

## EMISSARY CAPITAL BUSINESS REPORT

### REPORT HIGHLIGHTS:

- *India's inflation falls sixth straight week to 1.17%*
- *Tata Steel raises \$500 million in sale of its global depository receipts*
- *Boeing sees higher air travel in India amid rising incomes and growth in discount carriers*
- *Demand from Citigroup and financial services clients aiding software services providers*
- *Bharti Airtel Ltd. adds record 8.44 million users in June*
- *China State Construction raises \$7.2 billion in IPO, world's largest in 16 mos.*
- *Hong Kong's June unemployment hit a four-year high of 5.4%*
- *China banks issue record 7.37 trillion yuan in new loans in 1H09, triple last year*
- *The Hang Seng climbs above 20,000, first time since September 2008*
- *China's central bank pledges to maintain moderately loose monetary policy*

## INDIA BUSINESS NEWS

### DEAL ANALYSIS:

|                     |       |
|---------------------|-------|
| India (# of deals)  | 43    |
| India (Deal value)  | 9.11B |
| India Rank (Global) | 11    |
| India Rank (Asia)   | 4     |

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: The Economic Times, Business Standard and company filings

### ECONOMIC NEWS:

- After falling 1.21% y/y the week prior, wholesale prices fell 1.17%, the sixth straight week of declines. With inflation expected to accelerate, the RBI indicated that it would not be able to keep rates low and that a rate hike was in store for the near-term. In mid-April, the bank had lowered the repurchase rate by a quarter-point to 4.75% and kept the cash reserve ratio unchanged at 5% to bolster the economy, but deficient monsoon rains for the current season have caused acreage of all major crops to lag y/y, shrinking harvests of rice, oilseeds and sugar cane, and raising the prospects of food inflation.
- The rupee held its biggest rally in two months as foreign funds once again stepped up purchases of local shares in anticipation of an economic turnaround and stronger than expected corporate earnings. The rupee has appreciated 1.3% over the past two weeks, and advanced 0.7% over the recent week to 48.39 per dollar. Foreign purchases totaled \$642 million more than what was sold, adding to the \$6.3 billion in purchases year to date.

### INDUSTRY NEWS:

- Reliance Industries Ltd. reported its third straight quarter of profit declines as the global recession curbed fuel demand and refining margins narrowed. 2Q net income fell to 36.4 billion rupees (\$754 million) from 41.1 billion a year earlier on a 23% y/y decline in revenue.

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The company earned \$7.5 per barrel of crude processed into fuels compared with \$15.7 a barrel a year earlier. The company exports most of its refinery products and plans to counter declining overseas demand by selling fuels domestically.

- Jet Airways (India) Ltd., the nation's largest carrier by market value, posted 1Q loss as slowing economic growth damped travel demand. Interest costs and finance charges of 2.44 billion rupees also contributed. The carrier had a loss of 2.25 billion rupees (\$47 million) in 2Q, compared with a net income of 1.43 billion rupees a year ago, and sales declined 26% to 20.8 billion rupees. Airline losses globally may total \$9 billion this year, according to the International Air Transport Association, nearly double their previous forecast. Airlines needed to charge a fare of \$106 in the Mumbai-New Delhi sector to break even in June, while the typical ticket cost was \$86.
- Bharti Airtel Ltd., India's largest mobile-phone operator, added a record 8.44 million users in 2Q, lifting its subscriber base to 102.4 million. The company reported 2Q revenue of 99.4 billion rupees (\$2.05 billion), below the 101.7 billion consensus expectation but 17% higher than last year. Net profit improved 24% y/y to 25.2 billion rupees from loss of 1.68 billion, aided by a foreign-exchange gain of 2.5 billion rupees and a deferred tax gain of 2.38 billion rupees. In addition to the \$3.5 billion being spent this year to expand its network, the company plans to purchase 49% of the African carrier MTN in a possible \$23 billion merger, which would create a \$20 billion revenue business serving 200 million wireless subscribers.
- State-run Oil & Natural Gas Corp., the country's largest energy explorer, posted its fourth consecutive decline in quarterly profit due to lower crude prices and discounts totaling 4.29 billion rupees given to state refiners. 2Q net income declined 27% y/y to 48.5 billion rupees (\$1 billion) on a y/y revenue decline of 26% to 148.8 billion rupees. Crude was sold at \$58.25 a barrel after discounts versus \$69.13 a barrel a year earlier. Current year output at the company's overseas fields are expected to fall 9% due to lower earnings.
- ITC Ltd., India's largest tobacco company, posted a 17% y/y increase in 1Q operating profit to 11.3 billion rupees, driven by a 23% y/y increase in cigarette sales to 21.5 billion rupees - total revenue came in at 40.8 billion rupees. Net income rose to 8.79 billion rupees (\$181 million), from 7.49 billion rupees a year earlier. The company raised prices of several brands due to higher taxes on cigarettes and additional restrictions on smoking to curb tobacco use. The company is also seeing increase in shampoo, food and clothing sales, but suffering losses in its hotel and paper businesses.
- ACC Ltd., India's largest cement maker by capacity, exceeded consensus expectations with an 85% y/y increase in 2Q net profit to 4.71 billion rupees (\$97.3 million), aided by lower fuel costs and robust demand. Power and fuel costs fell 10% to 3.77 billion rupees from 4.19 billion rupees. Net sales rose 14% y/y to 21.88 billion rupees on a 2% increase in unit sales of 5.42 million tons.
- Wipro Ltd. reported a better than expected quarterly profit, after the company added 26 clients, won two multimillion dollar deals, and froze pay for the firm's nearly 100,000 employees. Net income rose 31% y/y to 10.7 billion rupees (\$221 million) on revenue of 63.2 billion rupees, a gain of 6% y/y. Sales from IT Services declined to \$1.03 billion from \$1.07 billion, and 3Q revenue at the unit is expected to drop to \$1.04-1.05 billion from \$1.11 billion

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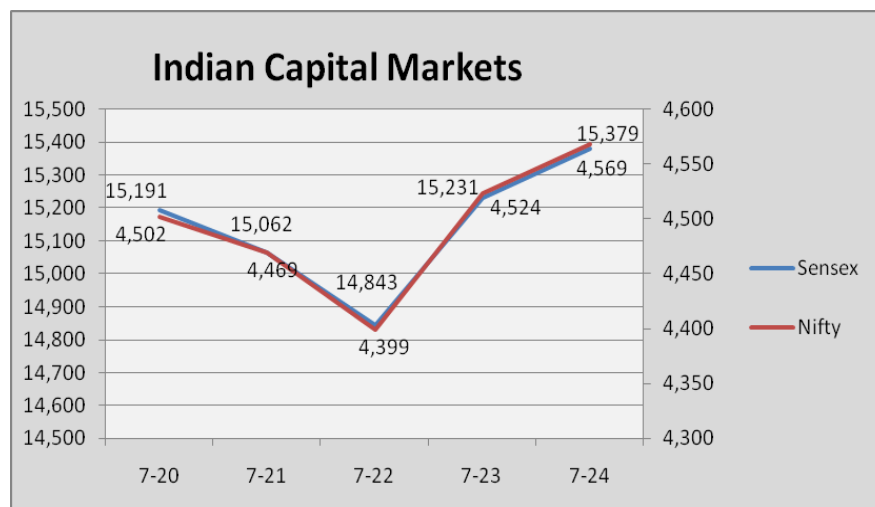
a year earlier. With the anticipated revival in demand for outsourced software services, Wipro aims to tap aggressively into the Middle East and Brazilian markets.

- India, which depends on imports to meet half its cooking oil demand, is expected to pare down oilseed production by as much as 800,000 hectares from a total of 18.4 million last year due to shrinking rains. Cooking oil imports are expected to total 8.4 million tons for the year ended November, 5% more than originally forecast. Imports of crude palm oil jumped 66% to 3.49 million tons in the eight months ended June, while soybean oil purchases increased 86% to 660,504 tons, according to the Solvent Extractors' Association of India.
- In the second-largest overseas stock sale by an Indian company this year, Tata Steel Ltd. sold 65.4 million shares at \$7.64 each and raised \$500 million to finance its plans to raise domestic production to 10 million tons and invest in mining operations abroad. With over \$8.95 billion earmarked by the government for infrastructure spending in fiscal 2010, India's steel demand is expected to increase by as much as 10%, almost double previous estimates.
- Software services provider Tata Consultancy Services Ltd. announced that demand from Citigroup is helping pave away a recovery in demand from financial clients, who contribute 44% of the company's revenue. 2Q net income rose 23% y/y to 15.2 billion rupees (\$314 million) versus the consensus expectation of 12.9 billion rupees. Revenue increased to 72.1 billion rupees from 69.2 billion, driven by eight larger-sized contracts. The company's share of 2Q revenue among the industry's top ten firms grew to 28% from 26.9% in 1Q.
- India, the third-largest coffee producer in Asia that exports nearly 80% of its output, could see shipments decline 21% y/y to 212,817 tons for the current season, according to the state-run Coffee Board. Next year, the board predicts production can exceed 280,000 tons, 8.6% short of the original estimate of 306,300 tons, due to irregular monsoon rains. Prices for robusta beans have declined 32% over the past year, but the lower output helped prices for September delivery advance by 3.9% or \$1,513 per ton on London's Liffe Exchange.
- Boeing Co. sees great potential for air travel in India amid rising incomes and the launch of new discount carriers. Air India, Jet Airways Ltd., Kingfisher Airlines Ltd. and other local carriers have placed orders with Airbus SAS and Boeing totaling more than \$30 billion over the past three years, and are expected to purchase \$100 billion worth of new jets from Boeing in the next 20 years. India accounts for 3% of Boeing's global commercial jet market.
- According to the World Gold Council, gold traders in India, the world's largest consumer, are stockpiling bullion to address festival and wedding-related demand amid a six week high in gold prices. Gold for August delivery on the Multi Commodity Exchange of India Ltd. climbed as much as 0.8% to 14,878 rupees per 10 grams, the highest level since June 5, while immediate-delivery bullion gained as much as 1.7% to \$953.80 an ounce, the highest since June 12. According to the Bombay Bullion Association, the country's gold purchases slumped 54% in the first half of the year partially due to higher import duties and currency fluctuations.
- Adani Power, a private power producer with interests ranging from agricultural commodities to shipping, plans to bring on line units with a total of 4,620MW over the next several years by

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raising as much as \$600 million in an IPO. It is targeting a minimum of 20,000MW of production by 2020, which would require \$25-30 billion of investment over the next seven years. Analysts project that should the financing prove successful, it would reignite India's will to raise new equity to finance big-ticket infrastructure projects. One of Adani's ports, located in Mundra, shifted 35 million tons of bulk cargo last fiscal year, a figure expected to increase to 45 million tons this year and 100 million tons by 2013.

**CAPITAL MARKETS UPDATE:**



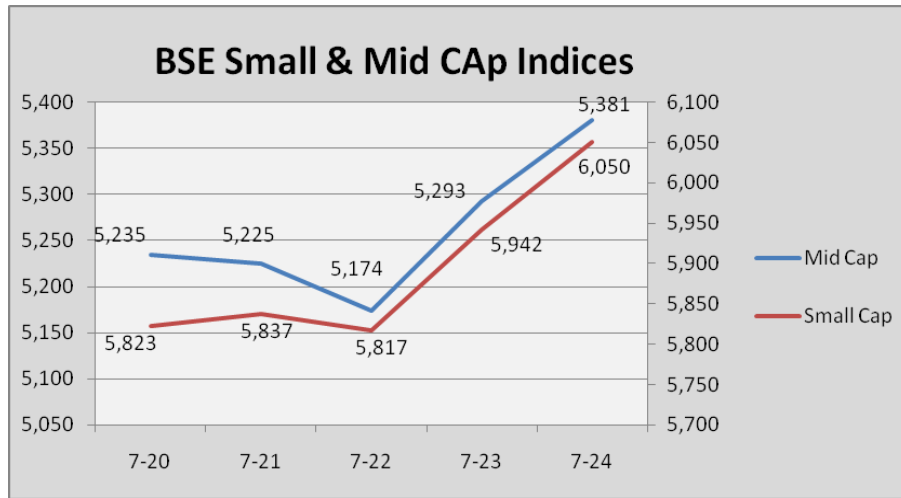
Source: The Economic Times, The Financial Times, Yahoo Finance!

- A rally in metals and auto stocks helped Indian shares close higher for a second straight session and end the week with a 4.3% gain. The Sensex finished the week up 1.0% to close at 15,378.96, the index's second highest close since June 11. On the National Stock Exchange, the S&P Nifty rose 1.0% to end at 4,568.55, aided by auto stocks including Maruti Suzuki.
- Tata Steel Ltd raised \$500 million in a sale of global depository receipts to fund domestic expansion and mining ventures overseas. The company, to be listed in London, sold 65.4 million shares at \$7.644 each, the second largest overseas stock sale by an Indian company this year. Tata, which became the world's sixth-biggest steelmaker after acquiring Corus for \$13 billion two years ago, will use the proceeds to raise domestic production to 10 million tons and invest in its mining operations in Australia, Africa and Canada.
- Suzlon Energy Ltd., the country's largest wind-turbine maker, raised a total of \$201.9 million, selling both equity and convertible bonds after scrapping a \$368 million rights offering last year. The company received \$108 million selling global depository receipts and \$93.9 million from the sale of zero-coupon convertible bonds (conversion price of 90.38 rupees). Suzlon, which had already owned 90.72% of Repower Systems Ag, will use part of the proceeds to

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purchase the remaining stake in the company, after buying a 22% interest from Portugal's Martifer SGPS SA in June. The company also said that it may sell all or part of its stake in Hansen Transmissions International NV, to reduce debt of as much as \$2.5 billion.

**SME / SMALL & MID CAP NEWS:**



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**CHINA**

**DEAL ANALYSIS:**

|                           |        |
|---------------------------|--------|
| China (# of deals)        | 86     |
| China (Deal value)        | 29.42B |
| China Rank (Global)       | 4      |
| China Rank (Asia Pacific) | 2      |

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

**ECONOMIC NEWS:**

- Hong Kong's June unemployment hit a four-year high of 5.4% as economic improvements, particularly in exports, failed to flow through to the labor market. June consumer prices fell 0.9% y/y, the first decline since 2005, as the recession weighed down on demand and government subsidies reduced public-housing rents and electric bills. The government has budgeted HK\$87.6 billion (\$11.3 billion) in stimulus since 2008, or approximately 5.2% of GDP, but bankruptcy petitions in June increased 89% y/y to 1,619. GDP fell a seasonally adjusted 4.3% in 1Q from the previous quarter, the largest drop since 1990.
- China's central government pledged to maintain a moderately loose monetary policy, citing the need to stoke an economic recovery and create jobs amid a slump in export demand. New loans in 1H09 more than tripled y/y to \$1 trillion as GDP growth accelerated to 7.9% in 2Q. According to economists, the government will likely keep reserve requirements, currently 15.5% and 13.5% for large and small lenders, respectively, unchanged for the remainder of the year.
- The PBOC announced that it will allow more foreign institutions to sell debt in the country, promote locally incorporated banks to issue yuan-denominated bonds in Hong Kong, and encourage more companies to take part in the interbank bond market. HSBC Holdings Plc and Bank of East Asia Ltd. last month announced plans to sell bonds in yuan in Hong Kong, the first foreign banks to do so. International Finance Corp., a unit of the World Bank, and the Asian Development Bank are the only international agencies issuing debt in China. The central government is looking to increase funding options for companies heavily dependent on bank lending. According to analysts, issuers may be reluctant to tap the yuan market for global investments due to the rise in the yuan over the past couple of years.

**INDUSTRY NEWS:**

- Bank of China Ltd., the nation's third-largest commercial lender, extended 901.9 billion yuan (\$132 billion) of yuan-denominated loans in 1H09 to fund infrastructure projects including railway construction, and is actively implementing the government's fiscal and moderately

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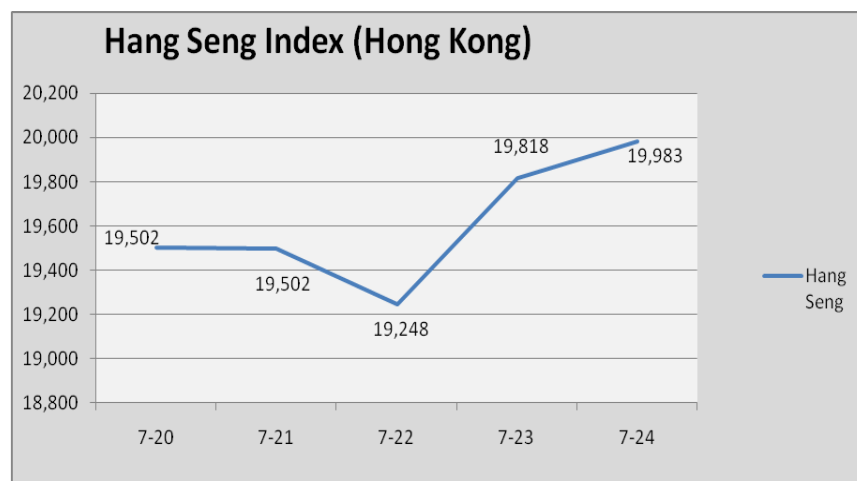
loose monetary policies. China's banks issued a record 7.37 trillion yuan of new loans in 1H09, triple the amount lent last year and 47% more than the government's full-year target.

- To help bring its capital requirement above 10%, Everbright Securities Co. is seeking to raise 10 billion yuan (\$1.6 billion) after receiving regulatory approval. According to reports, the company will issue 520 million shares priced between 15 and 20 yuan each to institutional investors such as Shanghai Chengtou Holding Co. and Guangdong Provincial Expressway Development Co. The company's net income grew 38% y/y to 1.28 billion yuan in 1H09 and aims to grow assets by 11.5% to 950 billion yuan this year.
- China, the world's largest emitter of greenhouse gases, is expanding development of renewable energy, including solar and wind power, to stimulate its economy and reduce reliance on fossil fuels. Shares of Suntech Power Holdings Co., Trina Solar Ltd. and numerous other domestic solar manufacturers surged after the finance ministry expanded a solar power program for ground-mount systems to match the country's rooftop incentives, which is expected to spur construction of 640MW of solar energy versus the prior goal of 100MW, and stabilize global prices for solar cells and modules.
- State-controlled China Shipbuilding Industry Co., the China's largest vessel equipment maker, plans to sell as much as 1.99 billion shares, or a 30% stake, in an IPO on the Shanghai exchange to fund 6.44 billion yuan (\$942 million) of expansion projects. Sales at the company rose 41% y/y to 16.06 billion yuan in 2008, while net profit increased 52% to 1.2 billion yuan.
- Securities regulators turned down Yotrio Group Co.'s proposal to raise approximately 500 million yuan (\$73 million) in an IPO. Yotrio, a garden furniture exporter, originally intended to sell 40 million shares, or 25% of the company, on the Shenzhen exchange. Regulators also rejected an IPO proposal from solar module manufacturer Shanghai Chaori Solar Energy Science & Technology Co. Ltd.
- According to the World Gold Council, China is expected to overtake India to emerge as the world's top gold consumer this year. Chinese demand for gold, roughly 105.2 million tons, was six times that of India in 1Q09 as demand from India slumped 83% to 17.7 million tons following a decline in the rupee that pushed up the cost of owning bullion. China, the world's biggest gold producer, has increased reserves by 76% to 1,054 tons since 2003 and has the world's fifth-biggest holdings by country.
- China's government abandoned a public bidding system by setting benchmark prices for wind power to help boost profitability at wind farms and encourage the use of renewable energy. Wind farm operators such as Datang International Power Generation Co. and China WindPower Group Ltd. have struggled to break even under the public bidding system, according to the State Electricity Regulatory Commission, where prices ranged between 0.382 yuan and 0.5 yuan per KWH. The government set on-grid tariffs across four regions at between 0.51 yuan (\$0.075) and 0.61 yuan per KWH depending on the different levels of wind resources.

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- China State Construction Engineering Corp., the country's largest housing contractor, raised 50.16 billion yuan (\$7.3 billion) on the Shanghai, in what was the world's largest IPO in 16 months. The 12 billion shares were sold at 4.18 yuan each, a 40% stake that valued the company at 125.5 billion yuan. The company plans to use as much as 8 billion yuan of the proceeds to begin developing 24 commercial housing projects on its 34.3 million square meters of land reserves. A surge in bank lending has accelerated a pickup in the housing market, with new home prices in 36 medium- and large-sized cities increasing 6.3% y/y in June. Nationwide property sales rose 53% y/y and investment in real estate development increased 9.9%, according to the National Development and Reform Commission.

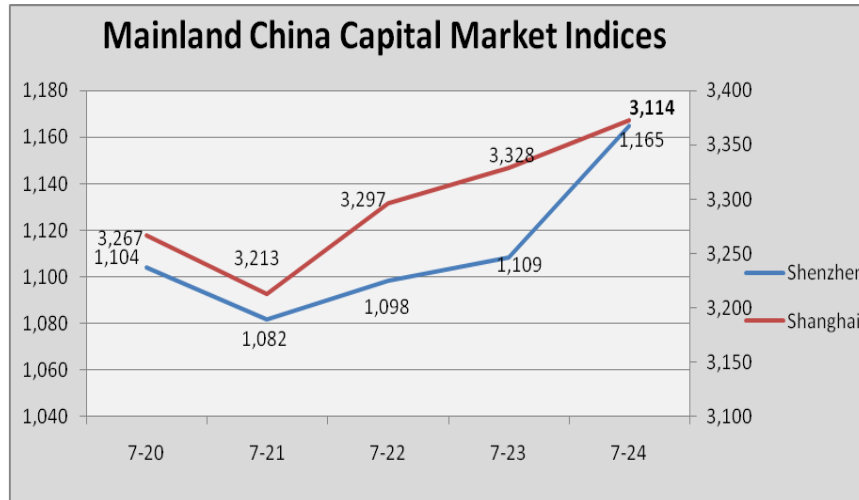
**CAPITAL MARKETS UPDATE:**



Source: FT, WSJ, Bloomberg, Xinhua

- After breaking through the 20,000 level for the first time since the Lehman collapse, the Hang Seng ended the last day of trade 0.8% higher at 19,982.79. China-related companies continue to rally on optimism growth in the country's economy will boost corporate earnings. The Hang Seng China Enterprises Index, which tracks H shares of 43 mainland companies, has increased 82% from its March lows.
- The Shanghai composite gained 44.11, or 1.3% to close at 3,372.6 driven by shares of energy producers. The measure rose 5.7% this week, the most since early May. The CSI 300 Index, which measures both mainland indices, added 0.4% to end at 3,667.6.

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Source: FT, WSJ, Bloomberg, Xinhua

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