Suzlon Energy SUEL IN

POWER & UTILITIES | INDIA

Clarisse Pan	+852 2252 2192	clarisse.pan@nomura.com
Ivan Lee, CFA	+852 2252 6213	ivan.lee@nomura.com
Manu Singh	+912240533696	manu.singh@nomura.com

Maintained

NEUTRAL

NOMURA

NOMURA INTERNATIONAL (HK) LIMITED

Action

Amid disappointing 1H FY10 results and reduced guidance, we lower our estimates and price target for Suzlon. While recent positive policy developments in Suzlon's key markets bode well for FY11F outlook, we remain cautious over the near-term. We believe that concerns on liquidity and blade cracks are almost behind us but we would turn more positive given further catalysts.

Catalysts

We would turn more positive on Suzlon amid Hansen disposal, which would significantly enhance balance sheet quality or more aggressive order intake.

Anchor themes

We see wind as the best investment option, as it is the world's most commercial green energy. Its low costs and stable output should underpin installed capacity growth of around 30% per annum globally over the next five to ten years. We expect better growth opportunities down the value chain in Asia.

Closing price on 2 Nov	Rs66.9
Price target	**Rs64.0**
	(from Rs118.0)
Upside/downside	-4.3%
Difference from consensus	**-34.8%**
FY11F net profit (Rsmn)	9,153
Difference from consensus	**-19.8%**

Source: Nomura

Nomura vs consensus

We believe that consensus numbers are overstated as estimates have not been revised post Suzlon's results announcement yesterday.

Near term remains windy

① Disappointing 1H FY10 results; reduced FY10 guidance

Suzlon's consolidated 1H FY10 revenue was INR89bn, down 11% y-y and representing merely 32% of our FY10F estimate. Suzlon Wind only delivered 406MW of wind turbines in 1H FY10, accounting for merely 17% of the lower-end of Suzlon's original guidance. Suzlon consequently lowered FY10 shipment guidance to 1,900-2,100MW from 2,400-2,600MW.

② Positive outlook in key markets but limited S-T impact

Over the past few months, some positive policy developments have taken place in Suzlon's key markets: US, India, China and Australia. While we do not expect these to translate into real business momentum in the near term, we are more positive about our current assumption of a 32% y-y shipment growth (2,500MW) in FY11F.

③ Debt restructuring underway; cash remains tight

Suzlon's net debt to equity ratio reached 160% by September 2009. Suzlon continues to work towards de-leveraging the balance sheet and reducing absolute debt levels through the planned sale of Hansen, refinancing its current debt and fund infusion from promoters. Based on our downward earnings revision, we believe Suzlon runs a risk of not meeting its debt covenants, but management noted that the penalty may only result in slight increase in interest rates.

④ Await positive catalysts; maintain NEUTRAL

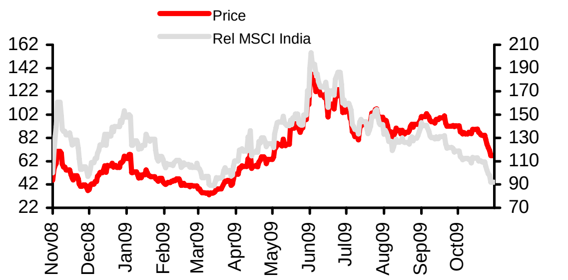
Our revised price target of INR64.0 is based on DCF valuation, representing potential downside of 4%; we maintain NEUTRAL. Over the short term, we expect share price weakness due to poor 1H FY10 results, reduced guidance and risks on order intake. However, we are positive about Suzlon's long-term potential given our bullish view on the wind power industry.

Key financials & valuations

31 Mar (Rsmn)	FY09	FY10F	FY11F	FY12F
Revenue	260,817	231,461	295,440	360,737
Reported net profit	2,365	(1,338)	9,153	17,787
Normalised net profit	11,328	(1,338)	9,153	17,787
Normalised EPS (Rs)	7.67	(0.88)	5.88	11.43
Norm. EPS growth (%)	(15.6)	(111.4)	na	94.3
Norm. P/E (x)	9.2	na	11.8	6.1
EV/EBITDA (x)	6.9	11.4	6.9	5.4
Price/book (x)	1.2	1.2	1.1	0.9
Dividend yield (%)	0.0	0.0	0.0	0.0
ROE (%)	2.8	(1.6)	10.1	17.1
Net debt/equity (%)	137.2	129.6	130.9	117.8
Earnings revisions				
Previous norm. net profit		11,107	14,630	23,576
Change from previous (%)		na	(37.4)	(24.6)
Previous norm. EPS (Rs)		7.41	9.77	15.74

Source: Company, Nomura estimates

Share price relative to MSCI India



	1m	3m	6m
Absolute (Rs)	(27.5)	(33.0)	5.1
Absolute (US$)	(26.3)	(31.6)	12.1
Relative to Index	(21.5)	(36.7)	(40.1)
Market cap (US$mn)			2,215
Estimated free float (%)			45.0
52-week range (Rs)			136.9/33.30
3-mth avg daily turnover (US$mn)			88.1
Stock borrowability			Hard
Major shareholders (%)			
Promoter and Promoter Group			53.0

Source: Company, Nomura estimates

Any authors named on this report are research analysts unless otherwise indicated. See the important disclosures and analyst certifications on pages 13 to 16.

Disappointing 1HFY10 results

After weak 1Q FY10, Suzlon's consolidated 1H FY10 was again disappointing. Revenue was INR89bn, down 11% y-y and representing 32% of our FY10F revenue estimate. While top-line contribution from Hansen and Repower remains roughly on track (achieving 48% and 45% of our FY10F estimates respectively), Suzlon Wind only delivered 406MW of wind turbines in 1HFY10, accounting for merely 17% of our FY10F estimates.

Management cited that slow recovery of project financing led to low conversion of order book to actual shipment. Suzlon also emphasised that there has not been order cancellation but delivery push-backs to FY11, and it expects gradually improved financing environment to pave the way for a more robust FY11 demand outlook.

Consolidated gross margin for 1H FY10 fell to 31.5%, from 35.8% a year ago, although the same for 2Q FY10 was up by 2.9ppt to 32.8%, thanks to margin recovery at Hansen and Repower. However, this was still lower than our FY10F consolidated gross margin estimate of 34.7%, which we believe is a result of low volume and negative operating leverage. Consolidated net loss for 1H FY10 was INR8bn, widening from a net loss of INR0.1bn in 1H FY09. This is much worse than our net profit estimate of INR11bn for FY10F.

Exhibit 1. Suzlon 2Q FY10 results breakdown by division

	2Q FY10				2Q FY09			
(INRmn)	Suzlon	SE Forge	Hansen	Repower	Suzlon	SE Forge	Hansen	Repower
Sales	18,680	110	10,320	20,590	41,820	n.a.	10,280	19,470
Raw material cost	13,670	60	5,700	14,430	28,700	n.a.	4,620	15,270
Gross profit	5,010	50	4,620	6,160	13,120	n.a.	5,660	4,200
Gross profit margin	26.80%	51.30%	44.80%	29.90%	31.40%	n.a.	55.10%	21.60%
EBITDA	(1,490)	(120)	650	2,290	4,280	(80)	2,270	680
EBITDA margin	-8.00%	-112.70%	6.30%	11.10%	10.20%	n.a.	22.10%	3.50%
PAT reported	(4,040)	(340)	(220)	1,160	(420)	(90)	860	(200)
PAT adjusted*	(3,840)	(340)	(220)	1,160	1,550	(90)	860	(200)

Note: Adjusted for FX effect from outstanding convertible bonds

Source: Company data, Nomura International

Exhibit 2. Suzlon 2Q FY10 and 1H FY10 results

(INRmn)	2Q FY10	2Q FY09	y-y	1H FY10	1H FY09	y-y
Sales	47,930	69,210	-30.75%	89,460	100,390	-10.89%
Raw material cost	(32,200)	(46,610)	-30.92%	(61,320)	(64,510)	-4.94%
Gross margin	32.80%	32.70%		31.50%	35.80%	
Manpower cost	(5,880)	(5,480)	7.30%	(11,800)	(9,710)	21.52%
Operating income	420	580	-27.59%	610	700	-12.86%
Other operating expense	(9,050)	(10,930)	-17.20%	(15,610)	(14,710)	6.12%
EBITDA	1,210	6,770	-82.13%	1,340	12,150	-88.97%
EBITDA margin	2.50%	9.80%		1.50%	12.10%	
PAT reported	(3,560)	(230)	n.a.	(8,080)	(140)	n.a.
PAT adjusted	(3,350)	1,740	n.a.	(7,700)	3,290	n.a.

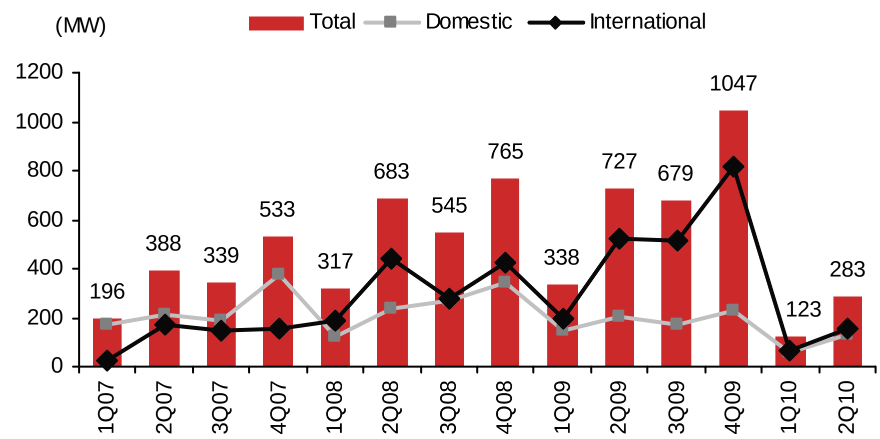
Note: Adjusted for FX effect from outstanding convertible bonds

Source: Company data

New orders elusive; reduced FY10 guidance

Suzlon lowered its FY10 shipment guidance to 1,900-2,100MW from 2,400-2,600MW. Push-back of deliveries by customers and delay in order conversion were the main reasons for the downward revision as highlighted by the management in the 2Q FY10 investor conference call. After the initial momentum in the beginning of the financial year, when Suzlon witnessed a flurry of new order inflows, the last few months have seen a lull with no announcements related to major order wins.

Exhibit 3. Shipments in MW



Source: Company data, Nomura research

According to management, Suzlon's order book as of 30 October 2009 stood at 1,489MW, with 123MW from India and 1,366MW from international markets. Of the current international order book, nearly 500MW are expected to be shipped in FY10, leaving 866MW for the FY10. Given the difficult financing conditions faced by international customers and loss of domestic orders earlier in the year, we expect Suzlon to meet the lower end of its FY10 shipment guidance, 1900MW, for which it will need to secure around 128MW of international new orders by the end of the November, 2009, which we believe should be achievable.

Exhibit 4. International new orders needed to meet shipment guidance (MW)

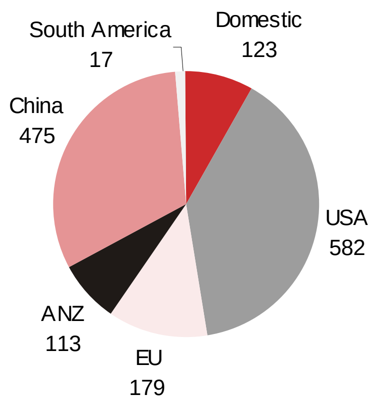
International new orders needed to meet shipment guidance (MW)	New guidance	
	Low	High
Shipment guidance for FY10	1,900	2,100
Shipments executed in H1FY10	406	406
Shipment for 2HFY10	1,494	1,694
International order book at the end of Q1FY10	1,366	1,366
Shipments from order book for FY11	500	500
Shipment for 2HFY10	866	866
Expected domestic shipments in the remaining FY10	500	500
Minimum international order to secure before November	128	328
Shipment for 2HFY10	1,494	1,694

Source: Company data, Nomura research

Key markets with positive momentum but limited S-T impacts

Based on Suzlon's disclosure, as of 30 October 2009, the company's order book comprises 582MW from US, 475MW from China, 113MW from Australia and 123MW from India, representing 39%, 32%, 9% and 8% of Suzlon's overall order backlog, respectively. Over the past few months, some positive developments of important policies have taken place in these key markets. While we do not expect these developments to translate into real business momentum for Suzlon in the near term, we are more positive about our current assumption of a 32% y-y shipment growth (2,500MW) in FY11.

Exhibit 5. Order book as on 30 October 2009 (MW)



Source: Company data, Nomura research

- Infusion of liquidity in the US

In the US, the much awaited cash assistance for renewables finally took off with Treasury granting cash assistance of US$502mn in the first round and US$550mn in the second round for various renewable projects. This is part of the programme enacted by Congress in the economic recovery package earlier this year. The focus of these grants, which temporarily replaces production tax credit (PTC), is to provide impetus to the renewable energy sector as the recession and the credit crisis had made the PTC ineffective.

Grants are available for projects that are placed in service in 2009 or 2010, or placed in service by the specified credit termination date, 1 January 2013 for wind, if construction began in 2009 or 2010. Payment of grant will be made within 60 days of the grant application date or the date property is placed in service, whichever is later. With majority of the grant amount flowing to wind energy projects, the wind sector has been the major beneficiary of the grants announced in the first two rounds so far. We believe that after the successful cash release of more than US$1bn, one-third of the total outlay of US$3bn, we expect to see increase in participation in terms of further new investments in the US wind energy market.

Our discussion with Suzlon management revealed that of the grants announced in the first round, around 34% (US$173mn) was for projects owned by Suzlon's customers, which were part of the order book and hence will now be converted into revenue. Although this does not immediately translate into new orders, it is a potential positive for Suzlon as it puts money in the hands of its customers to invest in new projects. The other bright spot is that banks have again started loosening their purse strings for renewable energy projects in terms of loans and some players have managed to raise a significant amount of cash. Despite the incentives available and cash infusion in the US, the recovery of Suzlon's business continues to look sluggish and we remain sceptical of any significant order inflow coming from the US market over the next few months.

- Renewable to contribute 20% of Australia's electricity

With the passage of expanded national Renewable Energy Target scheme, Australia plans to ensure that 20% of the country electricity comes from renewable resources by 2020, and increase the existing Mandatory Renewable Energy Target (MRET) of 9,500Gwh by more than four times to 45,000Gwh by 2020. Suzlon, being the market leader in Australia (38% of the currently installed capacity according to Business Standard), would benefit from such a trend in our view. In the beginning of 2009, Suzlon had won two major orders, totalling 245MW, from AGL Energy in Australia at turnkey basis.

- Recovery of the India market underway

Unlike other countries where Power and Utilities companies drive the demand for wind energy, the Indian wind market is unique and has Indian corporate players as major investors in the sector. Demand for captive power due to poor infrastructure in the country, favourable depreciation policies, income tax relief and special tariff in some states have attracted Indian companies to enter the sector.

This year, however, delay in the government's budget, difficult credit environment, and reduced profitability of the Indian corporate sector have led to a decline in Suzlon's domestic orders. Our discussions with management revealed that post-budget the demand from Indian corporates is again coming back and the company expects to do 700MW worth of domestic business in FY10. Based on the orders won in the last three months, 186 MW, we believe that the India market is coming back and the recovery looks real.

On the policy side, in the National Action Plan on Climate Change, the target for minimum renewable purchase standards has been set at 5% of the total power purchases in year 2010 and thereafter should increase by 1% each year for ten years leading to 15% by 2020.

Exhibit 6. Renewable energy capacity additions during 10th/11th Five Year Plan

Technology	Target 2003-2007	Actual 2003-2007	Target 2008-2012
Windpower	2,200	5,426	10,500
Small Hydro (< 25 MW)	550	537	1,400
Biomass Power / Cogeneration	725	759	1,700
Biomass Gasifier	37	26	0
Solar PV	2	1	0
Waste to Energy Programme	70	46	400
Total	**3,584**	**6,795**	**14,000**

Source: MNRE, Nomura research

To support the wind energy sector, in June 2008, the Ministry of New and Renewable Energy (MNRE) announced a national generation-based incentive scheme for grid connected wind power projects, sub-49MW, providing an incentive INR0.5/Kwh, in addition to incentives provided by the state government. However, this rate is very low and might not give a fillip to the sector. Recently, the Central Electricity Regulatory Commission (CERC) came out with a new tariff regulation and standards which specify capital cost norms and fixing tariff upfront for the whole tariff period. To attract investment in the sector, the normative return on equity in for the projects has been fixed at lucrative level; a pre-tax 19% per annum for the first 10 years and 24% per annum from the 11th year. Some of the states provide their own incentives to the wind energy sector as given in the table below.

Exhibit 7. Wind energy policies by states in India

States	Tariff per Kwh (INR)	Annual tariff escalation	Wheeling or transmission charges	Capital incentives	Specified Renewables Portfolio Standards for winds
Tamil Nadu	3.39	Nil (Fixed for 5 years)	5% of tariff paid	National policies	10% (2008-2009) 13% (2009-2010) 14% (2010-2011)
Gujarat	3.37	Nil	4% of tariff paid	Has an exclusive policy in addition to the national policies	2% (2008-09)
Rajasthan	4.28-4.50	INR0.02 every year for 10 years	10% of tariff paid	National policies	5% (2008-09)
Karnataka	3.4	Nil	2% of tariff paid	National policies	2% (2008-09)
Madhya Pradesh	4.03	Variable increase up to 20 years and then reduces	2% of tariff paid	National policies	5% (2008-09) and 6% from 2009-2011
West Bengal	4	Nil	INR0.30 per kWh	National policies	8% (2008-09)
Kerala	3.14	Fixed for 20 years	Nil	National policies	5% (2008-09)
Maharashtra	3.5	INR0.15 per annum for 15 years	7% of tariff paid	National policies	6% for all RES (2008-09)
Andhra Pradesh	3.5	Nil	5% of tariff paid	National policies	5% (2008-09)
Haryana	Nil	NA	Nil	National policies	3% (2008-2009)

Source: GWEC, IWTMA, Nomura Research

- China's 2020F wind capacity target could reach 150GW

Following our recent checks, we believe that the National Development and Reform Commission (NDRC) will raise China's 2020F capacity target for wind power to 150GW, which is 5x the present target of 30GW and comes at the higher-end of current market expectations of 100-150GW. Cumulative capacity of 150GW by 2020F implies a wind power installation capacity CAGR of 24% over 2008-20F. According to the China Wind Energy Association (CWEA), China had 11.8GW of wind capacity as of the end of 2008.

We also expect the NDRC to set near-term guidelines for wind power development by announcing a cumulative capacity target of 35GW by 2011F, implying a 44% CAGR over 2008-11F. In our view, this should be in line with both market and industry expectations.

Moreover, China's NDRC announced new guidelines for the determination of wind power tariffs in 3Q CY09. Under the new guidelines, NDRC has divided the country into four categories based on local wind resources. The guideline mainly standardised wind tariffs, at RMB0.51/kwh, RMB 0.54/kwh and RMB 0.61/kwh, for different wind locations, from resource rich to poor, respectively. In our view, this would enhance visibility for wind farm returns when investors make their decisions. Moreover, this could reduce the preparation time for wind farm operators, as NDRC does not have to approve tariffs on a case-by-case basis going forward.

In 2008, Chinese wind turbine manufacturers accounted for 77% of the China wind market. Although we expect the Chinese wind market to be continuously dominated by the Chinese wind turbine producers, we believe that Suzlon has better potential than other international wind turbine producers in China due to its cost competitiveness.

Lowered earnings by 112% and 37% for FY10 and FY11F

We reduced our FY10F shipment assumption by 24% to 1,900MW (detailed development in Exhibit 8) and FY11F by 17% to 2,500MW, based on Suzlon's current order backlog, potential near-term new order wins from Europe and Australia and management guidance.

We have also toned down the ASP by 5%, roughly in line with management's recent comments, to reflect declining raw material costs being passed on to the customers. As far as competition is concerned, price pressure has been seen in select pockets only and management does not expect price decline to outpace the decline in raw material prices, enabling a stable margin outlook.

Given the downward shipment revision, we have lowered our sales estimate by 17% and gross margin by 5ppt, at the consolidated level. Owing to lower utilisation levels, high interest cost and increase in depreciation, we expect Suzlon to report a loss of INR1.3bn for FY10F. However, for FY11F, we expect global wind demand to recover based on easing of credit financing conditions and Suzlon to swing back to consolidated net profit of INR9bn.

Exhibit 8. New assumptions

	FY09A	FY10F	FY11F	FY12F
Suzlon Wind shipments (MW)				
Old	2,790	2,500	3,000	3,600
New	2,790	1,900	2,500	3,400
% change	0	(24)	(17)	(6)
Suzlon Wind ASP (INR)				
Old	57	53	52	52
New	57	50	49	47
% change	(0)	(5)	(5)	(10)
Consolidated gross margin (%)				
Old	35	35	35	36
New	35	30	33	34
% change	na	na	na	na
Consolidated EBITDA margin (%)				
Old	12	13	14	15
New	12	8	11	12
% change	na	na	na	na

Source: Nomura research

Debt restructuring underway; cash remains tight

As of September 2009, Suzlon had net debt of INR125bn, of which INR31bn is for acquisition, INR23bn is FCCB, INR11bn is for capital expenditure, INR12bn is loan for promoters and INR58bn is for working capital requirements.

To meet its immediate cash requirements, promoters infused INR11.8bn in 1H FY10. Suzlon continues to work towards de-leveraging the balance sheet and reducing absolute debt levels through the planned sale of asset Hansen, full or in part, for which efforts are ongoing. Suzlon is also looking to refinance its current debt, including foreign currency loan US$900mn, INR facilities of some INR70bn and trade credit facilities, non-fund based, of INR40bn. We believe discussions with lenders are at an advanced stage.

Exhibit 9. Suzlon (parent) debt break-up (INRmn)

Debt type	As on Sep-09	As on Jun-09	As on Mar-09
Acquisition loans	30,970	32,530	34,020
FCCBs	23,040	18,640	25,360
Capex loans	11,430	11,900	11,870
Working Capital loans	57,580	62,150	53,270
Loans from promoter group	11,750	5,620	0
Gross debt	134,770	130,850	124,520
Cash	(9,520)	(8,620)	(13,590)
Net debt	125,250	122,230	110,930

Source: Company data, Nomura research

Management believes that the cost, increase in interest rate, for the restructuring will be insignificant and restructuring does not entail conversion of debt to equity for lenders and hence no dilution. Holiday of two years in repayments, effective removal or relaxations of covenants and conversion of debt to longer maturities are the key highlights of the debt restructuring programme. We believe that successful execution of the restructuring would help in allaying investor concern about the weak balance sheet and provide some time to the management to execute its plans.

Based on our downward earnings revision, we believe Suzlon runs a risk of not meeting its debt covenants; however, based on our discussion with the management, we believe that the penalty of not meeting the covenants will not be severe and may only result in slight increase in the interest rate as a penalty. The company believes that since it has never defaulted on any of its payments, the breaking of covenants would not be treated too harshly by creditors.

Exhibit 10. Suzlon's net debt position (INRmn)

	Sep 2009		June 2009	
	Suzlon Wind	Consolidated	Suzlon Wind	Consolidated
Gross debt	134,770	165,410	130,850	159,870
Cash	9520	27,800	8,620	21,570
Net debt	125,250	137,620	122,230	138,290

Source: Company data, Nomura research

Valuation and risk; maintain NEUTRAL

We derive our price target based on DCF valuation

We derive our price target of INR64.0 (down from INR118.0) based on DCF valuation, with a WACC of 13.2% (up from 12.9% due to increased cost of debt) and terminal growth of 1% after FY20F (unchanged). The lower price target was due mainly to our reduced earnings estimates (down 112% and 37% in FY10F and FY11F, respectively) and slightly higher WACC assumption.

At our price target, Suzlon's shares would be trading at 11x FY11F earnings, lower than the current ratio of global major wind turbine producers at 16x. In our view, Suzlon's current valuation at a discount to peers is fair given the company's inferior balance sheet quality and unclear outlook in the near term. Our target price implies 4% potential downside from the current share price of INR66.85, and thus we maintain our NEUTRAL view on Suzlon.

While we believe that uncertainty from issues of cracked blades and liquidity concerns are almost behind us, over the near term, we expect share price weakness due to poor 1H FY10 results, reduced FY10 guidance and risks on new order intake. Nonetheless, we are positive about Suzlon's long-term potential given our bullish view on the wind power industry and Suzlon's vertically integrated structure, which should benefit the company amid an industry upcycle. We would turn more bullish on the stock upon seeing positive catalysts, including the disposal of Hansen stakes and more aggressive new order intake, on the horizon.

Risks include: Positive or negative government policies, failure in migrating technology forward, higher-than-expected product liability provisions, delay or acceleration in the recovery of WTG demand and failure in enhancing cashflow and balance sheet quality.

Exhibit 11. Suzlon DCF valuation

Equity Beta	**1.7**
Risk free rate (%)	6.5%
Equity risk premium (%)	4.5%
Country risk premium (%)	0.5%
Cost of equity (%)	14.8%
Cost of debt (%)	10.0%
Debt/capital (%)	20.0%
Tax (%)	33.0%
WACC (%)	13.2%
Terminal growth rate (%)	1.0%

Free cashflow (INRmn)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Sales	260,817	231,461	295,440	360,737	422,062	485,371	558,177	625,158	700,177	770,194	847,214	889,575
Growth rate (%)		-11%	28%	22%	17%	15%	15%	12%	12%	10%	10%	5%
EBITDA	32,405	18,901	33,075	44,233	59089	72806	83726	93774	105027	115529	127082	133436
Margin (%)	12%	8%	11%	12%	14%	15%	15%	15%	15%	15%	15%	15%
Less: tax	(2,111)	130	(2,219)	(4,182)	(6,331)	(7,281)	(8,373)	(9,377)	(10,503)	(11,553)	(12,708)	(13,344)
minority interest	(1,947)	(703)	(1,679)	(2,629)	(2,828)	(3,252)	(3,740)	(4,189)	(4,691)	(5,160)	(5,676)	(5,960)
change in WC	(41,931)	(13,584)	(16,405)	(17,325)	(21,103)	(24,269)	(27,909)	(31,258)	(35,009)	(38,510)	(42,361)	(40,031)
capital expenditure	(33,167)	(17,561)	(14,393)	(18,851)	(7,175)	(8,251)	(9,489)	(10,628)	(11,903)	(13,093)	(14,403)	(15,123)
FCF	**(46,751)**	**(12,817)**	**(1,621)**	**1,245**	**21,652**	**29,753**	**34,216**	**38,322**	**42,921**	**47,213**	**51,934**	**58,979**

EV	237,126
Less: net debt	117,997
Minority interest	19,451
preference	25
Value of equity	99,652
No. of shares (mn)	1,553
Intrinsic value	**64**

Source: Nomura estimates

Exhibit 12. Wind power peer valuation comparison

Company	Bloomberg ticker	Rec	Price (local)	Market cap (US$mn)	P/E FY09F	P/E FY10F	PEG FY10F	P/BV FY09F	P/BV FY10F	ROE FY09F	ROE FY10F
Gearbox											
China High Speed	658 HK	BUY	15.80	2,538	20.2	14.3	0.4	4.0	3.3	21.3	25.3
Hansen Transmission*	HSN LN	N-R	128.00	1,411	71.5	20.2	0.7	1.5	1.4	2.2	6.2
Wind Turbine											
Clipper*	CWP LN	N-R	172.50	369	n.a.	n.a.	n.a.	n.a.	n.a.	(264.5)	123.2
Gamesa	GAM SM	NEUTRAL	12.48	4,469	20.4	17.9	0.5	1.9	1.7	9.1	9.6
Nordex*	NDX1 GY	N-R	11.14	1,096	26.5	17.2	0.3	2.1	1.9	8.0	11.0
Repower*	RPW GR	N-R	104.47	1,411	20.1	16.2	0.7	2.2	1.9	9.8	12.9
Suzlon	SUEL IN	NEUTRAL	66.85	2,215	n.a.	11.4	n.a.	1.2	1.1	(1.6)	10.1
Vestas*	VWS DC	N-R	358.50	14,443	18.1	17.2	1.0	3.0	2.5	20.0	15.9
Average					**21.3**	**16.0**	**0.6**	**2.1**	**1.8**	**(36.5)**	**30.4**
Wind Operator											
Acciona	ANA SM	BUY	83.10	7,773	4.4	25.1	n.a.	1.0	1.0	16.3	4.8
Theolia*	TEO FP	N-R	3.88	225	n.a.	n.a.	n.a.	1.0	1.1	(13.3)	(10.1)
Iberdrola Renovables	IBR SM	NEUTRAL	3.03	18,839	32.4	27.9	1.3	1.2	1.1	3.4	4.0
EDF Energies Nouvelles	EEN FP	BUY	36.38	4,154	33.2	30.8	1.1	1.8	1.7	5.5	5.7
EDP Renovaveis	EDPR PL	REDUCE	6.78	8,705	49.6	42.5	0.9	1.1	1.1	2.5	3.3
Greentech Energy Systems	GES DC	BUY	25.30	241	n.a.	52.2	n.a.	0.7	0.7	(12.9)	4.1
China Windpower Group*	182 HK	N-R	0.89	836	26.2	16.8	0.3	1.9	1.5	7.3	10.6
Average					**33.2**	**25.7**	**0.9**	**1.2**	**1.1**	**1.3**	**3.2**

Note: Prices as of 2 November, 2009. [Estimates for not rated companies* (N-R) are consensus estimates sourced from Bloomberg -IBES].

Source: Nomura estimates, Bloomberg, Thomson One Analytics

Exhibit 13. Wind companies' net debt-to-equity comparison

	Net debt/equity
China High Speed	0.54
Hansen	0.32
Clipper	Negative equity
Gamesa	0.17
Nordex	Net cash
Repower	Net cash
Vestas	0.02
Suzlon	**1.61**

Note: Hansen, Vestas and Suzlon are as of September 2009, and the rest are as of June 2009

Source: Company data, Nomura research

Financial statements

Income statement (Rsmn)					
Year-end 31 Mar	FY08	FY09	FY10F	FY11F	FY12F
Revenue	136,794	260,817	231,461	295,440	360,737
Cost of goods sold	(88,702)	(168,568)	(162,242)	(198,059)	(239,418)
Gross profit	**48,093**	**92,249**	**69,219**	**97,381**	**121,319**
SG&A	(27,451)	(65,576)	(56,864)	(71,155)	(84,396)
Employee share expense	-	-	-	-	-
Operating profit	**20,641**	**26,673**	**12,354**	**26,226**	**36,923**
EBITDA	**23,535**	**32,405**	**18,901**	**33,075**	**44,233**
Depreciation	(2,894)	(5,731)	(6,547)	(6,849)	(7,310)
Amortisation	-	-	-	-	-
EBIT	**20,641**	**26,673**	**12,354**	**26,226**	**36,923**
Net interest expense	(5,969)	(10,539)	(13,120)	(13,175)	(12,325)
Associates & JCEs	-	-	-	-	-
Other income	(15)	(1)	-	-	-
Earnings before tax	**14,657**	**16,133**	**(765)**	**13,051**	**24,598**
Income tax	(1,633)	(2,881)	130	(2,219)	(4,182)
Net profit after tax	**13,024**	**13,252**	**(635)**	**10,832**	**20,416**
Minority interests	(428)	(1,947)	(703)	(1,679)	(2,629)
Other items	558	23	-	-	-
Preferred dividends	-	-	-	-	-
Normalised NPAT	**13,153**	**11,328**	**(1,338)**	**9,153**	**17,787**
Extraordinary items	(2,852)	(8,963)	-	-	-
Reported NPAT	**10,301**	**2,365**	**(1,338)**	**9,153**	**17,787**
Dividends	(1,497)	-	-	-	-
Transfer to reserves	**8,804**	**2,365**	**(1,338)**	**9,153**	**17,787**

We expect FY10F to be a trough year given recent positive policy developments in Suzlon's key markets USA, Indian, China and Australia.

Valuation and ratio analysis					
FD normalised P/E (x)	7.6	9.2	na	11.8	6.1
FD normalised P/E at price target (x)	7.3	8.8	na	11.3	5.8
Reported P/E (x)	9.4	41.7	na	11.4	5.9
Dividend yield (%)	1.5	-	-	-	-
Price/cashflow (x)	8.0	na	3.2	10.8	5.7
Price/book (x)	1.2	1.2	1.2	1.1	0.9
EV/EBITDA (x)	5.7	6.9	11.4	6.9	5.4
EV/EBIT (x)	6.5	8.3	17.4	8.7	6.4
Gross margin (%)	35.2	35.4	29.9	33.0	33.6
EBITDA margin (%)	17.2	12.4	8.2	11.2	12.3
EBIT margin (%)	15.1	10.2	5.3	8.9	10.2
Net margin (%)	7.5	0.9	(0.6)	3.1	4.9
Effective tax rate (%)	11.1	17.9	na	17.0	17.0
Dividend payout (%)	14.5	-	na	-	-
Capex to sales (%)	15.5	12.7	7.6	4.9	5.2
Capex to depreciation (x)	7.3	5.8	2.7	2.1	2.6
ROE (%)	17.7	2.8	(1.6)	10.1	17.1
ROA (pretax %)	13.4	9.8	3.7	7.6	9.5
Growth (%)					
Revenue	71.3	90.7	(11.3)	27.6	22.1
EBITDA	66.0	37.7	(41.7)	75.0	33.7
EBIT	65.6	29.2	(53.7)	112.3	40.8
Normalised EPS	47.5	(15.6)	(111.4)	na	94.3
Normalised FDEPS	46.7	(17.1)	(111.4)	na	94.3
Per share					
Reported EPS (Rs)	7.1	1.6	(0.9)	5.9	11.4
Norm EPS (Rs)	9.1	7.7	(0.9)	5.9	11.4
Fully diluted norm EPS (Rs)	8.8	7.3	(0.8)	5.7	11.0
Book value per share (Rs)	55.7	57.6	55.2	61.1	72.5
DPS (Rs)	1.0	-	-	-	-

Source: Nomura estimates

We lowered our gross margin assumption to reflect negative operating leverage

Cashflow (Rsmn)					
Year-end 31 Mar	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
EBITDA	23,535	32,405	18,901	33,075	44,233
Change in working capital	(2,408)	(39,806)	19,873	(16,405)	(17,325)
Other operating cashflow	(9,084)	(4,836)	(6,425)	(7,045)	(8,622)
Cashflow from operations	**12,043**	**(12,238)**	**32,350**	**9,624**	**18,285**
Capital expenditure	(21,205)	(33,167)	(17,561)	(14,393)	(18,851)
Free cashflow	**(9,162)**	**(45,404)**	**14,789**	**(4,769)**	**(566)**
Reduction in investments	(31,262)	31,367	-	-	-
Net acquisitions	-	(41,776)	-	-	-
Reduction in other LT assets	(393)	(4,689)	-	-	-
Addition in other LT liabilities	434	2,359	(2,248)	-	-
Adjustments	6,058	(27,313)	6,555	4,827	4,440
Cashflow after investing acts	**(34,324)**	**(85,456)**	**19,096**	**58**	**3,875**
Cash dividends	(9)	(1,514)	-	-	-
Equity issue	21,887	1,019	1,025	-	-
Debt issue	25,393	40,086	11,304	(10,000)	(10,000)
Convertible debt issue	20,099	-	-	-	-
Others	21,173	6,961	(13,120)	(13,175)	(12,325)
Cashflow from financial acts	**88,543**	**46,552**	**(790)**	**(23,175)**	**(22,325)**
Net cashflow	**54,219**	**(38,904)**	**18,306**	**(23,117)**	**(18,450)**
Beginning cash	15,383	69,602	30,698	49,004	25,887
Ending cash	69,602	30,698	49,004	25,887	7,437
Ending net debt	30,034	118,436	111,435	124,552	133,002

Source: Nomura estimates

Balance sheet (Rsmn)					
As at 31 Mar	**FY08**	**FY09**	**FY10F**	**FY11F**	**FY12F**
Cash & equivalents	69,602	30,698	49,004	25,887	7,437
Marketable securities	-	-	-	-	-
Accounts receivable	32,013	53,928	53,828	68,707	83,892
Inventories	40,848	71,737	73,746	90,027	108,826
Other current assets	33,143	62,466	29,009	29,009	29,009
Total current assets	**175,606**	**218,828**	**205,587**	**213,630**	**229,164**
LT investments	31,418	51	51	51	51
Fixed assets	56,877	152,654	163,668	171,213	182,753
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other LT assets	1,841	6,529	6,529	6,529	6,529
Total assets	**265,742**	**378,063**	**375,836**	**391,422**	**418,498**
Short-term debt	290	439	439	439	439
Accounts payable	30,435	59,962	54,081	66,020	79,806
Other current liabilities	42,330	55,123	49,330	52,145	55,019
Total current liabilities	**73,055**	**115,523**	**103,850**	**118,604**	**135,263**
Long-term debt	99,346	148,696	160,000	150,000	140,000
Convertible debt	-	-	-	-	-
Other LT liabilities	2,059	4,417	2,170	2,170	2,170
Total liabilities	**174,460**	**268,636**	**266,019**	**270,774**	**277,433**
Minority interest	10,244	23,135	23,838	25,517	28,147
Preferred stock	25	25	-	-	-
Common stock	2,994	2,997	2,997	2,997	2,997
Retained earnings	77,917	82,216	80,878	90,031	107,818
Proposed dividends	-	-	-	-	-
Other equity and reserves	102	1,054	2,104	2,104	2,104
Total shareholders' equity	**81,038**	**86,292**	**85,979**	**95,132**	**112,919**
Total equity & liabilities	**265,742**	**378,063**	**375,836**	**391,423**	**418,498**
Liquidity (x)					
Current ratio	2.40	1.89	1.98	1.80	1.69
Interest cover	3.5	2.5	0.9	2.0	3.0
Leverage					
Net debt/EBITDA (x)	1.28	3.65	5.90	3.77	3.01
Net debt/equity (%)	37.1	137.2	129.6	130.9	117.8
Activity (days)					
Days receivable	72.7	60.1	85.0	75.7	77.4
Days inventory	149.0	121.9	163.6	150.9	152.0
Days payable	95.9	97.9	128.3	110.7	111.5
Cash cycle	125.8	84.2	120.3	115.9	117.9

Weak balance sheet quality is a major concern

Source: Nomura estimates

ANALYST CERTIFICATIONS

Each of the research analysts referenced on page 1 hereof with regard to the section of this research report for which he or she is responsible certifies that all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers discussed herein. In addition, each of the research analysts referenced on page 1 hereof hereby certifies that no part of his or her compensation was, is, or will be, directly or indirectly related to the specific recommendations or views that he or she has expressed in this research report, nor is it tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or by any other Nomura Group company or affiliates thereof.

ISSUER SPECIFIC REGULATORY DISCLOSURES

Issuer	Ticker	Price (as at last close)	Closing Price Date	Rating	Disclosures
Suzlon Energy	SUEL IN	58.25 INR	03 Nov 2009	Neutral	

Previous Ratings

Issuer	Previous Rating	Date of change
Suzlon Energy	Buy	02 Jul 2009

Online availability of research and additional conflict-of-interest disclosures:

Nomura Japanese Equity Research is available electronically for clients in the US on NOMURA.COM, REUTERS, BLOOMBERG and THOMSON ONE ANALYTICS. For clients in Europe, Japan and elsewhere in Asia it is available on NOMURA.COM, REUTERS and BLOOMBERG.

Important disclosures may be accessed through the left hand side of the Nomura Disclosure web page http://www.nomura.com/research or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email researchchannelsupport@nomura.co.uk for technical assistance.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities.

Distribution of Ratings:

Nomura Global Equity Research has 1724 companies under coverage.
41% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 42% of companies with this rating are investment banking clients of the Nomura Group*.
40% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 50% of companies with this rating are investment banking clients of the Nomura Group*.
19% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 8% of companies with this rating are investment banking clients of the Nomura Group*.
As at 30 September 2009.

**The Nomura Group as defined in the Disclaimer section at the end of this report.*

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America for ratings published from 27 October 2008:

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to price target defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

Stocks:

• A rating of "1", or **"Buy"**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months.
• A rating of "2", or **"Neutral"**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months.
• A rating of "3", or **"Reduce"**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months.
• A rating of **"RS-Rating Suspended"**, " indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.
Benchmarks are as follows: **United States/Europe**: Please see valuation methodologies for explanations of relevant benchmarks for stocks (accessible through the left hand side of the Nomura Disclosure web page: http://www.nomura.com/research); **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

Sectors:

A "**Bullish**" stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months.
A "**Neutral**" stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months.
A "**Bearish**" stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months.
Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX® 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009:

Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Price Target – Current Price) / Current Price, subject to limited management discretion. In most cases, the Price Target will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc.
• A "**Buy**" recommendation indicates that potential upside is 15% or more.
• A "**Neutral**" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
• A "**Reduce**" recommendation indicates that potential downside is 5% or more.
• A rating of "**RS**" or "**Rating Suspended**" indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company.
• Stocks labelled as "**Not rated**" or shown as "**No rating**" are not in Nomura's regular research coverage.
Sectors:

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.
A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.
A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008):

Stocks:

• A rating of "1", or **"Strong buy"**, indicates that the analyst expects the stock to outperform the Benchmark by 15% or more over the next six months.
• A rating of "2", or **"Buy"**, indicates that the analyst expects the stock to outperform the Benchmark by 5% or more but less than 15% over the next six months.
• A rating of "3", or **"Neutral"**, indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.
• A rating of "4", or **"Reduce"**, indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.
• A rating of "5", or **"Sell"**, indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.
• Stocks labeled **"Not rated"** or shown as **"No rating"** are not in Nomura's regular research coverage. Nomura might not publish additional research reports concerning this company, and it undertakes no obligation to update the analysis, estimates, projections, conclusions or other information contained herein.
Sectors:

A **"Bullish"** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next six months.
A **"Neutral"** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next six months.
A **"Bearish"** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next six months.
Benchmarks are as follows: **Japan**: TOPIX; **United States**: S&P 500, MSCI World Technology Hardware & Equipment; **Europe**, by sector — *Hardware/Semiconductors*: FTSE W Europe IT Hardware; *Telecoms*: FTSE W Europe Business Services; *Business Services*: FTSE W Europe; *Auto & Components*: FTSE W Europe Auto & Parts; *Communications equipment*: FTSE W Europe IT Hardware; **Ecology Focus:** Bloomberg World Energy Alternate Sources; **Global Emerging Markets:** MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008:

Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if

the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.
• A "**Strong buy**" recommendation indicates that upside is more than 20%.
• A "**Buy**" recommendation indicates that upside is between 10% and 20%.
• A "**Neutral**" recommendation indicates that upside or downside is less than 10%.
• A "**Reduce**" recommendation indicates that downside is between 10% and 20%.
• A "**Sell**" recommendation indicates that downside is more than 20%.
Sectors:

A "**Bullish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.
A "**Neutral**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.
A "**Bearish**" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Price targets

Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

DISCLAIMERS

This publication contains material that has been prepared by the Nomura entity identified on the banner at the top or the bottom of page 1 herein and, if applicable, with the contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or elsewhere identified in the publication. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the "Nomura Group"), include: Nomura Securities Co., Ltd. ("NSC") Tokyo, Japan; Nomura International plc, United Kingdom; Nomura Securities International, Inc. ("NSI"), New York, NY; Nomura International (Hong Kong) Ltd., Hong Kong; Nomura Singapore Ltd., Singapore; Nomura Australia Ltd., Australia; P.T. Nomura Indonesia, Indonesia; Nomura Securities Malaysia Sdn. Bhd., Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch, Taiwan; Nomura International (Hong Kong) Ltd., Seoul Branch, Korea; Nomura Financial Advisory and Securities (India) Private Limited, Mumbai, India (Registered Address: 2nd Floor, Ballard House, Adi Marzban Path, Ballard Pier, Fort, Mumbai, 400 001; SEBI Registration No:- BSE INB011299030, NSE INB231299034, INF231299034).

This material is: (i) for your private information, and we are not soliciting any action based upon it; (ii) not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal; and (iii) based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

Opinions expressed are current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice. If and as applicable, NSI's investment banking relationships, investment banking and non-investment banking compensation and securities ownership (identified in this report as "Disclosures Required in the United States"), if any, are specified in disclaimers and related disclosures in this report. In addition, other members of the Nomura Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from, companies mentioned herein. Further, the Nomura Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by applicable law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by NSI, referenced above), or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives. In addition, the Nomura Group, excluding NSI, may act as a market maker and principal, willing to buy and sell certain of the securities of companies mentioned herein. Further, the Nomura Group may buy and sell certain of the securities of companies mentioned herein, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision.

NSC and other non-US members of the Nomura Group (i.e., excluding NSI), their officers, directors and employees may, to the extent it relates to non-US issuers and is permitted by applicable law, have acted upon or used this material prior to, or immediately following, its publication.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

The securities described herein may not have been registered under the U.S. Securities Act of 1933, and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. Unless governing law permits otherwise, you must contact a Nomura entity in your home jurisdiction if you want to use our services in effecting a transaction in the securities mentioned in this material.

This publication has been approved for distribution in the United Kingdom and European Union as investment research by Nomura International plc ("NIPlc"), which is authorised and regulated by the U.K. Financial Services Authority ("FSA") and is a member of the London Stock Exchange. It does not constitute a personal recommendation, as defined by the FSA, or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are "eligible counterparties" or "professional clients" as defined by the FSA, and may not, therefore, be redistributed to retail clients as defined by the FSA. This publication may be distributed in Germany via Nomura Bank (Deutschland) GmbH, which is authorised and regulated in Germany by the Federal Financial Supervisory Authority ("BaFin"). This publication has been approved by Nomura International (Hong Kong) Ltd. ("NIHK"), which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. Neither NIPlc nor NIHK hold an Australian financial services licence as both are exempt from the requirement to hold this license in respect of the financial services either provides. This publication has also been approved for distribution in Malaysia by Nomura Securities Malaysia Sdn. Bhd. In Singapore, this publication has been distributed by Nomura Singapore Limited (“NSL”). NSL accepts legal responsibility for the content of this publication, where it concerns securities, futures and foreign exchange, issued by its foreign affiliate in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this publication may contact NSL in respect of matters arising from, or in connection with, this publication. NSI accepts responsibility for the contents of this material when distributed in the United States.

Additional information available upon request.

NIPlc and other Nomura Group entities manage conflicts identified through the following: their Chinese Wall, confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from the allocation and pricing of securities and impartial investment research and disclosure to clients via client documentation.

Disclosure information is available at the Nomura Disclosure web page: http://www.nomura.com/research

Nomura International (Hong Kong) Limited Tel: +852 2536 1111
30/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong Fax: +852 2536 1820

Caring for the environment: to receive only the electronic versions of our research, please contact your sales representative.