

# Insurance recovery to drive upside

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## Profit growth moderates but valuations intact; Buy

Factoring 2Q FY12 results, we have cut ABNL's consolidated EBITDA by 6-7% for FY12-13E. The cuts are led by 1) lower insurance profits factoring service-tax adjustments highlighted in 2Q results, 2) weaker outlook for carbon black. Our PO for ABNL stays unchanged at Rs1090/sh as insurance valuations at this stage are predominantly driven by premia growth & lower carbon black profits are offset by better garment valuations; telecom (Idea) valuation in ABNL stays unchanged.

## Upbeat on insurance as market growth recovers

A key highlight of ABNL's 2Q FY12 performance is the 58% growth in NBP in September. This mostly reflects market share gains and we expect growth to remain strong led by overall market recovery. We forecast new business growth at 10% YoY in FY12 (vs -17% in 1H) and 15% in FY13. We expect ABNL to outperform the industry in terms of NBAP margins, owing to its product mix and improving persistency.

## Uptick in net debt & working capital are concerns

In 2Q FY12, ABNL's standalone net debt rose 15% QoQ and net working capital increased 28% QoQ. These increases are points of concern given that standalone net debt/EBITDA is already high at 3.5x. Our discussions with the Co indicate low likelihood of further deterioration. Also, borrowing costs for ABNL are expected to remain low at least for the next 2 years given fully hedged & low fixed-cost loans.

## 2Q FY12 results cushioned by conglomerate model

ABNL's recurring 2Q FY12 net profit stood at Rs2.1bn, up 3% YoY and down 15% QoQ. Results were below consensus and our expectations due to QoQ pull-back in insurance profits owing to service tax adjustments and new-business strain. Among other businesses, carbon black was weaker than expected due to slower top line while garments did better on a combination of higher growth & margins.

### Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	1,546	9,259	9,281	10,944	13,245
EPS	15.66	83.62	83.81	98.46	118.73
EPS Change (YoY)	NM	433.9%	0.2%	17.5%	20.6%
Dividend / Share	5.00	5.50	5.50	5.50	5.50
Free Cash Flow / Share	(33.43)	(162.55)	(52.34)	38.72	59.61

### Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	60.72x	11.37x	11.35x	9.66x	8.01x
Dividend Yield	0.526%	0.578%	0.578%	0.578%	0.578%
EV / EBITDA*	10.90x	6.23x	5.24x	4.70x	4.19x
Free Cash Flow Yield*	-3.38%	-17.09%	-5.50%	4.07%	6.27%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 7.

### Stock Data

Price	Rs950.95
Price Objective	Rs1,090
Date Established	16-Aug-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs707.00-Rs994.00
Mrkt Val / Shares Out (mn)	US\$1,988 / 103.0
Market Value (mn)	Rs97,965
Average Daily Volume	75,779
BofAML Ticker / Exchange	ADYAF / BSE
Bloomberg / Reuters	ABNL IN / ABRL.BO
ROE (2012E)	3.3%
Net Dbt to Eqty (Mar-2011A)	22.1%
Est. 5-Yr EPS / DPS Growth	10.0% / 10.0%
Free Float	46.1%

### Key Changes

(Rs)	Previous	Current
2012E Rev (m)	213,348.7	218,649.1
2013E Rev (m)	235,259.8	246,148.1
2014E Rev (m)	257,203.6	274,925.0
2012E EPS	100.67	83.81
2013E EPS	115.90	98.46
2014E EPS	131.17	118.73

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Refer to important disclosures on page 9 to 12. Analyst Certification on Page 5. Price Objective Basis/Risk on page 5. Link to Definitions on page 5. 11104982

## iQprofile<sup>SM</sup> Aditya Birla Nuvo Ltd.

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
<b>(Rs Millions)</b>					
Sales	195,083	181,678	218,649	246,148	274,925
Gross Profit	14,385	25,165	29,895	33,364	37,452
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	5,720	15,758	19,083	21,617	25,054
Net Interest & Other Income	(4,144)	(3,809)	(6,238)	(6,196)	(5,958)
Associates	NA	NA	NA	NA	NA
Pretax Income	1,576	11,949	12,845	15,420	19,096
Tax (expense) / Benefit	(1,140)	(1,831)	(2,336)	(3,212)	(4,461)
Net Income (Adjusted)	1,546	9,259	9,281	10,944	13,245
Average Fully Diluted Shares Outstanding	114	114	114	114	114

### Key Cash Flow Statement Data

Net Income	1,546	9,259	9,281	10,944	13,245
Depreciation & Amortization	8,665	9,407	10,813	11,747	12,397
Change in Working Capital	(3,023)	(6,349)	(8,711)	(1,970)	(2,147)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,331	(654)	(1,228)	(1,265)	(1,390)
Cash Flow from Operations	8,518	11,662	10,154	19,455	22,105
Capital Expenditure	(11,829)	(28,408)	(15,546)	(15,467)	(15,964)
(Acquisition) / Disposal of Investments	(53,837)	(17,671)	(52,238)	(61,427)	(66,033)
Other Cash Inflow / (Outflow)	5,303	(1,028)	0	0	0
Cash Flow from Investing	(60,363)	(47,107)	(67,784)	(76,894)	(81,996)
Shares Issue / (Repurchase)	5,750	0	0	0	0
Cost of Dividends Paid	(515)	(567)	(567)	(567)	(567)
Cash Flow from Financing	(18,052)	24,771	5,457	5,560	5,678
Free Cash Flow	(3,311)	(16,746)	(5,392)	3,989	6,141
Net Debt	59,766	57,396	70,669	73,459	66,978
Change in Net Debt	(12,151)	(2,370)	13,272	2,789	(6,482)

### Key Balance Sheet Data

Property, Plant & Equipment	69,884	88,886	93,619	97,339	100,905
Other Non-Current Assets	192,195	210,893	263,131	324,559	390,591
Trade Receivables	11,701	16,092	19,936	21,324	22,836
Cash & Equivalents	14,620	35,612	27,677	30,224	42,042
Other Current Assets	35,419	44,857	59,601	63,749	68,269
Total Assets	323,820	396,340	463,964	537,195	624,643
Long-Term Debt	61,624	72,942	78,279	83,616	88,953
Other Non-Current Liabilities	2,440	2,645	2,645	2,645	2,645
Short-Term Debt	12,762	20,067	20,067	20,067	20,067
Other Current Liabilities	33,869	41,348	51,226	54,791	58,676
Total Liabilities	110,696	137,002	152,216	161,118	170,340
Total Equity	213,124	259,339	311,749	376,076	454,303
Total Equity & Liabilities	323,820	396,340	463,964	537,195	624,643

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

Return On Capital Employed	1.5%	4.5%	4.5%	4.3%	4.1%
Return On Equity	0.9%	4.0%	3.3%	3.2%	3.2%
Operating Margin	2.9%	8.7%	8.7%	8.8%	9.1%
EBITDA Margin	7.4%	13.9%	13.7%	13.6%	13.6%

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

Cash Realization Ratio	5.5x	1.3x	1.1x	1.8x	1.7x
Asset Replacement Ratio	1.4x	3.0x	1.4x	1.3x	1.3x
Tax Rate (Reported)	72.3%	15.3%	18.2%	20.8%	23.4%
Net Debt-to-Equity Ratio	28.0%	22.1%	22.7%	19.5%	14.7%
Interest Cover	0.7x	2.2x	1.8x	1.9x	2.0x

### Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

### Company Description

ABNL is a conglomerate with exposure to 10 diverse businesses. ABNL is the largest (25% stake) shareholder of Idea Cellular that is separately listed. ABNL also owns 74% of the unlisted life-insurance biz namely, Birla Sun Life. Other key businesses include carbon black, garment-retailing, BPO services, rayon, fertilizers, textiles, insulators, and financial services.

### Investment Thesis

We see strong valuation upside in the stock after factoring 30% conglomerate discount. Telecom (Idea Cellular) & financial services remain the largest value drivers. The remaining businesses, viz carbon black, fertilizers, garments, BPO, rayon etc, are highly unrelated. We have a Neutral outlook on Idea due to strong short term earnings outlook but rich valuations. In the insurance and AMC businesses, we expect growth recovery in FY13 and also expect efficiency improvements to sustain.

### Stock Data

Price to Book Value

0.3x

**Table 1: Standalone 2Q FY12 results summary**

Yr to March (Rs mn)	2Q FY11	1Q FY12	2Q FY12	YoY	QoQ
<i>Rs mn</i>					
Turnover	16,388	18,639	20,523	25%	10%
Operating costs	13,908	16,337	18,081	30%	11%
<b>EBITDA</b>	<b>2,480</b>	<b>2,302</b>	<b>2,442</b>	-2%	6%
EBITDA Margin	15.1%	12.4%	11.9%		
Depreciation	489	498	513	5%	3%
<b>Operating profit</b>	<b>1,991</b>	<b>1,804</b>	<b>1,929</b>	-3%	7%
Recurring other income	204	167	152	-26%	-9%
<b>EBIT</b>	<b>2,195</b>	<b>1,972</b>	<b>2,080</b>	-5%	6%
EBIT Margin	13.4%	10.6%	10.1%		
Interest	732	711	816	11%	15%
<b>Profit before tax</b>	<b>1,463</b>	<b>1,261</b>	<b>1,265</b>	-14%	0%
Taxes	267	319	346		
<b>Recurring net profit before minorities</b>	<b>1,196</b>	<b>942</b>	<b>919</b>	-23%	-2%
Effective tax rate	18.3%	25.3%	27.3%		
<b>Reported net profit</b>	<b>1,196</b>	<b>942</b>	<b>919</b>	-23%	-2%

Source: Company, BofA Merrill Lynch Global Research estimates.

**Table 2: Consolidated 2Q FY12 results summary**

Yr to March (Rs mn)	2Q FY11	1Q FY12	2Q FY12	YoY	QoQ
Turnover	45,329	47,675	53,418	18%	12%
Operating costs	39,630	40,200	46,170	17%	15%
<b>EBITDA</b>	<b>5,699</b>	<b>7,475</b>	<b>7,248</b>	27%	-3%
EBITDA Margin	12.6%	15.7%	13.6%		
Depreciation	2,319	2,608	2,733	18%	5%
<b>Operating profit</b>	<b>3,380</b>	<b>4,867</b>	<b>4,514</b>	34%	-7%
Recurring other income	514	602	542	5%	-10%
<b>EBIT</b>	<b>3,895</b>	<b>5,468</b>	<b>5,056</b>	30%	-8%
EBIT Margin	8.6%	11.5%	9.5%		
Interest related to lending activity of subsidiaries	206	385	436		
Interest	1,146	1,553	1,679	47%	8%
<b>Profit before tax</b>	<b>2,543</b>	<b>3,530</b>	<b>2,942</b>	16%	-17%
Taxes	393	614	541		
<b>Recurring net profit before minorities</b>	<b>2,150</b>	<b>2,916</b>	<b>2,400</b>	12%	-18%
Minority interests	63.7	383.8	257.8		
Share of loss from associate					
<b>Recurring net profit</b>	<b>2,086</b>	<b>2,532</b>	<b>2,143</b>	3%	-15%
Extra-ordinary Inc/(exp)	(1,038)				
<b>Reported net profit</b>	<b>1,048</b>	<b>2,532</b>	<b>2,143</b>	104%	-15%

Source: Company, BofA Merrill Lynch Global Research estimates.

**Table 3: Quarterly consolidated EBIT trend for key business segments**

Yr to March (Rs mn)	2Q FY11	1Q FY12	2Q FY12	YoY	QoQ
Telecom	780	1,326	1,071	37%	-19%
Life Insurance	225	1,470	1,051	367%	-28%
Agri - business	502	389	523	4%	34%
Carbon Black	574	573	407	-29%	-29%
Fashion & Lifestyle	280	73	395	41%	439%
Textiles	204	372	318	56%	-14%
Other Financial Services	300	162	295	-2%	82%
Rayon Yarn	164	212	174	6%	-18%
IT - ITES	271	174	158	-42%	-9%
Insulators	283	190	142	-50%	-25%

Source: Company, BofA Merrill Lynch Global Research estimates.

**Table 4: Target valuation of ABNL on FY13E sum-of-parts**

Business	Stake held	Valuation Benchmark	ABNL (Rs/sh)
Telecom/Idea	25%	PO for Idea (Rs100/sh)	737
Insurance	74%	At 7x FY13E NBAP +1x of EV	492
Garments & Textile	100%	0.6x EV/sales; discount to Raymond	155
Financial services	50%	3% of current AMC AUM+0.8x to current net worth for NBFC	136
Agri - business	100%	6.3x EV/EBITDA; 20% discount to local market valuation	131
Carbon Black	100%	6.3x EV/EBITDA; 20% discount to local market valuation	119
IT - ITES	100%	10% discount to valuation of Firstsource Solutions	108
Rayon	100%	6.3x EV/EBITDA; 20% discount to local market valuation	62
Misc. businesses	100%	6.3x EV/EBITDA; 20% discount to local market valuation	20
less Net Debt (excl. Idea)			393
<b>Total equity value of ABNL</b>			<b>1564</b>
(less) Conglomerate discount		(-30%)	-474
<b>Target share price of ABNL</b>			<b>1090</b>

Source: Company, BofA Merrill Lynch Global Research estimates.



## Price objective basis & risk

### Aditya Birla Nu (ADYAF)

We have a price objective of Rs1090/share for AB Nuvo based on sum-of-parts using 30% conglomerate discount. Valuation for most businesses is linked to earnings outlook for FY13E, except insurance (7x FY13E NBAP plus 1x of embedded value) and financial services (3% of AUM), which are linked to NBAP & assets under management, respectively. Our target valuation for Idea Cellular is Rs100/sh.

Upside to our ABNL PO could stem from stronger-than-expected scale economies in telecom and/or acceleration of market growth in insurance. Risks are possible dramatic regulatory changes in telecom or sharper-than-expected slowdown in financial services

### Idea Cellular (IDEAF, Rs94, C-2-9)

Our PO of Rs100/sh for Idea is based on DCF and implies a valuation of around 7-7.5x 1yr-forward-EV/EBITDA, i.e. 40-45% premium vs GEM wireless majors to allow for stronger long-term growth potential. Stronger than expected 3G revenue ramp-up, sooner-than-expected industry consolidation and stronger-than-anticipated Indus profitability could present upside to our PO. Significantly higher competitive intensity in the industry and dramatic regulatory changes pose downside risks.

## Link to Definitions

### Industrials

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

### Media & Telecom

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

## Analyst Certification

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

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**APR - Telecommunications Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Info	XVDIF	ADVANC TB	Thititthep Nophaket
	Axiata Group	XLMTF	AXIATA MK	B. Roshan Raj
	China Telecom	CHA	CHA US	Sydney Zhang, CFA
	China Telecom-H	CHJHF	728 HK	Sydney Zhang, CFA
	China Unicom	CHUFF	762 HK	Sydney Zhang, CFA
	China Unicom -A	CHU	CHU US	Sydney Zhang, CFA
	ChinaCache International Holdings Ltd	CCIH	CCIH US	Clara Fan
	KT	KTCNF	030200 KS	Sean Oh
	KT	KT	KT US	Sean Oh
	M1	MBOFF	M1 SP	B. Roshan Raj
	Telkom	TLKMF	TLKM IJ	B. Roshan Raj
	Total Access	TACJF	DTAC SP	Thititthep Nophaket
	Total Access Communication	TACPF	DTAC TB	Thititthep Nophaket
	XL Axiata	XAESF	EXCL IJ	B. Roshan Raj
<b>NEUTRAL</b>				
	Bharti	BHTIF	BHARTI IN	Reena Verma Bhasin, CFA
	China Mobile	CHLKF	941 HK	Sydney Zhang, CFA
	China Mobile - A	CHL	CHL US	Sydney Zhang, CFA
	DiGi	DIGBF	DIGI MK	B. Roshan Raj
	Idea Cellular	IDEAF	IDEA IN	Reena Verma Bhasin, CFA
	Indosat	PTITF	ISAT IJ	B. Roshan Raj
	SingTel	SNGNF	ST SP	B. Roshan Raj
	TM	MYTEF	T MK	B. Roshan Raj
<b>UNDERPERFORM</b>				
	Globe Telecom	GTMEF	GLO PM	Jidgette Velasco
	LG Uplus	LTCLF	032640 KS	Sean Oh
	Maxis	MAXSF	MAXIS MK	B. Roshan Raj
	MTNL	XMTNF	MTNL IN	Reena Verma Bhasin, CFA
	MTNL	MTE	MTE US	Reena Verma Bhasin, CFA
	Philippine Long Distance Telephone	ZHPLF	TEL PM	Edser Trinidad
	PLDT -A	PHI	PHI US	Edser Trinidad
	RCVL	RLCMF	RCOM IN	Reena Verma Bhasin, CFA

**APR - Telecommunications Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	SK Broadband	HANTF	033630 KS	Sean Oh
	StarHub	SRHBF	STH SP	B. Roshan Raj
	Tata Communications Limited	TCL	TCL US	Reena Verma Bhasin, CFA
	Tata Communications Limited	VLSLF	TCOM IN	Reena Verma Bhasin, CFA
	TRUE Corp	TCPJF	TRUE TB	Thititthep Nophaket
<b>RSTR</b>				
	SK Telecom	SKMTF	017670 KS	Sean Oh
	SK Telecom	SKM	SKM US	Sean Oh

**India - General Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	Anant Raj Industries Ltd	XNRJF	ARCP IN	Gagan Agarwal
	Brigade Enterprises	XBDGF	BRGD IN	Gagan Agarwal
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	DLF Limited	XVDUF	DLFU IN	Abhishek Kiran Gupta
	Exide Indus Ltd	XEDRF	EXID IN	Sanjaya Satapathy
	Havells	HVLIF	HAVL IN	Sanjaya Satapathy
	Indiabulls Real Estate Ltd	IBELF	IBREL IN	Abhishek Kiran Gupta
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Oberoi Realty Ltd	XRXOF	OBER IN	Abhishek Kiran Gupta
	Opto Circuits	OPOCF	OPTC IN	Sanjaya Satapathy
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	SINTEX INDUSTRIES LTD	SIXDF	SINT IN	Prasad Deshmukh
<b>NEUTRAL</b>				
	Coromandel International Ltd	CMDF	CRIN IN	Prasad Deshmukh
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	Jain Irrigation Systems Ltd	JNIDF	JI IN	Prasad Deshmukh
	Shree Cements	SREEF	SRCM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Abhishek Kiran Gupta
<b>UNDERPERFORM</b>				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	Bajaj Hindusthan	BJJHF	BJH IN	Sanjaya Satapathy
	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	Container Corp	CIDFF	CCRI IN	Sanjaya Satapathy
	Cummins India	CUIDF	KKC IN	Sanjaya Satapathy
	Housing Development and Infrastructure	XGHSF	HDIL IN	Gagan Agarwal
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMUY	ICEM LX	Reena Verma Bhasin, CFA
	Jaypee Infratech	XJAYF	JPIN IN	Gagan Agarwal
	Jet Airways	JTAIF	JETIN IN	Anand Kumar
	Jindal Saw	SWPFF	JSAW IN	Sanjaya Satapathy
	Omaxe Limited	XOMXF	OAXE IN	Gagan Agarwal
	Puravankara Projects Ltd	XPJVF	PVKP IN	Gagan Agarwal
	Sobha Developers	SBDRF	SOBHA IN	Gagan Agarwal
	SpiceJet Ltd	MDLFF	SJET IN	Anand Kumar
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
	UltraTech Cemen	XDJNF	UTCEM IN	Reena Verma Bhasin, CFA
	Vollas	VTSJF	VOLT IN	Sanjaya Satapathy
	Welspun Corp Ltd	XUQRF	WLCO IN	Sanjaya Satapathy
<b>RSTR</b>				
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
<b>RVV</b>				
	Fortis Healthcare Limited	XFFT	FORH IN	Prasad Deshmukh

***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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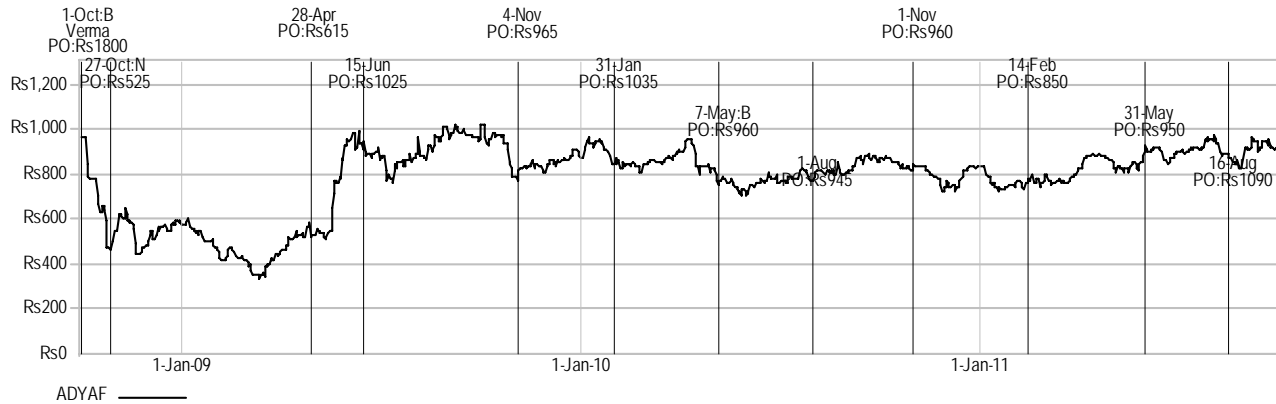
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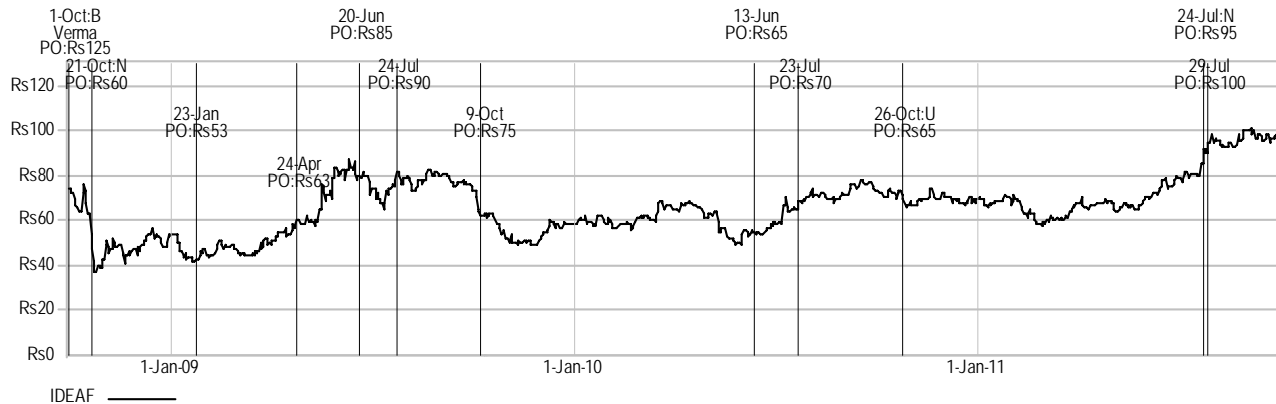
### ADYAF Price Chart



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

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 [September 30, 2011] or such later date as indicated.

### IDEAF Price Chart



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

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 [September 30, 2011] or such later date as indicated.

### Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	56	67.47%	Buy	29	60.42%
Neutral	15	18.07%	Neutral	7	58.33%
Sell	12	14.46%	Sell	5	45.45%

### Investment Rating Distribution: Telecommunications Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	87	49.43%	Buy	35	50.72%
Neutral	53	30.11%	Neutral	28	60.87%
Sell	36	20.45%	Sell	12	38.71%

### Investment Rating Distribution: Global Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

\* 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.

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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%

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02 November 2011

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