

EMISSARY CAPITAL BUSINESS REPORT

REPORT HIGHLIGHTS:

- *India's exports fall 27.7% in June, ninth consecutive monthly decline*
- *India's weekly inflation rate declines 1.58%*
- *India's manufacturing activity increases in July*
- *NMDC, India's largest iron-ore producer, plans to invest \$5 billion over the next five years*
- *China's vehicle sales increase by 70.5% y/y in July*
- *Everbright Securities raises \$1.6 billion in first IPO by Chinese brokerage in 7 years*
- *China's central bank to scrutinize gains in stock prices amid record lending*

INDIA BUSINESS NEWS

DEAL ANALYSIS:

India (# of deals)	50
India (Deal value)	10 .27B
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:

- Weekly wholesale prices fell 1.58% y/y marking the eighth straight week of declines. After slashing interest rates six times since October, the RBI left the reverse purchase rate unchanged at 3.25% and the repurchase rate at 4.75%. The central bank is expected to add another 1.5 trillion rupees through open-market operations, which would be equivalent to a 3.5% reduction in the cash reserve ratio.
- June exports declined 27.7% y/y to \$12.8 billion, the ninth consecutive negative month. Imports fell 29.3% y/y to \$1.97 billion, taking the trade deficit to \$6.16 billion. The finance ministry announced it will continue to provide relief measures to exporters in hopes that they help reverse shrinking profits and job losses. The trade ministry estimates that declining exports have resulted in over 500,000 job losses across ten industries, and sees exports falling through September.
- India posted robust manufacturing activity for the second straight month despite indications of continued weakness in exports. The seasonally adjusted July PPI was unchanged at 55.3 from June, but remained well above a reading of 50, indicating an expansion.

INDUSTRY NEWS:

- Monsoon rains were less than average for a second week, threatening harvests of crops such as sugar cane and rice. According to the India Meteorological Department, India

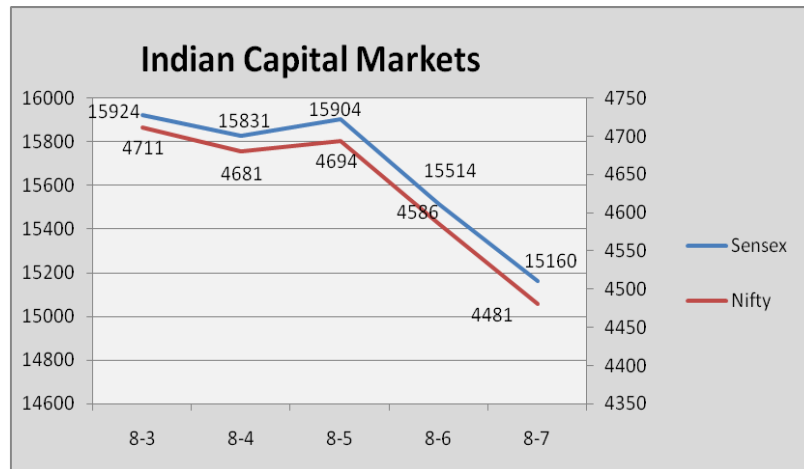
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received 23.5 millimeters of rainfall, 64% below the 65.9 millimeter average. In addition to cooling prices of essential commodities, a normalized monsoon season remains critical to achieving economic expansion back to a 9% pace. According to economists, persistently deficient monsoon rains may reduce economic growth by as much as 2% this year.

- Air India, the state-run carrier with \$1.5 billion of accumulated losses, announced it will establish four business units -cargo, engineering services, ground handling, and airline operations - slash capacity and pay down debt with the goal of achieving profitability within three years. With equity capital of 1.45 billion rupees (\$30 million), the company more than doubled its debt load to 152 billion rupees to finance the purchase of 49 out of 111 planes ordered from Airbus and Boeing. The airline also intends to ask banks to defer working capital loans due for repayment, return several leased planes and seek credit extensions from state-run oil retailers on jet-fuel purchases.
- Mahindra & Mahindra Ltd., India's largest tractor maker, announced plans to expand into China where manufacturing costs remain up to 25% lower. The company has formed two joint ventures in China since 2004 - an 80% stake in a venture with Jiangling Motors Corp. and a 51% stake in a company that held the tractor-related assets of Jiangsu Yueda Yancheng Tractor Manufacturing Co. Aided by government subsidies, the China's tractor market has performed at a 25% CAGR over the past four to five years versus the 5-7% growth of India's market. Mahindra is looking to export as high as 30% of its China production in five years.
- Sugar output in Maharashtra, India's largest producer, is projected to come in at a lower than expected 4.6 to 4.8 million metric tons for the year ending September 30 due to deficient monsoon rains. This is down from 9.1 million tons a year ago. Raw sugar imports next year is expected to more than triple to 8 million tons, while output may be little changed at 15-16 million tons. The widening global deficit has pushed prices up by 52% in the past year, making overseas purchases unprofitable and prompting sugar mills in Maharashtra to delay imports. Prices at Vashi, India's largest wholesale market for sugar, rose to a record 2,630.5 rupees per 100 kilograms.
- Edible oil imports declined to 490,000 tons in July from 532,456 tons a year ago, due primarily to higher domestic stockpiles. However, edible oil purchases is expected to total at least 1.86 million tons in the three months to Oct. 31 as demand rises and below-average rains force oilseed growers to plant fewer acres. In the eight months ended June 30, imports surged 79% y/y to 5.82 million tons after the government waived tax on imports, according to the Solvent Extractors' Association of India. Palm oil has advanced 38% this year amid speculation that a drought in Argentina may curb soybean oil supplies, stoking demand for palm oil as a substitute.
- NMDC Ltd., India's largest iron-ore producer, plans to invest \$5 billion over the next five years to expand capacity and enter the steelmaking business. The company's goal is to lift output by 67% to 50 million tons in three years and build another factory in Karnataka as well as a 3 million ton facility in Chhattisgarh. According to the steel secretary, the government plans to unload an 8.38% stake in NMDC, a sale that would generate 120 billion rupees at current prices. The company's June quarter profit fell to 7.74 billion rupees from 9.81 billion last year on sales of 12.8 billion rupees, which was down from 16.7 billion rupees.

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CAPITAL MARKETS UPDATE:



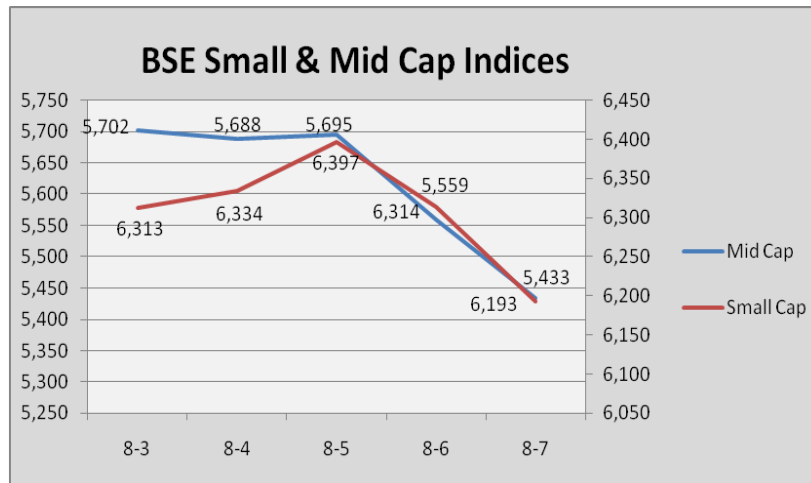
Source: The Economic Times, The Financial Times, Yahoo Finance!

- The Sensex fell 2.3% on the last day of trade to finish at 15,160.24. The index lost 3.3% on the week after rising in each of the past three weeks. The Sensex rose 8.1% in July, extending its gains to more than 62% in the first seven months of 2009. On the National Stock Exchange, the 50-stock S&P CNX Nifty index fell 2.3% to close at 4,585.50. The BSE Auto Index fell sharply for the second straight session, ending down 3.9% at 5,457.09.
- According to data issued by the Association of Mutual Funds in India (AMFI), assets under management at Indian mutual funds grew 2.8% in July (from June's 5%) to 6.90 trillion rupees (\$145.87 billion) from 6.71 trillion in June. Reliance Mutual Fund continued to lead the pack even as its assets under management remained almost flat at INR1.08 trillion. HDFC Mutual Fund, the second-largest fund house experienced a 6.6% increase to 833.66 billion rupees. ICICI Prudential, the third largest with average assets under management at 733.29 billion rupees, was up 4.5% from June. Edelweiss Mutual Fund, among the smallest fund houses, saw average assets under management surge 51.6% to 679.1 million rupees in July from 447.9 million in June.
- Adani Power Ltd. raised 30.2 billion rupees (\$630 million) in the nation's largest IPO in 18 months. The company sold 301.6 million shares at 90 to 100 rupees each and received bids for almost 22 times the shares offered. Proceeds from the IPO will be used to finance power projects in Gujarat and Maharashtra. Other Indian power producers, such as Indiabulls Power Ltd. and NHPC Ltd., India's biggest hydroelectric power generator, are also expected to accelerate plans to issue new shares.
- The IPO of state-owned hydropower company NHPC Ltd.'s was fully subscribed within minutes of book opening on Friday. The issue received bids for close to 1.76 billion shares, or

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1.05 times the issue size and was expected to generate up to \$1.26 billion. The company is selling 1.12 billion freshly issued shares while the government is offloading 559.12 million shares held by it through the offering. The Indian government will own 86.4% of NHPC after the transaction and of the total offering, close to 1.64 billion shares will be issued to investors, while 41.93 million shares have been reserved for employees. At least 60% of the issue is reserved for institutional buyers, 30% for retail investors and the remainder for high net worth individuals. Proceeds will be used to partially finance construction and development of power projects.

SME / SMALL & MID CAP NEWS:



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CHINA

DEAL ANALYSIS:

China (# of deals)	110
China (Deal value)	33.09B
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:

- Without capping new lending, the central bank announced they will scrutinize suspicious gains in domestic stock prices after a record \$1.1 trillion of loans by banks in 1H09. The Shanghai composite has risen 79% year to date and real-estate prices have rebounded, fueling concern that loans intended for infrastructure projects are being used for speculation. The government is expected to continue with a moderately loose monetary policy.

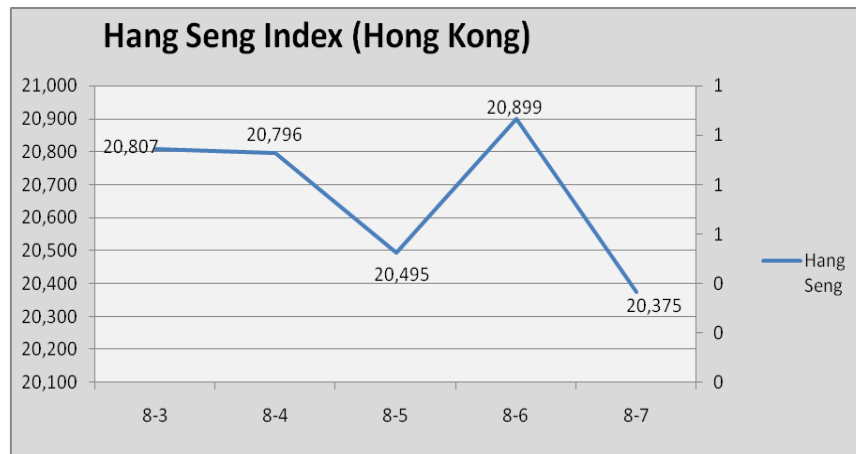
INDUSTRY NEWS:

- July passenger-vehicles sales rose 70.5% y/y to 832,598 units, the largest gain since January 2006, as tax cuts and government subsidies spurred demand. Overall vehicle sales, including trucks and buses rose 64% y/y to 1.09 million while vehicle sales increased 23% over the first seven months of the year to 7.2 million. U.S. sales slumped 32% to 5.9 million. GM, the largest overseas automaker in China, and Nissan Motor Co. both intend to add capacity over the next several years.
- China Construction Bank Corp., the world's second-largest bank by market value, will reduce new lending by about 70% in 2H09 to approximately 200 billion yuan (\$29 billion) after a surge in 1H loans increased credit risk. Total outstanding loans climbed 34% y/y to 37.7 trillion yuan as of June 30. Analysts predict that credit growth will slow to about 15% in 2010 as the strengthening economy reduces the need for loan support.
- Everbright Securities Co., the nation's eleventh-largest brokerage by assets, raised 11 billion yuan (\$1.6 billion) in the first IPO by a Chinese brokerage in nearly seven years. The company sold 179 million shares, 34.5% of the 520 million shares available, at 21.08 yuan a piece. The transaction valued the brokerage at 59 times 2008 earnings. Proceeds will be used to replenish working capital.

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- Tsingtao Brewery Co., China's second-largest beer maker by volume, reported a y/y 1H09 profit increase of 68% to 639.8 million yuan (\$94 million) thanks to a decline in the price of barley and lower manufacturing costs. The price of barley fell to A\$201.7 (\$170) a ton in the year ending June 30, from a record A\$312.3 a year ago, according to the Australian Bureau of Agricultural and Resource Economics. Beer consumption in 1H09 rose 6% to 20.51 billion liters while sales increased 15% to 9.1 billion yuan.
- Cathay Pacific Airways Ltd. announced it will park six passenger planes by the end of the year after 1H09 sales slumped 27% y/y to HK\$30.9 billion due to fewer passenger (-4.2% y/y to 11.9 million) and a decline in cargo volumes (-15% y/y). The company has already cut capacity, offered staff unpaid leave, and begun discussions over delaying new aircraft orders. Cathay posted better than expected 1H09 net income of HK\$812 million, ending a run of two straight periods of losses, owing to a HK\$2.1 billion (\$271 million) hedging gain and a 52% drop in fuel prices. Gross fuel spending fell 56% y/y during the period to HK\$8.65 billion, reflecting an average price of \$63.70 per barrel.
- Iron ore is poised to decline from a nine-month high as stockpiles surge to the highest in more than 10 months, which is expected to reduce shipments to China, the world's largest consumer. According to SGX AsiaClear, iron ore swaps for settlement in April, the start of the next contract year for deliveries, are trading at \$87.60 per ton, 8.1% less than the price for immediate delivery on the Steel Index. China's iron-ore imports will likely drop in 2H09 as stockpiling continues to be discouraged and demand for steel continues to rebound.

CAPITAL MARKETS UPDATE:

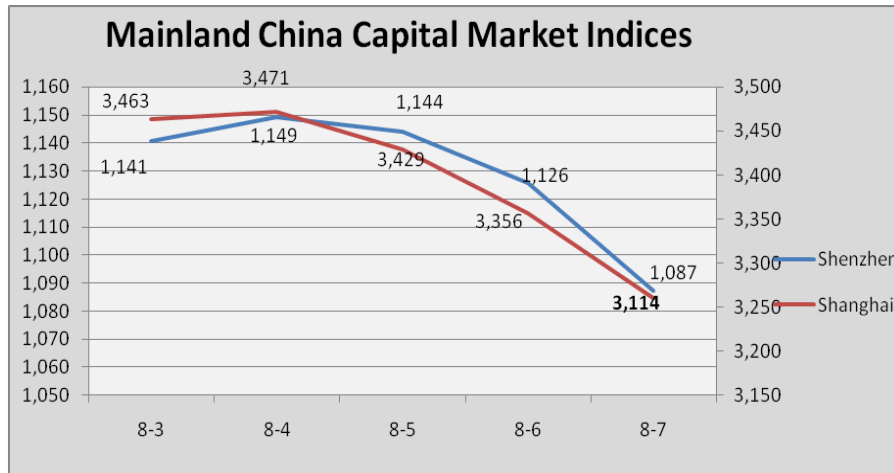


Source: FT, WSJ, Bloomberg, Xinhua

- The Hang Seng Index slipped 2.5% to close at 20,375.37 after recently hitting an 11-month high. The measure registered its first weekly loss in a month, declining 1% on the week. The index has soared 80% from a four-month low on March 9, amid speculation stimulus efforts worldwide and domestically would revive growth. The Hang Seng China Enterprises Index,

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which tracks H-Shares of Chinese companies, fell 3.7% to 11,612.18. The Hang Seng Property Index's 6.4% decline on the week was the sharpest among the four industry groups tracked by the index.



Source: FT, WSJ, Bloomberg, Xinhua

- The Shanghai Composite Index fell 95.64, or 2.9% to close at 3,260.69. The gauge dropped 4.4% for the week, its biggest loss since late February and its first decline in two months, on concern the central bank will curb inflows. The CSI 300 Index, measuring exchanges in Shanghai and Shenzhen, slid 3% to 3,555.09. The Shanghai Composite posted its best monthly gain in two years in July, as the lifting of a nine-month moratorium on initial public offerings and the surging stock market drew investors at the fastest pace in more than a year. Investors opened more than 700,000 accounts to trade stocks last week, the most since January 2008.

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