

Company In-Depth

3 May 2006 | 7 pages

Welspun India (WLSP.BO)

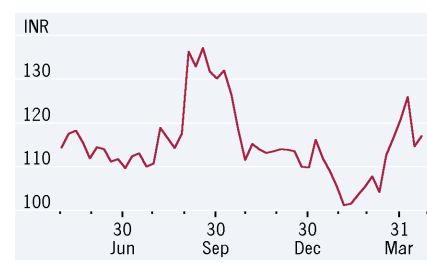
FY06 results: strong revenue growth, but margins below expectations

 Rating change
 Target price change
 Estimate change

- FY06 a mixed bag** — Welspun reported strong FY06 revenue growth of 37%, ahead of expectations, while net profits grew at 13% and the EBITDA margin of 19.7% were lower than estimates; but for an extraordinary charge of Rs.59mn, profit growth was strong at 30%. 4QFY06 witnessed a similar trend. We see healthy order flows, higher utilization levels for bed linen driving strong earnings growth ahead.
- Margins below estimates** — EBITDA margin growth of 50bps for 4QFY06 was lower on account of higher overheads following initial hiccups in ramp up for bed linen production and higher power costs. Margins are expected to improve with emphasis on value added products and higher operating leverage for bed linen.
- Bed linen strong** — Encouraging response from buyers, product development initiatives and increasing order flows to drive share of bed linen revenues to 36% by FY08E (vs7% in FY06E).
- Expansion on schedule** — Phase I expansion (Rs.5.7bn) fully commissioned, company is progressing with phase II (Rs.6.5bn, due by 4QFY07), which will step up capacity and backward integration.
- Maintain Buy** — With target price of Rs154 based on 15.5x FY07E P/E, we consider the stock a proxy for playing the outsourcing theme in home textiles.

Buy/Medium Risk	1M
Price (02 May 06)	Rs114.75
Target price	Rs154.00
Expected share price return	34.2%
Expected dividend yield	0.0%
Expected total return	34.2%
Market Cap	Rs8,387M
	US\$187M

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



See page 5 for Analyst Certification and important disclosures.

Figure 1. Statistical Abstract

Yr to 31 Mar (Rs mn)	FY04	FY05	FY06E	FY07E	FY08E
Total Revenues	3,667	4,763	6,537	9,153	11,914
EBITDA	687	969	1,287	2,204	3,043
Margin (%)	18.7	20.3	19.7	24.1	25.5
Profit before tax	446	606	692	1,149	1,708
PAT after Pref Div before Extra	277	337	440	757	1,149
EPS (Rs)	6.0	5.6	5.7	9.9	15.0
EPS YoY Gr. (%)	73.3	(7.2)	2.5	72.2	51.8
P/E	19.3	20.8	20.3	11.8	7.8
ROE (%)	12.8	10.1	7.0	12.2	15.6

Source: Company Reports and Citigroup Investment Research

Ashish Jagnani¹

+91-22-5631-9861
 ashish.jagnani@citigroup.com

Chirag Dagli¹

chirag.dagli@citigroup.com

Citigroup 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, and who may be associated persons of the member or member organization, are not registered/qualified as research analysts with the NYSE and/or NASD, but instead have satisfied the registration/qualification requirements or other research-related standards of a non-US jurisdiction.

¹Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2004	2005	2006E	2007E	2008E
Valuation Ratios					
P/E adjusted (x)	19.1	20.5	20.0	11.6	7.7
EV/EBITDA adjusted (x)	14.6	12.3	11.3	7.4	5.8
P/BV (x)	2.4	2.1	1.6	1.4	1.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Per Share Data (Rs)					
EPS (adjusted)	6.02	5.58	5.73	9.86	14.97
EPS (reported)	6.02	5.58	4.96	9.86	14.97
BVPS	47.08	55.37	71.01	80.87	95.84
DPS	0.00	0.00	0.00	0.00	0.00
Profit & Loss (RsM)					
Net sales	3,667	4,763	6,537	9,153	11,914
Operating expenses	-3,127	-4,072	-5,736	-7,663	-9,786
EBIT	540	692	801	1,489	2,128
Net interest expense	-171	-170	-343	-485	-550
Non-operating/exceptionals	77	85	234	145	130
Pre-tax profit	446	606	692	1,149	1,708
Tax	-146	-221	-217	-368	-547
Extraord./Min.Int./Pref.div.	-23	-48	-94	-25	-12
Reported net income	277	337	381	757	1,149
Adjusted earnings	277	337	440	757	1,149
Adjusted EBIT	540	692	801	1,489	2,128
Growth Rates (%)					
EPS (adjusted)	73.3	-7.2	2.5	72.2	51.8
EBIT (adjusted)	19.9	28.0	15.9	85.9	42.9
Sales	21.8	29.9	37.2	40.0	30.2
Cash Flow (RsM)					
Operating cash flow	421	1,269	443	1,321	1,611
Depreciation/amortization	147	277	486	715	915
Net working capital	-26	606	-459	-176	-465
Investing cash flow	-154	334	20	0	0
Capital expenditure	0	0	0	0	0
Acquisitions/disposals	-154	134	20	0	0
Financing cash flow	146	-1,645	465	-2,393	-472
Borrowings	146	-3,490	-1,204	-2,393	-472
Dividends paid	0	0	0	0	0
Change in cash	413	-42	928	-1,072	1,139
Balance Sheet (RsM)					
Total assets	5,066	11,580	14,664	18,215	20,427
Cash & cash equivalent	471	799	604	278	310
Net fixed assets	2,157	8,286	11,113	14,052	15,185
Total liabilities	2,737	7,880	8,944	11,816	12,974
Debt	2,204	6,022	7,030	9,098	9,602
Shareholders' funds	2,329	3,700	5,720	6,399	7,453
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	18.7	20.3	19.7	24.1	25.5
ROE adjusted	13.7	12.2	10.0	13.0	16.9
ROIC adjusted	10.6	7.2	5.3	7.9	9.5
Net debt to equity	74.4	141.2	112.4	137.8	124.7
Total debt to capital	48.6	61.9	55.1	58.7	56.3

For further data queries on Citigroup's full coverage universe please contact CIR Data Services Asia Pacific at +852-2501-2791.



Results – a mixed bag

Welspun reported strong FY06 revenue growth of 37% ahead of expectations, while net profits grew at 13% and the EBITDA margin of 19.7% were lower than our estimates; but for an extraordinary charge of Rs.59mn, profit growth was strong at 30%. The extraordinary charge was primarily due to one time write off of old inventory.

4QFY06 witnessed a similar trend with EBITDA margin growth being muted on account of higher overheads following initial hiccups in ramp up for bed linen production and higher power costs. Margins are expected to improve with the emphasis on value added products and higher operating leverage for bed linen. We see healthy order flows, higher utilization levels for bed linen drive strong earnings growth ahead.

Figure 2. 4QFY06 Earnings Summary (Rupees in million)

Rs.mn	4QFY05	4QFY06	YoY%	FY05	FY06	YoY%
Net Sales	1,476	2,051	39.0%	4,763	6,537	37.2%
EBIDTA	261	373	43.0%	969	1,287	32.9%
<i>EBIDTA Mgn (%)</i>	<i>17.7%</i>	<i>18.2%</i>		<i>20.3%</i>	<i>19.7%</i>	
Interest	81	102	25.8%	170	343	101.8%
Other Income	64	95	48.6%	85	234	175.5%
Depreciation	73	149	104.1%	277	486	75.4%
PBT	171	217	27.2%	606	692	14.1%
Profit after tax before Ext	102	166	62.8%	386	474	23.0%
Less:Pref Div		0		48	35	
PAT after Pref Div	102	166	62.8%	337	439	30.2%
Less:Extraordinary Items		59			59	
Reported PAT	102	107	5.0%	337	380	12.7%

Source: Company Reports and Citigroup Investment Research

Welspun India

Company Description

Welspun India is Asia's largest terry towels manufacturer and the fourth largest in the world. Its wide product range, fully integrated scaleable capacities and ability to offer value-added products make it a preferred supplier to global retailers in the EU and US. It already has a presence in retailing, having the license to market under Nautica and Umbra in the US. Exports constitute 92% of revenues. It is a flagship company of the Welspun Group (34% holding).

Investment Thesis

We reiterate our Buy (1M) rating on Welspun. Its thrust on exports and aggressive expansion plans make it a proxy to the outsourcing theme in home textiles. Its key growth drivers are 1) Terry towel exports set for rapid growth with capacities shrinking in US and US re-imposing quotas (up till 2008) on China in this category 2) initiatives to move up the value chain with a focus on branded home textiles, 3) wider presence in home textiles – a growing export market and 4) capacity expansions for backward integration of bed-linen, entry in decorative bed-sets and enhancing terry towels capacities. The company's strategy to expand to bed linen and decorative bed sets offers higher margins and an

improved revenue mix. Hive off of the domestic retail venture will eliminate risk of higher investments and long gestation period. With Welspun's global scale in terry towels – at a time when capacities are shrinking in US – close relationships with global retailers and integrated facilities, we believe it is well positioned for high growth. With earnings CAGR of 62% over FY06-08E, one of the highest in the sector; global-scale capacity in terry towels; and a business model that is getting more dynamic with entry in high-value-added segments, we see valuations appreciating.

Valuation

Our target price of Rs154 is based on 15.5x FY07E PE, a premium to our India textile universe valuations of 11x and its trading range of 8-12x P/E over the past three years. We accord the stock a premium in recognition of Welspun's rapid earnings growth, leadership in terry towels and being a proxy to the outsourcing theme in home textiles. We use P/E as our primary valuation tool because it captures the company's strong earnings growth potential. With earnings CAGR of 62% over FY06-08E, one of the highest in the sector, global-scale capacities in terry towels and a more dynamic business model, we see valuations appreciating. On a P/BV basis, we expect a premium valuation of 1.8x P/BV for FY07E given the company's vertically integrated business model, focus on diversifying to higher value added products and global scale capacity in terry towels - delivering a fair value of Rs150.

Risks

We rate Welspun Medium Risk, as opposed to the High Risk rating assigned by our quantitative risk-rating system. The key reasons we opt for a Medium Risk rating include: (1) Secular growth prospects in home textiles post quotas and shrinking capacities in the US; (2) Rapid growth on account of new capacity expansion; (3) Welspun's leadership position in India and its relationships with global brands; and (4) Peer stocks are rated Low or Medium Risk. The downside risks to our target price include: (1) Appreciation of the rupee; (2) Any high priced acquisition overseas in the branded home textile retail space would increase pressure on cash flows (3) Significant increases in interest costs would adversely impact our earnings growth assumptions (debt/equity) at 1.5x FY07E) (4) Delays in commissioning on balance expansion; and (5) Sharp increases in cotton prices.

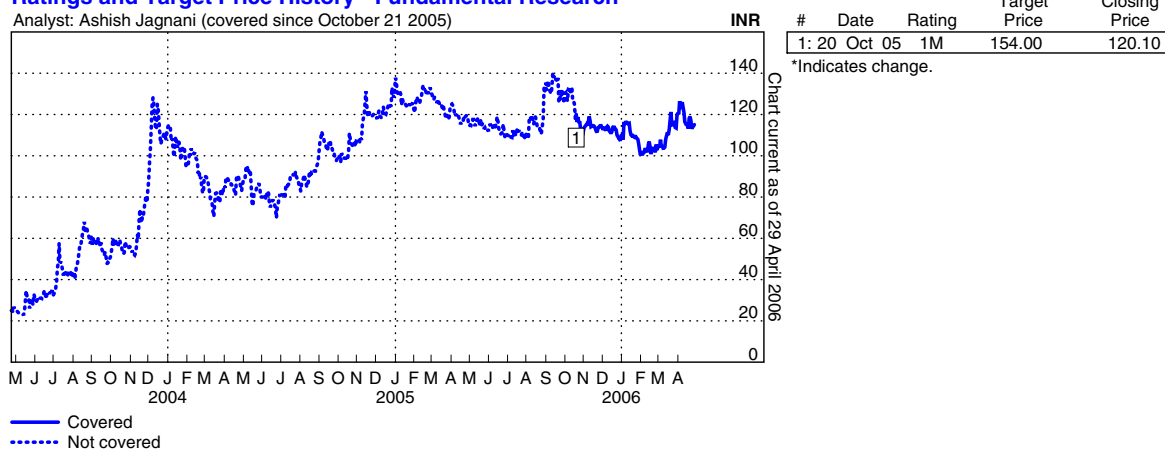
Analyst Certification Appendix A-1

I, Ashish Jagnani, 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

Welspun India Ltd (WLSP.BO) Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since October 21 2005)



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

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Welspun India Ltd.

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 Equities, and Investment Banking.

Citigroup Investment Research Ratings Distribution

Data current as of 31 March 2006

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (2725)	41%	42%	18%
% of companies in each rating category that are investment banking clients	46%	43%	32%
India -- Asia Pacific (108)	45%	22%	32%
% of companies in each rating category that are investment banking clients	49%	58%	49%

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.

Between September 9, 2002, and September 12, 2003, Citigroup Investment Research's stock ratings were based upon expected performance over the following 12 to 18 months relative to the analyst's industry coverage universe at such time. An Outperform (1) rating indicated that we expected the stock to outperform the analyst's industry coverage universe over the coming 12-18 months. An In-line (2) rating indicated that we expected the stock to perform approximately in line with the analyst's coverage universe. An Underperform (3) rating indicated that we expected the stock to underperform the analyst's coverage universe. In emerging markets, the same ratings classifications were used, but the stocks were rated based upon expected performance relative to the primary market index in the region or country. Our complementary Risk rating system -- Low (L), Medium (M), High (H), and Speculative (S) -- took into account predictability of financial results and stock price volatility. Risk ratings for Asia Pacific were determined by a quantitative screen which classified stocks into the same four risk categories. In the major

markets, our Industry rating system -- Overweight, Marketweight, and Underweight -- took into account each analyst's evaluation of their industry coverage as compared to the primary market index in their region over the following 12 to 18 months.

OTHER DISCLOSURES

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. In producing Products, members of the Firm's research department may have received assistance from the subject company(ies) referred to in the Product. Any such assistance may have included access to sites owned, leased or otherwise operated or controlled by the issuers and meetings with management, employees or other parties associated with 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 are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. 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 non-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. 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. 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.

© 2006 Citigroup Global Markets Inc. Citigroup 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 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
