



<b>Report Date</b>	6th March 2009	
<b>Company Name</b>	Reliance Industries Ltd. (RIL) (Post Merger of Reliance Petroleum Ltd. (RPL))	
<b>Price / Recommendation</b>	Rs. 1169.90	Medium Risk-Medium Return

### Highlights

- Post merger Reliance Industries will issue 1 share for every 16 shares of RPL.
- Reliance Industries will issue 6.92 crore new shares thereby increasing the equity capital to 1643 crore. Consequently the promoter holding in RIL will reduce from 49% to 47%.
- The merger will be effective from 1st April 2008.
- The combined capacity post merger will be 1.24 million barrels per day
- The Reliance will emerge as the world's 5th largest producer of the Polypropelene with the addition of 0.9 million tonnes of RPL.

### Recent developments

- The recent developments may cause a pressure on RIL in the short run. The deepening economic crisis in Europe would keep the refining margins capped, delay in production of gas from earlier schedule and merger of RPL would add to the expenses in the initial period.
- Delay in production of gas from KG Basin- The Company is ready to start gas production from its eastern offshore KG-D6 fields by April 2009. Previously the company had planned to start it from February 2009. The production of gas in the basin will be scaled up to 40 mmcmd by end 2009 and to 80 mmcmd by end-2010. The selling price approved by the government is \$4.2 though this price is currently is the matter of litigation.
- Rupee Devaluation- Due to rupee devaluation the loan liability has increased as the project cost estimated at Rs.27000 Cr had increased.

### Financial Highlights (Post Merger)

Earnings Table				(Rs. Cr)
Particulars	FY 07	FY 08	FY 09 E	FY 10 E
Net Sales	111699	133806	149300	192500
% Change	38.1%	19.8%	11.6%	28.9%
Total Income	112832	138554	150800	180645

Particulars	FY 07	FY 08	FY 09 E	FY 10 E
Total Expenditure	92307	109620	125280	149800
PBDIT	20525	28935	25520	30845
Depriciation	4815	4847	5592	8625
PBIT	15709	24087	19928	22221
Interest	1189	1077	2115	4260
PBT	14520	23010	17813	17961
Tax	2577	3552	3048	2063
Reported PAT	11943	19458	14765	15898
Extraordinary Item	-312	4112	0	0
Adj. PAT	12256	15347	14765	15898
% Change	36%	25%	-4%	8%
Cash Profit	17071	20194	20357	24523

Balance Sheet				(Rs. Cr)
Particulars	FY 07	FY 08	FY 09 E	FY 10 E
Share Capital	1453.35	1453.39	1643	1643
Res. & surplus	62514	78313	113324	126377
Shareholder's Fund	63967	79766	114967	128020
Loan Fund	27826	36480	64480	64743
<b>Total Liabilities</b>	<b>91793</b>	<b>116246</b>	<b>179447</b>	<b>192763</b>
Net Fixed assets	71189	84889	121300	151100
Investments	16251	22064	16467	16283
Capital WIP	7528	23006	34795	18395
Net Current assets	11335	17165	15080	15250
Net Deferred Tax	-6982	-7873	-8195	-8265
<b>Total Assets</b>	<b>91793</b>	<b>116246</b>	<b>179447</b>	<b>192763</b>

Key Ratios				
Particulars	FY 07	FY 08	FY 09 E	FY 10 E
PBDIT	18.37%	21.62%	17.09%	16.02%
PBIT	14.06%	18.00%	13.35%	11.54%
PAT	10.97%	11.47%	9.89%	8.26%
RoCE	17.11%	20.72%	11.11%	11.53%
RoNW	19.16%	19.24%	12.84%	12.42%
Debt/Equity	43.50%	45.73%	56.09%	50.57%

Valuation				
Particulars	FY 07	FY 08	FY 09 E	FY 10 E
Adjusted EPS (Rs.)	84.33	105.59	89.87	96.76
Cash EPS (Rs.)	117.46	138.94	123.90	149.26
BV/Share (Rs.)	440.14	548.83	699.74	779.18
Div./Share (x)	11.00	13.00	14.00	15.00
P/E (x)	13.95	11.14	13.09	12.15
P/BV (x)	2.67	2.14	1.68	1.51
M.Cap/Sales (x)	1.53	1.28	1.29	1.00

## Recommendation

The merger of Reliance Industries will result in the operational and financial synergies. The investors are recommended to HOLD the stock though the upside is capped at present based on FY09 results. The stock is trading at Forward PE of 12.15x for FY 10. Post Merger we recommend BUY in the range of Rs 1000 to Rs. 1050 with a target of Rs 1300 based on FY10 performance. In view of current state of the market investors should not rush into buying the stock but accumulate over a period once the market stabilizes.

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