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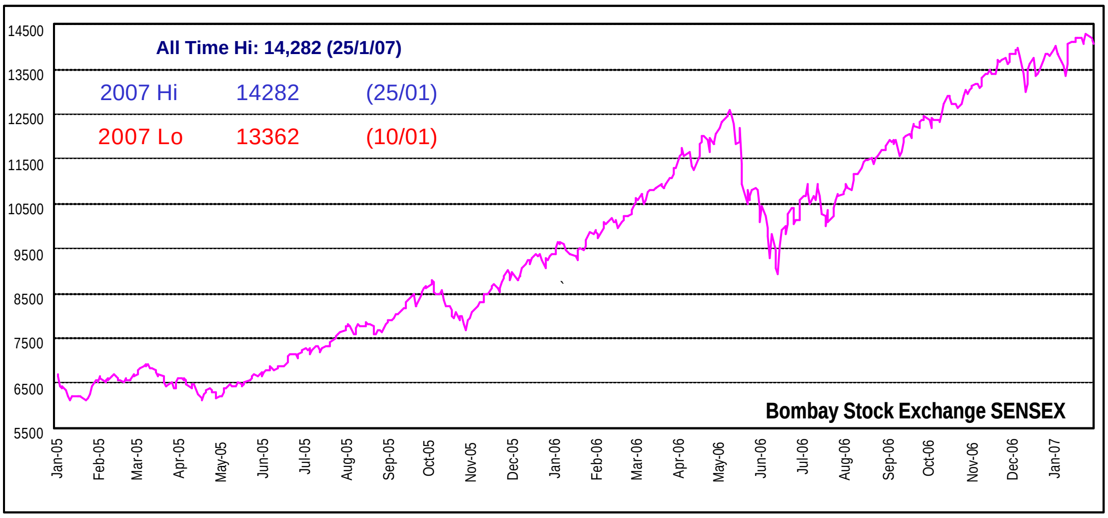

BOMBAY

INR/US$ = Rs 44.16
INR/GB£ = Rs 86.62
INR/EUR = Rs. 57.42

The SENSEX closed 121 points (-0.8%) lower at 14,091 as bears dominated. The RBI's expected ¼% hike in the repo rate to curb inflationary pressures provided the trigger to book profits. Tata Steel was down 10% to Rs 463.95 on worries about it paying too much to win UK's Corus at 608 pence per share, valuing the deal at $11.3bn, excluding debt. The market undertone is weak.

LONDON

Most GDRs trade lower and close to parity. ITC, Ranbaxy, Reliance and SBI see good volumes.

BOMBAY CLOSE (31 Jan.)			2007 Chg	Forward PER	6 Yr PER Hi	6 Yr PER Lo	15 Yr Avg PER
SENSEX 30:	14,091	(-121)	+2.2%	20.3x	25.7(5/1/07)	10.1(4/5/03)	18.4
NIFTY:	4,083	(-42)	+2.9%	N/A	25.9(15/2/01)	10.4(28/10/02)	N/A

SELECTED GDR & ADR OFFER PRICES (with day's price, change **and premium/discount** – indicative only):

GDRs (LONDON):

Bajaj Auto	$63.50	(-50¢)	+1.5%	**Grasim**	$63.80	(-$1.2)	+1.4%	**G.Ambuja**	$3.10	(+6¢)	-0.2%
Hindalco	$3.95	(+2¢)	-0.9%	**Hind.Cons**	$3.30	(-3¢)	+1.5%	**ITC**	$3.93	(-5¢)	-0.1%
L & T	$36.30	(-$1.10)	+1.1%	**M&M**	$20.60	(-50¢)	+1.1%	**Ranbaxy**	$9.60	(-30¢)	+3.9%
Rel.Enrg	$34.75	(-20¢)	-0.5%	**Rel. Inds**	$61.60	(-95¢)	-0.3%	**SBI**	$65.30	(+50¢)	+26.7%

ADRs (NEW YORK) :

Dr.Reddy	$16.88	(-5¢)	+0.4%	**HDFC Bank**	$76.36	(+$1.83)	+4.3%	**ICICI Bank**	$43.90	(-$1.24)	+3.1%
Infosys	$57.75	(+16¢)	+13.6%	**MTNL**	$7.38	(-11¢)	-1.9%	**Patni**	$23.65	(-11¢)	+17.7%
Rediff	$19.09	(+25¢)	N/A	**Sat. Comp**	$22.98	(-7¢)	+7.3%	**SIFY**	$7.62	(-1¢)	N/A
TataMotor	$20.50	(-$1.25)	+3.3%	**VSNL**	$21.10	(-44¢)	+0.8%	**WIPRO**	$17.20	(+16¢)	+23.9%

ECONOMIC NEWS

- Standard & Poor's (S&P), the international credit ratings agency raised India's sovereign local currency credit rating back to investment grade after 15 years. It had downgraded the status to speculative (or "junk") in May 1991 following the Balance of Payments crisis which led to the 1991 economic reforms. India has now finally regained full investment grade status as Moody's already upgraded India to investment status in January 2004 and Fitch in August 2006. S&P quoted India's strong economic prospects and external balance sheet, deep capital market and an improving fiscal situation in raising the rating, with a "stable" outlook. This move will open up the Indian asset markets to those investors who can only invest in full investment grade securities and potentially increase India's investor base. It will also help lower costs for borrowers.
- India's Central Bank, the RBI, raised its main lending rate (the "repo" rate) as expected by ¼% to 7½% - its highest level since March 2003. However, unexpectedly, the benchmark borrowing rate (the "reverse repo") was kept unchanged at 6%. The Central bank said that demand and supply-side pressures had intensified and price stability was paramount as it took time for the benefits of high economic growth to filter down to the poor, but high prices had no such time lag. It also left unchanged both the CRR at 5.5%, and the bank rate at 6%. It tightened the provisions that lenders have to set aside on real estate, capital market and consumer loans, areas of high credit growth. In October 2006, the RBI, warned of the potential for the economy to overheat. This time it said signs of overheating could be transitional, although bank credit growth was "clearly excessive". Loans have been growing at about 30%.
- The Government revised upwards its 2005/06 (to 31.3.2006) GDP growth from 8.4% to 9%. Manufacturing output growth was revised to 9.1% from 9% and growth in farm output was put at 6.0% vs an earlier estimate of 3.9%. The GDP growth reflects rising incomes and near-record bank loans that have spurred consumption. The RBI raised its 2006/07 GDP growth forecast for the second time to 8½-9% from 8%.
- Goldman Sachs the global investment bank, in an update ("India's Rising Growth Potential") to its original 2003 BRICs (**B**razil, **R**ussia, **I**ndia, **C**hina) report upgraded India's sustainable economic growth at a significantly higher 8% until 2020 vs 5.7% projected originally. The new long-term potential average growth is forecast at 6.9% from 2006-2050. The higher growth rate represents a structural increase rather than simply a cyclical upturn and the recent growth spurt has been achieved through a surge in productivity. Favourable demographics and an urbanisation bonus which will see about 700m people by 2050 move from rural to urban areas, and the movement of surplus labour from low-productivity labour to high-productivity industry and services will add to economic growth. Key threats to the growth process are from political risks, supply-side constraints to doing business, lack of education and environmental degradation. The projections are based on growth-friendly policies continuing. The latest BRICs report brings forward in time when India's GDP will overtake that of G6 countries, eg, the U.K. now by 2015 and the U.S. by 2042 to be the second largest global economy then after China and India's influence on the world economy "will be bigger and quicker" than implied in the 2003 report.

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