

## UltraTech Cement Ltd

As expected- coal costs impact margins

- Higher coal, maintenance charges hurt margins:** As expected, higher coal costs (Ultratech sources approx 40% of its coal requirements from imports, power and fuel constitute 35-40% of operating costs and costs/MT increased by 36% y/y and 10% q/q) and maintenance charges hit margins. While net profit at Rs1.64bn (-12% y/y, -38% q/q) for Q2FY09 was in line with our estimates (lower tax rate) EBITDA at Rs3.18bn was 6% below estimates. EBITDA margins at 22.4% were 200bps lower than our estimates of 24.4%.
- July-Sept quarter is not an indicative quarter:** The July-Sept quarter is the monsoon quarter (except for southern India companies) and therefore cement companies normally take a bulk of their maintenance shut downs during the quarter. Combined with lower volumes, July-Sept quarter is the weakest quarter for cement companies.
- Current lower coal benefits should flow in from Dec onwards:** The Company indicated that its import coal costs for Q2FY09 were based on \$190/MT. While current spot coal is at \$110/MT, we believe the INR depreciation of 10-15% would negate partially the benefit of lower coal. We believe the full benefits of the lower coal would only flow in from the Jan-March 09 quarter as cement companies do carry 1-1.5 months of inventory
- Progress of capex projects- clinker plant commissioned, power plans to be commissioned by Dec-08:** Ultratech started commercial production of clinker from its brown field expansion, the grinding unit and the captive thermal power plants would be commissioned by Dec-08
- Maintain Overweight:** While reducing our FY09-11E EPS by 7-9%, we reduce our target price by 20% as we reduce our valuation multiple. Our new Sept-09 target price of Rs600 is based on 5x FY10 EV/EBITDA. We maintain Overweight as we believe Ultratech should benefit from lower power costs and volume growth in FY10E. Key risks are a sharp slowdown in the economy leading to lower cement demand and higher price reduction in FY10E.

### Overweight

ULTC.BO, UTCEM IN

Price: Rs375.80

▼ **Price Target: Rs600.00**  
Previous: Rs750.00

#### India

#### Indian Cement

**Pinakin Parekh, CFA<sup>AC</sup>**

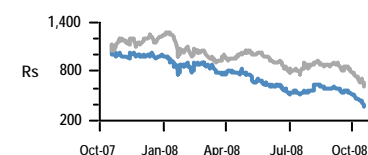
(91-22) 6639 3018  
pinakin.m.parekh@jpmchase.com

**Dr.Prit Pal**

(91-22) 6639 3013  
prit.x.pal@jpmorgan.com

J.P. Morgan India Private Limited

#### Price Performance



	YTD	1m	3m	12m
ABS	-62.1%	-29.5%	-27.8%	-66.6%
REL	-12.1%	-6.2%	-5.7%	-21.9%

Table 1: Ultratech: UTCEM IN EQUITY (% Re Mn)

	FY08	FY09E	FY10E	FY11E		
Net Sales (Rs mn)	55,092	62,378	65,392	68,692	52-week range (Rs)	1159-360
Net Profit (Rs mn)	10,076	8,358	8,319	8,996	Market cap (Rs mn)	46,564
EPS (Rs)	80.9	67.1	66.8	72.3	Market cap (US\$ mn)	960
Net Sales growth (%)	12.2	13.2	4.8	5.0	Shares outstanding (mn)	124
Net profit growth (%)	28.8	(17.1)	(0.5)	8.1	Avg daily value (Rs mn)	47.7
ROE (%)	45.2	26.9	21.3	19.1	Avg daily value (US\$ mn)	0.98
P/E (x)	4.6	5.6	5.6	5.2	Avg daily volume (mn shares)	0.09
P/B (x)	1.7	1.3	1.1	0.9	Index	9975
EV/EBITDA (x)	3.6	3.7	3.3	2.6	Exchange rate (INR/USD)	48.5
EV/tonne (US\$)	81	56	49	38		

Source: J.P. Morgan estimates, Company data, priced as of 17 Oct, 2008

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

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

## Sept quarter margins hit by coal, maintenance charges

Ultratech's Q2FY09 net profit at Rs1.64bn declined by 12% y/y but was in line with our estimates. EBITDA margins at 22.4% declined by 550bps y/y and were 200bps lower than our estimates. Higher coal costs and maintenance charges hit earnings and margins. Ultratech imports 40-45% of its coal requirements and imported coal costs reached \$190/MT in Q2FY09 thus impacting margins. Total cement and clinker sales volumes at 3.98MT, were 7% lower q/q but 13% higher y/y

Table 2: Ultratech Quarterly P&L

Rs Mn, Rs, %

	Q1FY08A	Q2FY08A	Q3FY08A	Q4FY08A	Q1FY09A	Q2FY09A	% yoy	% qoq
Net sales	13,653	11,734	13,821	16,017	14,960	14,169	21%	-5%
Total expenditure				-	-			
Dec / (inc) in stock	133	(296)	(308)	205	(627)	(17)		
Raw material consumed	1,175	1,200	1,357	1,591	1,672	1,579		
Purchases of finished goods	136	1	0	0	8	19		
Staff Cost	314	452	436	514	468	508		
Power and fuel	3,028	2,574	3,239	3,692	3,859	3,945		
Freight	2,757	1,993	2,367	2,824	2,551	2,343		
Other expenditure	1,775	2,515	2,045	2,307	2,570	2,617		
Total expenditure	9,317	8,439	9,137	11,132	10,501	10,994		
<b>EBITDA</b>	<b>4,335</b>	<b>3,296</b>	<b>4,685</b>	<b>4,885</b>	<b>4,458</b>	<b>3,175</b>	-4%	-29%
Interest	202	188	174	193	247.2	308.8		
Other income	269	258	201	270	266	71.5		
Depreciation	559	581	583	650	711.3	807.6		
<b>PBT</b>	<b>3,844.1</b>	<b>2,785.5</b>	<b>4,128.6</b>	<b>4,311.9</b>	<b>3,765.9</b>	<b>2,129.6</b>	-24%	-43%
Provision for current tax	1,133	897	1,170	1,902	581.1	262.9		
Provision for deferred tax	104	18	149	(437)	518.5	210.5		
Fringe benefit tax	14	12	15	18	16.2	13.9		
<b>Tax rate</b>	<b>33%</b>	<b>33%</b>	<b>32%</b>	<b>34%</b>	<b>30%</b>	<b>23%</b>		
<b>Net profit (loss)</b>	<b>2,594</b>	<b>1,859</b>	<b>2,795</b>	<b>2,829</b>	<b>2,650</b>	<b>1,642</b>	-12%	-38%
Sales cement	4.38	3.53	4.30	4.82	4.27	3.98	13%	-7%
<b>EBITDA %</b>	<b>32%</b>	<b>28.1%</b>	<b>34%</b>	<b>30.5%</b>	<b>30%</b>	<b>22.4%</b>		
Tax rate	33%	33%	32%	34%	30%	23%		
<b>Per Tonne</b>								
Realizations	3,117	3,324	3,214	3,323	3,503	3,560	7%	2%
Dec / (inc) in stock	155.9	166.2	160.7	166.1	175.2	178.0	7%	2%
Raw Materials	268	340	316	330	392	397	17%	1%
Staff Cost	72	128	101	107	109	128	0%	17%
Power and fuel	691	729	753	766	904	991	36%	10%
Freight	629	565	551	586	598	589	4%	-1%
Other expenditure	405	713	476	479	602	658	-8%	9%
Total expenditure	2,097	2,474	2,196	2,267	2,606	2,767	12%	6%
<b>EBITDA per tonne</b>	<b>990</b>	<b>934</b>	<b>1,090</b>	<b>1,013</b>	<b>1,044</b>	<b>798</b>	-15%	-24%

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

## Coal headwinds to ease in H2FY09E

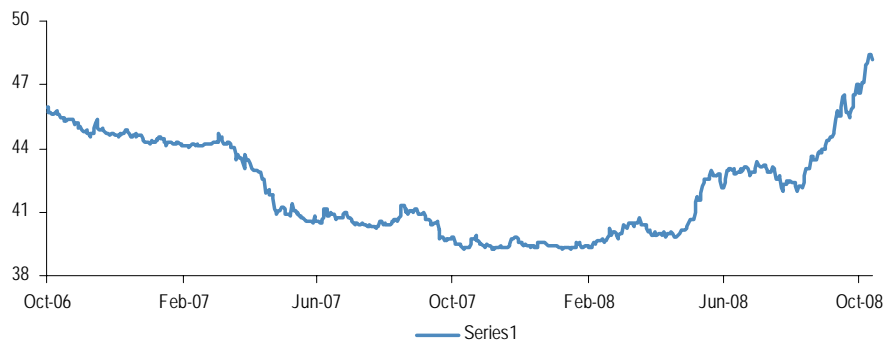
Current spot coal prices are \$110/MT and while INR has depreciated sharply (10-15%) and thus the benefits of lower coal would be partially negated, we believe cost headwinds for Ultratech (and for that matter the entire Indian cement sector) should ease into H2FY09E. However we believe the full benefits would only be visible in the Jan-March quarter as higher priced inventory would still be there next quarter

Figure 1: Spot Thermal Coal Prices (Barlow Jonker Index (BJI))



Source: BJI

Figure 2: INR vs USD Chart



Source: Bloomberg.

The company in its press release also noted that against the coal linkages, there was a shortfall, and thus the company had to procure higher priced coal (both domestic and import coal). While we do agree that in the rainy season, coal availability against linkages is an issue (NALCO, a state run aluminum company in Eastern India, also had a shortfall in coal sourcing against its linkages), **we believe going forward cement companies would have to rely increasingly on higher priced imported coal and domestic coal (via auctions) as coal availability against linkages reduces.**

### Capex update

Ultratech has commissioned its clinker unit as part of the 4.9MT cement capacity expansion at Tadpatri, Southern India, and would commission the cement unit in the

Oct-Dec-08 quarter. The company is also in the process of commissioning its captive thermal power plants (225MW) over the next six months.

### Reducing target price, Maintain Overweight

We reduce our earnings estimates by 7-9% over FY09-11E driven mainly by higher coal costs. However we reduce our target price more sharply (by 20%) to Rs600. Our new Sept-09 target price is based on 5x FY10E EV/EBITDA and corresponds to \$75/MT on EV/MT basis. Key downside risk to our earnings estimates and target price is a sharp slowdown in the economy in FY10E leading to lower demand growth and sharper declines in cement prices (we built in 5% decline in prices in FY10E). We remain Overweight on Ultratech Cement.

Table 3: Valuation Table

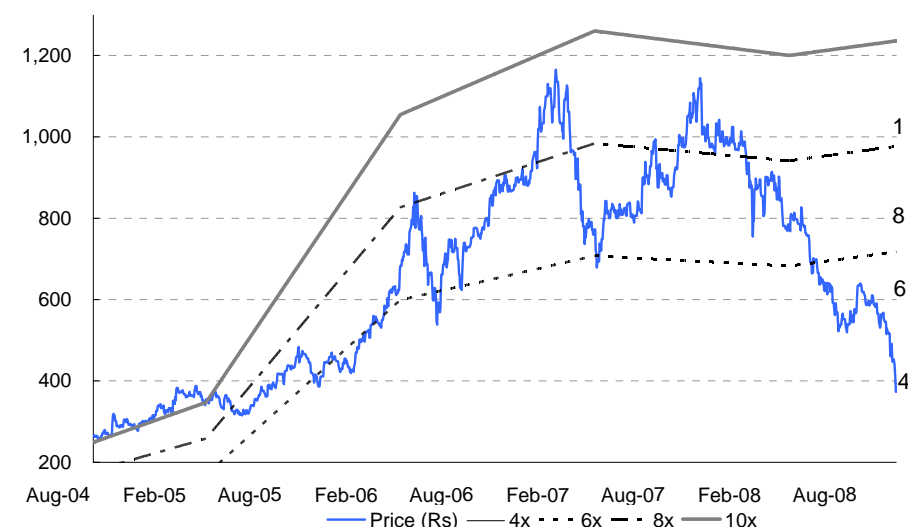
Rs,%

Company	Curr Price	Rating	Year	EPS (Rs)	EPS Growth (% yoy)	PE (x)	EV/ EBITDA (x)	EV/ Tonne (US\$)
Grasim	1,288	OW	FY09E	251.0	-6	5.1	3.8	
			FY10E	265.9	6	4.8	3.1	
			FY11E	292.2	10	4.4	2.4	
ACC	487	N	CY08E	68.8	7	7.1	4.4	81
			CY09E	62.6	-9	7.8	4.7	70
			CY10E	60.9	-3	8.0	4.8	63
Ambuja Cement	57	N	CY08E	8.2	26	7.0	3.9	88
			CY09E	7.4	-10	7.7	4.2	74
			CY10E	6.9	-6	8.2	4.1	66
Ultratech	374.05	OW	FY09E	67.1	-17.1	5.6	3.7	56
			FY10E	66.8	-0.5	5.6	3.3	49
			FY11E	72.3	8.1	5.2	2.6	38

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

Figure 3: Ultratech EV/EBITDA Chart

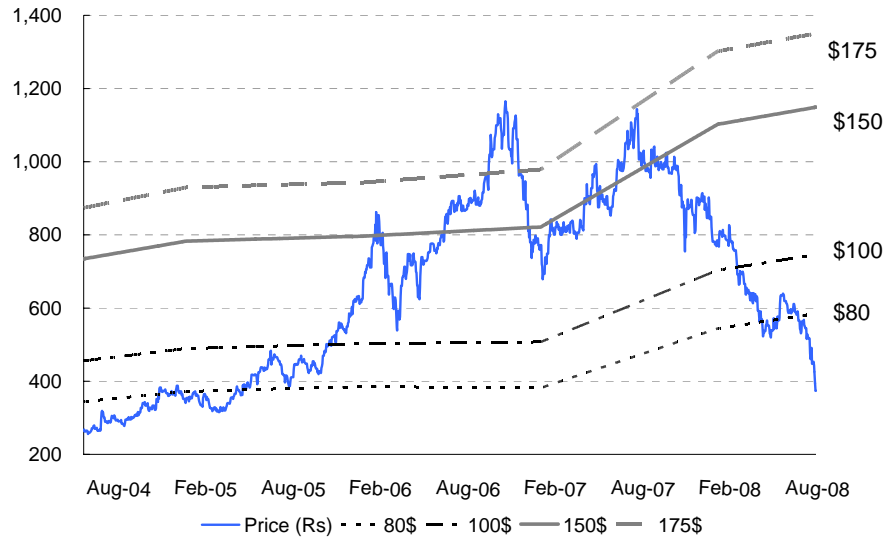
x



Source: J.P. Morgan estimates, Company data. Priced as of Oct 17, 2008

Figure 4: Ultratech EV/Tonne Chart

\$/ mt



Source: J.P. Morgan estimates, Company data. Priced as of Oct 17,2008

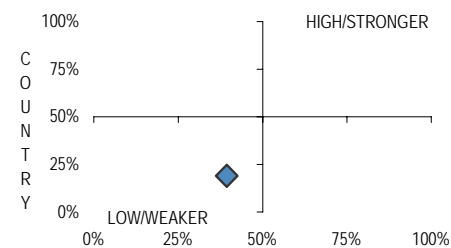
All Data As Of 17-Oct-08

## Q-Snapshot: Ultratech Cement Ltd.

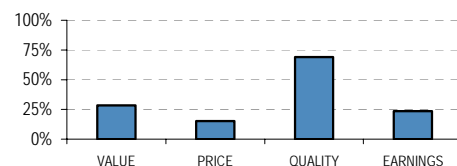
Quant Return Drivers (a Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country	vs Industry	Raw Value
<b>Value</b>			
P/E Vs Market (12mth fwd EPS)	77%	63%	0.6x
P/E Vs Sector (12mth fwd EPS)	48%	47%	1.0x
EPS Growth (forecast)	5%	19%	-5.9%
<b>Value Score</b>	28%	38%	
<b>Price Momentum</b>			
12 Month Price Momentum	24%	44%	-64.0%
1 Month Price Reversion	50%	55%	-26.4%
<b>Momentum Score</b>	15%	44%	
<b>Quality</b>			
Return On Equity (forecast)	82%	87%	32.8%
Earnings Risk (Variation in Consensus)	36%	70%	0.12
<b>Quality Score</b>	69%	89%	
<b>Earnings &amp; Sentiment</b>			
Earnings Momentum 3mth (risk adjusted)	35%	26%	-72.8
1 Mth Change in Avg Recom.	63%	81%	0.01
Net Revisions FY2 EPS	4%	7%	-100%
<b>Earnings &amp; Sentiment Score</b>	24%	28%	
<b>COMPOSITE Q-SCORE* (0% To 100%)</b>	<b>19%</b>	<b>39%</b>	

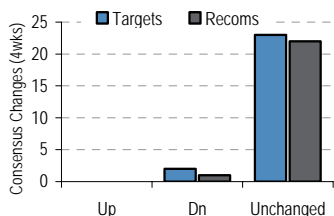
J.P. Morgan Composite Q-Score



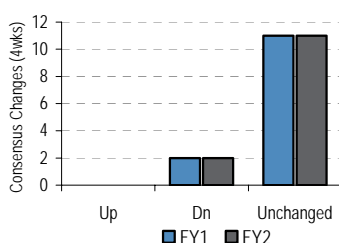
Quant Return Drivers Summary (vs Country)



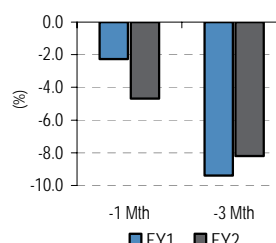
Targets & Recommendations\*\*



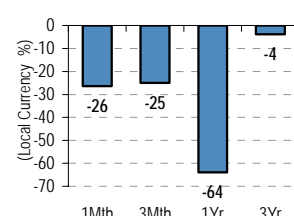
EPS Revisions\*\*



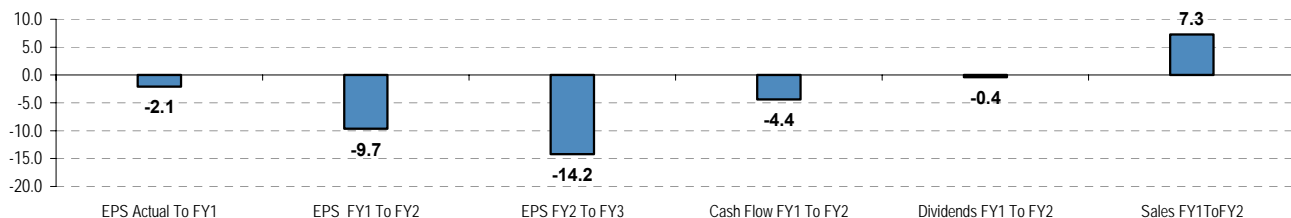
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Country by Size (Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score*
500295-IN	Sesa Goa Ltd.	Steel	1,329	12.00	3.0	50%
500302-IN	Piramal Healthcare Ltd	Pharmaceuticals: Other	1,265	0.44	13.1	85%
500049-IN	Bharat Electronics Ltd.	Aerospace & Defense	1,209	0.35	6.8	56%
532693-IN	Punj Lloyd Ltd.	Engineering & Construction	1,175	8.98	12.1	41%
500257-IN	Lupin Ltd.	Pharmaceuticals: Generic	1,165	1.44	13.9	71%
<b>532538-IN</b>	<b>Ultratech Cement Ltd.</b>	<b>Construction Materials</b>	<b>1,097</b>	<b>0.25</b>	<b>5.0</b>	<b>19%</b>
500116-IN	IDBI Bank Ltd.	Regional Banks	1,091	1.70	6.5	37%
500228-IN	JSW Steel Ltd.	Steel	1,087	3.98	2.7	55%
500480-IN	Cummins India Ltd.	Trucks/Construction/Farm Machinery	1,082	0.49	13.5	71%
532814-IN	Indian Bank Ltd.	Major Banks	1,078	0.58	5.9	85%
500830-IN	Colgate-Palmolive (India) Ltd.	Household/Personal Care	1,075	0.28	19.0	90%

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>  
Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'  
Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.  
\* The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. \*\* The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

## Summary Financials

Rs, Rs Mn, %

Profit and Loss statement					Cash flow statement				
Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E	Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E
Revenues	55,092	62,378	65,392	68,692	Net Income (Pre Exceptional)	10,076	8,358	8,319	8,996
% change Y/Y	12%	13%	5%	5%	Depreciation & amortization	2,372	3,168	3,588	3,680
EBITDA	17,201	15,763	15,564	16,666	Change in working capital	3,141	(199)	14	(32)
% change Y/Y	21%	-8%	-1%	7%	Cash flow from operations	15,589	11,327	11,921	12,644
EBITDA Margin (%)	31%	25%	24%	24%	Net Capex	(18,066)	(9,443)	(4,000)	(3,680)
EBIT	15,827	13,595	12,976	13,986	Free cash flow	(2,477)	1,884	7,921	8,964
% change Y/Y	26%	-14%	-5%	8%	Equity raised/ (repaid)	(16)	611	(0)	0
EBIT Margin (%)	29%	22%	20%	20%	Debt raised/ (repaid)	1,619	(1,405)	(8,000)	0
Net Interest	757	1,120	560	560	Other	0	0	0	0
Earnings before tax	15,070	12,475	12,416	13,426	Dividends paid	(728)	(685)	(685)	(685)
% change Y/Y	29%	-17%	0%	8%	Beginning cash	896	1,007	2,389	1,626
Tax	4,994	4,117	4,097	4,431	Ending cash	1,007	2,389	1,626	9,905
as % of EBT	33%	33%	33%	33%	DPS				
Net Income (Pre Exceptional)	10,076	8,358	8,319	8,996					
% change Y/Y	29%	-17%	0%	8%					
Shares Outstanding	124	124	124	124					
EPS (pre exceptional)	80.9	67.1	66.8	72.3					
% change Y/Y	29%	-17%	0%	8%					
Balance sheet					Ratio Analysis				
Rs in millions, year-end Mar	FY08	FY09E	FY10E	FY11E	% , year-end Mar	FY08	FY09E	FY10E	FY11E
Cash and cash equivalents	1,007	2,389	1,626	9,905	EBITDA margin	31%	25%	24%	24%
Accounts receivable	2,166	3,119	3,270	3,435	Operating margin	29%	22%	20%	20%
Inventories	6,098	6,931	7,266	7,632	Net profit margin	18%	13%	13%	13%
Others	3,768	2,500	2,500	2,500	Sales growth	12%	13%	5%	5%
Current assets	13,039	14,939	14,661	23,472	Net profit growth	29%	-17%	0%	8%
Investments	1,709	2,000	2,000	2,000	EPS growth	29%	-17%	0%	8%
Net fixed assets	47,836	54,111	54,523	54,523	Interest coverage (x)	20.9	12.1	23.2	25.0
Total assets	62,584	71,050	71,184	79,995	Net debt to total capital	0.3	0.2	0.1	0.0
Liabilities					Net debt to equity	0.6	0.4	0.1	0.0
Payables	7,770	10,000	10,500	11,000	Sales/assets	0.9	0.9	0.9	0.9
Others	5,016	4,372	4,372	4,372	Assets/equity	2.3	2.0	1.7	1.6
Total current liabilities	12,786	14,372	14,872	15,372	ROE	45%	27%	21%	19%
Total debt	17,405	16,000	8,000	8,000	ROCE	29%	20%	18%	19%
Other liabilities	5424	5424	5424	5424					
Total liabilities	35614	35796	28296	28796					
Shareholders' equity	26,970	35,254	42,888	51,199					
BVPS									

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

### Analyst Certification:

The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

### Important Disclosures

UltraTech Cement Ltd (ULTC.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
20-Jul-08	OW	538.65	750.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Jul 20, 2008. 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.

### Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] The analyst or analyst’s team’s coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: **Pinakin Parekh, CFA:** ACC Limited (ACC.BO), Ambuja Cements Limited (ABUJ.BO), Binani Cement Ltd (BINC.BO), Cipla Limited (CIPL.BO), Dr Reddy’s Limited (REDY.BO), Glenmark Pharmaceuticals Ltd (GLEN.BO), Grasim Industries Ltd (GRAS.BO), Hindalco Industries (HALC.BO), Jindal SAW (JIND.BO), Maharashtra Seamless (MHSM.NS), Monnet Ispat & Energy Limited (MNET.BO), National Aluminium Co Ltd (NALU.BO), Ranbaxy Laboratories Ltd (RANB.BO), Steel Authority of India Ltd (SAIL.BO), Sun Pharmaceutical (SUN.BO), Tata Steel Ltd (TISC.BO), UltraTech Cement Ltd (ULTC.BO), Welspun Gujarat (WGSR.BO)



**J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2008**

	<b>Overweight</b> (buy)	<b>Neutral</b> (hold)	<b>Underweight</b> (sell)
JPM Global Equity Research Coverage	42%	44%	15%
IB clients*	53%	51%	43%
JPMSI Equity Research Coverage	40%	48%	12%
IB clients*	76%	70%	59%

\*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

**Valuation and Risks:** Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

**Analysts' Compensation:** The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

**Registration of non-US Analysts:** Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMSI, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMSI, and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

**Other Disclosures**

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

**Options related research:** If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

**Legal Entities Disclosures**

**U.S.:** JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [mica (p) 207/01/2008 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-x) which is a Participating Organization of Bursa Malaysia Securities Bhd and is licensed as a dealer by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan.

**Country and Region Specific Disclosures**

**U.K. and European Economic Area (EEA):** Issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's Policies for Managing Conflicts of Interest in Connection with Investment

Research which outline the effective organisational and administrative arrangements set up within JPMSL for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers, and can be found at <http://www.jpmorgan.com/pdfdoc/research/ConflictManagementPolicy.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction.

**Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd. Frankfurt Branch and JPMorgan Chase Bank, N.A., Frankfurt Branch who are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. [82] Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMSI and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised September 29, 2008.

---

**Copyright 2008 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**