JSW Energy JSW IN

REDUCE

NOMURA

NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED, INDIA

RESULTS FIRST LOOK

JSWE posted an Rs317mn 2QFY12 net loss (vs. our/consensus forecast PAT of Rs202mn/Rs657mn); the earnings miss was driven by lower merchant realizations and unexpected sale on conversion/banking basis resulting in an EBTIDA of Rs1.1bn (56% below our forecast). Analyst meet takeaways: 1) Mgmt upbeat on 2HFY12 profitability on the back of capacity tie-ups, higher utilization and 15-20% expected drop in fuel cost, 2) RWPL operational, but ad-hoc tariffs cover only cash fixed costs, 3) SACMH is still not profitable. Our earnings forecasts and TP are under review; and we maintain our Reduce rating.

Price target: 65.0 INR   Price (09 Nov 2011): 49.8 INR

Research analyst: Anirudh Gangahar   +91 22 4037 4516   anirudh.gangahar@nomura.com
Research analyst: Ivan Lee, CFA   +852 2252 6213   ivan.lee@nomura.com
Research analyst: Ankit Kumar   +91 22 4037 4008   ankit.kumar@nomura.com

Publish Date: 10 Nov 2011

Disappointing 2QFY12 performance, but 2HFY12 promises to be better

- **Earnings vs. our Forecast:** BELOW

Likely Impact:

- **Earnings Estimates:** DOWN
- **Dividend Estimates:** NO CHANGE
- **Price Target:** DOWN
- **Long-term View:** CONFIRMED

3-pt summary of 2QFY12 financials

JSWE posted disappointing 2QFY12 financials, significantly below expectations
Consolidated EBITDA of Rs1.1bn (56%/66% below our/consensus forecast) translated into a net loss of Rs317mn (vs. our/consensus forecast net profit of Rs202mn/Rs657mn). At Rs1.1bn, the reported net loss was exaggerated by unrealized exchange fluctuation loss of Rs788mn.

Merchant realization, sale on 'conversion / banking arrangements' were negative surprises
While net generation and fuel cost were in line with our forecasts, generation revenues and EBITDA were significantly lower owing to: 1) merchant realization was Rs3.86/kWh (9% below our forecast of Rs4.25/kWh); 2) 229MUs (9% of net generation) was sold to JSW Steel at Rs1.3/kWh, on a conversion basis (ie, on a variable cost basis); and 3) offtake of 286MUs (11% of net generation) was made under a 'banking arrangement' for which no revenues were booked in the current quarter (cost of generation at Rs4.24/kWh was taken as 'inventory' to be realized in 2HFY12 when the banked power would be available for sale).

SACMH remains in the red, no fixed cost recovery at RWPL
Although production in SACMH (JSWE's South African coal mining operations) was higher QoQ, operations just about reached break-even at the EBITDA level. As its RWPL facility was not operational owing to the absence of ad-hoc tariffs and transfer price for supply of lignite (by BLMCL to RWPL) by the Rajasthan State Regulator (RERC), there was no fixed cost recovery.

Exhibit 1: JSWE – 2QFY12: Actual vs. Estimates

JSWE - 2QFY12 (INR m)	Actual	Nomura Estimate	Actual vs. Est.	Cons. Estimate	Actual vs. Cons.
Sales	9,965	11,078	-10.1%	11,887	-16.2%
EBITDA	1,102	2,517	-56.2%	3,240	-66.0%
Normalized PAT	**(317)**	**202**	**NM**	**675**	**NM**
Reported PAT	(1,089)	202	NM	675	NM

Note: Consensus = Bloomberg mean estimates

Source: Company data, Bloomberg, Nomura research

Exhibit 2: JSW Energy – 2QFY12 Consolidated Earnings Summary

Qtrly Snapshot	2QFY12 Sep-11	2QFY11 Sep-10	YoY (%)	1QFY12 Jun-11	QoQ (%)	2QFY12F Sep-11	Act vs Est
Operational Metrics							
Effective Capacity (MW)	2,030	1,095	85.4%	1,905	6.6%	2,030	0.0%
PLF	63.8%	80.6%	-20.8%	62.9%	1.4%	63.9%	-0.1%
Generation (mn kWh)	2,838	1,933	46.8%	2,625	8.1%	2,841	-0.1%
Sales (mn kWh)	2,593	1,782	45.5%	2,422	7.1%	2,622	-1.1%
Merchant tariff (Rs/kWh)	3.86	4.65	-17.0%	4.40	-12.3%	4.25	-9.2%
Realization (Rs/kWh)	3.72	4.34	-14.1%	4.73	-21.3%	4.05	-8.0%
Fuel Cost (Rs/kWh)	2.94	2.60	13.1%	2.92	0.5%	2.95	-0.5%
Key Financials (INR m)							
Revenues	**9,965**	**8,462**	17.8%	**12,724**	-21.7%	**11,078**	-10.1%
Fuel cost	(7,616)	(4,627)	64.6%	(7,077)	7.6%	(7,737)	-1.6%
O&M expenses	(1,247)	(587)	112.6%	(1,715)	-27.3%	(824)	51.2%
EBITDA	**1,102**	**3,249**	-66.1%	**3,932**	-72.0%	**2,517**	-56.2%
Margin	11.1%	38.4%	-71.2%	30.9%	-64.2%	22.7%	-51.3%
Depreciation	(1,098)	(551)	99.0%	(1,048)	4.7%	(1,100)	-0.2%
EBIT	**5**	**2,697**	-99.8%	**2,884**	-99.8%	**1,417**	-99.7%
Interest expense	(1,510)	(942)	60.3%	(1,338)	12.9%	(1,405)	7.5%
Non operating income	708	491	44.1%	220	221.3%	240	195.1%
Profit before tax	**(798)**	**2,246**	**n/m**	**1,766**	**n/m**	**252**	**n/m**
Tax	481	(408)	n/m	(441)	n/m	(50)	n/m
Normalized PAT	**(317)**	**1,838**	n/m	**1,326**	n/m	**202**	n/m
Minority Interest	16	8	n/m	-	n/a	-	n/a
Extraordinary Items (Net)	(788)	-	n/a	-	n/a	-	n/a
Reported PAT	**(1,089)**	**1,846**	n/m	**1,326**	n/m	**202**	n/m

Source: Company data, Nomura estimates

Exhibit 3. JSW Energy – Key Balance Sheet Items (Consolidated)

Key Balance Sheet Items (INR m)	Mar-10	Sep-10	Mar-11	Sep-11
Shareholders' Funds	47,802	52,639	56,765	56,720
Loan Funds	78,701	86,336	96,376	98,092
Net Fixed Assets	115,980	124,739	141,295	149,000
Cash & Investments	20,393	16,932	14,620	9,135
Sundry Debtors	2,714	4,160	7,637	8,793
Current Liabilities	17,524	16,065	18,665	22,997
Net Current Assets	(8,727)	(1,445)	(659)	(1,552)

Source: Company data, Nomura research

Key takeaways from the analyst meet

Management upbeat on 2HFY12 profitability as capacity, utilization rises, fuel cost reduces
On its outlook for 2HFY12, management stated: 1) Its 2060MW coal-fired capacity and 270MW lignite-fired capacity is now operating at around 100% PLF; 2) Merchant realization is expected at Rs4-4.5/kWh; 3) Units under banking arrangement will be available for sale during November-March; 4) RWPL has resumed operations (ad-hoc tariffs issued by RERC for Units 1-4 cover cash fixed costs, provisional tariffs are awaited) and entire 1080MW capacity is expected to be commissioned (currently 405MW operational) by March 2012, and 5) as seaborne thermal coal prices drift lower, together with a shift in coal mix to 25% high-grade South African coal + 75% low-grade Indonesian coal, fuel costs are expected to be 15-20% lower.

Short-term PPAs in place for 900MW capacity, 300MW expected to be sold to JSW Ispat Steel
Of its 2060MW coal-fired capacity, besides 300MW supplied under long-term PPA with MSEDCL, JSWE has short-term PPAs for 500MW (with Karnataka up to June 2013), 300MW (up to August 2012) and 100MW (with Kerala). It proposes to sell 300MW to Group firm (JSW Ispat Steel) broadly on a cost-plus basis (approval from Government of Maharashtra is awaited), remaining capacity is untied.

Offtake to remain concentrated in home states, SEBs paying well in time

Management indicated that the bulk of its sales remain concentrated to Maharashtra and Karnataka. As regards payment of dues by SEBs, besides a Rs620mn overdue from Tamil Nadu, all recoveries are mostly within 30 days of the monthly billing.

Coal supply from Indonesia – procuring on the spot, but looking at medium-term tie-ups
Management mentioned that it targets a mix of 75% (low-grade INA coal) and 25% (high-grade RSA coal) at both its Ratnagiri and Vijayanagar facilities in 2HFY12 (coal mix was 68% INA and 32% RSA at Ratnagiri and 20% INA and 80% RSA at Vijayanagar), and consequently lower overall fuel cost. While it continues to procure coal on a spot basis, it is looking to medium-term tie-ups as seaborne thermal coal prices are beginning to cool off. JSWE has already floated a tender to secure 1.8MT of coal from Indonesia during Jan-Sep 2012. As regards coal production from SACMH, it would continue to be sold externally and act as a partial a hedge to coal procurement cost for JSWE.

RWPL – ad-hoc tariffs cover only cash fixed costs, do not realize any RoE
As ad-hoc tariffs for Units1-4 have been approved by RERC, the units are being progressively commissioned (Units1-3 are operational) and will be fired by lignite sourced from the Kapurdi mines. Management stated that at the ad-hoc tariffs, RWPL does not earn any RoE and recovers only 'cash fixed cost', it would look to recover the losses only in its petition for the final tariff orders (ie, after provisional tariffs are determined).

Pending a meeting with management to secure clarity on SACMH, RWPL and offtake to Group firms, our earnings estimates and target price for JSWE remain under review.

Exhibit 4: JSW Energy – Update on Generation Projects

Project	Capacity (MW)	Update
RWPL-I	1080 (8X135)	Unit-3 commissioned on 07-Nov, Unit-4 start-up expected in Dec-11; Units 5-8 commissioning scheduled in 4QFY12
RWPL-II	270 (2X135)	'In-principle' consent received from State Government
Ratnagiri-I	1200 (4X300)	Entire 1200 MW operational. FGD for Unit-1 expected in May 2012
Ratnagiri-II	3200 (4X800)	No update
Vijayanagar-III	660 (1X660)	Received ToR. No further progress; project on hold
West Bengal	1620 (1X300 & 2X660)	PPA offering 40% output from Unit II & III signed with WBEDCL
Chhattisgarh	1320 (2X660)	MoEF approval expected; land acquisition to be completed by Dec-11
Kutehr	240 (3X80)	Technical & Commercial bid under evaluation for main civil works
Jharkhand	1620 (1X300 & 2X660)	No update

Source: Company data, Nomura research

Valuation Methodology and Investment Risks: We deploy a FCFE-based methodology to value operational / under construction / reasonable likelihood power generation projects of the company. In order to capture the risk of a power project from conception to commissioning, we adjust the FCFE value of the projects for 'milestone discounts' (risk weights assigned to the non-achievement of six key milestones we identify for various types of projects). Based on this methodology, we arrive at a target price of Rs65/share. The key assumption of our FCFE model is 14% cost of equity. Risks: 1) higher merchant tariff realizations; 2) addresses near-term exposure to imported spot coal; and 3) fall in spot prices of imported coal.

Note: Ratings and Price Targets are as of the date of the most recently published report (http://go.nomuranow.com/research/globalresearchportal) rather than the date of this email.

Results First Look is the analyst's preliminary interpretation of the results announcement. Our recommendation and earnings estimates are not beingchanged in this report. Any formal changes to our recommendation or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed in this report.

New force in Research: Global from east to west

Nomura Equity Research website: http://go.nomuranow.com/research/globalresearchportal

Nomura Strategy website: https://apps.nomuranow.com/EQS

Analyst Certification

We, Anirudh Gangahar, Ivan Lee, CFA and Ankit Kumar, 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

Mentioned companies

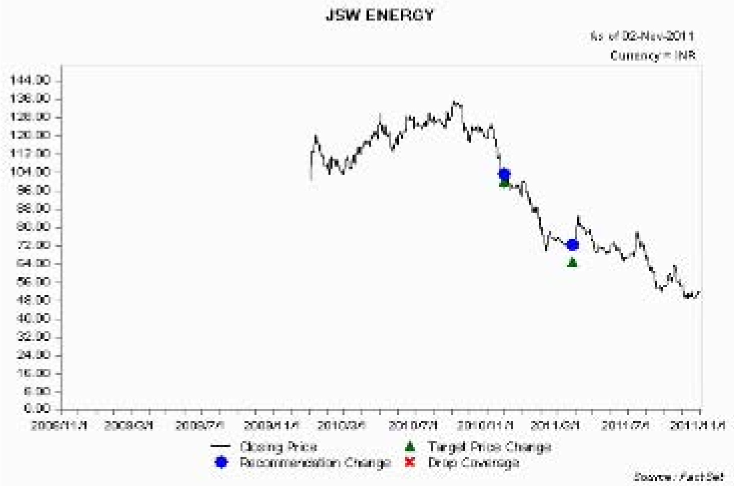
Issuer name	Ticker	Price	Price date	Stock rating	Disclosures
JSW Energy	JSW IN	49.8 INR	09 Nov 2011	Reduce	

Previous Rating

Issuer name	Previous Rating	Date of change
JSW Energy	Neutral	28 Mar 2011

JSW Energy (JSW IN) **49.8 INR (09 Nov 2011)** Reduce

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
28-Mar-2011		65.00	72.10
28-Mar-2011	Reduce		72.10
01-Dec-2010		100.00	103.35
01-Dec-2010	Neutral		103.35

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

Valuation Methodology We deploy FCFE-based methodology to value operational / under construction /reasonable likelihood power generation projects of the company. In order to capture the risk of a power project from conception to commissioning, we adjust the FCFE value of the projects for 'milestone discounts' (risk weights assigned to the non-achievement of six key milestones we identify for various types of projects). Our TP is INR65/share. Key assumption of our FCFE model is 14% cost of equity.

Risks that may impede the achievement of the target price Upside risks: 1) higher merchant tariff realizations; 2) addresses near-term exposure to imported spot coal; and 3) fall in spot prices of imported coal.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura research is available on www.nomuranow.com, 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-eu@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.

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:
49% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 41% of companies with this rating are investment banking clients of the Nomura Group*.
41% 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*.
10% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 20% of companies with this rating are investment banking clients of the Nomura Group*.
As at 30 September 2011. **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

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 target price 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 '**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 in certain circumstances including, but not limited to, 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://go.nomuranow.com/research/globalresearchportal);**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 (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.

Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009

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.

Target Price

A Target Price, if discussed, reflect 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. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the 'Nomura Group'), include: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('NIplc'), 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); Capital Nomura Securities Public Company Limited ('CNS'), Thailand; 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; Nomura International (Hong Kong) Ltd., 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); Banque Nomura France ('BNF'), regulated by the Autorité des marches financiers and the Autorité de Contrôle Prudentiel; NIplc, Dubai Branch ('NIplc, Dubai'); NIplc, Madrid Branch ('NIplc, Madrid') and NIplc, Italian Branch ('NIplc, Italy').
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 (as defined within Financial Services Authority ('FSA') rules 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 Morgan Stanley Capital International 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, Morgan Stanley Capital International 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.
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 NIplc, which is authorized and regulated by the 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 document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. 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 in the Kingdom of Saudi Arabia ('Saudi Arabia') or to clients other than 'professional clients' in the United Arab Emirates ('UAE') by Nomura Saudi Arabia, NIplc 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 to any person located in Saudi Arabia or to clients other than 'professional clients' in the UAE. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are a 'professional client' in the UAE and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of Saudi Arabia or the UAE.
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. Further information on any of the securities mentioned herein may be obtained upon request. 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. Disclosure information is available at the Nomura Disclosure web page:
http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx

---

Nomura Financial Advisory and Securities (India) Private Limited, India Tel: +91 22 4037 4037

Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road,
Worli, Mumbai- 400 018, India Fax: +91 22 4037 4111

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