

Industry Focus

1 September 2008 | 10 pages

India Auto Sector

August Sales: Mixed Trends: 2 Wheelers Shine, Cars Disappoint

- **Aug Sales** — dealer dispatches were mixed this month with strong dispatches in two wheelers (especially Hero Honda), and relatively weaker trends visible in the passenger car segment. Two wheeler dispatches appear strong (aided by low base effect and build up of stock levels in anticipation of robust demand in the festive season); in contrast, retail demand for cars appears to be tapering – resulting in OEMs curtailing dispatches.
- **Headline Pricing Stable** — HROH hiked prices by Rs850 (average) on its product portfolio. Pricing remains stable in CVs too - TAMO has increased prices by ~7% in the past four months. Passenger cars remain an area of concern - OEMs have increased prices by ~2-3% (insufficient to pass through cost pressures) and attendant discounts have been escalating. Most players believe that cost pressures have stabilised – especially for steel. Rubber and tire prices remain an area of concern for most players.
- **Two wheeler sales +16% YoY** — Impressive growth was driven by HROH's dealer dispatches (+27% Y/Y). Bajaj's domestic sales declined 7% Y/Y, whilst TVS' domestic sales rose a modest 6% Y/Y. Hero Honda continues to build inventory levels ahead of the festive season. Sequentially, both motorcycle and 2 wheeler sales were up ~6% and 5% respectively.
- **Maruti Sales Declined 9% YoY** — Domestic sales fell by 10% Y/Y due to a sharp decline in A2 (compact segment) sales. Retail offtake continues to be weak, given the adverse macro environment - higher interest rates and an erosion of wealth (in both property and financial markets) has resulted in consumers deferring purchases. Growth is restricted to the relatively newer products – Swift and Swift Dezire. YTD growth of ~5% is below our expectations – we see downside risks to our c8% volume growth forecast for FY09.
- **M&M Sales +8% YoY** — August sales rose 8% YoY; driven by strong tractor sales (+16% YoY). UV sales were muted (+2% Y/Y) as strong growth in non Scorpio sales (+12% Y/Y) was offset by weak Scorpio sales (-21% YoY). Domestic tractor sales rose 16% Y/Y aided by last year's low base and a continued strong pick up in rural demand. Management maintained its guidance of 10-12% growth in UVs and increased guidance on tractor growth to 6-8% - vs. flat / nominally negative expectations earlier.

Jamshed Dadabhoy¹

+91-22-6631-9883

jamshed.dadabhoy@citi.com

Hitesh Goel¹

 hitesh.goel@citi.com

See Appendix A-1 for Analyst Certification and important disclosures.

Citi Investment Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Non-US research analysts who have prepared this report are not registered/qualified as research analysts with the NYSE and/or NASD. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

¹Citigroup Global Markets India Private Limited

Two Wheeler Sales: Up 17% YoY

Figure 1. Two Wheeler July 2008 Sales: Summary

	Aug Sales (Nos)	YoY Chg (%)	MoM chg (%)	YTD Sales (Nos)	YoY chg (%)
Hero Honda	305,516	26.8	8.6	1,481,077	19.0
Bajaj Auto					
Motorcycles	175,274	4.7	3.8	902,743	9.9
2 wheelers	176,631	3.8	3.9	908,579	9.0
3 wheelers	24,324	-4.6	2.5	106,175	(11.5)
Total	200,955	2.7	3.7	1,014,754	6.5
TVS Motors					
Motorcycles	52,304	13.1	-3.2	270,674	10.9
2 wheelers	114,321	11.3	-3.6	564,655	6.5
Motorcycles	533,094	17.3	5.7	2,654,494	14.9
2 wheelers	596,468	16.1	4.7	2,954,311	13.3

Source: Citi Investment Research

Figure 2. Two Wheeler Market shares (%)

	FY08 %	FY09 YTD [^] %	FY09 YTD Relative* %	Aug Relative* %
Motorcycles				
Hero Honda	54.0	48.9	55.8	57.3
Bajaj Auto	35.7	30.7	34.0	32.9
TVS Motors	10.3	9.8	10.2	9.8
2 wheelers				
Hero Honda	49.2	40.6	50.1	51.2
Bajaj Auto	31.8	24.5	30.8	29.6
TVS Motors	19.0	16.9	19.1	19.2

Source: Company, SIAM

Note: *Relative market shares based on 3 majors volumes , [^]Market share uptil July 2008 based on consolidated industry data

Two wheeler sales grew by +16% YoY for the three majors in August led by Hero Honda. Motorcycle sales were also healthy (+17% YoY, YTD +15%). Bajaj Auto volumes were fairly muted (+3% Y/Y) driven by 5% Y/Y growth in motorcycle sales despite a fairly low base last year. Three wheeler sales declined by 5% Y/Y. Domestic sales were disappointing (-7% Y/Y) and growth was aided by 26% Y/Y growth in exports (YTD +30% Y/Y). Bajaj growth has lagged that of industry leader Hero Honda. Bajaj indicated that it would launch 4 new >125cc motorcycles between Jan-Mar 2009. We reckon Bajaj is not building inventory as compared to its competitors yet due to launch of its new bikes after the festive season.

Figure 3. Bajaj Auto Aug 2008 Sales – Up 3% YoY

	Aug Sales (Nos)	YoY Chg (%)	MoM chg (%)	YTD Sales (Nos)	YoY chg (%)
Total Sales	200,955	2.7	3.7	1,014,754	6.5
Motorcycles	175,274	4.7	3.8	902,743	9.9
Other Two Wheelers	1,357	(50.1)	19.6	5,836	(50.8)
Total 2 wheelers	176,631	3.8	3.9	908,579	9.0
3 wheelers	24,324	(4.6)	2.5	106,175	(11.5)

Source: Citi Investment Research

Hero Honda posted strong c27% YoY growth in sales in August – despite a stiffer base than competitor Bajaj. Hero Honda is building inventory ahead of the festive season. We believe the competitive environment will become challenging as Bajaj plans to launch four new >125cc models between Jan – Mar 2009 and we could see discounts returning in the festive season if retail demand continues to be weak. Hero Honda was cautious in its outlook for industry growth in FY09 and guided to a 5% YoY growth in FY09 for the industry – achievable, given the strong YTD performance. Key risks to this view are interest rates – which continue to trend up.

Pricing remains firm – HROH raised prices by an average of around Rs850 per bike last month – indicating the company's ability to pass through cost pressures (albeit partially).

Figure 4. Hero Honda Aug 2008 Sales – Up 27% YoY

	Aug Sales (Nos)	YoY Chg (%)	MoM chg (%)	YTD Sales (Nos)	YoY chg (%)
Two Wheelers	305,516	26.8	8.6	1,481,077	19.0

Source: Company

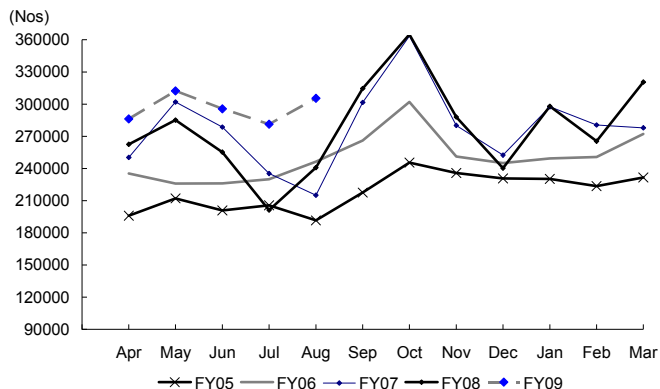
TVS reported 13% YoY growth in motorcycle sales – driven by a benign base effect, strong performance of the Apache, and robust growth in exports (+51% Y/Y). Domestic sales rose +6% Y/Y. The new product – the 125cc Flame – is priced significantly higher than competing products. Dealer feedback indicates that demand for this product is relatively muted thus far. Scooter/Moped sales rose by 10% Y/Y in August. Scooter sales were relatively subdued (+3% Y/Y), while moped sales were fairly robust (+15% Y/Y), indicating that rural and semi urban demand remains robust.

Figure 5. TVS Motors Aug 2008 Sales – Up 11% YoY

	Aug Sales (Nos)	YoY Chg (%)	MoM chg (%)	YTD Sales (Nos)	YoY chg (%)
Total Sales	114,321	11.3	(3.6)	564,655	6.5
Scooters/Mopeds	62,017	9.8	(3.9)	293,981	2.8
Motorcycles	52,304	13.1	(3.2)	270,674	10.9

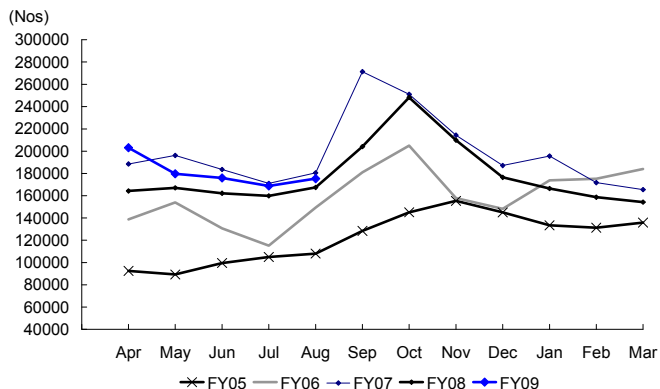
Source: Citi Investment Research

Figure 6. Hero Honda: Motorcycle Sales Trends



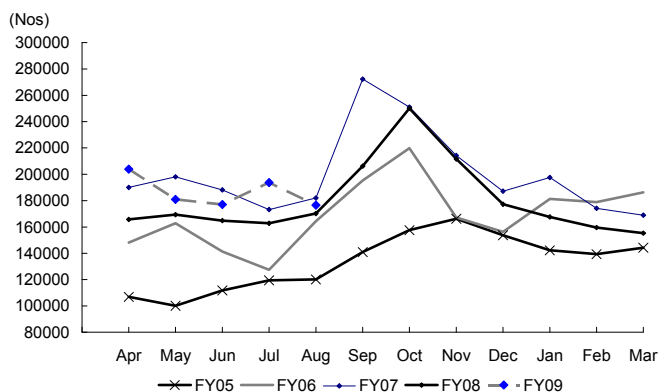
Source: Company Reports, SIAM

Figure 7. Bajaj Auto: Motorcycle Sales Trends



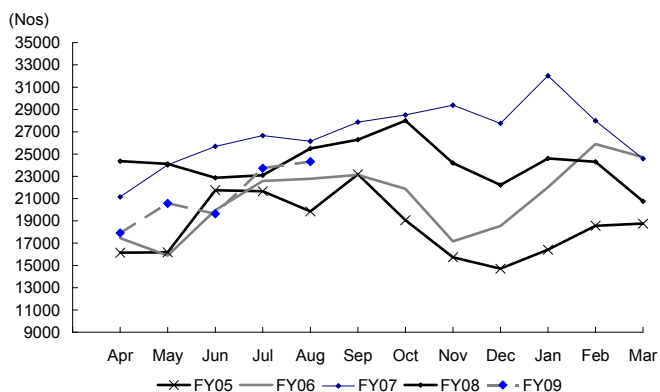
Source: Company Reports, SIAM

Figure 8. Bajaj Auto: 2 Wheelers Sales Trends



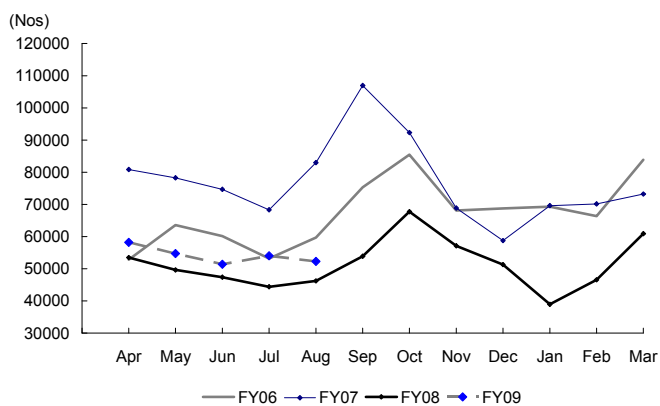
Source: Company Reports, SIAM

Figure 9. Bajaj Auto: 3 Wheelers Sales Trends



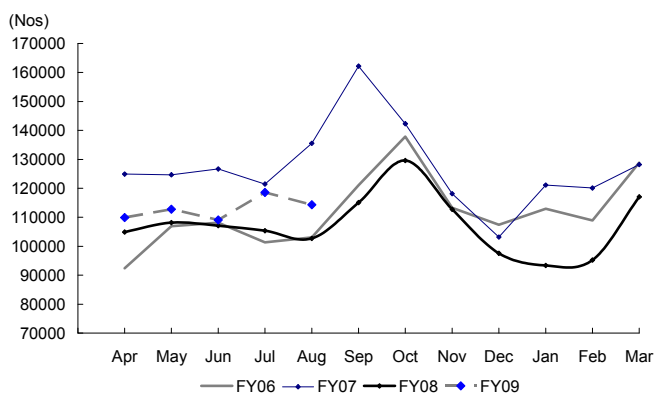
Source: Company Reports, SIAM

Figure 10. TVS Motor: Motorcycle Sales Trends



Source: Company Reports, SIAM

Figure 11. TVS Motor: 2 Wheeler Sales Trends



Source: Company Reports, SIAM

Maruti Suzuki: Only Fresh Product Sells

Maruti's domestic sales declined 10% Y/Y in August (YTD +5%), given the c10% Y/Y decline in compact segment sales. We reckon this is due to the stiff base effect of last year and the loss of market share to Hyundai's i10 and GM's Spark. The base effect will remain challenging over the next 3-4 months before moderating from Dec08 onward. We factor overall domestic volume growth of 8% in FY09 – these forecasts won't be achieved if the current trend continues – expected volume growth in 4Q (on account of the A-Star) won't be sufficient to offset weaker than forecast sales trend from Aug-Nov.

Maruti 800 volumes fell (-32% Y/Y) due to weak retail offtake. A2 volumes declined by 10% Y/Y (YTD +6% Y/Y) mainly due to stiff base effect and lacklustre demand. The silver lining? Swift volumes remain robust ~9,000 units (+19% Y/Y). *However excluding Swift, we reckon A2 segment declined by 16% Y/Y, and note that Maruti may have lost market share to Hyundai's i10 and GM's Spark in this segment.* Exports growth was also disappointing (flat Y/Y) after a robust 28% Y/Y growth between Apr-July 08 – but export sales trend on a MoM basis is difficult to discern, given the nature of end markets.

A3 segment volumes were also subdued (+12% Y/Y), driven by Dezire volumes (we estimate volumes were ~4,000 units this month). Sans the Dezire, A3 segment volumes declined sharply by 71% Y/Y. Channel checks indicate that Dezire has a waiting period of 5-6 months.

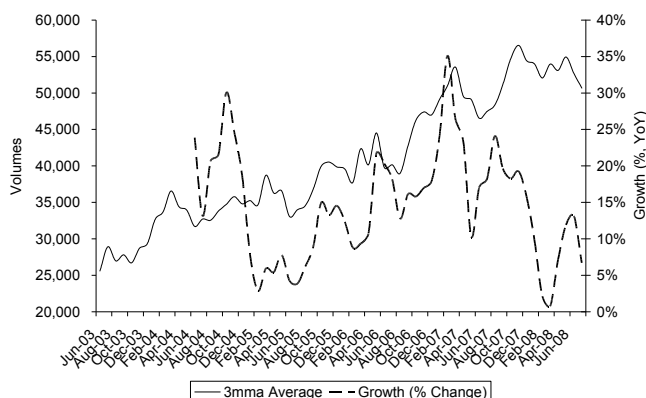
Competitive intensity remains intense in the passenger car market. Tata Motor's recently launched Indica Vista and Hyundai's i10 will be key competitors for Maruti. The impending launch of Hyundai's i-20 and Suzuki's A-Star should improve customer off-take, but we believe sales will be replacement – rather than fresh demand.

Figure 12. Maruti Suzuki – August 2008 Sales

	Aug-08 Nos	% chg YoY	% chg over July	FY09 YTD (Nos)	% chg YoY
A1 (M800)	3,717	(32.2)	(25.0)	25,319	-14.0
C (Omni, Versa)	6,540	(17.1)	4.6	33,554	-6.1
A2 (Alto, Wagon-R, Zen, Swift)	37,667	(9.7)	8.3	197,889	5.9
A3 (Baleno, Esteem)	5,427	12.2	(9.7)	27,376	34.9
MUV (Gypsy, Vitara)	762	167.4	(15.4)	2,979	125.9
Total Domestic	54,113	-10.2	2.3	287,117	4.9
Exports	5,795	1.0	2.9	23,918	20.3
Overall	59,908	-9.2	2.3	311,035	6.0

Source: Citi Investment Research

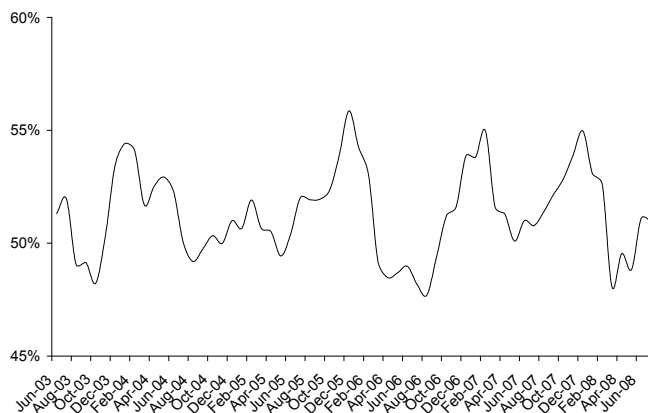
Figure 13. Maruti – Domestic Volumes (3mma) and Growth



Source: Company Reports, SIAM

Note: Volumes on LHS, Growth (%) on RHS, Data is till July 08

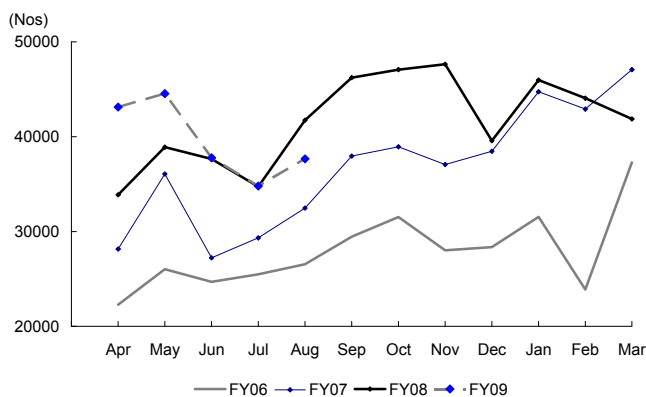
Figure 14. Maruti – Domestic Market Share (3mma), %



Source: Company Reports, SIAM

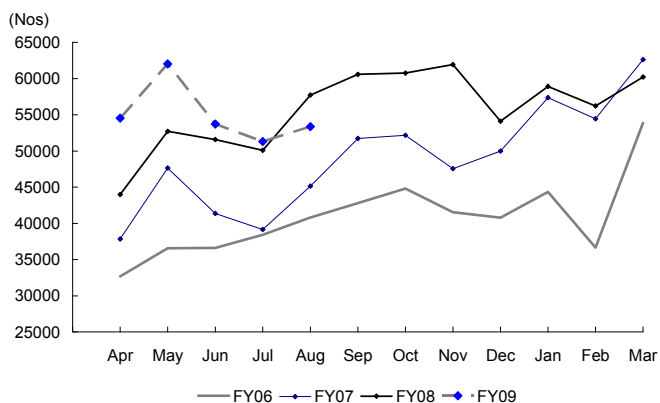
Note: Data is till July 08

Figure 15. Maruti Suzuki: Domestic A2 Segment Sales Trend



Source: Company Reports, SIAM

Figure 16. Maruti Suzuki: Overall Sales Trend



Source: Company Reports, SIAM

Mahindra and Mahindra: Tractor Sales Spring Positive Surprise

August sales were up 8% YoY driven by 16% Y/Y growth in tractor sales. UV sales were muted (+2% Y/Y, 11% YTD) as strong growth in non-Scorpio sales (+12% Y/Y) were offset by weak Scorpio sales (-21% YoY). It remains on course to meet management's guidance of 10-12% growth in UVs over FY09e.

Logan volumes continue to disappoint, due to strong competition in the A3 segment. 3 wheeler sales grew 51% YoY, reflecting strong growth by the Alfa.

Domestic tractor sales surprised (+16% Y/Y, 10% YTD) aided by a low base last year, strong rural demand and strong push by Mahindra Finance. Management has maintained its guidance on tractor sales to 6-8% for FY09.

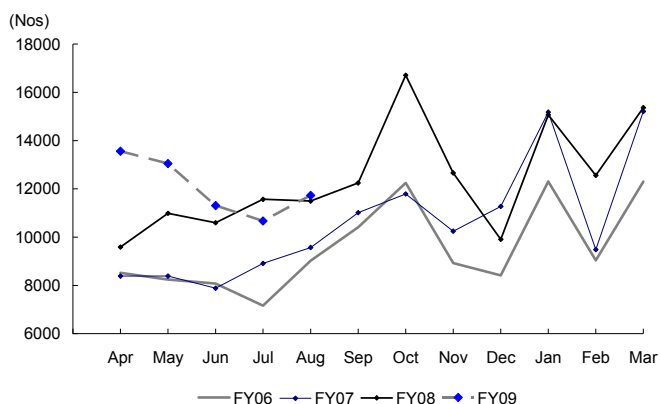
Management's cautious stance continued, given that key concerns – higher interest rates and restricted financing from banks – continue. Pricing remains strong in the tractor segment too – the company effected a price hike of c.3% in April, to pass on cost pressures. Management has also indicated that cost pressures (but not margins) can be passed on over the near term.

Figure 17. M&M – August 2008 Sales

	Aug-08 Nos	% change yoy	% change over July	FY09 YTD Nos	% chg yoy
UVs	11,731	2.1	9.9	60,322	11.2
LCVs	811	(2.5)	(29.1)	4,912	8.1
3-wheelers	4,315	50.9	5.8	19,791	49.4
Exports (Auto sector)	890	7.1	(19.5)	5,182	33.1
Logan	1,464	(35.0)	4.1	7,465	(27.6)
Auto division	19,211	5.2	4.4	97,672	13.3
Tractors (Dom + Exp)	7,597	15.6	1.6	45,178	10.6
Total	26,808	7.9	3.6	142,850	12.4

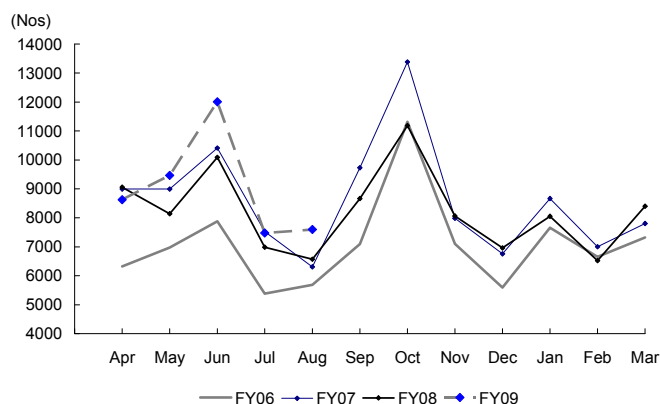
Source: Citi Investment Research

Figure 18. M&M – Domestic UV Sales Trend



Source: Company Reports, SIAM

Figure 19. M&M – Tractor Sales Trend



Source: Company Reports, SIAM

Appendix A-1

Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

IMPORTANT DISCLOSURES

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research product ("the Product"), please contact Citi Investment Research, 388 Greenwich Street, 29th Floor, New York, NY, 10013, Attention: Legal/Compliance. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at www.citigroupgeo.com. Private Client Division clients should refer to www.smithbarney.com/research. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Investment Research Ratings Distribution

Data current as of 30 June 2008

	Buy	Hold	Sell
Citi Investment Research Global Fundamental Coverage (3096)	50%	36%	14%
% of companies in each rating category that are investment banking clients	53%	52%	42%

Guide to Fundamental Research Investment Ratings:

Citi Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of Citi Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Guide to Corporate Bond Research Credit Opinions and Investment Ratings: Citi Investment Research's corporate bond research issuer publications include a fundamental credit opinion of Improving, Stable or Deteriorating and a complementary risk rating of Low (L), Medium (M), High (H) or Speculative (S) regarding the credit risk of the company featured in the report. The fundamental credit opinion reflects the CIR analyst's opinion of the direction of credit fundamentals of the issuer without respect to securities market vagaries. The fundamental credit opinion is not geared to, but should be viewed in the context of, debt ratings issued by major public debt ratings companies such as Moody's Investors Service, Standard and Poor's, and Fitch Ratings. CBR risk ratings are approximately equivalent to the following matrix: Low Risk -- Triple A to Low Double A; Low to Medium Risk -- High Single A through High Triple B; Medium to High Risk -- Mid Triple B through High Double B; High to Speculative Risk -- Mid Double B and Below. The risk rating element illustrates the analyst's opinion of the relative likelihood of loss of principal when a fixed income security issued by a company is held to maturity, based upon both fundamental and market risk factors. Certain reports published by Citi Investment Research will also include investment ratings on specific issues of companies under coverage which have been assigned fundamental credit opinions and risk ratings. Investment ratings are a function of Citi Investment Research's expectations for total return, relative return (relative to the performance of relevant Citi bond indices), and risk rating. These investment ratings are: Buy/Overweight -- the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market); Hold/Neutral Weight -- the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight -- the bond is expected to underperform the relevant Citigroup bond market sector index. Performance data for Citi bond indices are updated monthly, are available upon request and can also be viewed at <http://sd.ny.ssm.com/> using the "Indexes" tab.

OTHER DISCLOSURES

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the subject company(ies) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although

information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Smith Barney clients can ask their Financial Advisor for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in Brazil by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in Indonesia through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, which is regulated by Comisión Nacional Bancaria y de Valores. Reforma 398, Col. Juárez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Pakistan by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartościowych i Giełd. Bank Handlowy w Warszawie S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gashka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower,

Singapore 039192. The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Spain by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gassef, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Taiwan Securities Company Ltd., which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research's Products can be found at www.citigroupgeo.com. Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

© 2008 Citigroup Global Markets Inc. (© Nikko Citigroup Limited, if this Product was prepared by it). Citi Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc and its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. Where included in this report, MSCI sourced information 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, 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. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of Morgan Stanley Capital International Inc and Standard & Poor's. GICS is a service mark of MSCI and S&P and has been licensed for use by Citi. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST
