

FY12e dividend pay out may be 28-45%, yield 3.3-5.3%

CIL could pay Rs11-18/share dividend in FY12; retain Buy

On its 3Q FY12 earnings call Vedanta Resources Plc (Vedanta), parent of Cairn India (CIL) with 58.5% stake, said it expects dividends of US\$500-600m from its subsidiaries. If so, it suggests CIL could pay US\$250-400m of this dividend to Vedanta. It would imply a CIL dividend of Rs11-18/share and a payout ratio of 28-45%. A high dividend payout would make CIL attractive just on dividend yield. A prospective dividend of Rs11-18/share would translate to a 3.3-5.3% yield on today's closing price. CIL management on its earnings call last week said that investors can expect a good dividend distribution policy. We retain Buy on CIL. It is in fact our top pick.

Vedanta expects US\$500-600m dividend from subsidiaries

On its 3Q earnings call Vedanta said that its annual debt servicing requirement (interest cost) is about US\$500m. Vedanta plans to fund interest cost by way of dividends from subsidiaries (54.6-58.5% stake), which it expects will generate US\$2.5bn of free cash flow. We expect CIL's free cash flow at US\$1bn in FY12. Vedanta also said it expects US\$500-600m of dividends from its subsidiaries. We estimate dividends to Vedanta from its subsidiaries other than CIL at US\$200-250m, implying a dividend from CIL of US\$427-684m in FY12 so that Vedanta would receive US\$250-400m for its 58.5% stake.

CIL expects to pay dividend after main subsidiaries merged

CIL on its 3Q earnings call said that it would pay a dividend only after the 100% overseas subsidiaries, which hold stakes in the main Rajasthan block, are merged with CIL. CIL has already obtained shareholder, government and court approvals for the merger of these subsidiaries. CIL needed approvals from its partner in Rajasthan (ONGC), upstream regulator DGH and the petroleum ministry (MoPNG) for this internal reorganization (ie merger). It recently received ONGC's approval and now is awaiting approval from DGH and MoPNG.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	9,131	63,344	73,375	103,382	104,763
EPS	4.81	33.36	38.58	54.36	55.08
EPS Change (YoY)	25.8%	593.0%	15.6%	40.9%	1.3%
Dividend / Share	0	0	4.00	6.00	6.00
Free Cash Flow / Share	(19.35)	18.62	23.58	31.03	54.48

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	70.42x	10.16x	8.79x	6.24x	6.15x
Dividend Yield	0%	0%	1.18%	1.77%	1.77%
EV / EBITDA*	64.70x	7.54x	6.86x	4.56x	4.74x
Free Cash Flow Yield*	-5.69%	5.48%	6.96%	9.15%	16.07%

* For full definitions of *iQmethod*SM measures, see page 6.

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

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

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

Refer to important disclosures on page 7 to 9. Analyst Certification on Page 4. Price Objective Basis/Risk on page 4. Link to Definitions on page 4. 11133120

Equity | India | Oil & Gas Producers
02 February 2012

Bank of America Merrill Lynch

Vidyadhar Ginde >> +91 22 6632 8673

Research Analyst
DSP Merrill Lynch (India)
vidyadhar.ginde@baml.com

Akash Gupta >> +91 22 6632 8684

Research Analyst
DSP Merrill Lynch (India)
akash.gupta2@baml.com

Stock Data

Price	Rs339.00
Price Objective	Rs383.00
Date Established	15-Dec-2011
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	Rs249.30-Rs372.35
Mrkt Val / Shares Out (mn)	US\$13,086 / 1,901.9
Market Value (mn)	Rs644,750
Average Daily Volume	2,309,406
BofAML Ticker / Exchange	XCANF / BSE
Bloomberg / Reuters	CAIR IN / CAIL.BO
ROE (2012E)	16.9%
Net Dbt to Eqty (Mar-2011A)	-4.5%
Est. 5-Yr EPS / DPS Growth	NA / NA
Free Float	30.5%

iQprofileSM Cairn India

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	16,230	102,779	173,355	236,625	253,751
Gross Profit	9,805	84,117	92,514	139,065	133,760
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	6,235	70,521	77,897	119,593	113,493
Net Interest & Other Income	2,549	(1,621)	186	1,933	2,950
Associates	NA	NA	NA	NA	NA
Pretax Income	8,784	68,900	78,084	121,526	116,443
Tax (expense) / Benefit	348	(5,556)	(4,709)	(18,144)	(11,680)
Net Income (Adjusted)	9,131	63,344	73,375	103,382	104,763
Average Fully Diluted Shares Outstanding	1,897	1,899	1,902	1,902	1,902

Key Cash Flow Statement Data

Net Income	9,131	63,344	73,375	103,382	104,763
Depreciation & Amortization	3,570	13,596	14,617	19,472	20,267
Change in Working Capital	(8,357)	(5,861)	325	324	321
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(5,261)	(129)	(1,758)	629	4,976
Cash Flow from Operations	(916)	70,950	86,559	123,806	130,327
Capital Expenditure	(35,795)	(35,602)	(41,714)	(64,795)	(26,713)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	(15,494)	5,237	10,944	0	0
Cash Flow from Investing	(51,289)	(30,365)	(30,770)	(64,795)	(26,713)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	0	0	(8,602)	(12,903)	(12,903)
Cash Flow from Financing	(9,557)	(7,225)	(21,884)	(26,403)	(12,903)
Free Cash Flow	(36,711)	35,348	44,844	59,011	103,614
Net Debt	24,713	(18,065)	(67,952)	(117,061)	(210,972)
Change in Net Debt	52,205	(40,585)	(47,187)	(46,109)	(90,712)

Key Balance Sheet Data

Property, Plant & Equipment	97,899	119,904	147,002	192,324	198,770
Other Non-Current Assets	270,317	265,080	254,135	254,135	254,135
Trade Receivables	14,439	34,761	43,338	59,156	63,438
Cash & Equivalents	9,294	44,847	81,452	117,061	210,973
Other Current Assets	0	0	0	0	0
Total Assets	391,949	464,592	525,927	622,677	727,316
Long-Term Debt	34,007	26,782	13,500	0	0
Other Non-Current Liabilities	4,619	5,750	6,692	10,321	18,497
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	14,806	29,266	38,168	54,310	58,913
Total Liabilities	53,432	61,798	58,360	64,631	77,410
Total Equity	338,683	402,932	467,705	558,184	650,045
Total Equity & Liabilities	392,115	464,731	526,066	622,815	727,455

iQmethodSM - Bus Performance*

Return On Capital Employed	1.5%	15.6%	15.2%	19.3%	16.5%
Return On Equity	2.7%	17.1%	16.9%	20.2%	17.3%
Operating Margin	38.4%	68.6%	44.9%	50.5%	44.7%
EBITDA Margin	60.4%	81.8%	53.4%	58.8%	52.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	-0.1x	1.1x	1.2x	1.2x	1.2x
Asset Replacement Ratio	10.0x	2.6x	2.9x	3.3x	1.3x
Tax Rate (Reported)	NM	8.1%	6.0%	14.9%	10.0%
Net Debt-to-Equity Ratio	7.3%	-4.5%	-14.5%	-21.0%	-32.5%
Interest Cover	42.1x	24.2x	31.0x	NM	NM

Key Metrics

* For full definitions of iQmethodSM measures, see page 6.

Company Description

Cairn India Ltd. (CIL) was formed in August 2006 to buy most of Cairn Energy Plc's (CEP) E&P assets in India. CEP has recently sold 40% of its 62% stake to metals and mining group Vedanta. Vedanta group now holds 58.5% stake in CIL. CIL has 3 producing and 5 exploration assets in India and 1 in Sri Lanka. CIL has over 800mmboe of 2P reserves and 2C resources (most of it in Rajasthan block). Oil production from Rajasthan started in 2009 and now has ramped up to 125k b/d.

Investment Thesis

CIL is expected to report strong earnings growth in FY12-13 driven by jump in oil volumes in its main Rajasthan block, high oil price and weak rupee. Production from its main Rajasthan block is set to jump from 125k b/d in 1H FY12 to 240k b/d in 2013E or 2014E. There is scope for further rise in reserves and higher peak production from Rajasthan. In 2010 & 2011 CIL has made discoveries in Sri Lanka offshore and KG onshore block. CIL also looks attractive on earnings and cash flow multiples. Buy

Stock Data

Price to Book Value 1.4x

FY12 dividend payout CIL's FY12E dividend yield scenarios

Table 1: CIL's FY12E dividend yield 3.3-5.3% if it pays Rs11-18/share of dividend so that Vedanta gets US\$250-400mn dividend

Dividend payout to Vedanta for its 58.5% stake (US\$ mn)	Dividend per share	Payout ratio (%)	Dividend yield (%)
250	11.2	28%	3.3%
300	13.5	33%	4.0%
350	15.7	39%	4.7%
400	18.0	45%	5.3%

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Cairn India (XCANF)

Our PO of Rs383/share is calculated on a DCF basis, with WACC being 11pct. Brent price is assumed to be US\$112/bbl for FY12E, US\$113/bbl for FY14E and US\$104/bbl for FY15E. Long term, Brent price is taken at US\$95/bbl from FY16E. We have valued 475mmboe of net 2P reserves at Rs172/share, 417mmboe of best-case net contingent resources at Rs105/share, 2bn boe of unrisked prospective resources or 629mmboe of risked prospective resources (exploration upside) at Rs70/share. Net cash of US\$1458mn (Rs37/share) as of September 2011 is added to arrive at our PO. Downside risks: (1) Long-term oil price being lower than assumed, (2) Rupee being stronger than assumed (Rs47 vis-à-vis US dollar), (3) Delay in production ramp-up vis-à-vis expectation, (4) Not enough demand and, therefore, inability to sell oil production from the Rajasthan block RJ-ON-90/1 and (5) Reserve increase being well below prospective resources valued.

Link to Definitions

Energy

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

Analyst Certification

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

Special Disclosures

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. BofA Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India. American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction. Global Depositary Receipts (GDR) and the Global Depositary Shares of Indian companies, Indian limited liability corporations, have not been registered under the U.S. Securities Act of 1933, as amended, and may only be transacted by persons in the United States who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the Securities Act. Accordingly, no copy of any research report on Indian companies' GDRs will be made available to persons who are not QIBs.

DSP Merrill Lynch Limited

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

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

Tel : +91 22 6632 8000

APR - Energy Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Cairn India	XCANF	CAIR IN	Vidyadhar Ginde
	Citic Resources	CTJHF	1205 HK	Vitus Leung
	Formosa Plastics	FSAPF	1301 TT	Joon-Ho Lee
	Hindustan Petro.	XHTPF	HPCL IN	Vidyadhar Ginde
	Honam Petrochemical	HBBHF	011170 KS	Kenneth Whee
	Kunlun Energy	CNPXF	135 HK	Vitus Leung
	LG Chem	LGCLF	051910 KS	Kenneth Whee
	Nan Ya Plastics	NNYPF	1303 TT	Joon-Ho Lee
	Oil India Ltd	XLCRF	OINL IN	Vidyadhar Ginde
	Oriental Union Chemical	OLUNF	1710 TT	Joon-Ho Lee
	PetroChina	PCCYF	857 HK	Thomas Wong
	PetroChina - A	PTR	PTR US	Thomas Wong
	PTT Global Chemical PLC	XPGOF	PTTGC TB	Komsun Suksumrun
	Sinopec	SNPMF	386 HK	Thomas Wong
	Sinopec - A	SNP	SNP US	Thomas Wong
	Sinopec Shanghai Petrochemical	SPTJF	338 HK	Joon-Ho Lee
	SK Innovation	XVERF	096770 KS	Kenneth Whee
	S-Oil	SOOCF	010950 KS	Kenneth Whee
NEUTRAL				
	BPCL	XBPCF	BPCL IN	Vidyadhar Ginde
	CNOOC	CEO	CEO US	Thomas Wong
	CNOOC	CEOHF	883 HK	Thomas Wong
	COSL	CHOLF	2883 HK	Vitus Leung
	Formosa Chemicals & Fibre	XFUMF	1326 TT	Joon-Ho Lee
	Formosa Petrochemical	FPTCF	6505 TT	Kenneth Whee
	MIE Holdings	XMEEF	1555 HK	Vitus Leung
	Reliance Inds	XRELF	RIL IN	Vidyadhar Ginde
	Reliance Inds -G	RLNIY	RIGD LI	Vidyadhar Ginde
	Sinopec Yizheng Chemical Fibre	YZCFF	1033 HK	Joon-Ho Lee
UNDERPERFORM				
	GS Holdings	GSHDF	078930 KS	Kenneth Whee
	Kolon Industries	XKLNf	120110 KS	Joon-Ho Lee
	KP Chemical	KPCHF	064420 KS	Joon-Ho Lee
	Petronet LNG Ltd	POLNF	PLNG IN	Vidyadhar Ginde
RSTR				
	IOC	IOCOF	IOCL IN	Vidyadhar Ginde
	ONGC	ONGCF	ONGC IN	Vidyadhar Ginde

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	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
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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

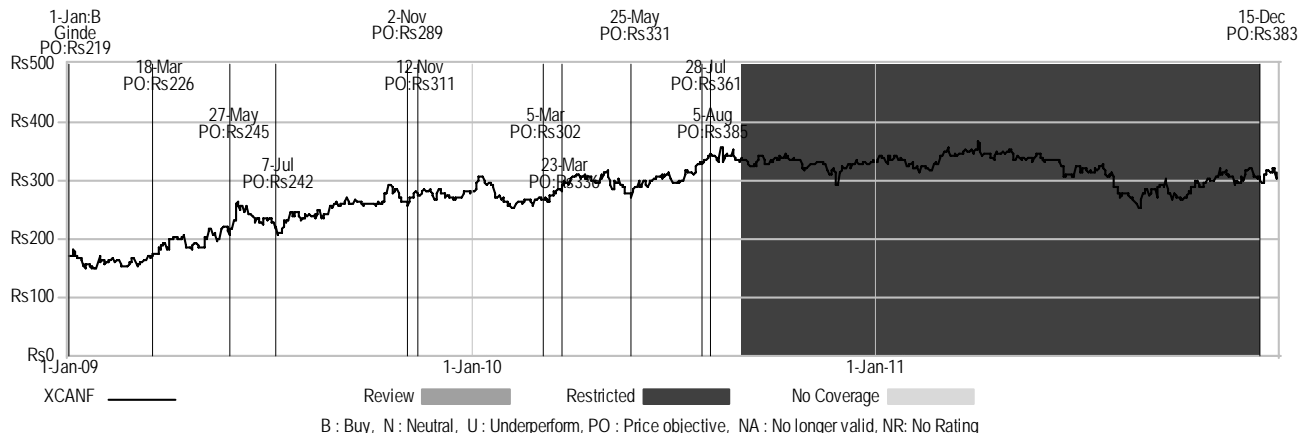
iQmethodSM is the set of BoFA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BoFA Merrill Lynch.

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

Important Disclosures

XCANF 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. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of [December 31, 2011] or such later date as indicated.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	169	58.28%	Buy	128	82.05%
Neutral	70	24.14%	Neutral	44	77.19%
Sell	51	17.59%	Sell	31	70.45%

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

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

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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

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

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

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Merrill Lynch Comment referencing the stock.

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

MLPF&S or an affiliate was a manager of a public offering of securities of this company within the last 12 months: Cairn India.

The company is or was, within the last 12 months, an investment banking client of MLPF&S and/or one or more of its affiliates: Cairn India.

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

The company is or was, within the last 12 months, a non-securities business client of MLPF&S and/or one or more of its affiliates: Cairn India.

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: Cairn India.

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

MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company or an affiliate of the company within the next three months: Cairn India.

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: Cairn India.

BofA Merrill Lynch Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking revenues.

Other Important Disclosures

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

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

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

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

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

This research report has been approved for publication and is distributed in the United Kingdom to professional clients and eligible counterparties (as each is defined in the rules of the Financial Services Authority) by Merrill Lynch International and Banc of America Securities Limited (BASL), which are authorized and regulated by the Financial Services Authority and has been approved for publication and is distributed in the United Kingdom to retail clients (as defined in the rules of the Financial Services Authority) by Merrill Lynch International Bank Limited, London Branch, which is authorized by the Central Bank of Ireland and is subject to limited regulation by the Financial Services Authority – details about the extent of its regulation by the Financial Services Authority are available from it on request; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co., Ltd., a registered securities dealer under the Financial Instruments and Exchange Act in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd. (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd. are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 provides this report in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this research report is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this report in Brazil. Merrill Lynch (Dubai) is authorized and regulated by the Dubai Financial Services Authority (DFSA). Research reports prepared and issued by Merrill Lynch (Dubai) are prepared and issued in accordance with the requirements of the DFSA conduct of business rules.

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

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

General Investment Related Disclosures:

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

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

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by BofA Merrill Lynch entities located outside of the United Kingdom. BofA Merrill Lynch Global Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

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

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

BofA Merrill Lynch, through business units other than BofA Merrill Lynch Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

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

Copyright and General Information regarding Research Reports:

Copyright 2012 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc. This research report is prepared for the use of BofA Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Merrill Lynch. BofA Merrill Lynch Global Research reports are distributed simultaneously to internal and client websites and other portals by BofA Merrill Lynch and are not publicly-available materials. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining expressed permission from an authorized officer of BofA Merrill Lynch.

Materials prepared by BofA Merrill Lynch Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Merrill Lynch, including investment banking personnel. BofA Merrill Lynch has established information barriers between BofA Merrill Lynch Global Research and certain business groups. As a result, BofA Merrill Lynch does not disclose certain client relationships with, or compensation received from, such companies in research reports. To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. BofA Merrill Lynch Global Research personnel's knowledge of legal proceedings in which any BofA Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of MLPF&S, any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Merrill Lynch Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This report may contain links to third-party websites. BofA Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with BofA Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Merrill Lynch policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent research report relating to a company or issuer prior to making an investment decision.

In some cases, a company or issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such company or issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with MLPF&S or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Merrill Lynch nor any officer or employee of BofA Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.