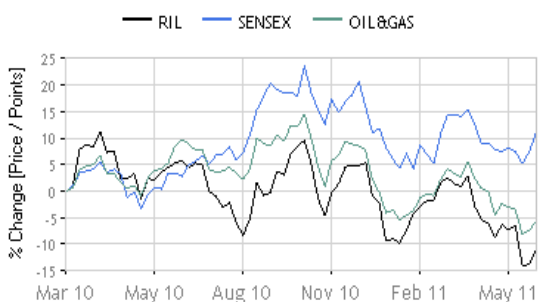
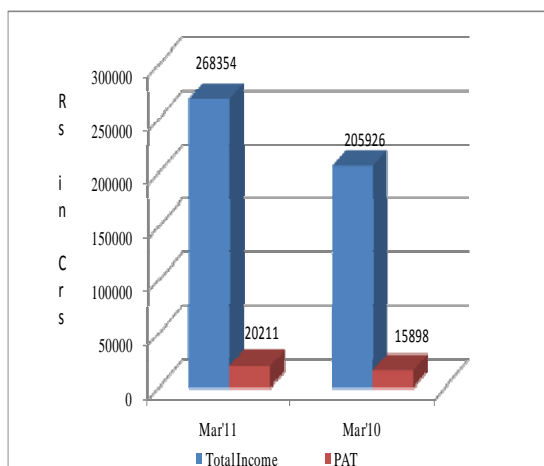




4th July 2011

<u>Sector</u>		: Integrated Oil & Gas	
<b>CMP</b>	: Rs. 865		
<b>3 month Target Price</b>	: Rs. 925		
<b>SENSEX</b>	: 18814		
<b>SENSEX P/E</b>	: 19.87		
<b>NIFTY</b>	: 5646		
<b>NIFTY P/E</b>	: 20.70		
	<b>RIL</b>	<b>Industry</b>	
<b>P/E</b>	12.76	14.10	
<u>Scrip Details</u>			
<b>Market Cap</b>	: Rs. 2,64,415 Crs.		
<b>Nominal Value</b>	: Rs. 10/Share		
<b>Book Value</b>	: Rs.517/Share		
<b>Equity Share O/S</b>	: 298.1 Crs		
<b>52 Week H/L</b>	: 1,187 / 829		
<b>BSE Code</b>	: 500325		
<b>NSE Code</b>	: RELIANCE		
<u>Shareholding Pattern (%)</u>			
	<b>Mar 11</b>	<b>Mar 10</b>	
<b>Promoters</b>	44.72	44.76	
<b>FII</b>	17.70	17.59	
<b>DII</b>	10.78	10.66	
<b>Public &amp; Others</b>	<u>26.80</u>	<u>26.99</u>	
<b>Total</b>	<u>100.00</u>	<u>100.00</u>	

Scrip Performance vis-à-vis SensexTotal Income vis-à-vis PATInvestment Triggers

- **Reliance group** founded by legendry and visionary **Mr. Dhirubhai Ambani** is India's largest private sector company. **Mr. Mukesh Ambani**' s promoted flagship company **Reliance Industries Limited (RIL)** is a "**Fortune Global 500 company**" with an enterprise value of over **Rs. 3,37,500 Crs. (USD 75 bn)**.
- **BP Plc**, the **world's second largest** publicly-traded oil firm, acquired a **30% stake** in **RIL's 23 oil and gas blocks** for **Rs. 40,500 Crs (USD 9 bn)**, could potentially be India's largest-ever foreign direct investment.
- **RIL** recently forayed into **Insurance business** by reaching an agreement to acquire **Bharti's 74% stake** in **Bharti AXA Life Insurance & Bharti AXA General Insurance**.
- **RIL** has so far made **25 oil and gas discoveries** in **KG-D6**, of which **18 wells** in **D1 and D3** and **6 wells** in **D26** are under production, **6 new discoveries** are made in **KG-V-D3 block** and **on-land CB-10 block**.
- **RIL** has **1.24 Mn Barrels per day (MBPD)** of **crude processing capacity**, the largest at any single location in the world. The company is also the **largest** and most integrated **polyester** player in the world with **41% market share** and **total capacity** of around **2.4 MMT**.
- **RIL's Total Income** reported **growth of 30%** to **Rs 2,68,354 Crs** for **FY 2010-11** as against **Rs. 2,05,926 Crs** for **FY 2009-10** while **Net Profit** reported **growth of 27 %** to **Rs 20,211 Crs** for **FY 2010-11** as against **Rs 15,898 Crs** for **FY 2009-10**.
- **RIL's loan funds** is at **Rs. 84,106 Crs** as on **31st March 2011**, the **management** aims to make **RIL** completely **debt free** net of cash balances by **FY 2011-12** to achieve higher financial performance of the company.
- At **CMP of Rs 865/share**, **RIL** is trading at **P/E of 12.76 x** vis-à-vis **Industry P/E of 14.10 x** and its **P/BV** is **1.67x** making it an **undervalued investment opportunity**. We recommend **STRONG BUY** on **RIL** for a **3 month target price** of **Rs 925/share**.

Consolidated Financial Performance

(Rs in Crs)

Particulars	Quarter Ended		% Change Q-o-Q	Year Ended		% Change Y-o-Y
	Mar'11	Mar'10		Mar'11	Mar'10	
Total Income	73,591	58,185	26	2,68,354	2,05,926	30
PBT	6,677	5,834	14	24,055	28,680	(16)
PAT	5,376	4,710	14	20,211	15,898	27
Equity Share Cap.	2,981	2,978	-	2,981	2,978	-
Reserves	1,51,112	1,38,025	-	1,51,112	1,38,025	-
EPS (Rs/share)	18.03	15.82	14	67.80	53.38	27

## **RIL - Strategic Alliances**

*Large cash balances of Rs. 42,393 Crs, robust cash flows and an under leveraged balance sheet allows RIL to pursue organic and inorganic growth opportunities in its core businesses in a broader, global context.*

*RIL's strategic alliance with BP for domestic upstream portfolio, partnering in 23 E&P blocks in India.*

*RIL's committed investments of over Rs. 15,300 Crs (USD 3.4 bn) through 3 JVs signed in shale gas business in USA.*

*RIL and Pioneer formed a midstream JV that will service the gathering needs of the upstream JV.*

- **RIL and BP strategic alliance** in the oil and gas business comprises **BP's 30% stake** for **Rs. 40,500 Crs (USD 9bn)** in **23** oil & gas production sharing contracts encompassing **Rs. 32,400 Crs (USD 7.2 bn)** as up **front payment** and **performance payments** of **Rs. 8,100 Crs (USD 1.8 bn)** based on future exploration successes, formation of a **Joint Venture (50:50)** for sourcing and marketing gas in India.
- **RIL** acquired **40% interest** in **Atlas Energy** for **Rs. 7,650 Crs (USD 1.7 bn)** adding **5.3 TCFe** of gas resource net to **RIL**, **45% interest** in **Pioneer** for **Rs. 5,850 Crs (USD 1.3 bn)** adding **4.5 TCFe** of gas & liquids resources net to **RIL**, additionally, **RIL** and **Pioneer** formed a midstream **JV** in **gas evacuation and transportation** and **60%** interest in **Carrizo** for **Rs. 1,764 Crs (USD 392 mn)** adding **2.0 TCFe** of gas resource net to **RIL**.
- **RIL's JV** with **Russia's SIBUR** for setting up of a facility for producing **100,000 tonnes of butyl rubber** in India thus fulfilling a longstanding demand of the **Indian tyre and rubber** industry.
- **RIL** and **D. E. Shaw group** formed a **JV** to build a leading **financial services** business by incorporating **D. E. Shaw group's** investment and technology expertise with **RIL's** operational knowledge and extensive presence across India.
- **RIL** acquired **95% stake** in **Infotel Broadband Services Ltd.** for **Rs. 4,200 Crs**, emerging as a successful bidder in all the **22 circles** of the auction for **Broadband Wireless Access (BWA) spectrum**.

## RIL - Financial Performance

(Rs. in Crs)

Particulars	Quarter Ended		% Change	Year Ended		% Change
	Mar'11	Mar'10	Q-o-Q	Mar'11	Mar'10	Y-o-Y
Total Income	73,591	58,185	26	2,68,354	2,05,926	30
EBIDTA	10,760	9,751	10	41,504	33,080	25
PBT	6,677	5,834	14	24,055	28,680	(16)
PAT	5,376	4,710	14	20,211	15,898	27
Equity Share Cap.	2,981	2,978	-	2,981	2,978	-
Reserves	1,51,112	1,38,025	-	1,51,112	1,38,025	-
EPS (Rs/share)	18.03	15.82	14	67.80	53.38	27
Dividend (%)			-	80	70	-
EBIDTA Margin (%)	14.62	16.76	-	15.47	16.06	-
PAT Margin (%)	7.31	8.09	-	7.53	7.72	-

- **RIL's Total Income** increased by **30%** to **Rs. 2,68,354 Crs.** in **FY 2010-11** from **Rs. 2,05,926 Crs** in **FY 2009-10** due to increase in **volumes** by **11%** and rise in **prices** by **18%**.
- **RIL** maintained its status as India's **largest exporter**. During **FY 2010-11**, **Exports** including deemed exports, were higher by **33%** at **Rs. 1,46,667 Crs** representing **57%** of **RIL's turnover**.
- **Consumption** of **raw materials** increased by **32%** from **Rs. 1,53,100 Crs** in **FY 2009-10** to **Rs. 2,01,850 Crs** in **FY 2010-11** mainly due to higher crude oil processed in the **SEZ refinery**.
- **RIL's EBIDTA** increased by **25%** to **Rs. 41,504 Crs** in **FY 2010-11** from **Rs. 33,080 Crs** in **FY 2009-10** showing a clear picture of **operational efficiency**.
- **RIL's Profit after tax** increased by **27%** to **Rs. 20,211 Crs** in **FY 2010-11** from **Rs. 15,989 Crs.** in **FY 2009.10** with a **Compounded Annual Growth Rate (CAGR)** of **23%** over the past **10 years**. **EPS** increased to **Rs. 67.80 per share** in **FY 2010-11** from **Rs. 53.38 per share** in **FY 2009-10**.
- **RIL's net gearing** at **13.50%**, **net debt to equity** of **0.17**, **return on capital employed** at **13.20%** and **return on equity** at **15.50%** are measures of **RIL's strong financial position** at the end of **FY 2010-11**.
- **RIL** continues to generously reward **dividend** to its **shareholders** of **80%** i.e. **Rs. 8 per share** at a **F.V** of **Rs. 10** in **FY 2010-11** as compared to **70%** i.e. **Rs. 7 per share** in **FY 2009-10**. **Dividend** amounted to **Rs. 2,772 Crs**, this is one of the **highest payouts** by any private sector company in India.
- **RIL** have grown **28% y-o-y** in the last **33 years** in terms of **revenues**, **30% y-o-y** in the last **33 years** in terms of **net profits** and **37% y-o-y** for the last **33 years** in **market capitalization** embarking the **highest rates of growth** for any business enterprise across the world.

## RIL - Peer Comparison

(Rs in Crs)

Year Ended 31st March 2011				
Particulars	RIL	IOC	BPCL	HPCL
<b>Total Income</b>	2,68,354	3,13,628	1,55,370	1,40,000
<b>EBIDTA</b>	41,504	18,027	5,986	5,062
<b>PBT</b>	24,055	10,114	2,848	2,620
<b>PAT</b>	20,211	7,831	1,635	1,704
<b>EPS (Rs/share)</b>	67.80	32.30	45.22	50.31
<b>Equity Share Cap.</b>	2,981	2,428	362	339
<b>Reserves</b>	1,51,112	55,147	14,989	12,941
<b>Face Value</b>	10	10	10	10
<b>Book Value</b>	517	237	425	392
<b>EBIDTA Margin (%)</b>	15.47	5.75	3.85	3.62
<b>PAT Margin (%)</b>	7.53	2.50	1.05	1.22
<b>Market Cap.</b>	2,54,876	81,822	23,319	13,240
<b>CMP</b>	855	337	645	391
<b>P/E</b>	12.61	10.43	14.26	7.77
<b>P/BV</b>	1.65	1.42	1.52	1.00

- **RIL** has highest **EBIDTA margin** of **15.47%** and **PAT margin** of **7.53%** compared to its **industry peers** showing a very **strong financial future** of the company.
- **RIL** has **higher EPS** of **Rs. 67.80/share** for **FY 2010-11** as compared to its **industry peers** reflecting **higher returns** to its investors.
- **RIL's Price to Book value multiple** is just **1.65 times** offering a sustainable **opportunity** for **growth** and **appreciation**.
- **RIL's Price to earnings multiple** of **12.61 times** indicates a **huge potential** of **appreciation** in value of **RIL**.



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