

Reliance Industries Ltd. -

CMP: ₹ 956

Stock Info

BSE Group	A
BSE Code	500325
NSE Symbol	RIL
Bloomberg	REI.IN
Reuters	RELI.BO
BSE Sensex	18438
NSE Nifty	5518

Market Info

Market Capital	₹ 3,12,612cr
Equity Capital	₹ 3270 cr
Avg. Trading Vol.	9,67,821 (Qty)
52 Wk High/ Low	₹1187/840
Face Value	₹10

Shareholding Pattern (%)
(31/12/2010)

Promoters	44.73
FII	17.62
Domestic Institutions	10.46
Public & Others	27.19
Total	100

BP (British Petroleum) will buy 30% in RIL's oil & gas fields, investment may touch \$20 bn. This is the biggest foreign direct investment (FDI) into India. BP will pay \$7.2 bn for a 30 % stake in 23 oil and gas blocks of Reliance Industries Ltd (RIL). The fields include the most prolific KG-D6 off the east coast. Future performance payments up to \$1.8 bn could be paid based on exploration success resulting in development of commercial discoveries. RIL & BP will also enter into a 50:50 joint venture for sourcing and marketing of gas.

Perfect partnership of advance technology and rich oil & gas blocks.

The partnership will combine BP's world-class deep-water exploration and development capabilities with Reliance's project management and operations expertise and rich oil & gas blocks. The partnership combines the skills of both and will be focused on finding more hydrocarbons in the deep-water blocks of India and significantly contribute to India's energy security. The 23 oil and gas blocks cover 270,000 sqkm. Reliance will continue to be the operator under the production sharing contracts. The blocks lie in water depths ranging from 400 m to over 3,000 m and produce about 54mmscmd, over 30% of India's consumption and over 40% production.

No Regulatory hurdle ahead for this deal

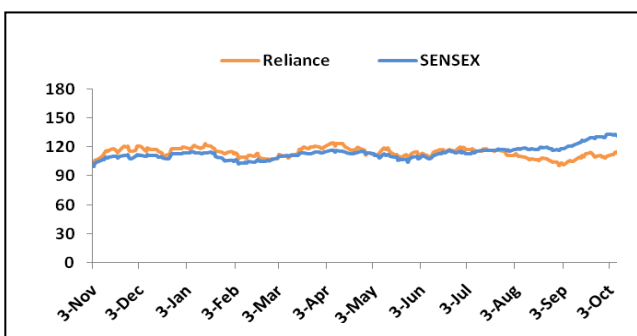
This deal is expected to sail through without regulatory obstacles as contracts allow companies to bring partner with technical expertise to help boost output. The deal require Govt's approval as per PSC, under NELP and such deal have been cleared by the Govt. In the past.

Financial Outlook & Valuation

Reliance Industries controls 29 exploration & production or E&P blocks in India. We expect 23 blocks out of 29 could be predominantly exploratory, rather than in the development phase. The current deal values 80% of these assets at close to ₹ 297 per share. The deal, no doubt, unlocks a lot of value for the company by bringing in a chunk of cash towards future profits.

Key Financials of RIL

Y/E March, (₹ in Cr)	FY08	FY09	FY10
Net Revenue	1,39,269	1,51,224	2,03,307
PAT	15,276	14,950	15,818
EPS	131.9	45.2	48.6
P/E	17.1	21.6	19.6
P/BV	1.9	2.7	2.3



Source: Arihant Research



Deal intend to improve east coast output

Reliance has more than 25 blocks in the east coast, in the Mahanadi basin, the Krishna-Godavari basin and the Cauvery basin. We believe that BP is the best finder of hydrocarbons globally. In short term RIL is focusing on increase in Oil & gas production from the east coast of India. Currently RIL is producing ~54mmscmd of gas from KG-D6, target output from this fields are expected to go up to 80mmscmd of gas by the end of FY12. Some new findings support that the potential output from this field can touch 120mmscmd of gas.

Impact of RIL-BP deal on Oil & Gas sector

Any Increase in gas output is expected to flow through the pipelines of GAIL and GSPL to cater demand of Indian consumer. In long term perspective, deal will help to bring down the gap of domestic NG supply deficit, We expect increased gas flow from RIL field will be partly allocated to CGD businesses (IGL and Gujarat Gas), currently which are facing gas supply problem for the expansion.

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