Reliance Industries Ltd.

Price Objective Change

BUY

Equity | India | Chemicals-Specialty
08 June 2007

Upgrading PO

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PO upgraded by 4% to Rs1,807/share; retain Buy

We are upgrading our PO of Reliance Industries (RIL) by 4% to Rs1,807/share, driven by upgrades to our E&P and petrochemical valuations. The E&P valuation upgrade is driven by the disclosure from RIL's partner Hardy Oil of prospective resources in D3 and D9 blocks in the Krishna-Godavari (KG) basin. Our higher petrochemical valuation factors in our recent margins upgrade. We believe that there is further upside potential to valuation and maintain our Buy rating.

Upgrade in exploration upside drives E&P valuation upgrade

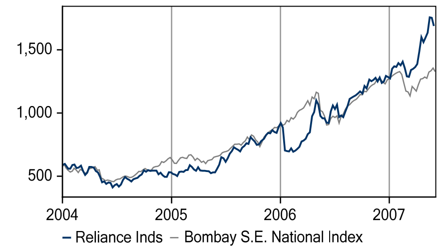
RIL's E&P valuation earlier included valuation of 2P reserves, resources and exploration upside (20% of the reserve and resources valuation). Following Hardy Oil's disclosures we have valued RIL's share of risked prospective resources in D9 and D3 blocks at US$3.3bn and included it in exploration upside. An additional exploration upside of US$1.6bn is also included but it is now 10% of the 2P reserve and resources valuation. D6 oil valuation is upgraded by US$0.5bn to reflect upgrade in our long term oil price forecast to US$60/bbl from US$47.5/bbl. RIL's E&P valuation is now US$21bn vis-à-vis US$18.6bn earlier.

Further upside potential to E&P and RPL valuation

We have valued RIL's 75% stake in RPL at Rs65/share (DCF on conservative refining margin assumptions). If Chevron exercises the option it has to buy 24% stake in RPL from RIL at 5% to market price (Rs93/share), upside to valuation in RPL would be US$0.7bn. We believe that there could be further upside potential to our E&P valuation. Our D6 gas valuation is just based on 11 discoveries while 18 have been made. RIL also has other highly prospective blocks such as D4.

Stock Data

Price (Common / GDR)	Rs1,668 / US$83.50
Price Objective	Rs1,732 to Rs1,807 / US$76.64 to US$79.96
Date Established	7-Jun-2007 / 7-Jun-2007
Investment Opinion	B-1-7 / B-1-7
Volatility Risk	MEDIUM / MEDIUM
52-Week Range	Rs810.00-Rs1,785
Market Value (mn)	US$59,590
Shares Outstanding (mn)	1,453.6 / 726.8
Average Daily Volume	858,275
ML Symbol / Exchange	XRELF / BSE
ML Symbol / Exchange	RLNIY / LIN
Bloomberg / Reuters	RIL IN / RELI.BO
ROE (2008E)	17.6%
Net Dbt to Eqty (Mar-2006A)	34.5%
Est. 5-Yr EPS / DPS Growth	0.2% / 0.1%
Free Float	52.1%



Estimates (Mar)

(Rs)	2006A	2007A	2008E	2009E	2010E
Net Income (Adjusted - mn)	90,693	122,259	141,771	165,886	239,357
EPS	65.10	84.11	90.09	105.42	152.11
EPS Change (YoY)	19.8%	29.2%	7.1%	17.0%	44.3%
Dividend / Share	10.00	10.00	10.00	10.00	10.00
Free Cash Flow / Share	34.18	(42.70)	(82.60)	(23.83)	125.37
GDR EPS (US$)	2.94	3.72	4.43	5.18	7.48
GDR Dividend / Share (US$)	0.452	0.492	0.492	0.492	0.492

Valuation (Mar)

	2006A	2007A	2008E	2009E	2010E
P/E	25.62x	19.83x	18.51x	15.82x	10.97x
Dividend Yield	0.600%	0.600%	0.600%	0.600%	0.600%
EV / EBITDA*	20.22x	13.34x	12.09x	10.38x	7.56x
Free Cash Flow Yield*	1.96%	-2.56%	-5.36%	-1.55%	8.14%

* For full definitions of *iQmethod* SM measures, see page 9.

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Refer to important disclosures on page 10 to 11. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

iQprofile SM Reliance Industries Ltd.

Key Income Statement Data (Mar)	2006A	2007A	2008E	2009E	2010E
(Rs Millions)					
Sales	803,727	1,103,884	1,044,559	1,152,604	1,508,475
Gross Profit	137,255	208,074	229,416	267,404	367,041
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	103,245	161,654	182,079	216,413	295,387
Net Interest & Other Income	3,795	(8,360)	(4,866)	(5,587)	(2,276)
Associates	NA	NA	NA	NA	NA
Pretax Income	107,041	153,294	177,213	210,827	293,112
Tax (expense) / Benefit	(16,347)	(31,035)	(35,443)	(42,802)	(40,684)
Net Income (Adjusted)	90,693	122,259	141,771	165,886	239,357
Average Fully Diluted Shares Outstanding	1,393	1,454	1,574	1,574	1,574

Key Cash Flow Statement Data					
Net Income (Reported)	90,693	122,259	141,771	165,886	239,357
Depreciation & Amortization	34,009	46,420	47,337	50,991	71,654
Change in Working Capital	NA	NA	NA	NA	NA
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	22,407	63,755	(10,485)	5,174	(7,939)
Cash Flow from Operations	147,109	232,434	178,623	222,051	303,072
Capital Expenditure	(99,487)	(294,507)	(308,602)	(259,542)	(105,788)
(Acquisition) / Disposal of Investments	129,436	13,702	(46,835)	(24,725)	(21,099)
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	29,950	(280,805)	(355,437)	(284,267)	(126,887)
Shares Issue / (Repurchase)	1	34,334	168,239	5,697	28,159
Cost of Dividends Paid	(11,914)	(12,123)	(16,348)	(14,771)	(2,927)
Cash Flow from Financing	(193,394)	67,211	117,891	77,020	(108,768)
Free Cash Flow	47,623	(62,073)	(129,979)	(37,491)	197,284
Net Debt	157,106	216,997	261,964	265,779	64,371
Change in Net Debt	28,053	26,160	24,923	32,655	(201,417)

Key Balance Sheet Data					
Property, Plant & Equipment	626,745	898,071	1,217,895	1,298,230	1,316,890
Other Non-Current Assets	18,373	4,671	71,550	96,275	117,378
Trade Receivables	41,636	62,208	54,112	62,679	93,750
Cash & Equivalents	61,550	80,390	3,423	22,937	57,346
Other Current Assets	182,650	227,439	198,743	209,511	205,654
Total Assets	930,955	1,272,779	1,545,723	1,689,631	1,791,017
Long-Term Debt	165,158	210,158	176,158	223,618	89,618
Other Non-Current Liabilities	49,708	76,811	88,330	101,330	113,068
Short-Term Debt	53,499	87,229	89,229	65,099	32,099
Other Current Liabilities	164,545	268,968	209,558	220,862	242,868
Total Liabilities	432,909	643,166	563,275	610,908	477,652
Total Equity	498,040	629,605	982,438	1,078,717	1,313,358
Total Equity & Liabilities	930,949	1,272,771	1,545,714	1,689,625	1,791,010

iQmethod SM - Bus Performance*					
Return On Capital Employed	13.1%	15.0%	12.8%	12.6%	17.3%
Return On Equity	20.1%	21.7%	17.6%	16.4%	20.7%
Operating Margin	12.8%	14.6%	17.4%	18.8%	19.6%
EBITDA Margin	17.1%	18.8%	22.0%	23.2%	24.3%

iQmethod SM - Quality of Earnings*					
Cash Realization Ratio	1.6x	1.9x	1.3x	1.3x	1.3x
Asset Replacement Ratio	2.9x	6.3x	6.5x	5.1x	1.5x
Tax Rate (Reported)	15.3%	20.2%	20.0%	20.3%	13.9%
Net Debt-to-Equity Ratio	31.5%	34.5%	26.7%	24.6%	4.9%
Interest Cover	11.8x	12.6x	15.2x	15.9x	23.1x

Key Metrics

* For full definitions of *iQmethod* SM measures, see page 9.

Company Description

India's largest petchem and second largest refining company, Reliance, owns a 660kbpd refinery. Along with RPL, its total refining capacity would be 1.2mbpd by 2009. It also has a 900ktpa cracker, 1mtpa polyester, 1.9mtpa polymer and over 3mtpa of fibre intermediate capacities. Refining contributes 55% to revenues with petchem contributing 43%. The company has discovered gas with initial inplace reserves of 35tcf on the East Coast.

Stock Data

Shares / GDR	2.00
Price to Book Value	2.5x

E&P valuation upgraded

RIL’s partner Hardy Oil estimates prospective resources

Hardy Oil & Gas Plc (HOGP) has made disclosures on prospective resources in some of its blocks in India including three in which RIL is its partner. These disclosures were made in its press release dated May 25. The three blocks, in which RIL is its partner are

- Deepwater block D9 in the Krishna-Godavari (KG)
- Deepwater block D3 in the KG basin
- Shallow water block GS-01 block in the Saurashtra basin,

RIL holds 90% interest in all the three blocks with HOGP holding balance 10%.

Table 1: Details of RIL and Hardy Oil's exploration blocks

Exploration block	Type	Basin	NELP	Date of PSC	RIL's interest
GS-OSN-2000/1 (GS-01)	Shallow water	Gujarat-Saurashtra	II	Jul-01	90%
KG-DWN-2001/1 (D9)	Deepwater	Krishna Godavari	III	Feb-03	90%
KG-DWN-2003/1 (D3)	Deepwater	Krishna Godavari	V	Sep-05	90%

Source: Hardy Oil, DGH

Prospective resources in D9, D3 and GS-01 put at 6.3bn boe

HOGP has estimated the gross unrisked prospective resources in the three blocks, in which RIL is its partner, at 6.3bn boe. RIL’s share of unrisked prospective resources works out to 5.7bn boe. The prospective resources in D9 and D3 are all gas. RIL’s share of unrisked prospective resources in these blocks is 34tcf (5.66bn boe). RIL’s share of risked prospective resources is 1.6bn boe (9.5tcf). The prospective resources estimates for D9 and D3 are HOGP’s own estimates. The estimates for GS-01 are RIL’s estimates.

Table 2: Risked and unrisked prospective resources in D9, D3 and GS-01 blocks and RIL's share thereof

	Gross resources		RIL's share (unrisked)		Risk	RIL's share (risked)	
	mmboe	tcf	mmboe	tcf		mmboe	tcf
D9 (gas)	5,600	33.6	5,040	30.2	29%	1,462	8.8
D3 (gas)	695	4.2	626	3.8	20%	125	0.8
GS-01 (oil & gas)	48		43	0.0	17%	7	0.0
	6,343	37.8	5,709	34.0		1,594	9.5

Source: Hardy Oil press release dated May 25, 2007

D9 block exploration update

3D seismic acquired; first well drilling planned in 2H 2007

The D9 deep water block is directly adjacent to the D6 block, which accounts for a large proportion of RIL’s 2P reserves and even contingent resources. The 2P reserves in the D6 block, which was allotted to RIL in NELP I, have been estimated by the independent expert at 11.3tcf. Update on D9 exploration as provided by HOGP are

- 3D seismic has been acquired, which has been processed and interpreted with six prospects being identified for drilling
- There is a commitment to drill four wells of which at least one exploration well is planned for 2H 2007 and 1-2 wells in 2H 2008

D3 block exploration update

3D seismic acquired; first well drilling planned in 2H 2007

Hydrocarbon discoveries have been made to the north and north east of the D3 block, which is also a deep water block in the KG basin. Update on D3 exploration as provided by HOGP are

- There is commitment to perform seismic surveys and drill six exploration wells
- 2D and 3D seismic was acquired from the previous operator. 6 prospects were high graded on that data.
- In addition RIL began acquiring additional 3D seismic covering the entire block in March 2007, which is expected to continue at least until 2Q 2007.
- One exploration well is planned to be drilled in 4Q 2008

Key takeaways

HOGP disclosures highlight upside potential to RIL's reserves

The disclosures made by HOGP on prospective resources in D3 and D9 highlight the upside potential to RIL's reserves, which we have been consistently reiterating. Our expectation of reserve upside stems from the fact that RIL has 20 exploration blocks in the highly prospective KG and Mahanadi basins.

Already oil and gas discoveries have been made in four of these blocks. Commerciality of discoveries in two of this block – D6 and NEC-25 – has been proved. Production of gas from D6 is scheduled to start in 2008E and from NEC-25 from late-2009.

Concrete news flow likely only in 2008E for D9 and in 2009E for D3

Concrete and reliable news on the commerciality of discoveries in case of the D9 and D3 blocks is not likely at least in 2007. In case of D9 block the first well is proposed to be drilled in 2H 2007E. Thus discoveries may get reported in end-2007E but clarity on their commerciality is likely only in 2008E. In case of the D3 block the first well is proposed to be drilled in 4Q 2008E. Thus discoveries may get reported in end-2008E but clarity on their commerciality is likely only in 2009E.

GS-01 appears small in the overall scheme of things for RIL

RIL's share of risked prospective resources in GS-01 block is just 7mmboe (share of unrisked is 43mmboe) as per HOGP's disclosures. HOGP has however clarified that these estimates were made by RIL before the reported gas discovery made in March 2007. There could thus be some upside to this estimate. However even RIL at their FY07 results analyst meet had indicated that the discovery was relatively small with reserves likely to be less 1tcf. We therefore believe that GS-01 block is likely to be relatively small in the overall scheme of things for RIL.

RIL's E&P valuation upgraded

Valuation includes value of reserves, resource and exploration upside

Our E&P valuation of RIL includes the value of its

- 2P resources as certified by independent expert
- Contingent resources as certified by independent expert
- Exploration upside, which represents potential upside to reserves from exploration

Exploration upside earlier valued at 20% of reserves and resources value

Until now we valued exploration upside for RIL at 20% of its 2P reserves and resources valuation. The upside was taken to be as high as 20% as RIL has large exploration acreage in highly prospective basins like the Krishna-Godavari (KG) and Mahanadi.

Exploration upside not valued on prospective resources as unavailable

We would have preferred to value exploration upside on the basis of prospective resources in RIL's exploration blocks. However since data on the same was not available earlier we were valuing it at 20% of reserves and resource valuation.

Upgrade in exploration upside to include D9 and D3

Now HOGP's has made disclosures on prospective resources in D9 and D3 blocks, in which RIL has 90% interest. We are therefore now including our valuation of these prospective resources in RIL's exploration upside.

Prospective resources valued; Exploration upside cut to 10% from 20%

We are now making the following changes to RIL's exploration upside valuation

- Including valuation of prospective resources in D9 and D3 blocks
- Including an additional exploration upside but cutting it to 10% of 2P reserves and resources valuation vis-à-vis 20% earlier

D3 & D9 prospective resources to boost exploration upside by US$3.3bn

RIL's share of unrisked prospective gas resources in the D9 and D3 blocks is 4.67bn boe (34tcf). Its share of risked resources is 1.6bn boe (9.5tcf). We have used risked resources of 1.1bn boe instead of 1.6bn boe. We have valued the risked resources of 1.1bn boe at US$3.3bn, which implies valuation of US$2.9/boe.

Fiscal terms for D3 assumed to be similar to D4 and for D9 to be worse

We have assumed that fiscal terms for D3, which was allotted in NELP V to be similar to D4 block, which too was allotted in NELP V. Fiscal terms for D9 (NELP III) have been assumed to be not as good as for D4 (NELP V) but better than for NEC-25 (NELP II). In NEC-25 while peak government share in profit petroleum is 70%, it is 50% in D4. The peak government share in profit petroleum in D6 block (NELP I) is 85%. Thus there is a trend of lower peak government share in progressive NELP rounds.

D6 oil value upgraded to factor in higher oil price forecast

We had in May 2007 upgraded our long term Brent price forecast to US$60/bbl from US$47.5/bbl earlier. The impact of this oil price forecast upgrade on D6 oil valuation had not been factored in. This upgrade has meant that D6 oil valuation has been upgraded to US$1.7bn from US$1.2bn earlier.

RIL's E&P valuation upgraded by 6% to Rs651/share

We have upgraded RIL's E&P valuation by 6% to Rs651/share from Rs611/share earlier. The upgrade has been due to upgrade in exploration upside valuation and valuation of D6 oil.

Table 3: Valuation of RIL's E&P assets

	mmboe	USD/boe	Risk	USDm	Rs/share
D6 2P reserves	1,833	4.4		7,994	248
PMT proven reserves	141	7.4		1,045	32
Proven oil reserves outside India	9	3.8		35	1
NEC-25 2P	447	4.7	90%	1,876	58
CBM	594	3.0	90%	1,630	50
2P reserves	3,024	4.2		12,579	390
D6 resources best case	502	3.6		1,791	55
D6 oil discoveries	200	10.5	80%	1,686	52
Resources	702	5.0		3,477	108
Total reserves & resources	3,726	4.3		16,056	497
Prospective resources (D9 and D3)	5,666	2.9	20%	3,342	104
Exploration upside from				1,606	50
Total E&P valuation				21,003	651
Shares out (excluding treasury shares)					1,372

Source: DSP Merrill Lynch

Valuation

PO upgraded by 4% to Rs1,807/share

We are upgrading fair value of RIL by 4% to Rs1,807/share. The upgrade has been driven by the following:

- Upgrade in RIL's E&P valuation by 6% to Rs651/share

Chemicals Monitor, 14 May 2007

- Upgrade in RIL's petrochemical valuation by 7% to Rs469/share. We had upgraded petrochemical margins on May 14, 2007 and therefore RIL's FY10E earnings by 11%. We had however not correspondingly increased RIL's petrochemical valuation. We have done that now.

Table 4: RIL's sum of parts valuation

INR/share	Valuation measure used	Valuation		
Business/Investment		USDbn	Rs-bn	Rs/share
Petrochemicals	DCF	15.2	644	469
Refining & Marketing	DCF	13.7	583	425
Value of investment in RPL (Rs65/share)	DCF	5.2	219	160
Exploration & production	DCF	21.0	893	651
Retail	DCF	3.3	140	102
Sum of parts valuation		58.3	2,339	1,807
No of shares (excluding treasury shares)				1,372

Source: DSP Merrill Lynch

Further upside to valuation

We believe that there could be further upside risk to valuation. The upsides could come from

- Higher valuation for RIL's equity stake in RPL. We have valued RPL at Rs65/share, which is based on conservative refining margin assumptions.
- Accretion of reserves in D6 block given that our current valuation is based on 2P reserves and resources, which do not factor in seven discoveries
- Accretion of reserves from discoveries in RIL's other exploration blocks especially the blocks in the KG and Mahanadi basins.

Upside to investment in RPL of Rs23 if Chevron hikes stake

Chevron has an option to buy an additional 24% equity stake in RPL from RIL at a pricethat is 5% below the then-prevailing market price. If Chevron chooses to exercise this option, it would have to pay RIL Rs93/share at current market price of RPL. Thus, at least on part of its 75% stake in RPL, RIL could realize Rs93/share vis-à-vis our valuation of Rs65/share for its entire stake. Thus, upside potential to value of RIL's stake in RPL could be Rs23/share.

Gain from reserve accretion may exceed exploration upside

RIL's E&P valuation includes exploration upside of US$5bn now. This may appear to be aggressive. We however believe that the upside to reserves from the D6 block and from RIL's other exploration block could easily exceed the exploration upside assumed by us. Our D6 gas valuation is based on independent experts' reserve estimates based on 11 discoveries. Seven more discoveries have been made by RIL in this block, which are not reflected in the valuation.

RIL's partner Niko Resources has recently disclosed to investors that the D4 block (RIL has 85% interest and Niko 15%) in the Mahanadi basin is highly prospective. There are some indications that it could hold as much reserves as in D6 if not more.

Retain Buy

Modest EPS growth in FY08E, but value accretion to continue

We expect earnings growth for RIL to be modest at 7% YoY in FY08E. However we expect positive news flow on E&P to continue. More exploratory wells should be drilled in D6, NEC-25 and D9 blocks. Disclosure of independent experts' estimates on earlier discoveries is also likely.

FY09E could be landmark year; upside potential to earnings

FY09E could be a landmark year, as we expect RIL to become the company with the highest profit in India in FY09E, displacing ONGC. D6 oil and gas production and RPL's refinery are scheduled to start in FY09E. There could be upside risk to our FY09E earnings forecast given the following:

- RPL's refinery could start six months before schedule in June 2008 and thus be in operation for nine months in FY09E vis-à-vis for just three months assumed by us
- Our FY09E earnings forecast does not factor in D6 oil production

More clarity on retail and SEZ initiative in 12-24 months

More clarity on other initiatives such as foray in to retail and special economic zones (SEZ) are also likely in the next 12-24 months. This could help investors value the SEZ initiative. Retail valuation could get boosted with more clarity.

We see RIL as a strong long-term growth story with multiple share price drivers. We retain a Buy rating on RIL.

Price Objective Basis & Risk

RIL's price objective of to Rs1,807/share is based on our sum-of-the-parts valuation. The value of the core refining and petrochemical business has been calculated on DCF. We upgrade RIL's petrochemical valuation by 7% to Rs469/share. We had upgraded petrochemical margins on May 14, 2007 and therefore RIL's FY10E earnings by 11%. We had however not correspondingly increased RIL's petrochemical valuation. We have done that now. The value of its investment in Reliance Petroleum is calculated on DCF value of RPL and applying it to RIL's holding in RPL. Its oil and gas reserves and resources are also valued on DCF basis. RIL's Retail business is also calculated on DCF basis. We upgrade our E&P valuation by 6% to Rs651/share.

Significant weakening in refining and petrochemical margins that drop below our expectations is a risk to our price objective. Such a decline is more likely to be triggered by negative surprises on demand rather than supply. As discussed, our refining margin forecasts assume almost all possible refinery projects coming up. A large disappointment on the E&P front is another risk. We have valued even resources and exploration upside. Failure in the retail business is another risk to our valuation.

Analyst Certification

I, Vidyadhar Ginde, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Merrill Lynch acted as financial advisor to Reliance Industries in the proposed merger of Reliance Industries with Indian Petrochemicals Corporation Limited (IPCL) that was announced on March 10, 2007. Reliance has agreed to pay a fee to Merrill Lynch for its financial advisory services.

Special Disclosures

In accordance with the SEBI (Foreign Institutional Investors) Regulations and with guidelines issued by the Securities and Exchange Board of India (SEBI), foreign investors (individuals as well as institutional) that wish to transact the common stock of Indian companies must have applied to, and have been approved by SEBI and the Reserve Bank of India (RBI). Each investor who transacts common stock of Indian companies will be required to certify approval as a foreign institutional investor or as a sub-account of a foreign institutional investor by SEBI and RBI. Certain other entities are also entitled to transact common stock of Indian companies under the Indian laws relating to investment by foreigners. Merrill Lynch reserves the right to refuse copy of research on common stock of Indian companies to a person not resident in India. American Depositary Receipts (ADR) representing such common stock are not subject to these Indian law restrictions and may be transacted by investors in accordance with the applicable laws of the relevant jurisdiction. Global Depository Receipts (GDR) and the Global Depository Shares of Indian companies, Indian limited liability corporations, have not been registered under the U.S. Securities Act of 1933, as amended, and may only be transacted by persons in the United States who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the Securities Act. Accordingly, no copy of any research report on Indian companies' GDRs will be made available to persons who are not QIBs.

iQmethod SM Measures Definitions

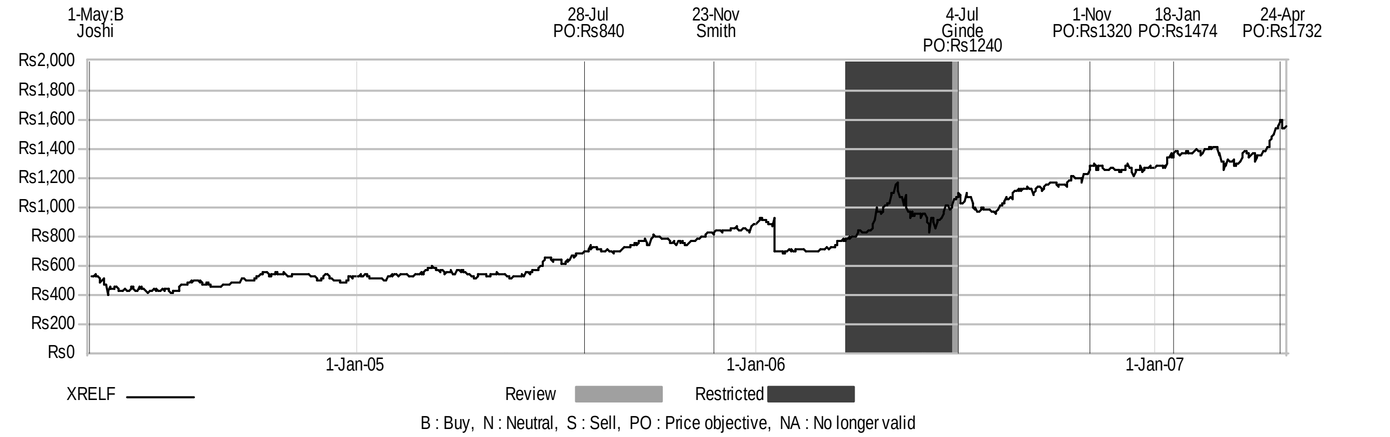
Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod SM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase ® is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Merrill Lynch.

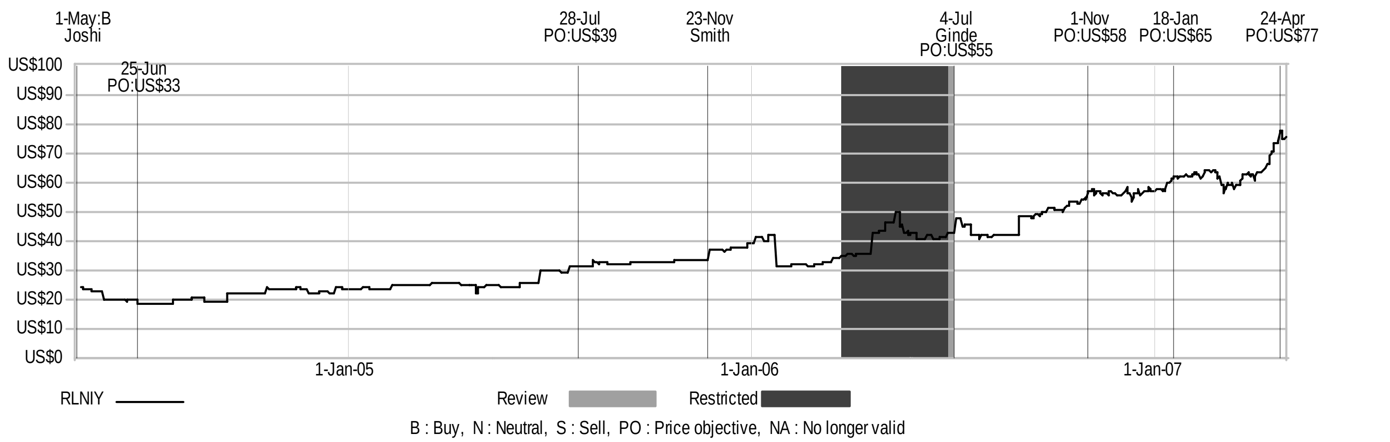
Important Disclosures

XRELF Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of April 30, 2007 or such later date as indicated.

RLNIY Price Chart



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Investment Rating Distribution: Chemicals Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	42	58.33%	Buy	8	21.05%
Neutral	26	36.11%	Neutral	6	27.27%
Sell	4	5.56%	Sell	2	66.67%

Investment Rating Distribution: Global Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1562	45.16%	Buy	415	30.09%
Neutral	1615	46.69%	Neutral	446	30.65%
Sell	282	8.15%	Sell	49	19.76%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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