

**Telecoms, Media & Technology**  
**Diversified Telecoms**  
 Equity – India

## Underweight (V)

**Target price (INR)** 52.00  
**Share price (INR)** 102.60  
**Potential total return (%)** -49.3

Performance	1M	3M	12M
Absolute (%)	-4.2	42.5	-4.8
Relative^ (%)	-10.4	3.7	-10.9

Index^ BOMBAY SE IDX

RIC MTNL.NS  
 Bloomberg MTNL IN

Market cap (USDm) 1,348  
 Market cap (INRm) 64,638

Enterprise value (INRm) 9338  
 Free float (%)

Note: (V) = volatile (please see disclosure appendix)

**3 August 2009**

**Rajiv Sharma\***

Analyst  
 HSBC Securities and Capital Markets  
 (India) Private Limited  
 +9122 22681239  
 rajivsharma@hsbc.co.in

**Tucker Grinnan\***

Analyst  
 The Hongkong & Shanghai Banking  
 Corporation Ltd (HK)  
 +852 2822 4686  
 tuckergrinnan@hsbc.com.hk

**Garima Kapoor\***

Associate  
 Bangalore

View HSBC Global Research at:  
<http://www.research.hsbc.com>

\*Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to NYSE and/or NASD regulations

Issuer of report: HSBC Securities and  
 Capital Markets  
 (India) Private Limited

## Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

# MTNL

Downgrade to UW (V); Why give scarce 3G spectrum to MTNL?

- ▶ **Q1-FY10e results weak; labour costs drive EBITDA negative; we lower our estimates significantly**
- ▶ **We believe MTNL has no viable 3G business case; government better placed to auction scarce 3G spectrum to private telcos**
- ▶ **Downgrade from N (V) to UW(V); reduce TP to INR52 (INR77) as we factor the likely payout for 3G spectrum auctions**

**MTNL reported a lacklustre Q1**, posting a net loss of INR468mn with revenues declining by c12% sequentially. ARPUs were down c4% q-o-q while EBITDA margins remained in negative territory on higher labour costs (57% of sales). In our view, most investors are focussed on the merger with sister company BSNL (Bharat Sanchar Nigam Ltd, N/R) rather than on earnings. We note that the merger of MTNL with sister company BSNL is dependent on the listing of BSNL and is at least 12 months away in our view, given the priority for 3G and 2G spectrum policy. We believe the disagreement with labour unions as key obstacle to BSNL's listing.

**The continued poor financial performance of MTNL** in our view reflects the absence of a longer term strategy and execution. As per news reports (Economic Times, 20 July 2009) MTNL is in the process of inviting bids from global telcos to run its 3G operations in Delhi and Mumbai on a franchise basis for a 10 year period ; a clear acknowledgment in our view of its poor execution capabilities. However, we believe the chances of MTNL to benefit from such a structure will be restricted as the state owned enterprise culture of MTNL get in the way of foreign telcos, restricting their ability to deliver. We believe 3G services require aggressive marketing capabilities and product innovation, which in our view cannot be delivered by MTNL in its present form.

**Given the scarcity of 3G spectrum** in metros, we believe the Indian regulator should auction it to private players. In our view, the Indian regulator's objectives of low tariffs are best delivered by auctioning spectrum among private players.

**Valuation and risks-** We continue with our approach of valuing MTNL based on its cash balance, but now are adjusting for the potential payment for 3G spectrum auctions. We are reducing our TP to INR 52 (INR77) to adjust for the likely payout for 3G auctions and our new target price leads us downgrade from N (V) to UW (V). The potential merger with its sister company and the monetization of tower assets represent upside risks to our view.

### Key Financial Data

INR m	2008	2009	2010e	2011e
Revenue	47,672	45,765	44,841	44,739
Net profit	5,665	2,149	324	747
EPS (INR)	9.0	3.4	0.5	1.2

Source: HSBC, Company Data

## Financials & valuation

### Financial statements

Year to	03/2008a	03/2009e	03/2010e	03/2011e
<b>Profit &amp; loss summary (INRm)</b>				
Revenue	47,672	45,765	44,841	44,739
EBITDA	7,218	3,095	1,015	1,632
Depreciation & amortisation	-7,132	-7,237	-8,038	-8,250
Operating profit/EBIT	86	-4,142	-7,023	-6,617
Net interest	2,591	7,269	7,493	7,700
PBT	7,926	3,097	470	1,083
HSBC PBT	2,677	3,127	470	1,083
Taxation	-2,260	-949	-146	-336
Net profit	5,665	2,149	324	747
HSBC net profit	1,847	2,179	324	747

### Cash flow summary (INRm)

Cash flow from operations	39,265	25,833	9,030	9,649
Capex	-8,885	-7,517	-7,517	-29,073
Cash flow from investment	-8,812	-7,517	-7,517	-29,073
Dividends	-2,948	-860	-130	-299
Change in net debt	-15,009	-17,456	-1,383	19,723
FCF equity	13,646	2,958	1,513	-19,424

### Balance sheet summary (INRm)

Intangible fixed assets	0	0	0	0
Tangible fixed assets	73,629	73,910	73,389	94,213
Current assets	142,073	159,031	160,104	140,078
Cash & others	33,823	51,273	52,656	32,933
Total assets	221,852	239,090	239,643	240,441
Operating liabilities	43,404	43,971	44,329	44,678
Gross debt	106	100	100	100
Net debt	-33,717	-51,173	-52,556	-32,833
Shareholders funds	118,999	135,676	135,871	136,319
Invested capital	138,474	137,696	136,507	156,679

### Ratio, growth and per share analysis

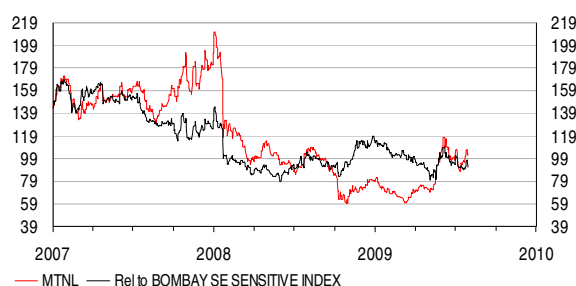
Year to	03/2008a	03/2009e	03/2010e	03/2011e
<b>Y-o-y % change</b>				
Revenue	-2.9	-4.0	-2.0	-0.2
EBITDA	-10.3	-57.1	-67.2	60.8
Operating profit	-92.9	-4915.9		
PBT	-21.4	-60.9	-84.8	130.4
HSBC EPS	214.7	18.0	-85.1	130.4
<b>Ratios (%)</b>				
Revenue/IC (x)	0.3	0.3	0.3	0.3
ROIC	0.0	-2.1	-3.5	-3.1
ROE	1.6	1.7	0.2	0.5
ROA	2.6	1.2	0.2	0.4
EBITDA margin	15.1	6.8	2.3	3.6
Operating profit margin	0.2	-9.0	-15.7	-14.8
EBITDA/net interest (x)				
Net debt/equity	-28.3	-37.7	-38.7	-24.1
Net debt/EBITDA (x)	-4.7	-16.5	-51.8	-20.1
CF from operations/net debt				
<b>Per share data (INR)</b>				
EPS reported (fully diluted)	8.99	3.41	0.52	1.19
HSBC EPS (fully diluted)	2.93	3.46	0.52	1.19
DPS	5.60	1.36	0.21	0.47
Book value	188.89	215.36	215.67	216.38

### Valuation data

Year to	03/2008a	03/2009e	03/2010e	03/2011e
EV/sales	0.7	0.2	0.2	0.9
EV/EBITDA	4.7	3.0	8.1	23.5
EV/IC	0.2	0.1	0.1	0.2
PE*	35.0	29.7	199.2	86.5
P/Book value	0.5	0.5	0.5	0.5
FCF yield (%)	20.2	4.9	2.5	-27.3
Dividend yield (%)	5.5	1.3	0.2	0.5

Note: \* = Based on HSBC EPS (fully diluted)

### Price relative



Source: HSBC

Note: price at close of 31 Jul 2009

## Why MTNL pursuing 3G is value destructive?

Our fears stem from the limited success MTNL has had so far on its 3G platform and the poor subscriber mix of the company. We agree that driving ARPU is the only available recourse in saturated metros, but in our view, the subscriber mix at MTNL is not suitable for 3G services and provides limited possibilities for ARPU improvement. Moreover, we are sceptical about its ability to churn high end subscribers from competition, and hence disagree with MTNL's claim that it will add 1m new mobile phone users on its 3G network over the next 12 months.

As per news reports (Economic Times, 20 July 2009) MTNL is in the process of inviting bids from global telcos to run its 3G operations in Delhi and Mumbai on a franchise basis for a 10 year period ; a clear acknowledgment of its poor execution capabilities in our view. However, we believe the chances of MTNL benefiting from such a structure will be restricted as that state owned enterprise culture get in the way, restricting the ability of foreign telcos to deliver. We believe 3G services require a segmented approach and close analysis of consumer behaviour along with product innovation. We believe MTNL, in its current form, is not suitably designed to align with a strong marketing oriented culture.

As such in our view it makes no business sense for MTNL to match the highest bid for 3G spectrum auctions and incur capex to upgrade its network. We expect MTNL FY11e capex spends of INR29bn including both 3G and 2G capex. We believe MTNL would be better placed to declare a special dividend to reward its shareholders than invest in 3G. Infact, we believe MTNL is better placed to leverage its fixed line infrastructure for wireline broadband products. We believe metros have latent demand for high speed broadband solutions and together with the fact that there is not enough competitive intensity, believe there is scope for MTNL to improve its margins.

Our analysis suggests that limited number of 3G slots in metros and the need for MTNL to match the highest bid may suggest a payout of cUSD333m to procure 3G spectrum (INR25 per share). We note that payouts for 3G spectrum and WiMax spectra and higher regulatory levies limit the possibility of minority shareholders from benefiting from any form of special dividends, despite the sound position of the company.

### BSNL and MTNL - Performance remains poor as compared to private peers

Figs. in INR mn unless specified	BSNL( Not rated)			MTNL( MNTL.IN,UW,CMP INR 102.6)			Bharti ( BHARTI.IN, OW(V), CMP INR410.5)		
	FY07	FY08	FY09	FY07	FY08	FY09	FY07	FY08	FY09
Net Sales	397,151	380,534	333,590	49,075	47,672	45,765	185,196	270,250	369,615
Net Sales Growth (%)	-1%	-4%	-12%	-12%	-3%	-4%	59%	46%	37%
Net profit	78,059	30,094	5,749	6,817	5,665	2,149	42,571	67,008	84,699
Net profit growth (%)	-13%	-61%	-81%	19%	-17%	-62%	89%	57%	26%

Source: Company data

## Valuation and risks

Given the company's lack of earnings catalysts and its history of poor execution, we have previously been valuing MTNL at its FY10e cash balance at INR77 per share. We are rolling over our valuation to the FY11e cash balance which is unchanged. Given that we expect 3G spectrum auctions in the early part of FY11e, we are deducting INR25 per share to factor the potential impact of 3G spectrum auctions. As such we reduce our TP to INR52 and downgrading from N(V) to UW(V) . However, we note that MTNL has left little choice for MNTL as one slot of 3G spectrum has been reserved for the incumbent. We

believe that MTNL will not be able to do justice to the high capacity 3G spectrum and private operators will be better placed to drive value.

We have cut our FY10e estimates by c80% to factor higher labour costs and marketing spends. We have cut our FY11e EPS by c60% to factor higher labour costs, higher network charges for running dual networks and lower interest income given that MTNL will have to pay for the 3G spectrum.

Our cautious view on the operational side is also driven by the company's bloated employee cost structure and the rising competitive intensity on the wireless business. With the launch of GSM services by RCOM, Idea Cellular and Aircel over the past few months in Mumbai, there are concerns about MTNL's ability to continue with subscriber additions, even at the low end. Moreover, the likely launch by Tata-Teleservices over the next few weeks will make it even more difficult for MTNL to attract subscribers in our view.

We note that MTNL has got some very attractive fixed line assets and good quality 900 MHz spectrum in the top two metros of Delhi and Mumbai but the PSU status prevents the company from unlocking value in these assets. We would view the ability of the company to monetize these assets as an upside risk to our valuation, but believe the possibilities are very limited. We believe that MTNL, in its current form, cannot benefit from scale and a potential merger with its sister company BSNL, may allow it to benefit from scale. Any progress on this front may increase post elections and also represents upside risk.

#### Impact of 3G on share price

Circle	Base Price as per DoT (INR mn)	Base Price as per news report (INR mn)	Number of slots	HSBC Estimate of auction value (INR mn)	MTNL - Share price impact (INR)
Delhi	1,600	3,200	3	9,600	15.2
Mumbai	1,600	3,200	5	6,400	10.2
<b>Total share price impact</b>					<b>c25</b>

Source: HSBC, DoT

## Other upside catalyst and timings

In our view, only a very small fraction of the investor base are focussed on earnings when it comes to MTNL, with most investors focussed on the merger with sister company BSNL (which is dependent on the listing of BSNL). Other catalyst would be monetisation of real estate and tower assets. Given that the company has already adopted a rental approach on its real estate, monetization in the medium term is unlikely. Given the poor execution record, issues around the labour unions and the priority of 3G spectrum auctions, listing of BSNL is at least 12 months away in our view.

#### MTNL - Q1 FY10 performance at a glance

(Figs in INR m)	Q1-FY10	Q4-FY09	Q1-FY09	Q1 FY10 vs Q4 FY09	Q1 FY10 vs Q1 FY09
Revenue	9,555	10,851	12,106	-11.9%	-21.1%
EBITDA	-208	-760	2,634	72.7%	-107.9%
EBITDA Margin	-2.2%	-7.0%	21.8%	4.8%	-23.9%
Net Income	-468	-838	1,125	44.1%	-141.6%
EPS (INR)	-0.7	-1.3	1.8	44.1%	-141.6%

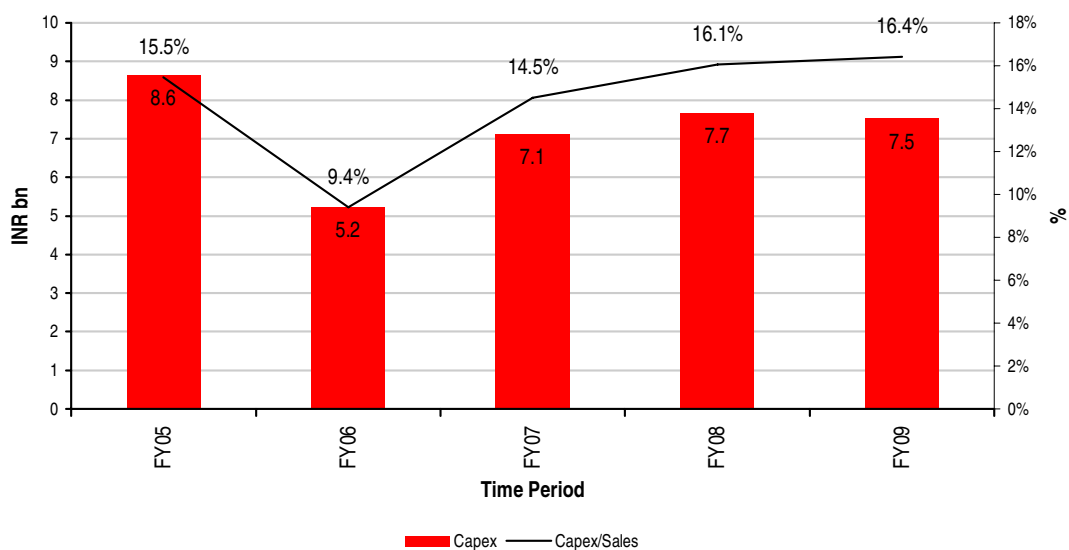
Source: HSBC estimates, Company Data

**Change in estimates**

All figs in INR mn unless specified	FY10e			FY11e		
	New	Old	Change	New	Old	Change
Sales	44,841	44,841	0.0%	44,739	44,739	0.0%
EBITDA	1,015	2,809	-63.9%	1,632	3,154	-48.2%
Net Income	324	1,562	-79.2%	747	1,874	-60.1%
EPS (INR)	0.5	2.5	-79.2%	1.19	2.97	-60.1%

Source: HSBC estimates

**MTNL - Capex and Capex to sales ratio (FY05 to FY09)**



Source: HSBC, Company Data

# HSBC Global Research website

To maximise your access to HSBC Global Research please visit our website at [www.research.hsbc.com](http://www.research.hsbc.com) where you can:

- ▶ View the latest research and access archived reports
- ▶ Visit the dedicated product pages, including Emerging Markets and Climate Change
- ▶ Filter estimates for more than 1,000 companies under equity coverage
- ▶ Set up personal filters to put your research interests at your fingertips
- ▶ Look up HSBC research analyst contact details



## E-mail subscriptions

You can receive research directly via e-mail as soon as it is published. To set up subscriptions to research reports, contact your Relationship Manager.

If you are having problems or need assistance with the website service, please contact your HSBC Relationship Manager or e-mail: [ecare@hsbcib.com](mailto:ecare@hsbcib.com).  
<http://www.research.hsbc.com>

# Disclosure appendix

## Analyst certification

The following analyst(s), who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Rajiv Sharma and Tucker Grinnan

## Important disclosures

### Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at [www.hsbcnet.com/research](http://www.hsbcnet.com/research). Details of these short-term investment opportunities can be found under the Reports section of this website.

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

## Rating definitions for long-term investment opportunities

### Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the risk free rate for that stock's domestic, or as appropriate, regional market and the relevant equity risk premium established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

\*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However,

stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Prior to this, from 7 June 2005 HSBC applied a ratings structure which ranked the stocks according to their notional target price vs current market price and then categorised (approximately) the top 40% as Overweight, the next 40% as Neutral and the last 20% as Underweight. The performance horizon is 2 years. The notional target price was defined as the mid-point of the analysts' valuation for a stock.

From 15 November 2004 to 7 June 2005, HSBC carried no ratings and concentrated on long-term thematic reports which identified themes and trends in industries, but did not make a conclusion as to the investment action that potential investors should take.

Prior to 15 November 2004, HSBC's ratings system was based upon a two-stage recommendation structure: a combination of the analysts' view on the stock relative to its sector and the sector call relative to the market, together giving a view on the stock relative to the market. The sector call was the responsibility of the strategy team, set in co-operation with the analysts. For other companies, HSBC showed a recommendation relative to the market. The performance horizon was 6-12 months. The target price was the level the stock should have traded at if the market accepted the analysts' view of the stock.

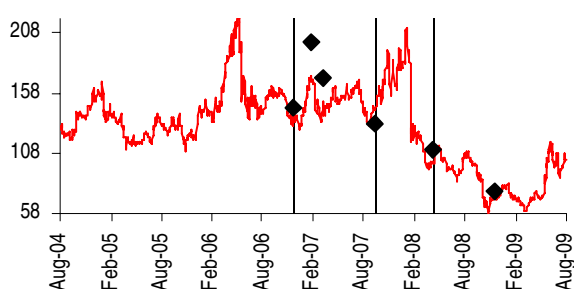
## Rating distribution for long-term investment opportunities

As of 03 August 2009, the distribution of all ratings published is as follows:

<b>Overweight (Buy)</b>	35%	(29% of these provided with Investment Banking Services)
<b>Neutral (Hold)</b>	40%	(26% of these provided with Investment Banking Services)
<b>Underweight (Sell)</b>	25%	(27% of these provided with Investment Banking Services)

## Share price and rating changes for long-term investment opportunities

MTNL (MTNL.NS) Share Price performance INR Vs HSBC rating history



Source: HSBC

Recommendation & price target history

From	To	Date
N/R	Neutral (V)	24 November 2006
Neutral (V)	Underweight	12 September 2007
Underweight	Neutral (V)	08 April 2008
Target Price	Value	Date
Price 1	145.00	24 November 2006
Price 2	200.00	26 January 2007
Price 3	171.00	08 March 2007
Price 4	133.00	12 September 2007
Price 5	111.00	08 April 2008
Price 6	77.00	20 November 2008

Source: HSBC



## HSBC & Analyst disclosures

None of the below disclosures applies to any of the stocks featured in this report.

- 1 HSBC\* has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 30 June 2009 HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 30 June 2009, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 As of 30 June 2009, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking-securities related services.
- 7 As of 30 June 2009, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company

Analysts are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company, please see the most recently published report on that company available at [www.hsbcnet.com/research](http://www.hsbcnet.com/research).

\* *HSBC Legal Entities are listed in the Disclaimer below.*

## Additional disclosures

- 1 This report is dated as at 03 August 2009.
- 2 All market data included in this report are dated as at close 03 August 2009, unless otherwise indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Chinese Wall procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

# Disclaimer

\* Legal entities as at 22 October 2008

'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc, Toronto; HSBC Bank, Paris branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Dusseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt S.A.E., Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; 'GR' HSBC Pantelakis Securities S.A., Athens; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv, 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler A.S., Istanbul; HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, HSBC Bank Brasil S.A. - Banco Múltiplo, HSBC Bank Australia Limited, HSBC Bank Argentina S.A., HSBC Saudi Arabia Limited.

## Issuer of report

**HSBC Securities and Capital Markets (India) Private Limited**

Registered Office

52/60 Mahatma Gandhi Road

Fort, Mumbai 400 001, India

Telephone: +91 22 2267 4921

Fax: +91 22 2263 1983

Website: [www.research.hsbc.com](http://www.research.hsbc.com)

This document has been issued by HSBC Securities and Capital Markets (India) Private Limited ("HSBC") for the information of its customers only. HSBC Securities and Capital Markets (India) Private Limited is regulated by the Securities and Exchange Board of India. If it is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Division of HSBC only and are subject to change without notice. HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies and may also be represented in the supervisory board or any other committee of those companies. The information and opinions contained within the research reports are based upon publicly available information and rates of taxation applicable at the time of publication which are subject to change from time to time. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the UK this report may only be distributed to persons of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. The protections afforded by the UK regulatory regime are available only to those dealing with a representative of HSBC Bank plc in the UK. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

In Japan, this publication has been distributed by HSBC Securities (Japan) Limited. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong or are necessarily suitable for any particular person or appropriate in accordance with local law. All inquiries by such recipients must be directed to The Hongkong and Shanghai Banking Corporation Limited.

© Copyright. HSBC Securities and Capital Markets (India) Private Limited 2009, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Securities and Capital Markets (India) Private Limited. MICA (P) 258/09/2008