Company Results Review

20 May 2007 | 12 pages

Tata Motors (TAMO.BO)

Buy: 4QFY07 Results In-line With Expectations

- Earnings in-line — 4Q recurring profits at Rs5.76bn (+32% yoy) were 6% above our estimates. The variance was due to lower depreciation charges, and higher than forecast forex gains. Adjusting for these, results were in-line with estimates.
- Operating profits disappoint — EBITDA at Rs9.06bn was up a modest 8% yoy - below our expectations - as higher material costs (steel, aluminum, rubber) continue to bite. A positive trend is that management's cost-cutting initiatives are ahead of expectations – the stated Rs10bn cost-cutting plan (over FY06-08) has almost been fully achieved this fiscal.
- Product launch program — Outlined at end FY05, remains on course. TTMT plans to capitalize on emerging growth opportunities in both local and international markets with new platforms for the Indica, the small car platform, as also global truck and pickup platforms among other initiatives. The initiatives with Fiat and Iveco should also provide TAMO with access to newer technologies.
- De-risking business model — Targets outlined to de-risk the business from the local cycle include a) increasing the share of international business to 25% of sales by 2010 (currently 18%), b) increasing the share of captive financing of sales to 40% by 2008 from c32% currently, and c) increasing the revenue contribution of non cyclical businesses (currently 24% of consolidated revenues).
- Reiterate Buy (1L) — Short-term weakness on margin decline and sedate sales over 1Q present an opportunity to buy. Key risks – rising interest rates, input cost pressures, accelerating capital costs (interest and depreciation).

Buy/Low Risk	1L
Price (18 May 07)	Rs742.75
Target price	Rs1,029.00
Expected share price return	38.5%
Expected dividend yield	2.0%
Expected total return	40.6%
Market Cap	Rs284,603M
	US$7,062M

Price Performance (RIC: TAMO.BO, BB: TTMT IN)

Statistical Abstract

Year to 31 Mar	Net Profit (RsM)	Diluted EPS (Rs)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2005A	12,474	34.48	45.9	21.5	6.5	32.4	1.7
2006A	14,023	34.60	0.3	21.5	5.1	29.1	1.8
2007E	18,412	45.43	31.3	16.4	4.2	30.0	2.0
2008E	22,523	55.57	22.3	13.4	3.4	30.0	2.2
2009E	25,411	62.69	12.8	11.8	2.8	27.7	2.3

Source: Powered by dataCentral

Jamshed Dadabhoy[1]
+91-22-6631-9883
jamshed.dadabhoy@citigroup.com

Hitesh Goel[1]
hitesh.goel@citigroup.com

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

[1]Citigroup Global Market India Private Limited

Fiscal year end 31-Mar	2005	2006	2007E	2008E	2009E
Valuation Ratios					
P/E adjusted (x)	21.5	21.5	16.4	13.4	11.8
EV/EBITDA adjusted (x)	17.3	17.0	13.2	11.0	9.7
P/BV (x)	6.5	5.1	4.2	3.4	2.8
Dividend yield (%)	1.7	1.8	2.0	2.2	2.3
Per Share Data (Rs)					
EPS adjusted	34.48	34.60	45.43	55.57	62.69
EPS reported	34.19	37.72	45.43	55.57	62.69
BVPS	113.64	144.62	175.61	216.20	263.19
DPS	12.50	13.00	15.00	16.00	17.00
Profit & Loss (RsM)					
Net sales	172,597	201,695	248,581	282,985	331,010
Operating expenses	-157,591	-185,686	-227,011	-256,594	-300,074
EBIT	**15,006**	**16,009**	**21,570**	**26,390**	**30,936**
Net interest expense	-1,542	-2,264	-2,800	-2,750	-3,800
Non-operating/exceptionals	3,055	6,788	5,977	6,390	6,746
Pre-tax profit	**16,519**	**20,534**	**24,748**	**30,030**	**33,882**
Tax	-4,150	-5,245	-6,335	-7,508	-8,470
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	**12,370**	**15,289**	**18,412**	**22,523**	**25,411**
Adjusted earnings	12,474	14,023	18,412	22,523	25,411
Adjusted EBITDA	15,006	16,009	21,570	26,390	30,936
Growth Rates (%)					
Sales	30.5	16.9	23.2	13.8	17.0
EBIT adjusted	3.7	6.7	34.7	22.3	17.2
EBITDA adjusted	3.7	6.7	34.7	22.3	17.2
EPS adjusted	45.9	0.3	31.3	22.3	12.8
Cash Flow (RsM)					
Operating cash flow	**2,715**	**-14,463**	**20,085**	**22,322**	**14,007**
Depreciation/amortization	0	0	0	0	0
Net working capital	-9,655	-29,752	1,673	-201	-11,404
Investing cash flow	**-7,627**	**10,470**	**9,282**	**-5,596**	**-12,582**
Capital expenditure	0	0	0	0	0
Acquisitions/disposals	1,447	8,969	1,756	0	0
Financing cash flow	**8,521**	**2,495**	**-13,077**	**-751**	**5,799**
Borrowings	12,357	4,414	-6,530	6,232	13,219
Dividends paid	-5,156	-5,678	-6,547	-6,984	-7,420
Change in cash	**3,609**	**-1,498**	**16,291**	**15,975**	**7,224**
Balance Sheet (RsM)					
Total assets	**137,729**	**162,118**	**180,475**	**210,965**	**253,263**
Cash & cash equivalent	20,050	11,194	2,800	2,925	2,916
Accounts receivable	8,113	7,158	9,354	10,626	12,414
Net fixed assets	36,965	45,212	63,368	85,449	105,901
Total liabilities	**96,615**	**106,747**	**113,239**	**128,190**	**152,497**
Accounts payable	22,697	28,385	33,876	38,243	44,607
Total Debt	24,954	29,368	22,839	29,071	42,290
Shareholders' funds	**41,114**	**55,371**	**67,236**	**82,775**	**100,767**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	8.7	7.9	8.7	9.3	9.3
ROE adjusted	32.4	29.1	30.0	30.0	27.7
ROIC adjusted	57.2	26.2	22.6	22.0	20.0
Net debt to equity	11.9	32.8	29.8	31.6	39.1
Total debt to capital	37.8	34.7	25.4	26.0	29.6

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

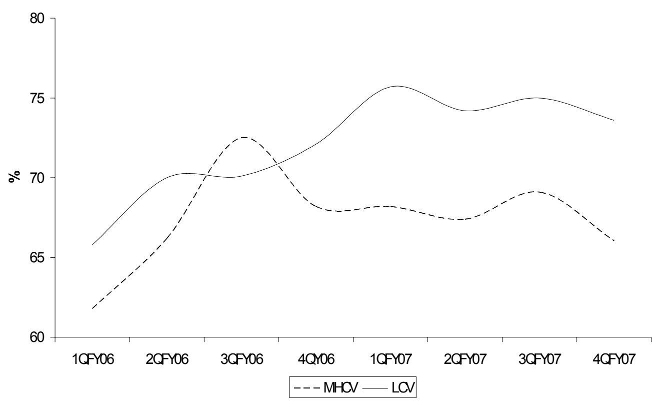
Powered by: dataCentral

Figure 1. Tata Motors- 4QFY07 Operational Data

	4QFY06	4QFY07	% chg YoY	CIR Comments
Volumes (Nos.)				
H / MCVs	45,751	54,683	19.5	Strong growth on account of (a) Ban on overloading (b) Robust industrial growth
LCVs	35,028	42,248	20.6	Primarily driven by the ACE
Total CVs	**80,779**	**96,931**	**20.0**	
UVs	13,756	16,764	21.9	Price cuts drive sales of Safari, Sumo
Cars	53,590	58,231	8.7	Affected by increase in interest rates and new model launches by competitors
Total Passenger	67,346	74,995	11.4	
Total	**148,125**	**171,926**	**16.1**	
Product mix (%)				
H / MCVs	30.9	31.8		
LCVs	23.6	24.6		
UV s	9.3	9.8		
Cars	36.2	33.9		
Market share (%)				
H / MCVs	68.2	66.1		Marketshare dips 215 bps Y/Y basis as growth dips in 7-16MT categories
LCVs	72.1	73.6		Exaggerated due to the ACE
UV s	20.3	20.5		Gains due to price cuts
Cars	16.7	15.2		Market share ceded to MUL on back of its new model launches

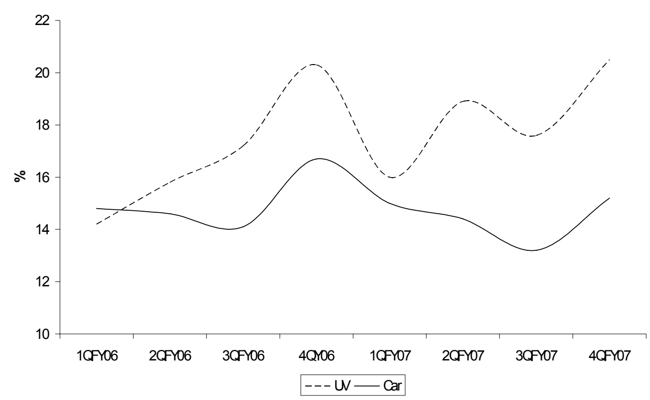
Source: Company

Figure 2. Market Share (%)- MHCV and LCV



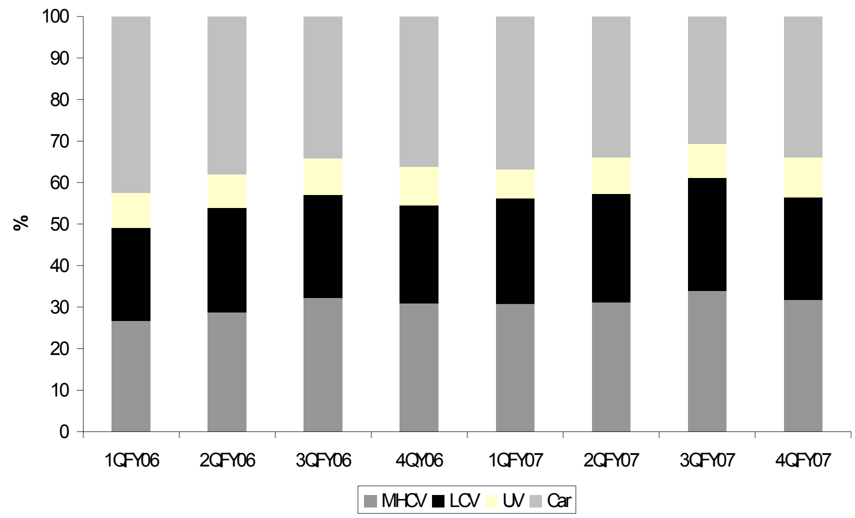
Source: SIAM

Figure 3. Market Share (%)- UV and Car



Source: SIAM

Figure 4. Tata Motors- Product Mix (%)



Source: SIAM

Figure 5. 4QFY07 Financial Results

(INR m)	4Q FY06	4Q FY07	% chg YoY	CIR Comments
Gross Sales	79,499	95,408	20.0	
Less: Excise duty	10,965	13,340	21.7	
Net sales	**68,534**	**82,068**	**19.7**	**Higher value product mix, due to higher sales of heavier tonnage trucks**
Decrease/(Increase) in Stocks	4,137	2,936	-29.0	
Raw Materials	43,924	55,618	26.6	Rise in steel costs
Staff costs	3,141	3,647	16.1	
Other Expenses	8,918	10,807	21.2	
Total Expenditure	**60,120**	**73,008**	**21.4**	
EBITDA	**8,414**	**9,060**	**7.7**	**EBITDA 13% below our estimates**
Forex	294	602	104.9	Gains on account of a) forex denominated debt
Product Development	529	285	-46.1	
Interest	692	598	-13.6	Lower than forecasts – interest on vehicle finance payables reflect in subsidiary
Other income	44	604	1267.4	
EBDT	7,531	9,384	24.6	
Depreciation & Amortization	1,363	1,583	16.1	
PBT	6,169	7,801	26.5	
Exceptional income	308			
Exceptional expenses		(3)		
Tax	1,895	2,031	7.2	
PAT	4,581	5,767	25.9	
PAT (pre exceptionals)	**4,364**	**5,765**	**32.1**	**6% above our estimates**
Profit Margins				
EBITDA (%) net sales	12.3	11.0		Decline 100 bps QoQ, 130 bps YoY due to material cost pressures
Other income / PAT (%)	1.0	10.5		
Tax / PBT (%)	29.3	26.0		
Net profit margins (%)	5.5	6.0		
Cost ratios				
Raw materials / sales	70.1	71.3		
Staff costs / sales	4.6	4.4		
Other expenses / sales	13.0	13.2		

Source: Company, Citigroup Investment Research estimates

Consolidated FY07 Performance

FY07 consolidated profits (adjusted for minority interests) grew by 26% y/y to Rs 21.7 bn from Rs 17.3 bn. All subsidiaries registered strong growth and total PAT for all subsidiaries rose 71% y/y. Tata Telcon (the construction equipment business which is a partly owned by Hitachi) continues to exceed expectations. Tata Technologies remains an area of concern, with the integration of Incat taking longer than expected.

Figure 6. Key Subsidiaries – FY07 Financial Performance

Name	Turnover (Rs mn) FY06	Turnover (Rs mn) FY07	% Change Y/Y	PBT (Rs mn) FY06	PBT (Rs mn) FY07	% Change Y/Y)	PAT (Rs mn) FY06	PAT (Rs mn) FY07	% Change Y/Y
Tata Daewoo CV Ltd (Korea)	15,849	23,336	47%	777	1,133	46%	583	830	42%
Telcon Construction Equipment Co. Ltd (Telcon)	13,050	18,277	40%	1,368	2,804	105%	868	1,839	112%
TML Financial Services Ltd (TML FSL)		1,602			201			128	
Tata Technologies Ltd (TTL)	5,450	9,605	76%	194	247	27%	116	163	41%
HV Transmissions Ltd (HVTL)	1,277	1,756	38%	455	736	62%	301	450	50%
HV Axles Ltd (HVAL)	1,439	1,967	37%	693	963	39%	463	579	25%
Total	**37,065**	**56,543**	**53%**	**3,487**	**6,084**	**74%**	**2,331**	**3,989**	**71%**

Source: Citigroup Investment Research

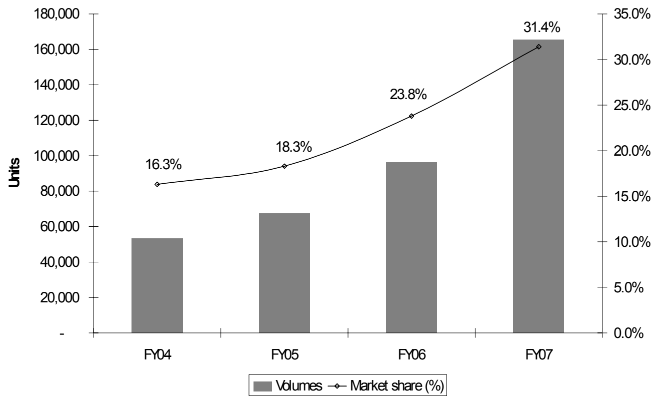
Financial Position

Working capital, although negative, has deteriorated vs. FY06's impressive performance. Net working capital at the end of FY07 was (9) days as compared to (23) days at the end of FY06. While key metrics (inventory days and receivables) continue to exhibit a favorable trend (both marginally lower to 29 and 9 days respectively), the overall deterioration implies that other heads have experienced significant deterioration – we await the balance sheet for more clarity. The overall balance sheet size increased to Rs 123.4 bn at end FY07 (from Rs 91 bn end FY06) largely due to the substantial increase in financing loans and receivables. Capital employed (net of vehicle financing) increased almost 75% to Rs80.5bn, implying capitalization of capex / increase in working capital of almost Rs34bn. Net Debt has also increased c50% to Rs33 bn at end FY07e, as cash surpluses have been used to fund the capex plans and vehicle financing business. Net debt / equity has also increased to 0.44x at end FY07 (vs 0.39x end FY06).

Financing Business

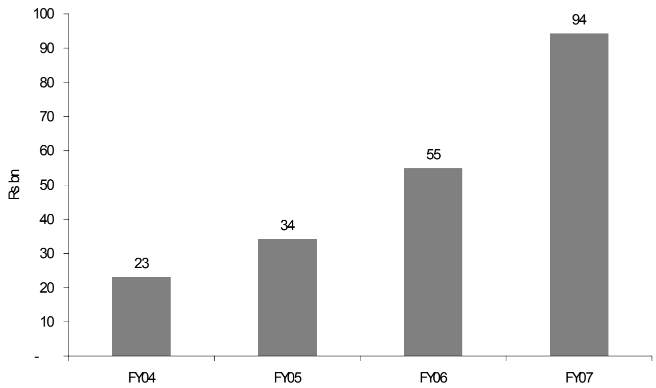
Market share for FY07 increased to 34.1% from 23.8% in FY06. Disbursals rose substantially by 72% to Rs 94.2 bn. We estimate that securitized loans (as a percentage of disbursals) have increased from 52% in FY06 to 57% in FY07 - an encouraging data point. But given the lack of data on income and expenses in the securitization process, the overall impact can only be ascertained after the annual accounts are released. We view the creation of a separate subsidiary as a vehicle to house the financing business as an intermediate process. We believe that over the longer term, Tata Motors might consider inducting a strategic partner into this business, to ensure that its (Tata Motors) consolidated balance sheet is not encumbered by this financing business.

Figure 7. Units Financed (Nos) and Market Share (%)



Source: Citigroup Investment Research

Figure 8. Vehicle Financing Disbursals (Rs bn)



Source: Citigroup Investment Research

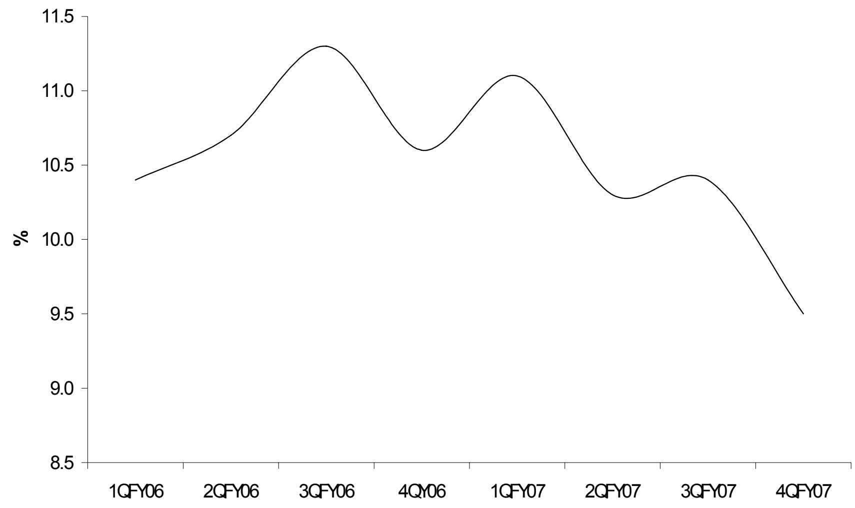
Capital Expenditure Plans

Tata Motors management has indicated that it will spend an aggregate Rs120bn over the next 4 years (FY07-11e) on new product development and capacity expansion. Rs 80bn will be utilized for new product development, with Rs40 bn utilized for capacity expansion plans.

Outlook and Guidance

Management did not comment on the volume growth over FY08e – stating that clarity will emerge over the next 2-3 months. Our volume forecasts (set in Aug 06) remain unchanged for both FY08/09E – implying 6% and 13% volume growth in FY08e and FY09e respectively. Management again declined from providing explicit margin guidance, but implied that they would remain range bound around 12%, and cautioned that material cost pressures will continue. Despite management's cost-cutting initiatives, margins continue to deteriorate, and this is our key medium term concern.

Figure 9. EBITDA Margins (%)



Source: Company, Citigroup Investment Research

Tata Motors

Company description

Tata Motors is the flagship company of the Tata Group, India's largest business conglomerate, and is among the country's largest manufacturers of automobiles with a dominant position in the commercial-vehicle business. It has a significant presence in the utility vehicle and passenger-car segments.

Investment thesis

We have a Buy / Low Risk rating on Tata Motors, with our positive view reflecting a) the impending spinning off of the auto finance business (which will release substantial funds locked into the business and positively impact TTMT's return / asset turnover ratios and b) stronger-than-expected growth in heavy trucks as the ban on overloading continues to be implemented (not as effectively as we would like, but far better than we had initially envisaged).

Key reasons for a strong growth outlook in commercial vehicles include a sustained pick-up in economic activity, a focus on infrastructure spending (expected to continue with funding in place) and a strong replacement cycle (27% of the existing fleet in India is more than 15 years old and needs to be replaced both for commercial and environmental reasons).

Tata Motors should also benefit from the launch of new products and international initiatives, given a competitive cost structure.

Valuation

Our 12-month target price of Rs1,029 is based on a sum-of-parts valuation methodology, which we believes captures the value embedded in subsidiaries

and group holdings. Management has indicated its intent to unlock value, (to the benefit of Tamo's existing shareholders), for either / both HV Transmissions Ltd. and HV Axles Ltd., through an IPO or strategic sale to outside parties.
We value Tata Motors' core business at Rs 827 / share, which is based on 9.2x FY08E EBITDA, at the lower end of the recent trading band, and which should be comfortably supported by a 25% CAGR in EBITDA over FY06-08E. Over the past fiscal, the EV / EBITDA multiple has ranged between 6.2-11.4x. We value the subsidiaries at Rs201 / share.

Risks

We rate Tata Motors Low Risk based on our quantitative risk rating system, which tracks 260-day historical share price volatility. Key downside risks to our target price are movements in economic variables — particularly GDP growth, interest rates and fuel prices, to which sales of commercial and passenger vehicles are very sensitive. Competition in the passenger car business remains intense with the presence of most global majors in the Indian market. While the commercial vehicle business has been relatively less exposed to competition, the situation could change over the next three years with international companies eyeing the Indian market. Key upside risks to our target price include: a) Strategic sale/IPO of key subsidiaries; b) An indication that the Supreme Court ruling on overloading is being implemented over the longer term; and c) Reduction in input costs (notably steel).

Appendix A-1

Analyst Certification

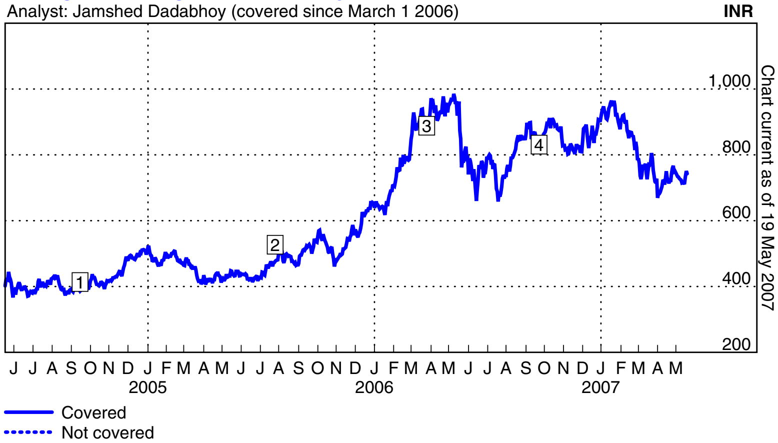
I, Jamshed Dadabhoy, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

Tata Motors (TAMO.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Jamshed Dadabhoy (covered since March 1 2006)



#	Date	Rating	Target Price	Closing Price
1:	15 Sep 04	*1M	675.00	385.95
2:	26 Jul 05	*1L	*656.00	476.50
3:	27 Mar 06	*2L	*974.00	901.35
4:	22 Sep 06	*1L	*1,029.00	835.45

*Indicates change.

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.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Tata Motors. 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 Tata Motors.

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 Motors.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Tata Motors 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): Tata Motors.

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: Tata Motors.

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: Tata Motors.

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 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 31 March 2007	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3215)	45%	40%	15%
% of companies in each rating category that are investment banking clients	45%	42%	32%
India -- Asia Pacific (130)	58%	14%	28%
% of companies in each rating category that are investment banking clients	42%	50%	42%

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://www.sd.ny.ssmb.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 18 May 2007 04:00 PM on the issuer's primary market.

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 Citigroup Wealth Advisors 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 Ltd., it is being so distributed under license. Nikko Citigroup Limited 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. 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 Wartosciowych 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. Advice in the Product 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.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST