

EMISSARY CAPITAL BUSINESS REPORT

REPORT HIGHLIGHTS:

- *India's private equity transactions register 23% decline in 2008.*
- *State Bank of India reports 3Q profit increase of 37%.*
- *India's Larsen & Toubro raises stake in Satyam Computers to 12%.*
- *China's economy grows 6.8% in 4Q08.*
- *China's mobile phone market forecasted to grow 7.7% in 2009.*
- *U.S. comments on China's currency policy cause uproar*

INDIA

DEAL ANALYSIS:

India Rank (Global)	-
India Rank (Asia)	5
India (# of deals)	12
India (Deal value)	2.08B

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: The Economic Times, Business Standard and company filings

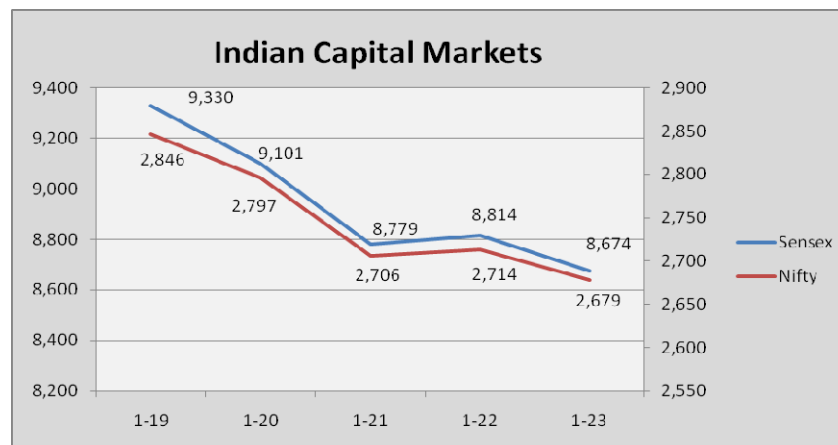
ECONOMIC / INDUSTRY NEWS:

- India, in 2008, posted a 23% decline in private equity transactions in 2008 to 312 deals worth \$10.6 billion versus 405 deals worth \$19 billion completed in 2007, according to Grant Thornton. Average transaction size declined to \$33.9 million in 2008 from \$47 million in 2007 while 28 deals valued at over \$100 million were completed versus 53 in 2007. High profile transactions during the year included Providence Equity Partner's 20% acquisition of Aditya Birla Telecom, a subsidiary of Idea Cellular DLF, in a deal worth \$450 million. While the value of PE deals during the first half of 2008 was \$7.1 billion, the second half was \$3.5 billion.
- **State Bank of India (SBI)**, India's largest bank, reported a third quarter profit increase of 37% to \$503 million as companies borrowed more and investments in bonds paid off. Deposits grew by 36% in the quarter and advances rose 29%. Total loans increased 28% while loans to large companies increased 47%, retail credit increased 27%, and non-performing assets shrank to 2.61%, from 2.82% a year earlier. SBI is increasing the funds it sets aside to cover defaults by 16%. **Tata Motors Ltd** and aluminum producer **Hindalco Industries Ltd.** were major borrowers during the period.
- **Reliance Communications Ltd.** (RCL), India's second-largest mobile-phone operator, missed analyst earnings expectations due to slowing new subscriber growth and lower pricing. Net Income increased 2.7% to \$286 million on a 20% revenue increase. RCL plans to spend about \$3 billion beginning in April on a global mobile communications system. Telecom operator Bharti posted earnings growth of 26% after the company added record subscribers, widening its lead over competitors. The company expanded services across

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rural areas and added 8.17 million users compared to RCL's 5.31 million additions. Vodafone Group Plc added subscribers as well ending the December period with 60.9 million users compared versus RCL's 61.4 million.

CAPITAL MARKETS UPDATE:



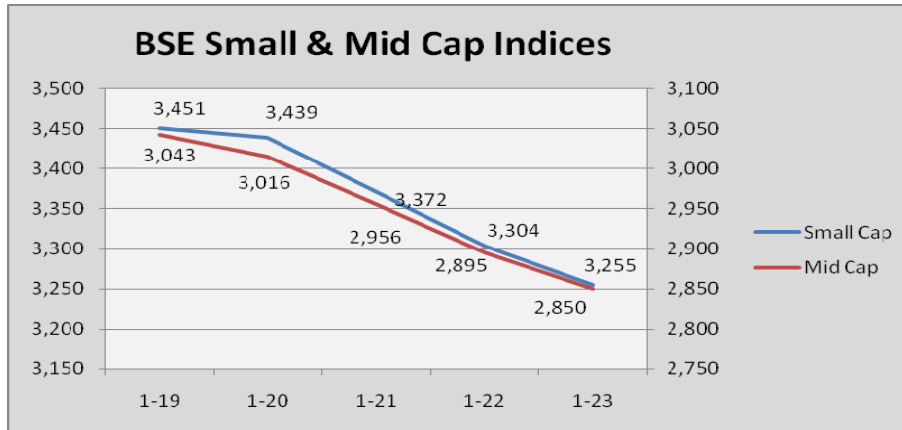
Source: The Economic Times, The Financial Times, Yahoo Finance!

- For the week ended January 23, blue chip reported results that were generally in line with expectations though there were several disappointments that subdued the overall market for most of the week. Inflation rose marginally which further weakened hopes of another interest rate cut when the RBI issues its policy statement on January 27, 2009.

With losses in three of five sessions, the Sensex finished the week 649.2 points lower at 8674.3, a decline of 6.9%. The National Stock Exchange's 50 stock Nifty index lost 149.9 points or 5.3% to end at 2678.5. The BSE Midcap index declined 5.8%, while the BSE Smallcap index fell 4.6%. All the sectoral indices ended the week with declines. BSE Realty, Metal, Bankex, and Power indices fell 12.2%, 11.3%, and 10.9%, respectively. The Auto, Consumer Durables, Capital Goods, IT, PSU, Teck, Oil & Gas and Healthcare indices lost between 4% and 8%. State owned companies such as **NTPC** and **ONGC** were the least hit during the week, while heavyweights **ITC** and **Hindustan Unilever** declined only 1.1% and 1.6% respectively. Shares of **Tata Steel** declined a huge 18.5% and **Mahindra & Mahindra**, lost 18.4% of its value. Other movers include: realty major **DLF** (down 17.5%), **ICICI Bank** (down 14.1%), **Ranbaxy Laboratories** (down 13.8%), **Hindalco** (down 12.8%), **Maruti Suzuki** (12.5%), **Reliance Communications** (down 12.3%), **Tata Motors** (down 11.9%), **HDFC** (11.3%), **Grasim Industries** (down 11.2%), **Larsen & Toubro** (down 10.7%), **State Bank of India** (down 10.6%), **Reliance Infrastructure** (down 10.3%) and **Wipro** (down 10.1%).

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SME / SMALL & MID CAP NEWS:



- According to the biannual HSBC Asia-Pacific Small Business Confidence Monitor which surveyed 3,000 SMEs across Asia, Indian SMEs are the third most optimistic about their economy after Bangladesh and Vietnam, and 98% expect to maintain or increase headcount in 2009. 47% have plans to increase capex while 46% intend to maintain current spending levels. 29% expect trade with China and the rest of Asia to increase and 28% expect trade with the rest of the world to increase.

FOCUS OF THE WEEK:

Buyers showing interest in Satyam after India's engineering giant Larsen & Toubro raises stake to 12%:

Larsen & Toubro Ltd. (L&T), India's largest engineering company, tripled its stake in Satyam Computers Services Ltd. to 12% from 4% which comes in the midst of reports that interested buyers are approaching Satyam's government appointed board with expression of interest. Patni Computer Systems Ltd. and General Atlantic LLC are believed to be teaming up to make a bid for Satyam. L&T will present a rescue plan to Satyam's board and continue to raise its holdings to safeguard its interests, which according to analysts, will result in a win-win for both the Indian government and Satyam. L&T declined to comment whether it would increase its stake beyond 15%, a level that would trigger a mandatory offer for the company.

Satyam's board also announced that it was close to securing the financing necessary to avoid a liquidity crunch through at least March. Collections on receivables have reportedly been robust but Satyam still plans to expedite collection from its customers and take further steps to cut costs. The company will announce its new CEO and CFO in the next week.

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CHINA

DEAL ANALYSIS:

China Rank (Global)	-
China Rank (Asia Pacific)	4
China (# of deals)	13
China (Deal value)	7.63B

Includes: IPO, FPOs and Convertibles (2009 YTD)
Source: China Daily, Financial Times and company filings

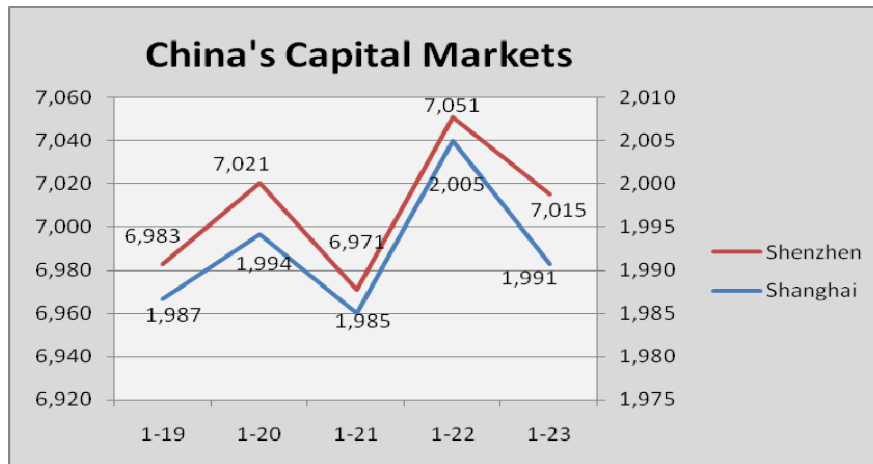
ECONOMIC / BUSINESS / INDUSTRY NEWS:

- China's central bank and the Hong Kong Monetary Authority agreed on a 200 billion yuan (\$29 billion) currency swap to increase short-term liquidity support. The deal, which will give Hong Kong's central bank access to Chinese yuan from the PBOC for three years, is also expected to strengthen yuan-denominated trade between the two economies.
- Based on the average estimate of nine economists, China's GDP is expected to grow 6.3% in the March quarter. The survey was conducted after yesterday's report by the China's National Statistics Bureau that the economy grew 6.8% in the December 2008 quarter.
- On Friday, China's yuan slid the most in a month as accusations of currency manipulation were hinted at by the U.S. administration. The currency closed at 6.83 per dollar, falling as much as 0.3% to 6.85, the lowest since Dec. 30. The global recession has narrowed China's trade surplus in the past few months and reduced inflows of dollars, cooling demand for the Yuan.
- China's official urban unemployment rate jumped for the first time since 2003. The Ministry of Human Resources and Social Security announced that registered unemployment rose to 4.2% at the end of fiscal 2008, a figure that excludes migrant workers, which if included takes it closer to 9%, according the Chinese Academy of Social Sciences.
- The head of the National Bureau of Statistics announced that it would spend 850 billion yuan (\$124 billion) over three years to revamp its health care system. The goal is for 90% of its 1.3 billion citizens to have basic health insurance by 2011. According to the plan, every citizen in nation's health system will receive a 120 yuan subsidy starting next year.

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- The Securities Association of China announced that China's 107 stock brokerages reported a 63% decline in net profit in 2008 to 48.2 billion yuan (\$7.1 billion) as equity markets slumped and trading volume dried up. Earnings of 106 brokerages totaled 130.7 billion yuan in 2007 on a revenue decline of 56% to 125.1 billion yuan.
- According to Zero2IPO Group, a Beijing-based researcher, VC investments reached record levels in 2008 in deals worth \$4 billion, a 30% increase from 2007. A record \$7.3 billion was raised for VC funds in China, a y/y increase of 33%. According to the report, the information technology sector garners the biggest share of the investments with roughly 36%, while retail focused investments make up 22%, services companies 18%, clean tech 9% and biotech and health care 7%.
- According to iSuppli, China's cell phone market should grow 7.7% in 2009, bucking the declining trend led by global mobile handset makers. The domestic handset market is expected to ship 239.1 million units in 2009 versus 222.1 million in 2008. 3G handset shipments will not increase dramatically in 2009 and will represent only 3% of total volume. China remains the world's largest mobile market, with more than 600 million subscribers, three quarters of which subscribe to China Mobile. With Huawei and ZTE leading the way, iSuppli estimates that Chinese handset producers will ship more than 360 million units globally in 2009, a y/y increase of 20%.

CAPITAL MARKETS UPDATE:



Source: FT, WSJ, Bloomberg, Xinhua

- The CSI 300 Index gained 2.1% for the week and has risen 12% throughout January. The Shanghai Composite Index, increased a modest 1.9% to 1,990.66, and the Shenzhen Composite Index closed 1.4% higher at 7015.24. China's markets will be closed this week for the Lunar New Year holidays. The CSI 300, the world's second-best performer this year, has

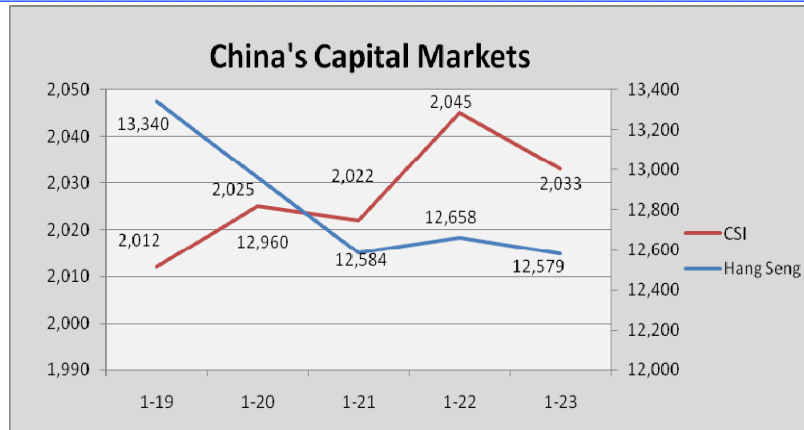


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rebounded 25% since reaching a two-year low in November 2008 until the government pledged its \$585 billion stimulus package. The central bank has also cut the key lending rate five times since September 2008 to rescue industries and stem job losses.

- According to the South China Morning Post, China plans to revamp the price consultation system for IPOs to give individual investors more opportunity and make pricing more attractive. The China Securities Regulatory Commission will also require underwriters to price deals low enough to get done under weaker stock market conditions.
- China's indices rose to the highest level in almost a month led by the steelmakers, which gained on improved pricing, and the banks, after one major securities firm upgraded the industry. China Petroleum & Chemical Corp. (Sinopec) gained 5% one day after the government announced stimulus plans for nine industries including petrochemicals. Guangdong Electric Power Development Co. advanced 5.3% on news it will receive further state aid. Shanghai International Port (Group) Co., the operator of China's busiest harbor, surged 9.9% after the central government agreed to help internationalize Shanghai's shipping hub. Baoshan Iron & Steel Co., China's largest steel producer, gained 1.7% after it announced price increases of as much as 8.7%. Bank of Communications Ltd. gained 2.8% and China Eastern Airlines Corp. slid 4.7% after UBS cut its price target on the stock. ZTE Corp. gained 2.1% on expectations it will win more orders for the construction of China's 3G wireless network. China United Telecommunications Corp. gained 2.9% after reporting a 50% increase in profit. The Bank of New York Mellon China ADR Index fell 4.8% to close at the lowest since November 20.
- At the end of the week, China's indices were also led by pharmaceutical and coal producers, after Pingdingshan Tianan Coal Mining Co. reported better than expected earnings. The markets also got a boost after the government announced major reform of its health care system that would fuel \$124 billion into the economy over 3 years. Pingdingshan, the listed unit of China's fifth-largest coal producer, gained 6.8% after doubling earnings. Shanxi Lu'an Environmental Energy Development Co., the listed unit of China's seventh-largest coal producer, increased 9%. Henan Shen Huo Coal Industry and Electricity Power Co. rose 7.9%. North China Pharmaceutical Co. gained 3.6%.
- UBS lowered its 2009 growth out look to 7.5% down from 8%, while Morgan Stanley reduced its growth forecast to 5.5 from 7.5%.

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Source: FT, WSJ, Bloomberg, Xinhua

- The Hang Seng Index fell 4.8% for the week despite a rally by the bank sector as the global recession further dimmed profit outlooks. HSBC Holdings shares fell lower after RBS Group reported its largest loss in U.K. history, fueling concerns that the industry crisis is deepening. Financials gained on speculation that the U.S. will soon announce its plans to shore up banks.

FOCUS OF THE WEEK:

President Obama's nominee's statement on China's currency policy causes uproar:

Timothy Geithner, Treasury Secretary nominee, continues to believe that China is manipulating its currency according to written responses to questions from U.S. Senate Finance Committee members. The new economic team plans to implement an integrated strategy on how best to achieve currency realignment in the current economic environment. In addition, the administration is likely to press China to adopt a more aggressive stimulus package to boost its domestic economy. The Commerce Ministry responded with its intention to keep China's currency stable without manipulation, while the People's Bank of China called Mr. Geithner's allegations untrue and misleading. The remarks on manipulation are seen as a shift from President George W. Bush's team, which stopped short of using the term in criticizing China's currency management. Former Treasury Secretary Henry Paulson in 2006 formed a new mechanism to engage China in economic talks and defuse tensions, called the Strategic Economic Dialogue. He repeatedly argued that his diplomatic approach would bear more fruit than congressional proposals aimed at protecting U.S. companies against competitors such as China. In addition, using a form of the word manipulation has legal implications, and the Treasury is required to report to Congress on whether countries are using their currency to gain an unfair trade advantage. Mr. Geithner's comments have also stoked concern that demand from China for U.S. government debt could deteriorate. China currently holds an estimated \$682 billion worth of Treasuries as of November, overtaking Japan as the largest foreign owner in 2008.



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