Reliance Industries

BSE SENSEX	S&P CNX
45,080	13,259

CMP: INR1,947 **TP: INR2,240 (+15%)** **Buy**

Manifesting the standalone business

- **Over the last five years, RIL has seen a huge transformation from being an energy company to becoming a market leader in both the Digital and Retail space. The contribution from its standalone business to consolidated EBITDA has declined to ~60% in FY20 from ~85% in FY15, and is likely to decrease to ~45% in FY23E.**
- **On a segmental standalone basis, petchem's contribution to EBIDTA stood ~35% in FY15 and is likely to grow to ~53% in FY23E on the back of various augmentation/upgrades the company has undertaken to integrate and form an Oil-to-Chemicals (O2C) business (with a total capex spend of ~INR2.4t since FY15).**
- **Despite a delayed recovery in refining margin, petchem margin has seen an uptick (to multi-year highs), thus partially offsetting pain on the refining side.**
- **In this report, we reiterate our belief in RIL's standalone business, which is in the spotlight (owing to its O2C business) on various developments in the post COVID world, along with changing global energy landscape. Maintain Buy.**

Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USDb)	12785.9 / 174.9
52-Week Range (INR)	2369 / 867
1, 6, 12 Rel. Per (%)	-9/-9/16
12M Avg Val (INR M)	32073
Free float (%)	50.9

Financials Snapshot (INR b)

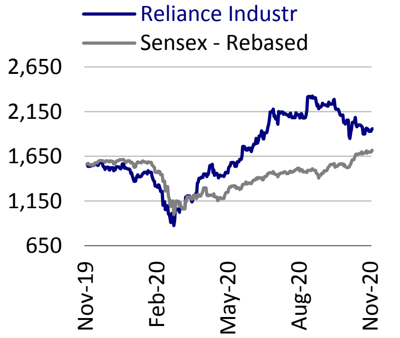
Y/E March	FY21E	FY22E	FY23E
Net Sales	5,438	7,191	7,845
EBITDA	823	1,217	1,397
Net Profit	418	677	809
Adj. EPS (INR)	64.8	105.1	125.6
EPS Gr. (%)	-3.0	62.1	19.5
BV/Sh. (INR)	787.8	884.0	999.2
Ratios			
Net D:E	0.1	-0.1	-0.2
RoE (%)	8.7	12.6	13.3
RoCE (%)	9.4	14.0	15.4
Payout (%)	9.8	8.4	8.3
Valuations			
P/E (x)	30.3	18.7	15.6
P/BV (x)	2.5	2.2	2.0
EV/EBITDA (x)	15.9	10.1	8.3
EV/Sales (x)	2.4	1.7	1.5

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	49.1	49.2	48.9
DII	13.0	13.5	14.2
FII	27.2	26.6	25.6
Others	10.6	10.8	11.4

FII Includes depository receipts

Stock Performance (1-year)



Changing global energy landscape – RIL in the best spot

- As highlighted in our recent report, developments such as: a) a change in leadership in the US, and b) increasingly positive news related to the COVID-19 vaccine are expected to soon aid the global economic recovery.
- While refining margin continues to face recovery delays owing to further lockdowns in certain part of the world, petchem margin is at multi-year highs (trending above 10-year long-term average), led by strong demand for PVC and PE from downstream consumers.
- **As per IEA's World Energy Outlook, the petchem sector will account for 60% of global oil demand over the next decade (replacing the share enjoyed by the transportation sector at 60% in the last decade) owing to plateauing of oil demand expected from 2030.**
- The COVID-19 pandemic has definitely delayed investments by various energy companies. Albeit **Arab Petroleum Investment Corporation in its recent outlook has raised its forecast for planned petchem projects during 2020-24 by another USD4b to USD99b.**
- Saudi Aramco's interest in venturing into the petchem space has prolified in the last 3-4 years (as highlighted in exhibit 12), with two ventures being added to the company's portfolio in 2020 (i.e. acquisition of 70% stake in SABIC and supposed commissioning of PRefchem in Malaysia).
- Currently, 'Oil-to-Chemicals' conversion stands at ~24% for RIL. Increase in O2C conversion would wean it away from an already flooded global refining industry. Also, O2C is a tool for the company to offset poor refining margin in a way that OMCs use marketing margin to compensate for poor GRMs.
- **As per our calculation, an increase of ~USD9.5 in implied petchem EBITDA/mt of production (i.e. up 10% on our current assumptions) would offset GRM loss of USD1/bbl for RIL.**

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Petrochem margin at a multi-year high – most favorable for RIL

- Petchem margin is up 30-107% YoY and 19-47% QoQ in 3QFY21 till date, primarily due to strong demand for PVC and PE.
- Naptha prices have moved in tandem with Brent prices (-26% YoY, -3% QoQ), while product prices are up (2-28% YoY and 10-25% QoQ) – thus resulting in PE/PP/PVC margin at USD666/648/708mt (up 6%/8%/136% v/s its 10-year average) in 3QFY21 till date.
- The uptrend in petchem markets is led by strong demand from downstream manufacturers (who are ramping up production to optimum levels post the lifting of COVID-19 led lockdown restrictions in line with increased demand), while petchem supply from refineries remain weak, led by lower production (to balance the demand for petroleum products) and maintenance at various cracker units.
- PVC margin is at a record high, led by a robust demand outlook from the infrastructure and Non-Woven segments (i.e. Health and Hygiene sectors). While polyester margin is hampered by huge capacity additions in China.
- **Our model estimates for petchem margin is conservative (~USD100/mt v/s last five years' reported average margin of USD113/mt). For every 10% change in petchem margin, EBITDA rises by 5%/2% on a standalone/consolidated basis.**
- **The company's biggest strength is its ability to take advantage of feedstock flexibility (for example, ethane cracking v/s naphtha in 2QFY21), which would lead to better margin over the next couple of quarters.**

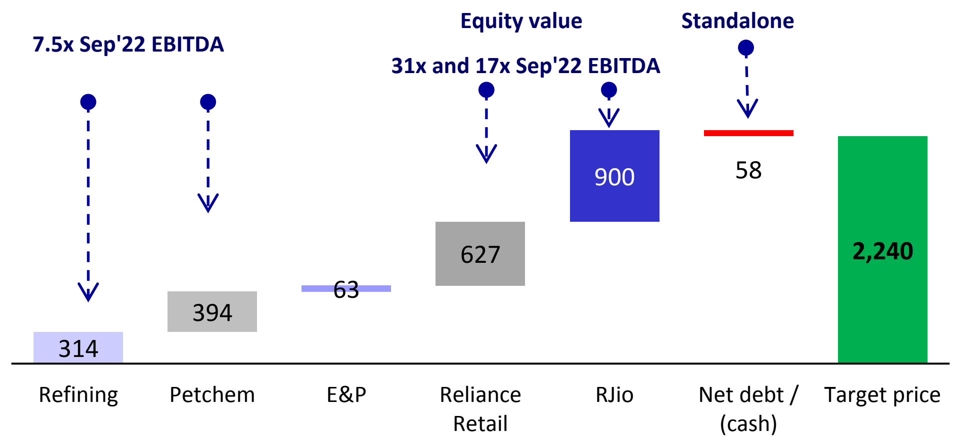
Refining margin still under pressure – but O2C will continue to facilitate

- SGRM averaged ~USD1.1/bbl in Nov'20 but lower than ~USD1.6/bbl in Oct'20 (which was the highest since the start of the lockdowns from Feb'20). The fall in SGRM was primarily due to decline in Gasoline cracks, after trending higher by ~USD4.2/bbl in Sep-Oct'20, owing to driving season in the West. Imposition of further lockdowns in Europe has led to reduced driving demand.
- ATF (to ~USD2.3/bbl, highest post Mar'20) and Gasoil cracks have improved (to USD3.1/bbl after touching the lows of ~USD0.2/bbl in the last two months) on a MoM basis.
- **The recent movement in product cracks is in favor of RIL as it has the highest percentage of ATF yield (~7%) among other domestic refiners, with the lowest percentage of Gasoline yield (~14%). Even so, RIL has been adjusting its product slate in accordance with changes in product cracks.**
- SGRM average for 3QFY21 till date stands at USD1.3/bbl (marginally higher than USD1.2/bbl in 4QFY20). RIL has always maintained better premium to SGRM, with product yield optimization. RIL's average premium over SGRM over the last three years has been ~USD5/bbl (in the USD3.3-7.7/bbl range).
- We model in GRM of USD7/bbl for 3Q-4QFY21, with USD9/11/bbl for FY22E/FY23E. **Every USD1/bbl increase in GRM results in an EBITDA jump of ~7% on a standalone basis (and ~3% on a consolidated basis).**

Deleveraging: RIL standalone remains imperative

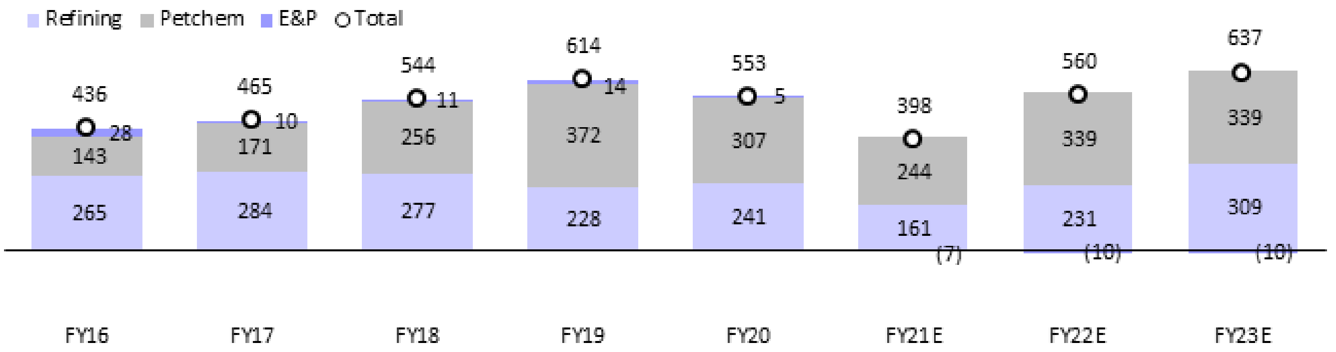
- After reorganizing RJio's Balance Sheet at the start of CY20 (wherein the company transferred INR1,080b of its debt to RIL standalone), RIL has raised INR2,505b by selling ~34% stake in RJio (for INR1,521b), ~8% stake in Reliance Retail (for INR377b), and JV rights to BP (for INR76b), along with a rights issue of INR531b.
- Consolidated Sep'20 debt stands at INR2,793b and cash and equivalents at INR1,857b. RIL has received ~INR302b in 3QFY21 till date and considering balance commitments of INR736b, ceteris paribus, RIL stands at a net cash of INR102b.
- Deleveraging has resulted in an increase in the standalone business value to INR713/share (up from INR389/share post announcement of the debt reorganization).
- RIL has attained a dominant position in both Digital services and organized Retailing. We believe that further integration of its O2C business would unlock the huge potential upside from the standalone business as well.
- Most global O2C projects appear to have a 40-60% conversion (RIL conversion stands at ~24% currently). Our estimates suggest that every 10% increase in conversion would increase the FY22E standalone/consolidated EBITDA by ~6%/3% (i.e. adding ~INR45 to the total share value). Having said that, we do not assume any increase in O2C conversion into our model as of now.
- RIL, which has seen a correction of ~15% from its peak, could be a good investment candidate on the back of a revival in commodities.
- Based on our current assumptions, the standalone business is likely to generate FCF of INR1t over FY21-23E (clocking FCF yield of ~8%).
- The stock trades at 15.6x FY23E consol. EPS of INR126 and 8.3x FY23E consol. EV/EBITDA, with expected improvement in consol. ROEs to ~13%.
- Using SoTP, we value the refining and petrochemical segment at 7.5x to arrive at a valuation of INR713/share for the standalone business. We have ascribed an equity valuation of INR900/share to RJio and INR627/share to Reliance Retail. We reiterate Buy with a target price of INR2,240/share.

Exhibit 1: SoTP valuation (INR/share)



Source: Company, MOFSL

Exhibit 2: Standalone business segmental EBIDTA



Source: Company, MOFSL

PVC leads the petchem pack

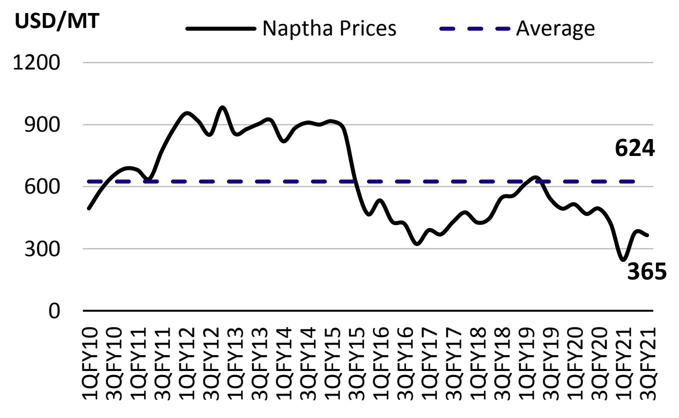
- **PVC (Polyvinyl chloride):**
  - Demand for PVC picked up in the recent quarter as various countries in Asia and the Middle East (ME) resumed work after emerging from lockdowns.
  - Downstream construction, manufacturing activity and automotive construction slowly increased, despite the lull in infrastructure activities amid the summer in the ME and the monsoon season in India.
  - On the supply side, various planned/maintenance shutdowns in Europe and ME (which also saw export force majeure to meet domestic demand) led to tightening of PVC supply in the global markets. In the US, hurricane-related force majeure resulted in the lack of supply.
  - Global supply of PVC was also constrained due to feedstock issues on account of lower chlor-alkali operating rates, led by weak chlorine demand.
  - A quick revival in demand, along with a slower ramp-up in supply, led to PVC margin touching a record high. PVC prices are up 28% YoY and 25% QoQ in 3QFY21 till date, with margin up 107% YoY and 47% QoQ.

- **PE (Polyethylene):**
  - The supply of PE from the US reduced in the first half of the current quarter because of the impact of hurricanes on production. Several hurricanes impacted operations at plants over an extended period.
  - Picking up of economic activity in Southeast Asia further led to a rundown in PE inventory. The October-December quarter normally sees a rundown on stock.
  - Also, industry expects an increase in packaging volumes again as Western nations enter into extended lockdowns.
  - Average PE prices are up 18% YoY and 10% QoQ in 3QFY21 till date, with margin up 75% YoY and 19% QoQ.

- **PP (Polypropylene):**
  - PP demand grew gradually as lockdown restrictions were eased and global markets opened up for imports/exports. Demand was primarily driven by the consumption of non-woven and film applications for food packaging and hygiene sector. The automotive, electronics and appliance sectors also began to see an uptick in demand as economies revived.

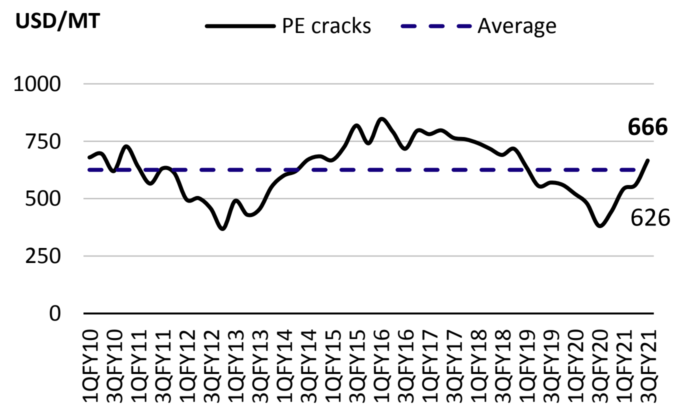
- PP supply remained tight due to the impact of the hurricanes in the US, production outages in the Europe, and extended production cuts in ME. Supply dropped further as feedstock availability fell on lower refinery utilization rates, resulting from lower transportation fuel demand due to the ongoing pandemic.
- However, supply continued to increase in China, with three new PP plants getting commissioned in Sep'20. Although, downstream demand in China was relatively healthier than in Southeast Asia.
- PP prices are up only 2% YoY and 10% QoQ in 3QFY21 till date, with margin up 30% YoY and 19% QoQ.

Exhibit 3: Naptha prices have always moved in tandem with Brent prices…



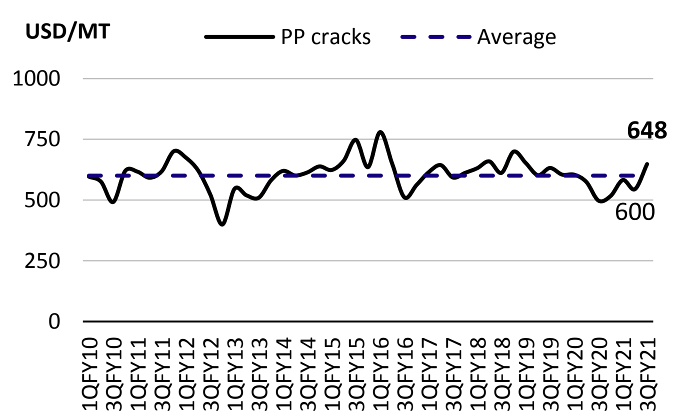
Source: Bloomberg, MOFSL

Exhibit 4: …while product prices are up, resulting in cracks trending above their respective long-term average…



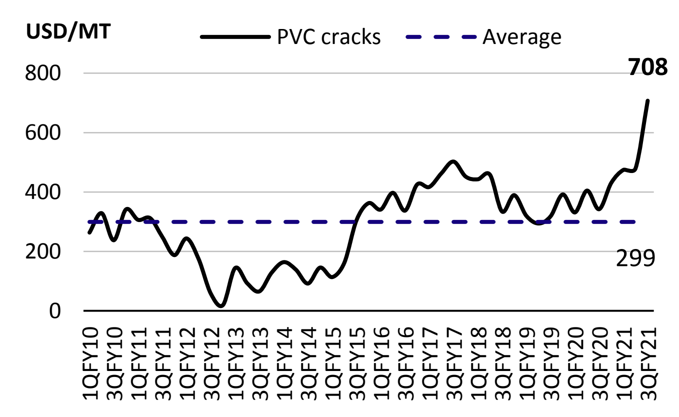
Source: Bloomberg, MOFSL

Exhibit 5: …with PE and PP up 6-8% v/s its long term averages in 3QFY21 till date…



Source: Bloomberg, MOFSL

Exhibit 6: …and PVC margin at record high (up 136% v/s its long-term average) owing to strong demand



Source: Bloomberg, MOFSL

Refining margins recovery sees a delay…

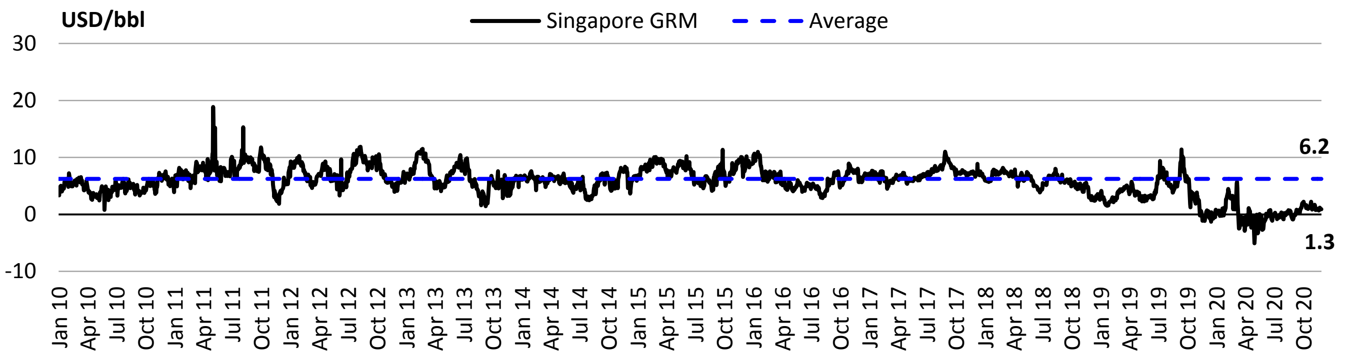
- GRMs for 3QFY21 till date averaged lowered than in the last quarter on account of a fall in gasoline margins due to end of driving season in the West and further imposition of lockdowns in Europe. GRMs were supported by increase in ATF demand led by increased flying, and gasoil cracks.
- Refiners in China and India are ramping up refinery production. Chinese refiners are expected to increase gasoil exports to 1.5-2mmt in Nov-Dec'20 as they try to exhaust their export quotas for the year, as per Refinitiv.

- We believe, festive and holiday travel demand in the West (further supported by permission to Pfizer's COVID-19 vaccine dosage in the UK) is like to boost demand for both gasoline and ATF.

...although increased refinery closures to support GRMs

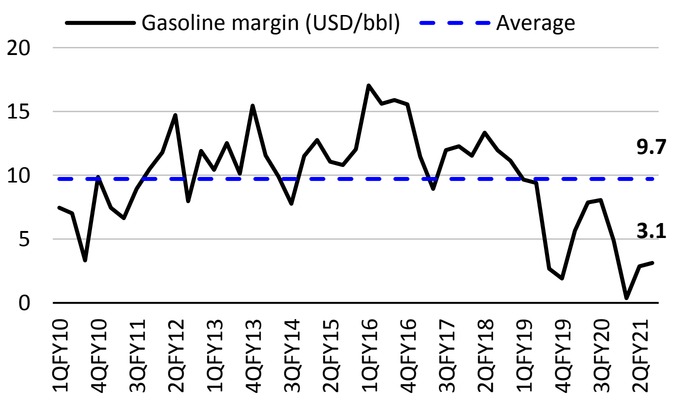
- The impact of the COVID-19 pandemic on global oil and product demand is accelerating closures of refineries that narrowly survived the previous closure wave during the recession of 2008-09.
- Fuel consumption has been flattish and falling in most of North America, Western Europe and Japan (since 2007) as a result of efficiency improvements.
- Most closures in refining capacity are in North America and Europe, and in older and smaller refineries, including those in Australia and the Philippines.
- New mega refineries are built with integrated petrochemical units (with a large regional concentration in Asia), enabling them to produce a higher share of higher value-added chemicals as well as lower-value fuels.
- Asia's refineries are more competitive because of the biggest advantage in terms of growing local markets and the ability to process large volumes with better economies of scale.

Exhibit 7: SGRM stands ~USD1.3/bbl (v/s its long-term average of USD6.2/bbl)



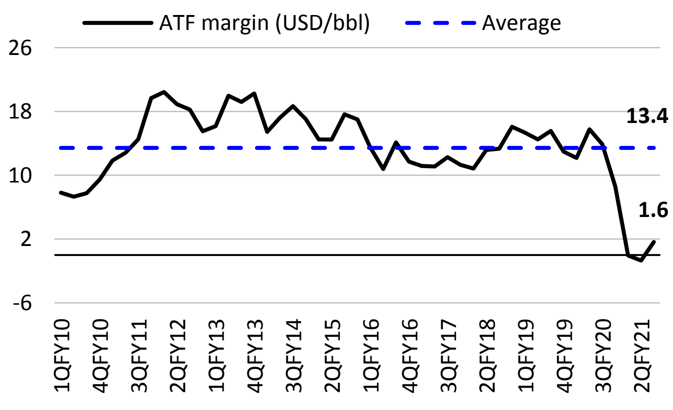
Source: Reuters, MOFSL

Exhibit 8: Gasoline margins



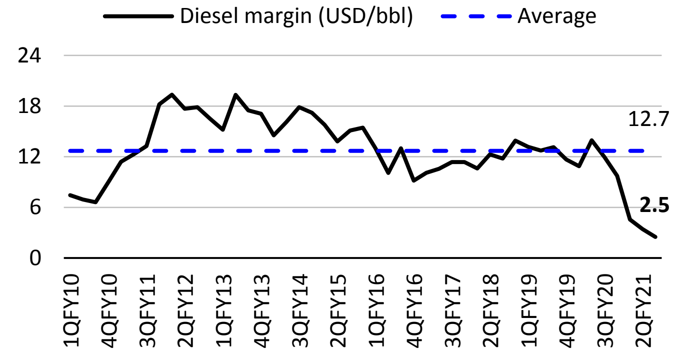
Source: Reuters, MOFSL

Exhibit 9: ATF margins



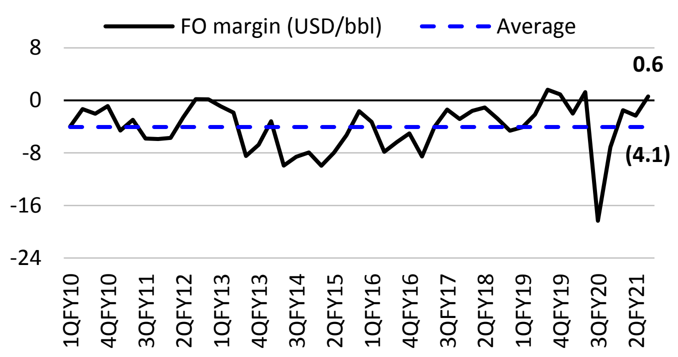
Source: Reuters, MOFSL

Exhibit 10: Diesel margins



Source: Reuters, MOFSL

Exhibit 11: FO (fuel oil) margins



Source: Reuters, MOFSL

Exhibit 12: Saudi Arabia's refining and petchem ventures over the years

1933	Oil concession agreement signed between Saudi Arabia and Standard Oil Company of California (SOCAL)
1945	Aramco's first refinery, Ras Tanura, comes on stream in Saudi Arabia
1983	Yanbu Refinery begins operations in Saudi Arabia
1984	SAMREF joint venture refinery with ExxonMobil begins operations in Saudi Arabia
1985	SASREF joint venture refinery with Shell inaugurated in Saudi Arabia
1989	Aramco and Texaco ink deal for refining and marketing joint venture Star Enterprises, in US
1991	Aramco buys 35% stake in South Korea's SsangYong Oil Refining Co. (renamed S-Oil in 2000)
1996	Aramco buys 50% of Greek refiner Motor Oil (Hellas) Corinth Refineries
2004	Aramco acquires 15% stake in Japan's Showa Shell Sekiyu
2009	Petro Rabigh, refining and petrochemical joint venture with Sumitomo, begins operations in Saudi Arabia
	Fujian Refining and Petrochemical Co. (FREP), joint venture between Aramco, ExxonMobil and Fujian Petrochemical Co., begins operations in China
2011	Sadara petrochemical joint venture with Dow Chemical formed in Saudi Arabia
2014	Two refineries, SATORP joint venture with Total and YASREF joint venture with Sinopec, come online in Saudi Arabia
2017	Aramco becomes sole owner of Motiva, former joint venture with Texaco and Shell previously known as Star Enterprises
2018	Refining and petrochemical joint venture with Petronas, PRefChem, in Malaysia is formed
2019	Aramco buys 17% of South Korea's Hyundai Oilbank
2020	Saudi Aramco acquires a 70% stake in petrochemical maker Saudi Basic Industries Corp. (SABIC)
	Jazan refinery in Saudi Arabia and PrefChem in Malaysia supposed to commence operations

Source: S&P Platts, , MOFSL

Valuation and recommendation

- **RJio:** We value RJio at an EV-to-EBITDA multiple of 18x on Sep'22E EBITDA to arrive at our TP of INR900 (for a 66% stake). Our higher multiple captures potential gains from an incremental tariff hike, revenue opportunity from Digital, and growing market share in the low-cost device market. Jio Platforms – RJio's holding company – is keen to replicate its success in Wireless and in other business streams. With aggressive plans and product launches in place, Jio Platforms is creating multiple monetization opportunities in the Digital space.
- **Reliance Retail:** We value Reliance Retail's core business at 31x Sep'22E EV-to-EBITDA and petroretail-to-connectivity at 4x Sept'22E EV-to-EBITDA to arrive at an enterprise value of INR4.4t and TP of INR683. Reliance Retail's value in RIL share comes to INR627 (for its 92% stake). Our premium valuation underscores Reliance Retail's aggressive footprint addition and the recent JioMart-led online opportunity, which could offer a huge growth potential over time.
- **O2C:** RIL further plans to streamline its O2C integration business and focus on expanding its fuel marketing business. In the current poor refining margin environment, we estimate GRM of USD7/bbl in 3Q-4QFY21, with an improvement to USD9/11/bbl in FY22E/FY23E.
- Using SoTP, we value the Refining and Petrochemical segment at 7.5x to arrive at a valuation of INR713/share for the standalone business. We ascribe an equity valuation of INR900/share to RJio and INR627/share to Reliance Retail. Reiterate Buy, with a TP of INR2,240/share.

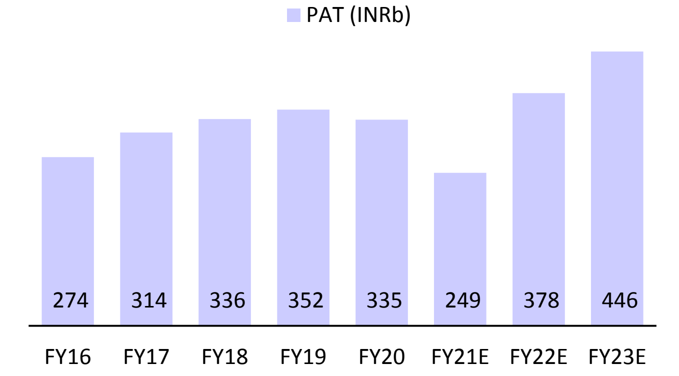
Exhibit 13: RIL standalone: Key assumptions

Key metrics	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Refining								
Production (mmt)	69.5	70.1	70.0	68.3	70.6	66.9	70.0	70.0
GRM (USD/bbl)								
Singapore GRM	7.5	5.8	7.3	4.9	3.2	1.7	5.0	6.0
Premium/(discount)	3.3	5.2	4.4	4.4	5.7	4.7	4.0	5.0
RIL GRM	10.8	11.0	11.6	9.3	8.9	6.5	9.0	11.0
Petchem								
Production (mmt)	24.7	24.9	32.4	37.7	38.3	38.6	40.0	40.0
EBITDA/mt (USD)	88	102	122	141	114	78	99	99
RJio								
Subscribers			187	307	388	448	496	510
ARPU			144	137	130	142	149	157
Retail								
Revenue (INR b)	183	264	515	1,019	1,304	1,364	1,983	2,458
Revenue growth (%)	13.8	44.2	94.6	98.1	27.9	4.6	45.4	23.9
Consolidated EPS	46.2	46.4	56.0	61.8	66.8	64.8	105.1	125.6

Source: Company, MOFSL

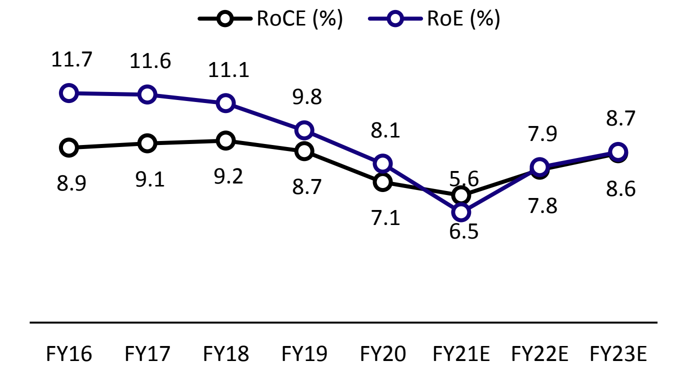
RIL: Financial story in charts

Exhibit 14: Standalone PAT lower in FY21E due to COVID-19 impact; expect growth from FY22E onwards…



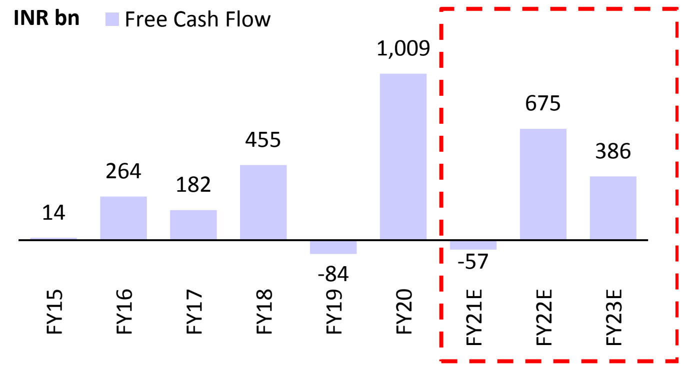
Source: Company, MOFSL

Exhibit 15: …resulting in an improvement in return ratios to ~9% in FY23E



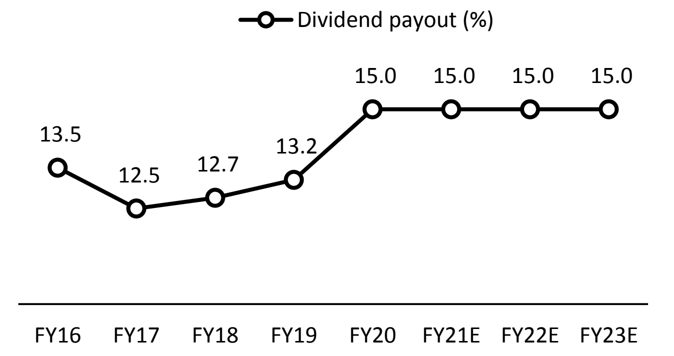
Source: Company, MOFSL

Exhibit 16: Standalone business to generate FCF of ~INR1,000b over FY21-23E



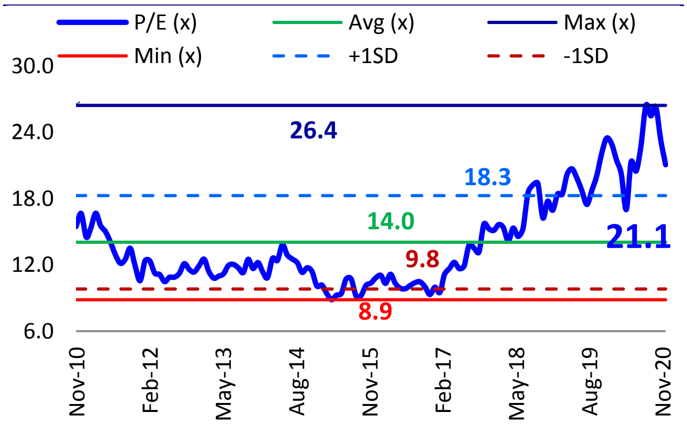
Source: Company, MOFSL

Exhibit 17: Dividend payout likely to remain ~15% (similar to 15% in FY20) going forward



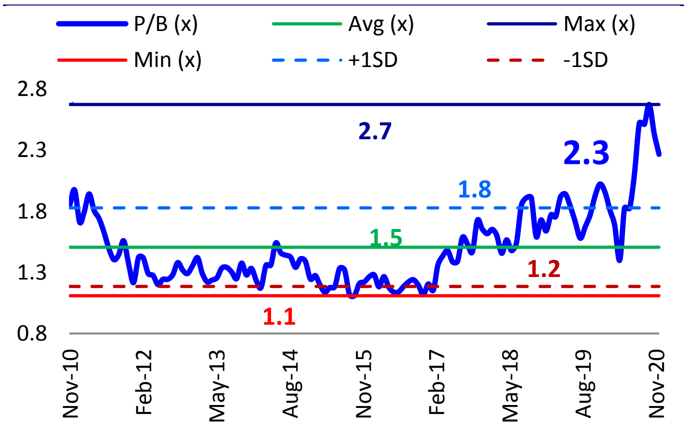
Source: Company, MOFSL

Exhibit 18: One-year forward P/E



Source: Company, MOFSL

Exhibit 19: One-year forward P/B



Source: Company, MOFSL

RIL standalone: Financials and Valuations

Standalone - Income Statement								(INR b)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Total Income from Operations	**2,331.6**	**2,420.3**	**2,900.4**	**3,716.2**	**3,359.8**	**2,607.9**	**3,609.6**	**3,687.1**
Change (%)	-29.1	3.8	19.8	28.1	-9.6	-22.4	38.4	2.1
EBITDA	**393.5**	**432.6**	**517.4**	**588.5**	**518.5**	**381.5**	**571.5**	**649.0**
Margin (%)	16.9	17.9	17.8	15.8	15.4	14.6	15.8	17.6
Depreciation	85.9	84.7	95.8	105.6	97.3	98.8	106.8	110.2
EBIT	**307.6**	**347.9**	**421.6**	**483.0**	**421.3**	**282.7**	**464.7**	**538.8**
Int. and Finance Charges	25.6	27.2	46.6	97.5	121.1	139.5	54.1	30.1
Other Income	78.2	87.1	82.2	88.2	145.4	130.1	95.0	87.3
PBT bef. EO Exp.	**360.2**	**407.8**	**457.3**	**473.7**	**445.6**	**273.2**	**505.5**	**595.9**
EO Items	0.0	0.0	0.0	0.0	-42.5	44.2	0.0	0.0
PBT after EO Exp.	**360.2**	**407.8**	**457.3**	**473.7**	**403.2**	**317.4**	**505.5**	**595.9**
Total Tax	86.3	93.5	121.1	122.0	94.1	19.6	127.2	150.0
Tax Rate (%)	24.0	22.9	26.5	25.8	23.3	6.2	25.2	25.2
Reported PAT	**273.8**	**314.3**	**336.1**	**351.6**	**309.0**	**297.9**	**378.3**	**445.9**
Adjusted PAT	**274.2**	**314.3**	**336.1**	**351.6**	**335.1**	**248.6**	**378.3**	**445.9**
Change (%)	20.7	14.6	7.0	4.6	-4.7	-25.8	52.2	17.9
Margin (%)	11.8	13.0	11.6	9.5	10.0	9.5	10.5	12.1

Standalone - Balance Sheet								(INR b)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY22E**
Equity Share Capital	32.4	32.5	63.4	63.4	63.4	64.5	64.5	64.5
Total Reserves	2,507.6	2,850.6	3,083.1	3,989.8	4,182.5	4,567.3	4,888.7	5,267.7
Net Worth	**2,540.0**	**2,883.1**	**3,146.5**	**4,053.2**	**4,245.8**	**4,631.7**	**4,953.2**	**5,332.2**
Total Loans	923.2	1,013.0	968.4	1,572.0	2,300.3	800.5	402.0	201.0
Deferred Tax Liabilities	237.5	247.7	279.3	473.2	505.6	505.6	505.6	505.6
Capital Employed	**3,700.7**	**4,143.8**	**4,394.1**	**6,098.3**	**7,051.7**	**5,937.8**	**5,860.7**	**6,038.7**
Gross Block	2,622.3	2,584.5	3,158.6	3,286.4	4,416.6	4,566.6	4,716.6	4,866.6
Less: Accum. Deprn.	1,146.9	1,053.2	1,149.0	1,254.6	1,351.8	1,450.7	1,557.4	1,667.6
Net Fixed Assets	**1,475.4**	**1,531.3**	**2,009.6**	**2,031.9**	**3,064.7**	**3,115.9**	**3,159.1**	**3,198.9**
Capital WIP	1,109.1	1,341.9	994.8	1,115.6	279.7	329.7	379.7	429.7
Total Investments	**1,572.5**	**1,924.5**	**2,252.2**	**3,316.8**	**4,891.0**	**3,391.2**	**3,391.2**	**3,391.2**
Curr. Assets, Loans&Adv.	**659.8**	**669.8**	**918.6**	**1,293.2**	**1,453.7**	**1,148.2**	**1,764.2**	**1,913.3**
Inventory	280.3	340.2	395.7	441.4	388.0	301.2	416.9	425.8
Account Receivables	35.0	54.7	104.6	121.1	74.8	58.1	80.4	82.1
Cash and Bank Balance	68.9	17.5	27.3	37.7	84.4	115.2	334.5	452.8
Loans and Advances	275.6	257.3	391.0	693.0	906.5	673.7	932.5	952.5
Curr. Liability & Prov.	**1,116.1**	**1,323.6**	**1,781.2**	**1,659.1**	**2,637.5**	**2,047.2**	**2,833.5**	**2,894.4**
Account Payables	1,093.7	1,289.8	1,749.9	1,626.5	2,612.6	2,027.9	2,806.9	2,867.2
Provisions	22.4	33.9	31.2	32.7	24.8	19.3	26.7	27.2
Net Current Assets	**-456.3**	**-653.9**	**-862.6**	**-365.9**	**-1,183.7**	**-899.0**	**-1,069.3**	**-981.1**
Appl. of Funds	**3,700.7**	**4,143.8**	**4,394.1**	**6,098.3**	**7,051.7**	**5,937.8**	**5,860.7**	**6,038.7**

E: MOFSL estimates

RIL standalone: Financials and Valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)								
EPS	**42.5**	**48.8**	**52.2**	**54.6**	**52.0**	**38.6**	**58.7**	**69.2**
Cash EPS	55.9	61.9	67.0	70.9	67.1	53.9	75.3	86.3
BV/Share	412.8	468.6	511.4	658.8	690.1	752.8	805.1	866.6
Valuation (x)								
P/E	48.5	42.4	39.6	37.8	39.7	53.5	35.2	29.8
Cash P/E	37.0	33.4	30.8	29.1	30.8	38.3	27.4	23.9
P/BV	5.0	4.4	4.0	3.1	3.0	2.7	2.6	2.4
EV/Sales	6.1	5.9	4.9	4.0	4.6	5.4	3.7	3.5
EV/EBITDA	36.0	33.1	27.5	25.2	29.9	36.7	23.4	20.1
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4
FCF per share	40.9	28.2	70.6	-13.0	156.6	-8.9	104.7	59.9
Return Ratios (%)								
RoE	11.7	11.6	11.1	9.8	8.1	5.6	7.9	8.7
RoCE	8.9	9.1	9.2	8.7	7.1	6.5	7.8	8.6
RoIC	21.1	29.6	31.3	26.1	18.9	13.6	18.0	22.9
Working Capital Ratios								
Fixed Asset Turnover (x)	0.9	0.9	0.9	1.1	0.8	0.6	0.8	0.8
Asset Turnover (x)	0.6	0.6	0.7	0.6	0.5	0.4	0.6	0.6
Inventory (Days)	44	51	50	43	42	42	42	42
Debtor (Days)	5	8	13	12	8	8	8	8
Creditor (Days)	171	195	220	160	284	284	284	284
Leverage Ratio (x)								
Current Ratio	0.6	0.5	0.5	0.8	0.6	0.6	0.6	0.7
Interest Cover Ratio	12.0	12.8	9.1	5.0	3.5	2.0	8.6	17.9
Net Debt/Equity	-0.3	-0.3	-0.4	-0.4	-0.6	-0.6	-0.7	-0.7

Standalone - Cash Flow Statement **(INR b)**

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	360.2	407.8	457.3	473.7	403.2	317.4	505.5	595.9
Depreciation	85.9	84.7	95.8	105.6	97.3	98.8	106.8	110.2
Interest & Finance Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Taxes Paid	-86.3	-93.5	-121.1	-122.0	-94.1	-19.6	-127.2	-150.0
(Inc)/Dec in WC	560.6	146.2	218.5	-486.3	864.5	-253.9	389.6	30.2
CF from Operations	**920.3**	**545.1**	**650.4**	**-29.1**	**1,270.8**	**142.7**	**874.6**	**586.3**
CF from Operating incl EO	**1,031.0**	**555.3**	**682.0**	**164.8**	**1,303.2**	**142.7**	**874.6**	**586.3**
(Inc)/Dec in FA	-767.2	-373.4	-227.1	-248.6	-294.2	-200.0	-200.0	-200.0
Free Cash Flow	**263.8**	**181.9**	**455.0**	**-83.7**	**1,009.0**	**-57.3**	**674.6**	**386.3**
(Pur)/Sale of Investments	-446.8	-352.0	-327.7	-1,064.6	-1,574.2	1,499.8	0.0	0.0
CF from Investments	**-1,214.0**	**-725.4**	**-554.8**	**-1,313.2**	**-1,868.4**	**1,299.8**	**-200.0**	**-200.0**
Issue of Shares	141.4	68.1	-30.0	601.5	-70.0	132.8	0.0	0.0
Inc/(Dec) in Debt	31.8	89.8	-44.7	603.6	728.3	-1,499.8	-398.5	-201.0
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	-37.0	-39.2	-42.8	-46.4	-46.4	-44.7	-56.8	-67.0
CF from Fin. Activity	136.2	118.7	-117.5	1,158.7	611.9	-1,411.8	-455.3	-268.0
Inc/Dec of Cash	**-46.8**	**-51.4**	**9.8**	**10.4**	**46.8**	**30.8**	**219.3**	**118.3**
Opening Balance	115.7	68.9	17.5	27.3	37.7	84.4	115.2	334.5
Closing Balance	**68.9**	**17.5**	**27.3**	**37.7**	**84.4**	**115.2**	**334.5**	**452.8**

E: MOFSL estimates

RIL consolidated: Financials and Valuations

Consolidated - Income Statement (INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	**2,740**	**3,054**	**3,917**	**5,692**	**5,959**	**5,438**	**7,191**	**7,845**
Change (%)	-27.0	11.5	28.3	45.3	4.7	-8.8	32.2	9.1
EBITDA	**417**	**462**	**642**	**842**	**881**	**823**	**1,217**	**1,397**
Margin (%)	15.2	15.1	16.4	14.8	14.8	15.1	16.9	17.8
Depreciation	116	116	167	209	222	262	301	322
EBIT	**301**	**345**	**475**	**632**	**659**	**562**	**916**	**1,075**
Int. and Finance Charges	37	38	81	165	220	207	106	77
Other Income	123	93	89	84	140	166	187	191
PBT bef. EO Exp.	**387**	**400**	**483**	**551**	**579**	**522**	**998**	**1,189**
EO Items	0	0	0	0	-44	50	0	0
PBT after EO Exp.	**387**	**400**	**483**	**551**	**535**	**571**	**998**	**1,189**
Total Tax	89	102	133	154	137	81	238	283
Tax Rate (%)	22.9	25.5	27.6	27.9	25.7	14.3	23.9	23.8
Minority Interest	1	-1	-11	-1	-1	34	82	96
Reported PAT	**297**	**299**	**361**	**398**	**399**	**456**	**677**	**809**
Adjusted PAT	**297**	**299**	**361**	**398**	**431**	**418**	**677**	**809**
Change (%)	26.2	0.5	20.7	10.4	8.1	-3.0	62.1	19.5
Margin (%)	10.9	9.8	9.2	7.0	7.2	7.7	9.4	10.3

Consolidated - Balance Sheet (INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22E
Equity Share Capital	29	30	59	59	63	64	64	64
Total Reserves	2,286	2,608	2,876	3,812	4,470	5,013	5,633	6,376
Net Worth	**2,316**	**2,637**	**2,935**	**3,871**	**4,533**	**5,077**	**5,698**	**6,440**
Minority Interest	34	29	35	83	80	80	80	80
Total Loans	1,947	1,837	1,816	2,719	2,914	807	407	7
Deferred Tax Liabilities	205	212	245	499	541	541	541	541
Capital Employed	**4,501**	**4,715**	**5,032**	**7,173**	**8,069**	**6,506**	**6,726**	**7,069**
Gross Block	3,312	3,564	5,775	5,868	7,450	8,573	9,198	9,722
Less: Accum. Deprn.	1,506	1,628	1,795	2,004	2,226	2,488	2,789	3,110
Net Fixed Assets	**1,807**	**1,936**	**3,981**	**3,864**	**5,224**	**6,085**	**6,409**	**6,612**
Goodwill on Consolidation	43	49	58	120	103	103	103	103
Capital WIP	2,287	3,248	1,870	1,795	1,091	468	344	319
Total Investments	**840**	**856**	**855**	**2,403**	**2,768**	**794**	**794**	**794**
Curr. Assets, Loans & Adv.	**1,014**	**978**	**1,348**	**1,843**	**2,474**	**2,328**	**3,404**	**3,961**
Inventory	465	490	608	676	739	673	891	971
Account Receivables	45	82	176	301	197	179	237	258
Cash and Bank Balance	110	30	43	111	309	356	796	1,116
Loans and Advances	394	377	522	755	1,229	1,120	1,481	1,616
Curr. Liability & Prov.	**1,489**	**2,353**	**3,081**	**2,851**	**3,590**	**3,272**	**4,326**	**4,720**
Account Payables	603	766	1,069	1,083	968	882	1,166	1,272
Other Current Liabilities	856	1,546	1,971	1,721	2,581	2,352	3,110	3,393
Provisions	30	41	41	47	41	38	50	54
Net Current Assets	**-475**	**-1,375**	**-1,732**	**-1,009**	**-1,116**	**-944**	**-922**	**-758**
Appl. of Funds	**4,501**	**4,715**	**5,032**	**7,173**	**8,069**	**6,506**	**6,726**	**7,069**

E: MOFSL estimates

RIL consolidated: Financials and Valuations

Ratios

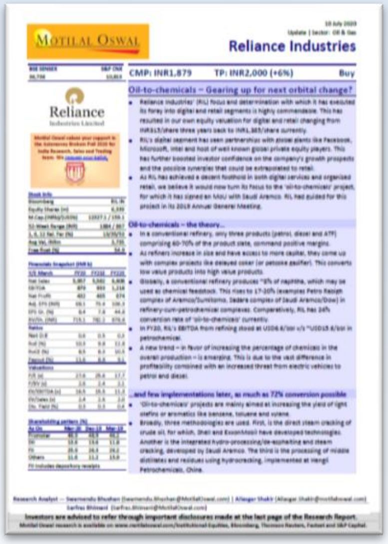
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	**46.2**	**46.4**	**56.0**	**61.8**	**66.8**	**64.8**	**105.1**	**125.6**
Cash EPS	64.1	64.5	81.9	94.3	101.2	105.4	151.8	175.5
BV/Share	359.3	409.2	455.4	600.6	703.4	787.8	884.0	999.2
DPS	4.8	5.1	5.5	6.0	6.0	5.8	7.3	8.6
Payout (%)	12.4	13.1	11.9	11.6	11.6	9.8	8.4	8.3
Valuation (x)								
P/E	42.6	42.4	35.1	31.8	29.4	30.3	18.7	15.6
Cash P/E	30.7	30.5	24.0	20.8	19.4	18.6	12.9	11.2
P/BV	5.5	4.8	4.3	3.3	2.8	2.5	2.2	2.0
EV/Sales	5.3	4.7	3.7	2.7	2.6	2.4	1.7	1.5
EV/EBITDA	34.8	31.3	22.5	18.1	17.3	15.9	10.1	8.3
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4
FCF per share	7.0	1.7	1.8	-0.8	-22.1	0.0	0.0	0.0
Return Ratios (%)								
RoE	13.2	12.1	13.0	11.7	10.2	8.7	12.6	13.3
RoCE	8.0	7.5	8.8	9.1	8.5	9.4	14.0	15.4
RoIC	17.0	27.9	24.2	17.8	14.5	11.0	14.4	17.0
Working CAPITAL RATIOS								
Fixed Asset Turnover (x)	0.8	0.9	0.7	1.0	0.8	0.6	0.8	0.8
Asset Turnover (x)	0.6	0.6	0.8	0.8	0.7	0.8	1.1	1.1
Inventory (Days)	62	59	57	43	45	45	45	45
Debtor (Days)	6	10	16	19	12	12	12	12
Creditor (Days)	80	92	100	69	59	59	59	59
Leverage Ratio (x)								
Current Ratio	0.7	0.4	0.4	0.6	0.7	0.7	0.8	0.8
Interest Cover Ratio	8.2	9.0	5.9	3.8	3.0	2.7	8.6	13.9
Net Debt/Equity	0.8	0.7	0.6	0.7	0.6	0.1	-0.1	-0.2

Consolidated - Cash Flow Statement **(INR b)**

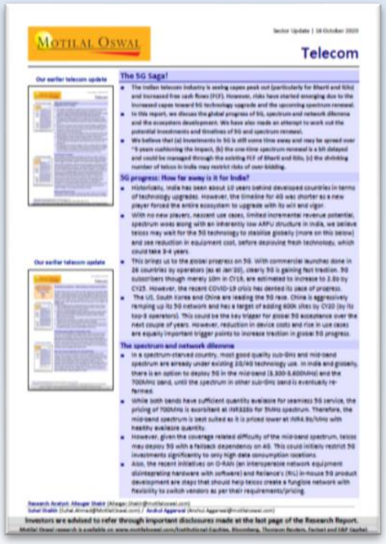
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
PBT	387	400	494	552	536	571	998	1,189
Depreciation	116	116	167	209	222	262	301	322
Tax paid	-86	-101	-98	-122	-84	-81	-238	-283
Change in deferred tax liability	0	0	0	0	0	0	0	0
Change in net working capital	78	155	185	-288	219	-127	419	156
Operating cash flow	**381**	**496**	**715**	**423**	**981**	**591**	**1,397**	**1,287**
Capex	-466	-766	-730	-928	-756	-500	-500	-500
Change in investments	58	92	35	-19	141	1,974	0	0
Investing cash flows	**-362**	**-663**	**-683**	**-951**	**-757**	**1,474**	**-500**	**-500**
Change in borrowings	130	215	199	865	356	-2,107	-400	-400
Dividend paid	-73	-1	-39	-43	-46	-45	-57	-67
Financing cash flow	**-32**	**86**	**-20**	**559**	**-25**	**-2,019**	**-457**	**-467**
Net change in cash	-13	-81	12	31	198	46	440	320
Closing cash balance	110	30	43	111	309	356	796	1,116

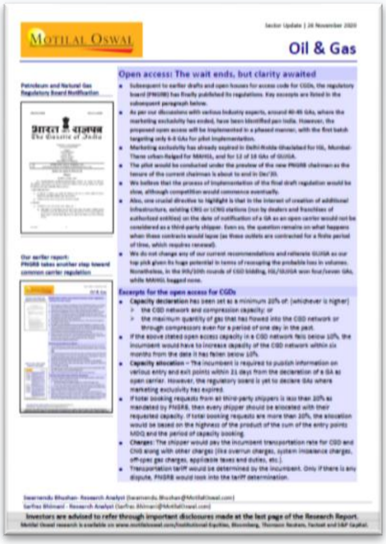
E: MOFSL estimates

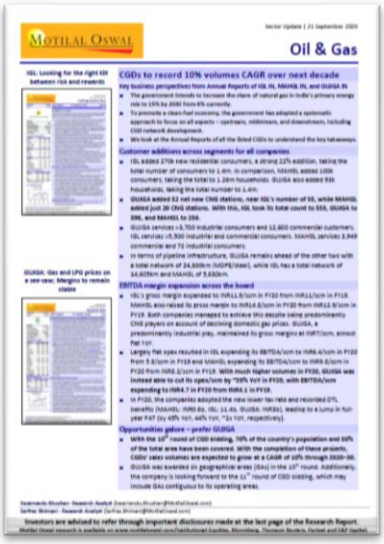
REPORT GALLERY

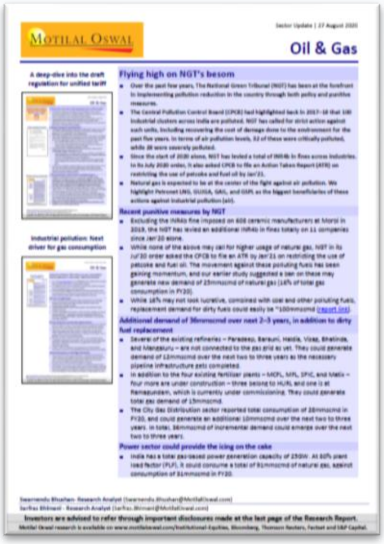

Reliance Industries
Oil-to-chemicals – Gearing up for next orbital change?


Telecom
The Home Broadband play


Telecom
The 5G Saga!


Oil & Gas
Open access: The wait ends, but clarity awaited


Oil & Gas
CGDs to record 10% volumes CAGR over next decade


Oil & Gas
Flying high on NGT's besom


Gujarat Gas
Consistent volume growth demands much higher premium


Petronet LNG
Back-to-back contracts – Back bone of the company


Gujarat State Petronet
A decade old – A decade new: a huge opportunity

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
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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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