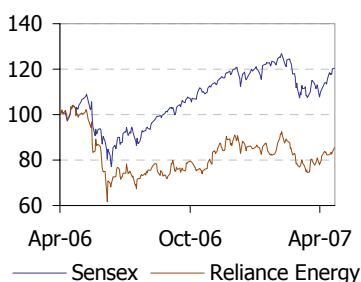


Reliance Energy

Relative to sector: **Outperformer**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 228mn
Market cap : Rs 119bn
52 week high/low : Rs 636/ Rs 362
Avg. daily vol. (6mth) : 867,600 shares
Bloomberg code : RELE IN
Reuters code : RLEN.BO

Shareholding (%)	Mar-07	QoQ chg
Promoters	: 34.5	4.7
FII's	: 20.3	(1.8)
MFs / UTI	: 6.6	0.4
Banks / FI's	: 22.3	(1.1)
Others	: 16.4	(2.4)

IN LINE WITH EXPECTATIONS

Reliance Energy Ltd's (REL) Q4FY07 performance, adjusted for the tax write back, was largely inline with our expectations. Total revenue was up 55% YoY and 5% QoQ to Rs 16.14bn. Revenue growth was due to 161% YoY growth in the EPC business, which accounted for 45% of sales. REL registered a profit of Rs 1.84bn during the quarter largely on back of – (1) higher profits from EPC biz (up 124% YoY) (2) increase in the treasury income (up 50%) (3) tax write back of Rs 530mn.

Q4FY07 highlights:

- Revenues from the energy business rose 13% YoY to Rs 9bn on the back of ~10% YoY increase in electricity sales to 2.1 BU.
- The EPC business contributed with an impressive growth of 161% YoY to Rs 7.3bn and was the growth driver in Q4. The PBIT margin was flat YoY at 9%.
- For the quarter as well as FY07, REL's Mumbai regulatory business was adversely impacted as MERC did not allow recovery of ~Rs 2.5bn expenditure through the hike in power tariffs.

Update on FY08 ARR

MERC has approved the tariff for REL's Mumbai business and has proposed a tariff increase of 19-32% across the categories. The tariff order has proposed significantly better recovery of the expenditure (reflected in approved expenditure v/s that proposed in the petition). This may improve profits of the power business.

Valuation and Recommendation

REL currently trades at 1.2x FY08E BV. While valuations of sectoral peers build in part of the upside from projects under implementation, REL's valuations reflect its existing businesses only. We therefore, believe that concerns on the execution front seem to be over done, and any visibility/ development on the new projects would significantly re-rate the stock. We maintain sector **Outperformer** rating on the stock with a price target of Rs 650.

Financial summary

Y/E Mar	Sales (Rs.mn)	PAT (Rs. mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2006	39,195	7,309	-	34.4	23	-	10.0	8.6	-	5.0
2007	55,683	7,503	-	32.8	(5)	-	8.6	8.1	-	5.3
2008E	57,925	8,314	35.8	36.4	11	14.4	8.6	8.4	13.6	5.8
2009E	66,828	8,689	37.9	38.0	5	13.8	8.4	8.3	11.1	6.1

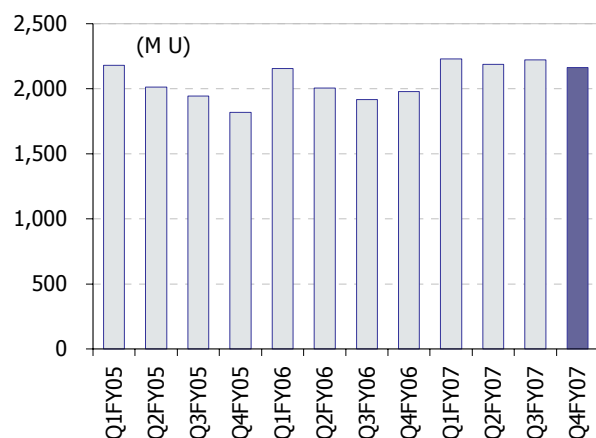
Source: *Consensus broker estimates, Company, ENAM estimates

Results update

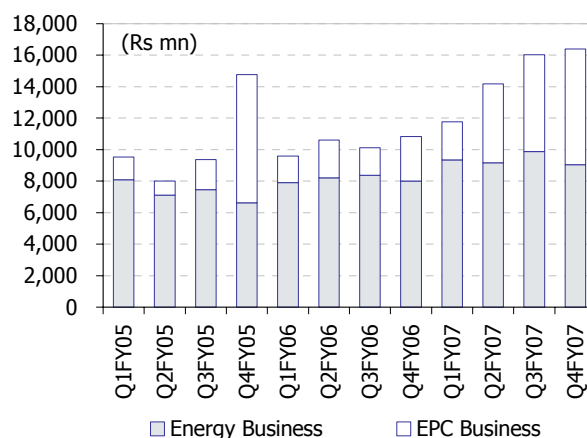
(Rs mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	16,143	10,382	55.5	15,337	5.3	57,925	55,683	4.0
EBIDTA	598	1,901	(68.6)	827	(27.7)	6,265	5,258	19.2
Other income	2,754	1,863	47.9	2,867	(3.9)	9,743	8,369	16.4
PBIDT	3,352	3,764	(11.0)	3,694	(9.3)	16,009	13,628	17.5
Depreciation	535	891	(40.0)	612	(12.6)	3,038	2,503	21.4
Interest	823	477	72.4	551	49.5	3,190	2,401	32.9
PBT	1,994	2,396	(16.7)	2,532	(21.2)	9,781	8,724	12.1
Tax	147	(105)	(240.1)	522	(71.9)	1,467	1,221	20.2
Adjusted PAT	1,848	2,500	(26.1)	2,010	(8.1)	8,314	7,503	10.8
Extra ordinary income/ (exp.)	527	(806)	(165.4)	-	-	-	512	-
Reported PAT	2,374	1,695	40.1	2,010	18.1	8,314	8,015	3.7
No. of shares (mn)	229	212	-	229	-	229	229	-
EBIDTA margins (%)	3.7	18.3	-	5.4	-	10.8	9.4	-
PBIDT margins (%)	20.8	36.3	-	24.1	-	27.6	24.5	-
EPS - annualized (Rs.)	32.3	47.1	(31.3)	35.2	(8.1)	36.4	32.8	10.8

Source: Company, ENAM Research

Energy sales



Segment wise revenue mix



Source: Company reports, ENAM Research

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