

## India News

### Economy

- Oil prices bounced back to US\$62 per barrel on Tuesday after sliding down nearly US\$3 a barrel on Monday (Financial Express).

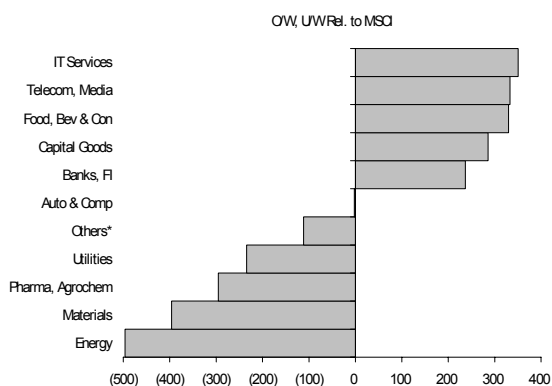
### Industry

- The Ruias of Essar Group are in talks to sell their BPL Mobile stake at a targeted valuation of US\$1bn (Financial Express).
- Home loan party over, Bankers expect growth rate to halve to 15% in FY08 (Business Standard).

### Companies

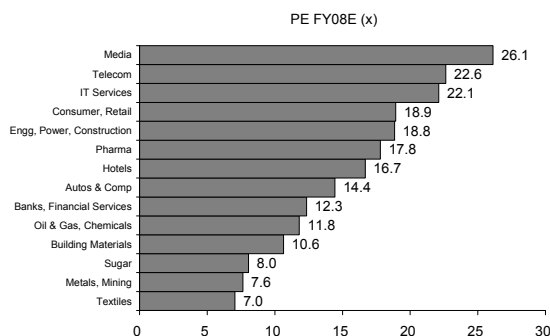
- ABG Shipyard Ltd has received an order worth ~US\$139m from Essar Shipping & Logistics Ltd to put together four vessels. (Business Standard)

### Key Overweights/ Underweights



Source: Citigroup Investment Research

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



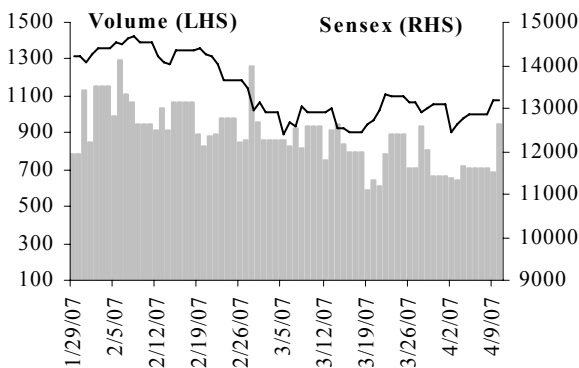
Source: Citigroup Investment Research

**Market Snapshot**

Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	Mkt Volume (Rs Mils.)	
								BSE	NSE
<b>Absolute</b>								42,020	84,410
BSE Sensex	0.09	4.48	2.36	(3.39)	6.68	13.09	(4.33)	<b>Top Volume*</b> (Rs Mils.)	
CIR India Index	0.55	8.93	8.31	2.37	5.19	2.50	2.05	REL COM LTD	736.2
Aluminum	0.04	1.95	3.96	(4.97)	(8.64)	(26.55)	(7.61)	INDIAN HOTELS COMPANY LTD.	348.7
Auto	0.36	1.21	(5.43)	(17.92)	(18.06)	(18.42)	(17.22)	TATA STL	1671.3
Banks	1.56	8.31	2.40	(8.19)	2.91	13.80	(10.32)	REL PET	190.6
Capital Goods	0.61	6.94	11.82	7.67	13.11	8.93	6.55	INFRA DEVFIN	236.1
Cement	0.53	5.36	(2.65)	(26.90)	(23.74)	(17.01)	(30.29)	I T C LTD	211.9
Consumer	1.75	4.66	11.15	(3.92)	(10.11)	(21.76)	(5.67)	IDBI LTD	138.7
Hotels	2.40	6.06	8.49	(3.91)	1.17	3.08	(5.17)	TATA MOTORS	921.2
IT Services	(2.10)	1.57	(10.17)	(12.89)	0.55	5.67	(14.89)	STEEL AUTHOR	263.0
Media	0.80	12.05	18.97	(1.63)	(8.13)	9.38	(7.93)	BALAJI TELE	170.6
Oil & Gas	0.98	4.29	10.15	(4.76)	4.26	(6.97)	(0.47)	<b>Top Gainers*</b>	<b>Close (Rs)</b>
Petrochemical	(0.16)	3.03	4.70	7.69	18.68	62.25	8.23	BALAJI TELE	142
Pharmaceutical	1.39	4.07	6.54	(2.70)	(4.22)	(17.50)	(1.16)	MOSER BAER	333
Power	0.15	4.02	3.10	(6.21)	0.80	(15.41)	(6.00)	JAIPIRAK ASSO	559
Steel	(0.22)	8.30	13.54	27.18	25.49	19.06	22.46	ESCORTS LTD.	124
Telecom Equipment	3.77	5.59	9.37	(14.89)	(0.99)	0.01	(12.11)	IGATE GLOBAL	403
Telecom	0.50	4.32	2.94	18.65	49.80	59.98	18.55	ARVIND MILLS LTD.	46
<b>Relative to BSE-30 Sensex</b>								BHARAT PETROLEUM CORPOI	327
CIR India Index	0.46	4.45	5.95	5.75	(1.49)	(10.59)	6.39	JSW SL	533
Aluminum	(0.05)	(2.52)	1.60	(1.59)	(15.32)	(39.65)	(3.27)	SUN PHARMACEUTICALS LTD.	1,099
Auto	0.27	(3.26)	(7.79)	(14.53)	(24.73)	(31.52)	(12.89)	BANK OF INDIA	172
Banks	1.47	3.83	0.03	(4.80)	(3.77)	0.71	(5.98)	<b>Top Losers*</b>	<b>Close (Rs)</b>
Capital Goods	0.52	2.47	9.45	11.06	6.43	(4.17)	10.88	SATYAM COMP	445
Cement	0.44	0.89	(5.01)	(23.51)	(30.42)	(30.10)	(25.95)	ICI INDIA*	430
Consumer	1.66	0.18	8.79	(0.53)	(16.79)	(34.85)	(1.34)	UNITED PHOSP	322
Hotels	2.31	1.59	6.13	(0.52)	(5.51)	(10.01)	(0.84)	BHARAT ELECT	1,678
IT Services	(2.19)	(2.90)	(12.53)	(9.51)	(6.13)	(7.42)	(10.56)	WIPRO LTD.	548
Media	0.71	7.57	16.60	1.75	(14.81)	(3.71)	(3.59)	MPHASIS LTD	275
Oil & Gas	0.89	(0.19)	7.79	(1.38)	(2.42)	(20.06)	3.87	INFOSYS TECHNOLOGIES LTD.	1,998
Petrochemical	(0.24)	(1.45)	2.33	11.08	12.00	49.16	12.57	CESC LTD	387
Pharmaceutical	1.30	(0.40)	4.18	0.69	(10.90)	(30.59)	3.17	HEXAWARE LTD	167
Power	0.06	(0.45)	0.74	(2.82)	(5.88)	(28.50)	(1.66)	UTI BANK	489
Steel	(0.31)	3.83	11.18	30.57	18.81	5.97	26.79	*BSE-Group A	
Telecom Equipment	3.68	1.12	7.01	(11.51)	(7.67)	(13.08)	(7.78)	Source: The Economic Times, www.bseindia.com.	
Telecom	0.41	(0.16)	0.57	22.04	43.12	46.89	22.88		

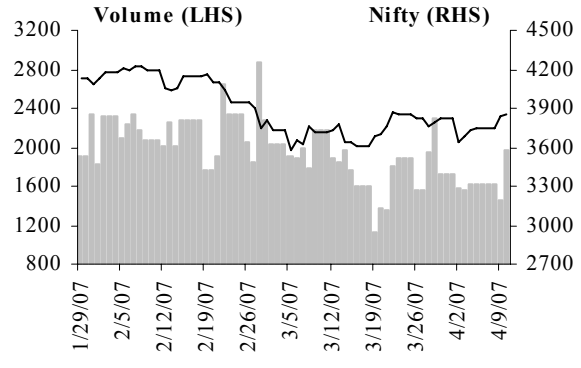
Source: Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

**Jaiprakash (JAIA.BO)****Upgrading to Buy: Stock Correction Plus Plenty of Triggers**

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<b>Buy/Low Risk</b>	<b>1L</b>		
<i>from Hold/Low Risk</i>			
Price (10 Apr 07)	Rs525.00		
Target price	Rs674.00		
<i>from Rs802.00</i>			
Expected share price return	28.4%		
Expected dividend yield	0.6%		
<b>Expected total return</b>	<b>29.0%</b>		
Market Cap	Rs114,305M		
	US\$2,678M		
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	11.83	16.23	20.82
EPS Growth(%)	11.0	37.2	28.3
P/E	44.4	32.3	25.2
EV/EBITDA	20.1	14.9	12.1
Consensus Data	33.96	20.14	26.52

**Price Performance (RIC: JAIA.BO, BB: JPA IN)**

- **Buy with target price of Rs674** — We are upgrading JPA to Buy/Low Risk following a 30%-plus correction and in anticipation of plenty of stock triggers in the next 12 months. However, we are cutting our target price to Rs674 based on a lower valuation for the cement business.
- **Negatives priced in** — We believe the government's intention to control cement prices and RBI's CRR hikes to reign in inflation have already been digested by the JPA's 30%-plus correction from its peak. JPA's parent business trades at an adjusted P/E multiple of 10.2x FY08E, which we find too inexpensive to ignore.
- **Strong 4QFY07E quarter ahead** — We expect JPA to grow earnings 63% YoY driven by sales growth of 10% YoY and a 548bps EBITDA margin expansion in 4QFY07E. This should be mainly due to cement volumes of 1.88mn tonnes, up 5% YoY, and realizations of Rs2964/tonne, up 28% YoY.
- **Technical and business triggers ahead** — The FII stake limit hike to 45% in April 2007 is a technical trigger. Business triggers are: 1) allotment of second parcel of land in Noida post UP elections; 2) 4.0 MMTPA HP cement plant commissioning between Jun-Dec 2007; and (3) 2.5 MMTPA UP cement plant commissioning by March 2008.
- **Key Risks** — 1) We see election uncertainty since following the last UP elections the Taj Expressway project was delayed; and (2) the cement business has lost some pricing power, while demand and supply dynamics could turn adverse in FY09E.

## Jet Airways (JET.BO)

### Sell: The Ties That Bind - Air Sahara Imbroglio Nears Resolution

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<b>Sell/High Risk</b>	<b>3H</b>		
Price (10 Apr 07)			Rs644.85
Target price			Rs390.00
Expected share price return			-39.5%
Expected dividend yield			0.3%
<b>Expected total return</b>	<b>-39.2%</b>		
Market Cap			Rs55,672M US\$1,304M
	<b>2006</b>	<b>2007E</b>	<b>2008E</b>
EPS new(Rs)	30.25	12.76	23.83
EPS Growth(%)	-29.7	-57.8	86.8
P/E	21.3	50.6	27.1
EV/EBITDA	7.1	10.2	6.6
Consensus Data	na	-19.10	-3.62

#### Price Performance (RIC: JET.BO, BB: JETIN IN)



- What's new** — Jet Airways has reportedly offered US\$432m to acquire Sahara Airlines, ~15% lower than its previous offer (as per Bloomberg reports). Jet's outlay will be reportedly Rs13.75 billion after adjusting for the guarantee money and paying creditors.
- The positives** — 1) Jet and Air Sahara combined will have a market share of c35%. 2) On trunk routes, the combined will have a relatively higher market share. 3) Jet would probably also gain access to Sahara's airport infrastructure, parking slots, etc.
- The negatives** — 1) Acquisition will further affect Jet's strained balance sheet (current debt=equity >2x). Jet plans to acquire 20 777s & A330s in FY08/09E, a total outlay of c\$2.1bn. This outlay will result in further leverage. 2) Timely and effective integration of Air Sahara remains a key risk factor – employee retention is key in this industry, with its acute shortages of pilots and technicians.
- Industry consolidation** — Assuming the deal is consummated, it would signal the start of consolidation in the industry. Although there are signs, we have yet to see meaningful rationalization of capacity – indeed, all major players are expected to continue to add capacity, implying that near-term yields will remain constrained. We remain negative on the sector.
- Reiterate Sell (3H)** — Visibility on Jet's international operations remains limited; domestic market conditions are not expected to improve meaningfully over the next 12 months. Sahara integration another imponderable.

## India Technical Research Daily

### Resistance at 3900

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- **Nifty** — The index opened on a flat note, dipped towards 3819 in afternoon trades, after which it saw an intra-day rise towards 3858 and ended the day up 4 points.
- **Resistance** — The index faces multiple resistance around 3900. The upper end of the Bollinger band is at 3909, 50dma at 3897 and recent high at 3902( 23 March 2007).Further rise should face stiff resistance at around 3900 levels (see Fig 3).
- **Support** — The index has support at around 3795 (the high reached on 9 March 2007); if 3795 is breached, the index could dip towards 3770 (10dma).
- **Conclusion** — Nifty could rise towards 3900, when stiff resistance should be expected; intra-day support is at 3795.

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

Indices	Last Close	Current Close	Daily Change (Points)
Sensex	13177	13190	+13
Nifty	3844	3848	+4
Nifty Futures: Current Month	3826	3827	+1

Source: Citigroup Investment Research

**Figure 2: India Technical Research — Support and Resistance (Daily)**

Indices	Support	Resistance
Sensex	13105-12990-12856	13371-13467-13522
Nifty	3796-3770-3740	3897-3902-3958
Nifty Futures: Current Month	3775-3755-3726	3875-3900-3964

Source: Citigroup Investment Research

## Appendix A-1

### Analyst Certification

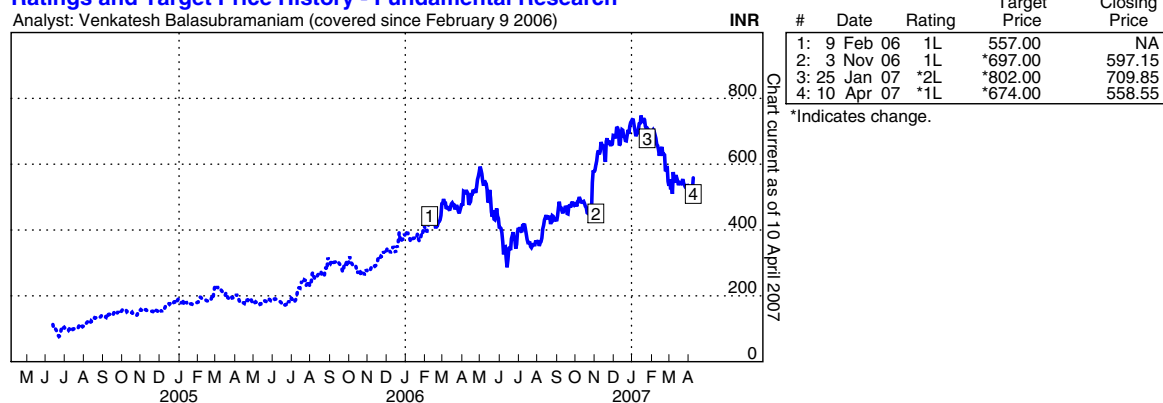
I, Ratnesh Kumar, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly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

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#### Jaiprakash (JAIA.BO)

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

Analyst: Venkatesh Balasubramaniam (covered since February 9 2006)



— Covered  
..... Not covered

#### Jet Airways (JET.BO)

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

Analyst: Jamshed Dadabhoy (covered since March 1 2006)



— Covered  
..... Not covered

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*Data current as of 31 March 2007*

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<i>% of companies in each rating category that are investment banking clients</i>	45%	42%	32%
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<i>% of companies in each rating category that are investment banking clients</i>	42%	50%	42%
Citigroup Investment Research India Technical Equity Research Coverage (0)	0%	0%	0%
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 Medium to High Risk -- Mid Triple B through High Double B  
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