

Bata BN BV, the holding company, acquired 0.95% stake in Bata India at average price of Rs888.05/share. Bata BN BV is a subsidiary of Leader AG (the privately held Bata Shoe Organization). ([See Holding Structure](#))

The theory of Bata Shoe Organization (BSO) increasing its stake in the Indian operations by buy-back has been fuelled by the cash on books of Bata India (Rs2.54 bn as on H1CY13). However, the stake increase came from a market purchase where the seller is reported as ICICI Brokerage Services. While the stake purchased is minor ([yet purchased at 33x trailing P/E as against 9x in other markets](#)) and may not appear material in the current context. What would be of interest is the intent of the parent company with regards to its stake in the Indian business.

To comprehend the action and intent, we conducted further research on BSO and its strategy with respect to other listed arms of BSO. There have been three instances of share purchase in the recent past viz Thailand, Indonesia and Pakistan. In Thailand the company increased its stake and de-listed the business in CY10 whereas in Pakistan it upped its stake in two tranches (July 2011 –8% and August 2012-7%). [The mode of acquisition in Pakistan](#) bears an uncanny resemblance to the acquisition (acquired from an Investment Bank/Broking Firm through the holding company) made in India in Nov 2013. In 2005 the parent company stated its intent to increase its stake in the Indian business once the turnaround of the operations was attained.

Moreover, the dividend payout of Bata Pakistan increased significantly after the acquisition of first tranche and eventually the company took its stake to 75%. The payout ratio for Bata Pakistan 9MCY13 was 53%. A deeper look into the Bata Pakistan transaction where the seller was an Investment Bank and the circumstances under which the stake was acquired India would make one dwell deeper as to if we are likely to witness déjà-vu in India.

However, there would be many questions which would arise and some pertinent ones such as the wherewithal of BSO to replicate such a transaction in India. While little is known about of BSO's financial strength, we gather that the BSO is growing at healthy rate in CY13 (>10%), profits are growing faster than sales as per the management commentary and has a reach of ~6000 outlets, with 30,000 employees in 85 countries it may well be able to use the creeping route to acquire stake. However, with sales of over 300 mn pairs it wouldn't be unfair to estimate that BSO would command sales of \$3bn and hence would be in a strong position to acquire further stake. ([Refer comparative table](#))

However, with Bata India's royalty (currently 1.5%) being the lowest amongst its listed group companies (3-4%) the probability of increase in royalty/technical collaboration fees/trademark fees remains high. However, empirical data suggests that that parent company has utilized the proceeds of royalty to increase its stake in the respective entity. We expect earnings momentum to gather pace over CY14E on the low base, ramping up of stores opened in CY10 and CY11 (254 gross) thus translating into a 30% PAT growth in CY14. We value the company at 30xCY14 earnings / 18x CY14E EV/EBITDA. **Maintain BUY.**

## BUY

BATA IN | CMP RS 1061

TARGET RS 1157 (+9%)

### Company Data

O/S SHARES (MN) :	64
MARKET CAP (RSBN) :	68.2
MARKET CAP (USDBN) :	1.1
52 - WK HI/LO (RS) :	1071 / 688
LIQUIDITY 3M (USDMN) :	4.4
FACE VALUE (RS) :	10

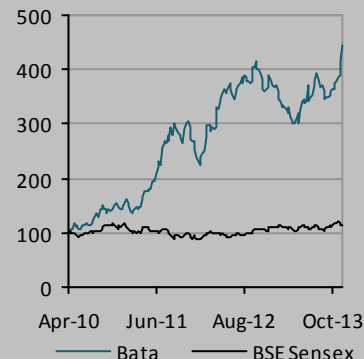
### Share Holding Pattern, %

PROMOTERS :	52.0
FII / NRI :	17.9
FI / MF :	12.2
NON PROMOTER CORP. HOLDINGS :	4.0
PUBLIC & OTHERS :	13.9

### Price Performance, %

	1mth	3mth	1yr
ABS	19.0	28.0	17.5
REL TO BSE	20.3	18.1	7.4

### Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

### Other Key Ratios

Rs mn	CY12	CY13E	CY14E
Net Sales	18,425	21,092	24,980
EBIDTA	2,750	3,122	3,872
Net Profit	1,721	1,912	2,480
EPS, Rs	26.8	29.7	38.6
PER, x	39.6	35.7	27.5
EV/EBIDTA, x	24.1	20.8	16.5
P/BV, x	3.6	3.1	2.5
ROE, %	24.6	22.9	24.3

Source: PhillipCapital India Research Est.

**Abhishek Ranganathan** (+ 9122 6667 9952)  
abhishekr@phillipcapital.in

**Neha Garg** (+ 9122 6667 9996)  
ngarg@phillipcapital.in

### Acquisition across the geographies

Particulars	Global	Bangladesh		Indonesia	Pakistan
	(BSO)	India	CY12	CY12	CY12
Estimated Turnover (mn \$)	3000	317	95	64	106
Stores (Nos.)	6000	1358	242	533	386
Pairs (Nos. Mn)	300	50	30	12	18
ASP	10.0	6.3	3.2	5.3	5.9
Acquisition Period	NA	CY13	NA	CY06-11	CY11 & CY12
Acquired stake	NA	0.95%	NA	16.8%	15.0%
Acquisition	NA	CY13	NA	CY06-11	CY11 & CY12
Cost of acquisition (mn \$)	NA	8	NA	7.7	10
Royalty paid during the acquisition period (mn \$)	NA	2.91	NA	10	7.3
Average acquisition P/E (trailing)	NA	33.2	NA	9	8

Source: Company, Bloomberg, PhillipCapital Research

### Comparison of Operating performance of Bata India and its peers in other geographies

Particulars	2005	2006	2007	2008	2009	2010	2011	2012
<b>Bata Indonesia (Mn IDR)</b>								
Revenue	434,916	428,630	493,717	539,762	598,466	644,189	678,592	751,449
Gross Margin	41.9%	42.9%	44.5%	44.2%	46.1%	47.5%	45.5%	46.6%
Royalty	1.6%	1.7%	1.7%	2.3%	2.9%	3.5%	3.9%	4.0%
EBIT Margin	10.0%	8.5%	12.5%	10.4%	12.5%	13.5%	12.1%	13.3%
PAT Margin	5.8%	4.7%	7.7%	8.3%	8.9%	9.5%	8.3%	9.2%
Parent Co Stake	65.0%	65.8%	68.2%	76.6%	76.7%	78.1%	81.8%	81.8%
Dividend Payout	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%

#### Bata Pakistan (Mn PKR)

Revenue	2,543	2,989	3,964	5,107	6,428	8,330	9,816	11,477
Gross Margin	36.9%	37.2%	41.3%	42.4%	41.6%	40.0%	36.1%	37.1%
Royalty	0.1%	0.1%	0.7%	1.8%	3.0%	2.9%	3.8%	3.7%
EBIT Margin	7.3%	8.8%	14.4%	13.5%	13.2%	14.8%	11.0%	12.5%
PAT Margin	3.3%	3.7%	9.0%	9.4%	9.1%	10.5%	7.6%	8.9%
Parent Co Stake	60%	60%	60%	60%	60.0%	60.0%	68.0%	75.0%
Dividend Payout	40%	50%	16.9%	12.7%	15.5%	24.3%	20.2%	39.3%

#### Bata Bangladesh (Mn BDT)

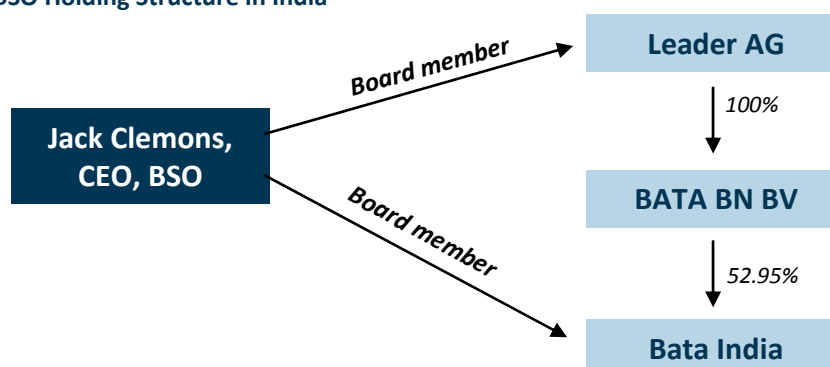
Revenue	NA	NA	NA	4,623	5,141	5,663	6,648	7,385
Gross Margin	NA	NA	NA	34.4%	37.0%	36.1%	35.5%	36.1%
Royalty	NA	NA	NA	0.2%	0.2%	0.8%	3.9%	3.9%
EBIT Margin	NA	NA	NA	14.0%	12.8%	13.6%	12.8%	13.6%
PAT Margin	NA	NA	NA	9.7%	8.7%	9.6%	8.7%	9.1%
Parent Co Stake	NA	NA	NA	70.0%	70.0%	70.0%	70.0%	70.0%
Dividend Payout	NA	NA	NA	67.0%	67.0%	62.9%	58.9%	56.0%

#### Bata India (Mn INR)

Revenue	7,068	7,702	8,675	9,877	10,924	12,758	15,491	18,425
Gross Margin	50%	50%	51%	51%	53%	79%	53%	53%
Royalty	0	0	0	101	133	149	152	179
EBIT Margin	1%	4%	5%	7%	9%	10%	12%	12%
PAT Margin	-1%	1.4%	4.7%	6.0%	5.7%	6.9%	10.2%	9.3%
Parent Co Stake	52.01%	52.01%	52.01%	52.01%	52.01%	52.01%	52.01%	52.01%
Dividend Payout	0%	0%	32%	27%	31%	29%	15%	22%

Source: Company, Bloomberg, PhillipCapital Research

### The BSO Holding Structure in India



Source: moneyhouse.ch, Company

Bata (BN) B.V. is a privately held investment company located in Amsterdam. Bata (BN) B.V.'s nature of activities are to be a holding company carrying on financial activities and currently the only investment is Bata Shoe Organization's 51% investment in Bata India. - Rights Offer Document, May, 2005

Leader AG, St. Moritz, Switzerland, is a wholly owned subsidiary by the name of Bata Shoe Company Limited on December 23, 1931. Leader AG, Switzerland was, and still is, a member of the multi-national Bata Shoe Organisation (BSO) - Rights Offer Document, May, 2005

### Past Commentary on Stake Hike and Royalty in Bata India –

**Stake Hike** - "the Bata family would be taking a view on enhancing its holding in Bata India once the restructuring was over and as soon as the company turns around" – June 2005, comments made in media at the sidelines of Bata's 72nd annual general meeting

**Technical Collaboration fee/Royalty-** "The Company heavily depends on its Promoter group for its technology. The Company has entered into a Technical Collaboration Agreement dated December 29, 2000 with Bata Limited, Canada (Bata Canada) for a period of 10 years, for receiving various services from Bata Canada, including (i) engineering services; (ii) construction and architectural services; (iii) research and development services; (iv) testing and quality control services; (v) footwear technology and general technical services; (vi) environmental, health and safety services; and (vii) brand development services. Under the Technical Collaboration Agreement dated December 29, 2000 with Bata Canada, the Company is required to pay to Bata Canada royalty at the rate of 1.5% of the gross turnover on domestic sales and export sales." – Rights Offer Document, May, 2005.

The company continued to pay technical collaboration fees at ~1% till 2012 implying that the agreement has been renewed. However, it is possible there fees range could be higher than 1% for future payouts. No information is available on the same in public domain.

### The Bata Pakistan Stake hike–

Bafin B.V. (Nederland) is the parent company of Bata Pakistan Limited. Bafin held 60% stake in Bata Pakistan till July 2011. In July 2011 the company acquired 7% stake through off market transactions (for want of liquidity) and similarly acquired another 8% stake in Aug 2012. The seller on this occasion was BMA Capital, an Investment Bank, which apparently acquired the shares at the behest of Bafin and later on sold it to Bafin.

#### The details of acquisition are as follows –

		Trade Qty	Price	Amount	Market Cap PKR Mn
1	29-Jul-11	25,000	690	17.25	5,216.40
2	29-Jul-11	25,000	690	17.25	5,216.40
3	29-Jul-11	25,000	690	17.25	5,216.40
4	29-Jul-11	25,000	690	17.25	5,216.40
5	29-Jul-11	25,000	700	17.50	5,292.00
6	29-Jul-11	25,000	700	17.50	5,292.00
7	29-Jul-11	25,000	700	17.50	5,292.00
8	29-Jul-11	25,000	700	17.50	5,292.00
9	29-Jul-11	25,000	715	17.88	5,405.40
10	29-Jul-11	25,000	715	17.88	5,405.40
11	29-Jul-11	25,000	715	17.88	5,405.40
12	29-Jul-11	13,232	715	9.46	5,405.40
13	29-Jul-11	25,000	715	17.88	5,405.40
14	29-Jul-11	25,000	715	17.88	5,405.40
15	29-Jul-11	25,000	715	17.88	5,405.40
16	29-Jul-11	25,000	715	17.88	5,405.40
17	29-Jul-11	25,000	715	17.88	5,405.40
18	29-Jul-11	25,000	715	17.88	5,405.40
19	29-Jul-11	25,000	690	17.25	5,216.40
20	29-Jul-11	25,000	690	17.25	5,216.40
21	29-Jul-11	25,000	690	17.25	5,216.40
22	29-Jul-11	25,000	690	17.25	5,216.40
23	29-Jul-11	11,757	690	8.11	5,216.40
24	29-Aug-12	259,400	1000	259.40	7,560.00
25	30-Aug-12	328,100	1000	328.10	7,560.00
<b>Total</b>		<b>1,137,489</b>	<b>726.4</b>	<b>973.95</b>	

Source: Bata Pakistan, PhillipCapital Research

The dividend payout of Bata Pakistan increased in CY12 (post the second acquisition in August 2012) to 39% (nearly doubling). And 9M CY13 the payout has been 53%.

PKR Mn	2007	2008	2009	2010	2011	2012	9M CY13
Revenue	3,964	5,107	6,428	8,330	9,816	11,477	9,382
EBITDA	622	744	915	1,301	1,157	1,533	1,270
% Margin	15.7%	14.6%	14.2%	15.6%	11.8%	13.4%	13.5%
PAT	359	478	586	871	748	1,021	936
RoE %	37%	33%	30%	32%	23%	26%	27%
Payout	17%	13%	15%	24%	20%	39%	53%
Total Shares Mn	7.56	7.56	7.56	7.56	7.56	7.56	7.56
Parent Co Stake	60%	60%	60%	60%	68%	75%	75%

Source: Company, Bloomberg, PhillipCapital Research

## Financials

### Income Statement

Y/E Mar, Rs mn	CY11	CY12	CY13E	CY14E
<b>Net sales</b>	<b>18,425</b>	<b>21,092</b>	<b>24,980</b>	<b>29,901</b>
Growth, %	19	14	18	20
Total income	18,425	21,092	24,980	29,901
Raw material expenses	-8,680	-9,934	-11,740	-13,994
Other Operating expenses	-6,994	-8,036	-9,367	-11,123
<b>EBITDA (Core)</b>	<b>2,750</b>	<b>3,122</b>	<b>3,872</b>	<b>4,784</b>
Growth, %	19.4	13.5	24.0	23.6
Margin, %	14.9	14.8	15.5	16.0
Depreciation	-514	-617	-689	-755
<b>EBIT</b>	<b>2,236</b>	<b>2,505</b>	<b>3,183</b>	<b>4,029</b>
Growth, %	18.3	12.0	27.1	26.6
Margin, %	12.1	11.9	12.7	13.5
Interest paid	-10	0	0	0
Other Non-Operating Income	301	306	463	548
<b>Pre-tax profit</b>	<b>2,526</b>	<b>2,811</b>	<b>3,646</b>	<b>4,577</b>
Tax provided	-805	-900	-1,167	-1,510
<b>Profit after tax</b>	<b>1,721</b>	<b>1,912</b>	<b>2,480</b>	<b>3,067</b>
<b>Net Profit</b>	<b>1,721</b>	<b>1,912</b>	<b>2,480</b>	<b>3,067</b>
Growth, %	8.5	11.1	29.7	23.7
<b>Net Profit (adjusted)</b>	<b>1,721</b>	<b>1,912</b>	<b>2,480</b>	<b>3,067</b>
Unadj. shares (m)	64	64	64	64
Wtd avg shares (m)	64	64	64	64

### Balance Sheet

Y/E Mar, Rs mn	CY11	CY12	CY13E	CY14E
Cash & bank	1,877	3,231	4,491	6,459
Debtors	448	519	615	736
Inventory	4,621	4,899	5,790	6,901
Loans & advances	1,209	2,109	2,498	2,990
Other current assets	80	91	108	129
Total current assets	8,235	10,850	13,502	17,216
Gross fixed assets	5,628	6,628	7,328	8,028
Less: Depreciation	-3,200	-3,818	-4,506	-5,261
Add: Capital WIP	188	188	188	188
Net fixed assets	2,616	2,998	3,010	2,955
<b>Total assets</b>	<b>11,294</b>	<b>14,292</b>	<b>16,955</b>	<b>20,615</b>
Current liabilities	4,305	5,931	6,762	8,131
Total current liabilities	4,305	5,931	6,762	8,131
Total liabilities	4,305	5,931	6,762	8,131
Paid-up capital	643	643	643	643
Reserves & surplus	6,347	7,719	9,551	11,840
Shareholders' equity	6,989	8,361	10,193	12,483
<b>Total equity &amp; liabilities</b>	<b>11,294</b>	<b>14,292</b>	<b>16,955</b>	<b>20,615</b>

Source: Company, PhillipCapital India Research Estimates

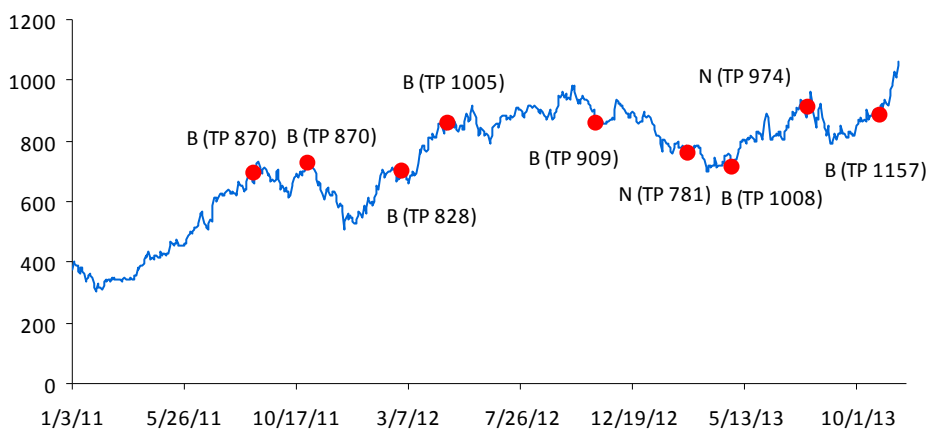
### Cash Flow

Y/E Mar, Rs mn	CY11	CY12	CY13E	CY14E
Pre-tax profit	2,526	2,811	3,646	4,577
Depreciation	514	617	689	755
Chg in working capital	-191	365	-561	-376
Total tax paid	-907	-900	-1,167	-1,510
<b>Cash flow from operating activities</b>	<b>1,942</b>	<b>2,894</b>	<b>2,608</b>	<b>3,445</b>
Capital expenditure	-838	-1,000	-700	-700
<b>Cash flow from investing activities</b>	<b>-838</b>	<b>-1,000</b>	<b>-700</b>	<b>-700</b>
Free cash flow	1,104	1,894	1,908	2,745
Dividend (incl. tax)	-448	-540	-647	-777
Other financing activities	-2	0	0	0
<b>Cash flow from financing activities</b>	<b>-451</b>	<b>-540</b>	<b>-647</b>	<b>-777</b>
Net chg in cash	652	1,354	1,260	1,968
Pre-tax profit	2,526	2,811	3,646	4,577

### Valuation Ratios & Per Share Data

	CY11	CY12	CY13E	CY14E
<b>Per Share data</b>				
EPS (INR)	26.8	29.7	38.6	47.7
Growth, %	8.5	11.1	29.7	23.7
Book NAV/share (INR)	108.8	130.1	158.6	194.2
FDEPS (INR)	26.8	29.7	38.6	47.7
CEPS (INR)	34.8	39.3	49.3	59.5
CFPS (INR)	25.5	40.3	33.4	45.1
DPS (INR)	7.0	8.4	10.1	12.1
<b>Return ratios</b>				
Return on assets (%)	16.8	14.9	15.9	16.3
Return on equity (%)	24.6	22.9	24.3	24.6
Return on capital employed (%)	27.2	24.9	26.7	27.0
<b>Turnover ratios</b>				
Asset turnover (x)	4.2	4.5	5.0	5.5
Sales/Total assets (x)	1.8	1.6	1.6	1.6
Sales/Net FA (x)	7.5	7.5	8.3	10.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Working capital days	40.7	29.2	32.9	32.0
<b>Liquidity ratios</b>				
Current ratio (x)	1.9	1.8	2.0	2.1
Quick ratio (x)	0.8	1.0	1.1	1.3
Interest cover (x)	216.7			
Dividend cover (x)	3.8	3.5	3.8	3.9
Net debt/Equity (%)	(26.9)	(38.6)	(44.1)	(51.7)
<b>Valuation</b>				
PER (x)	39.6	35.7	27.5	22.2
PEG (x) - y-o-y growth	4.6	3.2	0.9	0.9
Price/Book (x)	9.8	8.2	6.7	5.5
EV/Net sales (x)	3.6	3.1	2.5	2.1
EV/EBITDA (x)	24.1	20.8	16.5	12.9
EV/EBIT (x)	29.7	25.9	20.0	15.3

### Recommendation History



Source: PhillipCapital India Research

## Management

Vineet Bhatnagar (Managing Director)	(91 22) 2300 2999
Jignesh Shah (Head – Equity Derivatives)	(91 22) 6667 9735

## Research

### Automobiles

Deepak Jain	(9122) 6667 9758
Priya Ranjan	(9122) 6667 9965

### Banking, NBFCs

Manish Agarwalla	(9122) 6667 9962
Sachit Motwani, CFA, FRM	(9122) 6667 9953

### Consumer, Media, Telecom

Naveen Kulkarni, CFA, FRM	(9122) 6667 9947
Ennette Fernandes	(9122) 6667 9764
Vivekanand Subbaraman	(9122) 6667 9766

### Cement

Vaibhav Agarwal	(9122) 6667 9967
-----------------	------------------

### Economics

Anjali Verma	(9122) 6667 9969
--------------	------------------

### Engineering, Capital Goods

Ankur Sharma	(9122) 6667 9759
Aditya Bahety	(9122) 6667 9986

### Infrastructure & IT Services

Vibhor Singhal	(9122) 6667 9949
Varun Vijayan	(9122) 6667 9992

### Metals

Dhawal Doshi	(9122) 6667 9769
Dharmesh Shah	(9122) 6667 9974

### Oil&Gas, Agri Inputs

Gauri Anand	(9122) 6667 9943
Deepak Pareek	(9122) 6667 9950
Saurabh Rathi	(9122) 6667 9951

### Pharma

Surya Patra	(9122) 6667 9768
-------------	------------------

### Retail, Real Estate

Abhishek Ranganathan, CFA	(9122) 6667 9952
Neha Garg	(9122) 6667 9996

### Quant

Shikha Khurana	(9122) 6667 9948
----------------	------------------

### Database Manager

Vishal Randive	(9122) 6667 9944
----------------	------------------

### Sr. Manager – Equities Support

Rosie Ferns	(9122) 6667 9971
-------------	------------------

## Sales & Distribution

Kinshuk Tiwari	(9122) 6667 9946
Ashvin Patil	(9122) 6667 9991
Shubhangi Agrawal	(9122) 6667 9964
Kishor Binwal	(9122) 6667 9989
Sidharth Agrawal	(9122) 6667 9934
Dipesh Sohani	(9122) 6667 9756

### Sales Trader

Dilesh Doshi	(9122) 6667 9747
Sunil Pandit	(9122) 6667 9745

### Execution

Mayur Shah	(9122) 6667 9945
------------	------------------

## Contact Information (Regional Member Companies)

### SINGAPORE

#### Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,  
Singapore 179101  
Tel : (65) 6533 6001 Fax: (65) 6535 3834  
[www.phillip.com.sg](http://www.phillip.com.sg)

### JAPAN

#### Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026  
Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141  
[www.phillip.co.jp](http://www.phillip.co.jp)

### THAILAND

#### Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,  
Silom, Bangrak, Bangkok 10500 Thailand  
Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921  
[www.phillip.co.th](http://www.phillip.co.th)

### UNITED STATES

#### Phillip Futures Inc.

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel (1) 312 356 9000 Fax: (1) 312 356 9005

### MALAYSIA

#### Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur  
Tel (60) 3 2162 8841 Fax (60) 3 2166 5099  
[www.poems.com.my](http://www.poems.com.my)

### INDONESIA

#### PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,  
Jakarta 10220, Indonesia  
Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809  
[www.phillip.co.id](http://www.phillip.co.id)

### FRANCE

#### King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France  
Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

### AUSTRALIA

#### PhillipCapital Australia

Level 37, 530 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel: (61) 3 9629 8380 Fax: (61) 3 9614 8309  
[www.phillipcapital.com.au](http://www.phillipcapital.com.au)

### INDIA

#### PhillipCapital (India) Private Limited

No. 1, C-Block, 2<sup>nd</sup> Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011  
Tel: (9122) 2300 2999 Fax: (9122) 6667 9955 [www.phillipcapital.in](http://www.phillipcapital.in)

### HONG KONG

#### Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong  
Tel (852) 2277 6600 Fax: (852) 2868 5307  
[www.phillip.com.hk](http://www.phillip.com.hk)

### CHINA

#### Phillip Financial Advisory (Shanghai) Co. Ltd.

No 550 Yan An East Road, Ocean Tower Unit 2318  
Shanghai 200 001  
Tel (86) 21 5169 9200 Fax: (86) 21 6351 2940  
[www.phillip.com.cn](http://www.phillip.com.cn)

### UNITED KINGDOM

#### King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS  
Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835  
[www.kingandshaxson.com](http://www.kingandshaxson.com)

### SRI LANKA

#### Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,  
Colombo 2, Sri Lanka  
Tel: (94) 11 2429 100 Fax: (94) 11 2429 199  
[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)

## Disclosures and Disclaimers

PhillipCapital (India) Pvt. Ltd. has three independent equity research groups: Institutional Equities, Institutional Equity Derivatives and Private Client Group. This report has been prepared by Institutional Equities Group. The views and opinions expressed in this document may or may not match or may be contrary at times with the views, estimates, rating, target price of the other equity research groups of PhillipCapital (India) Pvt. Ltd.

This report is issued by PhillipCapital (India) Pvt. Ltd. which is regulated by SEBI. PhillipCapital (India) Pvt. Ltd. is a subsidiary of Phillip (Mauritius) Pvt. Ltd. References to "PCIPL" in this report shall mean PhillipCapital (India) Pvt. Ltd. unless otherwise stated. This report is prepared and distributed by PCIPL for information purposes only and neither the information contained herein nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment or derivatives. The information and opinions contained in the Report were considered by PCIPL to be valid when published. The report also contains information provided to PCIPL by third parties. The source of such information will usually be disclosed in the report. Whilst PCIPL has taken all reasonable steps to ensure that this information is correct, PCIPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and PCIPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication to future performance.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax and financial advisors and reach their own regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. PhillipCapital (India) Pvt. Ltd. or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such. Any opinions expressed reflect judgments at this date and are subject to change without notice

**Important:** These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

**Certifications:** The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members does not own the stock(s) covered in this research report.

**Independence:** PhillipCapital (India) Pvt. Ltd. has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and PhillipCapital (India) Pvt. Ltd. does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. PhillipCapital (India) Pvt. Ltd. is not a market maker in the securities mentioned in this research report, although it or its affiliates may hold either long or short positions in such securities. PhillipCapital (India) Pvt. Ltd. does not hold more than 1% of the shares of the company(ies) covered in this report.

**Suitability and Risks:** This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience. The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

**Sources, Completeness and Accuracy:** The material herein is based upon information obtained from sources that PCIPL and the research analyst believe to be reliable, but neither PCIPL nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, PCIPL is under no obligation to update or keep the information current.

**Copyright:** The copyright in this research report belongs exclusively to PCIPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the PCIPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

**Caution:** Risk of loss in trading in can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**For U.S. persons only:** This research report is a product of PhillipCapital (India) Pvt Ltd. which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by PhillipCapital (India) Pvt Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, PhillipCapital (India) Pvt Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer

**PhillipCapital (India) Pvt. Ltd.**

**Registered office:** 2nd Floor, C-Block, Modern Centre, Mahalaxmi, Mumbai – 400011