



## Economy News

- Foreign investment in commodity exchanges will become easier now. Also, import of second-hand capital goods will become tougher, according to the foreign investment norms released on Tuesday. The updated 'Consolidated Foreign Direct Investment Policy Document' has also changed the norms for non-banking finance companies (NBFCs) and foreign institutional investors (FIIs). (BL)
- The Cabinet was likely to soon take a decision on a proposal to allow foreign airlines to pick up stake in domestic carriers, most of which are facing a financial crisis, a senior government official said. Currently, India does not permit foreign airlines to buy stake in domestic airlines, although foreign investors are allowed to hold 49 per cent. (BS)
- The Society of Indian Automobile Manufacturers expects car sales to grow 10%-12% in 2012-13. The Indian automobile industry is expecting a 10-12 percent rise in sales in fiscal 2012-13 from the 17,376,624 units sold in 2011-12 on better macro-economic conditions, the industry body said. (ET)
- Qatar Investment Authority, the Gulf state's sovereign wealth fund, is looking to invest up to \$10 billion in India every year, according to its executive director Hussain Al Abdulla. However, in the past five years the authority has invested only about \$500 million in India and that too in the stock markets. In comparison, it has invested more than \$30 billion in Germany and over \$6 billion in China. (ET)

## Corporate News

- Bharti Airtel** is in advanced discussions with US chipmaker Qualcomm to buy its fourth-generation licences for about Rs 60bn, an acquisition that will allow the country's largest telecom firm to quickly launch 4G services in the key markets of Delhi and Mumbai. A person familiar with the development said the deal is likely to be closed by June and will be accompanied by technology agreements between Qualcomm and Bharti. (ET)
- The Mukesh Ambani-owned **Reliance Industries** may be close to buying the ailing **Kingfisher Airlines**, according to market sources. The sources say that as part of the deal, Reliance would also get Mangalore Chemicals and Fertilizers Ltd, in which the UB group has a 30.44 per cent stake. (BL)
- SpiceJet** has completed the transfer of 42.9mn shares to promoter Mr Kalanithi Maran taking his shareholding in the company to 13 per cent. The overall promoter holding of the company has now increased to 48.6 per cent. (BL)
- Essar Steel** has raised about Rs.26bn in loan for its new project at Odisha that will integrate its steelmaking process and reduce steel production cost by about 42%. Essar Steel has built a pellet plant - a facility that converts ore fines into high grade usable lumps - in Odisha and a slurry pipeline to bring the ore to the port for shipping them to its steelmaking plant on the western coast, at a total project cost of Rs.42bn. (ET)
- IGL** has approached the Delhi High Court challenging the constitutionality and legality of the powers of the Board to fix the tariff. (BL)
- The **Dunlop India** management has put up a proposal for the phased re-opening of its Shahgunj unit at Hooghly, West Bengal. Re-opening and subsequent absorption of labourers will be carried out in three phases. (BL)

### Equity

|                       | 10 Apr 12 | % Chg |       |        |
|-----------------------|-----------|-------|-------|--------|
|                       |           | 1 Day | 1 Mth | 3 Mths |
| <b>Indian Indices</b> |           |       |       |        |
| SENSEX Index          | 17,244    | 0.1   | (1.5) | 6.6    |
| NIFTY Index           | 5,244     | 0.2   | (1.7) | 7.9    |
| BANKEX Index          | 11,766    | 0.5   | (2.7) | 16.0   |
| BSET Index            | 5,981     | (0.9) | (2.5) | 2.5    |
| BSETCG INDEX          | 9,936     | (0.9) | (2.5) | 9.7    |
| BSEOIL INDEX          | 7,969     | (0.6) | (4.4) | 0.7    |
| CNXMcap Index         | 7,641     | (0.4) | (0.6) | 16.7   |
| BSESMCAP INDEX        | 6,792     | (0.1) | 0.6   | 11.8   |
| <b>World Indices</b>  |           |       |       |        |
| Dow Jones             | 12,716    | (1.7) | (1.6) | 2.1    |
| Nasdaq                | 2,991     | (1.8) | 0.1   | 10.3   |
| FTSE                  | 5,596     | (2.2) | (5.0) | (1.3)  |
| NIKKEI                | 9,538     | (0.1) | (5.0) | 11.6   |
| HANGSENG              | 20,356    | (1.1) | (4.6) | 5.0    |

### Value traded (Rs cr)

|             | 10 Apr 12 | % Chg - Day |
|-------------|-----------|-------------|
| Cash BSE    | 2,249     | 25.3        |
| Cash NSE    | 10,496    | 36.8        |
| Derivatives | 82,561    | 5.5         |

### Net inflows (Rs cr)

|             | 9 Apr 12 | % Chg   | MTD   | YTD     |
|-------------|----------|---------|-------|---------|
| FII         | (253)    | (288.0) | 1,549 | 45,586  |
| Mutual Fund | (207)    | 359.3   | (234) | (5,663) |

### FII open interest (Rs cr)

|                   | 9 Apr 12 | % Chg |
|-------------------|----------|-------|
| FII Index Futures | 8,916    | 0.8   |
| FII Index Options | 32,653   | 3.9   |
| FII Stock Futures | 22,402   | (0.2) |
| FII Stock Options | 802      | 9.6   |

### Advances / Declines (BSE)

|           | 10 Apr 12 | A     | B   | T     | Total | % total |
|-----------|-----------|-------|-----|-------|-------|---------|
| Advances  | 93        | 1,014 | 230 | 1,337 | 46    |         |
| Declines  | 110       | 1,086 | 233 | 1,429 | 49    |         |
| Unchanged | 2         | 111   | 37  | 150   | 5     |         |

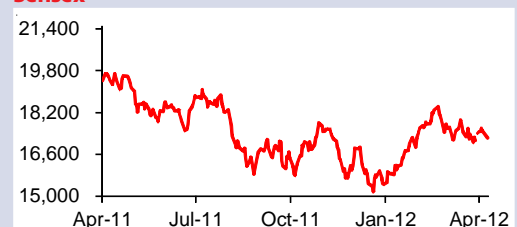
### Commodity

|                          | 10 Apr 12 | % Chg |       |        |
|--------------------------|-----------|-------|-------|--------|
|                          |           | 1 Day | 1 Mth | 3 Mths |
| Crude (NYMEX) (US\$/BBL) | 101.2     | 0.2   | (5.8) | 0.3    |
| Gold (US\$/OZ)           | 1,656.7   | 0.7   | (3.2) | 0.9    |
| Silver (US\$/OZ)         | 31.7      | 0.1   | (7.9) | 5.5    |

### Debt / forex market

|                     | 10 Apr 12 | 1 Day | 1 Mth | 3 Mths |
|---------------------|-----------|-------|-------|--------|
| 10 yr G-Sec yield % | 8.59      | 8.63  | 8.28  | 8.30   |
| Re/US\$             | 51.4      | 51.1  | 50.0  | 51.7   |

### Sensex



**MANAGEMENT MEET UPDATE**

Amit Agarwal  
agarwal.amit@kotak.com  
+91 22 6621 6222

**ADANI PORTS AND SPECIAL ECONOMIC ZONE (ADSEZ)**

**PRICE: Rs.132**  
**TARGET PRICE: Rs.166**

**RECOMMENDATION: BUY**  
**FY13E P/E: 17.5x**

**Adani Ports and Special Economic Zone (ADSEZ) has refinanced the ~USD2bn bridge loan taken for the Abbot Point port terminal at lower than expected terms. Plus the company has been issued Letter of Intent (LoI) for a 20 MT bulk terminal at Kandla port. We believe these positives are being overshadowed by negative news flow/perception at the group level. ADSEZ has fallen by 21% in the last three months versus 8% fall in the broader market (Nifty). This is again despite strong operational performance of the company. Now the stock trades at attractive valuation of 17.5x FY13E P/E considering PAT CAGR of 30% over FY11 to FY13E and over 25% RoE. Three year average historical one year forward P/E for ADSEZ is 22x. In case of EV/EBITDA multiple, it trades at ~13 times FY13E, which we believe is marginally undervalued in context of the healthy operating margin of ~65% with strong operational cash flows of ~ Rs 32 bn over FY11 to FY13E and healthy free cash flow of ~Rs 24 bn over FY11 to FY13E. Average historical one year forward EV/EBITDA for ADSEZ for the last 3 years is 15x. We reiterate BUY with a price target of Rs 166.**

**Summary table**

| (Rs mn)               | FY11     | FY12E    | FY13E    |
|-----------------------|----------|----------|----------|
| Sales                 | 20,001   | 25,818   | 33,916   |
| Growth (%)            | 33.7     | 29.1     | 31.4     |
| EBITDA                | 12,994   | 16,551   | 21,840   |
| EBITDA margin (%)     | 65.0     | 64.1     | 64.4     |
| PBT                   | 9,980    | 12,209   | 17,435   |
| Net profit            | 8,930    | 10,833   | 15,493   |
| EPS (Rs)              | 4.5      | 5.4      | 7.7      |
| Growth (%)            | 33.9     | 21.3     | 43.0     |
| CEPS (Rs)             | 6.0      | 7.1      | 9.6      |
| BV (Rs/share)         | 21.9     | 26.1     | 32.0     |
| Dividend / share (Rs) | 0.8      | 1.2      | 1.8      |
| ROE (%)               | 20.3     | 20.7     | 24.2     |
| ROCE (%)              | 12.3     | 14.6     | 17.7     |
| Net cash (debt)       | (40,726) | (34,695) | (23,862) |
| NW Capital (Days)     | 16.7     | 7.2      | 13.0     |
| EV/EBITDA (x)         | 21.5     | 17.2     | 13.2     |
| P/E (x)               | 30.3     | 25.0     | 17.5     |
| P/Cash Earnings       | 22.5     | 19.1     | 14.1     |
| P/BV (x)              | 6.2      | 5.2      | 4.2      |

Source: Company, Kotak Securities - Private Client Research

**Abbot Point bridge loan refinancing complete**

The Abbot Point Terminal AUD1.8 bn acquisition, which was funded by a USD2bn bridge loan, has been refinanced by a combination of asset backed loan and a holding company term borrowing at competitive rates of Bank-Bill Reference Rate (BBSW) +250bps and 3m LIBOR + 330bps respectively. The repayment is back ended, in line with volume scale up which would be 50mtpa terminal by FY15 thereby ensuring repayments aligned with project cash flows.

**Project pipeline in line with 200 MT target by 2020**

ADSEZ was recently issued LOI by the Kandla Port Trust to develop a 20 mtpa dry bulk terminal at investment of Rs10bn on BOOT basis for 30 years. Further, the company is also in race for the Rs 37bn Chennai Port's 4mn TEU mega container terminal project. It is also scaling up capacity at its flagship port, Mundra, by incurring capex of Rs 12 bn (over the next 2 years) buoyed by higher demand for coal imports and containersation volumes.

**The ongoing Central Bureau of Investigation (CBI) investigation at the group level having overhang on the stock**

The alleged involvement of the Adani Group in export of the illegally mined iron ore from Karnataka has caused decline in the share prices of Adani Group including ADSEZ. The matter will come up for hearing in due course of time. Till then we believe, the share price of Adani group shares would remain under pressure.

**Earlier Adani Port was also indicted for destruction of mangroves**

In October 2011, a bench of the Gujarat High Court (HC) had ordered the Adani Group to halt development within 300 meter of the coastal area of Adani Port & Special Economic Zone (ADSEZ) in Kutch. ADSEZ was blamed for destruction of mangroves, which in the long run can prove fatal for the environment of the region. All construction and development work in the area has been stopped till further order by the HC. Management indicated that the halting of the development work by the HC pertains to a very small portion of the SEZ and won't impact the day to day operations and financial performance of the company.

### Strong Operational Performance in Q3FY12

Q3FY12 volumes for the port were up 34% YoY and down 1% QoQ at 16.6 mn tonnes. Volumes were driven by containers (+20% YoY), crude (+90% YoY) and fertiliser (+65% YoY). Even coal volumes were good at 4.52 mn tonnes growing 56% YoY but were disappointing on QoQ basis falling 12%. Volumes across categories like minerals/steel/POL have reported flattish or marginal growth. The company has reported strong revenues of Rs 6.9 bn in 3QFY12, recording very strong growth of 53% YoY from Rs 4.5 bn. The revenues were driven by improvement in per tonne realisation to Rs 416/tonne from Rs363/tonne YoY and Rs 369/tonne QoQ. EBITDA margin expanded about 100 bps YoY (350 bps QoQ) to 69.7%. PAT was reported a Rs3.1 bn in 3QFY12, up 36% YoY and 11.5% QoQ.

### Present and upcoming capacity for ADSEZ in million tonnes

| Current       |          | Upcoming      |          |           |
|---------------|----------|---------------|----------|-----------|
| Terminal      | Capacity | Terminal      | Capacity | Status    |
| Multi-Purpose | 25       | Multi-Purpose | 15       | Mid FY13E |
| Container 1   | 15       | Container     | 20       | End FY15E |
| Container 2   | 15       | Bulk          | 40       | End FY15E |
| SPM1          | 25       |               |          |           |
| SPM2          | 25       |               |          |           |
| New coal      | 45       |               |          |           |
|               | 150      |               | 75       |           |

Source: Company

### We estimate exponential growth in volumes from 52 mn tonnes in FY11 to ~93 mn tonnes by FY13E and ~112 mn tonnes by FY14E

We estimate the port to have a capacity of 200 mn tons by FY14E (current = 155 mn tonnes). We have built in strong growth in port volumes for ADSEZ over FY11 to FY14E. We estimate the total port volumes to grow at a strong CAGR of 29% over FY11 to FY14E led by (1) 40% CAGR of bulk cargo volumes (2) 18% CAGR in container cargo and (3) 14% CAGR for crude volumes.

### Volume growth for Mundra

| Volumes in million tonnes              | FY11         | FY12E        | FY13E        | FY14E         |
|--|--------------|--------------|--------------|---------------|
| Misc. cargo (including other coal)     | 23.13        | 26.40        | 30.63        | 35.00         |
| Thermal coal (Adani power / Tata UMPP) | 0.00         | 11.25        | 22.50        | 31.50         |
| <b>Coal / Bulk</b>                     | <b>23.13</b> | <b>37.65</b> | <b>53.13</b> | <b>66.50</b>  |
| Crude                                  | 6.69         | 8.25         | 9.00         | 10.00         |
| POL                                    | 7.42         | 8.75         | 10.00        | 11.25         |
| Container terminal                     | 14.91        | 18.00        | 21.00        | 24.00         |
| <b>Total handled</b>                   | <b>52.15</b> | <b>72.65</b> | <b>93.13</b> | <b>111.75</b> |
| Capacity                               | 127.00       | 155.00       | 175.00       | 200.00        |
| Overall growth (%)                     | 29.8         | 39.3         | 28.2         | 20.0          |
| Growth in Misc cargo (%)               | 60.1         | 62.8         | 41.1         | 25.2          |
| Growth in Crude (%)                    | -10.8        | 23.3         | 9.1          | 11.1          |
| Growth in POL (%)                      | 6.2          | 17.9         | 14.3         | 12.5          |
| Growth in Container volumes (%)        | 32.5         | 20.7         | 16.7         | 14.3          |

Source: Company, Kotak Securities - Private Client Research

With the capacity ramp up and tied up volumes, we estimate revenues for ADSEZ to grow at 30% CAGR over FY11-FY13E. We expect the company to maintain its operating margin at the current level and deliver superior return ratios

## Healthy free cash flow generation of more than Rs 24 bn over FY11 to FY13E - balance sheet to become stronger

### Debt and cash flow analysis

| (Rs mn)                | FY10    | FY11   | FY12E  | FY13E  |
|------------------------|---------|--------|--------|--------|
| Gross Debt             | 43,480  | 42,075 | 39,168 | 36,545 |
| Networth               | 36,256  | 43,961 | 52,337 | 64,127 |
| Cash                   | 8,914   | 1,349  | 4,473  | 12,683 |
| Net Debt/equity (x)    | 0.95    | 0.93   | 0.66   | 0.37   |
| Gross Debt /EBITDA (x) | 4.50    | 3.24   | 2.37   | 1.67   |
| Operating cash flow    | 7,665   | 13,594 | 13,386 | 18,587 |
| Free cash flow         | -10,125 | -6,002 | 9,891  | 14,682 |
| Capex                  |         |        | 4,000  | 4,000  |

Source: Kotak Securities - Private Client Research

Despite been a capital intensive business the debt situation for ADSEZ is very comfortable. The stable cash flows from assured cargo and minimum working capital investment would be very important for the company to make more capex in the future and grow.

### Valuation and Recommendation

**We reiterate BUY on Adani Ports with a price target of Rs.166**

We continue to value ADSEZ on the basis of net present value of equity cash flow of the existing businesses. Our sum-of-parts valuation for ADSEZ works out to Rs 166/share. We haven't factored Hazira terminal in our valuation yet. We reiterate **BUY** rating on the stock with an unchanged target price of Rs 166. Our target price implies and upside of 21% from the CMP.

## Bulk deals

## Trade details of bulk deals

| Date   | Scrip name      | Name of client                    | Buy/<br>Sell | Quantity<br>of shares | Avg.<br>price<br>(Rs) |
|--------|-----------------|-----------------------------------|--------------|-----------------------|-----------------------|
| 10-Apr | AP Paper        | Kbs Properties Pvt Ltd            | B            | 300,000               | 217.9                 |
| 10-Apr | Ap Paper        | Evans Fraser & Co (I) Ltd         | S            | 300,000               | 217.9                 |
| 10-Apr | Atharv Enter    | Pooja Bippin Jaju                 | S            | 30,600                | 41.0                  |
| 10-Apr | Brahmaputra Inf | Anil Kejriwal                     | B            | 50,000                | 48.4                  |
| 10-Apr | Brahmaputra Inf | Brahmaputra Infrastructure Ltd    | S            | 86,110                | 48.4                  |
| 10-Apr | Dinesh Allorga  | Patel Investments                 | S            | 30,000                | 92.6                  |
| 10-Apr | Jaihind Syn     | Vinod Ram                         | B            | 33,765                | 9.2                   |
| 10-Apr | Jyoti Struc     | Reliance Life Insurance Co Ltd    | B            | 1,200,000             | 43.0                  |
| 10-Apr | Kanchan Intl    | SLP Traders (Satish Vasant Ghone) | B            | 47,000                | 70.5                  |
| 10-Apr | Kanchan Intl    | Pankaj Jayantilal Dave            | B            | 24,050                | 70.5                  |
| 10-Apr | Kanchan Intl    | Dharmesh R Sanghvi HUF            | S            | 25,000                | 70.5                  |
| 10-Apr | Ken Fin Serv    | Neeru Manoj Mehta                 | B            | 25,000                | 54.4                  |
| 10-Apr | Ken Fin Serv    | Sheela Mehta                      | B            | 17,500                | 54.5                  |
| 10-Apr | Ken Fin Serv    | Rakesh Maneklal Jain              | S            | 28,948                | 54.8                  |
| 10-Apr | Ken Fin Serv    | Vimalkumar Sureshchandra Raval    | S            | 29,010                | 54.5                  |
| 10-Apr | Lords Chemicals | Ajmera Shares Trading Pvt Ltd     | B            | 31,833                | 75.0                  |
| 10-Apr | Lords Chemicals | Anand Ajmera                      | B            | 28,357                | 75.3                  |
| 10-Apr | Lords Chemicals | Sayonara Commerce Pvt Ltd         | S            | 56,828                | 75.1                  |
| 10-Apr | Mohit Inds-\$   | Megha Mahesh Khandelwal           | B            | 60,861                | 35.8                  |
| 10-Apr | Money Matters   | Triple Ace Finacial Cons Pvt Ltd  | S            | 205,943               | 76.0                  |
| 10-Apr | Pasupati Fin    | Rohnil Boradia                    | B            | 69,376                | 39.1                  |
| 10-Apr | Prime Focus     | Neeta Naresh Malhotra             | S            | 1,412,712             | 48.0                  |
| 10-Apr | Prism Info      | Yes Equities Pvt Ltd              | S            | 80,000                | 30.4                  |
| 10-Apr | Ravinay Trad    | Ken Financial Services Ltd        | S            | 27,000                | 125.4                 |
| 10-Apr | Shalibhadra Fin | Jigneshkumar Harshvadan Gandhi    | B            | 42,862                | 70.8                  |
| 10-Apr | Shirpur Gold    | C S Orbit Investments Ltd         | S            | 148,500               | 137.2                 |
| 10-Apr | Shreychem       | Rajesh Rajesh                     | B            | 41,408                | 46.2                  |
| 10-Apr | Shreychem       | Mulchand Lakhamsi Nagda           | S            | 45,000                | 46.3                  |
| 10-Apr | Sunlake Resorts | Ketan Amrutlal Shah               | B            | 123,500               | 11.3                  |
| 10-Apr | Sunlake Resorts | Vipul Amrutlal Shah               | S            | 118,600               | 11.3                  |
| 10-Apr | Supertex Inds   | Sandip Pravinchandra Vora         | S            | 99,900                | 5.1                   |
| 10-Apr | Titagarh Wag    | Reliance Capital Trustee Co. Ltd  |              |                       |                       |
|        |                 | A/C Reliance Long Term Equity     | B            | 405,000               | 330.0                 |
| 10-Apr | Titagarh Wag    | Reliance Capital Trustee Co. Ltd. |              |                       |                       |
|        |                 | A/C Reliance Natural Resource     | B            | 405,000               | 330.0                 |
| 10-Apr | Titagarh Wag    | India Capital Opportunities 1 Ltd | S            | 122,691               | 330.0                 |
| 10-Apr | Titagarh Wag    | India Capital Fund Ltd            | S            | 686,615               | 330.0                 |
| 10-Apr | Uniphos Enter   | Nerka Chemicals Private Ltd       | B            | 1,239,959             | 25.0                  |
| 10-Apr | Uniphos Enter   | The Royal Bank Of Scotland N.V.   | S            | 1,250,000             | 25.0                  |
| 10-Apr | Virinchi Tech   | Reji Abraham                      | S            | 87,500                | 7.6                   |

Source: BSE

## Gainers &amp; Losers

## Nifty Gainers &amp; Losers

|                | Price (Rs) | chg (%) | Index points | Volume (mn) |
|----------------|------------|---------|--------------|-------------|
| <b>Gainers</b> |            |         |              |             |
| ITC Ltd        | 229        | 2.4     | 9.3          | 5.5         |
| Tata Motors    | 284        | 3.0     | 4.6          | 8.2         |
| SBI            | 2,151      | 2.4     | 4.2          | 1.9         |
| <b>Losers</b>  |            |         |              |             |
| Infosys Ltd    | 2,771      | (1.8)   | (8.0)        | 0.9         |
| ONGC           | 265        | (1.5)   | (2.4)        | 1.8         |
| L&T            | 1,285      | (1.0)   | (2.3)        | 1.6         |

Source: Bloomberg

## Fundamental Research Team

**Dipen Shah**IT, Media  
dipen.shah@kotak.com  
+91 22 6621 6301**Sanjeev Zarbade**Capital Goods, Engineering  
sanjeev.zarbade@kotak.com  
+91 22 6621 6305**Teena Virmani**Construction, Cement, Mid Cap  
teena.virmani@kotak.com  
+91 22 6621 6302**Saurabh Agrawal**Metals, Mining  
agrawal.saurabh@kotak.com  
+91 22 6621 6309**Saday Sinha**Banking, NBFC, Economy  
saday.sinha@kotak.com  
+91 22 6621 6312**Arun Agarwal**Auto & Auto Ancillary  
arun.agarwal@kotak.com  
+91 22 6621 6143**Ruchir Khare**Capital Goods, Engineering  
ruchir.khare@kotak.com  
+91 22 6621 6448**Ritwik Rai**FMCG, Media  
ritwik.rai@kotak.com  
+91 22 6621 6310**Sumit Pokharna**Oil and Gas  
sumit.pokharna@kotak.com  
+91 22 6621 6313**Amit Agarwal**Logistics, Transportation  
agarwal.amit@kotak.com  
+91 22 6621 6222**Jayesh Kumar**Economy  
kumar.jayesh@kotak.com  
+91 22 6652 9172**K. Kathirvelu**Production  
k.kathirvelu@kotak.com  
+91 22 6621 6311

## Technical Research Team

**Shrikant Chouhan**shrikant.chouhan@kotak.com  
+91 22 6621 6360**Amol Athawale**amol.athawale@kotak.com  
+91 20 6620 3350**Premshankar Ladha**premshankar.ladha@kotak.com  
+91 22 6621 6261

## Derivatives Research Team

**Sahaj Agrawal**sahaj.agrawal@kotak.com  
+91 22 6621 6343**Rahul Sharma**sharma.rahul@kotak.com  
+91 22 6621 6198**Malay Gandhi**malay.gandhi@kotak.com  
+91 22 6621 6350**Prashanth Lal**prashanth.lalu@kotak.com  
+91 22 6621 6110

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