Indian Sugar

Industry Decontrol Proposals: Positive, but Ambitious

- Sugar sector decontrol? — According to press reports (*Economic Times*), the govt. has proposed significant decontrol measures for the sugar industry, including 1) Removal of support prices for cane; 2) doing away with cane area reservation; 3) doing away with levy sugar and 4) removing controls in selling (release quota). These measures, if implemented, will significantly alter the nature of the industry

- Industry dynamics could alter — Decontrol proposals, if implemented, could have far-reaching consequences on the industry dynamics, driving consolidation and benefiting larger players like BJH (BJHN.BO - Rs164.25; 1M) and BRCM (BACH.BO - Rs59.50; 1M). Removal of levy sugar and support prices for cane could improve overall profitability for the industry and lend margin stability in sugar price down-cycles.

- Proposals seem ambitious — While the suggestions mooted are favorable to the industry, we believe that implementation could still be long way off. We believe that removal of cane area reservation and doing away with cane support prices may be difficult to implement in entirety, as these would have the most far-reaching and direct implications for incumbent mills/farmers, who could oppose such moves

- Price outlook — North Indian sugar prices have recovered slightly over the last 2-3 weeks. Prices in North India currently range between Rs14.5-Rs15/kg. We expect prices to remain at current levels till the crushing season concludes in May, after which sugar prices could recover slightly. We assume sugar price of Rs16/kg into our FY07E-FY08E earnings estimates for BJH and BRCM.

Princy Singh[1]
+91-22-6631-9871
princy.singh@citigroup.com

Pragati Khadse[1]
pragati.khadse@citigroup.com

Figure 1. Sugar Valuation Summary

Company	Target (Rs)	P/E (x) FY07E	P/E (x) FY08E	P/BV (x) FY07E	P/BV (x) FY08E	ROE (%) FY07E	DPS (Rs) FY07E	Yield (%) FY07E
Bajaj Hind	300.0	14.3	7.2	1.5	1.3	11.2	0.8	0.5
Balrampur Chini	107.0	14.9	6.7	1.6	1.3	11.1	0.7	1.1

Source: Company Reports and Citigroup Investment Research

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

[1]Citigroup Global Market India Private Limited

Potential sugar sector decontrol, positive but ambitious

According to newspaper reports (*Economic Times*, 7 March), the government is considering significant decontrol measures for the Indian sugar industry. According to the report, the proposal to decontrol the sugar industry, mooted by the food minister, is being circulated among various ministries for comments. It is expected to be placed before an empowered group of ministers shortly. The key changes that have been proposed include 1) removal of support prices for cane; 2) doing away with cane area reservation; 3) doing away with levy sugar and; 4) removing controls in selling (release control mechanism). We believe that that these measures, if implemented, will significantly alter the dynamics of the Indian sugar industry, drive consolidation and improve the overall profitability for the industry. However, these proposals seem too ambitious to us and implementing them in entirety would be challenging. While removing sale quotas and doing away with levy sugar are relatively easy to implement, we believe that removing support prices for cane and doing away with cane area reservation would be a challenging task. This is because incumbent manufacturers, especially smaller players, are likely to oppose de-reservation of captive cane areas. Also, minimum support price for cane will be difficult to withdraw without farmer opposition. Another hurdle is that besides the Center, States also set support prices for cane, and states may continue to do so, despite the central government freeing up cane pricing. We enumerate below the key changes that have been proposed, potential implications for the Industry and our views on implementation potential.

1. Withdrawal of minimum support price to cane farmers and allowing farmers to undertake contract farming: The sugarcane control order of 1966 provides for fixing a minimum price (MSP) for sugarcane to be paid. Different prices may be fixed for different areas, for different qualities, or for different varieties of sugarcane. The order also regulates the distribution and movement of sugarcane. Cane area is fixed for each factory according to its crushing capacity, etc., and cane grown in the area is reserved exclusively for the factories operating in that area. The government has also fixed a mandatory distance of 15kms to be observed between two sugar manufacturing facilities. We believe that proposed changes would require repealing the sugarcane control order. This order, if repealed, will have a significant impact on the industry dynamics. Cane price will become linked to the sugar price cycle/industry-demand supply dynamics. Also, weaker mills will risk losing cane to larger players, with capability to pay higher prices for cane. Broadly, these measures could drive a rapid consolidation of the industry and would improve the overall profitability. However, we believe that the chances of blanket withdrawal of minimum support price for cane are almost negligible, given that most other crops assure such minimum support. In addition, farmers are likely to oppose any such move. Finally, state governments also fix their own support prices, which tend to override the central government's fixed prices.

2. Withdrawal of levy sugar: The government currently has the right to buy 10% of each mill's sugar production for its public distribution system at a pre-determined price that tends to be less than the market price, and depress profitability. It has been proposed that levy sugar be done away with and that the government stops buying sugar at subsidized prices. However, it has also been proposed that the government builds up a buffer for its public distribution system from the open market, partly to be funded by an increase in excise on sugar. Over the years, levy sugar percentage

has been brought down from 70% to 10%, and we believe that there is a reasonable possibility of abolishing levy sugar. This should bode well for overall profitability of sugar manufacturers.

3. Abolishing release control mechanism: It has also been proposed that the sugar release control mechanism be dismantled. The release control mechanism determines how much each sugar mill can sell every month. Dismantling the release control mechanism will allow mills to sell sugar freely. This could benefit large players with balance sheet strength to be able to hold on to inventories and tide over near-term price weakness.

Near-term sugar price outlook

Sugar prices in North India, which had slid to Rs14/kg in February, have recovered slightly to Rs14.5-Rs15/kg. We expect prices to remain at current levels till the crushing season concludes in May. After the conclusion of the crushing season, we expect supply pressure from small manufacturers to ease and expect a slight pickup in prices, to Rs16/kg. Our current earnings estimates for our sugar stock coverage universe assumes Rs16/kg price for FY07E and FY08E. We enumerate below sensitivity to earnings on sugar price changes for BJH and BRCM.

Figure 2. Balrampur Earnings Sensitivity to Sugar Prices

	FY07E		FY08E	
Realization (Rs./ Ton)	Profit (Rs Mn)	% Divergence	Profit (Rs Mn)	% Divergence
12,000	(1,375)	(230.1)	(929)	(139.5)
13,000	(767)	(172.5)	(108)	(104.6)
14,000	(159)	(115.0)	712	(69.7)
15,000	449	(57.5)	1,532	(34.9)
16,000	**1,057**	-	**2,352**	-
17,000	1,665	57.5	3,173	34.9
18,000	2,273	115.0	3,993	69.7

Source: Company Reports and Citigroup Investment Research

Figure 3. Bajaj Hindusthan Earnings Sensitivity to Sugar Prices

	FY07E		FY08E	
Realization (Rs./ Ton)	Profit (Rs Mn)	% Divergence	Profit (Rs Mn)	% Divergence
12,000	(2,046)	(226.5)	(2,131)	(166.0)
13,000	(1,130)	(169.9)	(791)	(124.5)
14,000	(214)	(113.3)	550	(83.0)
15,000	701	(56.6)	1,891	(41.5)
16,000	**1,617**	-	**3,232**	-
17,000	2,533	56.6	4,572	41.5
18,000	3,448	113.3	5,913	83.0

Source: Company Reports and Citigroup Investment Research

BJH and BRCM trading below replacement cost

We maintain Buy ratings on BJH and BRCM. Our price target for BJH is Rs300 and that for BRCM is Rs107. The stocks trade at a discount to replacement cost to assets, which should provide some downside support. We enumerate below replacement cost analysis for BJH and BRCM.

Figure 4. BJH – Replacement Cost

	Capacity (FY08E)	Replacement cost per unit (Rs)	Replacement cost (Rs Million)
Sugar (TCD)	136000	300000	40800
Alcohol (KLPD)	800	3500000	2800
Co-generated Power (MW)	96	40000000	3840
MDF			2400
Total Replacement cost (Rs million)			49840
Total Debt (Rsm)			15000
Current Market Cap (Rs million)			24004
Discount to replacement cost (%)			**22%**

Source: Company reports; Citigroup Investment Research

Figure 5. BRCM – Replacement Cost

	Capacity (FY08E)	Replacement cost per unit (Rs)	Replacement cost (Rs Million)
Sugar (TCD)	73000	300000	21900
Alcohol (KLPD)	420	3500000	1470
Co-gen Power (MW)	74	40000000	2960
Total Replacement cost (Rs million)			26330
Total Debt (Rsm)			5000
Current Market Cap (Rs million)			15849
Discount to replacement cost (%)			**21%**

Source: Company reports; Citigroup Investment Research

Bajaj Hindusthan (BJHN.BO - Rs164.25; 1M)

Investment Summary

We maintain our Buy rating on BJH. The stock has corrected sharply following decline in domestic and global sugar prices and now trades at a significant discount to replacement cost of assets (almost 50% discount, which we believe are close to buy out valuations. We believe that domestic spot sugar prices have bottomed out and expect a pick up in 2008E sugar season.

BJH is the largest sugar manufacturer in India and among the ten largest globally. The company's experience in the sugar business spans 70 years. Its manufacturing plant is in UP with cane crushing capacity of 56,300 TCD, which is likely to increase to 136,000 TCD by FY08. BJH also manufactures industrial alcohol/ethanol, with capacity of 320 KLPD, which is planned to be expanded to 800KLPD by FY08. The company plans to sell some of its surplus power from its co-generation unit. Surplus capacity is likely to be 90MW by FY07E.

Valuations

Our target price of Rs300 is based on an FY08E P/E of 13x. We maintain our c.15% premium to the global peer group, accounting for BJH's superior growth profile and given that demand for sugar in India is growing at 2x the global average. BJH looks set to emerge as a strong industry leader by 2008, with global-scale capacities, a strong balance sheet and a richer product mix.

Further, we expect BJH to expand beyond its already stated expansion plans, and we do not rule out a sizeable international acquisition. With its leadership position likely to gain further strength and its capital-efficiency ratios high, we believe BJH should trade at a premium to the global average.

We are using P/E as our primary valuation methodology given the strong visibility of earnings. We believe benchmarking BJH against its historical valuations is not relevant given that the stock has historically been illiquid. Over a cycle, a more liquid name such as Balrampur Chini has traded in a P/E range of 4-15x.

Our 13x target multiple is at a discount to the historical peak cycle multiple of 15x, factoring in a weakening sugar price cycle. On an EV/EBITDA basis, we ascribe a target multiple of 7.0-7.5x, at par with the global peer group average on a one-year forward basis. This gives us a target price of Rs285. We use EV/EBITDA given the commodity nature of the sugar business and BJH's large debt to fund growth.

Risks

Although our quantitative risk-rating system, which tracks 260-day historical share price volatility, assigns a High Risk to the stock, we rate it as Medium Risk given that the company has successfully completed its first phase of capacity expansion. The sugar industry in general and BHL in particular, faces significant risks, some of which are structural in nature. The key downside risks

include: (1) regulations and the possibility of government intervention in an industry with little pricing power; (2) sugarcane output is governed by various agro-climatic factors; an adverse climate could lead to crop failures, affecting raw-material availability; and (3) specific to BJH is execution risk, as the company is aggressively expanding capacity. If the impact of these risks is greater than we expect, the share price will likely have difficulty reaching our target price.

Balrampur Chini (BACH.BO - Rs59.50; 1M)

Investment Thesis

We have a Buy rating on BRCM. The company looks well positioned to benefit from the strong growth in sugar demand in India (+4%, 2x global demand).

Being a leader in the sector, it should benefit from consolidation while small players become uncompetitive in the longer term. The company is also undertaking significant capacity expansion. BRCM benefited from the recent sugar upcycle. Longer term, continued demand growth should lead to India turning into a net importer of sugar and companies such as BRCM should benefit. The current valuations of BRCM, (36% disount to replacement cost) provide another opportunity to accumulate the shares.

Valuation

Our target price of Rs107 is based on 12x FY08E P/E. We maintain our 10% discount to the market leader BJH. We are using P/E as our primary valuation methodology given BRCM's strong earnings visibility. Expected capacity expansion drives our earnings estimates for BRCM; we expect volume-driven earnings growth over the next three years. On a one-year forward EV/EBITDA basis, we ascribe BRCM a multiple of 6.5x-7.0x, in-line with the global peer group average of 7.0x-7.5x. This gives us a fair value range of Rs100, which supports our P/E-based target price. We are using EV/EBITDA as our second valuation methodology, given the commoditized nature of the sugar business and BRCM's large debt position (in order to fund growth).

Risks

Although our quantitative risk-rating system, which tracks 260-day historical share price volatility, assigns a High Risk to the stock, we rate BRCM as Medium Risk given that the company has successfully completed part of its capacity expansion and has raised capital for the remaining capex. We believe execution and financial risks stand mitigated to a large extent. The following risks could impede the stock from reaching our target price:

- Regulations and the possibility of government intervention in pricing in an industry that has little pricing power.
- Sugarcane output is governed by various agro-climatic factors. An adverse climate could lead to crop failures, affecting raw-material availability.
- The company is aggressively expanding capacity and any delay could hurt its near-term profitability.
- BRCM is looking at investing in power generation, which is a highly regulated industry. Any changes in government regulations could hurt business prospects.

Appendix A-1

Analyst Certification

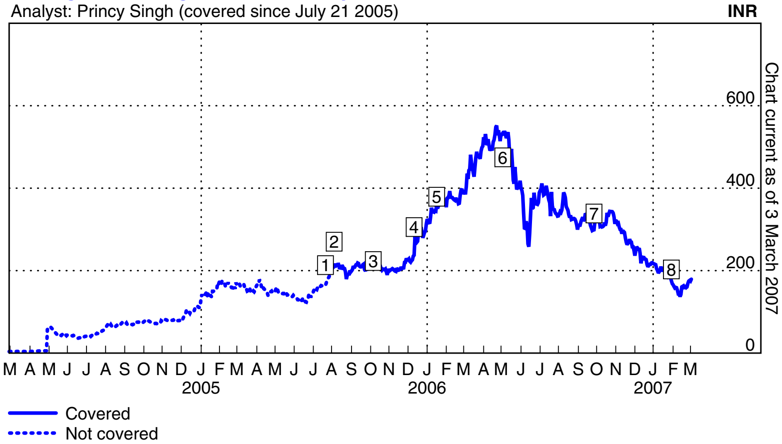
I, Princy Singh, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly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

IMPORTANT DISCLOSURES

Bajaj Hindusthan (BJHN.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Princy Singh (covered since July 21 2005)



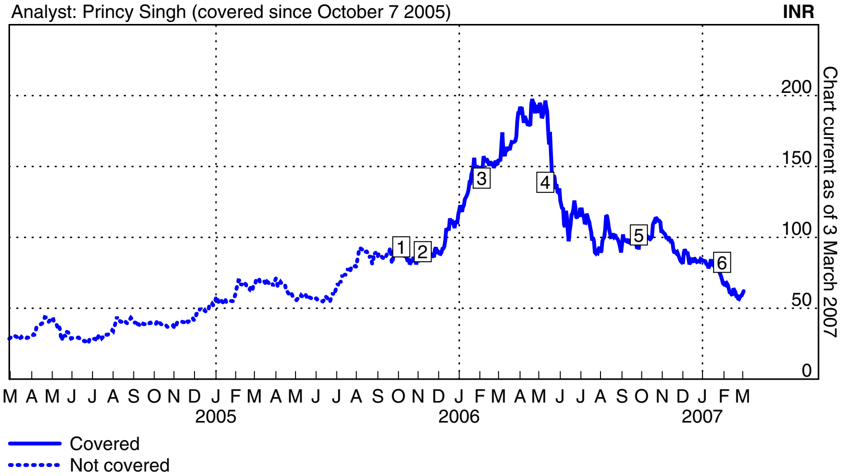
#	Date	Rating	Target Price	Closing Price
1:	21 Jul 05		-	164.45
2:	4 Aug 05	*1H	*216.00	213.35
3:	6 Oct 05	*1M	*280.00	211.80
4:	12 Dec 05	1M	*320.00	237.40
5:	17 Jan 06	1M	*440.00	362.00
6:	3 May 06	1M	*650.00	533.65
7:	27 Sep 06	1M	*467.00	299.00
8:	30 Jan 07	1M	*300.00	NA

*Indicates change.

Balrampur Chini Mills (BACH.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Princy Singh (covered since October 7 2005)



#	Date	Rating	Target Price	Closing Price
1:	6 Oct 05	1H	130.00	87.85
2:	8 Nov 05	1H	*138.00	88.45
3:	3 Feb 06	*1M	*170.00	147.05
4:	10 May 06	1M	*245.00	196.50
5:	27 Sep 06	1M	*130.00	92.70
6:	30 Jan 07	1M	*107.00	NA

*Indicates change.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Bajaj Hindusthan and Balrampur Chini Mills. 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 Bajaj Hindusthan.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Bajaj Hindusthan and Balrampur Chini Mills 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): Bajaj Hindusthan.

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: Bajaj Hindusthan and Balrampur Chini Mills.

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: Bajaj Hindusthan and Balrampur Chini Mills.

Citigroup Global Markets Inc. or an affiliate received compensation in the past 12 months from Bajaj Hindusthan.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citigroup Investment Research product ("the Product"), please contact Citigroup Investment Research, 388 Greenwich Street, 29th Floor, New York, NY, 10013, Attention: Legal/Compliance. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at www.citigroupgeo.com. Private Client Division clients should refer to www.smithbarney.com/research. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citigroup Investment Research Ratings Distribution

Data current as of 31 December 2006	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3106)	43%	41%	15%
% of companies in each rating category that are investment banking clients	45%	41%	34%
India -- Asia Pacific (118)	58%	14%	28%
% of companies in each rating category that are investment banking clients	48%	50%	39%

Guide to Fundamental Research Investment Ratings:

Citigroup Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

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

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

OTHER DISCLOSURES

Within the past 5 years, Citigroup Global Markets Inc. or its affiliates has acted as manager or co manager of an offering of equity securities of Bajaj Hindusthan.

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

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

Citigroup Global Markets Inc. or its affiliates holds a long position in any class of common equity securities of Bajaj Hindusthan.

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.

This Product has been modified by the author following a discussion with one or more of the named companies.

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

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

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citigroup Wealth Advisors Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments

Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. If the Product was prepared by Citigroup Investment Research and distributed in Japan by Nikko Citigroup Ltd., it is being so distributed under license. Nikko Citigroup Limited is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Akasaka Park Building, 2-20, Akasaka 5-chome, Minato-ku, Tokyo 107-6122. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, which is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd., a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 lambton Quay, Wellington. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Papierów Wartosciowych i Gield. Bank Handlowy w Warszawie S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Taiwan through Citigroup Global Markets Inc. (Taipei Branch), which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citigroup Investment Research's Products can be found at www.citigroupgeo.com. Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. Advice in the Product has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST