6 July 2007

India Strategy

Though Rupee appreciation continues to threaten corporate earnings…

…inflation has been tamed and interest rates are beginning to soften

The last six months have seen unprecedented flows into the primary markets…

…which we believe reflects sustained faith in Indian equities

Adopt a sector / stock-specific investment approach to maximize returns

Joyous ride

Prices as of Friday, 29 June 2007

Research Team (Rajat@MotilalOswal.com)

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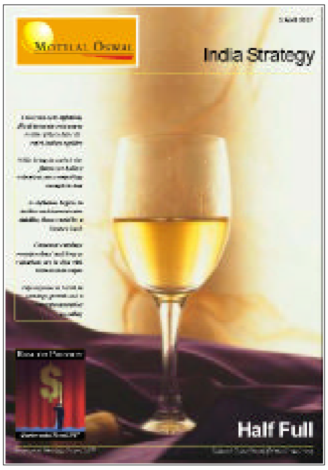
India Strategy

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007



From 'half full' in April 2007...

...to 'joyous ride' in July 2007

The BSE Sensex has appreciated by 12% in 1QFY08 to close at an all-time high of 14,650. This positive return is on the back of a 5% decline in 4QFY07. From a state of viewing the markets as *half full* in 4QFY07, we are now enjoying a *joyous ride*. Continued upswing in global equities (several markets at all-time highs), sustained confidence in Indian equities (given the strong response to large equity offerings in recent times), easing of inflation and rate concerns have been the key drivers of this performance. Indian markets have been *climbing* one *wall of worry* after another, the latest being the sharp Rupee appreciation and its impact on corporate earnings.

We estimate 1QFY08 earnings growth of 18% for Sensex, a deceleration from the average growth of 26% recorded in the last eight quarters. This could partly be attributed to the decline in profits of ONGC (higher subsidy sharing), impact of Rupee appreciation on export-oriented sectors and the impact of higher interest rates on Autos. With inflation estimated at 4-5% in the near term, forecast of normal monsoons and stable interest rates, we believe that the macro environment is better than a quarter ago. FY08 would be the third consecutive year of ~9% real GDP growth, with per capita GDP estimated to cross US$1,000. Amongst the concerns, currency fears continue to loom large and could lead to downgrades in earnings of few sectors. However, given the contribution from diverse sectors to earnings, we do not see a serious risk to our estimates.

We are estimating an 18% growth in Sensex EPS in FY08 to Rs846 and a growth of 17% in FY09 to Rs989. Our target range for the Sensex, based on FY09E earnings is 13,500-16,500 (12-15x FY09E EPS plus 1,700 points of embedded value). The top-3 sectors to play the strong earnings momentum are – Wireless, Engineering, and Financials. We also believe that 2HFY08 could see a revival of positive trends for few sectors that witnessed significant underperformance till date. Our top-3 bets here are Four-wheelers, Cement and Real Estate. Our top large-cap bets are Bharti / Reliance Communications, L&T, SBI, Maruti / Tata Motors, Infosys, DLF, Tata Steel, and Grasim / Ambuja Cement. Amongst the mid-caps, we prefer Indian Bank, United Phosphorus, Birla Corp / Kesoram, Great Offshore, HCC, Sobha Developers, SREI, and Nicholas.

1QFY08 – a quarter of new highs for India

- 1QFY08 marked a new high for the Indian markets, with the BSE Sensex closing at 14,650.
- The quarter marked the highest issuance of capital by Indian corporates. It also witnessed the largest issuance by a single corporate (ICICI Bank) from India.
- During the quarter, the Rupee saw its maximum appreciation in the last 10 years.

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Inflation, interest rate worries lessen

From a high of 6.5% in January, inflation has declined to 4%…

In our *India Strategy* dated 5 April 2007, we had highlighted that inflation would decline significantly due to the base effect from May onwards. From a high of 6.5% in January 2007, inflation has declined to 4% as per the latest data. Besides the base impact, various measures by the government and RBI also helped. RBI has also been successful in bringing down the credit growth from 28% in March to 24% now. We expect inflation to remain in the range of 4-5% over the next few months. With monsoons expected to be normal, we remain less concerned about inflation. This will also remove concerns on the pricing power of number of commodities, which got restricted in 1HCY07.

…and bulk-deposit rates have begun to fall…

The taming of inflation would mark the onset of a stable interest rate regime. Since December 2006, interest rates have risen by 200-400bp. Moreover, as the RBI raised CRR thrice, it also resulted in a credit squeeze. We believe that RBI is unlikely to take up any further monetary tightening (although consensus is equally divided about one last step of tightening). In the last couple of months, bulk deposit rates have already declined by 200bp and we expect them to decline further. Moreover, we also believe that availability of finance would increase significantly due to strong deposit growth and this would have a positive impact on sectors that faced liquidity crunch earlier.

Currency risk, the threat of the season

…though Rupee appreciation continues to threaten corporate earnings

The Rupee has gained 6.5% against the US Dollar in 1QFY08 to close at a 9-year high of Rs40.7/US$. This is led by strong inflows to the system, high interest rates and RBI's bias towards a stronger Rupee to help fight inflation. While a rising Rupee is a sign of confidence in the growth of the economy, it creates its own share of worries, as all export-oriented industries lose out. Infosys, which averaged an earnings growth of 55% in the last four quarters, is estimated to grow at just 22% in 1QFY08.

Software Services account for 13% of Sensex profits and have a 17% weightage in the index. Moreover, Rupee appreciation would also have an adverse impact on all Global Commodities, resulting in lower realizations and import-parity prices in the domestic market. Overall, more than half of Sensex earnings are sensitive to currency movements. We believe that a significant appreciation from current levels could lead to downgrade in earnings estimates for Corporate India. Our earnings factor a Rupee-Dollar rate of Rs42/US$ in FY08 and Rs41/US$ in FY09, v/s the current rate of Rs40.5/US$.

1QFY08 earnings growth – slowest in the last five quarters

1QFY08 earnings growth has been the slowest in the last five quarters…

We estimate growth in Sensex earnings during 1QFY08 at 18%, the slowest in the last five quarters. This could be attributed to the following reasons: (1) decline in profits of ONGC due to higher subsidy share, (2) impact of Rupee appreciation on Software Services, and (3) impact of higher interest rates on Autos. The growth in Sensex EBITDA is expected to be even slower at 12%. If the Rupee continues to appreciate, it could pose a risk to our earnings estimates for the remaining quarters of the year. Investors would be keenly awaiting the guidance that top IT majors provide.

FY08 earnings risks are evenly balanced

…and earnings upgrades can no longer be taken for granted during FY08

We are estimating Sensex EPS growth at 18% for FY08. For the last three years, we have consistently witnessed significant upgrades to our estimates with each passing quarter. We believe that in FY08, we are evenly balanced, with risks to either side. Given the strong currency movement, we consider our estimates for Software Services and Global Commodities at risk. On the positive side, we believe that Telecom, Engineering, and Financials could witness earnings upgrades.

Third consecutive year of ~9% GDP growth, fifth year of over 7.5% growth

Yet, FY08 would be the fifth consecutive year of strong GDP growth…

The Indian economy grew by 9.4% in FY07 on top of a 9% growth in FY06. GDP growth for FY08 is expected to be ~9%, making it the third consecutive year of ~9% GDP growth, and an unprecedented fifth consecutive year of 7.5%+ GDP growth. In FY07, India has emerged as a trillion-dollar economy and per capita income is expected to cross US$1,000 in FY08. This, we believe, has the potential to propel the economy into a virtuous spiral of consumption, savings and investment.

Very positive response to large equity issuances

…and the last six months have seen unprecedented flows into the primary markets

CY07 is expected to be the year of largest capital raising by Indian corporates. Banks and real estate companies have already led the list of raising significant capital in the first six months. While the initial impression prior to the raisings was concerning (expected response to the issue, impact of money flowing from secondary to primary markets, etc), the actual response has positively surprised the markets. In the first six months of CY07, India's corporate sector has raised equity of over Rs600b, higher than in any of the previous six years. Some of the large equity issues include ICICI Bank (Rs200b), DLF (Rs92b), Sterlite (~Rs92b), and Idea Cellular (Rs21b). More important is the investor response – an average oversubscription of 15.6 times! We believe this reflects sustained confidence in Indian equities and will encourage more corporates to raise money in primary markets.

Valuations fair; adopt sector / stock approach

Though the index may not offer much upside, specific sectors/stocks hold out significant opportunities

We are estimating an 18% growth in Sensex EPS in FY08 to Rs846 and a growth of 17% in FY09 to Rs989. Our target range for the Sensex based on FY09E earnings is 13,500-16,500 (12-15x FY09E EPS and addition of 1,700 points as embedded value). We see scope for returns in specific sectors / stocks.

- The top-3 sectors to play on strong earnings momentum in our view are Telecom, Engineering, and Financials. These three sectors are witnessing earnings upgrades and are likely to maintain very strong business momentum for FY08 and FY09. Despite the strong performance of these stocks, we believe that earnings comfort remains very high and the stocks have room to move up further.
- We also believe that 2HFY08 could see a revival of positive trends for few sectors that witnessed significant underperformance till date. Our top-3 bets here are Four-wheelers, Real Estate and Cement. While Four-wheelers and Real Estate would be

direct beneficiaries of stable/lower interest rates and greater availability of finance, the Cement sector would benefit from the strong demand-supply scenario and ability hike prices due to low inflation.

- Our top large-cap bets are Bharti / Reliance Communications, L&T, SBI, Maruti / Tata Motors, Infosys, DLF, Tata Steel, and Grasim / Ambuja Cement. Amongst the mid-caps, we prefer Indian Bank, United Phosphorus, Birla Corp / Kesoram, Great Offshore, HCC, Sobha Developers, SREI, and Nicholas.

Enjoying a 'joyous ride'

Indian markets are scaling new highs

In 1QFY08, the BSE Sensex appreciated by 12% to close at its all-time high of 14,650. This positive return is on the back of a 5% decline in 4QFY07. We believe this performance captures the combined effect of at least three positives:

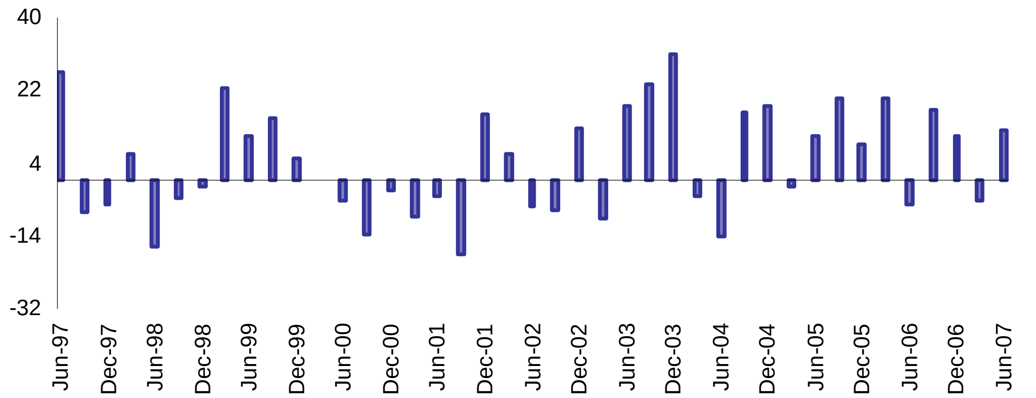
In 1QFY08, the Sensex appreciated by 12% to close at an all-time high of 14,650

1. Continuing upswing in global equity markets
2. Sustained confidence in Indian equities
3. Improved outlook on inflation and interest rates

These positives collectively outweigh the only major concern – sharp Rupee appreciation dampening earnings growth in some sectors, mainly IT.

Sensex returns have been positive in 7 out of the last 10 quarters

SENSEX RETURN OVER THE PAST 41 QUARTERS (%)



Source: Motilal Oswal Securities

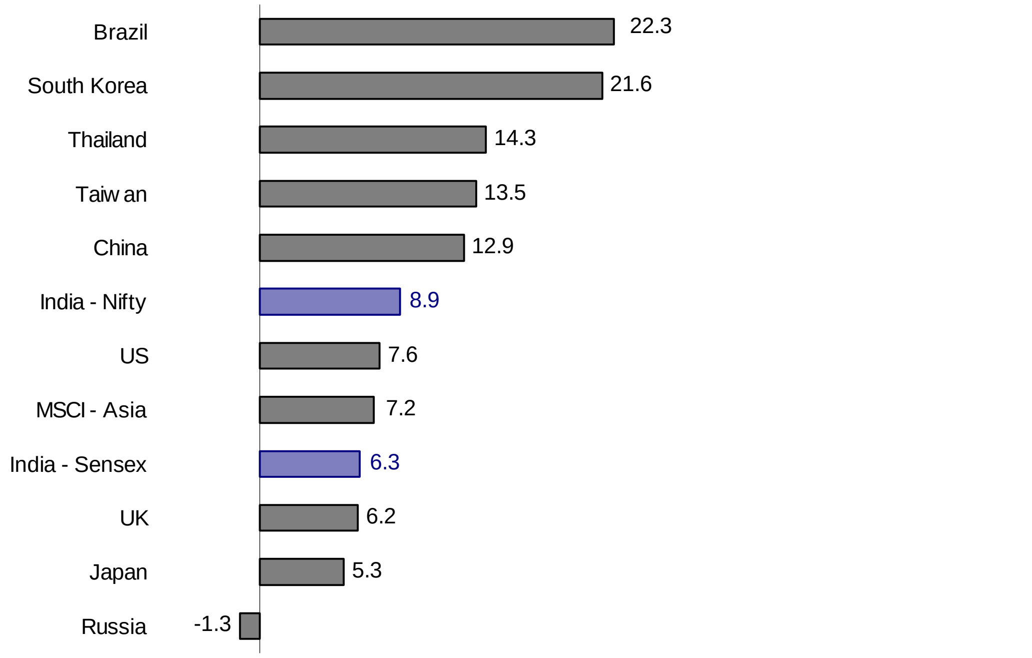
Continuing upswing in global equity markets

Several global indices, including BRICs, have hit their all-time highs in CY07 so far

Several global indices, including BRICs, have hit their all-time highs in CY07 so far. The upswing in global equities has had a positive impact on Indian markets also. However, Indian equities have delivered amongst the lowest returns in CY07 YTD. Indian markets have actually underperformed markets such as China, Brazil and South Korea. A strong pull-back in 2QCY07 suggests that India is quickly narrowing the gap.

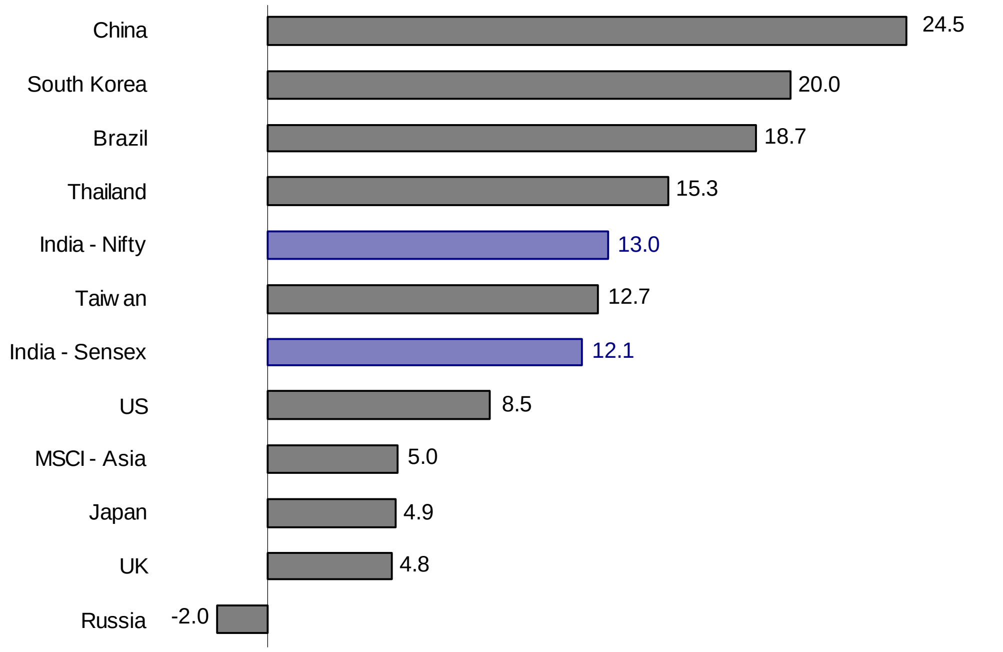
Indian markets have underperformed other global markets in the first half of CY07

YTD CY07 RETURNS IN KEY STOCK MARKETS (%)



But a strong pull-back in the quarter ended June suggests that India is quickly narrowing the gap

2QCY07 RETURNS IN KEY STOCK MARKETS (%)



Source: Bloomberg/Motilal Oswal Securities

The best performing stocks in the Sensex in CY07 YTD have shown a strong sectoral bias. While Engineering, Wireless, and Financials have been the best performers, the worst performers have been Autos, Pharma, and Technology. Surprisingly, only 13 out of the 30 Sensex stocks have delivered positive returns in CY07 YTD.

Stocks that witnessed earnings upgrades are the best performers and vice versa

SENSEX STOCKS: POSITIVE RETURN IN YTD CY07			SENSEX STOCKS: NEGATIVE RETURN IN YTD CY07		
COMPANY NAME	SECTOR	YTD CHG (%)	COMPANY NAME	SECTOR	YTD CHG (%)
L & T	Engineering	50.5	Tata Motors	Auto	-28.0
BHEL	Engineering	33.8	Maruti Udyog	Auto	-23.3
Reliance	Oil & Gas	32.7	Bajaj Auto	Auto	-22.3
Bharti	Telecom	32.1	Dr Reddy's Labs.	Pharma	-18.6
HDFC	Banking	25.3	Cipla	Pharma	-17.1
Tata Steel	Metals	24.8	Wipro	IT	-15.2
SBI	Banking	21.6	Infosys Tech.	IT	-15.1
Rel Energy	Utilities	17.3	ACC	Cement	-14.5
NTPC	Utilities	10.4	Ambuja Cem.	Cement	-13.6
RCOM	Telecom	9.8	Hind. Unilever	FMCG	-12.8
HDFC Bank	Banking	7.1	ITC	FMCG	-12.5
ICICI Bank	Banking	6.5	Hero Honda Motor	Auto	-12.1
O N G C	Oil & Gas	3.0	Ranbaxy Labs.	Pharma	-10.9
			Hindalco Inds.	Metals	-10.0
			Satyam Computer	IT	-8.1
			TCS	IT	-8.0
			Grasim Inds.	Cement	-6.9

Source: Motilal Oswal Securities

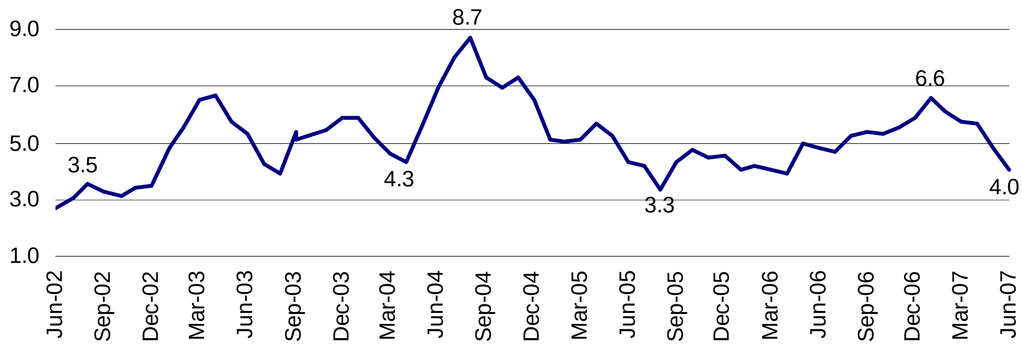
Inflation, interest rate worries reduce considerably

Inflation has declined from a high of 6.5% in January to a comfortable 4%

In our *India Strategy* dated 5 April 2007, we had highlighted that inflation would decline significantly due to the base effect from May onwards. In FY07, the inflation index increased sharply from April to October, on the back of increase in fuel, food and commodity prices. Over the last quarter, the base impact has already resulted in moderation of inflation from a high of 6.5% to 4% as of July 6.

Inflation at 4% is at the lower end of the comfort band

INFLATION (%)

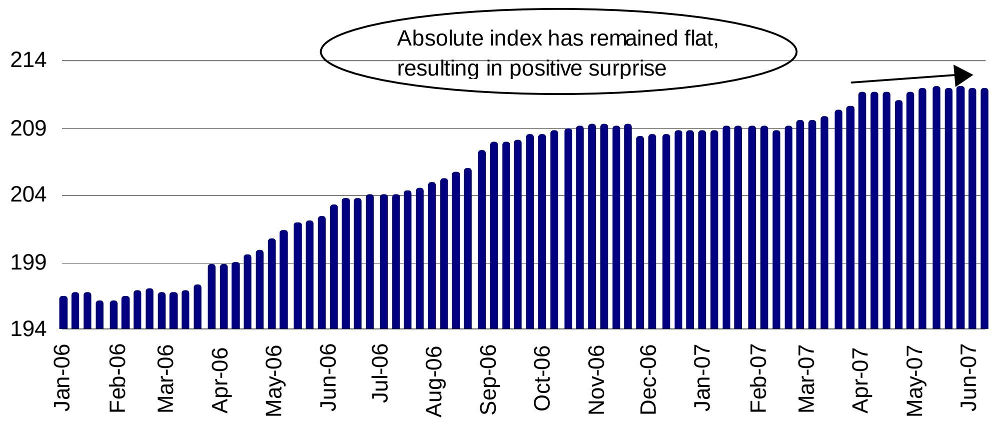


Source: Bloomberg/Motilal Oswal Securities

Over the next three months, we expect inflation to moderate further

While the base effect had its impact, this is not the only factor that has helped to tame inflation. Over the last quarter, inflation has increased by just 0.8% and over the last five weeks, the inflation index has remained flat. Primary articles inflation (food inflation, largely), which was the key driver for high inflation has moderated from 12.1% in April to 6.75% in June. Even the primary articles inflation index has remained flat over the three months. With the base impact being even stronger over the next three months (2QFY08), we expect inflation to remain low.

WHOLESALE PRICE INDEX



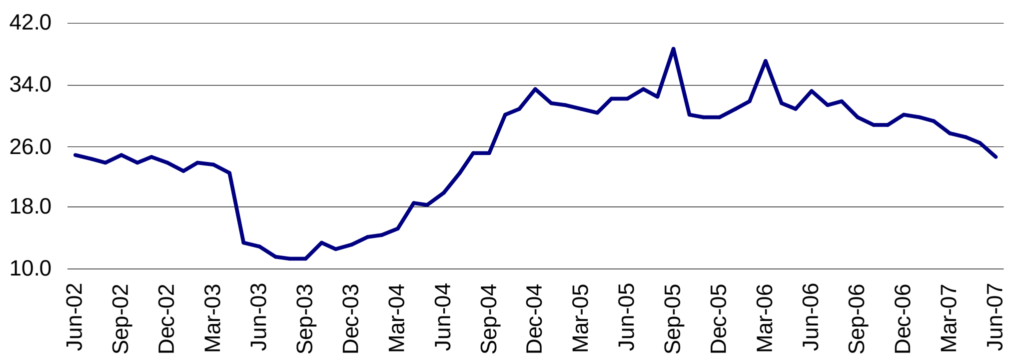
Source: Bloomberg/Motilal Oswal Securities

With inflation easing, we do not expect further monetary tightening by RBI

Owing to high inflation and runaway credit growth, the RBI had adopted a tough monetary stance and hiked CRR by 150bp over the period November 2006 – March 2007, sucking out Rs450b of liquidity from the markets. The main intention was to slow down credit growth; especially towards sectors like real estate, stock markets, commodity markets, personal loans, etc and controlling inflation. While this resulted in a tight liquidity situation and rising rates during that period, we believe that the measures are having their desired effects and we do not expect further monetary tightening.

CREDIT GROWTH YOY (%)

Credit growth of 24% in 1QFY08 is the slowest in last several quarters

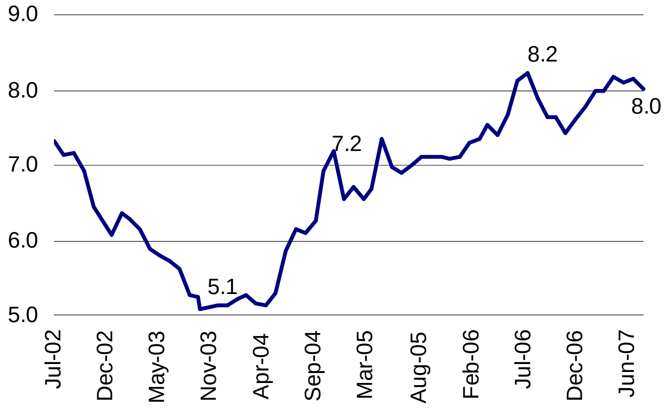


Source: Motilal Oswal Securities

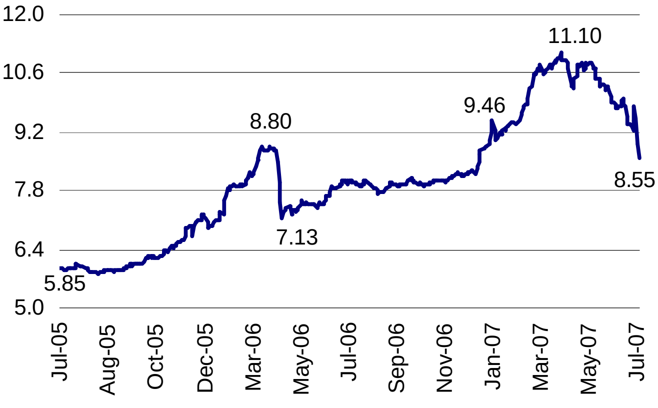
The resultant easing of the tight credit crunch would favorably impact sectors like Autos

The taming of inflation would give a significant boost to the regime of stable interest rates. Since December 2006, interest rates have risen by 200-400bp. Moreover, as the RBI raised CRR thrice, it also resulted in a credit squeeze. We believe that RBI is unlikely to take up any further monetary tightening (although consensus is equally divided about a last step of tightening). In the last couple of months, bulk deposit rates have already declined by 200bp and we expect them to decline further. We also believe that availability of finance would increase significantly due to strong deposit growth and this would have a positive impact on sectors that faced liquidity crunch earlier.

10-YEAR G-SEC YIELD



12-MONTH COMMERCIAL PAPER RATES



Source: Bloomberg/Motilal Oswal Securities

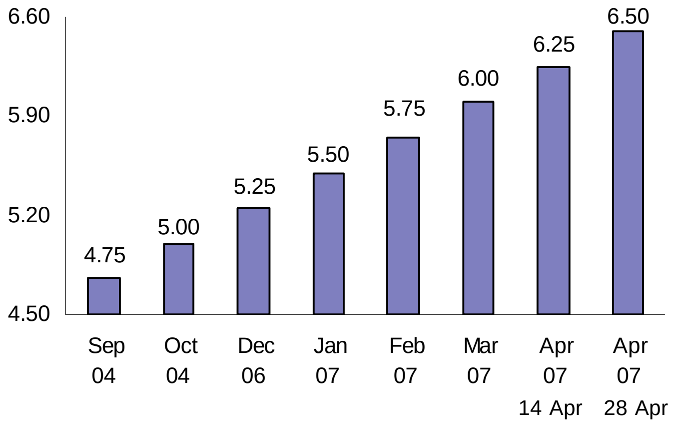
Among the triggers for higher credit flow, interest rate stability are a potential CRR cut…

We see following triggers for higher credit flow and stable interest rates in 2HFY08:

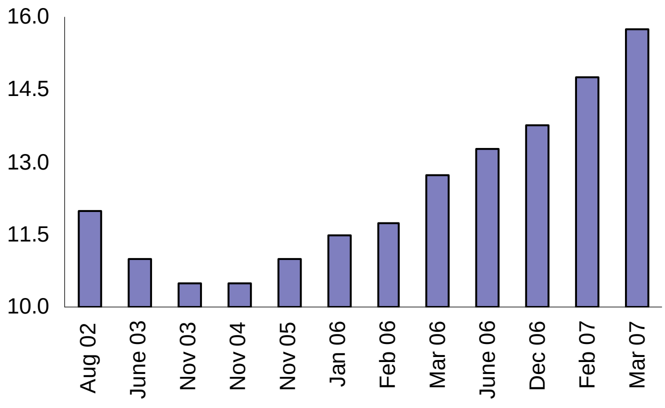
- CRR hike is an interim measure to control liquidity, bring down inflation and lower credit growth. As credit growth slows down to 24-25% with a decline in inflation, RBI will be under less pressure to increase rates, CRR. Liquidity management is important considering the strong capital flows and its impact on currency but RBI will have to balance out these measures through other liquidity control tools. Once the currency rate stabilizes, we see no reason for CRR to remain at high levels of 6.5% (RBI has always maintained its medium term target of 3%). A potential cut in CRR will not only augment the liquidity of the system but will also pave the way for reduction in lending rates.

EVERY MEASURE OF RBI HAS BEEN FOLLOWED BY A RATE HIKE BY BANKS

TREND IN CRR HIKE



ICICI HIKES PLR BY 300BP IN FY07



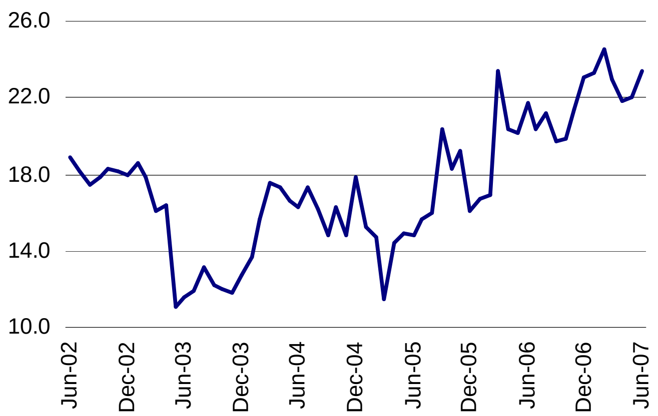
Source: Motilal Oswal Securities

…an easing of the stiff competition for high-cost deposits amongst banks…

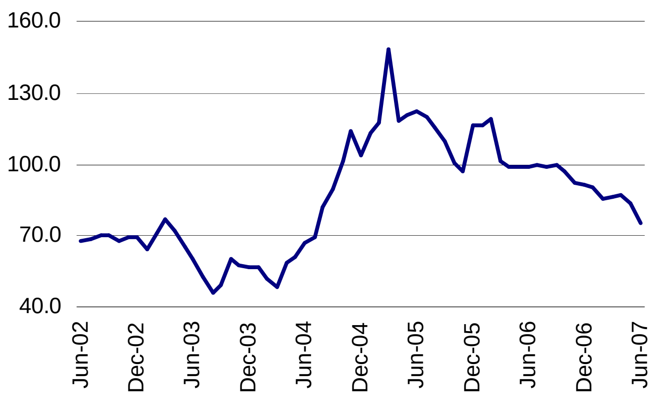
- Banks have increased deposit rates significantly over the last few months. This has resulted in significant growth in bank deposits. With more money in hand than to lend, banks have reduced their rush of grabbing high cost deposits. Moreover, the increase in lending rates over the last few months has also created some resistance from borrowers. We believe that banks would now be more moderate in pricing both deposits and loans. Sustained growth in deposits coupled with slowdown in credit offtake would improve the availability of funds for several sectors and lead to stable lending rates.

DEPOSIT GROWTH CONVERGENCE TO LOAN GROWTH LEADS TO DECLINING C/D RATIO

DEPOSIT GROWTH YOY (%)



INCREMENTAL CD RATIO



Source: Motilal Oswal Securities

…and the possibility of a cut in SLR to below 25%

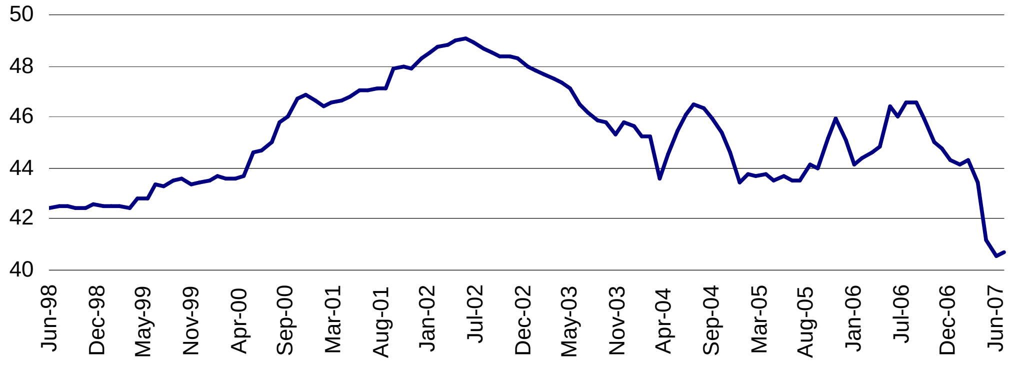
- The government has approved the bill to empower RBI to cut SLR below 25%. We expect banks to be net buyers of government bonds at the current rate of SLR. Considering the increased appetite of insurance and pension funds for government bonds, we expect the demand for bonds to outstrip supply significantly in FY08. This would allow the RBI to reduce the rate of SLR to channelize more funds from the banking sector towards credit growth.

Rupee appreciation – a threat to earnings

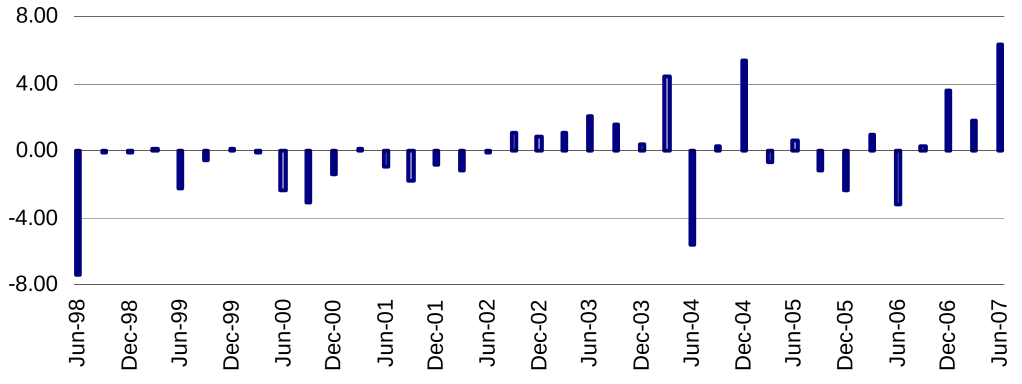
Rupee appreciation, however, continues to pose a threat to corporate earnings

The Indian Rupee has appreciated 6% against the US Dollar to close at a 9-year high of Rs40.7/US$ in 1QFY08. Over the last nine years, while the currency rate has moved in both directions, it has remained in range of Rs42-48/US$. Post 3QFY07, strong capital flows in the system, high interest rates and RBI's bias towards a stronger Rupee to help fight inflation has led to the strong Rupee appreciation.

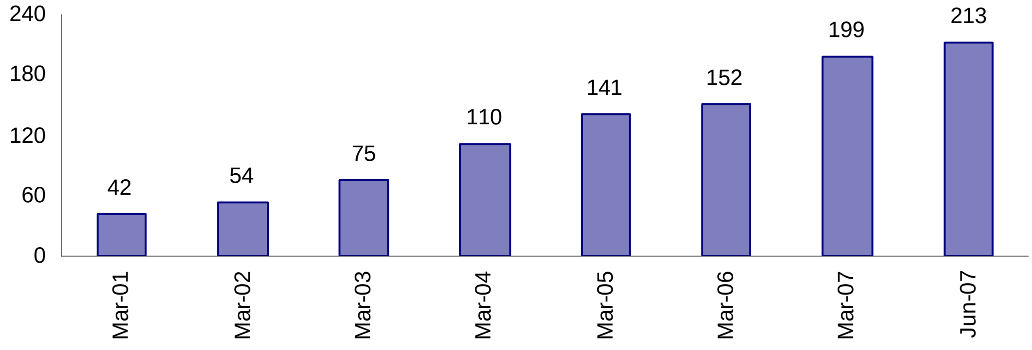
RUPEE V/S DOLLAR RATE (RS/US$)



QUARTERLY TREND IN RUPEE APPRECIATION V/S DOLLAR (QOQ, %)



FOREX RESERVE (US$B)



Source: Bloomberg/Motilal Oswal Securities

Over 50% of the Sensex earnings are from sectors that are sensitive to currency movements

The outlook on currency assumes significant importance while estimating the earnings of Indian corporates. Almost 13% of Sensex earnings come from Software Services, which are directly impacted by currency movement. Also, for Global Commodities lower import-parity prices and realizations impact earnings. On an average, over 50% of the Sensex earnings are from sectors that are sensitive to currency movements. Assuming all other factors constant, our estimates could witness a significant downgrade with any further currency gains in FY08. Infosys, which averaged earnings growth of 55% in the last four quarters, is likely to witness just 22% earnings growth in 1QFY08.

CURRENCY IMPACT ON SENSEX STOCKS

COMPANY	(%) PROFIT IN SENSEX FY08E	WEIGHT IN INDEX (%)	IMPACT OF CURRENCY
Automobile	**5.51**	**4.93**	
Bajaj Auto	1.12	1.61	Neutral; Exports are 20% of sales but to neigbhouring countries
Hero Honda	0.80	0.74	Neutral; Exports are almost nil
Maruti Udyog	1.51	0.92	Neutral; Exports are just 6%
Tata Motors	2.08	1.66	Positive impact due to foreign currency loans and capex, exports are just 8%
Banking	**12.86**	**21.12**	
HDFC	1.66	4.94	No direct impact; Indirect impact is through inflation
HDFC Bank	1.33	3.13	
ICICI Bank	3.61	9.19	
State Bank	6.26	3.86	
Cement	**4.50**	**4.47**	
ACC	1.19	1.12	No direct impact
Ambuja Cements	1.37	1.41	Cement exports & import of coal off-sets impact of currency movement
Grasim Industries	1.93	1.94	No direct impact
Engineering	**4.59**	**8.80**	
BHEL	2.62	2.82	Postive; Net imports at 12% of revenues
Larsen & Toubro	1.97	5.98	Neutral; Net exports just at 2%; L&T Infotech contributes 10% to Cons PAT
FMCG	**3.81**	**6.59**	
Hind. Unilever	1.44	2.23	Positive; Reduces the input price pressure
ITC	2.38	4.36	Neutral
IT	**12.78**	**17.17**	
Infosys	4.01	10.01	Negative; Every 1% currency gain lower EPS by 1.25-1.5% (ex other income)
Satyam Computer	1.49	3.14	
TCS	4.25	2.40	
Wipro	3.03	1.62	
Metals	**8.86**	**4.18**	
Hindalco	2.24	1.58	Negative impact due to import parity prices
Tata Steel	6.63	2.60	
Oil & Gas	**28.90**	**16.80**	
ONGC	17.81	4.13	Negative - Every 1% currency gains reduces EPS by ~2%
Reliance Inds.	11.08	12.67	
Pharma	**1.70**	**3.00**	
Cipla	0.64	1.13	Negative impact at operational level
Dr Reddy' s Labs	0.50	0.88	
Ranbaxy Labs	0.56	0.99	Negative impact at operational level. But will record large translation gains on FCCBs
Telecom	**9.35**	**9.89**	
Bharti Airtel	5.41	5.93	Positive impact due to foreign currency loans and capex
Reliance Comm	3.94	3.96	
Utilities	**7.13**	**3.06**	
NTPC	6.38	2.01	No direct impact
Reliance Energy	0.75	1.05	No direct impact; Translation gains on outstanding FCCBs could be positive

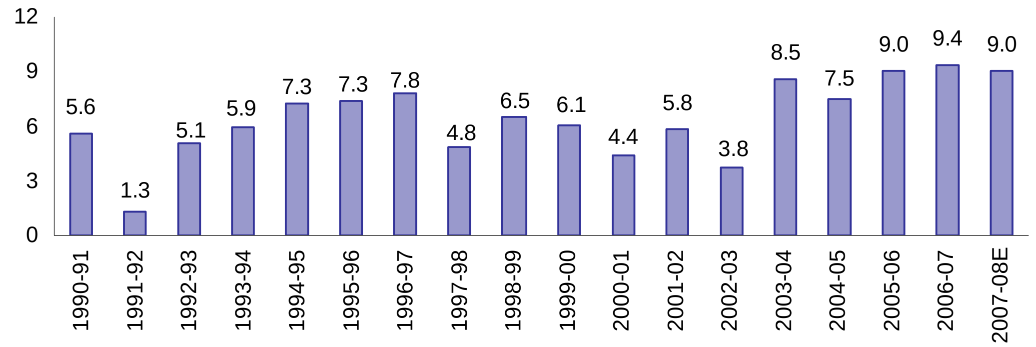
Impacted adversely by Rupee appreciation *Source: Motilal Oswal Securities*

Fifth consecutive year of strong GDP growth

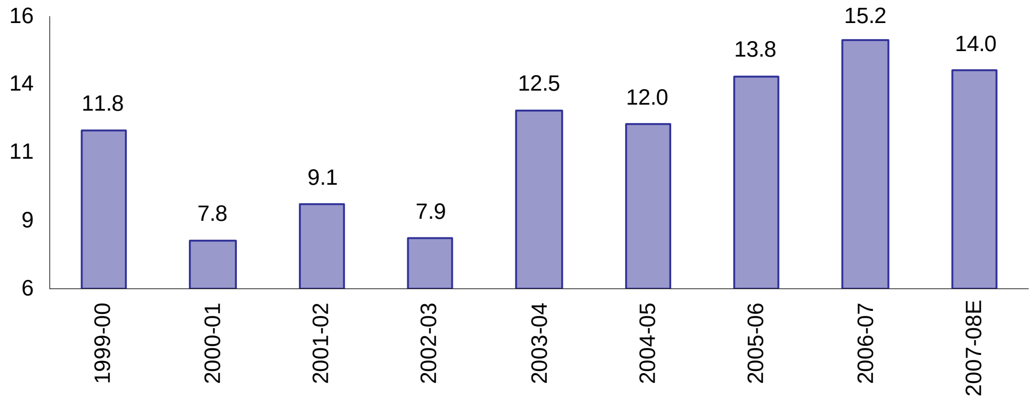
The Indian economy, nevertheless, is headed towards the fifth consecutive year of strong GDP growth

The Indian economy grew by 9.4% in FY07 on top of a 9% growth in FY06. GDP growth for FY08 is expected to be 8.5-9%, making it the third consecutive year of ~9% GDP growth, and an unprecedented fifth consecutive year of 7.5%+ GDP growth. In FY07, India is expected to emerge as a trillion-dollar economy and per capita income is expected to cross US$1,000 in FY08. This, we believe, has the potential to propel the economy into a virtuous spiral of consumption, savings and investment.

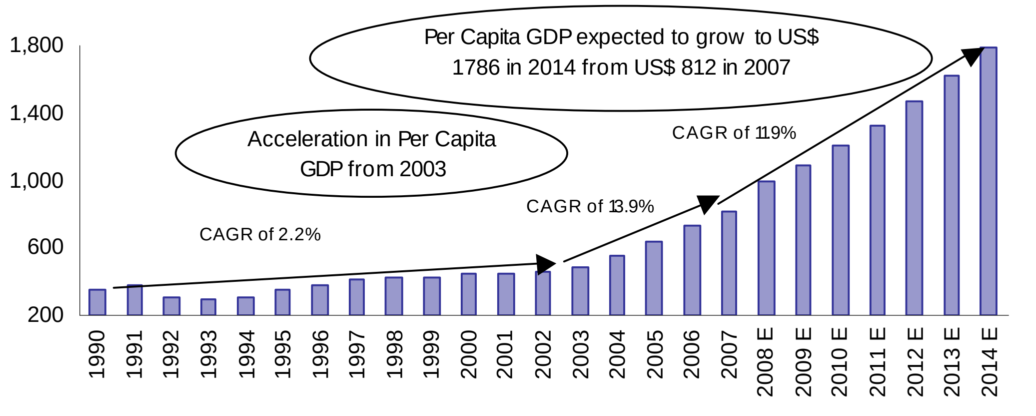
REAL GDP GROWTH (%)



NOMINAL GDP GROWTH (%)



RISING PER CAPITA INCOME (US$)



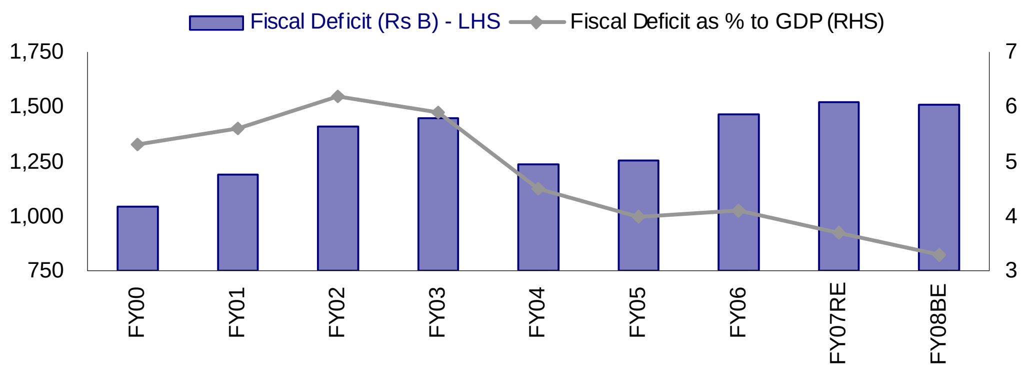
Source: Motilal Oswal Securities

Steady improvement in government finances

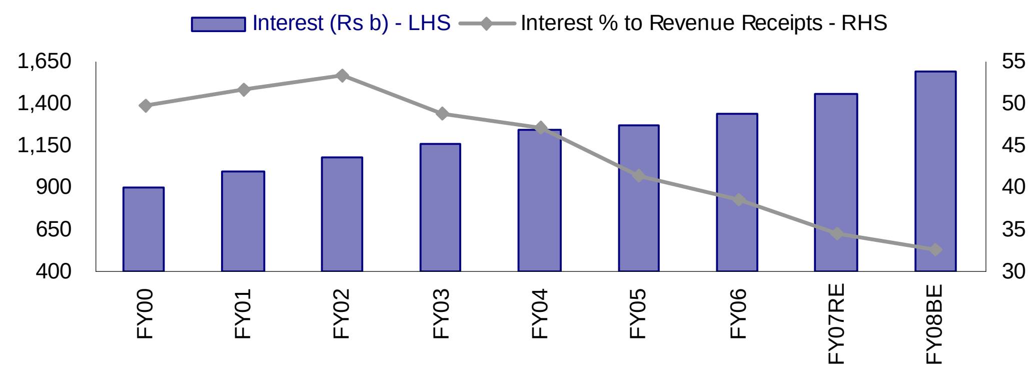
Government finances are improving, signaling no crowding out of private capital raising

Sustained economic growth has gone a long way in improving the picture of government finances. Over FY02-07, the government's revenue receipts (net of devolvement to states) have grown at 16% CAGR, against the nominal GDP growth of 12% CAGR. Fiscal deficit to GDP is down sharply from 6.1% in FY02 to 3.7% in FY07RE. The government's stronger financial position has meant that its borrowing program did not crowd out private capital, leading to a stable interest regime.

FISCAL DEFICIT UNDER CHECK



INTEREST COST TO RECEIPTS DECLINING



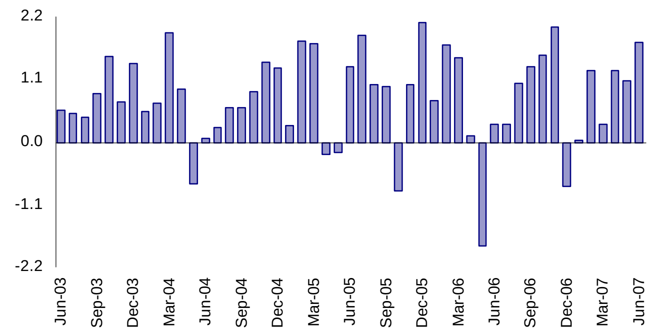
Source: Motilal Oswal Securities

Large equity issuance has generated very strong response

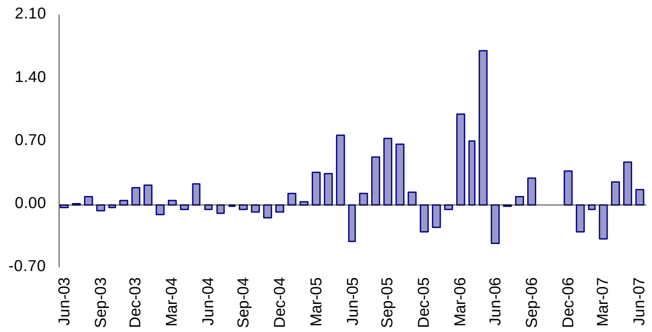
CY07 is likely to be the year of largest capital raising by Indian corporates

CY07 is expected to be the year of largest capital raising by Indian corporates. Banks and real estate companies have already led the list of raising significant capital in the first six months. While the initial impression prior to the raisings was concerning (expected response to the issue, impact of money flowing from secondary to primary markets, etc), the results have been impressive till now. In the first six months of CY07, India's corporate sector has raised equity of over Rs600b, higher than in any of the previous six years. Some of the large equity issues include ICICI Bank (Rs200b), DLF (Rs92b), Sterlite (~Rs92b), and Idea Cellular (Rs21b). More important is the investor response – an average oversubscription of 15.6 times! We believe this reflects sustained faith in Indian equities and will encourage more corporates to raise money in primary markets.

MONTHLY TREND IN NET FII INVESTMENTS (US$B)



MONTHLY TREND IN NET DOMESTIC MUTUAL FUND INVESTMENTS (US$B)



Source: Motilal Oswal Securities

The appetite for primary market offerings reflects sustained faith in Indian equities

CAPITAL RAISING: KEY ISSUES IN CY07

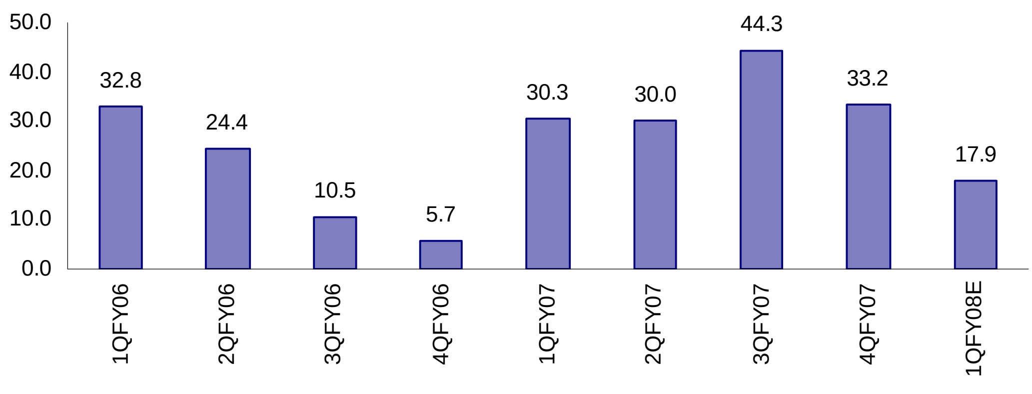
TOP 10 ISSUES BY SIZE	ISSUE SIZE (RS B)	SUBSCRIPTION AMOUNT (RS B)	NO. OF TIMES OVERSUBSCRIBED
ICICI Bank (Including Green Shoe)	101	1,153	11.5
DLF	92	303	3.3
Idea Cellular	21	1,053	49.6
Housing Development & Infrastructure	15	98	6.6
Power Finance Corporation	10	769	77.2
Indian Bank	8	251	32.1
Bharat Earth Movers	5	161	30.2
Fortis Healthcare	5	14	2.8
Firstsource Solutions	4	219	49.3
Akruti Nirman	4	293	80.9
Total of above	**265**	**4,315**	**16.3**
Grand total (52 companies)*	**303**	**5,148**	**17.0**

**Excluding 5 Companies for which subscription data not available* *Source: Motilal Oswal Securities*

Earnings growth at 18% in 1QFY08, slowest in five quarters

We estimate 1QFY08 PAT growth for Sensex companies at 18%. This would be the slowest earnings growth in the last five quarters, and also lower than the previous 8-quarter average growth of 26%. Our EBITDA growth estimate is even lower at 12%.

QUARTERLY SENSEX PAT GROWTH (%)



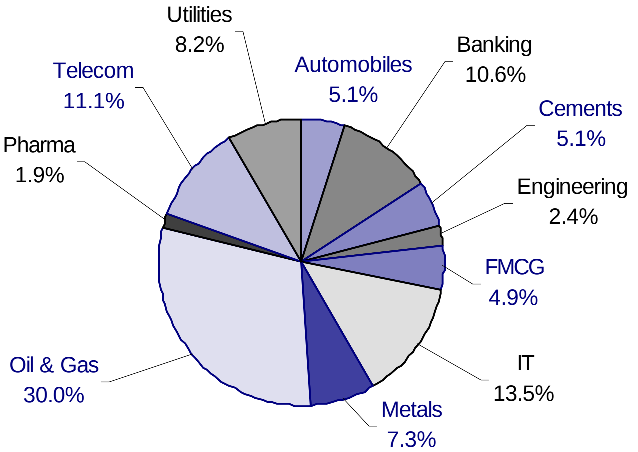
Source: Motilal Oswal Securities

The three major reasons for the slow earnings growth are:

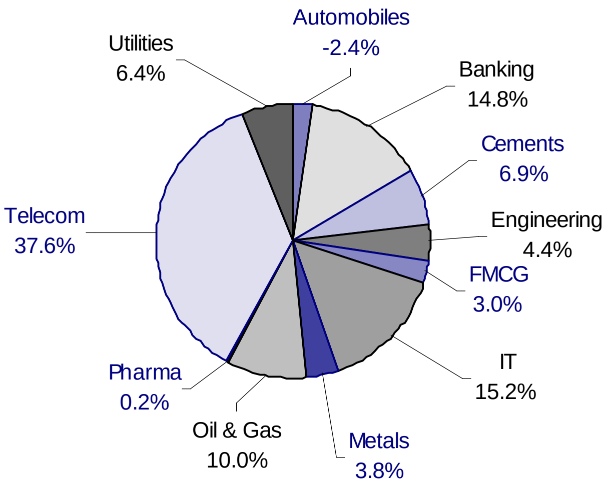
- Higher subsidy burden on ONGC (ex-ONGC, growth is 24%)
- Impact of stronger Rupee on Software Services (ex-IT, growth is still 18%)
- Impact of higher interest rates on Autos (ex-Autos, growth is 20%)

A key offsetting factor has been the performance of the Telecom sector, led by Reliance Communications, with PAT growth of 116% and Bharti, with PAT growth of 99%. Excluding these two companies, EBITDA growth is just 8% and PAT growth 12%. Telecom and financials contribute 50% of growth to the Sensex earnings.

SECTORAL CONTRIBUTION TO TOTAL SENSEX EARNINGS



SECTORAL CONTRIBUTION TO GROWTH IN SENSEX EARNINGS



Source: Motilal Oswal Securities

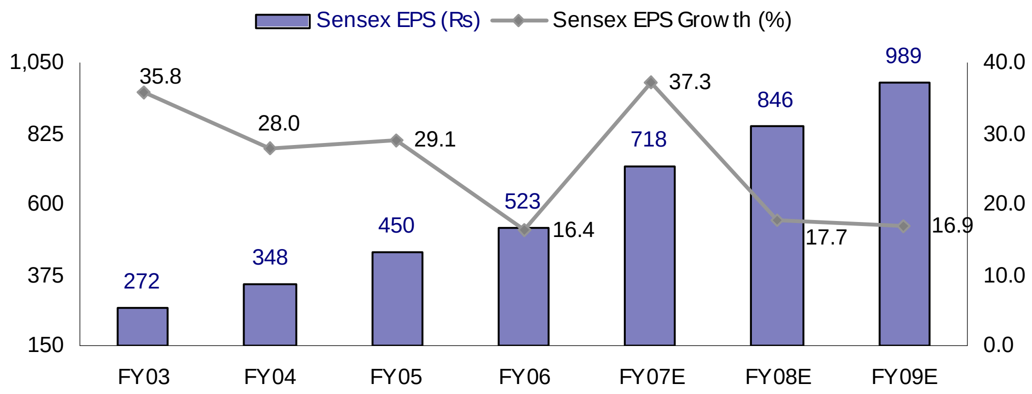
Going forward, the Rupee could remain strong. Likewise, with crude prices remaining high, ONGC could continue to bear higher share of subsidy. Though interest rates could ease, Autos continue to be dogged by intense competition.

FY08 earnings risks are evenly balanced

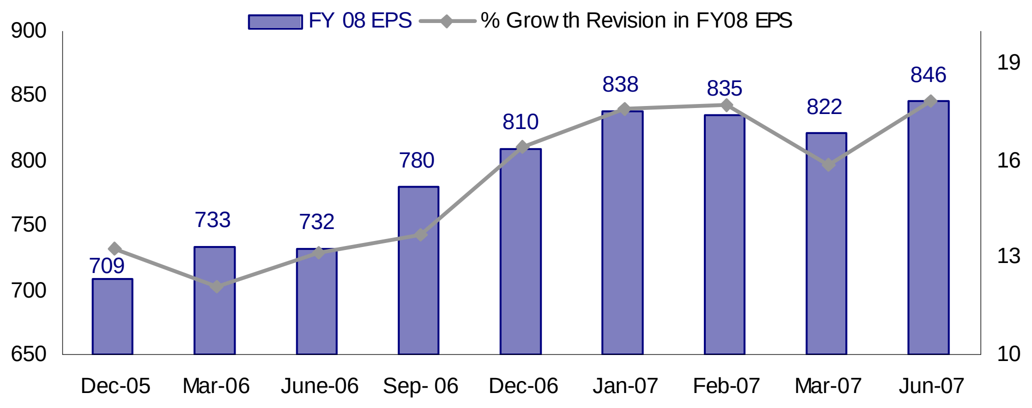
In FY08, while there could be negative surprises in Software Services and Global Commodities…

We are estimating an EPS growth of 18% for the Sensex in FY08. For our universe of 139 stocks, earnings are likely to grow at 19%. For the last three years, we have consistently witnessed significant upgrades to our estimates during the course of the year. Our end-of-the-year estimates have been significantly higher than our beginning-of-the-year estimates.

GROWTH IN SENSEX EPS



REVISION IN FY08 SENSEX EPS ESTIMATE



Source: Motilal Oswal Securities

...but Telecom, Engineering and Financials could throw up positive surprises

We believe that in FY08, we are evenly balanced with risks to our estimates on either side. The single biggest threat to our estimates is currency movement. Given the strong Rupee appreciation, we consider our estimates for Software Services and Global Commodities at risk. For every 1% gain in the Rupee, Infosys' EPS falls by 1.25-1.5%. Software Services have 17% weightage in the BSE Sensex, although their contribution to Sensex profits is lower at 13%. On the positive side, we believe that Telecom, Engineering, and Financials could witness earnings upgrades.

CONTRIBUTION TO SENSEX EPS GROWTH

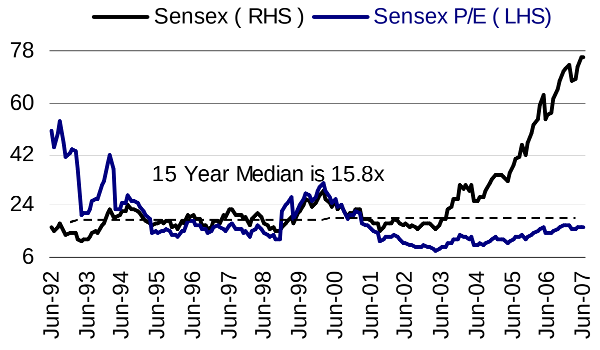
COMPANY	WEIGHT IN SENSEX (%)	FY08E EPS GROWTH (%)	FY08 CONTRIBUTION TO SENSEX EPS (%)
Reliance Inds.	12.7	6.2	11.6
Infosys	10.0	26.8	7.1
ICICI Bank	9.2	11.2	7.5
Larsen & Toubro	6.0	26.8	3.7
Bharti Airtel	5.9	50.0	4.0
HDFC	4.9	16.9	3.1
ITC	4.4	4.2	3.5
ONGC	4.1	18.4	7.4
Reliance Comm	4.0	45.9	2.9
State Bank	3.9	16.1	5.9
Satyam Computer	3.1	22.5	3.0
HDFC Bank	3.1	22.6	2.2
BHEL	2.8	29.7	1.9
Tata Steel	2.6	30.8	9.7
TCS	2.4	23.2	1.8
Hind. Unilever	2.2	10.1	1.5
NTPC	2.0	14.7	2.0
Grasim Industries	1.9	15.6	3.0
Tata Motors	1.7	9.8	2.6
Wipro	1.6	23.5	1.3
Bajaj Auto	1.6	3.3	1.6
Hindalco	1.6	-5.7	3.5
Ambuja Cements	1.4	20.9	2.0
Cipla	1.1	14.0	0.9
ACC	1.1	27.8	1.5
Reliance Energy	1.1	11.2	1.1
Ranbaxy Labs	1.0	22.9	0.8
Maruti Udyog	0.9	14.2	1.3
Dr Reddy' s Labs	0.9	-36.2	0.8
Hero Honda	0.7	8.8	0.8

Source: Company/Motilal Oswal Securities

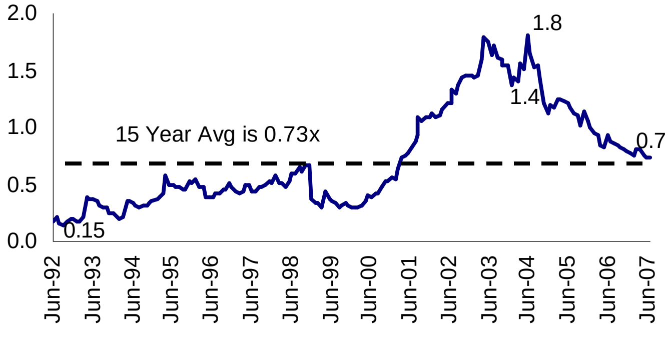
Valuations fair; adopt sector / stock approach to maximize returns

We are estimating an 18% growth in Sensex EPS in FY08 to Rs846 and a growth of 17% in FY09 to Rs989. Our target range for the Sensex based on FY09E earnings is 13,500-

SENSEX P/E (X)

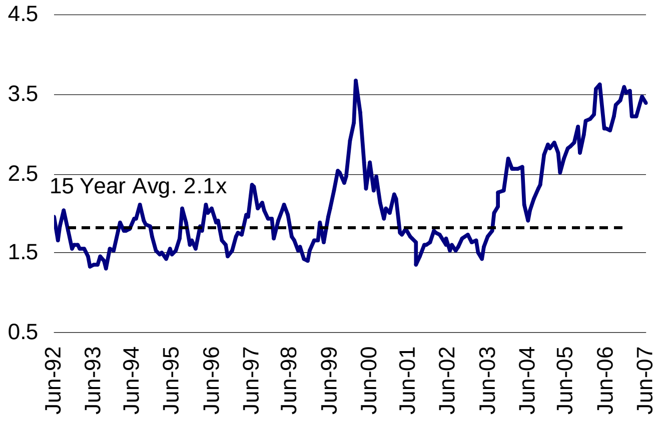


SENSEX EARNINGS YIELD V/S BOND YIELD

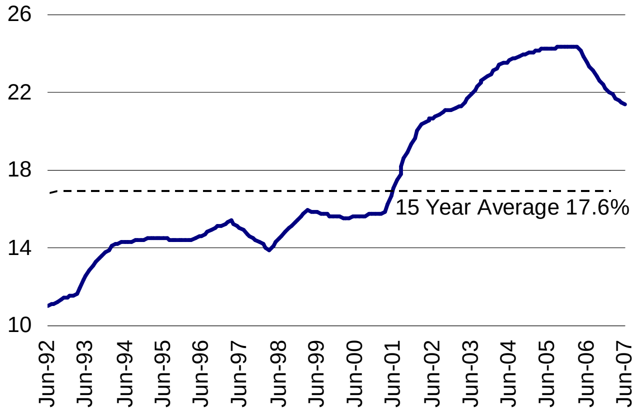


Source: Motilal Oswal Securities

SENSEX P/BV (X)



SENSEX ROE (%)



Source: Motilal Oswal Securities

16,500 (12-15x FY09E EPS and addition of 1,700 points as embedded value). We see scope for returns in specific sectors / stocks.

Follow a sector/stock-specific investment approach to maximize returns

- The top-3 sectors to play on strong earnings momentum in our view are Telecom, Engineering, and Financials. These three sectors are witnessing earnings upgrades and are likely to maintain very strong business momentum for FY08 and FY09. Despite the strong performance of these stocks, we believe that earnings comfort remains very high and the stocks have room to move up further.
- We also believe that 2HFY08 could see a revival of positive trends for few sectors that witnessed significant underperformance till date. Our top-3 bets here are Four-wheelers, Real Estate and Cement. While Four-wheelers and Real Estate would be direct beneficiaries of stable/lower interest rates and greater availability of finance, the Cement sector would benefit from the strong demand-supply scenario and ability hike prices due to low inflation.
- Our top large-cap bets are Bharti / Reliance Communications, L&T, SBI, Maruti / Tata Motors, Infosys, DLF, Tata Steel, and Grasim / Ambuja Cement. Amongst the mid-caps, we prefer Indian Bank, United Phosphorus, Birla Corp / Kesoram, Great Offshore, HCC, Sobha Developers, SREI, and Nicholas.

MOST MODEL PORTFOLIO

SECTOR WEIGHT / PORTFOLIO PICKS	BSE-100	MOST WEIGHT	WEIGHT RELATIVE TO BSE-100	EFFECTIVE SECTOR STANCE
Banks	**18.8**	**19.0**	**0.2**	**Overweight**
SBI	2.7	6.0	3.3	Buy
HDFC	3.4	4.0	0.6	Buy
HDFC Bank	2.2	4.0	1.8	Buy
PNB	0.6	3.0	2.4	Buy
Indian Bank	0.0	2.0	2.0	Buy
Information Technology	**13.6**	**15.0**	**1.4**	**Overweight**
Infosys	6.9	6.0	-0.9	Buy
TCS	1.7	5.0	3.3	Buy
Satyam Computers	2.2	4.0	1.8	Buy
Engg./Infrastrcuture/Real Estate	**11.4**	**14.0**	**2.6**	**Overweight**
L&T	4.2	6.0	1.8	Buy
DLF	0.0	5.0	5.0	-
HCC	0.0	3.0	3.0	Buy
Telecom	**7.4**	**11.0**	**3.6**	**Overweight**
Bharti Airtel	4.1	6.0	1.9	Buy
Reliance Comm	2.7	5.0	2.3	Buy
Cement	**3.7**	**10.0**	**6.3**	**Overweight**
Grasim Industries	1.3	5.0	3.7	Buy
Ambuja Cements	1.0	3.0	2.0	Buy
Birla Corp	0.0	2.0	2.0	Buy
Auto	**5.4**	**9.0**	**3.6**	**Overweight**
Maruti Udyog	0.6	3.0	2.4	Buy
Tata Motors	1.1	3.0	1.9	Buy
Mahindra & Mahindra	1.1	3.0	1.9	Buy
Petrochemicals	**10.2**	**7.0**	**-3.2**	**Underweight**
Reliance Inds.	8.8	7.0	-1.8	Neutral
Metals	**4.6**	**5.0**	**0.4**	**Overweight**
Tata Steel	1.8	5.0	3.2	Buy
Pharmaceuticals	**3.7**	**5.0**	**1.3**	**Overweight**
Ranbaxy Labs	0.7	3.0	2.3	Buy
Nicholas	0.0	2.0	2.0	Buy
Oil & Gas	**4.7**	**3.0**	**-1.7**	**Neutral**
ONGC	2.9	3.0	0.1	Buy
FMCG	**5.7**	**2.0**	**-3.7**	**Underweight**
ITC	3.0	2.0	-1.0	Buy
Utilities	**4.2**	**0.0**	**-4.2**	**Underweight**
Others	**6.5**	**0.0**	**-6.5**	**Underweight**
Cash	**0.0**	**0.0**		
Total	**100.00**	**100.0**		

ANNUAL PERFORMANCE - MOST UNIVERSE (RS BILLION)

SECTOR	SALES				EBITDA				NET PROFIT			
Y/E MARCH	FY07E	FY08E	FY09E	CH. (%)*	FY07E	FY08E	FY09E	CH. (%)*	FY07E	FY08E	FY09E	CH. (%)*
Auto (12)	922	1,038	1,170	12.6	117	130	149	11.4	80	87	98	9.2
Banks (19)	656	817	1,000	24.6	432	528	659	22.2	217	265	327	22.2
Cement (7)	294	342	370	16.1	91	115	114	26.5	59	72	69	21.4
Engineering (10)	707	953	1,205	34.8	104	141	181	35.7	75	98	127	31.6
FMCG (12)	462	544	627	17.7	90	100	117	10.9	63	71	86	11.9
IT (14)	715	926	1,173	29.6	180	225	280	24.9	149	187	228	25.2
Infrastructure (8)	167	220	303	31.6	26	34	50	31.6	12	14	19	18.7
Media (1)	14	18	21	25.1	3	5	8	69.7	2	3	5	56.8
Metals (6)	974	2,021	2,138	107.4	296	417	458	40.8	174	229	262	31.2
Oil Gas & Petchem (9)	6,847	6,519	6,463	-4.8	810	855	843	5.6	439	471	471	7.3
Pharma (17)	364	407	478	11.9	75	85	101	14.0	54	61	73	12.3
Retail (3)	62	97	140	56.7	5	7	10	40.8	2	3	5	33.2
Telecom (3)	370	520	650	40.5	141	210	268	49.0	79	115	141	45.4
Textiles (7)	100	120	143	20.6	16	21	26	25.6	6	7	10	17.9
Utilities (6)	498	595	668	19.5	130	163	177	25.2	90	101	106	12.3
Others (5)	90	120	144	34.1	21	28	34	34.3	13	18	23	37.7
MOSt (139)	**13,243**	**15,259**	**16,695**	**15.2**	**2,536**	**3,063**	**3,475**	**20.8**	**1,514**	**1,801**	**2,051**	**19.0**
MOSt Excl. Banks (120)	**12,587**	**14,442**	**15,695**	**14.7**	**2,104**	**2,536**	**2,816**	**20.5**	**1,297**	**1,536**	**1,724**	**18.4**
MOSt Excl.Oil & Gas (130)	**6,396**	**8,740**	**10,231**	**36.6**	**1,726**	**2,208**	**2,632**	**27.9**	**1,075**	**1,330**	**1,580**	**23.7**
MOSt Excl. Banks & Oil (111)	**5,740**	**7,922**	**9,231**	**38.0**	**1,294**	**1,680**	**1,973**	**29.8**	**858**	**1,065**	**1,253**	**24.1**

*NM - Not Meaningful; * Growth FY08 over FY07; For Banks : Sales = Net Interest Income, EBITDA = Operating Profits*

VALUATIONS - MOST UNIVERSE

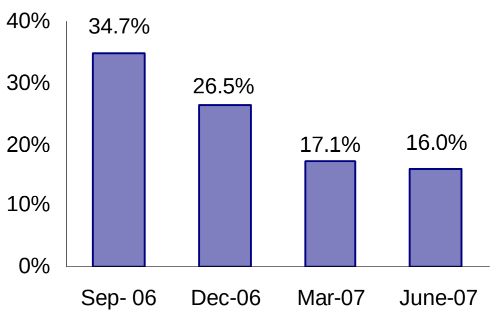
SECTOR	P/E (X)			EV/EBITDA (X)			P/BV (X)		ROE (%)			DIV. YLD (%)	EARN. CAGR
(NO. OF COMPANIES)	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY07E	FY08E	FY09E	FY07E	(FY09-07)
Auto (12)	15.8	14.5	12.8	9.7	8.4	6.9	3.9	3.2	24.4	22.3	21.4	1.8	11.1
Banks (19)	16.7	13.6	11.0	N.M	N.M	N.M	2.8	2.2	16.8	16.1	16.1	1.3	22.9
Cement (7)	14.2	11.7	12.2	9.2	7.2	6.9	5.3	3.8	37.5	33.0	24.9	1.4	8.0
Engineering (10)	36.2	27.5	21.4	25.6	18.9	14.8	11.3	8.7	31.1	31.5	32.6	0.7	30.2
FMCG (12)	25.7	23.0	18.9	17.3	15.3	12.6	8.1	6.7	31.4	29.2	30.7	2.2	16.7
IT (14)	27.5	22.0	18.0	21.7	17.0	13.3	8.4	6.5	35.7	33.3	31.6	1.2	23.6
Infrastructure (8)	52.5	44.2	32.0	26.9	21.9	16.1	6.1	5.1	11.7	11.6	14.2	0.3	28.1
Media (1)	59.0	37.6	25.9	41.6	24.2	16.5	5.2	4.7	13.6	17.7	18.6	0.3	50.8
Metals (6)	9.3	7.1	6.2	5.5	4.7	4.0	2.7	1.8	29.3	24.9	23.2	2.3	22.6
Oil Gas & Petchem (9)	12.7	11.8	11.8	7.6	7.1	7.0	2.8	2.4	24.4	22.1	18.9	2.3	3.6
Pharma (17)	22.4	20.0	16.6	17.0	14.8	12.2	5.7	4.7	25.3	23.4	23.4	1.2	16.2
Retail (3)	59.8	44.9	31.0	30.5	22.2	16.4	11.7	8.2	19.6	18.2	21.7	0.2	38.9
Telecom (3)	35.1	24.1	19.6	20.1	13.4	10.2	6.9	5.4	23.5	25.0	24.1	0.1	33.6
Textiles (7)	12.4	10.5	7.5	9.5	8.5	7.1	1.1	1.0	8.9	9.4	11.9	1.8	28.4
Utilities (6)	18.8	16.8	15.9	13.2	10.9	10.9	2.4	2.2	12.6	12.9	12.5	1.9	8.8
Others (5)	21.4	15.5	11.9	13.5	10.0	7.8	5.6	4.4	26.1	28.4	29.0	0.8	34.1
MOSt (139)	**18.6**	**15.7**	**13.8**	**N.M**	**N.M**	**N.M**	**4.1**	**3.3**	**22.1**	**21.1**	**20.0**	**1.4**	**16.4**
MOSt Excl. Banks (120)	**19.0**	**16.0**	**14.3**	**11.9**	**10.0**	**8.8**	**4.4**	**3.6**	**23.4**	**22.3**	**21.0**	**1.5**	**15.3**
MOSt Excl.Oil & Gas (130)	**21.1**	**17.0**	**14.4**	**N.M**	**N.M**	**N.M**	**4.6**	**3.6**	**22.0**	**21.4**	**20.9**	**1.2**	**21.2**
MOSt Excl. Banks & Oil (111)	**22.2**	**17.9**	**15.2**	**14.6**	**11.4**	**9.6**	**5.3**	**4.2**	**23.9**	**23.3**	**22.7**	**1.2**	**20.8**

N.M. - Not Meaningful *Source: Motilal Oswal Securities*

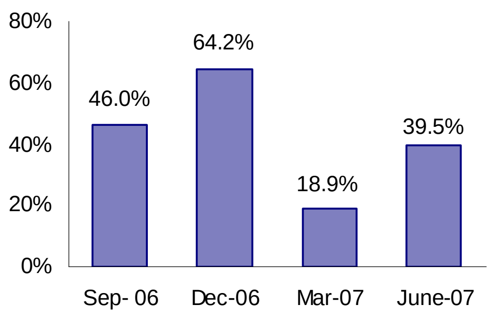
1QFY08: slower PAT growth

We expect 1QFY08 to be a quarter of steady corporate performance. For our Universe of 136 companies (excluding the major oil marketing companies, OMCs), we estimate revenue growth of 17% YoY, EBITDA growth of 14% YoY and PAT growth of 19% YoY. The major sectors driving profit growth during the quarter would be Telecom, Banks, Engineering, IT and Cement. Performance has been impacted by a strong Rupee appreciation, which has limited the growth of the IT sector to 25%. The impact of interest rates has also been felt on the earnings of Autos. On the OMCs, we have assumed oil bonds to accrue in 1QFY08, which is resulting in aggregate profit growth being very strong at 40%. However, the timing of issue of oil bonds remains uncertain.

QUARTER-WISE SALES GROWTH (YOY)



QUARTER-WISE NET PROFIT GROWTH (YOY)



Source: Motilal Oswal Securities

QUARTERLY PERFORMANCE - MOST UNIVERSE (RS MILLION)

SECTOR	SALES			EBITDA			NET PROFIT		
(NO. OF COMPANIES)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Auto (12)	199,362	211,790	6.2	26,477	25,342	-4.3	17,235	17127	-0.6
Banks (19)	143,083	176,202	23.1	98,793	112,653	14.0	42,031	53293	26.8
Cement (7)	69,392	83,103	19.8	22,648	28,261	24.8	14,331	17712	23.6
Engineering (10)	113,765	150,298	32.1	12,085	17,481	44.6	8,041	10824	34.6
FMCG (12)	106,971	125,599	17.4	21,385	24,214	13.2	15,005	16932	12.8
IT (14)	154,901	198,265	28.0	36,890	45,628	23.7	31,750	39792	25.3
Infrastructure (8)	35,617	44,681	25.4	4,360	5,355	22.8	2,171	2275	4.8
Media (1)	3,882	4,030	3.8	726	1,180	62.7	549	744	35.6
Metals (6)	187,689	220,121	17.3	60,101	70,181	16.8	35,310	41572	17.7
Oil Gas & Petchem (9)	1,507,953	1,682,085	11.5	127,580	193,152	51.4	53,199	106746	100.7
Pharma (17)	83,228	95,755	15.1	17,345	18,948	9.2	11,735	14577	24.2
Retail (3)	11,881	19,398	63.3	657	1,115	69.5	282	401	42.3
Telecom (3)	80,305	114,186	42.2	29,214	45,227	54.8	13,559	27335	101.6
Textiles (7)	19,268	26,878	39.5	3,377	4,146	22.8	1,287	999	-22.4
Utilities (6)	120,409	135,361	12.4	28,408	33,378	17.5	21,022	23267	10.7
Others (5)	19,754	25,752	30.4	4,025	5,423	34.7	2,625	3323	26.6
MOSt (139)	**2,857,463**	**3,313,505**	**16.0**	**494,070**	**631,684**	**27.9**	**270,131**	**376,920**	**39.5**
MOSt Excl. Banks (120)	**2,714,379**	**3,137,302**	**15.6**	**395,278**	**519,031**	**31.3**	**228,101**	**323,627**	**41.9**
MOSt Excl.Oil & Gas (130)	**1,349,509**	**1,631,420**	**20.9**	**366,490**	**438,532**	**19.7**	**216,933**	**270,173**	**24.5**
MOSt Excl. Banks & Oil (111)	**1,206,426**	**1,455,217**	**20.6**	**267,698**	**325,879**	**21.7**	**174,902**	**216,881**	**24.0**
MOSt Excl Metals & Oil (124)	**1,161,820**	**1,411,299**	**21.5**	**306,389**	**368,351**	**20.2**	**181,623**	**228,602**	**25.9**

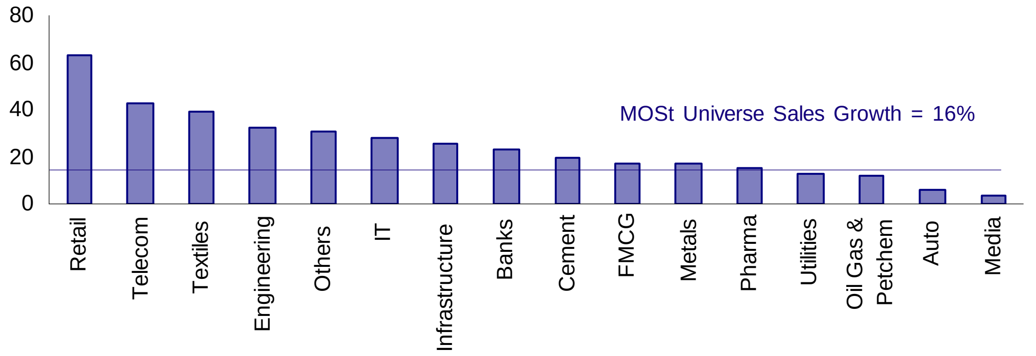
Source: Motilal Oswal Securities

Sales to jump 16% YoY

Retail would be the fastest growing sector, followed by Telecom

- We expect our Universe of 139 companies to record sales growth of 16% YoY in 1QFY08. A key observation is that growth is robust across sectors – Telecom (42%), Engineering (31%), Infrastructure (25%), Banks (23%) and Cement (20%). For the first time ever, IT is likely to report flat revenue growth QoQ, with volume growth being offset by Rupee appreciation.
- Telecom is expected to witness revenue growth of 42.2% on the back of sustained strong addition to the wireless subscriber base. Bharti leads the pack, with a revenue growth of 55.4% YoY followed by Reliance Communication (33.1% YoY).
- We expect the Engineering sector to record sales growth of 32.1% YoY, on the back of sustained capex in the Indian economy, especially in the power sector. Siemens is likely to grow the fastest at 63.5% YoY, followed by Suzlon at 45%, ABB at 35% and BHEL at 30%.
- The Infrastructure sector is expected to record revenue growth of 25.4% YoY, driven by strong order book position. All companies under coverage should show growth of over 28% YoY except Jaiprakash Associates (2.5% YoY).
- We expect Banks to register income growth of 23% YoY, on the back of strong credit growth in a buoyant economy. Private sector banks are emerging as the growth leaders with HDFC Bank and UTI Bank expected to grow at over 44% YoY.
- Cement is likely to witness sales growth of 20% YoY, driven by 11-12% volume growth and 7-8% higher prices. India Cement should see the highest growth at 37% YoY followed by Shree Cement, with 32% growth.
- The Pharma sector is likely to report sales growth of 15% YoY, on the back of two themes – acquisitions (e.g. Dishman's acquisition of Carbogen AMICS, consolidation of Wockhardt's Pinewood and Dumex acquisitions), and CRAMS (44% YoY growth for Divi's Labs, 32% YoY growth for Nicholas Piramal). Pharma MNCs are expected to report muted growth due to divestments (consumer healthcare for Pfizer and animal healthcare for GSK).

SECTORAL SALES GROWTH - QUARTER ENDED JUNE 2007 (%)



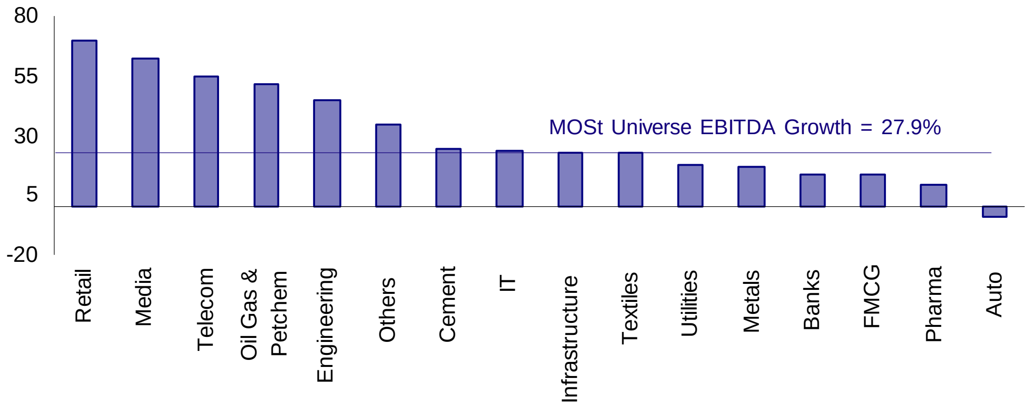
Source: Motilal Oswal Securities

EBITDA margins excluding Banks and OMCs to drop 60bp

Retail would show the highest EBITDA jump, followed by Media

- We expect our Universe of 117 companies (excluding Banks and OMCs) to register EBITDA growth of 14.7% YoY. This is lower than our topline growth estimate of 17.7%, implying a 60bp drop in EBITDA margins. The major drags on margins are – Autos (-130bp), Pharma (-110bp), IT (-80bp YoY, -230bp QoQ) and FMCG (-80bp). Only two sectors are expected to see meaningful margin expansion – Telecom (+320bp) and Cement (+150bp).
- The Auto sector would witness margin decline of 130bp due to higher input costs (mainly metals and rubber), which cannot be passed on due to competitive pressures. EBITDA for two-wheeler companies is likely to decline by over 25%. Among four-wheeler companies, M&M, Maruti and Ashok Leyland should manage low EBITDA growth, while Tata Motors is expected to degrow 15%.
- Several Pharma majors – Ranbaxy, Cipla, Dr Reddy's, Pfizer – are expected to see degrowth in EBITDA, muting overall sector EBITDA growth to just 9.2% YoY.
- IT sector margins could see a sharp 230bp drop QoQ due to the double whammy of wage hikes and a stronger Rupee. For the first time ever, sector EBITDA is expected to degrow (-9.5% QoQ).
- FMCG margins could be down 80bp YoY, led by high prices of key inputs (wheat, milk, palm oil, etc), and rising ad spend.
- The Telecom sector is expected to report strong EBITDA growth of 54.8% YoY (EBITDA margin expansion of 320bp) on the back of operating leverage following high subscriber addition.
- Cement should see healthy EBITDA growth of 24.8% YoY. Though cement prices are up 7-8% YoY, cost pressures – mainly coal and freight – would check margin expansion at just 150bp YoY.
- Oil marketing companies (OMCs) could see a huge swing in their EBITDA from a negative Rs11b to a positive Rs57b, subject to the government issuing oil bonds. We have factored in oil bonds worth Rs53b in our 1QFY08 estimates; these were not captured in 1QFY07.

SECTORAL EBITDA GROWTH - QUARTER ENDED JUNE 2007 (%)



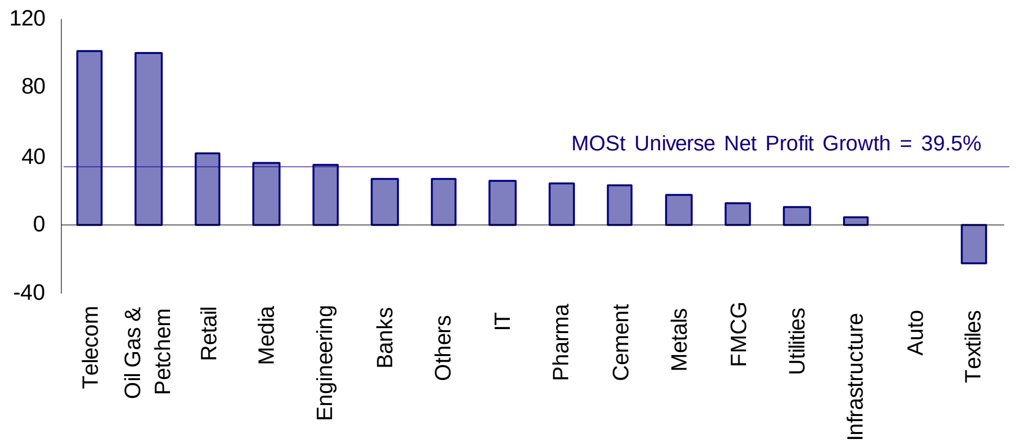
Source: Motilal Oswal Securities

Net profit excluding OMCs to grow 19% YoY

Telecom would witness the fastest net profit growth in our universe

- We expect overall PAT growth to be a high 39.5% YoY. One major reason for this is the low base effect of OMCs, which reported losses in 1QFY07 due to under-recoveries not offset by oil bonds. Excluding OMCs, PAT growth would a steady 19% YoY. Profit growth for the Sensex companies would also be in line at 18% YoY.
- Telecom would witness the highest profit growth. Reliance Communication would lead the pack, with expected PAT growth of 116% YoY, followed by Bharti (99% YoY).
- Banks, Cement, Engineering, IT and Pharma are expected to register PAT growth in the range of 24-32% YoY.
- Infrastructure PAT growth would be muted at 4.8% mainly due to higher provision for income tax. For the first three quarters of FY07, companies did not fully provide for tax, claiming exemption under Section 80IA of the Indian Income-tax Act. Such exemption was subsequently clarified and denied in the Union Budget of February 2007, and most companies provided for tax arrears only in 4QFY07.
- Only two sectors are expected to register PAT degrowth – Textiles (-22% YoY) and Autos (-0.6% YoY). Textiles continues to be hit by: (1) lower volume exports to US and EU, (2) high competition from China, and now (3) stronger Rupee. In the case of autos, 4% EBITDA degrowth should be offset by positive financial leverage to restrict PAT degrowth at just 0.6% YoY.
- Among Sensex stocks, the top-3 performers in terms of PAT growth YoY are expected to be Reliance Communication (+116%), Bharti (+99%) and L&T (+59%). The bottom-3 would be Cipla (-31%), Hero Honda (-17%) and Bajaj Auto (-15.5%).

SECTORAL NET PROFIT GROWTH - QUARTER ENDED JUNE 2007 (%)



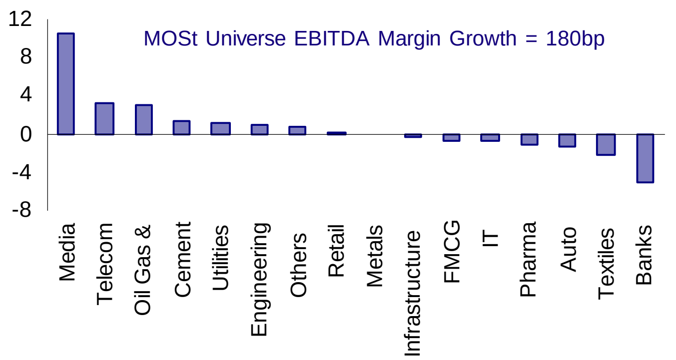
Source: Motilal Oswal Securities

QUARTERLY PERFORMANCE - MOST UNIVERSE

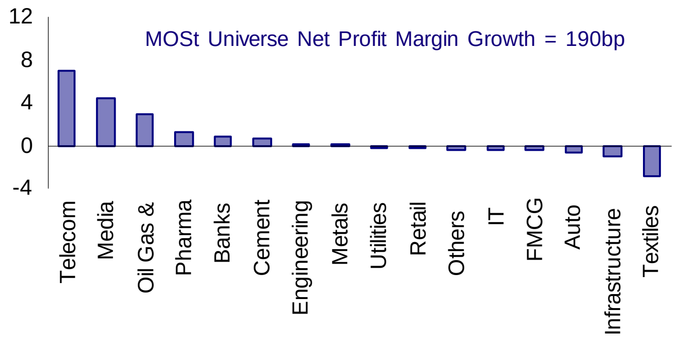
SECTOR	EBITDA MARGIN (%)			NET PROFIT MARGIN (%)		
(NO. OF COMPANIES)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Auto (12)	13.3	12.0	-1.3	8.6	8.1	-0.6
Banks (19)	69.0	63.9	-5.1	29.4	30.2	0.9
Cement (7)	32.6	34.0	1.4	20.7	21.3	0.7
Engineering (10)	10.6	11.6	1.0	7.1	7.2	0.1
FMCG (12)	20.0	19.3	-0.7	14.0	13.5	-0.5
IT (14)	23.8	23.0	-0.8	20.5	20.1	-0.4
Infrastructure (8)	12.2	12.0	-0.3	6.1	5.1	-1.0
Media (1)	18.7	29.3	10.6	14.1	18.5	4.3
Metals (6)	32.0	31.9	-0.1	18.8	18.9	0.1
Oil Gas & Petchem (9)	8.5	11.5	3.0	3.5	6.3	2.8
Pharma (17)	20.8	19.8	-1.1	14.1	15.2	1.1
Retail (3)	5.5	5.7	0.2	2.4	2.1	-0.3
Telecom (3)	36.4	39.6	3.2	16.9	23.9	7.1
Textiles (7)	17.5	15.4	-2.1	6.7	3.7	-3.0
Utilities (6)	23.6	24.7	1.1	17.5	17.2	-0.3
Others (5)	20.4	21.1	0.7	13.3	12.9	-0.4
MOSt (139)	**17.3**	**19.1**	**1.8**	**9.5**	**11.4**	**1.9**
MOSt Excl. Banks (120)	**14.6**	**16.5**	**2.0**	**8.4**	**10.3**	**1.9**
MOSt Excl.Oil & Gas (130)	**27.2**	**26.9**	**-0.3**	**16.1**	**16.6**	**0.5**
MOSt Excl. Banks & Oil (111)	**22.2**	**22.4**	**0.2**	**14.5**	**14.9**	**0.4**
MOSt Excl Metals & Oil (124)	**26.4**	**26.1**	**-0.3**	**15.6**	**16.2**	**0.6**

Source: Motilal Oswal Securities

EBITDA MARGIN GROWTH - QUARTER ENDED JUNE 2007 (%)



NET PROFIT MARGIN GROWTH - QUARTER ENDED JUNE 2007 (%)



Source: Motilal Oswal Securities

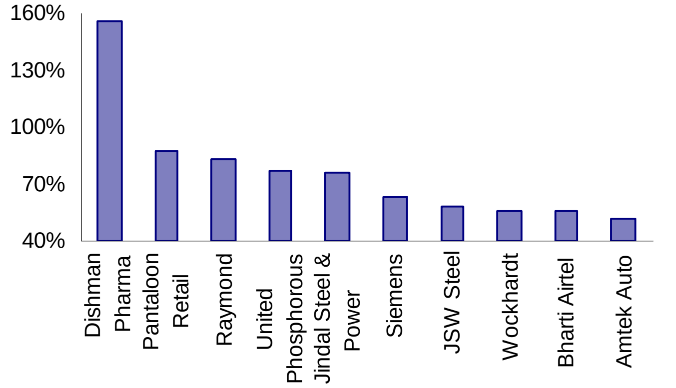
SECTORAL CONTRIBUTION TO GROWTH IN SALES, EBITDA AND NET PROFIT (%)

SECTOR	CONTRIBUTION TO SALES GR.	SECTOR	CONTRIBUTION TO EBITDA GR.	SECTOR	CONTRIBUTION TO NP GR.
Oil Gas & Petchem (9)	38.2	Oil Gas & Petchem (9)	47.6	Oil Gas & Petchem (9)	50.1
IT (14)	9.5	Telecom (3)	11.6	Telecom (3)	12.9
Engineering (10)	8.0	Banks (19)	10.1	Banks (19)	10.5
Telecom (3)	7.4	Metals (6)	7.3	IT (14)	7.5
Banks (19)	7.3	IT (14)	6.3	Metals (6)	5.9
Metals (6)	7.1	Cement (7)	4.1	Cement (7)	3.2
FMCG (12)	4.1	Engineering (10)	3.9	Pharma (17)	2.7
Utilities (6)	3.3	Utilities (6)	3.6	Engineering (10)	2.6
Cement (7)	3.0	FMCG (12)	2.1	Utilities (6)	2.1
Pharma (17)	2.7	Pharma (17)	1.2	FMCG (12)	1.8
Auto (12)	2.7	Others (5)	1.0	Others (5)	0.7
Infrastructure (8)	2.0	Infrastructure (8)	0.7	Media (1)	0.2
Textiles (7)	1.7	Textiles (7)	0.6	Retail (3)	0.1
Retail (3)	1.6	Retail (3)	0.3	Infrastructure (8)	0.1
Others (5)	1.3	Media (1)	0.3	Auto (12)	-0.1
Media (1)	0.0	Auto (12)	-0.8	Textiles (7)	-0.3

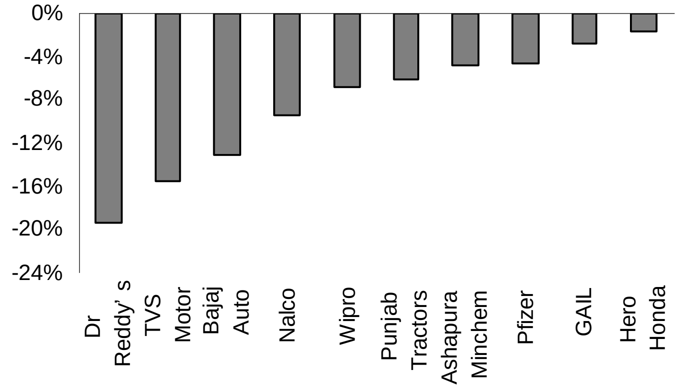
Source: Motilal Oswal Securities

Scoreboard (quarter ended June 2007)

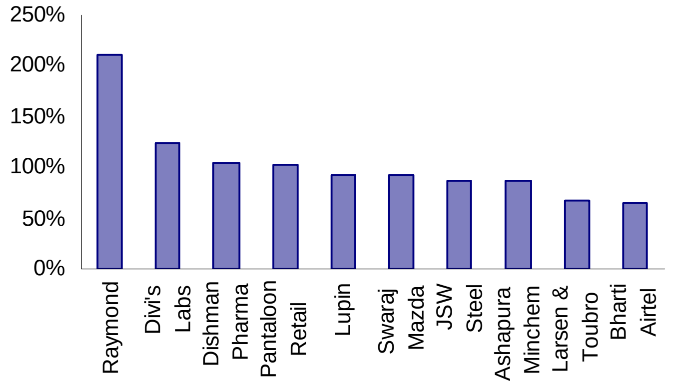
TOP 10 BY SALES GROWTH (%)



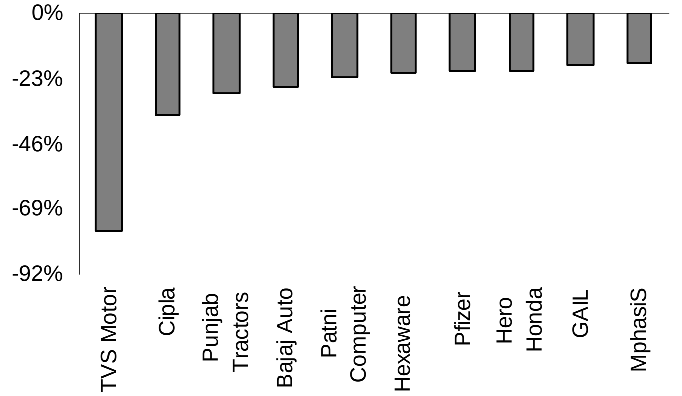
WORST 10 BY SALES GROWTH (%)



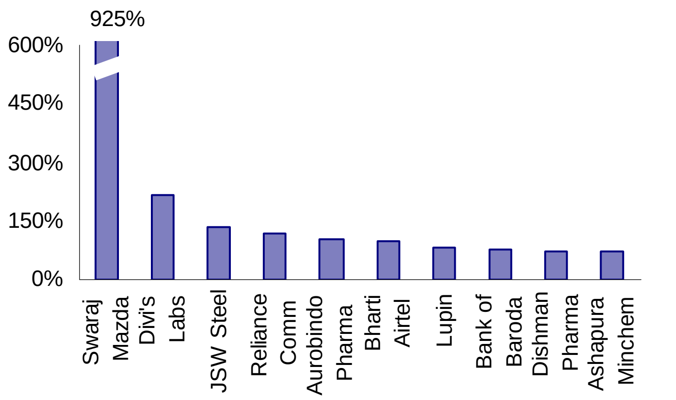
TOP 10 BY EBITDA GROWTH (%)



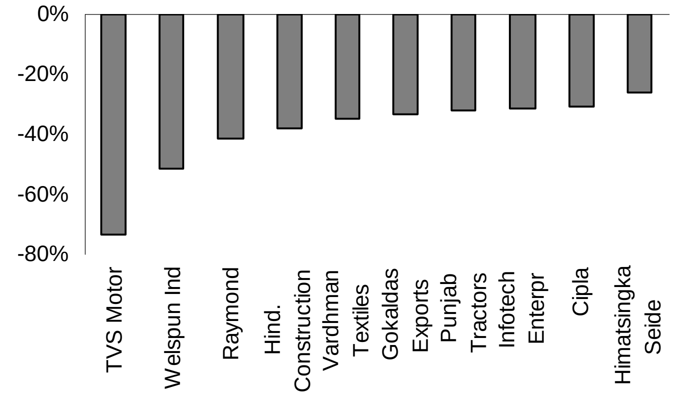
WORST 10 BY EBITDA GROWTH (%)



TOP 10 BY NET PROFIT GROWTH (%)



WORST 10 BY NET PROFIT GROWTH (%)



Matrix: Excluding DocPharma *Source: Motilal Oswal Securities*

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Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Automobiles														
Amtek Auto	407	Buy	24.9	31.7	36.0	16.4	12.8	11.3	9.8	7.4	6.1	22.0	22.3	20.6
Ashok Leyland	38	Buy	3.2	3.6	4.1	11.7	10.5	9.2	7.0	6.1	5.2	25.7	25.1	24.8
Bajaj Auto	2,129	Sell	127.1	131.3	144.1	16.8	16.2	14.8	12.0	11.3	9.5	22.9	20.5	19.6
Bharat Forge	308	Buy	12.0	16.1	19.7	25.7	19.2	15.7	14.4	10.8	8.5	18.4	19.9	19.9
Eicher Motors	353	Neutral	21.8	27.2	30.8	16.2	13.0	11.5	7.5	5.3	4.1	14.8	16.1	15.9
Hero Honda	689	Neutral	43.4	47.2	53.3	15.9	14.6	12.9	10.0	8.9	7.6	34.3	30.7	28.9
Mahindra & Mahindra	723	Buy	55.1	66.6	77.4	13.1	10.8	9.3	13.1	11.4	9.9	24.8	22.7	20.6
Maruti Udyog	743	Buy	53.9	61.5	75.0	13.8	12.1	9.9	7.5	6.2	4.6	22.6	20.9	20.7
Punjab Tractors	273	Neutral	11.0	10.3	11.3	24.8	26.6	24.2	14.1	14.6	13.4	10.3	9.3	9.7
Swaraj Mazda	315	Neutral	15.3	17.0	19.9	20.5	18.5	15.9	11.5	10.6	9.4	21.2	20.6	21.1
Tata Motors	670	Buy	55.0	60.4	67.3	12.2	11.1	10.0	8.5	7.7	6.7	28.8	24.8	23.2
TVS Motor	61	Neutral	2.8	2.8	3.1	21.7	21.5	19.7	10.6	10.4	8.3	8.2	7.9	8.1
Sector Aggregate						**15.8**	**14.5**	**12.8**	**9.7**	**8.4**	**6.9**	**24.4**	**22.3**	**21.4**
Cement														
ACC	934	Neutral	58.7	75.0	70.0	15.9	12.5	13.3	10.7	8.1	8.5	35.1	33.6	25.6
Ambuja Cements	125	Buy	8.8	10.7	10.0	14.1	11.7	12.4	9.9	7.7	7.5	47.3	37.6	26.6
Birla Corporation	267	Buy	42.4	49.6	48.1	6.3	5.4	5.5	3.7	2.6	2.2	48.1	38.1	28.2
Grasim Industries	2,638	Buy	214.7	248.3	232.5	12.3	10.6	11.3	9.4	8.0	7.9	29.6	26.5	20.5
India Cements	207	Buy	18.6	19.7	19.2	11.2	10.5	10.8	9.1	7.3	6.8	45.2	31.9	23.7
Shree Cement	1,274	Buy	99.1	135.3	151.6	12.9	9.4	8.4	8.2	5.6	4.4	92.6	70.4	46.5
UltraTech Cement	900	Buy	62.8	79.0	82.3	14.3	11.4	10.9	8.8	6.8	6.2	55.7	44.2	32.5
Sector Aggregate						**14.2**	**11.7**	**12.2**	**9.2**	**7.2**	**6.9**	**37.5**	**33.0**	**24.9**
Engineering														
ABB	1,095	Neutral	80.3	119.2	30.8	13.6	9.2	35.6	47.0	29.8	22.7	36.7	49.5	53.0
Alstom Projects	806	Neutral	16.6	23.5	28.8	48.5	34.3	27.9	41.7	28.9	23.0	33.3	37.5	35.7
Bharat Electronics	1,830	Buy	89.2	102.3	120.1	20.5	17.9	15.2	11.3	9.8	8.0	27.5	25.3	24.0
BHEL	1,538	Buy	48.8	63.2	79.0	31.5	24.3	19.5	19.0	14.4	11.4	28.8	29.6	29.3
Crompton Greaves	253	Neutral	6.9	9.2	12.0	36.6	27.6	21.2	27.2	20.4	16.8	33.8	33.6	32.3
Cummins India	340	Neutral	10.6	13.2	15.7	32.2	25.8	21.7	18.6	14.8	12.0	26.0	27.5	27.7
Larsen & Toubro	2,196	Buy	63.9	81.0	103.5	34.4	27.1	21.2	34.0	24.5	19.1	25.7	27.0	28.5
Siemens	1,396	Neutral	31.9	45.3	58.0	43.8	30.8	24.1	27.0	20.2	17.0	43.3	48.0	47.0
Suzlon Energy	1,494	Neutral	30.0	43.0	64.8	49.7	34.7	23.0	36.7	23.0	16.1	29.0	29.4	31.6
Thermax	505	Buy	16.1	22.8	30.2	31.3	22.1	16.7	19.6	14.6	10.6	39.7	40.1	41.9
Sector Aggregate						**36.2**	**27.5**	**21.4**	**25.6**	**18.9**	**14.8**	**31.1**	**31.5**	**32.6**
FMCG														
Asian Paints	811	Buy	28.1	33.7	41.3	28.8	24.0	19.6	17.9	14.5	11.8	35.7	35.1	34.4
Britannia	1,575	Buy	47.3	77.9	90.4	33.3	20.2	17.4	26.0	12.1	10.1	17.9	25.3	23.6
Colgate	370	Neutral	14.2	16.4	18.5	26.0	22.5	20.0	22.9	19.5	17.2	68.9	75.6	80.8
Dabur	103	Neutral	3.3	4.0	4.9	31.4	25.4	20.9	25.4	20.1	17.0	58.8	54.1	50.2
GSK Consumer	573	Buy	30.2	34.5	39.1	19.0	16.6	14.7	12.7	10.5	9.0	22.9	22.7	22.2
Godrej Consumer	141	Neutral	5.9	7.1	8.3	23.7	19.9	16.9	18.1	15.7	13.5	123.8	145.8	167.0
Hind. Unilever	189	Neutral	7.0	7.7	8.7	27.1	24.6	21.7	23.6	21.8	18.7	56.5	60.6	65.9
ITC	155	Buy	7.2	7.5	9.0	21.6	20.7	17.2	13.5	13.0	10.4	26.1	24.0	25.5
Marico	55	Buy	1.9	2.6	3.2	29.4	21.2	17.1	17.4	13.4	11.0	69.0	66.5	58.0
Nestle	1,160	Buy	33.9	42.1	49.3	34.2	27.6	23.6	20.5	16.9	14.4	53.8	59.7	63.1
Tata Tea	853	Neutral	50.6	48.5	79.9	16.9	17.6	10.7	8.2	5.5	4.4	14.0	7.3	11.0
United Spirits	1,291	Buy	25.4	36.7	58.8	50.9	35.2	21.9	28.7	22.3	17.1	17.2	20.6	22.2
Sector Aggregate						**25.7**	**23.0**	**18.9**	**17.3**	**15.3**	**12.6**	**31.4**	**29.2**	**30.7**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Information Technology														
Geometric Software	124	Buy	6.1	8.6	12.9	20.3	14.4	9.6	12.9	8.6	5.8	20.9	22.7	28.3
Hexaware	162	Buy	9.4	11.8	14.7	17.3	13.7	11.0	13.9	10.7	7.8	22.7	19.4	20.5
HCL Technologies	344	Buy	16.6	18.8	22.8	20.7	18.3	15.1	15.1	11.3	9.0	27.0	26.4	28.5
i-flex solutions	2,592	Neutral	33.2	51.7	66.2	78.0	50.1	39.1	58.2	36.8	28.4	15.3	17.6	19.2
Infosys	1,929	Buy	65.2	82.7	99.2	29.6	23.3	19.4	23.8	18.8	14.5	40.9	35.8	32.6
Infotech Enterpr	397	Buy	17.7	21.9	28.1	22.4	18.1	14.1	15.5	11.4	8.5	31.5	28.6	28.2
KPIT Cummins Inf	139	Buy	6.8	8.7	11.6	20.5	16.0	12.0	15.5	11.1	8.1	29.7	27.3	27.3
MphasiS	328	Buy	7.3	11.1	12.9	44.9	29.7	25.4	25.9	18.8	15.1	27.4	33.0	30.4
Patni Computer	518	Neutral	25.8	31.8	37.8	20.0	16.3	13.7	12.0	10.4	8.1	16.8	18.1	18.4
Sasken Comm	490	Buy	15.5	29.1	37.4	31.5	16.9	13.1	20.5	11.2	8.3	11.0	18.2	20.2
Satyam Computer	467	Buy	21.5	26.3	31.3	21.8	17.8	15.0	17.8	13.9	10.8	27.9	27.1	25.9
TCS	1,149	Buy	41.7	51.3	62.9	27.6	22.4	18.3	22.0	17.5	14.1	54.5	45.7	41.0
Tech Mahindra	1,396	Buy	46.4	59.4	81.6	30.1	23.5	17.1	22.8	17.3	12.0	66.2	47.7	38.1
Wipro	519	Buy	19.7	24.4	28.7	26.3	21.3	18.1	20.6	16.6	13.0	31.6	31.0	29.0
Sector Aggregate						**27.5**	**22.0**	**18.0**	**21.7**	**17.0**	**13.3**	**35.7**	**33.3**	**31.6**
Infrastructure														
B.L.Kashyap	1,689	Neutral	46.4	70.0	101.5	36.4	24.1	16.6	25.2	16.6	11.8	16.7	20.6	23.5
GMR Infrastructure	748	Buy	5.3	4.8	5.9	142.0	155.7	127.2	50.7	44.2	28.3	10.1	8.5	9.6
Gammon India	411	Buy	10.5	15.2	21.0	39.0	27.1	19.6	18.5	13.2	9.7	9.4	12.3	15.0
Hindustan Construction	123	Buy	2.1	3.8	6.6	57.8	32.6	18.7	21.9	12.9	9.7	6.6	8.9	12.1
IVRCL Infra.	359	Buy	10.5	12.8	18.5	34.2	28.1	19.3	20.4	15.4	11.1	10.1	11.1	14.2
Jaiprakash Associates	741	Buy	17.6	19.4	25.7	42.1	38.2	28.8	22.2	20.1	15.3	12.4	11.0	13.3
Nagarjuna Construction	178	Buy	6.6	9.1	12.5	27.1	19.5	14.2	16.9	12.8	10.1	13.8	17.1	20.2
Patel Engg.	406	Buy	18.8	19.0	25.7	21.6	21.4	15.8	16.2	12.7	10.1	24.1	14.5	17.0
Sector Aggregate						**52.5**	**44.2**	**32.0**	**26.9**	**21.9**	**16.1**	**11.7**	**11.6**	**14.2**
Media														
Zee Entertainment	297	Neutral	5.0	7.9	11.5	59.0	37.6	25.9	42.9	25.0	17.1	13.6	17.7	18.6
Metals														
Hindalco	160	UR	24.2	22.8	25.3	6.6	7.0	6.3	4.9	4.7	4.3	22.8	16.8	16.0
Jindal Steel & Power	3,452	Buy	228.3	306.8	342.6	15.1	11.3	10.1	10.2	7.4	5.7	28.3	28.1	26.5
JSW Steel	611	Buy	71.7	99.3	106.1	8.5	6.2	5.8	5.2	3.9	4.1	24.7	25.8	22.7
Nalco	259	Neutral	37.0	30.6	31.8	7.0	8.5	8.2	3.8	4.8	4.4	30.8	21.6	19.2
SAIL	131	Buy	14.6	18.9	21.3	9.0	7.0	6.2	4.7	3.5	3.1	34.8	32.8	28.7
Tata Steel	597	Buy	70.2	91.9	110.9	8.5	6.5	5.4	6.8	5.3	4.4	29.0	23.6	23.0
Sector Aggregate						**9.3**	**7.1**	**6.2**	**5.5**	**4.7**	**4.0**	**29.3**	**24.9**	**23.2**
Oil & Gas														
BPCL	340	Buy	59.2	54.7	54.3	5.7	6.2	6.3	5.4	4.4	6.5	21.7	16.6	15.0
Chennai Petroleum	268	Neutral	37.9	42.3	42.8	7.1	6.3	6.3	5.8	5.6	5.7	22.9	23.8	24.1
GAIL	308	Neutral	24.2	23.5	24.5	12.7	13.2	12.6	8.3	7.9	7.6	19.5	17.1	16.4
HPCL	268	Buy	37.4	27.2	27.1	7.2	9.8	9.9	6.3	7.6	7.5	14.1	9.8	9.5
IOC	443	Buy	52.4	50.7	51.5	8.5	8.7	8.6	6.8	5.9	6.8	17.5	15.6	14.0
IPCL	343	Neutral	49.8	44.6	38.4	6.9	7.7	8.9	4.7	4.6	5.2	30.1	19.6	14.7
Indraprastha Gas	121	Not Rated	9.9	11.7	12.7	12.3	10.3	9.5	6.4	5.0	5.0	32.6	31.1	27.4
ONGC	902	Buy	83.1	98.4	87.1	10.9	9.2	10.4	5.3	4.5	4.7	29.5	29.4	22.5
Reliance Inds.	1,700	Neutral	84.8	90.1	98.7	20.0	18.9	17.2	12.9	12.0	11.1	22.7	19.0	17.6
Sector Aggregate						**12.7**	**11.8**	**11.8**	**7.6**	**7.1**	**7.0**	**24.4**	**22.1**	**18.9**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Pharmaceuticals														
Aurobindo Pharma	809	Sell	29.4	45.6	62.9	27.6	17.7	12.9	19.5	11.5	8.7	20.1	24.0	25.1
Aventis Pharma	1,443	Buy	73.5	81.0	91.2	19.6	17.8	15.8	13.3	11.4	9.7	28.6	26.2	24.7
Biocon	441	Buy	20.1	23.0	27.2	22.0	19.2	16.2	15.9	13.2	10.9	18.8	18.5	18.7
Cadila Health	376	Buy	18.6	22.0	25.8	20.2	17.1	14.6	14.0	10.8	9.3	29.0	27.1	25.7
Cipla	208	Buy	8.5	9.7	11.8	24.5	21.5	17.7	19.2	16.7	13.9	20.2	19.4	19.8
Dishman Pharma	306	Buy	11.2	15.4	18.5	27.2	19.9	16.6	25.0	16.1	13.2	35.8	32.9	30.0
Divis Labs	5,831	Neutral	149.6	206.9	255.2	39.0	28.2	22.8	30.8	22.5	18.2	46.1	44.4	39.2
Dr Reddy' s Labs	656	Buy	55.6	35.5	41.8	11.8	18.5	15.7	8.0	13.2	11.5	23.6	13.5	14.3
GSK Pharma	1,268	Buy	42.7	48.1	56.2	29.7	26.3	22.6	20.1	17.4	14.5	30.3	28.2	27.1
Jubiliant Organosys	308	Buy	11.5	17.0	19.7	26.8	18.1	15.6	14.9	10.7	8.5	21.7	24.7	23.3
Lupin	733	Neutral	26.4	36.6	39.2	27.8	20.0	18.7	21.3	14.9	14.3	30.9	31.8	27.0
Nicholas Piramal	300	Buy	11.0	14.5	17.9	27.3	20.6	16.8	20.7	14.5	11.9	23.1	25.4	25.4
Pfizer	804	Neutral	40.5	38.2	38.2	19.8	21.0	21.0	12.7	11.8	11.8	27.5	15.8	14.5
Ranbaxy Labs	355	Buy	13.4	16.5	20.5	26.4	21.5	17.3	17.9	14.8	11.5	20.9	22.7	24.7
Shasun Chemicals	143	Buy	-0.6	11.5	14.1	-225.1	12.4	10.1	11.7	8.4	6.8	19.8	21.0	21.9
Sun Pharma	1,022	Buy	37.4	41.8	52.0	27.3	24.5	19.7	28.1	22.4	17.7	40.6	35.5	34.6
Wockhardt	384	Neutral	22.3	25.3	30.2	17.2	15.2	12.7	13.0	9.8	8.1	28.3	25.3	24.4
Sector Aggregate						**22.4**	**20.0**	**16.6**	**17.0**	**14.8**	**12.2**	**25.3**	**23.4**	**23.4**
Retailing														
Pantaloon Retail	495	Buy	6.5	9.0	13.9	76.7	54.8	35.6	32.6	22.0	16.1	13.7	13.6	17.6
Shopper's Stop	568	Neutral	9.8	12.0	16.7	57.7	47.5	34.1	28.9	21.2	15.6	11.7	13.2	16.7
Titan Industries	1,339	Neutral	26.6	33.8	46.9	50.3	39.6	28.5	28.5	22.8	17.5	40.0	30.3	31.4
Sector Aggregate						**59.8**	**44.9**	**31.0**	**30.5**	**22.2**	**16.4**	**19.6**	**18.2**	**21.7**
Telecom														
Bharti Airtel	836	Buy	22.5	33.7	41.8	37.2	24.8	20.0	21.9	14.4	10.8	37.4	38.1	33.2
Reliance Comm	517	Buy	15.6	22.8	28.2	33.1	22.7	18.4	18.8	12.3	9.5	19.7	20.5	20.6
VSNL	468	Neutral	17.6	16.4	15.9	26.7	28.5	29.5	13.6	11.7	10.0	7.9	7.1	6.6
Sector Aggregate						**35.1**	**24.1**	**19.6**	**20.1**	**13.4**	**10.2**	**23.5**	**25.0**	**24.1**
Textiles														
Alok Ind	58	Neutral	8.3	9.2	10.3	6.9	6.3	5.6	10.8	9.4	9.1	16.5	13.2	13.2
Arvind Mills	44	Neutral	0.8	1.6	4.0	52.3	28.3	11.0	9.0	9.0	7.5	1.1	2.0	5.0
Gokaldas Exports	242	Buy	20.4	21.7	25.6	11.8	11.1	9.5	8.7	8.2	7.0	18.9	17.3	17.6
Himatsingka Seide	116	Neutral	5.6	6.2	11.4	20.6	18.6	10.1	21.7	12.4	7.4	9.3	9.8	16.4
Raymond	308	Neutral	15.5	26.5	37.3	19.9	11.6	8.3	8.6	5.6	4.1	10.5	11.0	14.0
Vardhman Textiles	168	Buy	26.8	22.3	28.0	6.3	7.5	6.0	7.3	8.7	7.2	16.6	12.2	13.7
Welspun Ind	65	Neutral	6.8	7.2	12.8	9.6	9.0	5.1	10.7	8.6	6.5	8.8	8.7	14.2
Sector Aggregate						**12.4**	**10.5**	**7.5**	**9.5**	**8.5**	**7.1**	**8.9**	**9.4**	**11.9**
Utilities														
CESC	373	Buy	28.5	29.4	31.3	13.1	12.7	11.9	10.9	10.3	10.1	12.6	11.6	11.1
Neyveli Lignite Corp.	62	Buy	4.3	4.1	4.3	14.5	14.9	14.5	6.7	6.4	7.4	8.8	8.2	8.1
NTPC	152	Neutral	8.0	9.1	9.7	19.1	16.7	15.7	12.1	10.2	10.3	14.0	14.7	14.3
PTC India	64	Buy	2.6	3.4	4.4	25.1	19.0	14.6	26.8	18.2	14.9	14.8	17.5	20.1
Reliance Energy	614	Buy	34.1	38.0	39.3	18.0	16.2	15.6	49.4	22.0	21.2	10.2	10.8	10.8
Tata Power	671	Buy	29.2	31.7	32.3	22.9	21.2	20.8	14.1	13.0	12.4	9.4	8.6	8.5
Sector Aggregate						**18.8**	**16.8**	**15.9**	**13.2**	**10.9**	**10.9**	**12.6**	**12.9**	**12.5**

PULL OUT

Ready reckoner: valuations

	CMP (RS) 29.6.07	RECO	EPS (RS) FY07E	FY08E	FY09E	P/E (X) FY07E	FY08E	FY09E	EV/EBITDA FY07E	FY08E	FY09E	ROE (%) FY07E	FY08E	FY09E
Others														
Ashapura Minchem	371	Buy	33.2	67.7	89.6	11.2	5.5	4.1	7.2	4.5	4.0	47.3	50.5	43.8
Blue Star	234	Buy	7.9	10.6	14.5	29.6	22.1	16.1	18.7	13.8	9.9	36.9	39.7	42.4
Concor	2,342	Buy	102.4	125.2	150.5	22.9	18.7	15.6	15.3	12.1	9.7	28.4	27.6	26.5
Great Offshore	834	Buy	38.1	62.5	88.4	21.9	13.3	9.4	14.7	10.7	8.1	23.5	29.9	31.9
United Phosphorous	311	Buy	14.3	18.7	26.8	21.8	16.7	11.6	11.3	8.7	6.5	20.5	23.0	27.0
Sector Aggregate						**21.4**	**15.5**	**11.9**	**13.5**	**10.0**	**7.8**	**26.1**	**28.4**	**29.0**

	CMP (RS) 29.6.07	RECO	EPS (RS) FY07E	FY08E	FY09E	P/E (X) FY07E	FY08E	FY09E	P/BV (X) FY07E	FY08E	FY09E	ROE (%) FY07E	FY08E	FY09E
Banks														
Andhra Bank	86	Buy	11.1	12.7	15.0	7.7	6.8	5.7	1.3	1.2	1.0	17.8	18.4	19.3
Bank of Baroda	270	Buy	28.1	33.9	41.1	9.6	8.0	6.6	1.2	1.1	0.9	12.4	13.6	14.8
Bank of India	233	Buy	23.0	27.5	33.5	10.1	8.5	7.0	2.0	1.7	1.4	20.7	20.9	21.5
Canara Bank	270	Buy	34.7	39.3	45.5	7.8	6.9	5.9	1.4	1.2	1.0	16.3	14.7	15.2
Corporation Bank	324	Sell	37.4	44.2	52.6	8.7	7.3	6.2	1.2	1.1	1.0	15.0	15.8	16.7
Federal Bank	302	Buy	34.1	42.9	52.9	8.9	7.0	5.7	1.7	1.4	1.2	21.3	22.2	22.5
HDFC Bank	1,144	Buy	35.8	43.8	60.1	32.0	26.1	19.1	5.7	3.4	3.0	19.5	17.1	16.8
HDFC	2,030	Buy	62.1	72.5	86.7	32.7	28.0	23.4	9.3	5.6	4.3	31.3	25.5	21.2
ICICI Bank	955	Neutral	34.6	38.5	51.5	27.6	24.8	18.5	3.5	2.2	2.0	13.4	11.9	11.5
Indian Overseas Bank	118	Buy	18.5	22.5	26.1	6.4	5.2	4.5	1.7	1.3	1.1	28.1	27.3	25.5
J&K Bank	674	Buy	56.6	66.9	82.7	11.9	10.1	8.2	1.6	1.5	1.3	14.4	15.2	16.6
Karnataka Bank	175	Buy	14.6	17.0	19.6	12.0	10.3	8.9	1.7	1.5	1.3	15.1	15.7	15.9
Oriental Bank	226	Neutral	33.0	36.2	41.3	6.8	6.2	5.5	1.1	1.0	0.8	15.4	15.5	16.1
Punjab National Bank	540	Buy	48.8	59.8	72.9	11.1	9.0	7.4	1.7	1.5	1.3	15.5	16.9	18.0
State Bank	1,525	Buy	86.3	98.6	117.2	17.7	15.5	13.0	2.6	2.3	2.0	15.4	15.5	16.3
Syndicate Bank	77	Buy	13.7	15.5	17.7	5.6	4.9	4.3	1.2	1.0	0.9	21.9	20.2	19.7
Union Bank	132	Buy	16.7	21.1	25.9	7.9	6.3	5.1	1.4	1.2	1.0	17.3	19.0	20.2
UTI Bank	605	Buy	23.4	25.1	34.4	25.9	24.1	17.6	5.0	2.5	2.3	21.0	15.0	13.6
Vijaya Bank	50	Neutral	7.6	8.9	10.2	6.5	5.6	4.9	1.1	1.0	0.9	18.6	19.0	19.3
Sector Aggregate						**16.7**	**13.6**	**11.0**	**2.8**	**2.2**	**1.8**	**16.8**	**16.1**	**16.1**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	29.6.07		JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Automobiles											
Amtek Auto	407	Buy	7,319	11,088	51.5	1,278	2,028	58.7	708	1,118	57.9
Ashok Leyland	38	Buy	14,239	16,029	12.6	1,213	1,362	12.3	756	801	5.9
Bajaj Auto	2,129	Sell	22,027	19,149	-13.1	3,607	2,681	-25.7	2,764	2,335	-15.5
Bharat Forge	308	Buy	4,206	5,152	22.5	1,073	1,262	17.6	616	694	12.6
Eicher Motors	353	Neutral	3,831	4,063	6.1	183	213	16.7	84	106	25.4
Hero Honda	689	Neutral	23,644	23,252	-1.7	3,190	2,546	-20.2	2,377	1,964	-17.4
Mahindra & Mahindra	723	Buy	22,172	25,267	14.0	2,512	2,880	14.7	1,867	2,247	20.3
Maruti Udyog	743	Buy	31,255	37,134	18.8	5,168	5,594	8.2	3,696	3,969	7.4
Punjab Tractors	273	Neutral	2,436	2,286	-6.2	301	217	-27.9	177	121	-31.7
Swaraj Mazda	315	Neutral	1,181	1,325	12.2	31	60	92.4	2	18	925.2
Tata Motors	670	Buy	57,835	59,264	2.5	7,506	6,401	-14.7	3,976	3,698	-7.0
TVS Motor	61	Neutral	9,218	7,781	-15.6	416	97	-76.6	213	57	-73.1
Sector Aggregate			**199,362**	**211,790**	**6.2**	**26,477**	**25,342**	**-4.3**	**17,235**	**17,127**	**-0.6**
Cement											
ACC	934	Neutral	14,247	17,923	25.8	4,556	5,470	20.1	2,966	3,694	24.5
Ambuja Cements	125	Buy	13,137	14,775	12.5	5,156	5,882	14.1	3,484	4,197	20.5
Birla Corporation	267	Buy	3,489	4,259	22.1	1,027	1,516	47.6	624	913	46.4
Grasim Industries	2,638	Buy	18,770	22,418	19.4	5,133	6,946	35.3	3,119	4,140	32.7
India Cements	207	Buy	4,852	6,637	36.8	1,655	2,325	40.4	1,126	1,365	21.3
Shree Cement	1,274	Buy	3,094	4,082	31.9	1,375	1,827	32.9	904	1,003	10.9
UltraTech Cement	900	Buy	11,803	13,009	10.2	3,746	4,295	14.7	2,108	2,401	13.9
Sector Aggregate			**69,392**	**83,103**	**19.8**	**22,648**	**28,261**	**24.8**	**14,331**	**17,712**	**23.6**
Engineering											
ABB	1,095	Neutral	9,742	13,396	37.5	1,020	1,574	54.3	719	1,060	47.4
Alstom Projects	806	Neutral	2,237	2,684	20.0	90	144	59.7	116	130	12.3
Bharat Electronics	1,830	Buy	4,831	5,073	5.0	721	730	1.2	603	618	2.6
BHEL	1,538	Buy	26,564	34,532	30.0	3,182	4,317	35.7	2,367	3,017	27.5
Crompton Greaves	253	Neutral	7,406	9,224	24.5	722	913	26.5	364	493	35.7
Cummins India	340	Neutral	3,914	4,697	20.0	619	763	23.3	508	593	16.8
Larsen & Toubro	2,196	Buy	34,689	44,294	27.7	2,698	4,507	67.0	1,571	2,497	58.9
Siemens	1,396	Neutral	10,465	17,107	63.5	792	1,258	58.8	565	889	57.3
Suzlon Energy	1,494	Neutral	10,689	15,499	45.0	1,858	2,790	50.1	953	1,205	26.5
Thermax	505	Buy	3,226	3,791	17.5	383	485	26.9	275	320	16.2
Sector Aggregate			**113,765**	**150,298**	**32.1**	**12,085**	**17,481**	**44.6**	**8,041**	**10,824**	**34.6**
FMCG											
Asian Paints	811	Buy	6,034	6,900	14.4	939	1,100	17.1	580	692	19.4
Britannia	1,575	Buy	4,828	6,400	32.6	326	525	61.0	326	432	32.5
Colgate	370	Neutral	3,096	3,550	14.7	401	490	22.3	361	436	20.9
Dabur	103	Neutral	4,755	5,575	17.2	639	790	23.6	474	610	28.8
GSK Consumer	573	Buy	2,688	3,040	13.1	531	540	1.6	309	346	11.9
Godrej Consumer	141	Neutral	2,376	2,850	19.9	421	500	18.8	328	400	21.9
Hind. Unilever	189	Neutral	30,832	34,800	12.9	4,146	4,500	8.5	3,793	4,300	13.4
ITC	155	Buy	28,498	33,000	15.8	9,706	10,400	7.2	6,523	7,095	8.8
Marico	55	Buy	3,728	4,800	28.8	563	685	21.8	303	403	33.1
Nestle	1,160	Buy	6,812	8,134	19.4	1,384	1,634	18.1	844	1,073	27.1
Tata Tea	853	Neutral	7,989	10,200	27.7	1,577	2,050	30.0	819	660	-19.4
United Spirits	1,291	Buy	5,335	6,350	19.0	752	1,000	33.0	347	485	39.9
Sector Aggregate			**106,971**	**125,599**	**17.4**	**21,385**	**24,214**	**13.2**	**15,005**	**16,932**	**12.8**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	29.6.07		JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Infrastructure											
B.L.Kashyap	1,689	Neutral	1,639	2,425	48.0	177	254	43.4	104	148	42.3
GMR Infrastructure	748	Buy	4,093	-	-	1,281	-	-	195	-	-
Gammon India	411	Buy	5,539	7,478	35.0	317	436	37.7	159	171	7.1
Hindustan Construction	123	Buy	5,806	7,548	30.0	461	607	31.7	201	124	-38.2
IVRCL Infra.	359	Buy	4,266	5,546	30.0	407	513	26.0	261	280	7.1
Jaiprakash Associates	741	Buy	8,950	9,174	2.5	2,130	2,359	10.8	920	985	7.1
Nagarjuna Construction	178	Buy	6,517	8,799	35.0	550	777	41.3	326	347	6.3
Patel Engineering	406	Buy	2,900	3,712	28.0	318	408	28.3	200	220	10.4
Sector Aggregate			**35,617**	**44,681**	**25.4**	**4,360**	**5,355**	**22.8**	**2,171**	**2,275**	**4.8**
Media											
Zee Entertainment	297	Neutral	3,882	4,030	3.8	726	1,180	62.7	549	744	35.6
Metals											
Hindalco	160	UR	42,737	50,921	19.1	9,334	10,474	12.2	6,015	6,559	9.0
Jindal Steel & Power	3,452	Buy	6,662	11,695	75.5	3,249	4,319	32.9	1,531	2,138	39.6
JSW Steel	611	Buy	15,694	24,735	57.6	4,558	8,530	87.1	1,703	3,963	132.7
Nalco	259	Neutral	14,855	13,445	-9.5	9,344	7,761	-16.9	6,223	5,269	-15.3
SAIL	131	Buy	68,583	73,590	7.3	17,803	20,324	14.2	10,179	13,183	29.5
Tata Steel	597	Buy	39,159	45,736	16.8	15,813	18,774	18.7	9,658	10,459	8.3
Sector Aggregate			**187,689**	**220,121**	**17.3**	**60,101**	**70,181**	**16.8**	**35,310**	**41,572**	**17.7**
Oil & Gas											
BPCL	340	Buy	254,338	255,198	0.3	-2,609	10,494	-	-4,265	5,629	-
Chennai Petroleum	268	Neutral	76,367	77,123	1.0	4,789	4,727	-1.3	2,546	2,544	-0.1
GAIL	308	Neutral	40,784	39,632	-2.8	9,416	7,706	-18.2	5,921	4,911	-17.0
HPCL	268	Buy	226,795	234,371	3.3	-5,166	6,599	-	-6,077	3,489	-
IOC	443	Buy	486,884	604,811	24.2	-8,445	30,114	-	-14,443	16,688	-
IPCL	343	Neutral	30,180	31,748	5.2	5,590	5,619	0.5	2,580	2,863	11.0
Indraprastha Gas	121	Not Rated	1,358	1,686	24.2	541	731	35.1	276	404	46.2
ONGC	902	Buy	146,028	145,204	-0.6	81,094	76,806	-5.3	41,190	39,083	-5.1
Reliance Inds.	1,700	Neutral	245,220	292,312	19.2	42,370	50,356	18.8	25,470	31,135	22.2
Sector Aggregate			**1,507,953**	**1,682,085**	**11.5**	**127,580**	**193,152**	**51.4**	**53,199**	**106,746**	**100.7**
Pharmaceuticals											
Aurobindo Pharma	809	Sell	4,386	5,513	25.7	659	896	36.0	362	729	101.2
Aventis Pharma	1,443	Buy	2,228	2,476	11.1	619	661	6.7	439	483	10.0
Biocon	441	Buy	2,120	2,654	25.2	544	742	36.5	394	480	21.9
Cadila Health	376	Buy	4,458	5,224	17.2	898	1,061	18.1	584	670	14.8
Cipla	208	Buy	8,636	9,840	13.9	2,289	1,468	-35.9	1,704	1,177	-30.9
Dishman Pharma	306	Buy	822	2,100	155.4	202	415	105.3	185	319	72.8
Divi's Labs	5,831	Neutral	1,608	2,323	44.4	461	1,036	124.8	267	844	215.4
Dr Reddy' s Labs	656	Buy	14,049	11,323	-19.4	2,217	1,868	-15.7	1,356	1,260	-7.1
GSK Pharma	1,268	Buy	4,041	4,232	4.7	1,252	1,435	14.6	911	1,037	13.9
Jubiliant Organosys	308	Buy	4,124	5,091	23.4	699	877	25.5	461	635	37.8
Lupin	733	Neutral	5,044	6,807	35.0	649	1,250	92.8	536	977	82.4
Nicholas Piramal	300	Buy	5,226	6,887	31.8	877	1,022	16.5	539	575	6.8
Pfizer	804	Neutral	1,856	1,771	-4.6	478	380	-20.6	323	280	-13.4
Ranbaxy Labs	355	Buy	14,562	16,149	10.9	2,648	2,261	-14.6	1,211	1,915	58.2
Shasun Chemicals	143	Buy	955	1,001	4.9	146	156	7.0	62	70	13.6
Sun Pharma	1,022	Buy	4,987	5,931	18.9	1,811	2,011	11.0	1,767	2,418	36.8
Wockhardt	384	Neutral	4,127	6,434	55.9	897	1,409	57.1	634	706	11.4
Sector Aggregate			**83,228**	**95,755**	**15.1**	**17,345**	**18,948**	**9.2**	**11,735**	**14,577**	**24.2**

Shasun: Excluding acquisition of Rhodia

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	29.6.07		JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Retailing											
Pantaloon Retail	495	Buy	5,752	10,798	87.7	373	755	102.4	158	250	58.0
Shopper,s Stop	568	Neutral	1,720	2,500	45.4	119	160	33.9	54	60	11.2
Titan Industries	1,339	Neutral	4,410	6,100	38.3	165	200	21.1	70	91	30.7
Sector Aggregate			**11,881**	**19,398**	**63.3**	**657**	**1,115**	**69.5**	**282**	**401**	**42.3**
Telecom											
Bharti Airtel	836	Buy	38,564	59,926	55.4	15,022	24,779	65.0	7,552	15,024	98.9
Reliance Comm	517	Buy	32,501	43,255	33.1	12,062	17,971	49.0	5,127	11,064	115.8
VSNL	468	Neutral	9,240	11,005	19.1	2,130	2,477	16.3	880	1,247	41.7
Sector Aggregate			**80,305**	**114,186**	**42.2**	**29,214**	**45,227**	**54.8**	**13,559**	**27,335**	**101.6**
Textiles											
Alok Ind	58	Neutral	3,579	5,393	50.7	806	1,181	46.5	269	344	27.9
Arvind Mills	44	Neutral	3,546	5,302	49.5	744	700	-5.9	67	56	-16.5
Gokaldas Exports	242	Buy	2,216	2,393	8.0	225	207	-8.0	135	90	-33.3
Himatsingka Seide	116	Neutral	378	530	40.3	126	144	14.1	144	107	-26.0
Raymond	308	Neutral	2,806	5,136	83.0	228	709	211.2	130	76	-41.6
Vardhman Textiles	168	Buy	4,755	5,465	14.9	836	825	-1.3	375	245	-34.6
Welspun Ind	65	Neutral	1,989	2,661	33.8	414	381	-7.9	166	81	-51.3
Sector Aggregate			**19,268**	**26,878**	**39.5**	**3,377**	**4,146**	**22.8**	**1,287**	**999**	**-22.4**
Utilities											
CESC	373	Buy	6,740	6,909	2.5	1,360	1,361	0.1	550	648	17.8
Neyveli Lignite Corporation	62	Buy	6,397	7,037	10.0	3,085	3,730	20.9	2,238	2,077	-7.2
NTPC	152	Neutral	71,536	80,496	12.5	19,960	23,653	18.5	15,318	17,385	13.5
PTC India	64	Buy	10,421	12,758	22.4	88	110	25.0	120	135	12.6
Reliance Energy	614	Buy	11,549	13,628	18.0	1,334	1,908	43.0	1,666	1,866	12.0
Tata Power	671	Buy	13,766	14,534	5.6	2,581	2,616	1.4	1,130	1,156	2.3
Sector Aggregate			**120,409**	**135,361**	**12.4**	**28,408**	**33,378**	**17.5**	**21,022**	**23,267**	**10.7**
Others											
Ashapura Minchem	371	Buy	4,614	4,393	-4.8	491	916	86.5	348	598	71.9
Blue Star	234	Buy	3,123	4,060	30.0	158	213	34.3	73	99	35.1
Concor	2,342	Buy	7,213	8,800	22.0	2,160	2,680	24.0	1,663	1,954	17.5
Great Offshore	834	Buy	1,122	1,412	-	579	645	-	351	330	-
United Phosphorous	311	Buy	4,804	8,498	76.9	1,215	1,615	32.9	541	673	24.5
Sector Aggregate			**19,754**	**25,752**	**30.4**	**4,025**	**5,423**	**34.7**	**2,625**	**3,323**	**26.6**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	29.6.07		MAR.07	JUN.07	CHG. (%)	MAR.07	JUN.07	CHG. (%)	MAR.07	JUN.07	CHG. (%)
Information Technology											
Geometric Software	124	Buy	1,243	1,287	3.6	166	139	-16.6	101	80	-20.3
Hexaware	162	Buy	2,644	2,678	1.3	395	313	-20.9	352	304	-13.6
HCL Technologies	344	Buy	15,771	16,112	2.2	3,668	3,555	-3.1	3,318	3,365	1.4
i-flex solutions	2,592	Neutral	5,794	6,126	5.7	1,093	1,082	-1.0	777	860	10.7
Infosys	1,929	Buy	37,720	38,377	1.7	11,970	10,868	-9.2	11,440	9,782	-14.5
Infotech Enterpr	397	Buy	1,512	1,573	4.0	308	268	-13.0	249	172	-31.0
KPIT Cummins Inf	139	Buy	1,303	1,326	1.8	206	181	-11.7	141	118	-15.7
MphasiS	328	Buy	3,373	3,466	2.8	647	532	-17.7	456	348	-23.6
Patni Computer	518	Neutral	6,724	6,746	0.3	1,427	1,103	-22.7	1,200	1,054	-12.2
Sasken Comm	490	Buy	1,354	1,381	2.0	177	157	-11.7	117	100	-14.8
Satyam Computer	467	Buy	17,792	18,089	1.7	4,102	3,994	-2.6	3,936	3,967	0.8
TCS	1,149	Buy	51,464	51,936	0.9	14,568	12,989	-10.8	11,728	10,511	-10.4
Tech Mahindra	1,396	Buy	8,745	8,816	0.8	2,218	1,994	-10.1	1,960	1,687	-13.9
Wipro	519	Buy	43,345	40,351	-6.9	9,449	8,453	-10.5	7,914	7,444	-5.9
Sector Aggregate			**198,783**	**198,265**	**-0.3**	**50,393**	**45,628**	**-9.5**	**43,688**	**39,792**	**-8.9**

	CMP (RS)	RECO	NET INT INCOME			OPERATING PROFIT			NET PROFIT		
	29.6.07		JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)	JUN.06	JUN.07	CHG. (%)
Banks											
Andhra Bank	86	Buy	3,352	3,909	16.6	2,065	2,293	11.0	1,164	1,355	16.4
Bank of Baroda	270	Buy	8,823	11,004	24.7	5,559	6,728	21.0	1,633	2,875	76.0
Bank of India	233	Buy	7,644	10,241	34.0	4,676	6,185	32.3	2,087	2,949	41.3
Canara Bank	270	Buy	9,478	10,567	11.5	5,902	6,685	13.3	1,909	2,501	31.0
Corporation Bank	324	Sell	3,248	4,028	24.0	3,015	3,586	18.9	1,442	1,806	25.2
Federal Bank	302	Buy	1,586	1,958	23.4	1,137	1,567	37.8	402	606	50.8
HDFC	2,030	Buy	4,443	5,562	25.2	3,805	4,795	26.0	2,968	3,648	22.9
HDFC Bank	1,144	Buy	8,176	11,816	44.5	6,157	7,488	21.6	2,393	3,188	33.2
ICICI Bank	955	Neutral	14,753	19,499	32.2	12,314	13,049	6.0	6,200	7,239	16.8
Indian Overseas Bank	118	Buy	5,755	7,670	33.3	4,965	5,173	4.2	2,220	2,789	25.6
J&K Bank	674	Buy	1,786	2,051	14.8	1,229	1,406	14.4	624	718	14.8
Karnataka Bank	175	Buy	953	1,144	20.0	882	964	9.3	368	417	13.5
Oriental Bank of Commerce	226	Neutral	4,110	4,567	11.1	1,510	2,161	43.1	1,553	1,575	1.4
Punjab National Bank	540	Buy	12,929	15,202	17.6	4,906	6,991	42.5	3,675	3,666	-0.3
State Bank	1,525	Buy	38,841	45,007	15.9	28,366	28,534	0.6	7,987	10,747	34.6
Syndicate Bank	77	Buy	5,059	6,298	24.5	3,019	3,979	31.8	1,806	2,379	31.7
Union Bank	132	Buy	6,345	8,094	27.6	4,265	5,490	28.7	1,668	2,315	38.8
UTI Bank	605	Buy	3,218	4,637	44.1	3,072	3,680	19.8	1,206	1,680	39.4
Vijaya Bank	50	Neutral	2,583	2,948	14.1	1,951	1,900	-2.6	726	840	15.7
Sector Aggregate			**143,083**	**176,202**	**23.1**	**98,793**	**112,653**	**14.0**	**42,031**	**53,293**	**26.8**

PULL OUT

Automobiles

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

After witnessing rapid surge in auto volumes in FY07 across all segments, volume growth has turned sluggish in the first quarter of the new fiscal. The growth rate has been lower on two main counts – the high base of the previous year, and more importantly, the higher interest rates on financing, which has led to a significant increase in the cost of ownership of a vehicle. Further, stringent financing norms for segments such as two-wheelers and tractors have led to lower availability of credit as well, leading to these segments underperforming the auto industry. However, we believe that these are short-term negatives, and we expect the scenario to improve significantly in 2HFY08, particularly for four-wheelers. However, input cost pressures will result in stagnant margins in most segments. Intense competitive pressures and sluggish volume growth will adversely impact performance of the two-wheeler segment.

Our positive view on the four-wheeler sector is based upon structural and fundamental positives such as the strong growth in economy/industry, policy focus on infrastructure, increased propensity to spend among the middle and affluent classes, development of India as a small car manufacturing hub, increasing middle-class population, reduction in duties, ban on overloading, infrastructure development, aggressive capex plans of most passenger car manufacturers, and aggressive targets set in the Draft Automotive Mission Plan 2006-2016.

Volume growth has perceptibly weakened in 1QFY08, particularly in M&HCVs and two-wheelers, on the back of short-term concerns like higher interest rates, tighter financing

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Automobiles							
Amtek Auto	Buy	11,088	51.5	2,028	58.7	1,118	57.9
Ashok Leyland	Buy	16,029	12.6	1,362	12.3	801	5.9
Bajaj Auto	Sell	19,149	-13.1	2,681	-25.7	2,335	-15.5
Bharat Forge	Buy	5,152	22.5	1,262	17.6	694	12.6
Eicher Motors	Neutral	4,063	6.1	213	16.7	106	25.4
Hero Honda	Neutral	23,252	-1.7	2,546	-20.2	1,964	-17.4
Mahindra & Mahindra	Buy	25,267	14.0	2,880	14.7	2,247	20.3
Maruti Udyog	Buy	37,134	18.8	5,594	8.2	3,969	7.4
Punjab Tractors	Neutral	2,286	-6.2	217	-27.9	121	-31.7
Swaraj Mazda	Neutral	1,325	12.2	60	92.4	18	925.2
Tata Motors	Buy	59,264	2.5	6,401	-14.7	3,698	-7.0
TVS Motor	Neutral	7,781	-15.6	97	-76.6	57	-73.1
Sector Aggregate		**211,790**	**6.2**	**25,342**	**-4.3**	**17,127**	**-0.6**

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AUTO VOLUMES SNAPSHOT FOR APR - MAY FY08 YTD

	FY08	FY07	% GR.
Domestic Sales			
Motorcycles	940,992	1,084,062	-13.2
Two wheelers	1,176,568	1,279,166	-8
Three wheelers	54,557	57,623	-5.3
Passenger cars	193,758	173,767	11.5
UVs	35,235	31,405	12.2
M&HCV	35,375	37,688	-6.1
LCV	28,645	24,194	18.4
Total	**1,524,138**	**1,603,843**	**-5**
Export Sales			
Motorcycles	114,025	84,005	35.7
Two wheelers	123,153	101,059	21.9
Three wheelers	26,654	18,360	45.2
Passenger cars	28,778	31,504	-8.7
UVs	539	724	-25.6
M&HCV	2,659	2,064	28.8
LCV	5,315	4,154	27.9
Total	**187,098**	**157,865**	**18.5**
Total Sales			
Motorcycles	1,055,017	1,168,067	-9.7
Two wheelers	1,299,721	1,380,225	-5.8
Three wheelers	81,211	75,983	6.9
Passenger cars	222,536	205,271	8.4
UVs	35,774	32,129	11.3
M&HCV	38,034	39,752	-4.3
LCV	33,960	28,348	19.8
Total	**1,711,236**	**1,761,708**	**-2.9**

Source: SIAM/Motilal Oswal Securities

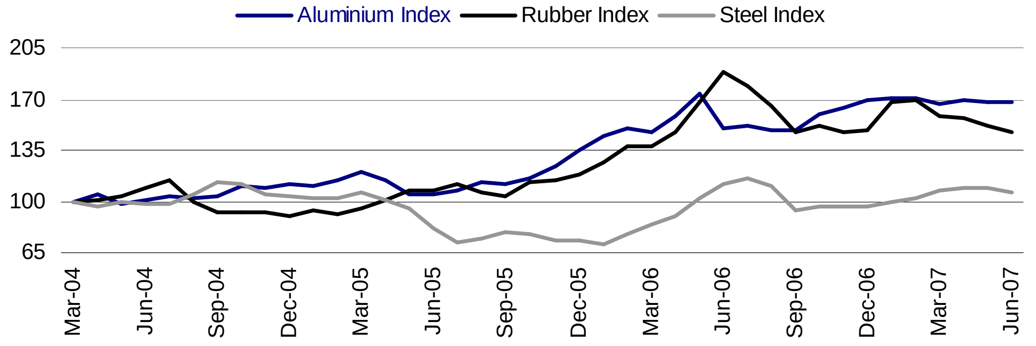
norms and the higher base of the previous year. On this disappointing volume growth in the quarter, we expect sector revenues to grow at 6.2% YoY. However, margin pressures, particularly for two-wheeler companies will result in the sector EBITDA margin on a YoY basis declining 130bp to 12%.

Risks to sector growth yet to ease

We believe that the risk to sector growth from rising interest rates (leading to concerns on demand growth) and high input cost prices (impacting operating performance and leading to concerns on margins) have remained in place. However, with the crude price showing an upward trend of late, the prices of petrol and diesel, which saw two successive price cuts in 2HFY07, could be increased again.

While challenges owing to higher interest rates and volatile input costs remain, the strong demand pull due to the structural and fundamental factors mentioned earlier is expected to sustain volume growth momentum in the medium to long term, with EBITDA margins expected to be stable at FY08E levels. Leaders in the sector have aggressive plans for new products, models and markets, which should drive volume growth.

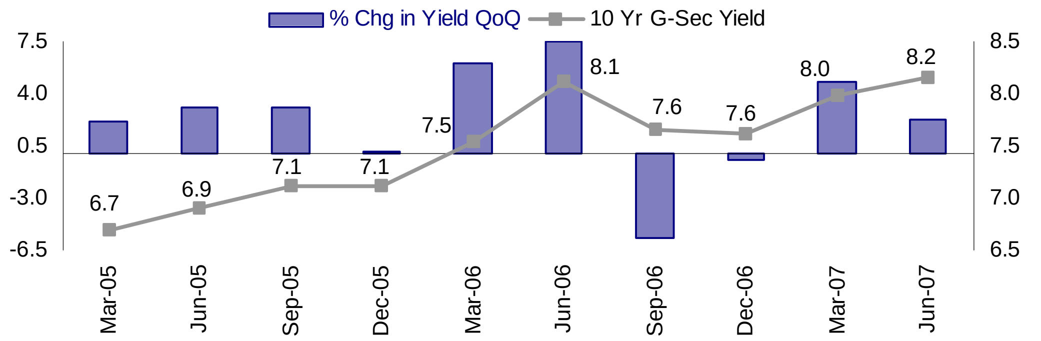
PRICES OF KEY INPUTS HAVE STABILIZED AT HIGHER LEVELS...



Source: LME/Bloomberg/Rubber Board of India/Motilal Oswal Securities

Prices of key input commodities have shown a slight upward trend after the decline from their peaks. This will maintain the pressure from higher input cost prices.

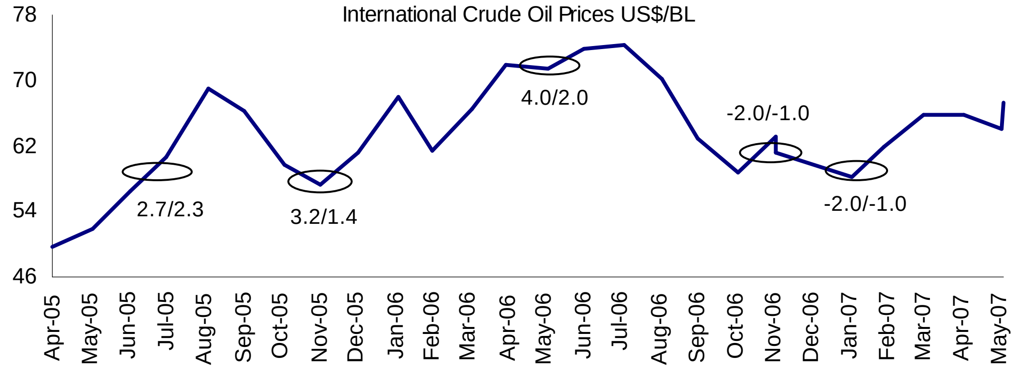
... 10-YEAR G-SEC YIELD AT HIGH LEVELS ...



Source: Bloomberg/Motilal Oswal Securities

Interest rates have remained at high levels. This is negative for the demand of autos, since higher rates would mean higher financing cost.

... WHILE CRUDE PRICES HAVE RISEN AGAIN

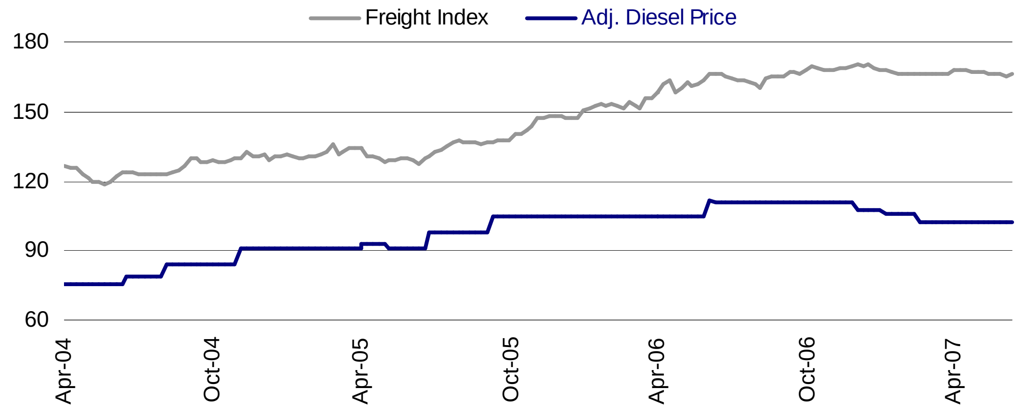


Note: Figures below the circles indicate the absolute increase in petrol/diesel prices

Source: Bloomberg/Motilal Oswal Securities

Crude prices have declined by 9.7% since July 2006, resulting in fuel prices in India falling as well. However, prices have started rising in the last few months again.

FREIGHT RATES HAVE REMAINED FLAT



Source: TCIL/Motilal Oswal Securities

As a result, sector margins are expected to decline 130bp YoY to 12%. The biggest negative impact on margins for the sector will be from the two-wheeler sector, whose margins are expected to decline 250bp on a YoY basis.

SECTOR EBITDA MARGIN (%)

	1QFY08	1QFY07	4QFY07
Four-wheeler Companies	11.5	12.7	11.9
Two-wheeler Companies	10.6	13.1	10.4
Auto Component Companies	20.3	20.4	20.3
Auto Sector	**12.0**	**13.3**	**12.1**

Source: Company/Motilal Oswal Securities

Key sector developments

Acquisitions/Demerger

- M&M has acquired the 43.3% stake of Actis and Burman's in Punjab Tractors (PTL) in an all-cash deal at Rs360 per share. The deal values the equity portion of the company at Rs21.9b, implying a cash outflow of Rs9.5b to buy the 43.5% stake. PTL also owns 14% stake in Swaraj Mazda, 33% stake in Swaraj Engines and 24% stake in Swaraj Automotives. M&M has made an open offer for an additional 20% of PTL entailing a cash outflow of Rs4.4b if the offer is fully accepted. M&M has also made an open offer for 20% of the equity of Swaraj Engines amounting to Rs358m if fully accepted.

  Post-acquisition, M&M's market share in tractors has increased from ~30% to over 40%. The acquisition will help M&M consolidate its position in the northern Indian markets in general and the states of Punjab and Haryana in particular. M&M will also acquire Swaraj Engines, a JV with Kirloskar that manufactures engines for tractors and Swaraj Automobiles that makes auto components and seats for tractors.

- Amtek Auto has acquired the assets of UK-based JL French's Witham unit, which manufactures high pressure die casting (HPDC) aluminium mainly for automotive applications for European companies. This acquisition will help Amtek expand its customer base, product range and technical capabilities in the aluminium HPDC segment. The capacity of the plant is 20,000 tonnes and its customers include Ford, Land Rover, Jaguar, Trellborg, and Peugeot. The acquisition will give Amtek access to 18 high pressure die-casting aluminium lines between 400-1,600 tonnes capable of generating revenues of up to US$120m. Its current revenues are US$60m on 60% capacity utilization. We are currently not factoring in revenues and profits from this acquisition in our estimates.

  The cost of acquisition is ~Rs1.5b, which would value the stock at a price/revenue multiple of 0.67x existing revenues. At full utilization of the plant, the price/revenue multiple falls to 0.3x (without factoring in the cost of relocating the asset), in line with the valuations of earlier aluminium foundry acquisitions. This is Amtek's second asset acquisition in the aluminium foundry space in FY07. Amtek Auto earlier spent Rs1.2b to acquire a 20,000 tonne capacity and spend an additional Rs0.8b on transfer and modification of assets. These lines have been transferred to Sanaswadi near Pune and will commence production by June-end. We expect revenues of Rs4b annually from this acquisition at full utilization.

- The Board of Directors of Bajaj Auto approved the scheme for de-merger of the businesses of the company creating 3 entities (a) Bajaj Auto Ltd (BAL) - auto company + Rs15b of cash, (b) Bajaj Finserv Ltd (BFL) - financial services company holding stake in insurance ventures, consumer finance business and wind power business + Rs8bn cash, (c) Bajaj Holding & Investments Ltd (BHIL) - holding company with a 30% stake each in the auto and financial services companies + ~Rs60bn cash & cash equivalents. Each shareholder of Bajaj Auto will be allotted one share of each of above three companies.

- Mahindra Forgings has announced the amalgamation of Mahindra Stokes Holding Company Ltd., Mahindra Forgings Overseas Ltd. and Mahindra Forgings Mauritius Ltd. with itself. This will result in Stokes, Jeco, and Schoneweiss & Co. consolidating under Mahindra Forgings. As a result, the equity capital of Mahindra Forgings will increase from 28m shares to 68m shares, and the forging capacity of this consolidated entity to 297,000 tonnes. This consolidation will create a strong forging company with consolidated sales in the region of Rs20b, with good potential for further growth post integration of operations.

Other details

- Tata Motors has announced plans to raise US$450m (~Rs18b) via foreign currency convertible alternative reference securities (CARS) to meet capital and product development expenditure requirement related to its CV and PV business units. Tata

Motors has lined up capex plans of Rs120b over the next four years, of which Rs80b will be incurred on cars and CVs. Of the total capex, ~Rs75b will be met through internal accruals over the next 3 years, while the company is now raising Rs18b through foreign currency notes.

At the conversion price of Rs960.96, this issue represents a further 4.6% dilution of the existing diluted equity capital. We believe that the quick implementation of the decision to raise funds indicates that the management believes that the long-term demand for the company's core business of four-wheelers is intact. The current fund-raising will help Tata Motors in its plans to introduce its new cars and UVs, its world truck program, and to set up the small car plant at Singur.

- Tata Motors has launched the passenger carrier version of its successful sub-one tonne LCV Ace. The target audience for this vehicle named Magic will be the autorickshaw, ambulance, security van etc. segments. Simultaneously launched with the Magic was the Winger, which is a maxi-van, offering a blend of a car with the spaciousness of a bus for intra-city and long-distance transportation needs. The management expects both these launches to complement each other in both the urban areas as well as rural interiors.

Passenger vehicles: Expect double digit volume growth

The demand for passenger cars in India is likely to grow at a CAGR of 12.7% over FY07-FY10 driven by changing lifestyles, rapid growth in high income households, vibrant service sector and rapid improvement in road network. Stable interest rates and higher availability of finance will also improve the demand outlook.

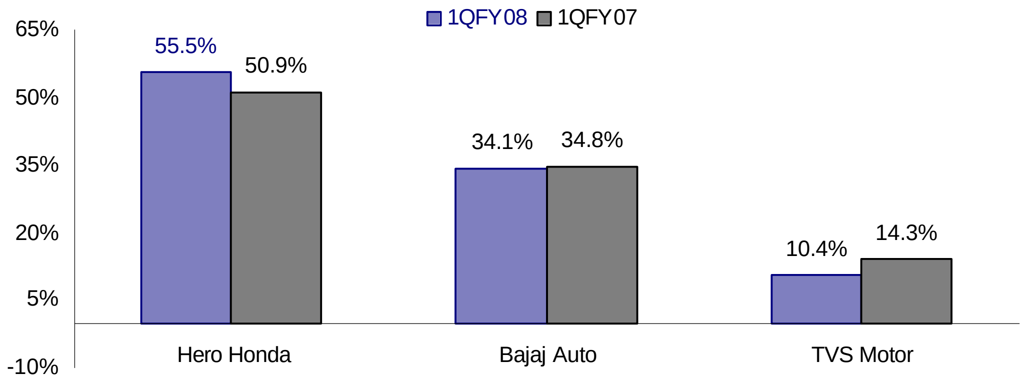
We remain positive on Maruti's growth prospects. We expect its volume to grow at 15.7% CAGR over FY07-09; aggressive model launches could result in positive surprises both in domestic and export markets. After the launch of the diesel powered Swift, MUL has launched the SX4 to revive its fortunes in the A3 segment. Maruti is expected to maintain its dominance in the small cars segment and outpace the industry growth therein, while new launches by other auto companies in a booming economy and upgradation cycle will see the overall passenger vehicle industry maintaining double digit volume growth rate.

Two-wheelers: Margins under pressure

The motorcycle segment has lost momentum in CY07 due to rising interest costs, tighter financing norms, and high base effect of the previous year. In April-May 2007, the industry sales have declined by 5.8%. Hero Honda, Bajaj Auto and TVS Motor have registered volume declines of 3.6%, 13.3% and 14.7% respectively in 1QFY08. Intense competitive pressures and sluggish volume growth will adversely impact performance of the two-wheeler segment.

The market share in motor cycles for the top 3 players in 1QFY08 has witnessed significant re-alignment, with Hero Honda gaining market share at the expense of Bajaj Auto and TVS Motors.

MOTOR CYCLES COMPARATIVE MARKET SHARE



Source: Company/Motilal Oswal Securities

With a decline in sales volumes and high competitive pressures, EBITDA margins have come under pressure. Margin pressures have come to the fore on account of aggressive pricing of entry-level bikes like Platina, price cuts and promotional offers, new launches resulting in higher development costs and increased adspend and higher raw material prices. These factors have affected all the 3 two-wheeler majors negatively, as a result, we have a Neutral view on the two-wheeler sector.

CV industry: Demand slackens

The M&HCV industry growth rate has slackened in 1QFY08 on two main counts – the high base of the previous year, and more importantly, the higher interest rates on financing, which has led to a significant increase in the cost of ownership of a vehicle. However, we believe that these are short-term negatives, and we expect the scenario to improve significantly in 2HFY08, but input cost pressures will result in stagnant margins in most segments. However, LCVs driven by the success of the Ace have maintained a robust growth rate even in FY08.

We remain positive on Tata Motors and Ashok Leyland.

Tractors: Government's thrust on rural segment is growth driver

The tractor industry registered 18.4% growth in FY06, while it has registered 25.6% growth in 9MFY07. Increased farm credit offtake, focus on agri-driven growth and normal monsoons have been the demand drivers for tractors. M&M's performance has been in line with that of the tractor industry during this period, registering 24.7% growth. However, given the high base of the previous year, we expect the growth rate for tractors to be significantly lower at 6-9% in FY08.

M&M also has a sizeable presence in USA (with sales of 10,000 units in FY06) and is gaining a foothold in China via Jiangling Tractor. It has also set up distribution in Australia. M&M now has a presence in the largest tractor markets in the world. Currently, M&M's exports are at 7.5% of sales and we expect this to improve to 15% over the next 3-4 years.

Valuation and view

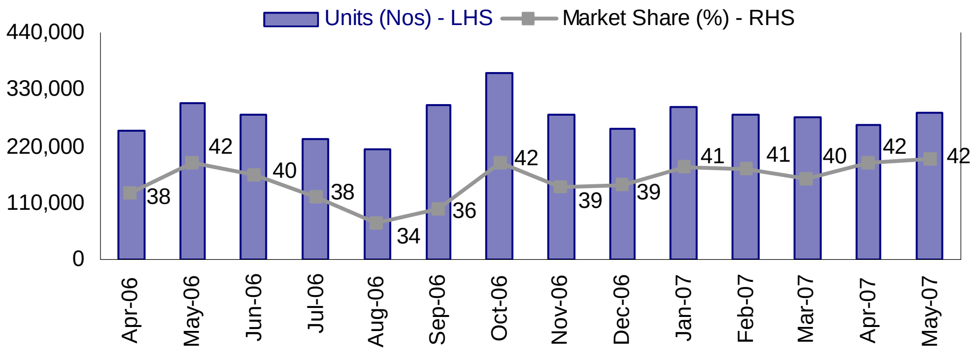
After witnessing a rapid surge in auto volumes in FY07 across all segments, volume growth has turned sluggish in the first quarter of the new fiscal. The growth rate has been lower on two main counts – the high base of the previous year, and more importantly, the higher financing interest rates, which has led to a significant increase in the cost of ownership of a vehicle. Further, stringent financing norms for segments such as two-wheelers and tractors has led to lower availability of credit as well, leading to these segments underperforming the auto industry. However, we believe that these are short-term negatives, and we expect the scenario to improve significantly in 2HFY08, particularly for four-wheelers, but input cost pressures will result in stagnant margins in most segments. Intense competitive pressures and sluggish volume growth will adversely impact performance of the two-wheeler segment.

Our positive view on the four-wheeler sector is based upon structural and fundamental positives such as the strong growth in economy/industry, policy focus on infrastructure, increased propensity to spend among the middle and affluent classes, development of India as a small car manufacturing hub, increasing middle-class population, reduction in duties, ban on overloading, infrastructure development, aggressive capex plans of most passenger car manufacturers, and aggressive targets set in the Draft Automotive Mission Plan 2006-2016.

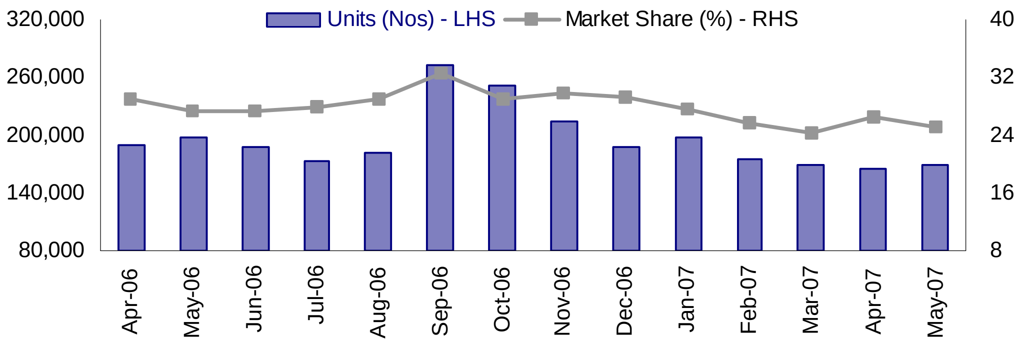
Valuations continue to be in a comfortable zone for the sector. We reiterate our Overweight stance on four-wheelers and a Neutral stance on two-wheelers. Our top picks, Maruti Udyog, M&M and Tata Motors are dominant players in highly consolidated segments, where the top-two players command more than 50% market share.

PERFORMANCE OF MAJOR PLAYERS IN THE INDUSTRY

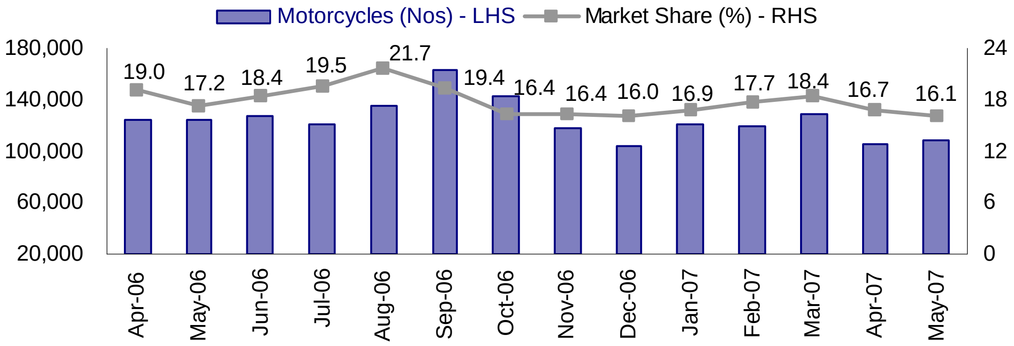
HERO HONDA: MONTHLY MARKET SHARE MOVEMENT (MOTORCYCLES)



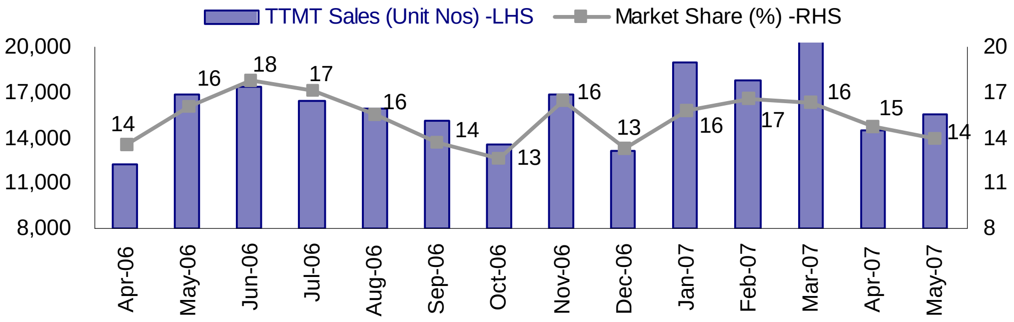
BAJAJ AUTO: MONTHLY MARKET SHARE MOVEMENT (MOTORCYCLES)



TVS MOTORS: MONTHLY MARKET SHARE MOVEMENT (MOTORCYCLES)

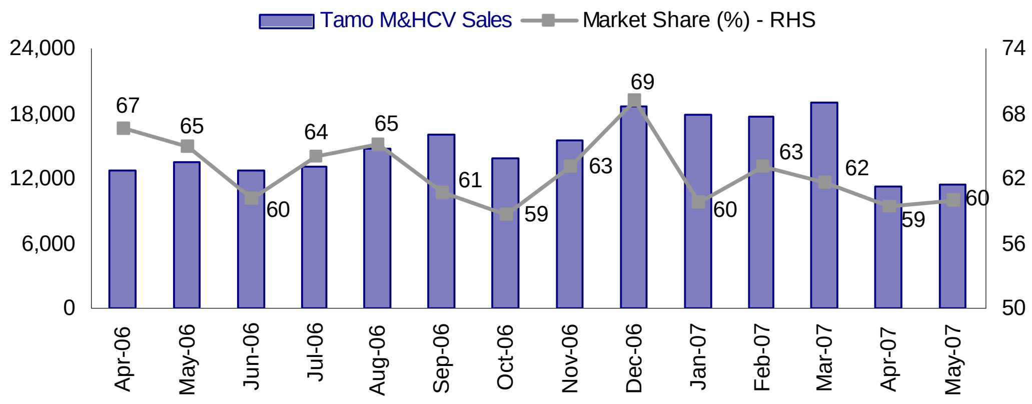


TATA MOTORS: MONTHLY MARKET SHARE MOVEMENT (PASSENGER CARS)

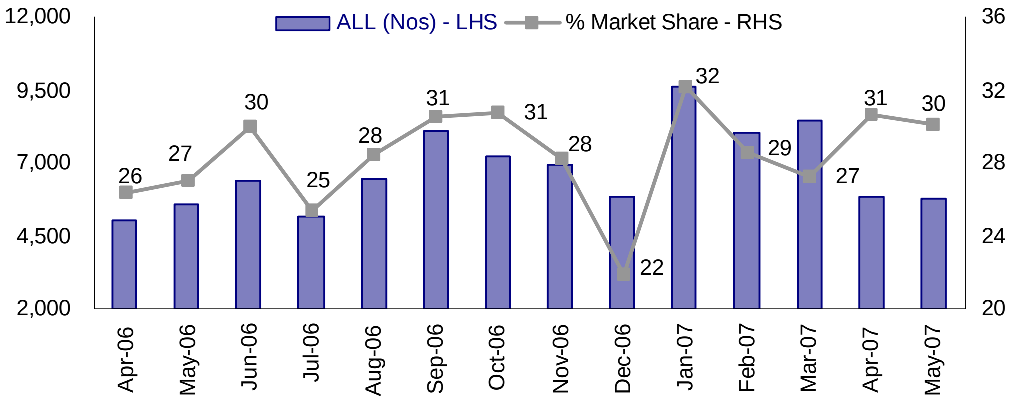


Source: SIAM/Motilal Oswal Securities

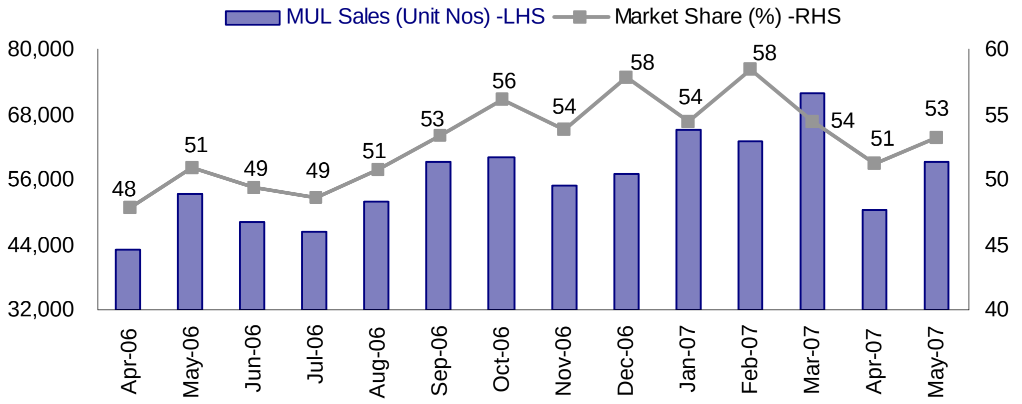
TATA MOTORS: MONTHLY MARKET SHARE MOVEMENT (M&HCV)



ASHOK LEYLAND: MONTHLY MARKET SHARE MOVEMENT (M&HCV)



MARUTI UDYOG: MONTHLY MARKET SHARE MOVEMENT (PASSENGER CARS)



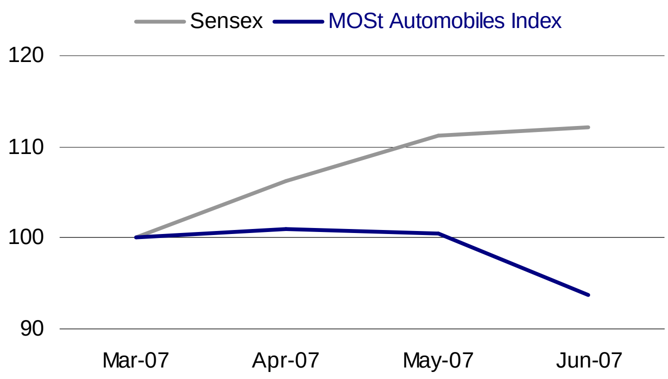
Source: SIAM/Motilal Oswal Securities

Stock performance and valuations

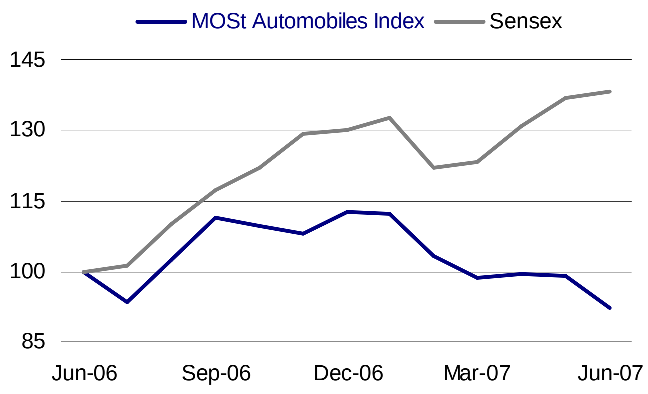
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Automobiles						
Amtek Auto	10	39	-2	0	17	46
Ashok Leyland	-2	1	-14	-37	5	9
Bajaj Auto	-12	-22	-24	-60	-6	-15
Bharat Forge	-2	-2	-14	-40	4	6
Eicher Motors	43	49	30	10	49	56
Hero Honda	1	-13	-12	-51	7	-5
Mahindra & Mahindra	-7	16	-19	-22	-1	24
Maruti Udyog	-9	-7	-21	-45	-3	1
Punjab Tractors	-10	31	-23	-8	-4	38
Swaraj Mazda	-9	40	-21	2	-2	47
Tata Motors	-8	-16	-20	-54	-2	-8
TVS Motor	2	-38	-10	-76	9	-30

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Automobiles														
Amtek Auto	407	Buy	24.9	31.7	36.0	16.4	12.8	11.3	9.8	7.4	6.1	22.0	22.3	20.6
Ashok Leyland	38	Buy	3.2	3.6	4.1	11.7	10.5	9.2	7.0	6.1	5.2	25.7	25.1	24.8
Bajaj Auto	2,129	Sell	127.1	131.3	144.1	16.8	16.2	14.8	12.0	11.3	9.5	22.9	20.5	19.6
Bharat Forge	308	Buy	12.0	16.1	19.7	25.7	19.2	15.7	14.4	10.8	8.5	18.4	19.9	19.9
Eicher Motors	353	Neutral	21.8	27.2	30.8	16.2	13.0	11.5	7.5	5.3	4.1	14.8	16.1	15.9
Hero Honda	689	Neutral	43.4	47.2	53.3	15.9	14.6	12.9	10.0	8.9	7.6	34.3	30.7	28.9
Mahindra & Mahindra	723	Buy	55.1	66.6	77.4	13.1	10.8	9.3	13.1	11.4	9.9	24.8	22.7	20.6
Maruti Udyog	743	Buy	53.9	61.5	75.0	13.8	12.1	9.9	7.5	6.2	4.6	22.6	20.9	20.7
Punjab Tractors	273	Neutral	11.0	10.3	11.3	24.8	26.6	24.2	14.1	14.6	13.4	10.3	9.3	9.7
Swaraj Mazda	315	Neutral	15.3	17.0	19.9	20.5	18.5	15.9	11.5	10.6	9.4	21.2	20.6	21.1
Tata Motors	670	Buy	55.0	60.4	67.3	12.2	11.1	10.0	8.5	7.7	6.7	28.8	24.8	23.2
TVS Motor	61	Neutral	2.8	2.8	3.1	21.7	21.5	19.7	10.6	10.4	8.3	8.2	7.9	8.1
Sector Aggregate						**15.8**	**14.5**	**12.8**	**9.7**	**8.4**	**6.9**	**24.4**	**22.3**	**21.4**

Amtek Auto

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	AMTK IN
	REUTERS CODE
S&P CNX: 4,318	AMTK.BO

Equity Shares (m)	162.6
52-Week Range	438/243
1,6,12 Rel. Perf. (%)	-1/8/0
M.Cap. (Rs b)	51.8
M.Cap. (US$ b)	1.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs407

YEAR END	NET SALES (RS M)	PAT (RS M)	ADJ.EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
6/07E	40,438	4,045	24.9	57.7	16.4	2.4	19.9	15.8	1.4	7.6
6/08E	51,114	5,156	31.7	27.5	12.8	1.9	20.2	18.2	1.0	5.7
6/09E	57,494	5,850	36.0	13.4	11.3	1.1	18.6	18.7	1.1	6.1

- We expect Amtek Auto's consolidated revenues to grow 51.5% YoY to Rs11.1b in 4QFY07, while the consolidated adj. PAT is expected to grow 57.9% YoY to Rs1.1b.
- EBITDA margin is expected to improve 80bp YoY to 18.3% (flat QoQ) driven by higher offshoring from group companies in US and Europe. EBITDA is expected to increase 58.7% YoY to Rs2b.
- Amtek Auto's subsidiaries - Benda Amtek and Amtek Siccardi are expected to continue to contribute to topline growth, while margin improvement at Ahmednagar Forgings will help improve the consolidated EBITDA margin.
- We expect Amtek Auto to report net sales of Rs40.4b in FY07 (+45.9%), and adjusted PAT of Rs4b (+57.7%).
- Amtek Auto has acquired the assets of UK-based JL French's Witham unit, which manufactures high pressure die casting (HPDC) aluminium mainly for automotive applications for European companies. This is Amtek's second asset acquisition in the aluminium foundry space in FY07.
- The stock trades at 12.8x FY08E consolidated EPS of Rs31.7 and 11.3x FY09E EPS of Rs36. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**6,061**	**6,922**	**7,420**	**7,319**	**8,877**	**9,667**	**10,805**	**11,088**	**27,711**	**40,438**
Change (%)	*38.2*	*52.6*	*56.5*	*62.2*	*46.5*	*39.7*	*45.6*	*51.5*	*52.5*	*45.9*
Total Cost	5,015	5,678	6,077	6,041	7,275	7,890	8,812	9,060	22,811	33,038
EBITDA	**1,047**	**1,244**	**1,343**	**1,278**	**1,602**	**1,777**	**1,994**	**2,028**	**4,900**	**7,400**
As % of Sales	*17.3*	*18.0*	*18.1*	*17.5*	*18.0*	*18.4*	*18.4*	*18.3*	*17.7*	*18.3*
Change (%)	*43.2*	*92.6*	*91.0*	*74.4*	*53.0*	*42.8*	*48.4*	*58.7*	*74.2*	*51.0*
Other Income	59	39	46	65	151	178	203	218	209	750
Interest	122	141	114	137	171	199	211	216	514	797
Depreciation	253	266	276	296	330	339	368	374	1,091	1,410
PBT	**731**	**876**	**999**	**909**	**1,252**	**1,417**	**1,618**	**1,656**	**3,503**	**5,944**
Tax	139	185	225	187	293	343	409	411	736	1,456
Effective Tax Rate (%)	*19.0*	*21.1*	*22.5*	*20.6*	*23.4*	*24.2*	*25.3*	*24.8*	*21.0*	*24.5*
PAT	**592**	**691**	**774**	**721**	**959**	**1,074**	**1,209**	**1,245**	**2,767**	**4,487**
Minority Interest	46	67	76	13	87	103	125	127	202	442
Adj. PAT	**546**	**624**	**698**	**708**	**872**	**971**	**1,085**	**1,118**	**2,565**	**4,045**
Change (%)	*50.3*	*98.6*	*84.6*	*75.5*	*59.8*	*55.7*	*55.4*	*57.9*	*73.9*	*57.7*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411/ Rohan A Korde (RohanKorde@MotilalOswal.com); Tel: + 91 22 3982 5414

Ashok Leyland

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	AL IN
	REUTERS CODE
S&P CNX: 4,318	ASOK.BO

Equity Shares (m)	1,323.9
52-Week Range	51/31
1,6,12 Rel. Perf. (%)	0/-23/-37
M.Cap. (Rs b)	50.0
M.Cap. (US$ b)	1.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs38

YEAR END	NET SALES (RS M)	PAT (RS M)	ADJ.EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	71,682	4,276	3.2	30.5	11.7	3.0	26.5	23.5	0.7	7.0
3/08E	82,698	4,787	3.6	12.0	10.5	2.6	25.1	20.1	0.6	6.1
3/09E	91,804	5,421	4.1	13.2	9.2	2.3	24.8	19.0	0.5	5.2

- Ashok Leyland is likely to report 9.3% growth in vehicle volumes in 1QFY08, resulting in sales growth of 12.6% to Rs16b. Sales growth would be higher than volume growth, as the company's product mix is shifting toward higher tonnage vehicles. For FY08, we expect Ashok Leyland to register volume growth of 12.5% to 93,489 units.
- Volume growth in the CV goods segment has slowed in 1QFY08 due to higher interest rates impacting demand. However, demand from the bus segment is strong, and will help ALL sustain growth momentum.
- In 1QFY08, we expect EBITDA margin to be flat on a YoY basis at 8.5%, resulting in EBITDA of Rs1.4b (growth of 12.3% YoY).
- We expect Ashok Leyland to register growth of 12.5% in FY08 and 9% in FY09. Its focus on non-cyclical businesses such as passenger buses, sale of spare parts, supply to defense and exports would cushion domestic business cyclicality in the long term. ALL's acquisition of Detroit-based testing services firm Defiance for US$17m, will complement ALL's design and engineering services division and help the segment target value-added business.
- The stock trades at 10.5x FY08E EPS of Rs3.6 and 9.2x FY09E EPS of Rs4.1. We maintain our **Buy** recommendation.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	17,067	19,836	20,068	26,130	18,653	22,000	23,250	29,586	83,101	93,489
Net Sales	**14,239**	**16,757**	**17,776**	**22,910**	**16,029**	**18,864**	**20,903**	**26,902**	**71,682**	**82,698**
Change (%)	*33.9*	*34.0*	*47.8*	*32.3*	*12.6*	*12.6*	*17.6*	*17.4*	*36.6*	*15.4*
Total Cost	13,026	15,437	15,907	20,314	14,666	17,298	18,876	23,794	64,685	74,635
EBITDA	**1,213**	**1,320**	**1,869**	**2,596**	**1,362**	**1,566**	**2,028**	**3,107**	**6,997**	**8,063**
As a % of Sales	*8.5*	*7.9*	*10.5*	*11.3*	*8.5*	*8.3*	*9.7*	*11.6*	*9.8*	*9.8*
Change (%)	*41.4*	*10.3*	*61.0*	*20.6*	*12.3*	*18.6*	*8.5*	*19.7*	*30.3*	*15.2*
Non-Operating Income	139	99	64	169	145	100	80	160	470	485
Interest	5	4	26	19	18	18	20	20	53	76
Gross Profit	**1,346**	**1,415**	**1,907**	**2,746**	**1,489**	**1,648**	**2,088**	**3,247**	**7,414**	**8,472**
Less: Depreciation	328	365	332	481	400	435	450	489	1,506	1,774
PBT	**1,019**	**1,050**	**1,574**	**2,264**	**1,089**	**1,213**	**1,638**	**2,758**	**5,908**	**6,697**
Tax	262	334	463	573	289	352	459	811	1,632	1,910
Effective Tax Rate (%)	*25.7*	*31.8*	*29.4*	*25.3*	*26.5*	*29.0*	*28.0*	*29.4*	*27.6*	*28.5*
Adj. PAT (before EO)	**756**	**716**	**1,112**	**1,692**	**801**	**861**	**1,179**	**1,946**	**4,276**	**4,787**
Change (%)	*126.1*	*-10.7*	*96.5*	*28.0*	*5.9*	*20.2*	*6.1*	*15.1*	*41.4*	*12.0*
Extraordinary Income	0	268	0	54	0	0	0	0	322	0
Extraordinary Loss	65	31	59	30	0	0	0	0	185	0
Rep. PAT	**692**	**954**	**1,053**	**1,715**	**801**	**861**	**1,179**	**1,946**	**4,413**	**4,787**
Change (%)	*7.5*	*27.1*	*93.1*	*28.5*	*15.7*	*-9.7*	*12.0*	*13.5*	*34.8*	*8.5*

E: MOSt Estimates

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Bajaj Auto

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BJA IN
	REUTERS CODE
S&P CNX: 4,318	BJAT.BO

Equity Shares (m)	101.2
52-Week Range	3,175/2,063
1,6,12 Rel. Perf. (%)	-5/-25/-60
M.Cap. (Rs b)	215.4
M.Cap. (US$ b)	5.3

29 June 2007

Sell

Previous Recommendation: Sell

Rs2,129

YEAR END	NET SALES (RS M)	ADJ. PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	95,204	12,857	127.1	14.5	16.8	3.8	22.9	24.9	1.8	12.0
3/08E	100,460	13,283	131.3	3.3	16.2	3.3	20.5	22.9	1.6	11.3
3/09E	110,972	14,583	144.1	9.8	14.8	2.9	19.6	22.5	1.4	9.5

- Total volumes of Bajaj Auto have declined by 11.7% in 1QFY08, making it the second successive weak quarter in terms of volume growth for the company. Motorcycles have registered 13.1% YoY decline in volumes during 1Q, while three-wheelers volumes have increased by merely 0.7%.
- We expect sales to decrease by 13.1% to Rs19.1b in 1QFY08. Despite higher contribution of three-wheelers to the product mix (12.5% v/s 11% in 1QFY07), we expect EBITDA margin to dip by 240bp YoY%. Margins are expected to be impacted on account of advertising and promotional offers, intense competition, and lower growth in three-wheeler sales. We expect EBITDA of Rs2.7b (-25.7% YoY) and adj. PAT of Rs2.3b (-15.5% YoY).
- The new plant at Pantnagar in Uttarakhand commenced commercial production in April 2007, where Platina production is now being shifted. The new motorcycle platform based on Bajaj's DTS-I technology is scheduled for launch in 2QFY08, and will have an initial capacity of 50,000 per month.
- We maintain our **Sell** rating following disappointment in the demerger announcement, lower insurance valuation and competitive pressures, triggering the possibility of further downgrades in earnings estimates as well as valuations. The stock trades at valuations of 16.2x FY08E and 14.8x FY09E EPS of Rs131.3 and Rs144.1 respectively.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	647,086	708,125	738,219	625,346	571,113	689,900	832,950	776,620	2,718,776	2,870,583
Net Sales	**22,027**	**24,360**	**25,682**	**23,136**	**19,149**	**23,436**	**29,050**	**28,824**	**95,204**	**100,460**
Change (%)	*34.8*	*30.5*	*28.4*	*6.8*	*-13.1*	*-3.8*	*13.1*	*24.6*	*24.2*	*5.5*
Total Cost	18,420	20,708	22,046	19,873	16,468	20,132	24,969	24,678	81,046	86,246
EBITDA	**3,607**	**3,652**	**3,636**	**3,263**	**2,681**	**3,304**	**4,082**	**4,147**	**14,158**	**14,214**
As % of Sales	*16.4*	*15.0*	*14.2*	*14.1*	*14.0*	*14.1*	*14.1*	*14.4*	*14.9*	*14.1*
Change (%)	*40.1*	*15.7*	*1.5*	*-23.2*	*-25.7*	*-9.5*	*12.2*	*27.1*	*4.4*	*0.4*
Other Income	946	1,424	1,609	1,577	1,040	1,709	1,770	1,696	5,556	6,216
Interest	7	20	2	24	20	16	10	7	53	53
Depreciation	481	492	472	458	480	500	520	555	1,903	2,055
PBT	**4,064**	**4,564**	**4,771**	**4,358**	**3,221**	**4,498**	**5,322**	**5,281**	**17,758**	**18,321**
Tax	1,300	1,250	1,200	1,151	886	1,237	1,463	1,452	4,901	5,038
Effective Tax Rate (%)	*32.0*	*27.4*	*25.2*	*26.4*	*27.5*	*27.5*	*27.5*	*27.5*	*27.6*	*27.5*
Adj. PAT	**2,764**	**3,314**	**3,571**	**3,208**	**2,335**	**3,261**	**3,858**	**3,828**	**12,857**	**13,283**
Change (%)	*32.2*	*14.0*	*22.8*	*-3.9*	*-15.5*	*-1.6*	*8.0*	*19.4*	*14.4*	*3.3*
Extraordinary Expenses	104	139	123	125	-	-	-	-	490	-
Extraordinary Income	-	-	4	0	-	-	-	-	4	-
PAT	**2,660**	**3,176**	**3,452**	**3,083**	**2,335**	**3,261**	**3,858**	**3,828**	**12,371**	**13,283**
Change (%)	*27.3*	*9.2*	*23.3*	*-4.2*	*-12.2*	*2.7*	*11.8*	*24.2*	*12.3*	*7.4*

E: MOSt Estimates

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Bharat Forge

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BHFC IN
	REUTERS CODE
S&P CNX: 4,318	BFRG.BO

Equity Shares (m)	237.3
52-Week Range	396/271
1,6,12 Rel. Perf. (%)	-5/-21/-40
M.Cap. (Rs b)	73.2
M.Cap. (US$ b)	1.8

29 June 2007

Buy

Previous Recommendation: Buy

Rs308

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	CON. EPS (RS)	P/E (X)	CON. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,644	2,533	10.0	12.0	30.6	25.5	17.5	15.8	3.4	13.3
3/08E	23,878	3,274	12.9	16.1	23.9	19.2	19.9	18.0	2.6	10.1
3/09E	28,705	3,955	15.6	19.7	19.8	15.7	19.9	18.9	2.0	7.8

- We expect Bharat Forge to post sales growth of 22.5% in 1QFY08 to Rs5.2b, driven by 24% increase in domestic sales and 20% increase in exports. Completion in ramp-up of capacities will help accelerate sales growth.
- We expect the company to report 17.6% growth in EBITDA to Rs1.3b, with EBITDA margin declining 100bp YoY to 24.5%. We estimate PAT at Rs694m (up 12.6%) for 1QFY08.
- The company plans capex of Rs3.5b for its non-automotive business ventures — aerospace, oil and gas exploration, energy, railways and locomotives, marine activities, infrastructure, solar, wind, thermal power equipment etc. Entry into the non-automotive space will further de-risk BFL's business model and this segment is expected to contribute up to 35-40% of global revenues by FY11 (17% in FY07 and 25% in FY09).
- BFL's global subsidiaries operate at a blended margin of close to 10%. The company plans to enhance margins by achieving higher capacity utilization and introducing value-added products.
- We remain positive on Bharat Forge's 'dual shore' model and management's global vision. We estimate consolidated EPS at Rs16.1 for FY08 and Rs19.7 for FY09. The stock trades at 19.2x FY08E and 15.7x FY09E consolidated EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,206**	**4,507**	**4,771**	**5,161**	**5,152**	**5,840**	**6,185**	**6,701**	**18,644**	**23,878**
Change (%)	*15.7*	*19.7*	*19.5*	*17.7*	*22.5*	*29.6*	*29.6*	*29.8*	*18.2*	*28.1*
Total Expenses	3,132	3,330	3,532	3,917	3,889	4,351	4,577	5,001	13,912	17,819
EBITDA	**1,073**	**1,177**	**1,239**	**1,243**	**1,262**	**1,489**	**1,608**	**1,700**	**4,732**	**6,059**
As % of Sales	*25.5*	*26.1*	*26.0*	*24.1*	*24.5*	*25.5*	*26.0*	*25.4*	*25.4*	*25.4*
Change (%)	*23.3*	*21.1*	*25.6*	*18.1*	*17.6*	*26.6*	*29.8*	*36.7*	*21.9*	*28.0*
Other Income	233	192	162	222	215	180	150	183	809	728
Interest	176	197	215	234	177	198	216	236	821	827
Depreciation	229	250	253	267	260	262	263	266	998	1,051
Extraordinary Expenses	101	0	22	0	0	0	0	0	124	0
PBT	**800**	**922**	**911**	**965**	**1,040**	**1,209**	**1,279**	**1,380**	**3,598**	**4,909**
Tax	285	301	281	322	346	403	426	460	1,189	1,635
Effective Tax Rate (%)	*35.6*	*32.6*	*30.9*	*33.4*	*33.3*	*33.3*	*33.3*	*33.3*	*33.0*	*33.3*
PAT	**515**	**622**	**630**	**643**	**694**	**807**	**853**	**921**	**2,409**	**3,274**
Adj. PAT	**616**	**622**	**652**	**643**	**694**	**807**	**853**	**921**	**2,533**	**3,274**
Change (%)	*29.9*	*20.1*	*22.4*	*21.3*	*12.6*	*29.7*	*35.5*	*43.2*	*23.3*	*29.3*

E: MOSt Estimates; quarter numbers are for standalone company.

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Eicher Motors

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	EIM IN
	REUTERS CODE
S&P CNX: 4,318	EICH.BO

Equity Shares (m)	28.1
52-Week Range	416/203
1,6,12 Rel. Perf. (%)	-2/-9/10
M.Cap. (Rs b)	9.9
M.Cap. (US$ b)	0.2

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs353

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	19,525	613	21.8	21.6	16.2	2.4	14.8	16.0	0.4	7.5
3/08E	21,566	764	27.2	24.6	13.0	2.1	16.1	17.7	0.3	5.3
3/09E	24,046	866	30.8	13.4	11.5	1.8	15.9	18.0	0.3	4.1

- We expect Eicher Motors' CV volumes to grow 5% in 1QFY08 and 9.7% in FY08, led by the passenger and LCV goods segments.
- Eicher should report sales of Rs4.1b for the quarter, resulting in EBITDA of Rs213m and PAT of Rs106m. For FY08, we expect sales of Rs21.6b and PAT of Rs764m (24.6% growth).
- Management has decided not to transfer the motorcycle business to a subsidiary as was initially planned, due to its being unable to find a suitable JV partner.
- Eicher Motors is a small player in the CV industry and faces margin pressures. However, initiatives such as restructuring, new model launches in high growth segments, attempts to improve realizations and reduce costs, will help counter the margin pressures.
- The company enjoys good customer recall for its products. While growth may get capped on account of its limited geographical reach and distribution and service network, it is attempting to resolve this issue by expanding its marketing and distribution network. We maintain our **Neutral** recommendation.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	5,365	6,546	7,096	9,065	5,633	7,070	8,160	9,937	28,072	30,800
Net Sales	**3,831**	**4,565**	**4,938**	**6,191**	**4,063**	**4,979**	**5,736**	**6,788**	**19,525**	**21,566**
Change (%)	*-1.2*	*29.3*	*26.6*	*20.3*	*6.1*	*9.1*	*16.2*	*9.7*	*18.7*	*10.5*
Total Expenses	3,649	4,301	4,612	5,807	3,850	4,670	5,351	6,286	18,369	20,157
EBITDA	**183**	**263**	**326**	**384**	**213**	**309**	**384**	**503**	**1,156**	**1,409**
As a % of Sales	*4.8*	*5.8*	*6.6*	*6.2*	*5.2*	*6.2*	*6.7*	*7.4*	*5.9*	*6.5*
Change (%)	*83.9*	*1293.7*	*87.3*	*7.3*	*16.7*	*17.2*	*17.7*	*31.0*	*78.4*	*21.8*
Non-operating Income	73	73	52	70	73	73	52	65	267	262
Interest	34	31	32	41	34	31	32	41	138	138
Gross Profit	**221**	**305**	**346**	**413**	**252**	**351**	**403**	**526**	**1,285**	**1,532**
Less: Depreciation	98	99	102	107	101	103	107	125	405	436
PBT	**123**	**206**	**244**	**306**	**151**	**248**	**296**	**401**	**880**	**1,096**
Tax	39	65	66	97	45	74	89	124	267	332
Effective Tax Rate (%)	*31.7*	*31.3*	*27.0*	*31.8*	*30.0*	*30.0*	*30.0*	*30.8*	*30.3*	*30.3*
PAT	**84**	**142**	**178**	**209**	**106**	**173**	**207**	**277**	**613**	**764**
Adjusted PAT	**84**	**142**	**178**	**209**	**106**	**173**	**207**	**277**	**613**	**764**
Change (%)	*2,238.9*	*N.A.*	*-39.6*	*-25.5*	*25.4*	*22.2*	*16.6*	*32.9*	*21.8*	*24.6*

E: MOSt Estimates

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Hero Honda

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HH IN
	REUTERS CODE
S&P CNX: 4,318	HROH.BO

Equity Shares (m)	199.7
52-Week Range	809/565
1,6,12 Rel. Perf. (%)	-3/-16/-51
M.Cap. (Rs b)	137.6
M.Cap. (US$ b)	3.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs689

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	99,000	8,659	43.4	-10.9	15.9	5.4	37.8	47.8	1.2	10.0
3/08E	106,991	9,417	47.2	8.8	14.6	4.5	33.6	42.6	1.1	8.9
3/09E	118,762	10,647	53.3	13.1	12.9	3.7	31.5	39.5	0.9	7.6

- Hero Honda's total volumes have decreased by 3.6% YoY in 1QFY08, but nevertheless it has outperformed the other major two-wheeler players Bajaj Auto and TVS Motors, which have registered a +10% YoY decline in volumes. For FY08, we expect the company to post total two-wheeler sales of 3.5m units (6.3% growth).
- We expect net sales to decrease by 1.7% YoY to Rs23.3b, while operating margins for the quarter are expected to decline by 150bp YoY to 11%, resulting in EBITDA of Rs2.5b. We estimate PAT at Rs2b, a 17.4% YoY decline. New product launches involving higher advertising costs, aggressive promotional offers and discounts and higher channel inventory will continue to squeeze margins.
- Hero Honda has adopted an aggressive new model launch strategy; new launches in FY07 included CBZ X-treme, new Karizma, Glamour variant with alloy wheels, CD Delux and CD Dawn with new engines, Glamour FI etc. Its venture into scooters has scaled up rapidly, and scooter sales constituted 2.8% of Hero Honda's two-wheeler sales in FY07.
- The new plant in Uttaranchal with a capacity of 0.5m units is expected to be completed by mid-FY08 but production is likely to commence in the next fiscal. This will help Hero Honda avail tax benefits.
- We expect volume growth of 6.3% in FY08 and 8.4% in FY09; volumes are expected to pick up in 2HFY08. The stock trades at 14.6x FY08E EPS of Rs47.2 and 12.9x FY09E EPS of Rs53.3. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	832,692	751,967	896,113	855,984	802,853	865,000	935,500	941,976	3,336,756	3,545,329
Net Sales	**23,644**	**22,300**	**26,661**	**26,396**	**23,252**	**26,165**	**27,971**	**29,602**	**99,000**	**106,991**
Change (%)	*19.6*	*2.9*	*15.2*	*17.0*	*-1.7*	*17.3*	*4.9*	*12.1*	*13.6*	*8.1*
Total Cost	20,454	19,465	23,641	23,629	20,706	23,103	24,601	25,741	87,189	94,152
EBITDA	**3,190**	**2,835**	**3,019**	**2,767**	**2,546**	**3,061**	**3,371**	**3,861**	**11,810**	**12,839**
As % of Sales	*13.5*	*12.7*	*11.3*	*10.5*	*11.0*	*11.7*	*12.1*	*13.0*	*11.9*	*12.0*
Change (%)	*9.1*	*-15.0*	*-20.1*	*-23.3*	*-20.2*	*8.0*	*11.6*	*39.6*	*-13.4*	*8.7*
Other Income	523	595	336	445	575	654	380	484	1,899	2,093
Interest	-33	-65	-55	-77	-60	-60	-60	-50	-230	-230
Depreciation	323	344	376	355	375	400	440	494	1,398	1,709
Extraordinary Expense	0	0	0	80	0	0	0	0	80	0
PBT	**3,423**	**3,151**	**3,034**	**2,854**	**2,806**	**3,376**	**3,371**	**3,901**	**12,461**	**13,453**
Tax	1,045	991	943	904	842	1,013	1,011	1,170	3,882	4,036
Effective Tax Rate (%)	*30.5*	*31.5*	*31.1*	*31.7*	*30.0*	*30.0*	*30.0*	*30.0*	*31.2*	*30.0*
PAT	**2,377**	**2,160**	**2,092**	**1,950**	**1,964**	**2,363**	**2,359**	**2,730**	**8,579**	**9,417**
Adj. PAT	**2,377**	**2,160**	**2,092**	**2,030**	**1,964**	**2,363**	**2,359**	**2,730**	**8,659**	**9,417**
Change (%)	*16.6*	*-9.2*	*-20.1*	*-24.2*	*-17.4*	*9.4*	*12.8*	*34.5*	*-10.9*	*8.8*

E: MOSt Estimates

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Mahindra & Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	MM IN
	REUTERS CODE
S&P CNX: 4,318	MAHM.BO

Dil. Equity Shares (m)	255.9
52-Week Range	1,002/495
1,6,12 Rel. Perf. (%)	-5/-26/-22
M.Cap. (Rs b)	185.0
M.Cap. (US$ b)	4.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs723

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	CON. EPS (RS)	P/E (X)	CON. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	99,874	9,198	35.9	55.1	20.1	13.1	24.8	24.5	1.4	11.7
3/08E	111,280	10,026	39.2	66.6	18.5	10.8	22.7	23.2	1.2	10.2
3/09E	123,231	10,551	41.2	77.4	17.5	9.3	20.6	22.4	1.1	8.8

- M&M has reported overall volume growth of 13.6% for 1QFY08 (excluding Logan), driven by strong growth in LCVs (+38.9% YoY), UVs (+26.6% YoY) and three-wheelers (+11.5% YoY). Tractor sales were marginally negative on account of the high base of the previous year.
- Net sales for the quarter should grow by 14% YoY to Rs25.3b. We expect margins to improve by 10bp YoY and QoQ to 11.4%, resulting in 14.7% growth in EBITDA to Rs2.9b, and an adjusted PAT of Rs2.2b, a growth of 20.3% YoY.
- In FY08, we expect M&M to deliver 11.4% net sales growth to Rs111.3b with corresponding net profit growth of 9% to Rs10b.
- M&M's new JV with Renault has launched the sedan 'Logan' in selective cities, and has witnessed a favorable response initially.
- Acquisition of a majority stake in PTL has increased M&M's tractor share by nearly 10% to ~40%, and offers a long-term positive in terms of added capacity, diverse portfolio, popular brand and strong dealer network in the north.
- M&M continues to enjoy market leadership in both utility vehicles and tractors, but trades at a discount to most peers at 10.8x FY08E and 9.3x FY09E consolidated earnings of Rs66.6 and Rs77.4 respectively. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	62,417	66,649	73,971	77,720	70,915	74,100	82,275	82,966	280,766	310,256
Total Income	**22,172**	**24,501**	**25,761**	**27,439**	**25,267**	**27,513**	**28,853**	**29,647**	**99,874**	**111,280**
Change (%)	*22.4*	*28.0*	*17.8*	*23.2*	*14.0*	*12.3*	*12.0*	*8.0*	*22.7*	*11.4*
Total Cost	19,660	21,209	22,664	24,340	22,386	24,156	25,376	26,065	87,874	97,983
EBITDA	**2,512**	**3,292**	**3,096**	**3,099**	**2,880**	**3,357**	**3,477**	**3,582**	**12,000**	**13,296**
As % of Sales	*11.3*	*13.4*	*12.0*	*11.3*	*11.4*	*12.2*	*12.1*	*12.1*	*12.0*	*11.9*
Change (%)	*30.2*	*50.9*	*17.5*	*46.3*	*14.7*	*2.0*	*12.3*	*15.6*	*35.4*	*10.8*
Non-Operating Income	454	478	412	354	477	521	433	381	1,698	1,813
Extraordinary Income	190	1,393	0	116	0	0	0	0	1,699	0
Extraordinary Expense	15	0	6	192	0	0	0	0	213	0
Interest	-147	-155	-168	-205	-140	-120	-90	-55	-675	-405
Gross Profit	**3,288**	**5,318**	**3,670**	**3,582**	**3,498**	**3,998**	**4,000**	**4,019**	**15,859**	**15,514**
Less: Depreciation	463	501	522	609	580	600	640	672	2,096	2,492
PBT	**2,825**	**4,817**	**3,148**	**2,973**	**2,918**	**3,398**	**3,360**	**3,346**	**13,763**	**13,021**
Tax	784	952	731	613	671	781	773	770	3,079	2,995
Effective Tax Rate (%)	*27.7*	*19.8*	*23.2*	*20.6*	*23.0*	*23.0*	*23.0*	*23.0*	*22.4*	*23.0*
PAT	**2,042**	**3,865**	**2,417**	**2,360**	**2,247**	**2,616**	**2,587**	**2,577**	**10,684**	**10,026**
Change (%)	*40.6*	*145.9*	*3.5*	*-26.5*	*10.0*	*-32.3*	*7.0*	*9.2*	*24.7*	*-6.2*
Adj PAT	**1,867**	**2,472**	**2,423**	**2,436**	**2,247**	**2,616**	**2,587**	**2,577**	**9,198**	**10,026**
Change (%)	*27.2*	*55.8*	*35.3*	*49.0*	*20.3*	*5.8*	*6.8*	*5.8*	*42.0*	*9.0*

E: MOSt Estimates

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Maruti Udyog

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	MUL IN
	REUTERS CODE
S&P CNX: 4,318	MRTI.BO

Equity Shares (m)	289.0
52-Week Range	991/691
1,6/12 Rel. Perf. (%)	-9/-26/45
M.Cap. (Rs b)	214.8
M.Cap. (US$ b)	5.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs743

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	149,664	15,575	53.9	28.5	13.8	3.1	22.7	32.8	1.2	7.5
3/08E	178,214	17,781	61.5	14.2	12.1	2.5	20.9	30.5	0.9	6.2
3/09E	211,827	21,686	75.0	22.0	9.9	2.1	20.7	30.5	0.7	4.6

- Maruti's volumes have increased by 17.1% in 1QFY08 with favorable performance in the A2 segment, and the launch of the SX4 boosting A3 segment sales.
- Sales for the quarter should grow by 18.8% to Rs37.1b. We expect a 140bp YoY decline in the EBITDA margin to 14.8% on account of consolidation of subsidiary performance with the parent company. Margins are expected to remain in the same range for the next 2 years, until the new plant achieves optimal production levels.
- As a result, we expect EBITDA of Rs5.6b (+8.2% YoY) and PAT of Rs4b (+7.4% YoY)
- Maruti's debut in the diesel car segment, launch of Zen Estilo and SX4 will help increase market share. We expect volumes to grow by 16.9% in FY08 and 16% in FY09.
- The company has an investment outlay of Rs90b for various projects spread over four years.
- We remain extremely positive on Maruti's growth prospects. We forecast strong volume growth over the next two years and estimate EPS at Rs61.5 for FY08 and Rs75 for FY09. The stock trades at 12.1x FY08E and 9.9x FY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	144,948	157,683	172,181	200,112	169,669	190,200	207,000	222,006	674,924	788,875
Net Sales	**31,255**	**34,192**	**36,795**	**44,298**	**37,134**	**42,068**	**45,209**	**50,366**	**146,539**	**174,776**
Change (%)	*19.0*	*12.5*	*18.2*	*34.0*	*18.8*	*23.0*	*22.9*	*13.7*	*21.2*	*19.3*
Other Operating Income	602	612	783	1,127	662	673	862	1,240	3,125	3,437
Total Cost	26,689	29,376	31,723	38,787	32,202	36,373	39,252	43,948	126,575	151,775
EBITDA	**5,168**	**5,428**	**5,855**	**6,638**	**5,594**	**6,368**	**6,818**	**7,659**	**23,089**	**26,439**
As % of Sales	*16.2*	*15.6*	*15.6*	*14.6*	*14.8*	*14.9*	*14.8*	*14.8*	*15.4*	*14.8*
Change (%)	*42.0*	*37.5*	*15.1*	*20.6*	*8.2*	*17.3*	*16.5*	*15.4*	*27.0*	*14.5*
Non-Operating Income	831	605	372	922	956	696	427	1,057	2,730	3,136
Extraordinary Income	0	0	129	0	0	0	0	0	129	0
Extraordinary Expense	0	60	0	0	0	0	0	0	60	0
Interest	33	31	157	156	140	120	90	62	376	412
Gross Profit	**5,967**	**5,942**	**6,199**	**7,404**	**6,410**	**6,944**	**7,156**	**8,653**	**25,512**	**29,163**
Less: Depreciation	641	596	759	718	740	780	820	865	2,714	3,205
PBT	**5,326**	**5,346**	**5,440**	**6,686**	**5,670**	**6,164**	**6,336**	**7,789**	**22,798**	**25,958**
Tax	1,630	1,672	1,676	2,201	1,701	1,880	2,027	2,568	7,179	8,177
Effective Tax Rate (%)	*30.6*	*31.3*	*30.8*	*32.9*	*30.0*	*30.5*	*32.0*	*33.0*	*31.5*	*31.5*
PAT	**3,696**	**3,674**	**3,764**	**4,486**	**3,969**	**4,284**	**4,308**	**5,220**	**15,620**	**17,781**
Adjusted PAT	**3,696**	**3,713**	**3,680**	**4,486**	**3,969**	**4,284**	**4,308**	**5,220**	**15,575**	**17,781**
Change (%)	*63.2*	*49.7*	*8.6*	*12.6*	*7.4*	*15.4*	*17.1*	*16.4*	*31.4*	*14.2*

E: MOSt Estimates

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Punjab Tractors

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PJT IN
	REUTERS CODE
S&P CNX: 4,318	PTRA.BO

Equity Shares (m)	60.8
52-Week Range	359/198
1,6,12 Rel. Perf. (%)	-15/3/-8
M.Cap. (Rs b)	16.6
M.Cap. (US$ b)	0.4

29 June 2007

Neutral

Previous Recommendation: Neutral Rs273

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	9,503	669	11.0	-7.5	24.8	2.6	10.3	14.4	1.6	14.1
3/08E	10,153	625	10.3	-6.6	26.6	2.5	9.3	12.9	1.5	14.6
3/09E	11,008	685	11.3	9.6	24.2	2.3	9.7	13.4	1.4	13.4

- For 1QFY08, we expect Punjab Tractors to post a volume decline of 8.4%. The company has been lagging behind the industry growth rate and has lost market share to its competitors due to its absence in the fast growing 41-50HP segment.
- We estimate sales for the quarter at Rs2.3b (-6.2% YoY) and operating margin at 9.5% (-290bp YoY), resulting in an EBITDA of Rs217m (decline of 27.9% YoY). PAT is likely to decline 31.7% to Rs121m.
- M&M has acquired 43.3% stake in PTL and has also made an open offer for an additional 20% stake. With the company becoming part of the M&M group, its tractor business is expected to be consolidated with that of M&M over time, and should result in long term positives of additional capacity, diverse portfolio, strong brand and strong dealer network in the north to the acquirer.
- We expect the company to report EPS of Rs10.3 for FY08 and Rs11.3 for FY09.
- The stock is currently trading at 26.6x FY08E and 24.2x FY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	8,192	6,974	8,384	6,450	7,500	7,500	9,000	7,800	30,000	31,800
Net Sales	**2,436**	**2,226**	**2,634**	**2,207**	**2,286**	**2,406**	**2,861**	**2,600**	**9,503**	**10,153**
Change (%)	*2.4*	*5.0*	*2.3*	*-12.2*	*-6.2*	*8.1*	*8.6*	*17.8*	*-0.9*	*6.8*
Total Cost	2,135	1,950	2,303	2,010	2,069	2,165	2,547	2,325	8,398	9,105
EBITDA	**301**	**276**	**331**	**198**	**217**	**241**	**315**	**275**	**1,106**	**1,048**
As a % of Sales	*12.4*	*12.4*	*12.6*	*9.0*	*9.5*	*10.0*	*11.0*	*10.6*	*11.6*	*10.3*
Change (%)	*18.0*	*7.0*	*-9.3*	*-48.3*	*-27.9*	*-12.8*	*-4.9*	*39.0*	*-12.3*	*-5.3*
Non-operating Income	2	40	0	1	2	40	0	1	43	43
Extraordinary Income	0	0	56	55	0	0	0	0	111	0
Interest	5	8	2	-6	3	3	2	1	9	9
Gross Profit	**298**	**308**	**385**	**259**	**216**	**278**	**313**	**275**	**1,250**	**1,081**
Less: Depreciation	38	38	40	39	41	43	43	44	155	171
PBT	**260**	**270**	**345**	**220**	**175**	**235**	**270**	**231**	**1,095**	**910**
Tax	83	87	99	46	54	73	84	74	315	285
Effective Tax Rate (%)	*31.9*	*32.2*	*28.7*	*21.0*	*31.0*	*31.0*	*31.0*	*32.2*	*28.8*	*31.3*
PAT	**177**	**183**	**246**	**174**	**121**	**162**	**186**	**156**	**780**	**625**
Adj PAT	**177**	**183**	**190**	**119**	**121**	**162**	**186**	**156**	**669**	**625**
Change (%)	*28.3*	*8.9*	*-8.7*	*-43.3*	*-31.7*	*-11.5*	*-2.0*	*31.1*	*-7.5*	*-6.6*

E: MOSt Estimates

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Swaraj Mazda

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SM IN
	REUTERS CODE
S&P CNX: 4,318	SWRJ.BO

Equity Shares (m)	10.5
52-Week Range	385/206
1,6,12 Rel. Perf. (%)	-9/-10/2
M.Cap. (Rs m)	3,305.6
M.Cap. (US$ m)	81.1

29 June 2007

Neutral

Previous Recommendation: Neutral Rs315

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	6,034	161	15.3	-3.5	20.5	4.4	21.2	17.2	0.7	11.5
3/08E	6,531	178	17.0	10.8	18.5	3.8	20.6	18.0	0.6	10.6
3/09E	7,194	208	19.9	16.9	15.9	3.3	21.1	19.0	0.6	9.4

- We expect Swaraj Mazda to report volume growth of 10% for 1QFY08, mainly due to the low base of the previous year, leading to net sales growth of 12.2% to Rs1.3b.
- While EBITDA margins have been under pressure in FY07 due to poor operating performance, we expect 190bp improvement in the EBITDA margin to 4.5%. We estimate PAT at Rs18m.
- Swaraj is increasing its production capacity from 12,000 units a year to 36,000 units per year over the next 2-3 years.
- We estimate EPS at Rs17 for FY08 and at Rs19.9 for FY09.
- Currently its operating margins are facing a squeeze. It is also incurring huge capex over the next 2-3 years. We expect margin and capex pressures to affect profitability. Our recommendation is **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	2,201	3,101	2,730	2,827	2,421	3,194	2,867	2,920	10,859	11,402
Net Sales	**1,181**	**1,710**	**1,492**	**1,651**	**1,325**	**1,832**	**1,614**	**1,760**	**6,034**	**6,531**
Change (%)	*-20.0*	*15.2*	*-6.2*	*5.0*	*12.2*	*7.1*	*8.1*	*6.6*	*-1.4*	*8.2*
Total Cost	1,150	1,612	1,385	1,533	1,265	1,717	1,505	1,648	5,680	6,135
EBITDA	**31**	**98**	**107**	**119**	**60**	**114**	**109**	**112**	**355**	**395**
As % of Sales	*2.6*	*5.7*	*7.2*	*7.2*	*4.5*	*6.3*	*6.7*	*6.4*	*5.9*	*6.0*
Change (%)	*-74.4*	*-6.7*	*37.2*	*142.3*	*92.4*	*16.8*	*1.8*	*-5.5*	*2.7*	*11.4*
Interest	19	24	25	25	25	27	26	25	93	103
Gross Profit	**12**	**74**	**82**	**93**	**35**	**87**	**83**	**87**	**261**	**292**
Depreciation	6	7	8	8	8	9	9	9	29	35
PBT	**6**	**67**	**74**	**85**	**27**	**78**	**74**	**78**	**232**	**257**
Tax	4	18	24	25	8	24	23	24	71	79
Tax Rate (%)	*70.0*	*26.6*	*32.4*	*29.7*	*30.7*	*30.7*	*30.7*	*30.7*	*30.7*	*30.7*
PAT	**2**	**49**	**50**	**60**	**18**	**54**	**51**	**54**	**161**	**178**
Adj. PAT	**2**	**49**	**50**	**60**	**18**	**54**	**51**	**54**	**161**	**178**
Change (%)	*-97.3*	*-10.5*	*47.1*	*407.6*	*925.2*	*10.5*	*2.5*	*-9.4*	*-3.5*	*10.8*

E: MOSt Estimates

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Tata Motors

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TTMT IN
	REUTERS CODE
S&P CNX: 4,318	TAMO.BO

Dil. Equity Shares (m)	407.2
52-Week Range	975/635
1,6,12 Rel. Perf. (%)	-11/-32/-54
M.Cap. (Rs b)	272.7
M.Cap. (US$ b)	6.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs670

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	CON. EPS (RS)	P/E (X)	CON. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	274,048	19,816	48.7	55.0	13.8	12.2	28.8	27.1	1.0	8.1
3/08E	298,287	20,282	49.8	60.4	13.4	11.1	24.8	25.9	0.9	7.3
3/09E	333,989	22,391	55.0	67.3	12.2	10.0	23.2	25.2	0.8	6.6

- Tata Motors has posted 1% volume growth in 1QFY08, with a 7.7% YoY decline in M&HCV sales and 2% decrease in car sales. However, LCV sales (+10.3%) and UV sales (+20.6%) have remained strong.
- Sales have been negatively impacted by the shortage of a critical component (automatic slack adjusters) for CVs, higher interest rates affecting retail sales, as well as the occurrence of the *adhik mas*, an inauspicious period as per Hindu culture for making capital purchases.
- We estimate sales at Rs59.3b (up 2.5%) and EBITDA at Rs6.4b (decline of 14.7%), with EBITDA margin decline of 220bp YoY and 30bp QoQ to 10.8%. This would result in PAT of Rs3.7b (-7%) for 1QFY08.
- The company plans capex of Rs120b over the next four years. Around Rs75b will be derived from internal accruals and the balance is expected to be raised in the international/domestic markets. The company has so far announced its intention to raise US$450m, which will result in further equity dilution of 4.4%.
- We estimate consolidated EPS at Rs60.4 for FY08, Rs67.3 for FY09. The stock trades at 11.1x FY08E and 10x FY09E consolidated earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	126,154	139,905	141,393	171,926	127,361	153,750	161,900	191,825	579,378	634,836
Total Income	**57,835**	**65,718**	**68,252**	**82,242**	**59,264**	**73,666**	**79,871**	**93,541**	**274,048**	**306,342**
Change (%)	*49.1*	*37.4*	*34.5*	*19.7*	*2.5*	*12.1*	*17.0*	*13.7*	*33.0*	*11.8*
Total Cost	50,329	57,939	59,816	73,096	52,864	65,378	70,326	81,982	241,180	270,550
EBITDA	**7,506**	**7,779**	**8,436**	**9,147**	**6,401**	**8,287**	**9,545**	**11,560**	**32,868**	**35,792**
As % of Sales	*13.0*	*11.8*	*12.4*	*11.1*	*10.8*	*11.3*	*12.0*	*12.4*	*12.0*	*11.7*
Change (%)	*58.6*	*30.6*	*27.7*	*4.9*	*-14.7*	*6.5*	*13.1*	*26.4*	*26.4*	*8.9*
Non-Operating Income	859	848	143	601	875	875	210	266	2,452	2,226
Extraordinary Expense	242	316	235	257	0	0	0	0	1,049	0
Interest	726	956	852	597	650	800	1,000	1,164	3,131	3,614
Gross Profit	**6,614**	**7,610**	**8,809**	**9,412**	**6,626**	**8,362**	**8,755**	**10,662**	**32,445**	**34,404**
Depreciation & Amort.	1,411	1,435	1,435	1,582	1,580	1,600	1,625	1,664	5,863	6,469
Product Dev. Expenses	103	175	287	285	115	200	250	328	850	893
PBT	**5,100**	**5,999**	**7,087**	**7,545**	**4,931**	**6,562**	**6,880**	**8,670**	**25,732**	**27,042**
Tax	1,282	1,582	1,956	1,778	1,233	1,641	1,720	2,167	6,597	6,761
Effective Tax Rate (%)	*25.1*	*26.4*	*27.6*	*23.6*	*25.0*	*25.0*	*25.0*	*25.0*	*25.6*	*25.0*
PAT	**3,819**	**4,417**	**5,132**	**5,767**	**3,698**	**4,922**	**5,160**	**6,502**	**19,135**	**20,282**
Change (%)	*40.0*	*30.7*	*11.7*	*25.6*	*-3.2*	*11.4*	*0.5*	*12.8*	*25.2*	*6.0*
Adj PAT	**3,976**	**4,623**	**5,284**	**5,934**	**3,698**	**4,922**	**5,160**	**6,502**	**19,816**	**20,282**
Change (%)	*45.5*	*36.6*	*69.2*	*20.1*	*-7.0*	*6.5*	*-2.4*	*9.6*	*39.7*	*2.3*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411/ Rohan A Korde (RohanKorde@MotilalOswal.com); Tel: + 91 22 3982 5414

TVS Motor

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TVSS IN
	REUTERS CODE
S&P CNX: 4,318	TVSS.BO

Equity Shares (m)	237.5
52-Week Range	130/53
1,6,12 Rel. Perf. (%)	-10/-37/-76
M.Cap. (Rs b)	14.5
M.Cap. (US$ b)	0.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs61

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	38,550	666	2.8	-37.9	21.7	1.8	8.2	9.1	0.4	10.6
3/08E	38,926	673	2.8	1.1	21.5	1.7	7.9	8.8	0.4	10.4
3/09E	41,938	733	3.1	8.9	19.7	1.6	8.1	9.1	0.3	8.3

- TVS Motors has registered volume decline of 14.7% in 1QFY08, with motorcycles – the key volume growth driver in 1HFY07 – declining by 35.5% in 1Q. However, scooters and mopeds have put up a better performance, since these are not dependent on financing like motorcycles.
- We expect sales to decline 15.6% to Rs7.8b and EBITDA margin by 320bp, resulting in an EBITDA of Rs97m. Net profit is expected to continue its declining trend to Rs57m (decline of 73.1% YoY). Management has guided for the margins to remain under pressure in 1HFY08, due to high cost of raw materials and intense competitive activity.
- In line with the industry trend, TVS is to launch new variants / models on a regular basis to maintain its market share. Its latest offering is the Star Sport, a 100cc motorcycle with alloy wheels, targeting urban customers.
- TVS Motors' volumes have been negatively impacted by the aggressive strategies adopted by the top 2 two-wheeler companies – Hero Honda and Bajaj Auto. Entry in the three-wheeler segment will help diversify revenues over a period of time. However, we believe operating performance remains a concern.
- We expect TVS Motors to report EPS of Rs2.8 in FY08 and Rs3.1 in FY09. The stock trades at 21.5x FY08E EPS and 19.7x FY09E EPS. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Volumes (nos)	375,496	419,195	363,670	369,853	320,161	368,375	417,050	440,655	1,528,214	1,546,241
Net Sales	**9,218**	**10,779**	**9,354**	**9,199**	**7,781**	**9,377**	**10,759**	**11,008**	**38,550**	**38,926**
Change (%)	*25.4*	*36.6*	*7.3*	*9.6*	*-15.6*	*-13.0*	*15.0*	*19.7*	*19.2*	*1.0*
Total Cost	8,802	10,219	9,058	9,098	7,684	9,143	10,275	10,420	37,177	37,522
EBITDA	**416**	**560**	**296**	**101**	**97**	**234**	**484**	**588**	**1,373**	**1,404**
As % of Sales	*4.5*	*5.2*	*3.2*	*1.1*	*1.3*	*2.5*	*4.5*	*5.3*	*3.6*	*3.6*
Change (%)	*-16.3*	*21.9*	*-51.2*	*-79.1*	*-76.6*	*-58.1*	*63.4*	*483.1*	*-32.9*	*2.2*
Other Income	178	109	176	270	215	140	180	250	732	785
Interest	60	62	86	113	85	85	75	76	321	321
Depreciation	233	244	245	154	160	180	280	350	876	970
PBT	**301**	**363**	**141**	**103**	**67**	**109**	**309**	**412**	**909**	**898**
Tax	89	114	27	13	10	16	77	121	243	224
Effective Tax Rate (%)	*29.5*	*31.5*	*18.8*	*12.6*	*15.0*	*15.0*	*25.0*	*29.3*	*26.7*	*25.0*
PAT	**213**	**248**	**115**	**90**	**57**	**93**	**232**	**291**	**666**	**673**
Change (%)	*-14.6*	*-22.3*	*-63.1*	*-68.9*	*-73.1*	*-62.6*	*102.3*	*221.6*	*-43.1*	*1.1*
Adj.PAT	**213**	**248**	**115**	**90**	**57**	**93**	**232**	**291**	**666**	**673**
Change (%)	*-14.6*	*11.6*	*-63.1*	*-68.9*	*-73.1*	*-62.6*	*102.3*	*221.6*	*-37.9*	*1.1*

E: MOSt Estimates

Amit Kasat (AKasat@MotilalOswal.com);Tel:+91 22 3982 5411/ Rohan A Korde (RohanKorde@MotilalOswal.com); Tel: + 91 22 3982 5414

Banking

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Inflation dropped from its highs of 6.5%+ in March and April 2007 to less than 4.5% in June 2007. This fall is in line with our expectations and is on account of higher base effect of the inflation index in 1QFY07 and tougher monetary measures adopted by the RBI in FY07.

Credit growth has reduced from a CAGR of 29% in FY04-FY07 to 25% in June 2007. However RBI's monetary tightening stance via successive CRR hikes during FY07 and increases in deposit rates by all the banks to build up deposit bases to fund the runaway credit growth have led to the increasing interest rate scenario.

Increasing interest rates on deposits have played their role in improving deposit mobilization for the banks. The deposit growth improved from 16-17% in FY05, 18-20% in 1HFY07 to 23%+ in 1QFY08. We believe the current higher interest rates of 9.5%+ offered on retail term deposits are commercially unviable on a long term basis for the banks. These higher deposit rates would continue to maintain the pressure on cost of funds.

All banks increased their PLR by 125-200bp during January-April 2007. We expect the full quarter impact of loan repricing to substantially improve yields on advances for all the banks during 1QFY08. We expect banks to show QoQ improvement in the margins during 1QFY08. While as business momentum picks up starting 2QFY08 and the effect

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	NET INTEREST INCOME		OPERATING PROFIT		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Banks							
Andhra Bank	Buy	3,909	16.6	2,293	11.0	1,355	16.4
Bank of Baroda	Buy	11,004	24.7	6,728	21.0	2,875	76.0
Bank of India	Buy	10,241	34.0	6,185	32.3	2,949	41.3
Canara Bank	Buy	10,567	11.5	6,685	13.3	2,501	31.0
Corporation Bank	Sell	4,028	24.0	3,586	18.9	1,806	25.2
Federal Bank	Buy	1,958	23.4	1,567	37.8	606	50.8
HDFC	Buy	5,562	25.2	4,795	26.0	3,648	22.9
HDFC Bank	Buy	11,816	44.5	7,488	21.6	3,188	33.2
ICICI Bank	Neutral	19,499	32.2	13,049	6.0	7,239	16.8
Indian Overseas Bank	Buy	7,670	33.3	5,173	4.2	2,789	25.6
J&K Bank	Buy	2,051	14.8	1,406	14.4	718	14.8
Karnataka Bank	Buy	1,144	20.0	964	9.3	417	13.5
Oriental Bank	Neutral	4,567	11.1	2,161	43.1	1,575	1.4
Punjab National Bank	Buy	15,202	17.6	6,991	42.5	3,666	-0.3
State Bank	Buy	45,007	15.9	28,534	0.6	10,747	34.6
Syndicate Bank	Buy	6,298	24.5	3,979	31.8	2,379	31.7
Union Bank	Buy	8,094	27.6	5,490	28.7	2,315	38.8
UTI Bank	Buy	4,637	44.1	3,680	19.8	1,680	39.4
Vijaya Bank	Neutral	2,948	14.1	1,900	-2.6	840	15.7
Sector Aggregate		**176,202**	**23.1**	**112,653**	**14.0**	**53,293**	**26.8**

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of higher term deposit rates offered in 4QFY07 and 1QFY08 becomes more evident, we expect margins to reduce for most banks from 1QFY08 levels.

FY08 would be a year of significant capital raising by the financial sector (US$10b), driven by tougher regulatory requirements and significant loan growth ahead. We are positive on banks that can raise capital at higher premium, where RoEs would bounce back in a couple of years as they leverage the new capital. We like HDFC Bank, UTI Bank and HDFC amongst private players.

Starting FY08, banks would have to comply with the revised AS-15 requirements. This would dent profitability for most government banks. While bigger banks such as SBI and BoB expect total shortfall of Rs45b and Rs11b respectively. OBC (no provision necessary), Union Bank and BoI would be relatively better off with lower shortfalls.

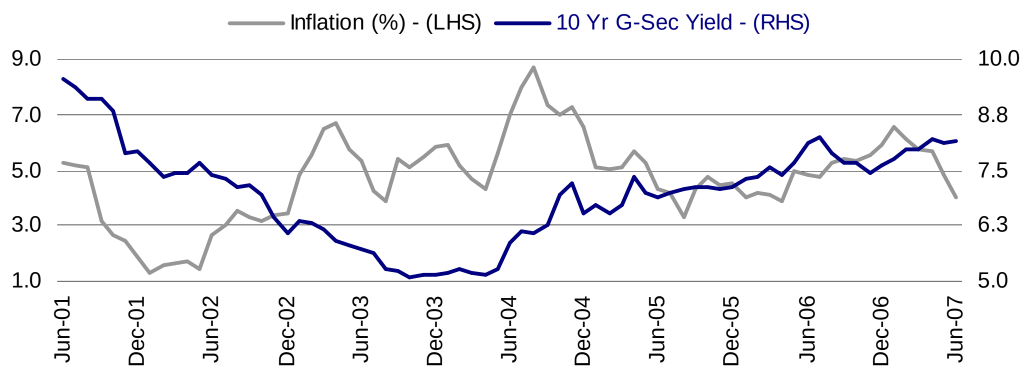
The valuations at 0.8-1.5x FY09E BV for government banks, with RoEs in the range of 17-25%, are attractive. Private players continue to be a growth story. We like Union Bank Indian Bank and IOB among mid-cap banks. Among private players, we like HDFC Bank, UTI Bank and HDFC.

Inflation cools off to comfort zone, but 10-year G-sec yield rises

Inflation dropped from its highs of 6.5%+ in March and April 2007 to less than 4.5% in June 2007. This fall is in line with our expectations and is on account of the higher base effect of inflation index in 1QFY07 and tougher monetary measures adopted by RBI in FY07. The RBI has a target to maintain inflation rate at close to 5% during FY08.

While inflation has come off from its highs, 10-year G-sec yield has moved up by about 18bp since March2007. The G-sec yields movement in shorter-end maturities of 1, 2 and 5 years has been in line with inflation fall. The 2-year G-sec yields have fallen by ~9bp while 1-year G Sec yield has dropped by ~11bp since March 2007.

INFLATION V/S 10-YEAR AND 2 -YEAR G-SEC YIELDS



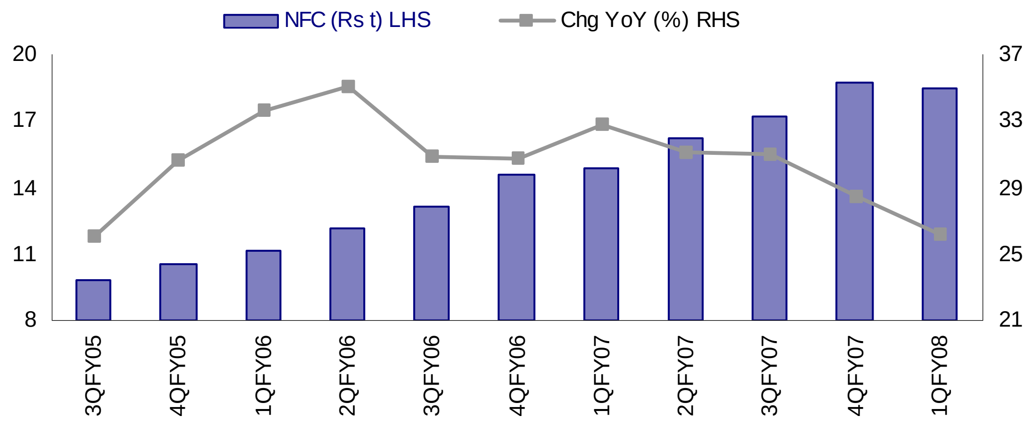
Source: Company/Motilal Oswal Securities

The decrease in yields in shorter end securities would mean some release of MTM provisions made by banks during 4QFY07. We expect PNB, OBC, Canara Bank to reverse some of the provision for depreciation on their AFS investment book during 1QFY08.

Loan growth comes down from 29% to 25%

Credit growth has fallen from a CAGR of 29% in FY04-FY07 to 25% in June 2007. The key drivers of the Indian credit growth story have been favorable macro environment with strong GDP/industrial growth, de-leveraged corporate balance sheets at the time of capacity expansions, under-leveraged consumers with rising disposable incomes, and lower interest rates; the last factor — interest rate — has reversed during FY07. RBI's monetary tightening through successive CRR hikes during FY07 and increases in deposit rates by all the banks to build up deposit base to fund the run-away credit growth have led to increasing interest rate scenario.

CREDIT GROWTH



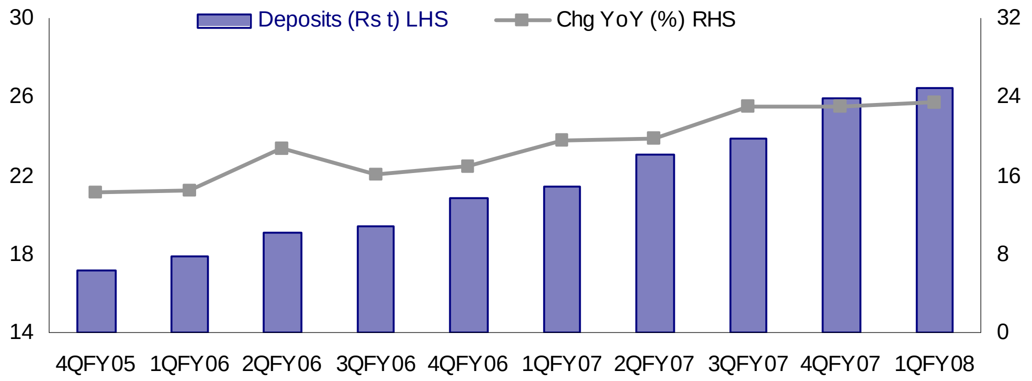
Source: Company/Motilal Oswal Securities

In absolute amount the total outstanding credit for the industry has come down by 2% in June 2007 from March 2007 levels. The slowdown in credit growth is partly attributable to the seasonal characteristics of first quarter of the year and also to a slowdown being experienced in retail credit –especially in mortgages due to increased interest rates. We expect most banks to have their advances book close to March 2007 levels. Most bankers expect their credit book to grow by ~25% in FY08, in line with RBI's estimate for credit growth.

Deposit growth picking up

Increasing interest rates on deposits has enabled banks to mobilize increased deposits. Deposit growth improved from 16-17% in FY05, 18-20% in 1HFY07 to 23%+ in 1QFY08. C-D ratio for the industry has come off from ~74% in March 2007 to 72% in June 2007, as deposit growth has remained robust while credit growth has slowed down during 1QFY08. Nevertheless, the C-D ratio has increased by 200bp on a YoY basis. The SLR ratio reduced from 30-32% a year ago to ~28% in June 2007. Mobilizing deposits has been a prime focus area during FY07 and this trend is expected to continue in FY08.

YOY DEPOSITS GROWTH



Source: Company/Motilal Oswal Securities

Most banks had launched limited period special deposit schemes offering interest rates of 9.5%+ for retail term deposits during 4QFY07 to meet the liquidity crunch. The success of these schemes has improved the liquidity situation for banks and all banks have continued these higher interest rate schemes even in 1QFY08. We believe 9.5%+ deposits would be incrementally margin dilutive for the banks and thus are not commercially viable over the long term. However, except PNB, no other bank has announced the withdrawal of these schemes until now. We believe these schemes would be short lived and expect most banks to withdraw them by 2QFY08.

As the differential between savings interest rate (3.5%) and term deposit rate has increased from ~2% to ~5% currently, there has been transfer of funds from savings to term deposits. Though growing current account and savings account (CASA) is a prime agenda for all the banks, the widening interest rate differential would act as a major challenge. Incremental CASA ratio has dropped to 30% in FY07 v/s 47% in FY08. The banks with a large branch network and an efficient and cutting edge technology would benefit from raising core deposits and thus contain the increase in cost of deposits. Also, the banks with higher CASA ratio (like HDFC Bank, UTI Bank, SBI, PNB BoI, Union Bank) would be better placed to bear the increasing cost of deposits.

PLR hikes to improve yields and sustain margins in 1QFY08

All banks increased their PLR by 125-200bp during January-April 2007. We expect the full quarter impact of loan repricing to substantially improve yields on advances for all the banks during 1QFY08. While upward pressure on cost of funds would continue on account of higher deposit rates, we expect yields improvement to offset this rise. We expect the banks to show a QoQ increase in the margins during 1QFY08. While as business momentum picks up beginning 2QFY08 and the effect of higher term deposit rates offered in 4QFY07 and 1QFY08 becomes more evident, we expect margins to reduce for most banks.

PLR HIKES BY VARIOUS BANKS

	INCREASE IN PLR BP		
	4QFY07	1QFY08	RULING PLR (%)
SBI	75	50	12.75
Canara Bank	100	75	13.25
PNB	50	75	13.00
BoB	100	75	13.25
BoI	100	75	13.25
ICICI Bank	100	100	15.75
HDFC Bank	100	100	15.00

Source: Company/Motilal Oswal Securities

We expect banks with higher CASA ratio to sustain margins during FY08, while banks with high reliance on bulk deposits would see margins under pressure. We like HDFC Bank, UTI Bank amongst private players and SBI, BoI, PNB, Union Bank, Indian Bank and IOB amongst government banks for their strong retail deposits franchise.

FY08 – year of capital raising

FY08 would be a year of significant capital raising by the financial sector (US$10b), driven by tougher regulatory requirements and significant loan growth ahead. While private players such as HDFC Bank and UTI Bank would be able to raise equity at substantial premium to their book value, we believe that the urgent necessity of regulatory compliance might prompt some state-owned banks to dilute equity at prices close to their book value. Amongst state-owned banks, we expect State Bank of India, Bank of India and Syndicate Bank to raise capital during FY08. We are positive on banks that can raise capital at higher premium, where RoEs would bounce back in a couple of years as they leverage the new capital.

During 1QFY08, ICICI Bank successfully completed its US$5b equity issue with an overwhelming response. The issue was subscribed 21.6 times in the QIB segment - demonstrating investor confidence in the growth of Indian financial services sector. We believe the estimated insurance valuation of US$11b discovered for ICICI Prudential Life would set a benchmark for valuing SBI Life, HDFC Standard Life going forward. This higher valuation of life ventures can provide significant upside to valuations of SBI and HDFC in future.

Our top picks are HDFC, HDFC Bank and UTI Bank among the private players, and State Bank of India, Bank of India and Union Bank among government banks.

AS-15 provisions may dent profitability

Banks would have to comply with revised AS-15 beginning FY08. The government banks have large unfunded liabilities, which needs to provided in the accounts. We understand, the Institute of Chartered Accounts of India (ICAI) has suggested two alternative approaches for accounting the backlog of under provisioning. Banks can either take a full hit on their opening net worth or they can amortize the funding gap over 5-years through the profit and loss account. As reducing the net worth would deteriorate the book value and capital adequacy ratio in one go and may also prompt obvious litigations over tax deductibility of this expense, we believe most banks would amortize this shortfall over the next five years through the P&L account.

Our interaction with various bankers has revealed the following amounts of accumulated underprovisioning in accordance with revised AS-15:

BANK NAME	APPX. TOTAL IMPACT (RS B)	PER YEAR HIT TO P & L A/C (RS B)
State Bank of India	42-45	8.4-9.0
Punjab National Bank	6-7	1.2-1.4
Bank of Baroda	11	2.3
Bank of India	6	1.2
Oriental Bank of Commerce	Nil	Nil
Union Bank of India	3	0.6

Source: Company/Motilal Oswal Securities

Maintain positive bias

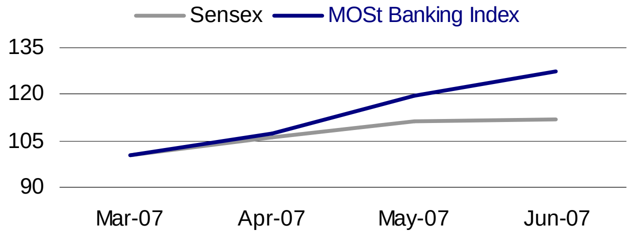
The Bankex has increased by 23% since March 2007. Still the valuations for state-owned banks at 0.8-1.5x FY09E BV, with RoEs in the range of 17-25%, are attractive. The recent CRR hike by 0.5% to 6.5% effective April 2007 and increased cost of deposits are bound to put pressure on NIMs of banks, especially those with low CASA levels and those banks that have aggressively raised bulk deposits in 4QFY07. While we believe that banks would raise lending rates to maintain overall margins going forward, growth for the overall sector could come off. Among state-owned banks, we like banks that are strong in liability franchise and are growing at a steady pace. We like SBI and BoI among large cap banks while we like Union Bank, Indian Bank and IOB among mid-cap banks. Among private players, we like HDFC Bank, HDFC and UTI Bank - particularly considering their capital raising plans during FY08.

Stock performance and valuations

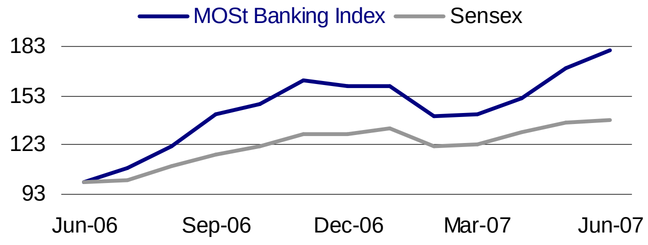
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Banking						
Andhra Bank	13	38	1	-1	-14	-43
Bank of Baroda	25	36	13	-2	-1	-44
Bank of India	39	128	27	90	12	48
Canara Bank	38	34	26	-4	12	-46
Corporation Bank	12	47	0	8	-14	-34
Federal Bank	40	82	28	44	13	2
HDFC	34	80	21	42	7	0
HDFC Bank	21	45	8	7	-6	-35
ICICI Bank	12	96	0	58	-15	16
Indian Overseas Bank	14	40	2	2	-13	-40
J&K Bank	5	78	-7	40	-22	-2
Karnataka Bank	2	91	-10	53	-24	11
Oriental Bank of Commerce	20	32	8	-6	-6	-48
Punjab National Bank	14	66	2	28	-12	-14
State Bank	54	110	42	72	27	30
Syndicate Bank	20	53	8	15	-7	-27
Union Bank	27	46	15	8	1	-34
UTI Bank	23	127	11	89	-3	47
Vijaya Bank	17	26	5	-12	-10	-54

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			P/BV (X)			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Banks														
Andhra Bank	86	Buy	11.1	12.7	15.0	7.7	6.8	5.7	1.3	1.2	1.0	17.8	18.4	19.3
Bank of Baroda	270	Buy	28.1	33.9	41.1	9.6	8.0	6.6	1.2	1.1	0.9	12.4	13.6	14.8
Bank of India	233	Buy	23.0	27.5	33.5	10.1	8.5	7.0	2.0	1.7	1.4	20.7	20.9	21.5
Canara Bank	270	Buy	34.7	39.3	45.5	7.8	6.9	5.9	1.4	1.2	1.0	16.3	14.7	15.2
Corporation Bank	324	Sell	37.4	44.2	52.6	8.7	7.3	6.2	1.2	1.1	1.0	15.0	15.8	16.7
Federal Bank	302	Buy	34.1	42.9	52.9	8.9	7.0	5.7	1.7	1.4	1.2	21.3	22.2	22.5
HDFC Bank	1,144	Buy	35.8	43.8	60.1	32.0	26.1	19.1	5.7	3.4	3.0	19.5	17.1	16.8
HDFC	2,030	Buy	62.1	72.5	86.7	32.7	28.0	23.4	9.3	5.6	4.3	31.3	25.5	21.2
ICICI Bank	955	Neutral	34.6	38.5	51.5	27.6	24.8	18.5	3.5	2.2	2.0	13.4	11.9	11.5
Indian Overseas Bank	118	Buy	18.5	22.5	26.1	6.4	5.2	4.5	1.7	1.3	1.1	28.1	27.3	25.5
J&K Bank	674	Buy	56.6	66.9	82.7	11.9	10.1	8.2	1.6	1.5	1.3	14.4	15.2	16.6
Karnataka Bank	175	Buy	14.6	17.0	19.6	12.0	10.3	8.9	1.7	1.5	1.3	15.1	15.7	15.9
Oriental Bank	226	Neutral	33.0	36.2	41.3	6.8	6.2	5.5	1.1	1.0	0.8	15.4	15.5	16.1
Punjab National Bank	540	Buy	48.8	59.8	72.9	11.1	9.0	7.4	1.7	1.5	1.3	15.5	16.9	18.0
State Bank	1,525	Buy	86.3	98.6	117.2	17.7	15.5	13.0	2.6	2.3	2.0	15.4	15.5	16.3
Syndicate Bank	77	Buy	13.7	15.5	17.7	5.6	4.9	4.3	1.2	1.0	0.9	21.9	20.2	19.7
Union Bank	132	Buy	16.7	21.1	25.9	7.9	6.3	5.1	1.4	1.2	1.0	17.3	19.0	20.2
UTI Bank	605	Buy	23.4	25.1	34.4	25.9	24.1	17.6	5.0	2.5	2.3	21.0	15.0	13.6
Vijaya Bank	50	Neutral	7.6	8.9	10.2	6.5	5.6	4.9	1.1	1.0	0.9	18.6	19.0	19.3
Sector Aggregate						**16.7**	**13.6**	**11.0**	**2.8**	**2.2**	**1.8**	**16.8**	**16.1**	**16.1**

Andhra Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ANDB IN
	REUTERS CODE
S&P CNX: 4,318	ADBK.BO

Equity Shares (m)	485.0
52-Week Range	99/57
1,6,12 Rel. Perf. (%)	-3/-7/-1
M.Cap. (Rs b)	41.7
M.Cap. (US$ b)	1.0

29 June 2007

Buy

Previous Recommendation: Buy

Rs86

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	18,644	5,379	11.1	10.6	7.7	1.3	11.3	17.8	1.2	1.3
3/08E	21,061	6,160	12.7	14.5	6.8	1.2	10.9	18.4	1.2	1.2
3/09E	24,107	7,257	15.0	17.8	5.7	1.0	11.0	19.3	1.2	1.1

- We expect net interest income (NII) to grow 17% YoY to Rs3.9b on back of improved yield on advances and loan book growth of 20-22%.
- Margins may show only a marginal rise QoQ, as bank had resorted to bulk deposits during 4QFY07, which would continue to put pressure on margins despite the expected improvement in yield on advances.
- Reported other income will drop as the bank will route the amortization on HTM investments through other income (~Rs200m). Excluding this, we would expect modest growth of 10% in other income.
- With gross NPAs at just 1.4% and net NPAs at 0.4%, incremental provisioning for NPA is expected to be low.
- The bank is a play on steady asset growth, clean books and reasonable RoE. At CMP, the stock is trading at 5.7x FY09E EPS and 1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07*				FY08E*				FY07*	FY08E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	7,599	7,721	8,128	9,699	9,727	9,728	10,160	11,962	33,153	41,577
Interest Expense	4,247	4,412	4,493	5,820	5,818	5,780	5,930	7,447	18,978	24,975
Net Interest Income	**3,352**	**3,309**	**3,635**	**3,879**	**3,909**	**3,949**	**4,229**	**4,515**	**14,175**	**16,602**
% Change (Y-o-Y)	*22.2*	*14.7*	*22.8*	*25.1*	*16.6*	*19.3*	*16.3*	*16.4*	*21.2*	*17.1*
Other Income	1,018	1,287	1,327	1,384	920	1,151	1,193	1,195	4,469	4,459
Net Income	**4,371**	**4,596**	**4,962**	**5,263**	**4,829**	**5,100**	**5,423**	**5,709**	**18,644**	**21,061**
% Change (Y-o-Y)	*24.3*	*13.1*	*19.6*	*20.4*	*10.5*	*11.0*	*9.3*	*8.5*	*19.4*	*13.0*
Operating Expenses	2,306	2,365	2,356	2,305	2,536	2,601	2,592	2,523	9,332	10,252
Operating Profit	**2,065**	**2,231**	**2,606**	**2,958**	**2,293**	**2,499**	**2,831**	**3,187**	**9,312**	**10,809**
Other Provisions	466	92	645	810	300	250	500	700	1,463	1,750
Profit before Tax	**1,599**	**2,140**	**1,961**	**2,148**	**1,993**	**2,249**	**2,331**	**2,487**	**7,849**	**9,059**
Tax Provisions	435	675	600	760	638	720	746	796	2,470	2,899
Net Profit	**1,164**	**1,465**	**1,361**	**1,388**	**1,355**	**1,529**	**1,585**	**1,691**	**5,379**	**6,160**
% Change (Y-o-Y)	*36.7*	*10.2*	*5.6*	*0.1*	*16.4*	*4.4*	*16.4*	*21.9*	*10.6*	*14.5*
Cost to Income Ratio (%)	*52.8*	*51.5*	*47.5*	*43.8*	*52.5*	*51.0*	*47.8*	*44.2*	*50.1*	*48.7*
Interest Exp./Interest Income (%)	*55.9*	*57.1*	*55.3*	*60.0*	*59.8*	*59.4*	*58.4*	*62.3*	*57.2*	*60.1*
Other Income/Net Income (%)	*23.3*	*28.0*	*26.7*	*26.3*	*19.1*	*22.6*	*22.0*	*20.9*	*24.0*	*21.2*

*E: MOSt Estimates; * HTM amortization is included in the provisions in FY07 while in FY08 it is included in other Income for quarterly results*

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Bank of Baroda

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BOB IN
	REUTERS CODE
S&P CNX: 4,318	BOB.BO

Equity Shares (m)	365.5
52-Week Range	296/176
1,6,12 Rel. Perf. (%)	-2/6/-2
M.Cap. (Rs b)	98.8
M.Cap. (US$ b)	2.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs270

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	49,593	10,265	28.1	24.1	9.6	1.2	11.8	12.4	0.8	1.2
3/08E	56,890	12,395	33.9	20.8	8.0	1.1	11.0	13.6	0.8	1.1
3/09E	65,426	15,014	41.1	21.1	6.6	0.9	11.0	14.8	0.8	1.0

- We expect the loan book to decelerate QoQ while it may record growth of 30%+ YoY, as the bank has aggressively built up its loan book during FY07.
- Comfortable liquidity position along with its PLR hikes of 75bp in April 2007 should enable the bank to sustain margins at 4QFY07 levels of 3.4%. We thus expect strong NII growth of 25% in 1Q.
- We expect fee income growth to continue to remain strong and treasury profits to also increase on the lower base in 1QFY07. Thus other income excluding amortization on HTM investments of ~Rs500m would report strong 16% growth.
- The bank will likely provide for AS-15 compliance, which would impact profitability. We expect quarterly provision of ~Rs550m on this account.
- BoB's asset quality has improved significantly over the last one year with coverage ratio at 76% and net NPAs at 0.6%. Recoveries during the quarter are expected to be robust, which would further improve asset quality and require lower NPA provisions during the quarter.
- PAT growth is likely to be strong 76% YoY on the back of strong NII growth and lower overall provisions.
- At 0.9x FY09E BV the valuations are attractive, we maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	20,201	21,859	23,870	26,721	28,281	28,198	30,554	31,866	92,126	118,899
Interest Expense	11,378	12,952	14,262	15,674	17,277	17,744	19,396	18,952	54,266	73,369
Net Interest Income	**8,823**	**8,908**	**9,608**	**11,046**	**11,004**	**10,455**	**11,157**	**12,914**	**37,861**	**45,530**
% Change (YoY)	*16.3*	*13.9*	*17.8*	*27.5*	*24.7*	*17.4*	*16.1*	*16.9*	*19.3*	*20.3*
Other Income	2,775	3,217	3,337	3,978	2,730	2,939	2,904	2,787	11,732	11,360
Net Income	**11,599**	**12,125**	**12,945**	**15,024**	**13,735**	**13,394**	**14,061**	**15,701**	**49,593**	**56,890**
% Change (YoY)	*19.9*	*11.1*	*19.0*	*21.3*	*18.4*	*10.5*	*8.6*	*4.5*	*15.3*	*14.7*
Operating Expenses	6,040	5,968	6,375	7,584	7,006	7,162	7,204	7,990	25,443	29,363
Operating Profit	**5,559**	**6,157**	**6,569**	**7,440**	**6,728**	**6,232**	**6,857**	**7,710**	**24,150**	**27,527**
Provision & Contingencies	3,054	1,593	1,417	3,118	2,500	1,800	2,000	3,000	7,608	9,300
PBT	**2,504**	**4,564**	**5,153**	**4,322**	**4,228**	**4,432**	**4,857**	**4,710**	**16,543**	**18,227**
Tax Provisions	871	1,680	1,861	1,866	1,353	1,418	1,554	1,507	6,278	5,833
Net Profit	**1,633**	**2,884**	**3,292**	**2,457**	**2,875**	**3,014**	**3,303**	**3,203**	**10,265**	**12,395**
% Change (YoY)	*4.0*	*11.3*	*62.8*	*17.7*	*76.0*	*4.5*	*0.3*	*30.4*	*24.1*	*20.8*
Cost to Income Ratio (%)	*52.1*	*49.2*	*49.3*	*50.5*	*51.0*	*53.5*	*51.2*	*50.9*	*51.3*	*51.6*
Int Exp/ Int Earned (%)	*56.3*	*59.2*	*59.7*	*58.7*	*61.1*	*62.9*	*63.5*	*59.5*	*58.9*	*61.7*
Other Income / Net Income (%)	*23.9*	*26.5*	*25.8*	*26.5*	*19.9*	*21.9*	*20.6*	*17.8*	*23.7*	*20.0*

*E: MOSt Estimates; * HTM amortization is included in the Provisions in FY07 while in FY08 it is included in Other Income for quarterly results*

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Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BOI IN
	REUTERS CODE
S&P CNX: 4,318	BOI.BO

Equity Shares (m)	488.1
52-Week Range	235/80
1,6,12 Rel. Perf. (%)	10/6/90
M.Cap. (Rs b)	113.6
M.Cap. (US$ b)	2.8

29 June 2007

Buy

Previous Recommendation: Buy

Rs233

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	50,034	11,232	23.0	60.2	10.1	2.0	11.6	20.7	0.9	2.1
3/08E	55,200	13,416	27.5	19.5	8.5	1.7	11.9	20.9	0.9	1.7
3/09E	64,347	16,334	33.5	21.7	7.0	1.4	10.5	21.5	0.9	1.4

- We expect NII to grow 34% YoY on a reported basis, as the bank used to charge amortization on HTM investments as part of interest expense in FY07, which will now be classified under other income. After adjusting for this, we expect NII to grow by 24% YoY
- Loan growth is likely to be 28% YoY. Margins are likely to be stable QoQ.
- Opex, may record slower growth of about 10% as the bank has aggressively expensed technology costs in FY07. We expect FY08 opex to slow down.
- NPA provisions will continue to remain high, as the bank has an objective to raise its coverage ratio to 75% from 70% in FY07.
- The bank continues to be the most consistent in term of its improvement in core performance. At CMP, the stock is trading at 7x FY09E EPS and 1.4x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07*	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	20,211	22,582	23,187	26,154	27,284	29,130	29,911	32,358	91,803	118,684
Interest Expense	12,566	14,088	14,599	16,474	17,043	18,751	19,355	21,301	57,399	76,450
Net Interest Income	**7,644**	**8,494**	**8,588**	**9,680**	**10,241**	**10,380**	**10,556**	**11,057**	**34,405**	**42,234**
% Change (Y-o-Y)	*36.8*	*46.8*	*30.8*	*15.5*	*34.0*	*22.2*	*22.9*	*14.2*	*30.7*	*22.8*
NII Adjusted for Amortization	8,234	9,104	9,198	10,310	10,241	10,380	10,556	11,057	36,845	28,611
Other Income	3,107	3,533	3,223	5,767	2,929	3,018	3,045	3,973	15,630	12,966
Net Income	**10,751**	**12,026**	**11,811**	**15,447**	**13,170**	**13,397**	**13,601**	**15,030**	**50,034**	**55,200**
% Change (Y-o-Y)	*26.0*	*36.4*	*28.5*	*32.9*	*22.5*	*11.4*	*15.2*	*-2.7*	*31.1*	*10.3*
Operating Expenses	6,075	7,236	6,279	6,495	6,986	7,380	6,600	7,700	26,084	28,666
Operating Profit	**4,676**	**4,791**	**5,532**	**8,952**	**6,185**	**6,017**	**7,001**	**7,331**	**23,950**	**26,534**
Other Provisions	1,685	1,587	2,286	3,064	2,089	1,904	2,743	1,164	8,621	7,900
Profit before Tax	**2,991**	**3,204**	**3,246**	**5,888**	**4,096**	**4,113**	**4,258**	**6,167**	**15,329**	**18,634**
Tax Provisions	904	1,083	697	1,414	1,147	1,152	1,192	1,727	4,097	5,218
Net Profit	**2,087**	**2,121**	**2,549**	**4,474**	**2,949**	**2,962**	**3,066**	**4,440**	**11,232**	**13,416**
% Change (Y-o-Y)	*21.5*	*60.5*	*78.1*	*75.9*	*41.3*	*39.6*	*20.3*	*-0.8*	*60.1*	*19.5*
Cost to Income Ratio (%)	*56.5*	*60.2*	*53.2*	*42.0*	*53.0*	*55.1*	*48.5*	*51.2*	*52.1*	*51.9*
Interest Exp./Interest Income (%)	*62.2*	*62.4*	*63.0*	*63.0*	*62.5*	*64.4*	*64.7*	*65.8*	*62.5*	*64.4*
Other Income/Net Income (%)	*28.9*	*29.4*	*27.3*	*37.3*	*22.2*	*22.5*	*22.4*	*26.4*	*31.2*	*23.5*

E: MOSt Estimates; NII adjusted of one-off but not for amortization

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Canara Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CBK IN
	REUTERS CODE
S&P CNX: 4,318	CNBK.BO

Equity Shares (m)	410.0
52-Week Range	320/165
1,6,12 Rel. Perf. (%)	3/-9/-4
M.Cap. (Rs b)	110.6
M.Cap. (US$ b)	2.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs270

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	54,778	14,208	34.7	5.8	7.8	1.4	13.5	16.3	1.0	1.5
3/08E	60,894	16,117	39.3	13.4	6.9	1.2	12.0	14.7	1.0	1.3
3/09E	68,480	18,649	45.5	15.7	5.9	1.0	11.6	15.2	1.0	1.2

- NII growth is likely to be 12%. We expect margins to be stable QoQ, on account of the 175bp PLR increase since January 2007 as well as the comfortable liquidity position. We do not expect margin improvement, as the bank aggressively sourced bulk deposits during FY07.
- Fee income growth has been dismal so far (YoY growth of 10% in FY07). We do not expect any positive surprise on this count. Treasury profits are expected to remain lower.
- Operating expenses, ex-staff expenses, are likely to grow rapidly ahead, as the bank is rapidly ramping up technology and is also on a brand positioning drive. While staff cost growth is expected to be moderate at ~6% YoY, the impact of the revised AS-15 impact is yet unclear and could be negatively surprising.
- Part reversal of depreciation on the AFS book can be expected, while the bank may take a hit on account of transfer of securities from the AFS to the HTM category in the quarter. The balancing effect of the extent of reversal (positive effect) and securities transfer loss (negative impact) could surprise earnings growth.
- At CMP, the stock is trading at 5.9x FY09E EPS and 1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Earned	25,128	26,800	29,614	32,105	32,163	33,231	36,721	37,533	113,646	139,649
Interest Expended	15,649	16,988	19,220	21,512	21,596	21,575	24,602	24,714	73,377	92,487
Net Interest Income	**9,478**	**9,811**	**10,394**	**10,593**	**10,567**	**11,656**	**12,119**	**12,819**	**40,268**	**47,162**
% Change (YoY)	*13.8*	*21.6*	*8.5*	*7.7*	*11.5*	*18.8*	*16.6*	*21.0*	*12.4*	*17.1*
Non Interest Income	2,582	3,133	2,993	6,262	2,892	3,289	3,292	3,608	14,509	13,732
Net Income	**12,060**	**12,944**	**13,387**	**16,855**	**13,459**	**14,946**	**15,412**	**16,427**	**54,778**	**60,894**
Operating Expenses	6,158	6,792	6,369	6,334	6,774	7,335	7,006	7,309	25,653	28,424
Operating Profit	**5,902**	**6,152**	**7,018**	**10,521**	**6,685**	**7,610**	**8,406**	**9,119**	**29,125**	**32,470**
% Change (YoY)	*5.3*	*5.9*	*0.4*	*39.8*	*13.3*	*23.7*	*19.8*	*-13.3*	*14.2*	*11.5*
Other Provisions & Contingencies	3,743	1,534	2,630	4,970	3,400	2,000	3,000	2,250	12,417	11,300
PBT	**2,159**	**4,618**	**4,388**	**5,551**	**3,285**	**5,610**	**5,406**	**6,869**	**16,708**	**21,170**
Provision for Taxes	250	1,000	750	500	784	1,339	1,290	1,640	2,500	5,053
Net Profit	**1,909**	**3,618**	**3,638**	**5,051**	**2,501**	**4,271**	**4,116**	**5,229**	**14,208**	**16,117**
% Change (YoY)	*2.2*	*18.0*	*2.1*	*2.3*	*31.0*	*18.1*	*13.1*	*3.5*	*5.8*	*13.4*
Cost / Income	*51.1*	*52.5*	*47.6*	*37.6*	*50.3*	*49.1*	*45.5*	*44.5*	*46.8*	*46.7*
Int Exp / Int Income	*62.3*	*63.4*	*64.9*	*67.0*	*67.1*	*64.9*	*67.0*	*65.8*	*64.6*	*66.2*
Other Income / Net Income	*21.4*	*24.2*	*22.4*	*37.2*	*21.5*	*22.0*	*21.4*	*22.0*	*26.5*	*22.6*

E: MOSt Estimates

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Corporation Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CRPBK IN
	REUTERS CODE
S&P CNX: 4,318	CRBK.BO

Equity Shares (m)	143.4
52-Week Range	445/205
1,6,12 Rel. Perf. (%)	-5/-13/8
M.Cap. (Rs b)	46.5
M.Cap. (US$ b)	1.1

29 June 2007

Sell

Previous Recommendation: Sell

Rs324

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	19,436	5,361	37.4	20.6	8.7	1.2	12.8	15.0	1.2	1.3
3/08E	22,020	6,335	44.2	18.2	7.3	1.1	11.5	15.8	1.1	1.1
3/09E	25,285	7,549	52.6	19.2	6.2	1.0	10.5	16.7	1.1	1.0

- We expect the bank to show margin improvement in 1QFY07 QoQ, as yields on advances have improved to a level more than required for offsetting the increased deposit costs. We expect NII to grow by 24% YoY.
- Other income may decrease year-on-year on account of reduced treasury profits while fee income growth may remain modest at ~15%.
- Overall, we expect strong operating profit growth on the back of robust NII growth and operating leverage realization
- The stock trades at 6.2x FY09E EPS and 1x FY09E BV. We maintain **Sell**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	7,301	8,325	8,868	9,808	9,783	10,573	11,263	12,032	34,302	43,651
Interest Expense	4,053	5,158	5,536	5,777	5,755	6,525	7,196	7,713	20,524	27,189
Net Interest Income	**3,248**	**3,167**	**3,333**	**4,030**	**4,028**	**4,048**	**4,067**	**4,319**	**13,778**	**16,462**
% Change (Y-o-Y)	*15.6*	*3.3*	*1.5*	*29.6*	*24.0*	*27.8*	*22.0*	*7.2*	*12.3*	*19.5*
Other Income	1,650	982	1,408	1,619	1,667	1,129	1,422	1,341	5,658	5,559
Net Income	**4,898**	**4,148**	**4,741**	**5,649**	**5,695**	**5,176**	**5,488**	**5,661**	**19,436**	**22,020**
% Change (Y-o-Y)	*14.8*	*-1.2*	*15.6*	*27.2*	*16.3*	*24.8*	*15.8*	*0.2*	*14.3*	*13.3*
Operating Expenses	1,883	1,941	1,995	2,217	2,109	2,135	2,235	2,593	8,036	9,071
Operating Profit	**3,015**	**2,208**	**2,745**	**3,432**	**3,586**	**3,042**	**3,254**	**3,067**	**11,400**	**12,949**
% Change (Y-o-Y)	*19.1*	*-7.7*	*26.8*	*40.2*	*18.9*	*37.8*	*18.5*	*-10.6*	*19.5*	*13.6*
Other Provisions	838	238	647	1,513	850	800	700	1,000	3,235	3,350
PBT	**2,177**	**1,970**	**2,099**	**1,919**	**2,736**	**2,242**	**2,554**	**2,067**	**8,166**	**9,599**
Tax Provisions	735	700	635	735	930	762	868	703	2,804	3,264
Net Profit	**1,442**	**1,270**	**1,464**	**1,185**	**1,806**	**1,479**	**1,686**	**1,365**	**5,361**	**6,335**
% Change (Y-o-Y)	*16.8*	*20.3*	*27.2*	*18.1*	*25.2*	*16.5*	*15.1*	*15.2*	*20.6*	*18.2*
Cost to Income Ratio (%)	*38.4*	*46.8*	*42.1*	*39.3*	*37.0*	*41.2*	*40.7*	*45.8*	*41.3*	*41.2*
Interest Exp./Interest Income (%)	*55.5*	*62.0*	*62.4*	*58.9*	*58.8*	*61.7*	*63.9*	*64.1*	*59.8*	*62.3*
Other Income/Net Income (%)	*33.7*	*23.7*	*29.7*	*28.7*	*29.3*	*21.8*	*25.9*	*23.7*	*29.1*	*25.2*

E: MOSt Estimates; All quarters have been adjusted for reclassification of amortization on HTM as part of other income

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Federal Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	FB IN
	REUTERS CODE
S&P CNX: 4,318	FED.BO

Equity Shares (m)	85.8
52-Week Range	305/157
1,6,12 Rel. Perf. (%)	11/32/44
M.Cap. (Rs b)	25.9
M.Cap. (US$ b)	0.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs302

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	10,191	2,927	34.1	29.6	8.9	1.7	13.4	21.3	1.3	1.8
3/08E	11,628	3,681	42.9	25.8	7.0	1.4	12.9	22.2	1.3	1.4
3/09E	13,792	4,540	52.9	23.3	5.7	1.2	12.4	22.5	1.4	1.2

- We expect strong NII growth of 23% on the back of sustained margins and ~25% advances growth.
- While treasury profits may remain subdued, the traction in fee income should continue help other income growth.
- Asset quality has substantially improved with gross NPAs at 2.95% and net NPAs at 0.44% as of March 2007. We hence expect NPA provisions to remain low.
- Higher-than-required provisions for depreciation (Rs193m) were made on the bank's investments in 4QFY07. We could expect some reversals of provisions in 1QFY08, though we have not built this into our estimates.
- Federal Bank is a play on improving asset quality, consolidation and attractive valuations. At CMP, the stock trades at 5.7x FY09E EPS and 1.2x FY09E BV. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	4,083	4,337	4,441	5,313	5,103	5,421	5,551	6,596	18,174	22,672
Interest Expense	2,497	2,662	2,676	3,033	3,146	3,408	3,425	3,864	10,850	13,843
Net Interest Income	**1,586**	**1,675**	**1,766**	**2,280**	**1,958**	**2,014**	**2,127**	**2,731**	**7,324**	**8,829**
% Change (Y-o-Y)	*10.0*	*25.0*	*18.1*	*32.4*	*23.4*	*20.2*	*20.5*	*19.8*	*22.1*	*20.6*
Other Income	543	726	545	1,054	650	600	700	849	2,867	2,799
Net Income	**2,129**	**2,401**	**2,310**	**3,333**	**2,608**	**2,614**	**2,827**	**3,580**	**10,191**	**11,628**
% Change (Y-o-Y)	*14.2*	*26.0*	*16.8*	*37.8*	*22.5*	*8.9*	*22.4*	*7.4*	*24.8*	*14.1*
Operating Expenses	991	1,011	973	1,086	1,041	1,021	1,070	1,283	4,061	4,415
Operating Profit	**1,137**	**1,390**	**1,337**	**2,247**	**1,567**	**1,593**	**1,756**	**2,297**	**6,130**	**7,213**
Prov for Tax	176	170	196	388	311	316	349	456	1,055	1,432
Provisions and Contingencies	559	526	321	867	650	450	450	550	2,148	2,100
Net Profit	**402**	**695**	**820**	**993**	**606**	**827**	**958**	**1,291**	**2,927**	**3,681**
% Change (Y-o-Y)	*-17.5*	*28.2*	*14.5*	*95.6*	*50.8*	*19.0*	*16.7*	*30.1*	*30.0*	*25.8*
Cost to Income Ratio (%)	*46.6*	*42.1*	*42.1*	*32.6*	*39.9*	*39.1*	*37.9*	*35.8*	*39.8*	*38.0*
Interest Exp./Interest Income (%)	*61.2*	*61.4*	*60.2*	*57.1*	*61.6*	*62.9*	*61.7*	*58.6*	*59.7*	*61.1*
Other Income/Net Income (%)	*25.5*	*30.2*	*23.6*	*31.6*	*24.9*	*23.0*	*24.8*	*23.7*	*28.1*	*24.1*

E: MOSt Estimates

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HDFC

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HDFC IN
	REUTERS CODE
S&P CNX: 4,318	HDFC.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs2,030

Equity Shares (m)	253.0
52-Week Range	2,039/1,040
1,6,12 Rel. Perf. (%)	9/19/42
M.Cap. (Rs b)	513.6
M.Cap. (US$ b)	12.6

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	22,294	15,704	62.1	23.2	32.7	9.3	13.0	31.3	2.8	9.4
3/08E	28,707	19,656	72.5	16.9	28.0	5.6	13.0	25.5	2.7	5.6
3/09E	36,409	24,889	86.7	19.5	23.4	4.3	13.0	21.2	2.7	4.3

- Despite concerns relating to growth in mortgages, we expect HDFC to maintain its traditional growth of 26-27% in disbursements and 25%+ in loans.
- As ICICI Bank and other government banks slow down disbursements owing to margin concerns, we expect HDFC to gain market share.
- We expect 23% earnings growth in 1QFY08. HDFC continues to be one of the most consistent performers in the sector and we expect sustained outperformance in future as well.
- HDFC has announced preferential allotment of 18m shares (7.11% of HDFC's paid up capital) to Carlyl Group (15.3m shares) and Citigroup (2.7m shares) at a price of Rs1,730 per share. The aggregate amount to be raised by HDFC through the proposed preferential issue would be Rs31b. This transaction would be significantly book accretive for HDFC.
- Adjusting for the value of its subsidiaries, HDFC is available at 17x FY09E EPS. With steady growth prospects, we are optimistic over the future earnings growth of HDFC, maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from Operations	12,457	14,468	14,545	17,285	16,942	19,676	20,072	25,262	58,755	81,953
Other Income	28	95	39	45	40	90	50	40	208	220
Total Income	**12,485**	**14,563**	**14,585**	**17,330**	**16,982**	**19,766**	**20,122**	**25,302**	**58,963**	**82,173**
YoY Change (%)	*33.6*	*38.9*	*38.2*	*39.8*	*36.0*	*35.7*	*38.0*	*46.0*	*37.8*	*39.4*
Interest and Other Charges	8,014	9,137	9,475	10,042	11,380	12,974	13,644	15,467	36,669	53,465
Other Expenses	667	686	614	474	807	837	798	737	2,616	3,180
Total Expenses	8,681	9,823	10,089	10,517	12,187	13,812	14,443	16,204	39,285	56,645
PBDT	**3,805**	**4,740**	**4,495**	**6,813**	**4,795**	**5,955**	**5,680**	**9,098**	**19,678**	**25,527**
YoY Change (%)	*22.0*	*22.3*	*25.8*	*31.4*	*26.0*	*25.6*	*26.4*	*33.5*	*24.9*	*29.7*
Depreciation	37	39	47	52	45	47	49	49	175	220
PBT	**3,767**	**4,701**	**4,448**	**6,761**	**4,750**	**5,908**	**5,631**	**9,049**	**19,503**	**25,307**
Provision for Tax	799	1,021	886	1,261	1,102	1,371	1,306	2,099	3,974	5,871
PAT	**2,968**	**3,680**	**3,562**	**5,501**	**3,648**	**4,537**	**4,324**	**6,950**	**15,529**	**19,436**
YoY Change (%)	*20.0*	*23.1*	*25.2*	*29.0*	*22.9*	*23.3*	*21.4*	*26.3*	*23.5*	*25.2*

E: MOSt Estimates

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HDFC Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HDFCB IN
	REUTERS CODE
S&P CNX: 4,318	HDBK.BO

Equity Shares (m)	319.4
52-Week Range	1,274/693
1,6,12 Rel. Perf. (%)	2/1/7
M.Cap. (Rs b)	365.4
M.Cap. (US$ b)	9.0

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,144

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	49,847	11,419	35.8	28.3	32.0	5.7	13.1	19.5	1.4	5.8
3/08E	66,757	15,696	43.8	22.6	26.1	3.4	12.0	17.1	1.5	3.5
3/09E	88,669	21,509	60.1	37.0	19.1	3.0	11.0	16.8	1.6	3.0

- HDFC Bank is expected to maintain its trend of consistent PAT growth of ~31%. We expect margins to sustain at 4.5%, despite faster growth in 1QFY08, as cost of deposits will largely be contained.
- HDFC Bank has added 149 branches in 2HFY07 and is expected to add a similar number of branches in FY08. This branch expansion makes us comfortable about profitable and robust business growth, going forward.
- Rapid expansion of branch network would continue to keep upward pressure on operating expenses while we expect the overall cost-to-income ratio to be held firm at ~46% in 1QFY08 (excluding amortizations reclassification).
- Reported other income may decline, as the bank would reclassify the amortization expense (~Rs800m) on HTM investments as a part of other income, whereas in 1QFY07, it constituted a part of provisions.
- We expect the equity raising of US$1b in FY08 to be significantly book accretive. While RoEs would come down on account of this capital raising in near future, we expect returns to bounce back to 20%+ level over next 3-5 years. On a post diluted basis, the current valuations at 19.7x FY09E EPS and 3x FY09E BV look attractive. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	15,043	16,357	17,593	19,898	21,361	22,899	24,278	26,870	68,890	95,408
Interest Expense	6,867	7,901	8,307	8,721	9,545	10,903	11,630	13,055	31,795	45,131
Net Interest Income	**8,176**	**8,456**	**9,286**	**11,177**	**11,816**	**11,996**	**12,649**	**13,815**	**37,096**	**50,277**
Growth (%)	*56.1*	*38.1*	*38.5*	*51.2*	*44.5*	*41.9*	*36.2*	*23.6*	*45.7*	*35.5*
Other Income	3,508	3,977	3,733	3,944	3,409	3,644	4,326	5,101	12,751	16,480
Net Income	**11,684**	**12,433**	**13,019**	**15,121**	**15,226**	**15,641**	**16,975**	**18,916**	**49,847**	**66,757**
Growth (%)	*48.4*	*42.5*	*34.7*	*44.9*	*30.3*	*25.8*	*30.4*	*25.1*	*45.6*	*33.9*
Operating Expenses	5,527	5,791	6,050	6,839	7,738	8,000	8,894	9,952	24,208	34,583
Operating Profit	**6,157**	**6,642**	**6,969**	**8,282**	**7,488**	**7,641**	**8,081**	**8,964**	**25,639**	**32,174**
Provisions and Contingencies	2,639	3,057	2,664	3,303	2,800	2,500	2,250	1,542	7,309	9,092
Profit before Tax	**3,518**	**3,585**	**4,305**	**4,979**	**4,688**	**5,141**	**5,831**	**7,422**	**18,330**	**23,082**
Provision for Taxes	1,125	955	1,349	1,544	1,500	1,645	1,866	2,375	6,912	7,386
Net Profit	**2,393**	**2,629**	**2,956**	**3,436**	**3,188**	**3,496**	**3,965**	**5,047**	**11,419**	**15,696**
Growth (%)	*30.4*	*31.7*	*31.7*	*30.5*	*33.2*	*32.9*	*34.1*	*46.9*	*30.8*	*37.5*
Cost to Income Ratio (%)	*47.3*	*46.6*	*46.5*	*45.2*	*50.8*	*51.1*	*52.4*	*52.6*	*48.6*	*51.8*
Interest Exp./Interest Income (%)	*45.6*	*48.3*	*47.2*	*43.8*	*44.7*	*47.6*	*47.9*	*48.6*	*46.2*	*47.3*
Other Income/Total Income (%)	*30.0*	*32.0*	*28.7*	*26.1*	*22.4*	*23.3*	*25.5*	*27.0*	*25.6*	*24.7*

*E: MOSt Estimates; * HTM amortization is included in the Provisions in FY07 while in FY08 it is included in Other Income for quarterly results*

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ICICI Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ICICIBC IN
	REUTERS CODE
S&P CNX: 4,318	ICBK.BO

Equity Shares (m)	889.8
52-Week Range	1,007/465
1,6,12 Rel.Perf.(%)	2/1/57
M.Cap. (Rs b)	846.2
M.Cap. (US$ b)	20.7

29 June 2007

Neutral

Previous Recommendation: Neutral Rs955

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	125,648	31,102	34.6	21.2	27.6	3.5	13.0	13.4	1.1	3.7
3/08E	171,600	42,629	38.5	11.2	24.8	2.2	15.6	11.9	1.1	2.3
3/09E	233,169	57,066	51.5	33.9	18.5	2.0	14.0	11.5	1.1	2.2

- Margins are expected to decline due to aggressive bulk borrowing coupled with higher costs of deposits raised in 4QFY07. We expect margins to decline to 2.5% from 2.65% witnessed in 4QFY06.
- The bank has raised lending rates and its retail lending rates are higher versus the market. This should result in loan growth slowing down.
- Fee income would continue to grow rapidly likely reporting ~45% growth YoY driven by robust performance in its insurance, credit cards and international business. Treasury income could be lower in 1QFY08, owing to absence of any big-ticket gains. With deteriorating asset quality, we expect NPA provisions to continue to remain high.
- ICICI Bank has raised Rs200b during the quarter at an average of Rs960 per share. ICICI Bank has also amalgamated Sangli Bank with itself during the quarter.
- At CMP, excluding the subsidiaries, the stock trades at 11.7x FY09E EPS and 1.3x FY09E BV. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	50,386	54,694	58,247	66,616	76,941	84,635	90,560	103,764	229,943	355,900
Interest Expense	35,634	38,924	41,159	47,869	57,442	62,038	66,380	74,539	163,585	260,399
Net Interest Income	**14,753**	**15,770**	**17,088**	**18,747**	**19,499**	**22,598**	**24,180**	**29,225**	**66,358**	**95,501**
Growth (%)	*52.2*	*46.9*	*32.1*	*36.5*	*32.2*	*43.3*	*41.5*	*55.9*	*40.9*	*43.9*
Other Income	12,776	15,701	19,806	18,339	14,050	17,000	21,000	24,049	59,290	76,099
Net Income	**27,528**	**31,471**	**36,894**	**37,087**	**33,549**	**39,598**	**45,180**	**53,274**	**125,648**	**171,600**
Operating Expenses	15,215	15,352	17,133	19,206	20,500	21,250	23,500	23,693	66,906	88,943
Operating Profit	**12,314**	**16,119**	**19,761**	**17,881**	**13,049**	**18,348**	**21,680**	**29,581**	**58,742**	**82,657**
Growth (%)	*26.8*	*54.4*	*65.4*	*20.7*	*6.0*	*13.8*	*9.7*	*65.4*	*50.1*	*40.7*
Provisions and Contingencies	4,828	7,093	8,910	8,763	4,000	6,500	7,500	10,004	22,260	28,004
Profit before Tax	**7,486**	**9,025**	**10,852**	**9,117**	**9,049**	**11,848**	**14,180**	**19,577**	**36,482**	**54,653**
Provision for Taxes	1,286	1,475	1,751	868	1,810	2,488	2,978	4,748	5,380	12,024
Net Profit	**6,200**	**7,550**	**9,101**	**8,249**	**7,239**	**9,360**	**11,202**	**14,829**	**31,102**	**42,629**
Growth (%)	*17.0*	*30.2*	*42.2*	*4.4*	*16.8*	*24.0*	*23.1*	*79.8*	*22.4*	*37.1*
Interest Exp./Interest Income (%)	*70.7*	*71.2*	*70.7*	*71.9*	*74.7*	*73.3*	*73.3*	*71.8*	*71.1*	*73.2*
Other Income/Net Income (%)	*46.4*	*49.9*	*53.7*	*49.5*	*41.9*	*42.9*	*46.5*	*45.1*	*47.2*	*44.3*
Cost /Income (%)	*55.3*	*48.8*	*46.4*	*51.8*	*61.1*	*53.7*	*52.0*	*44.5*	*53.2*	*51.8*

*E: MOSt Estimates; * Quarterly numbers adjusted for amortization in FY07*

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Indian Overseas Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IOB IN
	REUTERS CODE
S&P CNX: 4,318	IOBK.BO

Equity Shares (m)	544.8
52-Week Range	129/74
1,6, 12 Rel. Perf. (%)	2/0/2
M.Cap. (Rs b)	64.1
M.Cap. (US$ b)	1.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs118

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	29,478	10,084	18.5	28.7	6.4	1.7	13.3	28.1	1.4	1.7
3/08E	36,830	12,265	22.5	21.6	5.2	1.3	12.0	27.3	1.3	1.4
3/09E	42,395	14,240	26.1	16.1	4.5	1.1	11.7	25.5	1.3	1.1

- Loan book is expected to grow 27-28% YoY on account of the bank's comfortable liquidity position (the bank continues to hold excess SLR).
- We expect margins to sustain at 4%, as the bank's yields improve faster on the back of PLR hikes owing to the shorter duration of the bank's loan book. On the back of strong loan book growth and improvement in yields on advances, we expect net interest income to record strong 33% growth in 1QFY07.
- We expect reported other income to decline YoY despite fee income growth of ~20% YoY owing to reclassification of amortization expenses.
- The bank has transferred Rs20b of securities from AFS to HTM (would be classified in other income) in 1QFY08 taking a hit of Rs0.3b on its P&L. Likewise, in 1QFY07 the bank took a hit of Rs2.4b (reflected in provisions). Thus provisions would be lower during the quarter.
- Provisions are likely to decline YoY, as NPAs are comfortable. PAT growth is likely to be 26% YoY in 1Q, driven by strong growth in NII and robust fee income and lower provisions.
- At CMP, the stock is trading at 4.5x FY09E EPS and 1.1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E**				FY07**	FY08E**
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4Q		
Interest Income	12,409	13,721	14,737	17,454	18,117	18,606	19,350	20,256	58,321	76,330
Interest Expense	6,654	7,602	8,686	9,771	10,447	10,917	11,572	12,124	32,713	45,059
Net Interest Income	**5,755**	**6,119**	**6,051**	**7,682**	**7,670**	**7,690**	**7,779**	**8,132**	**25,608**	**31,271**
% Change (Y-o-Y)	*19.1*	*18.3*	*15.1*	*42.0*	*33.3*	*25.7*	*28.5*	*5.9*	*23.9*	*22.1*
Other Income	2,511	1,520	1,980	1,905	1,300	1,200	1,400	1,659	3,870	5,559
Net Income	**8,266**	**7,639**	**8,031**	**9,587**	**8,970**	**8,890**	**9,179**	**9,791**	**29,478**	**36,830**
% Change (Y-o-Y)	*24.4*	*10.4*	*17.1*	*27.3*	*8.5*	*16.4*	*14.3*	*2.1*	*5.5*	*24.9*
Operating Expenses	3,302	3,491	3,116	3,970	3,797	3,746	3,895	4,458	13,878	15,895
Operating Profit	**4,965**	**4,148**	**4,916**	**5,618**	**5,173**	**5,143**	**5,284**	**5,333**	**15,600**	**20,934**
Other Provisions	2,299	541	1,251	1,820	1,300	700	950	950	1,866	3,900
Tax Provisions	445	1,108	1,197	900	1,085	1,100	1,214	1,227	3,650	4,770
Net Profit	**2,220**	**2,499**	**2,468**	**2,898**	**2,789**	**3,343**	**3,121**	**3,156**	**10,084**	**12,265**
% Change (Y-o-Y)	*21.2*	*25.9*	*25.1*	*41.7*	*25.6*	*33.8*	*26.5*	*8.9*	*28.7*	*21.6*
Cost to Income Ratio (%)	*39.9*	*45.7*	*38.8*	*41.4*	*42.3*	*42.1*	*42.4*	*45.5*	*47.1*	*43.2*
Interest Exp./Interest Income (%)	*53.6*	*55.4*	*58.9*	*56.0*	*57.7*	*58.7*	*59.8*	*59.9*	*56.1*	*59.0*
Other Income/Net Income (%)	*30.4*	*19.9*	*24.7*	*19.9*	*14.5*	*13.5*	*15.3*	*16.9*	*13.1*	*15.1*

*E: MOSt Estimates; * Includes results of BhOB; **Amortization on HTM investments and tranfer losses on AFS to HTM included in Other income*

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Jammu & Kashmir Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	JKBK IN
	REUTERS CODE
S&P CNX: 4,318	JKBK.BO

Equity Shares (m)	48.5
52-Week Range	757/306
1,6,12 Rel. Perf. (%)	0/3/40
M.Cap. (Rs b)	32.7
M.Cap. (US$ b)	0.8

29 June 2007

Buy

Previous Recommendation: Buy

Rs674

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	9,281	2,745	56.6	55.2	11.9	1.6	13.2	14.4	1.0	1.7
3/08E	10,537	3,245	66.9	18.2	10.1	1.5	12.1	15.2	1.0	1.5
3/09E	12,362	4,009	82.7	23.6	8.2	1.3	11.6	16.6	1.0	1.4

- NII is expected to grow 15% to Rs2.1b in 1QFY08 on the back of steady loan book growth and improved margins. On a QoQ basis we expect flat NII.
- Fee income growth aided by insurance distribution commission has been a key driver of earnings. We expect the same trend to continue during 1QFY08.
- Management has guided for higher-than-industry growth in advance during FY08. Management's ability to source core deposits to fund this growth without impacting margins would be key strategy to watch.
- In 4QFY07, some legacy accounts were recognized as NPAs but the bank did not make higher provisions towards this. Thus net NPAs increased to a level above 1%. We expect the bank to start making higher provisions for NPAs in 1QFY08.
- We expect PAT to grow 15% in 1QFY08 on the back of sustained margins and strong fee income growth.
- The stock currently trades at 8.2x FY09E EPS and 1.3x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	4,547	4,621	4,631	5,210	5,501	5,730	5,696	6,547	18,993	23,474
Interest Expenses	2,760	2,688	2,680	3,187	3,451	3,575	3,538	4,216	11,315	14,780
Net Interest Income	**1,786**	**1,933**	**1,951**	**2,024**	**2,051**	**2,155**	**2,158**	**2,331**	**7,678**	**8,694**
% Change (Y-o-Y)	*18.7*	*18.2*	*21.2*	*7.3*	*14.8*	*11.5*	*10.6*	*15.2*	*15.7*	*13.2*
Other Income	219	354	329	701	350	395	450	647	1,602	1,842
Net Income	**2,005**	**2,287**	**2,279**	**2,725**	**2,401**	**2,550**	**2,608**	**2,978**	**9,281**	**10,537**
Operating Expenses	829	908	888	1,094	995	1,017	1,012	1,191	3,724	4,215
Operating Profit	**1,176**	**1,378**	**1,392**	**1,631**	**1,406**	**1,532**	**1,596**	**1,787**	**5,556**	**6,322**
% Change (Y-o-Y)	*29.6*	*36.1*	*38.4*	*19.2*	*19.5*	*11.2*	*14.7*	*9.6*	*29.4*	*13.8*
Prov. & Contingencies	291	194	298	621	350	250	300	650	1,404	1,550
Profit before Tax	**886**	**1,185**	**1,094**	**1,010**	**1,056**	**1,282**	**1,296**	**1,137**	**4,152**	**4,772**
Provision for Taxes	260	340	250	557	338	410	415	364	1,407	1,527
Net Profit	**626**	**845**	**844**	**453**	**718**	**872**	**881**	**773**	**2,745**	**3,245**
% Change (Y-o-Y)	*29.2*	*53.7*	*66.6*	*98.6*	*14.8*	*3.2*	*4.4*	*70.8*	*55.2*	*18.2*
Cost to Income	*41.3*	*39.7*	*39.0*	*40.1*	*41.4*	*39.9*	*38.8*	*40.0*	*40.1*	*40.0*
Int.Expense/Int. Earned	*60.7*	*58.2*	*57.9*	*61.2*	*62.7*	*62.4*	*62.1*	*64.4*	*59.6*	*63.0*
Cost to Net Int.Income	*46.4*	*47.0*	*45.5*	*54.0*	*48.5*	*47.2*	*46.9*	*51.1*	*48.5*	*48.5*

E: MOSt Estimates; All quarters have been adjusted for reclassification of amortization on HTM

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Karnataka Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	KBL IN
	REUTERS CODE
S&P CNX: 4,318	KNBK.BO

Equity Shares (m)	121.3
52-Week Range	193/80
1,6,12 Rel. Perf. (%)	0/10/53
M.Cap. (Rs b)	21.2
M.Cap. (US$ b)	0.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs175

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	5,941	1,770	14.6	0.5	12.0	1.7	11.5	15.1	1.1	1.8
3/08E	6,584	2,064	17.0	16.6	10.3	1.5	10.0	15.7	1.2	1.6
3/09E	7,493	2,373	19.6	14.9	8.9	1.3	10.0	15.9	1.1	1.4

- Margin pressure would continue due to its relatively weaker liability side of the balance sheet. However management continues to assert that it would not sacrifice the margins for balance sheet growth.
- The bank has shown robust growth in traditional fee income of 35% during FY07. We expect the bank to continue to maintain the momentum in fee income growth going forward on account of increased management thrust.
- There have been some issues with asset quality over the last couple of quarters. We expect NPA provisions to remain higher during 1QFY08. Asset quality is expected to improve QoQ as incremental slippages are likely to be low.
- Karnataka Bank is a play on improving asset quality, consolidation and attractive valuations. At CMP, the stock trades at 8.9x FY09E EPS and 1.3x FY09E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	2,858	2,953	3,220	3,532	3,486	3,485	3,799	4,076	12,563	14,846
Interest Expense	1,904	2,047	2,170	2,243	2,342	2,456	2,603	2,779	8,364	10,181
Net Interest Income	**953**	**906**	**1,050**	**1,289**	**1,144**	**1,029**	**1,196**	**1,296**	**4,199**	**4,665**
% Change (Y-o-Y)	*5.0*	*18.8*	*7.5*	*27.5*	*20.0*	*13.5*	*13.9*	*0.6*	*14.8*	*11.1*
Other Income	449	487	397	410	440	550	450	479	1,743	1,919
Net Income	**1,402**	**1,393**	**1,448**	**1,698**	**1,584**	**1,579**	**1,646**	**1,775**	**5,941**	**6,584**
% Change (Y-o-Y)	*1.2*	*14.7*	*7.7*	*22.8*	*13.0*	*13.3*	*13.7*	*4.5*	*11.5*	*10.8*
Operating Expenses	520	653	553	650	620	600	640	788	2,376	2,648
Operating Profit	**882**	**741**	**895**	**1,049**	**964**	**979**	**1,006**	**987**	**3,566**	**3,936**
Other Provisions	331	-163	62	608	350	150	200	200	838	900
Tax Provisions	183	308	294	173	196	265	258	252	957	972
Net Profit	**368**	**596**	**539**	**268**	**417**	**563**	**548**	**535**	**1,770**	**2,064**
% Change (Y-o-Y)	*-11.8*	*42.8*	*29.8*	*-47.5*	*13.5*	*-5.5*	*1.7*	*100.1*	*0.6*	*16.6*
Cost to Income Ratio (%)	*37.1*	*46.8*	*38.2*	*38.3*	*39.1*	*38.0*	*38.9*	*44.4*	*40.0*	*40.2*
Interest Exp./Interest Income (%)	*66.6*	*69.3*	*67.4*	*63.5*	*67.2*	*70.5*	*68.5*	*68.2*	*66.6*	*68.6*
Other Income/Net Income (%)	*32.0*	*35.0*	*27.4*	*24.1*	*27.8*	*34.8*	*27.3*	*27.0*	*29.3*	*29.1*

E: MOSt Estimates

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Oriental Bank of Commerce

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	OBC IN
	REUTERS CODE
S&P CNX: 4,318	ORBC.BO

Equity Shares (m)	250.5
52-Week Range	280/139
1,6,12 Rel. Perf. (%)	-3/-7/-6
M.Cap. (Rs b)	56.6
M.Cap. (US$ b)	1.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs226

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	22,946	8,268	33.0	2.9	6.8	1.1	12.5	15.4	1.2	1.1
3/08E	24,250	9,074	36.2	9.8	6.2	1.0	12.0	15.5	1.1	1.0
3/09E	28,915	10,345	41.3	14.0	5.5	0.8	11.0	16.1	1.1	0.9

- We expect strong NII growth of 11% to Rs4.6b in 1QFY08. The bank has consciously stayed away from aggressively building bulk deposits and increased its PLR by 175bp since January 2007. We expect margins to improve in 1QFY08.
- The bank has transferred securities worth Rs20b from AFS to HTM taking a hit of Rs2b in 1QFY08 on its P&L. We believe this loss would be classified as a part of other income (shown as part of provisions until FY07), which would decline on a YoY basis. Similarly the bank had taken a hit on profits in 1QFY07, but which was classified as a part of provisions at the time. Overall we believe, YoY, profitability would not be affected on this count.
- Some reversal of depreciation on investments due to softening of yields of shorter-end securities may however offset this Rs2b transfer loss and thus help earnings growth.
- OBC continues to enjoy robust asset quality with net NPAs at 0.5%. Moreover, the bank has a pool of Rs2b of specific NPA provisions made in excess of the RBI requirement. It is likely that the bank will reverse these NPA provisions and deliver strong earnings growth.
- At CMP, the stock is trading at 5.5x FY09E EPS and 0.8x FY09E BV. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q*	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	11,353	12,822	13,137	14,336	14,419	16,413	16,816	18,716	51,649	66,364
Interest Expense	7,244	8,695	8,924	9,874	9,851	11,564	11,869	13,152	34,736	46,436
Net Interest Income	**4,110**	**4,128**	**4,213**	**4,462**	**4,567**	**4,849**	**4,947**	**5,564**	**16,913**	**19,927**
% Change (YoY)	*2.0*	*2.1*	*6.7*	*10.7*	*11.1*	*17.5*	*17.4*	*24.7*	*5.4*	*17.8*
Other Income	-313	1,579	1,330	1,437	109	1,500	1,263	1,451	6,033	4,323
Net Income	**3,797**	**5,707**	**5,543**	**5,899**	**4,676**	**6,349**	**6,210**	**7,014**	**22,946**	**24,250**
% Change (YoY)	*-23.8*	*-1.0*	*6.3*	*5.0*	*23.2*	*11.3*	*12.0*	*18.9*	*6.3*	*5.7*
Operating Expenses	2,287	2,566	2,476	2,650	2,515	2,822	2,724	2,927	9,979	10,989
Operating Profit	**1,510**	**3,141**	**3,067**	**3,249**	**2,161**	**3,527**	**3,486**	**4,087**	**12,967**	**13,261**
Provision & Contingencies	-524	-737	81	1,616	50	100	100	850	2,436	1,100
PBT	**2,033**	**3,878**	**2,986**	**1,633**	**2,111**	**3,427**	**3,386**	**3,237**	**10,531**	**12,161**
Tax Provisions	481	771	550	462	536	870	859	822	2,263	3,087
Net Profit	**1,553**	**3,108**	**2,437**	**1,171**	**1,575**	**2,557**	**2,527**	**2,415**	**8,268**	**9,074**
% Change (YoY)	*48.2*	*37.2*	*19.1*	*-56.2*	*1.4*	*-17.7*	*3.7*	*106.2*	*2.9*	*9.8*
Cost to Income Ratio (%)	*60.2*	*43.4*	*44.7*	*44.9*	*53.8*	*43.4*	*43.9*	*41.7*	*43.5*	*45.3*
Int Exp/ Int Earned (%)	*63.8*	*59.9*	*67.9*	*68.9*	*68.3*	*59.9*	*70.6*	*70.3*	*67.3*	*70.0*
Other Income / Net Income (%)	*-8.2*	*29.9*	*24.0*	*24.4*	*2.3*	*29.9*	*20.3*	*20.7*	*26.3*	*17.8*

*E: MOSt Estimates; * HTM Amortization and losses on account of transfer of securities from AFS to HTM conisdered as part of other income*

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Punjab National Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PNB IN
	REUTERS CODE
S&P CNX: 4,318	PNB.BO

Equity Shares (m)	315.3
52-Week Range	585/300
1,6, 12 Rel. Perf. (%)	1/0/28
M.Cap. (Rs b)	170.2
M.Cap. (US$ b)	4.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs540

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	65,569	15,401	48.8	7.0	11.1	1.7	12.3	15.5	1.0	1.8
3/08E	76,216	18,853	59.8	22.4	9.0	1.5	11.4	16.9	1.1	1.6
3/09E	88,852	22,996	72.9	22.0	7.4	1.3	11.0	18.0	1.1	1.4

- We expect a marginal drag on margins as the bank has aggressively built up bulk deposits in 4QFY07, exerting upward pressure on cost of funds. Higher yields on advances will enable the bank to partly counter the rising costs

- Thrust on growing fee income, robust technological support and widespread customer franchise would enable PNB to improve fee income by 20-25% in 1QFY08. The bank has transferred Rs50b of securities from its AFS book to HTM taking a hit on profits of ~Rs2b. In 1QFY07 the bank had booked Rs4b of losses for similar reasons.

- Sharp deterioration in asset quality was observed during 2HFY07 with sequential growth in absolute GNPA and NNPA. We expect NPA provisions to be higher for PNB on account of its increased gross NPAs during FY07. However some reversals of investment depreciation booked in 4QFY07 can restrict growth in overall provisions.

- At CMP, the stock is trading at 7.4x FY09E EPS and 1.3x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	26,405	27,643	29,483	31,944	33,798	34,812	35,857	38,140	115,375	142,608
Interest Expense	13,476	14,015	15,024	17,714	18,597	19,155	19,538	20,072	60,229	77,361
Net Interest Income	**12,929**	**13,628**	**14,459**	**14,230**	**15,202**	**15,658**	**16,319**	**18,069**	**55,146**	**65,247**
% Change (YoY)	*18.8*	*14.4*	*19.7*	*20.6*	*17.6*	*14.9*	*12.9*	*27.0*	*18.2*	*18.3*
Other Income	-1,055	2,840	3,231	5,184	500	2,840	3,231	4,398	10,423	10,969
Net Income	**11,874**	**16,468**	**17,689**	**19,414**	**15,702**	**18,498**	**19,550**	**22,467**	**65,569**	**76,215**
% Change (YoY)	*-11.5*	*9.6*	*21.8*	*21.2*	*32.2*	*12.3*	*10.5*	*15.7*	*11.2*	*16.2*
Operating Expenses	6,969	7,580	8,123	10,591	8,711	8,972	9,241	9,659	33,262	36,583
Operating Profit	**4,906**	**8,888**	**9,567**	**8,824**	**6,991**	**9,525**	**10,308**	**12,808**	**32,306**	**39,632**
Provision & Contingencies	-230	1,018	3,577	6,127	1,600	2,800	3,577	4,923	10,615	12,900
PBT	**5,135**	**7,870**	**5,990**	**2,697**	**5,391**	**6,725**	**6,731**	**7,885**	**21,691**	**26,732**
Tax Provisions	1,460	2,820	1,691	320	1,725	1,883	1,691	2,721	6,291	8,020
Net Profit	**3,675**	**5,050**	**4,299**	**2,377**	**3,666**	**4,842**	**5,040**	**5,164**	**15,401**	**18,712**
% Change (YoY)	*2.6*	*19.7*	*16.0*	*-17.7*	*-0.3*	*-4.1*	*17.2*	*117.3*	*7.0*	*21.5*
Cost to Income Ratio (%)	*58.7*	*46.0*	*45.9*	*54.6*	*55.5*	*48.5*	*47.3*	*43.0*	*50.7*	*48.0*
Int exp/ Int Earned (%)	*51.0*	*50.7*	*51.0*	*55.5*	*55.0*	*55.0*	*54.5*	*52.6*	*52.2*	*54.2*
Other Income / Net Income (%)	*-8.9*	*17.2*	*18.3*	*26.7*	*3.2*	*15.4*	*16.5*	*19.6*	*15.9*	*14.4*

E: MOSt Estimates

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State Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SBIN IN
	REUTERS CODE
S&P CNX: 4,318	SBI.BO

Equity Shares (m)	526.3
52-Week Range	1,531/684
1,6,12 Rel. Perf. (%)	13/16/72
M.Cap. (Rs b)	802.8
M.Cap. (US$ b)	19.7

29 June 2007

Buy

Previous Recommendation: Buy Rs1,525

YEAR END	NET INCOME (RS B)	PAT (RS B)	EPS (RS)	CON. EPS (RS)	CON. P/E (X)	P/BV (X)	CON. P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)
3/07A	218.2	45.4	86.3	120.9	12.6	2.6	1.9	12.3	15.4	0.9
3/08E	250.6	51.9	98.6	140.5	10.9	2.3	1.6	11.0	15.5	0.8
3/09E	292.3	61.7	117.2	168.5	9.0	2.0	1.4	10.2	16.3	0.8

Consolidated

- We expect margins to improve in 1QFY08 on account of improvement in yield on advances due to successive PLR hikes by the bank. Yields on investments however, may continue to be under pressure due to maturity of some high coupon bonds.
- We understand that SBI has transferred securities from AFS to HTM worth Rs100b-Rs110b, which would lead to a transfer loss of Rs3b-Rs3.5b during 1QFY08. This loss would be classified under other income, which may dampen operating profit growth.
- NPA provisions would be higher as SBI's net NPA ratio continues to be higher than industry at 1.6%. We expect the bank to start providing for revised AS-15 at a run rate of Rs2.2b per quarter.
- We expect a tax rate of 35% in 1QFY08 against 59% in 1QFY07, the lower tax provisions would result in strong growth in PAT during 1QFY08.
- At CMP, the stock is trading at 9x FY09E cons. EPS and 1.4x FY09E cons. BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	88,362	93,775	97,359	115,415	119,288	122,270	127,161	131,976	394,910	500,696
Interest Expenses	49,521	54,788	57,846	72,213	74,281	76,509	79,570	81,637	234,368	311,996
Net Interest Income	**38,841**	**38,987**	**39,513**	**43,201**	**45,007**	**45,761**	**47,591**	**50,340**	**160,542**	**188,699**
% Change (Y-o-Y)	*-8.7*	*8.1*	*-6.4*	*21.5*	*15.9*	*17.4*	*20.4*	*16.5*	*3.0*	*17.5*
Other Income	17,626	14,338	18,110	28,941	15,000	14,500	14,500	17,947	57,692	61,947
Net Income	**56,467**	**53,324**	**57,623**	**72,142**	**60,007**	**60,261**	**62,091**	**68,287**	**218,235**	**250,647**
Operating Expenses	28,101	28,599	29,074	32,460	31,474	31,458	32,563	34,419	118,235	129,914
Operating Profit	**28,366**	**24,726**	**28,549**	**39,682**	**28,534**	**28,803**	**29,528**	**33,869**	**100,000**	**120,733**
% Change (Y-o-Y)	*-17.5*	*24.7*	*9.8*	*34.0*	*0.6*	*16.5*	*3.4*	*-14.7*	*21.2*	*20.7*
Other Provisions	12,820	6,813	11,662	14,126	12,000	10,000	10,500	10,800	24,096	43,300
Provision for Taxes	7,559	6,067	6,237	10,626	5,787	6,581	6,470	6,716	30,490	25,553
Net Profit	**7,987**	**11,845**	**10,650**	**14,930**	**10,747**	**12,222**	**12,559**	**16,353**	**45,413**	**51,880**
% Change (Y-o-Y)	*-34.7*	*-2.5*	*-4.5*	*75.0*	*34.6*	*3.2*	*17.9*	*9.5*	*3.1*	*14.2*
Cost to Income Ratio	*49.8*	*53.6*	*50.5*	*45.0*	*52.4*	*52.2*	*52.4*	*50.4*	*54.2*	*51.8*
Interest Exp / Interest Earned	*56.0*	*58.4*	*59.4*	*62.6*	*62.3*	*62.6*	*62.6*	*61.9*	*59.3*	*62.3*
Other Income / Net Income	*31.2*	*26.9*	*31.4*	*40.1*	*25.0*	*24.1*	*23.4*	*26.3*	*26.4*	*24.7*

E: MOSt Estimates

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Syndicate Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SNDB IN
	REUTERS CODE
S&P CNX: 4,318	SBNK.BO

Equity Shares (m)	522.0
52-Week Range	93/47
1,6,12 Rel. Perf. (%)	-3/-4/15
M.Cap. (Rs b)	40.0
M.Cap. (US$ b)	1.0

29 June 2007

Buy

Previous Recommendation: Buy

Rs77

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	27,685	7,161	13.7	33.5	5.6	1.2	11.7	21.9	1.0	1.3
3/08E	31,829	8,111	15.5	13.3	4.9	1.0	11.3	20.2	0.8	1.1
3/09E	36,548	9,246	17.7	14.0	4.3	0.9	10.8	19.7	0.8	0.9

- We expect strong NII growth of 25% YoY as yields on advances have improved on account of PLR hikes in the past six months.
- QoQ, we expect margins to improve on the back of a slowdown in intake of bulk deposits, which were a drag on margins. Subsequently, we believe that core earnings growth for the next couple of quarters will also remain strong.
- Non-interest income is expected to remain flat due to lower trading gains in the current quarter and lower recoveries.
- As over 80% of the investment book is in HTM, we expect marginal provisions on account of MTM losses. Nevertheless, we are estimating higher provisions for NPAs and standard assets.
- We believe the bank would come out of MAT during FY08 and thus tax provisions would tend to go up for the bank. We have assumed a 20% tax rate for 1QFY08.
- Stock is trading at 4.3x FY09E EPS and 0.9x FY09E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	12,308	14,373	16,353	17,366	17,970	19,404	20,932	21,475	60,401	79,781
Interest Expense	7,249	9,527	10,794	11,330	11,672	13,052	14,571	14,865	38,900	54,161
Net Interest Income	**5,059**	**4,846**	**5,559**	**6,037**	**6,298**	**6,351**	**6,360**	**6,610**	**21,501**	**25,620**
% Change (Y-o-Y)	*7.1*	*1.0*	*3.9*	*53.3*	*24.5*	*31.1*	*14.4*	*9.5*	*14.3*	*19.2*
Other Income	1,342	1,656	1,490	1,938	1,400	1,500	1,600	1,709	6,185	6,209
Net Income	**6,401**	**6,502**	**7,049**	**7,974**	**7,698**	**7,851**	**7,960**	**8,319**	**27,685**	**31,829**
% Change (Y-o-Y)	*5.9*	*7.0*	*8.0*	*35.3*	*20.3*	*20.7*	*12.9*	*4.3*	*13.3*	*15.0*
Operating Expenses	3,382	3,471	3,768	3,239	3,720	3,818	4,070	4,122	13,860	15,730
Operating Profit	**3,019**	**3,031**	**3,281**	**4,736**	**3,979**	**4,033**	**3,890**	**4,197**	**13,826**	**16,099**
Other Provisions	963	730	1,478	3,617	1,000	1,000	1,200	2,500	6,547	5,700
Tax Provisions	250	250	-458	76	600	667	592	429	118	2,288
Net Profit	**1,806**	**2,051**	**2,261**	**1,043**	**2,379**	**2,366**	**2,099**	**1,268**	**7,161**	**8,111**
% Change (Y-o-Y)	*10.7*	*17.1*	*20.4*	*911.5*	*31.7*	*15.4*	*-7.2*	*21.6*	*33.5*	*13.3*
Cost to Income Ratio (%)	*52.8*	*53.4*	*53.5*	*40.6*	*48.3*	*48.6*	*51.1*	*49.5*	*50.1*	*49.4*
Interest Exp./Interest Income (%)	*58.9*	*66.3*	*66.0*	*65.2*	*65.0*	*67.3*	*69.6*	*69.2*	*64.4*	*67.9*
Other Income/Net Income (%)	*21.0*	*25.5*	*21.1*	*24.3*	*18.2*	*19.1*	*20.1*	*20.5*	*22.3*	*19.5*

E: MOSt Estimates

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Union Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	UNBK IN
	REUTERS CODE
S&P CNX: 4,318	UNBK.BO

Equity Shares (m)	505.1
52-Week Range	142/81
1,6,12 Rel. Perf. (%)	7/2/8
M.Cap. (Rs b)	66.8
M.Cap. (US$ b)	1.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs132

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	34,768	8,454	16.7	25.3	7.9	1.4	12.8	17.3	0.9	1.5
3/08E	40,142	10,634	21.1	25.8	6.3	1.2	11.3	19.0	0.9	1.3
3/09E	47,593	13,065	25.9	22.9	5.1	1.0	10.5	20.2	1.0	1.1

- We expect margins to remain stable at around 3-3.05% in 1QFY08 as increased yields on advances would offset the rising cost of funds.
- In line with the industry, business growth may remain subdued in 1QFY08 for the bank and liquidity situation would thus improve.
- Core fee income is likely to continue to grow strongly at 25%+ YoY in 1QFY08 on the back of bank's increased thrust on marketing third party products and scaling up traditional non-fund based revenue.
- Net NPAs for the bank have reduced to below 1% in 4QFY07. Management has a target to reduce this ratio to about 0.5% by FY08. Strong operating profit growth would enable the bank to make higher provisions for NPAs and still record strong earnings growth.
- We expect earnings to grow by 38% YoY in 1QFY08 on the back of strongt NII growth of 28% coupled with robust fee income growth.
- At CMP, the stock is trading at 5.1x FY09E EPS and 1x FY09E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	16,657	17,724	18,492	20,949	21,654	22,953	23,871	24,105	73,822	92,583
Interest Expense	10,312	11,449	11,633	12,526	13,560	14,849	15,739	15,796	45,920	59,944
Net Interest Income	**6,345**	**6,276**	**6,859**	**8,423**	**8,094**	**8,105**	**8,132**	**8,309**	**27,902**	**32,639**
% Change (Y-o-Y)	*18.7*	*4.2*	*7.3*	*40.9*	*27.6*	*29.1*	*18.6*	*-1.4*	*17.5*	*17.0*
Other Income	1,650	1,918	2,052	2,418	1,500	1,800	2,000	2,203	6,865	7,503
Net Income	**7,995**	**8,193**	**8,911**	**10,841**	**9,594**	**9,905**	**10,132**	**10,512**	**34,768**	**40,142**
% Change (Y-o-Y)	*19.6*	*10.3*	*14.5*	*40.6*	*20.0*	*20.9*	*13.7*	*-3.0*	*21.2*	*15.5*
Operating Expenses	3,730	3,910	3,860	3,259	4,103	4,223	4,246	4,341	14,759	16,913
Operating Profit	**4,265**	**4,283**	**5,051**	**7,582**	**5,490**	**5,682**	**5,886**	**6,171**	**20,008**	**23,229**
Other Provisions	1,579	1,220	1,426	3,153	2,000	1,500	1,800	1,900	6,204	7,200
Tax Provisions	1,018	1,122	1,067	2,144	1,175	1,408	1,375	1,438	5,350	5,395
Net Profit	**1,668**	**1,942**	**2,558**	**2,285**	**2,315**	**2,774**	**2,710**	**2,834**	**8,454**	**10,634**
% Change (Y-o-Y)	*-30.6*	*217.8*	*11.7*	*58.0*	*38.8*	*42.9*	*6.0*	*24.0*	*25.3*	*25.8*
Cost to Income Ratio (%)	*46.7*	*47.7*	*43.3*	*30.1*	*42.8*	*42.6*	*41.9*	*41.3*	*42.5*	*42.1*
Interest Exp./Interest Income (%)	*61.9*	*64.6*	*62.9*	*59.8*	*62.6*	*64.7*	*65.9*	*65.5*	*62.2*	*64.7*
Other Income/Net Income (%)	*20.6*	*23.4*	*23.0*	*22.3*	*15.6*	*18.2*	*19.7*	*21.0*	*19.7*	*18.7*

*E: MOSt Estimates; * HTM amortization is included in the Provisions in FY07 while in FY08 it is included in Other Income for quarterly results*

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UTI Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	UTIB IN
	REUTERS CODE
S&P CNX: 4,318	UTBK.BO

Equity Shares (m)	278.7
52-Week Range	629/249
1,6,12 Rel. Perf. (%)	6/23/89
M.Cap. (Rs b)	168.6
M.Cap. (US$ b)	4.1

29 June 2007

Buy

Previous Recommendation: Buy

Rs605

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	24,784	6,590	23.4	34.5	26.3	5.1	11.6	21.0	1.1	5.3
3/08E	35,160	8,944	25.1	7.4	24.1	2.5	14.0	15.0	1.0	2.6
3/09E	45,522	12,250	34.4	37.0	17.6	2.3	12.5	13.6	1.1	2.4

- We expect strong NII growth of 44% to continue in 1QFY08 on the back of 50%+ loan growth, improved yield on advances, and strong growth in CASA.
- We expect NIMs to remain stable at a level of ~3% during 1QFY08.
- The bank continues to be in a rapid branch expansion phase. Opex growth likely to remain ~45% YoY.
- Another key driver has been sustained growth in its fee-based income. We expect core fee income to grow 30%+ in 1QFY08.
- In 1QFY07, the bank had made exceptional investment related provision of Rs0.9b, causing a dent in profits.
- Earnings are expected to increase by 39% YoY to Rs1.7b in 1QFY08 supported by robust growth in NII and fee income.
- The stock currently trades at 17.6x FY09E EPS and 2.3x FY08E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	9,539	10,501	11,896	13,668	14,118	15,331	17,249	19,724	45,604	66,423
Interest Expense	6,321	6,849	7,738	9,025	9,481	10,137	11,142	12,357	29,933	43,117
Net Interest Income	**3,218**	**3,652**	**4,158**	**4,642**	**4,637**	**5,194**	**6,107**	**7,367**	**15,671**	**23,306**
Y-o-Y Growth (%)	*44.7*	*43.0*	*44.7*	*48.4*	*44.1*	*42.2*	*46.9*	*58.7*	*45.3*	*48.7*
Other Income	2,245	2,048	2,797	3,011	2,679	2,555	3,331	3,289	9,114	11,854
Net Income	**5,463**	**5,699**	**6,956**	**7,653**	**7,315**	**7,750**	**9,438**	**10,657**	**24,784**	**35,160**
Operating Expenses	2,392	2,955	3,370	3,430	3,635	4,136	4,886	4,951	12,146	17,608
Operating Profit	**3,072**	**2,745**	**3,586**	**4,223**	**3,680**	**3,614**	**4,552**	**5,705**	**12,639**	**17,551**
Y-o-Y Growth (%)	*51.0*	*16.3*	*40.0*	*100.6*	*19.8*	*31.6*	*26.9*	*35.1*	*39.5*	*38.9*
Provision & Contingencies	1,248	588	763	1,065	1,050	800	900	1,250	2,674	4,000
Profit before Tax	**1,824**	**2,157**	**2,824**	**3,158**	**2,630**	**2,814**	**3,652**	**4,455**	**9,965**	**13,551**
Tax Provisions	618	738	977	1,039	950	957	1,242	1,459	3,375	4,607
Net Profit	**1,206**	**1,420**	**1,846**	**2,119**	**1,680**	**1,857**	**2,410**	**2,996**	**6,590**	**8,944**
Y-o-Y Growth (%)	*30.1*	*30.2*	*40.2*	*39.8*	*39.4*	*30.8*	*30.6*	*41.4*	*35.9*	*35.7*
Int Exp/ Int Earned (%)	*66.3*	*65.2*	*65.0*	*66.0*	*67.2*	*66.1*	*64.6*	*62.6*	*65.6*	*64.9*
Other Income / Net Income (%)	*41.1*	*35.9*	*40.2*	*39.3*	*36.6*	*33.0*	*35.3*	*30.9*	*36.8*	*33.7*
Cost to Income Ratio (%)	*43.8*	*51.8*	*48.4*	*44.8*	*49.7*	*53.4*	*51.8*	*46.5*	*49.0*	*50.1*

*E: MOSt Estimates; * HTM amortization is included in the Provisions in FY07 while in FY08 it is included in Other Income for quarterly results*

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Vijaya Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	VJYBK IN
	REUTERS CODE
S&P CNX: 4,318	VJBK.BO

Equity Shares (m)	433.5
52-Week Range	59/33
1,6,12 Rel. Perf. (%)	6/-1/-12
M.Cap. (Rs b)	21.6
M.Cap. (US$ b)	0.5

29 June 2007

Neutral

Previous Recommendation: Neutral Rs50

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	13,467	3,313	7.6	161.1	6.5	1.1	11.2	18.6	0.9	1.2
3/08E	15,131	3,848	8.9	16.1	5.6	1.0	11.0	19.0	0.8	1.1
3/09E	17,126	4,431	10.2	15.2	4.9	0.9	10.5	19.3	0.8	1.0

- We expect the bank to post 14% YoY growth in NII to Rs2.9b.
- 1Q margins are likely to increase on account of the higher yields on advances.
- Advances are expected to show 25% YoY growth while deposits are likely to post 20% growth YoY.
- The bank has one of the best asset qualities in the industry with gross NPA ratio at 2.3%. Nevertheless gross as well as net NPAs increased in absolute amount by~Rs0.4b during 4QFY07. We expect the bank to make higher provisions during 1QFY08 to bring down the net NPAs from 0.6% in March 2007.
- In 1QFY07 the bank had taken a hit of Rs830m on account of transfer of securities from AFS to HTM. We do not expect any such exceptional during 1QFY08. Thus profits growth would be higher at 16% despite the bank making higher provisions toward NPAs during the quarter.
- At, CMP, the stock trades at 4.9x FY09E EPS and 0.9x FY09E BV. Maintain **Neutral.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	6,134	6,742	7,319	8,036	8,097	8,630	9,222	10,281	28,231	36,230
Interest Expense	3,551	4,144	4,669	5,148	5,149	5,553	6,116	6,970	17,512	23,788
Net Interest Income	**2,583**	**2,598**	**2,650**	**2,888**	**2,948**	**3,077**	**3,105**	**3,312**	**10,719**	**12,442**
% Change (Y-o-Y)	*8.9*	*11.6*	*2.3*	*18.6*	*14.1*	*18.4*	*17.2*	*14.7*	*10.2*	*16.1*
Other Income	866	718	730	846	600	600	700	789	2,748	2,689
Net Income	**3,450**	**3,316**	**3,379**	**3,734**	**3,548**	**3,677**	**3,805**	**4,101**	**13,467**	**15,131**
% Change (Y-o-Y)	*1.5*	*1.4*	*1.7*	*15.9*	*2.9*	*10.9*	*12.6*	*-14.0*	*7.2*	*12.4*
Operating Expenses	1,498	1,550	1,657	1,802	1,648	1,705	1,790	1,979	6,507	7,122
Operating Profit	**1,951**	**1,766**	**1,722**	**1,933**	**1,900**	**1,972**	**2,016**	**2,122**	**6,960**	**8,010**
Other Provisions	1,105	475	535	1,779	850	700	700	950	3,483	3,200
Tax Provisions	120	268	260	-483	210	254	263	234	164	962
Net Profit	**726**	**1,023**	**927**	**637**	**840**	**1,017**	**1,053**	**938**	**3,313**	**3,848**
% Change (Y-o-Y)	*163.7*	*36.3*	*57.7*	*NA*	*15.7*	*-0.6*	*13.5*	*47.3*	*161.1*	*16.1*
Cost to Income Ratio (%)	*43.4*	*46.7*	*49.0*	*48.2*	*46.5*	*46.4*	*47.0*	*48.3*	*48.3*	*47.1*
Interest Exp./Interest Income (%)	*57.9*	*61.5*	*63.8*	*64.1*	*63.6*	*64.3*	*66.3*	*67.8*	*62.0*	*65.7*
Other Income/Net Income (%)	*25.1*	*21.7*	*21.6*	*22.6*	*16.9*	*16.3*	*18.4*	*19.2*	*20.4*	*17.8*

*E: MOSt Estimates; * HTM amortization is included in the Provisions in FY07 while in FY08 it is included in Other Income for quarterly results*

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Cement

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

1QFY08: Highlights

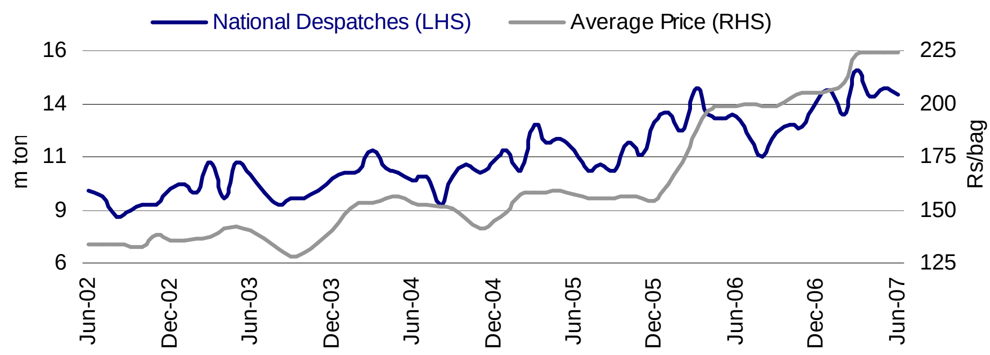
YoY Comparative (v/s 1QFY07)

- Volumes expected to be higher by 8.5%
- Prices expected to be higher by 7.2%

QoQ Comparative (v/s 4QFY07)

- Volumes expected to be lower by 0.7%
- Prices expected to be higher by 1.6%

CEMENT INDUSTRY DYNAMICS: DEMAND AND PRICE



Source: CMA/MOSt

MOST CEMENT UNIVERSE: 1QFY08 PERFORMANCE AT A GLANCE

	VOLUME (M TON)			REALIZATION
	1QFY08	1QFY07	GR. (%)	YOY (%)
ACC	5.3	4.6	13.4	10.5
Ambuja Cement	4.5	3.8	18.0	9.1
Birla Corporation	1.3	1.3	3.1	18.2
Grasim Industries	3.9	3.5	10.0	9.6
India Cements	2.3	1.9	24.2	10.3
Shree Cement	1.4	1.1	20.2	9.8
UltraTech Cement	4.6	4.5	2.2	11.1
Industry Average	**41.9**	**38.6**	**8.5**	**7.2**

Source: CMA/Motilal Oswal Securities

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Cement							
ACC	Neutral	17,923	25.8	5,470	20.1	3,694	24.5
Ambuja Cement	Buy	14,775	12.5	5,882	14.1	4,197	20.5
Birla Corporation	Buy	4,259	22.1	1,516	47.6	913	46.4
Grasim Industries	Buy	22,418	19.4	6,946	35.3	4,140	32.7
India Cements	Buy	6,637	36.8	2,325	40.4	1,365	21.3
Shree Cement	Buy	4,082	31.9	1,827	32.9	1,003	10.9
UltraTech Cement	Buy	13,009	10.2	4,295	14.7	2,401	13.9
Sector Aggregate		**83,103**	**19.8**	**28,261**	**24.8**	**17,712**	**23.6**

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Pricing: Cement prices booming

1QFY08 highlights

- **YoY Comparative:** higher by 7.2%
- **QoQ Comparative:** higher by 1.6%

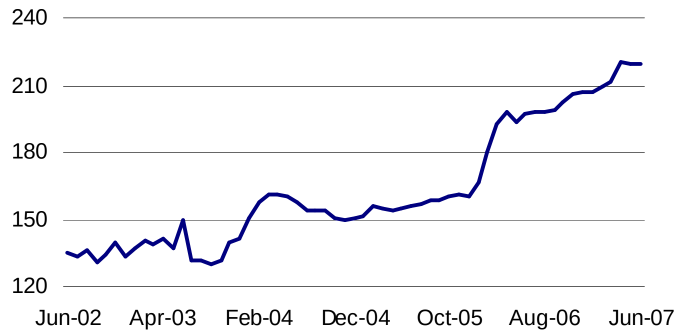
1QFY08: SUMMARY PRICING TREND

	PRICE CHANGE (%)	
	YOY	QOQ
North	5.7	-0.6
East	9.3	0.6
West	8.0	1.9
South	6.4	4.3
Central	6.9	0.7
National Average	**7.2**	**1.6**

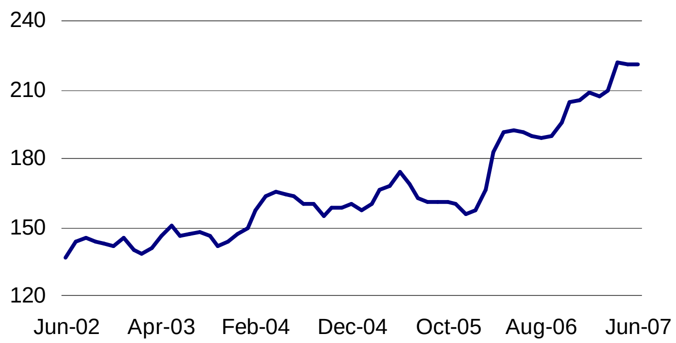
* *adjusted for changes in prices for excise duty*

Source: Industry/MOSt

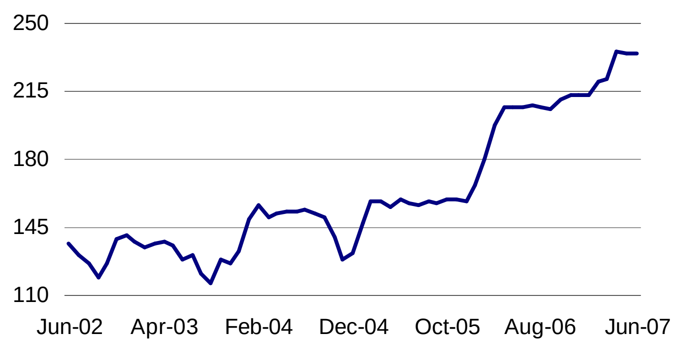
PRICE TREND – NORTH (RS/BAG)



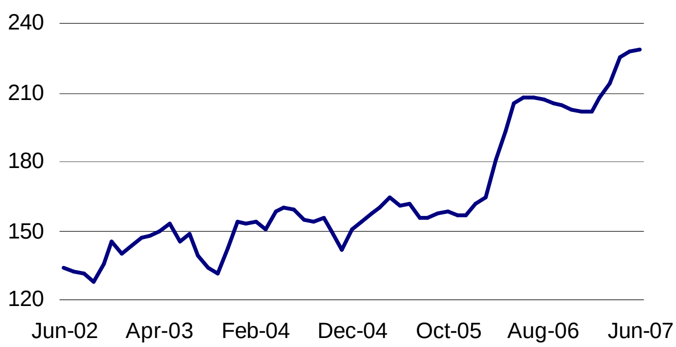
PRICE TREND – EAST (RS/BAG)



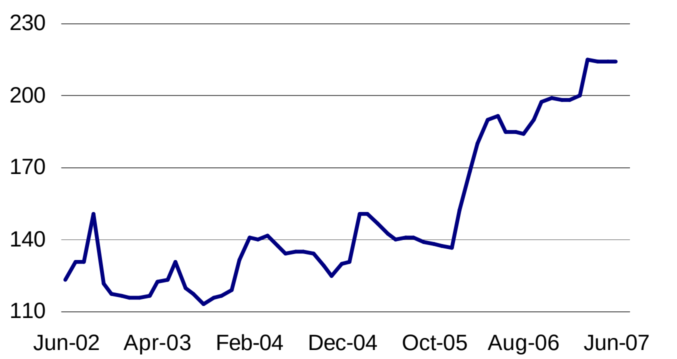
PRICE TREND – WEST (RS/BAG)



PRICE TREND – SOUTH (RS/BAG)



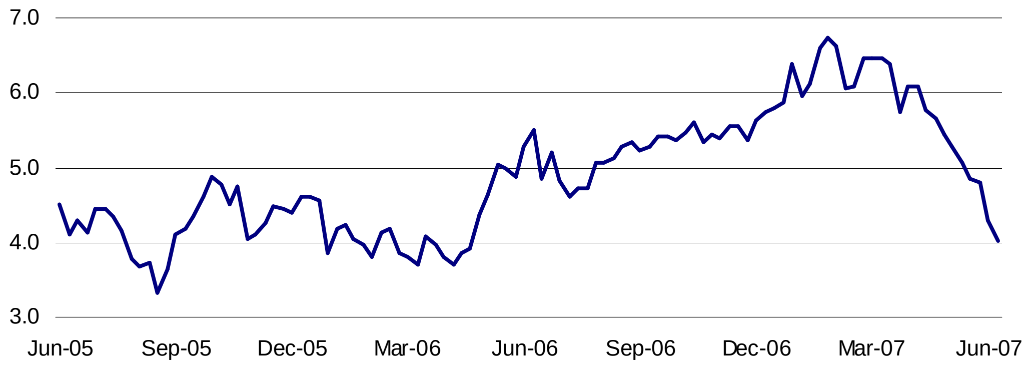
PRICE TREND – CENTRAL (RS/BAG)



Pricing flexibility to return earlier than expected …

In the wake of higher inflation, the government has been closely monitoring cement prices and has taken several measures to control them. With inflation waning and the UP elections over, we believe that the government would moderate its strict stance on the cement industry. In May 2007 it replaced specific excise duty with ad-valorem duty, which in our opinion, signals the end of state intervention.

INFLATION WANING DOWN (%)



Source: Bloomberg

THE GOVERNMENT HAS TAKEN SEVERAL INITIATIVES TO CONTROL CEMENT PRICES

GOVERNMENT INITIATIVE	WHEN	REASONING	IMPACT	REMARK
Shift to ad-valorem rate of excise for cement priced at an MRP of over Rs190/bag	May '07	Lower excise burden if MRP is below Rs250/bag, than the specific rate of Rs600/ton	Positive	✍ Reduces excise duty burden for cement priced at an MRP below Rs250/bag; however, MRP in most markets is in the range of Rs230-260/bag ✍ Favorable in times of declining cement prices, as impact would be diluted by lower excise burden
Exempting imported cement from CVD/SAD, if retail selling price is below Rs190/bag	Apr '07	Lowering cost of imported cement by abolishing CVD (Rs408/ton) and SAD (4%) for imported cement	Neutral	✍ Reduces price of bagged imported cement by around Rs32/bag ✍ Negligible import yet due to regulatory and infrastructure constraints ✍ Retail price of imported cement might exceed Rs190/bag, thereby attracting CVD/SAD
Cap on cement prices for 1 year till February 2007	Mar '07	Restricts further increase in cement prices	Negative	✍ No price hikes, even for cost inflation, but benefits of any sop to be passed on ✍ Resultant prices in-line with our price assumptions ✍ Validity of this agreement under cloud after exemption of CVD/SAD
Differential excise duty structure on cement, with excise of Rs600/ton for cement priced at an MRP of over Rs190/bag, else Rs350/ton	Feb '07	Encourage lower prices by offering sops to lower cement prices	Negative	✍ Increases excise duty by Rs200/ton, which is immediately passed on ✍ Reduces scope for increase in cement prices, as it narrows gap between domestic and imported cement ✍ Price increase of Rs12/bag, to pass on higher excise, doesn't impact producer's realizations
Abolishment of 12.5% import duty on cement	Jan '07	Lowering cost of imported cement by Rs17-20/bag	Neutral	✍ Negligible import yet due to regulatory and infrastructure constraints ✍ Retail price of imported cement might exceed Rs190/bag, thereby attracting CVD/SAD

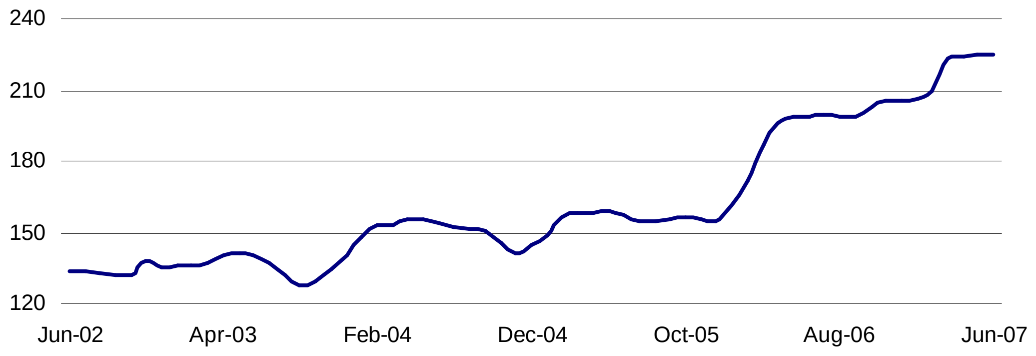
Source: Motilal Oswal Securities

This coupled with favorable demand-supply scenario augurs well for pricing flexibility with industry. We now expect cement prices to begin increasing, after remaining stable during the monsoon season. However, our estimates factor in stable prices (at the levels of March 2007) throughout FY08, translating into a Rs5/bag price hike over FY07.

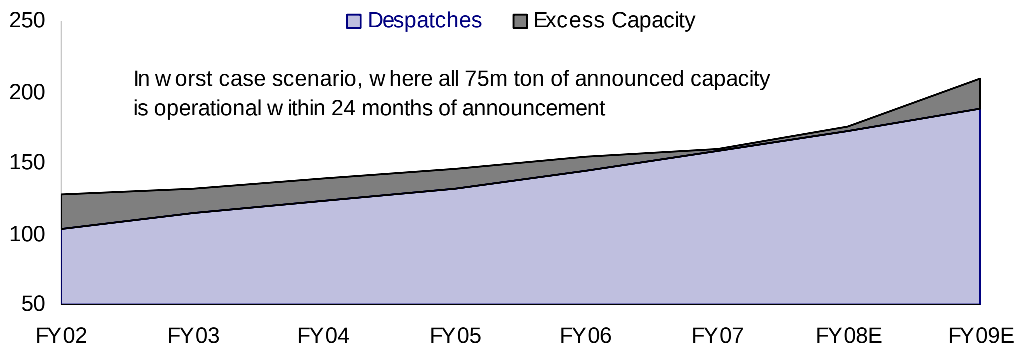
… contrary to consensus, cement prices are gradually increasing

Cement prices in most of the markets remained stable during 1QFY08, except for pass through of benefits of savings in excise on account of the shift towards ad-valorem rate. However, cement prices in southern India have gradually improved, with price increases of around Rs3-10/bag since March 2007 across all major southern markets, which have resulted in aligning prices in southern India with other regions. Given the demand-excess situation in all the regions, cement prices are expected to gradually inch up post-monsoon, contrary to consensus view of stable prices.

TREND IN CEMENT PRICES (NATIONAL AVERAGE, RS/BAG)



CAPACITY UTILIZATION TO REMAIN HIGH



Source: CMA/Motilal Oswal Securities

Import threat insignificant

We believe import of cement in India is not feasible, despite government abolishing all import barriers. The biggest impediment to import of cement is Bureau of Industrial Standards (BIS) approval and port infrastructure. Despite efforts to import cement from Pakistan, there have been no initiatives made by Pakistan's cement industry to secure BIS approval, partly due to resistance for import of cement from Pakistan.

Our interaction with Pakistan cement manufacturers suggests that they would be looking at *f.o.b.* realizations of around US$65ton-US$70/ton for export to India, which is in line with realizations which they enjoy on export to the Middle-East region. This would result in land cost at Rs145/bag, cost of direct import by users at Rs179/bag (excl. import duty/ CVD/SAD) and cost for retail at Rs211/bag (excl import duty/CVD/SAD). However, since CVD/SAD are applicable for imported cement sold above Rs190/bag, effective cost of cement from Pakistan would be around Rs248/bag, which makes it unviable for import.

SENSITIVITY ANALYSIS FOR IMPORTED CEMENT

IMPORTS VIABILITY - SCENARIO ANALYSIS	W/O CUSTOM DUTY	W/O CVD/SAD
USD/INR	41	41
FOB (US$/ton)	65	65
Freight (US$/ton)	5	5
Price CIF (US$/ton)	**70**	**70**
Import Duty @ 12.5%	0	0
CVD @ 12%	480	0
Sp Addn Duty @ 4% (Rs/ton)	134	0
Landed cost (Rs/ton)	**3,484**	**2,870**
Port & Handling charges (Rs/ton)	350	350
Packing charges	0	0
Octroi/Entry Tax @ 4% of Landed cost	139	115
Local Freight (Rs/ton)	250	250
Total Cost to importer/bulk user (Rs/bag)	**211**	**179**
Importer's margin @ 2%	4	4
Trade's margin	5	5
VAT @ 12.5%	28	23
Total retail price for imported cement (Rs/bag)	**248**	**211**
Current retail price (Rs/bag) - Chennai	**225**	**225**
Difference between imported & Chennai price (%)	*10.2*	*-6.1*

Source: Motilal Oswal Securities

Further, from its lows, cement prices in Pakistan have now started rising and are expected to further improve going forward, driven by strong home market demand as well as in the Middle East. This will, in turn, reduce the attractiveness for export to India.

As articulated by us earlier, despite withdrawal of import tariffs, there has been no major import of cement pending BIS approval. As reported by the media, smaller consignments (200-2,000 tons) of imported cement from Pakistan are awaiting BIS approval for a long time now. Further, imported cement sold above Rs190/bag MRP would attract CVD / SAD on such imports, reducing the attractiveness of imported cement. In addition, the domestic port infrastructure is yet to be tested for handling large volumes.

Strong volume growth, higher prices to drive earnings

We expect MOST cement universe to report around 8.5% volume growth, driven primarily by strong volume growth of 20% for Shree Cement, 24% for India Cement (due to Visaka merger), 13% for ACC and 11% for Grasim. However, other cement companies under our coverage are expected to report muted volume growth, as they are operating at optimum capacity. Higher volumes, coupled with improvement in realizations (~Rs300 YoY and Rs39 QoQ) would drive improvement in EBITDA of Rs147/ton to Rs1,142/ton.

TREND IN KEY OPERATING PARAMETERS (APR-JUN QUARTER)

	VOLUME (M TON)			REALIZATION (RS/TON)			EBITDA (RS/TON)		
	JUN '07	YOY (%)	QOQ (%)	JUN '07	YOY (RS/T)	QOQ (RS/T)	JUN '07	YOY (RS/T)	QOQ (RS/T)
ACC	5.3	13.4	6.4	3,299	314	16	1,082	131	-11
Ambuja Cement	4.5	3.1	2.5	3,320	277	17	1,322	146	24
Birla Corp	1.3	3.1	-6.0	2,976	459	0	1,186	312	-8
Grasim	3.9	11.1	-0.8	2,994	263	15	1,191	140	22
India Cement	2.3	24.2	10.7	2,876	269	105	1,011	117	93
Shree Cement	1.4	20.2	7.4	2,979	265	15	1,333	127	148
UltraTech	4.4	-1.6	-13.1	2,970	318	62	981	139	170
Sector Aggregate	**22.9**	**8.5**	**-0.1**	**3,109**	**300**	**39**	**1,142**	**147**	**63**

Source: Company/Motilal Oswal Securities

Overall, we expect our cement universe's revenue to grow by 21% YoY, with EBITDA margin expanding by 110bp to 35.6%, translating into 21% YoY increase in PAT.

TREND IN KEY FINANCIAL PARAMETERS (APR-JUN QUARTER)

	NET SALES (RS M)			EBITDA MARGIN (%)			NET PROFIT (RS M)		
	JUN '07	YOY (%)	QOQ (%)	JUN '07	YOY (BP)	QOQ (BP)	JUN '07	YOY (%)	QOQ (%)
ACC	17,923	25.8	9.6	32.8	93	-51	3,694	24.5	5.9
Ambuja Cement	14,775	12.5	3.0	39.8	57	54	4,197	20.5	10.4
Birla Corp	4,259	22.1	-4.1	35.6	617	129	913	46.4	-9.8
Grasim	13,645	24.4	-0.5	34.7	39	42	4,140	32.7	-7.8
India Cement	6,637	36.8	15.3	35.0	91	192	1,365	21.3	-2.3
Shree Cement	4,082	31.9	7.9	44.8	32	476	1,003	10.9	2,389.4
UltraTech	13,009	10.2	-11.2	33.0	128	514	2,401	13.9	3.7
Sector Aggregate*	**74,329**	**20.7**	**1.8**	**35.6**	**107**	**163**	**13,573**	**21.1**	**12.6**

**Sector PAT excl Grasim*

Source: Company/Motilal Oswal Securities

Valuation and view

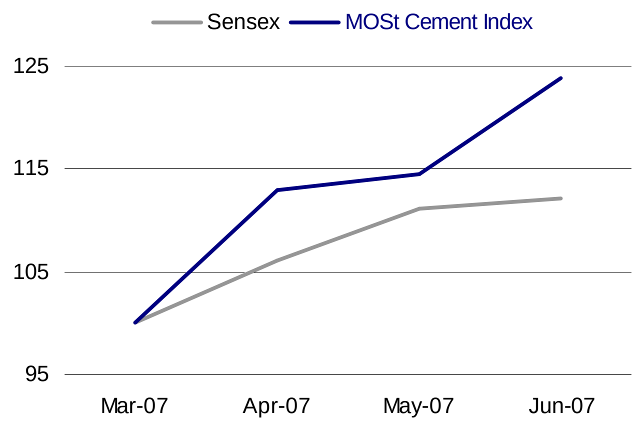
High volume growth and limited capacity addition has improved the supply-demand scenario for industry significantly and as a result industry is going through a cyclical upturn, which is likely to continue for a few more years. Our outlook for the sector remains positive on the back of two fundamentals: (1) expectation of demand growth at 10% CAGR over FY06-FY09E; and (2) firm cement prices. After shifting to levy of ad-valorem excise, there have been minor price cuts of around Rs1-3/bag to pass on the benefits of lower excise in few markets. However, realizations in all markets are stable and expected to remain stable during the monsoons. As inflation numbers trend downward due to the base effect and UP elections are now behind, industry would command better pricing flexibility based on demand-supply equilibrium. In large cap stocks, Grasim and Ambuja Cement remains our top picks, while we prefer Birla Corp and Kesoram among mid-caps.

Stock performance and valuations

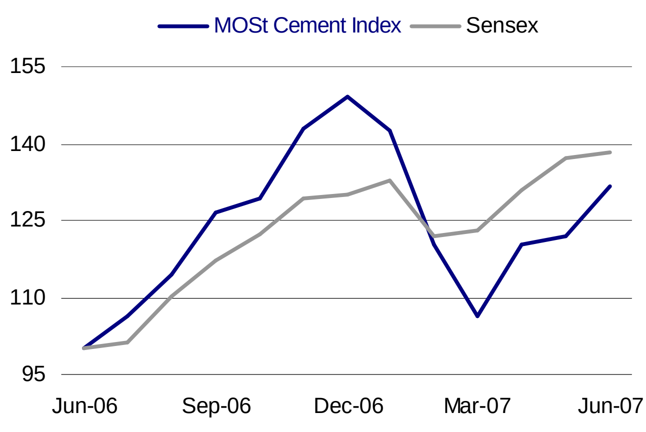
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Cement						
ACC	27	19	15	-19	3	-13
Ambuja Cement	17	25	5	-13	-7	-6
Birla Corporation	40	14	28	-24	16	-17
Grasim Industries	26	36	14	-2	2	5
India Cement	28	32	16	-6	4	1
Shree Cement	38	64	26	26	14	32
UltraTech Cement	17	20	5	-18	-7	-12

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Cement														
ACC	934	Neutral	58.7	75.0	70.0	15.9	12.5	13.3	10.7	8.1	8.5	35.1	33.6	25.6
Ambuja Cement	125	Buy	8.8	10.7	10.0	14.1	11.7	12.4	9.9	7.7	7.5	47.3	37.6	26.6
Birla Corporation	267	Buy	42.4	49.6	48.1	6.3	5.4	5.5	3.7	2.6	2.2	48.1	38.1	28.2
Grasim Industries	2,638	Buy	214.7	248.3	232.5	12.3	10.6	11.3	9.4	8.0	7.9	29.6	26.5	20.5
India Cements	207	Buy	18.6	19.7	19.2	11.2	10.5	10.8	9.1	7.3	6.8	45.2	31.9	23.7
Shree Cement	1,274	Buy	99.1	135.3	151.6	12.9	9.4	8.4	8.2	5.6	4.4	92.6	70.4	46.5
UltraTech Cement	900	Buy	62.8	79.0	82.3	14.3	11.4	10.9	8.8	6.8	6.2	55.7	44.2	32.5
Sector Aggregate						**14.2**	**11.7**	**12.2**	**9.2**	**7.2**	**6.9**	**37.5**	**33.0**	**24.9**

ACC

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ACC IN
	REUTERS CODE
S&P CNX: 4,318	ACC.BO

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs934

Equity Shares (m)	187.8
52-Week Range	1,192/680
1,6,12 Rel. Perf. (%)	7/-20/-19
M.Cap. (Rs b)	175.3
M.Cap. (US$ b)	4.3

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	57,170	11,031	58.7	160.2	15.9	5.6	35.1	31.3	3.0	10.7
12/07E	70,145	14,095	75.0	27.8	12.5	4.2	33.6	36.2	2.4	8.1
12/08E	74,751	13,163	70.0	-6.6	13.3	3.4	25.6	28.3	2.2	8.5

* *Fully Diluted EPS*

- Net sales are expected to grow by 26% YoY to Rs17.9b, driven by significant improvement in realizations of 10.5% YoY (~0.5% QoQ) to Rs3,299/ton. Dispatches during 2QCY07 are expected to grow by 13.4% to 5.25m ton, on the low base of last year, aided by commissioning of new capacity.
- Cement business EBITDA margins are expected to improve 90bp to 32.8%. However, due to decline in RMC business margins, overall EBITDA margins are likely to decline by 150bp to 30.5%. EBITDA is likely to move up 20% YoY to Rs5.5b, translating into PAT growth of 20.6% to Rs3.7b.
- ACC has invested Rs160m to acquire 13% stake in Shiva Cement, Orissa-based mini cement plant. Also, ACC would be subscribing to warrants, which would take ACC's total stake in Shiva Cement to around 25% on conversion. This investment further strengthens ACC's presence in eastern India.
- ACC has entered into an MoU with the Chhattisgarh government, for setting up a 4mt greenfield plant with an investment of Rs14b, in addition augmenting current capacity in the state by 1.25mt.
- The stock trades at 12.5x CY07E EPS and 8.1x CY07E EV/EBITDA. On stretched valuations, we reiterate **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cement Sales (m ton)	5.05	4.63	4.27	4.85	4.93	5.25	4.95	5.55	18.9	20.7
YoY Change (%)	*12.5*	*5.0*	*8.4*	*6.1*	*-2.4*	*13.4*	*15.9*	*14.5*	*9.1*	*9.7*
Cement Realization	2,553	2,985	3,053	3,191	3,283	3,299	3,299	3,299	2,914	3,295
YoY Change (%)	*16.8*	*34.2*	*37.4*	*47.3*	*28.6*	*10.5*	*8.1*	*3.4*	*32.8*	*13.1*
QoQ Change (%)	*17.9*	*16.9*	*2.3*	*4.5*	*2.9*	*0.5*	*0.0*	*0.0*		
Net Sales	**13,364**	**14,247**	**13,577**	**15,923**	**16,348**	**17,923**	**16,921**	**18,953**	**57,170**	**70,145**
YoY Change (%)	*20.3*	*29.9*	*37.1*	*46.0*	*22.3*	*25.8*	*24.6*	*19.0*	*34.9*	*22.7*
EBITDA	**3,266**	**4,556**	**3,660**	**4,685**	**5,071**	**5,470**	**4,739**	**5,787**	**16,232**	**21,068**
Margins (%)	*24.4*	*32.0*	*27.0*	*29.4*	*31.0*	*30.5*	*28.0*	*30.5*	*28.4*	*30.0*
Depreciation	597	579	585	771	621	675	735	792	2,543	2,823
Interest	194	147	144	41	40	70	70	68	520	248
Other Income	333	156	217	580	284	200	200	366	1,329	1,050
PBT before EO Item	**2,809**	**3,985**	**3,148**	**4,453**	**4,694**	**4,925**	**4,134**	**5,294**	**14,498**	**19,047**
EO Income/(Expense)	91	1,464	1	153	200	0	0	0	1,711	200
PBT after EO Item	**2,900**	**5,449**	**3,149**	**4,606**	**4,894**	**4,925**	**4,134**	**5,294**	**16,209**	**19,247**
Tax	545	1,393	894	1,021	1,256	1,231	1,033	1,483	3,877	5,004
Rate (%)	*18.8*	*25.6*	*28.4*	*22.2*	*25.7*	*25.0*	*25.0*	*28.0*	*23.9*	*26.0*
Reported PAT	**2,354**	**4,056**	**2,255**	**3,584**	**3,638**	**3,694**	**3,100**	**3,811**	**12,332**	**14,243**
Adjusted PAT	**2,280**	**2,966**	**2,254**	**3,466**	**3,489**	**3,694**	**3,100**	**3,811**	**11,031**	**14,095**
YoY Change (%)	*37.8*	*118.9*	*164.7*	*280.4*	*53.0*	*24.5*	*37.6*	*10.0*	*162.2*	*27.8*

E: MOSt Estimates; Note: The quarterly results are not strictly comparable due to amalgamation of Tarmac (I) Ltd.

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Ambuja Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GAMB IN
	REUTERS CODE
S&P CNX: 4,318	GACM.BO

Equity Shares (m)	1,520.7
52-Week Range	150/90
1,6,12 Rel. Perf. (%)	7/-18/-13
M.Cap. (Rs b)	189.4
M.Cap. (US$ b)	4.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs125

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	48,479	13,401	8.8	114.7	14.1	5.4	47.4	43.3	3.6	9.9
12/07E	57,436	16,237	10.7	20.9	11.7	3.7	37.7	42.1	3.0	7.7
12/08E	61,107	15,233	10.0	-6.2	12.4	3.0	26.6	33.0	2.7	7.5

- Ambuja Cement's 2QCY07 results are not comparable with the previous year due to merger of Ambuja Cements Eastern Ltd. All growth numbers are approximate.
- Ambuja Cement's 2QCY07 sales are expected to be at Rs14.8b (up ~12.5% YoY). Dispatches are expected to be 4.45m ton (growth of ~3.1% YoY), whereas average realizations are expected to be at Rs3,320/ton (up ~9% YoY and 0.5% QoQ).
- EBITDA margin to increase by 60bp YoY to 39.8%, driven by higher realizations, translating into EBITDA of Rs5.9b, up 14%. Further, lower interest cost (down 75%), higher other income (v/s other expense in 2QCY07) and extra-ordinary income of Rs5b boosted reported PAT to Rs8.6b, and recurring PAT to Rs4.2b (up 20%).
- GACL sold 11% stake in ACIL (out of its 33% stake) to Holcim for Rs5.35b, gaining Rs2.49b. Also, it has sold its 2-acre land in Mumbai to Orbit Corporation for Rs3.3b, resulting in estimated capital gain of Rs2.5b.
- A pure play on cement, with ability to grow volumes faster and more efficiently, earnings are expected to grow 21% in CY07. Considering its reasonable valuation of 11.7x CY07E EPS and 7.7x CY07E EV/EBITDA, maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q^	1Q	2QE	3QE	4QE		
Sales Volume (m ton)	4.18	4.32	3.66	4.12	4.34	4.45	3.98	4.55	16.30	17.32
YoY Change (%)	*NA*	*NA*	*NA*	*NA*	*3.8*	*3.1*	*8.7*	*10.4*	*NA*	*141.1*
Realization (Rs/ton)	2,569	3,043	3,089	3,226	3,304	3,320	3,320	3,320	2,974	3,316
YoY Change (%)	*NA*	*NA*	*NA*	*NA*	*28.6*	*9.1*	*7.5*	*2.9*	*NA*	*71.9*
QoQ Change (%)	*NA*	*18.4*	*1.5*	*4.4*	*2.4*	*0.5*	*0.0*	*0.0*		*62.1*
Net Sales	**10,740**	**13,137**	**11,310**	**13,291**	**14,338**	**14,775**	**13,215**	**15,107**	**48,479**	**57,436**
YoY Change (%)	*NA*	*NA*	*NA*	*NA*	*33.5*	*12.5*	*16.8*	*13.7*	*24.0*	*314.9*
EBITDA	**3,700**	**5,156**	**3,962**	**4,791**	**5,631**	**5,882**	**5,026**	**6,087**	**17,608**	**22,625**
Margins (%)	*34.4*	*39.2*	*35.0*	*36.0*	*39.3*	*39.8*	*38.0*	*40.3*	*36.3*	*39.4*
Depreciation	-566	-564	-567	-572	-598	-620	-700	-754	-2,269	-2,673
Interest	-110	-127	-96	-45	-18	-32	-30	-28	-377	-108
Other Income	213	-68	294	403	257	260	330	553	1,199	1,400
PBT before EO Item	**3,236**	**4,396**	**3,593**	**4,576**	**5,271**	**5,490**	**4,626**	**5,858**	**16,160**	**21,245**
Extraordinary Inc/(Exp)	358	0	0	0	2,408	4,993	0	0	0	7,401
PBT after EO Exp/(Inc)	**3,594**	**4,396**	**3,593**	**4,576**	**7,679**	**10,483**	**4,626**	**5,858**	**16,160**	**28,646**
Tax	-534	913	812	1,199	1,772	1,917	958	1,286	2,760	5,933
Rate (%)	*-14.9*	*20.8*	*22.6*	*26.2*	*23.1*	*18.3*	*20.7*	*22.0*	*17.1*	*20.7*
Reported Profit	**4,128**	**3,484**	**2,781**	**3,378**	**5,907**	**8,566**	**3,668**	**4,571**	**13,401**	**22,713**
Adj PAT	**2,683**	**3,484**	**2,781**	**3,378**	**3,801**	**4,197**	**3,668**	**4,571**	**13,401**	**16,237**
YoY Change (%)	*NA*	*NA*	*NA*	*NA*	*41.7*	*20.5*	*31.9*	*35.3*	*NA*	*690.1*

E: MOSt Estimates; ^Proforma results

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Birla Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BJUT IN
	REUTERS CODE
S&P CNX: 4,318	BRLC.BO

Equity Shares (m)	77.0
52-Week Range	375/180
1,6,12 Rel. Perf. (%)	5/-27/-24
M.Cap. (Rs b)	20.5
M.Cap. (US$ b)	0.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs267

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	15,669	3,262	42.4	37.9	6.3	3.0	48.1	48.5	1.2	3.7
3/08E	17,520	3,817	49.6	17.0	5.4	2.1	38.1	37.5	0.9	2.6
3/09E	18,505	3,705	48.1	-2.9	5.5	1.6	28.2	30.1	0.7	2.2

- During 1QFY08, Birla Corp.'s revenues are expected to grow by 22% to Rs4.3b. Revenue growth will be driven by higher realizations in the cement division. Cement realizations are likely to be up by 18% YoY (flat QoQ) to Rs2,976 per ton, however sales volume will be muted at 1.31m ton, recording growth of 3.1%.
- Higher realizations will result in EBITDA margin expansion by 620bp YoY to 35.6%, translating into EBITDA growth of 48%. However, higher interest cost (up 64%) and higher depreciation (up 14%) restricted PAT growth to 46% to Rs913m.
- New grinding unit at Durgapur is yet to stabilize operations and operate at optimum level of production. Upon stabilization in next few months, this plant would drive volume growth through higher throughput, the effect of which would be felt only from 2HFY08.
- At current prices, the stock is trading at 5.4x FY08E EPS and 2.6x FY08E EV/EBITDA. Its EV/ton (at 5.8m ton capacity) works out to US$68/ton, which is at a discount to comparable peers. We believe the discount is not justified and valuations, based on earnings as well as replacement cost, are compelling. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Cement Sales (m ton)	1.27	1.25	1.32	1.39	1.31	1.28	1.37	1.44	5.23	5.40
YoY Change (%)	*0.0*	*6.1*	*4.9*	*-7.1*	*3.1*	*2.4*	*3.9*	*3.3*	*0.5*	*3.2*
Cement Realization	2,517	2,621	2,795	2,976	2,976	2,976	2,976	2,976	2,734	2,976
YoY Change (%)	*26.3*	*36.0*	*44.2*	*28.0*	*18.2*	*13.5*	*6.5*	*0.0*	*32.7*	*8.8*
QoQ Change (%)	*8.3*	*4.1*	*6.6*	*6.5*	*0.0*	*0.0*	*0.0*	*0.0*		
Net Sales	**3,489**	**3,647**	**4,093**	**4,441**	**4,259**	**4,169**	**4,437**	**4,655**	**15,669**	**17,520**
YoY Change (%)	*25.0*	*39.9*	*45.4*	*12.7*	*22.1*	*14.3*	*8.4*	*4.8*	*28.9*	*11.8*
Total Expenditure	2,462	2,668	2,689	2,917	2,742	2,752	2,870	2,939	10,735	11,303
EBITDA	**1,027**	**979**	**1,404**	**1,524**	**1,516**	**1,417**	**1,567**	**1,717**	**4,934**	**6,217**
Margins (%)	*29.4*	*26.8*	*34.3*	*34.3*	*35.6*	*34.0*	*35.3*	*36.9*	*31.5*	*35.5*
Depreciation	97	96	96	108	110	112	115	121	397	458
Interest	43	31	35	76	70	68	67	66	185	271
Other Income	39	53	55	119	45	60	75	110	265	290
Profit before Tax	**927**	**905**	**1,328**	**1,458**	**1,381**	**1,297**	**1,460**	**1,639**	**4,617**	**5,778**
Tax	303	229	377	446	469	440	495	556	1,355	1,961
Rate (%)	*32.7*	*25.3*	*28.4*	*30.6*	*33.9*	*33.9*	*33.9*	*33.9*	*29.3*	*33.9*
Adjusted PAT	**624**	**675**	**951**	**1,012**	**913**	**857**	**965**	**1,083**	**3,262**	**3,817**
Margins (%)	*17.9*	*18.5*	*23.2*	*22.8*	*21.4*	*20.5*	*21.7*	*23.3*	*20.8*	*21.8*
YoY Change (%)	*168.3*	*271.9*	*452.5*	*50.7*	*46.4*	*26.9*	*1.4*	*7.0*	*37.9*	*17.0*

E: MOSt Estimates

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Grasim Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GRASIM IN
	REUTERS CODE
S&P CNX: 4,318	GRAS.BO

Equity Shares (m)	91.7
52-Week Range	2,908/1,804
1,6,12 Rel. Perf. (%)	4/-12/-2
M.Cap. (Rs b)	241.9
M.Cap. (US$ b)	5.9

29 June 2007

Buy

Previous Recommendation: Buy Rs2,638

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	140,952	19,683	214.7	89.7	12.3	3.7	29.6	32.0	2.1	7.6
3/08E	149,610	22,763	248.3	15.6	10.6	2.9	26.5	33.7	2.0	6.4
3/09E	161,935	21,313	232.5	-6.4	11.3	2.4	20.5	31.1	1.7	6.1

* *Consolidated*

- Grasim (standalone) is expected to post sales growth of 19% YoY to Rs22.4b in 1QFY08. Strong performance of cement and VSF division will drive Grasim's overall operating performance and lead to margin expansion of 370bp to 31%, translating into PAT growth of 32.7% to Rs4.1b.
- The cement volumes are expected to grow by 11% YoY to 3.9m ton, boosted by traded cement from UltraTech. With realizations expected to improve by 9.6% YoY to Rs2,994/ton, the cement division's operating margins are expected to expand by 40bp YoY to 34.7%.
- VSF volumes are likely to increase by 7.8% YoY and realizations are likely to move up by 13.3% YoY to Rs89,500/ton, resulting in VSF operating margin improvement of 610bp YoY to 32%.
- While the chemical business is expected to grow on the low base of last year which was impacted by breakdown of captive power plant, sponge iron is expected to continue to benefit from higher scrap prices.
- We have revised our FY08E EPS by 5.8% to Rs248.3 and FY09E EPS by 2.6% to Rs232.5, to factor in for 7% VSF price increase and higher traded cement. With two core businesses (cement and VSF) in an upturn, valuations at 10.6x PER FY08E and 6.4x FY08E EV/EBITDA (consolidated) appear reasonable. Maintain **Buy** on the stock.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**18,770**	**20,108**	**22,794**	**24,938**	**22,418**	**22,721**	**24,184**	**25,641**	**86,757**	**94,964**
YoY Change (%)	*20.8*	*21.9*	*38.3*	*36.3*	*19.4*	*13.0*	*6.1*	*2.8*	*29.4*	*9.5*
EBITDA	**5,133**	**5,322**	**6,661**	**6,942**	**6,946**	**6,915**	**7,616**	**8,004**	**24,094**	**29,482**
Margins (%)	*27.3*	*26.5*	*29.2*	*27.8*	*31.0*	*30.4*	*31.5*	*31.2*	*27.8*	*31.0*
Depreciation	741	756	807	876	900	910	915	984	3,179	3,709
Interest	235	241	240	366	280	300	320	625	1,118	1,525
Other Income	375	502	444	776	350	450	425	736	2,097	1,961
PBT before EO Items	**4,532**	**4,827**	**6,058**	**6,476**	**6,116**	**6,155**	**6,806**	**7,131**	**21,893**	**26,208**
Extraordinary Inc/(Exp)	0	0	0	371	0	0	0	0	371	0
PBT after EO Items	**4,532**	**4,827**	**6,058**	**6,847**	**6,116**	**6,155**	**6,806**	**7,131**	**22,264**	**26,208**
Tax	1,413	1,467	1,942	2,102	1,976	1,989	2,199	2,304	6,906	8,469
Rate (%)	*31.2*	*30.4*	*32.1*	*30.7*	*32.3*	*32.3*	*32.3*	*32.3*	*31.0*	*32.3*
Reported PAT	**3,119**	**3,360**	**4,116**	**4,745**	**4,140**	**4,166**	**4,607**	**4,827**	**15,358**	**17,739**
Adj. PAT	**3,119**	**3,360**	**4,116**	**4,488**	**4,140**	**4,166**	**4,607**	**4,827**	**15,102**	**17,739**
YoY Change (%)	*51.7*	*79.1*	*154.3*	*72.7*	*32.7*	*24.0*	*11.9*	*7.6*	*73.1*	*17.5*

E: MOSt Estimates; Quarterly results do not add-up to full year results due to restatement

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India Cements

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ICEM IN
	REUTERS CODE
S&P CNX: 4,318	ICMN.BO

Equity Shares (m)	260.4
52-Week Range	255/144
1,6,12 Rel. Perf. (%)	12/-18/-6
M.Cap. (Rs b)	54.0
M.Cap. (US$ b)	1.3

29 June 2007

Buy

Previous Recommendation: Buy Rs207

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	23,310	5,050	18.6	951.0	11.2	3.9	45.2	25.3	3.0	9.1
3/08E	26,624	5,339	19.7	5.7	10.5	2.8	31.9	26.2	2.5	7.3
3/09E	29,303	5,225	19.2	-2.1	10.8	2.2	23.7	25.2	2.2	6.8

- India Cement's (ICL) 1QFY08 results are not on a like-to-like basis due to merger of Visaka. India Cement (incl. Visaka). The company is expected to report 37% YoY sales growth to Rs6.6b, driven by 10% YoY (3.8% QoQ) higher realizations to Rs2,876/ton and volume growth of 24% to 2.3m ton.
- Higher realization would translate in EBITDA margin expansion of 90bp YoY to 35%, resulting in EBITDA being higher by 40% YoY to Rs2.3b. However, higher tax provisioning (at 22.5% of PBT v/s no tax in 1QFY07) would restrict PAT growth to 21% to Rs1.37b.
- ICEM is increasing capacity by 3m ton in FY08 at capex of Rs3.8b-Rs4b (funded out of FCCB proceeds). While ICL had earlier announced capacity addition of 2m ton, it is adding 1mt at Parli, Maharashtra. Also, modernization of Sankaridurg plant (0.6MT) will be completed by September 2007 versus the earlier guidance of December 2007.
- Given its high leverage and relatively low cost timely capacity additions, ICL would be one of the biggest beneficiaries of any further price increase in southern India. At current valuations of 10.5x FY08E EPS and 7.3x FY08E EBITDA, valuations appear attractive. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07 *				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Dispatches (m ton)	1.85	1.88	1.74	2.08	2.30	2.34	2.17	2.43	7.55	9.24
YoY Change (%)	*-2.6*	*-1.6*	*3.2*	*4.8*	*24.2*	*24.4*	*24.9*	*16.9*	*1.0*	*431.4*
Realization (Rs/ton)	2,606	2,733	2,716	2,771	2,876	2,876	2,876	2,876	2,704	2,876
YoY Change (%)	*30.1*	*33.2*	*31.9*	*29.9*	*10.3*	*5.2*	*5.9*	*3.8*	*31.0*	*5.9*
QoQ Change (%)	*22.2*	*4.9*	*-0.6*	*2.0*	*3.8*	*0.0*	*0.0*	*0.0*	*31.0*	*6.4*
Net Sales	**4,852**	**5,164**	**4,724**	**5,758**	**6,637**	**6,754**	**6,246**	**6,987**	**20,497**	**26,624**
YoY Change (%)	*27.4*	*31.9*	*36.3*	*36.2*	*36.8*	*30.8*	*32.2*	*21.4*	*32.9*	*29.9*
Total Expenditure	3,197	3,438	3,394	3,852	4,313	4,446	4,227	4,555	13,880	17,541
EBITDA	**1,655**	**1,726**	**1,331**	**1,906**	**2,325**	**2,308**	**2,018**	**2,432**	**6,617**	**9,083**
Margins (%)	*34.1*	*33.4*	*28.2*	*33.1*	*35.0*	*34.2*	*32.3*	*34.8*	*32.3*	*34.1*
Depreciation	192	193	198	194	260	262	265	285	777	1,072
Interest	389	364	347	331	320	310	300	292	1,430	1,222
Other Income	54	83	17	22	17	55	12	16	102	100
PBT	**1,129**	**1,252**	**803**	**1,403**	**1,762**	**1,791**	**1,465**	**1,871**	**4,512**	**6,889**
Tax	3	4	5	5	379	385	315	392	17	1,471
Deferred Tax	0	0	0	0	18	18	15	29	0	79
Rate (%)	*0.2*	*0.3*	*0.6*	*0.4*	*22.5*	*22.5*	*22.5*	*22.5*	*0.4*	*22.5*
Reported PAT	**1,126**	**1,248**	**798**	**1,398**	**1,365**	**1,388**	**1,136**	**1,450**	**4,495**	**5,339**
Adj PAT	**1,126**	**1,248**	**798**	**1,398**	**1,365**	**1,388**	**1,136**	**1,450**	**4,495**	**5,339**
YoY Change (%)	*1,018.1*	*2,033.2*	*4,407.3*	*417.2*	*21.3*	*11.2*	*42.3*	*3.7*	*891.8*	*18.8*
Margins (%)	*23.2*	*24.2*	*16.9*	*24.3*	*20.6*	*20.6*	*18.2*	*20.7*	*21.9*	*20.1*

*E: MOSt Estimates; *Excluding Visaka merger*

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Shree Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SRCM IN
	REUTERS CODE
S&P CNX: 4,318	SHCM.BO

Equity Shares (m)	34.8
52-Week Range	1,592/714
1,6,12 Rel. Perf. (%)	3/-19/26
M.Cap. (Rs b)	44.4
M.Cap. (US$ b)	1.1

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,274

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	13,680	3,451	99.1	1,775.2	12.9	9.9	92.6	39.6	3.6	8.2
3/08E	20,259	4,712	135.3	36.5	9.4	5.0	70.4	44.4	2.4	5.6
3/09E	24,474	5,283	151.6	12.1	8.4	3.2	46.5	38.1	1.8	4.4

- Sales in 1QFY08 are expected to grow by 32% YoY to Rs4.1b, driven by volume growth of 20% YoY to 1.37m ton (boosted by new capacity) and realization growth of 9.8% YoY (~0.5% QoQ) to Rs2,979/ton.
- Higher realizations would translate to EBITDA margin expansion of 40bp YoY to 44.8%, resulting in EBITDA being higher by 33% YoY to Rs1.83b. However, higher depreciation (by 83% due to new plant) and higher tax (at 25% of PBT v/s 16.9% in 4QFY06) would restrict PAT growth to 11% to Rs1b.
- Shree Cement's new 1.5m ton capacity has commenced commercial production in 1QFY08. Also, management expects Unit V (1.5mt) to commence operations by September 2007 (versus earlier guidance for December 2007).
- We have revised upward our earnings estimate by 4.3% for FY08E and 4% for FY09E, to factor in for earlier-than-expected commissioning of new capacities. The stock is quoting at very attractive valuations of 9.4x FY08E EPS and 5.6x FY08E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Dispatches (m ton)	1.14	1.11	1.30	1.28	1.37	1.55	1.75	2.13	4.83	6.80
YoY Change (%)	*56.2*	*44.0*	*81.1*	*32.5*	*20.2*	*39.8*	*35.1*	*66.9*	*47.5*	*40.8*
Realization (Rs/ton)	2,714	2,849	2,815	2,964	2,979	2,979	2,979	2,979	2,832	2,979
YoY Change (%)	*39.0*	*41.2*	*39.5*	*26.0*	*9.8*	*4.6*	*5.8*	*0.5*	*38.6*	*5.2*
QoQ Change (%)	*15.3*	*5.0*	*-1.2*	*5.3*	*0.5*	*0.0*	*0.0*	*0.0*		*-7.3*
Net Sales	**3,094**	**3,160**	**3,645**	**3,783**	**4,082**	**4,618**	**5,214**	**6,346**	**13,680**	**20,259**
YoY Change (%)	*117.1*	*103.3*	*152.7*	*66.9*	*31.9*	*46.2*	*43.0*	*67.8*	*104.4*	*48.1*
EBITDA	**1,375**	**1,427**	**1,601**	**1,513**	**1,827**	**1,967**	**2,310**	**2,693**	**5,922**	**8,796**
Margins (%)	*44.4*	*45.2*	*43.9*	*40.0*	*44.8*	*42.6*	*44.3*	*42.4*	*43.3*	*43.4*
Depreciation	263	338	263	1,547	480	480	480	1,083	2,336	2,523
Interest	54	27	7	16	65	62	59	54	104	240
Other Income	30	43	47	91	55	60	65	70	212	250
PBT before EO Exp	**1,088**	**1,104**	**1,379**	**41**	**1,337**	**1,485**	**1,836**	**1,625**	**3,694**	**6,283**
Extra-Ord Expense	0	0	0	-201	0	0	0	0	1,800	0
PBT	**1,088**	**1,104**	**1,379**	**242**	**1,337**	**1,485**	**1,836**	**1,625**	**1,894**	**6,283**
Tax	184	326	338	3	334	371	459	406	124	1,571
Rate (%)	*16.9*	*29.6*	*24.5*	*1.3*	*25.0*	*25.0*	*25.0*	*25.0*	*6.6*	*50.0*
Reported PAT	**904**	**778**	**1,041**	**239**	**1,003**	**1,114**	**1,377**	**1,219**	**1,770**	**4,712**
Adj PAT	**904**	**778**	**1,041**	**40**	**1,003**	**1,114**	**1,377**	**1,219**	**3,451**	**3,141**
YoY Change (%)	*247.6*	*108.2*	*162.5*	*-93.0*	*10.9*	*43.1*	*32.2*	*2927.2*	*2070.4*	*-9.0*
Margins (%)	*29.2*	*24.6*	*28.6*	*1.1*	*24.6*	*24.1*	*26.4*	*19.2*	*25.2*	*15.5*

E: MOSt Estimates; Quarterly results do not add up with full year results as it provides addl. depn. and deferred tax at the end of the year

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UltraTech Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	UTCEM IN
	REUTERS CODE
S&P CNX: 4,318	ULTC.BO

Equity Shares (m)	124.4
52-Week Range	1,205/599
1,6,12 Rel. Perf. (%)	10/-24/-18
M.Cap. (Rs b)	112.0
M.Cap. (US$ b)	2.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs900

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	49,108	7,823	62.8	240.5	14.3	6.3	55.7	44.6	2.4	8.4
3/08E	54,646	9,831	79.0	25.7	11.4	4.2	44.2	47.0	2.1	6.7
3/089E	59,060	10,243	82.3	4.2	10.9	3.1	32.5	42.3	1.8	5.9

- Net sales is expected to grow by 10.2% YoY to Rs13b driven by 12% YoY (~2.1% QoQ) higher realizations. However, volume growth is expected to decline by 1.6% to 4.38mt due to sale (traded) of cement through Grasim.
- Exports (cement + clinker) are expected to decline by 12%, whereas domestic dispatches are expected to remain flat. Also, cement exports has declined by 29%, suggesting a shift in favor of cement.
- Higher realizations are expected to drive EBITDA margin expansion of 130bp YoY to 33% and 15% YoY higher EBITDA at Rs4.43b, translating into 14% YoY growth in PAT to Rs2.4b.
- UltraTech's capex program is on track with: (1) capacity addition of 4MT in Andhra Pradesh; and (2) a 96MW lignite-based captive power plant, both expected to be operational by 1QFY08.
- We have revised our FY08E EPS downwards by 3% to Rs79, to factor in for higher sale of cement to Grasim. At 11.4x FY08E EPS and 6.5x FY08E EV/EBITDA, valuations do not fully reflect the improving operating performance and organic growth visibility at the low cost of expansion. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q*	2Q*	3Q*	4Q	1Q	2Q	3Q	4Q		
Sales (m ton)	4.45	3.61	4.49	5.04	4.38	3.95	4.75	5.32	17.67	18.40
YoY Change (%)	*11.5*	*22.4*	*14.0*	*8.9*	*-1.6*	*9.4*	*5.8*	*5.5*	*13.4*	*4.1*
Realization (Rs/ton)	2,652	2,783	2,807	2,908	2,970	2,970	2,970	2,970	2,779	2,970
YoY Change (%)	*33.4*	*28.3*	*40.3*	*27.0*	*12.0*	*6.7*	*5.8*	*2.1*	*31.2*	*6.9*
QoQ Change (%)	*15.8*	*4.9*	*0.9*	*3.6*	*2.1*	*0.0*	*0.0*	*0.0*		
Net Sales	**11,803**	**10,045**	**12,605**	**14,655**	**13,009**	**11,732**	**14,108**	**15,798**	**49,108**	**54,646**
YoY Change (%)	*48.8*	*57.0*	*59.8*	*38.2*	*10.2*	*16.8*	*11.9*	*7.8*	*48.8*	*11.3*
Total Expenditure	8,057	7,501	8,802	10,570	8,714	8,230	9,583	10,705	34,930	37,231
EBITDA	**3,746**	**2,545**	**3,802**	**4,085**	**4,295**	**3,502**	**4,525**	**5,094**	**14,178**	**17,415**
Margins (%)	*31.7*	*25.3*	*30.2*	*27.9*	*33.0*	*29.8*	*32.1*	*32.2*	*28.9*	*31.9*
Depreciation	544	547	571	601	590	595	630	669	2,263	2,484
Interest	226	237	202	203	190	175	150	135	868	650
Other Income	134	119	167	195	120	100	120	260	615	600
PBT after EO Expense	**3,110**	**1,879**	**3,196**	**3,476**	**3,635**	**2,832**	**3,865**	**4,550**	**11,662**	**14,881**
Tax	1,002	605	1,072	1,161	1,233	961	1,312	1,544	3,839	5,050
Rate (%)	*32.2*	*32.2*	*33.5*	*33.4*	*33.9*	*33.9*	*33.9*	*33.9*	*32.9*	*33.9*
Reported PAT	**2,108**	**1,274**	**2,125**	**2,315**	**2,401**	**1,871**	**2,553**	**3,006**	**7,823**	**9,831**
Adj PAT	**2,108**	**1,274**	**2,125**	**2,315**	**2,401**	**1,871**	**2,553**	**3,006**	**7,823**	**9,831**
YoY Change (%)	*251.3*	*-*	*790.8*	*75.3*	*13.9*	*46.8*	*20.2*	*29.8*	*240.5*	*25.7*

E: MOSt Estimates; Qly results do no add up to full year results due to recasting

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Engineering

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Strong order intake in 1QFY08; order book remains strong

The order book for most capital goods companies is showing impressive growth with increasing investments in the manufacturing sector, thrust on accelerated infrastructure development and continuation of power reforms. The order book for most of the companies like Siemens, ABB, Thermax, BHEL and L&T witnessed robust YoY growth rate as of March 2007.

During 1QFY08 too, the order intake continued to remain robust on account of significant project awards from Railways, industries (primarily, oil & gas) and power sector.

ORDER BACKLOG (RSB AND % YOY)

	MAR-06	MAR-07	% GR. YOY	DEC-05	DEC-06	% GR. YOY
Siemens	76.2	108.6	42	70.6	110.4	56
ABB	26.7	42.6	59	21.0	33.7	60
Thermax	22.1	36.7	66	15.1	19.8	31
L&T (E&C Div)	238.6	353.3	48	229.2	341.4	49
BHEL	376.0	550.0	46	338.0	467.0	38

Source: Motilal Oswal Securities

We remain positive on the order-booking trend in FY08, which would translate into robust topline growth. The following factors will drive demand growth in the sector:

- **Capacity expansions:** With growth in the economy, all industry players are operating at close to or above optimum capacity utilization, thus requiring fresh investments.
- **Strong commodity prices:** Resultant increase in profitability and cash flows would

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Engineering							
ABB	Neutral	13,396	37.5	1,574	54.3	1,060	47.4
Alstom Projects	Neutral	2,684	20.0	144	59.7	130	12.3
Bharat Electronics	Buy	5,073	5.0	730	1.2	618	2.6
BHEL	Buy	34,532	30.0	4,317	35.7	3,017	27.5
Crompton Greaves	Neutral	9,224	24.5	913	26.5	493	35.7
Cummins India	Neutral	4,697	20.0	763	23.3	593	16.8
Larsen & Toubro	Buy	44,294	27.7	4,507	67.0	2,497	58.9
Siemens	Neutral	17,107	63.5	1,258	58.8	889	57.3
Suzlon Energy	Neutral	15,499	45.0	2,790	50.1	1,205	26.5
Thermax	Buy	3,791	17.5	485	26.9	320	16.2
Sector Aggregate		**150,298**	**32.1**	**17,481**	**44.6**	**10,824**	**34.6**

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lead to players going in for major capex programs.

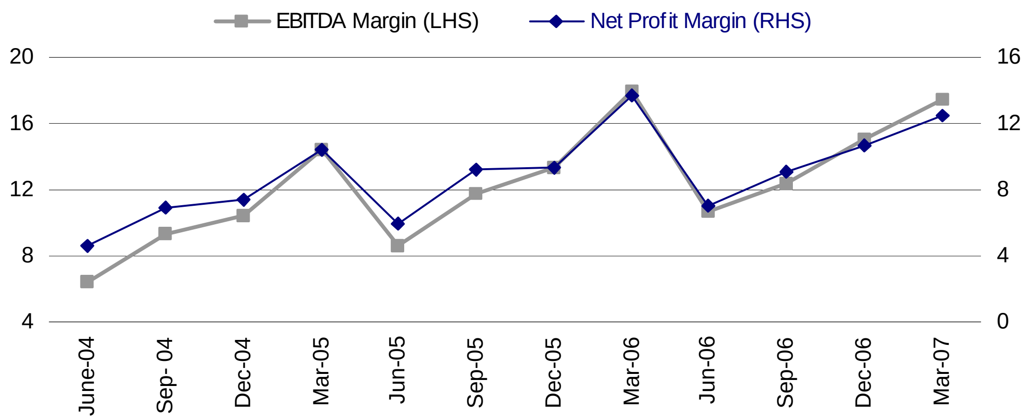
- **Fast growing exports:** India's cost efficiency and innovative skills are fuelling exports to developed nations (often to global parent).
- **Infrastructure spending:** Government spending on infrastructure development is having a multiplier effect on the economy and attracting public and private investments.
- **Investments in hydrocarbon sector:** Surge in investments in hydrocarbons has emerged as a big demand generator for the capital goods sector.
- **Power sector reforms in place:** Government's ambitious strategy to add generating capacity and curtail transmission and distribution losses is another sizable demand driver.

Expect EBITDA margin improvement in 1QFY08

The EBITDA margin for the companies in the capital goods sector has witnessed strong improvement on back of favorable demand-supply scenario, long-term supply contracts for raw materials, flexibly priced work contracts and implementation of cost-cutting programs.

TREND IN EBITDA AND PAT MARGINS

Source: Motilal Oswal Securities



With the demand picking up, most companies have been able to take some price hikes and incorporate price escalation clauses into new contracts. Most companies have entered the phase where they can cherry-pick customers and orders. Also, for most of the companies, low margin projects picked up during FY04 and FY05 have been largely completed. Despite the recent spurt in non-ferrous metal and steel prices, companies have reported an improvement in margins in March 2007 quarter because of in-built price variation clauses for most orders (especially from SEBs / utilities), operational efficiency, economies of scale, better sourcing and enrichment in product mix. Overall, robust order book assures strong revenue visibility over the next few quarters, and the improving margin trend would enable companies to sustain their earnings growth.

Exports, M&A in focus

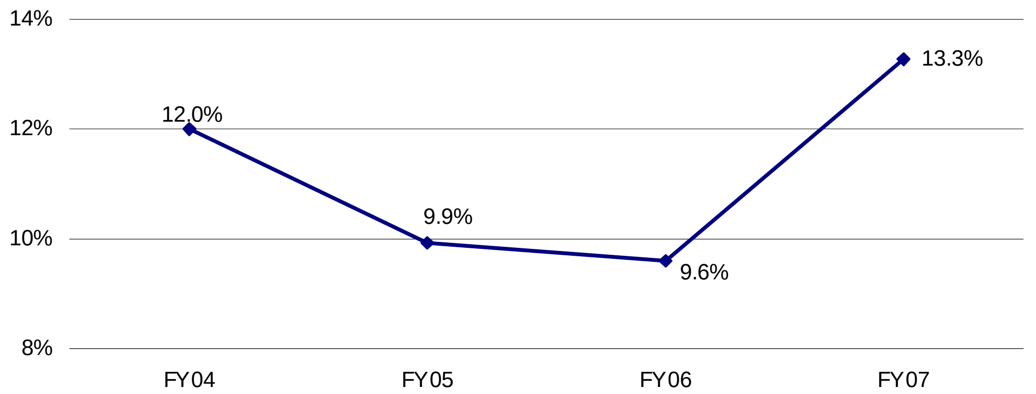
Indian engineering companies are on a globalization spree with an increasing focus on exports and a series of international acquisitions and tie-ups. On the one hand, engineering companies like Suzlon and Crompton Greaves have made significant inroads into the global market through a series of acquisitions, and, on the other, many companies with proven capabilities and low cost advantages are looking to tap the vast opportunity in export markets.

Suzlon acquired Hansen of Belgium, the world's second largest player in wind mill gearboxes, and REpower, a leading WTG player in European markets. The acquisition of REpower has given Suzlon access to offshore technology and a large European market. Crompton too has enhanced its product portfolio with the acquisition of Pauwels (up to 550kva from 400 kva earlier) and gained access to the US and European markets through acquisition of Ganz. It has also announced the acquisition of Microsol Holdings, which will enable it to transform from a product-based company to a total solutions provider. Such acquisitions not only help in bridging the competency gap for the Indian companies but also give them direct entry into the global market.

Even public sector engineering companies are keen on global tie-ups and acquisitions. BEL has signed several MoUs with global defense majors like Boeing, Lockheed Martin, Elbit Systems Electro Optics ELOP Ltd, Israel, Northrop Grumman Corporation to cash in on the significant opportunity arising from the offset clause. BHEL is also vying for an overseas acquisition to fill its competency gap in the high pressure feed in pump for the super critical technology.

Exports currently account for less than 10% of revenues for all the engineering companies. However, going forward, greater integration with overseas companies through acquisitions or tie-ups would increase the export revenues significantly.

EXPORT AS A % TO REVENUE



Note: Includes ABB, BHEL, Crompton Greaves, Suzlon, Siemens. *Source: Motilal Oswal Securities*

The export markets have also started opening up with large emerging opportunities in Middle East and Africa for home grown players (viz. BHEL, L&T and Thermax), and with some MNCs (viz. ABB, Cummins, Siemens) being developed as exclusive sourcing bases for their parents' global / regional requirements. Most of the MNC companies have already set up R&D centers in India, and hence the outsourcing opportunity seems to be a sustainable trend.

We remain positive on the sector

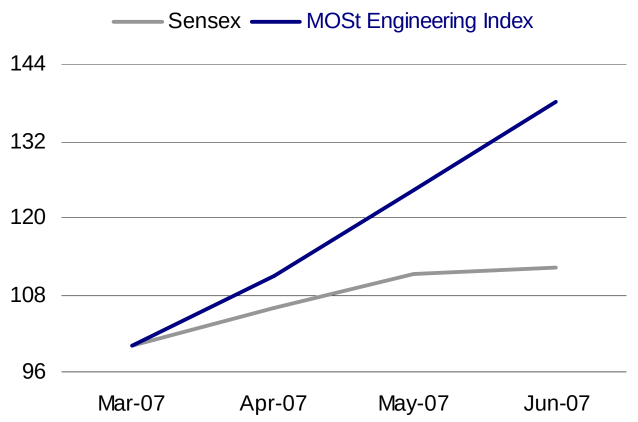
We remain positive on the capital goods sector. Earnings visibility is high for most of these companies, based on the current order-book-to-bill-ratio. The companies will now have to focus on efficient execution and timely delivery.

Stock performance and valuations

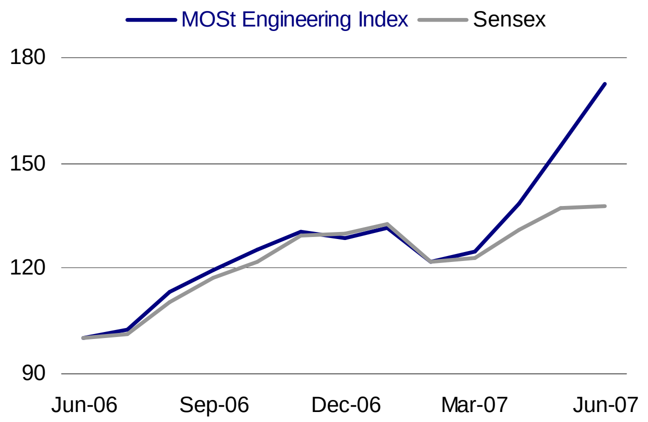
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Engineering						
ABB	54	119	42	81	16	47
Alstom Projects	104	245	92	207	66	173
Bharat Electron	22	71	10	33	-16	-2
BHEL	36	58	24	20	-2	-15
Crompton Greaves	27	102	15	64	-11	30
Cummins India	28	79	16	41	-10	6
Larsen & Toubro	36	96	24	58	-2	23
Siemens	28	58	16	20	-10	-15
Suzlon Energy	49	43	37	4	11	-30
Thermax	32	93	20	55	-6	20

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Engineering														
ABB **	1,095	Neutral	80.3	119.2	30.8	13.6	9.2	35.6	47.0	29.8	22.7	36.7	49.5	53.0
Alstom Projects	806	Neutral	16.6	23.5	28.8	48.5	34.3	27.9	41.7	28.9	23.0	33.3	37.5	35.7
Bharat Electronics	1,830	Buy	89.2	102.3	120.1	20.5	17.9	15.2	11.3	9.8	8.0	27.5	25.3	24.0
BHEL	1,538	Buy	48.8	63.2	79.0	31.5	24.3	19.5	19.0	14.4	11.4	28.8	29.6	29.3
Crompton Greaves	253	Neutral	6.9	9.2	12.0	36.6	27.6	21.2	27.2	20.4	16.8	33.8	33.6	32.3
Cummins India	340	Neutral	10.6	13.2	15.7	32.2	25.8	21.7	18.6	14.8	12.0	26.0	27.5	27.7
Larsen & Toubro	2,196	Buy	63.9	81.0	103.5	34.4	27.1	21.2	34.0	24.5	19.1	25.7	27.0	28.5
Siemens *	1,396	Neutral	31.9	45.3	58.0	43.8	30.8	24.1	27.0	20.2	17.0	43.3	48.0	47.0
Suzlon Energy	1,494	Neutral	30.0	43.0	64.8	49.7	34.7	23.0	36.7	23.0	16.1	29.0	29.4	31.6
Thermax	505	Buy	16.1	22.8	30.2	31.3	22.1	16.7	19.6	14.6	10.6	39.7	40.1	41.9
Sector Aggregate						**36.2**	**27.5**	**21.4**	**25.6**	**18.9**	**14.8**	**31.1**	**31.5**	**32.6**

*** Year end December, * Year end September*

ABB

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ABB IN
	REUTERS CODE
S&P CNX: 4,318	ABB.BO

Equity Shares (m)	211.9
52-Week Range	1,099/449
1,6,12 Rel. Perf. (%)	20/41/81
M.Cap. (Rs b)	232.1
M.Cap. (US$ b)	5.7

29 June 2007

Neutral

Previous Recommendation: Neutral Rs1,095

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	42,740	3,403	16.1	55.6	68.2	24.4	36.7	55.9	5.2	47.0
12/07E	60,897	5,052	23.8	48.5	45.9	21.3	49.5	77.2	3.7	29.8
12/08E	78,649	6,523	30.8	29.1	35.6	16.9	53.0	82.6	2.8	22.7

Pre-exceptionals

- For 2QCY07, we expect revenue to grow 37.5% YoY to Rs13.4b, EBITDA by 54.3% YoY to Rs1.6b and net profit by 47.4% YoY to Rs1.1b. ABB reported strong CY06 performance: revenue grew 44.2% to Rs42.7b, EBITDA grew 50% to Rs4.8b and net profit was up 55.6% to Rs3.4b.
- During 2QCY07, the company announced an order intake of Rs2.4b from the Delhi Metro Rail Corporation for the phase II. The scope of the order includes supply of the turnkey electrification package for Metro line spanning 10 corridors across parts of New Delhi and surrounding areas of Gurgaon and Noida.
- We expect trend in order intake to be buoyant during CY07 with significant orders from power utilities (for rural electrification and substation projects and for distribution products and solutions), industrial customers (turnkey orders for automation solutions) and for standard products.
- EBITDA margin for the company improved 42bp YoY during CY06. We believe the sustained momentum in order intake, rapid conversion of the existing strong order backlog and increased share of high margin standard products and services should lead to further margin expansion for the company.
- ABB India has announced capacity and range expansion program, wherein it will establish a new low voltage distribution electrical unit in Haridwar and a vacuum interrupter plant in Nashik.
- We believe ABB's rich valuations already discount its buoyant growth prospects. It trades at 45.9x CY07E and 35.6x CY08E earnings. We remain **Neutral** on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	**8,029**	**9,742**	**10,706**	**14,263**	**13,124**	**13,396**	**14,667**	**19,710**	**42,740**	**60,897**
Change (%)	*32.1*	*47.9*	*50.6*	*44.7*	*63.5*	*37.5*	*37.0*	*38.2*	*44.2*	*42.5*
EBITDA	**695**	**1,020**	**1,106**	**1,947**	**1,282**	**1,574**	**1,650**	**2,982**	**4,767**	**7,488**
Change (%)	*87.1*	*68.8*	*35.7*	*39.9*	*84.6*	*54.3*	*49.2*	*53.2*	*49.8*	*57.1*
As % of Sales	*8.7*	*10.5*	*10.3*	*13.6*	*9.8*	*11.8*	*11.3*	*15.1*	*11.2*	*12.3*
Depreciation	62	65	66	71	86	89	91	98	265	364
Interest	2	2	2	1	10	9	12	9	7	40
Other Income	180	153	230	174	152	180	220	258	737	810
PBT	**810**	**1,106**	**1,267**	**2,049**	**1,337**	**1,656**	**1,767**	**3,134**	**5,232**	**7,894**
Tax	297	387	446	699	471	596	610	1,165	1,829	2,842
Effective Tax Rate (%)	*36.7*	*35.0*	*35.2*	*34.1*	*35.2*	*36.0*	*34.5*	*37.2*	*35.0*	*36.0*
Repoted PAT	**513**	**719**	**821**	**1,350**	**866**	**1,060**	**1,157**	**1,969**	**3,403**	**5,052**
Adj. PAT	**513**	**719**	**821**	**1,350**	**866**	**1,060**	**1,157**	**1,969**	**3,403**	**5,052**
Change (%)	*86.5*	*64.9*	*55.1*	*42.6*	*68.9*	*47.4*	*40.9*	*45.9*	*55.6*	*48.5*

E: MOSt Estimates

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Alstom Projects

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ABBAP IN
	REUTERS CODE
S&P CNX: 4,318	ABBP.BO

Equity Shares (m)	67.0
52-Week Range	836/197
1,6,12 Rel. Perf. (%)	41/68/207
M.Cap. (Rs b)	54.0
M.Cap. (US$ b)	1.3

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs806

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	12,215	1,113	16.6	136.4	48.5	14.7	33.3	43.0	4.1	41.7
3/08E	15,992	1,566	23.4	40.8	34.5	11.5	37.4	46.7	3.2	28.9
3/09E	20,114	1,925	28.7	22.9	28.1	8.9	35.7	44.6	2.6	23.0

** Pre-exceptionals; Consolidated Numbers*

- For 1QFY08, we expect revenue to grow 20% YoY to Rs2.7b, EBITDA to grow 59.7% YoY to Rs144m and the net profit to grow 12.3% YoY to Rs130m. The growth in net profit is slower on account higher tax provision at 20% in 1QFY08 vs 6.5% in 1QFY07.
- During 1QFY08, the company announced a single order of Rs10b (370MW) from the Gujarat State Electricity Corporation for the construction of the first gas-based combined cycle power plant in India. Also, a consortium comprising Alstom Projects, Alstom Transport S.A. (ATSA) and Sumitomo Corporation bagged an order of Rs2.8b for train control and signaling Delhi Metro Rail Corporation (DMRC)'s line 1 and 2 extensions. The share of Alstom in the project is Rs770m while Alstom S.A. would execute order worth Rs1.8b.
- The current order backlog of the company stands at Rs30b+. During 4QFY07, the company received orders worth Rs7.5b for URI Stage-II, Chamera Stage-III and Chuzachen. The orders for URI Stage-II (4 x 60MW) and Chamera (3 x 77MW) was awarded by NHPC while order for Chuzachen (2 x 55MW) was awarded by Gati Infrastructure. The hydro power segment contributes Rs10b to its current order book.
- The transport division is also poised for buoyant order intake with the Railways increasing focus on safety measures and also due to plans by various states to set up metros in cities.
- At CMP of Rs806, the stock trades at a P/E of 34.5x FY08E and 28.1x FY09E. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07*	FY08E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,237**	**2,677**	**2,977**	**4,306**	**2,684**	**3,346**	**3,870**	**6,091**	**12,215**	**15,992**
Change (%)	*24.6*	*18.3*	*2.7*	*72.3*	*20.0*	*25.0*	*30.0*	*41.5*	*29.2*	*30.9*
EBITDA	**90**	**322**	**242**	**534**	**144**	**439**	**446**	**741**	**1,209**	**1,771**
Change (%)	*119.5*	*177.6*	*139.6*	*198.3*	*59.7*	*36.4*	*84.4*	*38.8*	*167.3*	*46.4*
As of % Sales	*4.0*	*12.0*	*8.1*	*12.4*	*5.4*	*13.1*	*11.5*	*12.2*	*9.9*	*11.1*
Depreciation	34	36	40	54	50	52	53	56	164	211
Interest	0	1	1	0	1	1	0	0	2	2
Other Income	68	102	169	9	70	85	100	145	350	400
PBT	**124**	**387**	**370**	**489**	**163**	**471**	**493**	**830**	**1,393**	**1,958**
Tax	8	74	67	127	33	94	99	166	279	392
Effective Tax Rate (%)	*6.5*	*19.1*	*18.1*	*26.0*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*
Reported PAT	**116**	**313**	**303**	**362**	**130**	**377**	**395**	**664**	**1,114**	**1,566**
Adj PAT	**116**	**313**	**303**	**362**	**130**	**377**	**395**	**664**	**1,114**	**1,566**
Change (%)	*73.1*	*172.2*	*304.0*	*74.9*	*12.3*	*20.5*	*30.2*	*83.5*	*136.1*	*40.6*

*E: MOSt Estimates; * Full year nos are consolidated*

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Bharat Electronics

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BHE IN
	REUTERS CODE
S&P CNX: 4,318	BAJE.BO

Equity Shares (m)	80.0
52-Week Range	1,939/967
1,6,12 Rel. Perf. (%)	-1/30/33
M.Cap. (Rs b)	146.4
M.Cap. (US$ b)	3.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,830

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	38,943	7,139	89.2	22.4	20.5	5.6	32.5	32.4	3.1	11.3
3/08E	43,110	8,187	102.3	14.7	17.9	4.5	29.4	29.3	2.7	9.8
3/09E	50,438	9,609	120.1	17.4	15.2	3.7	27.5	27.5	2.2	8.0

- For 1QFY08, we expect Bharat Electronics to report revenue of Rs5.1b, up 5% YoY, EBITDA of Rs730m, up 1.2% YoY, and net profit of Rs632m, up 4.8% YoY.
- Order backlog as of March 2007 stood at Rs90b (up 36% YoY). The book to bill ratio has increased to 2.3x during FY07 from 2x during FY06. Order intake during FY07 increased to Rs63b (up 64% YoY).
- BEL has now guided for revenues of US$1b in FY08 and US$2b by FY12. The earlier revenue guidance was Rs50b in FY08 and Rs100m by FY12.
- BEL and Lockheed Martin signed an MoU to explore business opportunities for co-production of domestic aerospace and defense electronics needs. This would also cover Lockheed Martin's export needs.
- The company signed another MoU with Elbit Systems Electro Optics ELOP Ltd, Israel, for setting up a JV for development, production and marketing of Thermal Imaging Cameras and Forward Looking Infra Red (FLIRs) for the Indian and global markets.
- It also signed an MoU with Northrop Grumman Corp to explore business opportunities for co-production in current and future aerospace and defense needs of India and international markets of Northrop Grummans.
- Though these are currently enabling MoUs, we believe the company would be able to leverage its competitive positioning with the JV partners over a longer period due to the offset clause.
- We expect the company to post earnings CAGR of 16% from FY07-09E. At CMP of Rs1,830, the stock quotes at a P/E of 17.9x FY08E and 15.2x FY09E. We recommend **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,831**	**8,343**	**8,638**	**17,342**	**5,073**	**8,969**	**9,502**	**19,425**	**38,943**	**43,110**
Change (%)	*0.8*	*0.7*	*27.5*	*10.1*	*5.0*	*7.5*	*10.0*	*12.0*	*9.4*	*10.7*
EBITDA	**721**	**1,865**	**1,976**	**4,849**	**730**	**2,057**	**2,338**	**5,687**	**9,411**	**10,813**
Change (%)	*-4.0*	*-9.1*	*36.6*	*16.2*	*1.2*	*10.3*	*18.3*	*17.3*	*11.7*	*14.9*
As of % Sales	*14.9*	*22.4*	*22.9*	*28.0*	*14.4*	*22.9*	*24.6*	*29.3*	*24.2*	*25.2*
Depreciation	208	198	205	252	220	225	240	254	863	939
Interest	3	1	2	0	1	3	5	6	5	15
Other Income	384	508	407	574	400	525	550	707	1,874	2,182
PBT	**894**	**2,175**	**2,177**	**5,171**	**909**	**2,354**	**2,643**	**6,133**	**10,416**	**12,040**
Tax	291	692	696	1,599	291	753	846	1,963	3,278	3,853
Effective Tax Rate (%)	*32.6*	*31.8*	*31.9*	*30.9*	*32.0*	*32.0*	*32.0*	*32.0*	*31.5*	*32.0*
Reported PAT	**603**	**1,483**	**1,482**	**3,572**	**618**	**1,601**	**1,798**	**4,171**	**7,139**	**8,187**
Change (%)	*6.5*	*1.1*	*52.7*	*27.2*	*2.6*	*7.9*	*21.3*	*16.8*	*22.8*	*14.7*
Adj PAT	**603**	**1,483**	**1,482**	**3,572**	**618**	**1,601**	**1,798**	**4,171**	**7,139**	**8,187**

E: MOSt Estimates

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BHEL

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BHEL IN
	REUTERS CODE
S&P CNX: 4,318	BHEL.BO

Equity Shares (m)	489.5
52-Week Range	1,544/865
1,6,12 Rel. Perf. (%)	9/28/20
M.Cap. (Rs b)	753.0
M.Cap. (US$ b)	18.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,538

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	187,827	23,876	48.8	42.4	31.5	8.1	28.8	44.3	3.8	19.0
03/08E	243,026	30,959	63.2	29.7	24.3	6.5	29.6	44.3	2.9	14.4
03/09E	289,231	38,650	79.0	24.8	19.5	5.1	29.3	44.2	2.4	11.4

- For 1QFY08, we expect revenue to grow 30% YoY to Rs34.5b, EBITDA to grow 35.7% YoY to Rs4.3b and net profit to grow by 27.5% YoY to Rs3b.
- The order book for the company stood at Rs550b as of March 2007, up 46% YoY while the order intake for FY07 was Rs356.3b. The power division contributed around 75% to the order intake at Rs277.2b. The current order backlog represents a book-to-bill ratio of ~3x on its FY07E revenue.
- The company has guided for a revenue of US$10b by FY12 both through organic or inorganic route, a revenue CAGR of 19%.
- The recent orders received by BHEL are (1) Rs1.1b from Rashtriya Ispat Nigam in consortium with MAN turbo, (2) Rs1.4b order from NTPC for supply and commissioning of transformers.
- BHEL is also seeking opportunities in nuclear energy production and is in talks with global nuclear players like Alstom, GE Energy, and Siemens for possible tie-ups. The tie up is intended for 700MW and 1,000MW technology.
- At the CMP of Rs1,538, the stock trades at a P/E of 24.3x FY08E and 19.5x FY09E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**26,564**	**33,412**	**43,397**	**69,197**	**34,532**	**45,524**	**60,664**	**98,380**	**172,375**	**239,100**
Change (%)	*37.2*	*33.1*	*30.5*	*25.5*	*30.0*	*36.3*	*39.8*	*42.2*	*29.7*	*38.7*
EBITDA	**3,182**	**4,563**	**9,292**	**15,872**	**4,317**	**5,918**	**11,374**	**22,048**	**32,909**	**43,657**
Change (%)	*85.5*	*23.7*	*54.1*	*32.8*	*35.7*	*29.7*	*22.4*	*38.9*	*40.7*	*32.7*
As a % Sales	*12.0*	*13.7*	*21.4*	*22.9*	*12.5*	*13.0*	*18.8*	*22.4*	*19.1*	*18.3*
Depreciation	639	667	662	762	775	800	825	800	2,730	3,200
Interest	131	136	120	47	150	175	200	200	433	725
Other Income	1,201	1,699	1,855	2,860	1,250	1,750	1,900	2,997	7,615	7,897
PBT	**3,613**	**5,460**	**10,365**	**17,923**	**4,642**	**6,693**	**12,249**	**24,045**	**37,361**	**47,629**
Tax	1,246	1,860	3,688	6,419	1,625	2,343	4,287	8,416	13,214	16,670
Effective Tax Rate (%)	*34.5*	*34.1*	*35.6*	*35.8*	*35.0*	*35.0*	*35.0*	*35.0*	*35.4*	*35.0*
Reported PAT	**2,367**	**3,600**	**6,677**	**11,504**	**3,017**	**4,351**	**7,962**	**15,629**	**24,147**	**30,959**
Change (%)	*85.1*	*38.4*	*57.8*	*32.5*	*27.5*	*20.8*	*19.2*	*35.9*	*43.8*	*28.2*
Adj. PAT	**2,367**	**3,600**	**6,677**	**11,504**	**3,017**	**4,351**	**7,962**	**15,629**	**24,147**	**30,959**
Change (%)	*85.1*	*38.4*	*57.8*	*32.5*	*27.5*	*20.8*	*19.2*	*35.9*	*43.8*	*28.2*

E: MOSt Estimates; Other Income includes Operational Other Income

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Crompton Greaves

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CRG IN
	REUTERS CODE
S&P CNX: 4,318	CROM.BO

Equity Shares (m)	366.6
52-Week Range	264/119
1,6,12 Rel. Perf. (%)	6/15/64
M.Cap. (Rs b)	92.8
M.Cap. (US$ b)	2.3

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs253

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	34,229	2,536	6.9	0.6	36.6	14.1	33.8	39.4	2.8	27.2
3/08E	44,289	3,367	9.2	32.8	27.6	10.9	33.6	41.9	2.1	20.4
3/09E	54,891	4,388	12.0	30.3	21.2	8.4	32.3	42.5	1.7	16.8

* Consolidated; pre-exceptionals

- For 1QFY08, we expect Crompton to report standalone revenue of Rs9.2b, up 24.5% YoY, EBITDA of Rs913m, up 26.5% YoY, and net profit of Rs493m, up 35.7% YoY. As of March 2007, order book of Crompton (standalone) stood at Rs23b, up 58% YoY, and the consolidated order book stood at Rs25b.
- The management has guided for a revenue growth of 40% in power division, 20-25% in Industrial division and 15% in consumer division for FY08 on a standalone basis. The company has guided for a sustained EBIDTA margin for the power and industrial division while the consumer products division may face margin pressure. The total capex for the standalone entity is expected to be Rs1.3b in FY08.
- The revenue for Pauwels is expected to grow at 15-18% while margin would be in the range of 7.0-7.5% and tax rates at 32.7%. For Ganz, the management expects a revenue growth of 20%, breakeven at the PBT level in FY08. However, the company is hopeful of attaining EBIDTA margin of 10% in FY09 for Ganz. On a consolidated basis, the management has guided for capex of Rs2b during FY08 and FY09.
- The company has announced the acquisition of Microsol Holdings based in Ireland at an EV of 10.5m euros (Rs567m) with operations in UK, USA and Ireland. The company is engaged in the business of providing sub-station automation for MV and HV sub-stations for new installation and retrofit, the only competency gap in Crompton Greaves. This acquisition makes it an end-to-end solution company from a product-based company.
- We expect Crompton to report a consolidated net profit of Rs3.4b in FY08 (up 32.8%) and Rs4.4b in FY09 (up 30.3%). At CMP of Rs253, the stock trades at a P/E of 27.6x FY08E and 21.2x FY09E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**7,406**	**8,240**	**8,130**	**9,900**	**9,224**	**10,331**	**10,974**	**13,759**	**33,676**	**44,289**
Change (%)	*42.5*	*48.6*	*25.5*	*24.0*	*24.5*	*25.4*	*35.0*	*39.0*	*33.6*	*31.5*
EBITDA	**722**	**736**	**818**	**1,143**	**913**	**956**	**1,097**	**1,655**	**3,418**	**4,621**
Change (%)	*58.7*	*39.1*	*38.5*	*52.0*	*26.5*	*29.9*	*34.2*	*44.8*	*46.9*	*35.2*
As of % Sales (Adj)	*9.7*	*8.9*	*10.1*	*11.5*	*9.9*	*9.3*	*10.0*	*12.0*	*10.2*	*10.4*
Depreciation	100	81	100	113	115	130	145	162	394	552
Interest	53	72	78	101	65	75	100	149	304	389
Other Income	49	94	72	133	50	65	85	134	349	334
PBT	**618**	**677**	**713**	**1,063**	**783**	**816**	**937**	**1,478**	**3,070**	**4,014**
Tax	254	270	258	363	290	302	347	547	1,146	1,485
Effective Tax Rate (%)	*41.1*	*39.9*	*36.3*	*34.2*	*37.0*	*37.0*	*37.0*	*37.0*	*37.3*	*37.0*
Reported PAT	**364**	**407**	**454**	**699**	**493**	**514**	**591**	**931**	**1,924**	**2,529**
Adj PAT	**364**	**387**	**454**	**749**	**493**	**514**	**591**	**981**	**1,954**	**2,559**
Change (%)	*16.4*	*18.9*	*-17.0*	*0.1*	*35.7*	*32.9*	*30.0*	*31.0*	*1.0*	*31.0*

E: MOSt Estimates

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Cummins India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	KKC IN
	REUTERS CODE
S&P CNX: 4,318	CUMM.BO

Equity Shares (m)	198.0
52-Week Range	349/153
1,6,12 Rel. Perf. (%)	11/16/41
M.Cap. (Rs b)	67.3
M.Cap. (US$ b)	1.7

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs340

YEAR END	NET SALES* (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	21,962	2,090	10.6	13.8	32.2	7.1	23.3	34.3	2.9	21.4
3/08E	26,461	2,605	13.2	24.6	25.8	6.2	25.8	38.4	2.4	16.7
3/09E	31,503	3,100	15.7	19.0	21.7	5.3	26.5	39.6	2.0	13.6

* Consolidated

- For 1QFY08, we expect revenue growth of 20% YoY to Rs4.7b, EBITDA growth of 23.3% YoY to Rs763m and net profit growth of 16.8% YoY to Rs593m.
- Domestic sales are expected to grow ~13-15% on back of a strong demand for stand-by gensets from the services sector. Exports are expected to grow ~20%. The progress on new product launches is as per schedule.
- The EBITDA margin for the company is expected to improve from 16% in FY07 to 16.6% in FY08 because of better working capital management, improvement in supply-chain management, ERP upgradation, higher level of indigenization in certain categories of products and better product mix.
- The Rs150m facility being set up near Pune to assemble HP engines and generator sets will be fully operational by September-October 2007. The other capex plans of the company amount to Rs200-250m for FY08.
- The board has approved the acquisition of High Pressure Common Rail Technology from Cummins Inc, USA for a consideration of US$3.6m. This technology will make the company's K-38 and K-50 models of engines emission compliant for the export market post 2007.
- At the CMP of Rs340, the stock trades at 25.8x FY08E and 21.7x FY09E consolidated earnings. We remain **Neutral** on the stock.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**3,914**	**4,674**	**4,770**	**5,049**	**4,697**	**5,703**	**5,915**	**6,196**	**18,408**	**22,511**
Change (%)	*19.3*	*30.8*	*22.4*	*30.2*	*20.0*	*22.0*	*24.0*	*22.7*	*25.8*	*22.3*
EBITDA	**619**	**786**	**719**	**823**	**763**	**969**	**1,005**	**989**	**2,947**	**3,727**
Change (%)	*41.0*	*86.2*	*22.3*	*41.2*	*23.3*	*23.4*	*39.9*	*20.1*	*45.0*	*26.5*
As of % Sales	*15.8*	*16.8*	*15.1*	*16.3*	*16.3*	*17.0*	*17.0*	*16.0*	*16.0*	*16.6*
Interest	0	0	2	11	1	3	5	3	14	12
Depreciation	81	94	77	74	85	90	110	118	326	403
Other Income	163	195	260	236	170	200	225	305	853	900
PBT	**700**	**886**	**899**	**975**	**847**	**1,076**	**1,115**	**1,172**	**3,460**	**4,212**
Tax	192	259	270	318	254	323	335	352	1,040	1,263
Effective Tax Rate (%)	*27.4*	*29.2*	*30.1*	*32.6*	*30.0*	*30.0*	*30.0*	*30.0*	*30.0*	*30.0*
Reported PAT	**508**	**627**	**629**	**657**	**593**	**754**	**781**	**821**	**2,421**	**2,948**
Adj PAT	**508**	**627**	**629**	**657**	**593**	**754**	**781**	**821**	**2,421**	**2,948**
Change (%)	*43.6*	*48.8*	*29.7*	*21.4*	*16.8*	*20.2*	*24.2*	*24.9*	*34.4*	*21.8*

E: MOSt Estimates

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Larsen & Toubro

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	LT IN
	REUTERS CODE
S&P CNX: 4,318	LART.BO

Equity Shares (m)	286.8
52-Week Range	2,210/979
1,6,12 Rel. Perf. (%)	8/46/58
M.Cap. (Rs b)	629.7
M.Cap. (US$ b)	15.5

29 June 2007

Buy

Previous Recommendation: Buy Rs2,196

YEAR END	NET SALES (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR. (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	176,933	18,310	63.9	75.5	34.4	10.4	25.7	28.7	3.5	31.0
3/08E	221,114	23,214	81.0	26.8	27.1	8.7	27.0	30.1	2.8	22.3
3/09E	279,135	29,680	103.5	27.9	21.2	7.2	28.5	30.6	2.2	17.4

* *Consolidated; EPS is fully diluted*

- For 1QFY08, we expect revenue of Rs44.3b, up 27.7% YoY, EBITDA of Rs4.5b, up 67% YoY, and net profit of Rs2.5b, up 58.9% YoY.
- L&T received big ticket size orders in the recent past which include: 1) US$95m (Rs4.3b) contract for construction of two ships from BigLift Shipping of Netherlands, 2) Rs6.1b contract from Victory Heights Golf Residential and Development to build a residential property in Dubai Sports City, 3) Rs1.1b order from SAIL for turnkey construction of a gas-insulated substation and transmission network for its Bhilai steel plant, 4) Rs8.8b order from ONGC for reconstruction and revamp of offshore facilities at ONGC's complex in Mumbai High.
- L&T's order backlog as at end of March 2007 stood at Rs369b, up 49.5% YoY. The order book-to-bill ratio for the company has improved from 1.5x as of March 2006 to around 2x as of March 2007 (FY07 revenue).
- L&T has entered into a JV with Mitsubishi Heavy Industries to manufacture super-critical boilers in India with an estimated investment of Rs3b. The facility will cater to plant capacities ranging between 500MW to 1,000MW and is expected to get commissioned by end FY09.
- At CMP of Rs2,196, the stock trades at a P/E of 27.1x FY08E and 21.2x FY09E. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**34,689**	**37,361**	**41,184**	**62,482**	**44,294**	**46,699**	**51,550**	**77,165**	**175,788**	**219,708**
Change (%)	*11.5*	*11.7*	*12.3*	*36.0*	*27.7*	*25.0*	*25.2*	*23.5*	*20.0*	*25.0*
EBITDA	**2,698**	**3,062**	**5,185**	**9,718**	**4,507**	**4,036**	**6,765**	**10,588**	**20,665**	**25,896**
Change (%)	*53.5*	*117.6*	*63.0*	*54.2*	*67.0*	*31.8*	*30.5*	*9.0*	*82.4*	*40.2*
As of % Sales	*9.2*	*8.9*	*11.8*	*14.9*	*10.0*	*8.4*	*12.8*	*13.4*	*11.3*	*11.5*
Depreciation	309	336	357	698	710	725	740	740	1,700	2,915
Interest	158	106	12	63	180	225	315	210	339	930
Other Income	216	437	350	420	225	365	570	2,483	1,420	3,643
Reported PBT	**2,448**	**3,057**	**5,166**	**9,377**	**3,842**	**3,451**	**6,280**	**12,121**	**20,046**	**25,695**
Tax	877	1,046	1,727	2,371	1,345	1,122	2,010	3,232	6,019	7,708
Effective Tax Rate (%)	*35.8*	*34.2*	*33.4*	*25.3*	*35.0*	*32.5*	*32.0*	*26.7*	*30.0*	*30.0*
Reported Profit	**1,571**	**2,011**	**3,440**	**7,006**	**2,497**	**2,329**	**4,270**	**8,889**	**14,027**	**17,986**
Adjusted PAT	**1,571**	**1,831**	**3,440**	**7,006**	**2,497**	**2,329**	**4,270**	**8,889**	**13,845**	**17,986**
Change (%)	*61.9*	*53.0*	*83.1*	*52.8*	*58.9*	*27.2*	*24.1*	*26.9*	*59.1*	*29.9*

E: MOSt Estimates

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Siemens

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SIEM IN
	REUTERS CODE
S&P CNX: 4,318	SIEM.BO

Equity Shares (m)	165.7
52-Week Range	1,421/800
1,6,12 Rel. Perf. (%)	7/17/20
M.Cap. (Rs b)	231.4
M.Cap. (US$ b)	5.7

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs1,396

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
9/06A	60,586	3,974	23.6	29.7	59.2	21.7	42.6	62.8	3.7	35.2
9/07E	89,309	5,372	31.9	35.2	43.8	16.9	43.3	65.4	2.7	27.5
9/08E	124,910	7,634	45.3	42.1	30.8	13.2	48.0	72.3	2.0	20.5

Consolidated

- For 3QFY07, we expect Siemens to report revenue of Rs17.1b, up 63.5% YoY, EBIDTA of Rs1.3b (up 58.8% YoY), and net profit of Rs889m, up 57.3% YoY.
- We expect EBIDTA margin of 7.4% in 3QFY07 (vs 7.6% in 3QFY06). The margin had declined by 290bp in 2QFY07 (v/s 10.7% in 2QFY06).
- Other income, which is primarily dividend income from Siemens Information Services (SISL) – a 100% subsidiary of Siemens, declined to Rs57m during 2QFY07 (from Rs419m during 2QFY06). Historical trends indicate that the profits of SISL are distributed as dividends during 2Q and 4Q. We estimate Siemens to book other income of Rs987m in 4QFY07. We have not estimated any dividend income in 3QFY07.
- Siemens has decided to divest its 100% stake in Siemens Public Communication Networks (SPCNL) to its JV partner Nokia Siemens Networks India. The decision is on back of Siemens AG's plans to merge Nokia and Siemens' network and carrier operations for fixed and mobile networks worldwide.
- Siemens and BHEL have signed an MOU for the supply and installation of steam turbines for 800MW power projects in India, involving supercritical steam conditions.
- Given its diversified exposure to the Indian manufacturing industry, power, transport, healthcare, communication and IT segments, we believe Siemens will report steady growth in the coming years. We maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E SEPTEMBER	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Total Revenues	**8,601**	**11,334**	**10,465**	**14,997**	**16,331**	**21,352**	**17,107**	**22,981**	**45,397**	**77,770**
Change (%)	*62.1*	*57.6*	*70.8*	*59.2*	*89.9*	*88.4*	*63.5*	*53.2*	*61.9*	*71.3*
EBITDA	**791**	**1,214**	**792**	**1,244**	**1,234**	**1,677**	**1,258**	**1,924**	**4,041**	**6,094**
Change (%)	*76.1*	*34.8*	*44.1*	*34.3*	*56.1*	*38.2*	*58.8*	*54.6*	*43.0*	*52.2*
As % of Revenues	*9.2*	*10.7*	*7.6*	*8.3*	*7.6*	*7.9*	*7.4*	*8.4*	*8.9*	*7.8*
Depreciation	150	81	90	122	103	109	129	197	442	537
Interest Income	54	79	117	116	126	105	108	111	367	450
Other Income	9	419	24	637	152	57	80	987	1,089	1,276
PBT	**705**	**1,630**	**844**	**1,875**	**1,409**	**1,730**	**1,317**	**2,825**	**5,055**	**7,283**
Tax	215	452	279	508	426	650	428	966	1,454	2,469
Effective Tax Rate (%)	*30.5*	*27.7*	*33.1*	*27.1*	*30.2*	*37.5*	*32.5*	*34.2*	*28.8*	*33.9*
Reported PAT	**490**	**1,178**	**565**	**1,367**	**984**	**1,081**	**889**	**1,860**	**3,601**	**4,814**
Adjusted PAT	**551**	**1,178**	**565**	**1,367**	**984**	**1,081**	**889**	**1,860**	**3,662**	**4,814**
Change (%)	*75.7*	*48.4*	*42.9*	*30.9*	*78.4*	*-8.3*	*57.3*	*36.0*	*43.8*	*31.5*

E: MOSt Estimates

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Suzlon Energy

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SUEL IN
	REUTERS CODE
S&P CNX: 4,318	SUZL.BO

Equity Shares (m)	294.4
52-Week Range	1,555/885
1,6,12 Rel. Perf. (%)	15/8/4
M.Cap. (Rs b)	439.7
M.Cap. (US$ b)	10.8

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs1,494

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	79,858	8,655	30.0	13.9	49.7	13.2	29.0	21.0	5.8	35.9
3/08E	143,038	12,676	43.0	43.1	34.7	8.2	29.4	18.5	3.4	23.0
3/09E	201,799	19,095	64.8	50.7	23.0	6.5	31.6	20.6	2.5	16.1

** Consolidated*

- For 1QFY08, we expect revenue of Rs15.5b, up 45% YoY, EBITDA of Rs2.8b, up 50.1% YoY, and net profit of Rs1.2m, up 25.5% YoY.
- The order backlog of the company stood at 1,958MW as of March 2007. During 1QFY08, the company has already announced order intake of 1,330MW - 700MW from PPM Energy, USA and 630MW from Edisson energy, USA.
- Suzlon has acquired 81.7% stake in REpower by reaching a co-operation agreement with the Areva for the control of REpower. The company expects to get a strong footing in the European wind market, largest in terms of absolute installation per annum and access to offshore technology through the acquisition (5MW turbine erected, 6MW under development).
- We expect Suzlon to report a net profit CAGR of 49% over FY07-09E. The EPS for the company is estimated at Rs43/sh for FY08E and Rs64/sh for FY09E.
- At the CMP of Rs1,494, the stock trades at a P/E of 34.7x FY08E and 23x FY09E consolidated earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**10,689**	**20,870**	**19,139**	**29,159**	**15,499**	**32,348**	**32,536**	**62,654**	**79,857**	**143,038**
Change (%)	*243.6*	*85.8*	*117.3*	*91.0*	*45.0*	*55.0*	*70.0*	*114.9*	*107.9*	*79.1*
EBITDA	**1,858**	**3,600**	**2,546**	**4,954**	**2,790**	**4,933**	**4,718**	**8,992**	**12,958**	**21,433**
Change (%)	*181.0*	*42.6*	*69.8*	*24.9*	*50.1*	*37.0*	*85.3*	*81.5*	*44.3*	*65.4*
As of % Sales	*17.4*	*17.3*	*13.3*	*17.0*	*18.0*	*15.3*	*14.5*	*14.4*	*16.2*	*15.0*
Depreciation	347	428	343	600	650	675	800	843	1,718	2,968
Interest	366	547	638	972	950	1,015	1,250	1,631	2,523	4,846
Other Income	161	87	254	463	120	150	180	198	965	648
PBT	**1,306**	**2,711**	**1,820**	**3,846**	**1,310**	**3,393**	**2,848**	**6,716**	**9,683**	**14,267**
Tax	346	340	93	256	105	271	228	986	1,035	1,590
Effective Tax Rate (%)	*26.5*	*12.5*	*5.1*	*6.6*	*8.0*	*8.0*	*8.0*	*14.7*	*10.7*	*11.1*
Reported PAT	**960**	**2,371**	**1,727**	**3,590**	**1,205**	**3,122**	**2,620**	**5,730**	**8,648**	**12,676**
Change (%)	*115.2*	*14.7*	*28.9*	*-4.3*	*25.5*	*31.7*	*51.7*	*59.6*	*13.7*	*46.6*
PAT (post Minority Interest)	**953**	**2,354**	**1,744**	**3,590**	**1,205**	**3,122**	**2,620**	**5,730**	**8,640**	**12,676**

E: MOSt Estimates

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Thermax

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TMX IN
	REUTERS CODE
S&P CNX: 4,318	THMX.BO

Equity Shares (m)	119.2
52-Week Range	519/232
1,6,12 Rel. Perf. (%)	2/24/55
M.Cap. (Rs b)	60.1
M.Cap. (US$ b)	1.5

29 June 2007

Buy

Previous Recommendation: Buy Rs505

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	19,945	1,919	16.1	87.2	31.3	10.3	39.7	57.0	2.9	19.6
3/08E	26,073	2,715	22.8	41.4	22.1	8.1	40.1	59.9	2.2	14.6
3/09E	34,188	3,597	30.2	32.5	16.7	6.1	41.0	61.4	1.6	10.6

* *Consolidated*

- For 1QFY08, we expect revenue of Rs3.8b, up 17.5% YoY, EBITDA of Rs485m and net profit of Rs320m, a jump of 16.2% YoY. The management has guided for revenue growth of 40% YoY during FY08 and stable EBIDTA margin.
- The order backlog for the company stood at Rs27.7b as of March 2007 on a standalone basis and Rs31b on a consolidated basis.
- Thermax has planned an investment of Rs800m for FY08 for capacity expansion of the captive power segment, entry into higher range boilers and heat recovery systems and new range of absorption chillers. The first phase of expansion at Vadodara unit would commence production in 2Q and the capacity would be ramped up in 3Q and 4Q. The unit for absorption chillers at China is likely to be operational in 4QFY08.
- We expect Thermax to report a net profit CAGR of 37% over FY07-09E. The EPS for the company is estimated at Rs22.8 for FY08E and Rs30.2 for FY09E.
- At the CMP of Rs505, the stock trades at a P/E of 22.1x FY08E and 16.7x FY09E consolidated earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07*	FY08E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**3,226**	**4,823**	**5,499**	**8,044**	**3,791**	**5,787**	**6,709**	**9,786**	**21,368**	**26,073**
Change (%)			*53.0*	*68.9*	*17.5*	*20.0*	*22.0*	*21.7*	*44.0*	*22.0*
EBITDA	**383**	**758**	**760**	**887**	**485**	**983**	**1,090**	**1,324**	**2,429**	**3,883**
Change (%)			*63.2*	*25.1*	*26.9*	*29.7*	*43.4*	*49.2*	*21.5*	*59.9*
As of % Sales	*11.9*	*15.7*	*13.8*	*11.0*	*12.8*	*17.0*	*16.2*	*13.5*	*11.4*	*14.9*
Depreciation	38	50	47	53	45	48	50	49	188	192
Interest	0	2	5	5	1	2	3	4	13	10
Other Income	65	88	83	272	45	65	90	128	732	328
Extra-ordinary Items	0	-231	0	41	0	0	0	0	-55	0
PBT	**410**	**562**	**790**	**1,143**	**484**	**998**	**1,127**	**1,398**	**2,905**	**4,008**
Tax	135	211	236	446	164	338	382	474	1,027	1,359
Effective Tax Rate (%)	*32.8*	*37.6*	*29.8*	*39.0*	*33.9*	*33.9*	*33.9*	*33.9*	*35.4*	*33.9*
Reported PAT	**275**	**351**	**555**	**697**	**320**	**660**	**745**	**924**	**1,878**	**2,649**
Adj PAT	**275**	**582**	**555**	**656**	**320**	**660**	**745**	**924**	**1,933**	**2,649**
Change (%)			*83.5*	*53.6*	*16.2*	*13.4*	*34.4*	*40.9*	*49.7*	*37.1*

*E: MOSt Estimates; *Nos include results of Thermax Babcock and Wilcox Ltd and Thermax Capital Ltd.and hence not comparable yoy*

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FMCG

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

The FMCG sector reported double-digit volume growth in the March quarter. Companies like Britannia, Nestle, Dabur, Asian Paints and Marico reported good volume growth in spite of price increases on their product portfolio. FMCG major, HLL continued to lag behind due to low growth in the Personal Care segment. Firm trend in input prices of palm oil, milk and wheat impacted margins of most of the companies. We expect double-digit volume growth to continue but gross margins are likely to remain under pressure for companies like HLL, GSK Consumer and Asian Paints – as the price increases are not adequate to cover the entire inflationary impact in commodity prices.

Long term potential appears favorable due to low penetration and rising per capita incomes but short term pressures are likely to sustain. Valuations appear stretched for a large majority of companies. We prefer stocks with high growth visibility and potential for sustained growth above mid-teens. We rate **United Spirits** as our preferred bet among large caps. **Asian Paints**, **Nestl**e and **Britannia** are our top picks in mid caps. We also rate **Tata Tea** as a contrarian long term pick despite our Neutral rating on the stock.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
FMCG							
Asian Paints	Buy	6,900	14.4	1,100	17.1	692	19.4
Britannia	Buy	6,400	32.6	525	61.0	432	32.5
Colgate	Neutral	3,550	14.7	490	22.3	436	20.9
Dabur	Neutral	5,575	17.2	790	23.6	610	28.8
GSK Consumer	Buy	3,040	13.1	540	1.6	346	11.9
Godrej Consumer	Neutral	2,850	19.9	500	18.8	400	21.9
Hind. Unilever	Neutral	34,800	12.9	4,500	8.5	4,300	13.4
ITC	Buy	33,000	15.8	10,400	7.2	7,095	8.8
Marico	Buy	4,800	28.8	685	21.8	403	33.1
Nestle	Buy	8,134	19.4	1,634	18.1	1,073	27.1
Tata Tea	Neutral	10,200	27.7	2,050	30.0	660	-19.4
United Spirits	Buy	6,350	19.0	1,000	33.0	485	39.9
Sector Aggregate		**125,599**	**17.4**	**24,214**	**13.2**	**16,932**	**12.8**

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Pick up in monsoons, organized retail positive for consumer demand

Monsoons activity has considerably picked up in the past two weeks. As per the data released by the Indian Meteorological department, the monsoons have been normal in 31 out of 36 subdivisions in comparison to only 17 subdivisions last year. This augurs well for agricultural production and farm incomes in the forthcoming season. Pick-up in agri production and farm income can have a multiplier effect in the economy. Increase in farm production will improve availability and bring down inflation in commodity prices. Higher production and improved realizations in organized retail will start reflecting on rising farm incomes. We believe that rural India presents huge untapped demand potential for most of the FMCG products. Double impact of rising employment and farm incomes will provide the much needed flip to demand growth.

Category specific growth amidst broad acceleration, pricing power improving

FMCG sector continues to have staggered growth. We observe that categories like soaps, detergents, and oral care are witnessing single-digit volume growth. Skin Care, Household products, food products and Alcoholic beverages continue to maintain high double-digit growth. Although the sector has seen acceleration in growth rates in the past one year, products with higher innovation and low product penetration have been the winners. Distribution gains for categories like Personal Care, Food Products and Alcoholic Beverages have been a major contributor to demand acceleration. We expect high double-digit volume growth for categories such as Personal care, Household Products, Biscuits, Beer, packed juices, Noodles, Packed Water and Wines. Decorative Paints and Spirits are likely to grow in mid-teens while Soaps and Detergents are likely to grow in mid-to-high single-digit levels. Pricing power is improving across segments, although companies appear to be playing the volumes game to derive growth. Pricing wars don't seem likely as of now, but the leading players are acting cautiously in effecting price increases in select categories like Detergents, Soaps and Food Products.

FMCG companies exploring opportunities in new segments

With increasing competition in the traditional FMCG categories, FMCG companies are looking at new product segments, both organically and by acquisitions. This is being done to accelerate growth in existing lines and enter potential growth segments. United Spirits has acquired Whyte & Mackay to enter the global scotch market. Dabur plans to go the retail way and plans to set up stores which would house its own products as well as imported products. Most of these initiatives are in the high-growth high-margin nascent product categories. We expect most of these initiatives to start contributing only after 2-3 years, except Whyte & Mackay, which is estimated to be EPS accretive for United Spirits from FY08 itself.

DETAILS OF ACQUISITIONS

COMPANY NAME	ACQUISITION/ LAUNCH	PRODUCT	SEGMENT SIZE (DOMESTIC)	GROWTH RATE (%)	BRAND
United Spirits	Whyte & Mackay	Scotch	2.4m cases	30-40	W&M, Isle of Jura
Tata Tea	Mount Everest Mineral water	Mineral Water	15b	15-20	Himalaya
Dabur	Health & beauty retail	Stores		20-25	N A
GCPL	JV with SCA	Feminine Hygiene	10b	20	
Marico	Kaya Health	Fitness Clinic			Kaya
ITC	Bingo	Snacks	20b	25	Bingo

Source: Motilal Oswal Securities

Companies are getting aggressive in launching newer variants

Rising disposable income in the hands of the urban Indian and evolving modern retail structure is increasing demand for processed and ready-to-eat-foods, although the base is small. In order to capitalize on the growing demand, FMCG companies are getting aggressive in their new launches in the food segment.

DETAILS OF NEW VARIANTS

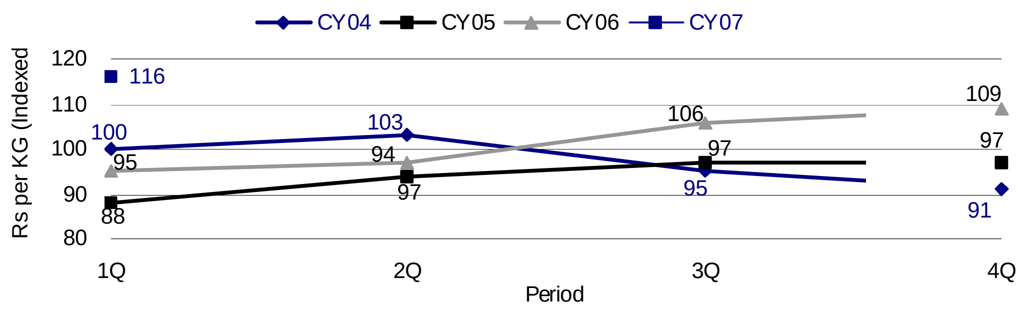
COMPANY	CATEGORY	BRAND	VARIANT
Nestle	Culinary	Maggi	Maggi Rice Mania in three flavors
	Chocolate	Kit Kat	KIT KAT Lite
	Dairy	Nestle	Slim Dahi, Raita, Slim Milk, Everyday Slim Dairy Whitener
ITC	New FMCG	Bingo	Bingo range on snacks
Britannia	Biscuits	Treat, Nutri Choice, 50:50	Chutkule, Treat Fruit Rolls, Treat Masti Magic Offer, Nutri Choice Sugar out, Nutri Choice Digestive
HLL	Foods	Knorr	Chinese Ready to Cook foods

Source: Motilal Oswal Securities

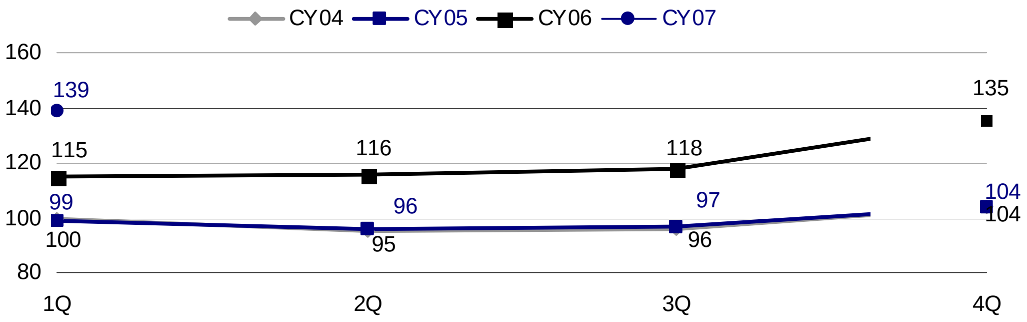
Input prices continue to move northward

While prices of certain inputs like LAB, sugar have been softening, commodities like milk, wheat, vegetable oil continue to be on an uptrend. Prices of palm oil have shot up to as high as 2,600 ringits per ton from 1,900 ringits per ton in the last quarter. Milk prices are also likely to remain firm in the coming quarters. Prices of coffee are likely to move up further due to production shortfall in Brazil. However we expect higher volume growth and price increases taken by most of the FMCG companies to partly offset the inflationary trend in input prices.

TREND IN MILK PRICES

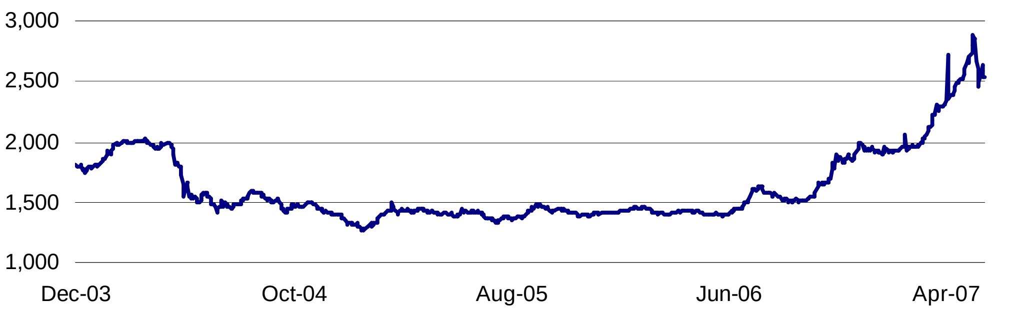


TREND IN WHEAT FLOUR PRICES



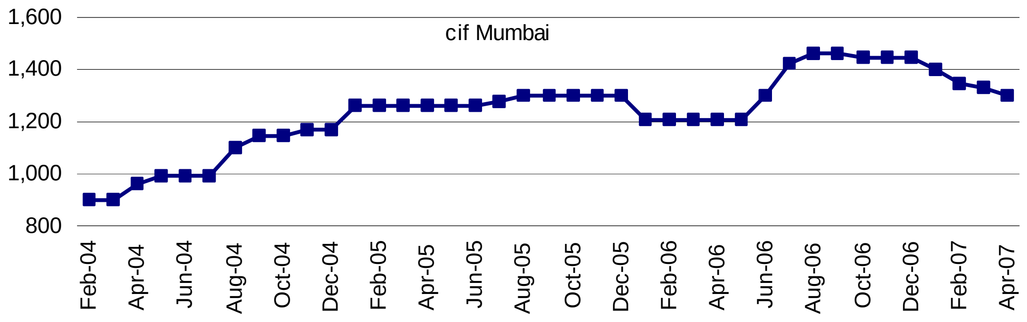
Source: Nestle - Company Presentation

TREND IN PALM OIL PRICES IN RINGITS PER TON



Source: Bloomberg

PRICES OF LAB (RS/TON)



Source: Cris Infac/ Motilal Oswal Securities

Strong demographics, low product penetration indicate long term potential

Consumer demand is expected to remain strong due to growth in both farm incomes and job opportunities. Employment generation and salary levels have been rising due to strong economic growth with manpower shortages in Retail, IT/ITES, and construction sectors. Rising employment opportunities will likely result in a strong surge in consumer demand as 50% of the population currently is below the median age of 24 years?

The product penetration in most of the FMCG categories is very low. Some of the large categories such as Detergents, Washing Powder and Toilet Soaps have high penetration by Indian standards. But even in these categories, per capita spend is significantly lower than most countries in Asia and South East Asia.

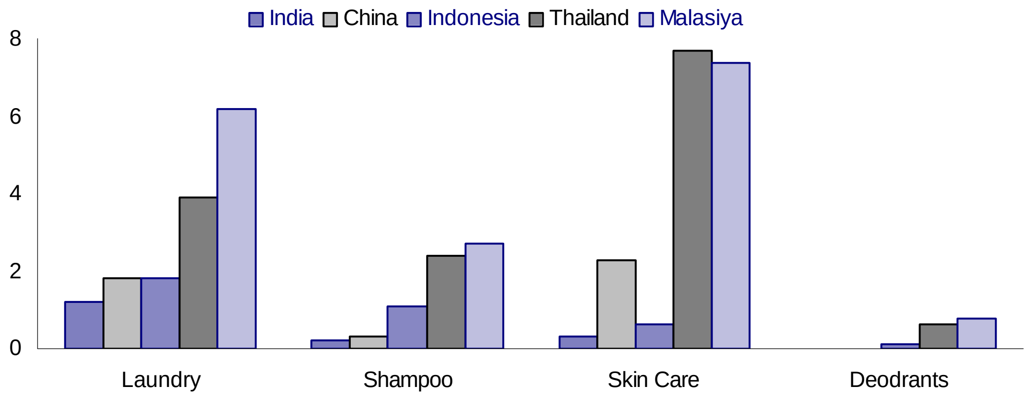
FMCG PRODUCTS PENETRATION (%)

	ALL INDIA	URBAN	RURAL
Deodorants	2.1	5.5	0.6
Instant Coffee	6.6	15.5	2.8
Skin Cream	22.0	31.5	17.8
Utensil Cleaner	28.0	59.9	14.6
Toothpastes	48.6	74.9	37.6
Shampoo	38.0	52.1	31.9
Washing Powder	86.1	90.7	84.1
Detergent Bar	88.6	91.4	87.4
Toilet Soap	91.5	97.4	88.9

Source: HLL Presentation/Motilal Oswal Securities

This indicates substantial long term growth potential in the FMCG sector. Categories which have penetration of less than 25% are expected to grow volumes by more than 15-20% per annum over the coming 8-10 years.

PER CAPITAL CONSUMPTION (US$)



Source: HLL Presentation/Motilal Oswal Securities

Valuation and top picks

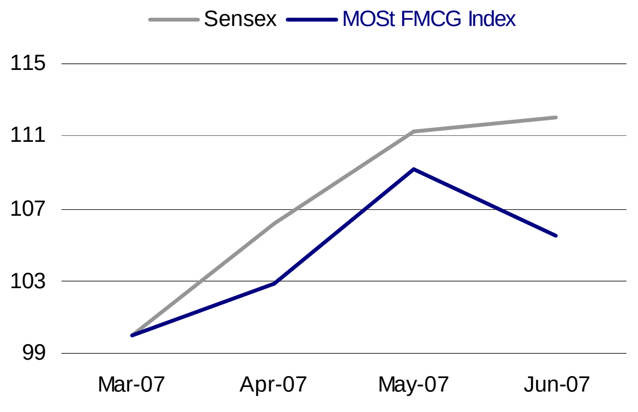
The FMCG sector continued to move steadily although the impact of steadily growing per capita income and rising consumer confidence is not visible on demand growth to the expected extent. FMCG companies have been mostly range-bound in the recent past. Margin expansion has been lower-than-expectation mainly due to sharp increase in commodity-based raw materials. Long term potential appears favorable due to low penetration and rising per capita incomes but short term pressures are likely to sustain. Valuations seem stretched for a large majority of companies. We prefer stocks with high growth visibility and potential for sustained growth above mid teens. We rate **United Spirits** as our preferred bet among large caps. **Asian Paints**, **Nestl**e and **Britannia** are our top picks in the mid caps. We also rate **Tata Tea** as a contrarian long term pick at despite our neutral rating on the stock.

Stock performance and valuations

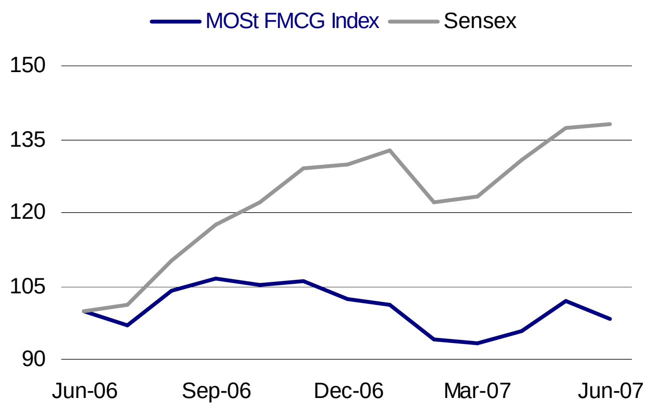
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
FMCG						
Asian Paints	6	36	-6	-2	0	37
Britannia	26	30	14	-8	20	32
Colgate	11	-5	-1	-43	6	-3
Dabur	8	8	-4	-30	3	10
Godrej Consumer	-4	-12	-16	-50	-10	-10
GSK	9	13	-3	-25	4	15
Hind. Unilever	-8	-18	-20	-56	-14	-16
ITC	3	-15	-9	-53	-3	-13
Marico Industries	-10	24	-22	-14	-15	25
Nestle	24	16	12	-22	19	18
Tata Tea	40	11	28	-27	35	13
United Spirits	56	202	44	164	50	204

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
FMCG														
Asian Paints	811	Buy	28.1	33.7	41.3	28.8	24.0	19.6	17.9	14.5	11.8	35.7	35.1	34.4
Britannia	1,575	Buy	47.3	77.9	90.4	33.3	20.2	17.4	26.0	12.1	10.1	17.9	25.3	23.6
Colgate	370	Neutral	14.2	16.4	18.5	26.0	22.5	20.0	22.9	19.5	17.2	68.9	75.6	80.8
Dabur	103	Neutral	3.3	4.0	4.9	31.4	25.4	20.9	25.4	20.1	17.0	58.8	54.1	50.2
GSK Consumer	573	Buy	30.2	34.5	39.1	19.0	16.6	14.7	12.7	10.5	9.0	22.9	22.7	22.2
Godrej Consumer	141	Neutral	5.9	7.1	8.3	23.7	19.9	16.9	18.1	15.7	13.5	123.8	145.8	167.0
Hind. Unilever	189	Neutral	7.0	7.7	8.7	27.1	24.6	21.7	23.6	21.8	18.7	56.5	60.6	65.9
ITC	155	Buy	7.2	7.5	9.0	21.6	20.7	17.2	13.5	13.0	10.4	26.1	24.0	25.5
Marico	55	Buy	1.9	2.6	3.2	29.4	21.2	17.1	17.4	13.4	11.0	69.0	66.5	58.0
Nestle	1,160	Buy	33.9	42.1	49.3	34.2	27.6	23.6	20.5	16.9	14.4	53.8	59.7	63.1
Tata Tea	853	Neutral	50.6	48.5	79.9	16.9	17.6	10.7	8.2	5.5	4.4	14.0	7.3	11.0
United Spirits	1,291	Buy	25.4	36.7	58.8	50.9	35.2	21.9	28.7	22.3	17.1	17.2	20.6	22.2
Sector Aggregate						**25.7**	**23.0**	**18.9**	**17.3**	**15.3**	**12.6**	**31.4**	**29.2**	**30.7**

Asian Paints

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	APNT IN
	REUTERS CODE
S&P CNX: 4,318	ASPN.BO

Equity Shares (m)	95.9
52-Week Range	900/530
1,6,12 Rel. Perf. (%)	-4/4/-2
M.Cap. (Rs b)	77.8
M.Cap. (US$ b)	1.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs811

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	28,213	2,699	28.1	21.9	28.8	10.3	35.7	51.4	2.7	17.9
3/08E	32,727	3,237	33.7	19.9	24.0	8.4	35.1	50.9	2.2	14.5
3/09E	37,636	3,960	41.3	22.3	19.6	6.8	34.4	49.1	1.9	11.8

* *Pre-exceptionals*

- We expect Asian Paints to register 14.4% growth in revenues to Rs6.9b in 1QFY08. Volume growth is expected to remain in mid-teens in decorative paints and above teens in industrial paints. Powder coatings, road marking paints and surface coatings are expected to be key growth drivers.
- EBITDA margins are expected to expand by 38bp to 15.9% in 1QFY08. Price increases of around 4.25% were taken last year beginning mid-June 2006. Prices of key raw materials however remained stable during the quarter.
- PAT at Rs692m would grow by 19.4%. The stock is currently trading 24x FY08E earnings and 19.6x FY09E earnings. We expect valuation premium to sustain due to steady growth and good track record of investor friendly policies. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**6,034**	**7,849**	**7,060**	**7,270**	**6,900**	**9,100**	**8,450**	**8,277**	**28,213**	**32,727**
Change (%)	*18.2*	*26.8*	*12.9*	*28.8*	*14.4*	*15.9*	*19.7*	*13.8*	*21.7*	*16*
Total Expenditure	5,095	6,646	6,049	6,205	5,800	7,650	7,150	7,054	23,995	27,654
EBITDA	**939**	**1,203**	**1,010**	**1,065**	**1,100**	**1,450**	**1,300**	**1,223**	**4,218**	**5,073**
Margin (%)	*15.6*	*15.3*	*14.3*	*14.6*	*15.9*	*15.9*	*15.4*	*14.8*	*14.9*	*15.5*
Change (%)	*29.0*	*19.6*	*3.8*	*31.1*	*17.1*	*20.5*	*28.7*	*14.9*	*43.6*	*20*
Interest	13	18	23	15	16	20	23	16	69	75
Depreciation	110	115	112	118	125	135	142	148	454	550
Other Income	64	101	108	132	78	120	125	143	405	466
Operational PBT	**880**	**1,171**	**983**	**1,065**	**1,037**	**1,415**	**1,260**	**1,203**	**4,099**	**4,915**
Non Recurring Items	0.4	-2	2	21	0	0	0	0	21	0
PBT	**881**	**1,170**	**985**	**1,086**	**1,037**	**1,415**	**1,260**	**1,203**	**4,120**	**4,915**
Tax	299	401	331	374	340	488	440	451	1,424	1,737
Deferred Tax	1	-7	0	0	5	7	6		-24	-60.0
Effective Tax Rate (%)	*34.0*	*33.7*	*33.7*	*34.5*	*33.3*	*35.0*	*35.4*	*37.5*	*34.0*	*34*
PAT	**580**	**776**	**653**	**711**	**692**	**920**	**814**	**751**	**2,720**	**3,237**
Adjusted PAT	**580**	**777**	**651**	**691**	**692**	**920**	**814**	**751**	**2,699**	**3,237**
Change (%)	*31*	*23.6*	*7.4*	*28.6*	*19.4*	*18.4*	*25.0*	*8.8*	*52*	*19.9*

E: MOSt Estimates

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Britannia Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BRIT IN
	REUTERS CODE
S&P CNX: 4,318	BRIT.BO

Equity Shares (m)	23.9
52-Week Range	1,645/1,025
1,6,12 Rel. Perf. (%)	-1/38/-8
M.Cap. (Rs b)	37.6
M.Cap. (US$ b)	0.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,575

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	21,993	1,076	47.3	-22.8	33.3	5.9	17.9	18.5	1.5	26.0
3/08E	28,873	1,861	77.9	64.7	20.2	4.9	25.3	32.9	1.1	12.1
3/09E	34,012	2,160	90.4	16.0	17.4	4.1	23.6	31.1	0.9	10.1

* *Pre-exceptionals*

- We expect Britannia to report revenues of Rs6.4b in 1QFY08, a growth of 32.6% YoY. Higher topline would be driven by price increases taken by way of reduction in pack sizes and extension of excise exemption to biscuits with MRP below Rs100/ kg from Rs50.
- The company is getting aggressive in terms of new variants. Newly launched variants include Treat Magic Masti Offer, Nutri Choice Sugarout, Nutri Choice Digestive Biscuit and Treat Fruit Rolls.
- EBITDA margins are expected to increase by 145bp YoY to 8.2% in 1QFY08 as input pressures would be offset by higher topline growth, reduction in pack size and lower excise duty incidence, despite rising cost of milk and wheat flour.
- Adjusted PAT for 1QFY08 would grow by 32.5% to Rs432m.
- The stock is currently trading at 20.2x FY08E earnings, 17.4x FY09E earnings. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,828**	**5,497**	**5,673**	**5,992**	**6,400**	**7,100**	**7,450**	**7,923**	**21,993**	**28,873**
YoY Change (%)	*25.2*	*23.8*	*26.1*	*32.0*	*32.6*	*29.2*	*31.3*	*32.2*	*28.4*	*31.3*
Total Exp	4,502	5,209	5,412	5,605	5,875	6,475	6,800	7,143	20,741	26,293
EBITDA	**326**	**288**	**261**	**387**	**525**	**625**	**650**	**781**	**1,252**	**2,581**
Margins (%)	*6.8*	*5.2*	*4.6*	*6.5*	*8.2*	*8.8*	*8.7*	*9.9*	*5.7*	*8.9*
Depreciation	57	64	65	66	60	70	75	77	253	282
Interest	7	16	23	8	5	12	9	4	54	30
Other Income	119	27	50	87	122	32	60	91	293	305
PBT	**381**	**235**	**223**	**400**	**582**	**575**	**626**	**792**	**1,238**	**2,575**
Tax	55	-3	22	34	150	150	165	179	108	644
Rate (%)	*14.4*	*-1.3*	*9.9*	*8.5*	*25.8*	*26.1*	*26.4*	*22.6*	*8.7*	*25.0*
PAT	**326**	**238**	**201**	**366**	**432**	**425**	**461**	**613**	**1,130**	**1,931**
YoY Change (%)	*-8.7*	*-45.8*	*-48.5*	*59.8*	*32.5*	*78.6*	*129.4*	*67.5*	*-33.8*	*70.9*
Extraordinary Expenses	-23	-26	-37	32	-18	-20	-22	-10	-54	-70
Reported PAT	**303**	**212**	**164**	**398**	**414**	**405**	**439**	**603**	**1,076**	**1,861**

E: MOSt Estimates

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Colgate Palmolive

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CLGT IN
	REUTERS CODE
S&P CNX: 4,318	COLG.BO

Equity Shares (m)	136.0
52-Week Range	430/291
1,6,12 Rel. Perf. (%)	2/-11/-43
M.Cap. (Rs b)	50.3
M.Cap. (US$ b)	1.2

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs370

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	12,951	1,933	14.2	47.9	26.0	179.2	70.1	69.3	3.7	22.9
3/08E	14,763	2,229	16.4	15.4	22.5	170.5	77.5	76.6	3.2	19.5
3/09E	16,789	2,511	18.5	12.6	20.0	161.7	82.9	81.9	2.8	17.2

* *Pre-exceptionals*

- We expect Colgate to report 14.7% YoY growth in sales in 1QFY08 to Rs3.55b, driven by higher volumes. New variants like the Citrus blast evoked good response due to high advertising support and premium positioning. We expect Cibaca volumes to gain due to higher growth in the economy segment of the toothpaste market.
- We expect EBITDA margins to expand by 86bp to 13.8% in 1QFY08, aided by lower advertising expenses. PAT is expected to increase by 20.9% to Rs436m in 1QFY08.
- Colgate had closed down the Sewri facility; which will reduce the cost of production and boost the profitability of the company in the long term. We have not factored in cost reductions from the closure of the facility in a high-cost location.
- The stock is currently trading at 22.5x FY08E earnings, 20x FY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**3,096**	**3,200**	**3,223**	**3,433**	**3,550**	**3,625**	**3,700**	**3,888**	**12,951**	**14,763**
YoY Change (%)	*19.9*	*15.1*	*12.8*	*13.6*	*14.7*	*13.3*	*14.8*	*13.3*	*15.2*	*14.0*
Total Exp	2,695	2,642	2,679	2,897	3,060	2,975	3,050	3,243	10,863	12,328
EBITDA	**401**	**558**	**544**	**536**	**490**	**650**	**650**	**645**	**2,089**	**2,435**
Margins (%)	*12.9*	*17.4*	*16.9*	*15.6*	*13.8*	*17.9*	*17.6*	*16.6*	*16.1*	*16.5*
Depreciation	37	36	44	37	30	25	28	24	153	107
Interest	2	2	3	3	2	2	1	1	10	6
Other Income	148	122	166	174	160	135	185	211	585	691
PBT	**509**	**643**	**664**	**670**	**618**	**758**	**806**	**831**	**2,512**	**3,013**
Tax	149	137	161	172	182	175	205	221	579	783
Rate (%)	*29.2*	*21.4*	*24.2*	*25.6*	*29.4*	*23.1*	*25.4*	*26.6*	*23.0*	*26.0*
Adjusted PAT	**361**	**505**	**503**	**498**	**436**	**583**	**601**	**609**	**1,933**	**2,229**
YoY Change (%)	*1.6*	*63.7*	*-13.6*	*34.6*	*20.9*	*15.4*	*19.4*	*22.3*	*47.9*	*15.4*
Extraordinary Expenses	0	-274	0	8	0	0	0	0	-331	
Reported PAT	**361**	**232**	**503**	**506**	**436**	**583**	**601**	**609**	**1,602**	**2,229**
YoY Change (%)	*28.9*	*-24.9*	*20.6*	*36.7*	*20.9*	*151.5*	*19.4*	*20.4*	*16.4*	*39.2*

E: MOSt Estimates

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Dabur India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	DABUR IN
	REUTERS CODE
S&P CNX: 4,318	DABU.BO

Equity Shares (m)	862.9
52-Week Range	118/83
1,6,12 Rel. Perf. (%)	3/-1/-30
M.Cap. (Rs b)	88.7
M.Cap. (US$ b)	2.2

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs103

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	22,337	2,822	3.3	24.5	31.4	18.5	58.8	52.0	4.0	25.4
3/08E	25,958	3,488	4.0	23.2	23.4	12.6	54.1	58.6	3.0	18.4
3/09E	29,575	4,241	4.9	21.6	19.2	9.6	50.2	54.2	2.6	15.5

- Dabur is expected to report sales of Rs5.6b in 1QFY08, a growth of 17.2% YoY driven by higher volume growth across segments like health supplements, hair oils and oral care.
- EBITDA margins are expected to increase by 73bp to 14.2% YoY in 1QFY08 with the full impact of price increases coming in. The company had taken an average price hike of around 4% on its portfolio last year.
- Adjusted PAT before minority interest is expected to be Rs610m, a 29% growth YoY in 1QFY08.
- The company has announced its foray into retail segments with specialty beauty and health stores. Dabur expects to commission its first store in the current year while breakeven is expected in the fourth year. We expect the venture to accelerate topline growth ahead. Our estimates do not factor in the impact of retail operations.
- The stock is currently trading at 23.4x FY08E earnings, 19.2x FY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**4,755**	**5,641**	**6,176**	**5,765**	**5,575**	**6,525**	**7,100**	**6,758**	**22,337**	**25,958**
YoY Change (%)	*14.7*	*20.7*	*14.9*	*20.1*	*17.2*	*15.7*	*15.0*	*17.2*	*17.6*	*16.2*
Total Exp	4,116	4,668	5,172	4,884	4,785	5,350	5,885	5,664	-18,840	21,684
EBITDA	**639**	**973**	**1,004**	**881**	**790**	**1,175**	**1,215**	**1,093**	**3,497**	**4,273**
Margins (%)	*13.4*	*17.3*	*16.3*	*15.3*	*14.2*	*18.0*	*17.1*	*16.2*	*15.7*	*16.5*
Depreciation	-97	-106	-115	-90	-105	-111	-110	-95	-408	-421
Interest	-41	-55	-31	-28	-35	-45	-36	-21	-154	-137
Other Income	53	38	33	71	65	45	44	99	259	253
PBT	**554**	**851**	**891**	**834**	**715**	**1,064**	**1,113**	**1,076**	**3,195**	**3,968**
Tax	-80	-123	-115	-54	-105	-158	-145	-72	-373	-480
Rate (%)	*14.5*	*14.5*	*12.9*	*6.5*	*14.7*	*14.8*	*13.0*	*6.7*	*11.7*	*12.1*
PAT	**474**	**727**	**776**	**780**	**610**	**906**	**968**	**1,004**	**2,822**	**3,488**
YoY Change (%)	*37*	*16*	*17*	*23*	*29*	*25*	*25*	*29*	*24.5*	*24*
Minority Interest	9	-6	17	-11	0	0	0	0	8.7	0
Extraordinary Inc/(Exp)	0	65	0	0	0	0	0	0	0	0
Reported PAT	**482**	**787**	**793**	**769**	**610**	**906**	**968**	**1,004**	**2,830**	**3,488**

E: MOSt Estimates

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GlaxoSmithKline Consumer

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SKB IN
	REUTERS CODE
S&P CNX: 4,318	GLSM.BO

Equity Shares (m)	45.4
52-Week Range	670/470
1,6,12 Rel. Perf. (%)	2/-4/-25
M.Cap. (Rs b)	26.0
M.Cap. (US$ b)	0.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs573

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	11,119	1,268	30.2	18.4	19.0	4.4	22.9	35.1	1.9	11.6
12/07E	12,628	1,451	34.5	14.4	16.6	3.8	22.7	35.9	1.6	9.6
12/08E	13,916	1,642	39.1	13.2	14.7	3.3	22.2	35.1	1.4	8.2

- We expect GSK Consumer to register sales of Rs30.4b in 2QCY07 against Rs2.68b in 2QCY06, a growth of 13.1% YoY. 3.5% price increase in Horlicks will be the key growth driver.
- EBITDA margins are expected to decline by 201bp to 17.8% in 2QCY07 primarily due to higher prices of milk and wheat. We expect milk prices to remain firm for another couple of quarters.
- GSK is expected to report PAT of Rs346m in 2QCY07 against Rs309m in 2QCY06, a growth of 11.9% YoY.
- The stock is currently trading at 16.6x CY07E earnings and 14.7x CY08E earnings. We maintain our **Buy** rating on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**2,769**	**2,688**	**3,015**	**2,647**	**3,265**	**3,040**	**3,400**	**2,923**	**11,119**	**12,628**
YoY Change (%)	*24.2*	*10.7*	*16.5*	*9.2*	*17.9*	*13.1*	*12.8*	*10.4*	*29.0*	*13.6*
Total Exp	2,189	2,157	2,486	2,372	2,641	2,500	2,790	2,575	9,274	10,506
EBITDA	**580**	**531**	**528**	**275**	**624**	**540**	**610**	**348**	**1,845**	**2,122**
Margins (%)	*20.9*	*19.8*	*19.5*	*10.4*	*19.1*	*17.8*	*17.9*	*11.9*	*16.6*	*16.8*
Depreciation	104	105	109	108	108	104	107	112	427	431
Interest	8	9	10	8	11	10	9	5	35	35
Other Income	72	72	139	169	139	125	162	182	522	608
PBT	**540**	**490**	**548**	**328**	**644**	**551**	**656**	**413**	**1,904**	**2,264**
Tax	196	181	185	76	221	205	250	137	637	813
Rate (%)	*36.2*	*37*	*33.8*	*23.2*	*34.3*	*37.2*	*38.1*	*33.1*	*33.5*	*35.9*
PAT	**345**	**309**	**362**	**252**	**423**	**346**	**406**	**276**	**1,267**	**1,451**
YoY Change (%)	*67.9*	*6.3*	*19.7*	*17.9*	*22.8*	*11.9*	*12.1*	*9.5*	*75.2*	*14.5*

E: MOSt Estimates

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Godrej Consumer Products

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GCPL IN
	REUTERS CODE
S&P CNX: 4,318	GOCP.BO

Equity Shares (m)	226.4
52-Week Range	194/129
1,6,12 Rel. Perf. (%)	-4/-12/-50
M.Cap. (Rs b)	31.9
M.Cap. (US$ b)	0.8

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs141

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	9,574	1,342	5.9	12.5	23.7	29.4	123.8	77.6	3.4	18.0
3/08E	11,564	1,597	7.1	19.0	19.8	28.9	145.8	99.0	2.8	15.6
3/09E	13,017	1,880	8.3	17.8	16.8	28.1	167.0	106.9	2.4	13.3

- GCPL is expected to report revenue growth of 19.9% YoY to Rs2.85b in 1QFY08.
- We expect soaps to grow in high double digits led by a 5-6% price increase taken in the last quarter, while growth in hair color would be subdued in spite of the 12.5% price increase taken in powdered hair dye in December 2006.
- EBITDA margins are expected to be 17.5% against 17.7% in 1QFY08, on account of higher input prices. Palm oil prices have risen by almost 30% since the last price increase adopted by the company in the last quarter.
- We expect the company to report PAT of Rs400m, a growth of 21.9% YoY in 1QFY08 on account of decline in effective tax rate.
- The stock is currently trading at 19.8x FY08E consolidated earnings and 16.8x FY09E consolidated earnings. We maintain a **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,376**	**2,318**	**2,380**	**2,424**	**2,850**	**2,800**	**2,950**	**2,964**	**9,532**	**11,564**
YoY Change (%)	*41.7*	*47.6*	*29.3*	*26.6*	*19.9*	*20.8*	*23.9*	*22.3*	*36.2*	*21.3*
Total Exp	1,955	1,922	1,865	1,993	2,350	2,325	2,350	2,488	7,735	9,513
EBITDA	**421**	**397**	**516**	**431**	**500**	**475**	**600**	**476**	**1,798**	**2,051**
Margins (%)	*17.7*	*17.1*	*21.7*	*17.8*	*17.5*	*17.0*	*20.3*	*16.1*	*18.9*	*17.7*
Depreciation	31	31	36	45	35	40	42	71	142	188
Interest	18	26	33	20	15	19	20	16	96	70
Other Income	8	28	17	6	10	20	12	5	27	47
PBT	**381**	**369**	**464**	**372**	**460**	**436**	**550**	**394**	**1,586**	**1,840**
Tax	53	59	68	64	60	60	75	48	243	243
Rate (%)	*13.9*	*15.9*	*14.6*	*17.3*	*13.0*	*13.8*	*13.6*	*12.2*	*15.3*	*13.2*
PAT	**328**	**310**	**396**	**308**	**400**	**376**	**475**	**346**	**1,343**	**1,597**
YoY Change (%)	*21.0*	*11.5*	*10.5*	*2.3*	*21.9*	*21.3*	*20.0*	*12.3*	*12.5*	*18.9*
Extraordinary Expenses	13	0	0	86	0	0	0	-19	99	0
Reported PAT	**341**	**310**	**396**	**394**	**400**	**376**	**475**	**327**	**1,441**	**1,597**

E: MOSt Estimates

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Hindustan Unilever

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HUVR IN
	REUTERS CODE
S&P CNX: 4,318	HLL.BO

Equity Shares (m)	2,206.8
52-Week Range	263/166
1,6,12 Rel. Perf. (%)	-7/-19/-56
M.Cap. (Rs b)	416.7
M.Cap. (US$ b)	10.2

29 June 2007

Neutral

Previous Recommendation: Neutral — Rs189

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	121,034	15,397	7.0	17.5	27.1	15.3	56.5	67.0	3.2	23.6
12/07E	136,539	17,540	7.7	10.1	25.0	15.1	60.6	72.7	2.9	22.2
12/08E	149,183	19,187	8.7	13.2	22.1	14.6	65.9	80.0	2.6	19.1

* *Pre-exceptionals*

- We expect HLL to report 12.9% YoY increase in sales for 2QCY07 to Rs34.8b. We expect detergents to maintain double-digit growth, while growth of Personal Care could be muted.
- EBITDA margins are expected to decline by 52bp to 12.9% in 2QCY07 on account of higher growth in low-margin businesses.
- Margins in soaps and detergents could decline on account on a sharp increase in palm oil prices in the last three months. The company had reduced the grammage of Lifebuoy from 100gm to 90gm only towards the fag end of the quarter.
- Adjusted PAT at Rs4.3b is expected to grow 13.4% YoY, led by higher other income.
- The stock is currently trading 25x CY06E earnings and 22.1x CY07E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales (incl service inc)	**27,981**	**30,832**	**30,660**	**31,561**	**31,843**	**34,800**	**34,350**	**35,546**	**121,034**	**136,539**
YoY Change (%)	*11.6*	*8.7*	*12.2*	*6.1*	*13.8*	*12.9*	*12.0*	*12.6*	*9.4*	*12.8*
Total Expenditure	24,675	26,686	26,631	26,561	28,224	30,300	30,150	30,218	104,553	118,892
EBITDA	**3,306**	**4,146**	**4,029**	**5,000**	**3,620**	**4,500**	**4,200**	**5,328**	**16,481**	**17,648**
YoY Change (%)	*35.8*	*19.9*	*17.0*	*3.8*	*9.5*	*8.5*	*4.2*	*6.6*	*14.2*	*7.1*
Margins (%)	*11.8*	*13.4*	*13.1*	*15.8*	*11.4*	*12.9*	*12.2*	*15.0*	*13.6*	*12.9*
Depreciation	339	301	320	342	329	335	335	353	1,302	1,352
Interest	21	34	34	18	51	20	15	-6	107	80
Other Income	694	814	968	1,070	908	1,150	1,200	1,317	3,545	4,575
PBT	**3,640**	**4,625**	**4,643**	**5,709**	**4,147**	**5,295**	**5,050**	**6,298**	**18,617**	**20,791**
Tax	700	833	812	875	809	995	925	1,111	3,220	3,840
Rate (%)	*19.2*	*18.0*	*17.5*	*15.3*	*19.5*	*18.5*	*18.3*	*17.6*	*17.3*	*18.5*
Adjusted PAT	**2,940**	**3,793**	**3,830**	**4,834**	**3,339**	**4,300**	**4,125**	**5,187**	**15,397**	**16,950**
YoY Change (%)	*32.4*	*26.2*	*17.7*	*10.2*	*13.6*	*13.4*	*7.7*	*7.3*	*17.5*	*10.1*
Extraordinary Inc/(Exp)	1,489	13	1,377	278	590	0	0	0	3,157	590
Reported Profit	**4,429**	**3,806**	**5,208**	**5,112**	**3,929**	**4,300**	**4,125**	**5,187**	**18,554**	**17,540**
YoY Change (%)	*77.0*	*35.1*	*59.8*	*-1.9*	*-11.3*	*13.0*	*-20.8*	*1.5*	*31.8*	*-5.5*

E: MOSt Estimates

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ITC

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ITC IN
	REUTERS CODE
S&P CNX: 4,318	ITC.BO

Equity Shares (m)	3,755.2
52-Week Range	196/140
1,6,12 Rel. Perf. (%)	-6/-18/-53
M.Cap. (Rs b)	580.9
M.Cap. (US$ b)	14.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs155

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	123,693	27,000	7.2	18.4	21.2	5.6	26.1	36.7	4.3	13.5
3/08E	139,164	28,083	7.5	4.0	19.8	4.8	24.0	34.0	3.7	12.4
3/09E	170,720	33,846	9.0	20.5	16.4	4.2	25.5	36.1	2.9	9.9

** Pre-exceptionals*

- We expect ITC to post 15.8% YoY growth in revenues in 1QFY08 to Rs33b.
- ITC has taken a 20% price increase on its cigarettes portfolio to neutralize the impact of 12.5% VAT, excise and cess. We have factored in 6.4% volume decline in FY08 based on past correlation in cigarette prices and volumes.
- Growth in paper and paperboard division is likely to remain subdued since new capacity will be commissioned only in 2HFY08. We expect the high growth momentum in new FMCG to sustain due to high growth in existing brands and successful launch of Bingo in the snacks segment.
- Agri products and rural retail are likely to remain in investment mode, with high double-digit sales growth but depressed margins.
- EBITDA margins are expected to decline by 252bp YoY to 31.5% in 1QFY08, mainly due to rising sales proportion of lower margin businesses, slack growth in cigarettes. PAT is expected to increase by 8.8% to Rs7,095m.
- The stock is currently trading at 19.8x FY08E earnings and 16.4x FY09E earnings. Although the stock might underperform in the immediate term, long term outlook appears encouraging. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**28,498**	**28,876**	**31,656**	**34,663**	**33,000**	**32,250**	**35,100**	**38,814**	**123,693**	**139,164**
YoY Change (%)	*25.7*	*32.3*	*23.8*	*24.5*	*15.8*	*11.7*	*10.9*	*12.0*	*26.3*	*12.5*
Total Exp	18,792	19,149	20,828	25,360	22,600	22,200	23,800	29,335	84,129	97,935
EBITDA	**9,706**	**9,727**	**10,828**	**9,303**	**10,400**	**10,050**	**11,300**	**9,479**	**39,564**	**41,229**
Margins (%)	*34.1*	*33.7*	*34.2*	*26.8*	*31.5*	*31.2*	*32.2*	*24.4*	*32.0*	*29.6*
Depreciation	876	910	921	922	975	985	999	1,163	3,629	4,122
Interest	7	35	-9	1	5	15	3	2	33	25
Other Income	849	795	698	1,023	975	900	765	1,156	3,365	3,796
PBT	**9,672**	**9,578**	**10,614**	**9,404**	**10,395**	**9,950**	**11,063**	**9,469**	**39,267**	**40,877**
Tax	3,149	2,782	3,440	2,897	3,300	3,020	3,450	2,779	12,267	12,549
Rate (%)	*32.6*	*29.0*	*32.4*	*30.8*	*31.7*	*30.4*	*31.2*	*29.4*	*31.2*	*30.7*
Reported PAT	**6,523**	**6,796**	**7,174**	**6,507**	**7,095**	**6,930**	**7,613**	**6,690**	**27,000**	**28,328**
YoY Change (%)	*16.8*	*18.7*	*23.2*	*14.7*	*8.8*	*2.0*	*6.1*	*2.8*	*20.8*	*4.9*
Adjusted PAT	**6,523**	**6,796**	**7,174**	**6,507**	**7,095**	**6,930**	**7,613**	**6,690**	**27,000**	**28,328**
YoY Change (%)	*21.1*	*18.7*	*33.6*	*14.7*	*8.8*	*2.0*	*6.1*	*2.8*	*18.4*	*4.9*

E: MOSt Estimates

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Marico

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	MRCO IN
	REUTERS CODE
S&P CNX: 4,318	MRCO.BO

Equity Shares (m)	609.0
52-Week Range	68/43
1,6,12 Rel. Perf. (%)	-6/-4/-14
M.Cap. (Rs b)	33.6
M.Cap. (US$ b)	0.8

29 June 2007

Buy

Previous Recommendation: Buy

Rs55

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	15,569	1,104	1.9	4.5	29.4	21.0	69.0	39.4	2.3	17.4
3/08E	19,017	1,604	2.6	38.4	21.2	13.9	66.5	51.8	1.8	13.4
3/09E	21,824	1,989	3.2	24.0	17.1	9.8	58.0	59.9	1.6	11.0

- We expect Marico to report sales of Rs4.8b in 1QFY08 against Rs3.7b in 1QFY07, a growth of 28.8% YoY.
- EBITDA margins are expected to be 14.3% for 1QFY08 against 15.1% in 1QFY07. Copra prices are on a rise. Management expects copra prices to be 8% higher this year.
- PAT is expected to be Rs403m in 1QFY08 against Rs303m in 1QFY06, a growth of 33.1% YoY.
- Contribution from new acquisitions in Egypt and rising sales growth momentum in Kaya Skin Care are likely to be growth drivers. Marico plans to set up 15-20 new Kaya stores this year. It also plans to launch new kind of health care centre called Kaya Life.
- The stock is currently trading at 21.2x FY08E earnings and 17.1x FY09E earnings. We maintain a **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**3,728**	**3,780**	**4,092**	**3,970**	**4,800**	**4,650**	**4,900**	**4,667**	**15,569**	**19,017**
YoY Change (%)	*37.7*	*37.5*	*36.2*	*33.4*	*28.8*	*23.0*	*19.7*	*17.6*	*36.6*	*22.1*
Total Exp	3,165	3,174	3,541	3,558	4,115	3,950	4,250	4,075	13,529	16,390
EBITDA	**563**	**605**	**551**	**412**	**685**	**700**	**650**	**592**	**2,040**	**2,627**
Margins (%)	*15.1*	*16.0*	*13.5*	*10.4*	*14.3*	*15.1*	*13.3*	*12.7*	*13.1*	*13.8*
Depreciation	112	127	168	115	95	85	75	88	522	343
Interest	48	57	54	47	65	55	65	59	206	244
Other Income	11	1	3	87	18	16	17	20	102	71
PBT	**414**	**422**	**332**	**337**	**543**	**576**	**527**	**466**	**1,414**	**2,112**
Tax	111	116	55	28	140	145	130	93	310	508
Rate (%)	*26.8*	*27.5*	*16.6*	*8.3*	*25.8*	*25.2*	*24.7*	*19.9*	*21.9*	*24.1*
Adjusted PAT	**303**	**306**	**277**	**309**	**403**	**431**	**397**	**373**	**1,104**	**1,604**
YoY Change (%)	*30.6*	*50.7*	*-22.8*	*23.0*	*33.1*	*40.8*	*43.3*	*20.6*	*52.4*	*45.3*
Minority Interest	0	0	0	-28	0	0	0	0	25	0
Exceptional Items	0	-45	7	0	0			0		
Reported PAT	**303**	**261**	**284**	**309**	**403**	**431**	**397**	**373**	**1,129**	**1,604**

E: MOSt Estimates

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Nestle India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NEST IN
	REUTERS CODE
S&P CNX: 4,318	NEST.BO

Equity Shares (m)	96.4
52-Week Range	1,387/876
1,6,12 Rel. Perf. (%)	1/-4/-22
M.Cap. (Rs b)	111.8
M.Cap. (US$ b)	2.7

29 June 2007

Buy

Previous Recommendation: Buy Rs1,160

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	28,161	3,269	33.9	-0.6	34.2	18.4	53.8	79.0	3.9	20.5
12/07E	33,905	4,058	42.1	24.1	27.6	16.5	59.7	87.1	3.3	16.9
12/08E	38,580	4,749	49.3	17.0	23.6	14.9	63.1	92.3	2.8	14.4

** excluding extraordinary items and provisions*

- Nestle is expected to report net sales growth of 19% YoY in 2QCY07. Domestic revenues are expected to grow by 21.7% YoY while export revenue growth has been assumed at 7%. Culinary products and chocolates are expected to be significant growth drivers.
- EBITDA margins at 20.1% are expected to dip by 20bp YoY following inflationary trend in the key raw materials such as milk and wheat flour, despite rising sales contribution from higher-margin value-added products.
- Adjusted PAT is expected to increase 27.1% YoY to Rs1,073m in 2QCY07.
- We expect steady growth in the domestic business on the back of successful launch of new variants such as Maggi Rice Mania, Slim Dahi, Kit Kat Lite etc. The stock is currently trading 27.6x CY07E earnings and 23.6x CY08E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**6,759**	**6,812**	**7,227**	**7,362**	**8,631**	**8,134**	**8,471**	**8,670**	**28,161**	**33,905**
YoY Change (%)	*10.2*	*10.6*	*15.7*	*18.2*	*27.7*	*19.4*	*17.2*	*17.8*	*13.7*	*20.4*
Total Exp	5,421	5,428	5,802	6,160	6,843	6,500	6,800	7,214	22,776	27,357
EBITDA	**1,338**	**1,384**	**1,425**	**1,202**	**1,788**	**1,634**	**1,671**	**1,455**	**5,385**	**6,549**
Margins (%)	*19.8*	*20.3*	*19.7*	*16.3*	*20.7*	*20.1*	*19.7*	*16.8*	*19.1*	*19.3*
Depreciation	157	161	168	177	179	162	-170	-223	-663	-734
Interest	-	2	-	1	2	4	4	5	4	5
Other Income	50	44	47	73	70	130	45	3	206	247
PBT	**1,231**	**1,265**	**1,303**	**1,096**	**1,677**	**1,598**	**1,542**	**1,241**	**4,924**	**6,057**
Tax	499	421	431	303	563	525	505	406	1,654	1,999
Rate (%)	*40.5*	*33*	*33*	*28*	*34*	*33*	*33*	*33*	*33.6*	*33.0*
Adjusted PAT	**732**	**844**	**872**	**793**	**1,114**	**1,073**	**1,037**	**834**	**3,270**	**4,058**
YoY Change (%)	*-14.2*	*-4.4*	*9.9*	*1.7*	*52.1*	*27.1*	*18.9*	*5.2*	*-0.7*	*24.1*
Extraordinary Inc/(Exp)	154	-34	-42	-169	-30	-30	-40	-172	-119	-271
Reported PAT	**886**	**810**	**830**	**624**	**1,085**	**1,043**	**997**	**663**	**3,151**	**3,787**
YoY Change (%)	*13.5*	*-2.1*	*11.3*	*-15.9*	*22.4*	*28.7*	*20.1*	*6.2*	*1.8*	*20.2*

E: MOSt Estimates

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Tata Tea

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TT IN
	REUTERS CODE
S&P CNX: 4,318	TTTE.BO

Equity Shares (m)	59.0
52-Week Range	990/558
1,6,12 Rel. Perf. (%)	-4/12/-27
M.Cap. (Rs b)	50.3
M.Cap. (US$ b)	1.2

29 June 2007

Neutral

Previous Recommendation: Neutral Rs853

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	40,446	2,985	50.6	2.3	16.9	2.4	14.0	9.9	1.5	8.2
3/08E	40,415	2,865	48.5	-4.0	17.6	1.4	7.3	11.5	1.1	5.8
3/09E	43,235	4,718	79.9	64.7	10.7	1.2	11.0	14.6	0.9	4.7

* *Pre-exceptionals*

- We expect Tata Tea to report sales of Rs10.2b in 1QFY08, a growth of 27.7% YoY. We have taken into account sale of north India plantations.
- EBITDA margins are expected to increase by 36bp to 20.1% in 1QFY08 due to higher contribution from Eight O'Clock Coffee, which has higher margins.
- However growth adjusted PAT will be lower on account of higher interest costs on funds borrowed for Glaceau acquisition. We expect adjusted PAT at Rs660m, a drop of 19.4% in 1QFY08.
- We expect Glaceau stake sale to get completed by November 2007. We expect the company to repay 50% of the debt, while the remainder is likely to be retained for acquisitions. We expect the company to undertake acquisitions in Tea, coffee and water verticals.
- The stock is currently trading at 17.6x FY08E earnings and 10.7x FY09E earnings. The stock seems to be a good contrarian buy from long term horizon despite **Neutral** rating on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**7,989**	**9,740**	**11,126**	**11,591**	**10,200**	**9,900**	**10,200**	**10,115**	**40,446**	**40,415**
YoY Change (%)	*11.5*	*25.1*	*37.1*	*41.9*	*27.7*	*1.6*	*-8.3*	*-12.7*	*30.2*	*-0.1*
Total Exp	6,412	7,938	9,120	9,658	8,150	8,050	8,335	8,446	33,129	32,981
EBITDA	**1,577**	**1,801**	**2,005**	**1,933**	**2,050**	**1,850**	**1,865**	**1,669**	**7,317**	**7,434**
Margins (%)	*19.7*	*18.5*	*18.0*	*16.7*	*20.1*	*18.7*	*18.3*	*16.5*	*18.1*	*18.4*
Depreciation	202	258	262	245	210	255	230	225	967	920
Interest	274	472	909	1,074	850	750	550	255	2,729	2,405
Other Income	75	210	68	-296	80	205	105	118	587	508
PBT	**1,175**	**1,282**	**901**	**319**	**1,070**	**1,050**	**1,190**	**1,306**	**4,207**	**4,616**
Tax	322	268	393	93	320	320	345	400	1,076	1,385
Rate (%)	*27.4*	*20.9*	*43.6*	*29.2*	*29.9*	*30.5*	*29.0*	*30.6*	*25.6*	*30.0*
PAT	**853**	**1,014**	**508**	**226**	**750**	**730**	**845**	**906**	**3,131**	**3,231**
YoY Change (%)	*32.3*	*2.0*	*-36.1*	*-60.2*	*-12.0*	*-28.0*	*66.2*	*301.5*	*19.2*	*3.2*
Minority Interest/ Share of Associate	-34	57	-91	-79	-90	-90	-100	-86	-147	-366
Adjusted PAT	**819**	**1,071**	**418**	**146**	**660**	**640**	**745**	**820**	**2,985**	**2,865**
YoY Change (%)	31.0	3.8	-49.8	-72.8	-19.4	-40.3	78.4	460.3	2.3	-4.0
Extraordinary Gains	-18	870	754	374	0	0	13,325	0	1,449	13,325
Reported PAT	**801**	**1,941**	**1,172**	**520**	**660**	**640**	**14,070**	**820**	**4,434**	**16,190**
YoY Change (%)	*-7.3*	*91.8*	*44.2*	*1.0*	*-17.6*	*-67*	*1,101*	*58*	*48.2*	*265.2*

E: MOSt Estimates

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United Spirits

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	UNSP IN
	REUTERS CODE
S&P CNX: 4,318	UNSP.BO

Equity Shares (m)	94.5
52-Week Range	1,300/400
1,6,12 Rel. Perf. (%)	6/43/164
M.Cap. (Rs b)	121.9
M.Cap. (US$ b)	3.0

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,291

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	27,119	2,318	25.4	517.0	50.9	9.8	17.2	15.8	4.2	25.7
3/08E	48,418	3,304	36.7	44.7	35.2	7.6	20.3	21.0	3.1	18.2
3/09E	58,899	5,295	58.8	60.3	21.9	5.4	17.9	24.7	2.7	14.8

** excluding extraordinary items and provisions*

- We expect Untied Spirits to register 15.4% growth in topline to Rs9b in 1QFY08. These numbers exclude the White & Mackay acquisition.
- EBIDTA margins are likely to improve by 166bp to 15.7% in 1QFY08 due to low prices of molasses and ENA (extra neutral alcohol) as also continuous improvement in sales mix in favor of premium whisky and vodka.
- We expect adjusted PAT to be at Rs485m in 1QFY08, a growth of 40%.
- We estimate that Whyte and Mackay will contribute GBP8.1m and GBP20m to the consolidated profits after interest payments but before exceptional one-time costs of GBP7m-10m in FY08. We expect United Spirits to pay back debt taken in SPV to the tune of GBP200m from the sale of treasury stock after the merger of Shaw Wallace.
- Even without considering the merger of Shaw Wallace and reduction of debt we arrive at consolidated EPS of Rs36.7 and Rs58.8 for FY08E and FY09E. The stock is trading at 35.2x FY08 and 21.9x FY09. We rate the stock as our **top pick** in consumer space.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,335**	**7,535**	**7,734**	**6,515**	**6,350**	**9,100**	**9,100**	**8,132**	**27,119**	**32,682**
Total Exp	4,584	5,921	6,460	5,771	5,350	7,080	7,550	7,085	22,736	27,065
EBITDA	**752**	**1,614**	**1,274**	**744**	**1,000**	**2,020**	**1,550**	**1,046**	**4,384**	**5,616**
Margins (%)	*14.1*	*21.4*	*16.5*	*11.4*	*15.7*	*22.2*	*17.0*	*12.9*	*16.2*	*17.2*
Depreciation	40	123	34	114	50	143	40	128	311	361
Interest	199	325	289	217	225	200	170	150	1,031	745
PBT From Operations	512	1,166	951	412	725	1,677	1,340	769	3,042	4,511
YoY Change (%)	*250*	*1,262*	*308*	*339*	*42*	*44*	*41*	*87*	*295*	*48*
Other Income	23	5	143	360	35	15	165	379	530	594
PBT	**535**	**1,171**	**1,094**	**772**	**760**	**1,692**	**1,505**	**1,148**	**3,572**	**5,105**
Tax	188	504	325	236	275	710	490	377	1,254	1,852
Rate (%)	*35.2*	*43.0*	*29.7*	*30.6*	*36.2*	*42.0*	*32.6*	*32.8*	*35.1*	*36.3*
PAT	**347**	**668**	**769**	**535**	**485**	**982**	**1,015**	**771**	**2,318**	**3,253**
YoY Change (%)	*234*	*1,086*	*350*	*202*	*40*	*47*	*32*	*44*	*201*	*40*
Extraordinary Inc/(Exp)	0	0	2,657	0		0	0	0	2,657	0
Reported PAT	**347**	**668**	**3,425**	**535**	**485**	**982**	**1,015**	**771**	**4,975**	**3,253**

E: MOSt Estimates

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Information Technology

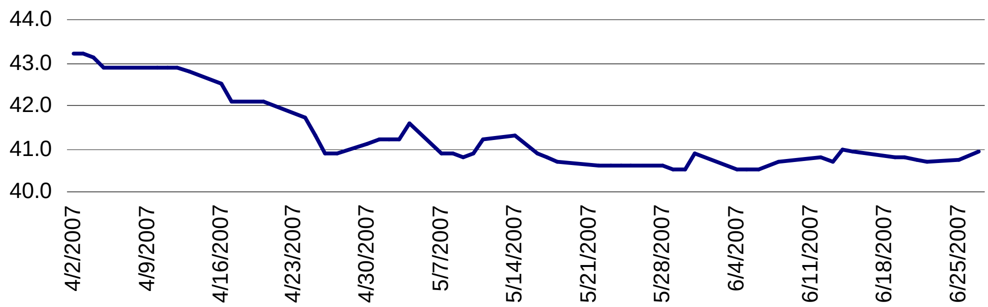
BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

While most top IT vendors continue to be confident about the robust business outlook, the primary concern continues to be the sharp appreciation of the rupee against major currencies. The impact of the sharp appreciation of the rupee would be the key factor to watch out for in 1QFY08 results. Revision of Infosys guidance for FY08 (based on lower INR-US$ rate) would also be keenly observed as this would set the trend for the rest of industry.

Rupee to upset 1Q results, critical to FY08 outlook

The rupee has appreciated by nearly 7% (average over last quarter, 5.6% QTD) against the US$ over April-January 2007, the sharpest over the last several quarters. We expect considerable impact of this on operating margins for the quarter.

RUPEE VS USD



Source: OANDA

EXPECTED QUARTERLY PERFORMANCE SUMMARY (YOY) (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Information Technology							
Geometric Software	Buy	1,287	3.6	139	-16.6	80	-20.3
Hexaware	Buy	2,678	1.3	313	-20.9	304	-13.6
HCL Technologies	Buy	16,112	2.2	3,555	-3.1	3,365	1.4
i-flex solutions	Neutral	6,126	5.7	1,082	-1.0	860	10.7
Infosys	Buy	38,377	1.7	10,868	-9.2	9,782	-14.5
Infotech Enterpr	Buy	1,573	4.0	268	-13.0	172	-31.0
KPIT Cummins Inf	Buy	1,326	1.8	181	-11.7	118	-15.7
MphasiS	Buy	3,466	2.8	532	-17.7	348	-23.6
Patni Computer	Neutral	6,746	0.3	1,103	-22.7	1,054	-12.2
Sasken Comm	Buy	1,381	2.0	157	-11.7	100	-14.8
Satyam Computer	Buy	18,089	1.7	3,994	-2.6	3,967	0.8
TCS	Buy	51,936	0.9	12,989	-10.8	10,511	-10.4
Tech Mahindra	Buy	8,816	0.8	1,994	-10.1	1,687	-13.9
Wipro	Buy	40,351	-6.9	8,453	-10.5	7,444	-5.9
Sector Aggregate		**198,265**	**-0.3**	**45,628**	**-9.5**	**39,792**	**-8.9**

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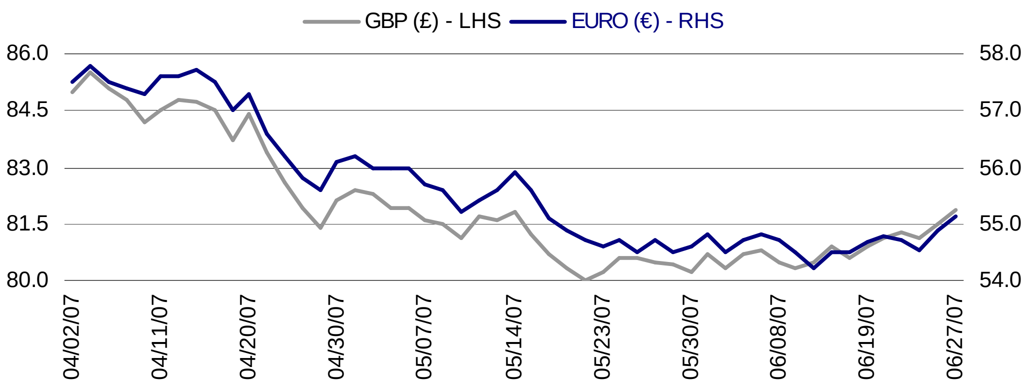
In addition to sharp appreciation against the US$, the rupee has appreciated strongly against the GBP and Euro as well (by 5.8% and 4.5% average over 4QFY07 respectively). Over the past few quarters, lower appreciation/depreciation in GBP and Euro helped reduce the impact of appreciation against the USD. With the rupee appreciating strongly against the GBP and Euro, the impact on realized rates and margins is expected to be more severe in 1QFY08.

GBP VS EURO



Source: OANDA

We expect an average impact of 300-350bp on operating margins due to rupee appreciation during the quarter. Most players have significantly increased their hedging positions post 4QFY07 in order to protect against rupee appreciation. We expect significant forex gains during the quarter, which would help lower the decline in profitability for most players in 1QFY08.

We have assumed average realized Rs/$ rate for 1QFY08 to be Rs41 and believe that this rate for 1QFY08 will not be materially different than our estimate. We believe that impact on margins through rupee dollar will not be materially different than estimates for 1QFY08. However we have assumed average realized Rs/$ rate of around Rs42 for FY08 versus the current rate of around Rs40.6. Therefore, we believe that there could be downside risk to our estimates for FY08E and FY09E due to rupee appreciation. If we assume an average realized Rs/$ rate of Rs41 and Rs40 for FY08 and FY09 respectively, then there would be downgrade in FY08E and FY09E EPS estimates by 2.5%-4% for Infosys, TCS, Wipro and Satyam.

Infosys' FY08 rupee guidance could be revised to reflect rupee appreciation

The rupee has appreciated to Rs40.6, up 6.7% over last quarter's closing rate of Rs43.5. This is a 6.2% appreciation over the underlying rate of Rs43.1 in Infosys' FY08 guidance. While we expect Infosys to revise its dollar guidance upward, we do not rule out the possibility of downgrade in rupee guidance to factor the higher-than-expected rupee appreciation. Satyam is also expected to up its dollar guidance following strong volume performance in 1QFY08. The potential downgrade in Satyam's rupee guidance is likely to be lower, since the underlying rupee assumption is at Rs42.3 (4.2% appreciation over Satyam's guidance). However, we expect significant forex gains to mute the impact on EPS in FY08.

Annual wage hikes and visa costs to ravage margins further

1Q is the quarter for annual salary hikes for most players (Wipro, Satyam being notable exceptions), which would also impact operating margins during the quarter. Visa costs are also expected to add to margin woes in 1QFY08. We expect the average salary hikes to remain in the range of 3-6% onsite and 13-15% offshore, which could impact margins by an average of 160- 190bp for Tier I players (except Satyam and Wipro, which do not report salary hikes in 1Q). This is expected to be higher (~300-400bp) for mid-tier players such as Infotech Enterprises and Hexaware, which are likely to offer higher salary hikes.

Underlying demand trend continues to be robust

Indian IT vendors continue to be confident of sustained demand growth with anticipation of greater offshore demand due to widening of service portfolio by industry players. Increased adoption of the best-of-breed, multi-vendor approach would ensure the presence of offshore players in almost all large deals. Our interaction with industry indicates that the spending momentum in FY08 is likely to be sustained; client and project offtake should continue to be healthy.

We expect volume growth to remain strong for Infosys, TCS and Wipro and estimate dollar revenue growth of 34-37% in FY08E. Due to the rupee appreciation during the year, we expect rupee revenue growth to be significantly lower at 28-30%. (Our estimates are at an underlying rupee dollar rate of Rs42).

Pricing, utilization rates likely significant levers v/s margin pressure in FY08

Pricing, in out opinion, continues to the strongest lever to combat margin erosion in FY08. Infosys' guidance factors in a 2% increase in pricing, while other players are also likely to witness improved realizations during the year. New clients are coming at higher billing rates, with some companies like TCS reporting as much as 5-10% higher rates in new contracts. Like we had noted in our 4QFY07 preview, most companies have seen rate hikes in existing clients in 2HFY07 (notably TCS, which has had most of its hikes with existing clients post October 2006), which is likely to show up more significantly in the FY08 financials.

We believe that pricing would be a key factor that would help industry players combat margin pressure in FY08. Utilization rates, which most players hope to improve by 2-3pp, improved subsidiary profitability, and lower SG&A expenses are also expected to help reduce the impact on margins in FY08.

Valuation and view

Stock prices have corrected sharply and the sector has underperformed the Sensex over the quarter. Infosys remains our top pick in the sector given strong underlying volume growth backed by long-term initiatives to combat supply-side concerns. The stock has underperformed the sector by 20% over the last three months. We expect seasonal strong performance in 2Q/3Q and strong performance in 2HFY08, and believe that the recent underperformance offers a good opportunity to enter into the stock. We prefer Satyam to Wipro given the higher expected dollar revenue growth along with easing of supply pressures over FY07.

KEY INDUSTRY METRICS

	FY07				FY08E			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Services Revenue (INR m)								
TCS (Consolidated)	41,443	44,822	48,605	51,954	51,936	56,906	62,503	66,373
Wipro (Global IT Business)	24,513	27,179	28,873	30,357	29,508	33,139	36,615	39,945
Infosys (Consolidated)	30,150	34,510	36,550	37,720	38,377	42,578	46,860	49,906
Satyam (Consolidated)	14,429	16,019	16,611	17,792	18,089	20,104	21,870	23,319
HCL Tech. (Consolidated)*	12,538	13,794	14,651	15,771	16,112	17,856	19,197	20,622
Net Profit (INR m)								
TCS (Consolidated)	8,626	9,915	11,047	11,198	10,511	11,825	13,491	14,405
Wipro (Consolidated)	6,120	6,963	7,450	7,914	7,444	8,535	9,431	10,414
Infosys (Consolidated)	8,000	9,290	9,830	10,190	9,782	11,255	12,612	13,682
Satyam (Consolidated)	3,541	3,198	3,372	3,936	3,967	3,902	4,637	5,094
HCL Tech. (Consolidated)	2,331	2,501	2,863	3,318	3,365	3,155	3,286	3,619
EBITDA Margin (%)								
TCS (Consolidated)	24.4	27.4	28.3	28.3	25.0	26.2	27.0	27.2
Wipro (Global IT Business)	27.6	26.8	27.4	26.9	25.0	26.1	26.4	27.2
Infosys (Consolidated)	29.5	32.1	32.7	31.7	28.3	30.4	31.2	32.0
Satyam (Consolidated)	24.6	22.6	24.7	23.1	22.1	20.4	22.9	23.7
HCL Tech. (Consolidated)	22.5	21.7	22.1	23.3	22.1	22.0	21.5	22.1
Volumes Growth (%)								
Wipro (Global IT Services only)	5.5	7.9	9.3	5.4	5.2	9.5	9.0	8.0
Infosys (Consolidated)	7.5	11.0	9.7	3.8	7.5	9.3	8.5	6.5
Satyam (Unconsolidated)	7.0	10.7	8.1	9.0	6.0	8.0	7.0	5.2
Recruitment								
Wipro (Global IT Services only)	2,841	5,328	3,489	1,041	1,863	5,366	3,186	2,862
Infosys (Consolidated)	5,694	7,741	3,282	2,809	5,481	6,441	4,601	3,748
Satyam (Unconsolidated)	1,123	4,025	2,746	1,265	1,835	3,809	1,576	3,190
Utilization Rates (%)								
Wipro (Global IT Services only)	71.8	68.9	66.5	68.2	69.0	68.0	70.0	72.0
Infosys (Consolidated)	71.1	67.5	67.5	67.9	70.3	71	72.1	73.3
Satyam (Uncon-offsh - trainees)	71.2	71.1	68.5	71.3	72.5	70.5	72.5	72.5
Billing Rates (US$/employee p.a) Onsite								
Wipro - Global IT Ser Only	131,748	132,696	132,144	135,048	133,860	134,529	135,202	135,202
Infosys - Consolidated	133,157	134,968	137,063	140,395	139,306	139,306	139,306	139,306
Satyam - Unconsolidated	112,952	113,460	113,868	114,574	115,237	116,390	117,554	118,729
Billing Rates (US$/employee p.a) Offshore								
Wipro - Global IT Ser Only	51,012	50,472	50,268	50,568	51,198	51,454	51,712	51,841
Infosys - Consolidated	49,172	50,249	50,896	50,942	51,156	51,156	51,156	51,156
Satyam - Unconsolidated	46,472	46,569	46,625	46,961	47,423	47,897	48,256	48,618
Billing Rates Onsite Change (%)								
Wipro - Global IT Ser Only	0.8	0.7	-0.4	2.2	-0.9	0.5	0.5	0.0
Infosys - Consolidated	1.2	1.4	1.6	2.4	-0.8	0.0	0.0	0.0
Satyam - Unconsolidated	0.3	0.4	0.4	0.6	0.6	1.0	1.0	1.0
Billing Rate (Offshore) Change (%)								
Wipro - Global IT Ser Only	0.5	-1.1	-0.4	0.6	1.2	0.5	0.5	0.2
Infosys - Consolidated	2.8	2.2	1.3	0.1	0.4	0.0	0.0	0.0
Satyam - Unconsolidated	0.2	0.2	0.1	0.7	1.0	1.0	0.8	0.8

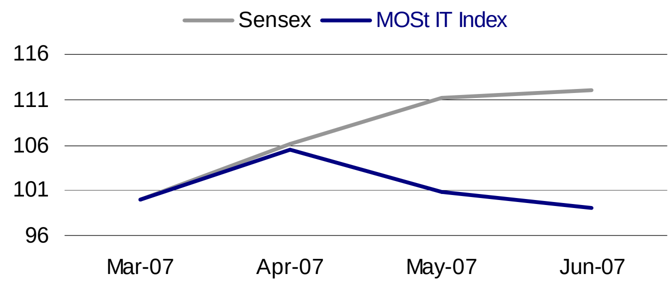
*Note: *HCL Tech's year end is June; # Offshore with trainees*

Stock performance and valuations

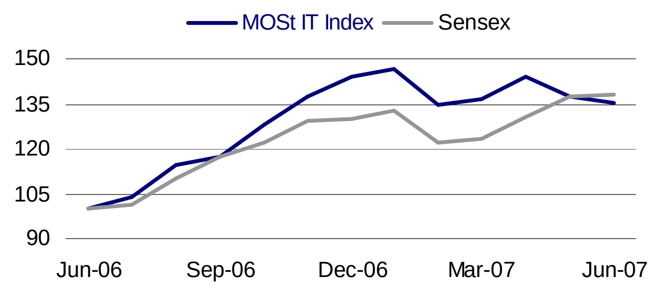
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Information Technology						
Geometric Software	24	41	12	3	25	12
HCL Technologies	18	37	6	-1	19	7
Hexaware	-4	20	-16	-18	-2	-10
i-flex solutions	24	130	12	92	26	101
Infosys	-4	25	-16	-13	-3	-4
Infotech Enterpr	10	147	-2	109	11	117
KPIT Cummins Inf	5	71	-7	33	7	41
MphasiS	16	117	4	79	17	87
Patni Computer	34	54	22	16	35	24
Sasken Comm.Tech	1	69	-11	31	2	39
Satyam Computer	-1	31	-13	-7	0	2
TCS	-7	32	-19	-6	-6	3
Tech Mahindra	-2	-	-14	-	-1	-
Wipro	-7	1	-19	-37	-6	-29

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Information Technology														
Geometric Software	124	Buy	6.1	8.6	12.9	20.3	14.4	9.6	12.9	8.6	5.8	20.9	22.7	28.3
Hexaware	162	Buy	9.4	11.8	14.7	17.3	13.7	11.0	13.9	10.7	7.8	22.7	19.4	20.5
HCL Technologies	344	Buy	16.6	18.8	22.8	20.7	18.3	15.1	15.1	11.3	9.0	27.0	26.4	28.5
i-flex solutions	2,592	Neutral	33.2	51.7	66.2	78.0	50.1	39.1	58.2	36.8	28.4	15.3	17.6	19.2
Infosys	1,929	Buy	65.2	82.7	99.2	29.6	23.3	19.4	23.8	18.8	14.5	40.9	35.8	32.6
Infotech Enterpr	397	Buy	17.7	21.9	28.1	22.4	18.1	14.1	15.5	11.4	8.5	31.5	28.6	28.2
KPIT Cummins Inf	139	Buy	6.8	8.7	11.6	20.5	16.0	12.0	15.5	11.1	8.1	29.7	27.3	27.3
MphasiS	328	Buy	7.3	11.1	12.9	44.9	29.7	25.4	25.9	18.8	15.1	27.4	33.0	30.4
Patni Computer	518	Neutral	25.8	31.8	37.8	20.0	16.3	13.7	12.0	10.4	8.1	16.8	18.1	18.4
Sasken Comm	490	Buy	15.5	29.1	37.4	31.5	16.9	13.1	20.5	11.2	8.3	11.0	18.2	20.2
Satyam Computer	467	Buy	21.5	26.3	31.3	21.8	17.8	15.0	17.8	13.9	10.8	27.9	27.1	25.9
TCS	1,149	Buy	41.7	51.3	62.9	27.6	22.4	18.3	22.0	17.5	14.1	54.5	45.7	41.0
Tech Mahindra	1,396	Buy	46.4	59.4	81.6	30.1	23.5	17.1	22.8	17.3	12.0	66.2	47.7	38.1
Wipro	519	Buy	19.7	24.4	28.7	26.3	21.3	18.1	20.6	16.6	13.0	31.6	31.0	29.0
Sector Aggregate						**27.5**	**22.0**	**18.0**	**21.7**	**17.0**	**13.3**	**35.7**	**33.3**	**31.6**

Geometric Software

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GMSS IN
	REUTERS CODE
S&P CNX: 4,318	GEOM.BO

Equity Shares (m)	61.3
52-Week Range	145/77
1,6,12 Rel. Perf. (%)	3/-3/-3
M.Cap. (Rs b)	7.6
M.Cap. (US$ b)	0.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs124

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	3,831	374	6.1	53.4	20.3	3.5	20.9	16.2	2.2	13.0
3/08E	6,036	529	8.6	41.4	14.4	2.9	22.3	16.2	1.4	8.8
3/09E	8,172	792	12.9	49.7	9.6	2.4	27.3	21.5	1.0	6.0

** Including Modern Engineering*

- We expect Geometric to report consolidated revenue growth (including Modern Engineering) of 3.6% QoQ. We expect revenue from Modern Engineering to also post stronger sequential growth following a weak 2HFY07.
- We expect Geometric to post standalone services revenue growth of 3.9% QoQ in 4QFY07 and product revenue decline of 5% QoQ. We expect standalone service volume growth of 5% QoQ.
- Consolidated EBIDTA margins are expected to decline by 260bp due to rupee appreciation, salary hikes (3-5% onsite and 13-15% offshore), and visa costs. Modern Engineering, which posted a loss of US$0.1m in 4QFY07, is expected to turn positive during the quarter.
- Consolidated net profit, which declined by 4.3% QoQ in 4QFY07, is expected to decline by 20.3% in 1QFY08 due to margin pressures during the quarter.
- The stock is currently trading at 14.4x FY08E and 9.6x FY09E earnings estimates (including Modern Engineering and likely dilution). We remain positive on the improved revenue and earnings visibility for Geometric due to change in business strategy and expected benefits of Modern's integration in the second half of FY08. Maintain **Buy**.
- **Key issues**: Margins, modern integration

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E*				FY07*	FY08E*
	1Q	2Q	3Q*	4Q*	1Q	2Q	3Q	4Q		
Revenues	**721**	**800**	**1,067**	**1,243**	**1,287**	**1,405**	**1,613**	**1,732**	**3,831**	**6,036**
Q-o-Q Change (%)	*12.8*	*10.9*	*33.5*	*16.4*	*3.6*	*9.2*	*14.8*	*23.3*	*71.4*	*57.6*
Total Operating Exps	558	649	897	1,077	1,148	1,228	1,318	1,403	3,181	5,097
Operating Profit	**163**	**151**	**170**	**166**	**139**	**177**	**294**	**329**	**650**	**939**
Margins (%)	*22.6*	*18.8*	*15.9*	*13.4*	*10.8*	*12.6*	*18.3*	*19.0*	*17.0*	*15.6*
Other Income	-29	29	49	43	41	21	13	13	92	88
Interest	0	0	16	15	14	14	13	12	31	53
Depreciation	49	50	57	47	51	55	62	68	203	236
PBT bef. Extra-ordinary	**85**	**130**	**146**	**146**	**115**	**129**	**232**	**262**	**507**	**738**
Provision for Tax	10	14	22	26	21	24	41	46	68	132
Rate (%)	*11.8*	*10.6*	*15.0*	*17.9*	*18.3*	*18.4*	*17.7*	*17.6*	*13.5*	*17.8*
Minority Interest	11	15	19	19	13	18	22	23	64	77
Net Income bef. EO	**63**	**101**	**105**	**101**	**80**	**87**	**169**	**193**	**374**	**529**
Q-o-Q Change (%)	*-40.6*	*59.0*	*4.5*	*-4.3*	*-20.3*	*8.5*	*93.6*	*121.2*	*66.5*	*41.4*

*E: MOSt Estimates; * Including Modern Engg.*

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HCL Technologies

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HCLT IN
	REUTERS CODE
S&P CNX: 4,318	HCLT.BO

Equity Shares (m)	663.7
52-Week Range	366/239
1,6,12 Rel. Perf. (%)	-1/0/-1
M.Cap. (Rs b)	228.3
M.Cap. (US$ b)	5.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs344

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
6/07E	60,328	11,013	16.6	51.7	20.7	4.7	27.0	28.8	3.4	15.1
6/08E	79,593	12,779	18.8	13.3	18.3	4.2	26.4	28.8	2.5	11.3
6/09E	102,441	15,829	22.8	21.4	15.1	3.9	28.5	31.5	1.9	9.0

* After ESOP charges

- We expect HCL Technologies to post 8% QoQ growth in consolidated dollar revenue; rupee revenue is estimated to grow 2.2% QoQ.
- Software services are expected to grow at 7.8% QoQ in dollar terms, backed by 7% volume growth QoQ. Infrastructure services and BPO are expected to grow 8.2% and 9.5% QoQ in dollar terms respectively.
- We expect consolidated EBITDA margins to decrease by 120bp primarily due to rupee appreciation in the quarter. Visa costs are also expected to add to margin pressure.
- We expect forex gains to be high during the quarter, since the company has a significant portion of its outstanding hedge at a rate of Rs44.5-Rs45 (taken prior to December 2006). Hence we expect high other income of Rs825m.
- Net profit is expected to grow 1.2% QoQ (after ESOP charges) in rupee terms despite lower rupee revenue growth and margin decline due to high other income.
- The stock trades at 18.3x FY08E and 15.1x FY09E earnings estimates (after ESOP charges). We remain convinced of HCL Tech's ability to outperform in the large deal space, along with greater client mining and new deal wins. We reiterate **Buy**.
- **Key issues:** Margins, BPO growth, attrition rates.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**9,709**	**10,542**	**11,220**	**12,538**	**13,794**	**14,651**	**15,771**	**16,112**	**43,882**	**60,328**
Q-o-Q Change (%)	*4.7*	*8.6*	*6.4*	*11.7*	*10.0*	*6.2*	*7.6*	*2.2*	*30.5*	*37.5*
Direct Expenses	6,093	6,564	6,979	7,946	8,709	9,107	9,737	10,033	27,571	37,586
Sales, General & Admin. Exp.	1,458	1,601	1,743	1,777	2,098	2,303	2,366	2,524	6,582	9,291
Operating Profit	**2,158**	**2,377**	**2,498**	**2,815**	**2,987**	**3,241**	**3,668**	**3,555**	**9,729**	**13,451**
Margins (%)	*22.2*	*22.5*	*22.3*	*22.5*	*21.7*	*22.1*	*23.3*	*22.1*	*22.2*	*22.3*
Other Income	124	143	255	56	290	481	615	825	573	2,211
Depreciation	447	493	530	562	556	623	659	696	1,916	2,534
PBT bef. Extra-ordinary	**1,835**	**2,027**	**2,223**	**2,309**	**2,721**	**3,099**	**3,624**	**3,685**	**8,386**	**13,129**
Provision for Tax	169	203	277	-23	219	206	283	295	632	1,003
Rate (%)	*9.2*	*10.0*	*12.5*	*-1.0*	*8.0*	*6.6*	*7.8*	*8.0*	*7.5*	*7.6*
Share of Income from Eq. Investees	0	-7	-6	7	4	-7	-3	-3	-6	-9
Minority Interest	-9	6	11	8	5	23	20	21	16	69
PAT bef. EO & ESOP Charges	**1,675**	**1,811**	**1,929**	**2,331**	**2,501**	**2,863**	**3,318**	**3,365**	**7,732**	**12,047**
Q-o-Q Change (%)	*3.4*	*8.1*	*6.5*	*20.8*	*7.3*	*14.5*	*15.9*	*1.4*	*27.0*	*55.8*

E: MOSt Estimates

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Hexaware Technologies

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HEXW IN
	REUTERS CODE
S&P CNX: 4,318	HEXT.BO

Equity Shares (m)	133.2
52-Week Range	205/126
1,6,12 Rel. Perf. (%)	2/-25/-18
M.Cap. (Rs b)	21.6
M.Cap. (US$ b)	0.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs162

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	8,482	1,242	9.4	29.8	17.3	2.9	22.7	24.8	2.1	13.8
12/07E	11,507	1,575	11.8	25.9	13.7	2.4	19.4	22.3	1.6	10.6
12/08E	14,589	1,956	14.7	24.2	11.0	2.1	20.5	23.4	1.2	7.7

**Including Focus Frame*

- We expect Hexaware to post dollar growth of 7.9% QoQ (guided growth of 6.5-8.1%) in revenue backed by strong order pipeline from existing clients as well as ramp-ups in new deals.
- Margins, are expected to decline by 330bp due to rupee appreciation, salary hikes (US$3.5m impact due to 4-5% onsite, 14-15% offshore) and visa costs in the quarter.
- Net profit is expected to decline 8% QoQ to US$7.4m (versus guided PAT of US$7m-US$7.2m) due to decline in margins during the quarter. In rupee terms, we expect 13.6% QoQ decline in net profit.
- Outstanding order book increased to US$260m with US$61m new business won during 1QCY06. We expect volume growth to be strong, boosted by ERP and Testing services.
- The stock is currently trading at 15x CY07E and 12.1x CY08E (fully diluted) earnings estimates. Maintain **Buy**.
- **Key issues**: Margins, organic growth, attrition rates.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07*				CY06*	CY07E*
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Revenues	**1,762**	**2,069**	**2,250**	**2,402**	**2,644**	**2,678**	**2,989**	**3,196**	**8,482**	**11,507**
Q-o-Q Change (%)	*1.2*	*17.4*	*8.7*	*6.8*	*10.1*	*1.3*	*11.6*	*6.9*	*25.0*	*35.7*
Direct Expenses	1,080	1,324	1,412	1,501	1,603	1,744	1,890	2,014	5,318	7,251
Sales, General & Admin. Exp.	388	434	477	544	645	621	631	636	1,842	2,533
Operating Profit	**294**	**311**	**361**	**357**	**395**	**313**	**469**	**545**	**1,322**	**1,722**
Margins (%)	*16.7*	*15.0*	*16.0*	*14.9*	*15.0*	*11.7*	*15.7*	*17.1*	*15.6*	*15.0*
Other Income	35	46	80	79	68	95	85	85	241	333
Depreciation	46	46	55	53	56	56	63	67	200	243
PBT bef. Extra-ordinary	**282**	**311**	**385**	**384**	**407**	**351**	**491**	**563**	**1,363**	**1,813**
Provision for Tax	22	13	39	46	55	47	63	72	120	237
Rate (%)	*7.8*	*4.3*	*10.0*	*12.0*	*13.5*	*13.5*	*12.8*	*12.8*	*8.8*	*13.1*
Net Income	**260**	**298**	**347**	**338**	**352**	**304**	**429**	**492**	**1,242**	**1,576**
Q-o-Q Change (%)	*5.1*	*14.4*	*16.5*	*-2.7*	*4.3*	*-13.6*	*40.9*	*14.7*	*35.8*	*26.9*

*E: MOSt Estimates, * Including Focus Frame for 1 month*

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i-flex solutions

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IFLEX IN
	REUTERS CODE
S&P CNX: 4,318	IFLX.BO

Equity Shares (m)	83.3
52-Week Range	2,630/1,040
1,6,12 Rel. Perf. (%)	17/27/92
M.Cap. (Rs b)	215.9
M.Cap. (US$ b)	5.3

29 June 2007

Neutral

Previous Recommendation: Buy

Rs2,592

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,381	2,768	33.2	15.6	78.0	9.6	15.3	17.2	10.2	58.2
3/08E	27,134	4,306	51.7	55.6	50.1	8.2	17.6	20.8	7.7	37.4
3/09E	33,656	5,518	66.2	28.2	39.1	6.9	19.2	22.9	6.2	29.2

- We expect i-flex solutions to report revenue growth of 5.7% QoQ in rupee terms despite sharp rupee appreciation on the back of continued growth in product revenue during the quarter.
- We expect the products to grow 10.3% QoQ boosted by 28% growth in license revenues. Services are expected to stay flat in rupee terms, while KPO is expected to grow at 7.5% QoQ.
- EBITDA margins are expected to decline by 120bp despite strong license fee growth due to rupee appreciation as well as salary hikes and visa costs during the quarter.
- Net profit is expected to increase 10.7% QoQ to Rs860m during the quarter.
- The stock currently trades at 50.1x FY08E and 39.1x FY09E earnings estimates, which does not offer any significant room for upside. A possible buyback of the remaining stake by Oracle remains the primary trigger to upside in the stock. Maintain **Neutral**.
- **Key issues**: License revenue growth, growth in tank, service revenue.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**4,075**	**5,009**	**5,502**	**5,794**	**6,126**	**6,595**	**7,025**	**7,387**	**20,381**	**27,134**
Q-o-Q Change (%)	*-11.0*	*22.9*	*9.8*	*5.3*	*5.7*	*7.7*	*6.5*	*5.1*	*37.4*	*33.1*
Direct Expenses	2,605	2,735	3,092	3,208	3,540	3,691	3,838	4,028	11,640	15,097
Sales, General & Admin. Expenses	1,012	1,304	1,346	1,494	1,504	1,567	1,654	1,731	5,156	6,455
Operating Profit	**458**	**970**	**1,064**	**1,093**	**1,082**	**1,338**	**1,534**	**1,628**	**3,586**	**5,582**
Margins (%)	*11.2*	*19.4*	*19.3*	*18.9*	*17.7*	*20.3*	*21.8*	*22.0*	*17.6*	*20.6*
Other Income	200	124	-2	26	215	160	168	176	349	719
Depreciation	160	166	260	247	280	296	309	325	833	1,210
Share of Associate Company Loss	-2	-2	-3	-2	-1	-1	-1	-1	-9	-4
PBT	**500**	**931**	**806**	**874**	**1,018**	**1,203**	**1,394**	**1,481**	**3,111**	**5,096**
Provision for Tax	85	127	33	97	158	186	216	230	342	790
Rate (%)	*17.1*	*13.6*	*4.1*	*11.1*	*15.5*	*15.5*	*15.5*	*15.5*	*11.0*	*15.5*
PAT	**415**	**804**	**773**	**777**	**860**	**1,016**	**1,178**	**1,251**	**2,768**	**4,306**
Q-o-Q Change (%)	*-64.5*	*93.9*	*-3.8*	*0.5*	*10.7*	*18.2*	*15.9*	*6.2*	*26.4*	*55.6*

E: MOSt Estimates

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Infosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	INFO IN
	REUTERS CODE
S&P CNX: 4,318	INFY.BO

Equity Shares (m)	571.2
52-Week Range	2,439/1,493
1,6,12 Rel. Perf. (%)	0/-20/-13
M.Cap. (Rs b)	1,102.0
M.Cap. (US$ b)	27.0

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,929

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A*	138,930	37,250	65.2	46.1	29.6	9.8	42.3	46.4	7.4	23.3
3/08E	177,722	47,329	82.7	26.8	23.3	7.3	35.8	40.8	5.6	18.4
3/09E	224,980	56,970	99.2	20.0	19.4	5.6	32.6	37.5	4.2	14.2

** 1:1 bonus in FY07, accordingly ratios are adjusted, PAT figures are adjusted PAT*

- We expect Infosys to report dollar revenue growth of 8% QoQ (v/s guided growth of 4.7-5.2%) supported by 7.5% growth in consolidated volumes during the quarter. Rupee revenue is expected at 1.7% QoQ.
- We expect EBITDA margins to decline by 340bp to 28.3% during 1QFY08. Salary hikes and visa costs (~250-300bp impact) would add to margin erosion on account of rupee appreciation.
- Net profit is expected to decline 14.5% QoQ (4% QoQ decline excluding writeback of Rs1.25b in 4QFY07).
- Infosys' guidance revision for FY08 would be a key factor in the results, since it would set the tone for expectations in terms of growth and margin impact in FY08. We believe that the dollar guidance is likely to be revised upward. However, with the rupee at Rs40.6 at the end of the quarter, we do not rule out a possible downgrade in rupee guidance for the year.
- The stock currently trades at 23.3x FY08E and 19.4x FY09E earnings estimates. The stock has underperformed the Sensex by 20% over the last three months. We expect seasonal strong performance in 2Q/3Q and strong performance in 2HFY07, and believe that the recent underperformance offers a good opportunity to enter into the stock. Maintain **Buy.**
- **Key issues:** Margins, other income, FY08 guidance.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**30,150**	**34,510**	**36,550**	**37,720**	**38,377**	**42,578**	**46,860**	**49,906**	**138,930**	**177,722**
Q-o-Q Change (%)	*14.9*	*14.5*	*5.9*	*3.2*	*1.7*	*10.9*	*10.1*	*6.5*	*45.9*	*27.9*
Direct Expenses	16,660	18,330	19,380	20,210	21,714	23,692	25,751	27,170	74,580	98,326
Sales, General & Admin. Exp.	4,600	5,090	5,210	5,540	5,795	5,961	6,467	6,762	20,440	24,985
Operating Profit	**8,890**	**11,090**	**11,960**	**11,970**	**10,868**	**12,925**	**14,643**	**15,974**	**43,910**	**54,411**
Margins (%)	*29.5*	*32.1*	*32.7*	*31.7*	*28.3*	*30.4*	*31.2*	*32.0*	*31.6*	*30.6*
Other Income	1,250	660	590	1,200	1,751	1,482	1,511	1,515	3,700	6,259
Depreciation	1,060	1,220	1,410	1,450	1,535	1,618	1,781	1,896	5,140	6,830
PBT bef. Extra-ordinary	**9,080**	**10,530**	**11,140**	**11,720**	**11,085**	**12,790**	**14,373**	**15,592**	**42,470**	**53,839**
Provision for Tax	1,060	1,230	1,300	1,520	1,302	1,535	1,761	1,910	5,110	6,508
Rate (%)	*11.7*	*11.7*	*11.7*	*13.0*	*11.8*	*12.0*	*12.3*	*12.3*	*12.0*	*12.1*
PAT bef. Minority Interest	**8,020**	**9,300**	**9,840**	**10,200**	**9,782**	**11,255**	**12,612**	**13,682**	**37,360**	**47,331**
Minority Interest	-80	-10	-10	-10	0	0	-1	-1	-110	-2
PAT before EO	**7,940**	**9,290**	**9,830**	**10,190**	**9,782**	**11,255**	**12,612**	**13,682**	**37,250**	**47,329**
Extra-ordinary items	60	0	0	1,250	0	0	0	0	1,310	0
PAT aft. Minority and EO	**8,000**	**9,290**	**9,830**	**11,440**	**9,782**	**11,255**	**12,612**	**13,682**	**38,560**	**47,329**
Q-o-Q Change (%)	*18.9*	*16.1*	*5.8*	*16.4*	*-14.5*	*15.1*	*12.1*	*8.5*	*56.9*	*22.7*

E: MOSt Estimates

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Infotech Enterprises

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	INFTC IN
	REUTERS CODE
S&P CNX: 4,318	INFE.BO

Equity Shares (m)	46.2
52-Week Range	447/147
1,6,12 Rel. Perf. (%)	7/17/109
M.Cap. (Rs b)	18.3
M.Cap. (US$ b)	0.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs397

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	5,425	817	17.7	74.5	22.4	6.0	31.5	29.9	2.8	13.6
3/08E	7,458	1,011	21.9	23.8	18.1	4.6	28.6	26.7	2.0	10.0
3/09E	10,155	1,295	28.1	28.1	14.1	3.5	28.2	26.4	1.4	7.4

** 1:2 bonus and split of Rs10 share into 2 shares of Rs5 each in FY07, ratios accordingly adjusted*

- We expect Infotech Enterprises to report revenue growth of 4% QoQ. We expect dollar revenue growth of 10.3% QoQ driven by 13.9% growth in engineering services (ES) driven by strong growth from top clients.
- We expect Geospatial Services (GS) to grow slower at 4.9% QoQ in dollar terms, driven by ramp ups in Europe.
- EBITDA margins, are expected to decline by 335bp due to impact of salary hikes and visa costs and rupee appreciation during the quarter.
- IASI, the 49% subsidiary in Puerto Rico reported a high profit share of Rs41.4m in 4QFY07 due to a one-time grant received from the government of Puerto Rico. In 1QFY08, we expect profit share from IASI to return to normal and expected IASI to add Rs18m to profits.
- Due to the lower rupee revenue realization, margin erosion and lower IASI profits, we expect PAT to decline 31% QoQ to Rs172m. We have not factored in any significant forex gains due to the low outstanding forex cover (US$15m).
- The stock currently trades at 18.1x FY08E and 14.1x FY09E earnings estimates. Maintain **Buy**.
- **Key issues**: Margins, IASI profits.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**1,170**	**1,313**	**1,430**	**1,512**	**1,573**	**1,773**	**1,956**	**2,156**	**5,425**	**7,458**
Q-o-Q Change (%)	*8.6*	*12.2*	*9.0*	*5.7*	*4.0*	*12.7*	*10.4*	*10.2*	*49.7*	*37.5*
Direct Expenses	569	621	656	744	844	931	1,004	1,104	2,589	3,883
Sales, General & Admin. Exp.	382	409	452	460	461	498	538	593	1,702	2,090
Operating Profit	**219**	**284**	**323**	**308**	**268**	**343**	**414**	**460**	**1,134**	**1,485**
Margins (%)	*18.7*	*21.6*	*22.6*	*20.4*	*17.1*	*19.4*	*21.2*	*21.3*	*20.9*	*19.9*
Other Income	43	5	0	19	5	13	16	17	67	51
Depreciation	54	63	66	74	76	84	93	105	256	358
Interest	3	4	5	2	4	4	4	4	14	18
PBT bef. Extra-ordinary	**206**	**222**	**252**	**251**	**193**	**268**	**332**	**368**	**931**	**1,161**
Provision for Tax	42	49	52	44	39	54	66	74	187	232
Rate (%)	*20.3*	*22.1*	*20.7*	*17.3*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*	*20.0*
PAT bef. JV P/L	**164**	**173**	**200**	**207**	**154**	**214**	**266**	**294**	**744**	**928**
Q-o-Q Change (%)	*34.0*	*5.2*	*15.8*	*3.7*	*-25.7*	*39.0*	*24.1*	*10.8*	*84.0*	*24.8*
Share of Profit from JV (IASI)	14	30	-12	41	18	19	21	25	73	83
PAT bef. Extra-ordinary	**178**	**203**	**188**	**249**	**172**	**233**	**287**	**319**	**817**	**1,011**
Q-o-Q Change (%)	*7.1*	*14.1*	*-7.4*	*32.6*	*-31.0*	*35.9*	*23.0*	*11.4*	*76.4*	*23.8*

E: MOSt Estimates

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KPIT Cummins Infosystems

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NKIPT IN
	REUTERS CODE
S&P CNX: 4,318	KPIT.BO

Equity Shares (m)	74.8
52-Week Range	181/69
1,6,12 Rel. Perf. (%)	-2/-6/33
M.Cap. (Rs b)	10.4
M.Cap. (US$ b)	0.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs139

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	4,637	505	6.8	50.9	20.6	5.2	29.7	21.8	2.4	15.5
3/08E	6,031	649	8.7	28.6	16.0	3.8	27.3	22.0	1.7	11.1
3/09E	7,790	865	11.6	33.2	12.0	2.9	27.3	24.0	1.3	8.1

- We expect KPIT Cummins to report strong dollar revenue growth of 10.8% QoQ driven by pick-up in volume growth. We expect the growth momentum to be driven by KPIT's better positioning the manufacturing segment along with synergies resulting from integration of Pivolis, SolvCentral.com and CG Smith.
- We anticipate 210bp decline in EBITDA margins during the quarter due to rupee appreciation and salary hikes (average of 16%) during the quarter.
- Net profit growth is expected to decline by 15.7% QoQ to Rs118m during the quarter.
- With the anticipated pick up in revenue from both Manufacturing (led by ATS and BI) and BFSI, we continue to remain positive about the growth prospects of KPIT Cummins.
- The stock currently trades at 16x FY08E and 12x FY09E earnings estimates. We maintain **Buy**.
- **Key issues:** Cummins contract renegotiation, growth in non-star customers', margins.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**1,023**	**1,140**	**1,171**	**1,303**	**1,326**	**1,471**	**1,552**	**1,681**	**4,637**	**6,031**
Q-o-Q Change (%)	*13.4*	*11.5*	*2.7*	*11.3*	*1.8*	*10.9*	*5.5*	*8.3*	*45.7*	*30.1*
Direct Expenses	530	577	570	610	681	742	788	832	2,287	3,042
Sales, General & Admin. Exp.	340	384	423	488	464	508	509	556	1,635	2,038
Operating Profit	**152**	**179**	**178**	**206**	**181**	**221**	**255**	**293**	**715**	**951**
Margins (%)	*14.9*	*15.7*	*15.2*	*15.8*	*13.7*	*15.0*	*16.4*	*17.4*	*15.4*	*15.8*
Other Income	1	0	1	4	5	3	2	2	6	12
Depreciation	25	30	30	35	37	43	48	54	121	182
Interest	11	7	9	17	17	14	12	11	45	54
PBT bef. Extra-ordinary	**117**	**141**	**140**	**157**	**132**	**167**	**197**	**231**	**555**	**727**
Provision for Tax	13	18	4	17	14	18	21	24	52	76
Rate (%)	*11.3*	*12.5*	*3.2*	*10.5*	*10.5*	*10.5*	*10.5*	*10.5*	*9.3*	*10.5*
PAT bef. MI and EO	**104**	**124**	**135**	**141**	**118**	**150**	**176**	**206**	**503**	**651**
Minority Interest (MI)	0	0	-2	0	0	0	1	1	-2	2
PAT aft. MI and before EO	**103**	**123**	**137**	**141**	**118**	**149**	**176**	**207**	**505**	**649**
Q-o-Q Change (%)	*0.7*	*19.3*	*11.1*	*2.4*	*-15.7*	*26.2*	*17.7*	*17.9*	*55.0*	*28.6*

E: MOSt Estimates

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MphasiS

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	MPHL IN
	REUTERS CODE
S&P CNX: 4,318	MBFL.BO

Equity Shares (m)	164.1
52-Week Range	340/121
1,6,12 Rel. Perf. (%)	6/2/79
M.Cap. (Rs b)	53.9
M.Cap. (US$ b)	1.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs328

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	11,958	1,199	7.3	-21.5	44.9	11.0	27.4	30.3	4.4	25.9
3/08E	15,471	1,817	11.1	51.5	29.7	8.6	33.0	38.0	3.4	18.8
3/09E	19,253	2,118	12.9	16.5	25.4	6.9	30.4	35.2	2.6	15.1

Does not include EDS India financials

- We expect Mphasis to report revenue dollar growth of 9.6% in 1QFY08 (without including EDS India) with 11.2% growth in IT services. BPO is expected to grow slower at 6.2% in dollar terms due to ramp downs in certain top clients. We expect EDS driven revenue to contribute significantly during the quarter.
- Rupee revenue growth is expected to be muted at 2.8% QoQ (v/s dollar growth of 9.6% QoQ).
- EBITDA margins are expected to decline by 380bp due to impact of rupee appreciation and salary hikes in the quarter.
- Other income in 4QFY07 was negative Rs6m. In 1QFY08, we expect other income to turn positive at Rs51m due to forex gains during the quarter.
- Tax rate was low at 4.6% in 3QFY07 due to deferred tax credits in 4QFY07. In 1QFY08, we expect tax rate to increase to 13% levels.
- Due to lower margins and higher tax rates, net profit is expected to decline at 23.6% QoQ to Rs348m.
- The stock is currently trading at 22.8x FY08E and 18.5x FY09E earnings estimates (on a diluted basis including EDS (I) and full upside through EDS Global). Maintain **Buy**.
- **Key issues:** Revenue growth through EDS, BPO revenue, margins.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**2,607**	**2,919**	**3,060**	**3,373**	**3,466**	**3,759**	**4,003**	**4,243**	**11,958**	**15,471**
Q-o-Q Change (%)	*4.1*	*12.0*	*4.8*	*10.2*	*2.8*	*8.4*	*6.5*	*6.0*	*27.2*	*29.4*
Direct Expenses	1,858	1,935	1,982	2,179	2,381	2,552	2,683	2,793	7,954	10,410
Sales, General & Admin. Exp.	434	499	489	547	553	560	572	594	1,969	2,279
Operating Profit	**315**	**485**	**588**	**647**	**532**	**646**	**748**	**856**	**2,035**	**2,782**
Margins (%)	*12.1*	*16.6*	*19.2*	*19.2*	*15.4*	*17.2*	*18.7*	*20.2*	*17.0*	*18.0*
Other Income	42	-56	-50	-6	51	23	25	25	-69	123
Depreciation	150	157	161	163	180	195	208	221	631	804
PBT bef. Extra-ordinary	**207**	**273**	**378**	**478**	**402**	**473**	**565**	**660**	**1,335**	**2,099**
Provision for Tax	55	39	20	22	54	64	76	89	136	284
Rate (%)	*26.7*	*14.2*	*5.3*	*4.6*	*13.5*	*13.5*	*13.5*	*13.5*	*10.2*	*13.5*
PAT bef. Extra-ordinary	**152**	**234**	**358**	**456**	**348**	**409**	**488**	**571**	**1,199**	**1,816**
Q-o-Q Change (%)	*-56.8*	*54.0*	*52.9*	*27.4*	*-23.6*	*17.5*	*19.4*	*16.9*	*-20.0*	*51.4*

E: MOSt Estimates; Does not include EDS India financials, and upside through EDS Global

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Patni Computer Systems

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PATNI IN
	REUTERS CODE
S&P CNX: 4,318	PTNI.BO

Equity Shares (m)	138.3
52-Week Range	573/251
1,6,12 Rel. Perf. (%)	-2/18/16
M.Cap. (Rs b)	71.7
M.Cap. (US$ b)	1.8

29 June 2007

Neutral

Previous Recommendation: Neutral Rs518

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	26,112	3,572	25.8	18.8	20.0	3.2	16.8	21.2	2.2	11.9
12/07E	28,848	4,391	31.8	22.9	16.3	2.7	18.1	22.1	2.0	10.3
12/08E	36,057	5,219	37.8	18.9	13.7	2.3	18.4	22.4	1.5	8.1

** reflects adjusted PAT*

- We expect revenue to increase 5.5% QoQ in dollar terms, translating into marginal growth of 0.3% QoQ in rupee terms in 2QCY07.
- Margins (EBIT) are expected to decline by 500bp in 2QCY07 due to wage hikes (4-4.5% onsite and 18-20% offshore, an impact of 300-320bp on margins) and continuing rupee appreciation.
- Other income is expected to be high at Rs424m due to forex gains during the quarter.
- We expect decline of 12.2% in net profit (in rupee terms) for the quarter. Net income (excl. forex gain/loss) is expected to decline 16% QoQ in dollar terms.
- The stock trades at 16.3x CY07E and 13.7x CY08E earnings estimates. We maintain **Neutral** as we remain unconvinced about Patni's organic growth prospects over the near term.
- **Key issues**: Ramp-ups in top clients, margins, attrition rates.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	**5,776**	**6,561**	**6,971**	**6,805**	**6,724**	**6,746**	**7,415**	**7,962**	**26,112**	**28,848**
Q-o-Q Change (%)	*3.7*	*13.6*	*6.3*	*-2.4*	*-1.2*	*0.3*	*9.9*	*7.4*	*29.0*	*10.5*
Direct Expenses	3,593	4,273	4,344	4,215	4,152	4,490	4,785	5,109	16,424	18,535
Sales, General & Admin. Exp.	1,160	1,298	1,215	1,123	1,146	1,153	1,225	1,314	4,796	4,838
Operating Profit	**1,022**	**990**	**1,413**	**1,467**	**1,427**	**1,103**	**1,406**	**1,539**	**4,893**	**5,475**
Margins (%)	*17.7*	*15.1*	*20.3*	*21.6*	*21.2*	*16.4*	*19.0*	*19.3*	*18.7*	*19.0*
Other Income	11	187	77	172	268	424	133	143	446	968
Depreciation	193	205	202	239	234	250	282	303	839	1,068
PBT bef. Extra-ordinary	**840**	**972**	**1,288**	**1,400**	**1,460**	**1,278**	**1,257**	**1,380**	**4,500**	**5,376**
Provision for Tax	197	201	264	265	260	224	239	262	928	985
Rate (%)	*23.5*	*20.7*	*20.5*	*18.9*	*17.8*	*17.5*	*19.0*	*19.0*	*20.6*	*18.3*
Net Income bef. EO	**642**	**770**	**1,024**	**1,135**	**1,200**	**1,054**	**1,018**	**1,118**	**3,572**	**4,391**
Q-o-Q Change (%)	*-2.8*	*19.9*	*32.9*	*10.9*	*5.8*	*-12.2*	*-3.4*	*9.8*	*30.6*	*22.9*
Extra-ordinary items	0	917	0	0	0	0	0	0	917	0
Net Income after EO	**642**	**-147**	**1,024**	**1,135**	**1,200**	**1,054**	**1,018**	**1,118**	**2,654**	**4,391**
Q-o-Q Change (%)	*-2.8*	*-122.9*	*-796.6*	*10.9*	*5.8*	*-12.2*	*-3.4*	*9.8*	*-3.0*	*65.4*

E: MOSt Estimates

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Sasken Communication Technologies

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SACT IN
	REUTERS CODE
S&P CNX: 4,318	SKCT.BO

Equity Shares (m)	28.5
52-Week Range	624/251
1,6,12 Rel. Perf. (%)	-4/-15/31
M.Cap. (Rs b)	14.0
M.Cap. (US$ b)	0.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs490

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	4,772	443	15.5	46.3	31.5	3.3	11.0	10.7	3.0	20.5
3/08E	6,666	830	29.1	87.0	16.9	2.9	18.2	16.1	2.1	11.3
3/09E	8,458	1,075	37.4	28.8	13.1	2.5	20.2	18.5	1.6	8.3

- We expect Sasken to report revenue growth of 2% QoQ in 1QFY08. We expect product revenues to grow 14.6%, driven by growth in royalty income. Services revenue is expected to grow 1.1% QoQ in rupee terms with underlying dollar growth of 7.2% QoQ.
- EBITDA margin erosion due to salary hikes and rupee appreciation are expected to be lower at 180bp due to expected robust growth in products, better margins in Botnia and SG&A leverage.
- Net profit is expected to decline by 14.8% QoQ to Rs100m due to lower rupee revenue and margin erosion during the quarter.
- The stock is currently trading at 16.9x FY08E and 13.1x FY09E earnings estimates. We continue to remain positive on both the products and services business and anticipate strong ramp-up in 2HFY08. Maintain **Buy**.
- **Key issues:** Product royalty, revenue growth from Network OEMs, margins, attrition rates.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**932**	**1,176**	**1,310**	**1,354**	**1,381**	**1,566**	**1,780**	**1,940**	**4,772**	**6,666**
Q-o-Q Change (%)	*19.4*	*26.2*	*11.4*	*3.3*	*2.0*	*13.4*	*13.7*	*9.0*	*54.9*	*39.7*
Direct Expenses	641	751	877	902	953	1,024	1,096	1,154	3,171	4,227
Sales, General & Admin. Exp.	162	211	245	274	271	282	310	326	892	1,188
Operating Profit	**128**	**214**	**189**	**177**	**157**	**260**	**374**	**461**	**708**	**1,251**
Margins (%)	*13.8*	*18.2*	*14.4*	*13.1*	*11.3*	*16.6*	*21.0*	*23.7*	*14.8*	*18.8*
Other Income	7	12	31	47	50	27	30	30	97	137
Depreciation & Amortization	43	49	55	70	72	74	80	87	218	314
Interest	0	24	10	11	11	13	14	16	45	53
PBT bef. Extra-ordinary	**93**	**153**	**154**	**144**	**123**	**200**	**310**	**388**	**544**	**1,021**
Provision for Tax	5	33	35	27	23	38	57	72	101	190
Rate (%)	*5.4*	*21.8*	*22.8*	*18.8*	*19.0*	*19.0*	*18.5*	*18.5*	*18.5*	*18.7*
PAT bef. Extra-ordinary	**88**	**119**	**119**	**117**	**100**	**162**	**252**	**316**	**443**	**830**
Q-o-Q Change (%)	*39.6*	*36.0*	*-0.5*	*-1.4*	*-14.8*	*62.6*	*55.7*	*25.2*	*49.3*	*87.5*
Net Profit after EO	**88**	**119**	**119**	**117**	**100**	**162**	**252**	**316**	**443**	**830**
Q-o-Q Change (%)	*39.6*	*36.0*	*-0.5*	*-1.4*	*-14.8*	*62.6*	*55.7*	*25.2*	*93.3*	*87.5*

E: MOSt Estimates

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Satyam Computer

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SCS IN
	REUTERS CODE
S&P CNX: 4,318	SATY.BO

Equity Shares (m)	667.2
52-Week Range	525/326
1,6,12 Rel. Perf. (%)	-1/-10/-7
M.Cap. (Rs b)	311.8
M.Cap. (US$ b)	7.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs467

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	64,851	14,047	21.5	41.7	21.7	5.3	27.9	30.3	4.2	17.7
3/08E	83,383	17,601	26.3	22.5	17.7	4.3	27.1	30.7	3.1	13.8
3/09E	106,282	21,108	31.3	19.0	14.9	3.5	25.9	30.4	2.3	10.7

** PAT figures reflects adjusted PAT; FY06 figures adjusted to reflect 1:1 bonus*

- We expect Satyam to report consolidated dollar revenue growth of 7.4% QoQ in 4QFY07 (guided growth 5-5.5%). Standalone service revenue is expected to grow 6.8% QoQ in dollar terms, backed by 6% volume growth. In rupee terms, we expect consolidated revenue growth of 1.7% QoQ.
- Decline in EBITDA margins is expected to be lower versus players such as Infosys and TCS due to absence of salary hikes in the quarter. We expect rupee appreciation to cause 100bp margin erosion in the quarter (guidance was at Rs42.3).
- Other income is expected to be higher at Rs912m due to forex gains during the quarter. Net profit is expected to remain flat during the quarter due to lower revenue realizations and the resultant dip in margins.
- Satyam's guidance for FY08 would be a key factor in the results; we believe that the dollar guidance could be revised upward. However, we do not rule out a possible downgrade in rupee guidance for the year.
- The stock is currently trading at 17.8x FY08E and 15x FY09E earnings estimates. Valuations remain attractive. We maintain **Buy**.
- **Key issues:** Guidance, margins.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**14,429**	**16,019**	**16,611**	**17,792**	**18,089**	**20,104**	**21,870**	**23,319**	**64,851**	**83,383**
Q-o-Q Change (%)	*9.8*	*11.0*	*3.7*	*7.1*	*1.7*	*11.1*	*8.8*	*6.6*	*35.3*	*28.6*
Direct Expenses	8,316	9,827	9,674	10,763	11,142	12,889	13,594	14,315	38,579	51,940
Sales, General & Admin. Exp.	2,563	2,567	2,838	2,927	2,953	3,121	3,264	3,480	10,894	12,819
Operating Profit	**3,550**	**3,625**	**4,100**	**4,102**	**3,994**	**4,094**	**5,012**	**5,524**	**15,377**	**18,624**
Margins (%)	*24.6*	*22.6*	*24.7*	*23.1*	*22.1*	*20.4*	*22.9*	*23.7*	*23.7*	*22.3*
Other Income	745	282	102	704	912	772	717	732	1,833	3,133
Depreciation	362	375	394	354	362	392	416	420	1,484	1,589
Interest	26	27	32	74	36	40	44	47	159	167
PBT bef. Extra-ordinary	**3,908**	**3,505**	**3,776**	**4,378**	**4,508**	**4,434**	**5,269**	**5,789**	**15,566**	**20,001**
Provision for Tax	368	307	403	442	541	532	632	695	1,520	2,400
Rate (%)	*9.4*	*8.8*	*10.7*	*10.1*	*12.0*	*12.0*	*12.0*	*12.0*	*9.8*	*12.0*
Minority Interest	-1	0	0	0	0	0	0	0	-1	0
PAT bef. Extra-ordinary	**3,541**	**3,198**	**3,372**	**3,936**	**3,967**	**3,902**	**4,637**	**5,094**	**14,047**	**17,601**
Q-o-Q Change (%)	*24.4*	*-9.7*	*5.4*	*16.7*	*0.8*	*-1.6*	*18.8*	*9.9*	*43.0*	*25.3*

E: MOSt Estimates

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Tata Consultancy Services

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TCS IN
	REUTERS CODE
S&P CNX: 4,318	TCS.BO

Equity Shares (m)	978.6
28-Week Range	1,399/835
1,6,12 Rel. Perf. (%)	-7/-12/-6
M.Cap. (Rs b)	1,124.7
M.Cap. (US$ b)	27.6

29 June 2007

Buy

Previous Recommendation: Buy Rs1,149

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A*	186,334	41,316	41.7	39.6	27.6	12.5	54.5	59.0	5.9	21.8
3/08E	237,718	50,231	51.3	23.2	22.4	9.0	45.7	50.6	4.5	17.0
3/09E	297,493	61,577	62.9	22.6	18.3	6.7	41.0	46.5	3.5	13.5

** 1:1 bonus in FY07, accordingly ratios are adjusted*

- We expect TCS to report 6.8 % QoQ growth in dollar terms, with rupee revenue growth of 0.9% QoQ.
- Margins are expected to decline by 330bp QoQ to 25% due to rupee impact, salary hikes (3-5% onsite and 12-15% offshore) and visa costs.
- TCS has close to US$1.3b in forex cover (of which US$1b is at Rs43.5-Rs44.0), which is expected to result in high forex gains during the quarter. We expect high other income at Rs899m during the quarter.
- We expect net profit to decline 10.4% QoQ to Rs10.5b in 1QFY08 due to flat revenue and sharp fall in margins.
- The stock trades at 22.4x FY08E and 18.2x FY09E earnings estimates. We expect TCS to report strong volume growth in FY08, driven by sustained demand across multiple business lines. We maintain **Buy**.
- **Key issues:** Volume growth, margins.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07*				FY08E*				FY07*	FY08E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**41,443**	**44,822**	**48,605**	**51,464**	**51,936**	**56,906**	**62,503**	**66,373**	**186,334**	**237,718**
Q-o-Q Change (%)	*11.3*	*8.2*	*8.4*	*5.9*	*0.9*	*9.6*	*9.8*	*6.2*	*40.6*	*27.6*
Direct Expenses	22,989	23,880	26,294	27,177	28,781	31,212	34,175	36,184	100,339	130,352
Sales, General & Admin. Exp.	8,327	8,648	8,559	9,720	10,166	10,770	11,391	12,096	35,253	44,424
Operating Profit	**10,128**	**12,294**	**13,753**	**14,568**	**12,989**	**14,924**	**16,938**	**18,092**	**50,742**	**62,943**
Margins (%)	*24.4*	*27.4*	*28.3*	*28.3*	*25.0*	*26.2*	*27.1*	*27.3*	*27.2*	*26.5*
Other Income	668	77	300	235	899	550	600	600	1,280	2,649
Interest	0	0	0	0	66	66	66	66	0	266
Depreciation	863	958	1,080	1,395	1,428	1,480	1,547	1,626	4,296	6,081
PBT bef. Extra-ordinary	**9,932**	**11,414**	**12,973**	**13,408**	**12,393**	**13,928**	**15,924**	**17,000**	**47,726**	**59,245**
Provision for Tax	1,238	1,447	1,828	2,056	1,723	1,936	2,229	2,380	6,568	8,268
Rate (%)	*12.5*	*12.7*	*14.1*	*15.3*	*13.9*	*13.9*	*14.0*	*14.0*	*13.8*	*14.0*
Minority Interest	69	52	98	155	160	168	176	186	373	690
Net Income bef. EO	**8,626**	**9,915**	**11,047**	**11,198**	**10,511**	**11,825**	**13,518**	**14,433**	**40,786**	**50,287**
Q-o-Q Change (%)	*8.5*	*14.9*	*11.4*	*1.4*	*-6.1*	*12.5*	*14.3*	*6.8*	*39.6*	*23.3*
PAT aft Extra-ordinary	**8,626**	**9,915**	**11,047**	**11,728**	**10,511**	**11,825**	**13,518**	**14,433**	**41,316**	**50,287**

*E: MOSt Estimates; * Consolidated numbers that include Tata Infotech*

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Tech Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TECHM IN
	REUTERS CODE
S&P CNX: 4,318	TEML.BO

Equity Shares (m)	121.2
28-Week Range	2,050/521
1,6,12 Rel. Perf. (%)	-8/-23/-
M.Cap. (Rs b)	169.2
M.Cap. (US$ b)	4.2

29 June 2007

Buy

Rs1,396

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	29,290	6,124	46.4	105.2	30.1	18.3	66.2	65.2	5.7	22.8
3/08E	44,127	7,834	59.4	27.9	23.5	10.1	47.7	47.8	3.7	17.3
3/09E	57,693	10,765	81.6	37.4	17.1	6.3	38.1	38.1	2.8	12.0

EPS is diluted, includes BT deal

- We expect Tech Mahindra to report 7.3% QoQ dollar revenue growth (excluding BT), with corresponding rupee growth of 0.8% QoQ.
- We expect EBITDA margins (excluding BT deal) to decline by 275bp during the quarter due to sharp appreciation of the rupee against the GBP in addition to the US dollar, and impact of salary hikes during the quarter.
- Net profit is expected to decline by 13.9% QoQ due to rupee impact and the resultant margin erosion during the quarter.
- The stock trades at 23.5x FY08E and 17.1x FY09E consolidated (diluted) earnings estimates. We remain positive on the long-term prospects of the company, given its leadership position in a high growth domain. We maintain **Buy**.
- **Key issues:** BT deal ramp up, margins

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**5,871**	**6,976**	**7,698**	**8,745**	**8,816**	**9,511**	**10,163**	**10,883**	**29,290**	**39,372**
Q-o-Q Change (%)	*39.4*	*18.8*	*10.3*	*13.6*	*0.8*	*7.9*	*6.8*	*7.1*	*135.7*	*34.4*
Direct cost	3,724	4,149	4,527	5,135	5,631	5,977	6,224	6,642	17,535	24,474
Other Operating Exps	840	1,058	1,098	1,392	1,190	1,251	1,321	1,415	4,388	5,177
Operating Profit	**1,307**	**1,769**	**2,073**	**2,218**	**1,994**	**2,284**	**2,618**	**2,826**	**7,367**	**9,722**
Margins (%)	*22.3*	*25.4*	*26.9*	*25.4*	*22.6*	*24.0*	*25.8*	*26.0*	*25.2*	*24.7*
Other Income	11	-57	-32	154	120	75	61	65	76	321
Interest	0	0	12	49	3	3	3	3	61	14
Depreciation	108	113	137	158	194	209	224	239	516	866
PBT bef. Extra-ordinary	**1,210**	**1,599**	**1,892**	**2,165**	**1,917**	**2,146**	**2,452**	**2,649**	**6,866**	**9,163**
Provision for Tax	144	169	224	204	230	258	294	318	741	1,100
Rate (%)	*11.9*	*10.6*	*11.8*	*9.4*	*12.0*	*12.0*	*12.0*	*12.0*	*10.8*	*12.0*
Net Income bef. EO	**1,066**	**1,430**	**1,668**	**1,960**	**1,687**	**1,889**	**2,157**	**2,331**	**6,125**	**8,064**
Q-o-Q Change (%)	*19.7*	*34.2*	*16.6*	*17.5*	*-13.9*	*12.0*	*14.2*	*8.0*	*160.2*	*31.7*

E: MOSt Estimates; does not include BT deal

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Wipro

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	WPRO IN
	REUTERS CODE
S&P CNX: 4,318	WIPR.BO

Equity Shares (m)	1,459.0
52-Week Range	690/441
1,6,12 Rel. Perf. (%)	-5/-20/-37
M.Cap. (Rs b)	756.5
M.Cap. (US$ b)	18.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs519

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	149,431	28,447	19.7	38.8	26.3	7.5	32.4	35.9	4.7	20.7
3/08E	194,768	35,824	24.4	23.5	21.3	5.8	31.0	35.5	3.6	16.6
3/09E	246,001	42,703	28.7	17.8	18.1	4.6	29.0	33.6	2.7	13.0

** reflects adjusted PAT*

- We expect Wipro to post a decline of 6.9% QoQ in consolidated revenues. Global IT business is expected to register 4.1% dollar growth (v/s guidance of 3% growth). In rupee terms, we expect global IT business to decline 2.8% QoQ.
- Consolidated EBITDA margins are expected to decline by 90bp. Global IT margins are expected to decline 190bp (no salary hikes in 1Q) due to rupee impact.
- We expect consolidated net profit to decline by 5.9% QoQ due to impact of lower revenue growth and margin decline during the quarter.
- At CMP stock is trading at 21.3xFY08E and 18.1xFY09E, which appears attractive. Overall demand remains strong for Wipro and we expect the TEM segment to pick up in 2HFY08. We maintain **Buy**.
- **Key issues**: Technology services revenue, margins

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Global IT Services incl Spectramind	24,513	27,179	28,873	30,357	29,508	33,139	36,615	39,945	110,922	139,207
Other Businesses	6,800	7,959	10,763	12,988	10,844	12,404	15,002	17,311	38,510	55,561
Revenues	**31,312**	**35,138**	**39,636**	**43,345**	**40,351**	**45,543**	**51,617**	**57,257**	**149,431**	**194,768**
Q-o-Q Change (%) - Global IT	*7.1*	*10.9*	*6.2*	*5.1*	*-2.8*	*12.3*	*10.5*	*9.1*	*37.4*	*25.5*
Total Expenses	23,849	26,896	30,691	33,896	31,898	35,575	40,579	44,855	115,333	152,908
EBITDA	**7,463**	**8,242**	**8,945**	**9,449**	**8,453**	**9,968**	**11,038**	**12,402**	**34,098**	**41,860**
Margins (%)	*23.8*	*23.5*	*22.6*	*21.8*	*20.9*	*21.9*	*21.4*	*21.7*	*22.8*	*21.5*
Depreciation	941	1,058	1,096	1,105	1,153	1,240	1,328	1,459	4,199	5,179
EBIT	**6,522**	**7,184**	**7,849**	**8,344**	**7,300**	**8,728**	**9,710**	**10,943**	**29,899**	**36,681**
Margins (%)	*20.8*	*20.4*	*19.8*	*19.2*	*18.1*	*19.2*	*18.8*	*19.1*	*20.0*	*18.8*
Other Income	512	756	559	827	1,269	1,073	1,094	1,114	2,653	4,550
PBT	**7,033**	**7,939**	**8,408**	**9,170**	**8,569**	**9,801**	**10,804**	**12,057**	**32,551**	**41,231**
Provision for Tax	979	1,068	1,080	1,296	1,200	1,372	1,513	1,688	4,423	5,772
Rate (%)	*13.9*	*13.5*	*12.8*	*14.1*	*14.0*	*14.0*	*14.0*	*14.0*	*13.6*	*14.0*
Net Income before EO*	**6,120**	**6,963**	**7,450**	**7,914**	**7,444**	**8,535**	**9,431**	**10,414**	**28,447**	**35,824**
Q-o-Q Change (%)	*2.4*	*13.8*	*7.0*	*6.2*	*-5.9*	*14.6*	*10.5*	*10.4*	*40.3*	*25.9*

*E: MOSt Estimates; * after minority interest and share in earnings from affiliates*

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Infrastructure

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Slowdown in order intake in FY07; expect strong momentum in 1HFY08

The order book for the construction companies as of March 2007 was up just 15% YoY as against 142% increase during FY05 and 69% increase during FY06. Growth during FY05 and FY06 was driven by increased spending by NHAI and Andhra Pradesh government on irrigation projects. The slowdown in order intake during FY07 was largely due to restructuring of NHAI as envisaged in Budget 2006, which intended to transform NHAI into a multi-disciplinary body with capacity to handle large number of public private partnership (PPP) projects.

Also, formation of PPP Advisory Committee (PPP AC) and the new Model Concession Agreement (MCA), which had certain contentious issues, led to delays in award of contracts. In irrigation, several projects were delayed due to environment issues and paucity of funds.

However, the project award seems to be gaining traction once again. NHAI will award about 6,270 km of road projects on BOT basis in FY08. Pre-qualifications havebeen invited for a significant part of it. This, we believe, would significantly increase the order intake for the construction companies in 1HFY08. The total order comprises 2,995 km of six laning of the Golden Quadrilateral and the balance will be four laning.

Besides this, there would be significant project awards from sectors like urban infrastructure, hydro power, railways, nuclear power, irrigation, etc, which would further drive the order intake for the construction companies during FY08.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Infrastructure							
B.L.Kashyap	Neutral	2,425	48.0	254	43.4	148	42.3
GMR Infrastructure	Buy	-	-	-	-	-	-
Gammon India	Buy	7,478	35.0	436	37.7	171	7.1
Hindustan Construction	Buy	7,548	30.0	607	31.7	124	-38.2
IVRCL Infra.	Buy	5,546	30.0	513	26.0	280	7.1
Jaiprakash Associates	Buy	9,174	2.5	2,359	10.8	985	7.1
Nagarjuna Construction	Buy	8,799	35.0	777	41.3	347	6.3
Patel Engineering	Buy	3,712	28.0	408	28.3	220	10.4
Sector Aggregate		**44,681**	**25.4**	**5,355**	**22.8**	**2,275**	**4.8**

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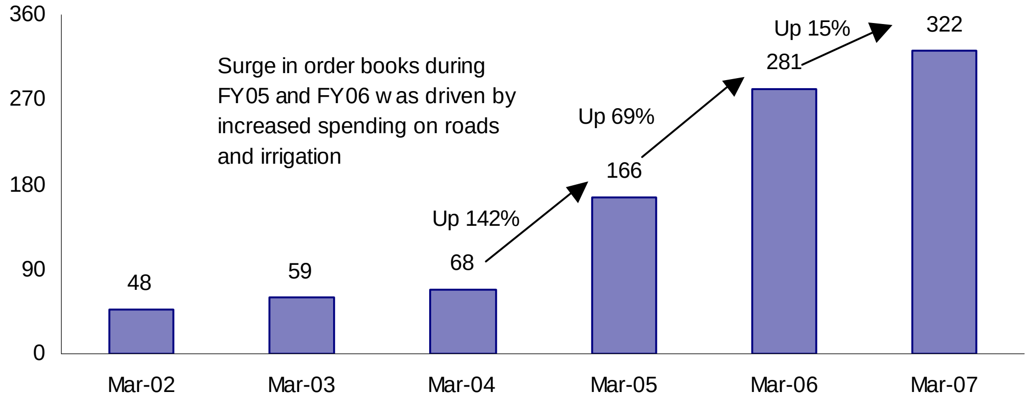
TREND IN ORDER BOOK (RS B)



**Note: Including Gammon, HCC, IVRCL and NCC* *Source: Motilal Oswal Securities*

Order book-to-bill ratio continues to be healthy

The order intake for most of the construction companies during FY07 has been very low. The order book for four large construction companies grew 15% from March 2006. Despite the slower order intake, the infrastructure companies still have strong revenue visibility given the high book-to-bill ratio. The order book-to-bill ratio for most of the companies is robust, which provides strong revenue visibility. The order book-to-bill ratio for the companies based on FY07 revenue: Patel Engineering 4.5x, Gammon at 3.5x, Hindustan Construction at 3.9x, IVRCL 3.5x and Nagarjuna at 2.5x. The large order wins for Larsen & Toubro has helped its order book-to-bill ratio to move up from 1.5x in March 2006 to around 2x as of March 2007, indicating strong capex in hydrocarbon segment.

STRONG ORDER BOOK-TO-BILL RATIO

	ORDER BOOK MAR-07	REVENUES FY07	ORDER BOOK / REVENUES (X)
Gammon	75,000	21,437	3.5
Hindustan Construction	93,120	23,945	3.9
IVRCL	81,000	23,059	3.5
Jaiprakash Associates*	75,000	34,420	2.2
Larsen and Toubro*	353,330	175,788	2.0
Nagarjuna Construction	73,020	28,711	2.5
Patel Engineering	50,000	11,024	4.5
B L Kashyap	16,000	7,650	2.1

** Engineering and Construction Business* *Source: Company*

Value unlocking possibilities going forward

During 1HFY08, we expect several companies like HCC, IVRCL and Jaiprakash to unlock significant value from the real estate and BOT SPVs created by them. FY07 has been the year of transition for most of the construction companies as they diversified from being pure construction contractors to developers. The companies have taken up large BOT projects other than roads sector and also ventured into real estate development, etc. The companies have either monetized a part of their holding in these SPVs or have plans to do so in future. We believe that there could be sizable value unlocking for some companies in FY08.

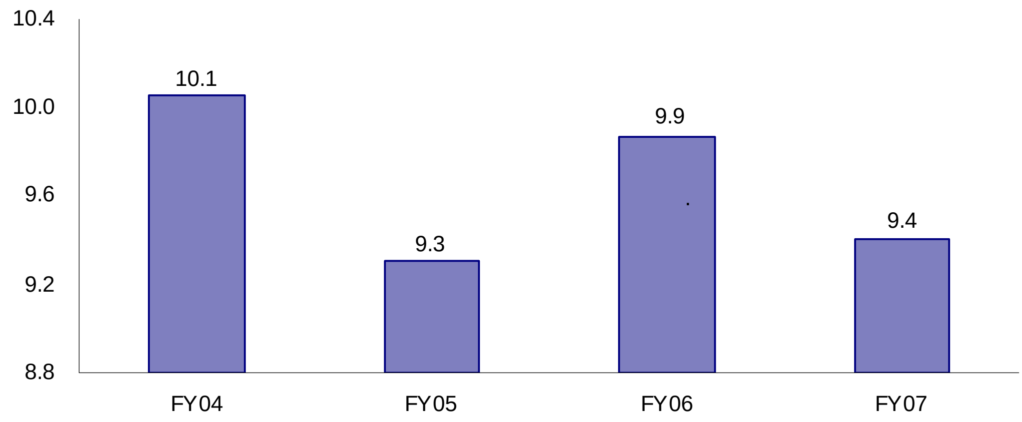
IVRCL Infrastructure is likely to benefit from the value unlocking through IVR Prime Urban Developers Ltd (IVR PUDL), its 80% subsidiary. IVR PUDL has already filed draft Red herring prospectus with SEBI and has received observation card. The company has a land bank of 2,299 acres (development area of 56.63m sq ft) in Hyderabad, Chennai, Bangalore, Pune and Noida. The management is hopeful of completing the IPO in next three to four months. Similarly, Gammon Infrastructure Projects Ltd (a 82.5% subsidiary of Gammon India) has also filed for draft red herring prospectus and has got in principal approval from SEBI for its IPO. GIPL currently has a portfolio of 11 development projects and has submitted financial bids for another four projects totalling Rs13.5b, and is pre-qualified for submitting financial bids for 11 projects totalling Rs138b. Hindustan Construction too is planning to launch Phase I of its Lavasa project by October 2007 (2,000 acres of the total 12,500 acres) and is developing a total 129m sq ft (its share).

Besides this, companies like Jaiprakash Associates, Nagarjuna Construction and Patel Engineering have established sizable real estate portfolio which could provide a value unlocking opportunity in future. As part of Taj Expressway project, Jaiprakash Associates has 600 acres of land at Noida (current value Rs18-30b) and is eligible for additional 5,650 acres on the Expressway. Merger with Jaypee Greens has provided the company access to an additional 452 acres (development area 9m sq ft) at Noida. Patel Engineering has a land bank of ~500 acres spread across Hyderabad, Mumbai, Bangalore and Maharashtra (Karjat, Panvel, etc). It has transferred property developments rights for its entire land bank (FSI of 60m sq ft) to Patel Realty India (PRIL), a100% subsidiary. Nagarjuna Construction has consolidated its real estate initiatives under NCC Urban Infrastructure (a 80% subsidiary). It has a land bank of 530 acres, of which development plan has been finalized for 267 acres, entailing development area of 13.4m sq ft to be developed over a period of three to four years.

Accounting policies impact FY07 EBIDTA margin; expect expansion ahead

The constraint in terms of revenue recognition dampened the EBIDTA margins of various players in FY07. The construction companies witnessed a 43% YoY increase in revenues during FY07 as against 142% YoY increase in order book during FY05 and 69% YoY increase during FY06. This is because there is a time lag of 12-18 months for the increased order book to translate into higher revenues. As several projects have not crossed the margin recognition threshold, companies could not account for profits on a part of the incremental revenues, which impacted profitability.

EBIDTA MARGINS TREND



Note: Includes HCC, Gammon, Nagarjuna Constuctions and IVRCL. *Source: Motilal Oswal Securities*

Gammon and Hindustan Construction were particularly impacted by their accounting policies as they could not account margin on 15-20% of the revenues. We expect the companies to report improved EBIDTA margins from FY08 as significant part of the projects cross the margin recognition threshold.

Robust FY08 guidance

The construction companies have guided for a revenue growth of 25-30% with either stagnant or slight improvement in the EBIDTA margin. The outlook on the order intake also remains strong with the pick up in the project award for the roads, water supply and irrigation, power, etc.

- **Larsen & Toubro:** order intake growth of 30%, revenue growth of 25-30% and stable EBIDTA margin.
- **IVRCL Infrastructure:** Revenue Rs33-35b, up 43-52%, EBIDTA margin improvement by 25-50bp, order backlog Rs80b as of March 2007.
- **Nagarjuna Construction:** Revenue Rs40b, up 40% and order backlog of Rs91b in March 2007, up 25%.
- **Patel Engineering:** Revenue growth of 25% on consolidated basis and EBIDTA margin improvement of 25-50bp.

We remain positive on the sector

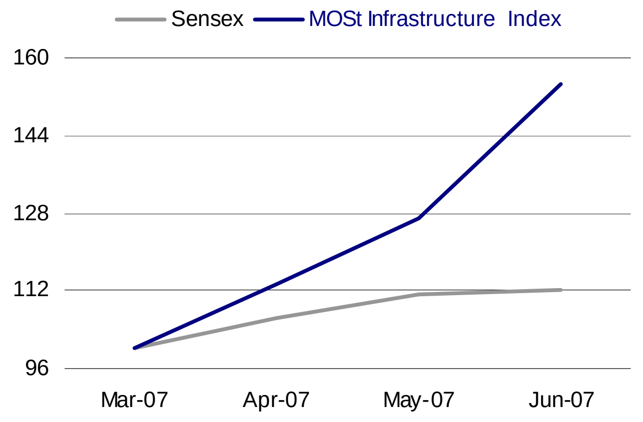
We remain positive on the construction sector, given the strong revenue visibility, significant growth opportunity in the target markets and value unlocking opportunity in future.

Stock performance and valuations

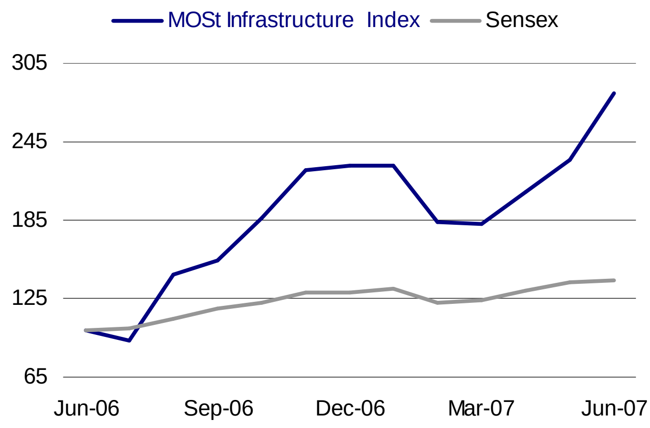
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Infrastructure						
B.L.Kashyap	49	81	37	43	17	16
Gammon India	36	17	24	-21	5	-48
GMR Infrastructure	108	-	96		76	
Hindustan Construction	38	5	26	-34	6	-61
IVRCL	23	58	11	20	-9	-8
Jaiprakash Associates	38	88	25	50	6	22
Nagarjuna Construction	11	39	-1	1	-20	-27
Patel Engineering	20	41	8	3	-11	-25

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Infrastructure														
B.L.Kashyap	1,689	Neutral	46.4	70.0	101.5	36.4	24.1	16.6	25.2	16.6	11.8	16.7	20.6	23.5
GMR Infrastructure	748	Buy	5.3	4.8	5.9	142.0	155.7	127.2	50.7	44.2	28.3	10.1	8.5	9.6
Gammon India	411	Buy	10.5	15.2	21.0	39.0	27.1	19.6	18.5	13.2	9.7	9.4	12.3	15.0
Hindustan Construction	123	Buy	2.1	3.8	6.6	57.8	32.6	18.7	21.9	12.9	9.7	6.6	8.9	12.1
IVRCL Infra.	359	Buy	10.5	12.8	18.5	34.2	28.1	19.3	20.4	15.4	11.1	10.1	11.1	14.2
Jaiprakash Associates	741	Buy	17.6	19.4	25.7	42.1	38.2	28.8	22.2	20.1	15.3	12.4	11.0	13.3
Nagarjuna Construction	178	Buy	6.6	9.1	12.5	27.1	19.5	14.2	16.9	12.8	10.1	13.8	17.1	20.2
Patel Engineering	406	Buy	18.8	19.0	25.7	21.6	21.4	15.8	16.2	12.7	10.1	24.1	14.5	17.0
Sector Aggregate						**52.5**	**44.2**	**32.0**	**26.9**	**21.9**	**16.1**	**11.7**	**11.6**	**14.2**

BL Kashyap

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	KASH IN
	REUTERS CODE
S&P CNX: 4,318	BLKS.BO

Equity Shares (m)	10.3
52-Week Range	1,715/850
1,6,12 Rel. Perf. (%)	7/11/43
M.Cap. (Rs b)	17.3
M.Cap. (US$ b)	0.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs1,689

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	8,080	556	46.4	73.7	36.4	6.1	18.2	26.7	2.1	20.0
3/08E	12,150	719	70.0	50.8	24.1	5.0	22.6	33.1	1.3	12.7
3/09E	17,618	1,043	101.5	45.0	16.6	3.9	26.3	38.3	0.9	8.7

- For 1QFY08, we expect BL Kashyap to report revenue of Rs2.4b, up 48% YoY, EBIDTA of Rs254m, up 43.4% YoY, and a net profit of Rs148m, up 42.3% YoY.
- The company announced an order intake of Rs10b during 1QFY08. The order book for the company now stands at Rs16b, 2x its FY07 revenue of Rs8.1b.
- The order book for the company is to be executed over a period of 12-15 months ensuring strong near term growth.
- For FY07, the company reported revenues of Rs8.1b (up 64.3% YoY) and net profit of Rs556m (up 73.7% YoY).
- The company has taken several initiatives to further leverage its execution skills including formation of a wholly-owned subsidiary - Soulspace Projects - for undertaking joint or co-development of real estate projects. It is currently executing three projects, of which two are in Pune and one is in Bikaner.
- We expect BL Kashyap to report a net profit CAGR of 48% over FY07-09. At the CMP of Rs1,689, the stock trades at a P/E of 24.1x FY08E and 16.6x FY09E.
- We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**1,639**	**1,707**	**2,362**	**1,942**	**2,425**	**2,646**	**3,779**	**3,300**	**8,080**	**12,150**
Change (%)	-	-	*119.3*	*28.7*	*48.0*	*55.0*	*60.0*	*69.9*	*64.3*	*58.8*
EBITDA	**177**	**182**	**250**	**200**	**254**	**272**	**399**	**348**	**924**	**1,274**
Change (%)	*0.0*	*0.0*	*156.2*	*27.4*	*43.4*	*49.7*	*59.8*	*73.9*	*70.1*	*57.4*
As of % Sales	*10.8*	*10.7*	*10.6*	*10.3*	*10.5*	*10.3*	*10.6*	*10.5*	*11.4*	*10.5*
Depreciation	23	24	26	27	30	40	50	53	99	173
Interest	7	12	12	11	10	12	15	16	50	53
Other Income	9	16	23	9	9	13	14	6	80	42
PBT	**156**	**162**	**234**	**171**	**223**	**233**	**348**	**285**	**854**	**1,090**
Tax	52	56	80	58	76	79	118	98	298	370
Effective Tax Rate (%)	*33.4*	*34.3*	*34.3*	*33.9*	*33.9*	*33.9*	*33.9*	*34.3*	*34.9*	*34.0*
Reported PAT	**104**	**106**	**154**	**113**	**148**	**154**	**230**	**187**	**556**	**719**
Adj PAT	**104**	**106**	**154**	**113**	**148**	**154**	**230**	**187**	**556**	**719**
Change (%)	-	-	*185.5*	*21.1*	*42.3*	*45.1*	*49.5*	*65.8*	*73.7*	*50.8*

E: MOSt Estimates

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Gammon India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GMON IN
	REUTERS CODE
S&P CNX: 4,318	GAMM.BO

Equity Shares (m)	86.7
52-Week Range	487/258
1,6,12 Rel. Perf. (%)	5/-8/-21
M.Cap. (Rs b)	35.6
M.Cap. (US$ b)	0.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs411

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,912	946	10.9	13.4	39.0	3.7	9.4	13.3	1.7	18.5
3/08E	30,665	1,315	15.2	43.9	27.1	3.3	12.3	18.0	1.2	13.2
3/09E	45,665	1,821	21.0	38.5	19.6	2.9	15.0	23.1	0.9	9.7

- For 1QFY08, we expect Gammon to report revenue of Rs7.5b, up 35% YoY, EBIDTA of Rs436m, up 37.7% YoY, and net profit of Rs171m, up 40% YoY.
- Gammon India has signed an agreement with Macquarie through Gammon Infrastructure Projects Ltd (GIPL) to bid for Chennai airport maintenance project. The terms of the agreement envisages that Macquarie and Gammon will hold equal stakes in the project.
- The SAT in its order dated March 23, 2007 had directed SEBI to expedite the process of clearing the draft red herring prospectus of Gammon Infrastructure Projects Ltd. As SEBI did not exercise its right to appeal against the SAT order within 60 days from the SAT order, Gammon India has received an in-principle nod from SEBI for the IPO of GIPL.
- The company has tied up with Siemens Transportation for design, commissioning and operation of airport-city rail link for a 30-year period in an expression of interest invited by Delhi Metro Rail Corporation.
- Gammon India-led consortium has received the letter of intent for Rs12b offshore container terminal at Mumbai Port Trust with a revenue sharing ratio of 35.1%. Gammon Infra will have 50% stake in the project and Dragados SPL of Spain will hold the balance.
- The order backlog for the company as of March 2007 stood at Rs80b, representing 3.8x FY07 revenue.
- At the CMP of Rs411, the stock trades at reported P/E of 27.1x FY08E and 19.6x FY09E. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**5,539**	**4,830**	**4,607**	**6,518**	**7,478**	**6,761**	**6,680**	**9,746**	**20,912**	**30,665**
Change (%)	*93.5*	*67.1*	*37.5*	*36.7*	*35.0*	*40.0*	*45.0*	*49.5*	*25.4*	*42.7*
EBITDA	**317**	**418**	**515**	**710**	**436**	**614**	**744**	**960**	**1,722**	**2,816**
Change (%)	*-6.9*	*-6.6*	*6.0*	*101.0*	*37.7*	*46.9*	*44.5*	*77.5*	*-10.9*	*43.7*
As of % Sales	*5.7*	*8.6*	*11.2*	*10.9*	*5.8*	*9.1*	*11.1*	*9.9*	*9.3*	*9.2*
Depreciation	83	103	102	100	100	110	120	121	352	451
Interest	52	18	53	64	80	90	100	119	136	389
Other Income	3	1	7	3	2	3	5	4	197	14
Extra-ordinary income	27	0	0	0	0	0	0	0	27	0
PBT	**211**	**297**	**366**	**549**	**258**	**417**	**529**	**724**	**1,458**	**1,989**
Tax	25	36	50	372	88	141	179	245	1,030	674
Effective Tax Rate (%)	*11.9*	*12.0*	*13.7*	*67.7*	*33.9*	*33.9*	*33.9*	*33.9*	*70.7*	*33.9*
Reported PAT	**186**	**262**	**316**	**177**	**171**	**275**	**350**	**478**	**426**	**1,315**
Adj PAT	**159**	**262**	**316**	**363**	**171**	**275**	**350**	**478**	**946**	**1,315**
Change (%)	*-20.8*	*-20.6*	*15.5*	*32.3*	*40.0*	*40.2*	*44.6*	*30.2*	*-8.1*	*43.9*

E: MOSt Estimates

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GMR Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GMRI IN
	REUTERS CODE
S&P CNX: 4,318	GMRI.BO

Equity Shares (m)	331.1
52-Week Range	754/205
1,6,12 Rel. Perf. (%)	49/104/-
M.Cap. (Rs b)	247.6
M.Cap. (US$ b)	6.1

29 June 2007

Buy

Previous Recommendation: Buy

Rs748

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	16,967	1,744	5.3	-8.5	142.0	14.3	10.1	5.7	16.2	50.7
3/08E	18,335	1,590	4.8	-8.8	155.7	13.3	8.5	5.5	17.0	44.2
3/09E	24,607	1,947	5.9	22.4	127.2	12.2	9.6	6.8	14.2	28.3

** Consolidated*

- During FY07, GMR Infrastructure reported consolidated net revenues of Rs17b (up 60% YoY), EBIDTA Rs5.4b (up 20% YoY) and net profit of Rs1.5b (up 3% YoY). Reported numbers were in line with our estimates: revenue Rs15.1b, EBIDTA Rs5.8b and net profit Rs1.7b.
- The company has achieved significant progress in award of various concession contracts: 1) Floating an EoI for development of real estate on 45 acres of land at Delhi airport, 2) award of maintenance of lounges at Hyderabad airport to Plaza Premium Lounge of Hong Kong, valid for seven years, 3) Car parking at Hyderabad airport to Tenaga group of Malaysia for a period of three years, 4) Seven-year ground handling contract for third party airlines to two consortiums – 1) Menzies and Bobba, and 2) SATS, Indian Airlines, and Air India.
- GMR Energy (a 100% subsidiary) has signed a Memorandum of Understanding (MoU) with the Chhattisgarh government for implementation, operation and maintenance of 1,000MW coal-based power project.
- We expect GMR to report a net profit CAGR of 38% over FY07-10 on a consolidated basis. We expect its net profit after minority interest to grow from Rs1.7b in FY07 to Rs4.6b in FY10.
- We maintain **Buy**.

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Hindustan Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HCC IN
	REUTERS CODE
S&P CNX: 4,318	HCNS.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs123

Equity Shares (m)	274.3
52-Week Range	172/83
1,6,12 Rel. Perf. (%)	24/-22/-34
M.Cap. (Rs b)	33.8
M.Cap. (US$ b)	0.8

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	23,576	595	2.1	-35.3	57.8	3.5	6.1	6.6	1.9	20.9
3/08E	34,504	1,036	3.8	77.3	32.6	2.4	8.9	9.4	1.3	12.9
3/09E	46,300	1,811	6.6	74.8	18.7	2.2	12.1	13.3	1.1	9.7

- For 1QFY08, we expect HCC to report revenue of Rs7.6b, up 30% YoY, and net profit of Rs124m, down 38.2% YoY. The drop in net profit is mainly due to higher tax provision at 33.9% in 1QFY08 vs 12.6% in 1QFY07.
- HCC's order backlog at the end of June 2007 is Rs97.2b (equivalent to 4x FY07 revenue) and is L1 in projects worth Rs25b (HCC's share Rs19.3b). Hydro projects accounted for 71% of the order intake during FY07. As of March 2007, share of power sector in order backlog increased to 48% (vs 38% as of March 2006 and 14% as of March 2005).
- The company has achieved significant progress on the real estate front: 1) commenced construction for IT park (2m sq ft), 2) Phase I of Lavasa launch likely by October 2007 (2,000 acres) and 3) 1,500 acres of land tied up (100 acre acquired) for developing integrated townships in Thane, Pune and Nashik.
- The company plans to complete the Bandra-Worli sealink project by end of FY08. Till date, the company has achieved ~60% physical progress on the project. The expected loss during FY08 from the project is ~Rs1b (vs Rs710m during FY07) while the cumulative arbitration claims are worth Rs3.5-4b.
- During FY07-09E, we expect HCC to report a revenue CAGR of 40% and a net profit CAGR of 74%. At CMP of Rs123, HCC trades at a P/E of 32.6x FY08E and 18.7x FY09E.
- We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**5,806**	**4,257**	**5,407**	**8,476**	**7,548**	**5,661**	**8,110**	**13,185**	**23,945**	**34,504**
Change (%)	*25.9*	*40.9*	*18.6*	*10.3*	*30.0*	*33.0*	*50.0*	*55.6*	*20.5*	*44.1*
EBITDA	**461**	**395**	**664**	**877**	**607**	**544**	**915**	**1,391**	**2,396**	**3,457**
Change (%)	*12.8*	*53.3*	*36.6*	*29.9*	*31.7*	*37.6*	*37.9*	*58.7*	*31.0*	*44.3*
As of % Sales (Adj)	*7.9*	*9.3*	*11.1*	*9.1*	*8.0*	*9.6*	*10.4*	*9.6*	*9.3*	*9.5*
Depreciation	161	186	206	244	240	250	260	256	797	1,006
Interest	74	158	175	212	180	210	220	298	620	908
Other Income	62	10	2	125	1	1	1	1	199	4
PBT	**288**	**61**	**284**	**546**	**188**	**85**	**436**	**838**	**1,179**	**1,547**
Tax	36	19	65	266	64	29	148	270	386	511
Effective Tax Rate (%)	*12.6*	*31.5*	*22.8*	*48.7*	*33.9*	*33.9*	*33.9*	*32.2*	*32.8*	*33.0*
Reported PAT	**251**	**42**	**220**	**280**	**124**	**56**	**288**	**568**	**793**	**1,037**
Adj PAT	**201**	**42**	**144**	**160**	**124**	**56**	**288**	**568**	**547**	**1,037**
Change (%)	*-11.2*	*45.3*	*-36.5*	*-62.4*	*-38.2*	*34.3*	*100.7*	*255.0*	*-33.1*	*89.6*

E: MOSt Estimates

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IVRCL Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IVRC IN
	REUTERS CODE
S&P CNX: 4,318	IVRC.BO

Equity Shares (m)	134.7
52-Week Range	460/164
1,6,12 Rel. Perf. (%)	1/-13/20
M.Cap. (Rs b)	48.3
M.Cap. (US$ b)	1.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs359

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	23,059	1,415	10.5	20.8	34.2	3.5	15.1	13.8	2.0	20.4
3/08E	31,915	1,718	12.8	21.5	28.1	3.1	11.7	14.5	1.6	15.4
3/09E	46,915	2,498	18.5	45.4	19.3	2.7	15.1	19.1	1.2	11.1

- For 1QFY08, we expect IVRCL to report revenue of Rs5.5b, up 30% YoY, and net profit of Rs280m, up 7.1% YoY.
- IVR Prime Urban Developers (a 80% subsidiary) has received observation card from SEBI for its proposed IPO, which is a positive. The management is hopeful of completing the IPO over the next three to four months. The company has a land bank of 2,299 acres (developable area of 56.6m sq ft) in Hyderabad, Chennai, Bangalore, Pune and Noida to be developed over the next five years.
- The order backlog for the company stood at Rs80b as at end of March 2007, up from Rs57.7b in end of March 2006, representing a book-to-bill ratio of 3.5x its FY07 revenue of Rs23.1b. Further, IVRCL has emerged as the lowest cost bidder in projects worth Rs17b, of which orders worth Rs14b are from water segment.
- The company achieved financial closure for the Chennai desalination project. The project involves setting up of a desalination plant for drinking water supply at a cost of Rs4.9b. The construction work on all its three road BOT projects have also started and company has achieved a physical progress of 20% on these projects.
- The management has guided for revenue of Rs33-35b in FY08 (up 43-52% YoY) and EBIDTA margin improvement of 25-50bp. The company has also guided a 50% revenue growth in FY08 for subsidiary Hindustan Dorr-Oliver.
- For FY07-FY09, we expect IVRCL to report CAGR of 42.6% in revenue and 32.9% in net profit. The lower growth in net profit is largely due to the full tax provisioning in FY08 and FY09.
- At the CMP of Rs359, the stock trades at a P/E of 28.1x FY08E and 19.3x FY09E. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,266**	**3,644**	**5,223**	**9,923**	**5,546**	**4,920**	**7,156**	**14,294**	**23,059**	**31,915**
Change (%)	*41.9*	*42.0*	*27.9*	*68.0*	*30.0*	*35.0*	*37.0*	*44.1*	*54.2*	*38.4*
EBITDA	**407**	**308**	**556**	**1,073**	**513**	**443**	**716**	**1,599**	**2,301**	**3,270**
Change (%)	*73.3*	*46.5*	*61.8*	*92.3*	*26.0*	*43.6*	*28.6*	*49.0*	*71.4*	*42.1*
As of % Sales	*9.5*	*8.5*	*10.7*	*10.8*	*9.3*	*9.0*	*10.0*	*11.2*	*10.0*	*10.2*
Depreciation	38	49	60	69	70	73	75	78	216	296
Interest	133	103	98	25	30	110	130	181	308	451
Other Income	17	55	18	2	10	15	22	30	74	77
PBT	**253**	**211**	**416**	**981**	**423**	**275**	**533**	**1,369**	**1,851**	**2,599**
Tax	42	56	94	249	143	93	181	464	436	881
Effective Tax Rate (%)	*16.6*	*26.5*	*22.7*	*25.4*	*33.9*	*33.9*	*33.9*	*33.9*	*23.6*	*33.9*
Reported PAT	**211**	**155**	**321**	**732**	**280**	**182**	**352**	**905**	**1,415**	**1,718**
Adj PAT	**261**	**155**	**271**	**732**	**280**	**182**	**352**	**905**	**1,415**	**1,718**
Change (%)	*53.0*	*38.7*	*22.4*	*67.1*	*7.1*	*17.0*	*29.8*	*23.6*	*52.2*	*21.5*

E: MOSt Estimates

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Jaiprakash Associates

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	JPA IN
	REUTERS CODE
S&P CNX: 4,318	JAIA.BO

29 June 2007

Buy

Previous Recommendation: Buy Rs741

Equity Shares (m)	235.7
52-Week Range	753/317
1,6,12 Rel. Perf. (%)	7/-4/50
M.Cap. (Rs b)	174.6
M.Cap. (US$ b)	4.3

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	34,420	4,150	17.6	48.9	42.1	4.4	12.4	11.5	5.8	22.2
3/08E	37,110	4,576	19.4	10.3	38.2	4.0	11.0	12.3	5.6	20.1
3/09E	50,946	6,068	25.7	32.6	28.8	3.7	13.3	14.1	4.0	15.3

** Fully diluted*

- For 1QFY08, we expect Jaiprakash to report revenue of Rs9.2b, up 2.5% YoY, net profit of Rs985m, up 7.1% YoY.
- The company emerged as a successful bidder for setting up a 2m ton plant at Bokaro in JV with SAIL using ~1m ton slag produced by the Bokaro Steel Plant. Jaiprakash will have 51% stake in the JV. The plant is likely to be set up at a cost of Rs6b and would be commissioned by end of FY11.
- The company will have an installed capacity of 24mtpa by FY11 (its proportionate share) - 6.5m ton in FY08, 2.7m ton in FY09, 4.9m ton in FY10 and 2.8m ton in FY11. The company also plans to bid for the Rourkela steel plant of SAIL, bids for which are likely to be invited soon.
- Construction on Taj Expressway began in May 2007 and levelisation has been done on 2.5km of road length (total length of 166km) till now. The company has got the land for construction of 5.3km of road while land for another 25-30km of road construction would be allotted by mid-August 2007. It has been allotted 18 acres of land of the additional 600 acres is due for allotment by July-Sep 2007. It has got approval for the development of the first 600 acres of land from the local authorities and designs and plan for the project is expected to get ready by July 2007. The company expects to launch the project by October 2007.
- The company has sold 1.7m sq ft till June 2007 (vs 1.5m sq ft in March 2007) and the average realization is in the range of Rs7,400-7,500/sq ft (vs Rs6,500/sq ft in March 2007). It has repaid all its debt through customer advances.
- The company's engineering and construction order book as at the end of March 2007 stood at ~Rs73b, ensuring revenue visibility till FY09. At the CMP of Rs741, Jaiprakash trades at a P/E of 42.1x FY07, 38.2x FY08E and 28.8x FY09E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**8,950**	**7,700**	**8,910**	**8,860**	**9,174**	**8,239**	**9,712**	**9,985**	**34,420**	**37,110**
Change (%)	*9.5*	*14.6*	*11.8*	*3.6*	*2.5*	*7.0*	*9.0*	*12.7*	*9.6*	*7.8*
EBITDA	**2,130**	**1,980**	**2,310**	**2,630**	**2,359**	**2,209**	**2,595**	**3,149**	**9,040**	**10,312**
Change (%)	*37.4*	*42.4*	*38.3*	*70.8*	*10.8*	*11.5*	*12.3*	*19.7*	*46.3*	*14.1*
As of % Sales	*23.8*	*25.7*	*25.9*	*29.7*	*25.7*	*26.8*	*26.7*	*31.5*	*26.3*	*27.8*
Depreciation	380	390	430	420	440	450	475	492	1,630	1,857
Interest	590	620	700	650	679	713	805	863	2,570	3,060
Other Income	250	380	400	300	275	430	450	589	1,360	1,744
PBT	**1,410**	**1,350**	**1,580**	**1,860**	**1,516**	**1,476**	**1,765**	**2,383**	**6,200**	**7,140**
Tax	490	450	560	550	531	516	618	899	2,050	2,564
Effective Tax Rate (%)	*34.8*	*33.3*	*35.4*	*29.6*	*35.0*	*35.0*	*35.0*	*37.7*	*33.1*	*35.9*
Reported PAT	**920**	**900**	**1,020**	**1,310**	**985**	**959**	**1,147**	**1,484**	**4,150**	**4,576**
Adj PAT	**920**	**900**	**1,020**	**1,310**	**985**	**959**	**1,147**	**1,484**	**4,150**	**4,576**
Change (%)	*70.4*	*4.7*	*78.9*	*87.1*	*7.1*	*6.6*	*12.5*	*13.3*	*55.4*	*10.3*

E: MOSt Estimates

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Nagarjuna Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NJCC IN
	REUTERS CODE
S&P CNX: 4,318	NGCN.BO

Equity Shares (m)	206.6
52-Week Range	236/98
1,6,12 Rel. Perf. (%)	10/-23/1
M.Cap. (Rs b)	36.8
M.Cap. (US$ b)	0.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs178

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	28,711	1,358	6.6	29.5	27.1	1.8	13.8	15.7	1.6	16.9
3/08E	40,717	1,885	9.1	38.8	19.5	1.6	17.1	15.3	1.2	12.8
3/09E	56,420	2,589	12.5	37.3	14.2	1.3	20.2	16.7	1.0	10.1

- For 1QFY08, we expect NCC to report revenue of Rs8.8b, up 35%YoY, and net profit of Rs347m, up 6.3% YoY.
- As of end-March 2007, NCC's order book stood at Rs73b, which includes Rs6.5b from own road BOT projects and Rs2.3b from NCC Urban Infra (real estate subsidiary). Order book composition: roads 24%, buildings 21.8%, water 22.5%, irrigation/HEP 8.2%, electricals 6.4%, oil/gas 4.8%, international 10.1%.
- A consortium comprising NCC (25% stake) Maytas (26%), SREI Finance (38%), and a port operator company (11%) has received the Letter of Intent (LOI) from the Government of Andhra Pradesh for the Machilipatnam port project. The project also entails 8,000 acres of land to the consortium on 99-year lease for development of SEZ.
- NCC Urban Infrastructure (80% subsidiary) has land bank of 530 acres (127 acres contributed by NCC and 140 acres from Ranchi and Vizag project). In Phase 1, the company has plans to develop 267 acres (development area of 13.4m sq ft) to be developed over a four year period. On the remaining 263 acres, the company plans to start development over the next 12 months.
- NCC Urban Infra has also received LOI from Hyderabad Urban Development Authority (NCC Urban Infra 26%, Dishman 37% and ICICI Ventures 37%) for development of an integrated township over 400 acres of land. Nagarjuna has first right of refusal for the construction contract.
- For FY08, the management has guided for revenue of Rs40b, up 40% YoY, and net profit margin of 5.5%-5.75% as against 5.3% during FY07. For NCC Urban Infrastructure, the management has guided revenue of Rs3b (development of 1.2m sq ft), FY09 Rs8b (2.5m sq ft) and FY10 Rs10b (4.0m sq ft).
- At the CMP of Rs178, the stock trades at a P/E of 27.1x FY07, 19.5x FY08E and 14.2x FY09E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,517**	**6,517**	**6,998**	**8,679**	**8,799**	**8,797**	**10,147**	**12,974**	**28,711**	**40,717**
Change (%)	*81.4*	*77.0*	*48.1*	*35.5*	*35.0*	*35.0*	*45.0*	*49.5*	*56.0*	*41.8*
EBITDA	**550**	**618**	**802**	**727**	**777**	**861**	**1,100**	**1,227**	**2,697**	**3,964**
Change (%)	*97.8*	*63.0*	*75.5*	*36.9*	*41.3*	*39.3*	*37.1*	*68.7*	*64.4*	*47.0*
As of % Sales	*8.4*	*9.5*	*11.5*	*8.4*	*8.8*	*9.8*	*10.8*	*9.5*	*9.4*	*9.7*
Depreciation	58	69	76	96	101	103	105	103	299	412
Interest	57	96	185	166	190	210	240	281	504	921
Other Income	8	10	5	270	10	15	15	22	292	62
PBT	**443**	**462**	**546**	**735**	**496**	**563**	**770**	**865**	**2,186**	**2,693**
Tax	59	69	97	443	149	169	231	260	667	808
Effective Tax Rate (%)	*13.3*	*14.9*	*17.8*	*60.2*	*30.0*	*30.0*	*30.0*	*30.0*	*30.5*	*30.0*
Reported PAT	**384**	**393**	**449**	**293**	**347**	**394**	**539**	**606**	**1,519**	**1,885**
Adj PAT	**326**	**334**	**359**	**339**	**347**	**394**	**539**	**606**	**1,358**	**1,885**
Change (%)	*70.3*	*59.9*	*33.9*	*-3.1*	*6.3*	*17.8*	*50.2*	*78.9*	*30.7*	*38.8*

E: MOSt Estimates

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Patel Engineering

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PEC IN
	REUTERS CODE
S&P CNX: 4,318	PENG.BO

Equity Shares (m)	59.7
52-Week Range	489/222
1,6,12 Rel. Perf. (%)	-2/-16/3
M.Cap. (Rs b)	24.2
M.Cap. (US$ b)	0.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs406

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	11,024	1,120	18.8	28.1	21.6	3.4	24.1	14.8	2.2	16.2
3/08E	14,302	1,134	19.0	1.2	21.4	3.2	14.5	14.9	1.8	12.7
3/09E	18,751	1,531	25.7	35.1	15.8	2.8	17.0	15.9	1.4	10.1

* Consolidated

- For 1QFY08, we expect Patel to report revenue of Rs3.7b, up 28% YoY, and net profit of Rs220m, up 10.4% YoY.
- Patel Engineering has transferred development rights for its existing land bank of 500 acres (60m sq ft) to Patel Realty India (PRIL) - a 100% subsidiary. The entire land bank is in the physical possession of the company, and is unencumbered with proper title deeds registered. In Phase 1, the company is commencing construction of 0.75m sq ft commercial space in Jogeshwari (construction to start from October 07) and 3-5m sq ft of commercial and residential development at Bangalore (construction to start from end FY08). In Phase 2, the company would take up development of another 5m sq ft at Bangalore and Chennai. Phase 3 will cover Hyderabad.
- Order book as of end-March 2007 stood at Rs50b (vs Rs39.4b as of end-March 2006) and Rs48b as of December 2006. Order book composition: Hydro 55%, irrigation 25%, and transportation and others 20%. This compares with (FY06 composition): Hydro 40%, irrigation 38%, and transportation and others 22%. Thus there is a change in order book composition towards hydro power projects, which entails comparatively better margins (at 17-22%) vs irrigation (10-15%) and transportation (5-8%).
- The management has indicated that the existing order book can drive a 25% revenue CAGR over the next 2.5 years. Further, the company expects order intake of Rs20b+ during FY08, which can further add to the expected growth. Patel Engg is pre-qualified to bid for projects worth Rs60b in hydro space and Rs40b in irrigation and transportation.
- At the CMP of Rs406, the stock trades at a reported P/E of 21.6x FY07, 21.4x FY08E and 15.8x FY09E.
- We recommend **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,900**	**1,979**	**2,184**	**3,962**	**3,712**	**2,523**	**2,839**	**5,229**	**11,024**	**14,302**
Change (%)	*52.8*	*40.6*	*28.7*	*31.5*	*28.0*	*27.5*	*30.0*	*32.0*	*37.5*	*29.7*
EBITDA	**318**	**307**	**419**	**456**	**408**	**404**	**554**	**618**	**1,500**	**1,984**
Change (%)	*54.2*	*38.7*	*15.9*	*69.2*	*28.3*	*31.4*	*32.1*	*35.6*	*41.7*	*32.2*
As of % Sales	*11.0*	*15.5*	*19.2*	*11.5*	*11.0*	*16.0*	*19.5*	*11.8*	*13.6*	*13.9*
Depreciation	65	66	70	72	70	85	95	119	273	369
Interest	46	-13	24	52	30	35	40	30	109	135
Other Income	26	20	11	35	25	30	45	45	91	145
PBT	**233**	**274**	**335**	**368**	**333**	**314**	**464**	**515**	**1,210**	**1,625**
Tax	33	24	44	28	113	106	157	175	129	551
Effective Tax Rate (%)	*14.2*	*8.7*	*13.0*	*7.7*	*33.9*	*33.9*	*33.9*	*33.9*	*10.6*	*33.9*
Reported PAT	**200**	**250**	**292**	**340**	**220**	**207**	**306**	**340**	**1,081**	**1,074**
Adj PAT	**200**	**250**	**292**	**340**	**220**	**207**	**306**	**340**	**1,081**	**1,074**
Change (%)	*76.9*	*98.2*	*16.4*	*59.9*	*10.4*	*-17.2*	*5.1*	*0.2*	*54.0*	*-0.6*

E: MOSt Estimates

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Media

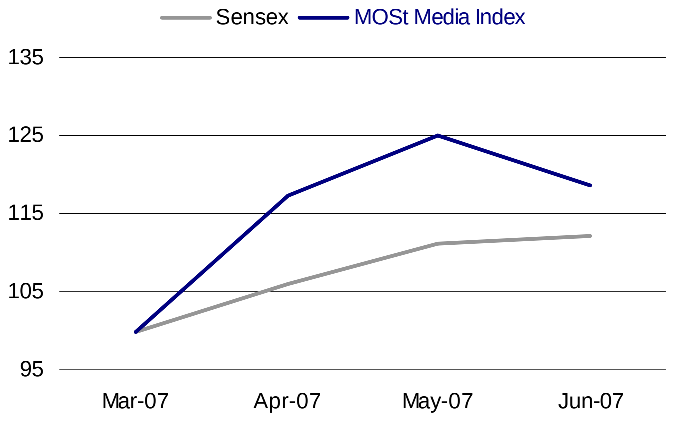
BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Stock performance and valuations

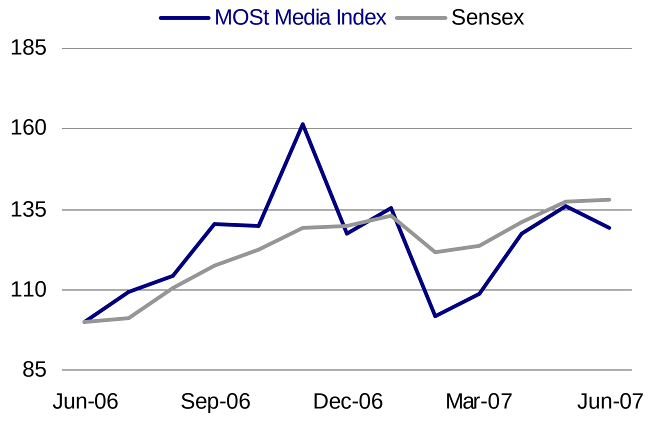
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Media						
Zee Entertainmen	19	23	7	-15	0	-6

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Media														
Zee Entertainment	297	Neutral	5.0	7.9	11.5	59.0	37.6	25.9	42.9	25.0	17.1	13.6	17.7	18.6

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Media							
Zee Entertainment	Neutral	4,030	3.8	1,180	62.7	744	35.6

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Zee Telefilms

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	Z IN
	REUTERS CODE
S&P CNX: 4,318	ZEE.BO

Equity Shares (m)	433.5
52-Week Range	381/210
1,6,12 Rel. Perf. (%)	-2/-5/-15
M.Cap. (Rs b)	128.9
M.Cap. (US$ b)	3.2

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs297

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	14,412	2,193	5.0	8.3	59.0	5.4	13.6	12.4	9.5	42.9
3/08E	18,031	3,439	7.9	56.8	37.6	4.8	17.7	18.6	7.5	25.0
3/09E	21,248	4,987	11.5	45.0	25.9	4.1	18.6	24.9	6.2	17.1

- We expect Zee Entertainment Enterprise (ZEEL) to report 4.8% QoQ growth in revenue on the back of higher advertising and subscription income.
- We believe ZEEL's advertising income would grow due to better inventory utilization, as India could not qualify for the second round of the Cricket World Cup series. We expect 3.5% QoQ growth in the advertising income.
- In 4QFY07, the company had witnessed a sequential decline in subscription revenue due to slow rollout of CAS and delay in collection of money. We expect ZEEL's subscription revenue to post a 5% sequential growth to Rs1.9b.
- ZEEL has pulled out from the 5-year contract with BCCI to telecast matches involving India at neutral international venues. We believe this would marginally improve earnings.
- PAT is expected to grow by 23% QoQ to Rs744m on higher advertising and subscription revenue.
- We revise our EPS estimates to factor in the savings arising from abandonment of cricket contract. We have raised our EPS estimates for FY08 and FY09 to Rs7.9 and Rs11.5, respectively.
- The stock is trading at 37.6x FY08E and 25.9x FY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q*	2Q*	3Q	4Q	1Q	2Q	3Q	4Q	4QE	
Advertsing Revenue	1,728	2,107	2,105	1,849	1,914	2,105	2,358	2,311	7,064	8,689
Subscription Revenue	1,797	1,930	1,956	1,849	1,941	2,038	2,191	2,340	6,606	8,510
Other Sales and Services	357	601	116	146	175	218	220	220	742	832
Net Sales	**3,882**	**4,638**	**4,177**	**3,844**	**4,030**	**4,361**	**4,769**	**4,871**	**14,412**	**18,031**
Change (%)			*53.0*	*10.6*			*14.2*	*26.7*	*30.5*	*25.1*
Prog, Transmission & Direct Exp	2,204	3,041	1,721	1,632	1,900	2,125	2,340	2,200	7,353	8,565
Staff Cost	334	328	232	292	300	300	300	310	1,008	1,210
Selling and other exp	619	931	867	969	650	650	730	817	2,864	2,847
EBITDA	**726**	**338**	**1,357**	**951**	**1,180**	**1,287**	**1,399**	**1,544**	**3,187**	**5,410**
Change (%)	*-27.3*	*-42.2*	*186.3*	*111.9*			*3.1*	*62.3*	*28.8*	*69.7*
As of % Sales	*18.7*	*7.3*	*32.5*	*24.8*	*29.3*	*29.5*	*29.3*	*31.7*	*22.1*	*30.0*
Depreciation	92	102	69	56	53	54	54	54	228	215
Interest	125	30	68	8	49	48	47	48	220	191
Other Income	162	203	155	177	150	140	150	160	630	600
PBT	**671**	**409**	**1,375**	**1,064**	**1,228**	**1,325**	**1,448**	**1,602**	**3,369**	**5,603**
Tax	109	76	417	365	405	437	478	529	964	1,849
Effective Tax Rate (%)	*16.3*	*18.6*	*30.3*	*34.3*	*33.0*	*33.0*	*33.0*	*33.0*	*28.6*	*33.0*
Reported PAT	**562**	**333**	**958**	**699**	**823**	**888**	**970**	**1,073**	**2,405**	**3,754**
Minority Interest	13	12	83	95	79	79	79	79	212	315
Adj PAT	**549**	**321**	**875**	**604**	**744**	**809**	**891**	**994**	**2,193**	**3,439**
Change (%)			*166.9*	*12.8*			*1.8*	*64.7*	*8.3*	*56.8*

*E: MOSt Estimates; * Consolidated*

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) Tel: +91 22 39825404/Amit Purohit (AmitPurohit@MotilalOswal.com); Tel: 39825418

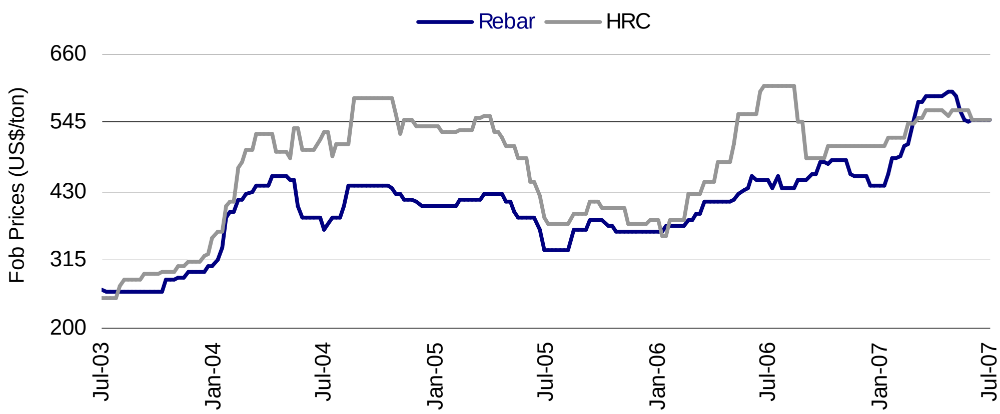
Metals

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Steel

Global steel prices saw a good run from January 2007 and peaked in the month of May 2007. Though the spot market has weakened thereafter, the quarterly prices of global producers are gradually moving up. CIS region export prices on fob basis of HRC touched a high of US$600 per ton in May and have trended lower to around $540-550 per ton towards the end of June 2007.

PRICE MOVEMENTS IN CIS REGION INDICATE MODERATION



Source: Metal Bulletin

Indian steel producers raised prices by ~Rs500-1,000 per ton in the month of April 2007. Though the government wanted to prevent a price hike in May 2007, the prices were allowed to move up by Rs500-1,000 per ton in line with market forces after discussion with the industry. Global weakening of spot prices coupled with appreciation of Indian rupee forced steel producers to offer discounts to select customers of Rs700-800 per ton

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Metals							
Hindalco *	UR	50,921	19.1	10,474	12.2	6,559	9.0
Jindal Steel & Power *	Buy	11,695	75.5	4,319	32.9	2,138	39.6
JSW Steel	Buy	24,735	57.6	8,530	87.1	3,963	132.7
Nalco	Neutral	13,445	-9.5	7,761	-16.9	5,269	-15.3
SAIL	Buy	73,590	7.3	20,324	14.2	13,183	29.5
Tata Steel *	Buy	45,736	16.8	18,774	18.7	10,459	8.3
Sector Aggregate		**220,121**	**17.3**	**70,181**	**16.8**	**41,572**	**17.7**

* *Standalone*

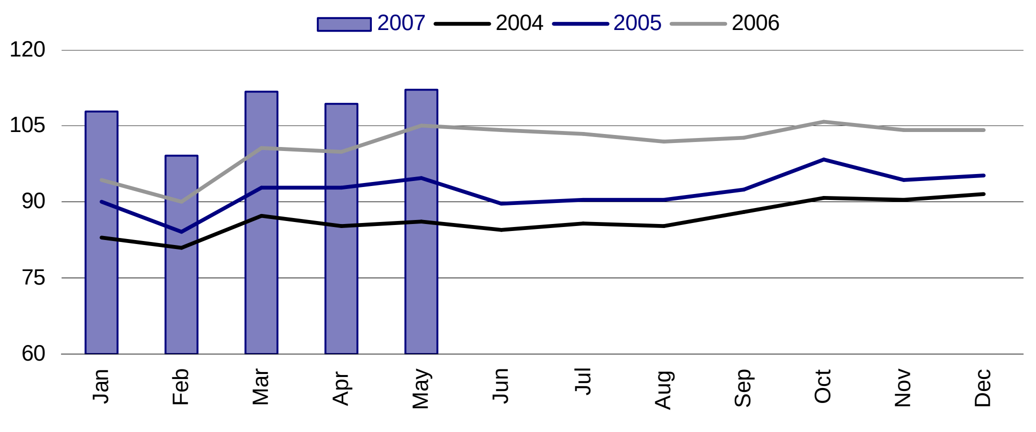
Sanjay Jain (SanjayJain@MotilalOswal.com); Tel: +91 22 39825412

on flat products in the month of June 2007. However, state-owned SAIL left prices of HRC unchanged. As global spot prices of HRC have corrected by about US$50-60 per ton in last 40-50 days, Indian producers are cutting prices by Rs800 per ton on HRC w.e.f. 1 July 2007.

The availability of HRC in India is low and inventories among the producers are little under normal while demand remains robust. Steel traders are of the view that the global spot market of HRC has perhaps touched bottom and downside from current level is limited. European producer Salzgitter has raised prices of HRC by 10-20 euros per ton beginning July 2007. However, Arcelor-Mittal has left prices unchanged for deliveries starting July 2007. We believe the number of steps taken by Chinese government to curb exports and strong demand in the CIS region will play out favorably on steel prices, when buying of steel by major buyers in Europe, US, Middle East countries starts after summer holidays.

High growth in crude steel production continues: Global crude steel output increased 10.3% to 540m tons during Jan-May 2007, driven by growth of 20.9% in China, 9.2% in India and 4.8% in rest of the world. China continues to maintain growth momentum in crude steel production of more than 20% for the sixth year in a row. The absolute volumes of crude steel production have increased by 50.4m tons during the same period and China continues to take the lion's share of this growth (67%).

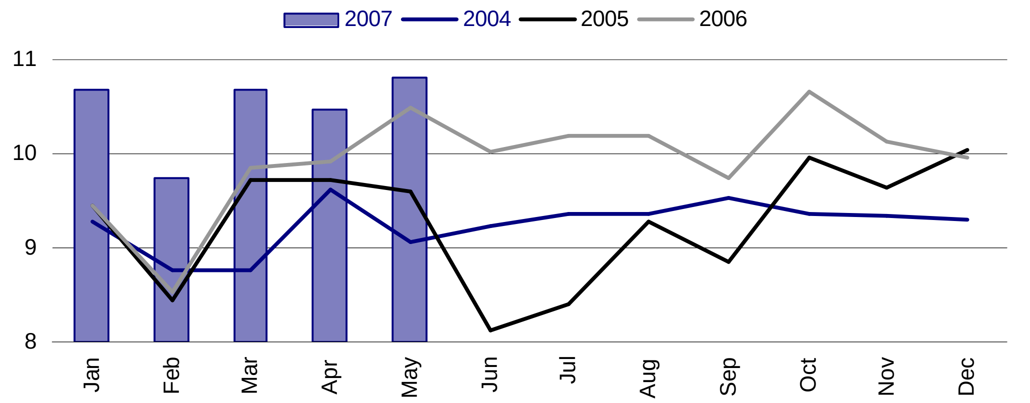
GLOBAL MONTHLY CRUDE STEEL PRODUCTION (M TON)



Source: IISI

1QCY07 strong growth of crude steel production in CIS region has moderated: Crude steel production in CIS (Commonwealth of Independent States) region, which had posted strong growth of 11.6% YoY during Jan-Mar 2007, has moderated to 8.5% during Jan-May 07 due to capacity bottlenecks.

CRUDE STEEL MONTHLY PRODUCTION IN CIS REGION (M TON)



Source: IISI

Double digit consumption growth in China continues: The consumption of finished steel in China continues to post double digit growth driven by continued momentum in fixed asset formation, industrial production and infrastructure construction.

FINISHED STEEL CONSUMPTION IN CHINA

MONTH	PRODUCTION (M TONS)	IMPORT (M TONS)	EXPORTS (M TONS)	MOM (%)	YOY (%)	APP. CONS.	YTD. (%)
Jan-07	40.4	1.5	4.4	-21.4	144	37.5	
Feb-07	38.6	1.2	4.4	0.0	132	35.4	15.0
Mar-07	47.0	1.6	5.4	22.7	93	43.2	15.6
Apr-07	46.3	1.6	7.2	33.3	167	40.7	13.9
May-07	47.5	1.4	6.2	-13.9	77	42.7	13.4

Source: Industry

We believe that integrated players like SAIL, Tata Steel and Jindal Steel & Power would continue to post YoY growth in 1QFY08 earnings. JSW steel will not be able to post QoQ volume growth due to shut down of its Corex furnaces. We expect average realization to be higher by 2-4% sequentially for all producers, due to improvement in general steel pricing scenario.

We maintain our positive view on integrated players: We believe that companies like SAIL, JSW Steel and Jindal Steel & Power will continue to show strong operating performance on account of their captive raw material and high volume growth. Tata Steel too is expected to post growth in EBITDA of Indian operations. We maintain our positive view on Tata Steel, SAIL, and JSW Steel.

Non-ferrous metals

During 1QFY08, aluminium prices remained stable and averaged US$2,804 per ton. However, copper prices recovered 27% QoQ on resumption of buying by China. Strong demand for non-ferrous metal and low inventory levels indicate that prices of non-ferrous metals will remain strong in the near term. However, copper is expected to remain volatile.

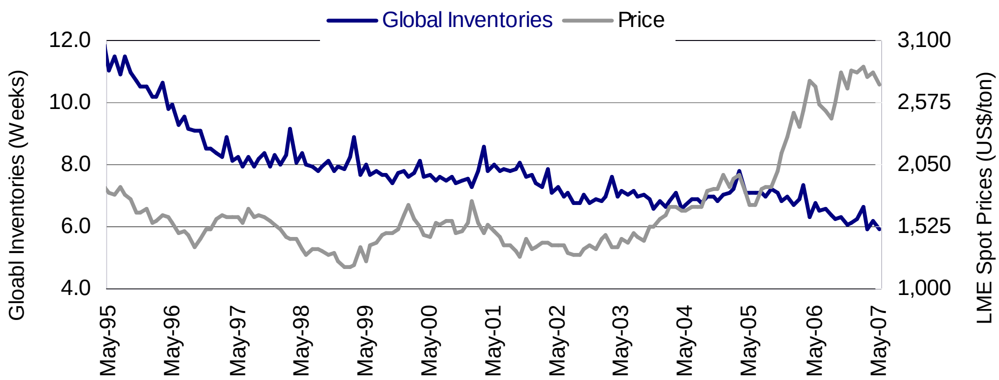
QUATERLY AVERAGE OF METAL PRICES (US$/TON)

QUARTER	ALUMINIUN			COPPER			ALUMINA SPOT PRICES		
	AVERAGE	QOQ (%)	YOY (%)	AVERAGE	QOQ (%)	YOY (%)	AVERAGE	QOQ (%)	YOY (%)
1QFY08	2,804	2	4	7,579	27	6	360	12	-38
4QFY07	2,748	1	12	5,975	-16	23	322	34	-47
3QFY07	2,726	8	32	7,096	-7	72	240	-29	-55
2QFY07	2,531	-6	37	7,628	7	115	340	-42	-21
1QFY07	2,684	10	50	7,158	47	123	583	-4	34
4QFY06	2,447	18	29	4,862	18	55	607	15	46
3QFY06	2,071	12	14	4,130	17	39	530	23	32
2QFY06	1,849	3	8	3,544	10	27	432	0	29
1QFY06	1,795	-5	6	3,213	3	19	434	5	-5

Source: LME and Metal Bulletin

Aluminium prices remained firm and grew 12% YoY: Aluminium prices at LME continued to rule firm and average prices were higher by 2% QoQ and 4% YoY during 1QFY08 on account of continued strong demand and falling inventories.

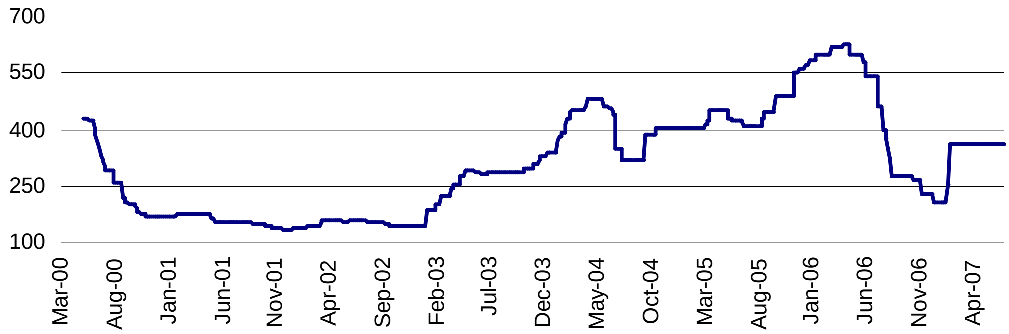
GLOBAL INVENTORIES AND PRICES OF ALUMINIUM



Source: IAI and LME

Average spot prices of alumina remained firm during the quarter and increased by 12% QoQ in 1QFY08. Indian alumina producers tend to gain from firm spot prices. However, the gains for NALCO got negated as long term contracts in 2007 were negotiated at lower prices.

ALUMINA SPOT PRICES (US$/TON)



Source: Metal Bulletin

Spot TCRCs weakened further: Since the start of the year, spot copper TCRCs have fallen further. Mid-year contracts are being negotiated below US$50/5USc without price participation, lower than earlier contracts of US$60/6USc. Hindustan Copper is reported to have accepted TC/RC around US$36/3.6USc while Sterlite and Hindalco have taken stand not to agree below US$40/4USc. However, their pricing power is limited in global copper TCRCs market. Since most of the smelters in India would have exhausted Brick contracts of 2006 which had the element of price participation, we expect the earnings of smelters to decline further in coming quarters. This will affect Sterlite and Hindalco adversely.

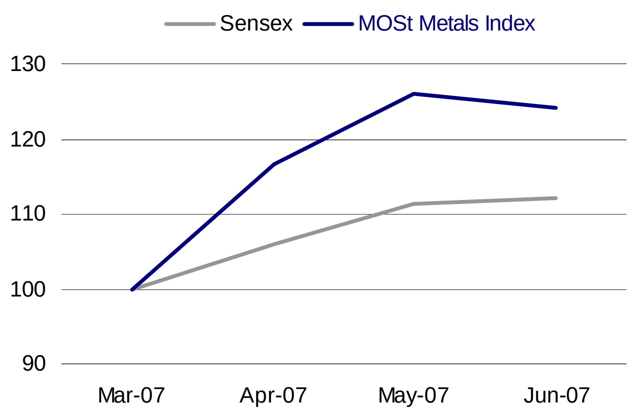
We remain Neutral on Nalco: The fundamentals remain robust for aluminum, driven by strong global demand. Though the spot prices of alumina have recovered substantially, Nalco's average realization on alumina will remain under pressure due to obligation of long term contracts at lower LME-linked prices. The financial performance will continue to trend lower in the coming quarters. We maintain Neutral on Nalco. We are still waiting for more clarity on Novelis from Hindalco and would be reviewing our rating thereafter.

Stock performance and valuations

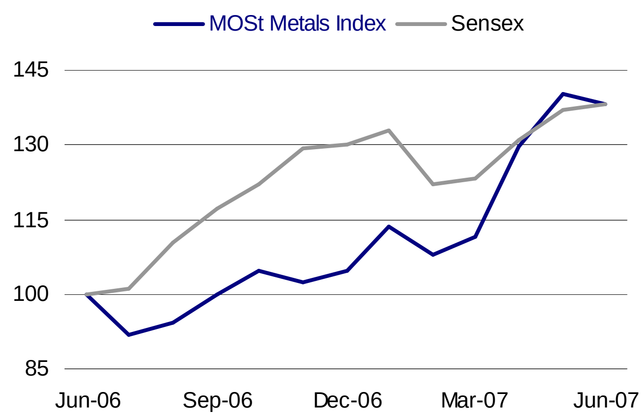
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Metals						
Hindalco	23	-8	11	-47	-1	-47
Jindal Steel & Power	45	145	33	107	21	107
JSW Steel	24	122	12	84	0	84
Nalco	11	14	-1	-24	-13	-24
SAIL	15	61	3	23	-9	23
Tata Steel	33	12	21	-26	9	-26

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Metals														
Hindalco	160	UR	24.2	22.8	25.3	6.6	7.0	6.3	4.9	4.7	4.3	22.8	16.8	16.0
Jindal Steel & Power	3,452	Buy	228.3	306.8	342.6	15.1	11.3	10.1	10.2	7.4	5.7	28.3	28.1	26.5
JSW Steel	611	Buy	71.7	99.3	106.1	8.5	6.2	5.8	5.2	3.9	4.1	24.7	25.8	22.7
Nalco	259	Neutral	37.0	30.6	31.8	7.0	8.5	8.2	3.8	4.8	4.4	30.8	21.6	19.2
SAIL	131	Buy	14.6	18.9	21.3	9.0	7.0	6.2	4.7	3.5	3.1	34.8	32.8	28.7
Tata Steel	597	Buy	70.2	91.9	110.9	8.5	6.5	5.4	6.8	5.3	4.4	29.0	23.6	23.0
Sector Aggregate						**9.3**	**7.1**	**6.2**	**5.5**	**4.7**	**4.0**	**29.3**	**24.9**	**23.2**

Hindalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HNDL IN
	REUTERS CODE
S&P CNX: 4,318	HALC.BO

Equity Shares (m)	1,159.3
52-Week Range	193/125
1,6,12 Rel. Perf. (%)	12/-14/-47
M.Cap. (Rs b)	185.7
M.Cap. (US$ b)	4.6

29 June 2007

Under Review

Previous Recommendation: Buy Rs160

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	199,548	28,006	24.2	77.5	6.6	1.5	22.8	18.8	1.1	4.9
3/08E	222,727	26,399	22.8	-5.7	7.0	1.2	16.8	15.5	1.0	4.7
3/09E	261,596	29,274	25.3	10.9	6.3	1.0	16.0	15.6	0.8	4.3

Novelis not included

- For 1QFY08, we expect Hindalco to report a net profit of Rs6.6b, 9% higher YoY, driven by improvement in aluminium prices and volume growth of 20% in aluminium and 30% in copper. However, the falling spot TCRCs would drag the earnings.
- The company has been continuously working on increasing the capacity utilization and minimizing the operational disruption. Copper smelter Cu-2 remained shut due to falling weak spot TCRCs. Mitsubishi copper smelter Cu-3 is expected to ramp up to full capacity in FY08.
- Hindalco has aggressive plans to increase the capacity of primary aluminium from 0.5mtpa to 1.5mtpa in the next five years and has recently acquired Novelis, the largest producer of rolled products.
- We are still waiting for more clarity on the strategy of turning around the performance of Novelis and would be reviewing the rating thereafter.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**42,737**	**46,342**	**46,562**	**47,489**	**50,921**	**49,393**	**51,820**	**51,820**	**183,130**	**203,955**
Change (YoY %)	*93.6*	*74.2*	*62.0*	*29.8*	*19.1*	*6.6*	*11.3*	*9.1*	*60.7*	*11.4*
Total Expenditure	33,403	36,478	36,109	36,340	40,447	40,228	41,951	41,952	142,330	164,578
EBITDA	**9,334**	**9,864**	**10,453**	**11,149**	**10,474**	**9,165**	**9,869**	**9,868**	**40,800**	**39,377**
Change (YoY %)	*54.4*	*102.2*	*79.3*	*19.9*	*12.2*	*-7.1*	*-5.6*	*-11.5*	*56.6*	*-3.5*
As % of Net Sales	*21.8*	*21.3*	*22.4*	*23.5*	*20.6*	*18.6*	*19.0*	*19.0*	*22.3*	*19.3*
Interest	634	515	698	577	577	577	602	627	2,424	2,383
Depreciation	1,341	1,353	1,384	1,576	1,475	1,475	1,475	1,475	5,654	5,900
Other Income	776	1,108	584	1,233	700	1,200	700	700	3,701	3,300
PBT (before EO Item)	**8,135**	**9,104**	**8,955**	**10,229**	**9,122**	**8,313**	**8,492**	**8,466**	**36,423**	**34,394**
Extra-ordinary Income	0	-727	0	-650	0	0	0	0	-1,377	0
PBT (after EO Item)	**8,135**	**8,377**	**8,955**	**9,579**	**9,122**	**8,313**	**8,492**	**8,466**	**35,046**	**34,394**
Total Tax	2,120	2,401	2,516	2,366	2,563	2,336	2,386	2,379	9,403	9,665
% Tax	*26.1*	*28.7*	*28.1*	*24.7*	*28.1*	*28.1*	*28.1*	*28.1*	*26.8*	*28.1*
Reported PAT	**6,015**	**5,976**	**6,439**	**7,213**	**6,559**	**5,977**	**6,106**	**6,087**	**25,643**	**24,729**
Adjusted PAT	**6,015**	**6,495**	**6,439**	**7,702**	**6,559**	**5,977**	**6,106**	**6,087**	**26,651**	**24,729**
Change (YoY %)	*61.1*	*107.4*	*89.5*	*22.9*	*9.0*	*-8.0*	*-5.2*	*-21.0*	*61.2*	*-7.2*

E: MOSt Estimates

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Jindal Steel & Power

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	JSP IN
	REUTERS CODE
S&P CNX: 4,318	JNSP.BO

Equity Shares (m)	30.8
52-Week Range	3,750/1,270
1,6,12 Rel. Perf. (%)	7/46/107
M.Cap. (Rs b)	106.3
M.Cap. (US$ b)	2.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs3,452

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	35,198	7,030	228.3	22.7	15.1	4.3	28.4	15.6	4.1	10.2
3/08E	50,193	9,447	306.8	34.4	11.3	3.2	28.1	20.6	2.7	7.4
3/09E	55,133	11,918	342.6	11.7	10.1	2.7	26.6	25.6	2.5	6.3

- For 1QFY08, we expect net sales to grow 75.5%YoY to Rs11.7b, driven by volume growth in steel business. Ramp up of recently commissioned 1.25mtpa blast furnace would drive the crude steel production. The improved capacity utilization of RUBM due to stabilization of mill and commissioning of plate mill will increase the share of rolled products.
- EBITDA is likely to move up 33% YoY to Rs4.3b. EBITDA margin is likely to decline to 36.9% due to change in product mix (iron ore, sponge iron, steel, power) in favor of steel products.
- Depreciation and interest expenses are likely to move up due to full impact of capex. Post-tax adjusted profit is likely to move up 40% to Rs2.1b.
- The first phase of 250MW of 1,000MW power is delayed and is now expected by September 2007.
- We expect Jindal Steel & Power's stand-alone business to post EPS of Rs343 in FY09, factoring in the flat realization and strong volume growth at a CAGR of 72% to 2mtpa by FY09E. We expect JPL to contribute Rs127 to the EPS of company in FY09. The stock is trading at a P/E of 7.4x consolidated EPS of Rs470 for FY09E. Maintain **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**6,662**	**7,896**	**10,101**	**10,539**	**11,695**	**11,896**	**12,548**	**14,054**	**35,198**	**50,193**
Change (YoY %)	*5.8*	*27.1*	*61.6*	*56.5*	*75.5*	*50.6*	*24.2*	*33.3*	*35.9*	*42.6*
Total Expenditure	3,413	4,812	6,327	6,622	7,376	7,503	7,914	8,864	21,174	31,657
EBITDA	**3,249**	**3,085**	**3,773**	**3,917**	**4,319**	**4,393**	**4,634**	**5,190**	**14,024**	**18,535**
Change (YoY %)	*21.7*	*18.5*	*64.5*	*45.8*	*32.9*	*42.4*	*22.8*	*32.5*	*39.3*	*32.2*
As % of Net Sales	*48.8*	*39.1*	*37.4*	*37.2*	*36.9*	*36.9*	*36.9*	*36.9*	*39.8*	*36.9*
Interest	558	330	363	250	456	463	489	548	1,501	1,956
Depreciation	621	642	919	1,183	934	934	934	934	3,365	3,734
Other Income	32	33	24	201	64	65	69	77	290	275
PBT	**2,103**	**2,145**	**2,516**	**2,685**	**2,994**	**3,061**	**3,280**	**3,786**	**9,448**	**13,121**
Total Tax	572	573	617	657	856	871	918	1,029	2,419	3,674
% Tax	*27.2*	*26.7*	*24.5*	*24.5*	*28.6*	*28.4*	*28.0*	*27.2*	*25.6*	*28.0*
Reported PAT	**1,531**	**1,572**	**1,899**	**2,028**	**2,138**	**2,190**	**2,362**	**2,757**	**7,030**	**9,447**
Adjusted PAT	**1,531**	**1,572**	**1,899**	**2,028**	**2,138**	**2,190**	**2,362**	**2,757**	**7,030**	**9,447**
Change (YoY %)	*1.9*	*8.0*	*50.1*	*34.6*	*39.6*	*39.3*	*24.4*	*36.0*	*22.7*	*34.4*

E: MOSt Estimates

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JSW Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	JSTL IN
	REUTERS CODE
S&P CNX: 4,318	JSTL.BO

Equity Shares (m)	172.0
52-Week Range	645/224
1,6,12 Rel. Perf. (%)	-2/52/84
M.Cap. (Rs b)	105.2
M.Cap. (US$ b)	2.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs611

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	85,944	12,339	71.7	90.5	8.5	2.0	23.6	22.0	1.6	5.0
3/08E	104,290	17,075	99.3	38.4	6.2	1.6	25.8	25.7	1.3	3.9
3/09E	112,445	18,242	106.1	6.8	5.8	1.3	22.7	21.0	1.4	4.1

- For 1QFY08, we expect net sales to increase 58% YoY to Rs24.7b, driven by 40% higher volumes and 12.6% higher realization. QoQ growth in volume is muted due to shut down of Corex 2 in April and preventive maintenance of Corex 1 in the month of June.
- EBITDA is expected to grow 87% YoY and margins to improve 550bp to 34.5% due to cost savings and better realization. Profit after tax is likely to increase 133% YoY to Rs4b.
- JSW Steel raised $325m through FCCB. The issue is being priced at Rs953.4 (premium of 50% over closing price of Rs635.6 on May 29, 2007). The FCCB will bear Zero Coupon and has a maturity of five years and one day at YTM (yield to maturity) of 7.25%. The issue will dilute equity of Rs1.72b by 8.1% on conversion.
- We are estimating EPS of Rs99.3 and Rs106.1 for FY08 and FY09 respectively. We will be factoring in dilution on account of this FCCB only later in FY10 onwards on visibility of conversion. The stock is trading at a P/E of 6.2x FY08 and 5.8x FY09. Maintain **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales ('000 tons)	543	656	688	784	760	820	850	900	2,671	3,330
Change (YoY %)	*21.5*	*15.7*	*33.1*	*33.0*	*40.0*	*25.0*	*23.5*	*14.8*	*26.1*	*24.7*
Realization (Rs per ton)	28,902	33,454	33,452	31,869	32,546	31,299	30,935	30,661	32,063	31,318
Change (YoY %)	*-16.1*	*23.1*	*13.9*	*18.6*	*12.6*	*-6.4*	*-7.5*	*-3.8*	*9.9*	*-2.3*
Net Sales	**15,694**	**21,946**	**23,015**	**24,985**	**24,735**	**25,665**	**26,295**	**27,595**	**85,640**	**104,290**
Change (YoY %)	*2.0*	*42.5*	*51.6*	*57.8*	*57.6*	*16.9*	*14.3*	*10.4*	*38.6*	*21.8*
Total Expenditure	11,136	14,983	15,318	16,954	16,205	16,838	17,159	17,694	58,390	67,895
EBITDA	**4,558**	**6,963**	**7,697**	**8,032**	**8,530**	**8,827**	**9,136**	**9,901**	**27,250**	**36,395**
Change (YoY %)	*-6.9*	*86.2*	*83.4*	*100.2*	*87.1*	*26.8*	*18.7*	*23.3*	*59.4*	*33.6*
As % of Net Sales	*29.0*	*31.7*	*33.4*	*32.1*	*34.5*	*34.4*	*34.7*	*35.9*	*31.8*	*34.9*
EBITDA (Rs per ton)	8,394	10,614	11,188	10,245	11,224	10,765	10,749	11,002	10,202	10,929
Interest	887	967	1,107	1,016	1,100	1,100	1,100	1,100	3,978	4,401
Depreciation	1,025	1,164	1,295	1,498	1,500	1,500	1,500	1,500	4,982	6,000
Other Income	16	84	64	245	75	75	75	75	409	300
PBT (before EO Item)	**2,662**	**4,915**	**5,360**	**5,762**	**6,005**	**6,302**	**6,611**	**7,376**	**18,699**	**26,294**
EO Items	0	0	0	447	0	0	0	0	447	0
PBT (after EO Item)	**2,662**	**4,915**	**5,360**	**6,209**	**6,005**	**6,302**	**6,611**	**7,376**	**19,146**	**26,294**
Total Tax	959	1,452	1,738	2,077	2,042	2,143	2,248	2,508	6,226	8,940
% Tax	*36.0*	*29.5*	*32.4*	*33.4*	*34.0*	*34.0*	*34.0*	*34.0*	*32.5*	*34.0*
Reported PAT	**1,703**	**3,463**	**3,622**	**4,133**	**3,963**	**4,159**	**4,363**	**4,868**	**12,920**	**17,354**
Preference Dividend									279	279
Adjusted PAT	**1,703**	**3,463**	**3,622**	**3,835**	**3,963**	**4,159**	**4,363**	**4,868**	**12,339**	**17,075**
Change (YoY %)	*-15.0*	*225.8*	*151.4*	*148.0*	*132.7*	*20.1*	*20.5*	*26.9*	*108.7*	*38.4*

E: MOSt Estimates

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Nalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NACL IN
	REUTERS CODE
S&P CNX: 4,318	NALU.BO

Equity Shares (m)	644.3
52-Week Range	266/185
1,6,12 Rel. Perf. (%)	2/15/-24
M.Cap. (Rs b)	166.9
M.Cap. (US$ b)	4.1

29 June 2007

Neutral

Previous Recommendation: Neutral Rs259

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	59,425	23,807	37.0	54.3	7.0	2.2	30.8	38.5	2.2	3.8
3/08E	51,696	19,705	30.6	-17.2	8.5	1.8	21.6	26.0	2.7	4.8
3/09E	53,605	20,461	31.8	3.8	8.2	1.6	19.2	23.3	2.4	4.4

- For 1QFY08, we expect net sales to decline to Rs13.5b, down 9.5% YoY. The revenue of aluminium segment is expected to grow on account of 7% YoY higher metal prices at LME though the volumes would remain flat at 90,000 tons. The revenue from sale of alumina would decline 44%YoY due to substantial fall in alumina prices.
- EBITDA is expected to decline 17%YoY to Rs7.7b primarily on account of weak alumina prices despite stronger aluminium prices.
- Profit after tax is expected to decline 16.3% YoY to Rs5.3b on account of higher other income and lower tax rate.
- The stock is trading at P/E of 8.5x FY08E. The 33% capacity expansion a capex of Rs41b is expected to be completed by end of 2008 and benefits will accrue in FY10. We are **Neutral** on the stock due to absence of volume growth till FY09 and weak earnings from the alumina segment.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**14,855**	**14,416**	**14,486**	**15,668**	**13,445**	**12,987**	**12,751**	**12,514**	**59,425**	**51,696**
Change (YoY %)	*51.8*	*37.7*	*9.3*	*1.9*	*-9.5*	*-9.9*	*-12.0*	*-20.1*	*21.6*	*-13.0*
Total Expenditure	5,512	5,665	6,037	6,870	5,684	5,831	5,833	5,829	24,083	23,178
EBITDA	**9,344**	**8,751**	**8,449**	**8,798**	**7,761**	**7,155**	**6,917**	**6,685**	**35,341**	**28,518**
As % of Net Sales	*62.9*	*60.7*	*58.3*	*56.2*	*57.7*	*55.1*	*54.2*	*53.4*	*59.5*	*55.2*
Depreciation	787	771	744	819	787	771	744	798	3,121	3,100
Other Income	834	1,014	978	1,199	1,000	1,100	1,125	1,175	4,025	4,400
PBT (before EO Item)	**9,391**	**8,994**	**8,684**	**9,178**	**7,974**	**7,484**	**7,298**	**7,062**	**36,246**	**29,818**
Total Tax	3,168	3,044	2,958	3,270	2,704	2,538	2,475	2,395	12,440	10,113
% Tax	*33.7*	*33.8*	*34.1*	*35.6*	*33.9*	*33.9*	*33.9*	*33.9*	*34.3*	*33.9*
Reported PAT	**6,223**	**5,950**	**5,726**	**5,908**	**5,269**	**4,946**	**4,823**	**4,667**	**23,807**	**19,705**
Change (YoY %)	*121.8*	*110.2*	*45.7*	*-2.8*	*-15.3*	*-16.9*	*-15.8*	*-21.0*	*51.1*	*-17.2*

E: MOSt Estimates

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Steel Authority of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SAIL IN
	REUTERS CODE
S&P CNX: 4,318	SAIL.BO

Equity Shares (m)	4,130.4
52-Week Range	150/64
1,6,12 Rel. Perf. (%)	-10/47/26
M.Cap. (Rs b)	545.2
M.Cap. (US$ b)	13.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs131

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	342,025	60,481	14.6	50.4	9.0	3.2	35.2	43.7	1.4	4.7
3/08E	385,895	77,904	18.9	28.8	7.0	2.3	33.1	44.2	1.1	3.5
3/09E	391,218	85,156	20.6	9.3	6.4	1.8	28.3	38.7	1.0	3.2

- For 1QFY08, we expect net sales to grow 7.3% YoY to Rs73.6b. Revenue growth would be driven by 10% YoY increase in realization despite a 2.8% decline in sales volume. Production is expected to remain in line around 3m tons.
- EBITDA margin for the quarter is likely to expand 160bp YoY to 27.6%, largely driven by higher realizations and lower coking coal costs.
- Post-tax adjusted profit is likely to increase 30% YoY to Rs13.2b.
- FY08 earnings of SAIL will be driven by 12% YoY volume growth, leveraging fixed costs, and lower coking coal prices (from US$112 in FY07 to US$98 per ton in FY08). We expect EPS to increase 29% YoY to Rs18.9 in FY08E. The stock trades at EV/EBITDA of 3.5x FY08E and 3.2x FY09E – a substantial discount to Tata Steel 4.9x FY08E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales ('000 tons)	2,470	2,947	3,014	3,450	2,400	3,200	3,750	3,957	11,881	13,307
Change (YoY %)	*31.0*	*5.1*	*8.6*	*-10.3*	*-2.8*	*8.6*	*24.4*	*14.7*	*5.1*	*12.0*
Realization (Rs per Ton)	27,766	28,976	28,325	29,763	30,663	29,682	28,702	27,722	28,788	29,000
Change (YoY %)	*-7.2*	*12.5*	*24.1*	*24.2*	*10.4*	*2.4*	*1.3*	*-6.9*	*13.0*	*0.7*
Net Sales	**68,583**	**85,391**	**85,371**	**102,681**	**73,590**	**94,984**	**107,633**	**109,688**	**342,025**	**385,895**
Change (%)	*21.6*	*18.3*	*34.8*	*11.4*	*7.3*	*11.2*	*26.1*	*6.8*	*18.8*	*12.8*
EBITDA	**17,803**	**23,333**	**26,226**	**31,566**	**20,324**	**31,666**	**34,806**	**32,648**	**98,928**	**119,444**
Change (YoY %)	*-10.8*	*18.9*	*91.1*	*108.2*	*14.2*	*35.7*	*32.7*	*3.4*	*44.5*	*20.7*
As % of Net Sales	*26.0*	*27.3*	*30.7*	*30.7*	*27.6*	*33.3*	*32.3*	*29.8*	*28.9*	*31.0*
EBITDA per ton	7,208	7,918	8,701	9,149	8,468	9,896	9,282	8,251	8,327	8,976
Interest	937	924	906	555	500	550	650	800	3,321	2,500
Depreciation	2,959	3,035	3,299	2,822	2,893	3,156	3,419	3,682	12,115	13,150
Other Income	1,513	2,261	2,231	2,388	2,746	2,995	3,245	3,494	8,392	12,480
PBT (after EO Inc.)	**21,002**	**21,635**	**22,342**	**29,247**	**19,677**	**30,955**	**33,982**	**31,661**	**94,226**	**116,274**
Total Tax	7,138	7,207	7,630	10,228	6,493	10,215	11,214	10,448	32,203	38,371
% Tax	*34.0*	*33.3*	*34.2*	*35.0*	*33.0*	*33.0*	*33.0*	*33.0*	*34.2*	*33.0*
Reported PAT	**13,864**	**14,428**	**14,712**	**19,019**	**13,183**	**20,740**	**22,768**	**21,213**	**62,023**	**77,904**
Adjusted PAT	**10,179**	**14,428**	**15,969**	**19,884**	**13,183**	**20,740**	**22,768**	**21,213**	**60,481**	**77,904**
Change (YoY %)	*-9.6*	*28.0*	*133.3*	*80.2*	*29.5*	*43.7*	*42.6*	*6.7*	*50.7*	*28.8*

E: MOSt Estimates; Quarterly results don't add up with full year results due to restating of past quarter results.

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Tata Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TATA IN
	REUTERS CODE
S&P CNX: 4,318	TISC.BO

Equity Shares (m)	852.2
52-Week Range	662/399
1,6,12 Rel. Perf. (%)	-7/18/-26
M.Cap. (Rs b)	466.7
M.Cap. (US$ b)	11.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs597

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	252,133	42,786	70.2	3.1	7.8	2.2	27.6	31.6	1.3	4.2
3/08E	1,206,123	78,289	91.9	30.8	6.0	1.4	23.6	15.6	0.7	5.0
3/09E	1,263,837	94,505	110.9	20.7	4.9	1.1	23.0	16.3	0.6	4.1

PAT and EPS numbers are consolidated

Standalone – Indian operations

- For 1QFY08, we expect net sales to increase 8.6% YoY to Rs45.7b, driven by 8.6% YoY higher realization and 9.4% higher volumes due to ramp-up of 5mtpa expansion. EBITDA margin is expected to improve by 60bp only due to price hikes getting partially offset by overall cost escalations. Higher interest and lower other income due to liquidation of investments for funding Corus acquisition and capex would result in PAT increasing only 8.3% YoY to Rs10.5b.

Consolidated results

- Consolidated earnings of Tata Steel would significantly increase 92.4% YoY to Rs19.4b due to consolidation of results of Corus in 1QFY08 for the first time. The EBITDA of Corus would increase to £281m i.e. a margin of 9.7%.
- We expect consolidated earnings per share to grow at a CAGR of 26% during FY07-09, driven by overall volume growth and margin expansion in Corus. Adjusting for the forthcoming 1:5 rights issue at Rs300/share, the effective cost of stock ownership works out to Rs547/share. Thus, the stock trades at 4.9x FY09E EPS and at 1.1x FY09E BV (RoE of 23%). We reiterate **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales ('000 tons)	1,115	1,184	1,234	1,261	1,220	1,265	1,272	1,297	4,794	5,055
Change (YoY %)	*27.4*	*0.4*	*11.5*	*0.4*	*9.4*	*6.9*	*3.0*	*2.9*	*8.5*	*5.4*
Realization (Rs per ton)	31,133	31,656	32,236	35,135	33,800	32,000	32,500	32,155	32,599	32,600
Change (YoY %)	*-10.1*	*6.0*	*8.5*	*21.8*	*8.6*	*1.1*	*0.8*	*-8.5*	*6.9*	*0.0*
Net Sales	**39,159**	**41,858**	**44,700**	**49,804**	**45,736**	**44,993**	**45,831**	**46,218**	**175,520**	**182,778**
Change YoY (%)	*13.0*	*8.3*	*21.4*	*20.6*	*16.8*	*7.5*	*2.5*	*-7.2*	*15.9*	*4.1*
EBITDA	**15,813**	**17,048**	**17,836**	**19,035**	**18,774**	**17,027**	**17,726**	**17,545**	**69,733**	**71,073**
As % of Net Sales	*40.4*	*40.7*	*39.9*	*38.2*	*41.0*	*37.8*	*38.7*	*38.0*	*39.7*	*38.9*
EBITDA(Rs/tss)	12,871	13,236	13,398	13,977	14,469	12,570	13,058	12,660	13,387	12,968
Interest	293	478	520	448	1,260	1,260	1,260	1,260	1,739	5,040
Depreciation	1,951	1,957	1,991	2,294	2,250	2,250	2,250	2,250	8,193	9,000
Other Income	779	1,772	987	798	250	250	250	250	4,337	1,000
PBT (before EO Inc.)	**14,348**	**16,386**	**16,313**	**17,091**	**15,514**	**13,767**	**14,466**	**14,285**	**64,138**	**58,033**
EO Income(exp)	-184	-443	-493	-401	-405	-405	-405	-405	-1,521	-1,620
PBT (after EO Inc.)	**14,164**	**15,943**	**15,820**	**16,690**	**15,109**	**13,362**	**14,061**	**13,880**	**62,617**	**56,413**
Total Tax	4,630	4,928	5,183	5,655	4,923	4,358	4,584	4,526	20,395	18,390
% Tax	*32.7*	*30.9*	*32.8*	*33.9*	*32.6*	*32.6*	*32.6*	*32.6*	*32.6*	*32.6*
Reported PAT	**9,534**	**11,015**	**10,638**	**11,035**	**10,186**	**9,004**	**9,477**	**9,355**	**42,222**	**38,022**
Adjusted PAT	**9,658**	**11,321**	**10,969**	**11,300**	**10,459**	**9,277**	**9,750**	**9,628**	**43,247**	**39,114**
Change (YoY %)	*2.3*	*6.3*	*41.9*	*48.6*	*8.3*	*-18.1*	*-11.1*	*-14.8*	*22.1*	*-9.6*

E: MOSt Estimates; tss=ton of steel sales; Exchange rate assumed GBP=1.98 USD, USD=41.0 INR

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Oil & Gas

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

High oil prices, strong refining margins, but mixed petchem margins

YoY comparative (v/s 1QFY07)

- Benchmark Singapore refining complex margins up 7% at US$9.5/bbl (v/s US$8.9/bbl in 1QFY07)
- Brent average marginally down by 1.6% at US$68.7/bbl v/s US$69.8/bbl; Dubai crude flat at US$64.7/bbl
- Mixed petrochemical margins (spread over naphtha)
- Polymer margins have moved up – PE up 11.4%; PP up 13.4 %
- Marginal decline in intermediates – PTA down 1.5%; MEG down 0.2%
- Mixed integrated polyester margins – POY down 9%, PSF up 2%

QoQ comparative (v/s 4QFY07)

- Benchmark Singapore refining margins up 39% from US$6.8/bbl
- Brent average up 18% from US$58.1/bbl; Dubai average up 16.4% from US$55.6/bbl
- Petrochemical margins (spread over naphtha) largely down
- PE down 8.8%; PP down 8.3%, PTA down 10.5%; MEG down 10.1%
- POY down 6.8%; PSF down 5.7%

Factors to watch for

- **Fuel under-recovery sharing mechanism:** Quantum of oil bonds and timing, clarity on sharing of under-recoveries by upstream players and balance net under-recoveries would be key numbers that could significantly change the bottomlines of state-owned oil companies. We have assumed oil bonds issue of Rs53b in 1QFY08 to OMCs. However, if no oil bonds are announced for 1QFY08, the OMCs could report losses in 1QFY08. We have not assumed any price increases for FY08.
- **Retail fuel price hike:** Media reports indicate that the government is considering a price hike. Significant hikes could reduce under-recoveries going forward.

We have not factored in any sale of current oil bond holdings. Any sale at a discount would impact profits of oil-marketing companies.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Oil & Gas							
BPCL	Buy	255,198	0.3	10,494	-	5,629	-
Chennai Petroleum	Neutral	77,123	1.0	4,727	-1.3	2,544	-0.1
GAIL	Neutral	39,632	-2.8	7,706	-18.2	4,911	-17.0
HPCL	Buy	234,371	3.3	6,599	-	3,489	-
IOC	Buy	604,811	24.2	30,114	-	16,688	-
IPCL	Neutral	31,748	5.2	5,619	0.5	2,863	11.0
Indraprastha Gas	Not Rated	1,686	24.2	731	35.1	404	46.2
ONGC	Buy	145,204	-0.6	76,806	-5.3	39,083	-5.1
Reliance Inds.	Neutral	292,312	19.2	50,356	18.8	31,135	22.2
Sector Aggregate		**1,682,085**	**11.5**	**193,152**	**51.4**	**106,746**	**100.7**

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Oil prices: continue to remain high

1QFY08 highlights

- Brent down 1.6% YoY at US$68.7/bbl (v/s US$69.8/bbl in 1QFY07)
- Brent up 18% QoQ (v/s US$58.1/bbl in 4QFY07)

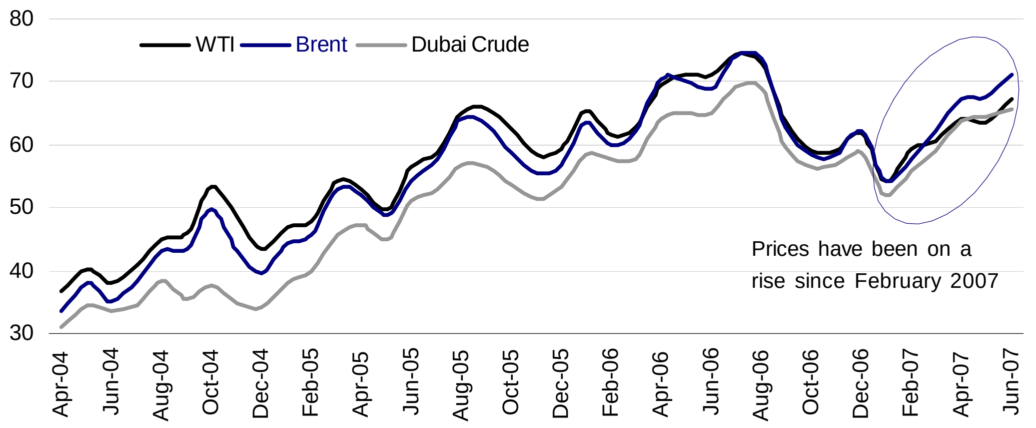
Oil prices continue to be high, at levels similar to the highs seen in 1QFY07. Prices have continuously been rising since recent lows in January 2007, driven by resilient product demand, limited oil spare capacity and continued tightness downstream. Prices continue to have some fear premium due to geo-political issues in Iran, Nigeria, Lebanon, etc. Natural factors like Cyclone Gonu in the Middle East have also contributed to price rises.

Despite high prices, global oil demand remains robust. IEA has revised its demand estimates for 2007 upwards by 420kb/d to 86.1mmb/d and now estimates that demand would grow by 1.7mmb/d in 2007. Similarly in its latest forecast, EIA expects global demand to increase by 1.4mmb/d in 2007 and 1.6mmb/d in 2008.

As per EIA's short-term outlook, rising oil demand is likely to outpace growth in non-OPEC supply, in the coming months. To maintain normal inventory levels, EIA assumes that OPEC 11 would increase production by over 1mmb/d. If OPEC production does not increase and inventory levels decline, upward price pressures could result.

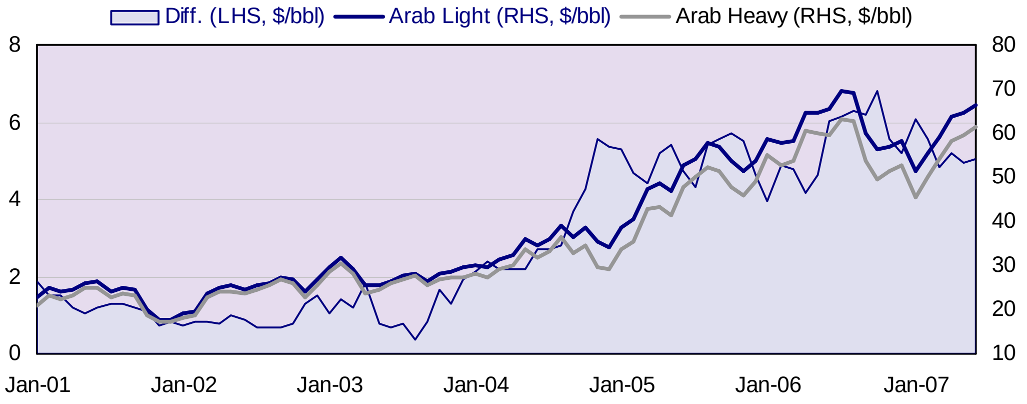
With OPEC not committing to any production increases, continued geo-political uncertainties, limited oil spare capacity, and threat of another active hurricane season in the US make oil markets highly vulnerable. We do not see a significant drop in prices or reduction in volatility in the coming few months.

HIGH & RISING OIL PRICES (US$/BBL)



Source: Bloomberg/Motilal Oswal Securities

ARAB LIGHT – HEAVY DIFFERENTIALS CONTINUE TO REMAIN HIGH



Source: Bloomberg/Motilal Oswal Securities

Refining margins: significantly firmed up

1QFY08 highlights

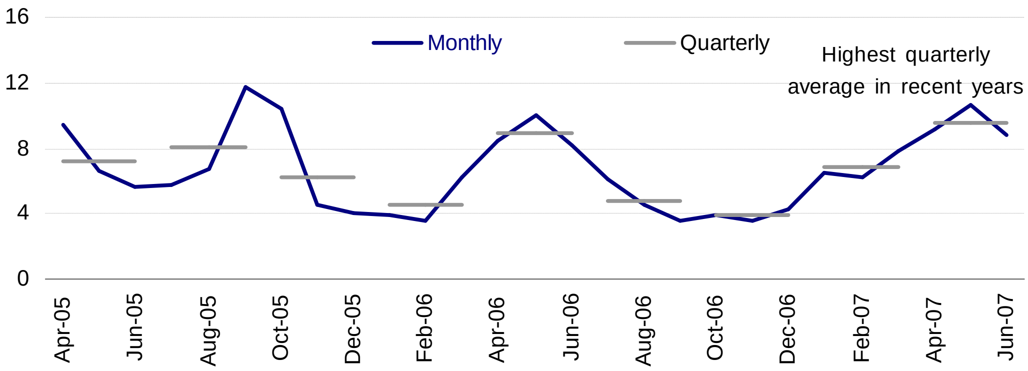
- Singapore refining complex margins up 7% at US$9.5/bbl (v/s US$8.9/bbl in 1QFY07)
- Up 39% QoQ (v/s US$6.8/bbl in 4QFY07)

Refining margins continue to remain high in US and Europe due to strong product demand, tight gasoline inventory position, and several planned and unplanned refinery shutdowns.

Asian cracking margins also further firmed up in 1QFY08, as the Asian refinery maintenance season coincided with tight product markets. Tightness in gasoline markets meant that gasoline price rise was much steeper than oil price rise.

EIA projects that motor gasoline inventories would continue to be tight during the current summer season. These inventories, which normally increase in April, declined as a result of refinery maintenance problems and low imports. Tight inventory situation is likely to keep gasoline prices high, resulting in higher refinery profit margins than last summer.

FIRMED UP SINGAPORE CRACK MARGINS (US$/BBL)



Source: Industry/Motilal Oswal Securities

Fuel under-recoveries: continue to be high

High fuel marketing under-recoveries and its sharing mechanism remains a key concern for all state-owned oil companies. We estimate total under-recoveries post budgetary subsidy by GoI at Rs117b for 1QFY08, which implies that oil-marketing companies have under-recoveries of nearly Rs1.3b per day.

There have been no price increases in retail fuels for more than a year despite continued high crude oil prices. Recent media reports indicate that the government is seriously considering price hikes for retail products. Significant price increase, especially for kerosene and LPG, could bring down the level of under-recoveries. However, we have not factored in any price increase in our FY08 estimates.

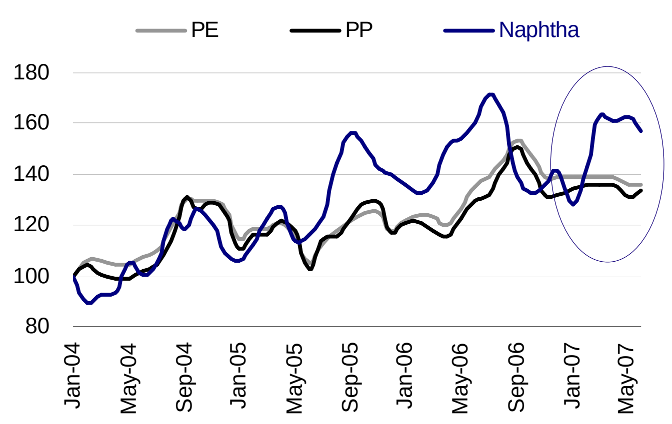
Crude and product prices continue to remain high globally, and we see no signs of significant price reversals. However, PSU OMCs do not have the liberty to pass on the prices to consumers. There is still no clarity on subsidy sharing mechanism for FY08, the timing and quantum of oil bonds, and of fuel price hikes if any. Thus, more than the core business fundamentals, reported earnings of most PSU oil companies will depend more on the Govt's policies, timing and quantum of discount reimbursement in our view.

We assume that for 1QFY08, the sharing of upstream burden would happen in the following manner: 40% by upstream companies (41.5% last year), 45% through oil bonds, and the rest 15% by state-owned oil-marketing companies (8% last year). Delayed announcement of oil bonds (for 1QFY07, oil bonds were announced only in 2QFY07) could result in all the state-owned oil-marketing companies reporting losses.

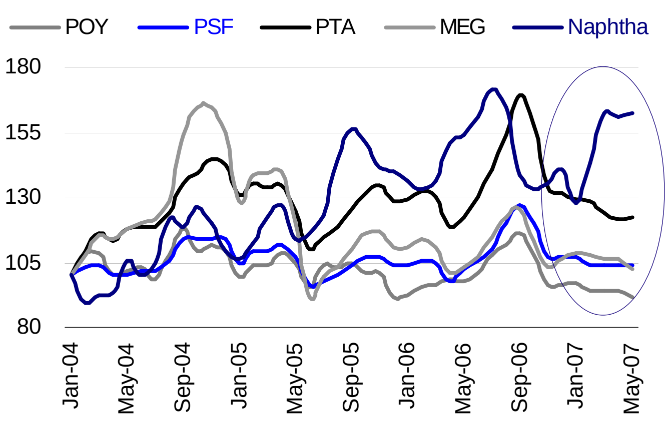
Petrochemical margins: coming off the peak

The decline in key petrochemical product spreads, which started in 3QFY07, continued in 1QFY08. In the recent months, higher naphtha prices have resulted in cost pressure, but petrochemical prices have risen only marginally, resulting in steep declines in margins.

RELATIVE PRICES - NAPHTHA VS POLYMERS



RELATIVE PERFORMANCE - NAPHTHA VS POLYESTER CHAIN



Source: Industry/ Motilal Oswal Securities

The domestic spread of all key products declined significantly as shown in the table below. The largest YoY decline has been in polyester intermediates.

KEY PRODUCT SPREADS (RS/KG)

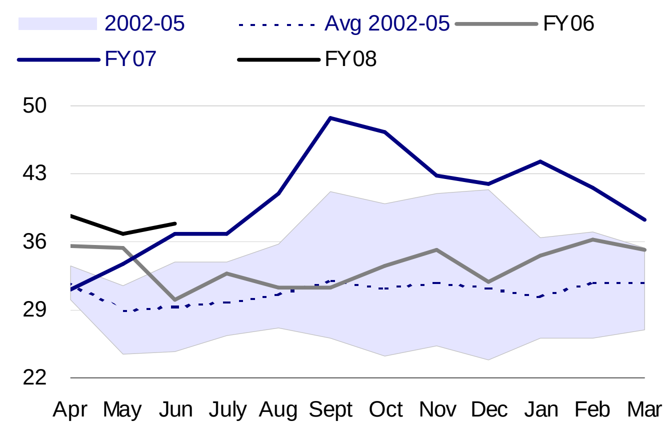
	1QFY08	1QFY07	QOQ CH (%)	4QFY07	YOY CH (%)
PE	37.73	33.87	11.4	41.37	-8.8
PP	38.26	33.74	13.4	41.74	-8.3
PTA	24.10	24.46	-1.5	26.94	-10.5
MEG	24.42	24.46	-0.2	27.15	-10.1
POY integrated	44.33	48.70	-9.0	47.56	-6.8
PSF integrated	44.52	43.69	1.9	47.22	-5.7

** PE,PP,PTA and MEG spreads over naptha, POY & PSF spreads over PTA-MEG adjusted for consumption norms*

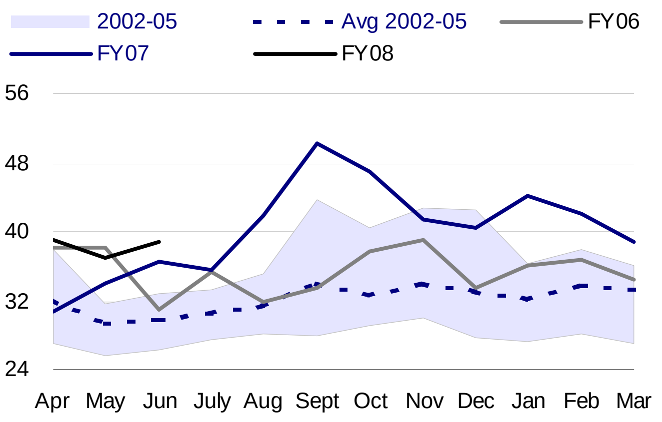
Source: Company/Motilal Oswal Securities

Polymer spreads continue to remain high and over historical averages as shown below. However, we believe that a downturn in the polymer chain is inevitable, in view of excess capacities coming online in Middle East and China. However, as most capacity additions have now been delayed to 2009, from the earlier expectation of 2008, we believe that the downturn would now begin in mid-2008.

PE SPREAD OVER NAPHTHA (RS/KG)



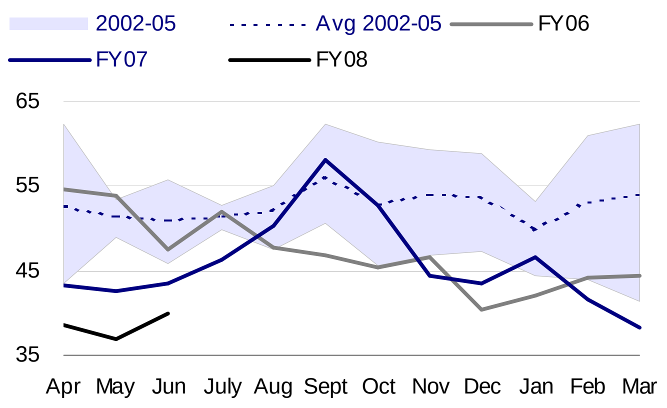
PP SPREAD OVER NAPHTHA (RS/KG)



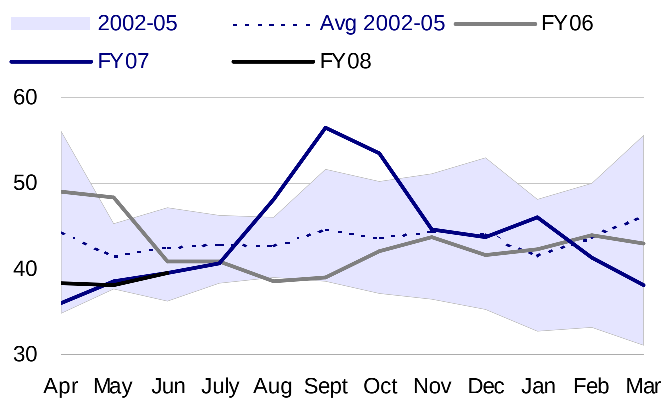
Source: Industry/ Motilal Oswal Securities

The polyester chains are already witnessing a downturn. Spreads for all key products remain below historical averages as shown below. We do not expect any significant recovery in polyester chain margins. Though feedstock costs have increased, cotton prices, which provide the ceiling, have not moved up in tandem. Adding to the pressure is large polyester overcapacity in China, which continues to add over 2m tonne of polyester capacity every year. This is over and above the 5-6m tonne of global overcapacity.

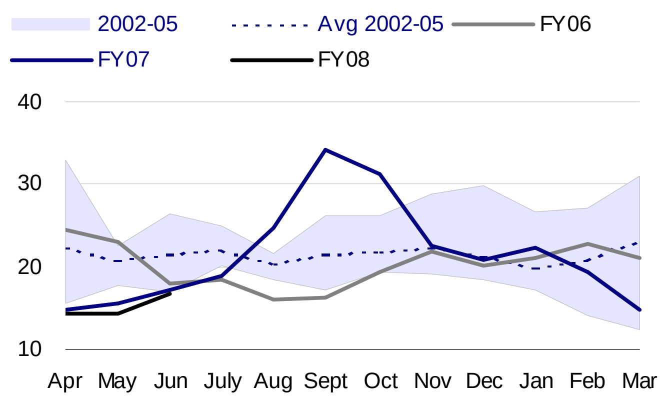
POY SPREAD OVER NAPHTHA (RS/KG)



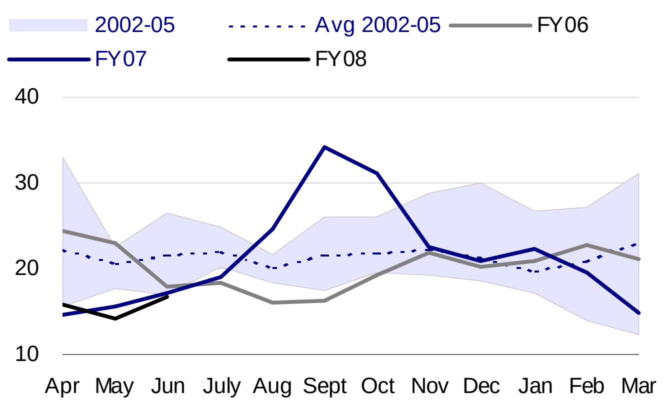
PSF SPREAD OVER NAPHTHA (RS/KG)



PTA SPREAD OVER NAPHTHA (RS/KG)



MEG SPREAD OVER NAPHTHA (RS/KG)



Source: Industry/ Motilal Oswal Securities

Valuation and view

ONGC is our top pick in the sector

Continued high oil price environment, increased production from ONGC as well as OVL, and recent exploration success leading to reserves accretion, give upside to ONGC's stock price.

The Tariff Commission has recently revised producer price of ONGC from Rs3,200/ mscm to Rs3,600/mscm. Adjusted for WPI increase, the current producer price works out to Rs3,710/mscm, a rise of 16%. Implementation of new price from 2QFY07 would provide earnings upside for the gas business.

The key concern remains high upstream discounts and lack of clarity on subsidy sharing mechanism, going forward. To make subsidy sharing transparent and equitable, ONGC has been proposing the following:

- Linking its subsidy payout to oil price in Rupee terms and not in Dollars per barrel. Though oil prices have increased in recent months, ONGC's Rupee realizations have not increased due to currency appreciation.

- Making cess advalorem, so that government sharing is higher when oil prices are higher.

Acceptance of any of these suggestions could lead to lower subsidy burden than our estimates and would provide upsides.

Buy oil-marketing companies – BPCL, HPCL and IOC

Sustained high refining margins, increased throughput and capacity utilization would mean that most players would show strong refining performance. These players are implementing several upgradation projects for their capacities, which would enable them to: (1) produce higher share of middle distillates, (2) produce Euro III/IV compliant fuels, and (3) process larger share of sour/heavy crudes. Completion of these projects in time and within schedules would be margin accretive in our view.

The big concern for oil-marketing companies remains huge under-recoveries on fuel marketing. In our estimates, the three oil-marketing companies are incurring losses to the tune of Rs1.3b per day. We do not expect any significant increase in retail fuel prices, especially of kerosene and LPG. With oil prices remaining high, the focus will remain on how the government plans to reimburse the state-owned oil-marketing companies for their losses.

We continue to maintain that markets are already factoring the concerns related to subsidy issues, and oil-marketing stocks remain inexpensive from a long-term investment perspective. We have **Buy** recommendations on all the three state-owned oil-marketing companies and BPCL is our preferred bet due to lower valuation multiples.

We remain Neutral on Reliance Industries (RIL)

The continued high refining margin environment will drive RIL's near-term earnings. The new EOU status to its refinery enables RIL to export most of its products to higher netback markets. This could result in even higher premium over the already high premiums over Singapore benchmarks. Recent media reports indicate that RPL's refinery could be commissioned much before its scheduled start in December 2008. An earlier start would enable RPL to cash in on the current high margin era.

Petrochemical margin downtrend continues, and margins have declined sharply in recent months due to sharply increased naphtha prices.

The progress on E&P development appears to be on schedule as per recent updates by Niko. The markets are anticipating a larger reserve size and better production rates than what has already been announced. However, Niko's recent annual report for fiscal 2007 did not give any significantly changed numbers than what has already been disclosed.

The key near-term triggers would mostly come from the E&P business. These include:

- High court decision on gas volumes for RNRL and NTPC
- Approval of gas-pricing formula
- Resolving of 'cash or kind' issue on government's share of profit gas, which has again re-emerged in the recent weeks
- Marketing tie-ups with potential gas buyers, and
- Updates on actual progress on KG-D6 field development and pipeline

While retail store rollout appears to be gaining momentum, it is yet to reach critical volumes to contribute significantly to RIL's valuations. However, if the indicated E&P upsides come through, we would look to review our recommendation.

GAIL's profitability has eroded

In FY07, GAIL's transmission tariffs were significantly reduced for both its HBJ and regional networks. However, transmission volumes, which have remained flat, would increase post the recent commissioning of its pipelines connecting Dahej to Dhabol.

GAIL's cost of gas for its internal consumption has increased significantly over the last two years. GAIL was earlier paying APM prices of around US$2/mmbtu; this was increased to Regassified-LNG prices in FY06, and further hiked to PMT pricing of US$4.75/mmbtu in FY07. Increased gas costs have put pressure on all key businesses of gas transmission, petrochemicals and LPG. Increased subsidy burden for kerosene and LPG under-recoveries add further pressure to earnings.

While any decline in subsidy sharing could be incrementally positive, we believe risk-reward remains unfavorable. We maintain **Neutral**.

IPCL to trade in tandem with RIL

Post the recent announcement of merger of IPCL with RIL, we expect that IPCL would now broadly trade at 1:5 ratio of RIL's stock price.

We maintain our Neutral rating on Chennai Petro

While GRMs have remained at higher levels, we expect net profit to be impacted by higher Rupee appreciation. We see flat growth YoY and maintain our **Neutral** rating.

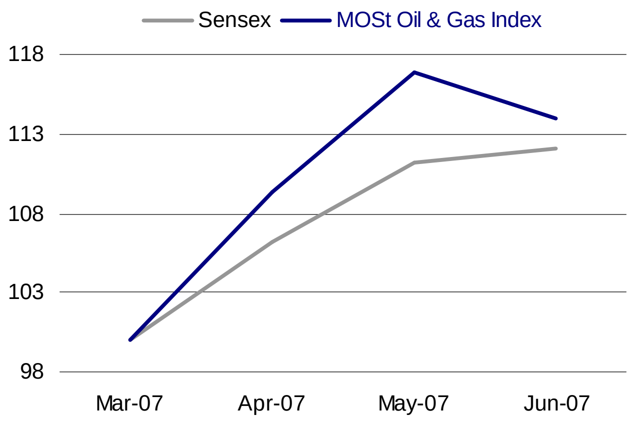
We also present estimates of Indraprastha Gas (IGL) in this preview compendium. We currently do not have a rating on the stock.

Stock performance and valuations

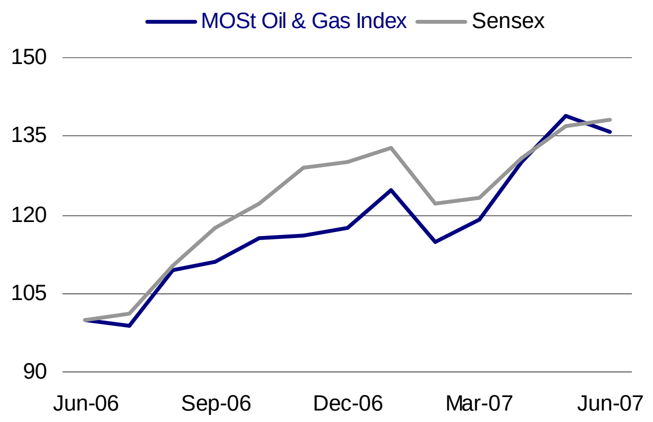
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Oil & Gas						
BPCL	13	2	0	-36	-1	-34
Chennai Petroleum	43	51	31	12	29	15
GAIL	17	21	5	-17	3	-15
HPCL	9	14	-4	-24	-5	-22
Indraprastha Gas	21	10	9	-28	7	-25
IOC	11	11	-1	-27	-3	-25
IPCL	27	30	14	-8	13	-6
ONGC	3	22	-9	-16	-11	-14
Reliance	24	61	12	23	10	25

RELATIVE PERFORMACE - 3 MONTHS (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Oil & Gas														
BPCL	340	Buy	59.2	54.7	54.3	5.7	6.2	6.3	5.4	4.4	6.5	21.7	16.6	15.0
Chennai Petroleum	268	Neutral	37.9	42.3	42.8	7.1	6.3	6.3	5.8	5.6	5.7	22.9	23.8	24.1
GAIL	308	Neutral	24.2	23.5	24.5	12.7	13.2	12.6	8.3	7.9	7.6	19.5	17.1	16.4
HPCL	268	Buy	37.4	27.2	27.1	7.2	9.8	9.9	6.3	7.6	7.5	14.1	9.8	9.5
IOC	443	Buy	52.4	50.7	51.5	8.5	8.7	8.6	6.8	5.9	6.8	17.5	15.6	14.0
IPCL	343	Neutral	49.8	44.6	38.4	6.9	7.7	8.9	4.7	4.6	5.2	30.1	19.6	14.7
Indraprastha Gas	121	Not Rated	9.9	11.7	12.7	12.3	10.3	9.5	6.4	5.0	5.0	32.6	31.1	27.4
ONGC	902	Buy	83.1	98.4	87.1	10.9	9.2	10.4	5.3	4.5	4.7	29.5	29.4	22.5
Reliance Inds.	1,700	Neutral	84.8	90.1	98.7	20.0	18.9	17.2	12.9	12.0	11.1	22.7	19.0	17.6
Sector Aggregate						**12.7**	**11.8**	**11.8**	**7.6**	**7.1**	**7.0**	**24.4**	**22.1**	**18.9**

BPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BPCL IN
	REUTERS CODE
S&P CNX: 4,318	BPCL.BO

Equity Shares (m)	361.5
52-Week Range	448/287
1,6,12 Rel. Perf. (%)	-5/-5/-36
M.Cap. (Rs b)	122.9
M.Cap. (US$ b)	3.0

29 June 2007

Buy

Previous Recommendation: Buy Rs340

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	982,049	21,395	59.18	633.7	5.7	1.2	19.0	14.9	0.2	5.3
3/08E	923,982	19,760	54.66	-7.6	6.2	1.1	15.9	10.5	0.2	6.8
3/09E	900,123	19,630	54.30	-0.7	6.3	0.9	14.4	10.5	0.3	6.5

** Consolidated*

- We forecast net profit of Rs5.6b in 1QFY08. BPCL had reported a loss of Rs4.3b in 1QFY07, as the announcement of oil bonds was delayed to 2QFY07. Our estimates for 1QFY08 assume oil bond issue of Rs12.7b to BPCL. Any delay in oil bonds announcement, like last year, could result in losses similar to 1QFY07.
- On the refining side, we expect BPCL to report good numbers fuelled by higher refining margins as well as increased refining throughput. We estimate GRM at US$6.5/bbl for 1QFY08 v/s US$3.56/bbl for FY07, and expect refining throughput to increase by 7% to 5.2mmt.
- However, rather than business fundamentals, the key data to watch for are the extent of upstream discounts and oil bonds from GoI. There is no clarity on the subsidy sharing mechanism, the timing and quantum of oil bond issue, and the price hike of fuels, if any.
- BPCL's gross under-recovery after budgetary subsidy was Rs107b. However, its net under-recovery post oil bonds and upstream sharing was Rs10.4b – about 10% of gross under-recoveries.
- For 1QFY08, we estimate BPCL's gross under-recoveries post budgetary support on SKO/LPG at Rs28b, and assume BPCL will share a higher net burden of 15%, resulting in net under-recoveries at Rs4.3b.
- We continue to believe that the negatives relating to subsidy issues are already in the price and the stock is inexpensive, given its long-term potential. The stock trades at 6.2x FY08E EPS. We maintain **Buy**.

QUARTERLY PERFORMANCE (MERGED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**254,338**	**288,323**	**265,535**	**266,327**	**255,198**	**236,157**	**239,311**	**243,782**	**1,074,523**	**974,449**
Change (%)	*36.3*	*52.1*	*18.3*	*6.1*	*0.3*	*-18.1*	*-9.9*	*-8.5*	*26.2*	*-9.3*
Raw Material Consumed	105,979	120,207	98,250	97,597	107,625	106,070	104,506	103,758	422,033	421,959
Staff Cost	2,414	2,087	2,651	2,885	2,776	2,400	2,916	2,948	10,037	11,041
Fininshed Goods Purchase	105,801	118,179	126,491	113,433	98,425	87,845	91,507	95,377	463,904	373,154
Other Exp (incl Stock Adj)	42,753	30,712	31,251	39,674	35,878	34,131	34,421	34,831	144,390	139,261
EBITDA	**-2,609**	**17,138**	**6,892**	**12,738**	**10,494**	**5,710**	**5,962**	**6,867**	**34,159**	**29,033**
Change (%)	*nm*	*1,302.5*	*nm*	*-33.5*	*nm*	*-66.7*	*-13.5*	*-46.1*	*256.8*	*-15.0*
% of Sales	*-1.0*	*5.9*	*2.6*	*4.8*	*4.1*	*2.4*	*2.5*	*2.8*	*3.2*	*3.0*
Depreciation	1,814	1,964	2,484	2,778	2,468	2,278	2,420	2,326	9,040	9,492
Interest	908	920	1,298	1,648	1,365	1,260	1,365	1,260	4,774	5,251
Other Income	1,091	2,207	1,487	2,547	1,855	2,024	2,192	2,361	7,332	8,432
PBT	**-4,240**	**16,461**	**4,597**	**10,859**	**8,515**	**4,196**	**4,368**	**5,642**	**27,677**	**22,722**
Tax	25	3,876	1,562	4,159	2,887	1,422	1,481	1,913	9,622	7,703
Rate (%)	*-0.6*	*23.5*	*34.0*	*38.3*	*33.9*	*33.9*	*33.9*	*33.9*	*34.8*	*33.9*
PAT	**-4,265**	**12,585**	**3,035**	**6,700**	**5,629**	**2,773**	**2,888**	**3,730**	**18,055**	**15,019**
Change (%)	*nm*	*6,594.1*	*nm*	*-60.2*	*nm*	*-78.0*	*-4.9*	*-44.3*	*519.2*	*-16.8*

E: MOSt Estimates

Anil Sharma (AnilSharma@MotilalOswal.com);Tel: +91 22 39825413/Harshad Borawake (HarshadBorawake@motilaloswal.com) Tel: 39825432

Chennai Petroleum Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	MRL IN
	REUTERS CODE
S&P CNX: 4,318	CHPC.BO

Equity Shares (m)	149.0
52-Week Range	337/160
1,6,12 Rel. Perf. (%)	4/18/12
M.Cap. (Rs b)	40.0
M.Cap. (US$ b)	1.0

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs268

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	293,495	5,653	37.9	17.5	7.1	1.5	21.4	17.3	0.2	5.8
3/08E	282,900	6,302	42.3	11.5	6.3	1.3	20.6	17.2	0.3	5.6
3/09E	263,749	6,377	42.8	1.2	6.3	1.1	18.2	15.7	0.3	5.7

- We expect CPCL to record a flat net profit of Rs2.5b in 1QFY08.
- We expect reported GRM to improve marginally YoY; the increase would be compensated by Rupee appreciation.
- We do not factor in any discounts on products towards under recoveries on fuel sales to OMCs. The earlier scheme of sharing of subsidy burden by independent refiners was discontinued last year. CPCL was refunded Rs1.19b for LPG/Kerosene discounts it offered to Oil marketing companies during FY07.
- Crude throughput is likely to be largely flat YoY at 2.6mmt.
- The stock is trading at 6.3x FY08E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**76,367**	**77,956**	**69,862**	**69,310**	**77,123**	**69,953**	**67,862**	**67,962**	**293,495**	**282,900**
Change (%)	*34.6*	*17.8*	*6.9*	*5.3*	*1.0*	*-10.3*	*-2.9*	*-1.9*	*15.5*	*-3.6*
Raw Materials Cons	58,804	63,338	55,551	53,791	57,712	54,603	53,343	52,923	231,484	218,581
Employee Costs	245	353	302	607	390	407	414	416	1,506	1,627
Other Exp (incl Stock Adj)	12,531	11,884	12,790	10,893	14,294	12,107	11,593	11,787	48,098	49,780
EBITDA	**4,789**	**2,381**	**1,218**	**4,019**	**4,727**	**2,836**	**2,512**	**2,836**	**12,407**	**12,911**
% of Sales	*6.3*	*3.1*	*1.7*	*5.8*	*6.1*	*4.1*	*3.7*	*4.2*	*4.2*	*4.6*
Change (%)	*10.8*	*-39.1*	*-7.2*	*194.3*	*-1.3*	*19.1*	*106.2*	*-29.4*	*13.7*	*4.1*
Depreciation	586	586	586	662	599	576	553	576	2,419	2,306
Interest	426	468	412	577	460	443	425	443	1,883	1,771
Other Income	69	146	152	338	182	175	168	175	705	700
PBT	**3,845**	**1,473**	**373**	**3,118**	**3,849**	**1,992**	**1,702**	**1,992**	**8,809**	**9,535**
Tax	1,300	500	129	1,227	1,305	675	577	675	3,156	3,232
Rate (%)	*33.8*	*34.0*	*34.6*	*39.4*	*33.9*	*33.9*	*33.9*	*33.9*	*35.8*	*33.9*
PAT	**2,546**	**973**	**243**	**1,891**	**2,544**	**1,317**	**1,125**	**1,317**	**5,653**	**6,302**
Change (%)	*8.8*	*-50.5*	*14.4*	*434.3*	*-0.1*	*35.4*	*361.9*	*-30.4*	*16.1*	*11.5*

E: MOSt Estimates

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GAIL (India)

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GAIL IN
	REUTERS CODE
S&P CNX: 4,318	GAIL.BO

Equity Shares (m)	845.7
52-Week Range	320/227
1,6,12 Rel. Perf. (%)	2/12/-17
M.Cap. (Rs b)	260.8
M.Cap. (US$ b)	6.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs308

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	160,472	20,468	24.2	-11.4	12.7	2.4	17.9	20.1	1.5	8.3
3/08E	165,974	19,834	23.5	-3.1	13.2	2.2	16.4	17.2	1.5	7.9
3/09E	182,571	20,725	24.5	4.5	12.6	2.0	15.7	16.9	1.4	7.6

- We expect GAIL to report a net profit of Rs4.9b, down 17% from Rs5.9b in 1QFY07. We expect a decline in profit mainly due to (1) Reduced HBJ transmission tariff by 16.5% from July 2006, (2) Reduced transmission tariffs of KG basin networks from November 2006 and (3) Higher upstream subsidy burden
- We expect flat gas transmission volume for 1QFY08. Towards the end of June 2007, GAIL has commissioned its Dahej-Uran and Dhabol-Panvel pipelines. We expect transmission volumes to increase from 2QFY08.
- GAIL's cost of gas for its internal gas consumption has significantly increased over the past two years. First, gas price was increased from APM pricing to R-LNG pricing from June 2005. From April 2006, the price was further hiked to PMT price of US$4.75/mmbtu. Higher feedstock cost has put pressure on margins in these businesses.
- Subsidy share for LPG/Kerosene remains an overhang. GAIL's subsidy burden was Rs2.5b in 1QFY07 and Rs14.9b in FY07. We estimate GAIL's subsidy share for 1QFY08 at Rs2.8b, of the total upstream subsidy sharing of Rs47.1b.
- The stock is trading at 13.2x FY08E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**40,784**	**37,070**	**43,784**	**38,834**	**39,632**	**41,814**	**42,705**	**41,824**	**160,472**	**165,974**
Change (%)	*24.1*	*2.9*	*12.0*	*6.1*	*-2.8*	*12.8*	*-2.5*	*7.7*	*11.0*	*3.4*
Finished Gds Purchase	30,552	28,088	30,568	23,368	22,590	23,834	24,342	23,840	94,290	94,605
Raw Materials Cons	5,069	4,845	5,559	4,527	4,637	4,892	4,996	4,893	17,851	19,419
Employee Costs	551	905	651	816	807	840	847	867	2,923	3,362
Less: Internal Consumption*	-6,519	-6,513	-7,279							0
Other Exp (incl Stock Adj)	1,715	3,854	5,643	4,099	3,892	4,408	4,512	4,456	15,435	17,268
EBITDA	**9,416**	**5,891**	**8,641**	**6,024**	**7,706**	**7,840**	**8,007**	**7,767**	**29,973**	**31,320**
% of Net Sales	*23.1*	*15.9*	*19.7*	*15.5*	*19.4*	*18.7*	*18.8*	*18.6*	*18.7*	*18.9*
Change (%)	*-0.7*	*-37.0*	*-5.2*	*-14.5*	*-15.8*	*18.0*	*-5.0*	*19.7*	*-14.3*	*4.5*
Depreciation	1,408	1,436	1,439	1,471	1,455	1,483	1,486	1,520	5,754	5,944
Interest	288	291	271	221	251	262	284	295	1,071	1,092
Other Income	801	1,674	1,846	1,129	1,430	1,430	1,430	1,430	5,450	5,722
PBT	**8,521**	**5,838**	**8,778**	**5,461**	**7,430**	**7,525**	**7,668**	**7,383**	**28,598**	**30,006**
Tax	2,600	1,354	2,124	2,053	2,519	2,551	2,599	2,503	8,130	10,172
Rate (%)	*30.5*	*23.2*	*24.2*	*37.6*	*33.9*	*33.9*	*33.9*	*33.9*	*28.4*	*33.9*
PAT	**5,921**	**4,484**	**6,655**	**3,408**	**4,911**	**4,974**	**5,068**	**4,880**	**20,468**	**19,834**
Change (%)	*22.5*	*-42.1*	*3.5*	*-16.7*	*-17.0*	*10.9*	*-23.8*	*43.2*	*-11.4*	*-3.1*
EO: Tax Provision Written Back				3,399	0	0	0	0	3,399	
Reported PAT	**5,921**	**4,484**	**6,655**	**6,807**	**4,911**	**4,974**	**5,068**	**4,880**	**23,867**	**19,834**

E: MOSt Estimates; Till Last Quarter GAIL was giving Internal Consumption for gas consumed in under Income Head.; From 4Q it has discontinued this in line with AS 9 guidelines of ICAI. It has recast the previous period figures.

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HPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HPCL IN
	REUTERS CODE
S&P CNX: 4,318	HPCL.BO

Equity Shares (m)	338.8
52-Week Range	337/206
1,6,12 Rel. Perf. (%)	-6/-10/-24
M.Cap. (Rs b)	90.7
M.Cap. (US$ b)	2.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs268

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	969,182	12,682	37.4	117.7	7.2	1.0	13.6	11.4	0.2	6.3
3/08E	900,926	9,221	27.2	-27.3	9.8	1.0	9.7	6.8	0.2	7.6
3/09E	885,273	10,974	32.4	19.0	8.3	0.9	11.0	8.2	0.2	6.6

- We forecast net profit of Rs3.5b in 1QFY08 v/s loss of Rs6b in 1QFY07. HPCL had reported a loss in 1QFY07 as the announcement of oil bonds was delayed to 2QFY07.
- Our estimates for 1QFY08 assume oil bond issue of Rs11.4b and upstream discount of Rs10.1b. Delay in oil bonds amount and/or lower recovery from upstream and oil bonds could lead to lower reported profits.
- We anticipate lower reported GRM of US$7/bbl v/s US$7.57 in 1QFY07, and 6% decline in throughput at 3.9mmt. News reports have indicated that HPCL has reduced its refining throughput, as it is upgrading some of its units to produce Euro-III fuels.
- However, like other state-owned oil-marketing companies, the key data to watch for are the extent of upstream discounts and oil bonds from GoI. In FY07, HPCL's gross under-recovery after budgetary subsidy was Rs100b. However, its net under-recovery post oil bonds and upstream sharing was Rs9.7b, about 9% of gross under-recoveries.
- For 1QFY08, we estimate HPCL's gross under-recoveries post-budgetary support on SKO/LPG at Rs21.5b, and assume that HPCL will share a higher net burden of 15%, resulting in net under-recoveries at Rs3.7b.
- We believe that these negatives are already factored in the stock price. The stock is trading at 9.8x FY08E EPS. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q*	4Q		
Sales	**226,795**	**262,351**	**242,494**	**237,542**	**234,371**	**220,491**	**222,392**	**223,672**	**969,182**	**900,926**
Change (%)	*39*	*47*	*22*	*4.5*	*3*	*-16.0*	*-8.3*	*-5.8*	*26.0*	*-7.0*
Raw Material Consumed	90,409	100,016	86,610	81,133	79,158	73,424	70,043	67,031	358,168	289,655
Staff Cost	1,657	2,202	1,930	1,619	1,806	2,092	2,104	2,147	7,407	8,148
Fininshed Goods Purchase	114,243	121,223	118,300	114,736	118,654	114,239	119,894	123,502	468,502	476,290
Other Exp, levies and stock adj	25,652	22,447	33,714	29,804	28,154	26,550	26,481	26,361	111,617	107,546
EBITDA	**-5,166**	**16,462**	**1,940**	**10,251**	**6,599**	**4,187**	**3,869**	**4,632**	**23,487**	**19,287**
% of Net Sales	*-2.3*	*6.3*	*0.8*	*4.3*	*2.8*	*1.9*	*1.7*	*2.1*	*2.4*	*2.1*
Change (%)	*nm*	*1,964*	*nm*	*-47.8*	*nm*	*-75*	*99*	*-55*	*191.1*	*-17.9*
Depreciation	1,701	1,742	1,733	1,864	1,845	1,883	1,842	1,886	7,040	7,456
Interest	596	983	1,046	1,527	1,323	1,350	1,320	1,352	4,152	5,345
Other Income	1,021	1,925	2,466	1,964.4	1,848	1,885	1,844	1,889	7,377	7,465
PBT	**-6,442**	**15,663**	**1,627**	**8,824**	**5,278**	**2,839**	**2,551**	**3,282**	**19,672**	**13,950**
Tax	-366	3,443	584	3,329	1,789	962	865	1,112	6,990	4,729
Rate (%)	*6*	*22*	*36*	*37.7*	*34*	*34*	*34*	*34*	*35.5*	*34*
PAT	**-6,077**	**12,220**	**1,044**	**5,495**	**3,489**	**1,877**	**1,686**	**2,169**	**12,682**	**9,221**
Change (%)	*nm*	*nm*	*nm*	*-72.7*	*nm*	*-84.6*	*61.6*	*60.5*	*212.7*	*-27.3*
EO - Tax Prov Write back	0	0	3,030	0	0	0	0	0	3,030	0
Reported PAT	**-6,077**	**12,220**	**4,073**	**5,495.4**	**3,489.0**	**1,877**	**1,686**	**2,169**	**15,711.7**	**9,221.3**

E: MOSt Estimates

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Indian Oil Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IOC IN
	REUTERS CODE
S&P CNX: 4,318	IOC.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs443

Equity Shares (m)	1,168.0
52-Week Range	585/352
1,6,12 Rel. Perf. (%)	-7/-8/-27
M.Cap. (Rs b)	517.7
M.Cap. (US$ b)	8.5

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	2,329,888	61,227	52.4	24.1	8.5	1.5	17.2	12.6	0.3	6.8
3/08E	2,027,940	59,272	50.7	-3.2	8.7	1.3	14.7	11.0	0.4	7.2
3/09E	2,118,023	60,200	51.5	1.6	8.6	1.1	13.3	11.2	0.4	6.8

* *Consolidated*

- We forecast net profit of Rs16.7b for 1QFY08 v/s loss of Rs14.4b in 1QFY07, adjusting for sale of ONGC shares.
- Our estimates for 1QFY08 assume oil bond issue of Rs29b and upstream discount of Rs25.7b. Delay in oil bonds amount and/or lower recovery from upstream and oil bonds could lead to lower reported profits.
- We anticipate strong refining performance due to higher margins and throughput. We expect reported GRM of US$8.3/bbl v/s US$6.7/bbl in 1QFY07 and 20% higher throughput at 12mmt.
- However, like other state-owned oil-marketing companies, the key data to watch remains the extent of upstream discounts and oil bonds from GoI. In FY07, IOC's gross under-recovery after budgetary subsidy was Rs286b. However, its net under-recovery post oil bonds and upstream sharing was Rs21.9b – below 8% of gross under-recoveries.
- For 1QFY08, we estimate IOC's gross under-recoveries post budgetary support on SKO/LPG at Rs64.3b, and assume that IOC will share a higher net burden of 15%, resulting in net under-recoveries at Rs9.7b.
- We believe that these negatives are already factored in, and the stock is inexpensive, given its long-term growth potential. The stock is trading at 8.7x FY08E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07**	FY08E**
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**486,884**	**577,665**	**544,378**	**544,609**	**604,811**	**543,492**	**565,463**	**580,820**	**2,153,536**	**2,294,585**
Change (%)	*26.0*	*44.1*	*22.9*	*7.5*	*24.2*	*-5.9*	*3.9*	*6.6*	*24.0*	*6.5*
Raw Material Consumed	200,298	249,671	233,701	201,929	238,021	216,461	212,576	209,736	885,598	876,794
Staff Cost	4,893	6,188	5,051	10,077	6,919	7,234	7,548	8,806	26,209	30,507
Fininshed Goods Purchase	262,155	271,402	260,067	246,665	302,694	272,658	299,910	316,014	1,040,288	1,191,276
Other Exp (incl Stock Adj)	27,983	10,045	27,647	35,497	27,062	25,313	25,245	25,245	101,172	102,864
EBITDA	**-8,445**	**40,359**	**17,912**	**50,442**	**30,114**	**21,826**	**20,184**	**21,019**	**100,269**	**93,144**
% of Net Sales	*-1.7*	*7.0*	*3.3*	*9.3*	*5.0*	*4.0*	*3.6*	*3.6*	*4.7*	*4.1*
Change (%)	*-277.2*	*166.5*	*901.3*	*-3.3*	*nm*	*-45.9*	*12.7*	*-58.3*	*35.7*	*-7.1*
Depreciation	5,750	6,650	6,770	7,169	7,456	7,312	7,025	6,882	26,339	28,675
Interest	3,344	3,619	3,831	4,261	3,988	3,911	3,758	3,681	15,055	15,338
Other Income	3,153	6,176	7,807	9,512	6,575	6,855	7,135	7,415	26,647	27,979
PBT	**-14,387**	**36,267**	**15,117**	**48,525**	**25,246**	**17,457**	**16,536**	**17,870**	**85,522**	**77,110**
Tax	56	5,765	4,527	19,508	8,558	5,918	5,606	6,058	29,855	26,140
Rate (%)	*-0.4*	*15.9*	*29.9*	*40.2*	*33.9*	*33.9*	*33.9*	*33.9*	*34.9*	*33.9*
PAT	**-14,443**	**30,503**	**10,590**	**29,017**	**16,688**	**11,539**	**10,930**	**11,812**	**55,667**	**50,970**
Change (%)	*nm*	*221.4*	*nm*	*-18.8*	*nm*	*-62.2*	*3.2*	*-59.3*	*24.9*	*-8.4*
Extraordinary Items	32,248	0	0	-12,920	0.0	0.0	0.0	0.0	19,328	0
PAT incl EO	**17,805**	**30,503**	**10,590**	**16,097**	**16,688**	**11,539**	**10,930**	**11,812**	**74,995**	**50,970**

*E: MOSt Estimates; ** 4Q and FY07 numbers includes IBP's numbers for 4th quarter; FY08 includes IBP numbers*

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Indraprastha Gas

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IGL IN
	REUTERS CODE
S&P CNX: 4,318	IGAS.BO

29 June 2007

Not Rated

Rs121

Equity Shares (m)	140.0
52-Week Range	130/89
1,6,12 Rel. Perf. (%)	2/-2/-28
M.Cap. (Rs b)	17.0
M.Cap. (US$ b)	0.4

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	6,141	1,380	9.9	29.7	12.3	3.6	32.6	43.2	2.5	6.1
3/08E	6,958	1,640	11.7	18.9	10.3	2.9	31.1	43.2	2.0	4.5
3/09E	7,594	1,780	12.7	8.6	9.5	2.4	27.4	38.0	1.8	4.1

- We expect IGL to report PAT of Rs404m in 1QFY08, up 46.2% YoY primarily due to volume growth at its current network.
- We expect EBITDA margins to sustain in 1QFY08, as IGL currently faces no competition in its operating area.
- IGL added 8 stations in FY07 to increase its network to 153 CNG stations. We expect these stations to maintain volume growth rate, as more vehicle conversions take place.
- Though the volumes from buses have peaked out; conversion of passenger vehicles and taxis led by regulatory norms will be the key growth driver for CNG.
- PNG business in 1QFY08 is expected to grow at a higher rate due to its smaller base. However, long-term growth will depend on the availability of the gas supplies.
- The company is currently implementing a Rs1.7b expansion program for its fuel stations as well as PNG network, which would contribute to revenues in 2HFY08.
- IGL is trading at 10.3x FY08E EPS. We do not have a rating on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,358**	**1,542**	**1,599**	**1,643**	**1,686**	**1,732**	**1,771**	**1,769**	**6,141**	**6,958**
Change (%)	*19.1*	*15.0*	*16.7*	*21.1*	*24.2*	*12.3*	*10.8*	*7.7*	*17.9*	*13.3*
Raw Material Consumed	586	675	721	696	713	733	749	748	2,677	2,944
Staff Cost	31	36	36	38	37	38	40	40	141	155
Other Exp (incl Stock Adj)	199	186	188	198	204	208	212	211	771	835
EBITDA	**541**	**645**	**654**	**711**	**731**	**753**	**770**	**770**	**2,552**	**3,024**
% of Net Sales	*39.9*	*41.9*	*40.9*	*43.3*	*43.4*	*43.5*	*43.5*	*43.5*	*41.6*	*43.5*
Change (%)	*23.8*	*20.1*	*12.4*	*22.5*	*35.1*	*16.6*	*17.8*	*8.3*	*19.4*	*18.5*
Depreciation	150	150	150	149	150	164	165	174	598	653
Other Income	22	23	24	34	30	28	20	32	102	110
PBT	**413**	**518**	**528**	**596**	**611**	**617**	**625**	**628**	**2,056**	**2,481**
Tax	137	170	173	196	207	209	212	213	676	841
Rate (%)	*33.1*	*32.9*	*32.8*	*32.8*	*33.9*	*33.9*	*33.9*	*33.9*	*32.9*	*33.0*
PAT	**276**	**348**	**355**	**401**	**404**	**408**	**413**	**415**	**1,380**	**1,640**
Change (%)	*36.5*	*28.7*	*21.0*	*34.6*	*46.2*	*17.2*	*16.4*	*3.6*	*29.7*	*18.9*

E: MOSt Estimates

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IPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	IPCL IN
	REUTERS CODE
S&P CNX: 4,318	IPCL.BO

Equity Shares (m)	301.5
52-Week Range	359/227
1,6,12 Rel. Perf. (%)	-5/13/-8
M.Cap. (Rs b)	103.4
M.Cap. (US$ b)	2.5

29 June 2007

Neutral

Previous Recommendation: Sell

Rs343

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	121,290	15,020	49.8	43.9	6.9	1.6	23.2	23.8	1.0	4.7
3/08E	127,500	13,448	44.6	-10.5	7.7	1.3	17.2	20.8	0.9	4.6
3/09E	122,400	11,583	38.4	-13.9	8.9	1.2	12.9	15.7	0.2	5.2

- We expect net profit of Rs2.8b v/s Rs2.6b in 1QFY07. We expect PBT to be flat. The lower PAT in 1QFY07 was due to large tax provisions in 1QFY07.
- On 10 March 2007, the Boards of both RIL and IPCL have approved the merger of IPCL with RIL, with the appointed date of merger as 1 April 2006. The merger ratio is 1 share of RIL for every 5 shares of IPCL.
- Shareholders and creditors have approved IPCL's amalgamation scheme with RIL. The Mumbai High Court also sanctioned the scheme on 12 June 2007. Sanction is now pending from Gujarat High Court.
- We believe that the stock would continue to move broadly in 1:5 ratio of RIL, till the merger process is consummated.
- IPCL is trading at 7.7x FY08E EPS. Our current rating on IPCL is **Neutral**.

QUARTERLY PERFORMANCE (MERGED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**30,180**	**30,480**	**30,560**	**30,070**	**31,748**	**32,130**	**32,194**	**31,429**	**121,290**	**127,500**
Change (%)	*15.1*	*17.8*	*9.1*	*3.2*	*5.2*	*5.4*	*5.3*	*4.5*	*11.1*	*4.0*
Change in Stocks	1,750	-1,360	-90	1,600					1,900	0
Raw Material Consumed	14,960	17,290	15,920	15,340	17,144	17,350	17,385	16,972	63,510	68,850
Staff Cost	1,390	1,210	1,260	1,340	1,460	1,271	1,323	1,407	5,200	5,460
Other Expenses	6,490	6,970	6,660	5,890	6,800	6,394	6,407	6,254	26,010	26,775
EBITDA	**5,590**	**6,370**	**6,810**	**5,900**	**5,619**	**6,362**	**6,761**	**6,631**	**24,670**	**25,373**
% of Net Sales	*18.5*	*20.9*	*22.3*	*19.6*	*17.7*	*19.8*	*21.0*	*21.1*	*20.3*	*19.9*
Change (%)	*19.7*	*38.2*	*28.0*	*4.6*	*0.5*	*-0.1*	*-0.7*	*12.4*	*21.9*	*2.8*
Depreciation	1,320	1,350	1,440	1,480	1,458	1,444	1,415	1,410	5,590	5,727
Interest	510	370	320	300	320	310	290	280	1,500	1,200
Other Income	620	1,180	740	500	490	480	470	460	3,040	1,900
PBT	**4,380**	**5,830**	**5,790**	**4,620**	**4,331**	**5,088**	**5,525**	**5,401**	**20,620**	**20,345**
Tax	1,800	2,320	1,740	-260	1,468	1,725	1,873	1,831	5,600	6,897
Rate (%)	*41.1*	*39.8*	*30.1*	*-5.6*	*33.9*	*33.9*	*33.9*	*33.9*	*27.2*	*33.9*
Adjusted PAT	**2,580**	**3,510**	**4,050**	**4,880**	**2,863**	**3,363**	**3,652**	**3,570**	**15,020**	**13,448**
Change (%)	*10.7*	*74.6*	*40.1*	*52.0*	*11.0*	*-4.2*	*-9.8*	*-26.8*	*43.9*	*-10.5*
Extra-ordinary Items	0	0	0	-4,700	0	0	0	0	-4,700	0
Reported PAT	**2,580**	**3,510**	**4,050**	**180**	**2,863**	**3,363**	**3,652**	**3,570**	**10,320**	**13,448**

E: MOSt Estimates

Anil Sharma (AnilSharma@MotilalOswal.com);Tel: +91 22 39825413/Harshad Borawake (HarshadBorawake@motilaloswal.com) Tel: 39825432

ONGC

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ONGC IN
	REUTERS CODE
S&P CNX: 4,318	ONGC.BO

Equity Shares (m)	2,138.9
52-Week Range	989/672
1,6,12 Rel. Perf. (%)	-3/-3/-16
M.Cap. (Rs b)	1,929.6
M.Cap. (US$ b)	47.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs902

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	822.5	177.7	83.1	15.4	10.8	2.9	29.5	34.4	2.0	5.3
3/08E	897.7	189.9	88.8	6.8	10.1	2.5	26.9	30.4	2.0	4.8
3/09E	905.4	188.0	87.9	6.8	10.2	2.3	23.3	25.4	2.0	4.8

Consolidated

- We estimate ONGC's net profit for 1QFY08 at Rs39.5b v/s Rs41.2b for 1QFY07. The decline would be primarily due to Rupee appreciation compensated by lower under-recovery YoY and higher oil price realization.
- Bonnylight prices remained flat YoY. The average price for 1QFY08 was US$71.10/bbl v/s US$71.37/bbl in 1QFY07.
- High subsidy sharing burden and uncertainties regarding its quantum and timing remain the major concerns. In FY07, the upstream sector was asked to give discounts of Rs205b – 41.5% of the total under-recovery of Rs493.8 for oil-marketing companies. ONGC's burden of Rs170b was nearly 83% of the total burden shared by upstream companies. For 1QFY08, we assume upstream sharing burden at 40%, and estimate ONGC's burden at Rs40.6b.
- To make subsidy sharing transparent and equitable, ONGC is understood to make representation to government. Acceptance of ONGC suggestions may lead to lower subsidy burden than our estimates and will provide upsides.
- The Tariff Commission has recently revised producer price of ONGC from Rs3,200/mscm to Rs3,600/mscm. Adjusted for WPI increase, current producer price works out to Rs3,710/mscm, a rise of 16%. Implementation of the new price from 2QFY07 would provide earnings upside for the gas business.
- We remain positive on the stock in view of oil prices remaining high, improved gas pricing and also significant growth pipeline from ONGC as well as OVL. Concern remains on lack of transparency, high quantum and timing of subsidy sharing. The stock is trading at 9.1x FY08E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**146.0**	**140.7**	**155.6**	**124.0**	**146.5**	**146.9**	**145.3**	**149.9**	**566.3**	**588.5**
Change (%)	*34.3*	*11.0*	*24.8*	*4.2*	*0.3*	*4.4*	*-6.7*	*20.9*	*18.2*	*3.9*
Raw Material and Purchases	17.5	17.0	15.4	13.4	20.3	19.8	19.5	20.6	63.3	80.2
Statutory Levies	31.1	29.8	30.6	28.4	31.6	31.7	31.3	32.5	119.9	127.2
Employee Costs	3.0	3.2	5.0	6.0	4.0	4.1	4.2	4.5	17.2	16.8
Other Exp (incl Stock Adj)	13.3	17.2	15.5	22.4	13.0	13.0	13.0	13.0	68.5	52.2
EBITDA	**81.1**	**73.4**	**89.1**	**53.7**	**77.5**	**78.2**	**77.2**	**79.1**	**297.3**	**312.0**
% of Net Sales	*55.5*	*52.2*	*57.2*	*43.3*	*52.9*	*53.2*	*53.2*	*52.8*	*52.5*	*53.0*
Change (%)	*32.8*	*2.6*	*21.0*	*-20.1*	*-4.8*	*1.9*	*-7.1*	*21.9*	*8.7*	*4.9*
Depreciation	22.3	18.5	25.6	28.6	24.1	24.1	24.1	24.1	95.0	96.5
Interest	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.2	0.2
Other Income	4.2	9.4	7.0	16.0	6.6	6.6	6.6	6.6	36.6	26.3
PBT	**63.0**	**64.3**	**70.5**	**41.0**	**59.9**	**60.6**	**59.6**	**61.5**	**238.8**	**241.6**
Tax	21.8	19.5	23.8	15.2	20.4	20.6	20.3	20.9	80.3	82.2
Rate (%)	*34.6*	*30.4*	*33.8*	*37.0*	*34.0*	*34.0*	*34.0*	*34.0*	*33.6*	*34.0*
PAT	**41.2**	**44.8**	**46.7**	**25.8**	**39.5**	**40.0**	**39.4**	**40.6**	**158.5**	**159.5**
Change (%)	*24.1*	*8.2*	*20.0*	*5.7*	*-4.1*	*-10.7*	*-15.6*	*57.2*	*14.9*	*0.6*
Reported PAT	**41.2**	**41.7**	**46.7**	**26.8**	**39.5**	**40.0**	**39.4**	**40.6**	**156.4**	**159.5**

E: MOSt Estimates

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Reliance Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	RIL IN
	REUTERS CODE
S&P CNX: 4,318	RELI.BO

Equity Shares (m)	1,393.5
52-Week Range	1,785/940
1,6,12 Rel. Perf. (%)	-5/28/23
M.Cap. (Rs b)	2,369.4
M.Cap. (US$ b)	58.1

29 June 2007

Neutral

Previous Recommendation: Neutral Rs1,700

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	1,161.8	123.3	84.8	30.3	20.0	3.6	22.7	20.0	2.3	12.9
3/08E	1,164.7	130.9	90.1	6.2	18.9	3.1	19.0	17.0	2.3	12.0
3/09E	1,141.3	155.3	98.7	9.6	17.2	2.5	17.6	15.3	2.4	12.0

Includes IPCL from FY07E

- We expect net profit of Rs31.1b, up 22% YoY largely on account of buoyant refining margins. On trailing quarter basis, we expect profits to increase by 9%.
- Global refining margins remained very high in 1QFY08. Singapore crack margins increased from US$8.9/bbl to US$9.5/bbl. The increase was even higher in case of crack margins in Europe and North America.
- From 1QFY08, RIL's refinery has got EOU status. We believe it is now exporting a larger share of its products to higher netback markets. This should result in even higher premiums over Singapore benchmark. These premiums were US$3.5/bbl in 1QFY07, US$6.2/bbl in 4QFY07 and US$5.6/bbl for FY07.
- For 1QFY08, we assume RIL's premium over Singapore to be US$5/bbl, translating to our expected GRM of US$14.5/bbl.
- Petrochemical margin downtrend continues, and there has been a sharp decline in recent months due to sharp increase in naphtha prices. We do not expect any significant recovery in polyester chain margins. Though feedstock costs have increased, cotton prices, which provide a ceiling, have not moved up in tandem. On the polymer side, though prices remain high, we believe the downturn is inevitable in view of very large capacity coming up in the Middle East and China in 2009.
- The stock is trading at 18.9x FY08E EPS and an EV of 12x FY08E EBITDA. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**245,220**	**284,740**	**264,720**	**258,950**	**292,312**	**259,989**	**246,568**	**244,179**	**1,053,630**	**1,043,049**
Change (%)	*37.9*	*37.4*	*45.7*	*5.5*	*19.2*	*-8.7*	*-6.9*	*-5.7*	*29.7*	*-1.0*
RM (Incl. Inc/Dec in Stock)	175,250	215,120	194,290	184,530	211,131	188,541	177,182	173,248	769,190	750,101
Staff Cost	3,180	2,840	2,860	3,090	3,625	3,238	3,260	3,573	11,970	13,696
Other Expenditure	24,420	21,130	20,480	24,340	27,200	19,520	18,151	18,850	90,370	83,720
EBITDA	**42,370**	**45,650**	**47,090**	**46,990**	**50,356**	**48,691**	**47,975**	**48,508**	**182,100**	**195,530**
% of Net Sales	*17.3*	*16.0*	*17.8*	*18.1*	*17.2*	*18.7*	*19.5*	*19.9*	*17.3*	*18.7*
Change (%)	*18.8*	*23.0*	*58.2*	*16.1*	*18.8*	*6.7*	*1.9*	*3.2*	*27.3*	*7.4*
Depreciation	9,070	10,180	10,620	10,220	10,109	11,346	11,837	11,391	40,090	44,682
Interest	2,660	2,780	2,930	2,770	3,220	2,981	2,624	3,101	11,140	11,925
Other Income	440	220	420	850	852	969	1,162	891	1,930	3,874
PBT	**31,080**	**32,910**	**33,960**	**34,850**	**37,879**	**35,332**	**34,678**	**34,908**	**132,800**	**142,797**
Tax	5,610	5,820	5,970	6,320	6,744	6,290	6,174	6,215	23,720	25,423
Rate (%)	*18.1*	*17.7*	*17.6*	*18.1*	*17.8*	*17.8*	*17.8*	*17.8*	*17.9*	*17.8*
PAT	**25,470**	**27,090**	**27,990**	**28,530**	**31,135**	**29,042**	**28,504**	**28,693**	**109,080**	**117,374**
Change (%)	*10.3*	*9.2*	*57.6*	*14.0*	*22.2*	*7.2*	*1.8*	*0.6*	*20.3*	*7.6*

E: MOSt Estimates

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Pharmaceuticals

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

MNCs and top three generic companies' performance likely to be muted

MOSt Pharma universe sales growth for 1QFY08E is likely to be tempered to 15% YoY, mainly due to higher base effect resulting from one-time opportunities last year and currency appreciation. The big-3 generic companies (by sales) are likely to report flat topline growth mainly due to 19% sales decline for Dr. Reddy's Labs. Other Indian companies are expected to record 32% topline growth, led mainly by commercialization of their product pipeline and consolidation of acquired companies.

We expect MNC Pharma to report topline growth of only 4.3% (mainly due to the proposed divestment of consumer healthcare business for Pfizer and animal healthcare business for GSK Pharma). Overall EBITDA margins for MOSt Pharma universe are expected to decline by 100bp YoY, as the Big 3 generic companies report 420bp margin decline on the high base of last year. EBITDA margins for other Indian companies would witness margin expansion of 105bp. EBITDA margins for the MNC players are expected to improve by 29bp to 29.2% led mainly by a 293bp expansion for GSK Pharma (due to divestment of animal healthcare business and increasing contribution from new launches). Overall, we expect MOSt Pharma universe's PAT to grow by 24.2% YoY, with MNC Pharma reporting growth of only 7.6% YoY and other Indian Pharma group's PAT growing by 45.5%. The Big-3 generic companies are expected to record just 2% PAT growth mainly due to a 31% decline in PAT for Cipla. PAT for Ranbaxy and Sun

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Pharmaceuticals							
Aurobindo Pharma	Sell	5,513	25.7	896	36.0	729	101.2
Aventis Pharma	Buy	2,476	11.1	661	6.7	483	10.0
Biocon	Buy	2,654	25.2	742	36.5	480	21.9
Cadila Health	Buy	5,224	17.2	1,061	18.1	670	14.8
Cipla	Buy	9,840	13.9	1,468	-35.9	1,177	-30.9
Dishman Pharma	Buy	2,100	155.4	415	105.3	319	72.8
Divis Labs	Neutral	2,323	44.4	1,036	124.8	844	215.4
Dr Reddy' s Labs	Buy	11,323	-19.4	1,868	-15.7	1,260	-7.1
GSK Pharma	Buy	4,232	4.7	1,435	14.6	1,037	13.9
Jubiliant Organosys	Buy	5,091	23.4	877	25.5	635	37.8
Lupin	Neutral	6,807	35.0	1,250	92.8	977	82.4
Nicholas Piramal	Buy	6,887	31.8	1,022	16.5	575	6.8
Pfizer	Neutral	1,771	-4.6	380	-20.6	280	-13.4
Ranbaxy Labs	Buy	16,149	10.9	2,261	-14.6	1,915	58.2
Shasun Chemicals	Buy	1,001	4.9	156	7.0	70	13.6
Sun Pharma	Buy	5,931	18.9	2,011	11.0	2,418	36.8
Wockhardt	Neutral	6,434	55.9	1,409	57.1	706	11.4
Sector Aggregate		**95,755**	**15.1**	**18,948**	**9.2**	**14,577**	**24.2**

Shasun: Excluding acquisition of Rhodia

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Pharma will be boosted due to the translation gains on FCCB loans arising from currency appreciation. Top-line performance of MNCs is likely to be impacted by company-specific factors –divestment of animal healthcare business for GSK and divestment of consumer healthcare business for Pfizer.

Pressure on global healthcare budgets and ageing population will ensure buoyant demand for generics

Globally, governments are under constant pressure to lower healthcare costs and to increase access to medicines. This is likely to result in more favorable legislation for generics globally, although it may result in lower generic prices in some markets. Generics will continue to see robust demand across markets, led by macroeconomic factors such as ageing population, pressure on global healthcare budgets, increasing penetration of generic drugs (particularly in some EU and semi-regulated markets) and patent expiries.

Patent expiries to drive generics growth in regulated markets

We expect US$45b-US$50b worth of products to go off-patent in the US alone by 2009. At an average of 97% price discount, this is likely to result in a potential market worth US$1.5b for generics players over the next three years. Western Europe will witness patent expiries worth about US$6b in the same period. Many countries (for e.g. Japan) are likely to encourage generics to reduce their healthcare costs. All this will ensure that generic volumes continue to expand further.

US generic prices already at 97-99% discount, further declines insignificant

Prices for patent-expired products in the US are already at 97-99% discount to the innovator's price. While we do not expect any significant improvement in the competitive landscape in the short-to-medium term, we believe that further price declines may not be very significant. Price deflation commenced in CY04 and we are already into the fourth year of successive price decline.

Low penetration to drive double-digit growth in many European markets

We believe that the generic penetration in several European markets is extremely low. Barring Germany and the UK, generic penetration in most of the regulated markets in Europe (France, Spain, Italy, Belgium) is in single digits. Japan, the second largest pharmaceutical market, also has a generic penetration of merely 5%. This implies that as more drugs go off-patent in these markets and as respective governments enact favorable legislation, generic penetration in these markets is likely to improve significantly. The larger Indian generic players have already entered these markets (either via the inorganic route or via partnerships), which should augur well for these companies in the long term.

RoW markets offer an attractive opportunity with higher margins

The size of the semi-regulated markets is expected to increase from US$40b in 2005 to US$50b-US$60b by 2009. The opportunity spans more than 150 markets through Latin America, Asia, Eastern Europe and Australia. The current market share of Indian companies is merely about 6%, implying that there is substantial room for growth. Secondly, most of these markets are branded generic markets, thus, resulting in better margins compared with the US generic market (GPM of about 60-70% compared with about 40-50% for the US). Indian generic companies have already established a reasonable presence in some of these markets (like Russia, Latam) while they are in the process of strengthening their presence in some of the other markets (like China, Australia, New Zealand).

Anti-AIDS also presents a large volume opportunity with stable margins

Unlike popular belief, we believe that that the anti-AIDS market offers a reasonable upside to Indian companies like Ranbaxy and Cipla. Besides Indian companies, no other generic player is active in this market as it was assumed that the supplies would entail significantly lower margins. Contrary to this belief, the anti-AIDS opportunity offers large volumes with reasonable margins (EBITDA margins of 15-20%) for the Indian players.

Consolidation to gain further steam ahead, risks of extended payback remain

Intense price competition in the traditional generic market of the US and UK has forced most generic players to expand geographically and also focus on backward integration. This has led to a big consolidation wave in the global generic industry with large players such as Teva and Sandoz successfully polarizing the market in their favor (via big-ticket acquisitions). While acquisitions are imperative to gain scale, we believe that current valuations for generic assets are extremely demanding implying that inorganic growth for Indian players is likely to arise at the cost of extended paybacks of about 8-10 years.

Cost structures are being re-aligned/de-risked

To counter the pricing pressure in regulated markets, Indian generic companies have embarked on a cost control cum de-risking drive. Costs are being reduced by focusing on conducting in-house bioequivalence studies, controlling SG&A costs and adopting a pragmatic approach towards patent challenges (leading to out-of-court settlements thus capping litigation costs). Ranbaxy is a typical example of this approach. Dr. Reddy's Labs has de-risked its R&D and fixed costs by resorting to external funding and partnering with private equity investors. Sun Pharma is in the process of de-risking its NCE/NDDS research by demerging this unit into a separate company with the potential of attracting partners at a future date.

Which generic models will succeed?

In our opinion, the winning business model will include a combination of:

1. Vertical integration
2. Low cost of manufacture
3. Geographically diversified presence
4. Wide product basket
5. Strong balance sheet

The table below indicates the status of Indian players vis-à-vis each of the above parameters:

PARAMETER	PRE-REQUISITE	STATUS OF INDIAN PLAYERS
Vertical Integration	Complete integration from manufacturing of inter-mediates to formulations	Most Indian players are vertically integrated
Manufacturing locations	Access to low-cost manufacturing base like India	Most Indian players have a strong manufacturing base in India
Geographical Diversification	Right mix of regulated and semi-regulated markets	Ranbaxy & Cipla have a fairly diversified geographical portfolio
Product Basket	Wide product basket including various dosage forms with some niche products & FTFs	The top four generic Indian players have large product baskets. Other Indian companies in the process of widening their portfolios
Financial Health	Strong balance sheet to manage litigation risks, acquisitions etc.	Amongst the leading players only Sun Pharma has the balance sheet strength to fund large acquisitions without significantly diluting equity capital

Source: Motilal Oswal Securities

US pricing pressure, costly acquisitions – already discounted in current valuations

While valuations for Ranbaxy and Dr Reddy's reflect extreme pessimism led by intense generics, pricing pressure and expensive acquisitions made by these companies, that for Sun Pharma reflect the consistency of performance over the past seven years and their conservative management style.

Sensitivity to US revenues likely to reduce in future for Ranbaxy and DRL

We believe that markets are currently discounting the 97-99% price erosion in the US generic markets despite the fact that the sensitivity to US generic revenues is likely to decline (particularly for Ranbaxy and DRL) in the coming years as initiatives in other markets (which enjoy better margins) start contributing to revenues and profits.

Outsourcing opportunity gaining traction

More MNCs are visiting India for CRAMS tie-ups. We believe that India offers a unique combination of skilled labor (at low costs), international regulatory compliance, IPR protection, presence across CRAMS value chain and good quality. Most of the CRAMS players are expecting a ramp-up in their contract manufacturing revenues.

Large pharmaceutical companies like Pfizer, Merck (USA) etc., have undertaken a restructuring of their manufacturing operations and are likely to focus on outsourcing to reduce costs. We believe that India could be significant beneficiary of the increased outsourcing.

Indian CRAMS players are also looking at acquisitions

Most of the Indian CRAMS players are looking at acquisitions to acquire more customer relationships and contracts as well as get access to critical technologies. Nicholas Piramal has already announced two acquisitions (Avecia and Pfizer's UK unit at Morpeth) while Shasun has acquired Rhodia's custom manufacturing unit in UK. Dishman Pharma has acquired Carbogen-AMCIS in Switzerland while Jubilant Organosys has recently acquired Hollister in the US.

Most of the acquired companies were divested by their existing owners (mostly large pharmaceutical/chemicals companies) as a part of their strategy of divesting non-core assets. It is pertinent to note that most of these companies had invested significant resources some years back to establish their presence in the CRAMS space. Failure/withdrawal of some large molecules, intense generic competition and low R&D productivity (at the customer's end) has adversely impacted most of the CRAMS players in Europe and USA over the past 3 years. This coupled with high fixed costs forced the owners to divest these assets, which have been purchased by Indian CRAMS players at very reasonable valuations (0.5-1x sales).

Top-line growth is imperative for turnaround of acquired CRAMS companies

Although, Indian CRAMS players have acquired these assets at very reasonable valuations (0.5-1x sales), high fixed costs mandate that a turnaround is not feasible without topline growth. It is also important to note that most of these CRAMS assets were divested post restructuring (by their existing owners) implying that; there may not be any significant room to cut costs further.

Turnaround may be achieved faster than anticipated

We are positively surprised by the increased business traction in the acquired CRAMS companies. Increased order-flow coupled with a positive outsourcing stance (by the innovator pharmaceutical companies) is helping CRAMS players to gain increased traction in the custom manufacturing business. Carbogen-AMCIS, Avecia and Shasun's UK units are all witnessing better top-line growth. We believe that this is likely to shorten the turnaround time for these companies (mainly for Avecia and Shasun)

New Pharma Policy: Uncertainty continues

The outlook on the New Pharmaceutical Policy continues to be uncertain as the government is yet to announce the final policy. We believe that there are still differences between the government and the pharmaceutical industry which need to be ironed out. Major differences concern the span and extent of price control on pharmaceutical products. Media reports suggest that the government is not fully satisfied with the price cuts implemented by the pharmaceutical industry in the generic-generics segment.

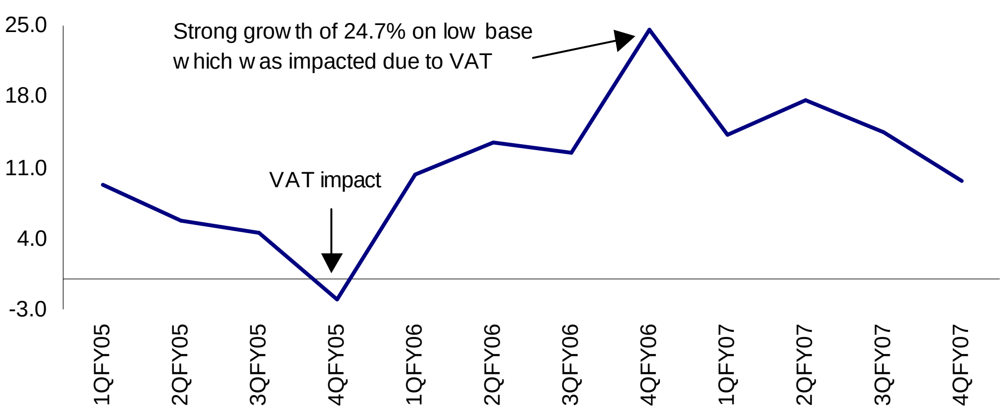
The new policy proposes to significantly increase the span of control by bringing in additional 354 drugs under price control. This could severely impact the profitability of the domestic formulations business. Industry has taken strong objection to the proposed policy and we believe that the policy is unlikely to be implemented in the current form. Given the strong opposition from industry, the government has formed a Group of Ministers (GoM), which would give final recommendations to the government regarding the new pharmaceutical policy. However, the uncertainty related to this will remain until the government finally notifies the new pharmaceutical policy.

It is important to note that these are only recommendations, pending announcement of the final new drug policy. These recommendations may or may not undergo a change in the final policy when the proposed policy is tabled in the cabinet for approval.

Domestic market – showing double digit growth

The domestic formulation industry, has maintained its double-digit growth trajectory at 14.1% (on MAT basis) for Apr-2007. However, for the January-April 2007 period growth has slowed down to 10.5%. While the growth has been primarily driven by higher volumes, we also note that the industry is witnessing a positive price contribution (about 1-2%).

TREND IN DOMESTIC MARKET GROWTH



Source: CRISINFAC/ORG IMS

Outlook

Generics

We believe that the worst is over for Indian generic companies and expect gradual improvement in their performance over the next two years. CY05-CY06 were the worst years for generics mainly due to:

- Increased competition due to aggressive filings from Indian companies and entry of new players
- Innovators have adopted an aggressive stance including price cuts (on branded products), introduction of authorized generics, patent de-listing, and defending IPRs vigorously.
- Twin impact of intense competition and very few new launches due to lesser number of patent expiries.
- **What has changed over CY05-CY06?**
  - CY07-CY08 to witness patent expiry worth over US$30b leading to more new launches – takes care of one of key impediments for generics
  - Pricing to remain intensely competitive due to entry of more players and government pressures – however, significant price deterioration unlikely as generic prices are already at 1-3% of innovator price
  - Expect more consolidation as generics gain scale and expand geographical reach
  - Indian generic companies have initiated cost-cutting measures (including R&D hive-off)
  - Generics and innovators adopting a more pragmatic stance on patent litigations leading to settlements.
  - Governments worldwide trying to reduce healthcare costs – expect regulation to remain favorable

Our top picks in the generic space are **Ranbaxy** and **Sun Pharma**.

MNC Pharma

We remain favorably inclined towards MNC Pharma stocks in the long term. In our view, the current risk-reward equation is stacked in favor of MNC stocks. Leading Pharma MNCs are geared to gain from the opportunities arising in the stronger patent regime post 2005. We remain bullish on the long-term prospects of these companies. The potential upside from product patents would create 'option value' in these stocks over the longer term. It should be noted that some of the patented products may be launched by the parent through the 100% subsidiary route. However, we believe that most of the mass-market products (which need a large field force for promotion) are likely to be launched through the listed entities. Our top picks among MNCs are **Aventis** and **GSK Pharma**.

CRAMS

We also believe that the Indian contract-manufacturing segment will see secular growth (given India's advantages) with the financial impact visible from FY08/09 onwards. We remain favorably inclined towards CRAMS players like **Nicholas Piramal** and **Shasun Chemicals**.

TREND IN GROWTH / PROFITABILITY OF DIFFERENT SEGMENTS OF THE INDUSTRY (APRIL-JANUARY QUARTER)

INQUIRE PHARMA UNIVERSE	YOY GROWTH (%)			EBITDA MARGIN (%)			NET PROFIT MARGIN (%)		
AGGREGATES	SALES	EBITDA	ADJ PAT	JUN '07	JUN '06	CHG (BP)	JUN '07	JUN '06	CHG (BP)
MNC Pharma (Aventis, GSK Pharma, Pfizer)	4.3	5.4	7.6	29.2	28.9	29	21.2	20.6	64
Indian Big-3 (Cipla, DRL, Ranbaxy) *	0.2	-21.8	1.9	15.0	19.2	-420	11.7	11.5	20
Other Indian Pharma	32.0	38.7	45.5	21.8	20.7	105	16.9	15.3	157
Sector Aggregate	**15.1**	**9.2**	**24.2**	**19.8**	**20.8**	**-105**	**15.2**	**14.1**	**112**

** ranked according to revenues*

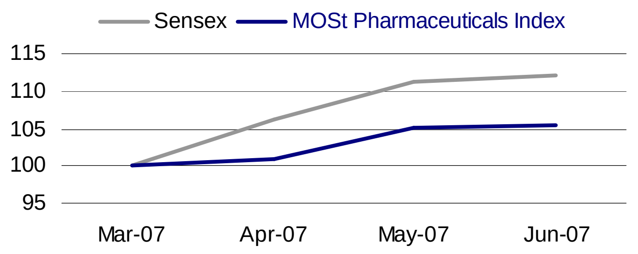
Source: Motilal Oswal Securities

Stock performance and valuations

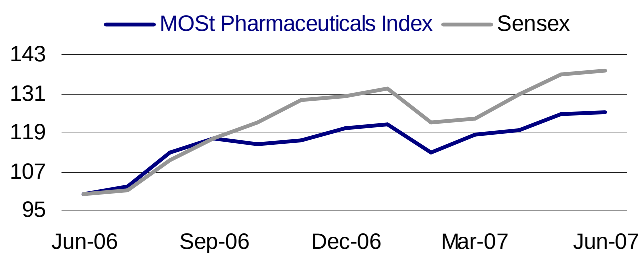
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Pharmaceuticals						
Aurobindo Pharma	19	39	7	1	14	14
Aventis Pharma	17	-1	5	-39	12	-26
Biocon	-9	24	-21	-14	-15	-1
Cadila Health	12	32	0	-6	7	7
Cipla	-12	-3	-24	-41	-17	-28
Dishman Pharma	44	82	32	44	39	57
Divis Labs	89	347	77	309	84	322
Dr Reddy' s Labs	-10	3	-22	-35	-15	-22
GSK Pharma	14	22	1	-16	8	-3
Jubiliant Organosys	18	36	6	-2	13	11
Lupin	21	64	9	26	16	39
Nicholas Piramal	22	57	10	19	17	32
Pfizer	1	4	-11	-34	-5	-21
Ranbaxy Labs	1	0	-11	-38	-5	-25
Shasun Chemicals	44	89	32	51	38	64
Sun Pharma	-3	29	-15	-9	-8	4
Wockhardt	-3	1	-16	-37	-9	-24

RELATIVE PERFORMACE - 3 MONTHS (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Pharmaceuticals														
Aurobindo Pharma	809	Sell	29.4	45.6	62.9	27.6	17.7	12.9	19.5	11.5	8.7	20.1	24.0	25.1
Aventis Pharma	1,443	Buy	73.5	81.0	91.2	19.6	17.8	15.8	13.3	11.4	9.7	28.6	26.2	24.7
Biocon	441	Buy	20.1	23.0	27.2	22.0	19.2	16.2	15.9	13.2	10.9	18.8	18.5	18.7
Cadila Health	376	Buy	18.6	22.0	25.8	20.2	17.1	14.6	14.0	10.8	9.3	29.0	27.1	25.7
Cipla	208	Buy	8.5	9.7	11.8	24.5	21.5	17.7	19.2	16.7	13.9	20.2	19.4	19.8
Dishman Pharma	306	Buy	11.2	15.4	18.5	27.2	19.9	16.6	25.0	16.1	13.2	35.8	32.9	30.0
Divis Labs	5,831	Neutral	149.6	206.9	255.2	39.0	28.2	22.8	30.8	22.5	18.2	46.1	44.4	39.2
Dr Reddy' s Labs	656	Buy	55.6	35.5	41.8	11.8	18.5	15.7	8.0	13.2	11.5	23.6	13.5	14.3
GSK Pharma	1,268	Buy	42.7	48.1	56.2	29.7	26.3	22.6	20.1	17.4	14.5	30.3	28.2	27.1
Jubiliant Organosys	308	Buy	11.5	17.0	19.7	26.8	18.1	15.6	14.9	10.7	8.5	21.7	24.7	23.3
Lupin	733	Neutral	26.4	36.6	39.2	27.8	20.0	18.7	21.3	14.9	14.3	30.9	31.8	27.0
Nicholas Piramal	300	Buy	11.0	14.5	17.9	27.3	20.6	16.8	20.7	14.5	11.9	23.1	25.4	25.4
Pfizer	804	Neutral	40.5	38.2	38.2	19.8	21.0	21.0	12.7	11.8	11.8	27.5	15.8	14.5
Ranbaxy Labs	355	Buy	13.4	16.5	20.5	26.4	21.5	17.3	17.9	14.8	11.5	20.9	22.7	24.7
Shasun Chemicals	143	Buy	-0.6	11.5	14.1	-225.1	12.4	10.1	11.7	8.4	6.8	19.8	21.0	21.9
Sun Pharma	1,022	Buy	37.4	41.8	52.0	27.3	24.5	19.7	28.1	22.4	17.7	40.6	35.5	34.6
Wockhardt	384	Neutral	22.3	25.3	30.2	17.2	15.2	12.7	13.0	9.8	8.1	28.3	25.3	24.4
Sector Aggregate						**22.4**	**20.0**	**16.6**	**17.0**	**14.8**	**12.2**	**25.3**	**23.4**	**23.4**

Aurobindo Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ARBP IN
	REUTERS CODE
S&P CNX: 4,318	ARBN.BO

Equity Shares (m)	53.3
52-Week Range	819/536
1,6,12 Rel. Perf. (%)	16/8/1
M.Cap. (Rs b)	43.1
M.Cap. (US$ b)	1.1

29 June 2007

Sell

Previous Recommendation: Sell

Rs809

YEAR END *	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07E	22,502	2,010	29.4	145.9	27.6	4.3	20.1	7.4	2.4	18.2
3/08E	26,833	3,125	45.6	55.5	17.7	3.3	24.0	13.4	2.0	11.1
3/09E	32,516	4,301	62.8	37.6	12.9	2.5	25.1	15.3	1.6	8.5

** Consolidated results*

- Aurobindo does not declare consolidated quarterly results. Our quarterly estimates are standalone, while annual estimates are on a consolidated basis.
- Sales are expected to be at Rs5.5b, growth of 25.7% YoY on account of improved traction in Pen-G based business and incremental contribution from USA as well as higher ARV sales. EBITDA Margins are expected to improve by 130bp to 16.3% due to improvement in market and product mix.
- Also, higher other income at Rs400m (up 134% YoY due to translation gains on FCCBs) and lower tax provisioning (at 20% of PBT v/s 28.5% in 1QFY07) would boost PAT growth to 101% at Rs729m.
- We have upgraded our earnings estimate for FY08E by 8.6% and for FY09E by 17%, to factor in the increased traction in US business and a favorable Pen-G cycle.
- While the company has aggressively ramped up its filings in the regulated markets, we believe that being a late entrant, it will have to play the price game to gain market share. We believe that it is currently in an investment mode as far as some of the European markets are concerned. Recovery in the Pen-G cycle should benefit the company's legacy business in the short-term. Given its high leverage and modest return ratios, we believe valuations at 17.7x FY08E and 12.9x FY09E earnings are expensive. We maintain **Sell.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,386**	**4,800**	**5,284**	**5,233**	**5,513**	**5,876**	**6,300**	**6,543**	**19,703**	**24,232**
YoY Change (%)	*56.3*	*50.2*	*29.2*	*13.0*	*25.7*	*22.4*	*19.2*	*25.0*	*33.8*	*23.0*
Total Expenditure	3,727	4,109	4,499	4,412	4,617	4,877	5,198	5,420	16,747	20,112
EBITDA	**659**	**691**	**785**	**821**	**896**	**999**	**1,103**	**1,122**	**2,955**	**4,119**
Margins (%)	*15.0*	*14.4*	*14.9*	*15.7*	*16.3*	*17.0*	*17.5*	*17.2*	*15.0*	*17.0*
Depreciation	143	150	163	167	170	175	185	188	623	718
Interest	181	202	197	205	215	225	245	247	785	932
Other Income	171	267	263	259	400	230	290	142	960	1,062
PBT	**506**	**606**	**688**	**708**	**911**	**829**	**963**	**829**	**2,508**	**3,532**
Tax	7	48	52	143	182	166	193	166	259	706
Deferred Tax	137	12	44	0	0	0	0	0	193	0
Rate (%)	*28.5*	*9.8*	*14.0*	*20.1*	*20.0*	*20.0*	*20.0*	*20.0*	*18.0*	*20.0*
PAT	**362**	**546**	**601**	**565**	**729**	**663**	**770**	**664**	**2,066**	**2,825**
Adjusted PAT	**362**	**546**	**592**	**565**	**729**	**663**	**770**	**664**	**2,057**	**2,825**
YoY Change (%)	*1,701.5*	*1,401.1*	*126.0*	*50.7*	*101.2*	*21.4*	*30.1*	*17.4*	*196.5*	*37.4*
Margins (%)	*8.3*	*11.4*	*11.2*	*10.8*	*13.2*	*11.3*	*12.2*	*10.1*	*10.4*	*11.7*

E: MOSt Estimates

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Aventis Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HOEC IN
	REUTERS CODE
S&P CNX: 4,318	HOEC.BO

Equity Shares (m)	23.0
52-Week Range	1,886/1,160
1,6,12 Rel. Perf. (%)	8/1/-39
M.Cap. (Rs b)	33.2
M.Cap. (US$ b)	0.8

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,443

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	8,821	1,693	73.5	3.2	19.6	5.6	28.6	42.0	3.3	13.3
12/07E	9,661	1,867	81.0	10.2	17.8	4.7	26.2	39.6	2.9	11.4
12/08E	10,750	2,101	91.2	12.6	15.8	3.9	24.7	37.4	2.5	9.7

** Standalone results*

- Sales are expected to grow by 11.1% YoY to Rs2.47b aided by higher growth in exports (on low base of 2QCY06) and stable growth in the domestic portfolio. The parent has commenced sourcing more products from APL and has identified it as a global sourcing base for some of its patent-expired products like Paracetamol.
- EBITDA margins are likely to decline by 110bp to 26.7% due to higher contribution from mature brands like Combiflam and higher expenses related to increasing penetration in non-urban areas.
- **Rabipur update -** Rabipur (anti-rabies vaccine) is currently manufactured through a JV between APL and Chiron (now Novartis) and marketed by APL. The JV agreement has expired recently and it was generally expected that Rabipur will revert to Chiron. Management has indicated that it is currently negotiating with Novartis to renew the agreement for future. Rabipur recorded sales of Rs780m on annualized basis.
- We believe that APL will be one of the key beneficiaries of the patent regime in the long term. The parent has a strong R&D pipeline with a total of 125 products under development, of which 25 are in Phase-III. It plans to file 40 NDAs by CY10E. We continue to remain positive on APL's long-term prospects. We believe that at 15.8x CY08E earnings, valuations are undemanding. We maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**2,005**	**2,228**	**2,431**	**2,176**	**2,129**	**2,476**	**2,681**	**2,375**	**8,840**	**9,661**
YoY Change (%)	*16.2*	*4.4*	*8.8*	*11.2*	*6.2*	*11.1*	*10.3*	*9.2*	*9.4*	*9.3*
Total Expenditure	1,513	1,609	1,744	1,749	1,635	1,815	1,956	1,789	6,633	7,196
EBITDA	**492**	**619**	**687**	**427**	**494**	**661**	**724**	**586**	**2,207**	**2,465**
Margins (%)	*24.5*	*27.8*	*28.3*	*19.6*	*23.2*	*26.7*	*27.0*	*24.7*	*25.0*	*25.5*
Depreciation	43	42	43	51	45	46	47	57	179	195
Interest	0	1	0	1	0	0	0	0	2	0
Other Income	96	90	156	111	200	118	146	98	471	563
PBT	**545**	**666**	**800**	**486**	**649**	**733**	**824**	**627**	**2,497**	**2,833**
Tax	176	227	262	139	216	250	281	219	804	966
Effective Tax Rate (%)	*32.3*	*34.1*	*32.8*	*28.6*	*33.3*	*34.1*	*34.1*	*35.0*	*32.2*	*34.1*
Reported PAT	**369**	**439**	**538**	**347**	**433**	**483**	**543**	**408**	**1,693**	**1,867**
Adj PAT	**369**	**439**	**538**	**347**	**433**	**483**	**543**	**408**	**1,693**	**1,867**
YoY Change (%)	*56.4*	*28.4*	*8.2*	*-7.7*	*17.3*	*10.0*	*0.9*	*17.5*	*16.7*	*10.2*
Margins (%)	*18.4*	*19.7*	*22.1*	*15.9*	*20.3*	*19.5*	*20.2*	*17.2*	*19.2*	*19.3*

E: MOSt Estimates

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Biocon

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BIOS IN
	REUTERS CODE
S&P CNX: 4,318	BION.BO

29 June 2007

Buy

Previous Recommendation: Buy — Rs441

Equity Shares (m)	100.0
52-Week Range	532/324
1,6,12 Rel. Perf. (%)	-10/12/-14
M.Cap. (Rs b)	44.1
M.Cap. (US$ b)	1.1

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	9,862	2,008	20.1	15.4	22.0	4.1	18.8	17.0	4.6	15.9
3/08E	12,136	2,300	23.0	14.5	19.2	3.5	18.5	16.3	3.7	13.2
3/09E	14,139	2,725	27.2	18.5	16.2	3.0	18.7	17.4	3.2	10.9

- Biocon's 1QFY08 sales are expected to grow by 25% YoY to Rs2.6b led by statins supplies to the US, traction in enzymes business which faced capacity constraints last year and continued momentum in contract research services.
- EBITDA margins are likely to expand by 240bp (to 28%) due to contribution from statins sales for US markets and continuing traction in contract research services.
- However, higher depreciation (up by 87% YoY) and higher interest cost (up by 80%) on account of commencement of new facility, is likely to restrict PAT growth to 22% at Rs480m.
- Syngene has recently entered into a pact with Bristol-Myers Squibb, for conducting discovery and early drug development for the latter, through a dedicated research facility. This facility is likely to generate revenues from FY09 onwards.
- While some of Biocon's initiatives appear promising, as of now, their visibility is poor. Biocon is currently valued at 19.2x FY08E and 16.2x FY09E earnings. Launch of bio-generics in regulated markets remains the key long-term trigger, however, clarity on the regulatory pathway is still awaited from the US FDA. In the interim, Biocon's initiatives in the Insulin space are likely to be key growth drivers. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,120**	**2,490**	**2,470**	**2,782**	**2,654**	**3,076**	**3,057**	**3,348**	**9,862**	**12,136**
YoY Change (%)	*21.9*	*24.2*	*24.0*	*29.8*	*25.2*	*23.5*	*23.8*	*20.3*	*25.1*	*23.0*
Total Expenditure	1,577	1,831	1,693	1,925	1,912	2,223	2,183	2,387	7,025	8,705
EBITDA	**544**	**659**	**777**	**857**	**742**	**854**	**875**	**961**	**2,838**	**3,431**
Margins (%)	*25.6*	*26.5*	*31.5*	*30.8*	*28.0*	*27.7*	*28.6*	*28.7*	*28.8*	*28.3*
Depreciation	109.7	177.5	182.8	195.3	205.0	225.0	230.0	256.4	665.3	916.4
Interest	16.7	21.6	21.6	34.5	30.0	35.0	40.0	41.1	94.5	146.1
Other Income	13.6	8.6	2.8	11.9	15.0	10.0	12.0	18.0	31.9	55.0
PBT	**431**	**469**	**576**	**639**	**522**	**604**	**617**	**681**	**2,110**	**2,423**
Tax	42	22	36	65	42	48	49	54	165	194
Rate (%)	*9.8*	*4.8*	*6.2*	*10.2*	*8.0*	*8.0*	*8.0*	*8.0*	*7.8*	*8.0*
Minority Interest	-5	-7	-20	-33	0	0	0	0	-63	0
PAT	**394**	**453**	**560**	**607**	**480**	**555**	**567**	**627**	**2,008**	**2,230**
YoY Change (%)	*1.8*	*4.1*	*27.7*	*26.9*	*21.9*	*22.5*	*1.3*	*3.2*	*15.4*	*11.1*
Margins (%)	*18.6*	*18.2*	*22.7*	*21.8*	*18.1*	*18.1*	*18.6*	*18.7*	*20.4*	*18.4*

E: MOSt Estimates

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Cadila Healthcare

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CDH IN
	REUTERS CODE
S&P CNX: 4,318	CADI.BO

Equity Shares (m)	125.6
52-Week Range	412/256
1,6,12 Rel. Perf. (%)	13/1/-6
M.Cap. (Rs b)	47.3
M.Cap. (US$ b)	1.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs376

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,288	2,338	18.6	43.2	20.2	5.2	29.0	23.6	2.8	14.4
3/08E	21,220	2,768	22.0	18.4	17.1	4.2	27.1	24.1	2.3	11.2
3/09E	24,816	3,235	25.8	16.8	14.6	3.4	25.7	23.5	1.9	9.6

- Cadila's 1QFY08 revenue is expected to grow by 17% to Rs5.2b, driven by 26% growth in exports and 14% growth in domestic business. Growth in the domestic formulations business is likely to recover to double-digits post the restructuring undertaken in FY07.
- EBITDA margins are expected to be flat at 20.3% despite 17% topline growth, mainly due to currency appreciation. However, higher interest cost (up by 30%) and lower other income (down 49%) coupled with higher tax rate at 14.7% compared to 11.2% for 1QFY07 would restrict PAT growth to 14.8% to Rs670m.
- Cadila recently acquired Nikkho in Brazil for US$26m (~1x sales and 8-9x EBITDA) giving it access to the branded generic market in Brazil. Nikkho currently has a portfolio of about 22 products across 13 brands and has a strong pipeline of products pending launch.
- Cadila is currently valued at 17.1x FY08E and 14.6x FY09E consolidated earnings. Higher growth in the international business, turnaround in French operations, steady supplies to Altana coupled with a de-risked business model should augur well for the company. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**4,458**	**4,748**	**4,724**	**4,357**	**5,224**	**5,529**	**5,400**	**5,067**	**18,288**	**21,220**
YoY Change (%)	*19.5*	*27.3*	*27.8*	*25.9*	*17.2*	*16.5*	*14.3*	*16.3*	*23.2*	*16.0*
Total Expenditure	3,560	3,658	3,901	3,646	4,163	4,194	4,364	4,116	14,767	16,837
EBITDA	**898**	**1,090**	**823**	**711**	**1,061**	**1,335**	**1,036**	**951**	**3,521**	**4,383**
Margins (%)	*20.1*	*23.0*	*17.4*	*16.3*	*20.3*	*24.1*	*19.2*	*18.8*	*19.3*	*20.7*
Depreciation	197	213	212	200	210	220	225	228	823	883
Interest	69	54	49	52	90	95	95	96	223	376
Other Income	49	3	0	15	25	35	30	31	264	121
PBT before EO Income	**681**	**826**	**562**	**474**	**786**	**1,055**	**746**	**658**	**2,739**	**3,245**
EO Exp/(Inc)	0	0	-196	0	0	0	0	0	0	0
PBT after EO Income	**681**	**826**	**758**	**474**	**786**	**1,055**	**746**	**658**	**2,739**	**3,245**
Tax	76	100	98	50	116	155	110	97	324	477
Rate (%)	*11.2*	*12.1*	*12.9*	*10.5*	*14.7*	*14.7*	*14.7*	*14.7*	*11.8*	*14.7*
Minority Int/Adj on Consol	21	21	1	35	0	0	0	0	77	0
Reported PAT	**584**	**705**	**659**	**389**	**670**	**900**	**636**	**562**	**2,338**	**2,768**
Adj PAT	**584**	**705**	**488**	**389**	**670**	**900**	**636**	**562**	**2,338**	**2,768**
YoY Change (%)	*47.2*	*38.8*	*18.4*	*13.0*	*14.8*	*27.6*	*30.3*	*44.4*	*40.7*	*18.4*
Margins (%)	*13.1*	*14.8*	*10.3*	*8.9*	*12.8*	*16.3*	*11.8*	*11.1*	*12.8*	*13.0*

E: MOSt Estimates; Quarterly numbers don't add up to full year numbers due to restatement

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Cipla

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CIPLA IN
	REUTERS CODE
S&P CNX: 4,318	CIPL.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs208

Equity Shares (m)	777.3
52-Week Range	275/203
1,6,12 Rel. Perf. (%)	-5/-23/-41
M.Cap. (Rs b)	162.0
M.Cap. (US$ b)	4.0

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	35,721	6,608	8.5	4.8	24.5	4.9	20.2	23.1	4.4	19.2
03/08E	41,041	7,534	9.7	13.9	21.5	4.2	19.4	21.5	3.8	16.7
03/09E	49,001	9,160	11.8	21.4	17.7	3.5	19.9	22.2	3.1	13.9

- Cipla's 1QFY08 revenues are expected to grow by 14% YoY to Rs9.8b, led by 16% growth in domestic business and 60% growth in API exports. The company had booked Sertraline sales in the US in 1QFY07 leading to a higher base.
- EBITDA margin is expected to decline by 1158bp to 14.9% mainly due to lower sales to regulated markets and currency appreciation.
- PAT is expected to decline by 31% to Rs1.1b due to significant margin erosion.
- Cipla has one of the strongest generic pipelines with tie-ups for 160 products, of which 136 are for the US (across 9 partners). The company is spending a significant amount (about Rs13b) to expand manufacturing facilities in the FY05-FY09 period. While near-term earnings visibility has been impacted due to the muted guidance, we believe that it does not change the structural positives for Cipla. At 21.5x FY08E and 17.7x FY09E EPS, we maintain our long-term **Buy** on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**8,636**	**8,961**	**8,805**	**9,319**	**9,840**	**10,208**	**10,618**	**10,374**	**35,721**	**41,041**
YoY Change (%)	*30.3*	*33.4*	*12.8*	*7.0*	*13.9*	*13.9*	*20.6*	*11.3*	*19.4*	*14.9*
Total Expenditure	6,347	6,685	6,613	7,849	8,372	8,482	7,856	7,119	27,494	31,829
EBITDA	**2,289**	**2,276**	**2,193**	**1,470**	**1,468**	**1,726**	**2,762**	**3,256**	**8,227**	**9,212**
Margins (%)	*26.5*	*25.4*	*24.9*	*15.8*	*14.9*	*16.9*	*26.0*	*31.4*	*23.0*	*22.4*
Depreciation	260	245	275	261	290	310	320	326	1,041	1,246
Interest	28	16	13	13	24	22	20	18	70	84
Other Income	220	190	261	221	215	200	250	213	891	878
Profit before Tax	**2,220**	**2,205**	**2,166**	**1,417**	**1,369**	**1,594**	**2,672**	**3,125**	**8,008**	**8,760**
Tax	516	403	322	160	192	223	374	437	1,400	1,226
Rate (%)	*23.2*	*18.3*	*14.9*	*11.3*	*14.0*	*14.0*	*14.0*	*14.0*	*17.5*	*14.0*
Reported PAT	**1,704**	**1,803**	**1,844**	**1,257**	**1,177**	**1,371**	**2,298**	**2,687**	**6,608**	**7,534**
YoY Change (%)	*53.0*	*47.0*	*5.2*	*-34.1*	*-30.9*	*-24.0*	*24.6*	*113.7*	*8.8*	*14.0*
Margins (%)	*19.7*	*20.1*	*20.9*	*13.5*	*12.0*	*13.4*	*21.6*	*25.9*	*18.5*	*18.4*

E: MOSt Estimates

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Dishman Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	DISH IN
	REUTERS CODE
S&P CNX: 4,318	DISH.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs306

Equity Shares (m)	81.6
52-Week Range	338/148
1,6,12 Rel. Perf. (%)	17/17/44
M.Cap. (Rs b)	25.0
M.Cap. (US$ b)	0.6

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	5,779	921	11.2	93.3	27.2	6.8	35.8	16.3	4.9	25.0
03/08E	9,028	1,260	15.4	36.8	19.9	5.0	32.9	16.8	3.3	16.1
03/09E	10,527	1,513	18.5	20.0	16.6	3.9	30.0	17.0	2.8	13.2

- Dishman's 1QFY08 revenues are expected to grow by 155% YoY to Rs2.1b, led by continued momentum in CRAMS business and consolidation of Carbogen-AMCIS acquisition.
- EBITDA margins are expected to decline by 480bp to 19.8% due to currency appreciation and consolidation of Carbogen-AMCIS acquisition.
- Interest cost is expected to be significantly higher (Rs55m compared to Rs9m for 1QFY07) due to increased borrowings to part-fund the Carbogen-AMCIS acquisition and capacity expansion. PAT is expected to grow by 73% to Rs319m led by increased CRAMS revenues and consolidation of Carbogen-AMCIS acquisition.
- We believe that Dishman will be one of the key beneficiaries of the increased pharmaceutical outsourcing from India. Expansion of customer base (to reduce dependence on Solvay) and ability to offer the complete range of services across the CRAMS value chain should benefit the company in the long-term. The stock is currently valued at 19.9x FY08E and 16.6x FY09E earnings.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**822**	**1,170**	**1,736**	**2,057**	**2,100**	**2,330**	**2,205**	**2,393**	**5,786**	**9,028**
YoY Change (%)	*34.7*	*71.0*	*180.3*	*139.1*	*155.4*	*99.2*	*27.0*	*16.3*	*108.5*	*56.0*
Total Expenditure	620	924	1,248	1,842	1,685	1,823	1,761	1,888	4,634	7,157
EBITDA	**202**	**246**	**488**	**215**	**415**	**507**	**444**	**504**	**1,151**	**1,871**
Margins (%)	*24.6*	*21.0*	*28.1*	*10.5*	*19.8*	*21.8*	*20.1*	*21.1*	*19.9*	*20.7*
Depreciation	34	41	156	31	95	100	105	105	263	405
Interest	9	38	72	44	55	60	65	65	162	245
Other Income	34	42	34	123	75	30	30	-15	233	120
PBT after EO Income	**193**	**209**	**294**	**264**	**340**	**377**	**304**	**320**	**960**	**1,341**
Tax	8	39	43	-77	17	19	15	16	13	67
Deferred Tax	0	2	7	9	3	4	3	3	19	13
Rate (%)	*4.3*	*19.6*	*17.1*	*-25.5*	*6.0*	*6.0*	*6.0*	*6.0*	*3.3*	*6.0*
Reported PAT	**185**	**168**	**244**	**331**	**319**	**355**	**286**	**300**	**928**	**1,260**
YoY Change (%)	*96.4*	*23.4*	*25.8*	*630.8*	*72.8*	*111.4*	*17.2*	*-9.2*	*97.6*	*35.9*
Margins (%)	*22.5*	*14.3*	*14.1*	*16.1*	*15.2*	*15.2*	*13.0*	*12.6*	*16.0*	*14.0*

E: MOSt Estimates

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Divi's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	DIVI IN
	REUTERS CODE
S&P CNX: 4,318	DIVI.BO

Equity Shares (m)	12.8
52-Week Range	6,508/1,245
1,6,12 Rel. Perf. (%)	17/85/309
M.Cap. (Rs b)	74.7
M.Cap. (US$ b)	1.8

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs5,831

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07E	7,244	1,917	149.6	173.8	39.0	15.2	46.1	41.9	10.5	30.8
03/08E	8,934	2,653	206.9	38.3	28.2	10.6	44.4	42.2	8.4	22.5
03/09E	10,610	3,271	255.2	23.3	22.8	7.7	39.2	39.1	7.0	18.2

- Divi's 1QFY08 revenues are expected to grow by 44% YoY to Rs2.3b, led by continued momentum in both the generics and custom chemical synthesis (CCS) business.
- EBITDA margins are expected to improve marginally by 1,590bp to 44.6% led mainly by higher CCS revenues.
- Commissioning of new SEZ facilities will lead to higher depreciation (up 100%) and interest costs (up 104%). However, lower tax provisioning (at 12% of PBT v/s 39.4% in 1QFY07) due to higher contribution from the new SEZ is likely to temper the adverse impact, resulting in PAT growth of 215% to Rs844m.
- We believe that Divi's will be one of the key beneficiaries of the increased pharmaceutical outsourcing from India. Established relationships with the top 20 innovator pharmaceutical companies should help the company in procuring more outsourcing business as well as in spreading the business risk across customers. We believe that low cost of operations is a significant driver for Divi's profitability. The stock is currently valued at 28.2x FY08E and 22.8x FY09E earnings.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Op Revenue	**1,608**	**1,614**	**1,496**	**2,526**	**2,323**	**2,100**	**2,144**	**2,368**	**7,244**	**8,934**
YoY Change (%)	*148.8*	*98.3*	*38.6*	*98.7*	*44.4*	*30.1*	*43.3*	*-6.3*	*90.1*	*23.3*
Total Expenditure	1,148	1,179	1,071	1,387	1,287	1,327	1,356	1,609	4,784	5,580
EBITDA	**461**	**435**	**425**	**1,139**	**1,036**	**772**	**788**	**759**	**2,460**	**3,355**
Margins (%)	*28.6*	*26.9*	*28.4*	*45.1*	*44.6*	*36.8*	*36.7*	*32.0*	*34.0*	*37.5*
Depreciation	43	42	59	80	85	87	90	97	223	359
Interest	21	6	38	41	42	43	42	40	106	167
Other Income	44	34	25	34	50	40	45	51	136	186
PBT	**441**	**421**	**353**	**1,052**	**959**	**682**	**701**	**673**	**2,267**	**3,014**
Tax	167	114	-1	56	115	82	84	81	336	362
Deferred Tax	6	-6	27	-14	0	0	0	0	14	0
Rate (%)	*39.4*	*25.7*	*7.3*	*4.0*	*12.0*	*12.0*	*12.0*	*12.0*	*15.4*	*12.0*
Adj PAT	**267**	**313**	**327**	**1,010**	**844**	**600**	**617**	**592**	**1,917**	**2,653**
YoY Change (%)	*109.6*	*96.2*	*73.2*	*341.1*	*215.4*	*91.9*	*88.5*	*-41.4*	*172.1*	*38.3*
Margins (%)	*16.6*	*19.4*	*21.9*	*40.0*	*36.3*	*28.6*	*28.8*	*25.0*	*26.5*	*29.7*

E: MOSt Estimates

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Dr Reddy's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	DR IN
	REUTERS CODE
S&P CNX: 4,318	REDY.BO

Equity Shares (m)	167.7
52-Week Range	840/599
1,6,12 Rel. Perf. (%)	-1/-25/-35
M.Cap. (Rs b)	110.0
M.Cap. (US$ b)	2.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs656

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	65,095	9,323	55.6	521.9	11.8	2.8	23.6	14.9	1.8	8.0
03/08E*	49,829	5,948	35.5	-36.2	18.5	2.5	13.5	10.0	2.3	13.2
03/09E*	56,447	7,016	41.8	18.0	15.7	2.2	14.3	10.9	2.0	11.5

**Excludes one-time upsides from authorized generics and FTF opportunities*

- Dr Reddy's 1QFY08 sales (excl Zofran) are expected to decline by 19.4% YoY to Rs11.3b, mainly due to absence of authorized generic revenues (which contributed Rs3.3b to 1QFY07 sales). Excluding this one-time impact, revenues are expected to record only 6% growth, mainly due to a 25% YoY decline in Betaphram sales in Germany. Zofran — a 180 exclusivity opportunity — is likely to contribute around Rs120m-Rs200m to DRL's sales for the quarter.
- Overall gross margins (excl. Zofran) are expected to improve by 670bp (to 50%) due to lower base of 1QFY07 (resulting from the authorized generic sales). Also, EBITDA margins are likely to improve by 70bp to 16.5%.
- Lower other expenditure (down 46%) is likely to temper the impact of loss of authorized generic sales resulting in PAT de-growth (excl. Zofran) of 7% to Rs1.2b.
- DRL is currently valued at 18.5x FY08E and 15.7x FY09E consolidated earnings. We believe that while current valuations reflect the intense pricing pressure in regulated generic markets (including Germany), they are not discounting the improvement in DRRD's core business and the growth traction in semi-regulated markets (which enjoy better margins compared with the US generic markets). We reiterate **Buy**.

GLOBAL QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY07#				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Sales	**14,049**	**20,039**	**15,434**	**15,573**	**11,323**	**12,838**	**12,864**	**12,804**	**65,095**	**49,829**
YoY Change (%)	*151.3*	*247.1*	*161.7*	*124.7*	*-19.4*	*-35.9*	*-16.7*	*-17.8*	*168.2*	*-23.5*
EBITDA	**2,217**	**4,220**	**2,464**	**5,470**	**1,868**	**2,247**	**2,251**	**2,354**	**14,361**	**8,720**
Margins (%)	*15.8*	*21.1*	*16.0*	*35.1*	*16.5*	*17.5*	*17.5*	*18.4*	*22.1*	*17.5*
Depreciation & Amortization	388	402	330	2,221	300	330	350	370	3,341	1,350
Other Income	-223	-287	-281	264	-120	-133	-139	-141	-520	-534
Profit before Tax	**1,606**	**3,531**	**1,853**	**3,513**	**1,448**	**1,783**	**1,762**	**1,842**	**10,500**	**6,836**
Tax	208	737	-27	260	188	232	229	240	1,177	889
Rate (%)	*13.0*	*20.9*	*-1.5*	*7.4*	*13.0*	*13.0*	*13.0*	*13.0*	*11.2*	*13.0*
Reported PAT	**1,398**	**2,794**	**1,880**	**3,253**	**1,260**	**1,551**	**1,533**	**1,603**	**9,323**	**5,948**
Minority Interest	0	-4	0	-1	0	0	0	0	-4	0
EO (Exp)/Inc	42	0	0	0	0	0	0	0	42	0
Adjusted PAT	**1,356**	**2,798**	**1,880**	**3,254**	**1,260**	**1,551**	**1,533**	**1,603**	**9,285**	**5,948**
YoY Change (%)	*255.0*	*215.4*	*407.6*	*-*	*-7.1*	*-44.6*	*-18.4*	*-50.7*	*576.6*	*-35.9*
Margins (%)	*9.7*	*14.0*	*12.2*	*20.9*	*11.1*	*12.1*	*11.9*	*12.5*	*14.3*	*11.9*

E: MOSt Estimates; # includes one-time upsides

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GlaxoSmithKline Pharmaceuticals

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GLXO IN
	REUTERS CODE
S&P CNX: 4,318	GLAX.BO

Equity Shares (m)	84.7
52-Week Range	1,340/965
1,6,12 Rel. Perf. (%)	-1/3/-16
M.Cap. (Rs b)	107.4
M.Cap. (US$ b)	2.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,268

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	15,384	3,617	42.7	18.1	29.7	9.0	30.3	46.4	6.2	20.1
12/07E	16,927	4,078	48.1	12.7	26.3	7.4	28.2	43.3	5.6	17.4
12/08E	19,577	4,757	56.2	16.7	22.6	6.1	27.1	41.6	4.7	14.5

- GSK Pharma's 2QCY07 net sales are expected to grow by only 4.7% to Rs4.2b, due to the divestment of animal healthcare business in July 2006.
- However, EBITDA margins are expected to improve by 300bp YoY to 33.9% due to the animal healthcare divestment (which enjoyed relatively lower margins) and minor benefits from currency appreciation. PAT is expected to record 14% growth to Rs1b.
- GSK is focused on strengthening its presence in lifestyle disease segment of CVS, CNS, diabetes etc., by in-licensing products and evaluating brand acquisitions in the domestic market.
- GSK Pharma is one of the best plays on the IPR regime. Our estimates for CY07E take into account the additional marketing and promotional expenditure linked to launch of patented products in CY08E and divestment of animal healthcare division. Valuations at 26.3x CY07E and 22.6x CY08E earnings do not fully reflect the strong parentage, cash-rich operations and the 'option value' created from product patent regime in the long term. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**4,254**	**4,041**	**3,970**	**3,119**	**4,203**	**4,232**	**4,740**	**3,753**	**15,384**	**16,927**
YoY Change (%)	*54.0*	*-13.1*	*-3.9*	*-1.8*	*-1.2*	*4.7*	*19.4*	*20.3*	*4.6*	*10.0*
Total Expenditure	2,843	2,789	2,688	2,305	2,753	2,797	3,134	2,813	10,617	11,496
EBITDA	**1,411**	**1,252**	**1,283**	**814**	**1,450**	**1,435**	**1,606**	**939**	**4,767**	**5,431**
Margins (%)	*33.2*	*31.0*	*32.3*	*26.1*	*34.5*	*33.9*	*33.9*	*25.0*	*31.0*	*32.1*
Depreciation	38	39	41	41	37	42	45	48	159	171
Other Income	222	183	254	299	272	206	247	304	965	1,029
PBT before EO Expense	**1,596**	**1,396**	**1,496**	**1,072**	**1,686**	**1,595**	**1,807**	**1,185**	**5,560**	**6,274**
Tax	567	475	499	348	563	558	633	422	1,889	2,186
Deferred Tax	-6	10	6	43	10	0	0	0	53	10
Rate (%)	*35.2*	*34.8*	*33.8*	*36.4*	*34.0*	*35.0*	*35.0*	*35.6*	*34.9*	*35.0*
Adjusted PAT	**1,034**	**911**	**991**	**682**	**1,113**	**1,037**	**1,175**	**763**	**3,617**	**4,078**
YoY Change (%)	*88.9*	*-13.6*	*4.4*	*33.0*	*7.6*	*13.9*	*18.6*	*12.0*	*18.1*	*12.7*
Margins (%)	*24.3*	*22.5*	*25.0*	*21.9*	*26.5*	*24.5*	*24.8*	*20.3*	*23.5*	*24.1*
Extra-Ord Expense	22	0	-1,864	4	0	0	0	0	-1,838	0
Reported PAT	**1,012**	**911**	**2,854**	**678**	**1,113**	**1,037**	**1,175**	**763**	**5,455**	**4,078**

E: MOSt Estimates

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Jubilant Organosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	JOL IN
	REUTERS CODE
S&P CNX: 4,318	JUBO.BO

29 June 2007

Buy

Previous Recommendation: Buy Rs308

Equity Shares (m)	142.3
52-Week Range	332/195
1,6,12 Rel. Perf. (%)	11/22/-2
M.Cap. (Rs b)	43.8
M.Cap. (US$ b)	1.1

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	18,097	2,131	11.5	33.8	26.8	3.8	21.7	11.1	2.6	14.9
03/08E	23,040	3,153	17.0	47.9	18.1	3.1	24.7	10.4	2.1	10.7
03/09E	27,072	3,656	19.7	15.9	15.6	2.5	23.3	11.1	1.7	8.5

- Jubilant's 1QFY08 sales are expected to grow by 23.4% to Rs5.1b, driven by robust growth in CRAMS business resulting in Pharma & Life Sciences business growing by 36% to Rs2.8b. EBITDA margins are expected to improve by 30bp to 17.2%, reflecting improving business mix in favor of Pharma & Life Science business (at 55% of sales v/s 50% in 1QFY07) as well as the favorable impact of lower Molasses prices.
- Also, higher other income (up by 122%) due to interest income on unutilized FCCB proceeds and forex gains, would boost PAT by 38% to Rs635m.
- Our estimates do not include the contribution from the recent acquisition of Hollister-Stier Labs which will be contributing to Jubilant's consolidated numbers w.e.f. 1 June 2007. Our preliminary estimates indicate that this acquisition is likely to add about Rs2.5b in sales and Rs320m in PAT (incremental EPS of Rs1.7/share) to Jubilant's FY08E numbers.
- Margins are expected to stabilize and improve gradually over FY08, with the growing share of Pharma & Life Sciences business and easing raw material prices. This, along with healthy growth in revenues, would lead to a 31% CAGR in fully diluted earnings over FY07-09E. Valuations of 18.1x FY08E and 15.6x FY09E earnings do not reflect the higher growth potential and upsides from potential acquisitions. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,124**	**4,659**	**4,693**	**4,633**	**5,091**	**5,619**	**6,242**	**6,088**	**18,097**	**23,040**
YoY Change (%)	*26.2*	*40.5*	*10.8*	*9.6*	*23.4*	*20.6*	*33.0*	*31.4*	*20.7*	*27.3*
Total Expenditure	3,425	3,858	3,795	3,836	4,214	4,543	4,892	4,882	14,902	18,531
EBITDA	**699**	**801**	**898**	**797**	**877**	**1,076**	**1,350**	**1,206**	**3,195**	**4,509**
Margins (%)	*16.9*	*17.2*	*19.1*	*17.2*	*17.2*	*19.1*	*21.6*	*19.8*	*17.7*	*19.6*
Depreciation	146	153	158	166	175	190	200	216	623	781
Interest	55	37	49	54	80	90	110	124	195	404
Other Income	90	145	168	173	200	170	200	170	576	740
PBT after EO Expense	**588**	**756**	**859**	**750**	**822**	**966**	**1,240**	**1,036**	**2,953**	**4,064**
Tax	139	215	236	122	181	213	273	228	712	610
Rate (%)	*23.6*	*28.4*	*27.5*	*16.3*	*22.0*	*22.0*	*22.0*	*22.0*	*24.1*	*22.0*
PAT	**449**	**541**	**623**	**628**	**641**	**754**	**967**	**808**	**2,241**	**3,170**
Minority Interest	-12	-3	-14	-10	6	7	8	-3	-39	17
Adjusted PAT	**461**	**544**	**637**	**638**	**635**	**747**	**960**	**811**	**2,280**	**3,153**
YoY Change (%)	*116.4*	*118.5*	*74.0*	*32.4*	*37.8*	*37.2*	*50.7*	*27.2*	*75.8*	*38.3*
Margins (%)	*11.2*	*11.7*	*13.6*	*13.8*	*12.5*	*13.3*	*15.4*	*13.3*	*12.6*	*13.7*

E: MOSt Estimates

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Lupin

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	LPC IN
	REUTERS CODE
S&P CNX: 4,318	LUPN.BO

29 June 2007

Neutral

Previous Recommendation: Neutral Rs733

Equity Shares (m)	80.3
52-Week Range	755/406
1,6,12 Rel. Perf. (%)	2/13/26
M.Cap. (Rs b)	58.8
M.Cap. (US$ b)	1.4

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,137	2,327	26.4	23.0	27.8	6.7	30.9	20.1	3.1	21.3
03/08E	25,939	3,231	36.6	38.9	20.0	5.1	31.8	23.4	2.5	14.9
03/09E	28,467	3,460	39.2	7.1	18.7	4.2	27.0	21.2	2.2	14.3

** Consolidated*

- Lupin's quarterly results are standalone, while annual numbers are consolidated.
- Lupin's 1QFY08 revenue is expected to grow by 35% YoY to Rs6.8b, driven by continued momentum in domestic formulations business, as well as formulation exports (both regulated and unregulated markets). Our estimates include US$10m upside from supply of Cefdinir in the US market – a product currently experiencing low generic competition.
- EBITDA margins are expected to improve by 550bp YoY to 18.4% due to higher margin sales of Cefdinir and better product and market mix, resulting in PAT growth of 82% to Rs977m. It should be noted that Cefdinir is a short-term opportunity and competition is likely to intensify in the coming quarters.
- We expect 19% sales and 22% EPS CAGR in the FY07-FY09 period. While we continue to remain positive about Lupin's growth prospects (particularly in regulated markets), we believe that current valuations at 20x FY08E and 18.7x FY09E earnings are a fair reflection of the expected traction. We maintain **Neutral** rating.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,044**	**4,886**	**5,054**	**5,318**	**6,807**	**6,534**	**6,515**	**6,084**	**20,137**	**25,939**
YoY Change (%)	-	-	-	-	*35.0*	*33.7*	*28.9*	*14.4*	*18.8*	*28.8*
Total Expenditure	4,395	4,123	4,154	4,542	5,557	5,455	5,425	5,230	17,215	21,666
EBITDA	**649**	**763**	**901**	**776**	**1,250**	**1,079**	**1,090**	**854**	**2,922**	**4,273**
Margins (%)	*12.9*	*15.6*	*17.8*	*14.6*	*18.4*	*16.5*	*16.7*	*14.0*	*14.5*	*16.5*
Depreciation	107	112	121	126	130	135	140	145	466	550
Interest	92	93	89	98	109	106	103	101	372	419
Other Income	217	171	99	1,338	210	170	120	235	1,991	735
PBT	**667**	**728**	**789**	**1,890**	**1,221**	**1,008**	**967**	**843**	**4,075**	**4,039**
Tax	131	210	169	479	244	202	193	169	988	808
Rate (%)	*19.6*	*28.8*	*21.4*	*25.3*	*20.0*	*20.0*	*20.0*	*20.0*	*24.3*	*20.0*
Reported PAT	**536**	**518**	**620**	**1,411**	**977**	**806**	**773**	**675**	**3,086**	**3,231**
Extra-Ordinary Exp/(Inc)	0	0	0	-759	0	0	0	0	-759	0
Minority Interest	1	0	0	0	0	0	0	0	1	0
Recurring PAT	**536**	**518**	**620**	**652**	**977**	**806**	**773**	**675**	**2,327**	**3,231**
YoY Change (%)	-	-	-	-	*82.4*	*55.5*	*24.7*	*3.4*	*34.5*	*38.9*
Margins (%)	*10.6*	*10.6*	*12.3*	*12.3*	*14.4*	*12.3*	*11.9*	*11.1*	*11.6*	*12.5*

E: MOSt Estimates

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Nicholas Piramal

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NP IN
	REUTERS CODE
S&P CNX: 4,318	NICH.BO

Equity Shares (m)	209.0
52-Week Range	314/182
1,6,12 Rel. Perf. (%)	16/7/19
M.Cap. (Rs b)	62.6
M.Cap. (US$ b)	1.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs300

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	24,202	2,319	11.0	85.4	27.3	6.0	23.1	19.8	2.8	20.7
03/08E	29,076	3,037	14.5	32.4	20.6	4.7	25.4	20.9	2.3	14.5
03/09E	32,270	3,731	17.9	22.9	16.8	3.9	25.4	22.3	2.1	11.9

- NPIL is expected to report revenue growth of 31.8% to Rs6.8b in 1QFY08, driven by continued momentum in CRAMS business and consolidation of Pfizer's Morpeth facility (acquired in June 2006).
- EBITDA margins are expected to decline by 200bp YoY to 14.8% due to Codeine short supply (important input for Phensedyl), higher costs at Morpeth and currency appreciation.
- Higher interest cost (up by 108%), and higher tax provisioning (at 15% of PBT v/s 10.7% in 1QFY07) will impact bottomline growth. We expect NPIL to record a 6.8% YoY growth in adjusted PAT to Rs575m.
- Increasing visibility in CRAMS (with peak revenue potential of US$170m-US$200m expected by FY09), turnaround at Avecia and higher growth in the domestic portfolio, would act as catalysts for the stock. Valuations at 20.6x FY08E and 16.8x FY09E do not fully reflect the increasing momentum in CRAMS business. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**5,226**	**6,547**	**6,495**	**6,452**	**6,887**	**7,645**	**7,591**	**6,954**	**24,719**	**29,076**
YoY Change (%)	*31.2*	*79.3*	*61.3*	*52.9*	*31.8*	*16.8*	*16.9*	*7.8*	*55.0*	*17.6*
Total Expenditure	4,348	5,409	5,525	5,603	5,865	6,290	6,375	5,847	20,885	24,377
EBITDA	**877**	**1,139**	**971**	**849**	**1,022**	**1,355**	**1,216**	**1,107**	**3,835**	**4,700**
Margins (%)	*16.8*	*17.4*	*14.9*	*13.2*	*14.8*	*17.7*	*16.0*	*15.9*	*15.5*	*16.2*
Depreciation	228	244	222	158	250	270	285	309	818	1,114
Interest	46	76	88	96	95	97	95	95	305	382
Other Income	0	2	2	0	0	0	103	266	4	369
PBT before EO Expense	**604**	**820**	**663**	**595**	**677**	**988**	**939**	**969**	**2,715**	**3,573**
Extra-Ord Expense	0	-76	-2	12	0	0	0	0	43	0
PBT after EO Expense	**604**	**896**	**665**	**583**	**677**	**988**	**939**	**969**	**2,672**	**3,573**
Tax	13	172	59	-2	52	76	72	74	231	273
Deferred Tax	51	9	51	36	50	73	69	71	158	263
Rate (%)	*10.7*	*20.2*	*16.5*	*5.8*	*15.0*	*15.0*	*15.0*	*15.0*	*14.6*	*15.0*
PAT	**539**	**715**	**556**	**550**	**575**	**839**	**799**	**824**	**2,283**	**3,037**
Less: Minority Interest	1	0	0	0	0	0	0	0	1	0
Reported PAT	**539**	**715**	**556**	**550**	**575**	**839**	**799**	**824**	**2,283**	**3,037**
Adj PAT	**539**	**655**	**554**	**560**	**575**	**839**	**799**	**824**	**2,319**	**3,037**
YoY Change (%)	*11.9*	*22.8*	*129.9*	*281.8*	*6.8*	*28.2*	*44.2*	*47.0*	*82.8*	*30.9*

E: MOSt Estimates; Quarterly numbers don't add up to full year numbers due to restatement

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Pfizer

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PFIZ IN
	REUTERS CODE
S&P CNX: 4,318	PFIZ.BO

Equity Shares (m)	29.8
52-Week Range	965/666
1,6,12 Rel. Perf. (%)	-7/-1/-34
M.Cap. (Rs b)	24.0
M.Cap. (US$ b)	0.6

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs804

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
11/06A	6,859	1,210	40.5	46.3	19.8	5.6	27.5	43.6	3.1	13.0
11/07E	6,757	1,140	38.2	-5.7	21.0	3.4	15.8	24.4	2.8	12.1
11/08E	6,333	1,140	38.2	0.0	21.0	3.1	14.5	22.2	2.8	12.1

- Pfizer's revenues for 3QFY07E (year-end November 2007) are expected to decline by 4.6% to Rs1.77b, due to sales decline in the consumer healthcare business, Codeine short-supply for Corex (a key product accounting for almost 20% of revenues) and sale and discontinuation of certain products like Protinex, Abdec and Pyridium.
- EBITDA margins are likely to decline by 430bp to 21.4% due to Codeine short-supply and increase in cost of imported Chinese inputs. PAT is also expected to decline by 13.4% to Rs280m for the quarter.
- Pfizer (USA) has decided to divest its consumer healthcare business to Johnson & Johnson, which will result in divestment of its domestic consumer healthcare business in favor of Johnson & Johnson. We estimate divestment to result in loss of sales at Rs1b and reduction in PAT by Rs200m (EPS of Rs6-7/share) on annualized basis. The management is yet to take a decision on the mode of this divestment in India.
- Valuations of 21x FY07E and 21x FY08E (after adjusting for a divestment of the Consumer Healthcare division in FY08E) adequately reflect Pfizer's business fundamentals. However, we note that that the company will have cash of about Rs6.2b on its books (including the proceeds from the recently divested Chandigarh facility) and may receive an additional Rs2b from divestment of the consumer healthcare business. Maintain **Neutral**.

QUARTERLY PERFORMANCE (INCLUDING PHARMACIA) (RS MILLION)

Y/E NOVEMBER	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4QE	1Q	2Q	3QE	4QE		
Net Revenues	**1,535**	**1,729**	**1,856**	**1,765**	**1,603**	**1,703**	**1,771**	**1,681**	**6,859**	**6,757**
YoY Change (%)	*11.0*	*21.7*	*9.5*	*0.7*	*4.4*	*-1.5*	*-4.6*	*-4.7*	*9.7*	*-1.5*
Total Expenditure	1,104	1,302	1,378	1,447	1,176	1,295	1,391	1,358	5,206	5,220
EBITDA	**431**	**426**	**478**	**317**	**427**	**408**	**380**	**323**	**1,652**	**1,537**
Margins (%)	*28.1*	*24.7*	*25.7*	*18.0*	*26.6*	*24.0*	*21.4*	*19.2*	*24.1*	*22.8*
Depreciation	31	32	37	31	27	30	31	37	131	125
Interest	0	0	0	1	0	0	0	0	1	0
Other Income	45	51	54	64	67	118	80	66	333	331
PBT before EO Items	**445**	**445**	**496**	**350**	**467**	**496**	**428**	**352**	**1,854**	**1,744**
EO Expense/(Income)	58	-60	58	58	26	-2,711	33	48	234	-2,604
PBT after EO Items	**387**	**505**	**437**	**292**	**441**	**3,207**	**395**	**304**	**1,620**	**4,347**
Tax	139	146	157	121	158	629	137	47	563	971
Rate (%)	*35.9*	*28.9*	*35.8*	*41.6*	*35.9*	*19.6*	*34.6*	*38.5*	*34.7*	*24.0*
Reported PAT	**248**	**359**	**281**	**170**	**283**	**2,578**	**258**	**187**	**1,057**	**3,306**
YoY Change (%)	*84.0*	*132.0*	*28.6*	*-2.0*	*14.1*	*618.2*	*-7.9*	*10.1*	*55.2*	*212.7*
PAT adj. for Excep Items	**290**	**291**	**323**	**228**	**305**	**324**	**280**	**230**	**1,210**	**1,140**
YoY Change (%)	*71.4*	*52.5*	*26.9*	*16.3*	*5.2*	*11.6*	*-13.4*	*0.9*	*46.3*	*-5.7*
Margins (%)	*18.9*	*16.8*	*17.4*	*12.9*	*19.0*	*19.1*	*15.8*	*13.7*	*17.6*	*16.9*

E: MOSt Estimates; FY08 estimates adjusted for consumer healthcare divestment. Historic numbers include consumer healthcare

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Ranbaxy Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	RBXY IN
	REUTERS CODE
S&P CNX: 4,318	RANB.BO

Equity Shares (m)	372.7
52-Week Range	445/306
1,6,12 Rel. Perf. (%)	-11/-16/-38
M.Cap. (Rs b)	132.3
M.Cap. (US$ b)	3.2

29 June 2007 **Buy**

Previous Recommendation: Buy Rs355

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	61,337	5,374	13.4	148.3	26.4	5.1	20.9	11.8	2.8	17.9
12/07E*	67,976	6,607	16.5	22.9	21.5	4.5	22.7	12.6	2.4	14.8
12/08E*	83,886	8,205	20.5	24.2	17.3	4.0	24.7	15.8	2.0	11.5

** Excludes upsides from FTF products*

- Ranbaxy is expected to report 11% YoY growth in revenues to Rs16.1b in 2QCY07, driven primarily by higher growth in semi-regulated markets and consolidation of Terapia's acquisition. However, US generic business continues to be competitive, with flat growth despite the launch of Pravastatin 80mg under 180-day exclusivity. We believe that currency appreciation is likely to impact topline growth (in US$ terms, we expect 24% topline growth).
- EBITDA margins are expected to decline by 420bp to 14% due to currency appreciation and one-time impact of the high-margin Simvastatin 80mg sales under exclusivity in 2QCY06.
- Impact of higher depreciation (up 25%) and higher interest cost (up 20.5%) is likely to be compensated by translation forex gains on FCCBs due to currency appreciation, resulting in PAT growth of 58% to Rs1.9b for the quarter.
- We believe that the worst is over for Ranbaxy and expect gradual improvement in performance beginning CY07E led by patent expiries and full benefits of acquisitions. We believe that Ranbaxy's current stock price is not factoring in the potential leverage arising out of a strong product pipeline (with 88 ANDAs pending approval including about 20 FTFs) and benefits from a potential de-merger of NCE/NDDS research (incremental EPS of Rs2). Ranbaxy is currently valued at 21.5x CY07E and 17.3x CY08E consolidated earnings (excl upsides from patent challenges). Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY06#				CY07				CY06#	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Income	**12,922**	**14,562**	**16,087**	**17,769**	**15,821**	**16,149**	**17,940**	**18,066**	**61,349**	**67,976**
YoY Change (%)	*9.2*	*6.9*	*18.4*	*24.3*	*22.4*	*10.9*	*11.5*	*1.7*	*15.5*	*10.8*
EBITDA	**1,423**	**2,648**	**2,697**	**2,665**	**1,908**	**2,261**	**3,409**	**3,328**	**8,740**	**10,906**
Margins (%)	*11.0*	*18.2*	*16.8*	*15.0*	*12.1*	*14.0*	*19.0*	*18.4*	*14.2*	*16.0*
Depreciation	427	457	496	531	557	571	619	633	1,843	2,379
Interest	257	277	299	247	313	334	334	355	1,036	1,336
Other Income	114	-355	106	484	604	1,052	-73	-464	649	1,118
PBT before EO Expense	**853**	**1,559**	**2,008**	**2,371**	**1,642**	**2,408**	**2,383**	**1,877**	**6,510**	**8,309**
Extra-Ord Expense	0	0	226	0	0	0	0	0	0	0
PBT after EO Expense	**853**	**1,559**	**1,782**	**2,371**	**1,642**	**2,408**	**2,383**	**1,877**	**6,510**	**8,309**
Tax	135	336	378	512	355	482	381	444	1,357	1,662
Rate (%)	*15.8*	*21.6*	*21.2*	*21.6*	*21.6*	*20.0*	*16.0*	*23.7*	*20.8*	*20.0*
Reported PAT	**718**	**1,223**	**1,404**	**1,859**	**1,287**	**1,926**	**2,001**	**1,433**	**5,153**	**6,647**
Minority Interest	4	12	11	26	11	11	10	8	50	40
Adj PAT after Minority Int.	**714**	**1,211**	**1,571**	**1,833**	**1,276**	**1,915**	**1,991**	**1,425**	**5,103**	**6,607**
YoY Change (%)	*0.8*	*19.5*	*753.8*	*513.7*	*78.7*	*58.2*	*26.8*	*-22.3*	*135.8*	*29.5*
Margins (%)	*5.5*	*8.3*	*9.8*	*10.3*	*8.1*	*11.9*	*11.1*	*7.9*	*8.3*	*9.7*

E: MOSt Estimates; # includes upsides from FTF products. Quarterly figures do not add up to annual numbers due to impact of forex gains

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Shasun Chemicals

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SSCD IN
	REUTERS CODE
S&P CNX: 4,318	SHAS.BO

Equity Shares (m)	48.1
52-Week Range	157/66
1,6,12 Rel. Perf. (%)	46/23/51
M.Cap. (Rs b)	6.9
M.Cap. (US$ b)	0.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs143

YEAR END*	NET SALES* (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	7,722	-30	-0.6	N.A.	-	3.3	19.8	15.3	1.9	11.7
03/08E	9,002	553	11.5	N.A.	12.4	2.9	21.0	17.9	1.6	8.4
03/09E	10,214	676	14.1	22.3	10.1	2.4	21.9	19.2	1.4	6.8

** Consolidated*

- Shasun (stand-alone) is expected to report 5% YoY growth in revenues to Rs1b in 1QFY08, despite strong growth in CRAMS and steady performance in older products. We believe that currency appreciation is likely to impact topline growth for the company. Our quarterly estimates do not include financials of Rhodia's custom manufacturing business, which Shasun acquired in January 2006. This business is likely to record 90% growth in revenues to Rs1b (albeit on a low base) for the quarter led by increased order flow from some customers.
- EBITDA margins are expected to be flat at 15.6% due to higher material and other expenditure and currency appreciation. Also, higher tax provisioning (at 17.5% of PBT v/s 13.2% in 1QFY07) would result in a 13.6% growth in PAT to Rs70m. We expect Rhodia operations to record Rs31m losses for the quarter.
- We believe that the Rhodia acquisition would aid transformation of Shasun's operations in favor of CRAMS business. This, along with commercialization of the company's generic pipeline would result in gradual improvement in EBITDA margins in medium term. We expect Rhodia operations to record an operational turn-around in FY08E led by increased order flow from customers and commercialization of one of the Phase-III products. At 12.4x FY08E and 10.1x FY09E consolidated EPS, we believe valuations are reasonable. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**955**	**1,030**	**982**	**1,081**	**1,001**	**1,243**	**1,267**	**1,363**	**4,047**	**4,874**
YoY Change (%)	*27.3*	*22.0*	*-1.1*	*9.0*	*4.9*	*20.7*	*29.1*	*26.1*	*13.1*	*20.4*
Total Expenditure	809	864	805	902	845	1,007	1,000	1,080	3,380	3,932
EBITDA	**146**	**166**	**176**	**179**	**156**	**236**	**267**	**283**	**667**	**942**
Margins (%)	*15.3*	*16.1*	*18.0*	*16.5*	*15.6*	*19.0*	*21.1*	*20.7*	*16.5*	*19.3*
Depreciation	67	66	67	51	60	75	79	94	251	308
Interest	11	15	16	12	15	19	24	26	54	84
Other Income	3	5	12	29	4	4	3	5	42	15
PBT	**71**	**89**	**105**	**145**	**85**	**146**	**167**	**168**	**404**	**566**
Tax	15	14	1	-9	15	26	29	-7	22	62
Deferred Tax	-6	-3	3	4	0	0	0	37	-2	37
Rate (%)	*13.2*	*13.1*	*4.0*	*-3.2*	*17.5*	*17.5*	*17.5*	*17.5*	*5.1*	*17.5*
PAT	**62**	**78**	**100**	**150**	**70**	**120**	**138**	**138**	**383**	**467**
YoY Change (%)	*44.8*	*25.5*	*-22.2*	*13.7*	*13.6*	*54.8*	*37.6*	*-7.5*	*4.9*	*21.9*
Margins (%)	*6.5*	*7.5*	*10.2*	*13.8*	*7.0*	*9.7*	*10.9*	*10.2*	*9.5*	*9.6*

E: MOSt Estimates

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Sun Pharmaceuticals Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SUNP IN
	REUTERS CODE
S&P CNX: 4,318	SUN.BO

Equity Shares (m)	193.4
52-Week Range	1,196/705
1,6,12 Rel. Perf. (%)	-10/-2/-9
M.Cap. (Rs b)	197.7
M.Cap. (US$ b)	4.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs1,022

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,792	7,741	37.4	35.0	27.3	8.9	40.6	22.6	9.2	28.1
03/08E	24,724	8,656	41.8	11.8	24.5	7.4	35.5	23.5	7.6	22.4
03/09E	29,995	10,764	52.0	24.4	19.7	5.6	34.6	24.8	6.0	17.7

- Sun's 1QFY08 revenues are expected to grow by 19% YoY to Rs5.9b, driven by 27.6% YoY growth in international sales and 13% growth in domestic sales.
- EBITDA margins are expected to decline by 240bp to 33.9%, on high base of last year and due to currency appreciation. However, higher other income (up 185% due to translation forex gains on FCCBs), is likely to boost PAT by 36.8% to Rs2.4b.
- The de-merged R&D entity of SPIL, SPARC is currently working on 4 NCE and 12 NDDS products, with earliest launch expected in 2009 for one of the NDDS products. Our preliminary valuations at 7x cash and 10x annual expenses imply that SPARC's NCE & NDDS pipeline will be valued at about US$225m-US$315m (Rs50-65/share). Our estimates do not include upsides from any potential out-licensing agreement.
- Sun Pharma has indicated plans to raise upto Rs35b for which it will be taking shareholder approval shortly. The funds could be raised through any of the financial instruments like GDRs, FCCB, Bonds, Debentures, etc. We are awaiting further details on this from the company.
- SPIL's ability to sustain high growth rates at superior margins even on a high base is a clear positive. With the domestic business progressing well and increasing traction on the US front (both in Caraco and from India), the possibility of a rapid scale-up over the next couple of years is high. While valuations at 24.5x FY08E and 19.7x FY09E EPS (excl. Taro acquisition) appear rich, they do not fully factor in the ramp-up in US and expected value unlocking by leveraging acquired companies (Taro, Able Labs & Valeant). Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Revenues	**4,987**	**5,229**	**5,263**	**5,313**	**5,931**	**6,185**	**6,258**	**6,351**	**20,792**	**24,724**
YoY Change (%)	*31.8*	*27.2*	*24.2*	*33.5*	*18.9*	*18.3*	*18.9*	*19.5*	*30.4*	*18.9*
EBITDA	**1,811**	**1,708**	**1,733**	**1,545**	**2,011**	**2,196**	**2,212**	**1,954**	**6,798**	**8,373**
Margins (%)	*36.3*	*32.7*	*32.9*	*29.1*	*33.9*	*35.5*	*35.3*	*30.8*	*32.7*	*33.9*
Depreciation	202	204	212	201	230	235	244	249	818	958
Net Other Income	274	402	636	942	782	466	466	699	2,253	1,863
PBT	**1,883**	**1,906**	**2,157**	**2,286**	**2,563**	**2,427**	**2,433**	**2,404**	**8,233**	**9,278**
Tax	2	-22	-29	-18	-26	-24	-24	-19	-67	-93
Rate (%)	*0.1*	*-1.1*	*-1.3*	*-0.8*	*-1.0*	*-1.0*	*-1.0*	*-0.8*	*-0.8*	*-1.0*
Profit after Tax	**1,882**	**1,928**	**2,186**	**2,304**	**2,588**	**2,451**	**2,458**	**2,422**	**8,300**	**9,371**
Share of Minority Partner	115	64	198	183	170	180	185	179	559	714
Adj Net Profit	**1,767**	**1,864**	**1,989**	**2,121**	**2,418**	**2,271**	**2,273**	**2,243**	**7,741**	**8,656**
YoY Change (%)	*29.9*	*26.1*	*35.8*	*48.4*	*36.8*	*21.8*	*14.3*	*5.8*	*35.0*	*11.8*
Margins (%)	*35.4*	*35.6*	*37.8*	*39.9*	*40.8*	*36.7*	*36.3*	*35.3*	*37.2*	*35.0*

E: MOSt Estimates; Quaterly results have been recasted and hence do not tally with full year results

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Wockhardt

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	WOCK IN
	REUTERS CODE
S&P CNX: 4,318	WCKH.BO

Equity Shares (m)	109.4
52-Week Range	450/324
1,6,12 Rel. Perf. (%)	-10/3/-37
M.Cap. (Rs b)	42.0
M.Cap. (US$ b)	1.0

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs384

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/06A	17,290	2,665	22.3	3.7	17.2	3.9	28.3	15.0	3.0	13.0
12/07E	27,373	3,020	25.3	13.3	15.2	3.2	25.3	16.3	2.2	9.8
12/08E	33,822	3,604	30.2	19.3	12.7	2.6	24.4	17.3	1.7	8.1

** Fully diluted EPS*

- Wockhardt's 2QCY07 revenues are expected to grow by 56% YoY to Rs6.4b, driven by higher growth in both domestic and US business (albeit on a low base), and consolidation of Pinewood, Dumex and Negma acquisitions. Growth in domestic business is likely to be higher due to increased traction in existing business as well as consolidation of acquired brands (Farex and Protinex).
- EBITDA margins are expected to likely to be flat at 21.9%, due to higher RM and staff costs as well as due to the impact of currency appreciation. While the company has commenced capitalizing part of its R&D expenses beginning 3QCY06, we continue to expense R&D costs fully. Higher depreciation (linked to commissioning of new biotech facilities) and higher interest costs (linked to acquisition of Pinewood) will restrict adjusted PAT growth to 11.4% YoY at Rs706m.
- We believe that Wockhardt still has to display the ability to fully leverage its assets (particularly the biotech facilities) and scale up substantially in regulated markets, for a further re-rating in its valuation multiples. Wockhardt is valued at 15.2x CY07E and 12.7x CY08E fully diluted earnings, which we believe is a fair reflection of the gradual progress, which the company is making in its key markets. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E DECEMBER	CY06				CY07				CY06	CY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Sales	**3,515**	**4,127**	**4,377**	**5,265**	**5,228**	**6,434**	**7,693**	**8,018**	**17,291**	**27,373**
YoY Change (%)	*13.5*	*9.5*	*21.8*	*43.9*	*48.7*	*55.9*	*75.8*	*52.3*	*22.4*	*58.3*
Total Expenditure	2,826	3,230	3,406	4,043	4,069	5,025	6,015	6,218	13,288	21,326
EBITDA	**689**	**897**	**971**	**1,222**	**1,159**	**1,409**	**1,678**	**1,800**	**4,003**	**6,047**
Margins (%)	*19.6*	*21.7*	*22.2*	*23.2*	*22.2*	*21.9*	*21.8*	*22.5*	*23.2*	*22.1*
Depreciation	137	140	141	212	181	200	240	257	621	878
Interest	-77	-6	-5	115	129	170	225	220	26	744
Other Income	33	18	61	78	22	18	50	63	190	153
PBT before EO Items	**662**	**781**	**896**	**973**	**871**	**1,057**	**1,263**	**1,386**	**3,546**	**4,579**
EO Income	-604	0	0	0	0	0	0	0	-604	0
PBT after EO Items	**58**	**781**	**896**	**973**	**871**	**1,057**	**1,263**	**1,386**	**2,942**	**4,579**
Tax	95	147	156	101	208	259	341	382	529	1,190
Rate (%)	*163.8*	*18.8*	*17.4*	*10.4*	*23.9*	*24.5*	*27.0*	*27.6*	*18.0*	*26.0*
Reported PAT	**-37**	**634**	**740**	**872**	**663**	**798**	**922**	**1,004**	**2,413**	**3,388**
R&D Capitalized	0	0	170	164	114	150	150	186	570	600
Adjusted PAT	**543**	**634**	**636**	**771**	**593**	**706**	**830**	**889**	**2,558**	**3,020**
YoY Change (%)	*30.2*	*-18.3*	*-2.4*	*5.7*	*9.3*	*11.4*	*30.6*	*15.3*	*-0.5*	*18.0*
Margins (%)	*-1.1*	*15.4*	*16.9*	*16.6*	*12.7*	*12.4*	*12.0*	*12.5*	*14.0*	*12.4*

E: MOSt Estimates; Quarterly numbers don't add up to annual numbers due to re-classification

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Retailing

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Retail companies continued to march ahead in announcing new formats and stores. Retail space addition continued to lag the estimates while companies continued to witness good consumer response to the new stores launched. Conversion rates appear to be strong and rising for segments such as fresh food and neighborhood stores. Organized retail has emerged as a significant launch pad for the consumer and luxury companies to launch their products in India. The food and groceries segment hogged the limelight with retailers planning a big entry into this segment.

We remain positive on long-term prospects of the sector. The companies which have established their formats and are strengthening their backend will emerge as winners, although short-term margin pressure cannot be ruled out. The concerns in this retail segment are: (1) rising manpower costs; (2) timely execution of malls; (3) political interference; and (4) efficient supply chain management. We maintain a positive view on the sector with **Pantaloon Retail** as our top pick.

Interesting times ahead for Indian retail

According to Technopak, size of Indian retail sector currently is US$300b, and estimated to increase to US$427b by 2010 and to US$637b by 2015. The retail spend is expected to increase at a rate of 13% CAGR in forthcoming years, which augurs well for the retail sector. The growth potential in the Indian retail sector is attracting several players. Apart from a number of Indian players, global giants such as Walmart, Tesco, Carrefour are awaiting a relaxation in FDI norms to enter this arena. Although FDI in single brand stores has been allowed, we do not see a significant shift in FDI policy in the near term. This should provide a huge window of opportunity for domestic retailers to increase presence and attain critical mass. We expect the top 6 retailers to have more than 90m sq. ft. in retail space by 2011.

RETAIL SPACE BY 2011 (IM SQ FT)

Reliance	40
Pantaloon	30
Spencer's	8
Raheja	5
Birla Retail	4
Bharti	4

Source: India Retail Report 2007

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Retailing							
Pantaloon Retail	Buy	10,798	87.7	755	102.4	250	58.0
Shopper's Stop	Neutral	2,500	45.4	160	33.9	60	11.2
Titan Industries	Neutral	6,100	38.3	200	21.1	91	30.7
Sector Aggregate		**19,398**	**63.3**	**1,115**	**69.5**	**401**	**42.3**

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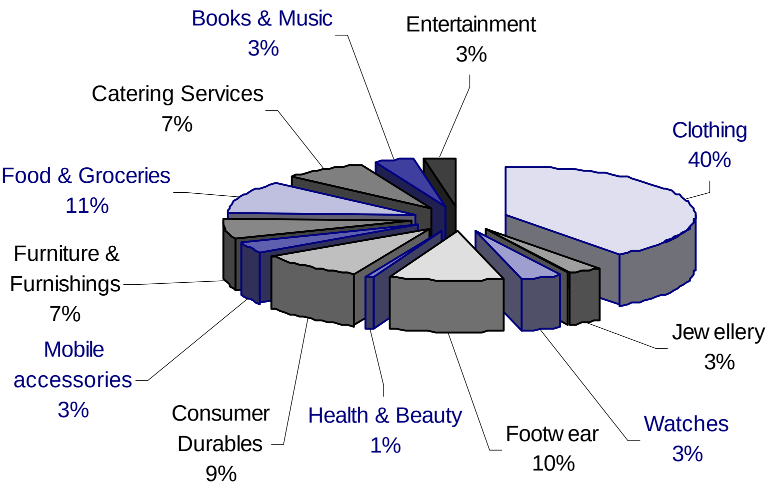
Although the retail pie appears large enough for several players, the cost efficiency measures adopted by players such as Reliance, Pantaloon and Subiksha are likely to intensify competition. We believe that players with economies of scale, efficient supply chain and logistics will emerge as winners.

Food and grocery segment to see plenty of action

As per F&R Research the share of food and grocery in total household spend is 63%. Although expenditure growth on food and grocery is merely 2.2%, this segment will continue to command a big slice of the retail pie as its share in total retail sales is expected to decline to 53% by 2015 (Technopak). The grocery segment is witnessing plenty of action with players such as ITC, Bharti, Pantaloon, RPG group, Subiksha, Heritage Foods, and Vishal Retail unveiling their big plans for the food and grocery segment. The initiatives include setting up of cold chains, contract farming, logistics and direct sourcing. In addition to the large format food stores, the concept of 'neighborhood' and 'convenience' stores is fast catching up with Indian retailers. We expect these companies to set up at least 10,000 convenience stores in the coming years, in addition to hypermarkets. Consequently share of organized retail in total food and grocery sales is expected to increase significantly. Although we expect broad-based growth of organized retail across categories and segments, the contribution of food and grocery will likely rise sharply and will be instrumental in increasing the organized retail share in the total retail sales to 8% by FY2010.

MODERN RETAIL PIE



Source: India Retail Report 2007

Challenges/concerns in retail

Timing and execution, a serious challenge: Timing and execution presents one of the biggest challenges in the retail sector. Timing issues arise due to timely availability of real estate from the developers and completing the retro-fits. Mall space in India has increased from 2m sq. ft. in 2002 to 52m sq. ft. in 2006 and is expected to increase to over 100m sq. ft. by 2009 and further double in another two years. For most of developers, real estate development has been lagging by 6-12 months. This raises the risk of timeliness for retailers, as it takes them another 4-6 months to start the store after getting possession from the developer. For e.g., Shopper's Stop has not added a single mall since 2HFY07 while Titan has added only 20 company operated stores versus the earlier guidance of 57 Titan stores in FY07.

Political will: Since organized retail would directly clash with the interests of the small *kirana* shops, vendors and traders, it is likely to see protests from political parties and trade unions. The Left has been against the big retail giants coming to India. Some pressure from the Left for change in policies could pose a threat to the emerging retail story in India. Media reports suggest that Reliance might be scaling down its opening of Reliance fresh outlets. GoI is also looking at limiting the opening of large outlets within city limits.

Lack of quality manpower: Quality human resource to suit retail organizations is key issue as companies are facing higher attrition rates at the shop floor and senior management levels. Salaries at higher levels are rapidly increasing. We estimate the increase in manpower costs at more than 25%. While companies like Shopper's Stop have been able to neutralize the impact of wage increases by strong same sales growth, Pantaloon Retail has started feeling the impact of wage rises due to delay in completion of properties and faster recruitment of people in keeping with the companies' aggressive store opening plans.

Rising lease rentals: Lease rentals have been on a rise for some time, and with additional service tax been imposed on lease rents, we expect lease rentals to move up further. Earnings of key retailing companies like Pantaloon and Shopper's Stop would take a hit by 9-11% in FY08 and FY09 if the companies absorb the entire service tax impact.

Increasing importance of strong supply chain management

In the wake of rising competition, it is becoming difficult for players to increase end prices. In such a scenario, the player who is able to integrate backwards and squeeze higher margins will be the winner given the wafer thin margins in the food and grocery business. Multi-level supply chain leads to higher wastage and increased costs and commissions. Also, the movement of goods across different states and regions, sometimes arising out of differential taxes, leads to high wastage due to inadequate transportation and cold storage facilities. Crisil research estimates that the final retail price paid by the consumer is 2.6 times the price paid to the farmer. Thus, an efficient supply chain and logistics planner gains further importance. Reliance, through Reliance Logistics and Pantaloon, through Future Logistics plan to expand their distribution network through rail, road cold chains and warehouses in order to cut costs and enhance efficiencies. The Bharti-Walmart joint venture is already on the look out for land to set up warehouses.

Specialty retail to witness greater action

Specialty retail segment is expected to witness a high level of activity. This segment is expected to benefit from FDI in single brand retail outlets. A number of MNCs are planning to open their single brand outlets, which include categories such as luxury goods, garments, personal accessories, watches etc. In addition some specialty segments like garments and jewelry are witnessing rising interest from domestic jewelry majors that wish to expand retail operations. Rajesh Exports and Gitanjali Gems are contenders to increase retail presence. Titan Industries has started Eye+ prescription eyewear stores to cater to rising demand from the fashion and prescription eyewear products. We expect a number of global brands to set up their own stores in the coming 1-2 years, which will intensify competition in certain segments of specialty retail.

Valuation and view

While we have good visibility for existing retailers on the sales front, the same is perhaps not true for the profit margins, particularly in the Hypermart and grocery store formats. We expect specialty stores to flourish due to committed customers and strong brand recall. We believe that the competitive landscape will undergo a big change due to entry of players such as Reliance, Bharti and the A.V. Birla group. We expect industry focus to shift to cost efficiencies and better consumer value.

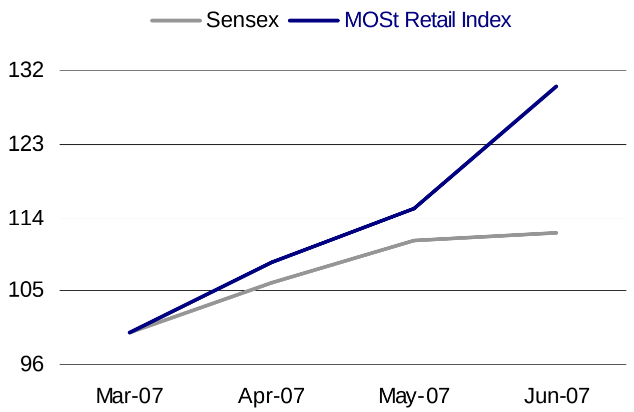
Despite expected increase in competition we believe that companies that have a strong head start will continue to thrive ahead. Historical facts with regard to evolution of retail stocks in developed countries reveal that the sector enjoys premium valuations in its development stage — a situation that is prevails currently in India. We maintain a positive view on the sector with **Pantaloon Retail** our top pick.

Stock performance and valuations

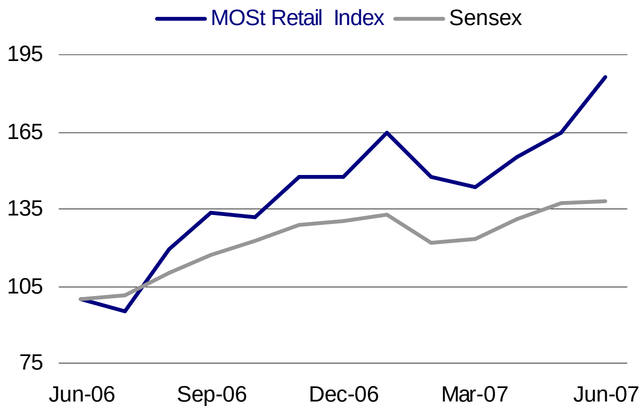
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Retailing						
Pantaloon Retail	25	84	13	46	-5	-2
Shopper's Stop	-8	13	-20	-25	-38	-73
Titan Industries	59	125	47	87	29	39

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Retailing														
Pantaloon Retail	495	Buy	6.5	9.0	13.9	76.7	54.8	35.6	32.6	22.0	16.1	13.7	13.6	17.6
Shopper's Stop	568	Neutral	9.8	12.0	16.7	57.7	47.5	34.1	28.9	21.2	15.6	11.7	13.2	16.7
Titan Industries	1,339	Neutral	26.6	33.8	46.9	50.3	39.6	28.5	28.5	22.8	17.5	40.0	30.3	31.4
Sector Aggregate						**59.8**	**44.9**	**31.0**	**30.5**	**22.2**	**16.4**	**19.6**	**18.2**	**21.7**

Pantaloon Retail

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PF IN
	REUTERS CODE
S&P CNX: 4,318	PART.BO

Equity Shares (m)	134.4
52-Week Range	527/216
1,6,12 Rel. Perf. (%)	12/17/46
M.Cap. (Rs b)	66.6
M.Cap. (US$ b)	1.6

29 June 2007

Buy

Previous Recommendation: Buy

Rs495

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/07E	32,969	868	6.5	35.2	76.7	8.4	13.7	11.8	2.2	26.0
06/08E	55,889	1,283	9.0	40.0	54.8	6.0	13.6	12.69	1.2	17.7
06/09E	86,065	1,968	13.9	53.9	35.6	5.0	17.6	13.9	0.8	13.1

** Diluted equity after rights issue*

- Pantaloon's revenues are expected to grow 87.7% YoY in 4QFY07 with value retailing driving growth during the quarter.
- EBITDA margins are expected to increase by 50bp to 7% YoY, PAT is expected at Rs250m, a growth of 58% YoY buoyed by strong growth in revenues.
- Pantaloon is expected to witness acceleration in stores opening by end-July 2007. The company is expected to open 12 Big Bazaars, 16 Food Bazaars, 10 E-Zones, 5 Furniture Bazaars, and 6 Collection 1 stores.
- Pantaloon continues to explore new initiatives to capture more and more share of the consumers' wallet. The company launched DREAMLINE brand to cater to the huge potential in the home category for the masses. The company has acquired the rights of the India-South Africa series to be played in Ireland. The series will be called *The Future Cup*.
- The stock is currently trading at 54.8x FY08E EPS and 35.6x FY09E EPS. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**3,648**	**4,720**	**4,554**	**5,752**	**6,034**	**7,527**	**8,610**	**10,798**	**18,678**	**32,969**
YoY Change (%)	*81.4*	*81.4*	*98.0*	*65.6*	*65.4*	*59.5*	*89.1*	*87.7*	*77.4*	*76.5*
Total Exp	3,368	4,341	4,169	5,379	5,618	6,957	8,008	10,044	17,257	30,626
EBITDA	**280**	**379**	**385**	**373**	**415**	**570**	**603**	**755**	**1,420**	**2,343**
Margins (%)	*7.7*	*8.0*	*8.5*	*6.5*	*6.9*	*7.6*	*7.0*	*7.0*	*7.6*	*7.1*
Depreciation	38	46	59	66	67	82	93	154	208	397
Interest	57	79	101	98	125	207	229	233	335	793
Other Income	7	4	5	30	17	5	9	18	42	50
PBT	**192**	**258**	**230**	**239**	**241**	**286**	**290**	**386**	**919**	**1,203**
Tax	57	72	68	80	79	94	103	136	277	411
Rate (%)	*29.7*	*28.0*	*27.0*	*33.6*	*32.7*	*33.0*	*35.5*	*35.1*	*30.2*	*34.2*
Adjusted PAT	**135**	**186**	**162**	**158**	**162**	**191**	**187**	**250**	**642**	**791**
YoY Change (%)	*95.0*	*83.0*	*52.0*	*43.5*	*19.6*	*3.1*	*15.3*	*58.0*	*65.4*	*23.3*
Exceptional Income	0	0	0	0	224	249	0	12	0	284
Repoorted PAT	**135**	**186**	**162**	**158**	**386**	**440**	**187**	**262**	**642**	**1,075**

E: MOSt Estimates

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Shopper's Stop

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	SHOP IN
	REUTERS CODE
S&P CNX: 4,318	SHOP.BO

Equity Shares (m)	34.8
52-Week Range	777/433
1,6,12 Rel. Perf. (%)	-8/-23/-25
M.Cap. (Rs b)	19.8
M.Cap. (US$ b)	0.5

29 June 2007

Neutral

Previous Recommendation: Neutral Rs568

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	8,280	343	9.8	39.8	57.7	6.7	11.7	14.6	2.4	28.7
03/08E	12,319	416	12.0	21.4	47.5	6.3	13.2	16.9	1.6	20.9
03/09E	17,010	580	16.7	39.3	34.1	5.7	16.7	19.0	1.2	15.5

- Shopper's Stop is expected to report revenues of Rs2.5b in 1QFY08, an increase of 45.4%, driven by strong same store sales growth in existing stores.
- EBITDA margins are expected at 6.4% for 1QFY08, a decline of 50bp due to increase in staff costs and overheads as the company is expected to open six Shopper's Stop stores during the current year.
- Adjusted PAT at Rs60m is expected to increase by 11.2% during 1QFY08 on a YoY basis.
- The stock is currently trading at 47.5x FY08E EPS and 34.1x FY09E EPS. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**1,720**	**2,013**	**2,398**	**2,149**	**2,500**	**3,000**	**3,600**	**3,219**	**8,280**	**12,319**
YoY Change (%)	*35.0*	*32.9*	*24.6*	*31.5*	*45.4*	*49.0*	*50.1*	*49.8*	*30.5*	*48.8*
Total Exp	1,600	1,852	2,150	1,997	2,340	2,775	3,250	2,984	7,599	11,349
EBITDA	**119**	**162**	**248**	**152**	**160**	**225**	**350**	**235**	**681**	**970**
Margins (%)	*6.9*	*8.0*	*10.3*	*7.1*	*6.4*	*7.5*	*9.7*	*7.3*	*8.2*	*7.9*
Depreciation	41	55	43	50	65	75	80	85	189	305
Interest	9	11	11	4	15	20	18	18	41	71
Other Income	25	31	37	11	18	15	10	13	36	56
PBT	**95**	**126**	**231**	**117**	**98**	**145**	**262**	**146**	**569**	**651**
Tax	41	46	90	49	38	52	90	54	226	234
Rate (%)	*43.0*	*36.4*	*38.8*	*42.4*	*38.8*	*35.9*	*34.4*	*37.2*	*39.7*	*36.0*
PAT	**54**	**80**	**142**	**67**	**60**	**93**	**172**	**91**	**343**	**416**
YoY Change (%)	*95.8*	*148.0*	*21.0*	*9.7*	*11.2*	*16.0*	*21.5*	*35.9*	*44.0*	*21.4*
Minority Interest Exceptionals	0	0	0	-101	0	0	0	0	-101	0
Reported PAT	**54**	**80**	**142**	**-34**	**60**	**93**	**172**	**91**	**242**	**416**

E: MOSt Estimates

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Titan Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TTAN IN
	REUTERS CODE
S&P CNX: 4,318	TITN.BO

Equity Shares (m)	42.3
52-Week Range	1,365/537
1,6,12 Rel. Perf. (%)	22/50/87
M.Cap. (Rs b)	56.6
M.Cap. (US$ b)	1.4

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs1,339

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/07A	20,902	1,181	26.6	8.6	50.3	24.3	40.0	29.5	2.8	28.5
03/08E	29,173	1,501	33.8	27.0	29.4	19.2	30.3	30.9	1.5	17.0
03/09E	36,920	2,082	46.9	38.8	21.2	8.5	31.4	37.4	1.1	12.9

- We expect Titan to register 38.3% growth in revenues to Rs6.1b in 1QFY08. Jewelry and precision components are expected to be leading growth drivers.
- EBITDA margins are likely to dip by 40bp to 3.3% in 1QFY08 due to rising store operating expenses and overheads for the new *Titan* and *Gold Plus* stores as also the rising proportion of lower margin jewelry business in the total sales mix.
- The company plans to open 50 of the targeted 86 The World of Titan and Fastrack stores by Diwali this year. The company has plans to launch 20 *Gold Plus* stores. Titan Eye+, prescription and fashion eyewear store format was launched during the quarter. The company is likely to undertake expansion of the stores after stabilizing pilot stores for 8-9 months.
- We expect adjusted PAT to grow by 30.7% to Rs91m on account of higher depreciation and taxes.
- The stock is currently trading at 29.4x FY08E and 21.2x FY09E. We believe that the current stock price factors in the expected growth potential. Despite robust business model and strong visibility of earnings, we maintain **Neutral** rating due to high valuations.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,410**	**5,235**	**5,291**	**5,966**	**6,100**	**7,300**	**7,500**	**8,273**	**20,902**	**29,173**
YoY Change (%)	*54.1*	*47.9*	*42.9*	*41.0*	*38.3*	*39.4*	*41.7*	*38.7*	*45.1*	*39.6*
Total Exp	4,245	4,690	4,711	5,273	5,900	6,600	6,725	7,465	18,950	26,690
EBITDA	**165**	**546**	**581**	**693**	**200**	**700**	**775**	**808**	**1,952**	**2,483**
Margins (%)	*3.7*	*10.4*	*11.0*	*11.6*	*3.3*	*9.6*	*10.3*	*9.8*	*9.3*	*8.5*
Depreciation	49	66	70	72	70	75	75	94	256	314
Interest	49	43	47	66	35	40	35	23	204	133
Other Income	14	5	9	4	18	8	12	10	64	48
PBT	**81**	**442**	**473**	**560**	**113**	**593**	**677**	**701**	**1,557**	**2,084**
Tax	12	100	177	85	22	160	255	147	375	584
Rate (%)	*14.4*	*22.6*	*37.4*	*15.1*	*19.5*	*27.0*	*37.7*	*20.9*	*24.1*	*28.0*
PAT	**70**	**342**	**296**	**475**	**91**	**433**	**422**	**555**	**1,181**	**1,501**
YoY Change (%)	*-7.4*	*-7.1*	*122.9*	*13.5*	*30.7*	*26.5*	*42.6*	*16.7*	*11.1*	*27.0*
Extraordinary Items	-29	-21	-21	-172	-25	-25	-20	-21	-240	-91
Reported PAT	**41**	**322**	**275**	**303**	**66**	**408**	**402**	**534**	**941**	**1,410**

E: MOSt Estimates

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Telecom

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

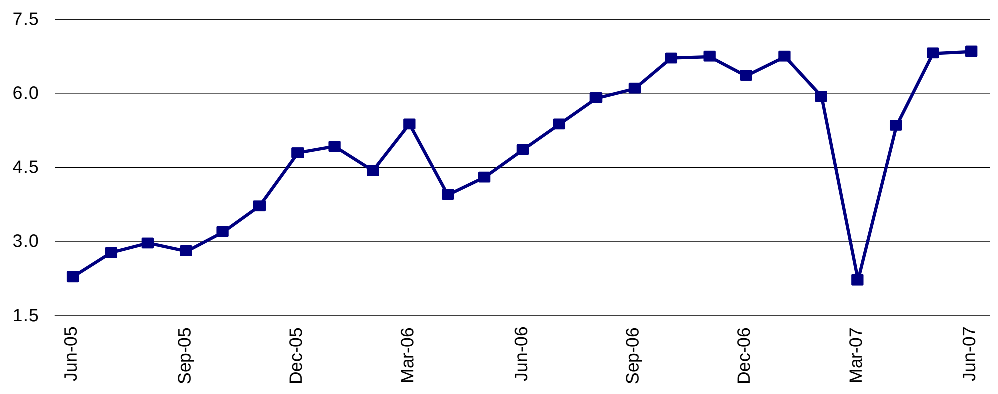
The wireless industry continued its momentum of strong subscriber additions. We expect the industry to add 19m subscribers in the quarter ended June 2007 compared with 14.9m subscribers added in the quarter ended March 2007. Subscriber additions continue to be driven by the A and B circles.

STRONG MARKET SHARE (%)

	DEC-06	JAN-07	FEB-07	MAR-07	APR-07	MAY-07
Market Share						
Metros	20.5	20.2	20.0	19.5	19.1	18.9
A-Circle	35.8	35.9	35.6	35.8	35.9	35.8
B-Circle	34.8	35.0	35.2	35.4	35.5	35.6
C-Circle	8.9	9.0	9.2	9.3	9.5	9.6
Incremental Market Share						
Metros	14.0	12.7	15.5	-14.8	8.1	13.6
A-Circle	32.4	37.0	28.7	45.2	40.0	34.0
B-Circle	41.6	39.0	41.1	52.5	37.2	39.5
C-Circle	11.9	11.3	14.6	17.1	14.7	12.8

Source: Company/Motilal Oswal Securities

MOM NET ADDITIONS



Source: Company/Motilal Oswal Securities

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Telecom							
Bharti Airtel	Buy	59,926	55.4	24,779	65.0	15,024	98.9
Reliance Comm	Buy	43,255	33.1	17,971	49.0	11,064	115.8
VSNL	Neutral	11,005	19.1	2,477	16.3	1,247	41.7
Sector Aggregate		**114,186**	**42.2**	**45,227**	**54.8**	**27,335**	**101.6**

Niren Parekh (NirenParekh@MotilalOswal.com); Tel: +91 22 3982 5423

Subscriber verification woes over

Net subscriber addition in March was substantially lower at 3.2m versus an average of 5.6m subscribers for the preceding 12 months. Reliance deactivated ~5m subscribers from its total subscriber base, which resulted in this one-off blip in subscriber additions for the month of March 2007, while state owned BSNL added ~2m subscribers in line with its earlier trend of allotting subscriptions towards the end of the financial year. We are positively surprised by pace of additions of Hutch, for the month of April and May, which surpassed BSNL to become the second largest GSM player in the country in the month of May 2007. We expect industry to add 6.85m subscriber for June, driven primarily by success of the various schemes (Reliance-777, Lifetime prepaid-495) launched by all the leading operators across the country.

Entry level handsets break the Rs1,000 barrier

In a landmark development for the Indian telecom industry, Reliance Communication became the first operator to break the Rs1,000 price point for handsets. Sourced from the Chinese manufacturer ZTE, the Classic range of handsets were launched at Rs777 for the monochrome model and color handsets at Rs1,234. Reliance Communications sold more than 1.5m Classic handsets in May itself. Hutch has also selectively rolled out bundled handset schemes around Rs1,200 in a few circles. The lower cost of ownership is likely to be a significant booster to ring in new subscribers especially from the lower income groups as well as rural areas. We view this as a positive for the industry as a whole given the low penetration in India compared with Asian peers.

Lifetime Prepaid relaunched at Rs495

Bharti set yet another first in industry by introducing the lifetime prepaid at a lower price point of Rs495 (Rs999 earlier) with the tariff structure same as the earlier life-time scheme (local Rs1.99 and STD Rs2.74). The new subscriptions would also be allowed to recharge under the Happy recharge scheme (which has full talk time). The scheme comes with a clause of a minimum usage of Rs200 every six months. While the previous lifetime scheme had a roaring success with a large subscriber addition within the first few months, we expect the reduced Lifetime vouchers to further fuel subscriber additions and widen the overall penetration targeting the bottom end of the customer pyramid.

Long distance tariffs become more attractive

Reliance Communications slashed roaming tariffs on selective schemes (One India scheme) for prepaid and postpaid subscriptions starting 23 May 2007. The timing of move came as a surprise since the government was mulling over a cut in roaming tariffs and was likely to issue directives to that effect in June 2007. While BSNL and MTNL also followed suit and reduced roaming tariffs, all other large GSM operators have kept the tariffs largely unchanged. Our interaction with industry sources indicates that the roaming tariff cuts from GSM players will happen with a lag, only after a definitive stance taken by the government on this issue. While timing of the roaming cuts is still uncertain, we believe the trend of reduction in roaming revenues is likely to continue. Our discussions with the industry indicate the elasticity of traffic to compensate for the decline in roaming tariffs over a period of 1-2 quarters.

RCOM and Bharti have both announced a reduction in ISD rates for calls to US & Canada. These cards are around Rs2,000 range and are valid for a period of 180 days. We believe revenues from calling cards for RCOM to be higher than Bharti. While we expect robust growth in outbound traffic for the ILD segment, we maintain that tariffs would be under pressure.

Valuation and view

Momentum in subscriber additions continues to be strong, driven by falling handset costs, attractive tariffs offered by different service providers and deeper penetration. Though subscriber additions have been strong during the quarter, the focus is likely to be on ARPU, as the full impact of cuts in roaming revenues (effective February 2007) will be quantified in the current quarter.

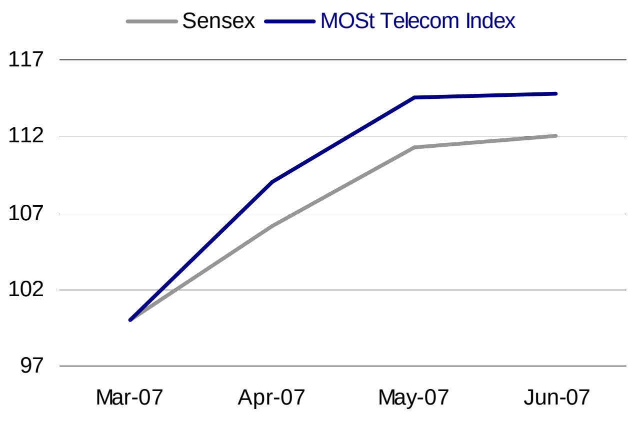
Considering expected strong growth momentum in the wireless subscribers base over FY08E-FY10E, we continue to remain positive on Bharti and Reliance Communications.

Stock performance and valuations

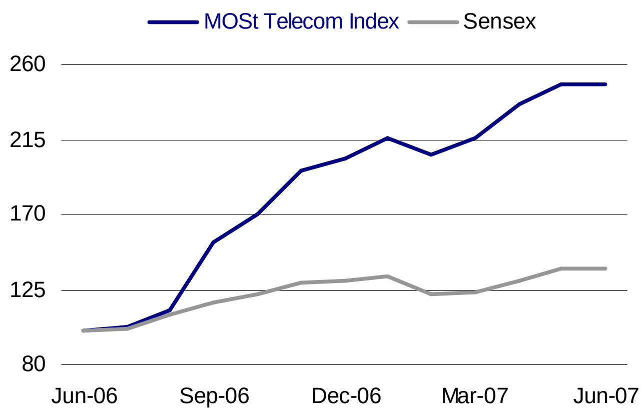
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Telecom						
Bharti Airtel	10	126	-3	88	-5	-22
Reliance Communication	23	108	11	70	8	-40
V S N L	17	17	5	-21	2	-131

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Telecommunication														
Bharti Airtel	836	Buy	22.5	33.7	41.8	37.2	24.8	20.0	21.9	14.4	10.8	37.4	38.1	33.2
Reliance Comm.	517	Buy	15.6	22.8	28.2	33.1	22.7	18.4	18.8	12.3	9.5	19.7	20.5	20.6
VSNL	468	Neutral	17.6	16.4	15.9	26.7	28.5	29.5	13.6	11.7	10.0	7.9	7.1	6.6
Sector Aggregate						**35.1**	**24.1**	**19.6**	**20.1**	**13.4**	**10.2**	**23.5**	**25.0**	**24.1**

Bharti Airtel

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BHARTI IN
	REUTERS CODE
S&P CNX: 4,318	BRTI.BO

29 June 2007

Buy

Previous Recommendation: Buy

Rs836

Equity Shares (m)	1,896.0
52-Week Range	899/346
1,6,12 Rel. Perf. (%)	-1/27/88
M.Cap. (Rs b)	1,585.0
M.Cap. (US$ b)	38.9

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07E	185,199	42,571	22.5	88.5	37.2	11.7	37.4	29.0	8.8	22.0
3/08E	271,894	63,865	33.7	50.0	24.8	7.9	38.1	33.0	6.1	14.4
3/09E	347,964	79,278	41.8	24.1	20.0	5.7	33.2	32.9	4.6	10.8

- We expect overall revenues of Bharti Airtel to grow 11% QoQ, driven by growth in mobility revenues.
- Overall EBITDA margins are expected to decline marginally by 20bp at 41.35%.
- EBITDA margins for the mobile telephony business are expected to decrease 10bp QoQ, reflecting the full impact of roaming tariff cuts. While, we expect demand elasticity to compensate for the reduction in roaming rate over 3-6 months, short-term margins could be marginally impacted.
- We expect 170bp margin decline in long distance business due to pressure on net retentions. Enterprise business margins are also likely to decline by 500bp at 45% owing to intense competition.
- Net profit for the company is expected to grow at 11% sequentially. We expect forex gains (QoQ) on loan restatement on the back of 6.7% rupee appreciation in 1QFY08.
- The stock is currently trading 24.8x FY08E and 20x FY09E earnings respectively. We expect Bharti to consolidate its leadership in the mobility markets, while continuing to invest aggressively. We maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**38,564**	**43,572**	**49,130**	**53,933**	**59,926**	**65,230**	**70,895**	**75,842**	**185,199**	**271,894**
YoY Growth (%)	*53.2*	*60.8*	*62.4*	*58.1*	*55.4*	*49.7*	*44.3*	*40.6*	*58.8*	*46.8*
QoQ Growth (%)	*13.0*	*13.0*	*12.8*	*9.8*	*11.1*	*8.9*	*8.7*	*7.0*		
Access & Interconnect Charges	6,612	7,190	8,242	9,335	10,187	10,437	10,989	10,531	31,379	42,144
Net Revenue	**31,952**	**36,382**	**40,888**	**44,598**	**49,739**	**54,793**	**59,907**	**65,312**	**153,820**	**229,750**
Total Operating Expenses	16,930	19,357	20,834	22,190	24,959	27,495	29,918	33,009	79,311	115,380
EBITDA	**15,022**	**17,025**	**20,054**	**22,408**	**24,779**	**27,299**	**29,989**	**32,303**	**74,509**	**114,371**
Margin (%)	*39.0*	*39.1*	*40.8*	*41.5*	*41.4*	*41.9*	*42.3*	*42.6*	*40.2*	*42.1*
Net Finance Costs	1,691	587	-1,317	477	-450	1,000	1,100	1,801	1,438	3,451
Cash Profit from Operations	13,331	16,438	21,371	21,931	25,229	26,299	28,889	30,502	73,071	110,920
Depreciation & Amortization	4,972	5,926	7,072	7,239	7,750	8,500	9,500	10,430	25,209	36,180
Profit before Tax	**8,600**	**10,782**	**14,410**	**15,068**	**17,679**	**17,999**	**19,589**	**20,272**	**48,860**	**75,540**
Income Tax Expense / (Income)	952	1,378	2,139	1,353	2,475	2,610	2,840	3,028	5,822	10,953
Profit/(Loss) to Min. Shareholders	96	66	121	184	180	180	180	182	467	722
Net Profit / (Loss)	**7,552**	**9,338**	**12,150**	**13,531**	**15,024**	**15,209**	**16,568**	**17,062**	**42,571**	**63,865**
QoQ Growth (%)	*10.7*	*23.7*	*30.1*	*11.4*	*11.0*	*1.2*	*8.9*	*3.0*	*88.5*	*50.0*
Margin (%)	*19.6*	*21.4*	*24.7*	*25.1*	*25.1*	*23.3*	*23.4*	*22.5*	*23.0*	*23.5*

E: MOSt Estimates; Financials as per US GAAP

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Reliance Communication

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	RCOM IN
	REUTERS CODE
S&P CNX: 4,318	RLCM.BO

Equity Shares (m)	2,044.6
52-Week Range	535/218
1,6,12 Rel. Perf. (%)	1/3/70
M.Cap. (Rs b)	1,057.2
M.Cap. (US$ b)	25.9

29 June 2007

Buy

Previous Recommendation: Buy

Rs517

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	144,682	31,637	15.6	563.6	33.1	5.2	19.7	11.4	7.3	18.6
3/08E	203,219	46,589	22.8	45.9	22.7	4.2	20.5	13.5	5.1	12.3
3/09E	252,660	57,562	28.2	23.6	18.4	3.4	20.6	16.0	4.0	9.5

- We expect overall revenues of RCOM to grow 9.9% QoQ, driven by growth in mobility and broadband revenues. We expect RCOM to add 4.1m subscribers in 1QFY08.
- Overall EBITDA margins are expected to remain flat at 41.5%.
- ARPU for RCOM is likely to fall by 3%; EBITDA margins for wireless business are expected to decline by 10bp QoQ.
- We expect stable margins in long distance business despite pressure on retention as a proportion of data revenues are expected to increase. We expect broadband business margins to stabilize at around 45%.
- Net profit is expected to grow at 8% sequentially.
- The stock is currently trading at 22.7x FY08E and 18.4x FY09E earnings respectively. We Recommend **Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**32,501**	**35,260**	**37,553**	**39,369**	**43,255**	**47,779**	**52,612**	**59,573**	**144,682**	**203,219**
YoY Growth (%)	*42.4*	*39.8*	*25.6*	*32.5*	*33.1*	*35.5*	*40.1*	*51.3*	*34.4*	*40.5*
QoQ Growth (%)	*9.4*	*8.5*	*6.5*	*4.8*	*9.9*	*10.5*	*10.1*	*13.2*		
Total Operating Expenses	20,439	21,734	22,281	23,018	25,285	27,807	30,555	34,496	87,472	118,142
EBITDA	**12,062**	**13,525**	**15,271**	**16,352**	**17,971**	**19,972**	**22,057**	**25,077**	**57,210**	**85,077**
Margin (%)	*37.1*	*38.4*	*40.7*	*41.5*	*41.5*	*41.8*	*41.9*	*42.1*	*39.5*	*41.9*
Net Finance Costs	999	56	-657	-391	-350	500	500	307	7	957
Cash Profit from Operations	11,063	13,469	15,928	16,743	18,321	19,472	21,557	24,770	57,203	84,120
Depreciation & Amortization	5,514	6,237	6,524	6,378	6,856	7,679	8,830	10,389	24,653	33,754
Profit before Tax	**5,549**	**7,233**	**9,404**	**10,365**	**11,465**	**11,793**	**12,727**	**14,381**	**32,550**	**50,366**
Income Tax Expense / (Income)	272	59	130	149	401	472	1,044	1,861	611	3,777
Net Profit / (Loss)	**5,127**	**7,023**	**9,244**	**10,243**	**11,064**	**11,322**	**11,683**	**12,520**	**31,637**	**46,589**
QoQ Growth (%)	*27.3*	*37.0*	*31.6*	*10.8*	*8.0*	*2.3*	*3.2*	*7.2*	*612.7*	*47.3*
Margin (%)	*15.8*	*19.9*	*24.6*	*26.0*	*25.6*	*23.7*	*22.2*	*21.0*	*21.9*	*22.9*

E: MOSt Estimates; Financials as per US GAAP

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VSNL

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	VSNL IN
	REUTERS CODE
S&P CNX: 4,318	VSNL.BO

Equity Shares (m)	285.0
52-Week Range	515/338
1,6,12 Rel. Perf. (%)	3/4/-21
M.Cap. (Rs b)	133.5
M.Cap. (US$ b)	3.3

29 June 2007

Neutral

Previous Recommendation: Neutral Rs468

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	40,418	4,634	17.6	4.3	26.7	2.1	7.4	11.5	3.1	13.6
3/08E	45,113	4,683	16.4	-6.4	28.5	2.0	7.1	10.4	2.8	11.7
3/09E	49,262	4,528	15.9	-3.3	29.5	1.9	6.6	9.9	2.5	10.0

- We estimate VSNL's standalone revenues to grow 19.1% YoY and 1.5 % sequentially driven largely by data business.
- EBITDA margins are likely to expand by 40bp to 22.5% in 1QFY08 versus 22.1% in the last quarter due to expected increased contribution from the data business.
- We expect employee costs to decline sequentially, with most one-time settlements already charged in the previous quarter. We expect continued cost savings on other expenses, which were high last year due to acquisition-related expense.
- Due to continued maintenance capex, depreciation is expected to go up sequentially by 5%.
- Net profit is expected to decline by 12.8% on a QoQ basis due to higher other income and lower depreciation in 4QFY07. The stock is currently trading at 28.5x FY08E and 29.5x FY09E earnings respectively. Maintain **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenue	**9,240**	**9,660**	**10,660**	**10,842**	**11,005**	**11,225**	**11,337**	**11,546**	**40,418**	**45,113**
YoY Growth (%)	*1.0*	*3.9*	*9.1*	*13.0*	*19.1*	*16.2*	*6.4*	*6.5*	*6.9*	*11.6*
QoQ Growth (%)	*-3.7*	*4.5*	*9.9*	*1.7*	*1.5*	*2.0*	*1.0*	*1.8*		
Total Operating Expenses	7,110	7,683	8,120	8,444	8,528	8,613	8,656	8,576	31,112	34,374
EBITDA	**2,130**	**1,977**	**2,540**	**2,399**	**2,477**	**2,612**	**2,681**	**2,969**	**9,306**	**10,739**
QoQ Growth (%)	*-8.5*	*-92.3*	*4.6*	*-5.6*	*3.3*	*5.4*	*2.6*	*10.8*		
Margin (%)	*23.1*	*20.5*	*23.83*	*22.12*	*22.51*	*23.3*	*23.65*	*25.72*	*23.0*	*23.80*
Net Finance Costs	10	10	20	16	-15	-15	-15	-15	-25	-60
Cash Profit from Operations	2,120	1,967	2,520	2,383	2,492	2,627	2,696	2,984	8,990	10,799
Non-Operating Income	270	390	490	864	335	335	335	345	2,027	1,350
Depreciation & Amortization	1,050	900	920	1,048	1,100	1,200	1,250	1,490	3,913	5,040
Profit before Tax	**1,340**	**1,457**	**2,090**	**2,082**	**1,727**	**1,762**	**1,781**	**1,723**	**7,126**	**6,989**
Income Tax Expense / (Income)	430	530	710	770	450	550	650	656	2,441	2,306
Net Profit / (Loss)	**910**	**927**	**1,380**	**1,313**	**1,277**	**1,212**	**1,131**	**1,066**	**4,686**	**4,683**
QoQ Growth (%)										
Adjusted PAT	**880**	**1,067**	**1,420**	**1,430**	**1,247**	**1,352**	**1,171**	**1,183**	**5,005**	**4,683**
QoQ Growth (%)	*-21.1*	*0.2*	*0.3*	*0.0*	*-12.8*	*0.1*	*-0.1*	*0.0*		

E: MOSt Estimates

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Textiles

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Rupee appreciation – a severe blow for industry

1QFY08 results of most textiles companies would reflect the negative impact of close to 9% appreciation of the rupee versus the US$. While companies such as Welspun, Alok and Gokaldas, whose exports constitute a large portion of their turnover, would face the maximum impact, other companies would also bear the brunt of the appreciating rupee. We believe EBITDA margins for all companies would be negatively impacted during 1QFY08 as a result of the sharp appreciation in the rupee against the US$.

Competitiveness of Indian players to be impacted

The growth in Indian textile exports, post quota abolishment has been lagging the growth witnessed by other neighboring countries such as Pakistan, Bangladesh, Sri Lanka etc. We believe that competitiveness of the Indian textile industry will likely be substantially impacted further owing to the sharp rupee appreciation.

Trade shift to developing countries slower than anticipated

World textile trade was expected to shift from the artificially protected developed countries to the low-cost developing countries in the post quota era. Though the initial trade data in the post-quota period confirms the above prognosis, the pace of trade shift has been substantially slower than anticipated. Key factors responsible for the slower-than-anticipated impact resulting from quota abolishment are: (1) tariff differentials; (2) preferential agreements; (3) re-imposition of quotas on China by the US and EU and (4) transition time required by large buyers. Going forward, though tariff differentials and preferential agreements may continue to be a deterrent to growth, we expect trade shifts to accelerate as a result of aggressive outsourcing ramp-up by global retailers from key sourcing countries such as India.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Textiles							
Alok Ind	Neutral	5,393	50.7	1,181	46.5	344	27.9
Arvind Mills	Neutral	5,302	49.5	700	-5.9	56	-16.5
Gokaldas Exports	Buy	2,393	8.0	207	-8.0	90	-33.3
Himatsingka Seide	Neutral	530	40.3	144	14.1	107	-26.0
Raymond	Neutral	5,136	83.0	709	211.2	76	-41.6
Vardhman Textiles	Buy	5,465	14.9	825	-1.3	245	-34.6
Welspun Ind	Neutral	2,661	33.8	381	-7.9	81	-51.3
Sector Aggregate		**26,878**	**39.5**	**4,146**	**22.8**	**999**	**-22.4**

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Removal of trade restrictions on China poses additional threat

Removal of the restrictions on Chinese textile exports by the EU and US, CY07 and CY08 onward, is likely to pose increased threat to the Indian textile industry going forward. We expect pressure on Indian textile exports to increase substantially from CY07 itself, due to the higher quota availability for China from both the EU and USA. Further, with the complete removal of textile export restrictions on China by the EU and US post CY08, pricing pressure too is likely to increase for India.

RESTRICTION ON CHINA BY EU-25: GROWTH RATES IN KEY CATEGORIES (%)

	CY05	CY06	CY07
Jersey and Pullovers	8	10	10
Men's and Boy's Bottomwear	8	10	10
Women and Girl's Shirt/Blouses	8	10	10
T-Shirts and Vests	10	10	10
Women's and Girl's Dresses	10	10	10

Source: Industry/CRISIL Research

RESTRICTION ON CHINA BY USA: GROWTH RATES IN KEY CATEGORIES (%)

	2006	2007	2008
Growth Rate Cap			
Men' and Boys' Cotton Knit Shirts	10	12.5	15
Men' and Boys' MMF Knit Shirts	10	12.5	15
Women' and Girls' Cotton Knit Shirts/Blouses	10	12.5	15
Women' and Girls' MMF Knit Shirts/Blouses	10	12.5	15
Men's and Boys' Cotton Woven Shirts	10	12.5	15
Men's and Boys' MMF Woven Shirts	10	12.5	15
Men's and Boys' Cotton Bottom-wear	10	12.5	15
Women's and Girls' Cotton Bottom-wear	10	12.5	15
Cotton Bras	10	12.5	15
MMF Bras	10	12.5	15
Cotton Underwear	10	12.5	15
MMF Underwear	10	12.5	15
Sweaters	10	12.5	15

Source: Industry/CRISIL Research

However, in spite of increased competition from China, we expect Indian textile exports to continue to do well in select high-value-added cotton-based categories, where it already enjoys a leadership position in the US and EU.

INDIA'S MARKET SHARE IN US FOR KEY CATEGORIES

APPAREL CATEGORY	MARKET SHARE (%)
Women's/Girls' Cotton Woven Shirts/Blouses	27.8
Cotton Skirts	21.9
Cotton Dresses	15.0
Men's/Boys' Cotton Shirts, Woven	11.3
Women's/Girls' Woven MMF Shirts/Blouses	10.2
MMF Skirts	10
MMF Dresses	7.1

Source: OTEXA/CRISIL Research

INDIA'S MARKET SHARE IN EU MARKET FOR KEY CATEGORIES

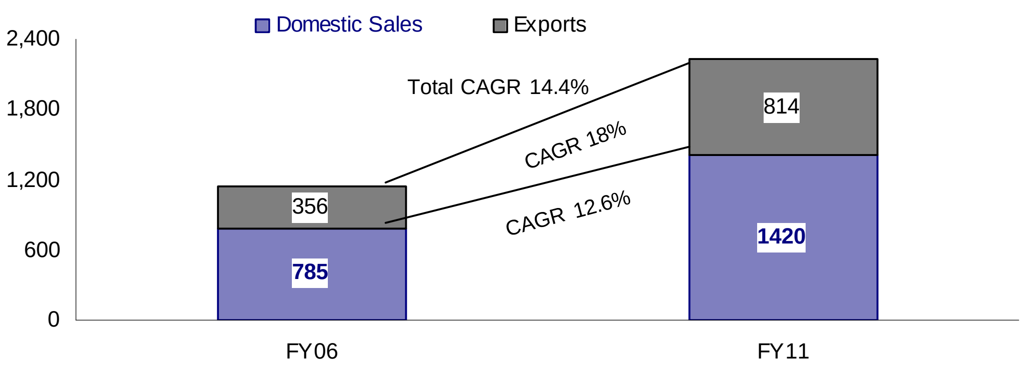
APPAREL CATEGORY	MARKET SHARE (%)
Women's/Girls' Woven Dresses	16.2
Women's/Girls' Woven Blouses/Shirts	15.9
Women's/Girls' Knitted Dresses	15.1
Woven Skirts	13.9
Women's/Girls' Knitted Blouses/Shirts	9.9

Source: Eurostat, CRISIL Research

Domestic RMG market to emerge as a big opportunity

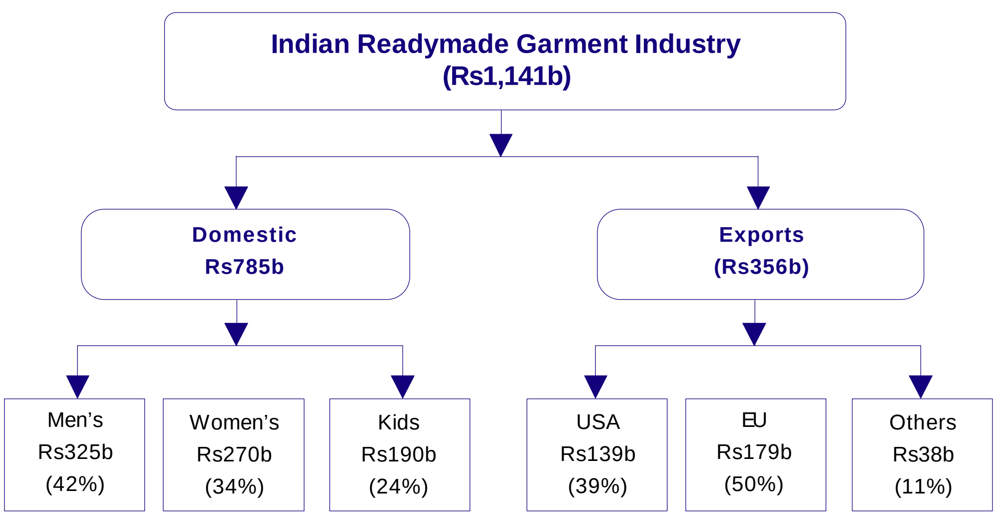
CRISIL estimates overall readymade garment (RMG) market size to grow at a CAGR of 14.4%, over FY06-FY11 to US$50.4b from around US$25.8b in FY06. CRISIL estimates the domestic RMG market to grow at a CAGR of 12.6% to US$32b by FY11 from around US$17.7b in FY06. This growth will primarily be led by increasing income levels and a shift in consumption pattern from tailored to readymade garments. We believe with the consolidation of retail industry in India, the domestic RMG market would present a big opportunity for the Indian garment manufacturers.

RMG MARKET: AN OUTLOOK (RS B)



Source: CRISIL

OVERVIEW OF INDIAN RMG MARKET (FY06)

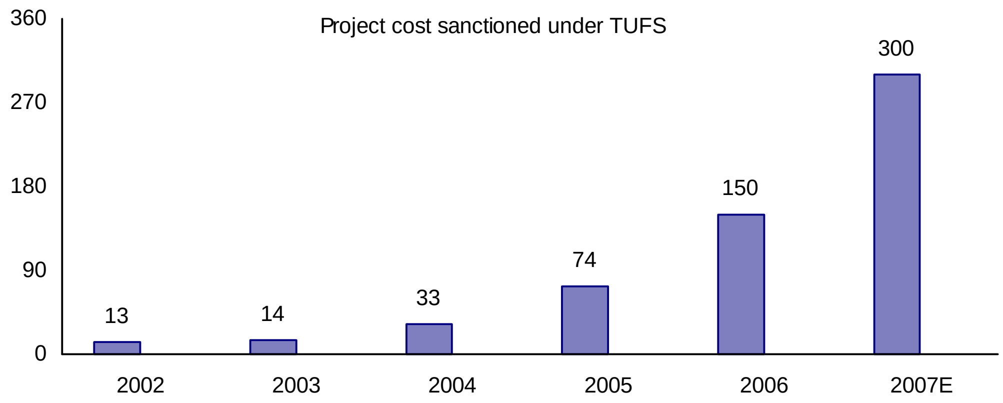


Source: CRISIL

TUF sanctions witnesses a sharp jump

Sanctions under the Textile Upgradation Scheme (TUF) witnessed an unprecedented increase over the last few years, owing to large capex initiatives by a majority of the textile players. Total sanctions under the TUF scheme stood at around Rs584b between FY02-FY07. Sanctions under this scheme increased by almost 2x in FY07 to Rs300b compared with Rs150b in FY06. Availability of easy and cheap finance has enabled the Indian textile industry to modernize and create a credible scale for itself. As a result, a majority of the Indian textile industry players today have access to the latest technology and machinery and can offer critical scale to global buyers.

INVESTMENTS SANCTIONED UNDER TUF (RS B)



Source: Company/ Motilal Oswal Securities

TUF scheme extended by 5 years

A prominent measure relating to the textile industry in the Union Budget 2007-2008 was extension of the Textile Upgradation Fund (TUF) scheme to the Eleventh Five Year Plan. Though extension of the TUF scheme by five years is a long term positive for textiles, in the medium-to-short term, it is likely to compound the prevailing problem of overcapacity due to the continued availability of subsidized funds. Further, attractiveness of the TUF scheme has also reduced considerably for large organized players, due to the increased interest rate scenario. Earlier, the effective interest cost for textile companies after TUF subsidy was 3%-4%, going forward it would increase to 7%-8% due to the prevailing high interest rates.

Valuations

We believe the textile industry is today on a much stronger footing than previously. Most of the companies have expanded and modernized their capacities to reach critical size. Consequently, due to their modern plans and global capacities, they have also managed to attract large international institutional buyers with whom they now have established strategic relationships. This has allowed them to move their business models from being a transitional-based model to one that is based on strategic vendor-based relationships. At the same time, their financials are extremely healthy, as they have resorted to substantial withdrawals from the subsidized TUF scheme. Further, there is no immediate concern of large dilutions, as most companies have already completed a substantial portion of their capex plans.

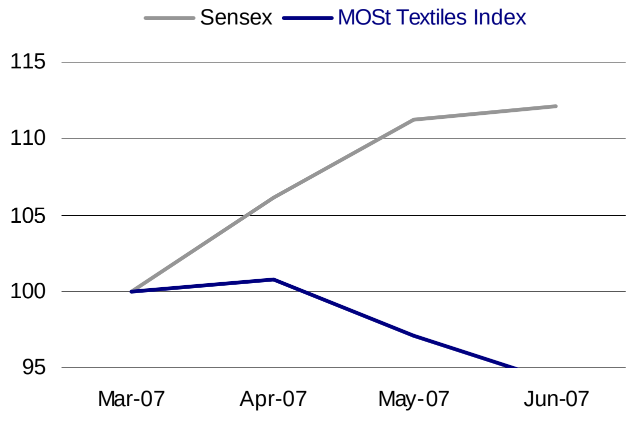
We continue to maintain our **Neutral** rating on Arvind, Alok, Welspun, Raymond and Himatsingka Seide. We remain bullish on Vardhman Textiles and Gokaldas and rate them as our top picks in the textile industry.

Stock performance and valuations

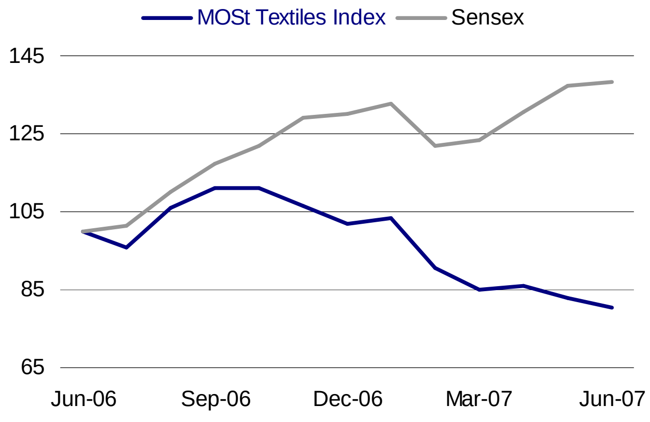
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Textiles						
Alok Ind	1	2	-11	-36	7	22
Arvind Mills	1	-24	-11	-62	7	-4
Gokaldas Exports	5	-20	-7	-58	11	-1
Himatsingka Seide	-3	24	-15	-14	3	44
Raymond	-10	-23	-22	-61	-4	-3
Vardhman Textiles	-19	-47	-31	-85	-13	-27
Welspun Ind	-9	-17	-21	-55	-3	3

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Textiles														
Alok Ind	58	Neutral	8.3	9.2	10.3	6.9	6.3	5.6	10.8	9.4	9.1	16.5	13.2	13.2
Arvind Mills	44	Neutral	0.8	1.6	4.0	52.3	28.3	11.0	9.0	9.0	7.5	1.1	2.0	5.0
Gokaldas Exports	242	Buy	20.4	21.7	25.6	11.8	11.1	9.5	8.7	8.2	7.0	18.9	17.3	17.6
Himatsingka Seide	116	Neutral	5.6	6.2	11.4	20.6	18.6	10.1	21.7	12.4	7.4	9.3	9.8	16.4
Raymond	308	Neutral	15.5	26.5	37.3	19.9	11.6	8.3	8.6	5.6	4.1	10.5	11.0	14.0
Vardhman Textiles	168	Buy	26.8	22.3	28.0	6.3	7.5	6.0	7.3	8.7	7.2	16.6	12.2	13.7
Welspun Ind	65	Neutral	6.8	7.2	12.8	9.6	9.0	5.1	10.7	8.6	6.5	8.8	8.7	14.2
Sector Aggregate						**12.4**	**10.5**	**7.5**	**9.5**	**8.5**	**7.1**	**8.9**	**9.4**	**11.9**

Alok Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ALOK IN
	REUTERS CODE
S&P CNX: 4,318	ALOK.BO

Equity Shares (m)	199.1
52-Week Range	78/50
1,6,12 Rel. Perf. (%)	-5/-22/-36
M.Cap. (Rs b)	11.8
M.Cap. (US$ b)	0.3

29 June 2007

Neutral

Previous Recommendation: Neutral Rs58

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,290	1,419	8.3	32.7	7.1	1.0	16.5	6.5	1.9	8.5
3/08E	23,447	1,828	9.2	28.8	6.5	0.9	13.2	7.3	1.8	7.9
3/09E	27,334	2,049	10.3	12.1	5.8	0.8	13.2	7.1	1.8	7.8

Fully Diluted EPS

- For 1QFY08, we expect Alok to post revenue of Rs5.4b, up 50% YoY, helped by higher capacities across all textile segments.
- EBITDA margin is likely to decline 63bp YoY to 21.9% as a result of sharp appreciation of Re vs US$.
- PAT is likely to increase 27.9% YoY to Rs344m.
- Alok is planning to expand in the retail segment and has an aggressive plan to open close to 150 retail stores by FY08.
- Alok is also planning a textile SEZ at Vapi, for which it has already managed to acquire the land.
- We estimate Alok's total debt in FY08 to be around Rs40b, implying a debt/equity ratio of 2.3x, which we believe is a high risk in the current rising interest scenario.
- Alok trades at a P/E of 6.5x FY08E EPS and 5.8x FY09E EPS. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**3,579**	**4,172**	**4,799**	**5,741**	**5,393**	**5,744**	**5,862**	**6,448**	**18,290**	**23,447**
Change (%)	*19.6*	*20.8*	*31.0*	*40.8*	*50.7*	*37.7*	*22.1*	*12.3*	*28.9*	*28.2*
Total Expenditure	2,772	3,204	3,726	4,420	4,212	4,412	4,467	4,875	14,123	17,964
EBITDA	**806**	**968**	**1,073**	**1,321**	**1,181**	**1,333**	**1,395**	**1,573**	**4,168**	**5,483**
Change (%)	*37.1*	*36.7*	*32.5*	*50.8*	*46.5*	*37.7*	*30.0*	*19.1*	*40.7*	*31.5*
As % of Sales	*22.5*	*23.2*	*22.4*	*23.0*	*21.9*	*23.2*	*23.8*	*24.4*	*22.8*	*23.4*
Depreciation	246	280	325	354	372	372	388	419	1,205	1,551
Interest	170	213	242	269	290	316	329	382	893	1,318
Other Income	-4	-16	32	19	32	36	38	45	32	151
Non Recurring Expense	0	0	0	334	0	0	0	0	334	0
PBT	**386**	**459**	**539**	**1,051**	**551**	**680**	**716**	**818**	**2,435**	**2,765**
Tax	117	132	168	265	206	231	243	258	682	937
Effective Tax Rate (%)	*28.2*	*28.9*	*31.2*	*25.2*	*33.9*	*33.9*	*33.9*	*31.5*	*28.0*	*33.9*
Reported PAT	**269**	**326**	**371**	**787**	**344**	**450**	**473**	**560**	**1,753**	**1,828**
Change (%)	*31.0*	*28.1*	*25.7*	*139.4*	*27.9*	*37.9*	*27.6*	*-28.8*	*61.8*	*4.3*
Adj. PAT	**269**	**326**	**371**	**452**	**344**	**450**	**473**	**560**	**1,419**	**1,828**
Change (%)	*31.0*	*28.1*	*25.7*	*30.4*	*27.9*	*37.9*	*27.6*	*23.8*	*30.9*	*28.8*

E: MOSt Estimates

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Arvind Mills

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ARVND IN
	REUTERS CODE
S&P CNX: 4,318	ARMI.BO

Equity Shares (m)	209.4
52-Week Range	74/42
1,6,12 Rel. Perf. (%)	-2/-21/-62
M.Cap. (Rs b)	9.2
M.Cap. (US$ b)	0.2

29 June 2007

Neutral

Previous Recommendation: Neutral Rs44

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	18,449	176	0.8	-6.0	52.6	0.6	1.1	8.2	1.5	9.0
3/08E	22,092	325	1.6	84.9	28.5	0.6	2.0	5.5	1.2	9.1
3/09E	25,166	836	4.0	157.1	11.1	0.5	5.0	7.0	1.1	7.6

- For 1QFY08, we expect Arvind to record revenue growth of 43.3% YoY to Rs5.1b, primarily driven by higher garment sales.
- EBITDA margin is likely to decline by 777bp YoY to 13.2% vs 21% in 1QFY07.
- During 1QFY08, the denim scenario improved in the international markets, however, the domestic market continues to be plagued by a huge overcapacity situation. We do not expect domestic demand-supply equilibrium in the denim sector to emerge in the near-to-medium term. Hence we expect pressure on denim margins.
- The company is currently working on restructuring plans, which could include relocating a part of its commodity grade denim capacity to countries such as Bangladesh and Egypt.
- Arvind plans to aggressively expand its garment manufacturing capacity from 13m pieces pa in FY07 to around 42.2m pieces pa by FY09 to de-risk itself from denim. The stock is trading at 28.5x FY08E and 11.1x FY09E earnings. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**3,546**	**3,932**	**4,479**	**4,831**	**5,081**	**5,346**	**5,523**	**6,142**	**18,449**	**22,092**
Change (%)	*-15.7*	*-8.1*	*14.8*	*35.0*	*43.3*	*36.0*	*23.3*	*27.1*	*15.6*	*19.7*
Total Expenditure	2,802	3,074	3,769	4,159	4,410	4,619	4,766	5,269	13,804	
EBITDA	**744**	**859**	**710**	**672**	**671**	**727**	**757**	**873**	**3,051**	**3,028**
Change (%)	*-35.3*	*-19.1*	*-22.7*	*-22.1*	*-9.8*	*-15.3*	*6.6*	*29.8*	*-23.6*	*-0.8*
As % of Sales	*21.0*	*21.8*	*15.8*	*13.9*	*13.2*	*13.6*	*13.7*	*14.2*	*16.5*	*13.7*
Depreciation	372	383	347	302	311	324	324	337	1,434	1,295
Interest	348	378	399	407	374	389	405	389	1,579	1,558
Other Income	48	6	27	81	44	42	44	46	163	175
Non Recurring Expense		-46	1,068	15	0	0	0	0	1,020	0
PBT	**70**	**58**	**1,058**	**58**	**30**	**56**	**72**	**192**	**1,220**	**350**
Tax	3	2	10	4	1	3	5	16	24	24
Effective Tax Rate (%)	*4.6*	*3.8*	*1.0*	*7.2*	*5.0*	*5.0*	*7.0*	*8.2*	*2.0*	*7.0*
Reported PAT	**67**	**55**	**1,048**	**54**	**28**	**53**	**67**	**177**	**1,196**	**325**
Adj. PAT	**67**	**101**	**-20**	**39**	**28**	**53**	**67**	**177**	**176**	**325**
Change (%)	*-85.1*	*-72.8*	*-108.5*	*-81.6*	*-57.9*	*-47.7*	*-436.1*	*346.9*	*-86.2*	*84.9*

E: MOSt Estimates

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Gokaldas Exports

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GOKL IN
	REUTERS CODE
S&P CNX: 4,318	GOKL.BO

Equity Shares (m)	34.4
52-Week Range	359/186
1,6,12 Rel. Perf. (%)	11/-27/-58
M.Cap. (Rs b)	8.3
M.Cap. (US$ b)	0.2

29 June 2007

Buy

Previous Recommendation: Buy

Rs242

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	10,344	703	17.7	15.6	11.8	2.1	18.9	15.7	1.0	8.7
3/08E	11,963	747	21.7	6.2	11.1	1.8	17.3	14.5	0.9	8.2
3/09E	13,674	880	25.6	17.8	9.5	1.5	17.6	15.1	0.8	7.0

- We expect revenue to increase by 8% in 1QFY08 to Rs2.4b, primarily aided by increase in volumes. Revenue growth would have been higher but for the sharp rupee appreciation by 9-10%. Almost 94% of Gokaldas revenue are derived from exports.
- We expect EBITDA margin to decline 151bp YoY to 8.7% as a result of the sharp rupee appreciation against the US dollar.
- We expect PAT to decline 33% YoY to Rs90m vs Rs135m in 1QFY07.
- Gokaldas plans to set up two more factories in an SEZ in Chennai, which the promoters are developing. The company stands to gain substantial tax benefits from its investment in SEZs.
- We expect the company to register revenue CAGR of 15% and profit CAGR of 12% over FY07-FY09. The stock is trading at 11.1x FY08E and 9.5x FY09E earnings. We reiterate **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,216**	**2,810**	**2,553**	**2,766**	**2,393**	**3,110**	**3,051**	**3,410**	**10,344**	**11,963**
Change (%)	*23.8*	*13.7*	*16.4*	*15.7*	*8.0*	*10.7*	*19.5*	*23.3*	*17.0*	*15.7*
Total Expenditure	1,991	2,494	2,263	2,398	2,186	2,803	2,691	2,981	9,146	10,659
EBITDA	**225**	**316**	**290**	**367**	**207**	**308**	**360**	**429**	**1,198**	**1,304**
Change (%)	*26*	*19*	*21*	*33*	*-8*	*-3*	*24*	*17*	*25*	*8.8*
As % of Sales	*10.2*	*11.2*	*11.4*	*13.3*	*8.7*	*9.9*	*11.8*	*12.6*	*11.6*	*10.9*
Depreciation	52	60	68	70	72	76	76	81	250	306
Interest	46	54	55	65	57	62	62	78	220	259
Other Income	22	16	12	1	20	23	24	23	51	90
PBT	**150**	**218**	**179**	**234**	**98**	**192**	**246**	**294**	**780**	**830**
Tax	14	10	1	52	8	17	22	36	77	83
Effective Tax Rate (%)	*9.7*	*4.4*	*10.2*	*22.4*	*8.0*	*9.0*	*9.0*	*12.3*	*9.9*	*10.0*
Repoted PAT	**135**	**208**	**178**	**181**	**90**	**175**	**224**	**258**	**703**	**747**
Change (%)	*16.3*	*12.4*	*13.4*	*20.6*	*-33.3*	*-16.0*	*25.4*	*42.1*	*15.4*	*6.2*

E: MOSt Estimates

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Himatsingka Seide

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	HSS IN
	REUTERS CODE
S&P CNX: 4,318	HMSD.BO

Equity Shares (m)	97.4
52-Week Range	150/86
1,6,12 Rel. Perf. (%)	4/-12/-14
M.Cap. (Rs b)	11.3
M.Cap. (US$ b)	0.3

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs116

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS * (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	1,742	546	5.6	12.3	20.5	1.8	9.3	7.4	6.0	21.6
3/08E	3,626	606	6.2	11.0	18.5	1.8	9.8	9.1	3.0	12.4
3/09E	6,355	1,109	11.38	82.9	10.1	1.6	16.4	15.5	1.8	7.3

* *Consolidated*

- For 1QFY08, We expect Himatsingka to report revenue growth of 40% YoY to Rs530m on the back of higher contribution from yarn and better utilization rates.
- We expect EBITDA margin to drop 620bp YoY to 27.1% on the back of lower margins in the bed linen business.
- PAT is likely to drop 26% YoY to Rs107m.
- Its foray into the bed linen segment is progressing as planned, with the 20m plant having commenced production in February 2007. The plant is located at the Hassan special economic zone (SEZ), Karnataka. The bed linen plant can post revenue to the tune of Rs4b once it is fully operational.
- We expect the company to post EPS of Rs6.2 for FY08 and Rs11.4 for FY09. The stock is trading at a P/E of 18.5x FY08E and 10.1x FY09E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**378**	**470**	**463**	**432**	**530**	**728**	**828**	**1,225**	**1,427**	**3,311**
Change (%)	*10.5*	*23.5*	*13.5*	*14.0*	*40.3*	*55.0*	*78.9*	*183.7*	*-5.5*	*132.1*
Total Expenditure	252	311	321	374	386	536	615	919	963	2,457
EBITDA	**126**	**159**	**142**	**58**	**144**	**192**	**212**	**306**	**464**	**854**
Change (%)	*-4.9*	*7.8*	*7.4*	*-45.3*	*14.1*	*20.9*	*49.9*	*428.2*	*-10.4*	*84.2*
As % of Sales	*33.3*	*33.8*	*30.6*	*13.4*	*27.1*	*26.4*	*25.7*	*25.0*	*32.5*	*25.8*
Depreciation	35	37	37	31	55	61	73	116	140	306
Interest	1	1	2	1	7	14	15	23	4	60
Other Income	62	69	68	71	39	42	44	51	271	175
PBT	**151**	**190**	**171**	**98**	**120**	**159**	**168**	**217**	**589**	**663**
Tax	7.0	27.0	20.8	8.5	13.2	17.8	19.3	25.6	63.3	76.5
Effective Tax Rate (%)	*4.6*	*14.2*	*12.2*	*8.7*	*11.0*	*11.2*	*11.5*	*11.8*	*10.7*	*11.5*
Reported PAT	**144**	**163**	**150**	**89**	**107**	**141**	**148**	**191**	**526**	**586**
Adj. PAT	**144**	**163**	**150**	**89**	**107**	**141**	**148**	**191**	**526**	**586**
Change (%)	*27.8*	*22.7*	*25.5*	*-24.8*	*-26.0*	*-13.3*	*-1.1*	*115.0*	*8.9*	*11.5*

E: MOSt Estimates; Quarterly numbers are standalone, while annual numbers include its retail subsidiary.

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Raymond

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	RW IN
	REUTERS CODE
S&P CNX: 4,318	RYMD.BO

Equity Shares (m)	61.4
52-Week Range	479/301
1,6,12 Rel. Perf. (%)	-7/-29/-61
M.Cap. (Rs b)	18.9
M.Cap. (US$ b)	0.5

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs308

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,407	949	15.5	-27.4	21.2	1.5	10.5	8.4	1.2	9.9
3/08E	23,975	1,624	26.5	71.2	12.4	1.3	11.0	11.5	1.0	6.4
3/09E	27,251	2,290	37.3	41.0	8.8	1.2	14.0	14.5	0.8	4.8

** Consolidated*

- From 1QFY08 onwards, Raymond will be declaring consolidated results, which are not comparable to the standalone quarterly of the previous quarters.
- We expect Raymond to report consolidated revenue of Rs5.1b in 1QY08 compared to standalone revenue of Rs2.8b in 1QFY07.
- EBITDA for 1QFY08 is likely to be around Rs693m vs Rs228m in 1QFY07.
- During 1QFY08, the company doubled its worsted fabric capacity at its Vapi plant to 6m meters.
- Raymond's denim JV is facing cost pressures at its international plants in the US and Romania and is operating at low utilization rates of 70-75%.
- The company expects to aggressively roll out 40-50 flagship stores in FY08. However, we feel these stores are unlikely to breakeven before three to four years due to high rentals. Management has given guidance for its branded apparel business to register growth rates of 20%-25% CAGR over the next two three years.
- The stock is trading at 12.4x FY08E and 8.8x FY09E earnings. It has an EV/EBITDA of 6.4x FY08E and 4.8x FY09E. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07*	FY08E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**2,806**	**3,586**	**2,973**	**3,477**	**5,136**	**5,625**	**6,114**	**7,581**	**20,675**	**24,455**
Change (%)	*14.3*	*2.6*	*-13.9*	*-9.5*	*83.0*	*56.8*	*105.7*	*118.0*	*56.1*	*18.3*
Total Expenditure	2,578	2,945	2,483	3,040	4,442	4,787	2,483	3,040	18,202	20,717
EBITDA	**228**	**641**	**489**	**437**	**693**	**838**	**960**	**1,246**	**2,473**	**3,738**
Change (%)	*-28.4*	*16.4*	*-17.0*	*-17.7*	*204*	*30.7*	*96.1*	*184.9*	*24*	*51*
As % of Sales	*8.1*	*17.9*	*16.5*	*12.6*	*13.5*	*14.9*	*15.7*	*16.4*	*12.0*	*15.3*
Depreciation	187	146	134	165	309	323	336	377	1,257	1,345
Interest	44	93	72	78	139	139	145	156	502	579
Other Income	179	160	268	94	90	90	118	131	780	430
Extra-ordinary Income	-14	859	43	-29	0	0	0	0	451	0
PBT	**162**	**1,421**	**552**	**259**	**335**	**467**	**597**	**844**	**1,945**	**2,244**
Tax	46	6	165	153	101	131	170	249	370	651
Effective Tax Rate (%)	*24.0*	*0.5*	*29.9*	*58.9*	*30.2*	*28.0*	*28.5*	*29.5*	*19.0*	*29.0*
Reported PAT	**116**	**1,415**	**387**	**107**	**234**	**336**	**427**	**595**	**1,575**	**1,593**
Adj. PAT	**130**	**556**	**344**	**136**	**234**	**336**	**427**	**595**	**1,124**	**1,593**
Change (%)	*-30.8*	*66.4*	*31.6*	*-61.0*	*79.9*	*-39.6*	*24.3*	*338.1*	*2.1*	*41.8*

*E: MOSt Estimates; * Standalone numbers*

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Vardhman Textiles

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	VTEX IN
	REUTERS CODE
S&P CNX: 4,318	MHSP.BO

Equity Shares (m)	64.1
52-Week Range	345/160
1,6,12 Rel. Perf. (%)	-18/-45/-85
M.Cap. (Rs b)	12.2
M.Cap. (US$ b)	0.3

29 June 2007

Buy

Previous Recommendation: Buy

Rs168

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	20,876	1,717	26.8	-12.5	7.1	1.1	16.6	9.3	1.3	7.7
3/08E	23,759	1,429	22.3	-16.8	8.5	1.0	12.2	7.8	1.6	9.1
3/09E	29,817	1,792	28.0	25.4	6.8	0.9	13.7	8.0	1.4	7.5

Vardhman Textiles has issued a bonus of 1:2

- For 1QFY08, Vardhman is likely to report revenue growth of 14.9% to around Rs5.5b. We expect EBITDA margin to decline 247bp to 15.1% vs 17.6% in 1QFY07, as a result of lower margins in the fabric and steel businesses.
- PAT is likely to register 34.6% YoY decline to Rs245m vs Rs375m in 1QFY07.
- We expect Vardhman's EBITDA margin to be negatively impacted due to lower yarn margins. During 1QFY08, yarn margins were negatively impacted due to increase in cotton prices and decline in yarn prices.
- The company is currently implementing an ambitious Rs16b capex plan, which would double its fabric capacity and increase spinning capacity by nearly 50%.
- We expect Vardhman Textiles' sales and earnings to witness CAGR of 20% and 2% respectively over FY07-FY09E.
- The stock is trading at 8.5x FY08E and 6.8x FY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**4,755**	**5,283**	**5,438**	**5,400**	**5,465**	**5,702**	**6,177**	**6,415**	**20,876**	**23,759**
Change (%)	*12.7*	*15.0*	*6.1*	*9.1*	*14.9*	*7.9*	*13.6*	*18.8*	*10.5*	*13.8*
Total Expenditure	133	4,366	4,470	4,632	4,640	4,699	5,035	5,209	17,388	19,582
EBITDA	**836**	**917**	**968**	**768**	**825**	**1,004**	**1,143**	**1,206**	**3,488**	**4,177**
Change (%)	*6.8*	*7.5*	*1.0*	*-8.2*	*-1.3*	*9.4*	*18.0*	*57.1*	*1.7*	*19.7*
As % of Sales	*17.6*	*17.4*	*17.8*	*14.2*	*15.1*	*17.6*	*18.5*	*18.8*	*16.7*	*17.6*
Depreciation	286	301	290	317	343	374	413	429	1,194	1,559
Interest	110	99	87	81	227	237	247	277	377	988
Other Income	62	37	77	129	66	72	75	87	340	300
Extra-ordinary Income	0	35	0	1	0	0	0	0	35	0
PBT	**501**	**590**	**668**	**500**	**321**	**465**	**558**	**587**	**2,292**	**1,931**
Tax	126	132	152	131	76	117	146	163	541	502
Effective Tax Rate (%)	*25.2*	*22.4*	*22.8*	*26.2*	*23.7*	*25.1*	*26.2*	*27.7*	*23.6*	*26.0*
Reported PAT	**375**	**458**	**516**	**369**	**245**	**348**	**412**	**425**	**1,752**	**1,429**
Adj. PAT	**375**	**423**	**516**	**369**	**245**	**348**	**412**	**425**	**1,717**	**1,429**
Change (%)	*29.4*	*5.9*	*0.5*	*-24.9*	*-34.6*	*-17.7*	*-20.2*	*15.1*	*1.4*	*-16.8*

*E: MOSt Estimates; * Standalone numbers not merged*

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Welspun India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	WLSP IN
	REUTERS CODE
S&P CNX: 4,318	WLSP.BO

Equity Shares (m)	76.8
52-Week Range	105/52
1,6,12 Rel. Perf. (%)	-10/-30/-55
M.Cap. (Rs b)	5.0
M.Cap. (US$ b)	0.1

29 June 2007

Neutral

Previous Recommendation: Neutral

Rs65

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	9,736	519	6.8	24.8	12.4	1.1	8.8	5.4	1.9	11.6
3/08E	11,569	551	7.2	6.0	11.7	1.0	8.7	6.3	1.6	9.3
3/09E	13,191	982	12.8	78.1	6.6	0.9	14.2	8.5	1.5	7.0

- For 1QFY08, we expect Welspun to post revenue growth of 33.8% YoY to Rs2.6b buoyed by increase in bed-linen sales.
- EBITDA margin is likely to decline 646bp YoY to 14.3%, as a result of improved margins in the bed-linen segment.
- PAT is likely to drop by 505 YoY to Rs81m in 1QFY08.
- During the quarter, utilization rates for the bed linen plant improved to around 70%.
- Going forward, margins in the bed-linen are likely to improve on the back of increased capacity utilization rates.
- We expect Welspun's revenues and earnings to witness 16% and 37% CAGR (FY07-FY09) respectively. Welspun is trading at a P/E of 11.7x FY08E and 6.6x FY09E earnings. We are **Neutral** on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**1,989**	**2,764**	**2,554**	**2,485**	**2,661**	**2,892**	**2,892**	**3,124**	**9,736**	**11,569**
Change (%)	*38.1*	*78.7*	*65.4*	*21.1*	*33.8*	*4.6*	*13.2*	*25.7*	*47.9*	*18.8*
Total Expenditure	1,576	2,342	2,110	2,133	2,280	2,386	2,366	2,541	8,213	9,573
EBITDA	**413**	**423**	**444**	**352**	**381**	**506**	**526**	**583**	**1,523**	**1,996**
Change (%)	*31.5*	*32.2*	*16.7*	*11.9*	*-7.9*	*19.7*	*18.6*	*65.8*	*14.6*	*31.1*
As % of Sales	*20.8*	*15.3*	*17.4*	*14.2*	*14.3*	*17.5*	*18.2*	*18.7*	*15.6*	*17.3*
Depreciation	144	157	166	183	187	187	195	244	651	812
Interest	112	122	129	123	105	120	125	150	478	500
Other Income	52	40	75	165	33	35	36	41	429	145
Extra-ordinary Income	-90	88	0	0					-2	
PBT	**119**	**272**	**224**	**210**	**122**	**234**	**243**	**230**	**823**	**831**
Tax	43	89	65	107	41	79	82	78	304	279
Effective Tax Rate (%)	*36.2*	*32.6*	*28.8*	*51.0*	*33.9*	*33.9*	*33.6*	*33.9*	*36.9*	*33.6*
Repoted PAT	**76**	**183**	**159**	**103**	**81**	**155**	**161**	**152**	**519**	**551**
Adj. PAT	**166**	**95**	**159**	**103**	**81**	**155**	**161**	**152**	**521**	**551**
Change (%)	*53.7*	*-24.6*	*115.4*	*-3.8*	*-51.3*	*62.2*	*1.2*	*47.6*	*25.4*	*5.8*

E: MOSt Estimates

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Utilities

BSE Sensex: 14,651 S&P CNX: 4,318 29 June 2007

Tenth Plan capacity addition at 48% of targeted levels

The Tenth Five Year Plan witnessed a plethora of reforms including introduction of Electricity Act, 2003, unbundling of SEBs and increased scope for private sector players. Despite these reforms, the capacity addition in the Tenth Plan stood at 18,925MW as against the capacity addition target of 39,259MW, an achievement of 48%. The capacity addition has been slower during the Tenth Plan mainly due to the delay in the award of the projects leading to bunching up of capacity addition towards the end of the plan period. Capacity addition in the eighth, ninth and tenth five-year plan has been declining post an achievement of 96% of the target capacity addition in the Seventh plan. This calls for an accelerated capacity addition in the Eleventh Plan to cater to the buoyant economic growth.

CAPACITY ADDITION DURING TENTH PLAN (MW)

SECTOR	TARGET	ACTUAL
Hydro	24,182	10,505
Thermal	13,727	7,340
Nuclear	1,350	1,080
Total	**39,259**	**18,925**

Source: CEA

…Eleventh Plan project award seems to be on track

The Eleventh Plan envisages a capacity addition of 78,577MW as against the Tenth plan target of 39,529MW (achievement of 18,925MW). Of the total capacity addition planned, 48,315MW is already under construction while projects of 250MW (220MW Nuclear and 30MW Thermal power project) has been achieved. For projects of 30,012MW (as of April 2007), Letter of Award (LOA) is yet to be issued.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	RECO	SALES		EBITDA		NET PROFIT	
		JUN.07	CHG. (%)	JUN.07	CHG. (%)	JUN.07	CHG. (%)
Utilities							
CESC	Buy	6,909	2.5	1,361	0.1	648	17.8
Neyveli Lignite Corp.	Buy	7,037	10.0	3,730	20.9	2,077	-7.2
NTPC	Neutral	80,496	12.5	23,653	18.5	17,385	13.5
PTC India	Buy	12,758	22.4	110	25.0	135	12.6
Reliance Energy	Buy	13,628	18.0	1,908	43.0	1,866	12.0
Tata Power	Buy	14,534	5.6	2,616	1.4	1,156	2.3
Sector Aggregate		**135,361**	**12.4**	**33,378**	**17.5**	**23,267**	**10.7**

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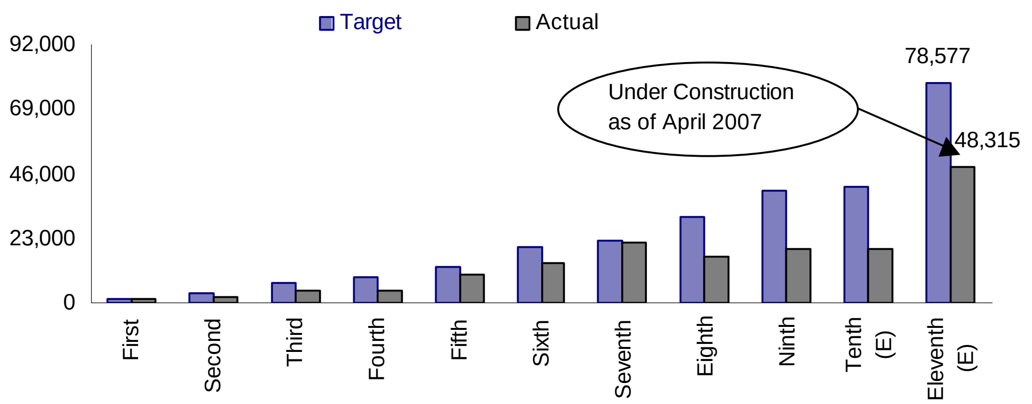
ELEVENTH PLAN PROJECTS TO BE AWARDED (AS OF APRIL 2007)

Total Projects for 11th plan	**78,577**
Less: Achieved in the 11th plan	250
Projects under Construction (Thermal)	33,004
Projects under Construction (Nuclear)	3,380
Projects under Construction (Hydro)	11,931
Balance projects pending award	**30,012**
Thermal	25,390
Hydro	4,622

Source: Motilal Oswal Securities

Of the 30,012 MW to be ordered in the 11th plan, the thermal power projects constitutes 25,390 MW, representing 85% of the incremental orders. We believe that given the experience during the Tenth plan, efforts are being made to order the balance capacity over the next 18 months.

TREND IN CAPACITY ADDITIONS IN THE FIVE YEAR PLANS (MW)



Source: MoP, CEA

UMPPs: delayed but on track

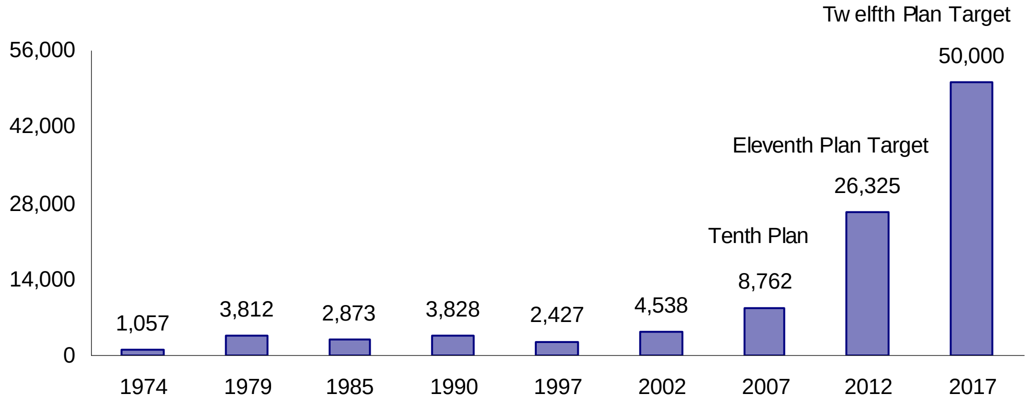
The ultra mega power project has kick started with the award of the Sasan and Mundra power projects to Lanco Infratech and Tata Power respectively. Mundra power project has achieved significant progress with tie-up for coal (50% of the requirement) and award of the EPC contract to Doosan for the boiler package. The Sasan UMPP has been mired in controversy over the change in ownership of Globeleq (SPV) and also the pre-qualification of the SPV. The Krishnapatnam ultra mega power project award has been delayed due to land acquisition and other administrative issues. However, the bid for the project is expected to be invited by August 2007.

The overall progress on the ultra mega power project has been satisfactory though the award of the projects has been a bit delayed. The government is working on six more ultra mega power projects.

Hydro power is the key focus area

The reasons behind the low hydro power capacity addition in India are lack of central policy dealing with the issues of rehabilitation, increasing power sector participation etc. However, the focus on hydro power has increased substantially from Tenth five year plan, as it is important to balance the thermal to hydro mix in the overall generation capacity of the country. The Government of India has set a target capacity addition of 20,000MW of hydro power in the Eleventh Plan as against capacity addition of 18,534MW during FY74–02 and 8,762MW during Tenth Plan (FY03- FY07). Further, Ministry of Power has set a target of capacity addition of 50,000MW during the Twelfth Plan (FY13-17).

TREND IN HYDRO POWER CONSTRUCTION (MW, FIVE YEAR PERIOD ENDING)



Source: Company

New hydro power policy in the making

A cabinet note outlining the new hydro power policy is expected soon, which apart from addressing the controversial rehabilitation issues would also outline policy measures to rope in more private sector investments in the sector. Besides this, several states in the northern region have taken proactive steps in harnessing the hydro power potential. In January 2007, the Himachal Pradesh government announced a new hydro power policy, which states that the state will reserve the right to subscribe to up to 49% equity stake in projects of more than 100MW. It also suggests that 1.5% of total project cost would be earmarked for local area development and that 70% employment opportunities would be given to the local population, clearing the way for public/private sector.

HYDRO POWER POTENTIAL: PRELIMINARY FEASIBILITY REPORT

STATES	CAPACITY (MW)
Arunachal Pradesh	27,293
Uttaranchal	5,282
Himachal Pradesh	3,328
Jammu & Kashmir	2,675
Mizoram	1,500
Maharashtra	411
Sikkim	1,469
Meghalaya	931
Orissa	1,189
Nagaland	330
Karnataka	1,900
Andhra Pradesh	81
Chhattisgarh	848
Manipur	362
Kerala	126
Madhya Pradesh	205
Total	**47,930**

Source: CEA, As on 31.08.2006

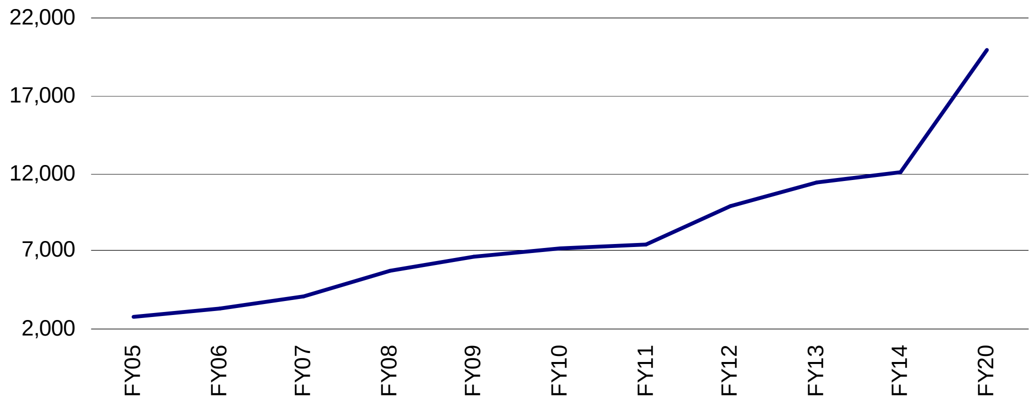
Nuclear power project delayed

The Indo-US nuclear deal seems to be delayed with several issues yet to be sorted. Despite the sanction of the bill in the joint session of US parliament, there has been little progress.

The Department of Atomic energy (DAE) has, however, initiated the steps to enhance the nuclear power capacity addition in India irrespective of the deal. DAE has been working on the feasibility report to install 6,800MW of nuclear power projects in Indian at an investment of Rs340b. The sites cleared by the government are: Kudankulam in Tamil Nadu, Kakrapar in Gujarat, Rawatbhata in Rajasthan and Jaitapur in Maharashtra. We expect the contract award over the next 18-24 months.

The public sector undertakings are showing their keen interest to participate in the development of nuclear power plant and NTPC board has recently approved a proposal to enable the company enter the nuclear power generation business. The company envisages generating 2,000MW from nuclear power by the end of 2017. The overall target for India is to reach 20,000MW by 2020 from the current capacity of less than 3,000MW.

TARGETED NUCLEAR POWER CAPACITY IN INDIA



Source: Department of Automic Energy

Valuation and view

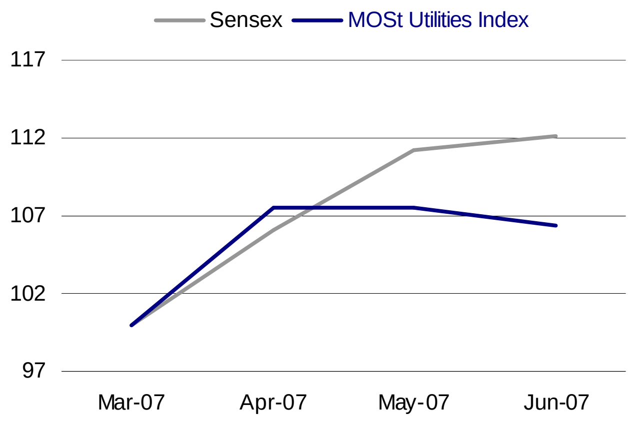
For 1QFY08, we expect utilities to report a steady performance in terms of revenues and profitability. The slower pace of reforms, under achievement of the target capacity addition and attracting private sector investments in generation and privatization of distribution represent key challenges for the Indian power sector. However, the reforms are on track, albeit at a slower rate, which is reflected in UMPP projects, various initiatives by the government in the recent budget to ensure the fuel linkages, etc. we remain positive on the sector given strong growth opportunity for the incumbents.

Stock performance and valuations

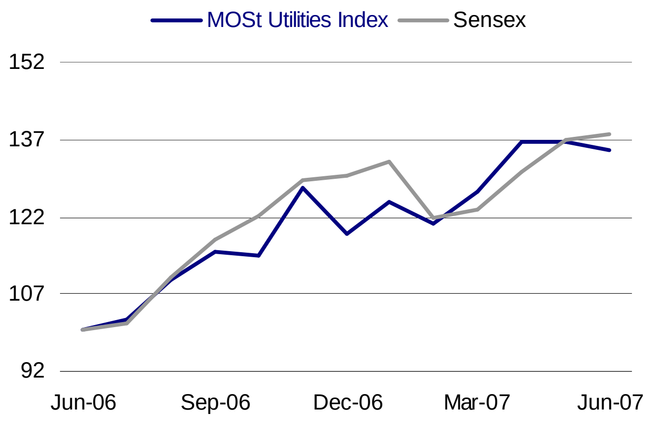
STOCK PERFORMANCE (%)

	ABSOLUTE PERF		REL PERF TO SENSEX		REL PERF TO SECTOR	
	3 M	1 YEAR	3 M	1 YEAR	3 M	1 YEAR
Utilities						
CESC	-1	48	-13	10	-8	13
Neyveli Lignite Corporation	23	-2	10	-40	16	-37
NTPC	2	37	-10	-1	-5	2
PTC India	7	28	-5	-10	1	-7
Reliance Energy	24	35	12	-3	18	0
Tata Power	32	40	20	2	25	5

RELATIVE PERFORMANCE - 3 MONTH (%)



RELATIVE PERFORMANCE - 1 YEAR (%)



COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	29.6.07		FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E	FY07E	FY08E	FY09E
Utilities														
CESC	373	Buy	28.5	29.4	31.3	13.1	12.7	11.9	10.9	10.3	10.1	12.6	11.6	11.1
Neyveli Lignite Corp.	62	Buy	4.3	4.1	4.3	14.5	14.9	14.5	6.7	6.4	7.4	8.8	8.2	8.1
NTPC	152	Neutral	8.0	9.1	9.7	19.1	16.7	15.7	12.1	10.2	10.3	14.0	14.7	14.3
PTC India	64	Buy	2.6	3.4	4.4	25.1	19.0	14.6	26.8	18.2	14.9	14.8	17.5	20.1
Reliance Energy	614	Buy	34.1	38.0	39.3	18.0	16.2	15.6	49.4	22.0	21.2	10.2	10.8	10.8
Tata Power	671	Buy	29.2	31.7	32.3	22.9	21.2	20.8	14.1	13.0	12.4	9.4	8.6	8.5
Sector Aggregate						**18.8**	**16.8**	**15.9**	**13.2**	**10.9**	**10.9**	**12.6**	**12.9**	**12.5**

CESC

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CESC IN
	REUTERS CODE
S&P CNX: 4,318	CESC.BO

Equity Shares (m)	115.3
52-Week Range	410/239
1,6,12 Rel. Perf. (%)	2/11/10
M.Cap. (Rs b)	43.0
M.Cap. (US$ b)	1.1

29 June 2007

Under Review

Previous Recommendation: Buy Rs373

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	24,890	2,400	20.8	-3.5	17.9	1.7	12.6	11.0	2.3	10.9
3/08E	25,946	2,557	22.2	6.6	16.8	1.5	12.0	10.8	2.2	10.3
3/09E	27,280	2,676	23.2	4.6	16.1	1.4	11.3	10.9	2.2	10.1

** Excl impact of Budge Budge plant capital account adjustment; fully diluted; Excluding Spencer*

- For 1QFY08, we expect CESC to post revenue of Rs6.9b and net profit of Rs648m, up 17.8% YoY.
- CESC has approved the merger of RPG group's retail arm, Spencer, with itself effective from April 1, 2007 for a consideration of one fully paid-up equity share of CESC for every 1.98 fully paid-up equity share of the merging company. Spencer operates under four retail formats: Spencers, Music World, Books and Beyond and RPG Cellucom with 264 retail outlets, and retail area of 0.7m sq ft. During FY07, the company reported revenue of Rs5.4b and net loss of Rs450m.
- CESC has formed a wholly-owned subsidiary CESC Properties and terminated the joint development agreement with Godrej group for developing retail mall project (0.4m sq ft) in Kolkata to be executed by CESC on its own. Construction is expected to commence from October 07 and the company expects to complete the project by March 2009. The company has also discontinued operations at its Mulajore plant (43 acres) and plans to develop an IT park, residential complex and allied zone. The development plan is expected to be completed by end July 2007.
- CESC is expanding capacity at Budge Budge by 250MW, targeted to be completed by end-FY09. It has announced setting up of pit head-based power plants: Jharkhand (2,000MW), Orissa (2,000MW) and Haldia (1,000MW) through the SPV route, and is also a bidder for the ultra mega power projects. On the distribution front, the company has indicated its interest in participating in the SEB privatization process.
- We expect CESC to report a net profit of Rs2.6m in FY08 (up 6.6% YoY) and Rs2.7b in FY09 (up 4.6% YoY), excluding Spencer. At the CMP of Rs373, the stock is traded at a P/E of 17.9x FY07, 16.8x FY08E and 16.1x FY09E. Recommendation is '**Under Review**' as we await further details on Spencer.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,740**	**6,750**	**5,930**	**5,470**	**6,909**	**6,953**	**6,227**	**5,858**	**24,890**	**25,946**
Change (%)	*0.0*	*0.4*	*2.6*	*-6.3*	*2.5*	*3.0*	*5.0*	*7.1*	*-0.8*	*4.2*
EBITDA	**1,360**	**1,400**	**1,250**	**1,170**	**1,361**	**1,442**	**1,344**	**1,274**	**5,180**	**5,422**
Change (%)	*-9.9*	*-9.1*	*-6.0*	*-18.8*	*0.1*	*3.0*	*7.6*	*8.9*	*-11.0*	*4.7*
As of % Sales	*20.2*	*20.7*	*21.1*	*21.4*	*19.7*	*20.7*	*21.6*	*21.7*	*20.8*	*20.9*
Depreciation	410	410	410	410	430	450	480	474	1,640	1,834
Interest	540	420	370	360	370	385	375	406	1,690	1,536
Other Income	210	220	220	290	175	200	225	254	940	854
PBT	**620**	**790**	**690**	**690**	**736**	**807**	**714**	**648**	**2,790**	**2,906**
Tax	70	100	80	80	88	97	86	78	390	349
Effective Tax Rate (%)	*11.3*	*12.7*	*11.6*	*11.6*	*12.0*	*12.0*	*12.0*	*12.0*	*14.0*	*12.0*
Reported PAT	**550**	**690**	**610**	**610**	**648**	**710**	**629**	**570**	**2,400**	**2,557**
Adjusted PAT	**550**	**690**	**610**	**610**	**648**	**710**	**629**	**570**	**2,400**	**2,557**
Change (%)	*34.1*	*21.1*	*64.9*	*38.6*	*17.8*	*3.0*	*3.1*	*-6.5*	*34.1*	*6.6*

E: MOSt Estimates; Note: Excluding Spencer

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National Thermal Power Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NTPC IN
	REUTERS CODE
S&P CNX: 4,318	NTPC.BO

Equity Shares (m)	8,245.5
52-Week Range	167/105
1,6,12 Rel. Perf. (%)	-7/5/-1
M.Cap. (Rs b)	1,256.2
M.Cap. (US$ b)	30.8

29 June 2007

Neutral

Previous Recommendation: Neutral Rs152

YEAR END*	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	326,317	65,681	8.0	23.6	19.1	2.6	13.9	17.6	4.1	12.1
3/08E	349,983	75,330	9.1	15.4	16.7	2.3	14.7	17.8	3.6	10.2
3/09E	393,669	79,886	9.7	6.0	15.7	2.2	14.3	18.2	0.3	10.2

** Pre-exceptional earnings*

- We expect NTPC to report revenue of Rs80.5b (up 12.5% YoY) and net profit of Rs17.4b (up 13.5% YoY) in 1QFY08.
- During FY07, NTPC commissioned 3,155MW of power capacity (as against targeted capacity addition of 3,710 MW). Total capacity addition during the Tenth plan stood at 7,155 MW. The company plans to add 21,941MW during the Eleventh plan and capacity under construction stands at 10,860MW.
- During 1QFY08, the company has commissioned the 500MW unit of Sipat Super Thermal Power Project and 500MW of Kahalgaon Thermal power project. The installed capacity for the company as of June 2007 stands at 28,404MW. The management has indicated that expected capacity addition during FY08 is 2,500MW (Kahalgaon 1,000 MW, Sipat 1,000 MW and Bhillai JV 500 MW) and 2,580MW (Sipat 1,320 MW, Barh 660 MW and Koldam hydro power 600 MW) during FY09.
- NTPC has acquired a 44.6% stake in Transformers and Electricals Kerala Ltd (TELK), a Government of Kerala company engaged in the business of manufacture, marketing and servicing of power transformers, current voltage transformers, circuit breakers, isolated phase bus ducts, shunt reactors etc.
- The board of NTPC has also approved its foray into nuclear power generation. The company envisages establishing a capacity of around 2,000MW by FY17.
- We expect NTPC to report net profit of Rs75.3b in FY08 (up 15.4% YoY) and Rs79.9b in FY09 (up 6% YoY). At the CMP of Rs152, NTPC quotes at a P/E of 19.1x FY07, 16.7x FY08E and 15.7x FY09E Maintain **Neutral**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**71,536**	**68,138**	**81,468**	**88,603**	**80,496**	**75,246**	**90,996**	**103,245**	**326,317**	**349,983**
Change (%)	*18.1*	*15.0*	*18.6*	*21.5*	*12.5*	*10.4*	*11.7*	*16.5*	*24.8*	*13.0*
EBITDA	**19,960**	**18,408**	**22,595**	**23,397**	**23,653**	**21,721**	**26,323**	**33,312**	**100,932**	**105,009**
Change (%)	*29.4*	*41.9*	*24.2*	*33.1*	*18.5*	*18.0*	*16.5*	*42.4*	*57.3*	*4.0*
As of % Sales	*27.9*	*27.0*	*27.7*	*26.4*	*29.4*	*28.9*	*28.9*	*32.3*	*30.9*	*30.0*
Depreciation	4,755	4,780	5,138	6,081	6,182	6,214	7,193	9,466	20,754	29,055
Interest	5,238	4,630	2,807	5,919	5,762	5,556	4,912	7,300	18,594	23,530
Other Income	6,369	6,505	7,752	6,864	6,687	7,156	7,946	6,449	27,490	28,238
PBT	**16,336**	**15,503**	**22,402**	**18,261**	**18,397**	**17,107**	**22,164**	**22,995**	**89,074**	**80,662**
Tax	808	764	1,369	914	1,012	1,026	1,441	1,853	20,427	5,332
Effective Tax Rate (%)	*4.9*	*4.9*	*6.1*	*5.0*	*5.5*	*6.0*	*6.5*	*8.1*	*22.9*	*6.6*
Reported PAT	**15,528**	**14,739**	**21,033**	**17,347**	**17,385**	**16,081**	**20,723**	**21,142**	**68,647**	**75,330**
Adj. PAT (Pre Exceptional)	**15,318**	**14,410**	**17,415**	**18,539**	**17,385**	**16,081**	**20,723**	**21,142**	**65,681**	**75,330**
Change (%)	*25.4*	*24.8*	*37.4*	*18.4*	*13.5*	*11.6*	*19.0*	*14.0*	*23.6*	*14.7*

E: MOSt Estimates

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Neyveli Lignite Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	NLC IN
	REUTERS CODE
S&P CNX: 4,318	NELG.BO

Equity Shares (m)	1,677.7
52-Week Range	72/49
1,6,12 Rel. Perf. (%)	-6/3/-40
M.Cap. (Rs b)	103.6
M.Cap. (US$ b)	2.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs62

YEAR END *	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	24,425	7,168	4.3	-8.0	14.5	1.2	8.8	10.1	2.9	6.9
3/08E	24,583	6,948	4.1	-3.1	14.9	1.2	8.2	9.2	3.2	6.7
3/09E	26,020	7,144	4.3	2.8	14.5	1.2	8.1	8.4	3.6	7.3

** Pre-exceptional earnings*

- For 1QFY08, we expect Neyveli Lignite to report net profit of Rs2.1b, down 7.2% YoY.
- As per the revised lignite transfer policy, Neyveli Lignite has been impacted up to Rs1.3b pa (the company made provision of Rs6.36b in FY06 for a five year span). The company has also changed the depreciation policy from the rates prescribed in the Companies Act (5.28% Straight Line Method) to Electricity Act, 2003 (3.60% SLM), which has resulted in a lower depreciation (by Rs560m) for FY07.
- The company has struck a joint venture (JV) with Northern Coalfields (NCL), a subsidiary of Coal India, to set up a 1,000MW plant in MP near Sasan. Neyveli will have 70% stake in the project while the balance will be held by NCL.
- Neyveli Lignite picked up a 15% stake in a joint venture with Mahanadi Coalfields Ltd. (MCL 70%) and Hindalco Industries (15%) for coal mining in Orissa, which will provide fuel linkage to its proposed 2,000MW thermal power project in Orissa. It has also entered into a JV with the Gujarat state government for an integrated power plant of 1,000MW with a lignite mine of 8m tons pa in the first phase, which will be enhanced to 1,500MW and 12m ton pa in the second phase. NLC would have a minimum stake of 74% (89% on higher side) in the JV.
- The government has sanctioned Neyveli Mine II expansion of 4.5m ton pa and Barsingsar Lignite Mine, Rajasthan of 2.1m ton pa. Post this, the company's lignite mining capacity will increase from 24m ton to 30.6m ton and power generation capacity from 2,490MW to 3,240MW by FY10. It has significant cash and cash equivalents up to Rs58b as of March 2007, which will facilitate scalability. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**6,397**	**6,079**	**5,102**	**3,502**	**7,037**	**6,809**	**5,868**	**4,870**	**24,425**	**24,583**
Change (%)	*-24.4*	*-15.4*	*-10.5*	*-4.7*	*10.0*	*12.0*	*15.0*	*39.0*	*11.1*	*0.6*
EBITDA	**3,085**	**2,143**	**1,894**	**511**	**3,730**	**2,928**	**2,758**	**2,300**	**10,129**	**11,715**
Change (%)	*-38.3*	*-36.2*	*-12.7*	*292.7*	*20.9*	*36.6*	*45.6*	*350.1*	*32.6*	*15.7*
As of % Sales	*48.2*	*35.3*	*37.1*	*14.6*	*53.0*	*43.0*	*47.0*	*47.2*	*41.5*	*47.7*
Depreciation	1,070	1,064	1,045	1,295	1,230	1,223	1,201	1,245	4,250	4,900
Interest	134	121	120	58	150	170	180	236	556	736
Other Income	1,213	1,260	1,326	2,172	750	900	1,150	1,562	4,989	4,362
PBT	**3,095**	**2,218**	**2,055**	**1,330**	**3,099**	**2,434**	**2,527**	**2,380**	**10,313**	**10,441**
Tax	856	580	529	1,114	1,023	803	834	833	3,145	3,492
Effective Tax Rate (%)	*27.7*	*26.1*	*25.7*	*83.8*	*33.0*	*33.0*	*33.0*	*35.0*	*30.5*	*33.5*
Reported PAT	**2,238**	**1,639**	**1,527**	**215**	**2,077**	**1,631**	**1,693**	**1,548**	**7,168**	**6,948**
Adj. PAT (Pre Exceptionals)	**2,238**	**1,639**	**1,527**	**3,562**	**2,077**	**1,631**	**1,693**	**1,548**	**7,168**	**6,948**
Change (%)	*-24.9*	*-26.5*	*9.8*	*199.5*	*-7.2*	*-0.5*	*10.9*	*-56.5*	*-8.0*	*-3.1*

E: MOSt Estimates

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PTC India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	PWTC IN
	REUTERS CODE
S&P CNX: 4,318	PTCI.BO

Equity Shares (m)	150.0
52-Week Range	71/46
1,6,12 Rel. Perf. (%)	-3/6/-10
M.Cap. (Rs b)	9.6
M.Cap. (US$ b)	0.2

29 June 2007 **Buy**

Previous Recommendation: Buy Rs64

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	34,804	322	2.3	-13.4	27.3	3.6	13.7	17.7	0.3	28.1
3/08E	56,130	431	2.9	22.6	22.3	3.2	15.2	19.7	0.2	19.0
3/09E	73,286	546	3.6	26.6	17.6	2.9	17.3	22.8	0.1	13.9

* *Pre-exceptional*

- For 1QFY08, we expect PTC to report revenue of Rs12.8b, up 22.4% YoY and net profit of Rs135m, up 12.6% YoY, mainly driven by higher other income. However, EBITDA for the quarter is likely to remain flat at Rs110m, largely on account of lower trading margins at Rs0.04/unit, post the CERC directive in January 2006.
- PTC India has entered into an MoU with the India Infrastructure Finance Co Ltd (IIFC) to facilitate, encourage and promote the development and construction of power projects, including thermal, hydro and other sources. IIFC will undertake the due diligence process and appraisal for financing of power projects where PTC has signed Power Purchase Agreement (PPA) with project developer(s). The MoU is valid for a period of five years.
- As of March 2007, the company has signed power purchase agreements (PPA) for 6,676MW and MoUs for 16,703MW of power capacity on a long term basis. PTC has also entered into back-to-back power sale agreement for 5,352MW.
- PTC is witnessing a substantial change in its business model – short term trading, which currently accounts for 80% of the traded volumes, will decline to 35% in FY08. PTC has decided to set up a SPV to subscribe to the equity capital of electricity generation projects. It intends to take 10-11% stakes in power projects for 100% assured off take.
- PTC's FY07 traded volumes of 9.6BUs is expected to increase to 15.4BUs by FY08. This would be driven by the commissioning of the Tala project in Bhutan (1,020MW) and part of the greenfield projects where PTC has signed long-term PPAs. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Power Traded (MUs)	2,625	3,268	2,211	1,445	3,544	5,065	3,869	2,929	9,549	15,407
Sales	**10,421**	**13,147**	**8,074**	**6,025**	**12,758**	**18,235**	**13,929**	**11,208**	**37,667**	**56,130**
Change (%)	*138.3*	*52.5*	*-23.4*	*-20.2*	*22.4*	*38.7*	*72.5*	*86.0*	*21.2*	*49.0*
EBITDA	**88**	**95**	**82**	**53**	**110**	**127**	**120**	**119**	**318**	**475**
Change (%)	*8.0*	*-32.7*	*-55.3*	*-42.6*	*25.0*	*32.6*	*45.9*	*125.7*	*-36.3*	*49.4*
As of % Sales	*1.3*	*0.7*	*1.0*	*0.9*	*0.9*	*0.7*	*0.9*	*1.1*	*0.8*	*0.8*
Depreciation	8	8	8	9	7	9	11	13	33	40
Interest	3	7	7	2	5	8	9	10	20	32
Other Income	79	39	44	32	90	40	45	21	193	196
Extraordinary Income/(Expense)	-1	0	0	0	0	0	0	0	0	0
PBT	**155**	**119**	**111**	**73**	**188**	**150**	**145**	**117**	**459**	**599**
Tax	35	32	25	15	53	42	41	33	106	168
Effective Tax Rate (%)	*22.3*	*27.1*	*22.2*	*20.5*	*28.0*	*28.0*	*28.0*	*28.0*	*23.2*	*28.0*
Reported PAT	**120**	**86**	**86**	**58**	**135**	**108**	**104**	**84**	**352**	**431**
Adjusted PAT	**120**	**86**	**86**	**58**	**135**	**108**	**104**	**84**	**352**	**431**
Change (%)	*6.3*	*-11.2*	*-32.7*	*-16.5*	*12.6*	*24.6*	*21.2*	*44.2*	*-13.7*	*22.5*

E: MOSt Estimates

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Reliance Energy

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	RELE IN
	REUTERS CODE
S&P CNX: 4,318	RLEN.BO

Equity Shares (m)	228.6
52-Week Range	617/407
1,6,12 Rel. Perf. (%)	13/12/-3
M.Cap. (Rs b)	140.4
M.Cap. (US$ b)	3.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs614

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	56,930	8,015	34.1	23.2	18.0	1.6	10.2	8.7	1.6	18.5
3/08E	67,924	8,913	38.0	11.2	16.2	1.5	10.8	10.2	1.1	7.2
3/09E	71,154	9,234	39.3	3.6	15.6	1.4	10.8	10.2	1.0	6.3

** Consolidated , pre-exceptionals, fully diluted*

- For 1QFY08, we expect Reliance Energy to report a revenue of Rs13.6b, up 18% YoY, and a net profit of Rs1.9b, up 5.7%YoY.
- Reliance Energy is currently working on generation projects of 14,960MW, which are in various stages of development. During FY08, 2,100MW of power projects being implemented by Reliance Energy Generation (50% stake by Reliance Energy) will achieve financial closure and enter the construction phase. These include: 600MW of Rosa Power Project (Phase I), 1200 MW Coastal Maharashtra Project (Phase I) and 300MW Captive Power project in Nagpur.
- The order backlog for the EPC division stood at Rs55b as of March 2007, up from Rs33.6b as of March 2006. The company has also submitted bids for the 1) 1,200MW Malwa project on EPC basis (Rs40b), 2) T&D projects of Rs7b (erection of five 400/220kV substation, transmission line work from PGCIL), 3) rural electrification projects Rs10b. During FY07, the EPC division reported revenue of Rs21b and EBIDTA of Rs1.3b.
- In power, the company won its single largest EPC bid from Haryana Power Generation Corporation to set up a 1,200MW coal-based power project on a turnkey basis for Rs37.6b, scheduled for completion in 35-38 months.
- During FY07, Reliance Energy was successful in bagging three more road projects from NHAI (total length of 304kms). With this addition, the total length of road projects with the company as developer now stands at 401kms, which is the largest in India for NHAI projects.
- We believe the stock is largely a play on the future growth opportunities rather than on existing assured return businesses. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**11,549**	**14,076**	**15,337**	**16,143**	**13,628**	**16,610**	**18,404**	**19,282**	**56,930**	**67,924**
Change (%)	*21.6*	*35.0*	*55.2*	*55.5*	*18.0*	*18.0*	*20.0*	*19.4*	*41.6*	*19.3*
EBITDA	**1,334**	**1,775**	**827**	**598**	**1,908**	**2,741**	**2,485**	**3,532**	**4,804**	**10,665**
Change (%)	*-17.4*	*-12.8*	*-53.9*	*-68.5*	*43.0*	*54.4*	*200.4*	*490.4*	*-34.5*	*122.0*
As of % Sales	*11.6*	*12.6*	*5.4*	*3.7*	*14.0*	*16.5*	*13.5*	*18.3*	*8.4*	*15.7*
Depreciation	619	635	612	535	590	630	704	861	2,401	2,785
Interest	459	671	551	823	616	755	620	615	2,503	2,606
Other Income	1,711	1,761	2,867	2,754	1,574	1,620	2,150	2,001	8,823	7,346
PBT	**1,967**	**2,230**	**2,531**	**1,994**	**2,276**	**2,976**	**3,311**	**4,057**	**8,724**	**12,620**
Tax (incl contingencies)	201	366	522	-380	410	655	728	1,035	709	2,828
Effective Tax Rate (%)	*10.2*	*16.4*	*20.6*	*-19.1*	*18.0*	*22.0*	*22.0*	*25.5*	*8.1*	*22.4*
Reported PAT	**1,766**	**1,864**	**2,009**	**2,374**	**1,866**	**2,321**	**2,583**	**3,022**	**8,015**	**9,792**
PAT (Pre Exceptionals)	**1,666**	**1,864**	**2,009**	**1,848**	**1,866**	**2,321**	**2,583**	**2,143**	**7,388**	**8,913**
Change (%)	*12.7*	*16.8*	*22.0*	*40.1*	*5.7*	*24.5*	*28.6*	*27.3*	*23.2*	*22.2*

E: MOSt Estimates; Quarterly numbers are on standalone basis

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Tata Power

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	TPWR IN
	REUTERS CODE
S&P CNX: 4,318	TTPW.BO

Equity Shares (m)	197.9
52-Week Range	687/444
1,6,12 Rel. Perf. (%)	12/4/2
M.Cap. (Rs b)	132.8
M.Cap. (US$ b)	3.3

29 June 2007

Buy

Previous Recommendation: Buy Rs671

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	51,095	6,215	29.2	36.6	22.9	2.2	9.4	8.2	3.0	15.7
3/08E	53,085	6,735	31.7	8.4	21.2	2.1	8.6	7.9	2.9	13.7
3/09E	56,053	6,872	32.3	2.0	20.8	2.0	8.5	8.2	2.8	13.0

** Consolidated , pre-exceptionals, fully diluted*

- For 1QFY08, Tata Power is expected to report net profit of Rs1.2b, up 2.3% YoY.
- Tata Power announced completion of acquisition of 30% stake in PT Kaltim Prima Coal and PT Arutmin Indonesia and other companies owned by PT Bumi Resources Tbk. The acquisition was funded through a bridge loan of US$950m with tenure of one year. The company has earlier signed an off take agreement with Bumi resources for purchase of 10.1m tons of coal per annum.
- It has awarded the boiler EPC contract to Doosan Heavy Industries, which represents 45% of the total project cost. It is in the process of identifying a partner for turbines currently. The company quoted a tariff of Rs2.22/unit for Mundra UMPP.
- Besides this, the company has outlined extensive expansion plans which include: 1) Maithon power project (1,000MW, 74% stake): 50% of the land acquisition has been completed and coal linkages are in place; EPC contract award likely by end FY08 2) Coastal Maharashtra (2,400MW): Plans to invite the EPC bids by September 2007; land acquisition completed 3) Trombay unit 8 (250MW): Scheduled completion by September 2008, 4) Jojbera Expansion (120MW): Scheduled commissioning by September 2008, 5) Haldia unit (120MW): Scheduled commissioning by March 2008, 6) Wind power: 50MW commissioned during March 2007; balance 50MW by September 2007, 7) 100MW Diesel gensets: scheduled commissioning September 2008.
- At the CMP of Rs671, the stock trades at a P/E of 21.2x FY08E and 20.8x FY09E. We recommend **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total Operating Income	**13,766**	**12,008**	**12,005**	**9,474**	**14,534**	**13,529**	**13,886**	**11,136**	**47,153**	**53,085**
Change (%)	*25.3*	*13.1*	*-2.5*	*-19.1*	*5.6*	*12.7*	*15.7*	*17.5*	*3.3*	*12.6*
EBITDA	**2,581**	**2,495**	**2,108**	**51**	**2,616**	**3,247**	**2,881**	**2,263**	**7,234**	**11,008**
Change (%)	*7.1*	*3.8*	*7.1*	*-96.8*	*1.4*	*30.1*	*36.7*	*4,382.1*	*-13.4*	*52.2*
As of % Sales	*18.7*	*20.8*	*17.6*	*0.5*	*18.0*	*24.0*	*20.8*	*20.3*	*15.3*	*20.7*
Depreciation	760	731	735	693	897	950	1,029	1,160	2,919	4,036
Interest	524	388	510	473	275	300	325	407	1,895	1,307
Other Income	410	783	460	1,787	150	450	700	539	3,440	1,839
PBT	**1,706**	**2,160**	**1,322**	**672**	**1,594**	**2,447**	**2,228**	**1,236**	**5,860**	**7,505**
Tax	488	137	-1,477	-255	438	538	557	343	-1,108	1,876
Effective Tax Rate (%)	*28.6*	*6.3*	*-111.7*	*-38.0*	*27.5*	*22.0*	*25.0*	*27.7*	*-18.9*	*25.0*
Reported PAT	**1,218**	**2,023**	**2,799**	**927**	**1,156**	**1,908**	**1,671**	**893**	**6,968**	**5,628**
Adjusted PAT	**1,130**	**1,682**	**1,205**	**2,906**	**1,156**	**1,908**	**1,671**	**893**	**7,041**	**5,628**
Change (%)	*3.1*	*33.8*	*26.0*	*176.3*	*2.3*	*13.5*	*38.6*	*-69.3*	*61.5*	*-20.1*

E: MOSt Estimates; Quarterly numbers are on standalone basis

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Ashapura Minechem

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	ASMN IN
	REUTERS CODE
S&P CNX: 4,318	ASHM.BO

Equity Shares (m)	39.2
52-Week Range	403/175
1,6,12 Rel. Perf. (%)	30/58/57
M.Cap. (Rs b)	14.5
M.Cap. (US$ b)	0.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs371

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07E	12,724	1,302	33.2	36.8	11.2	3.6	47.3	45.2	1.1	7.2
3/08E	17,713	2,650	67.7	103.6	5.5	2.3	50.5	47.6	1.0	4.5
3/09E	20,921	3,511	89.6	32.5	4.1	1.5	43.8	36.7	0.9	4.0

- We expect Ashapura's 1QFY08 performance to reflect high volume growth in bauxite – an estimated 1.6m tonnes against 0.8m tonnes in 1QFY07. Although 1QFY08 topline is expected to be flat due to lower alumina trading, EBITDA and PAT growth should be strong.
- In June 2007, Ashapura received approval from Kandla Special Economic Zone to set up two 100% EOUs for processed bauxite. We expect these units to be commissioned in 2HFY08, leading to significant tax savings.
- The company's new projects – kaolin in Kerala, barites in Nigeria and mineral processing unit in Antwerp – are on schedule to be commissioned in FY08.
- The stock trades at 5.5x FY08E and 4.1x FY09E earnings. We maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**4,614**	**2,510**	**2,157**	**3,444**	**4,393**	**3,565**	**4,640**	**5,114**	**12,724**	**17,713**
Change (%)	*89.0*	*37.3*	*20.9*	*38.3*	*-4.8*	*42.0*	*115.1*	*48.5*	*48.9*	*39.2*
Total Expenses	4,123	2,186	1,621	2,791	3,478	2,796	3,630	4,000	10,721	13,904
EBITDA	**491**	**324**	**537**	**653**	**916**	**769**	**1,010**	**1,115**	**2,004**	**3,810**
Change (%)	*97.7*	*17.8*	*44.1*	*84.8*	*86.5*	*137.7*	*88.2*	*70.8*	*60.5*	*90.1*
EBITDA Margin (%)	*10.6*	*12.9*	*24.9*	*18.9*	*20.8*	*21.6*	*21.8*	*21.8*	*15.7*	*21.5*
Depreciation	16	17	17	23	25	30	35	46	73	136
Interest	31	22	31	31	44	36	46	51	115	177
Other Income	2	5	15	25	2	5	12	17	46	35
Extraordinary Inc/ (Exp)	0	0	0	0	0	0	0	0	0	0
PBT	**446**	**290**	**503**	**623**	**848**	**708**	**941**	**1,034**	**1,862**	**3,532**
Tax	98	75	168	207	250	209	235	187	549	880
Tax/PBT	*22.0*	*26.0*	*33.5*	*33.2*	*29.5*	*29.5*	*24.9*	*18.1*	*29.5*	*24.9*
Prior Period Items	0	0	0	-7	0	0	0	0	-7	0
Share from Associate	0	0	0	-3	0	0	0	0	-3	0
Minority Interest	0	0	0	0	0	0	0	-1	-1	-1
Consolidated PAT	**348**	**214**	**334**	**406**	**598**	**499**	**706**	**847**	**1,302**	**2,650**
Adjusted PAT	**348**	**214**	**334**	**406**	**598**	**499**	**706**	**847**	**1,302**	**2,650**
Change (%)	*108.8*	*19.5*	*46.2*	*87.6*	*71.9*	*133.1*	*111.2*	*108.7*	*66.2*	*103.6*
PAT Margin (%)	*7.5*	*8.5*	*15.5*	*11.8*	*13.6*	*14.0*	*15.2*	*16.6*	*10.2*	*15.0*

E: MOSt Estimates; Quarterly numbers are on standalone basis

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Blue Star

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	BLSTR IN
	REUTERS CODE
S&P CNX: 4,318	BLUS.BO

Equity Shares (m)	89.9
52-Week Range	250/116
1,6,12 Rel. Perf. (%)	1/20/50
M.Cap. (Rs b)	21.0
M.Cap. (US$ b)	0.5

29 June 2007

Buy

Previous Recommendation: Buy

Rs234

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07E	16,013	712	7.9	45.6	29.6	9.9	36.9	36.1	1.4	18.7
3/08E	20,817	954	10.6	34.0	22.1	7.8	39.6	39.5	1.1	13.8
3/09E	27,062	1,302	14.5	36.5	16.2	6.1	42.4	44.8	0.8	9.9

- Blue Star is a market leader in central air-conditioning, and an excellent play on the four mega-trends of IT/ITeS, retail & entertainment, SEZs and cold chain. We expect Blue Star to sustain topline growth of 30% and EPS CAGR of 35% through FY09.
- During 1QFY08, there were several macro positives for Blue Star – successful IPOs by DLF and Vishal Retail, and approval of SEZs to be set up by DLF, HCL Technologies, Infosys and both Reliance groups. All these names are national clients for Blue Star i.e. clients who are likely to give a large share of their central AC business to Blue Star.
- Blue Star started 1QFY08 with an unexecuted order book of Rs7.5b, up 34% YoY. Accordingly, we expect the company to report at least 30% YoY growth in revenue to Rs4b. With some operating and financial leverage, we expect PAT growth to be slightly higher at 35% YoY to Rs99m.
- The stock trades at 22.1x FY08E and 16.2x FY09E earnings. We maintain **Buy** with a target price of Rs290 (20x FY09E), 24% upside from current levels.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Operating Income	**3,123**	**3,759**	**3,701**	**5,429**	**4,060**	**4,887**	**4,812**	**7,058**	**16,013**	**20,817**
Change (%)	*35.8*	*33.0*	*40.4*	*36.4*	*30.0*	*30.0*	*30.0*	*30.0*	*36.3*	*30.0*
Total Expenses	2,965	3,431	3,463	4,985	3,847	4,427	4,484	6,443	14,844	19,202
EBITDA	**158**	**328**	**238**	**445**	**213**	**460**	**327**	**615**	**1,169**	**1,615**
Change (%)	*36.1*	*67.5*	*52.2*	*11.7*	*34.3*	*40.1*	*37.6*	*38.3*	*34.9*	*38.1*
EBITDA Margin (%)	*5.1*	*8.7*	*6.4*	*8.2*	*5.2*	*9.4*	*6.8*	*8.7*	*7.3*	*7.8*
Depreciation	43	46	58	62	60	62	65	70	209	257
Interest	20	24	22	30	24	34	31	45	96	134
Other Income	5	8	4	44	5	8	4	49	61	65
PBT	**100**	**266**	**163**	**397**	**133**	**372**	**235**	**549**	**926**	**1,289**
Tax	27	82	48	57	35	97	61	143	214	335
Tax/PBT (%)	*23.7*	*30.9*	*29.2*	*14.4*	*26.0*	*26.0*	*26.0*	*26.0*	*23.1*	*26.0*
Reported PAT	**73**	**184**	**115**	**340**	**99**	**275**	**174**	**406**	**712**	**954**
Adjusted PAT	**73**	**184**	**115**	**340**	**99**	**275**	**174**	**406**	**712**	**954**
Change (%)	*44.6*	*58.8*	*66.4*	*34.0*	*35.1*	*49.5*	*51.4*	*19.5*	*45.6*	*34.0*
PAT Margin (%)	*2.3*	*4.9*	*3.1*	*6.3*	*2.4*	*5.6*	*3.6*	*5.8*	*4.4*	*4.6*

E: MOSt Estimates

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Container Corporation of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	CCRI IN
	REUTERS CODE
S&P CNX: 4,318	CCRI.BO

Equity Shares (m)	65.0
52-Week Range	2,444/1,300
1,6,12 Rel. Perf. (%)	4/4/25
M.Cap. (Rs b)	152.2
M.Cap. (US$ b)	3.7

29 June 2007

Buy

Previous Recommendation: Buy

Rs2,342

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	30,562	6,652	102.4	32.3	22.9	5.8	28.4	36.6	4.6	15.3
3/08E	38,176	8,139	125.2	22.3	18.7	4.6	27.6	36.1	3.5	12.1
3/09E	46,442	9,784	150.5	20.2	15.6	3.7	26.5	34.8	2.7	9.7

- During 1QFY08, we expect revenue to grow 22% YoY to Rs8.8b, EBITDA to grow 24% YoY to Rs2.7b and net profit to grow 17.5% YoY to Rs2b.
- Gateway Distriparks has entered into a JV with Concor through its subsidiary, Gateway Rail Freight (GRFPL) to undertake rail movement of containers from its ICD at Gurgaon. Concor is also in talks with the government of Himachal Pradesh for establishing a depot at Baddi.
- Concor has signed an MoU with the Transport Corporation of India Limited (TCIL) to provide door-to-door logistics and warehousing services for all categories of customers. Synergies would flow, as TCIL is currently the largest road network operator in India.
- In the last quarter, it entered into a joint working agreement with Secunderabad-based logistics major Seaways group to provide end-to-end logistics for exports from Punjab region to Chittagong, Bangladesh.
- We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**7,213**	**7,693**	**7,472**	**8,081**	**8,800**	**9,617**	**9,489**	**10,270**	**30,460**	**38,176**
Change (%)	*33.9*	*31.3*	*17.5*	*18.7*	*22.0*	*25.0*	*27.0*	*27.1*	*24.8*	*25.3*
EBITDA	**2,160**	**2,522**	**2,224**	**2,202**	**2,680**	**3,105**	**2,654**	**2,661**	**9,109**	**11,100**
Change (%)	*39.1*	*44.0*	*26.0*	*12.0*	*24.0*	*23.1*	*19.3*	*20.8*	*29.5*	*21.9*
OPM (%)	*30.0*	*32.8*	*29.8*	*27.3*	*30.5*	*32.3*	*28.0*	*25.9*	*29.9*	*29.1*
Depreciation	223	232	242	223	250	270	300	332	919	1,152
Interest	0	0	0	0	0	0	0	2	0	2
Other Income	163	169	205	148	175	200	250	324	684	949
Extra-ordinary Items	-	-	1	1	-	-	-	-	-	-
PBT	**2,100**	**2,458**	**2,187**	**2,128**	**2,605**	**3,035**	**2,604**	**2,652**	**8,874**	**10,896**
Tax	437	563	530	434	651	774	664	667	1,965	2,757
Effective Tax Rate (%)	*20.8*	*22.9*	*24.2*	*20.4*	*25.0*	*25.5*	*25.5*	*25.2*	*22.1*	*25.3*
Reported PAT	**1,663**	**1,895**	**1,657**	**1,692**	**1,954**	**2,261**	**1,940**	**1,984**	**6,909**	**8,139**
Change (%)	*54.8*	*55.2*	*21.1*	*24.3*	*17.5*	*19.3*	*17.1*	*17.3*	*37.5*	*17.8*
Adjusted PAT	**1,663**	**1,895**	**1,657**	**1,693**	**1,954**	**2,261**	**1,940**	**1,984**	**6,909**	**8,139**
Change (%)	*54.8*	*55.2*	*21.1*	*24.3*	*17.5*	*19.3*	*17.1*	*17.2*	*37.4*	*17.8*

E: MOSt Estimates

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Great Offshore

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	GOFF IN
	REUTERS CODE
S&P CNX: 4,318	GOFS.BO

Equity Shares (m)	38.1
52-Week Range	905/502
1,6,12 Rel. Perf. (%)	7/3/-
M.Cap. (Rs b)	31.8
M.Cap. (US$ b)	0.8

29 June 2007 **Buy**

Previous Recommendation: Buy Rs834

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07E	5,822	1,452	38.1	49.6	21.9	5.1	23.5	14.1	6.6	14.7
3/08E	7,275	2,384	62.5	64.2	13.3	4.0	29.9	16.7	5.5	10.7
3/09E	8,543	3,369	88.4	41.3	9.4	3.0	31.9	17.8	4.6	8.1

- Great Offshore has a strong fleet of 26 OSVs, 2 drill rigs and 1 construction barge. We expect the company to be a beneficiary of the current investment boom in oil and gas exploration, both global and in India.
- We expect 1HFY08 to be muted for Great Offshore as its drill barge, *Badrinath*, has been dry-docked. This has a double impact – topline impact due to loss of charter revenue plus bottomline impact due to drydocking charges, estimated at US$8m spread over 1Q and 2Q.
- However, we expect this to be more than offset in 2HFY08 when *Badrinath* gets re-deployed at a revised rate of US$80,500 per day, more than twice its pre-drydock rate of US$36,000 per day.
- The stock trades at 13.3x FY08E and 9.4x FY09E earnings. We maintain **Buy** with a DCF-based target price of Rs978.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY07 *				FY08E #				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Operating Income	**1,122**	**1,271**	**1,483**	**1,493**	**1,412**	**1,759**	**2,052**	**2,052**	**5,822**	**7,275**
Change (%)	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*49.9*	*25.0*
Total Expenses	543	646	761	812	767	1,002	880	875	3,194	3,524
EBITDA	**579**	**624**	**722**	**681**	**645**	**756**	**1,172**	**1,177**	**2,628**	**3,751**
Change (%)	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*62.5*	*42.7*
EBITDA Margin (%)	*51.6*	*49.1*	*48.7*	*45.6*	*45.7*	*43.0*	*57.1*	*57.4*	*45.1*	*51.6*
Depreciation	137	147	193	220	184	184	184	184	709	738
Interest	58	73	95	133	132	132	132	132	361	529
Other Income	36	9	6	27	23	23	23	23	79	91
PBT	**421**	**414**	**439**	**354**	**351**	**462**	**878**	**883**	**1,638**	**2,575**
Tax	70	26	64	54	21	28	70	72	186	191
Tax/PBT (%)	*16.6*	*6.3*	*14.5*	*15.4*	*6.0*	*6.0*	*8.0*	*8.1*	*11.3*	*7.4*
Reported PAT	**351**	**388**	**375**	**299**	**330**	**435**	**808**	**811**	**1,452**	**2,384**
Adjusted PAT	**351**	**388**	**375**	**299**	**330**	**435**	**808**	**811**	**1,452**	**2,384**
Change (%)	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*N.A.*	*49.6*	*32.8*
PAT Margin (%)	*31.3*	*30.5*	*25.3*	*20.0*	*23.4*	*24.7*	*39.4*	*39.5*	*24.9*	*32.8*

*E: MOSt Estimates; * Standalone; # Consolidated*

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United Phosphorus

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,651	UNTP IN
	REUTERS CODE
S&P CNX: 4,318	UNPO.BO

Equity Shares (m)	187.2
52-Week Range	352/204
1,6,12 Rel. Perf. (%)	7/-3/-7
M.Cap. (Rs b)	58.2
M.Cap. (US$ b)	1.4

29 June 2007

Buy

Previous Recommendation: Buy

Rs311

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/07A	24,709	2,884	14.3	33.4	21.8	3.8	20.5	14.0	2.7	11.3
3/08E	36,494	3,772	18.7	30.8	16.7	3.3	23.0	16.5	1.8	8.7
3/09E	41,340	5,403	26.8	43.2	11.6	2.6	27.0	20.8	1.5	6.5

Excluding Advanta & Cerexagri

- United Phosphorus (UPL) is expected to report 76.9% YoY growth in consolidated revenues to Rs8.5b, driven primarily by consolidation of Cerexagri and five product acquisitions since August 2006, although numbers may not be strictly comparable.
- EBITDA margins are likely to decline by 630bp to 19%, translating into EBITDA growth of 33% to Rs1.6b. Decline in EBITDA margin is primarily on account of Cerexagri consolidation, which would have EBITDA margin of 8-9%. However, higher depreciation (up by 20%) and higher interest cost (up 80%), would restrict recurring PAT growth at 24.5% to Rs673m.
- UPL acquired two products – *Super Tin* (fungicide) and *Vendex* (miticide) from DuPont for an undisclosed sum. These two products would have sales of US$8-10m and enjoy superior margins. This acquisition further strengthens UPL's fungicide portfolio, which got a major boost due to Cerexagri acquisition. Our estimates do not factor in this acquisition.
- Current valuations at 16.7x FY07E and 14.9x FY08E earnings (based on our proforma consolidated EPS – fully diluted, incl. Advanta and Cerexagri acquisition) do not fully reflect strong business fundamentals and any upsides from potential acquisitions. We maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Gross Revenues	**4,804**	**5,169**	**4,840**	**9,897**	**8,498**	**8,147**	**7,480**	**12,369**	**24,709**	**36,494**
YoY Change (%)	*17.9*	*18.0*	*25.8*	*73.1*	*76.9*	*57.6*	*54.6*	*25.0*	*37.1*	*47.7*
Total Expenditure	3,589	3,824	3,671	7,743	6,884	6,232	5,834	9,841	18,827	28,792
EBITDA	**1,215**	**1,345**	**1,169**	**2,154**	**1,615**	**1,914**	**1,646**	**2,527**	**5,883**	**7,702**
Margins (%)	*25.3*	*26.0*	*24.1*	*21.8*	*19.0*	*23.5*	*22.0*	*20.4*	*23.8*	*21.1*
Depreciation	360	370	409	517	430	440	445	468	1,656	1,783
Interest	241	219	183	403	435	430	430	427	1,046	1,722
PBT before EO Expense	**614**	**755**	**577**	**1,234**	**750**	**1,044**	**771**	**1,633**	**3,181**	**4,197**
Extra-Ord Expense	0	0	0	76	110	165	220	804	76	1,299
PBT after EO Expense	**614**	**755**	**577**	**1,158**	**640**	**879**	**551**	**829**	**3,105**	**2,899**
Tax	22	4	47	79	77	114	209	334	153	546
Deferred Tax	51	94	174	52	0	0	0	0	372	189
Rate (%)	*12.0*	*13.1*	*38.2*	*11.4*	*12.0*	*13.0*	*38.0*	*40.3*	*16.9*	*25.3*
Reported PAT	**541**	**656**	**357**	**1,026**	**563**	**765**	**341**	**495**	**2,580**	**2,164**
Income from Associate Co	0	0	0	242	0	0	0	310	242	310
Adjusted PAT	**541**	**656**	**357**	**1,335**	**673**	**930**	**561**	**1,608**	**2,885**	**3,772**
YoY Change (%)	*40.8*	*39.1*	*54.2*	*20.2*	*24.5*	*41.8*	*57.3*	*20.4*	*32.4*	*30.8*
Margins (%)	*11.3*	*12.7*	*7.4*	*13.5*	*7.9*	*11.4*	*7.5*	*13.0*	*11.7*	*10.3*

E: MOSt Estimates

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Disclosure of Interest Statement

The MOSt group and its Directors own shares in the following companies covered in this report: Aventis Pharma, Bharat Electronics, Bharti Airtel, Birla Corporation, GMR Infrastructure, GSK Pharma, Hero Honda, Indian Overseas Bank, IOC, Pfizer, Siemens, State Bank of India, Tata Motors, Tata Steel.

MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Aurobindo Pharma, Dishman Pharma, Great Offshore, Pfizer, Shasun Chemicals and Wockhardt