

Strides Arcolab

FY15 annual report: spreading wings

INDIA

STR IN Outperform

Price (at 12:16, 07 Jul 2015 GMT) Rs1,203.60

Valuation Rs 1,700.00

- Sum of Parts

12-month target Rs 1,700.00

Upside/Downside % +41.2

12-month TSR % +41.8

Volatility Index High

GICS sector

Pharmaceuticals, Biotechnology & Life Sciences

Market cap Rsm 97,492

Market cap US\$m 1,536

Free float % 61

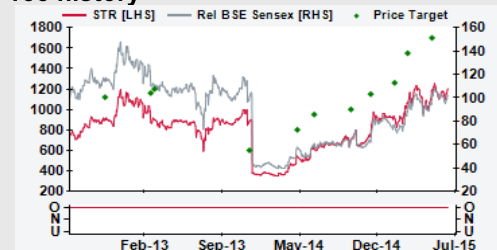
30-day avg turnover US\$m 9.4

Number shares on issue m 81.00

Investment fundamentals

Year end 31 Mar		2015A	2016E	2017E	2018E
Revenue	m	12,190	35,636	46,491	53,521
EBITDA	m	2,520	6,753	9,531	11,250
EBITDA growth	%	-11.2	168.0	41.1	18.0
EBIT growth	%	-17.3	206.1	43.1	18.5
Adjusted profit	m	1,624	4,266	6,301	7,316
EPS adj	Rs	27.15	52.49	77.51	90.00
EPS adj growth	%	32.4	93.3	47.7	16.1
PER adj	x	44.3	22.9	15.5	13.4
Total DPS	Rs	108.00	5.00	5.00	5.00
Total div yield	%	9.0	0.4	0.4	0.4
ROA	%	8.2	12.7	11.7	12.4
ROE	%	15.1	28.7	29.6	26.4
EV/EBITDA	x	29.2	14.7	10.4	8.8
Net debt/equity	%	15.9	146.5	103.2	70.8
P/BV	x	6.3	5.3	4.0	3.1

STR IN rel BSE Sensex performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, July 2015

(all figures in INR unless noted)

Path to 100% Upside

We view Strides Arcolab as an Emerging Leader that can potentially generate a 100% return over 3 years.

Analyst(s)

Abhishek Singhal

+91 22 6720 4086 abhishek.singhal@macquarie.com

Kumar Saurabh, CFA

+91 22 6720 4091 kumar.saurabh@macquarie.com

8 July 2015

Macquarie Capital Securities India (Pvt) Ltd

Event

- We present key takeaways from STR's FY15 Annual report. .

Impact

- Balance sheet – leverage to increase given acquisitions:** Net debt for STR stood at Rs1.85bn at FY15-end. Post closure of the Shasun and Arrow pharma deal, net debt for STR should be at ~Rs26bn. STR has guided for a healthy net debt/EBITDA of ~3x by FY16-end. Net working capital days for STR stood at ~109 days @FY15-end. Receivable and inventory days for STR remained largely stable at ~117 days and ~62 days, respectively, despite delivering strong growth in EMs. Payable days, which went up in FY14 to ~89 days due to business restructuring, have come down to normalized ~70 days.
- Increased R&D focus bodes well:** R&D investment in pharma grew >60% YoY to Rs329mn in FY15. In FY15, STR filed 6 new ANDAs with USFDA including 2 First-to-file (FTF) filings (17 pending ANDAs at FY15-end). Post Shasun merger, Strides will have a larger formulation basket of 160 products for the US (17 approved, 30 pending, 114 in the pipeline, excl. PEPFAR).
- Investing for the future:** The increase of Rs300m YoY in goodwill to Rs1.37bn is primarily attributed to the Bafna acquisition. Strides has also invested ~Rs687.5m (Rs270m in FY15) as an equity investment and Rs250m as a short term loan in Oncobiologics (a privately held New Jersey biopharmaceutical firm developing a pipeline of bio-similars and next generation bio therapeutics). Humira and Avastin bio-similars are its Lead molecules. The increase in intangibles by Rs422m is primarily attributed to the acquisition of registrations and brands.
- Capex for FY15** stood at Rs2.6bn. This includes investment in biotech biz (~Rs600mn), Bafna acquisition (~Rs480mn) and set up cost of six new manufacturing facilities to support the African business.
- In Africa – for Africa:** African branded business (accounts for ~24% of STR's sales) was one of its fastest growing segments in FY15 (grew >40% YoY) driven by new product launches (100 new products in FY15), an enhanced sales force (field force up 60% YoY to ~220) and investments in the local manufacturing base (two operational and three more to start in next year).

Earnings and target price revision

- No change.

Price catalyst

- 12-month price target: Rs1,700.00 based on a Sum of Parts methodology.
- Catalyst: 1) US approval 2) merger synergies

Action and recommendation

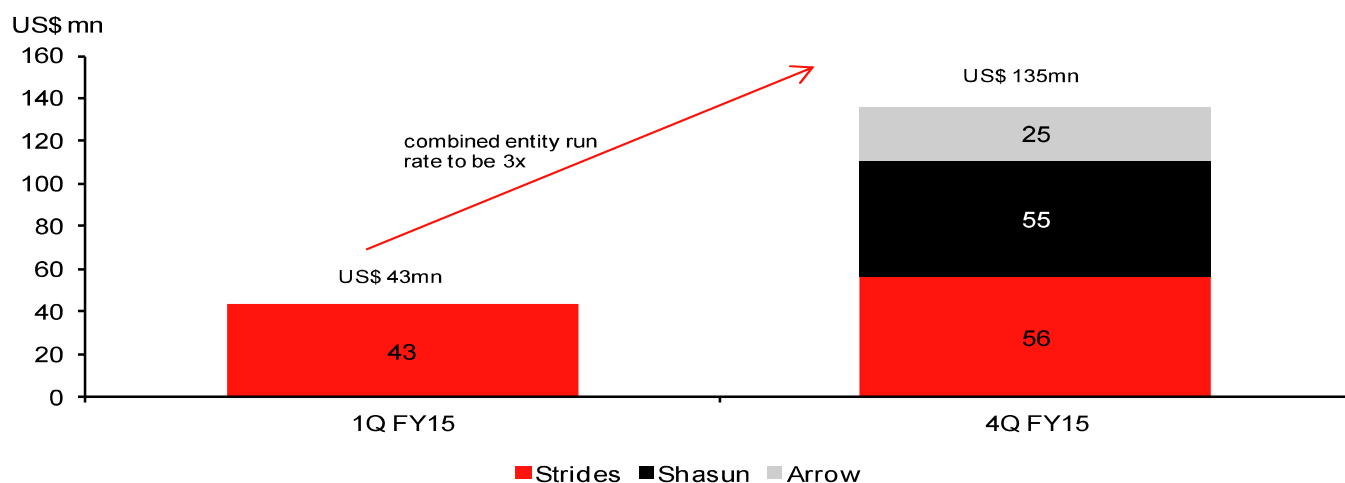
- Annualising the 4Q FY15 EBITDA of the potential combined entity (Strides + Shashun + Australian Arrow Business) already explains 75% of our FY17E consolidated EBITDA for STR.
- STR is our top small cap pick in India's pharma space. Valuations look attractive at 13.5x FY17E PER (given ~25% ROE and >50% EPS CAGR) if we adjust for NPV of pending Agila receivables & Stelis stake.

Fig 1 STR- SOTP based target price of Rs1,700/ share

FY17E EPS	1yr Forward EPS	77.5
Target PER multiple		20.0 x
Operating business value	INR per share	1,550
NPV of Agila Receivables @ 10% WACC	INR per share	85
22% stake in Alvira	INR per share	15
Value of 75% stake in Stellis	INR per share	50
Target Price	INR per share	1,700

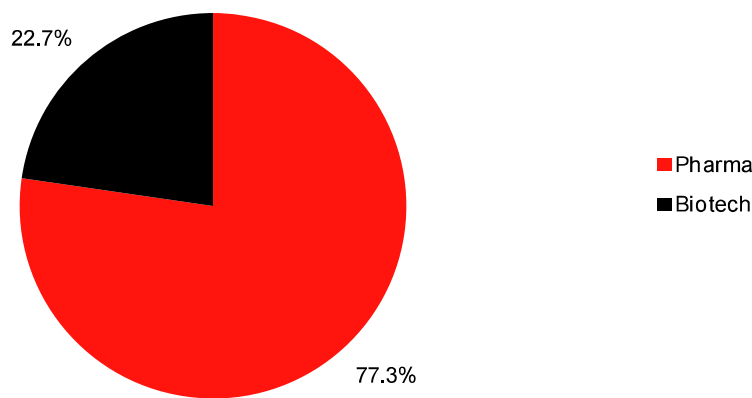
Source: Macquarie Research, May 2015

Fig 2 Gaining scale through organic & inorganic route



Source: Company data, Macquarie Research, May 2015

Fig 3 STR invested Rs2.6bn as capex in FY15 (including Bafna acquisition)



Source: Company data, Macquarie Research, July 2015

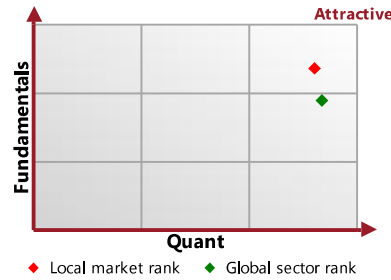
Macquarie Quant View

The quant model currently holds a reasonably positive view on Strides Arcolab. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

68/617

Global rank in
Pharma, Biotech & Life Sciences

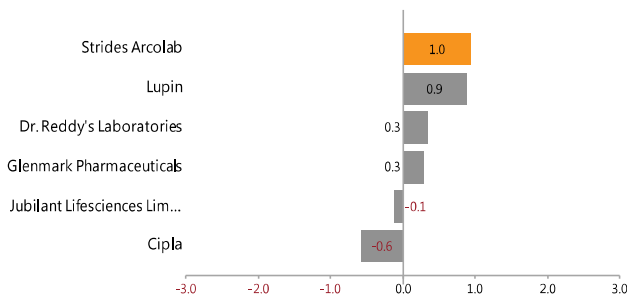
% of BUY recommendations 100% (7/7)
Number of Price Target downgrades 0
Number of Price Target upgrades 0



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.
Two rankings: Local market (India) and Global sector (Pharma, Biotech & Life Sciences)

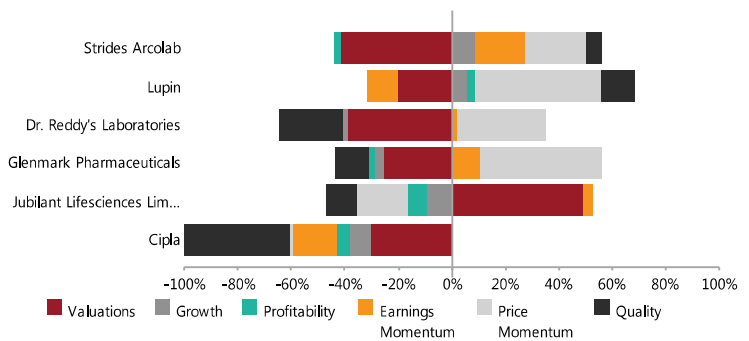
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



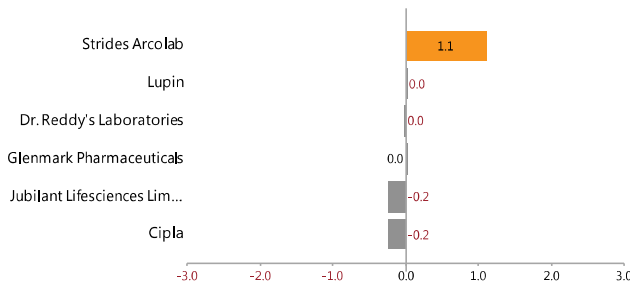
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



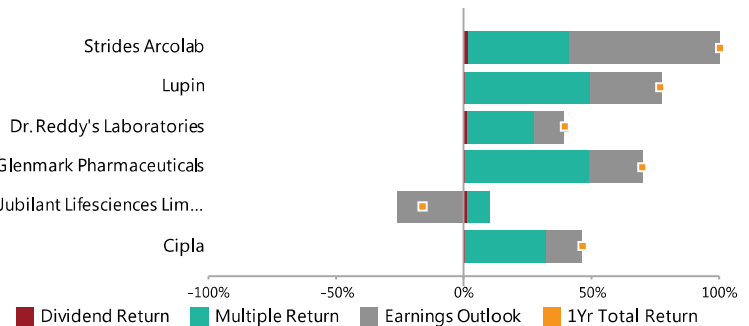
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



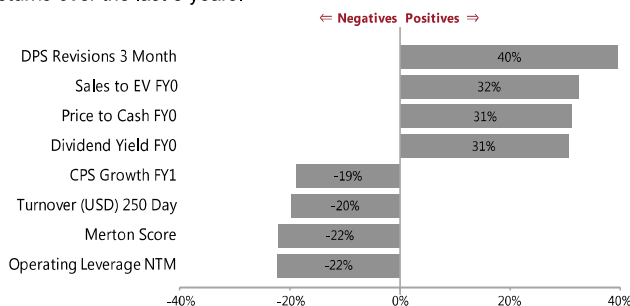
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



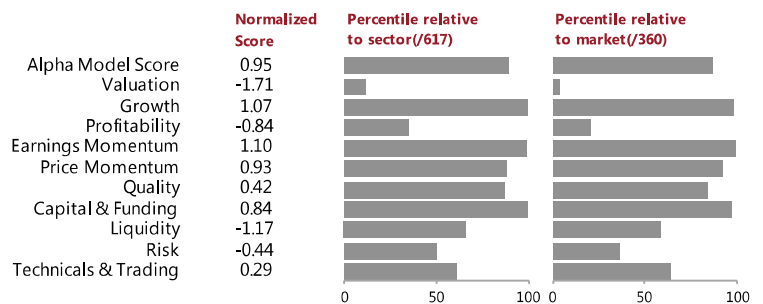
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Strides Arcolab (STR IN, Outperform, Target Price: Rs1,700.00)

Quarterly Results					Profit & Loss						
	4Q/15A	1Q/16E	2Q/16E	3Q/16E		2015A	2016E	2017E	2018E		
Revenue	m	3,048	8,909	8,909	8,909	Revenue	m	12,190	35,636	46,491	53,521
Gross Profit	m	1,646	4,454	4,454	4,454	Gross Profit	m	6,585	17,818	23,710	27,306
Cost of Goods Sold	m	1,401	4,454	4,454	4,454	Cost of Goods Sold	m	5,605	17,818	22,780	26,214
EBITDA	m	630	1,688	1,688	1,688	EBITDA	m	2,520	6,753	9,531	11,250
Depreciation	m	160	250	250	250	Depreciation	m	640	1,000	1,300	1,500
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	470	1,438	1,438	1,438	EBIT	m	1,880	5,753	8,231	9,750
Net Interest Income	m	-119	-223	-223	-223	Net Interest Income	m	-474	-892	-1,000	-1,000
Associates	m	0	0	0	0	Associates	m	0	0	0	0
Exceptionals	m	-97	0	0	0	Exceptionals	m	-388	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	133	25	25	25	Other Pre-Tax Income	m	530	100	150	150
Pre-Tax Profit	m	387	1,240	1,240	1,240	Pre-Tax Profit	m	1,547	4,961	7,381	8,900
Tax Expense	m	-78	-174	-174	-174	Tax Expense	m	-311	-695	-1,080	-1,584
Net Profit	m	309	1,067	1,067	1,067	Net Profit	m	1,236	4,266	6,301	7,316
Minority Interests	m	0	0	0	0	Minority Interests	m	0	0	0	0
Reported Earnings	m	4	1,067	1,067	1,067	Reported Earnings	m	16	4,266	6,301	7,316
Adjusted Earnings	m	406	1,067	1,067	1,067	Adjusted Earnings	m	1,624	4,266	6,301	7,316
EPS (rep)		0.07	13.12	13.12	13.12	EPS (rep)		0.26	52.49	77.51	90.00
EPS (adj)		6.79	13.12	13.12	13.12	EPS (adj)		27.15	52.49	77.51	90.00
EPS Growth yoy (adj)	%	32.4	93.3	93.3	93.3	EPS Growth (adj)	%	32.4	93.3	47.7	16.1
						PE (rep)	x	4,588.2	22.9	15.5	13.4
						PE (adj)	x	44.3	22.9	15.5	13.4
EBITDA Margin	%	20.7	19.0	19.0	19.0	Total DPS		108.00	5.00	5.00	5.00
EBIT Margin	%	15.4	16.1	16.1	16.1	Total Div Yield	%	9.0	0.4	0.4	0.4
Earnings Split	%	25.0	25.0	25.0	25.0	Basic Shares Outstanding	m	60	81	81	81
Revenue Growth	%	-11.3	192.3	192.3	192.3	Diluted Shares Outstanding	m	60	81	81	81
EBIT Growth	%	-17.3	206.1	206.1	206.1						
Profit and Loss Ratios					Cashflow Analysis						
	2015A	2016E	2017E	2018E		2015A	2016E	2017E	2018E		
Revenue Growth	%	-11.3	192.3	30.5	15.1	EBITDA	m	2,520	6,753	9,531	11,250
EBITDA Growth	%	-11.2	168.0	41.1	18.0	Tax Paid	m	-560	-695	-1,080	-1,584
EBIT Growth	%	-17.3	206.1	43.1	18.5	Chgs in Working Cap	m	-959	-2,605	-1,559	-1,125
Gross Profit Margin	%	54.0	50.0	51.0	51.0	Net Interest Paid	m	-227	-892	-1,000	-1,000
EBITDA Margin	%	20.7	19.0	20.5	21.0	Other	m	60	0	0	0
EBIT Margin	%	15.4	16.1	17.7	18.2	Operating Cashflow	m	834	2,562	5,892	7,541
Net Profit Margin	%	13.3	12.0	13.6	13.7	Acquisitions	m	9,423	-28,000	0	0
Payout Ratio	%	397.8	9.5	6.5	5.6	Capex	m	-2,676	-2,495	-3,719	-4,282
EV/EBITDA	x	29.2	14.7	10.4	8.8	Asset Sales	m	0	0	0	0
EV/EBIT	x	39.1	17.3	12.1	10.2	Other	m	-6,229	100	150	150
Balance Sheet Ratios					Investing Cashflow	m	519	-30,395	-3,569	-4,132	
ROE	%	15.1	28.7	29.6	26.4	Dividend (Ordinary)	m	-7,063	-405	-405	-405
ROA	%	8.2	12.7	11.7	12.4	Equity Raised	m	31	3,000	0	0
ROIC	%	15.1	36.7	15.4	16.2	Debt Movements	m	3,570	0	0	0
Net Debt/Equity	%	15.9	146.5	103.2	70.8	Other	m	-750	0	0	0
Interest Cover	x	4.0	6.4	8.2	9.8	Financing Cashflow	m	-4,213	2,595	-405	-405
Price/Book	x	6.3	5.3	4.0	3.1	Net Chg in Cash/Debt	m	-2,860	-25,238	1,918	3,005
Book Value per Share		192.2	226.2	299.0	384.4	Free Cashflow	m	-1,842	67	2,173	3,259
						Balance Sheet		2015A	2016E	2017E	2018E
						Cash	m	7,082	0	0	0
						Receivables	m	3,900	9,791	12,386	14,259
						Inventories	m	2,077	8,962	11,338	13,052
						Investments	m	688	688	688	688
						Fixed Assets	m	5,812	35,306	37,726	40,507
						Intangibles	m	2,914	2,914	2,914	2,914
						Other Assets	m	2,352	7,863	9,656	10,950
						Total Assets	m	24,823	65,524	74,707	82,370
						Payables	m	2,344	9,383	11,870	13,665
						Short Term Debt	m	6,243	0	0	0
						Long Term Debt	m	2,693	27,092	25,173	22,169
						Provisions	m	0	0	0	0
						Other Liabilities	m	1,907	10,552	13,270	15,231
						Total Liabilities	m	13,186	47,026	50,313	51,065
						Shareholders' Funds	m	11,449	18,311	24,207	31,118
						Minority Interests	m	187	187	187	187
						Other	m	0	0	0	0
						Total S/H Equity	m	11,636	18,498	24,394	31,305
						Total Liab & S/H Funds	m	24,823	65,524	74,707	82,370

All figures in INR unless noted.

Source: Company data, Macquarie Research, July 2015

Important disclosures:**Recommendation definitions****Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie First South - South Africa

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 June 2015

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	46.23%	58.36%	47.27%	44.20%	60.65%	43.01%	(for US coverage by MCUSA, 9.68% of stocks followed are investment banking clients)
Neutral	37.67%	25.65%	29.09%	49.29%	34.19%	40.93%	(for US coverage by MCUSA, 5.53% of stocks followed are investment banking clients)
Underperform	16.10%	15.99%	23.64%	6.52%	5.16%	16.06%	(for US coverage by MCUSA, 1.38% of stocks followed are investment banking clients)

STR IN vs BSE Sensex, & rec history

(all figures in INR currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, July 2015

12-month target price methodology

STR IN: Rs1,700.00 based on a Sum of Parts methodology

Company-specific disclosures:

STR IN: Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Strides Arcolab Ltd. Macquarie Group Limited together with its affiliates may have a beneficial interest in the debt securities of the companies mentioned in this report. Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/disclosures.

Date	Stock Code (BBG code)	Recommendation	Target Price
22-May-2015	STR IN	Outperform	Rs1700.00
13-Mar-2015	STR IN	Outperform	Rs1550.00
03-Feb-2015	STR IN	Outperform	Rs1260.00
26-Nov-2014	STR IN	Outperform	Rs1150.00
30-Sep-2014	STR IN	Outperform	Rs1000.00
16-Jun-2014	STR IN	Outperform	Rs950.00
28-Apr-2014	STR IN	Outperform	Rs800.00
11-Dec-2013	STR IN	Outperform	Rs600.00
12-Mar-2013	STR IN	Outperform	Rs1200.00
01-Mar-2013	STR IN	Outperform	Rs1160.00
20-Oct-2012	STR IN	Outperform	Rs1120.00

Target price risk disclosures:

STR IN: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification:

The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Macquarie Group Ltd ARN 94

122 169 279 (AFSL No. 318062) (MGL) and its related entities (the Macquarie Group) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

General disclaimers:

Macquarie Securities (Australia) Ltd; Macquarie Capital (Europe) Ltd; Macquarie Capital Markets Canada Ltd; Macquarie Capital Markets North America Ltd; Macquarie Capital (USA) Inc; Macquarie Capital Securities Ltd and its Taiwan branch; Macquarie Capital Securities (Singapore) Pte Ltd; Macquarie Securities (NZ) Ltd; Macquarie First South Securities (Pty) Limited; Macquarie Capital Securities (India) Pvt Ltd; Macquarie Capital Securities (Malaysia) Sdn Bhd; Macquarie Securities Korea Limited and Macquarie Securities (Thailand) Ltd are not authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia), and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or MGL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any of the above mentioned entities. MGL provides a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of Macquarie Capital Securities (Singapore) Pte Ltd for up to SGD 35 million. This research has been prepared for the general use of the wholesale clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. MGL has established and implemented a conflicts policy at group level (which may be revised and updated from time to time) (the "Conflicts Policy") pursuant to regulatory requirements (including the FCA Rules) which sets out how we must seek to identify and manage all material conflicts of interest. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, we did not take into account your investment objectives, financial situation or particular needs. Macquarie salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this research. Macquarie Research produces a variety of research products including, but not limited to, fundamental analysis, macro-economic analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise. Before making an investment decision on the basis of this research, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Clients should contact analysts at, and execute transactions through, a Macquarie Group entity in their home jurisdiction unless governing law permits otherwise. The date and timestamp for above share price and market cap is the closed price of the price date. #CLOSE is the final price at which the security is traded in the relevant exchange on the date indicated.

Country-specific disclaimers:

Australia: In Australia, research is issued and distributed by Macquarie Securities (Australia) Ltd (AFSL No. 238947), a participating organisation of the Australian Securities Exchange. **New Zealand:** In New Zealand, research is issued and distributed by Macquarie Securities (NZ) Ltd, a NZX Firm. **Canada:** In Canada, research is prepared, approved and distributed by Macquarie Capital Markets Canada Ltd, a participating organisation of the Toronto Stock Exchange, TSX Venture Exchange & Montréal Exchange. Macquarie Capital Markets North America Ltd., which is a registered broker-dealer and member of FINRA, accepts responsibility for the contents of reports issued by Macquarie Capital Markets Canada Ltd in the United States and sent to US persons. Any US person wishing to effect transactions in the securities described in the reports issued by Macquarie Capital Markets Canada Ltd should do so with Macquarie Capital Markets North America Ltd. The Research Distribution Policy of Macquarie Capital Markets Canada Ltd is to allow all clients that are entitled to have equal access to our research. **United Kingdom:** In the United Kingdom, research is issued and distributed by Macquarie Capital (Europe) Ltd, which is authorised and regulated by the Financial Conduct Authority (No. 193905). **Germany:** In Germany, this research is issued and/or distributed by Macquarie Capital (Europe) Limited, Niederlassung Deutschland, which is authorised and regulated by the UK Financial Conduct Authority (No. 193905), and in Germany by BaFin. **France:** In France, research is issued and distributed by Macquarie Capital (Europe) Ltd, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority (No. 193905). **Hong Kong & Mainland China:** In Hong Kong, research is issued and distributed by Macquarie Capital Securities Ltd, which is licensed and regulated by the Securities and Futures Commission. In Mainland China, Macquarie Securities (Australia) Limited Shanghai Representative Office only engages in non-business operational activities excluding issuing and distributing research. Only non-A share research is distributed into Mainland China by Macquarie Capital Securities Ltd. **Japan:** In Japan, research is issued and distributed by Macquarie Capital Securities (Japan) Limited, a member of the Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co. Ltd (Financial Instruments Firm, Kanto Financial Bureau (kin-sho) No. 231, a member of Japan Securities Dealers Association and The Financial Futures Association of Japan and Japan Investment Advisers Association). **India:** In India, research is issued and distributed by Macquarie Capital Securities (India) Pvt. Ltd. (CIN: U65920MH1995PTC090696), formerly known as *Macquarie Capital (India) Pvt. Ltd.*, 92, Level 9, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India, which is a SEBI registered Research Analyst having registration no. INH000000545. **Malaysia:** In Malaysia, research is issued and distributed by Macquarie Capital Securities (Malaysia) Sdn. Bhd. (Company registration number: 463469-W) which is a Participating Organisation of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission. **Taiwan:** In Taiwan, research is issued and distributed by Macquarie Capital Securities Ltd, Taiwan Branch, which is licensed and regulated by the Financial Supervisory Commission. No portion of the report may be reproduced or quoted by the press or any other person without authorisation from Macquarie. Nothing in this research shall be construed as a solicitation to buy or sell any security or product. Research Associate(s) in this report who are registered as Clerks only assist in the preparation of research and are not engaged in writing the research. **Thailand:** In Thailand, research is produced, issued and distributed by Macquarie Securities (Thailand) Ltd. Macquarie Securities (Thailand) Ltd. is a licensed securities company that is authorized by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is an exchange member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. Macquarie Securities (Thailand) Ltd does not endorse the result of the Corporate Governance Report of Thai Listed Companies but this Report can be accessed at: <http://www.thai-iod.com/en/publications.asp?type=4>. **South Korea:** In South Korea, unless otherwise stated, research is prepared, issued and distributed by Macquarie Securities Korea Limited, which is regulated by the Financial Supervisory Services. Information on analysts in MSKL is disclosed at

<http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystStut.xml&divisionId=MDIS03002001000000&serviceId=SDIS03002001000>. **South Africa:** In South Africa, research is issued and distributed by Macquarie First South Securities (Pty) Limited, a member of the JSE Limited.

Singapore: In Singapore, research is issued and distributed by Macquarie Capital Securities (Singapore) Pte Ltd (Company Registration Number: 198702912C), a Capital Markets Services license holder under the Securities and Futures Act to deal in securities and provide custodial services in Singapore. Pursuant to the Financial Advisers (Amendment) Regulations 2005, Macquarie Capital Securities (Singapore) Pte Ltd is exempt from complying with sections 25, 27 and 36 of the Financial Advisers Act. All Singapore-based recipients of research produced by Macquarie Capital (Europe) Limited, Macquarie Capital Markets Canada Ltd, Macquarie First South Securities (Pty) Limited and Macquarie Capital (USA) Inc. represent and warrant that they are institutional investors as defined in the Securities and Futures Act. **United States:** In the United States, research is issued and distributed by Macquarie Capital (USA) Inc., which is a registered broker-dealer and member of FINRA. Macquarie Capital (USA) Inc. accepts responsibility for the content of each research report prepared by one of its non-US affiliates when the research report is distributed in the United States by Macquarie Capital (USA) Inc. Macquarie Capital (USA) Inc.'s affiliate's analysts are not registered as research analysts with FINRA, may not be associated persons of Macquarie Capital (USA) Inc., and therefore may not be subject to FINRA rule restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. Information regarding futures is provided for reference purposes only and is not a solicitation for purchases or sales of futures. Any persons receiving this report directly from Macquarie Capital (USA) Inc. and wishing to effect a transaction in any security described herein should do so with Macquarie Capital (USA) Inc. Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/research/disclosures, or contact your registered

Auckland Tel: (649) 377 6433	Bangkok Tel: (662) 694 7999	Calgary Tel: (1 403) 294 9541	Denver Tel: (303) 952 2800	Frankfurt Tel: (069) 509 578 000	Geneva Tel: (41) 22 818 7777	Hong Kong Tel: (852) 2823 3588
Jakarta Tel: (62 21) 515 1818	Johannesburg Tel: (2711) 583 2000	Kuala Lumpur Tel: (60 3) 2059 8833	London Tel: (44 20) 3037 2000	Manila Tel: (63 2) 857 0888	Melbourne Tel: (613) 9635 8139	Mumbai Tel: (91 22) 6653 3000
Munich Tel: (089) 2444 31800	New York Tel: (1 212) 231 2500	Paris Tel: (33 1) 7842 3823	Perth Tel: (618) 9224 0888	Seoul Tel: (82 2) 3705 8500	Shanghai Tel: (86 21) 6841 3355	Singapore Tel: (65) 6601 1111
Sydney Tel: (612) 8232 9555	Taipei Tel: (886 2) 2734 7500	Tokyo Tel: (81 3) 3512 7900	Toronto Tel: (1 416) 848 3500	Vancouver Tel: (1 604) 605 3944		

Available to clients on the world wide web at www.macquarieresearch.com and through Thomson Financial, FactSet, Reuters, Bloomberg, and CapitalIQ.

