

**'India Unlimited'
Investor conference**

The Ritz Carlton,
Millenia Singapore
March 5-6

Market data as on Feb 21, 2007

INDICES

		% chg (DoD)
BSE Sensex	14188	(0.46)
S&P CNX Nifty	4096	(0.26)
BSE 100	7124	(0.38)
BSE 200	1682	(0.34)
Instanex Skindia DR	2430	(0.01)
Mindex	6026	(0.25)

OVERSEAS MARKETS

		% chg (DoD)
Dow Jones	12738	(0.38)
Nasdaq Comp.	2518	0.21
S&P 500	1458	(0.14)
Hang Seng	20651	0.41
Nikkei	17913	(0.14)

ADVANCES/DECLINES (BSE)

Group	A	B1	B2
Advances	85	279	274
Declines	119	350	396
Unchanged	0	10	22

**FII TURNOVER (BSE+NSE)*
(Rs mn)**

Bought	Sold	Net
20,057	15,318	4,739

NEW HIGHS AND LOWS (BSE)

Group	A	B1	B2
Highs	-	9	26
Low	-	10	3

CURRENCY

US\$1 = Rs44.19

* FII turnover (BSE + NSE) as on
February 20, 2007

India Update

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Highlights

Sector/event	Impact
OIL&GAS: Netback Margin – Monthly update	We reiterate GAIL and Gujarat Gas as our top picks in the sector followed by OMCs BPCL and HPCL, which we have recently upgraded to BUY. Chain margins were robust led by refining, which touched an 11-month high in February. However, retail margins were thwarted by the latest price cut, but we believe oil marketing companies' (OMCs) earnings would not be affected as the Government would likely offset this through oil bonds and duty cuts. The only concern for pure refiners, especially Reliance Industries (RIL), would be a cut in product import duty without a matching reduction in crude oil duty. Also, oil prices have rebounded sharply on the back of a seasonal spike in demand due to colder weather and additional cut announced by OPEC.

News Snippets

Economy

- As per the advance estimates of national income by the Central Statistical Organisation, continued buoyancy in the manufacturing and services sectors would see the Indian economy grow 9.2% in '06-07. (Business Standard)

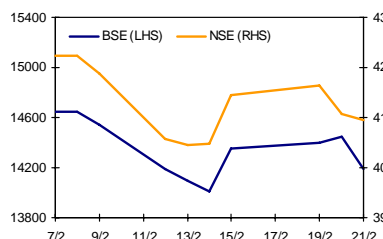
Sectoral

- Even as the Agriculture and Food ministry has initiated the process to have a buffer stock for sugar, the Indian sugar industry is contemplating a voluntary ban on sale of sugar or stopping the ongoing crushing operations in view of the rapidly dipping sugar prices. (The Financial Express)
- The Civil Aviation Ministry's proposal to merge the two national carriers, Indian Airlines and Air-India, to create a mega Rs155bn airline has received the approval from the Empowered Group of Ministers. (The Financial Express)

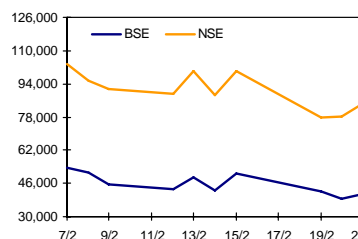
Corporate

- Shell Overseas Investments has bought Bharat Petroleum's 49% stake in Bharat Shell. (The Economic Times)

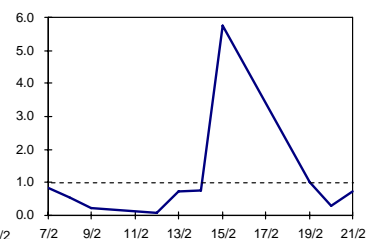
Market movement over last fortnight



Volumes in Rs mn (BSE and NSE)



Advances & Declines ratio (BSE)



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Netback margin monthly

Oil&Gas and Petrochemicals

FEBRUARY '07

Refining sweetens the pot

S. Ramesh

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This product traces stock prices with monthly margins, production & demand for petrochemicals, fuel retailing, refining and oil and discusses topical themes.

We reiterate GAIL and Gujarat Gas as our top picks in the sector followed by OMCs BPCL and HPCL, which we have recently upgraded to BUY. Chain margins were robust led by refining, which touched an 11-month high in February. However, retail margins were thwarted by the latest price cut, but we believe oil marketing companies' (OMCs) earnings would not be affected as the Government would likely offset this through oil bonds and duty cuts. The only concern for pure refiners, especially Reliance Industries (RIL), would be a cut in product import duty without a matching reduction in crude oil duty. Also, oil prices have rebounded sharply on the back of a seasonal spike in demand due to colder weather and additional cut announced by OPEC.

Table 1: Margin summary

(% change)	February '07		January '07	
	MoM	YoY	MoM	YoY
Polyester (petrochem)	(5.2)	4.0	36.7	27.1
Polymer/cracker (petrochem)	(7.2)	5.6	29.5	23.5
Retail motor spirit (MS)	(27.1)	248.9	341.9	123.0
Retail diesel (HSD)	(55.2)	NA	405.9	126.9
Refining (GRM)	103	48.9	229.9	NM
Oil price (IPE Brent)*	7.9	(2.2)	(16.3)	(19.7)

Source: Company data, i-SEC Research; * based on spot prices as on February 14, '07 and January 19, '06; NM: Not meaningful as base period nos are negative

- **Polymer and polyester margins continued their uptrend** in February '07, though the rise was a modest 5.6% YoY and 4% YoY as against a robust 23.5% and 27.1% YoY increase in January '07 respectively.
- **Retail margins crashed due to recent price cuts.** However, sector earnings would remain unaffected as bonds and duty cuts would offset the impact. Blended retail margins were healthy prior to this cut, despite dipping MoM. February '07 margins at Rs1.35/litre have registered a reversal from losses in February '06. Margins improved in January '07 led by a fall in crude prices to sub-US\$53/bl levels.
- **Indian GRMs rose** in January '07 registering a reversal from losses in January '06 – they rose 103% MoM in February '07 to an 11-month high due to higher HSD, SKO and LPG spreads.
- **Oil prices rose 7.9% MoM** due to a cold snap in the US and Europe. However, in the medium term, crude may stabilise at US\$55/bl in FY07E based on a likely increase in spare capacity.

Table 2: Valuation summary

Company	FY06			FY07E			FY08E		
	EPS (Rs)	P/E (x)	EV/E (x)	EPS (Rs)	P/E (x)	EV/E (x)	EPS (Rs)	P/E (x)	EV/E (x)
BPCL	14.8	22.6	12.1	51.4	6.5	5.4	50.5	6.6	5.9
GAIL	27.3	10.3	6.0	26.7	10.6	5.5	32.3	8.8	4.6
Gujarat Gas *	72.8	18.2	11.8	74.1	17.9	10.5	94.8	14.0	7.5
HPCL	5.5	53.4	16.0	39.5	7.4	5.0	39.3	7.4	4.4
Indraprastha Gas	7.5	14.9	5.2	9.3	12.1	4.3	10.0	11.1	3.6
ONGC	71.5	12.2	5.7	85.1	10.2	4.9	103.4	8.4	3.7
Reliance Industries	67.9	20.7	14.7	74.5	18.9	12.3	86.7	16.2	9.8
Sector Average	38.2	21.8	10.2	51.5	11.9	6.8	59.6	10.4	5.6

Source: Company data, i-SEC Research; * Year ending December 31; Valuation ratios as on February 21, '07

Details in our report '*Refining sweetens the pot*' dated February 21, 2007

Recent reports/updates

Analyst	Company/Sector	Date
S. Ramesh	Netback margin monthly: Refining sweetens the pot	Feb 21
S. Ramesh	Oil&Gas sector update: Halcyon days ahead	Feb 15
Rajesh Vora	Dr. Reddy's Lab: Bolstering the base	Feb 9
Amar Kedia	Aviation Sector: Clear horizons	Feb 9
Anand Shah	Godrej Consumer: Outshining the rank	Feb 6
Poonam Nishal	Bharti Airtel: Ringing in success	Feb 5
Vinay Patel	Monetary policy review: Yet another surprise	Feb 1
Shekhar Singh	Mphasis: In the fray	Feb 1
S. Ramesh	Netback margin monthly: Exploding margins	Jan 24
Shekhar Singh	Satyam Computer: Tangy Flavor	Jan 19
S. Ramesh	Reliance Industries: Refined surprise	Jan 19
Shekhar Singh	Infotech Enterprises: Minor roadblock	Jan 17
Shekhar Singh	Wipro: Getting back on track	Jan 17
Vinay Patel	Market Strategy: Still packs a punch	Jan 16
Shekhar Singh	HCLT: Upbeat Mood	Jan 16
Shekhar Singh	TCS: Robust Performance	Jan 16
Shekhar Singh	Infosys Technologies: In line with expectations	Jan 11
Anand Shah	FMCG Quarterly results preview: Keep the faith	Jan 9
S. Ramesh	Oil&Gas Quarterly results preview: Steals the show	Jan 5
Shilpa Gupta	Automobile Quarterly results preview: Upbeat tempo	Jan 5
Shekhar Singh	Technology Quarterly results preview: Time for prudence	Jan 4
Rajagopal Ramanathan	Banking Quarterly results preview: Triumphant act	Jan 4
Omprakash / Amarnath	Media Quarterly results preview: Buzzmakers	Jan 4
Poonam Nishal / R. Amarnath	Utilities Quarterly results preview: Brimming with energy	Jan 3
Rajesh Vora	Pharma Quarterly results preview: On growth wavelength	Jan 2

Quarterly results date reckoner

No.	Companies	Date of result
1	Gujarat Gas	February 23
2	Aventis Pharma	Date awaited
3	Nestle India	Date awaited

ANALYST CERTIFICATION

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