

Another solid quarter, raise PO to Rs93

2Q profit surges 279% YoY; Raise earnings & PO; Retain Buy

2Q FY10 recurring profit of Gujarat State Petronet Ltd (GSPL) surged by 279% YoY to Rs1.1bn. 2Q profit is 15% higher than expected mainly due to tariff being higher than assumed. We have upgraded our estimate of GSPL's FY10-FY12E earnings by 19-31% mainly due to 10-13% upgrade in pipeline tariff. This has also meant an upgrade in our price objective by 18% to Rs93. The new PO implies 12% potential upside. We believe there would be further substantial upside to our PO if GSPL emerges as successful bidder for and implements new pipeline projects, not currently in our estimates. We reiterate our Buy rating on GSPL.

2Q driven by doubling of volumes and 8% YoY rise in tariff

The surge in GSPL's 2Q profit was driven by YoY doubling of volumes to 31mmscmd and 8% YoY higher tariff. 2Q volumes were also 23% QoQ higher though tariff was 3% QoQ lower.

Upgrade FY10-12 EPS by 19-31%; PO raised by 18% to Rs93

1H profit of Rs1.9bn is 68% of our earlier FY10E profit of Rs2.8bn. Also FY10E tariff of Rs750/tcm was too low given average tariff of Rs902/tcm in 1H. We have upgraded FY10-FY12E tariff by 10-13%, which has boosted FY10-FY12E EPS by 19-31%. FY10E revised profit of Rs3.6bn implies 192% YoY jump. There may be upside risk even to revised FY10E. FY11-FY12E EPS growth is 17-26%.

Growth story outside Gujarat set to start; Bids in Dec'09

GSPL's gas pipeline network is currently limited to Gujarat, which accounts for 35-40% of gas consumed in India. GSPL has filed EOI with regulator for four new pipelines (see Table 7). Cost of three of these pipelines is likely to be Rs35-60bn (GSPL's current gross block: Rs28bn). Bids for three of these pipelines have been invited in December 2009. A decision is likely in January-February 2010. GSPL is the best gas utility play on India's gas growth story, in our opinion.

Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	894	999	1,234	3,598	4,193
EPS	1.65	1.81	2.20	6.40	7.46
EPS Change (YoY)	91.3%	9.9%	21.4%	191.6%	16.5%
Dividend / Share	0.500	0.500	0.750	1.00	1.00
Free Cash Flow / Share	(5.77)	(1.17)	(5.92)	(7.45)	11.06

Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	50.32x	45.79x	37.73x	12.94x	11.10x
Dividend Yield	0.604%	0.604%	0.905%	1.21%	1.21%
EV / EBITDA*	19.92x	14.65x	12.58x	6.07x	5.02x
Free Cash Flow Yield*	-6.72%	-1.39%	-7.15%	-9.00%	13.35%

* For full definitions of *iQmethod*SM measures, see page 8.

Bank of America Merrill Lynch



Vidyadhar Ginde >> +91 22 6632 8673

Research Analyst
DSP Merrill Lynch (India)
vidyadhar.ginde@baml.com

Himanshu Bindal >> +91 22 66328684

Research Analyst
DSP Merrill Lynch (India)
himanshu.bindal@baml.com

Stock Data

Price	Rs82.85
Price Objective	Rs93.00
Date Established	27-Oct-2009
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs25.25-Rs92.90
Mkt Val / Shares Out (mn)	US\$998 / 562.0
Average Daily Volume	4,851,811
ML Symbol / Exchange	GJRSF / BSE
Bloomberg / Reuters	GUJS IN / GSPT.BO
ROE (2009E)	10.5%
Net Dbt to Eqty (Mar-2008A)	62.4%
Est. 5-Yr EPS / DPS Growth	NA / NA
Free Float	60.9%

Key Changes

(Rs)	Previous	Current
Price Obj.	79.00	93.00
2010E EBITDA (m)	7,659.7	8,791.2
2011E EBITDA (m)	9,567.2	10,629.3

>> 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.

iQprofileSM Gujarat State

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011E
(Rs Millions)					
Sales	3,176	4,179	4,875	9,618	11,627
Gross Profit	2,681	3,645	4,245	8,791	10,629
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	1,655	2,013	2,540	6,369	7,428
Net Interest & Other Income	(282)	(521)	(627)	(917)	(1,075)
Associates	NA	NA	NA	NA	NA
Pretax Income	1,373	1,491	1,914	5,452	6,353
Tax (expense) / Benefit	(479)	(492)	(679)	(1,854)	(2,160)
Net Income (Adjusted)	894	999	1,234	3,598	4,193
Average Fully Diluted Shares Outstanding	543	552	562	562	562

Key Cash Flow Statement Data

Net Income	894	999	1,234	3,598	4,193
Depreciation & Amortization	1,026	1,632	1,705	2,422	3,202
Change in Working Capital	1,058	(2,460)	1,991	3,636	(941)
Deferred Taxation Charge	409	82	145	927	1,080
Other Adjustments, Net	(2,115)	4,920	(3,982)	(7,272)	1,882
Cash Flow from Operations	1,271	5,173	1,093	3,312	9,416
Capital Expenditure	(4,401)	(5,821)	(4,422)	(7,500)	(3,200)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	0	(356)	356	0	0
Cash Flow from Investing	(4,401)	(6,177)	(4,066)	(7,500)	(3,200)
Shares Issue / (Repurchase)	8	1,080	0	0	0
Cost of Dividends Paid	(306)	(324)	(475)	(634)	(634)
Cash Flow from Financing	2,554	1,768	1,374	4,866	(6,855)
Free Cash Flow	(3,130)	(648)	(3,329)	(4,188)	6,216
Net Debt	6,827	7,081	10,530	15,352	9,770
Change in Net Debt	3,429	248	3,449	4,822	(5,582)

Key Balance Sheet Data

Property, Plant & Equipment	17,029	21,259	23,976	29,054	29,053
Other Non-Current Assets	0	356	0	0	0
Trade Receivables	349	416	481	1,318	1,274
Cash & Equivalents	1,811	2,569	970	1,648	1,009
Other Current Assets	1,777	2,511	2,810	4,967	4,433
Total Assets	20,966	27,112	28,237	36,986	35,768
Long-Term Debt	8,638	9,650	11,200	16,700	10,479
Other Non-Current Liabilities	917	999	1,144	2,071	3,151
Short-Term Debt	0	0	300	300	300
Other Current Liabilities	1,845	5,106	3,478	2,836	3,200
Total Liabilities	11,400	15,756	16,122	21,907	17,129
Total Equity	9,566	11,356	12,115	15,080	18,639
Total Equity & Liabilities	20,966	27,112	28,237	36,986	35,768

iQmethodSM - Bus Performance*

Return On Capital Employed	6.9%	7.4%	7.7%	14.7%	15.2%
Return On Equity	9.7%	9.5%	10.5%	26.5%	24.9%
Operating Margin	52.1%	48.2%	52.1%	66.2%	63.9%
EBITDA Margin	84.4%	87.2%	87.1%	91.4%	91.4%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.4x	5.2x	0.9x	0.9x	2.2x
Asset Replacement Ratio	4.3x	3.6x	2.6x	3.1x	1.0x
Tax Rate (Reported)	34.9%	33.0%	35.5%	34.0%	34.0%
Net Debt-to-Equity Ratio	71.4%	62.4%	86.9%	101.8%	52.4%
Interest Cover	3.6x	2.5x	2.9x	5.8x	5.6x

Key Metrics

* For full definitions of iQmethodSM measures, see page 8.

Company Description

Gujarat State Petronet (GSPL) was promoted in 1998 by Gujarat government-owned companies led by Gujarat State Petroleum Corp (38% stake). It has a 1,283km pipeline network in Gujarat. It transmitted 15mmcmd of gas in FY09. Volumes are set surge sharply in FY10E. It has agreement with Reliance to transmit 11mmcmd (may rise to 14-20mmcmd) of gas from Bharuch to Jamnagar. Its volumes are mainly from KG D6 gas, Dahej and Hazira LNG terminals. Its main customers are Reliance, Torrent and Essar

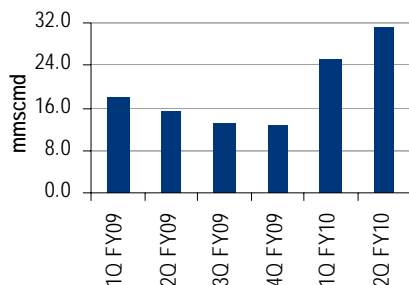
Investment Thesis

GSPL offers the strongest volume and earnings growth among gas utilities. Uncertainty in GSPL is also relatively less than for peers. GSPL offers the best pipeline connectivity in Gujarat, which is and will remain the largest gas consuming state in India. Most of the incremental gas in India will be from RIL. Only GSPL has a firm transportation agreement with RIL, which will mean 65-118pct rise in volumes over FY08 levels. Another volume driver may be gas discovery by GSPC, its parent. Buy

Stock Data

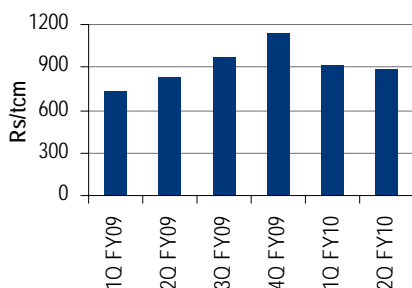
Price to Book Value 3.8x

Chart 1: Trend in GSPL's gas transmission volumes since 1Q FY09



Source: Company

Chart 2: Trend in GSPL's average pipeline tariff since 1Q FY09



Source: Company

2Q recurring profit up 279% YoY

Doubling of volume main earnings driver

Tariff up 8% YoY despite doubling of volumes

GSPL's 2Q FY10 recurring profit jumped by 279% YoY to Rs1.1bn. The jump was driven by

- 100% YoY rise in gas transmission volumes to 31 mmscmd
- 8% YoY rise in average pipeline tariff to Rs891/tcm

Table 1: 2Q and 1H FY10 results

Rsmn	2Q FY10	2Q FY09	% Change	1H FY10	1H FY09	% Change
Net sales	2,548	1,186	115%	4,656	2,381	96%
Total expenditure	142	162	-12%	270	281	-4%
EBDITA	2,406	1,024	135%	4,386	2,100	109%
EBDITA margin	94.4%	86.4%		94.2%	88.2%	
Interest	250	231	9%	496	449	10%
Depreciation	587	423	39%	1,137	837	36%
Other Income	59	72	-19%	94	140	-33%
Extra-ordinary items	38	0		38	0	
PBT	1,665	443	276%	2,885	954	202%
Tax	564	159	254%	979	344	185%
PAT	1,101	284	288%	1,905	610	212%
Recurring PAT	1,076	284	279%	1,880	610	208%
EPS	2.0	0.5	288%	3.4	1.1	212%

Operational details

Volumes (mmscmd)	31.1	15.6	100%	28.2	16.8	68%
Tariff (Rs/tcm)	891.2	828.8	8%	901.8	775.7	16%

Source: Company, BofA Merrill Lynch

KG D6 gas main driver of transmission volume surge

2Q volumes 23% QoQ higher and 100% YoY higher

Gas production from the KG D6 block, which started in April 2009, ramped up further in 2Q and was the main driver of 2Q volume growth. 2Q FY10 volumes are 100% YoY and 23% QoQ higher.

Table 2: GSPL's gas transmission volumes YoY and QoQ rise

mmscmd	2Q FY10	1Q FY10	2Q FY09
GSPL's gas transmission volumes	31.1	25.3	15.6
QoQ change		23%	
YoY change			100%

Source: Company, BofA Merrill Lynch

2Q pipeline tariff 8% YoY higher despite surge in volumes

2Q pipeline tariff 3% QoQ lower

GSPL's pipeline tariff at Rs891/tcm in 2Q FY10 is 8% YoY higher. Thus tariff has actually risen in 2Q FY10 despite doubling of volumes. However 2Q FY10 tariff is 3% QoQ while volumes are up 23% QoQ.

Table 3: GSPL's gas transmission tariff YoY and QoQ change

mmscmd	2Q FY10	1Q FY10	2Q FY09
GSPL's gas transmission tariff	891	915	829
QoQ change		-3%	
YoY change			8%

Source: Company, BofA Merrill Lynch

Renewal of contracts at higher tariff in Jan'09 has kept tariffs healthy
The high tariff in 2Q FY10 despite no take or pay related amounts is due to

- Renewal of several existing contracts at higher tariffs from January 1, 2009
- Start of new high tariff contracts

2Q volumes 109% higher than FY09; tariff 1% lower than FY09 average
Tariff is 1% lower than FY09 full year average tariff of Rs898/tcm. Tariff for 4Q FY09 included amounts related to take or pay obligation from customers as volumes declined. This boosted FY09 tariffs. However, 2Q FY10 tariff is unlikely to include any amounts related to take or pay contracts. Also, 2Q volumes of 31.1mmscmd are 109% higher than the FY09 average volume of 14.9mmscmd. Thus GSPL's tariff has sustained despite the sharp ramp up in volumes.

1H recurring profit up 208% YoY to Rs1.9bn

1H Volumes 68% YoY higher, tariff up 16% YoY

GSPL's 1H FY10 recurring profit up 208% YoY at Rs1.9 bn. The surge in profit is driven by

- 68% YoY jump in volumes to 28.2mmscmd in 1H FY10
- 16% YoY rise in pipeline tariff to Rs902/tcm in 1H FY10

2Q profit 15% higher than M1e; tariff 5% above M1e

GSPL's 2Q recurring profit is 15% higher than Rs932m expected by us. The main reason for the earnings surprise is average pipeline tariff being 5% higher than Rs850/tcm assumed by us.

Upgrade FY10-FY12 EPS by 21-31%

EPS upgrade driven by 10-13% upgrade in pipeline tariff

We are upgrading our forecast of GSPL's FY10-FY12E EPS by 19-31% to Rs6.4-9.4/share from Rs4.9-7.9/share earlier. The upgrade in earnings is mainly due to assuming higher pipeline tariff. We have upgraded our forecast of GSPL's FY10-FY12E pipeline tariff by 10-13% to Rs800-850/tcm from Rs725-750/tcm earlier.

Table 4: GSPL's revised pipeline tariff

Rs/tcm	FY10E	FY11E	FY12E
Revised	850	805	800
Old	750	725	725
Change	13%	11%	10%

Source: BofA Merrill Lynch

Table 5: GSPL's revised earnings estimates

Rs/share	FY10E	FY11E	FY12E
Revised	6.4	7.5	9.4
Old	4.9	6.2	7.9
Change	31%	21%	19%

Source: BofA Merrill Lynch

FY10E earnings raised 27% on 13% upgrade in tariff

Tariff upgraded by 13% to Rs850/tcm; 1H tariff at Rs902/tcm

We are upgrading our forecast of GSPL's FY10E EPS by 31% to Rs6.4/share from Rs4.9/share. The upgrade is due to assuming 13% upgrade in FY10E tariff to Rs850/tcm. GSPL's 1H tariff is Rs902/tcm and thus assuming Rs850/tcm in FY10E implies tariff of Rs807/tcm in 2H. We are thus assuming 2H tariff to be 11% lower than in 1H. 2H volume at 34mmscmd is assumed to be 19% higher than 28.2mmscmd in 1H.

FY11-12E EPS raised 18-23% on 10-11% upgrade in tariff

We are upgrading our forecast of GSPL's FY11E EPS by 21% to Rs7.5/share from Rs6.2/share earlier. The upgrade is due to 11% upgrade in pipeline tariffs to Rs805/tcm from Rs725/tcm earlier. FY12E EPS is upgraded by 19% to Rs9.4/share from Rs7.9/share earlier. FY12E tariff has been raised by 10% to Rs800/tcm from Rs725/tcm earlier.

Table 6: GSPL - set to take off from FY10E

	FY10E	FY11E	FY12E
Net Profit (Rsmn)	3,598	4,193	5,285
EPS (Rs/share)	6.4	7.5	9.4
YoY growth	192%	17%	26%
Volume (mmscmd)	31	40	45
YoY growth	108%	29%	13%
Tariff (Rs/tcm)	850	796	795
YoY growth	-5%	-6%	0%

Source: BofA Merrill Lynch

Start of growth story outside Gujarat

GSPL's network currently in Gujarat

GSPL's pipeline network currently is only in the state of Gujarat, which accounts for 35-40% of all gas consumed in India. GSPL offers better gas pipeline connectivity in the state of Gujarat than GAIL, the other gas transmission company with presence in Gujarat.

Bids called for three pipelines GSPL filed EOI for Expression of interest also filed for another pipeline

GSPL is now set to get into gas transmission outside Gujarat. GSPL has filed expression of interest (EOI) with the regulator (PNGRB) for four pipelines (see Table 7). Bids have now been called by PNGRB for three of these pipelines in December 2009. The successful bidder is likely to emerge in January-February 2010. Thus clarity on GSPL's growth prospects outside Gujarat may emerge before end of FY10E.

GSPL has filed an EOI for the Surat-Paradip pipeline recently. The date on which bids can be submitted for this pipeline is yet to be decided.

Table 7: Status of pipelines for which GSPL has filed expression of interest

Pipeline	Length (km)	Capacity (mmscmd)	Bid opening date
Mehsana - Bhatinda	900	30	16-Dec-09
Bhatinda-Jammu-Srinagar	300	15	16-Dec-09
Mallavaram-Bhilwara-Vijaipur	1,585	30	29-Dec-09
Surat-Paradip	1,600	30	EOI filed. No bid date as yet

Source: BofA Merrill Lynch

GSPL likely to bid for new pipelines through SPVs

SPVs will ensure capex allowed as deductible expense under Sec 35AD

GSPL is likely to bid for the new pipeline outside Gujarat through special purpose vehicles (SPV). One benefit of bidding through SPVs is that it would ensure that capex on pipelines could be charged as deductible expense under Sec 35AD of the Income Tax Act. GSPL may not get this benefit if it bid for these projects on its own.

PO upgraded by 18% to Rs93/share

Earnings upgrade drives PO upgrade

The upgrade in earnings has meant an 18% upgrade in our estimate of GSPL's DCF value to Rs93/share from Rs79/share earlier. WACC used for DCF is 10%. Cost of Equity is calculated using risk free interest rate of 7.2%, equity risk premium of 5% and a beta of 0.9. Pre-tax cost of debt used is 9.5%.

Retain Buy

3 potential upsides in GSPL; that from tariff rise priced in New pipeline projects and higher than assumed volume other upsides

Of the three potential upsides in GSPL, which would boost GSPL's fair value (PO), we have now factored in upside from tariffs. The other two potential upsides, which would boost GSPL's earnings and PO but not yet factored by us, are:

- New pipeline projects would boost our price objective if GSPL emerges as successful bidder though it would boost earnings only after project implementation.
- FY10-FY12E gas transmission volumes being higher than assumed could boost both earnings and PO. GSPL's volumes currently assumed by us are based only on ramp up of RIL's KG D6 gas production to 80mmscmd by 4Q FY10E from below 40mmscmd in 2Q. GSPL's FY11-FY12E volumes could be higher than the 40-45mmscmd assumed. This could happen if spot LNG prices remain subdued and there is therefore a rise in spot LNG imports even after ramp up of KG D6 production.

Revised PO of Rs93/share implies 12% potential upside

Our revised PO of RS93/share offers 12% potential upside. As discussed, there could be substantial further upside to our PO if GSPL emerges as successful bidder for and implements new pipeline projects, not currently factored into our estimates. We believe GSPL is the best play among gas utilities on the Indian gas growth story. We retain our Buy rating on GSPL.

Price objective basis & risk Gujarat State (GJRSF)

DCF-based PO of GSPL works out to Rs93. WACC is 10pct based on 11.5pct cost of equity, 9.5pct cost of debt, 17pct tax and debt-equity of 67pct. We have assumed gas transmission volume CAGR of 45pct in FY09-FY12E. Gas transmission tariff is assumed to decline at a CAGR of 4% in FY09-FY12E. In our view P/E is not suitable to value GSPL for two reasons 1) GSPL depreciates its pipeline over 12 years vis-à-vis 30 years by peers like GAIL, thereby making earnings multiple unsuitable, in our view. 2) GSPL is in a takeoff stage. So, valuation based on one-year earnings or EBITDA is not suitable, in our view. We prefer DCF to value GSPL. Neither depreciation policy nor GSPL being at a take-off stage is an issue while using DCF valuation. Downside risks: 1) Regulatory risk in the form of regulator requiring GSPL to cut tariff. ROCE for GSPL is actually lower than the regulated rate and management expects tariff upside from regulation. 2) Lower than expected gas transmission volumes.

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

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.

27 October 2009

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Hydro	XJSHF	JHPL IN	Bharat Parekh
	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
	Zee Entertainment	XZETF	Z IN	Pratish Krishnan
NEUTRAL				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
	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
RVV				
	Balaji Tele	BLJIF	BLJT IN	Bharat Parekh
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde
	Sun TV LTD	SUTVF	SUNTV IN	Pratish Krishnan

iQmethodSM 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
Quality of Earnings		
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
Valuation Toolkit		
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

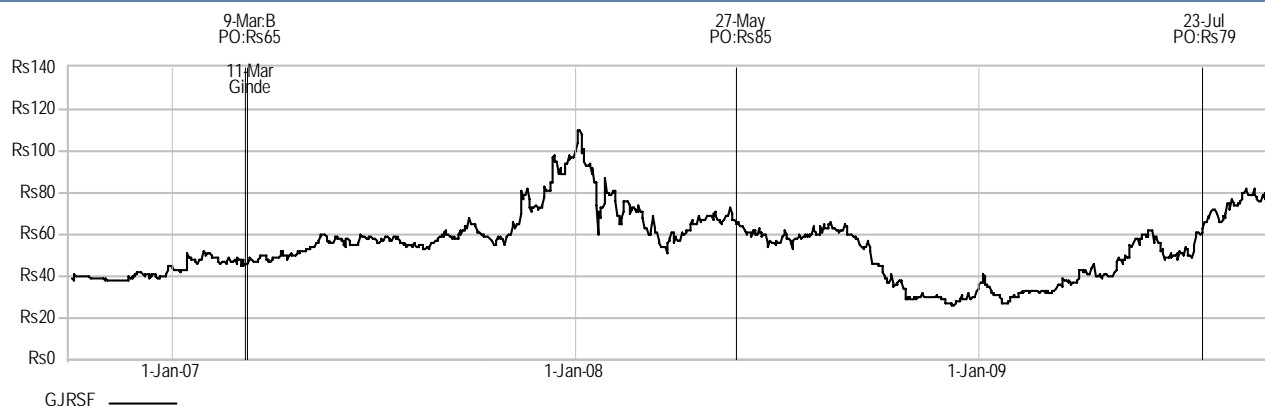
iQmethodSM is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines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

iQdatabase[®] 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.

iQprofileSM, iQmethodSM are service marks of Merrill Lynch & Co., Inc. iQdatabase[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

GJRSF 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 September 30, 2009 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 September 30, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Utilities Group (as of 01 Sep 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	58	41.13%	Buy	28	53.85%
Neutral	38	26.95%	Neutral	14	42.42%
Sell	45	31.91%	Sell	10	25.64%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1528	47.19%	Buy	740	53.86%
Neutral	815	25.17%	Neutral	436	60.39%
Sell	895	27.64%	Sell	378	45.99%

* 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: Gujarat State.

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: Gujarat State.

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: Gujarat State.

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.

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, 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.

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 provides this report in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this research report 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 report 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 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.

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.

27 October 2009

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.

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. 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, BAI, 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.