Investment Strategy | India
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Strong but slowest in FY07

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Slower earnings momentum reflects expected trend

Sensex earnings growth in this quarter, though strong at 30%, is losing momentum and is the slowest in FY07 (MSCI is much lower due to the oil PSUs). This is despite a low base (Q4FY06 was the second slowest growth in last 12 quarters). Our call has been that earnings will slow to the 20-22% level in Q1FY08 and 15-17% in FY08, a view that is now gaining favor with consensus.

Healthcare, cement – strong growth but slowing in FY08

Healthcare has a strong growth for this quarter mainly due to a low base. For FY08, growth in the sector is expected to slow to under 20%. Similarly, cement shows a very strong growth for this quarter but we have a sell on most stocks, given Government measures to reduce prices.

Telecom, IT, industrials – Sustainable growth; O/W

Telecom and industrials should sustain strong earnings growth next year. However, Larsen & Toubro is likely to report slower growth in this quarter and could underperform near term. Again in IT we like the strong earnings growth story but expect weakness ahead of the Infosys guidance.

Autos, consumer staples and oil PSUs – weak growth; U/W

We are U/W sectors like autos, consumer staples and oil PSUs that are expected to report the weakest growth amongst our universe.

Top Potential Result Outperformers: Dr Reddys, State Bank, Bharat Forge, Bhel, Jet

Top Potential Result Underperformers: HLL, Bajaj Auto, Hero Honda, Cipla, L&T

Top Mid-Cap Potential Outperformers: Panacea, IVRCL, Sasken, Educomp, Colgate, GSPL

Table 1: Summary of result estimates

	BSE 30			MSCI		
	Mar-07	Mar-06	Growth %	Mar-07	Mar-06	Growth %
Sales Turnover	672,611	537,138	25.2%	633,349	514,117	23.2%
EBITDA	153,230	117,488	30.4%	110,604	92,526	19.5%
Other Income	30,748	26,711	15.1%	22,602	20,069	12.6%
Interest	13,226	14,244	-7.1%	10,380	11,352	-8.6%
Depreciation	5,755	4,987	15.4%	4,860	3,988	21.9%
Tax	30,798	21,707	41.9%	21,534	14,976	43.8%
Net Profit	98,131	75,754	29.5%	71,046	62,521	13.6%
Net Profit (incl. Fin Cos)	121,225	93,441	29.7%	86,301	74,878	15.3%

Source: Merrill Lynch Research

Table 2: Results summary for Q ended 31 Mar'07

	BSE	MSCI
All Companies:		
Sales Growth	25.6%	23.7%
Profit Growth	29.7%	15.3%
Excl. Financial Cos:		
Sales Growth	25.2%	23.2%
EBITDA Growth	30.4%	19.5%
Profit Growth	29.5%	13.6%
Excl. Oil Cos:		
Sales Growth	26.6%	25.1%
Profit Growth	30.7%	28.6%
Excl Reliance Comm. Ventures		
Sales Growth	25.4%	23.4%
Profit Growth	28.5%	13.6%

Source: Merrill Lynch Research

Table 3: Top leaders and laggards (yoy profit growth)

Leaders	YoY%	Laggards	YoY%
India Cement	415%	TVS Motors	-95%
Nicholas Piramal	226%	BPCL	-77%
GSPL	154%	Triveni Eng	-76%
WNS (USD mn)	141%	HPCL	-75%
Ultratrech	137%	IOC	-57%
Sasken	127%	Arvind Mills	-45%
Reliance Comm	105%	Hero Honda	-31%
Tech Mahindra	103%	Bajaj Auto	-16%
Shree Cement	92%	NALCO	-14%
Ranbaxy	87%	Oriental Bank	-13%

Source: Merrill Lynch Research

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Pharma - strong growth is led by a very low base for last year. Cement growth may peak as the Government takes measures to reduce cement prices. In IT, results in line with guidance – future guidance may be slightly below expectations. Autos, consumer staples and oil PSUs may disappoint.

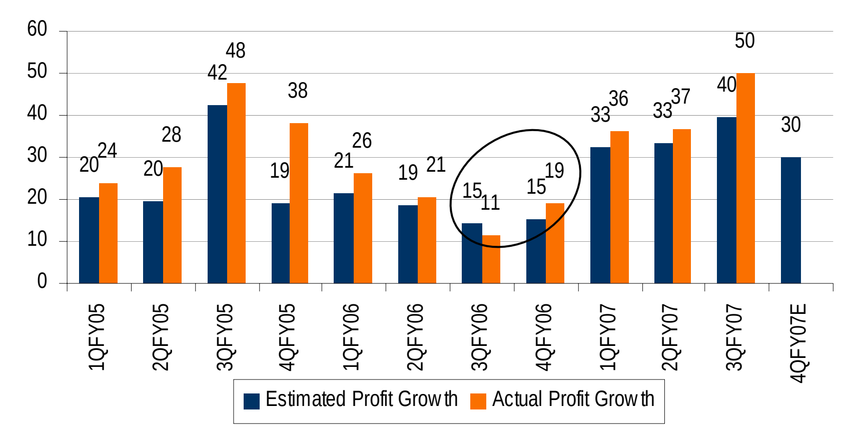
Table 4: Sector-wise growth forecast for March Q

Industry	Sector Weights	Sales % Growth	EBITDA % Growth	Net Profit % Growth
Consumer Discretionary - Autos	6.0%	19.7%	10.2%	14.2%
Consumer Discretionary - Media	1.3%	9.9%	42.1%	18.1%
Consumer Staples	5.3%	16.6%	25.1%	15.4%
Energy	14.9%	19.1%	-6.6%	-23.0%
Financials	17.4%	33.8%	N.A.	23.5%
Healthcare	4.5%	26.0%	111.9%	116.9%
Industrials	6.1%	33.9%	29.4%	24.5%
IT	33.2%	40.8%	40.2%	41.4%
Cement	2.6%	29.4%	69.8%	66.0%
Materials- Others	2.6%	28.7%	36.9%	27.4%
Telecom	4.0%	20.4%	50.2%	70.8%
Utilities	2.1%	19.3%	4.9%	10.5%
Weighted Grand Total	100%	23.7%	19.5%	15.3%

Source: Merrill Lynch Research

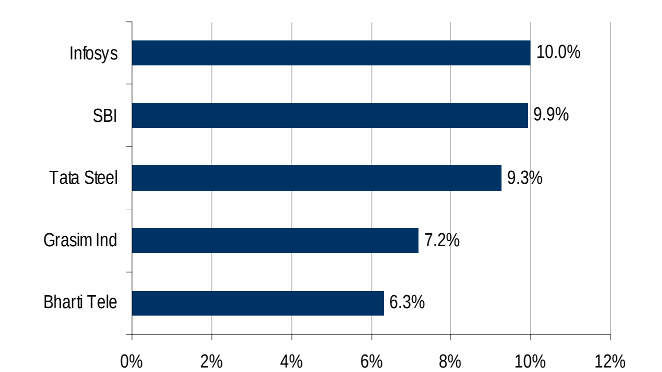
Though growth is strong at 30%, it is the weakest growth in FY07. This is in spite of a weak base for Q4FY06.

Chart 1: Sensex Profit Growth (%)



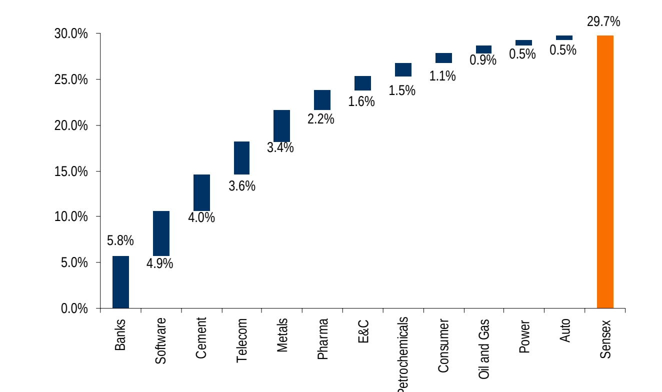
Source: Merrill Lynch Research

Chart 2: Top earnings contributors



Source: Merrill Lynch Research

Chart 3: Banks, software, cement to drive growth



Source: Merrill Lynch Research

Sector	Potential Result Outperformers	Potential Result Underperformers	Comments
Automobile	Bharat Forge, M&M	Hero Honda	■ **Commercial Vehicles** - We expect Ashok Leyland to post a stronger YoY performance on the back of strong sales and steady margins, as should M&M, driven by strong performance in autos segment. Maruti and Tata Motors should continue to grow at a reasonable rate, although profit growth will be restricted by lower margins. ■ **Two-wheeler**- Bajaj Auto & Hero Honda will likely register contraction in profits, due to muted top-line and lower margins. ■ **Auto components**- We expect Bharat Forge to register the strongest performance, aided by domestic four wheeler sales, and steady exports.
Airline	Jet Airways	--	■ **Jet Airways** - We expect Jet Airways to report significantly improved financial performance this quarter led by stronger than expected load factors mainly in international routes, steady oil prices, and full benefit of congestion surcharge.
Banking	SBI	--	■ **Margin Compression**- Bank earnings may come in 4-5% lower than expected owing to margin compression arising from a mismatch in rise in funding cost and lending rates. In particular, govt. banks have not raised lending rates at the same pace as deposit rates. ■ **Loan growth** could surprise on the upside as sector growth sustains at +28%. Govt. banks could see stronger growth led by SME and farm. ■ **ICICI Bank** could see much slower growth (at <20%) owing to higher general provisions of Rs3.0bn. SBI could be a positive surprise given its excess SLR and the high CASA. HDFC bank and UTI bank could sustain earnings growth of 28-30%yoy.
Cement	--	ACC, Gujarat Ambuja, Shree Cement, India Cement	■ **Strong profit growth**- Sector profits will likely rise ~83% YoY and 14% QoQ led by margin expansion on the back of higher cement prices and flat-to-lower costs. ■ **Volumes**- In Jan-Mar '07, cement volumes for our coverage universe are forecast to be flattish, up 2% YoY & 4% QoQ. Net price realization (excluding excise) for our coverage universe is estimated to be up ~26% YoY and 1% QoQ.
Consumer	Colgate	HLL, Nestle	■ **Aggregate consumer sector profit** to grow 17% in the Mar Q. This is slightly better than 14% growth in the Dec Q but still lower than the 20-21% growth reported in Sep and Jun quarters. ■ **HLL –** We expect HLL's profit to grow 16% this Q, better than the 11% growth in Dec Q. ■ **ITC** will likely report numbers in line with past trends. We expect profit to grow 19% led by turnover growth of 17% and EBITDA margin expansion of 220bps. ■ **Colgate i**n Mar Q should stand out as the company with most improved performance on a yoy basis. We expect profit to grow 35%, better than the 10% growth in the first 9 months of the year.
Energy	Reliance, GSPL	IGL, Petronet LNG, Gujarat Gas	■ **Reliance-** We expect RIL's 4Q net profit to rise by 10% YoY to Rs27bn. Petrochemical EBIT expected to rise by 31% YoY driven by YoY increase in petchem margins. However, this is expected to be offset by 8% YoY decline in refining EBIT driven by 8% YoY decline in GRMs. We estimate crude throughput at 8.2mmt in 4Q, up 4%. ■ **R&M companies** are likely to be in the black again in 4QFY07E driven by issuance of oil bonds of Rs49bn.
Healthcare	Dr. Reddy's, Panacea Biotech	Cipla	■ **Dr Reddy's** - Our expectation of Rs1.89bn net profit for DRL (vs. loss in previous quarter) reflects the impact of generic Zofran marketing exclusivity upside (US$24mn revenues and US$13mn profits). ■ **Ranbaxy** - We expect Ranbaxy to deliver sharp 87% YoY growth in net profit (Rs1.34bn) largely driven by a lower base and the impact of Forex gains from FCCB (Rs280-300mn impact).
Industrials	BHEL, IVRCL Infra	L&T	■ **ML E&C universe**, represented by BHEL, L&T, Suzlon, ABB, IVRCL and NJCC, expected to report sales growth of 43%YoY, EBITDA growth of 40%YoY and Recurring PAT growth of 30%YoY. ■ **L&T:** We expect L&T to experience a slower quarter in order intake, margins (18% EBITDA growth) and bottom-line growth at 13%. We expect margin contraction as L&T may have many new project starts, where it doesn't recognize margins till it reaches 25% execution for projects >30 months.
Media	Zee	--	■ **Zee:** We expect Zee's topline to grow 17% YoY led by the monetization of the advertisement rate hike announced last year, despite the ongoing Cricket World Cup on a competing channel. We expect EBITDA to grow 161% given its start-up investments are approaching breakeven and lower content cost as compared to 4QFY06. This should lead to 57% rise in PAT.
Metals	SAIL	Hindalco, Nalco	■ **Steel companies** are expected to post excellent results in Mar Q led by higher yoy realizations. ■ **Aluminum sector** will likely disappoint with flattish profit numbers both on a yoy and qoq basis. ■ Overall, we expect our metal coverage universe profits to rise 42% yoy and 18% qoq.
Software	Educomp, Sasken Communication	Infosys, Patni	■ **Infosys** guidance could disappoint. Given the uncertain US economic outlook, Rupee appreciation and certain client-specific uncertainties, we believe EPS growth guidance could be in the early 20% range, disappointing the market. ■ **Q1FY08 guidance likely weak given tough comps**. With strong rev momentum and 3% rupee dep. in Q1FY07 last year companies had reported strong PAT g despite wage hikes. This could make this year's Q1 look unexciting. ■ **Pre-result expectations** - We expect strong results from TCS (90bps margin expansion), Educomp (150% yoy PAT growth) and Sasken (20% qoq PAT driven by products). Results that could disappoint include Infosys (4% qoq PAT growth, modest guidance) and Patni (10% qoq decline in PAT).
Telecom	Bharti	MTNL	■ **Bharti:** We forecast Bharti's 4Q FY07E net profit at Rs11.8bn, up 73% YoY but down 3% QoQ. The QoQ decline reflects likely easing of the notional forex gains booked in 3Q FY07.
Textile & Apparel	Welspun India	Arvind Mills	■ **Welspun India** is likely to report 26% YoY growth in recurring profits backed by continued strong performance of terry towel business and increased contribution from the one-year-old bed linen business. ■ **Arvind Mills** is likely to report a 45% YoY decline in recurring profits mainly on account of the continued denim downturn and rising power, salary and interest costs.
Utilities	NTPC	--	■ **Indian Utility Sector**, represented by NTPC, Reliance Energy, Tata Power, Neyveli, GIPCL & JHPL, expected to report sales growth of 20%YoY, EBITDA growth of 22%YoY and PAT growth of 17% YoY.

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Sector Highlights

Automobiles

Potential Result Outperformers: Bharat Forge, M&M

Potential Result Underperformers: Hero Honda

- We expect the sector to exhibit a mixed performance, with four-wheelers and component companies doing better than two wheelers. This is a repetition of the past few quarters, and an indication of more acute margin pressures, and relatively slower demand in the two-wheeler sector.

- Within commercial vehicles, we expect Ashok Leyland to post a stronger YoY performance on the back of strong sales and steady margins, as should M&M, driven by strong performance in the autos segment. Maruti and Tata Motors should continue to grow at a reasonable rate, although profit growth will likely be restricted by lower margins. Reported profit for M&M should, however, be lower YoY due to an extraordinary gain of Rs1.67bn last year. Tata Motors' reported growth will be lower due to last year's forex gain of Rs221mn.

- Within the two-wheeler space, we expect both Bajaj Auto and Hero Honda to register severe contraction in profits, due to muted top-line and lower margins. We believe that margins will be marked down substantially, impacted by the World Cup cricket tournament (for Hero Honda) and Rs3,000 price discounts on *Platina* (for Bajaj Auto). TVS Motor will continue to be squeezed by the leading players, thereby likely registering a sharp decline in profits once again.

- Amongst the auto components companies under coverage, we expect Bharat Forge to register the strongest performance, aided by domestic four-wheeler sales, and steady exports. Automotive Axles too should likewise register a strong quarter. Rico Auto is expected to disappoint again due to high power costs, as well as increased depreciation and interest expense.

Airlines

Potential Result Outperformers: Jet Airways

We expect Jet Airways to report significantly improved financial performance this quarter, with adj. PAT of Rs699mn (up 23% YoY) as compared to YTD loss of Rs2.1bn. Previous year reported profit, though, included post-tax gain of Rs1.7bn from sale and leaseback. This performance would be the result of stronger than expected load factors mainly in international routes, steady oil prices, and full benefit of congestion surcharge (imposed in December).

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Banks and Financial Services

Potential Result Outperformers: SBI

- Bank earnings may come in 4-5% lower than expected owing to margin compression arising from a mismatch in rise in funding cost and lending rates. In particular, govt. banks have not raised lending rates at the same pace as deposit rates. The margin compression would have been higher but for the one-off interest banks are to receive on the CRR in this quarter.

- Loan growth could, however, surprise on the upside as sector growth sustains at +28%. We had been expecting a moderation in growth during the 4QFY08. In particular, govt. banks could see stronger growth led by SME and farm.

- The key variable to watch will be provisions. While we do see higher credit costs as banks seek to provide for a likely uptick in NPLs, the extent of provisions and the NPLs will be critical. We also see some mark to market hit as bond yields rise v/s 3Q levels (and some banks had written back provisions during the previous quarters). Fee income is, however, estimated to remain strong for private banks (+35%); government banks that are leading on technology implementation could sustain fee income growth of 15-20%.

- Amongst banks, ICICI Bank could see much slower growth (at <20%) owing to higher general provisions of Rs3.0bn. The key for IBank, however, will be the qoq uptick in gross NPLs. SBI could be a positive surprise given its excess SLR and the high CASA. HDFC Bank and UTI Bank could sustain earnings growth of 28-30%yoy.

- SBI's net profit growth, at 72% YoY, is exceptionally high owing to a much lower hit on its bond portfolio and lower taxes (SBI had accounted for whole year’s fringe benefit tax in 4QFY06). We expect the pre-provisional profits to grow at a moderate 15% YoY. We however think that at the operating level SBI could surprise on the upside owing to its high CASA, which could result in stronger than expected top line growth.

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Cement

Potential Result Outperformers: None
Potential Result Underperformers: ACC, Gujarat Ambuja, Shree Cement, India Cements

Result Expectations – Key Highlights

- We expect the cement sector to deliver strong profit growth for the quarter ended Jan-Mar '07. Sector profits will likely rise ~83% YoY and 14% QoQ. Margin expansion, on the back of higher cement prices and flat-to-lower costs, will be the primary profit driver.

- We believe Jan-Mar '07 will mark peak EBITDA margins for the cement majors. This reflects the industry's recent commitment to the government that it will cap cement prices at current levels for a year, regardless of possible increase in input costs.

- In Jan-Mar '07, cement volumes for our coverage universe are forecast to be flattish, up 2% YoY & 4% QoQ. This compares with the industry's volume growth of ~ 7% YoY during Jan-Feb '07 (March data is awaited).

- Net price realization (excluding excise) for our coverage universe is estimated to be up ~26% YoY and 1% QoQ. Operating costs are forecast to be up 11% YoY and down 3% QoQ, on average. EBITDA/ton is forecast to average ~Rs1200/ton, up 71% YoY and 7% QoQ.

- Among the pure plays, we expect India Cements to post strong profit growth (+56% QoQ), driven by seasonal recovery in volumes (+14% QoQ) and consequent lower costs (-4% QoQ). In the Mar quarter, Gujarat Ambuja & UltraTech should also post strong QoQ EBITDA growth helped by flat-to-lower costs and modest rise in cement prices.

Consumers

Potential Result Outperformers: Colgate
Potential Result Underperformers: HLL, Nestle

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We expect aggregate consumer sector profit to grow 17% in the Mar Q. This is slightly better than 14% growth in the Dec Q but still lower than the 20-21% growth reported in Sep and Jun quarters. We forecast sector sales to grow 16% and EBITDA to grow 24% this Q.

HLL – We expect HLL's profit to grow 16% this Q, better than the 11% growth in the Dec Q. We expect revenue growth of 9% and a higher EBITDA growth of 15%. We see a 70bps improvement in EBITDA margins due primarily to base effect. We see high downside risk to our estimates.

ITC will likely report numbers in line with past trends. We expect profit to grow 19% led by turnover growth of 17% and EBITDA margin expansion of 220bps. We expect gross cigarette turnover to grow 16% and margin to expand 130bps. In the case of non-cigarettes, we look for turnover increase of 27% and EBIT increase of 58%

Colgate in Mar Q should stand out as the company with most improved performance on a yoy basis. We expect profit to grow 35%, better than the 10% growth in the first 9 months of the year. While forecast sales growth is 13%, EBITDA will grow 37% led by favorable base effect on advertising cost timing. We expect a 330bps improvement in Colgate's EBITDA margin in the current Q.

Asian Paints should also have a strong quarter with pre-tax profit growth of 26% led by domestic business growing 20% and international businesses growing faster led by base effect. We expect post-tax profit growth to be faster at 38% as the previous year was hit by higher tax provisions in the international businesses.

For Tata Tea, we expect the March Q to be the second consecutive quarter of profit decline. We forecast Mar Q profit to fall 7% Y-o-Y owing primarily to high interest costs for funding recent large acquisitions.

Nestle – We expect Nestle to disappoint with EBITDA growth of merely 12% despite revenue growth of 18%. Higher milk and coffee prices will likely hit EBITDA margins. We expect profit growth of 8% due to the effect of writeback of provisions of Rs125m in Mar Q last year.

Dabur – We expect Mar Q results to be in line with past trends. We look for EBITDA growth of 20% led by topline growth of 18%, led by high growth in fruit juices and home care, and rejuvenated Chyawanprash portfolio.

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Energy

Potential Result Outperformers: RIL, GSPL
Potential Result Underperformers: IGL, Petronet LNG, Gujarat Gas

- **Oil prices:** Price of ONGC's marker crude Bonny Light is down 6% YoY and 4% QoQ to US$59/bbl.
- **Refining margins:** Singapore refining margins based on Dubai crude stayed flat QoQ at US$5.75/bbl in 4Q FY07. On a YoY basis, margins are down US$0.5/bbl (9%).
- **Subsidies:** We expect under-recoveries (ie subsidies) in 4Q at Rs85bn to be 20% YoY lower due to a steep decline in auto fuel under-recoveries. Under-recoveries on LPG/ SKO in 4Q are also down 12% YoY.
- **Subsidy upstream companies will bear in 4Q uncertain:** The extent of subsidy upstream oil companies like ONGC will bear in 4Q is still uncertain. We have assumed that upstream companies will bear Rs29bn of subsidy in 4Q (ie 35% of subsidy). Upstream contribution would be higher at Rs35bn if it is made to bear 41% of subsidy.

Company-wise expectations for the quarter

Reliance Industries

We expect RIL's 4Q FY07 net profit to rise by 10% YoY to Rs27bn. We estimate petrochemical EBIT to rise by 31% YoY driven by YoY increase in petchem margins. However, this is expected to be offset by 8% YoY decline in refining EBIT driven by 8% YoY decline in GRMs. We estimate crude throughput at 8.2mmt in 4Q, up 4%.

R&M companies

R&M companies are likely to be in the black again in 4QFY07E driven by issuance of oil bonds of Rs49bn. Consequently, the total amount of oil bonds issued to R&M companies in FY07E would be Rs241bn.

HPCL may report 4Q EPS of Rs15/share while BPCL and IOC may report consolidated EPS of Rs14/share and Rs16/share, respectively. The upside risk to our full year estimates for R&M companies is the highest in case of BPCL. BPCL may report full year consolidated EPS of Rs55/share as compared to our forecast of Rs40.26/share. IOC's consolidated full year EPS may also be higher than our estimate of Rs34/share by 23% (Rs42/share). HPCL is likely to report full year EPS of Rs35.8/share, slightly lower than our estimate of Rs36.8/share.

R&M companies may report higher than expected profits in 4Q if upstream is made to bear a higher proportion of subsidy.

ONGC

We expect ONGC to achieve 17% YoY growth in recurring net profit to Rs29bn despite 6% YoY decline in the price of Bonny light. Reported net profit is, however, expected to be 7% YoY lower. This is because of extraordinary income of Rs6.4bn which boosted ONGC's net profit in 4QFY06.

The anticipated growth in recurring net profit would be driven mainly by 32% YoY decline in ONGC's subsidy burden to Rs23bn. This assumes that upstream would bear 35% of overall industry subsidies in 4Q.

If upstream is made to bear a higher proportion of industry subsidy, say 41%, then ONGC’s subsidy burden would be Rs28bn and its estimated YoY recurring profit growth in 4Q would be just 5%.

GAIL

We expect GAIL’s 4Q recurring net profit to be up 17% YoY to Rs5.4bn. On a reported basis, the YoY growth would be stronger, at 31%. This is because of an extraordinary expense of Rs700mn that depressed GAIL’s net profit in 4Q FY06.

The main factor underlying the expected growth in GAIL’s 4Q net profit is 35% YoY decline in its subsidy burden to Rs3.5bn. This assumes that upstream will bear 35% of overall industry subsidies in 4Q. GAIL’s profit in 4Q may be lower than expected if upstream is made to bear a higher proportion of subsidies.

Gas utilities

Among the gas utility companies, we expect GSPL to report the highest growth in net profit for 4Q. We estimate GSPL’s 4Q profit to rise 2.5x YoY to Rs275mn, driven mainly by 86% YoY growth in volumes to 16.5mmscmd.

Petronet LNG may report 35% YoY growth in 4Q net profit to Rs895mn, driven mainly by 32% YoY increase in volumes to 80tbtu (trillion british thermal units). The strong growth in volumes is mainly a result of import of spot volumes this quarter (17tbtu) as compared to NIL spot volumes in 4Q FY06.

Gujarat Gas may report 9% YoY increase in its 1Q CY07 net profit to Rs287mn driven by 6% YoY increase in its distribution margins. The improvement in margins stems from the price hike effected in February 2007.

We estimate IGL’s 4Q net profit at Rs358mn, up 20% YoY. The growth in net profit would be mainly driven by 10% YoY growth in volumes in 4Q and 4% YoY improvement in realizations.

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Healthcare

Potential Result Outperformers: Dr. Reddy's Labs, Panacea Biotech

Potential Result Underperformers: Cipla

Strong expectation for Reddy's, Ranbaxy

We expect sector performance for the quarter to be strongest for the generic players, Ranbaxy (87% YoY PAT growth) and Reddy's (Rs1.9bn PAT vs loss in previous 4Q). For Cipla, however, we expect flat YoY profit growth, noting high base and no new significant product upsides. For the Indian Pharma universe, we expect average sales growth of 25%YoY, EBITDA growth of 64% YoY and PAT growth of 75% YoY.

Softer domestic market growth trend

Compared to the strong 16-20% growth trend in the last two quarters, the domestic pharma market growth has slowed down to 9.7% in Jan-Feb'07 (Source: ORG). For the quarter, we estimate 8-12% domestic market growth for most companies.

No major generic upside impact except for DRL

Unlike the last two quarters, which witnessed upside for Ranbaxy, Reddy, and Cipla from launch of generic blockbusters like Zocor and Proscar, in 4Q, we expect upside from generic Zofran for DRL (MLe: US$24mn revenues and US$13mn profits).

Possible positive and negative surprises

A negative surprise is possible if there are higher than expected writeoffs in Germany, where the recent healthcare reforms have led to lower drug pricing (Reddy's, Ranbaxy) as well as higher than expected impact of forex fluctuation. A positive surprise is possible if margins from the generics exceed expectation.

Ranbaxy Laboratories – low base and forex gains

We expect Ranbaxy to deliver sharp 87% YoY growth in net profit (Rs1.34bn), largely driven by a lower base and impact of Forex gains from FCCB (Rs280-300mn impact). We estimate 14% EBITDA margin in 1Q (100bp lower than 4Q) Going forward, investors will expect more clarity on (a) timing of kick-start of US ANDA approvals from Paonta Sahib site and (b) further impact of cost saving initiatives, and (c) visibility on big ticket opportunities.

Dr. Reddy's Laboratories – impact of generic Zofran

Our expectation of Rs1.89bn net profit for DRL (vs. loss in previous quarter) reflects the impact of generic Zofran marketing exclusivity upside (US$24mn revenues and US$13mn profits). Our estimates for the current quarter do not include any significant money received from ICICI Ventures. DRL's gross margin in the quarter is expected to be about 42% (in line with 3Q). We expect both R&D and SG&A spend in 4Q to be high like in 3Q.

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Industrials

Potential Result Outperformers: BHEL, IVRCL

Potential Result Underperformers: L&T

- A 43%YoY top-line growth and a 30% growth in bottom-line of Indian Engineering & Construction (E&C) majors during Jan-Mar quarter should clearly reinforce our bullish stance on the sector and re-assure the markets.

- We expect double-digit growth in order backlog for most companies despite focus on acquiring better priced orders. The key issue to watch out for in the E&C sector is likely improvement in execution & EBITDA margins as new priced orders come in for execution & operating leverage kicks-in ex-L&T.

- We expect the Indian E&C Sector, represented by BHEL, L&T, Suzlon, ABB, IVRCL and NJCC, to report sales growth of 43%YoY, EBITDA growth of 40%YoY and Recurring PAT growth of 30%YoY.

- **L&T**: We expect L&T's YTD strong growth in order inflow to be muted in the 4QFY07 as the company focuses on improving execution – expect sales growth to rebound at 33%YoY v/s 11.8% YTD. We also expect margin contraction as L&T may have many new project starts, where it doesn't recognize margins till it reaches 25% execution for projects >30 months. Overall, L&T should experience a slower quarter in order intake, margins (18% EBITDA growth) and bottom-line growth at 13%.

- Meanwhile, ABB's strong 1Q2007 results should be driven by continued strong sales growth of 40%YoY led by strong order backlog. Improved labor productivity and stable O&M costs will result in 49%YoY earnings growth.

- **BHEL** remains our preferred pick on likely robust order intake (64%YoY) and backlog for FY07E. We like BHEL as it fixed technology issues such as advance class gas turbines & super critical plants. This would not only complete its product offering but also drive order backlog beyond the current 2.8x FY07E sales. Also, the Indian Government's focus on indigenizing super-critical technology through BHEL & likely implementation of sub-critical/ultra mega power projects at NTPC should aid in future order inflows. Overall, we estimate BHEL should experience 34% sales growth, 36% EBITDA growth, and a 30%YoY PAT growth.

- **Suzlon**: 4QFY07 is likely to be big quarter for Suzlon's domestic business due to tax breaks. International volumes should also ramp up as it scales up delivery capability. We estimate a 62% rise in YoY volume. Further, the consolidation of Hansen for the first time for 4Q will drive YoY growth. Consequently, we estimate 103%, 73% and 48% growth in Suzlon's sales, Ebitda and PAT respectively (on a YoY basis).

- I**VRCL**: We expect IVRCL to report 55% YoY growth in sales during 4QFY07 led by good growth in power & transmission as well as water business. We expect the improved pricing & operational efficiency to drive margin and 26%YoY growth in earnings. However, we note that YoY growth in PAT is not comparable as the company will be paying full tax in 4QFY07 on account of the withdrawal of 80-IA tax benefit, vs. 15% in 4Q last year.

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Media

Potential Result Outperformers: Zee Telefilms

We expect strong PAT growth trend among media companies in 4QFY07 and continued improving outlook.

We expect the Indian Media Sector, represented by Zee & Balaji, to report sales growth of 17%YoY but PAT growth of 56%YoY, mainly led by Zee.

- For Zee: We expect 4QFY07 to mark modest topline growth despite the ongoing Cricket World Cup on a competing channel. Driver of the anticipated 17%YoY topline growth will be the monetization of advertisement rate hike announced last year. We expect 161%YoY growth in EBITDA given its start-up investments are approaching breakeven and lower content cost as compared to 4QFY06. This should lead to a 57%YoY rise in reported PAT. This rise in PAT is largely factored in the stock price, and hence, we do not see much impact on the stock.

- Balaji should show improvement, with estimated sales growth of 16% YoY, EBITDA growth of 50%YoY, and Recurring PAT growth of 54% led by improved operating matrix in terms of higher realization (Star Price hike effective 2QFY07) & lower cost of production. However, YoY growth in EBITDA and PAT is not comparable, as the company has started providing managerial remuneration on a quarterly basis v/s 4Q till last year.

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Metals

Potential Result Outperformers: SAIL

Potential Result Underperformers: Hindalco, Nalco

Steel companies are expected to post excellent results in the Mar Q led by higher yoy realizations. The aluminum sector will likely disappoint with flattish profit numbers both on a yoy and qoq basis. In aggregate, we expect our metal coverage universe profits to rise 42% yoy and 18% qoq.

SAIL – We expect 87% yoy growth in reported profit in Mar Q led by ~20% jump in average realizations. Volume growth in this Q is expected to be only 1% after ~15% increase in 9m FY07. Lower imported coal cost will be offset by higher ocean freight and inland transportation costs. Mar Q will also see the impact of higher labor cost as a new wage agreement becomes effective from Jan'07. Overall, EBITDA margin is expected to expand 110bps qoq to ~30%.

Tata Steel – We expect a 47% rise in PAT led by a 13% jump in volumes and 12% increase in steel realizations due to favorable base effect. Estimated EBITDA growth of 54% will be partially moderated by higher interest cost and lower other income, as Tata Steel uses debt and existing cash to fund its various capex plans. Mar Q consolidated profit will also include ~Rs1.2bn as share in the profit of Corus (Tata Steel acquired 22% stake in Corus on 14th Feb).

Hindalco – Aluminum EBIT is expected to show 28% yoy growth due to higher metal prices (average realization up 16% yoy); copper smelting business will benefit from 29% increase in production. We expect 28% yoy increase in total EBIT, but reported profit will be up only 13% due to a lower tax rate in the corresponding Q last year.

Nalco – We expect PAT to decline 14% yoy and 9% qoq as lower alumina prices will more than offset higher aluminum metal prices. Alumina division EBIT is expected to decline 63% yoy due to ~50% decline in average alumina realizations; 40% increase in sales volume due to last Q's inventory will moderate impact on EBIT. Aluminum profits will be up an estimated 179%, led by 16% higher LME aluminum prices and lower cost of transferred alumina.

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Software

Potential Result Outperformers: Educomp, Sasken
Potential Result Underperformers: Infosys, Patni

Could strike a note of caution

Given the uncertainty on the US economic outlook, surge in the Rupee, and lack of clarity on imposition of Fringe Benefit Tax on ESOPs, we believe companies may strike a note of caution on the FY08 earnings growth outlook. Bellwether Infosys will set the tone when they kick off results season on Apr 13 and provide guidance for the coming year. While this could pressure stocks near term, we currently see no structural change to the offshoring trend, and maintain our positive stance on the sector.

Infosys guidance could disappoint

Given the uncertain US economic outlook, Rupee appreciation and certain client-specific uncertainties, for e.g. with respect to ABN Amro (in potential merger talks), we believe EPS growth guidance could be in the early 20% range, disappointing the market. We and consensus are forecasting a 30% FY08 EPSg, which could see a downward revision of 3-5%. While we see this near-term risk, we retain our Buy rating, given our view that Infy can achieve at least a strong 25% EPS growth.

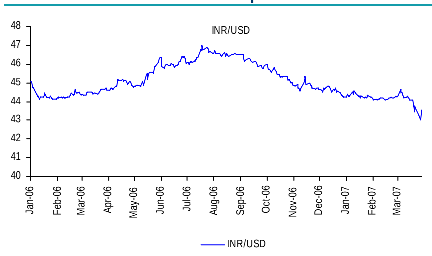
Q1 guidance tempered by wage hike, Rupee and high base

Last Q1 benefited from sharp Rupee depreciation, significant volume strength from some large clients like in Infosys. Thereby given a high base, Rupee appreciation and annual wage hike, Q1 guidance would be expected to be dull.

US economy a concern, pricing commentary key to watch

We believe the Indian IT industry is concerned over a possible US slowdown. In case of a slowdown volume growth may slow before picking up, as clients review spending priorities. Discretionary spending will get impacted the maximum, whereas there would be pricing pressures on the rest of the business. In our view, a 1% change in price assumption could hit FY08 earnings by 2% to 3%.

Chart 4: USD Vs Indian Rupee



Source: Bloomberg

Rupee appreciation to impact FY08 margins

The Rupee/USD appreciation of 2% in 2 weeks has taken all by surprise and has been likely the result of the central bank abstaining from steadying the Rupee in a likely bid to manage rising inflationary pressures. Moreover, hardening interest rates in India may not help ease the situation on the Rupee front. If we assume that the Re could move to Rs42 by Mar 31, 08, it could hit FY08 earnings by 1.5% to 3%.

Impact of budget proposals not completely clear yet

Budget 2007 imposed Fringe Benefit Tax (FBT) on ESOPs. As we await details on this, its complete impact on the bottom lines of IT companies is not completely certain. Moreover, most companies are likely to pass on the tax to the employees. If it were not passed on, it could impact profits by as little as 1% to as much as 15% for companies under our coverage. Also, since companies have encouraged employees to exercise options prior to Mar 31, it can be expected to result in EPS dilution next year.

Mar qrt likely modest

The quarter itself will likely be modest, driven by seasonally weak revenues until new projects ramp up. We believe forex losses could be modest, where companies will probably gain on hedging but net lose on translation. However, given the Rupee movement is more modest, at 2% vs 3.8% in previous qrt, the forex losses would be lower than last year.

Strong results expected

TCS: Likely to show margin expansion of almost 90bps given beneficial impact of large deals ramping up, likely offshore shift, and S,G&A efficiencies. TCS is our favorite large-cap pick going into the quarter.

Sasken: Expect revenues to grow by 13% qoq, largely driven by sharp growth in product revenues. Expect product losses to reduce from Rs102mn to Rs42mn. Expect profits to grow by 20% qoq driven by lower losses in product business. Update on E series signup the key to stock rerating in the short term.

Educomp: Expect revenues to grow by 78% yoy driven by 149% yoy growth in Smart_Class revenues. Expect profits to grow at 66% yoy. Full year guidance key to rerating in the short term.

Weak results expected

Infosys: is likely to report a mere 4% qoq PAT growth due to seasonality. Guidance could disappoint, as discussed.

Patni: As guided, we expect Patni to report a 10% qoq decline in profits on muted revenue and likely increase in investments in building a bench and SG&A. The guidance for 2Q will likely be muted given the likely annual wage hike.

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Telecom

Potential Result Outperformers: Bharti
Potential Result Underperformers: MTNL

Result Expectations – Key Highlights

- **Bharti:** We forecast Bharti's 4Q FY07E net profit at Rs11.8bn, up 73% YoY but down 3% QoQ. The QoQ decline reflects likely easing of the notional forex gains booked in 3Q FY07. At the operating level, we expect strong performance to continue & forecast 73% YoY & 11% QoQ growth in EBITDA. Topline is forecast to grow 60% YoY & 11% QoQ, while overall EBITDA margin is forecast to remain stable ~40.7%. In Bharti's key wireless business, we forecast EBITDA margin at ~37.4%, down 20bps QoQ due to the cut in roaming tariffs. Wireless ARPU is estimated to fall ~3% QoQ.

- **Reliance Communication**: For Reliance Communication (RCom) we forecast 4Q FY07E net profit at Rs9bn, up 124% YoY and down 2% QoQ without factoring any hit from subscriber reverification. As for Bharti, the QoQ weakness in RCom's profit will reflect likely easing of forex gains. In the mobility business, we expect RCom's ARPU to drop ~5% QoQ, higher than the decline for Bharti, reflecting weak usage trend for RCom. However, wireless EBITDA margin for RCom is forecast to remain stable ~37.5% as RCom is relatively unaffected by cuts in roaming tariffs. Overall EBITDA margin (as reported by RCom) is forecast at ~41%, supported by other income.

- **MTNL:** MTNL's 4Q FY07E profit is forecast at Rs1.7bn, up 22% YoY and flat QoQ. The YoY comparison is not meaningful due to various one-time items last year that impacted 4Q numbers. On a QoQ basis, absence of any revenue buoyancy will drag growth while continued high other income will support net profit.

- **VSNL**: We forecast VSNL's 4Q FY07E net profit at Rs1.3bn, down 11% YoY but up 21% QoQ. The YoY profit decline reflects higher taxes; at the EBITDA level, we expect both YoY (+17%) & QoQ (+7%) growth led by higher revenues. On a QoQ basis, we also expect profits to be aided by likely easing in staff costs post the employee separations in 3Q FY07.

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Textiles & Apparel

Potential Result Outperformers: Welspun India
Potential Result Underperforms: Arvind Mills

We expect the performance of Welspun India to be the best among the textile companies, with an estimated 26% YoY profit growth, while Arvind will continue to be negatively impacted by the denim downturn as well as cost pressures. Raymond's standalone quarterly numbers, once again, will not be comparable but the company is on track to achieve our full year consolidated estimates.

- **Raymond's** reported standalone numbers will not be comparable with the same quarter last year due to hiving off of its denim business to a JV, and will only include worsted fabric and files businesses. The company is on track to achieve our full year consolidated estimates, driven by continued strong performance by worsted fabric.

- **Arvind Mills** is likely to report a 45% YoY decline in recurring profits mainly on account of the continued denim downturn and rising power, salary and interest costs.

- **Welspun India** is likely to report a 26% YoY growth in recurring profits backed by continued strong performance of the terry towel business and increased contribution from the one-year-old bed linen business.

- **Himatsingka** is likely to report marginal profit growth for the quarter mainly due to lower other income. EBIDTA margin is likely to expand on a low base of 4QFY06, but will likely remain subdued due to startup costs in setting up the new bed linen unit.

- **Gokaldas** is likely to report modest 7% growth driven by 15% growth in sales and EBIDTA partially set off by higher interest and depreciation.

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Utilities

Potential Result Outperformers: NTPC

In the Utility sector, markets will be more focused on increase in generation at NTPC on improving coal supplies and progress on future plans such as expansion in generation capacity, update on open access in distribution and AT&C loss reduction in New Delhi JVs of Reliance and Tata Power.

We expect the Indian Utility Sector, represented by NTPC, Reliance Energy,Tata Power, Neyveli, GIPCL & JHPL, to report sales growth of 20%YoY, EBITDA growth of 22%YoY, and PAT growth of 17% YoY.

The primary reasons for the anticipated growth are volume growth (NTPC), improved efficiency (NTPC), and change in depreciation policy (Neyveli Lignite & JHPL).

- We expect NTPC's 4QFY07 to address investor concerns of fuel shortages impacting company's production as the company is likely to report double-digit YoY growth in generation. Fuel cost savings also remain on track in 4Q, but the sales from its high-margin spot market may slow due to commissioning of the Tala hydro project leading to improved grid frequency in north India.

- On recurring basis, we expect 21%YoY growth in NTPC's 4QFY07 PAT. However, we note that the reported PAT growth may be muted as there was a net extraordinary income, mostly from the prior period adjustments, in 4QFY06.

- We expect 57%YoY growth in sales for Reliance Energy, led by growth in Utility & E&C revenues. We expect recurring PAT to increase by 3%YoY, mainly driven by investment income.

- We expect Tata Power to witness recurring PAT growth of 10%YoY mainly on tax breaks from wind parks being set-up by Suzlon & Enercon. However, we note that the reported profits of the company may dip 31.5%YoY as there was exceptional income of Rs524bn in 4QFY06 arising out of profit from the sale of its Power Systems division and provision for contingencies.

- Change in depreciation should provide support to Neyveli & JHPL results. Among the other IPPs, Neyveli Lignite is likely to report PAT at 5%YoY on EBITDA growth of 14%YoY while JHPL is likely to report net loss of Rs20mn (against loss of Rs90mn in 4QFY06), as they lowered the rate of depreciation in line with tariff v/s Companies Act rate earlier.

- NTPC & Reliance Energy remain our preferred picks in the sector based on expansion in its generating capacity and distribution franchise, and reduction in T&D losses at its Delhi JVs (Reliance). Maintain Sell on JHPL, as the stock remains expensive on valuations and Neutral on Tata Power, Neyveli & GIPCL.

Mid Caps

Triveni Engineering

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- Sugar production for this season is estimated to be around 25mn tonnes, with consumption estimated to be around 19mn tonnes. The sugar prices for this quarter have declined by 19% (Y-o-Y basis) to Rs.15.56/kg (data accumulated from NCDEX). We expect the sugar prices to remain under pressure due to the oversupply situation.

- Following the dire state of sugar mills, the government has declared various support measures for the industry in the form of buffer stocks (2mn tonnes), open exports and export subsidies. However, approval of the same is awaited from the election commission as Uttar Pradesh has elections this year. In spite of all these measures, we expect the industry to report bad numbers at least for another 3-4 quarters.

- In Q4FY07, we expect Triveni's revenue to grow 24.6% on the back of the strong growth in the engineering division. However, the EBITDA is expected to decline on the back of the continuing margin pressure in its sugar division due to declining sugar prices. The profits for the quarter are thus expected to decline by around 76%.

Greaves Cotton

- In Q3FY07, we expect Greaves's revenue to grow at 41% on the back of strong growth in both its segment of engines (36% Y-o-Y) and infrastructure (60% Y-o-Y). We expect EBITDA margins to be stable at 15.3%. Profits for the quarter are thus expected to improve by 50% on an adjusted basis to Rs.301mn.

Table 5: Results Forecast For The Quarter Ended 31 March, 2007

(Rs mn)	ML Symbol	Q-R-Q Rating	Price 3-Apr-07	Sales 30-Mar-06	Sales 30-Mar-07	% change YoY	% change QoQ	EBITDA 30-Mar-06	EBITDA 30-Mar-07	% change YoY	% change QoQ	Net Profit 30-Mar-06	Net Profit 30-Mar-07	% change YoY	% change QoQ
Automobile															
Ashok Leyland	XDBVF	C-3-7	36	17,348	23,844	37.4%	34.1%	2,187	2,785	27.3%	51.3%	1,350	1,864	38.1%	73.6%
Automotive Axles	XATOF	C-1-7	597	1,002	1,357	35.5%	-6.6%	180	232	29.0%	-7.4%	101	128	26.6%	-5.3%
Bajaj Auto Ltd	BJJAF	C-2-7	2,301	21,659	22,183	2.4%	-13.6%	4,250	2,852	-32.9%	-21.6%	3,299	2,760	-16.3%	-22.0%
Bharat Forge	XRRGF	C-1-7	303	4,384	5,265	20.1%	10.3%	1,053	1,363	29.5%	10.0%	530	737	39.1%	17.1%
Eicher Motors	XEICF	C-3-7	231	5,144	5,543	7.8%	12.3%	358	360	0.7%	10.4%	281	346	23.2%	94.2%
Greeves Cotton	XGRVF	C-1-7	315	2,385	3,241	35.9%	0.2%	364	517	41.9%	9.0%	201	302	50.3%	1.1%
Hero Honda	XHROF	C-3-7	639	22,559	23,607	4.6%	-11.5%	3,632	2,519	-30.7%	-16.6%	2,672	1,845	-30.9%	-11.8%
Mahindra & Mahindra	MAHHF	C-2-7	715	22,888	28,505	24.5%	10.7%	2,721	3,560	30.8%	15.0%	1,901	2,537	33.5%	4.8%
Maruti Udyog	MUDGF	C-1-7	753	32,770	42,811	30.6%	16.4%	4,862	6,012	23.7%	18.5%	3,609	4,466	23.8%	18.7%
Rico Auto	RCATF	C-2-7	46	1,726	2,155	24.9%	8.9%	229	258	12.6%	19.0%	80	87	8.5%	112.7%
Tata Motors	TENJF	C-2-7	669	68,828	84,345	22.5%	23.6%	8,708	10,725	23.2%	30.7%	4,364	5,845	34.0%	39.8%
TVS Motors	XFKMF	C-3-7	57	8,393	9,440	12.5%	0.9%	482	229	-52.4%	-22.6%	291	15	-94.9%	-87.1%
Airlines															
Jet Airways	JTAIF	C-3-7	603	16,253	20,884	28.5%	7.9%	3,077	4,030	31.0%	30.8%	568	699	23.0%	692.5%
Cement															
ACC	ADCLF	C-3-7	705	13,411	16,365	22.0%	-0.3%	3,201	5,123	60.0%	2.8%	2,411	3,697	53.4%	4.2%
India Cement	INIAF	C-3-9	154	4,228	5,494	30.0%	16.3%	764	1,788	134.1%	34.4%	241	1,242	415.1%	55.7%
Grasim Industries	GRSJF	C-2-7	2,055	29,014	37,973	30.9%	3.0%	6,583	12,072	83.4%	8.3%	3,426	6,085	77.6%	9.6%
Gujarat Ambuja Cements Ltd	XBRIF	C-3-7	104	10,758	14,361	33.5%	8.0%	3,700	5,289	43.0%	10.4%	2,587	3,668	41.8%	11.1%
Shree Cement	SREEF	C-3-7	910	2,255	3,541	57.0%	-2.9%	816	1,678	105.7%	4.8%	607	1,165	91.8%	11.8%
Ultratrech Cemco	XDJNF	C-3-7	722	10,604	13,421	26.6%	6.5%	2,146	4,200	95.7%	10.5%	1,021	2,419	136.8%	13.9%
Consumer															
Asian Paints	XAPNF	C-2-7	741	7,650	8,854	15.7%	-5.4%	888	1,137	28.0%	-7.9%	464	641	38.3%	-9.9%
Colgate Palmolive (India) Ltd	CPIYF	C-1-7	333	3,021	3,413	13.0%	5.9%	457	628	37.3%	15.4%	370	499	34.8%	-0.9%
Dabur India Ltd	DBUIF	C-1-7	93	4,799	5,645	17.6%	-8.6%	783	937	19.6%	-6.7%	627	733	16.9%	-7.6%
Hindustan Lever Ltd*	HINLF	C-3-7	196	27,981	30,520	9.1%	-3.3%	3,306	3,815	15.4%	-23.7%	2,985	3,448	15.5%	-28.0%
ITC	ITCTF	C-1-7	147	27,844	32,665	17.3%	3.2%	8,024	10,126	26.2%	-6.5%	5,675	6,751	19.0%	-5.9%
Nestle	XNTEF	C-3-7	940	6,759	7,984	18.1%	11.1%	1,365	1,533	12.3%	7.8%	885	954	7.8%	8.7%
Tata Tea	TTAIF	C-3-7	593	8,167	10,928	33.8%	-1.8%	1,211	1,752	44.6%	-12.6%	568	529	-6.9%	4.0%
Healthcare															
Biocon Ltd	BCLTF	C-1-7	465	2,140	2,400	12.1%	-2.8%	600	720	20.0%	-7.7%	480	520	8.3%	-7.1%
Cadila Healthcare	CDLHF	C-1-7	331	3,460	4,096	18.4%	-14.9%	656	696	6.1%	-15.6%	344	396	15.1%	-19.0%
Cipla	XCLAF	C-1-7	226	9,153	9,770	6.7%	11.0%	2,000	2,297	14.9%	4.7%	1,908	1,935	1.4%	4.9%
Divi's Laboratories	XXQPF	C-1-7	3,015	1,297	1,525	17.6%	0.5%	402	442	10.0%	2.1%	220	292	32.7%	-7.0%
Dr Reddy's Laboratories Ltd	DRYBF	C-1-7	711	6,974	9,851	41.3%	-36.2%	-199	2,210	-1210.6%	4.9%	-235	1,890	NA	0.5%
Glenmark Pharmaceuticals	XVQWF	C-2-7	593	1,801	3,379	87.6%	10.2%	339	693	104.4%	-25.7%	251	434	72.9%	-12.3%
GSK Pharma	GXOLF	C-1-7	1,104	4,262	4,707	10.4%	38.5%	1,411	1,322	-6.3%	34.2%	1,012	973	-3.9%	35.5%
Nicholas Piramal India Ltd	XNIGF	C-2-7	241	4,254	6,200	45.7%	-4.5%	366	930	154.1%	-4.2%	154	502	226.0%	-14.5%
Panacea Biotech	XPEAF	C-1-7	400	1,351	1,555	15.1%	-21.1%	96	373	288.5%	-16.6%	115	183	59.1%	-32.5%
Ranbaxy Laboratories Ltd	XANBF	C-2-7	341	12,753	14,888	16.7%	-12.8%	1,482	2,084	40.6%	-21.8%	714	1,337	87.3%	-27.1%
Sun Pharma	SPCEF	C-1-7	1,043	4,288	5,482	27.8%	1.5%	969	1,570	62.0%	-9.4%	1,364	1,879	37.8%	-5.5%
Wockhardt Ltd	XDUVF	C-2-7	378	3,510	5,098	45.2%	-3.2%	689	1,071	55.4%	-12.3%	-37	680	NA	-21.9%
Industrials/ Construction															
ABB	ABVFF	C-1-7	3,399	8,029	11,241	40.0%	-21.2%	695	1,048	51.0%	-46.1%	513	763	48.8%	-43.4%
Bharat Heavy Electricals Limited	BHRVF	C-1-7	2,154	55,157	74,078	34.3%	70.7%	11,949	16,273	36.2%	75.1%	8,680	11,286	30.0%	69.0%
Larsen & Toubro	LTOUF	C-1-7	1,525	45,943	61,028	32.8%	48.1%	5,438	6,433	18.3%	50.2%	4,588	5,193	13.2%	51.2%
Nagarjuna Construction	NGRJF	C-1-7	147	6,402	9,282	45.0%	32.6%	532	977	83.7%	21.8%	350	472	34.9%	5.1%
IVRCL Infrastructure	IIFRF	C-1-7	258	5,906	9,153	55.0%	75.2%	558	904	62.1%	62.5%	438	552	25.9%	71.7%
Suzlon	SZEYF	C-2-7	952	15,263	31,043	103.4%	62.2%	3,966	6,869	73.2%	169.8%	3,715	5,522	48.6%	216.7%
Software															
Educomp Solutions Ltd	EUSOF	C-1-7	972	254	452	78.3%	64.0%	115	198	72.3%	39.8%	67	111	66.1%	34.8%
HCL Technologies	HCLTF	C-2-7	272	11,220	15,513	38.3%	5.9%	2,498	3,425	37.1%	5.7%	1,946	2,931	50.6%	2.4%
Hexaware Tech	XFTCF	C-1-7	168	1,762	2,660	51.0%	10.7%	294	394	34.0%	10.3%	260	345	32.5%	2.0%
Infosys Technologies Ltd	INFYF	C-1-7	1,921	26,240	38,306	46.0%	4.8%	8,330	12,416	49.1%	3.8%	6,730	10,202	51.6%	3.8%

Table 5: Results Forecast For The Quarter Ended 31 March, 2007

(Rs mn)	ML Symbol	Q-R-Q Rating	Price 3-Apr-07	Sales 30-Mar-06	Sales 30-Mar-07	% change YoY	% change QoQ	EBITDA 30-Mar-06	EBITDA 30-Mar-07	% change YoY	% change QoQ	Net Profit 30-Mar-06	Net Profit 30-Mar-07	% change YoY	% change QoQ
Infotech India	IFKFF	C-1-7	351	1,078	1,540	42.9%	7.7%	199	339	70.9%	5.1%	166	234	41.2%	24.6%
Mastek	MSKDF	C-1-7	302	1,774	2,130	20.1%	3.2%	322	386	19.6%	3.9%	173	233	34.5%	4.0%
Mphasis BFL	MPSSF	C-2-7	275	2,505	4,267	70.3%	39.4%	373	870	133.6%	48.0%	352	547	55.6%	52.8%
Patni Computers Services	PATIF	C-1-7	375	5,776	6,857	18.7%	0.8%	978	1,383	41.4%	-4.0%	642	1,026	59.8%	-9.6%
Sasken Communication	SKNCF	C-1-7	475	781	1,486	90.2%	13.4%	105	278	164.8%	43.3%	63	143	127.3%	20.2%
Satyam Computers	SAYPF	C-1-7	446	13,136	17,480	33.1%	5.2%	3,345	4,045	20.9%	-1.3%	2,847	3,574	25.5%	6.0%
TCS	TACSF	C-1-7	1,189	37,328	51,053	36.8%	5.0%	10,137	14,864	46.6%	8.1%	8,327	11,939	43.4%	8.1%
Tech Mahindra	TMHAF	C-1-7	1,342	4,212	8,391	99.2%	9.0%	980	2,197	124.2%	6.0%	890	1,810	103.4%	8.5%
Wipro	WIPRF	C-2-7	518	30,719	43,492	41.6%	9.5%	7,137	9,246	29.6%	4.8%	6,124	7,864	28.4%	2.7%
WNS (USD mn)	WNS	C-2-7	28	41	60	43.7%	4.0%	6	12	93.7%	20.8%	4	9	140.5%	25.4%
Media															
Balaji Telefilms	BLJIF	C-1-7	122	769	895	16.3%	5.2%	248	373	50.5%	9.3%	155	239	54.4%	11.4%
Zee Telefilms	XZETF	C-1-7	240	3,476	4,058	16.7%	-2.8%	449	1,171	161.1%	-13.7%	527	826	56.7%	-13.7%
Metals															
Hindalco	HNDFF	C-3-7	128	36,574	49,193	34.5%	5.7%	9,298	11,545	24.2%	10.4%	6,263	7,066	12.8%	9.7%
NALCO	NAUDF	C-3-7	231	15,380	16,059	4.4%	10.9%	9,705	7,750	-20.1%	-8.3%	6,080	5,208	-14.3%	-9.0%
SAIL	SLAUF	C-1-7	108	92,190	112,504	22.0%	31.8%	15,159	33,258	119.4%	36.8%	11,030	20,572	86.5%	39.8%
TISCO	TAELF	C-2-7	424	41,290	50,698	22.8%	13.4%	13,008	19,989	53.7%	12.1%	7,831	11,511	47.0%	8.2%
Oil & Gas															
BPCL	XBPCF	C-2-7	294	213,188	255,826	20.0%	5.7%	19,633	7,710	-60.7%	-4.7%	18,198	4,205	-76.9%	9.9%
GAIL	GAILF	C-2-7	36	42,778	46,872	9.6%	-8.2%	7,744	8,297	7.1%	-4.0%	4,583	5,370	17.2%	-19.3%
Gujarat Gas Company Ltd	GJGCF	C-3-8	1,261	2,353	3,101	31.8%	13.3%	443	482	8.9%	43.9%	264	287	8.8%	62.0%
Gujarat State Petronet Ltd	GJRSF	C-1-7	48	675	873	29.4%	0.2%	495	746	50.7%	-1.0%	108	275	154.3%	-3.4%
HPCL	XHTPF	C-1-7	241	208,359	250,031	20.0%	12.9%	19,528	7,223	-63.0%	272.3%	20,134	5,011	-75.1%	380.2%
Indian Oil Corporation Ltd	IOCOF	C-2-7	388	507,844	609,412	20.0%	11.9%	52,305	23,387	-55.3%	30.6%	37,535	16,049	-57.2%	51.5%
Indraprastha Gas Ltd	IAGSF	C-3-7	98	1,357	1,546	13.9%	-3.3%	581	661	13.8%	1.1%	298	358	20.4%	1.0%
ONGC	ONGCF	C-2-7	828	118,984	125,992	5.9%	-22.4%	67,254	71,810	6.8%	-19.4%	24,454	28,570	16.8%	-38.8%
Petronet LNG Ltd	POLNF	C-3-7	41	9,417	15,465	64.2%	-1.9%	1,453	1,794	23.5%	3.5%	661	895	35.3%	5.2%
Reliance Industries	XRELF	B-1-7	1,314	245,420	294,504	20.0%	11.3%	40,460	46,960	16.1%	-0.3%	25,020	27,495	9.9%	-1.8%
Telecom															
Bharti Televenture	BHTIF	C-1-9	731	34,113	54,464	59.7%	10.9%	12,782	22,161	73.4%	10.6%	6,823	11,819	73.2%	-2.7%
MTNL	XMTNF	C-3-7	142	14,453	12,847	-11.1%	1.9%	1,929	2,400	24.4%	4.0%	1,403	1,718	22.5%	3.4%
Reliance Communication	RLCMF	C-1-7	397	29,700	40,551	36.5%	8.0%	10,420	16,660	59.9%	9.1%	4,400	9,018	105.0%	-2.8%
VSNL	VSLSF	C-2-8	396	9,595	11,217	16.9%	5.2%	2,328	2,720	16.8%	7.1%	1,502	1,331	-11.4%	20.7%
Textile/Apparels															
Arvind Mills	ARVZF	C-3-7	42	3,578	3,736	4.4%	3.8%	914	863	-5.6%	3.6%	266	147	-44.8%	10.1%
Gokaldas	GKLDF	C-2-7	228	2,391	2,750	15.0%	7.7%	276	317	15.0%	9.4%	150	161	7.4%	-9.4%
Himatsingka	HMKFF	C-2-7	115	379	432	14.0%	-6.7%	106	134	26.3%	-5.4%	118	119	0.6%	-21.0%
Welspun	WPNIF	C-1-9	71	2,051	2,554	24.5%	0.0%	314	473	50.4%	0.8%	126	159	26.3%	11.4%
Utilities															
GIPL	GUJIF	C-2-7	54	1,811	1,959	8.1%	-14.3%	555	573	3.3%	-23.1%	165	205	24.1%	-47.0%
JP Hydro	XJSHF	C-3-7	28	295	433	46.6%	-12.6%	197	332	68.8%	-15.5%	-90	-20	NA	NA
Neyveli Lignite	NEYVF	C-2-7	53	6,187	6,954	12.4%	36.3%	2,641	3,012	14.1%	59.1%	2,258	2,377	5.2%	55.7%
NTPC	NTHPF	C-1-7	147	71,029	84,092	18.4%	5.0%	15,931	20,278	27.3%	-4.6%	13,548	16,382	20.9%	-9.8%
Reliance Energy	RCTDF	C-1-7	477	10,382	16,286	56.9%	6.2%	1,901	1,815	-4.5%	119.6%	2,500	2,580	3.2%	28.3%
Tata Power	XTAWF	C-2-7	496	11,711	11,952	2.1%	-3.8%	1,573	1,752	11.4%	-16.9%	864	951	10.0%	-18.1%
Others															
Triveni Engineering	TVIEF	C-1-7	55	3,419	4,260	24.6%	38.7%	568	282	-50.3%	-34.1%	398	96	-76.0%	-56.3%

Source: Merrill Lynch Research

Table 6: Results Forecast For The Quarter Ended 31 March, 2007

	ML	Q-R-Q	Price	Net Interest Income		% change		Pre Provision Profits		% change		Net Income		% change	
	Symbol	Rating	3-Apr-07	Mar-06	Mar-07	YoY	QoQ	Mar-06	Mar-07	YoY	QoQ	Mar-06	Mar-07	YoY	QoQ
Financials															
Bank of Baroda	BKBAF	C-1-7	201.0	8,690	10,233	17.8%	6.5%	6,035	7,312	21.2%	11.3%	2,088	2,580	23.6%	-21.7%
Bank of India	XDIIF	C-1-7	154.1	8,378	9,620	14.8%	12.0%	6,298	6,868	9.1%	24.2%	2,544	2,726	7.2%	6.9%
Canara Bank	CNRKF	C-2-7	183.1	9,838	11,245	14.3%	8.3%	7,713	8,745	13.4%	24.8%	4,935	4,986	1.0%	37.4%
Corporation Bank	XCRRF	C-3-7	258.7	3,109	3,609	16.1%	8.3%	2,692	3,131	16.3%	6.8%	1,003	1,294	29.0%	-11.6%
HDFC Bank	XHDFF	C-1-7	901.6	7,394	9,738	31.7%	4.9%	5,612	7,857	40.0%	12.7%	2,632	3,364	27.8%	13.8%
HDFC Ltd.	HGDFF	C-1-7	1432.7	5,357	6,478	20.9%	27.8%	4,946	6,146	24.3%	36.8%	4,270	5,038	18.0%	12.2%
ICICI Bank	ICIJF	C-1-7	804.5	12,156	18,217	49.9%	6.6%	14,813	22,479	51.8%	13.8%	7,899	9,274	17.4%	1.9%
Oriental Bank of Commerce	ORBCF	C-1-7	168.7	4,029	4,364	8.3%	3.6%	2,823	3,134	11.0%	2.2%	2,672	2,324	-13.0%	-4.6%
Punjab National Bank	PUJBF	C-1-7	427.6	11,802	14,181	20.2%	-1.9%	9,982	9,707	-2.8%	1.5%	2,886	4,320	49.7%	0.5%
State Bank of India	SBINF	C-1-7	930.3	35,546	42,058	18.3%	6.4%	32,771	37,547	14.6%	31.5%	8,533	14,656	71.8%	37.6%
Union Bank	UBOIF	C-1-7	96.1	5,979	6,492	8.6%	-5.4%	4,585	4,911	7.1%	-2.8%	1,446	1,951	34.9%	-23.7%
UTI Bank	UTBKF	C-1-7	460.0	3,129	4,376	39.9%	5.2%	2,981	3,635	21.9%	1.4%	1,517	1,915	26.2%	3.7%
Vijaya Bank	VJYAF	C-3-7	38.8	2,436	2,746	12.7%	3.6%	1,815	1,769	-2.5%	2.7%	-345	783	NA	-15.6%

Source: Merrill Lynch Research

Analyst Certification

We, Jyotivardhan Jaipuria, Vandana Luthra, Rajeev Varma, Reena Verma Bhasin, CFA, Bharat Parekh, Mitali Ghosh, S. Arun, Visalakshi Chandramouli and Vidyadhar Ginde, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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