

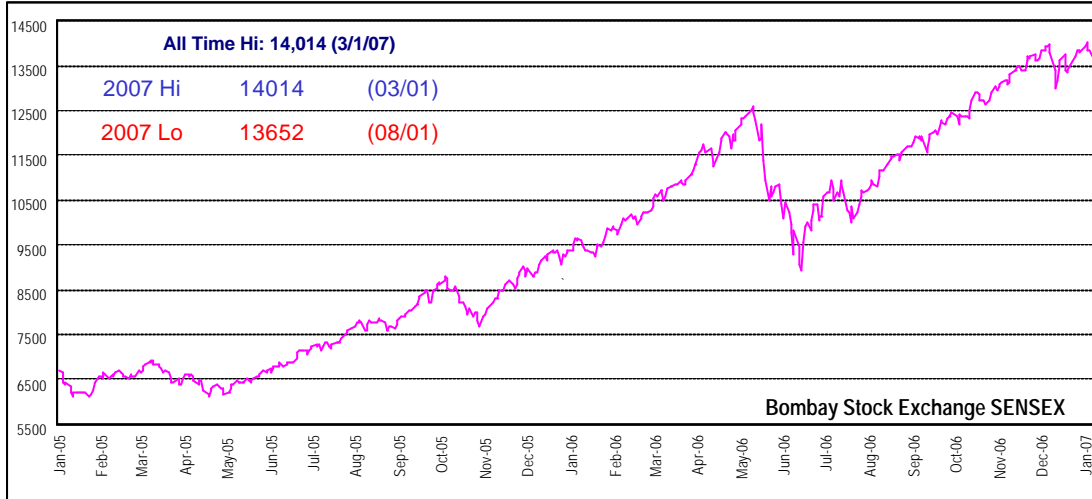


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The India Report
Astaire Research
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BOMBAY

INR/US\$ = Rs 44.47
 INR/GB£ = Rs 85.98
 INR/EUR = Rs. 57.87

The SENSEX closed 208 points (-1.5%) lower at 13,652 as bears had control all day. Dabur Pharma, (+Rs 2.50 or 3% @ Rs 83.50) is to finalise its marketing strategy for the EU, US and Australia. It expects 5 regulatory approvals in Europe for its generic cancer drugs. The overall market undertone is cautious ahead of Q3 results due this week.

LONDON

Most GDRs trade close to parity as caution sets in ahead of Q3 results. M&M and SBI look attractive buys.

BOMBAY CLOSE (8 Jan.)	Chg	2007 Forward PER	6 Yr PER Hi	6 Yr PER Lo	15 Yr Avg PER
SENSEX 30: 13,652	(-208)	-1.0%	20.2x	25.7(5/1/07)	10.1(4/5/03)
NIFTY: 3,933	(-50)	-0.9%	N/A	23.8(12/2/00)	11.7(31/5/03)

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

GDRs (LONDON):

Bajaj Auto	\$62.00	(-60¢)	+1.7%	Grasim	\$64.10	(+90¢)	+1.3%	G.Ambuja	\$3.13	(-2¢)	+0.6%
Hindalco	\$3.80	(-13¢)	+1.3%	Hind.Cons	\$3.57	(-10¢)	-0.2%	ITC	\$3.78	(-7¢)	+3.3%
L & T	\$33.20	(-3¢)	+1.1%	M&M	\$20.20	(+2¢)	-0.1%	Ranbaxy	\$9.30	(+12¢)	+0.2%
Rel.Enrg	\$35.80	(-9¢)	+1.7%	Rel. Inds	\$58.00	(-30¢)	+1.0%	SBI	\$68.00	(-\$1)	+24.7%

ADRs (NEW YORK):

Dr.Reddy	\$18.25	(+9¢)	-0.1%	HDFC Bank	\$73.13	(-8¢)	+5.5%	ICICI Bank	\$42.15	(+25¢)	+3.5%
Infosys	\$54.60	(-54¢)	+10.1%	MTNL	\$6.91	(+37¢)	-2.6%	Patni	\$19.95	(+14¢)	+11.2%
Rediff	\$17.86	(-5¢)	N/A	Sat. Comp	\$23.38	(-47¢)	+6.9%	SIFY	\$9.22	(+1¢)	N/A
TataMotor	\$21.20	(+1¢)	+1.7%	VSNL	\$19.92	(+62¢)	+1.7%	WIPRO	\$15.79	(-7¢)	+21.2%

OTHER NEWS

• Emerging Markets Central Banks are expected to add about another \$500bn to foreign exchange reserves in 2007, a similar amount to 2006. The biggest growth in 2006 was from BRIC countries - Brazil, Russia, India, and China - which together accounted for almost \$350bn out of the \$500bn. In addition, OPEC states in 2006 added about \$200 - 300bn which goes to special funds rather than to Central Banks. The Bank for International Settlements (BIS) said that oil exporting states deposited fewer dollars in the global banking system because increased euro and yen deposits were made in Q2 2006. China now has the largest forex reserves in the world with over \$1000bn and has overtaken Japan. China's Central bank Governor said recently that several diversification policies away from retaining US Dollars/investing further in U.S. Treasuries were being considered. An alternative is to invest in other emerging markets as they can now afford to allocate some money to risky assets.

• Private equity investments into India in 2006 more than tripled to \$7.46bn compared to \$2.26bn in 2005 with global majors like KKR and 3i buying into growing companies. The growth momentum is set to continue with big investors like Carlyle and Blackstone Group also very interested in India. The 2006 deals were led by the technology sector with 87 deals for \$1.47bn vs \$434m from 46 deals in 2005. However, private investment in listed companies fell to 22% of all deals, from 34% in 2005, as the SENSEX surged nearly 47% and it made little sense for private equity firms to chase listed firms where valuations have risen sharply.

• FIIs bought a net \$7.9bn of equities in 2006, down 26% from \$10.7bn in 2005. Yet the SENSEX closed strongly in 2006 after a 42% rise in 2005.

• The table below shows the performance in 2006 of Indian shares with GDRs/ADRs. Broadly it has been a good year for these companies and the performance in Bombay has been reflected more or less the same in London and New York for the equivalent GDR/ADR. Cement, infrastructure engineering

	29/12/06	31/12/05	CHG %	
SENSEX	13,787	9398	+46.7	
NIFTY	3866	2836	+39.8	
LONDON GDRs:			GDR/ADR %	BOMBAY %
Bajaj Auto	\$ 55.00	\$ 45.20	+22	+31
GAIL	\$35.25	\$35.70	+ 1	+ 2
Grasim	\$62.90	\$30.80	+104	+101
Guj. Ambuja	\$3.15	\$ 1.75	+80	+77
Hindalco	\$ 4.03	\$ 3.10	+30	+21
ITC	\$ 3.95	\$ 3.10	+27	+24
L&T	\$ 32.50	\$ 19.48	+67	+57
M&M	\$ 20.70	\$ 11.10	+85	+77
Ranbaxy	\$ 9.00	\$ 8.00	+12	+8
Rel. Energy	\$ 36.00	\$ 43.05	-16	-14
Reliance Ind	\$ 57.50	\$ 39.25	+45	+85
SBI	\$ 74.40	\$ 50.50	+47	+37
N.Y.ADRs:				
Dr Reddy	\$ 18.20	\$ 10.80	+69	+65
HDFC Bank	\$ 75.48	\$ 50.90	+48	+51
ICICI Bank	\$ 41.74	\$ 28.80	+45	+52
Infosys	\$ 55.56	\$ 40.40	+40	+49
MTNL	\$ 6.36	\$6.90	+8	+1
Patni Comp.	\$ 20.38	\$23.18	+12	+15
Satyam	\$ 24.01	\$ 18.30	+31	+32
Tata Motors	\$ 20.35	\$14.20	+43	+38
VSNL	\$ 19.20	\$16.90	+13	+11
WIPRO	\$ 16.15	\$ 12.00	+35	+34

and autos have performed well. Grasim and M&M stand out.

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