

Bottoming out on-track, Buy ahead of profits

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Focus on B(R)IC + REpower = Turnaround; Buy

Post meeting Suzlon at our Capital goods tour, we reiterate our recent upgrade to Buy on a structural turnaround. Three catalysts: a) 25% CAGR till FY13E in the Indian wind markets on higher feed-in tariffs (off-set rising interest cost/ low wind sites) and new regulation leading to entry of IPPs, b) faster shift in production at REpower to low cost India aiding its ability to cut prices without margin hit and scale-up in higher margin, offshore wind and c) recovery of Rs10bn (27% of debtors) in 2HFY12 (Edison), to fund growth and reduce liquidity concerns. Its back-to-basics strategy to has paid-off, with YTD orders up 4x in India to 2.1GW. Risks to our non-consensus Buy call (6 of 27 brokers) are delivery push-back, currency and execution.

India - an island of growth on better regulation; Inflows ~4x

Suzlon supported our view that India WTG market new-add could grow to 3.6GW by FY13E vs 2.4GW in FY11, on transformation caused by regulatory support to low wind sites, and higher feed-in tariffs to shift markets to IPPs. Suzlon, a 50% leader, is the key beneficiary with order wins from Vedanta (150MW) and new IPPs such as Caparo (1GW), led by its 'end-to-end' model and launch of 2.1MW turbine. The shift toward a profitable India (61% of FY12E MW vs. 47% in FY10) shall drive profit in 4Q'11 and visibility. The 1st sign of turnaround is visible in 3Q'11 – EBITDA margin 7% v/s -3%.

Other catalysts: REpower shifting mix, Brazil & China

A) New products & pricing in China, b) new orders in Brazil and c) shift in product mix to high-margin off-shore wind in FY12/13E and manufacturing to low-cost Asian regions (>70% in 18 months of its largest selling 2MW turbine) to up REpower competitiveness. Leveraging consol. D/E to support Suzlon's high parent debt.

Orders picking up; B-T-B at 1.2x, but its still early days...

SUEL backlog of 2.6GW vs our 2.5GW in FY12 ex-REpower, address business continuity concerns. Over-supply in global markets, delay in US RPS and weak US gas / power prices are concerns. Strong oil helps sentiments on renewables but gas is key.

Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	10,152	(11,944)	(9,383)	5,512	9,371
EPS	6.78	(7.67)	(5.28)	3.10	5.27
EPS Change (YoY)	-23.8%	NM	31.2%	NM	70.0%
Dividend / Share	0	0	0	0	0.500
Free Cash Flow / Share	(36.59)	14.39	4.31	3.48	5.69

Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	7.17x	NM	NM	15.66x	9.21x
Dividend Yield	0%	0%	0%	0%	1.03%
EV / EBITDA*	7.25x	21.66x	24.25x	8.73x	6.89x
Free Cash Flow Yield*	-63.54%	25.97%	8.88%	7.17%	11.72%

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

Stock Data

Price	Rs48.55
Price Objective	Rs70.00
Date Established	7-Feb-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs42.80-Rs78.50
Mrkt Val / Shares Out (mn)	US\$1,917 / 1,777.4
Average Daily Volume	22,251,450
BofAML Ticker / Exchange	XZULF / BSE
Bloomberg / Reuters	SUEL IN / SUZL.BO
ROE (2011E)	-14.2%
Net Dbt to Eqty (Mar-2010A)	140.8%
Est. 5-Yr EPS / DPS Growth	30.0% / 30.0%
Free Float	46.9%

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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7. Link to Definitions on page 7. 11028662

iQprofileSM Suzlon Energy Ltd.

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
(Rs Millions)					
Sales	262,588	207,792	181,946	252,269	304,440
Gross Profit	94,020	71,511	58,381	86,073	103,533
Sell General & Admin Expense	(65,861)	(62,079)	(49,956)	(62,668)	(73,886)
Operating Profit	22,427	2,801	2,866	17,112	22,699
Net Interest & Other Income	(7,223)	(11,256)	(9,969)	(10,264)	(11,214)
Associates	NA	NA	NA	NA	NA
Pretax Income	15,204	(8,454)	(7,103)	6,847	11,486
Tax (expense) / Benefit	(3,128)	(3,561)	(2,363)	(2,258)	(3,201)
Net Income (Adjusted)	10,152	(11,944)	(9,383)	5,512	9,371
Average Fully Diluted Shares Outstanding	1,498	1,557	1,777	1,777	1,777

Key Cash Flow Statement Data

Net Income	10,152	(11,944)	(9,383)	5,512	9,371
Depreciation & Amortization	5,731	6,630	5,559	6,293	6,948
Change in Working Capital	(39,658)	23,884	8,194	(11,761)	(11,084)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	12,609	11,136	12,485	11,857	13,060
Cash Flow from Operations	(11,165)	29,707	16,855	11,901	18,294
Capital Expenditure	(43,662)	(7,300)	(9,196)	(5,712)	(8,185)
(Acquisition) / Disposal of Investments	(26,480)	(148)	(21)	6	(16)
Other Cash Inflow / (Outflow)	(11,768)	40,422	(2,349)	0	0
Cash Flow from Investing	(81,910)	32,974	(11,565)	(5,706)	(8,201)
Shares Issue / (Repurchase)	13,833	(30,369)	11,948	0	0
Cost of Dividends Paid	(9,012)	(11,950)	(11,183)	(11,531)	(13,492)
Cash Flow from Financing	54,171	(64,336)	(7,667)	(6,070)	(8,376)
Free Cash Flow	(54,827)	22,407	7,659	6,189	10,109
Net Debt	117,997	97,637	91,582	96,918	100,316
Change in Net Debt	88,253	(20,361)	(6,055)	5,336	3,398

Key Balance Sheet Data

Property, Plant & Equipment	80,884	44,695	48,331	47,751	48,988
Other Non-Current Assets	75,801	74,506	74,527	74,521	74,537
Trade Receivables	53,928	31,740	36,750	54,045	69,270
Cash & Equivalents	30,698	29,043	26,665	26,790	28,508
Other Current Assets	134,203	111,199	100,628	126,262	145,732
Total Assets	375,514	291,182	286,902	329,370	367,035
Long-Term Debt	148,696	126,679	118,247	123,708	128,824
Other Non-Current Liabilities	1,868	965	2,622	2,587	2,640
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	115,523	94,216	96,850	128,018	151,628
Total Liabilities	266,087	221,860	217,719	254,313	283,092
Total Equity	109,427	69,323	69,184	75,057	83,943
Total Equity & Liabilities	375,514	291,183	286,903	329,370	367,035

iQmethodSM - Bus Performance*

Return On Capital Employed	8.5%	1.4%	1.9%	6.3%	8.3%
Return On Equity	12.1%	-15.7%	-14.2%	8.0%	12.3%
Operating Margin	8.5%	1.3%	1.6%	6.8%	7.5%
EBITDA Margin	10.7%	4.5%	4.6%	9.3%	9.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	-1.1x	NM	NM	2.2x	2.0x
Asset Replacement Ratio	7.6x	1.1x	1.7x	0.9x	1.2x
Tax Rate (Reported)	20.6%	NM	NM	33.0%	27.9%
Net Debt-to-Equity Ratio	107.8%	140.8%	132.4%	129.1%	119.5%
Interest Cover	2.5x	0.2x	0.3x	1.5x	1.8x

Key Metrics

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

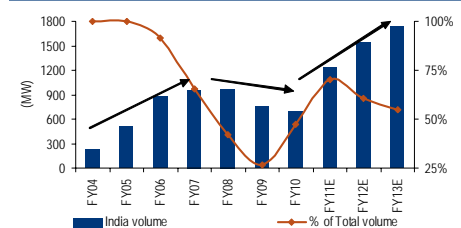
Company Description

Suzlon is the world 3rd largest wind-turbine manufacturer with a 9.8% global share along with REpower, a 91% Subs. It has 50% share in India (3rd largest market). A global delivery model, market leadership in India & focused approach to globalization are some of its key competitive advantages. The firm enhances its advantage by focusing on R&D in Europe, production in low-cost countries (India/China) & focusing on sales in high growth potential countries - BRIC absorbs 80% of its FY12E sales.

Investment Thesis

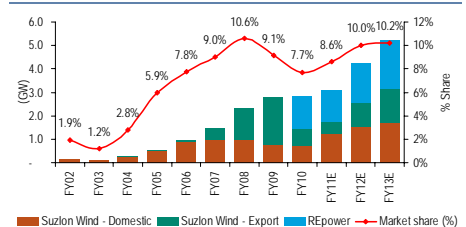
We believe that Suzlon is bottoming out, led by a) its new strategy of focusing on its roots (India), where markets rebounding led by fixing of regulation & higher feed-in tariffs, b) fixing weaknesses in big markets like China & c) focus on high-margin off-shore market & cost-cutting at REpower till global market revive. This shall realign Suzlon product mix into profitable markets & cause turnaround in profitability in FY12E after 2yrs of losses. Risks: Push-back by clients & execution issues.

Chart 1: Suzlon – Focus back to India to drive volume over FY11-13E



Source: Company, BofA Merrill Lynch Global Research

Chart 2: Suzlon: Sales & Global market share



Source: BofA Merrill Lynch Global Research, Company, BTM Consult ApS

Stock Data

Price to Book Value

1.3x

Table 1: Suzlon - Consolidated Profit & Loss Statement

FY ends Mar31 (Rsmn)	FY09	FY10	FY11E	FY12E	FY13E
MW Sold	2790	2837	3076	4229	5233
- Growth %	21%	2%	8%	38%	24%
Total Operating Income	262,588	207,792	181,946	252,269	304,440
- Growth %	92%	-21%	-12%	39%	21%
COGS	168,568	136,282	123,566	166,196	200,906
- % of sales	64.2%	65.6%	67.9%	65.9%	66.0%
Contribution / Gross Profit	94,020	71,511	58,381	86,073	103,533
Contribution / GP Margin %	35.8%	34.4%	32.1%	34.1%	34.0%
Operating & Other Expenses	44,204	40,625	32,613	41,523	49,814
- % of sales	16.8%	19.6%	17.9%	16.5%	16.4%
Staff Cost	21,658	21,454	17,343	21,145	24,072
- % of sales	8.2%	10.3%	9.5%	8.4%	7.9%
EBITDA	28,159	9,431	8,425	23,405	29,647
EBITDA Margin %	10.7%	4.5%	4.6%	9.3%	9.7%
EBITDA (Rs mn / MW)	7.7	2.6	2.7	5.5	5.5
- Growth %	37%	-67%	-11%	178%	27%
Depreciation	5,731	6,630	5,559	6,293	6,948
EBIT	22,427	2,801	2,866	17,112	22,699
EBIT Margins %	8.5%	1.3%	1.6%	6.8%	7.5%
Other Income	1,789	695	1,214	1,266	1,242
Interest	9,012	11,950	11,183	11,531	12,455
PBT	15,204	(8,454)	(7,103)	6,847	11,486
PBT Margins %	5.8%	-4.1%	-3.9%	2.7%	3.8%
Total Tax	3,128	3,561	2,363	2,258	3,201
Tax Rate	20.6%	-42.1%	-33.3%	33.0%	27.9%
Rec PAT (pre-MI & Associate income)	12,076	(12,016)	(9,466)	4,590	8,284
- Margin	4.6%	-5.8%	-5.2%	1.8%	2.7%
Share in Associates profits	23	161	(272)	1284	1638
Minority Interest (MI)	1,947	90	(355)	361	551
Rec PAT to Eq. shareholders	10,152	(11,944)	(9,383)	5,512	9,371
Rec PAT Margins %	3.9%	-5.7%	-5.2%	2.2%	3.1%
- Growth %	-20.8%	-217.6%	-21.4%	-158.7%	70.0%
Exceptionals	(7,788)	2,119	(2,349)	0	0
Reported PAT	2,365	(9,825)	(11,732)	5,512	9,371
- Growth %	-77%	-515%	19%	-147%	70%

Source: Company, BofA Merrill Lynch Global Research

Table 2: Suzlon - Consolidated Balance Sheet

FY ends Mar31 (Rsmn)	FY09	FY10	FY11E	FY12E	FY13E
Equity Capital	2,997	3,114	3,555	3,555	3,555
Reserves & Surplus	68,187	59,791	59,566	65,078	73,412
Misc Exp / Unrealised gain on Dilution	14,029	2,951	2,951	2,951	2,951
Share Application Money / ESOP	1,054	157	157	157	157
Total Networth	86,267	66,013	66,229	71,741	80,076
Preference Capital	25	25	25	25	25
Net Worth (incl preference capital)	86,292	66,038	66,254	71,766	80,101
Total Loans	148,696	126,679	118,247	123,708	128,824
Minority Interest	23,135	3,285	2,930	3,291	3,842
Total Networth + Liabilities	258,123	196,002	187,431	198,765	212,767
Gross Block	79,254	54,335	66,660	72,373	80,558
Accumulated Depreciation	18,210	13,770	19,329	25,622	32,570
Net Block	61,044	40,565	47,331	46,751	47,988
CWIP	19,840	4,130	1,000	1,000	1,000
Net Fixed Assets	80,884	44,695	48,331	47,751	48,988
Investments	51	10,923	10,944	10,938	10,954
Goodwill	71,770	61,047	61,047	61,047	61,047
Inventories	71,737	59,943	46,983	63,569	76,572
Sundry Debtors	53,928	31,740	36,750	54,045	69,270
Cash & Bank Balances	30,698	29,043	26,665	26,790	28,508
Other CA & Loans & Advances	62,466	51,256	53,645	62,693	69,160
Current Assets	218,829	171,982	164,044	207,098	243,510
Current Liab & Provisions	115,523	94,216	96,850	128,018	151,628
Net Current Assets	103,306	77,766	67,194	79,080	91,882
Deferred Tax & Other Assets	(1,868)	(965)	(2,622)	(2,587)	(2,640)
Foreign currency monetary translation diff. a/c	3,980	2,537	2,537	2,537	2,537
Total Assets	258,123	196,002	187,431	198,765	212,766

Source: Company, BofA Merrill Lynch Global Research

Table 3: Suzlon - Consolidated Cash Flow Statement

FY ends Mar31 (Rsmn)	FY09	FY10	FY11E	FY12E	FY13E
PBT	15204	(8454)	(7103)	6847	11486
Tax Paid	(3128)	(3561)	(2363)	(2258)	(3201)
Change in DTL	1650	(903)	1657	(34)	53
Add: D&A	5731	6630	5559	6293	6948
Add: Interest	9012	11950	11183	11531	12455
Add: Share of profits from REpower	23	161	(272)	1284	1638
Chg in Inventories	(30888)	11794	12960	(16586)	(13003)
Chg in Debtors	(7022)	22188	(5010)	(17295)	(15225)
Chg in Loans & Advances	(44216)	11210	(2389)	(9048)	(6466)
Chg in CL	42468	(21307)	2634	31168	23610
Change in Working Capital	(39658)	23884	8194	(11761)	(11084)
Cash Flow from Operations	(11165)	29707	16855	11901	18294
Extraordinary Items + Tax Adjustments	(7788)	2119	(2349)	0	0
Capex	(43662)	29560	(9196)	(5712)	(8185)
Change in Investments/ Goodwill	(26480)	(148)	(21)	6	(16)
Others	(3980)	1443	0	0	0
Cash Flow from Investing Activities	(81910)	32974	(11565)	(5706)	(8201)
Change in Debt	49350	(22016)	(8432)	5461	5116
Change in Equity	3	117	441	0	0
Change in Preference capital	0	0	0	0	0
Change in Reserves & Minority	13830	(30486)	11507	(0)	(0)
Dividend & Dividend Tax & Interest	(9012)	(11950)	(11183)	(11531)	(13492)
Cash Flow from Financing Activities	54171	(64336)	(7667)	(6070)	(8376)
Increase/(Decrease) in Cash	(38904)	(1655)	(2377)	125	1718
Opening Cash and Bank Balance	69602	30698	29043	26665	26790
Closing Cash and Bank Balance	30698	29043	26665	26790	28508

Source: Company, BofA Merrill Lynch Global Research

Table 4: Suzlon - Consolidated Key Ratios & Valuations

FY ends Mar31	FY09	FY10	FY11E	FY12E	FY13E
Period Ending Shares (mn)	1498	1557	1777	1777	1777
Weighted Avg Shares o/s (mn)	1498	1557	1777	1777	1777
Share Price (Rs)	49	49	49	49	49
Mkt Cap (Rs mn)	72742	75580	86292	86292	86292
EPS Rec. (Rs)	6.8	-7.7	-5.3	3.1	5.3
CEPS (Rs)	10.6	-3.4	-2.2	6.6	9.2
DPS (Rs)	0.0	0.0	0.0	0.0	0.5
BV (Rs)	57.6	42.4	37.3	40.4	45.1
P/E (x)	7.2	-6.3	-9.2	15.7	9.2
P/CEPS (x)	4.6	-14.2	-22.6	7.3	5.3
Yield (%)	0.0%	0.0%	0.0%	0.0%	1.0%
P/BV (x)	0.8	1.1	1.3	1.2	1.1
EV/EBITDA (x)	7.6	18.7	21.5	8.0	6.4
RoCE (%)	8.6%	2.2%	2.8%	6.4%	8.4%
RoE (%)	12.1%	-15.7%	-14.2%	8.0%	12.3%
PAT/EBIT	45%	-426%	-327%	32%	41%
EBIT/Sales	9%	1%	2%	7%	7%
Sales/Assets	117%	92%	95%	131%	148%
Assets/Networth	268%	298%	290%	280%	271%
Net Debt (Rs mn)	117997	97637	91582	96918	100316
EV (Rs mn)	213899	176527	180828	186525	190475
Net Debt /Equity (x)	1.08	1.41	1.32	1.29	1.20
Net Debt/EBITDA (x)	4.2	10.4	10.9	4.1	3.4
Interest Coverage (x)	2.5	0.2	0.3	1.5	1.8
Debt to Total Assets (x)	0.6	0.6	0.6	0.6	0.6
Depreciation /Gross Block (%)	9.4%	9.9%	9.2%	9.1%	9.1%
Effective Interest Rate (%)	7.3%	8.7%	9.1%	9.5%	9.9%

Source: Company, BofA Merrill Lynch Global Research

11 March 2011

Table 5: Global Wind Valuation Comps

Company Name 06-Mar-11	BofAML Ticker	BofAML Rating	Local		Mkt Cap (US\$ mn)	EBITDA Margin (%)			P/E (x)			P/BV (x)			EV/E (x)			RoE (%)		
			Price	Currency		FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
WTG Manufacturers																				
Suzlon	XZULF	C-1-7	46	INR	1,830	4.6%	9.3%	9.7%	(8.8)	14.9	8.8	1.2	1.1	1.0	21.0	7.8	6.3	(14.2)	8.0	12.3
European																				
Gamesa	GCTAF	B-3-8	6	EUR	2,155	11.9%	12.1%	12.5%	30.7	15.9	14.6	0.9	1.0	1.0	4.0	4.8	4.5	3.1	6.0	6.8
Nordex	NRDXF	REVIEW	6	EUR	535	6.0%	5.8%	6.4%	16.9	18.4	14.3	1.1	1.0	0.9	6.4	6.3	5.2	6.6	5.6	7.2
Repower System	NA	NA	129	EUR	1,649	7.5%	8.3%	9.6%	29.6	18.3	12.5	2.3	2.1	1.8	13.3	8.5	6.2	8.3	12.1	15.5
Vestas	VWSYF	C-3-9	180.5	DKK	6,863	8.5%	11.8%	12.7%	31.6	16.5	12.6	1.8	1.6	1.4	9.4	6.7	5.8	5.9	10.3	12.1
European Avg									27.2	17.3	13.5	1.5	1.4	1.3	8.3	6.6	5.4	6.0	8.5	10.4
Chinese																				
Goldwind	XIGCF	C-3-7	13.3	HKD	4,602	14.8%	14.4%	14.8%	11.3	13.0	11.7	2.1	1.9	1.7	7.4	7.6	6.9	20.6	13.8	13.9
Xiangian	NA	NA	31.3	CNY	1,448	NA	NA	NA	40.5	28.5	20.5	4.2	3.1	2.1	NA	NA	NA	10.3	12.0	12.2
Huayi Electric	NA	NA	17.9	CNY	749	NA	NA	NA	40.8	31.8	23.0	5.5	NA	NA	NA	NA	NA	NA	NA	NA
Mingyang	MY	C-1-9	9.7	USD	1,208	15.0%	17.9%	15.3%	11.1	6.7	6.3	2.4	1.7	1.3	6.5	2.8	1.9	36.6	34.2	25.8
Chinese Avg									25.9	20.0	15.3	2.9	2.2	1.7	6.9	5.2	4.4	22.5	20.0	17.3
Wind Gearbox Cos																				
Hansen	HSNTF	REVIEW	0.4	GBp	436	9.8%	12.6%	14.9%	(23.3)	(116.3)	23.3	0.5	0.5	0.5	8.4	6.6	4.7	(1.4)	0.9	4.3
China High Speed	CHSTF	B-3-7	11.5	HKD	2,027	27.6%	25.8%	25.9%	9.1	11.0	10.4	1.6	1.6	1.5	6.0	6.7	6.4	21.9	15.6	15.0
Wind Gearbox - Avg									9.1	11.0	16.8	1.1	1.1	1.0	7.2	6.7	5.6	21.9	8.2	9.6
Indian Engg																				
BHEL	BHHEF	C-1-7	2026	INR	22,037	20.1%	20.6%	20.9%	19.0	15.0	12.3	5.0	4.0	3.2	11.4	8.9	7.1	29.3	29.9	29.2
ABB	ABVFF	C-3-7	709	INR	3,340	2.9%	8.7%	9.7%	118.7	38.0	26.8	6.2	5.5	4.7	77.2	22.8	16.5	5.3	15.4	18.8
Cummins India	CUIDF	C-1-7	655	INR	2,882	18.5%	18.1%	18.3%	21.3	18.1	15.2	7.0	5.9	4.8	17.6	14.7	12.3	35.7	35.3	34.7
Larsen & Toubro	LTOUF	C-1-7	1557	INR	21,022	14.1%	13.8%	13.6%	21.4	16.8	13.1	3.8	3.2	2.7	15.6	12.5	9.9	19.5	20.8	22.2
Thermax	NA	NA	611	INR	1,611	11.7%	11.6%	11.5%	19.6	15.9	12.9	5.4	4.3	3.5	11.4	9.3	7.6	29.4	29.4	29.3
Indian Engg Avg									20.4	20.8	16.1	5.5	4.6	3.8	14.0	13.7	10.7	23.8	26.1	26.8
SENSEX									17.5	14.4	12.1	3.0	2.6	2.2				18.2	19.2	19.6

Source: BofA Merrill Lynch Global Research, Bloomberg, Note: FY11E=CY10E

Price objective basis & risk

Suzlon Energy (XZULF)

Our PO of Rs70 is based on our sum-of-the-parts analysis. We valued Suzlon's wind business at 15x 1-year forward earnings, at Rs66 per share, which is set at a 20% discount to Indian capital goods majors and in-line with European comparables which is above its historical average. This we believe is fair given Suzlon's long term growth led by BRIC countries, REpower and its return profile. We value Suzlon's 26% stake in gearbox business of Hansen at Rs4 per share at CMP of GBp53. Upside risk to our rating is de-leveraging by asset sale & pick-up in USA market leading to new order wins. Downside risks: Headwinds for wind turbine business on excess supply driving down ASPs and execution risk in the land acquisition and grid connectivity in India.

Link to Definitions

Industrials

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

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11 March 2011

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Deepak Agrawala
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIF	LANCI IN	Deepak Agrawala
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Suzlon Energy	XZULF	SUEL IN	Bharat Parekh
NEUTRAL				
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ 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
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
RVW				
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Bharat Parekh
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Bharat Parekh

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

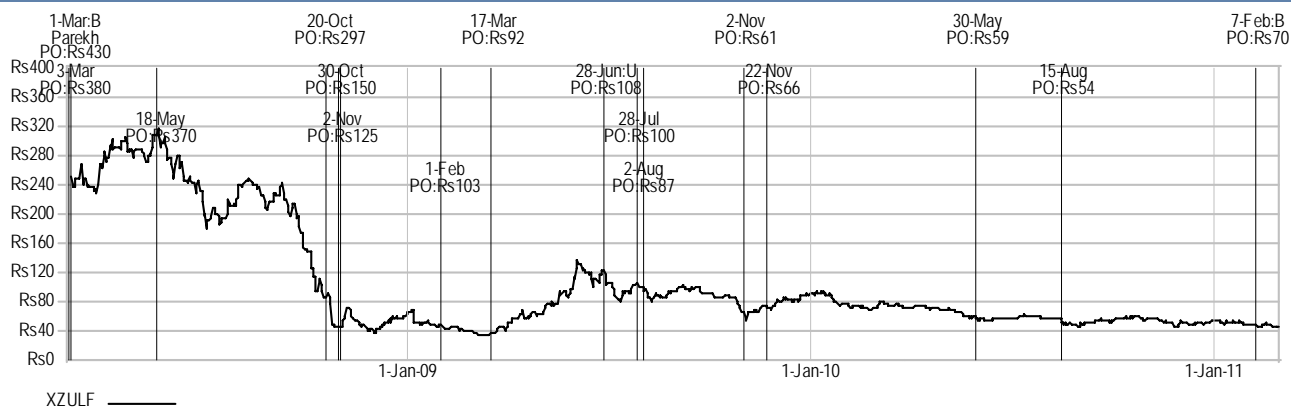
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XZULF Price Chart



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

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Investment Rating Distribution: Electrical Equipment Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	21	53.85%	Buy	7	36.84%
Neutral	10	25.64%	Neutral	5	55.56%
Sell	8	20.51%	Sell	5	62.50%

Investment Rating Distribution: Global Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

* 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.

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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%

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