

Cairn India Ltd.

BLOOMBERG: CAIR IN EQUITY | BSE: 532792 | NSE: CAIRN

Sesa's stake acquisition – positive for minorities

The Vedanta Group, through its subsidiary Sesa Goa, has acquired an 11% stake in Cairn India (CIL) through a block deal with Petronas (14.92% stake) at Rs 331/share for a sum of US\$ 1.56bn. The remaining 3.92% was acquired by other institutional investors at Rs 331–335/share. Following this event, the acceptance ratio for Sesa Goa's open offer (for 20% of CIL's equity base) has improved from 53% to 77% for minority shareholders. The open offer began on 11 April '11 and would conclude on 20 May '11. The recent move by Vedanta Group suggests its commitment to acquire CIL and its willingness to wait for the final decision by the Group of Ministers (GOM) on the Vedanta–Cairn Inc. deal. In context of this recent move, we advise minority shareholders to tender their shares in the open offer and absolve themselves from the risk of any adverse decision by GOM—including royalty being taken as a part of the cost recovery mechanism, which could adversely affect the valuation by Rs 50–70/share. At the current stock price, CIL is factoring in US\$ 95/bbl and hence we maintain our SELL rating on the stock with a revised target price of Rs 330/sh (Rs 285/sh earlier).

- Free float reduced; increased acceptance in open offer:** The stake sale has reduced free float (ex-Vedanta and a 62.2% stake held by Cairn Plc), leaving only ~26% with minority investors. The development would improve the acceptance ratio to 77% (53% earlier) in Sesa Goa's open offer initiated on 11th April.
- Vedanta lowers its acquisition cost:** As per the initial deal structure, Vedanta was to acquire a minimum 40% and a maximum 51% of Cairn Plc's stake, with the rest 11% being made up of two options exercisable at Rs 405/sh in Jul'12 and Jul'13. As SEBI has disapproved the presence of options in the deal, Vedanta decided to acquire 11% of Petronas' stake over and above the 40% of assured stake sale (subject to approval by GoM) by Cairn Plc. The transaction has actually lowered Vedanta's acquisition cost because it managed to acquire the 11% stake at a lower price of Rs 331/sh (versus Rs 405/sh as per the original deal but later disapproved by SEBI; see appendix-I)

Financial highlights

Year End: 31 Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Rs mn)	14,327	16,230	1,03,034	1,61,121	2,01,667
EBITDA (Rs mn)	8,815	9,805	82,284	1,31,338	1,66,186
Adj. PAT (Rs mn)	8,035	10,511	59,281	1,07,116	1,42,157
Adj. EPS (Rs)	4.2	5.4	30.5	55.1	73.1
Growth (%)	(3,267.9)	30.3	464.0	80.7	32.7
DPS (Rs)	0.0	0.0	5.0	10.0	14.0
ROIC (%)	2.1	1.9	16.9	26.7	33.8
ROE (%)	4.4	3.2	16.3	24.9	26.9
P/E (x)	54.4	57.1	11.3	6.2	4.7
EV/EBITDA (x)	46.9	62.0	7.7	4.3	2.7
P/BV (x)	1.3	1.8	1.7	1.4	1.1

Ballabh Modani (91-22) 6766 3436

ballabh.modani@religare.in

Nitin Tiwari (91-22) 6766 3437

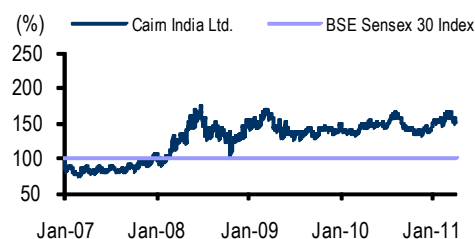
nitin.tiwari@religare.in

CMP	Rs 344
Target	Rs 330
Previous	Rs 285
Rating	SELL
Previous	
% Upside / (Downside)	(4)%
+ Dividend yield	1%
Total return	(3)%

Company data

Market cap (Rs mn / US\$ mn)	6,68,714 / 15,042
Outstanding equity shares (mn)	1,943.4
BVPS (Rs)	199
Free float (%)	37.0
52-week high / low (Rs)	367 / 272
2-month avg. daily vol (mn)/ value (US\$ mn)	3 / 26
ADR/GDR premium (%)	

Stock performance



Valuations

Maintain SELL with a target price of Rs 330/share

CIL discounting US\$ 95/bbl in the long term: At the current market price, CIL is discounting a long-term average crude price of US\$ 95/bbl. Though crude prices are currently hovering around US\$ 120/bbl, we believe that the spike in prices is temporary due to the geopolitical situation and prices would correct to US\$ 90/bbl in the long term. Besides, there is a high possibility that if the Cairn-Vedanta deal is approved, GoI would want to enforce the clause of 'cost recoverability of royalty payment'. In that case, our preliminary estimates suggest that the negative impact could be to the extent of Rs 50–70/sh. We, therefore, believe that the open offer is a good opportunity to exit the stock and with an increased acceptance ratio, it only gets better.

Maintain SELL with a revised target price of Rs 330/share: We have revised our target price for CIL to Rs 330/sh (from Rs 285 earlier) in the backdrop of higher crude prices and a subsequent upward revision in our long-term estimate to US\$ 90/bbl (vs. US\$ 75/bbl earlier). We however maintain our SELL recommendation on the stock.

Fig 1 - SOTP Valuation

	Gross STOIP	Cairn's share	Cairn's share in Gross STOIP	Reserves modeled	Recovery factor	NPV	Per share
	mboe	(%)	mboe	mboe	(%)	(USD mn)	(Rs)
Developing assets (A)							
MBA fields - Rajasthan Block (incl EOR)	2,054	70%	1,438	679	47	11,646	264
Barmer Hills & other fields - Rajasthan Block	1,978	70%	1,385	111	8	1,218	28
Total	4,032		2,822	789	28	12,865	291
Producing assets (B)							
Ravva Block	625	23%	141	17	12	86	2
Cambay Block	156	40%	62	13	20	101	2
Total	781		203	30	15	187	4
Exploratory assets (C)							
Exploratory assets - Rajasthan Block	2,500	70%	1,750	88	5	700	16
KG-DWN-98/2	650	10%	65	14	22	36	1
Total	3,150		1,815	102	6	736	17
Total (A+B+C)	7,963		4,840	921	19	13,788	312
(+) Net cash						781	18
Value of the company						14,569	330

Source: RCML Research, Company

Appendix-I

The Sellers and the Acquirers have also entered into put and call arrangements in relation to a portion of the Sale Shares of the Target that may be retained by the Sellers on account of the adjustments mentioned in a) above. The put and call obligations relate to a number of the Target Equity Shares equal to the difference between (A) 51% of the Voting Capital and (B) aggregate of (i) the number of Equity Shares actually acquired by the Acquirers at completion

as defined under the SPD, (ii) the number of Equity Shares sold by the Sellers to any person at any price provided they were first offered to the Acquirers or its nominees at a price of Rs.405 per Equity Shares with a period of acceptance of at least 21 days and such offer was made to the Acquirers after a period of 6 months from completion as defined under the SPD and (iii) number of Equity Shares acquired pursuant to the exercise of the options mentioned herein. The put and call options are subject to a maximum of 10% (exercisable in two tranches of up to 5% each) of the issued share capital of the Company as at the date of exercise of options in terms of the SPD. The first tranche becomes exercisable from July 31, 2012 for a period of six months for up to 5% of the issued share capital of the Target at the time. The second tranche is exercisable from July 31, 2013 for a period of six months for up to 5% of the issued share capital of the Target at the time. The exercise price for the put and call obligations for both tranches is US\$ equivalent of Rs. 405/- per Equity Share. The exchange rate has been fixed under the SPD as 1 US\$ = Rs.46.765. The SPD further provides that the Acquirers would not be required to purchase under the put options as mentioned above any Equity Shares of the Target where such acquisition would require the Acquirer or any member of its group to make any offer under the SEBI (SAST) Regulations.

In this context, it may be noted that SEBI vide its letter no. CD/DCR/TO/BV/OW/9093/2011, dated March 18, 2011 has communicated that in its view the above-mentioned put option and call option arrangements and the Right of First Refusal do not conform to the requirements of a spot delivery contract nor with that of a contract of Derivatives as provided under section 18A of the Securities Contracts (Regulation) Act, 1956. Therefore, SEBI is of the view that the above-mentioned put option and call option arrangement along with the right of first refusal are in violation of Notification No. SO 184(E) dated March 1, 2000 issued by SEBI. In view of this, the Acquirers and Sellers have agreed that the call and put option arrangement between the Sellers and the Acquirers and the right of first refusal to the Acquirers as provided in the SPD shall not be exercisable or enforceable. Hence the Acquirers and Sellers will be unable to act on the call and put option arrangement and right of first refusal.

Crude assumption changed from
US\$75/bbl to US\$90/bbl

Profit and Loss statement

Y/E 31 Mar (Rs mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Total revenue	14,327	16,230	1,03,034	1,61,121	2,01,667
EBITDA	8,815	9,805	82,284	1,31,338	1,66,186
EBIT	4,433	6,235	72,024	1,17,901	1,50,894
Interest	(64)	(148)	(2,106)	(1,438)	(841)
Other income/(Expense)	5,510	4,077	1,505	12,592	21,220
Exceptional items	0	0	0	0	0
EBT	9,879	10,164	71,422	1,29,055	1,71,274
Income taxes	(1,844)	348	(12,142)	(21,939)	(29,117)
Extraordinary items	0	0	0	0	0
Min int./Inc. from associates	0	0	0	0	0
Reported net profit	8,035	10,511	59,281	1,07,116	1,42,157
Adjustments	0	0	0	0	0
Adjusted net profit	8,035	10,511	59,281	1,07,116	1,42,157

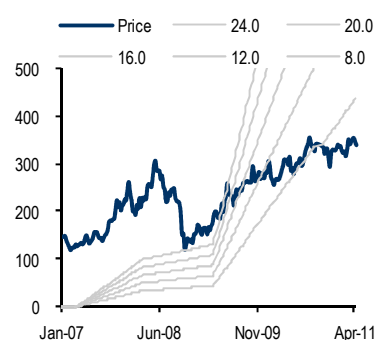
Balance sheet

/E 31 Mar (Rs mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Accounts payable	11,794	9,869	14,314	15,746	17,321
Other current liabilities	0	0	0	0	0
Provisions	4,337	4,937	16,924	29,108	39,329
Debt funds	43,564	34,007	26,164	14,915	9,107
Other liabilities	5,624	4,619	5,619	6,619	7,618
Equity capital	19,356	19,434	19,434	19,434	19,434
Reserves & surplus	3,08,668	3,19,250	3,67,531	4,52,649	5,64,009
Shareholder's funds	3,28,023	3,38,684	3,86,965	4,72,082	5,83,442
Total liabilities	3,93,343	3,92,116	4,49,986	5,38,471	6,56,817
Cash and cash eq	65,271	9,294	60,537	1,19,344	2,34,331
Accounts receivable	1,516	3,068	8,935	13,664	16,900
Inventories	1,683	2,909	8,111	11,210	13,710
Other current assets	4,209	8,462	17,532	19,294	21,233
Investments	1,713	17,124	0	0	0
Net fixed assets	3,647	6,264	90,639	1,06,806	1,00,228
CWIP	62,027	91,635	11,040	14,960	17,222
Intangible assets	0	0	0	0	0
Deferred tax assets, net	84	166	0	0	0
Other assets	2,53,193	2,53,193	2,53,193	2,53,193	2,53,193
Total assets	3,93,342	3,92,115	4,49,986	5,38,471	6,56,817

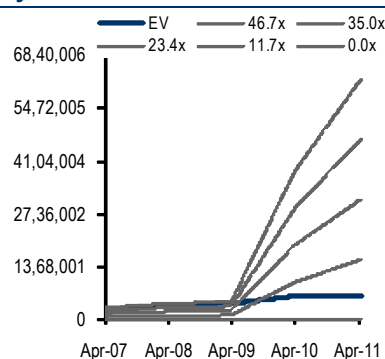
Cash flow statement

Y/E 31 Mar (Rs mn)	FY09A	FY10A	FY11E	FY12E	FY13E
Net income + Depreciation	12,416	14,081	69,541	1,20,552	1,57,450
Interest expenses	0	0	0	0	0
Non-cash adjustments	0	0	0	0	0
Changes in working capital	7,566	(8,357)	(3,706)	4,025	4,121
Other operating cash flow	(2,52,569)	(1,087)	1,166	1,000	999
Cash flow from operations	(2,32,587)	4,638	67,001	1,25,577	1,62,569
Capital expenditure	(40,509)	(35,795)	(14,040)	(33,524)	(10,976)
Change in investments	5,416	(15,411)	17,124	0	0
Other investing cash flow	0	0	0	0	0
Cash flow from investing	(35,093)	(51,206)	3,084	(33,524)	(10,976)
Issue of equity	2,79,194	149	0	0	0
Issue/repay debt	40,440	(9,557)	(7,843)	(11,249)	(5,808)
Interest expenses	0	0	0	0	0
Dividends paid	0	0	(10,999)	(21,998)	(30,798)
Other financing cash flow	0	0	0	0	0
Cash flow from financing	3,19,633	(9,408)	(18,842)	(33,247)	(36,605)
Change in cash & cash eq	51,953	(55,976)	51,243	58,806	1,14,988
Closing cash & cash eq	65,271	9,294	60,537	1,19,344	2,34,331

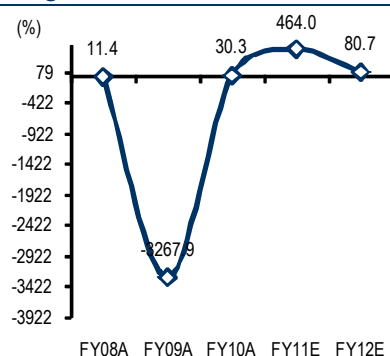
1-yr fwd P/E band



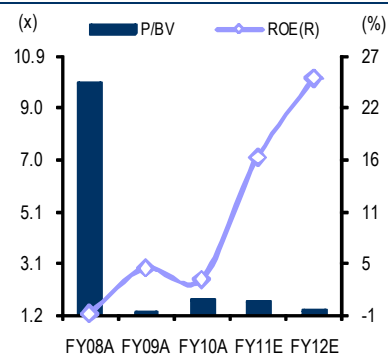
1-yr fwd EV/EBITDA band



EPS growth



ROE vs P/BV



Per share data

Y/E 31 Mar (Rs)	FY09A	FY10A	FY11E	FY12E	FY13E
Reported EPS	4.2	5.4	30.5	55.1	73.1
Adjusted EPS	4.2	5.4	30.5	55.1	73.1
DPS	0.0	0.0	5.0	10.0	14.0
BVPS	169.5	174.3	199.1	242.9	300.2

Valuation ratios

Y/E 31 Mar (x)	FY09A	FY10A	FY11E	FY12E	FY13E
EV/Sales	28.9	37.5	6.2	3.5	2.2
EV/EBITDA	46.9	62.0	7.7	4.3	2.7
P/E	54.4	57.1	11.3	6.2	4.7
P/BV	1.3	1.8	1.7	1.4	1.1

Financial ratios

Y/E 31 Mar	FY09A	FY10A	FY11E	FY12E	FY13E
Profitability & Return ratios (%)					
EBITDA margin	61.5	60.4	79.9	81.5	82.4
EBIT margin	30.9	38.4	69.9	73.2	74.8
Net profit margin	56.1	64.8	57.5	66.5	70.5
ROE	4.4	3.2	16.3	24.9	26.9
ROCE	1.7	1.7	15.2	21.7	23.2
Working Capital & Liquidity ratios					
Receivables (days)	36	52	21	26	28
Inventory (days)	101	132	187	253	278
Payables (days)	575	622	411	394	369
Current ratio (x)	4.4	1.6	3.0	3.6	5.1
Quick ratio (x)	4.3	1.4	2.8	3.4	4.8
Turnover & Leverage ratios (x)					
Gross asset turnover	2.9	2.8	1.9	1.4	1.6
Total asset turnover	0.1	0.0	0.2	0.3	0.3
Interest coverage ratio	69.2	42.1	34.2	82.0	179.5
Adjusted debt/equity	0.1	0.1	0.1	0.0	0.0

Quarterly trend

Particulars	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Revenue (Rs mn)	6,928	8,406	26,864	30,964	0
YoY growth (%)	n.a.	310.1	1,069.1	525.0	(100.0)
QoQ growth (%)	39.8	21.3	219.6	15.3	(100.0)
EBITDA (Rs mn)	2,459	6,150	21,320	25,418	0
EBITDA margin (%)	35.5	73.2	79.4	82.1	n.a.
Adj PAT (Rs mn)	2,452	2,814	15,851	20,101	0
YoY growth (%)	n.a.	34.5	418.3	590.9	(100.0)
QoQ growth (%)	(15.7)	14.8	463.3	26.8	(100.0)

DuPont analysis

(%)	FY09A	FY10A	FY11E	FY12E	FY13E
Tax burden (Net income/PBT)	81.3	103.4	83.0	83.0	83.0
Interest burden (PBT/EBIT)	222.9	163.0	99.2	109.5	113.5
EBIT margin (EBIT/Revenue)	30.9	38.4	69.9	73.2	74.8
Asset turnover (Revenue/Avg TA)	6.4	4.1	24.5	32.6	33.7
Leverage (Avg TA/Avg equity)	122.1	117.8	116.0	115.1	113.2
Return on equity	4.4	3.2	16.3	24.9	26.9

Company profile

Cairn India Ltd. Explores for and produces crude oil and natural gas in India.

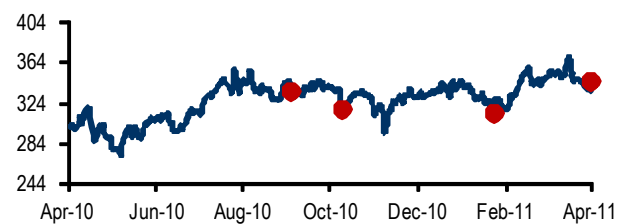
Shareholding pattern

(%)	Sep-11	Dec-11	Mar-11
Promoters	62.4	62.4	62.2
FIs	10.2	10.8	11.7
Banks and FIs	6.9	7.3	7.2
Public	19.9	19.7	18.9

Recommendation history

Date	Event	Reco price	Tgt price	Reco
22-Sep-10	Sector Report	334	250	Sell
28-Oct-10	Results Review	317	285	Sell
10-Feb-11	Results Review	314	285	Sell
19-Apr-11	Company Update	344	330	Sell

Stock performance



Important Global Disclosures

This report was produced by a member company of Religare Capital Markets Limited and its affiliates worldwide ("RCM") excluding Religare Capital Market Inc and Religare Capital Market (USA) LLC.

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Analysts' stock ratings are defined as follows:

Recommendation Interpretation	
Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Global Rating Distribution

As of 1 April 2011, out of 229 rated stocks in the RCM coverage universe, 156 have BUY ratings, 56 are rated HOLD and 17 are rated SELL. During the previous quarter, Religare Capital Markets Plc in the UK has published 36 independent research notes, 34 of which contained research recommendations, none of which related to corporate broking clients of the firm. The 34 recommendations were broken down into 26 buy, 2 sell, and 6 hold.

RCM's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

RCM's policy is to publish both investment research and marketing communications. Investment research is impartial, independent, clear, fair and not misleading. Marketing communications cannot be seen as objective and are not prepared in accordance with legal requirements designed to promote the independence of Investment Research. In some instances, RCM may have, or be seeking, a business relationship with the company which is the subject of the research. For more information on RCM's Conflict of Interest Policy and its use of Independent and Non-Independent research please refer to <http://www.religarecm.com/>

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

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

Important Regional Disclosures

United Kingdom: This material has been prepared by Religare Capital Markets in accordance with the legal requirements for producing investment research. Notwithstanding anything to the contrary contained herein, the following applies where the publication/communication is distributed in and/or into the United Kingdom. This publication/communication is only for distribution and/or is only directed at persons ("permitted recipients") who are (i) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "FPO") having professional experience in matters relating to investments or high net worth companies, unincorporated associations etc. falling within Article 49 of the FPO, and (ii) where an unregulated collective investment scheme (an "unregulated CIS") is the subject of the publication/communication, also persons of a kind to whom the unregulated CIS may lawfully be promoted by a person authorized under the Financial Services and Markets Act 2000 ("FSMA") by virtue of Section 238(5) of the FSMA. The investments or services to which this publication/communication relates to are available only to permitted recipients and persons of any other description should not rely on it. This publication/ communication have been produced to meet the requirement of the Conduct of Business Sourcebook (COBS) 12 under the FSA Rules, please refer to our Conflict of Interest Policy as mentioned above in connection with Investment Research.

Singapore: This publication/communication is distributed for and on behalf of RCM in Singapore through Religare Capital Markets (Singapore) Pte Limited solely to persons who qualify as "institutional investors", "accredited investors" or "expert investors, as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations (the "FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to Religare Capital Markets (Singapore) Pte Limited when providing any financial advisory service to an accredited investor, expert investor or "overseas investor" (as defined in regulation 36 of the FAR). Please contact Religare Capital Markets (Singapore) Pte Limited in respect of any matters arising from, or in connection with this publication/communication.

Canada: Neither this publication/communication nor any copy hereof may be distributed in Canada or to any individual outside Canada who is a resident of Canada except in compliance with applicable Canadian securities laws.

India: This publication does not constitute an offer or invitation or solicitation to subscribe for or buy or sell securities. This report is intended for information purpose only to the intended recipient and should not be reproduced or redistributed to any other person.

Hong Kong: In Hong Kong, this publication/communication must not be sent to anyone other than (1) to "Professional Investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that ordinance; or (2) in other circumstances which would not result in this publication/communication being a "Prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance.

United States: Neither this publication/communication nor any copy hereof may be taken or distributed into the United States.

Dubai: This publication/communication is intended for professional clients only and is not for onward distribution within the United Arab Emirates.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by law or regulation, this publication/communication is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Other Research Disclosures

The analyst(s) named in this report may have investments in securities or derivatives of securities of the companies mentioned in this report, and may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Disclaimers

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Religare Capital Markets Limited or its affiliates ("RCM") to any registration or licensing requirement within such jurisdiction(s). All material presented in this report, unless specifically indicated otherwise, is under copyright to RCM. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted to, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of RCM. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of RCM or its affiliates, unless specifically mentioned otherwise.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. RCM may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. RCM will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you. RCM does not offer advice on the tax consequences of investment and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Accordingly, you are recommended to seek your own legal, tax or other advice as you may find appropriate and should rely solely on your own judgment, review and analysis in evaluating the information contained in this report.

Subject to any applicable laws and regulations at any given time, RCM, its affiliates or companies or individuals connected with RCM may have used the information contained herein before publication and may have positions in, may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities or may currently or in future have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, investors should be aware that RCM and/or such individuals may have one or more conflicts of interests that could affect the objectivity of this report.

RCM believes that the information and opinions in the Important Regional Disclosure Section of this report are accurate and complete and are provided in good faith. Information and opinions presented in the other sections of the report were obtained or derived from sources that RCM believes to be reliable, but RCM makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. Additional information may be available upon request. RCM accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to RCM. This report is not to be relied upon in substitution for the exercise of independent judgment. RCM may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected absolute return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating. In addition, RCM may have issued, or may in the future issue other reports that may be inconsistent with, and may reach different conclusions from, the information presented in this report. The other reports may reflect different assumptions, views and analytical methods of the analysts' who prepared them and RCM is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. RCM is involved in many businesses that relate to companies mentioned in this report. These businesses include specialized trading, risk arbitrage, market making, and other proprietary trading.

RCM, its officers, employees, representatives and agents accept no liability whatsoever for any loss or damage whether direct, indirect, consequential or otherwise howsoever arising (whether in negligence or otherwise) out of or in connection with or from any use of or reliance on the contents of and/or omissions from this document. Consequently RCM expressly disclaims any and all liability for, or based on or relating to any such information contained in or errors or omissions in this report. The data contained in this report is subject to change without any prior notice. RCM reserves its right to modify this report as maybe required from time to time. RCM is committed to providing independent recommendations to its clients and would be happy to provide any information in response to any query received from anyone who was an intended recipient. This report is strictly confidential and is being furnished to you solely for your information. The views expressed in the report reflect the analyst's personal views about the securities and issuers that are subject of this report, and that no part of the analyst's compensation was, is or will be directly or indirectly, related to the recommendations or views expressed in this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by RCM and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase.

Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large increases or decreases in their value, causing profits or losses when that investment is realized. Those losses may equal your original investment or may exceed the amount of initial investment itself. In such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realizable and it may be difficult to sell or realize those investments. Similarly, it may prove difficult to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report may provide the addresses of, or contain hyperlinks to websites. Except to the extent to which the report refers to website material of RCM, RCM has not reviewed the linked site and takes no responsibility whatsoever, for the contents therein. Such addresses or hyperlinks (including addresses or hyperlinks to RCM's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this report. Accessing such website or following such link through this report or RCM's website shall be at your own risk.

This report is issued by RCM. This report is distributed in India by Religare Capital Markets Limited, which is a registered Intermediary regulated by the Securities and Exchange Board of India. This report is being distributed in the United Kingdom and European Economic Area countries by Religare Capital Markets Plc and Religare Capital Markets (EMEA) Ltd, which are both authorised and regulated in the United Kingdom by the Financial Services Authority ("FSA"). In Dubai, it is being distributed by Religare Capital Markets Plc (Dubai Branch) which is licensed and regulated by the Dubai Financial Services Authority (License number F001188). In Singapore, it is being distributed by Religare Capital Markets (Singapore) Pte Limited which is a holder of a capital markets services licence and an exempt financial adviser in Singapore. In Hong Kong, it is being distributed by Religare Capital Markets (Hong Kong) Limited, which is licensed and regulated by the Securities and Futures Commission, Hong Kong.

In jurisdictions where RCM is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation in the respective jurisdiction, which may vary from one jurisdiction to another and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a RCM entity in their local jurisdiction unless governing law permits otherwise.

Please note that this report is prepared and issued by RCM for distribution to their market professional and institutional investor customers'. Recipients who are not market professional or institutional investor customers of RCM should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Any reference to a third party research material or any other report contained in this report represents the respective research organization's estimates and views and does not represent the views of RCM and RCM, its officers, employees do not accept any liability or responsibility whatsoever with respect to its accuracy or correctness and RCM has included such reports or made reference to such reports in good faith.

If this report is being distributed by a financial institution other than RCM, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by RCM to the clients of the distributing financial institution, and neither RCM, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content.