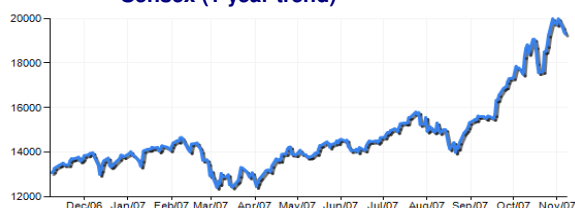




8 November 2007

BSE Sensex 19,059

Sensex (1 year trend)



BSE Sensex Performance (%)	1m	3m	12m
Absolute	-8.2	27.6	44.8

Key Indicators	Sensex	BSE-100
PE	25.4	26.4
P/BV	6.1	6.3
Div. Yield (%)	0.9	0.8

Energy and Precious Metal

Crude Oil Futures (USD/bbl)	88.7
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Gold 100 OZ FUTR (USD/t oz.)	778.0
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Forex and Money Market

India GSec Yield (10 Year %)	7.3
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USD/INR	39.3
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All prices are closing prices for November 8, 2007. Data is sourced from Bombay Stock Exchange (BSE), Bloomberg and the subject company. This report should be considered only a single factor in making investment decisions.

India Equity Market Update: 2007**Indian Equities: Global economy may lead to bear phase****Equities: Underweight with a Sensex target of 16,000**

BSE Sensex is trading at rich valuations. P/E of over 25 and market cap/GDP ratio of over 1.6 is historically expensive. India is among the most expensive emerging markets. There have been no reforms since long therefore PE can not be close to developed markets. Though high growth justifies high PE to some extent, the quality of growth and how much money generated from growth will be ploughed back into planned expenditure is to be seen. High energy prices have lag impact; they affect corporate earnings, ROCE and turns fundamentals on weaker side. Uncertainty in US sub-prime sector will be negative and India cannot be isolated. US-Iran tension and instability in Pakistan call for higher equity risk premiums for Indian equities.

Counterview

The momentum is strong. Both in terms of business confidence and foreign funds inflow. Increased international visibility of Indian economy should result in higher FII inflow. Good IPO's are allowing FII to access good Indian companies. Higher investment expenditure is helping to enhance productivity of economy. These factors provide potential for upside.

Investment strategy

In case of adverse international economic environment, Sensex may correct to 16,000. Stocks from bottom up approach will continue to do well. Under valuation in selected stocks and potential for scalability in some other stocks can provide upside. Logistics sector may benefit from economic expansion and may witness rerating; Consumer demand related sectors, hospitality and hospitals look good for long term. Pharmaceuticals may be a good defensive contrarian bet. Companies related to reforms in railways should do well.

Market Outlook Underweight (UW)

Equity Strategy

APPENDIX I

Disclosure Section

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Equity rating key for long-term investment opportunities

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Rating definitions

Overweight (OW) – The stock's total return is expected to exceed the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Neutral (N) – The stock's total return is expected to be in line with the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Underweight (UW) – The stock's total return is expected to be below the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Not-Rated (NR) – Currently we do not have adequate conviction about the stock's total return relative to the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Unless otherwise specified, the time frame for price targets included in NextGen India Investments Research is 12 to 24 months.

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