India | STRATEGY

India: Post budget view

OVERWEIGHT (From NEUTRAL)

Bold budget; Economy to resume growth

Analyst
Jigar Shah
(91) 22 6623 2632
jigar@maybank-ke.co.in

- **We increase our NIFTY target by 7% to 8,355 for CY2014 (based on 15x 1-year forward earnings vs 14x earlier). We expect investors to take positive view of the budget's long term measures, which will soon end the market correction.**
- **The FM surprised by: 1) maintaining the fiscal deficit of 4.1% to GDP set by previous government; 2) allocating incremental INR200b to infrastructure; and 3) leaving INR220b of direct tax cuts in the hands of consumers.**
- **Catalysts will emerge from the tax pass-through for property and infrastructure assets (billions of dollars of unlisted infrastructure assets) and clarifications given to foreign portfolio investors (capital gain tax vs tax on business income earlier). We prefer housing, road and power transmission sectors which have been given a big boost in the budget.**

Housing, Urban infra, Roads receive maximum boost

The budget clearly laid out strong measures to revive the housing sector by lowering the entry limit for foreigners, extending tax incentives for REITs and individual house owners, and providing direct aid to affordable housing via the National Housing Bank. The target to complete 8.5k km of highways by FY15 is the highest ever. The overall road outlay is close to INR500b which will also boost the cement and steel sectors. The urban infrastructure fund is maintained at INR500b but in addition INR76b has been earmarked to develop 100 new smart cities. These smart cities will be aided by new airports, metro railways and other support infrastructure which can be funded via public private mechanisms or the tax efficient infrastructure investment trusts (For details refer page 5).

We are bullish on property and contractors

We maintain our positive bias for stocks in the road, property and power transmission sectors which present significant upside. Our Top Picks are ILFT in the road sector, DLF, MLIFE in property, PWGR, SOTL in power transmission, and LT, JPA in the contractors segment. Our new NIFTY target is justified by better clarity on an economic turnaround in 2HFY15 and valuations within the historical range.

Stock	Ticker	Mkt Cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)
							15E	16E	15E
Tata Motors	TTMT	22,804	Buy	453	554	22%	8.3	6.4	2.3
Powergrid Corp	PWGR	12,018	Buy	138	158	15%	13.4	11.2	1.9
DLF Ltd	DLU	6,618	Buy	222	300	35%	34.0	27.0	1.3
Jaiprakash Associates	JPA	2,407	Buy	65	104	60%	-	53.6	1.6
IL & FS Transport	ILFT	896	Buy	217	250	15%	11.6	10.1	1.0
Sterlite Technologies	SOTL	421	Buy	64	84	32%	-	16.8	2.4
Mahindra Lifespace Developers	MLIFE	368	Buy	539	680	26%	19.8	15.8	1.5

SEE PAGE 8 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Budget at a glance

(INRB)	FY13	FY14BE	% ch YoY	FY14RE	% ch YoY	FY15BE	% ch YoY
Total receipts ex borrowings	**9,202**	**11,228**	**22.0**	**10,659**	**15.8**	**12,637**	**18.6**
Revenue receipts	8,792	10,563	20.1	10,293	17.1	11,898	15.6
- Tax revenue (net to Centre)	7,419	8,841	19.2	8,360	12.7	9,773	16.9
as % of GDP	7.4	7.8		7.4		7.6	
- Non-tax Revenue	1,374	1,723	25.4	1,932	40.7	2,125	10.0
- Communication services	189	408	116.1	408	116.1	455	11.3
Capital receipts ex borrowings	410	665	62.3	366	-10.5	740	101.8
- Stake sale in state owned units	259	558	115.6	258	-0.2	634	145.4
Total Expenditure	**14,104**	**16,653**	**18.1**	**15,904**	**12.8**	**17,949**	**12.9**
Non-plan expenditure of which	9,967	11,100	11.4	11,149	11.9	12,199	9.4
as % of GDP	9.9	9.8		9.8		9.5	
- Interest payments	3,132	3,707	18.4	3,801	21.4	4,270	12.4
as % of GDP	3.1	3.3		3.3		3.3	
- Subsidies	2,571	2,311	-10.1	2,555	-0.6	2,607	2.0
as % of GDP	2.6	2.0		2.3		2.0	
- Fertilizers	656	659	0.5	680	3.6	730	7.4
- Food	850	900	5.9	920	8.2	1150	25.0
- Petroleum	968	650	-32.9	855	-11.7	634	-25.8
Plan Expenditure	4,136	5,553	34.3	4,755	15.0	5,750	20.9
as % of GDP	4.1	4.9		4.2		4.5	
Fiscal Deficit	**4,902**	**5,425**	**10.7**	**5,245**	**7.0**	**5,312**	**1.3**
as % of GDP	**-4.9**	**-4.8**		**-4.6**		**-4.1**	
GDP at market prices	100,281	113,719		113,551		128,767	
% nominal growth (YoY)		13.4		13.2		13.4	

Source: Ministry of Finance

Arun Jaitley's maiden budget is bold and constructive for long-term economic growth. We believe it has ingredients which will propel economic growth back to 7-8% in two years because of the liberal push to private investment and realistic actions on cutting down tax anomalies. We justify our view on why the budget is set to put the economy on a recovery path.

Economic turnaround will lead to fulfillment of seemingly high revenue target. Though the FM has only slightly moderated the tax assumptions of the previous government, he has given a very strong push to the private sector which will enable him to get to his target. Following are our arguments in favor of the budget proposals:

- **Increase of 17% in tax revenue possible.** The FM has assumed an increase of 15% each in excise and custom taxes, slightly higher than nominal GDP growth of 13.7%. There is an increase of 15% in corporate income tax and 18% in personal income tax. The service tax increase is 30% due to inclusion of some more services. Brent crude is back to less than USD110/bbl and the rainfall is showing signs of picking up in July-August 2014. We believe the tax collections will be met though skewed towards the 2HFY15 (See appendix on page 6 for details). In case of exigencies, the FM hinted at a fiscal deficit target of 4.5%.

- **Food, fuel and fertilizer subsidies can be maintained at INR2.6t (unchanged YoY).** The FM stated he has even considered a slight increase in the fertilizer subsidy (will come out with a new urea policy). The overall subsidy figure remained unchanged between the vote on accounts in Feb and now because the NDA government is looking to bring down the petroleum subsidy by 26% to INR630b. It has also factored in a 25% increase in the food subsidy bill. We feel the government will be able to control the subsidy if it makes extensive use of the direct benefit transfer through the unique ID scheme. That way it can close past leakages and distribute the subsidy only to those who need it. Its recent increases in fuel prices will continue bridging the deficit. (See appendix on page 6 for details).

No retrospective tax changes but lots of clarity in future policy. The FM hinted at the settlement of international tax disputes (Nokia, Vodafone etc) through setting up a high level committee. He did not repeal the retrospective tax amendments but the new committee may play the role of an arbitrator to settle the issue. Some of the other positive changes in direct tax include:

a) Continuation of tax holidays for power generation units which will start production by FY17.
b) Revision in transfer pricing norms.
c) Bringing down tax dispute for resident taxpayers through use of advance tax rulings (a facility hitherto available to non-residents).
d) Tax pass-through to real estate investment trusts (REITs) and investment trusts.
e) Clarification on tax treatment for foreign investors in India (will be treated as capital gains and not as business income if fund manager is domiciled in India). This is very positive for the new Foreign Portfolio Investor (FPI) regime aimed at reducing P-Note issuance and increasing direct business in India.
f) Several tax concessions to individual tax payers such as: a) increase in exemption limit to INR250k from INR200k; b) increase in investment limit under sec 80C to INR150k from INR100k; c) increase in tax deduction limit to INR200k from INR150k for interest on borrowings from house property; and d) increase in investment limit under public provident fund to INR150k from INR100k. These tax concessions will leave INR220b in the hands of consumers allowing them to use it for asset creation or discretionary purposes. This will be positive for the consumer goods sector over the medium to long term.

   A small disappointment was the lack of a specific roadmap for GST, though it is under active consideration to conclude talks with all the states within this year. The extension of the investment allowance scheme to below INR250m of capex is positive and will help the SME manufacturing sector. A mild negative was shifting of the dividend distribution tax onto individual tax payers from companies. (See appendix on page 6 for details).

Efficient utilization of funds through increase in plan expenditure by 21% YoY to INR5.75t. This is a positive surprise because the government's fiscal situation is tight and allocation to capex is not so easy. We believe the government is directing a lot of this capex through public sector undertakings (PSU) for which it has targeted a capex of INR2.4t this year. It also allocated a significant amount for defense (capex is +21% YoY to INR950b), road sector, urban infrastructure and rural infrastructure fund. If the government is able to meet its fiscal deficit target of 3.6% for FY16 and 3% for FY17, it will lead to further increases in the planned expenditure which can take up the economy's growth rate. The government also kept its borrowing target unchanged which we believe will give comfort to the rating agencies.

Controversial land acquisition, coal mining issues omitted from the budget. Unlike corporate sector expectations, the FM did not openly discuss the government's planned measures to correct the land acquisition act 2013 and privatizing coal assets. However, he promised adequate coal availability to the power sector and restructuring of coal linkages to make coal available at the right cost to users. He also rationalized import taxes on various types of coal beneficial to the power and steel sector.

Continued thrust on capital markets and fund raising through stake sales. The FM highlighted various steps to sustain buoyancy in the capital markets. Market buoyancy provides fungibility to the government and private sector to raise resources which could be directly invested into the economy for growth. Some of its key proposals include:

- Mobilizing INR634b via stake sales in PSUs from the IPO/Placements during FY15. This is an increase of 145% over the last year. We believe, it can mobilize more if it sells stakes in the erstwhile UTI fund and some of the loss making PSUs such as Air India and Indian Airlines.
- Tax pass-through to REITs and Investment Trusts to bolster fund raising activity in property/infrastructure companies.
- Allowing ADR/GDR issues for any permissible security.
- Lifting the cap on foreign debt issuance for Indian corporates.
- Banks to augment fresh equity from retail public offerings in India.
- Improving corporate bond market for better resource base.

A mild disappointment here was no specific announcement of a merger within state owned banks, selling off loss making PSUs, or flexible labor laws.

Increasing foreign limit for defense and insurance sectors is a positive step. The FM's decision to increase the foreign direct investment limits in defense and insurance to 49% to 26% is as expected. In the case of defense, India is a major importer and needs to carry out large-scale import substitution. This will be possible only when it allows a reasonable participation by foreigners who would then share technology in lieu of financial participation. Large defense contractors such as Rolls Royce, Dassault, Rafale, Lockheed Martin, SAAB, BEA are already in India to set up their businesses. With a 49% stake we expect several more defense firms to enter the country and set up manufacturing bases. Meanwhile, the insurance industry is suffering from a lack of funds and the increase in foreign limits is likely to bring in at least USD3-4b. No increase in foreign limit for retail sector is in line with the NDA government's pre-election view.

FY15 Budget - Policy changes

Sector	Policy changes	Expected beneficiaries/losers
Automobiles and components	• Maintain reduction in excise duty • Capex of INR500b including rural roads and highways, expressways • Urban infrastructure fund of INR500b; Tax incentive for road investment trusts	TTMT, MSIL, BJAUT MM TTMT, AL, EICHER
Banks	• Market borrowing in-line with expectations should keep bond yields under check • Regulatory forbearance (like CRR, SLR and PSL) for lending to infrastructure sector • PSU banks re-capitalization via share sale to retail investors while keeping majority holding of Gov't of India • Framework for creation of small and differentiated banks to be announced by RBI in FY15 • Continuation of interest subvention scheme for short term crop loans and timely repayments	IDFC, AXSB, ICICIBC
Cement	• Capex of INR500b including rural roads and highways, expressways • Major push to affordable housing; Rural water, sanitation projects • Increase in tax deduction for interest payment on housing mortgage	ACEM, ACC, UTCEM, JPA, PRSC
Chemicals, Petchem, Oil & Gas	• Reduction of import duty on range of petchems and removal of inverted duty structure • Reduce import duty on Naphtha, Ethylene, Propane, EDC, VCM, Styrene	
Cigarette and Tobacco	• Increase in excise duty on cigarettes by 11-72%; on all other forms of tobacco	Negative for ITC, VST, Godfrey Philips
Insurance	• Increase in foreign limit to 49% from 26% in life insurance	HDFC, ICICIBC, SBIN, MAX, BAF, EXID
Housing and Property	• Increase tax exemption limit to INR200kk p.a. towards interest on loan for house • One time capital gain exemption U/s 47 to transfer assets to REIT • Lowering of foreign limit in housing to 20k sq mt from 50k sq mt and USD 5m from USD 10m	HDFC, LICHF, MLIFE, DLFU, PVKP, SOBHA
Aluminum	• Increase in excise duty on bauxite to 20% from 10%	SSLT, HNDL
Power	• Extend tax holiday for power gen sector till March'17 from current March'13 • Measures to increase domestic coal production • To provide adequate coal to power plants already commissioned or due to start by Mar'15 • Rationalize coal linkages to optimize transport of coal and reduce cost of power	JPA, LT, BHEL, NATP, TPWR, RPWR, PWGR, SOTL, KPP
Steel	• Cut in import duty on all types of coal • Increase custom duty to 10% from 5% on stainless steel	TATA, SAIL
Railway	• Introduce direct foreign participation in railways except operations • Identify and introduce public-private projects • Extend wagon leasing scheme • Increase budget for laying more tracks; increasing spend on safety	TWL, TXRME, KECI
Road	• INR 380b for NHAI, INR140b for rural roads and INR380b for Rural Infra fund • Set up infrastructure trusts with tax incentives to fund road projects	LT, ILFT, JPA
Defense	• Increase foreign limit to 49% from 26%	PIPV, LT
Infrastructure	• Specified infrastructure lending to be exempted from maintaining CRR, SLR and PSL • Set up infrastructure trusts with tax incentives to fund road projects	IDFC and State owned banks
IT	• Overhaul of the subsidy regime and make it more targeted through direct benefit transfer (AADHAR/UID scheme) • 'Digital India' - improved access to services through IT enabled platforms and greater transparency in Government processes • Setting up 100 smart cities with investment of INR70.6b	CMC, TCS, HCLT, WPRO and INFO

Source: Ministry of Finance, KESI

Annexure

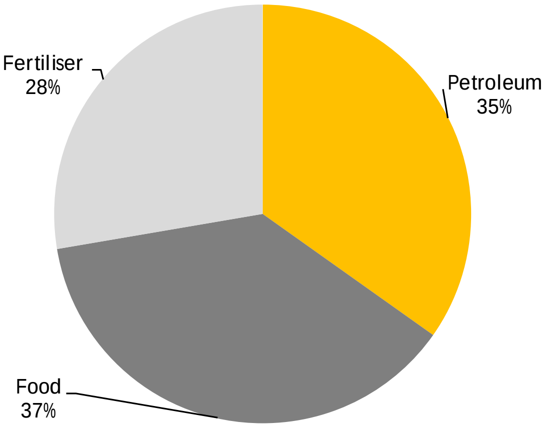
Tax revenue trend

(INRb)	FY13	FY14BE	Change YoY (%)	FY14RE	Change YoY (%)	FY15BE	Change YoY (%)
Direct Tax	5,587	6,681	19.6%	6,363	13.9%	7,362	15.7%
Indirect Tax	4,745	5,650	19.1%	5,195	9.5%	6,249	20.3%
Other tax	31	28	-10.9%	31	-0.9%	34	10.9%
Less States' Shares	(2,944)	(3,518)	19.5%	(3,229)	9.7%	(3,873)	19.9%
Total	**7,419**	**8,841**	**19.2%**	**8,360**	**12.7%**	**9,773**	**16.9%**

Source: Ministry of finance.

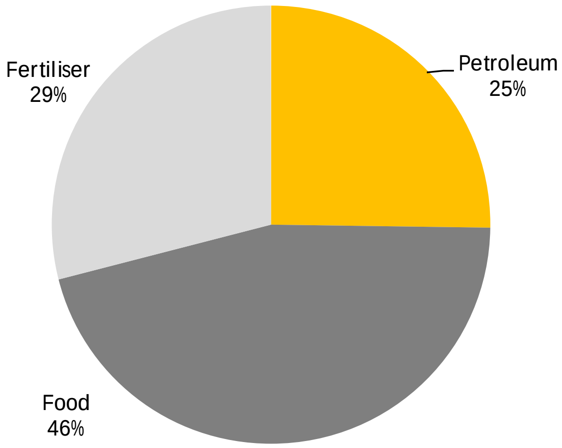
Share of subsidies

FY14RE



Source: Ministry of finance

FY15BE



Source: Ministry of finance

Change in personal income tax

Old Income Slab	New Income Slab	Tax Rate
Total income < INR 200K	Total income < INR 250K	Nil
Total income > INR 200K but < INR500K	Total income > INR 250K but < INR500K	10 % of the amount by which the total income > INR250K
Total income > INR 500K but < INR1,000K	Total income > INR 500K but < INR1,000K	INR25,000 plus 20%of the amount by which the total income > INR500K
Total income > INR1,000K	Total income > INR1,000K	INR125,000 plus 30% of the amount by which the total income > INR1,000K

Source: Ministry of finance.

Research Offices

REGIONAL

WONG Chew Hann, CA
Regional Head of Institutional Research
(603) 2297 8686 wchewh@maybank-ib.com

ONG Seng Yeow
Regional Head of Retail Research
(65) 6432 1453
ongsengyeow@maybank-ke.com.sg

Alexander GARTHOFF
Institutional Product Manager
(852) 2268 0638
alexgarthoff@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS
Chief Economist
Singapore | Malaysia
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

Luz LORENZO
Philippines
(63) 2 849 8836
luz_lorenzo@maybank-atrke.com

Tim LEELAHAPHAN
Thailand
(662) 658 1420 tim.l@maybank-ke.co.th

JUNIMAN
Chief Economist, BII
Indonesia
(62) 21 29228888 ext 29682
Juniman@bankbii.com

Josua PARDEDE
Economist / Industry Analyst, BII
Indonesia
(62) 21 29228888 ext 29695
JPardede@bankbii.com

MALAYSIA

WONG Chew Hann, *CA* *Head of Research*
(603) 2297 8686 wchewh@maybank-ib.com
• Strategy • Construction & Infrastructure

Desmond CH'NG, *ACA*
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas - Regional • Shipping

ONG Chee Ting, *CA*
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

YIN Shao Yang, *CPA*
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming – Regional • Media

TAN Chi Wei, *CFA*
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, *CFA*
(603) 2297 8679 weisum@maybank-ib.com
• Property & REITs

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Building Materials • Glove Producers

CHAI Li Shin
(603) 2297 8684 lishin.c@maybank-ib.com
• Plantation • Construction & Infrastructure

Ivan YAP
(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive

LEE Cheng Hooi *Regional Chartist*
(603) 2297 8694
chenghooi.lee@maybank-ib.com

Tee Sze Chiah *Head of Retail Research*
(603) 2297 6858 szechiah.t@maybank-ib.com

HONG KONG / CHINA

Howard WONG *Head of Research*
(852) 2268 0648
howardwong@kimeng.com.hk
• Oil & Gas - *Regional*

Alexander LATZER
(852) 2268 0647
alexanderlatzer@kimeng.com.hk
• Metals & Mining - *Regional*

Jacqueline KO, CFA
(852) 2268 0633 jacquelineko@kimeng.com.hk
• Consumer

Karen KWAN
(852) 2268 0640 karenkwan@kimeng.com.hk
• Property & REITs

Osbert TANG, CFA
(86) 21 5096 8370
osberttang@kimeng.com.hk
• Transport & Industrials

Ricky WK NG, CFA
(852) 2268 0689 rickyng@kimeng.com.hk
• Utilities & Renewable Energy

Simon QIAN, CFA
(852) 2268 0634
simonqian@kimeng.com.hk
• Telecom & Internet

Steven ST CHAN
(852) 2268 0645 stevenchan@kimeng.com.hk
• Banking & Financials

Warren LAU
(852) 2268 0644
warrenlau@kimeng.com.hk
• Technology – *Regional*

William YANG
(852) 2268 0675
williamyang@kimeng.com.hk
• Technology – *Regional*

INDIA

Jigar SHAH *Head of Research*
(91) 22 6632 2632
jigar@maybank-ke.co.in
• Oil & Gas • Automobile • Cement

Anubhav GUPTA
(91) 22 6623 2605
anubhav@maybank-ke.co.in
• Metal & Mining • Capital Goods • Property

Urmil SHAH
(91) 22 6623 2606 urmil@maybank-ke.co.in
• Technology • Media

SINGAPORE

NG Wee Siang *Head of Research*
(65) 6432 1467 ngweesiang@maybank-ke.com.sg
• Banking & Finance

Gregory YAP
(65) 6432 1450 gyap@maybank-ke.com.sg
• SMID Caps – *Regional*
• Technology & Manufacturing • Telcos

Wilson LIEW
(65) 6432 1454 wilsonliew@maybank-ke.com.sg
• Property Developers

ONG Kian Lin
(65) 6432 1470 ongkianlin@maybank-ke.com.sg
• S-REITs

YEAK Chee Keong, CFA
(65) 6432 1460
yeakcheekeong@maybank-ke.com.sg
• Offshore & Marine

Derrick HENG
(65) 6432 1446 derrickheng@maybank-ke.com.sg
• Transport (Land, Shipping & Aviation)

WEI Bin
(65) 6432 1455 weibin@maybank-ke.com.sg
• Commodity • Logistics • S-chips

John CHEONG
(65) 6432 1461 johncheong@maybank-ke.com.sg
• Small & Mid Caps • Healthcare

TRUONG Thanh Hang
(65) 6432 1451 hang.truong@maybank-ke.com.sg
• Small & Mid Caps

INDONESIA

Wilianto IE *Head of Research*
(62) 21 2557 1125
wilianto.ie@maybank-ke.co.id
• Strategy

Rahmi MARINA
(62) 21 2557 1128
rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 2953 0785
aurellia.setiabudi@maybank-ke.co.id
• Property

Anthony YUNUS
(62) 21 2557 1136
anthony.yunus@maybank-ke.co.id
• Consumer • Poultry

Isnaputra ISKANDAR
(62) 21 2557 1129
isnaputra.iskandar@maybank-ke.co.id
• Metals & Mining • Cement

Pandu ANUGRAH
(62) 21 2557 1137
pandu.anugrah@maybank-ke.co.id
• Infrastructure • Construction • Transport

Janni ASMAN
(62) 21 2953 0784
janni.asman@maybank-ke.co.id
• Cigarette • Healthcare • Retail

PHILIPPINES

Luz LORENZO *Head of Research*
(63) 2 849 8836
luz_lorenzo@maybank-atrke.com
• Strategy

Laura DY-LIACCO
(63) 2 849 8840
laura_dyliacco@maybank-atrke.com
• Utilities • Conglomerates • Telcos

Lovell SARREAL
(63) 2 849 8841
lovell_sarreal@maybank-atrke.com
• Consumer • Media • Cement

Rommel RODRIGO
(63) 2 849 8839
rommel_rodrigo@maybank-atrke.com
• Conglomerates • Property • Gaming
• Ports/ Logistics

Katherine TAN
(63) 2 849 8843
kat_tan@maybank-atrke.com
• Banks • Construction

Ramon ADVIENTO
(63) 2 849 8845
ramon_adviento@maybank-atrke.com
• Mining

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Consumer / Materials

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1394
Jesada.T@maybank-ke.co.th
• Financial Services

Kittisorn PRUITIPAT, CFA, FRM
(66) 2658 6300 ext 1395
Kittisorn.P@maybank-ke.co.th
• Real Estate

Sittichai DUANGRATTANACHAYA
(66) 2658 6300 ext 1393
Sittichai.D@maybank-ke.co.th
• Services Sector

Sukit UDOMSIRIKUL *Head of Retail Research*
(66) 2658 6300 ext 5090
Sukit.u@maybank-ke.co.th

Mayuree CHOWVIKRAN
(66) 2658 6300 ext 1440
mayuree.c@maybank-ke.co.th
• Strategy

Padon VANNARAT
(66) 2658 6300 ext 1450
Padon.v@maybank-ke.co.th
• Strategy

Surachai PRAMUALCHAROENKIT
(66) 2658 6300 ext 1470
Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 6300 ext 1430
suttatip.p@maybank-ke.co.th
• Media • Commerce

Sutthichai KUMWORACHAI
(66) 2658 6300 ext 1400
sutthichai.k@maybank-ke.co.th
• Energy • Petrochem

Termporn TANTIVIVAT
(66) 2658 6300 ext 1520
termporn.t@maybank-ke.co.th
• Property

Woraphon WIROONSRI
(66) 2658 6300 ext 1560
woraphon.w@maybank-ke.co.th
• Banking & Finance

Jaroonpan WATTANAWONG
(66) 2658 6300 ext 1404
jaroonpan.w@maybank-ke.co.th
• Transportation • Small cap

Chatchai JINDARAT
(66) 2658 6300 ext 1401
chatchai.j@maybank-ke.co.th
• Electronics

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84) 844 55 58 88 x 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified • Utilities

THAI Quang Trung, CFA, Deputy Manager, Institutional Research
(84) 844 55 58 88 x 8180
trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

Le Nguyen Nhat Chuyen
(84) 844 55 58 88 x 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

NGUYEN Thi Ngan Tuyen, *Head of Retail Research*
(84) 8 44 555 888 x 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil&Gas • Banking

NGUYEN Trung Hoa, *Dy Head of Retail Research*
(84) 8 44 555 888 x 8088
hoa.nguyen@maybank-kimeng.com.vn
• Macro • Steel • Real estate

TRINH Thi Ngoc Diep
(84) 4 44 555 888 x 8208
diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

TRUONG Quang Binh
(84) 4 44 555 888 x 8087
binh.truong@maybank-kimeng.com.vn
• Rubber plantation • Tyres and Tubes • Oil&Gas

PHAM Nhat Bich
(84) 8 44 555 888 x 8083
bich.pham@maybank-kimeng.com.vn
• Consumer • Manufacturing • Fishery

NGUYEN Thi Sony Tra Mi
(84) 8 44 555 888 x 8084
mi.nguyen@maybank-kimeng.com.vn
• Port operation • Pharmaceutical
• Food & Beverage

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. MKE may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") does not confirm nor certify the accuracy of such survey result.

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of MBKET. MBKET accepts no liability whatsoever for the actions of third parties in this respect.

US

This research report prepared by MKE is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations.

UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Services Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938-H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This material is issued and distributed in Singapore by Maybank KERPL (Co. Reg No 197201256N) which is regulated by the Monetary Authority of Singapore. **Indonesia**: PT Kim Eng Securities ("PTKES") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Thailand:** MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank ATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam.**Hong Kong**: KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** Kim Eng Securities India Private Limited ("KESI") is a participant of the National Stock Exchange of India Limited (Reg No: INF/INB 231452435) and the Bombay Stock Exchange (Reg. No. INF/INB 011452431) and is regulated by Securities and Exchange Board of India. KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) **US:** Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA – Broker ID 27861. **UK:** Maybank KESL (Reg No 2377538) is authorized and regulated by the Financial Services Authority.

Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 11 July 2014, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: KESHK may have financial interests in relation to an issuer or a new listing applicant referred to as defined by the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

As of 11 July 2014, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Definition of Ratings

Maybank Kim Eng Research uses the following rating system

BUY	Return is expected to be above 10% in the next 12 months (excluding dividends)
HOLD	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
SELL	Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989

Tel: (65) 6336 9090
Fax: (65) 6339 6003

London

Maybank Kim Eng Securities (London) Ltd
5th Floor, Aldermary House
10-15 Queen Street
London EC4N 1TX, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

New York

Maybank Kim Eng Securities USA Inc
777 Third Avenue, 21st Floor
New York, NY 10017, U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

Hong Kong

Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Indonesia

PT Maybank Kim Eng Securities
Plaza Bapindo
Citibank Tower 17th Floor
Jl Jend. Sudirman Kav. 54-55
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

India

Kim Eng Securities India Pvt Ltd
2nd Floor, The International 16,
Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91).22.6623.2600
Fax: (91).22.6623.2604

Philippines

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738

Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030

Saudi Arabia

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787

South Asia Sales Trading

Kevin FOY
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6336-5157
US Toll Free: 1-866-406-7447

North Asia Sales Trading

Alex TSUN
alextsun@kimeng.com.hk
Tel: (852) 2268 0228
US Toll Free: 1 877 837 7635

www.maybank-ke.com | www.maybank-keresearch.com