

# Feedback from L&T-MHI Plant visit

**Bank of America  
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## Visit to L&T-MHI, Fabrication / Shipyard @ Hazira; Buy

Key takeaways from our visit to L&T's Hazira plant, where it houses L&T-MHI JV, power auxiliaries factories, Oil & Gas fabrication yard and specialized ship yard.

### Bullish on coal-base capex and case for Indian v/s Chinese BTG

Given the delay in India's Nuke/Hydro capex and uncertain gas availability, L&T is bullish on India's reliance on coal capex and consequently expects market of 94.5GW in 13<sup>th</sup> plan (FY18-22E) of 135GW v/s ~35-40GW in 11<sup>th</sup> plan. Mr. Uppal, supported our views (read [Bharat Heavy Electricals, 19 January 2011](#)) on superior technology of domestic power equipments with EU/Japanese tech. v/s Chinese and said that value of Chinese plants shall decline as operating parameters deteriorate post-5 yrs. Hence, utilities should rely on cost of ownership (kWh) and not only capital cost. He also said many Chinese customers are now shifting and NTPC is likely to issue EPC tenders v/s multiple tenders, which may help L&T.

### Localization in 3-4 years to boost margins in-line with L&T

Mr. Uppal said L&T-MHI break-even ~60% and once the BTG, castings, forging, ESP and piping facilities commission in 2 years and ramp-up production in 3-4 years, the margins shall approach L&T's normal E&C margins of ~12-13% v/s current low margins from initial orders (24% local content in AP Genco TG order).

### JP Power & A.P. Genco deliveries @ L&T-MHI on-track

On the shop-floor, we saw the deliveries for JP Power's Nigree (2x660MW) boiler & TG (see Exhibit 4-6) and AP Genco (2x800MW) turbine getting ready (Exhibit 2). L&T has identified unique sea-river-road route for deliveries of over-dimension cargo @ JP Nigree. Deliveries for L&T's own Punjab project shall start in 1QFY12.

### Special forge shop in JV with NPCIL - ready for Nuke!

L&T is setting-up 40K tpa of large forge shop with 100t electric arc furnace capable of producing nuke forging upto 600tn single piece. This facility when started in 2012 will meet requirement of nuke, fabrication, power and steel sector.

## Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	30,004	34,968	44,209	56,202	71,991
EPS	51.23	58.07	72.74	92.47	118.44
EPS Change (YoY)	30.7%	13.3%	25.3%	27.1%	28.1%
Dividend / Share	10.50	12.50	12.50	12.50	14.00
Free Cash Flow / Share	(109.75)	18.53	(6.58)	32.35	38.60
ADR EPS (US\$)	1.11	1.22	1.62	2.06	2.63
ADR Dividend / Share (US\$)	0.228	0.263	0.278	0.278	0.311

## Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	31.44x	27.74x	22.15x	17.42x	13.60x
Dividend Yield	0.652%	0.776%	0.776%	0.776%	0.869%
EV / EBITDA*	24.16x	18.61x	16.07x	13.03x	10.47x
Free Cash Flow Yield*	-6.57%	1.14%	-0.409%	2.01%	2.40%

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

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Refer to important disclosures on page 10 to 13. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7. Link to Definitions on page 7. 11027125

# iQprofile<sup>SM</sup> Larsen & Toubro Ltd.

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
<b>(Rs Millions)</b>					
Sales	401,870	435,136	529,283	666,203	841,707
Gross Profit	73,081	81,916	96,225	119,119	148,816
Sell General & Admin Expense	(26,423)	(22,091)	(26,464)	(33,310)	(42,085)
Operating Profit	39,375	50,032	58,227	72,450	91,852
Net Interest & Other Income	1,134	677	1,970	2,835	4,661
Associates	NA	NA	NA	NA	NA
Pretax Income	43,437	55,271	64,988	81,389	104,224
Tax (expense) / Benefit	(14,249)	(20,374)	(20,773)	(25,207)	(32,286)
Net Income (Adjusted)	30,004	34,968	44,209	56,202	71,991
Average Fully Diluted Shares Outstanding	586	602	608	608	608

## Key Cash Flow Statement Data

Net Income	30,004	34,968	44,209	56,202	71,991
Depreciation & Amortization	7,283	9,793	11,534	13,358	14,879
Change in Working Capital	(31,669)	(9,660)	(21,092)	(9,720)	(23,230)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	7,982	19,762	1,549	20	20
Cash Flow from Operations	13,600	54,863	36,200	59,860	63,659
Capital Expenditure	(77,878)	(43,704)	(40,200)	(40,200)	(40,200)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	(12,531)	(31,225)	(200)	(200)	(200)
Cash Flow from Investing	(90,410)	(74,928)	(40,400)	(40,400)	(40,400)
Shares Issue / (Repurchase)	1,060	24,322	3,371	0	0
Cost of Dividends Paid	(7,168)	(8,778)	(8,859)	(8,859)	(9,923)
Cash Flow from Financing	75,792	38,691	7,512	9,141	8,077
Free Cash Flow	(64,278)	11,159	(4,000)	19,660	23,459
Net Debt	189,110	193,345	203,032	192,432	179,095
Change in Net Debt	81,558	4,235	9,688	(10,601)	(13,337)

## Key Balance Sheet Data

Property, Plant & Equipment	94,517	120,396	152,263	182,306	210,828
Other Non-Current Assets	129,108	168,364	165,363	162,362	159,360
Trade Receivables	116,435	125,280	152,386	174,753	220,789
Cash & Equivalents	14,590	33,216	36,528	65,129	96,466
Other Current Assets	209,053	258,514	304,525	363,550	435,467
Total Assets	563,703	705,769	811,065	948,099	1,122,911
Long-Term Debt	203,700	226,561	239,561	257,561	275,561
Other Non-Current Liabilities	4,033	5,025	5,045	5,065	5,085
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	208,556	257,201	309,227	380,899	475,622
Total Liabilities	416,289	488,787	553,832	643,524	756,267
Total Equity	147,414	216,983	257,233	304,575	366,644
Total Equity & Liabilities	563,703	705,769	811,065	948,099	1,122,911

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

Return On Capital Employed	12.3%	11.3%	11.8%	12.8%	13.9%
Return On Equity	24.7%	20.4%	19.5%	20.8%	22.2%
Operating Margin	9.8%	11.5%	11.0%	10.9%	10.9%
EBITDA Margin	12.3%	14.8%	14.1%	13.8%	13.6%

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

Cash Realization Ratio	0.5x	1.6x	0.8x	1.1x	0.9x
Asset Replacement Ratio	14.5x	6.8x	4.9x	4.0x	3.5x
Tax Rate (Reported)	32.8%	36.9%	32.0%	31.0%	31.0%
Net Debt-to-Equity Ratio	128.3%	89.1%	78.9%	63.2%	48.8%
Interest Cover	9.2x	7.9x	6.4x	7.4x	8.8x

## Key Metrics

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

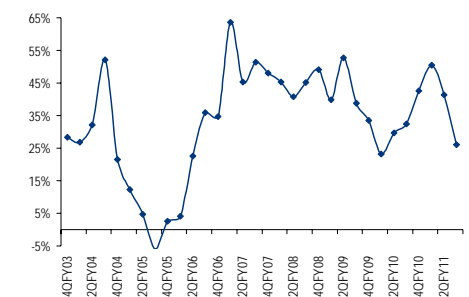
## Company Description

Set up in 1938, L&T is India's largest E&C co. offering exposure to an entire capex cycle. It has 23 subsidiaries & 27 associates focusing on a diverse range of products & services & several BOOT projects to get contracts for EPC business & potential value creation via divestments. Its Infra development and software subsidiary has begun to grow rapidly as well.

## Investment Thesis

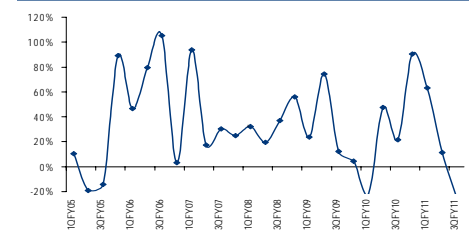
L&T offers the best proxy play on the entire capex cycle in India, in our view. We see improved visibility of the new order pipeline & a shift in sales in favor of higher margin Oil & Gas and manufacturing sales. Key drivers of order inflows are rebound in Oil & Gas capex in India/Middle East, pick-up in industrial/urban infrastructure capex, EPC contracts from its own BOOT projects. Potential growth drivers beyond FY10 are Infra development, Power equipment, Shipyard, Defense, Nuke, Aerospace.

Chart 1: L&T (Parent) - Qtrly Order book growth



Source: Company

Chart 2: L&T (Parent) - Qtrly Order Inflow growth



Source: Company

## Stock Data

Shares / ADR	1.00
Price to Book Value	4.0x



07 March 2011

Exhibit 1: L&T – Hazira Complex with new BTG facility along side old fabrication yard



Source: Company

Exhibit 2: L&T – AP Genco Rotor being assembled



Source: Company

Exhibit 3: L&T MHI – BTG Factory



Source: Company

Exhibit 4: L&T – JP Power, Nigree Boiler components getting ready



Source: Company

Exhibit 5: L&T - JP Power, Nigree Boiler components getting ready



Source: Company

Exhibit 6: L&T - JP Power, Nigree Boiler components getting ready



Source: Company

**Table 1: L&T's Sum-of-the-parts Valuation**

Parts	L&T's Stake	Rationale	Value (Rs mn)	(Rs/ share)
Parent	NA	Core businesses - 19x PER of 1 year forward EPS	1,124,611	1,850
L&T International	100%	At 1.5x book value	11,597	19
L&T IDPL (Infra SPVs)	97.5%	At L&T acq. of 2.36% stake of IDFC at Rs1.18bn in 1QFY11 - 2.4x FY12E P/BV	48,854	80
3 Road BOT - owned directly	100.0%	At 1.5x FY12E P/BV	17,509	29
Dhamra Port	48.8%	At 10% discount to DCF	8,661	14
L&T Urban Infra	73.1%	At 40% discount to DCF	7,245	12
L&T Seawoods	100.0%	At Book value	8,547	14
L&T Infotech	100.0%	10x PER of 1-year forward EPS- in-line to niche 2nd tier stocks	38,832	64
<b>L&amp;T Finance Holdings</b>				
- L&T Finance	100.0%	At 1.6x 1-year forward P/BV	30,150	50
- L&T Infrastructure Finance	100.0%	At 1.6x 1-year forward P/BV	27,653	45
L&T MHI Boilers	51.0%	At 15x 1-year forward PER	32,189	53
L&T MHI Turbine Generators	51.0%	At 15x 1-year forward PER	7,862	13
L&T Power Development	100.0%	At Book value	9,167	15
L&T Shipbuilding	100.0%	At Book value	6,209	10
Other Subs.	NA	At 2x book value	9,191	15
<b>Total</b>			<b>1,388,277</b>	<b>2,284</b>

Source: BofA Merrill Lynch Global Research

**Table 2: L&T - Profit & Loss Statement (Parent)**

<b>FY ends on Mar31 (Rs mn)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
<b>GROSS TURNOVER</b>	<b>340450</b>	<b>369959</b>	<b>448079</b>	<b>570705</b>	<b>721052</b>
% YoY Change	35%	9%	21%	27%	26%
Total Excise Duty	3985	3208	3885	4948	6252
<b>NET TURNOVER</b>	<b>336466</b>	<b>366752</b>	<b>444194</b>	<b>565757</b>	<b>714800</b>
Growth	35.4%	9.0%	21.1%	27.4%	26.3%
<b>Total Operating Cost</b>	<b>300695</b>	<b>322193</b>	<b>391917</b>	<b>500273</b>	<b>631925</b>
<b>Operating Costs as % of Net Sales</b>	<b>89.4%</b>	<b>87.9%</b>	<b>88.2%</b>	<b>88.4%</b>	<b>88.4%</b>
<b>Other Operational Income</b>	<b>2673</b>	<b>3597</b>	<b>4356</b>	<b>5548</b>	<b>7010</b>
As a % of Gross Turnover	0.8%	1.0%	1.0%	1.0%	1.0%
Dividend from Subs/Associates	720	1080	1242	1428	1643
Co's share of integrated joint ventures	125	275	475	675	875
<b>EBITDA</b>	<b>39288</b>	<b>49511</b>	<b>58349</b>	<b>73135</b>	<b>92402</b>
<b>EBITDA margin</b>	<b>11.7%</b>	<b>13.5%</b>	<b>13.1%</b>	<b>12.9%</b>	<b>12.9%</b>
Depreciation	2848	3923	4983	5954	6784
Amortization	212	223	234	246	258
<b>EBIT</b>	<b>36229</b>	<b>45365</b>	<b>53132</b>	<b>66936</b>	<b>85360</b>
Interest Income	6678	7747	10578	10762	11434
Interest Expense	3502	5053	6701	6501	6301
<b>PBT</b>	<b>39,404</b>	<b>48,059</b>	<b>57,009</b>	<b>71,196</b>	<b>90,493</b>
<b>Total Taxes</b>	<b>12,312</b>	<b>16,409</b>	<b>18,243</b>	<b>23,139</b>	<b>27,592</b>
Total Tax Rate	31.2%	34.1%	32.0%	32.5%	30.5%
<b>Recurring Profit</b>	<b>27092</b>	<b>31650</b>	<b>38766</b>	<b>48057</b>	<b>62901</b>
Growth	29%	17%	22%	24%	31%
Extraordinary Items	7,725	12,105	1,529	0	0
Tax Adj. for extraordinary items	0	0	0	0	0
<b>Reported Net Profit</b>	<b>34,817</b>	<b>43,755</b>	<b>40,295</b>	<b>48,057</b>	<b>62,901</b>
Reported Profit Growth	60%	26%	-8%	19%	31%

Source: Company, BofA Merrill Lynch Global Research

**Table 3: L&T - Balance Sheet Statement (Parent)**

<b>FY ends on Mar31 (Rs mn)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
<b>Share Capital</b>	<b>1171</b>	<b>1204</b>	<b>1216</b>	<b>1216</b>	<b>1216</b>
Total Reserves & Surplus	120820	178589	213385	252583	305562
<b>Total Networth</b>	<b>121992</b>	<b>179794</b>	<b>214601</b>	<b>253799</b>	<b>306777</b>
Secured Loans	11024	9557	9557	9557	9557
Unsecured Loans	54537	58451	56451	54451	52451
<b>Total Loan Funds</b>	<b>65560</b>	<b>68008</b>	<b>66008</b>	<b>64008</b>	<b>62008</b>
Deferred Tax Liability	485	774	779	784	789
ESOP	2357	3090	3088	3088	3088
<b>TOTAL NETWORTH &amp; LIABILITIES</b>	<b>190393</b>	<b>251666</b>	<b>284476</b>	<b>321679</b>	<b>372662</b>
<b>Net Fixed Assets</b>	<b>50292</b>	<b>61998</b>	<b>77015</b>	<b>86061</b>	<b>91277</b>
Net Intangible Assets	1408	1427	1192	946	688
Fixed Assets for Sale	0	0	0	0	0
<b>Investments</b>	<b>82637</b>	<b>137054</b>	<b>147503</b>	<b>152503</b>	<b>157503</b>
Inventories	58051	77234	94093	120275	152116
Debtors	100555	111637	129065	164387	207693
Cash Balance	7753	14319	22296	25008	47272
Other CA	216	452	452	452	452
Loans and Advances	67906	59975	71693	91313	115368
<b>Total CA</b>	<b>234480</b>	<b>263616</b>	<b>317599</b>	<b>401434</b>	<b>522900</b>
Current Liabilities	147759	190545	222986	273608	342021
Provisions	30665	21884	35846	45656	57684
<b>Total CL</b>	<b>178424</b>	<b>212429</b>	<b>258832</b>	<b>319265</b>	<b>399706</b>
<b>NCA</b>	<b>56056</b>	<b>51188</b>	<b>58766</b>	<b>82169</b>	<b>123195</b>
<b>TOTAL ASSETS</b>	<b>190393</b>	<b>251666</b>	<b>284476</b>	<b>321679</b>	<b>372662</b>

Source: Company, BofA Merrill Lynch Global Research

**Table 4: L&T - Cash Flow Statement (Parent)**

<b>FY ends on Mar31 (Rs mn)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
<b>PBT</b>	<b>39404</b>	<b>48059</b>	<b>57009</b>	<b>71196</b>	<b>90493</b>
Tax Paid	(12312)	(16409)	(18243)	(23139)	(27592)
Change in DTL	(129)	289	5	5	5
Add: D&A	3060	4146	5218	6200	7042
Add: Interest Exp	1227	3502	5053	6701	6501
<b>Change in Working Capital</b>	<b>(31651)</b>	<b>11434</b>	<b>399</b>	<b>(20691)</b>	<b>(18762)</b>
<b>Cash Flow from Operations</b>	<b>(401)</b>	<b>51022</b>	<b>49440</b>	<b>40272</b>	<b>57687</b>
Extraordinary Items + Tax Adjustments	7,725	12,105	1,529	0	0
Capex	(18565)	(15871)	(20000)	(15000)	(12000)
Change in Investments/Assets	(13415)	(54416)	(10449)	(5000)	(5000)
Others	0	0	0	0	0
<b>Cash Flow from Investing Activities</b>	<b>(24255)</b>	<b>(58182)</b>	<b>(28920)</b>	<b>(20000)</b>	<b>(17000)</b>
Change in Debt	29720	2448	(2000)	(2000)	(2000)
Change in Equity	1799	766	9	0	0
Change in Reserves	(361)	22644	3360	0	0
Dividend and Dividend Tax	(7168)	(8630)	(8859)	(8859)	(9923)
Interest Exp	(1227)	(3502)	(5053)	(6701)	(6501)
<b>Cash Flow from Financing Activities</b>	<b>22764</b>	<b>13726</b>	<b>(12543)</b>	<b>(17560)</b>	<b>(18423)</b>
<b>Increase/(Decrease) in Cash</b>	<b>-1892</b>	<b>6566</b>	<b>7978</b>	<b>2712</b>	<b>22264</b>
Opening Cash and Bank Balance	9644	7753	14318	22296	25008
<b>Closing Cash and Bank Balance</b>	<b>7753</b>	<b>14318</b>	<b>22296</b>	<b>25008</b>	<b>47271</b>

Source: Company, BofA Merrill Lynch Global Research

**Table 5: L&T - Key Ratios & Valuations (Parent)**

<b>FY ends on Mar31 (Rs mn)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
<b>Rec. PAT</b>	<b>27,092</b>	<b>31,650</b>	<b>38,766</b>	<b>48,057</b>	<b>62,901</b>
Basic Shares O/s (mn)	585.7	602.2	607.8	607.8	607.8
Share Price (Rs)	<b>1,611</b>	<b>1,611</b>	<b>1,611</b>	<b>1,611</b>	<b>1,611</b>
Market Cap (Rs mn)	943446	970024	979060	979060	979060
Rec. EPS (Rs)	46.3	52.6	63.8	79.1	103.5
- EPS Growth	28.8%	13.6%	21.4%	24.0%	30.9%
CEPS (Rs)	51.48	59.44	72.36	89.27	115.07
DPS (Rs)	10.50	12.50	12.50	12.50	14.00
P/E (x)	34.8	30.6	25.3	20.4	15.6
P/CEPS (x)	31.3	27.1	22.3	18.0	14.0
Yield	0.7%	0.8%	0.8%	0.8%	0.9%
EV/EBITDA (x)	24.2	19.1	16.2	12.8	9.9
P/OB (x)	1.34	0.97	0.72	0.57	0.49
EV/OB (x)	1.35	0.94	0.70	0.55	0.46
BV (Rs)	206.3	296.6	351.1	415.6	502.7
P/BV (x)	7.8	5.4	4.6	3.9	3.2
Net Debt (Rs mn)	57807	53690	43712	39000	14737
Net Debt/EBITDA (x)	1.47	1.08	0.75	0.53	0.16
<b>Duopont Analysis</b>					
- Rec PAT/EBIT	74.8%	69.8%	73.0%	71.8%	73.7%
- EBIT/Sales	10.8%	12.4%	12.0%	11.8%	11.9%
- Sales / Avg Total Assets	208.9%	165.9%	165.7%	186.7%	205.9%
- Avg. Total Assets / Avg Networth	149.0%	146.5%	135.9%	129.4%	123.9%
RoE	25.1%	21.0%	19.7%	20.5%	22.4%
RoCE	9.2%	7.9%	8.1%	8.7%	9.7%

Source: Company, BofA Merrill Lynch Global Research



## Price objective basis & risk

### Larsen & Toubro (LTOUF / LTOUF)

Our PO of Rs2280 (US\$50/GDR) for L&T is based on sum-of-the-parts valuation. We have valued the core business at Rs1850 per share at a PER of 19x of estimated 1 year forward EPS, at 5% discount to BHEL. L&T International is valued at 1.5x book value at Rs19 per share. Its 97.5pct stake in L&T IDPL (Infrastructure SPVs) is valued at L&T acquisition value of IDFC stake in 4Q10 - 2.4x FY12E P/BV at Rs80 per share. The 100% stakes in three Road BOT projects are valued at 1.5x FY12E P/BV at Rs29 per share. The stakes in Dhamra Port (43pct) and L&T Urban Infra (65pct) valued on a DCF basis at Rs14 and Rs12 per share respectively. The Investment in L&T Seawoods is valued at book value at Rs14 per share. Its 100pct stake in L&T Infotech is valued at 10x 1-year forward EPS - in line with niche 2nd tier stocks, at Rs64 per share. The stakes of 100pct in L&T Finance & L&T Infrastructure Finance are valued at 1.6x 1-year forward P/BV at Rs50 and Rs45 per share respectively. Its 51% stakes in L&T MHI Boilers and L&T MHI Turbine Generators are valued at 15x 1-year forward EPS at Rs53 and Rs13 per share respectively. The additional investment in L&T Power Development and L&T Shipbuilding are valued at book value at Rs15 and Rs10 per share respectively. Other subsidiaries are valued at 2x book value at Rs15 per share. Risks to Price Objective: Slowdown in EPS growth on a higher base, Raw materials, Competition, Project execution.

## Link to Definitions

### Industrials

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

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**India - Engineering/Construction/Utilities Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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 Petronel Ltd	GJRSE	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.	LNIFL	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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
<b>RVW</b>				
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Bharat Parekh
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Bharat Parekh



07 March 2011

***iQmethod*<sup>SM</sup> Measures Definitions**

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

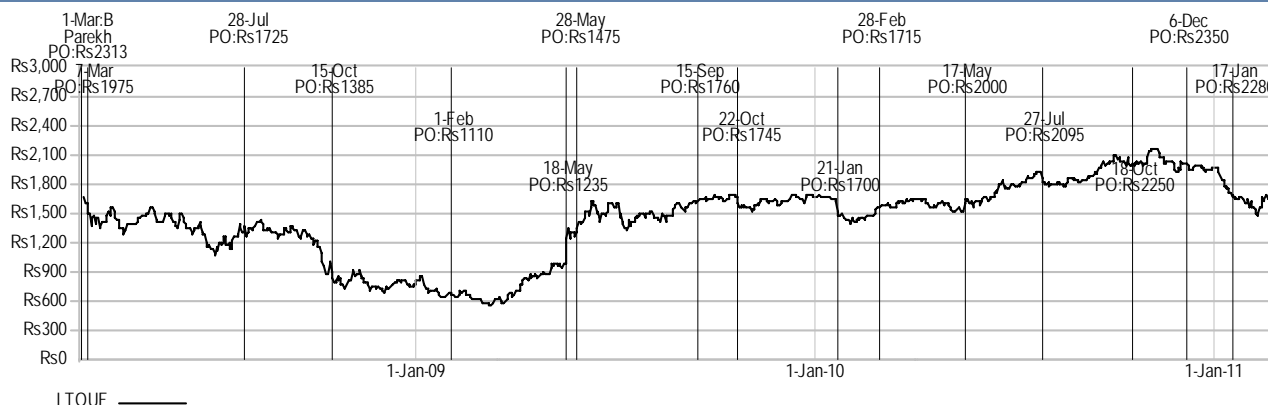
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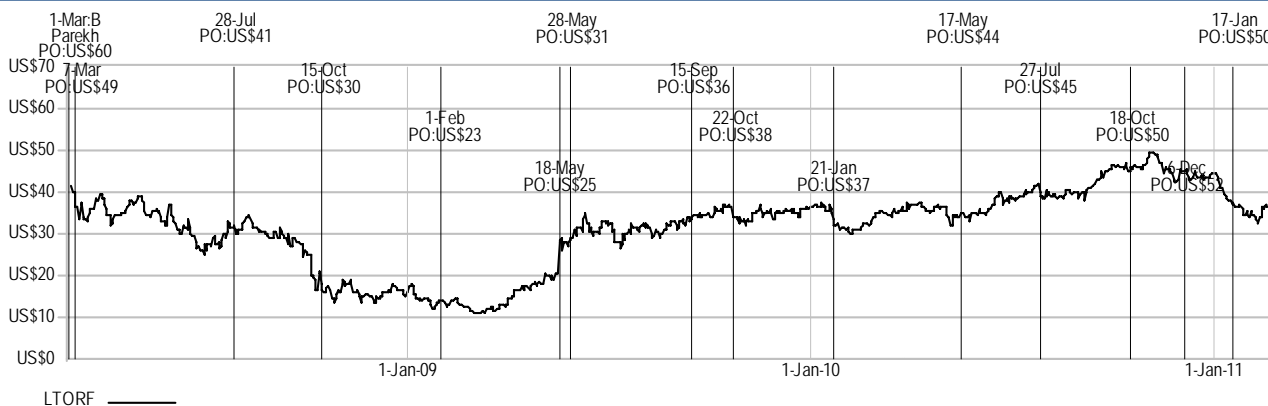
### LTOUF Price Chart



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

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 February 28, 2011 or such later date as indicated.

### LTORF Price Chart



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

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 February 28, 2011 or such later date as indicated.

### Investment Rating Distribution: Engineering & Construction Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	35	61.40%	Buy	10	32.26%
Neutral	9	15.79%	Neutral	2	22.22%
Sell	13	22.81%	Sell	5	38.46%

### 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%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

\* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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