

24 May 2010

## Reliance Industries

Opening investment opportunities; Hold

Rating: Hold  
Target Price: Rs1,150  
Share Price: Rs996

- RIL-ADAG overhaul non-compete agreement.** RIL and ADA group companies have signed and approved an agreement canceling all existing non-compete arrangements entered into between them in Jan '06 pursuant to the reorganization of the Reliance group. They have now entered into a new non-compete agreement with respect to only gas-based power generation for the period extending until Mar '22.
- New opportunities for RIL to deploy excess cash.** With the change in the non-compete agreement, RIL now has the freedom to explore investment opportunities in the telecom, power, and financial services segments. While some of these businesses were expected to be out of the non-compete framework after five years of initial de-merger of businesses of the Reliance group, it seems that for businesses like telecommunication, the non-compete agreement was (earlier) until 2015.
- Gas agreement under negotiations.** RIL's statement said that they expect to expeditiously negotiate and conclude the gas supply arrangement with RNRL in accordance with the orders of the Supreme Court. We believe that the role of the government still remains critical, as any gas allocation to RNRL or its affiliate can only be done by the government and not by RIL, as per the existing gas utilization policy.
- Valuation.** At our target price of Rs1,150, RIL offers 15% upside to current market price.

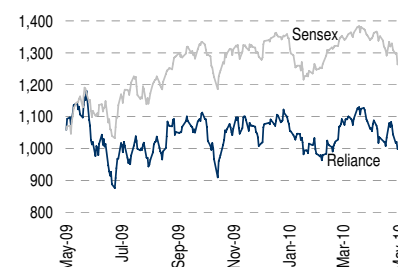
Key data	RIL IN /RIL.BO
52-week high/low	Rs1,190/859
Sensex/Nifty	16446/4931
3-m average volume	US\$123m
Market cap	Rs3256bn /US\$69.4bn
Shares outstanding	3,270m
Free float	53.4%
Promoters	46.6%
Foreign Institutions	16.8%
Domestic Institutions	9.8%
Public	26.8%

### Key financials

Year end 31 Mar	FY08	FY09	FY10e	FY11e	FY12e
Sales (Rsm)	1,371,467	1,512,240	2,037,400	2,311,111	2,509,361
Net profit (Rsm)	195,232	149,503	158,180	219,329	260,059
Growth (%)	61.7	-23.3	6.2	38.0	18.6
EPS (Rs)	134.3	103.7	48.4	67.1	79.5
PE (x)	21.4	20.5	22.5	16.2	13.7
PBV (x)	3.7	2.6	2.6	2.3	2.0
RoE (%)	25.4	14.5	12.3	15.2	15.8
RoCE (%)	13.9	10.2	9.6	13.6	15.1
Dividend yield (%)	0.6	0.6	0.6	0.8	1.0
Net gearing (%)	59.3	62.9	47.5	33.0	19.4

Source: Company, Anand Rathi Research

### Relative price performance



Source: Bloomberg

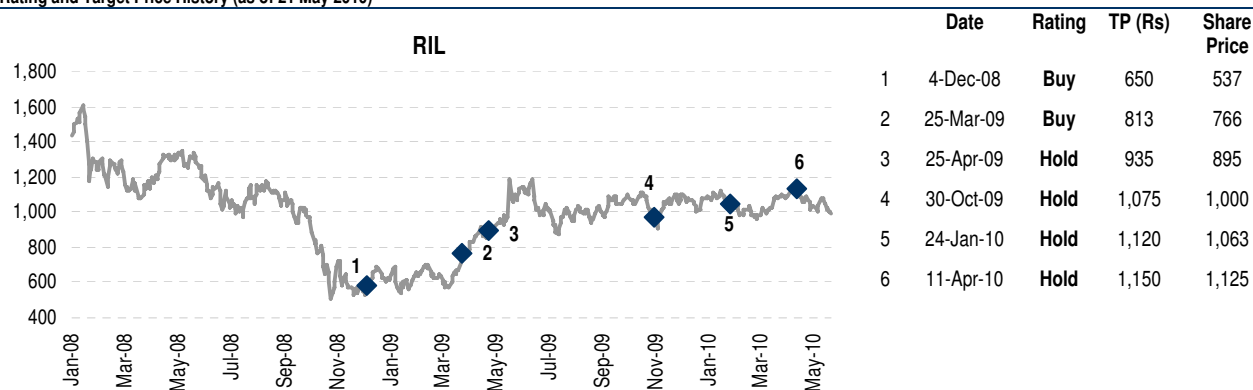
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## Appendix 1

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### Important Disclosures on subject companies Rating and Target Price History (as of 21 May 2010)



Source: Bloomberg

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

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#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

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	Buy	Hold	Sell
Anand Rathi Research stock coverage (118)	61%	12%	27%
% who are investment banking clients	8%	0%	0%

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