

Weak 2Q; challenging outlook

**Merrill Lynch**Reena Verma Bhasin, CFA >> +91 22 6632 8667
Research Analyst
DSP Merrill Lynch (India)
reena_verma@ml.com

PO cut to Rs110/sh; maintain underperform

We have cut PO by 15% to Rs110/sh, placing India Cem at ~40-45% discount (as in previous trough) to the industry's current replacement cost benchmark of ~US\$125/ton. Despite cheap stock valuations on PE & EV/EBITDA sustainable stock upside seems difficult in the face of falling profits. For the Co, we expect potential benefit of lower imported coal prices to be offset by forecast lower cement prices.

Disappointing 2Q FY09; earnings outlook unchanged

The Co reported 2Q FY09 net profit at Rs1.34bn, down 40% YoY & 6% QoQ; EBITDA fell 13% YoY & 3% QoQ. Results were below MLe due to higher-than-expected coal costs and (lumpy) dry-docking costs for its ships. We have revised f'casts to reflect 2Q trends but profit outlook for FY09-10E remains unchanged

Mgt. expects lower coal cost from 4Q; lowers volume target

In its call post 2Q FY09 results, India Cements' top mgt. said that cement demand and prices in south India continue to be firm. However, the Co lowered its volume guidance for FY09E by 5-6% owing to expansion-related stoppages for the Co. We see further 5-7% downside risk to the Co's volume target of 10.3-10.5mn tons. Regarding coal costs, the Co expects full benefit of falling international coal prices to reflect from end-CY08/4Q FY09 onwards.

Expansion plans largely on track

The Co re-iterated it is on track to expand capacity from ~11mn tpa in Sep '08 to ~14mn tpa by end-FY09. The Co expects its 1.5mn tpa greenfield expansion in Rajasthan to be ready by 4Q FY10E.

Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	5,556	6,897	6,537	5,318	4,559
EPS	21.93	24.51	23.47	19.27	16.69
EPS Change (YoY)	NM	11.8%	-4.3%	-17.9%	-13.4%
Dividend / Share	1.00	2.00	2.33	1.89	1.62
Free Cash Flow / Share	(8.52)	5.37	(4.38)	4.96	13.61
GDR EPS (US\$)	0.485	0.609	0.475	0.390	0.338
GDR Dividend / Share (US\$)	0.022	0.050	0.047	0.038	0.033

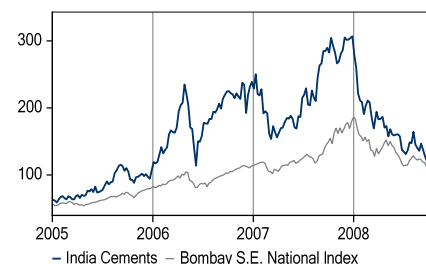
Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	4.04x	3.62x	3.78x	4.60x	5.31x
Dividend Yield	1.13%	2.26%	2.63%	2.14%	1.83%
EV / EBITDA*	5.41x	3.86x	3.52x	3.96x	4.39x
Free Cash Flow Yield*	-8.90%	5.73%	-4.94%	5.59%	15.36%

* For full definitions of *iQmethod*SM measures, see page 5.

Stock Data

Price (Common / GDR)	Rs88.65 / US\$1.76
Price Objective	Rs130.00 to Rs110.00/ US\$3.05 to US\$2.20
Date Established	3-Nov-2008 / 3-Nov-2008
Investment Opinion	C-3-9 / C-3-9
Volatility Risk	HIGH / HIGH
52-Week Range	Rs68.50-Rs333.00
Market Value (mn)	US\$503
Shares Outstanding (mn)	280.8 / 280.8
Average Daily Volume	867,460
ML Symbol / Exchange	INIAF / BSE
ML Symbol / Exchange	IAMZY / LUX
Bloomberg / Reuters	ICEM IN / ICMN.BO
ROE (2009E)	23.5%
Net Dbt to Eqty (Mar-2008A)	56.3%
Est. 5-Yr EPS / DPS Growth	NA / NA
Free Float	69.6%



>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the NYSE/NASD rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Merrill Lynch does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 6 to 8. Analyst Certification on Page 4. Price Objective Basis/Risk on page 4.

03 November 2008

iQprofileSM India Cements Ltd.

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011E
(Rs Millions)					
Sales	23,461	30,455	35,793	38,163	39,064
Gross Profit	7,990	10,721	12,014	10,527	9,064
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	7,006	9,441	10,038	8,529	7,042
Net Interest & Other Income	(1,575)	(1,099)	(987)	(1,138)	(1,149)
Associates	0	0	0	0	0
Pretax Income	5,533	8,957	9,460	7,924	6,791
Tax (expense) / Benefit	(18)	(2,073)	(2,937)	(2,619)	(2,245)
Net Income (Adjusted)	5,556	6,897	6,537	5,318	4,559
Average Fully Diluted Shares Outstanding	272	293	293	293	293

Key Cash Flow Statement Data

Net Income (Reported)	5,556	6,416	6,024	5,318	4,559
Depreciation & Amortization	985	1,281	1,976	1,999	2,022
Change in Working Capital	430	513	(1,160)	(555)	(217)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	18	2,406	2,029	1,429	1,225
Cash Flow from Operations	6,988	10,615	8,868	8,190	7,589
Capital Expenditure	(9,202)	(9,190)	(10,098)	(6,799)	(3,767)
(Acquisition) / Disposal of Investments	(1,938)	(1,006)	0	0	0
Other Cash Inflow / (Outflow)	(6,858)	(1,643)	(513)	0	0
Cash Flow from Investing	(17,998)	(11,839)	(10,611)	(6,799)	(3,767)
Shares Issue / (Repurchase)	8,052	5,925	0	0	0
Cost of Dividends Paid	(260)	(562)	(654)	(532)	(456)
Cash Flow from Financing	13,127	3,165	679	1,938	(507)
Free Cash Flow	(2,214)	1,425	(1,230)	1,391	3,823
Net Debt	18,278	14,139	16,536	15,676	12,310
Change in Net Debt	3,218	(4,139)	2,397	(860)	(3,367)

Key Balance Sheet Data

Property, Plant & Equipment	21,679	29,588	37,710	42,510	44,255
Other Non-Current Assets	2,549	3,555	3,555	3,555	3,555
Trade Receivables	2,627	3,300	3,850	4,113	4,216
Cash & Equivalents	2,310	4,250	3,186	6,515	9,831
Other Current Assets	9,193	10,760	12,553	13,411	13,746
Total Assets	38,358	51,453	60,854	70,104	75,602
Long-Term Debt	17,808	16,989	17,056	19,123	19,193
Other Non-Current Liabilities	77	840	2,355	3,784	5,009
Short-Term Debt	2,780	1,400	2,666	3,068	2,948
Other Current Liabilities	4,345	7,098	8,281	8,847	9,067
Total Liabilities	25,010	26,327	30,358	34,822	36,217
Total Equity	13,348	25,126	30,496	35,282	39,385
Total Equity & Liabilities	38,358	51,453	60,854	70,105	75,602

iQmethodSM - Bus Performance*

Return On Capital Employed	22.7%	20.8%	15.3%	11.2%	9.2%
Return On Equity	55.0%	35.9%	23.5%	16.2%	12.2%
Operating Margin	29.9%	31.0%	28.0%	22.3%	18.0%
EBITDA Margin	34.5%	37.2%	34.7%	29.0%	25.5%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.3x	1.5x	1.4x	1.5x	1.7x
Asset Replacement Ratio	9.3x	7.2x	5.1x	3.4x	1.9x
Tax Rate (Reported)	0.3%	23.1%	31.0%	33.1%	33.1%
Net Debt-to-Equity Ratio	136.9%	56.3%	54.2%	44.4%	31.3%
Interest Cover	4.5x	6.2x	8.0x	5.7x	4.0x

Key Metrics

* For full definitions of iQmethodSM measures, see page 5.

Company Description

India Cements is one of India's top five cement producers and is the largest cement producer in south India. The southern region accounts for a dominant (90%) share of the company's sales. The company was referred for corporate debt restructuring in 2002.

Investment Thesis

We expect cement prices to fall from 4Q FY09 onwards owing to forecast sharp supply increases. We expect 37mn tpa of composite cement capacity to commission across the industry, by Mar '09. This implies 26% YoY capacity growth vs 8-9% YoY domestic demand growth. Although India Cements valuations are cheap, we think the stock will underperform due to forecast continued pressure on margins and likely revival of investor concerns on the Co's growth ambitions.

Stock Data

Shares / GDR	1.00
Price to Book Value	0.8x

Table 1: 2Q FY09 results summary

Yr to March (Rs mn)	2Q FY08	1Q FY09	2Q FY09	YoY Chng	QoQ chng
Cement sales (mn tons)	2.3	2.4	2.4	7%	3%
Turnover	7,612	8,399	9,455	24%	13%
Operating costs	4295	5,393	6,554	53%	22%
EBITDA	3,318	3,006	2,901	-13%	-3%
<i>EBDIT margin</i>	<i>43.6%</i>	<i>35.8%</i>	<i>30.7%</i>		
Depreciation	303	490	498	64%	2%
Operating profit	3,014	2,516	2,403	-20%	-4%
Other income	11	107	91	709%	-15%
EBIT	3,026	2,623	2,494	-18%	-5%
Interest	283	230	248	-12%	8%
Profit before tax	2,743	2,392	2,246	-18%	-6%
Provision for Tax	320	754	608	90%	-19%
Recurring net profit	2,423	1,639	1,638	-32%	0%
<i>Net Margin</i>	<i>31.8%</i>	<i>19.5%</i>	<i>17.3%</i>		
Non-recurring income/(expenses)	(197)	(218)	(296)		
Reported net profit	2,227	1,421	1,343	-40%	-6%

Source: Company

Price objective basis & risk

India Cements (INIAF / IAMZY)

We have a price objective of Rs110/sh (GDR of US\$2.2) for India Cements. We value the company at an EV/capacity of around US\$65/ton based on a 40-45% discount to the industry's current replacement cost of US\$125/ton. Our PO places the stock in line with the trough valuation of industry majors during the previous down-cycle. India Cements appears cheap on PE and EV/EBITDA but forecast YoY earnings downtrend may deter investors from leaning on these metrics. Downside risk to our PO stems from unforeseen further rise in energy prices. Upside possibilities would stem from unexpected delays in commissioning of new capacities and unforeseen easing in energy prices especially coal.

Analyst Certification

I, Reena Verma Bhasin, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India. American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction. Global Depository Receipts (GDR) and the Global Depository 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.

India - General Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY	ABG Shipyard	ABSHF	ABGS IN	Sanjaya Satapathy
	APIL	ANSFF	APIL IN	Amit Agarwal
	Bharati Shipyard	BSYDF	BHSL IN	Sanjaya Satapathy
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	DLF Limited	XVDUF	DLFU IN	Amit Agarwal
	Exide Indus Ltd	XEDRF	CHLR IN	Sanjaya Satapathy
	HDIL	XGHSF	HDIL IN	Amit Agarwal
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Puravankara Projects Ltd	XPJVF	PVKP IN	Amit Agarwal
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy

03 November 2008

India - General Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
	Triveni Engg	TVIEF	TRE IN	Sanjaya Satapathy
NEUTRAL				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	UltraTech Cemen	XDJNF	UTCEM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Amit Agarwal
UNDERPERFORM				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	Ambuja Cem-GDR	XAAJF	ABUJ LI	Reena Verma Bhasin, CFA
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	Bajaj Hindusthan	BJJHF	BJH IN	Sanjaya Satapathy
	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMZY	ICEM LX	Reena Verma Bhasin, CFA
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
	Omaxe Limited	XOMXF	OAXE IN	Amit Agarwal
	Shree Cements	SREEF	SRM IN	Reena Verma Bhasin, CFA
RESTRICTED				
	Indiabulls Real	IBELF	IBREL IN	Amit Agarwal

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

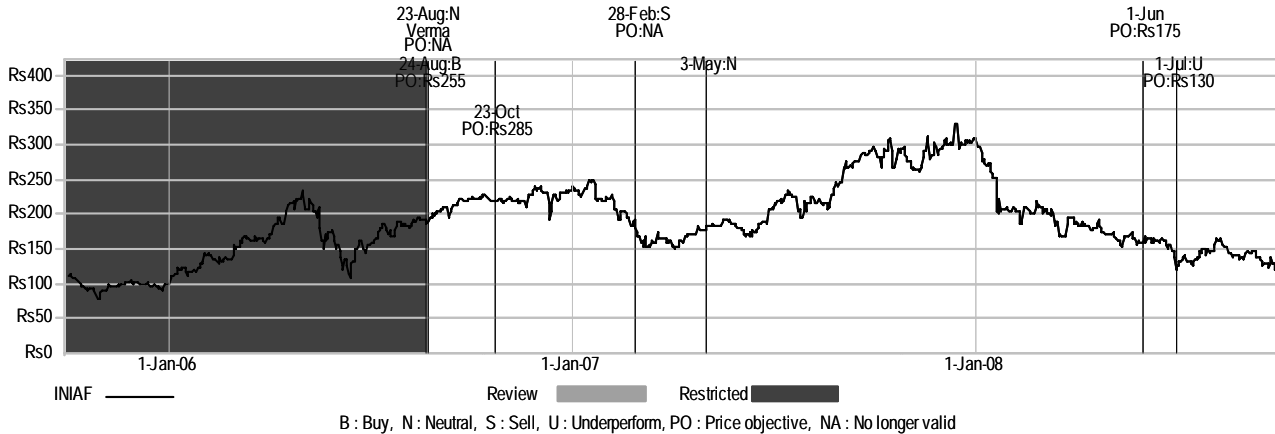
iQmethodSM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize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

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

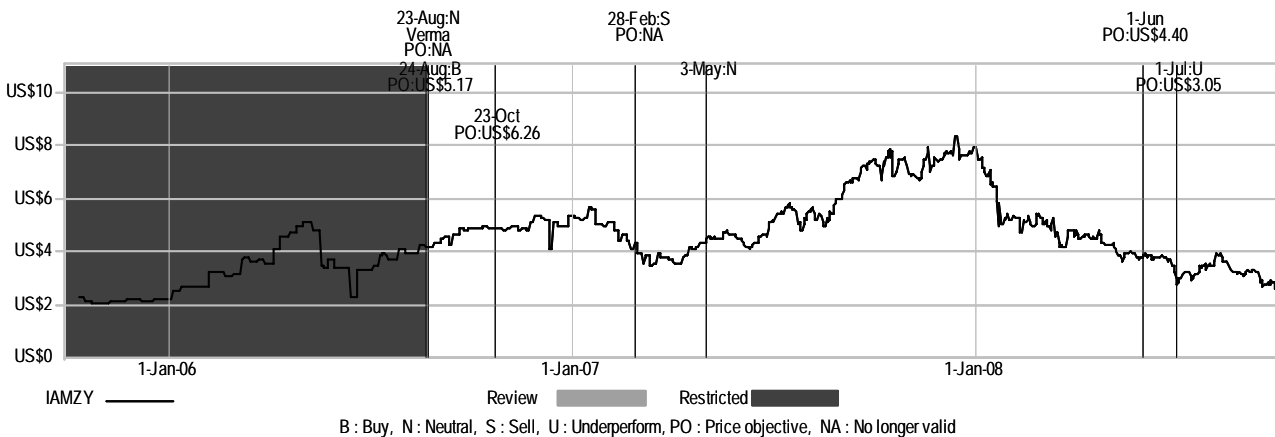
Important Disclosures

INIAF Price Chart



Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of September 30, 2008 or such later date as indicated.

IAMZY Price Chart



Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of September 30, 2008 or such later date as indicated.

Investment Rating Distribution: Building Group (as of 01 Oct 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	30	30.30%	Buy	5	17.86%
Neutral	24	24.24%	Neutral	4	19.05%
Sell	45	45.45%	Sell	2	4.65%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1647	45.31%	Buy	429	28.83%
Neutral	858	23.60%	Neutral	240	31.41%
Sell	1130	31.09%	Sell	227	22.02%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

<u>Investment rating</u>	<u>Total return expectation (within 12-month period of date of initial rating)</u>	<u>Ratings dispersion guidelines for coverage cluster*</u>
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.

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 Merrill Lynch Comment referencing the stock.

In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: India Cements.

MLPF&S together with its affiliates beneficially owns one percent or more of the common stock of this company. If this report was issued on or after the 10th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 10th day of a month reflect the ownership position at the end of the second month preceding the date of the report: India Cements.

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: India Cements.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

Other Important Disclosures

UK readers: MLPF&S or an affiliate is a liquidity provider for the securities discussed in this report.

Information relating to Non-U.S. affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S):

MLPF&S distributes research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.: Merrill Lynch (Malaysia); Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-U.S. affiliates. MLPF&S is the distributor of this research report in the U.S. and accepts full responsibility for research reports of its non-U.S. affiliates distributed in the U.S. Any U.S. 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.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited, which is authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd, a registered securities dealer under the Securities and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively). 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. No approval is required for publication or distribution of this report in Brazil.

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

Copyright, User Agreement and other general information related to this report:

Copyright 2008 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites eligible to receive such research prior to any public dissemination by Merrill Lynch of the research report or information or opinion contained therein. 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) prior to Merrill Lynch's public disclosure of such information. The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. Merrill Lynch makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of or in connection with any such referenced website.

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 investment or any options, futures or derivatives related to such securities or investments. It 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 who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. 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.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

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

Fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

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.