



## Reliance Energy

STOCK INFO.	BLOOMBERG
BSE SENSEX: 14,488	RELE IN
	REUTERS CODE
S&P CNX: 4,259	RLEN.BO

25 June 2007

Buy

Rs591

Previous Recommendation: Buy

Equity Shares (m)	228.6
52-Week Range	644/362
1,6,12 Rel. Perf. (%)	5/6/-12
M.Cap. (Rs b)	135.0
M.Cap. (US\$ b)	3.3

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
3/07A	56,930	8,015	34.1	23.2	17.3	1.6	10.2	8.7	1.5	17.4
3/08E	67,924	8,923	41.7	22.2	14.2	1.4	10.8	10.2	1.0	6.7
3/09E	71,154	9,244	43.1	3.3	13.7	1.3	10.8	10.2	0.9	5.8

\* Consolidated, Pre-exceptionals

### Annual Report FY07: Key takeaways

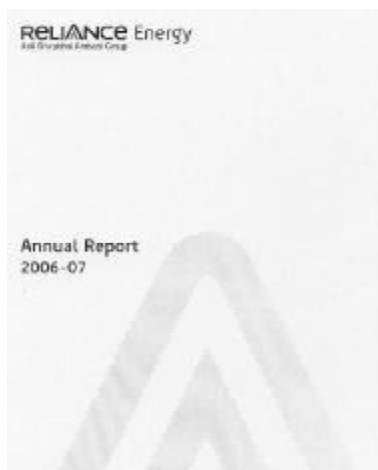
**Net cash at Rs264/sh:** Net cash and cash equivalent (net of debt) as of Mar 07 stood at Rs60.3b (Rs264/sh) vs Rs43.7b in FY06 (Rs191/sh). A significant part of the increase is due to conversion of 15.4m warrants (at Rs573/sh) issued to promoters, resulting in a cash inflow of Rs8b. Cash and cash equivalents now represent ~81% of the total capital employed.

**Expect 2,100MW of generation capacity to achieve financial closure during FY08:** During FY08, 2,100MW of power projects being implemented by Reliance Energy Generation (50% stake by Reliance Energy) will achieve financial closure and enter the construction phase. Reliance Energy is currently working on generation projects of 14,960MW, which are in various stages of development.

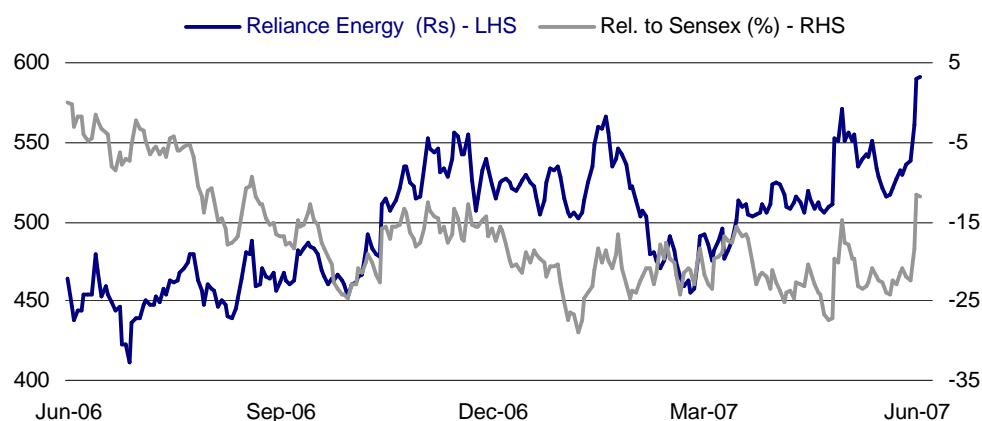
**Increased focus on EPC business:** EPC division has order backlog stood at Rs55b as at Mar 07, up from Rs33.6b as at Mar 06. The company has submitted bids for the 1) 1,200MW Malawa project on EPC basis (Rs40b), 2) T&D projects of Rs7b, 3) Rural electrification projects of Rs10b.

**Recommend Buy:** We expect REL to report a consolidated adjusted net profit of Rs8.9b for FY08 (up 22.2% YoY) and Rs9.2b for FY09 (up 3.3% YoY). Based on SOTP methodology, we arrive at target price of Rs613/sh. We value core business at Rs275/sh (DCF, WACC of 9.5%), Delhi distribution business at Rs22/sh (10x FY09E earnings), EPC business at Rs52/sh (8x EV/EBIDTA for FY09) and Cash in hand at Rs264/sh (Book value, Mar 07). Maintain **Buy**.

ANNUAL REPORT FY07



STOCK PERFORMANCE (1 YEAR)



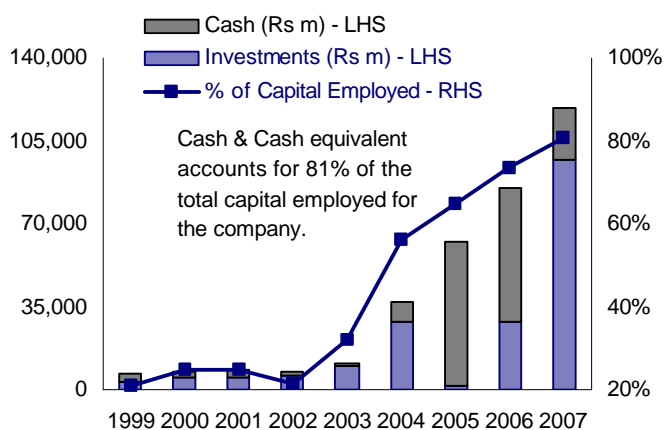
### Key takeaways from the Annual report

1. Net cash has increased to Rs60.3b in FY07 (Rs264/sh) from Rs43.7b (Rs191/sh) in FY06. A significant part of the increase is due to conversion of 15.4m warrants (at Rs573/sh) issued to promoters, resulting in a cash inflow of Rs8b.
2. During FY08, 2100MW of power projects being implemented by Reliance Energy Generation (50% stake by Reliance Energy) will achieve financial closure and enter the construction phase. These include: 600MW of Rosa Power Project (Phase I), 1200 MW Coastal Maharashtra Project (Phase I) and 300MW Captive Power project in Nagpur.
3. EPC division has order backlog stood at Rs55b as at Mar 07, up from Rs33.6b as at Mar 06. The company has submitted bids for the 1) 1200MW Malawa project on EPC basis (Rs40b), 2) T&D projects of Rs7b, 3) Rural electrification projects of Rs10b.

### Net cash at Rs264/sh

Net cash and cash equivalent (net of debt) as of Mar 07 stood at Rs60.3b (Rs264/sh) vs Rs43.7b in FY06 (Rs191/sh). Gross cash and cash equivalents stood at Rs118.9b as of Mar 07 (vs Rs85.4b in FY06), while gross debt as at Mar 07 stood at Rs58.6b (including FCCB of Rs8b). Cash and cash equivalents now represent ~81% of the total capital employed.

CASH AND CASH EQUIVALENT AS A % TO CAPITAL EMPLOYED



Source: Company

TREND IN NET CASH IN HAND (RS M)

	FY03	FY04	FY05	FY06	FY07
Cash	514	23,272	1,934	28,845	97,130
Investments	10,303	8,602	60,454	56,529	21,759
<b>Total</b>	<b>10,817</b>	<b>31,874</b>	<b>62,387</b>	<b>85,374</b>	<b>118,889</b>
Debt *	6,464	20,308	37,387	42,669	58,583
<b>Net Cash</b>	<b>4,353</b>	<b>11,565</b>	<b>25,001</b>	<b>42,704</b>	<b>60,306</b>
Rs/Share	19.1	50.7	109.7	187.3	264.5

\* Gross Debt Source: Company/Motilal Oswal Securities

A significant part of the increase in cash balance is due to conversion of 15.4m warrants issued to promoters, resulting in a cash inflow of Rs8b. The warrants were issued in Aug 05 at Rs573/sh. Cash and Cash equivalents are being deployed in Inter Corporate Deposits (Rs70b) and Mutual funds (Rs19.7b), while cash balance as of Mar 07 was Rs21.8b. The income from deposits (part of other income) grew by 26% to Rs6.1b in FY07 (vs Rs4.9b in FY06), yield of ~7% on the average outstanding cash and cash equivalents.

Over the last three years, Reliance Energy has raised ~Rs56b through fresh equity capital and debt. It raised debt funds of Rs38.3b over FY05-07, which included an international syndicated loan of Rs4.6b, 15-year domestic bonds worth Rs6.25b, and international loans of Rs11.5b. The total debt as of March 2007 stood at Rs58.6b including FCCB of Rs8b (due for conversion in March 2009). The equity raised by the company includes warrants issue of Rs15b to the promoter group and Rs2.5b placement to FIIs.

SUMMARY OF CASH & CASH EQUIVALENT (RS M)

	2006	2007
Liquid/ Marketable Securities	8,577	19,727
Denominated in Foreign Currency	-	5,216
ICDs	20,268	77,403
Cash Balances	56,529	21,759
<b>Total Liquid Funds</b>	<b>85,374</b>	<b>118,889</b>
Interest Income	4,802	6,128
<b>Average Yield (%)</b>	<b>8.0</b>	<b>7.0</b>

Source: Company

### Expect 2,100MW of generation capacity to achieve financial closure during FY08

During FY08, 2,100MW of power projects being implemented by Reliance Energy Generation (50% stake

by Reliance Energy) will achieve financial closure and enter the construction phase. These include: 600MW of Rosa Power Project (Phase I), 1200 MW Coastal Maharashtra Project (Phase I) and 300MW Captive Power project in Nagpur.

Reliance Energy is currently working on generation projects of 14,960MW. These include: Dadri (Gas based) 7480MW, Coastal Maharashtra Project 4000MW. Hydro projects in Arunachal Pradesh 1700MW, Rosa Power Project 1200 MW, Captive Power project in Nagpur 300MW, Urthing Sobla Hydro Power project 280MW. During FY07, Reliance Energy has invested Rs1b as equity contribution in Reliance Energy Generation. The company is also prequalified to submit bids for the procurement/development of 8,200MW of power on long term basis by various SEBs.

**1. Rosa Power Project (1,200MW):** Construction for Phase 1 (600MW) has commenced. It has already obtained possession of 1,465 acres of land and has signed Power Purchase Agreement with Uttar Pradesh Rajya Vidyut Utpadan Nigam to supply power at Rs2.69/unit. The company is entitled to earn RoE of 14% at PLF of 80% as per CERC norms. The likely setup cost for the Phase 1 is Rs26b which would be financed on DER of 70:30. EPC contract has been awarded to Sanghai Electric Corporation. The management also stated that the development work on Phase 2 (600MW) has also started and the construction is likely to commence soon. The entire capacity of 1200MW is expected to be commissioned during the Eleventh Plan.

**2. Maharashtra (4000MW):** Reliance Energy Generation has signed MoU with the Government of Maharashtra to set up 4000MW of power project at Shahapur, Alibag. During FY08, Phase 1 of the project (1200MW, imported coal) is expected to achieve financial closure and construction work is also likely to commence. The land acquisition for the project is

currently under progress and bids for selection of EPC contractor through International Competitive Bidding has been invited. The entire capacity of 4,000MW is expected to be commissioned during the Eleventh Plan.

**3. Captive Power Project in Nagpur (300MW):** REL emerged as the successful bidder in a bid by Maharashtra Industrial Development Corporation for setting up a 300MW as captive power project (coal based) for supply to Industrial customers. The company expects to achieve the financial closure of the project and commencement of the construction work in FY08. It has already acquired 175 acre of land for the project, while 50 acres is under acquisition. The EPC contractor for the project is under finalization. The project is being implemented by Vidarbha Industries Power Limited, in which Reliance Energy will have 33.3% stake.

**4. Projects in pipeline (9,460 MW)**

✍ **Dadri 7,480MW Gas based project:** The company has acquired 2,100 acres of land for Dadri power project and the land registration in favour of the company has also been completed. The project has received all major statutory approvals including from Pollution Control Board, Ministry of Environment and Forests, Water allocation, etc. The company has also initiated the process for the selection of EPC contractor through ICB route.

✍ **Hydro (1,980MW):** Detailed feasibility study for the 280MW Urthing hydro power project has been completed. The company has also entered into agreement with Government of Arunachal Pradesh for development of two hydro projects at Tato (700 MW) and Middle Siang (1,000 MW), for which preliminary studies are being conducted.

**5. Pre-qualified for bid submission (8200MW):** Reliance Energy Generation is also prequalified to submit bids for the procurement/development of 8,200MW of power on long term basis by various SEBs.

## RELiance ENERGY: POWER PROJECTS IN PIPELINE

POWER PROJECT	CAPACITY (MW)	IMPLEMENTED THRU	RELiance ENERGY'S STAKE	RELiance ENERGY'S EFFECTIVE CAPACITY (MW)
<b>Thermal Power Project</b>				
Rosa Power Project	1,200	Reliance Energy Generation Limited	50	600
Coastal Maharashtra Project	4,000	Reliance Energy Generation Limited	50	2,000
Nagpur CPP	300	Vidharbha Industries Power Limited	33.32	100
Dadri	7,480	Reliance Energy Generation Limited	50	3,740
<b>Hydro Power Project</b>				
Sobla	280	*	*	*
Tato II	700	*	*	*
Siyom	1000	*	*	*
<b>Total</b>	<b>14,960</b>			<b>6,440+Hydro Projects *</b>

\*SPV structure not yet decided

Source: Company

## PRE-QUALIFICATIONS TO SUBMIT BIDS (MW)

AGENCY	PROJECT TYPE	CAPACITY (MW)	IMPLEMENTED THRU	RELiance ENERGY'S STAKE (%)	RELiance ENERGY'S EFFECTIVE CAPACITY (MW)
Harayana Power Generation Co Ltd.	Development*	1,200	REGL	50	600
Harayana Power Generation Co Ltd.	Procurement	2,000	REGL	50	1,000
Madhya Pradesh Power Trdg Corp Ltd	Procurement	2,000	REGL	50	1,000
Punjab State Electricity Board	Procurement	1,000	REGL	50	500
Maharashtra State Electricity Distribution Co Ltd	Procurement	2,000	REGL	50	1,000
<b>Total</b>		<b>8,200</b>			<b>4,100</b>

\*Tehsil Matenhel Power Project

Source: Company

## Infrastructure projects: Mumbai Metro and NHAI Road Projects

✎ **Mumbai Metro:** Reliance Energy led consortium has been awarded 12kms rail based Mass Rapid transport system from Andheri - Ghatkopar in Mumbai. Shareholding pattern is: Reliance Energy 69%, Veolia Transport 5% and MMRDA 26%. The Annual report states that detailed planning and preparatory works has been undertaken and completed. The pre-qualification process for supply, installation and commissioning of rail systems and civil work required for the project has also been completed.

✎ **Road projects:** During FY07, Reliance Energy was successful in bagging three more road projects from NHAI of total length of 304kms. Thus, the total length of road projects with the company as developer now stands at 401kms, which is the largest in India for NHAI projects.

## Increasing focus on EPC division

Engineering, Procurement and Construction (EPC) division has emerged as the focus area. The order backlog for the division stood at Rs55b as at Mar 07, up from Rs33.6b as at Mar 06. The company has also submitted bids for the 1) 1200MW Malwa project on EPC basis (Rs40b), 2) T&D projects of Rs7b (erection of five 400/220kV substation, transmission line work from PGCIL), 3) Rural electrification projects of Rs10b. It has also initiated steps to improve its prequalifications on the transmission and distribution side and would be installing the switchyards for Rosa and Hisar power projects, which would act as showcase investments. This will also enable the company to bid for switchyards and transmission lines tenders. During FY07, the EPC division reported revenues of Rs21b, and EBIDTA of Rs1.3b, an EBIDTA margin of 6.2%.

EPC ORDER BOOK AS OF JUNE 2007 (RS M)

		REMARKS
UP Rural Electrification	7,347	Completion by June 2007
Yamuna Nagar Power	20,970	81.6% physical progress achieved
Hisar Power	37,754	35 months for unit 1 & 38 months for unit 2 from Jan-07
Paricha Balance of Plant	3,950	24 months from Feb-07
<b>Total</b>	<b>70,021</b>	
Executed	15,000	
<b>Balance</b>	<b>55,021</b>	

Source: Company

**A) Power Generation**

➤ **Yamuna Nagar Thermal Power Station, Haryana (2x300 MW):** The overall physical progress achieved was 81.6%, against the plan of 81.4%, indicating that despite some initial setbacks, the project is progressing as per schedule.

➤ **Hisar Thermal Power Project, Haryana (2x600MW):** Reliance Energy received Letter of Intent in Jan 07 for setting up a 2 x 600 MW coal based thermal power project on turnkey basis at Hisar from Haryana Power Generation Corporation for an order value of Rs37.8b. The company entered into a contract with Shanghai Electric Corporation, China for supply, erection and supervision of the main power plant equipment i.e. boiler, turbine, generator and their auxiliaries. The turnkey job is to be completed in a schedule of 35 months for Unit 1 and 38 months for Unit 2. The company is targeting completion within 34 and 36 months respectively.

➤ **2 x 250 MW Parichha Thermal Power Station 2 – Balance of Plant Package:** The company received the Letter of Intent in Jan 07 from Uttar Pradesh Rajya Vidyut Utpadan Nigam for the Balance of Plant Package for the Parichha II extension project worth Rs4b with the completion schedule of 24 months. Survey and soil investigation work have been completed in Mar 07.

**B) Power Transmission and Distribution**

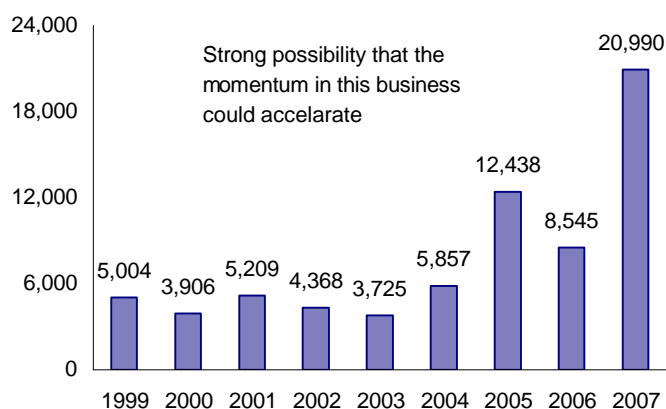
➤ **UP rural electrification project:** Under the Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme, Reliance Energy bagged an order worth Rs7.3b

for electrification of villages in 17 districts of Uttar Pradesh. The order is expected to be executed by Jun 07. The company was also awarded the Sitapur and Rae Bareilly packages worth Rs1.5b under the RGGVY scheme and targeted completion is by Sept 07.

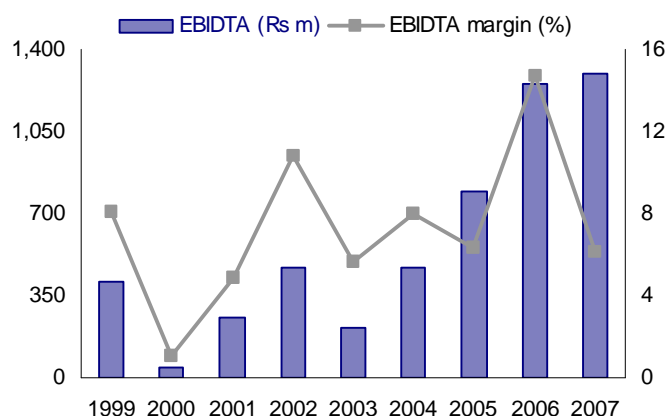
➤ **A D Hydro transmission Works:** Reliance Energy also bagged transmission project of 65 km, 220 KV D/C Allain Duhangan- Panarasa transmission line in Kullu district, Himachal Pradesh, a package value of Rs550m. The project is expected to be completed by October 2007.

➤ **400 KV switchyards at Hisar:** Reliance Energy will be executing a 400 KV switchyard at Hisar and the project is expected to be completed by 1QFY09.

TREND IN REVENUES FOR EPC DIVISION (RS M)



TREND IN EBIDTA MARGIN FOR EPC DIVISION



Source: Company

### MERC tariff order provides strong earnings visibility

Maharashtra Electricity Regulatory Commission (MERC) has approved Reliance Energy's tariff orders for Generation, Transmission and Distribution businesses till FY10 (under Multi Year Tariff regulations) providing strong earnings visibility. The company is eligible for RoE of 14% on the Generation and Transmission businesses and 16% on the Distribution business. We calculate Reliance Energy's net profit from Mumbai division at Rs2.3-2.8b, including incentives based on normative parameters. The company will be allowed to retain one third of the total incentives.

### Appellate Tribunal permits recovery of Rs2.6b

The Appellate Tribunal has upheld the appeal regarding disallowance of employees expenses, administrative expenses and income tax by MERC through the October 2006 Order (pertaining to truing up of cost and revenues). Based on the Appellate Tribunal Order, MERC in its recent tariff order (24 April 2007) has permitted Reliance Energy to recover Rs2.64b in three equal installments of Rs880m each during FY08, FY09 and FY10.

GAINS FROM APPELLATE TRIBUNAL (ATE) ORDER (RS M)

	FY05			FY06		
	MERC	ATE	GAINS	MERC	ATE	GAINS
Employee Exp.	1,619	2,073	455	1,828	2,073	245
A&G Expense	740	1,020	280	760	1,016	256
Income tax	80	1,010	930	270	740	470
<b>Total</b>			<b>1,665</b>			<b>971</b>

Source: MERC Tariff Order

### Delhi Distribution business: improved performance

The Delhi Distribution business reported improved performance during FY07. The net profit grew to Rs750m in FY07 vs Rs136m in FY06. The aggregate technical and commercial losses for the BSES Yamuna Power stood at 35.5% vs target level of 36.7% for FY07 and at 43.9% vs target levels of 45.1% for BSES Rajdhani Power.

### Financials and valuations

We expect REL to report a consolidated adjusted net profit of Rs8.9b for FY08 (up 22.2% YoY) and Rs9.2b for FY09 (up 3.3% YoY). The growth during FY08 is being largely driven by higher income, a combination of improved yields and higher cash balance.

Based on SOTP methodology, we arrive at a target price of Rs613/sh. We value core business at Rs275/sh (DCF, WACC of 9.5%), Delhi distribution business at Rs22/sh (10x FY09E earnings), EPC business at Rs52/sh (8x EV/EBIDTA for FY09) and Cash in hand at Rs264/sh (Book value, March 2007). Maintain Buy.

SUM OF PARTS VALUATION (RS/SH)

BUSINESS	RS/SH	RATIONALE
Power Business	275	DCF, WACC of 9.5%
Delhi Business	22	10x FY09 earnings
EPC Business	52	8x EV/EBIDTA for FY09
Cash in Hand (Net)	264	Book Value, March 2007
<b>Total</b>	<b>613</b>	

Source: Motilal Oswal Securities

INCOME STATEMENT		(RS MILLION)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
<b>Sales</b>	<b>28,960</b>	<b>31,790</b>	<b>36,110</b>	<b>45,433</b>	<b>47,544</b>	
Other Operating Income	12,438	8,545	20,820	22,491	23,610	
<b>Total Revenues</b>	<b>41,398</b>	<b>40,335</b>	<b>56,930</b>	<b>67,924</b>	<b>71,154</b>	
Change (%)	2.15	-2.6	41.1	19.3	4.8	
Cost of Electricity	11,032	12,016	16,571	20,923	22,446	
Cost of fuel	7,359	8,121	9,213	8,902	8,902	
Other Manufacturing Exp.	1,242	1,904	1,982	1,892	2,009	
Employee Expenses	1,836	1,857	3,135	2,723	2,859	
SG&A Expenses	1,261	1,672	2,818	1,746	1,911	
Cost of Contracts	11,646	7,288	18,406	21,072	22,113	
<b>EBITDA</b>	<b>7,023</b>	<b>7,476</b>	<b>4,805</b>	<b>10,665</b>	<b>10,913</b>	
% of Total Revenues	17.0	18.5	8.4	15.7	15.3	
Depreciation	3,464	3,486	2,401	2,785	2,893	
Interest	1,348	1,919	2,503	2,606	2,606	
Other Income	4,527	5,744	8,823	7,346	7,584	
<b>PBT</b>	<b>6,738</b>	<b>7,815</b>	<b>8,724</b>	<b>12,620</b>	<b>12,998</b>	
Tax	495	506	709	1,728	1,785	
Rate (%)	7.3	6.5	8.1	13.7	13.7	
Provisions for Contingencies	1,041	806	0	1,100	1,100	
<b>Reported PAT</b>	<b>5,201</b>	<b>6,504</b>	<b>8,015</b>	<b>9,792</b>	<b>10,113</b>	
Change (%)	4.17	25.0	23.2	22.2	3.3	
<b>Adj. PAT</b>	<b>5,201</b>	<b>6,504</b>	<b>8,015</b>	<b>8,923</b>	<b>9,244</b>	
Change (%)	32.6	25.0	23.2	11.3	3.6	

BALANCE SHEET		(RS MILLION)				
Y/E MARCH	2005	2006	2007E	2008E	2009E	
Share Capital	1,856	2,124	2,286	2,286	2,286	
Reserves	54,021	69,088	84,127	92,377	100,947	
<b>Net Worth</b>	<b>55,877</b>	<b>71,211</b>	<b>86,413</b>	<b>94,663</b>	<b>103,233</b>	
Loans	37,387	42,669	58,583	58,583	50,581	
Consumer's Security Deposit	221	235	246	246	246	
Deferred Tax Liability	2,606	2,041	2,313	2,913	3,513	
<b>Capital Employed</b>	<b>96,091</b>	<b>116,157</b>	<b>147,556</b>	<b>156,405</b>	<b>157,573</b>	
Gross Fixed Assets	51,730	54,706	58,984	61,984	64,084	
Less: Dep and revaluation res	-32,050	-35,667	-37,804	-40,589	-43,482	
<b>Net Fixed Assets</b>	<b>19,680</b>	<b>19,039</b>	<b>21,180</b>	<b>21,395</b>	<b>20,602</b>	
Capital WIP	1,922	2,177	2,885	2,885	2,885	
Investments	6,962	11,927	25,119	27,796	30,110	
<b>Curr. Assets</b>	<b>86,404</b>	<b>105,153</b>	<b>128,144</b>	<b>134,968</b>	<b>135,810</b>	
Inventory	3,531	2,951	2,927	3,000	3,000	
Debtors	9,310	10,928	10,564	10,881	11,207	
Cash & Bank Balance	60,454	56,529	21,759	32,230	36,305	
Loans & Advances	11,701	31,617	89,430	85,857	82,298	
Other Current Assets	1,409	3,129	3,465	3,000	3,000	
<b>Current Liab. &amp; Prov.</b>	<b>18,878</b>	<b>22,140</b>	<b>29,772</b>	<b>30,639</b>	<b>31,834</b>	
Other Liabilities	14,781	15,708	22,466	23,139	23,834	
Provisions	4,096	6,431	7,306	7,500	8,000	
<b>Net Current Assets</b>	<b>67,527</b>	<b>83,014</b>	<b>98,373</b>	<b>104,328</b>	<b>103,976</b>	
<b>Application of Funds</b>	<b>96,091</b>	<b>116,157</b>	<b>147,557</b>	<b>156,406</b>	<b>157,574</b>	

E: MOST Estimates

RATIOS						
Y/E MARCH	2005	2006	2007E	2008E	2009E	
<b>Basic (Rs)</b>						
<b>EPS</b>	<b>29.9</b>	<b>30.6</b>	<b>35.1</b>	<b>42.8</b>	<b>44.2</b>	
<b>EPS (Fully Diluted)</b>	<b>27.1</b>	<b>27.7</b>	<b>34.1</b>	<b>41.7</b>	<b>43.1</b>	
<b>CEPS (Rs)</b>	<b>43.5</b>	<b>40.9</b>	<b>45.7</b>	<b>56.1</b>	<b>58.0</b>	
Book Value	270.4	331.2	378.1	444.2	451.6	
DPS	4.7	4.9	5.3	6.0	6.0	
Payout (incl. Div. Tax.)	19.1	18.6	12.8	17.3	16.7	
<b>Valuation (x)</b>						
P/E		19.3	16.8	13.8	13.4	
EV/EBITDA		13.5	17.4	6.7	5.8	
EV/Sales		2.5	1.5	1.0	0.9	
Price/Book Value		1.8	1.6	1.4	1.3	
Dividend Yield (%)		0.8	0.9	1.0	1.0	
<b>Profitability Ratios (%)</b>						
RoE	11.1	10.7	10.2	10.8	10.8	
RoCE	10.1	9.4	8.7	10.2	10.2	
<b>Turnover Ratios</b>						
Debtors (Days)	82	99	68	58	57	
Inventory (Days)	31	27	19	16	15	
Asset Turnover (x)	0.4	0.3	0.4	0.4	0.5	
<b>Leverage Ratio</b>						
Debt/Equity (x)	0.5	0.7	0.6	0.7	0.6	

CASH FLOW STATEMENT		(RS MILLION)				
	2005	2006	2007E	2008E	2009E	
<b>PBT before EO Items</b>	<b>6,738</b>	<b>7,815</b>	<b>8,724</b>	<b>12,620</b>	<b>12,998</b>	
Add : Depreciation	3,464	3,486	2,401	2,785	2,893	
Less : Direct Taxes Paid	1,296	1,704	390	2,228	2,285	
(Inc)/Dec in WC	-1,375	856	27,275	76,918	71,830	
<b>CF from Operations</b>	<b>7,531</b>	<b>10,453</b>	<b>38,009</b>	<b>90,095</b>	<b>85,436</b>	
(Inc)/dec in FA	-2,723	-3,231	-5,529	-3,000	-2,100	
(Pur)/Sale of Investments	21,788	-25,233	-90,594	-75,081	-69,716	
Others	2,942	254	-882	35	0	
<b>CF from Investments</b>	<b>22,008</b>	<b>-28,210</b>	<b>-97,005</b>	<b>-78,046</b>	<b>-71,816</b>	
(Inc)/Dec in Share Capital anc	6,183	9,080	9,288	0	0	
(Inc)/Dec in Debt	17,078	5,826	15,914	0	-8,002	
(Inc)/Dec in Customer Securi	44	14	11	0	0	
Dividend Paid	-991	-1,209	-1,023	-1,543	-1,543	
<b>CF from Fin. Activity</b>	<b>22,314</b>	<b>13,712</b>	<b>24,190</b>	<b>-1,543</b>	<b>-9,545</b>	
<b>Inc/Dec of Cash</b>	<b>51,852</b>	<b>-4,046</b>	<b>-34,806</b>	<b>10,506</b>	<b>4,075</b>	
Add: Beginning Balance	8,602	60,454	56,529	21,759	32,230	
<b>Closing Balance</b>	<b>60,454</b>	<b>56,529</b>	<b>21,723</b>	<b>32,265</b>	<b>36,305</b>	

E: MOST Estimates



For more copies or other information, contact

**Institutional:** Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: inquire@motiloswal.com

**Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021**

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**Disclosure of Interest Statement**

**Reliance Energy**

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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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