

Company Focus

1 November 2007 | 9 pages

IVRCL Infra & Projects (IVRC.BO)

Target price change
 Estimate change

Buy: Clear and Present Growth

- **Raising TP to Rs602** – We are raising our target price to Rs602 on the back of 1) Revision in earnings estimates of -5% to +11% over FY08-10E 2) Roll forward our target multiple to 17xSept09E from 16xMar09E on stronger growth outlook.
- **Strong growth outlook** — Management guided for revenues of Rs34-36bn (growth of ~45%-50%) in the current year, EBITDA margins of 10.5%, higher than previously expected. The company continues to contest Section 80IA withdrawal and expects clarity by Dec07. We have assumed full tax rates in our estimates.
- **Q208 recurring PAT almost doubled** — IVRCL recurring PAT grew 97% YoY. Revenues grew 89% YoY. Margins declined by 43bps due to additional cost related to rework on some projects that were affected by floods. Insurance claim of Rs75mn has been filed, should be received in Q308. Adjusted for this, the margins would have increased by 66bps to 9.1%.
- **Private equity placement around the corner?** — Management mentioned that 2 large private equity players are interested in taking a stake in IVRCL. Management stated that talks are at very initial stages, and the company does not need the funds at this point but indicated that they may look at it for future funding requirements. While the placement could be positive in supporting funding needs, promoter stake at ~ 10% could get diluted further, a sentiment negative, in our view.

Buy/Medium Risk	1M
Price (01 Nov 07)	Rs485.15
Target price	Rs602.00
	<i>from Rs499.00</i>
Expected share price return	24.1%
Expected dividend yield	0.3%
Expected total return	24.3%
Market Cap	Rs62,906M
	US\$1,605M

Price Performance (RIC: IVRC.BO, BB: IVRC IN)



Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2006A	930	7.77	16.3	62.5	10.9	21.3	0.2
2007A	1,415	10.48	34.9	46.3	4.8	15.8	0.2
2008E	1,740	12.89	23.0	37.6	4.2	12.3	0.3
2009E	2,694	19.96	54.8	24.3	3.6	16.5	0.3
2010E	3,852	28.54	43.0	17.0	3.0	19.9	0.4

Source: Powered by dataCentral

Deepal Delivala¹

+91-22-6631-9857
 deepal.delivala@citi.com

Venkatesh Balasubramaniam¹

+91-22-6631-9864
 venkatesh.balasubramaniam@citi.com

Atul Tiwari¹

atul.tiwari@citi.com

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

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

¹Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2006	2007	2008E	2009E	2010E
Valuation Ratios					
P/E adjusted (x)	62.5	46.3	37.6	24.3	17.0
EV/EBITDA adjusted (x)	46.6	27.9	18.7	12.5	8.6
P/BV (x)	10.9	4.8	4.2	3.6	3.0
Dividend yield (%)	0.2	0.2	0.3	0.3	0.4
Per Share Data (Rs)					
EPS adjusted	7.77	10.48	12.89	19.96	28.54
EPS reported	7.77	10.48	12.89	19.96	28.54
BVPS	44.34	101.72	116.55	135.57	163.24
DPS	1.03	1.00	1.25	1.50	1.75
Profit & Loss (RsM)					
Net sales	15,214	23,465	34,348	48,633	64,757
Operating expenses	-13,981	-21,379	-31,153	-43,929	-58,425
EBIT	1,233	2,086	3,195	4,703	6,332
Net interest expense	-253	-308	-599	-682	-587
Non-operating/exceptionals	57	74	40	60	90
Pre-tax profit	1,037	1,851	2,636	4,082	5,836
Tax	-108	-436	-896	-1,388	-1,984
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	930	1,415	1,740	2,694	3,852
Adjusted earnings	930	1,415	1,740	2,694	3,852
Adjusted EBITDA	1,343	2,301	3,503	5,106	6,800
Growth Rates (%)					
Sales	44.2	54.2	46.4	41.6	33.2
EBIT adjusted	57.1	69.2	53.2	47.2	34.6
EBITDA adjusted	55.3	71.4	52.2	45.8	33.2
EPS adjusted	16.3	34.9	23.0	54.8	43.0
Cash Flow (RsM)					
Operating cash flow	-3,233	-4,662	-2,299	7,726	3,950
Depreciation/amortization	110	216	308	403	467
Net working capital	-4,283	-6,307	-4,347	4,629	-369
Investing cash flow	-2,975	-1,342	-2,745	-700	-650
Capital expenditure	-527	-1,278	-1,300	-700	-650
Acquisitions/disposals	0	0	0	0	0
Financing cash flow	4,125	5,799	3,831	-2,227	-264
Borrowings	4,315	-1,234	3,648	-2,000	0
Dividends paid	-125	-151	-189	-227	-264
Change in cash	-2,083	-205	-1,213	4,799	3,036
Balance Sheet (RsM)					
Total assets	17,652	31,918	31,497	36,278	43,538
Cash & cash equivalent	2,443	2,238	1,025	5,825	8,860
Accounts receivable	4,754	6,332	5,100	8,661	11,532
Net fixed assets	1,345	2,407	3,398	3,695	3,878
Total liabilities	12,910	18,729	16,386	18,700	22,372
Accounts payable	4,312	10,032	6,866	10,952	14,584
Total Debt	6,786	5,552	9,200	7,200	7,200
Shareholders' funds	4,742	13,189	15,112	17,579	21,166
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	8.8	9.8	10.2	10.5	10.5
ROE adjusted	21.3	15.8	12.3	16.5	19.9
ROIC adjusted	27.2	16.1	13.8	19.3	28.4
Net debt to equity	91.6	25.1	54.1	7.8	-7.8
Total debt to capital	58.9	29.6	37.8	29.1	25.4

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



Revising Estimates by -5%-11% over FY08E-10E

We have revised our estimates driven by

- **Increase in revenue estimates by 5-11% over FY08E-10E** on the back of higher order inflows and increased management guidance. Order backlog at Rs96bn is up 23% since the beginning of FY08. IVRCL has been declared lowest bidder in another Rs12bn of orders – taking the order book to Rs108bn, up 38% since the beginning of FY08.
- **Increase in EBITDA margins by 40-60bps over FY08-10E** - to account for higher margins of fresh orders.

FY08E PAT revised downwards by 5% - due to higher than expected interest cost. IVRCL's current debt is ~Rs9.2bn up from Rs5.5bn at the end of FY07. IVRCL has lent Rs4.1bn to its subsidiaries and expects repayment in the next 12 months.

We assume full tax rates and do not assume any Section 80IA benefits in our estimates.

Figure 1. IVRCL – Estimates Change

	FY08E	FY09E	FY10E
Revenues			
Old	32,788	44,365	58,118
New	34,348	48,633	64,757
Change	5%	10%	11%
EBITDA			
Old	9.8%	9.9%	9.9%
New	10.2%	10.5%	10.5%
Change bps	40	60	60
PAT			
Old	1,828	2,620	3,482
New	1740	2694	3852
Change	-5%	3%	11%

Source: Citi Investment Research

Raising Target price to Rs602

We are raising our target price to Rs602 on the back of

- 1) Revision in earnings estimates of -5% to +11% over FY08-10E. We expect earnings CAGR of 40% over FY07-10E vs 35% earlier.
- 2) Roll forward our target multiple to 17xSept09E from 16xMar09E. We value the core business at PE of 17xSept09E - at a discount to L&T, Punj Lloyd and Nagarjuna given different skill sets and business profile.

Figure 2. IVRCL – Valuation

Particulars	New Methodology	Old Methodology	Value
IVRCL Core Construction Business	PE of 17xSept09E	PE of 16xMar09E	412
BOT Projects	P/BV	P/BV	25
HDO	Current market capitalisation	Current market capitalisation	18
PUDL	Discount to NAV price	Discount to NAV price	147
Total			602

Source: Citi Investment Research

Strong Q208 Results

Q208 recurring PAT almost doubled — IVRCL recurring PAT grew 97% YoY. Revenues grew 89% YoY. Margins declined by 43bps due to additional cost related to rework on some projects that were affected by floods. Insurance claim of Rs75mn has been filed, should be received in Q308. Adjusted for this, the margins would have increased by 66bps to 9.1%.

Figure 3. IVRCL Q208 Results

Year End Mar31 (Rsmn)	2Q07	2Q08A	% Growth
Income	3644	6885	89%
EBITDA	308	553	79%
EBITDA Margin	8.5%	8.0%	(43) bps
PBT	211	416	97%
Reported Tax	(56)	(64)	15%
Tax Rate	26%	15%	
Reported PAT	156	353	126%
Reported PAT Margin	4.3%	5.1%	
Tax assuming full rates	(72)	(142)	
Adjusted PAT	139	275	97%

Source: Citi Investment Research

Key takeaways from the conference call

Strong Outlook:

- **Revenues** IVRCL management said that revenue growth of 45%-50% should be achievable over the next 2 years. It has guided for revenues of Rs34-36bn (growth of ~45%-50%) in FY08. Business momentum continues to be strong, and it expects this to continue over the next 2 years.
- **Margins:** IVRCL has guided for EBITDA of 10.5% in FY08 despite the hit in Q208 because of the losses due to the rains in projects in Rajasthan and Jammu Kashmir. They expect the insurance claim of ~Rs75mn to be received in Q308. Operating leverage in H208 should help margins as fixed costs are spread over a larger revenue base. It also sees the possibility of increasing margins to 11% in FY09E.

Clarity on Section 80IA by Dec 2007: IVRCL continues to contest the withdrawal of Section 80IA benefits and is claiming the benefits under the same. It expects some clarity on this by December 2007.

Talking to Private Equity investors — Management mentioned that 2 large private equity players are interested in taking a stake in IVRCL. Management stated that talks are at very initial stages, and the company does not need the funds at this point but indicated that it may look at it for future funding requirements. While the placement could be positive in supporting funding needs, promoter stake at ~10% could get diluted further, a sentiment negative, in our view.

IVRCL Infra & Projects

Company description

IVRCL is an established construction company with strong pre- qualifications and skill sets in the water supply sector. The company has diversified its revenue base by increasing its presence in roads, buildings, power T&D, real estate and solid liquid separation

Investment strategy

We rate IVRCL shares Buy/Medium Risk (1M) with a target price of Rs602. IVRCL is well positioned to benefit from the ~USD358bn infrastructure outlay by the government of India over the next five years, up 133% over the previous five years. The recent foray into real estate should provide a growth kicker to the company. We expect IVRCL to grow its recurring PAT at a CAGR of 40% over FY07-10E driven by strong revenue growth and stable margins.

Valuation

We value IVRCL shares at Rs602 based on an SOTP given its broad business profile. We value core construction business at Rs412 (P/E of 17xSept09E), BOT projects at Rs25, HDO Stake at Rs18 and IVR PUDL stake at Rs147 per share. We value the core business at PE of 17xSept09E at a discount to L&T, Punj Lloyd and Nagarjuna given different skill sets and business profile. We value BOT investments using P/BV multiples of 1.2-1.3x - based on the equity IRR of the project as indicated by the management and the cost of equity of the company. We value the HDO stake based on current market capitalization of the company and PUDL stake at a discount to NAV.

Risks

We rate IVRCL shares as Medium Risk. The rating differs from the High risk rating assigned by our quantitative risk rating system, which tracks 260-day historical share price volatility. This is primarily because IVRCL current order book of Rs96bn implies a sales coverage of ~4x FY07 sales and provides us with good earnings visibility over the medium term. Key risks include 1) Section 80 IA benefits 2) Risk associated with BOT projects 3) Increasing material

prices 4) Project Execution risks 5) Shortage of skilled manpower 6) Exposure to government funded projects 5) Equity dilution 6) Low Promoter holding.

Appendix A-1

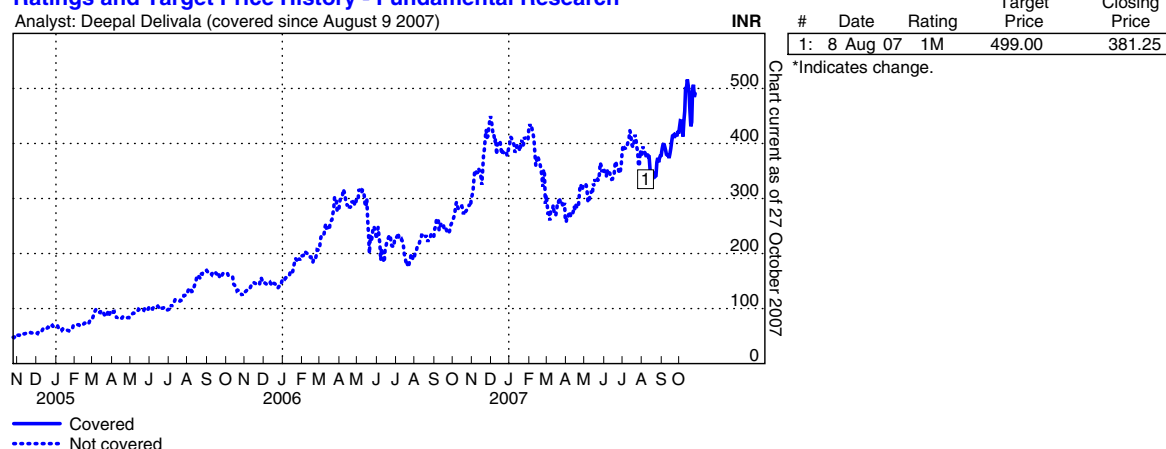
Analyst Certification

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

IVRCL Infra & Projects (IVRC.BO) Ratings and Target Price History - Fundamental Research

Analyst: Deepal Delivala (covered since August 9 2007)



Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of IVRCL Infra & Projects.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from IVRCL Infra & Projects.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from IVRCL Infra & Projects 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): IVRCL Infra & 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, non-securities-related: IVRCL Infra & Projects.

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.ssm.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 01 November 2007 03:54 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 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 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 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.

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

© 2007 Citigroup Global Markets Inc. (© Nikko Citigroup Limited, if this Product was prepared by it). Citi Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of Citigroup or its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST
