

Ambuja Cements Limited

Operating earnings disappoint; At \$180/MT; 10.8x EV/EBITDA, trading near all-time high valuations

ACEM reported 4QCY11 EBITDA at Rs4.6bn (+44% q/q and +30% y/y), well below JPMe at Rs5.8bn and consensus at Rs5bn driven by higher than expected operating costs. Given that Q4 is the year end, reported numbers were noisy with reported PAT at Rs3.02bn below JPM estimates. **ACEM's stock has moved up 18% since mid-Jan and current valuations are near all-time highs. We do not expect the current cement pricing strength to last through the year. We expect some of the recent demand strength seen in Central/Northern India to reverse.**

- **Cost pressures continue to weigh on earnings:** While volumes (+18% q/q; +10% y/y) and realizations (+8.8% q/q) were inline with our expectations, operating cost/MT increased 6% q/q as against our estimate of -1% q/q. The decline in power cost/MT (-19% q/q; -4% y/y) was driven by lower imported coal costs and shift from DG to grid power. We are surprised by the very sharp increase in raw material cost/MT (+85% y/y). We do find this surprising given that there were no material clinker purchases in the current quarter. We have not got clarification from management on this. Sharply higher raw material costs limited the EBITDA/MT expansion, with EBITDA/MT at Rs828/MT, 24% lower than our estimates and 14% lower than UTCEM's EBITDA/MT in the Dec quarter. The company expects prices to remain volatile in the short term and indicated that cost pressures from RM, power and logistics may continue to impact on margins.
- **Other highlights.** Interest expenses declined 28% q/q, while OI increased 14% q/q. Depreciation also increased 15% q/q with the full impact of capitalization of Bhatapara and Maratha. ACEM also announced a final dividend of Rs3.2 for CY11, implying payout at 40% (up from 32% in CY10).
- **We think valuation remains expensive:** At current valuations of EV/MT \$180/MT and EV/EBITDA 10.8x CY12E, we believe the risk reward is not favorable. We remain UW on ACEM with Mar-13E PT of Rs135. Key risks are: a) sharp recovery in cement demand leading to better than expected volumes and prices increases; b) reduction in coal costs could lead to better margins.

Ambuja Cements Limited (Reuters: ABUJ.BO, Bloomberg: ACEM IN)

Rs in mn, year-end Dec	FY10A	FY11A	FY12E	FY13E
Net Sales (Rs mn)	73,902	85,312	93,236	102,709
Net Profit (Rs mn)	12,370.8	12,517.4	14,186.7	16,181.5
EPS (Rs)	8.09	8.18	9.28	10.58
Net profit growth (%)	1.5%	1.2%	13.3%	14.1%
ROE	17.9%	16.3%	16.7%	17.1%
P/E (x)	22.0	21.8	19.2	16.8
P/BV (x)	3.7	3.4	3.1	2.7
EV/EBITDA (x)	14.0	13.2	10.8	9.5

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

ABUJ.BO, ACEM IN

Price: Rs177.00

▲ **Price Target: Rs135.00**
Previous: Rs130.00

India

Cement

Pinakin Parekh, CFA ^{AC}

(91-22) 6157-3588

pinakin.m.parekh@jpmorgan.com

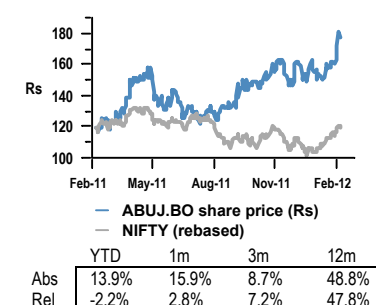
Neha Manpuria

(91-22) 6157-3589

neha.x.manpuria@jpmorgan.com

J.P. Morgan India Private Limited

Price Performance



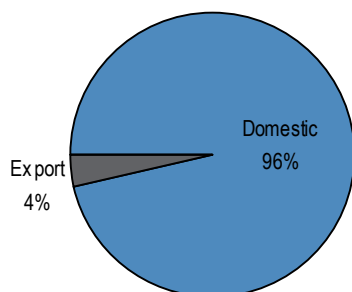
See page 7 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Company description

Ambuja Cements Limited was earlier known as Gujarat Ambuja Cements Limited (GACL). The group's principal activity is to manufacture and market cement and clinker for both domestic and export markets.

Figure 1: Ambuja—CY10 Customer break-up



Source: Company reports.

Table 2: EPS est—J.P. Morgan vs. consensus

(Rs)	J.P. Morgan	Consensus
2012E	9.3	9.3
2013E	10.6	10.8

Source: Bloomberg, J.P. Morgan estimates.

Table 1: Ambuja—P&L sensitivity metrics

CY12E	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption		
Impact of each 1%	+/-2%	+/-2%
Average realization growth assumption		
Impact of each 1%	+/-4%	+/-4%
Raw material cost assumption		
Impact of each 5%	+/-2%	+/-3%
Power & energy cost assumption		
Impact of each 5%	+/-3%	+/-4%

Source: J.P. Morgan estimates.

Price target and valuation analysis

We remain UW with a Mar-13PT of Rs135 (Rs130 previously) based on \$130 CY12E EV/MT. Key upside risks are: a) sharp recovery in cement demand leading to better than expected volumes and prices increases; b) a reduction in coal costs could lead to better margins and higher earnings.

Table 3: Ambuja Quarterly Earnings Summary

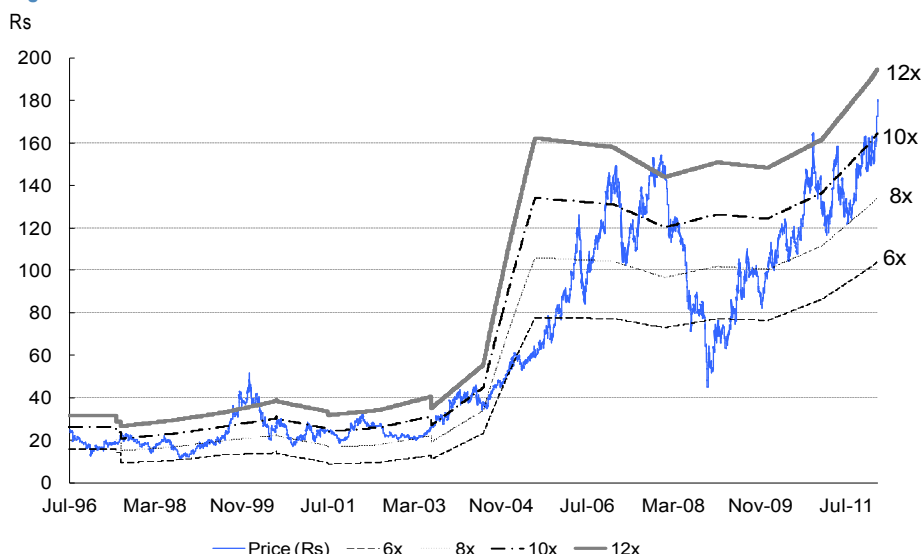
	3QCY10	4QCY10	1QCY11	2QCY11	3QCY11	4QCY11	% q/q	% y/y
Net sales	15,830	18,274	22,225	21,891	18,337	23,577	29%	29%
(Inc) Dec in stock	(592)	177	(163)	(1,204)	105	1,832		
Raw Materials	1,201	1,476	1,446	1,466	1,337	1,525	14%	3%
Staff Costs	989	775	946	1,099	1,032	1,166	13%	50%
Power and fuel	4,426	4,461	4,816	5,633	4,950	4,714	-5%	6%
Freight	3,425	4,079	5,086	4,980	4,161	5,074	22%	24%
Other Expenditure	3,359	3,776	3,823	3,932	3,558	4,681	32%	24%
Total Expenditure	12,809	14,744	15,955	15,906	15,143	18,992	25%	29%
EBITDA	3,022	3,529	6,270	5,984	3,194	4,585	44%	30%
Interest	89	209	138	152	138	99	-28%	-53%
Depreciation	1,018	1,086	1,061	1,074	1,079	1,238	15%	14%
Other Income	305	378	521	562	571	651	14%	72%
Profit before tax	2,220	2,613	5,592	5,320	2,548	3,900	53%	49%
Provn. for tax	699	102	1,517	1,845	834	544	-35%	432%
Recurring Profit	1,521	2,510	4,075	3,475	1,715	3,356	96%	34%
Exceptional	-	65	-	-	-	(332)		
Reported Profit	1,521	2,575	4,075	3,475	1,715	3,023	76%	17%
EBITDA margin	19.1%	19.3%	28.2%	27.3%	17.4%	19.4%		
Net margin	9.6%	14.1%	18.3%	15.9%	9.4%	14.2%		
Effective Tax Rate	31.5%	3.9%	27.1%	34.7%	32.7%	14.0%		
Cement Sales MT	4.4	5.0	5.6	5.3	4.7	5.54	18%	10%
Realization per tonne	3,639	3,626	3,941	4,138	3,910	4,256	9%	17%
Operating cost/MT	2,945	2,925	2,829	3,007	3,229	3,428	6%	17%
EBITDA/MT	695	700	1,112	1,131	681	828	22%	18%

Source: Company reports.

Valuations and Key risks

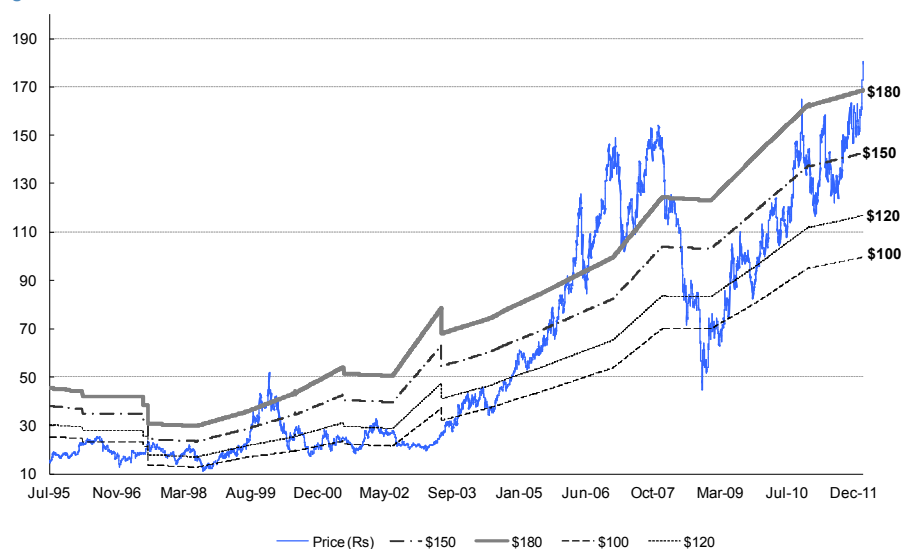
We increase our CY12 estimates by 7% and introduce CY13 estimates. We remain UW with a Mar-13PT of Rs135 based on \$130 CY12E EV/MT. Key risks are: a) sharp recovery in cement demand leading to better than expected volumes and prices increases; b) reduction in coal costs could lead to better margins.

Figure 2: ACEM EV/EBITDA band chart



Source: Company reports and J.P. Morgan estimates.

Figure 3: ACEM EV/MT band



Source: Company reports and J.P. Morgan estimates.

Table 4: Cement Valuation Summary

Company	Curr Price	Rating	Year	EPS (Rs)	EPS Growth (% yoy)	PE (x)	EV/ EBITDA (x)	EV/ Tonne (US\$)
Grasim Consol	2,826	OW	FY12E	268	9	10.5	7.1	128
			FY13E	286	7	9.9	6.5	118
			FY14E	308	8	9.2	6.0	112
ACC	1,389	UW	CY11E	70	18	19.7	14.0	169
			CY12E	72	2	19.4	11.2	171
			CY13E	81	13	17.2	10.0	168
Ambuja	178	UW	CY11E	8	1	21.8	12.8	191
			CY12E	9	13	19.2	10.5	180
			CY13E	11	14	16.8	9.2	168
Ultratech	1,401	N	FY12E	78	53	17.9	9.5	153
			FY13E	85	8	16.6	8.6	146
			FY14E	90	6	15.6	8.2	146

Source: Bloomberg and J.P. Morgan estimates.

JPM Q-Profile

Ambuja Cements Ltd. (INDIA / Materials)

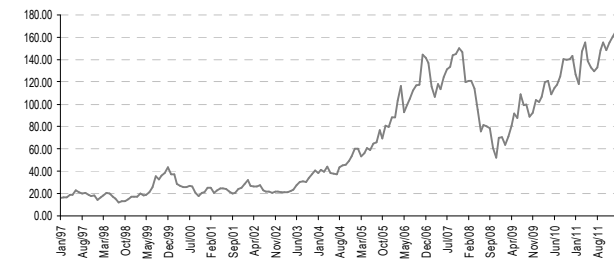
As Of: 03-Feb-2012

Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

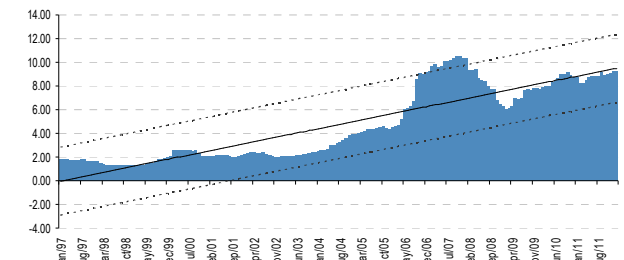
Local Share Price

Current: 164.25



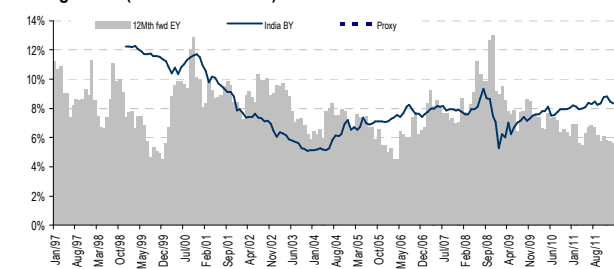
12 Mth Forward EPS

Current: 9.25



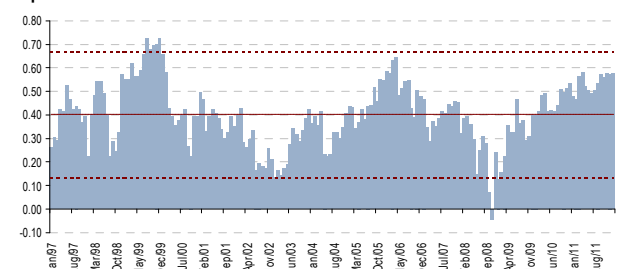
Earnings Yield (& local bond Yield)

Current: 6%



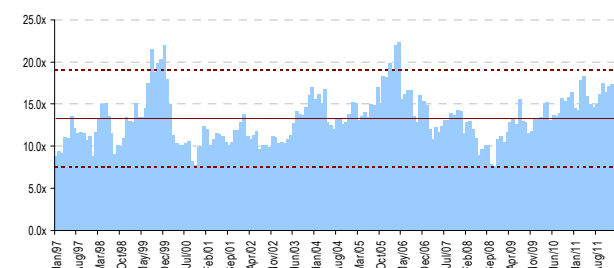
Implied Value Of Growth*

Current: 57.77%



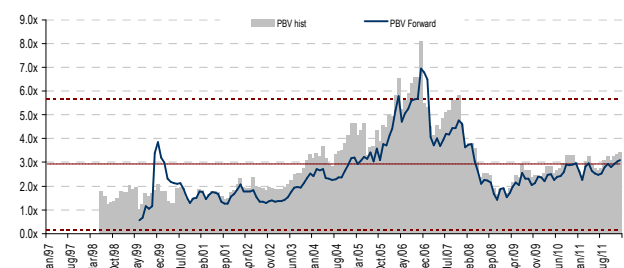
PE (1Yr Forward)

Current: 17.8x



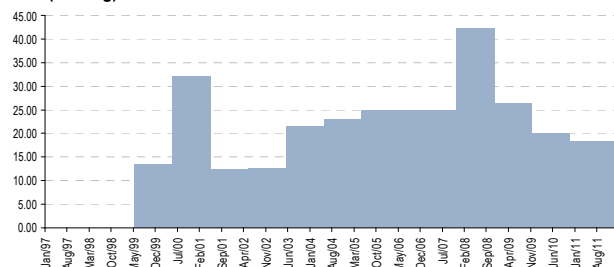
Price/Book Value

Current: 3.4x



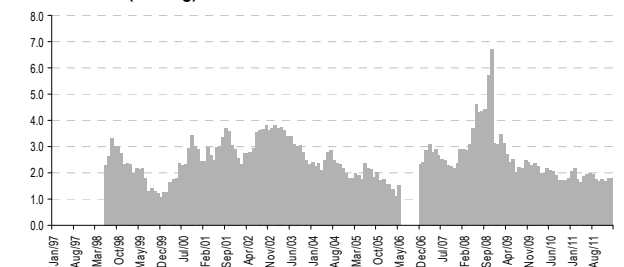
ROE (Trailing)

Current: 18.31



Dividend Yield (Trailing)

Current: 1.80



Summary

Ambuja Cements Ltd.		SEDOL		B09QQ11		As Of:		3-Feb-12	
INDIA						Local Price:		164.25	
Materials						EPS:		9.25	
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max
12mth Forward PE	17.76x	7.69	22.43	13.02	13.33	19.17	7.50	-57%	26%
P/BV (Trailing)	3.43x	1.02	8.12	2.54	2.93	5.67	0.19	-70%	137%
Dividend Yield (Trailing)	1.80	0.00	6.70	2.36	2.43	4.31	0.55	-100%	273%
ROE (Trailing)	18.31	12.27	42.14	22.96	22.65	38.77	6.53	-33%	130%
Implied Value of Growth	57.8%	-0.04	0.72	0.40	0.40	0.67	0.13	-108%	25%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

* Implied Value Of Growth = $(1 - \text{EY}/\text{Cost of equity})$ where cost of equity = Bond Yield + 5.0% (ERP)

Ambuja Cements Limited: Summary of Financials

Income Statement					Cash flow statement				
Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E	Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Revenues	73,902	85,312	93,236	102,709	Net Income (Pre exceptionals)	12,370.8	12,517.4	14,186.7	16,181.5
% change Y/Y	4.4%	15.4%	9.3%	10.2%	Depr. & amortization	3,872	4,462	4,800	5,040
EBITDA	18,236	19,064	22,617	24,881	Change in working capital	19,911	16,376	17,539	19,801
% change Y/Y	-2.3%	4.5%	18.6%	10.0%	Cash flow from operations	19,911	16,376	17,539	19,801
EBITDA Margin	24.7%	22.4%	24.3%	24.2%	Net Capex	-7,912	-7,330	-1,575	-7,000
EBIT	14,364	14,603	17,817	19,841	Free cash flow	11,999	9,045	15,965	12,801
% change Y/Y	NM	1.7%	22.0%	11.4%	Equity raised/(repaid)	-	-	-	-
EBIT Margin	19.4%	17.1%	19.1%	19.3%	Debt raised/(repaid)	9,682	3,227	9,199	7,148
Net Interest	1,989	2,652	2,450	2,950	Other	-	-	-	-
Earnings before tax	16,353	17,255	20,267	22,791	Dividends paid	4,625	5,482	5,653	5,653
% change Y/Y	-9.3%	5.5%	17.5%	12.5%	Beginning cash	8,807	17,482	20,754	30,257
Tax	-3,983	-4,738	-6,080	-6,609	Ending cash	17,482	20,754	30,257	37,405
as % of EBT	24.3%	27.5%	30.0%	29.0%	DPS	2.60	3.20	3.30	3.30
Net Income (Pre exceptionals)	12,370.8	12,517.4	14,186.7	16,181.5					
Minority interest	-	-	-	-					
PAT (Post minority interest)	-	-	-	-					
EPS-consolidated	8.09	8.18	9.28	10.58					
% change Y/Y	1.2%	1.2%	13.3%	14.1%					
Balance sheet					Ratio Analysis				
Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E	Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Inventories	9,019	9,278	11,655	12,839	EBITDA margin	24.7%	22.4%	24.3%	24.2%
Debtors	1,282	2,478	2,331	2,568	Operating margin	19.4%	17.1%	19.1%	19.3%
Cash and cash equivalents	17,482	20,754	30,257	37,405	Net margin	16.7%	14.7%	15.2%	15.8%
Loans and advances	3,406	5,636	5,000	5,000	Sales growth	4.4%	15.4%	9.3%	10.2%
Total CA	31,188	38,144	49,242	57,811	EPS growth	1.2%	1.2%	13.3%	14.1%
LT investments	6,260	8,060	8,000	8,000	Interest coverage (x)	-	-	-	-
Net fixed assets	65,585	68,453	65,228	67,188	Net debt to total capital	-24.0%	-25.8%	-34.1%	-38.2%
Goodwill	-	-	-	-	Net debt to equity	-23.0%	-24.9%	-32.8%	-36.5%
Total Assets	103,032	114,658	122,470	132,998	Sales/assets	0.77	0.78	0.79	0.80
Liabilities					Assets/equity	1.33	1.42	1.37	1.33
Provisions	70,241	77,578	86,112	96,640	ROE	17.9%	16.3%	16.7%	17.1%
Other current liabilities	10,966	11,069	12,000	12,000	ROCE	20.5%	18.8%	20.8%	20.8%
Total current liabilities	23,942	27,100	27,000	27,000					
Total debt	650	696	1,000	1,000					
Other liabilities	5,309	6,438	5,300	5,300					
Total Liabilities	29,901	34,234	33,300	33,300					
Shareholders' equity	73,301	80,647	89,145	99,674					

Source: Company reports and J.P. Morgan estimates.

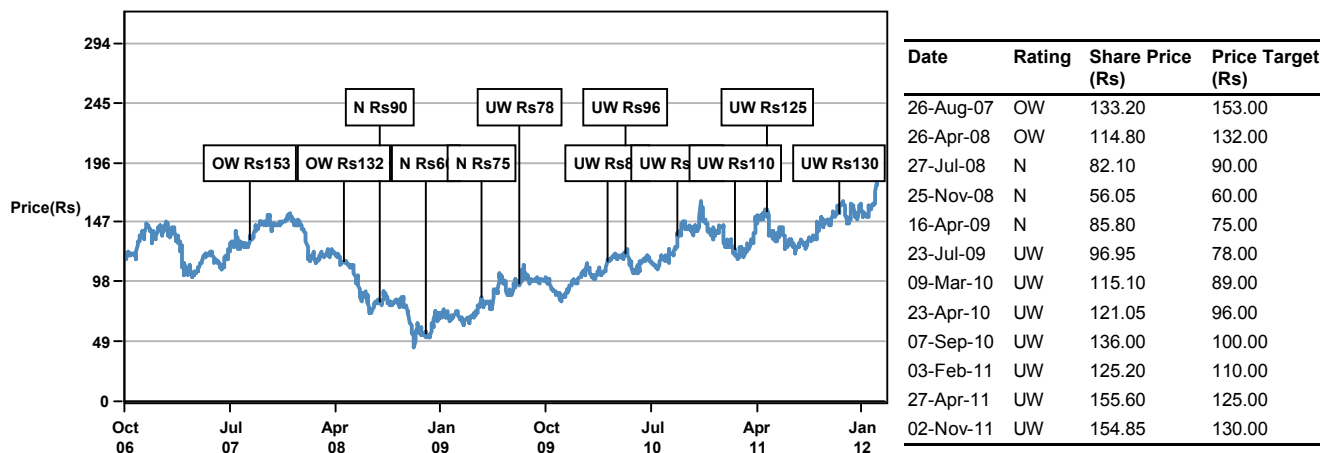
Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Ambuja Cements Limited.

Company-Specific Disclosures: Important disclosures, including price charts, are available for compendium reports and all J.P. Morgan-covered companies by visiting <https://mm.jpmorgan.com/disclosures/company>, calling 1-800-477-0406, or emailing research.disclosure.inquiries@jpmorgan.com with your request.

Ambuja Cements Limited (ABUJ.BO, ACEM IN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 26, 2007.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] In our Asia (ex-Australia) and UK small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.morganmarkets.com.

Coverage Universe: Parekh, Pinakin: ACC Limited (ACC.BO), Ambuja Cements Limited (ABUJ.BO), Coal India (COAL.BO), Grasim Industries Ltd (GRAS.BO), Hindalco Industries (HALC.BO), JSW Steel (JSTL.BO), National Aluminium Co Ltd (NALU.BO), Steel Authority of India Ltd (SAIL.BO), Sterlite Industries (STRL.BO), Tata Steel Ltd (TISC.BO), UltraTech Cement Ltd (ULTC.BO)

J.P. Morgan Equity Research Ratings Distribution, as of January 6, 2012

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	47%	42%	12%
IB clients*	52%	45%	36%
JPMS Equity Research Coverage	45%	47%	8%
IB clients*	72%	62%	58%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.morganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorized and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissão de Valores Mobiliários (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [MICA (P) 032/01/2012 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of

publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Securities Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised January 6, 2012.

Copyright 2012 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.