

EMISSARY CAPITAL BUSINESS REPORT

REPORT HIGHLIGHTS:

- *India's inflation rate falls to record low of 0.44%*
- *Satyam chairman says stake sale to be completed in 2 months*
- *Tata Motors to unveil Nano minicar next week*
- *World Bank cuts China's growth forecast to 6.5%*
- *China FDI declines 16% in February*
- *New rules for state-owned stakes in financial companies*
- *China rules against Coca-cola deal*
- *Australia delays approval for Chinese investment in mining sector*

INDIA

DEAL ANALYSIS:

India Rank (Global)	14
India Rank (Asia)	7
India (# of deals)	4
India (Deal value)	0 .279B

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: The Economic Times, Business Standard and company filings

ECONOMIC NEWS:

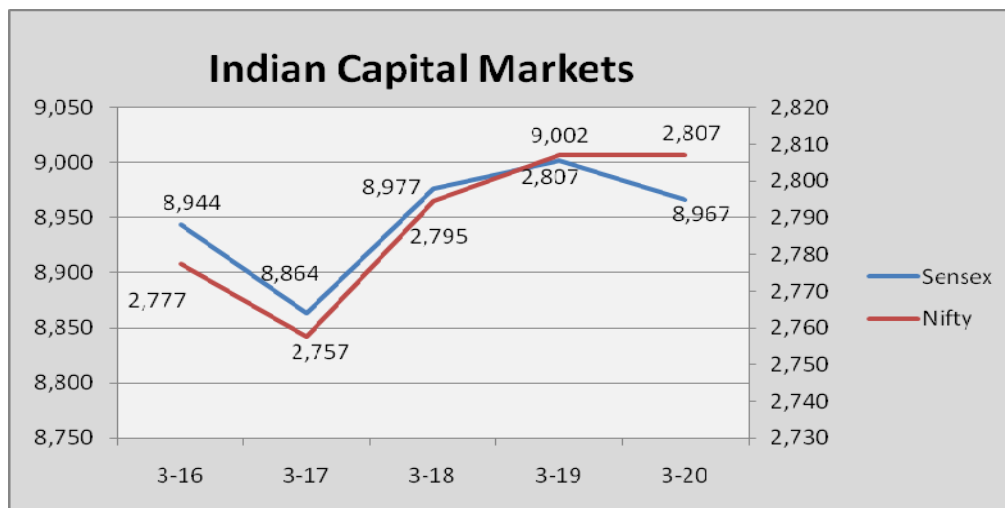
- Based on the wholesale price index, inflation sank to a record low of 0.44% from 2.43% a week earlier, increasing the likelihood that the RBI will further reduce rates to prevent a deflationary impact, which analysts reckon may be imminent. The RBI is forecasting inflation to settle in at about 3% by fiscal year end March 31, 2009.
- According to a recent study, India faces a shortfall of up to \$190 billion in financing key infrastructure projects as the global crisis chokes off much needed capital. Underinvestment in roads, airports, ports and power remains one of the more significant hurdles the government faces as it strives to sustain a high level of economic growth. The need for \$500 billion in infrastructure spending during 2007-2012 has been identified, but a liquidity squeeze in the local banking system and the draining away of foreign investment has cast doubt on this goal. With an estimated one-fourth of infrastructure investment expected to stem from the private sector, urgent reform of the financial system to free up capital, attract new investors and new mechanisms to facilitate investment continue to be called for.
- Dealogic reports that year to date M&A activity involving Indian companies has declined 47% y/y to \$5.5 billion, while equity capital market deals have declined 95% to \$280 million. On the heels of these declines, bankers still see deal flow reviving in the coming months as India's conglomerates are forced to restructure to reduce debt, and entrepreneurs are forced to sell out.

EMISSARY CAPITAL BUSINESS REPORT

INDUSTRY NEWS:

- In a statement made ahead of a board meeting to evaluate LOIs, Satyam Chairman expressed confidence that a stake sale would be finalized within two months. Bidders were given a deadline to submit supporting documents to prove availability of funds of at least \$299 million (15 million rupees). Software developer Tech Mahindra Ltd. is reported to have been an early submitter, while prospective investors Spice Group and Larsen & Toubro Ltd. were expected to file proof of resources in due time.
- NTPC Ltd., India's largest power generator, announced plans to add 3,000 MW of capacity throughout fiscal 2010, 70% higher than the expansion target likely to be achieved in the current fiscal year. The utility plans to import 12.5 million tons of coal from its previous target of 8.25 million tons as a result, and may spend upwards of 17,000 crore to meet its lofty targets. In a bid to minimize blackouts and address rising domestic demand, India is now on pace to add approximately 92,000 MW of capacity by 2012.
- Pantaloon Retail Ltd. – India's largest retailer by market cap – that operates the Pantaloons chain of fashion outlets, Big Bazaar hypermarket chain, Food Bazaar supermarket chain and Central chain of shopping malls, pared down its fiscal 2010 store expansion target by more than a third, to 2.5 million square feet versus its previous goal of 4 million. The expansion will still require between 7 and 8 billion rupees, roughly 3 to 4 billion of which will be raised through equity and the remainder through internally generated cash flows.

CAPITAL MARKETS UPDATE:

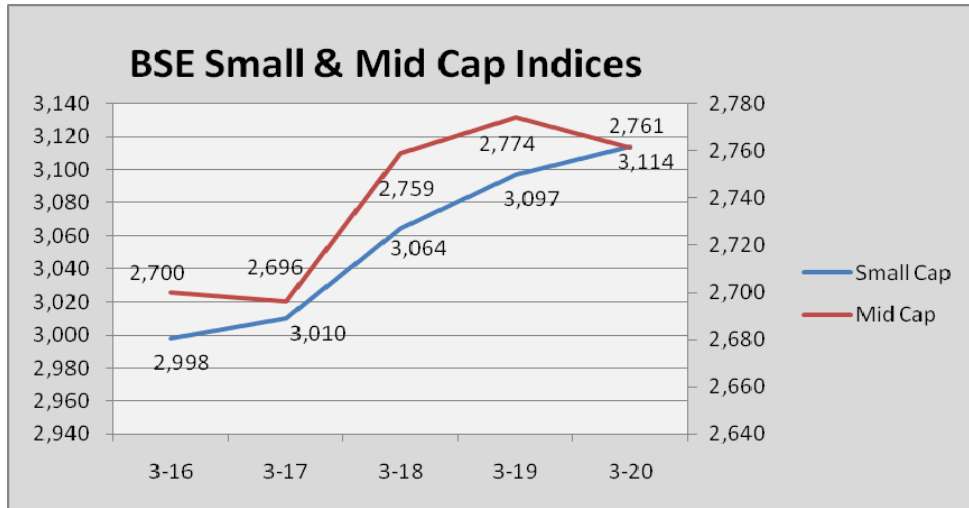


Source: The Economic Times, The Financial Times, Yahoo Finance!

EMISSARY CAPITAL BUSINESS REPORT

- The Sensex finished the week down 0.4% to 8,966.6, the S&P CNX Nifty Index remained unchanged at 2,807.05 and the BSE 200 Index fell 0.3% to 1,053.0. Financial services stocks retreated on rising bad debt-related concerns.

SME / SMALL & MID CAP NEWS:



FOCUS OF THE WEEK:

Tata to unveil iconic “Nano” mini car:

Tata Motors is set to launch it's the Nano minicar next week in its bid to provide an affordable, fuel-efficient, safer alternative to the motorcycles and scooters used by millions of low-income residents across the country. At a starting price of \$1,945 for dealers (\$2,500 at market), the Nano will be one of the world's most inexpensive cars that is expected to play well with and revolutionize car ownership in the 1.1 billion strong market. Contrary to expectations, the Nano is built using standard sheet metal, not plastic as numerous industry observers had predicted, and at 5L/100km, is more efficient per passenger than a typical motorcycle or scooter. It also meets Euro 4 emissions standards.

Debt-strapped Tata Motors is hoping the Nano will help deliver profits to its business, which is struggling with slowing demand for both its commercial vehicles and luxury nameplates, Jaguar-Land Rover, which it acquired last year from Ford Motor Co. The company reported its first quarterly loss in seven years in the recent December quarter, has recently seen its debt rating cut by multiple agencies, and more pressingly faces a June deadline to repay \$2 billion in loans related to the Jaguar-Land Rover acquisition.

Smaller cars have historically been smaller profit producers for automakers given their leaner margins, but have been developed and marketed to address a younger demographic in hopes

EMISSARY CAPITAL BUSINESS REPORT

that this customer base trades up to higher margin models over time. But the Nano appears to symbolize the global auto industry's haste to build and market affordable, lower-emission vehicles to tap developing nations. As a result, other automakers are now pursuing their own versions of the Nano. Bajaj Auto Ltd., India's second largest motorcycle maker is developing an inexpensive smaller model with Nissan and Renault SA, while Suzuki Motor Corp., which garners half of India's car market through its joint venture Maruti Suzuki India Ltd., sells the Maruti 800.

CHINA

DEAL ANALYSIS:

China Rank (Global)	3
China Rank (Asia Pacific)	2
China (# of deals)	14
China (Deal value)	6.25B

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: China Daily, Financial Times and company filings

ECONOMIC / BUSINESS / INDUSTRY NEWS:

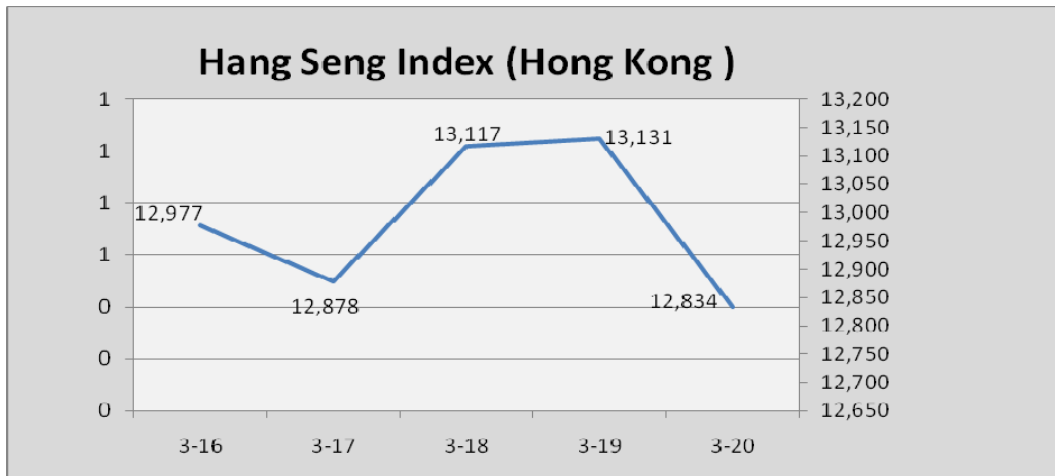
- The World Bank reduced its 2009 GDP growth forecast to 6.5%, below the government's target of 8%, as it cautioned China to act more prudently over the expansion of its recently introduced stimulus package. The bank now sees China's CPI increasing 0.5% this year, down from with its previous forecast calling for a 2% increase, citing "problematic deflation" as a risk given the state of the global economy and overcapacity domestically. Direct government-influenced expenditures could account for 4.9% of the 6.5% economic growth expectation and increase the fiscal deficit to 3.2% of GDP, slightly higher than the government's estimate of 3%, according to the estimates. Much of these percentage gains are a result of the government's four trillion yuan (\$586 billion) infrastructure-focused stimulus plan announced in November 2008, which is expected to run through 2010.
- The World Bank also sees China's foreign-exchange reserves increasing by \$425 billion to \$2.37 trillion by the end of this year after rising by \$420 billion in 2008. The country's current account surplus is expected to increase to \$425 billion this year from \$416 billion in 2008.
- Marking the fifth consecutive month of declines, foreign investment into the country declined 16% y/y to \$5.83 billion in February, bringing the year to date total to \$13.3 billion, a 26% y/y decline. While China has long been one of the world's largest recipients of foreign investment, the deceleration in inflows has recently prompted the commerce ministry to issue new stimulus measures, such as shifting the approval process to provincial governments to facilitate investments.
- The government moved to prevent the sale of state-owned stakes in financial companies at below-market prices after complaints that share sales were being transacted at discounted

EMISSARY CAPITAL BUSINESS REPORT

rates were being made to foreign investors and employees. The new rules, to take effect May 1, require that state-owned shares of listed financial companies be sold through exchanges and block trades be no lower than the average weighted price on the trading day closest to the date of transaction. Pricing of shares sold through a private placement must be based on the greater of either the previous day's close, or the weighted-average share price over the previous 30 trading days.

- The government rejected a \$2.4 billion Coca-Cola deal announced in late 2008, which would have represented the largest foreign takeover within China. The Commerce Ministry ruled against Coca-Cola's proposed acquisition of Huiyuan Juice, China's leading juice maker, on grounds that the combination would hurt smaller domestic players and limit consumer choice. The all cash offer price of HK\$12.20 a share was three times Huiyuan's latest closing price. Analysts have denounced the move as a protectionist measure with negative implications for Chinese investment abroad, notably Chinalco's proposed \$19.5 billion takeover of Rio Tinto.

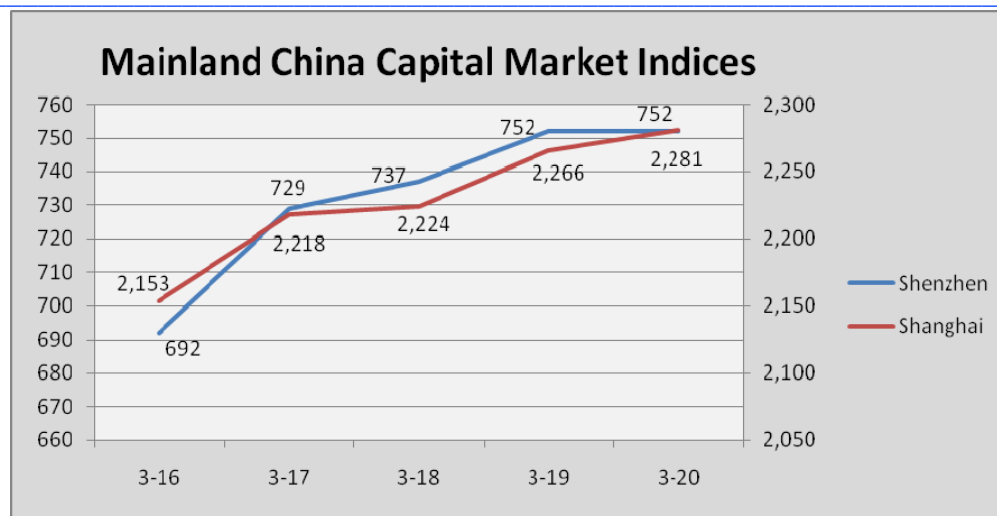
CAPITAL MARKETS UPDATE:



Source: FT, WSJ, Bloomberg, Xinhua

- The Hang Seng declined 297.4 or 2.3% to close at 12,833.5, paring its gain for the week to 2.5%. Stocks fell on the last day of trading on renewed concerns over corporate profits. Shares of China Mobile fell 5.4% on a Bank of America downgrade citing decelerating earnings growth while shares of Alibaba.com plunged 12% after missing full year estimates. Gainers included Zijin Mining Group Co. (+16%), Zhaojin Mining Industry Co. (+17%) and Jiangxi Copper Co. (+2.1%). Cnooc Ltd. climbed 1.2% on its plans to invest 15 billion yuan to build deepwater drilling equipment.

EMISSARY CAPITAL BUSINESS REPORT



Source: FT, WSJ, Bloomberg, Xinhua

- China's main stock market index rallied 7.2% for the week as higher commodity prices pushed up oil, coal and metals stocks. The Shanghai added 15.33 points or 0.7% to close at 2,281.09, while the Shenzhen fell 0.02% to 752.35. Jiangxi Copper Ltd., China's second-largest metal producer, and Zhongjin Gold Corp both surged to the daily maximum of 10%. PetroChina and China Petroleum rose 4.8% and 2.3%, respectively after April crude futures climbed above \$50 a barrel. And on speculation they would benefit from higher energy prices, Anhui Hengyuan Coal industry Co. and Datong Coal Co. gained 6.1% and 2.2%, respectively.

FOCUS OF THE WEEK:

Australia delays approval for Chinese investment in mining sector:

The Australian authorities delayed approval for two additional Chinese investments in Australia's mining sector. Fortescue Metals Group Ltd. said last week that Australia's Foreign Investment Review Board has extended by 30 days its review period into Hunan Valin Iron & Steel Ltd.'s planned investment of A1.2 billion dollars (\$814.6 million). The Australian regulator extended its examination into the Aluminum Corp. of China's proposed \$19.5 billion investment in Rio Tinto PLC by as long as 90 days. China's Anshan Iron & Steel Group, or AnSteel, has been asked to resubmit its application to the review board to purchase a \$162 million stake in Gindalbie Metals Ltd. The 30 day deadline for ruling on the investment was approaching and a decision was not made in time, thus AnSteel was asked to withdraw it and resubmit. This is expected to delay the A\$1.8 billion Karara iron-ore project in Western Australia, which would employ 1,200 people during construction. Gindalbie and AnSteel are joint owners of Karara. AnSteel's Chairman remains confident the company will receive approval for the deal.



EMISSARY CAPITAL BUSINESS REPORT

Australia's government is considering numerous Chinese mining-investment proposals, including the A\$2.6 billion bid for OZ Minerals Ltd. by China Minmetals Nonferrous Metals Co. Australian miners are struggling under excess debt incurred during the bull market and are turning to aggressive and deep pocketed China investors seeking a foothold in resource assets abroad. But the increasing number of proposals has begun to spark concern within Australia that China may be building excess influence over a key sector of its economy.

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