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Companies Featured
001800.KS, 005930.KS, 0531.HK, 2474.TW, 600004.SS, 600649.SS, MINT.BO, MRCO.BO, RELI.BO

April 10, 2007

Asia/Pacific Morning Meeting Summary

Highlights

The Morning Call

Reliance Industries (India) / Raising the Bar	Overweight
Orion Corp (S. Korea) / Attractive Valuations; Little Downside Risk	Overweight
Samsung Electronics (S. Korea) / 1Q07 Earnings Preview	Equal-weight
Technology / Samsung's Low-end Handset Entry: Key Implications	
S. Korea Discovery / P&Tel: Rewards for Long-term Commitment	
S. Korea Discovery / Intops: Samsung's Leading Handset Business Partner	

Company/Industry Analysis

Guangzhou Baiyun Int'l Airport (China) / Initiation of Coverage: As Good as It Gets	Overweight
Shanghai Municipal Raw Water Company Ltd (China) / New Tap Water Plant Provides Further Growth Upside	Overweight
Taiwan Solar Devices / Climate Debate Heats Up	
Samson Holding Ltd. (Hong Kong) / Solid Execution Amidst Challenging Times	Overweight
Marico Limited (India) / Taking a Breather	Underweight
MindTree Consulting Limited (India) / Initiation of Coverage: Promising Company, Rich Valuations	Underweight-V
Catcher Technology (Taiwan) / Poor 1H07; Yet Opportunity to Buy on Accelerating 2H	Overweight

What's Changed

Stock Rating Changes - Downgrades

		Stock Rating		Price Target		ModelWare Estimate		
Ticker	Company	From	To	From	To	From	To (FY)	Consensus*
MRCO.BO	Marico Limited	O	U	Rs62.50	Rs55.00	Rs2.35 Rs3.04	Rs2.22(3/'07) Rs2.58(3/'08)	-- --

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						Rs3.52	Rs3.03(3/'09)	--

Company Initiations

600004.SS	Guangzhou Baiyun Int'l Airport	--	O	--	Rmb15.00	-- --	Rmb0.38(12/'07) Rmb0.57(12/'08)	-- --
MINT.BO	MindTree Consulting Limited	--	U-V	--	RS625.00	-- -- --	26.85Rs(3/'07) 30.31Rs(3/'08) 38.68Rs(3/'09)	-- -- --

Estimates/Price Target Changes - Up

RELI.BO	Reliance Industries	--	O	Rs1,457.00	Rs1,690.00	--	--	--

Estimates/Price Target Changes - Down

2474.TW	Catcher Technology	--	O	NT$398.00	NT$314.00	NT$18.83 NT$23.72	NT$16.51(12/'07) NT$23.09(12/'08)	NT$20.17 NT$24.42
0531.HK	Samson Holding Ltd.	--	O	HK$5.00	HK$4.70	HK$0.35 HK$0.39	HK$0.33(12/'07) HK$0.37(12/'08)	-- --
005930.KS	Samsung Electronics	--	E	W640,000	W630,000	W51,847 W59,839	W45,246(12/'07) W51,486(12/'08)	-- --

Estimates/Price Target Changes - Up/Down

001800.KS	Orion Corp	--	O	--	W290,000	W12,929 W16,348 W18,811	W12,719(12/'07) W16,468(12/'08) W19,203(12/'09)	-- -- --
600649.SS	Shanghai Municipal Raw Water Company Ltd	--	O	Rmb9.06	Rmb10.55	Rmb0.33 Rmb0.35	Rmb0.32(12/'07) Rmb0.38(12/'09)	-- --

* First Call consensus estimate

The Morning Call

RELI.BO, Reliance Industries (Rs1,383.80) /Raising the Bar

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Rating: Overweight
India Chemicals: Attractive
Target: Rs1,690.00
52-Week Range: Rs1,445.00-806.00
Mkt. Cap(mn): Rs1,927,869
ModelWare EPS: Rs78.33 (FY 3/'07), Rs71.98 (FY 3/'08)
EPS, basic, rpt'd: Rs78.33 (FY 3/'07), Rs71.98 (FY 3/'08)

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Conclusion: We raise our earnings forecast by 15% for F2007 and F2008, and revise upward our price target to Rs1,690, implying 22% upside potential from current levels; maintain Overweight stance. Key triggers: a) more news on E&P business; b) RELI signing gas contracts with various consumers; c) higher global refining margins, and d) RELI setting up its pan India retail network.

Higher-than-expected petrochemical and refining margins have led us to raise our F2007/F2008 estimates for RELI. Net backs for January to March 2007 are up 15% YoY; GRM's are up 48% YoY. Our F2009 estimates have risen 50% on the back of the E&P business. We have also included in our consolidated earnings forecast the merger of IPCL and preferential issuance of warrants to the promoters and conversion into shares.

Reliance is investing aggressively for growth with a capital spending plan of US$21 billion over the next four years. With cash flow from operations equating to US$25 billion, and a current conservative net debt to equity ratio of 0.39, the company has the ability to invest further in new businesses such as Special Economic Zones (SEZ). We estimate a doubling of RELI's consolidated net profits and assets in the next four years, implying compound annual growth rates of 20%.

Key risks include a possible slowdown in global economic growth that could compress petrochemical and refining margins; a delay in execution of business plan; the stock's historical correlation with the market; and policy risks related to tariffs and subsidy burdens.

001800.KS, Orion Corp (W228,000) /Attractive Valuations; Little Downside Risk

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Rating: Overweight
S. Korea Consumer: In-Line
Target: W290,000
52-Week Range: W291,000-200,500
Mkt. Cap(bn): W1,349
ModelWare EPS: W12,719 (FY 12/'07), W16,468 (FY 12/'08)

Conclusion: We reiterate our Overweight rating and price target of W290,000 on Orion. With the change in its depreciation accounting method and development of overseas affiliates, we revisit our forecasts. Our numbers hardly change for 2007 and long-term earnings are lifted slightly.

What happened in overseas affiliates? Orion changed its depreciation method for overseas affiliates from straight-line to accelerated in 2006 for accounting consistency. With large-scale capacity expansion in 2006, combined depreciation expense surged to W22bn from W6bn in 2005. However, going forward, depreciation expense is expected to decline significantly and should not overshadow the stellar performance of overseas companies. According to Orion, the recent sales growth overseas is actually accelerating YoY, as newly added categories are well received in the market.

Sports TOTO's new game on track: The betting size of Sports TOTO has been soaring on the back of Proto, a new fixed-odds game. The current monthly trend of W130bn is higher than our average monthly assumption of W103bn for 2007. Given that Proto's commission rate rose to 19.4% from 15.0%, strong performance of Proto will enhance Sports TOTO's margin. As the high season is coming, equity-method gains from Sports TOTO should level-up to lead Orion's earnings growth.

Valuation: Our risk/reward analysis suggests that Orion has little downside risk. Multiple comparison also highlights its attractive valuation: P/E of 14.7x on 2007E and 11.9x on 2008E without amortization expense (vs. 3-year earnings CAGR of 42%), and adjusted EV/EBTIDA of 7.1x on 2007E and 6.0x on 2008E.

005930.KS, Samsung Electronics (W584,000) /1Q07 Earnings Preview

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Rating: Equal-weight
S. Korea Semiconductors: In-Line
Target: W630,000
52-Week Range: W697,000-541,000
Mkt. Cap(bn): W86,023

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ModelWare EPS: W45,246 (FY 12/'07), W51,486 (FY 12/'08)
EPS, basic, rpt'd: W45,246 (FY 12/'07), W51,486 (FY 12/'08)

Assessing the Damage. Throughout the quarter, consensus earnings estimates for Samsung have continued to see downward revisions. The consensus 1Q07 OP range is wide, at W1.3 trillion to W1.6 trillion. We are at W1.4 trillion. A sharp collapse in both NAND and DRAM pricing has made accurate earnings forecasts that much more difficult. We expect Samsung's OP to fall further in 2Q07, based on the rapid ASP declines prevalent during 1Q07. However, we note that the latest round of earnings cuts accepts that EPS will still be substantially lower in 2007 vs. 2006. In our view, the two-year downward earnings revision cycle may be coming to an end.

Mixed Signals. We continue to believe that the DRAM business is only at the beginning of a prolonged downward cycle. However, we think the worst is over for NAND in terms of the cyclical decline that started in 1Q06. We have begun to factor in the shifts in Samsung's low-end handset strategy and see successful transition as a potential catalyst for a 2008E earnings recovery.

Need Visibility. We see limited downside risk for the stock below the W580K level. We trim our target price to W630,000. In our view, a sustainable earnings recovery from 3Q07 is a plausible scenario, but any strength will largely depend on a seasonal demand recovery relative to the rapid increase in global memory semiconductor supply. A sustainable margin recovery well into 2008 could see the stock trade up to W675K, in our view.

Technology: Samsung's Low-end Handset Entry: Key Implications

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The Good and the Bad: The debate on whether Samsung Electronics will enter the low-end handset segment is over. The company has already made its move, and is accelerating its efforts. We are curious how it will play out. Can the business fuel the company's EPS, which urgently needs a catalyst? What are the best growth strategies, and how will Korean and other Asian component suppliers be affected? The answer largely depends on the extent of Samsung's success. We analyze the potential scenarios and implications.

We Predict That: If successful, (1) Samsung's market share could rise sharply; (2) Samsung's EPS could receive a big boost by 2008; (3) the rise in volume could benefit the existing Korean supply chain in the near term; (4) the long-term benefits should largely be felt by Taiwanese & Chinese component suppliers.

Investment Decisions: We think it is still early to Overweight Samsung outright. But a sharp rise in handset scale, while maintaining profitability, could re-emerge as a growth catalyst for 2008. Visibility should improve after 2Q07 on low-end sell-through data.

Rising volume will have a positive impact on Korean PCB, plastic casing and hinge makers with high volume exposure and a willingness to follow Samsung to China. Longer-term, the competitive threat to Korean component makers will intensify as Samsung seeks out more price-competitive solutions.

Taiwanese and Chinese suppliers will gain more in the long run. Areas of impact will be keypads, mechanical parts, PCB and batteries.

Who Benefits? Short-term: Intops, P&Tel, Daeduck, SEMCO and BYD on rising volume. Longer-term: FIH on one-stop solution, and Silitech only if Samsung increases volume on its existing relationship more than offsetting Moto's weakness and likely margin pains.

S. Korea Discovery/P&Tel: Rewards for Long-term Commitment

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Conclusion: P&Tel is a leading supplier of handset casings to Samsung Electronics with about 25% market share in 2006. The company sees strong volume momentum especially from low-end (C series) segments and expects double-digit earnings growth in 2007 on share gain in the handset casing market and contributions from new products (e.g. slide hinge modules).

Highlights: Management believes that P&Tel remains well positioned to capture an increasing share of the secular growth of the local and overseas handset casing industry with the ramp-up of its China plant, as well as the benefit from new product launches with the handset component industry. The company also boasts high free cash flow generating capability, a strong net cash position and a relatively high dividend yield (4%).

Valuations: At 5.8x consensus 2007 EPS estimates of W1,880 and 1.2x P/B compared with 23% consensus ROE, the stock is trading at a large discount to the KOSPI. Year to date, P&Tel has underperformed the KOSDAQ and the KOSPI by 10% and 4%, respectively. Historically, the share price performance tends to be driven by revenue growth and Samsung's handset margins.

S. Korea Discovery/Intops: Samsung's Leading Handset Business Partner

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Conclusion: Intops is a leading supplier of handset casings to Samsung Electronics with about 35% market share in 2006. The company sees strong volume momentum from both high-end (U600) and low-end (C series) segments and expects solid earnings growth in 2007 on strong position in handset casing market, robust growth in printer and new handset components (e.g. internal antenna) contributions.

Highlights: Management believes that Intops remains well positioned to capture a dominant share of the secular growth of the local and overseas handset casing industry with the ramp-up of its China plants, as well as the benefit from new product launches with the handset component industry. The company also boasts high free cash flow generating capability, a strong net cash position and a relatively high dividend yield (3%).

Valuations: At 4.8x consensus 2007 EPS estimates of W5,517 and 0.9x P/B compared with 21% consensus ROE, the stock is trading at a large discount to the KOSPI. Year to date, Intops has underperformed the KOSDAQ and the KOSPI by 11% and 5%, respectively. Historically, the share price performance tends to be driven by revenue growth and Samsung's handset margins.

Company/Industry Analysis

CHINA

600004.SS, Guangzhou Baiyun Int'l Airport (Rmb12.62) /Initiation of Coverage: As Good as It Gets

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Rating: Overweight
China Transportation: Attractive
Target: Rmb15.00
52-Week Range: Rmb13.20-5.81

Conclusion: We initiate coverage of Guangzhou Baiyun International Airport (GBIA) with an Overweight rating and price target of Rmb15 (20% implied total return). We believe GBIA is entering a favorable stage in the capex cycle, which is best captured by our DCF valuation, while the market appears to still price the stock on a P/E multiple. We advocate accumulating GBIA stock to profit from revenue growth and margin improvement at the company over the next five years. GBIA is the top pick in our A-share airport coverage.

Mkt. Cap(mn): Rmb12,620
ModelWare EPS: Rmb0.38 (FY 12/'07), Rmb0.57 (FY 12/'08)
EPS, basic, rpt'd: Rmb0.38 (FY 12/'07), Rmb0.57 (FY 12/'08)

Riding the Capex Cycle: After three painful years following the completion of the new Baiyun Airport (net profit down 0.4% over 2003-06), GBIA is entering an interval in major capex that allows for steady traffic growth (no capacity bottleneck) and margin improvement (little incremental expenses). By contrast, SACL should encounter a capacity bottleneck in 2008-09, and SIAC and BCIA could suffer an earnings slump following expansion capex in 2008, on our estimates. We expect GBIA to achieve a 38% earnings CAGR over 2006-10E (SACL: 18%; SIAC: 17%).

Solid Fundamentals: A robust local economy in a region that is the world's factory, a favorable regulatory regime, and China's aggressive aircraft acquisitions provide a solid base to extend long-term value creation, in our view. Additionally, we expect the new CEO to take measures to cut the mounting operating costs, which, along with a lower tax rate of 25% (33% currently), could further improve GBIA's earning power.

Valuation and Key Risks: Despite a lofty 33x 2007E P/E at the current price, the 2007E EV/EBITDA of 13x is the lowest in the peer group (SACL: 15x; SIAC: 27x). Major downside risks include deterioration in cost control, slower-than-expected air traffic, rescission of the airport construction fee by CAAC, and imprudent capex that destroys shareholder value.

600649.SS, Shanghai Municipal Raw Water Company Ltd (Rmb8.97) /New Tap Water Plant Provides Further Growth Upside

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Rating: Overweight
China Water Utilities: Attractive
Target: Rmb10.55
52-Week Range: Rmb9.15-4.00
Mkt. Cap(mn): Rmb16,903
ModelWare EPS: Rmb0.32 (FY 12/'07), Rmb0.35 (FY 12/'08)
EPS, basic, rpt'd: Rmb0.32 (FY 12/'07), Rmb0.35 (FY 12/'08)

Conclusion: We are raising our price target and 2009 earnings forecast after the company announced a new tap plant expansion plan. Raw Water posted 2006 results with top-line growth of 18% YoY and bottom-line growth of 49% YoY, in line with our expectations. The gross margin climbed to 44% in 2006 from 41% in 2005, resulting from a better cost structure after the Changjiang-Minhang asset swap concluded in mid-2006. We maintain our Overweight rating on Raw Water and raise our price target to Rmb10.55.

What's New: We estimate the construction of the new tap water plant should be completed by the end of 2007, which will increase the daily capacity of tap water supply by 500k tons from 2008. We continue to see signs that a tariff hike is forthcoming, and management commented that it intends to seek approval of additional asset injections in 2007.

Implications: The new water plant should further boost Raw Water's revenue growth profile, on top of the tariff hike. After it begins full operation in 2008, we conservatively forecast YoY increases in 2008 of 23% in revenue and 8.6% in earnings. We have updated some assumptions based on the cost structure. Our revised price target prices in only organic growth, leaving out the impact of possible asset injection and new accounting standards. Risks to our price target include delay of tariff hikes as well as delay in the Huangpu-Shinan asset swap and in the construction of the new tap water plant.

Taiwan Solar Devices: Climate Debate Heats Up

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Taiwan Solar Devices: Attractive

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Acute Focus on Climate Change: We believe that the focus on global warming and climate change is likely to increase significantly over the next few months. As expected, the Intergovernmental Panel on Climate Change (IPCC) published its report on "Impacts, Adaptation and Vulnerability" on April 6, 2007. The report highlights a serious risk to many natural resources such as water supply, ecosystems and health and hygiene due to greenhouse gas emissions. As these are more widely understood by people and regulators, we expect an intense focus on Cleantech including PV incentives. Hence, as we have argued in the past, the policy risk for PV stocks remains positive. This, combined with strong organic growth in the sector, will ensure strong stock price performance, in our view. We maintain our Attractive view on the solar devices industry.

What's New: The recent IPCC report is a summary of the findings of Working Group II under the Fourth Assessment report of IPCC. The findings of IPCC are likely to be the basis of future 'Climate Change' negotiations among nations and we believe the current report supports our view of increasing global support for PV (please refer to *Climate Change: Need more Photovoltaic Systems*, February 6, 2007). Since publication of part 1 of the report, the EU has increased its target of greenhouse gas emissions and the UK is beginning to take a serious note.

Investment Implications: A global consensus on the impact of climate change is likely to lead to an integrated approach towards mitigating climate change, in our view. As the EU and UK have shown recently, the usage of renewable energy sources is a key step in that direction. Photovoltaic (PV) should be a beneficiary if the usage of renewable energy increases. We believe that with increased policy support, rapid cost reduction (partially via new technologies) and easing of raw material constraints will likely lead to an improvement in the growth outlook for the PV sector. We reiterate our view that E-Ton Solar (3452.TWO, NT$621, O) is the most attractive stock in our universe.

HONG KONG

0531.HK, Samson Holding Ltd. (HK$4.10) /Solid Execution Amidst Challenging Times

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Rating: Overweight
Hong Kong Consumer: Attractive
Target: HK$4.70
52-Week Range: HK$5.05-2.75
Mkt. Cap(mn): HK$11,316
ModelWare EPS: HK$0.33 (FY 12/'07), HK$0.37 (FY 12/'08)
EPS, basic, rpt'd: HK$0.33 (FY 12/'07), HK$0.37 (FY 12/'08)

Conclusion: Retain Overweight-V rating. Samson continues to deliver solid execution despite a challenging environment. Equipped with a strong balance sheet and more efficient and lower cost structure, Samson is in a strong position to consolidate the market. Earnings upside could materialize as it seeks acquisitions to strengthen its presence in the US market. The risk-reward trade-off at the current share price is attractive, in our view.

What's New: Samson reported 2006 net profit of US$103 million, up 15.7% YoY. This is around 5% below our expectation and was due to lower sales and one-off legal fee related to the appeal against the US anti-dumping duty on Chinese wood bedroom furniture. Overall sales grew 9.9% YoY, helped by strong OEM sales. Gross margin dipped 187bp YoY on a shift in product mix and some increase in cost. Operating margin dropped 90bp YoY, though we estimate that excluding the one-off legal expense, operating margin likely was flattish to down marginally YoY.

Implications: We have lowered our earnings forecasts for 2007–08 by 6% to factor in potentially softer sales amidst a tough environment. Key catalysts to watch for include M&A given intensifying pressure on weaker competitors. Successful launch of the Better Homes and Garden line could also provide a boost to branded sales growth this year.

INDIA

MRCO.BO, Marico Limited (Rs63.80) /Taking a Breather

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Rating: Underweight
India Consumer: Attractive
Target: Rs55.00
52-Week Range: Rs67.50-33.00
Mkt. Cap(mn): Rs37,004
ModelWare EPS: Rs2.22 (FY 3/'07), Rs2.58 (FY 3/'08)

Downgrading to Underweight: We think it will be a challenge for Marico to improve margins from F2007E levels and to maintain the organic growth momentum seen during the last two years. The stock has outperformed the market by 23.6% and 16.5% during the last three months and six months, respectively. It's trading at close to its all-time high multiples and is one of the most expensive Indian consumer stocks, on our estimates. We are cutting our F2008E and F2009E earnings forecasts by 15.3% and 14.1%, respectively.

Long-term story intact: We continue to expect Marico to utilize part of the enhanced gross margins in its hair oil business to build new businesses and enter new areas. However, a high base effect and lack of incremental triggers gives an opportunity to book profits, in our view.

Margins unlikely to improve in F2008E: A potential increase in input costs (copra) and a slowdown in organic sales growth are likely to result in deceleration in Marico's operating profit growth in F2008E. We expect the company's operating profit growth to slowdown from 57% during F2005-07E to 15% in F2007-09E.

Valuations are no longer supportive: Marico is trading 24.7x F2008E and 21.1x F2009E earnings. This represents premiums of 19.6% and 20.6% to the average of FMCG stocks under our coverage in India. We believe that this is unjustified, considering a potentially lower growth outlook for the company. On a relative P/E basis, too, the stock is trading at close to its all-time highs, which implies little scope for upside. We expect the company to report a strong 4Q performance of 31% revenue growth and 27% adjusted net profit growth. We would advocate selling into any potential rally following the results announcement.

MINT.BO, MindTree Consulting Limited (Rs831.80) /Initiation of Coverage: Promising Company, Rich Valuations

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Rating: Underweight-V
India Software: Attractive
Price Target: Rs625.00
52-Week Range: Rs1,021.80-575.20
Mkt. Cap(mn): US$664
ModelWare EPS: 26.85Rs (FY 3/'07), 30.31Rs (FY 3/'08)

Initiating coverage with Underweight-V rating and target price of Rs625. While we like MindTree Consulting for its management team and its range of service offerings, we find valuations rich.

A survivor from the "dotcom boom" days and good management pedigree. The company was set up in 1999 and offers IT services as well as R&D services. Unlike many consulting companies that were organized around then and that have faltered, MindTree has survived and grown well – revenue recorded a 55% CAGR between F2002 and F2006. Ten professionals from leading IT organizations founded the company. MindTree's chairman and managing director was previously vice chairman of Wipro and oversaw Wipro Infotech's business between 1984 and 1999. During that time, revenue rose from US$2 million to US$500 million.

Small size could result in attractive growth, but quarterly volatility is one risk. We forecast a CAGR of 31% in revenue and 37% in EBIT from F2007 to F2009. Given the recent initial public offering, however, we estimate a 20% EPS CAGR. We expect the operating profit margin to expand 160 bps from F2008 to F2009. In our view, given the company's relatively small scale, the possibility of earnings surprise is high. At the same time, the smaller scale and greater proportion of application development work (vs. maintenance) could lead to quarterly volatility in financials.

Strong performance since IPO has resulted in premium valuations The stock is up 96% from its IPO offering price (the company listed on March 7, 2007) and trades at 27x our F2008

EPS estimate, premiums of 53% to the multiple of Satyam and even 18% to Infosys.

TAIWAN

2474.TW, Catcher Technology (NT$252.00) /Poor 1H07; Yet Opportunity to Buy on Accelerating 2H

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Rating: Overweight
Taiwan System & PC Hardware: In-Line
Target: NT$314.00
52-Week Range: NT$382.00-206.51
Mkt. Cap(mn): US$3,154
ModelWare EPS: NT$16.51 (FY 12/'07), NT$23.09 (FY 12/'08)
EPS, basic, rpt'd: NT$19.60 (FY 12/'07), NT$28.39 (FY 12/'08)

Conclusion: We retain our Overweight rating on Catcher Technology. Despite better-than-expected 4Q results on a positive margin trend, we cut our 2007 and 2008 reported earnings forecasts by 16% and 5%, respectively, as we expect Moto's lengthy inventory correction and Apple's consumer sales slowdown to lead to disappointing 1H07 sales, as well as magnesium casing adoption rate changes by Moto/Dell. We also lower our price target to NT$314, based on 16x 2007E reported earnings. On a trough 1Q, we believe sales growth in 2Q will likely reach 10% QoQ before reaccelerating in 2H07. Despite the lack of a catalyst in 2Q, we would be buyers of the stock on any share price weakness given: 1) an accelerating secular light metal casing adoption trend; 2) better-than-expected margins that should partially offset negative earnings impact from weaker 1H07 sales, and 3) attractive valuations versus industry peers.

Industry implications: We re-assess our industry assumptions for the magnesium industry, and conclude:

A) Growth should reaccelerate in 2H07 in the handset magnesium industry on: 1) new handset model launches from Nokia/Sony Ericsson/Apple; and 2) slimmer and lighter designs to back up the growth in 3G phones. Our new forecasts assume unit growth of 43% and 52% YoY in 2007 and 2008, respectively.

B) For the NB magnesium industry, our analysis shows that the adoption rate has yet to peak despite Dell's reduction – other PC OEMs are still increasing the ratio. We expect the launch of Santa Rosa new NB models to revitalize industry growth. We now forecast NB magnesium industry growth rates of 33% and 28% for 2007 and 2008, respectively.

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(as of March 31, 2007)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	843	38%	292	44%	35%
Equal-weight/Hold	991	45%	284	42%	28%
Underweight/Sell	364	17%	95	14%	26%
Total	2,198		671		

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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 this report is 12 to 18 months.

Analyst Industry Views

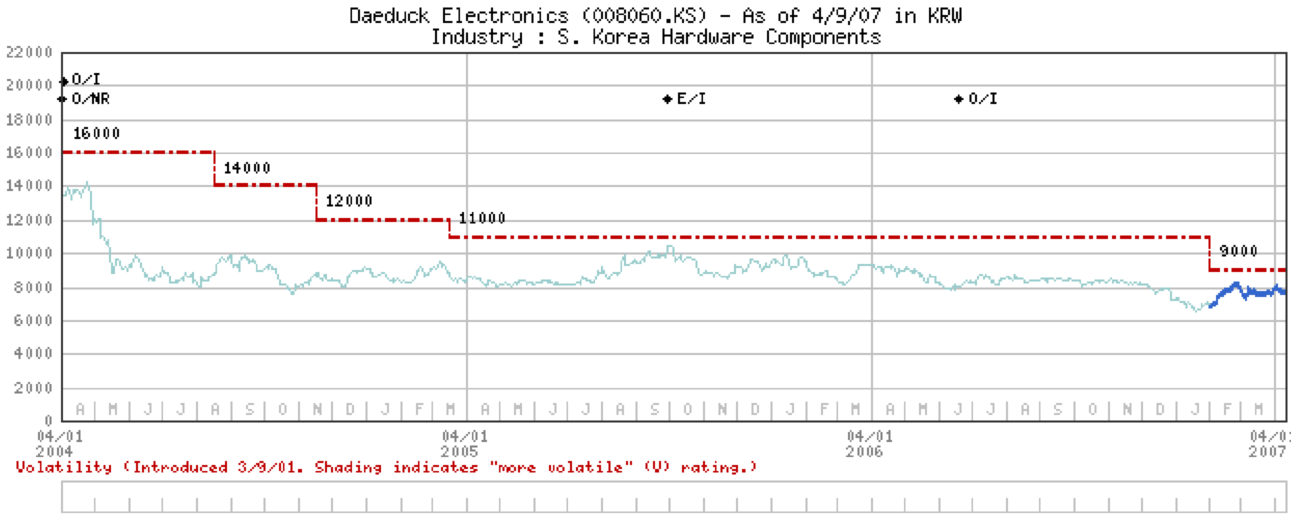
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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.

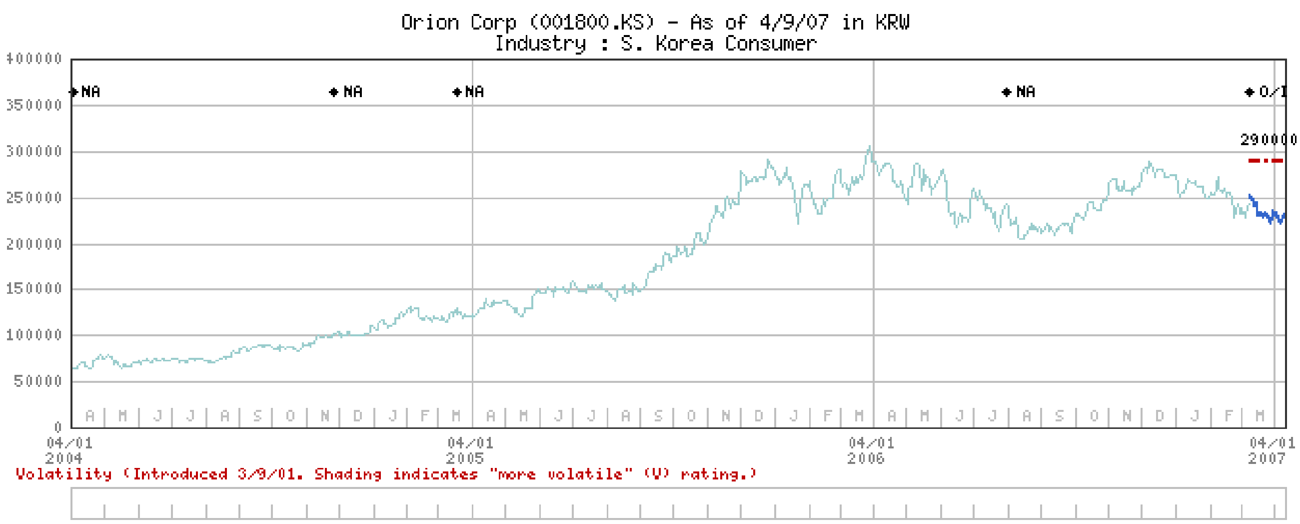
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock price charts and rating histories for companies discussed in this report are available at www.morganstanley.com/companycharts or from your local investment representative. You may also request this information by writing to Morgan Stanley at 1585 Broadway, (Attention: Equity Research Management), New York, NY, 10036 USA.



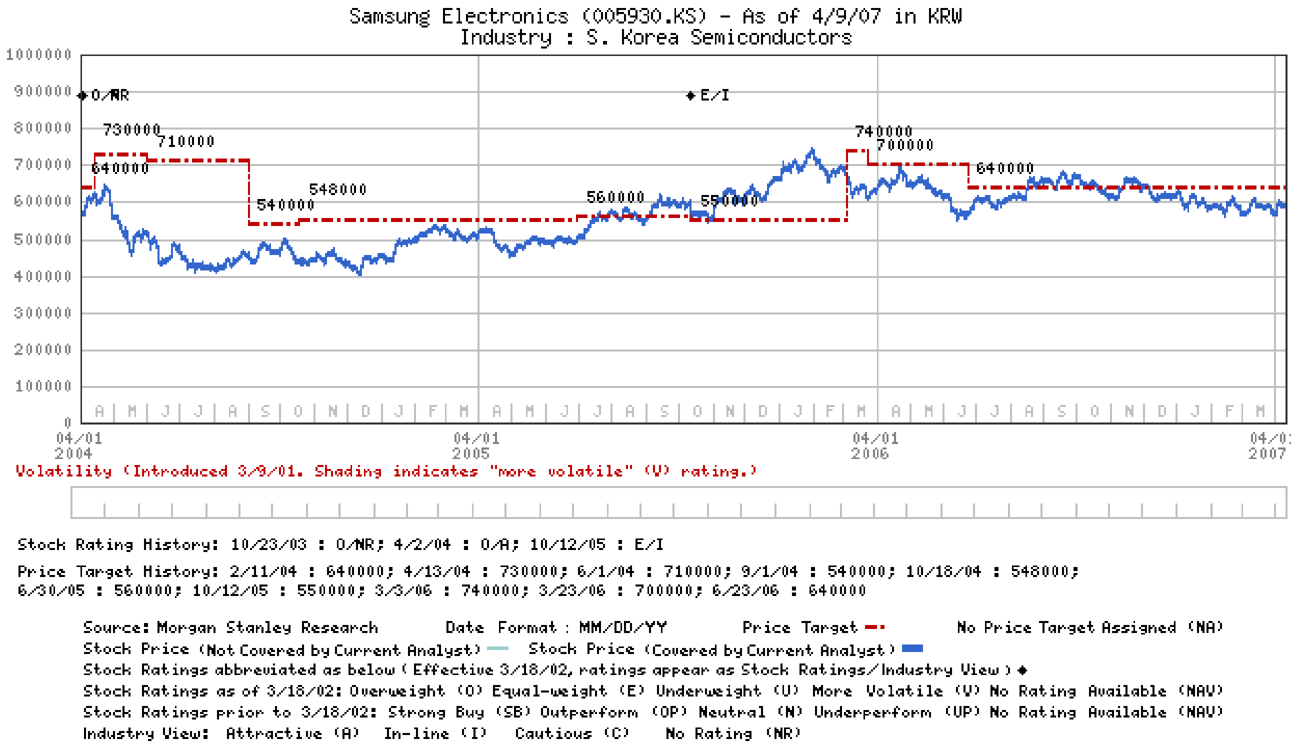
Stock Rating History: 2/2/04 : O/NR; 4/2/04 : O/I; 9/30/05 : E/I; 6/19/06 : O/I
Price Target History: 2/2/04 : 16000; 8/16/04 : 14000; 11/16/04 : 12000; 3/16/05 : 11000; 2/1/07 : 9000

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View)
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAV)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAV)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)



Stock Rating History: 4/2/04 : NA; 11/26/04 : NA; 3/17/05 : NA; 7/31/06 : NA; 3/9/07 : O/I
Price Target History: 3/9/07 : 290000

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View)
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAV)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAV)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)



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