



**INDIA**

HH IN Underperform

Price 19 Apr 10 Rs1,896.90

12-month target Rs 1,630.00

Upside/Downside % -14.1

Valuation Rs 1,630.00

- DCF

GICS sector Automobiles & Components

Market cap Rsm 378,787

30-day avg turnover US\$m 27.5

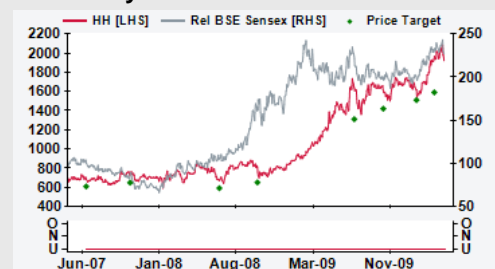
Market cap US\$m 8,547

Number shares on issue m 199.7

**Investment fundamentals**

Year end 31 Mar		2009A	2010E	2011E	2012E
Total revenue	bn	123.2	157.4	175.0	189.1
EBITDA	bn	17.1	26.6	28.0	29.3
EBITDA growth	%	26.7	55.8	5.1	4.5
EBIT	bn	15.3	24.7	26.0	27.1
EBIT growth	%	28.6	61.7	5.0	4.2
Reported profit	bn	12.8	22.3	23.3	24.2
Adjusted profit	bn	12.8	22.3	23.3	24.2
EPS rep	Rs	64.18	111.63	116.82	121.36
EPS rep growth	%	32.4	73.9	4.6	3.9
EPS adj	Rs	64.18	111.63	116.82	121.36
EPS adj growth	%	32.4	73.9	4.6	3.9
PER rep	x	29.6	17.0	16.2	15.6
PER adj	x	29.6	17.0	16.2	15.6
Total DPS	Rs	20.00	110.00	35.00	37.00
Total div yield	%	1.1	5.8	1.8	2.0
ROA	%	27.4	35.4	33.2	31.4
ROE	%	37.8	61.4	55.3	42.1
EV/EBITDA	x	21.6	13.9	13.2	12.6
Net debt/equity	%	-3.7	-27.3	-2.6	-18.5
P/BV	x	10.0	10.9	7.6	5.8

**HH 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, April 2010

(all figures in INR unless noted)

Sanjay Doshi

91 22 6653 3061

sanjay.doshi@macquarie.com

20 April 2010

# Hero Honda

## Competition to limit earnings growth

### Event

- Hero Honda reported 4Q FY3/10 results, which were around 2% ahead of our estimate on operating level. We maintain Underperform as we expect lower volume growth, increasing competition and rising raw material prices to limit earnings growth.

### Impact

- 4Q results largely in-line on operating level:** Hero Honda reported net sales of Rs40.9bn (up 20% YoY), bang in-line with estimates. Operating profit at Rs6.8bn (up ~27% YoY) was around 2% ahead of our estimate of Rs6.7bn. However PAT at Rs5.9 bn (up 49% YoY) was significantly ahead of our and street estimates. The difference was mainly on account of higher other income and lower tax rate due to increased production at new plant.
- Margins decline to continue in next fiscal:** Operating margins for the quarter stood at 16.7%, down over 30bps on QoQ basis. While raw material costs as % of sales reduced by 90bps due to increased local procurement for new facility, other expenditure shot up by 130bps on QoQ basis. Operating margins for the fiscal stood at 16.9%, in-line with estimates and we expect margins to decline further on account of increasing raw material prices.
- Increasing competition – a key concern:** Competitive intensity is increasing in the executive motorcycle segment with key new model launches by Bajaj Auto (BJAUT IN, Rs2010, UP, TP: Rs1550), Honda Motors and Scooters India (HMSI) (not listed), TVS Motors (TVSL IN, Rs81, NR) and India Yamaha Motors (not listed) in the last few quarters (See fig 1). Hero Honda has already lost ~11ppt market share from its peak in the 75-125cc segment (See fig 3) and we expect the company to lose market share further in the coming months as the recently launched new products from competition gain traction.

### Earnings and target price revision

- We increase FY11 & FY12 estimates by 5% and 4% respectively mainly on account of higher other income and lower taxes. Marginally increase target price to Rs1,630 from Rs1,590 earlier.

### Price catalyst

- 12-month price target: Rs1,630.00 based on a DCF methodology.
- Catalyst: Increasing raw material prices and loss in market share

### Action and recommendation

- Maintain Underperform:** After robust 26% volume growth in domestic two wheeler space in FY10, we expect industry volume growth to slow down to 13-14% in the next fiscal. As all players remain focused on market share, we believe that increasing competition and rising material prices will lead to significant decline in margins for Hero Honda. We thus expect earnings growth to be muted and at over a 16x FY11E PER, the stock appears expensive.

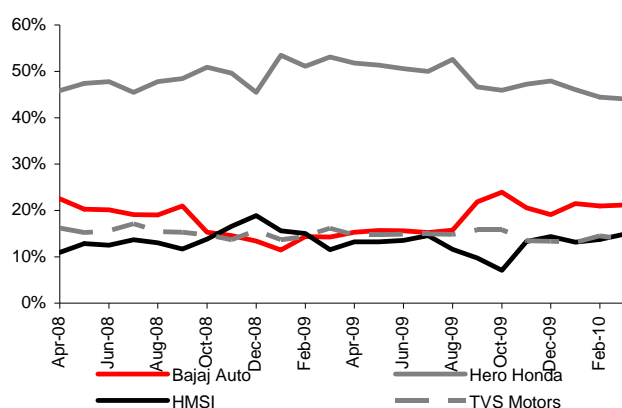
## Key product launches and market share movement

**Fig 1 Recent key launches in motorcycle space**

Company	Model	Price point (Rs)	Launch date
Bajaj Auto	Discover 100	40,000	Jul-09
Bajaj Auto	Pulsar 135	51,000	Dec-09
HMSI	CB Twister	44,000	Jan-10
TVS Motors	Jive	41,000	Jan-10
India Yamaha Motors	YBR 110	41,000	Apr-10

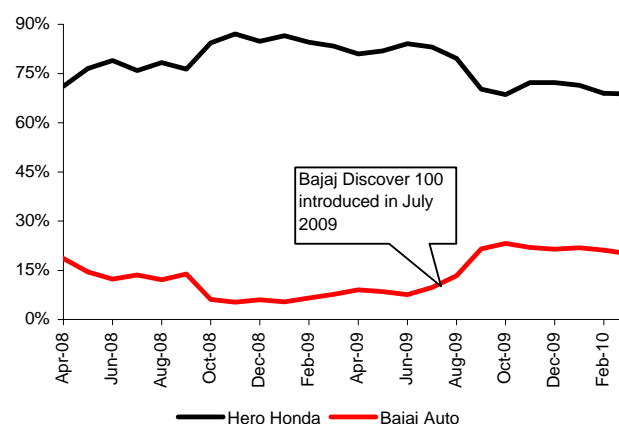
Source: Company data, Macquarie Research, April 2010

**Fig 2 Domestic 2wheeler – Bajaj gains market share**



Source: SIAM, Macquarie Research, April 2010

**Fig 3 Domestic executive segment market share**



Source: SIAM, Macquarie Research, April 2010

- Hero Honda has already lost ~11ppt market share in the 75-125cc segment, since the launch of Bajaj Discover 100 in July 2009. We expect the company to lose market share further as the recently launched new products by HMSI, TVS Motors and India Yamaha Motors gain traction in the coming months.

### 4Q FY3/10 result analysis

**Fig 4 Hero Honda - 4Q FY3/10 volumes and realisations**

	4Q FY09	4Q FY10	% chg	Macquarie Comments
Motorcycles	948,366	1,120,086	18.1	Strong growth in domestic market
Scooters	49,489	66,450	34.3	
<b>Two-wheelers</b>	<b>997,855</b>	<b>1,186,536</b>	<b>18.9</b>	<b>Reflects improved product mix</b>
<b>Average Realisation (Rs/unit)</b>	<b>34,192</b>	<b>34,492</b>	<b>0.9</b>	

Source: Company data, Macquarie Research, April 2010

**Fig 5 Hero Honda - 4Q FY3/ 10 market share**

(%)	4Q FY09	4Q FY10	bp chg	Macquarie Comments
Motorcycles market share	56.7%	49.1%	-767	Lost market share to Bajaj
Two-wheelers market share	48.0%	41.2%	-686	

Source: Company data, SIAM, Macquarie Research, April 2010

**Fig 6 Hero Honda - 4Q FY/ 10 financial data**

(Rsm)	4Q FY09	4Q FY10	% chg	Macquarie Comments
<b>Net sales</b>	<b>34,118</b>	<b>40,926</b>	<b>20.0</b>	<b>Bang in-line with estimate</b>
Raw Materials	23,565	27,684	17.5	Should see increase in commodity prices in coming quarters
Manpower	1,190	1,460	22.7	In line with estimate
Manufacturing and Other	3,980	4,962	24.7	Other expenditure shoots up as % of sales despite higher volumes
Total Expenditure	28,734	34,106	18.7	
<b>EBITDA</b>	<b>5,384</b>	<b>6,820</b>	<b>26.7</b>	<b>Ahead of estimate by ~2%</b>
Interest	-96	-45	-53.6	
Other Income	549	992	80.6	Rs290m (~40%) ahead of estimates
EBDT	6,030	7,857	30.3	
Depreciation	444	487	9.7	Marginally lower than estimate
PBT	5,586	7,370	31.9	
Tax	1,564	1,382	-11.6	Much lower than estimates, benefits due to higher production at Haridwar Plant
<b>PAT</b>	<b>4,022</b>	<b>5,988</b>	<b>48.9</b>	<b>Around 14% ahead of estimates</b>

Source: Company data, Macquarie Research, April 2010

**Fig 7 Hero Honda - 4Q FY/ 10 key ratios**

	4Q FY09	4Q FY10	bp chg	Macquarie Comments
OPM % (Net sales)	15.8	16.7	88	Declined by over 30bps on QoQ basis
Tax/ PBT (%)	28.0	18.8	-925	Dependant on production at Haridwar plant; down ~170bp QoQ
Net Profit margins (%)	11.8	14.6	284	
Raw Materials / Sales	69.1	67.6	-142	Down 90bps on QoQ, benefiting from higher volume and increasing local procurement for new plant. Expect increase in coming quarters
Staff Costs / Sales	3.5	3.6	8	
Other expense / Sales	11.7	12.1	46	Significant jump of 130bps on QoQ basis

Source: Company data, Macquarie Research, April 2010

## Hero Honda (HH IN, Underperform, Target Price: Rs1,630.00)

Quarterly Results					Profit & Loss						
		3Q/10A	4Q/10E	1Q/11E	2Q/11E		2009A	2010E	2011E	2012E	
<b>Revenue</b>	m	41,710	42,497	41,485	39,910	<b>Revenue</b>	m	123,191	157,395	175,043	189,128
<b>Gross Profit</b>	m	9,910	10,097	9,390	9,033	<b>Gross Profit</b>	m	26,185	37,395	39,618	41,651
Cost of Goods Sold	m	31,800	32,400	32,096	30,877	Cost of Goods Sold	m	97,006	120,000	135,425	147,477
<b>EBITDA</b>	m	7,061	7,194	6,637	6,385	<b>EBITDA</b>	m	17,097	26,645	28,004	29,257
Depreciation	m	479	479	512	512	Depreciation	m	1,807	1,915	2,049	2,203
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
<b>EBIT</b>	m	6,582	6,715	6,125	5,873	<b>EBIT</b>	m	15,290	24,730	25,955	27,054
Net Interest Income	m	175	178	148	143	Net Interest Income	m	537	661	625	675
Associates	m	0	0	0	0	Associates	m	0	0	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	769	783	699	673	Other Pre-Tax Income	m	1,987	2,900	2,950	2,950
<b>Pre-Tax Profit</b>	m	7,526	7,677	6,972	6,688	<b>Pre-Tax Profit</b>	m	17,814	28,291	29,530	30,679
Tax Expense	m	-1,589	-1,619	-1,470	-1,414	Tax Expense	m	-4,997	-5,998	-6,201	-6,443
<b>Net Profit</b>	m	5,936	6,058	5,502	5,274	<b>Net Profit</b>	m	12,817	22,293	23,328	24,236
Minority Interests	m	0	0	0	0	Minority Interests	m	0	0	0	0
<b>Reported Earnings</b>	m	5,936	6,058	5,502	5,274	<b>Reported Earnings</b>	m	12,817	22,293	23,328	24,236
<b>Adjusted Earnings</b>	m	5,936	6,058	5,502	5,274	<b>Adjusted Earnings</b>	m	12,817	22,293	23,328	24,236
EPS (rep)		29.73	30.33	27.55	26.41	EPS (rep)		64.18	111.63	116.82	121.36
EPS (adj)		29.73	30.33	27.55	26.41	EPS (adj)		64.18	111.63	116.82	121.36
EPS Growth yoy (adj)	%	74.8	75.0	4.6	4.6	EPS Growth (adj)	%	32.4	73.9	4.6	3.9
						PE (rep)	x	29.6	17.0	16.2	15.6
						PE (adj)	x	29.6	17.0	16.2	15.6
EBITDA Margin	%	16.9	16.9	16.0	16.0	Total DPS		20.00	110.00	35.00	37.00
EBIT Margin	%	15.8	15.8	14.8	14.7	Total Div Yield	%	1.1	5.8	1.8	2.0
Earnings Split	%	26.6	27.2	23.6	22.6	Weighted Average Shares	m	200	200	200	200
Revenue Growth	%	27.8	27.8	11.2	11.2	Period End Shares	m	200	200	200	200
EBIT Growth	%	62.4	62.7	4.9	4.9						
<b>Profit and Loss Ratios</b>					<b>Cashflow Analysis</b>						
		2009A	2010E	2011E	2012E		2009A	2010E	2011E	2012E	
Revenue Growth	%	19.2	27.8	11.2	8.0	<b>EBITDA</b>	m	17,097	26,645	28,004	29,257
EBITDA Growth	%	26.7	55.8	5.1	4.5	Tax Paid	m	-5,016	-5,878	-6,201	-6,443
EBIT Growth	%	28.6	61.7	5.0	4.2	Chgs in Working Cap	m	985	-5,104	-380	-542
Gross Profit Margin	%	21.3	23.8	22.6	22.0	Net Interest Paid	m	0	0	0	0
EBITDA Margin	%	13.9	16.9	16.0	15.5	Other	m	524	550	600	600
EBIT Margin	%	12.4	15.7	14.8	14.3	<b>Operating Cashflow</b>	m	13,590	16,213	22,022	22,872
Net Profit Margin	%	10.4	14.2	13.3	12.8	Acquisitions	m	-192,073	-4,716	-3,456	-2,930
Payout Ratio	%	31.2	98.5	30.0	30.5	Capex	m	-3,151	-1,795	-4,000	-4,000
EV/EBITDA	x	21.6	13.9	13.2	12.6	Asset Sales	m	185,897	2,100	2,100	2,100
EV/EBIT	x	24.2	14.9	14.2	13.7	Other	m	715	936	900	950
<b>Balance Sheet Ratios</b>					<b>Investing Cashflow</b>						
ROE	%	37.8	61.4	55.3	42.1	Dividend (Ordinary)	m	-3,794	-4,673	-25,701	-8,178
ROA	%	27.4	35.4	33.2	31.4	Equity Raised	m	0	0	0	0
ROIC	%	36.8	53.2	81.5	44.1	Debt Movements	m	-535	1,715	0	0
Net Debt/Equity	%	-3.7	-27.3	-2.6	-18.5	Other	m	-670	-25	-25	-25
Interest Cover	x	nmf	nmf	nmf	nmf	<b>Financing Cashflow</b>	m	-4,999	-2,982	-25,726	-8,203
Price/Book	x	10.0	10.9	7.6	5.8	<b>Net Chg in Cash/Debt</b>	m	-21	9,755	-8,161	10,789
Book Value per Share		190.3	173.3	249.1	327.2	<b>Free Cashflow</b>	m	10,439	14,418	18,022	18,872
					<b>Balance Sheet</b>						
					2009A 2010E 2011E 2012E						
					Cash m 2,196 11,951 3,791 14,580						
					Receivables m 1,499 3,206 4,131 5,103						
					Inventories m 3,268 4,776 5,346 5,795						
					Investments m 33,653 38,369 41,825 44,756						
					Fixed Assets m 16,943 16,822 18,773 20,570						
					Intangibles m 0 0 0 0						
					Other Assets m 3,206 3,694 3,694 3,694						
					<b>Total Assets m 60,765 78,817 77,560 94,497</b>						
					Payables m 7,030 8,955 10,071 10,950						
					Short Term Debt m 0 0 0 0						
					Long Term Debt m 785 2,500 2,500 2,500						
					Provisions m 5,270 26,418 8,894 9,362						
					Other Liabilities m 9,673 6,344 6,344 6,344						
					<b>Total Liabilities m 22,757 44,218 27,810 29,156</b>						
					Shareholders' Funds m 38,008 34,600 49,750 65,342						
					Minority Interests m 0 0 0 0						
					Other m 0 0 0 0						
					<b>Total S/H Equity m 38,008 34,600 49,750 65,342</b>						
					<b>Total Liab &amp; S/H Funds m 60,765 78,817 77,560 94,497</b>						

All figures in INR unless noted.

Source: Company data, Macquarie Research, April 2010

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

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

**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

**Recommendations** – 12 months

**Note:** Quant recommendations may differ from Fundamental Analyst recommendations

**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 Australian/NZ/Canada stocks only

**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 / epowa\*

**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 31 March 2010**

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	50.55%	62.20%	42.25%	42.39%	62.16%	46.74%	(for US coverage by MCUSA, 6.53% of stocks covered are investment banking clients)
Neutral	36.63%	19.02%	47.89%	50.35%	31.89%	34.78%	(for US coverage by MCUSA, 9.62% of stocks covered are investment banking clients)
Underperform	12.82%	18.78%	9.86%	7.27%	5.95%	18.48%	(for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)

**Company Specific Disclosures:**

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

**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 ABN 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; 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 FSA 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. 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.

**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 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 Services Authority (No. 193905). **Germany:** In Germany, research is issued and distributed by Macquarie Capital (Europe) Ltd, Niederlassung Deutschland, which is authorised and regulated in the United Kingdom by the Financial Services Authority (No. 193905). **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 Services Authority (No. 193905). **Hong Kong:** In Hong Kong, research is issued and distributed by Macquarie Capital Securities Ltd, which is licensed and regulated by the Securities and Futures Commission. **Japan:** In Japan, research is issued and distributed by Macquarie Capital Securities (Japan) Limited, a member of the Tokyo Stock Exchange, Inc., Osaka Securities Exchange Co. Ltd, and Jasdak Securities Exchange, Inc. (Financial Instruments Firm, Kanto Financial Bureau (kin-sho) No. 231, a member of Japan Securities Dealers Association and Financial Futures Association of Japan). **India:** In India, research is issued and distributed by Macquarie Capital Securities (India) Pvt Ltd, which is a SEBI registered Stock Broker having membership with National Stock Exchange of India Limited (INB231246738) and Bombay Stock Exchange Limited (INB011246734). **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:** Information on securities/instruments that are traded in Taiwan is 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. **Thailand:** In Thailand, research is issued and distributed by Macquarie Securities (Thailand) Ltd, 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 no. 28 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 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. 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](http://www.macquarie.com/research/disclosures), or contact your registered representative at 1-888-MAC-STOCK, or write to the Supervisory Analysts, Research Department, Macquarie Securities, 125 W.55th Street, New York, NY 10019.

© Macquarie Group

<b>Auckland</b> Tel: (649) 377 6433	<b>Bangkok</b> Tel: (662) 694 7999	<b>Calgary</b> Tel: (1 403) 218 6650	<b>Hong Kong</b> Tel: (852) 2823 3588	<b>Jakarta</b> Tel: (62 21) 515 1818	<b>Johannesburg</b> Tel: (2711) 583 2000	<b>Kuala Lumpur</b> Tel: (60 3) 2059 8833
<b>London</b> Tel: (44 20) 3037 4400	<b>Manila</b> Tel: (63 2) 857 0888	<b>Melbourne</b> Tel: (613) 9635 8139	<b>Montreal</b> Tel: (1 514) 925 2850	<b>Mumbai</b> Tel: (91 22) 6653 3000	<b>Perth</b> Tel: (618) 9224 0888	<b>Seoul</b> Tel: (82 2) 3705 8500
<b>Shanghai</b> Tel: (86 21) 6841 3355	<b>Singapore</b> Tel: (65) 6231 1111	<b>Sydney</b> Tel: (612) 8232 9555	<b>Taipei</b> Tel: (886 2) 2734 7500	<b>Tokyo</b> Tel: (81 3) 3512 7900	<b>Toronto</b> Tel: (1 416) 848 3500	<b>New York</b> Tel: (1 212) 231 2500

Available to clients on the world wide web at [www.macquarieresearch.com](http://www.macquarieresearch.com) and through Thomson Financial, FactSet, Reuters, Bloomberg, CapitalIQ and TheMarkets.com.

