



Business Optimism Index

Q1 2006

Dun & Bradstreet is pleased to send you the latest D&B Optimism Index for India. It is recognised as a product, which measures the pulse of the business community and serves as a reliable benchmark for investors. The D&B Optimism Index is arrived at on the basis of a quarterly survey of business expectations. Over time, this quarterly survey has emerged as a leading indicator of turning points in economic activity.

Methodology

For the purpose of conducting the survey, a sample is selected randomly from Dun & Bradstreet's commercial credit information file. The sample selected for the survey includes companies belonging to basic goods, capital goods, intermediate goods, consumer durables, consumer non-durables and the service sector. In short, the sample selected is a microcosmic representation of India's business community.

All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year:

1. Net sales
2. Net profits
3. Selling prices
4. New orders
5. Inventories
6. Employees

The individual indices are then calculated by subtracting the percentage of respondents

expecting decreases from those expecting increases. Unless otherwise stated, increases and decreases in indices represent changes from the previous quarter.

Composite Business Optimism Index

Dun & Bradstreet introduced the Composite Business Optimism Index from Q4 2002. The purpose of the Composite Business Optimism Index is to capture the aggregate behaviour of all the six individual indices. Each of the six parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q2 1999). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September and Q4 is the period between October and December each year. The D&B Optimism Index has been widely appreciated by business decision makers. We trust that you too will find it a useful tool in your day-to-day decision-making. Please do give us your feedback in this regard.

D&B Optimism Index for India for Q1 2006

The Business Expectation Survey for Q1 2006 was conducted in Dec 05 with the Indian economy looking optimistic on growth prospects and with sentiment highly upbeat in the domestic stock markets. As per the latest estimates released by the Central Statistical Organisation (CSO), the Indian economy grew by 8% in the second quarter of FY06 over the corresponding quarter of the previous fiscal. The most impressive growth performance during this period was witnessed by the 'trade, hotels,

transport and communication', sub-segment of the services sector. The 'trade, hotels, transport and communication' segment grew at 12% during Q2 FY06, while the 'financing, insurance, real estate and other business services' sub-segment grew at 9.9%. The manufacturing sector also registered a robust growth rate of 9.2% during the same period.

The release of these growth indicators that have revealed a healthy economic performance boded well for sentiment amongst the business community. Further, according to RBI forecasts, the Indian economy is expected to register an annual growth of 7-7.5% during FY06, as compared with a 6.9% growth rate recorded in FY05.

Moreover, the overall Balance of Payment (BoP) position also remained positive. The BoP surplus for Q2 FY06 stood at US\$ 5.3 bn, as compared with US\$ 0.6 bn in the corresponding quarter of the previous fiscal.

The inflation rate at around 4.62% for the week ended 17-Dec-05, markedly lower compared with the inflation rate of 6.44% recorded during the corresponding period

of the previous year. Inflationary pressures arising from rising fuel prices too seemed well within control.

The Composite Business Optimism Index for Q1 2006 improved by 21.1 % over the same quarter previous year. The composite Business Optimism Index stood at 167.7 points in Q1 2006 as compared with 138.4 points during the same quarter of 2005. However, the index registered a negative growth of 10.3% over the previous quarter. It is important to note here that the composite Business Optimism Index stood at an all time high of 186.9 points in Q4 2005; as a result, the high-base effect has come into play. Nevertheless, from the survey responses, it is fairly evident that business expectations for Q1 2006 remain high. The six optimism indices, namely volume of sales, net profits, selling profits, new orders, inventory levels and employees, have registered increases as compared with the previous quarter.

Q1 2006 expectations for each of the six parameters and their comparison with those of the previous quarters are discussed on the following pages.

The Manufacturing ISM Report on Business® (US Economy) is published monthly by the Institute for Supply Management™. The Institute for Supply Management™, established in 1915, is the world's leading educator of supply management professionals and is a valuable resource for decision makers in major markets, companies and Governments

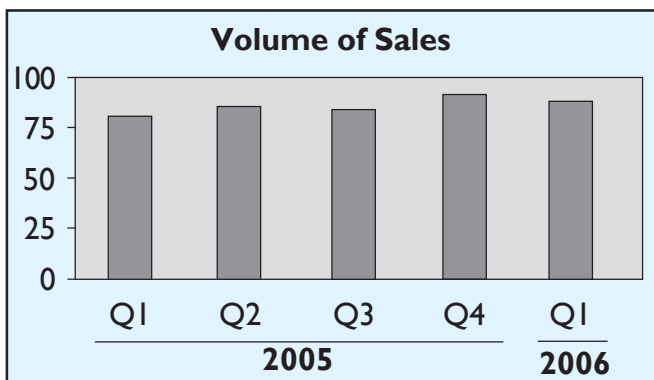
Extract from December Manufacturing ISM Report on Business® (US Economy)

Economic activity in the manufacturing sector grew in December for the 31st consecutive month, while the overall economy grew for the 50th consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business®.

The report was issued today by Norbert J. Ore, C.P.M., chair of the Institute for Supply Management™ Manufacturing Business Survey Committee. "2005 was an excellent year for the manufacturing sector as measured by the ISM data. In December, we saw a decline in the rate of growth of both new orders and production, but both indexes are at levels that support economic growth. We saw a significant slowing in the upward pricing spiral that has been a source of continuing concern for manufacturers. A strong fourth quarter should carry significant momentum forward into 2006." The PMI for December registered 54.2 %, a decrease of 3.9 percentage points when compared to November's reading of 58.1%. ISM's New Orders Index grew in December with a reading of 55.5 %. The index is 4.3 percentage points lower than the 59.8 % registered in November. ISM's Production Index

registered 57 % in December, 3.6 percentage points lower than the 60.6 % reported in November. ISM's Employment Index expanded for the sixth consecutive month in December. The index registered 52.7 % in December compared to 56.6 % in November, a decrease of 3.9 percentage points.

Manufacturers' inventories declined in December for the ninth consecutive month as ISM's Inventories Index registered 47.2 %, indicating a faster rate of liquidation when compared to November's reading of 49.3. December's index represents a 2.1 percentage point decrease from November's index. Imports of materials by manufacturers grew during December as the Imports Index registered 52.8 %. The index decreased 1.3 percentage points when compared to November's index of 54.1 %, indicating a slower rate of growth. The six industries reporting growth in import activity for December are: Miscellaneous*; Food; Instruments & Photographic Equipment; Furniture; Rubber & Plastic Products; and Industrial & Commercial Equipment & Computers.

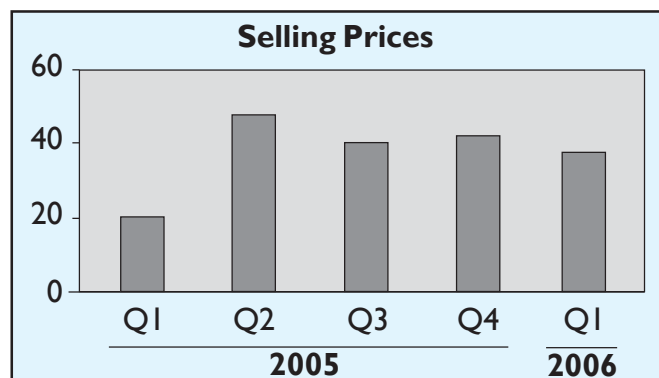
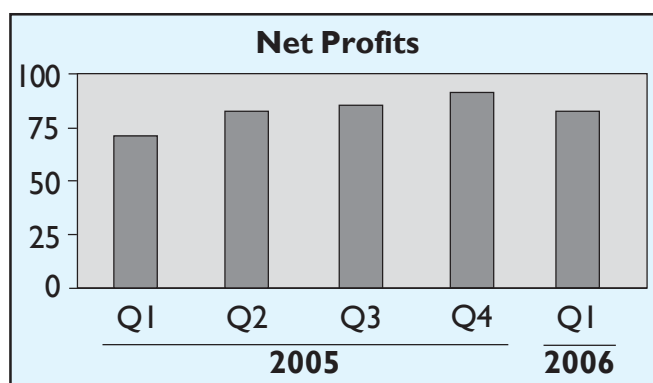


Volume of Sales

The Business Expectations Survey for Q1 2006 reveals high optimism with respect to demand conditions. Around 90% of the respondents anticipate increase in sales in the forthcoming quarter, while 8.3% of the respondents expect their volume of sales to remain unchanged. The resultant Optimism index for Volume of Sales stands at 88.3% for Q1 2006. The capital goods sector, consumer durable and consumer non-durable sector, and services sector were the most optimistic while the basic goods and intermediate goods sectors were less optimistic on this parameter.

Net Profits

Optimism amongst the corporates with respect to profitability remains at a high level. For Q1 2006, approximately 85% of the respondents surveyed perceived an increase in profits, while about 13% of the respondents anticipated profit levels to remain stable. Only 2% respondents expected profitability to decline. The resultant Optimism index for Net Profits for Q1 2006 stands at 83%. Amongst the sectors, high optimism was visible in the intermediate goods, consumer durables and services segments while capital goods segment were less optimistic on this parameter.

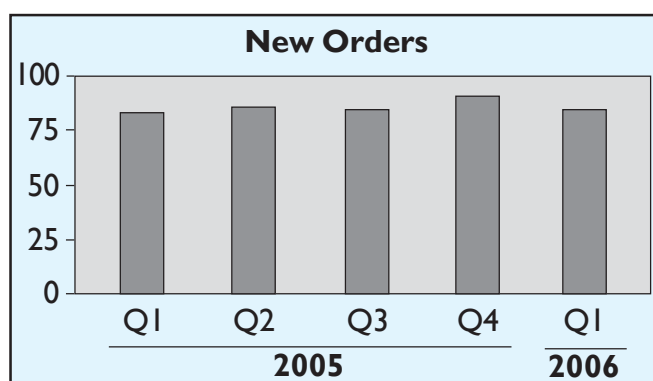


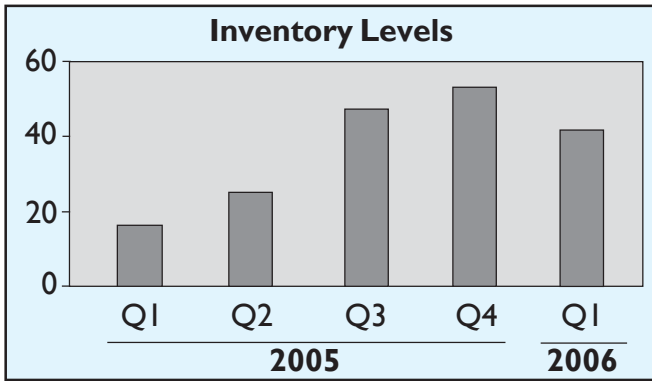
Selling Prices

Approximately 46% of the respondents surveyed were of the opinion that there would be an increase in the selling prices of their products in Q1 2006, while around 8% of the respondents expected a decline in selling prices. The resultant Optimism Index for Selling Prices for Q1 2006 quarter stood at 38%. The capital goods segment was the most optimistic with nearly 62% of respondents from this sector anticipating an increase in prices, followed by those operating in the services sector and the basic goods segment. The optimism Index for this parameter was the lowest in consumer durable goods sector.

New Orders

Respondents appear extremely positive on this parameter with around 86% of the respondents expecting an improvement in their order book position in Q1 2006. On the contrary, only 2% of the respondents surveyed expect that their order-book position will deteriorate. Around 13% of respondents were of the opinion that there would be no change in new orders. The resultant optimism index for New Orders stands at 84%. Optimism on this front is most visible in the consumer durables segment while the services segment appears least positive on this front.



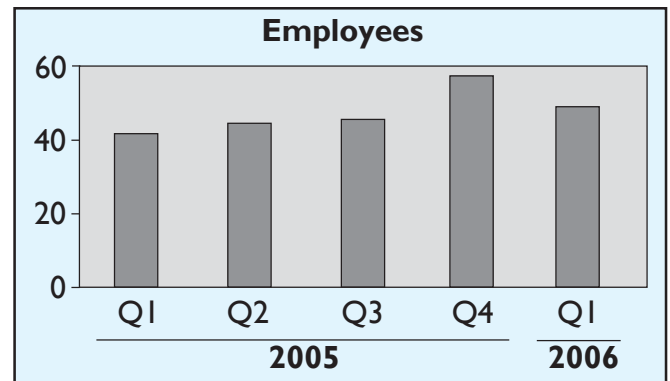


Inventory Levels

Around 48% of the respondents surveyed expect their level of stock to increase while just over 6% expect their stocks to decline in the forthcoming quarter. The resultant Optimism Index for Inventory level stands at nearly 42% in Q1 2006 as compared with 53% in Q4 2005. The consumer durable goods segment and consumer non-durable goods segment were the most optimistic about this parameter.

Employees

It was observed that for the Jan-Mar 06 quarter, about 51% of the respondents intend to increase the number of employees. At the same time, only 2% of the respondents expect a decline in number of employees. The resultant Optimism Index for Employees stands at nearly 49%. The Optimism index for this parameter was highest in the service sector wherein almost 61% of the respondents have anticipated increased recruitments for Q1 2006. The Optimism index for this parameter was lowest in the intermediate goods sector, wherein only 28% of the respondents showed inclination towards increasing the number of employees.



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