

# Aluminum Risk Is Increasing

## Raising estimates on higher commodity prices

We have raised our EPS estimates: FY07E – by 38% to Rs21.5; FY08E – by 40% to Rs14.6. We now look for EPS to grow 30% in FY07E (vs. 8% growth earlier) but decline 32% in FY08E (vs. 33% decline earlier).

## Our new commodity price forecasts are markedly up

Base metal prices have been extremely volatile in the recent past. Our global commodities team believes that this volatility is likely to continue in the near term. Nonetheless our previous metal price forecasts were too low and hence our global team had recently increased commodity forecasts. As a result, our new price assumptions for Hindalco are (figures in brackets indicate our previous forecasts):

Aluminum: FY07E-US\$2386/t (vs.US\$2182/t); FY08E-US\$2006/t (vs.US\$1896/t)

Copper: FY07E-US\$6944/t (vs.US\$4161/t); FY08E - US\$4630/t (vs.US\$3858/t)

## We remain Neutral on Hindalco

Post the sharp recent correction, the stock now looks reasonably priced at P/E of 8x FY07E but expensive on FY08E P/E of 12x. This is much higher than its 5-year P/E trading history of 7.5x. Aluminum accounts for estimated 74% of Group EBIT in FY07 and we believe fundamentals for aluminum look the weakest among the base metals. This is owing to rising alumina supply in China which will eventually lead to increased smelter utilization in China. Near term, very strong earnings news flow (we expect 1Q FY07 profit to grow 104% y-o-y) implies that downside is limited but the end game is near.

## Estimates (Mar)

(Rs)	2005A	2006A	2007E	2008E	2009E
Net Income (Adjusted - mn)	12,303	15,911	24,917	16,981	9,136
EPS	13.26	16.46	21.48	14.64	7.88
EPS Change (YoY)	23.2%	24.2%	30.5%	-31.9%	-46.2%
Dividend / Share	2.01	2.24	2.15	1.82	1.08
Free Cash Flow / Share	10.74	2.42	3.49	1.57	(21.18)
GDR EPS (US\$)	0.304	0.369	0.467	0.318	0.171
GDR Dividend / Share (US\$)	0.046	0.050	0.047	0.040	0.024

## Valuation (Mar)

	2005A	2006A	2007E	2008E	2009E
P/E	12.97x	10.45x	8.01x	11.75x	21.84x
Dividend Yield	1.17%	1.30%	1.25%	1.06%	0.630%
EV / EBITDA*	8.86x	8.19x	4.38x	6.04x	9.65x
Free Cash Flow Yield*	4.99%	1.17%	2.03%	0.910%	-12.31%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 8.



Vandana Luthra >> +91 22 6632 8670

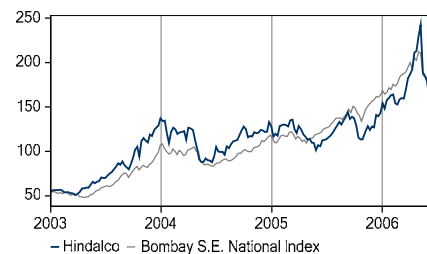
Research Analyst  
DSP Merrill Lynch (India)  
vandana\_luthra@ml.com

Vishal Nathany >> 91 22 6632-8653

Research Analyst  
DSP Merrill Lynch (India)  
vishal\_nathany@ml.com

## Stock Data

Price (Common / GDR)	Rs172.00 / US\$4.20
Investment Opinion	C-2-7 / C-2-7
Volatility Risk	HIGH / HIGH
52-Week Range	Rs105.92-Rs251.40
Market Value (mn)	US\$4,334
Shares Outstanding (mn)	1,160.0 / 1,160.0
Average Daily Volume	2,640,573
ML Symbol / Exchange	HDEIF / BSE
ML Symbol / Exchange	HINDSP / OTU
Bloomberg / Reuters	HNDL IN / HALC.BO
ROE (2007E)	22.9%
Net Dbt to Eqty (Mar-2006A)	20.8%
Est. 5-Yr EPS / DPS Growth	0% / 0%
Free Float	74.0%



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Refer to important disclosures on page 9 to 10. Analyst Certification on page 8.

03 July 2006

*iQprofile*<sup>SM</sup> Hindalco Industries Ltd.

Key Income Statement Data (Mar)	2005A	2006A	2007E	2008E	2009E
<b>(Rs Millions)</b>					
Sales	101,055	118,601	226,005	188,191	150,503
Gross Profit	24,042	26,003	48,697	35,257	22,077
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	17,717	19,407	40,488	27,119	13,497
Net Interest & Other Income	923	1,006	1,118	358	248
Associates	0	0	0	0	0
Pretax Income	18,641	20,413	41,606	27,477	13,745
Tax (expense) / Benefit	(6,228)	(4,502)	(13,314)	(8,793)	(4,536)
Net Income (Adjusted)	12,303	15,911	24,917	16,981	9,136
Average Fully Diluted Shares Outstanding	928	966	1,160	1,160	1,160

**Key Cash Flow Statement Data**

Net Income (Reported)	12,303	15,911	24,917	16,981	9,136
Depreciation & Amortization	6,325	6,597	8,209	8,138	8,580
Change in Working Capital	(3,865)	(2,369)	(19,861)	5,830	1,456
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	7,769	(1,703)	13,347	(1,153)	(3,085)
Cash Flow from Operations	22,531	18,436	26,612	29,795	16,087
Capital Expenditure	(12,569)	(16,097)	(22,565)	(27,979)	(40,654)
(Acquisition) / Disposal of Investments	627	(890)	(2,435)	(3,750)	(4,200)
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(11,942)	(16,987)	(25,000)	(31,729)	(44,854)
Shares Issue / (Repurchase)	3	58	58	116	0
Cost of Dividends Paid	(1,732)	(2,127)	(2,472)	(2,854)	(2,411)
Cash Flow from Financing	2,843	2,356	(9,761)	(254)	17,043
Free Cash Flow	9,962	2,339	4,047	1,816	(24,567)
Net Debt	23,162	19,942	30,858	22,325	41,779
Change in Net Debt	(1,362)	(4,888)	(4,706)	(6,345)	31,178

**Key Balance Sheet Data**

Property, Plant & Equipment	86,854	96,354	110,710	130,551	162,626
Other Non-Current Assets	NA	NA	NA	NA	NA
Trade Receivables	NA	NA	NA	NA	NA
Cash & Equivalents	26,634	28,771	5,000	5,000	5,000
Other Current Assets	22,887	29,436	104,729	91,121	72,746
Total Assets	165,933	187,146	231,689	241,672	259,571
Long-Term Debt	49,796	48,713	35,858	27,325	46,779
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	NA	NA	NA	NA	NA
Total Liabilities	89,050	91,257	104,795	87,373	97,498
Total Equity	76,884	95,889	126,893	154,299	162,073
Total Equity & Liabilities	165,933	187,146	231,689	241,672	259,571

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

Return On Capital Employed	9.1%	10.3%	16.5%	9.9%	4.3%
Return On Equity	16.9%	18.6%	22.9%	12.5%	6.0%
Operating Margin	17.5%	16.4%	17.9%	14.4%	9.0%
EBITDA Margin	23.8%	21.9%	21.5%	18.7%	14.7%

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

Cash Realization Ratio	1.8x	1.2x	1.1x	1.8x	1.8x
Asset Replacement Ratio	2.0x	2.4x	2.7x	3.4x	4.7x
Tax Rate (Reported)	33.4%	22.1%	32.0%	32.0%	33.0%
Net Debt-to-Equity Ratio	30.1%	20.8%	24.3%	14.5%	25.8%
Interest Cover	9.5x	7.4x	21.2x	22.0x	13.6x

**Key Metrics**

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 8.

**Company Description**

Hindalco is India's largest producer of aluminum and copper, promoted by Aditya Birla Group. It has an integrated capacity of 425,000 tons of aluminum that accounts for 37% of capacity in India. In copper, Hindalco operates a 500,000-ton smelter, which accounts for 60% of domestic capacity. It also owns two copper mines (capacity 110,000 tons) in Australia. Hindalco ranks as one of the lowest cost producers of aluminum globally.

**Stock Data**

Shares / ADR	1.00
Price to Book Value	1.6x

## Commodity Price Forecast Increased

Our global commodities team has recently increased prices of base metals. Volatility has increased sharply in the base metals and our global team expects this volatility to continue in the near future. Nonetheless our previous metals forecasts were too low and hence have been increased markedly. We give below our global team's view on aluminum and copper.

### Aluminium Key Issues

#### Price pressure driven by higher Chinese supply

- Increased Chinese bauxite imports in 2006 (+500% YTD April vs 2005) have led to stronger Chinese alumina and aluminium production.
- Due to higher Chinese output, we have significantly upgraded our alumina and aluminium supply forecasts, resulting in previous market deficit (2006 - 2008) now turning into a large surpluses.
- North American aluminium production has also surprised on the upside in 2006 (+1.9% YTD end April), vs our expectation of -ve supply growth
- We are confident that China's power restrictions are largely over and will not restrict aluminium smelters from utilising the approximately 2-4Mtpy of smelting capacity that is currently idled.
- The spot alumina price peaked in April 2006 and has started to fall. We believe there will be downward pressure on aluminium prices over the next 3-6 months, with the price most likely ending the year below US\$2205/ton (FY07 average US\$2386/ton; 1HFY07 US\$2568/ton, 2HFY07 US\$2205/ton).

### Copper Key Issues

#### Short-term tightness remains but surplus looms

- We have significantly upped our copper price forecasts in FY07 (+67%) to take our average price to US\$6944/ton. Our forecast for FY08 has also been increased to US\$4630/ton.
- The market remains tight in 2006, with our forecast market balance showing a 69kt deficit. We believe 2006 will remain hostage to further supply side issues, including disruptions due to labour disputes around the world. This should underpin the price at high levels.
- We have also upgraded our supply forecasts beyond this year and our previous deficits in 2007 and 2008 have now moved into surpluses. We therefore expect to see the copper price falling away in 2H07.
- The copper concentrate market has made a surprising turnaround since the beginning of the year. It now looks very tight, TC/RCS are likely to head down and price participation is at risk. This remains a key risk to our forecast surpluses as refined copper supply may be limited by the availability of copper concentrate.

Extracted from Merrill Lynch 'Commodity Price Review' dated June 9, 2006 authored by Global Co-ordinator, Vicky Binns.

## Hindalco - higher EPS underpinned by higher commodity prices

Table 1: Change in EPS Estimates

	Old	New	% chg
FY07E	15.6	21.5	38%
FY08E	10.4	14.6	40%

Source: Merrill Lynch Research Estimates

We have raised our EPS estimates by 38% in FY07E and by 40% in FY08E. We now look for EPS to increase 30% in FY07E to Rs21.5 and decline 32% in FY08E to Rs14.6.

### Aluminum - final lap of good run?

We expect Aluminum EBIT to grow 47% in FY07 but decline 30% in FY08. Large part of this increase will come in H1FY07 which we believe marks the end of the good run in Aluminum seen over last three years.

Hindalco's aluminum division, in the medium term, is pre-dominantly a price leverage story with unexciting volume growth. Though it is expanding capacities, these are long gestation greenfield projects with volume from new capacity expected earliest in FY10. Volume growth in alumina is more exciting – we forecast 44% growth in FY08 – but this will likely be negated by price decline of 24%. Moreover, Alumina accounts for only 12% of Hindalco's turnover. Table 2 gives key assumptions underlying our aluminum forecasts.

Table 2: Aluminum - Key Assumptions

	FY 05A	FY 06A	FY 07E	FY 08E
<b>Aluminum</b>				
Al LME (US\$ / ton)	1,791	2,030	2,386	2,006
% chg	19%	13.4%	17.5%	-15.9%
Import Duty	15%	9.8%	7.5%	7.5%
Rupee Exchange Rate	44.9	44.3	44.3	42.0
Domestic price - Rs / ton	89,625	98,256	116,280	93,245
% chg	8.8%	9.6%	18.3%	-19.8%
Al Metal Sales Volume (tons)	419,974	424,432	436,525	475,075
% chg	28.7%	1.1%	2.8%	8.8%
<b>Alumina</b>				
Price - Rs / ton	17,643	20,602	22,150	16,800
% chg	41.0%	16.8%	7.5%	-24.2%
Alumina Sales volume (tons)	322,828	388,646	388,017	559,730
% chg	-15.0%	20.4%	-0.2%	44.3%
<b>Turnover (Rs m)</b>				
- Aluminum	45,990	51,597	63,043	54,927
- Alumina	5,696	8,007	8,595	9,403
Total	51,685	59,604	71,638	64,331
% chg	48.9%	15.3%	20.2%	-10.2%
<b>EBIT (Rs m)</b>				
	15,957	20,468	30,155	21,087
% chg	70%	28.3%	47.3%	-30.1%

Source: Merrill Lynch Research Estimates, Hindalco

### Copper Smelter - short lived recovery

We expect Hindalco's copper smelter business to finally turnaround in FY07 with EBITDA growth of 156% led by higher contract TC/RC and >70% jump in volumes.

However, the copper concentrate market has moved into deficit and this shortage has started to show up in TC/RCs. Spot TCRCs have declined to ~15c/lb versus Hindalco's FY07 contract rate of ~26c/lb. We are at this point of time assuming a blended TC/RC of 19.6c/lb for FY08. As a result, after the sharp recovery in

FY07, we expect Cu smelter EBITDA to grow only 6% in FY08 led primarily by 25% volume growth. However, we believe there is substantial downside risk to our assumption owing to weakening TCRC. Table 3 gives our Copper Smelter assumptions

**Table 3: Copper Smelter Assumptions**

	FY05A	FY 06A	FY07E	FY08E
Production Volume (tons)	217,138	210,227	360,000	450,000
% chg	16.4%	-3.2%	71.2%	25.0%
TCRC - Blended (c / lb)	10.4	23.6	23.8	19.6
Duty Differential (%)	10.0	5.0	5.5	5.5
EBITDA (Rs m)	3,677	933	2,391	2,542
% chg	-7.9%	-74.6%	156.3%	6.3%
<b>EBIT (Rs m)</b>	<b>2,538</b>	<b>(607)</b>	<b>867</b>	<b>1,048</b>
% chg	-36.4%	-123.9%	242.9%	20.8%

Source: Merrill Lynch Research Estimates, Hindalco

## Copper Mines - turnaround in FY07

Hindalco's copper mines division has been through a difficult period over the last 3 years led by longer than expected development phase and hence higher costs and large accumulated losses. We believe the worse is now behind us with Nifty mines commencing concentrate production from March 2006. This coupled with high copper prices will lead to the copper mine division accounting for 23% of Group EBIT in FY07E vs. negative contribution in the last 3 years. The key issue however remains FY08E where expect EBIT to decline 47% led by 33% fall in copper prices.

**Table 4: Copper Mine Assumptions**

	FY05	FY06	FY 07	FY08
LME Cu (effective) - US\$ / t	2,330	3,360	5,903	4,630
Production Volume (tons)	43,826	46,240	105,000	105,000
% chg		6%	127%	0%
- Copper Concentrate	28,000	29,000	89,000	95,000
- Copper Cathodes	15826	17240	16000	10000
Cash cost of production (c/lb)	106	113	124	114
EBITDA (Rs m)	-203	932	11814	7145
% chg		559%	1168%	-40%
Depreciation (Rs m)	981	1386	2348	2160
<b>EBIT (Rs m)</b>	<b>-1184</b>	<b>-454</b>	<b>9466</b>	<b>4984</b>
% chg		62%	2186%	-47%

Source: Merrill Lynch Research Estimates, Hindalco

## We remain Neutral on Hindalco

Post the sharp recent correction, the stock now looks reasonably priced at P/E of 8x FY07E but still expensive on FY08E P/E of 12x. This is much higher than its 5-year P/E trading history of 7.5x. Aluminum accounts for estimated 74% of Group EBIT in FY07 and we believe fundamentals for aluminum look the weakest among the base metals. This is owing to rising alumina supply in China which will eventually lead to increased smelter utilization in China. Near term, very strong earnings news flow (we expect 1Q FY07 profit to grow 104% y-o-y) implies that downside should be limited but the end game is probably near. Hindalco looks fairly valued on DCF too. At current price, Hindalco is trading at par to its DCF value of Rs167/sh.

**Table 5: Global Comps**

Company	ML Code	Price	P/E		EV/EBITDA	
			FY07E	FY08E	FY07E	FY08E
Nalco	NAUDF	226.0	6.4	11.4	2.9	5.0
Hindalco	HDEIF	172.0	8.0	11.8	4.3	5.7
Chalco	ALMMF	5.8	5.0	5.7	2.6	2.5
Alumina Ltd	AWCMF	6.8	12.9	13.1	7.9	8.0

Source: Merrill Lynch Research Estimates, Share Price as of Jun 30, 2006

**Table 6: Consolidated Earnings Model**

Year to 31 March	FY05A	FY06A	FY07E	FY08E
<b>Turnover</b>	<b>101055</b>	<b>118601</b>	<b>226005</b>	<b>188191</b>
% chg	23%	17%	91%	-17%
<b>EBITDA</b>	<b>24042</b>	<b>26003</b>	<b>48697</b>	<b>35257</b>
% chg	26%	8%	87%	-28%
EBITDA Margin	23.8%	21.9%	21.5%	18.7%
<b>Depreciation</b>	<b>6325</b>	<b>6597</b>	<b>8209</b>	<b>8138</b>
% chg	23%	4%	24%	-1%
<b>EBIT</b>	<b>17717</b>	<b>19407</b>	<b>40488</b>	<b>27119</b>
% chg	27%	10%	109%	-33%
<b>Interest</b>	<b>1856</b>	<b>2635</b>	<b>1914</b>	<b>1233</b>
<b>Other Income</b>	<b>2,779</b>	<b>3,641</b>	<b>3,032</b>	<b>1,591</b>
Imputed income on rights issue cash		223	1336	
<b>Profit bef Tax</b>	<b>18641</b>	<b>20413</b>	<b>41606</b>	<b>27477</b>
% chg	25%	10%	104%	-34%
<b>Tax</b>	<b>6228</b>	<b>4502</b>	<b>13314</b>	<b>8793</b>
Tax rate	33.4%	22.1%	32%	32%
<b>Profit after Tax</b>	<b>12413</b>	<b>15911</b>	<b>28292</b>	<b>18684</b>
% chg	24%	28%	78%	-34%
Minority Interest	110.1		3,375	1,704
<b>Net Profit</b>	<b>12303</b>	<b>15911</b>	<b>24917</b>	<b>16981</b>
% chg	24%	29%	57%	-32%
Net margin	12%	13%	11%	9%
Extraordinary Income / (Exp)	585	-	-	-
<b>Profit after extraordinaries</b>	<b>12888</b>	<b>15911</b>	<b>24917</b>	<b>16981</b>
% chg	30%	23%	57%	-32%

Source: Merrill Lynch Research Estimates, Hindalco

**Table 7: Consolidated Balance Sheet**

Year to 31 March	FY05A	FY06A	FY07E	FY08E
Share capital	928	986	1,044	1,160
Reserves	75,098	94,045	121,617	147,203
<b>Networth</b>	<b>76,026</b>	<b>95,031</b>	<b>122,660</b>	<b>148,363</b>
Debt	49,796	48,713	35,858	27,325
Minority Interest	858	858	4,233	5,937
Deferred tax	11,342	12,502	14,167	15,266
<b>Total liabilities</b>	<b>138,023</b>	<b>157,104</b>	<b>176,918</b>	<b>196,890</b>
Net fixed assets	86,854	96,354	110,710	130,551
Investments	29,559	32,585	11,249	14,999
Net current assets	21,610	28,165	54,958	51,340
<b>Total assets</b>	<b>138,023</b>	<b>157,104</b>	<b>176,918</b>	<b>196,890</b>

Source: Merrill Lynch Research Estimates, Hindalco

**Table 8: Consolidated Cash Flow Statement**

Year to 31 March	FY05A	FY06A	FY07E	FY08E
Pre-tax profit	18,641	20,413	41,606	27,477
Less tax paid	(786)	6,205	3,342	11,650
Add Depreciation	6,325	6,597	8,209	8,138
Add extraordinary Income / (Expense)	585	-	-	-
Add: Misc exp w/off	60	-	-	-
<b>Operating profit bef W Cap Chg</b>	<b>26,397</b>	<b>20,805</b>	<b>46,473</b>	<b>23,965</b>
<b>Working capital change</b>	<b>(3,865)</b>	<b>(2,369)</b>	<b>(19,861)</b>	<b>5,830</b>
(Incr) / decr in Current Assets	(9,879)	(7,018)	(35,900)	11,420
Increase in CL	6,014	4,648	16,039	(5,590)
<b>Cash from operations</b>	<b>22,531</b>	<b>18,436</b>	<b>26,612</b>	<b>29,795</b>
Chg in fixed assets	(12,569)	(16,097)	(22,565)	(27,979)
Chg in Investments	627	(890)	(2,435)	(3,750)
<b>Cash from investing</b>	<b>(11,942)</b>	<b>(16,987)</b>	<b>(25,000)</b>	<b>(31,729)</b>
<b>Free Cash flow</b>	<b>10,590</b>	<b>1,449</b>	<b>1,612</b>	<b>(1,934)</b>
Increase in share Capital	3	58	58	116
Change in debt	12,072	(1,083)	(12,855)	(8,533)
Dividends paid	(1,732)	(2,127)	(2,472)	(2,854)
Increase in share Premium	(3,719)	5,509	5,509	11,017
Change in Reserves	(3,780)	-	-	-
<b>Cash from financing</b>	<b>2,843</b>	<b>2,356</b>	<b>(9,761)</b>	<b>(254)</b>
Total Cash Flow	13,433	3,805	(8,149)	(2,188)
Opening cash	17,971	31,365	35,169	27,021
<b>Closing cash</b>	<b>31,404</b>	<b>35,169</b>	<b>27,021</b>	<b>24,833</b>

Source: Merrill Lynch Research Estimates, Hindalco

**Table 9: Key Ratios**

Year to 31 March	FY05E	FY06A	FY07E	FY08E
Avg ROE	16.9%	18.6%	22.9%	12.5%
Avg ROCE	10.4%	11.9%	15.6%	9.5%
Gearing	65%	51%	29%	18%
Net Gearing	25%	16%	8%	2%
Book value / share (Rs)	81.9	98.3	105.7	127.9
<b>Total Debt/Capital</b>	<b>40%</b>	<b>34%</b>	<b>23%</b>	<b>16%</b>

Source: Merrill Lynch Research Estimates, Hindalco

## Analyst Certification

I, Vandana Luthra, 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.

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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
<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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### HDEIF Price Chart



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. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of May 31, 2006 or such later date as indicated.

### HINDSP Price Chart



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. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of May 31, 2006 or such later date as indicated.

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	39	46.99%	Buy	13	33.33%
Neutral	37	44.58%	Neutral	14	37.84%
Sell	7	8.43%	Sell	1	14.29%

### Investment Rating Distribution: Global Group (as of 31 Mar 2006)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1145	40.29%	Buy	393	34.32%
Neutral	1474	51.86%	Neutral	430	29.17%
Sell	223	7.85%	Sell	44	19.73%

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