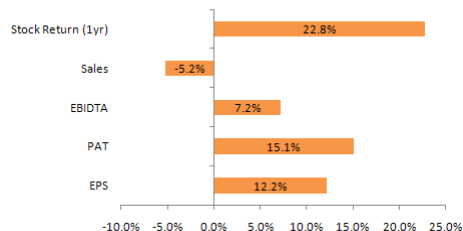




1Q FY12 Results Update

Industry Oil & Gas

■ CAGR (11-13E)

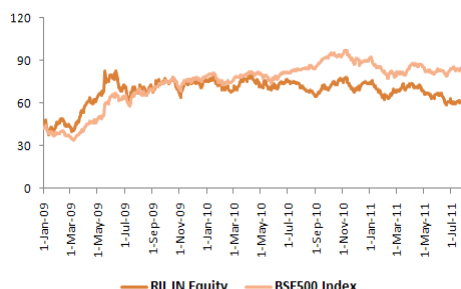


Price	882
Target Price	1,074
Last call	Accumulate (16-02-11 at ₹ 1,221)
Expected share price return	21.77%
Expected dividend yield	1.0%
Expected total return	22.79%

Market Data

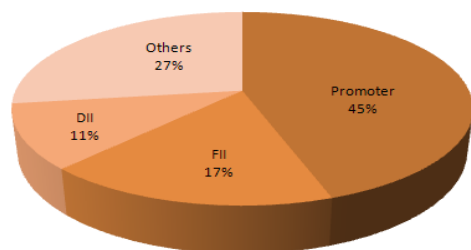
Market Cap.	₹ 2,884bn/ US\$ 65bn
Share Cap. (mn)	29,810
52 Wk High/Low	1187/ 841
Avg. Vol. (Weekly)	2,706,000

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



Shareholding Pattern (As on 30th June 2011)

(%)



Financials (₹ Mn)	FY11	FY12E	FY13E
Net Sales	2,658,110	2,457,771	2,386,927
EBIDTA	389,610	409,230	447,617
PBT	240,550	294,459	334,517
PAT	202,110	235,567	267,614
EPS (₹)	64.7	71.7	81.5
EBIDTA Margin (%)	14.7%	16.7%	18.8%
PAT margin (%)	7.6%	9.6%	11.2%
Price/Earnings (x)	15.3	14.5	12.8
EV/EBIDTA	9.3	9.7	8.8
ROE (%)	14.5%	14.9%	14.9%
ROCE (%)	12.4%	13.1%	13.5%

Reliance Industries (RIL IN)

July 26, 2011

Refining drives PAT growth

“ACCUMULATE” (CMP: ₹ 882)

Mkt Cap ₹ 2,884bn; USD65bn

RIL reported 17% YoY growth in its 1Q FY12 PAT mainly driven by robust margins in its refining business even as petchem remained subdued and E&P disappointed. Going forward, in all likelihood, RIL's earnings growth over the next 2-3 years would be driven entirely by cyclicals as volume growth in E&P may remain evasive. We cut our TP by 13% to ₹1074/share to factor in exclusion of exploration upside and lower P/E multiple. However, even on a lower TP, RIL still offers 22% upside. At the CMP, investors are getting future upstream growth for free. Reiterate Accumulate.

1Q FY12 PAT up 17% YoY; in line with consensus and marginally above our estimates

RIL's 1Q FY12 PAT increased by 17% YoY to ₹ 57bn – in line with consensus and marginally above our estimates (₹ 55bn). The profit growth was mainly driven by the refining segment – refining EBIT up 57% YoY to ₹32bn. Petchem EBIT was up 8% YoY mainly driven by low base last year due to maintenance shutdown and higher exports as domestic markets were subdued in 1Q FY12. E&P EBIT was down 23% YoY mainly due to lower KG D6 volumes. Sequentially, RIL's 1Q FY12 PAT was up 5% driven entirely by the refining segment. Other factors that supported the QoQ growth were lower interest expense and higher other income on higher cash balances.

Robust GRMs drive refining growth; E&P continues to disappoint

RIL's 1Q FY12 GRMs stood at US\$10.3/bbl – the highest in the last 11 quarters. This was mainly driven by i) higher light-heavy spreads; and ii) higher product cracks – particularly in the middle distillates segment viz. jet kerosene and gasoil. Light distillate cracks were tempered by lower naphtha cracks due to cracker shutdowns in Taiwan & Malaysia. Petchem margins (particularly PP and PE) were down QoQ mainly due to high feedstock prices and subdued demand in India and China. However, RIL managed to mitigate the impact by resorting to higher exports thus contributing to volume growth. E&P business continued to disappoint with KG D6 average volumes at 49mmsmd – down 17% YoY.

KG D6 production unlikely to increase for the next 2-3 years; cyclicals to drive growth

RIL is likely to drill only 3 wells in the KG D6 block over the next 2-3 years, taking the total number of wells drilled in the block to 23 by 2013. This is far lower than the FDP approved number of 40 as RIL does not wish to drill any well that would lead to any infructuous expenditure not yielding the desired results. However, the results of the well drilling are unlikely to result in increase in production atleast over the next 2-3 years. Thus, earnings growth over FY12E-14E would mostly be driven by cyclicals.

Cutting fair value by 13% to ₹1074/share; No change in EPS forecasts

The likelihood of flat production over the next 2-3 years is well discounted by the market and hence is unlikely to have a significant impact on the stock price. To factor in the possibility of RIL focusing more on production ramp-up in the near-term and consequently exploration not being the first priority, we are removing exploration upside of ₹110/share from our valuation. We also accord 15x P/E multiple on FY12E EPS v/s 17x earlier; the P/E multiple is now in line with RIL's historical average. This has resulted in 13% cut in our TP to ₹1074/share - still implies 22% upside. At the CMP, investors are getting future upstream growth for free. Besides, post the BP deal, RIL is likely to turn debt free in FY12E. We thus re-iterate our contra Accumulate call on RIL.

Sudarshan Narasimhan

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PAT up 17% YoY led by Refining & Petchem

Higher GRMs, Petchem margins boost EBIT

RIL reported PAT of ₹56.6bn in 1Q FY12, which represents a robust growth of 17% YoY. This was mainly driven by 15% YoY growth in EBIT to ₹69bn v/s ₹60bn in 1Q FY11.

Table 1: RIL 1Q result (standalone)

₹-mn	1Q FY12E	1Q FY11	Change	4Q FY11	change
Net sales	810,180	582,280	39.1%	726,740	11.5%
Total expenditure	710,920	488,860	45.4%	628,310	13.1%
EBDITA	99,260	93,420	6.3%	98,430	0.8%
EBDITA margin	12.3%	16.0%	-23.6%	0	-9.5%
Interest	5,450	5,410	1%	6,960	-21.7%
Depreciation	31,950	34,850	-8%	33,870	-5.7%
Other Income	10,780	7,220	49%	9,170	17.6%
PBT	72,640	60,380	20%	66,770	8.8%
Tax	16,030	11,870	35%	13,010	23.2%
Recurring PAT	56,610	48,510	17%	53,760	5.3%
Extra-ordinary items	0	0	0%	-	
PAT	56,610	48,510	17%	53,760	5.3%
EPS	17.3	14.8	17%	16	5.8%

Source: Company, Systematix Institutional Research

Refining drives EBIT growth; E&P continues to disappoint

RIL's refining EBIT surged 57% YoY to ₹32bn, mainly driven by 41% YoY increase in Gross Refining Margins (GRMs) to US\$10.3/bbl v/s US\$7.3/bbl in 1Q FY11 even as refining throughput was marginally down YoY.

Petchem EBIT rose 8% YoY to ₹22bn mainly driven by volume growth YoY as 1Q FY11 was plagued by a maintenance shutdown in its Hazira, Nagothane and Gandhar crackers. RIL managed to report YoY growth despite domestic industry sales degrowth of 4% mainly led by higher exports (up 81% YoY; mainly PP). Domestic polyester industry too mirrored the trend in polymers by reporting 5% YoY degrowth in 1Q FY12E. This was mainly due to inventory destocking and heightened volatility in the prices of its competing fibre i.e. cotton led by government policies on ban and thereafter re-allowance of cotton exports. However, RIL mitigated the impact of the domestic demand slowdown by resorting to exports – mainly POY and PET

E&P business continued to disappoint led by declining volumes in its KG D6 block resulting in a 23% YoY decline in its E&P EBIT to ₹15bn.

Table 2: RIL 1QFY12 EBIT break-up

₹mn	1Q FY12E	1Q FY11	% change	4Q FY11	% change
Petrochemicals	22,150	20,530	7.9%	26,260	-15.7%
Refining	31,990	20,350	57.2%	25,090	27.5%
Oil & Gas	14,730	19,210	-23.3%	15,690	-6.1%
Others	80	70	14.3%	90	-11.1%
	68,950	60,160	14.6%	67,130	2.7%
Petrochemicals	32%	34%		39%	
Refining	46%	34%		37%	
Oil & Gas	21%	32%		23%	
Others	0%	0%		0%	
	100%	100%		100%	

Source: Company, Systematix Institutional Research

Table 3: Performance of refining division in Q1 FY12

₹mn	1Q FY12E	1Q FY11	% change	4Q FY11	% change
Crude throughput (MT)	17.0	16.9	0.7%	16.7	1.8%
Refining Margin (US\$/bbl)	10.3	7.3	41.1%	9.2	12.0%

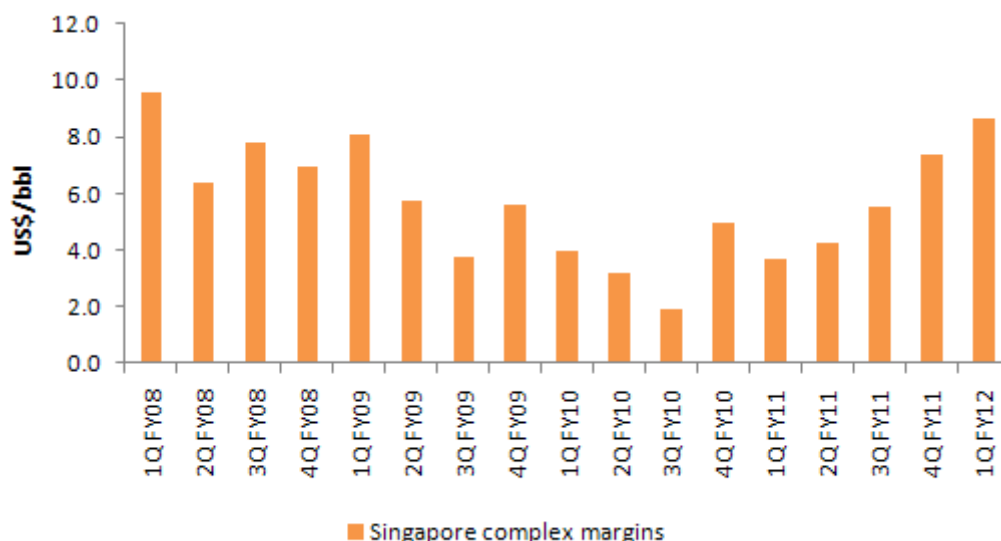
Source: Company, Systematix Institutional Research

Robust GRMs drive refining EBIT growth

Benchmark refining margins highest in the last 15 quarters...

Singapore complex refining margins rose to US\$8.7/bbl –up 136% YoY and 18% QoQ. This is the highest GRM since 1Q FY08.

Chart 1: Trend in Singapore complex margins



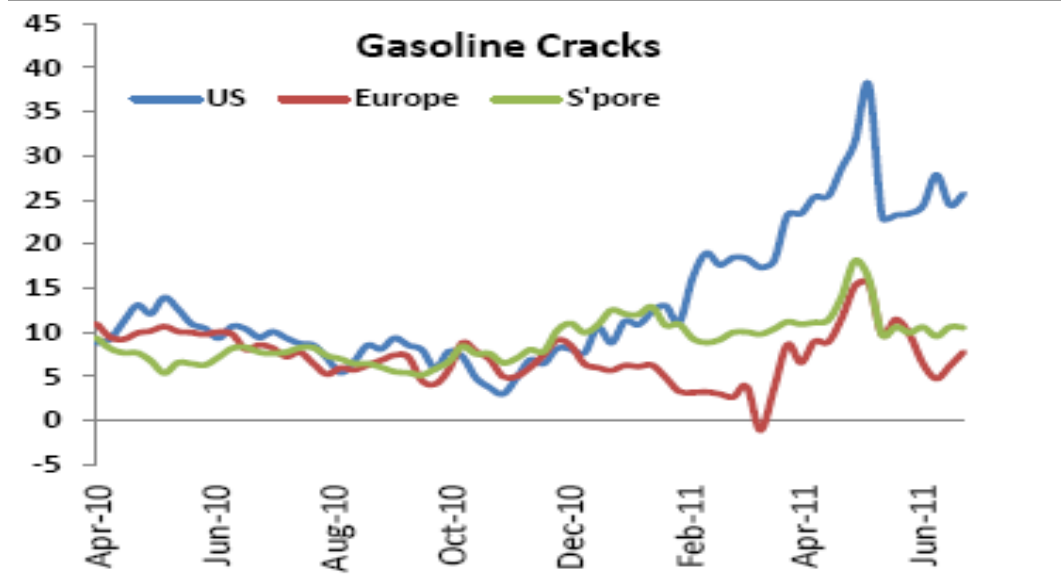
Source: Company

... led by higher product cracks, light-heavy spreads

The significant improvement in GRMs were a result of an uptick in both product as well as light-heavy crude spreads. Most spreads except Fuel oil and naphtha increased both sequentially as well as on YoY basis.

- **Gasoline crack spreads improved** 60% YoY and 16% QoQ mainly buoyed by the resurgence in US demand. Gasoline cracks improved particularly in the US mainly led by the suppressed WTI effect i.e. abundant supplies of WTI which artificially boosted US refining margins.

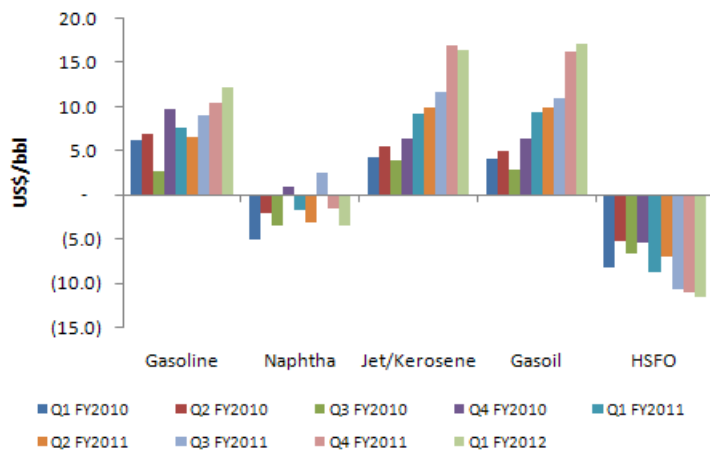
Chart 2: Movement in Gasoline crack spreads



Source: Company

- Diesel spreads too improved** 82% YoY and 5% QoQ mainly due to high demand from China led by power shortages in that region. Further, the demand for diesel in Japan continued to be strong as most of its nuclear powered power generating capacities still remain shut post the earthquake & Tsunami and consequently the populace there resorted to fossil fuels to meet their energy requirements.
- Naphtha cracks decreased** sequentially mainly due to supply overhang and unplanned cracker outages in Taiwan and Malaysia that adversely impacted demand for naphtha. Light-heavy spreads too were at their highest levels post the crisis. The loss of light-sweet crude oil due to the Libyan crisis led to increased supply of Saudi Arabian crude oil, which is largely heavy-sour in nature. This mainly contributed to the expansion in the light-heavy spreads.

Chart 3: Trend in product cracks



Source: Bloomberg, Systematix Institutional Research

Chart 4: Trend in Brent-Dubai spreads

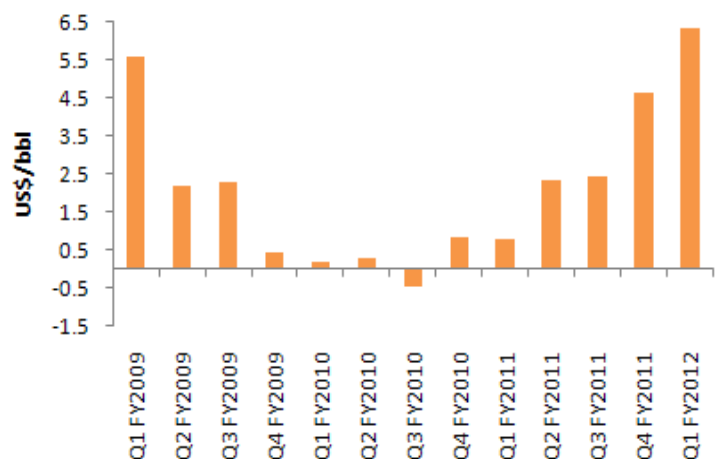
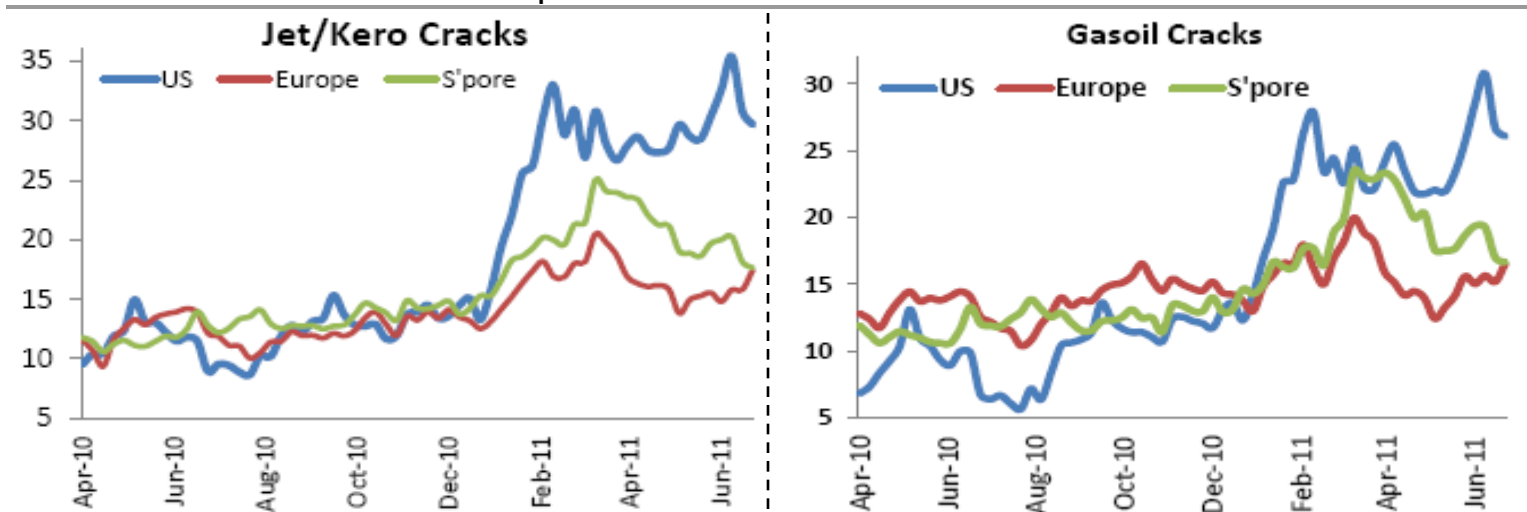


Chart 5: Movement in middle distillate crack spreads

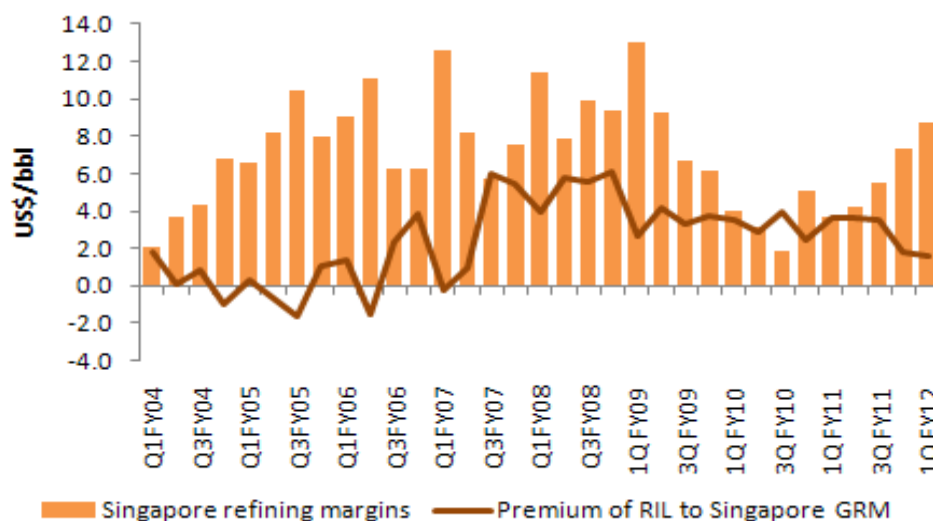


Source: Company

RIL's adjusted premium to Singapore GRMs lower QoQ

RIL's premium to Singapore GRMs fell to US\$1.4/bbl in 1Q FY12E v/s US\$1.8/bbl in 4Q FY11 and US\$3.6/bbl in 1Q FY11. The decline in the premiums, particularly on a YoY basis, was mainly due to the use of high cost LNG this quarter (~8mmscmd) v/s low cost KG D6 gas in 1Q FY11 (~6mmscmd). The decline in KG D6 gas volumes and the resultant government directive to supply D6 gas to only core consumers (excl refineries/ petchem plants) has meant that RIL's refineries and petrochemical crackers no longer have access to D6 gas. This prompted RIL to resort to more expensive LNG (US\$14/mmbtu v/s US\$4.2/mmbtu in case of KG D6 gas) for its internal requirements.

Chart 6: RIL's premium to Singapore complex GRMs



Source: Company, Systematix Institutional research

E&P EBIT down 34% YoY at ₹13bn

E&P EBIT was down 34% YoY due to decline in production of KG D6 gas. Production levels in 4Q FY11 averaged 49mmscmd v/s 59mmscmd last year. Output from D1 & D3 averaged ~41mmscmd and from MA field averaged ~8mmscmd. The production from gas fields in the KG-D6 block has dropped due to reservoir complexities since 2Q FY11.

Table 4: YoY change in E&P production volumes

	1Q FY12	1Q FY11	YoY change	4Q FY11	QoQ change
Panna-Mukta					
Oil ('000mt)	367	403	-8.8%	422	-12.9%
Gas (mmscmd)	5.4	5.5	-2.9%	5.5	-3.3%
Tapti					
Condensate ('000mt)	40.8	42.3	-3.5%	41	0.0%
Gas (mmscmd)	6.1	8.6	-28.7%	6.6	-6.3%
KG D6					
Oil ('000mt)	190	327	-41.7%	204	-6.7%
Gas (mmscmd)	49.0	59.1	-18.6%	50.4	-4.6%
Condensate ('000mt)	27	14	NA	27	0.0%

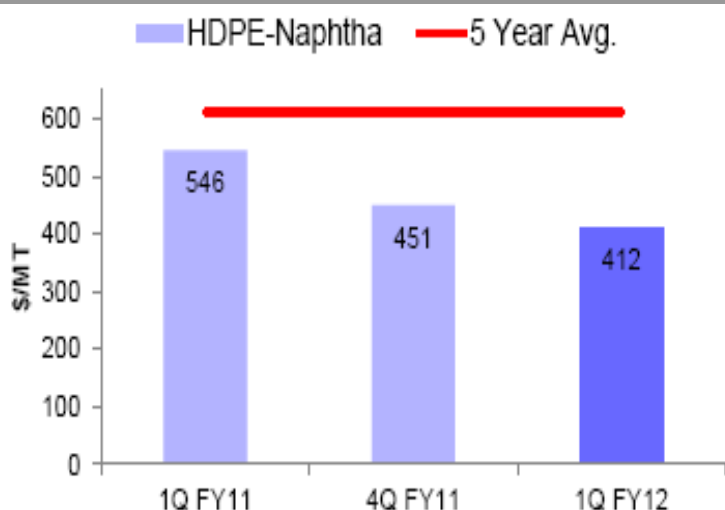
Source: RIL

Petchem EBIT up 8% YoY mainly due to higher exports, low base

Petchem EBIT was up 7% YoY to ₹22bn. However on a QoQ basis, EBIT was down 16%. 1Q FY12 quarter witnessed negative headwinds in the petchem business with domestic polymer demand down 4% YoY and domestic polyester demand down 5% YoY. The main reasons for the subdued demand were i) inventory destocking; ii) high naphtha prices not entirely passed on to consumers through commensurate increase in PE prices; and iii) high volatility in cotton prices (competing fibre for polyester) which distorted the domestic polyester demand.

However, RIL in its analyst meet indicated that the domestic demand situation has improved in the month of July 2011 and is likely to improve further in 2H FY12E. Further, with respect to polyester, the spread between cotton and polyester is currently ~US\$1.1-1.2/kg and is likely to sustain at current levels going forward. This is mainly because the existing demand-supply gap in cotton (global consumption of 26.5-27mtpa v/s supply of 26mtpa) is likely to exert an upward pressure on cotton prices, which is beneficial for polyester fibre prices.

Chart 7: HDPE-naphtha delta



Source: RIL

Chart 8: PP-propylene delta

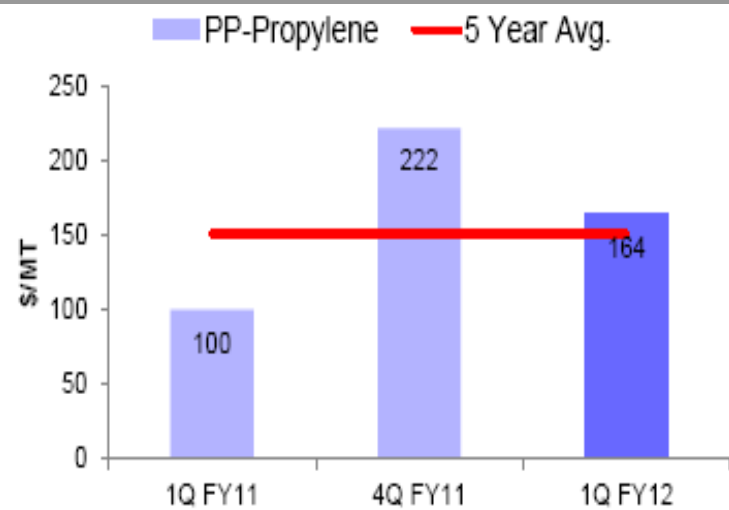
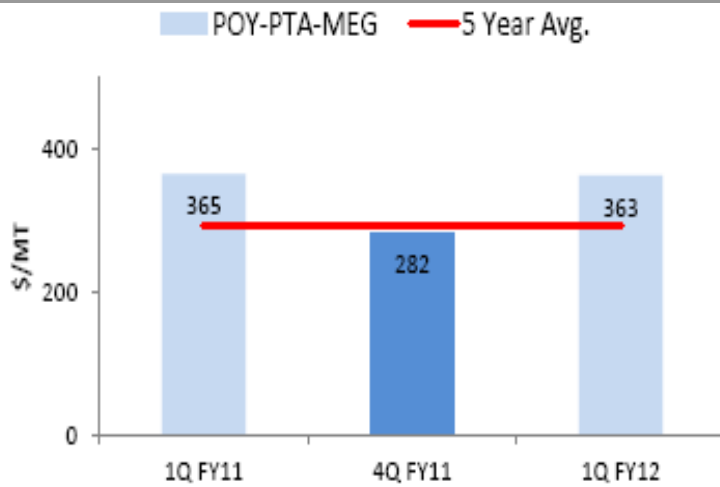


Chart 9: POY-PTA-MEG



Source: RIL

Chart 10: PSF-PTA-MEG

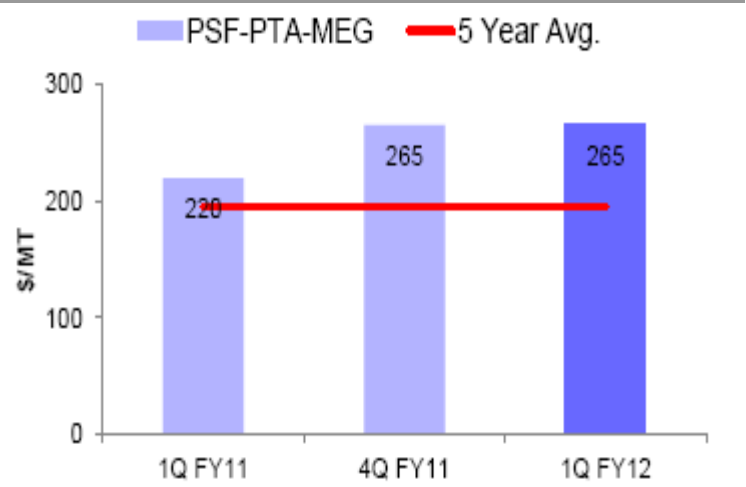
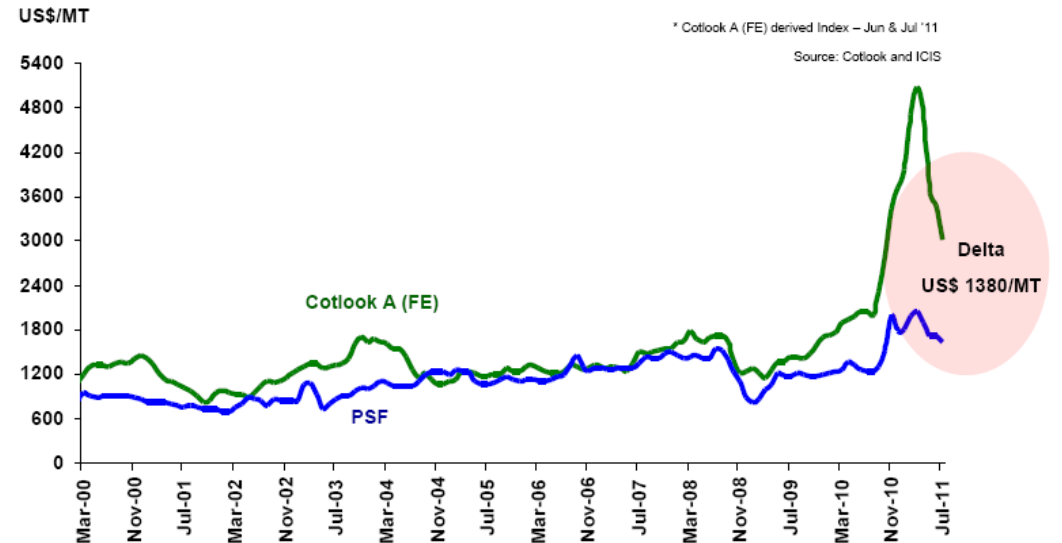
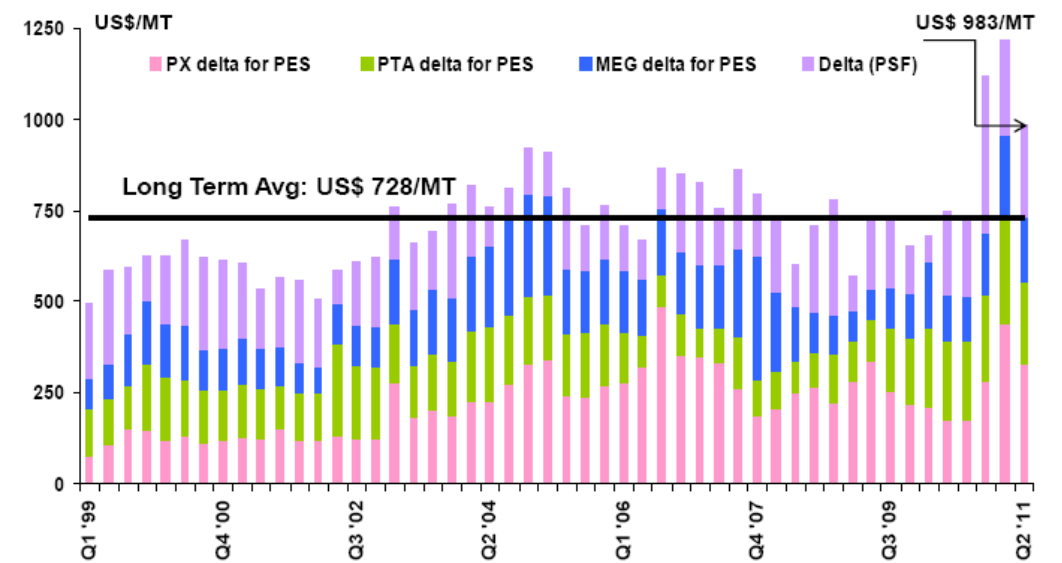


Chart 11: High volatility in cotton prices, inventory destocking impacts polyester prices



Source: RIL

Chart 12: Polyester chain deltas still above long-term averages



Source: RIL

Chemical deltas continue to witness significant traction

Butadiene and Poly Butadiene Rubber (PBR) deltas continued to witness significant traction in 1Q FY12 led by robust demand growth from the automobile segment and high natural rubber prices due to low crop. Butadiene deltas rose 78% YoY to US\$2484/tonne while PBR deltas also shot up 78% YoY to US\$1025/tonne. LAB deltas too strengthened led by higher demand from the detergents segment.

Chart 13: Butadiene-LPG Delta

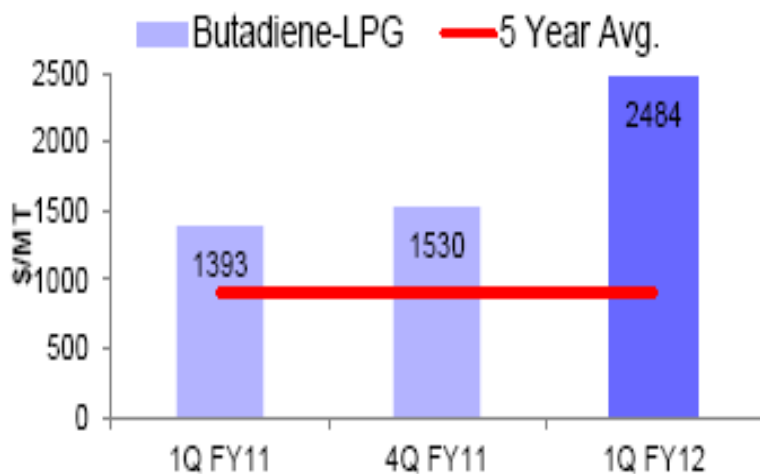
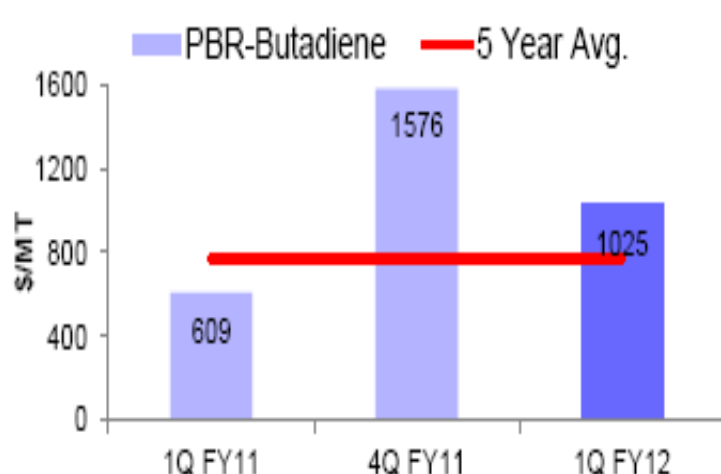


Chart 14: PBR-Butadiene Delta



Source: RIL

1Q FY12 PAT up 5% QoQ

QoQ growth entirely driven by refining;

Sequential PAT growth was led by growth in the refining segment. Refining EBIT rose 28% QoQ to ₹32bn, mainly led by 12% growth in GRMs and 2% growth in throughput.

Petchem was however 16% QoQ lower mainly due to softer polymer margins. PP spreads were down 26% QoQ while PE spreads were down 9% QoQ mainly due to higher feedstock prices and reduced demand in India and China.

Analyst Meet Takeaways

E&P update

Production unlikely to increase for the next 2-3 years

As per the FDP for the D6 block, RIL was supposed to drill 22 wells by March 2011, 31 wells by April 2012 and 40 wells by mid-2013. However, to date RIL has drilled only 20 wells out of which only 16 are producing. This means that it would have to hook in 4 wells and drill two more wells to meet its FDP commitment for 2011 and 9 more wells by April 2012. However, RIL has indicated that it would drill only 3 more wells by mid 2013 taking the total to 23 wells by then. One of the 3 wells has already been drilled, the results of which are being evaluated. The decision to drill the balance two wells would depend upon i) the results of the first well; and ii) GOI approval for the balance two wells which is a thorn in the neck now given GOI's stand that RIL should stick to the well drilling plan laid out in the FDP. RIL on the other hand believes that any drilling activity without justifying its commercial viability would not be fruitful in achieving the desired purpose.

Even if RIL were to drill the 3 additional wells, it is unlikely that production volumes would increase atleast in the next 2-3 years as all wells would be hooked up at one single point of time. However, the comforting factor here is that atleast the rate of production decline appears to have reduced now.

In terms of earnings/ stock price impact, both us and the street have already factored in flat production volumes for KG D6 over FY12E-13E. Hence, the impact of flat production volumes in KG D6 has already been factored into the earnings forecasts for FY12E-13E.

Refining update

Incremental demand growth to outpace capacity additions; middle distillates to drive growth

RIL gave a bullish commentary on refining margins indicating that the incremental capacity planned are unlikely to impact GRMs as incremental demand growth would be sufficient to absorb the same. Further, RIL also indicated that unlike the previous refining cycle, where all products participated in the cycle, this time around middle distillates would dominate the cycle in terms of outperformance. This is mainly because incremental demand growth would emanate from the non-OECD regions such as India, China, Korea etc which are more dependent upon middle distillates over light and heavy distillates to fuel their oil demand growth.

Other factors that would support benign outlook for GRMs include: i) Improving light-heavy spreads led by reduced OPEC compliance (accentuated by the Libyan crisis) resulting in higher flows of heavier crudes; and ii) Stricter sulphur content norms for Fuel oil (FO) resulting in capex required to produce sulphur compliant FO and thus a higher product price for the compliant FO grades.

Cutting fair value by 13% to ₹1074/share

Cut mainly driven by exclusion of exploration upside from valuation

We are cutting our SOTP based fair value for RIL by 13% to ₹1074/share from ₹1231/share earlier. This is mainly due to the following reasons:

- Removal of exploration upside of ₹110/share from our E&P valuation:** This stems from the belief that most of RIL's E&P efforts would now be directed towards arresting the production decline in its KG D6 block. Consequently, focus on exploration efforts in its other blocks would now be diluted – focus on exploratory drilling is likely to be only towards meeting minimum work commitments in other blocks.
- Assuming 15x FY12E EPS instead of 17x assumed earlier:** Our SOTP based valuation for RIL is a composite of DCF based SOTP and P/E based valuation. We had earlier assumed a higher P/E of 17x for RIL's 1 year forward earnings v/s 15x its previous five year average. However, given i) the negative sentiment in the stock following the E&P disappointments; ii) negative newsflow related to the CAG report; and iii) lack of clarity on deployment of cash in value accretive opportunities, we assume a lower multiple of 15x FY12E EPS (in line with its 3 year historical average). This has resulted in a reduction of ₹71/share in our SOTP based fair value.

Chart 15: RIL's P/E band chart



Source: Systematix Institutional Research

Table 5: RIL's sum of parts valuation

INR/share Business/Investment	Valuation			
	USD bn	₹-bn	₹/share	Break-up
Petrochemicals	19.3	908	305	27%
Refining & Marketing	22.0	1,036	348	31%
Exploration & production	23.6	1,110	373	33%
Retail, SEZ etc	6.0	269	90	8%
Sum of parts valuation	71.0	3,324	1,116	100%
Less: net debt		324	109	
			1,007	

Source: Systematix Institutional Research

Note: For per share valuation, we have considered shares outstanding ex-treasury stock

Table 6: RIL's target price

	₹/share	Remarks
SOTP based valuation (ex-shale gas JVs)	942	SOTP
17x FY12E EPS of ₹71.9/share	1,076	Higher multiple justified given RIL's higher earnings trajectory going forward v/s historical earnings growth
	1,009	
Add: value of shale gas JVs	65	DCF
RIL's final target price	1,074	

Source: Systematix Institutional Research

Table 7: Valuation of RIL's E&P assets

	mmboe	USD/boe	Risk	USDm	₹/share
D6 2P reserves (D1 & D3)	2,106	5.7		12,098	183
MA oil (D-26) in D6	77	17.6		1,346	20
MA (D-26) gas in D6	128	4.0		514	8
PMT proven reserves	141	10.3		1,457	22
Proven oil reserves outside India	9	3.9		35	1
NEC-25 2P	447	1.7		765	12
CBM	594	3.6		2,158	33
2P reserves	3,501	5.2		18,373	278
D6 resources best case	1,166	1.3		1,538	23
Shale gas resources	1,588	2.7	70%	4,303	65
Atlas Energy	668	2.6	70%	1,734	26
Eagle Ford (Pioneer JV)	520	2.8	70%	1,480	22
Carrizo JV	401	2.7	70%	1,089	16
D3 contingent resources	84	5.5		461	7
Resources	2,839	2.2		6,301	95
Total reserves & resources	6,340	3.9		24,675	373
Total E&P valuation	6,340	3.9		24,675	373

Source: Systematix Institutional Research

Key risks to target price

Key risks to our revised target price of ₹1074/share include:

- i. **Cut in KG D6 reserves:** RIL's minority partner Niko Resources in June 2011 cut its overall 2P reserves by 18% to 268bcfe mainly due to technical and economic factors. Niko is mainly present in India (KG D6, NEC-25) and Bangladesh with India contributing a significant portion of Niko's assets (>80%). KG D6 is likely to contribute a significant portion of Niko's India assets (~80% if not more). Thus, assuming that the entire reserve cut is towards KG D6, the impact on E&P valuation is only ₹26/share i.e. 7%. This implies that the cut, if any in KG D6 reserves, is unlikely to significantly dent RIL's E&P valuation
- ii. **Weaker refining/ petchem margins:** We model GRMs of US\$9.5/bbl in FY12E and US\$10/bbl in FY13E. We assume naphtha cracking margins of US\$650/tonne in FY12E and US\$761/tonne in FY13E. Global economic slowdown mainly in the OECD region could lead to lower than assumed refining/ petchem margins which could impact the performance of RIL's cyclical businesses

Retain 'Accumulate'

RIL's stock has underperformed BSE-30 by 7-9% in the last 3-6 months. This was initially driven by negative newsflow on its E&P business (production decline, CAG report). Post the BP deal, we believe RIL would be debt free (on standalone basis) in FY12E (also indicated by the Chairman in his AGM speech). On a consolidated basis, the net debt is expected to significantly decline in FY12E by virtue of this deal. Also, the current market price is not even discounting RIL's 2P reserves. Further, any future growth from its upstream business is practically free at the current price. We thus reiterate our contrarian 'Accumulate' call on RIL with a revised target price of ₹1074/share.

PROFIT & LOSS A/c

Table 8: Profit and Loss a/c

₹-million	FY10	FY11	FY12E	FY13E	FY14E
Revenue	2,037,397	2,658,110	2,457,771	2,386,927	2,560,695
Raw material consumed	(1,546,027)	(2,018,500)	(1,925,406)	(1,808,746)	(1,896,117)
Other expenditure	(182,431)	(250,000)	(123,136)	(130,564)	(91,777)
Total expenditure	(1,728,458)	(2,268,500)	(2,048,541)	(1,939,310)	(1,987,894)
EBITDA	308,939	389,610	409,230	447,617	572,801
Depreciation	(109,458)	(141,210)	(122,173)	(124,467)	(165,953)
Interest	(20,596)	(24,110)	(23,325)	(20,316)	(23,044)
Other Income	21,858	25,430	30,727	31,683	31,327
Extra-ordinary/prior period items	86,056	(9,170)	0	0	0
PBT	286,799	240,550	294,459	334,517	415,131
Tax	(42,563)	(47,830)	(58,892)	(66,903)	(83,026)
Reported Profit	244,236	192,720	235,567	267,614	332,105
Net Profit	158,180	201,890	235,567	267,614	332,105
Minority interest	795	220	0	0	0
Consolidated profit	158,975	202,110	235,567	267,614	332,105
Outstanding shares	3,285	2,981	3,285	3,285	3,285
Reported EPS	48.4	64.7	71.7	81.5	101.1
y-o-y change	6%	34%	11%	14%	24%
Recurring EPS	48.4	67.8	71.7	81.5	101.1
y-o-y change	6%	40%	6%	14%	24%

Source: Company and Systematix Institutional Research

BALANCE SHEET

Table 9: Balance Sheet

₹-million	FY10	FY11	FY12E	FY13E	FY14E
Assets					
Gross fixed assets	2,418,095	2,553,262	3,044,440	3,442,613	3,798,876
Less: accumulated depreciation	910,319	1,033,124	1,296,514	1,681,494	1,987,412
Net fixed assets	1,507,776	1,520,137	1,747,926	1,761,119	1,811,464
Capital work in progress	170,337	297,423	370,587	526,337	539,837
Net fixed assets and Capital WIP	1,678,113	1,817,560	2,118,513	2,287,456	2,351,301
Investments	131,123	215,962	45,431	55,431	175,431
Cash and bank balance	138,908	301,390	292,681	292,478	345,341
Current Assets					
Inventories	343,933	385,194	306,312	292,736	305,054
Sundry debtors	100,829	156,952	215,523	219,699	228,844
Loans to subsidiaries	0	0	0	0	0
Other current assets	107,386	137,259	95,515	86,587	96,624
	552,149	679,406	617,350	599,023	630,521
Less: Current liabilities					
Sundry creditors	381,256	519,421	354,433	307,788	331,955
Dividend provision	24,309	27,719	33,713	37,459	43,078
Other liabilities	20,291	27,327	25,846	23,083	23,871
	425,856	574,467	413,992	368,330	398,904
Net current assets	126,293	104,938	203,358	230,693	231,618
Total assets	2,074,436	2,439,850	2,659,982	2,866,058	3,103,691
Liabilities					
Borrowings	646,055	841,062	844,522	807,062	739,062
Deferred tax liability	106,776	110,709	122,487	135,868	152,473
Minority interest	5,735	8,022	8,022	8,022	8,022
Equity share capital	29,780	29,810	32,850	32,850	32,850
Reserves and surplus	1,286,090	1,450,247	1,652,101	1,882,256	2,171,283
	1,315,870	1,480,057	1,684,951	1,915,106	2,204,133
Total liabilities	2,074,436	2,439,850	2,659,982	2,866,058	3,103,691

Source: Company and Systematix Institutional Research

CASH FLOWS

Table 10: Cash Flows

₹-million	FY10	FY11	FY12E	FY13E	FY14E
Net profit	244,236	192,720	235,567	267,614	332,105
Add: deferred tax	11,314	3,710	11,778	13,381	16,605
Add: Depreciation	109,458	141,210	122,173	124,467	165,953
	365,008	337,640	369,519	405,461	514,663
Add: Change in working capital	-154,973	17,945	-104,413	-31,082	-6,543
Less: dividend	19,860	24,349	27,719	33,713	37,459
	190,175	331,235	237,386	340,667	470,661
Less change in investment	66,767	84,839	-170,531	10,000	120,000
Less: Capex	100,954	278,951	423,126	293,410	229,798
	22,454	-32,555	-15,209	37,257	120,863
Add: change in equity	5,545	30	3,040	0	0
Less: repayment of debt	116,511	-195,007	-3,460	37,460	68,000
Change in cash balance	-88,513	162,482	-8,709	-203	52,863

Source: Company and Systematix Institutional Research

RATIOS

Table 11: Ratios

₹-million	FY10	FY11	FY12E	FY13E	FY14E
Recurring EPS	48.4	67.8	71.7	81.5	101.1
PE	21.5	15.3	14.5	12.8	10.3
DPS	6.35	8.00	9.00	10.00	11.50
Yield	0.6%	0.8%	0.9%	1.0%	1.1%
Book Value	401	496	513	583	671
P/BV	2.6	2.1	2.0	1.8	1.5
EV/EBITDA	12.7	9.3	9.7	8.8	6.7
ROCE	16.1%	12.4%	13.1%	13.5%	15.5%
ROE	13.2%	14.5%	14.9%	14.9%	16.1%
Gross debt equity ratio	49%	57%	50%	42%	34%
Net Debt equity ratio	39%	36%	33%	27%	18%

Source: Company and Systematix Institutional Research

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ACCUMULATE (A)	The stock's total return is expected to be within 10-20% over the next 12 months.
HOLD (H)	The stock's total return is expected to be within 0-10% over the next 12 months.
SELL (S)	The stock's is expected to give negative returns over the next 12 months.
NOT RATED (NR)	The analyst has no recommendation on the stock under review.

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