

### Beat estimates on strong margins

## First Look

#### Above or below estimates

Cummins India's 3QFY14 operating profits were ahead of our and consensus estimates helped by better margins vs. expectations. At net level, the beat was lower due to lower other income and higher tax rate.

#### What do the results mean?

The company again displayed a strong hold on margins during times of revenue decline and we think will be seen as a key positive. On the negative side, a section of the Street could still be concerned on the timeframe over which revival in the demand in power generation and industrial segments would happen.

#### Likely stock reaction

We expect the stock to react positively on the back of these results.

#### Any change to guidance

The company conference call is slated for tomorrow, 12:00 noon IST.

#### Key numbers

- Net sales at ~INR10.2bn beat estimates as it came in 5% and 3% ahead of our as well as the Street's estimates, respectively.
- Sales declined at lower pace in 3Q at -6%y-y vs -15.5% y-y fall noted in 1HFY14. Earlier today, Kirloskar Oil Engines (one of Cummins India's main competitors) in its 3Q results reported better-than-expected top line as revenue grew by 6%y-y (although on a weak base) vs Street's expectations of flat revenue y-y.
- EBITDA margins at 19.3% were the highest reported by the company since Sep-2010. This was helped by lower raw material cost as % of sales (higher gross margins) coupled with lower operating expense.
- Gross margin at 38.6% were also amongst the highest reported since 2003 (though in-line with 2QFY14) – benefitting from weaker INR led realisation in exports possibly.
- Note that 4QFY14 onwards company might lose out on the benefits of export realization as currency pact with its parent will reset to new levels – hence sustainability of these kinds of gross margins is a question.
- Employee expenses in 3Q and 9MFY14 were 3.8% y-y and 3.1% y-y, respectively.
- The company once again reported strong control over its costs, as other expenses were down 5% y-y after adjusting for the corporate charge.
- Led by better-than-expected revenues as well as margins, EBITDA at INR1.97bn was 22%/23% ahead of our and consensus expectations.
- The beat at net profitability level was lower because: 1) other income at INR 236mn was lower than our expectation of INR350mn; and 2) tax rate at 28.8% was higher vs our estimate of 26.0%.
- PAT at INR 1.47bn (-26%y-y) was 9%/2% ahead of our and consensus estimates, respectively.

### Global Markets Research

4 February 2014

Rating Remains	<b>Reduce</b>
Target price Remains	INR 371
Closing price 4 February 2014	INR 437

### Research analysts

#### India Capital Goods

**Amar Kedia - NFASL**  
amar.kedia@nomura.com  
+91 22 4037 4182

**Vineet Verma - NSFSPL**  
vineet.verma@nomura.com  
+91 22 4037 4487

Fig. 1: 3QFY14 actual vs estimates

	Dec-13	Dec-13 Nomura Est	Dec-13 Cons Est	Dec-12	Sep-13	Change y-y(%)	Change q-q(%)	Vs. Nomura Est.	Vs Cons Est
Net Sales	10,230	9,712	9,937	10,895	9,327	-6%	10%	5%	3%
Operating EBITDA	1,976	1,619	1,612	2,086	1,526	-5%	29%	22%	23%
EBITDA Margin	19.3%	16.7%	16.2%	19.2%	16.4%	0.2%	2.9%	2.6%	3.1%
Recurring PAT	1,472	1,352	1,444	2,003	1,448	-26%	2%	9%	2%
Recurring EPS (Rs)	5.31	4.88	5.21	7.23	5.22	-26%	2%	9%	2%

Source: Company, Nomura estimates, Bloomberg

Fig. 2: 3QFY14 &amp; 9MFY14 results

	Dec-12	Sep-13	Dec-13	Dec13 Nomura est	(y-y)%	(q-q)%	9MFY14	9MFY13	(y-y)%
<b>Net Sales</b>	<b>10,713</b>	<b>9,138</b>	<b>10,006</b>	<b>9,512</b>	<b>-7%</b>	<b>9%</b>	<b>29,431</b>	<b>33,810</b>	<b>-13%</b>
<i>Sales</i>	<i>13.7%</i>	<i>-14.5%</i>	<i>-6.6%</i>	<i>-11.0%</i>					
Other operating income	182	189	224	200	24%	19%	620	541	15%
<b>Total Sales</b>	<b>10,895</b>	<b>9,327</b>	<b>10,230</b>	<b>9,712</b>	<b>-6%</b>	<b>10%</b>	<b>30,051</b>	<b>34,351</b>	<b>-13%</b>
Total Expenditure	8,808	7,801	8,255	8,094	-6%	6%	24,793	27,940	-11%
<b>EBITDA</b>	<b>2,086</b>	<b>1,526</b>	<b>1,976</b>	<b>1,619</b>	<b>-5%</b>	<b>29%</b>	<b>5,258</b>	<b>6,412</b>	<b>-18%</b>
<i>EBITDA Margin %</i>	<i>19.2%</i>	<i>16.4%</i>	<i>19.3%</i>	<i>16.7%</i>	<i>16</i>	<i>295</i>	<i>17.5%</i>	<i>18.7%</i>	<i>(117)</i>
<b>EBITDA (ex-operating income)</b>	<b>1,905</b>	<b>1,337</b>	<b>1,751</b>	<b>1,419</b>					
<i>EBITDA Margin % (ex-other operating income)</i>	<i>17.8%</i>	<i>14.6%</i>	<i>17.5%</i>	<i>14.9%</i>	<i>(28)</i>	<i>287</i>			
Other Income	661	558	236	350	-64%	-58%	1,463	1,384	6%
.....Dividends from subsidiaries		230							
.....Treasury income		328							
Depreciation	118	131	133	130.0	13%	1%	382	349	9%
<b>EBIT</b>	<b>2,630</b>	<b>1,954</b>	<b>2,079</b>	<b>1,839</b>	<b>-21%</b>	<b>6%</b>	<b>6,339</b>	<b>7,447</b>	<b>-15%</b>
<i>EBIT Margin %</i>	<i>24.1%</i>	<i>20.9%</i>	<i>20.3%</i>	<i>18.9%</i>	<i>(382)</i>	<i>(62)</i>	<i>21.1%</i>	<i>21.7%</i>	<i>(59)</i>
Interest	9	9	10	12	14%	4%	31	35	-11%
<b>PBT</b>	<b>2,621</b>	<b>1,944</b>	<b>2,069</b>	<b>1,827</b>	<b>-21%</b>	<b>6%</b>	<b>6,308</b>	<b>7,412</b>	<b>-15%</b>
Tax	755	496	597	475	-21%	20%	1,725	2,130	-19%
<b>Reported PAT</b>	<b>2,341</b>	<b>1,448</b>	<b>1,472</b>	<b>1,352</b>	<b>-37%</b>	<b>2%</b>	<b>4,582</b>	<b>5,757</b>	<b>-20%</b>
<b>Adj. PAT</b>	<b>2,003</b>	<b>1,448</b>	<b>1,472</b>	<b>1,352</b>	<b>-10%</b>	<b>-13%</b>	<b>3,110</b>	<b>3,416</b>	<b>-9%</b>
<b>EPS</b>	<b>7.23</b>	<b>5.22</b>	<b>5.31</b>	<b>4.88</b>	<b>-26%</b>	<b>2%</b>	<b>16.5</b>	<b>19.5</b>	<b>-15%</b>
<i>Effective tax rate</i>	<i>28.8%</i>	<i>25.5%</i>	<i>28.8%</i>	<i>26.0%</i>	<i>3</i>	<i>332</i>	<i>27.4%</i>	<i>28.7%</i>	<i>(139)</i>
<i>Raw Material</i>	<i>63.7%</i>	<i>61.3%</i>	<i>61.4%</i>	<i>62.0%</i>	<i>(239)</i>	<i>3</i>	<i>62.1%</i>	<i>63.9%</i>	<i>(175)</i>
<i>Employee Expenses</i>	<i>7.8%</i>	<i>9.6%</i>	<i>8.7%</i>	<i>9.2%</i>	<i>88</i>	<i>(86)</i>	<i>8.8%</i>	<i>7.4%</i>	<i>137</i>
<i>Other Expenses</i>	<i>10.6%</i>	<i>14.5%</i>	<i>12.4%</i>	<i>13.9%</i>	<i>180</i>	<i>(204)</i>	<i>13.3%</i>	<i>11.4%</i>	<i>198</i>

Source: Company, Nomura estimates

# Appendix A-1

## Analyst Certification

We, Amar Kedia and Vineet Verma, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

## Issuer Specific Regulatory Disclosures

The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries, and may refer to one or more Nomura Group companies.

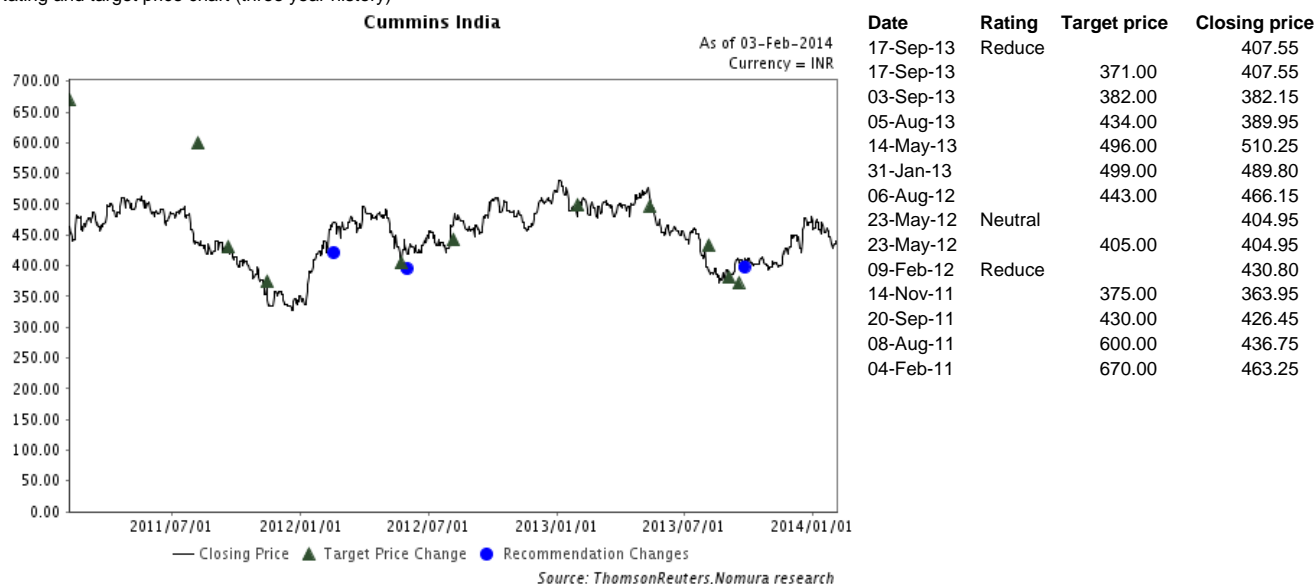
## Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Cummins India	KKC IN	INR 437	04-Feb-2014	Reduce	N/A	

### Cummins India (KKC IN)

INR 437 (04-Feb-2014) Reduce (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** We value KKC at 16x FY15F P/E (EPS: INR23.2) to arrive at our target price of INR371. The benchmark index for this stock is MSCI India.

**Risks that may impede the achievement of the target price** •Buy-back of India-listed stocks by the parent. •Pick-up in export markets. •Earlier-than-expected implementation of emission norms

## Important Disclosures

### Online availability of research and conflict-of-interest disclosures

Nomura research is available on [www.nomuranow.com/research](http://www.nomuranow.com/research), Bloomberg, Capital IQ, Factset, MarkitHub, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email [grpsupport@nomura.com](mailto:grpsupport@nomura.com) for help.

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. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("NIplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and NIplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Any authors named in this report are research analysts unless otherwise indicated. *Industry Specialists* identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear. *Marketing Analysts* identified in some Nomura research reports are research analysts employed by Nomura International plc who are primarily responsible for marketing Nomura's Equity Research product in the sector for which they have coverage. Marketing Analysts may also contribute to research reports in which their names appear and publish research on their sector.

### Distribution of ratings (Global)

The distribution of all ratings published by Nomura Global Equity Research is as follows:

42% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 43% of companies with this rating are investment banking clients of the Nomura Group\*.

47% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 55% of companies with this rating are investment banking clients of the Nomura Group\*.

11% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 26% of companies with this rating are investment banking clients of the Nomura Group\*.

As at 31 December 2013. \*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, and Japan and Asia ex-Japan from 21 October 2013

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

### STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

### 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. Sectors that are labelled as '**Not rated**' or shown as '**NA**' are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

### Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

#### STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price 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 '**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. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

#### 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.

#### Target Price

A Target Price, if discussed, reflects in part the analyst's estimates for the company's earnings. The achievement of any target price 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 document contains material that has been prepared by the Nomura entity identified at the top or bottom of page 1 herein, if any, and/or, with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or identified elsewhere in the document. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries and may refer to one or more Nomura Group companies including: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nipic'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; P.T. Nomura Indonesia ('PTNI'), Indonesia; Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; NIHK, Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay

House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; SEBI Registration No: BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034, MCX: INE261299034) and Nlplc, Madrid Branch ('Nlplc, Madrid'). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under a Research Assistance Agreement. CNS is not a Nomura entity.

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 FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by Nomura group are hereby excluded and Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. Nomura Group is under no duty to update this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Nomura Group does not provide tax advice.

Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

Investors should consider this document 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. Nomura Group produces a number of different types of research product including, among others, fundamental analysis, quantitative analysis and short term trading ideas; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. Nomura Group publishes research product in a number of different ways including the posting of product on Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements. Clients outside of the US may access the Nomura Research Trading Ideas platform (Retina) at <http://go.nomuranow.com/equities/tradingideas/retina/>

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain 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.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nlplc. Nlplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nlplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes. This document has been approved by Nlplc, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by Nlplc. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates 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 document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or 'professional clients' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or 'Business Customers' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nlplc or any other member of Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or 'professional clients' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an 'Authorised Person', an 'Exempt Person' or an 'Institution' in Saudi Arabia or that you are a 'professional client' in the UAE or a 'Market Counterparty' or 'Business Customers' in

Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

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 A MEMBER OF NOMURA GROUP. If this document 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 document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese walls and employee training.

**Additional information is available upon request and disclosure information is available at the Nomura Disclosure web**

**page:** <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2014 Nomura International (Hong Kong) Ltd. All rights reserved.