

Figure 1. Result Dates

Company	Date	Pat Mar '06	Pat Mar '07	YOY
Punjab National Bk	23-May	2,887	4,138	43%
Centurion Bank	24-May	260	362	39%
Gokaldas Exports	24-May	150	205	36%
BPCL	24-May	17,883	3,148	-82%
IOC	28-May	40,306	12,879	-68%
Mahindra & Mahin.	28-May	175	232	33%
Unitech	28-May	na	4,891	na
Vardhman Textiles	28-May	490	438	-11%
Indraprastha Gas	28-May	295	344	17%
HPCL	29-May	20,134	1,666	-92%
Larsen & Toubro	29-May	4,588	5,600	22%

Source: Citigroup Investment Research

India News

Economy

- PM: Govt may unveil major initiative on farm sector in next 10 days (Business Line)

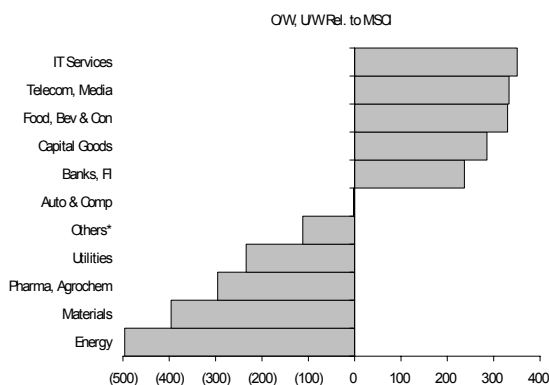
Industry

- Aviation – National Aviation Co will be the new entity out of Air India and Indian Airlines merger, Air India brand stays (Financial Express)
- Sugar – 98% of 2,500 proposals for new sugar mills scrapped by Directorate of Sugar, Ministry of food (Business Standard)
- Telecom – Reliance Communications cuts roaming tariff by up to 70% (Economic Times)

Companies

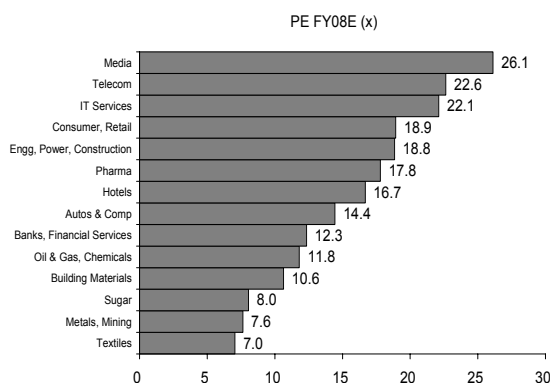
- Supreme Court bars Dabur from using Glucose-D trademark that was similar to Heinz's Glucon-D (Economic Times)
- Reliance Industries may set up pharma unit at Jamnagar SEZ (Business Line)
- Chiria iron ore mines row: SAIL and Jharkhand Govt may settle out of court; Mittal Steel has expressed interest in Chiria (Business Line)

Key Overweights/ Underweights



Source: Citigroup Investment Research

CIR Universe P/E FY08E (x)



Source: Citigroup Investment Research

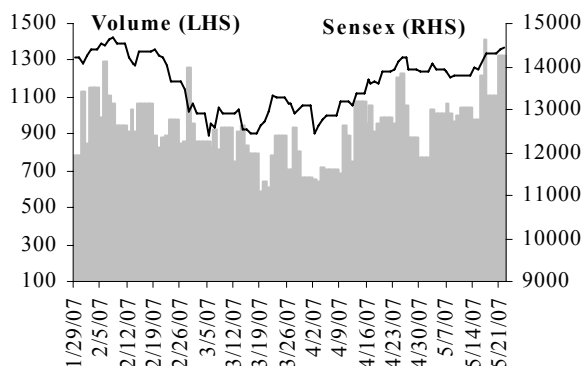
Market Snapshot

Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	Mkt Volume	
								(Rs Mils.)	
								BSE	52,900
								NSE	113,750
								Top Volume*	(Rs Mils.)
Absolute								RELIANCE CAPITAL LTD.	4468.3
BSE Sensex	0.24	3.76	4.00	0.35	6.15	37.89	4.84	REL COM LTD	1667.2
CIR India Index	0.38	4.49	6.47	10.08	15.58	31.75	15.54	BALAJI TELE	703.2
Aluminum	(0.06)	(0.90)	0.11	(0.12)	(2.71)	(6.16)	(2.03)	CAIRN IND	362.6
Auto	(0.13)	(3.98)	(1.76)	(17.96)	(11.26)	(9.10)	(16.43)	GUJARAT AMBUJA CEMENTS LTD.	349.0
Banks	0.50	7.49	13.82	9.95	6.33	48.01	6.77	REL PET	339.1
Capital Goods	0.89	4.66	5.65	8.44	17.96	48.39	17.49	STEEL AUTHOR	333.9
Cement	1.59	1.94	11.10	(11.93)	(16.35)	22.31	(18.48)	INFRA DEVFIN	278.3
Consumer	0.51	1.27	1.59	1.01	(10.62)	(8.37)	(5.01)	IDBI LTD	214.0
Hotels	1.76	(2.67)	(2.44)	(2.12)	(3.41)	33.12	(6.58)	IDEA CELL	198.1
IT Services	(0.46)	(0.32)	(4.17)	(19.93)	(11.81)	23.74	(14.63)	Top Gainers*	Close (Rs)
Media	4.37	6.70	16.94	19.89	(9.34)	36.74	6.42	THERMAX LMTD	449
Oil & Gas	(0.56)	3.68	4.22	4.43	7.19	13.02	8.12	JINDAL STAIN	165
Petrochemical	0.79	11.10	15.19	25.34	38.80	89.64	39.06	TVS MOTOR L	65
Pharmaceutical	0.59	2.06	(2.07)	(1.67)	(1.29)	(3.51)	(1.21)	RELIANCE CAPITAL LTD.	1,021
Power	1.31	6.44	10.21	1.13	7.74	14.32	7.86	KOTAK BANK	605
Steel	0.33	5.65	10.62	26.54	56.84	84.21	52.08	CENTURY TEXTILES AND INI	647
Telecom Equipment	(0.15)	7.72	2.63	1.09	(6.55)	30.82	(2.30)	HOUSING DEVELOPMENT FII	1,794
Telecom	1.11	3.13	1.67	7.65	33.52	108.61	32.56	TATA TEA LTD	878
								Top Losers*	Close (Rs)
Relative to BSE-30 Sensex								SUN TVNET	1,355
CIR India Index	0.13	0.72	2.47	9.73	9.44	(6.14)	10.70	MOSER BAER	443
Aluminum	(0.30)	(4.67)	(3.89)	(0.47)	(8.86)	(44.05)	(6.86)	SOBHA DEV	948
Auto	(0.37)	(7.74)	(5.76)	(18.31)	(17.41)	(46.99)	(21.27)	CANARA BANK	260
Banks	0.25	3.72	9.82	9.60	0.19	10.11	1.93	DREDG CORP I	524
Capital Goods	0.65	0.90	1.65	8.09	11.81	10.49	12.66	FINOLEX CABL	83
Cement	1.35	(1.82)	7.10	(12.28)	(22.50)	(15.59)	(23.31)	MIRC ELECTRO	19
Consumer	0.27	(2.49)	(2.41)	0.66	(16.77)	(46.26)	(9.85)	STR OPTICAL	213
Hotels	1.52	(6.44)	(6.44)	(2.48)	(9.55)	(4.78)	(11.41)	PARSVNATH	331
IT Services	(0.70)	(4.09)	(8.17)	(20.28)	(17.96)	(14.15)	(19.47)	J B CHEM PHR	75
Media	4.13	2.93	12.94	19.53	(15.49)	(1.16)	1.59		
Oil & Gas	(0.81)	(0.08)	0.22	4.08	1.05	(24.87)	3.28		
Petrochemical	0.55	7.34	11.19	24.98	32.65	51.75	34.22		
Pharmaceutical	0.35	(1.71)	(6.07)	(2.02)	(7.44)	(41.40)	(6.05)		
Power	1.07	2.67	6.21	0.77	1.60	(23.58)	3.03		
Steel	0.08	1.88	6.61	26.19	50.70	46.31	47.25		
Telecom Equipment	(0.39)	3.96	(1.37)	0.74	(12.70)	(7.07)	(7.13)		
Telecom	0.86	(0.63)	(2.34)	7.30	27.37	70.72	27.72		

*BSE-Group A
Source: The Economic Times, www.bseindia.com.

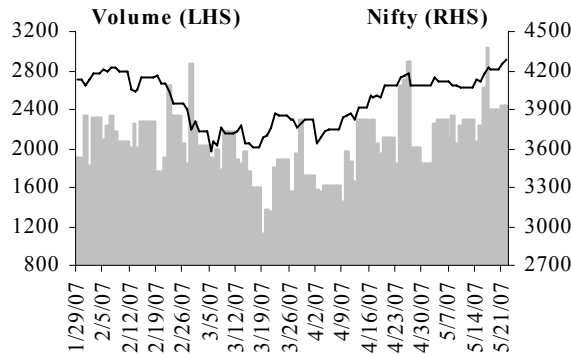
Source: Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

Thermax (THMX.BO)

Initiate With Buy: Captivating Growth

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Buy/Low Risk	1L
Price (22 May 07)	Rs448.50
Target price	Rs562.00
Expected share price return	25.3%
Expected dividend yield	0.8%
Expected total return	26.1%
Market Cap	Rs53,442M US\$1,322M

	2006	2007E	2008E
EPS new(Rs)	8.53	15.25	20.53
EPS Growth(%)	55.3	78.8	34.6
P/E	52.6	29.4	21.8
EV/EBITDA	28.3	18.3	13.2
Consensus Data	1.59	15.78	21.46

Price Performance (RIC: THMX.BO, BB: TMX IN)



- **Leader in small & medium-sized boilers in India** – Thermax has a 21% share of the overall boiler market in India, and is the only scale player other than BHEL (which has 69% of the overall market). With BHEL focusing on higher capacity utility boilers, Thermax is poised to capture a larger share of the market in industrial boilers and smaller capacity utility boilers.
- **Play on power and industrial capex** – Thermax is in a sweet spot given 1) India's captive power capacity is set to grow by 63% in the next five years due to a lack of quality power supply and high industrial tariffs; 2) Industrial capex is expected to grow 181% in FY06-10E driven by strong demand and peak capacity utilizations.
- **Niche player in environment-friendly technologies** – A key revenue driver for Thermax will be its products and solutions for industrial and waste water treatment, waste heat recovery and air pollution control. Globally and domestically, demand is rising for environment-friendly technologies as a result of tightening emission norms under global initiatives like the Kyoto Protocol.
- **Buy/Low Risk, target price of Rs562 (20x FY09E EPS)** – Our target price for Thermax is based on the target multiple we use for BHEL. Our rating is supported by: 1) EPS CAGR of 34% over FY07E-10E; 2) projected ROEs of ~35%; 3) a growing share in India's boiler market.
- **Key risks** — Pending lawsuit in the US, low pricing flexibility, rising interest rates, increasing competition, manpower shortages, rupee appreciation, decline in oil prices.

Dr Reddy (REDY.BO)

Buy: Avandia Concerns – Possible Implications

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Buy/Medium Risk	1M		
Price (22 May 07)	Rs661.00		
Target price	Rs803.00		
Expected share price return	21.5%		
Expected dividend yield	0.6%		
Expected total return	22.1%		
Market Cap	Rs110,990M US\$2,746M		
	2007	2008E	2009E
EPS new(Rs)	55.63	34.58	43.99
EPS Growth(%)	359.2	-37.8	27.2
P/E	11.9	19.1	15.0
EV/EBITDA	6.7	10.1	7.9
Consensus Data	na	35.86	42.98

Price Performance (RIC: REDY.BO, BB: DRRD IN)



- **Avandia cardiovascular (CV) safety questioned** — A paper in the New England Journal of Medicine concludes that Avandia treatment was associated with a significant (30-40%) increased risk of heart attack and an increase in the risk of death from CV events that has borderline significance. While there are possible implications for DRL, they are not material enough to change our rating.
- **May not be too serious** — Our US analyst, Kevin Wilson, who covers GSK Plc believes that the study has significant limitations including pooling of data from trials not originally intended to explore CV outcomes, absence of central adjudication of CV outcomes in most trials and unavailability of definitions of heart attacks. Besides, GSK has provided an unpublished interim analysis of the RECORD study of CV outcomes with Avandia to the FDA which provides contradictory evidence, according to FDA. Pending analyses, and with no specific risk, FDA has not asked GSK to take any action.
- **DRL is FTF on Avandia** — DRL believes it has a first to file position in its patent challenge on Avandia and enjoys shared exclusivity. Avandia has annual sales of c.US\$2bn in the US, and is a potentially large opportunity for DRL, if it prevails in the litigation. As such, any erosion in Avandia's franchise or a global withdrawal would have an adverse impact on DRL.
- **Will all 'glitazones' be affected?** — The other question is whether the problems apply only to Avandia or other drugs using the same pharmacological mechanism (glitazones). If yes, this may include DRL's balaglitazone, which is stated to enter phase III clinical trials over the next year. Our price target includes an option value of Rs6/share built in for balaglitazone.

Analyst Certification Appendix A-1

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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Ratings and Target Price History - Fundamental Research

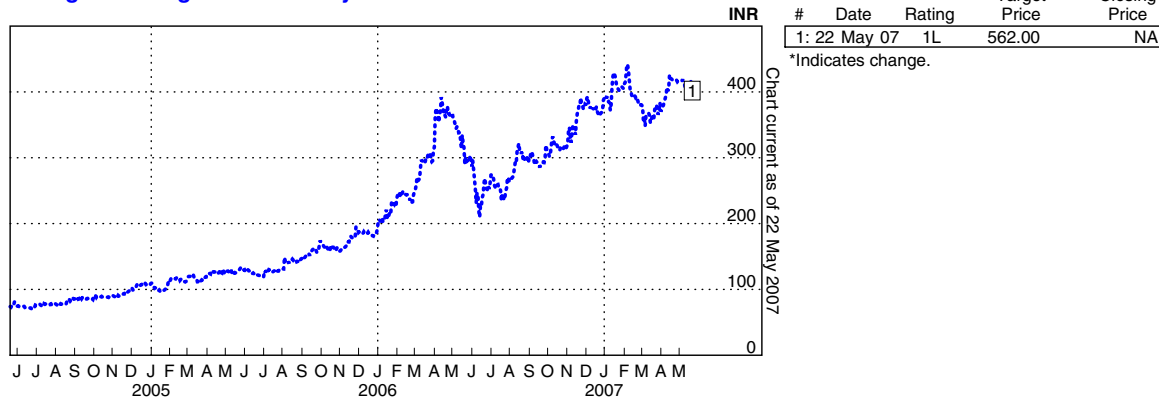
Analyst: Prashant Nair, CFA (covered since February 23 2006)



— Covered
..... Not covered

Thermax (THMX.BO)

Ratings and Target Price History - Fundamental Research

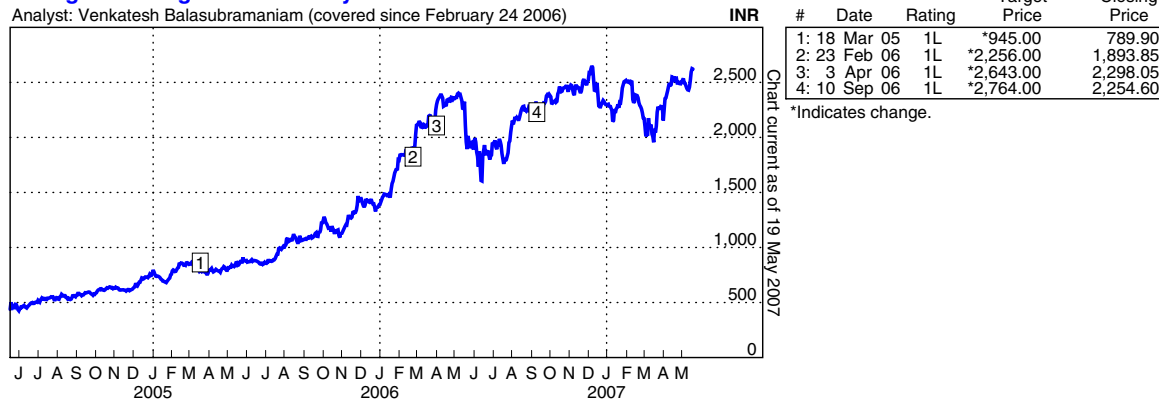


— Covered
..... Not covered

Bharat Heavy (BHEL.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Venkatesh Balasubramaniam (covered since February 24 2006)



— Covered
..... Not covered

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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%

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