

Company In-Depth

21 August 2007 | 8 pages

Patni Computer Systems (PTNI.BO)

Upgrading to Buy: Valuations Look Cheap; M&A a Possible Trigger

 Rating change
 Target price change
 Estimate change

- What has changed?** — Patni is down 26% and has underperformed the BSE IT index by 17% over the past two months. We maintain our view that Patni is a potential M&A/private-equity candidate. The stock now trades at around 7x 2007E EV/EBITDA, a level at which we think the risk-reward profile is positive.
- In-line 2Q07, guidance muted** — 2Q07 results were in line operationally, with top line growing 4.7% qoq, to US\$163m. The surprise net income was primarily due to a large forex gain of Rs350m. The guidance for 3Q is for a flat top line.
- Press reports suggest likelihood of deal** — Today's *Economic Times* has reported that the likelihood of a private-equity investment in Patni is high and that major hurdles to a stake sale have been addressed. While this news report is difficult to confirm, we maintain our view that Patni is an M&A candidate.
- Cutting target price** — With the core business still sluggish, we have increased our target discount (from 15% to 20%) relative to Patni's closest peer, Satyam. Our target price is equivalent to 15x 2008E EPS. Operationally, one could argue for a larger discount; however, the possibility of an M&A narrows our discount. Our new target price is Rs525.
- Current valuations indicate limited downside; M&A a possible trigger** — Patni at 7x 2007E EV/EBITDA is at deep discounts to its large peers (Infosys is at 19x and Satyam at 14x) and lower than its mid-cap peers (8-10x). We see an upside bias from current levels, with M&A a possible trigger.

Buy/Medium Risk	1M
<i>from Sell/Medium Risk</i>	
Price (20 Aug 07)	Rs391.40
Target price	Rs525.00
<i>from Rs565.00</i>	
Expected share price return	34.1%
Expected dividend yield	0.9%
Expected total return	35.0%
Market Cap	Rs54,293M
	US\$1,325M

Price Performance (RIC: PTNI.BO, BB: PATNI IN)



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

Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2005A	2,678	21.03	10.3	18.6	2.5	16.1	0.6
2006A	2,654	19.05	-9.4	20.5	2.4	12.4	0.8
2007E	4,520	32.29	69.5	12.1	2.1	18.6	0.9
2008E	4,893	34.96	8.3	11.2	1.8	17.3	1.3
2009E	5,310	37.93	8.5	10.3	1.6	16.3	1.3

Source: Powered by dataCentral

Surendra Goyal, CFA¹

 +91-22-6631-9870
 surendra.goyal@citi.com

Hitesh Shah¹

 +91-22-6631-9872
 hitesh.b.shah@citi.com

Citigroup 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.

Customers of the Firm in the United States can receive independent third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at <http://www.smithbarney.com> (for retail clients) or <http://www.citigroupgeo.com> (for institutional clients) or can call (866) 836-9542 to request a copy of this research.

¹Citigroup Global Markets India Private Limited

Fiscal year end 31-Dec	2005	2006	2007E	2008E	2009E
Valuation Ratios					
P/E adjusted (x)	18.6	20.5	12.1	11.2	10.3
EV/EBITDA adjusted (x)	11.7	8.7	7.3	6.4	5.4
P/BV (x)	2.5	2.4	2.1	1.8	1.6
Dividend yield (%)	0.6	0.8	0.9	1.3	1.3
Per Share Data (Rs)					
EPS adjusted	21.03	19.05	32.29	34.96	37.93
EPS reported	21.03	19.05	32.29	34.96	37.93
BVPS	159.71	162.36	188.85	218.44	251.04
DPS	2.50	3.00	3.50	5.00	5.00
Profit & Loss (RsM)					
Net sales	19,834	26,140	27,007	31,269	36,742
Operating expenses	-16,734	-22,205	-22,499	-26,517	-31,640
EBIT	3,100	3,935	4,508	4,752	5,102
Net interest expense	0	0	0	0	0
Non-operating/exceptionals	186	564	957	1,215	1,556
Pre-tax profit	3,286	4,499	5,465	5,967	6,657
Tax	-608	-932	-946	-1,074	-1,348
Extraord./Min.Int./Pref.div.	0	-913	0	0	0
Reported net income	2,678	2,654	4,520	4,893	5,310
Adjusted earnings	2,678	2,654	4,520	4,893	5,310
Adjusted EBITDA	3,770	4,775	5,492	5,850	6,422
Growth Rates (%)					
Sales	40.4	31.8	3.3	15.8	17.5
EBIT adjusted	17.8	26.9	14.6	5.4	7.4
EBITDA adjusted	20.7	26.7	15.0	6.5	9.8
EPS adjusted	10.3	-9.4	69.5	8.3	8.5
Cash Flow (RsM)					
Operating cash flow	3,830	2,717	4,744	4,520	4,746
Depreciation/amortization	670	840	984	1,098	1,320
Net working capital	865	-213	197	-256	-328
Investing cash flow	-2,636	-2,370	-1,164	-1,098	-1,348
Capital expenditure	-2,423	-2,251	-1,867	-2,294	-2,879
Acquisitions/disposals	-128	-456	-281	0	0
Financing cash flow	4,825	-639	-777	-790	-790
Borrowings	2	-1	-6	0	0
Dividends paid	-317	-473	-553	-790	-790
Change in cash	6,019	-292	2,803	2,632	2,608
Balance Sheet (RsM)					
Total assets	24,815	28,232	32,541	37,646	43,451
Cash & cash equivalent	13,062	12,770	15,573	18,205	20,813
Accounts receivable	0	0	0	0	0
Net fixed assets	4,136	5,547	6,430	7,627	9,186
Total liabilities	4,397	5,797	6,358	7,360	8,646
Accounts payable	0	0	0	0	0
Total Debt	19	17	11	11	11
Shareholders' funds	20,418	22,434	26,183	30,286	34,805
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	19.0	18.3	20.3	18.7	17.5
ROE adjusted	16.1	12.4	18.6	17.3	16.3
ROIC adjusted	34.2	33.2	33.2	30.4	27.0
Net debt to equity	-63.9	-56.8	-59.4	-60.1	-59.8
Total debt to capital	0.1	0.1	0.0	0.0	0.0

For further data queries on Citigroup's full coverage universe please contact CIR Data Services Asia Pacific at CitiResearchDataServices@citigroup.com or +852-2501-2791



Figure 1. Patni's 1-year Forward PER Valuation Chart



Source: Company Reports and Citigroup Investment Research estimates

Figure 2. Indian IT Services — Valuation Comparison

Company	RIC Code	Rating	Mkt cap (US\$ m)	CMP (Rs)	TP (Rs)	P/E (x)		EV/EBITDA (x)		EV/Sales(x)		P/BV (x)		Div. Yield (%)	
						FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
Infosys	INFY.BO	1L	25,491	1,829	2,440	22.8	18.6	18.9	14.6	5.8	4.5	7	5.4	0.9%	1.1%
TCS	TCS.BO	1L	25,180	1,055	1,460	20.5	16.8	16.5	13.3	4.4	3.5	8.2	6	1.3%	1.5%
Wipro	WIPR.BO	1L	16,711	470	650	20.1	16.3	16.1	12.7	3.4	2.7	5.6	4.7	2.1%	2.6%
Satyam	SATY.BO	1M	7,052	433	570	17.4	14.3	13.9	11	3	2.4	4.2	3.5	1.8%	2.3%
HCL Tech	HCLT.BO	1M	4,967	307	400	16.7	14	12.1	10	2.4	2	3.6	3.1	2.6%	2.6%
Tech Mahindra	TEML.BO	1H	3,758	1,270	1,920	20	13.9	16.4	11.5	3.5	2.4	8.9	5.3	0.2%	0.2%
I-Flex	IFLX.BO	3M	3,890	1,905	2,025	38.6	27.8	26.9	19.1	5.6	4.3	7.7	6.1	0.0%	0.0%
Patni*	PTNI.BO	1M	1,325	391	525	12.1	11.2	7.1	6.6	1.4	1.2	2.1	1.8	0.9%	1.3%
Mphasis	MBFL.BO	1M	1,136	288	400	23.6	15.1	10	7	1.9	1.3	5	3.9	1.0%	1.0%
Hexaware*	HEXT.BO	1M	389	120	155	13.3	11.6	8.4	7.2	1.2	1	2.1	1.8	1.5%	2.0%
NIIT	NIIT.BO	3M	471	880	1,150	20.1	12.7	19	11.9	2.1	1.7	4.5	3.4	0.9%	0.9%
Sasken	SKCT.BO	1M	223	320	505	16	9.8	10	5.6	1.2	0.9	1.9	1.7	1.6%	3.1%
KPIT	KPIT.BO	1M	216	116	154	16	11.3	9.9	7.4	1.5	1.1	3.5	2.7	0.4%	0.6%

Source: Citigroup Investment Research estimates

Patni Computer Systems

Company description

Patni is the sixth-largest IT solutions provider from India and a pioneer of offshore IT services delivery. Founded in 1978, it operated both software and hardware businesses until 1999, when the hardware business was de-merged. It continues to operate as a global consulting and IT services provider. Patni employs 13,700 professionals, who service more than 260 global corporations. It has a sizeable presence in insurance, financial services, manufacturing and telecoms verticals. GE is Patni's largest customer, contributing close to 11% of 2Q07 revenues.

Investment thesis

Our Buy/Medium Risk rating for Patni is a valuation call. Patni trades at a ~50% discount to Satyam on a one-year forward EV/EBITDA basis, has 25% of its market cap in cash and equivalents, and has underperformed the BSE IT index by ~17% over the past two months. With a high cash position of ~US\$300m, we believe Patni is a decent-sized player with a relatively inexpensive valuation, making it an ideal acquisition candidate. Expect a recurring earnings CAGR of ~14% over the next three years, slower than those of peers. The company has historically offered lower pricing to clients by employing low-cost resources. But with demand for IT professionals growing, Patni is facing increased wage pressure. However, over the past few quarters, cost optimization efforts have resulted in margin expansion.

Valuation

Our target price of Rs525 is based on a 20% target-multiple discount to Patni's closest peer, Satyam. Patni has traded at a 10-40% discount to Satyam over the past year, mainly due to slower growth and lower RoC/RoE. We ascribe only a 20% discount for Patni to factor in M&A expectations. Our target price equates to 15x 2008E earnings. We believe P/E is a good valuation measure given Patni's profitability and strong earnings visibility.

Risks

We rate Patni as Medium Risk based on our quantitative risk-rating system, which tracks 260-day historical share-price volatility. Key downside risks to our target price include: 1) significant QoQ volatility in growth rates; 2) any significant appreciation of the rupee against the USD/Euro/GBP; 3) a sharp slowdown in the US economy; 4) a slowdown in the banking, financial services and insurance (BFSI) sector; 5) H1B visa quotas; and 6) acquisition-related risks.

Appendix A-1

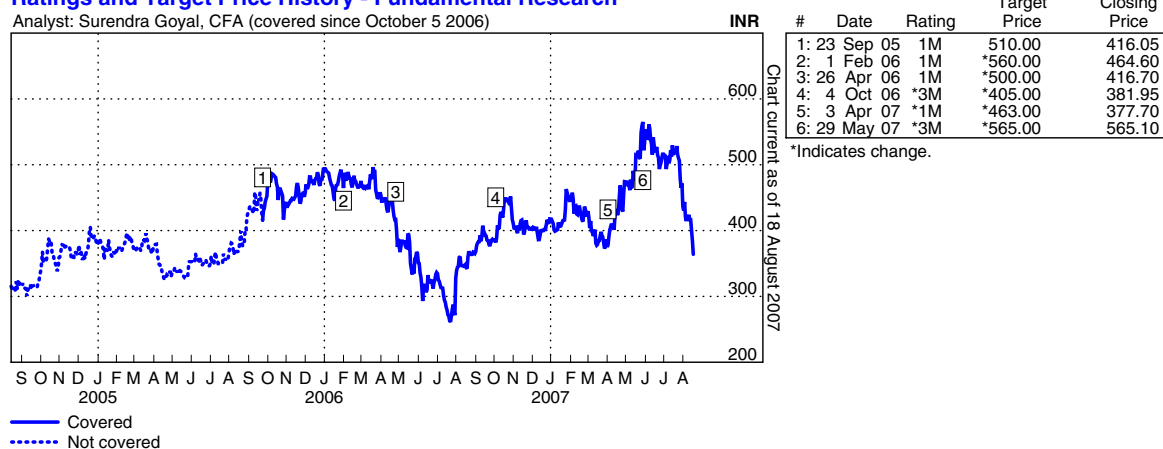
Analyst Certification

We, Surendra Goyal, CFA and Hitesh Shah, research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

Patni Computer Systems (PTNI.BO) Ratings and Target Price History - Fundamental Research

Analyst: Surendra Goyal, CFA (covered since October 5 2006)



Customers of the Firm in the United States can receive independent third-party research on the company or companies covered in this report, at no cost to them, where such research is available. Customers can access this independent research at <http://www.smithbarney.com> (for retail clients) or <http://www.citigroupgeo.com> (for institutional clients) or can call (866) 836-9542 to request a copy of this research.

Citi is acting as advisor to Wipro Technologies - the global IT services business of Wipro Limited - regarding their acquisition of Infocrossing Inc, via tender offer and subsequent merger.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Mphasis, Patni Computer Systems, Saskaen Communication Technologies, Satyam Computers Services and Tata Consultancy Services. This position reflects information available as of the prior business day.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from HCL Technologies, Hexaware Technologies, I-Flex Solutions, Infosys Technologies, Mphasis, NIIT, Patni Computer Systems, Saskaen Communication Technologies, Satyam Computers Services, Tata Consultancy Services and Wipro.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Tata Consultancy Services and Wipro.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from HCL Technologies, Hexaware Technologies, I-Flex Solutions, Infosys Technologies, KPIT Cummins Infosystems, Mphasis, NIIT, Patni Computer Systems, Saskaen Communication Technologies, Satyam Computers Services, Tata Consultancy Services and Wipro in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as investment banking client(s): HCL Technologies, Hexaware Technologies, I-Flex Solutions, Infosys Technologies, Mphasis, NIIT, Patni Computer Systems, Saskaen Communication Technologies, Satyam Computers Services, Tata Consultancy Services and Wipro.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: HCL Technologies, I-Flex Solutions, Infosys Technologies, KPIT Cummins Infosystems, Mphasis, Saskaen Communication Technologies, Satyam Computers Services, Tata Consultancy Services and Wipro.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, non-securities-related: HCL Technologies, Hexaware Technologies, I-Flex Solutions, Infosys Technologies, Mphasis, NIIT, Patni Computer Systems, Saskaen Communication Technologies, Satyam Computers Services, Tata Consultancy Services and Wipro.

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.

The Firm is a market maker in the publicly traded equity securities of Infosys Technologies, Satyam Computers Services and Wipro.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citigroup Investment Research product ("the Product"), please contact Citigroup 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.

Citigroup Investment Research Ratings Distribution

Data current as of 19 July 2007

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3320)	47%	39%	14%
<i>% of companies in each rating category that are investment banking clients</i>	71%	70%	70%
India -- Asia Pacific (144)	64%	11%	25%
<i>% of companies in each rating category that are investment banking clients</i>	89%	94%	83%

Guide to Fundamental Research Investment Ratings:

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

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:

Citigroup 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 Citigroup 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 Citigroup Investment Research's expectations for total return, relative return (to publicly available Citigroup bond indices performance), 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), performances of which are updated monthly and can be viewed at <http://sd.ny.ssb.com/> using the "Indexes" tab; 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 sector of the Citigroup indexes.

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 20 August 2007 04:00 PM on the issuer's primary market.

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of Sasken Communication Technologies and Satyam Computers Services.

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 Citigroup Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citigroup 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. Please ask your Financial Consultant 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. 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 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. If the Product was prepared by Citigroup 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., Citigroup Global Markets Inc., or Monex, 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. Akasaka Park Building, 2-20, Akasaka 5-chome, Minato-ku, Tokyo 107-6122. In the event that an error is found in an NCL research report, a revised version will be posted on Citigroup Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 5574-4860 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 Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd., 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 Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartościowych i Gield. 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 Gasheka 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 Taiwan through Citigroup Global Markets Inc. (Taipei Branch), 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 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 Citigroup 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 be illegal. 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.

© 2007 Citigroup Global Markets Inc. (© Nikko Citigroup Limited, if this Product was prepared by it). Citigroup Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of

Citigroup or 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. 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
