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**Strategy:** March 2007 quarter results preview

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### News Roundup

#### Corporate

- A clutch of private equity (PE) investors, which include Lehman Brothers, Goldman Sachs, CSFB and eight others, would acquire nearly 24 per cent stake in NDTV Networks, a fully owned subsidiary of NDTV India, for US\$ 120 mn. (BS)
- New-generation private lender Centurion Bank of Punjab (CBoP) announced 0.50 per cent increase in its prime lending rate (PLR). The new rate will be 15 per cent per annum and come into effect from April 10, 2007. (FE)
- In a unique leveraged buyout, the Vijay Mallya-owned UB Group is mobilizing more than half the acquisition cost of Whyte and Mackay against the Glasgow-based firm's huge inventory that consists of vintage scotch valued at nearly Rs25.2 bn. (BS)

#### Economic and political

- Japan and India opened a second round of talks on a free trade deal that the Asian giants aim to seal within two years. The four-day talks follow a first round in New Delhi in February that led to the creation of working groups to focus on trade in goods, services, investment and bilateral cooperation. (FE)
- Three months after its constitution, the seven-member group of ministers (GoM) headed by Minister of Agriculture Sharad Pawar is scheduled to meet for the first time on April 10 to discuss the draft National Pharmaceutical Policy 2006. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

### EQUITY MARKETS

India	Change, %			
	9-Apr	1-day	1-mo	3-mo
Sensex	13,178	2.5	2.3	(1.4)
Nifty	3,844	2.4	3.4	(0.2)
<b>Global/Regional indices</b>				
Dow Jones	12,569	0.1	2.4	1.0
Nasdaq Composite	2,469	(0.1)	3.4	0.4
FTSE	6,397	0.5	4.2	2.8
Nikkei	17,630	(0.6)	2.7	4.1
Hang Seng	20,210	1.0	8.3	(0.0)
KOSPI	1,499	(0.1)	5.3	10.6
<b>Value traded - India</b>				
		Moving avg, Rs bn		
	9-Apr	1-mo	3-mo	
Cash (NSE+BSE)	92.1	108.1	125.3	
Derivatives (NSE)	235.8	349.4	281.5	
Deri. open interest	465.3	543.1	539.3	

#### Forex/money market

	Change, basis points			
	9-Apr	1-day	1-mo	3-mo
Rs/US\$	42.9	-	(128)	(161)
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	8.2	(1)	10	66

#### Net investment (US\$m)

	5-Apr	MTD	CYTD
FIs	129	(18)	40
MFs	10	(31)	(303)

#### Top movers -3mo basis

Best performers	Change, %			
	9-Apr	1-day	1-mo	3-mo
SAIL	118	3.1	13.8	42.5
BEL	1,719	4.2	14.4	35.3
Punjab Tractors	304	-	(1.9)	26.7
Bharti Tele	761	2.1	1.4	24.1
Wockhardt	410	4.7	10.9	20.9
<b>Worst performers</b>				
Tvs Motor	57	0.5	(0.1)	(28.1)
Acc	742	2.7	(5.0)	(27.3)
Century Tex	528	3.6	0.4	(26.6)
Ingersoll Rand	270	(0.6)	(9.1)	(26.1)
MRF	3,255	(0.9)	(0.9)	(23.1)

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## Strategy

Sector coverage view

## March 2007 quarter results preview

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- **We expect PAT growth of 33% for BSE 30 Universe**
- **Cement, Technology, Telecom to lead earnings growth**

March 2007 quarter results preview. Earnings growth for March 2007 quarter will likely trail revenue growth on account of lower profitability in Banking, Energy and Automobiles. For the Mar'07 quarter, earnings growth will likely be led by Cement, Telecom and Technology, but weighed down by the Energy and Banking sectors.

Sales growth of 21% yoy and profit growth of 25% yoy for our coverage universe ex-en

	Sales growth, %		OPM, %			PAT growth, %	
	yoy	qoq	Mar-06	Dec-06	Mar-07 (E)	yoy	qoq
Auto Ancillaries	24.3	10.4	21.0	19.5	21.7	25.6	55.9
Automobiles	19.3	10.4	14.5	12.3	12.2	2.9	7.8
Banking	24.6	7.8	62.7	49.6	57.3	9.0	(4.0)
Cement	33.0	4.1	24.3	31.2	32.5	67.8	3.2
Chemicals	(18.9)	(26.4)	16.7	18.3	22.8	13.5	(4.3)
Construction	64.0	50.1	8.3	11.5	8.6	(34.6)	(49.1)
Consumers	8.2	(4.6)	19.1	22.3	20.0	9.2	(17.9)
Energy	17.6	5.1	15.2	10.3	11.5	(22.1)	20.7
Industrials	52.4	67.4	18.6	16.0	18.0	35.2	76.3
Media	14.8	2.6	27.7	33.9	29.1	29.7	(14.2)
Metals	25.3	1.3	39.2	42.0	46.0	41.3	4.0
Pharmaceuticals	22.5	(8.8)	14.8	17.2	19.8	58.8	(0.4)
Property	53.2	55.5	17.5	22.2	13.8	118.3	(11.3)
Retail	80.0	8.9	8.5	7.6	7.6	59.3	288.7
Shipyards	3.7	12.6	26.6	29.6	29.0	7.3	13.2
Technology	40.5	6.2	25.5	25.7	26.1	42.2	5.6
Telecom	60.8	16.3	31.3	36.1	34.3	64.0	(2.3)
Transmission	83.9	21.9	11.3	14.5	13.1	130.0	7.9
Transportation	29.9	11.5	22.4	20.2	20.9	(40.7)	0.8
Utilities	2.7	(10.5)	22.3	23.3	24.0	(16.0)	(34.7)
Kotak coverage	19.6	4.5	21.0	19.4	20.9	10.6	4.8
Kotak ex-banks	19.4	4.4	19.1	18.0	19.1	10.9	6.1
Kotak ex -energy	21.1	4.1	25.2	25.7	27.5	24.7	1.2
BSE 30 Universe	14.9	(0.6)	27.8	28.7	31.7	33.2	1.7

Source: Kotak Institutional Equities.

## Economy

Sector coverage view

## India's 7.2% February 2007 infrastructure industries growth: Still going strong

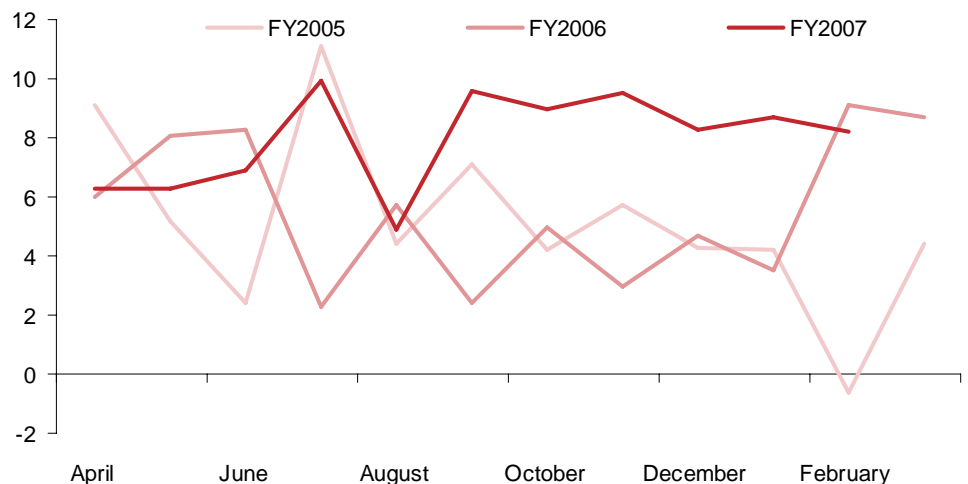
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- **Infrastructure industries production up 7.2 % in February 2007**
- **Base effects pull down cement, electricity generation**
- **Crude up on Mumbai High effects, steel healthy despite strong base**
- **Infrastructure industries approaching full capacity.**

Production of infrastructure industries decelerated to 7.2% y-o-y in February 2007 from 9.1% last year, driven down by base effects in electricity and crude (Exhibit 1). Infrastructure production, at 8.3% during the 11MFY07, was substantially higher than 6.1% during the comparable period last year. Crude production is rising, reflecting the Mumbai High oil fire of August 2005. Steel grew a handsome 13.5% on top of 9.7% last year. We continue to highlight that most infrastructure industries are now operating at close to capacity levels, reflecting the growing investment sensitivity of GDP. Refineries operated at 108.2% during April 2006 - January 2007 (98.7% last year). Steel producers are working at 96% capacity up from 92% last year. Capacity utilization in cement also climbed to 89% (86% in last year).

### Exhibit 1: Infrastructure industries continue to clock healthy growth

Production in infrastructure industries (y-o-y growth in %)



Source: Ministry of Industry, Government of India, with August 2005 revisions.

**Exhibit 2: Infrastructure industries**

(per cent)

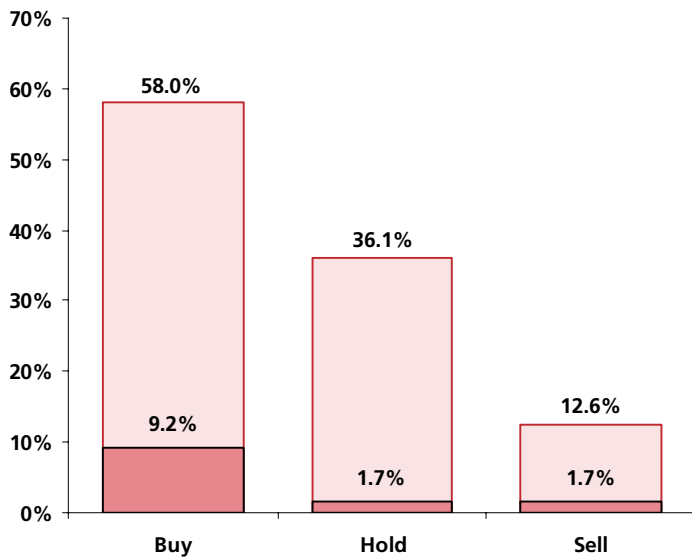
	Electricity	Coal	Finished Steel	Cement	Crude petroleum	Petroleum refinery products	Overall
Weight	10.2	3.2	5.1	2.0	4.2	2.0	26.7
High growth phase	6.2	5.3	11.3	10.1	1.8	4.9	6.9
Low growth phase	4.8	2.7	11.3	10.1	1.8	4.9	6.9
FY 2004	5.1	5.8	9.8	6.1	1.0	8.2	6.2
FY 2005	5.2	3.9	8.4	6.6	1.8	4.3	5.8
FY2006	5.1	6.4	6.8	12.3	(5.3)	2.1	5.0
<b>February 2007</b>	<b>3.3</b>	<b>6.6</b>	<b>13.5</b>	<b>5.8</b>	<b>4.9</b>	<b>6.8</b>	<b>7.2</b>

Source: Ministry of Industry, Government of India.

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- Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

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Source: Kotak Institutional Equities.

As of December 31, 2006

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#### Current rating system

#### Definitions of ratings

- OP = Outperform.** We expect this stock to outperform the BSE Sensex over the next 12 months.
- IL = In-Line.** We expect this stock to perform in line with the BSE Sensex over the next 12 months.
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