



Reliance Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 8,967	RELE IN
	REUTERS CODE
S&P CNX: 2,807	RLEN.BO

20 March 2009

Buy

Rs483

Previous Recommendation: Buy

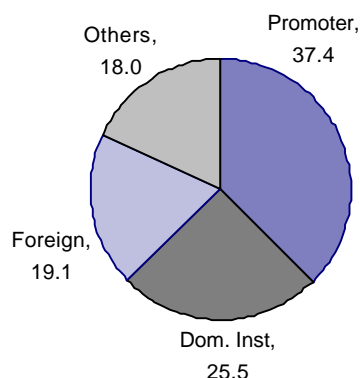
Equity Shares (m)	226.8
52-Week Range	1,575/354
1,6,12 Rel. Perf. (%)	-3/-10/-20
M.Cap. (Rs b)	109.5
M.Cap. (US\$ b)	2.2

YEAR	NET SALES	PAT	EPS*	EPS	P/E*	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	RATIO	(X)	(%)	(%)	SALES	EBITDA
3/08A	63,642	6,831	30.1	-14.8	16.0	1.1	11.0	9.7	0.9	10.3
3/09E	100,468	10,451	46.1	53.0	10.5	1.0	10.3	10.4	0.6	5.2
3/10E	97,950	9,889	43.6	-5.4	11.1	1.0	8.5	9.2	0.7	7.0
3/11E	116,411	10,074	44.4	1.9	10.9	1.0	8.1	8.5	1.0	6.7

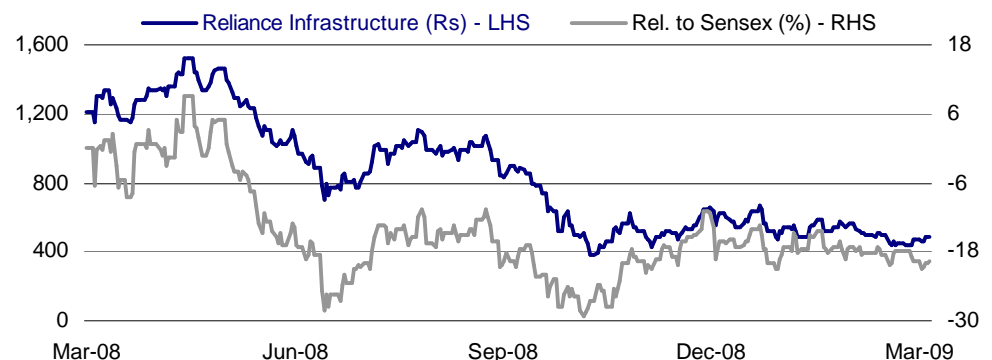
* Consolidated, fully diluted

- Expect financial closure for projects worth Rs269b by 1QFY10:** Reliance Infrastructure, including Reliance Power (45% stake), is targeting to achieve financial closure for projects worth Rs269b by 1QFY10. There have been delays given the tightness witnessed in the credit markets during 2HFY09. For RELI, total equity commitment towards existing projects stands at Rs26.3b, of which Rs21.8b is outstanding (equity commitment in FY10 stands at Rs10b).
- Net cash and cash equivalents at Rs110/sh, investments in preference shares at Rs96/sh:** Net Cash and cash equivalent stands at Rs46.8b (Rs206/sh), including investment in preference shares of Rs22b. Amount invested through ICDs has reduced from Rs77.4b in Mar 07, to Rs51b in Mar 08 and Rs27b in Dec 08; and management stated that most of the outstanding ICDs will mature by end FY10.
- Sole/L1 bidder in 3 road infrastructure projects, EPC business gaining traction:** RELI has emerged sole / L1 bidder in three road projects, at a project cost of Rs94.4b. This includes the Western Freeway Sea Link Project, connecting Bandra to Haji Ali (Mumbai) at a cost of Rs53b, including upfront payment of Rs16b to MMRDA towards the Bandra-Worli sealink. In EPC business, Hisar (1200MW, Rs38b) and DVC Purulia (1200MW, Rs34b) projects should cross the margin recognition threshold in 1QFY10, which should improve profitability.
- Valuations and view:** We expect RELI to report net profit of Rs10.5b (up 58.9% YoY) in FY09, Rs9.9b in FY10 (down 5.4% YoY) and Rs10b in FY11 (up 1.9% YoY). The stock quotes at PER of 10.5x FY09E, 11.1x FY10E and 10.9x FY11E. We arrive at a target price of Rs785/sh, comprising of: Power business Rs90/sh, Delhi business Rs34/sh, EPC business Rs49/sh, Cash and cash equivalent Rs251/sh and holding in Reliance Power Rs361/sh (20% holding company discount). Maintain **Buy**.

SHAREHOLDING PATTERN % (DEC.08)



STOCK PERFORMANCE (1 YEAR)



RELI and R Power (45% stake) targets to achieve financial closure for projects worth Rs269b by 1QFY10 and has received sanctions for significant portion of debt

PROJECTS EXPECTED TO ACHIEVE FINANCIAL CLOSURE IN 1QFY10

PROJECTS	COST (RS B)	REMARKS
Reliance Infrastructure (% stake)		
- Delhi Metro project (95%)	25.0	Sanctions received for 100% debt
- WRSS Project (100%)	14.0	
- Trans. lines for Parabati / Koldam HEP (74%)	7.5	
Reliance Power		
- Sasan UMPP (4,000MW)	183.4	Sanctions received for Rs120b out of total debt of Rs146b
- Rosa Phase II (600MW)	24.6	IDBI is the lead banker, Sanctioned Rs10b debt of total Rs18.6b
- Butibori (300MW)	14.1	Axis Bank is lead banker, Sanctioned up Rs4b of total Rs10b
Total	268.6	

Source: Company/MOSL

RELiance INFRASTRUCTURE: PROJECT PORTFOLIO (EXCLUDING REAL ESTATE) (RS M)

PROJECT	COST	GRANT	CONCESSION PERIOD	COD #	DEBT-EQ. ##	RELI'S STAKE	RELI'S EQUITY	CURRENT STATUS
Road BOT portfolio								
Namakkal Karur	3,450	240	20 years	1QFY10	95:05	100%	161	
Dindigul Samyanallore	4,150	310	20 years	1QFY10	95:05	100%	192	
Trichy Karur	7,550	1,480	30 years	2QFY11	75:25	100%	1,518	
Trichy Dindigul	5,600	2,260	30 years	2QFY11	75:25	100%	835	
Salem Ulenderpet	10,830	3,660	25 years	2QFY11	75:25	100%	1,793	
Gurgaon-Faridabad	7,800	-	17 years		80:20	100%	1,560	LOI signed for the project
Total (Roads)	39,380	7,950					6,058	
Metro rail BOT projects								
Mumbai Metro I	24,000	6500	35 Years	Sep-10	63:37	69%	5,120	Major contracts awarded, Right of Way for 10kms
(Versova - Andheri - Ghatkopar)								Land acquisition done
Delhi airport Metro Line	25,000		30 Years	Jul-10	70:30	95%	7,190	Design and engg over , Major contracts awarded
(New Delhi Rly stn - Airport - Dwarka)								Target completion is by 2QFY11.
Total (Metro)	49,000	6,500					12,310	
Transmission projects								
Western Region Grid Strengthening	14,000	-	25 years	FY11	80:20	100%	2,800	
Parabati & Koldam HEP (BOO)	7,500	-	-	FY11	80:20	100%	1,500	
Mumbai Transmission network (BOO)	18,000	-	-	FY12	80:20	100%	3,600	
Total	39,500						7,900	
Grand Total	127,880	14,450					26,268	

Commercial Operation Date; ## Excluding Grant

Source: Company/MOSL

RELI has already invested Rs4.5b towards existing projects and thus, outstanding equity commitment stands at Rs21.8b. Management estimates the equity commitment at Rs10b in FY10 and is expected to go up to -Rs30b by FY12

RELI has emerged sole / LI bidder in three road projects totaling Rs94.4b, vs current BOT portfolio of Rs128b comprising of 11 projects (excluding real estate projects)

PROJECTS WHERE RELIANCE INFRASTRUCTURE IS L1/SOLE BIDDER (RS M)

	COST	GRANT	REMARKS
Eastern Peripheral Expressway	31,000	-	Sole bidder
Krishna – Walajpet project	10,360	-	L1
Western Freeway Sea Link Project	53,000	16,800	L1
Total	94,360	16,800	

Source: Company/MOSL

Equity commitment towards project can be easily met given net cash of Rs25b plus investment in preference shares of Rs22b. Management expects that most of the outstanding ICDs will mature by end FY10

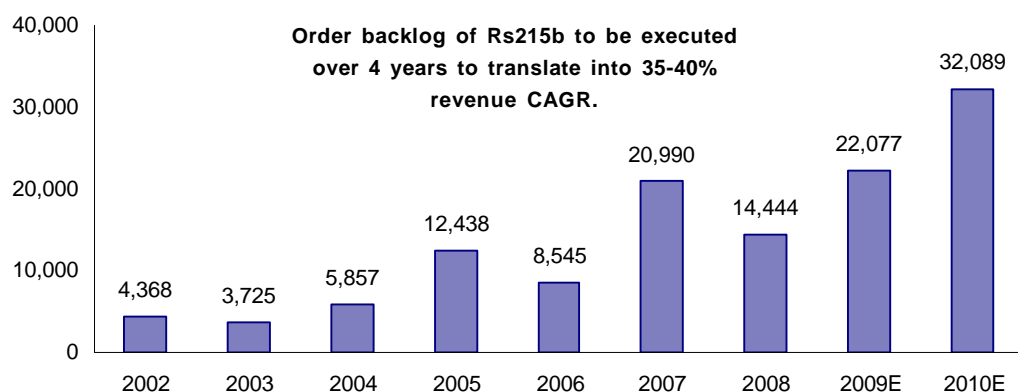
NET CASH AND CASH EQUIVALENTS AT RS206/SHARE (RS M)

	FY07	FY08	DEC-08
Cash Balance	21,759	877	648
ICDs *	77,403	50,630	26,559
FMP	19,727	17,304	50,000
Preference Shares	451	27,273	21,773
Total	119,340	96,084	98,980
Less: Debt	58,583	49,889	52,150
Net Cash	60,757	46,195	46,830
Rs/share	268	204	206

Source: Company

Order book comprise of Rs61b of third party projects. Hisar (Rs38b) and DVC Purulia (Rs34b) should cross the margin recognition threshold in 1QFY10, implying healthy profits

EPC BUSINESS: STRONG ORDER BOOK POSITION AT RS215B



Source: Company/MOSL

In the second tranche, RELI can buy back Rs7b worth of shares, at a maximum price of Rs700/share. Shareholders approval for the ongoing buyback ends on April 19 2009, and the company will need to take a revised approval post that

SHARE BUYBACK OF RS8.6B TILL DATE

	NO.SHARES (M)	AMOUNT (RS M)	AVG PRICE (RS/SHARE)
1st tranche	8.76	7,960	909
2nd tranche*	1.35	624	464
Total	10.11	8,584	849

*Till 19th March, 2009

Source: Company/NSE

RELIANCE INFRASTRUCTURE: SUM OF PARTS VALUATION

SUM OF PARTS	BASIS	(RS M)	(RS/SH)
Power Business	DCF, WACC of 9.8%	20,425	90
Delhi Business	10x FY10 PER	7,639	34
EPC Business	4x FY10 EV/EBIDTA	11,003	49
Cash, Cash Equivalents	FY08 Book value	45,745	194
Investments	FY08 Book value	13,061	58
Reliance Power	At CMP, less 20% holding company discount	81,928	361
Total		179,800	785

Source: MOSL

Investment in Reliance power stands at Rs361/sh, accounting for 46% of the SOTP valuations

INCOME STATEMENT						RATIOS					
(RS MILLION)											
Y/E MARCH	2007	2008	2009E	2010E	2011E	Y/E MARCH	2007	2008	2009E	2010E	2011E
Sales	36,110	49,198	78,391	65,861	71,752	Basic (Rs)					
Other Operating Income	20,820	14,444	22,077	32,089	44,658	EPS	31.2	29.0	46.1	43.6	43.6
Total Revenues	56,930	63,642	100,468	97,950	116,411	EPS (Fully Diluted)	30.4	29.1	44.5	42.1	11.1
Change (%)	41.1	11.8	57.9	-2.5	18.8	CEPS (Rs)	45.7	56.7	61.1	56.7	56.7
Cost of Electricity	16,571	26,193	44,830	35,689	39,863	Book Value	378.1	435.5	460.6	497.4	497.4
Cost of fuel	9,213	10,155	12,626	13,468	14,395	DPS	5.3	6.3	6.0	6.0	6.0
Other Manufacturing Exp.	1,982	2,144	3,615	2,520	2,679	Payout (incl. Div. Tax.)	12.8	25.3	14.7	15.5	15.2
Employee Expenses	3,135	3,232	3,717	3,903	4,098	Valuation (x)					
SG&A Expenses	2,818	3,097	3,128	3,415	3,731	P/E	15.5	16.7	10.5	11.1	11.1
Cost of Contracts	18,406	13,357	20,309	29,338	40,767	EV/EBITDA	12.1	10.3	5.2	7.0	6.7
EBITDA	4,805	5,463	12,244	9,617	10,878	EV/Sales	1.0	0.9	0.6	0.7	0.6
% of Total Revenues	8.4	8.6	12.2	9.8	9.3	Price/Book Value	1.3	1.1	1.0	1.0	1.0
Depreciation	2,401	2,229	2,430	2,639	2,832	Dividend Yield (%)	1.1	1.3	1.2	1.2	1.2
Interest	2,503	3,088	3,190	3,544	3,226	Profitability Ratios (%)					
Other Income	8,823	11,370	6,705	8,064	6,894	RoE	10.2	11.0	10.3	8.5	8.1
PBT	8,724	11,516	13,329	11,499	11,714	RoCE	8.7	9.7	10.4	9.2	8.5
Tax	1,220	1,604	1,866	1,610	1,640	Turnover Ratios					
Rate (%)	14.0	13.9	14.0	14.0	14.0	Debtors (Days)	78	78	51	53	46
Provisions for Contingencies	-512	-933	0	0	0	Inventory (Days)	19	17	11	11	9
Reported PAT	8,015	10,846	11,463	9,889	10,074	Asset Turnover (x)	0.4	0.4	0.6	0.6	0.7
Change (%)	23.2	35.3	5.7	-13.7	1.9	Leverage Ratio					
Adj. PAT	8,015	6,831	10,451	9,889	10,074	Debt/Equity (x)	0.6	0.7	0.5	0.4	0.4
Change (%)	23.2	-14.8	53.0	-5.4	1.9						
BALANCE SHEET						CASH FLOW STATEMENT					
(RS MILLION)						(RS MILLION)					
Y/E MARCH	2007	2008	2009E	2010E	2011E	2007	2008	2009E	2010E	2011E	
Share Capital	2,286	2,356	2,268	2,268	2,268	PBT before EO Items	8,724	11,516	13,329	11,499	11,714
Reserves	84,127	108,077	110,048	118,407	126,950	Add : Depreciation	2,401	2,229	2,430	2,639	2,832
Net Worth	86,413	110,433	112,317	120,675	129,218	Less : Direct Taxes Pd	390	439	1,416	1,160	1,190
Loans	58,583	49,889	49,889	49,889	39,889	(Inc)/Dec in WC	27,274	71,684	52,966	19,268	-1,482
Consumer's Security Deposit	246	202	157	112	67	CF from Operations	38,009	84,991	67,309	32,246	11,874
Deferred Tax Liability	2,313	2,485	2,935	3,385	3,835	(Inc)/dec in FA	-5,529	-8,324	-2,000	-4,600	-5,250
Capital Employed	147,556	163,008	165,297	174,061	173,009	(Pur)/Sale of Investments	-90,594	-102,156	-47,122	-24,829	199
Gross Fixed Assets	58,984	63,961	65,961	70,561	75,811	Others	-882	2,478	0	0	0
Less: Dep and revaluation res	-37,804	-39,723	-42,153	-44,792	-47,624	CF from Investments	-97,005	-108,002	-49,122	-29,429	-5,051
Net Fixed Assets	21,180	24,238	23,808	25,770	28,188	(Inc)/Dec in Share Capital anc	9,288	12,631	-8,048	0	0
Capital WIP	2,885	5,689	5,689	5,689	5,689	(Inc)/Dec in Debt	15,914	-8,695	0	0	-10,000
Investments	25,119	76,644	103,135	127,964	127,765	(Inc)/Dec in Customer Securi	11	-45	-45	-45	-45
Curr. Assets	129,679	90,215	67,438	50,214	47,771	Dividend Paid	-987	-1,763	-1,531	-1,531	-1,531
Inventory	2,927	3,003	3,000	3,000	3,000	CF from Fin. Activity	24,226	2,128	-9,624	-1,576	-11,576
Debtors	12,099	13,514	13,920	14,337	14,767	Inc/Dec of Cash	-34,770	-20,882	8,564	1,241	-4,752
Cash & Bank Balance	21,759	877	9,440	10,681	5,929	Add: Beginning Balance	56,529	21,759	877	9,440	10,681
Loans & Advances	89,430	66,365	38,079	19,196	21,076	Closing Balance	21,759	877	9,440	10,681	5,929
Other Current Assets	3,465	6,456	3,000	3,000	3,000	<i>E: MOSL Estimates</i>					
Current Liab. & Prov.	31,306	33,778	34,774	35,577	36,404						
Other Liabilities	24,000	25,994	26,774	27,577	28,404						
Provisions	7,306	7,784	8,000	8,000	8,000						
Net Current Assets	98,373	56,437	32,665	14,638	11,367						
Application of Funds	147,557	163,009	165,298	174,062	173,010						

E: MOSL Estimates



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Reliance Infrastructure

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|---------------------------------------------------------|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

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