



Larsen & Toubro LT IN

INDIA / CONSTRUCTION

TARGET INR1,933.00
PRIOR TP INR1,933.00
CLOSE INR2,047.35
UP/DOWNSIDE -5.6%

HOLD

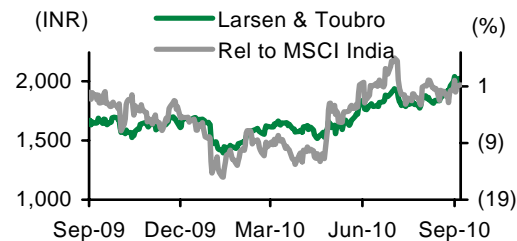
UNCHANGED

HOW WE DIFFER FROM THE STREET

	BNP	Consensus	% Diff
Target Price (INR)	1,933.00	1,976.14	(2.2)
EPS 2011 (INR)	62.88	62.23	3.3
EPS 2012 (INR)	76.09	76.72	0.9
	Positive	Neutral	Negative
Market Recs.	23	13	2

KEY STOCK DATA

YE Mar (INR m)	2011E	2012E	2013E
Revenue	459,559	581,151	697,259
Rec. net profit	38,537	46,634	55,285
Recurring EPS (INR)	62.88	76.09	90.21
Prior rec. EPS (INR)	62.88	76.09	90.21
Chg. In EPS est. (%)	0.0	0.0	0.0
EPS growth (%)	20.1	21.0	18.6
Recurring P/E (x)	32.6	26.9	22.7
Dividend yield (%)	0.7	0.7	0.7
EV/EBITDA (x)	17.5	15.0	12.8
Price/book (x)	5.8	4.9	4.2
Net debt/Equity	(4.5)	2.3	4.1
ROE (%)	19.5	20.1	20.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	10.2	12.8	23.1
Relative to country (%)	(0.8)	2.9	2.2

Next results	October 2010
Mkt cap (USD m)	27,417
3m avg daily turnover (USD m)	51.3
Free float (%)	58
Major shareholder	Life Insurance Corporation of India (19%)
12m high/low (INR)	2,039.90/1,396.40
3m historic vol. (%)	21.2
ADR ticker	-
ADR closing price (USD)	-

Sources : Bloomberg consensus; BNP Paribas estimates

RECENT COMPANY & SECTOR RESEARCH

L&T IDPL - latent potential	14 Sep 2010
Limited upside from here	28 Jul 2010
Another reason for deregulation	16 Sep 2010
Order book should drive growth	15 Jul 2010

INDUSTRY OUTLOOK ↔

NEW INFORMATION

Value unlocking begins

- Listing L&T Finance Holdings, to raise INR15b.
- Move is in-line with stated strategy, pricing could be a catalyst.
- Focused in vehicle, infra and equipment financing segments.
- Maintain INR1,933 TP; Standalone INR1,644, Subs INR289.

L&T Finance Holdings IPO

In accordance with its long-term strategy to unlock value in its subsidiaries, L&T announced its plans to list its wholly-owned financial subsidiary, L&T Finance Holdings (erstwhile L&T Capital Holdings Limited). The company is planning to raise INR15b with this public offering, which should suffice their requirements for two years. While the pricing has not yet been finalized, management indicated there could be 12-17% dilution, valuing the whole company at INR88b to INR125b. We have valued L&T Finance and L&T Infrastructure Finance using 2x P/B on FY12E book value to arrive at INR46b valuation for these two businesses or INR75 per L&T share.



Vishal Sharma, CFA
+91 22 6628 2441
vishal.sharma@asia.bnpparibas.com

Shashank Abhishek
+91 22 6628 2446
shashank.abhishek@asia.bnpparibas.com

L&T Finance Holdings - Portfolio

L&T Finance Holdings comprises L&T Finance Limited, L&T Infrastructure Finance Company Limited, L&T Aviation Services Private Limited in its portfolio. Additionally, it also owns 4.68% of Federal Bank Limited (FB IN, CMP INR405.10, Not Rated) and 4.78% of City Union Bank Limited (CUBK IN, CMP INR45.7, Not rated); these investments give L&T exposure to the entire value chain of banking services.

Valuation

We arrive at our TP of INR1,933.00 for L&T based on a SoTP valuation. The standalone company contributes INR1,644 by applying a target FY12E EV/EBITDA of 14x, in-line with the stock's five-year traded median multiple. Subsidiaries contribute INR289 based on their respective metrics. Risks to TP: earnings volatility, slowdown in orders, poor execution, margin contraction and dilution from raising capital.

L&T Finance, INR67b loan book, vehicle and equipment loans
L&T Finance is in the business of short-to-medium term financing for construction equipment, commercial vehicles, and farm equipment. It is also involved in microfinance on a smaller scale. As of FY10, the total loan book of L&T Finance was INR66.9b with a capital adequacy ratio of 15.43%. The company has grown its loan portfolio at 37% CAGR since FY07.

L&T Infra Finance, INR43b loan book, infra project financing
L&T Infrastructure Finance provides project financing for infrastructure projects. Additionally, the company offers advisory and syndication services to infrastructure players. As of FY10, the loan book was INR42.5b compared to INR2.4b in FY07 (CAGR of 161%). The company has a capital adequacy of 23.27%. L&T Infra Finance had reduced its exposure to the real estate sector from 31.5% in FY09 to 8.7% of the ending loan book. Refer Exhibit 1 for a comparison with peers on key metrics.

Exhibit 1: Peer Comparison (FY10 Data)

Name	BBG code	Price (INR)	Capital adequacy ratio (%)	Net interest margin (%)	Spreads (%)	P/B (x)	ROE (%)	ROA (%)	Loan loss provision (%)	Gross non-performing loans (%)	Net non-performing loans (%)	Cost to income (%)	Cost to assets (%)	Loan book (INR m)
Mahindra & Mahindra Financial Services	MMFS IN	620.45	18.50	13.52	11.52	3.5	21.54	4.63	2.91	7.51	1.02	31.58	4.37	83,788
Bajaj Auto Finance Ltd	BAF IN	793.60	26.00	17.58	15.55	2.5	7.98	2.53	8.15	9.44	4.25	56.85	9.03	40,258
Shriram Transport Finance Co Ltd	SHTF IN	771.30	23.23	10.63	11.29	7.5	29.63	3.14	1.85	2.30	0.88	30.06	2.70	179,031
Sundaram Finance Ltd	SUF IN	587.80	16.93	12.93	12.92	2.2	19.97	2.55	0.63	1.08	0.39	65.87	7.34	101,766
L&T Finance			15.43	9.10	8.64		15.87	2.43	1.22	3.32	2.04	43.40	3.53	66,942
Mean (ex L&T Finance)			21.17	13.67	12.82	3.93	19.78	3.21	3.39	5.08	1.63	46.09	5.86	101,211
Median (ex L&T Finance)			20.87	13.23	12.22	3.00	20.75	2.84	2.38	4.90	0.95	44.21	5.85	92,777
Infrastructure Development Finance Co	IDFC IN	201.30	20.51	9.23	10.00	4.2	16.11	3.36	0.57	0.35	0.19	26.02	1.73	250,311
Power Finance Corp Ltd	POWF IN	340.85	18.20	4.44	3.02	2.9	19.13	3.26	-	0.02	0.01	5.01	0.22	798,558
Rural Electrification Corp Ltd	RECL IN	341.25	16.05	4.84	3.73	3.0	23.38	3.40	0.00	0.03	0.00	5.98	0.29	664,526
IFCI Ltd	IFCI IN	62.20	17.90	9.53	11.81	1.0	16.11	4.35	3.37	29.96	0.44	19.72	1.06	104,872
SREI Infrastructure Finance Ltd	SREI IN	95.80	21.98	17.71	29.36	0.9	12.78	2.32	-	0.90	0.29	43.89	2.87	36,185
L&T Infrastructure Finance			23.27	6.29	4.02		13.53	3.34	0.78	2.42	2.18	6.89	0.42	42,554
Mean (ex L&T Infra Fin)			18.93	9.15	11.58	2.40	17.50	3.34	0.79	6.25	0.19	20.12	1.23	370,890
Median (ex L&T Infra Fin)			18.20	9.23	10.00	2.93	16.11	3.36	0.00	0.35	0.19	19.72	1.06	250,311

Sources: Company reports; BNP Paribas

Exhibit 2: L&T SOTP Valuation

	Metric	Methodology	Contribution (INR per share)	Comments
L&T Standalone	EV/EBITDA	14x FY12E	1,644	Implied P/E of 21x in line with 5-year historical average
L&T Infotech (not listed)	P/E	12.0x FY12E	76	Peer multiple for Tier II IT cos
L&T Finance (not listed)	P/B	2.0x FY12E	40	Peer multiple for Tier II financial services cos
L&T Infrastructure Finance Co (not listed)	P/B	2.0x FY12E	35	Peer multiple for Tier II financial services cos
L&T International FZE (not listed)	P/B	1.0x FY10	18	Hold co at book value of invested equity
L&T IDPL (not listed)	P/B	2.0x FY10	35	Hold co at book value of invested equity
Other infrastructure SPVs	P/B	1.5x FY09	24	At book value of invested capital
L&T MHI Power Equipment JV	P/B	5.0x Invested Equity	29	At 5.0x value of invested capital
L&T Power Development (not listed)	P/B	1.0x Invested Equity	30	At book value of invested capital
L&T Forgings (not listed)	P/B	1.0x Invested Equity	2	At book value of invested capital
Subsidiaries – Total			289	
Total			1,933	

Source: BNP Paribas estimates

RISK EXPERTS

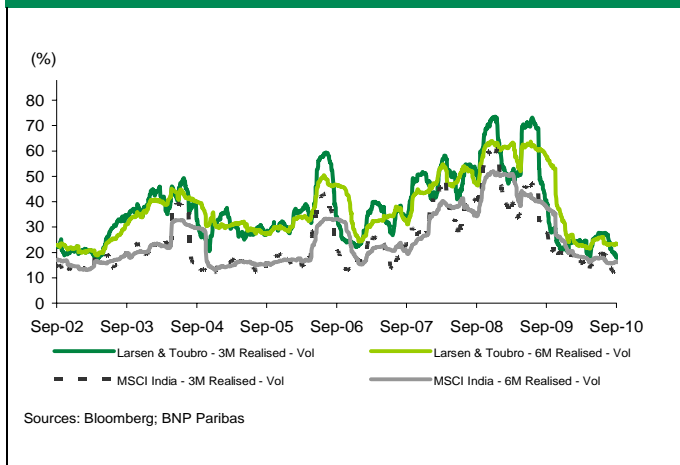
	Worst		Base		Best	
Revenue growth (%)	15.0	15.0	25.3	26.5	15.0	15.0
EBITDA margin (%)	12.5	12.5	13.1	12.6	12.5	12.5

Sources: BNP Paribas estimates

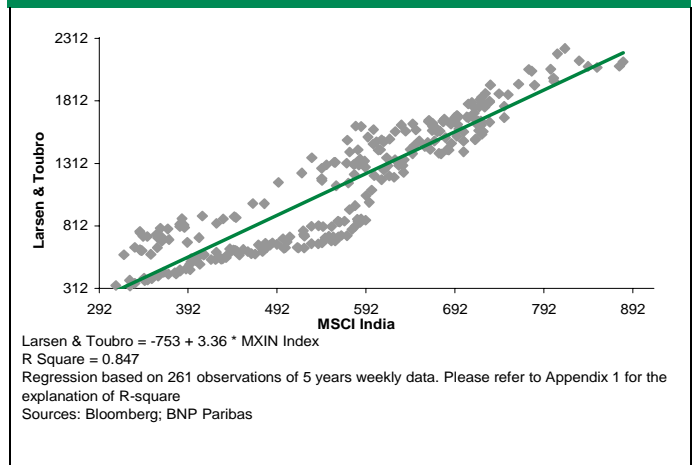
Key Earnings Drivers & Sensitivity

- A 5% change in FY12E revenue growth would have a 3.3% impact on our fair value.
- A 50bp change in FY12E EBITDA margin would have 3.4% impact on our fair value.

Larsen & Toubro And MSCI India (3M And 6M Realised-Vol)



Regression – Larsen & Toubro Rel to MSCI India



India Sector Correlation Matrix at 15 July 2010

	India Autos	India Banks	India Engineering & Construct	India Software & Services	India Metals & Mining	India Oil & Gas	India Property	India Telcos	India Utilities
India Autos	1.000	0.688	0.701	0.569	0.724	0.672	0.630	0.599	0.688
India Banks		1.000	0.838	0.582	0.713	0.733	0.747	0.683	0.781
India Engineering & Construct			1.000	0.593	0.739	0.756	0.785	0.711	0.792
India Software & Services				1.000	0.555	0.584	0.452	0.500	0.563
India Metals & Mining					1.000	0.768	0.716	0.642	0.744
India Oil & Gas						1.000	0.656	0.671	0.787
India Property							1.000	0.672	0.733
India Telcos								1.000	0.733
India Utilities									1.000

Source: BNP Paribas Sector Strategy

Long/Short Chart



The Risk Experts

The Risk Experts

- Our starting point for this page is a recognition of the macro factors that can have a significant impact on stock-price performance, sometimes independently of bottom-up factors.
- With our Risk Expert page, we identify the key macro risks that can impact stock performance.
- This analysis enhances the fundamental work laid out in the rest of this report, giving investors yet another resource to use in their decision-making process.

FINANCIAL STATEMENTS

Larsen & Toubro

Profit and Loss (INR m) Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Revenue	336,466	366,752	459,559	581,151	697,259
Cost of sales ex depreciation	(262,716)	(284,536)	(356,693)	(454,982)	(545,805)
Gross profit ex depreciation	73,750	82,216	102,866	126,169	151,454
Other operating income	2,920	3,597	2,352	2,850	3,500
Operating costs	(37,447)	(37,657)	(45,170)	(56,009)	(67,288)
Operating EBITDA	39,222	48,156	60,048	73,010	87,666
Depreciation	(3,060)	(4,146)	(5,038)	(5,723)	(6,613)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	36,162	44,010	55,009	67,287	81,053
Net financing costs	(4,156)	(5,053)	(6,549)	(6,632)	(7,719)
Associates	0	0	0	0	0
Recurring non operating income	7,398	9,103	9,043	9,175	9,450
Non recurring items	7,725	10,748	0	0	0
Profit before tax	47,129	58,807	57,502	69,830	82,783
Tax	(12,312)	(16,409)	(18,966)	(23,196)	(27,499)
Profit after tax	34,817	42,398	38,537	46,634	55,285
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	34,817	42,398	38,537	46,634	55,285
Non recurring items & goodwill (net)	(7,725)	(10,748)	0	0	0
Recurring net profit	27,092	31,650	38,537	46,634	55,285

Per share (INR)

Recurring EPS *	45.87	52.36	62.88	76.09	90.21
Reported EPS	59.77	71.48	63.92	77.35	91.70
DPS	12.31	14.63	14.63	14.63	14.63

We estimate revenue CAGR of 26% over FY10-12

Growth

Revenue (%)	35.4	9.0	25.3	26.5	20.0
Operating EBITDA (%)	45.5	22.8	24.7	21.6	20.1
Operating EBIT (%)	45.6	21.7	25.0	22.3	20.5
Recurring EPS (%)	31.4	14.2	20.1	21.0	18.6
Reported EPS (%)	58.2	19.6	(10.6)	21.0	18.6

Operating performance

Gross margin inc depreciation (%)	21.0	21.3	21.3	20.7	20.8
Operating EBITDA margin (%)	11.7	13.1	13.1	12.6	12.6
Operating EBIT margin (%)	10.7	12.0	12.0	11.6	11.6
Net margin (%)	8.1	8.6	8.4	8.0	7.9
Effective tax rate (%)	26.1	27.9	33.0	33.2	33.2
Dividend payout on recurring profit (%)	26.8	27.9	23.3	19.2	16.2
Interest cover (x)	10.5	10.5	9.8	11.5	11.7
Inventory days	70.2	46.3	57.2	89.2	91.7
Debtor days	94.5	105.6	99.6	99.0	101.3
Creditor days	183.6	217.0	215.0	197.1	182.5
Operating ROIC (%)	33.4	31.0	37.4	37.3	34.0
Operating ROIC – WACC (%)	16.1	13.7	20.1	20.0	-
ROIC (%)	28.3	25.0	24.4	22.9	22.1
ROIC – WACC (%)	11.0	7.7	7.1	5.6	-
ROE (%)	24.6	20.6	19.5	20.1	20.2
ROA (%)	9.3	8.4	8.2	8.2	8.6

* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (INR m)	2009A	2010A	2011E	2012E	2013E
E&C	287,051	320,387	402,037	524,697	635,922
MIP	24,751	21,906	24,772	27,950	30,746
EBG	27,779	28,690	31,529	36,144	39,758
Others	4,084	2,648	1,220	0	0

Sources: Larsen & Toubro; BNP Paribas estimates

Larsen & Toubro

Cash Flow (INR m)					
Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Recurring net profit	27,092	31,650	38,537	46,634	55,285
Depreciation	3,060	4,146	5,038	5,723	6,613
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	30,152	35,796	43,575	52,357	61,898
Change in working capital	(20,487)	17,582	7,140	(27,905)	(33,420)
Capex - maintenance	0	0	0	0	0
Capex – new investment	(20,296)	(15,719)	(71,100)	(31,043)	(26,043)
Free cash flow to equity	(10,631)	37,659	(20,385)	(6,591)	2,434
Net acquisitions & disposals	11,228	(3,116)	13,515	0	0
Dividends paid	(5,054)	(7,192)	(8,817)	(8,817)	(8,817)
Non recurring cash flows	(18,522)	(14,148)	(623)	(49)	(33)
Net cash flow	(22,979)	13,203	(16,311)	(15,458)	(6,416)
Equity finance	230	21,327	0	0	0
Debt finance	21,232	(1,680)	27,000	12,000	5,000
Movement in cash	(1,517)	32,851	10,689	(3,458)	(1,416)

Includes investments in subsidiaries

Per share (INR)

Recurring cash flow per share	51.77	60.35	72.28	86.85	103
FCF to equity per share	(18.25)	63.49	(33.81)	(10.93)	4.04

Balance Sheet (INR m)

Year Ending Mar	2009A	2010A	2011E	2012E	2013E
Working capital assets	226,727	249,297	297,360	361,132	421,235
Working capital liabilities	(178,424)	(212,429)	(267,008)	(302,825)	(329,475)
Net working capital	48,303	36,869	30,352	58,307	91,760
Tangible fixed assets	50,931	62,396	76,557	87,060	96,701
Operating invested capital	99,234	99,265	106,909	145,367	188,461
Goodwill	0	0	0	0	0
Other intangible assets	1,015	1,261	1,106	923	713
Investments	32,563	57,408	95,950	110,950	120,950
Other assets	3,870	3,119	3,119	3,119	3,119
Invested capital	136,682	161,053	207,084	260,358	313,242
Cash & equivalents	(57,827)	(93,964)	(104,653)	(101,196)	(99,780)
Short term debt	0	0	0	0	0
Long term debt *	65,560	68,008	95,008	107,008	112,008
Net debt	7,733	(25,956)	(9,645)	5,813	12,228
Deferred tax	4,352	3,893	3,893	3,893	3,893
Other liabilities	0	0	0	0	0
Total equity	124,597	183,116	212,836	250,653	297,121
Minority interests	0	0	0	0	0
Invested capital	136,682	161,053	207,084	260,358	313,242

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)

Book value per share	214	309	353	416	493
Tangible book value per share	212	307	351	414	492

Balance sheet strength demonstrated by low net debt to equity

Financial strength

Net debt/equity (%)	6.2	(14.2)	(4.5)	2.3	4.1
Net debt/total assets (%)	2.1	(5.6)	(1.7)	0.9	1.6
Current ratio (x)	1.6	1.6	1.5	1.5	1.6
CF interest cover (x)	3.3	11.6	8.7	4.7	4.7

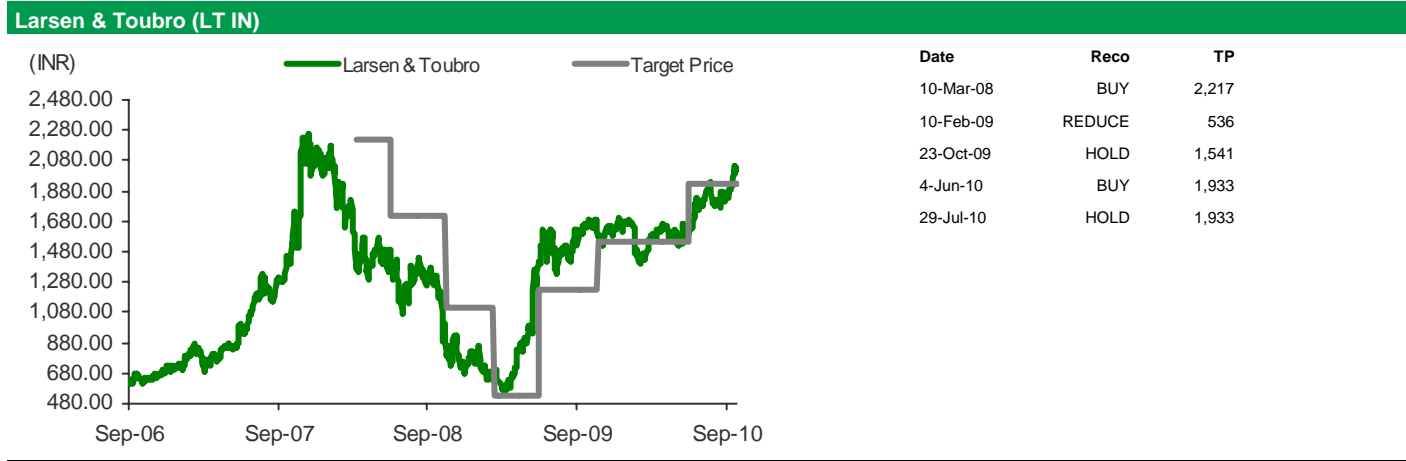
Valuation	2009A	2010A	2011E	2012E	2013E
Recurring P/E (x) *	44.6	39.1	32.6	26.9	22.7
Recurring P/E @ target price (x) *	42.1	36.9	30.7	25.4	21.4
Reported P/E (x)	34.3	28.6	32.0	26.5	22.3
Dividend yield (%)	0.6	0.7	0.7	0.7	0.7
P/CF (x)	39.6	33.9	28.3	23.6	19.9
P/FCF (x)	(112.2)	32.2	(60.5)	(187.3)	507.1
Price/book (x)	9.6	6.6	5.8	4.9	4.2
Price/tangible book (x)	9.6	6.7	5.8	4.9	4.2
EV/EBITDA (x) **	25.3	20.9	17.5	15.0	12.8
EV/EBITDA @ target price (x) **	23.9	19.7	16.5	14.2	12.1
EV/invested capital (x)	8.8	7.4	5.9	4.8	4.0

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Larsen & Toubro; BNP Paribas estimates

HISTORY OF CHANGE IN INVESTMENT RATING AND/OR TARGET PRICE



Vishal Sharma started covering this stock from 10 March 2008
 Price and TP are in local currency

Valuation and risks: Risks to our SoTP-based TP include quarterly earnings volatility, a slowdown in order intake, poor execution, margin contraction and dilution from raising capital

Sources: Bloomberg, BNP Paribas

DISCLAIMERS & DISCLOSURES

ANALYST(S)

Vishal Sharma, CFA, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2441, vishal.sharma@asia.bnpparibas.com.
 Shashank Abhishek, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2446,
 shashank.abhishek@asia.bnpparibas.com.

This report was produced by a member company of the BNP Paribas Group ("Group")¹. This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein.

The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities and providing automated trading services. This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report may be distributed in the United States by BNP PARIBAS SECURITIES ASIA or by BNP Paribas Securities Corp.

Where this report has been distributed by BNP PARIBAS SECURITIES ASIA it is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Where this report has been distributed by BNP Paribas Securities Corp, a U.S. broker dealer, it will have been reviewed by a FINRA S16 qualified registered supervisory analyst or a S24 qualified and authorized person, in accordance with FINRA requirements concerning third party affiliated research.

All U.S. institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

¹ No portion of this report was prepared by BNP Paribas Securities Corp personnel.

Disclosure and Analyst Certification

For a complete set of required disclosures relating to the companies that are the subject of this report, please mail a request to BNP Paribas Compliance Department, 787 Seventh Avenue, New York, NY 10019.

BNP Paribas represents that:

Within the next three months, BNPP or its affiliates may receive or seek compensation in connection with an investment banking relationship with one or more of the companies referenced herein.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report; (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, relate to the specific recommendation or views expressed herein; and (iii) BNPP is not aware of any other actual or material conflicts of interest concerning any of the subject securities and companies referenced herein as of the time of publication of the research report.

A detailed discussion of the valuation methodologies used to derive our target prices and the risks that could impede their achievement for stocks recommended in the report is available on request from the analyst(s) named in this report.

Recommendation structure

All share prices are as at market close on 28 September 2010 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as (target price* - current price) / current price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Rating distribution (as at 27 September 2010)

Out of 489 rated stocks in the BNP Paribas coverage universe, 304 have BUY ratings, 136 are rated HOLD and 50 are rated REDUCE. Within these rating categories, 4.61% of the BUY-rated companies either currently are or have been BNP Paribas clients in the past 12 months, 4.41% of the HOLD-rated companies are or have been clients in the past 12 months, and 10% of the REDUCE-rated companies are or have been clients in the past 12 months

Should you require additional information please contact the relevant BNP Paribas research team or the author(s) of this report.

© 2010 BNP Paribas Group