Macquarie Research
Equities

India Essentials

Thursday, 16 April 2009

INDIA

Oil and Natural Gas Corp

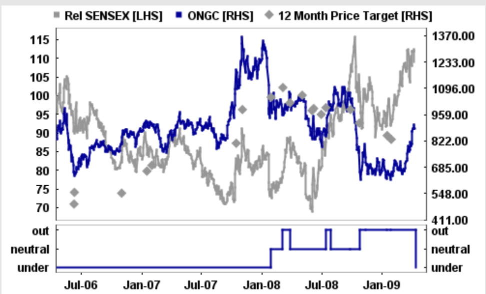
16 April 2009

ONGC IN		Underperform
Stock price as of 14 Apr 09	Rs	896.90
12-month target	Rs	778.00
Upside/downside	%	-13.3
Valuation	Rs	778.00
- DCF		
GICS sector		energy
Market cap	Rs bn	1,918
30-day avg turnover	US$m	32.0
Market cap	US$m	38,452
Number shares on issue	m	2,139

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	bn	967.8	1,231.7	1,107.1	1,269.5
EBITDA	bn	374.6	471.2	426.4	487.9
EBITDA growth	%	6.6	25.8	-9.5	14.4
EBIT	bn	264.8	310.0	286.0	320.1
EBIT Growth	%	16.6	17.1	-7.8	11.9
Reported profit	bn	198.7	223.1	205.4	232.8
Adjusted profit	bn	198.7	223.1	205.4	232.8
EPS rep	Rs	92.91	104.31	96.01	108.85
EPS adj	Rs	92.91	104.31	96.01	108.85
EPS adj growth	%	14.9	12.3	-8.0	13.4
PE adj	x	9.7	8.6	9.3	8.2
Total DPS	Rs	36.00	38.00	42.00	42.00
Total div yield	%	4.0	4.2	4.7	4.7
ROE	%	29.7	29.3	24.0	24.6
EV/EBITDA	x	4.8	3.8	4.2	3.7
Net debt/equity	%	-15.4	-16.1	-18.4	-20.0
Price/book	x	2.7	2.4	2.1	1.9

ONGC IN rel SENSEX performance, & rec history



Source: FactSet, Macquarie Research, April 2009 (all figures in INR unless noted)

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Subsidy buffer to crude cuts

Event

- Macquarie's oil economist, Jan Stuart, has revised down our oil price forecasts, with FY3/10 and FY3/11 down 19% and 6%, respectively. We revise our earnings forecasts and target price for Oil and Natural Gas Corp (ONCG) to take these changes into account. We downgrade ONGC to Underperform from Outperform.

Impact

- **Oil price forecasts:** We cut our forecasts for FY10, FY11 and FY12 by US$13/bbl, US$4.5/bbl and US$12/bbl, respectively. The WTI average forecasts are now US$54.5/bbl, US$77/bbl and US$81/bbl for the respective fiscal years. We reduce our long-term oil price to US$75/bbl in 2009 US$ inflated by the US CPI. This gives a FY14E oil price of US$79.5/bbl. Our previous forecast was US$92/bbl from FY13E.
- **Subsidy buffers sharp cut in crude prices:** The fall in ONGC's earnings to crude oil price is buffered by a drop in the oil subsidy burden in the medium term. We believe this buffer will decline below US$55/bbl. Our reduced global crude oil forecasts of US$55/bbl for FY3/10E and US$77/bbl for FY3/11E remain above this US$55/bbl threshold.
- **Terminal oil price hike drives target price downgrade:** Our target price for ONGC is based on discounted cashflow (DCF). Terminal value contributes towards 78% of the weight. As we downgrade the long-term price of oil from US$92/bbl to US$73/bbl, we cut our target price for ONGC by 6% to Rs778.

Earnings and target price revision

- We cut the FY3/10E PAT by 7.0% and FY3/11E PAT by 5.0% to factor in the changes in our crude price assumptions.
- We have cut our DCF-based target price for ONGC by 6% to Rs778/sh to factor in our new oil price forecasts.

Price catalyst

- 12-month price target: Rs778.00 based on a DCF methodology.
- Catalyst: Recovery in oil prices and new exploratory finds.

Action and recommendation

- **ONGC is caught in a unique no-win situation:** Its upside is capped as the subsidy burden rises in a high oil price environment, while earnings get impacted by low crude prices.
- **Rating downgraded to Underperform:** ONGC stock has risen ~30% in the past one month and significantly outperformed the SENSEX in the last three months. ONGC now trades ahead of our DCF-based valuation. Our target price suggests 13% downside.

INDIA

Cairn India

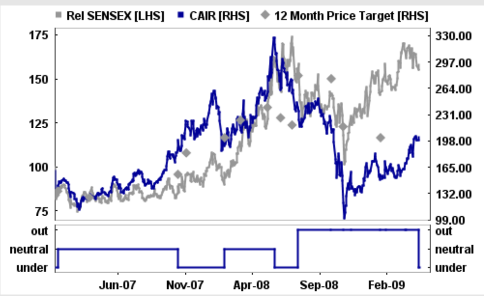
16 April 2009

CAIR IN		Underperform
Stock price as of 14 Apr 09	Rs	202.95
12-month target	Rs	175.00
Upside/downside	%	-13.8
Valuation	Rs	175.00
- DCF		
GICS sector		energy
Market cap	Rs m	384,929
30-day avg turnover	US$m	15.0
Market cap	US$m	7,716
Number shares on issue	m	1,897

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	m	11,244	15,716	29,003	90,110
EBITDA	m	5,501	10,693	19,982	64,898
EBITDA growth	%	34.3	94.4	86.9	224.8
EBIT	m	3,492	8,826	16,031	59,281
EBIT Growth	%	72.9	152.7	81.6	269.8
Reported profit	m	1,590	8,103	13,819	49,483
Adjusted profit	m	3,137	7,936	13,819	49,483
EPS rep	Rs	0.88	4.27	7.29	26.09
EPS adj	Rs	1.70	4.18	7.29	26.09
EPS adj growth	%	67.2	145.7	74.1	258.1
PE adj	x	119.2	48.5	27.9	7.8
Total DPS	Rs	0.00	0.00	0.00	0.00
Total div yield	%	0.0	0.0	0.0	0.0
ROE	%	1.1	2.5	4.1	13.8
EV/EBITDA	x	66.6	34.3	18.3	5.6
Net debt/equity	%	-4.1	-6.5	3.8	-2.8
Price/book	x	1.3	1.2	1.1	1.0

CAIR IN rel SENSEX performance, & rec history



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Analysts

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Downgrades follow crude cuts

Event

- Macquarie's oil economist, Jan Stuart, has revised down our oil price forecasts, with FY3/10E and FY3/11E down 19% and 6%, respectively. We have revised our earnings forecasts and target price for Cairn India to take account of these changes, and downgrade our rating to Underperform from Outperform.

Impact

- **Oil price forecast.** We cut our oil price forecasts for FY10, FY11 and FY12 by US$13/bbl, US$4.5/bbl and US$12/bbl, respectively. The WTI average forecasts are now US$54.5/bbl, US$77/bbl and US$81/bbl for the respective fiscal years. Our long-term oil price has been reduced to US$75/bbl in 2009 US$ inflated by the US CPI. This gives a FY14E oil price of US$79.5/bbl. Our previous forecast was US$92/bbl from FY13E.
- **Potential for addition to reserves.** Cairn plans to use enhanced oil-recovery (EOR) techniques at the Rajasthan fields. If successful, EOR may increase the recovery factor by 10–20%, or P2 reserves, by 309m boe compared with 794m boe currently, thus extending the production plateau.
- **Pricing and cess remain unsettled.** The crude benchmark and potential discount for pricing the Rajasthan crude is still undecided. In addition, the government has asked Cairn to pay a cess (ranging at US$2.8–8.1/bbl) for its fields in Rajasthan, which it has disputed.

Earnings and target price revision

- **Lower crude price shifts government profit share by a year.** We have cut FY10E PAT by 33.0% on the back of our lower crude price assumptions. Our FY11E PAT estimate, however, is increased by 9% as government profit share would now kick in in FY12E as opposed to FY11E earlier.
- **Target price cut by 12% to Rs175 (from Rs202).** We derive a sum-of-parts value (DCF for Rajasthan and Ravva fields and relative valuation for other fields) of Rs175/sh. We have ascribed a premium of Rs20/sh (~11% of equity value) for Cairn's strong track record in striking oil.

Price catalyst

- 12-month price target: Rs175.00 based on a DCF methodology.
- Catalyst: New finds, revision of reserves and pricing of Rajasthan crude.

Action and recommendation

- **Downgrade rating to Underperform.** Cairn India stock has risen ~30% in the past month and has significantly outperformed the Sensex in the past three months. Cairn now trades ahead of our sum-of-parts based valuation. Our target price suggests 14% downside.

INDIA

Reliance Industries

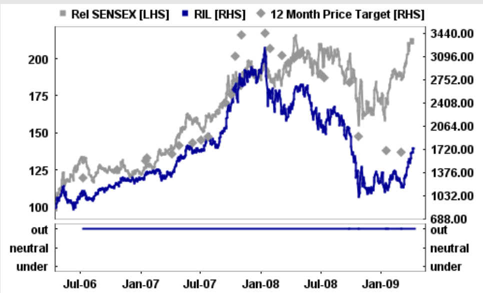
16 April 2009

RIL IN		**Outperform**
Stock price as of 14 Apr 09	Rs	1,769.25
12-month target	Rs	2,035.00
Upside/downside	%	+15.0
Valuation	Rs	2,035.00
- Sum of Parts		
GICS sector		energy
Market cap	Rs bn	2,784
30-day avg turnover	US$m	230.0
Market cap	US$m	55,812
Number shares on issue	m	1,574

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	bn	1,371.5	1,564.6	1,685.4	2,055.3
EBITDA	bn	231.4	232.4	358.7	404.4
EBITDA growth	%	15.0	0.4	54.3	12.8
EBIT	bn	181.4	183.3	275.8	317.5
EBIT Growth	%	19.1	1.0	50.5	15.1
Reported profit	bn	195.2	146.5	228.0	272.6
Adjusted profit	bn	147.9	146.5	228.0	272.6
EPS rep	Rs	124.07	89.18	138.80	165.95
EPS adj	Rs	93.99	89.18	138.80	165.95
EPS adj growth	%	13.1	-5.1	55.6	19.6
PE adj	x	18.8	19.8	12.7	10.7
Total DPS	Rs	12.13	12.13	18.88	22.57
Total div yield	%	0.7	0.7	1.1	1.3
ROE	%	19.2	13.8	17.7	19.1
EV/EBITDA	x	14.0	14.5	9.4	8.3
Net debt/equity	%	51.6	35.8	35.2	18.1
Price/book	x	3.3	2.3	2.2	1.9

RIL IN rel SENSEX performance, & rec history



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Insignificant crude price cut impact

Event

- Macquarie's oil economist, Jan Stuart, has revised down our oil price forecasts, with FY3/10 and FY3/11 down 19% and 6%, respectively. The impact is negligible as Reliance's (RIL) upstream business comprises mainly gas priced at US$25/bbl. Our target price increase of 22% to Rs2,035 is primarily due to higher upstream potential and higher benchmark valuations.

Impact

- **Oil price forecast:** We cut our forecasts for FY10, FY11 and FY12 by US$13/bbl, US$4.5/bbl and US$12/bbl, respectively. The WTI average is now US$54.5/bbl for FY10, US$77/bbl for FY11 and US$81/bbl for FY12. We still forecast FY09 as the peak year for oil prices.
- **25% upgrade in KG-D6 valuations:** RIL has sought approval from the Directorate General of Hydrocarbons (DGH) to develop nine additional wells in the KG-D6 block. If approved, gas production will rise by 50% and it will incur additional capex of US$5.5bn in KG-D6. Since the production-sharing contract for KG-D6 allows full cost recovery, the higher capex will defer the government's higher profit share. This enhances net value to RIL by 25%.
- **Further upgrade in upstream valuations:** We value RIL's other E&P blocks, primarily NEC-25, CBM Sohagpur and KG-D9, based on EV/reserve multiples for its Indian peer, Oil and Natural Gas Corp (ONGC IN, Rs896.90, Underperform, TP: Rs778.00, 13% downside). The multiple has increased sharply in the past one month due to a ~30% rally in ONGC stock. We upgraded the value of these blocks on the back of this. We also factored in a higher value for RIL's treasury stocks, in line with current market prices.

Earnings and target price revision

- RIL's oil production is restricted to the Panna and Mukta fields, while commercial oil production from KG-D6 is expected to start in the next few months. We downgrade our FY10E earnings by 10% primarily due to the delay to the start of the commercial commissioning of Reliance Petroleum refinery. We raise our target price by 22% to Rs2,035 on higher upstream potential and higher benchmark valuations.

Price catalyst

- 12-month price target: Rs2,035.00 based on a Sum of Parts methodology.
- Catalyst: New oil and gas finds; enhanced clarity on organised retail.

Action and recommendation

- **World's largest finds started production recently:** RIL has added the highest reserves among private sector companies globally since 2000. RIL started production from its first deepwater block KG-D6 block recently.
- **KG-D9 – the next big thing:** Hardy Oil (10% partner to RIL) and DGH believe KGD9 could be larger than KGD6. It is likely to be more oil-bearing and four-way closures suggest higher recovery potential. Hardy's plan to drill in KGD9 over the next two quarters may confirm its potential.
- **We reiterate RIL as top sector pick:** We forecast 55% growth in FY10 earnings, primarily from volume growth despite an assumed margin pressure in cyclical businesses.

INDIA

Reliance Communications

16 April 2009

RCOM IN		Outperform
Stock price as of 15 Apr 09	Rs	219.20
12-month target	Rs	275.00
Upside/downside	%	+25.5
Valuation	Rs	275.00

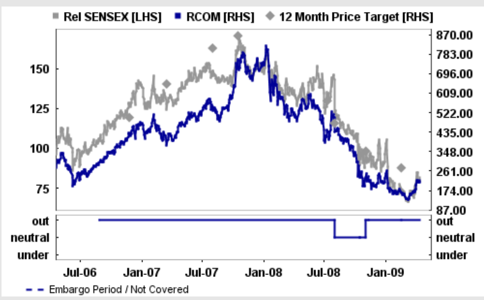
- DCF (WACC 12.5%, beta 1.1, ERP 6.0%, RFR 9.0%, TGR 3.5%)

GICS sector		telecommunication services
Market cap	Rs m	452,435
30-day avg turnover	US$m	56.5
Market cap	US$m	9,069
Number shares on issue	m	2,064

Investment fundamentals

Year end 31 Mar		2008A	2009E	2010E	2011E
Total revenue	bn	190.7	229.9	273.2	315.3
EBITDA	bn	82.0	92.2	109.1	127.2
EBITDA growth	%	43.3	12.5	18.3	16.6
EBIT	bn	53.9	51.1	56.0	67.1
Adjusted profit	bn	53.6	57.1	56.5	64.5
EPS adj	Rs	24.86	26.28	25.91	29.57
EPS adj growth	%	59.0	5.7	-1.4	14.1
PE adj	x	8.8	8.3	8.5	7.4
Total DPS	Rs	0.50	2.00	2.00	1.00
Total div yield	%	0.2	0.9	0.9	0.5
ROA	%	8.1	5.7	5.2	5.7
ROE	%	20.9	18.4	15.5	15.3
EV/EBITDA	x	8.0	7.2	6.1	5.2
Net debt/equity	%	31.5	63.1	66.1	52.0
Price/book	x	1.7	1.4	1.2	1.1

RCOM IN rel SENSEX performance, & rec history



Source: FactSet, Macquarie Research, April 2009 (all figures in INR unless noted)

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RCOM adds 3m new subs in Mar'09

Event

- RCOM has added a solid 3m subscribers in March 2009. This compares with 3.35m subscribers added in February 2009 and 4.95m in January 2009.

Impact

- **Record subscriber additions of 11.3m in the Jan-Mar 2009 quarter.** RCOM launched its new GSM services in 14 circles during January 2009, making it a pan-India GSM operator. Stellar subscriber net addition performance in the current quarter sets the base for improvement in wireless operating performance for RCOM from the June 2009 quarter onward. We note that RCOM has reported weak quarterly wireless operating performance in the last couple of quarters due to inferior quality of subscribers on its legacy CDMA technology platform.
- **11.3m new subscriber additions in the quarter, absolutely in line with our expectations. As detailed in our RCOM report dated 17 February 2009, we expected RCOM to add 8m subscribers on its new GSM platform and 11.3m subscribers combining GSM and CDMA, in the Jan-Mar 2009 quarter.** Our 8m subscriber add estimate in the 14 new GSM circles was derived based on the required subscriber base that RCOM would need to achieve for receiving additional 1.8MHz spectrum in each one of the 14 new GSM circles. **Of the 11.3m subscribers, we estimate about 9m were added on GSM (8m in the 14 New GSM circles and 1m in the 8 old GSM circles) and 2.3m in the pan India CDMA business.** However, we note that the company has not formally disclosed break up of new subscriber addition information by CDMA and GSM platforms, and these are our estimates based on industry sources.
- **Investor concerns on irrational pricing unfounded.** We highlight that RCOM has rolled back its initial promotional pricing on Lifetime prepaid connection to Rs49 from Rs25 within two months of launch. In addition, based on our interaction with the company management, we do not believe RCOM would indulge in a tariff war on a sustained basis. As such, we see limited possibility of a full-blown tariff war hurting the profitability of incumbents like Bharti Airtel (BHARTI IN, Rs685, Outperform, TP: Rs975).

Earnings revision

- No change.

Price catalyst

- 12-month price target: Rs275.00 based on a DCF methodology.
- Catalyst: Launch of paid tariff plans in 14 new GSM circles and ARPU stability

Action and recommendation

- Recommend investors to buy Bharti and RCOM, in that order. Bharti is one of our top two telco picks in Asia, and we recommend investors to switch from Idea Cellular (IDEA IN, Rs57, Underperform, TP: Rs45) to Bharti. We believe RCOM shares would be even more appealing on a pullback below Rs200.

Macquarie Research
Equities

HONG KONG

Oil price update

16 April 2009

Valuations

Company		Old Rating	New Rating	Price Lcy	TP Lcy	Up/(down)
CNOOC	883 HK	OP	N	8.78	9.25	5.4%
PetroChina	857 HK	OP	OP	6.55	9.35	42.7%
Sinopec	386 HK	OP	OP	5.83	8.45	44.9%
PTTEP	PTTEP TB	OP	OP	99.00	120.00	21.2%
Inpex Corp	1605 JP	OP	OP	726,000	950,000	30.9%
JAPEX	1662 JP	OP	OP	4,120	5,200	26.2%
Cairn India	CAIRN IN	OP	UP	202.95	175.00	-13.8%
ONGC	ONGC IN	OP	UP	896.90	778.00	-13.3%

Share price date as of 14 April 2009.
Source: Bloomberg, Macquarie Research, April 2009

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Lower earnings for E&P companies

Cutting 10–20% off our 2009–12 and long-run forecast

Our new forecast pegs benchmark Brent crude oil prices at US$52 per barrel (bbl) this year and US$70/bbl in 2010, which is down 9% and 8%, respectively, from our previous estimates. For 2011 and 2012, we expect prices will average US$78/bbl and US$82/bbl, which is 13% and 11% lower. Lastly, we lower our long-run price to US$73/bbl Brent (2009 US$ prices).

Key demand trends turned, others shifted lower

The dizzying decline of oil prices from US$147/bbl last July to below US$40/bbl in December may have steadied. But we think that's largely a technical and money-flow story. We think fundamentally, this commodity is not out of the woods by a long shot. Last year, global oil demand fell 0.3% YoY. This year it could fall by 2.4%. That's not supposed to happen. Oil is used everywhere and used for almost everything. So for decades, as population, production and trade grew, oil demand grew in step. Its decline illustrates the depth of this global recession and makes this a macro story. Latest data show demand declines accelerating in 1Q09. We see it stabilising in 2010, but we believe oil demand may not recover to 2007 levels until late 2011.

Huge inventories … so what about supply?

Oil inventories are already some 300 million barrels above normal and are still rising. Such unprecedented surpluses could take a year or more to work off. OPEC is trying to speed up the correction, but it was late in dialling down output and may have trouble taking the next step. We think the next significant move comes from non-OPEC. As the industry cuts spending drastically, decline rates accelerate, projects are delayed and aggregate oil supply falls faster. But this takes time.

Prospects of long-run scarcity recede, but don't fade

Looking into 2011–12 and beyond, we see global spare capacity reduced to zero by 2013. Prices will again need to rise to accelerate upstream spending. We don't think, however, that production can be ratcheted up quickly enough. Oil prices could then rally to reflect scarcity, just like they did in 2Q of last year. The bigger risk to our forecast for the long term is to the upside.

Oil price forecast

US$/bbl	2008A	2009E	2010E	2011E	2012E
Brent					
New forecast	**98.52**	**52.25**	**70.00**	**78.00**	**82.00**
Old forecast		59.00	76.00	90.00	92.00
change %		-11%	-8%	-13%	-11%

Source: Macquarie Research, April 2009

Macquarie Research
Commodities

MACQUARIE

GLOBAL

Oil prices & fundamentals

15 April 2009

Inside

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Dizzying demand declines

Cutting 10–20% off our 2009–12 and long-run forecast

Our new forecast pegs benchmark Brent crude oil prices at US$53 per barrel (bbl) this year and US$70/bbl in 2010, which is down -9% and -8%, respectively, from before. In 2011 and 2012, we expect prices will average US$78/bbl and US$82/bbl, respectively, which is 13% and 11% lower than our previous forecasts. Lastly, we take down our long run price the most, by 16% to US$73/bbl for Brent (see inside for a full forecast deck for WTI and Tapis grades as well).

Key demand trends turned, others shifted lower

The dizzying decline of oil prices from US$147 last July to below US$40/bbl in December may have steadied. But we think that's largely a technicals and money-flow story. Fundamentally, this commodity is not out of the woods by a long shot. Last year, global oil demand fell 0.3% YoY. This year it's falling 2.4%.That's not supposed to happen. Oil is used everywhere to do anything. So for decades, as population, production and trade grew, oil demand grew in step. Its decline illustrates the depth of this global recession and makes this is a macro story. Latest data show demand declines accelerating in 1Q09. Visibility is poor. We see it stabilizing in 2010, but global oil demand may not reach 2007 levels until late-2011.

Huge inventories … so what about supply?

Oil inventories are already some 300m barrels above normal and are still rising. Such unprecedented surpluses could take a year or more to work off.

Opec is trying to speed up the correction, but it was late to dial down output and may have trouble taking the next step. We think the next significant move comes from non-Opec. As the industry cuts spending drastically, decline rates accelerate, projects are delayed and aggregate oil supply falls faster. But, this takes time.

Prospects of long run scarcity recede, but don't fade

When looking out into 2011–12 and beyond, we see global spare capacity reduced to zero by 2013. Prices will again need to rise to accelerate upstream spending. We do not think, however, that production can be ratcheted higher fast enough. Oil prices could then rally to reflect scarcity, just like they did in 2Q of last year. The bigger risk to our forecast for the long term is to the upside.

Cutting our price deck (more detail inside)

Brent	2008A	Q109A	Q209E	Q309E	Q409E	2009E	2010E	2011E	2012E	Long Run
New US$	98.52	45.73	53.00	59.00	53.00	52.70	70.00	78.00	82.00	73.00
Old			51.50	67.00	73.00	59.00	76.00	90.00	92.00	87.00
Chg			1.50	-8.00	-20.00	-6.30	-6.00	-12.00	-10.00	-14.00
Chg %			3%	-12%	-27%	-11%	-8%	-13%	-11%	-16%
Futures			52.49	55.81	58.49	53.13	63.66	69.88	72.08	80.39

Note: Futures are 10-day averages on 14 April.

Source: Bloomberg, Macquarie Research, April 2009

Thursday 16 April 2009

LME cash price

	US ¢/lb	% Change day on day
Aluminium	67.1	0.1
Copper	218.2	3.0
Lead	70.4	4.7
Nickel	562.4	5.6
Tin	519.6	3.0
Zinc	67.4	5.7

Other prices

		% Change day on day
Gold ($/oz)	891.00	0.4
Silver ($/oz)	12.94	2.3
Platinum ($/oz)	1216.00	-0.5
Palladium ($/oz)	234.00	-0.4
Oil WTI	49.44	0.0
Cobalt (99.8%)	15.75	0.0
$US/€ exchange rate	1.32	-0.4
US$/A$ exchange rate	0.73	0.0

LME/COMEX stocks

	Tonnes	Change
LME Aluminium	3,666,875	15,600
Nymex Aluminium	9,830	0
Nymex Al. Pieces	17,057	1,790
LME Copper	480,400	-11,600
Comex Copper	43,033	18
Lead	60,375	-425
Nickel	105,264	-804
Tin	11,680	-390
Zinc	349,125	-2,375

Source: LME, Comex, Nymex, SHFE, Metal Bulletin, Reuters, LBMA, Macquarie Research

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Commodities Comment

Mixed indicators for the production outlook

Feature article

- We examine the OECD composite leading indicator data release this week and contrast its outlook with more encouraging signs in the US PMI.

Latest news

- While aluminium was again left behind, the other metals traded sharply higher again on Wednesday as the more bullish tone prevailed in most markets.
- US retail sales fell 1.1% MoM in March, after rising in both January and February, while the prices received by US producers also fell 1.2% YoY. Total 1Q09 sales were down 8.8% YoY. US consumer prices in March were down 0.4% YoY, the first example of YoY deflation in the US since 1955. The price decline was driven mostly by energy price contraction, with core inflation (excluding food and energy) up 0.2% YoY.
- Rio Tinto's Australian iron ore operations produced 36mt of ore in 1Q09, down 15% YoY but flat QoQ, after weaker demand and flooding interrupted both mine and rail operations. Copper production was up 17% QoQ and 32% YoY at Kennecott Utah Copper as the mine moved away from molybdenum production and concentrated on areas of higher copper and gold grades. Escondida mined copper production was up 18% QoQ, but down 33% YoY on lower ore grades. Aluminium production was down 4% QoQ and 6% YoY.
- Rio Tinto's hard coking coal production fell 37.4% QoQ to 1.7mt, although it remained ahead of last year's flood-affected 1Q, when Rio Tinto's mines produced 1.3mt of hard coking coal. Production was down 24% QoQ at Kestrel, where Rio had previously announced a 15% production cut, and down 42% at Hail Creek, where Rio Tinto had not announced any cut at all. Rio Tinto subsidiary Coal & Allied's coal production in Australia fell to 4.2mt in 1Q09, 9% down YoY and 11% down QoQ, citing wet weather.
- The benchmark price for high grade manganese ore for 2Q09 has been settled at $4.80/Mn 1% fob between Nippon Steel and BHP Billiton. This is 71% lower than the benchmark price through 1Q09, $16.59/Mn 1% fob.
- The Macquarie Group is acting as Advisor to Rio Tinto Ltd and Rio Tinto PLC in relation to its strategic partnership with Chinalco as announced 12 February 2009.

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INDIA

Market performance

16 April 2009

including the quarterly results calendar

Market performance

	Last	% chg 1D	% chg YTD
BSE Sensex	11,285	2.9	17.0
NSE NIFTY	3,484	3.0	17.7
CNX Mid-cap	3,958	4.2	6.0
S&P 500	842	-2.0	-6.8
NASDAQ	1,626	-1.7	3.1
FTSE 100	3,968	-0.5	-10.5
NIKKEI - 225	8,743	-1.1	-1.3

Source: Bloomberg, Macquarie Research, April 2009

Fixed income, currencies, commodities

	Last	% chg 1D	% chg YTD
10-year govt bond	6.7	-0.6	34.0
Interbank rate	3.6	1.4	-44.6
US$1 = Rs	49.7	0.5	-1.7
Gold (US$/oz)	892.3	0.2	1.2
Crude (US$/bbl)	51.6	0.5	23.6

Source: Bloomberg, Macquarie Research, April 2009

ADR/GDR (US$)

	Last price	% chg 1D	Prem/Disc
Satyam Infoway	1.4	4.4	N.A.
SBI (GDR)	53.1	3.1	1.9
MTNL	2.9	1.7	-4.6
Reliance Industrie (GDR)	73.5	0.7	-0.2
Ranbaxy (GDR)	3.9	0.0	-3.2
Cognizant Technologies	23.1	-1.8	N.A.
Rediff.com	2.1	-1.9	N.A.
HDFC Bank	69.2	-2.0	6.0
Dr Reddy	10.4	-2.3	-5.1
Infosys	28.8	-2.4	4.3
Wipro	8.4	-3.5	56.0
ICICI Bank	17.0	-4.1	-4.9
Tata Motors	7.4	-4.7	30.0
Satyam	2.0	-11.1	4.6

Source: Bloomberg, Macquarie Research, April 2009

Daily net flows (US$m)

	Date	Last	MTD	YTD
Foreign funds equity (Net)	09/04/2009	1.8	337.9	-1005.4
Indian Mutual funds equity (Net)	09/04/2009	7.2	-18.4	-147.6
FII Net stock futures	13/04/2009	-13.8	-89.1	321.2
FII Net index futures	13/04/2009	93.9	831.6	548.2

Source: Bloomberg, Macquarie Research, April 2009

Derivatives (open interest)

(US$)	Last	% chg 1D	% chg YTD
Stock futures (13/04)	4293.6	3.3	58.3
Index futures (13/04)	3229.0	2.0	65.6

Market turnover

	US$ m	% chg 1D
BSE turnover	1,068	-8.3
NSE turnover	4,227	36.4

BSE (Top 5)

Top Gainers	Last price	% chg 1D
Tata Motors	281.5	11.6
Gujarat Ambuja	85.9	10.2
DLF	257.0	9.4
BHEL	1667.1	9.3
Reliance Infrastructure	710.2	6.9

BSE (Bottom 5)

Top Losers	Last price	% chg 1D
Infosys	1370.6	-2.7
Satyam	47.6	-2.5
TCS	577.7	-2.5
HDFC Bank	1082.8	-1.4
ITC	185.2	-1.0

Source: Bloomberg, Macquarie Research, April 2009

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4Q FY09 results calendar

Mon	Tue	Wed	Thurs	Fri	Sat	Sun
06-Apr	**07-Apr**	**08-Apr**	**09-Apr**	**10-Apr**	**11-Apr**	**12-Apr**
13-Apr	**14-Apr**	**15-Apr**	**16-Apr**	**17-Apr**	**18-Apr**	**19-Apr**
		Infosys Technologies		Power Finance		
20-Apr	**21-Apr**	**22-Apr**	**23-Apr**	**24-Apr**	**25-Apr**	**26-Apr**
Axis Bank		ACC Limited Marico Zee Entertainment	HDFC Bank	Maruti Suzuki India		
27-Apr	**28-Apr**	**29-Apr**	**30-Apr**	**01-May**	**02-May**	**03-May**
Bank of Baroda	IDFC Glaxosmithkline Pharmaceuticals	Dabur india Titan	ABB			
04-May	**05-May**	**06-May**	**07-May**	**08-May**	**09-May**	**10-May**
HDFC Ltd					SBI	
11-May	**12-May**	**13-May**	**14-May**	**15-May**	**16-May**	**17-May**
18-May	**19-May**	**20-May**	**21-May**	**22-May**	**23-May**	**24-May**
25-May	**26-May**	**27-May**	**28-May**	**29-May**	**30-May**	**31-May**

Source: Macquarie Research, April 2009

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of benchmark return
Neutral (Hold) – return within 5% of benchmark return
Underperform (Sell)– return >5% below benchmark return

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Australian/NZ/Canada stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2009

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	40.44%	49.55%	44.83%	38.49%	67.19%	43.84%
Neutral	38.60%	15.57%	39.66%	46.43%	28.12%	39.04%
Underperform	20.96%	34.88%	15.52%	15.08%	4.69%	17.12%

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Alternative Strategies

Convertibles - Roland Sharman	(852) 3922 2095
Depository Receipts - Robert Ansell	(852)3922 2094
Derivatives - Wayne Edelist	(852) 3922 2134
Futures - Tim Smith	(852) 3922 2113
Structured Products - Andrew Terlich	(852) 3922 2013