

# 2-year EPS CAGR to FY11E 34% despite earnings cut

## FY10-FY11E EPS cut but 2 year EPS CAGR still 34%; Buy

FY10E Brent price forecast has been raised by 12% to US\$56/bbl. This should have meant 2% upgrade in RIL's EPS. However, a cut in KG D6 gas production rate now assumed by us has meant 6% cut in RIL's EPS. FY11E Brent price has been cut by 11% to US\$62/bbl. This has meant just 2% cut in RIL's EPS given its low sensitivity to oil prices. RIL's PO is also cut by 3% to Rs1,540/share as E&P valuation is cut to factor lower oil price and lower gas output now assumed in FY10E. RIL's strong earnings growth story due to KG D6 gas and new refinery is intact, in our view, with 2-year EPS CAGR to FY11E still at 34%. We retain Buy on RIL

## FY10E EPS cut as KG D6 gas output rate cut to 45mmcmd

RIL has guided that KG D6 gas should ramp up to peak rate of 80mmcmd by March 2010. However, KG D6 average gas production rate in FY10E may be lower than 60mmcmd assumed earlier by us. We have now cut average gas production rate to 45mmcmd. This has meant 6% cut in its FY10E EPS.

## Upside risk to FY10E EPS from weaker rupee

RIL's FY10E EPS is based on rupee at Rs46 vis-à-vis US dollar. The rupee is currently far weaker at over Rs51. RIL gains from a weaker rupee. Its FY10E EPS would be 11% higher than base case at Rs143.7/share if rupee averages Rs50.

## PO cut by 3% to Rs1,540; E&P valuation cut 5% to Rs814

Cut in oil price assumption and lower gas production in FY10E than earlier assumed has meant cut in RIL's E&P valuation by 5% to Rs814/share from Rs855/share earlier. This has led to a cut in RIL's PO by 3% to Rs1,540/share. Our PO is based on exchange rate of Rs46. It would be 10% higher, at Rs1,691/share, if Rs50 is taken as exchange rate to calculate PO.

## Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	125,476	153,244	158,981	212,607	284,813
EPS	86.34	105.44	96.79	129.43	173.39
EPS Change (YoY)	26.6%	22.1%	-8.2%	33.7%	34.0%
Dividend / Share	9.91	11.00	12.00	15.00	15.00
Free Cash Flow / Share	(105.18)	(68.52)	11.05	95.34	92.09
GDR EPS (US\$)	3.82	5.24	3.76	5.03	6.74
GDR Dividend / Share (US\$)	0.438	0.546	0.466	0.583	0.583

## Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	15.42x	12.63x	13.76x	10.29x	7.68x
Dividend Yield	0.744%	0.826%	0.901%	1.13%	1.13%
EV / EBITDA*	13.06x	11.62x	11.02x	8.75x	6.59x
Free Cash Flow Yield*	-6.99%	-4.55%	0.830%	7.16%	6.92%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 4.

Equity | India | Chemicals-Specialty  
19 March 2009



## RESEARCH

Vidyadhar Ginde >> +91 22 6632 8673

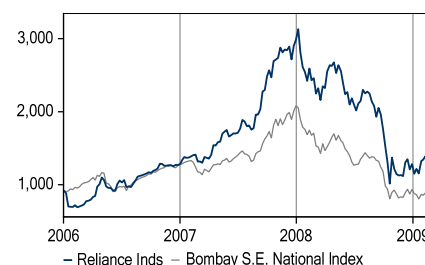
Research Analyst  
DSP Merrill Lynch (India)  
vidyadhar\_ginde@ml.com

Himanshu Bindal >> +91 22 66328684

Research Analyst  
DSP Merrill Lynch (India)  
himanshu\_bindal@ml.com

## Stock Data

Price (Common / GDR)	Rs1,331 / US\$51.80
Price Objective	Rs1,581 to Rs1,540/ US\$68.75 to US\$66.98
Date Established	19-Mar-2009 / 19-Mar-2009
Investment Opinion	B-1-7 / B-1-7
Volatility Risk	MEDIUM / MEDIUM
52-Week Range	Rs930.00-Rs3,026
Market Value (mn)	US\$42,639
Shares Outstanding (mn)	1,642.6 / 821.3
Average Daily Volume	6,190,141
ML Symbol / Exchange	XRELF / BSE
ML Symbol / Exchange	RLNIY / LIN
Bloomberg / Reuters	RIL IN / RELI.BO
ROE (2009E)	16.0%
Net Dbt to Eqty (Mar-2008A)	52.3%
Est. 5-Yr EPS / DPS Growth	0.2% / 0.1%
Free Float	45.0%



>> 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 5 to 8. Analyst Certification on Page 3. Price Objective Basis/Risk on page 3.

19 March 2009

## iQprofile<sup>SM</sup> Reliance Industries Ltd.

### Key Income Statement Data (Mar)

	2007A	2008A	2009E	2010E	2011E
<b>(Rs Millions)</b>					
Sales	1,137,701	1,371,467	1,294,339	1,577,643	1,808,231
Gross Profit	347,532	373,835	391,404	471,070	599,606
Sell General & Admin Expense	(141,526)	(142,389)	(147,406)	(163,752)	(191,466)
Operating Profit	157,011	181,404	194,256	225,251	317,868
Net Interest & Other Income	(5,814)	1,369	558	8,943	(3,030)
Associates	NA	NA	NA	NA	NA
Pretax Income	151,198	182,773	194,813	234,194	314,837
Tax (expense) / Benefit	(25,723)	(29,511)	(35,832)	(21,588)	(30,025)
Net Income (Adjusted)	125,476	153,244	158,981	212,607	284,813
Average Fully Diluted Shares Outstanding	1,453	1,453	1,643	1,643	1,643

### Key Cash Flow Statement Data

Net Income	125,476	153,244	158,981	212,607	284,813
Depreciation & Amortization	48,995	50,042	49,742	82,067	90,272
Change in Working Capital	(42,218)	(108,528)	59,634	48,132	(22,031)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	15,469	50,067	9,401	4,318	6,005
Cash Flow from Operations	147,722	144,824	277,759	347,123	359,058
Capital Expenditure	(300,591)	(244,405)	(259,613)	(190,511)	(207,791)
(Acquisition) / Disposal of Investments	13,988	(42,548)	(13,381)	0	(5,000)
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(286,603)	(286,953)	(272,994)	(190,511)	(212,791)
Shares Issue / (Repurchase)	59,248	(181)	168,932	0	0
Cost of Dividends Paid	(30,247)	(2,764)	(17,016)	(22,477)	(28,096)
Cash Flow from Financing	132,088	167,500	58,376	(42,477)	(90,096)
Free Cash Flow	(152,870)	(99,580)	18,146	156,612	151,267
Net Debt	317,144	462,219	305,538	171,403	53,231
Change in Net Debt	109,881	145,075	(156,681)	(134,136)	(118,172)

### Key Balance Sheet Data

Property, Plant & Equipment	911,669	1,127,466	1,337,337	1,445,780	1,563,299
Other Non-Current Assets	52,680	95,229	108,610	108,610	113,610
Trade Receivables	38,314	60,683	57,270	92,475	105,411
Cash & Equivalents	19,370	44,742	107,882	222,018	278,190
Other Current Assets	273,475	409,464	341,853	220,094	247,542
Total Assets	1,295,508	1,737,583	1,952,952	2,088,977	2,308,052
Long-Term Debt	252,288	390,744	306,561	291,561	254,561
Other Non-Current Liabilities	69,905	77,983	87,385	91,702	97,707
Short-Term Debt	84,227	116,217	106,860	101,860	76,860
Other Current Liabilities	202,516	268,667	262,737	229,934	248,287
Total Liabilities	608,936	853,611	763,543	715,057	677,415
Total Equity	686,572	883,972	1,189,409	1,373,920	1,630,637
Total Equity & Liabilities	1,295,508	1,737,583	1,952,952	2,088,977	2,308,052

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

Return On Capital Employed	14.4%	12.2%	10.6%	12.2%	14.9%
Return On Equity	22.6%	20.5%	16.0%	17.1%	19.5%
Operating Margin	13.8%	13.2%	15.0%	14.3%	17.6%
EBITDA Margin	18.1%	16.9%	18.9%	19.5%	22.6%

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

Cash Realization Ratio	1.2x	0.9x	1.7x	1.6x	1.3x
Asset Replacement Ratio	6.1x	4.9x	5.2x	2.3x	2.3x
Tax Rate (Reported)	17.0%	16.1%	18.4%	9.2%	9.5%
Net Debt-to-Equity Ratio	46.2%	52.3%	25.7%	12.5%	3.3%
Interest Cover	12.7x	16.7x	11.8x	13.3x	15.9x

### Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

### Company Description

India's largest petchem and second largest refining company, Reliance, owns a 660kbpd refinery. Along with RPL, its total refining capacity would be 1.2mbpd by 2009. It also has a 900ktpa cracker, 1mtpa polyester, 1.9mtpa polymer and over 3mtpa of fibre intermediate capacities. Refining contributes 55% to revenues with petchem contributing 43%. The company has discovered gas with initial inplace reserves of over 40tcf on the East Coast.

### Investment Thesis

Share price drivers are (1) Very strong earnings growth in FY10E, (2) large reserve accretion potential, and (3) upside to valuation on diversification into organized retail (valued at Rs102/share) and SEZ (not valued). RIL's 2P reserves and resources of 4.7bn boe are from exploration of just 5pct of its Indian acreage. It is embarking on a US\$4bn exploration program of its highly prospective acreage. We believe positive news flow by way of more discoveries and reserve accretion will continue.

### Stock Data

Shares / GDR	2.00
Price to Book Value	1.9x

## Price objective basis & risk

### Reliance Inds (XRELF / RLNIY)

Our PO of Rs1,540 (GDR US\$66.98) is based on a sum of parts valuation. The value of the refining and petrochemical business has been calculated on an EV/EBITDA basis using a multiple of 7-8x on FY10E EBITDA. Oil and gas reserves and resources, as well as its retail business, are valued on a DCF basis using WACC of 11.8pct. Refining and marketing is 25pct of PO, E&P valuation (Rs814) 53pct, petrochemicals 15pct and organized retail 6pct. Risks are (1) Decline in refining and petrochemical margins being steeper than expected, (2) Lower than expected oil price. (3) Huge disappointments on the E&P front as we have valued exploration upside of Rs136/share, (4) Failure in the retail business, and (5) Changes in government policies (eg, withdrawal of the tax holiday) which may have a direct impact on the business, cash flow and profit.

## Analyst Certification

I, Vidyadhar Ginde, 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

DSP Merrill Lynch is providing fairness opinion to the Board of Directors of Reliance Industries Limited in connection with its proposed merger of Reliance Petroleum Limited, which was announced on 2 Mar 2009.

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 Depositary Receipts (GDR) and the Global Depositary 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.

19 March 2009

**APR - Energy Coverage Cluster**

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Cairn India	XCANF	CAIR IN	Vidyadhar Ginde
	Hindustan Petro.	XHTPF	HPCL IN	Vidyadhar Ginde
	IOC	IOCOF	IOCL IN	Vidyadhar Ginde
	ONGC	ONGCF	ONGC IN	Vidyadhar Ginde
	Reliance Inds	XRELF	RIL IN	Vidyadhar Ginde
	Reliance Inds -G	RLNIY	RIGD LI	Vidyadhar Ginde
<b>NEUTRAL</b>				
	Aban Offshore L	XBWTF	ABAN IN	Vidyadhar Ginde
	BPCL	XBPCF	BPCL IN	Vidyadhar Ginde
	Shell Refining	SRMMF	SHELL MK	Sonia Song
<b>UNDERPERFORM</b>				
	Formosa Chems	XFUMF	1326 TT	Sonia Song
	Formosa Petro	FPTCF	6505 TT	Sonia Song
	Formosa Plastics	FSAPF	1301 TT	Sonia Song
	GS Holdings Corp	GSHDF	078930 KS	Duke Suttikulpanich
	Hanwha Chem Corp	HAYCF	009830 KS	Stephan Han
	Honam Petrochem	HBBHF	011170 KS	Stephan Han
	LG Chem Ltd	LGCLF	051910 KS	Stephan Han
	Nan Ya Plastics	NNYPF	1303 TT	Sonia Song
	Petronet LNG Ltd	POLNF	PLNG IN	Vidyadhar Ginde
	SK Energy Co Ltd	XVERF	096770 KS	Sonia Song
	S-Oil Corp	SOOCF	010950 KS	Duke Suttikulpanich
	SPC	SPCJF	SPC SP	Duke Suttikulpanich
<b>RESTRICTED</b>				
	RPL	RPLUF	RPET IN	Vidyadhar Ginde

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

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + 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	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of Banc of America Securities-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.

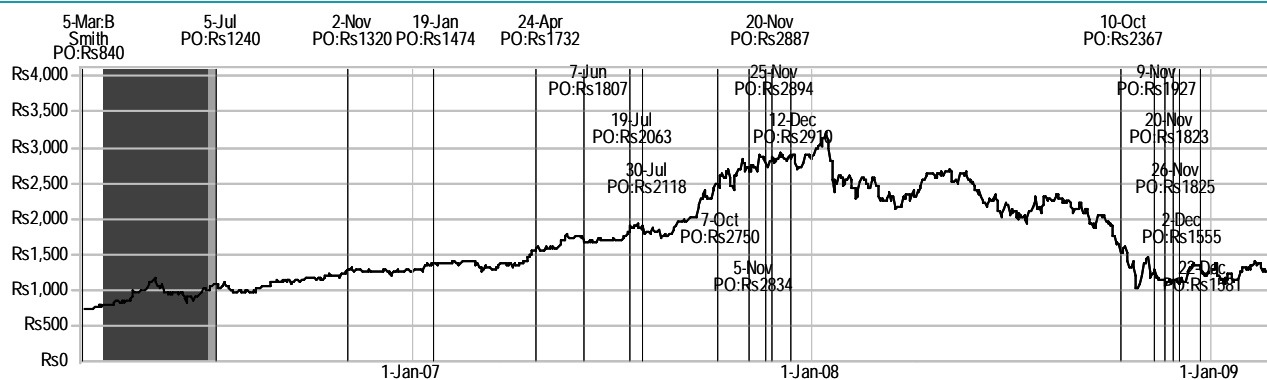
iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Banc of America Securities-Merrill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

19 March 2009

## Important Disclosures

### XRELF Price Chart

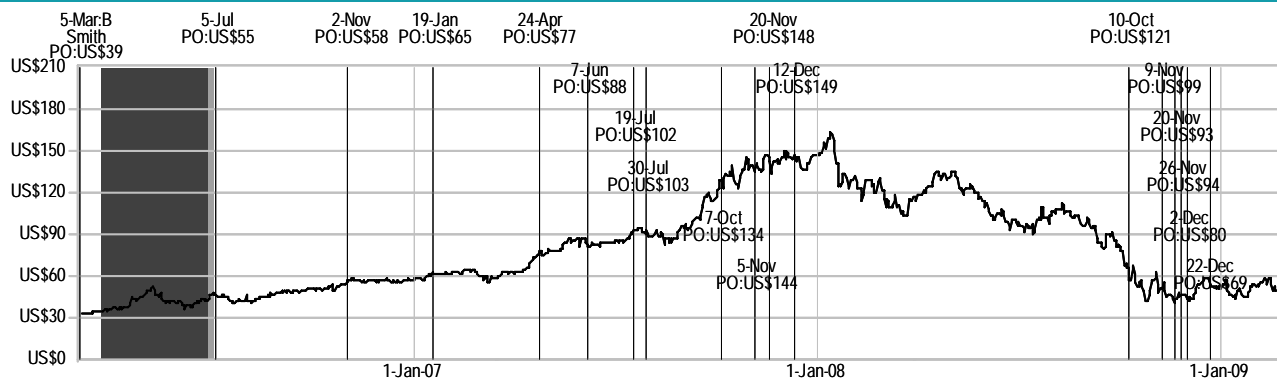


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

\*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 February 28, 2009 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of February 28, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

### RLNIY Price Chart



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 February 28, 2009 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of February 28, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

### Investment Rating Distribution: Chemicals Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	35	41.67%	Buy	5	16.67%
Neutral	19	22.62%	Neutral	2	14.29%
Sell	30	35.71%	Sell	3	11.11%

### Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

\* 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.

19 March 2009

**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 BAS-ML 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 BAS-ML Comment referencing the stock.

---

The company is or was, within the last 12 months, an investment banking client of MLPF&S and/or one or more of its affiliates: Reliance Inds.  
MLPF&S or an affiliate has received compensation from the company for non-investment banking services or products within the past 12 months: Reliance Inds.  
The company is or was, within the last 12 months, a non-securities business client of MLPF&S and/or one or more of its affiliates: Reliance Inds.  
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: Reliance Inds.  
MLPF&S or an affiliate has received compensation for investment banking services from this company within the past 12 months: Reliance Inds.  
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: Reliance Inds.  
MLPF&S together with its affiliates beneficially owns one percent or more of the common stock of this company. If this report was issued on or after the 10th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 10th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Reliance Inds.  
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: Reliance Inds.  
The company is or was, within the last 12 months, a securities business client (non-investment banking) of MLPF&S and/or one or more of its affiliates: Reliance Inds.  
The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

## Other Important Disclosures

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"), Banc of America Investment Services, Inc ("BAI") 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, BAI, 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 (KL) Sdn. Bhd.: Merrill Lynch (Malaysia); 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 Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report 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 Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; 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 and Banc of America Securities Limited (pursuant to the Australian Securities and Investment Commission Class Order 03/1101 under paragraph 911A (2)(1) of the Corporations Act 2001) provide this report in Australia. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

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 to its affiliate BAI and accepts responsibility for the distribution of this report in the US to BAS clients, but not to the clients of BAI. BAI is a registered broker-dealer, member of FINRA and SIPC, and is a non-bank subsidiary of Bank of America, N.A. BAI accepts responsibility for the distribution of this report in the US to BAI clients. Transactions by US persons that are BAS or BAI clients in any security discussed herein must be carried out through BAS and BAI, respectively.

19 March 2009

**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 BAS-ML 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.

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

Copyright 2009 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. 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.

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.