

# E&C sales expected to double led by Sasan UMPP

Equity | India | Electric Utilities  
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## RESEARCH

Bharat Parekh >> +91 22 6632 8656  
Research Analyst  
DSP Merrill Lynch (India)  
bharat\_parekh@ml.com

### Sasan UMPP financial closure improves E&C visibility

Reliance Power (RPWR), a 45% subsidiary of Reliance Infra, achieved financial closure of India's largest power project - Sasan UMPP of 3960MW. This financial closure improves the visibility of doubling RELI's E&C revenue over FY09-11E to Rs80bn apart from supporting value in its SOTP. Sasan accounts for 58% of RELI's order backlog. We now look for another 8GW of financial closure in FY10E by RPWR. Catalysts: cash rich balance sheet (Rs98.9bn), P/BV of 1.2x FY10E, transformation of RELI into an Infra developer and acquisition of low cost fuel – captive coal mines and RIL-RNRL gas supply for Reliance Power. Buy.

### Sasan improves visibility of doubling of E&C revenue

RELI has received from RPWR an order of Rs125bn, which accounts for 58% of overall order backlog of Rs215bn in 3QFY09. A delay in financial closure of this project costing Rs194bn (US\$4bn) has been a concern for RELI. Sasan has been funded on 75:25 debt to equity ratio. SBI, IIFCL (India & UK), PFC, REC, PNB, LIC, Axis bank, IDBI bank etc. have signed the financing agreements. First 2 units with total capacity of 1.32GW expected to be commissioned by March 2012 and the project is expected to be commissioned by March 2013 (>3 years ahead of schedule).

### Orders for 2 more UMPP from RPWR - next catalyst

We expect RPWR to achieve financial closure of 2 more 4GW each projects in FY10E. This could translate into E&C orders of Rs250bn for RELI - potentially doubling its backlog.

### Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	8,014	10,846	11,565	12,903	15,407
EPS	35.06	46.03	50.98	56.87	67.91
EPS Change (YoY)	14.5%	31.3%	10.7%	11.6%	19.4%
Dividend / Share	5.30	6.30	7.00	7.00	7.00
Free Cash Flow / Share	18.60	(75.12)	(49.24)	(25.84)	(13.06)
GDR EPS (US\$)	2.33	3.43	3.04	3.39	4.05
GDR Dividend / Share (US\$)	0.352	0.469	0.417	0.417	0.417

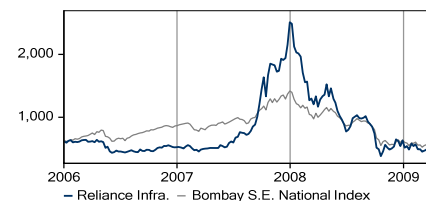
### Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	19.22x	14.64x	13.22x	11.85x	9.92x
Dividend Yield	0.787%	0.935%	1.04%	1.04%	1.04%
EV / EBITDA*	36.36x	41.38x	36.26x	24.69x	19.60x
Free Cash Flow Yield*	2.78%	-11.58%	-7.31%	-3.83%	-1.94%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 7.

### Stock Data

Price (Common / GDR)	Rs673.85 / US\$37.00
Price Objective	Rs1,100 / US\$67.00
Date Established	23-Jan-2009 / 23-Jan-2009
Investment Opinion	C-1-7 / C-1-7
Volatility Risk	HIGH / HIGH
52-Week Range	Rs352.75-Rs1,575
Market Value (mn)	US\$3,029
Shares Outstanding (mn)	226.9 / 75.6
Average Daily Volume	9,640,716
ML Symbol / Exchange	RCTDF / BSE
ML Symbol / Exchange	RELF / LIN
Bloomberg / Reuters	RELI IN / RLIN.BO
ROE (2009E)	10.4%
Net Dbt to Eqty (Mar-2008A)	44.4%
Est. 5-Yr EPS / DPS Growth	18.0% / 18.0%
Free Float	NA



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Refer to important disclosures on page 8 to 11. Analyst Certification on Page 6. Price Objective Basis/Risk on page 6.

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# iQprofile<sup>SM</sup> Reliance Infrastructure

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011E
<b>(Rs Millions)</b>					
Sales	57,762	63,132	94,656	125,512	152,278
Gross Profit	3,236	2,724	3,208	5,687	7,573
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	3,236	2,724	3,208	5,687	7,573
Net Interest & Other Income	5,487	8,793	9,072	8,013	9,085
Associates	NA	NA	NA	NA	NA
Pretax Income	8,724	11,517	12,280	13,700	16,658
Tax (expense) / Benefit	(709)	(671)	(715)	(798)	(1,251)
Net Income (Adjusted)	8,014	10,846	11,565	12,903	15,407
Average Fully Diluted Shares Outstanding	229	236	227	227	227

Key Cash Flow Statement Data	2007A	2008A	2009E	2010E	2011E
Net Income	8,014	10,846	11,565	12,903	15,407
Depreciation & Amortization	2,401	2,229	2,445	2,617	2,884
Change in Working Capital	6,804	(10,975)	(5,091)	(2,705)	(2,001)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(7,718)	(11,708)	(11,899)	(10,486)	(11,562)
Cash Flow from Operations	9,500	(9,608)	(2,981)	2,328	4,727
Capital Expenditure	(5,249)	(8,093)	(8,189)	(8,189)	(7,689)
(Acquisition) / Disposal of Investments	(70,327)	(24,752)	17,637	37,986	(734)
Other Cash Inflow / (Outflow)	7,991	11,880	11,781	10,486	11,562
Cash Flow from Investing	(67,586)	(20,965)	21,228	40,284	3,139
Shares Issue / (Repurchase)	8,211	14,902	(7,764)	215	234
Cost of Dividends Paid	(1,023)	(1,728)	(1,858)	(1,858)	(1,858)
Cash Flow from Financing	23,315	9,690	(12,671)	17,355	57,632
Free Cash Flow	4,251	(17,701)	(11,170)	(5,861)	(2,962)
Net Debt	36,824	49,012	38,436	(21,531)	(87,029)
Change in Net Debt	50,684	12,188	(10,577)	(59,967)	(65,498)

Key Balance Sheet Data	2007A	2008A	2009E	2010E	2011E
Property, Plant & Equipment	24,064	29,928	35,672	41,244	46,050
Other Non-Current Assets	102,522	127,274	109,637	71,651	72,385
Trade Receivables	10,564	13,514	20,262	26,867	32,597
Cash & Equivalents	21,759	877	6,453	66,420	131,918
Other Current Assets	18,418	25,194	27,569	29,807	31,606
Total Assets	177,327	196,786	199,594	235,990	314,556
Long-Term Debt	58,583	44,889	44,889	44,889	44,889
Other Non-Current Liabilities	6,469	11,852	13,684	32,682	91,937
Short-Term Debt	0	5,000	0	0	0
Other Current Liabilities	25,862	24,613	28,646	34,784	40,311
Total Liabilities	90,914	86,354	87,218	112,355	177,137
Total Equity	86,413	110,433	112,463	123,635	137,419
Total Equity & Liabilities	177,327	196,786	199,682	235,990	314,556

iQmethod <sup>SM</sup> - Bus Performance*	2007A	2008A	2009E	2010E	2011E
Return On Capital Employed	7.4%	8.1%	7.9%	7.8%	7.2%
Return On Equity	10.2%	11.0%	10.4%	10.9%	11.8%
Operating Margin	5.7%	4.3%	3.4%	4.5%	5.0%
EBITDA Margin	9.8%	7.8%	6.0%	6.6%	6.9%

iQmethod <sup>SM</sup> - Quality of Earnings*	2007A	2008A	2009E	2010E	2011E
Cash Realization Ratio	1.2x	-0.9x	-0.3x	0.2x	0.3x
Asset Replacement Ratio	2.2x	3.6x	3.3x	3.1x	2.7x
Tax Rate (Reported)	8.1%	5.8%	5.8%	5.8%	7.5%
Net Debt-to-Equity Ratio	42.6%	44.4%	34.2%	-17.4%	-63.3%
Interest Cover	1.3x	0.9x	1.2x	2.3x	3.1x

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

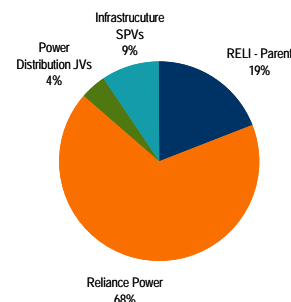
## Company Description

Reliance Energy, a power conglomerate, focuses on power generation & distribution in key metros such as Mumbai & Delhi and in the state of Orissa. It also has an E&C business. Power business is entitled to earn 16% RoE as per license terms. The company would be 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: Banc of America Securities - Merrill Lynch Research

## Stock Data

Shares / GDR	3.00
Price to Book Value	1.4x

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Table 1: Reliance Infra - Sum-of-the-parts valuation

Parts	Rationale	RELI's Stake (%)	Rf (%)	Beta (x)	Eq. Risk Premium (%)	Cost of equity (%)	RELI's Value (Rs mn)	Value (Rs/share)
RELI - Parent							55,886	246
RELI - Parent	DCF based valuation	100%	9.0%	1.2	6.0%	16.2%	55,886	246
Reliance Power							198,030	873
7,480MW Dadri - Gas Power Plant	DCF for RELI's 45% stake	45%	9.0%	1.0	6.0%	15.0%	11,027	49
1,200MW Rosa - Coal Power Plant	DCF for RELI's 45% stake	45%	9.0%	0.9	5.5%	14.0%	6,522	29
2,800MW Shahapur Gas Power Plant	DCF for RELI's 45% stake	45%	9.0%	0.9	6.0%	14.4%	9,017	40
1,200MW Shahapur - Coal Power Plant	DCF for RELI's 45% stake	45%	9.0%	0.9	6.0%	14.4%	6,583	29
3,960MW Sasan UMPP	DCF for RELI's 45% stake	45%	9.0%	0.8	6.0%	13.8%	12,166	54
3,960MW Sasan UMPP - Extension	DCF for RELI's 45% stake	45%	9.0%	1.1	6.0%	15.6%	78,678	347
4,000MW Krishnapatnam UMPP	DCF for RELI's 45% stake	45%	9.0%	0.8	6.0%	13.8%	3,268	14
400MW Urthing Sobla HEP	DCF for RELI's 56% stake	56%	9.0%	1.1	7.0%	16.7%	3,295	15
700MW Tato II HEP	DCF for RELI's 40.05% stake	40%	9.0%	1.1	7.0%	16.7%	5,872	26
1000MW Siyom HEP	DCF for RELI's 40.05% stake	40%	9.0%	1.1	7.0%	16.7%	4,678	21
1200MW Kalai II HEP	DCF for RELI's 33.75% stake	34%	9.0%	1.1	7.0%	16.7%	3,387	15
300MW Butibori Power Plant	At 3x P/BV for RELI's 33.3% stake	33%					2,352	10
Carbon credits - CERs	At DCF for RELI's effective stakes	38%	9.0%	1.1	5.0%	14.5%	48,674	215
Carbon credits - VERs	At DCF for RELI's effective stakes	39%	9.0%	1.1	5.0%	14.5%	2,511	11
Power Distribution							12,249	54
BSES Rajdhani	DCF for RELI's 26% stake	26%	9.0%	1.0	6.0%	15%	7,535	33
BSES Yamuna	DCF for RELI's 26% stake	26%	9.0%	1.0	6.0%	15%	4,714	21
Power Transmission							5,400	24
Power Transmission	At 1.2x Book Value	74-100%					5,400	24
Infrastructure SPVs							13,728	61
Mumbai Metro One Pvt. Ltd	DCF for RELI's 69% stake	69%	9.0%	0.8	6.0%	13.8%	7,431	33
Namakkal Karrur Toll Road	DCF for RELI's 51% stake	51%	9.0%	0.8	6.0%	13.8%	631	3
Dindgul Salem Toll Road	DCF for RELI's 51% stake	51%	9.0%	0.8	6.0%	13.8%	834	4
Tirchy Karrur Toll Road	DCF for RELI's 51% stake	51%	9.0%	0.8	6.0%	13.8%	1,486	7
Tirchy Dindgul Toll Road	DCF for RELI's 51% stake	51%	9.0%	0.8	6.0%	13.8%	1,159	5
Salem Undarpet Toll Road	DCF for RELI's 51% stake	51%	9.0%	0.8	6.0%	13.8%	2,186	10
Real Estate							8,031	35
Hyderabad Real Estate	DCF for RELI's 66% stake	66%	9.0%	0.8	6.0%	13.8%	8,031	35
Other Investments							154	1
Other Investments	At Book Value	100%					154	1
<b>Total</b>							<b>293,477</b>	<b>1,294</b>

Source: Banc of America Securities - Merrill Lynch Research

**Table 2: Reliance Infra - Profit & Loss Statement**

(Rs mn)	FY07A	FY08A	FY09E	FY10E	FY11E
<b>Net Revenues</b>	<b>57,762</b>	<b>63,132</b>	<b>94,656</b>	<b>125,512</b>	<b>152,278</b>
<i>% growth y-o-y</i>	<i>43%</i>	<i>9%</i>	<i>49.9%</i>	<i>32.6%</i>	<i>21.3%</i>
-Electricity Sales	36,110	49,199	54,656	62,516	71,443
<i>% growth y-o-y</i>	<i>14%</i>	<i>36%</i>	<i>11%</i>	<i>14%</i>	<i>14%</i>
-EPC & Contracts	20,990	13,933	40,000	62,996	80,834
<i>% growth y-o-y</i>	<i>146%</i>	<i>-34%</i>	<i>187%</i>	<i>57%</i>	<i>28%</i>
Power Purchases	(15,324)	(24,877)	(29,408)	(32,835)	(37,547)
Cost of Fuel	(9,213)	(10,155)	(11,547)	(12,962)	(14,587)
Operation & Other Expenses	(27,305)	(23,062)	(47,955)	(71,303)	(89,559)
SG&A Expenses	(283)	(84)	(93)	(108)	(129)
<b>Total Expenses</b>	<b>(52,125)</b>	<b>(58,178)</b>	<b>(89,003)</b>	<b>(117,208)</b>	<b>(141,821)</b>
<b>EBITDA</b>	<b>5,637</b>	<b>4,954</b>	<b>5,653</b>	<b>8,304</b>	<b>10,456</b>
<i>% growth y-o-y</i>	<i>-24%</i>	<i>-12%</i>	<i>14%</i>	<i>47%</i>	<i>26%</i>
<b>EBITDA Margin</b>	<b>9.8%</b>	<b>7.8%</b>	<b>6.0%</b>	<b>6.6%</b>	<b>6.9%</b>
Other Income	7,991	11,880	11,781	10,486	11,562
Depreciation	(2,401)	(2,229)	(2,445)	(2,617)	(2,884)
<b>Profit before Interest &amp; Taxes</b>	<b>11,227</b>	<b>14,605</b>	<b>14,989</b>	<b>16,174</b>	<b>19,135</b>
Interest Expense	(2,503)	(3,088)	(2,709)	(2,473)	(2,478)
Preference Dividend	0	0	0	0	0
<b>Profit Before Tax</b>	<b>8,724</b>	<b>11,517</b>	<b>12,280</b>	<b>13,700</b>	<b>16,658</b>
Provision for Tax	(709)	(671)	(715)	(798)	(1,251)
<b>Recurring PAT</b>	<b>8,014</b>	<b>10,846</b>	<b>11,565</b>	<b>12,903</b>	<b>15,407</b>
Extraordinaries	0	0	0	0	0
<b>Reported Profit</b>	<b>8,014</b>	<b>10,846</b>	<b>11,565</b>	<b>12,903</b>	<b>15,407</b>

Source: Company, Banc of America Securities – Merrill Lynch Research

**Table 3: Reliance Infra - Balance Sheet Statement**

(Rs mn)	FY07A	FY08A	FY09E	FY10E	FY11E
<b>Net Fixed Assets</b>	<b>24,064</b>	<b>29,928</b>	<b>35,672</b>	<b>41,244</b>	<b>46,050</b>
<b>Total Investments</b>	<b>102,522</b>	<b>127,274</b>	<b>109,637</b>	<b>71,651</b>	<b>72,385</b>
<b>Total Current Assets</b>	<b>50,741</b>	<b>39,584</b>	<b>54,285</b>	<b>123,095</b>	<b>196,121</b>
Inventory	2,927	3,003	5,374	7,608	9,403
Receivables	10,564	13,514	20,262	26,867	32,597
Cash	21,759	877	6,453	66,420	131,918
Other Assets	15,491	22,191	22,195	22,199	22,203
<b>Total Assets</b>	<b>177,327</b>	<b>196,786</b>	<b>199,594</b>	<b>235,990</b>	<b>314,556</b>
Long-term Debt	58,583	44,889	44,889	44,889	44,889
Short Term Debt	0	5,000	0	0	0
Consumer Contributions	4,156	9,367	11,317	30,316	89,571
<b>Total Current Liabilities</b>	<b>25,862</b>	<b>24,613</b>	<b>28,646</b>	<b>34,784</b>	<b>40,311</b>
Other Liabilities	18,556	16,829	20,530	26,453	31,753
Provisions	7,306	7,784	8,116	8,331	8,558
<b>Total Outside Liabilities</b>	<b>90,914</b>	<b>86,354</b>	<b>87,218</b>	<b>112,355</b>	<b>177,137</b>
<b>Tangible Net Worth</b>	<b>86,413</b>	<b>102,598</b>	<b>104,541</b>	<b>123,635</b>	<b>137,419</b>
Equity Share Capital	2,286	2,356	2,269	2,269	2,269
Net reserves	84,127	100,242	102,272	121,367	135,150
Promoter warrant advance	0	7,835	7,835	0	0
<b>Total Liabilities &amp; Owners Equity</b>	<b>177,327</b>	<b>196,786</b>	<b>199,594</b>	<b>235,990</b>	<b>314,556</b>

Source: Company, Banc of America Securities – Merrill Lynch Research

**Table 4: Reliance Infra - Cash Flow Statement**

Rs mn	FY07	FY08	FY09E	FY10E	FY11E
<b>PBT</b>	<b>8724</b>	<b>11517</b>	<b>12280</b>	<b>13700</b>	<b>16658</b>
Less: Other Income	(7991)	(11880)	(11781)	(10486)	(11562)
Add: Depreciation	2401	2229	2445	2617	2884
Dec/(Inc) in Debtors	364	(2950)	(6748)	(6605)	(5730)
Dec/(Inc) in Inventory	184	(76)	(2371)	(2234)	(1795)
Dec/(Inc) in Current Assets	(1173)	(6700)	(5)	(4)	(4)
(Dec)/Inc in Creditors	7429	(1249)	4033	6138	5528
<b>(Inc)/Dec in WC needs</b>	<b>6804</b>	<b>(10975)</b>	<b>(5091)</b>	<b>(2705)</b>	<b>(2001)</b>
Less: Taxes	(709)	(671)	(715)	(798)	(1251)
Change in Deferred Tax Liability	272	172	(119)	0	0
<b>Net Cash from Operations</b>	<b>9500</b>	<b>(9608)</b>	<b>(2981)</b>	<b>2328</b>	<b>4727</b>
Issue of Equity	8832	6829	(7960)	0	0
Capital Receipts/(Payments)	(622)	8073	196	215	234
Inc/(Dec) of Debt	15914	(8694)	(5000)	0	0
Inc. in consumer contribution	214	5211	1951	18998	59255
Less: Dividend payments	(1023)	(1728)	(1858)	(1858)	(1858)
<b>Net Cash from Financing</b>	<b>23315</b>	<b>9690</b>	<b>(12671)</b>	<b>17355</b>	<b>57632</b>
Capex	(5249)	(8093)	(8189)	(8189)	(7689)
Other Income	7991	11880	11781	10486	11562
(Inc)/Dec in Investments	(70327)	(24752)	17637	37986	(734)
<b>Net Cash from Investing</b>	<b>(67586)</b>	<b>(20965)</b>	<b>21228</b>	<b>40284</b>	<b>3139</b>
<b>Opening Cash Balance</b>	<b>56529</b>	<b>21759</b>	<b>876</b>	<b>6453</b>	<b>66420</b>
<b>Cash flow during the year</b>	<b>(34770)</b>	<b>(20883)</b>	<b>5577</b>	<b>59967</b>	<b>65498</b>
<b>Closing Cash Balance</b>	<b>21759</b>	<b>876</b>	<b>6453</b>	<b>66420</b>	<b>131918</b>

Source: Company, Banc of America Securities – Merrill Lynch Research

**Table 5: Reliance Infra - Key Ratios & Valuations**

	FY07A	FY08A	FY09E	FY10E	FY11E
Price (Rs)	674	674	674	674	674
Shares o/s (mn)	229	236	227	227	227
Market Cap (Rs mn)	154,022	158,773	152,870	152,870	152,870
EPS (Rs)	35.1	46.0	51.0	56.9	67.9
P/E (x)	19.2	14.6	13.2	11.8	9.9
Net Debt (Rs mn)	36,824	49,012	38,436	(21,531)	(87,029)
EV (Rs mn)	190,846	207,785	191,305	131,338	65,840
EV/E (x)	33.9	41.9	33.8	15.8	6.3
BV (Rs)	378	435	461	545	606
P/BV (x)	1.8	1.5	1.5	1.2	1.1
RoE (%)	10.2%	11.5%	11.2%	11.3%	11.8%
RoCE (%)	6.5%	7.4%	7.1%	7.0%	6.4%
DPS (Rs)	5.3	6.3	7.0	7.0	7.0
Dividend Yield (%)	0.8%	0.9%	1.0%	1.0%	1.0%
CEPS (Rs)	45.6	55.5	61.8	68.4	80.6
P/CEPS (x)	14.8	12.1	10.9	9.9	8.4

Source: Company, Banc of America Securities – Merrill Lynch Research

## Price objective basis & risk

### Reliance Infrastructure (RCTDF / RELFF)

Our PO of Rs1100 / US\$67 is based on 15pct discount to our SOTP valuation. The parent business is valued at Rs.246/share based on DCF. We value the stake of 33-45pct in power projects of Reliance Power at Rs.873/share on DCF basis, while we value the stake of 26pct in Power distribution business at Rs54/share. Its 74-100pct stake in Power Transmission business is valued at Rs24/share at 1.2x book value, and stakes of 69pct in the Metro project and 51pct in road projects are valued based on DCF at Rs61/share. A stake of 66pct in real estate business is valued at Rs35/share on DCF basis. Other investments are valued at Re1/share on book value. Based on this, we arrive at an SOTP value of Rs1294/share. Our PO translates into 2x FY10E P/BV, which is below the utility sector leaders such as NTPC 3.1x. 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 to a fall in power rates.

## Analyst Certification

I, Bharat Parekh, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State	GJRSF	GUJS IN	Vidyadhar Ginde
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash	JPRKF	JPA IN	Bharat Parekh
	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
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Reliance Infrastructure	RELFF	RIFS LI	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
<b>NEUTRAL</b>				
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Sun TV LTD	SUTVF	SUNTV IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
<b>UNDERPERFORM</b>				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Balaji Tele	BLJIF	BLJT IN	Bharat Parekh
	Gujarat Gas Co	GJGCF	GGAS IN	Vidyadhar Ginde
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde
	Jaiprakash Hydro	XJSHF	JHPL IN	Bharat Parekh
	Zee Entertainmen	XZETF	Z IN	Bharat Parekh
<b>RVW</b>				
	GMR Infra	GMRLF	GMRI IN	Bharat Parekh

iQmethod<sup>SM</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
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
<b>Quality of Earnings</b>		
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
<b>Valuation Toolkit</b>		
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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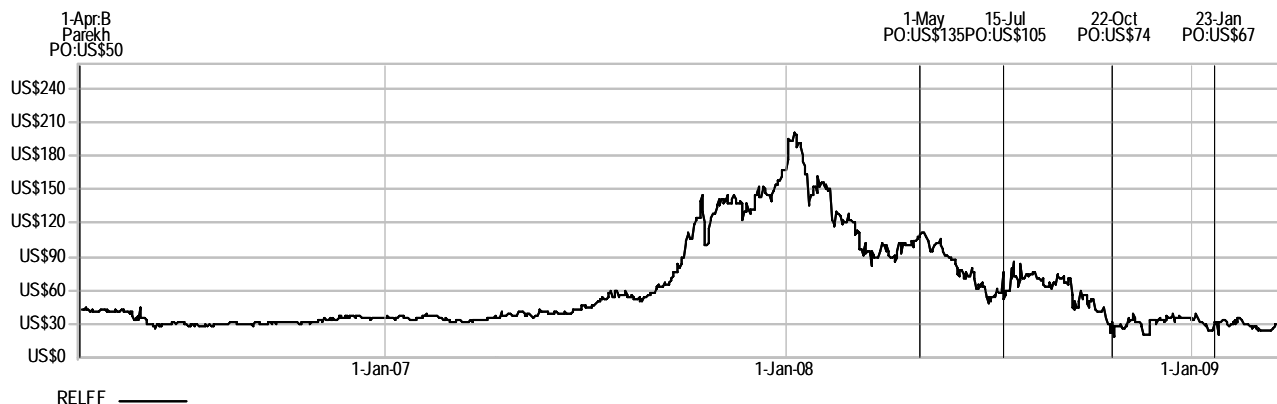


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

\*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2009 or such later date as indicated.

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### RELFF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

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### Investment Rating Distribution: Utilities Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	67	41.10%	Buy	34	55.74%
Neutral	40	24.54%	Neutral	19	51.35%
Sell	56	34.36%	Sell	18	35.29%

### Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

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

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