

INDIA

Bharti Airtel

24 January 2007

BHARTI IN **Outperform**

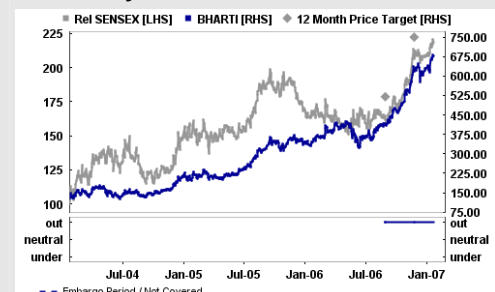
Stock price as of 23 Jan 07	Rs	689.15
12-month target	Rs	750.00
Upside/downside	%	+8.8
Valuation	Rs	750.00
- DCF (WACC 12.3%)		

GICS sector	telecommunication services		
Market cap	Rs bn	1,306	
30-day avg turnover	Rs m	108.5	
Market cap	US\$m	29,612	
Number shares on issue	m	1,896	

Investment fundamentals

Year end 31 Mar		2006A	2007E	2008E	2009E
Total revenue	bn	116.6	183.8	267.5	345.7
EBIT	bn	27.7	48.3	73.7	97.3
EBIT Growth	%	52.5	74.1	52.7	31.9
Recurring profit	bn	25.6	45.5	68.1	92.5
Reported profit	bn	22.6	39.7	58.6	78.0
Adjusted profit	bn	22.6	39.7	58.6	78.0
EPS rep	Rs	11.99	20.96	30.90	41.17
EPS rep growth	%	50.0	74.7	47.4	33.2
EPS adj	Rs	11.99	20.96	30.90	41.17
EPS adj growth	%	50.2	74.7	47.4	33.2
PE rep	x	57.5	32.9	22.3	16.7
PE adj	x	57.5	32.9	22.3	16.7
Total DPS	Rs	0.00	0.00	0.00	0.00
Total div yield	%	0.0	0.0	0.0	0.0
ROA	%	14.6	17.3	18.1	18.3
ROE	%	29.5	35.4	36.2	33.9
EV/EBITDA	x	31.0	18.4	12.3	9.3
Net debt/equity	%	48.2	45.9	41.8	26.5
Price/book	x	14.2	9.7	6.7	4.8

BHARTI IN rel SENSEX performance, & rec history



Source: Datastream, Macquarie Research, January 2007 (all figures in INR unless noted)

Analysts

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Power punch, one after another!

Event

- **Bharti Airtel** released outstanding 3QFY07 results, beating our and consensus estimates by a significant margin. This is the second straight quarter of positive earnings surprises from the company, led by flawless execution and scale benefits.

Impact

- **3Q results well above our expectations:** For 3QFY07, revenue was Rs49.1bn, up 12.8% QoQ and 62.4% YoY (in line with our estimates). PAT in 3Q was Rs12.2bn (up 30%QoQ and 123% YoY), ahead of our estimate of Rs11bn, primarily because of better-than-expected EBITDA margins. In addition, PAT was aided by forex gains of Rs2.19bn due to sharp appreciation in the Indian rupee against the US dollar and the Japanese yen in 3Q.
- **Highest-ever EBITDA margin:** EBITDA margin for 3Q was at 40.8%, an expansion of 170bp QoQ and 380 bp YoY. The increase was supported by better EBITDA margins from all businesses. This is historically the strongest EBITDA margin registered by Bharti, led by savings in network opex (flat QoQ) and SG&A expenses (down 2.4% QoQ), driven by economies of scale.
- **Mobility business** revenue grew 13.8% QoQ and 72.8% YoY to Rs37.6bn. ARPU in the quarter stood at Rs427, compared to Rs438 in 2QFY07 and Rs441 in 1QFY07. MoU per month increased to 467 minutes compared to 451 minutes in 2Q, implying increased usage by existing customers even as it adds low MoU/ARPU subscribers. We see continued increase in MoUs.
- **Capex** in 3Q was Rs19.1bn, down 42% QoQ led by much lower capex in the wireless division. Bharti hived off its portfolio of 34,000 towers into a 100%-owned subsidiary, Bharti Infratel. Bharti is entering the Sri Lanka wireless market as the fifth operator (capex not disclosed yet by mgmt).
- **Bharti is acquiring the i2i submarine cable link** between India – Singapore for a consideration of US\$110m, its first submarine cable asset.

Earnings revision

- No Change.

Price catalyst

- 12-month price target: Rs750.00 based on a DCF methodology.
- Catalyst: 1) Completion of network expansion in all urban centres in the next 12 months; 2) Sequential EBITDA margin improvements; 3) Significant capex and opex savings from network infrastructure sharing.

Action and recommendation

- Bharti is our top pick in the India and Asia telecom sectors. We expect Bharti to maintain its revenue/subscriber leadership in Indian wireless in the coming years. We reiterate our strong Outperform rating with a target price of Rs750.

Please refer to the important disclosures on inside back cover of this document, or on our website www.macquarie.com.au/research/disclosures.

Fig 1 Bharti Airtel: 3QFY07 Quarterly Results and Division-wise Snapshot

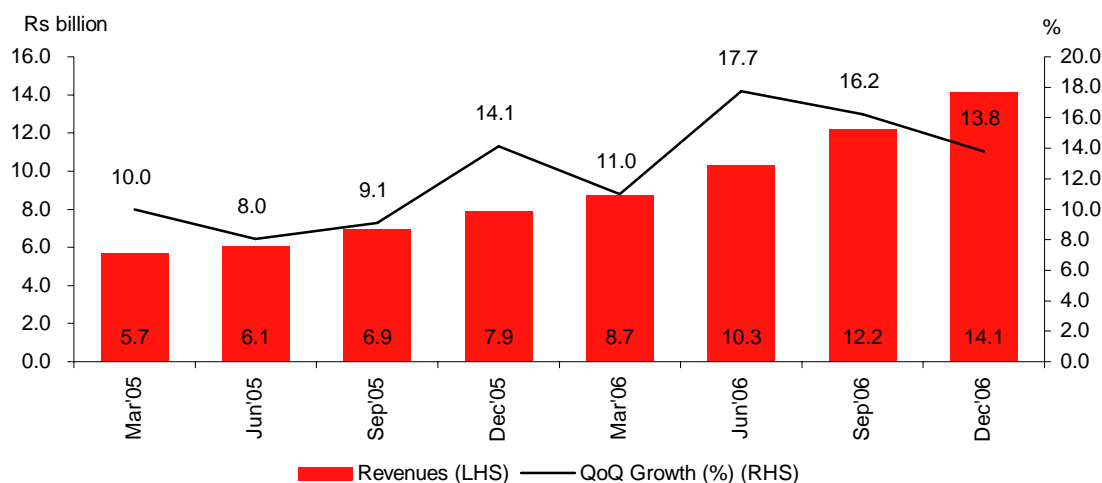
Year to Mar (Rs mn)	1QFY06	2QFY06	3QFY06	4QFY06	1QFY07	2QFY07	3QFY07	(% chg YoY)	(% chg QoQ)
Segmental Breakdown of Revenues:									
Mobile	17,464	19,052	21,742	24,134	28,411	33,022	37,579	72.8	13.8
Broadband & Telephone Service	3,404	3,656	3,854	4,102	5,182	5,244	5,984	55.3	14.1
Long Distance Service	5,209	5,563	6,322	7,463	7,064	8,362	9,306	47.2	11.3
Enterprise Service	1,610	1,708	1,861	2,005	1,969	2,148	2,422	30.1	12.8
Others	(2,514)	(2,888)	(3,522)	(3,590)	(4,063)	(5,205)	(6,162)	75.0	18.4
Revenues									
Services	24,767	26,678	29,851	33,625	38,303	43,301	48,929	63.9	13.0
Indefeasible right to use sales	103	114	108	110	109	109	109	0.9	-
Equipment	303	299	298	379	151	161	91	(69.5)	(43.5)
Total Revenues	25,173	27,091	30,257	34,114	38,563	43,571	49,129	62.4	12.8
Operating Expenses									
Cost of services	11,415	12,443	13,591	15,214	17,126	19,211	21,912	61.2	14.1
(% total revenues)	45.3%	45.9%	44.9%	44.6%	44.4%	44.1%	44.6%		
- Access charges, license fees & spectrum charges	7,292	7,644	8,581	9,416	10,007	11,076	12,816	49.4	15.7
(% total revenues)	29.0%	28.2%	28.4%	27.6%	25.9%	25.4%	26.1%		
- Network operations costs	2,429	2,786	3,080	3,447	4,754	5,228	5,328	73.0	1.9
(% total revenues)	9.6%	10.3%	10.2%	10.1%	12.3%	12.0%	10.8%		
- Employee costs	1,694	2,013	1,930	2,351	2,365	2,908	3,769	95.3	29.6
(% total revenues)	6.7%	7.4%	6.4%	6.9%	6.1%	6.7%	7.7%		
Costs of equipment sales	319	274	277	281	335	(48)	(48)	(117.3)	-
(% total revenues)	1.3%	1.0%	0.9%	0.8%	0.9%	-0.1%	-0.1%		
Selling, general & administrative expenses	4,032	4,162	5,188	5,836	6,081	7,384	7,210	39.0	(2.4)
(% total revenues)	16.0%	15.4%	17.1%	17.1%	15.8%	16.9%	14.7%		
Pre-operating cost	6	6	8	10	9	2	-	(100.0)	(100.0)
(% total revenues)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Total Operating Expense	15,772	16,885	19,064	21,341	23,551	26,549	29,074	52.5	9.5
(% total revenues)	62.7%	62.3%	63.0%	62.6%	61.1%	60.9%	59.2%		
EBITDA									
	9,401	10,206	11,193	12,773	15,012	17,022	20,055	79.2	17.8
(% total revenues)	37.3%	37.7%	37.0%	37.4%	38.9%	39.1%	40.8%		
Interest expense	(466)	(911)	(1,433)	(286)	(2,449)	(618)	711	(149.6)	(215.0)
Interest income	317	66	509	(447)	757	30	607	19.3	1,923.3
Depreciation	(3,403)	(3,703)	(4,026)	(4,698)	(4,972)	(5,926)	(7,072)	75.7	19.3
Share of profits in associates / joint ventures	(3)	1	(1)	(2)	-	4	(6)	500.0	
Other income	135	137	152	166	250	320	118	(22.4)	(63.1)
Non operating expenses	(1)	(1)	(8)	(92)	(1)	(51)	(1)	(87.5)	(98.0)
Profit Before Taxes (PBT)	5,980	5,795	6,386	7,414	8,597	10,781	14,412	125.7	33.7
Income tax (expense) / benefit	(815)	(514)	(858)	(549)	(952)	(1,378)	(2,139)	149.3	55.2
Effective Tax Rate (%)	14%	9%	13%	7%	11%	13%	15%		
(Profit) / loss to minority shareholders	(66)	(72)	(75)	(41)	(96)	(66)	(122)	62.7	84.8
Profit After Taxes (PAT)	5,099	5,209	5,453	6,824	7,549	9,337	12,151	122.8	30.1
(% total revenues)	20.3%	19.2%	18.0%	20.0%	19.6%	21.4%	24.7%		
Diluted EPS									
	2.70	2.79	2.90	3.61	3.98	4.93	6.41	121.4	30.1
Segmental Breakdown of EBITDA									
Mobile	6,085	6,949	7,932	8,746	10,341	12,179	14,129	78.1	16.0
Broadband & Telephone Service	984	811	946	934	1,193	1,069	1,613	70.5	50.9
Long Distance Service	1,869	2,021	2,130	2,771	2,750	3,367	4,002	87.9	18.9
Enterprise Service	663	694	630	714	936	907	1,092	73.3	20.4
Others	(200)	(269)	(445)	(392)	(208)	(500)	(781)	75.5	56.2
Segment-wise EBITDA Margin (%)									
Mobile	34.8%	36.5%	36.5%	36.2%	36.4%	36.9%	37.6%		
Broadband & Telephone Service	28.9%	22.2%	24.5%	22.8%	23.0%	20.4%	27.0%		
Long Distance Service	35.9%	36.3%	33.7%	37.1%	38.9%	40.3%	43.0%		
Enterprise Service	41.2%	40.6%	33.9%	35.6%	47.5%	42.2%	45.1%		
Capex									
	9,702	13,568	15,861	24,207	21,495	32,911	19,078	20.3	(42.0)
Mobility	7,008	8,615	8,297	17,674	18,054	27,444	15,597	88.0	(43.2)
Broadband & Telephone Service	1,889	2,683	4,257	4,182	3,962	1,631	1,644	(61.4)	0.8
Long Distance Service	593	1,100	2,533	1,085	1,306	3,232	1,485	(41.4)	(54.1)
Enterprise Services	199	1,175	756	1,264	55	1,682	1,502	98.7	(10.7)
Others	13	(5)	18	2	(1,882)	(1,078)	(1,150)		
Subscriber Base (m)									
Wireless	12.3	14.1	16.3	19.6	23.1	27.1	32.0	95.8	18.2
Wireline	0.9	1.0	1.2	1.3	1.5	1.6	1.7	47.7	6.5
ARPU (Rs)									
Wireless	491.0	476.0	470.0	442.0	441.0	438.0	426.6	(9.2)	(2.6)
Wireline	1,256.0	1,203.0	1,136.0	1,063.0	1,202.0	1,115.0	1,197.9	5.4	7.4
Average Minutes of Usage Per User									
Wireless	383.0	388.0	411.0	431.0	441.0	451.0	467.3	13.7	3.6
Average Revenue Per Minute									
Wireless	1.28	1.23	1.14	1.03	1.00	0.97	0.91	(20.2)	(6.0)

Source: Macquarie Research, January 2007

Wireless business leading the pack in performance

- Wireless business revenues were up 15.9% QoQ and 76% YoY to Rs38.3bn, on a subscriber base of 32m (up 18.2% QoQ).
- Total mobile traffic minutes grew 22% QoQ and 122% YoY to 41.3bn minutes. Mobile ARPU in 3Q was at Rs427, compared to Rs438 in 2QFY07 and Rs470 in 3QFY06. The MoU per month, per user, increased to 467 minutes from 451 minutes last quarter, implying increased usage by existing customers even as it adds low MoU/ARPU subscribers.
- As a result, mobility ARPM (average revenue per minute) declined by 6% to Rs0.91, compared to Rs0.97 in last quarter.
- EBITDA grew 16% QoQ and 78.1% YoY to Rs14.1bn, while EBITDA margin improved 70bp QoQ to 37.6%. The EBITDA margin for the mobile division in 3QFY06 was considerably lower at 36.5%.
- On the issue of subscriber re-verification, Bharti has completed verification of 70% of its prepaid customers. It expects to complete verification of 90% of its prepaid subscriber base by March 2007.

Fig 2 Mobile Revenues: going stronger and stronger

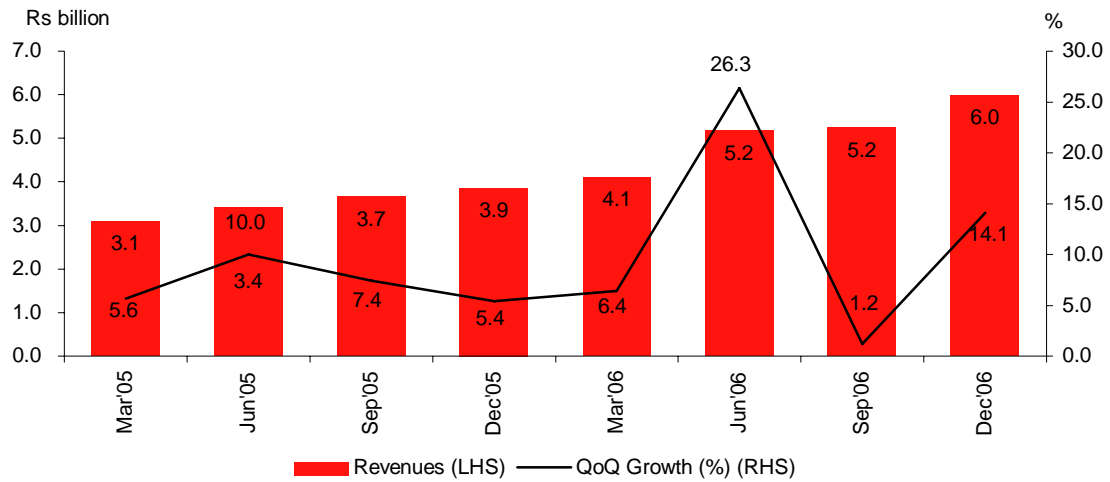


Source: Macquarie Research, January 2007

Broadband and Fixed Line services – higher ARPU driving robust growth

- Wireline revenues grew by 14.1% QoQ and 55.3% to Rs6bn, led by higher ARPU of Rs1,198 for 3QFY07. Higher share of DSL broadband contributed to the better ARPU in the quarter.
- EBITDA margin improved strongly to 27% in 3QFY07 compared to margin of 20.4% in 2QFY07. In the last quarter there were two one-off items. After adjusting for these one-off items, EBITDA margin in 2QFY07 was 23.6%. EBITDA margin in 3QFY07 improved 340bp over the revised EBITDA margins of last quarter.
- Traffic in this division decreased by 1% QoQ to 4.1bn minutes. Stronger ARPU (up 7.4% QoQ), however, compensated for the fall in traffic.
- Bharti's fixed-line network currently covers 94 towns/cities in India, signifying no increase in this quarter.
- Bharti plans to launch the IP-TV service by 4QFY07. This service will ride on the existing copper/DSL network of Bharti.

Fig 3 Broadband & telephone revenues – growth back on track with a bang

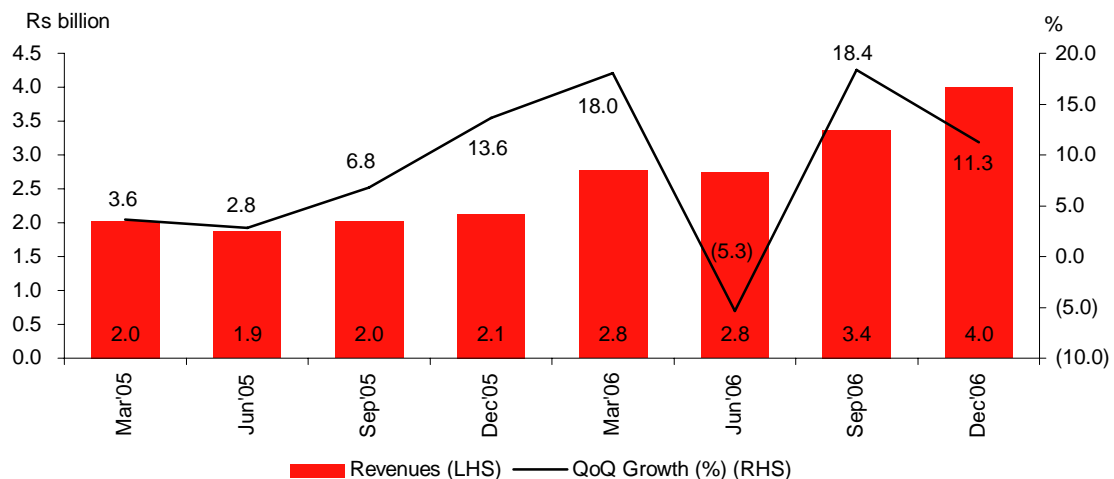


Source: Macquarie Research, January 2007

Long Distance Business – operating leverage improving margins

- Long distance revenues showed a healthy 11.3% QoQ and 47.2% YoY growth to Rs9.3bn, led by higher traffic on both ILD and NLD network of Bharti.
- National long distance traffic grew 22% QoQ to 4.4bn minutes while international long distance traffic grew 20% QoQ to 1.1bn minutes.
- Bharti recorded its highest ever long-distance EBITDA margin this quarter at 43%, an improvement of 270bp QoQ and 930bp YoY. As a result, EBITDA also grew strongly by 18.9% QoQ and 87.9% YoY. We expect Bharti to maintain or improve this margin in future on account of it being a high fixed cost business.

Fig 4 Long distance revenue – continued momentum led by strong access businesses

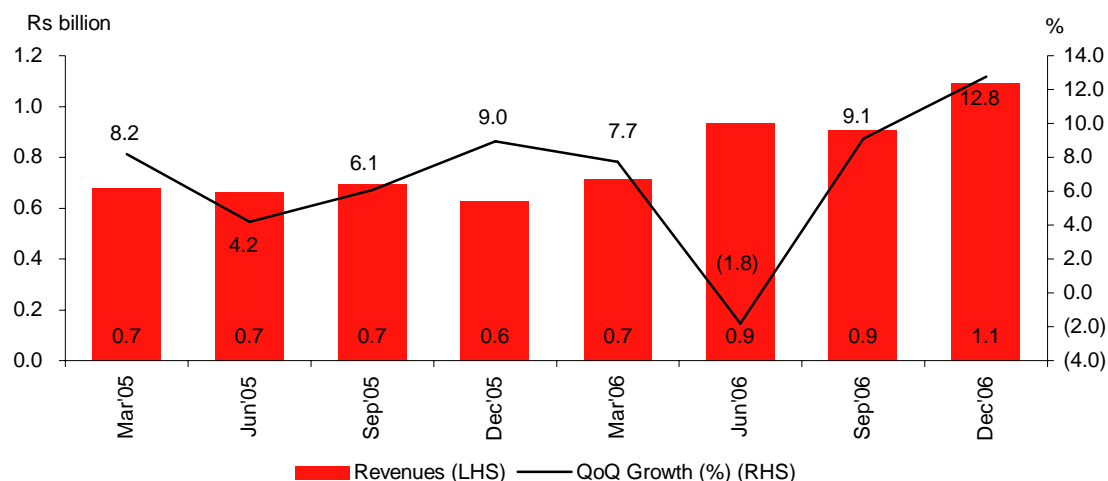


Source: Macquarie Research, January 2007

Enterprise services – fluctuating performance QoQ but positive trend line

- Enterprise service revenues grew 12.8% QoQ and 30.1% YoY to Rs2.4bn, while EBITDA margin improved by 290bp QoQ to 45.1%.
- Management attributed this fluctuating performance to the turnkey nature of the business, resulting in issues in recognition of income.

Fig 5 Enterprise services

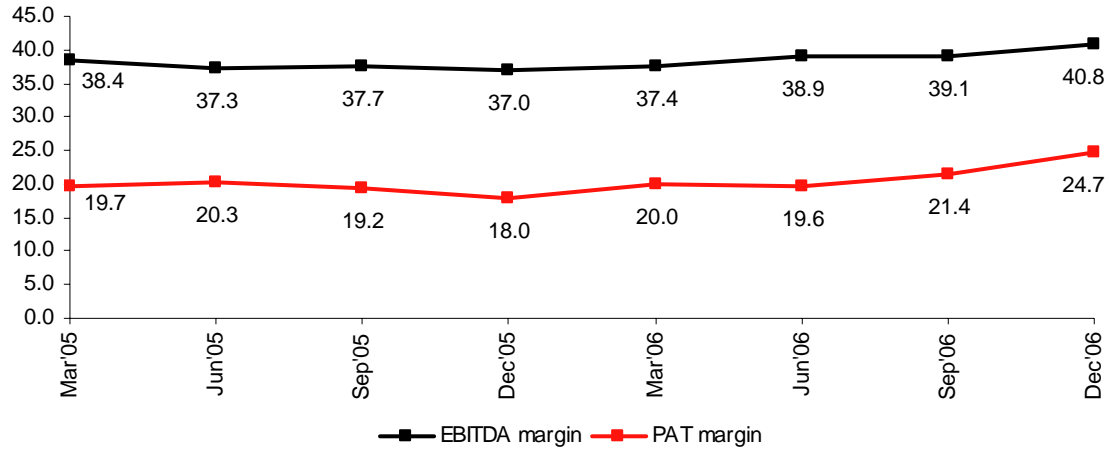


Source: Macquarie Research, January 2007

Profit margins continue to improve

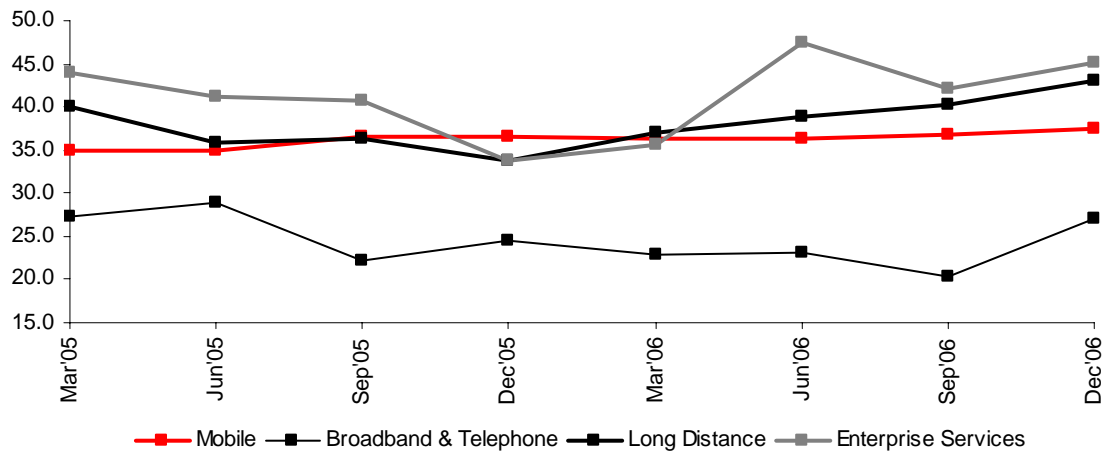
- EBITDA for 3Q grew by 17.8% QoQ to Rs20bn and EBITDA margin was at 40.8% – this is historically the strongest EBITDA margin registered by Bharti, improving on its previous high of 39.1% in last quarter. PAT margin also came in at an all time high of 24.7%, partly aided by forex gains from appreciation of the rupee against the US dollar and the Japanese yen.
- Segment analysis of EBITDA margin reveals strong performance of all segments. EBITDA margin was higher than last quarter in all the segments. The mobility division EBITDA margin improved to 37.6% compared to 36.9% in 2QFY07. The wireline division's EBITDA margin also improved to 27% after a disappointing 2QFY07 (EBITDA margin: 20.4%). The EBITDA margin from long distance and enterprise service also improved to 43% and 45.1%, respectively.

Fig 6 Margins at historic high – potential for continued expansion



Source: Macquarie Research, January 2007

Fig 7 EBITDA margins by segment – all pointing north



Source: Macquarie Research, January 2007

New subsidiary aimed at improving efficiency through tower sharing

- Bharti has hived off its portfolio of 34,000 towers into a subsidiary, Bharti Infratel, with the aim of active tower sharing leading to better capex and opex moderation. We believe this could also be a precursor to a minority stake sale to a strategic/financial partner or a potential listing. Bharti currently shares 23% of its towers with other players on a barter basis. This number is expected to improve with the new subsidiary coming into existence and active tower leasing being pursued (in exchange for lease rentals). Tower sharing could lead to further EBITDA margin expansion for Bharti (compared to what is currently forecast) due to lower network operating expenses, at the same time improving the cost economies of the wireless market as a whole.
- The key thesis behind tower and related infrastructure sharing: Around 60% of total wireless network capex is on passive infrastructure (towers, fibre optic networks, security, power, air conditioning, and customer support and marketing infrastructure), which is 'technology neutral'. Hence, co-location of towers – whether GSM or CDMA – is possible without any technology issues on the passive infrastructure front.

Acquisition of i2i Singapore – India cable link for US\$110m

- Bharti Airtel has decided to acquire the Singapore-India undersea submarine cable link from Network i2i for a consideration of US\$110m. Network i2i is a SingTel-Bharti Group company which is a 50-50% joint venture between Singtel and Bharti Enterprises, the holding company owned by sponsors of Bharti Airtel.
- i2i is an eight fibre system between India and Singapore. It was built in 1999 at a cost significantly higher than the current acquisition price. Bharti sees a huge potential in international traffic, not only from voice, but also from data and video. With the acquisition of i2i assets, Bharti will likely have a fully redundant submarine cable capacity for the first time in its portfolio.

Entry into Sri Lanka – first entry into any market outside India

- Bharti successfully bid for the fifth wireless operator license in Sri Lanka to operate a 2G cum 3G network. Sri Lanka is a four-player market currently, with a total wireless subscriber base of around 4.1m in June 2006 and a penetration rate of little higher than 20%.
- Dialog Telekom, a unit of Malaysia's Telekom Malaysia Group, is the biggest player in the Sri Lankan market, with a subscriber share of around 60%. Celltel Lanka (owned by Millicom – Luxembourg), Hutch and Mobitel Lanka (a unit of incumbent Sri Lanka Telecom) are the other wireless players in Sri Lanka.
- The highly competitive mobile market in Sri Lanka has been growing at a rate of around 60% for the last few years.
- Bharti expects to make a dent in Sri Lanka with its strong business model, aided by a low penetration rate in Sri Lanka, whereby it can replicate a lot of learning gained in the Indian market over the last decade.

Management has not provided any guidance on planned capex for Sri Lanka market yet. We expect to get more clarity on financial implications of this move as the company goes ahead with

Bharti Airtel Limited (BHARTI IN, Outperform, Target price: Rs750.00)

Quarterly Results					Profit & Loss						
	2Q/07A	3Q/07E	4Q/07E	1Q/08E		2006A	2007E	2008E	2009E		
Revenue	m	43,571	48,693	52,960	57,736	Revenue	m	116,633	183,786	267,475	345,653
Gross Profit	m	24,408	27,363	29,961	32,447	Gross Profit	m	62,819	102,834	151,868	200,540
Cost of Goods Sold	m	19,163	21,330	22,999	25,289	Cost of Goods Sold	m	53,814	80,953	115,608	145,113
EBITDA	m	17,022	19,256	20,987	23,009	EBITDA	m	43,571	72,276	108,125	142,952
Depreciation	m	5,926	6,216	6,856	7,634	Depreciation	m	15,830	23,969	34,376	45,656
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	11,096	13,040	14,131	15,375	EBIT	m	27,741	48,307	73,750	97,296
Net Interest Income	m	-588	-635	-716	-1,532	Net Interest Income	m	-2,651	-3,631	-6,259	-5,444
Associates	m	4	0	0	0	Associates	m	-5	4	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	269	150	150	300	Other Pre-Tax Income	m	488	818	600	600
Pre-Tax Profit	m	10,781	12,555	13,565	14,143	Pre-Tax Profit	m	25,573	45,498	68,091	92,452
Tax Expense	m	-1,378	-1,507	-1,628	-1,839	Tax Expense	m	-2,736	-5,464	-9,122	-13,868
Net Profit	m	9,403	11,048	11,937	12,305	Net Profit	m	22,837	40,033	58,969	78,584
Minority Interests	m	-66	-77	-83	-87	Minority Interests	m	-254	-322	-417	-566
Reported Earnings	m	9,337	10,971	11,854	12,218	Reported Earnings	m	22,583	39,712	58,553	78,019
Adjusted Earnings	m	9,338	10,971	11,854	12,218	Adjusted Earnings	m	22,586	39,712	58,553	78,019
EPS (rep)		4.93	5.79	6.26	6.45	EPS (rep)		11.99	20.96	30.90	41.17
EPS (adj)		4.93	5.79	6.26	6.45	EPS (adj)		11.99	20.96	30.90	41.17
EPS Growth yoy (adj)	%	76.9	100.0	73.2	61.9	EPS Growth (adj)	%	50.2	74.7	47.4	33.2
						PE (rep)	x	57.5	32.9	22.3	16.7
						PE (adj)	x	57.5	32.9	22.3	16.7
EBITDA Margin	%	39.1	39.5	39.6	39.9	Total DPS		0.00	0.00	0.00	0.00
EBIT Margin	%	25.5	26.8	26.7	26.6	Total Div Yield	%	0.0	0.0	0.0	0.0
Earnings Split	%	23.5	27.6	29.9	20.9	Weighted Average Shares	m	1,883	1,895	1,895	1,895
Revenue Growth	%	60.8	60.9	55.2	49.7	Period End Shares	m	1,889	1,858	1,858	1,858
EBIT Growth	%	70.6	82.0	75.0	53.1						
Profit and Loss Ratios					Cashflow Analysis						
	2006A	2007E	2008E	2009E		2006A	2007E	2008E	2009E		
Revenue Growth	%	45.7	57.6	45.5	29.2	EBITDA	m	41,937	66,303	92,017	123,338
EBITDA Growth	%	47.2	65.9	49.6	32.2	Tax Paid	m	0	0	0	0
EBIT Growth	%	52.5	74.1	52.7	31.9	Chgs in Working Cap	m	16,449	37,066	10,397	14,190
Gross Profit Margin	%	53.9	56.0	56.8	58.0	Net Interest Paid	m	0	0	0	0
EBITDA Margin	%	37.4	39.3	40.4	41.4	Other	m	-3,938	-1,553	-3	-8
EBIT Margin	%	23.8	26.3	27.6	28.1	Operating Cashflow	m	54,448	101,815	102,412	137,519
Net Profit Margin	%	19.6	21.8	22.0	22.7	Acquisitions	m	2,441	-1,193	-1,750	-648
Payout Ratio	%	0.0	0.0	0.0	0.0	Capex	m	-63,323	-116,567	-119,666	-128,053
EV/EBITDA	x	31.0	18.4	12.3	9.3	Asset Sales	m	0	0	0	0
EV/EBIT	x	48.7	27.5	18.0	13.7	Other	m	-6	-5	0	0
Balance Sheet Ratios					Investing Cashflow	m	-60,888	-117,764	-121,416	-128,701	
ROE	%	29.5	35.4	36.2	33.9	Dividend (Ordinary)	m	0	0	0	0
ROA	%	14.6	17.3	18.1	18.3	Equity Raised	m	8,445	820	0	0
ROIC	%	23.0	30.9	32.7	30.3	Debt Movements	m	-2,431	32,914	32,482	14,526
Net Debt/Equity	%	48.2	45.9	41.8	26.5	Other	m	0	0	0	0
Interest Cover	x	10.5	13.3	11.8	17.9	Financing Cashflow	m	6,014	33,734	32,482	14,526
Price/Book	x	14.2	9.7	6.7	4.8	Net Chg in Cash/Debt	m	-426	17,784	13,478	23,345
Book Value per Share		48.6	71.3	102.8	144.8						
					Balance Sheet						
	2006A	2007E	2008E	2009E		2006A	2007E	2008E	2009E		
Cash	m	2,661	20,581	34,059	57,404	Cash	m	2,661	20,581	34,059	57,404
Receivables	m	14,249	20,440	36,774	39,210	Receivables	m	14,249	20,440	36,774	39,210
Inventories	m	381	780	941	956	Inventories	m	381	780	941	956
Investments	m	3,029	4,227	5,976	6,624	Investments	m	3,029	4,227	5,976	6,624
Fixed Assets	m	142,397	236,279	321,570	403,967	Fixed Assets	m	142,397	236,279	321,570	403,967
Intangibles	m	23,327	23,692	23,692	23,692	Intangibles	m	23,327	23,692	23,692	23,692
Other Assets	m	31,235	36,550	51,206	55,354	Other Assets	m	31,235	36,550	51,206	55,354
Total Assets	m	217,279	342,549	474,219	587,207	Total Assets	m	217,279	342,549	474,219	587,207
Payables	m	39,351	74,306	95,672	109,070	Payables	m	39,351	74,306	95,672	109,070
Short Term Debt	m	12,893	15,343	26,449	29,801	Short Term Debt	m	12,893	15,343	26,449	29,801
Long Term Debt	m	34,502	66,787	88,164	99,338	Long Term Debt	m	34,502	66,787	88,164	99,338
Provisions	m	0	0	0	0	Provisions	m	0	0	0	0
Other Liabilities	m	37,690	52,157	71,425	78,471	Other Liabilities	m	37,690	52,157	71,425	78,471
Total Liabilities	m	124,436	208,593	281,711	316,681	Total Liabilities	m	124,436	208,593	281,711	316,681
Shareholders' Funds	m	91,893	132,469	191,021	269,040	Shareholders' Funds	m	91,893	132,469	191,021	269,040
Minority Interests	m	951	1,487	1,487	1,487	Minority Interests	m	951	1,487	1,487	1,487
Other	m	0	0	0	0	Other	m	0	0	0	0
Total S/H Equity	m	92,844	133,956	192,508	270,527	Total S/H Equity	m	92,844	133,956	192,508	270,527
Total Liab & S/H Funds	m	217,280	342,549	474,219	587,207	Total Liab & S/H Funds	m	217,280	342,549	474,219	587,207

All figures in INR unless noted.

Source: Macquarie Research, January 2007

Important disclosures:

Recommendation definitions

Macquarie Australia/New Zealand

Outperform – return >5% in excess of benchmark return (>2.5% in excess for listed property trusts)
 Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)
 Underperform – return >5% below benchmark return (>2.5% below for listed property trusts)

Macquarie Asia

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie First South Securities (South Africa)

Outperform – return > 5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Recommendation proportions

	AU/NZ	Asia	RSA
Outperform	43.12%	58.91%	42.20%
Neutral	44.98%	22.92%	46.80%
Underperform	11.90%	18.17%	11.00%

For quarter ending 31 December 2006

Volatility index definition*

This is calculated from the volatility of historic price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Australian/NZ stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:
 Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

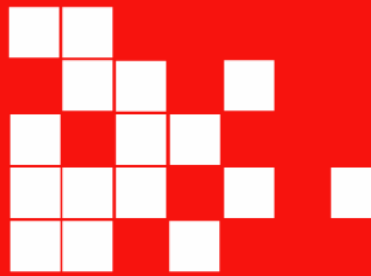
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