

August 2, 2010

Rating	Accumulate
Price	Rs1,127
Target Price	Rs1,201
Implied Upside	6.6%
Sensex	17,868

(Prices as on August 2, 2010)

### Trading Data

Market Cap. (Rs bn)	276.0
Shares o/s (m)	244.9
Free Float	57.27%
3M Avg. Daily Vol ('000)	2,453.5
3M Avg. Daily Value (Rs m)	2,733.7

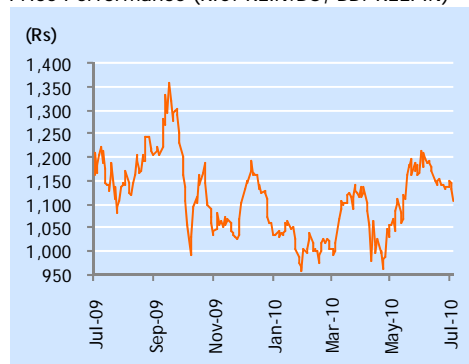
### Major Shareholders

Promoters	42.73%
Foreign	14.97%
Domestic Inst.	26.49%
Public & Others	15.81%

### Stock Performance

(%)	1M	6M	12M
Absolute	(7.7)	7.2	(8.0)
Relative	(8.6)	(2.0)	(24.2)

Price Performance (RIC: RLIN.BO, BB: RELI IN)



Source: Bloomberg

■ **Revenues below expectations:** Reliance Infrastructure (RInfra) has reported standalone revenue de-growth of 8.9% YoY at Rs22bn for Q41Y11 as against our estimates of Rs32bn. Sales as compared to our estimates were lower on account of a flat growth in the EPC division and Mumbai Distribution Business. Standalone PAT de-grew by 22.3% YoY to Rs2.5bn. The deviation was on account of our higher income estimates and stay in rise in tariffs due to MERC order to the extent of Rs1bn. Delhi Distribution clocked sales of Rs15bn a 16% YoY.

■ **Standalone segmental analysis:** For Q1FY11, Electrical division reported de-growth of 13.5% YoY in revenues at Rs16bn. This was on account of the lower rate at which power was purchased from third parties, not considering tariff hike and lower sales volumes at Mumbai Distribution. EPC revenues at Rs6bn registered a poor 6.3% YoY growth, with 13.9% EBIT margin.

■ **Consolidated Results:** For Q1FY11, RInfra has reported sales of Rs38bn, a 6% YoY growth and PAT came at Rs3.8bn on account of better performance of Delhi Distribution.

■ **Updates:** EPC order book stands at Rs185bn and order from Krishnapatnam UMPP would be included in the current quarter. The company is developing 25 projects with an asset capitalisation of Rs 400bn. Delhi Metro is expected to achieve COD in September 2010. RInfra won two Road BOT project in Q1FY11, with each project cost aggregating to Rs41bn.

■ **Valuation:** Our SOTP target price comes to Rs1,201 and we maintain 'Accumulate' on the stock.

Key financials (Y/e March)	FY09	FY10	FY11E	FY12E
Revenues (Rs m)	125,780	148,648	161,434	208,753
Growth (%)	50.8	18.2	8.6	29.3
EBITDA (Rs m)	6,298	15,203	20,697	28,690
PAT (Rs m)	13,531	15,194	16,637	17,358
EPS (Rs)	59.9	62.0	61.9	64.5
Growth (%)	19.7	3.6	(0.3)	4.3
Net DPS (Rs)	6.9	6.4	6.5	6.7

Source: Company Data; PL Research

Note: Figures are on Consolidated Basis and full Equity dilution is considered from FY11E onwards

Profitability & valuation	FY09	FY10	FY11E	FY12E
EBITDA margin (%)	5.0	10.2	12.8	13.7
RoE (%)	8.1	7.9	7.5	7.4
RoCE (%)	7.1	6.4	6.2	7.2
EV / sales (x)	2.8	2.4	2.5	2.0
EV / EBITDA (x)	55.8	23.1	19.3	14.4
PE (x)	18.8	18.2	18.2	17.5
P / BV (x)	1.5	1.3	1.3	1.3
Net dividend yield (%)	0.6	0.6	0.6	0.6

Source: Company Data; PL Research

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Q1FY11 Result Overview (Standalone)

(Rs m)

Y/e March	Q1FY11	Q1FY10	YoY gr. (%)	Q4FY10	FY11E	FY10	YoY gr. (%)
Net Sales from Electrical Energy	15,782	18,553	(14.9)	12,684	72,262	63,678	13.5
Income from EPC Contracts	5,571	5,519	0.9	12,848	46,450	34,149	36.0
Other Operating Income	927	394	135.1	908	1,625	2,446	(33.6)
<b>Total Income</b>	<b>22,280</b>	<b>24,466</b>	<b>(8.9)</b>	<b>26,439</b>	<b>120,337</b>	<b>100,273</b>	<b>20.0</b>
<b>Expenditure</b>							
Cost of Electricity Purchased	8,599	9,848	(12.7)	5,650	23,684	33,219	(28.7)
<i>% of Net Sales</i>	<i>54.5</i>	<i>53.1</i>		<i>44.5</i>	<i>32.8</i>	<i>52.2</i>	
Cost of fuel	3,231	3,234.2	(0.1)	3,203	11,858	12,198	(2.8)
<i>% of Net Sales</i>	<i>20.5</i>	<i>17.4</i>		<i>25.3</i>	<i>16.4</i>	<i>19.2</i>	
Tax On Electricity	390	423	(7.6)	333	1,580	1,541	2.5
<i>% of Net Sales</i>	<i>2.5</i>	<i>2.3</i>		<i>2.6</i>	<i>2.2</i>	<i>2.4</i>	
Cost of Mat. & Sub-Cont.	4,315	4,407	(2.1)	11,288	32,523	28,826	12.8
<i>% of Net Sales</i>	<i>27.3</i>	<i>23.8</i>		<i>89.0</i>	<i>45.0</i>	<i>45.3</i>	
Employee Cost	1,801	1,549	16.3	1,647	30,000	6,529	359.5
<i>% of Net Sales</i>	<i>11.4</i>	<i>8.4</i>		<i>13.0</i>	<i>41.5</i>	<i>10.3</i>	
Other Expenditure	1,409.8	2,006.3	(29.7)	1,603.2	6,000.0	6,768.0	(11.3)
<i>% of Net Sales</i>	<i>8.9</i>	<i>10.8</i>		<i>12.6</i>	<i>8.3</i>	<i>10.6</i>	
<b>Total Expenditure</b>	<b>19,746</b>	<b>21,468</b>	<b>(8.0)</b>	<b>23,725</b>	<b>105,645</b>	<b>89,081</b>	<b>18.6</b>
<b>EBITDA</b>	<b>2,534</b>	<b>2,998</b>	<b>(15.5)</b>	<b>2,714</b>	<b>14,692</b>	<b>11,192</b>	<b>31.3</b>
<i>Margin (%)</i>	<i>11.4</i>	<i>12.3</i>	<i>(87.9)</i>	<i>10.3</i>	<i>12.2</i>	<i>11.2</i>	<i>104.8</i>
Depreciation	769	722	6.5	907	4,230	3,198	32.3
<b>EBIT</b>	<b>1,766</b>	<b>2,276</b>	<b>(22.4)</b>	<b>1,807</b>	<b>10,462</b>	<b>7,993</b>	<b>30.9</b>
Interest	613	1,037	(40.9)	581	3,200	2,922	9.5
Other Income	1,804	2,442	(26.1)	1,668	7,460	7,898	(5.5)
<b>PBT</b>	<b>2,957</b>	<b>3,681</b>	<b>(19.7)</b>	<b>2,895</b>	<b>14,722</b>	<b>12,969</b>	<b>13.5</b>
Tax	495	513	(3.5)	384	1,460	1,453	0.5
<i>Tax Rate (%)</i>	<i>16.7</i>	<i>13.9</i>		<i>13.3</i>	<i>9.9</i>	<i>11.2</i>	
<b>PAT</b>	<b>2,463</b>	<b>3,169</b>	<b>(22.3)</b>	<b>2,511</b>	<b>13,262</b>	<b>11,517</b>	<b>15.2</b>



Segmental break-up (Standalone)					(Rs m)
Y/e March	Q1FY11	Q1FY10	YoY gr. (%)	Q4FY10	QoQ gr. (%)
Electrical Energy	16,266	18,805	(13.5)	13,258	41.8
<i>% in Total</i>	<i>73.0</i>	<i>76.9</i>		<i>50.1</i>	
EPC	6,014	5,658	6.3	13,181	(57.1)
<i>% in Total</i>	<i>27.0</i>	<i>23.1</i>		<i>49.9</i>	
Net sales	22,280	24,463	(8.9)	26,439	(7.5)
EBIT					
Electrical Energy	1,010	1,769	(42.9)	742	138.4
<i>Margin (%)</i>	<i>6.2</i>	<i>9.4</i>		<i>5.6</i>	
EPC	839	541	55.0	981	(44.9)
<i>Margin (%)</i>	<i>13.9</i>	<i>9.6</i>		<i>7.4</i>	
Total	1,848	2,310	(20.0)	1,723	34.1
<i>Margin (%)</i>	<i>8.3</i>	<i>9.4</i>	<i>(114.6)</i>	<i>6.5</i>	<i>292.5</i>
Less: Interest & Others	1,109	1,368	(19.0)	(1,172)	(216.8)
PBT					
	2,957	3,678	(19.6)	2,895	27.1
<i>Margin (%)</i>	<i>13.3</i>	<i>15.0</i>		<i>10.9</i>	

Projects under development		(Rs bn)
Projects Name		PC
11 Road Projects		120
3 Metro Projects		160
5 Transmission Projects		66
1 Sea Link Projects		51
5 Airport Projects		5
Total		402

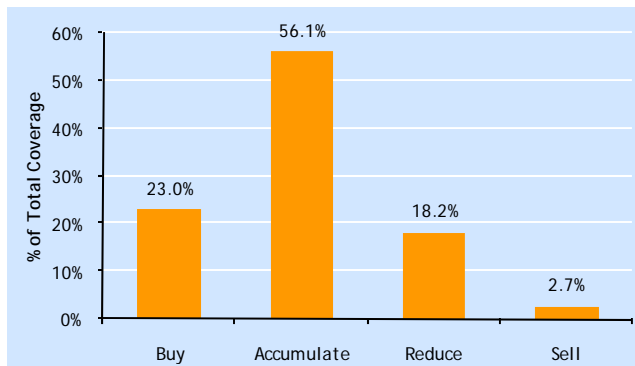
Source: Company Data, PL Research

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### Rating Distribution of Research Coverage



### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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