

India News

Economy

- Inflation declined to 6.39% for the week ended March 24 after remaining steady at 6.46% for three weeks in a row. (Business Standard)

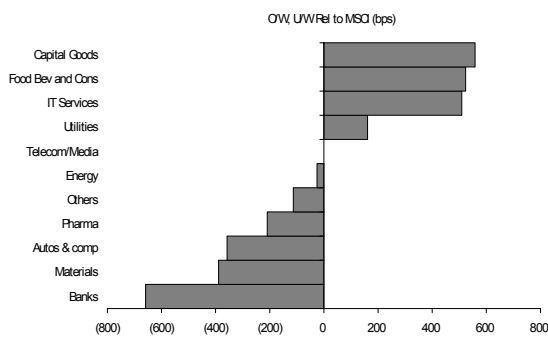
Industry

- Oil PSUs may get to set their own petrol, diesel prices. (Financial Express)

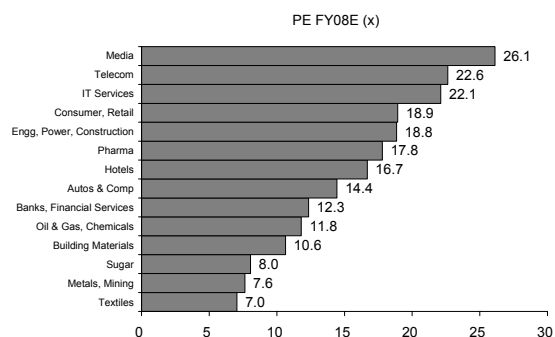
Companies

- Petronet Lng is planning joint ventures with shipping companies. (Business Line)
- Hexaware Technologies plans to acquire an IT firm in the US or Europe for up to US\$40M. (Business Line)

Key Overweights/ Underweights



CIR Universe P/E FY08E (x)



Source: Citigroup Investment Research

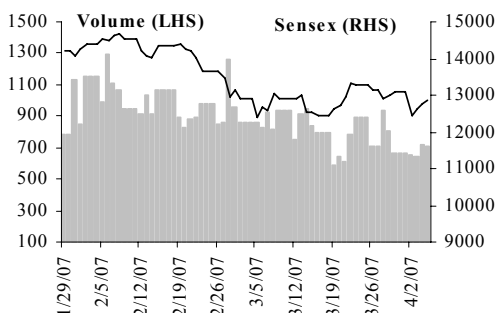
Source: Citigroup Investment Research estimates

Market Snapshot

Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	Mkt Volume (Rs Mils.)	
								BSE	NSE
								31,821	69,462
Absolute								Top Volume* (Rs Mils.)	
BSE Sensex	0.54	(0.95)	3.55	(8.27)	3.77	9.44	(6.75)	INDIA CEMENT	202.7
CIR India Index	0.71	3.47	9.29	(1.85)	1.85	(0.97)	(0.65)	GUJARAT AMBUJA CEMENTS LTD.	226.5
Aluminum	0.92	1.75	3.06	(9.72)	(7.87)	(25.60)	(8.24)	NTPC LTD	462.1
Auto	(0.06)	(4.99)	(4.90)	(22.19)	(19.24)	(21.29)	(18.71)	TATA STL	1140.1
Banks	1.82	(1.46)	1.13	(14.60)	(2.43)	5.49	(14.25)	STEEL AUTHOR	275.3
Capital Goods	0.36	0.48	13.67	2.38	10.53	6.49	3.00	IDBI LTD	95.9
Cement	0.97	(1.95)	(9.70)	(32.60)	(26.08)	(12.96)	(32.85)	REL COM LTD	615.5
Consumer	1.22	0.64	10.37	(8.24)	(14.67)	(25.82)	(8.63)	IDEA CELL	117.5
Hotels	3.03	2.12	11.03	(7.29)	1.73	1.26	(6.96)	REL PET	135.8
IT Services	0.15	(0.99)	(5.77)	(16.91)	1.63	4.22	(14.82)	STERL BIOTEC	180.2
Media	6.37	6.70	21.87	(5.44)	(8.44)	8.62	(8.66)	Top Gainers*	Close (Rs)
Oil & Gas	0.14	(1.97)	7.39	(3.76)	2.07	(10.74)	(3.66)	ZEE ENTER	268
Petrochemical	(0.41)	0.11	7.99	5.10	16.27	58.39	6.34	UNION BANK	103
Pharmaceutical	(0.00)	1.08	8.08	(5.99)	(6.33)	(21.52)	(3.59)	TATA STL	465
Power	0.79	0.10	1.98	(8.18)	(2.62)	(16.81)	(7.67)	SYNGENTA LTD	523
Steel	3.24	3.16	16.11	16.26	21.89	20.99	18.11	ORIENTAL BK	186
Telecom Equipment	0.21	(1.60)	(0.80)	(21.04)	(5.02)	(3.46)	(17.24)	FEDERAL BANK	218
Telecom	(0.10)	(1.70)	8.40	12.97	49.55	52.44	15.49	JSW SL	497
								HIND.ZINC	648
Relative to BSE-30 Sensex								ISPAT INDUST	14
CIR India Index	0.17	4.42	5.73	6.42	(1.92)	(10.41)	6.10	BHARAT ELECT	1,650
Aluminum	0.37	2.70	(0.50)	(1.46)	(11.64)	(35.05)	(1.49)	Top Losers*	Close (Rs)
Auto	(0.60)	(4.04)	(8.46)	(13.92)	(23.01)	(30.74)	(11.96)	ASAHI INDIA	115
Banks	1.28	(0.50)	(2.42)	(6.33)	(6.20)	(3.96)	(7.50)	ABBOTT INDIA	504
Capital Goods	(0.19)	1.43	10.12	10.65	6.76	(2.96)	9.76	J&K BANK	630
Cement	0.43	(1.00)	(13.25)	(24.34)	(29.85)	(22.40)	(26.10)	BALAJI TELE	124
Consumer	0.67	1.59	6.82	0.03	(18.43)	(35.26)	(1.88)	DR.REDDY'S LABORATORIES I	729
Hotels	2.49	3.07	7.47	0.97	(2.04)	(8.19)	(0.21)	GODREJ CONS	147
IT Services	(0.39)	(0.04)	(9.32)	(8.64)	(2.13)	(5.23)	(8.06)	MASTEK	304
Media	5.82	7.65	18.32	2.83	(12.21)	(0.83)	(1.91)	I-FLEX	2,112
Oil & Gas	(0.40)	(1.02)	3.84	4.51	(1.70)	(20.19)	3.10	POLARIS LAB	168
Petrochemical	(0.95)	1.06	4.44	13.36	12.50	48.95	13.09	COLGATE PALM	337
Pharmaceutical	(0.54)	2.03	4.53	2.28	(10.10)	(30.97)	(0.92)	*BSE-Group A	
Power	0.25	1.05	(1.57)	0.09	(6.38)	(26.25)	(0.92)	Source: The Economic Times, www.bseindia.com.	
Steel	2.70	4.11	12.56	24.53	18.12	11.55	24.86		
Telecom Equipment	(0.33)	(0.65)	(4.35)	(12.77)	(8.78)	(12.91)	(10.49)		
Telecom	(0.64)	(0.75)	4.84	21.24	45.78	43.00	22.24		

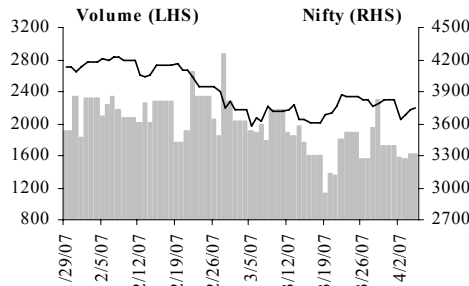
Source: Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

National Thermal Power (NTPC.BO)

FY07 – Good Year, But Could Have Been Better

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Buy/Low Risk	1L		
Price (05 Apr 07)	Rs158.50		
Target price	Rs181.00		
Expected share price return	14.2%		
Expected dividend yield	2.0%		
Expected total return	16.2%		
Market Cap	Rs1,306,906M		
	US\$30,628M		
	2006	2007E	2008E
EPS new(Rs)	6.76	8.40	9.51
EPS Growth(%)	10.1	24.4	13.2
P/E	23.5	18.9	16.7
EV/EBITDA	19.7	14.6	13.0
Consensus Data	7.08	8.07	9.02

Price Performance (RIC: NTPC.BO, BB: NATP IN)



- **Recurring PAT up 18% YoY** — NTPC reported its FY07 un-audited results at a press conference today. Recurring PAT at Rs65.6bn up 18% YoY was 5% below our estimate of Rs69.2bn. This was a disappointing given that after growing 19.5% YoY in the first 9mFY07, full-year numbers imply that 4QFY07 recurring PAT grew a tepid 4–5%. We await the audited FY07 numbers for clarity.
- **5,710MW added in the Xth Plan** — NTPC added 5,710MW in the Xth Plan period, acquired the 705MW Badarpur TPS, and took a 28.33% equity stake in Ratnagiri TPS. Slippages into the next plan include the 1,000MW Sipat II and 500MW of Kahalgaon Stage II, which is likely to be added in FY08E along with 660MW of Sipat I and 500MW of the SAIL Bhilai expansion.
- **Capacity increasing 2x in 5 years and 3x in 10 years** — We would not be unduly concerned with a weak 4QFY07 as NTPC aims to double its capacity by FY12E and triple capacity to 76GW by FY17E. Its capex is well funded with low current gearing of 0.45x, it has high current cash levels of Rs84.7bn, a strong credit rating and a high annual cash flow from operations of Rs175bn for FY07E-15E.
- **Our top pick among the Indian electric utilities** — NTPC is our top pick in the Indian Electric Utility space for its defensiveness (particularly for investors who are benchmarked against broad market indices), large market capitalization, regulated earnings stream and secular growth.

National Thermal Power

Valuation

Our valuation methodology for NTPC involves setting a floor price for the stock and then valuing the value of growth opportunity (VGO) captured by our DCF calculation. We set a floor price of Rs141 for the NTPC stock using Replacement Cost of Assets methodology and adding the value of power bonds and cash and investment holdings.

However, we believe the Replacement Cost of Methods does not fully capture the upside inherent in NTPC's unprecedented capacity addition plan against a backdrop of persistent peak and base load deficits that is further exacerbated by rapid economic growth. To capture this value we use DCF methodology and set a target price of Rs181.

Risks

We rate NTPC as Low Risk according to our quantitative risk-rating system, which tracks 260-day historical share price volatility. We also consider the following factors: v Stable and regulated earnings and cash flows from operations, with fuel costs being a pass-through.

- Secular growth prospects for the power sector in India, given current shortages and low usage and penetration levels.
- Competitiveness, reflected in dominant market share and strong technical and operating performance.

Key risks to NTPC's operations and our earnings forecasts could emanate from the following:

- NTPC's operations depend on timely availability of fuel. NTPC's gas-based plants have been hampered by poor fuel supply, resulting in sub-optimal capacity utilization.

- NTPC is implementing larger modules and newer technologies such as 660MW and 800MW super critical technology and alternative fuels such as gas and hydro more aggressively. These initiatives could place demands on the company's project management and technology absorption skills.
- NTPC's regulated rate of return for the period FY05-09 was reduced from 16% to 14% (post tax ROE) due to falling interest rates and the presence of a payment security mechanism. Any further reduction post-Y09 would affect earnings and profitability.
- UI rates are very high compared with normal tariff rates and there could be pressure from the SEBs to reduce this spot market premium.
- There could be future payment risk due to resurfacing of free power supply to agricultural customers as a populist measure by a few states.
- NTPC has entered into a JV with GasPatrol – France, and Canoro Resources – Canada and has bid for an oil & gas exploration block in northeast India. This raises the risk of non-discovery, like for any exploration & production (E&P) venture.

India Technical Research Weekly Consolidation

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- **Nifty** — The index witnessed a sharp decline (2 April 2007) towards the 200dma at 3630, post which it saw a pullback for the next three trading sessions and ended the week down 70 points.
- **200Day Moving Average** — The index over the last 23 trading sessions has repeatedly tested support at the 200dma; it tested support at the 200dma on four occasions and bounced back. The 200 dma (3643) should be considered a significant support level.
- **Bollinger Bands** — Post the decline from the high of 4245 (8 February 2007), the bands have narrowed as nifty is seen consolidating in the 3555-3902 range of the last 23 trading sessions. The upper B.band is at 3885 and the lower B.band is at 3591. Prices trading within the band suggest that range bound moves are likely to continue for the current week.
- **Resistance \ Support** — Resistance levels for the week are **3794** (62% retracement level of the decline from the high of 3902 (23 March 2007) to the recent low of 3617 (2 April 2007), **3883** upper end of the Bollinger band and **3902** high of 23 March 2007). Support is around **3643** (200dma) and **3555** low (5 March 2007).
- **Conclusion** — Nifty is likely to move up from current levels towards 3794-3883, at which level resistance can be expected; on the downside, support is around the 200dma at 3643.

Figure 1: India Technical Research — Index Snapshot

Indices	Last Week Close	Current Week Close	Weekly Change(Points)
Sensex	13072	12856	-216
Nifty	3822	3752	-70
Nifty Futures: Current Month	3800	3723	-77

Source: Citigroup Investment Research

Analyst Certification Appendix A-1

I, Ratnesh Kumar, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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National Thermal Power (NTPC.BO) Ratings and Target Price History - Fundamental Research

Analyst: Venkatesh Balasubramaniam (covered since March 1 2006)



#	Date	Rating	Target Price	Closing Price
1:	4 Nov 04	1L	74.00	NA
2:	14 Oct 05	1L	*120.00	102.65
3:	1 Feb 06	1L	*137.00	115.75
4:	28 Nov 06	1L	*181.00	149.85

*Indicates change.

— Covered
..... Not covered

Hexaware Technologies (HEXT.BO) Ratings and Target Price History - Fundamental Research

Analyst: Hitesh Shah (covered since March 30 2007)



#	Date	Rating	Target Price	Closing Price
1:	1 Apr 05	1M	176.00	154.73
2:	16 May 05	1M	*160.00	135.15
3:	14 Jul 05	*3H	*100.00	105.20
4:	3 Feb 06	*2M	*140.00	142.25
5:	20 Apr 06	*3M	*150.00	159.20
6:	7 Jul 06	Coverage suspended		
7:	29 Mar 07	*1M	*214.00	159.00

*Indicates change.

— Covered
..... Not covered

Petronet LNG (PLNG.BO) Ratings and Target Price History - Fundamental Research

Analyst: Pradeep Mirchandani, CFA (covered since April 1 2005)



#	Date	Rating	Target Price	Closing Price
1:	1 Apr 05	2H	49.00	42.05
2:	23 Sep 05	*1M	*74.00	58.75

*Indicates change.

— Covered
..... Not covered

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Citigroup Investment Research Ratings Distribution

Data current as of 31 March 2007

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3215)	45%	40%	15%
<i>% of companies in each rating category that are investment banking clients</i>	45%	42%	32%
India -- Asia Pacific (130)	58%	14%	28%
<i>% of companies in each rating category that are investment banking clients</i>	42%	50%	42%

Guide to Fundamental Research Investment Ratings:

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- Medium to High Risk -- Mid Triple B through High Double B
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