

Reliance Industries Ltd

INR: 1,125



JV with Atlas Energy is marginally value accretive

HOLD

JV details

Reliance Industries (RIL) has entered into a JV with Atlas Energy Inc, which involves Atlas transferring an interest in its Marcellus Shale position equal to 120,000 net acres in a transaction valued at \$1.7 billion. RIL will acquire a 40% interest in approximately 300,000 net acres (120,000 net to Reliance) of undeveloped leasehold held by Atlas, and Atlas will retain a 60% interest in the acreage. RIL will pay approximately \$340 million in cash upon closing and an additional \$1.36 billion in the form of a drilling carry. Further, RIL will invest \$3.4 billion over the next 10 years to develop the acreage.

	Reserve (tcf)	Acreage
Marcellus Shale Reserve	13.3	300,000.0
Reliance's share (40%)	5.3	120,000.0

Investment	\$ bn
Cash	0.34
Drilling carry	1.36
Over the next 10 years	3.4
Total Investment	5.1

Value accretive deal

Gross reserves in Marcellus Shale (tcfe)	13.3
Reserves attributable to Reliance (tcf)	5.3
Recoverable Reserves (%)	40.0%
Recoverable Reserves attributable to Reliance (tcf)	2.1
EV/mcf (\$/mcf)	2.5
EV (\$ bn)	5.3
Present value of total Investments (\$ bn)*	3.7
Value accretion (\$ bn)	1.6
Value accretion (Rs. Crore)	7,252.0
Value accretion per share (Rs.)	22.1

* We have discounted the total investments made over next 10 years by WACC of 11.2%

Sensitivity of value accretion per share to recoverable resources (%)

	EV/mcf		
	2.0	2.5	3.0
50.0%	22.6	41.2	59.8
45.0%	15.1	31.9	48.6
40.0%	7.7	22.6	37.5
35.0%	0.2	13.3	26.3
30.0%	(7.2)	3.9	15.1

Our View - India is believed to have huge shale deposits across Assam, Gujarat, Rajasthan and many other coastal areas. However, the Government of India has not allowed the exploration of shale gas and the extraction of natural gas from shale has been quite difficult and uneconomic historically. Further, the technological required for extracting Shale gas is quite advanced (Shale is low permeability rock and gas does not flow easily through shale due to low permeability rock) and is not available in India. We believe the primary aim of the deal is to explore the shale exploration technology (fracturing technology) and implement the same in India. Nevertheless, based on our analysis (shown above), assuming that the actual recoverable reserves would be 40% of the gross reserves, we believe the JV with atlas would be marginally value accretive (Rs. 22.6 per share) for RIL. We maintain our HOLD rating on the stock with a target price of Rs. 1212.

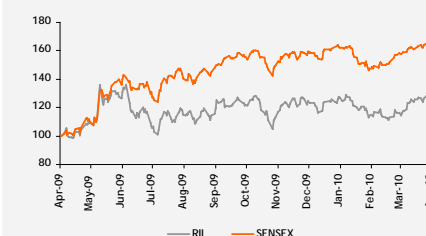
Price Target (INR): 1,212

Market Data	April 10, 2009
Shares outs (Cr)	328.6
Equity Cap (Rs. Cr)	3,286
Mkt Cap (Rs. Cr)	369,675
52 Wk H/L (Rs)	1,245/835
Avg Vol (1yr avg)	2,222,734
Face Value (Rs)	10
Bloomberg Code	RIL IN

Market Info:

SENSEX	17,933
NIFTY	5,362

Price Performance



Share Holding pattern (%)

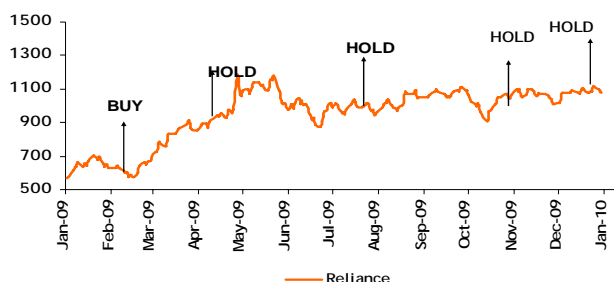
Particulars	Dec'09	Sep'09	Chg
Promoters	46.6	46.3	0.3
Institutions	9.8	10.0	(0.2)
FII	16.8	16.5	0.3
Public/Others	26.8	27.2	(0.4)
Total	100.0	100.0	

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Reliance Industries Ltd

Rating Legend

Our Rating	Upside
Strong Buy	More than 25%
Buy	15% - 25%
Hold	10% - 15%
Reduce	Nil - 10%
Sell	Less than 0%

Other Stocks in the sector under our active coverage: Oil & Gas

Ticker	Company	Recommendation	As of	Return	Bmk	Outper	BARR
Summary	Coverage 5	Avg Rating: 2.8		57.53%	46.08%	11.46%	
RIL	IN Reliance Industries Ltd	hold	01/04/10	54.72%	54.72%	0.00%	1st
GGAS	IN Gujarat Gas Co Ltd	hold	10/30/09	36.51%	43.06%	-6.55%	
PLNG	IN Petronet LNG Ltd	hold	10/26/09	-1.00%	29.81%	-30.81%	
GUJS	IN Gujarat State Petronet Ltd	hold	10/25/09	237.38%	73.96%	163.42%	4th
IGL	IN Indraprastha Gas Ltd	reduce	07/01/09	-39.94%	28.83%	-68.77%	

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