## Result Update

Kyon ki bhaiya, sabse bada rupaiya.

## Margins shrink on the account of lower profitability of the refining and petrochemicals business

Struck by lower profitability of petrochemical and refining business, EBITDA margin for Q1FY11 fell by 250 bps to $16.0 \%$. On the account of significant margin reduction in Polypropylene product, the operating margin (EBIT) of petrochemical business witnessed a decline of 325 bps YoY. On the other hand, operating margin (EBIT) from refining business declined by129 bps (YoY) to $4 \%$ primarily on the account of higher depreciation cost and base effect. Net margin for Q1FY11 declined by 300 bps (YoY) to $8.3 \%$

## Recent acquisition of two shale gas plants and Infotel, to be value accretive

With the consideration of $\$ 1.7 \mathrm{~m}$, RIL acquired $40 \%$ interest ( 300,000 total acres) in Atlas's core Shale acreage position. Besides this, in a separate deal, for a consideration of $\$ 1.7 \mathrm{~m}$, RIL has acquired $45 \%$ of 263,000 acres of Eagle ford shale from Pioneer Natural Resource Company. Post these deals, RIL stands firm to offer its gas supply services to US which is mulling to reduce its oil dependence on Middle East and cut pollution by putting limits on coal based plants. In addition to this, with the acquisition of Infotel having pan 22- circle BWA license, RIL is in better position to explore fast growing domestic broadband services market.

## Valuation and recommendations

At the CMP of Rs 1010.5, the stock is trading at 15.2 x the FY12E earnings of Rs 66.4. We recommend a hold on stock at the CMP.

## Result Update

Kyon ki bhaiya, sabse bada rupaiya.


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