Morgan Stanley
JM MORGAN STANLEY

MORGAN STANLEY RESEARCH
ASIA/PACIFIC

JM Morgan Stanley Securities Private Limited+

Vinay Jaising
Vinay.Jaising@morganstanley.com
+91 22 2209 7780

Mayank Maheshwari
Mayank.Maheshwari@morganstanley.com
+91 22 2209 7821

June 2, 2006

Stock Rating
Overweight

Industry View
Attractive

Oil & Natural Gas Corp.

Higher Production, Higher Prices, Higher Subsidies

What's Changed	
Price Target	**Rs1353.00 to Rs1,405.00**
F2007, F2008 EPS	**Up 2.2%; Up 1.7%**

Conclusion: We are raising our earnings forecasts and price target. Our new earnings forecasts are based on higher production and higher crude oil price estimates, net of a higher petroleum subsidy. ONGC has underperformed the market by 8.3% in the last week and is the cheapest E&P stock in our Asian universe, trading at F2007E P/E of 8.2x, dividend yield of 4.1%, EV/EBITDA of 3.6x, and an implied crude oil price of US$29/bbl, making valuations look attractive.

Our global team has raised its 2006 and 2007 WTI forecasts from US$57.5/bbl to US$65.00/bbl and US$55/bbl to US$60/bbl, respectively. This implies an increase in our estimates of the Indian petroleum subsidy burden estimate to US$10.3 bn, assuming the government does not raise prices. ONGC has a positive leverage on crude oil, due to its international operations, which are increasing their contribution to ONGC's profits and would account for 21% of its crude oil production and 13.4% of profits for F2008E.

We estimate ONGC's production to grow 8.7%/year over F2006-8E. ONGC is confident of surpassing the Mumbai offshore production to higher than pre-accident levels of last year. ONGC also is focusing on raising its production from marginal fields, which we estimate can have 200 mn tons of reserves. Its Sakhalain field, which recently commenced production, should peak at 2.5 mn tons in the next two years.

Key Triggers: a) Retail price hike, which could lower subsidy; b) Stable petroleum pricing policy, which could remove the uncertainty in subsidy sharing mechanism; and c) Gas price decontrol.

Key Ratios and Statistics

Reuters: ONGC.BO Bloomberg: ONGC IN

India Oil & Gas	
Price target	Rs1,405.00
Shr price, close (Jun 1, 2006)	Rs1,076.10
52-Week Range	Rs1,514.00-854.00
Sh out, basic, curr (mn)	1,426
Mkt cap, curr (mn)	Rs1,534,441
EV, curr (mn)	Rs1,473,416
Net debt/cap (06e) (%)	(33.1)
ROE (06e) (%)	31.7
Sh out, basic, per-end (06e) (mn)	1,426
S'hldr eqty (06e) (mn)	Rs568,604
RNOA (06e) (%)	33.6

Fiscal Year (Mar)	**2005**	**2006e**	**2007e**	**2008e**
ModelWare EPS (Rs)*	99.33	108.14	132.00	169.57
Prior ModelWare EPS (Rs)	-	119.47	129.15	166.78
EPS, basic, rpt'd (Rs)	100.48	107.37	132.00	169.57
Prior EPS, basic, rpt'd (Rs)	-	119.47	129.15	166.78
Rev, net (Rs mn)	619,994	933,779	1,070,694	1,135,118
ModelWare net inc (Rs mn)	141,634	154,203	188,218	241,800
P/E	8.9	10.0	8.2	6.3
P/BV	2.6	2.7	2.3	1.9
EV/EBITDAX	4.2	4.4	3.6	2.5

* = Please see explanation of Morgan Stanley ModelWare later in this note.
e = Morgan Stanley Research estimates

ONGC: Financial Summary (Consolidated)

Income Statements

Rs mn (Year-end March)	F2006E	F2007E	F2008E
Net Sales	**805,067**	**887,397**	**932,971**
Pipeline Transportation	23	23	23
Other Related Income	3,708	3,708	3,708
Net Revenues	808,798	891,128	936,702
OPERATING EXPENSES	490,008	528,186	495,747
LPG/Kerosene subsidy losses	119,580	157,193	102,403
Operating Profit	**318,791**	**362,942**	**440,955**
Recouped Costs	105,870	91,150	94,261
Non Operating Income	28,536	25,248	29,444
Interest & Finance Charges	9,802	11,949	11,231
F/x Fluctuation Charge	-	-	-
Deferred Revenue Expenditure w/off	305	305	305
Profit before Tax	**231,349**	**284,785**	**364,602**
Tax - Current	66,689	82,799	105,705
Tax - Deferred	9,311	11,698	14,787
Net Profit	155,349	190,289	244,110
Reported PAT	154,249	190,289	244,110
Less: Minority Interest	1,147	2,071	2,310
Less: Loss in Associates			
Adjusted Cons. Net Profit	154,203	188,218	241,800
Reported Cons. Net Profit	153,103	188,218	241,800

Balance Sheet

Rs mn (Year-end March)	F2006E	F2007E	F2008E
SOURCES OF FUNDS			
Equity Share Capital	14,259	14,259	14,259
Share Premium	1,869	1,869	1,869
Reserves and Surplus	552,476	661,488	800,974
Shareholders Funds	568,604	677,617	817,103
Minority Interest	7,090	8,691	10,477
Deferred Tax Liability	67,294	78,992	93,779
Loan Funds	136,203	141,917	131,658
Abandonment Cost	81,589	82,238	82,886
Total	**860,781**	**989,454**	**1,135,903**
APPLICATION OF FUNDS			
Net Block	202,100	261,143	321,656
Capital Work in progress	101,591	101,035	110,350
Net Producing Properties	222,359	214,420	194,897
Expl. Wells in Progress	16,872	16,386	2,400
Goodwill	2,251	-	-
Net Investments	26,961	26,961	26,961
Current Assets	461,378	589,239	752,190
Cash & Cash Balance	277,832	389,239	549,597
Current Liabilities	178,349	225,347	278,168
Net Current Assets	283,030	363,893	474,023
Misc. Expendutire	5,617	5,617	5,617
Total	**860,781**	**989,454**	**1,135,903**

Cash Flow Statements

Rs mn (Year-end March)	F2006E	F2007E	F2008E
Profit Before Tax	231,349	284,785	364,602
Recouped Costs	105,870	91,150	94,261
Interest & F/x Fluctuation Charges	9,802	11,949	11,231
Taxes	(66,689)	(82,799)	(105,705)
Changes in W. Capital	44,667	30,544	50,228
Extraordinaries	(1,100)	-	-
Operating Cash Flows	323,989	335,630	414,617
Purchase of Fixed Assets	(174,886)	(141,211)	(130,580)
Acquisition of Goodwill	11,432	2,251	-
Purchase of Investments	(406)	-	-
Investing Cash Flows	(163,860)	(138,960)	(130,580)
Liability for Abandonment	649	649	649
Net Issue of Debt	95,600	5,713	(10,258)
Interest Charges	(9,802)	(11,949)	(11,231)
Dividends Paid	(70,959)	(79,676)	(102,839)
Financing Cash Flows	15,488	(85,263)	(123,680)
Net Change in Cash & Cash Equivalents	175,616	111,407	160,358
Cash & Cash Equivalents			
Beginning Balance	102,215	277,832	389,239
Ending Balance	277,832	389,239	549,597

Ratio Analysis

(Year-end March)	F2006E	F2007E	F2008E
EPS (Rs)	108.14	132.00	169.57
EPS Growth (%)	8.9	22.1	28.5
P/E	10.0	8.2	6.3
Book Value (Rs)	398.8	475.2	573.0
P/BV	2.7	2.3	1.9
DPS (Rs)	39.2	43.9	56.8
Yield (%)	3.6	4.1	5.3
EV/EBITDA	4.4	3.6	2.6
Profitability Ratios			
NPM (%)	19.1	21.1	25.8
ROCE (%)	31.5	32.1	35.4
RONW (%)	29.2	30.2	32.4
ROCE (%)	28.1	30.0	33.1
ROE(%)	27.1	28.1	29.9
Other Ratios			
Debt/Equity (%)	24.0	20.9	16.1
Effective Tax Rate (%)	32.9	33.2	33.0

E = Morgan Stanley Research Estimates
Source: Company Data, Morgan Stanley Research

Investment Case

Summary & Conclusions

ONGC is our favorite pick among Indian oil & gas companies given its impressive production growth, upside to gas prices, and international acquisitions. The stock has underperformed the market by 14.5% YTD, and 8.3% in the last week, we think largely on the back of uncertainty on the subsidy sharing mechanism in the Indian oil and gas sector and because Subir Raha was not re-elected as managing director of the organisation. However, we believe the relative underperformance has made valuations more compelling. We maintain our Overweight rating on ONGC and have raised our F2007–08 consolidated earnings estimates upwards for the following reasons:

Our global team has raised its oil estimates for 2006 and 2007. Our projections for WTI rise from US$57.5/bbl to US$65.00/bbl and US$55/bbl to US$60/bbl for 2006 and 2007, respectively. This implies that our estimates of the Indian petroleum subsidy burden increases to US$10.3 bn, assuming the government does not raise prices. Based on the prevailing WTI price of US$70/bbl, we estimate the overall subsidy amount could increase to US$12.8 bn for 2007. ONGC has a positive leverage on crude oil, due to its international operations, which are increasing contributions to ONGC's profits and would account for 21% of its crude oil production and 13.4% of profits for F2008, on our estimates. A large portion of its domestic earnings from crude is passed on to the government in the form of a higher subsidy burden.

We estimate ONGC's production will grow by an impressive 8.7% p.a. over F2006–8E. ONGC is confident that it can surpass the Mumbai offshore production, ahead of pre-accident levels of last year. ONGC also is focusing on increasing its production from marginal fields, which we estimate could have 200 mn tons of reserves. Its Sakhalain field,which recently commenced production, should peak at 2.5 mn tons in the next two years.

Key changes to our ONGC forecasts are shown in Exhibit 1. We raise our EPS estimates for F2007–08 by 2.2% and 1.7%, respectively, while our DCF based price target rises to Rs1,410/share. ONGC is the cheapest E&P stock in our Asian universe, trading at F2007E P/E of 8.2x, dividend yield of 4.1%, EV/EBITDA of 3.6x, and an implied crude oil price of US$29/bbl, making valuations look attractive.

Exhibit 1

ONGC: What's Changed

	F2006E	F2007E	F2008E
Consolidated EPS (Rs)			
Old	119.5	129.1	166.8
New	108.6	132.9	170.6
Change (%)	-9.1	2.9	2.3
Gross Crude Realization (US$/bbl)			
Old	59.3	56.4	53.3
New	57.9	62.3	57.2
Change (%)	-2.3	10.4	7.2
Net Crude Realization (US$/bbl)			
Old	46.1	45.0	45.8
New	44.6	47.3	48.3
Change (%)	-3.4	5.0	5.4
Gas Price Realization (US$/mmbtu)			
Old	2.0	2.1	2.3
New	2.0	2.2	2.4
Change (%)	-1.8	0.6	5.8
Subsidy Burden (US$/bbl)			
Old	15.0	13.5	9.0
New	15.8	18.1	10.5
Change (%)	5.5	34.8	16.7
Subsidy Burden (Rs Million)			
Old	116,438	112,566	84,495
New	119,580	157,193	102,403
Change (%)	2.7	39.6	21.2
Crude Oil Sales (MMT)			
Old	27.7	30.9	35.6
New	27.1	31.1	35.7
Change (%)	-2.2	0.6	0.2

Source: Company data, Morgan Stanley Research

Company Description

ONGC is India's dominant E&P company, with a virtual monopoly in the production of crude oil and natural gas. It has 6.5 mmboe of proven oil & gas reserves. ONGC is India's biggest company in terms of net profits and market capitalization. The government owns 74% of the company

Industry View: Attractive

Organic growth, attractive valuations, strong GRMs and impressive pickup in demand, are key triggers for the industry

MSCI Country: India

Asia Strategist's Recommended Weight: 1.4%
MSCI Asia/Pac All Country Ex Jp Weight: 5.9%

We cite three key triggers for the stock:

1. **Retail price hike,** which could lower India's petroleum subsidy and subsequently ONGC's subsidy burden.

2. **A stable petroleum pricing policy,** which could remove some uncertainty regarding ONGC's profitability.

3. **Gas price de-control.** For most of its gas, which accounts for over 40% of its production, ONGC receives less than US$2.1/mmbtu versus the prevailing market price of US$4.75/mmbtu. The government partially decontrolled gas prices, effective July 1, 2005, otherwise ONGC's realizations would have been lower at US$1.25/mmbtu. A step by the government to further de-control gas prices would be a positive for the company.

We show our base, bear and bull cases in Exhibit 2.

Base Case: Rs1,405 (Higher Crude Oil Sales): Our base case reflects our new price target of Rs1,405, based on our DCF model, and assumes a cost of capital of 13%, a terminal growth rate of 0%, and equity ownership of GAIL, IOCL and MRPL based on a 15% discount to the market price.

We do not include any potential upside from higher prices in ONGC's gas business as we have no visibility on the timing of that event.

Our cost of capital calculation is shown in Exhibit 3(b), which assumes a market premium of 6%. The India market currently depicts a premium of 1%. Our India strategist, Ridham Desai, believes such a low premium is unjustified, given stretched valuations and global liquidity issues.

Bull Case: Rs1,795 (Deregulation of Gas Prices): For our bull case, we arrive at a value of Rs1,795/share based on three assumptions:

- We use a WACC of 12% and a terminal growth rate of 0%. This is based on a market premium of 5%.

- If the government were to de-control gas prices, we estimate the gas price could rise to US$4/mmbtu. Current gas prices in India for the private players range from US$4/mmbtu to US$ 4.75/mmbtu, we assume that whenever the Indian government revises prices it would revise it to the lowest available private gas price.

- As for our base case, we calculate the equity ownership of GAIL, IOCL and MRPL based on a 15% discount to the market price.

Bear Case: Rs980 (Higher Subsidy): For our bear case, we arrive at a DCF-based fair value of Rs980/share, and expect EPS to stagnate at around Rs110. Our bear case includes the following assumptions:

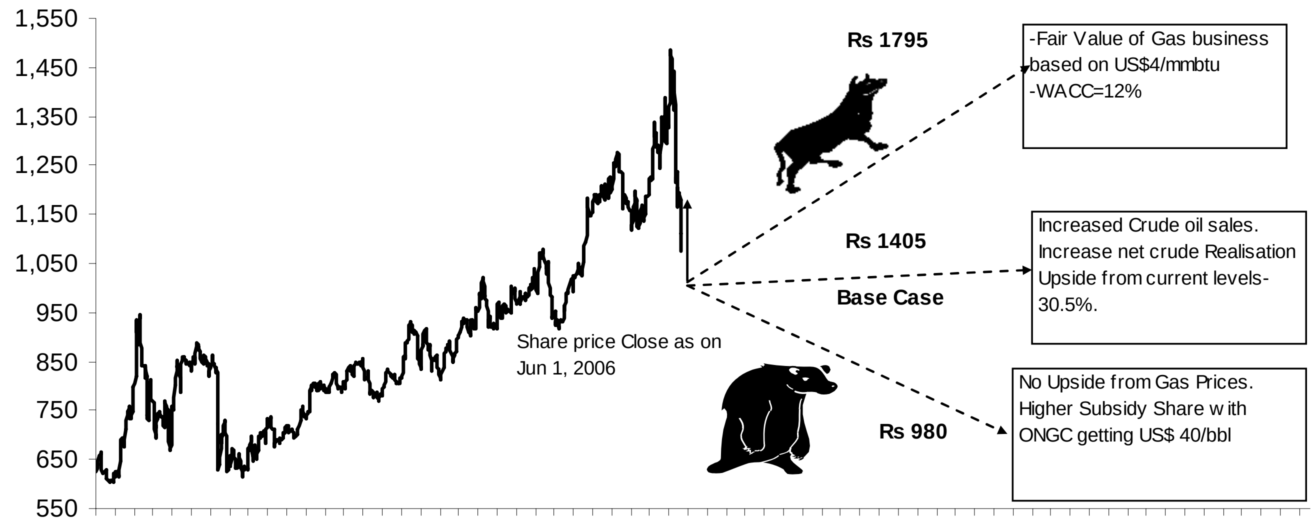
- Terminal growth rate of 0% and a WACC of 14%. This is based on a market premium of 7%, assuming that the India market were to fall due to global liquidity pressures.

- No upside from gas prices.

- A higher subsidy share with the Indian government, which relates to ONGC getting less than US$40/bbl for its crude over the long term, irrespective of higher prices. This is one of the key risks, in our view.

Exhibit 2

Bull vs Bear vs Base Case



Source: Company data, Morgan Stanley Research

Exhibit 3 (a)

ONGC: Sum-of-Parts Value Based on DCF

	DCF (Rs/Share)		Gas Upside	MRPL Holding	Liquid Investments	Sum-of-Parts	SOP ex. option value
WACC	ONGC	OVL	(Rs/Share)	(Rs/Share)	(Rs/Share)	(Rs/Share)	(Rs/Share)
12%	1,378	190	149	39	34	1,790	1,641
13%	**1,305**	**179**	**149**	**39**	**34**	**1,706**	**1,557**
14%	1,239	169	149	39	34	1,629	1,480

Source: Company data, Morgan Stanley Research

Exhibit 3 (b)

ONGC: Cost of Capital

Cost of Debt (I) (%)	8.0
After tax cost of debt (Rd = (1-tx)x I) (%)	5.3
Tax (%)	33.7
Risk free rate (Rf) (%)	7.5
Beta (b)	1.00
Risk premium (Rm- Rf) (%)	6.0
Cost of equity (Re= Rf +bxRm) (%)	13.5
WACC (%)	12.7

Source: Company data, Morgan Stanley Research

Raising Oil Price Forecast for 2006 and 2007

Our global team increased its crude oil (WTI) forecasts from $57.50/bbl to $65.00/bbl, and $55.00/bbl to $60.00/bbl, for 2006 and 2007, respectively. Key points taken from, Raising Crude Oil Price Forecast and R&M Update, May 24, 2006.

Higher For Longer Remains for Crude Oil

The basic premise behind our "Higher For Longer" call on crude oil, has been driven by fundamental and geo-political factors. While growth in non-OPEC supply was expected to rise, the combination of recovering demand, and surprisingly strong management of supply (cohesion) by OPEC, was expected to allow inventories to remain lower than have historically been the case, and at levels that were specified several times by OPEC leaders during 2000-2004 (50-55 days).

More recently, global utilization rates for production of crude oil rose to record levels with almost all global supplies of crude oil, needed to accommodate worldwide demand. Supply-side actions by OPEC were not needed in recent years partially because almost all-spare capacity was of the heavy sour variety (inputs), and with demand concentrated in low-sulfur refined products (outputs); a greater bottleneck was present in global refining capacity.

Our estimate for prices of crude oil at normalized conditions approximates $50/bbl, and reflects rising costs to find, develop, and produce petroleum. Such expenses are projected to increase by 12% annually through 2008, and with fiscal regimes becoming more challenging around the world; prices of crude oil between $50-55/bbl (WTI) appear needed to justify re-investment. Combined with our view that OPEC actions on the supply-side will facilitate lower inventories of crude oil, if prices were to decline below $60/bbl; our “higher for longer” call on crude oil, circa 2000, remains for 2006-2007.

OPEC policy is likely to remain focused on the “right price for producers and consumers”, with inventories likely to approximate 50–53 days during 2006-2007, versus 50–55 days during 2000–2004.

Our projection for the spread between “light” (WTI) and “heavy” (Maya) crude oil is projected to remain above normalized levels during the period, near $15/bbl; rendering important implications for the E&P and R&M divisions of the Integrated Oil companies.

Impact on India. We estimate that India’s petroleum basket is priced at US$49/bbl based on OPEC prices (US$54/bbl based on WTI), which is trading at US$65/bbl. Thus, marketing margins are around negative US$16–17/bbl. The refiners are posting strong refining margins despite marketing losses; the R&M companies are incrementally breaking even on integrated margins. For the marketers to earn US$4–5 of gross margin and US$1/bbl of operating profits per bbl — we estimate WTI would have to fall to US$48/bbl.

Assuming the government does not raise prices, our estimates of the Indian petroleum subsidy burden would increase to US$10.3 bn for F2007E, as shown in Exhibit 4.

For every US$1/bbl hike in crude oil process, we estimate that the subsidy on 70 mn tons of product sold in the country — LPG/Kerosene/Petrol and Diesel — would increase by US$515 mn. Based on the prevailing WTI price of US$70/bbl, the overall subsidy amount could increase to US$12.8 bn for 2006.

Exhibit 4

Subsidy Burden Breakdown

Rs million	F2006E	Subsidy Share	F2007E	Subsidy Share
Total	420,000		459,079	
Government of India	140,700	34%	137,724	30%
Burden	279,300		321,355	70%
BPCL	24,100	6%	26,342	6%
HPCL	23,400	6%	25,577	6%
IOCL	66,700	16%	72,906	16%
IBP	5,000	1%	5,465	1%
ONGC	119,580	28%	157,193	34%
GAIL	10,700	3%	8,560	2%
OIL	8,355	2%	9,133	2%
Refiners	21,465	5%	16,178	4%
Total	279,300	100%	321,355	70%
R&M Share	119,200	28.4%	130,291	28.4%

Source: Company data, Morgan Stanley Research

Exhibit 5

ONGC: Crude/ Gas Production Profile

	F2006E	F2007E	F2008E
Crude (MMT)	30.7	34.5	38.9
ONGC - Standalone	24.4	27.0	29.3
ONGC - JVs	1.8	1.8	1.8
Cairn Energy	-	-	0.4
OVL	4.5	5.7	7.4
ONGC - Standalone	21,822	21,322	18,822
ONGC-JV's/New Discoveries	2,600	3,259	6,095
OVL	1,350	1,350	2,403
LPG (MMT)	1.1	1.1	1.1
Refinery Throughput (MMT)	8.8	9.6	10.7
ONGC - Standalone	21,822	21,322	18,822
Crude (MMT)	4.5	5.7	7.4
Angola	-	-	-
Sakhalin - I	0.2	1.0	2.5
Sudan	3.7	3.7	3.7
Syria	0.6	1.0	1.2
Gas (MMSCM)	1,350	1,350	2,403
Myanmar		-	-
Sakhalin - I	-	-	1,053
Vietnam	1,350	1,350	1,350

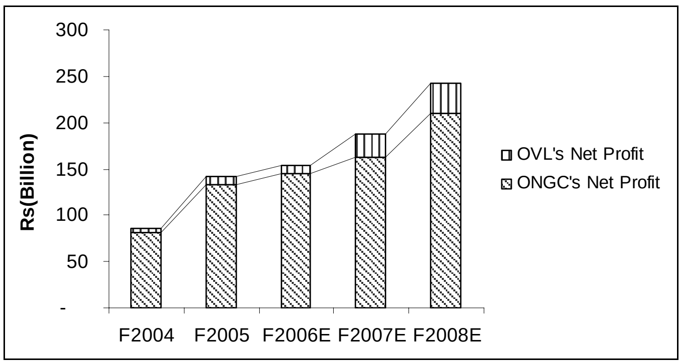
Source: Company data, Morgan Stanley Research

Impact on ONGC. Given its international operations, ONGC has **positive leverage on crude oil**. ONGC earns globally linked crude oil prices on its international operations. The company has been steadily increasing its overseas assets in recent years, leading to higher production and profit contributions to the consolidated entity

We estimate OVL (ONGC's 100% subsidiary) could increase its production and profit contribution to ONGC to 21% and 13.4% by F2008 from 12% and 6% in F2005, as shown in Exhibits 6 and 7.

Exhibit 6

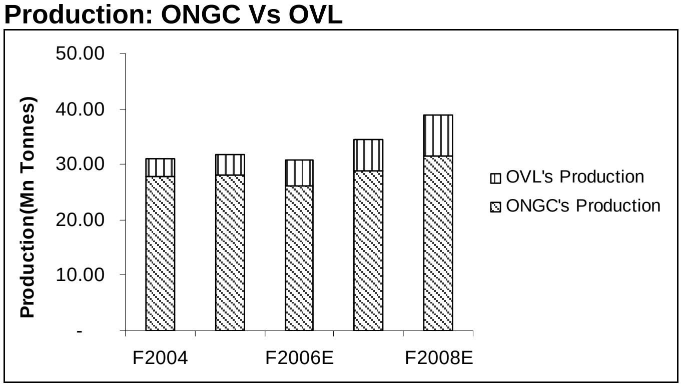
Net Profit: ONGC's vs OVL



Source: Company data, Morgan Stanley Research

Exhibit 7

Production: ONGC Vs OVL



Source: Company data, Morgan Stanley Research

A large portion of the company's domestic earnings from crude, however, is passed on to the government in the form of a higher subsidy burden.

ONGC's net realization of crude oil and subsidy burden is shown in Exhibit 8.

Exhibit 8

ONGC: LPG/Kerosene Burden Assumption

	F2006E	F2007E	F2008E
Crude Realization (US$/bbl)			
Gross	57.9	62.3	57.2
Net	42.1	44.1	46.7
Subsidy	15.8	18.1	10.5
Overall Subsidy (Rs Million)	119,580	157,193	102,403

E = Morgan Stanley Research estimates Source: Company data, Morgan Stanley Research

Assuming crude oil prices of US$70/bbl — i.e., a US$5/bbl hike, we estimate ONGC could pay out Rs200 bn to the Indian government without any impact to our F2007 EPS estimates.

In a falling crude environment, we believe the subsidy discounting could be removed since there would be no subsidy in the system. Based on our earnings forecasts, we assume that ONGC realizes higher crude oil prices when crude is below US$50/bbl, than when crude is at US$65/bbl because of the subsidy.

Mumbai High update. The company is in the process of setting up a Floating Production System (FPSO) to be in place in the next two months to augment production from Mumbai High North to 270,000 bopd, levels achieved prior to the unfortunate loss of BHN platform on July 27, 2005. The company targets to restore the offshore production to pre-accident level by August 2006, and then step up production to 300,000 barrels of oil/day (bopd) on sustained basis in 2006–07.

The exploratory efforts during the year resulted in 10 new finds — 5 in deepwater, 3 in shallow water and 2 onshore. These are: Turputallu-1 in KG and Mekeypore-3 in Assam Shelf on land; RV-1 (Mumbai offshore), B-9-1 in Saurashtra offshore and GS-15-E in KG offshore (Shallow water); KG-DWN-98/2-D-1, KG-DWN-98/2-A-1, KG-DWN-98/2-U-1, KG-DWN-98/2-W-1 and KG-DWN-98/2-E-1 (in deepwater).

Why Is ONGC Our Favorite Pick?

- Impressive production growth profile. We estimate a F2006-F2008 production CAGR of 12.6% for crude oil and 3.0% for gas.

- A call option on the gas price deregulation in India. For gas, which accounts for over 40% of its production, ONGC receives less than US$2.2/mmbtu versus the prevailing market price of US$4-5/mmbtu. The government partially de-controlled gas prices, effective from July 1, 2005 — otherwise ONGC's realizations would have been lower at US$1.25/mmbtu.

- ONGC's international acquisition strategy is paying rich dividends. We expect its international arm (OVL) to contribute 21% of ONGC's crude oil production, 8.5% of gas production, and 13% of bottom line by F2008. This does not include any production from its Egypt and Qatar blocks (which could add another 3-4 mmtpa in the next 4–5 years), or a possible acquisition of Russian assets.

- ONGC has secured over 50% of the blocks offered under the various licensing rounds (NELP) in India, adding to potential production growth.

- ONGC, through its joint venture company, ONGC Mittal Energy Limited (OMEL), has entered into a Memorandum of Understanding (MoU) with the Minister of Petroleum Resources, Nigeria to explore and produce 650,000 bpd (32.5 mn tons per year) over 25 years. The overall impact of peak production of the MOU with Nigeria on ONGC could imply as much as 13 mntpa of additional crude oil, up 40% from the current production 32 mntpa, and 3.25 mntpa of additional gas (current production 26 mntpa), up 12.5% from the current production levels. We estimate that OMEL's share in the capex could be as much as US$28 bn, and its share of profits could be as much as US$4.4 bn — as much as ONGC earns currently. In our view, however, this is around 7–10 years away. We await further clarification by ONGC and the signing of the actual contract with the Nigerian government.

ONGC Price Target Methodology

- ONGC is the cheapest E&P stock in our Asian universe, trading at F2007E P/E of 8.2x, dividend yield of 4.1%, EV/EBITDA of 3.6x, an implied crude oil of US$29/bbl, and current US$EV/Boe of 5.14, making valuations look attractive.

- We attain our price target of Rs1,405 (up from Rs1,353), by calculating the DCF value of existing businesses, including ONGC Videsh Ltd. (OVL – ONGC's 100% subsidiary) and using our revised long-term crude oil price estimate of US$35/bbl. We use a WACC of 13% and a terminal growth rate of 0%. We then calculate the fair value of the gas business, as well as the equity ownership of GAIL, IOCL and MRPL. Our resulting overall fair value estimate for ONGC is Rs1,653/share. However, as the value of the gas business is an option value, we have not used it to derive our price target, since the timing of each materialising into cash flows for ONGC is unclear. We have further applied a 10% discount to our overall fair value less option value of gas of Rs1,561, to capture the uncertainty on regulations, to arrive at our target price of Rs1,405. In a falling crude environment, we believe this discounting would be removed since there would be no subsidy in the system.

- Interestingly, our earnings forecasts assume that ONGC realizes higher crude oil prices when crude is below US$50/bbl, than when crude is at US$65/bbl because of the subsidy. As shown in Exhibit 3, ONGC's earnings and net crude realization increases when crude falls below US$50/bbl.

Key Risks to Our Price Target

- Sharing LPG and kerosene subsidies with R&Ms. The government has been ad hoc in deciding the subsidy share for ONGC.

- ONGC's aggressive capex plan involves E&P investments of US$5.5billion F2007–08, which are high risk high return investments.

- Potential gas price decontrol. This would raise ONGC's gas revenues significantly, and would require us to revisit our valuation.

Exhibit 9

Global Oil & Gas: Valuation Comparables

		Price	Mkt Cap	P/E				RNOA				EV/EBITDA			
	Currency	31-May	(US$M)	04A	'05	'06E	'07E	03A	'04	'05E	'06E	04A	'05	'06E	'07E
US Natural Gas / Pipelines Cos.															
Apache Corp.	US$	67.4	21,928	10.0	8.7	7.8	8.5	15.6%	19.4%	24.4%	23.0%	4.7	4.3	3.7	3.5
Anadarko Petroleum	US$	99.9	25,290	8.9	9.2	8.2	8.7	12.3%	14.6%	22.0%	21.1%	4.1	4.7	4.2	4.1
EOG Resources	US$	68.3	7,954	14.7	13.1	11.9	12.8	17.7%	18.0%	31.6%	29.5%	6.9	6.6	5.8	5.5
Kerr McGee Corp.	US$	98.6	9,872	12.3	10.3	10.9	10.1	8.8%	12.1%	15.8%	17.0%	5.5	3.9	4.3	3.7
Occidental Petroleum	US$	90.8	34,733	8.9	9.7	8.4	9.3	16.4%	22.6%	30.3%	43.0%	4.6	4.1	2.9	3.0
Median				10.4	9.7	8.4	9.3	14.0%	16.4%	24.4%	23.0%	4.9	4.3	4.2	3.7
Europe Nat. Gas / Gas Pipeline															
Enagas	**€**	**17.4**	**3,431**	**18.4**	**21.7**	**19.1**	**16.3**	**NA**	**8.4%**	**9.2%**	**9.6%**	**10.1**	**11.4**	**10.4**	**9.2**
National Grid Transco	p	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Snam Rete Gas	€	3.7	6,074	12.6	13.9	17.9	17.2	NA	6.7%	6.7%	5.9%	6.5	8.3	8.9	8.7
Median				15.5	17.8	18.5	16.8		7.5%	8.0%	7.8%	8.3	9.8	9.6	8.9
US Refiners & Marketers															
Sunoco	US$	68.6	15.9	9.4	8.1	8.1		25.4%	33.8%	25.6%	23.1%		5.0	4.6	4.6
Valero	US$	61.4	18.4	9.2	7.3	7.2		23.1%	42.8%	24.6%	22.7%		6.1	4.5	4.4
Frontier	US$	56.0	49.6	14.0	11.4	12.0		NA	93.3%	62.6%	49.7%		7.2	6.4	6.7
Giant	US$	63.2	26.5	7.9	8.2	7.9		NA	22.7%	21.8%	23.0%		4.7	4.7	4.4
Tesoro	US$	68.1	13.7	8.1	7.4	7.4		20.5%	25.8%	23.6%	20.6%		5.0	4.7	4.6
Holly	US$	83.4	32.0	15.9	12.5	13.0		NA	44.7%	49.2%	42.1%		6.9	6.8	7.0
Average			**26.0**	**10.8**	**9.1**	**9.3**		**23.0%**	**43.9%**	**34.6%**	**30.2%**		**5.8**	**5.3**	**5.3**
BP	US$	625.0	11.8	9.1	10.5	10.3		12.4%	15.8%	16.2%	15.1%		5.3	5.8	5.6
ChevronTexaco	US$	59.8	8.2	8.7	7.0	7.7		26.6%	25.5%	24.6%	19.6%		4.3	3.3	3.3
Average			10.8	8.9	9.2	9.4		19.4%	22.8%	24.2%	21.8%		4.6	4.3	4.2
Asian Refiners / R&Ms															
Sinopec	HK$	4.6	8.2	10.1	8.5	7.9		15.3%	14.0%	14.4%	14.5%		5.5	5.0	4.7
Caltex Australia	AU$	19.3	8.3	12.6	12.9	9.5		NA	NA	16.9%	19.1%		NA	NA	NA
Thai Oil	THB	60.7	6.5	6.6	5.8	5.6		13.3%	8.3%	41.8%	30.0%		6.2	6.6	6.8
Average			7.7	9.8	9.1	7.7		23.0%	23.3%	24.3%	21.2%		5.9	5.6	5.4
CNOOC	HK$	6.0	11.3	10.0	8.7	8.9		44.1%	51.7%	42.4%	32.4%		5.7	5.0	4.7
PetroChina	HK$	8.4	7.5	11.1	9.6	10.5		25.3%	28.8%	28.0%	20.1%		5.5	6.2	6.5
Petrobras	US$	86.8	6.5	7.7	8.8	9.0		34.1%	39.2%	34.0%	30.0%		3.9	4.2	4.1
Lukoil	US$	78.8	6.0	10.8	10.6	10.8		21.7%	28.3%	23.1%	19.6%		6.7	6.6	6.6
Santos	AU$	11.8	16.8	12.4	9.2	9.8		7.2%	14.3%	18.9%	16.4%		6.1	4.7	4.6
Woodside	AU$	43.7	20.6	26.4	20.1	14.5		20.7%	30.1%	34.5%	36.5%		15.2	11.0	7.6
Average Multiple			9.0	10.7	9.4	9.4		24.3%	27.6%	26.8%	23.5%		6.6	5.9	5.5
Indian Pure Refiners															
BRPL	Rs.	56.7	3.7	2.4	2.3	2.2		60.9%	45.7%	39.0%	0.0%		1.5	1.2	1.0
Chennai Petroleum	Rs.	221.9	8.1	5.5	4.9	4.2		23.1%	21.7%	23.1%	0.0%		4.3	3.6	3.8
IBP	Rs.	459.0	4.6	12.1	233.9	8.0		9.8%	5.5%	15.1%	0.0%		11.9	56.1	4.7
Kochi Refineries	Rs.	180.2	4.5	3.2	3.6	3.1		38.1%	26.4%	22.8%	0.0%		2.0	1.7	1.5
MRPL	Rs.	43.7	NM	8.7	10.5	9.1		28.3%	21.2%	22.8%	0.0%		6.1	5.1	4.9
Indian R&Ms / Gas / Integrated															
BPCL (Consolidated)	Rs.	397.4	7.4	10.5	7.3	8.1		19.6%	15.4%	18.2%	16.1%		4.8	3.7	3.9
HPCL	Rs.	306.1	9.2	12.3	7.6	7.6		13.3%	8.3%	12.4%	12.6%		6.9	4.0	3.8
IOCL (Consolidated)	Rs.	457.6	9.3	11.0	8.5			16.3%	13.3%	15.0%	12.5%		7.8	6.0	6.6
Reliance Industries	Rs.	953.3	7.6	++	++	++		14.5%	++	++	++		++	++	++
GAIL India	Rs.	236.1	9.1	10.1	9.8	8.8		25.1%	27.2%	27.5%	23.4%		5.3	5.3	4.8
ONGC (Consolidated)	Rs.	1,112.7	8.9	9.3	8.6	6.7		35.9%	38.0%	41.9%	50.3%		5.0	4.3	2.86

* Based on estimates calculated as part of estimating consolidated earnings for the parent companies; For Indian companies figures for 2003/4/5/6 correspond to F2004/05/06/07
E = Morgan Stanley Research Estimates Source: Company Data, Morgan Stanley Research

Morgan Stanley
ModelWare[SM]

ModelWare is Morgan Stanley's new system for helping investors and analysts to uncover value, free from the distortions and ambiguities created by accounting data. Morgan Stanley has dissected and fundamentally redefined the components of corporate valuation, giving clients more consistent definitions, more comparable data, and more flexible analytic tools. ModelWare makes investment insights easier by making value more visible.

Past inconsistencies in financial reporting made it difficult to compare performance among companies and across sectors and regions. Even within US GAAP, flexibility complicates comparisons. And accounting standards were developed to analyze historical data, not to facilitate projections. In response, Morgan Stanley analysts spent two years reviewing our entire coverage universe of company metrics. They defined more than 2,000 general and industry-specific metrics that eliminated inconsistencies stemming from regional differences, historical precedents and accounting conventions. The team applied these metrics across also all 1900+ companies we cover, and created flexible tools and services that let analysts redefine and use the data with maximum creativity. Because ModelWare provides complete transparency, users see every component of every calculation, to choose elements or recombine them as they wish.

ModelWare EPS illustrates the approach. It represents ModelWare EPS as ModelWare net income divided by average fully diluted shares outstanding. ModelWare net income sums net operating profit after tax (NOPAT), net financial income or expense (NFE) and other income or expense. ModelWare adjusts reported net income to improve comparability across companies, sectors and regions. Among these adjustments: We exclude goodwill amortization and items deemed by analysts to be "one-time" events; we capitalize operating leases where their use is significant (e.g., in transportation and retail); and we convert inventory to FIFO accounting when LIFO costing is used. For more information on these adjustments and others, as well as additional background, please see *Morgan Stanley ModelWare (ver. 1.0): A Road Map for Investors*, by Trevor Harris and team, August 2, 2004.

Disclosure Section

The information and opinions in this report were prepared or are disseminated by Morgan Stanley Dean Witter Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Dean Witter Asia (Singapore) Pte. (Registration number 199206298Z, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley & Co. International Limited, Taipei Branch and/or Morgan Stanley & Co International Limited, Seoul Branch, and/or Morgan Stanley Dean Witter Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or JM Morgan Stanley Securities Private Limited and their affiliates (collectively, "Morgan Stanley").

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Vinay Jaising.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

This research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies.

Important US Regulatory Disclosures on Subject Companies

As of April 28, 2006, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in this report: Hindustan Petroleum.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering of securities of GAIL (India), Oil & Natural Gas Corp..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from GAIL (India), Oil & Natural Gas Corp..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Indian Oil Corp, Oil & Natural Gas Corp..

Within the last 12 months, Morgan Stanley & Co. Incorporated has received compensation for products and services other than investment banking services from Bharat Petroleum Corp., Hindustan Petroleum, Indian Oil Corp.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following companies covered in this report: GAIL (India), Indian Oil Corp, Oil & Natural Gas Corp..

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following companies covered in this report: Bharat Petroleum Corp., Hindustan Petroleum, Indian Oil Corp.

The research analysts, strategists, or research associates principally responsible for the preparation of this research report have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. For example, Morgan Stanley uses a relative rating system including terms such as Overweight, Equal-weight or Underweight (see definitions below). A rating system using terms such as buy, hold and sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the research report contains more complete information concerning the analyst's views, investors should carefully read the entire research report and not infer its contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of May 31, 2006)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Underweight to hold and sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**742**	**37%**	**281**	**42%**	**38%**
Equal-weight/Hold	**906**	**45%**	**303**	**46%**	**33%**
Underweight/Sell	**349**	**17%**	**78**	**12%**	**22%**
Total	**1,997**		**662**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V) - We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

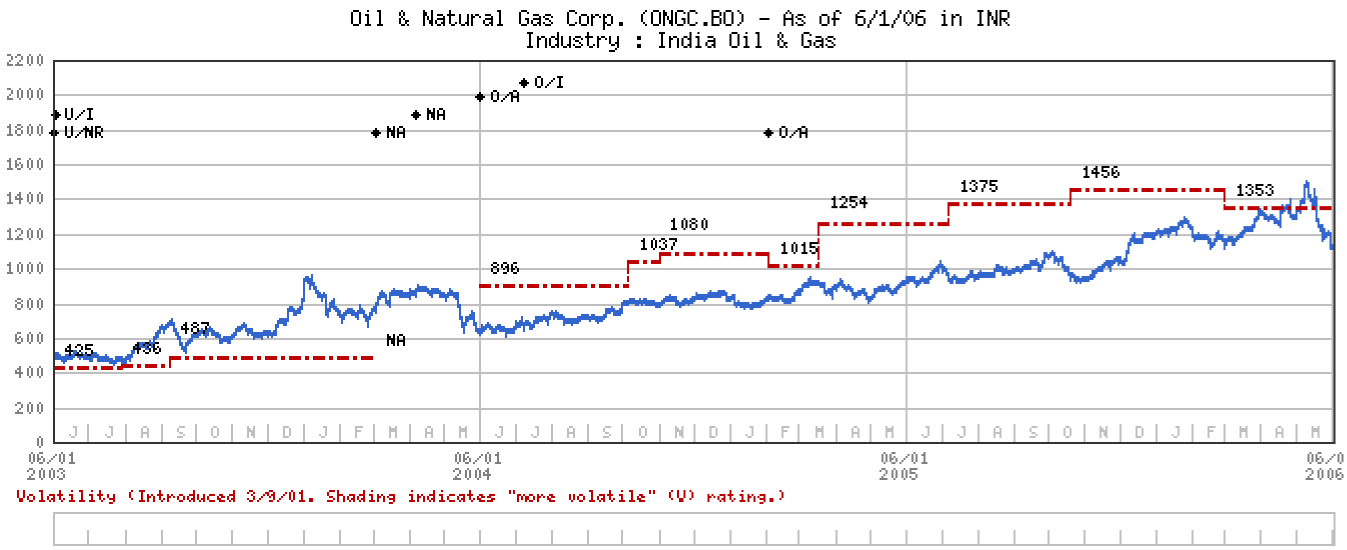
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock price charts and rating histories for companies discussed in this report are available at www.morganstanley.com/companycharts or from your local investment representative. You may also request this information by writing to Morgan Stanley at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 5/30/03 : U/NR; 6/2/03 : U/I; 3/4/04 : NA; 4/7/04 : NA; 5/31/04 : O/A; 7/9/04 : O/I; 2/2/05 : O/A

Price Target History: 3/3/03 : 425; 7/30/03 : 436; 9/8/03 : 487; 3/4/04 : NA; 5/31/04 : 896; 10/6/04 : 1037; 11/1/04 : 1080; 2/3/05 : 1015; 3/17/05 : 1254; 7/7/05 : 1375; 10/19/05 : 1456; 3/1/06 : 1353

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAV)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAV)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Other Important Disclosures

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks. Research is available through your sales representative or on Client Link at www.morganstanley.com and other electronic systems.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section lists all companies mentioned in this report where Morgan Stanley owns 1% or more of a class of common securities of the companies. For all other companies mentioned in this report, Morgan Stanley may have an investment of less than 1% in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Employees of Morgan Stanley not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Morgan Stanley or associated persons.

Morgan Stanley & Co. Incorporated and its affiliate companies do business that relates to companies covered in its research reports, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in its research reports on a principal basis.

With the exception of information regarding Morgan Stanley, reports prepared by Morgan Stanley research personnel are based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the closing price on the primary exchange for the subject company's securities.

To our readers in Taiwan: Information on securities that trade in Taiwan is distributed by Morgan Stanley & Co. International Limited, Taipei Branch (the "Branch"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. This publication may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities. The Branch may not execute transactions for clients in these securities.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Dean Witter Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning this publication, please contact our Hong Kong sales representatives.

Certain information in this report was sourced by employees of the Shanghai Representative Office of Morgan Stanley Dean Witter Asia Limited for the use of Morgan Stanley Dean Witter Asia Limited.

This publication is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Dean Witter Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Dean Witter Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia by Morgan Stanley Dean Witter Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services licence No. 233742, which accepts responsibility for its contents; in Korea by

Morgan Stanley & Co International Limited, Seoul Branch; in India by JM Morgan Stanley Securities Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of this publication in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that this document has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated and Morgan Stanley DW Inc., which accept responsibility for its contents. Morgan Stanley & Co. International Limited, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International Limited representative about the investments concerned. In Australia, this report, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley has based its projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on publicly available information. MSCI has not reviewed, approved or endorsed the projections, opinions, forecasts and trading strategies contained herein. Morgan Stanley has no influence on or control over MSCI's index compilation decisions.

Morgan Stanley research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Morgan Stanley
JM MORGAN STANLEY

MORGAN STANLEY RESEARCH

The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0) 3 5424 5000

Asia/Pacific
Three Exchange Square
Central
Hong Kong
Tel: +852 2848 5200

Industry Coverage:India Oil & Gas

Company (Ticker)	Rating (as of)	Price (06/01/2006)
Vinay Jaising		
Bharat Petroleum Corp. (BPCL.BO)	E (07/07/2005)	Rs371.85
GAIL (India) (GAIL.BO)	U (04/19/2006)	Rs224.00
Hindustan Petroleum (HPCL.BO)	U (07/07/2005)	Rs293.25
Indian Oil Corp (IOC.BO)	++	Rs442.45
Oil & Natural Gas Corp. (ONGC.BO)	Overweight (05/31/2004)	Rs1076.10

Stock Ratings are subject to change. Please see latest research for each company.