Jain Irrigation Systems Ltd. JAIR.NS JI IN

AGRI-RELATED

NOMURA
EQUITY RESEARCH

Focus remains on cash

Quick Note

August 16, 2012

Rating Remains	**Buy**
Target price Remains	INR 229
Closing price August 14, 2012	INR 87

Although1QFY13 overall revenue at INR8.65 bn (-9% y-y & -30% q-q) missed our estimates by a small margin, a 32% decline in MIS business revenue was quite sharp and was well below the ~10% decrease we had expected. Strong growth of 34% y-y in the piping business was the bright spot in the quarter. At the net level, Jain reported a INR169mn loss due to a forex loss. The company's focus remains on reducing the stress on its balance sheet and improvement in cash flows. This was reflected in reduction in exposure to markets like AP, Tamil Nadu & Karnataka, where receivables have been a concern and a shift towards a cash model. The company is also raising US$210mn in capital through a mix of debt and equity issuance, which management believes should help in reducing interest expense and improving liquidity. The gross receivables on MIS business declined by INR1.3bn q-q basis to INR16.4bn, and management has guided for a INR5.0bn reduction in government receivables to INR6.0bn by end-FY13F. The decline in receivables would likely be a key catalyst for the stock, in our view. Our earnings are currently under review.

Raising US$210mn through mix of debt and equity

The company is planning to raise up to US$210mn though mix of equity/convertible bonds/external commercial borrowings, and the closure of this exercise is expected in next few weeks. The new debt (largely foreign currency denominated) will help company 1) reduce its average borrowing cost; 2) replace short-term borrowing with a long-term and 3) replace foreign currency borrowing which is expected to come up for payment. Although lower interest cost on foreign borrowings (at ~3.5%) will lower the average current borrowing cost (which is at ~11%), it will also leave the company exposed to currency risk, in our view. The company expects a 25% reduction in interest expense – ie, savings of around INR80-100mn, from lower borrowing cost as well as working capital.

On equity raising, management noted that fresh capital should not only help in saving interest expense but also provide extra liquidity especially when the company is moving toward a newer business model in its MIS business. Based on recent media *reports (Jain Irrigation in talks with IFC for stake sale; Source Economic Times, dated 10 August 2012)*, the company is planning to raise ~INR2.5bn from the IFC at around INR125 per share, implying dilution of around 5%.

MIS business – challenging times; domestic business revenue off by 36% y-y

- MIS domestic business fell 36% y-y, impacted by 1) lower sales in states where receivables have been an issue; and 2) the company's shift toward a cash model. Management noted that the next two quarters are expected to remain challenging for MIS business, before it expects a return to double-digit growth by 4QFY13F. Next quarter (2QFY13) is expected to witness a similar decline in MIS business as that seen in 1QFY13.

Research analysts

India Agri-Related

Aatash Shah - NFASL
aatash.shah@nomura.com
+91 22 4037 4194

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

- MIS business revenue declined y-y in all states other than Rajasthan & Gujarat. With regard to Jain's strategy to shift towards a cash model, management noted that all sales made in Maharashtra during the quarter were through dealers, which will take up the burden of the government subsidy.
- As of end-June, gross receivables from the MIS business had fallen by INR1.3bn q-q to INR16.4bn. Of this INR16.4bn, close to INR10.0bn is due from the government, with 75% of it pertaining to sales done in FY11-12, while the remaining 25% is from sales made in previous years. Management is targeting to lower receivables due from the government to INR6.0bn by end-FY13F.
- Management highlighted that they had witnessed some positive changes in the way various state governments are operating and believe this should result in improvement in availability of finances for the micro irrigation. Specific to the states, Maharashtra has received funding from the newer central government scheme; Tamil Nadu has reduced the proportion of government subsidy on equipment; and AP & Karnataka have streamlined the process of handling MIS proposals.
- As part of its strategy to move towards a cash model, Jain has tied up with two private sector banks that do not have a rural presence. Under this arrangement, the bank extends a loan to the farmer for buying the equipment, thereby helping Jain to receive all cash up front from the farmer. Separately, the company also received an NBFC license during last month and expects to reap benefits from the NBFC from 4QFY13F.
- With improvement in the situation on the receivables front and with no major capex lined up over next two years, management expects debt to come down from the current levels. The company has close to INR39bn of debt on a consolidated basis, up by INR1bn q-q, primarily due to fluctuation in the currency.
- Management remains confident of sustainable growth in the MIS business and expects the company to deliver +20% growth in the top line as well as bottom line over medium to long term

Other businesses (ex-MIS) – should aid in overall growth in FY13F

- Other business (ex-MIS) will likely underpin overall growth in FY13F, as management has guided the piping business to record top-line growth of 20-25% y-y in FY13F; agro processing to see upwards of 10% growth; and other business (including tissue culture and solar power) to see +50% growth from a low base.

Subsidiaries – positive at the net level

At the net level, subsidiaries were positive with EBITDA of INR900mn, depreciation of ~INR400mn and interest payment of ~INR400mn.

Result key highlights – Sharp declines in MIS businesses; piping business aided growth

- Although1QFY13 overall revenue at INR8.65bn (-9% y-y & -30% q-q) missed our estimates by a small margin, the ~32% y-y revenue decline in the MIS business was quite sharp and well below our estimate of -10%. Strong revenue growth of 34% y-y in the piping business was the quarter's bright spot. Management flagged that 1HFY13F will likely be tougher for MIS business as Jain adjusts to its new cash business model.
- Amongst other businesses, revenue from the piping business grew sharply by 34% y-y, while agro processing slipped 6.5%, reflecting lower prices albeit with volume up 37% y-y.
- Overall EBITDA margins were in line with our estimate at 21%, but down 300bps y-y as Jain has now moved to a model of taking full cash upfront for its MIS products from farmers by offering discounts.

- EBITDA at INR1.8bn (-21% y-y & -27% q-q) missed our estimate by 6% but came in well above consensus of INR1.6bn.
- PBT adjusted for forex losses (on foreign currency debt) of INR672mn, however, missed our estimate by a wider margin due to higher interest costs.
- Overall, Jain reported a loss of INR169mn due to forex loss, in line with our estimate of a loss of INR179mn.
- The company reported its consolidated numbers for FY12, and at the EBITDA level, subsidiaries came in positive. However, due to higher interest cost and forex losses at the net level, they remain loss making.
- On the balance sheet side, consolidated receivables at INR22.7bn rose INR5.7bn y-y as of Mar 12. Consolidated receivable days of sales reached at 166 in FY12 vs 148 in FY11. Consolidated net debt ended FY12 at INR35bn, approximately 2x D/E.

Fig. 1: Snapshot of 1QFY13 results

INR mn	1QFY13A	1QFY12A	YoY growth(%)	4QFY12A	QoQ growth (%)	1QFY13E
Net sales	**8,650**	**9,513**	*-9%*	**12,369**	*-30%*	**9,059**
Material costs	4,638	5,177	*-10%*	7,247	*-36%*	4,910
%age of net sales	*53.6%*	*54.4%*		*58.6%*		*54.2%*
Personnel costs	412	435	*-5%*	482	*-14%*	458
%age of net sales	*4.8%*	*4.6%*		*3.9%*		*5.1%*
Manufacturing costs	970	848	*14%*	907	*7%*	829
%age of net sales	*11.2%*	*8.9%*		*7.3%*		*9.2%*
Selling & dist.costs	610	577	*6%*	914	*-33%*	675
%age of net sales	*7.1%*	*6.1%*		*7.4%*		*7.5%*
Admin costs	206	193	*7%*	322	*-36%*	262
%age of net sales	*2.4%*	*2.0%*		*2.6%*		*2.9%*
EBITDA	1,813	2,283	*-21%*	2,497	*-27%*	1,924
EBITDA margin	*21.0%*	*24.0%*		*20.2%*		*21.2%*
Other income	53	8		19	*178%*	17
PBDIT	**1,866**	**2,291**	*-19%*	**2,516**	*-26%*	**1,940**
PBDIT margin	*21.6%*	*24.1%*		*20.3%*		*21.4%*
Depreciation	274	239	*15%*	269	*2%*	275
Interest cost	1,151	777	*48%*	965	*19%*	964
PBT	441	1,276	*-65%*	1,283	*-66%*	702
PBT margin	*5.1%*	*13.4%*		*10.4%*		*7.7%*
Tax	(62)	317	*-119%*	(301)	*-80%*	(77)
PAT	**503**	**959**	*-48%*	**1,584**	*-68%*	**778**
PAT margin	*5.8%*	*10.1%*		*12.8%*		*8.6%*
EO (loss)/gain	(672)	(136)		151		(957)
Reported PAT	**(169)**	**823**	*-121%*	**1,735**	*-110%*	**(179)**

Source: Company data, Nomura estimates

Appendix A-1

Analyst Certification

We, Aatash Shah 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 Company" used herein refers to Nomura Holdings, Inc. or any affiliate or subsidiary of Nomura Holdings, Inc. Nomura Group Companies involved in the production of Research are detailed in the disclaimer below.

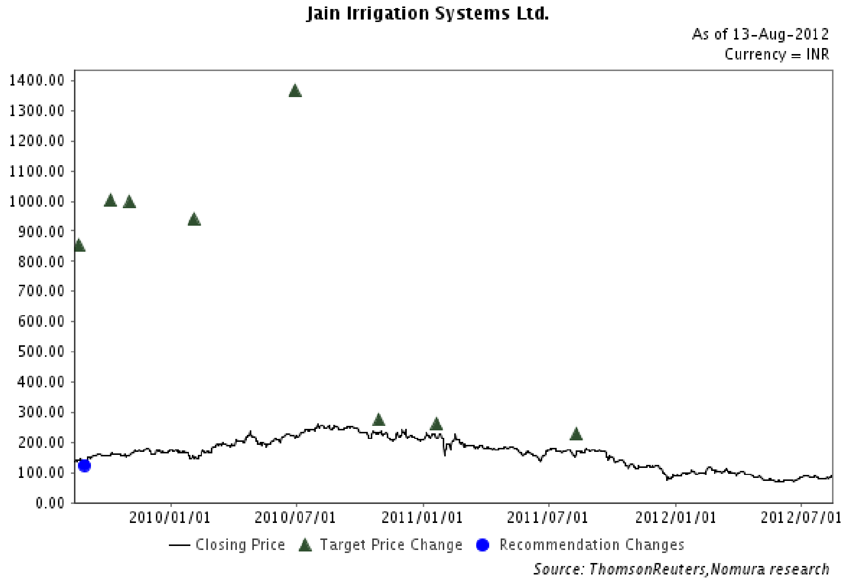
Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Jain Irrigation Systems Ltd.	JI IN	INR 87	14-8-2012	Buy	Not rated	

Previous Rating

Issuer name	Previous Rating	Date of change
Jain Irrigation Systems Ltd.	Neutral	21-8-2009

Jain Irrigation Systems Ltd. (JI IN) **INR 87 (14-8-2012)** Buy (Sector rating: Not rated)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
11-Aug-11		229.00	169.65
21-Jan-11		261.00	215.35
29-Oct-10		273.20	232.00
29-Jun-10		1,366.00	217.57
03-Feb-10		939.00	152.46
03-Nov-09		996.00	156.85
06-Oct-09		1,002.00	155.83
21-Aug-09	Buy		143.69
21-Aug-09		852.00	143.69

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

Valuation Methodology We value JISL based on an earnings multiple of 16x our one-year-rolling forward EPS of INR14.28 to arrive at our target price of INR229. This is slightly lower than the 17x at which it has traded, on average, in the past five years.

Risks that may impede the achievement of the target price Downside risks to our call are 1) increased working capital intensity, leading to reduced cashflows and margins; 2) reduction in government support for micro irrigation systems (MIS) and government spending on infrastructure projects; 3) increased competitive intensity leading to lower margins or market share for Jain; 4) volatile raw material prices, which could affect margins; 5) further depreciation of the rupee against the US dollar, which could increase forex losses; 6) acquired companies not achieving expected profitability; and 7) heavy investment requirement in the proposed NBFC and the inability to maintain loan quality.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura research is available on 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-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.

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 (US)

The distribution of all ratings published by Nomura US Equity Research is as follows:
43% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 21% of companies with this rating are investment banking clients of the Nomura Group*.
51% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 9% of companies with this rating are investment banking clients of the Nomura Group*.
6% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 0% of companies with this rating are investment banking clients of the Nomura Group*.
As at 30 June 2012. **The Nomura Group as defined in the Disclaimer section at the end of this report.*

Distribution of ratings (Global)

The distribution of all ratings published by Nomura Global Equity Research is as follows:
46% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 40% of companies with this rating are investment banking clients of the Nomura Group*.
43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 46% 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; 21% of companies with this rating are investment banking clients of the Nomura Group*.
As at 30 June 2012. **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, 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.

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 in Japan and Asia ex-Japan

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, 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); NIplc, Dubai Branch ('NIplc, Dubai'); NIplc, Madrid Branch ('NIplc, Madrid') and NIplc, Italian Branch ('NIplc, Italy'). '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 (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 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.

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 the UAE or Saudi Arabia.

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