

EMISSARY CAPITAL BUSINESS REPORT

REPORT HIGHLIGHTS:

- Wholesale prices fell for the second consecutive week by 1.14%
- Government announces bailout of Air India
- 9% growth target to be affected by insufficient rains and reduced harvests
- IPO of Mahindra Resorts subscribed 3.93 times
- Tata motors posts net profit loss
- China's 2009 and 2010 economic growth forecasts increased
- Guilin Sanjin Pharmaceutical raises \$133 million in IPO, first since September
- Sinopec to purchase Toronto and London-listed Addax, a leading Swiss oil company
- Central bank renews call for new global currency to be managed by IMF

INDIA

DEAL ANALYSIS:

India Rank (Global)	13
India Rank (Asia)	5
India (# of deals)	26
India (Deal value)	5 .15B

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: The Economic Times, Business Standard and company filings

ECONOMIC NEWS:

- Wholesale prices for the week finished 1.14% lower, following a decline of 1.61% the week prior, which was the largest since December 1978. The wholesale price index rose 0.6% to 234.2 from 232.7 the prior week, due to higher prices of chemicals and aviation fuel. Primary food article prices also rose 0.2% from the previous week.
- According to economists and industry observers, the country's 9% economic growth target maybe more difficult to achieve given insufficient rains that have reduced harvests. India relies on monsoon rains to produce food for its 1.2 billion people, given that more than half its arable land is not irrigated. As a result, lower farm output could reduce incomes and purchasing power among the over 700 million Indians that live outside urban centers and rely on the agriculture industry for survival. A drought in 2002 adversely impacted economic growth down to 3.8%, the lowest in 11 years. In 2003, the pace of economic expansion accelerated to 8.5%, the fastest since 1989, as sufficient rains returned.

INDUSTRY NEWS:

- India, the world's largest sugar consumer now importing sugar for the first time in three years, raised the price of cane it pays to farmers by 33% to stem a production decline and cut reliance on overseas purchases. India will pay 107.76 rupees for 100 kilograms (220 pounds) versus 81.18 rupees a year ago, according to the Home Ministry. A decline in sugar production for a second year has forced India to become a net buyer for the first time since

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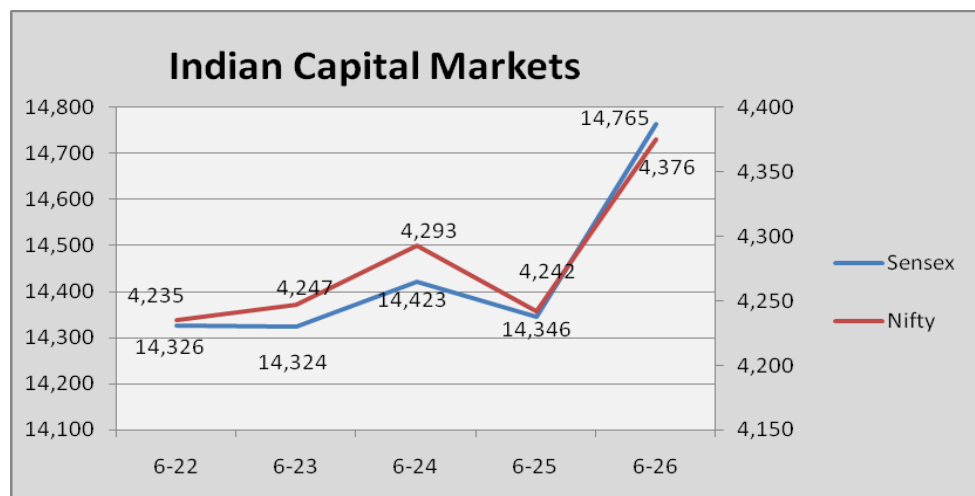
2006. According to the Ministry of Science and Technology, monsoon rainfall, India's main source of irrigation, is once again expected to be below normal this year, similar to the inadequate rains in July of last year that pared cane yields by nearly 50% in the western Maharashtra state, the second most productive grower of sugar.

- The Forward Markets Commission, which lifted a seven-month ban on trading potato futures in December, ruled out further curbs to cool prices that have more than doubled this year, suggesting the rally may not end soon. The 123% surge has been the result of declining production, and is not expected to abate for the next few months given low prospects for additional monsoons, according to the commission, which regulates the nation's 22 commodity exchanges. Last month, the government banned trading in sugar futures and barred traders from taking positions in existing contracts until Dec. 31 to control prices. India's potato output, the world's third largest, is expected to decline to 25 million tons from 31 million tons a year ago.
- India will provide financial aid to keep struggling carrier Air India afloat, but under the condition that the airline undertakes radical cost-cutting. The carrier is facing the most serious liquidity crisis in its history, and is grappling with \$4 billion in accumulated debt even as it awaits delivery of scores of new Boeing and Airbus aircraft. According to India's aviation minister, the company, along with the powerful unions that represent its 31,000 employees, will have to undergo massive cost reductions and pursue other financial and operational improvements. The carrier has already deferred June salary payments by two weeks and asked 150 executives to forgo July salaries. The government is also reviewing the company's order for more than 100 new Boeing and Airbus aircraft (half of which have yet to be delivered) and intends to shake up Air India's board by appointing eight independent directors.
- India's Sun Pharmaceutical Industries Ltd. announced it is waiting for further clarity on the U.S. FDA's seizure of over 30 drugs manufactured by its U.S. unit, Caraco Pharmaceutical Laboratories Ltd., which includes the popular diabetes medicine metformin and pain reliever tramadol. At the request of the FDA, U.S. marshals seized drug products manufactured at Caraco's Michigan facilities, which is expected to have an adverse impact on Sun Pharma's financials. Products distributed by Caraco manufactured outside of the Michigan facilities have not been affected.
- Tata Motors Ltd., the nation's largest automaker by sales, posted a consolidated net loss of 25.05 billion rupees (\$517.3 million) for the year ended March 31 (versus a 21.68 billion rupee profit last year) as the global economic slowdown hit demand for commercial vehicles as well as its Jaguar-Land Rover luxury cars, which Tata acquired in June 2008. Consolidated net sales rose to 703.70 billion rupees from 354.09 billion rupees.
- New Delhi-based fiber optic maker Aksh Optifibre Ltd. will look to raise \$15 to \$20 million this year to invest in new business lines related to internet-based television and telephony services, with the goal of ultimately raising \$40 to \$50 million over three years. The funds will primarily be geared towards its services division including IPTV (Internet television) and VoIP (voice-over Internet phone) services, which the company provides, on a revenue-share basis to India's state-owned telecommunication companies Bharat Sanchar Nigam Ltd. and Mahanagar Telephone Nigam Ltd. The company raised \$40 million in the second half of 2007 to fund the initial rollout.

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- Realty major Unitech Ltd. posted a profit decline of 28% for the March year-end period as lower realty sales offset a fourfold increase in non-core income. Net profit fell to 11.98 billion rupees (\$248 million) from 16.62 billion rupees a year ago, on a 30% decline in consolidated net sales to 28.9 billion. Revenue from realty sales fell 33% to 24.16 billion rupees as higher borrowing costs and lofty property prices crimped demand for residential apartments, but income from other sources such as the sale of hotels, improved to 4.21 billion rupees versus 942 million rupees.

CAPITAL MARKETS UPDATE:

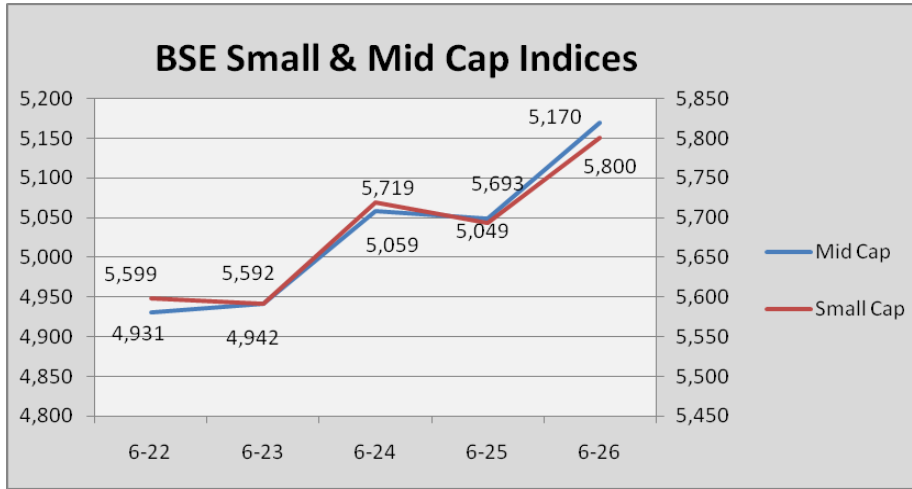


Source: The Economic Times, The Financial Times, Yahoo Finance!

- On the last day of the week, Sensex, rose 181 points, or 1.3% to finish at 14,527. The S&P CNX Nifty Index on the National Stock Exchange added 1.6% to close at 4,310. The BSE 200 Index increased 1.5% to close at 1,775.25. The Sensex, now valued at 16.3x reported earnings, has risen 50% year to date on hopes that strong government stimulus spending will play a significant role in ending the global recession.
- The IPO of Mahindra Holidays & Resorts India Ltd., India's largest primary market share sale in a year, was fully subscribed at 3.9 times on the final day of the issue - 36.4 million shares from the 9.3 million being offered. The group is selling 11% stake via the offering, 7% of which represents a fresh issue of shares and the remaining 4% through existing holders. A majority of the bids came in on the lower end of the 275-325 rupee price band. At the upper end of the price band, the company is expected to raise 3.01 billion rupees (\$62.5 million), and at the lower end approximately 2.55 billion rupees. According to data on the Bombay Stock Exchange, the portion reserved for qualified institutional buyers was subscribed 1.09 times while the portion for non-institutional investors was subscribed 1.27 times and for retail investors 0.25 times. 60% of the total book is reserved for institutional buyers, 10% for high net worth individuals and the remainder for retail investors.

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SME / SMALL & MID CAP NEWS:



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CHINA

DEAL ANALYSIS:

China Rank (Global)	4
China Rank (Asia Pacific)	2
China (# of deals)	69
China (Deal value)	18.40B

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

ECONOMIC NEWS:

- JP Morgan boosted its fiscal 2009 GDP forecast to 7.8% from 7.2%, and its 2010 estimate to 9% from 8.5%. The Organization for Economic Cooperation and Development raised its forecast for this year to 9.3% from 8.5%. The World Bank also increased its estimate for China to 7.2% in 2009 from a 6.5%, and advised policy makers to delay further stimuli until 2010. Surging investment in fixed assets such as factories, property and roads grew 33% y/y in the five months through May, driven by government spending, which helped offset continued declines in exports.
- The central bank renewed its call for a new global currency and declared the IMF should manage more of its members' foreign exchange reserves, which triggered a decline in the dollar. At the end of 2008 the dollar accounted for 64% of global central bank reserves, down from 73% in 2001, according to the IMF. Group of 20 leaders recently gave approval for the IMF to raise \$250 billion by issuing Special Drawing Rights, the artificial currency that the agency uses to settle accounts among its member nations.

INDUSTRY NEWS:

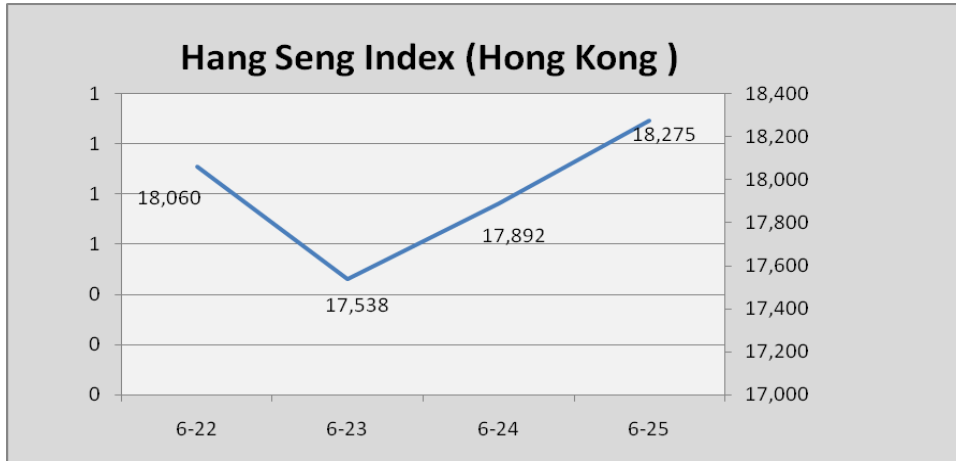
- Chinalco plans to purchase \$1.5 billion or up to 63 million of Rio Tinto Group stock, taking its share of a rights offer by the world's third largest mining company, which is selling \$15.2 billion of stock in the U.K. and Australia to help pay down some \$38.9 billion in debt. The sale would allow Beijing-based Chinalco to retain its 9% stake after its proposed \$19.5 billion investment in Rio was rebuffed after Rio opted to sell shares and agreed to form an iron ore venture with BHP Billiton Ltd. Rio is issuing 524 million new shares traded in London, or 52.5% of its existing share capital and 34.4% of the enlarged share capital traded in London.
- Sinopec agreed to purchase Toronto and London-listed Addax, a Swiss oil company with interests in Africa (Gabon and Nigeria) and Iraqi Kurdistan for \$7.2 billion in a deal that would be China's largest ever outbound investment in the oil and gas sector, according to Dealogic. Addax, one of the longest-established players in Iraqi Kurdistan operating the Taq Taq oil field and refinery, is expected to benefit from the official commencement of oil exports from Kurdistan. It is also one of three companies, including Turkey's Genel Energy that began producing the first 100,000 barrels of oil a day.

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- Guilin Sanjin Pharmaceutical Co., China's largest maker of herbal lozenges and the first company to sell shares publicly since September, expects to raise 44% more than originally planned after the deal was 165 times oversubscribed. The company will issue 46 million shares and raise 910.8 million yuan (\$133 million) at 19.80 yuan per share. The offer price values Sanjin at 33 times 2008 earnings versus 30 times for the benchmark indices. Institutions were allocated 9.2 million shares and will be subject to a three-month lock-up while individual investors were allotted 36.8 million shares. Founded in 1967, Sanjin packages traditional Chinese medicine in modern forms such as pills, sprays and injections will use the IPO proceeds to install new technology and build a storage and logistics center.
- As part of its ongoing plan to increase its presence in the five former Soviet republics with loans and development projects, China committed to lending Turkmenistan up to \$4 billion, in exchange for wider access to Central Asian resources. China Development Bank Co. signed the agreement with state- run gas company Turkmengaz, which agreed to boost gas deliveries by 33% through a pipeline scheduled to open in 2009. China National Petroleum Corp. is building a gas pipeline that could stretch as far as 8,000 kilometers out of landlocked Turkmenistan to its customers, which would be the first major gas pipeline out of the country since the collapse of the Soviet Union in 1991. Under the agreement, annual capacity was lifted to 40 billion cubic meters from 30 billion.
- China Construction Bank Corp. forged a venture with Banco Santander SA to provide banking services in China's rural areas in as many as 100 locations. Santander, Spain's largest lender, joins HSBC and Citigroup in tapping China's countryside, where the central bank estimates two-thirds of the over 700 million inhabitants lack access to basic banking services. In addition, deposits and loans at China's rural credit cooperatives have increased 20% annually over the past five years, above the national average, after China's state-owned banks closed 31,000 rural branches in the past decade as bad loans piled up.
- Shares of Gome Electrical Appliances Holdings Ltd., China's largest retailer, rose 69% in Hong Kong the day after announcing an investment by Bain Capital. Shares declined 77% in 2008 before being halted in November on news the founder was detained for economic crimes. Gome will sell 1.59 million yuan or \$233 million of convertible bonds to a Bain affiliate and HK\$1.66 billion or \$214 million in shares to existing shareholders. Merrill Lynch upgraded the shares to a "buy" from "underperform" citing that the company would remain as a going concern and a leader in China's retail market.
- China, through the National Development and Reform Commission, unexpectedly raised gasoline and diesel prices by 9% and 10%, respectively, the third increase since late March. At \$3 per gallon, domestic motorists will pay roughly one-eighth more for an average fill up compared to the \$2.66 per gallon U.S. motorists are paying as of last week. The government will also work closely with Sinopec and PetroChina, which both produce a majority of its own crude supply domestically.

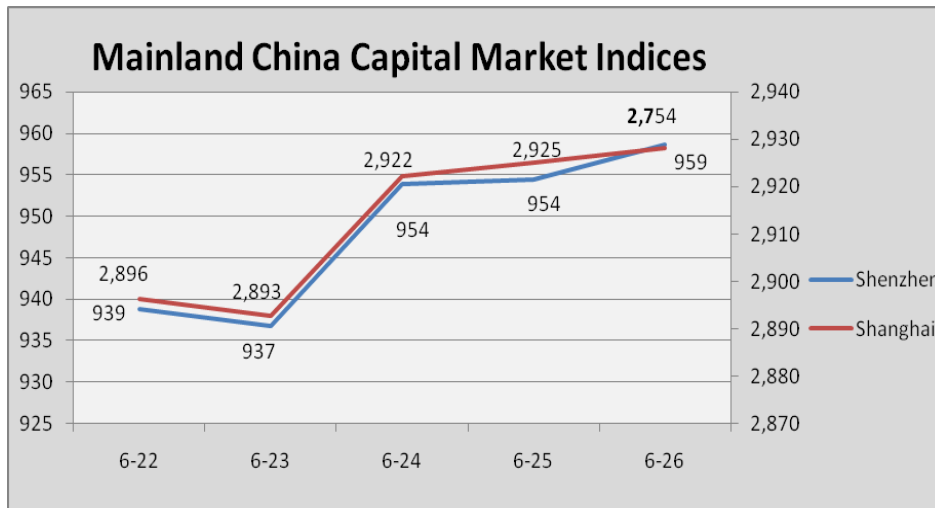
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CAPITAL MARKETS UPDATE:



Source: FT, WSJ, Bloomberg, Xinhua

- The Hang Seng Index rose 3.8% on the week and 1.8% on the final day of trading to close at 18,600.2. It was the fifth weekly gain in six weeks and the largest since the week of May 29 when the index was up 5%.



Source: FT, WSJ, Bloomberg, Xinhua



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- The Shanghai Composite, which tracks the bigger of China's bourses, finished the week with a 3.17 point gain to close at 2,928.21. The index gained 1.7% for the week, extending the prior week's 5% advance, as the government reiterated it would enable sufficient liquidity and counter declining exports. The index has surged 61% in 2009, the world's third-best performer. The CSI 300 Index rose 0.3% to finish the week at 3,128.42.

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