

Asia India
Energy Oil & Gas

Deutsche Bank



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Reliance Industries

Reuters: **RELI.BO** Bloomberg: **RIL IN** Exchange: **BSE** Ticker: **RELI**

Q3FY11 results: Downstream improves, E&P disappoints

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Q3FY11 results in line; reiterate Buy on improving refining and petchem cycle

RIL's Q3FY11 PAT and EBITDA were in line with our estimate, but marginally lower than consensus. We reiterate our Buy on RIL on expectation of higher refining and petrochemical margins in FY12/13. Even though KGD6 gas production ramp-up to 80mmscmd seems distant, acquisitions and exploration have the potential to provide a positive surprise.

RIL reports INR51.4bn net profit; +28% YoY and +4% QoQ

RIL's Q3FY11 PAT at INR51.4bn (+28% YoY and +4% QoQ) and EBITDA at INR95.5bn (+22% YoY, +2% QoQ) were in line with our estimates. GRMs at US\$9.0/bbl were up 53% YoY and 14% QoQ. KG D6 produced gas at c54.5mmscmd (+19% YoY, -6% QoQ) while liquids production was at 19,400 bpd (+115% YoY, -18% QoQ).

Strong downstream margins to benefit RIL, uncertainty on gas production ramp-up continues

Q3FY11 recorded the strongest refining and petchem EBIT margin for RIL in the last five quarters. Driven by strong global demand and higher utilisation rates, we expect downstream margins to be robust in FY12/13. With more than two thirds of its operating profit being contributed by refining and petrochemicals, RIL will be a key beneficiary of this trend. We forecast RIL's GRM at US\$9.4/bbl for FY12 and US\$9.8/bbl for FY13. Lack of clarity on KGD6 gas production increase to its initially estimated peak of 80mmscmd could, however, cap the upside for the stock over the near term.

Reiterate Buy with INR1,220 target price; worsening global economy key risk

We reiterate our Buy rating on the stock with a target price of INR1,220/sh. Our SOTP-based target price uses 7.5x FY12E EV/EBITDA for refining and petrochemicals and a DCF (WACC 10.2%) for KG-D6 and exploration upside. Risks are 1) a worsening global economy that could hurt refining and petrochemicals demand; 2) production outages; and 3) policy vagaries.

Forecasts and ratios

Year End Mar 31	2009A	2010A	2011E	2012E	2013E
Sales (INRm)	1,512,240.1	2,037,400.0	2,509,671.7	2,646,613.1	2,844,122.9
EBITDA (INRm)	234,221.5	308,940.0	397,300.8	460,926.9	512,097.3
Reported NPAT (INRm)	149,687.2	245,040.0	214,664.5	254,827.6	284,636.5
DB Net Profit (INR)	152,967.2	158,980.0	214,664.5	254,827.6	284,636.5
Reported EPS FD(INR)	45.76	73.55	64.59	76.67	85.64
DB EPS FD(INR)	46.76	47.72	64.59	76.67	85.64
DB EPS growth (%)	-6.8	2.0	35.4	18.7	11.7
PER (x)	19.2	21.4	15.3	12.9	11.5
EV/EBITDA (x)	14.6	12.4	8.5	6.8	6.1
DPS (net) (INR)	6.50	7.00	7.98	9.37	10.28
Yield (net) (%)	0.7	0.7	0.8	0.9	1.0

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items

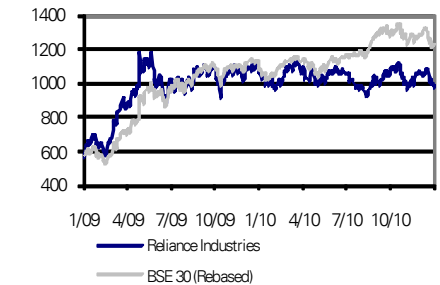
² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Results

Buy

Price at 21 Jan 2011 (INR)	986.50
Price target - 12mth (INR)	1,220.00
52-week range (INR)	1,129.00 - 918.85
BSE 30	19,008

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-7.9	-8.6	-6.4
BSE 30	-5.2	-6.2	11.5

Stock data

Market cap (INRm)	3,226,224
Market cap (USDm)	70,720
Shares outstanding (m)	3,270.4
Major shareholders	Ambani Group (44.76%)
Free float (%)	55
Avg daily value traded (USDm)	121.4

Key indicators (FY1)

ROE (%)	15.2
Net debt/equity (%)	14.5
Book value/share (INR)	461.89
Price/book (x)	2.1
Net interest cover (x)	15.6
Operating profit margin (%)	10.5

Deutsche Bank AG/Hong Kong

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Model updated:20 January 2011

Running the numbers**Asia****India****Oil & Gas****Reliance Industries**

Reuters: RELI.BO

Bloomberg: RIL IN

Buy

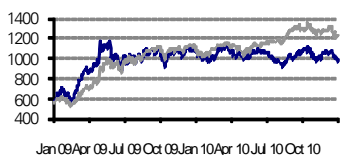
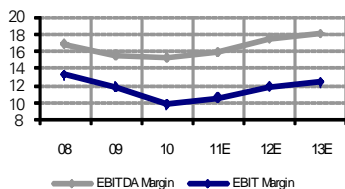
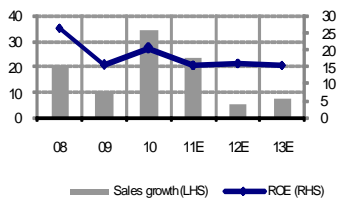
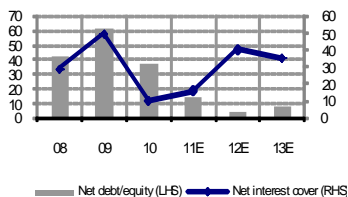
Price (21 Jan 11) INR 986.50

Target price INR 1,220.00

52-week Range INR 918.85 - 1,129.00

Market Cap (m) INRm 3,226,224
USDm 70,720**Company Profile**

RIL is India's largest private sector enterprise, with businesses in the energy and materials value chain. Its activities span exploration and production of oil and gas, petroleum refining and marketing, petrochemicals (polyester, fibre intermediates, plastics and chemicals), textiles and retailing. RIL operates KG D6 (D1, D3) gas fields, one of the world's largest deepwater projects. It is also the largest polyester yarn and fibre producer in the world and among the top five to ten producers in the world in major petrochemical products.

Price Performance**Margin Trends****Growth & Profitability****Solvency****Harshad Katkar**

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Fiscal year end 31-Mar	2008	2009	2010	2011E	2012E	2013E
Financial Summary						
DB EPS (INR)	50.16	46.76	47.72	64.59	76.67	85.64
Reported EPS (INR)	63.90	45.76	73.55	64.59	76.67	85.64
DPS (INR)	6.50	6.50	7.00	7.98	9.37	10.28
BVPS (INR)	290.00	331.7	402.4	461.9	530.4	607.2
Weighted average shares (m)	2,907	3,097	3,278	3,270	3,270	3,270
Average market cap (INRm)	3,196,038	2,780,255	3,353,533	3,226,224	3,226,224	3,226,224
Enterprise value (INRm)	3,603,915	3,430,559	3,825,070	3,393,145	3,153,422	3,108,969
Valuation Metrics						
P/E (DB) (x)	21.9	19.2	21.4	15.3	12.9	11.5
P/E (Reported) (x)	17.2	19.6	13.9	15.3	12.9	11.5
P/BV (x)	3.90	2.30	2.67	2.14	1.86	1.62
FCF Yield (%)	nm	nm	4.5	5.9	7.6	4.5
Dividend Yield (%)	0.6	0.7	0.7	0.8	0.9	1.0
EV/Sales (x)	2.6	2.3	1.9	1.4	1.2	1.1
EV/EBITDA (x)	15.6	14.6	12.4	8.5	6.8	6.1
EV/EBIT (x)	19.9	19.3	19.2	12.9	10.0	8.8

Income Statement (INRm)

Sales revenue	1,371,467	1,512,240	2,037,400	2,509,672	2,646,613	2,844,123
Gross profit	373,835	333,947	491,370	561,858	636,897	711,570
EBITDA	512,097	234,222	308,940	397,301	460,927	512,097
Depreciation	50,042	56,510	109,460	133,749	146,194	160,491
Amortisation	0	0	0	0	0	0
EBIT	181,404	177,712	199,480	263,552	314,733	351,606
Net interest income/(expense)	-6,403	-3,602	-20,600	-16,841	-7,819	-10,013
Associates/affiliates	150	0	0	0	0	0
Exceptionals/extraordinaries	41,970	0	86,060	0	0	0
Other pre-tax income/(expense)	7,623	4,582	21,860	23,400	19,234	21,741
Profit before tax	224,743	178,691	286,800	270,112	326,149	363,334
Income tax expense	29,511	29,188	42,560	55,447	71,321	78,698
Minorities	19	-184	-800	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	195,214	149,687	245,040	214,665	254,828	284,637
DB adjustments (including dilution)	-41,970	3,280	-86,060	0	0	0
DB Net profit	153,244	152,967	158,980	214,665	254,828	284,637

Cash Flow (INRm)

Cash flow from operations	211,945	225,931	279,750	358,413	411,021	455,128
Net Capex	-282,185	-278,567	-129,467	-166,599	-164,268	-308,717
Free cash flow	-70,240	-52,636	150,283	191,814	246,754	146,410
Equity raised/(bought back)	16,824	151,648	15,638	0	0	0
Dividends paid	-19,085	-22,195	-20,847	-26,090	-30,638	-33,629
Net inc/(dec) in borrowings	170,446	433,731	-204,859	-308,675	117,162	165,932
Other investing/financing cash flows	-42,548	30,873	-66,767	-35,300	-85,000	-140,000
Net cash flow	55,397	541,421	-126,552	-178,251	248,277	138,713
Change in working capital	92,208	-57,726	66,625	-130,310	-9,309	25,438

Balance Sheet (INRm)

Cash and other liquid assets	137,507	265,812	245,988	206,629	478,513	548,899
Tangible fixed assets	1,127,466	1,686,604	1,678,113	1,710,963	1,714,739	1,905,855
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	2,463	25,964	24,043	59,343	144,343	284,343
Other assets	470,147	360,040	552,149	538,727	555,410	614,325
Total assets	1,737,583	2,338,420	2,500,292	2,515,661	2,893,005	3,353,422
Interest bearing debt	506,961	940,691	735,833	427,158	544,319	710,251
Other liabilities	346,650	306,108	442,854	572,230	608,222	651,700
Total liabilities	853,611	1,246,799	1,178,687	999,388	1,152,541	1,361,951
Shareholders' equity	843,086	1,090,232	1,315,870	1,510,538	1,734,728	1,985,735
Minorities	40,886	1,389	5,735	5,735	5,735	5,735
Total shareholders' equity	883,972	1,091,621	1,321,605	1,516,273	1,740,463	1,991,470
Net debt	369,454	674,879	489,845	220,529	65,806	161,353

Key Company Metrics

Sales growth (%)	20.5	10.3	34.7	23.2	5.5	7.5
DB EPS growth (%)	18.3	-6.8	2.0	35.4	18.7	11.7
EBITDA Margin (%)	16.9	15.5	15.2	15.8	17.4	18.0
EBIT Margin (%)	13.2	11.8	9.8	10.5	11.9	12.4
Payout ratio (%)	9.7	13.4	9.4	12.2	12.0	11.8
ROE (%)	26.1	15.5	20.4	15.2	15.7	15.3
Capex/sales (%)	20.6	18.4	6.4	6.6	6.2	10.9
Capex/depreciation (x)	5.6	4.9	1.2	1.2	1.1	1.9
Net debt/equity (%)	41.8	61.8	37.1	14.5	3.8	8.1
Net interest cover (x)	28.3	49.3	9.7	15.6	40.3	35.1

Source: Company data, Deutsche Bank estimates

Q3 FY11 results in line with our expectations

RIL reported Q3FY11 net profit at INR51.4bn and EBITDA at INR95.5bn (+28% YoY, 2% QoQ) in line with our estimate (DBe PAT INR51.3bn, EBITDA INR95.2bn). PAT was up 28% YoY and 2% QoQ. Gross refining margins (GRMs) were up 53% YoY and 14% QoQ to US\$9/bbl as against our estimate of US\$9.1/bbl. The strong performance in refining and petrochemicals segment was partly offset by a sequential decline in oil and gas revenue and EBIT on account of lower production in KG D6. As of end of December 2010, the company has INR702 bn (USD15.7 bn) debt and INR318 bn (USD7.1 bn) cash on book. Other income has risen by 46% to INR7.4 bn due to higher average cash balances.

Figure 1: Q3FY11 results review

(INR m)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	chg (YoY) %	chg (QoQ) %
Net Sales	311,870	468,480	568,560	575,700	582,280	574,790	597,890	5.2	4.0
Raw materials	215,590	347,010	444,070	433,040	442,120	432,380	450,080	1.4	4.1
Personnel cost	5,570	5,960	5,760	6,210	6,170	6,600	6,610	14.8	0.2
Other expenses	22,900	31,360	32,350	39,020	35,830	38,690	41,420	28.0	7.1
Total expenses	248,030	396,310	490,120	484,340	488,860	480,830	502,440	2.5	4.5
EBITDA	63,840	72,170	78,440	91,360	93,420	93,960	95,450	21.7	1.6
Interest	4,600	4,620	5,500	5,250	5,410	5,420	5,490	(0.2)	1.3
Depreciation	18,780	24,320	27,950	33,920	34,850	33,770	33,590	20.2	(0.5)
Other income	7,090	6,280	5,080	6,150	7,220	6,720	7,410	45.9	10.3
Recurring pre-tax income	47,550	49,510	50,070	58,340	60,380	61,490	63,780	27.4	3.7
Taxation									
- Current	7,910	8,000	6,990	8,210	9,870	10,260	10,420	49.1	1.6
- Deferred	2,980	2,990	3,000	3,030	2,000	2,000	2,000	(33.3)	0.0
Profit After Taxes	36,660	38,520	40,080	47,100	48,510	49,230	51,360	28.1	4.3
Ratios (%)								bps	bps
Gross margins	30.9	25.9	21.9	24.8	24.1	24.8	24.7	282.6	(5.4)
EBITDA margins	20.5	15.4	13.8	15.9	16.0	16.3	16.0	216.8	(38.2)
Net profit margins	11.8	8.2	7.0	8.2	8.3	8.6	8.6	154.1	2.5
Effective tax rate	22.9	22.2	20.0	19.3	19.7	19.9	19.5	(47.9)	(46.5)
GRMs (US\$/bbl)	6.70	6.00	5.90	7.50	7.3	7.9	9.0	52.5	13.9
Ref throughput (mte)	12.00	15.63	16.62	16.70	16.89	16.91	16.10	(3.1)	(4.8)

Source: Deutsche Bank, company data

Segment performance

The key highlight of the quarter was the strong performance by the refining and petrochemicals segment driven by robust margins. The sequential growth in refining and petchem EBIT was however partly offset by the fall in oil and gas earnings. Gross refining margins (GRMs) were up 53% YoY and 14% QoQ to US\$9/bbl vs our estimate of US\$9.1/bbl. The quarter witnessed strong petrochemical demand and margins, particularly in the polyesters chain. There was sequential decline in oil and gas revenue and EBIT on account of lower gas production from KG D6.

Figure 2: Segment Review

	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	chg (YoY) %	chg (QoQ) %
Segment revenue (Rs m):									

Petrochemicals	117,070	133,400	147,560	154,480	139,030	150,960	159,620	8.2	5.7
Refining	244,340	395,640	480,000	512,500	505,310	496,720	525,240	9.4	5.7
Oil & Gas	18,640	29,370	35,300	43,180	46,650	43,030	41,780	18.4	(2.9)
Others	830	920	950	1,280	1,070	1,550	1,800	89.5	16.1
Total (gross)	380,880	559,330	663,810	711,440	692,060	692,260	728,440	9.7	5.2
Segment EBIT (Rs m):									
Petrochemicals	21,090	21,950	20,550	22,220	20,530	21,970	24,290	18.2	10.6
Refining	12,990	13,470	13,790	19,860	20,350	21,920	24,360	76.6	11.1
Oil & Gas	10,080	12,260	14,770	17,020	19,210	17,060	15,040	1.8	(11.8)
Others	90	110	110	120	70	80	90	(18.2)	12.5
Total	44,250	47,790	49,220	59,220	60,160	61,030	63,780	29.6	4.5

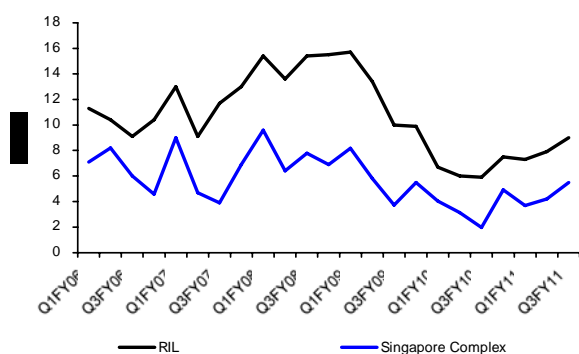
Source: Company Data

Refining

RIL reported EBIT of INR24.4bn (+77% YoY, +11% QoQ). Refining EBIT was higher YoY and QoQ, despite lower throughput, driven by better refining margins. Refining margins were up sequentially to US\$9/bbl vs US\$7.9/bbl in Q1FY11 on account of higher transportation fuels and naphtha cracks and higher light-heavy crude differential during the quarter. RIL's outperformance to Reuters' Singapore complex GRMs at US\$3.5/bbl in the current quarter remained at similar levels to the previous quarter's US\$3.6/bbl. Refinery throughput at 16mte (-3% yoy, -5% qoq) was lower due to maintenance shutdown of one of the units (CDU with 330kbpd capacity) during the quarter for a period of three weeks. Despite the shutdown RIL achieved capacity utilisation of 104% in the current quarter and 107% over the last nine months. Refining segment expenses were higher by INR1 bn on account of the shutdown.

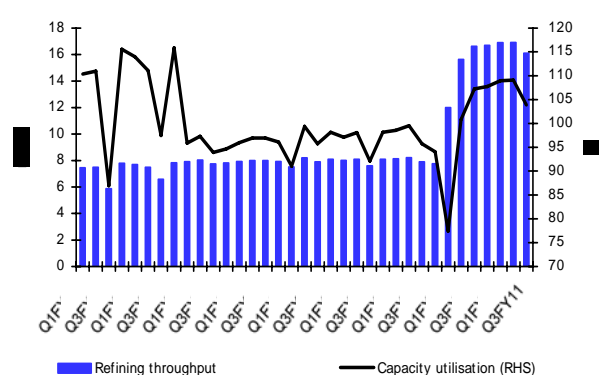
The refinery currently consumes about 4-5mmscmd of gas, of which about 50% is imported LNG. RIL is currently processing about 70 kbpd of crude from Cairn India's Mangala field. Management indicated its expectation of strong refining margins over the medium term driven partly by tightening environmental regulations in EU/Turkey. The company has planned shutdown of its FCC in February 2011 for about five weeks.

Figure 3: GRMs (US\$/bbl)



Source: Company data, Deutsche Bank

Figure 4: Refining throughput and capacity utilisation



Source: Company data, Deutsche Bank

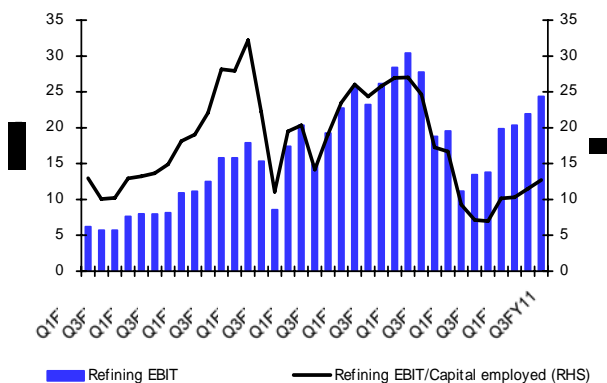
Petrochemicals

Petrochemicals segment recorded its highest ever EBIT at INR24.3bn (+18% YoY, 11% QoQ) driven by robust petchem demand and margins, particularly in the polyester chain. Domestic demand for polyester products grew by 10% YoY in Q3FY11 and by 15% YTD FY11 on account of increased non-apparel applications like home furnishing and technical textiles. Driven by strong demand, lack of adequate new capacities globally and historically high

cotton prices, the polyester chain witnessed robust margins with POY/PSF margins during the quarter being significantly above their five-year averages. This also drove the margins for fibre intermediates (PX-PTA-MEG) above their five-year averages. Management expects polyester chain margins to remain robust over the next 12-18 months, driven by strong cotton prices. The management expects Q4FY11 polyester margins to be better than Q3FY11.

Demand for PET was also very strong, growing at 26% YTD due to increased beverages and bottled water demand in summer season. Polymer products demand grew by 11% YTD with demand for PP growing by 18% due to strong growth in automobile, cement packaging and other industrial applications.

Figure 5: Refining EBIT and EBIT/capital employed



Source: Deutsche Bank

Figure 6: Petrochemical EBIT and EBIT/capital employed

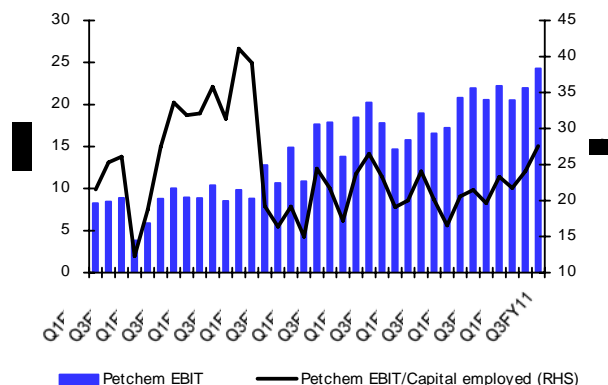


Figure 7: Discoveries in RIL's Block

Name	Blocks	Gas	Oil	Total
Cambay	CB-ONN-2003/1		7	7
KGD6	KG-DWN-98/3	18	1	19
KG-III-5	KG-OSN-2001/1	3		3
KGIII6	KG-OSN-2001/2	2		2
NEC25	NEC-OSN-97/2	8		8
Saurashtra	SR-OS-94/1	1		1
Gujarat Saurashtra	GS-OSN-2000/1	1		1
Cauvery	CY-DWN-2001/2	1		1
KGD3	KG-DWN-2003/1	5		4
KGD4	KG-DWN-98/1		1	1
Yemen	Block 9		4	4
Total		39	13	52

Source: Company Data

Valuation and risks

We value RIL at INR1220/sh on SOTP basis using EV/E for refining and petrochemicals and DCF for E&P business. We use an EV/EBITDA of 7.5x FY12E for the refining and petrochemicals segment. We value KG-D6 on DCF using a 10.2% WACC, based on Deutsche Bank's cost-of-equity assumptions for India (risk-free rate of 6.4% and market risk premium of 7.2%), beta of 1.0 (three-year average), post-tax cost of debt of 5.3% and target debt/capital of 40%. Our value for RIL's E&P segment includes the value of KG-D6, NEC25, CBM and prospective resources.

We reiterate our Buy on RIL on expectation of strong refining and petrochemicals margin in FY12/13. With more than two-thirds of RIL's operating profit currently being contributed by refining and petrochemicals, RIL will benefit from improvement in downstream margins over FY11-13. Deutsche Bank is now overweight on Asia refining and expects Singapore Complex GRMs in CY11 to average US\$6/bbl, up 28% YoY, and US\$6.6/bbl in CY12 and CY13. We forecast RIL's GRM at US\$9.4/bbl for FY12 and US\$9.8/bbl for FY13. RIL's refining margins should also receive continued support from improved light-heavy crude differential in FY12. We expect a Dubai-Arab heavy crude differential of ~US\$2.5-3/bbl in 2011E and 2012E.

After a year of record ethylene capacity additions we see incremental global capacity additions falling below demand growth over 2011-2014. As utilisation levels improve for ethylene crackers, petrochemical margins will also rise through 2H CY11-2013. The announced capacity expansions by RIL in PX, PTA and olefins are expected to be commissioned over 1H FY13-FY15. The stock is trading at 7x FY12e EV/EBITDA which is at the lower end of its three-year trading range as well as at a discount of 10-15% to regional peers.

Acquisitions and exploration successes will also be important drivers of RIL's valuations going ahead. We believe the probability of RIL making a number of small acquisitions is much higher than one big-ticket acquisition. This would mean event-driven upsides for the stock. Though recent results on the exploration front have been disappointing, we believe this segment has the potential to provide a positive surprise as RIL continues its exploration campaign in MND4, KGD9 and KGD3 blocks.

Risks: We believe any change in the regulatory environment of the Oil and Gas sector and a downturn in global commodity prices/margins are risks for RIL. Exploration and production activities face risks such as volatility in oil and natural gas prices, as well as operational, financial, geological and meteorological issues. Any further delay in ramp-up of KG D6 gas production poses another significant risk.

Peer valuations

Figure 8: International peer valuations

	FY end	Rating	Mkt Cur	LTP	Target price	P/E	P/Cash EPS	EV/EBITDA	P/BV	RoE(%)	Mkt Cap				
				20-Jan		CY10E	CY11E	CY11E	CY10E	CY11E	CY10E	CY11E	CY10E	CY11E	(US\$bn)
US Integrated															
ExxonMobil	31-Dec	Hold	USD	78	85	13.0	11.1	7.1	6.8	5.8	2.6	2.5	22.8	22.9	376.2
Chevron	31-Dec	Hold	USD	93	105	9.9	8.7	5.3	4.7	4.3	1.8	1.6	19.1	19.0	183.7
Occidental Petroleum	31-Dec	Hold	USD	96	110	17.1	12.4	8.1	7.0	5.3	2.4	2.1	14.8	17.8	78.5
Marathon Oil	31-Dec	Buy	USD	42	50	11.5	7.0	4.2	4.2	3.1	1.2	1.1	11.2	16.5	29.7
Hess Corporation	31-Dec	Buy	USD	79	96	11.1	14.5	5.5	3.6	4.0	1.4	1.3	15.9	10.7	26.7
Suncor Energy	31-Dec	Hold	CAD	38	40	28.7	15.6	7.4	8.9	6.8	1.6	1.6	5.9	10.3	59.2
Average						13.8	11.0	6.6	6.3	5.3	2.2	2.1	19.0	19.8	
Euro Integrated															
BP	31-Dec	Buy	GBP	494	580	NM	6.7	4.2	20.2	2.8	1.5	1.3	-4.4	20.6	147.0
Royal Dutch Shell A	31-Dec	Buy	GBP	2,115	2,550	11.5	7.6	4.8	4.1	2.6	1.4	1.3	12.8	17.7	205.2
BG	31-Dec	Buy	GBP	1,299	1,500	18.2	13.4	9.1	8.0	6.3	2.6	2.2	15.5	17.9	68.9
Total	31-Dec	Hold	EUR	42	47	8.3	7.9	4.7	3.5	3.3	1.6	1.4	20.1	18.8	125.5
Eni	31-Dec	Hold	EUR	17	18	8.8	7.8	3.9	3.1	2.9	1.2	1.1	14.5	14.7	84.1
Repsol YPF	31-Dec	Buy	EUR	22	23	11.4	10.7	4.4	4.7	5.1	1.3	1.2	11.6	11.6	36.8
Repsol	31-Dec	Buy	EUR	22	23	11.4	10.7	4.4	4.7	5.1	1.3	1.2	11.6	11.6	36.8
StatoilHydro	31-Dec	Buy	NOK	138	165	10.5	8.3	4.3	2.3	1.8	2.0	1.7	19.9	22.1	74.7
Average						9.0	8.4	4.9	7.2	3.3	1.6	1.4	11.7	18.0	
Others Integrated															
Petrochina	31-Dec	Hold	HKD	11	10	11.8	10.5	5.9	6.3	5.4	1.8	1.6	15.7	16.2	248.7
Sinopec-H	31-Dec	Buy	HKD	8	9	7.9	7.3	4.1	4.5	4.1	1.3	1.2	18.1	17.2	88.2
Petrobras	31-Dec	Hold	USD	37	40	11.8	10.5	7.4	7.6	6.5	1.3	1.2	14.4	11.7	238.1
Lukoil	31-Dec	Buy	USD	63	82	5.5	3.5	2.6	3.2	2.0	0.8	0.7	16.0	21.2	48.8
PTT	31-Dec	Buy	THB	339	392	12.6	11.3	6.8	7.0	7.1	2.0	1.8	16.9	17.0	31.7
Reliance Industries	31-Mar	Buy	INR	987	1,220	15.3	12.9	8.0	8.5	6.8	2.1	1.9	15.2	15.7	72.0
Average						11.3	9.9	6.2	6.5	5.6	1.5	1.4	15.6	15.2	
Refining & Marketing															
Valero Energy	31-Dec	Hold	USD	24	23	15.1	8.4	4.5	5.7	4.1	0.9	0.8	6.0	10.0	13.7
Sunoco	31-Dec	Hold	USD	41	40	14.0	20.8	7.8	6.3	7.4	1.7	1.5	12.7	7.7	4.9
Tesoro Corporation	31-Dec	Hold	USD	18	20	NM	10.2	3.9	8.4	4.3	0.8	0.7	-1.6	7.6	2.6
Caltex	31-Dec	Hold	AUD	14	13	13.0	11.6	7.3	6.5	7.0	1.2	1.2	10.1	8.5	3.7
SK Energy	31-Dec	Buy	KRW	182,500	196,000	11.6	10.7	8.2	10.9	9.7	1.5	1.4	15.5	13.5	15.0
S-Oil Corp	31-Dec	Buy	KRW	93,700	97,000	16.4	11.9	8.8	14.6	8.8	2.4	2.1	15.8	19.2	9.7
GS Holdings Corp	31-Dec	Buy	KRW	74,200	80,000	8.8	9.4	9.3	8.5	9.1	1.4	1.3	17.7	14.2	6.1
PTT AR PCL	31-Dec	Buy	THB	37	43	24.5	14.1	NA	17.3	9.4	1.9	1.7	7.5	12.8	3.6
Thai Oil PCL	31-Dec	Buy	THB	73	90	18.6	12.9	8.2	9.2	7.0	2.1	2.0	11.8	16.0	4.9
IOC	31-Mar	Sell	INR	328	345	8.1	7.0	5.4	7.3	6.9	1.3	1.2	17.0	17.7	17.5
BPCL	31-Mar	Sell	INR	591	525	13.9	11.2	5.1	9.2	7.3	1.1	1.0	9.3	9.6	4.7
HPCL	31-Mar	Sell	INR	367	320	9.2	7.3	3.6	9.2	7.6	0.9	0.9	10.6	12.4	2.7
Average						16.8	10.5	6.3	8.2	7.6	1.4	1.2	12.9	12.9	

Source: Deutsche Bank, . Note: CY10 is equivalent to FY11 for RIL (March ending)

Figure 9: Petrochemical Peer valuations

	FY end	Rating	Mkt Cur	LTP	Target price	P/E		P/Cash EPS		EV/EBITDA		P/BV		RoE(%)		Mkt Cap
						20-Jan	CY10E	CY11E	CY11E	CY10E	CY11E	CY10E	CY11E	CY10E	CY11E (US\$bn)	
Formosa Chem & Fiber	31-Dec	Buy	TWD	97	84	14.3	13.4	10.3	9.1	8.2	2.3	2.2	16.2	16.5	18.9	
Formosa Plastics	31-Dec	Buy	TWD	97	80	16.6	15.2	11.9	9.9	9.2	2.5	2.4	15.5	16.1	20.4	
Formosa Petrochemical	31-Dec	Hold	TWD	94	72	27.3	23.0	12.1	14.0	12.8	3.9	3.7	14.2	16.5	30.9	
Honam Petrochem	31-Dec	Hold	KRW	329,500	330,000	12.3	10.4	8.5	8.2	6.6	2.3	1.9	20.7	20.1	9.4	
Hanwha Chemical	31-Dec	Buy	KRW	36,700	39,000	11.1	9.6	7.7	6.7	5.5	1.7	1.4	16.2	16.1	4.6	
IRPC PCL	31-Dec	Sell	THB	6	3	15.3	14.9	9.8	10.6	10.7	1.5	1.4	10.2	9.9	3.8	
LG Chem	31-Dec	Buy	KRW	398,500	450,000	12.1	11.5	9.0	7.8	7.5	3.4	2.7	32.8	25.9	23.5	
Nan Ya Plastics	31-Dec	Buy	TWD	77	69	15.4	13.8	11.8	9.3	8.9	2.2	2.1	15.1	15.6	20.9	
PTT Chemical Plc	31-Dec	Buy	THB	147	188	21.8	13.4	9.4	12.9	8.9	2.1	1.9	9.8	14.6	7.2	
Average						18.1	15.9	10.8	10.8	9.7	3.0	2.7	18.6	18.1		

Source: Deutsche Bank, , Note: CY10 is equivalent to FY11 for RIL (March ending)

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Reliance Industries	RELI.BO	986.50 (INR) 21 Jan 11	8,14

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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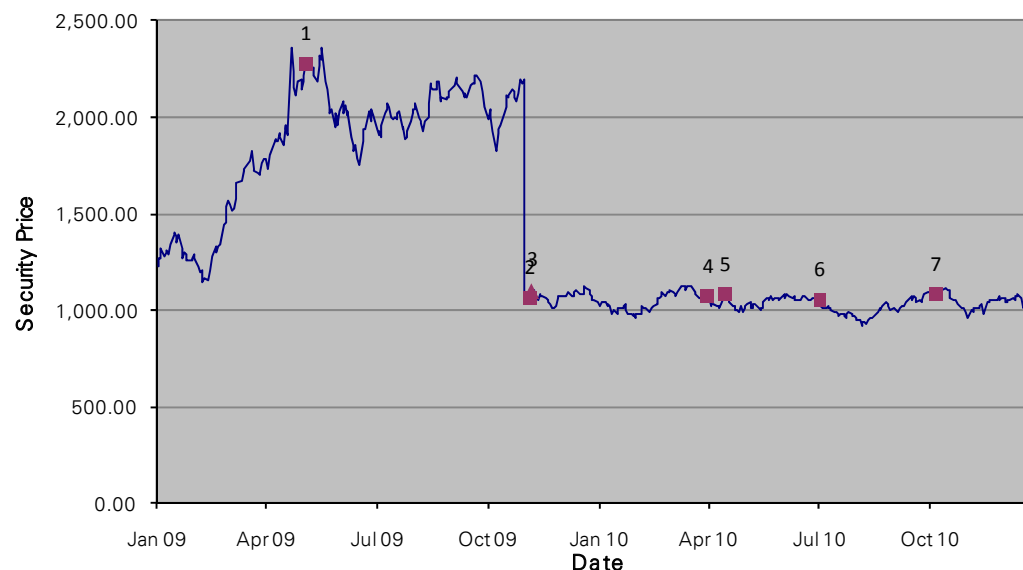
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Historical recommendations and target price: Reliance Industries (RELI.BO)

(as of 1/21/2011)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

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- Buy
- Hold
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- Not Rated
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Equity rating dispersion and banking relationships

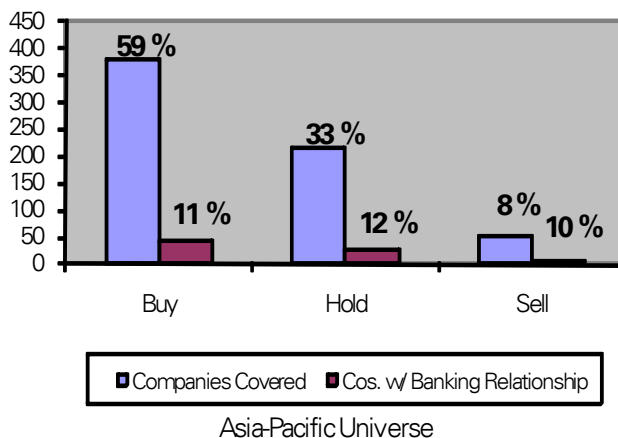
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