

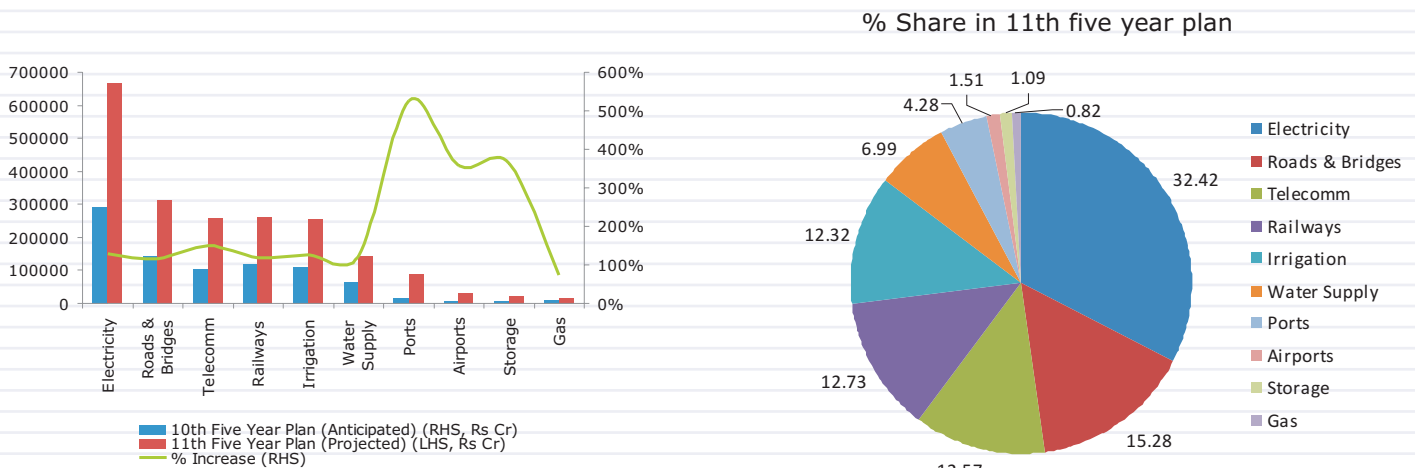
RELIANCE INFRASTRUCTURE FUND

SECTOR VIEW

The fast growth of the Indian economy over the past few years has placed increasing stress on the Infrastructure of the country which already suffers from deficit from past in terms of capacity and efficiency. In order to maintain a healthy GDP growth, the infrastructure facilities in the country will need to be drastically improved and expanded.

Infrastructure would, in a broad sense, include electricity, telecommunication, roads & bridges, railways, ports, airports, irrigation, water supply & sanitation, storage and gas distribution.

Despite the large investments in the country, the infrastructure spending is currently short of what is required for achieving higher economic growth in the coming years. The Planning Commission of India has estimated the requirements of about USD 500 billion for financing infrastructure projects during the 11th Plan period (2007-2012), which is around 1.4 times more than the 10th Plan.



Source: Planning Commission & Anagram Research

Indian government is in the process of setting up a special dedicated fund to provide loans to infrastructure projects - primarily roads, airports and ports - being developed by both private companies and government-private joint ventures.

Credit availability to the infrastructure sector has been hiked in various ways - removal of interest rate ceiling on External Commercial Borrowing (ECB), increase in FII cap for investment in corporate debt market, creation of a SPV for lending to NBFCs, permission to India Infrastructure Finance Company Limited (IIFCL) for raising funds through tax free bonds, and allowing state governments to borrow additional funds from the market.

Apart from the government's fiscal measures to boost infrastructure spending, the easing of interest rates through monetary policy also avails cheaper funds to the Infrastructure sector.

The below table highlights deficits in each of the sectors and respective targets for the 11th five year plan.

Infrastructure—deficit and eleventh plan physical targets

SECTOR	DEFICIT	ELEVENTH PLAN TARGETS
Roads/Highways	65590 km of NH comprise only 2% of network; carry 40% of traffic; 12% 4-laned; 50% 2-laned; and 38% single-laned	6-lane 6500 km in GQ; 4-lane 6736 km NS-EW; 4-lane 20000 km; 2-lane 20000 km; 1000 km Expressway
Ports	Inadequate berths and rail/road connectivity	New capacity: 485 m MT in major ports; 345 m MT in minor ports
Airports	Inadequate runways, aircraft handling capacity, parking space and terminal buildings	Modernize 4 metro and 35 non-metro airports; 3 greenfield in NER; 7 other greenfield airports
Railways	Old technology; saturated routes; slow speeds (freight: 22 kmph; passengers: 50 kmph); low payload to tare ratio (2.5)	8132 km new rail; 7148 km gauge conversion; modernize 22 stations; dedicated freight corridors
Power	13.8% peaking deficit; 9.6% energy shortage; 40% transmission and distribution losses; absence of competition	Add 78577 MW; access to all rural households
Irrigation	1123 BCM utilizable water resources; yet near crisis in per capita availability and storage; only 43% of net sown area irrigated	Develop 16 mha major and minor works; 10.25 mha CAD; 2.18 mha flood control
Telecom/IT	Only 18% of market accessed; obsolete hardware; acute human resources shortages	Reach 600 m subscribersÑ200 m in rural areas; 20 m broadband; 40 m Internet

Source: Planning Commission & Anagram Research

Indian infrastructure lags global standards (Lakhs Kilometers)

	Total Road Network	National Highways
India	33.14	0.67
China	34.60	1.51

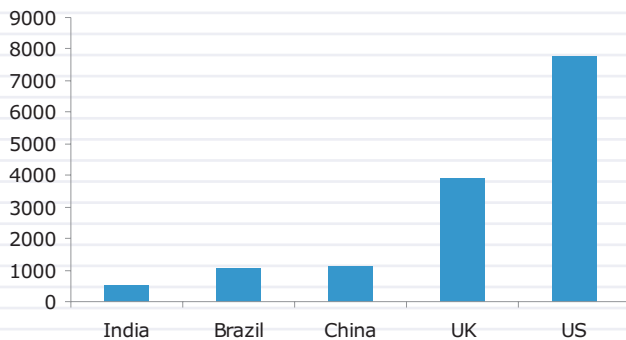
- ✓ While the total road network of India is almost as big as China, the length of national highways is not even half as long. The quality of Indian roads is much inferior compared to other developing and developed countries and will require massive investment for the up-gradation.

Growth in construction spending (\$ bn) and per capita construction spending

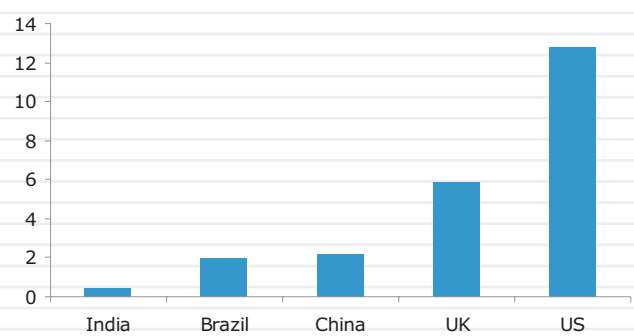
	2003	2004	2005	2006	2007	2008	CAGR (03-08)	Per Capita
India	65	73.9	78.5	84.9	92.2	100	9%	90.63
China	241.9	269.1	299.6	338.1	388.4	440	13%	334.39
Brazil	42.3	54.3	56.7	59.4	61.4	65.3	9%	350.31
UK	151.2	177.5	183.4	190	201.4	210.8	7%	3532.88
US	1039.3	1159.1	1210.1	1218	1244	1288.6	4%	4321.07

- ✓ Despite of spending at a CAGR of 9% over the last 5 years, India's per capita spending on construction is substantially lower than major developing and developed countries.

Per capita energy Consumption (kgoe)



Per capita electricity consumption (mwh/annum)



- ✓ India's per capita energy consumption also suggests massive investment requirements in the power sector. India's current peak power deficit is around 15%. If India's per capita electricity consumption has to go as high as Brazil and Russia, the power deficit will balloon even higher indicating huge investment opportunity in the sector.

ABOUT RELIANCE INFRASTRUCTURE FUND

Investment Objective

The investment objective of the scheme is to generate long term capital appreciation by investing predominantly in equity and equity related instruments of companies engaged in infrastructure and infrastructure related sectors and which are incorporated or have their area of primary activity, in India and the secondary objective is to generate consistent returns by investing in debt and money market securities.

Investment strategy

The Fund intends to invest in Companies in sectors related to infrastructure i.e. companies operating and listed in India engaged in Infrastructure sector. The fund may also invest in diversified companies, where a major portion of their revenues (primary activity) is derived from the infrastructure related activities.

Fund House

Reliance Mutual Fund is one of India's leading Mutual Funds, with Assets Under Management (AUM) of Rs88,388 crores (as on Apr 30th 2009) and an investor base of over 40.28 Lakhs. Reliance Mutual Fund schemes are managed by Reliance Capital Asset Management Ltd., a wholly owned subsidiary of Reliance Capital Ltd.

Fund Information

Type:	Open Ended
Nature:	Equity
Benchmark:	BSE 100
Inception Date:	June 23, 2009
Face value:	Rs10
Minimum Investment:	Rs5000
Purchase Redemptions:	Daily
NAV calculation:	Daily
Fund Manager:	Sunil Singhanian
Entry Load:	For subscription below Rs. 2 Crs - 2.25% For subscription of Rs 2 Crs & above and below Rs 5 Crs - 1.25% For subscription of Rs 5 Crs and above- Nil
Exit Load:	For subscriptions of less than Rs 5 Crs per purchase transactions. 1% if redeemed/switched on or before completion of 1 year from the date of allotment. Nil if redeemed/switched after completion of 1 year from the date of allotment For subscriptions of more than Rs 5 Crs - nil

Fund Manager

Name:	Sunil Singhanian
Education:	B.Com. CFA, FCA
Experience:	Sunil has a total experience of over 15 years. Before his association with Reliance Mutual Fund, Sunil gained considerable experience on the sell side in Indian equity markets. He was the President of Motisons Securities Private Limited, a broking firm that he was instrumental in setting up. Later he was a Director- Research and Institutional Sales at Advani Share Brokers Private Limited, a full service broking outfit specializing in Indian equity and catering to local and global fund houses. Sunil was the Promoter of The Association of NSE Members of India; a body of stock brokers and is also the chief initiator of the proposed India Society of the Association of Investment Management & Research.

Funds Managed by Sunil Singhanian

Scheme Name	1 Week	1Mnth	3Mnth	6Mnth	1Year	3Yrs	5Yrs	Since Inception (P2P)-A
Reliance Banking Fund - Growth	4.75	40.84	84.34	67.22	18.77	101.7	252.78	515.6
Reliance Equity Fund - Growth	1.12	23.78	46.8	37.43	-5.69	29.04	--	26.85
Reliance Growth - Growth	1.07	30.32	63.05	57.74	-10.45	38.15	347.97	3065.35
Reliance Long Term Equity Fund	4.6	30.28	57.81	52.56	-10.19	--	--	6.81
Reliance Diversified Power Fund	2.59	30.17	61.09	63.7	-2.95	123.94	535.03	508.82
Benchmark Indices								
CNX Bank Nifty	5.4	44.53	90.53	72.82	12.76	70.97	214.64	
S&P Nifty	4.97	28.07	60.98	61.48	-7.99	38.39	194.88	
BSE100	5.23	31.29	68.72	65.64	-11.89	35.79	196.69	
BSE200	5.26	32.36	69.66	66.88	-12.67	32.13	182.44	

Recommendations

Infrastructure is a key priority for India and we also expect a spurt of infrastructure spending in the economy on the back of the stable government and improving project financing conditions. In our view, Infrastructure companies are best placed to benefit from governments commitment to improvements of Indian infrastructure.

The fund is managed by Mr. Sunil Singhania whose track record in Fund Management is excellent and this has already been reflected amply in the performance of the existing funds managed by him.

We recommend investing in this NFO with a long term perspective.

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RATING INTERPRETATION

Outperformer Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Neutral Expected to remain in a narrow range

Underperform Expected to depreciate more than 10% over a 12-month period

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