

Wishing you
Happy DIWALI
&
Prosperous samvat 2066

THE
Diwali
Dozen

Dear Patrons,

Wishing you A Very Happy Diwali and Prosperous Samvat 2066!!

Alls well that ends well! Samvat 2065 that began with pessimism, slowdown in business activities and wealth erosion ended with optimism, pick up in business activities and wealth creation. After a roller coaster ride of markets during Samvat 2065, it is expected that markets in Samvat 2066 is likely to remain more stable.

During Samvat 2065 Sensex rose from 8509.36 to close at 17322.82, a gain of 103.57 percent or 8813.26 points. The top 5 index movers in Sensex during the period were RIL, ICICI Bank, I&T, INFOSYS and SBI that together contributed 4128 index points or almost 47% gain in Sensex during the previous Samvat.

We expect Indian markets to remain resilient during Samvat 2066 on global economic growth, improving domestic economic indicators led by encouraging business environment and the virtuous cycle of Growth=>Employment=>Consumption. The Indian government's initiatives to reach out to the masses in their effort to inclusive growth would further spur domestic growth. Although the rising inflation may compel regulators to raise interest rates, the same will be led by higher industrial growth.

We recommend "The Diwali Dozen", a list of 12 companies for investment where we expect a return of 30-35 percent in one year from now. However, these companies are ideally among the best picks for long term India growth story as well. The choice of companies are based on higher growth visibility in the sector and the individual companies, high ROE's and sound management track record.

The companies are:

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Happy Investing,

Team Microsec Research

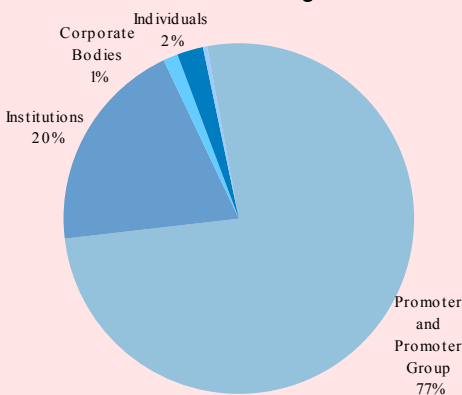
BUY

Sector- Consumer Durables

Market Data

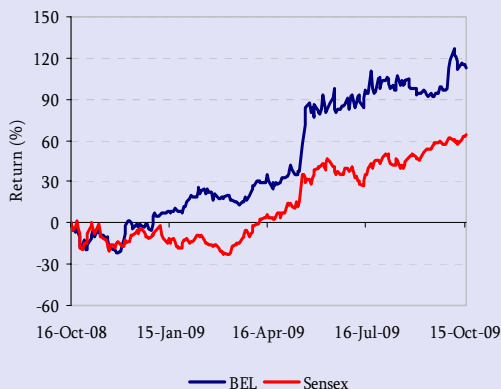
Current Market Price (INR)	1,525.55
52 Week High (INR)	1,655.95
52 Week Low (INR)	545.00
Market Capitalization (In INR Mn)	122,044.00

Shareholding



STOCK SCAN

BSE Code	500049
NSE Code	BEL
Bloomberg Ticker	BHE IN
Reuters Ticker	BAJE.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	800.00
Average 5 year P/E	14.9x
Beta vs Sensex	0.75
Average Daily Volume	94,575
Dividend Yield	1.2%
PEG Ratio	1.13



We rate Bharat Electronics (BEL) a **BUY**. BEL was established by the Government of India under the Ministry of Defence in 1954 at Bangalore to meet the specialized electronic needs of the Indian defence services. BEL has nine manufacturing units located across India. It offers products and services in technologies like Radars, Military Communications, Naval Systems, Electronic Warfare Systems, Telecommunications, Sound and Vision Broadcasting, Opto-Electronics, Tank Electronics, Solar Photovoltaic Systems, Embedded Software and Electronic Components. It also offers contract-manufacturing services for both domestic and international customers.

Investment Highlights

Growing R&D activities. During 2008-09, total R&D as percent of turnover stood at 5.3%. Focused nurturing and monitoring of R&D is a priority at BEL. A large number of new products are developed which will provide new business to the company in future. 217 new work orders were taken up by R&D divisions for development during 2008-09. 188 R&D work orders were completed during 2008-09. Development activity on about 300 R&D project work orders worth INR3,730 million were under progress as in March 2009. Allocation of funds for R&D is being enhanced to cater for undertaking various proactive R&D projects.

New business initiatives & diversification. BEL is looking for new growth opportunities either through organic growth in existing areas or inorganic growth through JVs and acquisitions. It has been entering into strategic alliances with Indian and foreign players. Already signed MOUs with Boeing, Selex Galileo, Northrop Grumman Corp and other companies. Initiating possible JVs for Missile electronics & guidance systems, Microwave super components and subsystems, Airborne EW products, Solar photovoltaic business.

Strong order book and exports. The order book position as in April 2009 stood at INR103,860 million out of which orders worth INR48,900 million are executable during 2009-10 and the balance in 2010-11. During 2008-09, BEL achieved an export turnover growth of 15.2% YoY. Products like HF Transreceiver, Solar Cells are exported to USA, UK, Israel, Malaysia, Indonesia, Singapore, Sri Lanka, Russia, Switzerland and Germany.

Exhibit Bharat Electronics – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales (post Excise Duty)	38,924.59	40,602.72	45,835.56	52,225.00	59,509.00
Growth (%)	11.14%	4.31%	12.89%	13.94%	13.95%
EBITDA	7,949.82	8,847.07	2,950.91	12,324.40	13,996.80
EBITDA Margins (%)	20.42%	21.79%	6.44%	23.60%	23.52%
Net Profit	7,181.61	8,267.40	7,457.60	8,838.00	9,910.80
Net Profit Margins (%)	18.45%	20.36%	16.27%	16.92%	16.65%
Net Profit Growth (%)	23.18%	15.12%	-9.80%	18.51%	12.14%
EPS	89.77	103.34	93.22	110.46	123.90
BVPS	321.54	401.61	472.96	564.15	660.90
P/E	11.89	10.33	9.49	13.81	12.31
P/BV	3.32	2.66	1.87	2.70	2.31
RoE	31.2%	28.6%	21.3%	21.3%	20.2%
EV/EBITDA	8.12	6.88	15.02	7.76	6.83

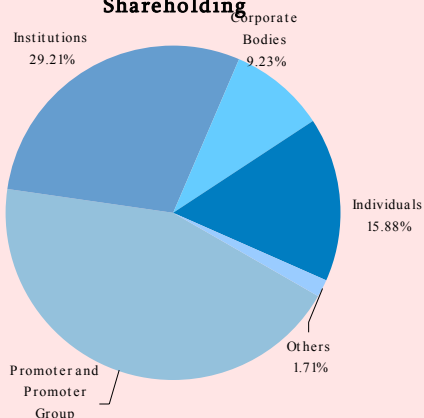
Source: Company, Bloomberg

BUY

Market Data

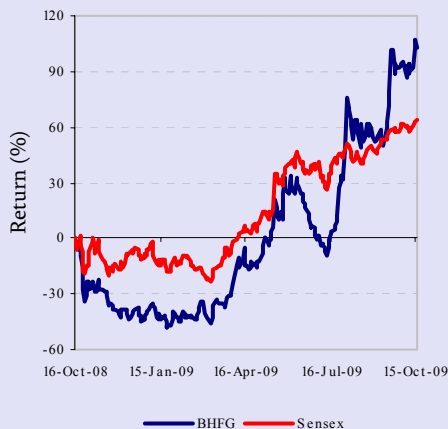
Current Market Price (INR)	294.40
52 Week High (INR)	307.35
52 Week Low (INR)	69.15
Market Capitalization (In INR Mn)	65,548.83

Shareholding



STOCK SCAN

BSE Code	500493
NSE Code	BHARATFORG
Bloomberg Ticker	BHFC.IB
Reuters Ticker	BFRG.BO
Face Value (INR)	2.00
Equity Share Capital (In INR Mn)	445.30
Average P/E	30.9x
Beta vs Sensex	1.00
Average Daily Volume	285,040
Dividend Yield	0.4%
PEG Ratio	0.96



Bharat Forge Limited

Sector- Auto Ancillary

We rate Bharat Forge Ltd (BFL) a **BUY**. Flagship company of Kalyani Group, BFL is engaged in manufacturing forged and machined components for the automotive and non-automotive sectors. It is the largest exporter of auto components from India and leading chassis component manufacturer in the world. Manufacturing operations spread across 12 locations and 6 countries including four in India, three in Germany, one each in Sweden, Scotland, USA and two in China. Caters to top five-passenger car & top five commercial vehicle manufacturers in the world. Manufactures specialized components for the aerospace, power, energy, oil & gas, rail & marine, mining & construction equipment and other industries.

Investment Highlights

Diversification into energy sector. As part of its strategy to migrate from a component manufacturer to a supplier of components & systems for the capital goods sector, BFL has identified the Energy sector (Wind, Thermal, Hydro & Nuclear) as a huge opportunity. It is proposing JVs with NTPC, Alstom and Areva to manufacture Balance of Plant for power sector, Turbines & Generators for sub & super critical power plants and heavy forgings for both nuclear & conventional power plants & other capital goods sectors.

Focus on automotive and non-automotive segments. By 2007-08, BFL had significant presence in engine and chassis components with a customer base comprising several OEMs. During this period of growth, it focused primarily on automotive forgings. After establishing itself in this market it diversified into non-automotive forgings. While, on one-hand this move further de-risked the business on the other hand it opened up several opportunities of growth in a large global market segment. Consequently, large investments were made and capacity creation plans were rolled out for non-automotive forging operations at Baramati and Mundhwa in Maharashtra, India.

Global presence. BFL is present across key markets like US, India and Europe. Due to bad market conditions, production and demand for vehicles showed a negative trend across all markets. However, with recession showing signs of revival, demand and subsequently production is expected to pick-up thus providing scope for further expansion and penetration across markets.

Exhibit BHFG – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales (post Excise Duty)	43,343.17	46,522.77	47,740.40	42,752.56	51,533.86
Growth (%)	46.83%	7.34%	2.62%	-10.45%	20.54%
EBITDA	6,463.57	7,044.55	5,564.70	5,617.23	7,531.92
EBITDA Margins (%)	14.91%	15.14%	11.66%	13.14%	14.62%
Net Profit	2,834.66	3,015.23	582.60	1,313.69	2,539.00
Net Profit Margins (%)	6.54%	6.48%	1.22%	3.07%	4.93%
Net Profit Growth (%)	13.11%	6.37%	-80.68%	125.49%	93.27%
EPS	13.01	13.44	2.62	6.14	11.02
BVPS	67.10	73.16	74.02	79.23	91.47
P/E	24.21	19.89	37.40	47.97	26.72
P/BV	4.69	3.65	1.32	3.72	3.22
RoE	21.7%	19.4%	3.5%	7.7%	13.4%
EV/EBITDA	25.04	11.38	13.49	14.93	11.14

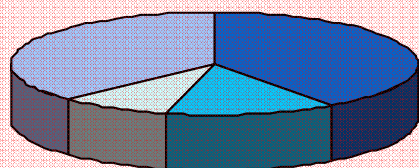
Source: BSE, Bloomberg

BUY

Market Data

CMP	394.90
52 Week High	425.00
52 Week Low	122.05
Market Capitalization (in INR mn)	35,515.73

Shareholding Pattern, June 2009

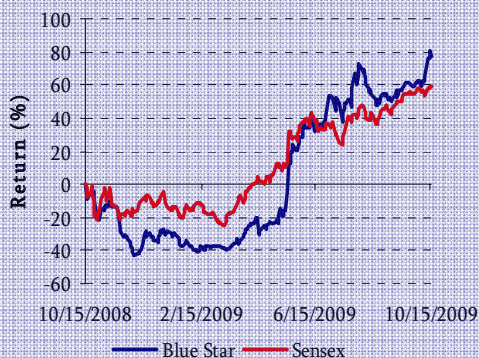


- Promoters
- Institutions
- Public Corporates
- Individuals & Others

STOCK SCAN

BSE Code	500067
NSE Code	BLUESTAR
Bloomberg Ticker	BLSTR IB
Reuters Ticker	BLUS.BO
Face Value(INR)	2.00
Equity Share Capital (INR in mn)	179.87
Average 5 year P/E	24.40
Beta vs Sensex	0.86
Average daily volume (6 Mths)	25,362
Dividend Yield	1.77%
PEG Ratio	NA

Comparative Return Vs Sensex



Blue Star with a silver lining

Sector- Diversified Large

We rate Blue Star Limited (Blue Star) a **BUY**. Blue Star is India's leading central air-conditioning and commercial refrigeration company. The company primarily operates in three segments – Central & Packaged Air-conditioning systems, Cooling Products and Professional Electronics & Applied Industrial systems. The company currently has five modern state of the art manufacturing facilities in Thane, Bharuch, Dadra, Kala Amb (Himachal Pradesh), and at Wada in Thane district of Maharashtra. Blue Star primarily focuses on corporate, commercial, and institutional customers.

Investment Highlights

Brand Value- The Company made substantial investments in building brand value over the last few years. In FY09, the value proposition of Blue Star as 'Experts in cooling', the corporate image building campaign, the room air conditioners and refrigeration products campaign, as well as a packaged air-conditioning capabilities campaign, all continued. The Company also made investments in field marketing. These activities helped the company in strengthening its brand value.

Healthy Order Book- Blue Star's order book as on June 30, 2009 stood at INR17,170 million, increasing by 21.0%, compared with INR14,100 million as on June 30, 2008. The order book is executable over a period of approximately 9-12 months. The order book continues to be good with a number of newly booked large infrastructure related jobs, providing visibility of earnings in the future.

Acquisition of Naseer Electricals to widen business scope- The acquisition of Naseer Electricals is likely to help the company expand into MEP (mechanical, electrical and plumbing) projects space in the air-conditioning business. This may also increase Blue Star's market share going forward. Further, the acquisition is likely to enable the company tap the electrical projects opportunity.

Domestic Player- Blue Star is prominently a domestic player, with more than 90% order book coming from the domestic market. Hence international turmoil may not have a severe impact on the growth prospects of the company.

Exhibit: Key Financials					INR in Million
Particulars	FY07	FY08	FY09	FY10E	FY11E
Net Sales	15,716.34	21,967.22	25,231.71	28,850.50	34,398.50
Growth (%)	36.42%	39.77%	14.86%	14.34%	19.23%
EBITDA	1,284.32	1,981.80	2,267.92	3,011.50	3,630.50
EBITDA Margin(%)	8.17%	9.02%	8.99%	10.44%	10.55%
Net Profit	711.81	1,740.95	1,802.89	1,940.00	2,352.00
Growth (%)	45.55%	144.58%	3.56%	7.61%	21.24%
PAT Margins(%)	4.53%	7.93%	7.15%	6.72%	6.84%
EPS (INR)	7.91	19.36	20.04	21.57	26.15
BVPS(INR)	23.68	29.30	40.82	62.39	88.54
P/E(x)	26.53	21.52	7.72	18.31	15.10
P/B(x)	8.87	14.22	3.79	6.33	4.46
EV/EBITDA(x)	15.28	19.08	6.22	11.85	9.83
ROE (%)	36.91%	73.07%	57.17%	41.80%	34.65%

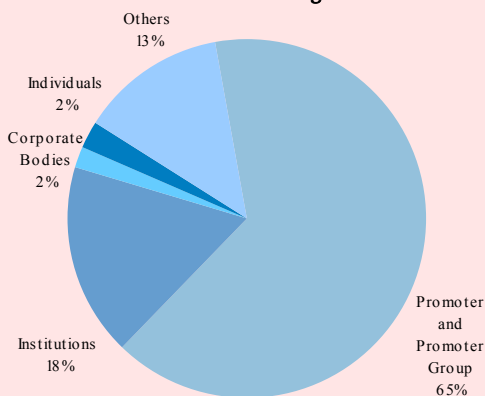
Source: Company, Bloomberg, Microsec Research

BUY

Market Data

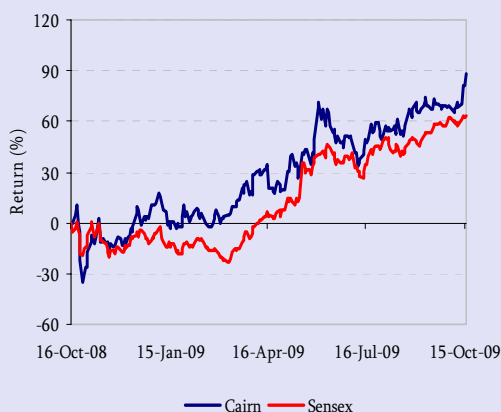
Current Market Price (INR)	280.60
52 Week High (INR)	296.45
52 Week Low (INR)	88.15
Market Capitalization (In INR Mn)	532,205.04

Shareholding



STOCK SCAN

BSE Code	532792
NSE Code	CAIRN
Bloomberg Ticker	CAIR IN
Reuters Ticker	CAIL.NS
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	18966.68
Average 5 year P/E	NA
Beta vs Sensex	0.91
Average Daily Volume	5,703,773
Dividend Yield	NA
PEG Ratio	0.35



Cairn India

Sector- Oil & Gas

We rate Cairn India a **BUY**. Cairn India is engaged in oil & gas exploration and production with interest in 13 blocks in West and East India along with new exploration rights elsewhere in India and Sri Lanka. It has 2 processing plants, 11 platforms, 200km of sub-sea pipelines and operations spanning the Indian continent. Operates RJ-ON-90/1 (70%), Cambay (40%) and Ravva (22.5%) fields. It commenced production from Mangla field in August 2009 with an estimated peak production of 175,000 bopd. Cairn has a success ratio of ~40% with 40+ discoveries in last 10 years. Its operational partners include ONGC, Videocon, Tata, Marubeni and ENI.

Investment Highlights

Strong leverage to crude. With crude expected to continue to trend upwards in 2H09 and 2010 as demand-supply regime tightens on OPEC-compliance and disappointments in non-OPEC production. Cairn's resource base and attractive fiscal contract makes it a perfect play on this theme.

Optimising Project Costs in Rajasthan. The introduction of economical smaller Train 1 with a capacity of 30,000 bopd, phasing Bhagyam and Aishwariya fields to 2010-11, limiting the number of wells during the initial period and ensuring greater flexibility in delivery points have reduced costs and optimized the development of the Rajasthan project. Its field direct operational expenses for the current producing blocks, Ravva and Cambay, were US\$2.4 per barrel in 2008, one of the lowest in the world.

Transformational growth strategy. Cairn's strategy is to achieve transformational growth with gross production rising from roughly 63,000 bopd in Q408 to around 200,000 bopd in 2011. Other strategies expected to contribute to this growth include maximizing recovery from production base, executing Rajasthan development, maximizing potential in Rajasthan and identifying new growth opportunities (plans to acquire 2D and 3D seismic in late 2009/2010 in Sri Lanka and, depending on results, start exploration drilling in 2011).

With the start-up of Cairn's Rajasthan block, focus is expected to shift to cash flow generation.

Exhibit Cairn India – Historical Financials and Projections

Particulars	FY2007A	FY2009A	FY2010E	FY2011E
Net Sales (post Excise Duty)	10.12	14.33	30.89	94.76
Growth (%)	NA	41.53%	115.59%	206.81%
EBITDA	(0.01)	4.06	20.99	73.88
EBITDA Margins (%)	-0.15%	28.34%	67.97%	77.97%
Net Profit	(0.25)	8.03	13.04	53.82
Net Profit Margins (%)	-2.42%	56.08%	42.21%	56.79%
Net Profit Growth (%)	NA	NA	62.27%	312.79%
EPS	(0.14)	4.28	6.67	27.21
BVPS	0.17	0.17	175.96	200.29
P/E	NA	43.01	42.06	10.31
P/BV	NA	NA	1.59	1.40
RoE	NA	2.6%	3.9%	14.6%
EV/EBITDA	NA	NA	NA	NA

Source: Company, Bloomberg

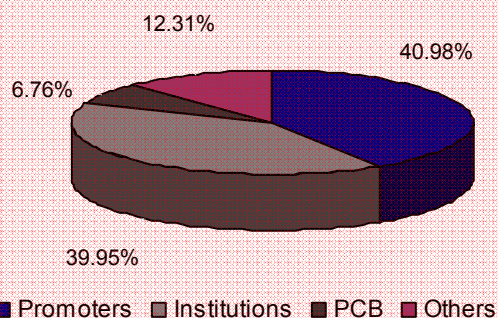
Note that FY09 figures represent 15 month figures (from 01/01/2008 to 31/03/2009) because of change in year end

BUY

Market Data

Current Market Price(INR)	355.95
52 Week High (INR)	365.40
52 Week Low (INR)	99.70
Market Capitalization (INR Mn)	130,473.47

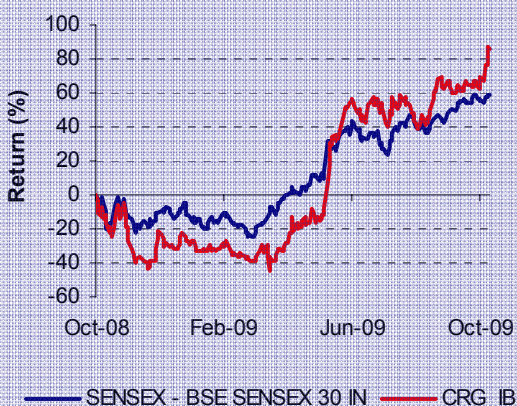
Shareholding Pattern as on Sept 09



Stock Scan

NSE Code	CROMPGREAV
BSE Code	500093
Bloomberg Ticker	CRG IB
Reuters Ticker	CROMBO
Face Value (INR)	2.00
Equity Share Capital (INR mn)	773.10
Avg 1 year P/E	NA
Beta vs Sensex	1.07
Avg Daily Volumes (6 months)	200709
Dividend Yield (%)	0.55
PEG Ratio	2.08

Comparative Return vs Sensex



Crompton Greaves

Sector – Power Equipments

We rate Crompton Greaves a BUY. Crompton Greaves (CG) is Flagship Company of the US\$ 3 bn conglomerate Avantha Group. Its operations consist of 21 divisions spread across in Gujarat, Maharashtra, Goa, Madhya Pradesh and Karnataka supported by marketing and service network through 14 branches in state capitals. The company is engaged in designing, manufacturing and marketing high technology electrical products and services related to power generation, transmission, distribution and execution of turnkey projects.

Investment Highlights

Acquisitions to drive future performance - CG has been pursuing both organic and inorganic growth. Over the past few years, the company has made several strategic overseas acquisitions including Pauwels (Belgium), Ganz (Hungary), Microsol (Ireland), Sonomatra (France) and MSE Power Systems (USA). These acquisitions besides plugging the technology gaps has provided the necessary scale to its operations.

Diversified Business Presence - CG has multiple revenue streams as it operates through three business segments, viz. Power Systems, Consumer Products and Industrial Systems. With heavy capital expenditure planned by the central and state utilities, the demand for power equipments will continue to be very high. This gives tremendous business visibility for Crompton Greaves' power systems business which will be the biggest growth driver for the company going ahead. Added to this, CG's large portfolio of industrial motors would enable it to exploit the upsurge in industrial capex, which is estimated to increase by 175% over FY07-12. Increasing urbanization, rural electrification and continued growth in housing would translate into strong growth for the consumer division

Huge investment lined up in the power sector to fuel growth India had set a capacity addition target of 78,700 MW in 11th five year plan, which is now scaled up to 90,000 MW, and approximately 1,10,000 MW for the 12th five year plan. Increase in power generation capacity will necessitate increase in power transmission and distribution (T&D) infrastructure. Every 1 MW of addition in power generation capacity requires 7 MVA of new transformer capacity addition. 90,000 MW of power capacity addition planed in 11th plan would therefore create a huge demand for transformer to the tune of 630,000 MVA. CG is well positioned to tap this growth being one of the largest transformer manufacturer in India.

Exhibit Crompton Greaves – Historical Financials and Projection

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	56,395.60	68,323.40	87,372.60	96,487.47	109,242.66
Growth (%)	123.74%	21.15%	27.88%	10.43%	13.22%
EBITDA(excl. Other Income)	4,826.80	7,438.90	9,955.80	10,560.65	12,167.75
EBITDA Margins (%)	8.56%	10.89%	11.39%	10.95%	11.14%
Net Profit	2,817.40	4,067.20	5,599.00	6,248.27	7,270.00
Net Profit Margins (%)	5.00%	5.95%	6.41%	6.48%	6.65%
Net Profit Growth (%)	72.79%	44.36%	37.66%	11.60%	16.35%
EPS	7.69	11.10	15.27	16.97	19.73
BVPS	26.02	35.11	49.56	62.66	79.05
P/E	25.94	24.79	8.06	20.98	18.04
P/BV	7.66	7.84	2.48	5.68	4.50
ROE (%)	29.54	31.60	30.82	29.94	27.07
EV/EBITDA	16.59	14.36	4.59	12.52	10.87

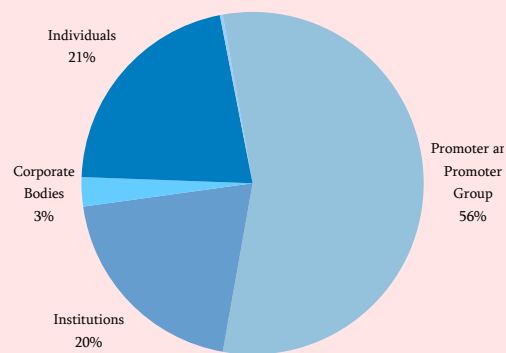
Source: Company, Bloomberg, Microsec Research

BUY

Market Data

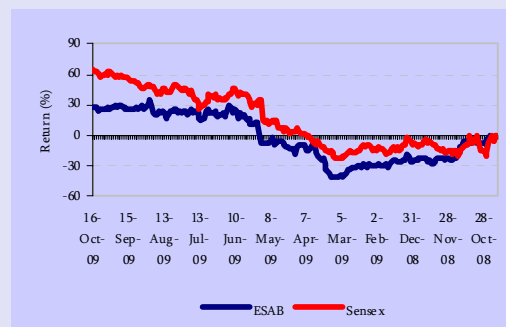
Current Market Price (INR)	436.00
52 Week High (INR)	477.00
52 Week Low (INR)	195.00
Market Capitalization (In INR Mn)	6,753.68

Shareholding



STOCKSCAN

BSE Code	500133
NSE Code	ESABINDIAEQ
Bloomberg Ticker	ESAB@IN
Reuters Ticker	ESAB.BC
Face Value (INR)	10.00
Equity Share Capital (Rs. Mn.)	15.39
Average 5 Year P/E	22.7x
Beta vs Sensex	0.74
Average Daily Volmes (Last Year)	9,197.00
Dividend Yield	3.50
PEG Ratio	NA



ESAB INDIA - The WELDING KING

Sector- Electrodes

We rate Esab India a BUY. ESAB India Limited started its operations in 1987 by acquiring the welding business of Philips India Limited. The Company continued its expansion in the Indian market with the purchase of Indian Oxygen Limited's welding business in 1991 and Flotech Welding & Cutting Systems Limited in 1992. Today, ESAB India has established itself as one of the leading suppliers of welding and cutting products in the country. ESAB products are now an integral part of industries like Shipbuilding, Petrochemical, Construction, Transport, Offshore, Energy and Repair and Maintenance.

Investment Highlights

Undergoing an Expansion Plan at its plant to fuel future growth : Esab India is undergoing a significant expansion at its Nagpur Plant for Rs. 30 crore to achieve an installed capacity of 20,000 tonnes per annum. This expansion will be carried out in a phase of 3years. The Company is also in the process of implementing expansions at Taratala Plant for Gas Equipments with potential business opportunities coming up in markets outside India. Modernization and capacity additions are also in progress at the Khardah Plant which manufactures Electrodes and Wires.

Infrastructure and industrial improvement to help Esab: Esab India is an ancillary to infrastructure and industrial growth story of India. With lot of investment in infrastructure projects in pipeline, Esab is expected to grow at ~ 20% for next 3-4 years with marginal improvement in operating profit margin

Non Capital Intensive and Consistent Dividend paying company. EIL is neither capital intensive nor working capital intensive company. Company has paid Total dividend of 155% for CY08 and CY07 each. Thus, one can expect higher dividend in future. Even at 155% dividend on CMP Dividend yield is ~3.5%.

Exhibit ESAB – Historical Financials and Projections

Particulars	CY06	CY07	CY08	CY09E	CY10E
Net Sales	2,915.00	3,542.40	4,362.80	4,454.00	5,344.80
Growth (%)		21.52%	23.16%	2.09%	20.00%
EBITDA	708.10	874.20	1,001.10	1,024.42	1,229.30
EBITDA Margins (%)	24.29%	24.68%	22.95%	23.00%	23.00%
Net Profit	426.70	534.40	611.80	623.56	748.27
Net Profit Margins (%)	14.64%	15.09%	14.02%	14.00%	14.00%
Net Profit Growth (%)		25.24%	14.48%	1.92%	20.00%
EPS	27.72	34.72	39.75	40.51	48.61
BVPS	49.90	67.42	89.03	129.52	178.13
P/E	15.76	12.59	11.00	10.79	8.99
P/BV	8.76	6.48	4.91	3.37	2.45
ROE (%)	76.93	59.15	50.82	37.07	31.58
EV/EBITDA	7.77	7.93	3.49	3.41	2.84

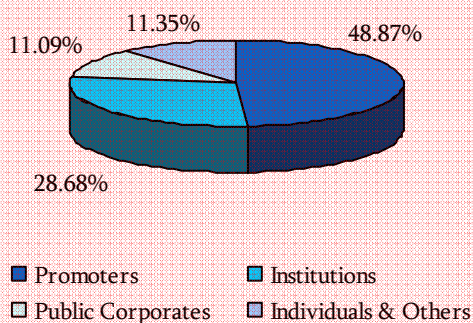
Source: Company, Microsec Research (In INR Mn)

BUY

Market Data

CMP	106.10
52 Week High	111.60
52 Week Low	34.55
Market Capitalization (in INR mn)	84,880.00

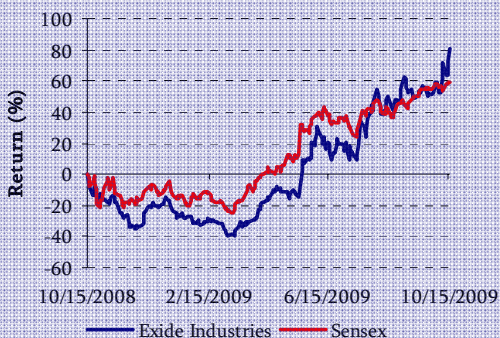
Shareholding Pattern, June 2009



STOCK SCAN

BSE Code	500086
NSE Code	EXIDIND
Bloomberg Ticker	EXID IB
Reuters Ticker	EXID.BO
Face Value(INR)	1.00
Equity Share Capital (INR in mn)	800.00
Average 2 year P/E	34.80
Beta vs Sensex	0.87
Average daily volume (6 Mths)	497,598
Dividend Yield	0.57%
PEG Ratio	NA

Comparative Return Vs Sensex



Exide Industries

Sector- Auto Ancillary

We rate Exide Industries a **BUY**. Headquartered in Kolkata, India, the company was incorporated as Associated Battery Makers in 1947, now known as Exide Industries. Exide manufactures the widest range of storage batteries in the world from 2.5 Ah to 20,400 Ah capacities, covering the broadest spectrum of applications. It has six factories strategically located across India – two in Maharashtra, one in West Bengal, two in Tamil Nadu and one in Haryana. Exide acquired stake in various companies through years including Tandon Metals, Lead Age Alloys India, ING Vysya Life Insurance, and Caldyne Automatics.

Investment Highlights

Preferred supplier for leading auto companies-Exide enjoys a significant market share in the vehicle OEM segment. It has been identified as a supplier for batteries for Tata Motor's 'Nano'. Supplies of upgraded batteries for Tata Motor's new model Vista has also commenced. It has also been nominated to supply batteries for Toyota's small car as well as for the new models of Fiat D/200 and D/300. A high performance battery for General Motors 'Tavera' and for Hyundai Motors i20 has also been introduced. The company received an order for 5000 batteries for the Singapore Taxi market. The Company has entered into technical collaboration with Changxing Noble Power Sourcing, China, for manufacture of Deep Cycling E-bike batteries for electric bicycles and scooters.

Strong foothold in all types of batteries-Due to its better reach and improved product perception, performance of industrial batteries segment has been satisfactory. In the submarine batteries segment, it received an order from the Indian Navy and an order from the Admiralty Ship Yard of Russia for third country exports. Exide continues to maintain its leadership position in India and South Asia.

Global presence-Exide relies on domestic as well as export market for its revenues. It has entered into arrangements with Indian Oil Corporation, Hindustan Petroleum Corporation and Toyota Kirloskar for distribution of its products through their retail outlets. Similar additional linkages are also being explored. This enables it to have a much larger presence across the country including all B and C class towns.

Exhibit : Financials		<i>INR in Million</i>				
Particulars	FY07	FY08	FY09	FY10E	FY11E	
Net Sales	19,808.30	29,798.30	34,048.70	37,348.89	45,395.18	
<i>Growth (%)</i>	<i>33.98%</i>	<i>50.43%</i>	<i>14.26%</i>	<i>9.69%</i>	<i>21.54%</i>	
EBITDA	3,177.79	4,869.70	5,771.20	8,325.29	9,249.57	
<i>EBITDA Margin(%)</i>	<i>16.04%</i>	<i>16.34%</i>	<i>16.95%</i>	<i>22.29%</i>	<i>20.38%</i>	
Net Profit	685.41	1,643.70	1,914.90	4,872.90	5,521.36	
<i>Growth (%)</i>	<i>-3.04%</i>	<i>139.81%</i>	<i>16.50%</i>	<i>154.47%</i>	<i>13.31%</i>	
<i>PAT Margins(%)</i>	<i>3.46%</i>	<i>5.52%</i>	<i>5.62%</i>	<i>13.05%</i>	<i>12.16%</i>	
EPS (INR)	0.88	2.16	2.39	5.92	6.91	
BVPS(INR)	7.33	10.58	12.41	21.37	27.82	
P/E(x)	46.68	31.06	17.34	17.91	15.37	
P/B(x)	5.60	6.34	3.34	4.97	3.81	
EV/EBITDA(x)	11.13	11.78	6.30	10.58	9.52	
<i>ROE (%)</i>	<i>12.33%</i>	<i>23.19%</i>	<i>20.82%</i>	<i>33.96%</i>	<i>26.42%</i>	

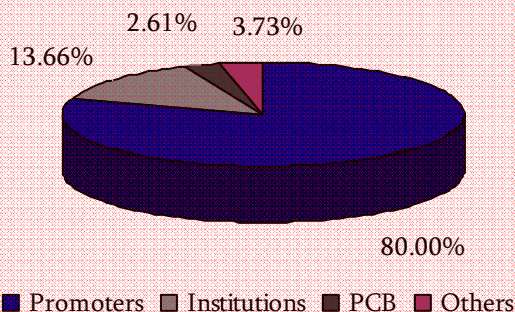
Source: Company, Bloomberg

BUY

Market Data

Current Market Price(INR)	182.00
52 Week High (INR)	183.75
52 Week Low (INR)	63.60
Market Capitalization (INR Mn)	78,218.14

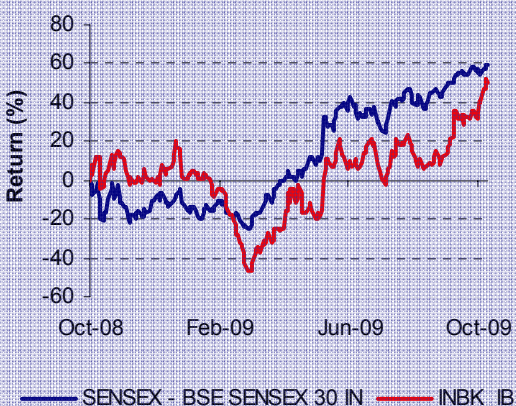
Shareholding Pattern as on June 09



Stock Scan

NSE Code	INDIANB
BSE Code	532814
Bloomberg Ticker	INBK IS
Reuters Ticker	INBA.BO
Face Value (INR)	10.00
Equity Share Capital (INR mn)	4,297.70
Avg 1 year P/E	4.83
Beta vs Sensex	1.00
Avg Daily Volumes (6 months)	927085
Dividend Yield (%)	2.66
PEG Ratio	1.1

Comparative Return vs Sensex



Indian Bank

Sector: Banks - PSU

We rate Indian Bank a **BUY**. The bank, 80.0 percent owned by the government of India, was established on 15 August, 1907 as part of the Swadeshi movement. The Company's subsidiaries include Indbank Merchant Banking Services Ltd., Indbank Housing Ltd. and Indfund Management Ltd. The Bank has a Pan India network with a major focus in Southern India. As on 31 March, 2009 the Bank had 1642 domestic branches comprising of 480 Rural, 414 Semi Urban, 410 Urban and 338 Metropolitan branches. There were 63 Extension Counters, 29 Satellite Offices, 20 Rural Banking Service Centres and 1 Forex Bureau. Besides, the Bank has 2 foreign branches in Colombo and Singapore.

Investment Highlights

Constant improvement in asset quality - Indian bank has shown constant improvement in its asset quality over the past several years despite challenging market conditions. For the year ended March 2009 Gross NPA was at 0.89 percent as against 1.21 percent for March 2008 and Net NPA was lower at 0.18 percent as against 0.24 percent for March 2008. The bank is well positioned to absorb any increase in NPA levels on the back of strong coverage ratio of ~80.0 percent.

Robust Business Growth - Indian bank has recorded a significant growth in its business for the year ended March 31, 2009 led by strong growth in credit. Global deposits of the bank registered a growth of 18.9 percent from INR610.46 bn in March 2008 to INR725.82 bn for the year ended March 2009. On the other hand, global advances registered a significant growth of 28.84 percent as against the industry growth rate of 17.3 percent.

Sustained growth in financial performance despite difficult market conditions - During FY09 total income of the Bank increased to INR78,657.7 mn with a strong growth in interest income to the tune of INR16,174.0 mn or 31.03 percent. Net interest income registered a rise of INR5,546.2 mn translating into a growth rate of 27.0 percent. As a result, Net interest margin improved to 3.54 percent from 3.45 percent for the year ended March 2008. Net Profit for the bank increased by 23.45 percent during the current year.

Healthy Capital Adequacy Ratio - The bank is well capitalized with one of the healthiest CAR in the industry. The Capital Adequacy Ratio of the Bank for the year ended March 2009 stood at 13.27 percent as against 12.74 percent as on March 2008.

Exhibit Indian Bank - Historical Financials and Projection

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales / Int Earnd	42,846.50	52,122.40	68,331.60	88,340.33	123,546.55
Growth (%)	27.35%	21.65%	31.10%	29.28%	39.85%
Net interest Income (NII)	18,720.30	20,573.20	26,171.20	35,769.00	50,024.00
Net Interest Margin (%)	3.60%	3.45%	3.54%	3.59%	3.64%
Net Profit	7,597.70	10,431.20	12,551.50	14,057.33	17,224.00
Net Profit Margins (%)	17.73%	20.01%	18.37%	15.91%	13.94%
Net Profit Growth (%)	50.60%	37.29%	20.33%	12.00%	22.53%
EPS	20.46	24.27	29.21	32.56	37.92
BVPS	74.95	107.88	130.50	150.56	186.63
P/E	4.37	6.75	2.81	5.59	4.80
P/BV	1.19	1.52	0.63	1.21	0.98
ROE (%)	23.59	22.50	22.38	20.51	20.20

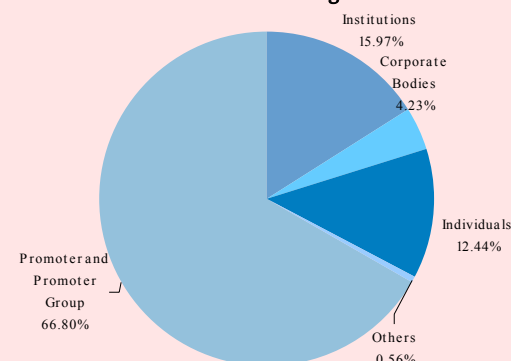
Source: Company, Bloomberg, Microsec Research

BUY

Market Data

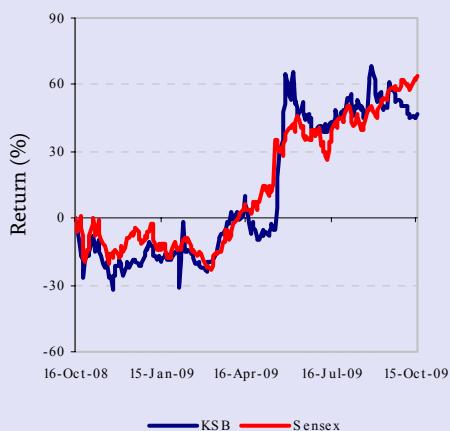
Current Market Price (INR)	375.50
52 Week High (INR)	459.95
52 Week Low (INR)	175.00
Market Capitalization (In INR Mn)	6,535.17

Shareholding



STOCK SCAN

BSE Code	500249
NSE Code	KSBPUMPS
Bloomberg Ticker	KSB IB
Reuters Ticker	KSBP.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	174.04
Average P/E	21.1x
Beta vs Sensex	0.99
Average Daily Volume	6,229
Dividend Yield	1.5%
PEG Ratio	NA



KSB Pumps Limited

Sector- Pumps

We rate KSB Pumps Limited (KSB) a **BUY**. Our rating underpins the company's strong top line growth led by increased volumes, improved margins driven by effective cost control measures and favorable product mix, and KSB's initiatives to reward shareholders through regular dividend payments. We expect the company to maintain its healthy performance in the upcoming quarters as well.

Investment Highlights

Increased sales volumes drive top line. KSB reported a healthy top line growth in FY2008. The company's revenues increased 28.2% y-o-y to INR5,980.99 Mn during the year. The expansion in top line was primarily driven by higher sales volumes across the segments. KSB sold 105,656 pumps and 146,250 valves during the year ended December 2008. The company's export revenues also jumped 148.0% y-o-y to INR826.00 Mn in FY2008. With improved economic conditions across the globe, we expect the company to continue witness healthy growth in revenues, going forward.

Favorable product mix, effective cost control measures lift margins. KSB's top line growth trickled down to its bottom line lifting the latter by 48.8% y-o-y to INR646.25 Mn in FY2008. In addition to top line growth, the company's profitability was supported by its effective cost control measures and improved product mix. Consequently, KSB's Earnings before Interest Depreciation Tax and Amortization (EBIDTA) margins improved 246 basis points (bps) y-o-y to 15.38% in FY2008. In addition, the company's net profit margins expanded 150 bps y-o-y to 10.80% during the year.

Initiatives to generate shareholders' value boost optimism. We are encouraged by KSB's initiatives to reward shareholders. The company is a regular dividend payer with dividend payments of 40%, 45%, 55%, 55%, and 55% respectively in last five years. With KSB's expected healthy performance in upcoming years as well, we expect the company to continue reward shareholders, going forward. The company is planning to consider interim dividend to equity shareholders, for FY2009, in its upcoming board meeting on 23 October 2009.

Exhibit KSB – Historical Financials and Projections

Particulars	FY2006A	FY2007A	FY2008A	FY2009E	FY2010E
Net Sales (post Excise Duty)	2,981.00	4,664.77	5,980.99	6,010.00	5,990.00
Growth (%)	175.25%	56.48%	28.22%	0.48%	-0.33%
EBITDA	675.00	602.90	919.86	954.37	958.68
EBITDA Margins (%)	22.64%	12.92%	15.38%	15.88%	16.00%
Net Profit	396.00	434.27	646.25	650.00	580.00
Net Profit Margins (%)	13.28%	9.31%	10.80%	10.82%	9.68%
Net Profit Growth (%)	227.27%	9.66%	48.81%	0.58%	-10.77%
EPS	22.75	29.28	41.09	37.35	33.33
BVPS	115.98	136.61	167.41	204.76	238.09
P/E	29.73	15.89	5.46	10.05	11.27
P/BV	5.83	3.41	1.34	1.83	1.58
RoE	21.7%	19.8%	24.4%	20.1%	15.1%
EV/EBITDA	14.89	13.16	4.06	6.67	6.64

Source: Company, Bloomberg, Microsec Research

BUY

Rural Electrification Corporation Ltd

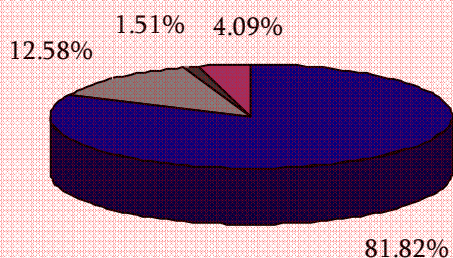
Sector: Finance-Term lending Institutions

Market Data

Current Market Price(INR)	212.10
52 Week High (INR)	224.65
52 Week Low (INR)	53.00
Market Capitalization (INR Mn)	182,121.79

Shareholding Pattern as on

June 09

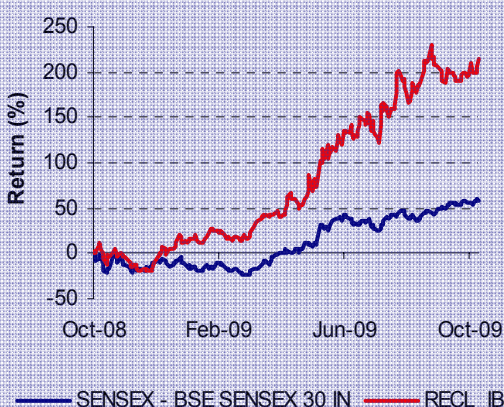


■ Promoters ■ Institutions ■ PCB ■ Others

Stock Scan

NSE Code	RECLTD
BSE Code	532955
Bloomberg Ticker	RECL IS
Reuters Ticker	RURL.BO
Face Value (INR)	10.00
Equity Share Capital (INR mn)	8,586.60
Avg 1 year P/E	8.95
Beta vs Sensex	0.95
Avg Daily Volumes (6 months)	1175822
Dividend Yield (%)	2.13
PEG Ratio	NA

Comparative Return vs Sensex



Investment Highlights

Huge investment lined up in the power sector to fuel growth - The overall requirement of funds in the Eleventh Plan for the power sector has been estimated at INR10,316,000 million. Addition of 78577MW has been planned in the 11th Plan. This requires a large increase in generation and transmission capacity. REC, being one of the leading public financial institutions in Indian power infrastructure, is likely to be a prime beneficiary from the increased growth and investment in the Indian power sector.

Ability to raise funds at competitive costs bodes well - REC's relationship with the GoI currently provides them with access to low cost of funding. Furthermore, according to the Finance Act 2006, only REC and National Highway Authority of India (NHAI) are eligible to raise money through bonds issued under Section 54EC of the Income Tax Act, 1961. Under the above mentioned section capital gains from prior investments in these bonds are nontaxable. This enables the company to price such bonds at a lower rate of interest.

Occupies a key strategic position in the Govt. of India's (GoI) plan - The company has been appointed as the nodal agency for the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which was launched by the Government of India in April 2005, for the attainment of the 'National Common Minimum Programme goal', aimed at providing access to electricity for all households in the following five years.

Diversifying its asset portfolio - REC moved up in the value chain from financing transmission and distribution projects to financing generation projects. Further, 58% of the spending in power in the 11th Five Year Plan is towards generation projects. Thus REC's entry in the generation projects made its business model diversified and broad based.

Strong financial performance and business growth - REC's expertise and focus on power project financing is reflected in the robust growth in terms of sanctions and disbursements over past four years. The company's loan sanctions and loan disbursements have grown at a CAGR of 20.59 percent and 29.92 percent respectively, between FY04 and FY09.

Exhibit REC – Historical Financials and Projection

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales / Int Earned	26,516.96	33,782.19	47,571.70	62,023.15	75,986.61
Growth (%)	28.83%	27.40%	40.82%	30.38%	22.51%
Net interest Income (NII)	9,361.92	13,145.69	18,698.21	24,437.12	30,014.71
Growth (%)	30.38%	40.42%	42.24%	30.69%	22.82%
Net Profit	7,750.30	8,619.25	12,735.25	16,651.44	20,159.12
Net Profit Margins (%)	29.23%	25.51%	26.77%	26.85%	26.53%
Net Profit Growth (%)		11.21%	47.75%	30.75%	21.07%
EPS	9.90	10.96	14.83	18.23	21.19
BVPS	51.41	62.53	72.13	94.10	110.18
P/E	NA	9.71	6.48	11.63	10.01
P/BV	NA	1.70	1.33	2.25	1.93
ROE (%)	19.31	16.05	20.56	23.16	22.12

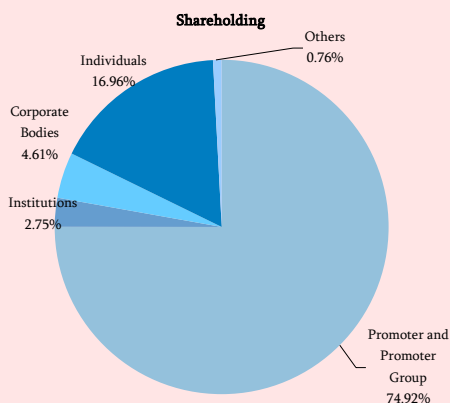
Source: Company, Bloomberg, Microsec Research

BUY

Sector- Domestic Appliances

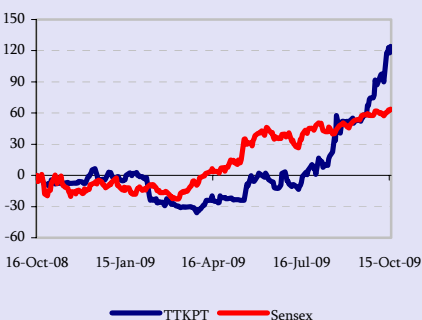
Market Data

Current Market Price (INR)	295.25
52 Week High (INR)	311.00
52 Week Low (INR)	87.00
Market Capitalization (In INR Mn)	3,351.10



STOCKSCAN

BSE Code	517506
NSE Code	TTKPRESTIG
Bloomberg Ticker	TTKPT:IN
Reuters Ticker	TTKL:BO
Face Value (INR)	10.00
Equity Share Capital (Rs. Mn.)	113.20
Average 5 Year P/E	35.7x
Beta vs Sensex	0.74
Average Daily Volmes (Last Year)	9,197.00
Dividend Yield	1.69
PEG Ratio	NA



We rate TTK Prestige a BUY. Incorporated in 1955, TTK Prestige (TPL) is India's leading kitchen appliances company with products across the entire kitchenware segment. TPL is a pioneer and leader of Pressure cookers in India - under the 'Prestige' Brand. TPL's Product portfolio includes pressure cookers, cookware, gas stoves, electrical appliances, kitchen knives, kitchen tools etc. It sells pressure cookers in the US under Indian-owned brand 'Mantra' through a wholly owned subsidiary Mantra Inc, USA. TTK Prestige is a leading kitchen appliances company with products across the entire kitchenware segment.

Investment Highlights

Diversification of a company from a mere cooker to a complete Kitchware Solution Provider : The company has diversified itself into a 'complete kitchen player' by constantly increasing its products line to provide a wide range of products like cookware, Kitchen electrical appliance, Gas stoves, mixies, etc. apart from pressure cooker. In FY09, Pressure Cooker contributed 55%, Cookware 16%, Kitchen Electrical appliance 14%, Stoves 10% and Others 5% to the topline of the company. This shows the company's diversification to other products.

Aggressively Penetrating Retail Business to capitalize the Retail Boom: In order to encash its branding values and increase its margin, the company has entered into retail space through setting up "Prestige Smart Kitchens" and "Prestige Kitchen Boutique". TTK has about 173 Smart Kitchen outlets which covers all types of kitchen appliance products. And Prestige Kitchen boutique that covers a gamut of designer modular kitchens. With growing emphasis on "one stop shop", the modular kitchen market is huge and it is set to grow at a rapid pace. With improved life style and disposable income, modular kitchen has become indispensable part of any modest kitchen.

Unlocking the value of Surplus land in Bangalore: The company has surplus land in Bangalore which it plans to unlock its value. This land holding is at Old Madras Road in Bangalore with a total area of 2.85 lakh sq.ft. The company plans to set up a residential project on the whole property instead of setting up a mall which the company has earlier proposed.

Exhibit TTK Prestige – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	2,810.20	3,259.40	4,012.80	4,735.10	6,155.50
Growth (%)	26.59%	15.98%	23.11%	18.00%	30.00%
EBITDA	257.90	326.60	381.30	565.50	738.66
EBITDA Margins (%)	9.18%	10.02%	9.50%	11.94%	12.00%
Net Profit	117.70	206.70	223.80	327.79	461.66
Net Profit Margins (%)	4.19%	6.34%	5.58%	6.92%	7.50%
Net Profit Growth (%)	65.54%	75.62%	8.27%	46.47%	40.84%
EPS	10.30	18.20	19.70	28.95	40.77
BVPS	45.80	58.90	72.81	101.82	142.55
P/E	28.64	16.21	14.97	10.19	7.24
P/BV	6.44	5.01	4.05	2.90	2.07
ROE (%)	24.50	30.10	30.00	33.15	33.37
EV/EBITDA	7.67	4.48	2.28	2.00	1.53

Source: Company, Microsec Research (In INR Mn)

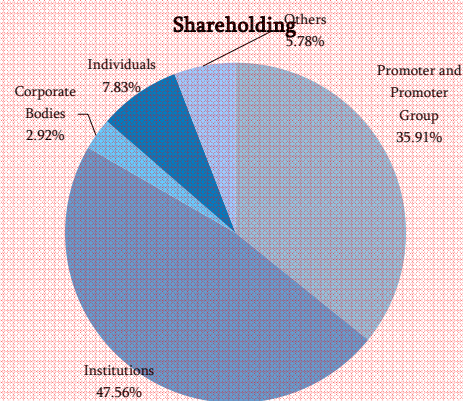
BUY

United Spirits Ltd.

Sector- Alcoholic Beverages Distilleries

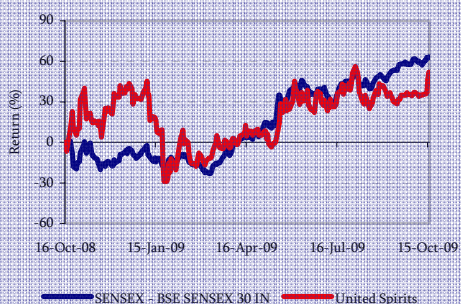
Market Data

Current Market Price	987.10
52 Week High	1,090.00
52 Week Low	425.65
Market Capitalization (INR MN)	106,517.90



Stock Scan

NSE Code	MCDOWELL
BSE Code	532432
Bloomberg Ticker	UNSP IS
Reuters Ticker	UNSP.BO
Face Value	10
Equity Share Capital (Rs. mn)	107.91
Avg 5 year P/E	63.99
Beta vs Sensex	1.06
Avg Daily Volumes (last 6 months)	832815
Dividend Yield (%)	0.19
PEG Ratio	0.68



We rate United Spirits Ltd a **BUY**. United Spirits Ltd (USL), USL is the largest spirits company in the branded spirits market in India and is the third largest spirits group in the world. The Company operates primarily in the Indian Made Foreign Liquor (IMFL) space with clearly chalked out plans for the Wine and Bottled In Origin (BIO) sectors. USL is to manufacture, purchase and sell Indian made foreign liquor including brand franchise. Company's plants are located at Kerala, Andhra Pradesh, Goa, Bihar, Karnataka, Uttar Pradesh, Rajasthan, West Bengal, Madhya Pradesh, Maharashtra and Pondicherry. It enjoys a market share of ~55% with over 88 mn cases of liquor sold in India. It has manufacturing and bottling presence in every state in India supported by a vast distribution and marketing network across the country. It has 27 owned manufacturing units and 40 contract manufacturing facilities while reaching nearly 54,000 retail outlets in the country.

Investment Highlights

Input cost stress tapering off: Checks with sugar manufacturers indicate that ENA prices are down ~11% from Apr09. The 'wet goods' cost assumption Rs153/case for FY10 (Rs154/case in FY09), and Rs147 / case in FY11 amply reflects the costs though high – are narrowing from peak levels. Additionally, we reckon that management has leeway to cut overheads like ad spends, to offset short-term cost pressures.

Leading player with products across price points: USL is present across all five segments, viz. whisky, rum, gin, brandy, and vodka, and has also entered the fast growing wine segment. We expect consumer up trading and USL's focus on main-line brands to help it register one of the highest volume growths. It also dominates the industry with ~55% market share.

Post GST, Industry entrance is intricate: In the IMFL (Indian Made Foreign Liquor) industry, entry barriers continue to remain strong. The need to set up manufacturing facilities in each state, procuring licenses and tying up bottling arrangements are big hindrances. Also, the alcohol industry will not be under GST and, hence, competition in the industry is likely to remain low, going forward.

Favorable demographics & Prohibition on country liquor across nation: The progressive prohibition of country liquor will only boost the growth in IMFL (Indian Made Foreign Liquor) industry. The outlook for the company continues to be buoyant fuelled by the large and growing number of youth coming into the legal drinking age category. In terms of demographic window India is comparatively a 'young' country with over half the 1.2 billion population under 25 years of the age.

Exhibit Key Financials (INR in Millions)

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	27,119.40	31,731.20	41,396.80	61,977.72	70,802.09
Growth (%)	96.50%	17.01%	30.46%	49.72%	14.24%
EBITDA	4,913.80	6,460.90	6,910.90	11,932.81	14,493.66
EBITDA Margins (%)	18.12%	20.36%	16.69%	19.25%	20.47%
Net Profit	4,974.90	3,112.80	2,799.00	3,911.75	5,523.45
Net Profit Margins (%)	18.34%	9.81%	6.76%	6.31%	7.80%
Net Profit Growth (%)	869.39%	-37.43%	-10.08%	39.76%	41.20%
EPS	46.10	28.85	25.94	39.05	55.15
BVPS	124.36	186.20	283.57	310.24	386.31
P/E	21.41	34.22	38.06	26.40	18.70
P/BV	7.94	5.30	3.48	3.32	2.67
RoE (%)	21.94	24.90	23.06	14.03	15.29
EV/EBITDA	16.20	30.26	19.57	15.11	12.11

Source: Bloomberg, BSE, Microsec research

Microsec Research: Phone No.: 91 33 30512100 Email: microsec_research@microsec.in

Ajay Jaiswal: President, Investment Strategies, Head of Research: ajaiswal@microsec.in

Fundamental Research

Name	Sector	Designation	Email ID
Nitin Prakash Daga	IT, Telecom & Entertainment	AVP Research	npdaga@microsec.in
Sumit Jatia	Banking & Finance	Sr. Research Analyst	sjatia@microsec.in
Harsh Jain	Oil & Gas, Energy & Power	Sr. Research Analyst	hjain@microsec.in
Vasundhara Karwa	Metal, Mineral and Mining	Research Analyst	vkarma@microsec.in
Sutapa Roy	Economy, Macro Research	Executive Economist	s-roy@microsec.in
Dhruva Mittal	Mid Cap	Executive Research	dmittal@microsec.in

PMS Division

Naveen Vyas	PMS	AVP	nvyas@microsec.in
Siddharth Sedani	PMS	Sr. Manager	ssedani@microsec.in
Sarmistha Rudra	Portfolio & Technical	Research Analyst	srudra@microsec.in

Derivative Research

Vineet Pagaria	Derivative Analyst	AVP	vpagaria@microsec.in
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Technical Research

Sanjay Sureka	Technical Research	VP-Technical	ssureka@microsec.in
Prabir Sarkar	Technical Research	Sr. Technical	psarkar@microsec.in

Research: Financial Planning Division

Shrivardhan Kedia	FPD Products	Manager Research	skedia@microsec.in
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Research-Support

Subhabrata Boral	Research Support	Executive	sboral@microsec.in
------------------	------------------	-----------	------------------------------------------------------------

Kolkata

Investment Banking

Azimganj House, 2nd Floor
7, Camac Street, Kolkata – 700 017, India
Tel: 91 33 2282 9330, Fax: 91 33 2282 9335

Brokerage and Wealth Management

Shivam Chambers, 1st Floor
53, Syed Amir Ali Avenue, Kolkata – 700 019, India
Tel: 91 33 3051 2000, Fax: 91 33 3051 2020

Mumbai

74 A, Mittal Tower, 7th Floor
210, Nariman Point, Mumbai – 400 021, India
Tel: 91 22 2285 5544, Fax: 91 22 2285 5548

Email: info@microsec.in
www.microsec.in

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