

Lanco Infratech Ltd (LAIN.BO - INR 226.00) Neutral

Recommendation Change

Positives priced in...

Rakesh Vyas
91.22.6617.5571
rakesh.vyas@nomura.com
Mumbai

Ivan Lee, CFA
852-2252-6213
ivan.lee@hk.nomura.com
NIHK, Hong Kong

Investment Conclusion

□ We believe the fundamentals of Lanco Infratech's (Lanco) business have not changed significantly and despite incorporating two possible new power projects of about 2,920MW in the current pipeline, we believe the stock has run ahead of its fundamentals. We downgrade our rating from BUY to NEUTRAL, but increase our price target from INR175 to INR227.

Summary

- The stock has generated a return of 153% since the trough of October 27, 2008 versus the BSE Sensex's gain of 43% during the same period.
- We believe the company may face issues related to equity funding for these projects. However, we remain confident that it will be able to finance the shortfall from short-term funding.
- We would recommend booking profits at these levels.
- We downgrade our rating from BUY to NEUTRAL, as potential upside from the current level is now limited, in our opinion.

Stock Rating

Target Price

New: Neutral New: INR 227.00
Old: Buy Old: INR 175.00

Sector View: Bullish

| FY Mar | 2008A | 2009E | 2010E | 2011E | | | |
|-------------------|---------|---------|---------|---------|---------|---------|---------|
| Currency INR | Actual | Old | New | Old | New | Old | New |
| Revenue (m) | 33365.0 | 48697.0 | 48697.0 | 66113.0 | 71538.0 | 77001.0 | 93276.0 |
| Net Profit (m) | 3542.0 | 3485.0 | 3485.0 | 4628.0 | 5149.0 | 3667.0 | 5203.0 |
| EPS | 16.8 | 15.9 | 15.9 | 21.1 | 23.4 | 16.7 | 23.7 |
| EPS Growth (%) | 70.0 | -5.4 | -5.4 | 32.8 | 47.8 | -20.8 | 1.0 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/E | 13.5 | 14.2 | 14.2 | 10.7 | 9.7 | 13.5 | 9.5 |
| EV/EBITDA | 12.7 | N/A | 13.0 | N/A | 8.0 | N/A | 6.2 |
| Divided Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

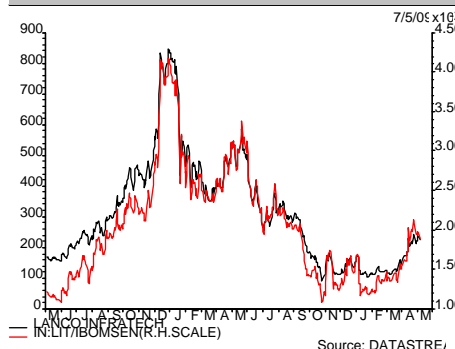
Market Data

Market Cap 50254
Market cap (US\$ mn) 1013
Shares Outstanding (mn) 219.9
6-mo daily T/O (US\$ mn) 12
Free Float (%) 26.42
Foreign Shareholding (%) N/A

Financial Summary

3-Yr EPS Growth(%) 70.0
PEG (3-Yr CAGR) 19.3
P/B 2.7
ROE (%) 19.3
Debt To Capital (%) 130.0
Dividend payout(%) 0.0

Stock Overview



Reuters LAIN.BO
Bloomberg LANCI IN
ADR

| Performance | 1M | 3M | 12M |
|---------------|------|-------|-------|
| Absolute % | 32.6 | 102.4 | -57.6 |
| Rel. Market % | 16.8 | 57.3 | -35.7 |
| Rel. Sector % | N/A | N/A | N/A |

52 Week Range 583.90 - 91.50

The stock has generated a return of 153% since the trough of October 27, 2008 versus the BSE Sensex's gain of 43% during the same period. We believe the fundamentals of Lanco's business have not changed significantly and, despite incorporating two possible new power projects of about 2,920MW in the existing pipeline, we believe the stock is running ahead of its fundamentals. We downgrade our rating on the stock from BUY to NEUTRAL.

Factoring in upside from potential projects

In our initiation report "Business model driving growth" dated 24 March 2009, we indicated potential upside from the Rajpura project (1320MW) and the Dhopave project (1600 MW). However, owing to uncertainties led by the implementation of the model code of conduct for general elections in India (scheduled over April and May), we had not incorporated these projects earlier. Post recent comments by Lanco's management, and given that the general election is in its last leg and we expect the projects to be awarded soon after (in the next couple of months), we have now incorporated these into our new estimates. Therefore we raise our price target to INR227.

Rajpura project (2*660MW)

The state government of Punjab has approved Lanco's negotiated tariffs of INR3.30 per KWh. Lanco was the sole bidder in the competitive bidding process for the development of a 1,320MW coal-based power plant at Rajpura in Punjab. We expect the project to entail an investment of around INR70bn (inclusive of land costs) and to be executed on a build, own and operate (BOO) model for the

**ANY AUTHORS NAMED ON THIS REPORT ARE RESEARCH ANALYSTS UNLESS OTHERWISE INDICATED.
PLEASE SEE ANALYST(S) CERTIFICATION(S) ON PAGE 4 AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 5 g!**

Punjab State Electricity Board. We believe that the award of the project could suffer some delays, led initially by the current implementation of the model code of conduct in lieu of ongoing elections in the country and later from the State Regulatory Commission that still needs to evaluate the bid.

However, Lanco's management remains confident about the awarding of this project. We now incorporate this project award into our earnings model, which raises our price target by INR37 — the power business at INR17/share and the engineering, procurement and construction (EPC) business at INR20/share. We believe that the project will result in an additional EPC order of INR45-50bn. Management has indicated that the land acquisition process by the Government of Punjab is in progress and the project will be commissioned within 48-60 months after the receipt of the letter of award (LOA).

Dhopave project (2*800MW)

Lanco has emerged as the lowest bidder for the imported coal-based Dhopave power project with a 'levelised tariff' of INR3.66 per KWh for 25 years. We estimate that the total project will cost (including jetty construction) about INR85bn. We believe that the award of the project could suffer from some delays owing to the current implementation of the model code of conduct in lieu of ongoing elections in the country. Likewise, we now incorporate this project into our earnings model, which results in an increase of price target by INR29 — the power business at INR7/share and the EPC business at INR22/share). We believe that the project could result in an additional EPC order of around INR50bn.

Equity shortfall

Based on our estimates of the commissioning of projects under construction and the required equity contribution for executing these two projects, we estimate that the company will face a shortfall of INR4,073mn by FY12E. We believe the company will be able to fund the requirement through short-term debt and hence we estimate the NPV of the shortfall to be about INR3,279mn (based on a discounting rate of 7.5%) or INR15 per share.

Exhibit 1: Funding for new projects

| (INRmn) | FY10E | FY11E | FY12E | FY13E | FY14E |
|-------------------------|------------|----------------|----------------|----------------|---------------|
| Rajpura capex | 3,500 | 10,500 | 17,500 | 28,000 | 10,500 |
| Dhopave capex | 4,250 | 12,750 | 21,250 | 34,000 | 12,750 |
| Total additional capex | 7,750 | 23,250 | 38,750 | 62,000 | 23,250 |
| Debt funding | 5,775 | 17,325 | 28,875 | 46,200 | 17,325 |
| Equity requirement | 1,975 | 5,925 | 9,875 | 15,800 | 5,925 |
| Cash and balance | 2,417 | 1,911 | 5,802 | 12,641 | 27,733 |
| Equity shortfall | 442 | (4,014) | (4,073) | (3,159) | 21,808 |

NPV of peak shortfall (3,279)

Source: Nomura estimates

Not valuing the real estate business

We continue to believe that the company has flexibility in downsizing its residential project at Lanco Hill, as concerns surrounding cancellation remain. We believe that the residential project, being self-financed, will help the company to manage liquidity for property development. However, its commercial real estate still does not have any tenants tied up and could remain a drag on earnings. We, therefore, maintain our conservative stance by not valuing the real estate business.

Valuations

We raise our sum-of-the-parts (SOTP) based 12-month price target from INR175 to INR227, but downgrade our rating from BUY to NEUTRAL. We value the power business at INR143/share, based on individual projects that are either operational / under construction or are likely to be awarded. We have not factored in projects that are currently in the planning stage. Any progress made by the company on these projects would provide an upside risk to our valuation. We value the construction business at INR77/share, based on a P/E multiple of 6.0x our FY11 estimated profit of INR2,818mn. We value the company's carbon credit segment at about INR4/share, based on projects' existing and prospective carbon credits' earnings capability. We value the power trading business at INR3/share. However, lower EPC margin, non-awarding of projects, delay in project execution and poor performance of Chinese equipment would exert a downside risk to our estimates.

Exhibit 2: Lanco – SOTP valuation

| Business | Value per share (INR) | Basis |
|----------------|-----------------------|--|
| Power projects | 143 | NPV of individual projects |
| EPC | 77 | PE of 6.0x our FY 11 Earnings |
| Carbon credit | 4 | Discounted cash flow to Equity holders |
| Power trading | 3 | Discounted cash flow to Equity holders |
| Total | 227 | Sum-of-the-parts |

Source: Nomura estimates

At the current market price of INR226, the stock trades at about 9.7x FY10E EPS of INR23.4 and FY10E P/B of 1.9x, which we believe is justified given that most of its power projects are in the execution stage and the EPC business is largely in-house.

Exhibit 3: Change in estimates

| (INRmn) | FY09E | | FY10E | | FY11E | |
|-------------------|--------|--------|--------|--------|--------|--------|
| | Old | New | Old | New | Old | New |
| EPC revenue | 29,909 | 29,909 | 36,831 | 42,256 | 18,458 | 34,733 |
| EPC EBIT | 4,196 | 4,196 | 5,577 | 6,372 | 2,416 | 4,923 |
| EPC PAT | 2,439 | 2,439 | 3,265 | 3,787 | 1,282 | 2,818 |
| Capex | 37,386 | 37,386 | 52,616 | 60,366 | 26,369 | 49,619 |
| Debt funding | 30,000 | 30,000 | 46,000 | 51,775 | 20,000 | 37,325 |
| Funding shortfall | 0 | 0 | 0 | 0 | 0 | 4,014 |

Source: Nomura estimates

Exhibit 4: Power business valuation, project-wise

| Particulars | Capacity (MW) | Equity value (INRmn) | Participation (%) | EV For Lanco (INRmn) | Value per share (INR) |
|------------------|---------------|----------------------|-------------------|----------------------|-----------------------|
| Amarkantak 1&2 | 600 | 8,128 | 76% | 6,178 | 28 |
| Aban | 120 | 5,490 | 51% | 2,800 | 13 |
| Lanco Green | 70 | 291 | 90% | 262 | 1 |
| Vamshi Ind | 10 | 58 | 91% | 53 | 0 |
| Vamshi Hydro | 10 | 130 | 91% | 119 | 1 |
| Teesta | 500 | -1,552 | 74% | -1,148 | -5 |
| Kondanpalli | 768 | 18,804 | 59% | 11,095 | 50 |
| Udupi | 1,015 | 4,901 | 74% | 3,627 | 17 |
| Anpara | 1,200 | 6,339 | 100% | 6,339 | 29 |
| Rajpura | 1,320 | 3,836 | 100% | 3,836 | 17 |
| Dhopave | 1,600 | 1,503 | 100% | 1,503 | 7 |
| Equity shortfall | 0 | -3,279 | 100% | -3,279 | -15 |

Source: Nomura estimates

Financial statements

Exhibit 5: Profit and loss statement

| (INRmn) Year-end 31 Mar | FY07 | FY08 | FY09E | FY10E | FY11E | FY12E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Turnover | 16,474 | 33,365 | 48,697 | 71,538 | 93,276 | 114,850 |
| % Change | 1010.2% | 102.5% | 46.0% | 46.9% | 30.4% | 23.1% |
| Fuel costs | 6,692 | 12,984 | 19,063 | 23,770 | 39,633 | 51,391 |
| % of sales | 40.6% | 38.9% | 39.1% | 33.2% | 42.5% | 44.7% |
| Operating expenses | 5,168 | 12,436 | 21,054 | 35,805 | 31,635 | 34,230 |
| EBITDA | 4,614 | 7,945 | 8,579 | 11,963 | 22,008 | 29,229 |
| % margin | 28.0% | 23.8% | 17.6% | 16.7% | 23.6% | 25.4% |
| Depreciation | 656 | 776 | 1,672 | 2,009 | 4,446 | 6,180 |
| TOTAL EBIT | 3,958 | 7,169 | 6,907 | 9,954 | 17,562 | 23,048 |
| Net interest | 829 | 919 | 1080 | 1646 | 8662 | 12321 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| PTP (exc GW & EI) | 3,129 | 6,250 | 5,827 | 8,309 | 8,900 | 10,727 |
| Taxes | 472 | 1,405 | 1,516 | 2,245 | 1,776 | 1,808 |
| Minority interests | 799 | 1,154 | 676 | 764 | 1,771 | 1,967 |
| Attributable profit | 1,880 | 3,542 | 3,485 | 5,149 | 5,203 | 6,801 |
| EPS pre exc & GW | 9.9 | 16.8 | 15.9 | 23.4 | 23.7 | 30.9 |
| Chg % | | 70.0% | -5.4% | 47.8% | 1.0% | 31% |

Source: Company data, Nomura estimates

Exhibit 6: Cash flow statement

| (INRmn), Year-end 31 Mar | FY08 | FY09E | FY10E | FY11E | FY12E |
|---------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Operating cashflow | 5,552 | 6,241 | 9,379 | 16,431 | 30,242 |
| Net interest | (430) | (1,080) | (1,646) | (8,662) | (12,321) |
| Net taxes | (1,074) | (1,516) | (2,245) | (1,776) | (1,808) |
| Capital expenditure | (14,827) | (37,386) | (60,366) | (49,619) | (50,952) |
| Free cash flow | (9,274) | (31,145) | (50,986) | (33,188) | (20,710) |
| Purchase of investments | 6 | 0 | 0 | 0 | 0 |
| Sale of fixed assets | 0 | 0 | 0 | 0 | 0 |
| Disposals/acquisitions | 0 | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 |
| Share capital issued | 750 | 0 | 0 | 0 | 0 |
| Other items | 13,399 | 31,516 | 54,020 | 43,120 | 42,749 |
| Change in cash balance | 3,378 | (2,225) | (857) | (506) | 7,910 |
| Opening cash balance | 2,121 | 5,499 | 3,274 | 2,417 | 1,911 |
| Closing cash balance | 5,499 | 3,274 | 2,417 | 1,911 | 9,821 |

Source: Company data, Nomura estimates

Exhibit 7: Balance sheet

| (INRmn) Year-end 31 Mar | FY08 | FY09E | FY10E | FY11E | FY12E |
|--------------------------------|---------------|----------------|----------------|----------------|----------------|
| Gross block | 20,457 | 20,457 | 90,467 | 104,236 | 185,738 |
| Accumulated depreciation | 6,534 | 8,206 | 10,215 | 14,661 | 20,842 |
| Net block | 13,923 | 12,251 | 80,252 | 89,575 | 164,896 |
| Capital WIP | 19,620 | 57,006 | 47,361 | 83,211 | 52,661 |
| Expense during construction | 4,486 | 4,486 | 4,486 | 4,486 | 4,486 |
| Investments | 6,966 | 6,966 | 6,966 | 6,966 | 6,966 |
| Long-term asset | 44,995 | 80,709 | 139,066 | 184,238 | 229,009 |
| Inventory | 7,542 | 9,739 | 13,248 | 16,959 | 19,499 |
| Sundry debtors | 7,241 | 10,540 | 14,190 | 17,633 | 16,677 |
| Cash and bank balances | 7,411 | 3,274 | 2,417 | 1,911 | 9,821 |
| Loans and advances | 15,566 | 15,566 | 15,566 | 15,566 | 15,566 |
| Other | 30 | 1,867 | 1,792 | 1,717 | 1,641 |
| Current asset | 37,790 | 40,986 | 47,213 | 53,786 | 63,203 |
| Total asset | 82,785 | 121,695 | 186,278 | 238,024 | 292,213 |
| Sundry creditors | 8,730 | 13,404 | 20,224 | 23,577 | 27,982 |
| Advance from customer | 14,927 | 14,927 | 14,927 | 14,927 | 14,927 |
| Share application money | | 0 | 0 | 0 | 0 |
| Interest accrued but not due | 245 | 245 | 245 | 245 | 245 |
| Provisions | 358 | 358 | 358 | 358 | 358 |
| Others | 2,777 | 2,777 | 2,777 | 2,777 | 2,777 |
| Current liabilities | 27,038 | 31,712 | 38,531 | 41,884 | 46,289 |
| Net current asset | 10,752 | 9,274 | 8,681 | 11,902 | 16,914 |
| Share capital | 2,198 | 2,198 | 2,198 | 2,198 | 2,198 |
| Reserve and surplus | 16,135 | 19,620 | 24,769 | 29,972 | 36,773 |
| Minority Interest | 5,588 | 6,339 | 7,178 | 9,024 | 11,066 |
| Secured loans | 28,603 | 58,603 | 110,378 | 147,703 | 184,578 |
| Unsecured loans | 3,050 | 3,050 | 3,050 | 7,069 | 11,135 |
| Deferred tax liability | 173 | 173 | 173 | 173 | 173 |
| Long-term liabilities | 55,747 | 89,983 | 147,746 | 196,139 | 245,924 |
| Total liabilities | 82,785 | 121,695 | 186,278 | 238,023 | 292,213 |

Source: Company data, Nomura estimates

Analyst Certification:

We, Rakesh Vyas and Ivan Lee, CFA, hereby certify (1) that the views expressed in this Company Note accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Company Note and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Company Note.

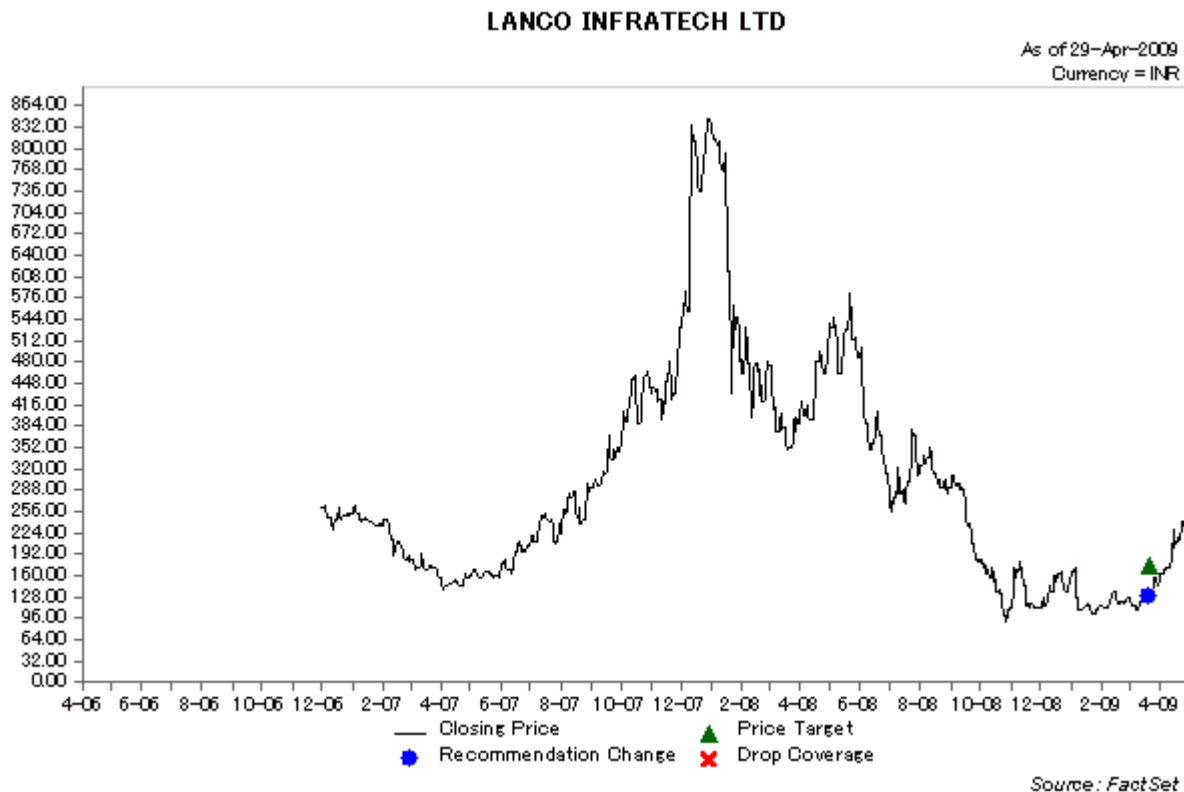
Important Disclosures:

Lanco Infratech Ltd (LAIN.BO)

INR 226.00 (06-May-2009)

Neutral / Bullish

Rating and Price Target Chart:



Currency=INR

| Date | Closing Price | Rating | Price Target | Date | Closing Price | Rating | Price Target |
|-----------|---------------|--------|--------------|-----------|---------------|--------|--------------|
| 23-Mar-09 | 127.75 | | 175.00 | 23-Mar-09 | 127.75 | Buy | |

FOR EXPLANATIONS OF RATINGS REFER TO THE STOCK RATING KEYS LOCATED ON THE PAGE FOLLOWING THE LAST PRICE CHART.

Valuation Methodology: We use the sum-of-the-parts methodology to arrive at a 12-month price target of INR227. We value the power business at INR143/share, based on individual projects that are either operational or are under construction. We have not factored in projects that are currently under the planning stage, as financial closure for these projects has yet to be achieved. We value the construction business at INR77/share, based on a P/E multiple of 6.0x our FY11 estimated profit of INR 2,818mn. We value the company's carbon credit segment at about INR4/share, based on the existing and prospective carbon credits earning capability of projects. We value the power trading business at INR3/share.

Risks Which May Impede the Achievement of the Price Target: EPC margins under pressure: Lanco Infratech currently enjoys above-average EBITDA margins in the EPC business, led by a skewed mix of in-house projects that drive cost competitiveness, value engineering and long-standing relationships with vendors. However, with an increased mix of bid-based projects and/or merchant power projects, we believe margins are likely to come under pressure and this may affect the company's ability to fund further projects.

Chinese equipment yet to be tested: Lanco Infratech procures boilers and turbines for its coal-based power projects from Dongfang, which modifies equipment design specifications to accommodate Indian coal. However, the Chinese equipment will pose some risk, in our view, as it has yet to be tested under Indian operating conditions. Delays in commissioning, due to teething issues, can not be ruled out. Cancellations in real estate bookings: The changing economic scenario is affecting consumer sentiment, leading to large real estate booking cancellation in Lanco. Given the uncertain environment in Hyderabad, we believe further cancellations can not be ruled out. Increased cancellations would lead to concerns over project viability and expenditure allocated to real estate development could affect capex on power projects. We have been conservative in not valuing the significant landbank in Hyderabad and Chennai and hence, if the real estate market in India recovers and the company plans to develop this landbank, there would be upside risk to our estimates.

Important Disclosures Continued:

| Company Name | Ticker | Price | Price Date | Stock / Sector Rating |
|---------------------|---------|------------|-------------|-----------------------|
| Lanco Infratech Ltd | LAIN.BO | INR 226.00 | 06-May-2009 | Neutral / Bullish |

All share prices mentioned are closing prices unless otherwise stated.

ISSUER SPECIFIC REGULATORY DISCLOSURES**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 researchportal@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 1537 companies under coverage.

33% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 37% of companies with this rating are investment banking clients of the Nomura Group*.

45% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 56% of companies with this rating are investment banking clients of the Nomura Group*.

22% 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 31 March 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:** S&P 500, MSCI World Technology Hardware & Equipment; **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.

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 rating of "1", or "**Buy**" recommendation indicates that potential upside is 15% or more.
- A rating of "2", or "**Neutral**" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A rating of "3", or "**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 labeled 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 rating of "1", or "**Strong buy**" recommendation indicates that upside is more than 20%.
- A rating of "2", or "**Buy**" recommendation indicates that upside is between 10% and 20%.
- A rating of "3", or "**Neutral**" recommendation indicates that upside or downside is less than 10%.
- A rating of "4", or "**Reduce**" recommendation indicates that downside is between 10% and 20%.
- A rating of "5", or "**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 Malaysia Sdn. Bhd., Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch, Taiwan; Nomura International (Hong Kong) Ltd., Seoul Branch, Korea; or 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 ("NIPc"), 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 NIPc nor NIHK hold an Australian financial services license 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 Singapore by Nomura Singapore Limited. NSI accepts responsibility for the contents of this material when distributed in the United States.

No part of this material may be (i) copied, photocopied, or duplicated in any form, by any means, or (ii) redistributed without the prior written consent of the Nomura Group member identified in the banner on page 1 of this report. Further information on any of the securities mentioned herein may be obtained upon request. If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information available upon request.

NIPc 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 Financial Advisory and Securities (India) Private Limited
2 North Avenue, 8th floor, Maker Maxity, Bandra Kurla Complex,
Bandra East, Mumbai 400 051, India

Tel: +91 22 6785 5151
Fax: +91-22-6785-5050

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