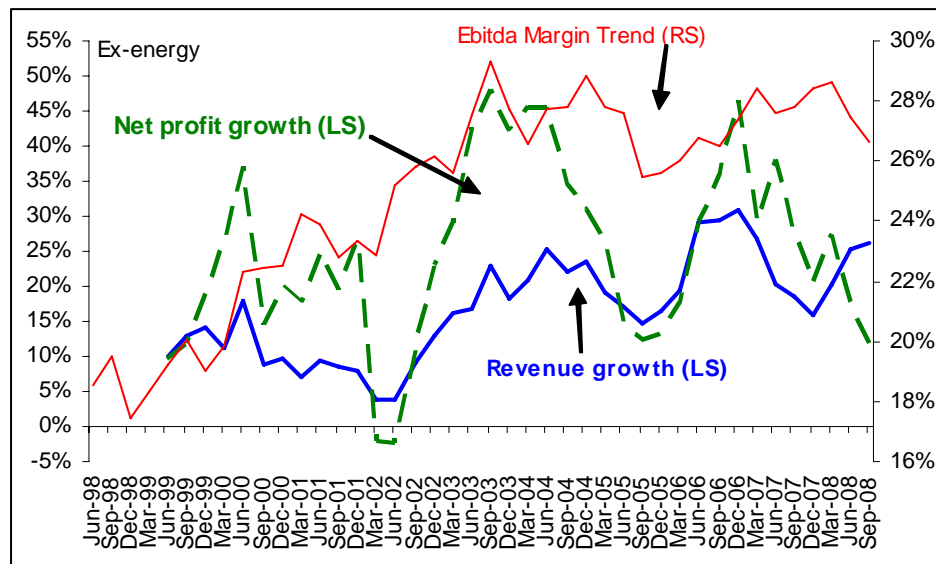


November 3, 2008

Research  
India

## India Strategy

### *Earnings for Sept-2008 Quarter: Profit Growth Continues to Slip*



Source Morgan Stanley Research

MORGAN STANLEY RESEARCH

Morgan Stanley India Company Private Limited+

**Ridham Desai**

Ridham.Desai@morganstanley.com

+91 22 2209 7790

**Sheela Rathi**

Sheela.Rathi@morganstanley.com

+91 22 2209 7730

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to NASD/NYSE restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

## Earnings for September 2008 Quarter: Profit Growth Continues to Slip

---

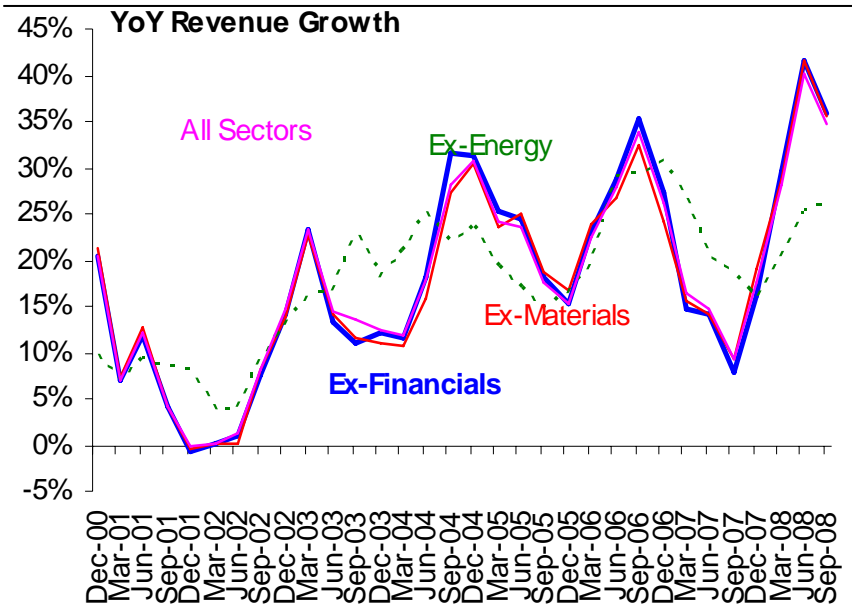
Here are our key takeaways from the recently concluded September 2008 quarterly earnings season:

- Corporate India (represented by a MS sample of 105 companies) reported a 29% fall in net earnings for the quarter ended September 2008 – an all-time low. This compares with a trailing five-year quarterly average growth of 28%.
  - Excluding the Energy sector, growth was 11% YoY – a five-year low compared with a trailing five-year quarterly average growth rate of 30%.
  - Our coverage universe surprised negatively versus MS analysts' expectations. MS analysts' were expecting net profit growth of 3% for our coverage universe (12% ex-energy).
  - Given that F2009 earnings were revised down for nine out of 10 sectors and for market aggregates at the end of the season, it could be said that the quarterly earnings disappointed consensus. Downward revisions outstripped upward revisions 2:1 at the end of the season versus where earnings were at the start of the season.
  - The Sensex constituents grew earnings 5.5% YoY on an aggregate basis, behind MS analysts' forecasts and its worst performance since June 2002.
  - Broad market earnings (sample of 1,038 companies) continued to show weak performance with earnings falling 7% YoY.
  - Notably, four out of the 10 sectors reported 20%-plus growth in profits.
  - At the sector level, the best performances came from Utilities and Technology. The laggards versus the aggregate numbers were Consumer Discretionary, Energy, and Healthcare. Save for Technology and Financials, all sectors reported a slippage in operating margins YoY.
  - Versus MS expectations, the biggest positive surprises came in Consumer Discretionary and Financials while the negative surprises came in Energy and Healthcare.
  - Excluding the volatile Energy sector, revenue for our sample rose 26% YoY – a seven-quarter high and a strong performance considering the macro environment, explained in part by high inflation.
  - EBITDA margins fell 720bp YoY and 122bp YoY excluding the Energy sector. This took EBITDA growth to a two-year low of 26.6% for the sample Ex-energy and to a 5½ year low of 14.6% for the aggregate sample.
  - The key problem for net profit growth was the declining share of net financial income in pretax earnings and the rising depreciation expense. Other income fell YoY whereas interest costs rose at their fastest pace in history.
-

## Revenue Growth (ex-Energy) at Seven-quarter High

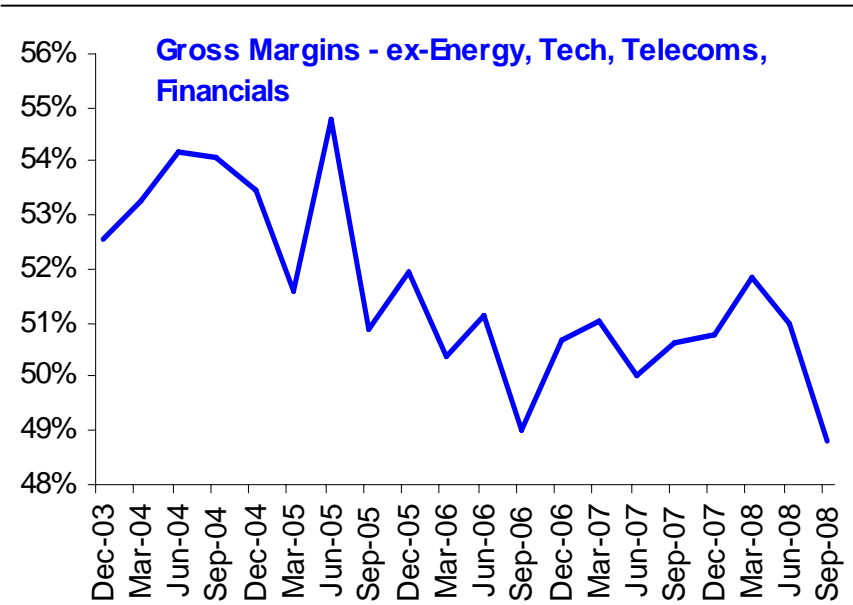
Excluding the volatile Energy sector, revenue growth for the quarter-ended September 2008 for a sample of 105 companies in our coverage universe accelerated to a seven-quarter high of 26.1%, defying slowing industrial growth and, in part, reflecting high inflation. Including the Energy sector, the revenue growth remained strong at 35%, albeit lower than the 40% in the previous quarter.

Revenue Growth Off All-time high



Source: Company data, Morgan Stanley Research

Pricing Power Down QoQ and YoY

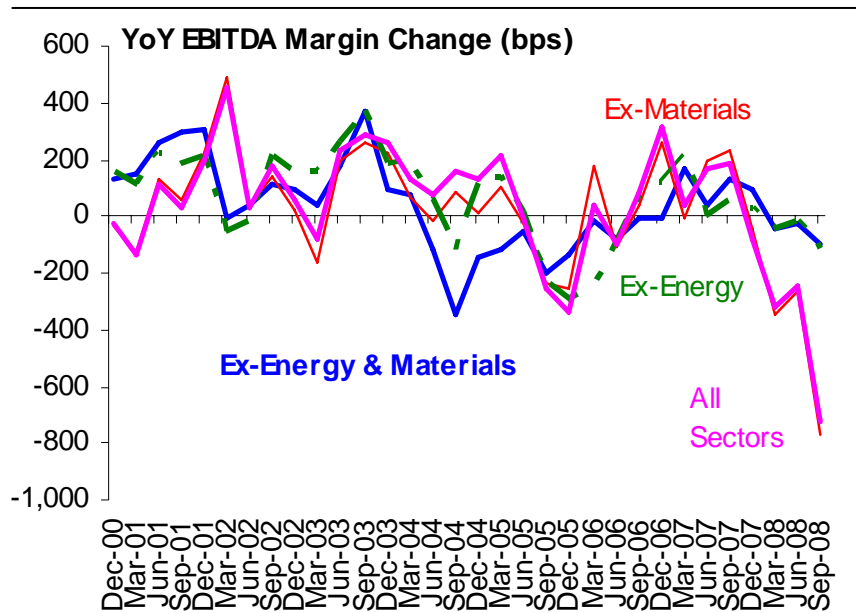


Source: Company data, Morgan Stanley Research

## EBITDA Margins Fall

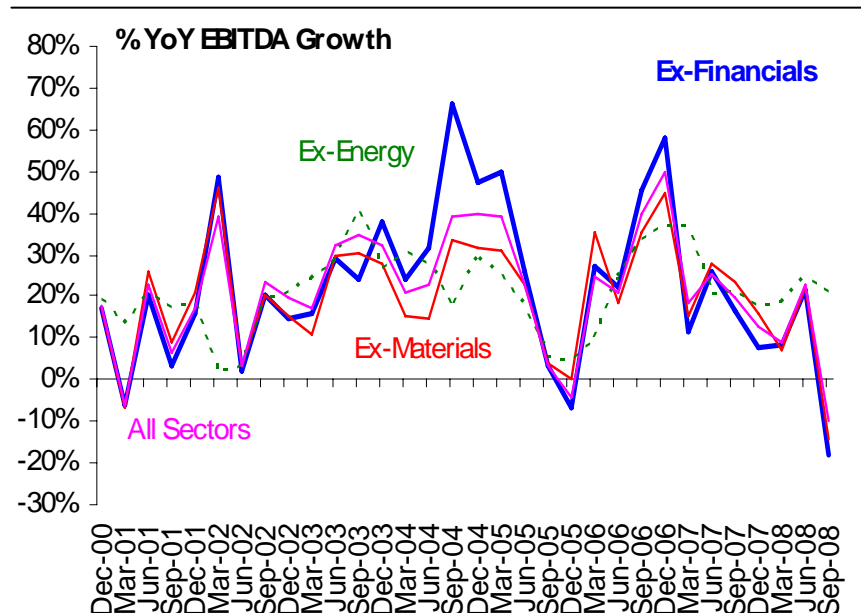
Operating margins were down for all sectors except for Financials and Technology. Overall margins were down 720bp and off 122bp YoY excluding Energy. The end result was that EBITDA fell 10% for the sample as whole, although it was up 21% for the sample ex-Energy.

EBITDA Margins Fall



Source: Company data, Morgan Stanley Research

EBITDA Growth Slows

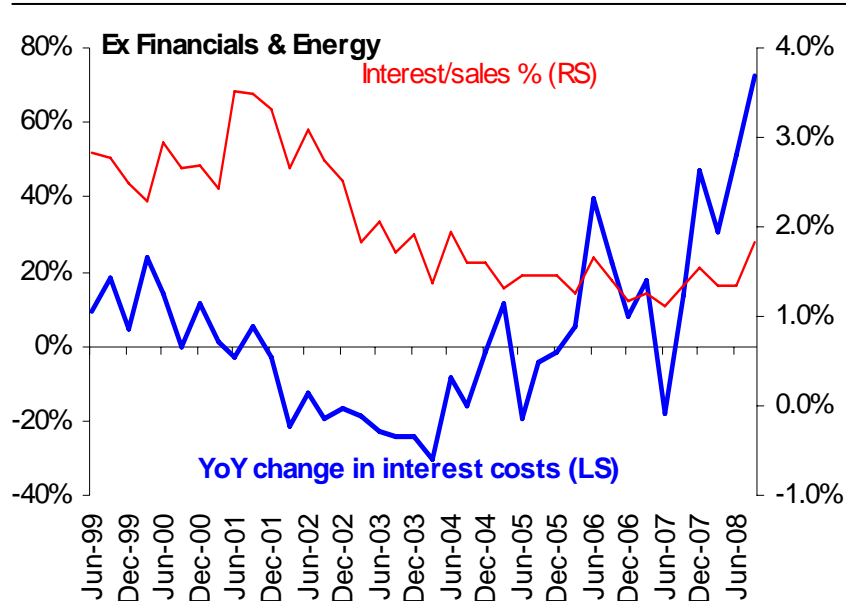


Source: Company data, Morgan Stanley Research

## Interest Costs Continue to Rise; Net Financial Income Drops to Five-year Low

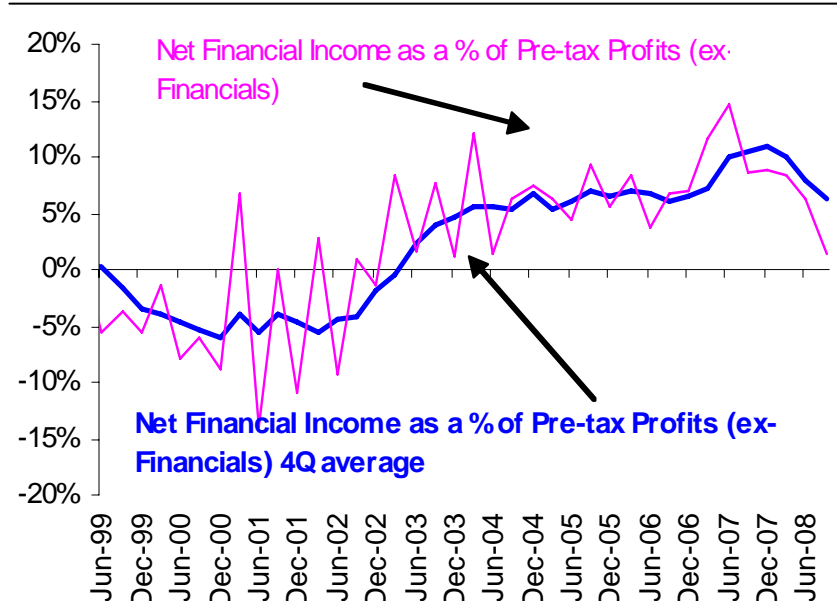
Interest costs continued to rise, this time at the highest quarterly pace ever of 73% YoY (ex-Energy and Financials). With other income growth dropping 1% YoY, net financial income to pretax profit fell QoQ to a five-year low of 1.3% for the fourth quarter running – now below the long-term average of 2.2%.

Interest Expense Continue to Rise



Source: Company data, Morgan Stanley Research

Share of Net Financial Income Drops QoQ

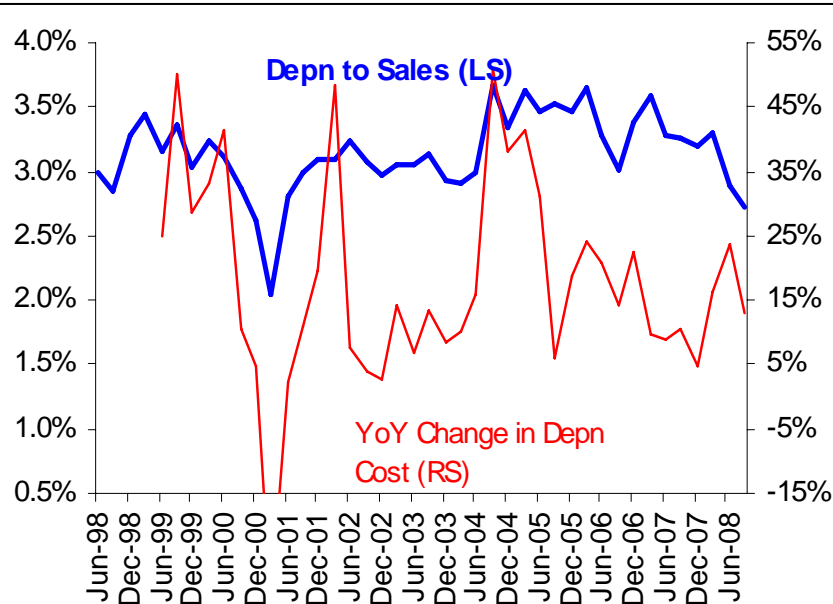


Source: Company data, Morgan Stanley Research

## Net Profit Growth (ex-Energy) Falls to a Five-year Low

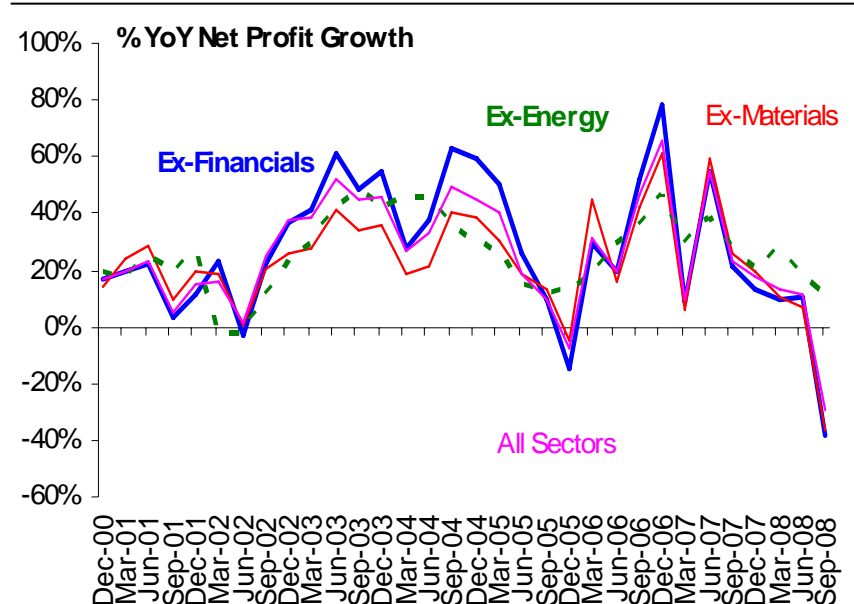
Depreciation expenses jumped 13% YoY. The pace of capex over the past two years is finally showing up in capital charges on the income statement. Even as depreciation expense rose and net financial income turned down, lower growth in tax provisions helped YoY net profit growth, but it still slipped to a five-year low of 11% excluding the Energy sector. Including the Energy sector, YoY net profit fell a whopping 29%. Over the past five years, net profit growth has averaged nearly 28% (30% ex-Energy).

Depreciation Expenses Up



Source: Company data, Morgan Stanley Research

Profit Growth Slows

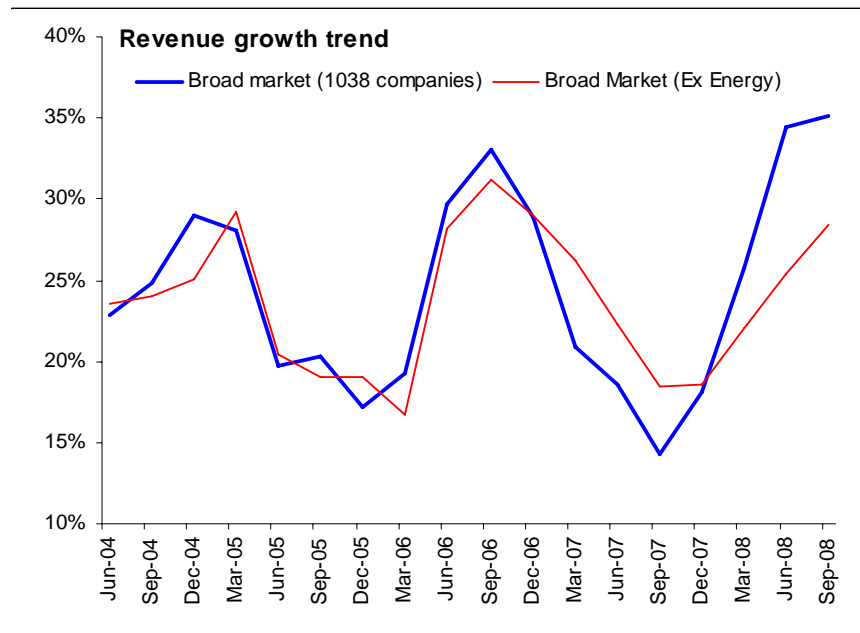


Source: Company data, Morgan Stanley Research

## Broad Market Earnings Suffer

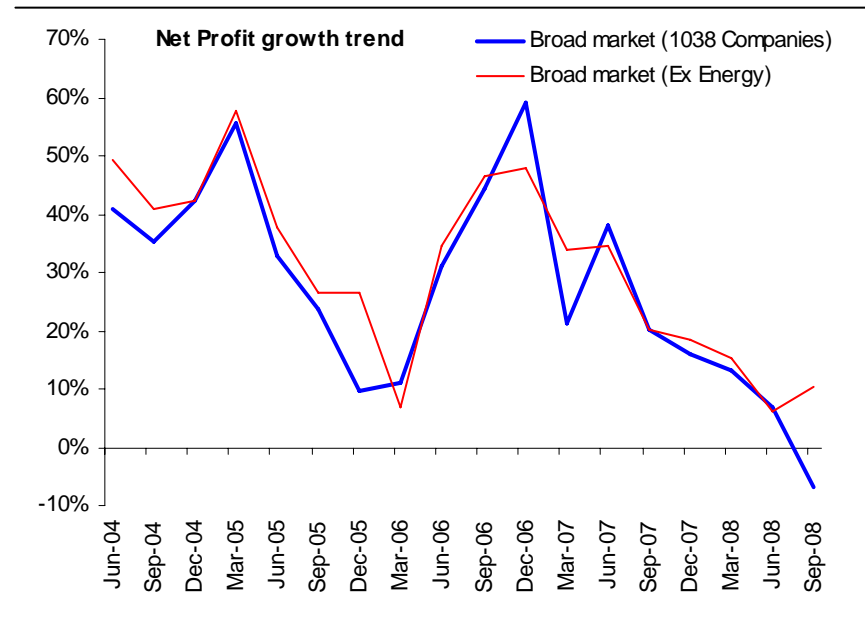
For a sample of 1,038 companies, profits fell 7% YoY – something that has not happened in five years (since we have broad market data). The profit growth for the sample ex-Energy was 10%. Revenue growth for the sample was strong at 28% ex-Energy and underpins the severe margin compression for the broad market sample.

**Broad Market Revenue Growth**



Source: Capitaline, Morgan Stanley Research

**Broad Market Earnings Growth Plummet**

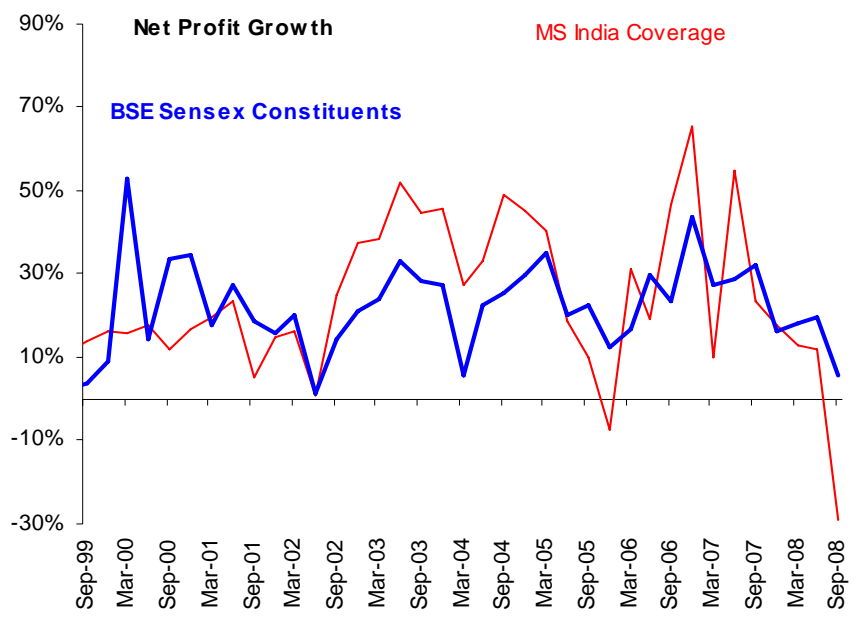


Source: Capitaline, Morgan Stanley Research

## Overall Earnings Seem to Be Behind Expectations

Sensex constituents grew earnings ahead of the MS coverage universe at 5.5%. The growth for the quarter represents the worst performance since June 2002. Sensex earnings came in behind MS analysts' forecasts. Looking at earnings revisions at the end of the quarter, it appears that the earnings season produced negative surprises with negative earnings revisions for F2009 for all sectors but Financials. Downward revisions outstripped upward revisions 2:1.

**BSE Sensex Constituents  
 Outperform Broader Market**



Source: Company data, Morgan Stanley Research

**F2009E Earnings Revisions Negative**

Sector	% Companies		
	Revision	Downwards	Upwards
Consumer Disc	-0.9%	50.0%	22.2%
Consumer Staples	-0.8%	54.5%	18.2%
Energy	-2.0%	62.5%	25.0%
Financial	0.2%	35.0%	55.0%
Healthcare	-1.1%	55.6%	44.4%
Industrials	-2.6%	71.4%	14.3%
Materials	-9.4%	90.0%	0.0%
Technology	-0.4%	60.0%	40.0%
Telecom	-1.8%	80.0%	0.0%
Utilities	-0.8%	60.0%	40.0%
Market	-2.5%	58.2%	28.2%
Market ex energy	-2.7%	57.8%	28.4%

Source: MSCI, FactSet, Morgan Stanley Research



## Overall Earnings Behind MS Analysts' Forecasts; Sector Divergences

The quarterly earnings growth trailed MS forecasts for the first time in several quarters. Earnings were better than expected in four sectors, namely, Consumer Discretionary, Financials, Technology, and Utilities. The biggest positive surprises came in Consumer Discretionary and Financials while the largest negative surprises came in Energy and Healthcare. The surprises seem to be below the EBITDA line especially for the aggregates ex-Energy.

### Earnings Behind Morgan Stanley Analyst Expectations (for 103 companies)

YoY Growth	MS Expectations			Actuals		
	Net Sales	EBITDA	Net Profit	Net Sales	EBITDA	Net Profit
Consumer Discretionary	14%	-5%	-23%	16%	0%	-17%
Consumer Staples	17%	12%	14%	18%	8%	11%
Energy	37%	-8%	-18%	45%	-73%	NM
Financials	13%	16%	9%	23%	24%	12%
Healthcare	21%	37%	1%	26%	23%	-39%
Industrials	22%	12%	2%	27%	6%	0%
Materials	30%	31%	22%	29%	20%	20%
Technology	31%	30%	22%	31%	36%	23%
Telecom	31%	35%	25%	31%	26%	20%
Utilities	20%	-7%	10%	38%	14%	13%
<b>Total</b>	<b>29%</b>	<b>11%</b>	<b>3%</b>	<b>35%</b>	<b>-10%</b>	<b>-29%</b>
<b>Total ex-Energy</b>	<b>22%</b>	<b>20%</b>	<b>12%</b>	<b>26%</b>	<b>20%</b>	<b>11%</b>
<b>Total ex-Financials</b>	<b>31%</b>	<b>9%</b>	<b>1%</b>	<b>36%</b>	<b>-18%</b>	<b>-39%</b>
<b>Total ex-Financials &amp; Energy</b>	<b>24%</b>	<b>21%</b>	<b>13%</b>	<b>27%</b>	<b>18%</b>	<b>11%</b>
<b>Total ex-Financials, Energy &amp; Materials</b>	<b>22%</b>	<b>18%</b>	<b>10%</b>	<b>26%</b>	<b>18%</b>	<b>7%</b>
<b>BSE Sensex</b>	<b>23%</b>	<b>17%</b>	<b>10%</b>	<b>26%</b>	<b>14%</b>	<b>6%</b>
<b>BSE Sensex Ex Energy</b>	<b>19%</b>	<b>16%</b>	<b>8%</b>	<b>24%</b>	<b>18%</b>	<b>7%</b>

Source: Company data, Morgan Stanley Research

## Sector-level Earnings: Utilities and Technology Shine; Energy, Healthcare Lag

Utilities and Technology were the best-performing sectors at the net level. Notably, four out of the 10 sectors reported 20%-plus growth in profits. Consumer Discretionary, Energy, and Healthcare were the worst sectors at the net level. The operating performance was weak for Consumer Discretionary, Consumer Staples, Energy, and Industrials. Eight sectors reported EBITDA margin declines with Technology and Financials (operating margin used in lieu of EBITDA margin) being the two exceptions.

### Sector Earnings Breakdown: YoY Change for Quarter Ended September 2008 (105 Companies)

%	Revenues	Op. Profit	Op. Margin*	Other Income	Interest	Depreciation	Pre-tax Profit	Tax	Net Profit
Consumer Discretionary	16.6	(0.2)	(180)	24.6	111.4	(2.7)	(17.4)	(31.6)	(17.7)
Consumer Staples	15.4	6.4	(166)	(23.6)	(63.6)	14.5	13.4	18.5	9.9
Energy	45.2	(78.6)	(1,246)	(22.5)	193.3	7.3	(99.6)	(36.4)	NM
Financials	22.1	24.0	78	-	-	-	13.9	21.4	10.9
Healthcare	26.0	23.2	(45)	NM	681.0	19.4	(14.9)	(17.3)	(38.5)
Industrials	26.7	6.0	(328)	30.9	77.7	22.6	(0.7)	(0.9)	0.3
Materials	29.0	19.8	(203)	55.6	24.9	4.4	24.8	16.0	20.2
Technology	31.5	36.3	88	(23.6)	97.0	23.8	20.3	26.6	23.3
Telecom	31.0	25.7	(152)	(7.5)	823.0	28.6	11.2	NM	20.3
Utilities	37.5	26.5	(198)	16.2	28.0	4.3	29.2	40.5	27.0
<b>Aggregate</b>	<b>34.8</b>	<b>(9.7)</b>	<b>(720)</b>	<b>(10.7)</b>	<b>109.3</b>	<b>12.9</b>	<b>(22.2)</b>	<b>(7.4)</b>	<b>(28.9)</b>

\* in basis points Source: Company data, Morgan Stanley Research

## Earnings for Past 10 Quarters (105 Companies)

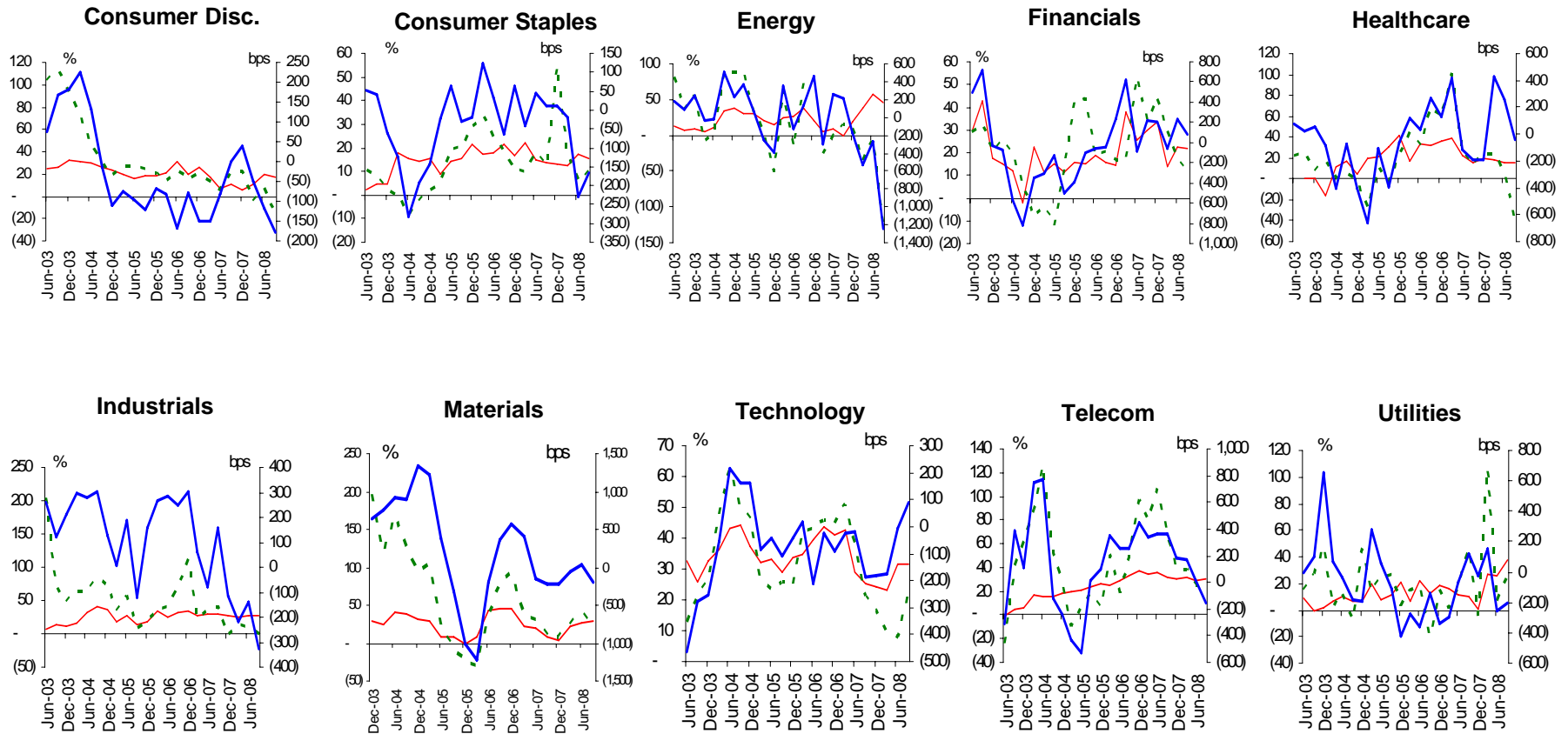
(YoY Change %)	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
<b>Excluding Energy Companies</b>										
Revenues	29.0	29.3	30.8	26.6	20.3	18.4	15.8	20.2	25.2	26.1
Operating Profit	24.7	33.3	36.8	36.9	20.4	21.0	17.1	18.4	24.5	20.6
Operating Margin (in bps)	(93.1)	78.6	117.4	210.4	1.9	59.2	29.4	(43.5)	(16.8)	(121.5)
Other Income	48.1	34.2	77.0	39.6	93.3	20.0	34.5	11.9	(15.5)	(1.5)
Interest	39.2	22.1	8.3	17.5	(15.5)	16.4	43.1	30.6	47.4	74.8
Depreciation	11.1	14.3	13.6	15.7	16.9	15.9	14.4	10.8	19.3	16.6
Pre-tax Profit	32.2	43.7	37.2	33.2	35.4	23.1	17.6	26.1	16.7	13.3
Tax	32.3	75.0	45.2	40.1	33.5	9.2	19.5	23.0	2.1	9.5
Net Profit	29.1	35.9	46.4	29.1	38.1	27.9	20.4	27.4	17.5	11.7
Net Profit Margin (bps)	0.8	81.2	184.6	32.3	234.6	134.6	69.8	101.8	(115.9)	(216.2)
<b>Including Energy Companies</b>										
Revenues	28.0	33.7	26.2	16.4	14.8	9.3	17.5	28.1	40.0	34.8
Operating Profit	21.0	39.8	49.8	18.7	25.6	19.7	12.9	9.2	22.8	(9.7)
Operating Margin (in bps)	(100.0)	82.3	312.0	41.2	166.5	186.1	(79.0)	(321.0)	(245.6)	(719.7)
Net Profit	19.2	46.7	65.5	10.0	54.8	23.5	17.9	13.0	11.8	(28.9)
Net Profit Margin (bps)	(70.5)	109.8	291.5	(73.9)	337.0	163.5	3.8	(151.2)	(271.2)	(691.3)
<b>YoY Change in EBITDA for Key Sectors</b>										
Consumer Discretionary	15.0	12.4	13.3	4.7	(0.2)	10.9	8.3	6.3	7.6	(0.2)
Consumer Staples	19.7	18.0	19.7	19.4	17.2	14.0	13.3	11.6	4.7	6.4
Energy	10.3	54.5	95.6	(15.1)	44.3	16.9	2.0	(19.3)	17.7	(78.6)
Financials	17.3	14.8	19.8	55.3	23.5	35.9	39.1	12.4	28.3	24.0
Healthcare	32.2	69.8	72.1	71.3	3.3	(4.7)	0.2	45.1	45.5	23.2
Industrials	45.3	53.4	57.5	30.2	24.1	40.4	19.6	13.2	19.1	6.0
Materials	33.6	64.9	78.4	41.4	14.2	1.6	(3.4)	19.7	27.4	19.8
Technology	28.1	42.3	36.2	41.3	27.8	16.3	15.7	15.1	31.3	36.3
Telecom	39.5	44.2	57.1	47.7	50.6	46.1	37.0	38.5	30.0	25.7
Utilities	5.5	6.1	1.7	0.6	7.9	15.2	(0.9)	35.6	10.7	26.5
<b>YoY Change in Revenues</b>										
Consumer Discretionary	30.6	19.5	26.1	16.7	6.7	11.0	5.2	10.7	19.5	16.6
Consumer Staples	17.9	21.5	16.4	22.1	14.7	13.4	12.8	12.8	17.2	15.4
Energy	26.9	38.2	21.5	5.1	9.0	0.2	19.5	38.8	57.8	45.2
Financials	18.7	15.9	14.3	37.6	25.6	29.8	33.6	13.6	22.5	22.1
Healthcare	29.9	49.3	60.9	34.3	9.2	4.1	11.4	18.9	28.7	26.0
Industrials	26.1	32.4	34.6	26.8	28.9	29.3	26.6	25.5	27.8	26.7
Materials	42.3	46.4	46.3	22.8	20.3	9.2	4.1	22.0	26.2	29.0
Technology	39.5	43.8	40.9	42.8	29.0	25.4	24.3	23.4	31.6	31.5
Telecom	28.7	32.9	36.6	34.1	36.1	32.0	30.2	32.4	29.3	31.0
Utilities	22.1	12.3	18.5	15.7	11.1	9.7	0.2	26.3	25.1	37.5
<b>YoY Change in EBITDA Margins (bps)</b>										
Consumer Discretionary	(168)	(80)	(149)	(149)	(81)	(1)	38	(51)	(117)	(180)
Consumer Staples	32	(64)	63	(42)	46	12	9	(20)	(231)	(166)
Energy	(122)	132	457	(297)	261	208	(176)	(525)	(274)	(1,246)
Financials	(59)	(43)	226	626	(83)	215	203	(56)	238	78
Healthcare	36	268	127	422	(112)	(186)	(196)	431	258	(45)
Industrials	282	250	305	58	(80)	159	(118)	(217)	(142)	(328)
Materials	(207)	351	575	402	(159)	(213)	(231)	(57)	28	(203)
Technology	(211)	(27)	(89)	(27)	(21)	(186)	(180)	(174)	(5)	88
Telecom	254	250	446	343	365	367	186	170	20	(152)
Utilities	(356)	(137)	(341)	(300)	(66)	117	(23)	149	(253)	(198)

## Quarterly Revenue/Profit Growth and Change in EBITDA Margins for Sectors

Green dotted Line– Y-o-Y Net profit growth (%) - LS

Red line -Y-o-Y Revenue growth (%) – LS

Blue Line – Operating margin trend (bps)- RS



Sources: Morgan Stanley Research



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

## Disclosures Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H, regulated by the Monetary Authority of Singapore, which accepts the responsibility for its contents), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Ridham Desai.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflictolicies](http://www.morganstanley.com/institutional/research/conflictolicies).

### Important US Regulatory Disclosures on Subject Companies

The research analysts, strategists, or research associates principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

## Disclosures (cont.)

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight and Underweight are not the equivalent of Buy, Hold and Sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

### Global Stock Ratings Distribution

(as of October 31, 2008)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>869</b>	<b>39%</b>	<b>275</b>	<b>42%</b>	<b>32%</b>
<b>Equal-weight/Hold</b>	<b>983</b>	<b>44%</b>	<b>286</b>	<b>44%</b>	<b>28%</b>
<b>Underweight/Sell</b>	<b>403</b>	<b>18%</b>	<b>89</b>	<b>14%</b>	<b>22%</b>
<b>Total</b>	<b>2,255</b>		<b>650</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

### Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V) - We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months..

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index..

## Disclosures (cont.)

---

### Other Important Disclosures

Morgan Stanley produces a research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in this or other research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at [www.morganstanley.com](http://www.morganstanley.com).

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this summary and the risks related to achieving these targets, please refer to the latest relevant published research on these stocks.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities/instruments discussed in Morgan Stanley Research may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities or derivatives of securities of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities or derivatives of securities of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

Morgan Stanley and its affiliate companies do business that relates to companies/instruments covered in Morgan Stanley Research, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis.

With the exception of information regarding Morgan Stanley, research prepared by Morgan Stanley Research personnel are based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Unless otherwise stated, the cover page provides the closing price on the primary exchange for the subject company's securities/instruments.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.

## Disclosures (cont.)

---

Morgan Stanley Research is disseminated in Japan by Morgan Stanley Japan Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services licence No. 233742, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc representative about the investments concerned. In Australia, Morgan Stanley Research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at wholesale customers only, as defined by the DFSA. This research will only be made available to a wholesale customer who we are satisfied meets the regulatory criteria to be a client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley has based its projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on publicly available information. MSCI has not reviewed, approved or endorsed the projections, opinions, forecasts and trading strategies contained herein. Morgan Stanley has no influence on or control over MSCI's index compilation decisions.

Morgan Stanley Research, or any portion hereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

**Additional information on recommended securities/instruments is available on request.**



**The Americas**

1585 Broadway  
New York, NY 10036-8293  
United States  
Tel: +1 (1)212 761 4000

**Europe**

20 Bank Street, Canary Wharf  
London E14 4AD  
United Kingdom  
Tel: +44 (0)20 7425 8000

**Japan**

4-20-3 Ebisu, Shibuya-ku  
Tokyo 150-6008  
Japan  
Tel: +81 (0)3 5424 5000

**Asia/Pacific**

International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong  
Tel: +852 2848 5200