Macquarie
Equities Research

The Asia Specialist

INDIA

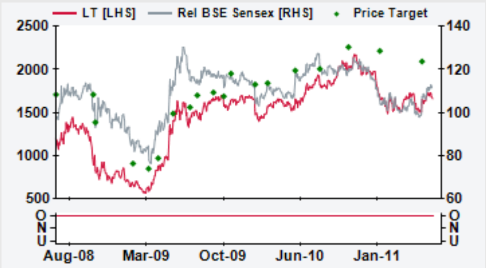
LT IN	Outperform
Price 27 Jun 11	Rs1,785.70

12-month target	**Rs**	**2,093.00**
Upside/Downside	**%**	**17.2**
Valuation - Sum of Parts	**Rs**	**2,093.00**
GICS sector		**Capital Goods**
Market cap	**Rsbn**	**1,087**
30-day avg turnover	**US$m**	**12.5**
Market cap	**US$m**	**24,163**
Number shares on issue	**m**	**608.9**

Investment fundamentals

Year end 31 Mar		2011A	2012E	2013E	2014E
Revenue	bn	520.9	704.5	858.7	1,036.5
EBIT	bn	64.4	81.7	98.3	119.7
EBIT growth	%	18.3	26.9	20.3	21.8
Adjusted profit	bn	41.8	52.9	64.1	78.6
EPS adj	Rs	68.36	85.82	103.32	125.90
EPS adj growth	%	18.4	25.5	20.4	21.9
PER adj	x	26.1	20.8	17.3	14.2
Total DPS	Rs	11.65	11.65	11.65	11.65
Total div yield	%	0.7	0.7	0.7	0.7
ROA	%	8.5	9.3	9.6	10.2
ROE	%	18.3	19.6	19.9	20.4
EV/EBITDA	x	16.9	13.2	11.3	9.5
Net debt/equity	%	89.7	75.6	58.9	42.1
P/BV	x	4.4	3.8	3.2	2.6

LT IN rel BSE Sensex performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, June 2011
(all figures in INR unless noted)

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28 June 2011
Macquarie Capital Securities India (Pvt) Ltd

Larsen & Toubro

FY12 order inflow not out of reach

Event

- We hosted the senior management of L&T on a road show in the US last week. We believe the concerns related to order inflows are overdone as dependence on growth in India is limited and the company should meet its lower end of guidance. Retain Outperform rating on the stock with a target price of Rs2,093.

Impact

- **Hydrocarbon and exports should drive bulk of targeted 15-20% order inflow growth in FY12:** We believe the inflow growth will depend on a recovery in order inflows in hydrocarbons and exports orders. The company's underlying growth expectation for Indian orders is only 7-8%.
  - ⇒ **Oil and gas sector awards to form 15% of the total inflow in FY12:** L&T expects the portion of oil & gas in overall orders to increase from 7% in FY11 to ~15% in FY12, led by exports markets orders and regaining some of the market share in the Indian PSU orders.
  - ⇒ **Power orders to largely remain flat**: We expect a potential decline in generation orders to be compensated by a pickup in orders from the T&D and EPC space. Again, the company expects some T&D orders to come from the Middle East. Further, we expect it to get part of the bulk tender along with a 1,600MW EPC order for its in-house JV project.
  - ⇒ **Infrastructure space to largely remain flat:** We expect US$7bn orders in the infra space in FY12, 40% of which the company has visibility on, including announced orders and Hyderabad Metro.
  - ⇒ **Process and product orders to grow by 10-15%:** We expect process and product order inflows to grow by 10-15% in FY12.
- **Conservatively expect margins to dip by 50-75bps in FY12:** L&T now guides for a 50-75bp decline in E&C margins in FY12 to factor in volatility in commodity prices. However, it also expects to sustain long-term margins at those levels given the integrated E&C model.
- **Capital infusion into subsidiaries to decline from FY13:** LT maintained its plans to list finance subsidiaries and IDPL by FY12 and FY13 end. Post the IPOs, annual equity injection of US$350-400mn into subsidiaries would decline. We also expect RoCE to improve as some of the new investments contribute to earnings.

Earnings and target price revision

- No change.

Price catalyst

- 12-month price target: Rs2,093.00 based on a Sum of Parts methodology.
- Catalyst: pickup in order inflow.

Action and recommendation

- **Risk-reward favourable, retain Outperform:** We see potential downside for L&T capped at ~10% (price pre-FY11 results) and upside of ~20% (18x stand-alone FY13E EPS + subsidiaries value). L&T remains our top pick in large-cap Indian infrastructure space with a TP of Rs2,093.

FY12E order inflow growth of 15% to be driven by oil and gas

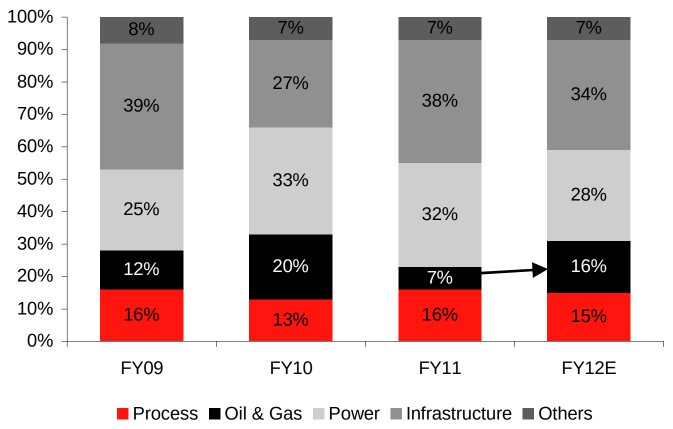
- **Scepticism on order inflow growth due to perceived slowdown in India is unwarranted, in our view:** It is important to note that to achieve 15% growth in order inflow (the low end of the company's guidance of 15-20% growth), L&T would just need 7-8% growth in domestic orders as bulk of growth would be driven by exports market.
- **Oil and gas sector orders to fuel the inflow growth:** The company expects growth in order inflows to be led by the oil and gas sectors, for which it projects orders to increase 150% YoY.
  - ⇒ **Margins to be supported by higher-margin oil and gas sector orders:** Oil and gas and process orders tend to have higher margins, which should provide support to the overall operating margins for the company in coming years.
  - ⇒ **Execution cycle to improve with shorter-cycle orders:** Execution cycle should also improve, as the proportion of shorter-cycle oil and gas and process orders of overall orders increases.

Fig 1 FY12 order inflow growth of at least 15% to be driven by oil and gas

	FY11		% of order	FY12E		% of order	
Segment	Rs bn	US$bn	inflow	Rs bn	US$bn	inflow	Comment
Oil and gas	56	1.3	7%	145	3.3	16%	O&G to go back to 15% of order inflow, lowest bidder already in 1/3rd of the targeted inflows
Process	128	2.9	16%	140	3.1	15%	Steel in India and petrochemical projects in the Middle East to drive growth
Power	255	5.7	32%	252	5.7	28%	T&D to compensate for decline in generation
Infrastructure	303	6.8	38%	310	7.0	34%	Infrastructure orders to remain flat
Others	56	1.3	7%	64	1.4	7%	Includes defence/E&E/MIP orders
Total	**798**	**17.9**		**911**	**20.5**		

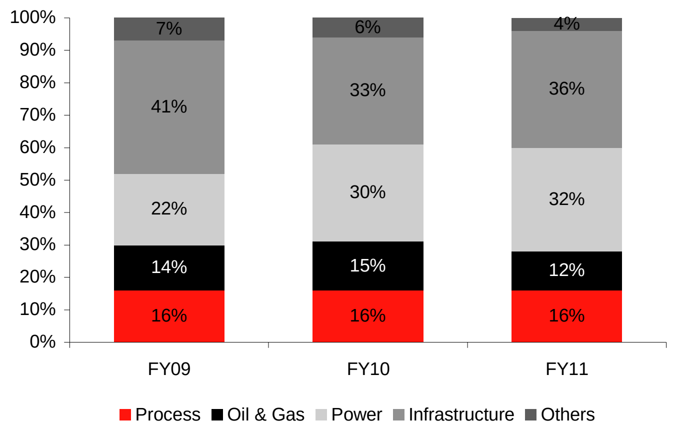
Source: Company data, Macquarie Research, June 2011

Fig 2 Oil and gas share of L&T's total order inflow likely to improve significantly in FY12



Source: Company data, Macquarie Research, June 2011

Fig 3 Soft order inflow in earlier years led to a decline in oil and gas share of L&T's overall order book



Source: Company data, Macquarie Research, June 2011

Demystifying the FY12 order inflow puzzle

- **Oil and gas orders to drive order inflow growth:** Oil and gas orders for L&T are expected to grow by 1.5x in FY12 following soft order inflows in FY11. Growth in oil and gas orders should be led by the following:
  - ⇒ **Revival in Middle East order inflows:** The Middle East is making large investments in the petrochemicals and refinery space. Large orders have been placed in the last few months to the larger Korean and European companies. L&T expects subcontracted orders from these companies to come through.

⇒ **Recouping some of the market share in Indian orders:** L&T lost a considerable amount of orders in India to aggressive Korean players with very low pricing. L&T expects a rebound in market share as pricing returns to more rational levels given the rebound in activity in Middle East.

⇒ **Fertiliser orders could rope in orders of ~US$400m in FY12E:** Near-term orders will depend on gas allocation to the Indian fertiliser sector, which is investing to change feedstock. Fertiliser majors (e.g., RCF, IFFCO, Zuari Industries, CFCL) are planning to invest US$8.4bn to set up 8.4mn tons capacity over the next 4-5 years. Some of these orders could also flow in FY12.

Fig 4 Oil and gas orders to total US$3.3bn in FY12

Oil and gas	Amount (Rsbn)	Amount (US$bn)	Comments
ONGC/PSUs	50.0	1.1	Regaining some of the market share lost in FY11
Middle East	45.0	1.0	Revival in ME and Rs10-15 offshore platform order
Others	30.0	0.7	L1 in Offshore platform orders from SE Asia for Rs20-25bn
Fertilisers	20.0	0.4	Mainly orders for change in feedstock of existing plants
Total	**145.0**	**3.3**	

Source: Company data, Macquarie Research, June 2011

- **Process sector should constitute 15% of FY12 order inflows:** L&T management is targeting 15% of its FY12 order inflow to come from the process sector. The orders in this segment are likely to emerge from Middle East, domestic capex of Indian metal companies and few other orders.

Fig 5 Process sector orders to total US$3.1bn in FY12

Process	Amount (Rsbn)	Amount (US$bn)	Comments
Exports	30.0	0.7	Primarily Middle East orders
Metals	50.0	1.1	Domestic capex of Indian metal companies, US$0.3mn Tata Steel order already won
Others	60.0	1.3	This is the unkown part of the order inflow
Total	**140.0**	**3.1**	

Source: Company data, Macquarie Research, June 2011

- **Power orders to remain flat, power T&D growth should offset decline in power generation:** Overall, power orders are expected to remain largely flat at US$5.7bn in FY12.

⇒ **T&D orders to revive in India and Middle East:** The company expects a pickup in T&D orders in India and Middle East. We expect these orders to total to US$1.5bn. LT has already won US$300mn T&D order from Middle East in June.

⇒ **Generation orders are expected to remain soft:** We expect L&T to book 2,500MW equipment orders, and US$1.6bn EPC order for its 1,600MW JV project with Karnataka government.

Fig 6 Power orders to total US$5.7bn in FY12

Power	Amount (Rsbn)	Amount (US$bn)	Comments
T&D	65.0	1.5	US$300m of orders already booked
Generation	70.0	1.6	2,500MW equipment order inflow
Karanataka JV	72.0	1.6	In-house 1,600MW JV project with Karnataka govt
EPC/BOP	45.0	1.0	
Total	**252.0**	**5.7**	

Source: Company data, Macquarie Research, June 2011

- **Infrastructure to remain flat, visibility on 40% inflow:** We expect infra orders to grow marginally by 2-3% overall to US$7bn in FY12E. We believe there is room for a positive surprise in this segment with potential large orders from Middle East airport or any of the mega road projects in India. Importantly, visibility is already 40% of FY12 order inflow, including US$1bn in building orders and US$1.3bn Hyderabad metro booked, and a US$0.6bn Dhamra port expansion order likely to be booked towards FY12 end.

  ⇒ **Roads sector to form 15% of infra orders:** L&T is targeting orders for 500km in base case and 750km in bull case. The company has already signed a concession agreement with NHAI for 244km Baewar-Pindwara road in 1QFY12. L&T is also in the race for a 500km mega road project Kishangarh-Udaipur- Ahmedabad, which if won, could lead to upside from our current estimates.

  ⇒ **Dhamara port expansion to bring US$600mn orders:** L&T management indicated that it may take up the Dhamra port expansion project (50-50 joint venture with Tata Steel) to increase its capacity to 85mn tons. The US$600mn order for this project is likely to be booked towards FY12 end.

  ⇒ **Balance of Hyderabad order of US$1.3bn yet to be booked:** L&T booked Rs60bn order from Hyderabad metro in FY11 (50% of total order). Remaining 50% is likely to be booked in FY12.

Fig 7 Infrastructure orders to total US$7bn in FY12

Infrastructure	Amount (Rsbn)	Amount (US$bn)	Comments
Roads	50.0	1.1	Base case 500km, bull case could be 750km
Hyderabad metro	60.0	1.3	Rs60bn Hyd metro order inflow yet to be booked
Buildings and factories	130.0	2.9	US$1bn of orders already booked
Dhamra Port expansion	25.0	0.6	Likely to be booked in order inflow towards late FY12
Others	45.0	1.0	Railways/water/port
Total	**310.0**	**7.0**	

Source: Company data, Macquarie Research, June 2011

- **Product orders to grow at 15%:** We expect orders from product businesses (E&E, MIP and defence orders) to grow by 15% in FY12.

Fig 8 Product business orders to total US$1.4bn in FY12

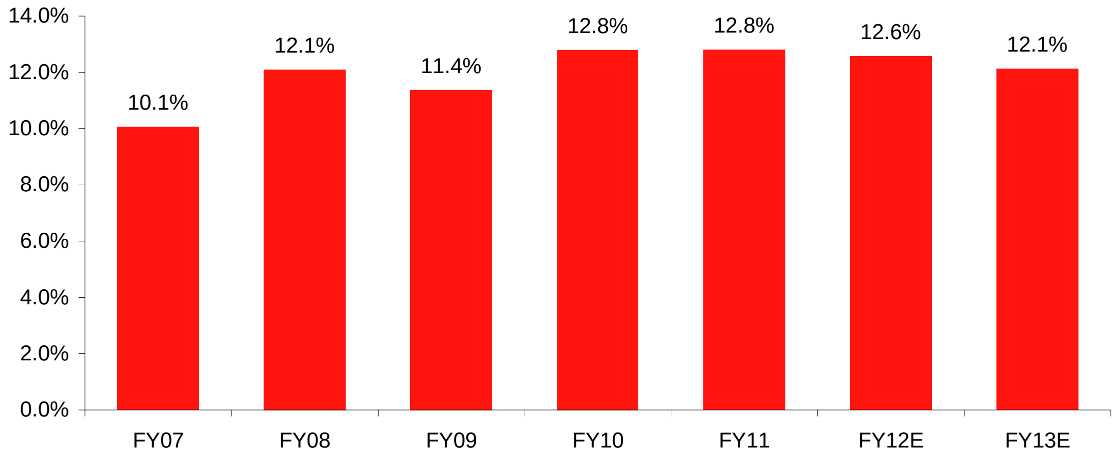
Products	Rsbn	US$bn	Comments
MIP/E&E/Defence	64.0	1.4	Primarily electrical, MIP and defence orders, assuming 15% growth

Source: Company data, Macquarie Research, June 2011

Long-term margins should be sustained at 50-75bps below current levels

- **FY12 margin guidance of 50-75bps; staff costs to provide cushion:** Company's strong execution in the last two years led to lower contingency provisioning, which has helped margins for the company. Going forward, with higher volatility in commodity prices, the company expects margins to decline by 50-75bps. However, staff costs should provide some cushion to margins.
- **Long-term margins should be sustained at 12-12.5%:** Management expects long-term margins of the parent company to decline 50-75bps from current level to c.12-12.5%.

Fig 9 We are building 20bp decline in margin in FY12 and 50bp in FY13

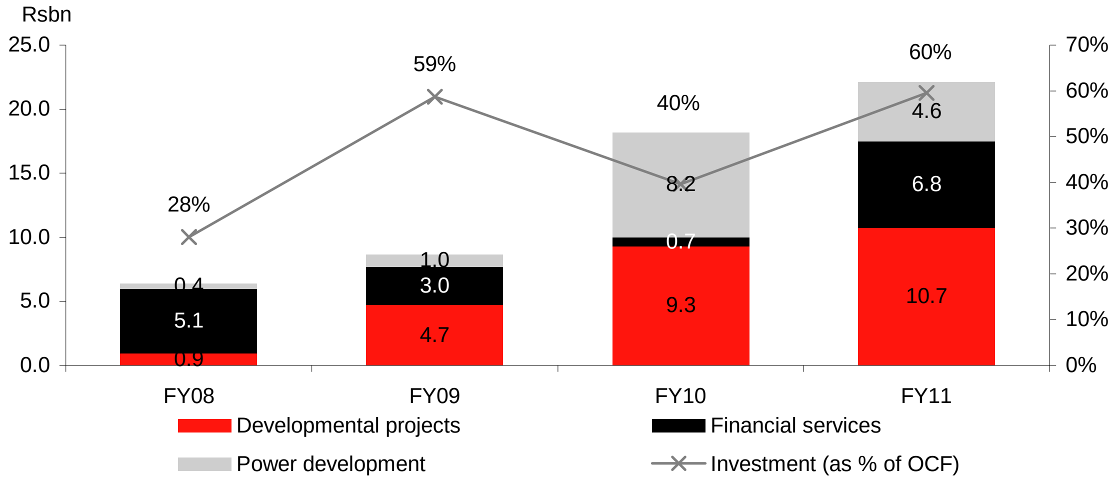


Source: Company data, Macquarie Research, June 2011

Capital infusion in subsidiaries should decline from FY13

- **Listing of financial and IDPL subsidiaries in FY12 and FY13:** The company aims to list its financial and IDPL subsidiaries in FY12 and FY13, respectively. Post the IPOs, L&T's annual equity commitment of US$350-400mn towards its subsidiaries would end.
  - ⇒ **Substantial portion of operating cashflow getting deployed in subsidiaries:** LT has been investing 30-60% of its operating cash flow (of the stand-alone entity) as equity in its subsidiaries.

Fig 10 L&T has infused Rs18-22bn annually in its subsidiaries over last 2 years



Source: Company data, Macquarie Research, June 2011

Valuation – maintain Outperform with a target price of Rs2,093

- **Risk-reward looks very favourable with c.10% downside, 20% upside:** We believe that the stock is interestingly positioned with downside likely capped at 10% (pre-FY11 result level) in the event the company misses its FY12 order inflow growth guidance. However, if order inflow guidance plays out as per management's guidance, we see ~20% upside from current levels.

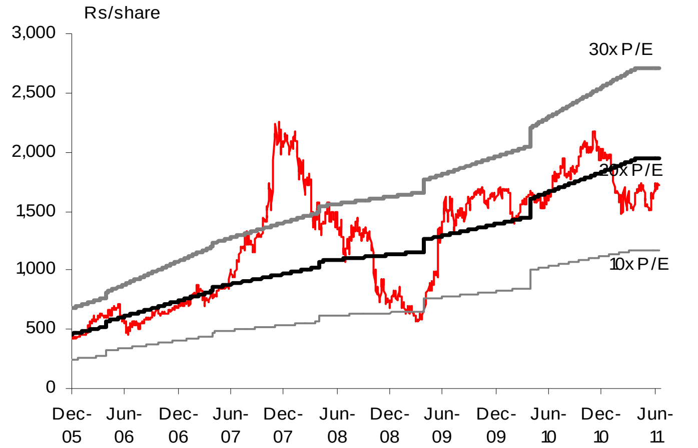
Fig 11 Our target price is Rs2,093

Segment	Value (Rs mn)	per share (Rs)	Comment
Core business	987,964	1,604	22x FY12E earnings ex-dividend earnings
Subsidiaries	354,438	575	
L&T IDPL	119,445	194	2.5x FY12E P/B
L&T Fin subs	80,519	130	2x FY12E P/B
L&T E&C subs	33,258	54	15x FY12E earnings
L&T Power	47,621	77	DCF-based valuation
L&T Power Development	16,740	27	1.5x invested equity
L&T Infotech	40,733	66	10x FY12E earnings
Satyam holding	2,109	3	Current price (as on 27 June)
Associates	14,013	23	12x FY12E earnings
Subsidiaries value post holding company discount		489	15% holding company discount
Target price		**2,093**	

Source: Company data, Macquarie Research, June 2011

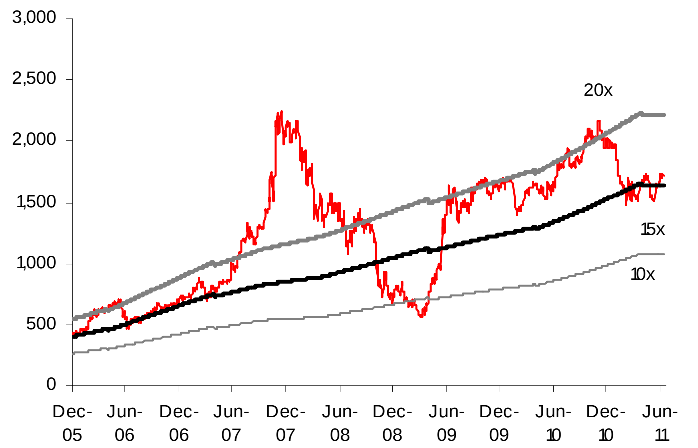
- **Stock trading at a significant discount to its long-term average; maintain OP:** L&T is trading at 15.5x FY12E core EPS (adjusted for subsidiaries' valuations). The stock has historically traded at a significantly higher multiple of 21x. We reteirate L&T as our top pick in the Indian infrastructure space in India.

Fig 12 L&T – 1 yr fwd PE chart (stand-alone)



Source: Company data, Macquarie Research, June 2011

Fig 13 L&T – 1yr fwd EV/EBITDA chart (stand-alone)



Source: Company data, Macquarie Research, June 2011

Larsen & Toubro (LT IN, Outperform, Target Price: Rs2,093.00)

Quarterly Results		4Q/11A	1Q/12E	2Q/12E	3Q/12E
Revenue	**m**	**177,103**	**126,804**	**154,982**	**183,161**
Gross Profit	**m**	**26,375**	**17,968**	**21,961**	**25,953**
Cost of Goods Sold	m	150,728	108,836	133,022	157,207
EBITDA	**m**	**26,375**	**17,968**	**21,961**	**25,953**
Depreciation	m	4,484	3,265	3,990	4,716
Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0
EBIT	**m**	**21,891**	**14,703**	**17,970**	**21,237**
Net Interest Income	m	-2,825	-2,329	-2,847	-3,365
Associates	m	296	188	230	272
Exceptionals	m	939	0	0	0
Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	3,125	1,820	2,224	2,629
Pre-Tax Profit	**m**	**23,426**	**14,381**	**17,577**	**20,773**
Tax Expense	m	-8,008	-4,712	-5,759	-6,807
Net Profit	**m**	**15,418**	**9,669**	**11,818**	**13,967**
Minority Interests	m	-267	-156	-190	-225
Reported Earnings	**m**	**15,151**	**9,514**	**11,628**	**13,742**
Adjusted Earnings	**m**	**14,212**	**9,514**	**11,628**	**13,742**
EPS (rep)		24.78	15.45	18.88	22.31
EPS (adj)		23.24	15.45	18.88	22.31
EPS Growth yoy (adj)	%	18.4	25.5	25.5	25.5
EBITDA Margin	%	14.9	14.2	14.2	14.2
EBIT Margin	%	12.4	11.6	11.6	11.6
Earnings Split	%	34.0	18.0	22.0	26.0
Revenue Growth	%	18.5	35.2	35.2	35.2
EBIT Growth	%	18.3	26.9	26.9	26.9

Profit and Loss Ratios		2011A	2012E	2013E	2014E
Revenue Growth	%	18.5	35.2	21.9	20.7
EBITDA Growth	%	21.8	28.7	17.8	19.2
EBIT Growth	%	18.3	26.9	20.3	21.8
Gross Profit Margin	%	14.9	14.2	13.7	13.5
EBITDA Margin	%	14.9	14.2	13.7	13.5
EBIT Margin	%	12.4	11.6	11.4	11.6
Net Profit Margin	%	8.7	7.6	7.6	7.7
Payout Ratio	%	17.0	13.6	11.3	9.3
EV/EBITDA	x	16.9	13.2	11.3	9.5
EV/EBIT	x	20.3	16.1	13.5	11.1
Balance Sheet Ratios					
ROE	%	18.3	19.6	19.9	20.4
ROA	%	8.5	9.3	9.6	10.2
ROIC	%	10.2	11.2	12.3	13.9
Net Debt/Equity	%	89.7	75.6	58.9	42.1
Interest Cover	x	7.7	6.3	7.1	8.0
Price/Book	x	4.4	3.8	3.2	2.6
Book Value per Share		404.1	475.4	563.7	674.0

Profit & Loss		2011A	2012E	2013E	2014E
Revenue	**m**	**520,891**	**704,465**	**858,709**	**1,036,548**
Gross Profit	**m**	**77,575**	**99,821**	**117,578**	**140,171**
Cost of Goods Sold	m	443,316	604,644	741,131	896,376
EBITDA	**m**	**77,575**	**99,821**	**117,578**	**140,171**
Depreciation	m	13,189	18,138	19,284	20,430
Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0
EBIT	**m**	**64,386**	**81,682**	**98,294**	**119,741**
Net Interest Income	m	-8,309	-12,941	-13,941	-14,941
Associates	m	871	1,045	1,254	1,505
Exceptionals	m	2,761	0	0	0
Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	9,191	10,110	11,121	12,234
Pre-Tax Profit	**m**	**68,901**	**79,897**	**96,729**	**118,539**
Tax Expense	m	-23,554	-26,179	-31,698	-38,855
Net Profit	**m**	**45,347**	**53,718**	**65,031**	**79,683**
Minority Interests	m	-786	-864	-951	-1,046
Reported Earnings	**m**	**44,561**	**52,854**	**64,080**	**78,638**
Adjusted Earnings	**m**	**41,800**	**52,854**	**64,080**	**78,638**
EPS (rep)		72.88	85.82	103.32	125.90
EPS (adj)		68.36	85.82	103.32	125.90
EPS Growth (adj)	%	18.4	25.5	20.4	21.9
PE (rep)	x	24.5	20.8	17.3	14.2
PE (adj)	x	26.1	20.8	17.3	14.2
Total DPS		11.65	11.65	11.65	11.65
Total Div Yield	%	0.7	0.7	0.7	0.7
Weighted Average Shares	m	611	616	620	625
Period End Shares	m	611	616	620	625

Cashflow Analysis		2011A	2012E	2013E	2014E
EBITDA	**m**	**77,575**	**99,821**	**117,578**	**140,171**
Tax Paid	m	-23,554	-26,179	-31,698	-38,855
Chgs in Working Cap	m	-156	-16,454	-13,652	-15,743
Net Interest Paid	m	-8,309	-12,941	-13,941	-14,941
Other	m	9,191	10,110	11,121	12,234
Operating Cashflow	**m**	**54,748**	**54,358**	**69,409**	**82,866**
Acquisitions	m	0	0	0	0
Capex	m	-90,146	-46,667	-46,667	-46,667
Asset Sales	m	0	0	0	0
Other	m	3,640	1,045	1,254	1,505
Investing Cashflow	**m**	**-86,506**	**-45,622**	**-45,413**	**-45,162**
Dividend (Ordinary)	m	-7,123	-7,175	-7,226	-7,277
Equity Raised	m	794	864	951	1,046
Debt Movements	m	47,702	17,267	17,267	17,267
Other	m	-786	-864	-951	-1,046
Financing Cashflow	**m**	**40,588**	**10,092**	**10,041**	**9,990**
Net Chg in Cash/Debt	**m**	**8,848**	**18,828**	**34,038**	**47,694**
Free Cashflow	**m**	**-35,398**	**7,691**	**22,742**	**36,199**

Balance Sheet		2011A	2012E	2013E	2014E
Cash	m	42,026	60,854	94,891	142,585
Receivables	m	147,088	200,133	244,146	294,900
Inventories	m	123,029	167,399	204,213	246,665
Investments	m	99,279	99,279	99,279	99,279
Fixed Assets	m	197,662	226,191	253,573	279,810
Intangibles	m	0	0	0	0
Other Assets	m	198,019	198,019	198,019	198,019
Total Assets	**m**	**807,103**	**951,874**	**1,094,121**	**1,261,259**
Payables	m	224,493	305,455	372,630	450,094
Short Term Debt	m	0	0	0	0
Long Term Debt	m	274,263	291,530	308,797	326,064
Provisions	m	24,743	24,743	24,743	24,743
Other Liabilities	m	24,605	24,605	24,605	24,605
Total Liabilities	**m**	**548,104**	**646,332**	**730,774**	**825,505**
Shareholders' Funds	m	243,865	289,544	346,399	417,760
Minority Interests	m	11,658	12,522	13,473	14,518
Other	m	3,244	3,244	3,244	3,244
Total S/H Equity	**m**	**258,767**	**305,310**	**363,115**	**435,522**
Total Liab & S/H Funds	**m**	**806,871**	**951,642**	**1,093,889**	**1,261,027**

All figures in INR unless noted.
Source: Company data, Macquarie Research, June 2011

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2011

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	45.65%	65.72%	59.70%	43.02%	68.91%	51.16%	(for US coverage by MCUSA, 14.36% of stocks covered are investment banking clients)
Neutral	39.49%	19.00%	29.85%	53.09%	26.43%	35.73%	(for US coverage by MCUSA, 17.55% of stocks covered are investment banking clients)
Underperform	14.86%	15.28%	10.45%	3.89%	4.66%	13.11%	(for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)

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