

UBS Investment Research

Reliance Infrastructure

Holding company discount could increase

■ CRISIL places Reliance Infrastructure ratings on Negative Watch

The credit rating agency, CRISIL, has placed its 'AAA' ratings on the Rs10bn and Rs3bn bond of RELI on 'Rating watch with negative implications'. This reflects the fact that RELI is yet to finalise details of de-merger, proposal for which was announced in Feb'09. This follows similar downgrades by Fitch in 2008 - Fitch downgraded RELI's rating, to AA+ in July 2008 and to AA in Dec 2008 which were more related to business diversification, and not corporate reorganisation.

■ Cost of funds could increase but don't see any more downgrade risks

Cost of funds could increase 50-100bps if downgraded but given the disclosed net cash levels (excluding Reliance Power), we do not expect further credit downgrades this year. We also believe that the downgrade by itself was to have been anticipated given diversification from being a pure utility business.

■ Financial closure for Sasan has not been announced yet

Reliance Power's 4,000MW UMPP in Sasan requires debt of ~Rs145bn, of which as per our channel checks, Rs120bn has been approved. We do not rule out the possibility of any rating downgrade holding up the financial closure in addition to well-known issues related to land acquisition. Nevertheless, once the business reorganisation is approved, we expect the holding company discounts could widen.

■ Valuation: Maintain Buy

Our SOTP based price target of Rs700 includes a 20% discount to our Reliance Power price target of Rs80/share for valuing RELI's stake. We believe the key risks are regulatory, and execution-related.

Highlights (Rsm)	03/07	03/08	03/09E	03/10E	03/11E
Revenues	57,101.26	63,131.36	86,273.93	97,716.19	110,418.28
EBIT (UBS)	2,575.66	2,723.96	2,420.52	3,235.14	3,754.53
Net Income (UBS)	7,504.46	9,912.96	10,082.77	10,163.41	10,561.99
EPS (UBS, Rs)	32.95	43.52	42.54	42.88	44.57
Net DPS (UBS, Rs)	3.58	4.67	4.33	4.35	4.52

Profitability & Valuation	5-yr hist av.	03/08	03/09E	03/10E	03/11E
EBIT margin %	8.3	4.3	2.8	3.3	3.4
ROIC (EBIT) %	8.3	2.9	2.9	4.0	4.8
EV/EBITDA (core) x	11.8	46.0	14.4	10.0	7.7
PE (UBS) x	19.3	28.0	10.9	10.8	10.4
Net dividend yield %	1.1	0.4	0.9	0.9	1.0

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs464.75 on 16 Mar 2009 22:31 EDT

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Global Equity Research

India

Electric Utilities

12-month rating **Buy**
Unchanged

12m price target **Rs700.00/US\$13.58**
Unchanged

Price **Rs464.75/US\$9.02**

RIC: RLIN.BO BBG: RELI IB

16 March 2009

Trading data (local/US\$)

52-wk range	Rs1,523.30-381.45/US\$37.49-7.65
Market cap.	Rs107bn/US\$2.08bn
Shares o/s	231m (ORD)
Free float	89%
Avg. daily volume ('000)	2,251
Avg. daily value (Rsm)	1,200.4

Balance sheet data 03/09E

Shareholders' equity	Rs119bn
P/BV (UBS)	0.9x
Net Cash (debt)	(Rs43.2bn)

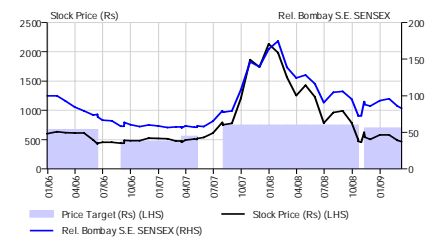
Forecast returns

Forecast price appreciation	+50.6%
Forecast dividend yield	0.9%
Forecast stock return	+51.5%
Market return assumption	11.5%
Forecast excess return	+40.0%

EPS (UBS, Rs)

	03/09E	03/08	Actual
Q1	10.66	-	-
Q2	12.19	-	-
Q3E	10.04	-	-
Q4E	9.65	-	-
03/09E	42.54	42.54	-
03/10E	42.88	42.88	-

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.

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Balance sheet details

In FY09 and FY10, the estimated standalone net cash to equity is 28.6% and 18.8% respectively. At consolidated level, the company would turn likely net debt in FY10. This is due to the consolidated debt being higher by Rs20bn (due to capex in Reliance Power, metro and road) by the end of FY09 and by another Rs30bn by FY10. Reliance Power is Rs131bn net cash in FY08 and the debt increases substantially due to capex and primarily due to this, Reliance Infra turns net debt at consolidated level.

Table 1: Reliance Infra - Standalone vs. Consolidated

	Standalone			Consolidated		
	FY08	FY09E	FY10E	FY08	FY09E	FY10E
Net debt/(cash) to Equity	-27.8%	-28.6%	-18.8%	-14.4%	-4.3%	49.1%
Net debt/(cash) to EBITDA	-6.2	-6.7	-4.0	-4.4	-1.2	3.3

Note: 1) The FY09 consolidated EBITDA is based on UBS assumptions, 2) The net debt/(cash) has been adjusted for cash equivalents (ICDs, MFs and preference shares). Source: Company, UBS estimates

Table 2: Reliance Power

	FY08	FY09E	FY10E
Net debt/(cash) to Equity	-94.6%	-53.4%	15.6%
Net debt/(cash) to EBITDA (<i>as EBITDA is -ve</i>)	NA	NA	NA

Source: Company, UBS estimates

Table 3: Reliance Infra - Balance sheet details

<i>as on 31st March 2008 (in Rs mn)</i>				
	Standalone	Consolidated	Difference	Comments
Shareholders' funds	116,867	163,587	46,721	1) In consolidated, Rs43,248m is shown as capital reserve for Reliance Power
Secured loans	11,250	20,394	9,144	1) Rs 8308.3m - share in JV of BSES Rajdhani Power and BSES Yamuna Power 2) Rs199.4m - working capital for BSES Kerala Power 3) Rs 505.8m - term loan ofr BSES Kerala Power 4) Rs 130.5m - foreign currencey loan for BSES Kerala Power 5) Rs 0.4m - Loan against fixed deposit for BSES Kerala Power
Unsecured loans	38,639	38,642	3	1) Rs 3m - ICD
Total loans	49,889	59,036	9,147	
Deferred tax liability	2,485	2,678	193	
Investments	76,644	116,997	40,353	1) Reliance Power is shown as Rs17,200m in standalone and as Rs60,841m in consolidated. Rs43,248m is shown as capital reserve 2) LT investments in MF is Rs13,415m in standalone and 23,410m in consolidated. 3) Consolidated has Rs886.4m in LT investments
ICDs	50,630	52,405	1,775	
Cash	877	1,154	277	

Source: Company annual report

Behind a maze of subsidiaries

On February 09, RELI had proposed a scheme of arrangement for transfer and vesting of various divisions of RELI to its wholly owned subsidiaries. Given the holding structure that is likely to emerge, we expect we could see an increase in holding company discounts. As of now, we do not assume a holding company discount except for Reliance Power holding but once the re-organisation is completed, we would not rule out imposing a 20% holding company discount (similar to Tata Power).

Table 2: The subsidiaries/JVs and associates (as on 31st march 2008)

Consolidated companies	% holding	Cost (Rs mn)	Carrying cost (Rs mn)	How we value them
Subsidiaries				
1 BSES Kerala Power Limited (BKPL)	100%	1,478.1	1,478.1	At book value
2 Reliance Power Transmission Limited (RPTL)	100%	0.5	0.5	
3 Mumbai Metro One Private Limited (MMOPL)	69%	690.1	690.1	At book value
4 Noida Global SEZ Private Limited (NGSPL)	51%	0.1	0.1	
5 Reliance Infraprojects Limited (RInfl)	100%	5,021.0	5,021.0	At book value
6 Reliance Projects Finance Private Limited (RPFPL)	100%	21.1	21.1	
7 Reliance Power Infrastructure Private Limited (RPIPL)	100%	5,021.1	5,021.1	
8 Reliance Energy Trading Limited (RETL)	100%	205.5	205.5	
9 Parbati Koldam Transmission Company Limited	74%	0.4	0.4	
Indirect subsidiaries				
10 Western Region Transmission (Maharashtra) Pvt. Limited	100%	-	-	
11 Western Region Transmission (Gujarat) Pvt. Limited	100%	-	-	
JV companies				
12 BSES Rajdhani Power Limited (BRPL)	26%	1,197.0	1,197.0	At 1.5x book value
13 BSES Yamuna Power Limited (BYPL)	26%	302.6	302.6	At 1.5x book value
14 Tamil Nadu Industries Captive Power Company Limited (TICAPCO)	34%	-	-	
15 Utility Powertech Limited (UPL)	20%	4.0	4.0	
Associates:				
16 DS Toll Road Limited (DSTL)	49%	14.1	14.1	At book value
17 NK Toll Road Limited (NKTL)	49%	9.4	9.4	At book value
18 SU Toll Road Limited (SUTL)	49%	20.7	19.9	At book value
19 TD Toll Road Limited (TDTL)	49%	11.1	10.7	At book value
20 TK Toll Road Limited (TKTL)	49%	13.8	13.2	At book value
21 Reliance Power Limited (RePL)	45%	17,200.0	60,841.7	20% discount to PT
22 Reliance Infrastructure Engineers Private Limited (RIEPL)	50%	0.1	5.9	
23 Reliance Infrastructure and Consultants Limited (RICL)	40%	102.9	141.9	
24 Reliance Last Mile Communications Private Limited (RLMCPL)	49%	0.0	0.0	
25 Urthing Sobla Hydro Power Private Limited (USHPPL)	20%	0.0	0.0	

Source: Company

Valuation

We are maintaining our Buy rating and price target of Rs700 on the stock. We still view risk-reward as favourable even if holding company discount widens.

Table 3: SOTP

Rs mn	31-Dec-08	Rs/sh	Comment
Bombay business	26,250	116	Mumbai electricity business regulated equity is Rs17.5bn, valued at 1.5x book
Other generation assets	5,000	22	Other generation assets, 440MW, investment is 5bn, valued at 1x book
EPC business	6,510	29	9M FY09 rev is Rs15.5bn, if it's 2/3rd of full year. 7% margins. EBITDA multiple of 4x. Nil debt
Delhi business	7,500	33	The equity investment in Delhi business is Rs5bn, valued at 1.5x book
Infrastructure	18,240	80	Roads: Equity Rs5.6bn, Mumbai Metro: Rs5.1bn, Delhi Metro: Rs7.5bn. Rs6bn already invested. At book
Net cash	13,164	58	Cash - ICDS: Rs24bn +MF: Rs50bn +Current investments: Rs3bn+Cash: Rs980mn. Less Rs12.24bn for infra equity investments less DEBT - Secured loans: Rs11.3bn, Unsecured loans: Rs38.6bn, DTL: Rs2.5bn, Service line deposits: Rs201.6mn
Pref shares in group companies	21,000	93	Redeemable, non-convertible preference shares in Reliance Infraprojects International Rs20.1bn - involved in \$ sourcing of equipment (once Reliance Power achieves financial closure, the money will be reimbursed by Reliance Power). At book
Reliance Power	59,344	261	Reliance Power IPO proceeds: Rs115.6bn+RELI investment:Rs16.36bn, Utilised as on 30th Sep 08: 24.2bn, balance cash unutilised: Rs105bn. Calculated for R Infra's 44.9% stake. Attributable cash - effectively valuing Reliance Power at book
Total	157,008	692	

Source: UBS estimates

Table 4: Comparative valuation

Company	Country	Ticker	Rating	Price (local currency)	M-Cap (US\$) M	Price/earnings			Price/book value		
						2007E	2008E	2009E	2007E	2008E	2009E
Independent power producers											
Electricity Generating	Thailand	EGCOF.BK	Buy	68.50	1,002	7.3x	5.8x	5.1x	1.4x	1.0x	0.7x
Glow Energy	Thailand	GLOW.BK	Buy	19.20	781	11.2x	11.1x	6.4x	1.7x	1.4x	0.9x
Ratchaburi Electricity	Thailand	RATC.BK	Neutral	40.25	1,623	12.7x	8.5x	9.3x	1.8x	1.4x	1.3x
PNOC-EDC	Philippines	EDC.PS	Buy	3.00	905	14.9x	7.5x	7.7x	2.7x	1.4x	1.2x
Tanjong	Malaysia	TJPL.KL	Buy	14.40	1,567	12.6x	10.1x	9.6x	2.1x	1.6x	1.5x
YTL Power	Malaysia	YTLP.KL	Neutral	1.88	2,761	12.7x	10.3x	10.0x	1.9x	1.5x	1.4x
NTPC	India	NTPC.BO	Sell	170.20	27,303	21.1x	17.7x	16.5x	3.0x	2.5x	2.3x
China Power Int'l	China	2380.HK	Sell	1.49	693	27.0x	-12.0x	5.7x	1.2x	0.5x	0.5x
China Resources Power	China	0836.HK	Buy	14.66	7,229	23.0x	41.6x	13.9x	2.9x	2.3x	2.0x
Huaneng Power Int'l	China	0902.HK	Neutral	5.30	8,241	18.2x	-9.9x	11.9x	2.0x	1.5x	1.3x
Datang Int'l Power	China	0991.HK	Neutral	3.39	4,952	20.6x	-63.4x	10.9x	2.2x	1.4x	1.2x
Huadian Power Int'l	China	1071.HK	Sell	1.75	1,359	25.2x	-3.9x	7.5x	1.5x	0.7x	0.7x
First Generation	Philippines	FGEN.PS	Buy	20.00	334	10.1x	7.9x	6.0x	2.0x	0.5x	0.4x
Reliance Power	India	REPL.BO	Sell	98.30	59,684	1,283.6x	38.3x	41.7x	6.1x	1.6x	1.5x
Electric companies											
Tenaga Nasional	Malaysia	TENA.KL	Buy	6.15	7,194	13.2x	14.4x	12.0x	1.9x	1.4x	1.0x
Korea Electric Power	Korea	015760.KS	Neutral	26,650.00	11,491	17.8x	-6.8x	-141.4x	0.6x	0.5x	0.4x
Hongkong Electric	Hong Kong	0006.HK	Neutral	46.50	12,801	11.4x	13.1x	16.3x	1.8x	1.9x	1.9x
Manila Electric	Philippines	MERB.PS	Sell	92.50	2,128	22.6x	25.9x	24.9x	1.6x	1.9x	1.8x
Reliance Energy	India	BSES.BO	Buy	466.65	2,096	28.0x	11.0x	10.9x	2.5x	0.9x	0.9x

Note: Above data as at 13th March, Source: Bloomberg, UBS estimates

Reliance Infrastructure

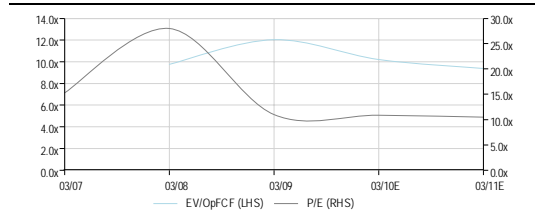
Income statement (Rsm)	03/04	03/05	03/06	03/07	03/08	03/09E	% ch	03/10E	% ch	03/11E	% ch
Revenues	34,122.20	41,453.60	40,334.90	57,101.26	63,131.36	86,273.93	36.7	97,716.19	13.3	110,418.28	13.0
Operating expenses (ex depn)	-	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	7,254.70	6,742.20	7,765.00	4,976.26	4,953.36	5,118.21	3.3	6,109.66	19.4	6,807.92	11.4
Depreciation	(3,187.20)	(3,464.40)	(3,486.30)	(2,400.60)	(2,229.40)	(2,697.69)	21.0	(2,874.52)	6.6	(3,053.40)	6.2
Operating income (EBIT, UBS)	4,067.50	3,277.80	4,278.70	2,575.66	2,723.96	2,420.52	-11.1	3,235.14	33.7	3,754.53	16.1
Other income & associates	1,177.90	3,107.70	5,744.00	8,652.70	11,880.30	11,872.79	-0.1	11,029.71	-7.1	10,866.93	-1.5
Net interest	(699.30)	(1,348.20)	(1,918.80)	(2,503.20)	(3,087.60)	(2,173.32)	-29.6	(2,173.32)	0.0	(2,173.32)	0.0
Abnormal items (pre-tax)	(373.10)	659.20	(1,094.70)	511.50	933.00	0.00	-	0.00	-	0.00	-
Profit before tax	4,173.00	5,696.50	7,009.20	9,236.66	12,449.66	12,120.00	-2.6	12,091.53	-0.2	12,448.14	2.9
Tax	(503.10)	(494.80)	(505.80)	(1,220.70)	(1,603.70)	(2,037.23)	27.0	(1,928.13)	-5.4	(1,886.16)	-2.2
Profit after tax	3,669.90	5,201.70	6,503.40	8,015.96	10,845.96	10,082.77	-7.0	10,163.41	0.8	10,561.99	3.9
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Minorities / pref dividends	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Net income (local GAAP)	3,669.90	5,201.70	6,503.40	8,015.96	10,845.96	10,082.77	-7.0	10,163.41	0.8	10,561.99	3.9
Net Income (UBS)	4,043.00	4,542.50	7,598.10	7,504.46	9,912.96	10,082.77	1.7	10,163.41	0.8	10,561.99	3.9
Tax rate (%)	12.06	8.69	7.22	13.22	12.88	16.81	30.5	15.95	-5.1	15.15	-5.0
Pre-abnormal tax rate (%)	14.94	25.64	21.43	1,684.73	(441.02)	824.10	-	181.59	-78.0	119.29	-34.3
Per share (Rs)	03/04	03/05	03/06	03/07	03/08	03/09E	% ch	03/10E	% ch	03/11E	% ch
EPS (local GAAP)	20.94	25.33	28.55	35.19	47.62	42.54	-10.7	42.88	0.8	44.57	3.9
EPS (UBS)	23.07	22.12	33.36	32.95	43.52	42.54	-2.3	42.88	0.8	44.57	3.9
Net DPS	4.50	4.70	4.99	3.58	4.67	4.33	-7.3	4.35	0.7	4.52	3.9
Cash EPS	41.25	39.00	48.67	43.49	53.31	53.93	1.2	55.01	2.0	57.45	4.4
BVPS	248.86	301.47	312.66	379.40	484.86	503.77	3.9	541.88	7.6	581.49	7.3
Balance sheet (Rsm)	03/04	03/05	03/06	03/07	03/08	03/09E	% ch	03/10E	% ch	03/11E	% ch
Net tangible fixed assets	23,389.30	21,601.40	21,215.40	24,064.30	29,928.10	29,431.43	-1.7	30,406.32	3.3	31,256.54	2.8
Net intangible fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Net working capital (incl. other assets)	5,697.90	7,073.90	26,484.70	76,613.30	55,560.00	51,996.06	-6.4	49,227.81	-5.3	47,175.70	-4.2
Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Operating invested capital	29,087.20	28,675.30	47,700.10	100,677.60	85,488.10	81,427.49	-4.7	79,634.13	-2.2	78,432.24	-1.5
Investments	28,750.52	6,962.32	11,926.82	25,118.90	76,643.70	81,154.80	5.9	87,399.66	7.7	88,660.78	1.4
Total capital employed	57,837.72	35,637.62	59,626.92	125,796.50	162,131.80	162,582.29	0.3	167,033.79	2.7	167,093.02	0.0
Shareholders' equity	43,588.12	55,878.02	71,210.52	86,413.20	110,432.80	119,392.64	8.1	128,425.81	7.6	137,814.05	7.3
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total equity	43,588.12	55,878.02	71,210.52	86,413.20	110,432.80	119,392.64	8.1	128,425.81	7.6	137,814.05	7.3
Net debt / (cash)	14,249.60	(20,240.40)	(11,583.60)	39,383.30	51,699.00	43,189.65	-16.5	38,607.98	-10.6	29,278.96	-24.2
Debt deemed provisions	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	57,837.72	35,637.62	59,626.92	125,796.50	162,131.80	162,582.29	0.3	167,033.79	2.7	167,093.02	0.0
Cash flow (Rsm)	03/04	03/05	03/06	03/07	03/08	03/09E	% ch	03/10E	% ch	03/11E	% ch
Operating income (EBIT, UBS)	4,067.50	3,277.80	4,278.70	2,575.66	2,723.96	2,420.52	-11.1	3,235.14	33.7	3,754.53	16.1
Depreciation	3,187.20	3,464.40	3,486.30	2,400.60	2,229.40	2,697.69	21.0	2,874.52	6.6	3,053.40	6.2
Net change in working capital	(419.50)	(1,418.30)	(21,746.80)	(51,003.40)	20,575.20	3,730.06	-81.9	2,769.88	-25.7	1,896.35	-31.5
Other (operating)	(158.10)	282.30	1,942.70	1,146.30	478.10	(166.12)	-	(1.63)	-99.0	155.76	-
Operating cash flow	6,677.10	5,606.20	(12,039.10)	(44,880.84)	26,006.66	8,682.15	-66.6	8,877.92	2.3	8,860.03	-0.2
Net interest received / (paid)	(699.30)	(1,348.20)	(1,918.80)	(2,503.20)	(3,087.60)	(2,173.32)	-29.6	(2,173.32)	0.0	(2,173.32)	0.0
Dividends paid	(795.20)	(991.00)	(1,208.50)	(1,023.00)	(1,209.98)	(1,121.29)	-7.3	(1,128.61)	0.7	(1,172.12)	3.9
Tax paid	(503.10)	(494.80)	(505.80)	(1,220.70)	(1,603.70)	(2,037.23)	27.0	(1,928.13)	-5.4	(1,886.16)	-2.2
Capital expenditure	(10,197.60)	(2,722.60)	(3,231.00)	(4,985.90)	(7,782.10)	(2,201.02)	-71.7	(3,849.42)	74.9	(3,903.62)	1.4
Net (acquisitions) / disposals	(20,395.50)	24,463.30	(1,917.20)	(2,497.30)	14,303.60	11,857.69	-17.1	11,028.71	-7.0	10,865.93	-1.5
Other	18,200.98	8,300.69	12,403.61	6,005.56	(39,634.98)	(4,497.65)	-88.7	(6,245.48)	38.9	(1,261.74)	-79.8
Share issues	374.30	202.01	168.99	162.10	70.50	0.00	-	0.00	-	0.00	-
Cash flow (inc)/dec in net debt	(7,338.32)	33,015.60	(8,247.80)	(50,943.28)	(12,937.60)	8,509.35	-	4,581.67	-46.2	9,329.02	103.6
FX / non cash items	816.82	1,474.40	(409.00)	(23.62)	621.90	0.00	-100.0	(.00)	-	(.00)	-14.3
Balance sheet (inc)/dec in net debt	(6,521.50)	34,490.00	(8,656.80)	(50,966.90)	(12,315.70)	8,509.35	-	4,581.67	-46.2	9,329.02	103.6
Core EBITDA	7,254.70	6,742.20	7,765.00	4,976.26	4,953.36	5,118.21	3.3	6,109.66	19.4	6,807.92	11.4
Maintenance capital expenditure	(3,187.20)	(3,464.40)	(3,486.30)	(2,400.60)	(2,229.40)	(2,697.69)	21.0	(2,874.52)	6.6	(3,053.40)	6.2
Maintenance net working capital	(419.50)	(1,418.30)	(21,746.80)	(51,003.40)	20,575.20	3,730.06	-81.9	2,769.88	-25.7	1,896.35	-31.5
Operating free cash flow, pre-tax	3,648.00	1,859.50	(17,468.10)	(48,427.74)	23,299.16	6,150.58	-73.6	6,005.02	-2.4	5,650.87	-5.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

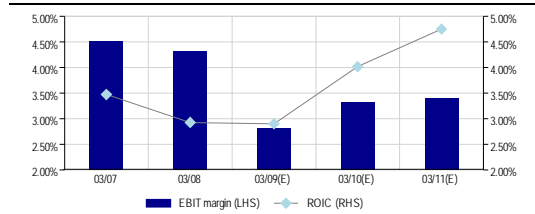
Company profile

Reliance Infrastructure is the electricity distributor for North Mumbai and East and Central Delhi. Reliance Infrastructure owns 941MW of generating capacity, including a 500MW coal-fired plant in Dahanu near Mumbai. The company has diversified into infrastructure assets and the engineering procurement and contracts business. Reliance Infrastructure also owns 44.9% of Reliance Power.

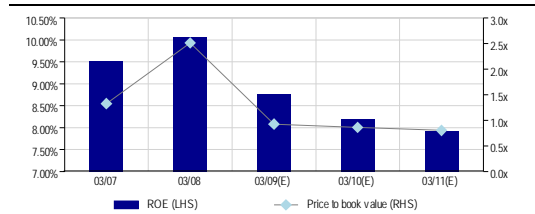
Value (EV/OpFCF & P/E)



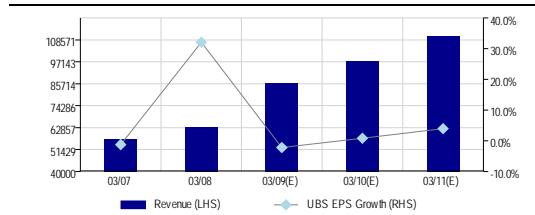
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
P/E (local GAAP)	19.4	14.3	25.6	10.9	10.8	10.4
P/E (UBS)	19.3	15.3	28.0	10.9	10.8	10.4
P/CEPS	11.2	11.6	22.9	8.6	8.4	8.1
Net dividend yield (%)	1.1	0.7	0.4	0.9	0.9	1.0
P/BV	1.6	1.3	2.5	0.9	0.9	0.8
EV/revenue (core)	1.8	1.7	3.6	0.9	0.6	0.5
EV/EBITDA (core)	11.8	19.6	46.0	14.4	10.0	7.7
EV/EBIT (core)	23.1	NM	NM	NM	18.8	14.0
EV/OpFCF (core)	NM	NM	9.8	12.0	10.1	9.3
EV/op. invested capital	1.9	1.3	2.4	0.9	0.8	0.7

Enterprise value (Rsm)	03/07	03/08	03/09E	03/10E	03/11E
Average market cap	108,996.6	258,751.4	107,296.9	107,296.9	107,296.9
+ minority interests	0.00	0.00	0.00	0.00	0.00
+ average net debt (cash)	13,899.85	45,541.15	47,444.33	40,898.82	33,943.47
+ pension obligations and other	0.00	0.00	0.00	0.00	0.00
- non-core asset value	(25,118.90)	(76,643.70)	(81,154.80)	(87,399.66)	(88,660.78)
Core enterprise value	97,777.60	227,648.8	73,586.48	60,796.11	52,579.65

Growth (%)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
Revenue	21.0	41.6	10.6	36.7	13.3	13.0
EBITDA (UBS)	3.6	-35.9	-0.5	3.3	19.4	11.4
EBIT (UBS)	10.6	-39.8	5.8	-11.1	33.7	16.1
EPS (UBS)	29.3	-1.2	32.1	-2.3	0.8	3.9
Cash EPS	9.1	-10.6	22.6	1.2	2.0	4.4
Net DPS	-5.1	-28.4	30.6	-7.3	0.7	3.9
BVPS	19.5	21.3	27.8	3.9	7.6	7.3

Margins (%)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
EBITDA / revenue	16.3	8.7	7.8	5.9	6.3	6.2
EBIT / revenue	8.3	4.5	4.3	2.8	3.3	3.4
Net profit (UBS) / revenue	12.2	13.1	15.7	11.7	10.4	9.6

Return on capital (%)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
EBIT ROIC (UBS)	8.3	3.5	2.9	2.9	4.0	4.8
ROIC post tax	-	NM	15.8	NM	NM	NM
Net ROE	9.7	9.5	10.1	8.8	8.2	7.9

Coverage ratios (x)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
EBIT / net interest	5.0	4.5	4.7	6.6	6.6	6.7
Dividend cover (UBS EPS)	5.7	9.2	9.3	9.8	9.8	9.9
Div. payout ratio (% , UBS EPS)	20.8	10.9	10.7	10.2	10.2	10.1
Net debt / EBITDA	1.0	7.9	NM	8.4	6.3	4.3

Efficiency ratios (x)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
Revenue / op. invested capital	1.0	0.8	0.7	1.0	1.2	1.4
Revenue / fixed assets	1.9	2.5	2.3	2.9	3.3	3.6
Revenue / net working capital	2.3	1.1	1.0	1.6	1.9	2.3

Investment ratios (x)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
OpFCF / EBIT	NM	NM	8.6	2.5	1.9	1.5
Capex / revenue (%)	11.2	8.7	12.3	2.6	3.9	3.5
Capex / depreciation	1.5	2.1	3.5	0.8	1.3	1.3

Capital structure (%)	5Yr Avg	03/07	03/08	03/09E	03/10E	03/11E
Net debt / total equity	10.4	45.6	46.8	36.2	30.1	21.2
Net debt / (net debt + equity)	9.5	31.3	31.9	26.6	23.1	17.5
Net debt (core) / EV	3.2	14.2	20.0	64.5	67.3	64.6

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs464.75 on 16 Mar 2009 22:31 EDT Market cap(E) may include forecast share issues/buybacks.

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■ Reliance Infrastructure

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■ Statement of Risk

The key risks are regulatory, execution and progress on Reliance Power projects.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	53%	36%
Neutral	Hold/Neutral	36%	34%
Sell	Sell	10%	20%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	22%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2008.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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UBS Securities India Private Ltd: Pankaj Sharma; Suhas Harinarayanan.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Reliance Infrastructure ²	RLIN.BO	Buy	N/A	Rs466.65	13 Mar 2009

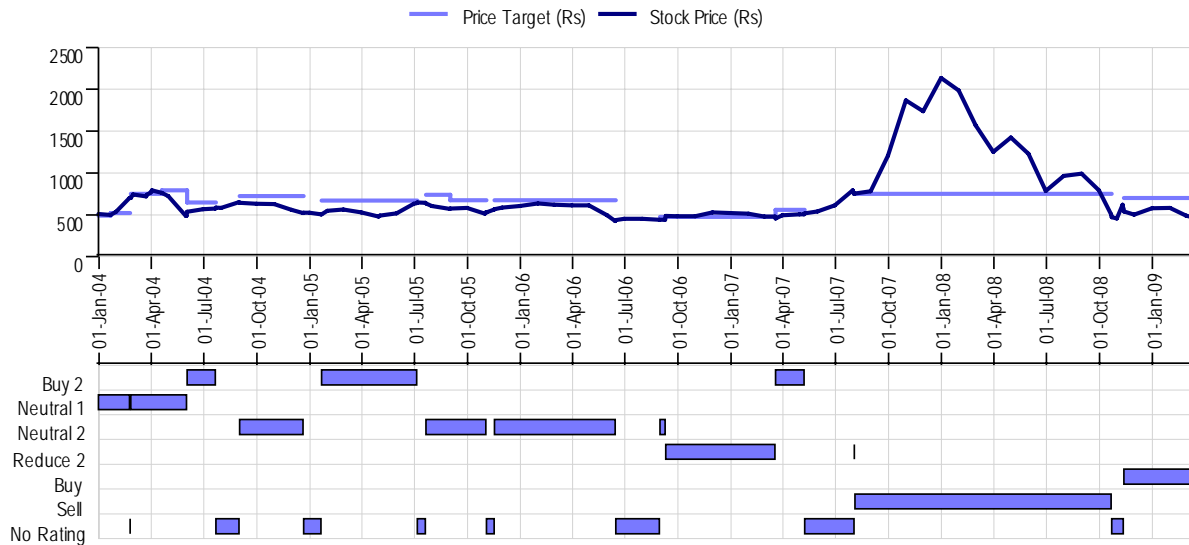
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Reliance Infrastructure (Rs)



Source: UBS; as of 13 Mar 2009

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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