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India Strategy

QE Jun-08 Earnings Preview: Growth Pangs

Quick Comment: The aggregation of our analysts' earnings estimates for the QE Jun-08 reveals a 9% YoY growth expectation in net earnings for 104 out of the 108 companies in Morgan Stanley's Indian coverage universe. This compares with 10% growth in the Mar-08 quarter. The growth for QE Jun-08 is expected to be 11% excluding the volatile energy sector (compared with 25% in the Mar-08 quarter). By our analysts' estimates, the BSE Sensex constituents will grow earnings by 6% YoY compared with growth of 19%, 16% and 33% in the Mar-08, Dec-07 and Sep-07 quarters respectively.

What's new: A compression in EBITDA margins (52 bps excluding the energy sector) should slightly offset relatively strong revenue growth (at 21% ex-energy similar to the March quarter), in our view. The contribution from net financial earnings seems to be declining by our analyst estimates and driving profit growth estimates lower. Including the energy sector, revenue growth is likely to be 27% (compared with 29% in the previous quarter). EBITDA margins are likely to rise for consumer discretionary, healthcare, telecoms and utilities. Healthcare, technology and energy are the only sectors that seem poised for accelerated net profit growth QoQ (see Exhibit 1). The strongest growth is likely in healthcare, utilities, telecoms and technology whereas consumer discretionary, energy, industrials, materials and financials appear distinctly weak. Profit growth for the private sector banks hides the sluggish EPS growth due to large equity dilution (e.g., ICICI Bank's net profit growth is likely to be 28% versus an EPS growth of 4%).

Implications: We believe that the cycle of negative operating leverage, slowing other income and profit growth has started and could lead to negative earnings revisions for the market as a whole. Foreign exchange translation losses, earnings guidance, state of net financial earnings and capital spending are the key factors to watch in earnings reports this quarter.

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Exhibit 1

Snapshot of Earnings Expectations for the Quarter Ended June 2008 by Sector

| YoY Change for QE Jun-08E | Revenues | EBITDA | Net Profit | EBITDA Margins (bps) | Share of Net Profit QE Jun-08 | Share of Net Profit QE Jun-09E | Growth in Net Profit QE Mar-08 | Growth in Net Profit QE Dec-07 |
|--|------------|------------|------------|----------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Consumer Staples | 13% | 9% | 12% | -68 | 4% | 4% | 19% | 56% |
| Consumer Discretionary | 15% | 19% | -2% | 37 | 4% | 4% | -2% | 24% |
| Energy | 33% | 23% | 5% | -86 | 26% | 24% | -51% | 26% |
| Financials | 17% | 15% | 10% | -110 | 18% | 18% | 38% | 54% |
| Healthcare | 30% | 68% | 34% | 575 | 3% | 3% | 24% | 24% |
| Industrials | 24% | 11% | 4% | -199 | 7% | 7% | 14% | -9% |
| Materials | 17% | 9% | 4% | -212 | 15% | 14% | 27% | 9% |
| Technology | 29% | 29% | 17% | -6 | 10% | 10% | 10% | 16% |
| Telecom | 35% | 36% | 18% | 19 | 8% | 9% | 39% | 39% |
| Utilities | 23% | 24% | 19% | 23 | 5% | 6% | 47% | -7% |
| Total | 27% | 20% | 9% | -105 | | | 10% | 23% |
| Total ex-Energy | 21% | 19% | 11% | -52 | | | 25% | 22% |
| Total ex-Financials | 28% | 21% | 9% | -82 | | | 4% | 16% |
| Total ex-Financials & Energy | 22% | 21% | 11% | -24 | | | 22% | 14% |
| Total ex-Financials, Energy & Materials | 24% | 26% | 14% | 37 | | | 20% | 16% |
| BSE Sensex | 24% | 16% | 6% | -184 | | | 19% | 16% |

Note: Sample size of 104 companies. For the Financial sector, revenues, EBITDA and EBITDA margins are equivalent to total income, operating profit and operating profit margins respectively.
Source: Morgan Stanley Research Estimates

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Exhibit 2

Snapshot of Earnings Expectations for the Quarter Ended June 2008 by Company

| Name of company | Sector | QE Jun-08E | | | QE Jun-07 | | | QE Mar-08 | | | YoY Change | | | | |
|-------------------------|------------------------|------------|--------|------------|-----------|--------|------------|-----------|--------|------------|------------|--------|------------|----------------------|-------------------|
| | | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenue s | EBITDA | Net Profit | EBITDA Margins (bps) | Net Margins (bps) |
| Aban Offshore Ltd | Energy | 2,557 | 1,732 | 856 | 1,276 | 680 | 282 | 1,964 | 989 | 415 | 100% | 155% | 204% | 1444 | 1138 |
| Ambuja Cements Ltd. | Industrials | 15,820 | 4,680 | 3,015 | 14,644 | 5,453 | 3,973 | 16,549 | 5,160 | 3,320 | 8% | -14% | -24% | -765 | -807 |
| Amtek Auto Ltd. | Consumer Discretionary | 13,098 | 2,358 | 1,153 | 10,915 | 2,200 | 1,086 | 13,500 | 2,567 | 1,345 | 20% | 7% | 6% | -216 | -115 |
| Arvind Mills | Consumer Discretionary | 6,226 | 723 | 25 | 5,103 | 804 | 58 | 6,584 | 708 | 109 | 22% | -10% | -57% | -414 | -74 |
| Ashok Leyland Ltd. | Consumer Discretionary | 15,571 | 1,634 | 773 | 16,211 | 1,546 | 882 | 25,620 | 3,055 | 1,806 | -4% | 6% | -12% | 95 | -48 |
| ACC Ltd. | Industrials | 17,969 | 4,384 | 2,970 | 18,427 | 5,444 | 3,513 | 17,958 | 4,706 | 3,210 | -2% | -19% | -15% | -515 | -254 |
| Aventis (India) | Healthcare | 2,215 | 354 | 327 | 2,302 | 445 | 373 | 2,169 | 405 | 345 | -4% | -20% | -12% | -333 | -146 |
| Aban Offshore Ltd | Energy | 2,557 | 1,732 | 856 | 1,276 | 680 | 282 | 1,964 | 989 | 415 | 100% | 155% | 204% | 1444 | 1138 |
| Bank of Baroda | Financials | 13,649 | 5,833 | 2,401 | 13,287 | 6,444 | 3,308 | 15,831 | 8,145 | 2,764 | 3% | -9% | -27% | -577 | -730 |
| Bank of India | Financials | 14,610 | 7,110 | 3,610 | 13,284 | 6,778 | 3,152 | 18,701 | 12,122 | 7,570 | 10% | 5% | 15% | -236 | 98 |
| BHEL | Industrials | 44,678 | 4,381 | 4,154 | 32,339 | 3,107 | 2,889 | 72,020 | 13,633 | 11,109 | 38% | 41% | 44% | 20 | 36 |
| Bharat Forge | Consumer Discretionary | 11,463 | 1,662 | 619 | 10,614 | 1,466 | 471 | 11,500 | 1,846 | 794 | 8% | 13% | 31% | 69 | 96 |
| Bharat Petroleum Corp. | Energy | 340,446 | 8,784 | 4,750 | 238,694 | 2,060 | 1,927 | 325,786 | 8,600 | 584 | 43% | 326% | 146% | 172 | 59 |
| Bharti Airtel Limited | Telecom | 83,106 | 35,142 | 19,729 | 59,046 | 24,466 | 15,116 | 78,191 | 32,518 | 18,529 | 41% | 44% | 31% | 85 | -186 |
| Biocon Ltd | Healthcare | 2,937 | 881 | 724 | 2,710 | 760 | 530 | 2,670 | 830 | 650 | 8% | 16% | 37% | 196 | 508 |
| Reliance Infrastructure | Utilities | 19,400 | 854 | 2,545 | 16,240 | 376 | 2,216 | 16,420 | 898 | 3,114 | 19% | 127% | 15% | 209 | -52 |
| Canara Bank | Financials | 12,631 | 6,010 | 2,160 | 12,742 | 6,121 | 2,406 | 16,368 | 9,392 | 4,641 | -1% | -2% | -10% | -46 | -178 |
| Cipla Ltd. | Healthcare | 12,100 | 2,602 | 1,950 | 9,288 | 1,607 | 1,198 | 11,428 | 2,027 | 1,795 | 30% | 62% | 63% | 420 | 322 |
| Colgate-Palmolive India | Consumer Staples | 3,963 | 631 | 551 | 3,507 | 659 | 589 | 3,913 | 506 | 556 | 13% | -4% | -6% | -287 | -287 |
| Corporation Bank | Financials | 5,247 | 2,847 | 1,622 | 4,909 | 2,756 | 1,771 | 6,138 | 4,035 | 2,056 | 7% | 3% | -8% | -187 | -516 |
| Dr. Reddy's Lab | Healthcare | 14,422 | 1,887 | 1,662 | 12,018 | 2,065 | 1,826 | 13,252 | 1,256 | 1,028 | 20% | -9% | -9% | -410 | -367 |
| Dabur India | Consumer Staples | 6,479 | 875 | 690 | 5,709 | 792 | 621 | 6,065 | 978 | 796 | 14% | 10% | 11% | -38 | -22 |
| DLF Limited | Financials | 37,500 | 26,250 | 21,291 | 30,738 | 22,039 | 15,155 | 43,065 | 27,829 | 21,768 | 22% | 19% | 40% | -170 | 747 |
| EIH Limited | Consumer Discretionary | 2,478 | 759 | 441 | 2,155 | 676 | 367 | 3,399 | 1,531 | 828 | 15% | 12% | 20% | -75 | 77 |
| EBIL | Consumer Discretionary | 592 | 155 | 40 | 408 | 66 | 4 | 632 | 187 | 71 | 45% | 134% | 876% | 997 | 575 |
| GAIL (India) | Energy | 52,807 | 11,521 | 7,683 | 42,457 | 10,387 | 6,852 | 49,352 | 11,599 | 7,223 | 24% | 11% | 12% | -265 | -159 |
| Gammon India | Industrials | 7,024 | 666 | 284 | 5,403 | 577 | 285 | 8,103 | 679 | 235 | 30% | 15% | -1% | -120 | -125 |
| Gitanjali Gems Ltd | Materials | 11,516 | 803 | 513 | 9,597 | 568 | 370 | 14,848 | 555 | 333 | 20% | 41% | 39% | 105 | 60 |
| GlaxoSmithKline Pharma | Healthcare | 4,372 | 1,377 | 1,114 | 4,299 | 1,223 | 964 | 4,499 | 1,435 | 1,213 | 2% | 13% | 16% | 305 | 305 |
| GMR Infrastructure Ltd. | Industrials | 9,747 | 3,661 | 1,533 | 4,766 | 1,386 | 464 | 8,853 | 2,017 | 815 | 105% | 164% | 230% | 848 | 599 |
| Godrej Consumer | Consumer Staples | 3,750 | 670 | 524 | 2,863 | 511 | 386 | 2,718 | 567 | 408 | 31% | 31% | 36% | 0 | 47 |
| Grasim Industries | Industrials | 27,231 | 6,713 | 4,578 | 24,448 | 7,921 | 5,117 | 27,424 | 6,623 | 5,148 | 11% | -15% | -11% | -775 | -412 |
| Great Eastern Shipping | Industrials | 8,783 | 4,881 | 3,692 | 7,160 | 3,916 | 4,210 | 7,837 | 4,352 | 2,993 | 23% | 25% | -12% | 89 | -1677 |

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research Estimates

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Exhibit 2 - continued

| Name of company | Sector | QE Jun-08 | | | QE Jun-07 | | | QE Mar-08 | | | YoY Change | | | EBITDA Margins (bps) | Net Margins (bps) |
|--------------------------------------|------------------------|-----------|--------|------------|-----------|--------|------------|-----------|--------|------------|------------|--------|------------|----------------------|-------------------|
| | | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | | |
| HCL Technologies | Technology | 20,519 | 4,329 | 3,378 | 16,120 | 3,292 | 2,647 | 19,449 | 4,144 | 3,238 | 27% | 32% | 28% | 68 | 4 |
| HDFC | Financials | 6,938 | 6,118 | 4,578 | 5,853 | 5,130 | 3,728 | 11,625 | 10,976 | 7,681 | 19% | 19% | 23% | 52 | 228 |
| HDFC Bank | Financials | 24,360 | 11,810 | 4,910 | 15,581 | 7,837 | 3,212 | 21,914 | 10,887 | 4,711 | 56% | 51% | 53% | -182 | -46 |
| Hero Honda Motor Ltd | Consumer Discretionary | 27,274 | 3,277 | 2,233 | 24,480 | 2,635 | 1,899 | 27,887 | 4,119 | 2,987 | 11% | 24% | 18% | 125 | 43 |
| Hexaware Technologies Limited | Technology | 2,807 | 268 | 205 | 2,616 | 321 | 261 | 2,670 | 263 | 209 | 7% | -16% | -22% | -270 | -268 |
| Hindalco Industries | Materials | 43,354 | 6,307 | 4,097 | 46,779 | 8,843 | 6,029 | 50,102 | 7,967 | 5,360 | -7% | -29% | -32% | -436 | -344 |
| Hindustan Unilever | Consumer Staples | 40,732 | 6,366 | 5,498 | 34,814 | 5,395 | 4,720 | 38,712 | 4,851 | 3,784 | 17% | 18% | 16% | 13 | -6 |
| Hindustan Petroleum | Energy | 327,294 | 6,856 | 3,187 | 218,817 | -1,285 | -869 | 314,706 | 2,168 | -912 | 50% | NM | NM | 268 | 137 |
| Hotel Leelaventure Limited | Consumer Discretionary | 1,182 | 563 | 359 | 1,002 | 490 | 301 | 1,547 | 548 | 280 | 18% | 15% | 19% | -126 | 36 |
| ICICI Bank | Financials | 43,000 | 19,900 | 9,888 | 34,295 | 15,242 | 7,751 | 44,411 | 22,907 | 11,498 | 25% | 31% | 28% | 184 | 40 |
| IDBI | Financials | 4,656 | 1,989 | 964 | 3,591 | 1,534 | 1,531 | 4,594 | 1,500 | 2,450 | 30% | 30% | -37% | 2 | -2193 |
| Idea Cellular Ltd. | Telecom | 24,241 | 7,201 | 2,704 | 14,773 | 5,128 | 3,085 | 19,724 | 6,606 | 2,767 | 64% | 40% | -12% | -500 | -973 |
| IDFC | Financials | 3,800 | 3,025 | 2,241 | 2,990 | 2,485 | 1,810 | 3,250 | 2,390 | 1,510 | 27% | 22% | 24% | -351 | -157 |
| Indian Hotels Company Ltd | Consumer Discretionary | 3,985 | 1,275 | 660 | 3,465 | 1,096 | 548 | 5,560 | 2,490 | 1,355 | 15% | 16% | 21% | 35 | 76 |
| Indian Oil Corp | Energy | 662,945 | 27,835 | 15,448 | 528,620 | 14,187 | 14,651 | 718,999 | 6,221 | -4,141 | 25% | 96% | 5% | 152 | -44 |
| Infosys Technologies | Technology | 48,722 | 15,148 | 12,890 | 37,730 | 10,840 | 10,790 | 45,420 | 14,780 | 12,490 | 29% | 40% | 19% | 236 | -214 |
| ITC Ltd. | Consumer Staples | 34,915 | 11,421 | 7,849 | 33,252 | 11,276 | 7,829 | 39,344 | 10,447 | 7,356 | 5% | 1% | 0% | -120 | -106 |
| IVRCL Infrastructures & Projects LTD | Industrials | 9,724 | 842 | 431 | 6,773 | 600 | 379 | 13,217 | 1,387 | 733 | 44% | 40% | 14% | -20 | -117 |
| Jaiprakash Associates Limited | Industrials | 13,094 | 3,311 | 1,669 | 9,270 | 2,390 | 1,400 | 12,960 | 4,140 | 2,100 | 41% | 39% | 19% | -50 | -236 |
| Jain Irrigation Systems | Industrials | 4,387 | 755 | 293 | 3,274 | 555 | 282 | 5,989 | 1,231 | 366 | 34% | 36% | 4% | 24 | -193 |
| Jindal Steel & Power | Materials | 16,211 | 5,966 | 3,260 | 12,231 | 4,792 | 2,501 | 15,230 | 5,795 | 3,906 | 33% | 25% | 30% | -237 | -34 |
| JSW Steel Ltd. | Materials | 34,504 | 6,194 | 2,335 | 21,907 | 7,413 | 4,278 | 31,258 | 7,254 | 3,256 | 58% | -16% | -45% | -1589 | -1276 |
| Kotak Mahindra Bank | Financials | 11,852 | 2,590 | 1,416 | 9,908 | 2,373 | 1,459 | 13,945 | 4,848 | 2,401 | 20% | 9% | -3% | -210 | -279 |
| LANCO Infratech Ltd | Utilities | 13,603 | 2,943 | 1,681 | 5,914 | 1,147 | 513 | 12,249 | 2,799 | 1,595 | 130% | 157% | 228% | 224 | 368 |
| Larsen & Toubro | Industrials | 56,779 | 5,234 | 3,508 | 45,066 | 4,244 | 2,888 | 84,821 | 11,334 | 9,092 | 26% | 23% | 21% | -20 | -23 |
| Lupin Ltd. | Healthcare | 7,717 | 1,389 | 959 | 6,018 | 1,041 | 784 | 7,504 | 1,197 | 959 | 28% | 33% | 22% | 70 | -60 |
| Mahanagar Telephone Nigam | Telecom | 11,797 | 2,160 | 1,088 | 11,957 | 2,617 | 1,109 | 11,566 | 2,319 | 2,199 | -1% | -17% | -2% | -358 | -5 |
| Mahindra & Mahindra | Consumer Discretionary | 32,209 | 3,285 | 2,006 | 26,128 | 2,771 | 1,927 | 31,482 | 3,424 | 2,072 | 23% | 19% | 4% | -41 | -115 |
| Marico Limited | Consumer Staples | 5,536 | 772 | 484 | 4,691 | 660 | 402 | 4,675 | 456 | 257 | 18% | 17% | 20% | -12 | 17 |
| Maruti Suzuki India Limited | Consumer Discretionary | 46,402 | 7,536 | 5,242 | 39,308 | 5,748 | 4,996 | 49,967 | 7,399 | 2,977 | 18% | 31% | 5% | 162 | -141 |
| Mphasis Limited | Technology | 7,018 | 1,070 | 824 | 5,316 | 977 | 513 | 6,576 | 1,033 | 714 | 32% | 10% | 61% | -313 | 209 |
| National Aluminium | Materials | 12,664 | 5,851 | 4,305 | 11,652 | 6,164 | 4,466 | 14,057 | 5,671 | 4,091 | 9% | -5% | -4% | -670 | -433 |

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research Estimates

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Exhibit 2 - continued

| Name of company | Sector | QE Jun-08E | | | QE Jun-07 | | | QE Mar-08 | | | YoY Change | | | EBITDA Margins (bps) | Net Margins (bps) |
|-------------------------------------|------------------------|------------|--------|------------|-----------|--------|------------|-----------|--------|------------|------------|--------|------------|----------------------|-------------------|
| | | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | | |
| Pantaloon Retail | Consumer Discretionary | 15,295 | 892 | 354 | 10,196 | 568 | 69 | 12,268 | 1,096 | 317 | 50% | 57% | 415% | 27 | 164 |
| Parsvnath Developers Limited | Financials | 4,781 | 1,710 | 1,365 | 4,035 | 1,412 | 1,022 | 5,018 | 1,646 | 1,069 | 18% | 21% | 34% | 78 | 322 |
| Patni Computer Systems | Technology | 7,530 | 1,035 | 776 | 6,628 | 1,285 | 1,347 | 7,062 | 1,072 | 724 | 14% | -19% | -42% | -564 | -1001 |
| Punjab National Bank | Financials | 19,061 | 9,853 | 4,703 | 18,101 | 9,332 | 4,251 | 20,545 | 12,268 | 5,438 | 5% | 6% | 11% | 14 | 119 |
| Rajesh Exports Ltd | Materials | 21,724 | 970 | 554 | 20,302 | 967 | 421 | 25,253 | 840 | 489 | 7% | 0% | 31% | -30 | 47 |
| Ranbaxy Laboratories | Healthcare | 19,541 | 3,370 | 463 | 16,853 | 2,265 | 2,635 | 16,986 | 2,552 | 1,368 | 16% | 49% | -82% | 381 | -1327 |
| Reliance Capital | Financials | 14,781 | 4,540 | 3,611 | 11,762 | 3,781 | 3,253 | 16,347 | 4,494 | 3,656 | 26% | 20% | 11% | -143 | -323 |
| Reliance Communications Ltd. | Telecom | 59,173 | 25,090 | 14,077 | 43,037 | 18,142 | 12,193 | 53,114 | 23,164 | 15,661 | 37% | 38% | 15% | 25 | -454 |
| Reliance Industries | Energy | 395,232 | 62,097 | 39,472 | 295,240 | 56,730 | 36,300 | 372,860 | 60,180 | 39,120 | 34% | 9% | 9% | -350 | -231 |
| Sesa Goa | Materials | 9,761 | 5,722 | 3,971 | 4,542 | 1,669 | 1,187 | 17,051 | 12,066 | 8,134 | 115% | 243% | 234% | 2188 | 1454 |
| Steel Authority Of India | Materials | 99,683 | 29,027 | 19,149 | 80,395 | 23,829 | 15,251 | 134,779 | 43,255 | 28,108 | 24% | 22% | 26% | -52 | 24 |
| Satyam Computer Services | Technology | 26,353 | 6,114 | 5,218 | 18,302 | 4,103 | 3,783 | 24,160 | 5,507 | 4,668 | 44% | 49% | 38% | 78 | -87 |
| Shipping Corporation of India | Industrials | 11,073 | 3,492 | 2,888 | 8,859 | 2,456 | 2,001 | 10,568 | 2,324 | 2,188 | 25% | 42% | 44% | 382 | 350 |
| Shoppers' Stop | Consumer Discretionary | 2,986 | 143 | 17 | 2,315 | 138 | 20 | 3,143 | 137 | -4 | 29% | 4% | -13% | -116 | -28 |
| Sobha Developers Ltd. | Financials | 3,594 | 945 | 549 | 2,677 | 670 | 408 | 4,741 | 1,080 | 702 | 34% | 41% | 35% | 126 | 6 |
| State Bank of India | Financials | 56,014 | 23,514 | 10,014 | 53,400 | 23,615 | 14,258 | 72,178 | 39,724 | 18,832 | 5% | 0% | -30% | -224 | -882 |
| Sterlite Industries (India) Limited | Materials | 60,409 | 16,338 | 12,120 | 61,391 | 21,580 | 16,829 | 67,658 | 21,745 | 13,270 | -2% | -24% | -28% | -811 | -735 |
| Sun Pharmaceutical Industries | Healthcare | 13,829 | 8,159 | 7,476 | 6,275 | 2,148 | 2,272 | 12,572 | 7,407 | 7,228 | 120% | 280% | 229% | 2476 | 1786 |
| Suzlon Energy | Industrials | 22,653 | 1,710 | -163 | 19,446 | 1,468 | 189 | 49,238 | 7,692 | 5,478 | 16% | 16% | NM | 0 | -169 |
| Tata Steel | Materials | 55,231 | 23,459 | 12,807 | 41,976 | 16,446 | 9,632 | 57,368 | 23,521 | 12,669 | 32% | 43% | 33% | 329 | 24 |
| Tata Motors | Consumer Discretionary | 64,286 | 6,107 | 2,716 | 60,568 | 5,463 | 4,668 | 87,495 | 7,940 | 5,361 | 6% | 12% | -42% | 48 | -348 |
| Tata Power Co | Utilities | 17,835 | 3,289 | 2,045 | 15,115 | 2,524 | 1,833 | 16,345 | 1,521 | 2,250 | 18% | 30% | 12% | 174 | -66 |
| Tata Tea | Consumer Staples | 10,800 | 1,851 | 1,044 | 10,188 | 1,666 | 496 | 11,768 | 1,615 | 682 | 6% | 11% | 111% | 79 | 480 |
| Tata Consultancy Services | Technology | 63,446 | 15,292 | 12,537 | 52,028 | 13,264 | 11,855 | 60,947 | 15,524 | 12,559 | 22% | 15% | 6% | -139 | -303 |
| Titan Industries Ltd | Consumer Discretionary | 9,533 | 496 | 267 | 6,575 | 369 | 126 | 8,225 | 838 | 605 | 45% | 35% | 112% | -40 | 88 |
| Tech Mahindra Limited | Technology | 11,105 | 2,265 | 2,219 | 8,763 | 1,933 | 1,702 | 10,218 | 2,224 | -2,213 | 27% | 17% | 30% | -166 | 56 |
| TVS Motors | Consumer Discretionary | 8,391 | 325 | 71 | 7,833 | 191 | 75 | 7,888 | -272 | -535 | 7% | 70% | -6% | 143 | -12 |
| UltraTech Cemco | Industrials | 15,369 | 4,164 | 2,423 | 13,653 | 4,336 | 2,594 | 16,017 | 4,885 | 2,829 | 13% | -4% | -7% | -467 | -323 |
| Union Bank of India | Financials | 10,792 | 5,972 | 2,322 | 9,496 | 5,255 | 2,251 | 11,446 | 8,907 | 5,211 | 14% | 14% | 3% | 0 | -219 |
| AXIS Bank | Financials | 11,004 | 4,770 | 2,485 | 7,633 | 3,421 | 1,750 | 13,849 | 7,228 | 3,614 | 44% | 39% | 42% | -147 | -34 |
| Videsh Sanchar Nigam | Telecom | 9,183 | 1,883 | 743 | 10,081 | 2,327 | 1,042 | 8,502 | 1,475 | 589 | -9% | -19% | -29% | -258 | -224 |

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research Estimates

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Exhibit 2 - continued

| Name of company | Sector | QE Jun-08E | | | QE Jun-07 | | | QE Mar-08 | | | YoY Change | | | | |
|--------------------------------------|------------------------|------------|--------|------------|-----------|--------|------------|-----------|--------|------------|------------|--------|------------|----------------------|-------------------|
| | | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | Revenues | EBITDA | Net Profit | EBITDA Margins (bps) | Net Margins (bps) |
| Voltas Limited | Industrials | 9,982 | 747 | 523 | 8,182 | 668 | 469 | 8,488 | 651 | 486 | 22% | 12% | 12% | -68 | -49 |
| Wipro Ltd. | Technology | 58,700 | 11,823 | 9,054 | 43,032 | 8,470 | 7,256 | 57,003 | 11,442 | 8,800 | 36% | 40% | 25% | 46 | -144 |
| Wockhardt Limited | Healthcare | 9,036 | 1,988 | 919 | 6,303 | 1,522 | 1,024 | 7,857 | 1,737 | 509 | 43% | 31% | -10% | -215 | -608 |
| Zee Entertainment Enterprise Limited | Consumer Discretionary | 4,688 | 1,300 | 970 | 3,916 | 1,197 | 813 | 5,260 | 1,303 | 1,040 | 20% | 9% | 19% | -283 | -6 |

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research Estimates

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| Stock Rating Category | Coverage Universe | | Investment Banking Clients (IBC) | | |
|--------------------------|-------------------|------------|----------------------------------|----------------|----------------------|
| | Count | % of Total | Count | % of Total IBC | % of Rating Category |
| Overweight/Buy | 910 | 42% | 278 | 44% | 31% |
| Equal-weight/Hold | 898 | 42% | 265 | 42% | 30% |
| Underweight/Sell | 353 | 16% | 86 | 14% | 24% |
| Total | 2,161 | | 629 | | |

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