Deutsche Bank

6 July 2007

India Equity Strategy

Staying positive on capital goods, cement

Key takeaways from London meetings
Despite investor concerns, there is real progress in adding significant power sector capacity in the next few years. Cement prices likely to surprise positively. More datapoints supporting our overweight view on capital goods and cement sectors in India.

Key power sector representatives at investor meetings support +ve view
We hosted a top-level delegation in London consisting of the Secretary – Ministry of Power, CEO – NTPC, CEO – Power Grid Corporation and CEO – Power Finance Corporation at our India Corporate Day and subsequently at the Euromoney India Investment Forum last week. These individuals represent India's key policymakers and government-owned firms in power generation, transmission and financing.

Not just ambitious 5-year targets, but likelihood of coming close to them
The key takeaway was not just the ambitious targets for adding new power generating/T&D capacity and the ~US$235bn of investments in the power sector over the next 5 years. Rather it was the likelihood of the government coming close to achieving these targets in the next 5 years. For example, of the 78,500 MW of new capacity, 47,500 MW is already under construction and orders for another 20000 MW are due to be placed this month. Note that capacity additions in the last 5 years were <25,000 MW!

Other infrastructure-related speakers: NHAI, Suzlon and Grasim
The National Highways Authority of India (NHAI) chairman expects a sharp increase in road capex over the next 5 years; Grasim said cement prices would move based on 'demand-supply', implying no price freeze and upside to street estimates. Suzlon Energy's CEO was quite upbeat on wind energy prospects, which may help supplement the thermal energy initiatives in the coming decade.

Capital goods stocks aren't cheap, but don't forget secular high growth/RoEs
We continue to recommend an overweight on the capital goods sector in India – with pure power sector capex plays like ***BHEL*** and ***Siemens*** being our top large cap picks. We also like ***Larsen & Toubro*** – 15-20% of its order backlog is from the power sector, and it is well positioned for large construction contracts in the sector. Our analyst (*Manish Saxena)* remains well above consensus on his estimates and has a Buy on these stocks.

Figure 1: Capital goods – valuation summary

		Price	Mkt Cap	P/E (x)		EPS CAGR	ROE (%)		ROCE (%)	
Yr to Mar	Bbg	6-Jul (Rs)	US$ m	FY08e	FY09e	FY07/09E	FY08e	FY09e	FY08e	FY09e
BHEL	BHEL IN	1,556	18,826	21.9	17.2	30%	35.1	34.7	54.4	63.9
Larsen & Toubro	LT IN	2,365	16,903	26.8	19.6	40%	34.6	37.9	33.6	43.5
Siemens India*	SIEM IN	1,406	5,877	22.1	15.3	65%	51.2	48.4	nm	nm

*ABB has a Dec year-end, hence FY08 refers to CY07 data, and Siemens has a Sep year-end and FY08 refers to Sep-08 data. Source: Deutsche Bank

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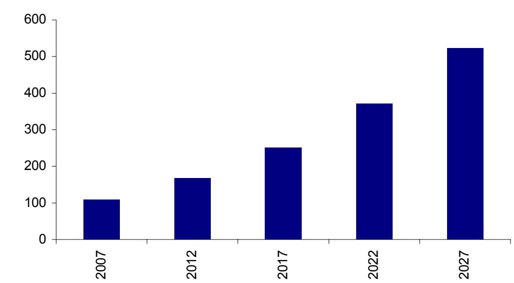
Top picks

Ambuja Cements (ACEM.BO), INR13.3	Buy
BHEL (BHEL.BO), INR 1,555.9	Buy
Grasim (GRAS.BO), INR 2,773.2	Buy
HDFC (HDFC.BO), INR 1,916.1	Buy
ICICI Bank (ICBK.BO), INR 981.6	Buy
Infosys (INFY.BO), INR 1,971.3	Buy
L&T (LART.BO), INR 2,364.6	Buy
Reliance Communications (RLCM.BO), INR 550.1	Buy
Siemens India (SIEM.BO), INR 1405,95	Buy
Tata Consultancy (TCS.BO), INR 1,159	Buy

Demand for power in India (in megawatts)



Source: Deutsche Bank, Power Grid Corporation of India Ltd.

Top picks

Siemens India Ltd (siem.bo),INR1,405.95	**Buy**

Meeting takeaways

Ministry of Power

Speaker

Anil Razdan - Secretary

- The Secretary admitted that the government target of adding 78,500 MW of power generating capacity over the next 5 years (FY07-FY12, Mar) may *appear* overly ambitious – especially given that current total installed capacity is only 135,000 MW and the track record of significant slippages in previous 5-year plans. Note that the planned capacity addition does not include 13,500 MW through non-conventional energy sources, 12,000 MW through captive power plants, 10,000 MW through merchant power plants, and thermal projects of 11,545 MW to be completed on a 'best-efforts' basis.

Figure 2: Planned capacity addition (in megawatts) during XIth 5-year plan (FY07-12)

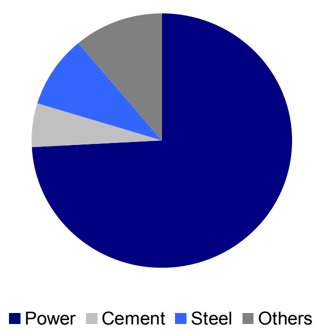
Energy source	Central sector	State sector	Private sector	Total
Thermal	26,800	24,347	7,497	58,644
Hydro	9,685	3,605	3,263	16,553
Nuclear	3,380	-	-	3,380
Total	**39,865**	**27,952**	**10,760**	**78,577**

Source: Deutsche Bank, CEA April 2007; the data is in megawatts (mw)

- However, unlike the earlier plan period, the government is very confident of achieving its target due to the following:
  - 47,000 MW of capacity is already under construction
  - Another 20,000 MW is in final stages of negotiation for financial closure
  - Typically, it takes 3-4 years for completion of a thermal power plant; assuming equipment orders are placed by Mar-08 (still 9M away), the government is confident of achieving its targets this time around.
- In addition, there is scope for further efficiency improvements:
  - Average PLF was 50-55% about 10 years ago. Today, its ~77% with some old power plants running at 20-30% and new ones running at 90%+. Expect further improvement in average PLFs.
  - T&D losses have been coming down. Target is 15% by end of FY12 (Mar). This is being down through SEB reforms (e.g. the APDRP program), investments in a stronger T&D network, and tighter enforcement of penalties for power theft.
  - There is 26,000 MW of captive generating capacity that is not connected to state power grids. Most such plants can run at higher-than-existing PLFs and contribute to electricity output.
- Note that the government's capacity addition targets do not include the Ultra Mega Power Projects (UMPPs) which are being planned for the next 5-year plan (FY12-FY17). The government is currently working on tightening the norms for future UMPP bids.
- Coal will continue to be the dominant fuel for new power plants (67% of electricity generated came from coal fired-stations in FY07). Apart from investments by Coal India to step up production, the government has started the process of allocating coal mining blocks to private/public enterprises, and private sector power generating firms are free to import coal as well.

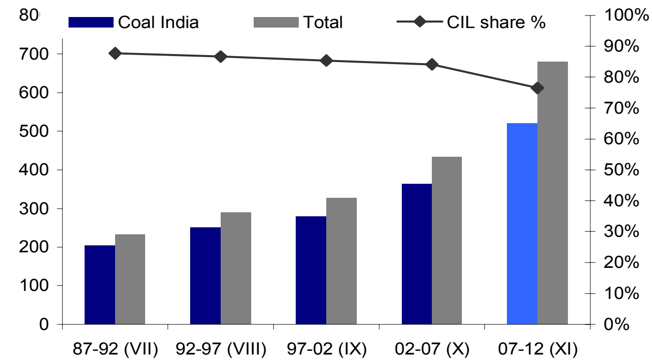
- The power sector is expected to consume ~75% of all the coal produced in India in the XIth plan period (FY07-FY12) .The coal industry in India has also undergone reforms to keep pace with the growing demand of power in India. The production of coal has increased significantly over the last decade and is expected to grow further in the XIth plan period to 680 mn tons, implying a ~10% CAGR.

Figure 3: Coal demand distribution (% share)



Source: Deutsche Bank, Coal India Ltd.

Figure 4: Coal production (in mn tons)



Source: Deutsche Bank, Coal India Ltd

- The government is aware of the need for more equipment manufacturing capacity in India and is trying to encourage that. Other than the main boiler/turbine equipment, big investments needed in manufacturing capacity for coal handling plants, cooling towers, etc. In the T&D segment, there is likely to be a considerable demand for transformers, conductors, insulators, meters, transmission towers, etc. – especially as village electrification gathers momentum in the next 5 years.

- Demand side management is another growing area of focus. For example, a nationwide campaign is to be launched shortly to replace the more energy intensive tungsten filament bulbs with compact fluorescent light bulbs which consume 75% less energy.

- Overall, India's power sector is likely to see substantial investments – estimated at US$235bn – over the next 5 years to overcome the chronic shortages (peak shortage of 13.5%). This is expected to be spread across the generation, transmission and distribution segments in the ratio of 2:1:1 respectively.

- Availability of funds is no longer an issue for the power sector in the Secretary's view.

National Thermal Power Corporation (NTPC)

Speaker:

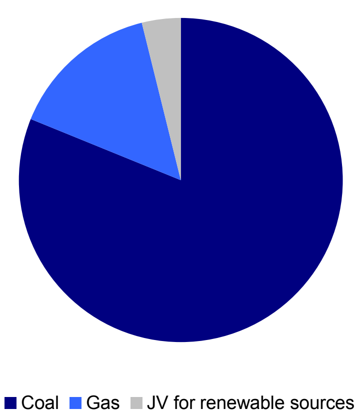
T. Sankaralingam - Chairman and Managing Director

- NTPC plans to add 22,000 MW of power generating capacity over the next 5 years (by FY12-Mar), and another 25,000 MW by FY2017 (Mar). This may seem ambitious given that the current installed capacity is only 28,000 MW, but:
  - 11,300 MW of capacity is already under construction
  - 2,500 MW of capacity is likely to be ordered shortly.
  - By Dec-07, equipment orders for the entire 22,000 MW capacity will be placed.
  - BHEL – the main equipment vendor – is augmenting its capacity significantly, and new machines will be in place by Mar-08. NTPC's biggest issues with Chinese equipment suppliers relate to system reliability given India's low-grade domestic coal and high PLF requirements, as well as the availability of equipment spares. However, these issues are gradually being addressed.

- Funding is not an issue. NTPC has adequate internal accruals (annual net profit is US$1.7bn and growing at ~15% p.a.) and ability to take on more debt either directly or through equipment vendor financing.

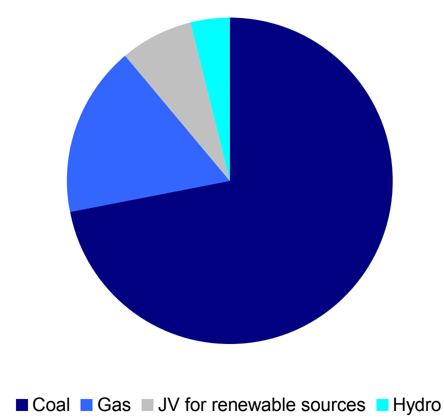
- NTPC is looking at sourcing coal from abroad for its coastal power stations and for its mega power plants.

Figure 5: NTPC's capacity mix by fuel type in FY07 (Mar)



Source: Deutsche Bank, Company presentation

Figure 6: NTPC's capacity mix by fuel type in 2012E



Source: Deutsche Bank, Company presentation

- Apart from just adding more coal-based power generating capacity, NTPC plans to be an integrated power company with plans to add hydro- and nuclear-based power generating capacity (1st hydro plant likely by FY09), expand its coal mining activities (1st block likely to be operational by end-FY08), power trading as well as build/operate power plants overseas in other smaller developing countries (e.g Nigeria). There is also a JV with ADB for development of renewable energy sources.

- Biggest challenge for NTPC is talent. It has 24,000 power sector professionals and it needs to continue to invest in attracting and retaining talent.

- Availability and pricing of natural gas for its power plants is another key issue. NTPC's system availability is 92%, but average PLF tends to be lower due to gas supply issues. Still awaiting final court ruling on contract for gas supply with Reliance Industries. Nonetheless, coal is likely to remain as the dominant fuel for India's power needs going forward.

- With installed capacity of ~28,000 MW, NTPC accounts for 20.8% of India's total generating capacity, but it accounts for 28% of total electricity production – this is because of relatively better efficiency. This proportion is likely to increase going forward given its aggressive capacity addition plans.

Power Grid Corporation (PGC)

Speaker:
Dr. R.P. Singh – Chairman and Managing Director

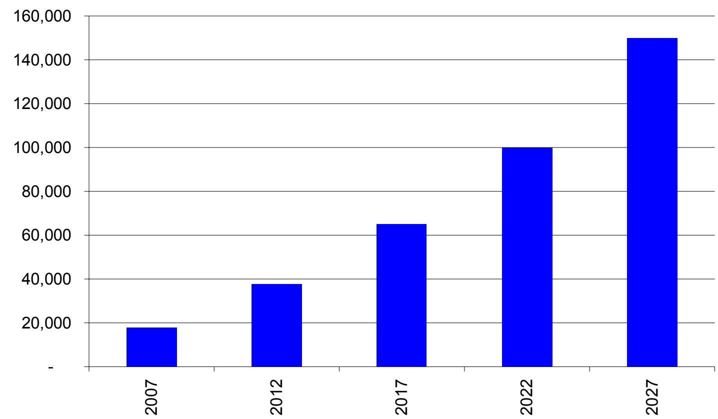
- PGC is currently a 100% government-owned central transmission utility which began operations in FY1993. It owns a power grid consisting of 61,500 ckt kms and 105 sub-stations. Its activities include development of central sector transmission system and grid management. It has also diversified into broadband telecom services, sub-transmission, distribution, rural electrification and consultancy projects.

- PGC carries about 42-45% of India's power with a system availability of 99.7%.

- It is paid wheeling charges based on a regulated RoE of 14%, but it is incentivized for superior system availability (standard is 98%) and interest on loans is a pass-through. Its asset base as of March 2007 was US$7.1bn, and PGC reported revenues of ~US$1bn and net profit of US$300mn. Its consultancy revenues (~20% of total) are not subject to any regulatory ceiling.

- The existing inter-regional power transfer capacity is 14,100 MW and this should reach 17,400 MW by year end. The target is 37,800 MW by 2012.

Figure 7: Growth in inter regional capacity (in mega watts)



Source: Deutsche Bank, Power Grid Corporation of India ltd.

- PGC plans to spend US$13.4bn in FY07-FY12 (vs US$4.6bn in the recently concluded 5-year period). This will require debt funding of US$9.4bn and the rest will come from internal accruals and a fresh equity issue (IPO likely soon).

- The transmission sector has been thrown open to the private sector, and PGC has a JV with Tata Power for bringing electricity from Nepal.

- In terms of technology, key areas of focus include upgrading of existing transmission corridors (including upto 800 kV), compact towers to reduce Right of Way limitations, extra high towers with multi-circuits to avoid deforestation and protection of wild life.

Power Finance Corporation (PFC)

Speaker:

Dr. V.K. Garg – *Chairman & Managing Director*

- PFC accounts for 20% of total power sector investments in India with total assets of ~US$11bn and FY07 net profit of ~US$230mn, making it the single largest financier in the sector. PFC is involved in all activities in the power sector across all categories – private/public, coal/hydro/gas/biomass, small/big plants, etc. With ~US$225bn of estimated investment in India's power sector over the next 5 years, this makes PFC a direct play on growth in the sector.

Figure 8: Total fund requirement (US$ bn) in power sector for XIth plan (FY07-12)

	State	Central	Private	Total
Generation	28.28	46.17	19.42	93.87
Transmission	14.85	17.13		31.98
Distribution	65.57			65.57
NCEs and Captives	5.14		21.25	26.39
Merchant Power Plants			9.13	9.13
Others	3.63	5.09		8.72
Total	**117.47**	**68.39**	**49.80**	**235.66**

Source: Deutsche Bank, Ministry of Power, Govt. of India. INR/USD rate of 43.77 as on 31 Mat 2007

- One of PFC's key strengths is its strong project appraisal skills – this has enabled net NPAs to remain very low at 0.06%.

- PFC believes its cost of funds is quite competitive as it has a high credit rating and can access concession funding from multilateral agencies. Unlike banks, it does not have to set aside reserve funds for SLR or CRR. Its operating efficiency is also high – only 300 staff.

- Its average cost of funds in FY07 was 7.33% with average yield of 9.25%, with a spread of 1.93%. Fee income is growing rapidly.

- PFC completed its IPO in Feb-07 and the stock is up ~2x since listing. The government owns a 90% stake currently.

Suzlon Energy

Speaker:
Tulsi Tanti - Chairman

- Suzlon expects strong growth in wind energy globally driven by: (1) global warming driving need for environment friendly energy sources (2) energy security issues amidst increasing electricity demand and (3) cost competitiveness vs traditional energy sources. (4) Quick installation of wind power plants

- USA, China and India are expected to be the key growth markets, and wind energy is estimated to be a Euro140bn opportunity over the next 5 years.

- Suzlon's key differentiating factor is that it is a vertically integrated manufacturer with an efficient supply chain and highly cost-competitive. Consequently, it has the highest margins worldwide in wind energy.

- The acquisition of RE Power was mainly for acquisition of technology and also for access to key markets in Europe like UK, Germany & France.

- Suzlon denied that fiscal benefits for wind power in India are substantial – only benefit is cashflow subsidy in the form of accelerated depreciation allowances.

- Suzlon's net profits have grown at a 54% CAGR over the last 3 years. In FY08 (Mar), the company expects 100%+ revenue growth.

National Highways Authority of India (NHAI)

Speaker:
Pradeep Kumar - Chairman

- India has one of the world's largest road networks in the world, aggregating to 3.34mn kms. However, national highways account for only 2% of the total length of the roads, but 40% of the total traffic. And of the national highways, 32% is single/intermediate lane, 56% is 2-lane and only 12% is 4-lane standard. Importantly, vehicular traffic is growing at 7% p.a. in the last few years, and there is clearly an urgency to speed up India's road network development.

- The National Highways Development Project (NHDP) – being implemented by the NHAI consists of several key components as shown in the table below:

Figure 9: NHDP and other NHAI projects as on May 31 2007

	NHDP							
	Golden Quadrilateral	**North South – East West**	**NHDP Phase IIIA**	**NHDP Phase V**	**NHDP Subtotal**	**Port Connectivity**	**Others**	**TOTAL**
		Ph. I & II			Total			
Total Length (km)	5,846	7,300	4,000	6,500	23,646	380	962	24,988
Already 4-Laned (km.)	5,574	1,230	30	-	6,834	155	287	7,276
Under Implementation (Km.)	272	5,048	1,848	148	7,316	204	655	8,175
Contracts Under Implementation (No.)	29	146	28	2	205	7	17	229
Balance length for award (km.)	-	860	2,122	6,352	9,334	21	20	9,375

Source: Deutsche Bank, National Highways Authority of India

- The Golden Quadrilateral project has been almost completed and the North-South/East-West corridors are expected to be completed by Dec-09.

- The key focus going forward – apart from ensuring timely completion of existing projects – will be on corridor management, i.e. managing the highways so as to deliver maximum throughput in terms of speed and traffic volume, via O&M contracts.

- The private sector is expected to play a big role going forward, with NHDP Phase III to Phase VII being taken up on a public-private partnership model on the BOT mode. However, given the significant increase in private sector interest in road projects, RoEs available to private sector bidders have fallen over the last few years, while those who bid early would have benefited.

Grasim Industries

Speaker:

D. D. Rathi – Wholetime Director

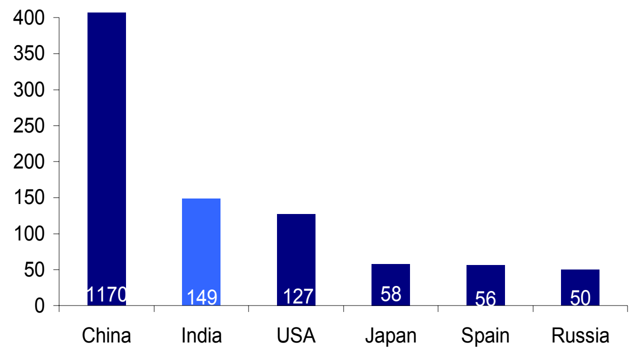
- Management believes cement prices will move as per demand-supply equations – this reaffirms the Finance Minister's statement last week that there was no price freeze. The threat of imports is overstated, and cement margins should sustain. Cement demand is turning out to be stronger than expected in the last few months.

- Grasim expects 6-7% volume growth in FY08, with the big volume increase coming only in FY09 when its additional capacity comes through.

- VSF division should continue to do well – industry volumes are growing steadily and VSF prices should stay firm – partly driven by strong cotton prices. Note that the AV Birla Group – to which Grasim belongs – has a 21% market share globally in VSF.

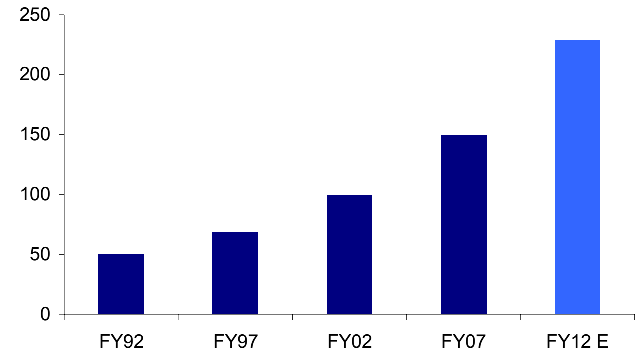
- *Our analyst continues to stay well above consensus on his estimates for Grasim and maintains a Buy.*

Figure 10: Market size of cement industry (mn tonnes)



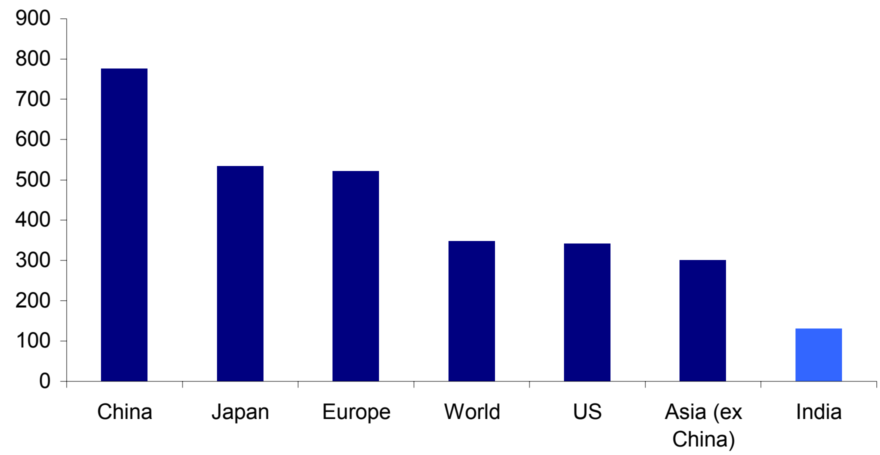
Source: Deutsche Bank, Company presentation

Figure 11: Cement Market size in India (mn tonnes)



Source: Deutsche Bank estimates, Company presentation

Figure 12: Per capita cement consumption (in Kgs.)



Source: Deutsche Bank, Company presentation

DB India model portfolio

Figure 13: DB India model portfolio

	BBG	Price (Rs)	Free-float mkt	3 mth avg	% weight in			Under / Over by*	Price Perf (%)		P/E	EPS CAGR (%)	P/BV	RoE (%)	
Company	Ticker	6-Jul-07	cap (US$m	vol (US$m	Sensex	Nifty	DB	(bps)	2006	2007 YTD	FY08E	FY07-09E	FY07E	FY07E	FY08E
Auto/Motor Vehicle			**20,424**	**111**	**5.80**	**4.64**	**2.49**	**-215 bps**							
Mahindra & Mahindra	MM IN	787	3,822	17	1.60	0.85	0.79	-6 bps	77	-13	18.1	12.8	5.1	32.9	26.3
Tata Motors	TTMT IN	711	4,061	32	1.70	1.21	1.70	49 bps	38	-21	11.1	13.6	3.5	30.9	28.3
Capital Equipment			**39,825**	**211**	**9.01**	**10.34**	**13.30**	**296 bps**							
ABB India	ABB IN	1137	2,979	13		1.07	3.00	193 bps	92	-69	44.2	58.7	20.2	32.4	37.7
Bharat Heavy Electricals	BHEL IN	1556	6,589	35	2.76	3.37	5.50	213 bps	66	35	21.9	29.9	8.8	32.9	35.1
Larsen & Toubro	LT IN	2365	14,919	42	6.25	2.96	4.80	184 bps	56	64	26.8	40.4	10.2	30.5	34.6
Cement & Construction			**21,389**	**171**	**4.63**	**2.87**	**6.30**	**343 bps**							
Ambuja Cements	ACEM IN	131	3,454	18	1.45	0.88	2.50	162 bps	78	-7	10.4	14.2	6.1	53.5	50.9
Grasim Industries	GRASIM IN	2773	4,713	8	1.97	1.12	3.00	188 bps	100	-1	9.5	19.7	3.8	33.9	34.2
India Cements	ICEM IN	219	895	13	0.00	0.00	0.80	80 bps	134	-7	8.6	-1.5	3.0	25.5	30.2
Chemicals & Fertilisers			**4,233**	**15**	**0.00**	**0.45**	**0.00**	**-45 bps**							
Financial			**76,177**	**483**	**20.54**	**12.02**	**14.08**	**206 bps**							
Housing Development Finance Corp	HDFC IN	1916	10,782	24	4.52	2.14	4.10	196 bps	35	18	25.6	19.4	8.7	31.3	25.5
ICICI Bank	ICICIBC IN	982	21,896	36	9.17	3.92	8.00	408 bps	52	10	23.6	17.4	3.6	13.2	11.6
Punjab National Bank	PNB IN	524	1,839	10		0.73	1.98	125 bps	9	3	9.1	20.6	1.6	15.5	16.9
FMCGs			**23,629**	**85**	**6.53**	**4.93**	**2.50**	**-243 bps**							
ITC	ITC IN	156	10,123	21	4.24	2.59	2.50	-9 bps	24	-12	21.2	8.1	5.5	27.5	24.3
Media/Publishing			**4,400**	**34**	**0.00**	**0.60**	**1.00**	**40 bps**							
Sun TV Network	SUNTV IN	1610	392	5	0.00	0.00	1.00	100 bps	n/a	13	34.2	37.6	46.3	92.6	136.4
Medical/Health			**16,480**	**109**	**2.96**	**3.16**	**1.60**	**-156 bps**							
Cipla/India	CIPLA IN	212	2,649	13	1.11	0.73	0.50	-23 bps	41	-15	21.1	18.0	5.0	25.1	21.9
Sun Pharmaceuticals Industries	SUNP IN	1012	1,707	8		0.87	1.10	23 bps	44	3	19.6	27.6	8.2	37.7	27.7
Metals & Mining			**20,732**	**179**	**4.22**	**7.51**	**4.00**	**-351 bps**							
Steel Authority Of India	SAIL IN	131	2,005	33		2.39	4.00	161 bps	65	47	6.4	30.8	3.2	39.0	41.1
Oil & Gas			**51,996**	**251**	**16.24**	**23.23**	**20.10**	**-313 bps**							
Oil & Natural Gas Corp	ONGC IN	879	9,298	27	3.90	8.31	9.00	69 bps	11	1	9.3	2.4	2.2	24.3	21.9
Reliance Industries	RIL IN	1711	29,476	125	12.35	10.54	11.10	56 bps	86	35	20.7	3.6	5.6	29.3	23.0
Power/Utilities			**10,529**	**43**	**2.98**	**1.18**	**0.00**	**-118 bps**							
Tech/Software			**50,399**	**306**	**17.04**	**15.77**	**19.40**	**363 bps**							
Infosys Technologies	INFO IN	1971	23,658	84	9.91	4.98	8.50	352 bps	50	-12	24.0	26.8	10.0	42.3	35.9
Tata Consultancy Services	TCS IN	1159	5,608	41	2.35	5.01	7.50	249 bps	43	-5	22.7	24.5	12.7	54.8	46.8
Wipro	WPRO IN	519	3,747	18	1.57	3.35	3.40	5 bps	30	-14	22.0	20.2	7.9	36.3	32.4
Telecommunications			**26,385**	**131**	**10.04**	**13.30**	**15.22**	**192 bps**							
Bharti Airtel	BHARTI IN	866	14,221	25	5.96	7.26	7.12	-14 bps	82	38	27.6	44.5	12.1	37.4	38.7
Reliance Communications	RCOM IN	551	9,738	77	4.08	4.97	7.00	203 bps	n/a	17	22.9	60.1	5.5	19.5	20.9
Videsh Sanchar Nigam	VSNL IN	478	841	6		0.60	1.10	50 bps	11	13	21.8	163.4	2.6	0.3	11.3

**The DB India model portfolio is benchmarked against the NIFTY index; Source: Deutsche Bank*

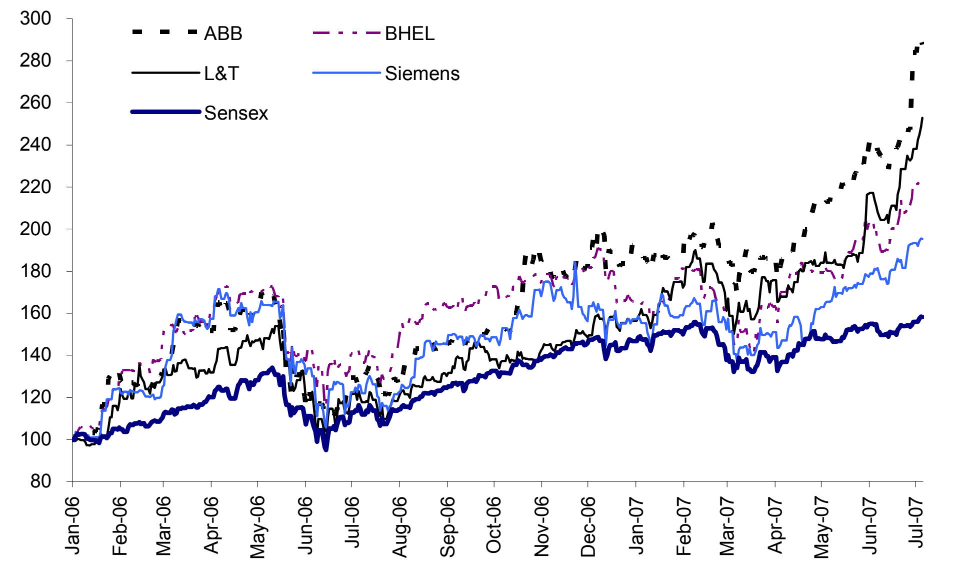
Figure 14: DB India Model portfolio performance vs Indian indices

	Perf (%) between				Perf (%) since				Out/under performance since			
	24 Jan-12 Apr	12 Apr-24 May	24 May-21 Jun	21 Jun-6 Jul	25-Jan-07	12-Apr-07*	24-May-07#	21-Jun-07*	25-Jan-07	12-Apr-07*	24-May-07#	21-Jun-07*
BSE Sensex	-8.2%	8.4%	2.0%	2.6%	**4.2%**	13.5%	4.7%	2.6%	**3.7%**	1.7%	-0.3%	0.5%
S&P CNX Nifty	-7.7%	9.8%	1.5%	2.2%	**5.1%**	13.8%	3.7%	2.2%	**2.8%**	1.3%	0.7%	1.0%
MSCI India	-8.1%	9.2%	2.1%	2.1%	**4.5%**	13.7%	4.2%	2.1%	**3.5%**	1.5%	0.2%	1.1%
DB Portfolio	**-6.3%**	**10.3%**	**1.2%**	**3.1%**	**7.9%**	**15.2%**	**4.4%**	**3.1%**				

Source: Deutsche Bank estimates, Bloomberg; The date of inception is 25-Jan 2007. * The model composition and stock weights were changed/rebalanced on 12-Apr 2007 and 21-Jun 2007; # Only stock weights were rebalanced on 24 May 2007

Despite the strong performance, we continue to suggest a fundamental-driven overweight position on the capital goods sector

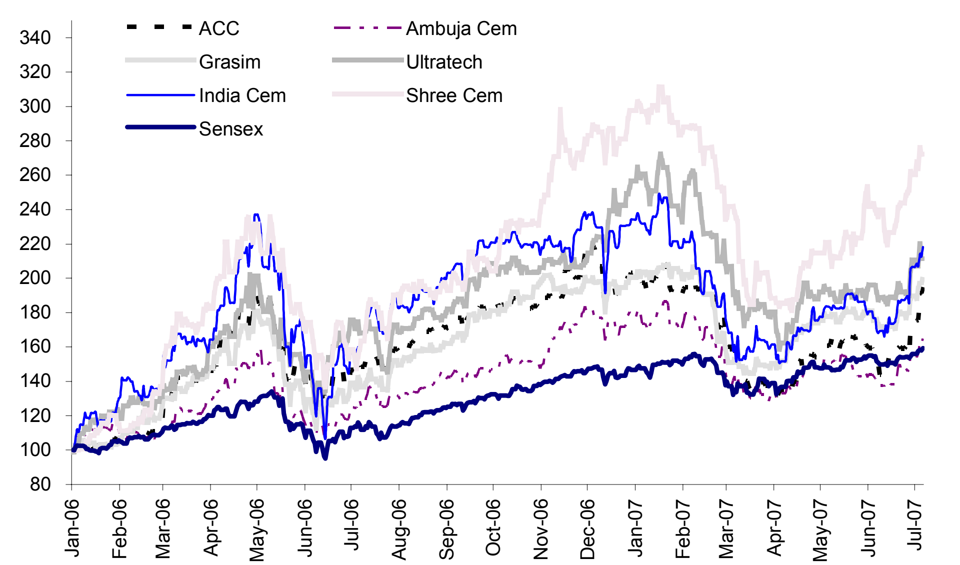
Figure 15: Performance of capital goods stocks vs. BSE Sensex



Source: Deutsche Bank, Bloomberg

Despite the recent rally, cement stocks are still trading below their Feb'07 highs

Figure 16: Performance of cement stocks vs. BSE Sensex



Source: Deutsche Bank, Bloomberg

Appendix 1

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Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
BHEL	bhel.bo	1555.85 (INR) 6 Jul 07	14
Grasim	gras.bo	2773.15 (INR) 6 Jul 07	6
Larsen & Toubro Ltd	lart.bo	2364.55 (INR) 6 Jul 07	6,14
Siemens India Ltd	siem.bo	1405.95 (INR) 6 Jul 07	6

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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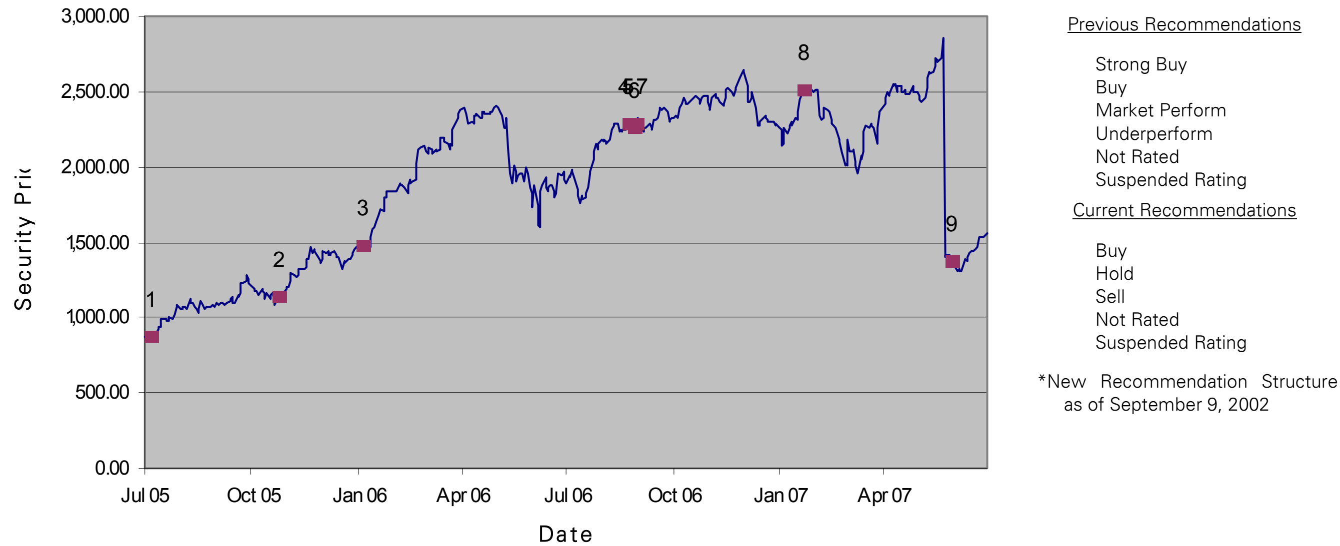
Historical recommendations and target price: BHEL (bhel.bo)

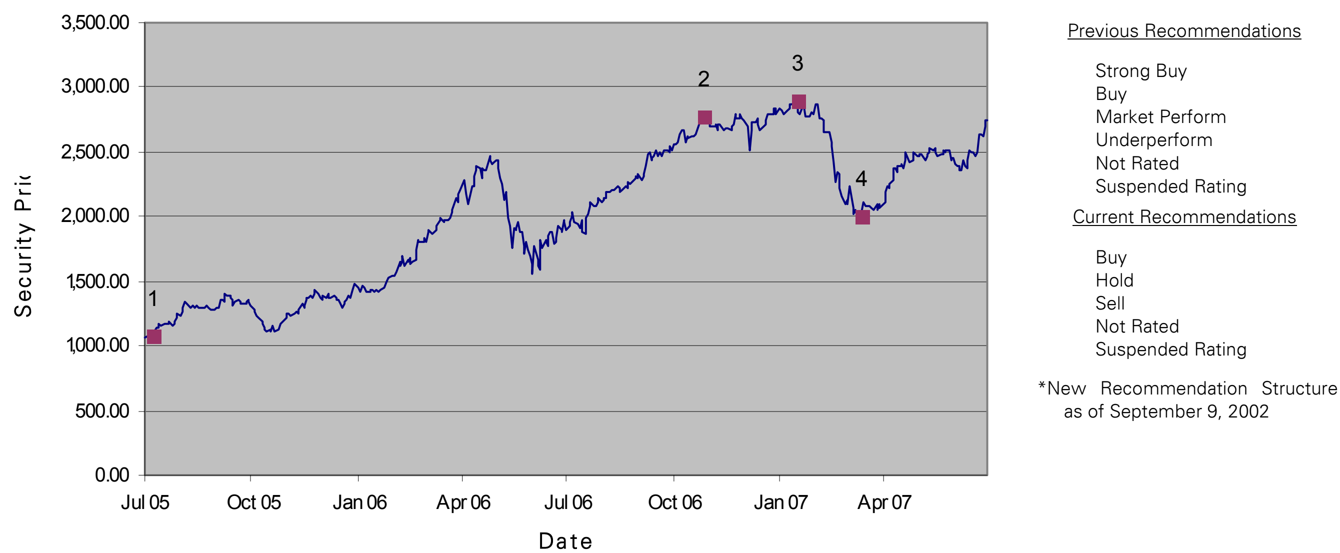
(as of 7/6/2007)



1.	13/7/2005:	Buy, Target Price Change INR1,036.00	6.	4/9/2006:	Buy, Target Price Change INR3,100.00
2.	31/10/2005:	Buy, Target Price Change INR1,220.00	7.	5/9/2006:	Buy, Target Price Change INR2,970.00
3.	12/1/2006:	Buy, Target Price Change INR1,755.00	8.	29/1/2007:	Buy, Target Price Change INR3,125.00
4.	29/8/2006:	Buy, Target Price Change INR3,100.00	9.	5/6/2007:	Buy, Target Price Change INR1,751.00
5.	30/8/2006:	Buy, Target Price Change INR2,970.00			

Historical recommendations and target price: Grasim (gras.bo)

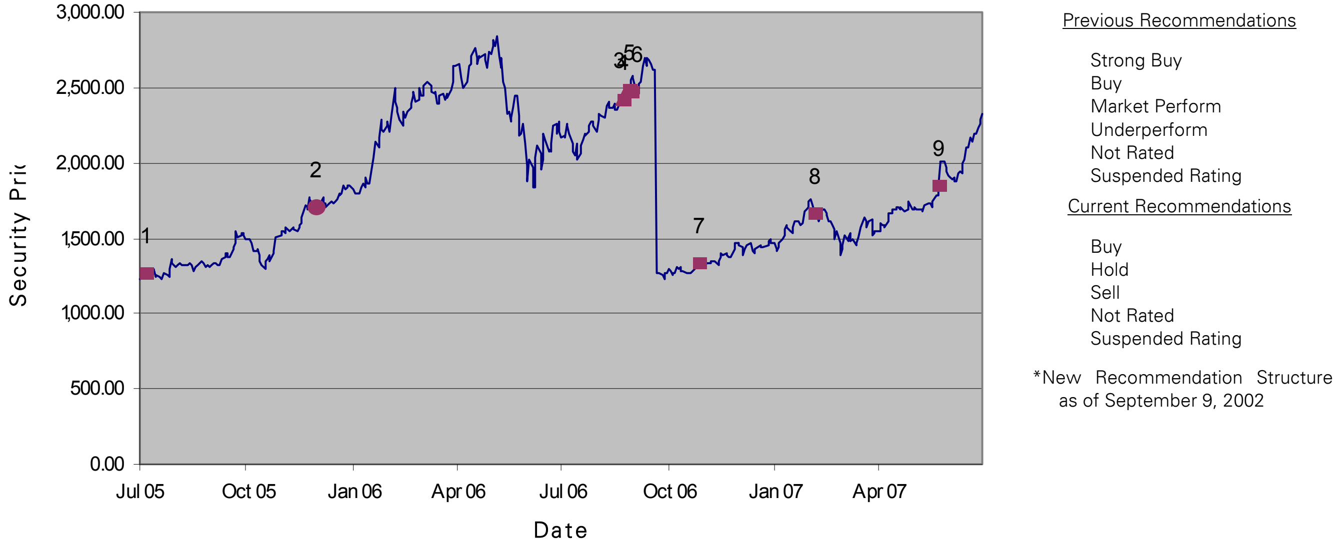
(as of 7/6/2007)



1.	14/7/2005:	Buy, Target Price Change INR1,400.00	3.	23/1/2007:	Buy, Target Price Change INR3,400.00
2.	3/11/2006:	Buy, Target Price Change INR3,318.00	4.	19/3/2007:	Buy, Target Price Change INR2,660.00

Historical recommendations and target price: Larsen & Toubro Ltd (lart.bo)

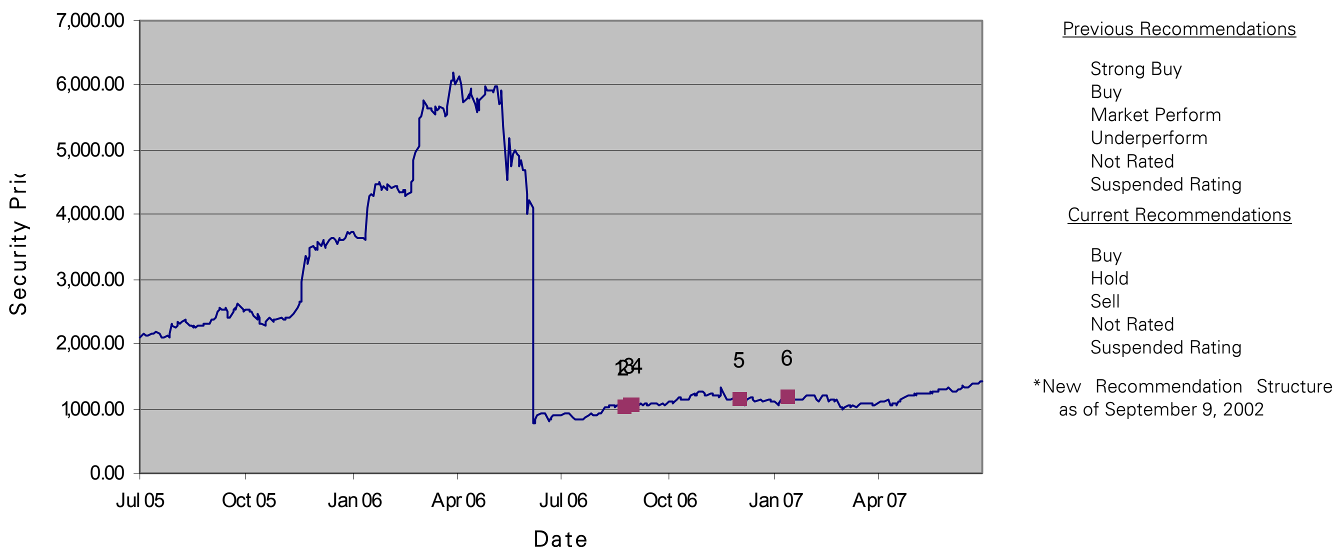
(as of 7/6/2007)



1.	13/7/2005:	Buy, Target Price Change INR1,391.00	6.	5/9/2006:	Buy, Target Price Change INR2,750.00
2.	7/12/2005:	Downgrade to Hold, Target Price Change INR1,655.00	7.	3/11/2006:	Buy, Target Price Change INR1,375.00
3.	29/8/2006:	Upgrade to Buy, Target Price Change INR2,700.00	8.	12/2/2007:	Buy, Target Price Change INR2,088.00
4.	30/8/2006:	Buy, Target Price Change INR2,750.00	9.	30/5/2007:	Buy, Target Price Change INR2,590.00
5.	4/9/2006:	Buy, Target Price Change INR2,400.00			

Historical recommendations and target price: Siemens India Ltd (siem.bo)

(as of 7/6/2007)



1.	29/8/2006:	Buy, Target Price Change INR1,250.00	4.	5/9/2006:	Buy, Target Price Change INR1,196.00
2.	30/8/2006:	Buy, Target Price Change INR1,196.00	5.	7/12/2006:	Buy, Target Price Change INR1,343.00
3.	4/9/2006:	Buy, Target Price Change INR1,250.00	6.	19/1/2007:	Buy, Target Price Change INR1,486.00

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Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

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2. Ratings definitions prior to 27 January, 2007 were:

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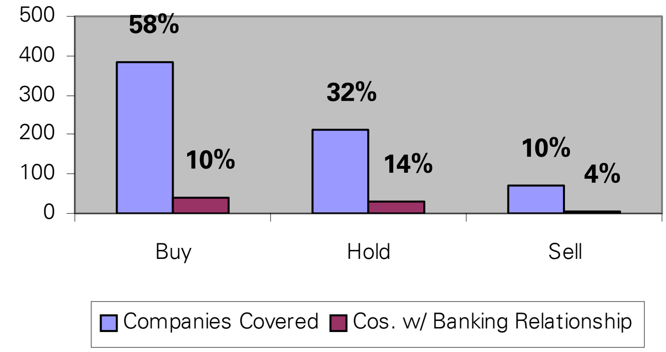

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