Industry Flash

3 November 2008 | 11 pages

Indian Property Sector

2Q FY09 Review: Disappointing Quarter

Ashish Jagnani[1]
+91-22-6631-9861
ashish.jagnani@citi.com

Karishma Solanki[1]
karishma.solanki@citi.com

- **Significantly below estimates** — Revenues and EBITDA margins declined for most companies on a YoY and a QoQ basis. This, along with spiraling interest costs, adversely impacted 2Q earnings. Although a seasonally weak quarter, we do not see a major recovery in the near-term.

- **Operationally, visible signs of slowdown** — A deteriorating macro has resulted in lacklustre sales for most developers this festive season, a key dampener for the outlook over the next 6-12 months: 1) Pace of pre-sales/construction activity has slowed; 2) most developers have held back new launches and are focusing on delivery of pre-sold/leased assets; 3) price/rental pressures are building up and we see significant delays given capital constraints.

- **Liquidity crunch intensifies; rising debt/rates reflect this** — With a significant slowdown in pre-sales, we see higher risks of debt re-financing and debt/interest defaults for the sector as the liquidity crunch intensifies. Rising net debt/equity levels to ~1.x-plus in 2Q FY09 for most players and incremental interest cost of ~15-18% (vs.11-13% in Mar 08) are of concern.

- **We see high risk to NAVs and earnings** — We today cut our NAVs and earnings estimates (see individual company notes) factoring in: 1) 15-20% price declines as developers start offering discounts/incentives to boost sales; 2) higher debt levels, interest costs and discount rates of 17-18% (vs.16% earlier) given the liquidity crunch; 3) significant demand/execution delays; and 4) elimination of satellite city projects (e.g. Dhankuni, Bidadi, Vizag) from our NAVs where visibility in very low.

- **Stocks that have corrected appear attractive, but risk/reward still unfavorable** — Indian property stocks have corrected sharply by 50%-plus over the past month and valuations appearing attractive on a 40%-plus discount to NAVs. However, with the sector in the midst of a liquidity crisis, we see tough times ahead and cut our targets on higher discounts of 25-50% (vs. 10-45% earlier) as NAVs remain at risk (see individual company notes).

- **Focus on... and avoid...** — Focus on players with low leverage, a good asset geo-graphic mix and strong execution record. Avoid developers with high gearing and resident-heavy models, particularly in North India. We prefer DLF as a relatively insulated play in these tough times; retain Hold on Unitech and Sells on Omaxe, Parsvnath, Ansal Prop and Puravankara given higher risks.

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

[1]Citigroup Global Markets India Private Limited

Figure 1. India Real Estate — Valuation Snapshot

	RIC	Price (Rs) 31-Oct	Mkt Cap (US$ M)	Rating	Target Price	Est NAV	Current NAV Disc
DLF	DLF.BO	220	7,605	1M	340	453	-51%
Unitech	UNTE.BO	48	1,581	2H	57	103	-53%
Puravankara	PPRO.BO	48	206	3H	52	104	-54%
Parsvnath	PARV.BO	41	152	3H	42	83	-51%
Omaxe	OMAX.BO	58	204	3H	52	104	-44%
Ansal Properties	ANSP.BO	44	100	3H	40	80	-46%

Source: Citi Investment Research estimates

DLF

Valuation

Our target price of Rs340 is based on a 25% discount to our Mar09E NAV of Rs453. Our NAV includes Rs380 for the development portfolio and Rs74 for other asset holdings and new JV businesses (Rs53/share for the existing 9m sq ft of leased assets and 7.2m sq ft of plots and Rs20/share for DLF's share in construction and hotel JVs). The lower discount vs. peers (45%-50%) is attributed to: 1) leverage to both office/IT Parks and retail assets provides access to capital in a liquidity-strained market; 2) a relatively de-leveraged balance sheet; 3) a strong execution track record; and 4) the company is a benchmark for disclosure standards. We believe an NAV-based valuation methodology is most appropriate for developers, as it factors in the varied development projects and the spread-out time frame. Our March 2009E NAV is based on: 1) 15% decline in current market prices; 2) development volume of 452msf (vs. 677msf earlier) as we eliminate satellite city projects of Dhankuni and Bidadi from our portfolio given low visibility in current environment; 3) a cap rate of 10% for commercial/IT Park, IT SEZs in Super Metros and Metros, and 11% for other locations; 4) development portfolio is executed over a 10-12-year period; 5) average cost of capital of 17% given tight liquidity; and 6) a tax rate of 25%.

Risks

We rate DLF Medium Risk. The main risks to our investment thesis and target price include: 1) The company's asset sale strategy remains contingent on capital flows; 2) Response to DLF's new mid-income project launches in FY09 is crucial for growth ahead and cash flows; 3) Slowdown in the IT/ITES industry could lead to a decline in demand for commercial real estate; and 4) Slowdown in capital inflows or measures to regulate FDI in the real estate sector.

Unitech

Valuation

Our target price of Rs57 is based on 45% discount to Mar09E NAV of Rs103. The discount is largely attributed to: 1) increased risks from leveraged balance sheet; 2) potential execution delays; and 3) weakening property outlook amid investor fears of rising interest rates. This is higher than the 25% discount we ascribe to DLF due to DLF's higher gearing towards commercial assets, benchmark in disclosure standards, strong balance sheet and sizeable asset-portfolio accruing leasing income.

Our NAV estimate of Rs103 is based on the following assumptions: a) 15% price decline to current market prices; b) development volume of 388msf as we eliminate satellite city projects of Dhankuni, Vizag, Varanasi and Agra from our portfolio given low visibility in the current environment; c) average cost of capital of 18%, given its tight liquidity conditions; d) cap-rates of 10%-11%; e) we ascribe Rs16.5 per share in our NAV (Rs103) towards Unitech's balance 40% stake in the telecom venture at a 25% discount to $1.78b telecom venture valuations; and f) tax rate of 27%. The stock is has declined significantly over the last three months and we see moderate upside potential from here.

Risks

We rate Unitech High Risk due to: 1) high debt levels relative to peers; and 2) delay in launch of the company's projects in South India. Downside risks include: 1) Significant delay in listing of Office Trust/asset monetization of retail and hotel assets could adversely impacting cash flows, given high gearing; 2) Any litigation on allocation of spectrum for its telecom license across all circles would adversely impact stock sentiment and stock performance; 3) Continued slowdown in residential demand and sustained high mortgage rates would negatively impact our NAV assumption and our earnings estimates going forward; 4) Potential supply and execution risks would negatively impact our NAV assumptions. Upside risks include: 1) Any decrease in interest rates that could help increase demand for Unitech's residential projects; 2) Any early developments relating to divestment of stake in the telecom venture that could boost stock sentiment. If any of these risk factors plays out, Unitech's share price is likely to deviate significantly from our target price.

Puravankara Projects

Valuation

Our target price of Rs52 is based on a 50% discount to our NAV of Rs104. We ascribe the discount to: 1) Puravankara's concentration risk in Bangalore; 2) the company's residential-heavy business model, exposing its business to demand/pricing risks; 3) possible execution delays; and 4) lower investor preference for tier-two players with low stock liquidity. We believe an NAV-based valuation methodology is most appropriate for property developers, as it factors in the varied development projects and spread out time frame. Our NAV estimate of Rs104 is based on the following assumptions: 1) current market prices; 2) 15-24-month delay in project execution; 3) development volume of ~110m sq ft (as ~6m sq ft is already/to be recognized as revenue till FY09); 5) an average cost of capital of 18% given tight credit/volatile capital markets; and 6) a tax rate of 28%.

Risks

We rate Puravankara High Risk, reflecting: 1) its extremely high volatility; 2) reduced risk appetite for real estate stocks globally, particular smaller regional players, as most developers are facing fund constraints; and 3) the company's large exposure to South India, the country's IT hub. Residential demand could take a hit if the IT/ITES sector slows down markedly. Main upside risks to our target price are: 1) any decrease in home loan rates would stimulate demand for residential property; and 2) faster than expected execution of projects.

Parsvnath Developers

Valuation

Our target price of Rs42 is based on a 50% discount to our NAV estimate of Rs83. We accord a discount because: 1) The company is concentrating on tier-two and -three cities; 2) execution risk is high given the company's presence across 49 cities; and 3) demand and pricing risks exist given that Parsvnath's residential-heavy business model could result in liquidity constraints. We believe an NAV-based valuation methodology is most appropriate for valuing Parsvnath, as it factors in the company's varied development projects and spread-out time frames. Our NAV estimate assumes: a) 20% decline to current market prices; b) development volume of 167m sq ft after elimination of c44m recognized as revenue until FY09E and some area representing collaborators' share; c) average cost of capital of 18% given tight liquidity; and d) a tax rate of 27%.

Risks

The key reasons for rating Parsvnath High Risk include: 1) the company's concentration in the NCR, where the risk of excess supply over the next 2-3 years is high; 2) aggressive development plans, which raises the risk of execution delays; and 3) evolving regulatory and political risks for the sector's growth. Our High Risk rating is in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. The main upside risks to our investment thesis and target price include: 1) Any positive developments on execution of the 9 SEZ projects would enhance the company's NAV and valuations; 2) The company is exploring opportunities to monetize some of its assets through stake sale to private equity funds. If this materializes, it would provide sizeable cash flows and boost stock sentiment; 3) Any downward revision in interest rates for housing projects would benefit the company, given its high leverage to the residential segment.

Omaxe

Valuation

Our target price of Rs52 is based on a 50% discount to our NAV estimate of Rs104/share. The discount reflects the reduced risk appetite for real estate stocks, high volatility in the capital markets, the difficult economic environment and Omaxe's concentration in Tier I and Tier II cities in NCR and North India where the risk of excess supply is high. Further price pressures, higher interest rates and the risk of project execution delays amid sluggish demand conditions, add to this. We believe NAV is the most appropriate valuation method for Omaxe as it factors in: a) landbank; b) the size of the overall development opportunity, and differences based on market segments, location, scale and spread-out time frames; and c) execution. Our NAV estimate assumes: 1) 20% decline in property prices; 2) development volume of 101m sq ft (as ~50m is already/to be recognized as revenue until FY09); 3) an average cost of capital of 18% and 4) a tax rate of 34%.

Risks

We rate Omaxe shares High Risk. Key reasons for our High Risk rating are: 1) concentration in the NCR; 2) aggressive development plans that raise the risk of execution delays; and 3) evolving regulatory and political risks for sector growth. Upside risks to our target price are:1) Any downward revision in interest rates for housing loans, which would increase demand in the residential segment; 2) Rapid acquisition of land for the multi-product SEZ at Alwar will enhance NAV and valuations; and 3) Timely execution of ongoing projects, and successful new launches.

Ansal Properties & Infrastructure

Valuation

Our target of Rs40 is based on a 50% discount to Mar09 NAV estimate of Rs80. We attribute the discount to: 1) concentration in the NCR and Tier III cities in north India where risk of property prices softening in the near-term is high, 2) large exposure to plotted development (33% of development), a low value-add business, and 3) risk of delays for some large township projects, particularly the Dadri project where land is still being acquired. We believe a NAV-based valuation methodology is the most appropriate valuation method for property stocks. Our NAV estimate includes: 1) 20% decline in property prices; 2) development volume of ~176m sq ft (~39m is/to be recognized as revenue until FY09E); 3) average cost of capital of 18% and 5) a tax rate of 34%.

Risks

We rate Ansal Properties High Risk. Reasons for High Risk rating are: 1) its high dependence on plotted development at 33% of landbank; 2) concentration of landbank in Tier II and Tier III cities in northern India, where risk of excess supply over the next 2-3 years is high and 3) evolving regulatory and political risks for sector growth. The main upside risks to our investment thesis and target price are: 1) Timely aggregation of land for its Dadri project (20% of landbank) will increase visibility and enhance our NAV estimates; 2) Geographic diversification of landbank into other parts of India would help alleviate concerns of concentration of landbank in northern India; 3) Any downward revision in interest rates would positively benefit the company, given its high exposure to the residential segment. If any of these risk factors has a greater impact than we expect, the share price would likely move above our target price.

Appendix A-1

Analyst Certification

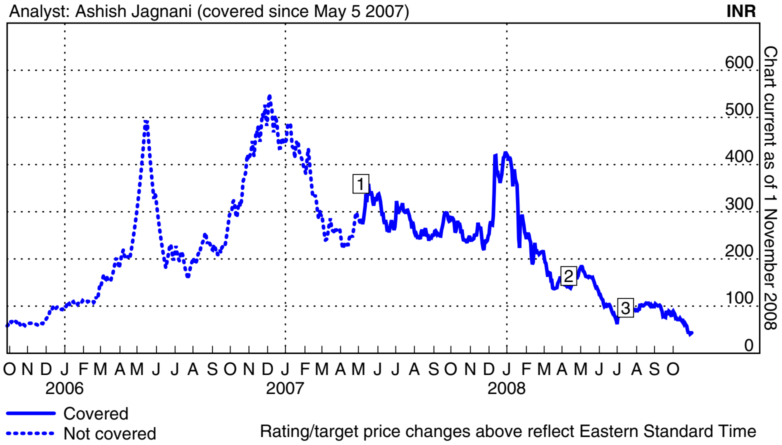
Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst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

IMPORTANT DISCLOSURES

Ansal Properties & Infrastructure (ANSP.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since May 5 2007)



Rating/target price changes above reflect Eastern Standard Time

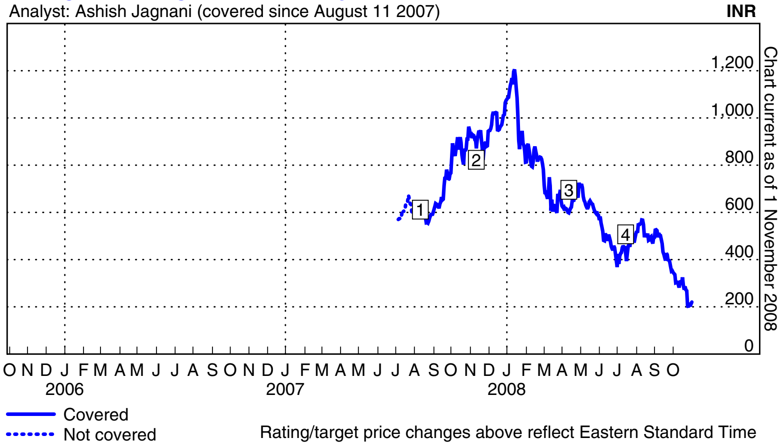
#	Date	Rating	Target Price	Closing Price
1:	4 May 07	3H	255.00	281.05
2:	11 Apr 08	3H	*159.00	140.85
3:	15 Jul 08	3H	*94.00	85.90

*Indicates change.

DLF (DLF.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since August 11 2007)



Rating/target price changes above reflect Eastern Standard Time

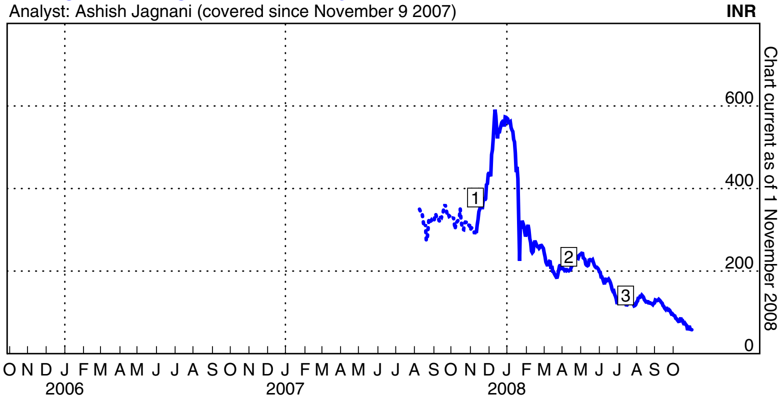
#	Date	Rating	Target Price	Closing Price
1:	10 Aug 07	1M	725.00	584.45
2:	12 Nov 07	1M	*1,046.00	871.20
3:	11 Apr 08	1M	*846.00	598.00
4:	15 Jul 08	1M	*585.00	426.95

*Indicates change.

Omaxe (OMAX.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since November 9 2007)



#	Date	Rating	Target Price	Closing Price
1:	9 Nov 07	1H	386.00	294.70
2:	11 Apr 08	*3H	*221.00	200.50
3:	15 Jul 08	3H	*135.00	121.95

*Indicates change.

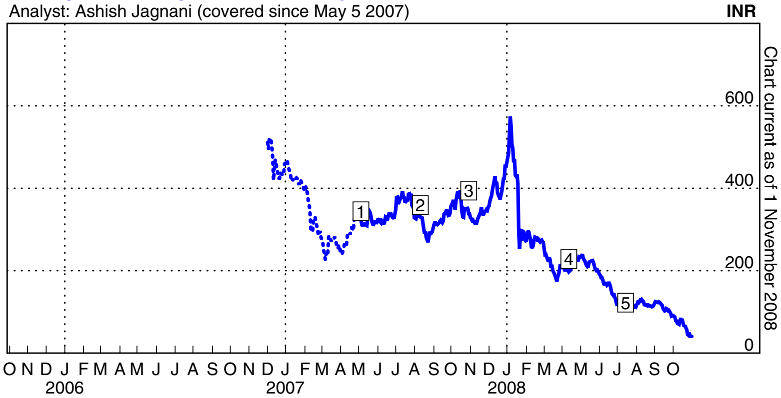
Covered
Not covered

Rating/target price changes above reflect Eastern Standard Time

Parsvnath Developers (PARV.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since May 5 2007)



#	Date	Rating	Target Price	Closing Price
1:	4 May 07	3H	295.00	323.35
2:	10 Aug 07	3H	*345.00	330.15
3:	30 Oct 07	3H	*376.00	338.15
4:	11 Apr 08	3H	*224.00	197.10
5:	15 Jul 08	3H	*126.00	108.20

*Indicates change.

Covered
Not covered

Rating/target price changes above reflect Eastern Standard Time

Puravankara Projects (PPRO.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since October 5 2007)

#	Date	Rating	Target Price	Closing Price
1:	4 Oct 07	1M	536.00	444.50
2:	11 Apr 08	*1H	*358.00	241.40
3:	15 Jul 08	*2H	*212.00	165.50
4:	30 Jul 08	*3H	212.00	201.55

*Indicates change.

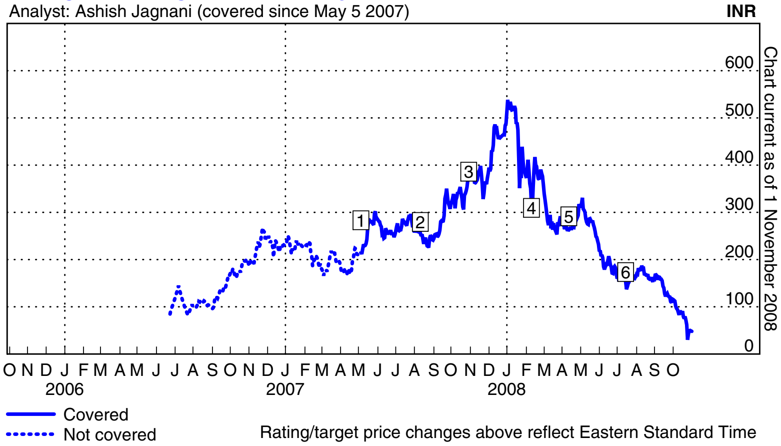
Covered
Not covered

Rating/target price changes above reflect Eastern Standard Time

Unitech (UNTE.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since May 5 2007)



#	Date	Rating	Target Price	Closing Price
1:	4 May 07	3M	215.00	216.08
2:	10 Aug 07	3M	*247.50	256.15
3:	30 Oct 07	3M	*314.00	374.40
4:	10 Feb 08	*1M	*454.00	314.50
5:	11 Apr 08	1M	*375.00	262.80
6:	15 Jul 08	*2H	*193.00	153.55

*Indicates change.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Omaxe. 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 DLF, Omaxe and Puravankara Projects.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from DLF, Omaxe, Puravankara Projects and Unitech 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): DLF, Omaxe and Puravankara Projects.

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: Unitech.

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: DLF, Omaxe, Puravankara Projects and Unitech.

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 2008	**Buy**	**Hold**	**Sell**
Citi Investment Research Global Fundamental Coverage (3133)	47%	37%	16%
% of companies in each rating category that are investment banking clients	48%	48%	40%

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 (relative to the performance of relevant Citi bond indices), and risk rating. These investment ratings are: Buy/Overweight -- the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market); Hold/Neutral Weight -- the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight -- the bond is expected to underperform the relevant Citigroup bond market sector index. Performance data for Citi bond indices are updated monthly, are available upon request and can also be viewed at http://sd.ny.ssmb.com/ using the "Indexes" tab.

OTHER DISCLOSURES

Citigroup Global Markets Inc. or its affiliates beneficially owns 2% or more of any class of common equity securities of Omaxe.

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

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

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

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in Brazil by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in Indonesia through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and 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. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Pakistan by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. 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 Spain by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gassef, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Taiwan Securities Company Ltd., which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research's Products can be found at www.citigroupgeo.com. Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.