

BSE SENSEX  
37,582

S&P CNX  
11,110

**CMP: INR1,162 TP: INR1,400 (+20%) Upgrade to Buy**

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## Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USD\$)	7366 / 104.1
52-Week Range (INR)	1417 / 1017
1, 6, 12 Rel. Per (%)	-7/-12/-3
12M Avg Val (INR M)	11968
Free float (%)	53.8

## Financials Snapshot (INR b)

Y/E March	FY19	FY20E	FY21E
Net Sales	5,671	6,332	7,043
EBITDA	839	954	1,108
Net Profit	398	446	494
EPS (INR)	67.2	75.3	83.4
EPS Gr. (%)	10.4	12.1	10.7
BV/Sh. (INR)	653	721	796
RoE (%)	11.7	11.0	11.0
RoCE (%)	9.1	8.5	9.3
Payout (%)	10.3	10.3	10.3

## Valuations

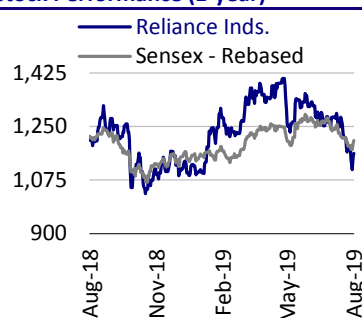
P/E (x)	17.3	15.4	13.9
P/BV (x)	1.8	1.6	1.5
EV/EBITDA (x)	11.4	9.8	8.1
EV/Sales (x)	1.7	1.5	1.3

## Shareholding pattern (%)

As On	Jun-19	Mar-19	Jun-18
Promoter	46.2	46.2	46.2
DII	11.6	11.8	11.3
FII	26.2	26.2	26.4
Others	16.0	15.9	16.1

FII Includes depository receipts

## Stock Performance (1-year)



## A new beginning!

### Upgrading to Buy

In its AGM on 12<sup>th</sup> Aug'19, Reliance Industries (RIL) made the following major announcements:

- RIL and Saudi Aramco have agreed to a non-binding letter of intent (LOI), wherein the latter may acquire a 20% stake in the 'oil-to-chemicals' division at an enterprise value of USD75b.
- Consumer business is expected to contribute 50% of RIL's consolidated EBITDA soon (v/s 32% in FY19).
- Fiber business will be rolled out commercially pan-India starting Sep'19.
- The target is to become a 'zero net-debt' company in the next 18 months.
- It expects consolidated EBITDA growth of 15% for the next five years.
- Jio and Retail may be listed within the next five years.

### Concerns on core remain, but debt reduction may boost earnings

- In Apr'19, we had downgraded RIL due to concerns about its core refining and petrochem segments. The stock has declined by ~20% since then. While we maintain our thesis that refining and petrochem would continue facing headwinds, the reduction in debt would certainly act as a rerating trigger.
- In subsequent [media interaction](#) the management suggested that 'oil-to-chemicals,' could include refining, petrochemical and auto fuel retailing. This could be carved out into a division where Aramco will have an economic influence. We anyway value RIL's standalone business at an enterprise value of USD74b.
- However, a decrease in debt would certainly bring some respite to the INR288b of interest cost projected in FY21. We estimate that ceteris paribus, a decrease of INR100b in debt would result in an EPS increase of ~1.2% in FY21. The actual decrease in debt/interest cost would remain subservient to the capex intensity of the company.

### RJio: Commercially launches JioFiber; targets 500m wireless subs but no new JioPhone launch

- The company launched JioFiber Home and Enterprise services with 500k/15m of beta/registered subscribers. It also targets to reach 500m wireless subscribers.
- It launched home broadband solutions starting at INR700/month, including connectivity, UHD entertainment, video conferencing, gaming and home solutions/security, among others.
- Unlike wireless launch, we do not see RJio's lowest price plan at INR700 as a disruptor. We expect FTTH subscription growth to be gradual due to (a) high enrolment and device cost, (b) the need for household-level connectivity and (c) high incremental network cost.
- RJio plans to offer solutions to 2.4m SMEs and large enterprises with reliable connectivity and cloud applications.
- We maintain our revenue/EBITDA CAGR estimate of 32%/46% over FY19-21, with a DCF-based target price of INR230/share.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Valuation and view

- We had downgraded the stock to Neutral in Apr'19 ([Report link](#)), citing (a) upcoming weakness in the refining and petrochem margins and (b) the build-up in the telecom and retail segments was already factored in our valuations. Moreover, we were concerned about the rising debt amidst high capex intensity. Since then, the stock has declined by ~20%. The AGM went a long way in allaying those concerns.
- Although the announced Saudi Aramco-RIL deal is non-binding, it does highlight management's intention to lower debt. Our estimates suggest consol. interest cost of INR268b in FY21, ~24% of EBITDA. A decrease in net debt of INR100b would result in an EPS increase of ~1.2% in FY21.
- The core segment is expected to remain under pressure. However, the decline of ~20% in the stock price since our last report, combined with the possibility of a decrease in net debt, makes us upgrade RIL to **Buy**. We reiterate our TP of INR1,400, which includes valuation of core segments at 7.5x FY21 EV/EBITDA, Jio at INR230/share and Retail at INR414/share.

### Exhibit 1: Detailed breakdown of RIL's consol. debt

Debt	Consol.
Long term debt	2,175
Short term debt	644
Spectrum, debt in InvITs	1,270
Others (includes creditors etc.)	871
Cash & current investments	
Cash	75
Current investments	709
<b>Net debt (INR b)</b>	<b>4,176</b>

Source: Bloomberg, MOFSL

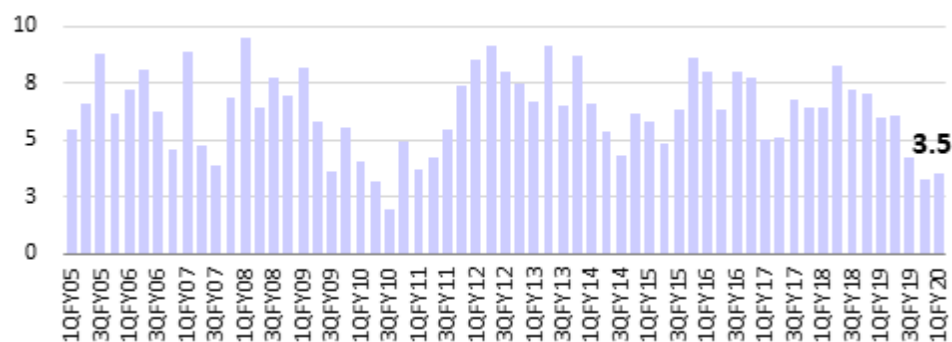
### Exhibit 2: Sensitivity to decrease in debt/interest cost on EPS

Decrease in debt of INR100b	FY20	FY21
Interest cost change (%)	-4.6	-3.4
EPS change (%)	1.3	1.2

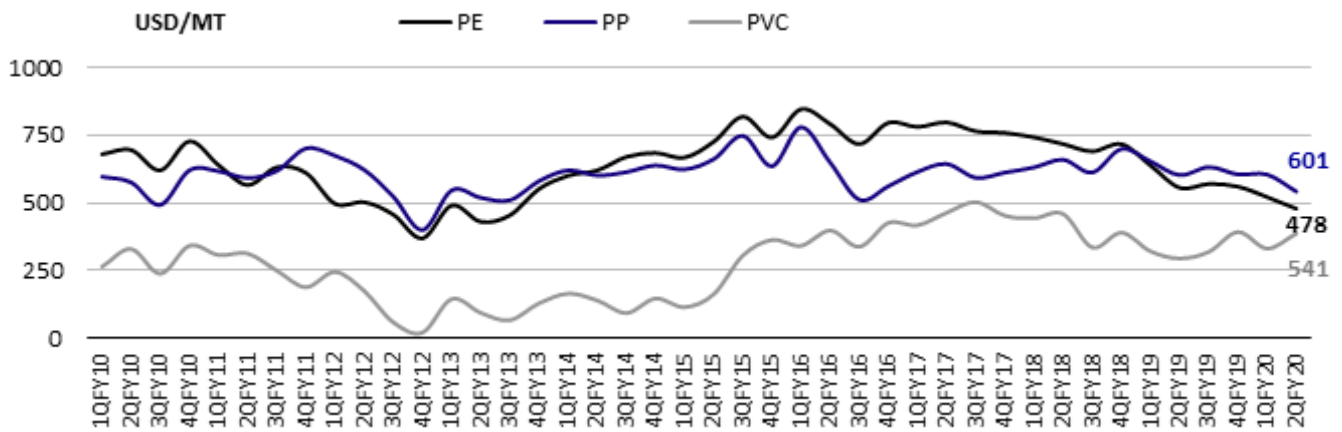
Source: Bloomberg, MOFSL

### Exhibit 3: Refining margins under pressure

Reuters Singapore GRM (USD/bbl)



Source: Bloomberg, MOFSL

**Exhibit 4: Petchem margins under pressure (PE, PP, PVC spread over naphtha)**

Source: Bloomberg, MOFSL

**Exhibit 5: RIL: Sum of the parts valuation (on FY21E basis)**

Sum of the parts (on FY21 basis)		Remarks/Methodology
<b>Core business</b>		
Refining	329	7.5x FY21 EBITDA
Petchem	517	7.5x FY21 EBITDA
<b>E&amp;P</b>	36	
<b>Investments</b>		
Reliance Retail	414	
RJio	230	As per our telecom analyst
<b>Total</b>	<b>1,525</b>	
Net debt / (cash)	125	
<b>Target price</b>	<b>1,400</b>	

## Much-awaited JioFiber launched commercially

### FTTH pricing at INR700/month not a big disruptor, in our view

- RJio launched JioFiber Home and Enterprise services with 500k/15m beta/registered subscribers. It also targets to reach 500m wireless subscribers.
- It launched home broadband solutions starting at INR700/month, including connectivity, UHD entertainment, video conferencing, gaming and home solutions/security.
- Unlike the wireless service, FTTH with the lowest price plan at INR700 may not emerge as a big disruptor, in our view. We expect FTTH subscription growth to be gradual due to (a) high enrolment and device cost, (b) the need for household-level connectivity and (c) high incremental network cost.
- RJio plans to offer solutions to 2.4m SMEs and large enterprises with reliable connectivity and cloud applications.
- We maintain our revenue/EBITDA CAGR estimate of 32%/46% over FY19-21, with a DCF-based target price of INR230/share.

### Commercially rolls out JioFiber; targets 500m wireless subs but no new JioPhone launch

RJio commercially rolled out its much-awaited JioFiber services for home and enterprises after its beta launch program for the last 12-15 months. Out of the five revenue streams, RJio has so far only fired on wireless services. It now plans to do the same with its (a) IoT (Jan'20), (b) home broadband, (c) SME and (d) enterprise broadband services. The plan is to accelerate subscription across both home and enterprise segments with a host of services and affordable pricing. However, surprisingly, unlike wireless, there was no major disruptive announcement in terms of fiber offerings (free for the first few months) or abnormally low ARPUs. The chase for wireless subscriber growth continues, as the CMD mentioned that "it should reach 500m subscribers in the foreseeable future," given the current pace of 10m monthly subscriber adds. However, against the popular belief, there was no announcement on the *JioPhone 3* to tap further into the market for feature phones, which are still around two thirds of the unique devices in India.

### Home broadband commercial launch with 0.5m/15m beta/registered customers

RJio's home broadband subscription post the announcement for registration in the last AGM has reached 15m from 1,600 towns; the plan is to reach 20m residences and businesses in these towns. Under the beta launch, it has connected 500k subscribers so far. RJio's home broadband solutions as indicated earlier offers a bundle of services along with high-speed connectivity, which include UHD entertainment through OTT applications, video conferencing, gaming and home solutions/security – starting at INR700/month. To facilitate accelerated subscription, it plans to provide a bundled TV/set top box along with annual long-term subscription, new movie release (1<sup>st</sup> day) subscription, priority services to postpaid subscribers and free international calling through landlines.

### **Wired broadband market remains shallow – can we see growth equivalent to wireless?**

The industry's total landline/wired internet subscribers stand at 21.7m each, with BSNL being the dominant player (51%/57% market share). Bharti holds a 19%/11% market share (~2.4m). Rjio since opening its registration last year has reached 500k subscribers. Generally, wireless enrolment can be accelerated once the overall coverage layer is in place due to (a) low enrolment and device cost, (b) seamless connectivity and (c) limited incremental network cost. However, wired subscription growth is usually gradual given the high cost and efforts attached with it. Industry pricing is largely on a piecemeal basis, and Rjio's bundled pricing will likely ensure healthy savings and better offerings. However, we do not see Rjio's lowest price plan at INR700 as a disruptor, as against Bharti's ARPU at INR825 (1QFY20), which includes both broadband and landline ARPUs. We believe industry broadband ARPUs would be below INR500 with cable ARPUs at ~INR250.

### **Limited impact on industry/Bharti**

With Rjio's limited disruptive pricing and the slow nature of the enrolment process in the FTTH business, we expect limited impact on Bharti (also as it has a low market share). Bharti too has improved its product offerings, technology, bundles and pricing, which should allow it to benefit from Rjio's market-making activity and increased FTTH adoption in the market.

### **Enterprise solutions**

Rjio plans to offer solutions to 2.4m SMEs and large enterprises with reliable connectivity and cloud applications. It targets to connect over 1b home devices. The company has tied up with Microsoft to create data servers and offer cloud infrastructure services. At INR1,500/month, startups would be offered Jio connectivity and services with video and Microsoft services among others at 10% of cost in developed economies (INR15,000-20,000/month).

### **Building in revenue/EBITDA CAGR of 32%/46% over FY19-21**

For Rjio, we expect 32%/46% revenue/EBITDA CAGR over FY19-21. We expect the company to lay a high emphasis on subscriber addition in FY20, with 7.7m monthly addition and flat ARPUs (reaching 400m subscribers). In FY21, we expect the focus to shift toward ARPU (5% improvement) with the pace of monthly subscriber addition slowing down to 6.5m (reaching 478m subscribers). Given the low base of 500k broadband subscribers in the beta phase, we have not yet factored in any upside from the FTTH business. Our DCF-based target price stands at INR230/share, ascribing 4.5% terminal growth and 10% WACC.

## AGM notes

### RJio – the business strategy

- With the investment cycle likely having peaked, we expect RoI trajectory to improve going forward.
- The launch of first revenue engine – mobile broadband – was a huge success. RJio is now prepared to roll out the other revenue engines – IOT, home broadband services, enterprise broadband service and broadband for small & medium businesses. The company will start generating revenue from these businesses from FY20.

#### I. IoT

- RJio is deploying pan-India NB-IoT (narrowband IoT) to collect data cheaply and provide superior customer experience to connect home devices.
- The company estimates that there will be more than two billion connected IoT devices in the country. Of these, it aims to connect one billion through the Jio IoT platform.

#### II. Home broadband

- Jio Fiber's preview service attracted 15m registration from 1,600 towns. The plan now is to reach 20m residences and businesses in these towns.
- Around five lakh homes are on trial plans and each of these are using more than 100GB of data. Management mentioned that various layers of network are now already ready.

### Tariffs

- Priced at 1/10<sup>th</sup> global rates: plans available from INR700 to 10,000 per month.
- Jio base plan will support 100mbps speed up to 1gbps (US average 90mbps).
- Voice calls free to wireless devices.
- Lowest fixed-line rates for international calls – at 1/10<sup>th</sup> price and unlimited calls to USA/Canada at INR500/month.

### Product offerings

- Jio fiber to provide high speed (over 1GBPS), landline, UHD entertainment, multi-party video conferencing, interactive gaming, home solutions and security, voice-enabled virtual assistance, etc., along with TV services.
- Users will be provided with a set-top box. It can accept broadcast signal from an LCO partner cable. LCO partners will continue to get steady revenue. RIL has acquired a controlling stake in Hathway, Den and DCPL.
- Jio fiber to be bundled with subscription to most premium OTT applications.
- 'Jio First Day First Show' service will be launched in FY20. It will allow users to watch movies at their convenience from homes, the same day they are released.

### 'Jio Postpaid Plus' product offerings

- It said to be India's first priority SIM set-up service at home.
- Seamless data and voice connectivity.
- Unprecedented family plans with data sharing.
- International roaming at a fraction of cost.
- Phone upgrade at preferential rates.

- All home solutions.
- Jio fiber welcome offer: Free HD/4K LED TV set and 4K set top box with Jio forever annual plans.

### Set-Top Box

- Embedded with consol. gaming and high quality-entertainment experiences.
- Social gaming with video conferencing with zero latency on Jio fiber.
- Games from the house of majors like Tencent, Microsoft and Gamesloft.

### Focus on three key product offerings:

1. **MR Headset** to provide home shopping experience (3D hologram developed by Jio labs to try clothes virtually).
2. **Education:** 3D video enabled technology with animations for enhanced learning powered by AI.
3. **Entertainment:** Home theatre experience & cinema experience with MR headset.

### III. Broadband for small & medium business

- To provide solution to enhance business services.
- To empower 2.4m SMBs with reliance connectivity and cloud applications.

### Offerings & tariffs:

- Connectivity and cloud services free for budding startups (forming ~80% of running cost); will invest and support potential startups in skill development, agri solutions.
- At INR1,500/month, access to Jio connectivity and services with multi-video conferencing, Microsoft services, etc. (at mere 10% of cost in developed economies).

### IV. Large enterprise broadband

- With Jio fiber, large enterprises to become globally competitive using technology that is used by global majors.

### Innovative Digital Solutions

- Scaling advanced technologies ahead of world.
- Block chain technology to modernize supply chain, aid agricultural solutions, privacy protection and data localization in India.

### Focus on Three Next Generation Technology:

1. Soon to launch block chain networks with 1000s of nodes.
2. Edge computing, VR/MR setup: Real time data connectivity and data computing.
3. Cloud Infrastructure: Jio & Microsoft enter into long-term alliance to setup world class data centers and Microsoft Azure to bring cloud platforms to develop data solutions. Indian languages dialect to help millions of businesses to grow, scale and develop. To launch data centers, Jio and Microsoft to jointly offer MS Office 365, provide intelligent services, with affordable plans widely spread to bring more people on platforms.

### Reliance Retail

- Revenue is up by 7x and profit by 14x over the past six years.
- The company services 1L customer every hour.
- Retail expansion is happening at 8 stores per day; it opened 3,000 stores last year.
- Reliance Retail is now present in 7,000 towns and cities.
- Reliance Digital sells most phones and other electrical appliances in the country.
- Sells over 50% of all grocery sold over modern retail platform.
- With acquisition of Hamleys, Reliance set to be a global retailer.
- Only Indian retailer to be ranked in Global top 100; focus is to be among top-20 soon.
- **New commerce platform:** POS platform to be provided in every kirana store and connect every merchant over the online platform providing digital symbiosis to big and small enterprises.

### Media & Entertainment

- 72 TV channels with reach over 800 million people representing ~95% of TV viewers in India.
- Network 18 largest spread among digital platform.
- 25% of Indians on Network 18 platform.

### Trend in Broadband subscriber base

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Wired Internet Subs	21.2	21.2	21.3	21.4	21.7
Wireless Internet Subs	472.7	491.1	538.8	582.8	615.1
Mobile wireless subs	472.3	490.7	537.9	582.4	613.8
Fixed Wireless	0.5	0.4	0.8	0.4	1.3
Total Internet Subs	494.0	512.3	560.0	604.2	636.7

### Wired internet Subscriber Market share

	(Subs in millions)	% market Share
BSNL	12.4	57.2%
Bharti	2.4	10.9%
Atria Convergence	1.4	6.6%
MTNL	0.8	3.7%
Hathway Cable & Data Comm	0.8	3.5%
Others	3.9	18.1%
Total	21.7	100%

### Wireline/Landline Subscriber data

	(In millions)
Total Wireline Subscribers	21.7
% change over the previous quarter	-0.79%
Urban Subscribers	18.67
Rural Subscribers	3.02



**Wireline Subs Player-wise Share**

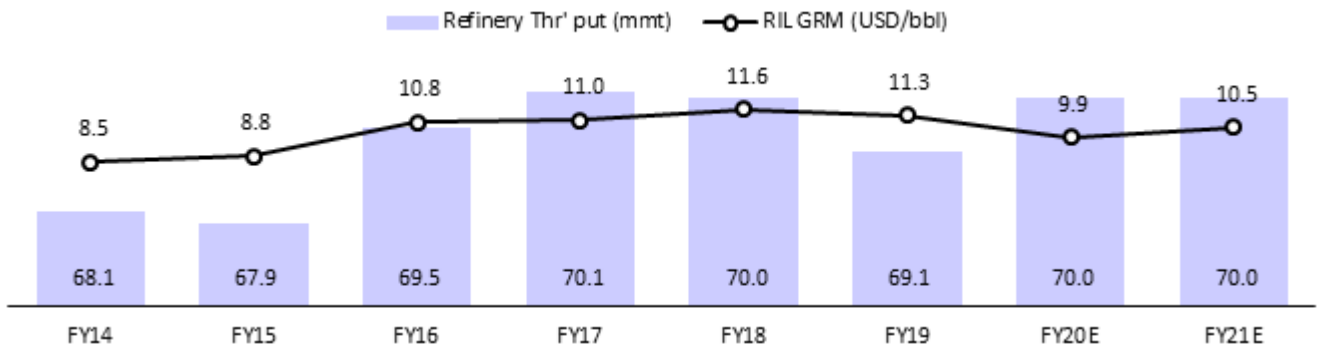
BSNL	11.17	51%
Bharti Airtel	4.17	19%
MTNL	3.24	15%
Tata	1.83	8%
Reliance Com	0.73	3%
Quadrant	0.22	1%
Vodafone Idea	0.33	2%
Total	21.7	100%

**Wireline Subscriber base Trend**

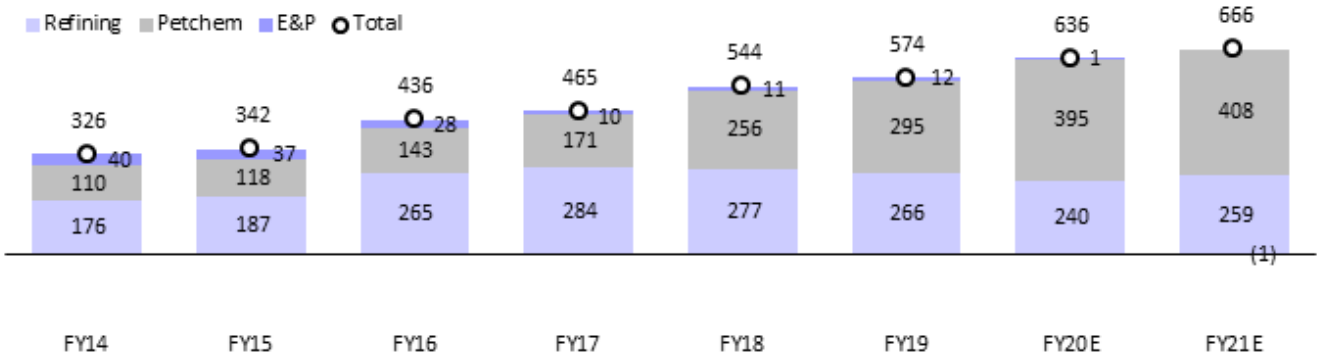
(In Mns)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Wireline Subs	22.8	22.4	22.11	21.87	21.7

## Reliance Industries: Story in charts

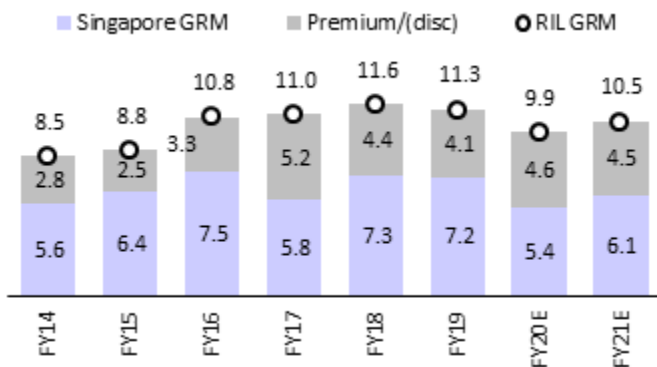
**Exhibit 47: Refinery throughput to remain at 70mmt; GRM ~9.9/10.5/bbl for FY20/21**



**Exhibit 48: Expect petrochem EBITDA contribution in standalone to increase, going forward, followed by refining (INRb)**

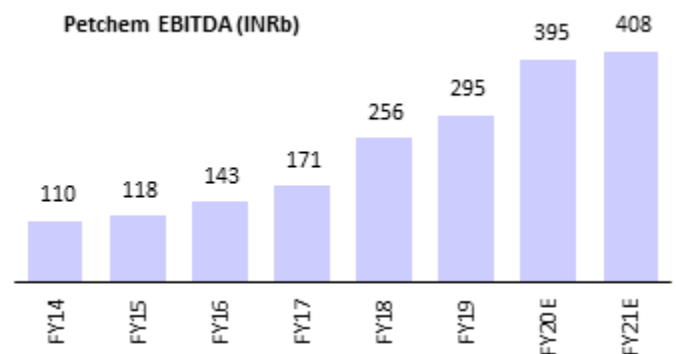


**Exhibit 6: RIL refining margins to normalize >USD10/bbl**



Source: Company, MOFSL

**Exhibit 49: ... along with petrochem EBITDA (INRb)**



Source: Company, MOFSL

## Reliance Industries - Financials and Valuations

Consolidated - Income Statement								(INR M)	
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	
<b>Total Income from Operations</b>	<b>43,44,600</b>	<b>37,54,350</b>	<b>27,39,990</b>	<b>30,53,820</b>	<b>39,16,770</b>	<b>56,71,350</b>	<b>63,31,763</b>	<b>70,42,812</b>	
Change (%)	9.4	-13.6	-27.0	11.5	28.3	44.8	11.6	11.2	
<b>Total Expenditure</b>	<b>39,96,610</b>	<b>33,80,710</b>	<b>23,22,950</b>	<b>25,91,880</b>	<b>32,75,010</b>	<b>48,32,170</b>	<b>53,77,618</b>	<b>59,34,900</b>	
% of Sales	92.0	90.0	84.8	84.9	83.6	85.2	84.9	84.3	
<b>EBITDA</b>	<b>3,47,990</b>	<b>3,73,640</b>	<b>4,17,040</b>	<b>4,61,940</b>	<b>6,41,760</b>	<b>8,39,180</b>	<b>9,54,145</b>	<b>11,07,912</b>	
Margin (%)	8.0	10.0	15.2	15.1	16.4	14.8	15.1	15.7	
Depreciation	1,12,010	1,15,470	1,15,650	1,16,460	1,67,060	2,09,340	2,26,415	2,41,591	
<b>EBIT</b>	<b>2,35,980</b>	<b>2,58,170</b>	<b>3,01,390</b>	<b>3,45,480</b>	<b>4,74,700</b>	<b>6,29,840</b>	<b>7,27,729</b>	<b>8,66,321</b>	
Int. and Finance Charges	38,360	33,160	36,910	38,490	80,520	1,64,950	1,95,799	2,68,371	
Other Income	90,010	86,130	1,22,890	93,350	88,620	86,350	1,01,346	1,04,143	
<b>PBT bef. EO Exp.</b>	<b>2,87,630</b>	<b>3,11,140</b>	<b>3,87,370</b>	<b>4,00,340</b>	<b>4,82,800</b>	<b>5,51,240</b>	<b>6,33,276</b>	<b>7,02,093</b>	
<b>PBT after EO Exp.</b>	<b>2,87,630</b>	<b>3,11,140</b>	<b>3,87,370</b>	<b>4,00,340</b>	<b>4,82,800</b>	<b>5,51,240</b>	<b>6,33,276</b>	<b>7,02,093</b>	
Total Tax	62,150	74,740	88,760	1,02,010	1,33,460	1,53,900	1,87,843	2,08,392	
Tax Rate (%)	21.6	24.0	22.9	25.5	27.6	27.9	29.7	29.7	
Minority Interest	550	740	1,160	-680	-11,460	-1,030	-1,000	-680	
<b>Reported PAT</b>	<b>2,24,930</b>	<b>2,35,660</b>	<b>2,97,450</b>	<b>2,99,010</b>	<b>3,60,800</b>	<b>3,98,370</b>	<b>4,46,433</b>	<b>4,94,382</b>	
<b>Adjusted PAT</b>	<b>2,24,930</b>	<b>2,35,660</b>	<b>2,97,450</b>	<b>2,99,010</b>	<b>3,60,800</b>	<b>3,98,370</b>	<b>4,46,433</b>	<b>4,94,382</b>	
Change (%)	7.7	4.8	26.2	0.5	20.7	10.4	12.1	10.7	
Margin (%)	5.2	6.3	10.9	9.8	9.2	7.0	7.1	7.0	

Consolidated - Balance Sheet								(INR M)	
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	
Equity Share Capital	29,400	29,430	29,480	29,590	59,220	59,260	59,260	59,260	
Eq. Share Warrants & App. Money	170	170	80	0	0	0	0	0	
Total Reserves	19,57,300	21,55,390	22,86,000	26,07,500	28,75,840	38,11,860	42,12,120	46,55,370	
<b>Net Worth</b>	<b>19,86,870</b>	<b>21,84,990</b>	<b>23,15,560</b>	<b>26,37,090</b>	<b>29,35,060</b>	<b>38,71,120</b>	<b>42,71,380</b>	<b>47,14,630</b>	
Minority Interest	9,590	30,380	33,560	29,170	35,390	82,800	82,800	82,800	
Total Loans	13,87,610	16,82,510	19,47,140	18,36,760	18,16,040	27,19,420	27,99,420	28,79,420	
Deferred Tax Liabilities	1,19,250	1,29,740	2,04,940	2,11,980	2,45,430	4,99,230	4,99,230	4,99,230	
<b>Capital Employed</b>	<b>35,03,320</b>	<b>40,27,620</b>	<b>45,01,200</b>	<b>47,15,000</b>	<b>50,31,920</b>	<b>71,72,570</b>	<b>76,52,830</b>	<b>81,76,080</b>	
Gross Block	26,10,190	28,44,690	33,12,450	35,64,010	57,75,450	58,67,840	76,03,544	83,30,685	
Less: Accum. Deprn.	11,96,020	13,24,080	15,05,890	16,27,670	17,94,730	20,04,070	22,30,485	24,72,077	
<b>Net Fixed Assets</b>	<b>14,14,170</b>	<b>15,20,610</b>	<b>18,06,560</b>	<b>19,36,340</b>	<b>39,80,720</b>	<b>38,63,770</b>	<b>53,73,059</b>	<b>58,58,608</b>	
Goodwill on Consolidation	0	43,970	42,540	48,920	58,130	1,19,970	1,19,970	1,19,970	
Capital WIP	9,14,940	16,64,620	22,86,970	32,48,370	18,70,220	17,94,630	6,58,926	3,31,785	
<b>Total Investments</b>	<b>6,06,020</b>	<b>7,64,510</b>	<b>8,40,150</b>	<b>8,56,070</b>	<b>8,55,300</b>	<b>24,23,010</b>	<b>24,23,010</b>	<b>24,23,010</b>	
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>13,53,300</b>	<b>10,51,150</b>	<b>10,13,750</b>	<b>9,78,320</b>	<b>13,48,360</b>	<b>18,22,680</b>	<b>22,57,539</b>	<b>29,69,004</b>	
Inventory	5,67,200	5,32,480	4,64,860	4,89,510	6,08,370	6,75,610	7,51,872	8,29,788	
Account Receivables	94,110	53,150	44,650	81,770	1,75,550	3,00,890	3,35,928	3,73,652	
Cash and Bank Balance	3,79,840	1,25,450	1,10,280	30,230	42,550	75,120	3,08,891	8,08,044	
Loans and Advances	3,12,150	3,40,070	3,93,960	3,76,810	5,21,890	7,71,060	8,60,848	9,57,520	
<b>Curr. Liability &amp; Prov.</b>	<b>7,85,110</b>	<b>10,17,240</b>	<b>14,88,770</b>	<b>23,53,020</b>	<b>30,80,810</b>	<b>28,51,490</b>	<b>31,79,673</b>	<b>35,26,297</b>	
Account Payables	6,08,600	5,94,070	6,02,960	7,65,950	10,68,610	10,83,090	12,05,348	13,30,257	
Other Current Liabilities	1,29,150	3,53,710	8,55,750	15,45,850	19,70,820	17,21,100	19,21,517	21,37,301	
Provisions	47,360	69,460	30,060	41,220	41,380	47,300	52,808	58,738	
<b>Net Current Assets</b>	<b>5,68,190</b>	<b>33,910</b>	<b>-4,75,020</b>	<b>-13,74,700</b>	<b>-17,32,450</b>	<b>-10,28,810</b>	<b>-9,22,134</b>	<b>-5,57,293</b>	
<b>Appl. of Funds</b>	<b>35,03,320</b>	<b>40,27,620</b>	<b>45,01,200</b>	<b>47,15,000</b>	<b>50,31,920</b>	<b>71,72,570</b>	<b>76,52,830</b>	<b>81,76,080</b>	

E: MOSL Estimates

## Reliance Industries - Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>38.0</b>	<b>39.8</b>	<b>50.2</b>	<b>50.5</b>	<b>60.9</b>	<b>67.2</b>	<b>75.3</b>	<b>83.4</b>
Cash EPS	56.9	59.3	69.7	70.1	89.1	102.5	113.5	124.2
BV/Share	335.3	368.7	390.7	445.0	495.3	653.2	720.8	795.6
DPS	4.7	5.0	5.2	5.5	6.0	5.8	6.5	7.2
Payout (%)	14.5	15.1	12.4	13.0	11.9	10.3	10.3	10.3
<b>Valuation (x)</b>								
P/E		29.2	23.2	23.0	19.1	17.3	15.4	13.9
Cash P/E		19.6	16.7	16.6	13.0	11.3	10.2	9.4
P/BV		3.2	3.0	2.6	2.3	1.8	1.6	1.5
EV/Sales		2.2	3.2	2.8	2.2	1.7	1.5	1.3
EV/EBITDA		22.6	20.9	18.8	13.5	11.4	9.8	8.1
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6
FCF per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Return Ratios (%)</b>								
RoE	11.8	11.3	13.2	12.1	13.0	11.7	11.0	11.0
RoCE	8.2	7.2	8.0	7.5	8.8	9.1	8.5	9.3
RoIC	11.6	12.8	17.0	27.9	24.2	17.7	14.3	13.7
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.7	1.3	0.8	0.9	0.7	1.0	0.8	0.8
Asset Turnover (x)	1.2	0.9	0.6	0.6	0.8	0.8	0.8	0.9
Inventory (Days)	48	52	62	59	57	43	43	43
Debtor (Days)	8	5	6	10	16	19	19	19
Creditor (Days)	51	58	80	92	100	70	69	69
<b>Leverage Ratio (x)</b>								
Current Ratio	1.7	1.0	0.7	0.4	0.4	0.6	0.7	0.8
Interest Cover Ratio	6.2	7.8	8.2	9.0	5.9	3.8	3.7	3.2
Net Debt/Equity	0.2	0.4	0.4	0.4	0.3	0.1	0.0	-0.1

### Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	2,87,630	3,11,140	3,87,370	4,00,340	4,82,800	5,51,240	6,33,276	7,02,093
Depreciation	1,12,010	1,15,470	1,15,650	1,16,460	1,67,060	2,09,340	2,26,415	2,41,591
Tax paid	-62,150	-74,740	-88,760	-1,02,010	-1,33,460	-1,53,900	-1,87,843	-2,08,392
Change in deferred tax liability	3,370	10,490	75,200	7,040	33,450	2,53,800	0	0
Change in net working capital	62,330	2,79,890	4,93,760	8,19,630	3,70,070	-6,71,070	1,27,095	1,34,311
Misc	-550	-740	-1,160	680	11,460	1,030	1,000	680
<b>Operating cash flow</b>	<b>4,02,640</b>	<b>6,41,510</b>	<b>9,82,060</b>	<b>12,42,140</b>	<b>9,31,380</b>	<b>1,90,440</b>	<b>7,99,944</b>	<b>8,70,284</b>
Capex	-6,06,730	-10,15,560	-10,22,520	-12,14,020	-8,42,500	-78,640	-6,00,000	-4,00,000
Change in investments	-1,77,540	-1,58,490	-75,640	-15,920	770	-15,67,710	0	0
Misc	0	0	0	0	0	0	0	0
<b>Investing cash flows</b>	<b>-7,84,270</b>	<b>-11,74,050</b>	<b>-10,98,160</b>	<b>-12,29,940</b>	<b>-8,41,730</b>	<b>-16,46,350</b>	<b>-6,00,000</b>	<b>-4,00,000</b>
Change in borrowings	3,15,420	2,94,900	2,64,630	-1,10,380	-20,720	9,03,380	80,000	80,000
Misc	100	20,790	3,180	-4,390	6,220	47,410	0	0
Issuance of equity	-25,930	-1,950	-1,29,880	61,469	-20,020	5,78,892	0	0
Dividend paid	-32,680	-35,590	-37,000	-38,949	-42,810	-41,202	-46,173	-51,132
<b>Financing cash flow</b>	<b>2,56,910</b>	<b>2,78,150</b>	<b>1,00,930</b>	<b>-92,250</b>	<b>-77,330</b>	<b>14,88,480</b>	<b>33,827</b>	<b>28,868</b>
Net change in cash	-1,24,720	-2,54,390	-15,170	-80,050	12,320	32,570	2,33,771	4,99,152
Closing cash balance	3,79,840	1,25,450	1,10,280	30,230	42,550	75,120	3,08,891	8,08,044

E: MOSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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