

## India News

### Economy

- The rupee surged to close at a nine-year high of 41.85/86 against the dollar on strong capital flows and RBI's absence from the forex markets (Business Line)

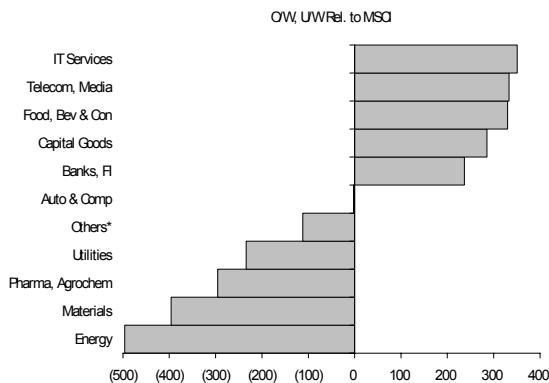
### Industry

- Manufacturing growth in the consumer durables industry dropped to 1.6% in Feb 2007 compared to over 20% growth in the same period last year (The Economic Times)
- Cement dispatches during FY07 stood at an all-time high of 155mt as against 142mt in FY06 (The Financial Express)

### Companies

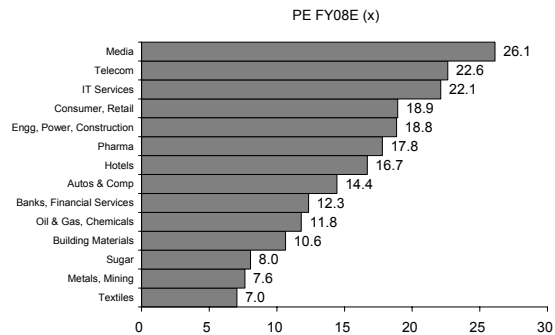
- Essar Global has announced the acquisition of Canadian Steel major Algoma in an all-cash deal worth US\$1.6bn (Financial Express)
- Air Sahara to be renamed Jetlite and positioned between low cost and full service models (Business Line)

### Key Overweights/ Underweights



Source: Citigroup Investment Research

### CIR Universe P/E FY08E (x)



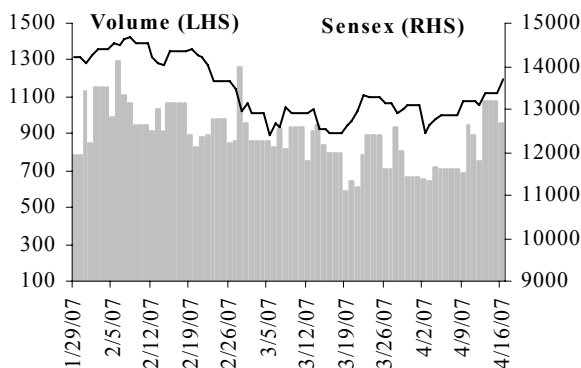
Source: Citigroup Investment Research

**Market Snapshot**

Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	Mkt Volume	(Rs Mils.)
<b>Absolute</b>								BSE	41,450
BSE Sensex	2.33	3.93	10.18	(2.57)	5.94	21.88	(0.66)	NSE	89,510
CIR India Index	2.23	4.64	16.44	3.53	6.48	10.41	6.21	<b>Top Volume*</b>	(Rs Mils.)
Aluminum	1.03	4.17	6.83	(2.35)	(6.14)	(20.76)	(3.79)	GUJARAT AMBUJA CEMENTS LTD.	218.7
Auto	1.94	5.36	0.41	(15.68)	(13.81)	(10.61)	(13.10)	WELSP GUJ SR	306.9
Banks	0.92	2.40	10.15	(9.33)	(0.79)	19.43	(9.57)	IDEA CELL	387.3
Capital Goods	2.29	4.25	20.91	11.23	13.18	19.39	10.40	REL PET	237.3
Cement	4.36	5.44	8.42	(26.15)	(20.74)	(10.41)	(26.89)	TATA STL	1285.8
Consumer	1.88	3.16	15.29	(6.26)	(9.12)	(18.00)	(4.36)	REL COM LTD	555.3
Hotels	(1.29)	3.88	9.31	(4.07)	4.17	11.52	(3.80)	STEEL AUTHOR	253.2
IT Services	1.73	4.06	4.92	(10.04)	(1.31)	17.60	(9.54)	CAIRN IND	163.9
Media	6.66	1.63	17.25	(0.82)	(10.52)	14.24	(7.17)	IDBI LTD	169.3
Oil & Gas	2.86	2.75	13.82	(5.05)	4.55	(3.18)	1.27	MAHANAG TELE	198.5
Petrochemical	3.50	5.50	12.30	8.68	18.99	69.62	14.36	<b>Top Gainers*</b>	<b>Close (Rs)</b>
Pharmaceutical	0.73	1.14	6.42	(4.64)	(4.18)	(14.18)	(1.41)	PUNJ LLOYD	180
Power	2.33	4.46	9.26	(3.88)	4.76	(8.71)	(1.95)	SUZLONENERGY	1,187
Steel	2.41	8.12	24.42	32.57	37.22	34.99	32.69	TATA ELXSI	339
Telecom Equipment	4.41	10.35	13.28	(13.45)	1.96	6.05	(6.53)	TITAN IND.	1,017
Telecom	2.67	5.44	12.28	17.29	52.52	75.74	24.37	ZEE ENTER	272
<b>Relative to BSE-30 Sensex</b>								BALAJI TELE	153
CIR India Index	(0.09)	0.71	6.27	6.10	0.55	(11.46)	6.87	STR OPTICAL	201
Aluminum	(1.30)	0.24	(3.35)	0.22	(12.07)	(42.64)	(3.13)	CROMPTON GREAVES LTD.	214
Auto	(0.39)	1.43	(9.77)	(13.11)	(19.74)	(32.49)	(12.44)	HEXAWARE LTD	184
Banks	(1.41)	(1.53)	(0.03)	(6.76)	(6.73)	(2.45)	(8.91)	WYETH LTD	497
Capital Goods	(0.04)	0.32	10.73	13.80	7.24	(2.48)	11.06	<b>Top Losers*</b>	<b>Close (Rs)</b>
Cement	2.04	1.51	(1.76)	(23.58)	(26.68)	(32.29)	(26.23)	CMC LTD	1,201
Consumer	(0.45)	(0.77)	5.11	(3.70)	(15.06)	(39.88)	(3.70)	SYNGENTA LTD	513
Hotels	(3.62)	(0.05)	(0.87)	(1.50)	(1.76)	(10.36)	(3.13)	NESTLE LTD	1,008
IT Services	(0.59)	0.13	(5.26)	(7.48)	(7.25)	(4.28)	(8.88)	HIND.ZINC	660
Media	4.33	(2.30)	7.07	1.75	(16.45)	(7.63)	(6.51)	EIH LIMITED	102
Oil & Gas	0.54	(1.18)	3.64	(2.48)	(1.39)	(25.06)	1.94	INDIAN BANK	93
Petrochemical	1.17	1.57	2.12	11.24	13.05	47.74	15.02	SHIPPING COR	169
Pharmaceutical	(1.60)	(2.79)	(3.75)	(2.07)	(10.12)	(36.05)	(0.74)	SIEMENS LTD	1,133
Power	0.00	0.53	(0.92)	(1.31)	(1.17)	(30.59)	(1.29)	NAT ALUM CO	238
Steel	0.08	4.19	14.24	35.14	31.29	13.11	33.35	HDFC BANK LT	972
Telecom Equipment	2.09	6.42	3.11	(10.88)	(3.98)	(15.83)	(5.87)		
Telecom	0.34	1.51	2.10	19.86	46.58	53.86	25.04		

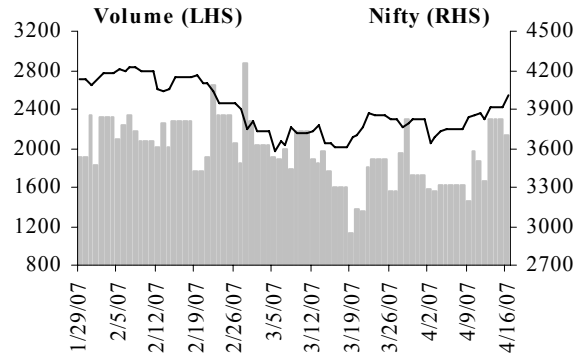
Source: Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

## Tata Consultancy Services (TCS.BO)

Buy: TCS Q4 - Revenues In-Line; Margins Below Expectations

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<b>Buy/Low Risk</b>	<b>1L</b>		
Price (16 Apr 07)	Rs1,285.70		
Target price	Rs1,560.00		
Expected share price return	21.3%		
Expected dividend yield	0.8%		
<b>Expected total return</b>	<b>22.1%</b>		
Market Cap	Rs1,258,200M US\$29,647M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	29.71	42.34	54.12
EPS Growth(%)	39.1	42.5	27.8
P/E	43.3	30.4	23.8
EV/EBITDA	33.9	24.4	18.8
Consensus Data	30.32	42.51	55.43

Price Performance (RIC: TCS.BO, BB: TCS IN)



- **Revenues in-line; margins flat qoq** — Revenue for the quarter was \$1.18b (as against our expectation of \$1.19b). EBITDA margins were flat qoq at 28.3% as against our expectation of 40bp improvement. Higher depreciation resulted in EBIT margins declining by ~50bp qoq. Net profit was helped by a one-off other income due to sale of stake in Sitel – net profit for the quarter was Rs. 11.73b.
- **BFSI revenues flat - industry trend?** — BFSI revenues for TCS were flat in the quarter, which is in-line with that of Infosys. TCS management indicated that it was just a quarterly fluctuation and BFSI revenues are expected to be in the range of 42-43% of revenue going forward.
- **Strong hiring trend indicates momentum** — TCS indicated that demand scenario remains robust. Over FY07, TCS has added 36% to its employee strength. TCS has also made offers to 12,000 candidates for next year and guided to gross addition greater than FY07 (~32,000 employees).
- **Demand strong; rupee the wildcard** — Management reiterated its view that demand remains strong across geographies and service lines. While we remain positive on the prospects of the sector – the sharp rupee appreciation over the last few days remains a big risk to earnings and stock price performance.
- **TCS remains one of our top picks; results near-term dampener** — We believe that TCS with its well-diversified portfolio of services and size will remain one of the key beneficiaries of the offshore trend. Near term, stock could be affected by quarterly result (below expectation) coupled with strong performance YTD. We maintain our Buy/Low Risk recommendation on the stock.

## Indiabulls (IBUL.BO)

Sell: 4Q07 Results - Asset Business Strong; Brokerage, Less So

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<b>Sell/Medium Risk</b>	<b>3M</b>		
Price (16 Apr 07)	Rs514.35		
Target price	Rs350.00		
Expected share price return	-32.0%		
Expected dividend yield	0.8%		
<b>Expected total return</b>	<b>-31.2%</b>		
Market Cap	Rs100,183M US\$2,361M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	15.32	19.86	28.53
EPS Growth(%)	230.0	29.7	43.6
P/E	33.6	25.9	18.0
Consensus Data	30.40	19.73	28.30

Price Performance (RIC: IBUL.BO, BB: IBULL IN)



- **Strong 95% yoy profit growth, well ahead of expectations** — Ibulls reported 4Q07 PAT at Rs1.57bn (+40% qoq), driven primarily by the consumer finance business. FY07 profits were up 75% — 7% ahead of expectations, while 4Q07 profits were ahead 20%. The stock has had a strong run leading to the results; +36% in the last two weeks and well ahead of our target price. Maintain Sell (3M).
- **Consumer finance working up strong momentum** — Revenues from financing activities are up 2.5x yoy and 78% qoq; loans are up 47% qoq to Rs18bn. Though yields have remained stable and high at 25% levels, revenue appears to have been bolstered by upfront securitization gains. Management guides to aggressive new loan disbursements in FY08E, double-digit pretax ROAA's and about 5% expected losses; suggests high growth and potential risks ahead.
- **Brokerage business; lagging growth and revenues** — Broking revenues were down 9% qoq (+32% yoy), and this marks the second declining quarter in a row. Competition in the industry has intensified, and we believe volume growth for Ibulls has stagnated a bit, even as we expect heightened competition in the market place with new entrants. We are factoring in a 35% FY08E revenue growth, but the most recent quarter suggests this could be at risk.
- **Consumer finance drives value, challenges:** Ibulls continues to show strong business momentum – there is, however, a quicker-than-expected shift to consumer finance, and we believe value will increasingly be driven by the successes and challenges of the funding businesses, rather than brokerage.

## Bharati Shipyard (BHAR.BO)

### Buy: Acquires UK-based Swan Hunter's Equipment

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<b>Buy/Medium Risk</b>	<b>1M</b>		
Price (16 Apr 07)	Rs389.95		
Target price	Rs525.00		
Expected share price return	34.6%		
Expected dividend yield	0.6%		
<b>Expected total return</b>	<b>35.3%</b>		
Market Cap	Rs8,774M US\$207M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	15.92	21.03	35.11
EPS Growth(%)	30.9	32.1	67.0
P/E	24.5	18.5	11.1
EV/EBITDA	10.8	9.2	6.7
Consensus Data	22.68	26.08	36.84

#### Price Performance (RIC: BHAR.BO, BB: BHSL IN)



- **Swan Hunter's equipment acquired** — Bharati has announced that it has acquired all the machinery and equipment of UK's Swan Hunter for an undisclosed sum. Bharati will dismantle the equipment from Swan's Tyneside shipyard and ship it to its new (Mangalore) and existing (Ratnagiri) yards.
- **No additional financing required** — The company confirmed that the equipment acquired would essentially substitute the purchase of new equipment (as part of its current expansion plans). The total capex planned for the Mangalore expansion of Rs4.5bn (fully funded), hence remains unchanged.
- **To result in time savings** — Acquisition of Swan's machinery would result in reduction in the lead time involved in ordering new equipment and installing the same at Mangalore. Bharati expects to be able to ship and re-assemble all the acquired equipment within the next 6-8 months, slightly ahead of its original timeline for completing the Mangalore project by end-FY08.
- **Little change to FY08E-09E estimates** — Bharati's FY09E earnings could be positively impacted, albeit marginally, by the earlier commencement of the Mangalore facility. We largely do not factor this in our numbers due to lack of clarity on timing and possible cost savings. Further, this acquisition should not materially increase the company's capacity to deliver vessels beyond what is factored into our numbers. FY08E will not be impacted by the acquisition.
- **Maintain Buy** — We believe fundamentals for Indian shipbuilders remain strong and reiterate our Buy/Medium Risk (1M) rating on the stock with a TP of Rs525.

## India Technical Research Daily

### Expecting Further Gains

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- **Nifty** – The index opened on a strong note and exhibited strength for the entire trading session; it closed around the day high at 4013 with a gain of 96 points.
- **Strength** – After crossing the 50dma at 3881, the index is exhibiting strength. The MACD on the daily chart is in Buy mode. RSI (14)-Relative Strength Index on daily chart is at 62.86; a reading of 70 signifies overbought. The Oscillators are positive and suggest Nifty should move up from current levels. On the upside, the index can test high of 4065 ( 23 February 2007). Support can be seen around 3980 -3940.
- **Conclusion** – Nifty can test higher levels around 4065 intra day.

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**Figure 1: India Technical Research — Index Snapshot**

Indices	Last Close	Current Close	Change(Points)
Sensex	13384	13696	+312
Nifty	3917	4013	+96
Nifty Futures: Current Month	3897	4005	+108

Source: Citigroup Investment Research

**Figure 2: India Technical Research — Support and Resistance**

Indices	Support	Resistance
Sensex	13567-13480-13421	13806-13980-14035
Nifty	3980-3940-3917	4065-4085-4140
Nifty Futures: Current Month	3970-3930-3903	4051-4068-4095

Source: Citigroup Investment Research

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## Analyst Certification Appendix A-1

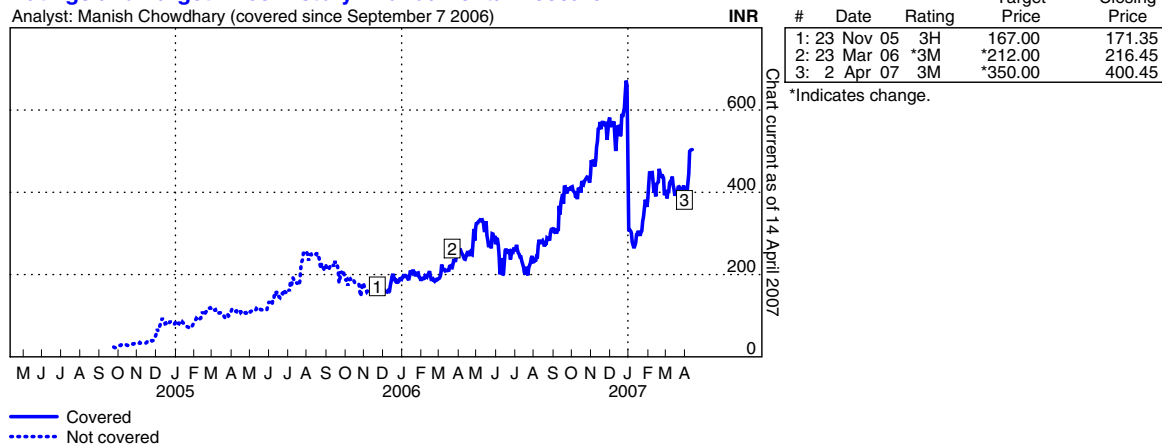
I, Ratnesh Kumar, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly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

### IMPORTANT DISCLOSURES

#### Indiabulls (IBUL.BO)

##### Ratings and Target Price History - Fundamental Research

Analyst: Manish Chowdhary (covered since September 7 2006)



— Covered

..... Not covered

#### Tata Consultancy Services (TCS.BO)

##### Ratings and Target Price History - Fundamental Research

Analyst: Surendra Goyal (covered since October 5 2006)



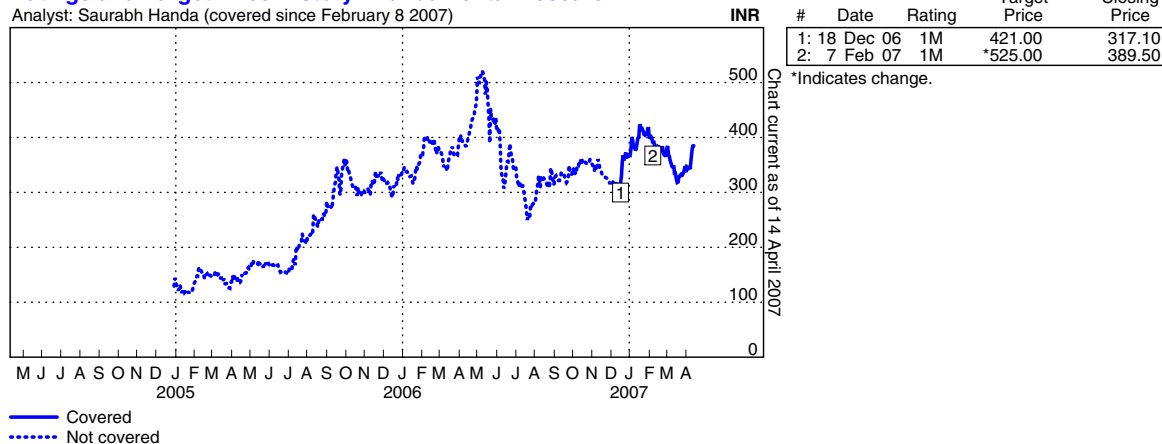
— Covered

..... Not covered

#### Bharati Shipyards (BHAR.BO)

##### Ratings and Target Price History - Fundamental Research

Analyst: Saurabh Handa (covered since February 8 2007)



— Covered

..... Not covered

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*Data current as of 31 March 2007*

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

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CBR risk ratings are approximately equivalent to the following matrix:

- Low Risk -- Triple A to Low Double A
- Low to Medium Risk -- High Single A through High Triple B
- Medium to High Risk -- Mid Triple B through High Double B
- High to Speculative Risk -- Mid Double B and Below

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perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight -- the bond is expected to underperform the relevant sector of the Citigroup indexes.

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