

Soft quarter reflects impact of VAT and UP state tax

■ Worst quarter for cigarette sales, Q2 FY08 net cigarette sales +11.6%

The double whammy of taxation, both VAT and UP state tax, resulted in cigarette volumes declining around 4% for Q2. Increased tax levy has increased cigarette sales (gross of all taxes) by 18.5% for Q2. Higher taxes resulted in net cigarette sales +11.6% and EBIT +9.8% for Q2. We expect sequential volume growth in cigarettes for H2 FY08 as volumes pick up.

■ Cigarette mix improvement continues, lower losses in FMCG

King size filters recorded growth in volumes of c.2% for Q2, while regular size filter volumes remained flat. Declines were primarily in the longs and non-filter segment. Lower losses in the consumer business segment, down 25% YoY for Q2, reflect structural improvements in the business as previous launches generate profits

■ Agri-trading business decline one off

Government restrictions on trading of commodities resulted in a 78% decline in agri-business profits for Q2. Hotel segment EBIT, up 14.3%, was hit by rupee appreciation. The hotel business has started setting room rates in INR from September 2007, mitigating currency risk.

■ Valuation: maintain Buy rating

Our price target is benchmarked at 20x FY09E earnings, the midpoint of ITC's historical valuation band.

Highlights (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Revenues	97,905	123,693	151,907	172,573	195,447
EBIT (UBS)	32,836	39,300	45,915	54,064	62,556
Net Income (UBS)	22,828	27,000	31,613	37,235	43,095
EPS (UBS, Rs)	6.08	7.18	8.40	9.90	11.45
Net DPS (UBS, Rs)	2.31	3.11	3.60	4.30	5.00

Profitability & Valuation	5-yr hist av.	03/07	03/08E	03/09E	03/10E
EBIT margin %	33.1	31.8	30.2	31.3	32.0
ROIC (EBIT) %	60.7	68.5	68.4	78.7	88.1
EV/EBITDA (core) x	9.7	14.8	12.8	10.6	8.8
PE (UBS) x	15.3	24.8	21.5	18.3	15.8
Net dividend yield %	2.3	1.7	2.0	2.4	2.8

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs180.80 on 26 Oct 2007 23:39 HKT

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Tobacco

12-month rating **Buy**
Unchanged

12m price target **Rs200.00/US\$5.07**
Unchanged

Price **Rs180.80/US\$4.59 (ADR)**

RIC: ITC.BO BBG: ITC IN

29 October 2007

Trading data (local/US\$)

52-wk range	Rs193.90-140.95/US\$4.89-3.23
Market cap.	Rs679bn/US\$17.3bn
Shares o/s	3,755m (ORD)/3,755m (ADR)
ADR ratio	1 ADR:1 ORD
Free float	65%
Avg. daily volume ('000)	1,367/-
Avg. daily value (Rsm)	239.5/-

Balance sheet data 03/08E

Shareholders' equity	Rs122bn
P/BV (UBS)	5.5x
Net Cash (debt)	Rs45.5bn

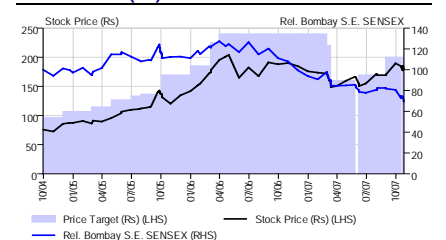
Forecast returns

Forecast price appreciation	+10.6%
Forecast dividend yield	2.0%
Forecast stock return	+12.6%
Market return assumption	11.9%
Forecast excess return	+0.7%

EPS (UBS, Rs)

	03/08E	03/07	Actual
	UBS	Cons.	
Q1E	-	-	1.74
Q2E	-	-	-
Q3E	-	-	-
Q4E	-	-	-
03/08E	8.40	8.32	
03/09E	9.90	9.84	

Performance (Rs)



Source: UBS

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Table 1: ITC results

Particulars	Q2 FY07	Q2 FY08	Gr%
Gross sales	47,044	52,316	11.2%
Excise duty	18,167	19,582	7.8%
Net sales	28,876	32,734	13.4%
Raw material cost	12,311	14,564	18.3%
Total expenditure	19,149	22,415	17.1%
EBITDA	9,727	10,319	6.1%
EBITDAM%	33.7%	31.5%	
PBT	9,578	11,330	18.3%
Provision for tax	2,782	3,623	30.2%
Net Profit	6,796	7,708	13.4%

Source: Company data

Results for Q2 FY08

Net sales grew 13.4% YoY, driven by cigarettes (+11.6%), paperboard (+17.7%) and hotels (+12.5%). Agribusiness declined 12.5% due to one-off government restrictions on certain commodities. EBITDA margins were lower at 31.5% down from 33.7% in Q2 FY07. EBITDA growth, at 6.1%, was lower than UBS estimates.

Other income was 2.6x of Q2 FY07 levels, due to an interest gain on tax refunds, better treasury performance and higher dividends from subsidiaries (Russell Credit and Surya Nepal). PBT grew 18.3% YoY and PAT grew 13.4% YoY.

Table 2: Segmental revenues

Particulars (Rs m)	Q2 FY07	Q2 FY08	Growth (%)
Gross cigarette sales	31,017	32,717	5.5%
Net cigarette sales	14,097	15,737	11.6%
Other FMCG	4,096	5,870	
Total FMCG	35,113	38,587	9.9%
Hotels	2,010	2,261	12.5%
Agribusiness	8,470	7,407	-12.5%
Paperboards	5,220	6,145	17.7%
Net sales	46,031	50,233	9.1%

Source: Company data

Cigarette business

Q2 FY08 saw the twin impact of VAT (12.5%) and UP state tax (33.5%) from 1 June 2007. This was in addition to the additional excise of 6% introduced on cigarettes from March 2007. This has resulted in a volume decline of c.4% for Q2, in line with our FY08 volume decline estimate of 4.4%. We expect volume declines to continue to reduce in H2 as the cigarette business stabilises. We are projecting ITC's cigarette business volumes grow 3.5% for FY09.

Revenue grew 11.2% YoY, EBITDA grew 6.1% YoY

Volume decline estimated at 4% for Q2

In Table 2, we show the actual spend increase in the cigarette division in Q2 and in H1. Spend on cigarettes increased 20% YoY in H1 FY07. We believe the estimated decline of c.3.5% in H1 FY08 is better than the large volume decline expected by the market, demonstrating the strong price inelasticity of the product category.

Volume declines have affected excise collections, with excise growth at just 2% for H1. Excise rates have been increased 6%, but with volumes declining government collections have suffered. Net cigarette sales are up 13.5% for H1 FY08. With price increases in cigarettes, ITC's proportion of spend increases, while the government's excise collections as a proportion comes down.

However, with the VAT implementation, total tax collected from the cigarette category has increased from 55% (pre-VAT) to c.57% post implementation.

Table 2: Cigarette spend, net revenues

Particulars (Rs m)	Q2 FY07	Q2 FY08	Growth (%)	H1 FY07	H1 FY08	Growth (%)
Gross cigarette sales	31,017	36,757	18.5%	62,609	75,052	19.9%
Excise duty + UP State Tax + Other Sales Taxes	16,920	16,980	0.4%	34,314	35,018	2.1%
Net cigarette sales	14,097	15,737	11.6%	28,296	32,114	13.5%

Source: Company data

Hotel business

ITC's hotel business grew 12.5% YoY, lower than expectation due to a mixed performance from its hotel units. Delhi, Mumbai and Kolkata properties performed well, while the Bangalore property witnessed some decline in ARR's (average room rates) due to downward pressure in the market. The impact of INR appreciation also led to lower realisations. The hotel business started setting room rates in INR from September 2007, mitigating currency risk. EBIT grew 14.3% YoY.

Paperboard business

The paperboard business was affected by the cigarette business volume decline (as the paperboard business supplies packing material to the cigarette division), with margins in the business down from 21.2% in Q2 FY07 to 20.4% in Q2 FY08. The paperboard business grew revenues 17.7% and EBIT 13.3%. The business should perform well into Q3 with a paperboard machine stabilising after commissioning.

Agri business

The agribusiness, the biggest negative swing in Q2 FY08, was affected by a government clampdown on pulses. The intention was to control price inflation—exports were banned. Pearl Millet (*Bajra*) and maize exports were also banned. This caused a 12.5% decline in revenues, while EBIT from the business declined 78.4% YoY.

Government excise collections grew 2% in H1, net cigarette revenues are up 11.6%

ARR's in a couple of markets have weakened

Paperboard on better footing

One-off government clampdown on pulse exports caused revenue and profit declines

Consumer businesses

The biscuit business maintained strong growth at 54%, and ITC's market share has increased to c.11%. The 'Bingo' launch has been extended across target markets and it should be one more quarter before we can gauge its acceptance and measure market share.

ITC entered the personal products segment with the launch of 'Fiama de Wills', shampoo and shower gel. Both categories have three to four variants and are available in two pack sizes. The products are priced at the mid to high end of the mass market for their categories. The company also launched 'Superia' soaps and shampoo. This is a more mass market and lower priced variant. These have only been test launched, and we expect they will be rolled out nationally over H2 FY08.

ITC launched Fiama de Wills and Superia in the personal product segment

The consumer business grew revenue 43.3% while losses declined from Rs446m in Q1 to Rs365m in Q2 FY08. The new personal products are higher contribution compared to the staples, processed food, biscuits and potato chips; hence we believe losses in this new business should convert faster than in the earlier lower contribution businesses that ITC has seeded.

Income statement (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Revenues	58,658	64,704	76,395	97,905	123,693	151,907	22.8	172,573	13.6	195,447	13.3
Operating expenses (ex deprn)	(37,069)	(41,089)	(48,438)	(64,607)	(84,101)	(105,454)	25.4	(118,210)	12.1	(133,061)	12.6
EBITDA (UBS)	21,589	23,616	27,957	36,159	42,929	50,290	17.1	59,064	17.4	67,556	14.4
Depreciation	(2,373)	(2,416)	(3,129)	(3,323)	(3,629)	(4,375)	20.5	(5,000)	14.3	(5,000)	0.0
Operating income (EBIT, UBS)	19,216	21,199	24,828	32,836	39,300	45,915	16.8	54,064	17.7	62,556	15.7
Other income & associates	1,696	2,249	2,358	0	0	0	-	0	-	0	-
Net interest	(298)	(248)	(424)	(119)	(33)	(100)	204.9	(100)	0.0	(100)	0.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	20,613	23,200	26,762	32,717	39,267	45,815	16.7	53,964	17.8	62,456	15.7
Tax	(6,848)	(7,262)	(8,360)	(9,888)	(12,267)	(14,203)	15.8	(16,729)	17.8	(19,362)	15.7
Profit after tax	13,765	15,938	18,402	22,828	27,000	31,613	17.1	37,235	17.8	43,095	15.7
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	13,765	15,938	18,402	22,828	27,000	31,613	17.1	37,235	17.8	43,095	15.7
Net Income (UBS)	13,765	15,938	18,402	22,828	27,000	31,613	17.1	37,235	17.8	43,095	15.7
Tax rate (%)	33	31	31	30	31	31	-0.8	31	0.0	31	0.0
Pre-abnormal tax rate (%)	36	35	34	30	31	31	-0.8	31	0.0	31	0.0
Per share (Rs)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
EPS (local GAAP)	3.71	4.29	4.96	6.08	7.18	8.40	17.1	9.90	17.8	11.45	15.7
EPS (UBS)	3.71	4.29	4.96	6.08	7.18	8.40	17.1	9.90	17.8	11.45	15.7
Net DPS	0.99	1.49	2.07	2.31	3.11	3.60	15.9	4.30	19.4	5.00	16.3
Cash EPS	4.35	4.94	5.80	6.96	8.14	9.57	17.5	11.23	17.4	12.78	13.9
BVPS	216.78	258.98	319.00	24.13	27.74	32.61	17.6	38.23	17.2	44.62	16.7
Balance sheet (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Net tangible fixed assets	31,700	36,121	41,369	44,051	56,109	51,573	-8.1	54,573	5.8	57,573	5.5
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	3,249	(1,691)	737	4,033	10,591	16,045	51.5	15,245	-5.0	14,586	-4.3
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	34,949	34,429	42,106	48,084	66,700	67,618	1.4	69,818	3.3	72,159	3.4
Investments	8,288	8,692	9,346	9,346	9,346	9,346	0.0	9,346	0.0	9,346	0.0
Total capital employed	43,237	43,122	51,452	57,429	76,046	76,963	1.2	79,163	2.9	81,505	3.0
Shareholders' equity	53,656	64,101	78,956	90,615	104,371	122,465	17.3	143,554	17.2	167,874	16.9
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	53,656	64,101	78,956	90,615	104,371	122,465	17.3	143,554	17.2	167,874	16.9
Net debt / (cash)	(10,419)	(20,979)	(27,504)	(33,186)	(28,325)	(45,502)	60.6	(64,391)	41.5	(86,370)	34.1
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	43,237	43,122	51,452	57,429	76,046	76,963	1.2	79,163	2.9	81,505	3.0
Cash flow (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Operating income (EBIT, UBS)	19,216	21,199	24,828	32,836	39,300	45,915	16.8	54,064	17.7	62,556	15.7
Depreciation	2,373	2,416	3,129	3,323	3,629	4,375	20.5	5,000	14.3	5,000	0.0
Net change in working capital	3,855	9,370	(10,092)	(3,829)	(6,836)	(1,695)	-75.2	(1,831)	8.0	(1,972)	7.7
Other (operating)	0	0	0	0	0	0	-	0	-	0	-
Operating cash flow	25,444	32,985	17,865	32,331	36,093	48,596	34.6	57,234	17.8	65,584	14.6
Net interest received / (paid)	(298)	(248)	(424)	(119)	(33)	(100)	204.9	(100)	0.0	(100)	0.0
Dividends paid	(3,341)	(3,713)	(5,588)	(8,676)	(11,347)	(11,663)	2.8	(13,518)	15.9	(16,147)	19.4
Tax paid	(6,407)	(8,135)	(7,403)	(9,725)	(13,925)	(14,201)	2.0	(16,727)	17.8	(19,359)	15.7
Capital expenditure	(4,274)	(6,837)	(8,377)	(6,006)	(15,687)	161	-	(8,000)	-	(8,000)	0.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	698	(5,602)	(59)	(1,647)	(2,408)	2,158	-	0	-100.0	0	-
Share issues	(484)	95	5,129	202	(1,581)	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	11,338	8,545	1,142	6,361	(8,887)	24,951	-	18,889	-24.3	21,979	16.4
FX / non cash items	1,402	2,015	5,383	(680)	4,027	(7,774)	-	0	-100.0	0	-
Balance sheet (inc)/dec in net debt	12,740	10,560	6,525	5,681	(4,861)	17,177	-	18,889	10.0	21,979	16.4
Core EBITDA	21,589	23,616	27,957	36,159	42,929	50,290	17.1	59,064	17.4	67,556	14.4
Maintenance capital expenditure	0	0	0	0	0	0	-	0	-	0	-
Maintenance net working capital	3,855	9,370	(10,092)	(3,829)	(6,836)	(1,695)	-75.2	(1,831)	8.0	(1,972)	7.7
Operating free cash flow, pre-tax	25,444	32,985	17,865	32,331	36,093	48,596	34.6	57,234	17.8	65,584	14.6

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

12m price target

Rs200.00

Company profile

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

Valuation (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
P/E (local GAAP)	15.3	21.1	24.8	21.5	18.3	15.8
P/E (UBS)	15.3	21.1	24.8	21.5	18.3	15.8
P/CEPS	13.2	18.4	21.9	18.9	16.1	14.1
Net dividend yield (%)	2.3	1.8	1.7	2.0	2.4	2.8
P/BV	1.2	5.3	6.4	5.5	4.7	4.1
EV/revenue (core)	3.6	4.6	5.2	4.2	3.6	3.0
EV/EBITDA (core)	9.7	12.4	14.8	12.8	10.6	8.8
EV/EBIT (core)	10.8	13.7	16.2	14.0	11.5	9.5
EV/OpFCF (core)	9.5	13.9	17.7	13.2	10.9	9.1
EV/op. invested capital	6.6	10.0	NM	9.6	9.1	8.4

Enterprise value (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Average market cap	480,158	668,131	678,928	678,928	678,928
+ minority interests	0	0	0	0	0
+ average net debt (cash)	(30,345)	(30,755)	(36,914)	(54,946)	(75,380)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	(9,346)
Core enterprise value	449,813	637,376	642,015	623,982	594,203

Growth (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue	17.9	28.2	26.3	22.8	13.6	13.3
EBITDA (UBS)	17.4	29.3	18.7	17.1	17.4	14.4
EBIT (UBS)	17.8	32.3	19.7	16.8	17.7	15.7
EPS (UBS)	17.1	22.7	18.0	17.1	17.8	15.7
Cash EPS	16.5	20.1	16.9	17.5	17.4	13.9
Net DPS	26.9	11.6	34.4	15.9	19.4	16.3
BVPS	-39.5	-92.4	15.0	17.6	17.2	16.7

Margins (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBITDA / revenue	36.9	36.9	34.7	33.1	34.2	34.6
EBIT / revenue	33.1	33.5	31.8	30.2	31.3	32.0
Net profit (UBS) / revenue	23.8	23.3	21.8	20.8	21.6	22.0

Return on capital (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT ROIC (UBS)	60.7	72.8	68.5	68.4	NM	NM
ROIC post tax	-	50.8	47.1	47.2	54.3	60.8
Net ROE	27.6	26.9	27.7	27.9	28.0	27.7

Coverage ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	3.1	2.6	2.3	2.3	2.3	2.3
Div. payout ratio (% , UBS EPS)	33.7	38.0	43.3	42.8	43.4	43.7
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue / op. invested capital	1.8	2.2	2.2	2.3	2.5	2.8
Revenue / fixed assets	2.0	2.3	2.5	2.8	3.3	3.5
Revenue / net working capital	18.4	41.1	16.9	11.4	11.0	13.1

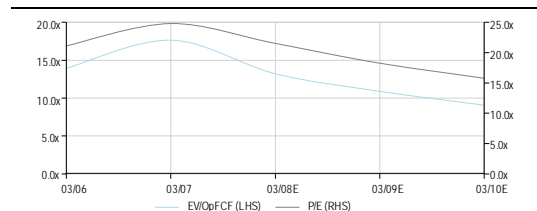
Investment ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
OpFCF / EBIT	1.1	1.0	0.9	1.1	1.1	1.0
Capex / revenue (%)	10.8	6.1	12.7	NM	4.6	4.1
Capex / depreciation	2.8	1.8	4.3	NM	1.6	1.6

Capital structure (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Net debt / total equity	(27.1)	(36.6)	(27.1)	(37.2)	(44.9)	(51.4)
Net debt / (net debt + equity)	(37.1)	(57.8)	(37.2)	(59.1)	(81.3)	NM
Net debt (core) / EV	(5.6)	(6.7)	(4.8)	(5.7)	(8.8)	(12.7)

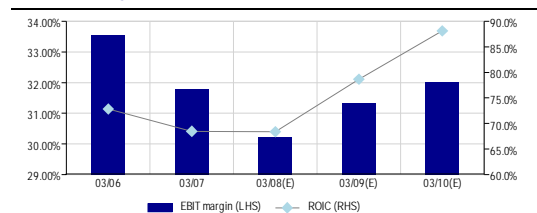
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs180.80 on 26 Oct 2007 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

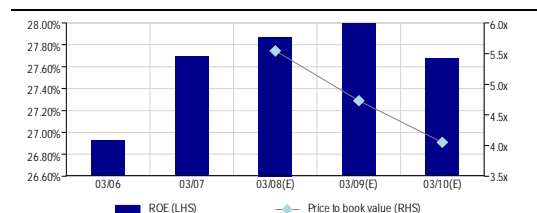
Value (EV/OpFCF & P/E)



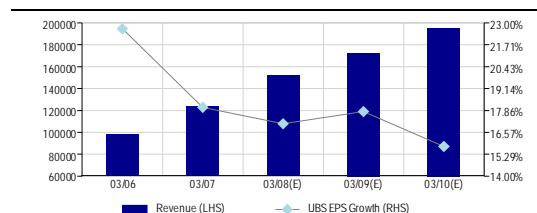
Profitability



ROE v Price to book value



Growth (UBS EPS)



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■ ITC

ITC is the leading cigarette manufacturer in India with a 67% share of the market by volume and 83% by value. ITC has identified tobacco and paperboard, hotels and agri-business as its core businesses for the future.

■ Statement of Risk

We believe higher excise duty is the key risk to ITC's earnings growth and valuations. A steady increase in excise duty could adversely affect the industry's long-term growth trend and result in trading down by smokers.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	40%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	0%	29%
Sell	Sell	0%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

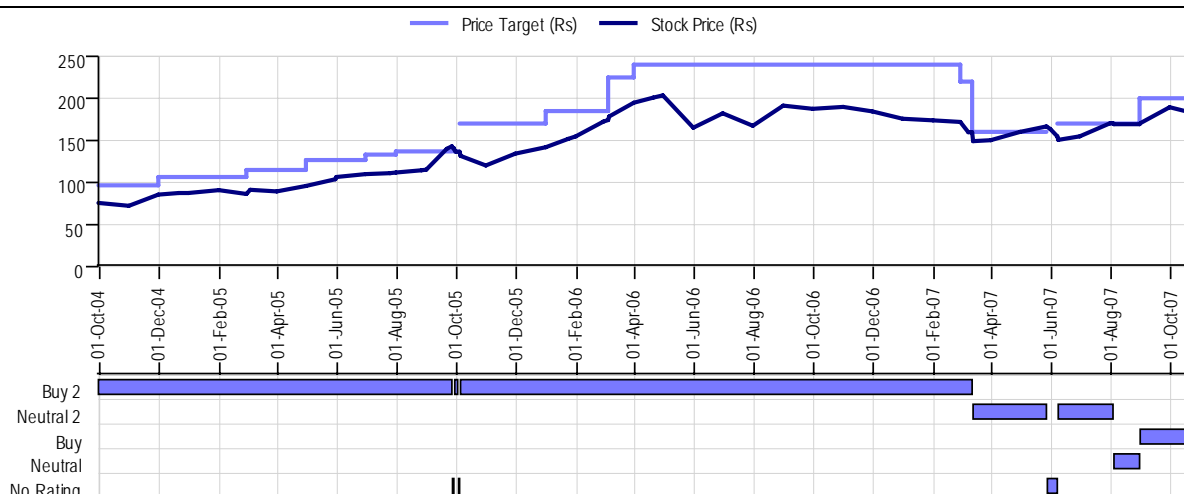
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
ITC	ITC.BO	Buy	N/A	Rs180.80	26 Oct 2007

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

ITC (Rs)



Source: UBS; as of 26 Oct 2007

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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