

Downgrading on delayed turnaround of Brazil sugar mill

**Bank of America
Merrill Lynch**

Sanjaya Satapathy >>

+91 22 6632 8689

Research Analyst
DSP Merrill Lynch (India)
sanjaya.satapathy@baml.com

Downgrading to Underperform on disappointing Sep Q

Following significant earning miss in Sep11 quarter owing to cane shortage in Brazil on account of adverse weather We have cut PO to Rs38 from Ps88 and rating from Buy to Underperform, driven by cut in EPS for FY12e to a loss of Rs4.3/sh from a profit of Rs9.5/sh and cut in EPS for FY13e to Rs3.2/sh from Rs11.6/sh. Subdued sugar price along with higher cost of cane and excess debt will hurt earnings and stock performance. *Please note that Renuka Sugar recently changed its accounting year to March from September.*

Brazil cane shortage impacted Sep 2011 quarter

In the quarter ending Sep11 Renuka Sugar had a loss of Rs6.15bn compared to our expectation of a loss of Rs105mn owing to shortage of cane in Brazil and FX loss of Rs5.7bn. EBITDA at Rs2.44bn came in 60% below estimate and EBITDA margin at 10.5% was significantly below our estimate of 25%. Adverse weather in Sao Paulo reduced production of RDB by 25% leading to reduced utilization and hence lower EBITDA margin of 17% while VDI of Parana had 46% margin.

Sugar price to remain subdued and hurt earnings

We expect global raw sugar price to remain at around current level of UScent25 per pound as production surplus of sugar globally will rise by 6mt next one year compared. Subdued sugar price along with rise in cost of cane in Brazil as well as India is likely to put margin pressure and hurt earnings.

De-rating could be restrained by deregulation and asset sell

We think valuation in terms of P/B will de-rate to 1.2x, which is its trough valuation from 1.7x now owing to weak earnings. De-regulation of sugar in India and proposed sell off of power plants in Brazil could add Rs13bn and limit the de-rating. However current net debt to equity of 4x may still remain above 2.5x. We also change our income rating from same/higher (7) to same lower (8) as we believe the dividend is not secure over the next year.

Estimates (Mar)

(Rs)	2010A	2011	2012E	2013E	2014E
Net Income (Adjusted - mn)	6,924	NA	(2,880)	2,251	4,914
EPS	10.33	NA	(4.30)	3.36	7.33
EPS Change (YoY)	191.9%	NA	NA	NM	118.3%
Dividend / Share	1.00	NA	1.00	1.00	1.00
Free Cash Flow / Share	(76.10)	NA	(32.87)	9.09	15.80

Valuation (Mar)

	2010A	2011	2012E	2013E	2014E
P/E	4.99x	NA	NM	15.35x	7.03x
Dividend Yield	1.94%	NA	1.94%	1.94%	1.94%
EV / EBITDA*	9.58x	NA	6.46x	7.24x	6.42x
Free Cash Flow Yield*	-147.62%	NA	-63.76%	17.63%	30.64%

* For full definitions of *iQmethod*SM measures, see page 9.

Stock Data

Price	Rs51.55
Price Objective	Rs38.00
Date Established	13-Nov-2011
Investment Opinion	C-3-8
Volatility Risk	HIGH
52-Week Range	Rs49.75-Rs101.90
Mrkt Val / Shares Out (mn)	US\$689 / 670.4
Market Value (mn)	Rs34,558
Average Daily Volume	5,639,189
BofAML Ticker / Exchange	SRNKF / BSE
Bloomberg / Reuters	SHRS IN / SRES.BO
ROE (2012E)	-29.1%
Net Dbt to Eqty (Sep-2010A)	0%
Est. 5-Yr EPS / DPS Growth	40.0% / 55.0%
Free Float	59.6%

Key Changes

(Rs)	Previous	Current
Inv. Opinion	C-1-7	C-3-8
Inv. Rating	BUY	UNDERPERFORM
Price Obj.	88.00	38.00
2012E EPS	9.56	-4.30
2013E EPS	11.61	3.36
2014E EPS	NA	7.33

>> 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 10 to 12. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7. Link to Definitions on page 7.11109481

iQprofileSM Shree Renuka Sugars Ltd.

Key Income Statement Data (Mar)	2010A	2011	2012E	2013E	2014E
(Rs Millions)					
Sales	76,696	NA	122,623	100,645	114,311
Gross Profit	18,377	NA	33,653	29,700	33,043
Sell General & Admin Expense	(1,046)	NA	(3,714)	(1,835)	(2,150)
Operating Profit	9,616	NA	8,361	8,469	10,344
Net Interest & Other Income	(927)	NA	(11,028)	(5,450)	(4,600)
Associates	0	NA	NA	NA	NA
Pretax Income	8,689	NA	(2,667)	3,019	5,744
Tax (expense) / Benefit	(1,528)	NA	(153)	(768)	(830)
Net Income (Adjusted)	6,924	NA	(2,880)	2,251	4,914
Average Fully Diluted Shares Outstanding	670	NA	670	670	670

Key Cash Flow Statement Data

Net Income	6,924	NA	(2,880)	2,251	4,914
Depreciation & Amortization	2,586	NA	9,738	7,674	7,870
Change in Working Capital	4,620	NA	(6,954)	(2,331)	(694)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	555	NA	60	0	0
Cash Flow from Operations	14,685	NA	(36)	7,594	12,090
Capital Expenditure	(65,700)	NA	(22,000)	(1,500)	(1,500)
(Acquisition) / Disposal of Investments	0	NA	0	0	0
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(65,700)	NA	(22,000)	(1,500)	(1,500)
Shares Issue / (Repurchase)	1,966	NA	0	0	0
Cost of Dividends Paid	(784)	NA	(784)	(784)	(784)
Cash Flow from Financing	1,182	NA	(784)	(784)	(784)
Free Cash Flow	(51,015)	NA	(22,036)	6,094	10,590
Net Debt	57,872	NA	80,692	75,382	65,577
Change in Net Debt	NA	NA	NA	NA	NA

Key Balance Sheet Data

Property, Plant & Equipment	79,848	NA	92,110	85,936	79,566
Other Non-Current Assets	108	NA	108	108	108
Trade Receivables	5,226	NA	3,360	2,757	3,132
Cash & Equivalents	7,208	NA	4,308	4,618	4,423
Other Current Assets	35,934	NA	40,118	37,030	37,961
Total Assets	128,325	NA	140,004	130,449	125,191
Long-Term Debt	65,080	NA	85,000	80,000	70,000
Other Non-Current Liabilities	1,382	NA	1,382	1,382	1,382
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	38,232	NA	33,595	27,574	28,186
Total Liabilities	104,694	NA	119,978	108,956	99,568
Total Equity	23,630	NA	20,026	21,493	25,622
Total Equity & Liabilities	128,325	NA	140,004	130,449	125,191

iQmethodSM - Bus Performance*

Return On Capital Employed	13.2%	NA	NA	6.0%	8.9%
Return On Equity	35.7%	NA	-29.1%	11.0%	21.0%
Operating Margin	12.5%	NA	6.8%	8.4%	9.0%
EBITDA Margin	15.9%	NA	14.8%	16.0%	15.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	2.1x	NA	NM	3.4x	2.5x
Asset Replacement Ratio	25.4x	NA	2.3x	0.2x	0.2x
Tax Rate (Reported)	17.6%	NA	NM	25.4%	14.5%
Net Debt-to-Equity Ratio	244.9%	NA	402.9%	350.7%	255.9%
Interest Cover	3.4x	NA	0.6x	1.4x	2.0x

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

Company Description

Renuka Sugar is the second largest sugar manufacturer and the largest trader of sugar of India. It has a manufacturing base in Maharashtra and Karnataka, close to the western coast of India. The company is also the largest manufacturer of ethanol blended with gasoline in India. Renuka is also the only company with a sugar mill in India and Brazil. The company currently has 60% of its crushing capacity in Brazil and 40% in India.

Investment Thesis

We believe Renuka Sugar to be affected by lower capacity utilisation in Brazil owing to cane shortage. The company is also likely to have poor capacity utilisation of its sugar refinery in India owing to restricted export policy of India. Apart from poor capacity utilisation the company will also suffer from subdued global sugar price on account of excess supply from countries in which Renuka is not present. Relatively weak earnings along with very high level of borrowing will hurt the stock.

Stock Data

Price to Book Value 1.7x

13 November 2011

Table 1: Renuka consolidated quarterly income statement

Rs. Mn	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Net sales	24,598	22,470	18,403	22,401	23,349
Net sales growth	125.0%	57.3%	3.3%	12.0%	-5.1%
Raw Material Cost	19,016	17,066	13,166	15,747	17,791
Staff cost	496	560	599	637	668
Other expenditure	2,116	1,839	1,853	1,693	2,450
Total Operating Expenditure	21,628	19,465	15,618	18,077	20,909
EBITDA	2,970	3,005	2,785	4,324	2,440
EBITDA Margin	12.1%	13.4%	15.1%	19.3%	10.5%
EBITDA growth	75.2%	-16.8%	-21.4%	165.9%	-17.8%
Depreciation and Ammortisation	1,471	1,680	1,116	1,791	2,251
EBIT	1,499	1,325	1,669	2,533	189
EBIT Margin	6.1%	5.9%	9.1%	11.3%	0.8%
Interest	488	1,165	1,862	1,622	7,623
Other Income	301	561	902	1,259	844
PBT	1,312	721	709	2,170	(6,590)
Tax	34	56	127	310	(405)
PAT	1,278	665	582	1,860	(6,185)
Minority interest	3	(1)	12	10	27
Net profit after minority interest	1,281	664	594	1,870	(6,158)

Source: Company

Table 2: India unit segmental quarterly data

Rs. Mn		Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Net Sugar Realisation	Rs./Kg	26.7	28.2	28.7	30.0	29.6
Margin	Rs./Kg	0.5	2.7	1.5	1.6	0.8
Sugar Sold	Mn. Kg.	394	282	231	292	221
Sugar Net EBIT	Rs. Mn.	199	758	341	459	169
Co-Gen - Unit Sold	Mn KWH	55	108	150	80	19
Co-Gen - Realisation	Rs/KWH	3.5	3.8	5.4	6.4	3.5
Margin Rs/kwh		(0.3)	0.5	4.5	4.8	(0.8)
Co-Gen EBIT	Rs Mn	(19)	58	679	382	(15)
Distillery - Unit Sold	Mn Ltr	10	14	33	34	37
Distillery - Realisation	Rs./Ltr	24.6	27.7	27.6	26.5	29.1
Distillery - EBIT Margin	Rs./Ltr	(0.9)	4.7	7.2	11.7	5.0
Distillery EBIT	Rs. Mn.	(9)	64	237	395	186
Trading EBIT	Rs. Mn.	92	50	176	115	70
Total EBIT	Rs. Mn.	263	930	1,433	1,351	410
Unallocated expense	Rs. Mn.	158	166	159	200	123
Interest	Rs. Mn.	181	418	673	512	1,137
Other Income	Rs. Mn.	48	101	(142)	(44)	90
Total PBT	Rs. Mn.	(28)	447	459	595	(760)
Tax	Rs. Mn.	(130)	143	167	123	(187)
PAT	Rs. Mn.	102	304	292	472	(573)

Source: Company

13 November 2011

Table 3: Brazil income statement

Rs mn	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Brazil Consolidated					
Net revenue incl other income	8,888	11,115	5,556	10,985	9,097
EBITDA incl Other income	3,430	1,087	2,098	4,170	2,206
% EBITDA Margin	38.6%	9.8%	37.8%	38.0%	24.2%
Net Profit	649	304	130	1,387	(6,400)
FX Gain/ (loss)	1,110	290	900	1,047	(5,585)
Adjusted EBITDA Margin	29.8%	7.4%	25.7%	31.4%	53.1%
RDB (Renuka do Brasil)					
Net revenue incl other income	6,928	7,535	5,257	8,862	6,883
EBITDA incl Other income	2,631	1,902	1,966	3,037	1,197
% EBITDA Margin	38%	25%	37%	34%	17%
Net Profit	420	54	51	956	(6,116)
FX Gain/ (loss)	888	232	720	838	(4,468)
Adjusted EBITDA Margin	28.9%	22.9%	27.5%	27.4%	49.9%
VDI (Vale do Ivaí)					
Net revenue incl other income	1,960	1,624	271	2,123	2,214
EBITDA incl Other income	799	391	162	1,133	1,009
% EBITDA Margin	40.8%	24.1%	59.8%	53.4%	45.6%
Net Profit	229	192	103	431	(284)
FX Gain/ (loss)	222	58	180	209	(1,117)
Adjusted EBITDA Margin	33.2%	21.3%	-19.8%	48.3%	63.8%
Operating Data - Brazil					
Cane crushed (mn T)	3.8	2.8	0.2	3.4	3.6
Total sugar produced (mn kg)	297	166	7	167	289
Ethanol produced (mn ltr)	156	112	9	130	118
Power exports (mn KWH)	143	120	40	95	123
Ethanol price (Rs/ltr)	25	32	38	47	37
Power (Rs/KWH)	4	5	4	4	4

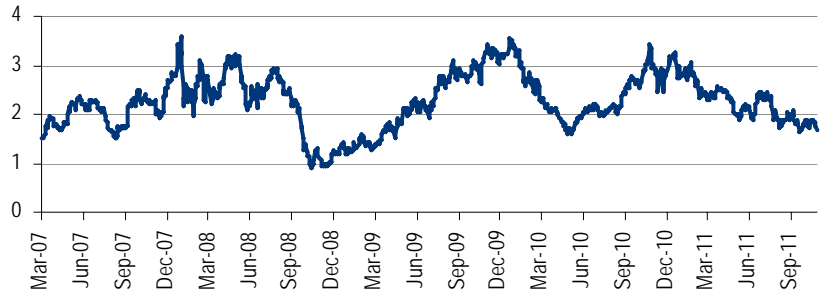
Source: Company

Table 4: Balance sheet

Rs mn	Consolidated		Standalone	
	Sep-10	Sep-11	Sep-10	Sep-11
Net Fixed Asset	79,848	93,417	19,815	24,831
Investments	1,189	1,415	16,393	19,614
Cash & Bank	6,019	2,827	235	308
Receivables	5,226	3,075	3,159	757
Inventories	17,711	19,058	11,360	9,535
Other current asset	18,223	21,470	6,621	7,415
Total Current asset	47,179	46,430	21,375	18,015
Current liabilities	34,954	31,453	19,028	9,112
Provisions	3,278	1,621	2,297	810
Net Current Assets	8,947	13,356	50	8,093
Misc Expenditure	108	83	100	75
Total Assets	90,092	108,271	36,358	52,613
Equity capital	670	671	670	671
Reserves and surplus	22,808	20,055	17,125	16,866
Minority interest	151	104	-	-
Networth	23,629	20,830	17,795	17,537
Total Loan	65,080	86,120	17,159	33,590
Deferred Tax Liability	1,383	1,321	1,404	1,486
Total Liabilities	90,092	108,271	36,358	52,613
Working capital analysis				
Receivables days	19	12	20	6
Inventories days	65	73	71	76
Other current asset days	67	83	41	59
Current liabilities days	128	121	119	73

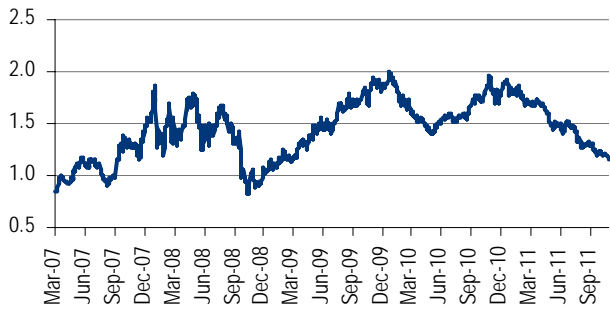
Source: Company

Chart 1: P/BV, one year forward



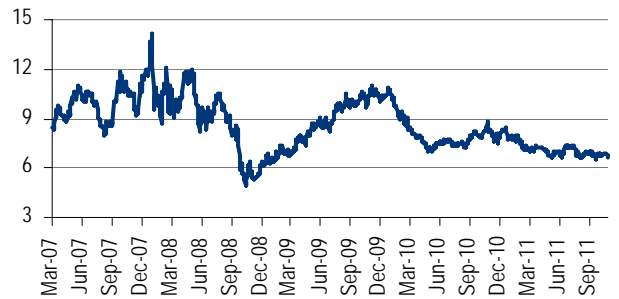
Source: Bloomberg, BofA Merrill Lynch Global research estimate

Chart 2: EV/Replacement, one year forward



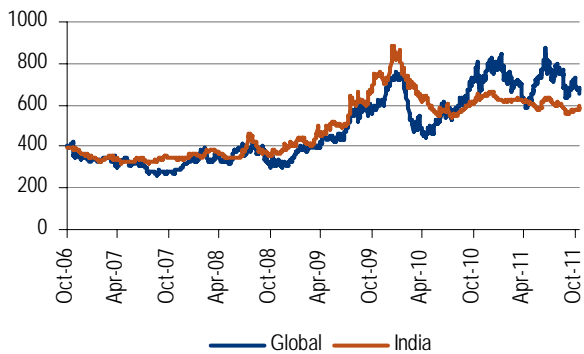
Source: Bloomberg, BofA Merrill Lynch Global research estimate

Chart 3: EV/EBITDA, one year forward



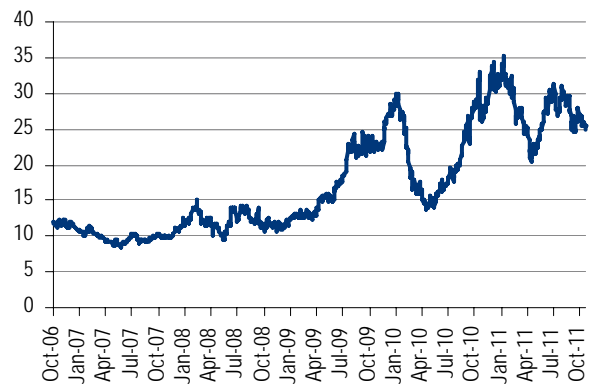
Source: Bloomberg, BofA Merrill Lynch Global research estimate

Chart 4: India white sugar price currently at discount to global (USD/T)



Source: Bloomberg

Chart 5: Global raw sugar price (UScent/lb) subdued



Source: Bloomberg

13 November 2011

Table 5: India sugar production surplus likely to continue

YE Sep	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12E	FY 13E
Sugarcane production (mn Tonne)	281	356	348	285	278	325	343	343
Crop acreage (mn ha)	4.20	5.15	5.06	4.42	4.2	4.86	5.2	5.2
Crop yield (tonne/ha)	66.9	69.0	68.8	64.5	66.1	66.9	66.0	66.0
Change in crop yield	3.4%	3.1%	0%	-6%	3%	1%	-1%	0%
Sugar cane used by non-sugar purpose	92.50	77.71	98.28	140.05	78.33	84.48	78.94	78.94
Drwal	67%	78%	72%	51%	72%	74%	77%	77%
% of cane used by non-sugar users	33%	22%	28%	49%	28%	26%	23%	23%
Sugar cane used by sugar mills	188.7	277.8	249.9	144.98	199.42	240.43	264.26	264.26
Sugar/Sugarcane yield (%)	10.2%	10.2%	10.5%	10.0%	10.0%	10.2%	10.0%	10.0%
Op Stock of sugar (mn tonne)	4.0	4.3	10.9	10.1	4.4	5.8	5.8	6.3
Sugar Production (Mn tonne)	19.3	28.3	26.3	14.5	18.9	24.5	26.4	26.4
Domestic demand (mn tonne)	18.5	20.0	22.2	22.5	21.3	21.5	22.5	23.0
Exports (Mn tonne)	1.1	1.7	5.0	0.2	0.2	3.0	3.5	3.5
Import (Mn tonne)				2.5	4.0	-	-	-
Closing stock (Mn Tonne)	3.6	10.9	10.1	4.4	5.8	5.8	6.3	6.2
Stock-to-use Ratio	19.7%	54.5%	45.4%	19.6%	27.3%	27.1%	27.8%	26.9%

Source: ISMA, BofA Merrill Lynch research estimate

Table 6: Global sugar production surplus set to rise ('000T)

World	Beginning Stocks	Total Sugar Production	Total Imports	Total Supply	Total Exports	Total	Use	Ending Stocks
2009/10	29,240	153,678	52,365	235,283	51,228		155,642	28,413
2010/11	28,413	160,948	51,828	241,189	52,603		159,322	29,264
2011/12	29,264	168,482	48,777	246,523	55,704		162,002	28,817

Source: USDA May2011 report

Price objective basis & risk

Renuka Sugars (SRNKF)

Our PO of Renuka Sugar, at Rs38/sh, is based on a trough Price to Book value valuation of 1.2x Weak earnings along with very high level of debt with net debt to equity of 4x is likely to drive de-rating of stock from current PB of 1.7x. Downside Risks to our price objective are (1) a lower-than-estimated price for sugar, (2) sharply higher capex on growing sugarcane in Brazil, owing to the rise in the cost of fertilizer and other inputs, and (3) lower refining margin. Upside risks to our PO are (1) deregulation of Indian sugar sector that will help Renuka India units to increase exports at higher price than domestic market and (2) reduction in debt through selling of non-strategic assets likel power plants in Brazil.

Link to Definitions

Consumer & Retail

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

Analyst Certification

I, Sanjaya Satapathy, 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

India - General Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	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
	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
	SINTEX INDUSTRIES LTD	SIXDF	SINT IN	Prasad Deshmukh
NEUTRAL				
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	Coromandel International Ltd	CMDFF	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
UNDERPERFORM				
	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
	Bairampur 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
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	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
	Voltas	VTSJF	VOLT IN	Sanjaya Satapathy
	Welspun Corp Ltd	XUQRF	WLCO IN	Sanjaya Satapathy
RSTR				
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
RVW				
	Fortis Healthcare Limited	XFFTF	FORH IN	Prasad Deshmukh

13 November 2011

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

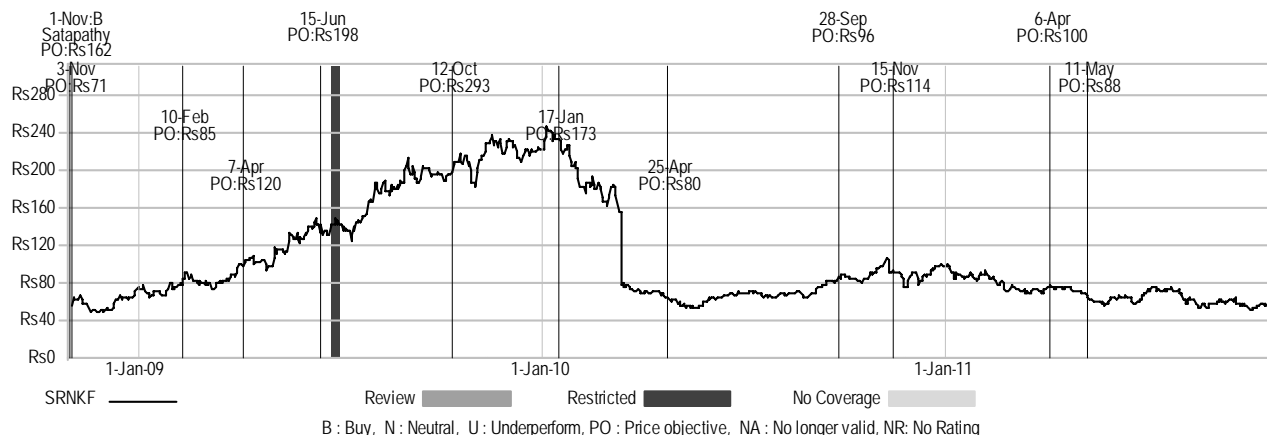
iQmethodSM is the set of BoFA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines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

SRNKF 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 [October 31, 2011] or such later date as indicated.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	29	44.62%	Buy	10	37.04%
Neutral	18	27.69%	Neutral	11	73.33%
Sell	18	27.69%	Sell	13	76.47%

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.

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. 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: Renuka Sugars.

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: Renuka Sugars.

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: Renuka Sugars.

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.

13 November 2011

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 2011 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.