

Bharat Heavy Electricals (BHEL)

Detailed FY10 results: Sharp material cost reduction offsets further wage-related one-off

- Headline numbers a non-event but details show a mixed bag:** BHEL reported 4Q10/FY10 PAT at Rs19.1B and Rs43.2B, in line with its provisional results already reported on April 1. However, the details, reported today, threw up positive surprises on material cost reduction, but negative surprises on wage cost arrears and pension provisions. It appears debtor provisioning norms have been tightened. On the whole, the 4Q10/FY10 EBITDA margin improved 211bp/216bp. FY10 saw more receivables and inventory intensity, due to a higher skew towards 4Q than in the past. Higher capex (Rs20B, as estimated) plus working capital pressures resulted in one of the lowest FCFs in nine years. Notwithstanding these, return on equity has improved to 29.9% (up 3.4%) mainly owing to margin improvement.
- Based on these numbers and BHEL's MoU with government, our estimates do not change materially – we continue to build in strong margin gains this FY:** We forecast sales growth of 17%, EBITDA margin of 20.2% (up 160bp) and EPS growth of 23.7%. As the wage settlement is concluded (after five quarters of delay), the cessation of arrears provision is the key driver for margin improvement in FY11. Low-cost inventory aided material cost reduction (215bp as a percentage of sales) in FY10, and we believe recent trends on euro depreciation / commodity decline would help BHEL largely sustain these reductions.
- Power will remain a key order driver for cap-goods sector, in our view:** Management targets Rs600B order flows in FY11, similar to FY10 (Rs590B). In our view, NTPC bulk tenders (Rs400B, likely in 3Q FY11) and other large private IPP orders would help BHEL meet this number.
- We raise our DCF-based Mar-11 PT to Rs2,700, implying 19.9x FY12E earnings.** Implicitly, this is a marginal discount to the P/E assigned to L&T, at 20.3x. While maintaining OW on both stocks, we believe L&T will outperform BHEL over the next six months, as the former seems better placed to benefit from industrial capex recovery and upgrades on execution pick up. Evidence of sharply lower margins on supercritical orders is a key downside risk to our PT.

BHEL (Reuters: BHEL.BO; Bloomberg: BHEL IN)

Rs in millions, year-end March

	FY08	FY09	FY10	FY11E	FY12E		
Sales	193,046	262,123	328,803	384,291	464,832	52-week range (Rs)	1940-2585
Net profit	25,892	31,382	43,106	53,325	66,471	Market cap (Rs B)	1103.8
EPS (Rs)	52.9	64.1	88.1	108.9	135.8	Market cap (US\$ B)	23.3
Net sales growth (%)	12.0	35.8	25.4	16.9	21.0	Shares o/s (MM)	489.5
EPS growth (%)	(45.9)	21.2	37.4	23.7	24.7	Free float (%)	27.9
ROE (%)	26.5	26.5	29.9	30.5	31.1	Avg. daily value (Rs MM)	1451.1
ROCE (%)	30.6	27.6	35.1	37.4	38.7	Avg. daily value (US\$ MM)	30.6
P/E (x)	42.6	35.2	25.6	20.7	16.6	Avg. dly volume (MM)	0.60
P/BV (x)	10.2	8.5	6.9	5.8	4.7	Exchange rate (Rs/US\$)	47.4
EV/EBITDA (x)	24.9	20.4	13.9	12.9	10.2		

Source: Company data, Bloomberg, J.P. Morgan estimates.

See page 8 for analyst certification and important disclosures, including non-US analyst disclosures.

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Overweight

BHEL.BO, BHEL IN

Price: Rs2,255.45

▲ Price Target: Rs2,700.00
Previous: Rs2,650.00

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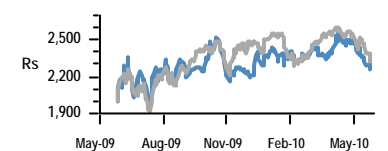
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Price Performance

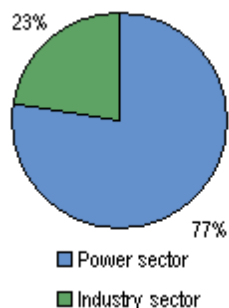


	YTD	1m	3m	12m
Abs	-7.0%	-10.1%	-4.0%	13.2%
Rel	-1.0%	-2.5%	-3.9%	-6.3%

Company Description

BHEL is a power plant equipment manufacturer with a current capacity to supply 15 GW per annum. The company targets to increase capacity to 20GW by 2012. BHEL has an order backlog of Rs1.43 trillion (US\$31 billion) providing earnings visibility through FY13

Revenue composition (FY10)



Source: Company reports.

EPS: J.P. Morgan vs consensus

	J. P. Morgan	Consensus
FY10E	88.1	87.3
FY11E	108.9	110.5
FY12E	135.8	133.9

Source: Bloomberg, J.P. Morgan.

P&L sensitivity metrics

	EBITDA impact (%)	EPS impact (%)
Improvement in RM/sales		
Impact of 50bps increase in FY11 estimates	-2.65%	-2.59%
Execution in power segment		
Impact of 5% decline in FY11 estimates	-7.21%	-7.38%
Execution in industrial segment		
Impact of 10% increase in FY11 estimates	2.73%	2.80%

Source: J.P. Morgan estimates.

Price target and valuation analysis

Our revised Mar-11 DCF-based PT is Rs2,700 (WACC: 11.25%, terminal growth rate: 6%, terminal year: FY18), implying 19.9x FY12E earnings, up from our earlier Sep-10 DCF-based PT of Rs2,650. We have rolled over our valuation timeframe to Mar-11 and increased our WACC by 25bp. After incorporating FY10 actuals, our FY11 EPS estimate is up 1.3%, and our FY12 EPS estimate remains unchanged.

	Rs B	Rs/share
Sum of FCF	278	569
Terminal value	947	1,935
Enterprise value	1,225	2,503
Add: Investments	1	1
Less: Net-debt/ (Net-cash)	(96)	(195)
Net present Equity value	1,322	2,700

Implicitly, this is a marginal discount to the P/E assigned to L&T, at 20.3x. While maintaining OW on both stocks, we believe L&T will outperform BHEL over the next six months, as the former seems better placed to benefit from industrial capex recovery and upgrades on execution pick-up. Evidence of sharply lower margins on IPP and supercritical orders is the key downside risk to our PT, while a liquidity-led contraction of equity risk premiums is the key upside risk.

FY10 results: Details show a mixed bag

BHEL reported 4Q10/FY10 PAT of Rs19.1B/Rs43.2B, in line with its provisional results already reported on April 1.

Table 1: BHEL: FY10 actual vs. provisional

Rs in billions, year-end March

	FY10A	FY10P	%chg
Gross sales	342.0	340.5	0.4
PBT	65.9	63.5	3.7
PAT	43.1	42.9	0.6
EPS (Rs.)	88.1	87.6	0.6

Source: Company reports.

However, the details, reported today, threw up positive surprises on material cost reduction, but negative surprises on wage cost arrears and pension provisions. RM/sales fell by 484bp in Mar-q and 215bp in the full-year.

Table 2: BHEL: 4Q FY10 and FY10 results

Rs in millions, year-end March

	YoY			QoQ			YoY		
	4Q FY10	4QFY09	% change	4QFY10	3QFY10	% change	FY10	FY09	% change
Gross Sales	140,963	111,344	26.6	140,963	73,860	90.9	341,985	280,895	21.7
Less: Excise duty	(5,372)	(5,943)	(9.6)	(5,372)	(2,837)	89.4	(13,182)	(18,552)	(28.9)
Net Sales	135,591	105,401	28.6	135,591	71,023	90.9	328,803	262,343	25.3
Other op income	3,856	3,100	24.4	3,856	1,269	203.9	6,925	6,244	10.9
(Inc)/Dec in WIP	248	1,722	(85.6)	248	5,532	(95.5)	7,867	11,515	(31.7)
Raw material consumption	(80,520)	(69,227)	16.3	(80,520)	(44,948)	79.1	(200,941)	(171,204)	17.4
Staff cost	(17,434)	(14,075)	23.9	(17,434)	(12,269)	42.1	(51,529)	(41,128)	25.3
Other expenses	(13,012)	(6,858)	89.7	(13,012)	(4,990)	160.8	(28,542)	(23,511)	21.4
Total Expenditure	(110,718)	(88,438)	25.2	(110,718)	(56,675)	95.4	(273,145)	(224,328)	21.8
EBIDTA	28,728	20,063	43.2	28,728	15,617	84.0	62,583	44,260	41.4
Other income	2,080	1,972	5.5	2,080	1,933	7.6	8,239	7,880	4.6
EBIDT	30,808	22,035	39.8	30,808	17,550	75.5	70,822	52,139	35.8
Interest	(178)	(81)	120.0	(178)	(69)	158.0	(335)	(307)	9.1
Depreciation	(1,647)	(1,008)	63.3	(1,647)	(1,038)	58.6	(4,580)	(3,343)	37.0
PBT	28,983	20,945	38.4	28,983	16,443	76.3	65,907	48,490	35.9
Tax	(9,887)	(7,471)	32.3	(9,887)	(5,717)	72.9	(22,800)	(17,106)	33.3
PAT	19,096	13,475	41.7	19,096	10,726	78.0	43,107	31,383	37.4
EPS	39.0	27.5	41.7	39.0	21.9	78.0	88.1	64.1	37.4

Key ratios (%)

Raw Material to Sales	59.2	64.0	(4.84)	59.2	55.5	3.7	58.7	60.9	(2.1)
Excise duty to sales	3.8	5.3	(1.5)	3.8	3.8	(0.0)	3.9	6.6	(2.8)
Staff Cost to sales	12.9	13.4	(0.5)	12.9	17.3	(4.4)	15.7	15.7	(0.0)
Other exp to sales	9.6	6.5	3.1	9.6	7.0	2.6	8.7	9.0	(0.3)
EBIDTA margin	20.6	18.5	2.11	20.6	21.6	(1.00)	18.6	16.5	2.16
Effective tax rate	34.1	35.7		34.1	34.8		34.6	35.3	

Order Backlog	1,438	1,179	21.9	1,438	1,340	7.3	1,438	1,179	21.9
Order Inflow	230	143	60.8	230	156	47.6	590	596	(1.0)

Revenue mix (%)

Power	78.0	76.0		78.0	76.0		77.3	74.6	
Industry	22.0	24.0		22.0	24.0		22.7	25.4	

EBIT margin (%)

Power	27.4	20.1		27.4	22.9		23.5	18.1	
Industry	25.6	21.5		25.6	22.5		20.8	16.8	

Source: Company reports.

EBITDA margin improved 211bp in Mar-q mainly as a result of material cost reduction, even though other expenses and staff cost exerted downward pressure. OE was up 89% YoY. The increase is explained partly by inclusion of Rs4.5B of superannuation benefits in other expenses during Mar-q.

Analysis of wage cost

There was a negative surprise in terms of higher wage cost arrears in Mar-q. We estimate that Mar-q staff costs included:

1. Rs3.7B provisions for wage arrears, according to the quarterly run-rate guided by management for FY10; and
2. Rs3.38B wage provisions related to prior years, which was unexpected. As per notes to the accounts, the wage arrears from FY07-FY09 amounted to Rs20.87B, and up to FY09 provisions of Rs17.49B had been expensed in P&L. The difference (Rs3.38B) was recognized in staff cost in Mar-q.

According to management, the wage settlement to account for the sixth pay commission increases was concluded in FY10, after five quarters of delay. No further wage related provisions are expected for FY11 and FY12. This assumption has resulted in a 7% decline in our total staff cost estimate for FY11, although we model a 40% increase in employee wages.

Table 3: BHEL: Analysis of wage costs

Rs in millions, year-end March

	FY08	FY09	FY10	FY11E	FY12E
No of employees (yr-end)	43,636	45,666	46,233	48,033	49,833
Per employee wages (Rs, based on avg employees)	567,141	533,872	724,876	1,014,827	1,115,540
% increase	1	(6)	36	40	10
Employee cost (Rs mn)	24,319	23,838	33,308	47,832	54,587
Wage arrears provision (Rs mn)	5,140	10,680	14,840	0	0
Other provisions (Rs mn)	2,000	6,610	3,382	0	0
Total employee cost (Rs mn)	31,459	41,128	51,529	47,832	54,587

Source: Company data, J.P. Morgan estimates.

We factor in a 160bp improvement in EBITDA margin in FY11, mainly on account of 330bp reduction in staff cost/sales even though RM and other expenses are expected to exert downward pressure on margins (see Table 4).

Table 4: BHEL: Summary P&L in quarterly reporting format

Rs in millions, year-end March

	FY08	FY09	FY10E	FY11E	FY12E
Gross Sales	214,977	280,895	341,985	400,303	484,200
Less: Excise duty	(21,322)	(18,552)	(13,182)	(16,012)	(19,368)
Net Sales	193,655	262,343	328,803	384,291	464,832
Other op income	4,927	6,244	6,925	6,925	6,925
(Inc)/Dec in WIP	8,273	11,515	7,867	7,867	7,867
Raw material consumption	(114,895)	(171,204)	(200,941)	(236,702)	(287,521)
Staff cost	(31,459)	(41,128)	(51,529)	(47,832)	(54,587)
Other expenses	(21,906)	(23,511)	(28,542)	(35,390)	(39,596)
Total Expenditure	(159,987)	(224,328)	(273,146)	(312,058)	(373,838)
EBIDTA	38,595	44,260	62,583	79,158	97,919
Other income	9,035	7,880	8,239	8,812	10,885
EBIDT	47,630	52,139	70,822	87,970	108,804
Interest	(354)	(307)	(335)	(335)	(335)
Depreciation	(2,972)	(3,343)	(4,580)	(6,223)	(7,755)
PBT	44,304	48,490	65,906	81,412	100,714
Tax	(15,711)	(17,106)	(22,800)	(28,087)	(34,243)
PAT	28,593	31,383	43,106	53,325	66,471
EPS	58.4	64.1	88.1	108.9	135.8
Growth (%)					
Net Sales		35.5	25.3	16.9	21.0
PAT		9.8	37.4	23.7	24.7
Key ratios (%)					
Raw Material to Sales	55.1	60.9	58.7	59.5	60.2
Excise duty to sales	9.9	6.6	3.9	4.0	4.0
Staff Cost to sales	16.2	15.7	15.7	12.4	11.7
Other exp to sales	11.3	9.0	8.7	9.2	8.5
EBIDTA margin	19.4	16.5	18.6	20.2	20.8
Effective tax rate	35.5	35.3	34.6	34.5	34.0

Source: Company data, J.P. Morgan estimates.

FY10 saw more receivables and inventory intensity, due to a higher skew towards 4Q than in the past (see Table 5).

Table 5: BHEL: Trends in key elements of working capital

Year-end March

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11E
Inventory (days)	101	119	114	100	121	124	125	121
Collection period (days)	194	211	180	189	204	208	221	221
Average credit received (days)	83	86	86	84	93	91	90	90
Customer advances as % of turnover	36	44	38	41	53	59	59	57

Source: Company data, J.P. Morgan estimates.

Higher capex plus working capital pressures resulted in one of the lowest FCFs in nine years (see Table 6).

Table 6: BHEL: Free cash flow

Rs in millions, year-end March

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E
EBIT	5,009	5,856	8,381	11,664	23,190	30,988	38,035	45,901	68,191	68,615	86,069
D&A	1,692	1,854	1,980	2,189	2,459	2,730	2,972	3,343	4,580	6,223	7,755
Tax	1,949	3,579	3,566	6,282	8,852	13,214	15,711	17,106	22,800	28,087	34,243
Decrease in WC	2,189	5,899	8,432	(2,910)	(1,576)	10,428	13,361	12,444	(24,208)	11,282	(20,130)
Operating CF	6,941	10,030	15,228	4,660	15,222	30,933	38,657	44,581	25,763	58,032	39,451
Capex	(1,843)	(1,685)	(1,547)	(1,447)	(2,607)	(3,887)	(6,340)	(12,983)	(20,776)	(9,100)	(15,100)
Change in investments	0	0	(187)	200	7	0	0	(440)	(275)	0	0
Investing CF	(1,843)	(1,685)	(1,734)	(1,247)	(2,600)	(3,887)	(6,340)	(13,423)	(21,051)	(9,100)	(15,100)
FCF	5,098	8,344	13,494	3,413	12,622	27,045	32,317	31,158	4,712	48,932	24,351

Source: Company data, J.P. Morgan estimates.

Return on equity improved to 29.9% (up 3.4%), mainly owing to margin improvement.

Table 7: BHEL: Balance sheet

Rs in millions, year-end March

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E
Share holders equity	44,696	48,037	52,959	60,269	73,014	87,883	107,742	129,388	159,174	190,943	236,596
Total Borrowings	6,445	5,400	5,400	5,370	5,582	893	952	1,494	1,278	1,278	1,278
Total Capital	51,354	53,348	58,360	65,639	78,596	88,776	108,694	130,882	160,451	192,221	237,873
Gross Fixed Assets	31,820	33,493	34,596	36,289	38,221	41,351	44,435	52,249	72,925	82,925	100,925
(Less) Acc. Depreciation	20,577	22,303	24,115	26,193	28,528	31,171	34,031	37,133	43,355	51,110	51,110
Capital work in progress	567	587	1,086	953	1,846	3,025	6,580	11,570	11,570	10,570	7,570
Net Fixed Assets	12,332	12,292	12,027	11,396	11,668	12,913	16,393	26,274	40,827	42,172	57,272
Investments	103	103	290	90	83	83	83	523	798	798	798
Miscellaneous	2,493	955	179	-	-	-	-	-	-	-	-
Expenditure											
Current Assets											
Net Current Assets	33,379	35,923	40,878	48,971	60,108	66,429	78,839	85,682	103,553	134,978	166,530
Total Assets	51,354	53,348	58,360	65,639	78,596	88,776	108,694	130,882	160,451	192,221	237,873
Ratios				129.8							
Book Value / Share (Rs)	182.6	196.3	216.4	246.2	298.3	359.1	220.1	264.3	325.2	390.1	483.3
Total debt / Equity (%)	14.4	11.2	10.2	8.9	7.6	1.0	0.9	1.2	0.8	0.7	0.5
ROE (%)	14.5	11.7	16.0	17.0	24.8	29.8	26.5	26.5	29.9	30.5	31.1
ROCE (%)	9.0	9.4	14.6	16.8	28.2	35.0	30.6	27.6	35.1	37.4	38.7

Source: Company data, J.P. Morgan estimates.

BHEL: Summary of financials

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY09	FY10	FY11E	FY12E	Rs in millions, year-end Mar	FY09	FY10	FY11E	FY12E
Gross Revenues	280,332	341,985	400,303	484,200	EBIT	45,901	68,191	68,615	86,069
% change Y/Y	31%	22%	17%	21%	D&A	3,343	4,580	6,223	7,755
Gross Margin (%)	18%	21%	19%	19%	Tax	17,106	22,800	28,087	34,243
EBITDA	49,244	72,771	74,837	93,824	Decrease in WC	12,444	(24,208)	11,282	(20,130)
% change Y/Y	20%	48%	3%	25%	Operating CF	44,581	25,763	58,032	39,451
EBITDA Margin (%)	18%	21%	19%	19%	Capex	(12,983)	(20,776)	(9,100)	(15,100)
EBIT inc OI	61,486	83,355	84,351	103,879	Change in investments	(440)	(275)	0	0
% change Y/Y	17%	36%	1%	23%	Investing CF	(13,423)	(21,051)	(9,100)	(15,100)
EBIT Margin (%)	22%	24%	21%	21%	FCF	31,158	4,712	48,932	24,351
Net Interest	307	335	335	335					
Earnings before tax	48,489	65,906	81,412	100,714	Change in equity	0	0	0	0
% change Y/Y	9%	36%	24%	24%	Change in debt	542	(216)	0	0
Tax	17,106	22,800	28,087	34,243	Net Interest paid	(307)	(335)	(335)	(335)
as % of EBT	35%	35%	35%	34%	Other income	15,585	15,164	15,737	17,810
Net Income (pre exceptional)	31,382	43,106	53,325	66,471	Deferred tax asset	(5,024)	3,131	1,000	1,000
% change Y/Y	10%	37%	24%	25%	Dividend & div tax paid	(9,736)	(13,231)	(16,701)	(20,819)
Shares Outstanding	489.52	489.52	489.52	489.52	Misc. adjustment	(17,956)	(12,430)	(4,926)	(9,584)
EPS (pre exceptional)	64.1	88.1	108.9	135.8	Financial CF	(11,871)	(11,048)	(6,226)	(12,928)
% change Y/Y	10%	37%	24%	25%	Change in cash	19,287	(6,336)	42,706	11,423
					Opening cash balance	83,860	103,147	96,811	139,517
					Closing cash balance	103,147	96,811	139,517	150,939
Balance sheet					Ratio Analysis				
Rs in millions, year-end Mar	FY09	FY10	FY11E	FY12E	%, year-end Mar	FY09	FY10	FY11E	FY12E
Cash and cash equivalents	103,147	96,811	139,517	150,939	EBITDA margin	18%	21%	19%	19%
Accounts receivable	159,755	206,878	242,156	292,908	Net profit margin	12%	13%	14%	14%
Inventories	78,370	92,350	108,162	131,126	Sales per share growth	31%	22%	17%	21%
Others	3,502	4,069	4,069	4,069	Sales growth	31%	22%	17%	21%
Current assets	369,011	428,244	503,903	604,042	Net profit growth	10%	37%	24%	25%
Investments	523	798	798	798	EPS growth	10%	37%	24%	25%
Net fixed assets	26,274	40,827	42,172	57,272	Interest coverage (x)	NA	NA	NA	NA
Others	0	0	0	0	Net debt to total capital	-26%	-20%	-25%	-23%
Total assets	395,808	469,869	546,873	662,113	Net debt to equity	-79%	-60%	-72%	-63%
Liabilities					Sales/assets	0.7	0.7	0.7	0.7
Payables	57,564	66,382	80,252	96,257	Assets/equity	3.1	3.0	2.9	2.8
Others	225,766	258,309	288,673	341,255	ROE	26%	30%	30%	31%
Total current liabilities	283,329	324,691	368,925	437,512	ROCE	28%	35%	37%	39%
Total debt	1,494	1,278	1,278	1,278					
Other liabilities	71,825	92,792	110,691	140,339					
Total liabilities	356,647	418,760	480,894	579,128					
Shareholders' equity	129,388	159,174	190,943	236,596					
BVPS	264.3	325.2	390.1	483.3					

Source: Company data, J.P. Morgan estimates. Note: EBITDA margin is higher than number shown in Table 1 & 2, as provisions have been taken below the operating performance line in the above representation, in-line with BHEL's annual reporting

Other Companies Recommended in This Report (all prices in this report as of market close on 26 May 2010)

Larsen & Toubro (LART.BO/Rs1,607.75/Overweight)

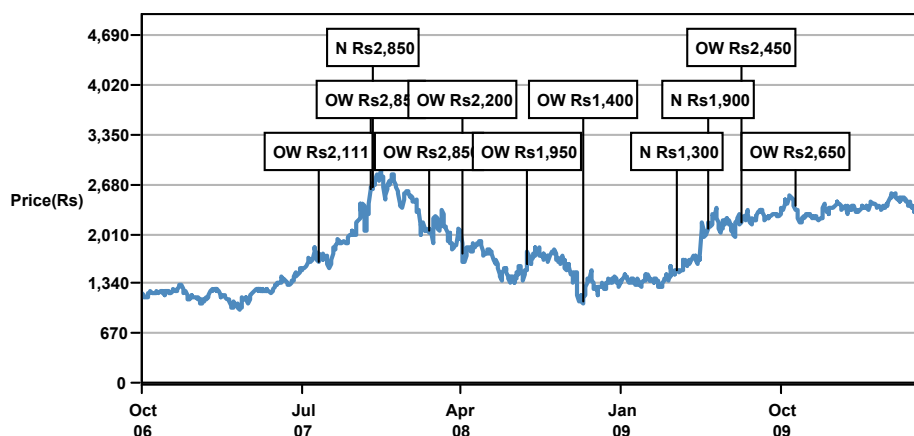
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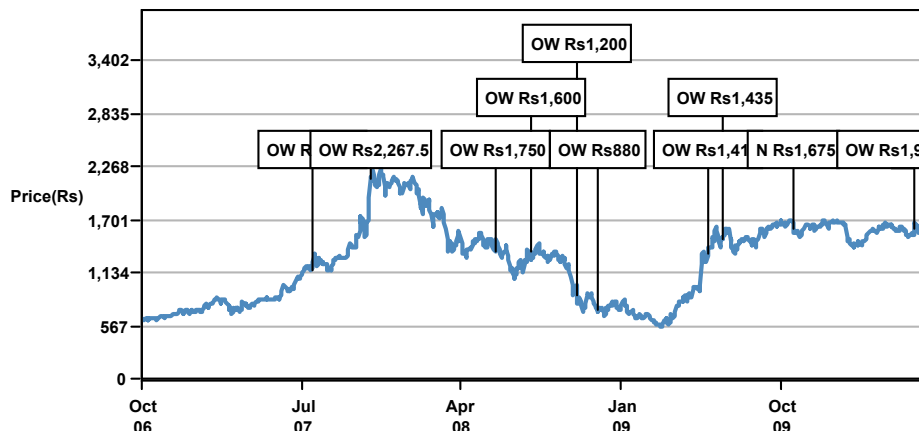
Bharat Heavy Electricals (BHEL) (BHEL.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
31-Jul-07	OW	1644.00	2111.00
30-Oct-07	OW	2612.10	2850.00
31-Oct-07	N	2654.55	2850.00
04-Feb-08	OW	2060.20	2850.00
04-Apr-08	OW	1754.95	2200.00
23-Jul-08	OW	1597.50	1950.00
26-Oct-08	OW	1091.75	1400.00
05-Apr-09	N	1531.85	1300.00
28-May-09	N	2078.20	1900.00
24-Jul-09	OW	2167.40	2450.00
25-Oct-09	OW	2384.80	2650.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage May 18, 2004 - Sep 28, 2004. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Larsen & Toubro (LART.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
19-Jul-07	OW	1164.78	1601.00
28-Oct-07	OW	2138.72	2267.50
29-May-08	OW	1354.55	1750.00
29-Jul-08	OW	1361.78	1600.00
16-Oct-08	OW	893.15	1200.00
20-Nov-08	OW	732.20	880.00
29-May-09	OW	1341.80	1415.00
24-Jun-09	OW	1485.95	1435.00
23-Oct-09	N	1609.80	1675.00
18-May-10	OW	1606.90	1910.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
 Break in coverage Mar 03, 2004 - Sep 28, 2004. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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IB clients*	48%	46%	32%
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IB clients*	70%	58%	48%

*Percentage of investment banking clients in each rating category.
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