

# Input cost pressure playing out

## Cutting EPS and PO again on higher molasses prices

We have cut our FY09 EPS estimates by 7% owing to continuing price rise in the key input, molasses. As a result, we now expect UNSP's current year domestic EBITDA margins to contract 80bp versus flat earlier and EPS to grow only 11%. This is a sharp slowdown versus the 30% plus growth rate of last two years. We note our estimates are 18% below consensus. Reiterate Underperform.

## Lower PO to factor in slower earnings growth

We have cut our PO to Rs1350 from Rs1482. We value the base business at Rs1150 and treasury stock at Rs200. While we are confident of UNSP long term secular growth potential, we believe FY09 will be a tough year. Key issues are higher input costs and lack of pricing power given government led price controls in approximately two thirds of its domestic volumes.

## Valuation - still expensive despite the sharp correction

UNSP has corrected 31% from its peak in January. Excluding treasury stock of US\$470m, It is now trading at P/E of 27x FY09E EPS and ~70% premium to the Sensex. We believe the risk reward still remains unfavourable owing to rich valuations, high consensus expectations and downside risk to earnings.

## Molasses pain likely to intensify

Industry sources indicate continuing molasses price run up led by lower sugar production and growing demand for ethanol. We estimate molasses to be in sharp deficit versus surplus over the last two years and FY09 price to rise ~36% vs 25% earlier. We acknowledge that UNSP is well placed versus competitors in terms of its ability to negotiate better prices. Nonetheless, we expect UNSP's ENA cost (molasses derivative) to rise at least 15% in FY09. We note every 1% change in ENA prices leads to 1.5% change in EPS for UNSP.

### Estimates (Mar)

(Rs)	2006A	2007A	2008E	2009E	2010E
Net Income (Adjusted - mn)	1,269	2,534	3,481	3,865	4,937
EPS	20.99	30.58	39.29	43.62	55.72
EPS Change (YoY)	154.4%	45.7%	28.5%	11.0%	27.7%
Dividend / Share	3.24	2.25	2.50	3.00	3.50
Free Cash Flow / Share	(177.68)	26.33	(617.44)	21.29	41.37

### Valuation (Mar)

	2006A	2007A	2008E	2009E	2010E
P/E	65.29x	44.82x	34.88x	31.41x	24.59x
Dividend Yield	0.236%	0.164%	0.182%	0.219%	0.255%
EV / EBITDA*	94.93x	41.90x	16.87x	15.14x	13.33x
Free Cash Flow Yield*	-8.85%	1.80%	-45.06%	1.55%	3.02%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 9.



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### Stock Data

Price	Rs1,370
Price Objective	Rs1,482 to Rs1,350
Date Established	13-Jun-2008
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	Rs1,051-Rs2,190
Mkt Val / Shares Out (mn)	US\$2,835 / 88.6
Average Daily Volume	273,665
ML Symbol / Exchange	UDSRF / BSE
Bloomberg / Reuters	UNSP IN / UNSP.BO
ROE (2008E)	19.9%
Net Dbt to Eqty (Mar-2007A)	58.6%
Est. 5-Yr EPS / DPS Growth	30.0% / 30.0%
Free Float	47.2%



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Refer to important disclosures on page 10 to 11. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8.

# *iQprofile*<sup>SM</sup> United Spirits Ltd.

Key Income Statement Data (Mar)	2006A	2007A	2008E	2009E	2010E
<b>(Rs Millions)</b>					
Sales	33,180	38,642	59,352	67,526	76,270
Gross Profit	21,752	25,550	45,053	50,097	56,064
Sell General & Admin Expense	(19,829)	(21,192)	(34,229)	(38,037)	(42,365)
Operating Profit	1,497	4,019	9,912	11,296	12,897
Net Interest & Other Income	(929)	2	(4,716)	(5,528)	(5,528)
Associates	NA	NA	NA	NA	NA
Pretax Income	568	4,022	5,195	5,768	7,368
Tax (expense) / Benefit	(123)	(1,049)	(1,715)	(1,903)	(2,432)
Net Income (Adjusted)	1,269	2,534	3,481	3,865	4,937
Average Fully Diluted Shares Outstanding	60	83	89	89	89

## Key Cash Flow Statement Data

Net Income (Reported)	1,269	2,534	3,481	3,865	4,937
Depreciation & Amortization	426	338	913	764	803
Change in Working Capital	(352)	(2,463)	(4,024)	(2,243)	(1,574)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	3,135	0	0	0
Cash Flow from Operations	1,343	3,544	370	2,386	4,165
Capital Expenditure	(12,088)	(1,361)	(55,075)	(500)	(500)
(Acquisition) / Disposal of Investments	(1,938)	440	(875)	0	0
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(14,025)	(921)	(55,950)	(500)	(500)
Shares Issue / (Repurchase)	5,817	(48)	4,443	0	0
Cost of Dividends Paid	(223)	(237)	(253)	(303)	(354)
Cash Flow from Financing	11,294	(915)	53,379	(303)	(354)
Free Cash Flow	(10,744)	2,183	(54,705)	1,886	3,665
Net Debt	11,820	9,024	60,413	58,830	55,518
Change in Net Debt	7,088	(2,338)	51,389	(1,583)	(3,312)

## Key Balance Sheet Data

Property, Plant & Equipment	4,864	5,190	59,353	59,089	58,786
Other Non-Current Assets	12,319	12,367	13,242	13,242	13,242
Trade Receivables	3,220	3,991	6,529	7,428	8,390
Cash & Equivalents	3,611	5,778	3,577	5,160	8,472
Other Current Assets	8,583	10,162	16,433	19,233	21,594
Total Assets	32,598	37,489	99,133	104,151	110,484
Long-Term Debt	15,431	14,802	63,990	63,990	63,990
Other Non-Current Liabilities	86	19	19	19	19
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	7,377	7,264	12,049	13,505	15,254
Total Liabilities	22,894	22,084	76,057	77,514	79,263
Total Equity	9,703	15,405	23,076	26,638	31,221
Total Equity & Liabilities	32,597	37,489	99,133	104,152	110,484

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

Return On Capital Employed	6.3%	10.7%	11.3%	8.5%	9.3%
Return On Equity	22.8%	22.9%	19.9%	16.7%	18.1%
Operating Margin	4.5%	10.4%	16.7%	16.7%	16.9%
EBITDA Margin	5.8%	11.3%	18.2%	17.9%	18.0%

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

Cash Realization Ratio	1.1x	1.4x	0.1x	0.6x	0.8x
Asset Replacement Ratio	28.4x	4.0x	NM	0.7x	0.6x
Tax Rate (Reported)	21.6%	26.1%	33.0%	33.0%	33.0%
Net Debt-to-Equity Ratio	121.8%	58.6%	261.8%	220.9%	177.8%
Interest Cover	1.0x	4.6x	1.9x	1.9x	2.2x

## Key Metrics

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 9.

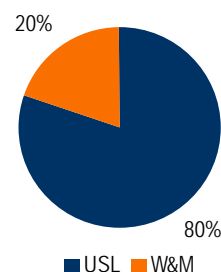
## Company Description

United Spirits is India's largest spirits player. In FY08 it sold 74mn cases which gives it a volume share of 52%. Key strengths are market leading brands across all spirit categories and price segments. It recently acquired Whyte & Mackay - the fourth largest Scotch whisky player in the world. W&M is predominantly a bulk spirits manufacturer. Its branded Scotch portfolio is small with 3% market share in UK.

## Investment Thesis

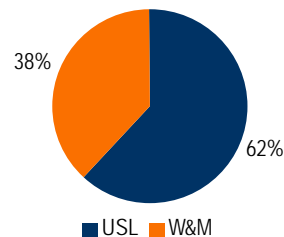
We believe UNSP's re-rating is behind us and downside risks are rising. Margins are beginning to peak out with rising molasses prices. Excise duty hikes, albeit marginal, in the recent State Budget reiterates regulatory risks. Visibility on W&M business is low and the possibility of further increases in scotch prices look rather bleak. Growth through higher brand sales by W&M will likely involve a long gestation period. Lastly, it is difficult to forecast the timing of treasury stock sales.

Chart 1: Turnover Breakdown (FY09E)



Source: Merrill Lynch Estimates

Chart 2: EBITDA Breakdown (FY09E)



Source: Merrill Lynch Estimates

## Stock Data

Price to Book Value

5.7x

## Earnings cut again on rising molasses prices; EPS cut 8%

Following our recent cut in April 2008, we have further cut our earnings estimate for UNSP by 8% to Rs3.9bn in FY09E and Rs4.9bn in FY10E. This implies an EPS of Rs43.6 with a 11% growth in FY09E and of Rs55.7 with a 28% growth in FY10E. We are maintaining our topline growth estimates at 15-16% over next two years with ~11% volume growth and 3-4% price and mix benefits.

Table 1: Changes in key assumptions

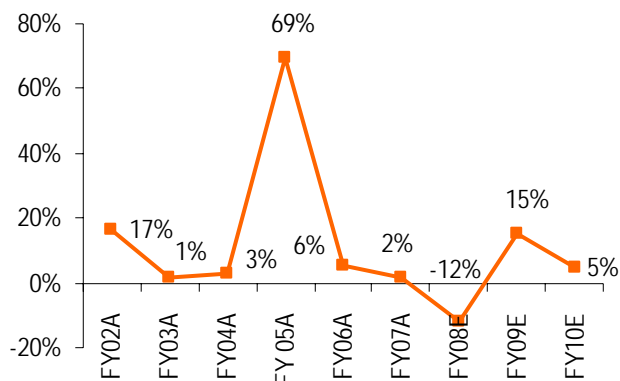
	FY09E			FY10E		
	Old	New	%chg	Old	New	%chg
Volume (mn cases) - Domestic	82	82	0.0%	91	91	0.0%
Sales - Domestic	54024	54024	0.0%	62093	62093	0.0%
%chg	15.8%	15.8%		14.9%	14.9%	
Raw material cost - Domestic	16969	17428	2.7%	19670	20206	2.7%
% of Sales	31.4%	32.3%	0.9%	31.7%	32.5%	0.9%
EBITDA - Domestic	7720	7261	-6.0%	8955	8419	-6.0%
EBITDA margin	14.3%	13.4%	-0.9%	14.4%	13.6%	-0.9%
PAT - Consolidated	4173	3865	-7.4%	5296	4937	-6.8%
%chg	19.9%	11.0%		26.9%	27.7%	
EPS - Consolidated	47.1	43.6	-7.4%	59.8	55.7	-6.8%

Source: Merrill Lynch Estimates

## Molasses prices running ahead of expectations

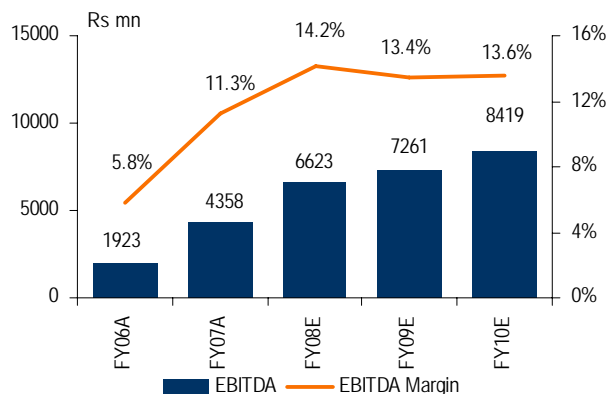
The key reason for this earnings cut is our upward revision of molasses price expectations based on current higher than expected run up. We now expect molasses prices to rise 15% in FY09 and 5% in FY10 for UNSP. We believe UNSP's margins will reverse their impressive expansion of past three years and decline by 80bps in FY09. Synergy benefits from SWC integration have likely maxed out and UNSP does not have pricing power in 2/3<sup>rd</sup> of its Govt. controlled markets to counter rising molasses prices. With this assumption, UNSP has a 1.5x earnings sensitivity to molasses prices as with every 1% rise in price of molasses its EBITDA margin contracts by 17bps and EPS falls by 1.5%.

Chart 3: ENA (proxy for Molasses) price trends



Source: Merrill Lynch Estimates

Chart 4: EBITDA margin trend for UNSP's domestic business



Source: Merrill Lynch Estimates

## Consensus is bullish

Our earning estimates are ~18% below consensus and we believe consensus is overly bullish on UNSP. It is perhaps underestimating the impact of rise in raw materials or is not factoring in constraints on UNSP to pass on raw material price hikes due to limited pricing power.

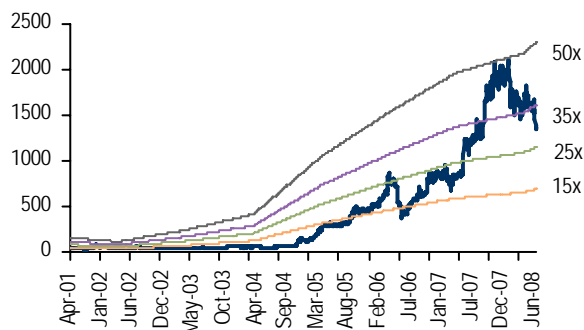
## Valuation - risk reward still unfavourable

### Recently de-rated but not yet time to buy

UNSP has re-rated from P/E of less than 15x two years back to now 31x FY09E. Excluding the market value of treasury stock of US\$470m, it is trading at P/E of 27x FY09E EPS and premium to the Sensex of 70%.

We also note that the stock appears to be over-owned with FII stake at 34% and a consensus Buy. Despite the recent stock correction we believe the outlook is challenging. Rising input costs pose increasing downside risk to domestic earnings growth (60% of Group EBITDA). Also, visibility on W&M (40% of Group EBITDA) remains poor and our dependence on management guidance is very high. Overall we believe positive surprises are unlikely.

Chart 5: UNSP – 1 year forward PE trend



Source: Bloomberg, Merrill Lynch Estimates

Chart 6: Premium / Discount to Sensex



Source: Bloomberg

## Molasses - price run up continues

We are revising upwards our expectations for rise in prices of molasses to 36% from earlier 24% for FY09. This is on the back of continuing sugar production fall – down 10% in the last crushing season ended May 2008 and expectation of another 15% fall in the next crushing season. In addition, growing demand for ethanol (biofuels) is driving up demand for molasses. As a result, molasses prices are running up higher than our earlier expectations.

Table 2 gives the demand scenario for molasses based alcohol. Data for the years 2006-07 and 2007-08 is provided by USDA Gain report of June 2007. The forecasts for the year 2008-09 is based on our expectations after incorporating sugar production fall of 14%. We also build in the additional demand for ethanol based on India's bio-fuel policy. We estimate that there is a molasses short fall in excess of

600m litres in FY09 after significant surpluses in the last two years. We conclude this will lead to sharply higher prices and hence margin pressure for UNSP.

### Alternative uses of molasses increase demand pressure

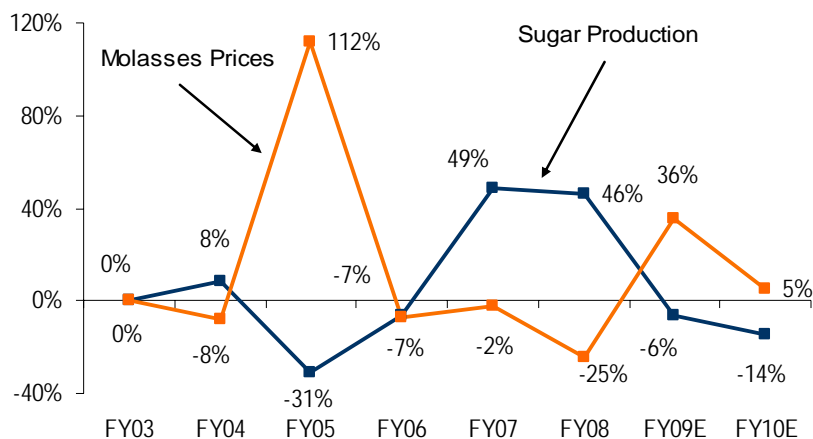
India has adopted a bio-fuel policy according to which 5% blending of molasses produced ethanol with fuel is permitted. This limit for mixing of ethanol in fuel is going to be raised from 5% to 10% from 1<sup>st</sup> Oct'08. This would generate a significant demand on molasses which is used to manufacture ethanol. Leading sugar manufacturers are already in the process of hiking their capacity for manufacture of ethanol which would increase their in-house consumption of molasses and reduce availability for distilleries. We expect a significant demand supply gap for molasses and ENA with new blending policy. Going forward, this gap should be a key driver for molasses prices.

Table 2: Demand scenario for molasses based alcohol

(mn L)	2006-07	2007-08	2008-09E
Molasses Prod (mn T)	11.21	12.15	10.33
Potential Alcohol Prod	2690	2916	2479
Demand for Potable Alcohol	1477	1515	1550
Ethanol (5% blend)	682	741	808
<b>Total Demand</b>	<b>2159</b>	<b>2256</b>	<b>2358</b>
Excess	531	660	121
Additional demand for 10% blend			808
<b>Expected Shortfall</b>			<b>-687</b>

Source: 2006-07, 2007-08 USDA Gain Report, 2008-09 ML Estimates

Chart 7: Sugar Production vs Molasses Price trends - India



Source: USDA Gain Report, Merrill Lynch Estimates

Note: For Sugar Production FY08 is Oct'06-Sept'07 and For Molasses Prices FY08 is Apr'07-Mar'08

## Summarized Financials

Table 3: Summarized Earnings Model - UNSP Consolidated

(Rs mn)	FY06	FY07	FY08E	FY09E	FY10E
<b>Sales</b>	<b>33,180</b>	<b>38,642</b>	<b>64,003</b>	<b>72,476</b>	<b>81,468</b>
Raw material	11,428	13,093	14,299	17,428	20,206
Packaging	10,618	12,172	14,653	16,477	18,628
Distribution cost	2,323	1,546	1,960	2,215	2,546
Advertising cost	2,869	3,350	4,278	5,024	5,837
Employee cost	1,745	2,023	2,520	2,917	3,353
Others	2,275	1,939	2,333	2,701	3,105
<b>Total Costs</b>	<b>31,257</b>	<b>34,285</b>	<b>40,044</b>	<b>46,763</b>	<b>53,674</b>
<b>EBIDTA</b>	<b>1,923</b>	<b>4,358</b>	<b>10,824</b>	<b>12,061</b>	<b>13,699</b>
EBITDA Margin - total	5.8%	11.3%	16.9%	17.9%	18.0%
Depreciation	426	338	913	764	803
EBIT	1,497	4,020	9,912	11,296	12,897
Interest	1,524	873	5,272	5,828	5,828
Profit before OI	(27)	3,146	4,639	5,468	7,068
Other Income	595	876	556	300	300
Profit before tax	568	4,022	5,195	5,768	7,368
Total Tax	123	1,049	1,715	1,903	2,432
Net Profit - before minority interest	445	2,973	3,481	3,865	4,937
Minority Interest	(829)	438			
<b>Recurring Net Profit</b>	<b>1,269</b>	<b>2,535</b>	<b>3,481</b>	<b>3,865</b>	<b>4,937</b>
% chg		100%	37%	11%	28%
Extro Income / (Expense)	-	3,135			
Reported Profit	1,269	5,670	3,481	3,865	4,937

Source: Company, Merrill Lynch

Table 4: Balance Sheet Estimates - UNSP Consolidated

(Rs mn)	FY06	FY07	FY08E	FY09E	FY10E
<b>Assets</b>					
Gross Block (Net of Intang)	6,056	6,822	7,322	7,822	8,322
- Whyte & Mackay			54575	54575	54575
Accumulated Depreciation	1,218	1,764	2,677	3,441	4,244
Net Block	4,838	5,057	59,220	58,955	58,653
<b>Net Fixed Assets</b>	<b>4,864</b>	<b>5,190</b>	<b>59,353</b>	<b>59,089</b>	<b>58,786</b>
Goodwill on Consolidation	10,835	11,324	11,324	11,324	11,324
Total Investments	2,485	2,044	2,919	2,919	2,919
Inventories	2,945	3,553	6,400	7,428	8,390
Total Receivables	3,220	3,991	7,040	7,428	8,390
Loans and Advances	3,908	4,390	7,680	8,103	9,152
Other Current Assets	728	1,218	2,560	2,701	3,051
Current Assets excl cash	10,802	13,152	23,681	25,660	28,983
Current Liabilities	7,377	7,264	12,993	13,505	15,254
<b>Net Current Assets excl cash</b>	<b>3,425</b>	<b>5,888</b>	<b>10,689</b>	<b>12,155</b>	<b>13,729</b>
<b>Total Cash</b>	<b>3,611</b>	<b>5,778</b>	<b>2,800</b>	<b>5,160</b>	<b>8,472</b>
<b>Total Assets</b>	<b>25,220</b>	<b>30,225</b>	<b>87,085</b>	<b>90,646</b>	<b>95,230</b>
<b>Liabilities</b>					
Equity Share Capital	605	828.9	885.8	886	886
Equity share suspense	224	-	-	-	-
Share Premium Reserve	5,506	5,458	9844.0	9844.0	9844.0
<b>Reserves</b>	<b>2,083</b>	<b>7,406</b>	<b>10,634</b>	<b>14,196</b>	<b>18,779</b>
<b>Networth</b>	<b>8,418</b>	<b>13,692</b>	<b>21,364</b>	<b>24,926</b>	<b>29,509</b>
Minority Interest	1,285	1,712	1,712	1,712	1,712
Deferred Tax Liability	86	19	19	19	19
<b>Debt</b>	<b>15,431</b>	<b>14802</b>	<b>63990</b>	<b>63990</b>	<b>63990</b>
<b>Total Liabilities</b>	<b>25,220</b>	<b>30,225</b>	<b>87,085</b>	<b>90,646</b>	<b>95,230</b>

Source: Company, Merrill Lynch Estimates

**Table 5: Cash flow estimates - UNSP Consolidated**

(Rs mn)	FY06	FY07	FY08E	FY09E	FY10E
Profit after tax & XO	1,269	5,670	3,481	3,865	4,937
Add depr	426	338	913	764	803
<b>Cash bef W Cap changes</b>	<b>1,695</b>	<b>6,008</b>	<b>4,394</b>	<b>4,629</b>	<b>5,739</b>
<b>Working cap change</b>	<b>(352)</b>	<b>(2,463)</b>	<b>(4,024)</b>	<b>(2,243)</b>	<b>(1,574)</b>
(Incr) / Decr in Inventories	(1,318)	(608)	(2,382)	(1,493)	(962)
(Incr) / Decr in Debtors	(1,465)	(771)	(2,537)	(899)	(962)
(Incr) / Decr in Loans	(1,075)	(972)	(3,888)	(1,308)	(1,399)
Incr / (decr) in liabilities	3,506	(113)	4,784	1,457	1,749
<b>Cash from operations</b>	<b>1,343</b>	<b>3,544</b>	<b>370</b>	<b>2,386</b>	<b>4,165</b>
(Incr) / Decr in Fixed Assets	(12,088)	(1,361)	(55,075)	(500)	(500)
(Incr) / Decr in Investments	(1,938)	440	(875)	0	-
<b>Free cash flow</b>	<b>(12,682)</b>	<b>2,623</b>	<b>(55,580)</b>	<b>1,886</b>	<b>3,665</b>
Incr / (decr) in Equity	5,817	(48)	4,443	-	-
Incr / (decr) in Debt	5,700	(630)	49,188	-	-
Dividend & Div tax payout	(223)	(237)	(253)	(303)	(354)
<b>Total Cash from financing</b>	<b>11,294</b>	<b>(915)</b>	<b>53,379</b>	<b>(303)</b>	<b>(354)</b>
Total cash flow	(1,388)	1,709	(2,201)	1,583	3,312
Opening cash	5,088	3,611	5,778	3,577	5,160
<b>Closing cash</b>	<b>3,700</b>	<b>5,320</b>	<b>3,577</b>	<b>5,160</b>	<b>8,472</b>

Source: Merrill Lynch Estimates

**Table 6: Key Ratios - UNSP Consolidated**

	FY06	FY07	FY08E	FY09E	FY10E
ROE	23%	23%	20%	17%	18%
ROCE	6%	11%	11%	9%	9%
Gearing	183%	108%	300%	257%	217%
Net Gearing	122%	59%	283%	236%	188%
Net Working Cap as % of sales	10%	15%	17%	18%	18%

Source: Merrill Lynch Estimates

## Price objective basis & risk

### United Spirits (UDSRF)

We value UNSP at Rs1,350/share. This is a combination of the base business at Rs1,150 and treasury stock at Rs200. For the base business, we use PEG since UNSP is a growth stock. We take a target PEG of 0.9x for FY10 using EPS CAGR of two years over FY08-10. We forecast EPS to grow at an average of 19pct over the next two years and our target PEG of 0.9x is lower than the sector average of 1x to capture the higher regulatory risks associated with alcohol business in India. Based on this methodology, we arrive at the base business value of Rs1,150. At Rs1,150, the base business would trade at FY10E P/E of 21x. Treasury stock accounts for 13pct of shares outstanding and we assume that these will be sold at market value of Rs1,300/share which implies per share price of Rs200. Upside risks: Stronger-than-expected demand and higher-than-expected value of treasury stock. Downside risks: Sharp input cost increases.

## Analyst Certification

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**India - Consumer Coverage Cluster**

Investment rating	Company name	ML ticker	Bloomberg symbol	Analyst name
<b>BUY</b>				
	Asian Paints	XAPNF	APNT IN	Vandana Luthra
	McLeod Russel India Ltd.	XCVFF	MCLR IN	Manish Sarawagi
	Nestle India	XNTEF	NEST IN	Vandana Luthra
	Titan Inds Ltd	TTNIF	TTAN IN	Manish Sarawagi
	Welspun India	WPNIF	WLSI IN	Manish Sarawagi
<b>NEUTRAL</b>				
	Colgate India	CPIYF	CLGT IN	Vandana Luthra
	Dabur India	DBUIF	DABUR IN	Vandana Luthra
	Himatsingka Seid	HMKFF	HSS IN	Manish Sarawagi
<b>UNDERPERFORM</b>				
	Arvind Ltd	ARVZF	ARVND IN	Manish Sarawagi
	Gokaldas Exports	GKLDF	GEXP IN	Manish Sarawagi
	Hindustan Unilever	HINLF	HUVR IN	Vandana Luthra
	ITC Limited	ITCTF	ITC IN	Vandana Luthra
	Pantaloon	PFIAP	PF IN	Vandana Luthra
	Radico Khaitan	RKHAF	RDCK IN	Vandana Luthra
	Raymond Ltd	XRAMF	RW IN	Manish Sarawagi
	Shoppers' Stop	SHPSF	SHOP IN	Manish Sarawagi
	United Spirits	UDSRF	UNSP IN	Vandana Luthra
<b>REVIEW</b>				
	Tata Tea	TTAIF	TT IN	Vandana Luthra

**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

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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 May 31, 2008 or such later date as indicated.

### Investment Rating Distribution: Beverages - Alcoholic Group (as of 01 Apr 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	12	34.29%	Buy	3	33.33%
Neutral	18	51.43%	Neutral	6	37.50%
Sell	5	14.29%	Sell	1	33.33%

### Investment Rating Distribution: Global Group (as of 01 Apr 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	46.36%	Buy	420	27.80%
Neutral	1600	43.74%	Neutral	417	28.92%
Sell	362	9.90%	Sell	79	23.80%

\* 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.

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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 Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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