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BUY

March 12, 2008

Reliance Industries Ltd

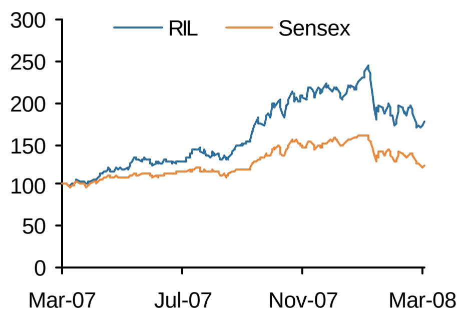
Sector: Oil Integrated

Sensex:	16,123
CMP (Rs):	2,346
Target price (Rs):	3,198
Upside (%):	36.3
52 Week h/l (Rs):	3,252/1,262
Market cap (Rscr) :	340,873
6m Avg vol BSE&NSE ('000Nos):	4,555
No of o/s shares (mn):	1,453
FV (Rs):	10
Bloomberg code:	RIL IN
Reuters code:	RELI.BO
BSE code:	500325
NSE code:	RELIANCE

Shareholding pattern

December 2007	(%)
Promoters	51.0
Foreign & institution	31.4
Non promoter corp hold	4.9
Public & others	12.7

Share price trend



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E&P: KG D6 is just the beginning

Reliance Industries Ltd (RIL) is all set to double India's gas production as supplies from KG-D6 commence in H2 FY09. But this is just one block from its portfolio of high potential assets. Development plans for Coal Bed Methane (CBM) field in Sohagpur are approved and that of NEC-25 is with the committee for approval. There are nine other discoveries across six blocks, the reserves for which have not been quantified as yet. RIL also has 11 blocks in international arena. We value the exploration and production (E&P) business of RIL at US$35.2bn.

Refining: On an extended uptrend

Globally, gross refining margins (GRMs) have been on a sustained uptrend in the last three years with intermittent blips. RIL, with its complex refinery, has gained significantly by registering GRMs US$5-7/bbl above benchmark Singapore GRMs. It is setting up another refinery with a complexity higher than its existing refinery under its subsidiary Reliance Petroleum Ltd (RPL). We believe that the uptrend in GRMs would continue over the next couple of years as demand supply scenario remains tight. Based on the optimism, we have valued RIL's refinery business at US$22.8bn and its 70% stake in RPL at US$17.1bn.

Petrochemicals: Near term pressures but RIL to stand out

RIL has emerged as one of the largest and most efficient player in the petrochemical business across the world. Although the petrochemical cycle is expected to have peaked out, we believe RIL with its integrated nature will continue to post a stand out relative performance. Its acquisitions of IPCL and Hualon will be value accretive. We have assigned a value of US$16.6bn to RIL's petrochemical business.

Retail and SEZ: the next big thing

Reliance Retail Ltd (RRL) is RIL's effort to tap the under-penetrated organized retail industry in India (4% compared to 20% in China). RIL has launched many formats and is adopting farm to fork strategy to improve margins. With India emerging as a major outsourcing hub across the world, Special Economic Zones (SEZ) projects are being announced rapidly. RIL is setting up a 7,500-acre multi-product and service SEZ in Haryana. We have valued RIL's retail business at US$8.7bn and SEZ at US$5.6bn.

Valuation summary

Period to Rs mn	FY06 (12)	FY07 (12)	FY08E (12)	FY09E (12)	FY10E (12)
Revenues	812,113	1,116,990	1,253,259	1,322,668	1,432,596
yoy growth (%)	-	37.5	12.2	5.5	8.3
Operating profit	142,991	200,525	226,328	252,931	343,781
OPM (%)	17.6	18.0	18.1	19.1	24.0
PAT	90,693	119,497	142,307	148,618	227,055
yoy growth (%)	-	31.8	19.1	4.4	52.8
EPS (Rs)	65.1	82.2	97.9	102.3	156.2
P/E (x)	36.0	28.5	24.0	22.9	15.0
P/BV (x)	6.6	5.3	4.5	3.8	3.1
EV/EBITDA (x)	29.9	23.3	19.8	17.9	12.5
ROE (%)	18.2	18.7	18.6	16.6	20.5
ROCE (%)	16.2	17.1	17.0	17.0	21.0

Source: Company, India Infoline Research

Valuations: Base case value of Rs3,198 and blue-sky value of Rs4,625

SOTP valuation under base case

Segment	Parameter	Rs mn	US$mn	Rs/share
Refining	8x FY10 EBIDTA	910,955	22,774	627
Petchem	8x FY10 EBIDTA	662,510	16,563	456
E&P	DCF for KG D6 and EV/Boe for others	1,409,281	35,232	970
RPL	70% @ Rs217 (EV/EBDITA of 9x FY10 E)	683,550	17,089	470
Reliance Retail	DCF (sales of US$150/sqft)	348,219	8,705	240
SEZ	Rs30mn/acre (7,500 acres)	225,000	5,625	155
Total		4,239,515	105,988	2,918
Net Debt		247,415	6,185	170
Net Value		3,992,100	99,802	2,747
Treasury stock		654,390	16,360	450
Total value		**4,646,490**	**116,162**	**3,198**
CMP (Rs)				2,346
Upside (%)				**36.3**

Source: India Infoline Research

SOTP value under blue sky scenario

Segment	Parameter	Rs mn	US$mn	Rs/share
Refining	9x FY10 EBIDTA	1,024,825	25,621	705
Petchem	9x FY10 EBIDTA	745,324	18,633	513
E&P	DCF for KG D6 and EV/Boe for others	2,254,849	56,371	1,552
RPL	70% @ Rs244 (EV/EBIDTA of 10x FY10E)	768,600	19,215	529
Reliance Retail	DCF (Sales of US$200/sqft)	511,915	12,798	352
SEZ	Rs30mn/acre (25,000 acres)	750,000	18,750	516
Total		6,055,513	151,388	4,168
Net Debt		247,415	6,185	170
Net Value		5,808,097	145,202	3,997
Treasury stock		912,180	22,805	628
Total value		**6,720,277**	**168,007**	**4,625**
CMP (Rs)				2,346
Upside (%)				**97.1**

Source: India Infoline Research

We have arrived at a value of US$116bn for RIL under our base case scenario, as against US$168bn under a blue sky scenario. The major changes we have assumed in the blue sky scenario are:

- Higher multiple for core business of refining and petrochemicals
- Higher value for reserves not quantified as yet for its E&P business
- Higher multiple of RPL's refinery
- Higher revenues of US$200/sqft for Reliance Retail
- Development of 25,000 acres in Haryana

E&P: Huge potential untapped

Valuation: Contributing 30% to base case target price

RIL is all set to emerge as a major E&P player as production KG-D6 field commences in the second half of FY09. On a DCF valuation methodology, we value the field at US$13.3bn. RIL has a 90% share in the block and the per share value arrived for RIL is Rs329 per share. We value NEC-25 block and CBM field at Sohagpur, field development plans for which have been filed with the Directorate General of Hydrocarbons (DGH), at US$1.9bn and US$2bn respectively on EV/boe of US$4.32. Upsides are also expected from the KG-D6 block as India's one of the most prolific blocks remains under explored. Additional values also arise from discoveries, which have not yet been quantified. We arrive at a total value of US$35.2bn for RIL's E&P business.

Valuation of RIL's E&P portfolio

Field	Value per share (Rs)
KG D6 Gas	329
KG D6 Oil	56
KG D6 Gas Upsides	182
NEC-25	53
CBM Sohagpur	55
PMT	12
D-9	55
MA-1 Gas	35
Base Case	776
Additional success possibilites	194
Total E&P	**970**

Source: India Infoline Research

KG-D6 – Doubling India's gas production

Production from KG-D6 is expected to commence in FY09 and by FY10, it will double India's current gas production. India, at present, produces around 74mmscd of gas and imports another 24mmscmd in the form of LNG. The demand for gas stands at more than 179mmscmd. Demand for gas is likely to jump by 56% to 279mmscmd over the next five years or so, with power and fertilizer sectors contributing to most of incremental demand. At its peak rate of production, KG-D6 will serve almost 43% of the demand.

We value KG-D6 gas reserves at US$13.3bn on a DCF methodology. We have assumed peak production rate of 120mmscmd (FY12-FY17) and realization of US$4.2/mmbtu through its production life. The total production from the field as per our estimates works out to 18.8tcf in line with 2-P reserves of 18.8tcf of gas. With offshore facilities having a capacity to service 120mmscmd of production, scaling the production to our peak production estimate is possible within a couple of years. We forecast a capex of US$10.85bn over the life of the project.

Fastest deepwater development

RIL is looking at commencing production in the earlier part of H2 FY09. We believe that with the current pace of work, the company will be able to meet its deadline. With this RIL will again prove its superior execution skills for large scale projects. This would be the fastest deepwater development ever in the history.

Status of KG-D6 Project

Drilling & Completions	Offshore Facilities	Onshore Facilities
94% wells drilled	65% completed	70% Completed
17 wells drilled	Line pipes & bends delivered	OT 3D model completed
Well completions design completed	All umbilicals loaded out SIT of subsea structures completed	Construction Jetty
Well completion services ordered	CRP Jacket loaded out	Haul road completed
Equipment shipping near complete	CRP Deck ~90% complete	Pile driving completed
Currently lower completions underway	Testing underway for XMTs, and Control Systems	Major pipe racks erection completed
	Pipeline installation vessels mobilized	Structural, piping fabrication & erection under peak production phase
	LFP to OT pipe lay in progress	DCS SAT underway
	PLET fabrication underway	Major equipment started arriving at site
	Rock stock piling nearing completion	Other support infrastructure progressing in full swing

Source: RIL presentation Q3 FY08 results

Comparative large size deepwater development projects

	Field Name					
Key data	**Bonga**	**Agbami**	**Atlantis**	**Dalia**	**Ormen Lange**	**KG-D6**
Location	**Gulf of Mexico**	**Offshore Nigeria**	**Gulf of Mexico**	**Offshore Angola**	**Norwegian Sea**	**KG Basin**
Reserves	750	800 mn boe	600	1,500	2,600	2,034
Water Depth (mts)	1,616	850	355	1,300	850-1,100	600-1,200
Year of Discovery	1996	1998	1998	1997	1997	2002
Year of Production	2005	2008	2007	2006	2007	2008
Discovery to Production -Years	9	10	9	9	10	6
Production Rate ('000 boepd)	240	250	180	225	350	450

Source: Company

Gas pricing formula

The Government of India approved the gas pricing formula for KG-D6 gas in September 2007. The formula is [2.5 + C + (Crude price – 25)^0.15]. There are two variable components in the formula. 'C' is a positive integer which the bidders have to bid for and crude price which is capped at US$60/bbl. 'C' will be at zero for first five years. We believe that the demand – supply scenario for gas will remain tight in the future years and the value of 'C' that the customers would bid for will only increase. We expect that the crude price element will remain at the cap level as the economics in the crude oil market will not allow prices to fall considerably.

Sensitivity of gas price and wacc on per share value of KG-D6 gas for RIL

		Gas price (US$/mmbtu)					
		3.8	**4.0**	**4.2**	**4.5**	**4.8**	**5.0**
WACC (%)	**9.0**	285	321	350	394	431	468
	9.5	276	311	339	382	418	455
	10.0	267	301	**329**	371	406	442
	10.5	258	291	318	360	395	429
	11.0	250	282	309	349	383	417
	11.5	241	273	299	339	372	405

Source: India Infoline Research

Upsides from KG-D6

Gaffney, Cline and Associates (GCA) have estimated that 3P reserves in the KG-D6 field at 40tcf. In our DCF valuation, we have assumed a cumulative production of 18.8tcf over the life of the project. This leaves untapped reserves of 21.2tcf. At 40% recovery rate, the cumulative production will be around 8.5tcf. At US$4.32 EV/Boe, we value the upsides from the field at US$6.6bn.

Upside from KG-D6

Particulars	Value
3P OGIP KG-D6 as per GCA (tcf)	40.0
Total production (tcf)	18.8
Reserves left (tcf)	21.2
Recovery rate (%)	40.0
Undeveloped resources (tcf)	8.5
Undeveloped resources (boe)	1.5
EV/Boe (US$)	4.3
Total value (US$mn)	6,594
RIL's 90% share (Rs mn)	263,762
Total value per share (Rs)	**182**

Source: India Infoline Research

MA-1 Oil and Gas

We value MA-1 oil reserves at US$2bn, assuming 2-P reserves of 251mn barrels and recovery rate of more than 90%. According to Niko Resources (10% partner in the field), recovery rate with similar nature fields has been above 90%. The peak production rate from the field is expected to be in the range of 45,000 to 50,000 barrels per day. Production from the field is likely to commence from H2 FY09. In the recent past, the company has also struck associated gas in the field. RIL expects peak production of about 9mmscmd of gas from the field. The company is integrating gas production from MA-1 with KG-D6. We estimate total recoverable gas reserves for this field at 1.8tcf. We value the gas reserves in the field at at US$1.3bn.

Valuation of Oil reserves for MA-1

Particulars	Value
Total reserves (mn bbl)	398
2P Reserves (mn bbl)	251
Recoverable reserve (mn bbl)	226
EV/Boe (US$)	10
Total value (US$mn)	2,259
Total value (Rs mn)	90,360
RIL share (Rs mn)	81,324
Total value per share (Rs)	**56.0**

Source: India Infoline Research

Valuation of Gas reserves for MA-1

Particulars	Value
Recoverable reserve (tcf)	1.8
Recoverable reserve (boe)	0.3
EV/Boe (US$)	4.3
Total value (US$mn)	1,400
RIL's share (US$mn)	1,260
Total value (Rs mn)	50,388
Total value per share (Rs)	**34.7**

Source: India Infoline Research

NEC-25 – likely upside to reserve estimates

We value RIL's NEC-25 field at US$1.9bn based on reserve estimates of 5.5tcf. The company has made seven discoveries in the field so far. The field has potential for upsides in reserve estimate as RIL has not ventured into deeper areas of the field. The company has plans to dig seven more wells in the field to access further reserves. The field development plan is currently with the Management Committee for approval.

Valuation for NEC-25 block

Particulars	Value
Total reserves (tcf)	5.5
Recovery rate (%)	50
Recoverable reserve (tcf)	2.8
Recoverable reserve (boe)	0.5
EV/Boe (US$)	4.3
Total value (US$mn)	2,138
Total value (Rs mn)	85,536
RIL share (Rs mn)	76,982
Total value per share (Rs)	**53.0**

Source: India Infoline Research

CBM fields: Valuing only Sohagpur reserves

RIL has five Coal Bed Methane (CBM) fields. It has explored only two, Sohagpur West and Sohagpur East. The total reserves estimated in these fields are 5.15tcf. We value these reserves at US$2bn. The development plans for the field has been approved by the DGH in Q3 FY08. We believe that the production from the field will commence only from FY11 and will have peak production rate of around 5mmscmd.

Particulars	Value
Total reserves (tcf)	5.2
Recovery rate (%)	50
Recoverable reserve (tcf)	2.6
Recoverable reserve (boe)	0.5
EV/Boe (US$)	4.3
Total value (US$mn)	2,002
Total value (Rs mn)	80,093
Total value per share (Rs)	**55.1**

Source: India Infoline Research

RIL's CBM portfolio

CBM Blocks	Area (Sq km)	RIL Holding	Location
SP(E)-CBM-2001/1	495	100%	Sohagpur East - MP
SP(W)-CBM-2001/1	500	100%	Sohagpur West - MP
SH(N)-CBM-2003/II	825	100%	Sonhat, Chattisgarh
BS(1)-CBM-2003/II	1,045	100%	Barmer, Rajasthan
BS(2)-CBM-2003/II	1,025	100%	Barmer, Rajasthan
Total area	3,890		

Source: Company

Discoveries not quantified as yet

Apart from 25 discoveries in the KG-D6 and NEC-25 field together, RIL has made nine discoveries in six other blocks, which have not been quantified as yet. Some of these blocks have huge potential. We believe that some value should be assigned to these blocks as well. Hence, in our base case scenario we have added 25% of the total value from the discovered blocks for these discoveries. In our blue sky scenario we have added 100% of the value of discovered reserves. The optimism stems from the high success rate of RIL in its exploration ventures historically. It has a 70% hit ratio so far. We assign value of US$6.9bn to these discoveries under base case scenario. As and when these discoveries are quantified we see further upsides.

Discoveries not quantified

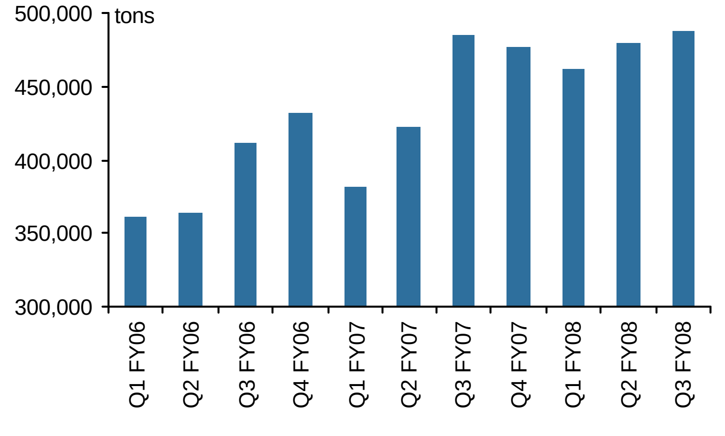
Block	No of Discoveries
KG III 6	2
SR 01	1
GS 01	1
CY III D5	1
KG D4	1
KG III 5	3
Total	**9**

Source: Company

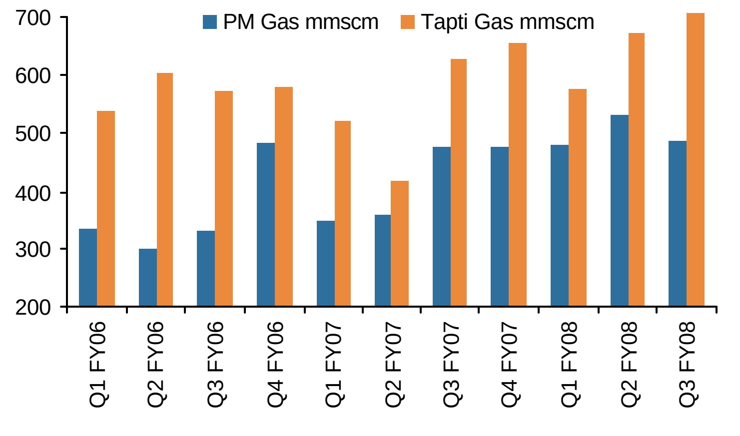
Increasing production from PMT fields

We value the producing field of Panna-Mukta-Tapti, where RIL holds 30%, at US$423mn. IOR/EOR methodologies have been recently implemented on these fields to enhance production. Additional discoveries in South West PMT fields were made in the recent past and incremental production of 10,000 barrels per day is expected from the new discovery.

Production of Oil Panna Mukta fields



Production of gas at PMT fields



Source: Company

Changes in 80-IB could reduce target price

In the recently concluded Union Budget 2008-09, the finance minister had changed the sub sections of 80-IB. If the changes go through as suggested in the budget, oil and gas fields commencing production from April1, 2009 cannot avail of a seven year tax holiday. This change, we believe, will not impact valuations for KG-D6 gas and oil as they commence production before April 1, 2009. However, NPV of other E&P projects would be impacted considerably. Although, there is a fiscal stability clause in the PSCs, but its implementation is yet to be seen. Without considering impact of fiscal stability our base case target price for RIL would be revised downwards by Rs162 and our blue sky scenario target price will be reduced by Rs259. We await clarifications from the finance ministry, to include the changes in our valuation model.

International acreage

RIL has secured 11 blocks across the world with three in Yemen, two each in Northern Iraq, Colombia and Oman and one each in East Timor and Australia. Almost 70% of the acreage is in deepwater regions. We have not added any value for these fields in our SOTP valuation. As and when hydrocarbon reserves are struck in these fields, value for RIL will only increase.

RIL's International Asset Portfolio

Block	Acreage (Sqkm)	RIL Stake
East Timor	2,384	100%
Colombia		
Borojo North	4,000	100%
Borojo South	4,000	100%
Yemen		
Block 34	7,012	70%
Block 37	7,221	70%
Block 9	3,530	17%
Oman		
Block 41	23,840	100%
Block 18	21,000	100%
Australia	5,760	100%
Kurdistan		
Rovi	516	100%
Sarta	667	100%
Total Acreage	79,930	

Source: Company

RIL's Domestic E&P asset portfolio

Block	Area (Sq km)	RIL Stake (%)	Other JV Partners	Type of block
Panna - Mukta - Tapti				
Panna	430	30	British Gas and ONGC	Offshore Shallow
Mukta	777	30	British Gas and ONGC	Offshore Shallow
Tapti	1,471	30	British Gas and ONGC	Offshore Shallow
Pre-NELP				
CB-ON-1	6,133	40	Tullow and Oakland	Onshore
GK-OS/5	3,750	40	TIOL and Oakland	Offshore Shallow
SR-OS-94/1	6,860	100		Offshore Shallow
GK-OSJ-3	5,725	60	ONGC and Oil	Offshore Shallow
NELP – I				
SR-OSN-97/1	5,040	100		Offshore Shallow
NEC-OSN-97/2 (NEC-25)	10,755	90	Niko	Offshore Shallow
KG-DWN-98/1	8,100	100		Offshore Deep
KG-DWN-98/3 (KG-D6)	7,645	90	Niko	Offshore Deep
MN-DWN-98/2	7,195	100		Offshore Deep
NELP - II				
GS-OSN-2000/1	8,841	90	Hardy Oil	Offshore Shallow
NELP - III				
KK-DWN-2001/1	27,315	100		Offshore Deep
KK-DWN-2001/2	31,515	100		Offshore Deep
CY-DWN-2001/2	14,325	100		Offshore Deep
CY-PR-DWN-2001/3	8,600	100		Offshore Deep
CY-PR-DWN-2001/4	10,590	100		Offshore Deep
PR-DWN-2001/1	8,255	100		Offshore Deep
KG-DWN-2001/1(D-9)	11,605	90	Hardy Oil	Offshore Deep
KG-OSN-2001/1	1,100	100		Offshore Shallow
KG-OSN-2001/2 (KG-III-6)	210	100		Offshore Shallow
NELP - IV				
NEC-DWN-2002/1	25,565	90	Hardy Oil	Offshore Deep
NELP - V				
KK-DWN-2003/1	18,245	100		Offshore Deep
KK-DWN-2003/2	12,285	100		Offshore Deep
KG-DWN-2003/1	3,288	90	Hardy Oil	Offshore Deep
MN-DWN-2003/1 (D4)	17,050	85	Niko	Offshore Deep
CB-ONN-2003/1	635	100		Onshore
NELP - VI				
KG-DWN-2004/4	11,904	100		Offshore Deep
KG-DWN-2004/7	11,856	100		Offshore Deep
MN-DWN-2004/1	9,885	100		Offshore Deep
MN-DWN-2004/2	11,813	100		Offshore Deep
MN-DWN-2004/3	11,316	100		Offshore Deep
MN-DWN-2004/4	8,822	100		Offshore Deep
MN-DWN-2004/5	10,454	100		Offshore Deep
Total Domestic	339,355			

Source: Company

Refining segment: On an extended northward journey

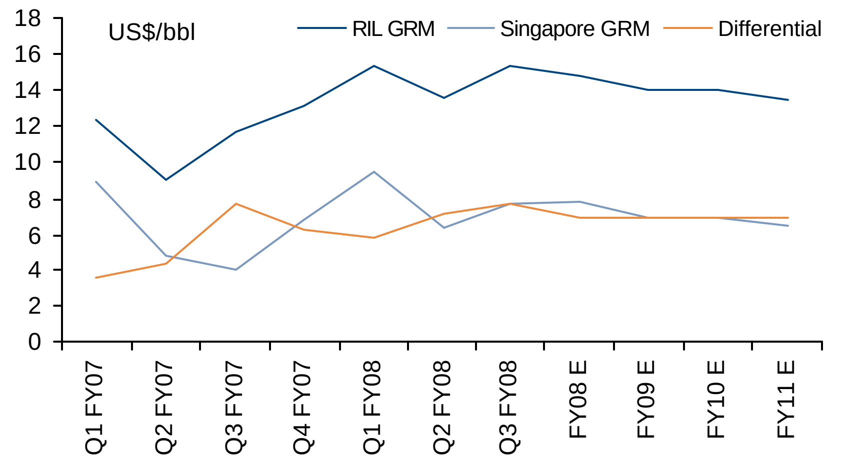
Reliance Industries well poised to capitalize on global cues in the industry

With operating rates of refineries moving above 5 year averages across the world, GRMs have remained strong across the globe. Tightness in the demand supply scenario is likely to continue and thus keep the GRMs at robust levels in the next couple of years. We believe that RIL and RPL, with their nelson complexity index of 11.3 and 14.0 respectively, will generate maximum returns out of the global cues (see our global refining outlook: page 12) and thus command higher valuations. In our base case scenario, we have valued RIL's refining business at US$22.8bn and its 70% stake in RPL at US$17.1bn. In our blue sky scenario, we have valued them at US$25.6bn and US$19.2bn respectively.

Higher complexity of the RIL refinery has warranted strong GRMs

RIL over the last three years has been consistently outperforming the benchmark Singapore GRMs by US$5-7/bbl. This has been possible on account of higher complexity of the refinery which enables RIL to process heavier varieties crude and produce lighter distillates. We believe that RIL would be able to maintain the differential in margins over the benchmark. For our estimates we have assumed RIL GRMs to be higher than Singapore GRMs by US$7/bbl.

Trend in RIL and Singapore GRM differential

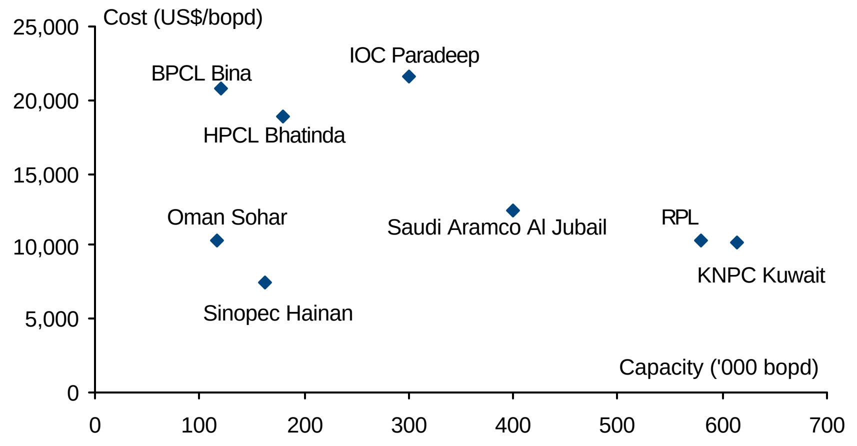


Source: Company, India Infoline Research

RPL – another feather in the cap

RIL is setting up a 580,000bbl per day refinery near its existing 660,000bbls per day refinery in Jamnagar under its subsidiary RPL. The total capital outlay for the project is Rs270bn or Rs10,000 per ton of refining capacity. RIL with its expertise has been able to set up this new refinery at a lower capital cost. The complexity of the new refinery is at 14.0 compared to 11.3 for the current refinery (so far the most complex refinery in the country). RPL refinery would be an export-oriented refinery and thus the complexity is being made keeping in mind stringent emission norms arising in US and Europe. We believe that with its complexity, RPL would be able to clock GRMs higher than existing refinery by about US$2-2.5/bbl.

RPL cost comparison



Source: Ernst & Young

Global cues to benefit RPL more than RIL

Being a more complex refinery compared to RIL, RPL stands to benefit more from the emerging global cues. With demand for sweeter and lighter crude likely to remain high on back of stringent emission norms, the light heavy differential is likely to remain firm. RPL would leverage this spread to register stronger GRMs as compared to RIL. With this optimism in performance, we assign a higher EV/EBIDTA multiple of 9x on FY10 earnings compared to 8x for RIL refining segment. We arrive at a target price of Rs217. At Rs217 for its 70% stake in RPL, RIL earns a value of US$17bn.

Comparison between RIL and RPL Refinery

(KBPD)	RPL	RIL
Crude distillation units	580	660
Vacuum distillation units	305	305
Catalytic feed hydrotreaters	220	210
Fluidised catalytic cracker	200	200
Delayed coker	160	160
Hydro-cracker	110	0
CCR platformer	85	0
CCR catalytic reformer	0	90
Alkylation	85	0
Catalytic product hydrotreaters	360	320
Isomerisation	42	0
Polypropylene (KTPA)	900	725

Source: Company

Global refining outlook

Tight operating rates have kept GRMs robust

The average GRMs over the last three years have been considerably higher than the last seven year and five year averages across the globe. The optimism in the margin trend was primarily on account of rising operating rates. At the end of 2006, the capacity utilization rate at a global level stood at 86% compared last 10 years average of 84.2%. The trend was more pronounced in the Asia – Pacific region. At the end of 2006, the utilization rate was at 90% in comparison to last 10 years average of 85.4%. The demand for refined products has outpaced the capacity additions on back of strong economic growth in the region.

Trend in demand and capacity additions

CAGR (%)	5 yr	10 yr	15 yr	20 yr
Global				
Capacity	1.1	1.0	1.1	0.9
Demand	2.1	1.2	1.3	1.3
USA				
Capacity	1.0	1.1	1.0	0.5
Demand	0.5	0.4	0.9	0.9
Asia Pacific				
Capacity	2.2	2.2	3.3	3.3
Demand	4.4	2.7	3.5	4.2
Europe and Eurasia				
Capacity	0.2	(0.1)	(0.4)	(0.6)
Demand	1.6	0.7	(0.1)	(0.4)

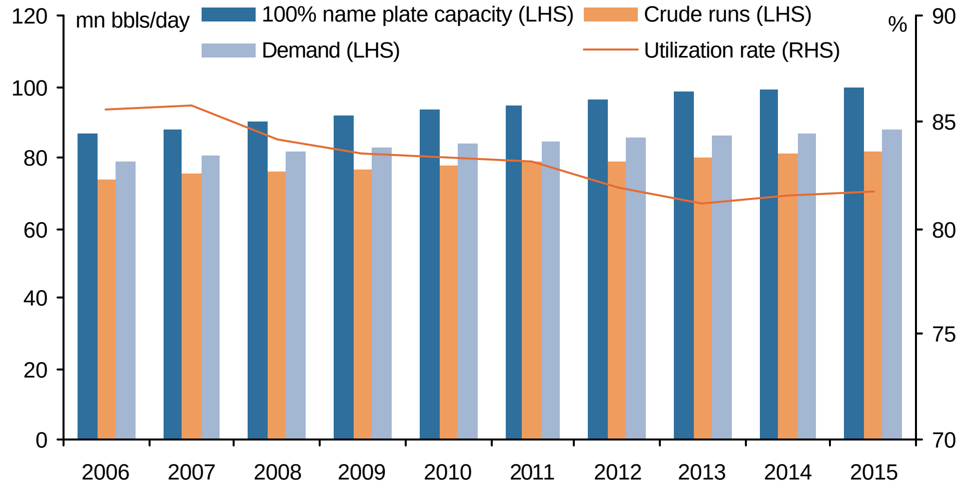
Source: BP Statistical Review, India Infoline Research

Demand supply balance likely to remain tight in the near future

During the last three years, sustained uptrend in refining margins have led to announcements of a number of refining projects to be completed over the next five to seven years. In 2008 and 2009, as per announced projects, 4mn barrels per day capacity is likely to be added. However, with EPC contractors flush with order books across the world, the probability of these projects getting delayed has increased considerably. Quite a few projects might also be shelved as increased EPC costs will cause economics of these projects go haywire. We expect delays to shift commencement of projects leading to tight operating rates over the next couple of years.

Although supply is likely to remain tight in the near future, the demand is not expected to slowdown. The strength in demand witnessed over the last three years is expected to stay, especially so in the Asia Pacific region. Strong economic growth in China and India will keep demand buoyant in these countries. Other emerging economies in the region are also expecting strong demand for energy.

Expected trend in capacity additions, demand growth and utilization rate



Source: RIL Q2 FY08 results presentation
Without considering any delays

Delays in refinery projects

Company	Country	Assumed start-up	Estimated start-up	Capacity (thous. b/d)
Petroleos de Venezuela	Venezuela	2010	2013	1020
Kuwait National Petroleu	Kuwait	2010	2012	615
Reliance	India	2009	2008	580
Petrobras	Brazil	2014	2014	500
Petroleos de Venezuela	Venezuela	2010	2013	400
Saudi Aramco- Jubail	Saudi Arabia	2011	2013	400
Saudi Aramco- Yanbu	Saudi Arabia	2011	2013	400
Saudi Aramco	Saudi Arabia	2012	2012	400
Shell (Motiva Enterprises	USA	2010	2010	325
Ministry of Energy and Mi	Ecuador	2010	2013	300
Kuokuang Petrochemica	Taiwan	2010	2010	300
US Army	Iraq	2009	2013	250
CNOOC	China	2008	2008	240
PetroChina	China	2008	2008	201
Shell Canada	Canada	2013	2013	200
Petrobras/PDVSA	Brazil	2010	2011	200
Qatar Petroleum	Qatar	2011	2011	200

Source: RIL Q3 FY08 results presentation

Emission norms to get stricter for auto fuels

The threat of global warning has been looming large and has warranted a conscious effort to reduce pollution. This has led to many economies across the globe to set higher standards for fuel emission norms. Sulphur content in both gasoline and diesel is slated to decline substantially over the next decade. This would lead to increased demand for either very sweet and light crude or higher secondary processing capacities in refineries. As per OPEC World Outlook 2007, the sulphur content in global crude oil basket is likely to increase from 1.2 in 2005 to 1.4 in 2020 and also the basket will grow heavier from 33.6^0API in 2005 to 33.1^0API in 2020. With most of the new finds being heavy and sour, refineries with higher amount of secondary processing will be able to leverage on increasing light heavy price differential.

Regional gasoline quality specifications

Sulphur content in ppm	2005	2010	2015	2020
North America	70	30	5–10	5–10
Latin America	500	220	120–140	60–80
Western Europe	30	10	5–10	5–10
FSU and Eastern Europe	200	80	50–70	40–60
Asia Pacific	220	180	120–150	60–80
Middle East	500	350	150–160	30–50
Africa	500	260	220–260	130–160

Source: OPEC World Outlook 2007

Regional diesel quality specifications

Sulphur content in ppm	2005	2010	2015	2020
North America	330	15	15	10
Latin America	2,000	2,000	630	350-400
Western Europe	40	10	10	5–10
FSU and Eastern Europe	280	140	80	40-50
Asia Pacific	1,400	930	260	60-100
Middle East	1,800	250	200	150-180
Africa	1,500	170	170	150-170

Source: OPEC World Outlook 2007

Petrochemicals: a mixed bag

Integrated nature to aid performance as the cycle slows down

We value RIL's petrochemical business at US$16.6bn on 8x FY10E EBIDTA. Although the petrochemical cycle, which has been on a sustained uptrend, is expected to slow down in the near term, we believe integrated players like RIL would be able to stage a robust relative performance. Strong economic growth in Asian region coupled with delays in capacity expansion could keep the cycle from going into a steep downturn.

Ethylene cracker operating rates to remain high

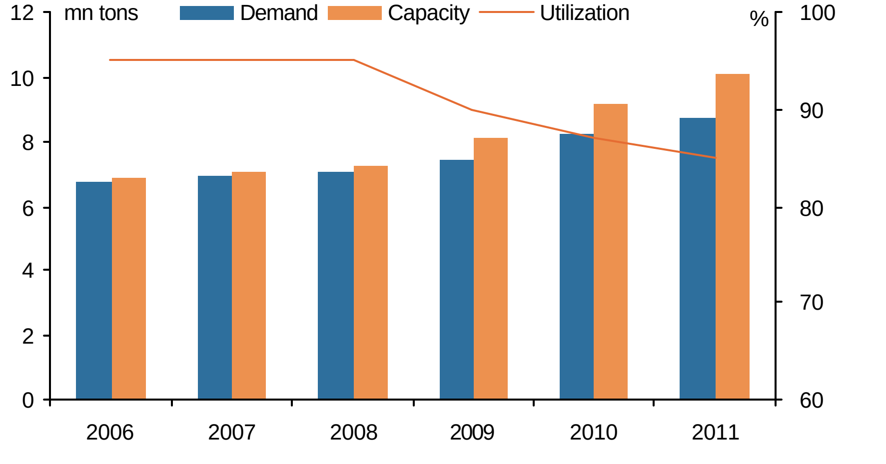
The global ethylene capacity is expected to increase from the current 121mn tons to 156mn tons by 2011, a CAGR of 5.2%. Middle East will account for more than 50% of the new capacity additions, as it more than doubles its capacity during the period. With this, the Middle East ethylene capacity share in the global market will increase from 11% to 20% by 2011. However, we believe there could be significant delays in additional capacities coming on-stream with EPC contractors flush with order book positions. Political instability and increasing EPC costs adds to uncertainty with respect to the timing of the projects. We believe that operating rates will start moving down by 2009.

Rising EPC Costs

US$/ton	EPC Costs (00-03)	EPC Costs (07)
Ethylene	500-550	800-900
Methanol	250-300	400-500
HDPE	650-700	1,000-1,200
Aromatics	600-650	1,000-1,100
Vinyls	360-380	580-680

Source: Chemical Markets Associates Inc

Future trend in South East Asia operating rates

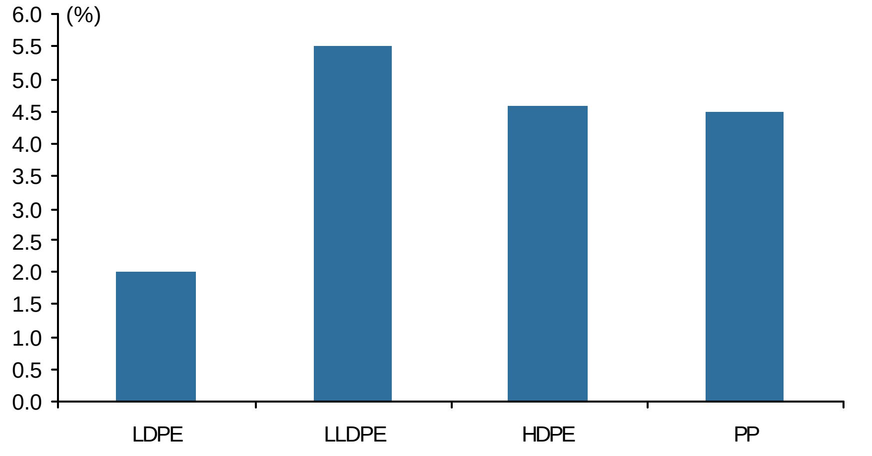


Source: RIL Q2 FY08 results Presentation

Polymers currently on strong foothold but margins likely to dip

Demand for PP and PE is likely to remain firm over the next few years on back of strong economic growth in the Asia Pacific region. But capacity additions will not be lagging behind. Extended strong trend in petrochemical margins over the last few years have led to announcements of many projects. Major capacities are likely to come up in Middle East and China. Over the next decade demand for PE and PP combined is expected to witness a CAGR of 4.3%. The demand for LDPE will remain muted at 2% as penetration of LLDPE is increasing. LLDPE is likely to register a growth of about 5.5% and HDPE will see its demand rising by 4.5% annually. China, India, Latin America and Eastern Europe will be driving the demand.

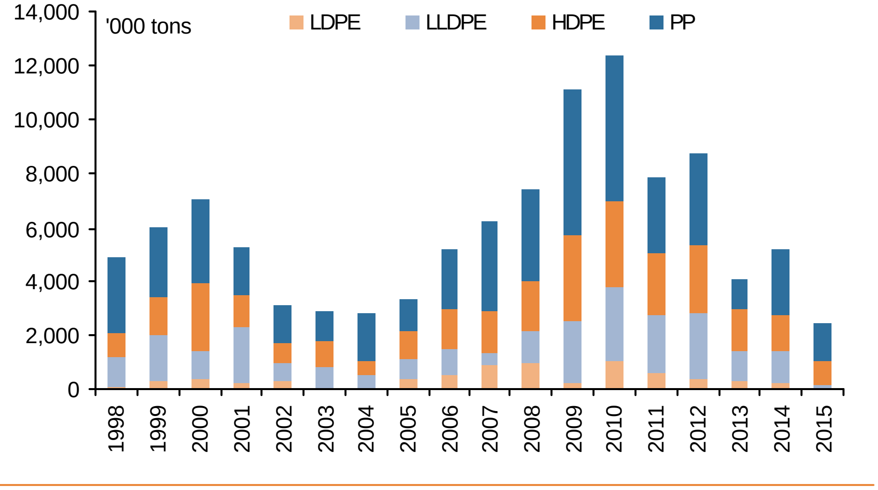
Demand growth for polyolefins over next decade



Source: Chemsystems

However, robust trend in capacity additions over the next three years will lead to some pressure on spreads of these products. Around 12.6mn tons of capacity will be added in the PE segment as compared to 6.1mn tons added between 2004 and 2006. Almost 12.3mn tons of PP capacity would be added over the next three years as against 5.2mn tons added between 2004 and 2006. Although these forecasted additions could witness some delays due to rising unavailability of EPC contractors and skilled labour, operating rates would decline in the near term.

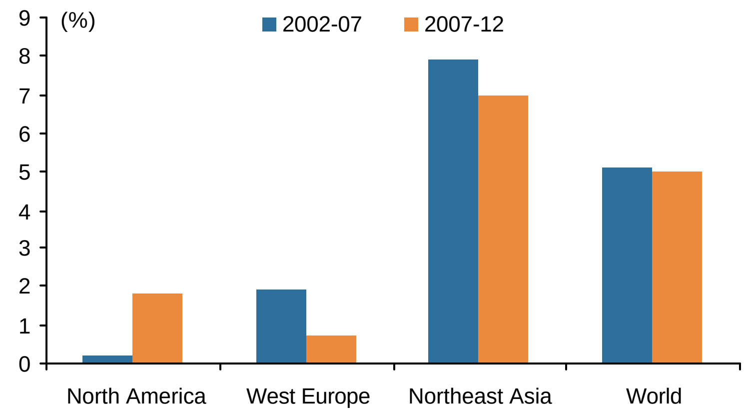
Trend in capacity additions for polyolefins



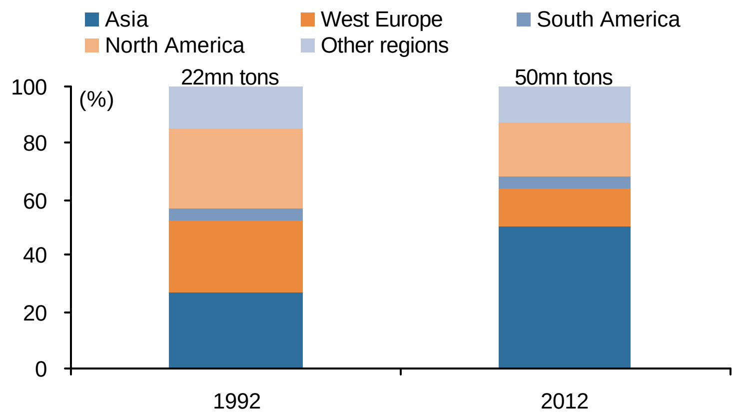
Source: Chemsystems

However, PVC demand growth is likely to remain strong at 5% CAGR over the next five years. The robust trend in capacity additions will keep operating rates lower. The demand is fueling from US and Asia, whereas capacities are primarily being built in the Asian region.

Demand growth of PVC



PVC Capacity scenario

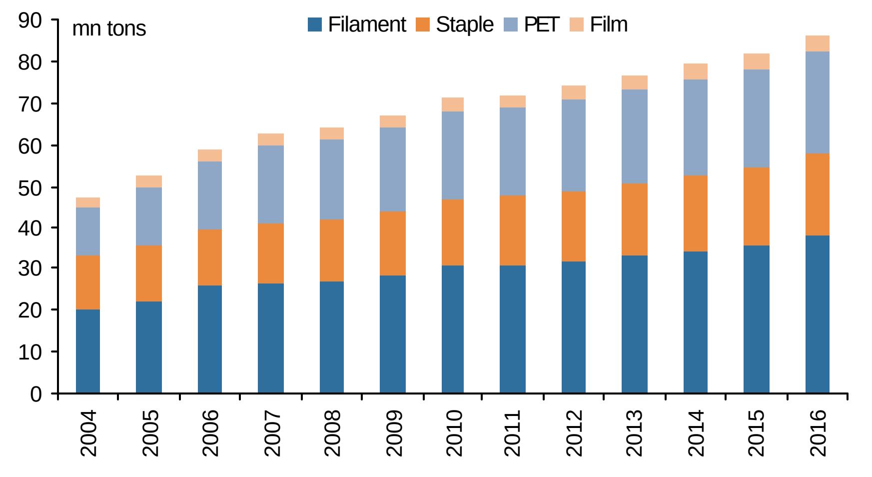


Source: Chemical Market Associates Inc

Polyester demand to remain firm as cotton prices soar

With strong economic growth in Asia, especially so in China and India, the demand for polyester is likely to remain strong in the region. However, over the last couple of years rising raw material (crude oil and naphtha) and weak cotton prices have put pressure on stand alone polyester manufacturers. Integrated players, however have been able to sustain margins on back of strong PX margins. Lower capacity additions for PX have led to burgeoning margins.

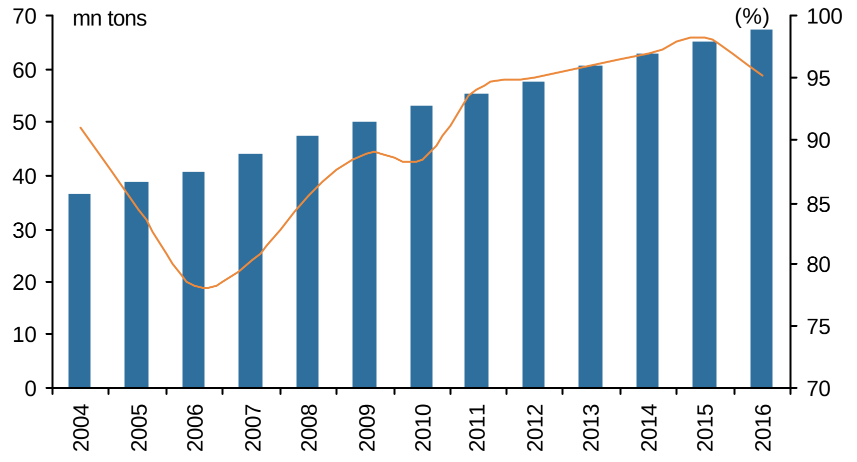
Trend in Polyester capacity



Source: Industry

Over the next couple of years, demand growth is likely to exceed capacity additions leading to strong trend in margins. Total capacity added between 2004 and 2006 was 11.6mn tons. It is expected that between 2007 and 2009 only 4.2mn tons will be added. During the same period the demand is expected to increase by 6mn tons as compared to incremental demand of 4mn tons between 2004 and 2006. This will push operating rates from 80% in 2007 to 89% in 2009.

Trend in polyester production and operating rates



Source: Industry

Merger with IPCL improves integration

With effect from April 1, 2006, RIL has merged with itself its erstwhile subsidiary, Indian Petrochemicals Corporation Ltd (IPCL). The merger further improves integration level of RIL, which will support margin decline when the petrochemical cycle heads for a downturn.

RIL + IPCL Petrochemical capacity

(Tons)	RIL	IPCL	Total
Ethylene	750,000	830,000	1,580,000
Propylene	365,000	235,000	600,000
PVC	325,000	300,000	625,000
PE	450,000	600,000	1,050,000
PP	1,430,000	270,000	1,700,000
MEG	475,000	260,000	735,000
PFY	525,000	275,000	800,000
PSF	550,000	215,000	765,000

Source: Company

Acquisition of Hualon assets

RIL acquired polyester manufacturing assets of Hualon in Malaysia in September 2007 for an undisclosed sum. We believe that the sale being a distressed one, the price RIL paid will be considerably lower than the replacement costs. Hualon has a capacity to manufacture 0.5mn tons of polyester from PTA. This will integrate well with RIL's existing polyester units as it has surplus PTA capacity. We have assumed revenue of Rs36bn and EBIT of Rs6.8bn for Hualon during FY09.

New petrochemical plant at Jamnagar – amongst the best in the world

RIL is setting up a 2mn ton integrated petrochemical complex at an investment of US$3bn. The production from the complex will commence from FY11. The project will use off-gases from RIL and RPL refineries as against naphtha, which is a more expensive fuel. The costing would be in line with plants in the Middle East which have easy access to cheap natural gas.

Retail: The emerging story

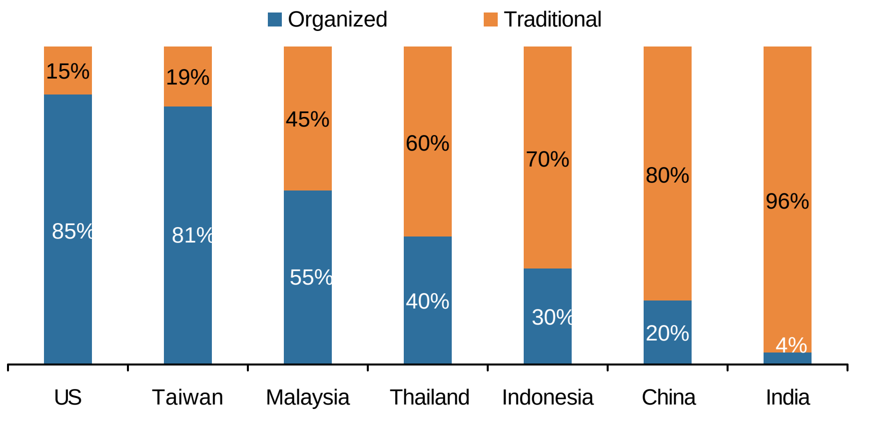
Valuation

We have used DCF valuation methodology to value RIL's growing retail business. The value arrived at is US$8.7bn. We expect RIL to expand its retail business from a nascent stage of 3mn sqft in FY08 to around 189mn sqft by 2020 (CAGR of 41.2%). We have assumed a conservative revenue estimate of US$150mn per sqft for the venture. Our analysis also assumes breakeven at bottomline level only in FY10.

Organized retail at a nascent stage in India

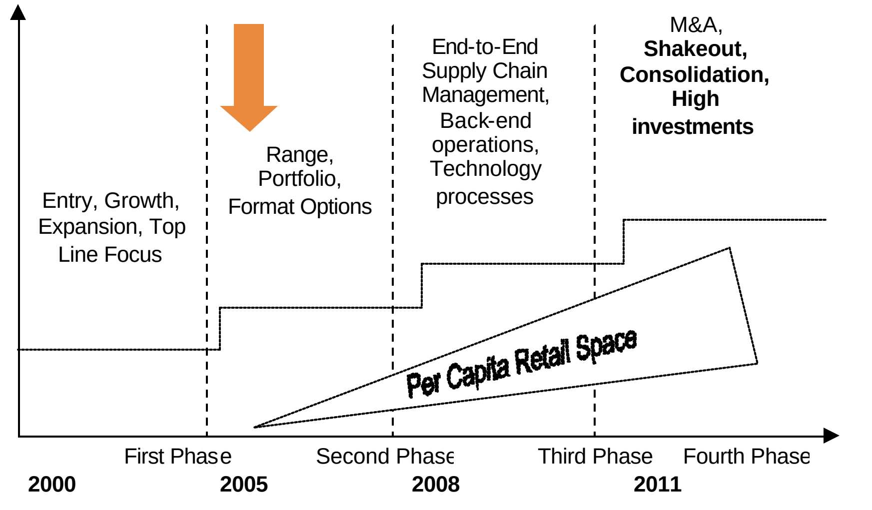
Over the last few years retail industry in India has been growing at a rapid pace. However, the penetration still remains low at 4% of the total retail industry in the country. On a global scale, India is amongst the lowest in terms of penetration. A developed economy like US has a penetration level of 85% whereas a developing economy like China has a penetration level of 20%. In terms of category wise penetration, food and beverages which forms more than 40% of Indian population's total consumption, is served by the organized retail to the extent of only 1%.

Penetration of organized retail at a global scale



Source: Ernst & Young – The Great Indian Retail Story

Evolution of the Indian retail story



Source: Ernst & Young – The Great Indian Retail Story

Increasing per capita income to aid retail penetration

India's per capita income has almost doubled from US$440 in FY01 to US$868 in FY07. It is expected that the number will cross US$1,000 in FY08. The number of households in the consuming category (Annual income of US$1,000-4,700) has surged from 29mn in FY95 to 75mn in FY06. With expectations of per capita income rising by more than 20% in FY08 and FY09 and inflation currently tamed at 4%, the consumption potential will only increase, leading to higher demand for organized retail.

Map of India's income class

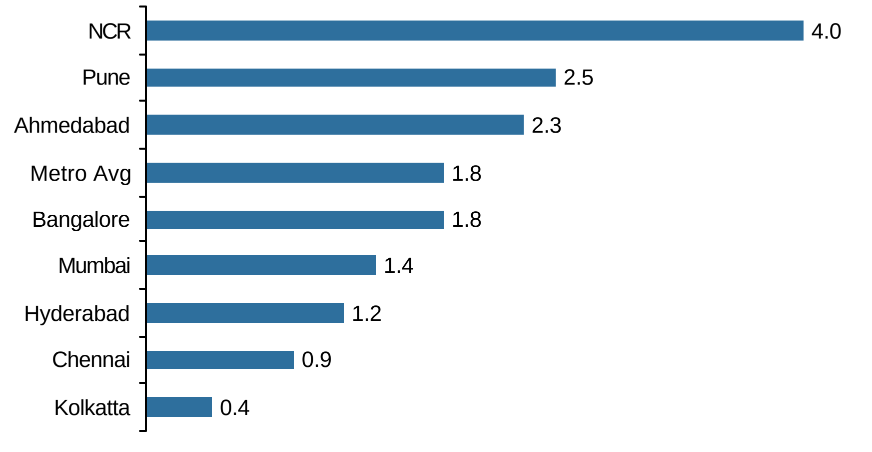
Mn households	Annual income	FY95	FY00	FY06
Rich	> US$4,700	1	3	6
Consuming	US$1,000-4,700	29	55	75
Climbers	US$500-1,000	48	66	78
Aspirants	US$350-500	48	32	33
Destitute	< US$350	35	24	17

Source: Ernst & Young – The Great Indian Retail Story

Penetration high only in metro cities

At the end of 2005 the total floor space for organized retail was at 21.6mn sqft. Since then it has expanded to 87.9mn sqft, a rise of 307%. Majority of this space was built in the metro cities. In fact more than 60% of the malls in India were in the six big metros. In the recent past companies have ventured into the tier-II cities. We believe further focus would be on tie-II cities. In fact RIL is venturing more prominently into tier-II cities.

Unit retail space (sqft/household)



Source: Ernst & Young – The Great Indian Retail Story

New formats would be the key differentiating factor in the current stage

In the urban areas presence of malls has increased considerably in the last couple of years. However, with majority of the malls having similar formats (primarily supermarkets), there is increased demand for specialty stores. RIL has adopted this strategy and has recently launched many new formats.

Current status of Reliance Retail

During Q3 fy08, Reliance Retail Ltd. (RRL) opened 112 additional outlets taking the total tally to 441 Reliance Fresh Stores. During Q3 FY08 the company launched six new formats – Reliance Trends, Reliance Footprint, Reliance Wellness, Reliance Timeout, Reliance Jewels and Reliance Super.

No of new format stores opened in Q3 FY08

Format	No of stores
Reliance Trends	2
Reliance Footprint	3
Reliance Wellness	2
Reliance Timeout	1
Reliance Jewels	1
Reliance Super	1

Source: Company

Farm to fork strategy will help garner strong margins

With lack of infrastructure facilities to support the retail expansion, level of wastage in case of perishable goods is pretty high. Also the price almost triples from farmer to the customer because of middlemen. RRL is eliminating the need of middlemen and is going directly to mandis to procure products. RRL aims to set up a robust logistics infrastructure to enable this. If implemented successfully, we believe it would be value accretive to the company.

Sensitivity of Reliance Retail's value to WACC and revenue/sqft

		Revenue (US$/sqft)						
		100	**125**	**150**	**175**	**200**	**225**	**250**
WACC (%)	**8.5**	147	214	281	348	415	483	550
	9.0	139	203	266	330	394	458	521
	9.5	132	192	253	313	374	434	494
	10.0	125	182	**240**	297	354	412	469
	10.5	119	173	227	282	336	391	445
	11.0	113	164	216	268	319	371	423
	11.5	107	156	205	254	303	352	401

SEZ: India taking rapid strides

India has been in a robust economic growth phase for the last three years registering above 8% GDP growth. Exports, however, have played little contribution in the growth story so far. With an objective to increase the contribution of exports to the emerging growth story, India has embarked upon a strategy used by many economies, setting up SEZs. Across the world, more than 130 countries have more than 3,500 investment zones. India was amongst the first Asian countries to move in this direction with the setting up of Kandla SEZ in 1965. Since then the growth however, did not pick up as anticipated. The major hindrances were unavailability of capital inflows on account of unstable fiscal situation, existence of multiplicity of controls and clearances and above all lack of adequate infrastructure.

With a view to overcome the aforementioned hurdles, the Special Economic Zones Policy was announced in April 2000. Later in 2005, with a perspective to impart stability to the SEZ regime and thereby generate greater economic activity and employment through the establishment of SEZs, Government passed SEZ Act 2005.

The main objectives of the SEZ Act are:

- Generation of additional economic activity
- Promotion of exports of goods and services;
- Promotion of investment from domestic and foreign sources;
- Creation of employment opportunities;
- Development of infrastructure facilities.

Incentives and facilities offered to units in SEZs

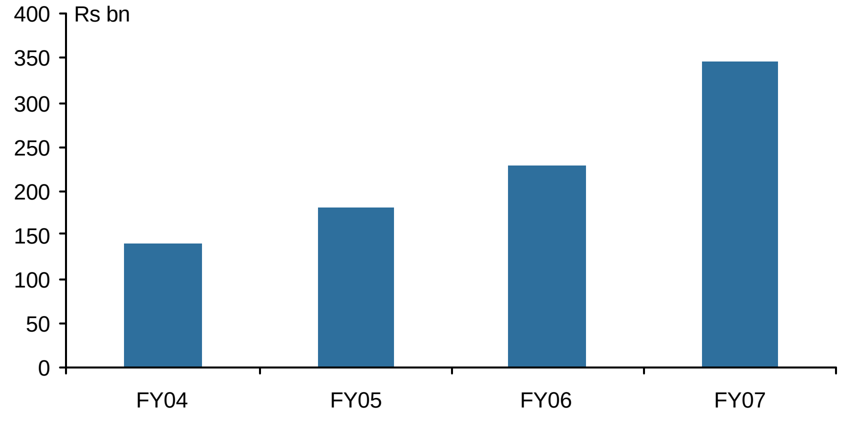
- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowing by SEZ units up to US $ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from State sales tax and other levies as extended by the respective State Governments.

Incentives and facilities available to SEZ developers

- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.

- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

Growth in exports from SEZ



Source: www.sezindia.nic.in

Prior to SEZ Act 2005, there were 19 SEZs operational across nine states. Since then there have been 195 projects, which have been notified under the SEZ Act 2005. Currently, there are 439 projects, which have been formally approved by the government and in-principle approval has been granted to 138 projects.

Haryana SEZ: another big venture for RIL

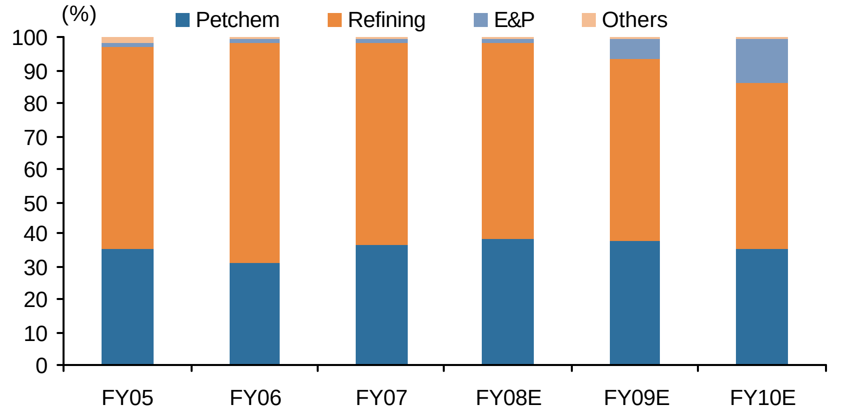
RIL has a track record of entering the booming sectors at the right time. It is currently developing two SEZs; one in Haryana and the other in Jamnagar. So far, RIL has acquired 7,500 acres in Haryana. At the time of announcement of the project, the company had estimated development of 25,000 acres. For our base case valuation purpose, we have valued 7,500 acres at Rs30mn per acre (Rs155/share) and for our bull case we have assumed development of 25,000 acres at Rs30mn per acre (Rs516/share).

Financial analysis

Increasing contribution of E&P business as KG-D6 commences production

As per our estimates, RIL will register a CAGR of 8.6% in net revenues between FY07 and FY10. The growth is primarily on account of increasing revenues from the E&P segment. We anticipate a CAGR of 6.4% over the same period in gross revenues of petrochemicals majorly driven by inorganic growth (acquisition of Hualon). Refining revenues are likely to remain flat with a CAGR of 1% over the same period. With production from KG-D6 commencing from H2 FY09 and rise in production levels from PMT fields from Q3 FY08, we forecast a CAGR of 140% in gross revenues from the E&P segment. During the period, contribution from core business (refining an petrochemicals) is expected to decline from 98.3% to 85.8%.

Revenue breakup

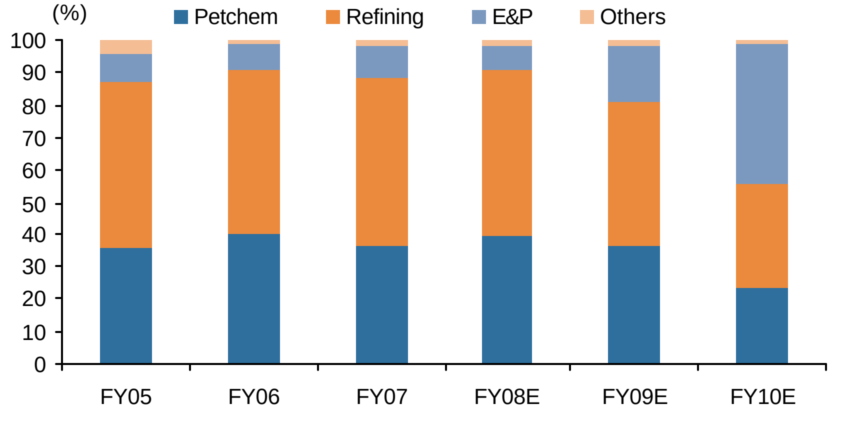


Source: Company, India Infoline Research

Higher margin E&P business will drive operating profit growth

With E&P business commanding more than 55% operating margins we believe that RIL's operating profit will register a CAGR of 19.7% between FY07 and FY10. OPM during the same period is expected to increase from 18% to 24%. Contribution to operating profit from the E&P segment is expected to increase from 9.9% in FY07 to 42.9% in FY10.

Operating profit breakup



Source: Company, India Infoline Research

KG-D6 tax holiday leads to higher PAT growth

As per our estimates, effective tax rate for RIL will decline from 23% in FY09 to 19.1% in FY10. The decline is on account of tax holiday on KG-D6 production for seven years. This translates into a CAGR of 23.9% at PAT level compared to a CAGR of 19.7% in operating profit.

E&P segment enables strong operating cash flows

Operating cash flows from the company are expected to witness a CAGR of 12.5% between FY07 and FY10. The primary driver has been strong trend in cash flows from the E&P segment. We envisage a capex and investment of Rs600bn between FY08 and FY10 as compared to a cumulative cash flow from operations of Rs714bn during the same period.

RIL Financials

Income statement

Period to Rs mn	FY07 (12)	FY08E (12)	FY09E (12)	FY10E (12)
Net sales	1,116,990	1,253,259	1,322,668	1,432,596
Total expenditure	(916,465)	(1,026,931)	(1,069,738)	(1,088,814)
Operating profit	200,525	226,328	252,931	343,781
Other income	4,783	8,750	6,750	7,750
Depreciation	(48,152)	(46,773)	(53,233)	(58,433)
EBIT	157,157	188,305	206,448	293,098
Interest	(11,889)	(14,760)	(13,501)	(12,356)
PBT	145,268	173,545	192,947	280,742
Tax	(25,771)	(31,238)	(44,329)	(53,687)
PAT	119,497	142,307	148,618	227,055

Balance sheet

Period to Rs mn	FY07 (12)	FY08E (12)	FY09E (12)	FY10E (12)
Sources				
Equity share capital	14,534	14,534	14,534	14,534
Reserves and surplus	625,138	751,094	883,362	1,094,067
Networth	639,671	765,628	897,896	1,108,601
Loan funds				
Secured	95,691	100,691	95,657	90,874
Unsecured	182,566	242,566	218,309	196,479
Deferred tax liability	69,820	67,822	77,189	84,729
Total	987,749	1,176,707	1,289,050	1,480,682
Uses				
Gross block	551,258	849,701	995,328	1,169,328
Acc depreciation	(248,728)	(292,534)	(358,723)	(405,496)
Net block	302,530	557,168	636,605	763,831
Capital WIP	48,293	69,578	75,281	78,000
Total fixed assets	350,823	626,745	711,886	841,831
Investments	162,513	202,513	222,513	242,513
Current assets	299,134	332,055	342,749	387,610
Current liabilities	(185,784)	(199,694)	(208,311)	(213,107)
Net working capital	113,350	132,362	134,439	174,503
Total	987,749	1,176,707	1,289,050	1,480,682

Cash flow statement

Period to Rs mn	FY07 (12)	FY08E (12)	FY09E (12)	FY10E (12)
CF from operations	205,254	195,751	223,376	294,447
CF from investing	(237,344)	(216,719)	(163,500)	(210,000)
CF from financing	28,982	30,624	(66,083)	(66,313)
Net increase in cash	(3,108)	9,656	(6,207)	18,134
Cash at start of the year	21,462	18,354	28,010	21,803
Cash at end of the year	18,354	28,010	21,803	39,937

Key ratios

Period to	FY07 (12)	FY08E (12)	FY09E (12)	FY10E (12)
Per share ratios (Rs)				
EPS	82.2	97.9	102.3	156.2
Cash EPS	115.4	130.1	138.9	196.4
Div per share	10.0	10.0	10.0	10.0
Book value per share	440.1	526.8	617.8	762.8
Valuation ratios (x)				
P/E	28.5	24.0	22.9	15.0
P/Cash EPS	20.3	18.0	16.9	11.9
P/BV	5.3	4.5	3.8	3.1
Mcap/Sales	3.1	2.7	2.6	2.4
EV/ PBIT	23.3	19.8	17.9	12.5
Profitability ratios (%)				
OPM	18.0	18.1	19.1	24.0
PAT	10.7	11.4	11.2	15.8
ROCE	17.1	17.0	17.0	21.0
RONW	18.7	18.6	16.6	20.5
Liquidity ratios				
Current ratio	1.6	1.7	1.6	1.8
Debtors days	12.2	12.0	12.0	12.0
Inventory days	39.7	40.0	40.0	40.0
Creditors days	65.6	65.0	65.0	65.0
Leverage ratios				
Debt / Total equity	0.4	0.4	0.3	0.3
Component ratios (as % of sales)				
Raw material	68.2	68.1	68.0	65.0
Manufacturing Exp	5.2	5.2	5.2	4.5
Staff cost	1.9	1.9	1.8	1.4
Sales and distbn Exp	3.3	3.4	2.7	2.6
Establishment exp	1.8	1.8	1.7	1.3
Purchases	1.6	1.6	1.5	1.2
Total expenses	**82.0**	**81.9**	**80.9**	**76.0**

RPL Financials

Income statement

Period to	FY09E	FY10E	FY11E
Rs mn	(12)	(12)	(12)
Net sales	538,431	679,785	661,925
Total expenditure	(471,975)	(556,322)	(547,646)
Operating profit	66,456	123,463	114,279
Other income	1,000	1,000	1,000
Depreciation	(7,200)	(7,980)	(8,010)
EBIT	60,256	116,483	107,269
Interest	(9,450)	(6,300)	(4,550)
PBT	50,806	110,183	102,719
Tax	(1,016)	(2,204)	(2,054)
PAT	49,790	107,979	100,665

Balance sheet

Period to	FY09E	FY10E	FY11E
Rs mn	(12)	(12)	(12)
Sources			
Equity share capital	45,000	45,000	45,000
Reserves and surplus	135,000	216,991	278,675
Networth	180,000	261,991	323,675
Debt	135,000	90,000	65,000
Total	**315,000**	**351,991**	**388,675**
Uses			
Gross block	265,000	266,000	267,000
Acc depreciation	(7,200)	(15,180)	(23,190)
Net block	257,800	250,820	243,810
Capital WIP	-	-	-
Total fixed assets	257,800	250,820	243,810
Current assets	168,758	242,017	282,010
Current liabilities	(111,558)	(140,846)	(137,145)
Net working capital	57,200	101,171	144,865
Total	**315,000**	**351,991**	**388,675**

Cash flow statement

Period to	FY10E	FY11E
Rs mn	(12)	(12)
CF from operations	128,310	112,460
CF from investing	(1,000)	(1,000)
CF from financing	(109,259)	(65,852)
Net increase in cash	18,051	45,608
Cash at start of the year	10,253	28,304
Cash at end of the year	28,304	73,912

Key ratios

Period to	FY09E	FY10E	FY11E
	(12)	(12)	(12)
Per share ratios (Rs)			
EPS	11.1	24.0	22.4
Cash EPS	12.7	25.8	24.1
Div per share	-	5.0	7.5
Book value per share	40.0	58.2	71.9
Valuation ratios (x)			
P/E	14.5	6.7	7.2
P/Cash EPS	12.6	6.2	6.6
P/BV	4.0	2.7	2.2
Mcap/Sales	1.3	1.1	1.1
EV/ PBIT	12.7	6.3	6.2
Profitability ratios (%)			
OPM	12.3	18.2	17.3
PAT	9.2	15.9	15.2
ROCE	18.8	32.5	27.1
RONW	27.7	41.2	31.1
Liquidity ratios			
Current ratio	1.5	1.7	2.1
Debtors days	30.0	30.0	30.0
Inventory days	30.0	30.0	30.0
Creditors days	30.0	30.0	30.0
Leverage ratios			
Debt / Total equity	0.8	0.3	0.2
Component ratios (as % of sales)			
Raw material	76.7	74.4	75.2
Staff cost	1.4	1.3	1.4
Other expenses	9.6	6.1	6.1
Total expenses	**87.7**	**81.8**	**82.7**

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