

India News

Economy

- The International Monetary Fund (IMF) has forecast that the Indian economy will grow at 7.8% in 2008 (Economic Times).

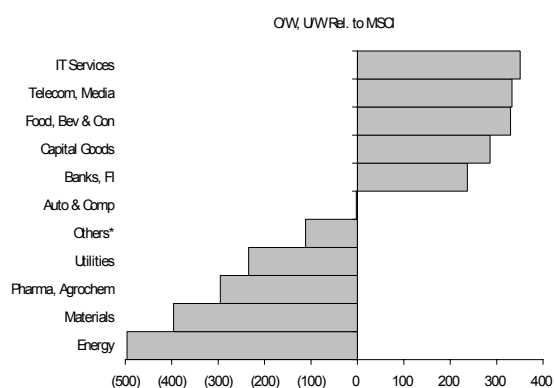
Industry

- RBI note proposes to increase risk weightage by 50% on all unrated loans above Rs100m in banks' books; banking sector may be required to raise at least Rs250bn from the stock and bond market to fulfil the proposed capital condition (Economic Times).
- GSM subscriber base up 6.1 million in March'07, the highest ever month-on-month addition (Business Line).
- The Telecom Regulatory Authority of India (TRAI) has proposed that mobile service operators be allowed to share passive, active infrastructure to accelerate mobile network rollout (Economic Times).

Companies

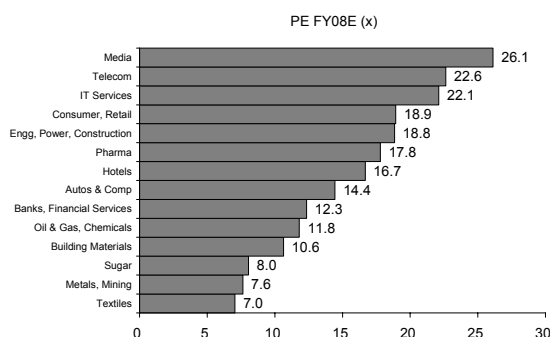
- Bharat Forge plans foray into aerospace, shipping products; chalks out Rs3bn investment in greenfield project at Baramati (Business Line).
- ONGC board has cleared investments of over Rs35.4bn in a slew of projects including the 740 mw Tripura power project (Economic Times).
- Punjab National Bank (PNB) has hiked its PLR by 75 basis points to 13% (Business Line).

Key Overweights/ Underweights



Source: Citigroup Investment Research

CIR Universe P/E FY08E (x)



Source: Citigroup Investment Research

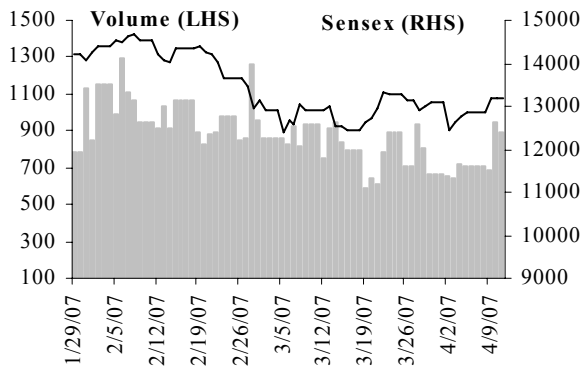
Market Snapshot

Performance (%)	1-Day	1-Week	1-Month	3-Month	6-Month	12-Month	YTD	Mkt Volume (Rs Mils.)
Absolute								BSE 39,540
BSE Sensex	(0.05)	3.10	2.31	(2.82)	6.72	13.04	(4.38)	NSE 79,840
CIR India Index	0.36	3.83	8.70	3.24	6.16	2.87	2.42	Top Volume*
Aluminum	5.27	6.97	9.44	1.02	(2.03)	(22.68)	(2.73)	(Rs Mils.)
Auto	0.06	1.83	(5.37)	(17.14)	(16.67)	(18.38)	(17.17)	HINDALCO IN 235.1
Banks	(0.99)	5.43	1.38	(7.09)	1.87	12.67	(11.21)	NTPC LTD 328.1
Capital Goods	0.57	4.40	12.46	9.56	14.99	9.55	7.16	STEEL AUTHOR 637.2
Cement	(1.87)	2.86	(4.47)	(28.13)	(23.84)	(18.56)	(31.59)	TATA STL 1335.5
Consumer	(0.72)	3.74	10.35	(4.83)	(9.87)	(22.32)	(6.35)	REL PET 184.1
Hotels	(0.27)	4.73	8.20	(4.43)	2.07	2.81	(5.42)	POWER FINAN 171.3
IT Services	(0.33)	(0.27)	(10.47)	(12.41)	(2.29)	5.32	(15.17)	INFRA DEVFIN 163.0
Media	(2.27)	4.79	16.27	(4.35)	(8.04)	6.90	(10.02)	ARVIND MILLS LTD. 70.0
Oil & Gas	0.37	3.83	10.56	(5.17)	5.60	(6.63)	(0.10)	IDEA CELL 183.8
Petrochemical	0.38	1.75	5.09	7.87	19.93	62.87	8.64	BALAJI TELE 214.0
Pharmaceutical	(0.74)	1.76	5.75	(2.65)	(3.47)	(18.11)	(1.89)	Top Gainers*
Power	2.54	5.23	5.72	(3.52)	3.14	(13.26)	(3.61)	GEOMET SOFSO 119 16.3
Steel	4.02	11.35	18.10	34.13	34.53	23.84	27.38	WELSP GUJ SR 117 12.1
Telecom Equipment	3.16	9.79	12.83	(12.32)	5.80	3.18	(9.33)	SUZLONENERGY 1,059 7.1
Telecom	1.13	3.70	4.09	19.82	50.91	61.78	19.88	NAT ALUM CO 247 6.4
								PUNJ LLOYD 170 6.4
Relative to BSE-30 Sensex								STERLITE IN 506 5.7
CIR India Index	0.41	0.73	6.39	6.06	(0.56)	(10.17)	6.80	STR OPTICAL 191 5.7
Aluminum	5.32	3.87	7.13	3.85	(8.74)	(35.72)	1.64	GREAT EASTE 219 5.3
Auto	0.11	(1.27)	(7.68)	(14.32)	(23.39)	(31.42)	(12.79)	SYNGENTA LTD 540 4.9
Banks	(0.95)	2.33	(0.94)	(4.26)	(4.85)	(0.37)	(6.83)	D-LINK INDIA 77 4.8
Capital Goods	0.62	1.30	10.14	12.39	8.28	(3.49)	11.54	Top Losers*
Cement	(1.82)	(0.24)	(6.79)	(25.31)	(30.56)	(31.60)	(27.21)	JET AIRWAYS 609 5.6
Consumer	(0.67)	0.64	8.04	(2.00)	(16.59)	(35.36)	(1.97)	UTI BANK 468 4.4
Hotels	(0.22)	1.63	5.89	(1.60)	(4.65)	(10.23)	(1.04)	IGATE GLOBAL 385 4.4
IT Services	(0.28)	(3.37)	(12.78)	(9.59)	(9.00)	(7.72)	(10.79)	RANBAXY LABORATORIES LTC 345 3.5
Media	(2.22)	1.69	13.95	(1.52)	(14.76)	(6.14)	(5.64)	ZEE ENTER 262 3.1
Oil & Gas	0.41	0.73	8.24	(2.34)	(1.12)	(19.67)	4.28	FINOLEX CABL 87 2.8
Petrochemical	0.42	(1.36)	2.78	10.70	13.22	49.83	13.02	CMC LTD 1,176 2.7
Pharmaceutical	(0.69)	(1.34)	3.44	0.18	(10.19)	(31.15)	2.48	DR.REDDY'S LABORATORIES I 701 2.6
Power	2.59	2.13	3.41	(0.69)	(3.58)	(26.30)	0.77	BHARAT PETROLEUM CORPOF 319 2.5
Steel	4.07	8.25	15.79	36.95	27.81	10.80	31.76	KOTAK BANK 486 2.4
Telecom Equipment	3.21	6.69	10.51	(9.50)	(0.92)	(9.86)	(4.95)	
Telecom	1.17	0.60	1.78	22.64	44.20	48.74	24.26	

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

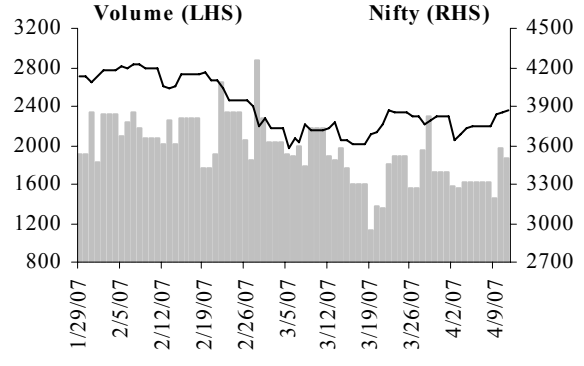
Source: Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

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



Source: Bloomberg, Citigroup Investment Research estimates

Cairn India (CAIL.BO)

Initiating with Hold; Leveraged to Crude; Exploration Success Key

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Hold/Medium Risk	2M		
Price (10 Apr 07)	Rs126.80		
Target price	Rs145.00		
Expected share price return	14.4%		
Expected dividend yield	0.0%		
Expected total return	14.4%		
Market Cap	Rs223,842M US\$5,245M		
	2006	2007E	2008E
EPS new(Rs)	na	0.83	0.66
EPS Growth(%)	na	na	-20.0
P/E	na	153.5	191.9
EV/EBITDA	na	na	40.7
Consensus Data	na	1.84	2.08

Price Performance (RIC: CAIL.BO, BB: CAIR IN)



- **Target price of Rs145 implies moderate upside** — Our valuation incorporating the DCF of core Rajasthan assets (including recovery and exploration upsides) leave only moderate upside. However, with a high leverage to crude and likely near-term resolution of midstream, all things being equal, our risk-reward equation would turn favorable at or below Rs120.
- **Robust resource base topped up by fiscal terms** — Rajasthan block development forms the core, with OIP of 3.6bn boe and reserves (2P+contingent) of 0.8bn boe. Further exploration and appraisal upsides and attractive fiscal terms of the block are value accretive.
- **Midstream solution in sight** — Control over pipeline assets along with cost recoverability of its capex (~US\$800m) seems to be a viable solution, with likely resolution by mid-2007. Notwithstanding the nature of crude, this could provide Cairn with the flexibility to narrow the price discount (base case at ~7%) and largely offset its impact on NAV.
- **Potential exploration success sometime away** — With most of the exploratory drilling in 2007 focused in the producing blocks (upside already a part of NAV), new blocks would take a while to deliver results.
- **Risks** — Higher long-term crude expectations and favorable resolution of a cess issue presents potential upside to our target. Delay in production (2H09) and resolution of midstream issues poses downside risks.

India Technical Research Daily

Range-Bound Movement

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- **Nifty** — The index opened on a flat note and gyrated in the 3876-3845 range for the entire trading session. It ended the day up 15 points.
- **Support / Resistance** — The index has been trading in a narrow band of 3876 - 3819 for the last two trading sessions. The index faces multiple resistance around 3900; 50dma at 3893 and recent high at 3902 (23 March 2007). Further rises should face stiff resistance around 3900 levels. On the downside, support is around 3795 high of (9 March 2007); lower support is at the 10 dma at 3774.
- **Conclusion** — Nifty can see a rise towards 3900 where resistance can be expected; intra-day declines should hold the 3795 support. Range-bound movement can be expected for the day.

Figure 1: India Technical Research — Index Snapshot

Indices	Last Close	Current Close	Daily Change (Points)
Sensex	13190	13183	-7
Nifty	3848	3863	+15
Nifty Futures: Current Month	3827	3831	+4

Source: Citigroup Investment Research

Figure 2: India Technical Research — Support and Resistance (Daily)

Indices	Support	Resistance
Sensex	13105-12990-12856	13371-13467-13522
Nifty	3796-3774-3740	3893-3902-3958
Nifty Futures: Current Month	3775-3755-3726	3875-3900-3964

Source: Citigroup Investment Research

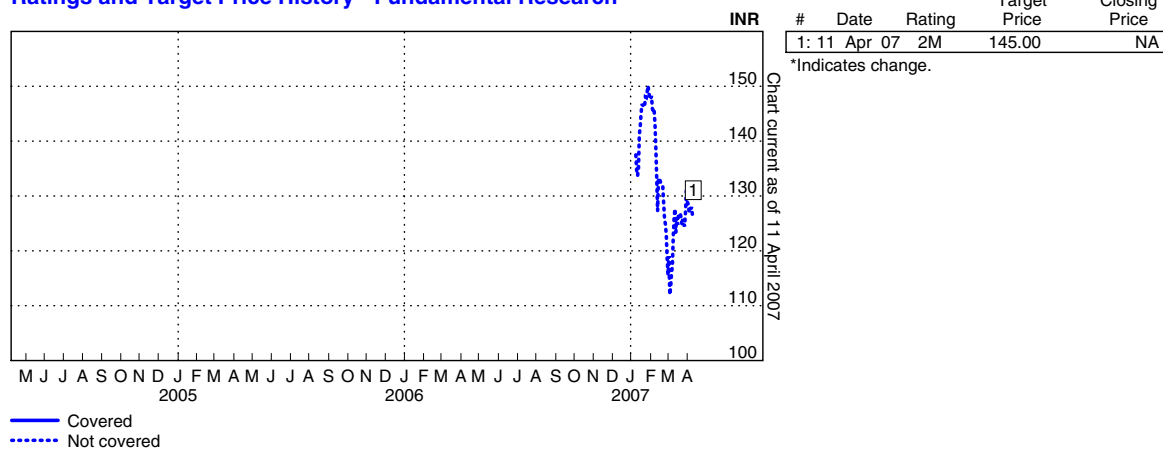
Analyst Certification Appendix A-1

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Data current as of 31 March 2007

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3215)	45%	40%	15%
% of companies in each rating category that are investment banking clients	45%	42%	32%
India -- Asia Pacific (130)	58%	14%	28%
% of companies in each rating category that are investment banking clients	42%	50%	42%
Citigroup Investment Research India Technical Equity Research Coverage (0)	0%	0%	0%
% of companies in each rating category that are investment banking clients	0%	0%	0%

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