

UBS Investment Research

Pantaloon Retail (India) Ltd.

Upgrading estimates, price target

■ Retail space assumptions increased

Pantaloon's retail business is on a strong path, we have increased our store opening projections on the back of strong store openings from July-October. We have raised space estimates from 9.8m sq ft to 10.1m sq ft for FY08, and from 13.6m sq ft to 15.9m sq ft for FY09.

■ Store openings on track

In the period July-October 2007 Pantaloon opened 1.15m sq ft of retail space, on a standalone basis. Consolidated with Home Solutions, store openings were 1.55m sq ft from June-October. The company had 5.2m sq ft and 6m sq ft respectively, as of end-FY07. We are raising our EPS estimates by 2.7% to Rs9.1 for FY08, and by 3.7% to Rs13.8 for FY09.

■ Increasing value of Future Capital business

The company plans to raise assets under management from US\$1.1bn to US\$2.1bn. We now value the asset management business at US\$400m and the consumer credit business at \$250m.

■ Valuation: maintain Buy rating, raise PT from Rs615 to Rs760

Our price target is based on a sum-of-the-parts valuation of the retail business and Future Capital. For the retail business, we have raised the interim growth rate from 25% to 28%, maintaining a 6% long-term growth rate and a WACC of 9.6%, raising the value of the retail business from Rs475 to Rs584. We are increasing the value of the Future Capital business from Rs140 per share to Rs176.

Highlights (Rsm)	06/05	06/06	06/07E	06/08E	06/09E
Revenues	10,840	19,608	32,367	63,273	97,027
EBIT (UBS)	732	1,212	1,787	3,449	4,972
Net Income (UBS)	385	643	1,200	1,330	2,016
EPS (UBS, Rs)	3.07	4.78	8.39	9.11	13.82
Net DPS (UBS, Rs)	0.50	0.50	0.70	0.80	1.00

Profitability & Valuation	5-yr hist av.	06/06	06/07E	06/08E	06/09E
EBIT margin %	7.3	6.2	5.5	5.5	5.1
ROIC (EBIT) %	12.8	16.6	13.7	15.8	14.2
EV/EBITDA (core) x	-	32.6	45.4	25.9	20.0
PE (UBS) x	-	67.2	73.7	67.9	44.8
Net dividend yield %	-	0.2	0.1	0.1	0.2

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs618.60 on 08 Nov 2007 23:39 HKT

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Global Equity Research

India

Retailers, Broadline

12-month rating **Buy ***
Unchanged

12m price target **Rs760.00/US\$19.35**
Prior:Rs615.00/US\$15.66

Price **Rs618.60/US\$15.75**

RIC: PART.BO BBG: PF IN

9 November 2007

Trading data (local/US\$)

52-wk range	Rs646.45-372.65/US\$16.49-8.70
Market cap.	Rs90.3bn/US\$2.30bn
Shares o/s	146m (ORD)
Free float	60%
Avg. daily volume ('000)	74
Avg. daily value (Rsm)	40.7

Balance sheet data 06/07E

Shareholders' equity	Rs10.6bn
P/BV (UBS)	8.5x
Net Cash (debt)	(Rs9.53bn)

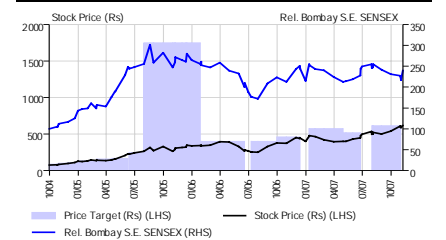
Forecast returns

Forecast price appreciation	+22.9%
Forecast dividend yield	0.1%
Forecast stock return	+23.0%
Market return assumption	12.4%
Forecast excess return	+10.6%

EPS (UBS, Rs)

	06/07E		06/06	
	From	To	Cons.	Actual
Q1	-	-	-	-
Q2E	-	-	-	-
Q3E	-	-	-	-
Q4E	-	-	-	-
06/07E	5.01	8.39	5.01	-
06/08E	8.93	9.11	8.93	-

Performance (Rs)



Source: UBS

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This report has been prepared by UBS Securities India Private Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 7. * Exception to core rating bands; See page9

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Store openings on track—increasing space estimates

On a standalone basis, Pantaloon has opened 1.15m sq ft of retail space from July to October, with 0.95m sq ft was from Big Bazaar. In the same period in 2006, Pantaloon opened 0.6m sq ft of retail space. Store openings are on track with our estimates.

Store openings on track at 1.15m sq ft

Consolidated with Home Solutions, Pantaloon has opened 1.55m sq ft of retail space, which was an increase of 158% compared with the same period in 2006.

We are marginally increasing our space estimates from 9.8m sq ft (for the consolidated entity) to 10.1m sq ft by FY08, and from 13.6m sq ft to 15.9m sq ft by FY09.

Table 1: space estimates

Particulars (m sq ft)	FY08E		FY09E	
	Earlier estimates	Current estimates	Earlier estimates	Current estimates
Year end retail space	9.8	10.1	13.6	15.9

Source: UBS estimates

Estimates increase

We have summarised (Table 2) our revenue and profit changes to our estimates. We raise our revenues and profits estimates 2.6% and 2.1% for FY08 and 3.6% and 3.7% for FY09, respectively.

Table 2: change in Pantaloon retail business estimates

Particulars	FY08E			FY09E		
	Earlier estimates	Current estimates	Growth (%)	Earlier estimates	Current estimates	Growth (%)
Revenues	61,668	63,273	2.6%	93,653	97,027	3.6%
PBT	1,958	1,999	2.1%	2,922	3,032	3.8%
PAT	1,302	1,330	2.1%	1,944	2,016	3.7%
EPS	8.9	9.1	2.4%	13.3	13.8	3.7%

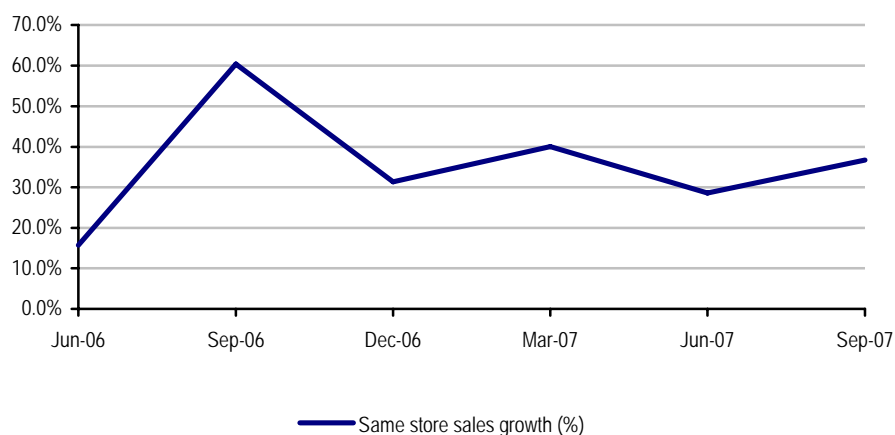
Source: UBS estimates

Same store sales growth

We have analysed Pantaloon's same store sales (SSS) growth by quarter, from June 2006 to September 2007 (Chart 1). Quarterly trends are more indicative, as monthly same store sales growth may not be comparable because shopping seasons and holidays occur at different times, from year to year.

We estimate Pantaloon's same store sales growth, which averaged 40.1% in FY07, to drop to about 28%, due to the larger sales base. However, Pantaloon's new store openings are expected to be robust, adding to total sales growth.

Chart 1: Same store sales growth trends (%)



Source: Company data

Price target derivation

Pantaloon's subsidiary Future Capital (62% stake) has \$1.1bn assets under management (AUM). Future Capital plans to increase this to \$2.1bn within the next four months. They plan to launch new funds in their real estate and consumer private equity businesses.

With increased funds under management, we raise our value of Future Capital's asset management business from \$275 to \$400m.

Our valuation of the consumer credit business remains unchanged at \$250m, so we are now valuing Future Capital at \$650m. This accounts for Rs175 per share of Pantaloon Retail.

The core retail business, we have increased interim growth rate from 25% to 28%, maintaining a 6% long-term growth rate and a WACC of 9.6%, increasing the value of the retail business from Rs475 to Rs584.

We raise our price target for Pantaloon from Rs615 to Rs760 based on a sum-of-the-parts valuation.

Table 3: Pantaloon—price target derivation

Particulars	Rs mn
Asset Management business	
Cash flows from asset management business	29,340
WACC	9.4%
Number of years	7
Discounted cash flows from the AMC business (Rs mn)	15,870
Value of the business per share (Rs)	109
Consumer credit business	
ROE expected	18-20%
P/BV	2.4x
Equity investment	4,100
Value of the business	9,840
Value of the business per share (Rs)	67
Price per share value of Future Capital	176
Price per share value of retail business	584
Price target of the stock	760

Source: UBS estimates

Pantaloon Retail (India) Ltd.

Income statement (Rsm)	06/02	06/03	06/04	06/05	06/06	06/07E	% ch	06/08E	% ch	06/09E	% ch
Revenues	2,853	4,448	6,583	10,840	19,608	32,367	65.1	63,273	95.5	97,027	53.3
Operating expenses (ex deprn)	(2,630)	(4,074)	(6,034)	(9,975)	(18,187)	(30,211)	66.1	(59,224)	96.0	(91,205)	54.0
EBITDA (UBS)	223	374	550	865	1,420	2,156	51.8	4,049	87.8	5,822	43.8
Depreciation	(42)	(64)	(88)	(133)	(208)	(369)	77.1	(600)	62.8	(850)	41.7
Operating income (EBIT, UBS)	181	310	462	732	1,212	1,787	47.4	3,449	93.0	4,972	44.1
Other income & associates	7	3	13	43	42	920	2090.2	50	-94.6	60	20.0
Net interest	(112)	(177)	(231)	(244)	(335)	(898)	167.7	(1,500)	67.1	(2,000)	33.3
Abnormal items (pre-tax)	0	5	0	0	0	0	-	0	12.1	0	-0.6
Profit before tax	75	142	243	531	919	1,810	97.0	1,999	10.5	3,032	51.6
Tax	(5)	(22)	(46)	(145)	(276)	(610)	121.1	(670)	9.8	(1,016)	51.6
Profit after tax	70	119	197	385	643	1,200	86.6	1,330	10.8	2,016	51.6
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	70	119	197	385	643	1,200	86.6	1,330	10.8	2,016	51.6
Net Income (UBS)	70	114	197	385	643	1,200	86.6	1,330	10.8	2,016	51.6
Tax rate (%)	7	16	19	27	30	34	12.3	34	-0.6	34	0.0
Pre-abnormal tax rate (%)	7	17	20	30	31	69	117.9	34	-49.9	34	-0.5
Per share (Rs)	06/02	06/03	06/04	06/05	06/06	06/07E	% ch	06/08E	% ch	06/09E	% ch
EPS (local GAAP)	0.64	1.09	1.80	3.07	4.78	8.39	75.4	9.11	8.6	13.82	51.6
EPS (UBS)	0.64	1.04	1.80	3.07	4.78	8.39	75.4	9.11	8.6	13.82	51.6
Net DPS	0.68	0.88	0.30	0.50	0.50	0.70	40.0	0.80	14.3	1.00	25.0
Cash EPS	1.03	1.63	2.61	4.13	6.33	10.97	73.2	13.23	20.6	19.64	48.5
BVPS	16.53	17.85	8.68	17.63	39.20	72.77	85.6	80.98	11.3	93.67	15.7
Balance sheet (Rsm)	06/02	06/03	06/04	06/05	06/06	06/07E	% ch	06/08E	% ch	06/09E	% ch
Net tangible fixed assets	1,923	2,283	1,748	2,295	3,955	7,086	79.2	10,486	48.0	14,136	34.8
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	820	922	1,436	2,378	5,983	9,155	53.0	16,830	83.8	28,325	68.3
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	2,742	3,205	3,185	4,674	9,938	16,242	63.4	27,316	68.2	42,462	55.4
Investments	51	53	53	319	1,406	3,906	177.8	3,906	0.0	3,906	0.0
Total capital employed	2,793	3,258	3,237	4,993	11,344	20,148	77.6	31,222	55.0	46,368	48.5
Shareholders' equity	1,717	1,854	949	2,215	5,269	10,618	101.5	11,816	11.3	13,667	15.7
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	1,717	1,854	949	2,215	5,269	10,618	101.5	11,816	11.3	13,667	15.7
Net debt / (cash)	1,076	1,404	2,288	2,778	6,075	9,530	56.9	19,407	103.6	32,701	68.5
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	2,793	3,258	3,237	4,993	11,344	20,148	77.6	31,222	55.0	46,368	48.5
Cash flow (Rsm)	06/02	06/03	06/04	06/05	06/06	06/07E	% ch	06/08E	% ch	06/09E	% ch
Operating income (EBIT, UBS)	181	310	462	732	1,212	1,787	47.4	3,449	93.0	4,972	44.1
Depreciation	42	64	88	133	208	369	77.1	600	62.8	850	41.7
Net change in working capital	278	132	(538)	(1,042)	(3,724)	(3,610)	-3.1	(7,749)	114.7	(11,870)	53.2
Other (operating)	7	3	13	43	42	920	2090.2	50	-94.6	60	20.0
Operating cash flow	507	509	25	(134)	(2,261)	(534)	-76.4	(3,650)	583.8	(5,989)	64.1
Net interest received / (paid)	(112)	(177)	(231)	(244)	(335)	(898)	167.7	(1,500)	67.1	(2,000)	33.3
Dividends paid	(14)	(18)	(29)	(55)	(67)	(102)	52.0	(117)	14.3	(146)	25.0
Tax paid	(5)	(22)	(46)	(145)	(276)	(610)	121.1	(670)	9.8	(1,016)	51.6
Capital expenditure	(349)	(424)	(730)	(680)	(1,868)	(3,500)	87.4	(4,000)	14.3	(4,500)	12.5
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	0	(2)	0	(71)	(151)	279	-	0	-	0	-
Share issues	511	395	998	1,407	5,578	7,940	42.4	10,010	26.1	13,158	31.5
Cash flow (inc)/dec in net debt	519	248	(46)	5	468	2,855	510.3	74	-97.4	(492)	-
FX / non cash items	(922)	(577)	(838)	(494)	(3,766)	(6,310)	67.6	(9,950)	57.7	(12,802)	28.7
Balance sheet (inc)/dec in net debt	(403)	(328)	(884)	(489)	(3,298)	(3,455)	4.8	(9,877)	185.9	(13,294)	34.6
Core EBITDA	223	374	550	865	1,420	2,156	51.8	4,049	87.8	5,822	43.8
Maintenance capital expenditure	0	0	0	0	0	0	-	0	-	0	-
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	223	374	550	865	1,420	2,156	51.8	4,049	87.8	5,822	43.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy *

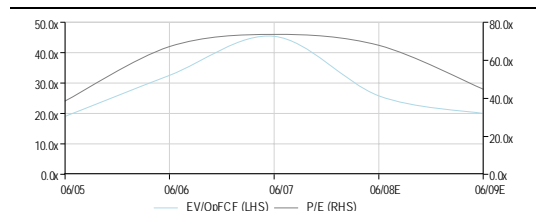
12m price target

Rs760.00

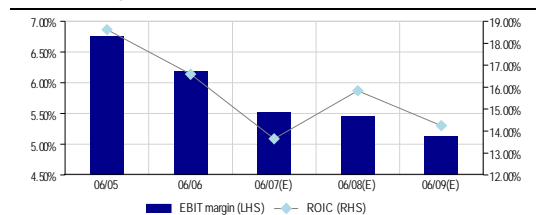
Company profile

Pantaloon is India's largest listed retailer. It is rapidly building retail capacity in its two main retailing formats: lifestyle and value retailing. In the lifestyle segment, its Pantaloon stores and the upcoming Central stores offer apparel and fashion items targeting the middle-class market. Its Big Bazaar discount stores target the price-conscious apparel and grocery markets (the latter through the Food Discount brand).

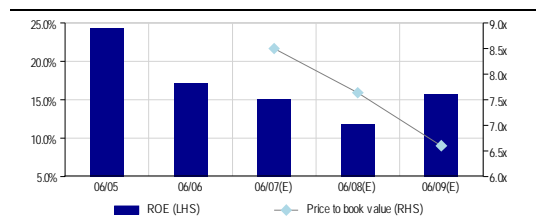
Value (EV/OpFCF & P/E)



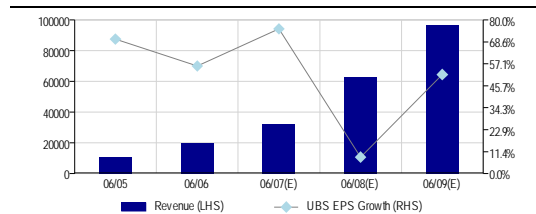
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
P/E (local GAAP)	-	38.6	67.2	73.7	67.9	44.8
P/E (UBS)	-	38.6	67.2	73.7	67.9	44.8
P/CEPS	-	28.7	50.8	56.4	46.8	31.5
Net dividend yield (%)	-	0.4	0.2	0.1	0.1	0.2
P/BV	-	6.7	8.2	8.5	7.6	6.6
EV/revenue (core)	-	1.5	2.4	3.0	1.7	1.2
EV/EBITDA (core)	-	19.1	32.6	45.4	25.9	20.0
EV/EBIT (core)	-	22.5	NM	NM	NM	23.4
EV/OpFCF (core)	-	19.1	NM	NM	25.9	20.0
EV/op. invested capital	-	4.2	6.3	7.5	4.8	3.3

Enterprise value (Rsm)	06/05	06/06	06/07E	06/08E	06/09E
Average market cap	14,046	42,078	90,285	90,285	90,285
+ minority interests	0	0	0	0	0
+ average net debt (cash)	2,438	4,222	7,663	14,468	26,054
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	16,484	46,299	97,948	104,753	116,338

Growth (%)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
Revenue	56.5	64.7	80.9	65.1	95.5	53.3
EBITDA (UBS)	47.6	57.4	64.2	51.8	87.8	43.8
EBIT (UBS)	45.0	58.5	65.6	47.4	93.0	44.1
EPS (UBS)	34.3	70.0	56.0	75.4	8.6	51.6
Cash EPS	39.4	58.3	53.4	73.2	20.6	48.5
Net DPS	-11.3	66.7	0.0	40.0	14.3	25.0
BVPS	4.5	103.1	122.4	85.6	11.3	15.7

Margins (%)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
EBITDA / revenue	8.5	8.0	7.2	6.7	6.4	6.0
EBIT / revenue	7.3	6.8	6.2	5.5	5.5	5.1
Net profit (UBS) / revenue	3.5	3.6	3.3	3.7	2.1	2.1

Return on capital (%)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
EBIT ROIC (UBS)	12.8	18.6	16.6	13.7	15.8	14.2
ROIC post tax	-	13.1	11.4	4.3	10.4	9.4
Net ROE	11.2	24.4	17.2	15.1	11.9	15.8

Coverage ratios (x)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
EBIT / net interest	2.3	3.2	3.7	3.0	2.3	2.5
Dividend cover (UBS EPS)	3.1	6.1	9.6	12.0	11.4	13.8
Div. payout ratio (% , UBS EPS)	61.8	16.3	10.5	8.3	8.8	7.2
Net debt / EBITDA	3.7	3.2	4.3	4.4	4.8	5.6

Efficiency ratios (x)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
Revenue / op. invested capital	1.8	2.8	2.7	2.5	2.9	2.8
Revenue / fixed assets	2.8	5.4	6.3	5.9	7.2	7.9
Revenue / net working capital	5.2	5.7	4.7	4.3	4.9	4.3

Investment ratios (x)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
OpFCF / EBIT	1.2	1.2	1.2	1.2	1.2	1.2
Capex / revenue (%)	8.9	6.3	9.5	10.8	6.3	4.6
Capex / depreciation	6.9	5.1	9.0	9.5	6.7	5.3

Capital structure (%)	5Yr Avg	06/05	06/06	06/07E	06/08E	06/09E
Net debt / total equity	99.3	NM	NM	89.8	NM	NM
Net debt / (net debt + equity)	49.8	55.6	53.6	47.3	62.2	70.5
Net debt (core) / EV	-	14.8	9.1	7.8	13.8	22.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs618.60 on 08 Nov 2007 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

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* Exception to core rating bands; See page9

■ **Pantaloon Retail (India) Ltd.**

Pantaloon is India's largest listed retailer. It is rapidly building retail capacity in its two main retailing formats: lifestyle and value retailing. In the lifestyle segment, its Pantaloon stores and the upcoming Central stores offer apparel and fashion items targeting the middle-class market. Its Big Bazaar discount stores target the price-conscious apparel and grocery markets (the latter through the Food Discount brand).

■ **Statement of Risk**

The retail sector is currently closed to foreign competition, but this could change. The entry of large-format foreign retailers with skills in merchandising and supply-chain management could affect the sales and margins of Indian companies such as Pantaloon.

■ **Analyst Certification**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	40%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	0%	29%
Sell	Sell	0%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Pantaloon Retail (India) Ltd. ^{5, 20}	PART.BO	Suspended	N/A	Rs618.60	08 Nov 2007

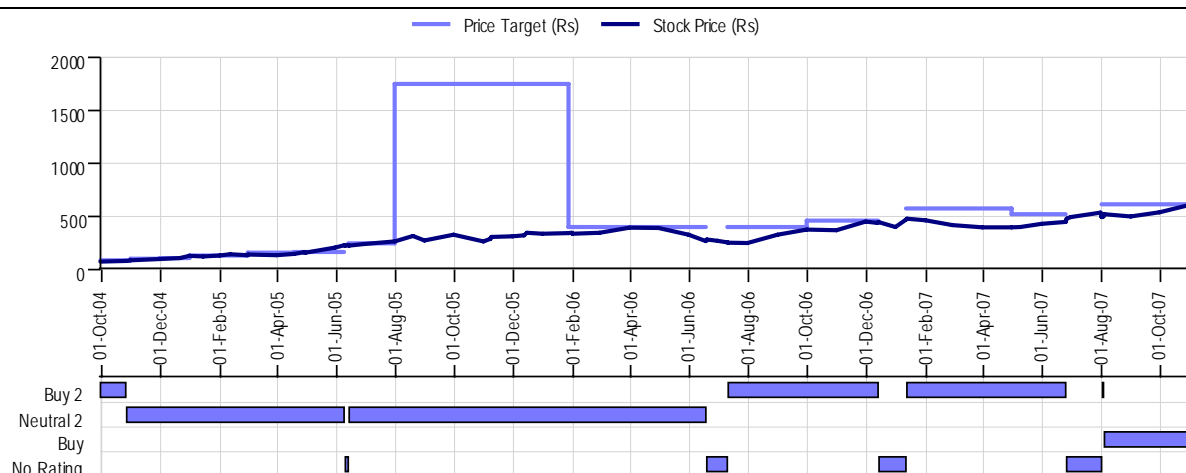
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
20. Because UBS believes this security presents significantly higher-than-normal risk, its rating is deemed Buy if the FSR exceeds the MRA by 10% (compared with 6% under the normal rating system).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Pantaloon Retail (India) Ltd. (Rs)



Source: UBS; as of 08 Nov 2007

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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