

2011

HAPPY NEW YEAR

Sample Report

WE HAVE COME FIRST TWICE



Sample Report

The Best Broker in India

by FinanceAsia for 2009 & 2010





About the cover

Let's gather around and celebrate the dawn of sparkling New Year. May it bring gifts of joy, good health and prosperity. Best wishes for a Happy New Year.

In this issue

Monthly Fundamental Outlook Indian markets started on a negative note in the beginning of December with negative news related to 2G scam, bribery allegations and corporate governance issues.	1	Latest Fundamental Stock Recommendation	8
Monthly Derivative Outlook Nifty retested 5700 in the month of Dec; strong support led a sharp recovery pushing the index back to 6000.	4	One Month Portfolio	10
Monthly Technical Outlook Nifty was in range bound mode after the correction it had from the higher levels of 6300. It was volatile month with market consecutively testing supports and resistance.	5	Monthly Fundamental Recommendations	14
Forex Insight Research & Analysis With the year nearing its end, last month INR gave a blend of ups and downs gratifying both the importers and exporters.	7	Company Fixed Deposits	32
		Forthcoming IPOs	33

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Indian markets started on a negative note in the beginning of December with negative news related to 2G scam, bribery allegations and corporate governance issues. Markets however moved up by nearly 9% from the lows seen in December on positive news of inflation moderation, better than expected IIP growth and RBI announcements to ease liquidity.

Data from US showed an improvement in jobless claims as well as retail sales and housing data remained mixed. Along with this, Fed Reserve also kept the interest rates unchanged and US government also extended the Bush era tax cuts. All these factors coupled with increased momentum seen in recovery supported the indices. In China, bank's reserve requirements were increased for third

time in a month and central bank also hiked the interest rates for the second time in just over two months to manage inflation. While in Europe, markets managed to shrug off bad news related to rating downgrades and continued to move in past one month.

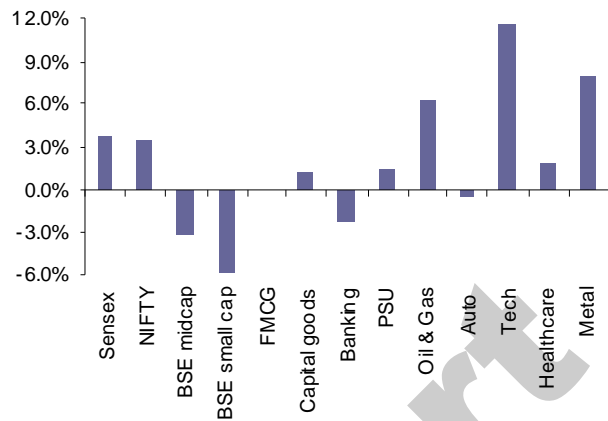
In India, moderation in inflation to 7.48% and better than expected IIP numbers at 10.8% for the month of October boosted the indices. Though RBI in its mid quarter policy meeting, kept the key interest rates unchanged but with higher crude prices, hike

in petrol prices and expected increase in diesel prices coupled with jumping food inflation, inflation will continue to remain a worry for policy makers.

On global markets front, downgrade in debt rating of Spain or further hike in interest rates from China or lack of further signs of improvement in US may impact domestic markets also. While on domestic front, inflation, diesel price hikes, disinvestment and quarterly performance of companies during Q3FY11 are likely to be key drivers going forward. While we believe that markets may be fairly valued on FY11 numbers but there is an upside based on FY12 numbers. Investors entering at current levels must be prepared for a longer time horizon for making gains. In near term, though there may be some downsides from the current levels due to unforeseen events, but correction should be used to buy fundamentally sound large and mid cap stocks. We remain bullish on sectors such as Banking, Capital goods, Construction, IT, Media, Metals etc Risk to our moderately bullish call comes from any disruptive event in global economy or lower than expected quarterly performance.

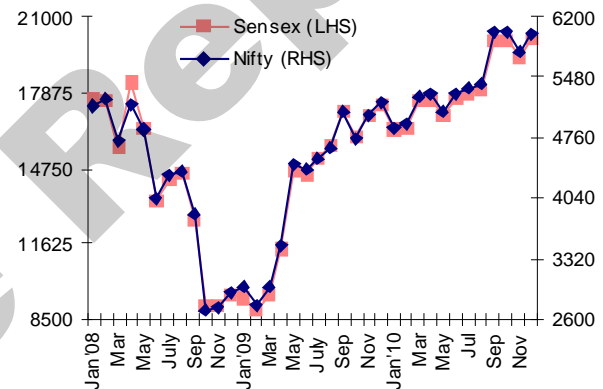
In our previous note, we had mentioned that valuations had come down to reasonable levels and had recommended investors to buy/accumulate fundamentally sound stocks. At current levels now, we believe that markets may be fairly valued on FY11 numbers but there is an upside based on FY12 numbers. Investors entering at current levels must be prepared for a longer time horizon for making gains. In near term, though there may be some downsides from the current levels due to unforeseen events, but correction should be used to buy fundamentally sound large and mid cap stocks. Risk to our moderately bullish call comes from any disruptive event in global economy or lower than expected quarterly performance.

Market performance - sector wise (December 2010)



Source: Bloomberg

Benchmark indices - India



Source: Bloomberg

Global markets

US markets have recovered gradually in past one month due to improving economic indicators coupled with efforts of Fed Reserve to stimulate the economy. Initial jobless claims have registered a decline for three weeks in a row in December, new home sales data for November also indicated improvement, though prices continued to decline and improvement was also witnessed in retail sales which were better than expected. Thus markets were supported by increasing signs that recovery is gaining momentum. Along with this, Fed Reserve also kept the interest rates near 0% and President Obama also extended Bush era tax cuts.

European markets moved up despite worries coming in from euro zone debt crisis. Earlier this month, Moody had cut Ireland's rating by five notches while S&P said it may cut Belgium's debt rating next year. Fitch ratings downgraded Portugal on burgeoning debt levels and a tough financing environment. But markets managed to shrug off these bad news related to rating downgrades and continued to move up in past one month.

Chinese markets have remained mixed during the month with greater prominence being given to manage inflation. China raised bank's required reserves for the third time in a month and in all six times in year 2010 and targeted banks that had been heavy lenders. China's central bank also raised interest rates for the second time in just over two months to keep inflation in check. One year lending rates moved up to 5.81% while one year deposit rate moved to 2.75%. We expect further rate hikes in China with inflation being the top priority for government in 2011.

Indian markets

Domestic markets started on a negative note on news of bribery and 2G scam that broke out during last week of November. But markets recovered from the lows seen in beginning of December on positive news of better than expected IIP figures, moderation in inflation and RBI's stance on maintaining the key rates.

Government has successfully completed fund raising through MOIL and has raised more than half of the targeted amount from SJVNL, EIL, Coal India and MOIL out of the planned Rs 400 bn fund raising from disinvestment in public sector companies in current financial year till date. It has also lined up issues of ONGC, SAIL and Hindustan Copper. It plans to raise nearly Rs 110 bn by selling 5% stake in ONGC while follow on public offer of IOC may get impacted by lower subsidy burden sharing by the government. Due to delays seen in freeing up diesel, cooking gas and kerosene prices, oil companies continue to make losses. During December, metal and IT index recovered by 7.9% and 11.7% respectively while capital goods segment continued to underperform due to lack of significant order inflows. Oil and Gas index was up by 6.2% while small-cap and mid-cap indices continued to underperform due to issues related to corporate governance in few companies.

Going forward, markets are likely to be governed by quarterly numbers, interest rate movements, inflation, thrust on infrastructure spending as well as global factors emerging from Europe, US and China.

IIP for Oct, 2010 surged to 10.8% - ahead of street expectations

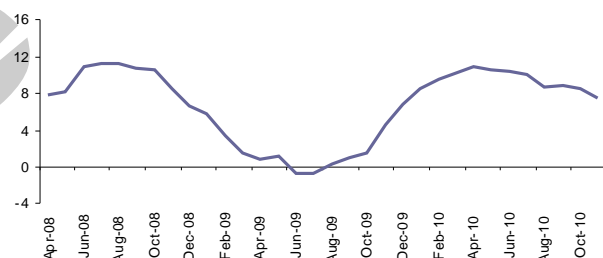
IIP figures for the month of October surged to 10.8%, ahead of street expectations. This was led by festive demand implying an inventory build up in anticipation of a strong demand. Growth was witnessed across all three segments - Mining (6.5%), manufacturing (11.3%) and electricity (8.8%). But for September, 2010 IIP figures have been revised downward to 4.4%. Cumulatively during Apr-Oct 10, IIP growth stood at 10.3% against 6.9% in the same period last year. We expect IIP growth to moderate to mid-single digits going forward. However, we continue to expect IIP to grow by nearly 9% in FY11, supporting 8.5% GDP growth expectation.

Inflation moderates marginally

WPI inflation has come down to 11 month low of 7.48% for November, 2010 as against 8.58% in October, 2010. This was due to deceleration seen in food inflation as well as high base effect. On a month on month basis, primary article inflation stood at 13% (vs 16.7% in Oct), manufacturing products inflation stood at 4.56% (vs 4.75% in Oct) and fuel group inflation stood at 10.32% (vs 11.02% in Oct). India's food price index rose 14.4% for week ended Dec 18 as against 12.13 % the previous week while the fuel price index climbed 11.63% for week ended Dec, 18 as against 10.74% for the week ended Dec, 11. This was led by sharp increase seen in onions, garlic, turmeric and fruits and vegetables.

Though WPI inflation has been witnessing moderation but it would continue to remain a worry for policy makers due to higher crude prices in 2011, hike in petrol prices post de-regulation, expected increase in diesel prices going forward and high food inflation. Oil prices have moved up to nearly \$91 per barrel due to ultra cold weather stoking up demand and depleting US inventories. This would have a cascading effect on manufactured and non-food product prices.

Inflation (%)



Source: Bloomberg

Mid Quarter Monetary policy Review - key rates unchanged

In its mid-quarter monetary policy review, RBI left CRR, repo and reverse repo rates unchanged while reduced SLR by 1% to 24%. It also announced to conduct open market operation (OMO) auctions for purchase of government securities for an aggregate amount of Rs.480 bn in the next one month (Rs.120 bn every week). These measures are expected to ease liquidity into the system which remained beyond the comfort level of RBI due to advance tax payments of Rs 550 bn, significantly above-trend currency expansion and relatively sluggish growth in bank deposits. We believe that RBI is walking the tightrope in managing liquidity position and containing inflationary expectations. Inflationary concerns continue to remain due to increase in global commodity prices, higher crude prices and correspondingly higher petrol and diesel prices. Though in the current policy stance, RBI has left key rates

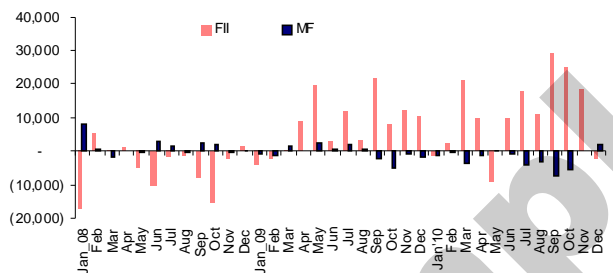
unchanged but it has clearly indicated that its liquidity easing measures should not be construed as a change in the monetary policy stance since inflation continues to remain a major concern.

We thus believe that RBI's forecast of average inflation of 6% by end of FY11 may be at risk due to higher commodity prices and sticky food inflation. Going forward, we expect RBI to continue with its monetary tightening stance which would be dependent upon inflation, liquidity and growth dynamics going forward.

FII fund flows

Foreign funds turned net sellers in the month of Dec (till 27th Dec 2010) with net outflows in the cash market stood at Rs.25 bn while mutual funds have turned net buyers and net inflows stood at Rs.17.7 bn. Foreign fund flows in December have also been impacted by Christmas and New year holidays. The recent corporate governance issues in some companies have also marred India's reputation among foreign investors. We believe that in the event of consistent selling from FII's, significant domestic inflows might be needed to support the markets near current levels.

FII & Mutual Fund investment (Rs Cr)



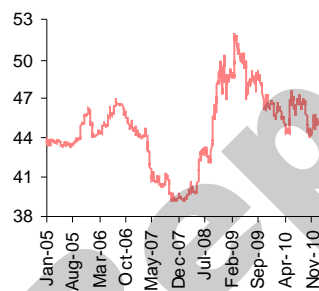
Source: Bloomberg

Recommendation

Markets had been fairly volatile in past one month mainly led by negative news such as corporate governance, corruption and FII selling as well as positive news coming in from inflation moderation, better than expected IIP growth and RBI announcements to ease liquidity. Indices have already moved up by nearly 9% from the lows made in beginning of Dec, 2010. In our previous note, we had mentioned that valuations had come down to reasonable levels and had recommended investors to buy/accumulate fundamentally sound stocks. On global markets front, downgrade in debt rating of Spain or further hike in interest rates from China or lack of further signs of improvement in US may impact domestic markets also. While on domestic front, inflation, diesel price hikes, disinvestment and quarterly performance of companies during Q3FY11 are likely to be key drivers going forward. While we believe that markets may be fairly valued on FY11

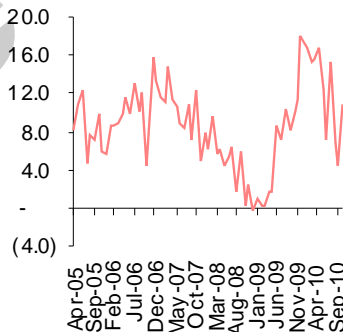
numbers but there is an upside based on FY12 numbers. Investors entering at current levels must be prepared for a longer time horizon for making gains. In near term, though there may be some downsides from the current levels due to unforeseen events, but correction should be used to buy fundamentally sound large and mid cap stocks. We remain bullish on sectors such as Banking, Capital goods, Construction, IT, Media, Metals etc Risk to our moderately bullish call comes from any disruptive event in global economy or lower than expected quarterly performance.

Rupee /US\$



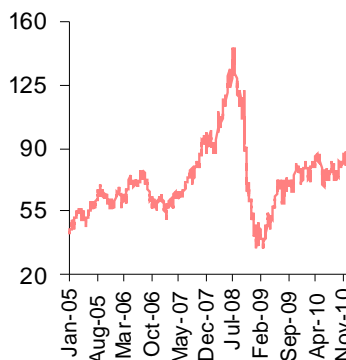
Source: Bloomberg

IIP growth (%)



Source: Bloomberg Note: IIP growth since April 2009 has been recomputed using new series of WPI

Crude (US\$/b)



Source: Bloomberg

Looking Back

Nifty retested 5700 in the month of Dec; strong support led a sharp recovery pushing the index back to 6000. Volatility remained high on the domestic front while international markets broadly consolidated. Opening of the Dec series was at 5850 levels while it managed to close at 6100; highest expiry level for the index.

Looking ahead

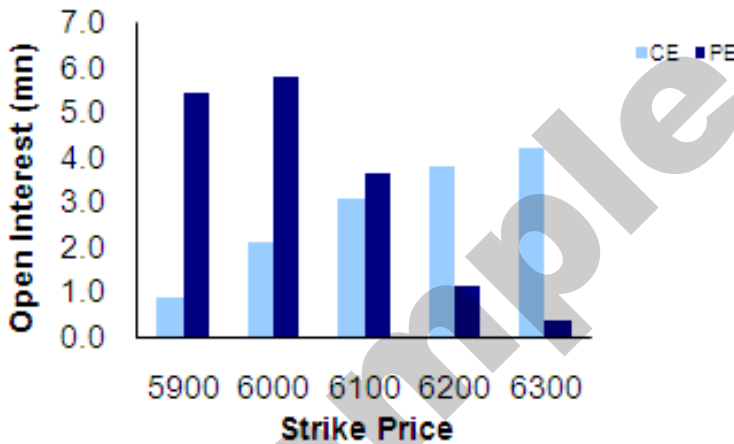
We remain positive on the index above 6000. From trading perspective support is seen at 6130-6150. There remains a high possibility of the index testing a new high in the month of January itself. Market volatility remains low; the same could continue with the index crawling towards all time high levels. Sector wise expect IT, Metals and Banking to provide leadership. Frontline IT stocks have performed well and now we expect Mid-cap IT to catch-up. Metal majors Tata steel and JSW expected to do well. From the banking space we remain positive on SBIN and Axis Bank.

Stock Specifics

Stock	View
Reliance Capital	Strong above 650 for 750/850 on higher side
IDFC	Expected to test 220; support at 170
WelCorp	Positional buy above 150 for 210/250
Educomp	Strong above 500; expect 650 and higher
Cipla	Accumulate on dips for 450; strong above 300
DLF	Buy at 295 with SL of 285 and Tgt 330/350
Tata Steel	Buy around 700; SL of 660 and Tgt 800/840

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Nifty Options Concentration



Buildup is seen in 5900 and 6000 put options. Put options have seen more interest as compared to calls indicating caution perceived by broader market participants. Options open interest buildup is seen at 5900 put and 6300 call giving us an indicative range of 5850-6350 for the current month.

Monthly Snapshot		
Monthly High	:	6147.30
Monthly Low	:	5721.15
Monthly Close	:	6134.50
Change	:	2.2%
Trading Range	:	348 points

Trend Watch

Short Term Trend	:	Up
Medium Term Trend	:	Up
Long Term Trend	:	Up

Levels to Watch

Support	:	6000, 5900, 5730
Resistance	:	6190, 6250, 6360

Trading Range Expected:

Lower End	:	6000
Higher End	:	6400

Recommendations

We have invested 30% each at 5950 and 5750 levels, recommend to book profits at 6190 level for 50% long positions.

Option Traders (positional) can accumulate calls around 6000/6025 levels with stops being placed at 5900 on closing basis. On the higher side one can accumulate put options around 6200/6170 levels with a stop loss above 6250 on a closing basis.

Month gone by

Nifty was in range bound mode after the correction it had from the higher levels of 6300. It was volatile month with market consecutively testing supports and resistance.

Technical Outlook

Market has been able to hold the 5750 support levels quite comfortably. Nifty had seen pullback to the level of 6070. Pull back has been muted one, index taking longer time for the recovery. Volatility index has bottom out at 18 level, last couple of times whenever the VIX was below sub 18 level Nifty has witnessed correction. Market remained in very narrow range, making the weekly range very narrowest. On weekly basis, past weeks of trading range has been within the bearish weekly candle. Bullishness can continue for immediate hurdle at 6190. Conquering the level of 6190 will bring in further momentum and bullishness to the index. If the market able to close above the level of 6190 for two consecutive two closings then it can move upward for the level of 6300 and 6357 on higher side. Closing below the level of 5930 will bring in short term weakness and can drag index to level of 5720 with a minor support at 5800. Short term weakness is not ruled as the market is over retraced in the short term from 5720. That may pull the market to 6000/6050 levels. INR has been trading in the band of 44-47. Fresh inflows from FII can be expected at 46.50/47 level. US markets are seems to be topping out. Level of 11700 should witness profit booking in the US markets. Gold is expected to witness weakness below the closing level of \$1370.

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Sectors:

It seems that all sectors are in pull back mode but in that space IT, Metals, FMCG and Pharmaceutical did much better than core sectors like Auto, Banks and Infrastructure. In the current month Mid Cap IT, Fertilizers and Metal may again shine.

We have mentioned few stocks in which one can look for positional bets with a medium term view around specific levels.

(Aviation)	Spicejet around 80
(Fertilizers)	Buy Chambal Fertilizers at 92/91 stoploss below 84 Target 110
(Metals and Mining)	Buy Tata Steel between 680/665 with a stoploss at 650 TGT 725/745 and Buy Hindalco at 237/232 with a stop loss at 232 TGT 265
(OIL & GAS)Buy	Reliance Inds at 1035/1030 stop loss below 1009 target 1095/1125,
(Pharmaceuticals)	Buy Auropharma 1330 stop loss below 1280 Target 1445/1500 and FDC 105/108. Stop loss below 100 Target: 132
(Technology)	Buy MPhasis BFL 670/660 stoploss below 640. TGT 720/740, Buy HCL Tech 445/435 Target 480/500 stop loss below 420.00

Sample Report

With the year nearing its end, last month INR gave a blend of ups and downs gratifying both the importers and exporters. The month started with a failed endeavor pushing the INR spot to 11 weeks low of 46.11 levels as Euro maintained a low profile despite the 85 bln euros bailout package given to Ireland. However, INR spot swiftly come over its darkness and marched one sided towards a stronger side supported by a dollar weakness amid bad US Non-farm payrolls data. Also concerns over a possible downgrade in US credit rating by Moody's as the extension in tax cuts would soar US budget deficits supplemented the dollars fall and evoked hopes on INR spot's recovery. The ongoing flows apparent in the local equity on account of fresh issues in public units and a better than expected IIP and GDP figures also helped INR in maintaining its rally before getting supported strongly at 44.63 levels. Sooner the glumness spreading all over the euro zone on account of a possible downgrade of Spain's rating coupled with fears of FII outflows on terms of over subscription in MOIL ignited heavy dollar demand from importers. After reattempting its test to 45.66 levels, INR spot gradually moved southwards helped by robust dollar inflows via ECB proceeds for telecom companies amid dollar selling by exporters cashing on the attractive premiums.

Key indicators that weighed on INR during the last month was:

- ? RBI leaves CRR, Repo and Reverse Repo rates unchanged while cuts SLR by 1% to 24% w.e.f Dec 18, 2010 as steps to address persistently tight liquidity.
- ? India's scorching growth continues in Q2 keeping the robust outlook on hold as the GDP y/y stood at 8.90% as against 8.80%.
- ? India's November WPI Inflation softened to 7.48% against prior 8.58%
- ? India's October Industrial output numbers surprised markets by soaring to 10.80% as against 4.40% while manufacturing output stood at 11.30% against 4.50%.
- ? China's central bank raised its Reserve requirement ratio for the sixth time this year by 50 bps w.e.f Dec 20, 2010 as an effort to manage liquidity using higher interest rates.
- ? Bank of England leaves its key interest rate unchanged at 0.50% and maintains its QE purchases at 200 billion sterling.
- ? European Central Bank also kept its key interest rate unchanged at 1.00%
- ? Moody's Investor service downgraded Ireland's debt rating by five notches from Aa2 to Baa1 adding to investor jitters about the state of Europe's heavily indebted economies.

agency witnessed in the major developed economies, the confidence in the emerging economy is boosted which is also likely to keep the investors attracted to the emerging markets. It has been observed that the US data had been a concoction of good and bad in the last month wherein the employment data had come over drastically poor and emulating the same, if the pessimism continues in the coming month jolt of dollar weakness could be witnessed. The central bank had taken a pause on the rate hike in its mid policy review on December 16 and left the policy rates unchanged. The pace of fall in food prices is not exactly in line with the expectations of the RBI, signaling an increased likelihood of a rate hike in the next monetary policy which is due in January 2011. Initially, INR is likely to trade on a stronger side targeting 44.80 levels and a convincing break of same may help it to move towards 44.35 levels where it could get strongly supported. However, there are certain fundamentals which may endanger INR's triumph. Euro remains under much pressure as worries on the debt crisis continues to make a new record low. After warning on Spain and downgrade of Ireland by Moody's, markets are now turning their focus to France and Belgium and speculate rating warning. Sluggishness in euro seems to continue the coming month as it has been holding on to the \$1.3050 levels, a convincing break of the same may take euro below \$1.3000 levels which would prompt INR to depreciate further. Crude which has been strongly holding above \$90 per barrel may also stimulate excess dollar demand from oil importers who need to meet their soaring import bills. At the backdrop, persisting tensions in the Korean peninsula have still not been deciphered and the brunt of the same could be witnessed the coming month. With all the factors culminating above INR is expected to trade within a well established range of 44.35 to 45.40 levels in the month of January.

Welcoming the New Year, INR is expected to maintain its charm in the midst of FII flows expected in the coming month. As seen in recent past, it is likely that the trend of upcoming flows in public units will continue to get a positive response adding on to INR's glory. With the predicament roving around the global frontier in terms of possible downgrade practice embarked on by various credit rating

Technical Analysis:



USD/INR has given a bearish close on the daily and weekly chart and is moving within the downward sloping trend channel as displayed on the monthly chart. Hence, USD/INR pair is likely to move lower to 44.70 levels (lower trendline). A convincing break of the same could push INR spot towards 44.35 (technical gap***) and 43.98 levels (low seen on 15/10/10). Further, only a convincing break and close below 44.00 levels will turn the tide for INR appreciation to 43.20 levels. On the upside, it faces resistance at 45.66 and 45.80 levels (upper trendline). Next key resistance lies at 46.10 levels. Technical indicators are signaling the same bearish momentum with MACD likely to give a bearish crossover.

Name of the Company	Mkt Cap (Rs mn)	Latest Report Date	Price as On latest Report (Rs)	Latest price target* (Rs)	Latest Reco	Price as on 3-Jan (Rs)	Upside (Down side) (%)	EPS (Rs) FY11E	EPS (Rs) FY12E	PE (x) FY11E	PE (x) FY12E	RoE (%) FY11E	RoE (%) FY12E	P/ABV(x) FY11E	P/ABV(x) FY12E
Banking															
Allahabad Bank	102,786	14-Dec-10	216	260	BUY	230	13.0	31.2	38.7	7.4	5.9	21.9	23.2	1.4	1.2
Andhra Bank	72,750	1-Nov-10	178	200	BUY	150	33.3	25.1	32.0	6.0	4.7	25.5	27.4	1.5	1.2
Axis Bank (UTI Bank)	554,172	18-Nov-10	1,462	1825	BUY	1,368	33.4	77.7	100.7	17.6	13.6	18.2	20.5	3.0	2.6
Bank of Baroda	326,160	29-Oct-10	1,011	1155	BUY	892	29.4	103.1	131.5	8.7	6.8	22.4	23.0	2.0	1.5
HDFC Bank	1,025,046	20-Oct-10	2,365	2400	ACCUM	2,391	0.4	83.0	111.9	28.8	21.4	16.8	19.8	4.6	4.0
ICICI Bank	1,276,393	1-Nov-10	1,163	1345	BUY	1,145	17.5	40.8	50.7	28.1	22.6	8.7	10.2	2.5	2.3
Indian Bank	106,454	27-Dec-10	256	308	BUY	248	24.3	32.4	41.3	7.6	6.0	19.6	21.3	1.5	1.2
Indian Overseas Bank	80,222	1-Nov-10	160	140	REDUCE	147	(4.9)	15.1	20.3	9.8	7.3	12.4	14.8	1.6	1.4
Jammu & Kashmir Bank	39,441	27-Oct-10	850	1100	BUY	813	35.2	118.5	139.8	6.9	5.8	17.8	18.2	1.2	1.0
Punjab National Bank	385,536	6-Dec-10	1,274	1450	BUY	1,223	18.6	142.5	170.4	8.6	7.2	24.9	24.3	2.1	1.7
State Bank of India	1,791,695	3-Dec-10	3,098	3675	BUY	2,822	30.2	160.7	206.3	17.6	13.7	14.6	16.6	2.9	2.5
Union Bank of India	172,498	28-Oct-10	393	400	ACCUM	342	17.1	37.4	46.2	9.1	7.4	19.7	20.6	1.9	1.5
NBFCs / Brokerage Industry															
HDFC Ltd	1,040,962	30-Dec-10	717	720	ACCUM	728	(1.1)	23.7	28.3	30.7	25.7	20.9	22.2	6.1	5.4
IDFC	236,184	21-Dec-10	175	210	BUY	182	15.3	9.0	11.2	20.2	16.3	14.6	13.8	2.4	2.1
LIC Housing Finance	93,266	1-Dec-10	200	240	BUY	196	22.2	20.2	21.7	9.7	9.0	25.6	23.0	2.3	2.0
Mahindra & Mahindra Financial Services	71,957	26-Oct-10	703	740	ACCUM	752	(1.6)	42.8	58.8	17.6	12.8	21.8	23.5	3.7	3.0
Power Finance Corporation	352,423	11-Nov-10	368	375	ACCUM	307	22.1	26.0	32.3	11.8	9.5	19.5	21.3	2.3	2.0
Shriram Transport Finance Co	175,414	29-Oct-10	843	885	ACCUM	783	13.0	50.8	58.7	15.4	13.3	29.7	28.7	3.8	3.1
SREI Infrastructure Finance	13,437	2-Nov-10	135	155	ACCUM	116	34.0	4.0	5.5	28.9	21.0	12.8	11.3	2.2	1.7
India Infoline Ltd	23,366	30-Nov-10	84	127	BUY	82	54.0	8.8	9.8	9.4	8.4	14.9	15.2	1.3	1.2
Motilal Oswal Financial Services	24,837	22-Oct-10	206	196	REDUCE	174	12.9	13.1	14.6	13.3	11.9	18.5	17.8	2.3	2.0
Edelweiss Capital Ltd	36,075	27-Oct-10	64	65	ACCUM	48	35.1	3.9	4.6	12.4	10.5	12.6	14.0	1.5	1.4

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Automobiles															
Bajaj Auto	428,185	20-Oct-10	1,514	1600	ACCUM	1,477	8.4	89.5	100.2	16.5	14.7	66.7	48.7	11.7	10.1
Hero Honda Motors	397,320	1-Nov-10	1865	1812	REDUCE	1,987	(8.8)	102.8	120.8	19.3	16.4	49.5	41.6	14.2	11.5
TVS Motors	34,677	22-Oct-10	75	81	ACCUM	73	11.2	4.3	5.8	16.9	12.6	22.0	23.8	8.8	7.0
Maruti Suzuki India Ltd	412,128	24-Dec-10	1392	1497	ACCUM	1,426	5.0	81.8	99.7	17.4	14.3	18.3	18.7	10.7	8.5
Escorts Ltd	17,530	1-Dec-10	190	256	BUY	184	39.3	19.4	23.1	9.5	8.0	10.2	10.9	5.8	4.5
Capital Goods & Engineering															
ABB #	171,901	1-Nov-10	822	690	REDUCE	811	(14.9)	6.0	23.1	135.2	35.1	5.1	18.0	67.7	20.8
AIA Engineering	39,682	15-Nov-10	459	450	REDUCE	422	6.6	22.5	27.6	18.8	15.3	21.5	22.1	12.8	10.4
Areva T&D India Ltd #	78,022	2-Nov-10	295	320	REDUCE	326	(2.0)	8.7	10.6	37.5	30.8	22.4	23.6	18.4	15.4
Bharat Electronics	140,324	1-Nov-10	1632	1945	BUY	1,754	10.9	90.1	112.0	19.5	15.7	18.5	19.2	12.7	8.6
BHEL	1,147,056	1-Nov-10	2,442	2632	ACCUM	2,344	12.3	119.2	145.0	19.7	16.2	28.6	27.1	12.9	10.0
Blue Star	38,823	4-Nov-10	459	500	ACCUM	432	15.8	20.3	26.8	21.3	16.1	33.4	35.2	13.3	10.0
Crompton Greaves	199,345	26-Oct-10	323	322	REDUCE	311	3.6	14.2	16.4	21.9	18.9	26.9	24.0	13.2	11.1
Cummins India	153,193	12-Nov-10	788	950	BUY	774	22.8	34.3	46.5	22.6	16.6	37.8	38.8	15.4	11.1
Diamond Power Infrastructure	8,016	19-Nov-10	219	319	BUY	215	48.2	29.5	36.2	7.3	5.9	31.8	24.2	5.8	4.9
Everest Kanto Cylinder	10,739	28-Oct-10	131	150	BUY	102	47.6	7.1	9.5	14.3	10.7	10.9	12.0	10.2	7.4
Greaves Cotton **	24,842	2-Dec-10	97	110	BUY	102	8.1	4.3	7.3	23.4	13.9	22.4	31.4	13.6	8.0
Gujarat Apollo Industries	2,669	2-Nov-10	207	290	BUY	169	71.7	21.7	30.7	7.8	5.5	19.3	22.7	4.2	2.9
Havells India Ltd	47,870	13-Dec-10	372	450	BUY	398	13.1	21.3	29.1	18.7	13.7	32.8	32.7	11.2	9.3
Hindustan Dorr-Oliver	8,263	28-Dec-10	115	145	BUY	115	25.6	8.8	10.2	13.1	11.3	24.4	22.6	8.2	6.8
Kalpataru Power Transmission	25,750	1-Nov-10	173	262	BUY	168	56.2	13.0	15.7	12.9	10.7	18.5	18.9	6.8	5.9
Larsen & Toubro	1,156,612	19-Oct-10	2,013	2100	ACCUM	1,981	6.0	75.0	91.5	26.4	21.6	20.1	20.6	17.1	14.2
Siemens India (Sept end)	274,647	25-Nov-10	787	825	ACCUM	830	(0.6)	30.1	28.2	27.6	29.4	25.2	24.1	17.0	13.9
Suzlon Energy	81,132	16-Dec-10	48	49	REDUCE	54	(9.6)	(5.5)	0.7	(9.9)	77.4	(13.8)	2.0	24.2	10.6
Thermax	105,351	10-Nov-10	875	900	ACCUM	885	1.7	32.6	45.2	27.2	19.6	30.1	32.1	16.5	11.3
Time Technoplast Ltd	12,112	15-Nov-10	60	85	BUY	58	46.7	5.6	7.0	10.3	8.3	18.8	19.7	7.1	5.9
Tractors India Ltd	7,185	29-Dec-10	694	900	BUY	718	25.3	67.5	78.8	10.6	9.1	22.1	21.3	5.5	4.7
Voltamp Transformer	7,659	10-Dec-10	701	954	BUY	758	25.8	59.7	69.0	12.7	11.0	17.0	17.2	7.8	6.2
Voltas Ltd	74,577	22-Dec-10	220	245	BUY	226	8.6	11.0	13.2	20.5	17.1	29.5	27.6	13.0	11.1
Cement															
ACC #	201,805	22-Oct-10	980	900	REDUCE	1,074	(16.2)	64.2	78.1	16.7	13.8	18.9	20.0	9.8	7.9
Grasim Industries	216,050	29-Oct-10	2282	2533	ACCUM	2,356	7.5	226.4	238.7	10.4	9.9	15.5	14.4	4.5	3.8
India Cements	33,570	15-Nov-10	116	104	REDUCE	109	(4.9)	4.2	10.9	26.0	10.0	3.1	7.6	9.9	5.8
Shree Cement	70,554	12-Nov-10	2,242	2268	ACCUM	2,025	12.0	119.4	174.4	17.0	11.6	20.2	24.0	7.1	4.9
UltraTech Cement	298,030	27-Oct-10	1097	951	REDUCE	1,088	(12.6)	39.5	62.6	27.5	17.4	11.2	15.7	13.1	9.5

Name of the Company	Mkt Cap (Rs mn)	Latest Report Date	Price as On latest Report (Rs)	Latest price target* (Rs)	Latest Reco	Price as on 3-Jan (Rs)	Upside (Down side) (%)	EPS (Rs)		PE (x)		RoE (%)		EV/EBIDTA(x)	
								FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Construction															
BGR Energy Systems	53,050	29-Nov-10	575	836	BUY	737	13.5	42.0	52.3	17.5	14.1	33.9	31.0	11.0	8.9
IRB Infrastructure Developers	76,742	7-Dec-10	224	304	BUY	231	31.7	13.6	15.6	17.0	14.8	20.3	19.7	9.7	8.5
IVRCL Infrastructure	35,751	16-Nov-10	136	179	BUY	134	33.7	7.7	9.2	17.4	14.6	10.6	11.4	9.3	8.4
J Kumar Infraprojects	5,090	1-Nov-10	245	278	ACCUM	183	51.8	29.9	37.1	6.1	4.9	23.8	23.7	3.1	2.5
Jaiprakash Associates	238,329	2-Nov-10	125	163	BUY	109	50.2	4.9	6.2	22.2	17.5	14.7	11.8	11.0	9.2
Madhucon Projects	9,235	1-Nov-10	147	191	BUY	119	60.7	9.0	10.5	13.2	11.3	11.5	12.0	6.6	5.6
Nagarjuna Construction	38,962	11-Nov-10	155	195	BUY	152	28.4	9.6	10.5	15.8	14.5	10.5	10.4	9.3	8.8
Patel Engineering	21,938	16-Nov-10	370	461	BUY	314	46.9	23.8	29.8	13.2	10.5	12.1	13.4	7.4	6.8
Pratibha Industries Ltd	6,588	9-Dec-10	64	101	BUY	69	46.6	7.6	10.7	9.1	6.4	19.9	19.9	5.0	4.1
Punj Lloyd Ltd	38,480	3-Nov-10	124	112	REDUCE	116	(3.6)	3.5	8.0	33.2	14.5	3.8	8.2	12.1	9.2
Simplex Infrastructures	20,638	23-Dec-10	403	487	BUY	416	17.2	30.3	40.6	13.7	10.2	14.4	16.0	6.5	5.6
Unity Infraprojects	7,425	15-Dec-10	86	135	BUY	100	34.7	13.2	14.5	7.6	6.9	16.1	15.2	5.6	5.4
Information Technology															
Geometric Ltd	4,789	26-Oct-10	69	87	ACCUM	79	10.8	9.7	10.5	8.1	7.5	27.9	24.0	5.9	4.5
HCL Technologies (June end)	313,592	21-Oct-10	425	484	ACCUM	454	6.6	23.4	30.7	19.4	14.8	13.6	14.7	10.7	8.3
Infosys Technologies	1,978,162	18-Oct-10	3,076	3454	BUY	3,458	(0.1)	120.4	144.7	28.7	23.9	27.1	36.6	22.2	18.1
Infotech Enterprises	19,026	15-Oct-10	175	199	ACCUM	171	16.2	13.2	16.8	13.0	10.2	15.2	16.8	7.6	5.6
KPIT Cummins	12,591	2-Nov-10	159	184	BUY	149	23.5	12.3	14.8	12.1	10.1	23.0	22.4	7.0	5.2
Mphasis BFL (Oct 10)	143,012	24-Nov-10	610	702	BUY	685	2.5	52.0	52.5	13.2	13.1	38.7	29.0	10.0	8.7
NIIT LTD	9,240	25-Oct-10	69	86	BUY	56	53.3	5.8	7.7	9.7	7.3	17.3	20.2	5.6	3.9
NIIT Technologies	11,780	19-Oct-10	228	291	BUY	201	44.9	27.6	30.2	7.3	6.7	25.5	23.5	4.0	2.9
Oracle Financial Services Software	194,654	4-Nov-10	2,362	2,561	ACCUM	2,324	10.2	108.8	107.3	21.4	21.7	19.3	16.0	16.8	14.1
Patni Computer #	62,424	28-Oct-10	465	478	REDUCE	469	1.9	42.0	40.4	11.2	11.6	17.6	16.7	8.3	6.5
R Systems Intn #	1,783	23-Nov-10	111	121	ACCUM	146	(17.2)	13.1	11.2	11.2	13.0	9.2	7.4	3.5	3.2
Mahindra Satyam Ltd	45,047	16-Nov-10	85	68	REDUCE	67	1.4	2.2	3.5	30.5	19.2	13.1	17.8	-	2.5
Subex Azure Ltd	8,184	2-Nov-10	74	91	ACCUM	84	8.9	8.2	10.7	10.2	7.8	14.3	12.7	7.8	5.7
Tata Consultancy Services (TCS)	2,266,767	22-Oct-10	983	1152	BUY	1,158	(0.5)	42.3	47.7	27.4	24.3	34.5	30.4	20.2	17.0
Wipro Technologies	1,181,878	25-Oct-10	450	512	BUY	483	6.0	22.1	24.3	21.9	19.9	27.2	22.6	15.7	13.0
Zensar Technologies	7,303	23-Nov-10	162	210	BUY	169	24.0	29.1	35.1	5.8	4.8	33.0	30.5	3.5	3.4

Name of the Company	Mkt Cap (Rs mn)	Latest Report Date	Price as On latest Report (Rs)	Latest price target* (Rs)	Latest Reco	Price as on 3-Jan (Rs)	Upside (Down side) (%)	EPS (Rs)		PE (x)		RoE (%)		EV/EBIDTA(x)	
								FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Media															
Entertainment Network (ENIL)	10,985	8-Nov-10	238	264	ACCUM	230	14.6	6.5	12.0	35.4	19.2	6.9	10.7	11.4	8.5
HT Media	33,903	29-Oct-10	164	200	BUY	145	38.2	8.0	11.0	18.1	13.2	17.3	19.9	9.1	6.4
Jagran Prakashan	39,307	2-Nov-10	128	140	ACCUM	131	7.3	6.8	8.3	19.2	15.7	31.7	34.9	11.5	9.5
UTV Software Communication	22,900	18-Oct-10	504	458	REDUCE	564	(18.8)	33.7	41.4	16.7	13.6	13.5	12.6	15.5	10.8
Metals & Mining															
SAIL	815,120	4-Nov-10	193	215	ACCUM	188	14.4	15.4	19.6	12.2	9.6	17.7	19.4	8.1	6.3
Sesa Goa	302,587	2-Dec-10	300	332	BUY	340	(2.4)	36.7	47.9	9.3	7.1	31.4	28.7	8.5	6.1
Oil & Gas															
Cairn India Ltd	637,297	15-Dec-10	336	378	BUY	336	12.5	33.9	49.9	9.9	6.7	26.0	23.3	6.8	4.6
Gujarat State Petronet (GSPL)	66,030	29-Nov-10	108	118	REDUCE	118	0.3	8.0	8.5	14.7	13.8	26.0	23.3	6.8	6.3
Indraprastha Gas (IGL)	49,007	15-Nov-10	309	300	SELL	350	(14.3)	19.1	21.6	18.3	16.2	29.0	26.9	9.8	8.4
Petronet LNG	94,050	27-Oct-10	118	110	SELL	125	(12.3)	7.2	8.6	17.4	14.6	22.4	22.9	10.7	8.7
Power															
NTPC	1,636,419	27-Oct-10	205	220	ACCUM	198	10.9	11.8	12.8	16.8	15.5	14.8	14.8	12.0	10.8

Source: Kotak Securities - Private Client Research

* All recommendations are with a 9-12 month perspective from the date of the report/update. Investors are requested to use their discretion while deciding the timing, quantity of investment as well as the exit.

Figures for CY10 & CY11

** Financials for FY11 are for 9 months - Jun 2010 - Mar-2011 due to change in accounting year

Stock	MCap (Rs mn)	Current Price (Rs)	PE (x) /PABV (x)* FY10	FY11E	Comment
Infosys	1,742,121	3,051	25.3	21.1	Infosys is benefiting from the positive change in client sentiments and the presence of various margin levers, we opine. Infosys's long term strategy is geared towards providing services through new engagement models
ICICI Bank*	127,390	1,142	2.5	2.3	With all the 4Cs (CASA, Operating costs, Credit quality and Capital conversation) already in the place, we expect bank to switch to the growth phase. Declining slippages in last couple of qrts corroborate our view that retail NPL cycle has peaked. RoA has improved to 1.3% in Q2FY11 on back of easing credit costs, expanding CASA and curtailed operating expenses.
Axis Bank *	56,120	1,390	3.1	2.6	Consistently delivered rapid B/S expansion (39.8% CAGR) along with profitable growth (net profit: 45.4% CAGR) during FY04-10. Robust liability franchise: displayed by CASA mobilization (41.5% at the end of Q2FY11) Healthy NIM (3.0%+ during last 13 quarters), has been underpinned by superior liability franchise. Superior return ratios (During FY10: RoA:1.7%; RoE: 20%) justify its premium valuation.
L&T	1,174,290	1,965	26.0	21.3	L&T came out with 2QFY11 numbers that were ahead of our expectations on the revenue front as the company exhibited robust project execution Order backlog for L&T is up 41.4% yoy to Rs 1154 bn Management has indicated that it does not anticipate major execution related issues in the foreseeable future
Diamond Power	7,650	204	6.9	5.6	We expect ordering from PGCIL, which had slowed down in past few months, to gain traction. Balance sheet has Been strengthened considerably in the past quarter through equity infusion DPIL has a healthy order backlog of Rs 17 bn up from Rs 14.5 bn in Q1 Fy11.
JBF	13,223	186	3.0	2.7	Market leader for Polyester chips and 2nd largest POY manufacturer in India RAK plant fully operational key customer Nestle , coca cola, Pepsi, Masafi, Al Ain, Danone BOPET plant running at peak capacity with sharp increase in profitbaility as prices have doubled over last 8 monhts Increased stake in JBF Global (RAK plant) form 67% to 100% now Backward integregation through 1.2 MMTPA PTA Plant
LIC Hsg Fin *	95,190	1030	2.6	2.1	Developer loans form close to 11% of the outstanding loan book only. Mortgage loan growth expected at 30% yoy for FY11 to Rs. 495bn and 23% yoy in FY12 to Rs. 606bn. We expect NIM of 2.8% for FY11 and 2.7% for Fy12.
Cummins India	157,410	800	23.2	17.1	Company is likely to maintain dominant position in the domestic market. Tremendous up tick in revenues from domestic business on back of increasing infrastructure spending expected. Significant recovery in exports income would aid to cash flow generation over next two years.
TIL	6,830	683	10.1	8.7	Play on indian infrastructure equipment industry which is expected to grow by 25% CAGR between FY10-12E. Trading at attractive valuations vis-a-vis expected growth in consolidated revenues at CAGR of 20% over FY10-12E.

Stock	MCap (Rs mn)	Current Price (Rs)	PE (x) / PABV (x)* Fy10 / FY11E	Comment
KPIT	29,973	143	11.6 / 9.7	The company is strategically well positioned with focus verticals doing well. It has also made a couple of well – directed acquisitions which should help it penetrate clients and geographies. Revolo is expected to be commercially launched in 4QFY11 or 1QFY12 and should add to the growth the non-linear nature of revenues should improve profitability, we believe.
HT Media	35,250	150	18.8 / 13.6	Strong topline growth aided by growth in Hindustan, as well as growth in metro advertising, to help manage newsprint expenses and lead to 35.4% growth in EPS over FY2010-FY2012. Readership trends positive, to help garner advertising revenues and likely to lead to stronger growth going ahead.
Time Techno	13,184	64	11.3 / 9.0	Market leader in industrial packaging with more than 75% market share Innovative polymer applications in infrastructure, healthcare, auto components and lifestyle products Looking to launch polymer based products like, LPG cylinders, CNG cylinders and commercially usable fuel cell Acquisitions in Europe and Tawian to lead to further growth NED Energy - battery business for telecom, UPS

Source : Kotak Securities - Private Client research; * P/ABV ratio for ICICI Bank, Axis Bank, LIC Housing Finance;

Performance of 1 month Portfolio December

	Levels	Current levels	Returns%
NIFTY	5895	6135	4.00
Infosys	3051	3442	12.82
ICICI Bank*	1142	1147	0.44
Axis Bank*	1390	1353	-2.66
L&T	1965	1992	1.37
Diamond Power	204	205	0.49
JBF	186	179	-3.76
LIC Hsg Fin*	206	196	-4.85
Cummins India	800	772	-3.50
TIL	683	730	6.88
KPIT	143	145	1.40
HT Media	150	146	-2.67
Time Techno	64	58	-9.38
			-0.29
RETURNS			
Portfolio	-0.29		
Nifty	4.00		

Stock	MCap (Rs mn)	Current Price (Rs)	PE (x) /PABV (x)* Fy10	FY11E	Comment
L&T	1,191,152	1,978	26.4	21.6	L&T came out with 2QFY11 numbers that were ahead of our expectations on the revenue front as the company exhibited robust project execution Order backlog for L&T is up 41.4% yoy to Rs 1154 bn, Management has indicated that it does not anticipate major execution related issues in the foreseeable future
SAIL	789,316	182	11.8	9.3	We are bullish on steel prices post Qe2 SAIL is pursuing aggressive capex plan which would see it doubling its capacity in next 2.5 years. Captive iron ore is its key strength and iron ore prices are close to all time high SAIL FPO is scheduled for Jan 2011 and stock should do well in the near term
ICICI Bank*	1,270,555	1,139	2.5	2.3	With all the 4Cs (CASA, Operating costs, Credit quality and Capital conversation) already in the place, we expect bank to switch to the growth phase. Declining slippages in last couple of qrts corroborate our view that retail NPL cycle has peaked. RoA has improved to 1.3% in Q2FY11 on back of easing credit costs, expanding CASA and curtailed operating Expenses.
Axis Bank *	546,210	1,348	3.0	2.5	Consistently delivered rapid B/S expansion (39.8% CAGR) along with profitable growth (net profit: 45.4% CAGR) during FY04-10. Robust liability franchise: displayed by CASA mobilization (41.5% at the end of Q2FY11) Healthy NIM (3.0%+ during last 13 quarters), has been underpinned by superior liability franchise. Superior return ratios (During FY10: RoA:1.7%; RoE: 20%) justify its premium valuation.
TVS Motors	33,725	71	16.5	12.2	New launches are helping the company in growing Volumes. Margins improvement is expected on two counts firstly on back of healthy product mix and secondly due to robust volume growth.
Cairn	631,701	333	9.8	6.7	"Recent surge in the crude oil prices will directly benefit Cairn India. Crude production surges earlier than expected at "peak level of 125 kbopd from Mangala field (Raj.). Cairn is a private E&P company so not liable to share Under-recoveries."
Infosys	1,965,382	3,442	28.6	23.8	Infosys is benefiting from the positive change in client sentiments and the presence of various margin levers, we opine. Infosys's long term strategy is geared towards providing services through new engagement models
Diamond Power	7,913	211	7.2	5.8	We expect ordering from PGCIL, which had slowed down in past few months, to gain traction. Balance sheet has been strengthened considerably in the past quarter through equity infusion DPIL has a healthy order backlog of Rs 17 bn up from Rs 14.5 bn in Q1 FY11.

Stock	MCap (Rs mn)	Current Price (Rs)	PE (x) /PABV (x)* Fy10	FY11E	Comment
Cummins India	155,430	785	22.9	16.9	Company is likely to maintain dominant position in the domestic market. Tremendous up tick in revenues from domestic business on back of increasing infrastructure spending expected. Significant recovery in exports income would aid to cash flow generation
Gujarat Apollo	2,670	169	7.8	5.5	Indian government has set a significant target of approximately USD78.5 bn in the 11th five year plan, for developing adequate road infrastructure. Company is a dominant player with over four decades of presence in road equipment space with over 30% market share across key product categories.
KPIT	11,803	145	11.8	9.8	The company is strategically well positioned with focus verticals doing well. It has also made a couple of well – directed acquisitions which should help it penetrate clients and geographies. Revolo is expected to be commercially launched in 4QFY11 or 1QFY12 and should add to the growth The non-linear nature of revenues should improve profitability, we believe.
BGR Energy	52,272	726	17.3	13.9	Strong order book of company of Rs 105 bn and likely order inflow provides good revenue visibility Its JV with Hitachi will enable it to participate for NTPC bulk Tendering Revenues and profits to grow at a CAGR of 40% and 37% respectively between FY10-FY12 Trading at attractive valuations of 13.9x FY12 estimated Earnings

Source : Kotak Securities - Private Client research; * P/ABV ratio for ICICI Bank, Axis Bank

BAJAJ AUTO

Current Price : Rs.1478.05

Target Price : Rs.1600

ACCUMULATE

Latest Report Date
29/10/2010

Latest Report Price
Rs.1514

INVESTMENT RATIONALE

- Currently the demand for 2W's is quite strong and indicates a robust 2HFY11 for the 2W industry. BAL is well on its way to reach the targeted 4mn units sales volume in FY11E.
- Both of BAL's core brands; Discover and Pulsar are expected to pave the path for future growth for the company. Together, Pulsar and Discover are expected to account for more than 70% of the motorcycle volumes.
- We expect BAL's margin to remain stable at around 20% for FY11E and FY12E. Raw material pressures are being mitigated through price hikes and better operational efficiencies.
- BAL enjoys a healthy product mix with decent exposure in high margin products. BAL started production at its second plant in Pantnagar from 8th Oct 2010. With this new plant the total annual capacity at Pantnagar now stands at 1.5mn motorcycles. Fiscal incentives at Pantnagar will provide some comfort to the company's margins.
- For FY12E, we expect the company to report 15% volume growth leading to similar growth in revenues. We expect margins to remain more or less stable at 19.8% and net profit to grow by 12%.

RISKS & CONCERNS

- Lower than expected volume growth for BAL could significantly impact our sales and profitability estimates.
- A price war by players to capture market share can have negative impact on margins and profitability for the company.

Shares O/s (mn): 289.4
Mkt Cap (Rs mn): 427,689

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	119,482	168,703	193,596
Growth (%)	35.1	41.2	14.8
EBITDA	26,232	34,391	38,311
EBITDA margin (%)	22.0	20.4	19.8
PBT	24,111	36,008	40,058
Net profit	18,255	25,910	28,984
EPS (Rs)	63.1	89.5	100.2
Growth (%)	134.5	41.9	11.9
CEPS (Rs)	63.6	94.3	105.5
Book value (Rs/share)	101.2	167.3	244.1
Dividend per share (Rs)	20.0	20.0	20.0
ROE (%)	79.1	66.7	48.7
ROCE (%)	67.5	68.9	54.9
Net cash (debt)	19,368	25,358	40,546
Net Working Capital (Days)	(11.2)	(11.4)	(11.0)

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	23.4	16.5	14.8
P/BV (x)	14.6	8.8	6.1
EV/Sales (x)	3.4	2.4	2.0
EV/EBITDA (x)	15.6	11.7	10.1

PRICE PERFORMANCE (%)

	1M	3M	6M
	(6.3)	0.6	18.8

Source: Bloomberg, Company, Kotak Securities - Private Client Research

TVS MOTORS

Current Price : Rs.69.3

Target Price : Rs.81

ACCUMULATE

Latest Report Date
29/10/2010

Latest Report Price
Rs.75

INVESTMENT RATIONALE

- TVS Motor has diversified business mix with presence in almost all the categories and sub-categories of the two wheeler industry.
- Since the launch of Wego (scooter) and Jive (motorcycle), TVS motors have shown clear improvement in its market share - both in scooters and the motorcycle segment.
- In the scooter segment the company has gained a strong foothold with the launch of Wego in 100cc+ category. Scooter segment market share for the company have improved from 18% in Jan2010 to 25% in Sep2010.
- TVS Motor's motorcycle segment market share has increased from 6.1% in Jan2010 to 8.2% in Sep 2010. We believe that the company has the potential to further improve its market share in the motorcycle segment.
- Improvement in product mix has helped the company to protect its margins from the cost pressures to a certain extent.
- We expect the net profits to grow at a strong pace over FY10-12E.

RISKS & CONCERNS

- Lower than expected volume growth could significantly impact our sales and profitability estimates.
- A price war by players to capture market share can have negative impact on margins and profitability for the company.

Shares O/s (mn): **475.1**
Mkt Cap (Rs mn): **32,924**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	43,931	61,508	73,061
Growth (%)	17.6	40.0	18.8
EBITDA	2,385	4,693	5,543
EBITDA margin (%)	5.4	7.6	7.6
PBT	762	2,407	3,219
Net profit	880	2,046	2,736
EPS (Rs)	1.9	4.3	5.8
Growth (%)	185.0	132.4	33.7
CEPS (Rs)	4.0	7.8	9.7
Book value (Rs/share)	17.6	21.5	26.8
Dividend per share (Rs)	0.6	0.4	0.4
ROE (%)	11.2	22.0	23.8
ROCE (%)	7.3	15.8	19.0
Net cash (debt)	(5,936)	(6,785)	(4,314)
Net Working Capital (Days)	(8.5)	(13.7)	(12.1)

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	37.4	16.1	12.0
P/BV (x)	3.9	3.2	2.6
EV/Sales (x)	0.9	0.6	0.5
EV/EBITDA (x)	16.3	8.5	6.7

PRICE PERFORMANCE (%)

	1M	3M	6M
	(15.2)	(3.1)	16.0

Source: Bloomberg, Company, Kotak Securities - Private Client Research

CUMMINS INDIA

Current Price : Rs.762

Target Price : Rs.950

BUY

Latest Report Date
12/11/2010

Latest Report Price
Rs.788

INVESTMENT RATIONALE

- CIL reported revenues ahead of our expectation in 1HYFY11. Company is likely to maintain margins going forward.
- Outlook for the revenue growth for all the segments viz. Power systems and Industrial in FY12 has improved on account of robust outlook for domestic market. Export business is on the recovery path and is expected to grow by over 90% between FY11-12E..
- Commencement of mega production site at Phaltan is likely to ease out capacity constraints and would add to cash flow generation from Q4FY11E. Company has committed a Capex of USD 300 mn funded mainly through internal accruals.
- We recommend 'BUY' on company's stock with a DCF based one year price target of Rs 950.

RISKS & CONCERNS

- Abnormal increase in input prices would depress the operating margins.
- Delay in recovery in export market could negatively impact the revenue forecasts.

Shares O/s (mn): 198.0
Mkt Cap (Rs mn): 150,876

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	29,016	45,226	63,685
Growth (%)	(13.9)	56.8	41.2
EBITDA	5,842	9,379	12,714
EBITDA margin (%)	20.1	20.7	20.0
PBT	6,108	9,699	13,146
Net profit	4,438	6,790	9,202
EPS (Rs)	22.4	34.3	46.5
Growth (%)	2.5	53.0	35.5
CEPS (Rs)	24.2	36.5	48.7
Book value (Rs/share)	78.8	102.4	137.1
Dividend per share (Rs)	9.0	9.0	10.0
ROE (%)	30.0	37.8	38.8
ROCE (%)	41.3	54.3	55.4
Net cash (debt)	1,914	1,739	1,739
Net Working Capital (Days)	55.2	57.9	55.9

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	34.0	22.2	16.4
P/BV (x)	9.7	7.4	5.6
EV/Sales (x)	4.9	3.1	2.2
EV/EBITDA (x)	24.5	15.1	10.9

PRICE PERFORMANCE (%)

	1M	3M	6M
	(4.2)	3.6	27.6

Source: Bloomberg, Company, Kotak Securities - Private Client Research

DIAMOND POWER INFRASTRUCTURE

Current Price : Rs.195.7

Target Price : Rs.319

BUY

Latest Report Date
19/11/2010

Latest Report Price
Rs.219

INVESTMENT RATIONALE

- We expect ordering from PGCIL, which had slowed down in past few months to gain traction. Positive for Power conductor industry
- Balance sheet has been strengthened considerably in the past quarter through equity infusion thus bringing down the overall debt-equity ratio to close to 0.5x. Company has already restructured debt to a much lower cost of borrowings. Major capex of Rs 2.7 bn has almost completed.
- DPIL has a healthy order backlog of Rs 17 bn up from Rs 14.5 bn in Q1 FY11.
- Stock correction presents good opportunity to BUY with a target price of Rs 319, an upside of 50%.

Shares O/s (mn): 37.2
Mkt Cap (Rs mn): 7,280

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	8,477	14,817	19,448
Growth (%)	21.5	74.8	31.3
EBITDA	1,150	2,054	2,592
EBITDA margin (%)	13.6	13.9	13.3
PBT	845	1,641	2,011
Net profit	601	1,100	1,347
EPS (Rs)	28.6	29.5	36.2
Growth (%)	6.5	83.0	22.4
CEPS (Rs)	31.9	32.5	42.0
Book value (Rs/share)	137.2	154.5	190.6
Dividend per share (Rs)	-	-	-
ROE (%)	24.3	31.8	24.2
ROCE (%)	20.8	24.8	22.2
Net cash (debt)	(2,930)	(3,940)	(4,596)
Net Working Capital (Days)	159.5	160.0	154.1

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	6.8	6.6	5.4
P/BV (x)	1.4	1.3	1.0
EV/Sales (x)	1.2	0.8	0.6
EV/EBITDA (x)	8.9	5.5	4.6

PRICE PERFORMANCE (%)

	1M	3M	6M
	(4.1)	(22.4)	(6.0)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

GREAVES COTTON

Current Price : Rs.99.75

Target Price : Rs.110

BUY

Latest Report Date
02/12/2010

Latest Report Price
Rs.97

INVESTMENT RATIONALE

- GCL has reported strong set of numbers, which are ahead of expectations due to higher than expected revenue growth and expansion in EBITDA margins.
- The management is positive on the growth outlook of the company and expects a good year ahead. Supplies to Tata Motors LCV in 0.5 ton range has started but volumes are thin. The company plans to expand capacity significantly in FY11 by adding 80000 units pa Greenfield plant near Aurangabad.
- We have revised earnings upwards following good set of numbers. We thus raise our DCF based target price to Rs 515 (Rs 450 earlier). Maintain BUY.

RISKS & CONCERNS

- Steep increase in material prices may lead to margin erosion
- OEMs like Piaggio sourcing engines from captive units

Shares O/s (mn): 244.2
Mkt Cap (Rs mn): 24,354

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	13,498	12,104	18,059
Growth (%)	30.2	(10.3)	49.2
EBITDA	2,091	1,755	2,954
EBITDA margin (%)	15.5	14.7	16.4
PBT	1,760	1,581	2,672
Net profit	1,214	1,060	1,790
EPS (Rs)	5.0	4.3	7.3
Growth (%)	210.6	(12.7)	69.0
CEPS (Rs)	6.0	5.2	8.7
Book value (Rs/share)	16.1	18.7	24.2
Dividend per share (Rs)	3.0	1.5	1.5
ROE (%)	26.2	22.4	31.4
ROCE (%)	28.1	22.0	30.1
Net cash (debt)	168	(121)	246
Net Working Capital (Days)	50.0	45.0	46.0

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	20.0	23.2	13.7
P/BV (x)	6.2	5.3	4.1
EV/Sales (x)	1.7	2.0	1.3
EV/EBITDA (x)	11.3	13.6	7.9

PRICE PERFORMANCE (%)

	1M	3M	6M
	1.3	17.4	48.6

Source: Bloomberg, Company, Kotak Securities - Private Client Research

LARSEN & TOUBRO

Current Price : Rs.1967.45

Target Price : Rs.2100

BUY

Latest Report Date
19/10/2010

Latest Report Price
Rs.2013

INVESTMENT RATIONALE

- L&T came out with numbers that were ahead of our expectations on the revenue front as the company exhibited robust project execution.
- Order backlog for L&T is up 41.4% yoy to Rs 1154 bn, equivalent to revenue visibility of 36 months based on trailing four quarters revenues. Order intake has been sluggish in Q2 FY11. The management highlighted that public sector orders have been slow to take-off. Nevertheless, the company is in a good position to meet its order intake target for current fiscal
- Management has indicated that it does not anticipate major execution related issues in the foreseeable future and is well positioned to deliver its guidance of 20% growth in revenues in FY11.
- Valuations are at a significant premium to domestic engineering and construction companies. Expect the stock to remain move in line with broad markets. Maintain Accumulate with a target price of Rs 2100 (Rs 2022 earlier). Recommend investors to utilize declines to buy into the stock.

Shares O/s (mn): **584.0**

Mkt Cap (Rs mn): **1,148,991**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	439,698	528,425	649,905
Growth (%)	8.6	20.2	23.0
EBITDA	63,697	76,375	93,714
EBITDA margin (%)	14.5	14.5	14.4
PBT	74,811	68,514	83,490
Net profit	54,507	45,187	55,106
EPS (Rs)	60.8	75.0	91.5
Growth (%)	11.8	23.5	22.0
CEPS (Rs)	71.4	88.6	109.1
Book value (Rs/share)	343	406	485
Dividend per share (Rs)	10.5	10.5	10.5
ROE (%)	21.3	20.1	20.6
ROCE (%)	10.4	10.6	11.3
Net cash (debt)	(193,345)	(235,591)	(254,778)
Net Working Capital (Days)	30.5	46.5	43.4

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	32.4	26.2	21.5
P/BV (x)	5.7	4.9	4.1
EV/Sales (x)	2.9	2.5	2.0
EV/EBITDA (x)	19.8	17.0	14.1

PRICE PERFORMANCE (%)

	1M	3M	6M
	0.9	(4.2)	8.8

Source: Bloomberg, Company, Kotak Securities - Private Client Research

INFOSYS TECHNOLOGIES

Current Price : Rs.3427

Target Price : Rs.3454

BUY

Latest Report Date
18/10/2010

Latest Report Price
Rs.3076

INVESTMENT RATIONALE

- Infosys is benefiting from the positive change in client sentiments and the presence of various margin levers, we opine.
- Infosys' long term strategy is geared towards providing services through new engagement models.
- We remain optimistic on the company's future prospects, led by a strong management team and maintain BUY, purely based on FY12E earnings.
- Infosys has raised the revenue and EPS growth guidance for FY11 in USD terms, though rupee based EPS guidance is unchanged due to the rupee appreciation.
- Our DCF – based target stands at Rs.3454. At our TP, our FY12E earnings will be discounted about 24x, which is at the mid-point of the valuation range during the previous upturn.

RISKS & CONCERNS

- A sharp appreciation in the rupee against various currencies will impact our earnings estimates.
- Delay in the economic recovery of major user economies will likely impact future revenue growth of the company.

Shares O/s (mn): 572.0
Mkt Cap (Rs mn): 1,960,244

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	227,420	274,797	331,549
Growth (%)	4.8	20.8	20.7
EBITDA	78,610	81,515	97,805
EBITDA margin (%)	34.6	29.7	29.5
PBT	79,000	92,655	111,725
Net profit	62,190	68,808	82,676
EPS (Rs)	108.9	120.4	144.7
Growth (%)	5.6	10.6	20.2
CEPS (Rs)	124.8	120.4	144.7
Book value (Rs/share)	403.7	482.9	586.6
Dividend per share (Rs)	25.0	40.0	35.0
ROE (%)	30.1	27.2	27.1
ROCE (%)	38.3	36.6	36.6
Net cash (debt)	105,560	131,747	169,101
Net Working Capital (Days)	55.9	56.5	56.6

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	31.5	28.5	23.7
P/BV (x)	8.5	7.1	5.8
EV/Sales (x)	8.0	6.5	5.3
EV/EBITDA (x)	23.1	22.0	17.9

PRICE PERFORMANCE (%)

	1M	3M	6M
	12.3	13.5	24.0

Source: Bloomberg, Company, Kotak Securities - Private Client Research

KPIT CUMMINS

Current Price : Rs.143.2

Target Price : Rs.184

BUY

Latest Report Date
29/10/2010

Latest Report Price
Rs.159

INVESTMENT RATIONALE

- The company is strategically well positioned with focus verticals doing well.
- It has also made a couple of well – directed acquisitions which should help it penetrate clients and geographies.
- Strong additions to the pipeline and additions to client acquisition resources should lead to consistent revenue growth ahead.
- Revolo is expected to be commercially launched in 4QFY11 or 1QFY12 and should add to the growth in that fiscal. The company is already in talks with OEMs, sales channels and corporates.
- The non-linear nature of revenues should improve profitability, we believe.
- We have not yet accounted for these revenues in our projections.

RISKS & CONCERNS

- Belied hopes of volume-led-growth in IT services demand in major user economies and a sharper-than-expected appreciation in rupee remain the key risks for earnings.

Shares O/s (mn): **81.4**
Mkt Cap (Rs mn): **11,651**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	7,316	9,478	11,856
Growth (%)	(7.8)	29.5	25.1
EBITDA	1,614	1,585	1,979
EBITDA margin (%)	22.1	16.7	16.7
PBT	1,026	1,193	1,586
Net profit	857	1,000	1,206
EPS (Rs)	11.0	12.3	14.8
Growth (%)	28.5	11.9	20.6
CEPS (Rs)	14.9	16.5	19.7
Book value (Rs/share)	49.6	59.1	73.1
Dividend per share (Rs)	0.7	0.8	0.8
ROE (%)	31.2	23.0	22.4
ROCE (%)	26.7	22.0	24.4
Net cash (debt)	(55)	1,475	2,366
Net Working Capital (Days)	69.2	72.2	71.3

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	13.0	11.7	9.7
P/BV (x)	2.9	2.4	2.0
EV/Sales (x)	1.6	1.1	0.8
EV/EBITDA (x)	7.3	6.4	4.7

PRICE PERFORMANCE (%)

	1M	3M	6M
	(0.1)	(11.1)	10.4

Source: Bloomberg, Company, Kotak Securities - Private Client Research

NIIT TECHNOLOGIES

Current Price : Rs.199.85

Target Price : Rs.291

ACCUMULATE

Latest Report Date
19/10/2010

Latest Report Price
Rs.228

INVESTMENT RATIONALE

- The order bookings have increased in 3QFY11, which is in line with the increased management optimism on the demand scenario.
- Non-linear revenues have also grown and have provided support to margins.
- At our TP, our FY12 earnings will be discounted by about 9.6x which, we believe, is undemanding.
- The company may have net cash of about Rs.73 per share by FY12 end, as per our estimates.

RISKS & CONCERNS

- Rupee appreciation beyond our assumed levels could provide a downward bias to our earnings estimates.
- A delayed recovery in major global economies could impact growth prospects of NIIT.

Shares O/s (mn): **58.8**
Mkt Cap (Rs mn): **11,745**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	9,138	11,818	12,479
Growth (%)	(6.7)	29.3	5.6
EBITDA	1,889	2,219	2,602
EBITDA margin (%)	20.7	18.8	20.8
PBT	1,420	1,973	2,273
Net profit	1,263	1,622	1,776
EPS (Rs)	21.5	27.6	30.2
Growth (%)	9.9	28.4	9.5
CEPS (Rs)	27.6	33.0	36.9
Book value (Rs/share)	98.7	118.0	139.0
Dividend per share (Rs)	7.0	8.0	9.0
ROE (%)	26.1	25.5	23.5
ROCE (%)	29.1	30.1	29.2
Net cash (debt)	1,678	2,828	4,149
Net Working Capital (Days)	73.9	80.0	80.0

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	9.3	7.2	6.6
P/BV (x)	2.0	1.7	1.4
EV/Sales (x)	1.1	0.8	0.6
EV/EBITDA (x)	5.3	4.0	2.9

PRICE PERFORMANCE (%)

	1M	3M	6M
	(4.6)	(1.5)	16.9

Source: Bloomberg, Company, Kotak Securities - Private Client Research

SAIL

Current Price : Rs.177.95

Target Price : Rs.215

ACCUMULATE

Latest Report Date
04/11/2010

Latest Report Price
Rs.193

INVESTMENT RATIONALE

- SAIL is India's largest domestic steel company which has aggressive organic growth plans over next three years.
- It has humungous high quality iron ore assets and can arguably be compared with that of NMDC in both quality and reserves quantum.
- SAIL FPO is scheduled for the next quarter and this should provide downside support to the stock in the medium term.
- Employee cost/tonne which is highest in the industry should fall substantially post expansion in the next 2-3 years and this would improve EBITDA/tonne for the company.
- Company has strong balance sheet to execute its growth plans

RISKS & CONCERNS

- SAIL to large extent lacks captive coking coal mines and so has to depend on external domestic sourcing and imports. As coking coal prices has been strong and might continue to rise, operating margins are hit.
- SAIL has delayed its expansion timeline in the past and there can be further execution delays going forward.

Shares O/s (mn): 4543.4
Mkt Cap (Rs mn): 808,498

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	417,612	476,927	550,030
Growth (%)	-3.2%	14.2%	15.3%
EBITDA	99,369	96,765	134,986
EBITDA margin (%)	0.2	0.2	0.2
PBT	101,215	98,671	131,525
Net profit	67,449	66,951	89,243
EPS (Rs)	16.3	15.4	19.6
Growth (%)	9.2%	-5.5%	27.2%
CEPS (Rs)	15.4	7.3	(7.7)
Book value (Rs/share)	80.4	98.0	109.1
Dividend per share (Rs)	3.3	3.1	4.0
ROE (%)	22.1%	17.7%	19.4%
ROCE (%)	16.9%	12.7%	15.0%
Net cash (debt)	63,728	31,765	(35,031)
Net Working Capital (Days)	172.3	180.2	171.1

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	10.9	11.5	9.1
P/BV (x)	2.2	1.8	1.6
EV/Sales (x)	1.8	1.6	1.5
EV/EBITDA (x)	7.5	8.0	6.2

PRICE PERFORMANCE (%)

	1M	3M	6M
	0.7	(13.2)	(7.7)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

HDFC

Current Price : Rs.721.95

Target Price : Rs.720

ACCUMULATE

Latest Report Date
30/12/2010

Latest Report Price
Rs.717

INVESTMENT RATIONALE

- Disbursements for the H1FY11 have remained healthy with a 29% yoy growth to Rs. 283.4bn from Rs. 223.4bn. Given the robust growth in its sanctions book we remain positive on HDFC's future loan growth outlook.
- HDFC's advances book grew by 18.7% yoy to Rs.1062bn (excluding loan sell down of Rs. 48.6bn). The impressive growth in the advances is supported by steady retail demand for housing, which is reflective in a 42% yoy growth in retail disbursements during H1FY11.
- NII grew by 38.5% yoy to Rs. 10.2bn from Rs. 7.4bn, which is largely attributed to its firm interest spread of 2.34% (2.03% in Q2FY10). HDFC has benefited from its flexible borrowing strategy and also being a bulk borrower in the wholesale debt markets which helps contain cost of funds. HDFC's other operating income of Rs.2.28bn also includes a treasury gain amounting to Rs.590mn. Net profit for Q2FY11 grew by 21.7% yoy to Rs 8.1bn.
- HDFC's asset quality continues to remain impeccable during Q2FY11. It reported a gross NPA of Rs.9.4bn (0.9% of assets) and net NPA of 2.1bn. Provision coverage for Q2FY11 stood firm at 77%.

Shares O/s (mn): **1429.5**
Mkt Cap (Rs mn): **1,032,028**

FINANCIALS (RS MN)	FY10	FY11E	FY12E
Interest income	109.0	129.0	156.2
Interest expense	70.6	81.5	99.3
Net interest income	38.3	47.6	56.9
Growth (%)	12.0%	24.0%	19.6%
Other income	4.6	6.0	7.2
Gross profit	39.7	49.1	59.2
Net profit	28.3	34.0	40.7
Growth (%)	26.8%	20.2%	19.8%
Gross NPA (%)	0.7	0.6	0.5
Net NPA (%)	0.2	0.1	0.0
Net interest margin (%)	2.2	2.2	2.2
RoE (%)	2.7	2.8	2.8
RoAA (%)	20.0	20.9	22.2
Dividend per share (Rs)	36.0	8.5	10.0
EPS (Rs)	98.4	23.7	28.3
Adjusted BVPS (Rs)	524.1	120.1	134.6

VALUATION PARAMETERS	FY10	FY11E	FY12E
P/E (x)	7.3	30.5	25.5
P/ABV (x)	1.4	6.0	5.4

PRICE PERFORMANCE (%)	1M	3M	6M
	5.1	(1.5)	22.6

Source: Bloomberg, Company, Kotak Securities - Private Client Research

POWER FINANCE CORPORATION

Current Price : Rs.306.05

Target Price : Rs.375

ACCUMULATE

Latest Report Date
11/11/2010

Latest Report Price
Rs.368

INVESTMENT RATIONALE

- PFC has reported a strong growth of 30.7% yoy to Rs.8.6bn in its NII during Q2FY11, following stable NIM at 4.1% and steady business growth. Net profit for H1FY11 net profit grew by 14% yoy to Rs.13.5bn and EPS of Rs.11.8.
- Advances grew by 28% yoy to Rs.879bn, going forward we opine that the strong demand from the power sector –generation and transmission & distribution- will continue to aid the steady business growth.
- Sanction and disbursement growth will continue to remain lumpy, given the large size of the projects. Sanction during H1FY11 to Rs.441bn, disbursements grew by 23% yoy to Rs.63bn in Q2FY11 and 63% yoy in H1FY11 to Rs.145bn.
- Asset quality remained healthy with Net NPA at 0.01% levels.
- Although PFC's CAR (%) for Q2FY11 stood at 17.4%, the company is looking forward to raise capital to fund its growth requirements and to meet the 15% capital adequacy requirement for Infrastructure Finance Company status.
- The stock is trading at P/Ex of 11.4x and P/ABVx of 2.4x of its FY12 estimates. We recommend accumulating the stock on declines with price target of Rs. 375

RISKS & CONCERNS

- Tightening of liquidity may further push the cost of funds upwards and in turn impact margins.

Shares O/s (mn): 1147.8
Mkt Cap (Rs mn): 351,284

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Interest income	78,600	101,074	126,522
Interest expense	49,370	61,481	77,678
Net interest income	29,230	39,593	48,844
Growth (%)	40.5%	35.5%	23.4%
Other income	910	-	541
Gross profit	30,140	39,593	49,385
Net profit	29,070	38,647	48,405
Growth (%)	20.8%	27.3%	24.1%
Gross NPA (%)	0.0	0.0	-
Net NPA (%)	0.0	0.0	-
Net interest margin (%)	4.1	4.3	4.3
RoE (%)	3.1	2.9	3.0
RoAA (%)	18.9	19.5	21.3
Dividend per share (Rs)	6.1	7.3	9.2
EPS (Rs)	20.5	26.0	32.3
Adjusted BVPS (Rs)	115.7	132.6	154.2

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	15.0	11.8	9.5
P/ABV (x)	2.6	2.3	2.0

PRICE PERFORMANCE (%)

	1M	3M	6M
	(9.1)	(10.9)	2.0

Source: Bloomberg, Company, Kotak Securities - Private Client Research

AXIS BANK

Current Price : Rs.1322.4

Target Price : Rs.1825

BUY

Latest Report Date
18/11/2010

Latest Report Price
Rs.1462

INVESTMENT RATIONALE

- Consistently delivered rapid B/S expansion (39.8% CAGR) along with profitable growth (net profit: 45.4% CAGR) during FY04-10.
- Robust liability franchise: displayed by CASA mobilization (41.5% at the end of Q2FY11)
- Fee income has been healthy contributor to total revenue stream. (Fee income / Net revenue: ~35% during FY05-10)
- Healthy NIM (3.0%+ during last 13 quarters), has been underpinned by superior liability franchise.
- Asset quality has been managed successfully. Gross NPA and Net NP A stands at 1.12% and 0.34% at the end of Q2FY11.
- Coverage ratio at 80% (including technical W/O) at the end of Q2FY11
- Superior return ratios (During FY10: RoA:1.7%; RoE: 20%) justify its premium valuation.

RISKS & CONCERNS

- Sharper deterioration in asset quality than our expectations due to fast loan growth in the past.
- Further monetary tightening by the central bank may impact its margin.
- Slowdown in economic activities might affect the asset quality negatively.

Shares O/s (mn): **405.2**
Mkt Cap (Rs mn): **535,836**

FINANCIALS (RS MN)	FY10	FY11E	FY12E
Interest income	116.4	149.1	187.9
Interest expense	66.3	84.9	106.9
Net interest income	50.0	64.1	81.0
Growth (%)	35.8%	28.2%	26.3%
Other income	39.5	44.4	56.2
Gross profit	52.4	61.9	78.4
Net profit	25.1	31.7	42.1
Growth (%)	38.5%	26.0%	32.9%
Gross NPA (%)	1.1	1.2	1.2
Net NPA (%)	0.4	0.3	0.3
Net interest margin (%)	3.5	3.6	3.6
CAR (%)	15.8	15.2	14.2
RoE (%)	19.5	18.2	20.5
RoAA (%)	1.5	1.5	1.6
Dividend per share (Rs)	12.0	13.0	14.0
EPS (Rs)	62.1	77.7	103.4
Adjusted BVPS (Rs)	385.6	449.6	535.3

VALUATION PARAMETERS	FY10	FY11E	FY12E
P/E (x)	21.3	17.0	12.8
P/ABV (x)	3.4	2.9	2.5

PRICE PERFORMANCE (%)	1M	3M	6M
	(3.3)	(13.9)	6.4

Source: Bloomberg, Company, Kotak Securities - Private Client Research

ICICI BANK

Current Price : Rs.1135.95

Target Price : Rs.1345

BUY

Latest Report Date

01/11/2010

Latest Report Price

Rs.1163

INVESTMENT RATIONALE

- With all the 4Cs (CASA, Cost, Credit quality, capital conservation) already in place, we expect profitable growth would assume centre-stage for the bank.
- Improvement in liability franchise is positive. Share of CASA improved from 28.7% at the end of FY09 to 41.7% at the end of FY10 and further to 44.0% at the end of Q2FY11.
- Declining slippages in last couple of quarters corroborate our view that retail NPL cycle has peaked. Slippage in retail NPA has been near zero during Q2FY11.
- NIM improved both QoQ and YoY to 2.6% (Q2FY11) from 2.5% each in Q1FY11 and Q2FY10.
- RoA has improved to 1.3% in Q2FY11 on back of easing credit costs, expanding CASA and curtailed operating expenses.
- Based on SOTP methodology, TP: Rs.1345 [standalone business: Rs.1109 (2.25x FY12E ABV); value of subsidiaries: Rs.236]

RISKS & CONCERNS

- With retail book at ~50% of total loans, highly vulnerable to system-wide deterioration in retail asset quality.
- Further monetary tightening by the central bank may impact its margin.
- Slowdown in economic activities might affect the asset quality negatively.

Shares O/s (mn): 1114.9
Mkt Cap (Rs mn): 1,266,471

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Interest income	257.1	254.0	296.9
Interest expense	175.9	165.3	195.3
Net interest income	81.1	88.6	101.6
Growth (%)	-3.0%	9.2%	14.6%
Other income	74.8	67.1	82.2
Gross profit	97.3	93.1	112.3
Net profit	40.3	46.3	58.4
Growth (%)	7.1%	14.9%	26.1%
Gross NPA (%)	5.2	4.7	4.2
Net NPA (%)	2.1	1.5	1.2
Net interest margin (%)	2.5	2.6	2.6
CAR (%)	19.4	14.7	13.3
RoE (%)	8.0	8.7	10.2
RoAA (%)	1.1	1.1	1.2
Dividend per share (Rs)	12.0	13.0	14.0
EPS (Rs)	36.1	40.8	50.7
Adjusted BVPS (Rs)	428.5	453.1	492.9

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	31.4	27.8	22.4
P/ABV (x)	2.7	2.5	2.3

PRICE PERFORMANCE (%)

	1M	3M	6M
	(0.5)	2.1	31.8

Source: Bloomberg, Company, Kotak Securities - Private Client Research

STATE BANK OF INDIA

Current Price : Rs.2771.65

Target Price : Rs.3675

BUY

Latest Report Date
03/12/2010

Latest Report Price
Rs.3098

INVESTMENT RATIONALE

- Largest bank – Proxy to India growth story.
- Strong liability franchise: CASA mix at ~ 44% (Q2FY11); domestic CASA mix is even higher at ~48% (Q2FY11).
- NIM after bottoming out at 2.3% during Q1FY10 improved consistently to 3.43% in Q2FY11 (B/S liquidity has waned considerably – positive for its future margin outlook)
- Asset quality has stabilized: Gross NPA and Net NPA at 3.35% and 1.70% at the end of Q2FY11.
- Core Fee-based income contributes 26.8% of total net revenue (NII + Other income) due to large govt business along with strong relationship with the corporate.
- Healthy return ratios: RoA: 1.0%; RoE: 16.7% (FY12E)
- Based on SOTP methodology, TP: Rs.3675 [standalone business: Rs.2515 (2.2x FY12E ABV); value of subsidiaries: Rs.1160]

RISKS & CONCERNS

- Lower provision coverage ratio (62.8% in Q2FY11) is likely to keep provisions at elevated levels.
- Management's focus on regaining market share might come at the cost of profitability.
- Further monetary tightening by the RBI may impact its NIM.
- Slowdown in economic activities might affect the asset quality negatively.

Shares O/s (mn): **634.9**
Mkt Cap (Rs mn): **1,759,721**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Interest income	709.9	790.9	952.3
Interest expense	473.2	485.7	591.9
Net interest income	236.7	305.2	360.4
Growth (%)	13.4%	28.9%	18.1%
Other income	149.7	160.0	187.7
Gross profit	183.2	235.0	285.0
Net profit	91.7	102.0	131.0
Growth (%)	0.5%	11.3%	28.3%
Gross NPA (%)	3.1	3.1	3.0
Net NPA (%)	1.7	1.5	1.2
Net interest margin (%)	2.7	3.1	3.1
CAR (%)	13.4	13.3	13.0
RoE (%)	14.8	14.6	16.6
RoAA (%)	0.9	0.9	1.0
Dividend per share (Rs)	30.0	35.0	40.0
EPS (Rs)	144.4	160.7	206.3
Adjusted BVPS (Rs)	867.5	987.6	1,143.2

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	19.2	17.2	13.4
P/ABV (x)	3.2	2.8	2.4

PRICE PERFORMANCE (%)

	1M	3M	6M
	(7.4)	(14.5)	20.4

Source: Bloomberg, Company, Kotak Securities - Private Client Research

BGR ENERGY SYSTEMS

Current Price : Rs.718

Target Price : Rs.836

BUY

Latest Report Date
29/11/2010

Latest Report Price
Rs.575

INVESTMENT RATIONALE

- BGR Energy has emerged as a key player in the EPC space after achieving expertise in BOP space.
- Company has also given clarifications that it has not taken any loan from LIC housing Finance and have also not done any transaction with Money Matters Pvt Ltd
- It has an order book of Rs 105 bn and provides revenue visibility for next 1.5-2 years.
- We expect order inflow for the company to jump from November onwards when bids for RRUVL are likely to be finalized. Along with this, BG R energy is also pre-qualified to bid for NTPC bulk tendering in few months.
- BGR energy has also formed a JV with Hitachi for manufacturing super critical steam turbine and generator as well as boilers.
- With strong order book, we expect revenues to grow at a CAGR of 40% and net profits to grow at a CAGR of 37% between FY10-12.
- Stock is currently trading at attractive valuations on FY12 estimates and hence we recommend BUY on BGR Energy.

RISKS & CONCERNS

- Delays in execution may impact revenue growth
- Slowdown in order inflows can reduce future visibility for revenues
- Increased competition may impact operating margins adversely

Shares O/s (mn): 72.0
Mkt Cap (Rs mn): 51,696

FINANCIALS (RS MN)	FY10	FY11E	FY12E
Sales	30,734	48,107	59,946
Growth (%)	59.0	57.0	25.0
EBITDA	3,442	5,292	6,594
EBITDA margin (%)	11.2	11.0	11.0
PBT	3,051	4,578	5,702
Net profit	2,015	3,021	3,763
EPS (Rs)	28.0	42.0	52.3
Growth (%)	74.0	50.0	25.0
CEPS (Rs)	29.4	44.0	55.1
Book value (Rs/share)	104.0	143.7	193.7
Dividend per share (Rs)	2.0	2.0	2.0
ROE (%)	30.7	33.9	31.0
ROCE (%)	24.9	29.5	29.5
Net cash (debt)	465.2	5,072.3	5,418.7
Net Working Capital (Days)	112.0	112.0	112.0

VALUATION PARAMETERS	FY10	FY11E	FY12E
P/E (x)	25.7	17.1	13.7
P/BV (x)	6.9	5.0	3.7
EV/Sales (x)	1.7	1.2	1.0
EV/EBITDA (x)	15.2	10.7	8.7

PRICE PERFORMANCE (%)	1M	3M	6M
	(2.8)	(5.4)	(2.1)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

IRB INFRASTRUCTURE DEVELOPERS

Current Price : Rs.224.2

Target Price : Rs.304

BUY

Latest Report Date
07/12/2010

Latest Report Price
Rs.224

INVESTMENT RATIONALE

- Experienced player in road BOT segment and likely to benefit from upcoming project awards in road segment
- Strong order book of Rs 95.1 bn to drive growth in revenues at a CAGR of 51% between FY10-FY12
- IRB has very strong operating margins due to excellent margins in EPC division as well as BOT division. We expect margins to be 45.6% and 38.8% for FY11 and FY12 respectively for the company
- Toll collections in BOT subsidiaries are likely to improve in line with WPI as well as traffic growth going forward
- Company also has sufficient funds for ongoing projects while fund raising approvals are already in place for future requirements
- With a strong order book and expected increase in toll revenues going forward, we expect revenues to grow at a CAGR of 51% and net profits to grow at a CAGR of 16% between FY10-FY12.
- We value the company on SOTP and arrive at a target price of Rs 304 on FY12 estimates. We thus recommend BUY on the stock.

RISKS & CONCERNS

- Slowdown in traffic growth or increase in interest rates
- Delay in project awards from NHAI or any aggressive bidding by the company can impact project viability

Shares O/s (mn): **332.4**
Mkt Cap (Rs mn): **74,515**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	17,539	25,395	39,750
Growth (%)	76.8	45.0	57.0
EBITDA	8,480	11,586	15,437
EBITDA margin (%)	48.3	45.6	38.8
PBT	4,167	6,384	7,539
Net profit	3,854	4,507	5,171
EPS (Rs)	11.6	13.6	15.6
Growth (%)	119.1	17.0	14.7
CEPS (Rs)	17.1	20.0	27.6
Book value (Rs/share)	61.4	72.5	85.6
Dividend per share (Rs)	2.0	2.0	2.0
ROE (%)	20.4	20.3	19.7
ROCE (%)	14.5	16.9	15.2
Net cash (debt)	23,600	35,645	53,914
Net Working Capital (Days)	112.0	90.0	67.0

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	19.3	16.5	14.4
P/BV (x)	3.7	3.1	2.6
EV/Sales (x)	5.6	4.3	3.2
EV/EBITDA (x)	11.6	9.5	8.3

PRICE PERFORMANCE (%)

	1M	3M	6M
	(6.9)	(13.9)	(16.2)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

HT MEDIA

Current Price : Rs.145

Target Price : Rs.200

BUY

Latest Report Date
29/10/2010

Latest Report Price
Rs.164

INVESTMENT RATIONALE

- Strong topline growth aided by growth in Hindustan, as well as growth in metro advertising, to help manage newsprint expenses, lead to 35.4% growth in EPS over FY2010-FY2012.
- Readership trends positive, to help garner advertising revenues and likely to lead to stronger growth going ahead.
- Strong entry barriers of HT, strengthening position of Hindi and business newspaper (Mint) long-term positives.
- In line with our DCF valuation, we see HT Media value at Rs 200/ share, implying strong upside potential. We have a BUY rating on the stock.

RISKS & CONCERNS

- Downside risks to earnings include stronger than expected rise in newsprint price. Softening of adex environment remains an industry risk.
- Competitive risks, of which the company's ongoing tussle with DB Corp (Jharkhand and Bihar) shall be most watched for.

Shares O/s (mn): **234.3**
Mkt Cap (Rs mn): **33,974**

FINANCIALS (RS MN)

	FY10	FY11E	FY12E
Sales	14,129	17,772	20,636
Growth (%)	4.0	25.8	16.1
EBITDA	2,554	3,391	4,372
EBITDA margin (%)	18.1	19.1	21.2
PBT	1,961	2,704	3,886
Net profit	1,424	1,866	2,604
EPS (Rs)	6.0	7.9	11.0
Growth (%)	333.7	31.1	39.4
CEPS (Rs)	9.0	11.1	14.3
Book value (Rs/share)	42.4	50.0	60.8
Dividend per share (Rs)	0.4	0.4	0.4
ROE (%)	15.4	17.1	19.9
ROCE (%)	12.6	14.3	17.2
Net cash (debt)	(2,038)	(91)	2,758
Net Working Capital (Days)	(7.3)	(5.3)	(3.9)

VALUATION PARAMETERS

	FY10	FY11E	FY12E
P/E (x)	24.0	18.3	13.2
P/BV (x)	3.4	2.9	2.4
EV/Sales (x)	2.4	1.8	1.4
EV/EBITDA (x)	13.3	9.5	6.7

PRICE PERFORMANCE (%)

	1M	3M	6M
	(3.0)	(9.9)	(2.9)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

COMPANY'S NAME	NON CUMULATIVE INTEREST RATE		
	1YR	2YRS	3YRS
ALEMBIC LIMITED	8.50	8.50	9.00
APOLLO HOSPITALS	8.00	8.25	8.75
DEEWAN HOUSING FIN.LTD (Aashray Deposits)	8.83(M)	8.93(M)	9.08(M)
	8.90(Q)	9.00(Q)	9.14(Q)
	9.00(H)	9.10(H)	9.25(H)
	9.20(Y)	9.31(Y)	9.46(Y)
DEEWAN HOUSING FIN.LTD (Swayam Sidha Deposit)	For 500 Days:		
	8.93(M)		
	9.00(Q)		
	9.10(H)		
EXIM BANK OF INDIA (Maximum Limit: Less than Rs. 1 Crore)	7.5 (upto 1cr.)	7.5 (upto 1cr.)	7.75 (upto 1cr.)
	6.50 (Above 1cr)	6.5 (Above 1cr)	6.75 (Above 1cr)
HDFC LIMITED (Maximum Limit: Less than Rs. 1 Crore)	7.70(M)	7.85(M)	7.95(M)
	7.75(Q)	7.90(Q)	8.00(Q)
	7.80(H)	7.95(H)	8.05(H)
		8.10(A)	8.20(A)
HUDCO (Max Limit: Rs. 25 Crores)	7.25	7.50	7.75
ICICI HOME FINANCE (Maximum Limit: Rs. 1 Crore)	6.90(M)	7.35(M)	7.50(M)
	6.95(Q)	7.40(Q)	7.55(Q)
	7.10(A)	7.60(A)	7.75(A)
J.K. TYRE & INDUSTRIES LIMITED	8.00	8.25	8.50
JAIPRAKASH ASSOCIATES LTD (Max Limit-Rs. 10 lacs)	10.50	11.00	11.50
JK PAPER LIMITED	8.00	8.25	8.50
LIC HOUSING FINANCE LTD	7.60	7.70(18 months)	7.85
		7.80(24 months)	
MAHINDRA & MAHINDRA FINANCE SERV LTD	7.65(Q)	8.65(Q)	9.15(Q)
	7.75(H)	8.75(H)	9.25(H)
NATIONAL HOUSING BANK (SUNIDHI SCHEME) (Maximum Limit: Less than Rs. 1 Crore)	7.25	7.50	8.00
NTPC LIMITED	6.50	6.75	7.00
SHRIRAM Trans FINANCE CO.LTD(UNNATI) (Maximum Limit: Less than Rs. 10 Crore)	8.48(Q)	9.18(Q)	9.65(Q)
	8.57(H)	9.28(H)	9.76(H)
	8.75(Y)	9.50(Y)	10.00(Y)

For queries and feedback you can e-mail us at company.fd@kotak.com

The Fixed Deposits list is not comprehensive but contains few Fixed Deposits currently available for Public. Investors should read the fixed deposit application forms before applying for the same.

ISSUE	BOOK RUNNING LEAD MANAGERS
Sterlite Energy Limited	Kotak/ Enam/ JM/ I-Sec/SBI Caps/JP Morgan/ Morgan Stanley/UBS
Sahara Prime City Limited	Kotak/Enam/JM/ Edelweiss/IDBI Caps
Greatship (India) Limited	Kotak/ Bofa Merrill
Entertainment World Developers Limited	Kotak/I-Sec/ Edelweiss
Gujarat State Petroleum Corporation Limited	Kotak/Enam/JM/I-Sec/ SBI Caps
Raheja Universal Limited	Kotak/Enam/Citi/Morgan Stanley
Avantha Power & Infrastructure Limited	Kotak/ Enam/ Axis /Citi
Muthoot Finance Limited	Kotak/ ICICI Sec/ CobrIm-HDFC Bank
Glenmark Generic Ltd.	Kotak/ Enam
Ambience Limited	Kotak/JM Fin/ Enam/ JP Morgan/ Macquarie
Lavasa Corporation Limited	Kotak / ICICI/ Morgan/ Axis
Endurance Technologies Limited	Kotak/ Citi
Hindustan Copper Limited	Kotak/ ICICI Sec / Enam/ SBI / UBS
Ind-Barath Power Infra Limited	JM Fin/ Motilal/ Bofa, IDFC, Avendus, Reliance
IOT Infrastructure & Energy Ser Ltd	SBI CAP/ ENAM
Embassy Property Developments Limited	UBS/ NOMURA/ BRLM-CITI/ EDEL
L&T Finance Holdings Limited	JM FIN/ CITI/ HSBC; BRLM-Barclays/ Credit Suisse; COBRLM-Equirus

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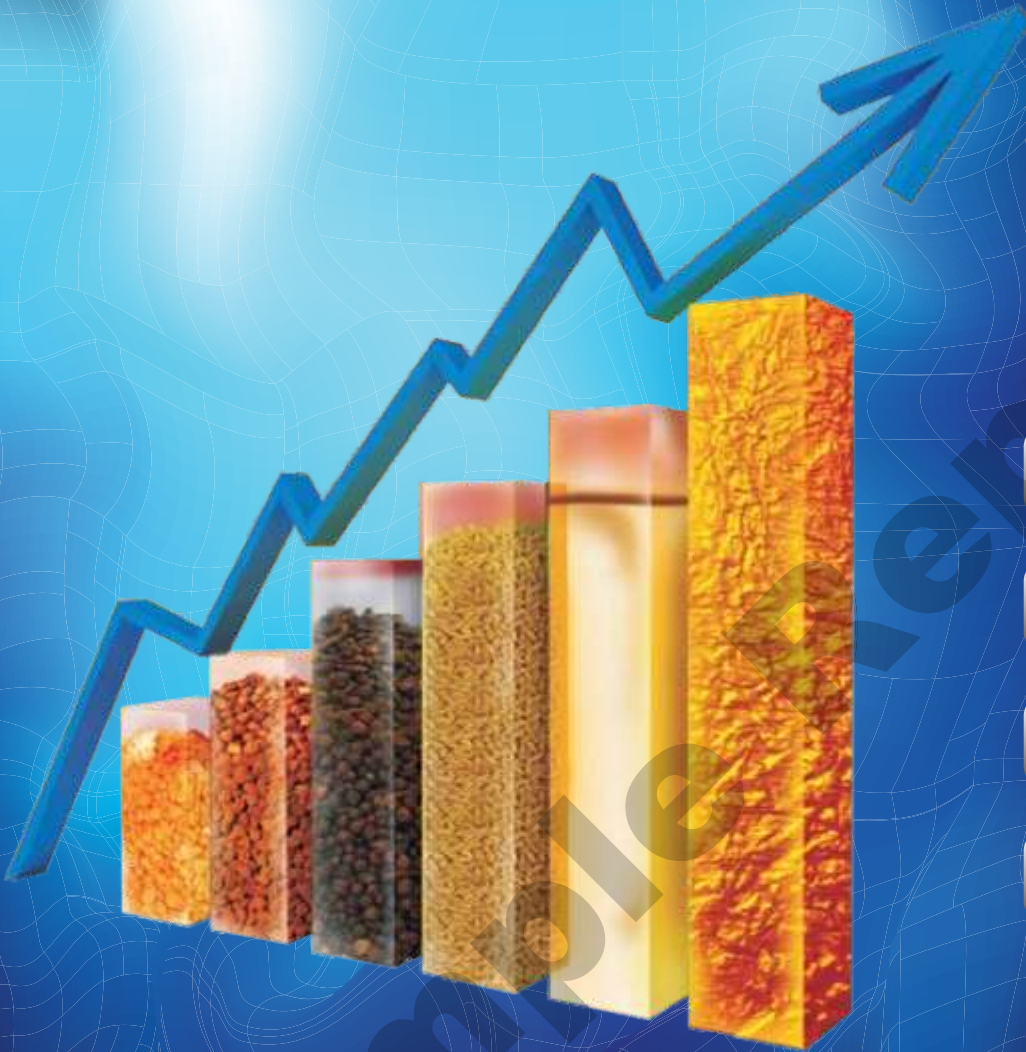
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