April 1, 2008

India Strategy

Retrospective – Mar 2008: Macro Slips

Conclusion: March 2008 was a third successive month of underperformance by Indian equities versus emerging and regional markets. India underperformed emerging markets and Asia-Pac by more than 7% and was the second worst performing emerging market for a second month running. The following were notable market indicators in March:

- Pharma, staples and tech sectors were among the top four performers for a second successive month whereas financials and utilities finished at the bottom once again. Sector rotation was markedly low in March and sector performance is being driven by valuations. Mid- and small-cap continued to underperform large cap.
- Institutional flows were mixed with FIIs buying futures and domestic institutions selling cash.
- Market metrics were mixed. Trading activity dropped again. Cash trading, derivatives trading, open interest are now down 45%, 56% and 44%, respectively from their recent highs. Breadth improved and ended March up 25% MoM. Inter-day volatility continues to rise and is now 75 bps higher than its July 2007 low.
- The yield curve rose 57 bps to a 5-month high; corporate bond spreads widened noticeably.
- Rupee depreciated by more than 4% against the euro to its lowest level ever.
- The consensus revised earnings down by over 2% during March.
- Inflation spiked up sharply and, is now higher by 275 bps in eight weeks, whereas deposit growth fell to a seven month low.

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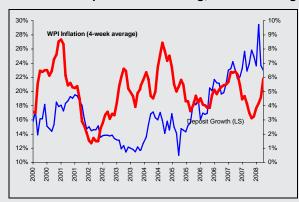
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India Macro Slips: Growth Slowing, Inflation Rising



Source: CSO, RBI, Morgan Stanley Research

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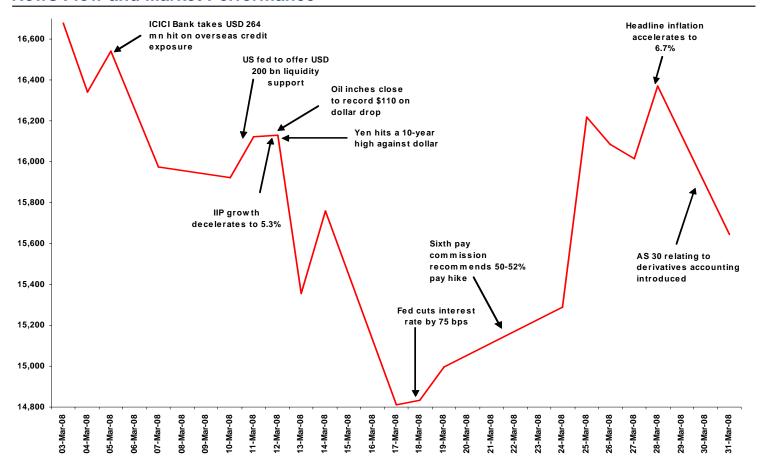
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News Flow and Market Performance



Source: Bloomberg, Economic Times, Business Standard, Morgan Stanley Research

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Market Performance

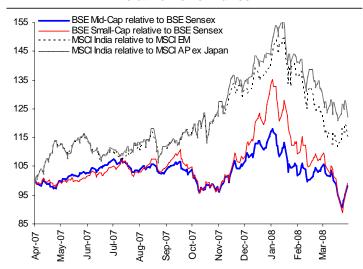
India underperformed emerging markets and Asia-Pac markets for the third successive month in March, underpinning India's high beta status in falling markets. India finished the month almost at the bottom, as the 24th-worst performer in the EM universe. Mid- and small-cap stocks underperformed large caps for the third month running. Despite underperforming emerging markets by 17% in 1Q08, India has still outperformed by about 3% from the August 2007 lows. The Sensex has outperformed the mid- and small-cap indices by 15% and 22%, respectively, since the start of the year.

Equity Markets

	Current	1 Mth	3 Mths	6 Mths	12 Mths	YTD
MSCI India	488	-12.7%	-27.1%	-10.2%	29.6%	-27.1%
MSCI EMF	1,105	-5.4%	-11.3%	-8.3%	18.9%	-11.3%
MSCI EM Asia	439	-6.8%	-14.5%	-14.5%	18.6%	-14.5%
MSCI Europe	107	-4.2%	-16.2%	-19.1%	-18.1%	-16.2%
MSCI ACWI	364	-1.7%	-9.7%	-11.6%	-3.0%	-9.7%
MSCI Asia Pacific	455	-6.1%	-14.2%	-14.9%	11.2%	-14.2%
BSE Sensex	15,644	-11.0%	-22.9%	-9.5%	19.7%	-22.9%
BSE 100 Index	8,233	-12.5%	-26.2%	-8.2%	25.0%	-26.2%
BSE 200 Index	1,932	-12.9%	-27.3%	-8.8%	24.1%	-27.3%
BSE 500 Index	6,157	-13.4%	-28.3%	-9.1%	24.3%	-28.3%
BSE Midcap Index	6,428	-16.3%	-34.3%	-13.4%	19.4%	-34.3%
BSE Smallcap Index	7,842	-18.6%	-41.3%	-13.8%	21.2%	-41.3%
Dow Jones	12,263	0.0%	-7.6%	-11.8%	-0.7%	-7.6%
Nasdaq	2,279	0.3%	-14.1%	-15.6%	-5.9%	-14.1%
India's Rank In 25 EM co	ountries	24	24	19	8	24

Note: All MSCI Indices are in US\$. Source: Bloomberg, MSCI, Morgan Stanley Research

Relative Performance



Source: Bloomberg, MSCI, Morgan Stanley Research

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India: Relative to EM Sectors

Sector Performance

Healthcare was the best performing sector in March with consumer staples in the second spot. Financials was the worst performing sector in the month followed by utilities. There was very little sector rotation with only telecoms and materials changing performance month-on-month. All MSCI India sectors except Consumer Staples and healthcare underperformed the respective EM sectors. Valuation is clearly a theme driving sector performance with the richly valued sectors performing poorly in 1Q08 and vice versa.

India: Sector Performance

·	Absolute Performance Rank					Relative Performance						Rank						
	Weights	1 Mth	2 Mths	3 Mths	12 Mths	YTD	1 Mth	12 Mths	YTD		1 Mth	2 Mths	3 Mths	12 Mths	YTD	1 Mth	12 Mths	YTD
MSCI India	100%	-12.5%	-13.2%	-25.7%	19.7%	-25.7%				MSCI India	-7.7%	-17.5%	-17.3%	-2.0%	-17.7%			
Cons. Discretionary	3.7%	-4.2%	-4.5%	-18.2%	-11.5%	-18.2%	3	9	3	Cons. Discretionary	-1.8%	-6.8%	-8.5%	-3.7%	-10.2%	4	9	4
Consumer Staples	4.6%	0.2%	5.8%	-0.2%	22.0%	-0.2%	2	6	1	Consumer Staples	3.5%	0.7%	4.1%	13.6%	3.3%	2	6	1
Energy	19.2%	-8.0%	-7.5%	-21.7%	52.2%	-21.7%	5	2	5	Energy	-0.7%	-9.9%	-9.6%	21.1%	-9.9%	3	4	3
Financials	29.1%	-21.6%	-25.7%	-32.8%	29.7%	-32.8%	10	5	9	Financials	-15.4%	-25.0%	-19.8%	33.0%	-20.2%	10	2	7
Healthcare	3.1%	1.4%	12.3%	-6.1%	6.9%	-6.1%	1	8	2	Healthcare	6.3%	7.3%	-0.8%	1.3%	-3.2%	1	7	2
Industrials	11.8%	-12.9%	-16.1%	-29.2%	44.1%	-29.2%	7	3	7	Industrials	-5.3%	-19.2%	-15.8%	22.9%	-16.1%	5	3	6
Information Tech.	11.5%	-6.9%	-2.6%	-18.2%	-26.5%	-18.2%	4	10	4	Information Tech.	-7.4%	-12.7%	-17.2%	-20.6%	-15.8%	7	10	5
Materials	7.6%	-13.2%	-7.7%	-28.8%	43.9%	-28.8%	8	4	6	Materials	-8.6%	-18.1%	-27.3%	13.8%	-28.1%	8	5	10
Telecommunication	4.0%	-10.9%	-14.1%	-33.0%	16.6%	-33.0%	6	7	10	Telecommunication	-8.8%	-20.5%	-25.7%	-3.2%	-27.0%	9	8	9
Utilities	5.3%	-13.3%	-17.4%	-31.8%	93.1%	-31.8%	9	1	8	Utilities	-7.3%	-21.7%	-21.5%	82.5%	-23.0%	6	1	8

All MSCI indices in local currency. Source: Bloomberg, MSCI, Morgan Stanley Research

Source: Factset, MSCI, Morgan Stanley Research

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NSE's Best- and Worst-Performing Stocks in March with Market Cap Above US\$500mn

India: Best-Performing Stocks

Price (Rs) 1-Mth (%) YTD Perf (%) Company ICI India Ltd 663 17.3 16.2 Nicholas Piramal 306 11.5 0.9 Dabur India Ltd 111 11.0 -3.0 Asian Paints Ltd 1,200 7.6 9.1 Marico Limited 68 7.5 -1.3 Kansai Nerolac Paints 751 7.3 -14.6 Monnet Ispat & Energy 490 6.7 -18.4 ABG Shipyard 735 6.5 -26.0 Cipla Ltd 6.2 3.5

338

5.8

-13.0

Source: Bloomberg, Morgan Stanley Research

Panacea Biotec Ltd

India: Worst-Performing Stocks

Company	Price (Rs)	1-Mth (%)	YTD Perf (%)
Yes Bank	169	-31.6	-32.3
Indiabulls Financial Services	417	-31.9	-30.1
Reliance Capital	1,229	-32.6	-52.5
Kirloskar Bros	228	-33.4	-56.1
IFCI Ltd	44	-34.2	-52.7
Bhushan Steel	666	-35.2	-57.1
BGR Energy System Ltd	342	-35.8	NA
Rashtriya Chemical services	52	-38.3	-55.7
JM Financial Ltd	1,322	-40.9	-54.4
Jai Corp Ltd	515	-41.5	-57.1

Source: Bloomberg, Morgan Stanley Research

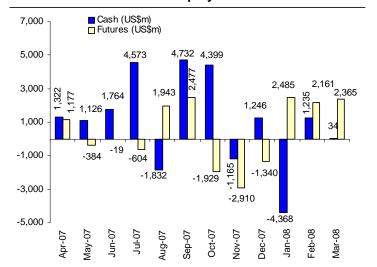
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Flows

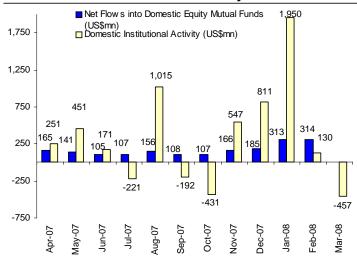
FII flows in the cash segment were flat in March whereas there was net buying in the futures market. Domestic institutions turned sellers having been net buyers for four months running. FIIs have bought US\$3.9 billion worth of stocks and derivatives since the start of the year whereas domestic institutions have purchased US\$1.6 billion in 1Q08 (just marginally less than what they bought in the whole of 2007).

India FII Flows: Equity & Derivatives



Source: SEBI, Morgan Stanley Research

Flows into Domestic Equity Mutual Funds & Domestic Institutional Activity



Source: AMFI, SEBI, Morgan Stanley Research

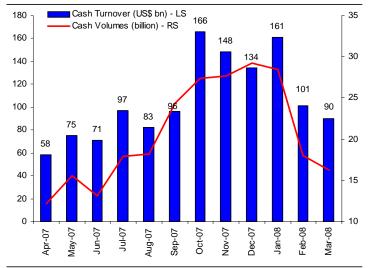
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Cash Trading

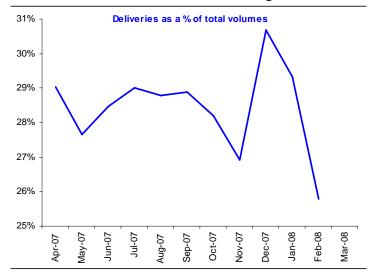
Cash trading volume (number of shares) dropped by 10% in March to a nine month low – off 45% from its Dec-07 peak. Trading volumes (value), also fell by 10% over February to reach a seven month low and 45% below its January peak. Shares purchased for delivery (as a percentage of total trading) continued to decline and hit a 20-month low in February (data comes with a month's lag).

Cash Trading: Turnover and Volumes



Source: BSE, NSE, Morgan Stanley Research

Deliveries to Total Trading



Source: BSE, NSE, Morgan Stanley Research

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Futures Market

* Only NSE

Futures market activity was also depressed in March with derivative volumes falling another 10% points MoM. Derivative volumes are now 56% off their Oct-07 peak. Average open interest for the month of March fell 14% MoM and is now at a 10-month low. Average open interest is 44% off its peak.

Source: Bloomberg Morgan Stanley Research

30 Average Open Interest for the month (US\$ bn) 27.7 26.8 25 22.8 19.5 19.8 20 17.9 15 12.2 May-07 Jun-07 Oct-07 Jul-07 Nov-07 Dec-07 Aug-07

Average Open Interest for the Month

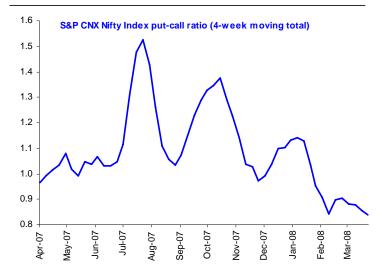
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Futures Market

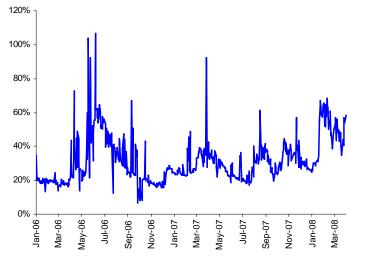
The put-call ratio fell 7% MoM in March and is now down 45% from its Jul-07 peak. On a monthly average basis, the implied volatility increased 6 pp to 49% in March. However, implied volatility is up 23% from its intra-month low in March.

S&P CNX Nifty Index Options: Put-Call Ratio



Source: ASA, Morgan Stanley Research

S&P CNX Nifty Index: Implied Volatility



Source: Bloomberg, Morgan Stanley Research

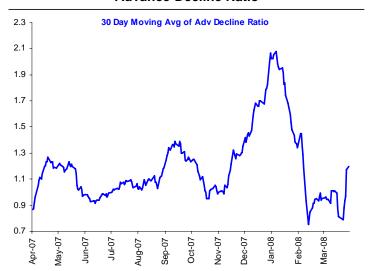
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Breadth and Volatility

Market breadth improved in late March and closed the month up 25% from its February end level. Realized intraday volatility stopped its ascent and fell 64 bps (MoM). However, it is still up more than 100 bps from its January lows. In contrast, inter-day volatility continued to rise and was up 12bps (MoM). Inter-day volatility is up 75 bps from its Jul-07 low.

Advance-Decline Ratio



Source: ASA, Morgan Stanley Research

One-Year Rolling Realized Volatility



Source: ASA, Bloomberg, Morgan Stanley Research

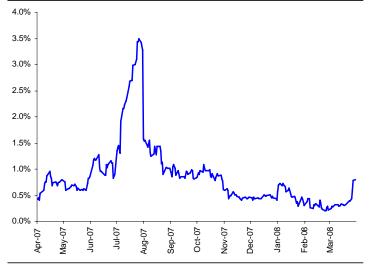
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Bond Market

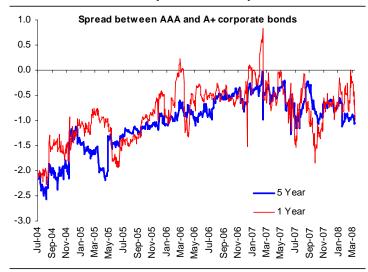
Bond market activity spiked up, having been flat for a few months. The yield curve steepened 57 bps in March to hit a five month high. The spread between Corporate AAA and A+ bonds for five-year maturity also widened 14 bps to 105 bps in March to close to July 2007 levels. The spread between Corporate AAA and A+ bonds for one-year maturity widened by 72 bps to 98 bps – a three month high.

India: Yield Curve – Spread versus 10-year and 91-day Yield



Source: Bloomberg, Morgan Stanley Research

India: Corporate Bond Spread



Source: Bloomberg, Morgan Stanley Research

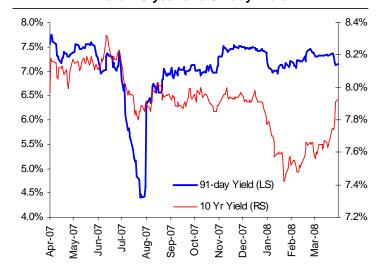
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Bond Market

The 10-year bond yield rose 33 bps MoM – its biggest monthly move since Jun-06, while the 91-day yield was down 24 bps in March.

India: 10-year and 91-day Yield



Source: Bloomberg, Morgan Stanley Research

Treasury Yields: India versus the US



Source: Bloomberg, Morgan Stanley Research

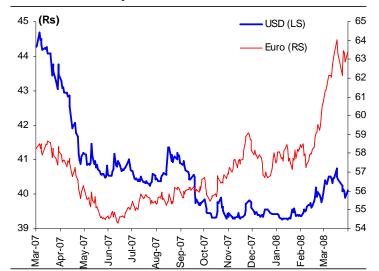
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Currency

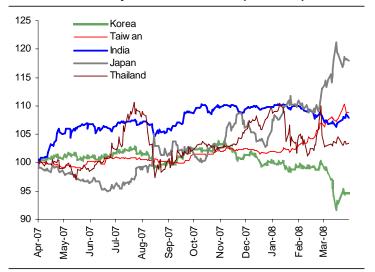
The rupee depreciated by 0.2% against the USD and 4.4% against the Euro (MoM). Year to date, the rupee has depreciated by 10.4% against the Euro and is at an all-time low.

Currency: India versus USD and Euro



Source: Bloomberg, Morgan Stanley Research

Currency: Asian Countries (Rebased)



Source: Bloomberg, Morgan Stanley Research

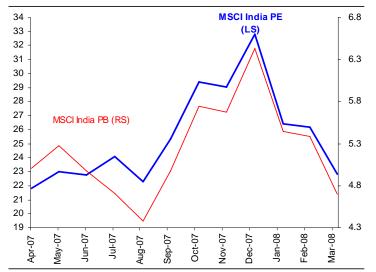
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Equity Valuation Snapshot

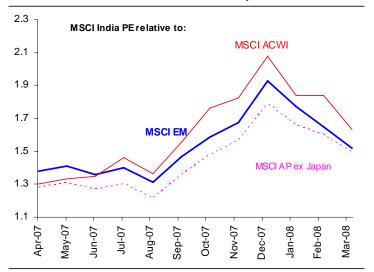
With the MSCI India underperforming MSCI EM and MSCI ACWI during the month, its relative P/E premiums declined to 52% and 63%, respectively. The MSCI India's absolute trailing P/E is close to a 12-month low and 22% off its high but still 32% above its 10-year average.

MSCI India: P/E and P/B



Source: FactSet, Bloomberg, MSCI, Morgan Stanley Research

MSCI India P/E Relative to EM, ACWI, and Asia Pacific ex-Japan



Source: FactSet, Bloomberg, MSCI, Morgan Stanley Research

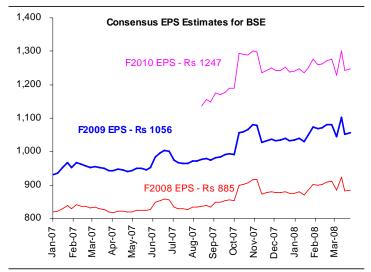
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Earnings Snapshot

In February, aggregate consensus EPS estimates for the BSE Sensex constituents were lowered 2.9%, 2.4% and 2.3% for F2008, F2009 and F2010, respectively. Consensus estimates for F2008 and F2009 have been raised 8% and 12%, respectively, over the past 12 months.

BSE Sensex: Consensus EPS Estimates



Source: IBES, Morgan Stanley Research

Top Earnings Revisions for 2008 by Consensus for Our Coverage Universe

Company	Earnings Rev	Rel. Price Perf		
	1M	3M	1M	3M
Wockhardt Limited	33.0%	32.0%	-11.2%	-17.3%
Nestle India	23.8%	20.5%	22.7%	29.5%
Pantaloon Retail	9.2%	8.6%	-8.4%	-33.0%
Sesa Goa	7.2%	24.4%	1.5%	6.3%
Shoppers' Stop	6.4%	44.4%	-2.0%	-4.8%
Tata Steel	-16.9%	-19.2%	-2.8%	-3.8%
Patni Computer Systems	-9.9%	-9.9%	3.8%	-12.9%
Suzlon Energy	-9.0%	-8.5%	5.3%	-11.7%
Hindalco Industries	-8.3%	-19.4%	-8.8%	-0.6%
Polaris Software Lab Ltd.	-6.9%	-14.6%	-0.6%	-19.3%

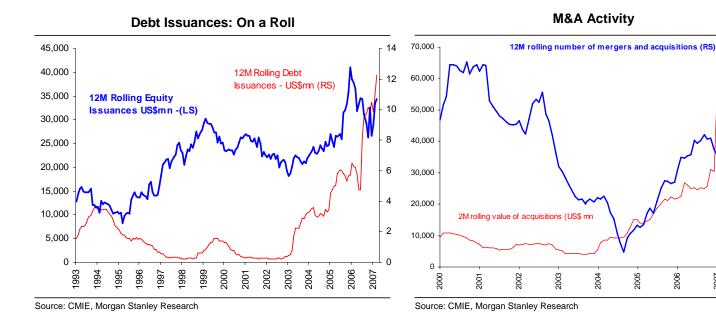
Source: IBES, Morgan Stanley Research

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Corporate Activity

Debt issuances and equity issuances remained strong during February. M&A activity picked up marginally (data available only until January). The primary markets cooled off significantly in March.



2007

2006

1,600

1,500

1,400

1,300

1,200

1,100

1,000

900

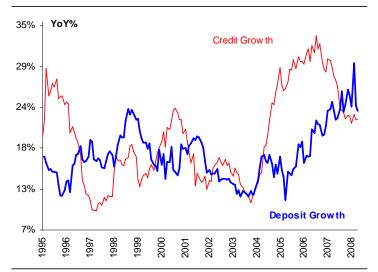
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Macro Indicators

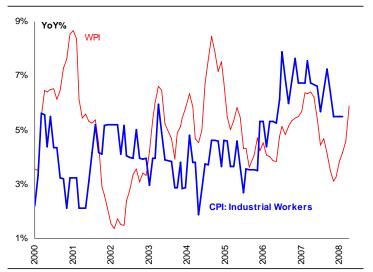
Credit growth at 21.% has slowed to its lowest level since Aug-04. Deposit growth has also come off sharply from its all-time high in January and is now just marginally higher than credit growth. Inflation, as measured by the Wholesale Price Index, continues to accelerate and is now up 275 bps in eight weeks.

Slowdown in Credit Growth



Source: RBI, Morgan Stanley Research

Inflation Spikes



Source: CSO, Morgan Stanley Research

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Macro Indicators

	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	De c-07	Jan-08	Feb-08	Mar-08
Trade Balance (US\$billion)	-7.0	-6.2	-7.3	-5.0	-6.9	-4.4	-7.5	-7.4	-5.4	-9.4	-4.2	NA
Exports (US\$billion)	10.6	11.9	11.9	12.5	12.7	12.8	13.3	12.4	12.3	13.1	14.2	NA
Exports (YoY)	23.1%	18.1%	14.1%	18.5%	18.9%	19.3%	35.6%	26.8%	16.0%	20.5%	35.3%	NA
Imports (US\$billion)	17.6	18.1	19.2	17.5	19.6	17.2	20.8	19.8	17.7	22.5	18.5	NA
Imports (YoY)	40.5%	26.4%	36.7%	20.4%	32.6%	2.3%	24.3%	29.3%	18.1%	63.6%	30.5%	NA
Foreign Direct Investment (US\$million)	1551.0	2120.0	1238.0	705.0	831.0	713.0	2027.0	1864.0	1558.0	NA	NA	NA
Foreign Exchange Reserves (US\$billion)	203.7	204.5	213.0	224.9	228.4	247.3	262.0	273.1	272.3	284.5	300.8	306.1
Net FII Flows (US\$million)	1322.1	1126.2	1764.5	4572.8	-1832.4	4731.8	4399.0	-1165.2	1246.4	-4368.1	1234.9	33.5
Rs/US\$1 (period average)	42.31	40.79	40.78	40.42	40.83	40.35	39.51	39.44	39.44	39.37	39.73	40.38
M3 (YoY)	20.6%	19.9%	21.3%	21.6%	20.6%	20.7%	22.1%	23.3%	22.1%	22.4%	21.2%	NA
Bank Loans (Non-food credit, YoY)	27.0%	26.6%	23.7%	23.4%	23.2%	22.1%	23.0%	22.9%	21.9%	23.2%	22.5%	NA
Money Multiplier	4.5	4.6	4.6	4.5	4.6	4.5	4.7	4.5	4.6	4.7	4.5	4.4
Deposit Growth Rate (YoY)	21.8%	22.1%	23.2%	25.7%	22.9%	23.9%	25.8%	25.0%	23.6%	29.5%	23.7%	NA
Prime Lending Rate	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.8%	12.3%	12.3%
One Year Deposit Rate	8.3%	8.3%	8.3%	8.3%	8.0%	8.0%	8.0%	8.0%	8.3%	8.8%	8.8%	8.8%
364 day T-Bill Yield	7.9%	7.8%	7.8%	7.1%	7.4%	7.4%	7.5%	7.7%	7.7%	7.4%	7.5%	7.5%
91 day T-Bill Yield	7.4%	7.5%	7.2%	5.4%	6.7%	7.0%	7.0%	7.4%	7.5%	7.1%	7.3%	7.3%
10 yr Government Bond Yield	8.1%	8.1%	8.2%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.6%	7.6%	7.7%
Manufacturing(in %)	12.4%	11.3%	9.7%	8.8%	10.7%	7.4%	13.8%	5.0%	8.3%	5.9%	NA	NA
Consumer Goods	14.7%	8.7%	3.6%	7.1%	0.0%	-0.2%	13.7%	-2.4%	8.4%	7.0%	NA	NA
Basic Goods	8.6%	10.3%	9.2%	8.7%	12.7%	6.5%	6.7%	5.2%	3.6%	3.5%	NA	NA
Capital Goods	10.9%	22.4%	23.1%	12.3%	30.8%	20.9%	20.9%	24.3%	16.6%	2.1%	NA	NA
Intermediate Goods	10.6%	8.8%	8.6%	7.7%	13.8%	10.1%	13.9%	5.7%	7.4%	7.0%	NA	NA
Consumer Price Index (YoY)	6.7%	6.6%	5.7%	6.5%	7.3%	6.4%	5.5%	5.5%	5.5%	5.5%	NA	NA
Wholesale Price Index (YoY)												
- All Commodities	6.0%	4.9%	4.4%	4.7%	3.9%	3.4%	3.1%	3.1%	3.5%	4.1%	4.1%	4.4%
- Manufactured Products	6.0%	5.1%	4.9%	5.1%	4.6%	4.4%	4.2%	3.5%	3.7%	4.2%	4.1%	4.3%

Source: RBI, CSO, SEBI, CMIE, Morgan Stanley Research

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Current Earnings Estimates for Morgan Stanley Universe

Sectors		Price	Trgt	52-Wk		EPS			Earnings	DPS	P/E	P/B	ROE	Div Yld	(US\$M N)		Rel. Perf.	(%)
Company	Rating	31/3/08	Price	High	Low	F07	F08E	F09E	09E/07	F07	F08E	F07	F07	F07	Mkt Cap	3M ATV	3M	12M
Consumer Discretionary									11.7%		13.4	3.2	21.9%	1.4%	34.812	127.0	7.8	-25.9
Amtek Auto Ltd.	Overw eight	256	500	526	228	28.2	30.2	36.0	13.1%	3.5	8.5	1.8	17.0%	1.4%	1,024	3.1	-22.0	-42.0
Arvind Mills	Overw eight	38	85	94	34	1.3	1.6	3.3	60.7%	0.0	24.4	0.6	2.1%	0.0%	202	6.8	-45.9	-27.5
Ashok Leyland Ltd.	Equal-Weight	35	40	58	26	3.4	3.0	3.3	-0.5%	1.5	11.8	2.5	23.8%	4.2%	1,172	12.0	-12.0	-23.3
Bharat Forge	Underw eight	267	270	390	245	13.6	11.6	14.5	3.2%	3.5	23.1	3.9	20.1%	1.3%	1,484	3.8	-2.1	-29.1
EIH Limited	Underw eight	137	85	247	91	3.9	5.1	3.8	-1.5%	1.6	26.6	4.8	13.9%	1.2%	1,342	2.4	-3.7	21.8
Entertainment Netw ork (India) Limited	Overw eight	372	533	700	307	5.3	6.8	17.7	83.1%	0.0	54.8	6.1	8.6%	0.0%	442	0.4	-25.7	-6.2
Hero Honda Motor Ltd	Underw eight	690	640	786	556	43.0	43.6	48.6	6.3%	17.0	15.8	5.6	34.7%	2.5%	3,442	7.0	28.3	-15.8
House of Pearl Fashions Limited	Overw eight	137	321	386	115	32.5	28.5	37.2	7.1%	0.7	4.8	0.7	12.3%	0.5%	67	0.6	-39.3	-66.0
Indian Hotels Company Ltd	Overw eight	112	180	164	93	5.6	6.4	7.2	13.4%	1.9	17.5	3.9	16.2%	1.7%	2,017	7.9	-1.3	-30.2
Hotel Leelaventure Limited	Underw eight	40	30	77	38	2.4	3.3	2.7	5.3%	0.5	12.2	1.7	10.0%	1.3%	371	7.1	-28.4	-39.9
Mahindra & Mahindra	Equal-Weight	696	800	872	543	56.9	62.1	70.2	11.0%	11.5	11.2	3.8	30.8%	1.7%	4,262	13.7	4.8	-25.5
Maruti Suzuki India Limited	Overw eight	830	1,050	1,252	700	55.0	69.7	80.3	20.9%	3.5	11.9	3.5	23.1%	0.4%	5,977	18.2	8.7	-15.4
New Delhi Television Limited (NDTV)	NAV	386	NA	512	281	3.3	4.4	7.4	48.3%	0.9	87.5	7.6	6.5%	0.2%	601	2.0	8.2	3.8
Pantaloon Retail	Overw eight	431	788	875	365	8.7	8.2	12.4	19.5%	0.4	52.8	6.2	11.0%	0.1%	1,695	2.7	-33.0	-9.3
Shoppers' Stop	Underw eight	412	466	703	350	7.3	3.5	6.1	-8.5%	1.5	118.0	5.0	8.8%	0.4%	358	0.2	-4.8	-44.3
Tata Motors	Underw eight	623	630	840	535	53.4	50.8	52.9	-0.5%	14.2	12.3	3.6	30.4%	2.3%	6,329	23.4	8.9	-28.4
Titan Industries Ltd	Overw eight	1,062	1,607	1,795	808	19.7	33.8	45.9	52.8%	5.9	31.4	14.4	26.7%	0.6%	1,176	3.8	-11.8	5.5
TVS Motors	Equal-Weight	35	50	79	31	3.1	2.1	3.9	12.3%	2.1	17.0	1.0	9.2%	6.0%	207	2.8	-37.4	-51.0
Zee Entertainment Enterprise Limited	Overw eight	245	393	363	169	5.5	8.2	10.8	40.6%	1.8	30.0	4.1	9.1%	0.7%	2,644	9.4	-3.4	-18.4
Consumer Staples									17.3%		25.7	10.1	33.6%	2.2%	42,012	163.1	30.9	2.0
Colgate-Palmolive India	Overw eight	382	471	521	324	13.6	17.3	20.2	22.0%	10.7	22.1	21.9	77.5%	2.8%	1,296	2.0	21.7	-3.9
Dabur India	Overw eight	110	125	134	72	3.3	4.0	4.8	20.2%	1.6	27.4	19.7	59.0%	1.5%	2,355	3.0	24.8	-3.3
Godrej Consumer Products Limited	Overw eight	124	166	176	94	5.9	7.3	8.5	19.4%	4.3	17.0	24.7	118.4%	3.5%	698	0.7	17.9	-28.7
Hindustan Unilever	Overw eight	229	275	248	170	7.0	8.1	9.7	17.9%	6.9	28.1	18.3	56.5%	3.0%	12,416	15.6	38.6	-6.9
ITC Ltd.	Underw eight	206	179	239	146	7.2	8.3	9.4	14.1%	3.6	24.9	7.5	26.1%	1.8%	19,355	44.9	27.2	14.6
Marico Limited	Overw eight	67	83	83	47	2.1	2.7	3.2	23.9%	0.7	25.0	21.3	65.9%	1.1%	1,021	1.3	27.0	-8.3
Nestle India	Overw eight	1,498	1,570	1,676	900	33.9	44.7	56.6	29.2%	29.1	33.5	37.1	84.1%	1.9%	3,601	1.1	29.5	33.9
Tata Tea	Overw eight	824	809	1,014	586	50.6	52.4	72.6	19.8%	15.0	15.7	2.4	13.9%	1.8%	1,271	3.6	18.0	13.3
Energy									22.5%		15.6	2.9	14.1%	1.7%	196,538	422.5	4.4	27.3
Bharat Petroleum Corp.	Underw eight	411	333	560	291	49.9	52.9	42.0	-8.3%	16.0	7.8	1.3	15.9%	3.9%	3,707	9.3	1.9	13.7
Cairn India Ltd.	Overw eight	224	272	269	124	-0.1	1.6	2.1	NA	0.0	137.6	1.4	-0.1%		10,052	30.1	12.8	42.9
GAIL (India)	Overw eight	425	514	555	257	24.3	30.0	34.7	19.4%	11.5	14.2	3.2	18.0%	2.7%	8,957	20.9	1.6	34.2
Hindustan Petroleum	Underw eight	256	237	406	218	37.2	36.8	37.0	-0.3%	13.0	7.0	0.9	13.1%	5.1%	2,160	14.5	-10.2	-13.4
Indian Oil Corp	NAV	446	NA	810	355	35.3	46.4	47.4	15.9%	20.7	9.6	1.5	11.6%	4.6%	12,976	14.6	-27.2	-6.8
Oil & Natural Gas Corp.	Overw eight	981	1,385	1,387	770	83.7	111.4	117.7	18.6%	36.8	8.8	3.1	26.8%	3.8%	52,331	52.6	2.9	-6.6
Reliance Industries	Overw eight	2,265	3,090	3,252	1,305	81.8	97.2	118.9	20.6%	9.9	23.3	3.6	12.0%	0.4%	88,825	280.5	1.9	38.3
Reliance Petroleum Limited	Overw eight	156	204	295	69	NA	NA	6.8	NA	NA	NA	5.2	NA	NA	17,530	160.4	-9.2	82.6
Financials									39.4%		16.4	4.1	16.1%	0.8%	147,591	758.8	-9.7	8.5
Bank of Baroda	Equal-Weight	284	400	501	193	28.1	39.8	45.6	27.4%	6.9	7.1	1.2	11.9%	2.4%	2,587	7.6	-19.9	10.1
Bank of India	Overw eight	253	415	466	151	23.0	33.9	38.9	30.0%	4.0	7.5	2.3	19.1%	1.6%	3,316	22.0	-10.3	25.9
Canara Bank	Equal-Weight	225	300	421	177	34.7	40.4	48.5	18.3%	8.2	5.6	0.9	13.7%	3.6%	2,302	9.2	-12.1	-3.4
Corporation Bank	Equal-Weight	283	340	490	230	37.4	46.4	54.2	20.4%	10.4	6.1	1.1	14.2%	3.7%	1,012	1.4	-14.6	-18.1
DLF Limited	Underw eight -V	647	828	1,225	506	12.7	41.1	57.9	113.7%	0.0		36.5	64.3%	0.0%	27,472	74.0	-21.9	NM
HDFC Bank	Equal-Weight	1,320	1,175	1,825	895	35.7	44.6	57.5	26.9%	8.2	29.6	7.3	17.7%	0.6%	11,631	31.4	-0.9	16.2
HDFC	Overw eight	2,384	3,200	3,257	1,397	58.5	87.2	91.7	25.3%	24.2	27.3	12.1	28.3%	1.0%	16,702	59.7	7.6	31.0
ICICI Bank	Equal-Weight	770	900	1,465	720	34.6	37.7	43.4	12.0%	11.4	20.4	3.5	12.8%	1.5%	21,350	147.4	-19.0	-24.6
IDBI	Underw eight	89	60	181	71	8.7	8.7	9.6	5.0%	1.7	10.2	1.0	9.9%	1.9%	1,607	21.6	-30.1	-4.1
IDFC	Overw eight	151	250	235	77	4.5	5.6	7.2	26.7%	1.2	26.9	6.6	17.1%	0.8%	4,886	38.7	-14.0	51.2
Kotak Mahindra Bank	Underw eight	629	450	1,436	445	16.5	27.9	25.0	23.1%	8.0	22.5	6.7	16.6%	0.1%	5,377	31.1	-37.1	9.5
Oriental Bank of Commerce	Equal-Weight	177	250	321	158	33.0	35.9	46.0	18.1%	4.7	4.9	0.9	16.2%	2.7%	1,103	3.0	-17.8	-21.3
Punjab National Bank	Equal-Weight	508	560	721	420	48.8	61.4	72.6	21.9%	10.0	8.3	1.6	15.2%	2.0%	3,995	11.7	-0.8	-10.0
Parsvnath Developers Limited	Overw eight	210	472	598	170	15.8	24.0	35.8	50.4%	2.5	8.7	2.6	19.6%	1.2%	966	21.3	-39.7	-32.3
Reliance Capital	Overw eight	1,230	1,530	2,925	607	28.6	36.6	47.5	29.0%	4.1	33.6	5.7	13.3%	0.3%	7,546	167.5	-38.4	53.8
Sobha Developers Ltd.	Overw eight	601	1,172	1,060	573	22.2	33.3	49.5	20.1%	10.1	18.1	5.4	19.8%	1.7%	1,093	2.2	-14.5	-37.2
State Bank of India	Equal-Weight	1,599	2,550	2,397	863	86.3	99.4	119.8	17.8%	16.4	16.1	3.3	14.5%	1.0%	25,910	74.9	-7.3	42.6
Union Bank of India	Overw eight	141	215	235	95	16.7	22.9	28.7	31.0%	4.1	6.1	1.4	16.3%	2.9%	1,776	5.4	-11.4	13.4
AXIS Bank	Underw eight	781	550	1,291	433	23.4	28.2	34.8	21.9%	5.3	27.7	8.2	19.4%	0.7%	6,960	28.7	4.7	33.2
* AVT = Average Value Traded. ** Absolute Performance. N	NA = Not Available, NM = No	ot Meaningful. V	 More volatil 	e. We estir	nate that thi	is stock ha	s more tha	an a 25% c	hance of a price	e move (u	p or down)	of more	than 25% in	a month, based	d on a quantitative a	ssessment of his	storical data, or	in the

* AVT = Average Value Traded. ** Absolute Performance. NA = Not Available, NM = Not Meaningful. V = More volatile. We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 15% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "volatile" can still perform in that manner.++ Stock rating, price target and estimates for this company have been removed from consideration in this report because, under applicable law and/or Morgan Stanley may be precluded from issuing such information with respect to this company at this time. Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research estimates

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MORGAN STANLEY RESEARCH India Monthly Review

Current Earnings Estimates for Morgan Stanley Universe (Continued)

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Sectors		Price	Trgt	52-Wk		EPS	====	====	Earnings		P/E	P/B	ROE				Rel. Perf	
Company Healthcare	Rating	31/3/08	Price	High	Low	F07	F08E	F09E	09E / 07 9.2%	F07	F08E	F07	F07	F07	Mkt Cap 22,228	3M ATV 47.9	3M 24.5	12N -10.6
Aventis (India)	Overw eight	770	1,769	1,495	725	73.5	84.2	95.9	9.2% 14.2%	32.0	9.1	2.9	27.8%	4.2%	442	0.2	-14.2	-47.7
Biocon Ltd	Underw eight	431	465		345	20.0	24.2	27.4	16.9%	3.0	17.8	4.0	18.7%	0.7%	1,074	1.6	-3.6	-25.9
Cipla Ltd.	Underw eight	220	195		160	8.6	8.6	9.8	6.6%	2.0	25.7	5.3		0.9%	4,258	7.8	34.0	-22.1
Dr. Reddy's Lab	Equal-Weight	591	701	760	501	55.5	37.9	41.1	-14.0%	2.6	15.6	2.4	22.4%	0.4%	2,474	5.8	4.2	-32.
GlaxoSmithKline Pharma	Overw eight	1,045	1,280		800	42.7	46.3	53.1	11.5%	35.3	22.6	7.4	30.3%	3.4%	2,208	2.7	31.6	-21.8
Lupin Ltd.	Overw eight	494	600	755	430	36.0	35.2	36.3	0.3%	4.8	14.0	3.1	22.6%	1.0%	1,032	2.5	1.1	-31.9
Ranbaxy Laboratories	Overw eight	439	465		300	13.7	16.4	19.9	20.4%	9.7	26.8	3.6		2.2%	4.077	17.5	33.6	4.0
Sun Pharmaceutical Industries	Overw eight	1,231	1,227	1,352	886	40.5	51.9	61.2	20.4%	7.7	23.7	6.4	21.0%	0.6%	5,938	8.8	30.7	5.4
Wockhardt Limited		266	460		245	27.6	34.9	38.6	18.3%	5.7	7.6	1.9	19.4%	2.1%	726	1.0	-17.3	-44.1
Industrials	Overw eight	266	460	448	245	27.6	34.9	38.6	5.5%	5.7	24.7	7.8	28.2%	0.7%	93.631	435.9	-17.3 - 5.4	20.6
ACC Ltd.	Underw eight	826	598	1,315	615	55.8	68.8	24.4	-33.8%	17.1	12.0	4.9	33.3%	2.1%	3,867	15.8	4.6	-6.0
BHEL	Equal-Weight	2,057	2,071	2,925	1,073	49.6	69.4	95.0	38.4%		29.6	11.5		0.6%	25,099	55.6	3.2	52.0
Gammon India	Overw eight	389	461	845	280	5.1	11.9	15.6	75.4%	0.5	32.6	3.0	3.9%	0.1%	847	2.9	-15.3	7.8
GMR Infrastructure Ltd.	Underw eight	149	59	269	65	1.1	0.5	1.8	30.4%	0.0	316.1	12.4	8.8%	0.1%	6,150	47.0	-21.9	72.8
Grasim Industries	Equal-Weight	2,575	1,783		2,025	208.5	177.7	99.6	-30.9%	30.3	14.5	4.9	39.5%	1.2%	5,886	8.6	-8.6	2.9
Great Eastern Shipping	Overw eight	375	492		194	58.0	83.3	61.6	3.0%	13.2	4.5	1.9	28.8%	3.5%	1,425	4.4	-12.7	54.7
Ambuja Cements Ltd.	Underw eight	121	85		100	11.2	8.9	4.3	-38.1%	2.3	13.6	5.3	48.7%	1.9%	4,592	5.4	6.9	-5.2
IVRCL Infrastructures & Projects L		401	528		241	10.9	15.3	20.5	37.0%	1.2	26.2	3.9		0.3%	1,297	9.4	-6.2	14.7
Jain Irrigation Systems	Overw eight	592	789		400	12.9	20.1	26.9	44.6%	2.5	29.4	13.7	25.0%	0.4%	1,076	3.6	18.9	18.5
Jaiprakash Associates Limited	Overw eight	227	314	510	87	3.8	4.4	5.8	24.2%	0.7	51.7	9.3	14.4%	0.3%	6,651	128.2	-31.0	75.7
Larsen & Toubro	Overw eight	3,025	3,433		1,508	79.1	78.5	100.7	12.8%	14.9	38.5	13.1	33.9%	0.5%	21,629	91.2	-6.0	56.
Shipping Corporation of India	Underw eight	198	125	332	1,508	30.3	21.2	12.1	-36.8%	9.7	9.4	1.1	16.8%	4.9%	1,394	3.0	-20.2	-5.1
Suzion Energy	Overw eight	264	450	460	186	5.9	8.2	12.7	46.6%	1.2	32.3	11.2		0.4%	9,830	45.3	-11.7	9.9
UltraTech CemCo	Underw eight	780	573		662	63.1	77.8	50.1	-10.8%	4.0	10.0	5.5		0.5%	2,420	2.7	-0.3	-15.4
Voltas Limited	Equal-Weight	178	221	267	79	3.2	5.6	7.5	53.8%	1.0	32.0	13.9		0.6%	1,468	8.0	-6.3	75.3
Materials	Equal-vveignt	178	221	267	79	3.2	5.6	7.5	35.8%	1.0	9.7	4.0		1.3%	72,467	309.3	-4.6	20.4
Gitanjali Gems Ltd	Overw eight	221	547	480	177	15.6	19.7	28.4	35.1%	1.9	11.2	2.2		0.8%	488	5.8	-35.0	-6.5
Hindalco Industries	Overw eight	165	221	223	127	24.7	13.5	22.1	-5.5%	1.9	12.2	1.6		1.2%	5,039	20.4	-0.6	5.6
Jindal Steel & Power	Equal-Weight	2,072	2,513		445	47.7	78.6	133.6	67.4%	3.6	26.4	12.7	29.2%	0.2%	7.955	61.9	-12.5	264.3
JSW Steel Ltd.	Overw eight	819	1,569		470	74.5	98.4	130.5	32.3%	9.4	8.3	2.7	21.8%	1.1%	3,784	20.5	-19.4	38.7
National Aluminium	Equal-Weight	452	358		222	37.0	29.7	33.1	-5.4%	8.6	15.2	3.8		1.9%	7,256	5.3	19.0	61.9
Rajesh Exports Ltd	Overw eight	78	526		58	4.6	6.1	10.1	48.4%	0.4	12.8	7.3		0.5%	563	9.9	-33.4	3.3
Sesa Goa	Overw eight	3.130	4.222		1.618	163.4	306.0	398.1	56.1%	42.9	10.2	7.6	39.0%	1.4%	3.107	18.9	6.3	53.8
Steel Authority Of India	Overw eight	185	305	293	106	15.0	19.8	26.0	31.5%	3.1	9.3	4.4	35.8%	1.7%	19,025	71.3	-15.7	35.3
Sterlite Industries (India) Limited	Overw eight	714	1,078		415	80.3	66.7	100.2	11.7%	4.8	10.7	5.1	44.9%	0.7%	12,618	36.2	-10.6	27.4
Tata Steel	Overw eight	693	1.112	970	372	59.5	120.4	158.9	63.5%	13.4	5.8	3.5	28.9%	1.9%	12.633	54.5	-3.8	45.8
Technology									19.3%		16.1	6.2	32.1%	1.9%	70,884	150.2	13.2	-38.5
HCL Technologies	Overw eight	253	310	366	180	16.7	19.0	21.7	14.2%	8.0	13.3	3.4	21.6%	3.2%	4,206	6.8	-1.0	-27.4
Hexaw are Technologies Limited	Equal-Weight	61	90		53	10.0	0.5	9.2	-4.1%	2.1	121.4	1.5		3.5%	219	2.2	-7.8	-69.7
Infosys Technologies	Overw eight	1,430	2,030	2,140	1,212	69.2	81.1	97.5	18.7%	27.9	17.6	7.3	34.3%	1.9%	20,367	62.3	4.9	-40.6
MindTree Consulting Limited	Equal-Weight -V	334	390		321	29.0	23.6	28.9	-0.2%	2.5	14.1	2.9	20.7%	0.8%	314	0.6	-13.5	-66.4
MohasiS Limited	Equal-Weight	200	275		150	8.6	14.8	18.2	45.3%	3.5	13.5	4.1	17.9%	1.8%	1.039	1.9	-15.4	-40.8
Patni Computer Systems	Overw eight	223	340		185	25.9	32.4	34.9	16.2%	2.3	6.9	1.3		1.0%	769	2.2	-12.9	-51.9
Satyam Computer Services	Overw eight	395	510	522	305	21.5	25.5	30.5	19.2%	4.0	15.5	4.6	24.4%	1.0%	6,573	33.5	13.9	-29.9
Tata Consultancy Services	Overw eight	811	1,130	1.330	730	42.2	52.1	60.6	19.8%	12.0	15.6	8.9	46.1%	1.5%	19.784	22.0	-2.9	-45.0
Tech Mahindra Limited	Equal-Weight -V	707	830		615	56.2	60.6	68.8	10.6%	13.7	11.7	7.3		1.9%	2,170	3.7	-19.0	-58.6
Wipro Ltd.	Equal-Weight	425	490	600	325	20.4	23.2	27.7	16.5%		18.4	6.5	30.7%	2.6%	15,443	10.1	4.9	-36.4
Telecommunications									47.0%		22.0	5.6	15.2%	0.2%	77,013	234.8	-10.1	-2.4
Bharti Airtel Limited	Overw eight	826	1,275	1,149	700	22.4	34.6	43.3	38.9%	0.0	23.9	11.6	31.4%	0.0%	39,089	78.4	7.7	-9.6
ldea Cellular Ltd.	Equal-Weight -V	103	133		89	1.9	4.0	5.3	65.2%	0.0	25.6	12.4	23.0%	0.0%	6.751	12.0	-3.9	-9.2
Mahanagar Telephone Nigam	Underw eight	97	131	219	93	7.3	9.4	11.6	26.3%	4.6	10.3	0.5	4.0%	4.8%	1,516	13.4	-34.9	-45.0
Reliance Communications Ltd.	Overw eight	508	891	844	389	15.8	25.5	34.0	46.7%	0.6	19.9	4.5		0.1%	26,007	122.9	-11.7	1.1
Videsh Sanchar Nigam	Underw eight	514	371	783	361	0.5	20.9	34.0	693.8%	5.3	24.6	2.8	0.3%	1.0%	3,650	8.1	-12.8	6.9
Utilities			-						14.4%		24.0	3.5		1.5%	56,337	334.5	-2.2	61.6
LANCO Infratech Ltd	Equal-Weight -V	389	288	888	137	8.4	17.2	38.8	115.5%	0.0	22.6	8.2		0.0%	2,155	21.7	-40.2	105.1
NTPC	Equal-Weight	197	146		146	8.3	9.1	9.8	8.7%	3.6	21.7	3.3		1.9%	40,498	81.6	2.2	9.9
Reliance Energy	Overw eight	1,251	2,073		474	28.8	37.3	50.5	32.3%	6.2	33.6	3.2	7.1%	0.5%	7,378	200.5	-24.0	111.1
Tata Pow er Co	Overw eight	1,172	1,532		491	29.1	30.0	28.4	-1.2%	9.5	39.1	4.5		0.8%	6.307	30.7	3.3	92.2
BSE Sensex **		15.644	.,		12,426	670	892	1.058	25.6%	2.3	17.5		20.9%	1.2%	561,428	1.852.8	-22.9	19.7
				,	_,0			.,						,0	111,120	.,		

* AVT = Average Value Traded. ** Absolute Performance. NA = Not Available, NM = Not Meaningful. V = More votatile. We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more votatile over the next 1-12 months compared with the past three years. Slocks with less than one year of trading history are automatically rated as more votatile (unless otherwise noted). We note that securities that we do not currently consider "votatile" can still perform in that manner.++ Slock Rating, Price article region to Take been removed due to applicable learn and or Morphay data, Morgan Stanley Research. Estimates. E = Morgan Stanley Research estimates.

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	Coverage Ur	niverse	Investment	Banking Clie	ents (IBC)
_		% of		% of Rating	
Stock Rating Category	Count	Total	Count	Total IBC	Category
Overweight/Buy	1036	43%	328	44%	32%
Equal-weight/Hold	1001	42%	327	43%	33%
Underweight/Sell	351	15%	99	13%	28%
Total	2.388		754		

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over the next 12-18 months.

Over the next 12-16 months.

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