

May 30, 2011

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	Accumulate
Rating	
Price	Rs559
Target Price	Rs734
Implied Upside	31.3%
Sensex	18,266

(Prices as on May 27, 2011)

Trading data

Market Cap. (Rs bn)	136.9
Shares o/s (m)	244.9
3M Avg. Daily value (Rs m)	1569.1

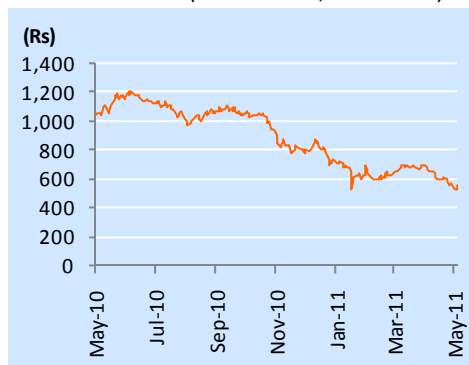
Major shareholders

Promoters	47.73%
Foreign	15.76%
Domestic Inst.	21.89%
Public & Other	14.62%

Stock Performance

(%)	1M	6M	12M
Absolute	(16.2)	(34.5)	(47.0)
Relative	(10.1)	(30.0)	(56.6)

Price Performance (RIC: RLIN.BO, BB: RELI IN)



Source: Bloomberg

■ **Standalone analysis:** Reliance Infrastructure (RInfra), in Q4FY11, has reported revenue de-growth of 12.5% YoY and 4.1% in FY11 at Rs24bn and Rs96bn, respectively. EPC division recorded 510bps YoY improvement in EBIT margins YoY in Q4FY11. However, sales were down by 23.3% for the same period. For FY11, income from distribution declined by 7% YoY and EPC business was flat. Volumes in Mumbai Distribution declined by 9.6% YoY in FY11 and the power purchased from third parties also came down by 20% YoY (on account of lower demand). However, number of customers have increased by 90000 in FY11. Tax has been negative in Q4FY11 on account of refunds pertaining to earlier years. Other income was down 35% YoY during the year. Hence, the standalone PAT de-grew by 6.2% YoY to Rs10.8bn.

■ **Consolidated analysis:** Delhi Distribution clocked sales of Rs62bn, up 16.9% YoY and number of units also increased by 9.2% YoY to 13.3bn units. Revenue from WRSS and Delhi Metro segments started contributing marginally from Q4FY11 to the tune of Rs1.2bn. Number of units traded continued to increase and stood at 5.6bn units. Thus, total revenues stood at Rs154bn, growing by 3.7% YoY and PATAMI stood at Rs15.6bn, posting a growth of 2.1% YoY.

■ **Updates:** EPC order book stands at Rs296bn, up 26% QoQ. RInfra has infused close to Rs33bn in various SPVs in FY11. The company is leasing out real estate at Delhi metro at rentals of around Rs730 sq/ft.

■ **Valuation:** The stock of RInfra has taken a hit in the last six months on account of various news. However, with new assets getting into operations in the next 12 months, the earnings on consolidated basis should be benefited. At CMP, the stock trades at 0.7x P/BV FY13E. We maintain 'Accumulate' on the stock.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	146,286	154,083	194,630	231,776
Growth (%)	16.3	5.3	26.3	19.1
EBITDA (Rs m)	12,263	19,168	25,427	33,262
PAT (Rs m)	15,194	15,516	15,387	18,489
EPS (Rs)	62.0	58.0	57.5	69.1
Growth (%)	3.6	(6.5)	(0.8)	20.2
Net DPS (Rs)	6.4	6.5	6.7	6.7

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	8.4	12.4	13.1	14.4
RoE (%)	8.1	7.5	7.3	8.3
RoCE (%)	5.5	5.1	4.9	5.4
EV / sales (x)	1.5	1.8	1.7	1.5
EV / EBITDA (x)	17.8	14.8	13.0	10.3
PE (x)	9.0	9.6	9.7	8.1
P / BV (x)	0.7	0.7	0.7	0.7
Net dividend yield (%)	1.1	1.2	1.2	1.2

Source: Company Data; PL Research

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**Exhibit 1: Q4FY11 Result Overview - Consolidated (Rs m)**

Y/e March	Q4FY11	Q4FY10	YoY gr. (%)	Q3FY11	FY11	FY10	YoY gr. (%)
Total Income	37,979	39,332	(3.4)	37,440	154,083	148,648	3.7
Expenditure							
Total Expenditure	34,646	34,938	(0.8)	31,859	134,915	133,445	1.1
EBITDA	3,333	4,395	(24.1)	5,581	19,168	15,203	26.1
<i>Margin (%)</i>	<i>8.8</i>	<i>11.2</i>		<i>14.9</i>	<i>12.4</i>	<i>10.2</i>	
Depreciation	1,115	1,202	(7.2)	1,257	4,825	4,724	2.1
EBIT	2,218	3,193	(30.5)	4,324	14,343	10,479	36.9
Interest	1,893	1,089	73.8	1,564	6,350	5,251	20.9
Other Income	2,530	2,285	10.7	1,277	5,565	8,249	(32.5)
PBT	2,856	4,389	(34.9)	4,037	13,558	13,476	0.6
Tax	(578)	103	(661.6)	568	1,268	1,498	(15.3)
<i>Tax Rate (%)</i>	<i>(20.2)</i>	<i>2.3</i>		<i>14.1</i>	<i>9.4</i>	<i>11.1</i>	
Recurring Pat	3,433	4,286	(19.9)	3,469	12,290	11,978	2.6
Minority Interests	(675)	(427)		(584)	(3,226)	(3,216)	
PAT	4,109	4,712	(12.8)	4,053	15,516	15,194	2.1
Adjusted PAT	2,759	4,712	(41.4)		14,166	15,194	(6.8)

Source: Company Data, PL Research

Exhibit 2: Q4FY11 Result Overview – Standalone (Rs m)

Y/e March	Q4FY11	Q4FY10	YoY gr. (%)	Q3FY11	FY11	FY10	YoY gr. (%)
Net Sales from Electrical Energy	12,470	12,884	(3.2)	14,238	58,062	63,878	(9.1)
Income from EPC Contracts	9,628	12,848	(25.1)	10,621	33,892	34,149	(0.8)
Other Operating Income	1,200	908	32.2	1,318	4,192	2,446	71.3
Total Income	23,298	26,639	(12.5)	26,176	96,146	100,273	(4.1)
Expenditure							
Cost of Electricity Purchased	5,127	5,650	(9.3)	7,224	27,243	33,219	(18.0)
<i>% of Net Sales</i>	<i>41.1</i>	<i>43.9</i>		<i>50.7</i>	<i>46.9</i>	<i>52.0</i>	
Cost of fuel	3,574	3,203	11.6	3,008	13,011	12,198	6.7
<i>% of Net Sales</i>	<i>28.7</i>	<i>24.9</i>		<i>21.1</i>	<i>22.4</i>	<i>19.1</i>	
Tax On Electricity	287	333	(13.7)	326	1,344	1,541	(12.8)
<i>% of Net Sales</i>	<i>2.3</i>	<i>2.6</i>		<i>2.3</i>	<i>2.3</i>	<i>2.4</i>	
Cost of Mat. & Sub-Cont.	7,904	11,288	(30.0)	9,295	28,372	28,826	(1.6)
<i>% of Net Sales</i>	<i>63.4</i>	<i>87.6</i>		<i>65.3</i>	<i>48.9</i>	<i>45.1</i>	
Employee Cost	1,875	1,648	13.8	2,031	7,622	6,529	16.7
<i>% of Net Sales</i>	<i>15.0</i>	<i>12.8</i>		<i>14.3</i>	<i>13.1</i>	<i>10.2</i>	
Other Expenditure	1,921	1,603	19.8	1,822.2	6,777	6,767.9	0.1
<i>% of Net Sales</i>	<i>15.4</i>	<i>12.4</i>		<i>12.8</i>	<i>11.7</i>	<i>10.6</i>	
Total Expenditure	20,688	23,725	(12.8)	23,706	84,369	89,081	(5.3)
EBITDA	2,611	2,914	(10.4)	2,470	11,777	11,192	5.2
<i>Margin (%)</i>	<i>11.2</i>	<i>10.9</i>	<i>26.5</i>	<i>9.4</i>	<i>12.2</i>	<i>11.2</i>	<i>108.8</i>
Depreciation	723	907	(20.2)	817	3,134	3,198	(2.0)
EBIT	1,887	2,007	(6.0)	1,654	8,643	7,994	8.1
Interest	629	581	8.4	582	2,425	2,922	(17.0)
Other Income	2,815	1,668	68.7	1,021	5,132	7,898	(35.0)
PBT	4,073	3,095	31.6	2,092	11,351	12,970	(12.5)
Tax	(912)	384	(337.7)	436	541	1,453	(62.7)
<i>Tax Rate (%)</i>	<i>(22.4)</i>	<i>12.4</i>		<i>20.8</i>	<i>4.8</i>	<i>11.2</i>	
Recurring PAT	4,985	2,512	98.4	1,656	10,809	11,518	(6.2)
Adjusted PAT	3,635	2,512	44.7		10,371	11,518	(10.0)

Source: Company Data, PL Research

Exhibit 3: Segmental Breakup - Standalone (Rs m)

Y/e March	Q4FY11	Q4FY10	YoY gr. (%)	Q3FY11	QoQ gr. (%)
Revenue					
Electrical Energy	13,212	11,258	17.4	14,737	(23.6)
<i>% in Total</i>	<i>50.5</i>	<i>49.2</i>		<i>56.3</i>	
EPC	10,107	13,181	(23.3)	11,440	15.2
<i>% in Total</i>	<i>38.6</i>	<i>57.6</i>		<i>43.7</i>	
Net sales	26,176	22,875	14.4	26,176	(12.6)
EBIT					
Electrical Energy	989	742	33.3	759	(2.3)
<i>Margin (%)</i>	<i>7.5</i>	<i>6.6</i>		<i>5.2</i>	
EPC	1,259	981	28.3	986	(0.5)
<i>Margin (%)</i>	<i>12.5</i>	<i>7.4</i>		<i>8.6</i>	
Total	2,247	1,723	30.5	1,745	(1.3)
<i>Margin (%)</i>	<i>8.6</i>	<i>7.5</i>	<i>105.4</i>	<i>6.7</i>	<i>86.4</i>

Source: Company Data, PL Research

Exhibit 4: Segmental Breakup - Consolidated (Rs m)

Y/e March	FY11	FY10	YoY gr. (%)
Revenue			
Electrical Energy	122,972	115,345	6.6
<i>% in Total</i>	<i>79.8</i>	<i>77.6</i>	
EPC	29,940	33,048	(9.4)
<i>% in Total</i>	<i>19.4</i>	<i>22.2</i>	
Infrastructure Business	1,171	256	358.2
<i>% in Total</i>	<i>0.8</i>	<i>0.2</i>	
Net sales	154,083	148,648	3.7
EBIT			
Electrical Energy	12,362	8,286	49.2
<i>Margin (%)</i>	<i>10.1</i>	<i>7.2</i>	
EPC	2,413	2,410	0.1
<i>Margin (%)</i>	<i>8.1</i>	<i>7.3</i>	
Infrastructure Business	180	132	
<i>Margin (%)</i>	<i>1.2</i>	<i>1.2</i>	
Total	14,955	10,827	38.1
<i>Margin (%)</i>	<i>9.7</i>	<i>7.3</i>	<i>242.2</i>
Less: Interest & Others	(1,596)	2,649	(160.3)
PBT	13,358	13,476	(0.9)
<i>Margin (%)</i>	<i>8.7</i>	<i>9.1</i>	

Source: Company Data, PL Research


Income Statement (Rs m)

Y/e March	2010	2011	2012E	2013E
Net Revenue	146,286	154,083	194,630	231,776
Raw Material Expenses	118,901	122,550	151,189	178,399
Gross Profit	27,385	31,533	43,441	53,377
Employee Cost	—	—	—	—
Other Expenses	15,122	12,365	18,014	20,115
EBITDA	12,263	19,168	25,427	33,262
Depr. & Amortization	4,724	4,825	8,949	12,030
Net Interest	5,251	6,350	11,670	15,871
Other Income	11,188	5,565	8,130	9,830
Profit before Tax	13,476	13,558	12,938	15,191
Total Tax	1,498	1,268	2,085	2,695
Profit after Tax	11,977	12,290	10,853	12,496
Ex-Od items / Min. Int.	(3,216)	(3,226)	(4,533)	(5,993)
Adj. PAT	15,194	15,516	15,387	18,489
Avg. Shares O/S (m)	244.9	267.4	267.4	267.4
EPS (Rs.)	62.0	58.0	57.5	69.1

Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	(3,591)	7,526	16,943	31,162
C/F from Investing	6,365	(23,105)	(84,942)	(39,864)
C/F from Financing	(2,863)	21,675	69,602	18,734
Inc. / Dec. in Cash	(88)	6,096	1,603	10,032
Opening Cash	4,583	4,494	13,618	14,663
Closing Cash	4,494	13,618	14,663	21,896
FCFF	(19,779)	(27,169)	(66,437)	(11,280)
FCFE	(34,993)	34,684	(18,381)	8,720

Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
Growth				
Revenue (%)	16.3	5.3	26.3	19.1
EBITDA (%)	94.7	56.3	32.7	30.8
PAT (%)	12.3	2.1	(0.8)	20.2
EPS (%)	3.6	(6.5)	(0.8)	20.2
Profitability				
EBITDA Margin (%)	8.4	12.4	13.1	14.4
PAT Margin (%)	10.4	10.1	7.9	8.0
RoCE (%)	5.5	5.1	4.9	5.4
RoE (%)	8.1	7.5	7.3	8.3
Balance Sheet				
Net Debt : Equity	0.4	0.6	0.8	0.8
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	9.0	9.6	9.7	8.1
P / B (x)	0.7	0.7	0.7	0.7
EV / EBITDA (x)	17.8	14.8	13.0	10.3
EV / Sales (x)	1.5	1.8	1.7	1.5
Earnings Quality				
Eff. Tax Rate	11.1	9.4	16.1	17.7
Other Inc / PBT	83.0	41.0	62.8	64.7
Eff. Depr. Rate (%)	4.0	3.2	3.8	4.3
FCFE / PAT	(230.3)	223.5	(119.5)	47.2

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	207,041	206,789	216,491	229,271
Total Debt	85,839	147,692	195,748	215,748
Other Liabilities	2,716	4,699	5,999	6,000
Total Liabilities	295,596	359,180	418,238	451,019
Net Fixed Assets	112,185	166,792	216,586	248,560
Goodwill	—	—	—	—
Investments	136,591	124,312	125,510	122,329
Net Current Assets	46,819	68,068	76,142	82,129
<i>Cash & Equivalents</i>	<i>4,494</i>	<i>13,618</i>	<i>14,663</i>	<i>21,896</i>
<i>Other Current Assets</i>	<i>127,905</i>	<i>155,480</i>	<i>183,465</i>	<i>203,015</i>
<i>Current Liabilities</i>	<i>85,580</i>	<i>101,030</i>	<i>121,986</i>	<i>142,782</i>
Other Assets	—	—	—	—
Total Assets	295,596	359,172	418,238	453,018

Quarterly Financials (Rs m)

Y/e March	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Net Revenue	22,280	24,391	26,176	23,298
EBITDA	2,534	4,162	2,470	2,611
<i>% of revenue</i>	<i>11.4</i>	<i>17.1</i>	<i>9.4</i>	<i>11.2</i>
Depr. & Amortization	769	825	817	723
Net Interest	613	600	582	629
Other Income	1,804	(508)	1,021	2,815
Profit before Tax	2,956	2,229	2,092	4,073
Total Tax	495	524	436	(912)
Profit after Tax	2,461	1,705	1,656	4,985
Adj. PAT	2,461	1,705	1,656	4,985

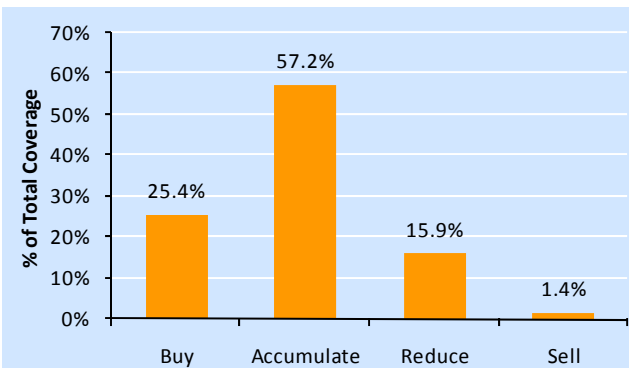
Source: Company Data, PL Research.

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Rating Distribution of Research Coverage



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BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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