

Balanced growth, strong hiring

Maintain Buy post in-line balanced 3Q, encouraging hiring

TCS 3Q results in line with estimates. Key positives were balanced growth across segments and strong employee addition both in terms of gross hires for FY12 and campus offers for FY13. Realization expanded this quarter helped by rev mix. Margins expanded 213bps qoq but were lower than our estimate due to increased hiring and lower margin rev mix. We have tweaked estimates by -1 to +1.5% and retain Buy with a PO of Rs1,330 at 20x FY13 target PE for 19% FY11-14 EPS CAGR and in line with current FY12PE.

3Q: Balanced growth, key highlight; Margins a tad light

3Q rev grew 2.4% qoq (US\$ terms) and 4.5% qoq in constant currency terms in line with Infy and Street estimates. Realization went up by 2% qoq helped by mix. Margins expanded 213bps but were 122bps lower than our estimate due to higher employee adds and lower margin rev mix. Growth was balanced with IT infrastructure management services, enterprise solutions, Continental Europe and manufacturing/retail outperforming. Banking grew at 3.5% qoq ccy.

Hiring encouraging; Watch for delays in discretionary spend

Gross employee addition at 19,000 vs 20,000 in Sep quarter gives confidence on outlook. Gross hiring for year likely to end at 66,000 vs 60,000 target. Campus offers for FY13 at 43,600 up 18% yoy. Management sounded a note of caution on 4Q volumes, citing that 50% of discretionary project discussions getting delayed, though not cancelled. However, we are comfortable with our 18% USD rev growth forecast for FY13 based on consistent closures of large deals including 10 this quarter. Breadth of services, scale and strong client engagement helping TCS expand its share in the market for global sourcing of IT services.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	68,728	87,164	107,737	131,091	147,170
EPS	35.12	44.53	55.05	66.98	75.19
EPS Change (YoY)	32.9%	26.8%	23.6%	21.7%	12.3%
Dividend / Share	20.00	14.00	16.51	20.09	22.56
Free Cash Flow / Share	33.05	26.64	35.34	44.72	57.43

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	31.44x	24.79x	20.06x	16.48x	14.68x
Dividend Yield	1.81%	1.27%	1.50%	1.82%	2.04%
EV / EBITDA*	23.96x	18.57x	14.00x	11.71x	10.48x
Free Cash Flow Yield*	2.99%	2.41%	3.20%	4.05%	5.20%

* For full definitions of *iQmethod*SM measures, see page 11.

Bank of America Merrill Lynch

Mitali Ghosh >>	+91 22 6632 8661
Research Analyst DSP Merrill Lynch (India) mitali.b.ghosh@baml.com	
Pratish Krishnan >>	+91 22 6632 8679
Research Analyst DSP Merrill Lynch (India) pratish.krishnan@baml.com	
Kunal Tayal >>	+91 22 6632 8663
Research Analyst DSP Merrill Lynch (India) kunal.tayal@baml.com	

Stock Data

Price	Rs1,104
Price Objective	Rs1,330
Date Established	7-Dec-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs902.00-Rs1,247
Mrkt Val / Shares Out (mn)	US\$42,587 / 1,957.2
Market Value (mn)	Rs2,160,674
Average Daily Volume	1,573,822
BofAML Ticker / Exchange	TACSF / BSE
Bloomberg / Reuters	TCS IN / TCS.BO
ROE (2012E)	37.2%
Net Dbt to Eqty (Mar-2011A)	-28.3%
Est. 5-Yr EPS / DPS Growth	20.0% / 10.0%
Free Float	13.3%

Key Changes

(Rs)	Previous	Current
2012E EPS	54.47	55.05
2013E EPS	66.08	66.98
2014E EPS	75.98	75.19
2012E EBITDA (m)	148,883.9	148,520.9
2013E EBITDA (m)	175,748.8	177,627.1
2014E EBITDA (m)	201,124.0	198,457.6

>> 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 BofA Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

BofA 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 12 to 14. Analyst Certification on Page 10. Price Objective Basis/Risk on page 10. Link to Definitions on page 10.11127112

iQprofileSM Tata Consultancy

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	300,289	373,245	494,174	599,404	678,951
Gross Profit	143,047	173,872	233,921	283,955	317,803
Sell General & Admin Expense	(55,396)	(61,888)	(85,400)	(106,327)	(119,345)
Operating Profit	79,591	104,770	139,468	166,252	184,095
Net Interest & Other Income	2,255	5,324	2,709	10,160	13,723
Associates	NA	NA	NA	NA	NA
Pretax Income	81,846	110,094	142,177	176,412	197,818
Tax (expense) / Benefit	(12,088)	(21,739)	(33,304)	(44,103)	(49,455)
Net Income (Adjusted)	68,728	87,164	107,737	131,091	147,170
Average Fully Diluted Shares Outstanding	1,957	1,957	1,957	1,957	1,957

Key Cash Flow Statement Data

Net Income	68,728	87,164	107,737	131,091	147,170
Depreciation & Amortization	7,209	7,214	9,052	11,375	14,363
Change in Working Capital	4,431	(15,459)	(14,502)	(15,253)	(11,530)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(5,449)	(9,771)	(11,721)	(12,691)	(9,593)
Cash Flow from Operations	74,918	69,148	90,567	114,522	140,409
Capital Expenditure	(10,225)	(17,015)	(21,397)	(27,000)	(28,000)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(45,041)	(1,648)	(2,000)	0	0
Cash Flow from Investing	(55,266)	(18,663)	(23,397)	(27,000)	(28,000)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(19,594)	(45,832)	(36,846)	(44,833)	(50,332)
Cash Flow from Financing	(23,500)	(46,142)	(35,710)	(43,615)	(49,138)
Free Cash Flow	64,694	52,133	69,170	87,522	112,409
Net Debt	(82,178)	(72,880)	(99,858)	(143,765)	(207,036)
Change in Net Debt	(113)	(4,653)	(31,460)	(43,907)	(63,271)

Key Balance Sheet Data

Property, Plant & Equipment	41,706	51,996	63,906	79,530	93,168
Other Non-Current Assets	58,535	92,641	108,353	124,138	136,070
Trade Receivables	58,098	82,007	108,718	131,869	149,369
Cash & Equivalents	84,596	73,264	106,724	150,631	213,902
Other Current Assets	33,277	27,974	37,037	44,924	50,886
Total Assets	276,213	327,882	424,739	531,093	643,395
Long-Term Debt	111	56	56	56	56
Other Non-Current Liabilities	5,413	10,973	14,528	17,622	19,960
Short-Term Debt	2,307	328	6,810	6,810	6,810
Other Current Liabilities	54,210	59,335	74,126	89,911	101,843
Total Liabilities	62,040	70,692	95,520	114,398	128,669
Total Equity	214,172	257,191	329,218	416,694	514,725
Total Equity & Liabilities	276,213	327,883	424,738	531,092	643,394

iQmethodSM - Bus Performance*

Return On Capital Employed	35.0%	36.0%	36.4%	33.4%	30.2%
Return On Equity	37.6%	37.6%	37.2%	35.6%	32.0%
Operating Margin	26.5%	28.1%	28.2%	27.7%	27.1%
EBITDA Margin	28.9%	30.0%	30.1%	29.6%	29.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	0.8x	0.8x	0.9x	1.0x
Asset Replacement Ratio	1.4x	2.4x	2.4x	2.4x	1.9x
Tax Rate (Reported)	14.8%	19.7%	23.4%	25.0%	25.0%
Net Debt-to-Equity Ratio	-38.4%	-28.3%	-30.3%	-34.5%	-40.2%
Interest Cover	NM	NM	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Description

Set up in 1968, TCS pioneered IT services exports & is India's largest exporter (FY11 rev: US\$8.2bn, 198,000 people). Strengths: Scale, end-to-end services, depth of vertically focused IP, project mgmt depth, fixed-bid pricing capability & ability to deliver large/complex projects. Besides US & Europe it focuses on emerging markets like India and Latin America & has the widest global low-cost delivery centers (eg, China).

Investment Thesis

TCS is a key beneficiary of increased global sourcing. It stands out for all round growth across verticals, geographies and service lines. It is also increasingly winner larger and more transformational deals. Finally, it leads the industry in its industry low attrition and ability to operate at high utilization levels. We expect pricing, productivity and revenue mix focus to largely offset wage pressures. We expect robust earnings growth driven return in the stock.

Stock Data

Price to Book Value

6.6x

Balanced growth, strong hiring

TCS 3Q results were in line with our estimates. Key positives were balanced growth across segments and strong employee addition both in terms of gross hires for FY12 and campus offers for FY13. Realization expanded this quarter helped by rev mix. Margins expanded 213bps qoq but were lower than our estimate due to increased hiring and lower margin rev mix. We believe as volumes ramp & near shore centers achieve scale, margins should improve.

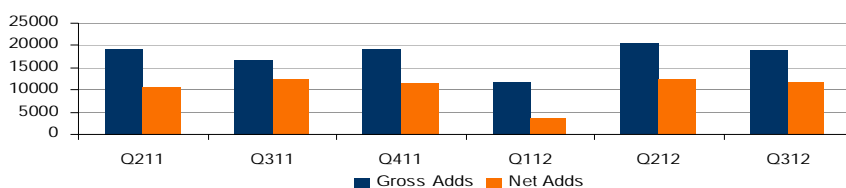
We have tweaked estimates by -1 to +1.5% and retain Buy with a PO of Rs1,330 at 20x FY13 target PE for 19% FY11-14 EPS CAGR and in line with current FY12PE.

Strong company-specific demand indicators

#1. Raise in hiring targets re-enforces demand confidence

Employee hiring trends remained strong in the quarter with a 5.6% expansion in the employee base. Company now intends to add 66k employees in FY12 on a gross basis, against earlier expectations of 60k. Additionally, ~1900 people will join as part of the Friends UK deal.

Chart 1: Strong employee hiring trend and raise in hiring target for the year



Source: BofA Merrill Lynch Global Research

#2. Fresher hiring, Deal closures provide visibility into FY13 growth

Fresher hiring target at 43.6K for FY13 compares favorably with fresher offers made for FY12 (37k) and implies an 18% yoy growth.

Moreover, Q3 deal closures for TCS matched those in Q2 despite Q3 being a seasonally weaker quarter. Company indicated good deal closures in the troubled telecom vertical over the past 1-2 quarters that could help post a return to sequential revenue growth.

Table 1: Deal closures remain on track

	Q111	Q211	Q311	Q411	Q112	Q212
Deals closed in quarter	10	10	9	7	10	10

Source: BofA Merrill Lynch Global Research

#3. No deal cancellations yet but muted expectations on discretionary spends

Even though there have been no instances of deal cancellations thus far, management indicated a delay in decision making on discretionary IT spends. Of a sample of nearly 130 projects analyzed by the company, as many as 50% had been impacted by deal push-outs.

Out of 120 clients polled by the company, 96 had finalized their IT budgets and 2/3rd of these indicated a flat to positive bias to 2012 budgets.

Q3 P&L Highlights

- Constant currency revenue growth (qoq) of 4.5% was comparable to that of Infosys and led by growth in infrastructure management services / enterprise solutions.
- EBIT margin at 29.2% showed a sequential expansion of 213bps, helped mainly by currency. Net profit was in-line with our estimate as the slight miss in operating profit was compensated by a lower tax outgo.
- DSO days stayed flattish at 81 days vs. 82 days in the previous quarter.
- Interim dividend payout of Rs3 declared for the quarter.

Table 2: Q3 P&L Summary

INR Million	Q312	Q212	QoQ	Q311	YoY	BofAMLe	Var	Comments
Revenues	132,040	116,335	13.5%	96,633	36.6%	131,576	0.4%	US\$ rev growth of 2.4% qoq was driven by volume growth of 3.2%qoq, pricing increase (1.98%) and partially dragged by cross-currency (2.1%) and offshore shift (0.64%). A 11% depreciation of INR vs. US\$ helped post
Less:								13.5%qoq rev growth in INR terms.
Cost of services rendered (excl dep)	64,254	59,276	8.4%	48,851	31.5%	63,396	1.4%	
Cost of equipment & software licenses	4,350	2,865	51.8%	2,651	64.1%	3,553	22.5%	
Total cost of revenues	68,604	62,141	10.4%	51,502	33.2%	66,949	2.5%	
Gross Profit	63,436	54,194	17.1%	45,131	40.6%	64,627	-1.8%	
Selling, general and administrative (excl. depn)	22,515	20,365	10.6%	15,957	41.1%	22,115	1.8%	
Total operating expenses	22,515	20,365	10.6%	15,957	41.1%	22,115	1.8%	
EBITDA	40,921	33,828	21.0%	29,174	40.3%	42,512	-3.7%	
Less: Depreciation	2,303	2,286	0.7%	1,856	24.1%	2,421	-4.9%	
EBIT	38,618	31,542	22.4%	27,318	41.4%	40,092	-3.7%	EBIT margin expansion of 213bps was on account of favorable forex movement (282bps), other factors (45bps) and partially offset by rate productivity (94bps), provisions (10bps) and gdc shift (10bps).
Other income (expense), net	-920	997	-192.3%	1,822	-150.5%	-1,568	-41.3%	
Income before income taxes, PBT	37,698	32,540	15.9%	29,140	29.4%	38,524	-2.1%	
Income tax expense (benefit)	8,538	7,913	7.9%	5,491	55.5%	9,368	-8.9%	
Income after taxes before minority interests	29,160	24,627	18.4%	23,649	23.3%	29,156	0.0%	
Minority interests	-294	-237	24.2%	-189	55.8%	-213	38.0%	
Equity in net earnings of affiliates	0	0	n/a	0	n/a	0	n/a	
Net income before extraordinary gains	28,866	24,390	18.4%	23,460	23.0%	28,942	-0.3%	
Recurring Net Profit	28,866	24,390	18.4%	23,460	23.0%	28,942	-0.3%	Net profit at 18%qoq growth was in-line with our expectations

Source: BofA Merrill Lynch Global Research estimates

Table 3: Q3 Margins

Margins	Q312	Q212	QoQ (bps)	Q311	YoY (bps)	BofAMLe	Variation (bps)
Gross Profit	48.0%	46.6%	146	46.7%	134	49.1%	-107
EBITDA	31.0%	29.1%	191	30.2%	80	32.3%	-132
EBIT	29.2%	27.1%	213	28.3%	98	30.5%	-122
Net Profit	21.9%	21.0%	90	24.3%	-242	22.0%	-14

Source: BofA Merrill Lynch Global Research estimates

Comparable growth trend seen across most verticals this quarter.

While revenue in telecom declined once again, TCS has seen good deal signings among service providers as well as pipeline in this vertical which should help return to growth.

Growth in BFSI remains lower than company average but mgmnt commentary indicates no particular softness in BFSI vertical, going ahead.

Strong quarter for infra mgmt services and enterprise solutions / consulting.

Soft growth in ADM likely due to stress on discretionary application development spends.

Management commentary for UK / Europe remains bullish with deal pipeline looking good and driven by adoption of global sourcing in BFSI / manufacturing verticals.

A strong quarter for India growing at ~15%qoq in constant currency, post a soft Q2.

Clients outside top-10 grew faster than the company during the quarter with offshore industry benefitting from first time offshorers / outsourcers.

Revenue Mix: Growth remains well-spread

Table 4: 3QFY12 Vertical Mix (US\$ terms)

	% of Revs Q3FY12	QoQ			
		Q4FY11	Q1FY12	Q2FY12	Q3FY12
BFSI	43.3%	3.3%	5.7%	5.2%	1.9%
Manufacturing	7.8%	9.1%	8.9%	7.5%	2.4%
Telecom	10.0%	-3.2%	14.3%	-4.2%	-4.3%
Life Sciences & Healthcare	5.3%	6.7%	5.4%	6.7%	2.4%
Retail & Distribution	12.3%	7.6%	11.3%	9.2%	4.1%
Transportation	3.8%	20.1%	1.9%	7.5%	2.4%
Hi-tech	5.9%	13.1%	15.4%	6.5%	2.4%
Media and Entertainment	2.2%	4.7%	2.8%	-0.1%	7.3%
Others	5.3%	-1.5%	14.2%	-7.6%	20.6%

Source: BofA Merrill Lynch Global Research

Table 5: 3QFY12 Services Mix

	% of Revs Q3FY12	QoQ			
		Q4FY11	Q1FY12	Q2FY12	Q3FY12
Application Development and Maintenance	44.0%	7.3%	7.7%	1.3%	0.8%
Business Intelligence	4.4%	-3.2%	7.4%	0.4%	-4.1%
Engineering & Industrial Services	4.6%	4.7%	3.0%	9.3%	-1.9%
Infrastructure Services	10.6%	-9.3%	12.2%	5.8%	13.1%
Enterprise Solutions	11.4%	17.8%	7.4%	7.6%	5.2%
Global Consulting	2.8%	-4.4%	12.6%	23.7%	10.3%
Assurance Services	7.6%	3.2%	12.0%	9.0%	2.4%
Business Process Outsourcing	10.8%	6.5%	1.0%	4.7%	1.4%

Source: BofA Merrill Lynch Global Research

Table 6: 3QFY12 Geography Mix

	% of Revs Q3FY12	QoQ			
		Q4FY11	Q1FY12	Q2FY12	Q3FY12
Americas	56.4%	4.7%	6.3%	5.5%	2.4%
Europe	25.5%	5.1%	6.6%	6.4%	2.0%
India	8.4%	0.1%	13.5%	-6.5%	3.6%
Others	9.7%	8.2%	10.9%	6.9%	2.4%

Source: BofA Merrill Lynch Global Research

Table 7: Revenue by client bucket

(Q/Q - LTM basis)	Q211	Q311	Q411	Q112	Q212	Q312
Top client	5.1%	2.9%	3.2%	3.1%	3.4%	5.0%
Top 2-5 clients	8.0%	7.7%	5.9%	4.3%	2.5%	1.8%
Top 6-10 clients	0.2%	9.6%	7.4%	7.4%	7.7%	2.4%
Non Top 10 clients	7.1%	7.0%	8.1%	8.5%	7.3%	5.8%

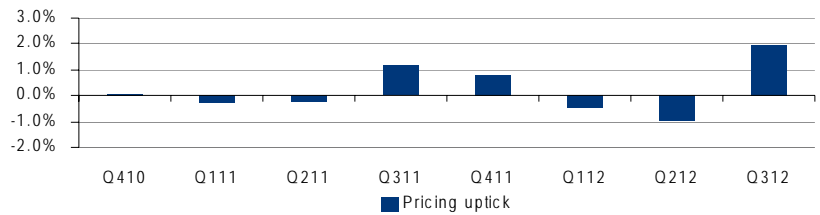
Source: BofA Merrill Lynch Global Research

Rupee led margin expansion

EBIT margin expansion of 213bps was on account of favorable forex movement (282bps), other factors (45bps), partially offset by lower margins in certain new deals undergoing transition or takeover of employees (94bps), more near shore presence (10bps) and higher provisions (10bps). We believe as volumes ramp & near shore centers achieve scale, margins should improve.

A near 200bps qoq increase in pricing this qtr helped reverse the mix-led pricing decline of previous two quarters. TCS continues to expect pricing to remain in a narrow band for the year.

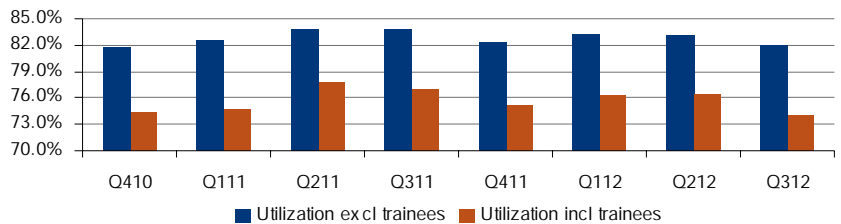
Chart 2: Improved pricing this quarter



Source: BofA Merrill Lynch Global Research

Utilization incl trainees dropped 160bps qoq and could decline further in Q4 given company's plans of making 15k gross additions

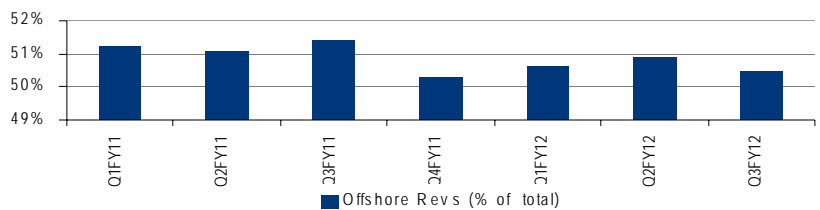
Chart 3: Decline in employee utilization rates



Source: BofA Merrill Lynch Global Research

Offshore revenue contribution dipped marginally with increase in contribution from GDC i.e. near shore locations.

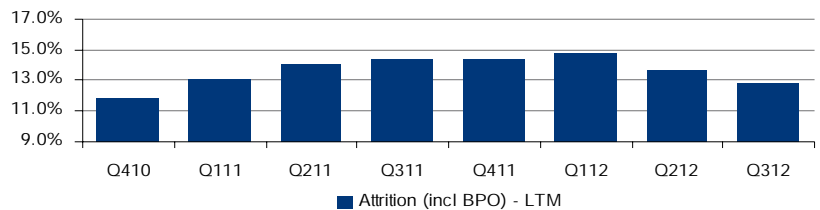
Chart 4: % of offshore revenues inched down



Source: BofA Merrill Lynch Global Research

Employee retention remains best in industry with attrition rate dropping to 12.8% on LTM basis

Chart 5: Attrition rates continue to decline



Source: BofA Merrill Lynch Global Research

Valuation Summary

Table 8: SUMMARY VALUATION - INDIA IT

	Tata Consultancy	Wipro	Infosys Tech	HCL
BofAML Code	TACSF	WIPRF	INFYF	XHCLF
Bloomberg Code	TCS IN	WPRO IN	INFO IN	HCLT IN
BofAML Rating	C-1-7	C-1-7	C-2-7	C-1-7
Currency	INR	INR	INR	INR
Year End	Mar	Mar	Mar	Jun
Nprice	1,104	415	2,662	425
Revenue growth YoY %				
FY10	8%	6%	5%	19%
FY11	24%	14%	21%	28%
FY12E	32%	17%	25%	30%
FY13E	21%	19%	18%	12%
FY14E	13%	16%	13%	14%
EBITDA growth (YoY %)				
FY10	20.9%	18.1%	9.2%	11.4%
FY11	29.0%	11.0%	14.1%	7.1%
FY12E	32.6%	10.5%	23.2%	40.4%
FY13E	19.6%	17.8%	15.3%	9.5%
FY14E	11.7%	15.8%	10.8%	10.8%
EBITDA growth % FY12-14e	15.6%	16.8%	13.0%	10.1%
EPS Rs				
FY10	35.1	18.9	110.3	17.7
FY11	44.5	21.5	119.4	22.9
FY12E	55.0	22.6	148.1	32.8
FY13E	67.0	27.4	171.7	38.7
FY14E	75.2	32.8	194.0	44.2
EPS growth (YoY%)				
FY10	32.9%	18.5%	6.4%	-0.8%
FY11	26.8%	14.1%	8.3%	29.0%
FY12E	23.6%	5.0%	24.0%	43.4%
FY13E	21.7%	21.4%	15.9%	18.1%
FY14E	12.3%	19.4%	13.0%	14.1%
2yr EPS gr% (FY12-14E)	16.9%	20.4%	14.4%	16.1%
PE (FY11 EPS)(x)	24.8	19.3	22.3	18.6
PE (FY12e EPS)(x)	20.1	18.4	18.0	13.0
PE (FY13e EPS)(x)	16.5	15.1	15.5	11.0
PE (FY14e EPS)(x)	14.7	12.7	13.7	9.6
EV/EBITDA (FY11)x	18.6	14.6	15.2	10.6
EV/EBITDA (FY12E)x	14.1	13.2	12.3	7.6
EV/EBITDA (FY13E)x	11.8	11.2	10.7	6.9
EV/EBITDA (FY14E)x	10.5	9.7	9.7	6.2
EBIT % FY10	26.5%	18.9%	30.4%	15.7%
EBIT % FY11	28.1%	18.6%	29.5%	13.4%
EBIT % FY12E	28.2%	17.2%	29.3%	15.4%
EBIT % FY13E	27.7%	17.3%	28.8%	14.9%
EBIT % FY14E	27.1%	17.4%	28.3%	14.5%
ROE (FY10) (x)	38	27	29	19
ROE (FY11) (x)	38	24	27	21
ROE (FY12e) (x)	37	21	28	23
ROE (FY13e) (x)	36	22	26	22
ROE (FY14e) (x)	32	22	24	22

Source: BofA Merrill Lynch Global Research estimates

16 January 2012

Financial Tables

Table 9: TCS P&L

Rs Mil	FY09	FY10	FY11	FY12E	FY13E	FY14E
Total revenues	278,129	300,289	373,245	494,174	599,404	678,951
Total cost of revenues	150,775	157,242	199,373	260,252	315,450	361,148
Gross Profit	127,354	143,047	173,872	233,921	283,955	317,803
GPM%	45.8%	47.6%	46.6%	47.3%	47.4%	46.8%
Operating Expenses						
Selling, general and administrative (excl. depn)	55,144	55,396	61,888	85,400	106,327	119,345
Research and development	431	851	-	-	-	-
Total operating expenses	55,575	56,247	61,888	85,400	106,327	119,345
EBITDA	71,779	86,800	111,984	148,521	177,627	198,458
EBITDA %	25.8%	28.9%	30.0%	30.1%	29.6%	29.2%
Less: Depreciation	5,764	7,209	7,214	9,052	11,375	14,363
Operating Income, EBIT	66,015	79,591	104,770	139,468	166,252	184,095
EBIT %	23.7%	26.5%	28.1%	28.2%	27.7%	27.1%
Other Income (expense)						
Interest and dividends, net	1,899	1,668	4,391	7,192	9,264	12,709
Foreign exchange gain (loss), net	(7,614)	(1,807)	(467)	(5,113)	-	-
Other, net	1,042	2,394	1,400	630	896	1,015
Other income (expense), net	(4,673)	2,255	5,324	2,709	10,160	13,723
Income before income taxes, PBT	61,342	81,846	110,094	142,177	176,412	197,818
Income tax expense (benefit)	9,012	12,088	21,739	33,304	44,103	49,455
Income after taxes before minority interests	52,331	69,757	88,355	108,873	132,309	148,364
Minority interests	(604)	(1,019)	(1,191)	(1,136)	(1,218)	(1,194)
Equity in net earnings of affiliates	(7)	(10)	-	-	-	-
Net income	51,720	68,728	87,164	107,737	131,091	147,170
Recurring Net Profit	51,720	68,728	87,164	107,737	131,091	147,170
NPM%	18.6%	22.9%	23.4%	21.8%	21.9%	21.7%

Source: BofA Merrill Lynch Global Research estimates

Table 10: Key Ratios

Key Ratios	FY09	FY10	FY11	FY12E	FY13E	FY14E
Revenue growth (USD terms)	5%	5%	29%	24%	18%	19%
Revenue growth	22%	8%	24%	32%	21%	13%
EBITDA growth	21%	21%	29%	33%	20%	12%
EBIT growth	23%	21%	32%	33%	19%	11%
Net Profit growth (recurring)	4%	33%	27%	24%	22%	12%
Gross Margin	46%	48%	47%	47%	47%	47%
EBITDA Margin	25.8%	28.9%	30.0%	30.1%	29.6%	29.2%
EBIT Margin	23.7%	26.5%	28.1%	28.2%	27.7%	27.1%
Net Margin (recurring)	18.6%	22.9%	23.4%	21.8%	21.9%	21.7%
EPS (Rs.)	26.4	35.12	44.53	55.05	66.98	75.19
DPS (Rs)	7.00	20.00	14.00	16.51	20.09	22.56
Payout Ratio (%)	31.2%	28.5%	52.6%	30.0%	30.0%	30.0%
RONW	37%	38%	38%	37%	36%	32%
ROCE	39%	41%	43%	44%	43%	38%

Source: BofA Merrill Lynch Global Research estimates

16 January 2012

Table 11: TCS Balance Sheet

Rs Mil	FY09	FY10	FY11	FY12E	FY13E	FY14E
Current Assets						
Cash and Cash equivalents	14,625	10,249	15,539	86,334	130,241	193,512
Accounts Receivable	61,532	58,098	82,007	108,718	131,869	149,369
Unbilled Revenues	14,814	12,011	13,489	17,859	21,662	24,537
Other Current Assets	20,304	21,089	14,485	19,178	23,262	26,349
Total	123,003	138,149	164,855	232,090	307,034	393,767
Investments	17,232	37,822	18,390	20,390	20,390	20,390
Equity in Affiliates	39	17	-	-	-	-
Property & Equipment net	37,490	41,706	51,996	63,906	79,530	93,168
Intangible Assets & Goodwill	34,185	32,415	33,791	34,227	34,227	34,227
Other Non-Current Assets	16,853	26,103	58,850	74,126	89,911	101,843
Total Assets	228,802	276,213	327,882	424,739	531,093	643,395
Current Liabilities						
Accrued Expenses & Other Current Liabilities	44,395	46,899	59,335	74,126	89,911	101,843
Unearned & Deferred Revenues	7,762	7,311	-	-	-	-
Short term Borrowings	5,158	2,307	328	6,810	6,810	6,810
Total Current Liabilities	57,315	56,516	59,663	80,936	96,721	108,653
Long Term Debt	1,762	111	56	56	56	56
Minority Interests	3,133	4,768	3,147	4,283	5,501	6,695
Other Non-current Liabilities	10,048	5,413	10,973	14,528	17,622	19,960
Total Liabilities	14,943	10,293	14,176	18,867	23,179	26,711
Total Shareholder's Equity	156,545	209,404	254,044	324,935	411,193	508,030
Total Liabilities and Shareholder's Equity	228,802	276,213	327,883	424,738	531,092	643,394

Source: BofA Merrill Lynch Global Research estimates

Table 12: TCS Cash flow statement

Rs Mil	FY09	FY10	FY11	FY12E	FY13E	FY14E
Cash From Operations						
Recurring net profit	51,719	68,728	87,164	107,737	131,091	147,170
Add: Depreciation	5,790	7,248	7,214	9,052	11,375	14,363
Add: Deferred taxes	(2,982)	(4,996)	-	-	-	-
(Increase)/Decrease in working capital	1,802	4,431	(15,459)	(14,502)	(15,253)	(11,530)
(Increase)/Decrease in non-current assets	(1,684)	132	(15,331)	(15,276)	(15,785)	(11,932)
Increase/(Decrease) in non-current liabilities	487	(1,960)	5,560	3,555	3,094	2,339
Net cash from operations	55,986	74,918	69,148	90,567	114,522	140,409
Cash From Investments						
Capex	(11,456)	(10,225)	(17,015)	(20,961)	(27,000)	(28,000)
(Increase)/Decrease in affiliate investments	-	-	-	-	-	-
(Increase)/Decrease in intangible assets/goodwill	-	-	-	(436)	-	-
Sale of investments and bank deposits	(1,111)	(45,320)	(2,878)	-	-	-
Acquisitions	(23,667)	279	(210)	-	-	-
Others	-	-	1,440	(2,000)	-	-
Net cash from investments	(36,234)	(55,266)	(18,663)	(23,397)	(27,000)	(28,000)
Free Cash Flow	44,530	64,694	52,133	69,170	87,522	112,409
Cash From Financing						
Capital Inflows	-	-	-	(0)	(0)	(0)
Increase/(Decrease) In Minority Interest	39	54	-	1,136	1,218	1,194
Dividends paid	(16,121)	(19,594)	(45,832)	(32,321)	(39,327)	(44,151)
Tax on dividends	-	-	-	(4,525)	(5,506)	(6,181)
Net Cash From Financing	(16,696)	(23,500)	(46,142)	(35,710)	(43,615)	(49,138)
Effect of foreign exchange on cash flows	895	(529)	487	-	-	-
Opening cash and treasury	10,673	14,625	10,249	73,264	106,724	150,631
Change in cash and cash equivalents	3,057	(3,847)	4,342	31,460	43,907	63,271
Closing cash and treasury	14,625	10,249	15,078	104,724	150,631	213,902

Source: BofA Merrill Lynch Global Research estimates

Price objective basis & risk

Tata Consultancy (TACSF)

Our Price Objective of Rs1,330 is at 20x FY13E PE, a 10% premium to Infosys. It is also in line with Infys 5-yr average PE and re rated from its own avg PE of 18x, given TCSs track record of superior and balanced earnings growth in last 3 years.

Risks to our earnings estimates and price objective stem from double dip recession, protectionism, increasing competition and specially for TCS, any shock to the banking sector.

Link to Definitions

Technology

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

Analyst Certification

I, Mitali Ghosh, 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. BofA 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.

DSP Merrill Lynch Limited

SEBI Regn no. : BSE - INB/INF 011348134 NSE – INB/INF 231348138

Address – Mafatlal Centre, 8th Floor, Nariman Point, Mumbai, India. 400021

Tel : +91 22 6632 8000

India - Software & IT Services Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	D.B.Corp Ltd	XDDCF	DBCL IN	Pratish Krishnan
	Dish TV India Ltd	XCETF	DITV IN	Pratish Krishnan
	ExlService Holdi	EXLS	EXLS US	Mitali Ghosh
	Firstsource	FSSOF	FSOL IN	Kunal Tayal
	Genpact Ltd	G	G US	Mitali Ghosh
	Hathway Cable & Datacom Ltd	XHKYF	HATH IN	Pratish Krishnan
	HCL	XHCLF	HCLT IN	Mitali Ghosh
	Hexaware Tech	XFTCF	HEXW IN	Pratish Krishnan
	Jagran Prakashan Ltd	JGRPF	JAGP IN	Pratish Krishnan
	Mphasis Ltd	MPSSF	MPHL IN	Pratish Krishnan
	Rolta India	RLTAF	RLTA IN	Pratish Krishnan
	Rolta India-GDR	XLROF	RTI LI	Pratish Krishnan
	Tata Consultancy	TACSF	TCS IN	Mitali Ghosh
	Wipro	WIPRF	WPRO IN	Mitali Ghosh
	Wipro	WIT	WIT US	Mitali Ghosh
	Zee Entertainment	XZETF	Z IN	Pratish Krishnan
NEUTRAL				
	Infosys Tech	INFYF	INFO IN	Mitali Ghosh
	Infosys Tech - A	INFY	INFY US	Mitali Ghosh
	Infotech Enterprises Ltd	IFKFF	INFTC IN	Pratish Krishnan
	Sun TV Network Ltd	SUTVF	SUNTV IN	Pratish Krishnan
	Tech Mahindra	TMHAF	TECHM IN	Pratish Krishnan
UNDERPERFORM				
	Mahindra Satyam Ltd	XSYAF	SCS IN	Pratish Krishnan
	Mahindra Satyam Ltd	SAYCY	SAYCY US	Pratish Krishnan
	Mastek	MSKDF	MAST IN	Pratish Krishnan
	Persistent Systems	XPSYF	PSYS IN	Kunal Tayal
	WNS (Holdings) L	WNS	WNS US	Kunal Tayal
RVW				
	Educomp Solu	EUSOF	EDSL IN	Pratish Krishnan

iQmethodSM 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
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	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Sales Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

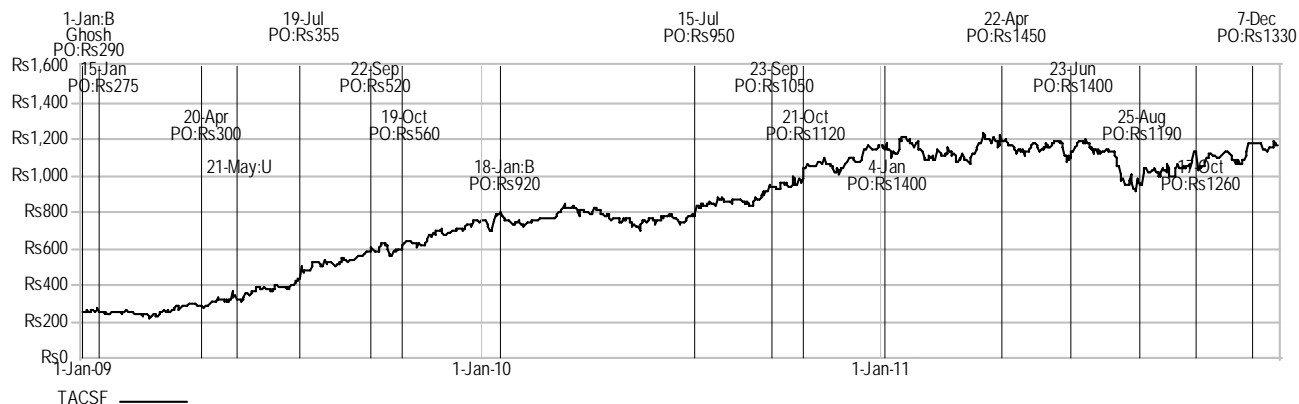
iQmethodSM is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines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

TACSF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [December 31, 2011] or such later date as indicated.

Investment Rating Distribution: Technology Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	122	56.48%	Buy	87	77.68%
Neutral	50	23.15%	Neutral	35	76.09%
Sell	44	20.37%	Sell	20	48.78%

Investment Rating Distribution: Global Group (as of 01 Jan 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2029	52.00%	Buy	1337	72.11%
Neutral	1009	25.86%	Neutral	657	71.34%
Sell	864	22.14%	Sell	487	60.20%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates 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 BofA Merrill Lynch 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 BofA Merrill Lynch Comment referencing the stock.

Price charts for the securities referenced in this research report are available at <http://pricecharts.ml.com>, or call 1-800-MERRILL to have them mailed.

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: Tata Consultancy.

MLPF&S or an affiliate has received compensation from the company for non-investment banking services or products within the past 12 months: Tata Consultancy.

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: Tata Consultancy.

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: Tata Consultancy.

MLPF&S or an affiliate has received compensation for investment banking services from this company within the past 12 months: Tata Consultancy.

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: Tata Consultancy.

16 January 2012

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: Tata Consultancy.

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: Tata Consultancy.

BofA Merrill Lynch Research personnel (including the analyst(s) responsible for 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

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.

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

"BofA Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates. Investors should contact their BofA Merrill Lynch representative or Merrill Lynch Global Wealth Management financial advisor if they have questions concerning this report.

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

MLPF&S distributes, 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; MLI (UK): Merrill Lynch International; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd.; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co., Ltd.; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office; Merrill Lynch (Spain): Merrill Lynch Capital Markets Espana, S.A.S.V.; Merrill Lynch (Brazil): Bank of America Merrill Lynch Banco Múltiplo S.A.

This research report has been approved for publication and is distributed in the United Kingdom to professional clients and eligible counterparties (as each is defined in the rules of the Financial Services Authority) by Merrill Lynch International and Banc of America Securities Limited (BASL), which are authorized and regulated by the Financial Services Authority and has been approved for publication and is distributed in the United Kingdom to retail clients (as defined in the rules of the Financial Services Authority) by Merrill Lynch International Bank Limited, London Branch, which is authorized by the Central Bank of Ireland and is subject to limited regulation by the Financial Services Authority – details about the extent of its regulation by the Financial Services Authority are available from it on request; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co., Ltd., a registered securities dealer under the Financial Instruments and Exchange Act in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and 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) and Merrill Lynch (Singapore) Pte Ltd. 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. Merrill Lynch (Dubai) is authorized and regulated by the Dubai Financial Services Authority (DFSA). Research reports prepared and issued by Merrill Lynch (Dubai) are prepared and issued in accordance with the requirements of the DFSA conduct of business rules.

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 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.

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.

BofA Merrill Lynch is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

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.

16 January 2012

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 BofA Merrill Lynch entities located outside of the United Kingdom. BofA Merrill Lynch Global Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

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.

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

BofA Merrill Lynch, through business units other than BofA Merrill Lynch Global 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 BofA Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

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

Copyright and General Information regarding Research Reports:

Copyright 2012 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 BofA 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 BofA Merrill Lynch. BofA Merrill Lynch Global Research reports are distributed simultaneously to internal and client websites and other portals by BofA 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 BofA Merrill Lynch.

Materials prepared by BofA Merrill Lynch Global 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 BofA Merrill Lynch, including investment banking personnel. BofA Merrill Lynch has established information barriers between BofA Merrill Lynch Global Research and certain business groups. As a result, BofA 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. BofA Merrill Lynch Global Research personnel's knowledge of legal proceedings in which any BofA 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 BofA 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). BofA Merrill Lynch Global Research 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 BofA 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. BofA 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 BofA 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. BofA 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 BofA 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 MLPF&S or any of its 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 BofA Merrill Lynch nor any officer or employee of BofA 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.