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5 April 2016

Thailand Property

Reuters WHA.BK
Bloomberg WHA TB

Priced on 4 April 2016

Thai SET @ 1,400.3

12M hi/lo Bt4.11/2.62

12M price target Bt3.90
±% potential +25%

Shares in issue 14,322.3m
Free float (est.) 61.8%

Market cap US\$1,268m

3M average daily volume
Bt141.6m (US\$4.0m)

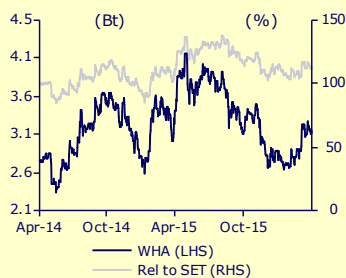
Foreign s'holding 16.3%

Major shareholders

WHA Holding 19.6%
Ms. Jareeporn Jarukornsakul 11.3%

Stock performance (%)

	1M	3M	12M
Absolute	9.1	9.9	(7.6)
Relative	7.5	(0.9)	1.3
Abs (US\$)	9.4	12.6	(15.1)



Source: Bloomberg

www.clsa.com

Debt pressure relieved

Upgrade rating as gearing down below covenant level

Gains from newly-acquired Hemaraj's asset monetisation will be the key profit growth driver for WHA in 2016. The sale proceeds will further reduce WHA's gearing, which is already below its debt covenants. On WHA's built-to-suit business, new geographical markets and end users will help sustain the demand. Our new Bt3.90 target (from Bt4.41) already incorporated the dilution impact from last year's warrants. Given 25% expected total return and lower gearing risks, we upgrade WHA from O-PF to BUY.

HEMRAJ: From land sale to rental asset sale

Thanks largely to one big plot land sale to SAIC Motor in 4Q15 and a quick transfer afterwards, HEMRAJ sold 1,043 rais of land and recognised Bt4.7bn industrial land sale revenue in 2015, up 35% YoY (1,390 rais land transfer). In 2016, while we expect its land sale to reach 1,000 rais, similar to last year, 16CL land sale revenue is likely to fall YoY given Bt0.4bn current backlogs. However, HEMRAJ's asset injection into the new Hemraj Reit (H-Reit) will add around Bt6.4bn to WHA's revenue. Given large gross profit contribution from the sale (about Bt3bn), WHA's net profit growth in 2016 will rely mainly on this transaction.

WHA: Finding new sources of warehouse demand

In 2015, WHA added around 203k sqm to its rental portfolio. We expect a similar addition in 2016. Besides Thailand, WHA will add around 22.5k sqm rental warehouse area in Indonesia in 2Q16, its first overseas contribution. In addition, WHA's management also talked about data centre and Vietnam as potential new demand sources for its warehouse.

Continued debt repayment

After several asset monetisations, WHA successfully reduced its gearing from the peak of 3.4x in 2Q15 to 2.2x in 4Q15, already below the 2.5x debt covenant. Debt repayment will continue into 2016 mainly through HEMRAJ's asset injection into the Reit and the listing of HEMRAJ's utilities and power business.

Upgrade to BUY with Bt3.90 new target

We raised our 2016 net profit by 12% to account for the delay of HEMRAJ's asset injection from last year to this year. Nevertheless, we cut our 2016 sum-of-the-parts target price from Bt4.41 to Bt3.90 to reflect the dilution impact of last year's warrant. Given 25% expected total return to our new target price and lower debt pressure, we upgrade WHA from O-PF to BUY.

Financials

Year to 31 December	14A	15A	16CL	17CL	18CL
Revenue (Btm)	4,888	11,437	16,120	11,617	12,877
Rev forecast change (%)	-	-	0.2	(16.4)	-
Net profit (Btm)	979	1,954	4,782	4,280	4,589
NP forecast change (%)	-	-	12.3	2.1	-
EPS (Bt)	0.7	0.1	0.3	0.3	0.3
CL/consensus (5) (EPS%)	-	-	111	103	107
EPS growth (% YoY)	(33.1)	(80.0)	144.8	(10.5)	7.2
PE (x)	4.6	22.9	9.3	10.4	9.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	22.7	16.9	22.7	16.7	15.3
Net debt/equity (%)	152.3	186.4	96.2	69.6	47.1

Source: CLSA

Thanks to one big plot land sale in 4Q15, HEMRAJ land sale increased to 1,043 rais in 2015

We expect similar amount of land sale in 2016

2016 land presale will come mainly from H-ESIE 2

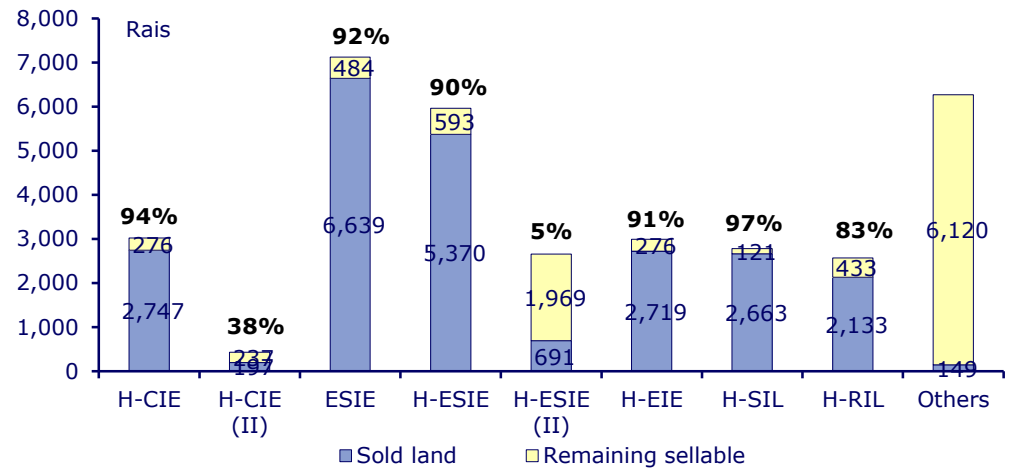
HEMRAJ: From land sale to rental asset sale

HEMRAJ sold 1,043 rais of industrial land in 2015. Despite slow 9M15 land presale, HEMRAJ managed to sell one large land plot to SAIC Motor-CP in 4Q15, enabling the company to grow its 2015 land presale by about 60% YoY (Figure 2). As HEMRAJ could quickly transfer this large land plot within the same quarter, it transferred 1,390 rais of land last year and grew its 2015 industrial estate land sale revenue to Bt4.7bn, up by 35% YoY.

In 2016, we continue to expect around 1,000 rais of land sale. Nevertheless, given 2015's year-end backlog of Bt0.4bn (vs Bt1.3bn in 2014), 16CL industrial land revenue is likely to come down to around Bt2.1bn (depending largely on how quickly HEMRAJ can transfer new land presale this year).

Figure 1

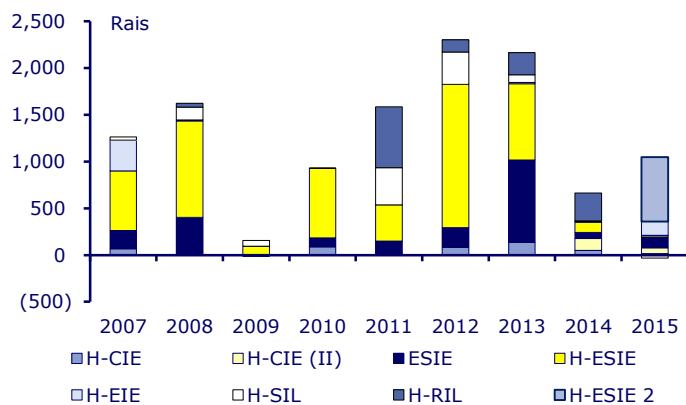
HEMRAJ's remaining sellable industrial estate land



Source: HEMRAJ

Figure 2

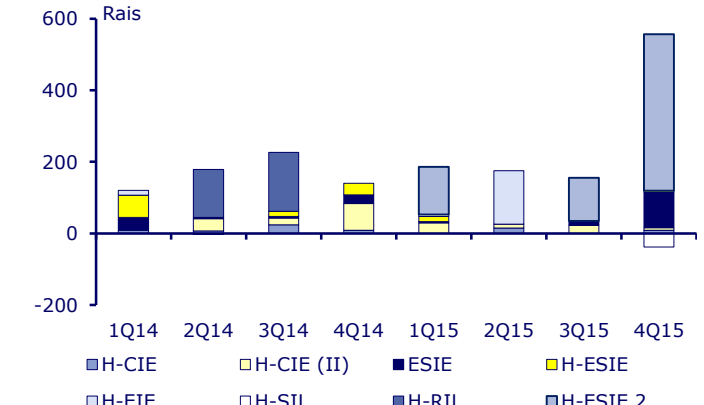
HEMRAJ's annual industry land sale



Source: HEMRAJ

Figure 3

HEMRAJ's quarterly industry land sale



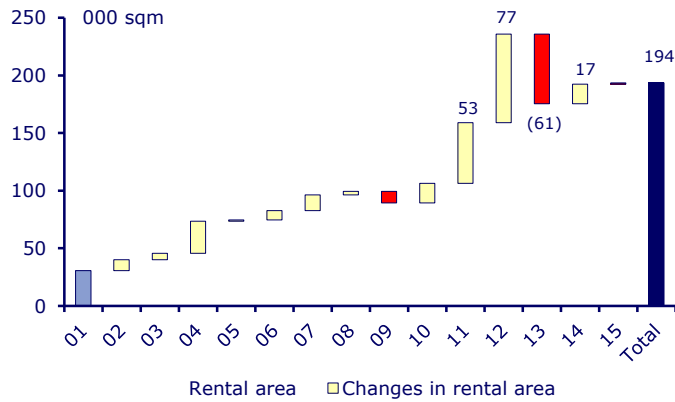
Source: HEMRAJ

16CL revenue contribution from HEMRAJ will be largely driven by asset injection into H-Reit

As HEMRAJ targets to inject around 250,000sqm ready-built-factory (RBF) and logistics park (LP) rental area into the new Hemraj Reit (H-Reit) in 3Q16, we expect HEMRAJ to record Bt6.4bn revenue from this transaction. Whether HEMRAJ's contribution to WHA revenue can jump from Bt6.2bn in 2015 to Bt11.5bn this year will therefore rely mainly on this sale transaction.

Figure 4

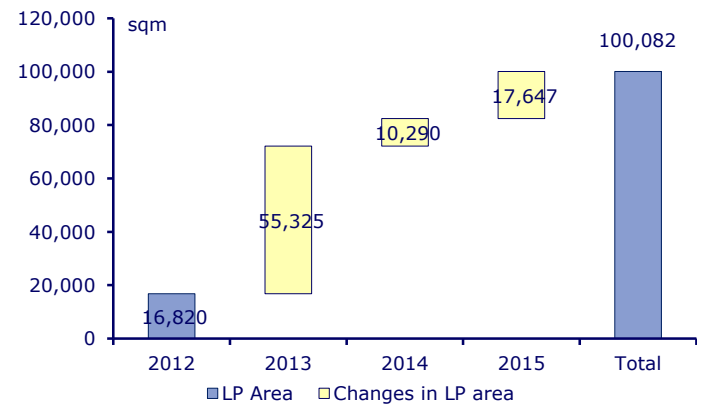
HEMRAJ rental RBF area (excluding HPF)



Source: HEMRAJ

Figure 5

HEMRAJ rental logistics park area



Source: HEMRAJ

We expect WHA to add around 200k sqm rental area in 2016

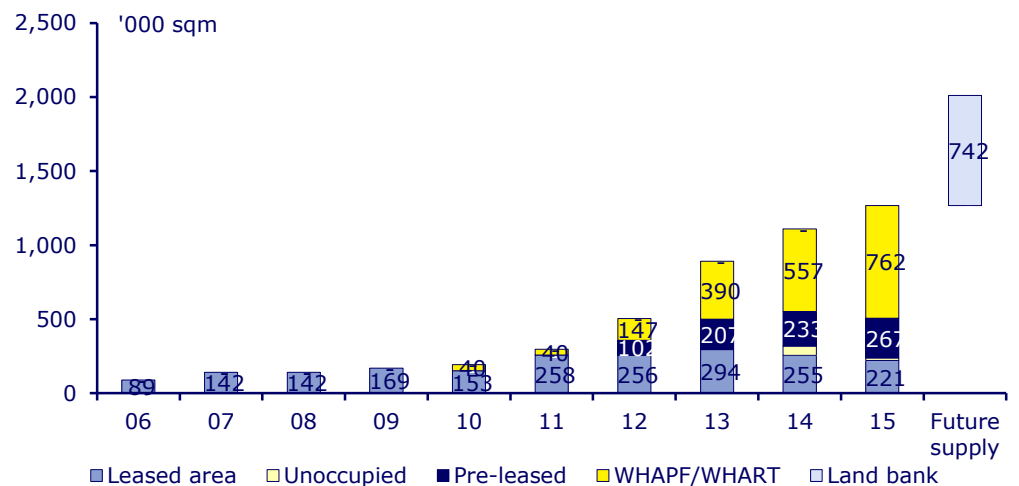
WHA's current rental portfolio (including WHAPF/WHART) is around 1.27m sqm

WHA: New sources of warehouse demand

WHA added around 203k sqm new rental area into its rental built-to-suit warehouse and office portfolio last year (170k sqm occupied area and 34k sqm pre-leased area), in line with its 200k sqm target. In 2016, we continue to expect around 200k sqm new rental area similar to last year. We also expect WHA to inject around 150k sqm to its WHA Reit (WHART) this year. To date, WHA expects to add around 22.5k leasable warehouse area in Indonesia in 2Q16, the first overseas contribution. In addition, WHA's management also discussed about data centre and Vietnam as potential new demand sources for its warehouse.

Figure 6

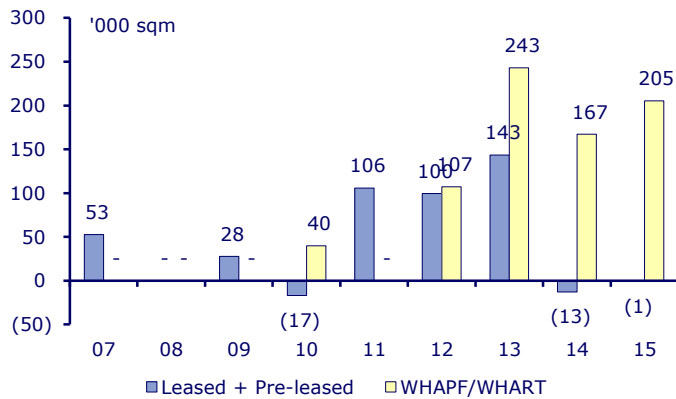
WHA's built-to-suit warehouse area



Source: WHA

Figure 7

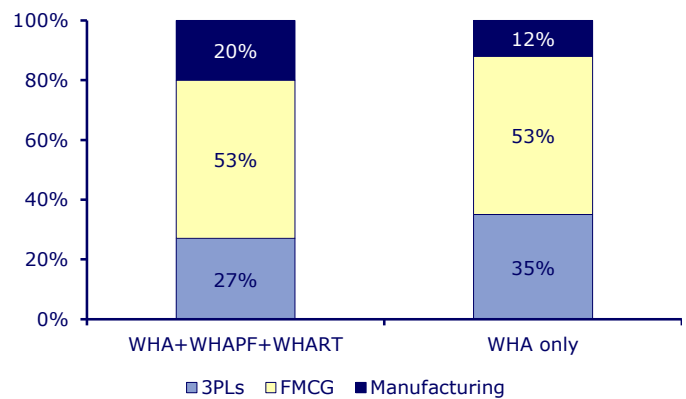
Changes in WHA's leasable area



Source: WHA

Figure 8

Tenant mix by industry type



Source: WHA

WHA's gearing is now below its debt covenants

Continued debt repayment

Figure 9 shows WHA's repayment of its acquisition loans in 2015. Despite the delay of HEMRAJ's asset injection into H-Reit last year, WHA issued new warrants, WHA-W2, with total net cash receipt of Bt3.2bn. These warrants, together with HEMRAJ's and WHA's asset sale, help pushing down WHA's gross gearing ratio from the peak of 3.4x in 2Q15 to 2.2x in 4Q15, already below 2.5x debt covenant. Debt repayment will continue into 2016 mainly through HEMRAJ's asset injection into the Reit and the listing of HEMRAJ's utilities and power business. We currently assume no listing of HEMRAJ's utilities and power business yet pending for more detailed information after the filing to the Stock Exchange of Thailand.

Figure 9

Debt repayment 2015-2016 YTD (acquisition loans only)

Debt repayment	Net repayment amount (Btm)	Date
Sale of HEMRAJ's non-core assets	2,789	Jul 15
Dividends from HEMRAJ (2H14-1Q15 - Pre takeover)	1,204	Jul 15
WHA's office injection into WHABT	2,075	Nov 15
Refinance by other instruments (B/E, Debentures)	4,250	Dec 15
WHA-W2 exercise (1.18bn shares at Bt2.7/sh)	3,181	Dec 15
WHA's warehouse injection into WHART	1,206	Dec 15
Additional loans for HEMRAJ's tender offer (delisting)	(2,419)	Mar 16
Interest payment (Mar 15-Feb16)	(1,350)	
Net loan repayment	10,936	
Acquisition loan - Beginning	31,891	
Acquisition loan - Ending	20,955	

Source: WHA

Figure 10

Debt repayment plan 2016

Debt repayment	Net repayment amount (Btm)	Date
Internal cash	1,000	1Q16
HEMRAJ's RBF and LP injection into H-Reit (250k sqm)	6,500	3Q16
Sale of HEMRAJ's utilities & power co shares	5,000	4Q16
Debt push down from WHA to HEMRAJ utilities & power co	8,000	4Q16
HEMRAJ's RBF and LP injection into H-Reit (Capital increase)	2,000	na
Total debt repayment plan	22,500	

Source: WHA

Our Bt3.90 new target price incorporated the warrant dilution impact but still has further potential upside from WHA's potential new businesses

Upgrade to BUY with Bt3.90 new target price

We raised our 2016 net profit by 12% to account for the delay of HEMRAJ's asset injection from last year to this year. Nevertheless, we cut our 2017 SOTP target price from Bt4.41 to Bt3.90 mainly to reflect the dilution impact of last year's warrant. However, we note further potential upside from WHA's potential new business opportunities such as data centre as well as new geographical expansion, which are not yet included in our financial forecast. Given 25% expected total return to our new target price and lower debt pressure, we upgrade WHA from O-PF to BUY.

Figure 11

WHA's target price calculation

	Value (Btm)	Bt/sh	% of total	Note
Rental business (HEMRAJ + WHA)	29,487	2.1	53%	Cap rate = 6%
Real estate sale (HEMRAJ + WHA)	28,111	2.0	50%	17CL PE = 12.0x
Power business (HEMRAJ)	13,608	1.0	24%	DCF (same as those used in HEMRAJ's valuation)
Property fund	6,462	0.5	12%	
HPF - 23%	1,087	0.1	2%	Bt10/ unit par value
WHAPF - 15%	1,409	0.1	3%	Bt10/ unit par value
WHART - 18% (incl new asset injection)	2,764	0.2	5%	Bt10/ unit par value
HRT - 15% (incl new asset injection)	975	0.1	2%	Bt10/ unit par value
WHABT - 15%	303	0.0	1%	Bt10/ unit par value
Total	77,744	5.4	139%	
Deduct: Net debt 2017	(21,791)	(1.5)	(39%)	
Grand total	55,952	3.9	100%	

Source: CLSA

Figure 12

WHA's major financial assumptions

Major assumptions	14A	15A	16CL	17CL	18CL
Btm unless stated otherwise					
Revenue					
WHA					
1) Rental & Service revenue	551	735	732	896	1,045
- Year-end net occupied rental area (sqm)	255,462	220,763	270,763	310,763	330,763
- Monthly rental rate (Bt/sqm)	147	197	206	217	228
2) Real estate sale	4,337	4,502	3,900	4,160	4,680
- Area sold to WHAPF/WHART (sqm)	167,107	205,165	150,000	160,000	180,000
- Selling price (Bt/sqm)	25,952	21,943	26,000	26,000	26,000
3) Others (Div + Fees)	170	627	359	429	499
Total revenue - WHA	5,058	5,864	4,991	5,485	6,224
HEMRAJ					
1) Rental & Service revenue	-	2,236	2,983	2,736	2,987
2) Real estate sale	-	3,964	8,504	3,825	4,165
- Industrial land presale (rais)	663	1,043	1,000	1,100	1,200
- Industrial land sale revenue (Btm)	3,446	4,656	2,129	3,060	3,400
- Area sold to HPF/HRT (sqm)			250,000	30,000	30,000
- Selling price (Bt/sqm)			30,000	30,000	30,000
- Revenue from asset injection to HRT (excl operating lease – land)			6,375	765	765
Total revenue - HEMRAJ	-	6,200	11,487	6,561	7,152
Total revenue	5,058	12,064	16,479	12,046	13,376
% WHA	100%	49%	30%	46%	47%
% HEMRAJ	0%	51%	70%	54%	53%
Gross margin					
Rental & Service - WHA	60%	na	50%	50%	50%
Rental & Service - HEMRAJ	0%	na	45%	40%	40%
Rental & Service - Total	60%	54%	46%	42%	42%
Real estate sale - WHA	30%	na	30%	30%	30%
Real estate sale - HEMRAJ	0%	na	50%	52%	52%
Real estate sale - Total	0%	28%	44%	40%	40%
Gross profit - Total	1,619	4,006	7,143	4,755	5,267
Gross profit - WHA	1,619	na	1,536	1,696	1,926
Gross profit - HEMRAJ	-	na	5,607	3,059	3,341
% WHA	100%	na	22%	36%	37%
% HEMRAJ	0%	na	78%	64%	63%
Outstanding net debts (Btm)	6,822	40,382	25,906	21,791	16,969
Debt repayment			(11,400)	(5,160)	(5,680)
- HEMRAJ's Reit			(7,500)	(1,000)	(1,000)
- WHA Reit			(3,900)	(4,160)	(4,680)

Source: CLSA, company

Figure 13

Peer comparison

Company	B'berg	Rec	Avg Daily T/O (Usm)	Mkt cap (US\$m)	Price (Lccy)	Target (lccy)	+/-%	PE (x) 2016	Yield (%) 2016
Amata*	AMATA TB	na	0.9	369	13.7	n/a	n/a	11.9	3.4%
Rojana*	ROJNA TB	na	0.1	307	5.5	n/a	n/a	11.6	n/a
Warehouse Asia	WHA TB	O-PF	4.0	1,255	3.1	3.90	25.0%	9.3	0.0%
Average - TH								10.9	1.7%
Global Logistics Properties	GLP SP	SELL	31.1	6,798	2.0	1.7	(14.3%)	49.6	4.0%
Goodman	GMG AU	BUY	27.3	8,959	6.6	7.8	18.6%	16.4	3.7%
Kerry Logistics*	636 HK	na	1.4	2,395	11.0	n/a	n/a	16.0	1.6%
Average - Overseas								27.4	3.1%
Average - Total								19.1	2.4%

* I/B/E/S data from Bloomberg. Source: CLSA, Bloomberg

HEMRAJ delisting and our drop of company coverage

Following WHA's tender offer of the remaining 7.1% HEMRAJ's shares, which ended in early February 2016, WHA now owns 98.5% of HEMRAJ's shares (up from 92.9% previously). HEMRAJ was subsequently delisted from the Stock Exchange of Thailand on 2 March 2016. We, therefore, drop our coverage on HEMRAJ.

Valuation details

Our Bt3.9 2016 target price is based on a sum-of-the-part methodology. We value its rental business based on a 6% cap rate. Real-estate sale, which accounts for both the sale of rental warehouse/factory and industrial land sale, is valued at 12.0x, which is largely in line with WHA's peers. For the power business, which belongs to HEMRAJ, the valuation is based on a DCF approach. Lastly, the value of property fund and Reits is based on a Bt10/unit par value, including the expected capital increase for new asset injections.

Investment risks

The key risk for WHA after the acquisition of HEMRAJ is debt repayment, which requires timely disposal of both HEMRAJ and WHA's assets. However, as WHA successfully brought down its gearing to below 2.5x debt covenant, its financial risks are much lower in 2016 than last year. On the industrial land sale and rental warehouse business, the businesses can be significantly impacted by domestic political situation and global economic outlook. A more stable utilities and power business (from HEMRAJ's acquisition) can help mitigate these risks.

Summary financials

Year to 31 December	2014A	2015A	2016CL	2017CL	2018CL
Summary P&L forecast (Btm)					
Revenue	4,888	11,437	16,120	11,617	12,877
Op Ebitda	1,684	4,275	6,885	4,951	5,464
Op Ebit	1,505	3,500	6,184	4,250	4,763
Interest income	0	0	0	0	0
Interest expense	(295)	(2,284)	(1,767)	(1,261)	(1,002)
Other items	(8)	1,038	1,661	1,689	1,304
Profit before tax	1,203	2,254	6,077	4,679	5,065
Taxation	(224)	(87)	(795)	(299)	(376)
Minorities/Pref divs	-	(213)	(500)	(100)	(100)
Net profit	979	1,954	4,782	4,280	4,589
Summary cashflow forecast (Btm)					
Operating profit	1,505	3,500	6,184	4,250	4,763
Operating adjustments	-	-	-	-	-
Depreciation/amortisation	179	775	701	701	701
Working capital changes	(69)	103	8,947	722	736
Net interest/taxes/other	(1,611)	(3,377)	(2,562)	(1,560)	(1,378)
Net operating cashflow	4	1,000	13,269	4,114	4,822
Capital expenditure	(2,777)	1,388	0	0	0
Free cashflow	(2,773)	2,388	13,269	4,114	4,822
Acq/inv/disposals	(294)	(37,643)	-	-	-
Int, invt & associate div	(1,529)	3,791	1,207	-	-
Net investing cashflow	(4,599)	(32,464)	1,207	0	0
Increase in loans	5,305	21,839	(15,272)	(5,838)	(4,953)
Dividends	(652)	(341)	0	0	0
Net equity raised/other	(7)	12,156	0	0	0
Net financing cashflow	4,647	33,654	(15,272)	(5,838)	(4,953)
Incr/(decr) in net cash	51	2,191	(795)	(1,724)	(131)
Exch rate movements	0	0	0	0	0
Opening cash	2,135	1,879	4,070	3,275	1,551
Closing cash	2,186	4,070	3,275	1,551	1,420
Summary balance sheet forecast (Btm)					
Cash & equivalents	2,186	4,070	3,275	1,551	1,420
Debtors	104	346	317	228	253
Inventories	0	15,425	11,221	8,578	8,455
Other current assets	3,392	6,392	2,109	2,109	2,109
Fixed assets	8,026	18,481	17,780	17,079	16,378
Intangible assets	53	17,387	17,387	17,387	17,387
Other term assets	2,191	16,995	17,449	19,137	20,441
Total assets	15,952	79,095	69,537	66,069	66,443
Short-term debt	641	13,447	9,575	8,897	9,624
Creditors	597	3,381	2,244	1,811	2,008
Other current liabs	1,693	4,074	5,642	4,066	4,507
Long-term debt/CBs	8,367	31,005	19,605	14,445	8,765
Provisions/other LT liabs	174	5,529	5,529	5,529	5,529
Minorities/other equity	0	3,003	3,503	3,603	3,703
Shareholder funds	4,480	18,656	23,438	27,718	32,307
Total liabs & equity	15,952	79,095	69,537	66,069	66,443
Ratio analysis					
Revenue growth (% YoY)	(31.0)	134.0	40.9	(27.9)	10.8
Ebitda growth (% YoY)	(17.2)	153.8	61.0	(28.1)	10.4
Ebitda margin (%)	34.5	37.4	42.7	42.6	42.4
Net profit margin (%)	20.0	17.1	29.7	36.8	35.6
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	18.6	3.9	13.1	6.4	7.4
Ebitda/net int exp (x)	5.7	1.9	3.9	3.9	5.5
Net debt/equity (%)	152.3	186.4	96.2	69.6	47.1
ROE (%)	22.7	16.9	22.7	16.7	15.3
ROIC (%)	15.5	10.4	10.8	9.1	10.4
EVA@/IC (%)	8.3	2.7	3.3	1.5	2.8

Source: CLSA



evalu@tor card



WHA Corp PCL (WHA TB)

Bt3.12

BUY

TSR: 25.0%

WHA (WHA TB)

GICS sector	Real estate
GICS industry	Real estate mgmt
Last price	Bt3.12
12M Hi/Lo	Bt4.11 / Bt2.62
CLSA target	Bt3.90
CLSA rec	Buy
Analyst	Soraphob Panpiemtras
Last model updated	05 Apr 2016
Mkt cap (US\$m)	1,268
3M ADTO (US\$m)	4.0
Free float (%)	61.8
Total stock return (%)	25.0

Price performance (%)

	1M	3M	6M	1Y
Local	9.1	9.9	1.3	(7.6)
US\$	9.4	12.6	4.7	(15.1)

Peak to trough levels (12M fwd)

(x)	PE	PB	
Peak	21.5	2.9	← Peak
Trough	1.0	0.3	← 5Y avg
Current	9.5	1.8	← Current
Average	8.9	1.5	← Trough

Corporate governance scores

	CG score (%)	Ctry rank	Sector rank
Weighted/Ranking	50.1	37/49	58/86

Earning/balance sheet quality scores

	Score
Earning-quality risk score (EQRS)	3/5
Balance-sheet-quality risk score (BQRS)	3/5

EQRS-BQRS framework created by Microstrategy team where high score = high risk.

Style analysis represents which quintile (among CLSA universe) the stock falls under based on the following style definitions:

- Value** - 12M fwd earnings yield, 12M fwd book yield
- Growth** - 2Y fwd EPS Cagr, sustainable growth
- Momentum** - 3M price change, EPS change (weighted)
- Defensive** - 12M fwd dividend yield, earnings certainty
- Quality** - Avg FY1-FY2 ROE, ROIC
- Garp** - PE/G, price of sustainable growth

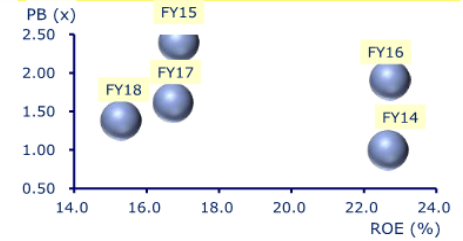
12M forward PE



12M forward PB



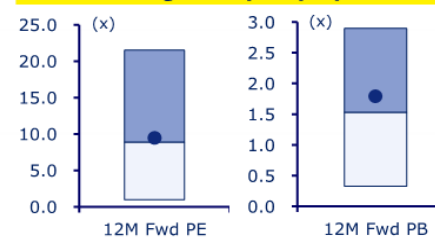
PB versus ROE



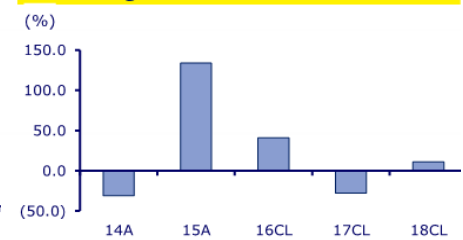
Price chart (5Y)



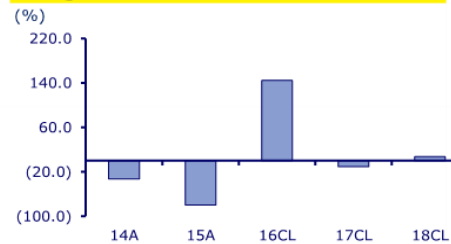
Peak-to-trough analysis (5Y)



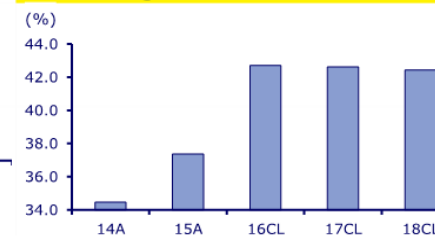
Revenue growth



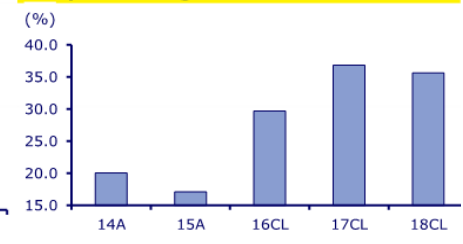
EPS growth



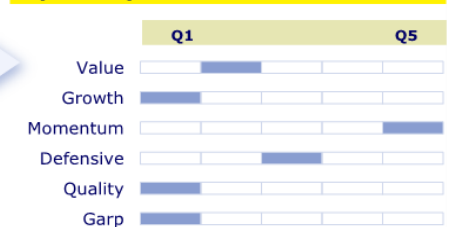
Ebitda margin



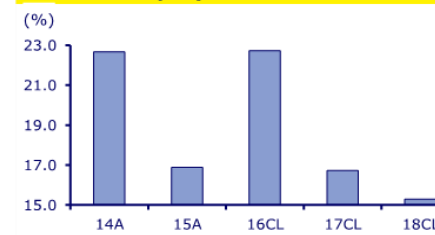
Net profit margin



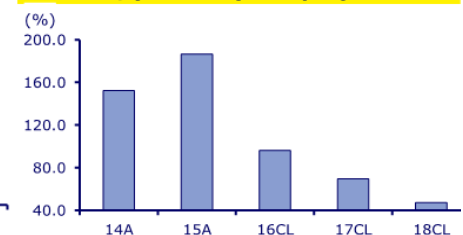
Style analysis



Return on equity



Net debt/(net cash) to equity



Year end: 31 Dec 2015

Companies mentioned

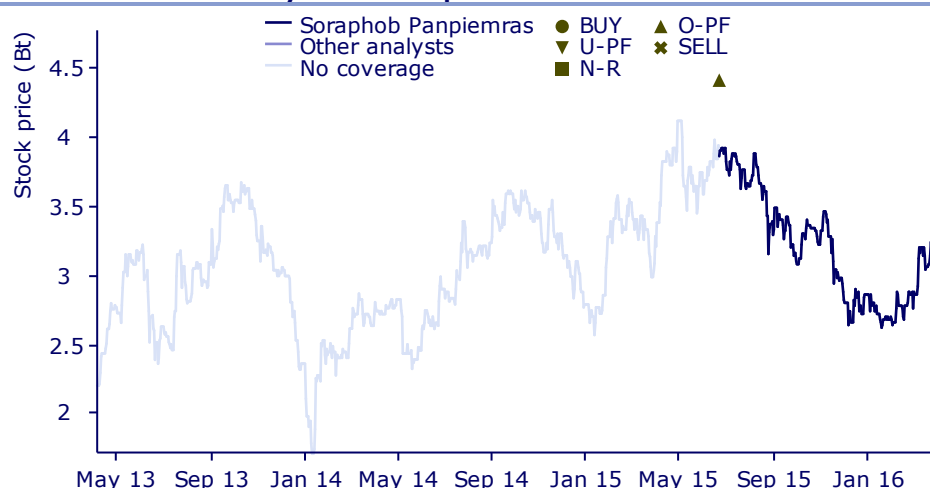
- WHA (WHA TB - BT3.12 - BUY)
- Amata (N-R)
- GLP (GLP SP - S\$1.99 - SELL)
- Goodman (GMG AU - A\$6.55 - BUY)
- Hemaraj (HEMRAJ TB - BT3.1 - OUTPERFORM)
- Kerry Logistics (N-R)
- Rojana Ind Park (N-R)
- SAIC (N-R)

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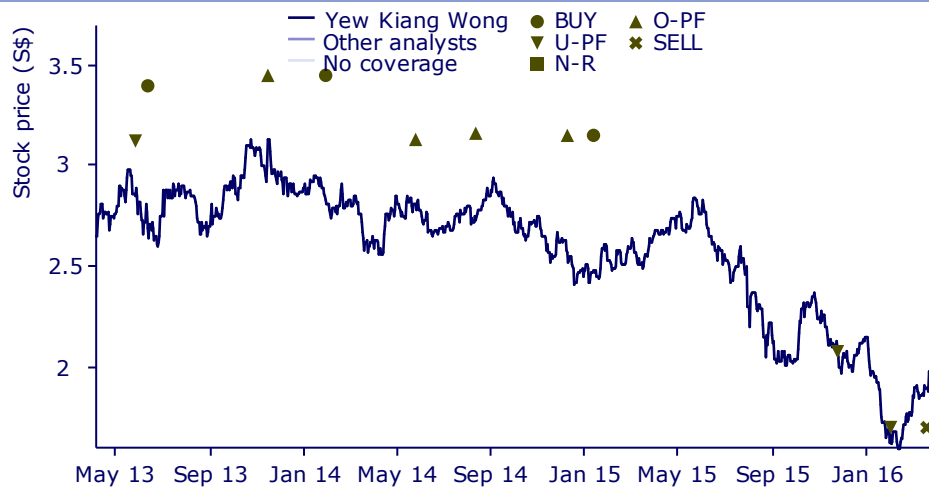
Recommendation history of WHA Corp PCL WHA TB



Date	Rec	Target	Date	Rec	Target
23 Jun 2015	O-PF	4.41			

Source: CLSA

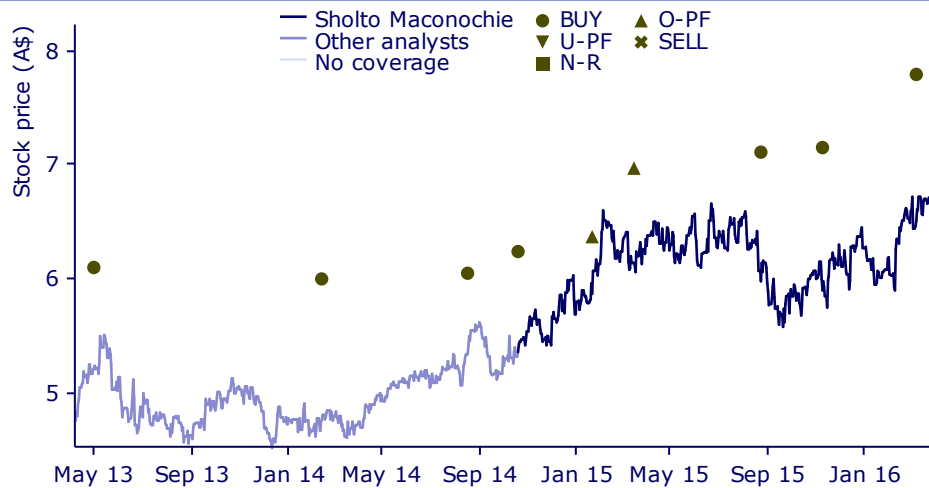
Recommendation history of Global Logistic Properties Ltd GLP SP



Date	Rec	Target	Date	Rec	Target
20 Mar 2016	SELL	1.70	26 May 2014	O-PF	3.13
02 Feb 2016	U-PF	1.70	29 Jan 2014	BUY	3.45
25 Nov 2015	U-PF	2.08	15 Nov 2013	O-PF	3.45
12 Jan 2015	BUY	3.15	12 Jun 2013	BUY	3.40
09 Dec 2014	O-PF	3.15	27 May 2013	U-PF	3.12
12 Aug 2014	O-PF	3.16			

Source: CLSA

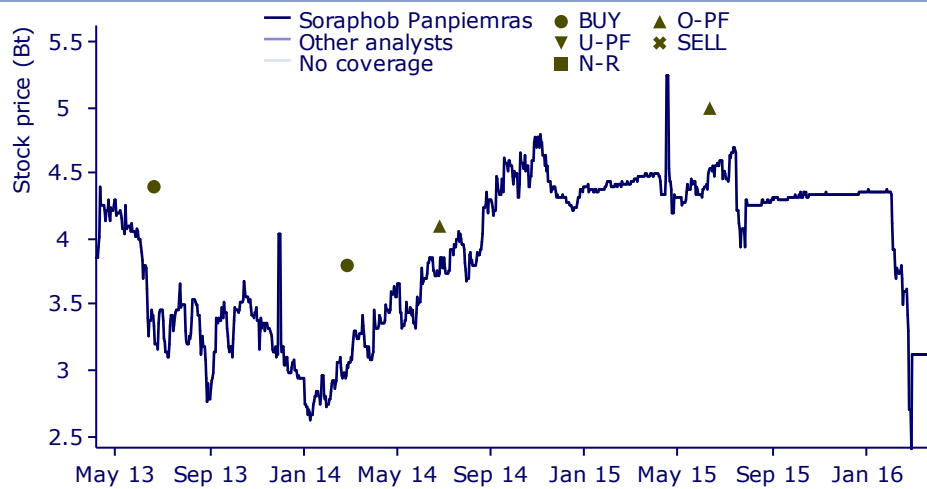
Recommendation history of Goodman Group GMG AU



Date	Rec	Target	Date	Rec	Target
08 Mar 2016	BUY	7.79	20 Oct 2014	BUY	6.24
10 Nov 2015	BUY	7.15	17 Aug 2014	BUY	6.05
24 Aug 2015	BUY	7.11	13 Feb 2014	BUY	6.00
16 Mar 2015	O-PF	6.97	30 Apr 2013	BUY	6.10
22 Jan 2015	O-PF	6.37			

Source: CLSA

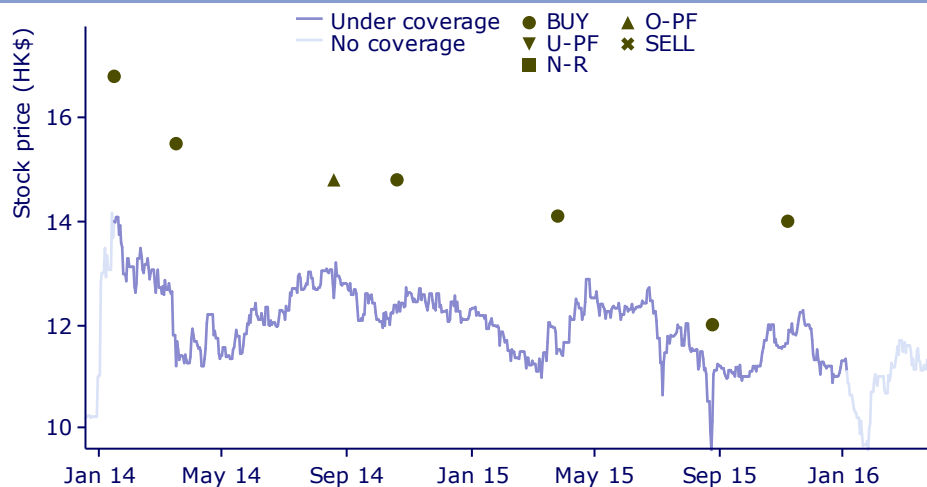
Recommendation history of Hemaraj Land & Development PCL HEMRAJ TB



Date	Rec	Target	Date	Rec	Target
12 Jun 2015	O-PF	5.00	26 Feb 2014	BUY	3.80
26 Jun 2014	O-PF	4.10	20 Jun 2013	BUY	4.40

Source: CLSA

Recommendation history of Kerry Logistics 636 HK



Date	Rec	Target	Date	Rec	Target
05 Jan 2016	Dropped Coverage		20 Oct 2014	BUY	14.80
08 Nov 2015	BUY	14.00	19 Aug 2014	O-PF	14.80
26 Aug 2015	BUY	12.00	17 Mar 2014	BUY	15.50
27 Mar 2015	BUY	14.10	15 Jan 2014	BUY	16.80

Source: CLSA

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Overall rating distribution : Buy / Outperform - CLSA:

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