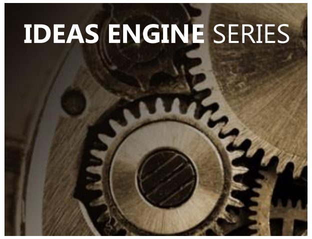
India Financial Sector

SECTOR REVIEW



The Ideas Engine series showcases Credit Suisse's most unique insights and investment ideas.

Please contact your Sales person to access the supplemental analysis behind this report.

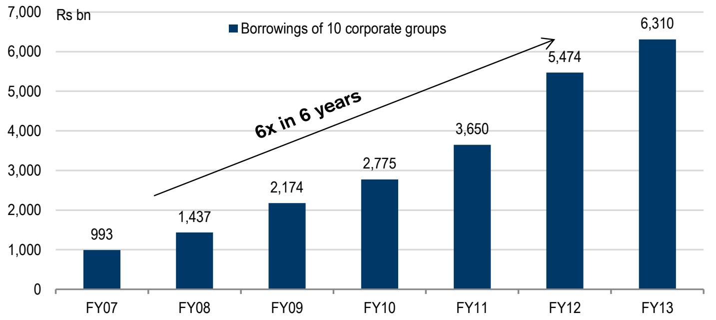
House of debt—revisited

Debt levels up 15% over FY12: We revisit the ten corporate groups featured in our 2012 House of Debt report (link), and find their debt levels are up another 15% even as profitability continues to be under pressure. For most of them the debt increase has outpaced capex and asset sales are yet to take off. The rising stress is visible with some loans of Lanco, JPA, and Reliance ADA already being restructured.

Debt servicing ratios under pressure: Debt coverage ratios have further deteriorated with P&L interest cover at groups such as Essar, GMR, GVK and Lanco already under 1. Interest cover at Adani and Jaypee have also fallen to <1.5. Debt servicing strain is likely to intensify further as: (1) capitalised interest is a further 30-250% higher and (2) 40-70% of loans are forex. Increase in liabilities on account of the currency was larger than the FY13 PAT and with the currency down another 12% YTD, stress will now be even higher.

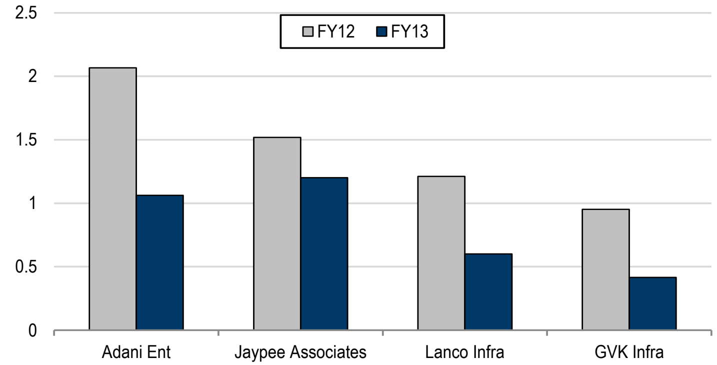
FY14: The year of reckoning? With over 13,000 MW of power capacity from these groups scheduled to be commissioned, the current year will be critical. Companies such as Reliance Power, GVK Power, Adani Power and GMR Infra would see their operating capacities almost double if the projects were to come on stream as expected. However, project delays could result in more debt being restructured. The cash flow strain is also likely to intensify as debt repayments are 30-150% higher YoY in FY14 and repayments due are 2-18x their FY13 profits. Therefore, we continue to remain UNDERWEIGHT on Indian banks despite their recent stock price fall and cautious on corporate lenders such as SBI, ICICI, Yes Bank, Union Bank, PNB and Bank of India.

Debt up 15% YoY even as profitability pressures continue in FY13



Source: Company data, Credit Suisse research

P&L interest cover has dropped YoY



Source: Company data, Credit Suisse research

RESEARCH ANALYSTS

Ashish Gupta
91 22 6777 3895
ashish.gupta@credit-suisse.com

Kush Shah
91 22 6777 3862
kush.shah@credit-suisse.com

Prashant Kumar
91 22 6607 3942
prashant.kumar.3@credit-suisse.com

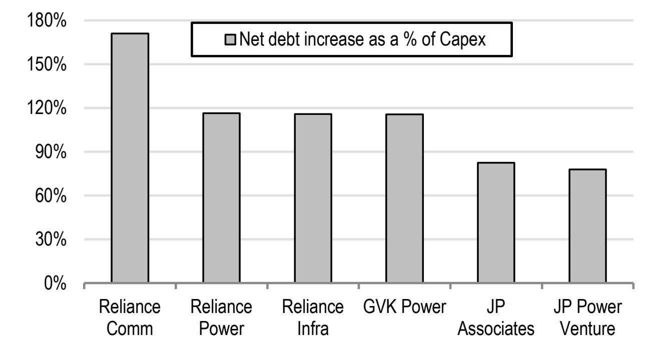
Leverage continues to rise

Figure 1: **Debt at following ten groups up 15% YoY, interest cover drops further**

Rs mn, unless stated otherwise	Gross debt		EBITDA	EBIT	PAT	Interest coverage (x)		Debt/EBITDA (x)		Debt/equity (x)	
	FY12	FY13	FY13	FY13		FY12	FY13	FY12	FY13	FY12	FY13
Adani Group	692,011	811,220	60,085	37,106	16,130	2.1	1.1	12.5	10.3	3.2	2.9
Essar Group	852,244	984,128	117,523	79,129	(34,676)	0.6	0.9	11.7	7.3	2.0	2.4
GMR Group	360,289	408,249	24,772	14,374	881	0.4	0.7	18.8	14.3	4.1	4.9
GVK Group	209,574	252,640	6,451	2,939	(3,360)	1.0	0.4	18.0	25.1	3.5	5.1
Jaypee Group	535,878	636,541	69,222	54,862	4,618	1.5	1.2	8.8	8.7	4.4	4.8
JSW Group*	374,636	415,750	26,958	18,511	(1,676)	1.7	2.0	3.9	14.7	1.4	1.5
Lanco Group	313,934	390,340	25,820	14,562	(10,733)	1.2	0.6	16.3	13.4	6.4	9.4
Reliance ADA Group	914,967	1,135,439	138,495	91,123	47,423	1.3	1.3	6.3	6.9	0.8	1.1
Vedanta Group	947,244	996,108	421,116	262,592	220,512	4.0	3.6	1.8	0.8	0.7	0.5
Videocon Group#	272,834	272,834	-	-	-	0.2	N/A	20.0	N/A	3.6	N/A
	5,473,611	**6,310,247**	**890,440**	**575,198**	**239,119**	**1.6**	**1.4**	**6.3**	**5.6**	**1.6**	**1.8**

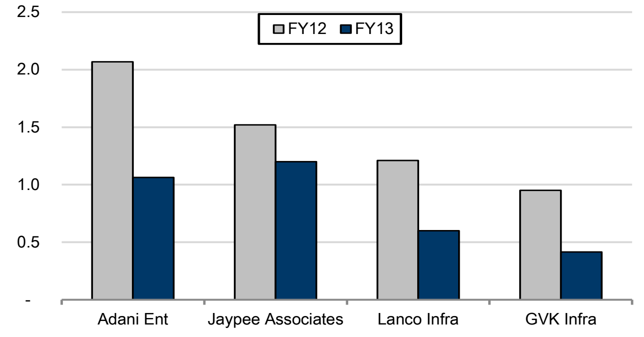
** Data for Jun-13 # Data not available for FY13, debt levels assumed to be constant. Source: Company data, Credit Suisse research,*

Figure 2: **Debt increase in FY13 has outpaced capex**



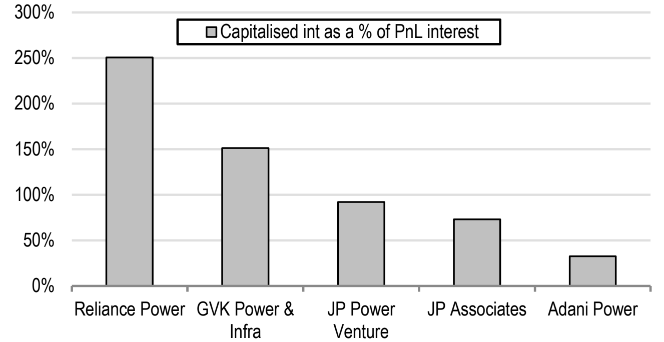
Source: Company data, Credit Suisse research

Figure 3: **P&L interest cover (x) has dropped YoY**



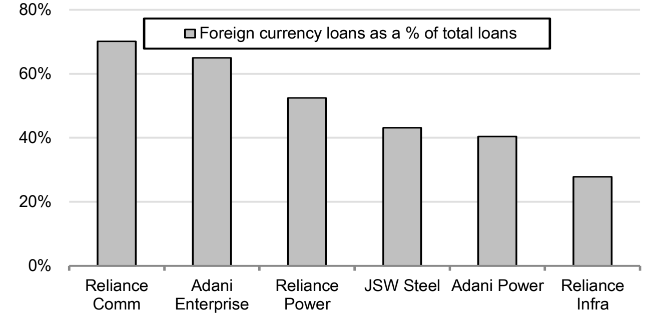
Source: Company data, Credit Suisse research

Figure 4: **Capitalised interest is another 30-250% of P&L int.**



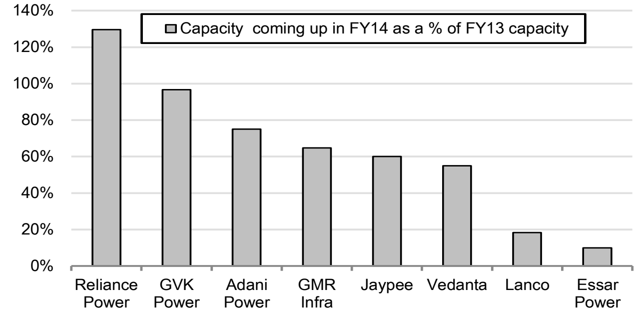
Source: Company data, Credit Suisse research

Figure 5: **High %of forex loans in FY13 adding to debt burden**



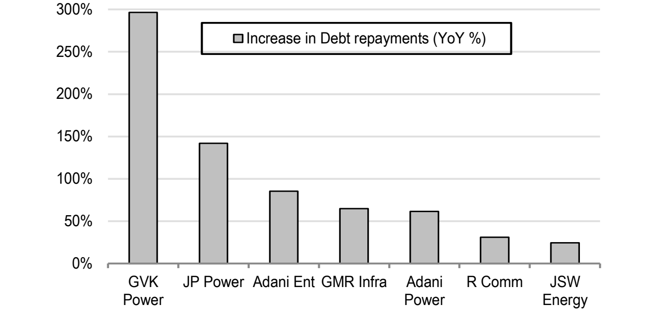
Source: Company data, Credit Suisse research

Figure 6: **Large share of capacity adds in FY14**



Source: Company data, Credit Suisse research

Figure 7: **Significant debt repayments coming up in FY14**



Source: Company data, Credit Suisse research

House of debt

Debt levels up another 15% YoY

A year after our 2012 House of Debt report, we revisit the ten corporate groups featured in our earlier report. Over the past year, debt levels at these groups have risen by 15% YoY even as profitability continues to be under pressure. The largest increases have been at groups such as GVK, Lanco and ADA where the gross debt levels are up 24% YoY. For most of these corporate groups, the debt increase even outpaced capex. Asset sales—key for de-leveraging for most of these—have still not taken-off; only GMR and Videocon have had some success on that front. However, despite asset sales, GMR's debt is up 15% YoY. The increasing stress is visible with some loans of Lanco, JPA and Reliance ADA having already come up for restructuring.

Debt servicing ratios under pressure

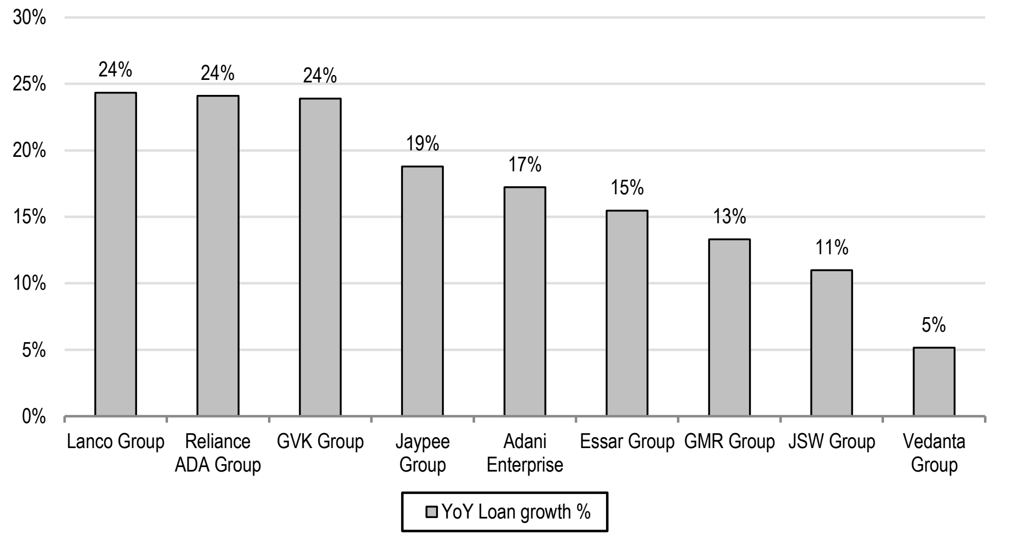
Debt servicing ratios for most of the firms have deteriorated YoY. Interest cover ratios at groups such as Essar, GMR, GVK and Lanco are already under 1. Interest cover ratios at Adani and Jaypee have also fallen to <1.5. We believe debt servicing strain is likely to intensify further given that currently capitalised interest for most of these companies is 30-250% higher. Moreover, 40-70% of many of these groups' debt is forex denominated, and with INR depreciation the increase in liabilities on account of the currency depreciation was larger than FY13 PAT. With the currency down another 12% YTD, debt stress should now be even higher.

FY14: The year of reckoning?

With over 13,000 MW of power capacity from these groups scheduled to be commissioned the current year will be critical. Companies such as Adani Power, Reliance Power and GMR Infra would see their operating capacities double if the projects were to come on stream as expected. However, delays in these projects could result in more of their debt being restructured. The cash flow strain is also likely to intensify as debt repayments are 30-150% higher YoY in FY14 and repayments due are 2-18x their FY13 profits.

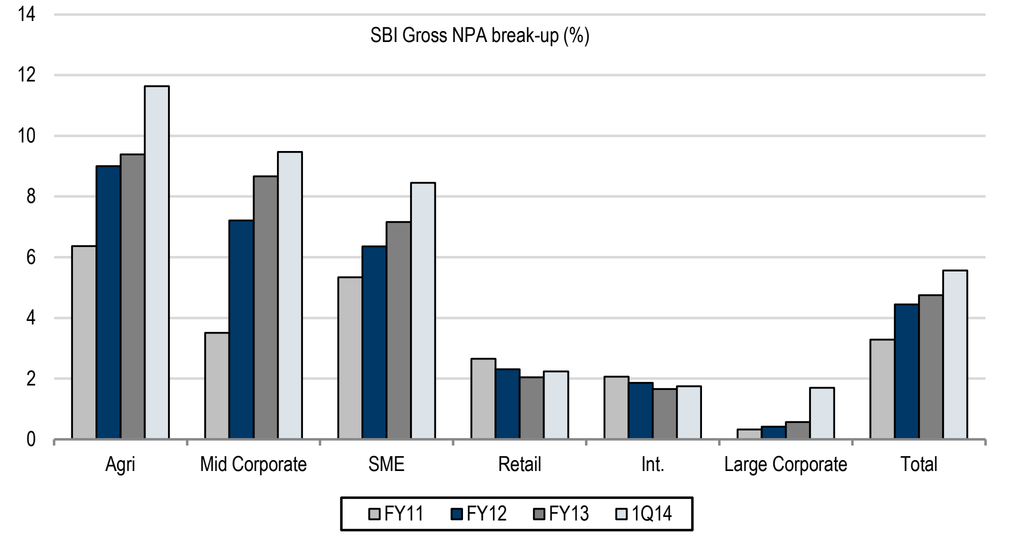
While Indian bank NPAs have already moved up from 2.5% to 4% of loans, most of these has been on account of rising delinquencies in agri, SME and mid-corporates. Large corporate NPLs are still low; for example 1.7% at SBI, where 5.6% of total loans are now NPLs. As a study of these ten groups reveals, the overleverage in the large corporate segment is high and is a potential source of additional asset quality stress for banks. As also highlighted in our recent reports, Restructuring: A panacea or postponement and A growing problem corporate asset quality issues are likely to persist and we continue to remain Underweight on the Indian Banks despite the recent stock price fall and cautious on corporate lenders such as SBI, ICICI Bank, Yes Bank, Union Bank, PNB, and Bank of India.

Figure 8: **Average loan growth in FY13 has been at 15%**



Source: Company data, Credit Suisse research

Figure 9: **Provisions on account of large corporates still low compared to other sectors**



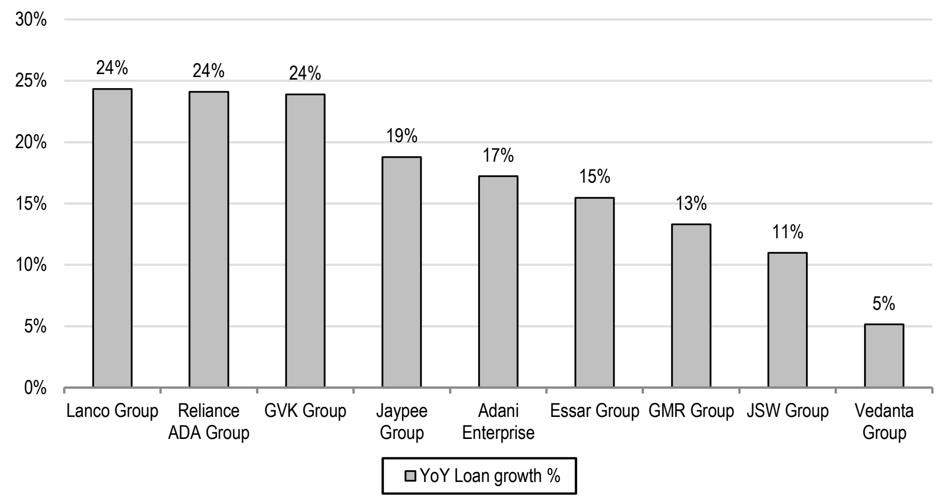
Source: Company data, Credit Suisse research

Top ten firms' debts continue to rise

Loans to these firms up 15% YoY

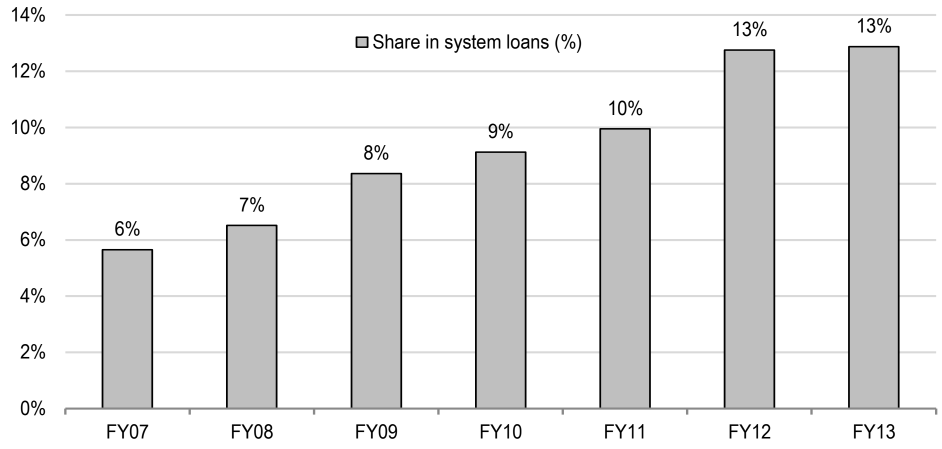
A year after our 2012 House of Debt report, we revisit the ten corporate groups that featured in our earlier report. Over the past year, profitability at most of these groups has continued to be under pressure and their aggregate debt levels have increased by a further 15% in FY13. Among the largest increases have been at GVK, Lanco and ADA where the gross debt levels are up another 24%.

Figure 10: **Average loan growth in FY13 has been at 15% YoY**



Source: Company data, Credit Suisse research

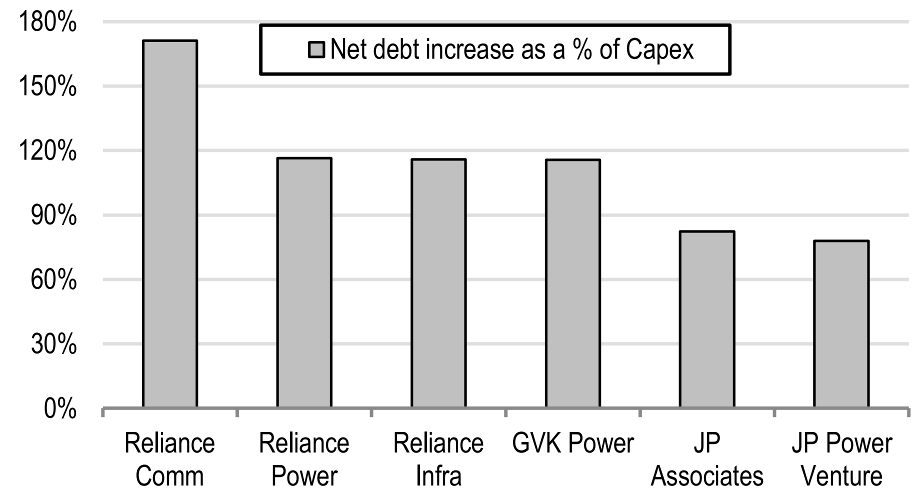
Figure 11: **Share of banking system loans at 13%**



Source: Company data, Credit Suisse research

While many of these groups have projects under construction, the net debt increase has been larger than capex spend during the year.

Figure 12: **Debt increase in FY13 has outpaced capex**



Source: Company data, Credit Suisse research

Figure 13: **Net debt increase sharper than capex (as per cash flow statement)**

Company name (Rs mn)	Capex	Increase in net debt	Net debt increase as a % of capex
Reliance Comm	21,140	36,190	171%
Reliance Power	89,130	103,866	117%
Reliance Infra	40,476	46,905	116%
GVK Power & Infra	33,559	38,811	116%
JP Associates	123,055	101,433	82%
JP Power Venture	83,555	65,167	78%

Source: Company data

Projects already undergoing restructuring

Lanco Infratech has already begun talks with banks for the restructuring of Rs75 bn of debt in the standalone business. Banks have also restructured part of the debt for Reliance Power's 3,960 MW Sasan UMPP that is expected to commission most units in FY14. Jaiprakash Associates' Rs32 bn 500 MW Bina-I has undergone restructuring during the quarter, with PNB restructuring Rs11 bn of the loan during 1Q FY14.

Asset sales yet to take off

Asset sales will likely be key to deleveraging

While several groups have been looking to deleverage, only a couple of asset sales were successfully concluded over the past year. Even after an asset sale, GMR Infra's debt levels have increased by 13% from Rs360 bn to Rs408 bn. While Adani Ports has sold Abbott Point asset to the promoters, it still has an outstanding corporate guarantee for US$800 mn, as a result of which its liability hasn't reduced significantly. Videocon has been successful in selling a large asset, which should result in debt levels reducing for the firm.

Figure 14: **Asset sales have not yet been strong enough to drive deleveraging**

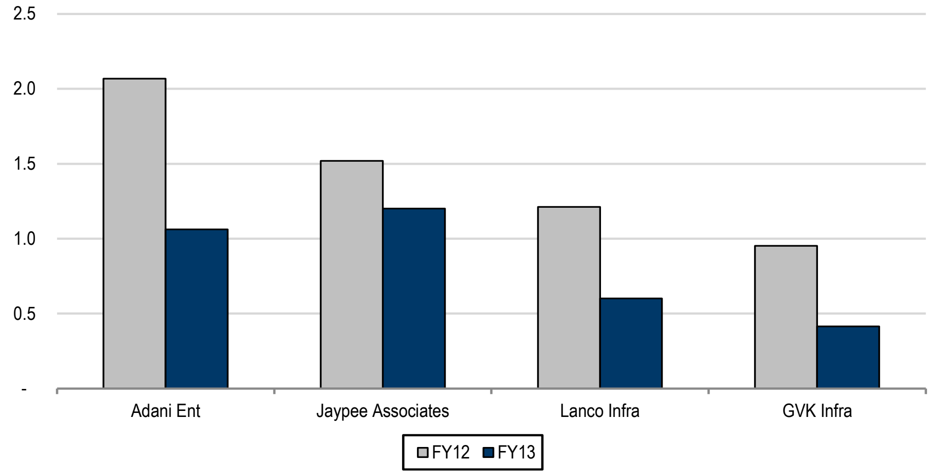
Asset sold	Particulars	Date	Amount (Rs mn)
Adani			
Abbott Point	Terminal in Australia, acquired two years ago for US$235 mn along with debt of US$2 bn, sold to the promoters. Believed to be sold back at the acquisition price.	Jan-13	Undisclosed
GMR			
GMR Energy (Singapore) Pte Ltd	800 MW of natural gas power plants in Singapore. Asset is 96% complete.	Mar-13	16,160
Tshedza Mining Resource (Pty) Ltd	Sale of 50% stake in the company. The company holds the licence for the development of Eloff mines in South Africa. Estimated to receive ~US$100 mn	Mar-13	Undisclosed
GMR Jadcherla Expressways Ltd	Sale of 74% stake in the company which operates the Farukhnagar-Jadcherla highway in Andhra Pradesh	Mar-13	2,060
Videocon			
Mozambique	Sold 10% stake in Mozambique's Rovuma-1 area for US$3 bn	Jun-13	148,500

Source: Company data, Credit Suisse research

Debt servicing ratios under pressure

With rising debt levels, interest cover for most of the groups has declined further. Aggregate interest cover for these top ten groups has dropped from 1.6x to 1.4x. Interest cover ratios at groups such as Essar, GMR, GVK and Lanco are already under 1. Interest cover at Adani and Jaypee have also fallen to <1.5x. Interest coverage ratio has come down from 1.2x to 0.6x for Lanco Infratech, as its interest cost has increased 130%, while EBIT has risen only 14%. Similarly, for GVK infra, the coverage ratio has come down from 1.0x to 0.4x; its EBIT has declined by 32% while expensed interest cost is up 55%.

Figure 15: **Interest cover has come down sharply, with Lanco and GVK well below 1x**



Source: Company data, Credit Suisse research

Interest cost significantly higher after considering capitalised interest

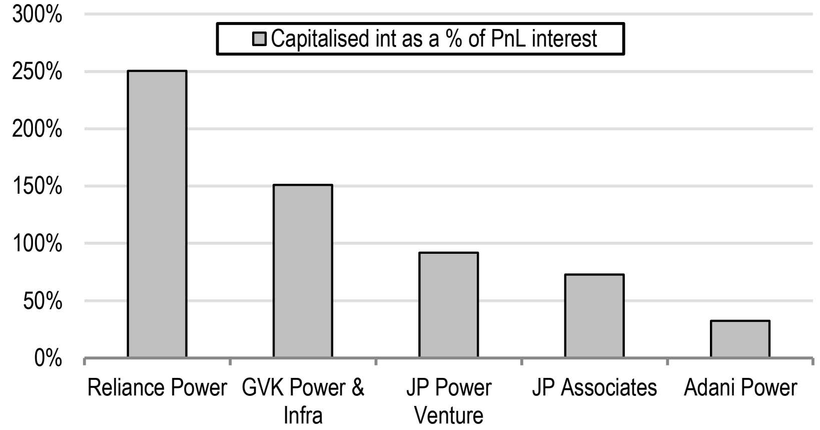
The interest cover calculations above only take into account the interest costs being currently expensed on the P&L. As most of these groups have capacities under construction, a large share of interest expense is also currently capitalised. With capitalised interest currently 30-250% higher than the P&L expense, the interest burden may also sharply rise as projects come on stream. Reliance Power has a P&L interest of Rs5.8 bn, whereas its capitalised interest is Rs14.7 bn, which would bring down the interest cover from 2.4x to 0.7x at the current profit levels.

Figure 16: **Capitalised interest for certain groups is greater than expensed interest**

FY13 (Rs mn)	Expensed interest	Capitalised interest	as % of expensed interest
Reliance Power	5,853	14,655	250%
GVK Power & Infra	7,079	10,677	152%
JP Power Venture	12,126	11,147	92%
JP Associates	45,688	33,315	73%
Adani Power	17,029	5,510	32%

Source: Company data, Credit Suisse research

Figure 17: **Capitalised interest is another 30-250% of the P&L expensed interest**

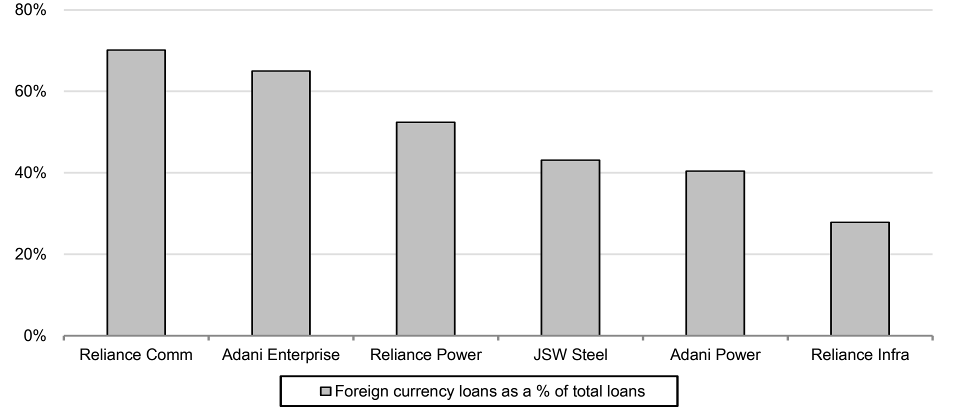


Source: Company data, Credit Suisse research

Currency depreciation adding to the debt burden

Many corporates' loans are 40-70% foreign currency denominated; therefore, the sharp depreciation in the rupee is adding to their debt burden. Adani Enterprise and Reliance Comm have the largest percentage of borrowings through forex loans.

Figure 18: **High share of forex loans adding to the debt burden**



Source: Company data, Credit Suisse research

Weakening rupee could cause further pain in FY14

With the 6.7% currency depreciation in FY13, corporates such as Reliance Comm, Adani Enterprise and JP Associates, have seen a forex hit equivalent to their FY13 PAT. With the INR down 12% since Mar-13, the liabilities on account of this must have increased further.

Figure 19: **Forex impact likely to be larger in FY14 with 12% INR dep in since 31 Mar**

Rs mn	FY13 rise in liabilities due to forex	FY13 PAT	Forex impact as a % of FY13 PAT
Adani Enterprise	24,755	16,130	153%
JP Associates	4,554	4,618	99%
Reliance Communications	6,380	6,720	95%
Reliance Power	5,874	10,115	58%
JSW Steel	3,398	9,631	35%
GVK Power & Infra	802	(3,360)	N/A

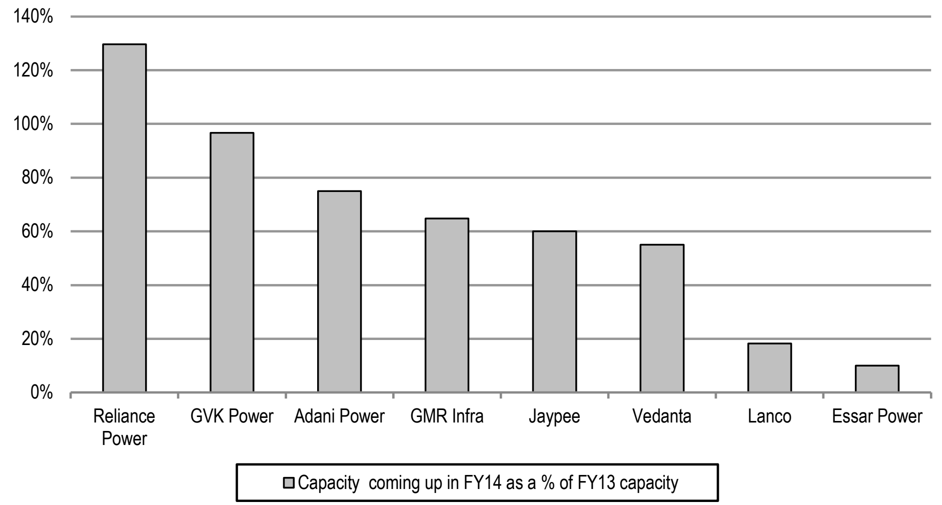
Source: Company data, Credit Suisse research

FY14: The year of reckoning?

These ten groups have 13,242 MW of power capacity (project cost of over Rs791 bn) due for commissioning in FY14. Companies such as Adani Power, Reliance Power and GMR Infra would see their operating capacities almost double if the projects were to come on stream as expected.

The timely commissioning of the same would be important for the companies' ability to service the debt taken for the projects. With capitalised interest currently 30-250% higher, the P&L interest burden may also sharply rise as the project starts.

Figure 20: **A large share of capacity adds in FY14E**



Source: Company data, Credit Suisse research

Figure 21: **Significant share of capacity expected to come on-stream in FY14**

Company	Particulars	Project capex (Rs bn)	Capacity (MW)
Adani Power	Operating capacity		5,280
	Expected commissioning in FY14	225	3,960
	Total		**9,240**
Essar Power	Operating capacity		3,910
	Expected commissioning in FY14	25	390
	Total		**4,300**
GMR Infra	Operating capacity		2,083
	Expected commissioning in FY14	83	1,350
	Total		**3,433**
GVK Power	Operating capacity		900
	Expected commissioning in FY14	74	870
	Total		**1,770**
Jaypee	Operating capacity		2,200
	Expected commissioning in FY14	100	1,320
	Total		**3,520**
JSW Energy	Operating capacity		3,140
	Expected commissioning in FY14	-	-
	Total		**3,140**
Lanco	Operating capacity		4,000
	Expected commissioning in FY14	33	732
	Total		**4,732**
Reliance Power	Operating capacity		2,460
	Expected commissioning in FY14	165	3,385
	Total		**5,845**
Vedanta	Operating capacity		2,400
	Expected commissioning in FY14	86	1,320
	Total		**3,720**

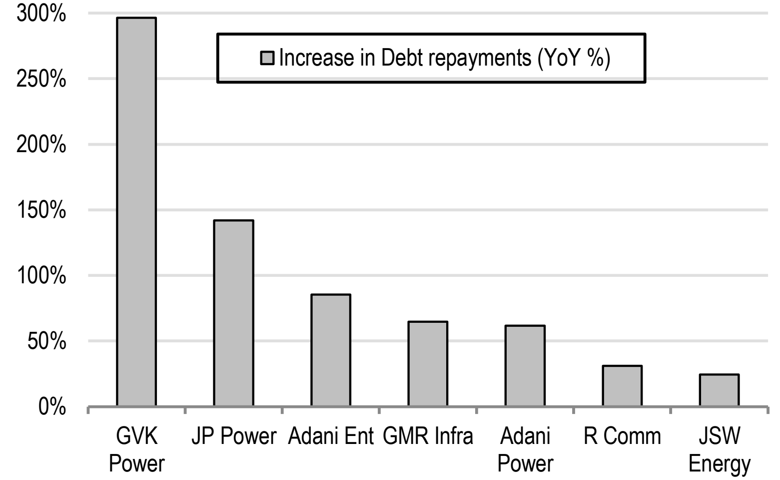
Source: Company data, Credit Suisse research

Debt repayments are 30-150% higher YoY

Debt repayment commitments are also higher in FY14. FY13 annual reports of many of the groups (Essar, Lanco, GMR, Videocon, Vedanta) are still to be published. The annual reports that have been already published reveal a sharp 30-150% rise in debt repayment liabilities in FY14, for companies such as Adani Enterprises, GMR Infra and JP Power. Debt repayments in FY14 for GVK power are up ~300% to Rs15 bn while it made a loss after tax of Rs3.4 bn in FY13.

With debt repayments for most of the companies 3-5x their FY13 annual profits and FCF for most groups still negative, banks will likely need to refinance/restructure most of these loans. Many of the groups (Essar Oil US$200 mn, Essar Steel US$260 mn, Reliance Comm US$500 mn, Reliance Infra US$250 mn and Vedanta Aluminium US$407 mn) also have ECBs maturing in FY14.

Figure 22: **Significant debt repayments coming up in FY14**



Source: Company data, Credit Suisse research

Figure 23: **Refinancing needs are large in FY14 given inadequate profitability**

	Debt repayments due in				
	FY13	FY14	% YoY	FY13 PAT	FY14 repayments as a % of FY13 PAT
GMR Infrastructure	33,467	55,144	65%	881	6.258%
JP Associates	82,174	82,762	1%	4,618	1.792%
Reliance Comm	31,180	40,690	31%	6,720	606%
JP Power Venture	8,378	20,266	142%	3,512	577%
Adani Enterprise	39,702	73,597	85%	16,130	456%
JSW Steel	64,178	25,999	-59%	9,631	270%
GVK Power & Infra	3,729	14,788	297%	(3,360)	N/A
JSW Energy	7,050	8,771	24%	9,037	97%
Reliance Power	8,023	7,588	-5%	10,115	75%

Source: Company data, Credit Suisse research

Large corporates still not forming part of banking system NPA's

While Indian bank NPAs have already moved up from 2.5% to 4% of loans, most of these has been on account of rising delinquencies in agri, SME and mid-corporates. Large corporate NPLs are still low; for example, 1.7% at SBI, where 5.6% of total loans are now NPLs. As a study of these ten groups reveals, the overleverage in the large corporate segment is high and is a potential source of additional asset quality stress for banks. As also highlighted in our recent reports, *Restructuring: A panacea or postponement* and *A growing problem* corporate asset quality are likely to persist and we continue to remain Underweight on Indian Banks despite the recent stock price fall and cautious on corporate lenders like SBI, ICICI Bank, Yes Bank, Union Bank, PNB, and Bank of India.

Companies Mentioned *(Price as of 12-Aug-2013)*

Adani Ports (APSE.NS, Rs144.35)
Adani Power Ltd (ADAN.BO, Rs36.2)
Cairn India Ltd (CAIL.BO, Rs301.2)
Essar Energy Plc (ESSR.L, 131.0p)
Essar Oil (ESRO.BO, Rs54.8)
Essar Ports Ltd (ESRS.NS, Rs65.0)
Essar Shipping (ESPL.BO, Rs15.0)
GMR Infrastructure Ltd (GMRI.BO, Rs12.86)
GVK Power & Infrastructure (GVKP.BO, Rs7.23)
JSW Energy (JSWE.BO, Rs38.2)
JSW Steel Ltd (JSTL.BO, Rs518.45)
Jaiprakash Associates Ltd. (JAIA.BO, Rs31.45)
Jaiprakash Power Ventures Ltd (JAPR.BO, Rs10.95)
Lanco Infratech (LAIN.NS, Rs5.5)
Reliance Capital Ltd (RLCP.BO, Rs335.05)
Reliance Communication Ltd (RLCM.BO, Rs126.3)
Reliance Infrast (RLIN.BO, Rs350.5)
Reliance Power Ltd (RPOL.BO, Rs73.0)
Vedanta Resources PLC (VED.L, 1266.0p)
Videocon (VEDI.BO, Rs171.95)

Disclosure Appendix

Important Global Disclosures

I, Ashish Gupta, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; Australia, New Zealand are, and prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	42%	(53% banking clients)
Neutral/Hold*	40%	(50% banking clients)
Underperform/Sell*	15%	(39% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research and analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Please refer to the firm's disclosure website at www.credit-suisse.com/researchdisclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (VED.L, CAIL.BO, ESRO.BO, ADAN.BO, RPOL.BO, JAPR.BO, JAIA.BO, RLCM.BO) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (JAPR.BO, JAIA.BO) within the past 12 months.

Credit Suisse provided non-investment banking services to the subject company (VED.L, ESRO.BO) within the past 12 months

Credit Suisse has managed or co-managed a public offering of securities for the subject company (JAPR.BO, JAIA.BO) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (JAPR.BO, JAIA.BO) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (CAIL.BO, ESRO.BO, ADAN.BO, RPOL.BO, JAPR.BO, JAIA.BO, RLCM.BO) within the next 3 months.

Credit Suisse has received compensation for products and services other than investment banking services from the subject company (VED.L, ESRO.BO) within the past 12 months

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (VED.L, CAIL.BO, ADAN.BO, RPOL.BO, JAPR.BO, JAIA.BO, RLCM.BO) within the past 12 months

An analyst involved in the preparation of this report has visited certain material operations of the subject company (ESRO.BO, JSTL.BO) within the past 12 months

The travel expenses of the analyst in connection with such visits were paid or reimbursed by the subject company

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

The following disclosed European company/ies have estimates that comply with IFRS: (VED.L).

An analyst involved in the preparation of this report received third party benefits in connection with this research report from the subject company (JSTL.BO)

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

To the extent this is a report authored in whole or in part by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors: The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analysts listed below may not be associated persons of CSSU and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Credit Suisse Securities (India) Private Limited .... Ashish Gupta

Important Credit Suisse HOLT Disclosures

With respect to the analysis in this report based on the Credit Suisse HOLT methodology, Credit Suisse certifies that (1) the views expressed in this report accurately reflect the Credit Suisse HOLT methodology and (2) no part of the Firm's compensation was, is, or will be directly related to the specific views disclosed in this report.

The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the companies included in its database. Third-party data (including consensus earnings estimates) are systematically translated into a number of default algorithms available in the Credit Suisse HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. The adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may adjust the default variables to produce alternative scenarios, any of which could occur.

Additional information about the Credit Suisse HOLT methodology is available on request.

The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price for a security, and as the third-party data are updated, the warranted price may also change. The default variable may also be adjusted to produce alternative warranted prices, any of which could occur.

CFROI®, HOLT, HOLTfolio, ValueSearch, AggreGator, Signal Flag and "Powered by HOLT" are trademarks or service marks or registered trademarks or registered service marks of Credit Suisse or its affiliates in the United States and other countries. HOLT is a corporate performance and valuation advisory service of Credit Suisse.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at www.credit-suisse.com/researchdisclosures or call +1 (877) 291-2683.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.