Company In-Depth

30 August 2007 | 14 pages

Reliance Communications (RLCM.BO)

Buy: Demystifying Towerco Value, Net Value Created More Critical

- Net value accretion more critical — Higher value creation in towerco (US$6.7bn) will be at the expense of core business on account of higher rentals required to achieve aggressive capex recovery (11-13% per tenant). We have sensitized towerco value to the "guided" yield/tenant assumptions under 3 scenarios of GSM rollout. Interestingly, the SOTP, incl. net value creation, is similar to base case (Rs600). Reiterate Buy/Medium Risk on likely clarity on GSM spectrum, present discount to Bharti (10% on FY09E EV/E) and factoring in conservative towerco value accretion.

- #1 Scenario w/o GSM in new circles — Higher Yield/Tenant vs. Base Case — Core business remains at Rs520 in absence of additional GSM subs. Though towerco value increases to Rs98 (from base case of Rs60), it is at the cost of core business to an extent of Rs46, based on NPV of difference between higher rentals and cash opex. SOTP therefore declines marginally to Rs592.

- #2 Optimistic scenario (1) — Yield similar to #1, higher tenancy, market share expansion of 4% thru GSM by FY10E — Core business increases to Rs590 - up on higher sub adds and at 5% discount to Bharti's FY09EV/EBITDA (15% in our Base Case). Towerco value increases to Rs130 on higher tenancy though offset by core value decline of Rs123. SOTP value increases only slightly to Rs617.

- #3 Optimistic scenario (2) — Yield/tenant and tenancy assumptions similar to #2 and market share expansion at 5% by FY10E — Core business increases to Rs595 with higher net adds. Towerco value and core business decline remain identical to #2 resulting in SOTP of Rs622.

See Appendix A-1 for Analyst Certification and important disclosures.

Buy/Medium Risk	1M
Price (30 Aug 07)	Rs536.20
Target price	Rs600.00
Expected share price return	11.9%
Expected dividend yield	0.2%
Expected total return	**12.1%**
Market Cap	Rs1,096,323M
	US$26,759M

Price Performance (RIC: RLCM.BO, BB: RCOM IN)

Figure 1. RCOM's SOTP Under Various Scenarios

Rs/Share	Base case	#1 Scenario w/o GSM in new circles	#2 Optimistic scenario (1)	#3 Optimistic scenario (2)
RCOM	520	520	590	595
Towerco	60	98	130	130
Core business decline	-	-46	-123	-123
FLAG	20	20	20	20
SOTP	**600**	**592**	**617**	**622**

Source: Citigroup Investment Research

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Fiscal year end 31-Mar	2006	2007	2008E	2009E	2010E
Valuation Ratios					
P/E adjusted (x)	nm	34.9	23.8	18.6	15.8
EV/EBITDA adjusted (x)	na	20.2	13.6	10.5	8.7
P/BV (x)	9.3	5.4	4.4	3.6	3.0
Dividend yield (%)	0.0	0.1	0.2	0.4	0.4
Per Share Data (Rs)					
EPS adjusted	2.36	15.36	22.49	28.82	34.04
EPS reported	2.36	15.36	22.49	28.82	34.04
BVPS	57.48	99.80	121.17	147.74	179.52
DPS	0.00	0.50	1.00	2.00	2.00
Profit & Loss (RsM)					
Net sales	112,884	144,683	187,760	230,030	262,790
Operating expenses	-105,085	-112,666	-137,325	-163,384	-184,889
EBIT	**7,799**	**32,018**	**50,435**	**66,647**	**77,901**
Net interest expense	-2,649	-6	-997	-1,196	445
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	**5,150**	**32,011**	**49,438**	**65,451**	**78,346**
Tax	-327	-616	-3,461	-6,545	-8,775
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	**4,823**	**31,396**	**45,977**	**58,905**	**69,571**
Adjusted earnings	4,823	31,396	45,977	58,905	69,571
Adjusted EBITDA	24,786	56,670	84,689	109,659	128,571
Growth Rates (%)					
Sales	na	28.2	29.8	22.5	14.2
EBIT adjusted	na	310.5	57.5	32.1	16.9
EBITDA adjusted	na	128.6	49.4	29.5	17.2
EPS adjusted	na	551.1	46.4	28.1	18.1
Cash Flow (RsM)					
Operating cash flow	**21,810**	**112,247**	**96,900**	**120,357**	**135,399**
Depreciation/amortization	16,987	24,653	34,255	43,012	50,669
Net working capital	0	56,192	15,671	17,243	15,603
Investing cash flow	**0**	**-59,316**	**-106,970**	**-99,204**	**-80,963**
Capital expenditure	0	-59,316	-106,970	-99,204	-80,963
Acquisitions/disposals	0	0	0	0	0
Financing cash flow	**0**	**61,257**	**-3,296**	**-5,795**	**-4,154**
Borrowings	0	62,462	0	0	0
Dividends paid	0	-1,196	-2,300	-4,599	-4,599
Change in cash	**21,810**	**114,187**	**-13,366**	**15,358**	**50,282**
Balance Sheet (RsM)					
Total assets	**319,738**	**538,611**	**589,430**	**667,765**	**751,971**
Cash & cash equivalent	60,038	137,200	123,834	139,192	189,474
Accounts receivable	16,807	18,316	15,647	15,974	14,599
Net fixed assets	214,263	330,423	403,138	459,329	489,623
Total liabilities	**202,223**	**334,624**	**341,765**	**365,793**	**385,027**
Accounts payable	89,956	136,013	143,154	167,182	186,416
Total Debt	92,976	155,438	155,438	155,438	155,438
Shareholders' funds	**117,515**	**203,987**	**247,665**	**301,971**	**366,944**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	22.0	39.2	45.1	47.7	48.9
ROE adjusted	na	19.5	20.4	21.4	20.8
ROIC adjusted	na	14.8	16.7	18.2	19.4
Net debt to equity	28.0	8.9	12.8	5.4	-9.3
Total debt to capital	44.2	43.2	38.6	34.0	29.8

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RTIL's valuation assumptions analysed

We have quantified the net value creation at RCOM and RTIL level using some of the assumptions indicated by the management which resulted in $6.7bn equity value of RTIL (from the 5% stake sale to PE investors). The aggressive assumptions relate primarily to high capex recovery per tenant as well as higher tenancy factor assuming GSM spectrum is allocated to RCOM in 15 circles where it currently offers only CDMA services.

While we retain our base case tower value (US$3bn=Rs60/share), we have analysed the potential impact on RCOM's consolidated SOTP if the towerco value does match the recent deal value. Essentially, we have analysed three scenarios (with and without GSM related mkt share gains) and assuming higher yield per tenant especially in case where RCOM is itself the tenant. At the same time, higher transfer pricing (to assure aggressive capex recovery/yield assumptions of 11-13% per tenant) between RCOM and towerco results in value depletion for the former.

Under all the 3 scenarios, we have therefore calculated RCOM's SOTP as

Core business value (at some discount to Bharti's FY09E EV/E)

+

Towerco equity value

-

Value destruction in core business

Needless to say, higher capex recovery causes higher rentals which increase the adverse impact on core business value. Thus the consolidated SOTP for RCOM under three scenarios works out to Rs592-622, not too different from the base case SOTP based target of Rs600. Please note that in the optimistic scenarios (i.e. with GSM and higher yields), the towerco value nears the deal value (US$6.7bn), but the impact on core business is far greater (almost as much as the towerco value itself). In our base case towerco value of US$3bn, we have assumed much lower capex recovery assumptions which results in EBITDA breakeven at the RCOM level once the tenancy reaches 1.5x and in fact results in opex savings at >1.5x, thus causing no value depletion for the parent company.

Figure 2. RCOM's SOTP under various scenarios

Rs/Share	Base case	#1 Scenario w/o GSM in new circles	#2 Optimistic scenario (1)	#3 Optimistic scenario (2)
RCOM	520	520	590	595
Towerco	60	98	130	130
Core business decline	-	-46	-123	-123
FLAG	20	20	20	20
SOTP	**600**	**592**	**617**	**622**

Source: Citigroup Investment Research

Higher Yield/Tenant assumptions for towerco valuation

RCOM has assumed higher Yield/Tenant for its towerco than our base case assumptions. Moreover, #2 and #3 scenarios assume RCOM gets GSM spectrum in 15 new circles and being anchor tenant (both CDMA and GSM businesses) pays higher rentals to the towerco as compared to #1 scenario. In scenario#1, which assumes no GSM allocation in new circles, towerco will have higher proportion of external tenants, which not only will restrict tenancy but also result in lower blended capex recovery potentially. Our assumption for capex recovery at various tenancy levels under the 3 scenarios is as below.

Lower yield/tenant (#1) with third party tenants as compared to #2 & #3 scenarios

Figure 3. Capex Recovery assumptions

Tenancy factor	1.0x	1.5 x	1.8 x	2.0 x
Base case	7.0%	8.6%	11.9%	14.0%
#1 Scenario w/o GSM in new circles	11.0%	14.0%	18.4%	19.6%
#2 Optimistic scenario (1)	11.0%	17.2%	19.0%	21.6%
#3 Optimistic scenario (2)	11.0%	17.2%	19.0%	21.6%

Source: Citigroup Investment Research

Is GSM+CDMA market share > CDMA market share

RCOM currently provides GSM services in 8 of the 23 circles i.e. Kolkata, MP, WB, HP, Bihar, Orissa, Assam and NE. The average market share difference between RCOM and the largest operator in circles where it provides services using both GSM and CDMA is ~5% versus ~13% in circles where it has only CDMA operations which implies that the 2 technologies supplement one another to some extent.

For our GSM-based scenarios (#1, #2) we have assumed market share expansion by 4-5% over next 2 years (FY10E). Though this is lower than the 8% differential indicated by the above table, it is a more realistic given higher competition in the new circles as:

- Currently the circles where RCOM provides both GSM and CDMA have one operator less than the other circles; and
- Not only do the 15 circles have an additional existing player, but the proposed entry of other entrants such as Idea, Maxis and Spice will further increase the competitive intensity.

Figure 4. Circle wise market share

Circles	RCOM	Market share between RCOM and the largest operator
Metros		
Delhi	14.1%	7.1%
Mumbai	19.4%	7.1%
Chennai	13.7%	13.0%
Kolkata	*25.0%*	*1.4%*
A Circles		
Maharashtra	16.4%	8.5%
Gujarat	15.7%	23.3%
A.P.	19.9%	0.0%
Karnataka	15.3%	0.7%
T.N.	16.8%	12.7%
B Circles		
Kerala	18.9%	6.0%
Punjab	8.4%	15.7%
Haryana	11.3%	12.2%
U.P.(W)	17.0%	5.6%
U.P.(E)	18.7%	10.4%
M.P.	*32.2%*	*0.0%*
Rajasthan	13.8%	11.0%
W.B. & A & N	*22.1%*	*8.0%*
C Circles		
H.P.	*19.1%*	*12.3%*
Bihar	*33.7%*	*0.0%*
Orissa	*25.3%*	*0.0%*
Assam	*20.3%*	*11.1%*
N.E.	*14.4%*	*18.1%*
J&K	0.0%	51.6%

Median diff in CDMA circles	10.7%
Average diff in CDMA circles	12.7%
Median diff in GSM+CDMA circles	1.4%
Average diff in GSM+CDMA circles	4.7%

Source: Citigroup Investment Research, RCOM's GSM circles highlighted

3 scenarios analysed

We have quantified the value creation/destruction in RCOM and RTIL under 3 scenarios using the "guided" assumptions behind RTIL's US$6.7bn value.

#1 Scenario w/o GSM in new circles – Assumes capex recovery similar to those assumed by RCOM for valuing RTIL (at least for captive tenancy) but lower tenancy factor assuming GSM spectrum is not allocated to RCOM for the remaining 15 circles. The core business value remains Rs520/share (9.8x FY09E EV/EBITDA).

Figure 5. Towerco valuation (base case)

	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E
RCOM owned towers (nos)	14000	37000	49657	57562	65118	69962	74808	77269	78287	79065
Rental per tenant per month (Rs)	55000	58000	54000	48000	47000	45000	44000	42000	42000	42000
Average tenancy on RCOM's towers	1.05	1.15	1.30	1.50	1.65	1.80	1.90	2.00	2.10	2.20
Tower rental revenues (Rs m)	9702	29615	41831	49733	60599	68003	75047	77887	82859	87667
Operating costs (Rs m)	6720	17316	22644	25557	28131	29384	31419	32453	32880	33207
EBITDA (Rs m)	2982	12299	19188	24176	32468	38619	43628	45434	49978	54460
EBITDA (%)	31%	42%	46%	49%	54%	57%	58%	58%	60%	62%
EBITDA per tower (Rs/year)	213000	332400	386400	420000	498600	552000	583200	588000	638400	688800
Implied RoA	7.1%	11.1%	12.9%	14.0%	16.6%	18.4%	19.4%	19.6%	21.3%	23.0%
Implied Payback (years)	14.1	9.0	7.8	7.1	6.0	5.4	5.1	5.1	4.7	4.4
NPV (Rs m)		269662								
NPV (US$m)		6742								
NPV (Rs/share)		132								
Equity value (Rs m)		199612								
Equity value (US$m)		4990								
Equity value (Rs/share)		**98**								

Source: Citigroup Investment Research

Though RTIL value increases to Rs98/share (from our estimate of Rs60/share), this is at the cost of RCOM which being the anchor tenant also has to pay higher rentals. This causes impact of Rs46/share on RCOM's value based on NPV of rentals minus cash opex. SOTP value declines to Rs592/share from the current Rs600/share. For further details on our base case towerco valuation, refer to https://www.citigroupgeo.com/pdf/SAP06436.pdf

Figure 6. Core business value destruction in absence of GSM spectrum

	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E
RCOM's cost savings[1]	-9724	-12752	-10914	-12268	-12173	-12029	-10385	-10522	-10626
Potential EBITDA margin impact	-6.3%	-6.6%	-4.9%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%
RCOM's tax rate	7%	10%	11%	18%	25%	26%	29%	31%	33%
Post-tax cash flow	-9043	-11477	-9691	-10060	-9130	-8902	-7373	-7260	-7120
NPV (Rs m)	-94377								
NPV (Rs/share)	-46								
Towerco value (Rs/share)	98								
Core business (Rs/share)	520								
Core business value destruction	46								
Flag's potential value unlocking (Rs/share)	20								
New SOTP	**592**								

Source: Citigroup Investment Research

[1] Parent tenancy factor x number of towers x (rentals/tower – opex/tower)

Higher towerco value in optimistic scenario (1) and (2)

RTIL value increases to Rs130/share (close to the recent deal value) assuming yield/tenant similar to scenario (1) and higher tenancy factor assuming RCOM gets GSM spectrum to roll out services in the remaining 15 circles.

Figure 7. Towerco valuation (optimistic scenarios)

	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E
RCOM owned towers (nos)	14000	37000	49657	57562	65118	69962	74808	77269	78287	79065
Rental per tenant per month (Rs)	55000	58000	54000	47000	45000	43000	42000	41000	40000	39500
Average tenancy on RCOM's towers	1.05	1.15	1.50	1.80	2.00	2.10	2.20	2.30	2.40	2.50
Tower rental revenues (Rs m)	9702	29615	48267	58437	70328	75811	82947	87438	90186	93692
Operating costs (Rs m)	6720	17316	22644	25557	28131	29384	31419	32453	32880	33207
EBITDA (Rs m)	2982	12299	25623	32879	42197	46427	51528	54985	57306	60485
EBITDA (%)	31%	42%	53%	56%	60%	61%	62%	63%	64%	65%
EBITDA per tower (Rs/year)	213000	332400	516000	571200	648000	663600	688800	711600	732000	765000
Implied RoA	7.1%	11.1%	17.2%	19.0%	21.6%	22.1%	23.0%	23.7%	24.4%	25.5%
Implied Payback (years)	14.1	9.0	5.8	5.3	4.6	4.5	4.4	4.2	4.1	3.9
NPV (Rs m)		336364								
NPV (US$m)		8409								
NPV (Rs/share)		164								
Implied EV/EBITDA (x)		27.3	13.1							
Equity value (Rs m)		266314								
Equity value (US$m)		6658								
Equity value (Rs/share)		**130**								

Source: Citigroup Investment Research

Optimistic scenario (1) – Assumes payback period similar to #1 though with higher tenancy factor assuming RCOM gets GSM spectrum for the 15 circles. We have assumed cumulative market share gains of 4% till FY10 as discussed earlier.

Figure 8. Market share assumptions

	FY06	FY07	FY08E	FY09E	FY10E
Subscriber (000)	17,311	28,968	45,265	69,018	93,931
Market share (%)	19	18	18	20.5	22.3
Market share gains				**2.1**	**1.8**

Source: Citigroup Investment Research

Valuing core RCOM at Rs590 based on higher FY09EV/EBITDA multiple of 10.8x i.e. ~5% discount to Bharti, lower than present 15% to factor in higher market shares and clarity on spectrum related issues. Though the towerco value increases to Rs130/share, the higher rentals result in core business decline of Rs123/share resulting in SOTP value at Rs617/share.

Figure 9. Core business value creation with additional 4% market share

	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E
RCOM's cost savings[1]	-11011	-18383	-20705	-25494	-27474	-29848	-31224	-31941	-33314
Potential EBITDA margin impact	-7.1%	-8.9%	-8.0%	-7.3%	-6.0%	-5.0%	-5.0%	-5.0%	-5.0%
RCOM's tax rate	7%	10%	11%	18%	25%	26%	29%	31%	33%
Post-tax cash flow	-10240	-16545	-18386	-20905	-20606	-22088	-22169	-22039	-22320
NPV (Rs m)	-251031								
NPV (Rs/share)	-123								
Towerco value (Rs/share)	130								
Core business (Rs/share)	590								
Core business value destruction	123								
Flag's potential value unlocking (Rs/share)	20								
New SOTP	**617**								

Source: Citigroup Investment Research [1] Parent tenancy factor x number of towers x (rentals/tower – opex/tower)

Optimistic scenario (2) – Assumes payback periods and tenancy assumptions similar to #2 though higher FY09 market share at 21.2% (20.5% in #2 scenario) and FY10 share at 23.2% (22.3% in #2 scenario).

Figure 10. Market share assumptions

	FY06	FY07	FY08E	FY09E	FY10E
Subscriber (000)	17,311	28,968	45,265	71,244	97,358
Market share (%)	18.8	18.1	18.5	21.2	23.2
Market share gains				**2.7**	**2.0**

Source: Citigroup Investment Research

Valuing RCOM at 10.8x FY09EV/EBITDA (similar to scenario #2) gives core business value of Rs595/share. Towerco value and core business value destruction remains similar to #2 scenario. SOTP value at Rs622/share.

Figure 11. Core business value creation with additional 5% market share

Towerco value (Rs/share)	130
Core business (Rs/share)	595
Core business value destruction	123
Flag's potential value unlocking (Rs/share)	20
New SOTP	**622**

Source: Citigroup Investment Research

Reliance Communications

Company description

RCOM is an integrated player in the Indian telecoms sector. It was listed on the Indian stock exchanges following the de-merger of Reliance Industries. RCOM is the second-largest player in the mobile segment, has an 80,000km-long India-wide optic-fiber network and owns the FLAG submarine cable network. It plans to launch IPTV and retail broadband in 2007. RCOM has three business units 1) Wireless, which includes a nationwide wireless network on CDMA and GSM; 2) Global Business comprising wholesale voice and data; and 3) Broadband for both retail and enterprise.

Investment thesis

We rate RCOM Buy/Medium Risk (1M). Continued expansion of the wireless market and RCOM's ability to capture its due market share profitably will, in our view, be a recurring theme. The wireless business has shown higher operating leverage recently and has maintained return parameters despite lower revenue yields. Competitive pressures, though intense, should continue to be rational. RCOM is planning a GSM overlay on its existing CDMA network; while there is market rationale for this (GSM ecosystem more supportive for developing markets), we think the economic rationale would be determined by the deal from vendors as well as the extent of infrastructure-sharing possible. Most regulatory concerns appear behind, and news flow is likely to be positive. The company has yet to realize the benefits of full utilization of its network infrastructure (especially in broadband); we expect significant strengthening of margins as traffic increases across segments. We expect RCOM to register an EBITDA CAGR of 31% and EPS CAGR of 29.6% for FY07-10E.

Valuation

Our 12-month forward target price of Rs600 is based upon core business valued at Rs520, towerco option value of Rs60 and Flag's potential value unlocking at Rs20. We value Indian wireless plays on DCF given the back-ended nature of profits and cash flow. For RCOM, however, we use EV/EBITDA in the absence of a detailed balance sheet. Our 12-month target price of Rs520 is based on 9.8x FY09E EV/EBITDA, a 15% discount to Bharti's target multiple (ex- towerco) to reflect the uncertainty on the timing of the GSM rollout and the associated challenges. We expect RCOM's valuation multiples to be determined by Bharti's due to the liquidity overflow from the latter, notwithstanding the risk of technology transition. Meanwhile, higher-than-average earnings growth (CAGR of 29.6% over FY07-10E) and low sensitivity of wireless demand to interest rates should continue to support premium valuations for the sector.

Risks

Our risk-rating system, which tracks 260-day share price volatility, assigns a High Risk rating to RCOM, but we believe Medium Risk is more appropriate. RCOM has been de-merged from Reliance Industries, and its shareholding at the time of listing mirrored the holding of RIL. The stock is therefore unlikely to have risks that are typical of newly listed companies. Besides, growth in the telecoms sector gives visibility to RCOM's prospects. But we believe its evolving financial history and risks pertaining to GSM overlay warrant a risk rating higher than the Low Risk assigned to Bharti. Downside risks to our target price include smaller-than-expected market share, lower-than-anticipated operating leverage (especially in FY07) due to handset subsidies, cost-overruns n GSM overlay, regulatory and competition risks, un-remunerative capex and delays in the ongoing re-organization and more telecom-related paper.

Bharti Airtel (BRTI.BO - Rs878.80; 1L)

Valuation

Our 12-month forward target price of Rs1,050 is based on core DCF of Rs890 and a towerco option value of Rs157. The core DCF (as on March-08) is based on a WACC of 10.7%, a terminal growth rate of 4% and beta of 0.9. We prefer DCF as our primary valuation methodology because the wireless market will likely continue to see robust growth requiring upfront capex but should generate significant free cash beyond FY09-10E. Our target price (net of towerco value) represents a FY09E P/E of 20.4x, P/CEPS of 13.1x and EV/EBITDA of 11.5x. The imputed target P/E (net of towerco) of 26.3x FY08E is at 30% premium to the broad market P/E (20.0x FY08E at the higher end of our Sensex target of 16,000). This, we believe, is justified by above-average earnings growth, high return parameters, improved earnings visibility and relative insulation from macro risks.

Risks

Our quantitative risk-rating system, which tracks 260-day share price volatility, rates Bharti as Low Risk. We are comfortable attributing a Low Risk rating for the following reasons: 1) Bharti has a track record of profitability and execution; 2) the company's capex plans are fully funded. Risks that could prevent the stock from reaching our target price include competition-led tariff pressures, un-remunerative capex, overall market downside, and slower-than-expected execution of the tower sharing initiative.

Appendix A-1

Analyst Certification

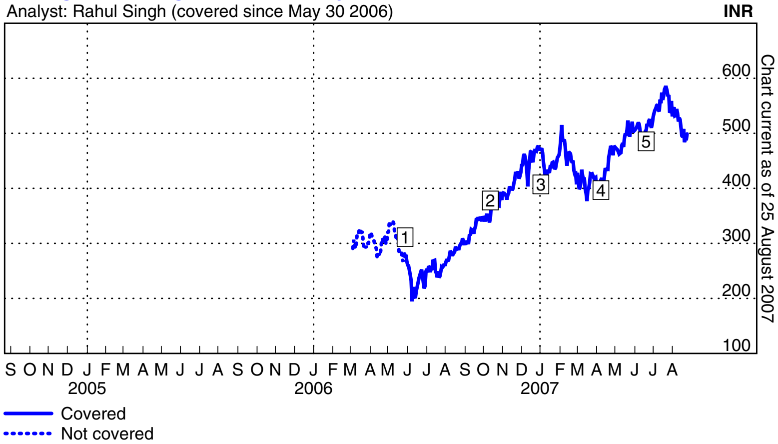
We, Rahul Singh and Anand Ramachandran, CFA, research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

Reliance Communications (RLCM.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Rahul Singh (covered since May 30 2006)



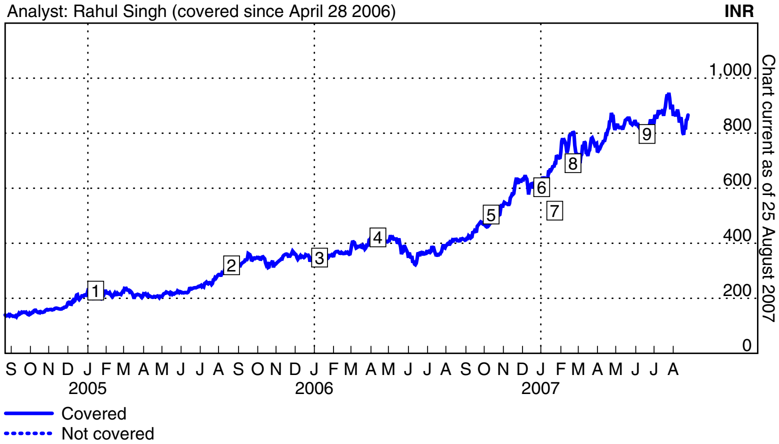
#	Date	Rating	Target Price	Closing Price
1:	29 May 06	1M	360.00	276.25
2:	12 Oct 06	1M	*430.00	345.95
3:	2 Jan 07	1M	*570.00	470.75
4:	9 Apr 07	1M	*510.00	415.60
5:	20 Jun 07	1M	*600.00	505.90

*Indicates change.

Bharti Airtel (BRTI.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Rahul Singh (covered since April 28 2006)



#	Date	Rating	Target Price	Closing Price
1:	14 Jan 05	*1M	*260.00	210.30
2:	22 Aug 05	1M	*400.00	306.10
3:	10 Jan 06	1M	*450.00	339.25
4:	13 Apr 06	1M	*500.00	395.95
5:	12 Oct 06	*1L	*600.00	475.65
6:	2 Jan 07	1L	*750.00	633.00
7:	23 Jan 07	1L	*800.00	689.15
8:	21 Feb 07	1L	*960.00	806.30
9:	20 Jun 07	1L	*1,050.00	824.65

*Indicates change.

Rahul Singh holds a long position in the shares of Bharti Airtel.

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% of companies in each rating category that are investment banking clients	89%	94%	83%

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