

ZHAOJIN MINING 1818 HK

BUY
UNCHANGED

TARGET PRICE	HKD5.50
CLOSE	HKD4.99
UP/DOWNSIDE	+10.2%
PRIOR TP	HKD5.50
CHANGE IN TP	UNCHANGED

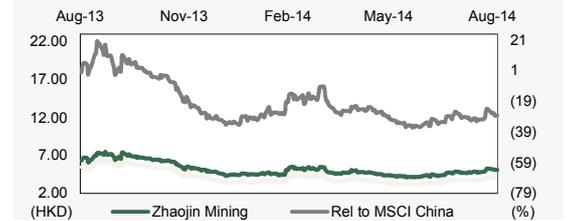
HOW WE DIFFER FROM CONSENSUS		MARKET RECS	
TARGET PRICE (%)	22.7	POSITIVE	5
EPS 2014 (%)	9.6	NEUTRAL	8
EPS 2015 (%)	10.1	NEGATIVE	6

Strong sales vol growth in 1H14

- 38% mined gold sales volume growth in 1H14**
 Despite a 15% y-y decline in gold prices, Zhaojin reported a 20% y-y revenue increase to RMB2.8b. Gold sales volume (own-mined) increased 38% y-y to 8.26t, offsetting the price decline. Zhaojin produced 9.7t of own-mined gold during 1H, indicating a 1.4t inventory increase that should realise better ASPs during 2H and mean earnings are back-end loaded for the company.
- Net earnings turnaround for the first time in two years**
 Net earnings attributable to equity holders increased 8.2% y-y to RMB324m. This is the first time since the secular decline in gold prices that earnings have increased y-y, and we attribute this to strong volume growth at stable mining costs.
- Volume growth at stable mining costs is key to value accretion**
 Zhaojin reported a 12.3% y-y increase in own-mined gold production, and we expect double-digit volume growth to continue for the next two to three years. Mining costs declined 0.6% y-y to RMB133.8/gm, despite higher depreciation costs, indicating improvement in cash costs. We believe these are strong positives as volume growth translates into earnings growth even at flattish gold prices.
- Maintain BUY**
 We believe Zhaojin Mining remains the best gold mining stock in our coverage; gold prices have troughed, and while we do not expect a secular rally any time soon, we do see scope for sequential earnings increases from 10 to 12% volume growth through 2016E. We value the stock at a life-of-mine NPV of HKD5.50/sh and maintain BUY.

KEY STOCK DATA

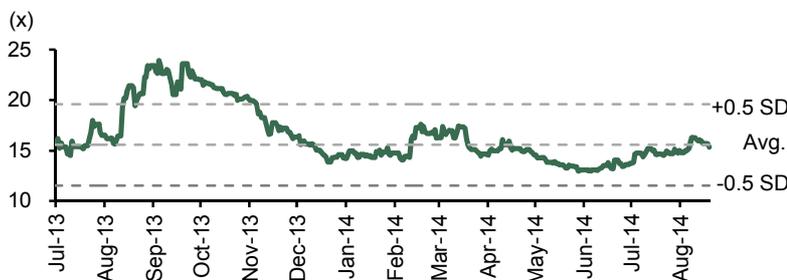
YE Dec (RMB m)	2013A	2014E	2015E	2016E
Revenue	6,344	6,325	6,673	6,897
Rec. net profit	734	722	761	808
Recurring EPS (RMB)	0.25	0.25	0.26	0.28
Prior rec. EPS (RMB)	0.25	0.25	0.26	0.28
Chg. In EPS est. (%)	0.0	0.0	0.0	0.0
EPS growth (%)	(61.8)	(1.6)	5.4	6.2
Recurring P/E (x)	15.7	16.0	15.2	14.3
Dividend yield (%)	2.6	2.5	2.7	2.8
EV/EBITDA (x)	9.7	9.1	8.8	8.0
Price/book (x)	1.4	1.3	1.2	1.2
Net debt/Equity (%)	86.9	80.2	75.4	61.0
ROE (%)	8.7	8.4	8.4	8.4



Share price performance	1 Month	3 Month	12 Month	
Absolute (%)		5.3	15.8	(25.1)
Relative to country (%)		1.1	4.3	(36.5)
Next results	August 2014			
Mkt cap (USD m)	1,879			
3m avg daily turnover (USD m)	3.2			
Free float (%)	75			
Major shareholder	Shandong Zhaojin Grp. (38%)			
12m high/low (HKD)	7.50/4.15			
3m historic vol. (%)	27.2			
ADR ticker	-			
ADR closing price (USD)	-			
Issued shares (m)	2,919			

Sources: Bloomberg consensus; BNP Paribas estimates

1-yr forward P/E trading in line with historical mean



Sources: Bloomberg; BNP Paribas



Kunal Agrawal
kunal.agrawal@asia.bnpparibas.com
 +852 2825 1823

Our research is available on Thomson One, Bloomberg, TheMarkets.com, Factset and on <http://eqresearch.bnpparibas.com/index>. Please contact your salesperson for authorisation. Please see the important notice on the back page.

Investment thesis

In our view, gold equities that offer a) strong volume growth potential, and b) stable cash costs, offer the best investment opportunity to offset the risk of declines in gold prices.

We expect Zhaojin's self-mined gold volume to grow at an average 13% CAGR between 2014 and 2015, and at a stable mining cost owing to increased production from new mines with grades better than existing production portfolio averages.

Since 2008, Zhaojin has reported a reserve increase CAGR of 18.3% compared to its production CAGR of 14.3%. Its continued reserve additions also mean its future volume growth potential is solid, in our view. In 2013, despite a 16% y-y decline in gold price, which usually leads to miners downgrading reserve estimates, Zhaojin increased gold resources and reserves by 14.6% y-y and 7.4% y-y, to 791t and 382t (net of depletion).

Catalyst

We believe some of the key potential catalysts for our thesis are; a) relaxation of Indian gold import curbs through a cut in import duties and relaxation of the 80:20 rule, b) inflows into gold ETFs, which have seen a steady outflow since 1Q13 but came to a near halt in 1Q14, and c) a recovery in gold prices.

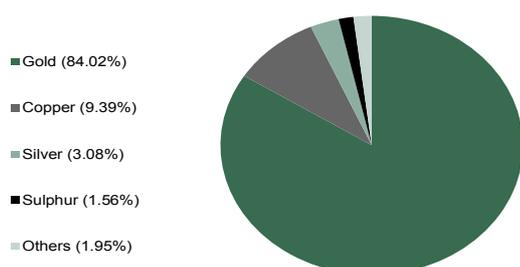
Risks to our call

Key risks to our thesis are; a) lower than expected gold prices, b) higher than expected mining costs, and c) Zhaojin missing its production guidance.

Company background

Zhaojin Mining Industry is the largest gold producer in Shandong province, and it is headquartered in Zhaoyuan, Shandong, China.

Principal activities, revenue split 2014E, BNPP estimates



Key executives

	Age	Title
Mr. Lu Dongshang	52	Chairman and an Executive Director
Mr. Weng Zhanbin	47	Executive Director and the President
Mr. Li Xiuchen	50	Executive Director and CEO

<http://en.zhaojin.com.cn/>

Key assumptions

		2014E	2015E	2016E
Gold price	USD/oz	1,297	1,323	1,349
Silver price	USD/oz	20	20	21
Total mining cost	RMB/g	146	148	151
Total mining cost	USD/oz	736	755	768

Source: BNP Paribas estimates

Earnings sensitivity

	2014E	2015E	2014E	2015E
Base case EPS (RMB)	0.25	0.26		
10% change in gold price	0.33	0.36	35.1	37.6
10% change in copper price	0.25	0.26	-	1.2
10% change in silver price	0.25	0.26	0.5	0.5
10% change in mining cash cost	0.14	0.21	(43.7)	(20.0)

Source: BNP Paribas estimates

- We estimate a 10% change in gold price would impact 2015E earnings 38%, all else being equal.
- We estimate a 10% change in copper price would impact 2015E earnings 1%, all else being equal.
- We estimate a 10% change in mining cost would impact 2015E earnings 20%, all else being equal.

EXHIBIT 1: 1H14 P&L

P&L	1H13	1H14	Change
	(RMB m)	(RMB m)	(y-y %)
Revenues	2,371	2,845	20.0
Cost of sales	(1,329)	(1,815)	36.6
Gross profit	1,042	1,030	(1.1)
Other income and gains	82	110	33.5
Selling and distribution costs	(41)	(51)	22.6
Administrative expenses	(360)	(367)	1.8
Other expenses	(160)	(83)	(48.5)
Operating Income	562	639	13.8
Depreciation	(293)	(397)	35.3
EBITDA	855	1,036	21.2
Finance costs	(162)	(256)	57.3
Share of profits of: Associates	4	4	15.0
Share of profits of: joint venture	2	20	743.5
Pre-tax Income	405	408	0.7
Income tax expense	(84)	(98)	16.9
Net Income	321	310	(3.5)
Attributable to: Owners of the parent	300	324	8.2
Attributable to: Non-controlling interests	22	(14)	(163.8)
Basic and diluted: EPS (RMB)	0.10	0.11	8.2

Source: Zhaojin Mining

EXHIBIT 2: Production and gold segment earnings

Production	1H13	1H14	Change
			(y-y %)
Gold Production (kg)	12,351	14,967	21.2
Gold Production (k oz)	397	481	21.2
Gold Production (from own mines) (kg)	8,624	9,688	12.3
Gold Production (from own mines) (k oz)	277	311	12.3
Third Party Gold (kg)	3,727	5,280	41.7
Third Party Gold (k oz)	120	170	41.7
Integrated Cost of Gold production (RMB/gm)	134.6	133.8	(0.6)
Integrated Cost of Gold production (USD/oz)	676.4	674.5	(0.3)

Gold segment: margin analysis	1H13	1H14	Change
	(RMB m)	(RMB m)	(y-y %)
Revenues	1,941.4	2,447.9	26.1
Operating Income	459.9	637.8	38.7
Depreciation	263.9	312.4	18.4
Share of profits of: Associates	3.7	4.3	15.0
Share of profits of: joint venture	-	-	
EBITDA	720.1	945.9	31.4

Source: Zhaojin Mining

Financial statements

Zhaojin Mining

Profit and Loss (RMB m) Year Ending Dec	2012A	2013A	2014E	2015E	2016E
Revenue	7,604	6,344	6,325	6,673	6,897
Cost of sales ex depreciation	(3,476)	(3,487)	(3,224)	(3,431)	(3,453)
Gross profit ex depreciation	4,128	2,858	3,101	3,242	3,445
Other operating income	107	141	190	167	172
Operating costs	(936)	(1,082)	(1,093)	(1,154)	(1,192)
Operating EBITDA	3,299	1,916	2,197	2,255	2,425
Depreciation	(436)	(617)	(741)	(748)	(853)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,862	1,299	1,456	1,507	1,572
Net financing costs	(202)	(326)	(488)	(485)	(484)
Associates	2	21	40	40	40
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	2,662	994	1,008	1,062	1,128
Tax	(615)	(226)	(252)	(266)	(282)
Profit after tax	2,047	767	756	797	846
Minority interests	(123)	(33)	(34)	(36)	(38)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	1,924	734	722	761	808
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	1,924	734	722	761	808
Per share (RMB)					
Recurring EPS *	0.66	0.25	0.25	0.26	0.28
Reported EPS	0.66	0.25	0.25	0.26	0.28
DPS	0.24	0.10	0.10	0.11	0.11
Growth					
Revenue (%)	32.4	(16.6)	(0.3)	5.5	3.4
Operating EBITDA (%)	15.9	(41.9)	14.7	2.6	7.5
Operating EBIT (%)	21.0	(54.6)	12.1	3.5	4.3
Recurring EPS (%)	15.6	(61.8)	(1.6)	5.4	6.2
Reported EPS (%)	15.6	(61.8)	(1.6)	5.4	6.2
Operating performance					
Gross margin inc depreciation (%)	48.6	35.3	37.3	37.4	37.6
Operating EBITDA margin (%)	43.4	30.2	34.7	33.8	35.2
Operating EBIT margin (%)	37.6	20.5	23.0	22.6	22.8
Net margin (%)	25.3	11.6	11.4	11.4	11.7
Effective tax rate (%)	23.1	22.8	25.0	25.0	25.0
Dividend payout on recurring profit (%)	37.0	40.4	40.4	40.4	40.4
Interest cover (x)	14.1	4.0	3.1	3.2	3.3
Inventory days	217.1	236.2	286.3	227.1	153.1
Debtor days	4.4	9.5	13.0	14.6	9.8
Creditor days	101.9	55.2	59.5	43.9	59.8
Operating ROIC (%)	41.4	13.2	12.2	11.4	11.9
ROIC (%)	23.4	7.6	7.2	7.1	7.4
ROE (%)	25.7	8.7	8.4	8.4	8.4
ROA (%)	14.4	5.3	5.1	5.0	5.1

*Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (RMB m)	2012A	2013A	2014E	2015E	2016E
Gold	6,370	5,149	5,314	5,884	6,469
Copper	739	799	631	387	0
Silver	280	210	189	209	230
Sulphur	82	57	60	68	75
Others	132	129	130	126	123

Sources: Zhaojin Mining; BNP Paribas estimates

Financial statements

Zhaojin Mining

Cash Flow (RMB m) Year Ending Dec	2012A	2013A	2014E	2015E	2016E
Recurring net profit	1,924	734	722	761	808
Depreciation	436	617	741	748	853
Associates & minorities	113	20	(6)	(4)	(2)
Other non-cash items	(25)	(17)	(11)	0	0
Recurring cash flow	2,448	1,354	1,447	1,505	1,659
Change in working capital	(728)	(522)	381	1,319	1,741
Capex - maintenance	(2,466)	(2,630)	(2,000)	(2,000)	(1,500)
Capex - new investment	0	0	0	0	0
Free cash flow to equity	(746)	(1,797)	(172)	824	1,900
Net acquisitions & disposals	(1,050)	(1,134)	(15)	0	0
Dividends paid	(628)	(807)	(297)	(292)	(308)
Non recurring cash flows	136	(678)	1,242	57	59
Net cash flow	(2,288)	(4,417)	758	590	1,651
Equity finance	0	0	0	0	0
Debt finance	2,415	4,061	(502)	(502)	(502)
Movement in cash	127	(355)	255	87	1,149

Per share (RMB)					
Recurring cash flow per share	0.84	0.46	0.50	0.52	0.57
FCF to equity per share	(0.26)	(0.62)	(0.06)	0.28	0.65

Balance Sheet (RMB m) Year Ending Dec	2012A	2013A	2014E	2015E	2016E
Working capital assets	2,983	3,867	4,071	3,258	2,285
Working capital liabilities	(1,721)	(2,278)	(2,103)	(2,124)	(2,409)
Net working capital	1,263	1,590	1,968	1,134	(124)
Tangible fixed assets	7,312	9,476	10,908	12,333	13,154
Operating invested capital	8,574	11,065	12,876	13,467	13,030
Goodwill	814	933	933	933	933
Other intangible assets	3,889	4,263	4,089	3,916	3,742
Investments	390	791	788	788	788
Other assets	1,180	3,007	3,041	3,041	3,041
Invested capital	14,847	20,059	21,727	22,145	21,534
Cash & equivalents	(1,349)	(1,036)	(1,291)	(1,378)	(2,527)
Short term debt	3,168	6,825	5,825	5,825	5,825
Long term debt *	2,740	2,308	3,308	3,308	3,308
Net debt	4,558	8,097	7,842	7,755	6,606
Deferred tax	597	596	583	583	583
Other liabilities	105	1,619	3,110	3,110	3,110
Total equity	8,404	8,426	8,851	9,321	9,822
Minority interests	844	897	931	966	1,004
Invested capital	14,847	20,059	21,727	22,145	21,534

* includes convertibles and preferred stock which is being treated as debt

Per share (RMB)					
Book value per share	2.88	2.89	3.03	3.19	3.36
Tangible book value per share	1.27	1.11	1.31	1.53	1.76

Financial strength					
Net debt/equity (%)	49.3	86.9	80.2	75.4	61.0
Net debt/total assets (%)	25.4	34.6	31.2	30.2	25.0
Current ratio (x)	0.9	0.5	0.7	0.6	0.6
CF interest cover (x)	(2.7)	(4.5)	0.6	2.7	4.9

Valuation	2012A	2013A	2014E	2015E	2016E
Recurring P/E (x) *	6.0	15.7	16.0	15.2	14.3
Recurring P/E @ target price (x) *	6.6	17.3	17.6	16.7	15.7
Reported P/E (x)	6.0	15.7	16.0	15.2	14.3
Dividend yield (%)	6.2	2.6	2.5	2.7	2.8
P/CF (x)	4.7	8.5	8.0	7.7	7.0
P/FCF (x)	(15.5)	(6.4)	(67.0)	14.0	6.1
Price/book (x)	1.4	1.4	1.3	1.2	1.2
Price/tangible book (x)	3.1	3.6	3.0	2.6	2.2
EV/EBITDA (x) **	4.7	9.7	9.1	8.8	8.0
EV/EBITDA @ target price (x) **	5.0	10.3	9.7	9.4	8.5
EV/invested capital (x)	1.1	1.0	0.9	0.9	0.9

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Zhaojin Mining; BNP Paribas estimates

Disclaimers and Disclosures

APPENDIX

DISCLAIMERS AND DISCLOSURES APPLICABLE TO NON-US BROKER-DEALER(S): BNP Paribas Securities (Asia) Ltd

ANALYST(S) CERTIFICATION

Kunal Agrawal, BNP Paribas Securities (Asia) Ltd, +852 2825 1823, kunal.agrawal@asia.bnpparibas.com.

The analyst(s) or strategist(s) herein each referred to as analyst(s) named in this report certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst herein.

Analysts mentioned in this disclaimer are employed by a non-US affiliate of BNP Paribas Securities Corp., and are not registered/ qualified pursuant to NYSE and/or FINRA regulations.

IMPORTANT DISCLOSURES REQUIRED IN THE UNITED STATES BY FINRA RULES AND OTHER JURISDICTIONS

"BNP Paribas" is the marketing name for the global banking and markets business of BNP Paribas Group. No portion of this report was prepared by BNP Paribas Securities Corp (US) personnel, and it is considered Third-Party Affiliate research under NASD Rule 2711. The following disclosures relate to relationships between companies covered in this research report and the BNP entity identified on the cover of this report, BNP Securities Corp., and other entities within the BNP Paribas Group (collectively, "BNP Paribas").

The disclosure column in the following table lists the important disclosures applicable to each company that has been rated and/or recommended in this report:

Company	Ticker	Disclosure (as applicable)
Zhaojin Mining	1818 HK	6

BNP Paribas represents that:

1. Within the past year, it has managed or co-managed a public offering for this company, for which it received fees.
2. It had an investment banking relationship with this company in the last 12 months.
3. It received compensation for investment banking services from this company in the last 12 months.
4. It expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months.
5. It beneficially owns 1% or more of any class of common equity securities of the subject company.
6. It makes a market in securities in respect of this company.
7. The analyst(s) or an individual who assisted in the preparation of this report (or a member of his/her household) has a financial interest position in securities issued by this company. The financial interest is in the common stock of the subject company, unless otherwise noted.
8. The analyst (or a member of his/her household) is an officer, director, or advisory board member of this company or has received compensation from the company.

IMPORTANT DISCLOSURES REQUIRED IN KOREA

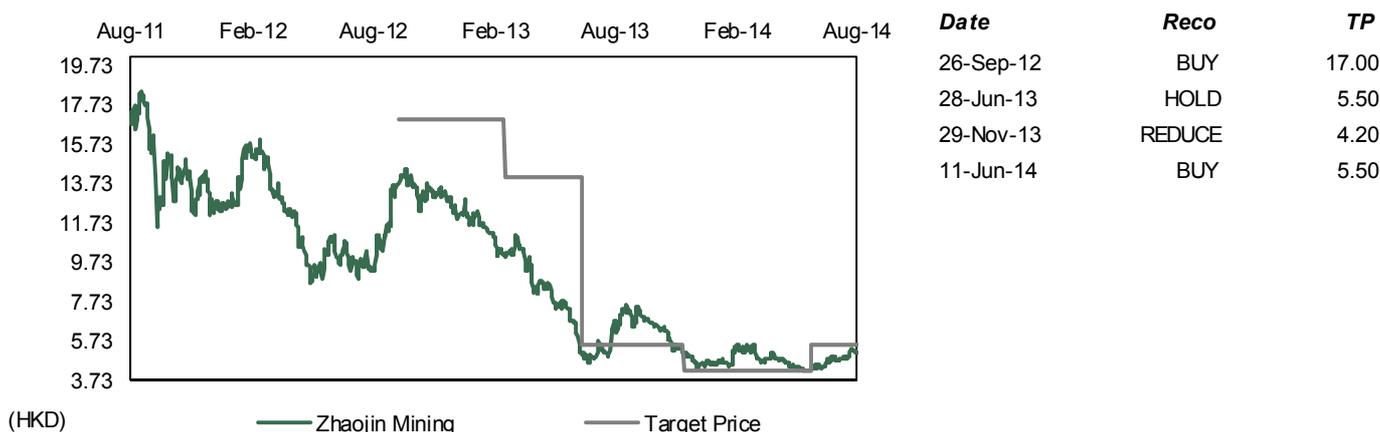
The disclosure column in the following table lists the important disclosures applicable to each Korea listed company that has been rated and/or recommended in this report:

Company	Ticker	Price (as of 19-Aug-2014 closing price)	Interest
N/A	N/A	N/A	NA

1. The performance of obligations of the Company is directly or indirectly guaranteed by BNP Paribas Securities Korea Co. Ltd ("BNPPSK") by means of payment guarantees, endorsements, and provision of collaterals and/or taking over the obligations.
2. BNPPSK owns 1/100 or more of the total outstanding shares issued by the Company.
3. The Company is an affiliate of BNPPSK as prescribed by Item 3, Article 2 of the Monopoly Regulation and Fair Trade Act.
4. BNPPSK is the financial advisory agent of the Company for the Merger and Acquisition transaction or of the Target Company whereby the size of the transaction does not exceed 5/100 of the total asset of the Company or the total number of outstanding shares.
5. BNPPSK has taken financial advisory service regarding listing to the Company within the past 1 year.
6. With regards to the tender offer initiated by the Company based on Item 2, Article 133 of the Financial Investment Services and Capital Market Act, BNPPSK acts in the capacity of the agent for the tender offer designated either by the Company or by the target company, provided that this provision shall apply only where tender offer has not expired.
7. The listed company which issued the stocks in question in case where 40 days has not passed since the new shares were listed from the date of entering into arrangement for public offering or underwriting-related agreement for issuance of stocks
8. The Company that has signed a nominated advisor contract with BNPPSK as defined in Item 2 of Article 8 of the KONEX Market Listing Regulation.
9. The Company is recognized as having considerable interests with BNPPSK in relation to No.1 to No. 8.
10. The analyst or his/her spouse owns (including delivery claims of marketable securities based on legal regulations and trading and misc. contracts) the following securities or rights (hereinafter referred to as "Securities, etc." in this Article) regardless of whose name is used in the trading.
 - 1) Stocks, bond with stock certificate, and certificate of pre-emptive rights issued by the Company whose securities dealings are being solicited.
 - 2) Stock options of the Company whose securities dealings are being solicited.
 - 3) Individual stock future, stock option, and warrants that use the stocks specified in Item 1) as underlying.

History of change in investment rating and/or target price

Zhaojin Mining (1818 HK)



Kunal Agrawal started covering this stock from 26-Sep-2012

Price and TP are in local currency

Valuation and risks: We value the stock at a life-of-mine NPV of HKD5.50/sh. Key risks include 1) lower than expected gold prices, 2) Zhaojin mining missing its production targets 3) Higher than expected mining costs.

Sources: Bloomberg; BNP Paribas

GENERAL DISCLAIMER

This report was produced by BNP Paribas Securities (Asia) Ltd, member company(ies) of the BNP Paribas Group.

This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set forth herein.

This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Customers are advised to use the information contained herein as just one of many inputs and considerations prior to engaging in any trading activity. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. This report is not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification, or taken in substitution for the exercise of judgment by the recipient. Additionally, the products mentioned in this report may not be available for sale in certain jurisdictions.

As an investment bank with a wide range of activities, BNP Paribas may face conflicts of interest, which are resolved under applicable legal provisions and internal guidelines. You should be aware, however, that BNP Paribas may engage in transactions in a manner inconsistent with the views expressed in this document, either for its own account or for the account of its clients.

Australia: This report is being distributed in Australia by BNP Paribas Sydney Branch, registered in Australia as ABN 23 000 000 117 at 60 Castlereagh Street Sydney NSW 2000. BNP Paribas Sydney Branch is licensed under the Banking Act 1959 and the holder of Australian Financial Services Licence no. 238043 and therefore subject to regulation by the Australian Securities & Investments Commission in relation to delivery of financial services. By accepting this document you agree to be bound by the foregoing limitations, and acknowledge that information and opinions in this document relate to financial products or financial services which are delivered solely to wholesale clients (in terms of the Corporations Act 2001, sections 761G and 761GA; Corporations Regulations 2001, division 2, reg. 7.1.18 & 7.1.19) and/or professional investors (as defined in section 9 of the Corporations Act 2001).

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence.

Hong Kong: This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities, providing automated trading services, dealing in futures contracts and advising on corporate finance. For professional investors in Hong Kong, please contact BNP Paribas Securities (Asia) Limited for all matters and queries relating to this report.

India: In India, this document is being distributed by BNP Paribas Securities India Pvt. Ltd. ("BNPPSIPL"), having its registered office at 5th floor, BNP Paribas House, 1 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 (Tel. no. +91 22 3370 4000 / 6196 4000 / Fax no. +91 22 3370 4363). BNPPSIPL is registered with the Securities and Exchange Board of India ("SEBI") as a stockbroker in the Equities and the Futures & Options segments of National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. (SEBI Regn. Nos.: INB/INF231474835, INB/INF011474831; CIN: U74920MH2008FTC182807; Website: www.bnpparibas.co.in).

Indonesia: This report is being distributed by PT BNP Paribas Securities Indonesia and is delivered by its licensed employee(s), including marketing/sales person, to its client. PT BNP Paribas Securities Indonesia, having its registered office at Menara BCA, 35th floor, Grand Indonesia, JL. M.H. Thamrin No.1, Jakarta 10310, Indonesia, is a subsidiary company of BNP Paribas SA and licensed under Capital Market Law no. 8 year 1995, a holder of broker-dealer and underwriter licenses issued by the Capital Market and Financial Institution Supervisory Agency (now Otoritas Jasa Keuangan/OJK). PT BNP Paribas Securities Indonesia is also a member of Indonesia Stock Exchange and supervised by Otoritas Jasa Keuangan (OJK). Neither this research publication nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens except in compliance with applicable Indonesian capital market laws and regulations. This research publication is not an offer of securities in Indonesia. Some of the securities referred to in this research publication have not been registered with the Otoritas Jasa Keuangan (OJK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstance which constitutes an offer within the meaning of Indonesian capital market laws and regulations.

Japan: This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not

registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association, the Financial Futures Association of Japan and the Type II Financial Instruments Firms Association. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Malaysia: This report is issued and distributed by BNP Paribas Capital (Malaysia) Sdn Bhd. The views and opinions in this research report are our own as of the date hereof and are subject to change. BNP Paribas Capital (Malaysia) Sdn Bhd has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only to clients of BNP Paribas Capital (Malaysia) Sdn Bhd. This publication is being provided to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of BNP Paribas Capital (Malaysia) Sdn Bhd.

Philippines: This report is being distributed in the Philippines by BNP Paribas Manila Branch, an Offshore Banking Unit (OBU) of BNP Paribas whose head office is in Paris, France. BNP Paribas Manila OBU is registered as an offshore banking unit under Presidential Decree No. 1034 (PD 1034), and regulated by the Bangko Sentral ng Pilipinas. This report is being distributed in the Philippines to qualified clients of OBUs as allowed under PD 1034, and is qualified in its entirety to the products and services allowed under PD 1034.

Singapore: This report is distributed in Singapore by BNP Paribas Securities (Singapore) Pte Ltd ("BNPPSSL") and may be distributed in Singapore only to an Accredited or Institutional Investor, each as defined under the Financial Advisers Regulations ("FAR") and the Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time. In relation to the distribution to such categories of investors, BNPPSSL and its representatives are exempted under Regulation 35 of the FAR from the requirements in Section 36 of the Financial Advisers Act of Singapore, regarding the disclosure of certain interests in, or certain interests in the acquisition or disposal of, securities referred to in this report. For Institutional and Accredited Investors in Singapore, please contact BNP Paribas Securities (Singapore) Ptd Ltd (company registration number: 199801966C; address: 10 Collyer Quay, 34/F Ocean Financial Centre, Singapore 049315; tel: (65) 6210 1288; fax: (65) 6210 1980) for all matters and queries relating to this report.

South Africa: In South Africa, BNP Paribas Cadiz Securities (Pty) Ltd and BNP Paribas Cadiz Stock Broking (Pty) Ltd (hereinafter referred to as "BNPP Cadiz") are licensed members of Johannesburg Stock Exchange and are authorised Financial Services Providers and subject to regulation by the Financial Services Board. BNPP Cadiz does not expressly or by implication represent, recommend or propose that the financial products referred to in this report are appropriate to the particular investment objectives, financial situation or particular needs of the recipient.

Switzerland: This report is intended solely for customers who are "Qualified Investors" as defined in article 10 paragraphs 3 and 4 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (CISA) and the relevant provisions of the Swiss Federal Ordinance on Collective Investment Schemes of 22 November 2006 (CISO). "Qualified Investors" includes, among others, regulated financial intermediaries such as banks, securities dealers, fund management companies and asset managers of collective investment schemes, regulated insurance companies as well as pension funds and companies with professional treasury operations. This document may not be suitable for customers who are not Qualified Investors and should only be used and passed on to Qualified Investors. For specification purposes, a "Swiss Corporate Customer" is a Client which is a corporate entity, incorporated and existing under the laws of Switzerland and which qualifies as "Qualified Investor" as defined above." BNP Paribas (Suisse) SA is authorised as bank and as securities dealer by the Swiss Federal Market Supervisory Authority FINMA. BNP Paribas (Suisse) SA is registered at the Geneva commercial register under No. CH-270-3000542-1. BNP Paribas (Suisse) SA is incorporated in Switzerland with limited liability. Registered Office: 2 place de Hollande, CH-1204 Geneva.

Taiwan: Information on securities that trade in Taiwan is distributed by BNP Paribas Securities (Taiwan) Co., Ltd. Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decision. **Information on securities that do not trade in Taiwan is for informational purposes only** and is not to be construed as a recommendation or a solicitation to trade in such securities. BNP Paribas Securities (Taiwan) Co., Ltd. may not execute transactions for clients in these securities. **This publication may not be distributed to the public media or quoted or used by the public media without the express written consent of BNP Paribas.**

Thailand: Research relating to Thailand and Thailand based issuers is produced pursuant to an arrangement between BNP PARIBAS ("BNPP") and Finansia Syrus Securities Public Company Limited ("FSS"). FSS International Investment Advisory Securities Co Ltd ("FSSIA") prepares and distributes research under the brand name "BNP PARIBAS/FSS". BNPP is not an affiliate of FSSIA or FSS. FSS also publishes a different research product under the brand name "FINANSIA SYRUS," which is prepared by research analysts who are not part of FSSIA and who may cover the same securities, issuers, or industries that are the subject of this report. The ratings, recommendations, and views expressed in this report may differ from the ratings, recommendations, and views expressed by other research analysts or research teams employed by FSS. This report is being distributed outside Thailand by members of BNP Paribas.

Turkey: This report is being distributed in Turkey by TEB Investment (TEB YATIRIM MENKUL DEGERLER A.S., Teb Kampus D Blok Saray Mah. Kucuku Cad. Sokullu Sok., No:7 34768 Umraniye, Istanbul, Turkey, Trade register number: 358354, www.tebyatirim.com.tr) and outside Turkey jointly by TEB Investment and BNP Paribas. Notice Published in accordance with "Communiqué Regarding the Principles on Investment Consultancy Activities and the Investment Consultancy Institutions" Series: V, No: 55 issued by the Capital Markets Board. The investment related information, commentary and recommendations contained herein do not constitute investment consultancy services. Investment consultancy services are provided in accordance with investment consultancy agreements executed between investors and brokerage companies or portfolio management companies or non-deposit accepting banks. The commentary and recommendations contained herein are based on the personal views of the persons who have made such commentary and recommendations. These views may not conform to your financial standing or to your risk and return preferences. Therefore, investment decisions based solely on the information provided herein may fail to produce results in accordance with your expectations.

United States: This report may be distributed in the United States only to U.S. Persons who are "major U.S. institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a "major U.S. institutional investor". U.S persons who wish to effect transactions in securities discussed herein must do so through BNP Paribas Securities Corp., a US-registered broker dealer and member of FINRA, SIPC, NFA, NYSE and other principal exchanges.

Certain countries within the European Economic Area: This document may only be distributed in the United Kingdom to eligible counterparties and professional clients and is not intended for, and should not be circulated to, retail clients (as such terms are defined in the Markets in Financial Instruments Directive 2004/39/EC ("MiFID")). This document will have been approved for publication and distribution in the United Kingdom by BNP Paribas London Branch, a branch of BNP Paribas SA whose head office is in Paris, France. BNP Paribas SA is incorporated in France with limited liability with its registered office at 16 boulevard des Italiens, 75009 Paris. BNP Paribas London Branch (registered office: 10 Harewood Avenue, London NW1 6AA; tel: [44 20] 7595 2000; fax: [44 20] 7595 2555) is authorised by the Autorité de Contrôle Prudentiel and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. This report has been approved for publication in France by BNP Paribas, a credit institution licensed as an investment services provider by the Autorité de Contrôle Prudentiel whose head office is 16, Boulevard des Italiens 75009 Paris, France. This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

Other Jurisdictions: The distribution of this report in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. This report is not directed to, or intended for distribution to or use by, any person or entity that 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.

All research reports are disseminated and available to all clients simultaneously through our internal client websites. For all research available on a particular stock, please contact the relevant BNP Paribas research team or the author(s) of this report.

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in

our most recently published reports available on our website: <http://eqresearch.bnpparibas.com>, or you can contact the analyst named on the front of this note or your BNP Paribas representative.

All share prices are as at market close on 19 August 2014 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock Ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

** In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.*

Industry Recommendations

Improving (↑): The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Stable (previously known as Neutral) (↔): The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Deteriorating (↓): The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

RATING DISTRIBUTION (as at 19 August 2014)

Total BNP Paribas coverage universe	669	Investment Banking Relationship	(%)
Buy	351	Buy	6.00
Hold	225	Hold	4.90
Reduce	93	Reduce	1.10

Should you require additional information concerning this report please contact the relevant BNP Paribas research team or the author(s) of this report.

© 2014 BNP Paribas Group