

# India Update


**Merrill Lynch**
**India Research Team >>** +91 22 6632 8658

 DSP Merrill Lynch (India)  
 jyoti\_jaipuria@ml.com

[See Team Page for Full List of Contributors](#)

## Highlights from the previous week

Finance Minister has partly relaxed the specific excise duty of Rs600/ton on cement sold at more than Rs190 a bag (of 50 kg) to be replaced with an ad valorem duty of 12% and also relaxed the export tax on iron ore – media.

## Corporate Highlights This Week

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**Automotive Axles:** 2Q net profit grew 42% to Rs144mn; margins down to 17.2%.

**GSK India** reported 1Q adjusted net profit of Rs1.1bn (8% growth YoY)

**Gujarat Gas'** 1Q 2007 recurring net profit was up 22% YoY to Rs323mn.

**HLL's** 1Q profit grew 12% to Rs3.3bn aided by 31% rise in other income.

## Ratings/ Estimates Change

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**Cement:** upgraded ACC, Gujarat Ambuja, UltraTech, Shree Cement & India Cement from Sell to Neutral; Short-term trading opportunity – Buy

**Bharti Airtel:** Raised PO to Rs1,000 (Rs850). 4Q PAT Rs13.5bn, up 98% YoY.

**Cairn India:** Cut EPS - 2007E-08 -47-50%; 2009E-11 - 2-9%; 1Q PAT Rs376mn.

**ICICI Bank:** Cut PO to Rs1,125; 7% EPS cut for FY08 & FY09; topline grew 36%.

**Educomp Sol.:** Raised PO to Rs1,600; FY08 & FY09 EPS by 4% & 8%, resp.

**Mphasis-BFL:** Up to Buy; raised FY08 & FY09 EPS by 10% & 15%; PO- Rs385.

**Firstsource Sol.:** Raised FY08 & FY09 EPS by 4% & 7%; PO -Rs105 (by 11%).

**Pantaloon:** Cut EPS by 20% over FY07-09; 3Q profit - Rs187mn, up 15% YoY.

**Raymond:** Earnings cut 40% over FY08-09; downgraded to Sell.

**Reliance Comm:** cut profit by 6% - FY08E; 10% - FY09E; PO to Rs540 (Rs580).

**HDFC:** Raised earnings by 2% - FY08-09; 4Q earnings at Rs5.5bn, up 29% YoY.

## Economic Overview

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Forex reserves rose US\$254mn to US\$204.135bn as on 27 Apr 2007.

Inflation fell to 5.77% for week ended 21 April 2007.

## Stock Market Overview

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The BSE Sensex was up by 0.2% last week. Trading volumes were down by 1.3% and the Advance/Decline ratio was 1.5 at BSE.

Top performers of the week: Indiabulls, Colgate, GAIL, Moser-Baer & Nestle.

Worst performers: ICICI Bank, HLL, i-Flex Solution, Sun Pharma & HDFC.

## New Reports Published

**Mid-cap:** Adding Firstsource Solutions to Top Mid-cap Buys

**Model Portfolio:** Adding weight to Grasim

**Table 1: Model Portfolio**

	MSCI Wt	Recommended ML Wt.
<b>Telecom</b>	4.7%	11.0%
: Bharti Tele		6.0%
: Reliance Com		5.0%
<b>Industrials/Cement</b>	9.9%	17.0%
: Grasim		5.5%
: BHEL		6.0%
: L&T		5.5%
<b>Software</b>	20.8%	24.0%
: TCS		10.0%
: Infosys		8.0%
: Satyam		6.0%
<b>Financials</b>	21.2%	21.0%
: ICICI Bank		12.0%
: SBI		9.0%
<b>Energy</b>	17.8%	15.0%
: Reliance		15.0%
<b>Pharma</b>	5.1%	4.0%
: Dr. Reddy's		4.0%
<b>Consumer</b>		
<b>Discretionary</b>	7.1%	5.0%
: Maruti Udyog		5.0%
<b>Consumer Staples</b>	6.0%	3.0%
: ITC		3.0%
<b>Metals</b>	3.2%	0.0%
<b>Others</b>	4.2%	0.0%

Source: ML Research

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Refer to important disclosures on page 25 to 27. Analyst Certification on page 23. Price Objective Basis/Risk on page 21.

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## News This Week

### Economics

- Finance Minister has announced that FBT on ESOPs would be calculated at the time of vesting the options to the employees and not at the time of allotment as proposed in the Budget - media.

### Politics

- Pakistan High Commissioner to India Shahid Malik has said that Pakistan is ready to discuss the Safta dispute (issue of the positive list) with India but the resolution of trade issues would depend on resolving political issues - media.

### Corporate

- The Bombay HC has restrained RIL from selling gas from its field off India's east coast to any company other than Reliance Natural Resources - media.
- The Rajasthan government is set to hold fresh rounds of negotiations with ONGC set up a refinery in Barmer - media.
- As per an IDC report, the Indian IT/ITeS industry is forecast to grow at 18% CAGR until 2001 to \$100bn - media.
- Wipro is close to setting up an IT park in Nagpur and is believed to have acquired 117 acres of land at the new SEZ in the city - media.
- M&M has deferred its plans to launch open offers to buy 20% stake in both Punjab Tractors and Swaraj Engines - media.
- April vehicle sales: Hero Honda - 4.86% at 2,62,544 units; Bajaj Auto – 13% decline in motorcycle sales - media.
- Bharat Forge is to enter the non-automotive forgings business and set up a greenfield 30,000tpa facility at Maharashtra at an outlay of Rs3.5bn - media.
- Wockhardt has entered into an agreement with Ifrah Finance S.A. of France to acquire Negma Lerads S.A.S, a French Pharmaceutical Group - media.
- Pakistan has asked India to remove non-tariff barriers so that it can enhance cement exports, as it faces shortage of the key building material - media.
- Binani Cement to set up new cement mfg plant in Gujarat in 3-4 yrs - media.
- Reliance Comm is to list its wholly-owned subs, Flag Telecom and recently spun-off tower business over the next six months - media.
- GMR Group plans to set up an airport-based SEZ near the new Hyderabad International Airport, which it has the mandate to develop - media.
- Colgate Palmolive (India) has announced Rs1.22bn for shareholders; it will pay Rs9/sh while reducing its equity capital and cash on its books - media.
- Wal-Mart Stores is close to finalising an agreement with Bharti for a wholesale cash-and-carry venture, and will open its first store next year - media.
- The RPG group has announced Rs2bn plan for its retail foray in Orissa to set up retail chains in different parts of the state over next 1-2 years - media.
- SKF India has announced an investment of over Rs1.5bn to set up a greenfield manufacturing facility in Haridwar, Uttarakhand - media.

*Source: Collated from Bloomberg and the following news papers-Economic Times, Business Standard & Financial Express dated 30 April-4 May 2007*

## Corporate Highlights This week

### Model Portfolio — Adding weight to Grasim

#### Adding weight to Grasim; removing NTPC

We view the excise duty concessions by the Finance Minister as a signal that there is a thaw in the negative stance of the Government vis-a-vis the cement industry. We are, therefore, adding to our weight on the cement sector (by 250 bps) through Grasim, which is our top cement pick. We are correspondingly removing NTPC from our model portfolio following its sharp rally over the past 3 months (up 11.5% outperforming the Sensex by 14%).

#### Excise changed to ad valorem a short term opportunity

The Finance Minister has changed the excise duty structure on cement from a specific rate of Rs600/ton (for cement prices of more than Rs190/bag) to an ad valorem rate of 12% on the retail price. This is the first concession for the industry after a series of measures since the budget that have been negative for the sector. The sector could see higher than forecast profit growth in FY08 if the excise duty sops are not passed on.

Table 2: Model Portfolio

	Symbol	Rating	MSCI Wt	Recommended ML Wt.	% Overweight
<b>Telecom</b>			<b>4.70%</b>	<b>11.00%</b>	<b>132.00%</b>
: Bharti Tele	BHTIF	C-1-9		6.00%	
: Reliance Com	RCLMF	C-1-7		5.00%	
<b>Industrials/Cement</b>			<b>9.90%</b>	<b>17.00%</b>	<b>71.70%</b>
: Grasim	GRSJF	C-2-7		5.50%	
: BHEL	BHRVF	C-1-7		6.00%	
: L&T	LTOUF/LTORF	C-1-7/C-1-7		5.50%	
<b>Software</b>			<b>20.80%</b>	<b>24.00%</b>	<b>15.30%</b>
: TCS	TACSF	C-1-7		10.00%	
: Infosys	INFYF/INFY	C-1-7/C-1-7		8.00%	
: Satyam	SAYPF/SAY	C-1-7/C-1-7		6.00%	
<b>Financials</b>			<b>21.20%</b>	<b>21.00%</b>	<b>-1.10%</b>
: ICICI Bank	ICIJF/IBN	C-1-7/C-1-7		12.00%	
: SBI	SBINF/SBKFF	C-1-7/C-1-7		9.00%	
<b>Energy</b>			<b>17.80%</b>	<b>15.00%</b>	<b>-15.90%</b>
: Reliance	XRELF	C-1-7		15.00%	
<b>Pharma</b>			<b>5.10%</b>	<b>4.00%</b>	<b>-21.20%</b>
: Dr. Reddy's	DRRDF/RDY	C-1-7/C-1-7		4.00%	
<b>Consumer Discretionary</b>			<b>7.10%</b>	<b>5.00%</b>	<b>-29.40%</b>
: Maruti Udyog	MUDGF	C-1-7		5.00%	
<b>Consumer Staples</b>			<b>6.00%</b>	<b>3.00%</b>	<b>-49.70%</b>
: ITC	ITCTF/ITCTY	C-1-7/C-1-7		3.00%	
<b>Metals</b>			<b>3.20%</b>	<b>0.00%</b>	<b>-100.00%</b>
<b>Others</b>			<b>4.20%</b>	<b>0.00%</b>	<b>-100.00%</b>

Source: Merrill Lynch Research

Jyotivardhan Jaipuria >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Model Portfolio — Adding weight to Grasim by Jyotivardhan Jaipuria >> 4 May, 2007 for additional information, as well as important footnotes and disclaimers**

## Nicholas Piramal India – Robust guidance in the price; Maintain Neutral

### Earnings Review

#### 4Q slightly ahead of MLe; Maintain Neutral

NPL reported 4Q revenues of Rs6.4bn, (52% growth YoY), in line with MLe while adjusted net profit of Rs561mn (226% growth YoY) was about 10% ahead of MLe driven by impact of acquisitions (Morpeth, Avecia). Maintain Neutral noting fair valuations, high gestation phase for custom manufacturing projects, execution risks and concern on equity dilution (plans to raise US\$1.5bn for CMO space).

#### Management Guidance of Rs14EPS in FY08E (MLe at Rs13.6)

For FY08E, management guidance of Rs14 reflects a 28% EPS growth driven by overall 25% growth in base business and over 100% growth in the India assets based CMO business. EBITDA margin guidance of 15.5% is in line with MLe. We estimate 16% EPS growth in FY08E.

#### Significant capex to continue for execution of CMO business

Within custom manufacturing (CMO) NPL's 39 late life cycle projects will likely involve most of US\$50mn capex in FY08E (likely US\$100mn+ capex in next two years). NPL currently has single digit ROCE in the CMO business.

#### Overall lower margin from Avecia business to continue

While NPL's acquisition of Pfizer's Morpeth facility (about 15% of revenues) will likely deliver margin in line to overall company, we estimate that margins from the Avecia business (12-14% of revenues) will likely continue to remain significantly below the overall 15.5% margin for NPL.

Table 3: Stock Data

Price	Rs250.95
Investment Opinion	C-2-7
Volatility Risk	HIGH
52-Week Range	Rs150.40-Rs283.90
Mrkt Val / Shares Out (mn)	US\$1,281 / 209.8
Average Daily Volume	113,207
ML Symbol / Exchange	XNIGF / BSE
Bloomberg / Reuters	NP IN / NICH.BO
ROE (2007E)	22.60%
Net Dbt to Eqty (Mar-2006A)	21.40%
Est. 5-Yr EPS / DPS Growth	46.1% / 0%
Free Float	49.50%

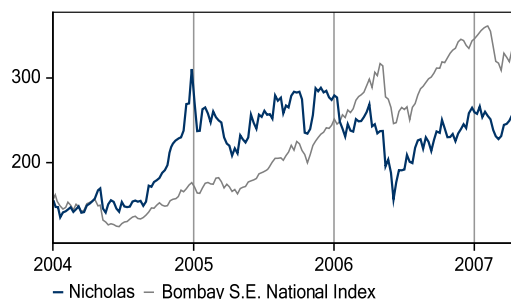
Source: ML Research

Table 4: Estimates/Valuation (Mar)

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	1,098	1,239	2,285	2,858	3,310
EPS	5.61	5.9	10.89	13.62	15.78
EPS Change (YoY)	-49.00%	5.20%	84.50%	25.10%	15.80%
Dividend / Share	3	3	3	3	3
Free Cash Flow / Share	-0.953	-7.87	-6.43	-0.008	15.23
P/E	44.70x	42.50x	23.04x	18.42x	15.91x
Dividend Yield	1.20%	1.20%	1.20%	1.20%	1.20%
EV / EBITDA*	60.92x	27.59x	14.79x	11.60x	9.97x
Free Cash Flow Yield*	-0.35%	-3.14%	-2.56%	0.00%	6.07%
EV / Sales	4.34x	3.58x	2.29x	1.82x	1.55x

Source: ML Estimate

Chart 1: Nicholas vs. BSE National Index



Source: ML Research

Visalakshi C >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Nicholas Piramal India – Robust guidance in the price; Maintain Neutral by Visalakshi C >> 30 April, 2007 for additional information, as well as important footnotes and disclaimers**

## GlaxoSmithKline Pharmaceuticals Ltd. — 1Q beats MLe; Maintain Buy

### Earnings Review

#### 1Q ahead of MLe; improved visibility ahead

GSK India reported 1Q adjusted net profit of Rs1.1bn (8% growth YoY) 11% ahead of MLe while revenue growth in pharmaceuticals improved slightly to 5%. Higher EBITDA margin (34.4%) was due to greater contribution from priority brands. We estimate 15% EPS CAGR (CY06-08E) driven by priority focused brands and vaccines. Further 2008 will likely reflect impact of new vaccines and patented launches. Maintain Buy with Po of Rs1296/share

#### Three patented launches by 2010; one launch in 2007

GSK expects India launch of three patented drugs by 2010, of which Tykerb (breast cancer) is scheduled for end'07. The other two products could be - (a) Eltrombopag (platelet aggregation) and (b) Allermist (allergic rhinitis).

#### Two vaccine launches likely by mid-08

Vaccines currently under registration in India are - (a) Rotarix vaccine (rotavirus vaccine for dehydration in children): likely end'07/early'08 launch with US\$50mn revenue potential over 5 yrs (b) Streptorix vaccine (pneumonia): likely '09 launch.

#### Plans entry into newer therapies; US\$300mn+ cash in books

Management is currently exploring newer growth avenues like entry into oncology, dermatology, biotech as well as significant scale-up of its diabetes portfolio. Further, options of in-licensing as well as brand/company acquisitions are also being explored. GSK currently has over US\$300mn cash in its books.

#### Clinical development activity to scale-up

GSK indicated that nearly 8% of global clinical trials are being done out of India and this is expected to scale-up further. Margins in this business is however low.

Table 5: Stock Data

Price	Rs1,162
Price Objective	Rs1,296
Date Established	26-Jul-06
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs891.15-Rs1,489
Mrkt Val / Shares Out (mn)	US\$2,395 / 84.7
Average Daily Volume	14,777
ML Symbol / Exchange	GXOLF / BSE
Bloomberg / Reuters	GLXO IN / GLAX.BO
ROE (2007E)	33.70%
Net Dbt to Eqty (Dec-2006A)	-2.50%
Est. 5-Yr EPS / DPS Growth	26.0% / 15.0%
Free Float	49.30%

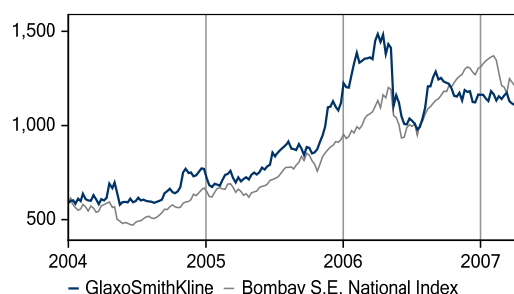
Source: ML Research

Table 6: Estimates/Valuation (Dec)

(Rs)	2005A	2006A	2007E	2008E	2009
Net Income (Adjusted - mn)	3,110	3,672	4,340	4,823	NA
EPS	36.72	43.35	51.24	56.94	NA
EPS Change (YoY)	14.90%	18.10%	18.20%	11.10%	NA
Dividend / Share	28	28	28	28	NA
Free Cash Flow / Share	59.61	53.64	58.31	67.87	NA
P/E	31.65x	26.80x	22.68x	20.41x	NA
Dividend Yield	2.41%	2.41%	2.41%	2.41%	NA
EV / EBITDA*	18.64x	16.59x	15.75x	13.64x	NA
Free Cash Flow Yield*	5.13%	4.62%	5.02%	5.84%	NA
EV/Sales	5.62x	5.39x	4.96x	4.51x	NA

Source: ML Estimates

Chart 2: GlaxoSmithKline vs. BSE National Index



Source: ML Research

Visalakshi C >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the GlaxoSmithKline Pharmaceuticals Ltd. — 1Q beats MLe; Maintain Buy by Visalakshi C >> 30 April, 2007 for additional information, as well as important footnotes and disclaimers**

**Table 7: Stock Data**

Price	Rs529.40
Price Objective	Rs715.00
Date Established	24-Nov-06
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs331.00-Rs690.00
Mrkt Val / Shares Out (mn)	US\$194 / 15.1
Average Daily Volume	3,043
ML Symbol / Exchange	XATOF / BSE
Bloomberg / Reuters	ATXL IN / ATOA.BO
ROE (2007E)	49.50%
Net Dbt to Eqty (Sep-2007A)	54.80%
Est. 5-Yr EPS / DPS Growth	25.0% / 25.0%
Free Float	30.00%

Source: ML Research

## Automotive Axles – Strong quarter, reiterate Buy

### Country Overview

#### Profits surge with sales growth

Q2 performance was better than our expectations. Net profit grew 42% to Rs144mn (MLe Rs128mn), although margins were down by 79bps to 17.2%. Exports continued their strong run, supported by buoyant domestic growth. We maintain Buy with PO of Rs715.

#### Margin pressure expected to ease

EBITDA increased to Rs270mn (50.2% YoY) as sales grew 57.1%. Margins however declined 79bps to 17.2%, on account of margin pressure in exports, which could be due to the change in product mix of component supply.

#### Sales led by surge in exports

Net sales grew 57% to Rs1.57bn. This was driven by exports (up 210% at Rs228mn). We expect exports to sustain growth over the medium term. Domestic sales grew 46% to Rs1.57bn, in line with off take of truck OEMs.

#### Forecasts tweaked marginally

Despite this stronger than expected performance, we are maintaining forecasts as we factor in incremental growth at lower margins. We estimate 24% EPS CAGR over FY06-08E.

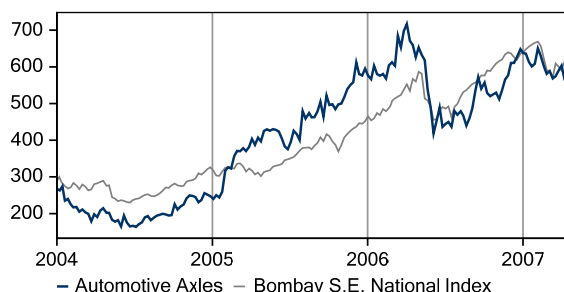
#### PO retained at Rs 715

Despite marginal earnings revision, we retain our PO at Rs 715. This is based on the imputed multiple of ~16x FY08E EPS (YE Sept), which represents a 20% discount imputed to group concern, Bharat Forge (XRRGF; C-1-7; Rs322.90), being smaller in size.

**Table 8: Estimates/Valuation (Sep)**

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	369	434	545	667	768
EPS	24.39	28.69	36.07	44.13	50.82
EPS Change (YoY)	62.80%	17.60%	25.70%	22.40%	15.10%
Dividend / Share	12.5	13	14	18	22
Free Cash Flow / Share	4.69	22.51	9.59	18.21	35.88
P/E	21.71x	18.45x	14.68x	12.00x	10.42x
Dividend Yield	2.36%	2.46%	2.64%	3.40%	4.16%
EV / EBITDA*	13.04x	10.42x	9.00x	7.52x	6.58x
Free Cash Flow Yield*	0.89%	4.25%	1.81%	3.44%	6.78%

Source: ML Estimates

**Chart 3: Automotive Axles vs. BSE National Index**


Source: ML Research

Arun S &gt;&gt;

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Automotive Axles – Strong quarter, reiterate Buy by Arun S >> 1 May, 2007 for additional information, as well as important footnotes and disclaimers**

**Table 9: Stock Data**

Price	Rs199.40
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	Rs166.00-Rs295.85
Mrkt Val / Shares Out (mn)	US\$10,682 / 2,201.2
Average Daily Volume	665,597
ML Symbol / Exchange	HINLF / BSE
Bloomberg / Reuters	HLVR IN / HLL.BO
ROE (2006E)	61.90%
Net Dbt to Eqty (Dec-2005A)	-12.90%
Est. 5-Yr EPS / DPS Growth	15.0% / 15.0%
Free Float	49.00%

Source: ML Research

## Hindustan Lever Ltd. — Another poor quarter Earnings Review

### Mar Q disappoints; reiterate Sell

Mar Q profit (before extraordinary items) of Rs3.3bn grew only 12% (vs. our estimate of 16% yoy growth), that too aided by 31% jump in other income. EBITDA growth was even lower, at 9.5% vs. our forecast of 16% growth.

### Core businesses grow below expectations

HPC sales grew 8.7% and EBIT growth was also poor at 11.3%. We believe structural issues of high penetration and limited pricing power continue to hinder growth. Reported topline growth is stronger at 13.8%, but is led by very low margin categories of foods and exports.

### Competitive pressures to intensify

We expect ITC to enter the soaps and shampoo categories in the near future. We also expect P&G to launch its skincare business in India, implying a tougher competitive outlook for HLL.

### Margin outlook is dismal

We expect HLL's margin to remain under pressure owing to steep raw material inflation, likely new competition from ITC and P&G, and management plans to rebuild its foods business.

### Valuation rich; de-rating likely to continue

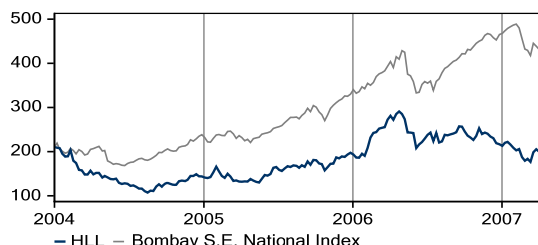
We believe HLL is a secular growth story of sub 15%, but market expectations continue to run high. Consensus earnings downgrades and news flow on new competition will in our opinion continue to de-rate the stock.

**Table 10: Estimates/Valuation (Dec)**

(Rs)	2004A	2005A	2006E	2007E	2008E
Net Income (Adjusted - mn)	11,505	13,105	15,399	17,967	20,504
EPS	5.23	5.95	7	8.16	9.31
EPS Change (YoY)	-32.10%	13.90%	17.50%	16.70%	14.10%
Dividend / Share	5	5	6	7.1	8.01
Free Cash Flow / Share	4.41	9.4	8.07	8.21	9.61
P/E	38.15x	33.49x	28.50x	24.43x	21.41x
Dividend Yield	2.51%	2.51%	3.01%	3.56%	4.02%
EV / EBITDA*	30.02x	29.18x	25.56x	21.79x	19.12x
Free Cash Flow Yield*	2.21%	4.71%	4.05%	4.12%	4.82%

Source: ML Estimates

**Chart 4: HLL vs. BSE National Index**



Source: ML Research

Vandana Luthra >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Hindustan Lever Ltd. — Another poor quarter by Vandana Luthra >> 1 May, 2007 for additional information, as well as important footnotes and disclaimers**



## Ratings / Estimates Change

### Cement – Upgrade to Neutral as Govt. thaws Rating Change

#### Excise duty changed to ad-valorem; Govt. softens stance

The finance minister has changed the excise duty structure on cement from a specific rate of Rs600/ton (for cement prices above Rs190/bag), to an ad-valorem duty of 12% on the retail price; currently cement prices across India average ~Rs227/bag. By moving to a lower excise rate vs earlier, the govt. has signaled a softer stance towards the industry. This is likely the first govt. measure in recent months that does not threaten industry profitability, versus earlier measures like cut in import duty on cement to zero & phasing out of countervailing duty on imports. Ad-valorem duty may also make it easier for govt. to monitor price trends.

#### Short-term trading opportunity - Buy

We see short-term buying opportunity as the threat of any severe government measures against the industry has likely blown away. The industry could reap higher-than-forecast profits in FY08E if the implicit reduction in excise duty is not passed-thru via lower cement prices. While immediate price increases seem unlikely, the industry's maneuverability over a few quarters may also improve.

#### Rating upgraded to Neutral; outlook of FY09 downturn stays

We have upgraded our rating on ACC, Gujarat Ambuja, UltraTech, Shree Cement & India Cement, from Sell to Neutral; Grasim continues to be Neutral rated. We think there is short-term upside to the sector on potentially stronger FY08E profit outlook. However, the window for upside is short as we expect earnings downturn in FY09E due to large capacity additions that are currently underway. The sector will likely remain volatile as investors weigh strong quarterly profits for next 2-3 quarters versus the likelihood of timely capacity additions from 1Q FY09 onwards.

#### No earnings revision, potential upside; Grasim is top pick

Our rough-stab calculations point to an implicit excise duty saving of ~Rs3-4/bag due to change in the duty structure. This implies 4-9% earnings upside across our coverage universe for FY08E assuming no pass-thru. UltraTech & India Cements have the highest earnings upside (~7-9%), followed by ACC & Shree (6-8%); Ambuja Cements & Grasim have the least profit sensitivity (~4-6% upside). On a valuation comparison, however, Grasim appears most attractive & remains our top pick in the sector. We also like UltraTech & ACC. Ambuja is our least preferred pick.

#### Industry supply-demand: tight in FY08, overhang in FY09

We expect the cement industry's capacity utilization to stay tight at ~90% in FY08E, reflecting continued strong demand and low capacity additions. However, utilization will likely plunge to ~77% by Mar '09 as nearly 42mn tons of composite capacity is scheduled to be added across the industry through FY09.

Table 11: Industry supply-demand outlook

As on 31 March (mn tpa)	FY06	FY07E	FY08E	FY09E
Cement Capacity	161	166	184	232
Effective Clinker Capacity	126	131	143	186
Capacity growth	5%	3%	9%	30%
Cement Demand	141	154	166	179
Demand growth	13%	9%	8%	8%
Domestic Consumption	135	149	160	173
Growth in domestic consumption	12%	10%	8%	8%
Exports	6	5.9	5.9	5.9
Export growth	48%	-2%	0%	0%
Cement - Capacity Utilisation	88%	93%	91%	77%
Cement/Clinker Ratio	1.28	1.33	1.33	1.33
Blended Cement as % of total production	61%	70%	70%	70%
Clinker Exports	3.2	3.1	3.1	3.1
Clinker - Capacity Utilisation (incl. Exports)	90%	91%	90%	74%
Clinker - Capacity Utilisation (excl. Exports)	88%	89%	88%	72%

Source: ML research

Reena Verma Bhasin, CFA >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Cement — Upgrade to Neutral as Govt. thaws by Reena Verma >> 4 May, 2007 for additional information, as well as important footnotes and disclaimers**



**Table 12: Stock Data**

Price	Rs322.00
Price Objective	Rs385.00
Date Established	3-May-07
Investment Opinion	C-2-7 to C-1-7
Volatility Risk	HIGH
52-Week Range	Rs121.00-Rs329.45
Mrkt Val / Shares Out (mn)	US\$1,617 / 207.0
Average Daily Volume	147,555
ML Symbol / Exchange	MPSSF / BSE
Bloomberg / Reuters	MPHL IN / MBFL.BO
ROE (2007E)	23.00%
Net Dbt to Eqty (Mar-2006A)	-14.40%
Est. 5-Yr EPS / DPS Growth	22.0% / 22.0%
Free Float	49.00%

Source: ML Research

## Mphasis-BFL Ltd. — Upgrade to Buy with above consensus PO of RS385

### Rating Change

#### Raise estimates & rating to Buy with PO of Rs385

Raise FY08 & FY09 EPS estimates by 10% and 15% for strong 49% EPS CAGR over FY07-09E. Our concerns on integration issues post EDS takeover have been allayed by last two quarters strong execution e.g. increased offshore revenues, success in deal wins with EDS and mix-led margin improvement in BPO. Higher annuity revenues enhances visibility. Our PO of Rs385 is at 0.6 PEG vs our target PEG of 0.5 to 1x for peers.

#### IT services: Enhanced revenue visibility and momentum

Last two quarters results reflected continued momentum in deal flows through EDS. It signed over twelve deals and won its second large deal (Retail client) jointly with EDS. Management commented that revenue visibility has improved significantly as average deal sizes are larger and a few have over 5-7 year revenue visibility. Share of revs from maintenance grew to 41% vs 35% last year.

#### BPO: 4Q beats expectation; Improving mix

Share of non voice revenues increased to 40% vs 31% in 3Q and in line with management's target of a 50% non-voice based revenue share. Gross margins improved by 300bps to 28% driven by improved utilization and higher share of research and analytic outsourcing services.

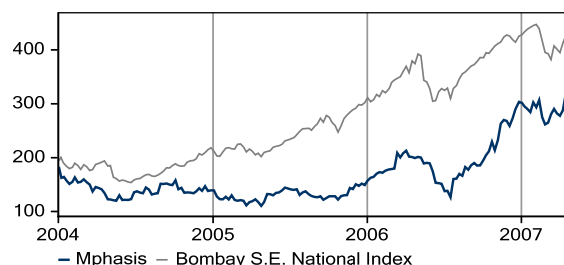
#### Attractive valuation; Strong hiring; Buy with PO of Rs385

The stock is attractively valued at 0.46 FY08E to FY07-09E EPSg vs peers like Satyam, Patni and Hexaware at over 0.6. Our PO implies a PEG of 0.6 and target FY09e P/E of 20x, lower than current FY08e PE of 23x. Post Mar quarter strong hiring of 2,600 people, we believe management's CY07 guidance of recruiting 10,000 employees appears achievable, and underpins our 2 yr EPSg of 49%.

**Table 13: Estimates/ Valuation (Mar)**

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	1,246	1,499	1,789	2,874	3,965
EPS	7.92	9.31	8.64	13.88	19.16
EPS Change (YoY)	-11.70%	17.50%	-7.10%	60.60%	38.00%
Dividend / Share	2.2	2.5	2	3.2	3.5
Free Cash Flow / Share	6.68	5.71	2.77	4.54	5.2
P/E	39.59x	33.70x	36.29x	22.59x	16.37x
Dividend Yield	0.70%	0.80%	0.64%	1.02%	1.12%
EV / EBITDA*	43.82x	31.54x	21.41x	14.05x	10.03x
Free Cash Flow Yield*	1.62%	1.42%	0.88%	1.45%	1.66%

Source: ML Estimates

**Chart 5: Mphasis vs. BSE National Index**


Source: ML Research

Pratish Krishnan &gt;&gt;

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Mphasis-BFL Ltd. — Upgrade to Buy with above consensus PO of RS385 by Pratish Krishnan >> 3 May, 2007 for additional information, as well as important footnotes and disclaimers**

## Firstsource Solutions Ltd. — Busy hiring

### Price Objective Change

#### Raising estimates & PO, Reiterate Buy

Post aggressive hiring in 4Q, bullish commentary on growth in the next couple of years and lower tax outlook post transfer pricing study, we raise FY08 and FY09 EPS estimates by 4% and 7% and up our PO by 11% to Rs105. Over FY07-09 we forecast strong 50% PAT & 38% EPS CAGR (post IPO dilution). Reiterate Buy; one of our top 2 mid-cap picks.

#### Strong growth in 4Q; Beats MLe on tax; Controlled attrition

In line strong 4Q revenues growth of 29% qoq, 67% yoy with organic growth of 16% qoq, 51% yoy. EBITDA up 30% qoq, 51% yoy with margin expansion of 33bps. Margins lower than MLe due to initial costs on Hutch ramp. FY07 attrition (post 3m) at 42%, lower than Wipro BPO at 60% and WNS at 43% (post 6m). PAT +16% qoq, 61% yoy beating MLe by 26% due to lower taxes & forex gains.

#### Record employee adds, 4Q hiring exceeds 9m hiring

Management guided for strong FY08 revenue growth of 50%, led by strength in telecom/media and collections. The Hutch account, which ramped in 4QFY07 and this quarter, is a 4,000+ person account, as per our estimate. 4Q hiring was a record 3,300 organic additions, higher than 2,367 employee adds in 9m.

#### Attractive valuation; Visible growth, expanding margins

Our PO is at 22x FY09E PE at a PEG of 0.9 and current FY08E PE of 25x. Firstsource, an ICICI group company, is a play on rapid growth in offshoring of Business Process Outsourcing. It is the third-largest standalone Indian BPO vendor, where we forecast 44% revenue growth over the next two years. We estimate 247bps EBIT margin expansion on improving mix and operating leverage. Q1 FY08 likely to be seasonally weak due to wage hike and client ramp costs.

Table 14: Stock Data

Price	Rs82.10
Price Objective	Rs95.00 to Rs105.00
Date Established	27-Apr-07
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs61.55-Rs91.20
Mrkt Val / Shares Out (mn)	US\$853 / 425.0
Average Daily Volume	1,210,575
ML Symbol / Exchange	FSSOF / BSE
Bloomberg / Reuters	FSOL IN / FISO.BO
ROE (2008E)	13.50%
Net Dbt to Eqty (Mar-2007A)	-9.70%
Est. 5-Yr EPS / DPS Growth	35.0% / 35.0%
Free Float	70.00%

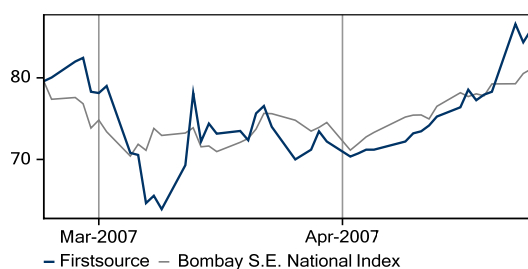
Source: ML Research

Table 15: Estimates/ Valuation (Mar)

(Rs)	2006A	2007A	2008E	2009E	2010
Net Income (Adjusted - mn)	247	972	1,521	2,195	NA
EPS	0.796	2.5	3.3	4.76	NA
EPS Change (YoY)	15.90%	213.90%	32.00%	44.30%	NA
Dividend / Share	0	0	0.716	1.03	NA
Free Cash Flow / Share	-1.11	-0.907	1.9	5.57	NA
P/E	103.17x	32.87x	24.90x	17.25x	NA
Dividend Yield	0%	0%	0.87%	1.26%	NA
EV / EBITDA*	42.39x	20.60x	13.12x	9.52x	NA
Free Cash Flow Yield*	-0.64%	-0.69%	2.32%	6.79%	NA

Source: ML Estimates

Chart 6: Firstsource vs. BSE National Index



Source: ML Research

Mitali B Ghosh >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Firstsource Solutions Ltd. — Busy hiring by Mitali B Ghosh >> 28 April, 2007 for additional information, as well as important footnotes and disclaimers**

## ICICI Bank – Cutting PO; Growth still +25%

### Price Objective Change

#### Cutting PO to Rs1,125

We are cutting our PO on ICICI Bank to Rs1125 in sync with the 7% cut in our earnings estimates for FY08 and FY09. Earnings have been cut principally to factor in slightly lower top line (net interest income) growth arising from margin compression and marginally higher provisions, factoring in higher NPL's.

#### 4QFY07 earnings largely in line

While the net profit growth of 4% in 4QFY07 was weak, it was largely expected owing to higher general provisions. Top line growth of 36% yoy and 42% yoy operating profit growth were slightly lower than estimates. But, no major surprise in results. On the positive side, the rise in NPL's was also within expected limits.

#### Earnings to grow by 25% CAGR through FY09; Maintain Buy

We still expect ICICI Bank's earnings to grow at 25% CAGR through FY07-09 owing to 27-28% loan growth and +40% fee revenue growth and factors credit costs doubling. Stock, at 2.3x FY08 adj. book could sustain at these multiples (without factoring in equity dilution) given the 25% CAGR earnings. Adding Rs334 for the subs, we get PO of Rs1125. Sharp rise in NPLs key risk to PO.

#### Stock may correct on equity plans; Risk return still positive

ICICI Bank has announced plans to raise US\$5bn of fresh equity. While it may have needed fresh capital owing to its growth plans and the new Basle II guidelines; the quantum and timing of the capital raising has taken the market by surprise. This could act as a damper for the stock near term. However, assuming the bank raises capital, at 1.1x FY09 book (adj. for subsidiaries) and ROE of 12% (likely to rebound to 15% by FY10), the risk return still appears positive.

Table 16: Stock Data

Price (Common / ADR)	Rs933.65 / US\$44.77
Price Objective	Rs1,125 / US\$54.00
Date Established	30-Apr-2007 / 21-Jan-2007
Investment Opinion	C-1-7 / C-1-7
Volatility Risk	HIGH / HIGH
52-Week Range	Rs440.00-Rs1,007
Market Value (mn)	US\$20,219
Shares Outstanding (mn)	889.8 / 444.9
Average Daily Volume	309,474
ML Symbol / Exchange	ICIJF / BSE
ML Symbol / Exchange	IBN / NYS
Bloomberg / Reuters	ICICIBC IN / ICBK.BO
ROE (2007E)	13.40%
Total Dbt to Cap (Mar-2006A)	NA
Est. 5-Yr EPS / DPS Growth	24.0% / 12.0%
Free Float	74.00%

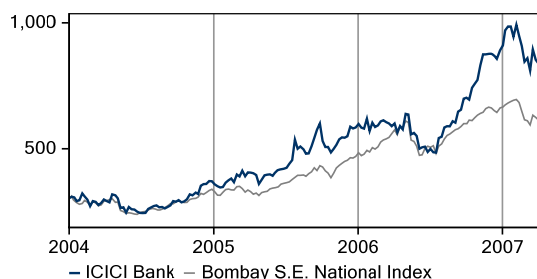
Source: ML Research

Table 17: Estimates/ Valuation (Mar)

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	20,052	25,401	31,104	38,898	49,208
EPS	27.22	31.23	34.95	43.71	55.3
EPS Change (YoY)	2.10%	14.80%	11.90%	25.10%	26.50%
Dividend / Share	8.5	8.5	10.5	13	16
ADR EPS (US\$)	1.21	1.41	1.61	2.13	2.69
ADR Dividend / Share (US\$)	0.379	0.384	0.483	0.633	0.779
P/E	34.3x	29.9x	26.7x	21.4x	16.9x
Dividend Yield	0.91%	0.91%	1.12%	1.39%	1.71%
Pre-exceptional PE	34.31x	29.89x	26.71x	21.36x	16.88x
Price / Book	6.62x	3.74x	3.42x	3.09x	2.75x
RoE / PB	2.95x	3.91x	3.91x	4.92x	6.27x
Price / Pre-Provision Profit	23.27x	17.71x	12.09x	9.31x	7.22x

Source: ML Estimate

Chart 7: ICICI Bank vs. BSE National Index



Source: ML Research

Rajeev Varma >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the ICICI Bank – Cutting PO; Growth still +25% by Rajeev Varma**

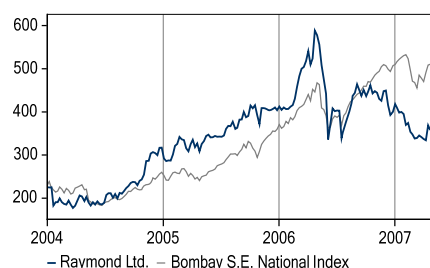
**>> 27 April, 2007 for additional information, as well as important footnotes and disclaimers**

Table 18: Stock Data

Price	Rs344.95
Investment Opinion	C-1-7 to C-3-7
Volatility Risk	HIGH
ML Symbol / Exchange	XRAMF / BSE
Bloomberg / Reuters	RW IN / RYMD.BO

Source: ML Research

Chart 8: Raymond vs. BSE National Index



Source: ML Research

## Raymond Ltd. — Results disappoint, downgrade to Sell

### Rating Change

#### Consolidated profits disappoint, rating lowered to Sell

Raymond reported consolidated recurring FY07 profits at Rs1.1bn which was 33% below our expectations. Note that the company did not report consolidated interim results. Key surprises were net loss of Rs599mn made by the denim JV, collapse of worsted fabric margins in 4Q and sharp decline in profits of its retailing subsidiaries. We cut earnings sharply by ~40% over FY08-09 and downgrade rating to Sell.

#### Worsted, retail margins collapse; denim makes losses

Worsted fabric EBIT margins have dropped 700bp q-o-q and 430bp y-o-y in 4Q due to 30% rise in wool prices as well as other cost pressures. Structural over-capacity across Asia and Europe in denim has led to a sharp fall in sales volumes and realizations. This, together with high cost structure of the UCO-Raymond JV, has resulted in Rs599m loss for the 8 months of operations. Retail profitability has suffered too, due to higher rent and salary costs as well as gestation costs incurred on new store rollouts; resulting in FY07 profits declining 30% and 22% respectively for Raymond Apparel and ColorPlus.

#### Earnings cut ~40% over FY08-09 on margin pressure

We have cut our EBIDTA margins forecast from ~15% earlier to ~12% now over FY08-09 to factor in margin pressure across all its businesses – input cost pressures in worsted, bleak outlook in denim and gestation costs for the fast ramp-up in new store rollouts. Our new consolidated EPS for FY08E is Rs20.2 implying a growth of 9% y-o-y and for FY09E Rs25.3, a growth of 25% y-o-y.

#### Rich valuations - Sell

Raymond is trading at FY08E PER of 17x, PEG of 1x and EV/E of 9x – a significant premium to other peer-group textile cos (at sub-10x FY08E PER) and at the top end of its historic 1-yr fwd PE band. While some of this premium is justified due to its strong branded business, we are concerned about the unclear margin outlook for all its businesses – the appreciating rupee is not helping either – which puts a downside risk to our now significantly below consensus estimates.

#### Key risk - News flows on realty value unlocking

A key point of interest in the stock for the investors has been the potential value unlocking from 140acres of land at Thane (near Mumbai). We note that any news flows on this front might create some excitement. However, we also note a significant portion of its worsted fabric business continues to be operated from that place and it employs about 3,800 people. Hence, any value locking from that has to wait for sometime and looks highly unlikely in the near term.

Manish Sarawagi >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Raymond Ltd. — Results disappoint, downgrade to Sell by Manish Sarawagi >> 1 May, 2007 for additional information, as well as important footnotes and disclaimers**

## Reliance Communication Ltd. — Strong 4Q, many moving parts

### Country Overview

Table 19: Stock Data

Price	Rs477.10
Price Objective	Rs580.00 to Rs540.00
Date Established	1-May-07
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs186.40-Rs518.40
Mrkt Val / Shares Out (mn)	US\$23,682 / 2,044.6
Average Daily Volume	1,700,167
ML Symbol / Exchange	RLCMF / BSE
Bloomberg / Reuters	RCOM IN / RLCM.BO
ROE (2008E)	21.10%
Net Dbt to Eqty (Mar-2007A)	8.90%
Est. 5-Yr EPS / DPS Growth	30.0% / 20.0%
Free Float	33.30%

Source: ML Research

### Earnings & PO cut; Maintain Buy

We have cut our profit forecasts for Reliance Communication by 6% for FY08E & 10% for FY09E primarily factoring lower wireless market share in line with the company's 4Q FY07 performance. We have also cut our price target to Rs540/sh (versus Rs580 earlier), broadly in line with the earnings cut. We now expect RCom's share of wireless subscriber additions to range between 18-19% versus the Co's 4Q07 average share of ~18%, & our earlier expectation of 20-21% net adds share. However, we believe RCom will remain a dominant No.2 in terms of subscriber market share & earnings growth will stay strong; this drives our Buy.

### Capex guidance in line with Bharti; we prefer Bharti

Based on the Co's plans, we estimate RCom's consolidated FY08E capex at ~US\$3.7bn, broadly in line with Bharti's. RCom mgt said it will spend ~US\$2.5bn across various biz, excluding capex for planned rollout of ~20,000 shareable towers. Bharti is our preferred pick given similar spending plans of both majors.

### Points to note: GSM expansion; sub verification; dividends

Key points to note: 1) Mgt said spectrum for its GSM expansion should become available in a few months. The Co expects to roll out its GSM expansion within 1year of receiving spectrum; 2) The Co's recent deactivation of 5.6mn wireless subs included ~1mn GSM subs i.e. ~26% of its GSM sub base as of Dec '06. Prima facie, the clean-up appears large vs other GSM operators; 3) Along with results, RCom announced its first dividend; payout ratio is ~4% of FY07 profits.

### Strong 4Q07 as expected; broad trends in line with Bharti's

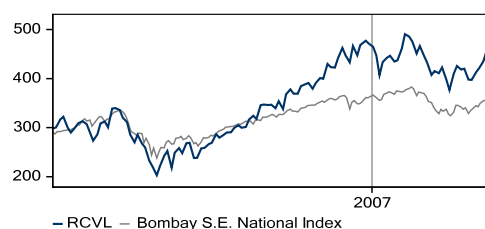
RCom's headline PAT for 4Q FY07 stood at Rs10.2bn, up 154% YoY & 11% QoQ. EBITDA was in line with our expectations, though headline profit was higher. Margin trends in key segments broadly mirrored Bharti's performance.

Table 20: Estimates/Valuation (Mar)

(Rs)	2006A	2007A	2008E	2009E	2010E
Net Income (Adjusted - mn)	4,813	31,934	47,780	62,136	68,902
EPS	2.35	15.19	22.15	28.8	31.94
EPS Change (YoY)	NA	545.40%	45.80%	30.00%	10.90%
Dividend / Share	0	0.5	1.17	1.52	1.68
Free Cash Flow / Share	0.165	22.29	-31.6	-27.01	9.18
P/E	202.68x	31.40x	21.54x	16.57x	14.94x
Dividend Yield	0%	0.11%	0.25%	0.32%	0.35%
EV / EBITDA*	43.04x	18.55x	13.71x	10.51x	8.38x
Free Cash Flow Yield*	0.04%	4.67%	-6.62%	-5.66%	1.92%

Source: ML Estimates

Chart 9: RCVL vs. BSE National Index



Source: ML Research

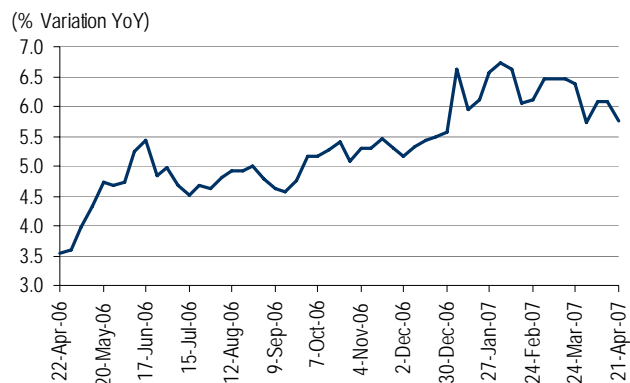
Reena Verma Bhasin, CFA >>

Research Analyst, DSP Merrill Lynch (India)

**Refer to the Reliance Communication Ltd. — Strong 4Q, many moving parts by Reena Verma >> 1 May, 2007 for additional information, as well as important footnotes and disclaimers**

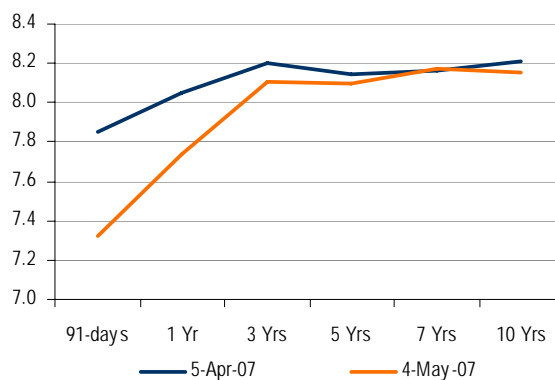
## Economic Overview

Chart 10: WPI Inflation



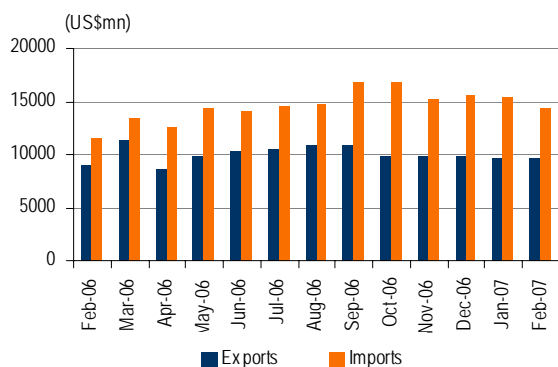
Source: ML Research

Chart 11: Yield Curve (%) – Govt. Bonds



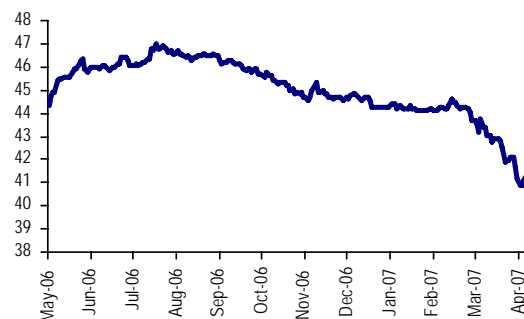
Source: ML Research

Chart 12: Exports and Imports



Source: ML Research

Chart 13: Exchange Rate (Rs vs US\$)



Source: ML Research

Table21: India Economic Forecasts

	FY05	FY06	FY07 MLE	FY08 MLE
Real GDP (%)	7.5%	9.1%	8.9%	8.3%
Agriculture	0.7%	6.3%	2.0%	1.8%
Industry	7.4%	8.0%	10.0%	9.0%
Services	10.2%	10.3%	10.8%	10.0%
Wholesale Price Index (Year end)	5.1%	4.0%	5.4%	4.2%
- Oil imports (US\$ bn)	29.86	43.84	58.00	62.00
- Non-oil imports, incl. defense (US\$ bn)	88.92	112.49	140.60	169.30
Imports (fob.; US\$ bn)	118.78	156.33	198.60	231.30
Imports (% YoY)	48.5%	31.6%	27.0%	16.0%
- Non-oil imports (%YoY)	49.7%	26.5%	25.0%	20.4%
Trade Balance (US\$ bn)	(36.6)	(51.6)	(72.9)	(83.9)
Current account (% GDP)	0.8%	-1.1%	-2.1%	-1.9%
Capital Account (US\$ bn)	31	23.4	40.2	37.2

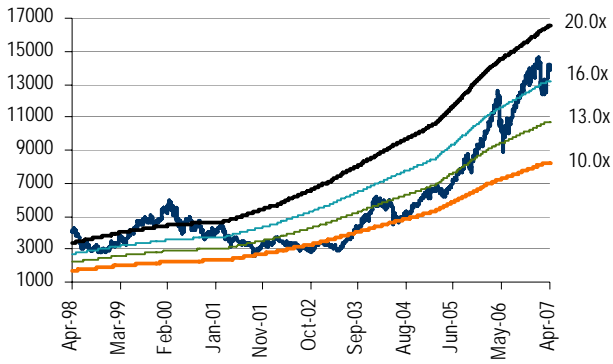
Source: Gol, ML Estimates

07 May 2007

## Stock Market Overview

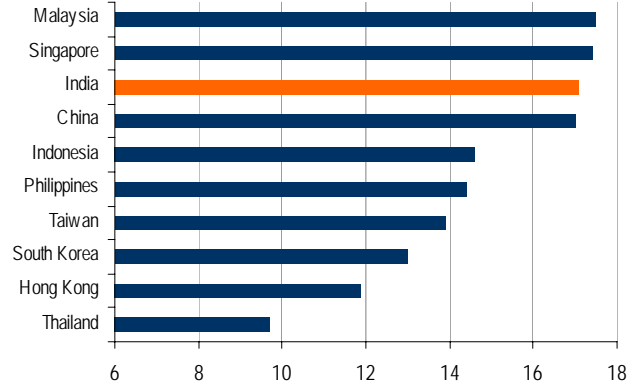
### Market Data

Chart 14: 1 Year forward PE



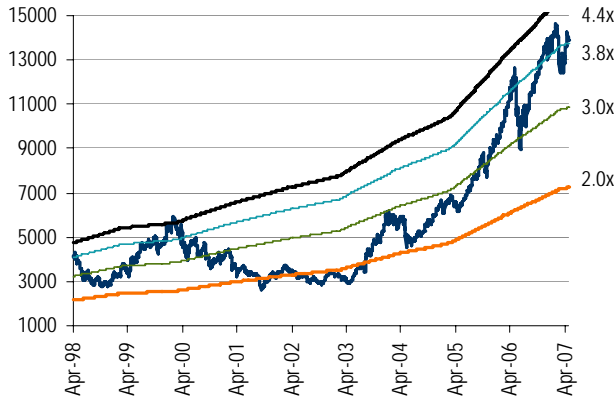
Source: ML Research

Chart 15: PE Regional (x)



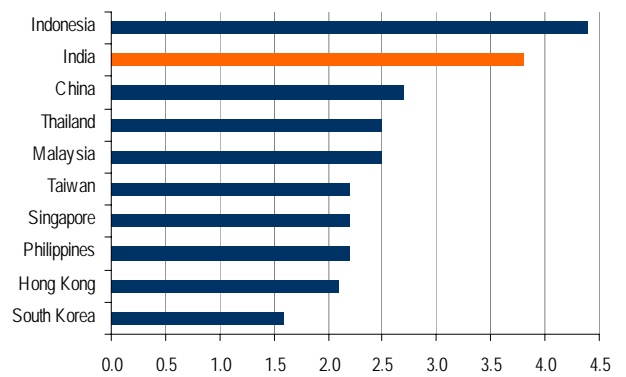
Source: ML Research

Chart 16: 1 Year forward price to book value



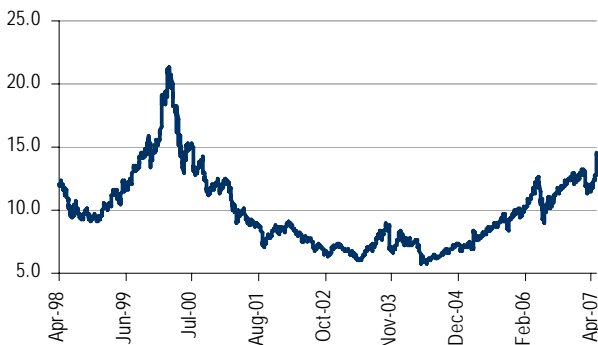
Source: ML Research

Chart 17: P/BV Regional (x)



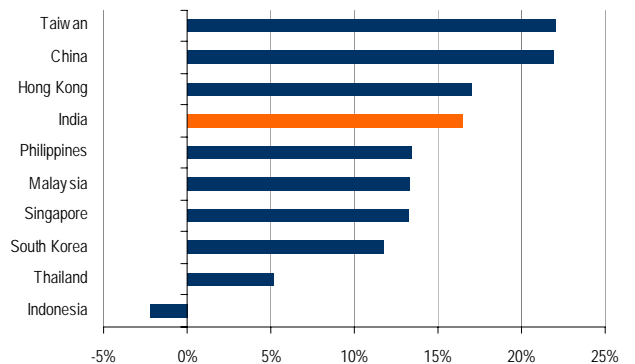
Source: ML Research

Chart 18: EV/EBITDA



Source: ML Research

Chart 19: EPS Growth Regional (%)

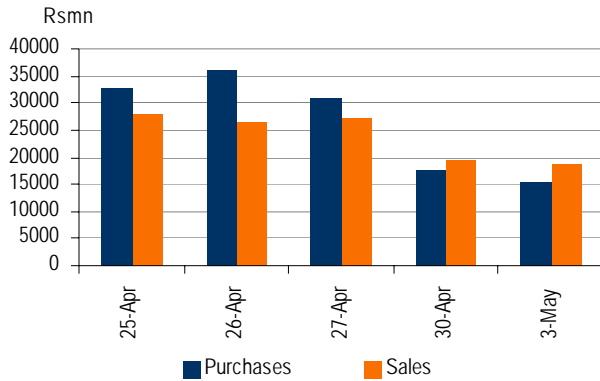


Source: ML Research

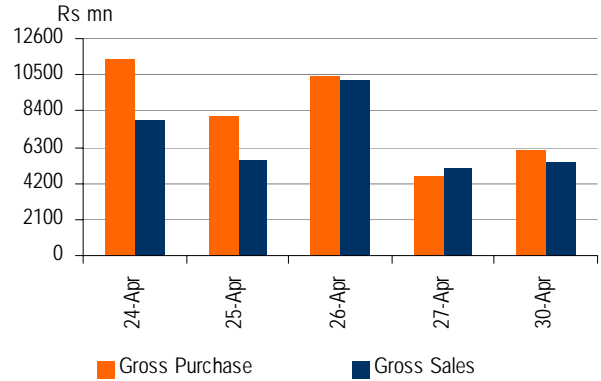


07 May 2007

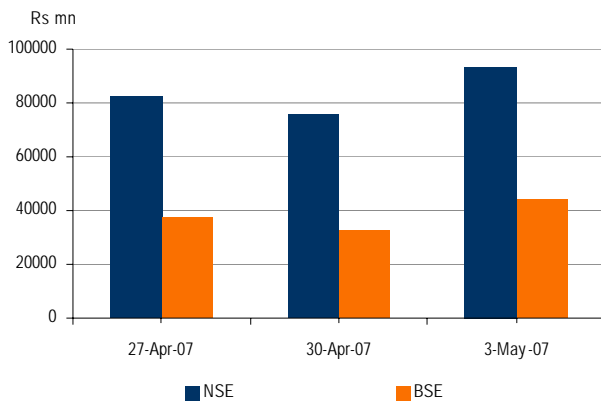
## Market Data

**Chart20: Daily FII Purchases and Sales (Rsmn)**


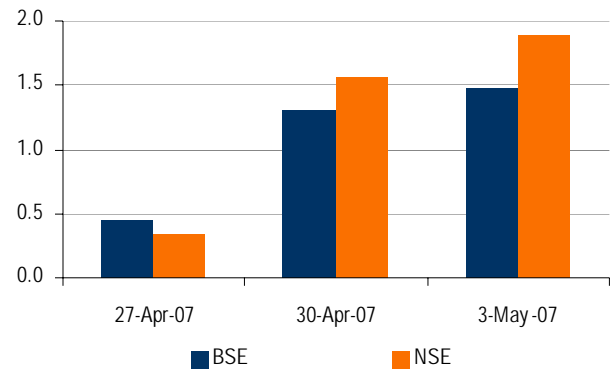
Source: SEBI

**Chart21: Daily Mutual Fund Purchase and Sales (Rsmn)**


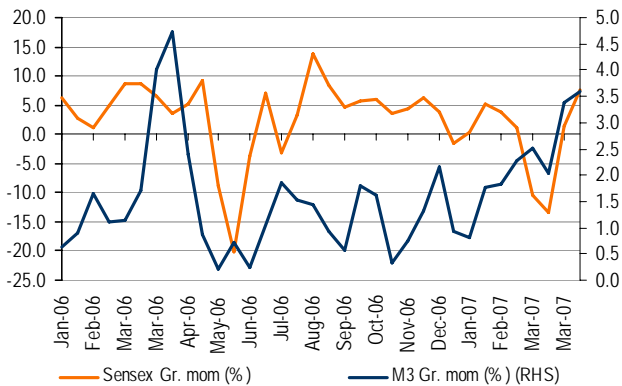
Source: SEBI

**Chart22: Daily Turnover**


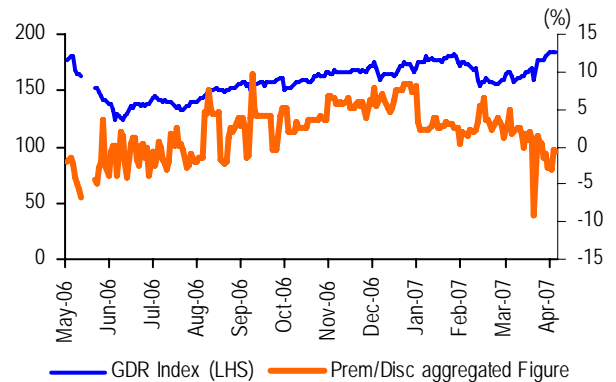
Source: Media

**Chart23: Daily Advance: Decline Ratio**


Source: Media

**Chart24: M3 vs. Index**


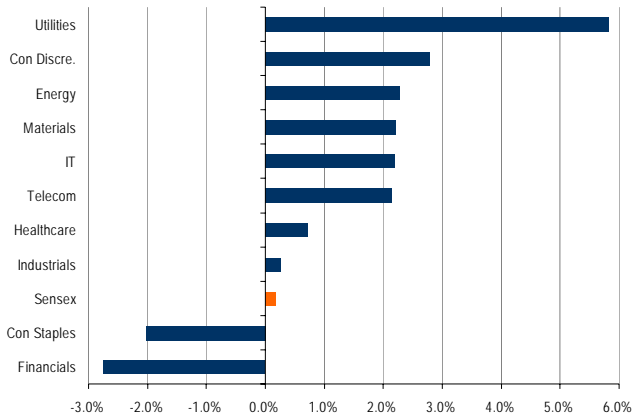
Source: RBI; ML Research

**Chart25: Merrill Lynch GDR Index and Premium/Discount**


Source: RBI; ML Research

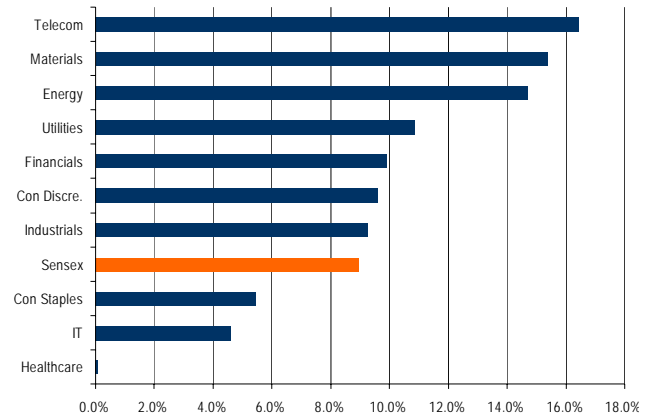
## Sectoral Performance Charts

Chart26: 1-Week



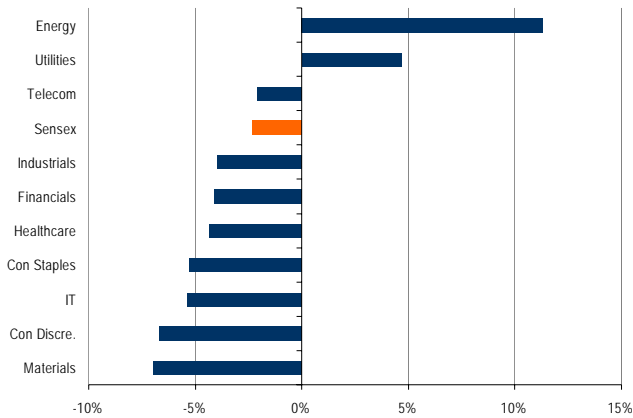
Source: ML Research

Chart27: 1-Month



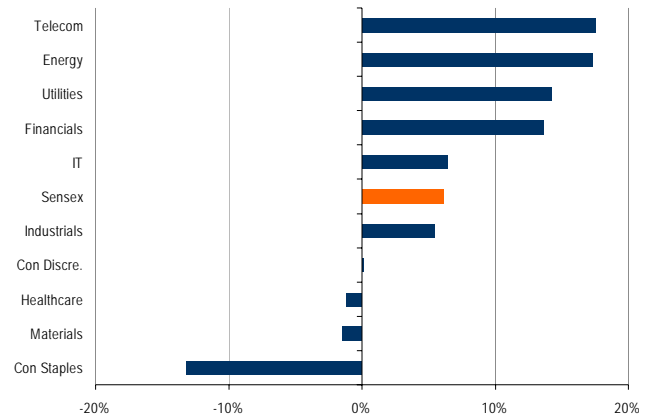
Source: ML Research

Chart28: 3-Months



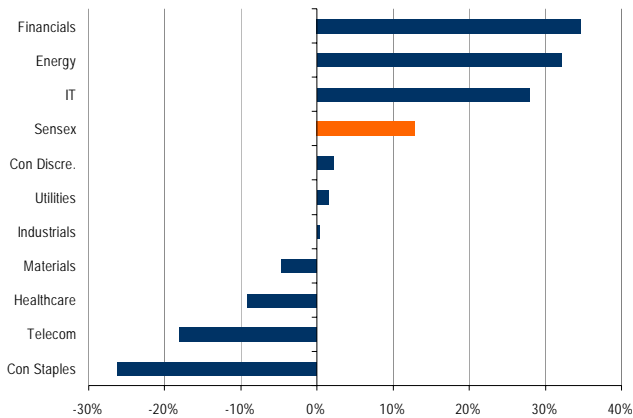
Source: ML Research

Chart29: 6-Months



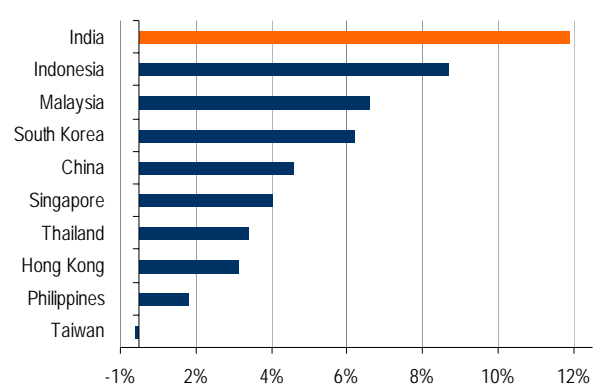
Source: ML Research

Chart30: 1-Year



Source: ML Research

Chart31: Regional Markets 1 Month (%)



Source: ML Research

07 May 2007

Table 22: Indian Stock Valuations

Company Name	ML Symbol	Recco.	Price 27 Apr 2007	Market Cap US\$m	Net Profit			P/E (x)			RoE (%) 2007E	P/BV 2007E
					2006	2007E	2008E	2006	2007E	2008E		
ABB	ABVFF	C-1-7	4140.75	3831.7	2187.7	3403.1	4897.6	80.3	51.6	35.8	32.9	14.9
Arvind Mills Ltd	ARVZF	C-3-7	44.65	204.0	806.2	421.0	784.9	11.6	22.2	11.9	2.8	0.6
Ashok Leyland	XDBVF	C-3-7	38.60	1121.7	3116.1	4540.4	4548.6	15.1	11.3	11.3	26.8	2.6
Asian Paints	XAPNF	C-2-7	787.95	1649.2	2122.2	2777.6	3457.0	35.4	27.2	21.9	39.5	9.9
Assoc. Cement	ADCLF	C-3-7	821.90	3361.3	6352.6	12396.0	14124.7	33.8	13.9	10.9	38.5	3.7
Automotive Axles	XATOF	C-1-7	541.20	178.5	368.6	433.5	550.2	22.2	18.9	14.9	51.8	8.8
Bajaj Auto	BJJAF/BJAUF	C-2-7/C-2-7	2456.45	5424.3	11242.7	12308.9	12302.0	22.2	20.2	20.2	24.3	4.6
Balaji Tele	BLJIF	C-1-7	161.95	230.5	611.1	759.4	868.3	17.3	13.9	12.2	27.9	3.6
Bank of Baroda	BKBAF	C-1-7	242.90	1937.7	8269.7	10654.8	14918.2	10.7	8.3	6.0	12.9	1.0
Bank of India	XDIIF	C-1-7	195.45	2082.2	5840.7	11236.3	13526.4	16.3	8.5	7.1	20.7	1.6
Bharat Forge	XRRGF	C-1-7	317.65	1541.2	2492.4	3103.8	4480.9	28.3	24.6	17.1	22.7	4.8
Bharat Heavy	BHRVF	C-1-7	2488.45	13292.7	16827.7	23812.6	28233.7	36.2	25.6	21.6	28.8	6.6
BPCL	XBPCF	C-2-7	338.35	2669.7	3676.1	14557.2	15469.8	33.9	8.4	7.9	14.1	1.1
Bharti	BHTIF	C-1-9	826.25	34185.0	22566.5	42571.0	64689.6	69.3	36.8	24.2	37.4	11.6
BIOCON LTD	BCLTF	C-1-7	475.85	1038.5	1739.9	2004.1	2532.1	27.3	23.7	18.8	20.5	4.5
CADILA HEALTHCAR	CDLHF	C-1-7	319.45	875.7	1639.0	2078.0	2635.3	24.5	19.3	15.2	25.8	4.4
Cairn India	XCANF	B-1-7	134.25	5211.9	na	2882.8	2767.2	na	82.8	86.3	0.9	0.7
Canara Bank	CNRKF	C-2-7	221.25	1979.8	13432.2	14297.2	17728.8	6.8	6.3	5.1	18.6	1.1
Cipla Ltd.	XCLAF	C-3-7	217.10	3682.9	6076.4	6608.0	7579.2	26.8	25.5	22.3	24.8	5.0
Colgate India	CPIYF	C-1-7	340.65	1011.0	1616.5	1879.1	2252.6	28.7	24.7	20.6	63.5	14.4
Corporation Bank	XCRRF	C-3-7	315.95	989.1	4444.5	5364.3	6313.3	10.2	8.4	7.2	15.0	1.2
Dabur India	DBUIF	C-1-7	94.95	1784.2	2270.5	2789.6	3355.3	36.0	29.3	24.4	52.5	13.7
Divi's Lab	XXQPF	C-1-7	3566.75	997.8	695.3	1066.3	1751.2	65.8	42.9	26.1	26.7	10.0
Dr Reddy's Lab	DRYBF/RDY	C-1-7/C-1-7	711.80	2595.8	1467.4	8173.1	7618.0	81.1	14.6	15.6	27.5	3.1
Educomp Solu	EUSOF	C-1-7	1317.05	494.7	133.5	270.4	625.3	156.7	83.8	36.2	17.1	10.0
Eicher Motors	XEICF	C-3-7	266.85	163.6	361.8	675.8	560.9	20.7	11.1	13.4	15.9	1.8
Federal Bank	XFDRF	C-1-7	240.75	449.8	2252.1	2577.7	3400.0	9.2	8.0	6.1	18.8	1.4
Firstsource	FSSOF	C-1-7	82.10	761.5	246.8	972.4	1521.3	103.2	32.9	24.9	13.0	3.3
Gail India	XGLAF/GAIF	C-2-7/C-2-7	284.55	5251.6	23627.6	22428.7	22173.7	10.1	10.7	10.9	21.1	2.1
GSK India	GXOLF	C-1-7	1161.95	2148.0	3117.1	3660.0	4519.9	31.6	26.9	21.8	36.6	9.4
Glenmark Pharm	XVQWF	C-2-7	637.95	1755.4	864.8	3096.7	5232.1	93.0	26.0	15.4	59.0	11.2
Gokaldas Exports	GKLDf	C-2-7	210.05	78.8	609.7	744.2	902.6	5.9	4.9	4.0	19.6	0.9
Grasim	GRSJF/GRSJY	C-2-7/C-2-7	2421.35	4845.3	10364.7	19675.1	22749.1	21.4	11.3	9.8	50.5	4.7
GREAVES COTTON	XGRVF	C-1-7	325.10	346.5	850.9	1069.3	1310.3	18.7	14.8	12.1	44.8	6.1
Ambuja Cements	XBRIF/GUJRF	C-3-7/C-3-7	117.50	3899.7	4682.8	14352.1	22799.8	33.9	12.7	11.2	47.3	4.6
Gujarat Gas Co	GJGCF	C-3-8	1339.25	374.9	981.3	867.6	865.7	19.2	19.8	19.8	21.0	3.8
Gujarat Inds	GUJIF	C-2-7	63.05	152.5	1095.4	1145.7	1157.2	6.4	6.1	6.0	15.8	1.1
Gujarat State	GJRSF	C-1-7	52.30	618.9	466.8	976.1	1267.3	60.8	29.1	22.4	10.5	2.9
HCL	HCLTF	C-2-7	325.90	4551.8	7732.0	10645.3	11868.8	27.0	19.6	17.6	24.5	4.5
HDFC	HGDFf	C-1-7	1686.15	9183.7	12573.1	15391.7	18601.3	33.4	27.3	22.6	31.4	7.9
HDFC Bank	XHDFf/HDB	C-1-7/C-1-7	1016.50	6946.9	8708.3	11421.0	14744.7	36.4	27.9	21.6	19.9	5.1
Hero Honda	XHROF	C-3-7	668.20	2912.3	9713.4	8572.0	8703.9	13.7	15.6	15.3	38.8	5.5
Hexaware Tech	XFTCF	C-1-7	170.20	485.3	915.0	1242.3	1525.7	22.6	18.1	16.2	22.5	3.0
Himatsingka Seid	HMKFF	C-2-7	121.35	258.0	486.2	598.5	796.6	24.3	19.8	14.8	10.2	2.0
Hindalco	HNDFf/HINDSP	C-3-7/C-3-7	147.85	3743.0	15771.9	26878.9	17325.7	9.1	6.4	9.9	25.0	1.4
Hindustan Petro.	XHTPF	C-1-7	268.75	1988.0	4043.7	12482.0	14170.0	22.5	7.3	6.4	13.7	1.0
HLL	HINLF	C-3-7	209.50	10064.6	13104.7	15398.8	17967.3	35.2	29.9	25.7	61.9	17.3
ICICI Bank	ICIJf/IBN	C-1-7/C-1-7	933.65	18131.7	25400.7	31103.7	38898.4	29.9	26.7	21.4	13.4	3.4
IDBI	XDBIF	C-2-7	84.30	1331.6	5608.9	6300.2	7475.6	10.9	9.7	8.2	9.7	0.9
Infrastruct Dev	IFDFF	C-2-7	97.25	2382.3	3909.3	4804.3	5610.9	27.9	22.7	19.5	17.7	3.8
Indraprastha Gas	IAGSF	C-3-7	99.55	304.2	1061.4	1337.4	1444.8	13.1	10.4	9.6	31.9	3.0
i-flex	IFXXF	C-2-7	2480.85	4242.1	2190.4	3328.3	4402.0	88.7	58.4	44.2	22.3	11.9
India Cements	INIAF	C-3-9	176.10	999.3	398.7	5526.7	6784.7	89.1	8.0	6.6	38.8	2.1
Infosys Tech	INFYf/INFY	C-1-7/C-1-7	2006.80	24388.6	24599.5	37260.0	47445.9	45.8	30.8	24.3	40.9	9.9
Infotech India	IFKFF	C-1-7	355.65	354.4	503.3	836.7	1132.1	32.3	19.4	14.5	33.7	5.7
IOC	IOCOF	C-2-7	435.75	11107.8	44944.3	40529.6	58396.8	11.3	12.8	8.9	12.4	1.5
ITC Limited	ITCTf/ITCTY	C-2-7/C-1-7	160.70	13170.2	22758.2	27498.8	29007.3	26.5	21.9	20.8	28.5	5.9
IVRCL Infrastruc	IIFRF	C-1-7	314.65	886.9	929.6	1184.6	1823.9	47.9	37.6	24.4	13.8	3.3
Jaiprakash Hydro	XJSHF	C-3-7	32.65	349.9	785.0	1095.3	1247.2	20.4	14.6	12.9	15.9	2.3
Jet Airways	JTAIF	C-1-9	710.80	1339.2	2910.8	-1684.2	-1690.0	21.1	-36.4	-46.8	-7.4	2.7
Larsen & Toubro	LTOUF	C-1-7	1682.20	10292.7	10707.2	15300.9	19378.9	44.0	31.2	24.4	28.0	7.8

07 May 2007

Table 22: Indian Stock Valuations

Company Name	ML Symbol	Recco.	Price 27 Apr 2007	Market Cap US\$mn	Net Profit			P/E (x)			RoE (%) 2007E	P/BV 2007E
					2006	2007E	2008E	2006	2007E	2008E		
M & M	MAHFF/MAHFF	C-2-7/C-2-7	762.95	3886.3	10688.7	14510.3	17488.6	16.7	12.5	10.4	32.7	3.5
Maruti Udyog	MUDGF	C-1-7	795.00	5014.3	11890.5	15619.8	17876.2	19.3	14.7	12.9	25.3	3.3
Mastek	MSKDF	C-1-7	306.85	190.3	690.9	898.1	1136.2	12.5	9.7	7.7	28.0	2.4
Matrix Lab Ltd	MXLBF	C-1-7	194.50	652.0	1375.6	625.8	1368.8	14.9	47.7	21.8	26.1	2.9
Mphasis	MPSSF	C-1-7	306.30	1377.2	1498.6	1674.4	2606.7	32.9	37.7	24.2	21.7	7.2
MTNL	XMTNF/MTE	C-3-7/C-3-7	150.65	2071.4	4103.1	4006.8	4614.3	23.1	23.7	20.6	3.6	0.8
NALCO	NAUDF	C-3-7	243.30	3421.2	14766.1	22769.5	14069.4	10.6	6.9	11.1	33.3	2.0
Nagarjuna Const	NGRJF	C-1-7	176.45	796.1	1039.5	1023.3	2106.4	35.1	24.3	17.3	10.4	3.6
NTPC Ltd	NTHPF	C-1-7	158.65	28549.7	55710.0	64217.9	78622.6	23.5	20.4	16.6	13.7	2.7
Nestle India	XNTEF	C-3-7	992.25	2088.0	3095.7	3164.7	3786.5	30.9	30.2	25.3	83.6	23.7
Neyveli Lignite	NEYVF	C-2-7	61.85	2264.7	11169.6	12049.1	12665.3	9.3	8.6	8.2	12.7	1.1
Nicholas	XNIGF	C-2-7	250.95	1149.0	1238.9	2285.4	2858.4	42.5	23.0	18.4	22.6	5.0
ONGC	ONGCF	C-2-7	929.30	43379.2	151630.8	175821.0	211790.6	12.9	11.3	9.4	29.0	3.0
ORBC	ORBCF	C-1-7	213.25	1166.0	8031.9	8168.7	10110.5	6.7	6.5	5.3	15.9	1.1
Panacea Biotech	XPEAF	C-1-7	434.70	675.8	604.3	1483.0	1908.7	51.2	20.9	16.2	65.4	10.4
Patni	PATIF	C-1-7	455.50	1370.9	2680.1	2655.6	4376.1	22.1	23.9	14.8	12.6	2.8
Pantaloon	PFIAP	C-3-7	411.25	1262.7	385.5	537.1	1029.9	112.3	102.9	58.9	14.3	10.5
Petronet LNG Ltd	POLNF	C-3-7	45.35	742.3	1949.3	3132.7	3596.5	17.4	10.9	9.5	26.6	2.7
Punjab National Bank	PUJBF	C-1-7	499.05	3434.1	14393.2	18345.4	25017.4	10.9	8.6	6.3	18.0	1.4
Ranbaxy Lab	XANBF/RBXZF	C-1-7/C-1-7	369.95	3221.5	2283.9	5382.5	6783.5	64.6	27.4	21.8	21.1	5.2
Raymond Ltd	XRAMF	C-3-7	358.00	479.6	854.1	1377.8	1713.8	19.9	15.3	12.8	11.3	1.7
RCVL	RLCMF	C-1-7	460.15	20533.0	5123.0	30748.3	49234.5		31.3	19.5	23.5	6.5
Reliance Energy	RCTDF	C-1-7	508.90	2358.4	6503.4	7859.2	8595.5	16.6	13.7	12.6	10.6	1.4
Reliance Inds	XRELF/RLNIY	B-1-7/B-1-7	1538.20	46769.4	90693.4	122259.4	140257.3	23.6	18.3	17.3	21.7	3.6
Rico Auto Ind	RCATF	C-2-7	47.30	129.7	449.3	452.4	575.7	12.5	12.9	10.3	17.5	2.2
Sasken Communic	SKNCF	C-1-7	500.10	311.1	229.2	442.7	783.5	49.9	33.5	18.9	11.0	3.4
Satyam	SAYPF/SAY	C-1-7/C-1-7	467.25	6822.2	9819.3	14047.4	17218.4	30.5	22.1	18.3	27.9	5.3
SBI	SBINF/SBKFF	C-1-7/C-1-7	1098.80	12621.1	44066.7	48182.3	60245.7	13.1	12.0	9.6	16.3	1.8
Shree Cements	SREEF	C-1-7	1050.15	798.4	1461.4	4053.5	3889.5	25.0	9.0	9.4	41.5	6.9
Shoppers' Stop	SHPSF	C-3-7	672.50	506.4	242.7	360.1	471.9	95.3	64.4	49.2	13.7	8.0
SIFY Limited US\$	SIFY	C-2-9	8.34	347.0	-3.4	7.5	7.5	-102.3	46.3	46.1	-4.5	3.3
Steel Authority	SLAUF	C-1-7	132.30	11926.1	40219.9	59321.4	67928.8	13.6	9.2	8.0	40.4	3.2
Sun Pharma	SPCEF	C-1-7	1035.90	4682.4	5732.5	7249.7	9311.5	37.4	29.6	23.0	37.7	9.5
Suzlon Energy	SZEYF	C-2-7	1184.85	7441.3	7598.8	10704.0	16189.3	44.1	31.9	21.1	34.2	9.6
Tata Consultancy	TACSF	C-1-7	1234.45	25772.0	28831.0	40728.1	53701.5	41.9	29.7	22.5	55.0	13.5
Tata Motors Ltd.	TENJF/TTM	C-2-7/C-2-7	748.50	6575.4	16139.2	22215.0	23852.4	18.2	13.6	12.6	32.0	3.9
Tata Pwr. Co.	XTAWF	C-2-7	584.10	2522.7	4020.4	5265.4	NA	28.8	22.0	NA	NA	1.9
Tata Steel	TAELF	C-2-7	537.65	6813.6	35063.8	42117.2	52862.2	8.5	7.5	7.4	35.2	2.2
Tech Mahindra	TMHAF	C-1-7	1474.25	3919.5	2421.9	6070.3	9393.5	79.1	31.6	20.4	64.8	14.3
Triveni Engg	TVIEF	C-1-7	48.45	272.7	1315.0	1641.6	2087.0	9.5	7.6	6.0	26.9	1.8
TVS Motor	XFKMF	C-3-7	61.40	318.3	1170.0	666.5	713.0	12.5	21.9	20.5	8.5	1.8
UltraTech Cemen	XDJNF	C-2-7	803.25	2182.4	2298.8	7823.0	9332.2	49.6	12.8	10.7	55.8	5.7
Union Bank India	UBOIF	C-1-7	107.70	1187.3	6751.8	9647.8	12791.3	8.1	5.6	4.3	19.7	1.0
United Phosphoru	UPHHF	C-1-7	336.75	1469.9	2162.8	2774.2	3934.7	31.1	24.3	17.1	19.7	4.4
UTI Bank	UTBKF/UTIBY	C-1-7/C-1-7	455.55	2770.8	4852.3	6590.3	8685.1	25.9	19.3	14.6	21.0	3.7
Vijaya Bank	VJYAF	C-3-7	48.90	462.7	1268.8	3172.0	3443.6	16.7	6.7	6.2	17.7	1.1
VSNL	VLSLF/VSL	C-2-8/C-2-8	435.75	2710.4	4499.0	4107.4	4275.3	27.6	30.2	29.0	6.6	1.9
Welspun India	WPNIF	C-1-9	73.80	117.7	382.0	560.1	844.4	14.1	9.6	6.4	10.2	0.9
Wipro	WIPRF/WIT	C-2-7	566.05	17383.5	20673.9	29315.4	35393.6	39.0	27.5	22.9	36.2	8.4
WNS (Holdings) L	WNS	C-2-7	26.30	22.0	18.3	27.2	37.8	50.3	40.6	30.4	20.1	5.2
Wockhardt	XDUVF/WKHZF	C-2-7/C-2-7	419.25	1087.0	2570.5	2642.4	3023.9	19.4	18.8	16.5	28.0	4.7
Yes Bank Ltd	YESBF	C-1-7	151.70	893.9	NA	916.5	1610.4	NA	45.5	26.4	13.8	5.6
Zee Entertainmen	XZETF	C-1-7	287.25	2718.1	2025.2	2195.4	3778.3	61.7	56.9	33.1	15.2	4.6

\*Dec, # June, @Sept. Year ending companies: FY05A is March 05 and Dec 04 for Dec end cos.; Source: ML Estimates

**Table 23: Wted. BSE Sensex Valuation**

<b>13934.27</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>
PE	39.3	31.3	26.2	20.0	17.2
EPS Growth	21.4%	27.2%	17.9%	33.9%	16.5%
P/Cash Eps	22.14	23.59	20.50	15.68	13.53
CEPS Growth	16.2%	14.8%	14.8%	31.2%	15.9%
P/BV	7.88	6.60	5.87	4.54	3.84
RoE	19.8%	23.2%	24.2%	25.0%	24.3%
Cor Gearing	27.6%	14.6%	14.3%	3.5%	1.2%
Dividend Yield	1.1%	1.1%	1.0%	1.3%	1.5%
EV/EBIDTA	12.49	10.22	12.64	12.66	11.37

Source: ML Research

## Price Objective Basis & Risk

### Firstsource Solutions Ltd.

Our PO is at 22x FY09E PE at a PEG of 0.9 and current FY08 PE of 25x. It takes into account strong 50% PAT CAGR and 38% EPS CAGR (post IPO dilution), and higher stickiness of BPO revenues. It implies FY08E EV/sales of 2.5x, at 20% discount to WNS, which we believe is fair given lower margins and returns.

Risks: Growing competition from integrated players like Accenture and Infosys, rising employee attrition and risk of Rupee appreciation.

### Bharti Airtel

Our price target of Rs1,000/sh places Bharti at the upper-end of its historical trading range. Our PO pegs Bharti at a PE of 24x Mar '09E and EV/EBITDA of 13x Mar '09E versus its historical trading range of 18-24x on PE basis and 10-13x on EV/EBITDA basis. We think the stock will continue to trade close to its upper range pending any major changes in the competitive landscape.

Risks stem from 1) unexpected growth slowdown in the Indian market, 2) unforeseen financial burden from likely 3G auctions, and 3) unexpected pressure on RoE due to overseas expansion plans.

### ICICI Bank

We expect ICICI Bank's earnings to grow at 25% CAGR through FY07-09 owing to 27-28% loan growth and +40% fee revenue growth and factors credit costs doubling. We believe the stock, at 2.3x FY08 adj. book could sustain at these multiples (without factoring in equity dilution) given the 25% CAGR earnings. Adding Rs334 for the subs, we get our Price Objective of Rs1,125.

Sharp rise in rates impacting growth or inability to manage the uptick in the NPL cycle are the risks to our valuation

### GlaxoSmithKline Pharmaceuticals

Our PO of Rs1296/sh based on 24x CY07E EPS and is supported by DCF based fair value. We believe the stock will be able to sustain its current valuations given healthy CAGR of 20.4% over the next two years, high ROCE (53%), strong free cash and potential option value arising from patented launches from CY07E. Risks are (a) DPCO price cuts, and (b) 100% subsidiary concerns

### Automotive Axles

Our PO of Rs 715 is based on 16x FY08E EPS (YE Sept), a 20% discount imputed to group concern, Bharat Forge (C-1-7), being smaller in size. We think the 20% discount is justified given that Bharat Forge is much larger in size and has a more consistent track record on exports than Auto Axles, which is just starting to ramp up exports.

Risks are rising material costs, single client concentration, global slump in autos, and currency impact with rising exports.

### Reliance Communications

Our price target of Rs540/sh pegs RCom at a PE of ~19x FY09E & EV/EBITDA of ~12x FY09E. This represents ~15-20% discount to Bharti on a PE basis & ~5-10% discount on an EV/EBITDA basis. We think a discount versus Bharti is justified given RCom's relatively higher execution & technology risks. However, the discount is unlikely to be very deep in the current rapid growth environment.

Risks stem from 1) unexpected slowdown of subscriber growth in the Indian telecom market, 2) higher-than-expected capex towards GSM expansion.

#### **Educomp Solutions**

Our revised PO of Rs1,600 is set at 25x FY09E (vs our earlier PE target of 22x) which we believe is justified on strong EPS CAGR 07-09E (96%). Our higher PE target is supported by growing leadership status in the school education economy relatively nascent but highly scaleable education content industry, likely earnings upside from its new Intellectual Property based initiative (Learning Leadership System) and thought leadership in K-12 space.

Risks to our valuation are delays in execution of contracts, relatively high DSO in government school program.

#### **MphasiS-BFL**

Our PO of Rs385 is at 0.6 PEG (FY08E PE to FY07-09E CAGR) which we believe is reasonable given our target PEGs of 0.5 to 1x for our other Buy rated stocks. Our PO implies a target FY09e P/E of 20x, lower than current FY08e PE of 23x.

Risks stem from change in transfer pricing mechanism between EDS and MphasiS, risk of slower than expected progress in recruitment, steeper than anticipated slowdown in US economy, greater competition from global and Indian vendors and Rupee appreciation.

#### **Bharti**

Our price target of Rs1000/sh places Bharti at the upper-end of its historical trading range. Our PO pegs Bharti at a PE of 24x Mar '09 and EV/EBITDA of 13x Mar '09 versus its historical trading range of 18-24x on PE basis and 10-13x on EV/EBITDA basis. We think the stock will continue to trade close to its upper range pending any major changes in competitive landscape.

Risks stem from 1) unexpected growth slowdown in the Indian market, 2) unforeseen financial burden from likely 3G auctions, and 3) unexpected pressure on RoE due to overseas expansion plans.



## Analyst Certification

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

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	39	41.94%	Buy	8	25.00%
Neutral	40	43.01%	Neutral	3	8.82%
Sell	14	15.05%	Sell	1	7.69%

### Investment Rating Distribution: Banks Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	119	44.57%	Buy	49	52.13%
Neutral	122	45.69%	Neutral	57	54.81%
Sell	26	9.74%	Sell	14	58.33%

### Investment Rating Distribution: Consumer Products Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	33	50.77%	Buy	8	26.67%
Neutral	29	44.62%	Neutral	10	38.46%
Sell	3	4.62%	Sell	0	0.00%

### Investment Rating Distribution: Health Care Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	97	46.86%	Buy	25	27.78%
Neutral	100	48.31%	Neutral	32	34.41%
Sell	10	4.83%	Sell	3	33.33%

### Investment Rating Distribution: Technology Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	114	41.76%	Buy	21	20.39%
Neutral	146	53.48%	Neutral	31	22.79%
Sell	13	4.76%	Sell	1	9.09%

### Investment Rating Distribution: Telecommunications Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	89	44.50%	Buy	18	24.32%
Neutral	85	42.50%	Neutral	16	22.22%
Sell	26	13.00%	Sell	8	40.00%

### Investment Rating Distribution: Textiles/Apparel Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	15	62.50%	Buy	3	20.00%
Neutral	8	33.33%	Neutral	2	25.00%
Sell	1	4.17%	Sell	0	0.00%

### Investment Rating Distribution: Global Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1562	45.16%	Buy	415	30.09%
Neutral	1615	46.69%	Neutral	446	30.65%
Sell	282	8.15%	Sell	49	19.76%

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07 May 2007

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## Team Page

**Jyotivardhan Jaipuria >>**

Research Analyst  
DSP Merrill Lynch (India)  
jyoti\_jaipuria@ml.com

**Aashish Agarwal >>**

Research Analyst  
DSP Merrill Lynch (India)  
aashish\_agarwal@ml.com

**Achala Kanitkar >>**

Research Analyst  
DSP Merrill Lynch (India)  
achala\_kanitkar@ml.com

**Amish Shah >>**

Research Analyst  
DSP Merrill Lynch (India)  
shah\_amish@ml.com

**Amit Agarwal >>**

Research Analyst  
DSP Merrill Lynch (India)  
amit\_a\_agarwal@ml.com

**Bharat Parekh >>**

Research Analyst  
DSP Merrill Lynch (India)  
bharat\_parekh@ml.com

**Manish Sarawagi >>**

Research Analyst  
DSP Merrill Lynch (India)  
manish\_sarawagi@ml.com

**Mitali Ghosh >>**

Research Analyst  
DSP Merrill Lynch (India)  
mitali\_b\_ghosh@ml.com

**Prasad Deshmukh >>**

Research Analyst  
DSP Merrill Lynch (India)  
prasad\_deshmukh@ml.com

**Pratish Krishnan >>**

Research Analyst  
DSP Merrill Lynch (India)  
pratish\_krishnan@ml.com

**Rajeev Varma >>**

Research Analyst  
DSP Merrill Lynch (India)  
rajeev\_varma@ml.com

**Reena Verma Bhasin, CFA >>**

Research Analyst  
DSP Merrill Lynch (India)  
reena\_verma@ml.com

**S. Arun >>**

Research Analyst  
DSP Merrill Lynch (India)  
s\_arun@ml.com

**Siddharth Gupta >>**

Research Analyst  
DSP Merrill Lynch (India)  
siddharth\_gupta@ml.com

**Sudarshan Narasimhan >>**

Research Analyst  
DSP Merrill Lynch (India)  
[sudarshan\\_narasimhan@ml.com](mailto:sudarshan_narasimhan@ml.com)

+91 22 6632 8658

+91 22 6632 8652

91 22 6632-8687

+91 22 6632 8672

+91 22 6632-8654

+91 22 6632 8656

91 22 6632-8688

+91 22 6632 8661

+91 22 6632 8678

+91 22 6632 8679

+91 22 6632 8666

+91 22 6632 8667

+91 22 6632 8657

+91 22 6632 8683

+91 22 6632-8662

**Vandana Luthra >>**

Research Analyst  
DSP Merrill Lynch (India)  
vandana\_luthra@ml.com

**Vidyadhar Ginde >>**

Research Analyst  
DSP Merrill Lynch (India)  
vidyadhar\_ginde@ml.com

**Vikas Sharda >>**

Research Analyst  
DSP Merrill Lynch (India)  
vikas\_sharda@ml.com

**Visalakshi Chandramouli >>**

Research Analyst  
DSP Merrill Lynch (India)  
visalakshi\_c@ml.com

**Vishal Nathany >>**

Research Analyst  
DSP Merrill Lynch (India)  
vishal\_nathany@ml.com

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+91 22 6632 8670

91 22 6632-8673

+91 22 6632 8686

+91 22 6632 8660

91 22 6632-8653