

4Q plummets; Downgrade to Sell

4Q disappoints; PAT down 34% YoY; Rating lowered to Sell

Despite near in-line revenues, Cipla posted a 34% drop in 4Q net profit (Rs1.25bn), about 33% lower than MLe due to a sharp margin drop from poorer product mix and high SG&A. We are consequently lowering FY08E EPS by 14% (Rs9.8 from Rs11.4) and estimate a modest 16% EPS growth for FY09E (Rs11.3). Downgrade to Sell, noting uncertain margin outlook and steep valuations.

Valuations at significant premium to historical average

Based on our revised estimates, Cipla trades at 25.8x FY08E and 22.4x FY09E earnings, about 23% premium to its 2-year historical average and over 30% premium to the Indian pharmaceutical sector average.

Sharp 4Q drop due to poor product mix and high SG&A

The primary reason for the profit de-growth in 4Q was due to a sharp 680bp drop in EBITDA margin to 15.7%, which is the lowest in the last 15 quarters. This is due to (a) Sharp 4.6% increase in material costs due to change in product mix, in particular higher volume of anti-retrovirals and lower API sales to regulated markets, and (b) Increase in other expenses by 240bp due to increase in factory overheads and SG&A spend.

Near-term margin outlook uncertain..

Over the next few quarters too, Cipla will likely continue to face margin pressure largely due to high factory overheads resulting from commissioning of various manufacturing units. We estimate gross margin trend to remain at current levels.

Estimates (Mar)

| (Rs) | 2006A | 2007A | 2008E | 2009E | 2010 |
|----------------------------|--------|-------|-------|-------|------|
| Net Income (Adjusted - mn) | 6,076 | 6,608 | 7,579 | 8,763 | NA |
| EPS | 8.11 | 8.50 | 9.75 | 11.27 | NA |
| EPS Change (YoY) | 48.3% | 4.9% | 14.7% | 15.6% | NA |
| Dividend / Share | 2.07 | 2.00 | 2.00 | 2.00 | NA |
| Free Cash Flow / Share | (1.09) | 0.953 | 4.00 | 5.29 | NA |

Valuation (Mar)

| | 2006A | 2007A | 2008E | 2009E | 2010 |
|-----------------------|---------|--------|--------|--------|------|
| P/E | 31.24x | 29.79x | 25.97x | 22.46x | NA |
| Dividend Yield | 0.819% | 0.790% | 0.790% | 0.790% | NA |
| EV / EBITDA* | 29.66x | 24.12x | 20.69x | 17.76x | NA |
| Free Cash Flow Yield* | -0.416% | 0.376% | 1.58% | 2.09% | NA |
| EV/Sales | 6.85x | 5.77x | 5.01x | 4.27x | NA |

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

Equity | India | Pharmaceuticals
27 April 2007



Merrill Lynch

Visalakshi Chandramouli >> +91 22 6632 8660

Research Analyst
DSP Merrill Lynch (India)
visalakshi_c@ml.com

Arvind Bothra >> +91 22 6632 8685

Research Analyst
DSP Merrill Lynch (India)
arvind_bothra@ml.com

Stock Data

| | |
|-----------------------------|--------------------|
| Price | Rs253.25 |
| Investment Opinion | C-1-7 to C-3-7 |
| Volatility Risk | HIGH |
| 52-Week Range | Rs178.00-Rs280.35 |
| Mrkt Val / Shares Out (mn) | US\$4,813 / 777.3 |
| Average Daily Volume | 247,996 |
| ML Symbol / Exchange | XCCLAF / BSE |
| Bloomberg / Reuters | CIPLA IN / CIPL.BO |
| ROE (2008E) | 20.8% |
| Net Dbt to Eqty (Mar-2007A) | 7.0% |
| Est. 5-Yr EPS / DPS Growth | 20.0% / 0% |
| Free Float | 59.1% |



>> 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 7. Analyst Certification on page 4.

*iQprofile*SM Cipla

| Key Income Statement Data (Mar) | 2006A | 2007A | 2008E | 2009E | 2010 |
|--|---------|---------|---------|----------|------|
| (Rs Millions) | | | | | |
| Sales | 29,814 | 35,721 | 41,090 | 48,096 | NA |
| Gross Profit | 12,594 | 16,598 | 18,705 | 21,859 | NA |
| Sell General & Admin Expense | (5,902) | (8,371) | (9,111) | (10,685) | NA |
| Operating Profit | 5,891 | 7,186 | 8,308 | 9,650 | NA |
| Net Interest & Other Income | 1,208 | 822 | 824 | 908 | NA |
| Associates | NA | NA | NA | NA | NA |
| Pretax Income | 7,098 | 8,008 | 9,132 | 10,558 | NA |
| Tax (expense) / Benefit | (1,022) | (1,400) | (1,552) | (1,795) | NA |
| Net Income (Adjusted) | 6,076 | 6,608 | 7,579 | 8,763 | NA |
| Average Fully Diluted Shares Outstanding | 750 | 777 | 777 | 777 | NA |

Key Cash Flow Statement Data

| | | | | | |
|---|---------|---------|---------|---------|----|
| Net Income (Reported) | 6,076 | 6,608 | 7,579 | 8,763 | NA |
| Depreciation & Amortization | 802 | 1,041 | 1,286 | 1,524 | NA |
| Change in Working Capital | (3,805) | (4,075) | (3,004) | (3,583) | NA |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | (282) | 597 | 747 | 906 | NA |
| Cash Flow from Operations | 2,791 | 4,171 | 6,609 | 7,611 | NA |
| Capital Expenditure | (3,610) | (3,430) | (3,500) | (3,500) | NA |
| (Acquisition) / Disposal of Investments | NA | NA | NA | NA | NA |
| Other Cash Inflow / (Outflow) | (41) | (5,270) | 663 | (869) | NA |
| Cash Flow from Investing | (3,652) | (8,700) | (2,837) | (4,369) | NA |
| Shares Issue / (Repurchase) | 0 | 955 | 0 | 0 | NA |
| Cost of Dividends Paid | (1,555) | (1,555) | (1,555) | (1,555) | NA |
| Cash Flow from Financing | 1,152 | 4,569 | (3,690) | (3,145) | NA |
| Free Cash Flow | (820) | 741 | 3,109 | 4,111 | NA |
| Net Debt | 4,244 | 2,329 | 841 | 40 | NA |
| Change in Net Debt | 2,448 | (1,915) | (1,489) | (800) | NA |

Key Balance Sheet Data

| | | | | | |
|-------------------------------|--------|--------|--------|--------|----|
| Property, Plant & Equipment | 10,566 | 13,025 | 15,239 | 17,215 | NA |
| Other Non-Current Assets | 1,094 | 6,295 | 5,632 | 6,501 | NA |
| Trade Receivables | 8,760 | 10,647 | 12,450 | 14,584 | NA |
| Cash & Equivalents | 445 | 484 | 566 | 663 | NA |
| Other Current Assets | 13,718 | 16,896 | 19,594 | 22,766 | NA |
| Total Assets | 34,583 | 47,347 | 53,481 | 61,728 | NA |
| Long-Term Debt | 4,689 | 2,813 | 1,407 | 703 | NA |
| Other Non-Current Liabilities | 980 | 999 | 1,019 | 1,039 | NA |
| Short-Term Debt | NA | NA | NA | NA | NA |
| Other Current Liabilities | 9,082 | 10,072 | 11,569 | 13,292 | NA |
| Total Liabilities | 14,751 | 13,885 | 13,995 | 15,035 | NA |
| Total Equity | 19,833 | 33,462 | 39,486 | 46,693 | NA |
| Total Equity & Liabilities | 34,583 | 47,347 | 53,481 | 61,728 | NA |

*iQmethod*SM - Bus Performance*

| | | | | | |
|----------------------------|-------|-------|-------|-------|----|
| Return On Capital Employed | 23.0% | 18.9% | 17.4% | 17.7% | NA |
| Return On Equity | 34.4% | 24.8% | 20.8% | 20.3% | NA |
| Operating Margin | 20.3% | 20.9% | 21.0% | 20.8% | NA |
| EBITDA Margin | 22.4% | 23.0% | 23.3% | 23.2% | NA |

*iQmethod*SM - Quality of Earnings*

| | | | | | |
|--------------------------|-------|-------|-------|-------|----|
| Cash Realization Ratio | 0.5x | 0.6x | 0.9x | 0.9x | NA |
| Asset Replacement Ratio | 4.5x | 3.3x | 2.7x | 2.3x | NA |
| Tax Rate (Reported) | 14.4% | 17.5% | 17.0% | 17.0% | NA |
| Net Debt-to-Equity Ratio | 21.4% | 7.0% | 2.1% | 0.1% | NA |
| Interest Cover | NM | NM | NM | NM | NA |

Key Metrics

| | | | | | |
|-------------------------|-------|-------|-------|-------|----|
| Sales Growth (YoY) | 32.8% | 18.7% | 15.2% | 17.3% | NA |
| EBITDA Growth (YoY) | 35.0% | 22.9% | 16.6% | 16.5% | NA |
| Net Income Growth (YoY) | 48.3% | 8.7% | 14.7% | 15.6% | NA |
| Net Profit Margin | 20.4% | 18.5% | 18.4% | 18.2% | NA |

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

Company Description

Cipla is the second largest Indian pharma company by revenues. It exports to various countries, with USA, Europe, South Africa, Australia and Middle East being its five core export markets. India contributes about 55% of total sales. The US & Europe account for 65% of exports. Cipla is the development and manufacturing partner of choice for generic companies like Ivax, Watson and is regarded for its chemistry skills and low-cost manufacturing.

Stock Data

| | |
|----------------------|-------|
| Price to Book Value | 5.0x |
| Market Cap (US\$ mn) | 4,813 |

4QFY07 Results Overview

Table 1: 4QFY07 and year-end results of Cipla, March fiscal year-ends

| (Rs mn) | 4QFY06 | 4QFY07 | YoY (%) | FY06 | FY07 | YoY (%) | Comments on 4Q |
|------------------------|--------|---------|---------|---------|---------|---------|--|
| Domestic sales | 3,495 | 3,997 | 14 | 15,060 | 17,523 | 16.4 | Robust domestic market growth in line with expectation |
| Export Sales | 5,266 | 5,293 | 0.5 | 15,136 | 17,807 | 17.6 | |
| - Formulations | 3,320 | 3,879 | 17 | 10,298 | 12,978 | 26.0 | Formulation exports marginally lower than MLe |
| - APIs | 1,946 | 1,415 | (27) | 4,838 | 4,829 | -0.2 | Sharp de-growth in API revenues attributed lower regulated market revenues |
| Total Revenues | 8,762 | 9,291 | 6 | 30,197 | 35,330 | 17.0 | |
| Other operating income | 392 | 313 | (20) | 945 | 1,340 | 41.8 | Other operating income for 4Q includes Rs242mn technology income from partners (Rs764mn for the full year FY07) |
| Gross revenues | 9,153 | 9,604 | 5 | 31,142 | 36,671 | 17.8 | |
| Less: Excise duty | 250 | 219 | (13) | 1,283 | 949 | -26.0 | |
| Net revenues | 8,903 | 9,385 | 5 | 29,859 | 35,721 | 19.6 | Overall revenues marginally lower than Mle (about 2%) |
| Raw material consumed | 4,313 | 4,975 | 15 | 14,116 | 17,280 | 22.4 | Sharp increase in material costs attributed to due to change in product mix, in particular higher volume of anti-retrovirals and lower API sales to regulated markets. |
| % of revenues | 48.4% | 53.0% | 9 | 47.3% | 48.4% | 2.3 | |
| Staff cost | 426 | 433 | 2 | 1,508 | 1,843 | 22.2 | |
| % of revenues | 4.8% | 4.6% | | 5.0% | 5.2% | | |
| Other Expenses | 2,165 | 2,507 | 16 | 7,437 | 8,371 | 12.6 | |
| % of revenues | 24.3% | 26.7% | | 24.9% | 23.4% | | |
| Total Expenditure | 6,903 | 7,915 | 15 | 23,061 | 27,494 | 19.2 | OPM of 15.7% in 4Q is the lowest in last 15 quarters |
| Operating profit | 2,000 | 1,470 | (27) | 6,799 | 8,227 | 21.0 | |
| OPM (%) | 22.5 | 15.7 | | 22.8 | 23.0 | | Increase in material costs and overheads largely led to a pressure on margins |
| Other income | 271 | 221 | (18) | 1,216 | 891 | -26.7 | |
| Interest (net) | (33) | (13) | (61) | (114) | (70) | -39.1 | |
| Depreciation | (250) | (261) | 4 | (802) | (1,041) | 29.8 | Higher depreciation trend to continue on account of capex commissioning |
| Pre-tax profits | 1,988 | 1,417 | (29) | 7,099 | 8,008 | 12.8 | |
| Tax | (80) | (160) | 99 | (1,022) | (1,400) | 37.0 | |
| Net income | 1,908 | 1,257.3 | (34.1) | 6,077 | 6,608 | 8.7 | Net profit 34% lower than MLe |

Source: Company reports, ML Research

Update on DPCO

- In a recent order, the NPPA (drug regulator) has announced a US\$176mn fine on Cipla in regard to its 7 year old drug overcharging case which Cipla claims that it is not liable to pay. In a worst case scenario, in the event Cipla is finally asked to pay up, then the cash flow impact is twofold (a) one-time payment of US\$176mn, nearly 50% of which is the interest charge; (b) price reduction of the mentioned drugs which could impact about 3-4% of future profits. (Rs 0.5 EPS)

Analyst Certification

I, Visalakshi Chandramouli, 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 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.

27 April 2007

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 | $\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales Other LT Liabilities}$ | |
| 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 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 Merrill Lynch.

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

27 April 2007

Important Disclosures

XCLAF 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 March 31, 2007 or such later date as indicated.

Investment Rating Distribution: Health Care Group (as of 31 Mar 2007)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 97 | 46.86% | Buy | 25 | 27.78% |
| Neutral | 100 | 48.31% | Neutral | 32 | 34.41% |
| Sell | 10 | 4.83% | Sell | 3 | 33.33% |

Investment Rating Distribution: Global Group (as of 31 Mar 2007)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 1562 | 45.16% | Buy | 415 | 30.09% |
| Neutral | 1615 | 46.69% | Neutral | 446 | 30.65% |
| Sell | 282 | 8.15% | Sell | 49 | 19.76% |

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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**, indicators of expected total return (price appreciation plus yield) within the 12-month period from the date of the initial rating, are: 1 - Buy (10% or more for Low and Medium Volatility Risk Securities - 20% or more for High Volatility Risk securities); 2 - Neutral (0-10% for Low and Medium Volatility Risk securities - 0-20% for High Volatility Risk securities); 3 - Sell (negative return); and 6 - No Rating. **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.

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: Cipla Ltd.

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: Cipla Ltd.

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 Global (Taiwan) Limited; 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.

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 Global (Taiwan) Ltd or Merrill Lynch, Pierce, Fenner & Smith Limited (Taiwan Branch); is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; 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 2007 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.