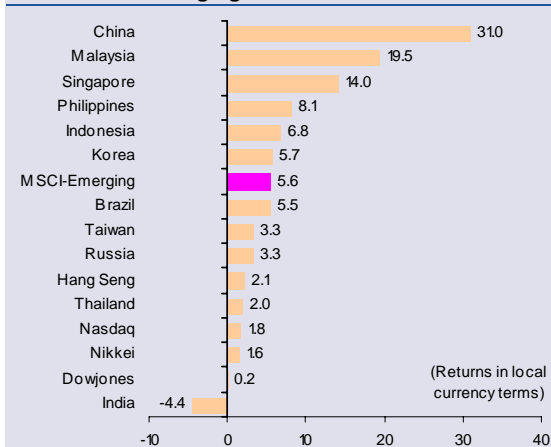
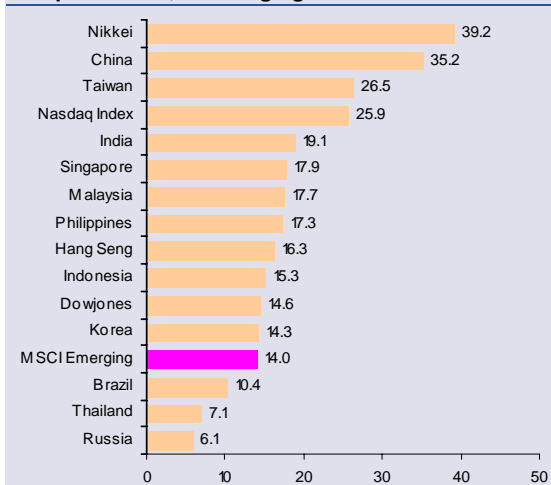


Latest daily return	Yesterday	Chg, %	YTD, %
BSE Sensex	13,183	-0.05	-4.4
NSE Nifty	3,863	0.38	-2.6
Nifty Junior Index	6,941	-0.40	-2.3
Nasdaq	2,459	-0.74	1.8
DJIA	12,485	-0.71	0.2
Nikkei	17,502	-0.95	1.6

YTD returns: Emerging Markets



Prospective P/E, x: Emerging Markets



Note: Dowjones, Nasdaq, Nikkei from developed markets included

Commodities	Latest	% Chg	% Chg 1m
Crude (\$/barrel)	62.0	-0.05	5.21
Gold (\$/troy oz)	676.8	0.04	3.80
Copper (cents/lb)	357.6	1.66	28.62
Aluminium (\$/Ton)	2,871.0	-0.14	5.63
Rubber (JPY/kg)	279.5	0.98	9.82

Currencies	Closing	% Chg
Rs/US\$	42.90	-0.13
US\$/EUR	1.35	-0.17

Today's Highlights: News, Impact, Analysis

- **RBI proposes to increase risk weightage on all unrated loans above Rs 100mn (Economic Times)**
- **GSM subscriber data: Year end bonanza; Net adds up (26% MoM) to 6.13mn led by BSNL**

Other News

- **Banks:** RBI proposes to increase risk weightage on all unrated loans above Rs 100mn.. Loan rates cud rise further due to this
- **TCS:** looks at foreign listing, plans \$1bn equity sale to fund group buyouts.. cud include fresh share offer as well.
- **L&T:** to set up a state of art ship building yard for Rs 15bn. Infotech arm looking to buy firms to boost banking fin biz.
- **Telecom:** March sub #s Bharti 1.7mn(-0.4% m/m),Idea 370k(-34%) MTNL 170k(+108.5%), RCOM - GSM 240k(+1%)
- **IOC, GAIL:** sign agreement to sell piped gas in West Bengal.
- **SAIL, RINL, NMDC:** plan to form a Rs 100bn JV for setting up a 3mn ton steel plant.
- **Bharat Forge:** plans foray into aerospace, shipping products & to invest Rs 3bn in a greenfield project.
- **UTV:** to tsf all film production activities both dom & intl into one of its overseas subs & seek listing overseas.

MAN: BSE Sensex valuations

Index	Index Value	MCap (USDb)	EPS (INR)			P/E (x)		
			FY06	FY07E	FY08E	FY06	FY07E	FY08E
BSE-30 Index#	13,183	402	560	729	835	23.6	18.1	15.8
growth (%)	--	--	--	30.3	14.5	--	--	--
BSE-30 (ex Financials)#	--	355	541	724	818	24.4	18.2	16.1
growth (%)	--	--	--	33.8	13.0	--	--	--
BSE-30 (ex Financial, Oil&Gas)#	--	312	468	639	740	28.2	20.6	17.8
growth (%)	--	--	--	36.6	15.8	--	--	--

not adjusted for free float

Net Institutional Investment (CYTD) and Sensex Returns

Rs mn	Absolute Change	2007	2006	2005	2004
FII, USD mn	(2,170)	1,808	3,978	3,890	3,555
Mutual Fund, USD mn	(1,708)	(917)	791	572	98
Sensex return	(4.4)	25.0	-0.86	-0.016	

Indian ADR

	Price, USD	1D Change, %	Volume	Premium Discount, %
Infosys	52	-0.21	3,578,913	11.90
Dr Reddy	16	-1.99	735,500	-0.34
MTNL	7	0.00	199,100	-1.88
Wipro	16	-2.39	543,200	24.96
HDFC Bank	68	-0.49	212,000	-1.29
ICICI Bank	39	-0.31	2,528,400	-3.12
Satyam	23	-2.06	648,900	10.75
VSNL	20	-0.92	48,500	-0.64

Source: Bloomberg, Man Financial Research

India: Cash equities and derivatives — last 10 days flows and volumes

	90d mov median	28-Mar	29-Mar	30-Mar	2-Apr	3-Apr	4-Apr	5-Apr	9-Apr	10-Apr	11-Apr
Net Inflows (US\$ mn)											
FII Cash equities	21	117	-81	190	-108	-39	-1	129	129	92	NA
MF Cash equities	0.4	-48	13	1	16	-13	-32	10	11	-101	NA
FII Futures & Option	2.1	-62	28	-9	-73	90	53	-23	50	9	16
Total (cash+F&O)	23	7	-40	182	-165	38	20	116	191	-0.2	NA
Cash Equities Volumes (US\$ mn)											
FII Cash equities	1,043	1,606	1,934	1,151	1,067	1,079	1,117	958	601	964	NA
MF Cash Equities	262	273	391	226	197	244	190	158	193	219	NA
Others Cash Equities*	1,579	1,038	805	1,045	998	915	1,061	1,243	1,391	1,768	NA
Total Cash equities	2,884	2,917	3,130	2,422	2,262	2,237	2,368	2,359	2,184	2,951	2,786
FII vol as % of total vol	36.2	55.1	61.8	47.5	47.2	48.2	47.2	40.6	27.5	32.7	NA
MF vol as % of total vol	9.1	9.4	12.5	9.3	8.7	10.9	8.0	6.7	8.8	7.4	NA
Others vol as % of total vol*	54.7	35.6	25.7	43.1	44.1	40.9	44.8	52.7	63.7	59.9	NA
Cash equities % of India Mcap	0.35	0.37	0.39	0.30	0.29	0.28	0.29	0.29	0.26	0.35	NA
Derivatives Volumes (USDm)											
Total F&O	7,294	10,307	11,649	5,392	6,670	5,422	5,122	5,440	5,489	5,146	5,340
F&O % of India Mcap	0.90	1.29	1.44	0.66	0.84	0.68	0.63	0.67	0.66	0.61	0.63
F&O vol times cash equity vol	2.5	3.5	3.7	2.2	2.9	2.4	2.2	2.3	2.5	1.7	1.9
FII Open Interest	7,887	9,759	6,755	7,181	6,891	7,040	7,315	7,623	7,990	8,030	8,079
Total Open Interest	11,941	13,507	8,100	8,886	9,047	9,338	9,792	10,248	10,788	NA	11,319
Total OI % of India Mcap	1.50	1.69	1.00	1.09	1.14	1.17	1.21	1.26	1.29	NA	1.34

*Others include Retail segment and institutions other than FIIs and Domestic MFs

Source: SEBI, BSE, NSE and MAN Financial Research

News: RBI proposes to increase risk weightage on all unrated loans above Rs 100mn (Economic Times)

Analysis

Under Basel I, all the corporate loans used to attract a standard risk-weight of 100%. However, under the proposed guidelines on capital adequacy (pertaining to Basel II) risk weight would be applied to each category on the basis of external credit rating (assigned by a rating agency) as per the standardized approach for credit risk. RBI has also prescribed risk weights for these ratings, as in the table below.

Claims on Corporates

Domestic rating agencies	AAA-AA	A	BBB	BB & below	Unrated*
Risk Weight	20%	50%	100%	150%	100%

* Unrated claims on corporates in excess of Rs 100mn will attract a risk weight of 150%

Source: RBI

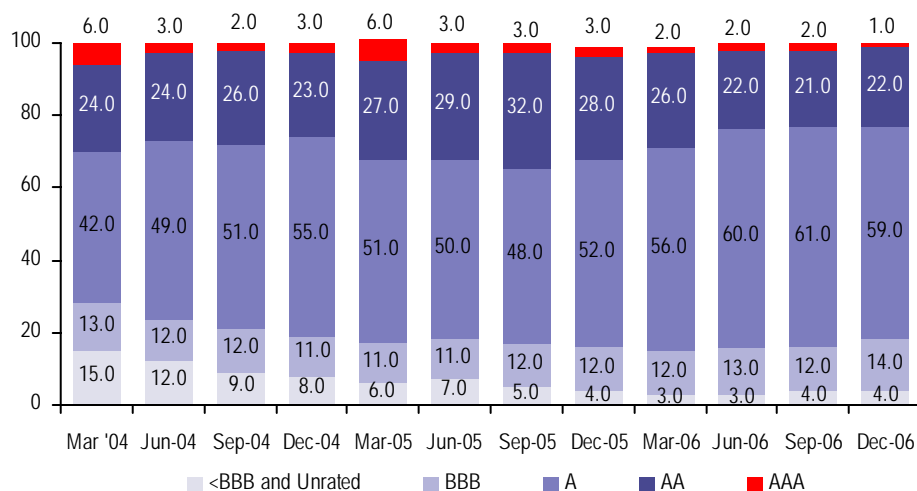
The newspaper report indicates that the unrated loans category could be to the tune of 30% of the outstanding advances portfolio of the banks, which might be subject to the higher risk-weights of 150% under the proposed capital adequacy norms.

We believe that this might not lead to higher rates on this category of loans. This is because banks may be required to set aside lower capital for rated loans, which might mitigate the impact of the increased risk weights for the unrated loans.

This would be clear from the findings of CRISIL and RBI regarding the impact of the revised framework on the banks' capital adequacy requirements:

- The rating agency, Crisil, had estimated that there would be a 1.6% decline in the capital adequacy for the banking sector on account of implementation of the new capital framework. As per Crisil's analysis, there will be a gain of 0.7% on account of credit risk and a decline of 1.2% and 1.1%, respectively, due to market and operational risk.
- "The Basel Committee on Banking Supervision (BCBS) had undertaken the Fifth Quantitative Impact Study (QIS-5) to assess the impact of adoption of the revised Framework. Eleven Indian banks, accounting for about 50 per cent of market share (by assets), participated in the QIS-5 exercise. An empirical analysis indicates that the combined capital adequacy ratio of these banks is expected to come down by about 100 basis points when these banks apply Basel II norms for standardised approach for credit risk and basic indicator approach for operational risk. Although none of the banks which participated in the exercise would be breaching the minimum capital adequacy ratio under the new framework, the net impact reflects a wide range." – "Special features of Financial Sector Reforms in India"; Inaugural address by Smt. Shyamala Gopinath, Deputy Governor, RBI delivered at the 18th Annual National Conference of Forex Association of India on April 6, 2007 at Bangkok

Category wise exposure of corporate loans as disclosed by UTI Bank (only 4% of the loans are unrated) :



Source: Company, Man Financial Research

However, we believe that the proposed guidelines might delay the release of capital (particularly from the credit risk perspective) due to setting up of prudential floor for the minimum capital requirements, put forth below:

Capital requirements:

- Banks are required to maintain a minimum CRAR of 9% on an ongoing basis
- Minimum capital to be maintained upon implementation of revised framework shall be subjected to a prudential floor (need for same will be reviewed periodically by RBI) which shall be higher of the following:
 - (i) Minimum capital required to be maintained under revised framework
 - (ii) A specified % of the minimum capital required to be maintained as per Basel I (subject to progressive decline)

FY ending*	March'08	March'09	March'10	March'11
Prudential Floor	100	95	90	85

- Relevant period shall be March '09,'10,'11&'12 for banks implementing revised framework wef March 31'09

Source: RBI

- (iii) Banks are encouraged to maintain (at both solo and consolidated level) a Tier 1 CRAR of at least 6% (banks below this level should achieve this ratio before March 31,'10)

However, the minimum Tier 1 capital requirement of 6% might lead to equity dilution for some banks in latter half of FY08 or in FY09 (no guidance from bank managements). We feel banks with low Tier 1 capital like Bank of India (6.2%), UTI Bank (7%) & Canara Bank (7.7%) might have to tap the equity market for shoring up their low Tier-I base.

We have a neutral rating on the sector.

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News: GSM subscriber data: Year end bonanza; Net adds up (26% MoM) to 6.13mn led by BSNL

Analysis

- All India GSM data for March '07 has been released. CDMA data is awaited.
- March '07 GSM net adds at 6.13 mn, up 26% vs. February '07. This is the highest ever-net addition recorded by GSM operators.
- All India GSM subscribers as of March '07 at 121.4 mn.
- On YoY basis, GSM net adds up 53%, GSM subscriber base up 75%.
- Higher net additions likely indicate positive year-end adjustments, offset by clean-up of un-verified subscribers by certain operators.
- Higher net additions for the month mainly driven by BSNL (+98% MoM). Note that BSNL net adds tend to jump in the month of March. In the past four years, net adds in March have increased anywhere between ~60-653% over February.
- Key laggard: Idea (net adds down 35% MoM).
- Hutch Essar, Aircel, MTNL, and Spice also registered improvement in net additions.
- Net additions for Bharti, RCOM remained flat vs. February'07.

Company/Group	Total Subs (mn)	% Share	%MoM	Net Adds (mn)	% Share	% MoM
Bharti Airtel	37.1	30.6%	4.8%	1.70	27.7%	-0.4%
BSNL	27.4	22.6%	7.8%	1.98	32.4%	98.1%
Hutchison Essar	26.4	21.8%	4.3%	1.10	17.9%	18.3%
IDEA	14.0	11.5%	2.7%	0.37	6.0%	-34.8%
Aircel	5.5	4.5%	8.2%	0.42	6.8%	43.5%
Reliance Telecom (GSM)	4.3	3.6%	5.8%	0.24	3.9%	1.0%
MTNL	2.7	2.3%	6.5%	0.17	2.7%	108.5%
Spice	2.7	2.2%	5.8%	0.15	2.5%	156.4%
BPL	1.1	0.9%	0.5%	0.01	0.1%	41.3%
All India	121.4	100%	5.3%	6.13	100%	25.8%

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