11 October 2007 | 9 pages

Bharati Shipyard (BHAR.BO)

Target price change ☑
Estimate change ☑

Buy: Increasing Target Price

- **New order win announced** — Bharati Shipyard today announced a US$89m order for the construction of 4 AHTS vessels from Shipping Corporation of India for delivery in 2011. With this, the company has now announced order wins of ~Rs16bn over the last six months, primarily for offshore supply vessels, reiterating Bharati's strong global presence in this space, which now accounts for over 60% of the company's current order book.
- **Order book at 5.3x FY08E sales** — With the new order win, Bharati's total order book now stands at Rs44bn, with the unexecuted portion providing a cover of 5.3x FY08E sales. More significantly, our cumulative shipbuilding revenue forecast of Rs34bn over FY08-10E is now completely covered by the company's unexecuted order book, providing comfort to our earnings estimates.
- **Mangalore expansion on track** — The company's Mangalore expansion remains largely on track with the project likely to be commissioned this quarter. Following the acquisition of Swan Hunter's equipment in April, the company is further exploring options to increase the Mangalore facility capacity to build larger vessels (upto 100,000 DWT). Further, as per management, the rig order from Great Offshore is proceeding as per schedule for delivery in Nov-08E.
- **TP increased to Rs790** — We are increasing our target price to Rs790 (Rs670 earlier) as we increase our target multiple to 15x FY09E (12x earlier), in-line with ABG Shipyard's target multiple, to reflect higher visibility of growth (EPS CAGR of 50% over FY08-10E). Reiterate Buy/Medium risk.

Buy/Medium Risk	**1M**
Price (11 Oct 07)	Rs570.65
Target price	Rs790.00
from Rs670.00	
Expected share price return	38.4%
Expected dividend yield	0.4%
Expected total return	**38.9%**
Market Cap	Rs12,840M
	US$328M

Price Performance (RIC: BHAR.BO, BB: BHSL IN)

Statistical Abstract

Year to 31 Mar	Net Profit (RsM)	Diluted EPS (Rs)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2006A	510	15.92	30.9	35.9	7.1	32.0	0.4
2007A	732	22.86	43.6	25.0	5.2	34.4	0.5
2008E	1,216	37.94	66.0	15.0	3.6	40.3	0.5
2009E	1,685	52.59	38.6	10.9	2.5	38.4	0.5
2010E	2,717	84.81	61.3	6.7	1.6	41.8	0.6

Source: Powered by dataCentral

Saurabh Handa[1]
+91-22-6631-9858
saurabh.handa@citi.com

Rahul Singh[1]
+91-22-6631-9863
rahul.r.singh@citi.com

Garima Mishra[1]
garima.mishra@citi.com

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

[1]Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2006	2007	2008E	2009E	2010E
Valuation Ratios					
P/E adjusted (x)	35.9	25.0	15.0	10.9	6.7
EV/EBITDA adjusted (x)	15.5	11.3	8.5	7.2	5.2
P/BV (x)	7.1	5.2	3.6	2.5	1.6
Dividend yield (%)	0.4	0.5	0.5	0.5	0.6
Per Share Data (Rs)					
EPS adjusted	15.92	22.86	37.94	52.59	84.81
EPS reported	15.92	22.86	37.94	52.59	84.81
BVPS	80.50	108.79	159.31	230.69	347.36
DPS	2.50	3.00	3.00	3.00	3.50
Profit & Loss (RsM)					
Net sales	2,940	4,228	7,724	11,447	18,516
Operating expenses	-2,079	-3,007	-5,694	-8,553	-14,079
EBIT	**861**	**1,220**	**2,030**	**2,893**	**4,437**
Net interest expense	-98	-144	-218	-516	-844
Non-operating/exceptionals	18	32	30	30	30
Pre-tax profit	**781**	**1,109**	**1,842**	**2,407**	**3,623**
Tax	-271	-376	-626	-722	-906
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	**510**	**732**	**1,216**	**1,685**	**2,717**
Adjusted earnings	510	732	1,216	1,685	2,717
Adjusted EBITDA	876	1,271	2,096	3,009	4,613
Growth Rates (%)					
Sales	52.7	43.8	82.7	48.2	61.8
EBIT adjusted	89.9	41.7	66.3	42.6	53.3
EBITDA adjusted	91.3	45.2	64.9	43.5	53.3
EPS adjusted	30.9	43.6	66.0	38.6	61.3
Cash Flow (RsM)					
Operating cash flow	**241**	**589**	**-3,442**	**133**	**72**
Depreciation/amortization	15	51	67	115	176
Net working capital	-283	-194	-4,725	-1,667	-2,821
Investing cash flow	**-921**	**-1,419**	**-2,100**	**-2,000**	**-2,500**
Capital expenditure	-921	-1,419	-2,100	-2,000	-2,500
Acquisitions/disposals	0	0	0	0	0
Financing cash flow	**5,332**	**145**	**1,748**	**2,500**	**1,985**
Borrowings	5,246	80	1,822	2,574	2,072
Dividends paid	-64	-79	-79	-79	-92
Change in cash	**4,652**	**-685**	**-3,794**	**634**	**-443**
Balance Sheet (RsM)					
Total assets	**9,041**	**12,039**	**12,868**	**17,594**	**23,362**
Cash & cash equivalent	4,722	4,016	222	856	413
Accounts receivable	688	1,375	2,386	3,084	4,284
Net fixed assets	1,095	2,457	4,491	6,376	8,699
Total liabilities	**7,219**	**9,581**	**9,272**	**12,392**	**15,535**
Accounts payable	281	459	897	1,347	2,222
Total Debt	5,475	5,555	7,377	9,951	12,023
Shareholders' funds	**1,822**	**2,459**	**3,595**	**5,201**	**7,827**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	29.8	30.1	27.1	26.3	24.9
ROE adjusted	32.0	34.4	40.3	38.4	41.8
ROIC adjusted	24.9	21.6	17.0	16.0	19.6
Net debt to equity	41.4	62.6	199.0	174.9	148.3
Total debt to capital	75.0	69.3	67.2	65.7	60.6

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

Increasing TP to Rs790

We are increasing our target price to Rs790 (Rs670 earlier) driven by a combination of: (1) increase in our FY09E target P/E multiple from 12x to 15x and (2) a modest 1-6% reduction in our FY08-10E earnings, primarily on the back of FY07 annual report details and higher tax rate estimates than earlier assumed by us.

We recently increased our target P/E multiple for ABG Shipyard (ABGS.BO - Rs656.50; 1M) from 12x to 15x (refer to our report titled '*ABG Shipyard – Buy: Increasing Target as New Orders Further Improve Visibility,*' dated 28 September 2007[1]) on the back of the increased visibility of earnings following new orders announced by the company. With Bharati also consistently announcing new order wins over the last few months, order visibility for the company has improved substantially, with the unexecuted order book providing a cover of 5.3x FY08E sales. Though ABG's order book cover is higher at 6.7x FY08E sales, this is primarily because of a lower base, as the company's new Dahej yard would start contributing only in FY09E (see Figure 1 below). With similar earnings CAGR and order book visibility, we believe Bharati deserves to trade at par with ABG, and are increasing our TP to Rs790 on the back of this.

Figure 1. Order Book Comparisons – ABG vs. Bharati

Rs bn	ABG	Bharati
Order book	71	44
- of which unexecuted	61	36
Order book/FY08E sales	6.7x	5.3x
Order book/FY09E sales	3.8x	3.6x
Order book/(FY08E+FY09E+FY10E sales)	125%	107%
EPS CAGR (FY08-10E)	51.7%	49.5%

Source: Company Data, Citi Investment Research estimates

We are modestly reducing our earnings estimates over FY08-10E by 1-6% as we incorporate details from the FY07 annual report and also to factor in higher tax rates than earlier assumed by us. Despite the Mangalore project being under an SEZ, the order that the company has received for the construction of a rig from Great Offshore would not be eligible for tax benefits as it is a domestic order, and we now assume an effective tax rate of 30% and 25% in FY09E and FY10E, respectively (vs. 25% and 22% earlier). Our shipbuilding revenue and margin forecasts remain relatively unchanged over our forecast horizon.

Figure 2. Bharati Shipyard – Earnings Revisions

Year to	Net Profit (Rs Mils.)		Diluted EPS (Rs)			Div. Per Share (Rs)	
31-Mar	Old	New	Old	New	% Chg	Old	New
2008E	1,211	1,216	38.52	37.94	-1.5%	3.0	3.0
2009E	1,716	1,685	55.87	52.59	-5.9%	3.0	3.0
2010E	2,734	2,717	88.69	84.81	-4.4%	3.5	3.5

Source: Citi Investment Research estimates

[1] For the detailed report, click on: https://www.citigroupgeo.com/pdf/SAP09644.pdf

Bharati Shipyard

Company description

Set up in 1973, Bharati Shipyard is one of the largest private shipyards in India. From its shipyards, spread across three regions – Ratnagiri, Ghodbunder, and Goa - the company has built ships including OSVs, cargo ships, and a wide range of tugs/deepwater trawlers. It is setting up a new shipyard in Mangalore and has expanded its capacity in Ratnagiri. It has bagged an order to build a jack-up rig, a first for any Indian shipyard. Its order book currently stands at Rs44bn. The company had an initial public offering in May 2004 and subsequently raised $100m through an FCCB in Dec 2005.

Investment strategy

Bharati Shipyard has strong earnings momentum and an order book cover of 5.3x FY08E sales. We rate the stock Buy/Medium risk (1M) with a target price of Rs790. Fundamentals for Indian shipbuilders remain strong, driven by: (1) the robust E&P cycle ensuring demand in the OSV segment and (2) the continued tightness in the global shipbuilding sector. Our positive stance is backed by solid 50% earnings CAGR for FY08-FY10E. The company's current order book of Rs44bn is geared toward the oil & gas segment, which has strong demand drivers. The company has also bagged an order for a jack-up rig, the first of its kind for an Indian company. Its aggressive expansion plans are backed by its strong order book. The company has expanded its capacity at Ratnagiri, while its greenfield yard at Mangalore should start generating revenues in 2HFY08E. The Mangalore yard will be able to produce ships of up to 60,000 DWT and will also house the rig building unit.

Valuation

We rate Bharati Shipyard Buy/Medium Risk (1M) with a target price of Rs790, based on 15x FY09E earnings. The valuation accounts for complete conversion of the FCCB, leading to a 42% dilution in earnings. This is based on our methodology of rating Indian shipbuilders, at a slight premium to other similar profiled Singapore shipyards that have significantly lower earnings growth, but in-line with our target multiples for the Korean shipyards. Given Bharati's superior earnings CAGR of 50% over FY08-10E and an unexecuted order book that is 5.3x FY08E sales, we believe that Bharati deserves to trade at a slight premium to its Singapore peers, subsidy concerns notwithstanding.

Risks

We rate Bharati Shipyard Medium Risk based on our global quantitative analysis. Being a small shipyard in the global context, Bharati is subject to industry-wide risk factors that include a rise in raw material costs and a steep rise in global shipbuilding capacity. Further, global macroeconomic variables such as a decline in GDP growth rates or a decline in sea trade could adversely affect Bharati Shipyards. Key risks include 1) removal of subsidies; 2) declining oil prices; and 3) execution risk.

ABG Shipyard

Valuation

We rate ABG Shipyard Buy/Medium Risk (1M). We value ABG at Rs775, which is 15x FY09E earnings, at a slight premium to other similar profiled Singapore shipyards that have significantly lower earnings growth, but in line with our target multiples for the Korean shipyards. Given ABG's superior earnings CAGR of 46% over FY07-10E and an order book that provides a cover of 6.7x FY08E sales, we believe the stock deserves to trade at a slight premium to its Singapore peers, subsidy concerns notwithstanding. Our target price also includes Rs47/share as the value accretion to ABG following the recent acquisition of Western India Shipyard.

Risks

We rate ABG Shipyard Medium Risk, which differs from our 260-day quantitative rating of High Risk. We believe the lower rating is justified given the strong order book cover of 6.7x FY08E sales driven by the continued tightness in global shipbuilding and strong demand from the offshore segment. Being a small shipyard in the global context, ABG is subject to industry-wide risk factors that include a rise in raw material costs and a steep rise in global ship building capacity. Key risks include: 1) removal of subsidies; 2) declining oil prices; and 3) execution risk.

Appendix A-1

Analyst Certification

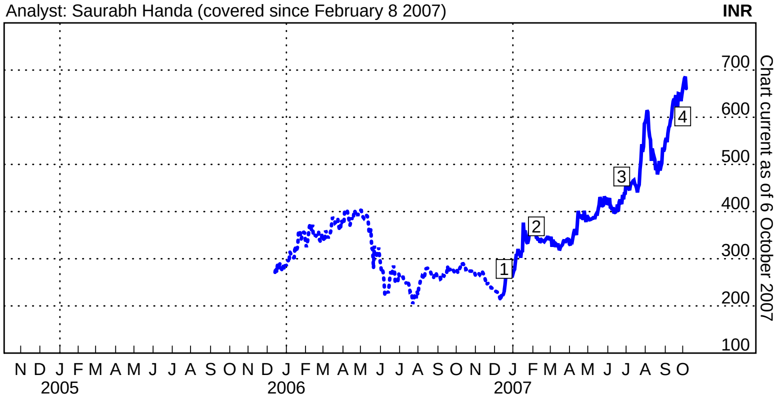
Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of this research report hereby certifies that, with respect to each issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) strategist(s) or research associate(s) also certify 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, strategist or research associate in this research report.

IMPORTANT DISCLOSURES

ABG Shipyard (ABGS.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Saurabh Handa (covered since February 8 2007)



#	Date	Rating	Target Price	Closing Price
1:	18 Dec 06	1M	291.00	230.10
2:	7 Feb 07	1M	*430.00	345.15
3:	25 Jun 07	1M	*560.00	416.00
4:	30 Sep 07	1M	*775.00	659.80

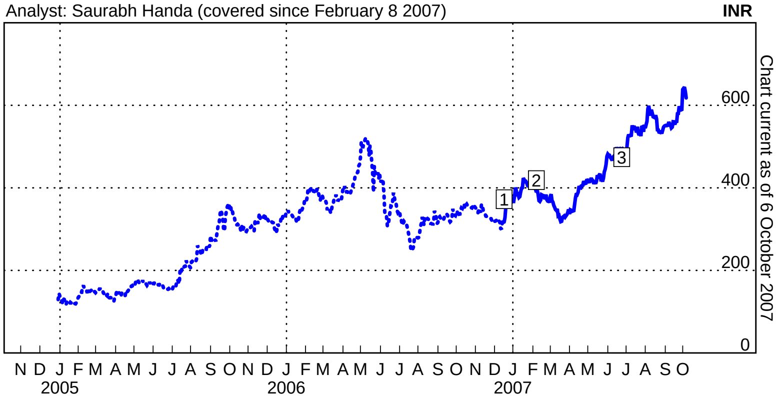
*Indicates change.

Covered
Not covered

Bharati Shipyard (BHAR.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Saurabh Handa (covered since February 8 2007)



#	Date	Rating	Target Price	Closing Price
1:	18 Dec 06	1M	421.00	317.10
2:	7 Feb 07	1M	*525.00	389.50
3:	25 Jun 07	1M	*670.00	497.20

*Indicates change.

Covered
Not covered

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of ABG Shipyard and Bharati Shipyard. This position reflects information available as of the prior business day.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Bharati Shipyard in the past 12 months.

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: Bharati Shipyard.

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 September 2007	**Buy**	**Hold**	**Sell**
Citi Investment Research Global Fundamental Coverage (3358)	50%	38%	12%
% of companies in each rating category that are investment banking clients	53%	55%	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 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 (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.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 11 October 2007 03:57 PM on the issuer's primary market.

Citigroup Global Markets Inc. or its affiliates beneficially owns 5% or more of any class of common equity securities of Bharati Shipyard.

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. 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. 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 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. 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 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 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 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.

This Product is not intended for distribution in Poland. Any receipt or review of the Product in Poland is not authorized by the Firm.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST