11	43	40	38	37	35	32

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	30-Dec-10 Price (Rs)	Rating	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
			(Rs mn)	(US\$ mn)		2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E			
Automobiles																													
Ashok Leyland	62	SELL	82,811	1,848	1,330	2.8	3.9	4.7	84.5	37.1	20.4	22.1	16.1	13.4	13.0	10.3	8.9	2.0	1.9	1.7	2.4	1.6	1.6	10.9	12.2	13.5	60	(3.6)	7.5
Bajaj Auto	1,480	REDUCE	428,355	9,562	289	58.8	86.8	96.5	160.2	47.5	11.2	25.2	17.1	15.3	16.2	12.0	10.9	14.6	9.4	6.6	1.4	1.7	1.7	70.9	66.8	50.2	1,450	(2.0)	17.8
Bharat Forge	375	ADD	89,672	2,002	239	0.1	12.1	19.6	(98.7)	11,693	61.5	3,644.9	30.9	19.1	27.3	13.0	8.9	5.8	4.2	3.5	—	—	—	5.2	8.0	16.2	400	6.7	4.2
Hero Honda	1,994	REDUCE	398,132	8,887	200	111.8	103.3	110.6	73.9	(7.6)	7.2	17.8	19.3	18.0	11.3	12.4	11.1	11.0	8.0	6.2	1.5	1.5	1.5	59.0	48.0	38.6	1,494	(25.1)	32.7
Mahindra & Mahindra	776	BUY	463,883	10,355	598	33.9	45.9	51.8	125.8	35.4	12.9	22.9	16.9	15.0	15.1	12.0	10.5	5.8	4.2	3.5	1.2	1.2	1.3	30.0	28.8	25.4	875	12.7	35.9
Maruti Suzuki	1,420	BUY	410,382	9,160	289	86.4	80.5	95.0	105.0	(6.9)	18.0	16.4	17.6	15.0	8.8	9.2	7.6	3.4	2.9	2.4	0.4	0.4	0.5	23.3	17.8	17.7	1,701	19.8	13.3
Tata Motors	1,300	ADD	837,084	18,685	644	27.4	125.8	148.1	(182.5)	359.4	17.7	47.5	10.3	8.8	16.0	7.2	6.0	5.4	3.1	2.3	1.0	0.4	0.4	8.7	9.3	10.4	1,420	9.2	106.4
Automobiles																													
Cautious																													
			2,710,318	60,498					277.7	77.8	17.4	26.0	14.6	12.5	14.0	9.4	7.9	5.7	4.0	3.1	1.1	0.9	1.0	21.9	27.2	24.8			
Banks/Financial Institutions																													
Andhra Bank	148	BUY	71,926	1,605	485	21.6	24.0	26.7	60.1	11.5	11.1	6.9	6.2	5.6	—	—	—	1.6	1.4	1.2	3.4	3.8	4.2	26.0	24.1	22.6	210	41.6	6.4
Axis Bank	1,334	ADD	540,421	12,063	405	62.1	78.6	99.9	22.7	26.6	27.2	21.5	17.0	13.4	—	—	—	3.4	2.9	2.5	0.9	1.1	1.4	19.2	18.4	20.2	1,700	27.5	51.4
Bank of Baroda	900	BUY	328,884	7,341	366	83.7	103.0	121.2	37.3	23.1	17.7	10.8	8.7	7.4	—	—	—	2.4	2.0	1.6	1.7	2.1	2.4	24.4	24.7	24.0	1,250	38.9	9.8
Bank of India	437	ADD	229,641	5,126	526	33.1	56.3	63.2	(42.1)	70.2	12.2	13.2	7.8	6.9	—	—	—	1.8	1.5	1.3	1.6	2.7	3.1	14.2	21.3	20.4	580	32.8	18.2
Canara Bank	648	ADD	265,475	5,926	410	73.7	90.7	102.8	45.8	23.1	13.4	8.8	7.1	6.3	—	—	—	2.1	1.7	1.4	1.5	1.5	1.9	22.5	22.8	21.4	740	14.3	23.4
Corporation Bank	640	ADD	91,793	2,049	143	82.0	86.7	100.7	31.8	5.7	16.2	7.8	7.4	6.4	—	—	—	1.6	1.4	1.2	2.6	2.7	3.2	22.0	19.9	19.9	800	25.0	1.6
Federal Bank	393	ADD	67,242	1,501	171	27.2	34.7	47.2	(7.1)	27.7	35.9	14.5	11.3	8.3	—	—	—	1.4	1.3	1.2	1.3	1.6	2.2	10.3	12.0	14.7	530	34.8	7.7
HDFC	729	REDUCE	1,046,803	23,366	1,436	19.7	24.0	28.1	22.7	21.8	17.2	37.0	30.4	25.9	—	—	—	6.9	6.1	5.3	1.0	1.2	1.3	20.0	21.2	21.9	720	(1.3)	50.9
HDFC Bank	2,306	ADD	1,055,327	23,556	458	64.4	84.9	109.9	22.1	31.8	29.5	35.8	27.2	21.0	—	—	—	4.9	4.3	3.7	0.5	0.7	0.9	16.1	16.9	19.0	2,500	8.4	42.2
ICICI Bank	1,137	ADD	1,308,388	29,205	1,151	36.1	45.0	58.0	6.9	24.6	29.0	31.5	25.3	19.6	—	—	—	2.5	2.4	2.2	1.0	1.2	1.5	8.0	9.7	11.6	1,230	8.2	111.3
IDFC	178	ADD	260,170	5,807	1,458	8.4	9.6	11.5	44.9	14.1	20.4	21.3	18.6	15.5	—	—	—	3.7	2.4	2.0	0.7	1.0	1.3	16.6	15.7	14.6	220	23.3	27.1
India Infoline	83	BUY	25,911	578	312	8.1	7.5	8.8	59.2	(8.0)	17.1	10.2	11.1	9.5	—	—	—	1.6	1.4	1.1	3.8	1.9	2.5	14.7	13.3	14.3	130	56.4	5.2
Indian Bank	245	ADD	105,315	2,351	430	35.1	35.7	44.9	25.5	1.6	25.9	7.0	6.9	5.5	—	—	—	1.6	1.3	1.1	2.7	2.6	3.3	24.1	20.5	21.8	350	42.8	4.4
Indian Overseas Bank	146	BUY	79,486	1,774	545	13.0	16.8	24.1	(46.7)	29.8	43.2	11.2	8.7	6.0	—	—	—	1.3	1.1	1.0	2.4	2.6	2.9	9.6	11.6	15.0	200	37.1	5.1
J&K Bank	779	ADD	37,763	843	48	105.7	123.0	143.9	25.0	16.4	17.0	7.4	6.3	5.4	—	—	—	1.3	1.1	1.0	2.8	3.3	3.8	18.2	18.4	18.7	1,000	28.4	2.2
LIC Housing Finance	194	ADD	18,395	411	95	69.7	107.2	105.7	11.5	53.7	(1.4)	2.8	1.8	1.8	—	—	—	0.6	0.5	0.4	7.7	11.9	11.7	23.6	27.0	22.2	1,030	431.9	67.7
Mahindra & Mahindra Financial	728	NR	69,917	1,561	96	35.9	51.3	60.3	60.0	43.0	17.5	20.3	14.2	12.1	—	—	—	4.1	3.4	2.9	1.0	1.5	1.8	21.5	25.7	25.0	—	—	5.4
Oriental Bank of Commerce	394	ADD	98,788	2,205	251	45.3	59.0	65.8	25.3	30.2	11.6	8.7	6.7	6.0	—	—	—	1.3	1.2	1.0	2.3	3.0	3.4	14.5	16.8	16.6	580	47.1	9.9
PFC	305	REDUCE	349,668	7,805	1,148	20.5	24.1	28.7	54.0	17.5	19.1	14.8	12.6	10.6	—	—	—	2.8	2.4	2.0	1.5	1.6	1.9	19.0	19.3	19.8	325	6.7	3.9
Punjab National Bank	1,216	BUY	383,392	8,558	315	123.9	139.8	165.9	26.4	12.9	18.6	9.8	8.7	7.3	—	—	—	2.3	1.9	1.6	1.8	2.3	2.8	26.2	24.2	23.9	1,500	23.4	10.8
Reliance Capital	655	REDUCE	161,198	3,598	246	13.7	13.0	14.5	(65.2)	(4.7)	11.5	47.9	50.3	45.1	—	—	—	2.3	2.3	2.2	1.0	0.8	0.9	5.2	4.6	5.0	800	22.2	26.9
Rural Electrification Corp.	295	REDUCE	290,885	6,493	987	20.3	25.7	30.0	23.2	26.7	16.9	14.5	11.5	9.8	—	—	—	2.6	2.3	2.0	2.2	2.6	3.1	22.0	21.3	21.7	300	1.8	18.2
Shriam Transport	775	ADD	172,956	3,861	223	39.2	55.4	68.1	30.1	41.4	23.0	19.8	14.0	11.4	—	—	—	4.7	3.9	3.2	1.5	2.1	2.6	28.4	29.1	29.6	850	9.7	8.8
SKS Microfinance	646	BUY	47,577	1,062	74	26.9	35.5	55.9	61.1	31.9	57.4	24.0	18.2	11.5	—	—	—	5.0	2.4	2.0	—	—	—	21.7	18.0	19.3	950	47.1	23.7
SREI	110	NR	12,844	287	116	8.3	7.9	9.9	17.8	(4.8)	25.8	13.3	14.0	11.1	—	—	—	1.1	1.0	0.9	1.1	1.1	1.1	11.1	10.5	12.3	—	—	6.6
State Bank of India	2,750	BUY	1,745,705	38,967	635	144.4	176.6	224.1	0.5	22.3	26.9	19.0	15.6	12.3	—	—	—	2.6	2.3	2.0	1.1	1.2	1.2	14.8	15.9	17.6	3,500	27.3	180.0
Union Bank	344	BUY	173,634	3,876	505	41.1	42.4	56.1	20.2	3.1	32.6	8.4	8.1	6.1	—	—	—	2.0	1.6	1.3	1.6	1.6	2.2	26.2	22.1	24.1	450	30.9	7.7
Yes Bank	309	BUY	104,821	2,340	340	15.0	21.0	26.6	46.7	40.2	26.6	20.6	14.7	11.6	—	—	—	3.4	2.8	2.3	0.5	0.7	0.9	20.3	21.0	22.0	400	29.6	17.4
Banks/Financial Institutions																													
Attractive																													
			9,144,325	204,114					15.0	23.8	22.2	18.1	14.6	12.0	—	—	—	2.8	2.4	2.1	1.2	1.4	1.7	15.5	16.6	17.5			
Cement																													
ACC	1,076	REDUCE	202,234	4,514	188	83.2	56.4	63.6	47.9	(32.3)	12.9	12.9	19.1	16.9	7.0	9.0	7.3	3.2	2.8	2.5	2.5	2.2	2.2	29.3	17.5	17.6	940	(12.7)	11.6
Ambuja Cements	143	SELL	218,233	4,871	1,522	8.0	8.1	9.0	11.4	1.4	10.6	17.9	17.7	16.0	9.9	9.8	8.1	3.1	2.8	2.5	1.3	1.4	1.5	19.3	17.1	16.8	108	(24.7)	6.8
Grasim Industries	2,317	ADD	212,437	4,742	92	301.0	194.9	238.6	26.1	(35.2)	22.4	7.7	11.9	9.7	4.6	5.7	4.2	1.7	1.5	1.3	1.4	1.5	1.5	22.9	13.5	14.7			

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	30-Dec-10		Mkt cap.		O/S		EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)	shares (mn)	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010			
Consumer products																														
Asian Paints	2,823	ADD	270,772	6,044	96	71.5	86.0	102.5	85.3	20.3	19.1	39.5	32.8	27.6	24.4	20.5	17.0	16.9	13.3	10.7	1.0	1.3	1.5	51.8	46.6	44.0	3,000	6.3	5.4	
Colgate-Palmolive (India)	866	SELL	117,831	2,630	136	31.1	33.6	38.4	44.2	8.0	14.2	27.8	25.8	22.6	22.8	19.2	16.5	36.1	30.9	26.5	2.3	2.9	3.3	156.1	129.2	126.3	830	(4.2)	3.5	
Dabur India	100	ADD	172,774	3,857	1,731	2.9	3.3	4.1	28.1	13.2	25.2	34.4	30.4	24.3	26.0	21.6	17.0	18.2	12.6	9.6	1.0	1.1	1.4	57.4	49.6	45.3	115	15.2	4.3	
GlaxoSmithKline Consumer (a)	2,305	ADD	96,949	2,164	42	55.4	70.5	83.9	23.6	27.3	19.1	41.6	32.7	27.5	23.6	20.2	16.3	10.8	8.9	7.4	0.8	1.0	1.2	27.9	29.7	29.5	2,400	4.1	1.1	
Godrej Consumer Products	390	BUY	126,038	2,813	324	11.3	14.3	18.9	69.5	25.8	32.6	34.4	27.3	20.6	27.3	19.7	14.8	13.1	7.0	6.3	1.0	0.8	0.8	44.6	33.5	32.1	490	25.8	2.2	
Hindustan Unilever	309	SELL	674,796	15,062	2,182	9.4	10.2	12.0	(0.9)	8.4	17.5	32.8	30.3	25.8	22.7	21.8	17.8	26.1	22.6	19.5	2.5	2.7	3.2	71.1	80.2	81.3	250	(19.2)	15.9	
ITC	175	ADD	1,335,402	29,808	7,651	5.3	6.5	7.6	22.6	22.0	17.8	32.9	26.9	22.9	20.0	17.0	14.2	9.0	7.5	6.4	2.9	1.6	1.7	29.2	32.0	31.5	180	3.1	29.1	
Jubilant Foodworks	626	SELL	39,983	892	64	5.6	10.0	13.1	347.1	78.3	30.4	111.6	62.6	48.0	59.7	36.0	24.2	34.0	22.0	15.1	—	—	—	47.3	42.8	37.4	400	(36.1)	17.2	
Jyothy Laboratories	267	ADD	20,471	457	77	11.0	13.6	16.4	99.6	23.3	20.9	24.2	19.7	16.3	19.5	13.1	10.2	5.0	3.4	2.9	1.7	1.4	1.8	16.1	17.6	19.3	300	12.3	0.6	
Manico	119	ADD	72,867	1,626	612	4.4	5.2	6.1	32.9	16.9	17.0	26.8	22.9	19.6	18.4	15.9	13.0	10.9	7.9	6.0	0.6	0.8	0.9	48.9	40.6	35.2	140	17.5	1.0	
Nestle India (a)	3,742	REDUCE	360,744	8,052	96	74.4	88.4	108.0	27.0	18.8	22.1	50.3	42.3	34.6	33.3	28.5	23.5	62.1	48.4	37.4	1.3	1.6	2.0	136.0	128.5	121.8	3,100	(17.1)	3.2	
Tata Global Beverages	107	ADD	66,323	1,480	618	6.1	7.3	8.7	14.5	20.7	19.0	17.7	14.7	12.3	8.4	6.4	5.3	1.4	1.3	1.2	1.9	2.3	2.7	10.2	11.7	12.9	130	21.2	4.0	
Titan Industries	3,536	ADD	156,965	3,504	44	57.3	83.9	110.9	29.3	46.5	32.2	61.7	42.2	31.9	39.3	28.4	21.7	21.3	14.9	10.6	0.4	0.3	0.4	38.7	41.7	38.8	3,600	1.8	26.4	
United Spirits	1,460	ADD	183,392	4,094	126	27.3	33.1	47.0	49.9	21.5	41.9	53.5	44.1	31.0	19.5	18.2	14.9	4.9	4.4	3.9	0.2	0.1	0.2	9.8	10.5	13.3	1,550	6.1	8.4	
Consumer products		Cautious	3,695,308	82,485					24.8	19.7	20.3	35.8	29.9	24.8	22.3	19.1	15.7	11.1	9.2	7.8	1.9	1.6	1.8	31.0	30.7	31.4				
Constructions																														
IVRCL	126	BUY	33,630	751	267	7.9	7.7	10.3	(6.6)	(2.3)	33.7	15.9	16.3	12.2	9.1	9.8	8.0	1.8	1.6	1.5	0.7	0.3	0.3	11.5	10.6	12.7	190	50.9	6.3	
Nagarjuna Construction Co.	138	BUY	35,357	789	257	7.1	8.9	11.6	6.1	24.3	31.1	19.3	15.5	11.9	10.1	8.8	7.3	1.6	1.5	1.3	1.0	1.5	1.5	9.3	9.8	11.8	205	48.8	4.9	
Punj Lloyd	108	REDUCE	36,506	815	340	(3.4)	9.8	12.0	(52.6)	(385.6)	22.6	(31.4)	11.0	9.0	20.6	6.5	6.0	1.2	1.1	1.0	0.1	0.4	1.0	(4.2)	10.4	11.6	140	30.2	13.0	
Sadbhav Engineering	119	BUY	17,828	398	150	5.1	6.2	8.7	0.5	20.2	41.0	23.1	19.2	13.6	15.8	10.5	8.6	4.4	3.4	3.3	0.3	0.4	0.5	15.8	17.8	23.9	175	47.2	0.3	
Construction		Attractive	123,320	2,753					56.2	150.9	29.5	36.0	14.4	11.1	12.8	8.2	7.0	1.6	1.5	1.3	0.5	1.4	1.5	4.5	10.3	12.1				
Energy																														
Aban Offshore	810	BUY	35,254	787	44	94.5	105.2	123.7	(2.5)	11.3	17.5	8.6	7.7	6.6	8.3	7.1	6.5	1.6	1.6	1.4	0.4	0.4	0.5	21.7	26.0	22.6	915	12.9	17.4	
Bharat Petroleum	659	BUY	238,327	5,320	362	58.6	55.7	59.9	230	(5)	7.5	11	12	11.0	6.5	6.4	6.2	1.7	1.6	1.4	2.1	2.8	3.0	14.9	13.0	12.8	860	30.5	15.6	
Cairn india	335	RS	635,012	14,174	1,897	5.5	22.7	40.8	29.0	309.7	79.6	60.4	14.7	8.2	47.5	9.5	5.4	1.9	1.6	1.5	—	—	—	4.5	3.1	11.8	18.8	—	16.9	
Castrol India (a)	453	SELL	111,907	2,498	247	15.4	21.0	21.7	45	36	3.5	29	22	20.8	17.4	13.4	12.7	24.3	23.1	21.9	2.8	3.8	3.9	83.8	109.9	107.9	390	(13.8)	1.3	
GAIL (India)	511	BUY	647,813	14,460	1,268	24.8	39.7	11.7	14.9	39.7	20.6	18.0	12.9	11.6	10.8	8.7	3.6	3.1	2.6	1.5	1.7	2.4	1.7	17.4	17.6	21.1	565	10.6	15.8	
GSPL	117	SELL	65,722	1,467	562	7.3	7.3	8.1	233	(0)	11.4	16	16	14.4	8.0	7.9	6.6	3.9	3.2	2.9	0.9	1.6	2.8	27.1	21.8	20.9	87	(25.5)	6.5	
Hindustan Petroleum	388	BUY	131,570	2,937	339	51.6	53.4	49.8	204.2	3.4	(6.7)	7.5	7.3	7.8	2.7	2.6	2.6	1.0	0.9	0.8	3.1	4.3	4.0	13.1	12.2	10.3	600	54.6	14.1	
Indian Oil Corporation	337	BUY	818,948	18,280	2,428	49.1	38.6	40.2	399	(21)	4.0	7	9	8.4	5.2	5.4	4.9	1.5	1.4	1.2	3.9	3.5	3.6	22.4	15.6	14.8	500	48.2	10.0	
Oil India	1,399	ADD	336,288	7,506	240	115.2	143.7	160.0	13.9	24.8	11.3	12.1	9.7	8.7	5.5	3.8	3.3	2.3	2.0	1.7	2.4	3.2	3.6	16.8	19.3	18.8	1,640	17.3	2.9	
Oil & Natural Gas Corporation	1,295	BUY	2,769,003	61,808	2,139	90.3	113.9	137.7	(1)	26	20.9	14	11	9.4	5.0	4.3	3.6	2.1	1.9	1.7	2.5	3.1	3.7	14.4	16.4	17.8	1,500	15.9	30.4	
Petronet LNG	124	SELL	93,225	2,081	750	5.4	6.9	8.3	(22.0)	28.1	20.2	23.0	18.0	15.0	12.9	10.5	9.3	3.6	3.1	2.7	1.4	1.6	2.2	15.9	17.7	18.2	90	(27.6)	7.7	
Reliance Industries	1,051	REDUCE	3,128,371	69,830	2,976	49.6	59.8	72.9	(2)	21	21.8	21	18	14.4	10.7	8.2	6.6	2.1	1.9	1.7	0.7	0.8	1.0	11.4	12.5	13.7	1,065	1.3	128.3	
Energy		Neutral	9,011,438	201,148					35.6	17.8	21.6	15.1	12.8	10.5	7.4	6.1	5.1	2.1	1.9	1.7	1.7	2.0	2.7	13.7	14.5	15.7				
Industrials																														
ABB	781	REDUCE	165,511	3,694	212	16.7	10.8	31.4	(35.2)	(35.4)	190.2	46.7	72.3	24.9	26.7	37.9	14.3	6.8	6.4	5.2	0.3	0.4	0.4	15.6	9.2	23.2	725	(7.2)	2.5	
BGR Energy Systems	719	BUY	51,746	1,155	72	16.0	28.0	41.7	32.2	74.6	49.1	44.8	25.7	17.2	25.2	14.6	10.5	9.2	7.3	5.5	0.4	1.0	1.2	22.3	31.8	36.6	860	19.7	8.4	
Bharat Electronics	1,755	REDUCE	140,384	3,134	80	96.1	105.9	120.3	(7.4)	10.2	13.6	18.3	16.6	14.6	8.5	7.5	6.3	3.1	2.8	2.4	1.1	1.4	1.4	17.5	17.7	17.6	1,800	2.6	3.0	
Bharat Heavy Electricals	2,338	ADD	1,144,302	25,542	490	87.9	115.5	138.6	37.7	31.4	20.0	26.6	20.2	16.9	14.8	11.6	9.5	7.2	5.7	4.5	0.8	1.1	1.3	29.8	31.3	29.9	2,500	6.9	35.5	
Crompton Greaves	306	ADD	196,267	4,381	642	12.8	14.5	17.3	46.5	12.9	19.6	23.8	21.1	17.6	13.8	11.9	9.8	7.8	5.9	4.6	0.4	0.6	0.7	37.9	32.0	29.5	340	11.1	8.4	
Larsen & Toubro	1,975	ADD	1,195,542	26,686	605	57.9	76.7	90.5	15.6	32.3	18.1	34.1	25.8	21.8	19.0	13.7	11.6	5.4	4.4	3.7	0.6	0.6	0.7							

Kotak Institutional Equities: Valuation summary of key Indian companies

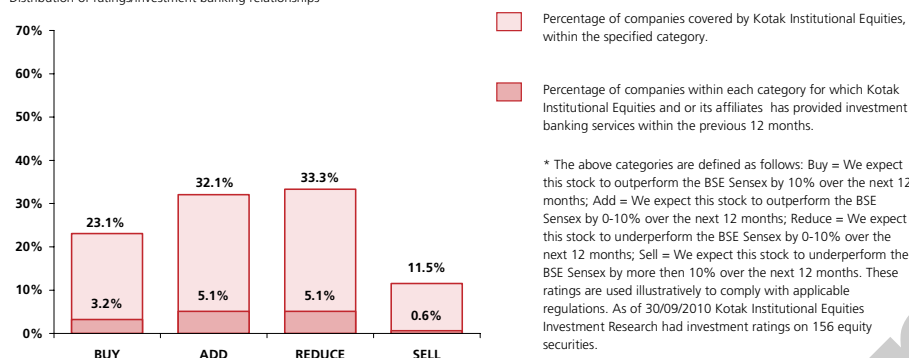
Company	30-Dec-10		Mkt cap.		O/S shares (mm)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E			
Media																													
DB Corp	266	BUY	48,248	1,077	182	10.6	12.5	14.5	286.5	17.2	16.2	25.0	21.3	18.4	13.9	11.9	10.3	7.4	5.9	4.9	0.8	1.1	1.5	40.3	31.0	29.2	320	20.5	0.3
DishTV	71	REDUCE	75,661	1,689	1,063	(2.5)	(1.9)	0.4	(61.9)	(25.7)	(122.5)	(28.4)	(38.2)	169.8	93.0	34.8	15.8	18.4	35.7	29.5	—	—	—	249.0	(63.6)	19.0	57	(19.9)	5.7
Hindustan Media Ventures	182	BUY	13,348	298	73	2.5	9.6	11.3	NM	289.8	18.4	74.2	19.0	16.1	22.8	16.6	13.5	3.7	3.1	2.6	4.1	4.1	5.5	17.9	28.1	17.8	225	23.7	23.7
HT Media	145	NR	34,052	760	235	6.1	7.7	9.2	623.3	25.9	19.8	23.7	18.8	15.7	11.9	9.9	8.2	3.5	3.1	2.8	0.7	1.4	2.8	15.6	17.5	18.9	—	—	0.8
Jagran Prakashan	130	BUY	39,150	874	301	5.8	6.9	7.8	92.0	18.3	12.4	22.3	18.8	16.7	13.4	11.0	9.8	6.4	5.8	5.3	2.7	3.1	3.8	30.0	32.2	33.0	150	15.4	0.5
Sun TV Network	524	REDUCE	206,656	4,613	394	13.1	18.3	22.7	44.0	39.7	24.1	40.1	28.7	23.1	22.8	16.6	13.5	10.7	8.9	7.5	1.4	1.4	1.9	28.3	34.2	35.5	450	(14.2)	2.4
Zee Entertainment Enterprises	145	REDUCE	125,715	2,806	869	5.3	5.4	6.8	26.6	0.7	25.4	27.0	26.9	21.4	19.9	17.3	13.2	3.2	3.0	2.9	0.9	1.0	1.2	12.9	11.8	13.9	135	(6.6)	13.5
Media																													
Metals & Mining																													
Coal India	308	ADD	1,945,756	43,432	6,316	15.2	17.8	20.8	363.0	16.8	16.7	20.2	17.3	14.8	12.2	9.9	8.6	7.1	5.6	4.5	1.1	1.7	2.0	40.4	36.4	34.0	345	12.0	23.7
Hindalco Industries	245	ADD	468,260	10,452	1,914	20.0	15.0	16.9	25.0	(25.1)	12.7	12.3	16.4	14.5	6.7	8.8	9.0	2.2	1.9	1.7	0.6	0.6	0.6	20.4	12.5	12.6	255	4.2	41.3
Hindustan Zinc	1,339	BUY	565,960	12,633	423	95.6	95.4	116.4	48.2	(0.2)	22.0	14.0	14.0	11.5	9.6	8.6	5.9	3.0	2.5	2.1	0.4	0.4	0.4	25.1	20.2	20.4	1,430	6.8	3.8
Jindal Steel and Power	722	REDUCE	672,072	15,002	931	38.2	45.7	56.2	16.9	19.4	23.1	18.9	15.8	12.8	12.9	10.6	7.9	6.0	3.9	3.0	0.2	0.3	0.3	37.7	30.3	26.8	625	(13.4)	22.8
JSW Steel	1,177	REDUCE	292,155	6,521	248	80.4	73.6	108.0	481.1	(8.5)	46.8	14.6	16.0	10.9	10.8	9.2	6.3	2.7	1.6	1.3	0.6	0.8	0.8	16.0	12.6	13.0	1,115	(5.3)	29.4
National Aluminium Co.	382	SELL	246,030	5,492	644	12.2	10.1	19.1	(37.2)	39.6	12.2	31.4	22.5	20.0	14.5	10.3	8.9	2.4	2.2	2.1	0.7	1.3	1.3	7.8	10.2	10.6	285	(25.4)	0.7
Sesa Goa	325	REDUCE	288,842	6,447	890	29.6	55.5	53.8	23.5	87.7	(3.0)	11.0	5.9	6.0	9.0	3.7	5.7	3.6	2.3	1.7	1.1	1.1	1.1	35.8	36.5	30.7	300	(7.6)	33.4
Sterlite Industries	189	BUY	634,344	14,159	3,362	12.0	13.7	18.3	2.8	13.9	33.5	15.7	13.8	10.3	10.1	8.3	5.2	1.7	1.5	1.3	0.5	0.5	0.5	12.9	11.8	13.9	200	6.0	27.2
Tata Steel	673	BUY	643,339	14,360	956	(3.5)	66.3	74.5	(103.6)	(1,993.1)	12.4	(192.1)	10.1	9.0	12.1	6.5	6.0	2.8	2.0	1.7	1.1	1.1	—	(1.5)	23.2	20.5	725	7.8	103.1
Metals & Mining																													
Pharmaceutical																													
Apollo Hospitals	470	BUY	60,457	1,349	129	10.9	15.3	20.5	28.8	40.2	33.6	42.9	30.6	22.9	20.7	14.5	11.4	3.6	3.4	2.9	—	—	—	8.3	10.7	13.1	580	23.5	1.0
Biocon	417	ADD	83,440	1,863	200	14.8	17.0	24.4	216.4	14.7	43.6	28.1	24.5	17.1	16.3	13.9	10.8	4.7	4.1	3.4	—	—	—	17.9	18.1	22.2	470	12.7	11.7
Cipla	369	REDUCE	296,318	6,614	803	13.7	14.0	16.6	38.1	1.9	19.2	26.9	26.4	22.2	19.3	17.8	15.1	5.0	4.4	3.8	0.5	0.7	0.7	21.1	17.6	18.2	295	(20.1)	16.1
Cadila Healthcare	773	REDUCE	158,363	3,535	205	24.7	33.9	39.3	66.9	37.2	16.1	31.3	22.8	19.7	20.2	15.5	13.4	9.7	7.2	5.7	0.6	0.9	1.0	36.0	36.4	32.3	600	(22.4)	1.4
Dishman Pharma & chemicals	153	ADD	12,460	278	81	14.4	15.8	20.7	(19.7)	9.7	30.7	10.6	9.7	7.4	8.6	7.6	5.9	1.6	1.4	1.2	—	—	—	15.5	15.1	17.0	210	37.1	0.8
Divi's Laboratories	647	REDUCE	84,467	1,885	131	26.1	27.4	38.4	(18.2)	5.1	40.3	24.8	23.6	16.8	18.2	17.6	11.9	5.6	4.8	4.0	—	—	—	24.7	21.9	26.1	700	8.2	3.0
Dr Reddy's Laboratories	1,685	REDUCE	286,213	6,389	170	48.0	68.4	72.2	48.1	42.6	5.5	35.1	24.6	23.3	19.4	14.0	13.1	7.6	6.0	4.9	0.7	0.5	0.5	22.2	27.0	22.9	1,150	(31.8)	16.3
GlaxoSmithkline Pharmaceuticals (a)	2,325	REDUCE	196,926	4,396	85	59.1	70.2	79.6	8.1	18.7	13.5	39.3	33.1	29.2	22.9	19.4	16.7	11.0	9.4	8.0	—	—	—	29.8	30.7	29.7	2,000	(14.0)	1.3
Glenmark Pharmaceuticals	353	NR	96,724	2,159	274	12.7	19.2	20.3	14.7	50.6	5.6	27.7	18.4	17.4	17.1	11.2	10.7	4.1	3.4	2.9	—	—	—	16.7	19.9	17.6	—	—	7.6
Jubilant Life Sciences	279	BUY	44,320	989	159	26.5	17.5	25.2	49.0	(34.2)	44.1	10.5	16.0	11.1	8.2	11.2	8.3	2.0	2.0	1.7	0.7	0.7	0.9	26.3	13.7	17.1	350	25.4	1.9
Lupin	475	ADD	211,121	4,713	445	15.3	19.7	24.3	27.3	28.4	23.4	31.0	24.1	19.6	25.8	19.2	15.2	8.1	6.4	5.1	0.6	0.7	0.9	34.1	30.0	29.3	490	3.2	15.3
Piramal Healthcare	466	NR	97,400	2,174	209	22.4	4.1	8.8	29.7	(81.7)	113.0	20.8	113.4	53.2	15.2	(9.9)	(11.6)	5.8	0.7	0.6	1.2	1.3	0.8	30.7	159.4	11.4	—	—	7.8
Ranbaxy Laboratories	590	SELL	252,927	5,646	428	7.2	24.0	14.6	(128.9)	234.8	(39.4)	82.2	24.6	40.5	20.0	13.1	20.6	6.4	4.6	4.2	—	0.7	0.7	7.0	20.1	10.4	340	(42.4)	16.3
Sun Pharmaceuticals	482	BUY	499,625	11,152	1,036	13.0	18.0	19.6	(25.7)	38.2	8.8	37.0	26.8	24.6	29.6	20.0	16.5	5.9	4.9	4.1	0.6	0.6	0.6	17.2	20.7	19.0	482	(0.1)	8.7
Pharmaceuticals																													
Property																													
DLF	287	ADD	492,716	10,998	1,714	10.6	13.6	21.1	(60.1)	27.8	55.2	27.1	21.2	13.6	19.9	14.0	10.3	1.6	1.5	1.4	0.7	1.0	1.7	6.6	7.4	10.7	375	30.5	46.0
Housing Development & Infrastructure	189	ADD	78,249	1,747	415	15.9	21.6	28.7	(24.4)	35.5	32.9	11.8	8.7	6.6	8.8	8.4	4.8	1.1	0.9	0.7	1.4	2.7	2.8	10.0	11.1	12.7	310	64.4	32.1
Indiabulls Real Estate	132	RS	53,124	1,186	402	(0.4)	3.1	8.5	(134.9)	(865.5)	178.9	(331.6)	43.3	15.5	(52.2)	58.3	17.3	0.5	0.5	0.4	—	—	—	(0.2)	1.0	2.9	—	—	28.3
Mahindra Life Space Developer	387	ADD	15,801	353	41	19.2	20.1	32.1	69.7	4.9	59.7	20.2	19.3	12.1	18.3	13.9	6.4	1.6	1.5	1.4	0.9	1.0	1.0	8.6	8.4	12.3	546	41.0	0.4
Oberoi Realty	262	BUY	86,392	1,928	330	13.7	20.1	30.4	57.1	46.9	51.3	19.2	13.0	8.6	16.9	8.5	4.6	4.6	2.5	2.0	0.1	0.4	0.6	27.7	24.8	25.4	334	27.5	23.7
Phoenix Mills	217	BUY	31,453	702	145	4.1	6.6	7.7	(16.7)	59.4	16.5	52.5	32.9	28.3	43.8	24.6	20.6	2.0	2.0	1.9	0.6	0.7	0.9	3.9	6.1	6.7	303	39.5	0.5
Puravankara Projects	109	REDUCE	23,317	520	213	6.8	7.4	9.0	0.6	8.6	21.8	16.0	14.8	12.1	18.5	15.9	11.6	1.6	1.5	1.3	1.8	1.8	1.8	10.2	10.3	11.5	124	13.5	0.2
Sobha Developers	325	BUY	31,876	712	98	14.1	16.3	22.8	(7.1)	16.2	39.7	23.1	19.9	14.2	17.4	13.8	9.9	1.8	1.7	1.5	0.3	0.4	0.5	9.7	8.9	11.3	408	25.5	1.8
Unitech	65	SELL	172,776	3,857	2,666	3.0	3.8	5.1	(58.8)	25.0	34.0	21.4	17.1	12.8	22.2	16.1	10.3	1.7	1.4	1.3	0.5	—	2.3	9.0	8.7	10.6	74	14.2	45.0
Property																													
Cautious																													
985,703																													
22,002																													
(44.6)																													
39.0																													
49.9																													

Kotak Institutional Equities: Valuation summary of key Indian companies

Company	30-Dec-10		Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			Target price (Rs)	Upside (%)	ADVT-3mo (US\$ mn)	
	Price (Rs)	Rating	(Rs mn)	(US\$ mn)		2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E				
Sugar																														
Bajaj Hindustan	122	SELL	23,432	523	191	(7.8)	4.9	12.7	(340.2)	(162.7)	160.5	(15.8)	25.2	9.7	13.9	7.6	5.8	1.1	1.1	0.9	0.6	0.6	0.6	(7.0)	4.4	10.4	98	(20.0)	4.3	
Balrampur Chini Mills	90	ADD	23,044	514	257	4.3	9.9	10.7	(44.3)	131.9	8.3	21.1	9.1	8.4	10.3	5.8	4.5	1.7	1.5	1.3	0.5	0.5	0.5	8.0	17.1	16.3	102	13.6	3.9	
Shree Renuka Sugars	100	REDUCE	66,645	1,488	670	8.8	5.1	5.8	164.2	(42.4)	15.1	11.3	19.6	17.0	6.8	9.1	8.1	2.6	2.2	1.8	0.4	0.4	0.4	29.1	13.0	13.1	90	(9.5)	23.2	
		Cautious	113,121	2,525					14.7	24.5	32.3	20.5	16.5	12.5	9.1	7.7	6.4	1.9	1.7	1.4	0.5	0.4	0.4	9.2	10.0	11.5				
Technology																														
HCL Technologies	459	REDUCE	317,021	7,076	690	17.5	23.1	28.7	0.2	32.0	24.1	26.2	19.9	16.0	12.8	11.8	9.5	4.5	4.0	3.4	0.9	1.3	1.3	19.3	21.5	23.1	440	(4.2)	8.2	
Hexaware Technologies	117	BUY	16,800	375	144	9.3	5.1	10.4	127.7	(45.6)	104.3	12.5	23.0	11.3	6.9	15.5	7.8	2.0	1.8	1.6	0.9	0.9	0.9	17.8	8.2	15.0	125	6.9	4.5	
Infosys Technologies	3,447	BUY	1,978,549	44,164	574	108.3	122.4	160.9	5.7	13.0	31.4	31.8	28.2	21.4	23.6	19.6	15.0	8.6	7.6	6.2	0.7	1.8	1.4	30.1	28.7	31.9	3,800	10.2	72.6	
Mphasis BFL	673	SELL	141,816	3,166	211	43.6	51.8	48.9	207.6	18.8	(5.5)	15.4	13.0	13.8	12.4	11.1	9.7	6.0	4.3	3.4	0.5	0.6	0.7	48.1	38.6	27.4	610	(9.4)	6.1	
Mindtree	533	REDUCE	21,948	490	41	52.2	27.6	40.6	294.3	(47.2)	47.4	10.2	19.4	13.1	8.8	10.6	7.1	3.3	3.0	2.5	0.4	0.2	0.8	35.2	16.2	20.8	500	(6.2)	0.6	
Patni Computer Systems	473	REDUCE	63,011	1,406	133	36.6	40.9	36.7	36.4	11.8	(10.2)	12.9	11.6	12.9	6.5	7.3	6.2	1.7	2.2	1.9	0.6	14.0	1.6	18.2	17.4	15.9	435	(8.0)	6.1	
Polaris Software Lab	175	SELL	17,462	390	100	15.4	19.5	21.2	16.9	27.1	8.5	11.4	9.0	8.3	5.6	7.0	5.5	2.0	1.7	1.5	2.0	2.1	2.2	18.6	20.5	19.1	190	8.5	2.8	
Satyam Computer Services	66	REDUCE	77,616	1,733	1,176	2.5	2.7	4.1	(190.7)	7.2	55.0	26.6	24.8	16.0	12.3	12.4	7.7	4.1	4.2	3.9	—	—	—	—	58.5	16.9	25.4	70	6.1	22.1
TCS	1,170	BUY	2,290,315	51,123	1,957	35.1	43.4	53.2	32.8	23.6	22.5	33.3	27.0	22.0	25.5	19.8	15.6	10.9	9.0	7.4	1.7	1.5	1.8	37.6	36.6	36.9	1,250	6.8	39.0	
Tech Mahindra	700	REDUCE	86,742	1,936	124	65.1	63.1	69.3	(9.6)	(3.2)	9.8	10.7	11.1	10.1	8.7	9.2	8.3	3.0	2.5	2.1	0.5	0.3	0.3	34.5	25.8	23.5	735	5.0	4.1	
Wipro	490	ADD	1,198,744	26,758	2,447	18.9	21.6	25.7	22.1	14.7	18.7	26.0	22.7	19.1	19.7	16.5	13.3	6.1	5.0	4.1	0.7	0.9	1.1	26.5	24.3	23.8	525	7.2	17.8	
		Attractive	6,210,025	138,617					24.0	16.6	22.5	28.2	24.2	19.8	20.5	17.3	13.7	7.4	6.4	5.3	1.1	1.5	1.4	26.3	26.3	26.6				
Telecom																														
Bharti Airtel	357	REDUCE	1,357,452	30,300	3,798	23.6	17.3	20.4	5.8	(26.9)	17.9	15.1	20.7	17.5	8.6	9.6	7.6	3.2	2.8	2.4	—	—	—	24.4	14.4	14.7	305	(14.7)	43.9	
IDEA	68	REDUCE	224,551	5,012	3,300	2.7	1.6	0.9	(5.8)	(42.7)	(44.9)	24.9	43.4	78.8	8.5	10.1	8.5	2.0	1.9	1.8	—	—	—	7.2	4.5	2.6	55	(19.2)	7.9	
MTNL	53	SELL	33,579	750	630	(15.6)	(10.4)	(9.1)	(750.8)	(33.7)	(11.9)	(3.4)	(5.1)	(5.8)	0.3	0.4	0.6	0.3	0.3	0.3	—	—	—	(8.5)	(6.1)	(5.7)	50	(6.2)	2.6	
Reliance Communications	138	SELL	295,247	6,590	2,133	21.8	7.0	9.2	(23.0)	(67.7)	30.8	6.3	19.6	15.0	7.6	9.2	7.7	0.7	0.7	0.6	0.6	—	—	—	11.0	3.4	4.3	125	(9.7)	22.1
Tata Communications	254	REDUCE	72,376	1,616	285	14.0	15.2	15.7	3.2	8.2	3.5	18.1	16.8	16.2	7.4	6.9	6.5	1.0	1.0	1.0	2.6	3.0	3.3	5.2	5.5	5.5	225	(11.4)	1.5	
		Cautious	1,983,206	44,268					(12.7)	(40.0)	18.0	14.1	23.4	19.8	8.5	9.7	7.8	1.7	1.6	1.5	0.2	0.1	0.1	12.3	6.9	7.5				
Utilities																														
Adani Power	131	ADD	285,035	6,362	2,180	0.8	3.5	19.0	NM	351.8	436.1	166.9	36.9	6.9	137.5	29.2	6.3	4.9	4.4	2.7	—	—	—	4.2	12.5	48.0	143	9.4	3.8	
CESC	362	BUY	45,164	1,008	125	34.6	36.6	42.7	8.5	5.8	16.8	10.5	9.9	8.5	6.2	5.6	6.3	1.1	1.0	0.9	1.2	1.3	1.5	10.8	10.2	10.8	480	32.8	1.8	
Lanco Infratech	63	BUY	150,673	3,363	2,405	2.1	3.6	4.9	46.6	67.4	36.8	29.4	17.6	12.8	16.0	10.3	7.7	4.5	3.6	2.8	—	—	—	17.4	21.0	22.5	80	27.7	6.8	
NHPC	28	SELL	344,421	7,688	12,301	1.9	1.3	1.6	74.9	(28.2)	21.4	15.1	21.1	17.3	10.0	10.8	8.2	1.4	1.3	1.2	2.0	1.2	1.5	9.7	6.4	7.4	28	-	5.7	
NTPC	202	ADD	1,667,645	37,224	8,245	10.5	10.4	12.0	6.8	(0.4)	14.7	19.3	19.4	16.9	14.7	14.9	13.2	2.6	2.4	2.2	1.9	1.8	2.0	14.1	13.0	13.7	195	(3.6)	15.2	
Reliance Infrastructure	810	BUY	198,471	4,430	245	62.0	54.8	69.8	(1.0)	(11.7)	27.4	13.1	14.8	11.6	12.9	10.7	8.1	1.0	0.9	0.9	0.9	1.1	1.3	6.5	7.2	9.1	1,060	30.8	20.2	
Reliance Power	154	SELL	370,179	8,263	2,397	2.9	3.9	5.3	179.7	36.6	34.9	54.1	39.6	29.4	(364.6)	249.7	35.7	2.6	2.4	2.2	—	—	—	—	4.8	6.3	7.9	135	(12.6)	15.8
Tata Power	1,365	ADD	336,991	7,522	247	60.2	69.2	88.5	20.1	15.0	27.8	22.7	19.7	15.4	14.1	12.7	10.9	2.6	2.3	2.1	0.9	1.0	1.1	12.9	12.5	14.3	1,420	4.0	8.7	
		Cautious	3,398,579	75,861					22.0	4.3	40.1	21.8	20.9	14.9	16.3	16.0	11.3	2.3	2.1	1.9	1.3	1.2	1.4	10.4	10.0	12.7				
Others																														
Havells India	392	ADD	48,955	1,093	125	6.1	23.2	28.9	141.3	278.2	24.5	63.9	16.9	13.6	17.8	11.2	9.0	11.5	7.1	4.8	0.5	0.6	0.7	14.3	52.1	42.4	425	8.3	3.3	
Jaiprakash Associates	103	BUY	227,856	5,086	2,214	1.7	4.4	6.2	(12.7)	153.2	41.1	58.8	23.2	16.5	23.5	15.1	10.9	2.7	2.4	2.1	—	—	—	5.1	10.8	13.5	155	50.6	31.5	
Jet Airways	733	BUY	63,306	1,413	86	(69.8)	44.7	93.9	(71.7)	(164.1)	110.0	(10.5)	16.4	7.8	13.9	8.0	6.2	3.7	3.0	2.2	—	—	—	—	20.1	32.2	1,220	66.4	23.7	
Sintex	181	REDUCE	49,164	1,097	272	12.1	14.7	16.9	(49.6)	21.6	14.9	14.9	12.3	10.7	12.7	8.2	7.1	2.3	1.9	1.6	0.7	0.7	0.8	15.3	15.7	15.4	210	16.2	8.5	
SpiceJet	78	BUY	31,494	703	403	2.5	6.0	9.2	(117.4)	136.6	53.5	30.8	13.0	8.5	36.1	7.4	5.0	(9.2)	6.9	3.8	—	—	—	(15.9)	424.8	57.9	120	53.6	23.7	
Tata Chemicals	389	REDUCE	94,712	2,114	243	26.4	27.6	35.6	(27.1)	4.5	29.0	14.7	14.1	10.9	7.3	6.4	4.9	2.0	1.8	1.5	2.3	2.4	2.4	16.0	17.3	19.4	370	(5.0)	6.9	
United Phosphorus	172	BUY	79,594	1,777	462	11.9	12.9	17.6	18.1	8.4	36.6	14.5	13.4	9.8	7.9	7.2	5.6	2.7	2.3	1.9	1.1	1.1	1.1	19.1	18.3	20.8	220	27.8	10.0	
			595,081	13,283					(539.8)	146.8	42.1	41.2	16.7	11.7	14.6	10.4	8.1	2.9	2.4	2.1	0.6	0.6	0.7	7.2	14.7	17.5				

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2010

Ratings and other definitions/identifiers

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ADD. We expect this stock to outperform the BSE Sensex by 0-10% over the next 12 months.

REDUCE. We expect this stock to underperform the BSE Sensex by 0-10% over the next 12 months.

SELL. We expect this stock to underperform the BSE Sensex by more than 10% over the next 12 months.

Our target price are also on 12-month horizon basis.

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