

# MPSEZ stake buy mildly +ve

**Bank of America  
Merrill Lynch**

Bharat Parekh &gt;&gt;

+91 22 6632 8656

Research Analyst  
DSP Merrill Lynch (India)  
bharat.parekh@baml.com

## ADE acquisition of promoters' MPSEZ stake mildly +ve; Raise PO

ADE has approved acquisition of promoters' 77.5% stake in MPSEZ by issue of 467mn ADE shares as consideration translating into a lower swap ratio of 1.5:1 vs 1.55:1 of BofAMLe. This will hike its promoters' stake in ADE to 86% from 74%. We have raised our FY11-12E EPS by 3% and PO to Rs610 (Rs590) on lower dilution. Maintain Buy on EPS CAGR of 56% over FY10-12E. Catalysts are: 1) 14x scale-up in its IPP to 9.2GW by FY14E, 2) 2.6x revenues at MPSEZ from 2.4x growth in port traffic and pick-up in SEZ monetization and 3) winning of new mining contracts and 13x rise in coal mining to reach peak output of 70mtpa by FY18E, makes ADE one of the few large plays on coal in India, while its agri. Subs. grows at CAGR of 18%.

## Frog to Prince - Trading house to infrastructure powerhouse

ADE is transforming its business model to sustainable annuities with high-margin / RoE (23.8% / 35% by FY12E) and heavy capex from a volatile, low capex, and low margin / RoE (3.8% / 16.7%) trading business. It plans to invest Rs412bn over FY10-13E with IPP and coal mining accounting for 74%, which imparts visibility to scale. Its control over coal mine to power value chain should drive superior margins.

## Power, port, and coal - the three cornerstones

ADE is executing a 14x scale-up in IPP capacity by FY14E via an unregulated model (no cap on ROE). It has pre-sold 77% of power at an attractive tariff and secured fuel/funding resulting in visibility of 15x EPS over FY10E-12E. Production of its Indonesian coal mines, which started operations in FY09, will reach 10mt pa by FY14E while Indian mines will start operations in FY12E (70mt pa by FY18E). We believe port cargo should grow 2.4x to 100mt pa by FY13E. IPP would account for 19% of revenue and 52% of EBITDA by FY12E.

## Rs610 PO implies scale-up across verticals; execution key

Our PO of Rs610 comprises 34% from port & SEZ, 26% from IPP and 33% from coal businesses. As ADE enters new areas to create scale, risks are execution & leverage (net D/E of 2.4x by FY12E vs 3.2x in FY09). However, we take comfort in its track record (6x revenues over FY03-09), timely start of Mundra Port and power plants, pre-sales of power, leadership in coal trade and promoters' entrepreneurial acumen.

### Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012E
Net Income (Adjusted - mn)	3,846	4,279	9,184	24,038	46,048
EPS	7.80	8.67	18.44	23.35	44.74
EPS Change (YoY)	246.7%	11.2%	112.6%	26.6%	91.6%
Dividend / Share	0.300	0.500	0.500	0.500	0.500
Free Cash Flow / Share	(48.19)	(111.25)	(212.29)	(175.33)	(63.44)

### Valuation (Mar)

	2008A	2009A	2010E	2011E	2012E
P/E	72.15x	64.88x	30.52x	24.10x	12.58x
Dividend Yield	0.053%	0.089%	0.089%	0.089%	0.089%
EV / EBITDA*	66.52x	47.51x	24.04x	9.61x	4.69x
Free Cash Flow Yield*	-8.48%	-19.58%	-37.72%	-64.39%	-23.30%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 8.

>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Merrill Lynch 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.

Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7. Link to Definitions on page 7. 10931352

### Stock Data

Price	Rs562.80
Price Objective	Rs610.00
Date Established	26-Apr-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs195.00-Rs586.70
Mrkt Val / Shares Out (mn)	US\$6,309 / 498.0
Average Daily Volume	325,169
BofAML Ticker / Exchange	ANIEF / NSI
Bloomberg / Reuters	ADE IN / ADEL.NS
ROE (2010E)	26.5%
Net Dbt to Eqty (Mar-2009A)	273.7%
Est. 5-Yr EPS / DPS Growth	55.4% / 0%
Free Float	25.8%

### Key Changes

(Rs)	Previous	Current
Price Obj.	590.00	610.00
2011E EPS	22.58	23.35
2012E EPS	43.45	44.74

## iQprofile<sup>SM</sup> Adani Enterprises Ltd.

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012E
<b>(Rs Millions)</b>					
Sales	196,097	262,583	251,904	336,612	426,336
Gross Profit	15,651	20,625	30,053	63,125	118,719
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	6,709	9,198	18,143	43,816	90,207
Net Interest & Other Income	(2,209)	(4,130)	(5,622)	(8,447)	(16,224)
Associates	NA	NA	NA	NA	NA
Pretax Income	4,500	5,068	12,521	35,368	73,983
Tax (expense) / Benefit	(591)	(782)	(2,241)	(6,290)	(13,340)
Net Income (Adjusted)	3,846	4,279	9,184	24,038	46,048
Average Fully Diluted Shares Outstanding	493	493	498	1,029	1,029

### Key Cash Flow Statement Data

Net Income	3,846	4,279	9,184	24,038	46,048
Depreciation & Amortization	448	822	1,660	5,737	11,351
Change in Working Capital	(478)	(11,374)	6,384	(5,420)	(3,747)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	194	136	1,347	14,587	15,139
Cash Flow from Operations	4,010	(6,138)	18,575	38,942	68,791
Capital Expenditure	(27,770)	(48,732)	(124,301)	(219,411)	(134,085)
(Acquisition) / Disposal of Investments	(3,175)	(1,344)	(375)	(5,047)	0
Other Cash Inflow / (Outflow)	44	913	477	(188,114)	12
Cash Flow from Investing	(30,901)	(49,163)	(124,200)	(412,573)	(134,072)
Shares Issue / (Repurchase)	3,473	1,184	18,982	11,029	1,227
Cost of Dividends Paid	(173)	(289)	(291)	(602)	(602)
Cash Flow from Financing	26,921	64,786	115,113	398,976	87,032
Free Cash Flow	(23,760)	(54,869)	(105,726)	(180,469)	(65,294)
Net Debt	44,695	95,010	181,945	304,367	369,024
Change in Net Debt	17,482	50,316	86,934	122,422	64,657

### Key Balance Sheet Data

Property, Plant & Equipment	40,940	88,704	211,065	417,803	540,524
Other Non-Current Assets	3,303	4,647	5,022	205,121	205,121
Trade Receivables	14,058	34,006	21,437	27,835	32,129
Cash & Equivalents	16,346	25,832	35,321	60,665	82,416
Other Current Assets	49,277	48,023	33,401	45,454	55,480
Total Assets	123,924	201,212	306,246	756,878	915,670
Long-Term Debt	61,041	120,842	217,266	365,032	451,439
Other Non-Current Liabilities	2,176	2,954	3,204	12,751	13,295
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	36,027	42,696	21,890	34,921	45,493
Total Liabilities	99,244	166,492	242,359	412,705	510,228
Total Equity	24,680	34,719	63,887	344,174	405,442
Total Equity & Liabilities	123,924	201,212	306,246	756,878	915,670

### iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	9.8%	7.2%	7.0%	7.9%	9.9%
Return On Equity	23.6%	16.7%	26.5%	14.0%	14.1%
Operating Margin	3.4%	3.5%	7.2%	13.0%	21.2%
EBITDA Margin	3.6%	3.8%	7.9%	14.7%	23.8%

### iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	1.0x	-1.4x	2.0x	1.6x	1.5x
Asset Replacement Ratio	NM	NM	NM	38.2x	11.8x
Tax Rate (Reported)	13.1%	15.4%	17.9%	17.8%	18.0%
Net Debt-to-Equity Ratio	181.1%	273.7%	284.8%	88.4%	91.0%
Interest Cover	1.7x	1.6x	2.7x	3.4x	4.2x

### Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

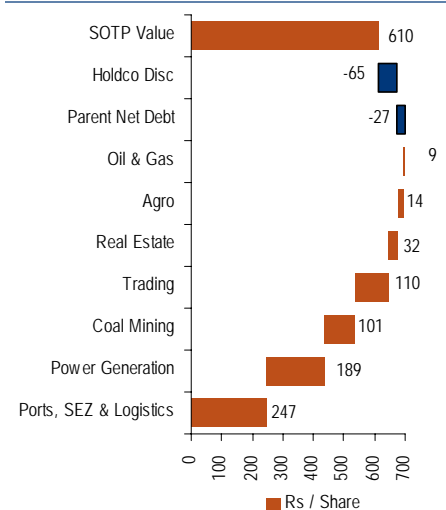
### Company Description

Adani Enterprises Ltd (ADE) is an infra & trading conglomerate. It has interest in power generation & trading, coal mining & trading, oil & gas exploration, city gas distribution, bunkering, ports, SEZ, real estate and agro.

### Investment Thesis

Adani Enterprises is a buy driven by a) multifold scale-up in its IPP to 9.2GW by FY14E and more than doubling of MPSEZ revenues on 2.4x of port traffic & pick-up in SEZ monetization, b) kick-start of domestic coal mining to reach peak production of 70mtpa by FY18E and leadership in coal imports, makes ADE one of the few large plays on coal in India, Promoters entrepreneurial acumen is the key driver of value creation.

### Chart 1: ADE: SOTP valuation



Source: BofA Merrill Lynch Global Research

### Stock Data

Price to Book Value 7.1x

26 April 2010

**Table 1: ADE - Sum of the Parts Valuation**

Parts	ADE's Stake %	Valuation basis	PE multiple	Rf (%)	Beta (x)	ERP (%)	CoE (%)	Total Value (Rs mn)	ADE's Eq Value (Rs mn)	Rs / share	% of SOTP
<b>Ports, Logistics &amp; SEZ</b>								<b>336,363</b>	<b>254,408</b>	<b>247</b>	<b>40.5%</b>
- MPSEZ - Mundra Port	77.5%	DCF at CoE of 12.5%	At 24.2x P/E of FY12E	8.0%	0.8	5.5%	12.5%	255,282	197,827	192	31.5%
- MPSEZ - SEZ	77.5%	DCF at CoE of 14.9%	At 17.4x P/E of FY12E	8.0%	1.2	6.0%	14.9%	48,107	37,280	36	5.9%
- APPL - Dahej Port	57.3%	DCF at CoE of 13.4%	At 34.9x P/E of FY13E	8.0%	0.9	6.0%	13.4%	24,872	14,263	14	2.3%
- Mormugao Port	77.5%	DCF at CoE of 14%	At 19x P/E of FY14E	8.0%	1.0	6.0%	14.0%	4,402	3,411	3	0.5%
- ICPL - ICDS	77.5%	Book Value						1,408	1,091	1.1	0.2%
- ALL - Container Rail	77.5%	Book Value						293	227	0.2	0.0%
- KRCL	15.5%	Book Value						2,000	310	0.3	0.0%
<b>Power Generation</b>								<b>327,551</b>	<b>194,789</b>	<b>189</b>	<b>31.0%</b>
- APL - Mundra Ph I, II & III	70.3%	DCF at CoE of 13.2%	At 3.6x P/E of FY12E	7.8%	0.9	6.0%	13.2%	65,695	46,150	45	7.3%
- APL - Mundra Ph IV	70.3%	DCF at CoE of 14.3%	At 9.5x P/E of FY12E	7.8%	1.0	6.5%	14.3%	49,120	34,506	34	5.5%
- APL - Tiroda Ph I, II & III	52.0%	DCF at CoE of 13.7%	At 32.4x P/E of FY12E	7.8%	0.9	6.5%	13.7%	193,353	100,515	98	16.0%
- APRL - Kawai	70.3%	DCF at CoE of 13.7%	At 7.3x P/E of FY14E	7.8%	0.9	6.5%	13.7%	19,384	13,617	13	2.2%
<b>Coal Mining</b>								<b>103,500</b>	<b>103,500</b>	<b>101</b>	<b>16.5%</b>
- Bunyu	100.0%	DCF at CoE of 17.1%	At 10.1x P/E of FY12E	8.0%	1.3	7.0%	17.1%	18,432	18,432	18	2.9%
- Parsa & Kente (AMPL)	100.0%	DCF at CoE of 16.5%	At 23x P/E of FY12E	8.0%	1.3	6.5%	16.5%	15,381	15,381	15	2.4%
- Machhakata	100.0%	DCF at CoE of 16.5%	At 12.1x P/E of FY15E	8.0%	1.3	6.5%	16.5%	65,956	65,956	64	10.5%
- Parsa	100.0%	DCF at CoE of 16.5%	At 9.2x P/E of FY15E	8.0%	1.3	6.5%	16.5%	3,731	3,731	4	0.6%
<b>Trading</b>								<b>113,592</b>	<b>113,592</b>	<b>110</b>	<b>18.1%</b>
- Coal Trading	100.0%	DCF at CoE of 16.4%	At 9x P/E of FY12E	8.0%	1.4	6.0%	16.4%	101,649	101,649	99	16.2%
- Power Trading	100.0%	DCF at CoE of 16.4%	At 15x P/E of FY12E	8.0%	1.4	6.0%	16.4%	125	125	0.1	0.0%
- Scrap Trading	100.0%	DCF at CoE of 16.4%	At 8.5x P/E of FY12E	8.0%	1.4	6.0%	16.4%	5,179	5,179	5	0.8%
- Metal Trading	100.0%	DCF at CoE of 16.4%	At 7.1x P/E of FY12E	8.0%	1.4	6.0%	16.4%	3,775	3,775	4	0.6%
- Agro Trading	100.0%	DCF at CoE of 16.4%	At 4.9x P/E of FY12E	8.0%	1.4	6.0%	16.4%	2,863	2,863	3	0.5%
<b>Real Estate</b>								<b>41,452</b>	<b>32,742</b>	<b>32</b>	<b>5.2%</b>
- Bandra Kurla Complex	95.0%	DCF at CoE of 14.6%	At 9.5x P/E of FY14E	8.0%	1.1	6.0%	14.6%	18,653	17,720	17	2.8%
- Shantigram - Phase I	71.3%	DCF at CoE of 14.6%	At 12.3x P/E of FY12E	8.0%	1.1	6.0%	14.6%	2,923	2,083	2	0.3%
- Shantigram - Other	71.3%	29.6mn sq ft at Rs300/sq ft on Land sale basis						8,880	6,327	6	1.0%
- Khatau - Byculla	57.0%	DCF at CoE of 15.8%	At 5.7x P/E of FY13E	8.0%	1.3	6.0%	15.8%	5,526	3,150	3	0.5%
- Khatau - Borivali	57.0%	DCF at CoE of 15.8%	At 1.3x P/E of FY14E	8.0%	1.3	6.0%	15.8%	4,671	2,662	3	0.4%
- Kochi Land bank	100.0%	31.3 acres at Book Value						800	800	1	0.1%
<b>Agro</b>								<b>24,065</b>	<b>14,688</b>	<b>14</b>	<b>2.3%</b>
- AALL - Grain Silos	100.0%	DCF at CoE of 12.8%	At 15.8x P/E of FY12E	8.0%	0.8	6.0%	12.8%	4,464	4,464	4	0.7%
- AWL - Edible Oil	50.0%	DCF at CoE of 15.2%	At 9.1x P/E of FY12E	8.0%	1.2	6.0%	15.2%	18,754	9,377	9	1.5%
- AAFL - CASF	100.0%	DCF at CoE of 15.2%	At 12.4x P/E of FY12E	8.0%	1.2	6.0%	15.2%	847	847	1	0.1%
<b>Oil &amp; Gas</b>								<b>13,472</b>	<b>9,350</b>	<b>9</b>	<b>1.5%</b>
- AGL - City Gas	100.0%	DCF at CoE of 15.2%	At 10.3x P/E of FY12E	8.0%	1.2	6.0%	15.2%	5,195	5,195	5	0.8%
- CAPL - Bunkering	50.0%	DCF at CoE of 15.2%	At 19.8x P/E of FY12E	8.0%	1.2	6.0%	15.2%	8,168	4,084	4	0.6%
- AWEL - Exploration	65.0%	Book Value						110	71	0.1	0.0%
<b>Total</b>								<b>959,996</b>	<b>723,069</b>	<b>702</b>	<b>115.1%</b>
Less: Net Debt (Parent)	100.0%							(27,330)	(27,330)	(27)	-4.3%
Less: Holding Co. Discount	67.7%	At 15% of Adani Power & MPSEZ Value						(99,587)	(67,380)	(65)	-10.7%
<b>Total</b>								<b>833,078</b>	<b>628,359</b>	<b>610</b>	<b>100.0%</b>

Source: BofA Merrill Lynch Global Research

**Table 2: Adani Enterprises - Cons. Profit & Loss Statement**

<b>FY ends Mar31st, (Rs mn)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
<b>Sales &amp; Operating Income</b>	<b>196,097</b>	<b>262,583</b>	<b>251,904</b>	<b>336,612</b>	<b>426,336</b>
- Growth %	15.7%	33.9%	-4.1%	33.6%	26.7%
<b>Total Expenditure</b>	<b>188,941</b>	<b>252,563</b>	<b>232,100</b>	<b>287,059</b>	<b>324,778</b>
- % of Op. Revenue	96.4%	96.2%	92.1%	85.3%	76.2%
<b>EBITDA</b>	<b>7,157</b>	<b>10,020</b>	<b>19,804</b>	<b>49,553</b>	<b>101,558</b>
EBITDA Margin	3.6%	3.8%	7.9%	14.7%	23.8%
- Growth %	52%	40%	98%	150%	105%
Depreciation	448	822	1,660	5,737	11,351
<b>EBIT</b>	<b>6,709</b>	<b>9,198</b>	<b>18,143</b>	<b>43,816</b>	<b>90,207</b>
EBIT Margin	3.4%	3.5%	7.2%	13.0%	21.2%
Other Income	390	146	359		
- Interest Income	1,446	1,307	726	4,362	5,460
- Interest Expenses	4,045	5,583	6,706	12,809	21,684
<b>PBT</b>	<b>4,500</b>	<b>5,068</b>	<b>12,521</b>	<b>35,368</b>	<b>73,983</b>
PBT Margin	2.3%	1.9%	5.0%	10.5%	17.4%
<b>Total Tax</b>	<b>591</b>	<b>782</b>	<b>2,241</b>	<b>6,290</b>	<b>13,340</b>
Effective tax rate	13.1%	15.4%	17.9%	17.8%	18.0%
<b>Rec PAT before Minority</b>	<b>3,908</b>	<b>4,286</b>	<b>10,280</b>	<b>29,078</b>	<b>60,644</b>
Rec PAT Margin before minority	2.0%	1.6%	4.1%	8.6%	14.2%
Share of profits from associates	0	0	0	0	0
Share of Minority Interest	(63)	(8)	(1,096)	(5,040)	(14,596)
<b>Rec PAT after Minority</b>	<b>3,846</b>	<b>4,279</b>	<b>9,184</b>	<b>24,038</b>	<b>46,048</b>
Rec PAT Margin after minority	2.0%	1.6%	3.6%	7.1%	10.8%
- Growth %	246.7%	11.3%	114.7%	161.7%	91.6%
<b>Extraordinary &amp; Exceptionals</b>	<b>(148)</b>	<b>768</b>	<b>197</b>	<b>0</b>	<b>0</b>
<b>Rep. PAT</b>	<b>3,698</b>	<b>5,047</b>	<b>9,381</b>	<b>24,038</b>	<b>46,048</b>
Rep PAT Margin	1.9%	1.9%	3.7%	7.1%	10.8%

Source: Company, BofA Merrill Lynch Global Research

**Table 3: Adani Enterprises - Cons. Balance Sheet**

FY ends Mar31st, (Rs mn)	FY08	FY09	FY10E	FY11E	FY12E
<b>Share Capital</b>	<b>247</b>	<b>247</b>	<b>498</b>	<b>1,029</b>	<b>1,029</b>
Share Appl. Money	76	3	3	3	3
Reserve & Surplus	20,927	29,940	39,030	303,248	348,694
Misc. Expenditure	(72)	(239)	(239)	(239)	(239)
<b>Networth</b>	<b>21,177</b>	<b>29,950</b>	<b>39,292</b>	<b>304,041</b>	<b>349,486</b>
<b>Total Loans</b>	<b>61,041</b>	<b>120,842</b>	<b>217,266</b>	<b>365,032</b>	<b>451,439</b>
Minority Interest	3,503	4,769	24,595	40,133	55,955
DTL / Other Liab	394	522	773	10,320	10,864
<b>Total Networth &amp; LT Liabilities</b>	<b>86,115</b>	<b>156,084</b>	<b>281,925</b>	<b>719,526</b>	<b>867,745</b>
<b>Gross Block</b>	<b>9,275</b>	<b>21,305</b>	<b>66,321</b>	<b>189,906</b>	<b>408,054</b>
Less: Accumulated Dep.	1,153	2,121	4,061	16,734	28,097
<b>Net Block</b>	<b>8,122</b>	<b>19,185</b>	<b>62,260</b>	<b>173,172</b>	<b>379,956</b>
CWIP	29,843	69,520	148,805	244,630	160,568
Pre-op. Exp pending Capitalisation	2,975	0	0	0	0
Goodwill on consolidation	0	0	0	195,051	195,051
Investments	3,303	4,647	5,022	10,070	10,070
Inventories	32,695	30,983	21,843	28,123	35,811
Receivables	14,058	34,006	21,437	27,835	32,129
Cash & Bank Balance	16,346	25,832	35,321	60,665	82,416
Loans & Advances	16,583	17,039	11,558	17,331	19,669
<b>Total Current Assets</b>	<b>79,682</b>	<b>107,860</b>	<b>90,159</b>	<b>133,955</b>	<b>170,025</b>
Current Liabilities	36,027	42,696	21,890	34,921	45,493
Provisions	1,782	2,431	2,431	2,431	2,431
<b>Total Current Liab. &amp; Provisions</b>	<b>37,809</b>	<b>45,128</b>	<b>24,321</b>	<b>37,352</b>	<b>47,925</b>
<b>Net Current Assets</b>	<b>41,873</b>	<b>62,733</b>	<b>65,838</b>	<b>96,603</b>	<b>122,100</b>
<b>Total Assets</b>	<b>86,115</b>	<b>156,084</b>	<b>281,925</b>	<b>719,526</b>	<b>867,745</b>

Source: Company, BofA Merrill Lynch Global Research

**Table 4: Adani Enterprises - Cons. Cash Flow Statement**

FY ends Mar31st, (Rs mn)	FY08	FY09	FY10E	FY11E	FY12E
<b>PBT</b>	<b>4,500</b>	<b>5,068</b>	<b>12,521</b>	<b>35,368</b>	<b>73,983</b>
Less: Tax paid	(541)	(672)	(2,241)	(6,290)	(13,340)
Add: Depreciation	448	822	1,660	5,737	11,351
- Changes in Inventory	(14,704)	1,711	9,140	(6,280)	(7,688)
- Changes in Receivables	10,126	(19,947)	12,569	(6,399)	(4,293)
- Changes in Loans & Advances	(9,946)	(457)	5,481	(5,773)	(2,338)
- Changes in Current Liab.	13,306	6,669	(20,807)	13,031	10,573
- Changes in Provisions	740	649	0	0	0
<b>Changes in Working Capital</b>	<b>(478)</b>	<b>(11,374)</b>	<b>6,384</b>	<b>(5,420)</b>	<b>(3,747)</b>
Changes in Deferred Tax Liab.	82	19	251	9,547	544
<b>Cash from Operations</b>	<b>4,010</b>	<b>(6,138)</b>	<b>18,575</b>	<b>38,942</b>	<b>68,791</b>
Capex	(27,770)	(48,732)	(124,301)	(219,411)	(134,085)
Changes in Investments	(3,175)	(1,344)	(375)	(5,047)	(0)
Others	44	913	477	(188,114)	12
<b>Cash from Investing activities</b>	<b>(30,901)</b>	<b>(49,163)</b>	<b>(124,200)</b>	<b>(412,573)</b>	<b>(134,072)</b>
Changes in Share Capital & App. Money	74	(74)	251	531	0
Changes in Reserve & Surplus	6,109	4,089	0	240,782	0
Changes in Minority	3,399	1,258	18,730	10,497	1,227
Changes in Debt	17,512	59,801	96,423	147,767	86,407
Dividend paid	(173)	(289)	(291)	(602)	(602)
<b>Cash from Financing activities</b>	<b>26,921</b>	<b>64,786</b>	<b>115,113</b>	<b>398,976</b>	<b>87,032</b>
<b>Changes in Cash &amp; Bank balance</b>	<b>30</b>	<b>9,486</b>	<b>9,489</b>	<b>25,345</b>	<b>21,750</b>
Opening Cash Balance	16,316	16,346	25,832	35,321	60,665
<b>Closing Cash Balance</b>	<b>16,346</b>	<b>25,832</b>	<b>35,321</b>	<b>60,665</b>	<b>82,416</b>

Source: Company, BofA Merrill Lynch Global Research

Table 5: Adani Enterprises - Cons. Key Ratio & Valuations

FY ends Mar31st, (Rs mn)	FY08	FY09	FY10E	FY11E	FY12E
CMP (Rs)	563	563	563	563	563
Shares O/s (mn)	493	493	498	1,029	1,029
Market Cap (Rs mn)	277,460	277,573	280,289	579,290	579,290
Networth (Rs mn)	21,177	29,950	39,292	304,041	349,486
Rec EPS (Rs)	7.8	8.7	18.4	23.4	44.7
Growth %	246.7%	11.2%	112.6%	26.6%	91.6%
Rec P/E (x)	72.1	64.9	30.5	24.1	12.6
CEPS (Rs)	8.8	10.6	21.8	28.9	55.8
P/CEPS (x)	63.9	53.3	25.8	19.5	10.1
BV (Rs)	43.0	60.7	78.9	295.4	339.5
P/BV (x)	13.1	9.3	7.1	1.9	1.7
DPS (Rs)	0.3	0.5	0.5	0.5	0.5
Yield %	0.1%	0.1%	0.1%	0.1%	0.1%
Net Debt (Rs mn)	44,695	95,010	181,945	304,367	369,024
Net Debt / Equity (x)	2.1	3.2	4.6	1.0	1.1
Net Debt / EBITDA (x)	6.2	9.5	9.2	6.1	3.6
EV (Rs mn)	325,659	377,353	486,829	923,790	1,004,269
EV / EBITDA (x)	45.5	37.7	24.6	18.6	9.9
<b>Dupont Analysis</b>					
RoE %	23.6%	16.7%	26.5%	14.0%	14.1%
- PAT/EBIT %	57.3%	46.5%	50.6%	54.9%	51.0%
- EBIT/Sales %	3.4%	3.5%	7.2%	13.0%	21.2%
- Sales / Avg Total Assets %	277.3%	216.8%	115.0%	67.2%	53.7%
- Total Assets / Total Liabilities %	433.2%	473.7%	632.6%	291.7%	242.9%
RoCE %	8.7%	6.5%	6.9%	7.2%	9.3%
Interest Coverage (x)	0.6	0.7	0.4	0.3	0.3
PO (Rs)	610	610	610	610	610
P/E at PO (x)	78.2	70.3	33.1	26.1	13.6
P/BV at PO (x)	14.2	10.0	7.7	2.1	1.8
<b>Calculation ex-Goodwill</b>					
Networth (Rs mn)	21,177	29,950	39,292	108,990	154,436
Capital Employed (Rs mn)	86,115	156,084	281,925	524,475	672,694
BV (Rs)	43.0	60.7	78.9	105.9	150.0
P/BV (x)	13.1	9.3	7.1	5.3	3.8
Net Debt / Equity (x)	2.1	3.2	4.6	2.8	2.4
RoE %	23.6%	16.7%	26.5%	32.4%	35.0%
RoCE %	8.7%	6.5%	6.9%	8.9%	12.4%
P/BV at PO (x)	14.2	10.0	7.7	5.8	4.1

Source: BofA Merrill Lynch Global Research

## Price objective basis & risk

### Adani Enterprises Ltd. (ANIEF)

Our PO of Rs610 (Rs590) for ADE is based on SOTP valuation. We have valued ADE 60-77.5% stake in Port and SEZ business at Rs247 (Rs244) per share based on DCF (CoE 12.5-14.9%) / Book value. We have valued ADE 52-70.3% stake in Power Generation business at Rs189 (Rs183) per share based on DCF at CoE of 13.2-14.3%. The 100% stake in Coal mining business is valued at Rs101 (Rs94) per share based on DCF at CoE of 16.5-17.1%. The 100% stake in Trading business is valued at Rs110 (Rs106) per share. The 57-100% stake in Real Estate business is valued at Rs32 (Rs30) per share based on DCF (CoE 14.6-15.8%) / Book value. The 50-100% stake in Agro business is valued at Rs14 per share based on DCF. The 50-100% stake in Oil & Gas business is valued at Rs9 per share based on DCF (CoE 15.2%) / Book value. This sum upto Rs702 per share. Removing Parent Net Debt of Rs27 (Rs26) per share and 15% Holding company discount on APL and MPSEZ of Rs65 (Rs64) per share we arrive our SOTP value of Rs610 per share. Risk: Project execution risks, Financial risks, global recession impacting traffic at ports, slow private capex at SEZs, Imported coal exposes it to potential country, currency and freight risks and fall in power rates on potential match of demand-supply of power in India.

## Link to Definitions

### Industrials

Click [here](#) for definitions of commonly used terms.

## Analyst Certification

I, Bharat Parekh, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India.

American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction.

Global Depository Receipts (GDR) and the Global Depository Shares of Indian companies, Indian limited liability corporations, have not been registered under the U.S. Securities Act of 1933, as amended, and may only be transacted by persons in the United States who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the Securities Act. Accordingly, no copy of any research report on Indian companies' GDRs will be made available to persons who are not QIBs.

BofA Merrill Lynch has provided fairness opinion to Adani Enterprise Limited in relation to valuation of assets / shares for the scheme of Amalgamation, which was announced on 24 April 2010.

26 April 2010

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Manish Sarawagi
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFF	LANCI IN	Manish Sarawagi
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
<b>NEUTRAL</b>				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
<b>UNDERPERFORM</b>				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Manish Sarawagi
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
<b>RVW</b>				
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde

**iQmethod<sup>SM</sup> Measures Definitions**

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Merrill Lynch.

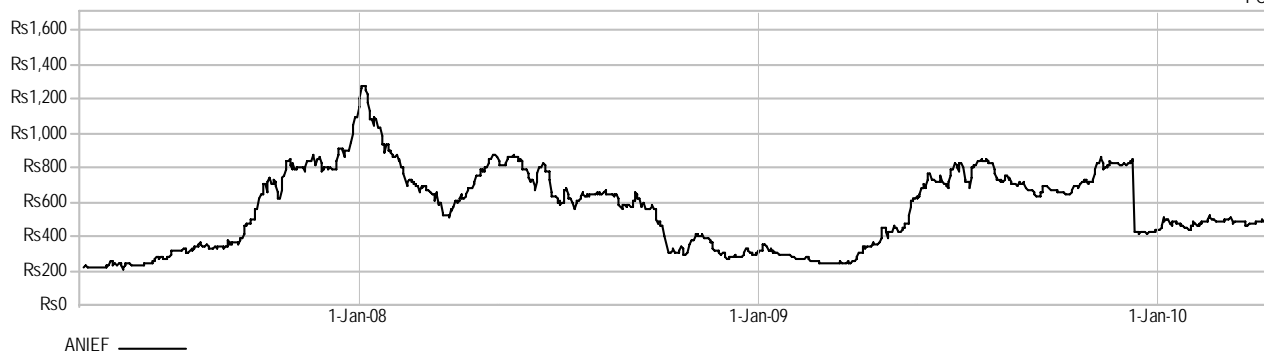
iQprofile<sup>SM</sup>, iQmethod<sup>SM</sup> are service marks of Merrill Lynch & Co., Inc. iQdatabase<sup>®</sup> is a registered service mark of Merrill Lynch & Co., Inc.



## Important Disclosures

### ANIEF Price Chart

20-Apr:B  
Parekh  
PO:Rs590



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

\*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2010 or such later date as indicated.

BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website.\*

### Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	39	52.00%	Buy	19	59.38%
Neutral	13	17.33%	Neutral	10	83.33%
Sell	23	30.67%	Sell	5	27.78%

### Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

\* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

\* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofAML Comment referencing the stock.

In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: Adani Entp.

MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company or an affiliate of the company within the next three months: Adani Entp.

The country in which this company is organized has certain laws or regulations that limit or restrict ownership of the company's shares by nationals of other countries: Adani Entp.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking revenues.

## Other Important Disclosures

**BofA Merrill Lynch (BofAML) Research refers to the combined Global Research operations of Merrill Lynch and BAS.**

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

"Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates, including BofA (defined below). "BofA" refers to Banc of America Securities LLC ("BAS"), Banc of America Securities Limited ("BASL") and their affiliates. Investors should contact their Merrill Lynch or BofA representative if they have questions concerning this report.

**Information relating to Non-US affiliates of Merrill Lynch and Distribution of Affiliate Research Reports:**

MLPF&S, BAS, and BASL distribute, or may in the future distribute, research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International, Dubai Branch; MLPF&S Zürich rep. office: MLPF&S Incorporated Zürich representative office; Merrill Lynch (Spain): Merrill Lynch Capital Markets Espana, S.A.S.V.; Merrill Lynch (Brazil): Banco Merrill Lynch de Investimentos S.A.

This note has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited and BASL, which are authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd and Banc of America Securities – Japan, Inc., registered securities dealers under the Financial Instruments and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited and Banc of America Securities Asia Limited, which are regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd and Bank of America Singapore Limited (Merchant Bank) are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 provides this note in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this note is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this note in Brazil.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person (other than BAS, BAI and their respective clients) receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

BAS distributes this research report to its clients and accepts responsibility for the distribution of this report in the US to BAS clients. Transactions by US persons that are BAS clients in any security discussed herein must be carried out through BAS.

**General Investment Related Disclosures:**

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by Merrill Lynch entities located outside of the United Kingdom. These disclosures should be read in conjunction with the BASL general policy statement on the handling of research conflicts, which is available upon request.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. Merrill Lynch may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

Merrill Lynch, through business units other than BofAML Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

In the event that the recipient received this report pursuant to a contract between the recipient and MLPF&S for the provision of research services for a separate fee, and in connection therewith MLPF&S may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom MLPF&S has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by MLPF&S). MLPF&S is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities mentioned in this report.

**Copyright and General Information regarding Research Reports:**

Copyright 2010 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites and other portals by Merrill Lynch and are not publicly-available materials. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining expressed permission from an authorized officer of Merrill Lynch.

Materials prepared by Merrill Lynch research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Merrill Lynch, including investment banking personnel. Merrill Lynch has established information barriers between BofAML Research and certain business groups. As a result, Merrill Lynch does not disclose certain client relationships with, or compensation received from, such companies in research reports.

To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. Merrill Lynch research personnel's knowledge of legal proceedings in which any Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of MLPF&S, any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). Merrill Lynch policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This report may contain links to third-party websites. Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and Merrill Lynch policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent research report relating to a company or issuer prior to making an investment decision.

In some cases, a company or issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such company or issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BAS, MLPF&S or any of their affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither Merrill Lynch nor any officer or employee of Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.