Produced by: ABN AMRO Bank N.V. (India)

Monday, 30 October 2006

India Morning Meeting Notes

Mohan Swamy
mohan.swamy@in.abnamro.com
+9122 6715 5304

T O P   S T O R I E S

Headlines

- **News Headlines**
- **Companies**
  - **Patni 3Q06 results: Strong margin expansion but…**
  - **HPCL 2QFY07 results: Oil bonds fully accounted**
  - **Dr Reddy's Labs: 2QFY07 result beats consensus and our estimates by a wide margin. Buy maintained**
  - **Pantaloon Retail India: 1QFY07 results**
  - **KPIT Cummins Infosystems: Back in the saddle**
- **Result updates**
  - **Bank of India**
  - **State Bank of India**

Minutes

News Headlines

Auto

- Munjals in talks to buy Honda's African units (Business Standard)

IT, Telecom, Media

- ChrysCap, TA Associates, Citigroup buy 10% in Idea (Business Standard)
- RCVL to share cell sites with Airtel, Spice (Economic Times)

Retail

- Reliance 's retail initiative takes off; launches 'Reliance Fresh', 'Reliance Select' in Hyderabad (Business Line)

Banks

- RBI may cut CRR for rural banks (Business Standard)

Important disclosures and analyst certifications regarding companies can be found in the Disclosure Appendix.

ABN AMRO India, 83/84, Sakhar Bhavan, Nariman Point, Mumbai 400 021. India

Companies

Patni (PATNI IN, Hold, Rs439, TP Rs385) 3Q06 results: strong margin expansion but...

Patni reported strong 3Q06 results. Revenue was up 6.1% in US$ terms (6.3% higher in rupee terms to Rs7bn), in line with our estimates. However, EBITDA margin expanded 427bp qoq (ABN AMRO estimate of 197bp expansion) to 19.4%. This drove PAT to Rs1bn, significantly ahead of our estimate.

What guided the margin outperformance?
A 210bp improvement in utilisation, about 200bp expansion in average blended realisation, as per our estimates, lower visa costs and lower SG&A costs (258bp qoq decline in the share).

What should one expect going forward? – Our quick analysis
Top-line growth has lagged larger – and not so large – peers. In fact, volume growth of 3.9% qoq was among the lowest despite a robust demand environment. Client addition has been modest – it has added 36 clients YTD; 4.8% CQGR in billed volume over the last four quarters is again indicative of limited client mining.

Client mining is still not in play – revenue from Top4 clients (ex GE) grew only 2.5% qoq (even CQGR over the last four quarters has been only 3.7%). This should keep incremental gains in average realisation from better project management under check. Given the high client concentration, we expect no increases in absolute pricing in the near term.

We believe the gains from the much talked-about Project Propel are coming through. However, the low-hanging gains have been realised, in our view. We believe utilization is close to optimal at 72.3%. (Comparatively, Infosys had peak utilization, including trainees, of 73.4% over the last 12 quarters.) If Patni increases the intake of freshers, as the management has been saying, that would keep this under check.

Offshore effort share still has steam left. At 66%, we believe there is scope for 300-400bp expansion over the medium term; however, this would be spread out and may have quarterly volatility, besides affecting top-line growth.

High – and growing – attrition (25%+ in 3Q06) should affect utilization as well as the quantum of salary hikes due next year.

Net net, we believe much of the gains in margins have come through over the last two quarters, and incremental gains may not be so spectacular.

Given the good run-up in the stock – up 60% over the last three months – we believe much of the gains are in the price. We maintain our Hold rating.

Key highlights from the results

- Consolidated revenue increased 3.3% qoq to Rs6.97bn while EPS increased from a negative Rs1.07 to a positive Rs7.42. In US$ terms, revenue was up 6.1% to US$151.7m while net profit was US$22.3m (much above management guidance of US$18m-18.2m).
- Gross margins increased 282bp, while EBIT increased 450bp. Management attributed the increase in gross margin to increase in utilization (100bp), reduction in visa costs (90bp), and other operational efficiencies (130bp). EBIT increased on account of a 145bp reduction in SG&A expenses, and the

company recorded US$1.26m in currency gain as against a loss of US$0.1m in 2Q06. Excluding the additional provisions in 2Q06, the company recorded a 288bp expansion in gross margins and a 459bp increase in EBIT.

- Volume growth was estimated at 3.9%. According to our estimates, offshore volumes grew 4.5% qoq while onsite volumes grew 3.6% qoq, keeping the effort mix almost constant.
- For the first time since 2003, there was a net reduction in delivery manpower, by 193. The delivery manpower add over last 12 months as a percentage of opening base was just 10%, as against 33-43% range for TCS, Infosys, Wipro and Satyam.
- Client net add for the quarter was 15. The revenue from non-top 10 clients grew 11.6% qoq, with CQGR for the last four quarters at 12.5%. The number of clients contributing US$1m+ increased to 71, up from 64 in 2Q06. GE contributed just 14.1% of its revenue in 3Q06, down from 14.5% in 2Q06.
- Revenue guidance for 4Q06 is flat at US$152m, while the company has guided for a PAT of US$20.4m-20.6m (excluding forex gains), lower than the US$23.5m (excluding forex gains) in 3Q06.

Table 1 : Patni 3Q06 (Jul-Sep) result snapshot

	3Q05	2Q06	3Q06	QoQ	YoY
Key financials (Rs m)					
Revenue	5,197	6,561	6,971	6.3%	34.1%
Gross profit	1,913	2,288	2,627	14.8%	37.4%
EBITDA	959	995	1,354	36.1%	41.2%
EBIT	783	790	1,153	46.0%	47.3%
Net profit	714	-147	1,024	-794.9%	43.5%
EPS (Rs)	5.71	-1.07	7.42	-794.8%	30.1%
Key ratios (%)					
Gross margin	36.8%	34.9%	37.7%	282bp	89bp
Share of SG&A expenses	18.3%	19.7%	18.3%	-145bp	-9bp
EBITDA margin	18.5%	15.2%	19.4%	427bp	98bp
EBIT margin	15.1%	12.0%	16.5%	450bp	147bp
Net margin	13.7%	-2.2%	14.7%	1693bp	96bp
Key financials ($ m) - (E)					
Revenue	118.3	143.0	151.7	6.1%	28.3%
Manpower data (nos)					
Total manpower	11,256	12,608	12,428	-180	1,172
Net add - Total	379	460	-180	-	-
Delivery manpower	10,140	11,343	11,150	-193	1,010
Net add - delivery manpower	362	392	-193	-	-
Operating matrices					
Utilization (net of support, includes trainees)	67.7%	70.2%	72.3%	210bp	460bp
Attrition Rate (Quarterly, annualized)	18.6%	21.0%	24.5%	350bp	590bp
Business volume (pm) (E)	20,227	23,476	24,394	3.9%	20.6%
- onsite	13,147	15,564	16,124	3.6%	22.6%
- offshore	7,079	7,911	8,269	4.5%	16.8%
Client matrices					
Total Active Clients	191	220	235	15	44
New clients added (nos, net)	0	14	15	-	-
GE business - share (%)	23.5%	14.5%	14.1%	-40bp	-940bp
1+ mn USD Clients	58.0	64.0	71.0	10.9%	22.4%

E: Estimated

Source: Company data, ABN AMRO estimates

HPCL (HPCL IN, Sell, Rs307) 2QFY07 results: oil bonds fully accounted

Summary

After adjusting for the oil bonds accounted, HPCL's 2QFY07 net profit of Rs12.77bn was 19% above our expectations mainly due to lower losses on retail products, some inventory gains (we expected inventory losses) and sharp jump in other income. The low refining margins (US$2.6/bbl pre discounts) indicate the 1Q GRM figures (US$9.23/bbl) were one-off and included some inventory gains.

Current year earnings depend on the oil bonds issued, and news reports indicate the government may take a view on additional bonds issue only around February 2007. The key question is whether the government will change the subsidy sharing scheme for 2HFY07 if downstream companies suffer under-recoveries only on LPG/kerosene. We also believe that excess margins earned on diesel/gasoline would be adjusted against LPG/kerosene under-recoveries while fixing the level of upstream subsidy sharing.

Result details

HPCL reported EBITDA of Rs16.46bn in 2QFY07, after accounting for oil bonds of Rs29.06bn. This represents the bonds entitlement for 1HFY07, out of which HPCL would have physically received one-third (Rs9.7bn). Another one-third would be received mid-November 2006 and the balance in mid-December 2006. The market expected HPCL to account for the oil bonds on receipt basis, as in the past (ie only Rs9.7bn) while HPCL accounted for the whole lot, probably based on government communication that the balance bonds were due to HPCL.

Against total under-recoveries of Rs67.86bn in 1HFY07, HPCL bore a net under-recovery of only Rs1.3bn after considering upstream subsidy sharing (Rs24.7bn), oil bonds (Rs29.1bn) and discounts from external refiners (Rs1.2bn). Considering that the under-recovery figures include normative margins, HPCL would not have borne any net loss on the marketing front in 1HFY07.

The key question that would impact 2HFY07 results is whether the government will continue the current scheme that ensures no net marketing loss, or amend the scheme to lower the contributions from upstream/bonds. As is evident from the numbers, this sharing proportion will determine profits for the year.

EBITDA was above our expectation as total under-recoveries on retail products in 2QFY07 (Rs32.8bn) was Rs1.8bn lower than our expectations. Furthermore, there were inventory gains of Rs100m versus our expectation of an inventory loss of Rs700m. Note that domestic prices of retail products (70% of total volumes) are controlled and hence would not suffer from any inventory loss.

HPCL's domestic volumes have risen 6% yoy as Reliance Industries virtually exited the auto fuels market in 2QFY07 (its market share in retail diesel dropped from around 14% in April 2006 to less than 1% in 2QFY07). Reliance has already declared that with auto fuel margins turning positive, it is targeting market share of 10-12% in the next few months.

We estimate that auto fuel margin was negative at US$15.6/bbl during 2QFY07. However, with the sharp decline in oil prices, margin has been positive in October 2006 (US$2/bbl in the current fortnight).

In refining, HPCL performed above expectations on the throughput front. Refining throughput was around 4.1mt for the third consecutive quarter, indicating that some debottlenecking of operations has already been carried out successfully before the completion of the modernisation programme.

However, GRMs averaged US$2.57/bbl (pre-discounts), a discount of US$2.2/bbl compared to Singapore GRMs. This indicates the high GRMs recorded in 1QFY07 (which were at US$0.3/bbl premium to Singapore GRMs) were one-off. Also note that 2QFY07 would have seen the full impact of the cut in import tariffs on diesel/ gasoline in mid-June 2006 and the change in refinery gate pricing from import parity to trade parity.

2QFY07 other income of Rs1.9bn was the highest so far and compares to Rs1bn in 1QFY07 and Rs0.8bn in 2QFY06 (our estimate Rs1bn). HPCL maintains that there are no exceptionals in the other income figure. We do note that HPCL would have recorded dividend from MRPL in 2QFY07 (Rs208m).

Table 2 : HPCL

1QFY07	(Rs m)	2QFY06	2QFY07	Change
226,795	Gross sales	178,886	262,351	46.7%
(20,054)	Excise duty	(10,468)	(18,676)	78.4%
206,741	Net Sales	168,418	243,675	44.7%
211,907	Expenditure	167,621	227,212	35.6%
(3,060)	(Inc)/dec in stock	(19,184)	(5,969)	
114,243	Purchase for resale	119,770	121,223	1.2%
90,409	Raw material	56,016	100,016	78.6%
1,657	Staff costs	1,478	2,202	49.0%
8,659	Other Exp	9,541	9,740	2.1%
(5,166)	EBITDA	797	16,462	
-2.5%	Operating Profit Margin (%)	0.5%	6.8%	
1,021	Other Income	750	1,925	156.6%
596	Interest	309	983	218.2%
1,701	Depreciation	1,744	1,742	-0.1%
(6,442)	Profit before Tax	(505)	15,663	
22	Current tax	34	3,168	
(387)	Deferred tax	(318)	275	
(6,077)	Profit after Tax/(Loss)	(221)	12,220	
5.7%	Total tax rate (%)	56.2%	22.0%	
338.9	No. of Shares	338.9	338.9	
(71.7)	**Diluted Earnings per share**	**(2.6)**	**144.2**	

1QFY07	Operational performance	2QFY06	2QFY07	Change
	Product sales			
4.91	Domestic	4.38	4.64	5.9%
0.44	Exports	0.18	0.49	172.2%
5.35	**Total sales**	**4.56**	**5.13**	**12.5%**
1.92	Mumbai throughput	1.71	1.82	6.4%
2.22	Vizag throughput	1.35	2.34	73.3%
4.14	**Total**	**3.06**	**4.16**	**35.9%**
1.6	Pipeline throughput (MMT)	1.5	1.7	9.1%
7.63	Mumbai GRM (US$/bbl)	1.41	2.11	49.6%
7.52	Vizag GRM (US$/bbl)	6.74	2.03	-69.9%
7.57	**Total**	**3.75**	**2.06**	**-45.1%**

Source: Company data

Dr Reddy's Labs (DRRD IN, Buy, Rs730): 2QFY07 result beats consensus and our estimates by a wide margin. Buy maintained.

Summary

- Sales Rs20.03bn, ABN AMRO estimate of Rs17.1bn.
- Net profit Rs2.8bn, our estimate of Rs1.99m and consensus of Rs1.6m.

Growth

- Numbers driven by core business, authorised generic sales, Betapharm and Falcon (customs pharma business in Mexico).
- Sales grew 245% to US$436m.
- EBIT grew 439% to US$83m.
- Net profit grew 215% to US$61m.

Key Drivers

- DRL's 2QFY07 numbers were powered by generic sales of Allegra (US$18m), generic simvastatin and finasteride (US$170m), customs pharma business sales (US$31m) and Betapharm (US$56m).

Generics and customs business

- US generic sales were US$198m, sequential growth of 111%.
- Europe generic sales at US$66m. This includes Betapharm sales of US$56m.
- Customs pharma business sales at $36m. This includes Mexican acquisition of US$31m.
- Sequential growth in Mexican revenue was 15%.

API

- Total API sales were US$63m, yoy growth of 36%.
- Europe was up 59% on the back of ramipril and sertraline sales. Rest of the world grew phenomenally at 98% through growth in countries such as Israel, Turkey and South Korea.

Branded formulations

- Total sales were US$66m, growth of 17% yoy.
- Russia and CIS grew 16%.
- India grew 13%.
- Rest of the world grew 48%.

Margins

- EBITDA margin improved 410bp to 22.4%.
- Gross margin of 41.6% was in line with expectations on account of higher contributions from authorised generics and Mexican acquisition, which are low-margin businesses.
- SGA costs were kept under control at US$80m (18.3% of sales) along with lower R&D costs as DRL recognised US$7.4m under its R&D partnerships.

Net profit

- Net profit was US$61m, grew 215% yoy.

Management comments

- DRL will cross US$1bn in revenue for FY07 excluding authorised generic sales.
- Betapharm performance of US$56m this quarter to sustain or even improve in the latter half of FY07.

Pantaloon Retail India (PF IN, Rs1,856, Buy, TP Rs1,953): 1QFY07 result

Summary

- Adjusting for one-time profit from sale of investment, PRIL reported in-line numbers for 1QFY07.
- Revenue growth was 65% at Rs6bn while net profit grew 18% to Rs160m.
- The company opened three Big Bazaars, two Food Bazaars and one Pantaloons store this quarter. New formats like Depot and Health Village were also launched.

Revenue

- Value retailing segment grew 78% yoy, which is evident from the launch of *Big bazaars* and *Food Bazaars*. However, sequential growth was only 10% as three of the five new stores were launched in September and did not have the full 90-day impact.
- Lifestyle retail segment grew 50% yoy, in line with last quarter growth run-rate. Sequentially, growth was only 4% as only one Pantaloons store was launched and that too had only one month of sales.

Margin

- Gross margin improved 120bp yoy, however declined 70bp qoq.
- EBITDA margin was similar to 4QFY06 at 6.9%, however reported a decline of 80bps yoy purely on account of higher staff costs to sales. We note that staff costs to sales ratio has gone up from 5% to 7.5% over the past 4-5 quarters.
- Net margin was sequentially flat at 2.7%.

Other details

The reported numbers included a one-time profit on sale of land of Rs226m (post tax). This pertained to a property in Kurla, Mumbai being developed as a mall and held by PRIL along with two other investors. PRIL's stake of 33% has been sold to Horizon, the real-estate fund under Future Group, at the above stated profit.

On a segmental basis, value retailing margin was marginally lower yoy while the lifestyle retailing margin declined 100bp over the same period.

The company reported a flat EPS of Rs5.9 on a sequential basis. Considering festival season as well as the newly launched stores having a full 90-day impact, we expect significant upside in the coming quarter.

Furthermore, the company is likely to launch 40-50 new stores in its key formats over the next nine months, which could drive sequential earnings growth.

The stock trades at 28x FY08F PE on a standalone basis. We note that the consolidation of Home Solutions subsidiary could provide 15-20% upside to our numbers.

We value the company at a target price of Rs1,953, based on a sum-of-the-parts methodology including the core business, Home Solutions and the real-estate funds management business. Maintain Buy.

KPIT Cummins Infosystems (KPIT IN, Rs475.15, Buy): Back in the saddle

KPIT's 2Q07 result was broadly in line with our estimates. We believe the recovery in top-line growth in "Star Customers" and the Renasas ODC deal win should allay near-term investor concerns. We reiterate Buy. New target price of Rs575.

Key forecasts

	FY05A	FY06A	FY07F	FY08F	FY09F
Revenue (Rsm)	2525	3182	4745	6424	8033
EBITDA (Rsm)	334.4	459.4	773.5▲	957.7▲	1119▲
Reported net profit (Rsm)	274.2	312.8	503.9▲	673.4▲	774.3▲
Normalised net profit (Rsm)[1]	274.2	312.8	503.9	673.4	774.3
Normalised EPS (Rs)	16.5	17.6	28.0▲	38.0▲	43.7▲
Dividend per share (Rs)	1.75	1.75	2.00▼	2.25▼	2.50▼
Dividend yield (%)	0.37	0.37	0.42	0.47	0.53
Normalised PE (x)	28.8	27.1	17.0▼	12.5▼	10.9▼
EV/EBITDA (x)	20.0	15.9	9.28	7.34	6.15
Price/book value (x)	7.65	5.94	4.31	3.18	2.45
ROIC (%)	62.2	38.8	30.4	30.8	29.2

1. Post-goodwill amortisation and pre-exceptional items
Source: Company data, ABN AMRO forecasts
Accounting Standard: Local GAAP
year to Mar, fully diluted

2Q07 in line; higher offshoring drives margin ahead of our forecast

2Q07 consolidated revenues grew 11.5% qoq to Rs1,140m (10.9% to US$425m) in line with our estimates. Growth was well distributed between KPIT's organic and inorganic (acquisitions done over previous four quarters) businesses which grew 10% and 22% respectively, qoq. Growth was volume driven, and we estimate volumes grew 14.9% qoq, while blended realisation declined 3.5% qoq due to the higher share of lower-priced BPO services. EBITDA margins came in ahead of our forecast by 78bp due to higher offshore and better utilisation.

Non-Cummins business recovers; three new 'Star' clients added

Non-Cummins "Star" clients' business that was a drag in 1Q07, was on a recovery path in 2Q07, growing 27% qoq, while the Cummins business grew a modest 6% qoq. Client traction remained healthy with five new clients being added including the three new "Star" clients taking the total to 82 active clients.

We believe the Renasas deal should add to near-term visibility

Management maintained its FY07 guidance for 34-40% growth in revenues and 51-61% in PAT (US$ terms). We believe KPIT's strong business pipeline should drive top line while better utilisation (onsite at 93% vs 95% for larger players), higher offshore delivery (as work transitions from acquisitions), and lower G&A and interest costs should improve margins. We estimate the Renasas deal to be worth US$60m-65m over the next three years and contribute 9-10% annually over the period. We expect the deal to be margin accretive given higher utilisation and offshoring. We raise our revenue/PAT CAGR forecast to 36.2%/37.2% over FY06-09, factoring in changes in operating parameters and revised forex forecasts. 8% and 15% of the increase in FY07F/FY08F EPS reflects the changes in our Rs/US$ rate assumptions.

Maintain Buy; target price raised to Rs575

The stock has been lacklustre since the 1Q07 results due to investor concerns about non-Cummins accounts. We expect it to regain momentum following strong 2Q07 results. We reiterate Buy, our new DCF-based target price of Rs575 (vs Rs525) reflects our revised estimates and change in our risk-free rate assumption.

Result update

Bank of India (NR) – Benefiting from the high credit to deposit ratio, moderate business growth, an improvement in low-cost deposit ratio and de-risked treasury portfolio.

Key highlights of the 1HFY07 result

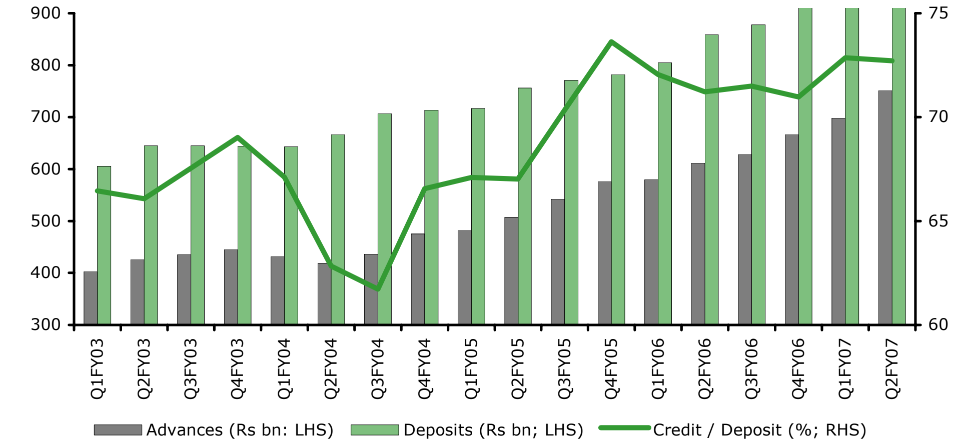
- Moderate business growth resulted in 42% growth in 1HFY07 net interest income (NIM at 2.95% for 1HFY07). The sharp increase in net interest income was due to a combination of 23% yoy growth in advances, the high credit to deposit ratio of 73% (one of the best amongst peers) and improvement in low-cost deposit ratio to 40% from 33% a year ago.
- BOI has a small investment portfolio of 26% of demand and time liabilities, and also the most de-risked treasury portfolio within public sector banks, with 80% of the G-Secs and 75% of the total investments in 'held to maturity' category. The duration of the mark-to-market category is less than one year and insulates the bank from risk due to mark-to-market losses (among the lowest duration among peers).
- Gross NPAs and net NPAs improved substantially due to higher provisions and recoveries. In FY06, incremental defaults declined to 1.2% of average advances, in line with peers (average default rate of 2.9% for the last five years). Tier-I capital is at 6.2%.

Table 3 : Bank of India

Year-ending March (Rs m)	2QFY07	2QFY06	1HFY07	1HFY06
Net interest income	8,494	5,786	16,138	11,376
% growth	*46.8*	*-2.9*	*41.9*	*na*
Portfolio gains	503	476	na	na
% of Total Income (excld portfolio income)	*4.4*	*5.7*	*na*	*na*
Other Income	3,030	2,556	6,639	5,975
% growth	*18.5*	*11.7*	*11.1*	*na*
Total Income	**12,026**	**8,818**	**22,777**	**17,351**
Total operating expenses	**7,236**	**5,517**	**13,310**	**10,384**
% growth	*31.2*	*18.8*	*28.1*	*na*
Operating Income before prov	**4,791**	**3,301**	**9,467**	**6,967**
% growth	*45.1*	*-15.6*	*35.8*	*na*
Provisions & Contingencies	1,587	1,521	3,271	2,912
% Operating income	*33.1*	*46.1*	*34.6*	*41.8*
Provision for Taxes	1,083	459	1,987	1,016
% of PBT	*33.8*	*25.8*	*32.1*	*25.0*
Net Profit	**2,121**	**1,322**	**4,209**	**3,039**
% growth	*60.5*	*166.8*	*38.5*	*na*
Equity	**4881**	**4881**	**4881**	**4881**
EPS	**4.3**	**2.7**	**8.6**	**6.2**
Advances (Rs bn)	751.0	611.4	751.0	611.4
Deposits (Rs bn)	1032.9	858.6	1032.9	858.6
Advances / Deposits (%)	72.7	71.2	72.7	71.2
Gross NPAs (Rs bn)	22.2	28.1	22.2	28.1
Gross NPAs (%)	3.0	4.6	3.0	4.6
Net NPAs (Rs bn)	7.9	13.3	7.9	13.3
Net NPAs (%)	1.0	2.2	1.0	2.2

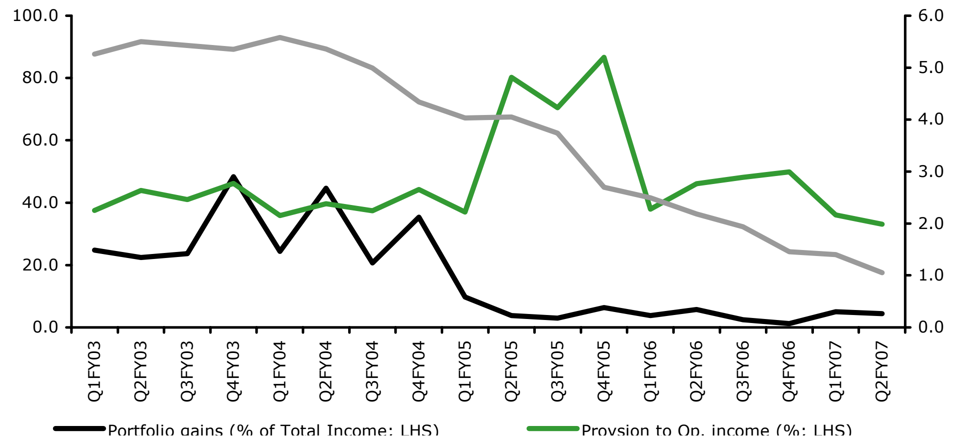
Source: Company data

Chart 1 : Advances and deposits (Rsbn, % CD ratio)



Source: Company data

Chart 2 : Portfolio gains, provisions and net NPLs (%)



Source: Company data

State Bank of India (NR) – Improvement in NIM (standalone); however, consolidated profit after tax declines.

Key highlights of the results

- After adjusting for one-time items, net interest margin improved to 3.32% (3.13% in 1HFY06 and 2.92% in FY06).
- The business growth (standalone) remained modest, with advances growing 19% yoy and deposits up 10.7% (ex-IMDs). Advances growth has been funded partially from Tier II debt and sale of investments.
- The consolidated profit after tax decreased to Rs27bn in 1HFY07 (Rs29bn in 1HFY06). The consolidated operating expenses (other than payroll) increased to Rs36.9bn, from Rs27.5bn a year ago. Management is yet to clarify on this increase in costs.

Key business update

- The low cost/deposit mix improved to 42.6% in September 2006 from 39.5% in September 2005 (excluding IMDs).

- Retail advances grew 26% yoy and constituted 25.8% gross domestic advances compared to 24.7% a year ago. Housing loans constituted 52.5% of retail advances as on September 2006.

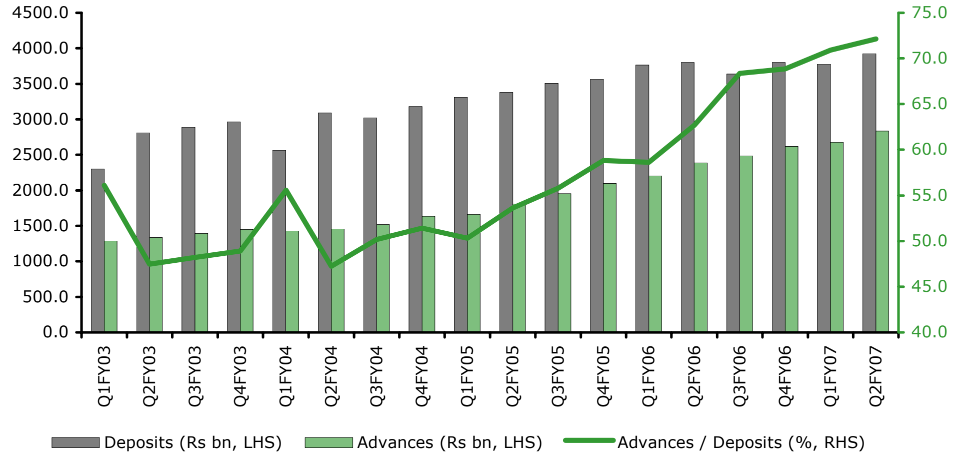
- 3,710 branches of SBI are under Core Banking Solution (CBS) and 8,465 group branches are on CBS. About, 64% of the business is now on CBS.

Table 4 : State Bank of India

Year-ending March (Rs m)	2QFY07	2QFY06	1HFY07 (cons)	1HFY06 (cons)
Net interest income	**38,987**	**36,079**	**1,11,183**	**1,08,718**
% growth	*8.1*	*6.8*	*2.3*	*na*
Portfolio gains	77	2,467	na	na
% of Total Income (excld portfolio income)	*0.2*	*6.3*	*na*	*na*
Other Income	14,261	10,477	51,857	40,589
% growth	*53.2*	*-16.0*	*27.8*	*na*
Total Income	**53,324**	**49,023**	**1,63,040**	**1,49,307**
Total operating expenses	**28,599**	**29,197**	**89,528**	**75,954**
% growth	*-2.0*	*20.3*	*17.9*	*na*
Operating Income before prov	**24,726**	**19,826**	**73,512**	**73,353**
% growth	*24.7*	*-23.9*	*0.2*	*na*
Provisions & Contingencies	6,813	8,175	26,560	36,264
% Operating income	*27.6*	*41.2*	*36.1*	*49.4*
Provision for Taxes	6,067	-500	18,669	7,340
% of PBT	*33.9*	*-4.3*	*39.8*	*19.8*
Net Profit	**11,845**	**12,151**	**28,283**	**29,749**
% growth	*-2.5*	*12.3*	*-4.9*	
Equity	**5263**	**5263**	**na**	**na**
EPS	**22.5**	**23.1**	**na**	**na**
Advances (Rs bn)	2832.7	2383.5	na	na
Deposits (Rs bn)	3926.2	3800.5	na	na
Advances / Deposits (%)	72.1	62.7	na	na
Gross NPAs (Rs bn)	103.1	125.3	na	na
Gross NPAs (%)	3.6	5.3	na	na
Net NPAs (Rs bn)	47.3	52.4	na	na
Net NPAs (%)	1.7	2.2	na	na
CAR - Tier I (%)	8.7	7.8	na	na

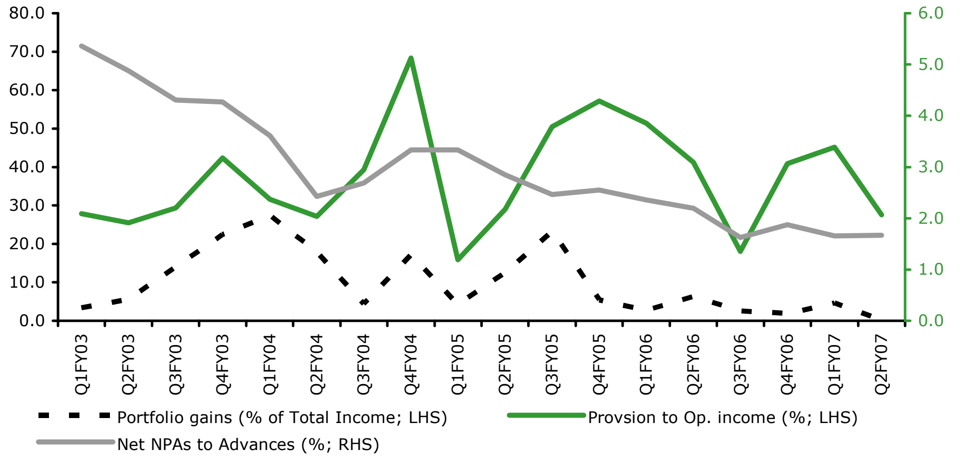
Source: Company data

Chart 3 : Advances and deposits (Rs bn, % CD ratio)



Source: Company data

Chart 4 : Treasury income, provisions and net NPAs



Source: Company data

DISCLOSURES APPENDIX

Global disclaimer

This material was prepared by the ABN AMRO affiliate named on the cover or inside cover page. It is provided for informational purposes only and does not constitute an offer to sell or a solicitation to buy any security or other financial instrument. While based on information believed to be reliable, no guarantee is given that it is accurate or complete. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. The opinions, forecasts, assumptions, estimates, derived valuations and target price(s) contained in this material are as of the date indicated and are subject to change at any time without prior notice. The investments referred to may not be suitable for the specific investment objectives, financial situation or individual needs of recipients and should not be relied upon in substitution for the exercise of independent judgement. The stated price of any securities mentioned herein is as of the date indicated and is not a representation that any transaction can be effected at this price. Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent. In any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

Australia: Any report referring to equity securities is distributed in Australia by ABN AMRO Equities Australia Ltd (ABN 84 002 768 701, AFS Licence 240530), a participant of the ASX Group. Any report referring to fixed income securities is distributed in Australia by ABN AMRO Bank NV (Australia Branch) (ABN 84 079 478 612, AFS Licence 238266). Australian investors should note that this document was prepared for wholesale investors only.

Canada: The securities mentioned in this material are available only in accordance with applicable securities laws and may not be eligible for sale in all jurisdictions. Persons in Canada requiring further information should contact ABN AMRO Incorporated.

Denmark: ABN AMRO Securities (Nordic) SE is authorised and regulated in Sweden by the Swedish Financial Supervisory Authority. In addition, ABN AMRO Securities (Nordic) SE, Copenhagen Branch is subject to local supervision by Finanstilsynet, the Danish Financial Supervisory Authority. ABN AMRO Securities (Nordic) SE has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflicts of interest relating to analysts or ABN AMRO. All analysts located in Denmark follow the recommendations from the Danish Securities Dealers Association.

Finland: ABN AMRO Securities (Nordic) SE is authorised and regulated in Sweden by the Swedish Financial Supervisory Authority. In addition, ABN AMRO Securities (Nordic) SE, Helsinki Branch is subject to local supervision by Rahoitustarkastus, the Financial Supervisory Authority of Finland. ABN AMRO Securities (Nordic) SE has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflicts of interest relating to analysts or ABN AMRO.

Hong Kong: This document is being distributed in Hong Kong by, and is attributable to, ABN AMRO Asia Limited which is regulated by the Securities and Futures Commission of Hong Kong.

India: Shares traded on stock exchanges within the Republic of India may only be purchased by different categories of resident Indian investors, Foreign Institutional Investors registered with The Securities and Exchange Board of India ("SEBI") or individuals of Indian national origin resident outside India called Non Resident Indians ("NRIs") and Overseas Corporate Bodies ("OCBs"), predominantly owned by such persons or Persons of Indian Origin (PIO). Any recipient of this document wanting additional information or to effect any transaction in Indian securities or financial instrument mentioned herein must do so by contacting a representative of ABN AMRO Asia Equities (India) Limited.

Italy: Persons in Italy requiring further information should contact ABN AMRO Bank N.V. Milan Branch.

Japan: This report is being distributed in Japan by ABN AMRO Securities Japan Ltd to institutional investors only.

Malaysia: ABN AMRO research, except for economics and FX research, is not for distribution or transmission into Malaysia.

New Zealand: This document is distributed in New Zealand by ABN AMRO NZ Limited an accredited NZX Firm.

Russia: The Russian securities market is associated with several substantial risks, legal, economic and political, and high volatility. There is a relatively high measure of legal uncertainty concerning rights, duties and legal remedies in the Russian Federation. Russian laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Russian securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Russian securities may be affected by fluctuations in available currency rates and exchange control regulations.

Singapore: Any report referring to equity securities is distributed in Singapore by ABN AMRO Asia Securities (Singapore) Pte Limited (RCB Regn No. 198703346M) to clients who fall within the description of persons in Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations and Regulations 34 and 35 of the Financial Advisers Regulations. Any report referring to non-equity securities is distributed in Singapore by ABN AMRO Bank NV (Singapore Branch) Limited to clients who fall within the description of persons in Regulations 34 and 35 of the Financial Advisers Regulations. Investors should note that this material was prepared for accredited investors only. Recipients who do not fall within the description of persons under Regulation 49 of the Securities and Futures (Licensing and Conduct of Business) Regulations or Regulations 34 and 35 of the Financial Advisers Regulations should seek the advice of their independent financial advisor prior to taking any investment decision based on this document or for any necessary explanation of its contents.

Sweden: ABN AMRO Securities (Nordic) SE is authorised and regulated in Sweden by the Swedish Financial Supervisory Authority. ABN AMRO Securities (Nordic) SE has adopted rules to ensure the integrity and independence of research analysts and the research function, as well as to identify, manage, avoid or make public actual or potential conflict of interests relating to analysts or ABN AMRO.

Thailand: Pursuant to an agreement with Asia Plus Securities Public Company Limited (APS), reports on Thai securities published out of Thailand are prepared by APS but distributed outside Thailand by ABN AMRO Bank NV and affiliated companies. Responsibility for the views and accuracy expressed in such documents belongs to APS.

United Kingdom: All research is distributed by ABN AMRO Bank NV, London Branch, which is authorised by De Nederlandsche Bank and by the Financial Services Authority; and regulated by the Financial Services Authority for the conduct of UK business. The investments and services contained herein are not available to private customers in the United Kingdom.

United States: Except for any documents relating to foreign exchange, FX or global FX, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of ABN AMRO Incorporated, Park Avenue Plaza, 55 East 52nd Street, New York, N.Y. 10055, US, tel + 1 212 409 1000, fax +1 212 409 5222.

- Material means all research information contained in any form including but not limited to hard copy, electronic form, presentations, e-mail, SMS or WAP.

ABN AMRO's policy on managing research conflicts of interest can be found at https://www.abnamroresearch.com/Disclosure/Disclosure.AspX?MI=5.

The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

For a discussion of the valuation methodologies used to derive our price targets and the risks that could impede their achievement, please refer to our latest published research on those stocks at www.abnamroresearch.com.

Disclosures regarding companies covered by ABN AMRO group can be found on ABN AMRO's research website at www.abnamroresearch.com.

Should you require additional information please contact the relevant ABN AMRO research team or the author(s) of this report.