

Industrials
Airlines
Equity – India

Jet Airways (JETIN IN)

Overweight (V)

Target price (INR)	590.00
Share price (INR)	485.45
Potential return (%)	21.5

Performance	1M	3M	12M
Absolute (%)	-10.5	3.8	68.3
Relative ^A (%)	-5.3	1.8	39.9

Index^A BOMBAY SE IDX

RIC JET.BO
Bloomberg JETIN IN

Market cap (USDm) 895
Market cap (INRm) 41,911

Enterprise value (INRm) 283516
Free float (%) 20

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

21 May 2010

Sachin Gupta *

Analyst
HSBC Securities and Capital Markets
India Pvt Ltd
91 22 2268 1079
sachin1gupta@hsbc.co.in

Siddhartha Bera *

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

OW(V): Strong Q4 supports our bullish outlook

- ▶ **Strong Q4 numbers with profit in every segment**
- ▶ **Improvement in yield, load factor and profitability to continue in FY11. We raise our FY11 EPS to INR39 (from INR12)**
- ▶ **Retain OW(V); raise TP to INR590 from INR580**

Strong Q4: Despite being a seasonally lean quarter, Jet Airways reported net profit of INR482m (vs a loss of INR 1.8bn in Q4FY09 despite jet fuel prices being 50% higher y-o-y) as against our expectation of losses. Profit was reported in all the segments namely, Domestic, International and Jetlite. The consolidated EBITDAR margin was 24% vs our expectation of 17%. The surprise was driven by (1) improved load factor, (2) yield recovery, and (3) low commissions (reversible due to seasonality). The first two factors are sustainable in our view (given the strong demand and tight supply situation) and have improved the earnings outlook. We raise our FY11 EPS to INR39 (from INR12) and are now 104% above consensus. (Please refer page 4 for details).

Outlook is improving: The company is seeing a revival in business class traffic with the load factor improving from 30% to 55% in the last six months. Yields have also started to improve, most strongly on the domestic routes. The supply situation is tight in the domestic market given disciplined capacity addition (in line with our thesis on Jet). Management expect to close the fund raising through the sale of land at Bandra in the next month which could potentially add 5% to FY11e earnings (if the company chooses to use the proceeds from the land to enable the replacement of high cost debt with low cost debt). This potential upside is not built into our numbers.

Retain OW(V): We value the company on the basis of EV/EBITDAR, and benchmark it to regional Asian peers. Our target FY12 EV/EBITDAR multiple of 7.5x (average of Chinese airlines and regional international airlines' multiples) implies a target price of INR590 (previously INR580). On FY11, the stock is trading at 8.1x, which we expect to contract as EBITDAR growth slows to 6% in FY12 compared to 48% in FY11.

Key triggers/risk: Higher-than-expected passenger traffic growth and upside earnings surprises should act as positive triggers, whereas key downside risks include sharper-than-expected increases in jet fuel prices and higher-than-expected capacity addition and any scenario of a double dip recession.

Key financial data

	FY09a	FY10e	FY11e	FY12e
Revenue (INRm)	130,779	118,765	148,006	165,901
EBITDA margin (%)	1.4	18.7	22.2	21.1
HSBC EPS (INR)	-254.72	-74.49	38.55	76.62
EV/EBITDA (x)	149.5	12.8	8.1	7.2

Source: Company, HSBC estimates

Financials & valuation

Financial statements

Year to	03/2009a	03/2010e	03/2011e	03/2012e
Profit & loss summary (INRm)				
Revenue	130,779	118,765	148,006	165,901
EBITDAR	1,842	22,215	32,926	34,988
Depreciation & amortisation	-19,450	-21,282	-21,928	-22,277
Operating profit/EBIT	-17,608	934	10,998	12,710
Net interest	-8,023	-10,474	-9,524	-7,487
PBT	-10,270	-4,097	4,059	8,068
HSBC PBT	-10,270	-4,097	4,059	8,068
Taxation	656	-104	-731	-1,452
Net profit	-9,614	-4,201	3,328	6,615
HSBC net profit	-21,993	-6,431	3,328	6,615

Cash flow summary (INRm)

Year to	03/2009a	03/2010e	03/2011e	03/2012e
Cash flow from operations	-9,536	9,440	24,509	27,481
Capex	-30,842	-7,562	-3,496	-10,303
Dividends	0	-1	0	0
Change in net debt	55,380	8,088	-15,678	-14,399
FCF equity	-38,796	1,878	21,013	17,178

Balance sheet summary (INRm)

Year to	03/2009a	03/2010e	03/2011e	03/2012e
Intangible fixed assets	18,724	18,724	18,724	18,724
Tangible fixed assets	162,948	160,819	154,269	154,177
Current assets	43,943	38,128	76,389	81,676
Cash & others	15,662	10,634	45,386	48,525
Total assets	232,186	224,243	255,953	261,148
Operating liabilities	43,284	39,595	44,941	48,520
Gross debt	249,179	252,239	271,313	260,054
Net debt	233,517	241,605	225,927	211,528
Shareholders funds	21,970	17,770	21,098	27,714
Invested capital	255,489	259,323	246,973	239,190

Ratio, growth and per share analysis

Year to	03/2009a	03/2010e	03/2011e	03/2012e
---------	----------	----------	----------	----------

Y-o-y % change

Revenue	27.6	-9.2	24.6	12.1
EBITDAR	-72.0	1106.2	48.2	6.3
Operating profit			1077.7	15.6
PBT				98.8
HSBC EPS				98.8

Ratios (%)

Revenue/IC (x)	0.6	0.5	0.6	0.7
ROIC	-5.0	2.6	5.4	6.2
ROE	-69.3	-32.4	17.1	27.1
ROA	-0.9	2.9	4.6	4.9
EBITDA margin	1.4	18.7	22.2	21.1
Operating profit margin	-13.5	0.8	7.4	7.7
EBITDAR/net interest (x)	0.2	2.1	3.5	4.7
Net debt/equity	1062.9	1359.6	1070.8	763.3
Net debt/EBITDAR (x)	126.8	10.9	6.9	6.0
CF from operations/net debt		3.9	10.8	13.0

Per share data (INR)

EPS reported (fully diluted)	-111.35	-48.65	38.55	76.62
HSBC EPS (fully diluted)	-254.72	-74.49	38.55	76.62
DPS	0.00	0.00	0.00	0.00
Book value	254.45	205.80	244.35	320.97

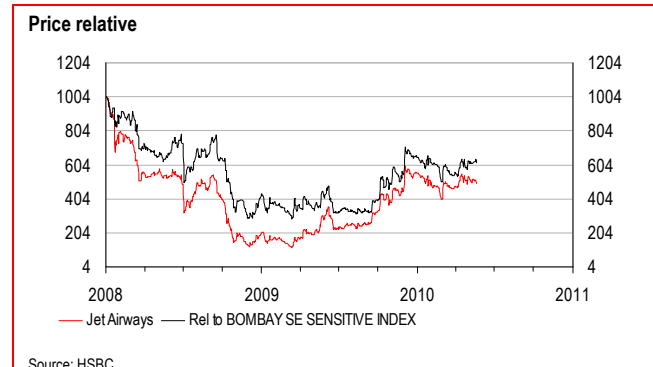
Key forecast drivers

Year to	03/2009a	03/2010e	03/2011e	03/2012e
Capacity growth (ATK) %, y-o-y	36	-11	7	10
Traffic (RTK) %, y-o-y	25	6	15	10
Overall load factor	55.8	66.4	71.7	71.8
Change in overall yield %, y-o	0.4	-19.1	9.5	4.7
Change in unit costs per ATK %	-4.7	-7.4	8.4	1.3
Spot jet fuel price, post hedg	105	77	90	90

Valuation data

Year to	03/2009a	03/2010e	03/2011e	03/2012e
EV/sales	2.1	2.4	1.8	1.5
EV/EBITDA	149.5	12.8	8.1	7.2
EV/IC	1.1	1.1	1.1	1.1
PE*			12.6	6.3
P/Book value	1.9	2.4	2.0	1.5
FCF yield (%)	-92.6	4.5	50.1	41.0
Dividend yield (%)	0.0	0.0	0.0	0.0

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



Note: price at close of 21 May 2010

Strong Q4 supports our investment thesis on Jet

The company reported profits in all three segments. Improving load factor, yield recovery and cost savings resulted in a Q4 profit of INR482m vs our expectation of losses. The EBITDAR margin was maintained at the Q3 level of 24% despite Q4 being a seasonally weak quarter. A noteworthy performance came from Jetlite where the improvement in profitability was strongest. The performance at Jetlite is likely to get stronger given that the company will replace its old fleet with new aircraft and all three grounded aircraft will be redeployed.

Q4 results summary

Consolidated	Q4FY10	Q4FY09	Q3FY10	% y-o-y	% q-o-q
Operating Revenue (INR m)	31,834	27,744	33,020	15%	-4%
EBITDAR	7,489	5,048	7,924	48%	-5%
EBITDAR Margin (%)	24%	18%	24%	533 bps	-47 bps
Net Profit (Recurring)	482	-1824	715	-126%	-33%
Net Profit (Reported)	2,262	-763	1,097		106%
Domestic Operations					
Operating Revenue (INR m)	11,624	10,815	12,771	7%	-9%
EBITDAR	2,672	1,814	3,108	47%	-14%
EBITDAR Margin (%)	23%	17%	24%	621 bps	-135 bps
ASKM	2600	2330	2729	12%	-5%
RPKM	1895	1504	2058	26%	-8%
Load Factor (%)	73%	65%	75%	834 bps	-253 bps
Passengers carried (m)	2.22	1.75	2.40	26%	-8%
Revenue per passenger ex fuel surcharge (Rs)	2603	5305	2504	-51%	4%
Fuel surcharge per passenger	2233	1615	2402	38%	-7%
Yield (per RPK)	6.13	7.19	6.21	-15%	-1%
International Operations					
Operating Revenue (INR m)	16155	13841	16085	17%	0%
EBITDAR	3,679	3,327	4,028	11%	-9%
EBITDAR Margin (%)	23%	24%	25%	-126 bps	-227 bps
ASKM	5160	4639	5151	11%	0%
RPKM	4208	3492	4248	21%	-1%
Load Factor (%)	82%	75%	82%	628 bps	-92 bps
Passengers carried (m)	1.03	0.78	1.02	31%	1%
Yield (per RPK) (incl fuel surcharge)	3.84	3.96	3.79	-3%	1%
Jet Lite Operations					
Operating Revenue (INR m)	4055	3,087	4,164	31%	-3%
EBITDAR	1,040	165	787	530%	32%
EBITDAR Margin (%)	26%	5%	19%	2030 bps	675 bps
ASKM	1223	1271	1294	-4%	-5%
RPKM	928	879	1020	6%	-9%
Load Factor (%)	76%	69%	79%	672 bps	-295 bps
Passengers carried (m)	0.89	0.80	0.98	11%	-9%
Yield (per RPK) (incl fuel surcharge)	4.37	3.51	4.08	24%	7%

Source: Company, HSBC

Raising estimates on improved business outlook

We are raising our FY11/12 revenue by 4/1% to INR148/166bn to factor in higher lease income (in line with management guidance of USD1.4mn per month per flight) and higher cargo revenue. Improvement in the EBITDAR margin is driven by positive operating leverage and fuel cost savings (we are assuming the fuel cost per ATK will be sustained at the Q4 level in FY11). Accordingly our FY11 EPS increases from INR12 to INR39.

Raising estimates

	FY11			FY12		
	Old	New	Diff	Old	New	Diff
ASKM	36,426	36,672	1%	39,977	40,265	1%
RPKM	30,022	29,938	0%	32,165	32,326	0%
Yield	4.2	4.2	0%	4.5	4.5	-1%
Revenue (INRm)	142,286	148,006	4%	164,900	165,901	1%
Passenger Load Factor (%)	82%	82%	0%	80%	80%	0%
EBITDAR (INRm)	29,288	32,926	12%	34,153	34,988	2%
EBITDAR Margins (%)	21%	22%	1%	21%	21%	0%
EPS (INR)	12	39	223%	77	77	0%
Fuel Price	90	90	0%	90	90	0%

Source: Company data, HSBC estimates, Note: RPK is revenue passenger kilometre while ASKM is available seat kilometre

Fund raising is on track

The company guided that it may announce a land development deal in the next month. In an earlier forum, the company had indicated that a land development deal could raise INR5.25bn which the company may use to enable the replacement of high cost debt with low cost debt. Our sensitivity suggests that a 4ppt saving on the interest rate for the said amount would be 5% earnings accretive in FY11. We have not built this into our numbers.

Investment case

Jet Airways is the largest airline company in India. We expect it to be a key beneficiary of the revival in passenger traffic. Industry discipline has lowered the risk of price wars, while cost-cutting measures are leading to margin improvement. Higher-than-expected passenger traffic growth and upside earnings surprises should act as positive triggers.

Retain OW(V); raise TP to INR590 (from 580)

We value Jet Airways on EV/EBITDAR and benchmark it to regional peers, given the company's limited trading history. We compare earnings growth prospects, profitability, and solvency risk of aviation companies across the region. Jet Airways has a strong domestic market, similar to Chinese companies, but we believe its growth potential is lower than these companies, while compared to international players such as Cathay Pacific or Singapore Airlines, Jet Airways has higher growth potential and larger domestic exposure. Hence, we believe Jet stock should trade at multiples higher than the international players but lower than those of Chinese players. A mid-range multiple of 7.5x FY12e generates our 12-month target price of INR590 (we previously used a multiple of 8.2; the current lower multiple reflects the recent multiple compression experienced by regional airlines). Under our research model, for stocks with a volatility indicator, the Neutral band is 10 percentage points above and below our hurdle rate for Indian stocks of 10.5%, or 0.5-20.5% above the share price. As the potential return of 21.5% to our new target price is above the Neutral band we rate the stock Overweight (V).

Valuation comparison with Asian peer airlines

	Reuter code	EV/EBITDAR		EBITDAR Growth CY09-11e	ROIC CY11e	ROE CY11e
		CY10e	CY11e			
Air China (OW(V), HKD6.85)	0753.HK	9.0	8.9	53%	6%	12%
China Eastern Airlines Co (UW(V), HKD3.16)	0670.HK	9.3	8.1	236%	5%	10%
China Southern Airlines Co (N(V), HKD3.13)	1055.HK	17.5	14.3	36%	4%	3%
Cathay Pacific (OW, HKD15.02)	0293.HK	7.1	5.9	15%	12%	14%
Singapore Airlines (OW, SGD14.40)	SIAL.SI	4.2	3.6	28%	12%	10%
Thai Airways International (OW(V), THB24.80)	THAI.BK	6.2	4.2	20%	6%	12%
Jet Airways	JET.BO	8.1	7.2	32%	5%	25%
Domestic Market plays		11.9	10.4	109%	5%	8%
International Market plays		5.8	4.6	21%	10%	12%

Source: Company data, HSBC estimates, Bloomberg; Note: Data pertains to 20 May 2010. For Jet Airways, CY10 is FY11 and CY11 is FY12

Key Risks

Key downside risks, in our view, include a sharper-than-expected rise in the jet fuel price; a loss of price discipline, although slow capacity additions reduce the likelihood of such a possibility; a scenario of a double-dip recession

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or 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: Sachin Gupta

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. 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

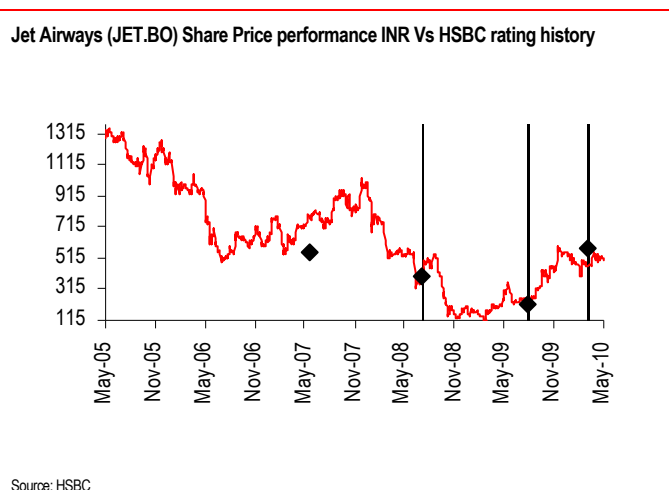
365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 21 May 2010, the distribution of all ratings published is as follows:

Overweight (Buy)	49%	(14% of these provided with Investment Banking Services)
Neutral (Hold)	37%	(13% of these provided with Investment Banking Services)
Underweight (Sell)	14%	(11% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities



Recommendation & price target history

From	To	Date
Underweight (V)	Neutral (V)	25 July 2008
Neutral (V)	Underweight (V)	19 August 2009
Underweight (V)	Overweight (V)	22 March 2010
Target Price	Value	Date
Price 1	550.00	08 June 2007
Price 2	400.00	25 July 2008
Price 3	218.00	19 August 2009
Price 4	580.00	22 March 2010

Source: HSBC

HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
JET AIRWAYS	JET.NS	496.30	21-May-2010	7

Source: HSBC

- 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 April 2010 HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 31 March 2010, 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 31 March 2010, 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 31 March 2010, 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, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research.

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

Additional disclosures

- 1 This report is dated as at 21 May 2010.
- 2 All market data included in this report are dated as at close 21 May 2010, 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. Information Barrier 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 31 January 2010*

'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; The Hongkong and Shanghai Banking Corporation Limited, Seoul 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 Múltiple, 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

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. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea.

© Copyright. HSBC Securities and Capital Markets (India) Private Limited 2010, 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) 177/08/2009