

Reliance Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,843	RELI IN
	REUTERS CODE
S&P CNX: 4,399	RLEN.BO

22 July 2009

Buy

Previous Recommendation: Buy

Rs1,091

Equity Shares (m)	224.34
52-Week Range	1,374/354
1,6,12 Rel. Perf. (%)	-13/55/13
M.Cap. (Rs b)	244.8
M.Cap. (US\$ b)	5.0

YEAR	NET SALES	PAT	EPS*	EPS	P/E*	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	RATIO	(X)	(%)	(%)	SALES	EBITDA
3/08A	63,642	7,442	33.2	-7.2	32.9	2.5	11.0	9.7	3.0	35.1
3/09A	96,965	9,081	40.5	22.0	27.0	2.3	10.2	9.0	2.2	24.3
3/10E	116,299	12,301	54.8	35.5	19.9	2.2	10.4	10.1	1.8	21.6
3/11E	128,413	14,032	62.5	14.1	17.4	1.9	10.9	10.5	2.2	17.3

* fully diluted

Takeaways from AGM: Mr. Anil Ambani, Chairman highlighted RELI's goal as being a leader in India's Infrastructure makeover. Key takeaways are: 1) RELI group (including Reliance Power) has achieved financial closure for projects of Rs320b, 2) Infrastructure assets under development of Rs135b and preferred / lowest bidder for additional Rs150b infrastructure projects, 3) Acquired 51% stake in Reliance Cementation, which plans to develop 20m ton cement capacity over next 5 years at an investment of Rs100b (synergy being 40% of cement cost comprises of coal, flyash and power).

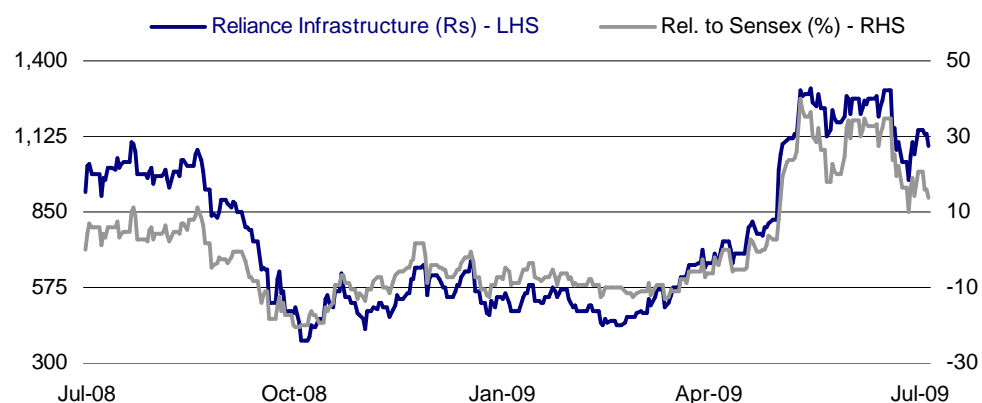
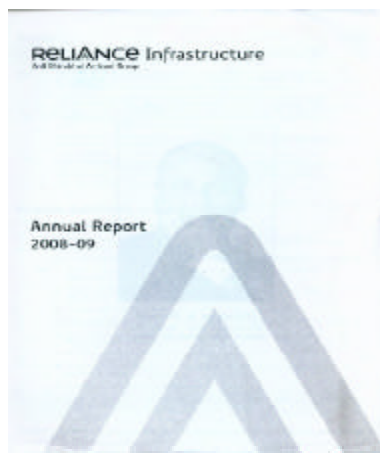
Significantly increased equity investments in project SPVs: During FY09, RELI has invested Rs12b, taking total investment in infrastructure project SPVs (roads, metros, power transmission) at Rs13.4b (vs Rs1.3b in FY08). This represents ~46% of the equity commitments towards infrastructure SPVs under implementation. Besides, RELI has invested Rs1.6b in CBD tower project (Hyderabad) in FY09 mainly representing cost of land acquisition.

Net cash and cash equivalent at Rs27b (Rs122/sh): Gross cash and equivalents as at FY09 stands at Rs101b, comprising of cash / MFs Rs54b, ICDs Rs16b and preference shares Rs30b. Outstanding ICDs as at March 2009 stood at Rs16.2b, vs Rs50.6b in FY08 and Rs77.4b in FY07. Debt on the books stands at Rs73.3b as at Mar 09 (up from Rs50b in Mar 08). RELI has received advances of Rs18b from Reliance Power, towards EPC of Sasan UMPP, Krishnapatnam UMPP, etc.

Valuations and view: We expect Reliance Infrastructure to report a net profit of Rs12.3b in FY10 (35.5% YoY) and Rs14b in FY11 (14% YoY). At the CMP of Rs1,096/sh, stock trades at a PER of 19.9x FY10E and 17.4x FY11E. We arrive at a SOTP based target price of Rs1,278/sh.

RELIANCE INFRA. ANNUAL REPORT 2009

STOCK PERFORMANCE (1 YEAR)



RELiance INFRA GROUP: ACHIEVED FINANCIAL CLOSURE FOR PROJECTS OF RS296B POST DECEMBER 2008

PROJECT	COST (RS B)
Reliance Infrastructure	
Delhi Metro	25.0
Mumbai Metro	24.0
WRSS Scheme	14.0
Total (A)	63.0
Reliance Power	
Sasan UMPP	194.0
Rosa Phase II	24.6
Butibori	14.1
Total (B)	232.7
Reliance Infrastructure Group (A+B)	295.7

Source: Company

RELI, including Reliance Power has achieved financial closure for projects valued at Rs320b, of which Rs296b has been achieved post December 2008

RELI: INCREMENTAL INVESTMENTS IN INFRASTRUCTURE SUBSIDIARIES, ETC IN FY09 (RS B)

PARTICULARS

1. Investment in Subsidiaries

Mumbai Metro One	1,035	Total investment in equity of subsidiaries stood at Rs3b, of which investment in Mumbai Metro project was Rs1b, while Rs1.6b was invested towards cost of land acquisition for CBD tower project in Andhra Pradesh
CBD Towers Limited	1,637	
DS Toll Road Limited	38	
NK Toll Road Limited	35	
TK Toll Road P Ltd	44	
TD Toll Road P Ltd	34	
SU Toll Road P Ltd.	63	
Others	58	

Subordinate debt given to subsidiaries

DS Toll Road	342	Investments includes subordinate debt given to project subsidiaries of Rs2b
NK Toll Road	318	
TK Toll Road	393	
TD Toll Road	305	
SU Toll Road	571	

2. Investments in Joint Ventures

BSES Rajdhani Power Limited	1,057	Rs1.3b in invested in Delhi distribution companies
BSES Yamuna Power Limited	266	

3. Advances to Project subsidiaries

Delhi metro	3,739	Net increase in preference investment at Rs3.1b. Preference investment from
Reliance Power Transmission	3,413	

4. Investment in Preference Shares in Group Companies

Reliance Infra projects International Limited	9,371	Sonata investment of Rs5.5b was redeemed. Addition investment of Rs9.4 in Reliance Infra Projects
Larimar Holdings Limited	886	

Source: Company

ADVANCES GIVEN TO PROJECT SUBSIDIARIES (PART OF LOANS AND ADVANCES)

	FY09	FY08
Advance against Investment		
Delhi Airport Metro Express Private Limited	3,739	-
Reliance Power Transmission Limited	3,413	-
Others	273	-
Total	7,426	-
Other Advances	19,459	10,190
Total Advances	26,884	10,190

Source: Company

Higher loans and advances in FY09 is due to advance against equity given to project subsidiaries of Rs7.4b, vs NIL in FY08

*RELI received EPC
advance of Rs18b from
Reliance Power in
FY09, v/s NIL in FY08*

ADVANCES RECEIVED (PART OF CURRENT LIABILITIES) INCLUDE EPC ADVANCES FROM RELI. POWER (RS M)

	FY09	FY08	PART OF O/BOOK
Sasan Power Limited	7,000	-	Yes
Vidarbha Industries Power Limited	2,000	-	Yes
Coastal Andhra Power Limited	7,000	-	No
Others	1,950	-	-
Total Advances Received from Associates/JVs	17,950	-	-

Source: Company

*Total ICDs refund during
FY09 stood at Rs34.7b,
while the ICDs to
subsidiaries declined from
Rs2.7b in FY08 (Rs30.5b in
FY07) to Rs359m in FY09*

INTER CORPORATE DEPOSIT DECLINED FROM RS50.6B IN FY08 TO RS16.2B IN FY09

	FY09	FY08
To Subsidiaries	359	2,740
Total ICDs	16,194	50,630
% to Total	2.2	5.4

Source: Company

EQUITY INVESTMENTS IN SUBSIDIARIES (BOT AND OTHERS)

BOT PROJECTS UNDER DEVELOPMENT	RELI. INFRA'S % STAKE	EQUITY INVESTED		SUBORDINATE DEBT/ADVANCE		TOTAL EQUITY INVESTED*		PROJECT EQUITY	PROPOR. EQUITY	% OF EQUITY BALANCE		TARGET COD
		FY09	FY08	FY09	FY08	FY09	FY08			EQUITY INVESTED	EQUITY	
- Mumbai Metro	69	1,725	690	-	-	1,725	690	5,120	3,533	49	1,808	2QFY11
- Delhi Metro	95	0	-	3,739	-	3,739	-	7,500	7,125	52	3,386	2QFY11
- DS Toll Road	100	52	14	468	126	520	140	520	520	100	(0)	COMM
- NK Toll Road	100	45	9	403	85	448	95	450	450	99	2	COMM
- TK Toll Road	100	57	14	516	123	573	137	1,460	1,460	39	887	Jul-10
- TD Toll Road	100	45	11	405	100	450	111	1,070	1,070	42	620	Jul-10
- SU Toll Road	100	84	21	756	186	840	207	2,120	2,120	40	1,280	Jan-11
- GF Toll Road	100	-	-	-	-	-	-	1,560	1,560	-	1,560	
- CBD Tower	89	1,637	-	-	-	1,637	-	14,000	12,460	13	10,823	-
Total (A)		3,645	759	6,287	620	9,932	1,380	33,800	30,298		20,365	
RPower Trans. (B) *	100	1	1	3,413	-	3,414	1	9,300	9,300	37	5,886	FY12
Other investments												
- Reliance Infraprojects Ltd		5,021	5,021									
- Reliance Infraventures Ltd		5,021	5,021									
- BSES Kerala Power Ltd		1,478	1,478									
- Reliance Energy Trading Ltd		206	206									
Total (C)		11,726	11,726									
Total Inv. in Subs. (A+B+C)		15,371	12,486	9,701	620	13,346	1,380	43,100	39,598	37	26,252	

*This includes Western Region Grid Strengthening, Trans lines in Parabati & Koldam HP, Mumbai Transmission network

Source: Company / MOSL

Total equity commitment towards BOT project under development (excluding CBD Tower and recently awarded Gurgaon-Faridabad) but including transmission projects stood at Rs23.5b, of which RELI has already invested Rs10.9b till March 2009, representing 46% of total equity requirement.

Investment of Rs5b each in Reliance Infraprojects (BOT holdco) and Reliance Infraventures (EPC business) was meant to divert the investment in respective business. However, these funds have been deployed largely in debt/equity mutual funds including investment of Rs5.5b in preference shares of Sonata Investments, while investments in project SPVs being routed through RELI directly.

RELI has invested additional Rs9.2b in Reliance Infra Projects Intl (Project finance company for power and EPC projects). Investment of Rs5.5b in preference shares of Sonata investment was redeemed in standalone, and similar quantum was invested by a subsidiary company, resulting in continued investments

Net cash and cash equivalent stood at Rs122/sh (down from Rs196/sh in FY08) due to increased investments in project SPVs (through equity, advances, etc) of Rs12.1b and Regulatory Asset Base (Mumbai Tariff) of Rs10b

PREFERENCE SHARE INVESTMENT UP RS3B IN FY09; RS8.5B ON CONSOLIDATED BASIS

	FY09	FY08
2% redeemable cumulative preference shares		
- Powersurfer Interactive (I) P Ltd.	-	74
- Reliance Energy Global P. Ltd	-	74
- Reliance Energy Management P. Ltd	-	74
- Sonata Investment Ltd.	-	230
10% Non-convertible Non-cumulative redeemable preference shares		
- Reliance Projects Finance P. Ltd	-	1,200
- Sonata Investments Limited	-	5,500
8% cumulative non-convertible redeemable preference shares		
- Reliance Infra projects International Limited	29,494	20,123
0% convertible preference shares		
- Larimar Holdings Limited	886	-
Total	30,380	27,273

Source: Company

CASH AND CASH EQUIVALENT AT RS122/SH (FY09)

PARTICULARS	FY05	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Cash Balance	60,454	56,529	21,759	877	2,510	29,668	40,143	50,065
ICDs	0	20,268	77,403	50,630	16,194	0	0	0
FMP	0	8,577	19,727	17,304	51,814	56,995	56,995	56,995
Preference Shares	0	0	451	27,273	30,380	30,380	30,380	30,380
Total	60,454	85,374	119,340	96,084	100,898	117,044	127,518	137,440
Less: Debt	37,137	41,669	58,583	49,889	73,322	78,292	84,067	89,842
Net Cash	23,317	43,704	60,756	46,195	27,576	38,752	43,451	47,598
Rs/sh	126	206	266	196	122	173	194	212

Source: Company / MOSL

RELiance INFRASTRUCTURE: SUM OF PARTS VALUATIONS

PARTICULARS	RS M	RS/SH	BASIS
Power Business	28,057	125	DCF, WACC of 9.8%
Delhi Business	17,034	76	10x FY10 PER
EPC Business	31,678	141	10x FY10 EV/EBIDTA
Cash, Cash Equivalents	44,746	199	FY09 Book value
RAB (Mumbai Tariff)	10,345	46	FY09 Book value
Investments in Infrastructure Projects	25,507	114	FY09 Book value
Reliance Power	129,360	577	At CMP, 25% holding company discount
Total	286,727	1,278	

Source: MOSL

INCOME STATEMENT			(RS MILLION)		
Y/E MARCH	2007	2008	2009	2010E	2011E
Sales	36,110	49,198	71,831	74,949	69,375
Other Operating Income	20,820	14,444	25,134	41,350	59,038
Total Revenues	56,930	63,642	96,965	116,299	128,413
Change (%)	41.1	11.8	52.4	19.9	10.4
Cost of Electricity	16,571	26,193	42,540	46,858	39,983
Cost of fuel	9,213	10,155	13,402	12,481	13,253
Other Manufacturing Exj	1,982	1,981	2,142	3,351	3,035
Employee Expenses	3,135	3,232	3,676	3,859	4,052
SG&A Expenses	2,818	3,261	6,953	1,726	1,872
Cost of Contracts	18,406	13,357	19,665	38,182	54,373
EBITDA	4,805	5,463	8,588	9,842	11,843
% of Total Revenues	8.4	8.6	8.9	8.5	9.2
Depreciation	2,401	2,229	2,449	2,824	3,128
Interest	2,503	3,088	3,305	4,944	5,469
Other Income	8,823	11,370	7,379	12,229	13,070
PBT	8,724	11,516	10,213	14,303	16,316
Tax	1,220	1,604	546	2,002	2,284
Rate (%)	14.0	13.9	5.3	14.0	14.0
Provisions for Continge	-512	-933	0	0	0
Reported PAT	8,015	10,846	9,668	12,301	14,032
Change (%)	23.2	35.3	-10.9	27.2	14.1
Adj. PAT	8,015	7,442	9,081	12,301	14,032
Change (%)	23.2	-7.2	22.0	35.5	14.1

BALANCE SHEET			(RS MILLION)		
Y/E MARCH	2007	2008	2009	2010E	2011E
Share Capital	2,286	2,356	2,261	2,243	2,243
Reserves	84,127	108,077	110,916	120,300	132,818
Net Worth	86,413	110,433	113,177	122,544	135,061
Loans	58,583	49,889	73,322	78,292	84,067
Consumer's Security De	246	202	0	-45	-90
Deferred Tax Liability	2,313	2,485	1,940	2,390	2,840
Capital Employed	147,556	163,008	188,438	203,180	221,878
Gross Fixed Assets	58,984	63,961	69,227	76,327	84,577
Less: Dep and Reval. Re	-37,804	-39,723	-41,723	-44,547	-47,675
Net Fixed Assets	21,180	24,238	27,504	31,780	36,902
Capital WIP	2,885	5,689	5,644	5,644	5,644
Investments	25,119	76,644	121,471	142,739	151,172
Curr. Assets	129,679	90,215	88,036	87,377	98,553
Inventory	2,927	3,003	4,407	2,700	2,700
Debtors	12,099	13,514	15,233	15,690	16,161
Cash & Bank Balance	21,759	877	2,510	29,668	40,143
Loans & Advances	89,430	66,365	55,766	27,240	22,295
Other Current Assets	3,465	6,456	10,121	12,078	17,254
Current Liab. & Prov	31,306	33,778	54,218	64,360	70,393
Other Liabilities	24,000	25,994	46,555	56,850	63,034
Provisions	7,306	7,784	7,663	7,509	7,359
Net Current Assets	98,373	56,437	33,819	23,017	28,160
Application of Fund	147,557	163,009	188,440	203,182	221,880

E: MOSL Estimates

RATIOS					
Y/E MARCH	2007	2008	2009	2010E	2011E
Basic (Rs)					
EPS	31.2	31.6	40.2	54.8	62.5
CEPS (Rs)	45.7	56.7	56.9	56.7	45.7
Book Value	378.1	435.5	466.0	507.4	562.8
DPS	5.3	6.3	6.9	6.0	6.0
Payout (incl. Div. Tax.)	12.8	23.2	20.1	12.3	10.8
Valuation (x)					
P/E	34.9	34.5	27.2	19.9	17.4
EV/EBITDA	40.2	35.1	24.3	21.6	17.3
EV/Sales	3.4	3.0	2.2	1.8	1.6
Price/Book Value	2.9	2.5	2.3	2.2	1.9
Dividend Yield (%)	0.5	0.6	0.6	0.5	0.5
Profitability Ratios (%)					
RoE	10.2	11.0	10.2	10.4	10.9
RoCE	8.7	9.7	9.0	10.1	10.5
Turnover Ratios					
Debtors (Days)	78	78	57	49	46
Inventory (Days)	19	17	17	8	8
Asset Turnover (x)	0.4	0.4	0.5	0.6	0.6
Leverage Ratio					
Debt/Equity (x)	0.6	0.7	0.5	0.6	0.6

CASH FLOW STATEMENT			(RS MILLION)		
	2007	2008	2009	2010E	2011E
PBT before EO Item	8,724	11,516	11,934	14,303	16,316
Add : Depreciation	2,401	2,229	2,449	2,824	3,128
Less : Direct Taxes Pd	390	439	1,034	1,552	1,834
(Inc)/Dec in WC	27,274	71,684	40,445	37,960	5,331
CF from Operations	38,009	84,991	53,794	53,535	22,941
(Inc)/dec in FA	-5,529	-8,324	-5,760	-7,100	-8,250
(Pur)/Sale of Investmen	-90,594	-102,156	-61,021	-21,268	-8,433
Others	-882	2,478	2,400	0	0
CF from Investment	-97,005	-108,002	-64,381	-28,368	-16,683
(Inc)/Dec in Share Capit:	9,288	12,631	-9,183	-1,420	0
(Inc)/Dec in Debt	15,914	-8,695	23,433	4,970	5,775
(Inc)/Dec in Customer S	11	-45	-202	-45	-45
Dividend Paid	-987	-1,763	-1,826	-1,514	-1,514
CF from Fin. Activit	24,226	2,128	12,222	1,991	4,216
Inc/Dec of Cash	-34,770	-20,882	1,634	27,158	10,474
Add: Beginning Balance	56,529	21,759	877	2,510	29,668
Closing Balance	21,759	877	2,510	29,668	40,143



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Reliance Infrastructure

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|---|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

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