

FIRST GLOBAL

www.firstglobal.in

India Research



Sector: Indian Construction

Downgrade ↓

Hindustan Construction Company Ltd.

(HCNS.BO) (HCC.IN)

To

Market Perform

(CMP: 109.15, Mkt Cap: Rs. 27.9 bn, Mkt. Cap: \$ 0.66 bn (Aug 11, 2008)

Relevant Index: NIFTY: 4620.4 (Aug 11, 2008)

Never big fans of the construction business (save for occasional bouts of trading bullishness) in the past, the current situation gives us even less hope

Last report's recommendation: Moderate Outperform (MP: Rs 169.4, Jan 23, '08)

Relevant Index: NIFTY: 5203.4, Jan 23, '08)

Relative Performance since Last Rating Change: NIFTY: Down 21.8%, HCC: Down 49.2%

August 11, 2008

Research Contact: Associate Director, Research: Hitesh Kuvelkar Mob. +91 9833 732633

Email: hiteshk@fglobal.com

Sales Offices: India Sales: Tel. No: +91-22-4001 2440

Email: indiasales@fglobal.com

US Sales: Tel. No: 1-212-2276611 Email: us@fglobal.com

Asia & Europe Sales: Tel.: 44-207-959 5300 Email: uk@fglobal.com

Research Note issued by First Global Securities Ltd., India

FG Markets, Inc. is a member of FINRA/SIPC and is regulated by the Securities & Exchange Commission (SEC), US

First Global (UK) Ltd. is a member of London Stock Exchange and is regulated by Financial Services Authority (FSA), UK

First Global Stockbroking is a member of Bombay Stock Exchange & National Stock Exchange, India

IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT.



Price and Rating History Chart

Ratings Key

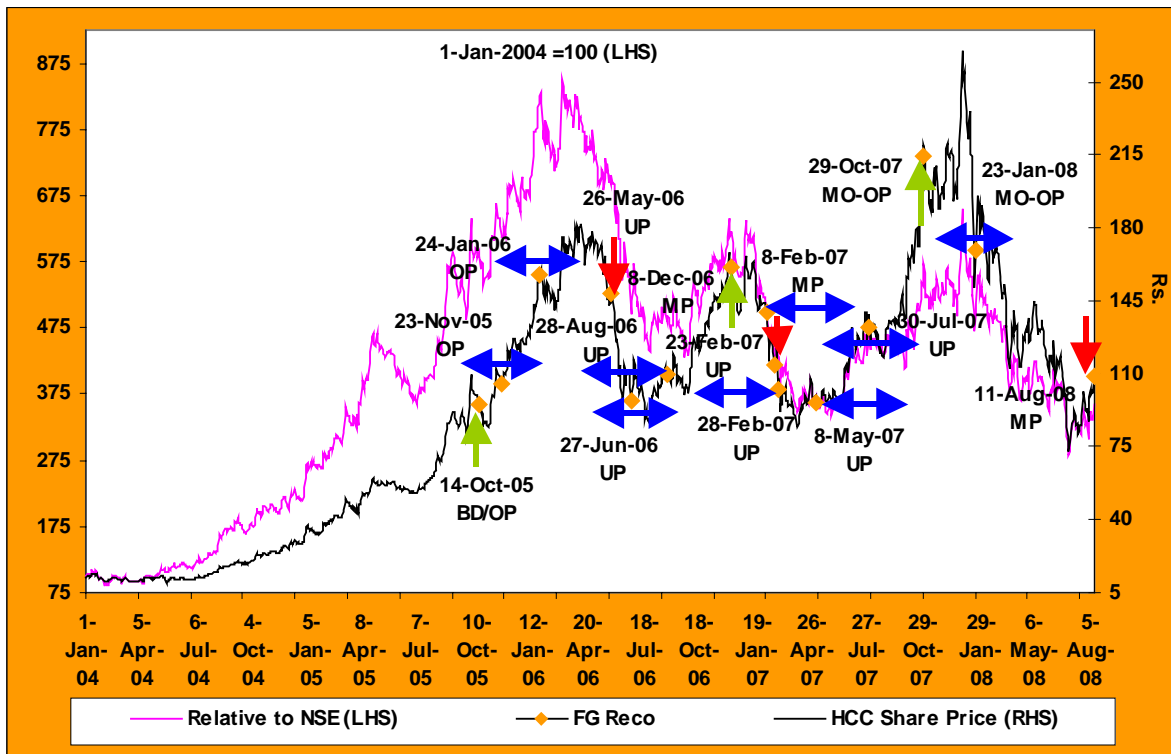
Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Rating	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term

MT: Medium Term

LT: Long Term

Hindustan Construction Company Ltd. (HCNS.BO) (HCC.IN)



↑ Represents an Upgrade

↓ Represents a Downgrade

↔ Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report



Financial Snapshot (Consolidated)

Key Financials

(YE March. 31) (in mn Rupees)	2005	2006	2007	2008	2009E	2010E
Revenue	15782	20241	23007	29947	38471	48284
<i>Revenue Growth (Y-o-Y)</i>	35%	28%	14%	30%	28%	26%
EBITDA	1561	1843	2253	3442	4286	5328
<i>EBITDA Growth (Y-o-Y)</i>	7%	18%	22%	53%	25%	24%
EBIT	1093	1301	1449	2468	3116	3927
<i>EBIT Growth (Y-o-Y)</i>	10%	19%	11%	70%	26%	26%
Reported PAT	714	794	329	889	1191	1595
<i>Reported PAT Growth (Y-o-Y)</i>	97%	11%	-59%	170%	34%	34%
Proforma PAT (Excluding Extraordinary items)	666	779	481	889	1191	1595
<i>Proforma PAT Growth (Y-o-Y)</i>	84%	17%	-38%	85%	34%	34%
Shareholder Equity	3504	8417	8762	9346	10056	11218
No. of diluted shares (mn)	200	229	257	255	255	255

Key Operating Ratios

(YE March 31)	2005	2006	2007	2008	2009E	2010E
Proforma EPS (Diluted)	3.3	3.4	1.9	3.5	4.7	6.2
<i>EPS Growth (Y-o-Y)</i>	84%	2%	-45%	86%	34%	34%
Book Value per share (Rs)	17.5	36.7	34.1	36.6	39.4	43.9
CEPS	5.7	5.8	5.0	7.3	9.2	11.7
EBITDA Margin (%)	9.9%	9.1%	9.8%	11.5%	11.1%	11.0%
EBIT Margin (%)	6.9%	6.4%	6.3%	8.2%	8.1%	8.1%
Reported NPM (%)	4.5%	3.9%	1.4%	3.0%	3.1%	3.3%
Proforma NPM (%)	4.2%	3.8%	2.1%	3.0%	3.1%	3.3%
RoE (%)	25.3%	12.9%	5.5%	9.7%	12.1%	14.7%
RoCE (%)	13.3%	7.2%	2.9%	5.5%	6.0%	6.9%
Tax/PBT (%)	9.8%	18.3%	55.5%	35.5%	32.1%	31.9%
Debt/Equity (x)	1.2	1.6	2.2	2.9	2.9	2.9
Dividend Payout (%)	22.0%	25.8%	68.3%	27.0%	22.0%	22.0%

Valuation Metrics

(YE March 31)	2005	2006	2007	2008	2009E	2010E
P/E (x)					23.4	17.5
P/BV (x)					2.8	2.5
P/CEPS (x)					11.8	9.3
EV/EBIDTA (x)					12.0	9.5
Net Cash / Market Cap.(%)					15.2%	22.3%
Market Cap. / Sales (x)					0.7	0.6
EV/ Sales (x)					1.3	1.0
Dividend Yield (%)					0.9%	1.3%

DuPont Ratio

(YE March 31)	2005	2006	2007	2008	2009E	2010E
EBIDTA/Sales	9.9%	9.1%	9.8%	11.5%	11.1%	11.0%
Sales/Operating Assets	2.6	2.3	1.2	1.0	0.7	0.6
EBIDTA/Operating Assets (%)	25.4%	21.2%	11.9%	11.5%	8.1%	6.8%
Operating Assets/ Net Assets (x)	0.8	0.6	0.7	0.9	1.4	1.9
Net Earnings/ EBIDTA (%)	43%	42%	21%	26%	28%	30%
Net Assets/ Net Worth (x)	2.9	2.5	3.0	3.7	3.9	3.8
Return on Equity (%)	25.3%	12.9%	5.5%	9.7%	12.1%	14.7%



Commonsized P&L Statement

(YE March 31)	2005	2006	2007	2008	2009E	2010E
Total Income	100.0	100.0	100.0	100.0	100.0	100.0
Operating Expenditure	90.1	90.9	90.2	88.5	88.9	89.0
EBITDA Margin	9.9	9.1	9.8	11.5	11.1	11.0
Depreciation & Amortisation	3.0	2.7	3.5	3.3	3.0	2.9
Total Cost	93.1	93.6	93.7	91.8	91.9	91.9
EBIT Margin	6.9	6.4	6.3	8.2	8.1	8.1
Non Operating Income	0.4	0.2	0.9	1.3	1.0	0.7
Extraordinaries (Net)	0.3	0.1	-1.5	0.0	0.0	0.0
Interest Expense	2.5	2.0	2.7	5.1	4.4	3.9
PBT Margin	5.1	4.7	3.0	4.5	4.6	4.9
PBT Margin (excl. extraordinaries)	4.8	4.6	4.5	4.5	4.6	4.9
Taxes	0.5	0.9	1.7	1.6	1.5	1.6
Reported PAT Margin	4.5	3.9	1.4	3.0	3.1	3.3
Share of P/L from Associates & Minority Interest (Net)	-0.2	0.1	-0.1	-0.1	-0.1	0.0
Proforma PAT Margin	4.2	3.8	2.1	3.0	3.1	3.3

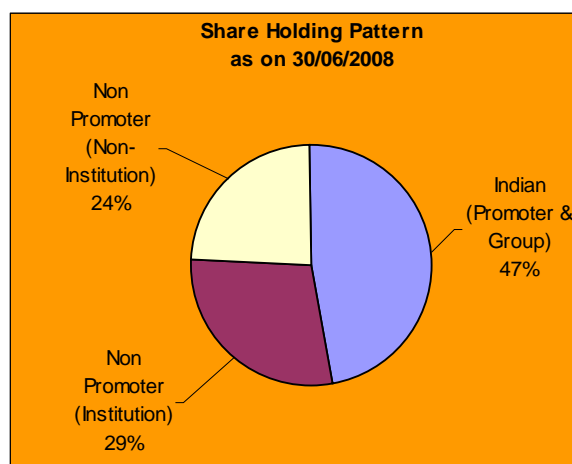
Source: Company Reports, FG Estimates

Top Management Team

Designation	Name
Chairman & Managing Director	Ajit Gulabchand
Director	Y H Malegam
Director	Rajas R Doshi
Director	D M Popat
Director	Ram P Gandhi
Director	N A Kalyani
Director	Fred Moavenzadeh
Director	Sharad M Kulkarni
Director	Nirmal P Bhogilal
Deputy Managing Director	K G Tendulkar
Executive Director (Technical)	S K Fotedar
Company Secretary	Vithal P Kulkarni
Director	Anil Singhvi

Key Statistics

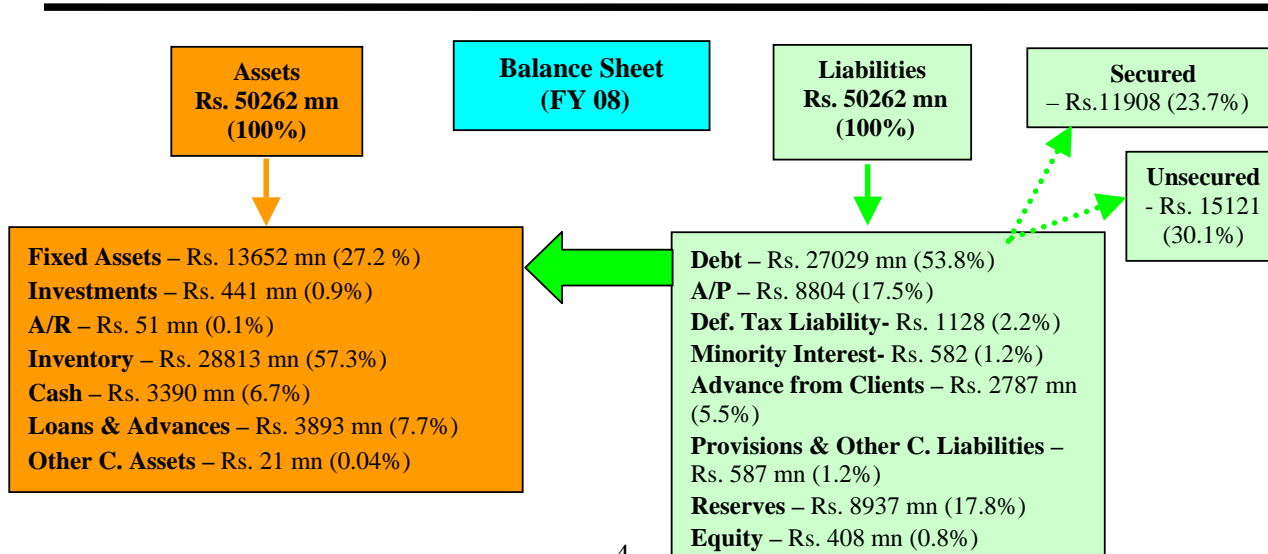
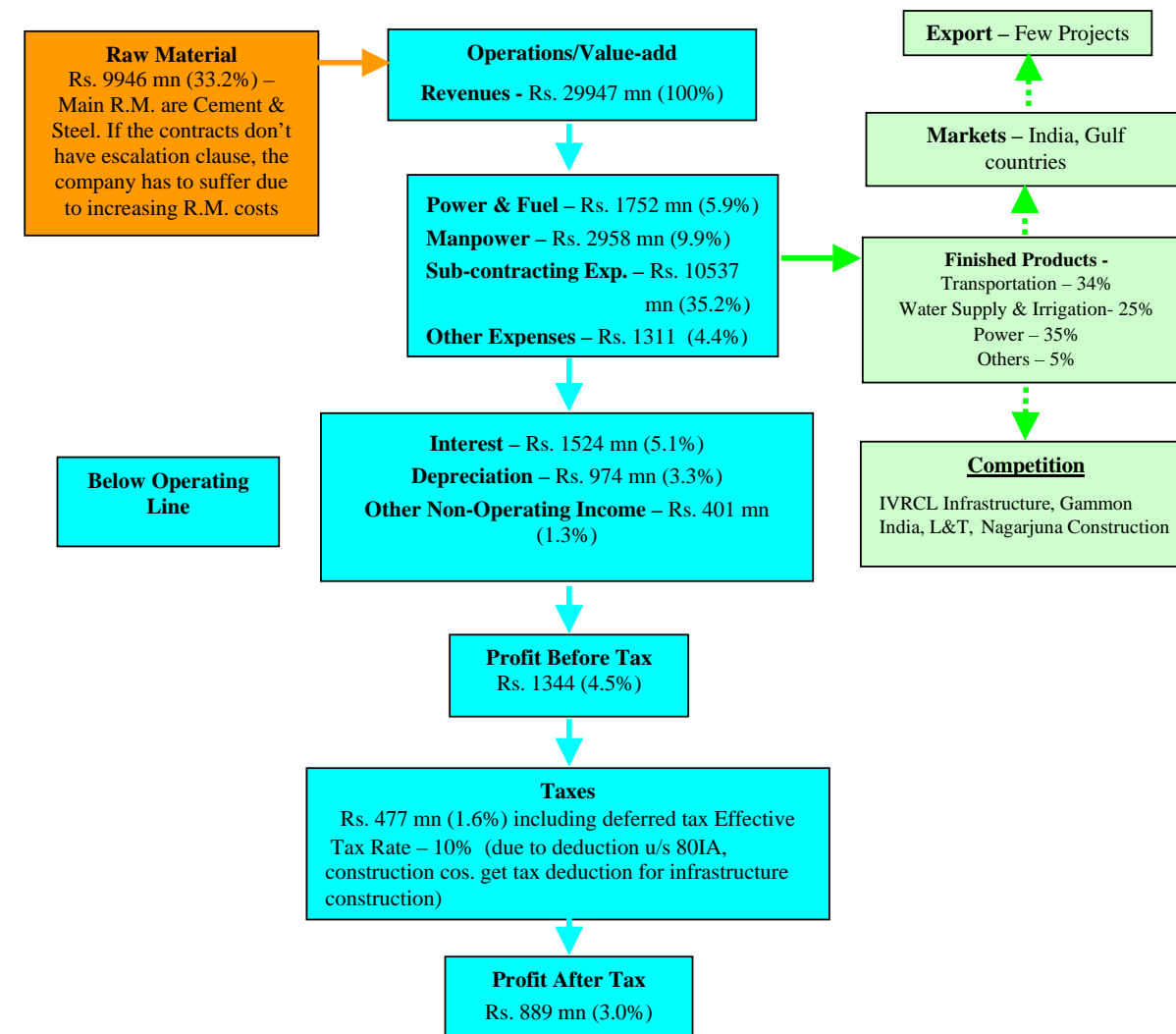
Industry:	Construction Sector
52 Week Hi:Lo:	Rs.276.4 / 68
CMP:	Rs. 109.15
Avg Daily Vol (20 days):	2.70 mn
Avg Daily Val (20 days):	Rs. 258.80 mn
Performance over 52 weeks:	
HCC :	Down 14.32 %
Nifty:	Up 6.62 %





HCC's Business in Pictures... (FY08)*Consolidated

(All figures are in Rs. Mn except where stated otherwise) All percentages are percent of revenues, unless otherwise stated)





Reasons for Downgrade

- *Higher costs of raw materials (primarily steel), escalation in employee costs and financing cost is expected to put pressure on HCC's margins in the coming quarters.*
- *The upcoming elections (Centre and several states) could delay the awarding of government infrastructure projects, thus resulting in a slowdown in order intake.*
- *Uncertainty also remains regarding the Sawalkote Project (HCC's share stands at Rs.19.4 bn), which is awaiting the J&K High court's decision, and the Lavasa project.*



The Story...

Hindustan Construction Company Ltd.'s (HCNS.BO) (HCC.IN) Q1 FY09 results were impacted by higher construction expenses and forex losses. Net Revenue grew 18.8% Y-o-Y to Rs.8.7 bn in Q1 FY09 and the EBITDA was up 15.6% Y-o-Y to Rs.911 mn. The impact of rising prices of cement and bitumen on HCC's performance was not very significant in Q1 FY09, while that of steel was moderate, as steel companies agreed to hold back prices until July 2008. However, the Profit after tax for Q1 FY09 came in at Rs.308 mn, marking a decline of 11.8% Y-o-Y, due to 61% YoY decline in Other income from Rs.318 mn in Q1 FY08 to Rs.124 mn in the current quarter. The decline in Other income was due to a foreign exchange loss amounting to Rs.506 mn incurred in Q1 FY09, which offset the positive impact of a capital gain of Rs.619 mn from the sale of the company's land in Vikhroli (East).

Going forward, a strong demand for steel and a likely increase in the international prices of steel could have a material impact on the company's profitability. According to management, the impact

Going forward, a strong demand for steel and a likely increase in the international prices of steel could have a material impact on the company's profitability...

... the run up to the coming elections (Centre and several states) could lead to a slowdown in order intake, while continued higher interest rates will drive project costs higher...

... as such, the risks to HCC from increasing raw material prices and slowdown in the construction sector are quite significant. We now downgrade HCC from 'Moderate Outperform' to 'Market Perform'

of increasing raw material prices for the remaining three quarters of FY09 could amount to Rs.400 mn, after taking into account the company's contracts with escalation clauses. Moreover, the run up to the coming elections (Centre and several states) could lead to a slowdown in order intake, while continued higher interest rates will drive project costs higher. HCC currently trades at a P/E of 23.4x and EV/EBITDA of 12x based on our FY09 consolidated earnings estimate. The valuations appear expensive in comparison to its peers. As such, the risks to HCC from increasing raw material prices and slowdown in the construction sector are quite significant. We now downgrade HCC from 'Moderate Outperform' to 'Market Perform'.

Comparative Valuations

Company	P/E (x)		P/S (x)		P/BV (x)		EV/EBITDA (x)		EV/SALES (x)		EBITDA %	RoE%	Annual EPS Growth	Annual Sales Growth
	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E				
HCC	23.4	17.5	0.7	0.6	2.8	2.5	12.0	9.5	1.3	1.0	11.1%	12.1%	33.9%	25.5%
NJCC	14.0	12.9	0.7	0.6	1.7	1.5	8.5	7.4	1.0	0.8	11.3%	13.8%	8.4%	24.7%
IVRCL	17.5	13.0	0.9	0.7	2.3	2.0	10.2	7.7	1.0	0.8	10.0%	14.7%	34.9%	32.7%
JPA	25.8	19.5	3.7	2.7	3.7	3.2	17.1	12.1	5.3	3.8	30.9%	14.9%	32.4%	36.9%

Source: Company reports, FG estimate, Bloombergs
All the figures are on consolidated basis.



Quarterly Analysis

YE March 31 st Figures in mn of Rs.	2009 Q1	2008 Q1	Y-o-Y Change	2008 Q4	Sequential Change
Net Revenue	8659	7290	18.8%	10550	-17.9%
Less:					
Materials Consumed	2919	2549	14.5%	3087	-5.5%
Construction Expenses	3700	3059	21.0%	4948	-25.2%
Personnel and Establishment Expenses	1129	895	26.2%	1205	-6.3%
Total Cost	7748	6503	19.2%	9240	-16.2%
EBITDA	911	788	15.6%	1310	-30.5%
Depreciation & Amortization	253	228	11.0%	275	-8.1%
EBIT	658	560	17.5%	1035	-36.4%
Other Income incl Share of Profit/(Loss) in Associates	124	318	-61%	(99)	-226%
Interest & Financing Charges	391	322	21.3%	452	-13.6%
Profit Before tax	392	556	-29.5%	484	-18.9%
PBT (excl. Extra-ordinaries)	392	556	-29.5%	484	-18.9%
Tax	84	206	-59.4%	113	-25.7%
Net Income	308	350	-11.8%	371	-16.9%
Proforma Net Income	308	350	-11.8%	371	-16.9%
Diluted EPS (in Rs.)	1.20	1.37	-12.4%	1.45	-17.1%
No of diluted shares (in mn)	257	255		256	
Margin Analysis:					
EBITDA Margin (%)	10.5%	10.8%		12.4%	
EBIT Margin (%)	7.6%	7.7%		9.8%	
PBT Margin (%)	4.5%	7.6%		4.6%	
PBT (excl. extraordinaries) Margin (%)	4.5%	7.6%		4.6%	
Reported NPM (%)	3.6%	4.8%		3.5%	
Proforma NPM (%)	3.6%	4.8%		3.5%	

Source: Company reports

Figures are on Standalone Basis



Financial Highlights

Revenues

HCC's net sales (inclusive of its share in integrated joint ventures) increased from Rs.7.29 bn in Q1 FY08 to Rs.8.66 bn in Q1 FY09, marking a growth of 18.8% Y-o-Y. Around 37% of the company's revenues came from the Power segment, 36% from the Transport segment, 25% from the Water segment, and 2% from Others.

Costs

Cost structure

(Cost as a percentage of sale)

Particulars	Q1 FY09	Q1 FY08
Establishment Expenses	42.7%	42.0%
Materials Consumed	33.7%	35.0%
Personnel Exp	10.1%	8.8%
Other Expenses	3.0%	3.5%
Total Cost	89.5%	89.2%

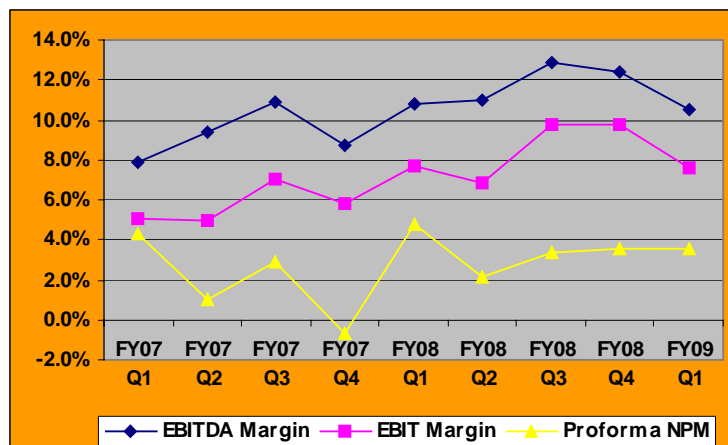
- Raw material costs increased by 14.5% Y-o-Y to Rs.2.92 bn, while construction expenses were up 21% Y-o-Y to Rs.3.7 bn in Q1 FY09. Personnel expenses were up 100 bps, as a percentage of net sales, to 13% in the quarter.
- Depreciation rose by 11% to Rs.253 mn, while interest expenses increased by 21.3% Y-o-Y, due to higher capex and investments in real estate. The company's tax outgo for the quarter was merely Rs.84 mn, down 59.4% Y-o-Y.
- The total impact of raw material prices was Rs.50 mn in the current quarter, after taking into account the company's contracts covered by escalation clauses.

Margins

In Q1 FY09, HCC's EBDITA margin (before other income) declined to 10.5%, as against 10.8% in Q1 FY08, primarily due to higher steel prices. The EBIT margin and Proforma NPM margin stood at 7.6% and 3.6% in Q1 FY09, as against 7.7% and 4.8% respectively in Q1 FY08.



Margin Trend



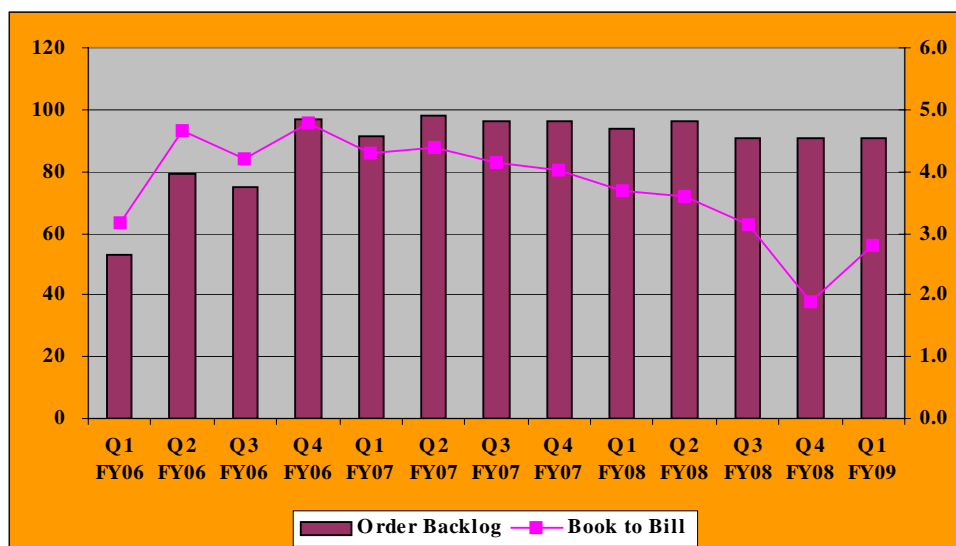
The sharp decline in the net profit margin was due to a lower Other income of Rs.130 mn, which included a loss of Rs.506 mn from the restatement of foreign currency liabilities (FCCB and other foreign currency borrowings) and a profit of Rs.619 mn from the sale of the company’s land at Vikhroli East.

Order Book

As on June 30, 2008, HCC’s order backlog stood at Rs.101.96 bn, thanks to the addition of two new projects in the quarter – a BOT project and a hydropower project worth Rs.3 bn from Lanco Infra. The company was also a L1 bidder for four projects worth Rs.4.9 bn in the quarter.

The company continues to focus on the Power segment, which currently contributes 47% to its order backlog, followed by the Transport (30%), and Water Supply & Irrigation (19%) segments, while the balance comes from the Other segment.

Order book size & book-to-bill ratio



LHS: Order book size (Rs bn)

RHS: Book to Bill ratio



Earnings Model (Standalone)

Hindustan Construction Company

YE March 31st	FY08	FY08	FY08	FY08	FY08	FY09	FY09E	FY09E	FY09E	FY09E	FY10E
Figures in mn of Rs.	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Net Revenue	7290	5487	7500	10550	30828	8659	7113	9707	12937	38340	48094
Less:											
Materials Consumed	2549	1748	2327	3087	9711	2919	2326	3157	4135	12536	15871
Construction Expenses	3059	2143	3189	4948	13339	3700	3062	4078	5511	16352	20488
Personnel and Establishment Expenses	895	995	1017	1205	4112	1129	985	1332	1758	5204	6503
Total Cost	6503	4886	6533	9240	28123	7748	6373	8567	11404	34092	42861
EBITDA	788	601	967	1310	3666	911	740	1139	1533	4248	5232
Depreciation & Amortization	228	226	233	275	962	253	260	268	403	1184	1381
EBIT	560	375	734	1035	2704	658	480	871	1130	3064	3851
Other Income incl Share of Profit/(Loss) in Associates	318	106	55	(99)	380	124	104	68	39	335	289
Interest & Financing Charges	322	342	408	452	1524	391	410	439	468	1708	1880
Profit Before tax	556	139	381	484	1560	392	174	500	701	1691	2259
PBT (excl. Extra-ordinaries)	556	139	381	484	1560	392	174	500	701	1691	2259
Tax	206	23	130	113	472	84	57	170	238	549	723
Net Income	350	116	251	371	1088	308	116	330	463	1142	1536
Proforma Net Income	350	116	251	371	1088	308	116	330	463	1142	1536
Diluted EPS (in Rs.)	1.4	0.5	1.0	1.4	4.2	1.2	0.5	1.3	1.8	4.4	6.0
No of diluted common shares (in mn)	255	258	256	256	256	257	257	257	257	257	257
Cost Analysis:											
Materials Consumed	35%	32%	31%	29%	32%	34%	33%	33%	32%	33%	33%
Construction Expenses	42%	39%	43%	47%	43%	43%	43%	42%	43%	43%	43%
Personnel and Establishment Expenses	12%	18%	14%	11%	13%	13%	14%	14%	14%	14%	14%
Depreciation & Amortization	3%	4%	3%	3%	3%	3%	4%	3%	3%	3%	3%
<i>Effective Tax rate</i>	<i>37%</i>	<i>17%</i>	<i>34%</i>	<i>23%</i>	<i>30%</i>	<i>21%</i>	<i>33%</i>	<i>34%</i>	<i>34%</i>	<i>32%</i>	<i>32%</i>
Margin Analysis:											
EBITDA Margin (%)	10.8%	11.0%	12.9%	12.4%	11.9%	10.5%	10.4%	11.7%	11.9%	11.1%	10.9%
EBIT Margin (%)	7.7%	6.8%	9.8%	9.8%	8.8%	7.6%	6.7%	9.0%	8.7%	8.0%	8.0%
PBT Margin (%)	7.6%	2.5%	5.1%	4.6%	5.1%	4.5%	2.4%	5.1%	5.4%	4.4%	4.7%
PBT (excl. extraordinary) Margin (%)	7.6%	2.5%	5.1%	4.6%	5.1%	4.5%	2.4%	5.1%	5.4%	4.4%	4.7%
Reported NPM (%)	4.8%	2.1%	3.3%	3.5%	3.5%	3.6%	1.6%	3.4%	3.6%	3.0%	3.2%
Proforma NPM (%)	4.8%	2.1%	3.3%	3.5%	3.5%	3.6%	1.6%	3.4%	3.6%	3.0%	3.2%

Source: First Global estimates, Company Reports

Figures are on Standalone Basis and hence different from those given in Financial Snapshot, given on page 2 & 3.



IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, Discounted Cash Flow (DCF) and its stock price history

The risk factors that may impede achievement of the price target/investment thesis are -

- Change in macro economic factors, including inflation in favour of the construction companies.
- Raw material prices decline at a rapid pace.
- Project specific risks mitigate in due course of time.



First Global's Rating System

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: S&P CNX Nifty

Positive Ratings

(i) Buy (B) – This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.

(ii) Buy at Declines (BD) – This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.

(iii) Outperform (OP) – This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.

Neutral Ratings

(i) Hold (H) – This rating means that we expect no substantial move in the stock price over the specified time period.

(ii) Marketperform (MP) – This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.

Negative Ratings

(i) Sell (S) – This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.

(ii) Sell into Strength (SS) – This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.

(iii) Underperform (UP) – This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.

(iv) Avoid (A) – This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.



FIRST GLOBAL

Nirmal, 6th Floor, Backbay Reclamation,
Nariman Point, Mumbai - 400 021, India.

Dealing Desk (India):

Tel.: +91-22-400 12 400

email: fgindiasales@bloomberg.net

FG Markets, Inc.

90 John Street, Suite 703,
New York, NY 10038

Dealing Desk (US):

Tel. No: +1-212-227 6611

email: us@fglobal.com

FIRST GLOBAL (UK) Ltd.

The Cobalt Building, 19-20, Noel Street,
London W1F 8GW, United Kingdom

Dealing Desk (UK & Europe):

Tel. No: +44-207-959 5300

email: uk@fglobal.com

The information and opinions in this report were prepared by First Global Securities Ltd. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness. Any statements nonfactual in nature constitute only current opinions, which are subject to change. First Global does not undertake to advise you of changes in its opinion or information. First Global and others associated with it may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also perform or seek to perform investment banking services for those companies.

Whilst all reasonable care has been taken to ensure the facts stated and the opinions given are fair, neither First Global (UK) Limited nor FG Markets, Inc. nor any of their affiliates shall be in any way responsible for its contents, nor do they accept any liability for any loss or damage (including without limitation loss of profit) which may arise directly or indirectly from use of or reliance on such information.

First Global (or one of its affiliates or subsidiaries) or their officers, directors, analysts, employees, agents, independent contractors, or consultants may have positions in securities or commodities referred to herein and may, as principal or agent, buy and sell such securities or commodities. An employee, analyst, officer, agent, independent contractor, a director, or a consultant of First Global, its affiliates, or its subsidiaries may serve as a director for companies mentioned in this report.

First Global and its affiliates may, to the extent permitted under applicable law, have acted upon or used the information prior to or immediately following its publication, provided that we could not reasonably expect any such action to have a material effect on the price. This memorandum is based on information available to the public. No representation is made that it is accurate or complete. This memorandum is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. There may be instances when fundamental, technical, and quantitative opinions may not be in concert.

Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. There are risks inherent in international investments, which may make such investments unsuitable for certain clients. These include, for example, economic, political, currency exchange rate fluctuations, and limited availability of information on international securities.

The value of investments and the income from them may vary and you may realize less than the sum invested. Part of the capital invested may be used to pay that income. In the case of higher volatility investments, these may be subject to sudden and large falls in value and you may realize a large loss equal to the amount invested. Some investments are not readily realizable and investors may have difficulty in selling or realizing the investment or obtaining reliable information on the value or risks associated with the investment. Where a security is denominated in a currency other than sterling (for UK investors) or dollar (for US investors), changes in exchange rates may have an adverse effect on the value of the security and the income thereon. The tax treatment of some of the investments mentioned above may change with future legislation. The investment or investment service may not be suitable for all recipients of this publication and any doubts regarding this should be addressed to your broker.

While First Global has prepared this report, First Global (UK) Ltd. and FG Markets, Inc. is distributing the report in the UK & US and accept responsibility for its contents. Any person receiving this report and wishing to effect transactions in any security discussed herein should do so only with a representative of First Global (UK) Ltd. or FG Markets, Inc.

First Global (UK) Limited is regulated by FSA and is a Member firm of the London Stock Exchange.

FG Markets, Inc. is regulated by SEC and is a member of The Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). FG Markets, Inc., its affiliates, and its subsidiaries make no representation that the companies which issue securities which are the subject of their research reports are in compliance with certain informational reporting requirements imposed by the Securities Exchange Act of 1934. Sales of securities covered by this report may be made only in those jurisdictions where the security is qualified for sale. Additional information on recommended securities is available on request.

This report may not be resold or redistributed without the prior written consent of First Global.