

Abhijeet Naik

abhijeet.naik@cls.com
+91 22 6650 5060

Nitij Mangal

+91 22 6650 5064

14 September 2016

India

Materials

Reuters COAL.NS
Bloomberg COAL IS

Priced on 12 September 2016
CNX Nifty @ 8,715.6

12M hi/lo Rs347.80/274.40

12M price target Rs280.00
±% potential -15%

Shares in issue 6,207.4m
Free float (est.) 10.0%

Market cap US\$31,280m

3M average daily volume
Rs1,073.8m (US\$16.0m)

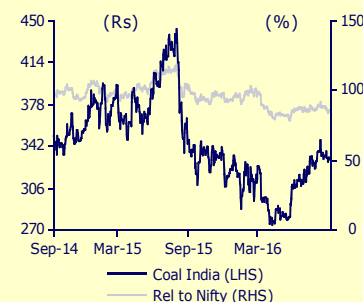
Foreign s'hlding 9.2%

Major shareholders

Govt. of India 79.7%
FIIs 9.2%

Stock performance (%)

	1M	3M	12M
Absolute	(2.2)	7.8	(1.0)
Relative	(2.7)	1.0	(11.5)
Abs (US\$)	(2.0)	8.1	(1.8)



Source: Bloomberg

www.cls.com

Downgrade to SELL

Results miss led by lower than expected FSA ASP

Coal India's 1Q NP was down 15% YoY, 6% below our estimate. The miss was mainly driven by a lower-than-expected FSA ASP, down 4% QoQ, despite the partial benefit of a price hike. Coal India's volume growth came off sharply in FY17 due to weak demand; we cut our FY17-18CL volume estimates 6%-7%. This, along with lower ASPs and the reinstatement of the overburden removal expense, results in a ~28% cut of our FY17-18 EPS. We see no earnings growth over FY16-19CL and our EPS estimates are now 20-25% below consensus. The stock is up 20% since April 2016 and is trading at an expensive 16x FY18CL PE. We downgrade our rating from O-PF to SELL with a new target price of Rs280 (Rs340 previously).

Results miss led by lower-than-expected ASPs

Coal India's 1Q volume was up 3% YoY, but top-line declined 6% as blended realizations fell 9% YoY. FSA ASPs were down 4% QoQ despite the benefit of a price hike at end-May, possibly due to a weaker mix. E-auction volume rose 28% YoY but realization declined 5% QoQ. Cash costs were down 3% YoY and were slightly below estimates. However, the company continued to provide for overburden removal expenses (OBR) contrary to our understanding that OBR would stop under Ind-AS. 1Q Ebitda was down 15% YoY (7% miss), while Ebitda/t declined 18% YoY. 1Q NP of Rs31bn was down 15% YoY.

Weak coal demand adversely impacting volume growth outlook

Coal India's despatch growth came down sharply from +9% in FY16 to +3% in 1QFY17 and further to -4% for July-August 2016, led by weak demand across most coal consuming sectors as well as some inventory destocking at power plants. We build in an improvement in volume growth for FY17 partly driven by normalization of inventory destocking. However, we still cut our FY17-19CL volume estimate by 6-7%.

Cut FY17-18 EPS by ~28%; downgrade from O-PF to SELL

We cut our FY17-18 EPS by ~28% factoring in lower volumes/ASPs and reinstating the non-cash OBR expense, which we had earlier removed from our forecast. We believe a FSA price hike in the next two years is unlikely given the company recently raised prices (May 2016). Its staff costs will also rise sharply in FY17 with the upcoming wage revisions which will put pressure on its margin. We find its valuation of a 16x FY18CL PE expensive given no earnings growth over FY16-19CL and thus downgrade our rating from O-PF to SELL with an Rs280 target based on an 8.5x Sep-18CL EV/Ebitda.

Financials

Year to 31 March	15A	16A	17CL	18CL	19CL
Revenue (Rsm)	720,146	756,443	773,453	856,943	938,588
Rev forecast change (%)	-	-	(8.7)	(9.6)	-
Net profit (Rsm)	137,216	142,329	120,545	125,051	135,151
NP forecast change (%)	-	-	(27.7)	(29.0)	-
EPS (Rs)	21.7	22.5	19.4	20.1	21.8
CL/consensus (32) (EPS%)	-	-	80	75	76
EPS growth (% YoY)	(9.2)	3.7	(13.8)	3.7	8.1
PE (x)	15.2	14.7	17.0	16.4	15.2
Dividend yield (%)	6.3	8.3	4.7	4.9	5.3
ROE (%)	33.2	38.3	37.3	40.3	42.9
Net debt/equity (%)	(130.3)	(109.2)	(89.9)	(70.2)	(47.9)

Source: CLSA

We would like to thank Evalueserve for its help in preparing our research reports. Chirag Gandhi (Financials); Nikhil Gada (Midcaps); Aniket Sethi (Cement, Oil & Gas); Niket Gajra (Autos & IT); Vishal Nathany (Cap goods, utilities & power) provide research support services to CLSA.

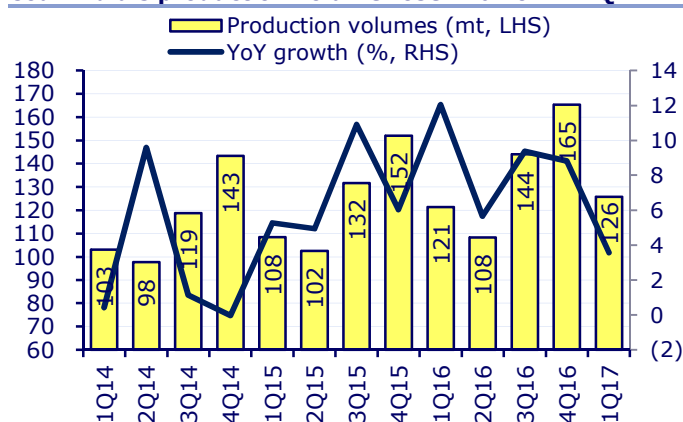
Figure 1

Coal India 1QFY17 results summary

(in Rs mn)	1Q16	4Q16	1Q17	% QoQ	% YoY
Net sales	189,558	207,595	177,961	(14.3)	(6.1)
Total Expenditure	(146,829)	(158,689)	(141,670)	(10.7)	(3.5)
Manufacturing costs	(54,728)	(44,213)	(51,479)	16.4	(5.9)
Stripping activity adjustment	(7,091)	(13,195)	(2,331)	(82.3)	(67.1)
Staff cost	(74,899)	(75,902)	(76,465)	0.7	2.1
Other SG&A expense	(10,110)	(25,381)	(11,395)	(55.1)	12.7
EBITDA	42,729	48,905	36,290	(25.8)	(15.1)
Other Income	19,872	21,393	17,564	(17.9)	(11.6)
Depreciation	(6,379)	(6,946)	(6,672)	(4.0)	4.6
Interest expense	(888)	(121)	(890)	633.5	0.2
Extraordinary Income (Loss)	0	56	0		
PBT	55,334	63,287	46,293	(26.9)	(16.3)
Tax	(19,365)	(20,807)	(15,641)	(24.8)	(19.2)
Reported PAT	35,969	42,479	30,653	(27.8)	(14.8)
Recurring PAT	35,969	42,442	30,653	(27.8)	(14.8)
Key ratios					
Production volumes (mt)	121	165	126	(23.9)	3.6
Despatch volumes (mt)	129	145	133	(8.3)	3.0
Average realisation (Rs/t)	1,465	1,429	1,336	(6.6)	(8.8)
Mining cost (Rs/t)	423	304	386	26.9	(8.7)
Total cash cost (Rs/t)	1,080	1,002	1,046	4.4	(3.2)
Total o/p cost (incl OBR) (Rs/t)	1,135	1,093	1,063	(2.7)	(6.3)
EBITDA/ton (Rs/ton)	330	337	272	(19.1)	(17.5)
EBITDA margins (%)	22.5%	23.6%	20.4%	(3.2)	(2.1)
Effective tax rate (%)	35.0%	32.9%	33.8%	0.9	(1.2)
Cash Ebitda (Rs mn)	49,820	62,100	38,621	(37.8)	(22.5)

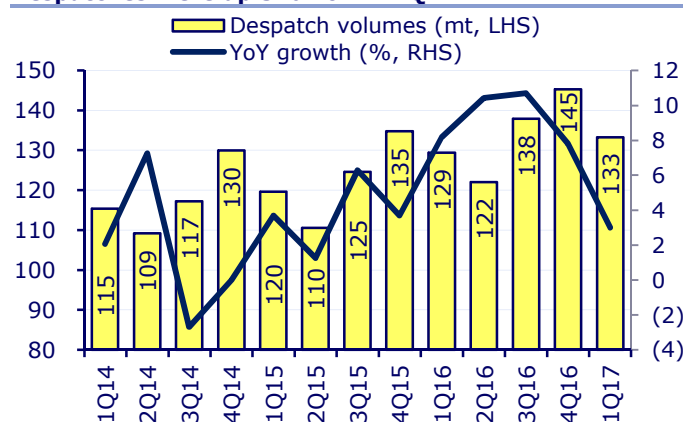
Source: Company, CLSA. *1QFY16 numbers are re-stated as per Ind AS;

Figure 2

Coal India's production volume rose 4% YoY in 1Q

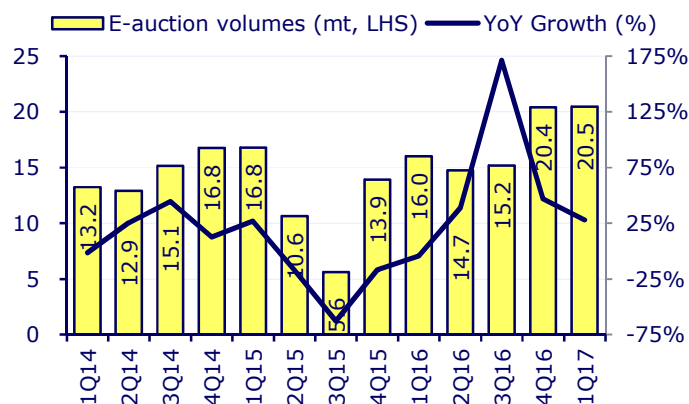
Source: Company, CLSA

Figure 3

Despatches were up 3% YoY in 1Q

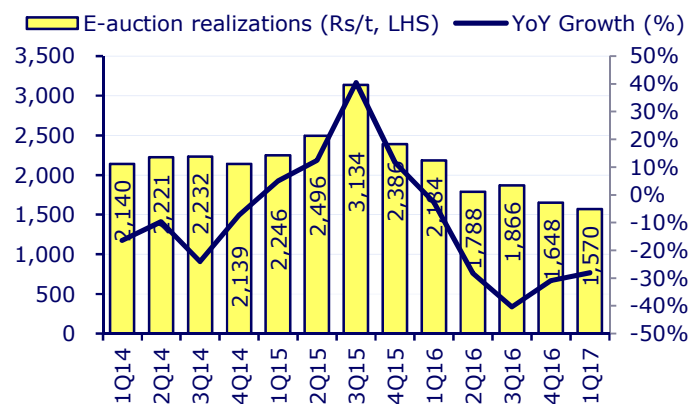
Source: Company, CLSA

Figure 4

E-auction volume rose 28% YoY in 1Q

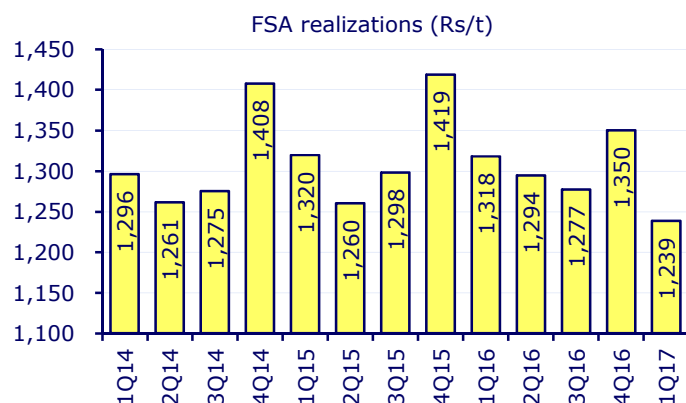
Source: Company, CLSA

Figure 5

However, e-auction realization declined 5% QoQ in 1Q

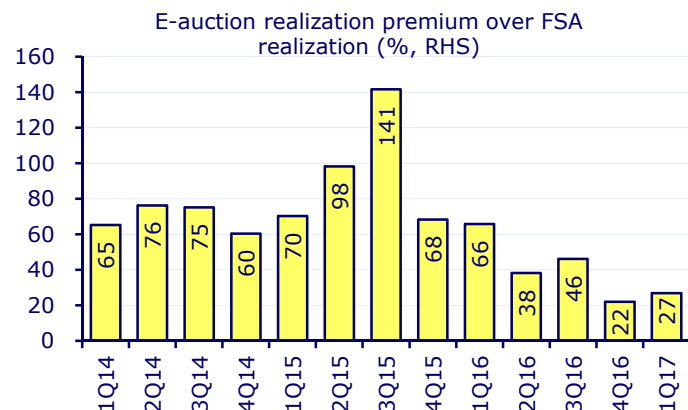
Source: Company, CLSA

Figure 6

FSA realization declined 8% QoQ in 1Q (down 4% QoQ excluding incentives, which come in 4Q)

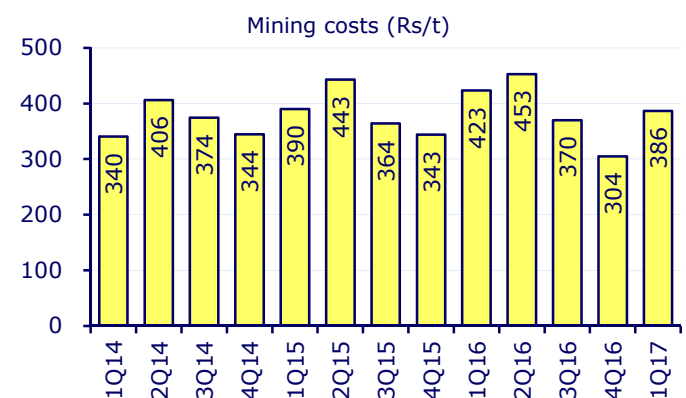
Source: Company, CLSA

Figure 7

The e-auction premium over the FSA ASP continues to remain depressed

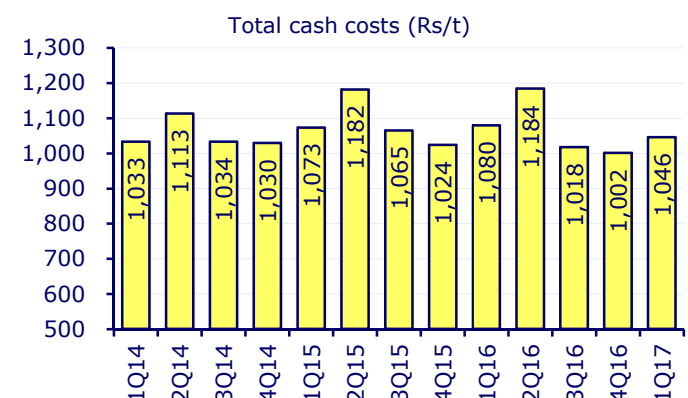
Source: Company, CLSA

Figure 8

Mining costs/t declined 9% YoY in 1Q

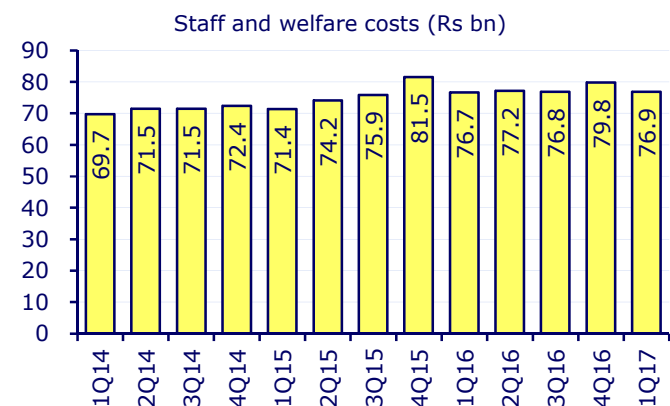
Source: Company, CLSA

Figure 9

1Q total cash cost/t was down 3% YoY

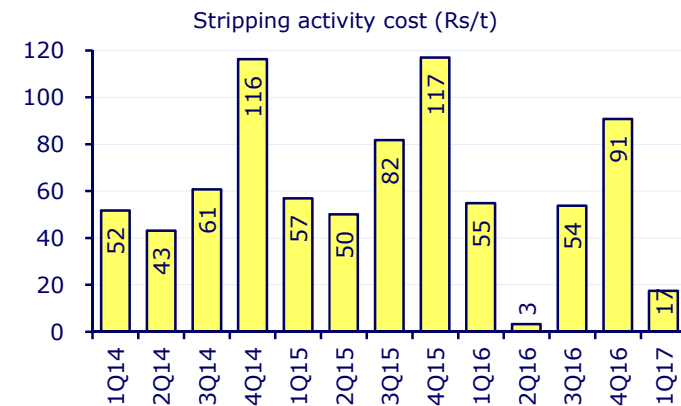
Source: Company, CLSA

Figure 10

Staff and welfare costs were broadly flat YoY

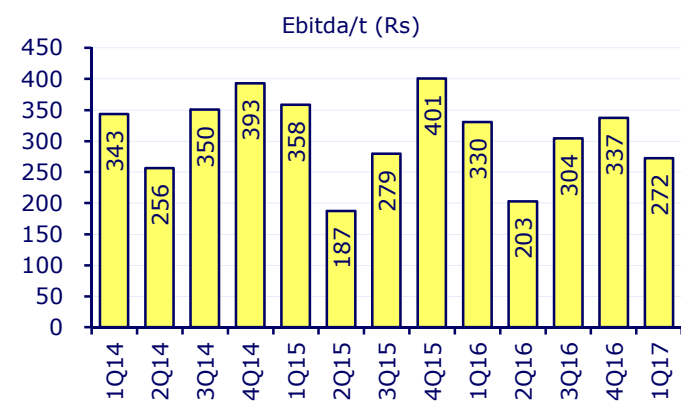
Source: Company, CLSA

Figure 11

Stripping out activity costs (earlier OBR) has continued vs our understanding it would stop under Ind-AS

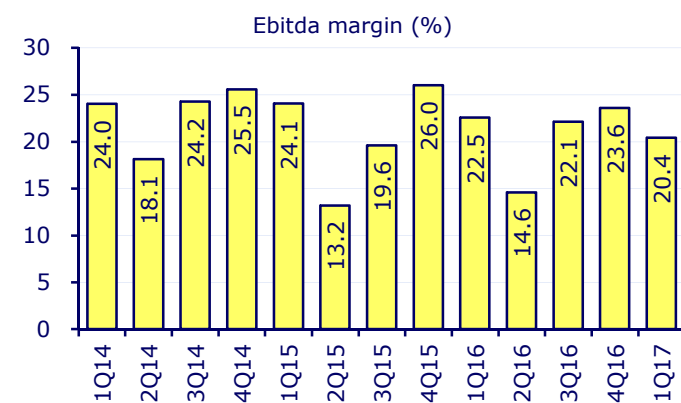
Source: Company, CLSA

Figure 12

Ebitda/t declined 18% YoY in 1Q

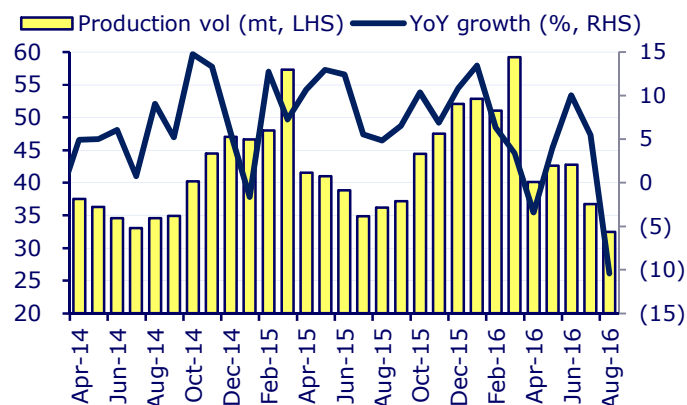
Source: Company, CLSA

Figure 13

Ebitda margin was down 210bps YoY to 20.4% in 1Q

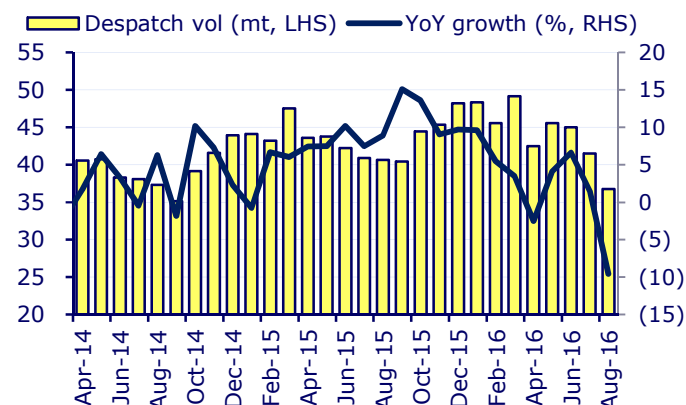
Source: Company, CLSA

Figure 14

Coal India's volume growth has come off sharply in recent months

Source: Company, CLSA

Figure 15



Source: Company, CLSA

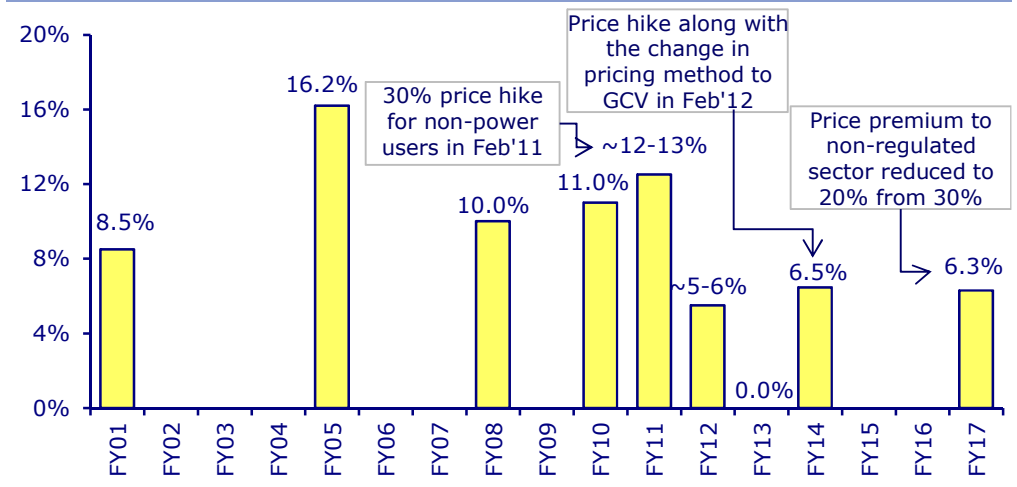
This is the first FSA price hike by the company since May 2013

Coal India is trading at 10x FY18 EV/Ebitda on our below-consensus estimates

The company is currently trading at an expensive 16x FY18 PE on our estimates

Figure 16

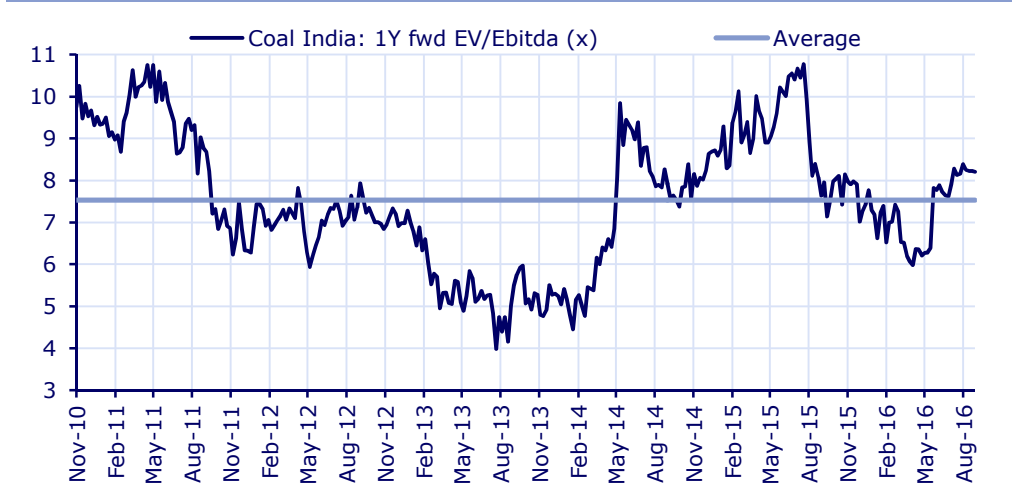
Coal India announced a 6.3% blended FSA price hike effective 30 May



Source: Company, CLSA

Figure 17

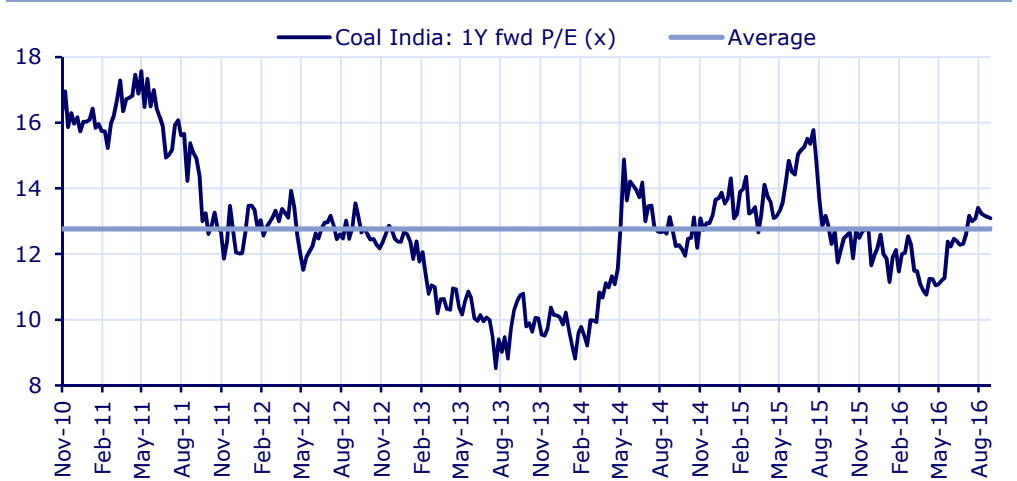
Coal India trades at an average ~8x 1-year forward EV/Ebitda



Source: Bloomberg, CLSA. * Based on Bloomberg consensus estimates.

Figure 18

Coal India trades at an average ~13x 1-year forward PE



Source: Bloomberg, CLSA. * Based on Bloomberg consensus estimates.

Figure 19

Coal India key assumptions						
Volumes (mt)	FY14	FY15	FY16	FY17CL	FY18CL	FY19CL
Coal production	462	494	539	550	593	641
YoY growth (%)	2.3%	6.9%	9.0%	2.0%	8.0%	8.0%
Coal despatches	472	489	534	550	593	641
YoY growth (%)	1.4%	3.8%	9.2%	2.8%	8.0%	8.0%
E-auction volumes (mt)	58.0	46.9	67.0	95.0	115.0	125.0
E-auction volume as % of raw coal	12.8	9.9	13.0	17.9	20.0	20.1
Realizations (Rs/t)						
Coal sold on FSA	1,314	1,327	1,309	1,315	1,342	1,355
YoY growth (%)	1.2%	1.1%	(1.4%)	0.5%	2.0%	1.0%
E-auction prices	2,182	2,450	1,839	1,600	1,650	1,700
YoY growth (%)	(14%)	12%	(25%)	(13%)	3%	3%
Blended realizations	1,459	1,472	1,415	1,407	1,444	1,464
YoY growth (%)	(0.6%)	0.8%	(3.8%)	(0.5%)	2.6%	1.4%

Source: Company, CLSA

Figure 20

Coal India financial snapshot						
(Rs bn)	FY14	FY15	FY16	FY17CL	FY18CL	FY19CL
Net sales	688	720	756	773	857	939
EBITDA	160	152	159	139	154	177
PAT	151	137	142	121	125	135
EPS (Rs)	23.9	21.7	22.5	19.4	20.1	21.8
Networth	424	404	339	307	313	318
Total borrowings	2	4	12	12	12	12
Current liabilities	581	657	707	740	782	820
Other liabilities	36	41	44	44	44	44
Total Liabilities	1,042	1,105	1,102	1,103	1,151	1,195
Total fixed assets	191	213	243	315	383	446
Cash	524	531	383	289	232	165
Other current assets	264	304	343	356	373	390
Other assets	63	57	134	144	164	194
Total Assets	1,042	1,105	1,102	1,103	1,151	1,195
Operating cash flow	145	144	114	137	157	171
Capex	(41)	(49)	(54)	(100)	(100)	(100)
Free cash flow	104	95	60	37	57	71
Ratios (%)						
Sales growth	0.7	4.7	5.0	2.2	10.8	9.5
Ebitda growth	(11.7)	(4.6)	4.7	(12.9)	11.0	14.9
EPS growth	(12.9)	(9.2)	3.7	(13.8)	3.7	8.1
Ebitda margin	23.2	21.1	21.1	18.0	18.0	18.9
Net debt/ Equity	(1.2x)	(1.3x)	(1.1x)	(0.9x)	(0.7x)	(0.5x)
RoAE	33.3	33.2	38.3	37.3	40.3	42.9
RoACE	32.8	32.9	37.6	36.2	39.1	41.5

Source: Company, CLSA

Valuation details

We value Coal India at an 8.5x September-18CL EV/Ebitda, is in-line with the company's average multiple.

Investment risks

The key risks to our negative view are a sharp improvement in coal demand in India and an FSA price hike in the next 1-2 years.

Summary financials

Year to 31 March	2015A	2016A	2017CL	2018CL	2019CL
Summary P&L forecast (Rsm)					
Revenue	720,146	756,443	773,453	856,943	938,588
Op Ebitda	152,300	159,404	138,885	154,139	177,098
Op Ebit	129,102	134,740	110,842	122,350	140,495
Interest income	0	0	0	0	0
Interest expense	(73)	(207)	(1,079)	(1,079)	(1,079)
Other items	86,761	80,943	72,735	68,048	65,194
Profit before tax	215,789	215,476	182,498	189,319	204,609
Taxation	(78,573)	(73,148)	(61,953)	(64,268)	(69,459)
Minorities/Pref divs	-	-	-	-	-
Net profit	137,216	142,329	120,545	125,051	135,151
Summary cashflow forecast (Rsm)					
Operating profit	129,102	134,740	110,842	122,350	140,495
Operating adjustments	38,267	28,114	16,587	17,914	19,347
Depreciation/amortisation	23,198	24,664	28,044	31,789	36,604
Working capital changes	(1,127)	(15,889)	3,065	8,003	1,295
Net interest/taxes/other	(33,022)	(33,864)	(22,377)	(24,145)	(27,879)
Net operating cashflow	156,417	137,766	136,159	155,910	169,861
Capital expenditure	(49,014)	(54,451)	(100,000)	(100,000)	(100,000)
Free cashflow	107,403	83,315	36,159	55,910	69,861
Acq/inv/disposals	9,615	(885)	(10,000)	(20,000)	(30,000)
Int, invt & associate div	42,281	38,678	32,081	26,846	22,535
Net investing cashflow	2,881	(16,658)	(77,919)	(93,154)	(107,465)
Increase in loans	2,305	7,905	-	-	-
Dividends	(154,994)	(207,407)	(115,570)	(119,890)	(129,573)
Net equity raised/other	421	(69,404)	(36,500)	0	0
Net financing cashflow	(152,268)	(268,906)	(152,070)	(119,890)	(129,573)
Incr/(decr) in net cash	7,030	(147,798)	(93,830)	(57,133)	(67,177)
Exch rate movements	-	-	-	-	-
Opening cash	523,895	530,925	383,128	289,298	232,164
Closing cash	530,925	383,128	289,298	232,164	164,988
Summary balance sheet forecast (Rsm)					
Cash & equivalents	530,925	383,128	289,298	232,164	164,988
Debtors	85,219	114,637	116,812	128,321	140,677
Inventories	61,838	75,953	86,927	91,982	97,324
Other current assets	157,427	152,250	152,250	152,250	152,250
Fixed assets	212,744	242,549	314,506	382,717	446,113
Intangible assets	0	0	0	0	0
Other term assets	57,261	133,679	143,679	163,679	193,679
Total assets	1,105,415	1,102,197	1,103,472	1,151,114	1,195,031
Short-term debt	-	-	-	-	-
Creditors	9,208	9,785	9,971	10,953	12,008
Other current liabs	647,940	697,050	729,665	771,164	808,448
Long-term debt/CBs	4,083	11,988	11,988	11,988	11,988
Provisions/other LT liabs	39,994	43,350	43,350	43,350	43,350
Minorities/other equity	658	1,048	1,048	1,048	1,048
Shareholder funds	403,531	338,976	307,451	312,612	318,190
Total liabs & equity	1,105,415	1,102,197	1,103,472	1,151,114	1,195,031
Ratio analysis					
Revenue growth (% YoY)	4.7	5.0	2.2	10.8	9.5
Ebitda growth (% YoY)	(4.6)	4.7	(12.9)	11.0	14.9
Ebitda margin (%)	21.1	21.1	18.0	18.0	18.9
Net profit margin (%)	19.1	18.8	15.6	14.6	14.4
Dividend payout (%)	95.3	121.6	80.0	80.0	80.0
Effective tax rate (%)	36.4	33.9	33.9	33.9	33.9
Ebitda/net int exp (x)	2,080.6	771.9	128.7	142.9	164.1
Net debt/equity (%)	(130.3)	(109.2)	(89.9)	(70.2)	(47.9)
ROE (%)	33.2	38.3	37.3	40.3	42.9
ROIC (%)	-	-	781.6	142.6	93.6
EVA@/IC (%)	0.0	0.0	769.0	130.0	80.9

Source: CLSA



Research subscriptions

To change your report distribution requirements, please contact your CLSA sales representative or email us at cib@clsa.com. You can also fine-tune your Research Alert email preferences at https://www.clsa.com/member/tools/email_alert/.

Companies mentioned

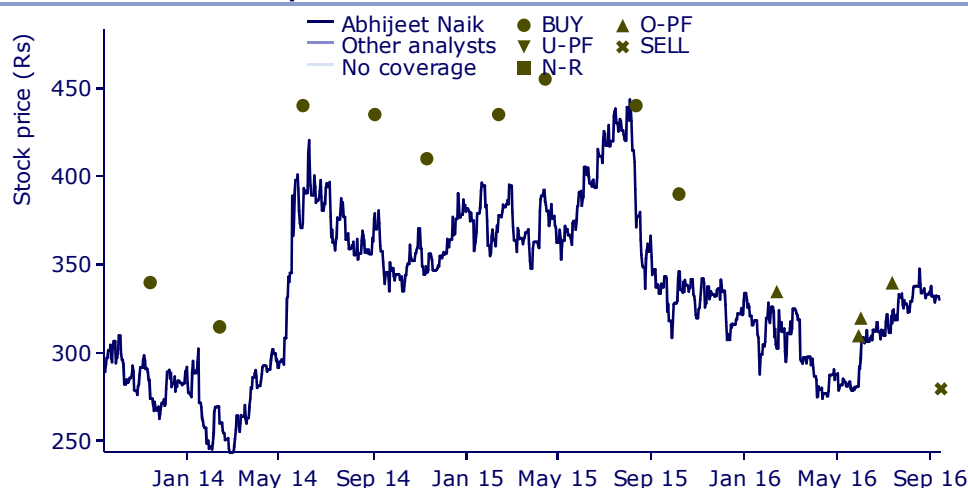
Coal India (COAL IS - RS330.45 - SELL)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

Recommendation history of Coal India Ltd COAL IS



Date	Rec	Target	Date	Rec	Target
LATEST	SELL	280.00	15 Apr 2015	BUY	455.00
12 Jul 2016	O-PF	340.00	13 Feb 2015	BUY	435.00
01 Jun 2016	O-PF	320.00	11 Nov 2014	BUY	410.00
29 May 2016	O-PF	310.00	04 Sep 2014	BUY	435.00
12 Feb 2016	O-PF	335.00	02 Jun 2014	BUY	440.00
07 Oct 2015	BUY	390.00	13 Feb 2014	BUY	315.00
12 Aug 2015	BUY	440.00	14 Nov 2013	BUY	340.00

Source: CLSA

The policy of CLSA (which for the purpose of this disclosure includes subsidiaries of CLSA B.V. and CLSA Americas, LLC ("CLSA Americas")), and CL Securities Taiwan Co., Ltd. ("CLST") is to only publish research that is impartial, independent, clear, fair, and not misleading. Analysts may not receive compensation from the companies they cover. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This research disclosure should be read in

conjunction with the research disclaimer as set out at www.clsa.com/disclaimer.html and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. This research disclosure is for your information only and does not constitute any recommendation, representation or warranty. Absence of a discloseable position should not be taken as endorsement on the validity or quality of the research report or recommendation.

To maintain the independence and integrity of CLSA's

research, our Corporate Finance, Sales Trading and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA Corporate Finance (or "investment banking") department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management.

CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading and Research activities. Some examples of these controls include: the use of information barriers and other information controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Neither analysts nor their household members/associates may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

Unless specified otherwise, CLSA/CLSA Americas/CLST did not receive investment banking/non-investment banking income from, and did not manage/co-manage a public offering for, the listed company during the past 12 months, and it does not expect to receive investment banking compensation from the listed company within the coming three months. Unless mentioned otherwise, CLSA/CLSA Americas/CLST does not own a material discloseable position, and does not make a market, in the securities.

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of

fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, nonpublic information regarding the subject company at the time of publication of the report. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

Key to CLSA/CLSA Americas/CLST investment rankings: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF: Total expected return below 20% but exceeding market return; U-PF: Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

In the case of US stocks, the recommendation is relative to the expected return for the S&P500 of 10%. Exceptions may be made depending upon prevailing market conditions. We define as "Double Baggers" stocks we expect to yield 100% or more (including dividends) within three years at the time the stocks are introduced to our "Double Bagger" list. "High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

Overall rating distribution for CLSA/CLSA Americas only /CLST only Universe:

Overall rating distribution: Buy / Outperform - CLSA: 59.66%; CLSA Americas only: 57.77%; CLST only: 76.81%, Underperform / Sell - CLSA: 40.34%; CLSA Americas only: 42.23%; CLST only: 23.19%, Restricted - CLSA: 0.00%; CLSA Americas only: 0.00%; CLST only: 0.00%. Data as of 30 June 2016.

Investment banking clients as a % of rating category: Buy / Outperform - CLSA: 2.13%; CLSA Americas only: 0.00%; CLST only: 0.00%, Underperform / Sell - CLSA: 1.67%; CLSA Americas only: 0.00%; CLST only: 0.00%, Restricted - CLSA: 0.00%; CLSA Americas only: 0.00%; CLST only: 0.00%. Data for 12-month period ending 30 June 2016.

There are no numbers for Hold/Neutral as CLSA/CLSA Americas/CLST do not have such investment rankings.

For a history of the recommendations and price targets for companies mentioned in this report, as well as company specific disclosures, please write to: (a) CLSA Americas, Compliance Department, 1301 Avenue of the Americas, 15th Floor, New York, New York 10019-6022; (b) CLSA, Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong and/or; (c) CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). © 2016 CLSA Limited, CLSA Americas, and/or CLST.

© 2016 CLSA Limited, CLSA Americas, LLC ("CLSA Americas") and/or CL Securities Taiwan Co., Ltd. ("CLST")

This publication/communication is subject to and incorporates the terms and conditions of use set out on the www.clsa.com website (www.clsa.com/disclaimer.html). Neither the publication/communication nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA group of companies (excluding CLSA Americas, LLC) ("CLSA"), CLSA Americas (a broker-dealer registered with the US Securities and Exchange Commission and an affiliate of CLSA) and/or CLST.

CLSA, CLSA Americas and CLST has/have produced this publication/communication for private circulation to professional, institutional and/or wholesale clients only. This publication/communication may not be distributed or redistributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA, CLSA Americas and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and we make no representation or warranty as to its accuracy, completeness or correctness. Any opinions or estimates herein reflect the judgment of CLSA, CLSA Americas and/or CLST at the date of this publication/communication and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA, CLSA Americas and/or CLST. This is not a solicitation or any offer to buy or sell. This publication/communication is for information purposes only and does not constitute any recommendation, representation, warranty or guarantee

of performance. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this publication/communication, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including tax advice. CLSA, CLSA Americas and/or CLST do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA, CLSA Americas and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this publication/communication or its contents. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

Subject to any applicable laws and regulations at any given time, CLSA, CLSA Americas, CLST, their respective affiliates or companies or individuals connected with CLSA/CLSA Americas/CLST may have used the information contained herein before publication and may have positions in, may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, investors should be aware that CLSA, CLSA Americas, CLST and/or their respective affiliates or companies or such individuals may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA, CLSA Americas and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company covered in this publication/communication.. If investors have any difficulty accessing this website, please contact

webadmin@clsa.com on +852 2600 8111. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

This publication/communication is distributed for and on behalf of CLSA Limited (for research compiled by non-US and non-Taiwan analyst(s)), CLSA Americas (for research compiled by US analyst(s)) and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd; in Hong Kong by CLSA Limited; in India by CLSA India Private Limited (formerly CLSA India Limited), (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd; in Korea by CLSA Securities Korea Ltd; in Malaysia by CLSA Securities Malaysia Sdn Bhd; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST and in United Kingdom by CLSA (UK).

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No: INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking securities and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com.

United States of America: Where any section of the research is compiled by US analyst(s), it is distributed by CLSA Americas. Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas.

Canada: The delivery of this research report to any

person in Canada shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in Canada wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas.

United Kingdom: In the United Kingdom, this research is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The research is disseminated in the EU by CLSA (UK), which is authorised and regulated by the Financial Conduct Authority. This document is directed at persons having professional experience in matters relating to investments as defined in Article 19 of the FSMA 2000 (Financial Promotion) Order 2005. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where the research material is compiled by the UK analyst(s), it is produced and disseminated by CLSA (UK). For the purposes of the Financial Conduct Rules this research is prepared and intended as substantive research material.

Singapore: In Singapore, research is issues and/or distributed by CLSA Singapore Pte Ltd (Company Registration No.: 198703750W), a Capital Markets Services license holder to deal in securities and an exempt financial adviser, a solely to persons who qualify as an institutional investor, accredited investor or expert investor, as defined in s.4A(1) of the Securities and Futures Act. Pursuant to Paragraphs 33, 34, 35 and 36 of the Financial Advisers (Amendment) Regulations 2005 of the Financial Advisers Act (Cap 110) with regards to an institutional investor, accredited investor expert investor or Overseas Investor, sections 25, 27 and 36 of the Financial Adviser Act (Cap 110) shall not apply to CLSA Singapore Pte Ltd. Please contact CLSA Singapore Pte Ltd (telephone No.: +65 6416 7888) in connection with queries on the report. MCI (P) 013 11 2015

The analysts/contributors to this publication/communication may be employed by any relevant CLSA entity (including CLSA Americas), CLST or a subsidiary of CITIC Securities Company Limited which is different from the entity that distributes the publication/communication in the respective jurisdictions.

MSCI-sourced information is the exclusive property of Morgan Stanley Capital International Inc (MSCI). Without

prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to,

computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are service marks of MSCI and its affiliates. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. GICS is a service mark of MSCI and S&P and has been licensed for use by CLSA.

EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA/CLSA Americas and "CT" stands for CLST estimates unless otherwise noted in the source.