

Takeaways from competitor meeting

■ We met with Godfrey Phillips (not covered); ITC's largest competitor

Godfrey Phillips' (GPI) sold 13.8bn sticks in FY09 while ITC sold 78.4bn sticks. Importantly, 70-75% of GPI's volumes came from the four states of Rajasthan, Haryana, Himachal Pradesh and Maharashtra. GPI is trying to expand distribution across other parts of the country, where it faces formidable competition from ITC. Therefore we believe GPI is not a national competitor of ITC.

■ Marlboro relaunch effect on ITC

GPI expects the Marlboro brand will have improved availability, as it is now being locally manufactured but distribution gains, if any, will be limited as the brand largely appeals to the urban population. The company said it may be difficult to establish the brand in the price-sensitive semi-rural population, given ITC's well-established brands, an advertising ban in the market, and Marlboro's premium price point.

■ GST implementation expected to leave "demerit" goods on dual tax

Industry experts we met indicated that excise duty on liquor and cigarettes may be left out of the purview of GST implementation. We infer therefore that the excise duty, which is applicable on a stick basis, will continue in the present format while VAT (presently 12.5% in the majority of states) would be replaced by the GST rate.

■ Valuation: reiterate Buy on ITC, our top pick in the consumer space

We continue to derive our 12-month price target of Rs275 using DCF-based methodology, but explicitly forecast long-term valuation drivers with UBS's VCAM tool. Our price target assumes a WACC of 11.7%.

Highlights (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Revenues	139,475	153,881	182,011	208,044	235,172
EBIT (UBS)	39,722	43,091	53,814	62,361	73,365
Net Income (UBS)	31,267	32,636	39,797	46,603	54,614
EPS (UBS, Rs)	8.31	8.65	10.54	12.35	14.47
Net DPS (UBS, Rs)	3.51	3.68	4.48	5.12	5.97

Profitability & Valuation	5-yr hist av.	03/09	03/10E	03/11E	03/12E
EBIT margin %	30.7	28.0	29.6	30.0	31.2
ROIC (EBIT) %	60.0	45.8	48.6	48.8	52.7
EV/EBITDA (core) x	7.2	9.8	10.7	9.2	7.9
PE (UBS) x	19.3	21.4	21.7	18.5	15.8
Net dividend yield %	2.3	2.0	2.0	2.2	2.6

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 Rs228.60 on 08 Sep 2009 23:38 HKT

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Tobacco

12-month rating **Buy**
Unchanged

12m price target **Rs275.00/US\$5.67**
Unchanged

Price **Rs228.60/US\$4.72 (ADR)**

RIC: ITC.BO BBG: ITC IB

9 September 2009

Trading data (local/US\$)

52-wk range	Rs250.05-149.05/US\$5.24-2.99
Market cap.	Rs863bn/US\$17.8bn
Shares o/s	3,774m (ORD)/3,774m (ADR)
ADR ratio	1 ADR:1 ORD
Free float	65%
Avg. daily volume ('000)	850/-
Avg. daily value (Rsm)	182.8/-

Balance sheet data 03/10E

Shareholders' equity	Rs160bn
P/BV (UBS)	5.4x
Net Cash (debt)	Rs29.8bn

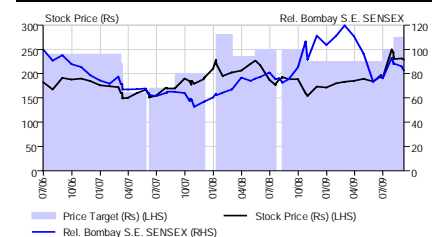
Forecast returns

Forecast price appreciation	+20.3%
Forecast dividend yield	2.0%
Forecast stock return	+22.3%
Market return assumption	12.0%
Forecast excess return	+10.3%

EPS (UBS, Rs)

	03/10E	03/09
	UBS	Cons. Actual
Q1E	2.34	- 1.99
Q2E	2.46	- 2.13
Q3E	2.34	- 2.40
Q4E	3.40	- 2.15
03/10E	10.54	10.26
03/11E	12.35	11.97

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

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Table 1: ITC's operating performance for cigarette divisions

	Mar-01	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10E
No. cigarettes (b sticks)	66.5	60.9	63.4	65.4	70.0	75.9	81.3	80.7	78.5	83.7
% change	0.5	(8.4)	4.2	3.1	7.1	8.4	7.1	(0.7)	(2.8)	6.7
Cigarette sales (INR m)	76,766	80,136	87,568	92,236	99,964	113,229	128,244	138,155	151,009	169,405
Excise (INR m)	44,745	47,809	51,591	53,446	57,101	64,339	71,358	74,084	77,554	82,859
Net cigarette sales (INR m)	32,021	32,327	35,977	38,790	42,863	48,890	56,887	64,071	73,455	86,546
Price (per 1,000 sticks)	1,154.8	1,316.6	1,380.9	1,410.6	1,428.1	1,491.9	1,578.1	1,711.5	1,924.0	2,023.2
% change	10.1	14.0	4.9	2.2	1.2	4.5	5.8	8.5	12.4	5.2
Excise (per 1000 sticks)	673.1	785.5	813.5	817.4	815.8	847.7	878.1	917.8	988.1	989.6
% change	7.7	16.7	3.6	0.5	(0.2)	3.9	3.6	4.5	7.7	0.0
Net price	481.7	531.1	567.3	593.2	612.3	644.2	700.0	793.7	935.9	1,033.6
% change	13.5	10.3	6.8	4.6	3.2	5.2	8.7	13.4	17.9	10.4
Net price/Gross price	41.7	40.3	41.1	42.1	42.9	43.2	44.4	46.4	48.6	51.1

Source: Company data, UBS estimates

Table 2: Volume market share in the cigarette market (%)

Volume Msh (%)	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09
ITC	70.5%	71.8%	73.2%	73.2%	78.0%
GTC	8.0%	7.4%	6.7%	5.7%	1.1%
VST	9.2%	8.4%	7.9%	8.0%	7.2%
GPI	12.3%	12.5%	12.2%	13.0%	13.8%
Total market	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company annual reports *GTC's numbers are estimates

Table 3: Value market share in the cigarette market (%)

Value Msh (%)	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09
ITC	82.1%	82.5%	83.8%	83.1%	81.6%
GTC	2.8%	2.5%	2.2%	1.8%	0.7%
VST	5.3%	4.9%	4.4%	4.6%	5.4%
GPI	9.8%	10.1%	9.6%	10.5%	12.3%
Total market	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company annual reports GTC's numbers are estimates

Table 4: ITC's segment margins (%)

Segments	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	Q1FY10
Cigarettes	26.4%	27.8%	29.1%	27.4%	27.0%
Other FMCG	-17.7%	-15.3%	-17.6%	-14.0%	-13.1%
Total FMCG	19.4%	20.3%	21.8%	20.1%	20.8%
Hotels	32.9%	27.6%	33.7%	32.2%	16.5%
Agribusiness	4.2%	8.8%	8.1%	10.1%	10.6%
Paperboards	18.9%	16.2%	16.6%	21.3%	17.5%
Total EBIT Margin%	19.2%	20.5%	21.7%	21.3%	20.9%

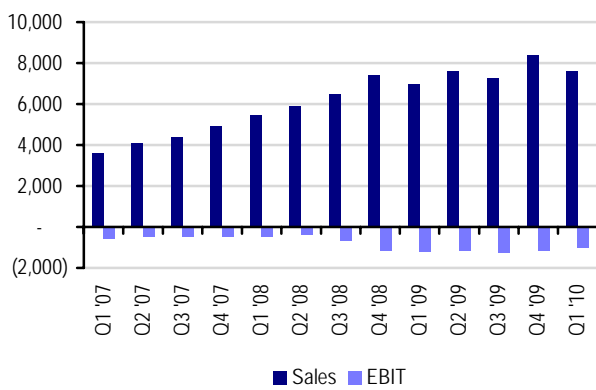
Source: Company data

Table 5: ITC's segmental ROCE (%)

Segments	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	Q1FY10
Cigarettes	36.9%	35.8%	39.4%	35.1%	40.3%
Other FMCG	-5.1%	-4.8%	-5.5%	-5.6%	-5.2%
Total FMCG	16.8%	17.1%	19.4%	18.7%	21.7%
Hotels	4.4%	3.5%	4.4%	3.2%	1.3%
Agribusiness	6.0%	10.1%	6.0%	5.1%	7.2%
Paperboards	3.6%	3.3%	2.9%	4.0%	3.4%
Annualized ROCE %	38.7%	39.7%	42.3%	40.8%	42.5%

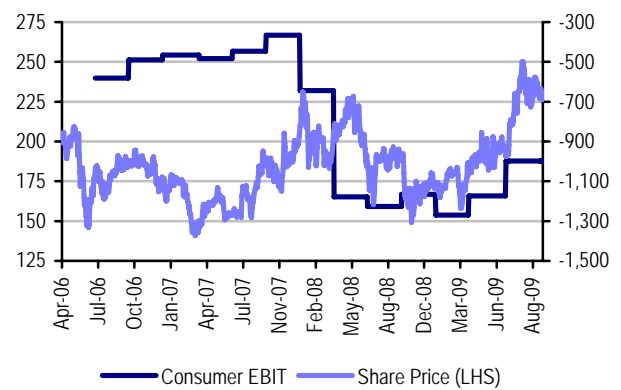
Source: Company data

Chart 1: Consumer segmental revenue and profits



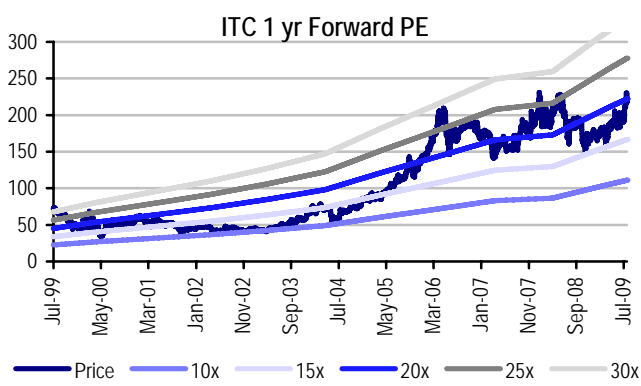
Source: Company data

Chart 2: Stock price movement tracked against consumer loss



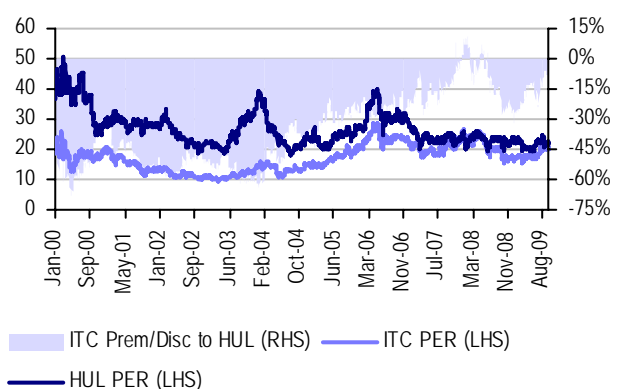
Source: Company data, Bloomberg

Chart 3: PE band chart



Source: Company data

Chart 4: HUL/ITC premium discount



Source: Reuters, UBS estimates

Income statement (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Revenues	76,395	97,905	123,693	139,475	153,881	182,011	18.3	208,044	14.3	235,172	13.0
Operating expenses (ex dephn)	(48,438)	(64,607)	(84,101)	(95,369)	(105,296)	(121,879)	15.7	(138,418)	13.6	(153,451)	10.9
EBITDA (UBS)	27,957	33,299	39,592	44,106	48,585	60,132	23.8	69,627	15.8	81,720	17.4
Depreciation	(3,129)	(3,323)	(3,629)	(4,385)	(5,494)	(6,318)	15.0	(7,266)	15.0	(8,356)	15.0
Operating income (EBIT, UBS)	24,828	29,975	35,963	39,722	43,091	53,814	24.9	62,361	15.9	73,365	17.6
Other income & associates	2,358	2,861	3,337	6,109	5,349	5,884	10.0	6,473	10.0	7,249	12.0
Net interest	(424)	(119)	(33)	(46)	(183)	(300)	63.8	(300)	0.0	(300)	0.0
Abnormal items (pre-tax)	(31)	(25)	0	(67)	(152)	0	-	0	-	0	-
Profit before tax	26,731	32,692	39,267	45,718	48,105	59,398	23.5	68,533	15.4	80,314	17.2
Tax	(8,360)	(9,888)	(12,267)	(14,518)	(15,622)	(19,601)	25.5	(21,931)	11.9	(25,700)	17.2
Profit after tax	18,371	22,804	27,000	31,200	32,484	39,797	22.5	46,603	17.1	54,614	17.2
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)	18,371	22,804	27,000	31,200	32,484	39,797	22.5	46,603	17.1	54,614	17.2
Net Income (UBS)	18,402	22,828	27,000	31,267	32,636	39,797	21.9	46,603	17.1	54,614	17.2
Tax rate (%)	31	30	31	32	32	33	1.6	32	-3.0	32	0.0
Pre-abnormal tax rate (%)	31	30	31	32	32	33	1.9	32	-3.0	32	0.0
Per share (Rs)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
EPS (local GAAP)	4.88	6.06	7.18	8.29	8.61	10.54	22.5	12.35	17.1	14.47	17.2
EPS (UBS)	4.89	6.07	7.18	8.31	8.65	10.54	21.9	12.35	17.1	14.47	17.2
Net DPS	2.31	3.02	3.10	3.51	3.68	4.48	21.6	5.12	14.4	5.97	16.5
Cash EPS	5.72	6.95	8.14	9.48	10.10	12.22	20.9	14.27	16.8	16.68	16.9
BVPS	21.27	24.13	27.79	32.11	36.58	42.46	16.1	49.68	17.0	58.18	17.1
Balance sheet (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Net tangible fixed assets	41,369	44,051	56,109	72,957	84,860	96,541	13.8	107,276	11.1	116,920	9.0
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	737	4,033	10,591	14,717	15,565	24,536	57.6	27,207	10.9	26,834	-1.4
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	42,106	48,084	66,700	87,673	100,425	121,077	20.6	134,482	11.1	143,754	6.9
Investments	9,346	9,346	9,346	9,346	9,346	9,346	0.0	9,346	0.0	9,346	0.0
Total capital employed	51,452	57,429	76,046	97,019	109,770	130,423	18.8	143,828	10.3	153,099	6.4
Shareholders' equity	78,956	90,615	104,371	120,577	137,351	160,250	16.7	187,514	17.0	219,598	17.1
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	78,956	90,615	104,371	120,577	137,351	160,250	16.7	187,514	17.0	219,598	17.1
Net debt / (cash)	(27,504)	(33,186)	(28,325)	(23,558)	(27,580)	(29,827)	8.1	(43,687)	46.5	(66,498)	52.2
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	51,452	57,429	76,046	97,019	109,770	130,423	18.8	143,828	10.3	153,099	6.4
Cash flow (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Operating income (EBIT, UBS)	24,828	29,975	35,963	39,722	43,091	53,814	24.9	62,361	15.9	73,365	17.6
Depreciation	3,129	3,323	3,629	4,385	5,494	6,318	15.0	7,266	15.0	8,356	15.0
Net change in working capital	(10,092)	(3,829)	(6,836)	(3,575)	(3,727)	(2,413)	-35.2	(2,611)	8.2	(2,819)	8.0
Other (operating)	(31)	(25)	0	(67)	(152)	0	-	0	-	0	-
Operating cash flow	17,834	29,445	32,756	40,464	44,707	57,719	29.1	67,015	16.1	78,901	17.7
Net interest received / (paid)	(424)	(119)	(33)	(46)	(183)	(300)	63.8	(300)	0.0	(300)	0.0
Dividends paid	(5,588)	(8,676)	(11,347)	(11,663)	(13,190)	(13,894)	5.3	(16,898)	21.6	(19,338)	14.4
Tax paid	(7,403)	(9,725)	(13,925)	(14,524)	(15,636)	(19,601)	25.4	(21,931)	11.9	(25,700)	17.2
Capital expenditure	(8,377)	(6,006)	(15,687)	(21,232)	(17,397)	(18,000)	3.5	(18,000)	0.0	(18,000)	0.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(59)	(1,647)	(2,408)	(2,997)	(1,295)	(6,050)	367.3	(2,500)	-58.7	0	-
Share issues	5,160	202	(1,581)	(1,804)	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	1,142	3,475	(12,224)	(11,802)	(2,994)	(126)	-95.8	7,387	-	15,562	110.7
FX / non cash items	5,383	2,206	7,364	7,035	7,017	2,373	-66.2	6,473	172.8	7,249	12.0
Balance sheet (inc)/dec in net debt	6,525	5,681	(4,861)	(4,767)	4,022	2,247	-44.1	13,860	516.9	22,812	64.6
Core EBITDA	27,957	33,299	39,592	44,106	48,585	60,132	23.8	69,627	15.8	81,720	17.4
Maintenance capital expenditure	(3,129)	(3,323)	(3,629)	(4,385)	(5,494)	(6,318)	15.0	(7,266)	15.0	(8,356)	15.0
Maintenance net working capital	(10,092)	(3,829)	(6,836)	(3,575)	(3,727)	(2,413)	-35.2	(2,611)	8.2	(2,819)	8.0
Operating free cash flow, pre-tax	14,736	26,147	29,127	36,146	39,365	51,401	30.6	59,749	16.2	70,545	18.1

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional 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

Rs275.00

Company profile

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

Valuation (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
P/E (local GAAP)	19.3	21.5	21.5	21.7	18.5	15.8
P/E (UBS)	19.3	21.5	21.4	21.7	18.5	15.8
P/CEPS	16.8	18.9	18.3	18.7	16.0	13.7
Net dividend yield (%)	2.3	2.0	2.0	2.0	2.2	2.6
P/BV	4.8	5.6	5.1	5.4	4.6	3.9
EV/revenue (core)	2.4	3.2	3.1	3.5	3.1	2.7
EV/EBITDA (core)	7.2	10.2	9.8	10.7	9.2	7.9
EV/EBIT (core)	8.0	11.4	11.0	12.0	10.3	8.8
EV/OpFCF (core)	8.9	12.5	12.1	12.5	10.8	9.1
EV/op. invested capital	4.8	5.8	5.1	5.8	5.0	4.6

Enterprise value (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Average market cap	670,831	694,650	862,828	862,828	862,828
+ minority interests	0	0	0	0	0
+ average net debt (cash)	(210,091)	(210,091)	(210,091)	(210,091)	(210,091)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(9,346)	(9,346)	(9,346)	(9,346)	(9,346)
Core enterprise value	451,394	475,213	643,391	643,391	643,391

Growth (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue	21.2	12.8	10.3	18.3	14.3	13.0
EBITDA (UBS)	16.9	11.4	10.2	23.8	15.8	17.4
EBIT (UBS)	17.0	10.5	8.5	24.9	15.9	17.6
EPS (UBS)	18.3	15.8	4.0	21.9	17.1	17.2
Cash EPS	18.1	16.4	6.6	20.9	16.8	16.9
Net DPS	23.9	13.1	5.0	21.6	14.4	16.5
BVPS	16.8	15.5	13.9	16.1	17.0	17.1

Margins (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBITDA / revenue	34.1	31.6	31.6	33.0	33.5	34.7
EBIT / revenue	30.7	28.5	28.0	29.6	30.0	31.2
Net profit (UBS) / revenue	23.3	22.4	21.2	21.9	22.4	23.2

Return on capital (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT ROIC (UBS)	60.0	51.5	45.8	48.6	48.8	52.7
ROIC post tax	-	35.1	31.0	32.6	33.2	35.9
Net ROE	27.0	27.8	25.3	26.7	26.8	26.8

Coverage ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	2.3	2.4	2.3	2.4	2.4	2.4
Div. payout ratio (% , UBS EPS)	43.5	42.2	42.6	42.5	41.5	41.3
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue / op. invested capital	2.0	1.8	1.6	1.6	1.6	1.7
Revenue / fixed assets	2.2	2.2	2.0	2.0	2.0	2.1
Revenue / net working capital	22.2	11.0	10.2	9.1	8.0	8.7

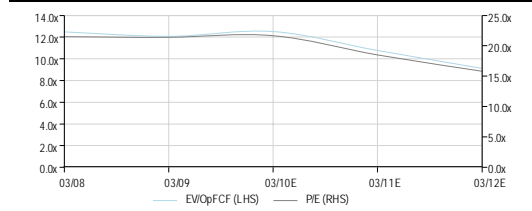
Investment ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
OpFCF / EBIT	0.9	0.9	0.9	1.0	1.0	1.0
Capex / revenue (%)	11.6	15.2	11.3	9.9	8.7	7.7
Capex / depreciation	3.4	4.8	3.2	2.8	2.5	2.2

Capital structure (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Net debt / total equity	(29.1)	(19.5)	(20.1)	(18.6)	(23.3)	(30.3)
Net debt / (net debt + equity)	(41.1)	(24.3)	(25.1)	(22.9)	(30.4)	(43.4)
Net debt (core) / EV	(86.4)	(46.5)	(44.2)	(32.7)	(32.7)	(32.7)

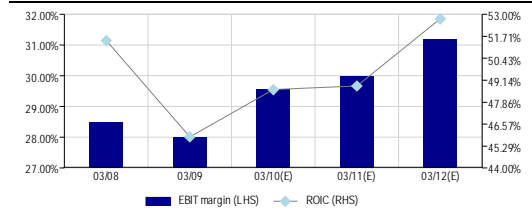
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs228.60 on 08 Sep 2009 23:38 HKT Market cap(E) may include forecast share issues/buybacks.

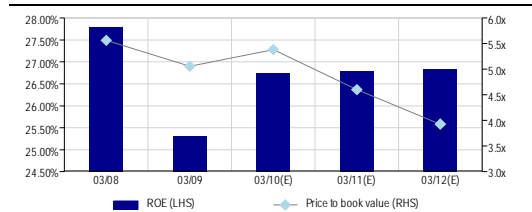
Value (EV/OpFCF & P/E)



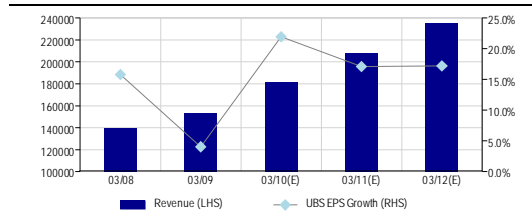
Profitability



ROE v Price to book value



Growth (UBS EPS)



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Analyst

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■ ITC

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

■ Statement of Risk

We believe higher excise duty is the key risk to ITC's earnings growth and valuation. A steady increase in excise duty would adversely affect the long-term growth trend and lead to lower purchases by smokers.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	44%	38%
Neutral	Hold/Neutral	39%	36%
Sell	Sell	17%	25%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	33%

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 June 2009.

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

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; Sell: 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 Company Disclosures table in the relevant research piece.

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UBS Securities India Private Ltd: Sunita Sachdev.

Company Disclosures

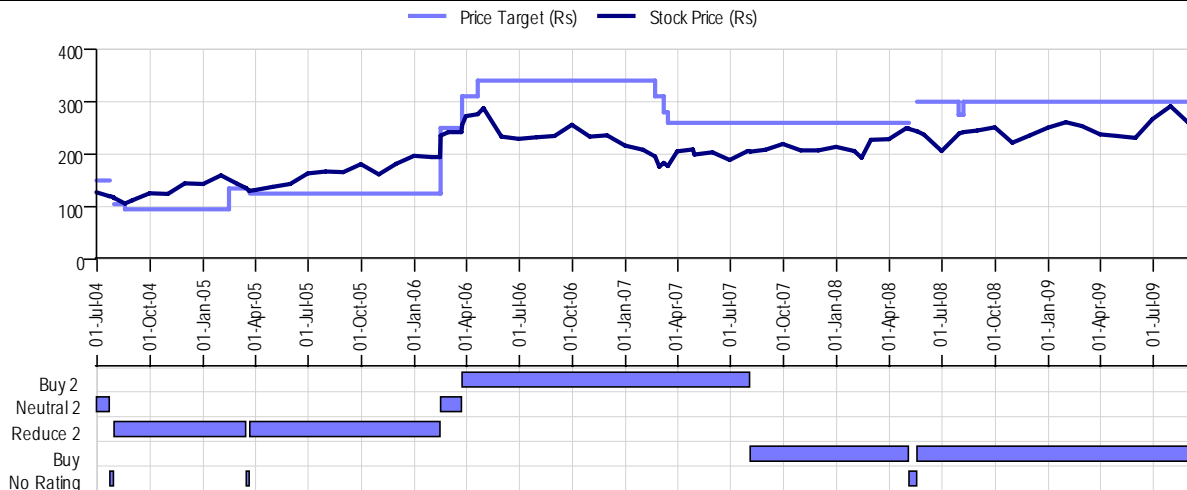
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Hindustan Unilever	HLL.BO	Buy	N/A	Rs266.70	08 Sep 2009
ITC	ITC.BO	Buy	N/A	Rs228.60	08 Sep 2009

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

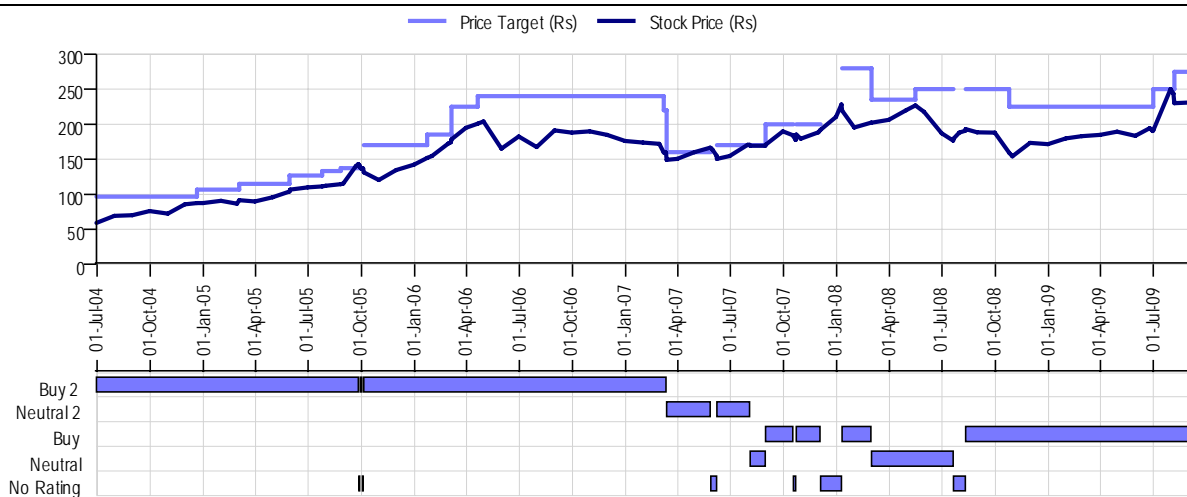
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Hindustan Unilever (Rs)



Source: UBS; as of 08 Sep 2009

ITC (Rs)



Source: UBS; as of 08 Sep 2009

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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