5 November 2012 │ 14 pages

Electrical Components & Equipment (GICS) │ Electrical Equipment (Citi)
Asia Pacific │ India

Crompton Greaves (CROM.BO)

Downgrade to Neutral: Recovery To Take Longer Than Expected

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

Neutral	**2**
from Buy	
Price (02 Nov 12)	Rs122.80
Target price	Rs129.00
from Rs152.00	
Expected share price return	5.0%
Expected dividend yield	1.1%
Expected total return	**6.2%**
Market Cap	Rs78,775M
	US$1,464M

- **Underperformance to continue; Cutting TP to Rs129; Downgrade to Neutral —** Crompton Greaves (CG) has underperformed the market by 24% YTD. Our earlier Buy rating was premised on two things: 1) Strong order inflows; 2) Expected rebound in margins post restructuring initiatives. Consolidated order inflows seem to have slowed (Q2 inflows +14%YoY vs. +59%YoY in Q1FY13, due to lower international orders) and a high base of H2FY12 order inflows will only make it tougher. Losses in international subs doubled in Q2FY13 vs. Q1FY13. Mgmt has cut FY13E guidance and has hinted at a "bumpy" couple of quarters ahead. We now believe margin recovery will likely take longer than previously expected and that CG will remain range bound unless mgmt starts delivering on its stated targets.

- **Losses continue, restructuring charge related to employees yet to come —** CG reported Q2FY13 consol. PAT of Rs420mn, 55% below our estimates. Key pressure points were: 1) Continued losses in international power business – Rs800mn related to ongoing transfer of production from Belgium to Hungary; 2) Lower margins in consumer business (adverse currency, high ad spends). CG has completed consultations with the Belgian works council and will let go of 260 employees in December, related restructuring costs will be undertaken in Q3FY13E. **Management cut FY13E guidance**, with revenues now expected to grow at 8-9% YoY (12-14% earlier) and EBITDA margins to be ~5% (vs. 8-9% earlier).

- **Cutting estimates sharply —** As we factor in losses in the international biz (FY13E) and lower margins in the consumer business, our earnings are cut 46% for FY13E, 20% for FY14E, and 11% for FY15E. Our TP is cut to Rs129 (from Rs152) on earnings cuts & roll-forward of PE multiple to 15x Mar-14E (vs. 15x Dec-13E).

- **Why not a Sell? —** There are some positives: 1) Domestic power systems has seen good order inflows (+47% QoQ); 2) Consumer business has seen m/s gains in fans segment; 3) Margins have expanded QoQ in domestic industrial systems biz. We could get more constructive if order inflow accelerates, profitability improves, and mgmt starts to deliver on its targets. L&T is our top pick in the industrials space.

Price Performance
(RIC: CROM.BO, BB: CRG IN)

Statistical Abstract

Year to 31 Mar	Net Profit (RsM)	Diluted EPS (Rs)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2011A	9,268	14.45	12.4	8.5	2.4	32.1	1.8
2012A	3,736	5.82	-59.7	21.1	2.2	10.9	0.8
2013E	2,857	4.45	-23.5	27.6	2.2	7.9	1.1
2014E	5,518	8.60	93.1	14.3	1.9	14.2	0.9
2015E	7,464	11.64	35.3	10.6	1.7	16.9	1.2

Source: Powered by dataCentral

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CROM.BO: Fiscal year end 31-Mar — **Price: Rs122.80; TP: Rs129.00; Market Cap: Rs78,775m; Recomm: Neutral**

Profit & Loss (Rsm)	2011	2012	2013E	2014E	2015E
Sales revenue	100,051	112,486	123,880	147,203	160,838
Cost of sales	-76,791	-93,702	-105,918	-122,914	-132,209
Gross profit	23,260	18,784	17,963	24,288	28,629
Gross Margin (%)	23.2	16.7	14.5	16.5	17.8
EBITDA (Adj)	**13,438**	**8,036**	**6,194**	**10,304**	**13,350**
EBITDA Margin (Adj) (%)	13.4	7.1	5.0	7.0	8.3
Depreciation	-1,936	-2,600	-2,099	-2,123	-2,304
Amortisation	0	0	0	0	0
EBIT (Adj)	**11,502**	**5,437**	**4,095**	**8,181**	**11,046**
EBIT Margin (Adj) (%)	11.5	4.8	3.3	5.6	6.9
Net interest	-209	-417	-520	-674	-676
Associates	80	53	23	23	23
Non-op/Except	999	478	650	690	732
Pre-tax profit	**12,372**	**5,551**	**4,248**	**8,220**	**11,125**
Tax	-3,100	-1,821	-1,394	-2,705	-3,664
Extraord./Min.Int./Pref.div.	-385	7	3	3	3
Reported net profit	**8,887**	**3,736**	**2,857**	**5,518**	**7,464**
Net Margin (%)	8.9	3.3	2.3	3.7	4.6
Core NPAT	9,268	3,736	2,857	5,518	7,464
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS (Rs)	13.85	5.82	4.45	8.60	11.64
Core EPS (Rs)	14.45	5.82	4.45	8.60	11.64
DPS (Rs)	2.20	0.92	1.40	1.12	1.51
CFPS (Rs)	9.61	5.34	1.41	10.88	19.59
FCFPS (Rs)	-2.23	-3.64	-4.83	3.87	12.57
BVPS (Rs)	51.05	56.29	56.79	64.08	73.95
Wtd avg ord shares (m)	641	641	641	641	641
Wtd avg diluted shares (m)	641	641	641	641	641
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	9.5	12.4	10.1	18.8	9.3
EBIT (Adj) (%)	2.5	-52.7	-24.7	99.8	35.0
Core NPAT (%)	12.4	-59.7	-23.5	93.1	35.3
Core EPS (%)	12.4	-59.7	-23.5	93.1	35.3
Balance Sheet (Rsm)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	2,984	4,976	7,212	8,934	15,864
Accounts receivables	25,427	31,433	33,524	39,836	43,526
Inventory	12,316	12,233	18,192	19,963	17,370
Net fixed & other tangibles	20,501	24,444	26,353	28,729	30,927
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	11,516	14,567	14,456	14,187	14,616
Total assets	**72,744**	**87,652**	**99,737**	**111,650**	**122,304**
Accounts payable	17,457	19,143	21,840	25,589	27,840
Short-term debt	0	837	1,819	1,900	1,900
Long-term debt	4,651	9,562	16,456	16,456	16,456
Provisions & other liab	17,732	21,843	23,037	26,441	28,514
Total liabilities	**39,840**	**51,386**	**63,152**	**70,386**	**74,710**
Shareholders' equity	32,747	36,109	36,428	41,107	47,437
Minority interests	157	157	157	157	157
Total equity	**32,904**	**36,266**	**36,585**	**41,263**	**47,593**
Net debt	**1,667**	**5,423**	**11,062**	**9,422**	**2,492**
Net debt to equity (%)	5.1	15.0	30.2	22.8	5.2

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	8.5	21.1	27.6	14.3	10.6
PB (x)	2.4	2.2	2.2	1.9	1.7
EV/EBITDA (x)	5.7	9.9	13.4	8.3	6.1
FCF yield (%)	-1.8	-3.0	-3.9	3.1	10.2
Dividend yield (%)	1.8	0.8	1.1	0.9	1.2
Payout ratio (%)	15	16	31	13	13
ROE (%)	30.8	10.9	7.9	14.2	16.9

Cashflow (Rsm)	2011	2012	2013E	2014E	2015E
EBITDA	13,438	8,036	6,194	10,304	13,350
Working capital	-4,771	-2,239	-4,111	-661	2,798
Other	-2,504	-2,374	-1,177	-2,663	-3,582
Operating cashflow	**6,162**	**3,423**	**906**	**6,980**	**12,566**
Capex	-7,593	-5,758	-4,007	-4,500	-4,502
Net acq/disposals	0	0	0	0	0
Other	-899	-1,037	0	0	0
Investing cashflow	**-8,492**	**-6,795**	**-4,007**	**-4,500**	**-4,502**
Dividends paid	-1,645	-694	-1,051	-839	-1,135
Financing cashflow	**-1,375**	**5,363**	**5,338**	**-758**	**-1,135**
Net change in cash	**-3,704**	**1,992**	**2,237**	**1,722**	**6,928**
Free cashflow to s/holders	**-1,430**	**-2,335**	**-3,101**	**2,480**	**8,064**

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com
For definitions of the items in this table, please click here.

Crompton Greaves Q2FY13 results

- **Consolidated PAT was 55% below our estimates –** CG reported Q2FY13 consolidated revenues of Rs29.2bn, up 8%YoY but 5% below our estimates. Consolidated EBITDA was 22% below estimates as margins were ~100bps lower than expected. The company is no longer amortizing goodwill, choosing to test if for impairment instead (as was the case in Q1FY13)) – the net profit would have been lower at Rs232mn had it not done this.

- **India business –** Revenues at Rs16.7bn were 4% below our estimates. Margins of 8.8% were almost 70bps below estimates. Revenues were below estimates across all businesses. Consumer business margins declined by 177bpsYoY and were 350bps below estimates due to currency fluctuations and higher advertising expense.

- **International business –** Revenues at Rs12bn were flat YoY, but were ~7% below our expectations. International subsidiaries reported a higher than expected loss of Rs696mn vs. our expectations of Rs324mn. Higher than expected interest cost and depreciation also hurt earnings. The key reason for the loss was ~Rs800mn of costs related to the ongoing restructuring (not related to employee expense).

Figure 1. Crompton Greaves Results

RsM	Consolidated			Standalone			International		
PROFIT AND LOSS ACCOUNT	**2QFY12**	**2QFY13A**	**2QFY13E**	**2QFY12**	**2QFY13A**	**2QFY13E**	**2QFY12**	**2QFY13A**	**2QFY13E**
Net Sales / Income from Operations	27,055	29,242	30,906	14,515	16,702	17,369	12,541	12,540	13,536
% Growth	13%	8%	14%	0%	15%		31.6%	0.0%	7.9%
Material Cost	(18,201)	(19,714)	(21,072)	(10,493)	(12,224)	(12,853)	(7,708)	(7,490)	(8,219)
% of Sales	67%	67%	68%	72%	73%	74%	60%	60%	61%
% Growth YoY	24%	8%	16%	6%	16%	22%	61%	-3%	7%
Staff Expenses	(3,574)	(4,420)	(4,562)	(892)	(1,010)	(1,042)	(2,682)	(3,410)	(3,519)
% of Sales	13%	15%	15%	6.3%	6%	6.0%	21%	27%	26%
% Growth YoY	16%	24%	28%	20%	13%	17%	14%	27%	31%
Other Expenses	(3,021)	(3,743)	(3,516)	(1,516)	(1,999)	(1,824)	(1,504)	(1,745)	(1,692)
% of Sales	11.2%	12.8%	11.4%	10%	12.0%	11%	12%	14%	13%
% Growth YoY	4%	24%	16%	-2%	32%	20%	9%	16%	12%
Total expenditure	(24,796)	(27,877)	(29,149)	(12,901)	(15,232)	(15,719)	(11,895)	(12,645)	(13,430)
EBITDA	**2,260**	**1,365**	**1,756**	**1,614**	**1,470**	**1,650**	**646**	**(105)**	**106**
EBITDA Margin %	**8.4%**	**4.7%**	**5.7%**	**11.1%**	**8.8%**	**9.5%**	**5%**	**-1%**	**1%**
Depreciation, Obsolescence, Amortisation and Impairment	(726)	(544)	(475)	(267)	(175)	(175)	(459)	(369)	(300)
EBIT	**1,534**	**820**	**1,281**	**1,347**	**1,295**	**1,475**	**187**	**(475)**	**(194)**
EBIT Margin %	**6%**	**3%**	**4%**	**9%**	**8%**	**8%**	**1%**	**-4%**	**-1%**
Interest and Commitment Charges	(102)	(190)	(120)	(1)	59	20	(102)	(249)	(140)
Other Income	215	208	190	168	147	180	47	61	10
PBT	**1,646**	**838**	**1,351**	**1,515**	**1,501**	**1,675**	**132**	**(663)**	**(324)**
Tax	(463)	(414)	(419)	(391)	(384)	(419)	(72)	(30)	
Tax rate %	28%	49%	31%	26%	26%	25%	55%	-4%	
PAT before Extraordinary Item	1,183	424.7	932	1,123	1,117	1,256	60	(692)	(324)
Minority Interest	1	(10)	0				1	(10)	
Share of profit / loss of Associate Companies	(18)	5	0				(18)	5	
Recurring PAT	**1,167**	**420**	**932**	**1,123**	**1,117**	**1,256**	**43**	**(696)**	**(324)**
Extraordinary Item							0	0	
Reported PAT	**1,167**	**420**	**932**	**1,123**	**1,117**	**1,256**	**43**	**(696)**	**(324)**

Source: Company Data; Citi Research Estimates

Figure 2. Crompton Greaves Segment Results

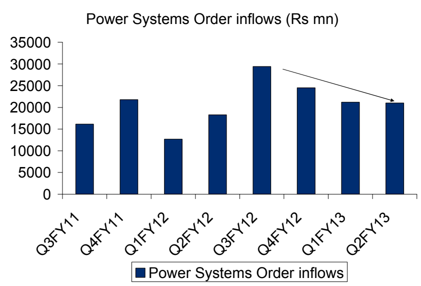
RsM	Consolidated		Standalone		International	
SEGMENT REPORTING	**2QFY12**	**2QFY13A**	**2QFY12**	**2QFY13A**	**2QFY12**	**2QFY13A**
Segment Revenues						
Power System	17,611	17,819	5,988	6,236	11,623	11,583
Industrial Systems	4,655	4,816	3,766	3,892	890	924
Consumer Products	4,801	5,844	4,801	5,844	0	0
Others ***	58	945	30	912	28	33
Less: Inter-Segment Revenue	(71)	(182)	(71)	(182)	0	0
Net Sales / Income from Operations	**27,055**	**29,242**	**14,515**	**16,702**	**12,541**	**12,540**
Segment Results						
Power System	934	100	672	617	263	(517)
Industrial Systems	558	703	591	601	(33)	102
Consumer Products	543	557	543	557	0	0
Others	7	66	3	65	4	2
Total	**2,041**	**1,426**	**1,808**	**1,840**	**233**	**(414)**
Less: Interest	(102)	(190)	(1)	59	(102)	(249)
Un-allocables	(293)	(398)	(293)	(398)	0	0
PBT	**1,646**	**839**	**1,515**	**1,501**	**132**	**(663)**
Revenue Growth %						
Power System	12%	1%	-7%	4%	24%	0%
Industrial Systems	29%	3%	9%	3%	443%	4%
Consumer Products	4%	22%	4%	22%		
EBIT Margins %						
Power System	5%	1%	11.2%	10%	-1%	**-4%**
Industrial Systems	12%	15%	15.7%	15%	-40%	11%
Consumer Products	11%	10%	11.3%	**10%**		

Source: Company Data, Citi Research

Note – Power distribution systems business has been classified under “others” from Q2FY13 onwards

Business Update

Figure 3. Power Systems Consol OI



Source: Company Data, Citi Research

Domestic Power Systems

- **Q2 Results –** While revenues were ~5% below estimates, margins came in-line with Citi estimates (the company transferred Power Distribution business to "Others" segment, we have added back those revenues to compare with our estimates). **Order inflow –** Domestic Power Systems reported order inflows of Rs8.8bn up 47% QoQ.
- **Outlook –** The company is bidding for PGCIL orders. It received a 765kV reactor order from PGCIL worth Rs810mn which will be reflected in Q3FY13 order book.

International Power Systems

- **Q2 Results –** While revenues were largely flat YoY, the segment reported EBIT loss of Rs517mn in the quarter. Order inflow momentum seems to have slowed a bit – International Power Systems orders were Rs12bn in the quarter, down 20% QoQ.
- **Reasons for the loss –** Management highlighted that they were in a transition period at the moment where production was being transferred from Belgium to new plant in Hungary. This has led to increased costs of ~Rs800mn in the quarter. CG also highlighted that there was an inventory buildup of almost Rs3bn due to the transfer of projects.
- **Update on restructuring –** CG is expanding capacity at the Hungary plant from 7500MVA to 15000MVA by March 2013 (current capacity – 9000MVA). The company is transferring the production from the high cost Belgium plant to the under expansion Hungary plant. CG has completed the discussions with the Belgian Works Council and will let go 260 employees who will leave the company by December 2012. The company has not provided for the restructuring cost and will do so in Q3FY13. CG expects a 15% drop in production costs due to the shift of production.
- **Outlook –** CG is seeing a lot of traction in distribution transformers and instrument transformers. While the demand environment remains tough for power transformers, prices have been stable. CG sees opportunities in Latin America, South East Asia and Europe.

Domestic Industrial Systems

- **Q2 Results –** Revenues grew 3% YoY but were 2% below estimates. Margins surprised in the quarter – at 15.4% in Q2 vs. our est. of 12.5% due to a change in sales mix – CG sold a higher % of HT motors and drives in the quarter.
- **Seeing some traction, but macro still remains weak –** CG mentioned that the industrial capex in India is still sluggish and it isn't seeing any broad-based pickup in momentum. Some of CG's clients who had pushed back deliveries (esp of HT motors) in Q1FY13 had confirmed and taken the delivery of them in Q2FY13.
- **Targeting exports –** CG is targeting exports to combat slowdown in the Indian market. It recently received an export order to supply motors to Ethiopia.

Consumer Products

- **Q2 results –** Revenues grew by 22% YoY, but were 2% below expectations. Margins declined by 178bps YoY and were ~347bps below expectations. The company cited adverse currency impact and higher ad spends as reasons for the same.

- **Outlook –** CG has expanded market share in Fans segment to 23.5% in Q2FY13, from 22.5% in Q1FY13. It has strengthened the sales network – has added ~180 distributors and over 3900 retailers during the quarter. CG has launched premium products in all segments.

Cutting Estimates

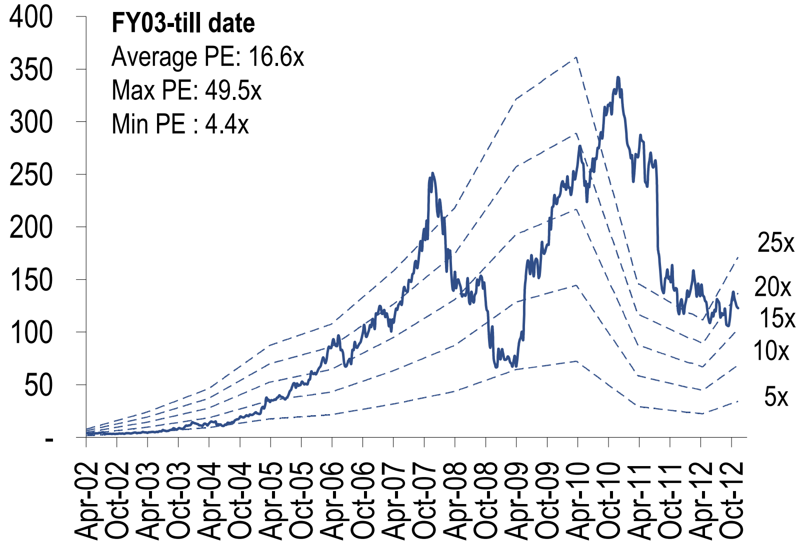
- **We cut earnings estimates sharply** by 46% for FY13E, 20% for FY14E, and 11% for FY15E as we factor in the following:
  - Continued losses in the international businesses (in FY13E) and a slower margin recovery than earlier;
  - Lower margins in the domestic consumer business.

Figure 4. Crompton Greaves – Estimate Changes

RsM	FY13E	FY14E	FY15E
Sales Old	128,778	147,505	162,426
Sales New	123,880	147,203	160,838
Change %	**-4%**	**0%**	**-1%**
EBITDA Margins Old %	7.3%	8.1%	9%
EBITDA Margins New %	5.0%	7.0%	8.3%
Change (bps)	**(229)**	**(109)**	**(59)**
Recurring PAT Old	5,332	6,902	8,433
Recurring PAT New	2,857	5,518	7,464
Change %	**-46%**	**-20%**	**-11%**
Recurring EPS Old (Rs)	8.3	10.8	13.1
Recurring EPS New (Rs)	4.5	8.6	11.6
Change %	**-46%**	**-20%**	**-11%**

Source: Citi Research Estimates

Figure 5. Crompton PE Chart



Source: Citi Research

Crompton Greaves

Company description

Crompton Greaves (CG), part of the US$4bn Avantha Group, has three key businesses – Power Systems (65% of consolidated sales), Consumer Products (20%), and Industrial Systems (15%). Since 2005, CG has embarked on a globalization strategy to transform itself from a products company to an end-to-end solutions provider. CG is present in over 14 manufacturing and design locations in India, across Gujarat, Maharashtra, Goa, Madhya Pradesh and Karnataka, and has more than 8,700 employees worldwide.

Investment strategy

We have a Neutral rating on CG with a target price of Rs129. While it is a strong global T&D player with multiple levers for long-term earnings growth, consolidated order inflows seem to have slowed (due to lower international orders) and a high base of H2FY12 order inflows will only make it tougher. Losses in international subs also increased significantly in 2QFY13. We believe margin rebound is some way off and that CG will remain range-bound unless mgmt starts delivering on its stated targets of improving profitability.

Valuation

Our target price of Rs129 is based on a P/E multiple of 15x Mar-14E EPS, a discount to the stock's historical trading average, which we believe is justified given the current pressures faced by the business. We use P/E to value all other industrial stocks in our coverage.

Risks

Key downside risks to our investment thesis and target price on CG include: 1) Deterioration in the Indian T&D market; 2) Slowdown in execution/delivery; 3) Delay in recovery in Europe/Global T&D capex; 4) Delay in revival in the industrial capex cycle/consumer spending; 5) Hardening of raw-material prices; 6) Rupee appreciation; and 7) Inability of new management to restore confidence. Key upside risks include: 1) Improvement in the Indian T&D market; 2) Improvement in execution/delivery; 3) Recovery in Europe/Global T&D capex; 4) Revival in the industrial capex cycle/consumer spending; 5) Softening of raw-material prices; and 6) Delivery on stated goals.

Larsen & Toubro

(LART.BO; Rs1,674.90; 1)

Valuation

Our Rs1,855 target price is based on sum-of-the-parts (SOTP). We use 15.5x Mar14E earnings for the parent (Rs1460), well supported by EPS growth of 15% and average RoEs of 19%. We also believe that the parent's numbers do not capture the value inherent in subsidiaries, which we value at Rs395, with L&T Infotech at Rs108 (10x Mar14E EPS, in line with second-tier peers), L&T IDPL at Rs103 and L&T Finance Holdings at Rs112.

Risks

Downside risks include: 1) attracting and retaining talent; 2) the E&C and electrical equipment businesses are sensitive to economic variables; 3) competitive pressures; and 4) L&T needs to keep abreast with technology trends to sustain valuations and earnings. These risks could impede the stock from reaching our target price.

Appendix A-1

Analyst Certification

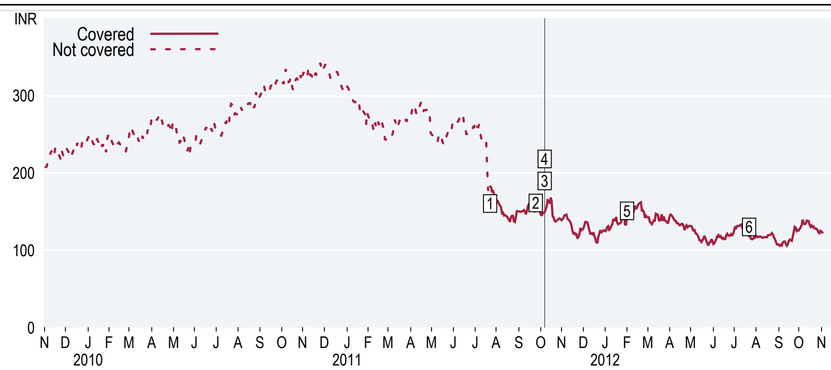
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Crompton Greaves (CROM.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Deepal Delivala
Covered since July 22 2011



	Date	Rating	Target Price	Closing Price
1	22-Jul-11	*3M	*170.00	182.55
2	26-Sep-11	*1M	*184.00	150.60
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	184.00	149.15
5	1-Feb-12	1	*170.00	143.95
6	22-Jul-12	1	*152.00	130.10

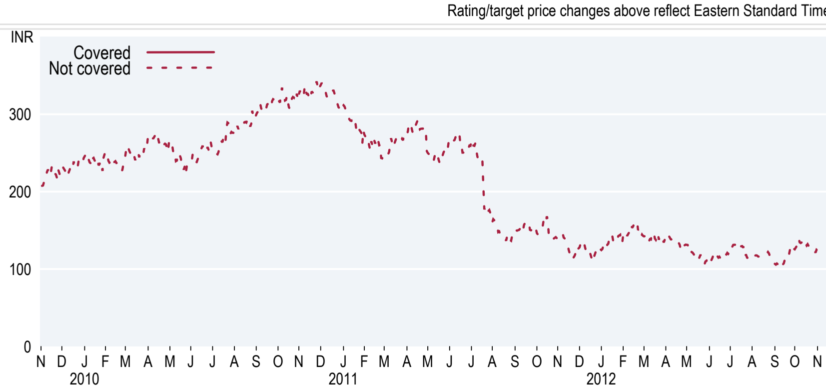
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Crompton Greaves (CROM.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Deepal Delivala
Covered since July 22 2011



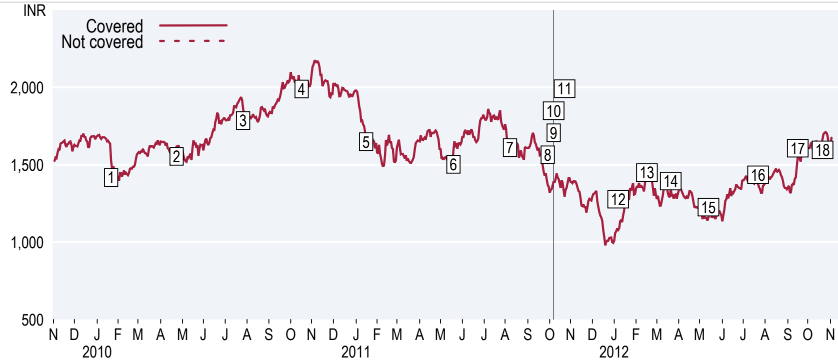
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Larsen & Toubro (LART.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Venkatesh Balasubramaniam



	Date	Rating	Target Price	Closing Price
1	21-Jan-10	1L	*1,748.00	1,524.35
2	23-Apr-10	1L	*1,875.00	1,617.85
3	27-Jul-10	1L	*2,110.00	1,863.25
4	18-Oct-10	1L	*2,210.00	2,013.15
5	17-Jan-11	*2L	*1,824.00	1,681.15
6	19-May-11	2L	*1,745.00	1,594.90
7	8-Aug-11	2L	*1,767.00	1,629.85
8	29-Sep-11	*1L	*1,576.00	1,369.55
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*1	1,576.00	1,393.45
11	23-Oct-11	1	*1,511.00	1,336.00
12	6-Jan-12	1	*1,328.00	1,078.60
13	16-Feb-12	1	*1,647.00	1,447.05
14	21-Mar-12	1	*1,642.00	1,348.00
15	14-May-12	1	*1,436.00	1,159.80
16	23-Jul-12	1	*1,531.00	1,374.50
17	17-Sep-12	1	*1,690.00	1,551.65
18	22-Oct-12	1	*1,855.00	1,668.20

* Indicates change

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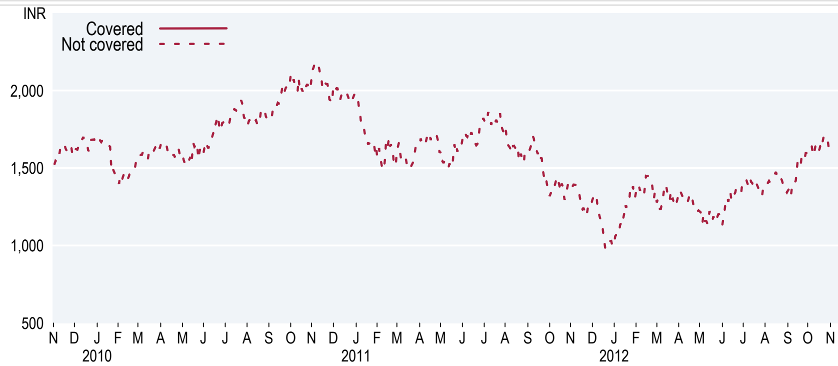
Larsen & Toubro (LART.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Venkatesh Balasubramaniam



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Data current as of 5 Oct 2012	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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% of companies in each rating category that are investment banking clients	50%	47%	45%	59%	47%	50%

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