

Visit to Delhi Airport Express Line

**Bank of America
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Traffic +10%MoM @12K pax/day & 25% of key realty leased

We came back re-assured of execution and value creation at Delhi airport express (DAEL) with a) project completed at 15% below cost, b) traffic ok @12K pax / day in June +10% MoM with 4 of the 6 stations opened v/s 15K for FY12E, c) 25% of realty at New Delhi and Shivaji station leased @~Rs450/sq. ft/month, drive value. RELI hopes to achieve cash break-even in FY13E v/s MLe FY15E. Buy RELI on: a) Bottoming of Mumbai license area (MLA) profit, b) pick-up in execution – start of Delhi Metro, 4488 lane kms / 10 toll roads & 900MW Rosa TPP in FY12, cash chest (>Rs75bn), Cons. P/BV of 0.57x FY11A and transformation of RELI into an Infra developer across power, roads and metro rail domains. Risk: MLA retention, group concerns, delay in Rs160bn E&C order for Krishnapatnam UMPP, delay in execution at R. Power (44% of SOTP), may limit the stock upside near term.

Project built at 15% lower cost; Realty lease start @ key parcel

DAEL – the 23kms metro (see Exhibit 1) was completed in 27 months v/s 28kms Bangkok metro in 67 months. Completed @15% lower cost can boost our value of the project to Rs40 (Rs35/share) for RELI's 95% stake. Key value driver for DAEL

- 22.6k sq. ft of realty at high value - New Delhi and Shivaji stations, leased @ ~Rs450/sq. ft/month to brands like Pepsi, Standard Chartered, KFC, Nirula etc... Realty a/c for 41% of FY13E revenues; Lufthansa has bought ads inside coaches,
- End promotional fares to induce travel in FY13 and start of 2 stations in July'11,
- Build-out of Delhi airport hospitality district (NH8 station), which will be the key driver of traffic from FY14E, when hotels / shopping / office complexes open.

Key negatives were lack of mobile connectivity ex-Reliance after 4 months of start of the project as deals with other telcos is yet to be signed and lack of progress to lease land at largest land parcel at Dwarka.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	10,746	9,459	12,587	13,273	14,004
EPS	43.88	35.36	47.38	49.96	52.71
EPS Change (YoY)	-16.6%	-19.4%	34.0%	5.5%	5.5%
Dividend / Share	7.10	7.20	7.30	7.40	7.50
Free Cash Flow / Share	(63.74)	29.49	46.20	47.73	(8.03)

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	12.36x	15.33x	11.45x	10.85x	10.29x
Dividend Yield	1.31%	1.33%	1.35%	1.36%	1.38%
EV / EBITDA*	11.02x	10.48x	7.55x	7.04x	6.48x
Free Cash Flow Yield*	-10.84%	5.48%	8.52%	8.80%	-1.48%
Price/Book Value	0.99	0.85	0.80	0.75	0.71

* For full definitions of *iQmethod*SM measures, see page 10.

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Refer to important disclosures on page 11 to 13. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11064504

Stock Data

Price	Rs542.30
Price Objective	Rs1,081
Date Established	29-May-2011
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs492.05-Rs1,225
Mrkt Val / Shares Out (mn)	US\$3,232 / 265.7
Market Value (mn)	Rs144,073
Average Daily Volume	1,581,149
BofAML Ticker / Exchange	RCTDF / BSE
Bloomberg / Reuters	RELI IN / RLIN.BO
ROE (2012E)	7.2%
Net Dbt to Eqty (Mar-2010A)	-11.5%
Est. 5-Yr EPS / DPS Growth	18.0% / 18.0%
Free Float	52.4%

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iQprofileSM Reliance Infrastructure

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	100,291	96,146	124,990	154,242	192,006
Gross Profit	8,008	8,643	12,656	13,345	14,418
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	8,008	8,643	12,656	13,345	14,418
Net Interest & Other Income	4,828	2,707	2,509	2,647	2,455
Associates	NA	NA	NA	NA	NA
Pretax Income	12,836	11,350	15,165	15,992	16,872
Tax (expense) / Benefit	(2,090)	(1,891)	(2,578)	(2,719)	(2,868)
Net Income (Adjusted)	10,746	9,459	12,587	13,273	14,004
Average Fully Diluted Shares Outstanding	245	267	266	266	266

Key Cash Flow Statement Data

Net Income	10,746	9,459	12,587	13,273	14,004
Depreciation & Amortization	3,198	3,134	3,694	4,202	4,648
Change in Working Capital	(18,931)	11,025	11,526	8,374	(8,308)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(5,191)	(2,707)	(2,509)	(2,647)	(2,455)
Cash Flow from Operations	(10,178)	20,911	25,297	23,203	7,890
Capital Expenditure	(5,434)	(13,023)	(13,023)	(10,523)	(10,023)
(Acquisition) / Disposal of Investments	21,275	(31,000)	(9,000)	(9,000)	(9,000)
Other Cash Inflow / (Outflow)	8,470	6,482	5,333	5,751	5,801
Cash Flow from Investing	24,311	(37,541)	(16,690)	(13,771)	(13,222)
Shares Issue / (Repurchase)	23,306	15,582	(1,150)	0	0
Cost of Dividends Paid	(1,836)	(2,055)	(2,067)	(2,098)	(2,129)
Cash Flow from Financing	(13,625)	16,352	(441)	(1,003)	(1,275)
Free Cash Flow	(15,612)	7,888	12,275	12,680	(2,133)
Net Debt	(25,130)	(19,602)	(22,168)	(26,397)	(15,590)
Change in Net Debt	(32,681)	5,528	(2,566)	(4,229)	10,807

Key Balance Sheet Data

Property, Plant & Equipment	35,436	45,324	54,653	60,973	66,348
Other Non-Current Assets	64,583	95,583	104,583	113,583	122,583
Trade Receivables	17,429	16,709	21,722	26,805	33,368
Cash & Equivalents	66,279	66,001	74,167	82,596	75,989
Other Current Assets	71,451	72,090	72,935	73,832	74,920
Total Assets	255,177	295,707	328,060	357,789	373,207
Long-Term Debt	14,750	14,750	14,750	14,750	14,750
Other Non-Current Liabilities	1,577	1,577	1,577	1,577	1,577
Short-Term Debt	26,399	31,649	37,249	41,449	45,649
Other Current Liabilities	66,287	77,231	94,615	108,969	108,312
Total Liabilities	109,013	125,207	148,191	166,745	170,288
Total Equity	146,164	170,499	179,869	191,044	202,919
Total Equity & Liabilities	255,177	295,707	328,060	357,789	373,207

iQmethodSM - Bus Performance*

Return On Capital Employed	7.0%	5.6%	6.6%	6.6%	6.5%
Return On Equity	8.3%	6.0%	7.2%	7.2%	7.1%
Operating Margin	8.2%	9.4%	10.5%	8.9%	7.7%
EBITDA Margin	11.2%	12.2%	13.1%	11.4%	9.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	-0.9x	2.2x	2.0x	1.7x	0.6x
Asset Replacement Ratio	1.7x	4.2x	3.5x	2.5x	2.2x
Tax Rate (Reported)	16.3%	16.7%	17.0%	17.0%	17.0%
Net Debt-to-Equity Ratio	-17.2%	-11.5%	-12.3%	-13.8%	-7.7%
Interest Cover	2.7x	3.6x	4.5x	4.3x	4.3x

Key Metrics

* For full definitions of iQmethodSM measures, see page 10.

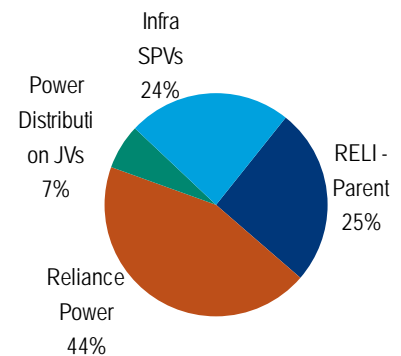
Company Description

Reliance Infra is engaged in power generation, transmission and distribution. It is also a major player in E&C business with focus on construction of power plants on EPC basis, roads, urban infrastructure and specialty real estate. Power business is entitled to earn 16% RoE as per license terms. The company would be a key beneficiary of the likely opening-up of power distribution. It is setting up matching generation capacity to offer quality power supply in its distribution circles.

Investment Thesis

The key catalysts for our view are transformation of RELI as an Infra developer and acquisition of low cost fuel - Indonesian coal mines and RNRL gas supply at Reliance Power. However, the gas-based project still remains a risk to valuation due to delays from a legal dispute.

Chart 1: Breakdown of SOTP Value



Source: BofAML Global Research

Stock Data

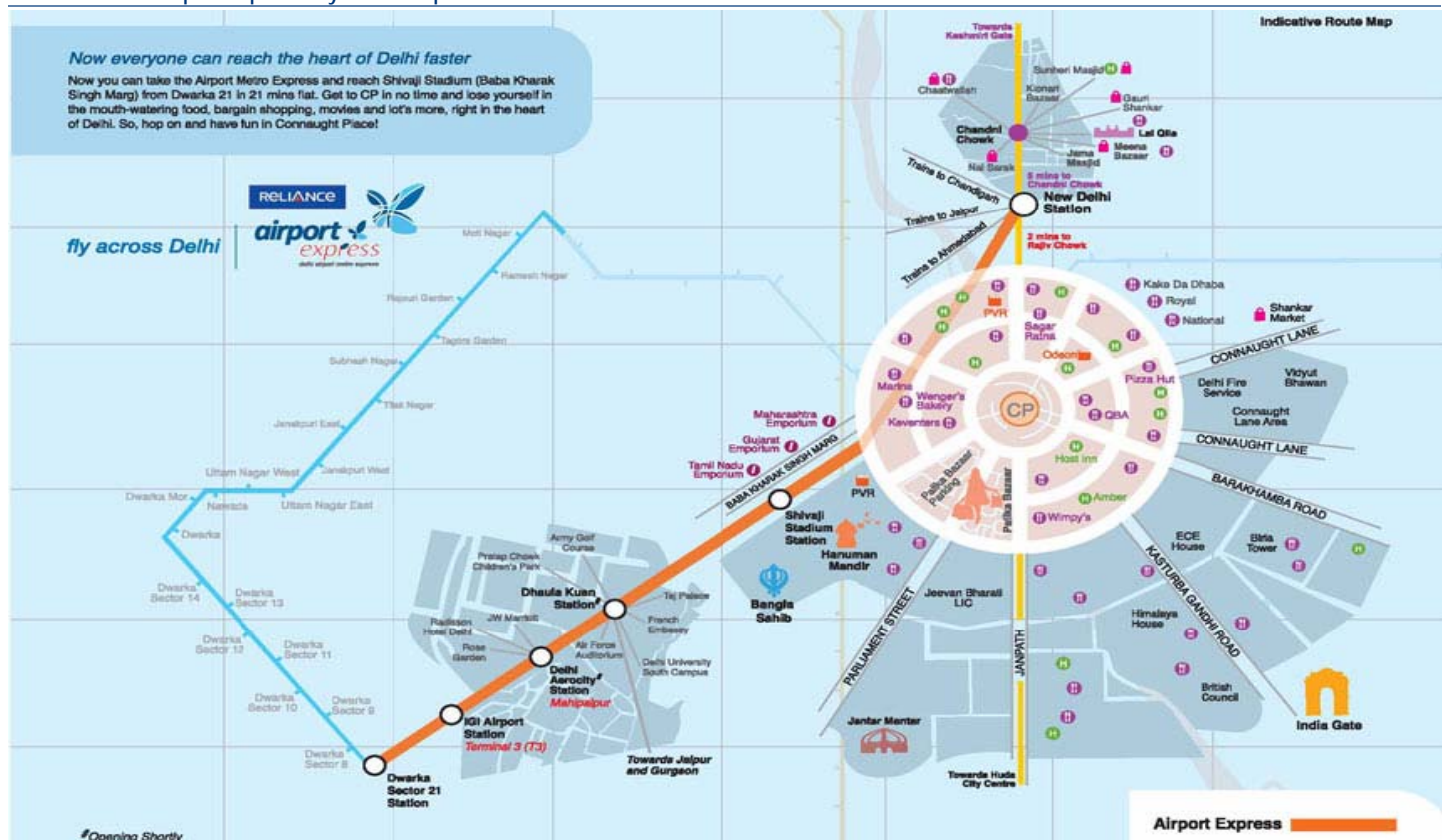
Price to Book Value

0.8x

Delhi Metro Airport Expressway Line

- Delhi Airport Express Line project was awarded by Delhi Metro Railway Corporation (DRMC) to a consortium Reliance Infra (95%) and CAF Spain (5%).
- CAF Spain is the technical partner and also the supplier of rolling stock.
- A special purpose vehicle Delhi Airport Metro Express Pvt Ltd has been incorporated to set up the project.
- The metro link will operate at the high design speed of 135 kmph.
- The total length of the network would be 23kms (7kms elevated)
- Six stations enroute – New Delhi, Shivaji Stadium, Dhaula Kuan, Delhi Aerocity (NH-8), IGI Airport and Dwarka Sector-2. Out of the six stations, 5 stations would be underground and only the Dhaula Kuan station is elevated.
- The concession period is for 30 years.
- Project is expected to have commercial realty land-bank at 3 locations – New Delhi station, Shivaji Stadium station (Connaught place) and Dwarka depot.
- The estimated project cost was Rs28.8bn, with debt to equity ratio of 70:30 however, it is now completed @ Rs24.5bn i.e. 15% below cost.
- Financial closure has been achieved in Mar'09.
- Maximum fare - Rs150 (New Delhi to IGI), Rs30 (IGI to Dwarka)

Exhibit 1: Delhi Airport Expressway Route Map



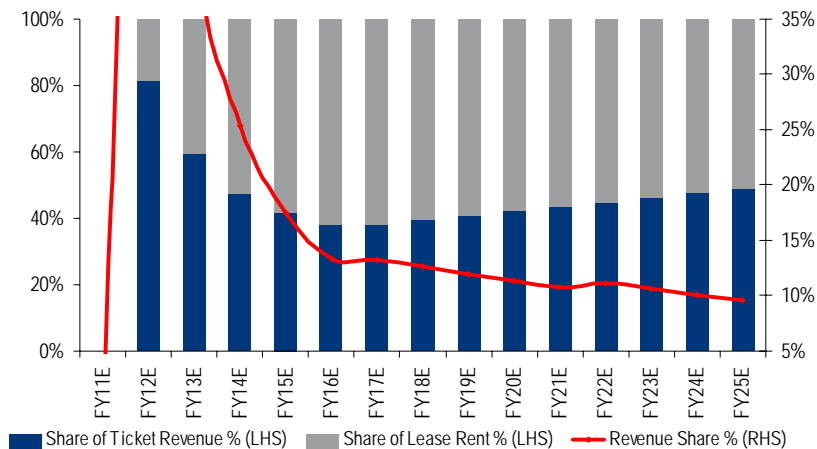
Source: Company

Table 1: Reliance Infra - Delhi Airport Express Line Fare charges

Stations / Fare (in Rs)	New Delhi	Shivaji Stadium	IGI Dwarka Sector Airport	21
Regular Fare				
Single Journey Token				
New Delhi	20	40	150	180
Shivaji Stadium	40	20	120	150
IGI Airport	150	120	20	30
Dwarka Sector 21	180	150	30	20
Monthly Pass (60 Journeys)				
New Delhi	0	500	2,000	2,600
Shivaji Stadium	500	0	1,500	2,100
IGI Airport	2,000	1,500	0	600
Dwarka Sector 21	2,600	2,100	600	0
Discounted Inaugural Fare				
Single Journey Token				
New Delhi	20	20	80	100
Shivaji Stadium	20	20	60	80
IGI Airport	80	60	20	30
Dwarka Sector 21	100	80	30	20
Monthly Pass (60 Journeys)				
New Delhi	0	300	1,200	1,500
Shivaji Stadium	300	0	1,000	1,200
IGI Airport	1,200	1,000	0	450
Dwarka Sector 21	1,500	1,200	450	0

Source: Company

Chart 2: Delhi Airport Express - Breakup of Revenue & Revenue Share



Source: BofA Merrill Lynch Global Research

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Catalysts: Avg. RoE Infra project wins + execution pick-up

1) Roads: Out of 11 road project 3 toll roads projects are operational, 3 to start in 1QFY12E and 4 roads to start by FY12E; likely to take delivery of Bandra-Worli sealink in 1QFY12E. In all RELI has a well diversified portfolio of 4772 lane kms of roads and 92lane kms of sea-link.

2) Metro: Delhi airport express started in 4Q11 and should cash BEP in 1QFY13 per co.; Mumbai metro line 1 should start in CY2012 and execution of Rs110bn Mumbai metro line 2 with attached 1.2mn sq ft of realty is likely start 2HF12.

3) Transco projects of Rs66bn: commissioned line 1 & 2 of the 1500kms WRSS project in 4Q11 & 1QFY12.

Table 2: Reliance Infra - Sum-of-the-parts valuation

Parts	Rationale	RELI's Stake (%)	Rf (%)	Beta (x)	ERP (%)	CoE (%)	RELI's Value (Rs mn)	Value (Rs/share)
RELI - Parent							72,365	272
RELI - Parent	DCF based valuation	100%	8.25%	0.90	5.50%	13.20%	72,365	272
Reliance Power		38%					126,111	475
1200MW Rosa TPP (Coal)	15% Discount to DCF for RELI's 38.41% stake	38%	8.25%	1.00	5.50%	13.75%	15,074	57
1200MW Shahapur TPP (Coal)	15% Discount to DCF for RELI's 38.41% stake	38%	8.25%	0.90	6.00%	13.65%	4,340	16
3960MW Sasan UMPP	15% Discount to DCF for RELI's 38.41% stake	38%	8.25%	0.70	6.00%	12.45%	3,568	13
3960MW Chitrangi TPP	15% Discount to DCF for RELI's 38.41% stake	38%	8.25%	1.10	6.00%	14.85%	61,231	230
3960MW Krishnapatnam UMPP	15% Discount to DCF for RELI's 38.41% stake	38%	8.25%	0.80	7.00%	13.85%	12,186	46
400MW Urthing Sobla HEP	15% Discount to DCF for RELI's 50.73% stake	51%	8.25%	1.10	7.50%	16.50%	1,744	7
700MW Tato II HEP	15% Discount to DCF for RELI's 34.19% stake	34%	8.25%	1.10	7.50%	16.50%	4,336	16
1000MW Siyom HEP	15% Discount to DCF for RELI's 34.19% stake	34%	8.25%	1.10	7.50%	16.50%	1,799	7
1200MW Kalai II HEP	15% Discount to DCF for RELI's 28.81% stake	29%	8.25%	1.10	7.50%	16.50%	1,028	4
300MW Butibori Power Plant	15% Discount to DCF for RELI's 38.41% stake	38%					1,922	7
Carbon credits - CERs	15% Discount to DCF for RELI's effective stakes	45%	8.25%	1.20	6.00%	15.45%	11,290	42
Carbon credits - VERs	15% Discount to DCF for RELI's effective stakes	38%	8.25%	1.20	6.00%	15.45%	2,452	9
Samalkot Extn	15% Discount to Book value	38%					5,142	19
Power Distribution							19,087	72
BSES Rajdhani	DCF for RELI's 49% stake	49%	8.25%	1.10	6.50%	15.40%	10,906	41
BSES Yamuna	DCF for RELI's 49% stake	49%	8.25%	1.10	6.50%	15.40%	8,181	31
Power Transmission							5,850	22
Power Transmission	At 1.3x Book Value	74-100%					5,850	22
Infrastructure SPVs							37,263	140
Mumbai Metro One Pvt. Ltd	DCF for RELI's 69% stake	69%	8.25%	0.90	6.50%	14.10%	10,879	41
Airport Metro Express Line - Delhi	DCF for RELI's 95% stake	95%	8.25%	0.90	6.00%	14.10%	9,428	35
Namakkal Karrur Toll Road	DCF for RELI's 100% stake	100%	8.25%	0.80	6.00%	13.05%	1,497	6
Dindgul Salem Toll Road	DCF for RELI's 100% stake	100%	8.25%	0.80	6.00%	13.05%	1,956	7
Tirchy Karrur Toll Road	DCF for RELI's 100% stake	100%	8.25%	0.80	6.00%	13.05%	4,195	16
Tirchy Dindgul Toll Road	DCF for RELI's 100% stake	100%	8.25%	0.80	6.00%	13.05%	3,161	12
Salem Undarpet Toll Road	DCF for RELI's 100% stake	100%	8.25%	0.80	6.00%	13.05%	6,148	23
Real Estate							6,630	25
Hyderabad Real Estate	DCF for RELI's 66% stake	66%	8.25%	1.60	6.00%	17.85%	6,630	25
Other Investments							19,904	75
Other Investments	At Book Value	100%					154	1
Projects under Construction	At Book Value	100%					19,750	74
Total Value							287,209	1,081

Source: BofA Merrill Lynch Global Research

Table 3: Reliance Infra (Parent) - Profit & Loss Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
- Electricity Sales	63,678	58,062	56,228	53,664	51,244
- EPC & Contracts	34,149	33,892	64,151	95,506	135,184
- Other Operating Income	2,465	4,192	4,611	5,072	5,579
Net Revenues	100,291	96,146	124,990	154,242	192,006
Growth %	1.5%	-4.1%	30.0%	23.4%	24.5%
Power Purchases	(33,219)	(27,243)	(21,723)	(19,265)	(17,302)
Cost of Fuel	(12,198)	(13,011)	(14,582)	(16,369)	(18,403)
Material & Sub-Contract Charges	(28,826)	(28,372)	(53,053)	(79,079)	(111,797)
Employee Costs	(7,807)	(7,918)	(10,063)	(12,114)	(7,435)
Other Expenses	(7,035)	(7,824)	(9,220)	(9,867)	(18,003)
Total Expenses	(89,085)	(84,369)	(108,640)	(136,694)	(172,940)
EBITDA	11,206	11,777	16,350	17,547	19,066
EBITDA Margin	11.2%	12.2%	13.1%	11.4%	9.9%
Growth %	20%	5%	39%	7%	9%
Depreciation	(3,198)	(3,134)	(3,694)	(4,202)	(4,648)
EBIT	8,008	8,643	12,656	13,345	14,418
EBIT Margin	8.0%	9.0%	10.1%	8.7%	7.5%
Other Income	7,750	5,132	5,333	5,751	5,801
Profit before Interest & Taxes	15,758	13,775	17,989	19,096	20,218
Interest Expense	(2,922)	(2,425)	(2,823)	(3,105)	(3,346)
Profit Before Tax	12,836	11,350	15,165	15,992	16,872
Provision for Tax	(2,090)	(1,891)	(2,578)	(2,719)	(2,868)
Recurring PAT	10,746	9,459	12,587	13,273	14,004
Extraordinaries	771	1,350	0	0	0
Reported Profit	11,517	10,809	12,587	13,273	14,004

Source: Company, BofA Merrill Lynch Global Research

Table 4: Reliance Infra (Parent) - Balance Sheet Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Equity Share Capital	2,449	2,675	2,657	2,657	2,657
- Promoter warrant / Share app. Money	5,411	0	0	0	0
- Net reserves	138,304	167,825	177,212	188,387	200,262
Tangible Net Worth	146,164	170,499	179,869	191,044	202,919
Total Network	146,164	170,499	179,869	191,044	202,919
Long Term Liab.	42,726	47,976	53,576	57,776	61,976
Network & LT Liab.	188,890	218,476	233,445	248,820	264,895
Gross Block	68,924	82,447	95,970	106,992	117,515
Less: Accumulated Depreciation	(39,511)	(42,645)	(46,339)	(50,542)	(55,190)
Net Block	29,413	39,802	49,630	56,451	62,325
CWIP	6,023	5,523	5,023	4,523	4,023
Net Fixed Assets	35,436	45,324	54,653	60,973	66,348
Investments	64,583	95,583	104,583	113,583	122,583
- Inventory	2,692	3,331	4,176	5,073	6,161
- Receivables	17,429	16,709	21,722	26,805	33,368
- Cash & Cash equivalents	66,279	66,001	74,167	82,596	75,989
- OCA, Loans & Advs	68,759	68,759	68,759	68,759	68,759
Total Current Assets	155,159	154,800	168,825	183,233	184,277
- Current Liabilities	56,467	67,458	82,983	95,435	92,330
- Provisions	9,820	9,773	11,632	13,535	15,982
Current Liab & Provisions	66,287	77,231	94,615	108,969	108,312
Net Current Assets	88,871	77,569	74,210	74,264	75,965
Total Assets	188,890	218,476	233,445	248,820	264,895

Source: Company, BofA Merrill Lynch Global Research

Bought back Rs1.15bn (11%) @Rs639/sh
(vs Rs725 limit).

Mumbai license cash flow to improve with
fall in power prices and no accumulation
of regulatory assets.

Table 5: Reliance Infra (Parent) - Balance Sheet Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Rec PAT	10,746	9,459	12,587	13,273	14,004
Less: Other Income	(7,750)	(5,132)	(5,333)	(5,751)	(5,801)
Add: Depreciation	3,198	3,134	3,694	4,202	4,648
Add: Interest Exp	2,922	2,425	2,823	3,105	3,346
Changes in Inventory	1,715	(640)	(845)	(897)	(1,087)
Changes in Debtors	(2,196)	720	(5,013)	(5,083)	(6,563)
Changes in Other CA	(4,092)	0	0	0	0
Changes in Loans & Advances	(26,428)	0	0	0	0
Changes in CL & Provisions	12,070	10,944	17,384	14,355	(657)
Changes in Working Capital	(18,931)	11,025	11,526	8,374	(8,308)
Changes in DTL	(362)	0	0	0	0
Others	0	0	0	0	0
Cash from Operating Activities	(10,178)	20,911	25,297	23,203	7,890
Capex	(5,434)	(13,023)	(13,023)	(10,523)	(10,023)
Changes in Investments	21,275	(31,000)	(9,000)	(9,000)	(9,000)
Other Income	7,750	5,132	5,333	5,751	5,801
Others	720	1,350	0	0	0
Cash from Investing Activities	24,311	(37,541)	(16,690)	(13,771)	(13,222)
Change in Share Capital	(2,236)	(5,185)	(18)	0	0
Changes in Reserves & Surplus	25,542	20,767	(1,132)	0	0
Changes in Debt	(32,173)	5,250	5,600	4,200	4,200
Dividends	(1,836)	(2,055)	(2,067)	(2,098)	(2,129)
Interest	(2,922)	(2,425)	(2,823)	(3,105)	(3,346)
Others	0	0	0	0	0
Cash from Financing Activities	(13,625)	16,352	(441)	(1,003)	(1,275)
Change in Cash & Cash Eq.	508	(278)	8,166	8,429	(6,607)
Opening Cash Balance	2,510	3,018	2,741	10,907	19,336
Closing Cash Balance	3,018	2,741	10,907	19,336	12,729

Source: Company, BofA Merrill Lynch Global Research

Table 6: Reliance Infra (Parent) - Key Ratios & Valuations

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Price (Rs)	542	542	542	542	542
Shares o/s (mn)	245	267	266	266	266
Market Cap (Rs mn)	132,820	145,049	144,073	144,073	144,073
Rec EPS (Rs)	43.9	35.4	47.4	50.0	52.7
P/E (x)	12.4	15.3	11.4	10.9	10.3
Net Debt (Rs mn)	(35,579)	(30,051)	(32,618)	(36,846)	(26,039)
EV (Rs mn)	97,242	114,998	111,455	107,227	118,034
EV/E (x)	8.7	9.8	6.8	6.1	6.2
BV (Rs)	597	637	677	719	764
P/BV (x)	0.9	0.9	0.8	0.8	0.7
RoE (%)	8.3%	6.0%	7.2%	7.2%	7.1%
RoCE (%)	7.0%	5.6%	6.6%	6.6%	6.5%
DPS (Rs)	7.1	7.2	7.3	7.4	7.5
Dividend Yield (%)	1.3%	1.3%	1.3%	1.4%	1.4%
CEPS (Rs)	55.5	47.1	61.3	65.8	70.2
P/CEPS (x)	9.8	11.5	8.8	8.2	7.7
Net Debt/Equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk Reliance Infrastructure (RCTDF)

Our PO of Rs1081 is based on SOTP valuation. The parent business is valued at Rs272/share based on DCF. We value the stake of 29-51pct in power projects of Reliance Power at Rs475/share at 15% discount to DCF valuation, while we value the stake of 49pct in Power distribution business at Rs72/share. Its 74-100pct stake in Power Transmission business is valued at Rs22/share at 1.2x book value and stakes of 69pct in the Mumbai Metro project, 95pct in Delhi Metro Airport Express line and 100pct in road projects are valued based on DCF at Rs140/share. A stake of 66pct in real estate business is valued at Rs25/share on DCF basis. Other investments are valued at Rs75/per share on book value. Based on this, we arrive at an SOTP value of Rs1081/share. Our PO translates into 1.6x FY12E P/BV (Parent), which is below the utility sector leaders such as NTPC 2x.

Risks to our PO are: ability to source quality power, viable gas supply, discontinuity/delay of power sector reforms, delay in project execution, non-availability of fuel, currency and freight risks, potential matching of demand-supply of power in India leading fall in power rates.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

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India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Deepak Agrawala
	IL&FS Transportation Networks Ltd	XTPSF	ILFT IN	Deepak Agrawala
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFL	LANCI IN	Deepak Agrawala
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Suzlon Energy	XZULF	SUEL IN	Bharat Parekh
NEUTRAL				
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	NTPC Ltd	NTHPF	NTPC IN	Bharat Parekh
RVW				
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Bharat Parekh
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Deepak Agrawala

03 July 2011

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

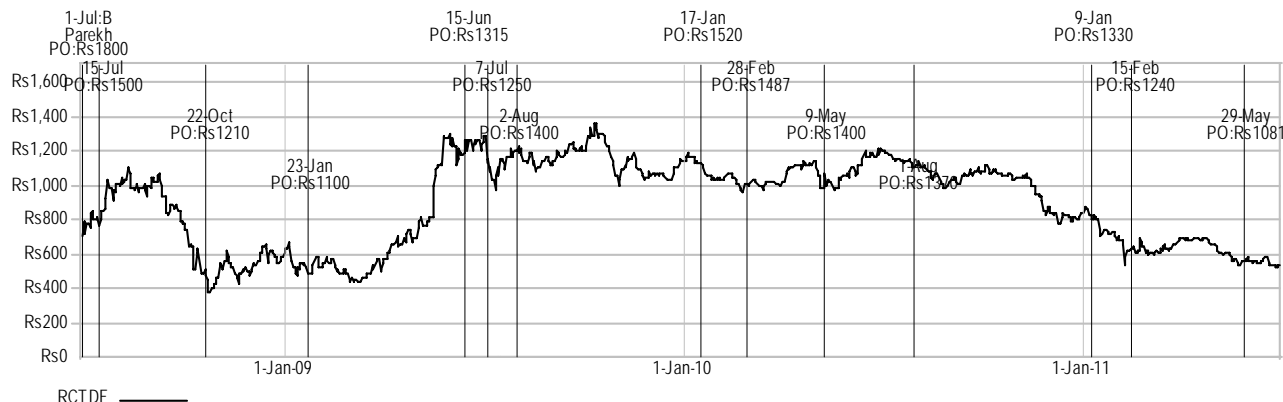
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RCTDF Price Chart



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Investment Rating Distribution: Utilities Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	42.22%	Buy	35	51.47%
Neutral	48	26.67%	Neutral	30	69.77%
Sell	56	31.11%	Sell	20	40.00%

Investment Rating Distribution: Global Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2024	53.94%	Buy	935	50.68%
Neutral	944	25.16%	Neutral	442	51.64%
Sell	784	20.90%	Sell	273	37.24%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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