

Figure 1. Result Dates

Company	Date	Pat Mar	Pat Mar	YOY
Asian Paints	10-May	537	644	20%
S Kumars Nationwide	10-May	228	315	38%
Voltas	11-May	208	203	-2%
Arvind Mills	12-May	215	176	-18%
Sun Pharma	15-May	1,264	1,895	50%
Bajaj Auto	17-May	347	279	-20%

Source: Citigroup Investment Research

## India News

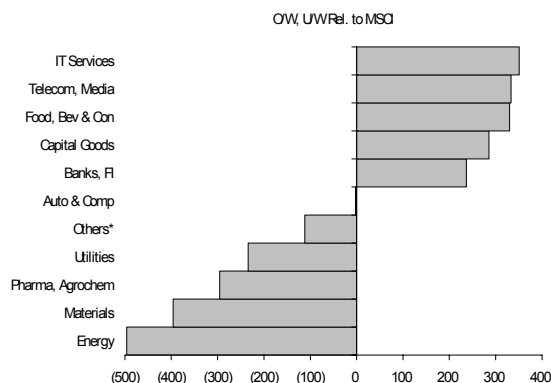
### Economy

- **Call Rates:** Call rates ended in the range of 2.5-3%. (Economic Times)

### Companies

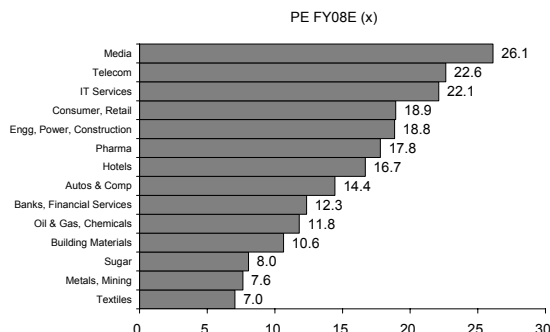
- **Maruti Udyog:** 36 bids for 35.9 million shares have been received for the 10.27% stake sale of Government in Maruti. Shares on offer were 29.68 million. (Business Line)
- **ONGC:** Government has decided to reduce the subsidy share of upstream oil companies (ONGC, GAIL) by nearly Rs 50 billion in 2006-07. (Financial Express)
- **Hutch-Essar:** Vodafone finally closed the acquisition of Hutch Essar Ltd at \$10.9 billion, \$180 million less than the original bid. (Business Standard)
- **GAIL:** GAIL has planned for a capex of Rs 27.44 billion during FY08 for investments in pipeline projects, oil and gas exploration and expansion in petrochemical plant. (Business Line)
- **Hindalco:** LIC raised its stake in Hindalco to over 9% through open market transactions. (Business Line)

### Key Overweights/ Underweights



Source: Citigroup Investment Research

### CIR Universe P/E FY08E (x)



Source: Citigroup Investment Research

## Market Snapshot

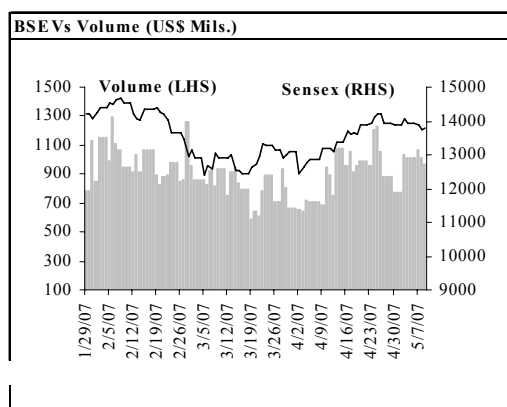
Market Snapshot								Mkt Volume		(Rs Mils.)	
Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	BSE	40,940		
								NSE	83,940		
Absolute								Top Volume*		(Rs Mils.)	
BSE Sensex	0.12	(0.65)	7.20	(4.81)	5.42	10.13	(0.04)	TATA STL	658.3		
CIR India Index	0.16	0.48	9.87	2.94	12.49	3.14	9.16	IDBI LTD	374.7		
Aluminum	0.08	2.41	9.22	(3.83)	(5.11)	(27.01)	0.22	IDEA CELL	167.4		
Auto	0.58	(0.16)	7.83	(14.97)	(5.99)	(19.34)	(12.35)	RELIANCE CAPITAL LTD.	1032.8		
Banks	1.63	(0.86)	10.06	(7.62)	1.63	15.33	(5.62)	INFRA DEVFIN	157.7		
Capital Goods	(0.17)	(0.06)	8.06	0.57	13.12	12.14	11.30	DENA BANK	62.8		
Cement	(0.67)	3.80	19.31	(17.31)	(13.30)	(12.76)	(19.89)	ISPAT INDUST	28.5		
Consumer	(1.03)	(0.06)	1.42	(3.22)	(13.48)	(23.60)	(7.33)	I T C LTD	259.1		
Hotels	(0.83)	(2.12)	(3.12)	(7.29)	(7.09)	(5.02)	(9.86)	STEEL AUTHOR	254.4		
IT Services	(0.49)	(3.04)	0.98	(16.08)	(5.48)	6.78	(13.98)	REL PET	114.3		
Media	0.19	(2.45)	7.03	(14.80)	(10.78)	0.22	(2.24)	Top Gainers*		Close (Rs)	Chg (%)
Oil & Gas	(0.91)	0.48	8.66	(0.62)	3.85	(8.62)	4.69	INDIAN BANK	126	7.8	
Petrochemical	0.21	2.36	17.65	14.91	26.91	37.15	25.11	DENA BANK	37	6.5	
Pharmaceutical	0.12	0.00	0.02	(5.90)	(5.23)	(20.59)	(3.57)	BRITANIA IN	1,451	5.1	
Power	0.29	0.43	11.60	(5.05)	5.11	(5.33)	3.04	SKF INDIA	383	4.9	
Steel	(0.70)	2.35	17.58	20.75	41.03	22.01	38.87	FEDERAL BANK	257	4.8	
Telecom Equipment	(0.92)	(2.88)	4.62	(14.61)	(17.14)	(18.31)	(13.42)	IDBI LTD	92	4.7	
Telecom	1.08	1.69	10.23	4.86	43.18	67.69	27.31	Relative to BSE-30 Sensex			
CIR India Index	0.04	1.14	2.67	7.75	7.06	(6.99)	9.19	SYNDICATE	80	4.7	
Aluminum	(0.03)	3.06	2.02	0.98	(10.53)	(37.14)	0.26	CUMMINS INDI	305	4.1	
Auto	0.46	0.50	0.64	(10.16)	(11.41)	(29.47)	(12.31)	GMR INFRASTR	437	4.1	
Banks	1.51	(0.20)	2.86	(2.81)	(3.79)	5.20	(5.58)	STATE BANK OF INDIA	1,123	3.8	
Capital Goods	(0.28)	0.60	0.86	5.38	7.69	2.01	11.34	Top Losers*		Close (Rs)	Chg (-%)
Cement	(0.79)	4.45	12.11	(12.50)	(18.73)	(22.89)	(19.85)	GAIL INDIA	281	4.2	
Consumer	(1.14)	0.59	(5.78)	1.59	(18.91)	(33.73)	(7.29)	ESSEL PROPAC	77	4.1	
Hotels	(0.94)	(1.46)	(10.32)	(2.48)	(12.51)	(15.15)	(9.82)	IPCA LAB LTD.	611	3.6	
IT Services	(0.61)	(2.39)	(6.22)	(11.26)	(10.90)	(3.35)	(13.94)	MIRC ELECTRO	19	3.0	
Media	0.07	(1.80)	(0.16)	(9.99)	(16.20)	(9.91)	(2.20)	MOSER BAER	351	3.0	
Oil & Gas	(1.03)	1.14	1.46	4.20	(1.58)	(18.75)	4.73	APOLLO HOS E	480	2.8	
Petrochemical	0.09	3.02	10.46	19.72	21.49	27.02	25.15	NESTLE LTD	1,097	2.7	
Pharmaceutical	0.01	0.66	(7.18)	(1.09)	(10.66)	(30.72)	(3.53)	NATIONAL FER	30	2.6	
Power	0.17	1.09	4.40	(0.24)	(0.32)	(15.46)	3.08	TCS LTD	1,237	2.5	
Steel	(0.82)	3.01	10.38	25.56	35.60	11.88	38.91	JAIPRAK ASSO	591	2.5	
Telecom Equipment	(1.03)	(2.22)	(2.58)	(9.80)	(22.57)	(28.44)	(13.38)				
Telecom	0.96	2.34	3.03	9.67	37.75	57.56	27.35	*BSE-Group A			

\*BSE-Group A

Source: Citigroup Investment Research estimates

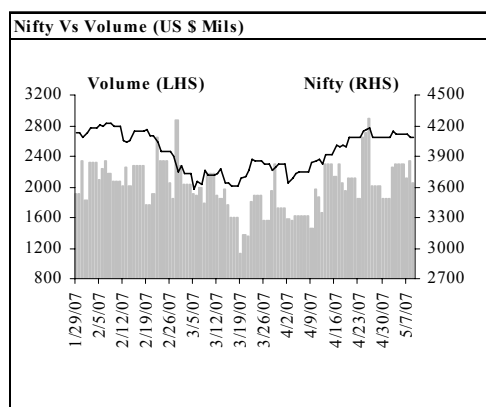
Source: The Economic Times, www.bseindia.com.

## BSE-30 – Performance &amp; Volume (US\$ Mils.)



Source: Bloomberg, Citigroup Investment Research estimates

## NIFTY – Performance &amp; Volume (US\$ Mils.)



Source: Bloomberg, Citigroup Investment Research estimates

## Kotak Mahindra Bank (KTKM.BO)

### Hold: 4Q07 Results - Growth and Profitability

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<b>Hold/Medium Risk</b>	<b>2M</b>		
Price (09 May 07)	Rs536.00		
Target price	Rs512.00		
Expected share price return	-4.5%		
Expected dividend yield	0.1%		
<b>Expected total return</b>	<b>-4.3%</b>		
Market Cap	Rs174,819M US\$4,301M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	23.56	16.66	19.88
EPS Growth(%)	318.9	-29.3	19.3
P/E	22.8	32.2	27.0
Consensus Data	23.64	17.62	22.65

Price Performance (RIC: KTKM.BO, BB: KMB IN)



- **Growth with margins** — Kotak's 4Q07 profits were in-line with expectations and rose 30% yoy (flat qoq). Margins, however, expanded to 5.2% (5.1% earlier) along with strong loan growth of 49% yoy — a positive exception to the quarter. Deposit growth was also strong (+72%) with an improvement in mix of low-cost deposits. Overall an impressive performance given high exposure to consumer lending and a tight funding environment.
- **Broking business steady** — Broking remains steady after a strong 3Q07 and continues to grow market shares. Management suggests pressures on yields contained, though some slip-offs in profitability qoq due to large carry incomes on PMS portfolio previous quarter.
- **Fee income, asset quality remain healthy** — Core fee income growth remains healthy though some slowdown due to a higher base effect on high MF distribution income in 4Q06. Asset quality also showed signs of improvement despite higher regulatory provisions and a challenging quarter for the sector. High retail exposure, however, suggests provisioning pressures could likely increase.
- **Capital comfort** — One of the few banks suggesting that additional capital is not required for the next 12 months despite high growth; even more aggressive growth plans and tighter regulatory requirements.
- **Maintain Hold (2M)** — Kotak's business mix is improving with strong asset growth, margin expansion, improving deposit mix and healthy fee income; however, valuations remain high and limit potential upsides. We maintain Hold (2M).

## GAIL (GAIL.BO)

### Buy: 4QFY07 - Gas Transmission Volatility + Higher Subsidy Burden

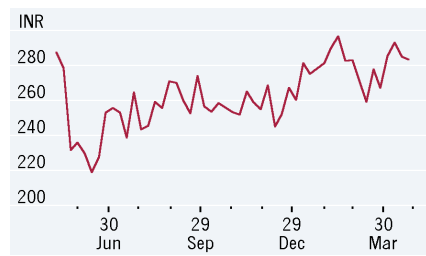
Rahul Singh

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<b>Buy/Low Risk</b>	<b>1L</b>		
Price (09 May 07)	Rs281.00		
Target price	Rs323.00		
Expected share price return	14.9%		
Expected dividend yield	4.3%		
<b>Expected total return</b>	<b>19.2%</b>		
Market Cap	Rs237,628M US\$5,846M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	27.32	26.31	27.61
EPS Growth(%)	18.2	-3.7	4.9
P/E	10.3	10.7	10.2
EV/EBITDA	5.9	6.0	5.7
Consensus Data	28.84	27.69	27.99

Price Performance (RIC: GAIL.BO, BB: GAIL IN)



- **Disappointing 4Q** — Though headline PAT of Rs6.7bn (up 66%yoy) came in ahead of our estimates, the bottom line was boosted by tax write-back of Rs3.4bn pertaining to previous years. Operating results were disappointing, driven by volatility in the gas transmission profitability and higher subsidy share.
- **Transmission EBITDA declines** — GAIL's transmission EBITDA declined 34% qoq (Rs3.4bn) despite gas volumes remaining steady as it received lower tariffs on gas transmitted during the quarter. Under the new mechanism for HBJ/DVPL implemented from Jun-06, the base tariff (Rs965/mscm) is adjusted up or down based on volume of gas transmitted in the previous quarter. Given the sharp rise in 3Q volumes (following the flood-disrupted 2Q), tariff for 4Q was adjusted downward, which affected transmission revenues. Tariffs for present quarter (1QFY08) are back to levels close to base tariffs.
- **Subsidy share rises** — While we anticipated an increase, subsidy sharing at Rs5.02bn for the quarter came in higher than expected (Rs3.15bn in 3Q). It is difficult to gauge the exact reason for this unexpected increase, given the opaqueness in process followed.
- **Value pick** — Notwithstanding the poor 4Q performance, we believe steady business performance and strong balance sheet have inherent value. Given the potential for value creation from GAIL's emerging role in absorbing Reliance's KG gas, we believe any short-term correction presents a buying opportunity. Reiterate Buy/Low Risk (1L).

## Analyst Certification Appendix A-1

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#### GAIL (GAIL.BO)

##### Ratings and Target Price History - Fundamental Research

Analyst: Rahul Singh (covered since October 6 2005)



#	Date	Rating	Target Price	Closing Price
1:	6 Jul 04	*2H	*200.00	172.65
2:	28 Feb 05	2H	*275.00	241.00
3:	5 Oct 05	*1L	*329.00	275.95
4:	27 Oct 05	1L	*318.00	237.85
5:	12 Jan 06	1L	*323.00	282.70

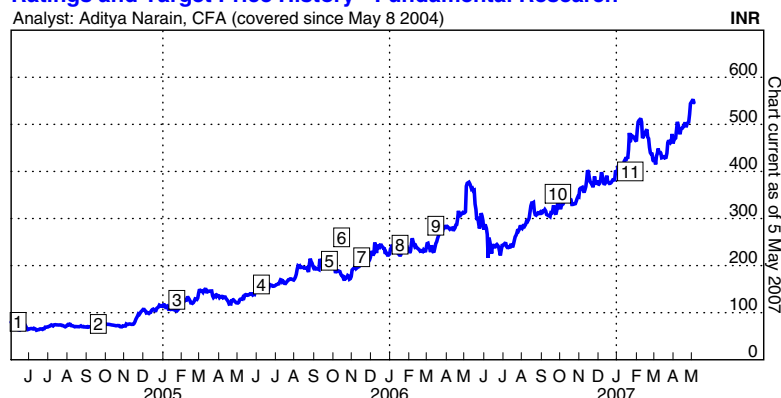
\*Indicates change.

— Covered  
..... Not covered

#### Kotak Mahindra Bank (KTKM.BO)

##### Ratings and Target Price History - Fundamental Research

Analyst: Aditya Narain, CFA (covered since May 8 2004)



#	Date	Rating	Target Price	Closing Price
1:	7 May 04	1M	118.80	80.04
2:	21 Sep 04	1M	*108.00	72.40
3:	25 Jan 05	1M	*130.00	103.54
4:	9 Jun 05	*2M	*180.00	156.90
5:	27 Sep 05	2M	180.00	199.80
6:	17 Oct 05	2M	*220.00	178.90
7:	17 Nov 05	2M	*235.00	203.95
8:	18 Jan 06	2M	*255.00	220.40
9:	16 Mar 06	2M	*280.00	246.95
10:	28 Sep 06	2M	*355.00	338.00
11:	23 Jan 07	2M	*512.00	462.20

\*Indicates change.

— Covered  
..... Not covered

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*Data current as of 31 March 2007*

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<i>% of companies in each rating category that are investment banking clients</i>	42%	50%	42%

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