

RELIANCE INDUSTRIES

OIL & GAS

03 MAY 2017

Quarterly Update

BUY

Target Price: Rs 1,600

Strong operational performance; BUY

RIL's standalone PAT at Rs 81.5 bn was higher than our/ Street estimate of Rs 79/80 bn, driven by strong operational performance in cyclical businesses. GRM was strong at USD 11.5/bbl (up USD 1.7/bbl QoQ), despite benchmark GRM declining USD 0.3/bbl and crude weakening leading to inventory loss. Petchem volumes grew ~4% QoQ despite shutdowns at Jamnagar/Hazira plants, with blended margins flat QoQ.

Capex cycle ends: RIL aims to fully commission all downstream projects by Dec '17, and realize full benefit of expansion from Q4FY18. **We raise our TP to Rs 1,600 (Rs 1,330 earlier)** to reflect (a) higher EV/E of 7x (6.5x earlier) given our conservative margin assumptions, and (b) rollover of TP to Mar '18. Valuations to be supported by (a) RJio's strong conversion from free to paid services, (b) FCF of ~USD 3.5 bn. **BUY.**

CMP : Rs 1,416
Potential Upside : 13%

MARKET DATA

No. of Shares : 3,251 mn
Free Float : 55%
Market Cap : Rs 4,605 bn
52-week High / Low : Rs 1,449 / Rs 926
Avg. Daily vol. (6mth) : 14.3 mn shares
Bloomberg Code : RIL IB Equity
Promoters Holding : 45%
FII / DII : 21% / 12%

Analyst meet highlights

- ◆ **RJio has seen strong conversion from free to paid services** (total subs at ~109 mn; paid subs at 72 mn), led by innovative offers. Total investment stands at Rs 1.8 trn as on Mar '17, with capex likely to come down meaningfully in FY18. RIL may continue to capitalize RJio investment in Q1FY18 as well
- ◆ **Major projects on track:** RoGC, Ethane and PX projects to achieve full utilization in Q2FY18. Petcoke gasification will be progressively commissioned over Jun-Dec '17, with 100% utilization from Q4FY18
- ◆ **FY18 capex:** Hydrocarbon business (refining, petchem and E&P) will see capex of USD 2.5 bn. While RJio's Q1FY18 capex is likely at Rs 180 bn, eventual capex depends upon timing by which capitalization of RJio ends
- ◆ **Fuel retailing:** RIL to start all 1,400 outlets by July '17 (1,221 currently), and aims to open 1,400 new outlets in next few years. Its market share in retail diesel is at 5% (2.5% previously) with volume per outlet at 2.4x over OMCs
- ◆ **Domestic E&P:** Coal Bed Methane gas volumes will reach 2.5 mmscmd by end-FY18, and plateau in 15-18 months. First gas from integrated field development of R-Cluster, MJ and Satellite fields will be in 2020

Financial summary (Consolidated)

Y/E March	FY16	FY17	FY18E	FY19E
Sales (Rs bn)	2,740	3,054	3,426	3,621
Adj PAT (Rs bn)	253	298	328	368
Con. EPS* (Rs.)	-	-	92.2	106.6
EPS (Rs)	78.0	92.1	101.3	113.4
Change YOY (%)	7.3	18.0	10.0	12.0
P/E (x)	18.1	15.4	14.0	12.5
RoE (%)	10.9	11.5	11.3	11.3
RoCE (%)	8.7	8.8	8.8	9.2
EV/E (x)	13.7	13.3	11.2	9.1
DPS (Rs)	9.6	13.8	15.2	17.0

Source: *Consensus broker estimates, Company, Axis Capital

Key drivers

(USD/bbl)	FY17	FY18E	FY19E
GRM	11.0	10.0	10.0
Refining utilization (%)	113	113	113
RoGC benefit	-	1.0	2.5
INR:USD	67.2	67.0	68.7

Price performance

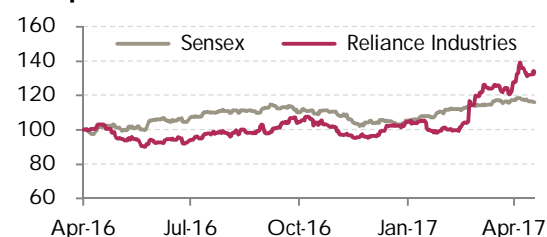


Exhibit 1: Results update

(Rs mn)	Quarter ended (Standalone)					12 months ended (Consol.)		
	Mar-17	Mar-16	% Chg	Dec-16	% Chg	FY18E	FY17	% Chg
Net sales	671,460	499,570	34.4	618,060	8.6	3,426,096	3,053,820	12.2
EBIDTA	112,800	103,410	9.1	106,040	6.4	557,652	461,940	20.7
Other income	13,710	21,410	(36.0)	30,250	(54.7)	90,405	94,430	(4.3)
PBIDT	126,510	124,820	1.4	136,290	(7.2)	648,057	556,370	16.5
Depreciation	24,090	23,270	3.5	20,770	16.0	155,885	116,460	33.9
Interest	2,350	5,860	(59.9)	9,310	(74.8)	50,684	38,490	31.7
PBT	100,070	95,690	4.6	106,210	(5.8)	441,488	401,420	10.0
Tax	18,560	23,420	(20.8)	25,990	(28.6)	112,192	102,010	10.0
Adjusted PAT	81,510	72,270	12.8	80,220	1.6	328,216	298,330	10.0
No. of shares (mn)	3,240	3,240	-	3,240	-	3,240	3,240	-
EBIDTA margin (%)	16.8	20.7	-	17.2	-	16.3	15.1	-
PBIDT margin (%)	18.8	25.0	-	22.1	-	18.9	18.2	-
EPS - annualized (Rs.)	100.6	89.2	12.8	99.0	1.6	101.3	92.1	10.0

Source: Company, Axis Capital

Exhibit 2: Segmental results

(Rs mn)	Quarter ended (Standalone)				
	Mar-17	Mar-16	% Chg	Dec-16	% Chg
Sales					
- Petrochemicals	216,900	180,310	20.3	212,930	1.9
- Refining	532,150	495,520	7.4	518,380	2.7
- Oil & Gas	6,230	9,920	(37.2)	7,010	(11.1)
- Others	2,890	2,520	14.7	3,050	(5.2)
Total Segment Sales	758,170	688,270	10.2	741,370	2.3
PBIT					
- Petrochemicals	33,590	25,840	30.0	34,640	(3.0)
- Refining	61,270	63,170	(3.0)	59,010	3.8
- Oil & Gas	(1,250)	2,440	(151.2)	240	(620.8)
- Others	1,140	880	29.5	900	26.7
Total Segment PBIT	94,750	92,330	2.6	94,790	(0.0)
Segment PBIT Margin (%)					
- Petrochemicals	15.5	14.3	1.2	16.3	(0.8)
- Refining	11.5	12.7	(1.2)	11.4	0.1
- Oil & Gas	(20.1)	24.6	(44.7)	3.4	(23.5)
Overall PBIT margin	12.50	13.41	(0.92)	12.79	(0.29)

Source: Company, Axis Capital

Exhibit 3: Results update (Rs mn)

(Rs mn)	Standalone			Consolidated			Implied subsidiary (Retail + Shale gas)		
	Q4FY17	Q4FY16	Q3FY17	Q4FY17	Q4FY16	Q3FY17	Q4FY17	Q4FY16	Q3FY17
Profit & Loss									
Net Sales	671,460	499,570	618,060	848,230	596,960	794,080	176,770	97,390	176,020
EBITDA	112,800	103,410	106,040	122,330	112,480	115,730	9,530	9,070	9,690
Depreciation	24,090	23,270	20,770	33,540	31,320	27,930	9,450	8,050	7,160
EBIT	88,710	80,140	85,270	88,790	81,160	87,800	80	1,020	2,530
Interest	2,350	5,860	9,310	5,560	8,420	12,040	3,210	2,560	2,730
Other Income	13,710	21,410	30,250	19,360	19,960	27,360	5,650	(1,450)	(2,890)
Recurring PBT	100,070	95,690	106,210	102,590	92,700	103,120	2,520	(2,990)	(3,090)
Taxation	18,560	23,420	25,990	22,010	23,770	27,160	3,450	350	1,170
Reported Net Income	81,510	72,270	80,220	80,580	71,570	75,960	(930)	(700)	(4,260)
Associates & Minority	0	0	0	(50)	630	(730)	0	0	0
PAT (consol)	81,510	72,270	80,220	80,530	72,200	75,230	(980)	(70)	(4,990)
Segment-wise Results									
Sales									
Petrochemicals	252,310	195,480	216,900	264,780	209,150	228,540	12,470	13,670	11,640
Refining	638,630	403,290	532,150	720,450	480,630	616,930	81,820	77,340	84,780
Oil & Gas	6,800	9,010	6,230	13,090	16,340	12,150	6,290	7,330	5,920
Organized Retail	0	0	0	103,320	56,460	86,880	103,320	56,460	86,880
Textiles & others	3,460	3,600	2,890	34,960	23,660	21,560	31,500	20,060	18,670
Total Segment Sales	901,200	611,380	758,170	1,136,600	786,240	966,060	235,400	174,860	207,890
PBIT									
Petrochemicals	34,540	27,200	33,590	34,410	27,350	33,260	(130)	150	(330)
Refining	62,620	63,620	61,270	62,940	63,800	61,940	320	180	670
Oil & Gas	(780)	(2,420)	(1,250)	(4,860)	(1,530)	(2,950)	(4,080)	890	(1,700)
Organized Retail	0	0	0	2,430	1,280	2,310	2,430	1,280	2,310
Textiles & others	1,190	880	1,140	1,750	3,060	690	560	2,180	(450)
Total Segment PBIT	97,570	89,280	94,750	96,670	93,960	95,250	(900)	4,680	500

Source: Company, Axis Capital

Analyst meet highlights

Refining: Firm GRM outlook ahead

Q4FY17 GRM supported by slate optimization

Singapore complex benchmark GRM declined to USD 6.4/bl (USD 6.7/bl in Q3FY17). However, RIL's GRMs rose USD 1.8/bl to USD 11.5/bl as RIL (a) optimized its gasoil production and reduced its jet kerosene volumes, (b) procured more Brent-linked crude to take benefit of weak Brent-Dubai spread, and (c) sold large volumes in domestic markets, where realizations are higher

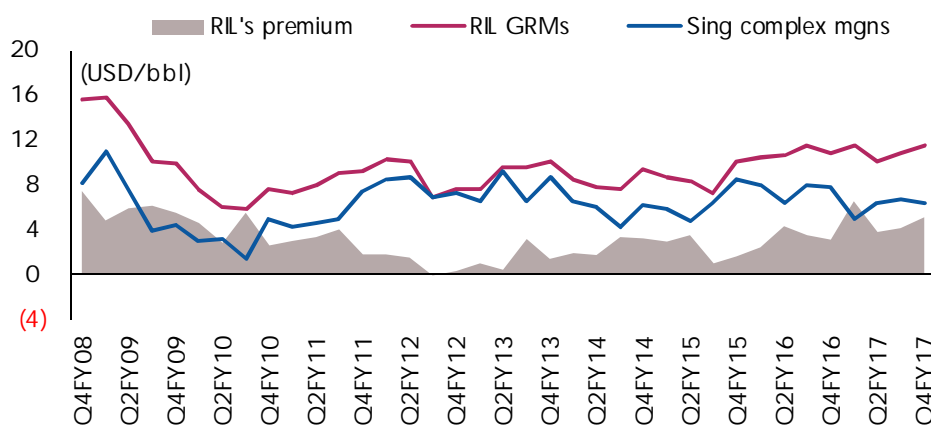
Fuel retailing: Doubling retail presence in next few years

- ♦ RIL has commissioned 1,221 retail outlets (vs. 1,151 in Q3FY17) and has achieved throughput per outlet at 2.4x that of nearest competitor
- ♦ Retail diesel volume was not affected by discontinuation of Rs 1/ltr discount on its sales. Note RIL ran the special discount scheme to counter demonetization-led weakness in volumes
- ♦ The company aims to open additional 1,400 retail outlets over the next few years

Management - strong GRM outlook going forward

Management expects GRM to remain strong as net refining capacity addition of 5mbpd over the next 5 years will lag demand growth of ~6 mbpd. In the medium term too, fuel demand growth of 1.3 mbpd in CY17 shall surpass refining capacity addition, thereby keeping margins firm. Also, strong demand growth from Asia (especially India and China) and refinery closures in Europe to support GRM.

Exhibit 4: GRM trend – RIL vs. Singapore complex



Source: Bloomberg, Axis Capital

Petchem: Growth projects well on track

Full benefit of PX/ RoGC/ Ethane imports to be visible in FY18

- ◆ **Paraxylene:**RIL has commissioned two phase of PX capacity addition of 2.2 mnteeach, and the last phase will be commissioned in next few days
- ◆ **Refinery Off-Gas Cracker (RoGC):**Pre-commissioning activities are underway with target 100% utilization in Q2FY18
- ◆ **Ethane imports:**Ethane import project has been successfully implemented, with ethane cracking have commenced in Dahej. RIL retains flexibility to use the ethane in its Jamnagar site depending upon fuel economics
- ◆ **Petcoke gasification:**RIL has maintained that Petcokegasifiers will start getting mechanically complete from June '17, and all gasifiers will be commissioned by Dec '17. Management guided 100% utilization of petcoke gasification plant from Q4FY18

Strong domestic demand growth is positive

Despite demonetization, India's domestic demand growth remains robust with polymer and polyester demand growth at 7% and 3% YoY. Management expects the demand growth to recover sharply to double digit in FY18, backed by higher spending on infrastructure (roads, water),agriculture and consumer packaging.

Bullish outlook on petchem margins

We expect polymer margins to remain strong due to:

- ◆ Global ethylene operating rates expected to remain firm at 85+% by CY20 due to delays in commissioning of US cracker capacity. Firm utilization along with strong domestic demand growth will support margins
- ◆ Commissioning of ROGC project would sharply reduce cash costs of RIL significantly and make it globally competitive
- ◆ Ethane imports from USwill give RIL flexibility in feedstock sourcing

We expect polyester margins to remain firm:

- ◆ New government initiatives (special package for textiles industry) and widening polyester-cotton price gradient will support polyester demand, margins
- ◆ Global polyester demand growth likely to be ~4% led by diverse applications. Domestic demand growth led by low prices and high disposable incomes
- ◆ Overall polyester chain margins likely to remain firm due to strength in intermediates (PX, MEG) margins

E&P: Some ray of hope

Coal Bed Methane (CBM) getting monetized

RIL aims to ramp-up production of its CBM blocks to 2.5 mmscmd by end-FY18. A revised policy by Government (notified in Apr '17) gives marketing freedom to CBM producers, under which RIL aims to start price-discovery over the next few days. RIL's CBM blocks are connected to national gas grid through GAIL's HVJ pipelines, which will facilitate price discovery across much larger customer group.

First gas by 2020

Submission of development plans for MJ and Satellite fields is expected by end-2017. First gas from integrated field development of R-Cluster, MJ and Satellite fields will be in 2020 (subject to DoC/FDP approvals). Note RIL gets only 3-4 months window for operations in the field, hence it will take at least 3 years to put the deep-water fields to production.

Shale gas: Strong realizations and lower opex more than offset decline in volumes

EBITDA rose 25% QoQ to USD 40 mn as (a) production volumes rose 4% QoQ, (b) better pricing environment helped by higher Henry Hub gas prices and lower basis differential. RIL has curtailed its investment in US Shale gas meaningfully and unlikely to commit any additional capex unless pricing environment improves

Exhibit 5: Higher gas volumes support shale gas profitability

	Revenue (USD mn)	EBITDA (USD mn)	Henry Hub prices (USD/ mmbtu)	RIL's net production (mmscmd)
Q2FY15	244	202	3.9	15.3
Q3FY15	206	174	3.7	16.0
Q4FY15	138	91	2.8	15.2
Q1FY16	141	86	2.7	15.2
Q2FY16	117	63	2.7	15.9
Q3FY16	111	58	2.1	16.9
Q4FY16	82	28	2.0	15.8
Q1FY17	93	40	2.0	13.9
Q2FY17	89	23	2.8	12.9
Q3FY17	93	32	3.0	11.7
Q4FY17	112	40	3.0	12.2

Source: Company, Bloomberg, Axis Capital

Exhibit 6: Henry Hub prices down



Source: Bloomberg

Reliance Jio: Strong conversions; traffic growth remains exponential

RJio's Q4FY17 was marked by:

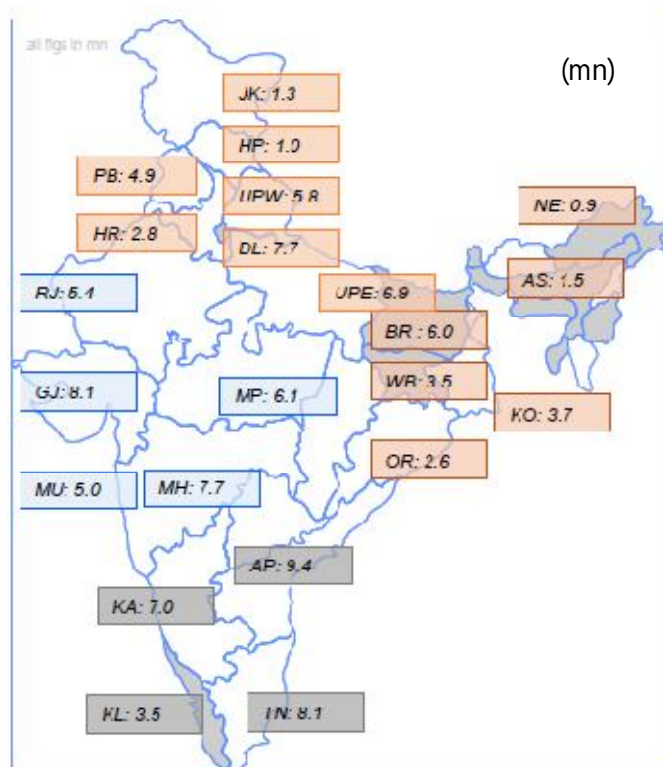
- ♦ **Strong conversion from free to paid**; total subscribers at ~109 mn with paid at 72 mn
- ♦ **Aggressive and innovative offers during the quarter**; Jio Prime and Jio DhanDhanaDhan
- ♦ **Accelerating traffic milestones quarterafter quarter**: RJio's network is marked by 5x more data traffic than rest of industry. Witnessed 6x increase in mobile data usage
- ♦ **Continued progress on roll-out of FTTH**; to expand scope of beta trials over next few months
- ♦ **Huge industry prospects reiterated**: Digital economy to be USD 250 bn by 2020; of which USD 45-55 bn by wireless revenues

Strong conversion rates as RJio moves from free to paid; accelerating traffic milestones quarter-after quarter

RJio has reached 108.9 mn subscribers at the end of March 2017 (from 72.4 mn at end-Q3FY17). A strong conversion to Jio Prime (with 72 mn signing up as members) augurs well for RJio's conversion from free to paid. For Jio Prime, Rs 303 is the most popular recharge. The Rs 149 recharge as a percentage of Prime subscribers is in low single digit.

RJio's network carries more than 1.1 bn GB of data traffic per month and 2.2 bn voice and video minutes a day. RJio shared that users are today consuming as much data as in the USA and 50% more data than mobile networks in China.

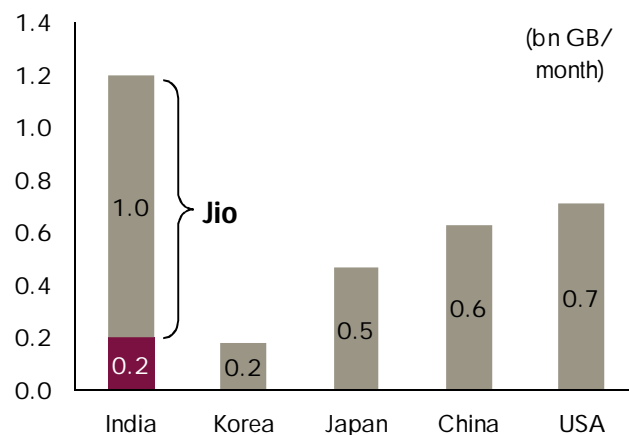
Exhibit 7: Subscriber additions well-distributed across the country



Source: Company

Exhibit 8: India mobile data traffic pattern


Source: Company, Axis Capital; Note: 100 cr = 1 bn

Exhibit 9: Global mobile data traffic pattern


Source: Company, Axis Capital

Innovative plans announced in Q4FY17

- ♦ **Jio Prime membership:** allowed unlimited benefits for a one-time enrolment fee of Rs 99. Within a month of announcing the Jio Prime Offer, >72 mn RJio customers signed up for Jio Prime. Has all unlimited (voice, SMS, data: 1 GB/2GB per day at 4G speed) benefits. Special offers for non-prime users to avail the benefits at Rs 409/608
- ♦ **Jio DhanDhanaDhanoffer:** plans start with the Rs 309 All Unlimited Plan, which provides unlimited SMS, calling and data (1GB per day at 4G speed) for 3 months on first recharge. The company also announced All Unlimited Plan for daily high data users offering unlimited SMS, calling and data (2GB per day at 4G speed) for 3 months on first recharge. Most affordable at Rs 309/ 509

Exhibit 10: RJio Media Apps


- More channels added; 432+ TV channels in 15 languages
- 7 day catch up TV
- Nearest other app with just over 200 channels



- 6,000+ movies; 1 Lakh+ episodes of TV; 60k+ Music Video; 7,000+ Short Videos
- Nearest other app with 3,000 movies and 800 TV shows
- Most differentiated functionalities



- More content added; over 15mn HD songs, spanning 20 Indian languages and international music
- Predictive engine among the best in the industry



- 500+ magazines (10,000+ issues) from 42 Publishers, 15+ categories & 10 languages
- Interactive videos and personalized annotations
- No other app with similar Indian content



- Customize reading experience by choosing from 10 Indian languages, 15+ interest areas and 500+ publications
- Save articles for reading later and even in offline mode

Source: Company

Network edge continues to get enhanced – targeting 95% population coverage this year

- ♦ RJio has the world's largest greenfield 4G LTE wireless broadband network, with >100K mobile towers. To add another 100K towers to the network in the coming months
- ♦ With over 100,000 radiating sites, backed by state-of-the-art, all IP network, LTE spectrum across 800MHz, 1800MHz and 2300MHz bands, and largest fiber footprint, RJio has the widest LTE coverage
- ♦ Mobile Video Network and capable of providing Voice over LTE technology. Can easily deploy 5G and beyond

Exhibit 11: 4.7x of entire Industry LTE MHz-cells (mn)

Jio*	13.46
Others	2.85

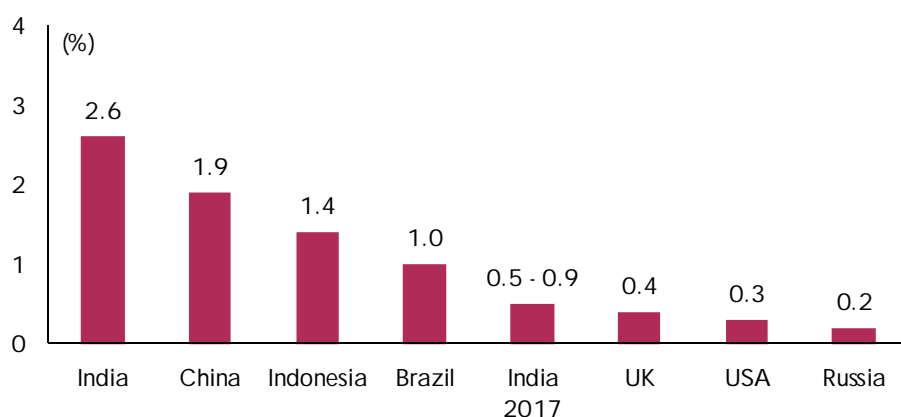
Source: Company; *Includes Jio small cells under implementation

Leveraging its marketing infrastructure

- ♦ Operations are fully digitized from onboarding through fulfillment
- ♦ Aadhar-based eKYC, activation under 5 mins
- ♦ Has over a million retail partners. Presence in 6,612 blocks/ tehsils in India
- ♦ Leveraged the Reliance Retail network and sold over 2.6 mn LYF and JioFi devices (Q3FY17: 2.8 mn). Launched LYF Jio Money Consumer Offer
- ♦ **JioFi**: Integrated online and offline network by offering subscribers the option of home delivery of device as well as SIM (in selected locations)

Promising Industry Prospects

Exhibit 12: Data tariffs in India compared to other markets



Source: Company

- ♦ India's digital economy is projected to double to ~USD 250 bn by 2020
- ♦ Industry experiencing availability of high 4G speeds, quality digital content and mass affordability. Industry to have 650 mn mobile internet user base by 2020 with 7-10GB data consumption per user per month

Connectivity revenue predominantly driven by wireless; expected to be in USD 45-55 bn range by 2020 (Rs 3-4 trn). Data to drive growth in industry revenue

Exhibit 13: RIL's net debt (Rs bn)

(Rs bn)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Gross debt	1,728	1,781	1,804	1,867	1,891	1,944	1,966
Cash & Cash Equivalent	857	917	900	908	825	763	772
Net debt	870	863	904	959	1,066	1,180	1,194

Source: Company, Axis Capital

Exhibit 14: Mar '18 SoTP value of Rs 1,600 per share implies 13% upside

		Valuation base		Multiple (x)		Enterprise Value	
	Matrix	Value	Multiple	Value (x)		(Rs bn)	(Rs/sh)
Cyclical businesses							
Refining	EBITDA (Rs mn)	353,003	EV/EBITDA	7.0		2,471	763
Petchem	EBITDA (Rs mn)	268,922	EV/EBITDA	7.0		1,882	581
Total (a)						4,353	1,344
E&P - producing fields							
Domestic fields	EBITDA (Rs mn)	24,671	EV/EBITDA	3.0		74	23
Shale gas (US)	Investment (Rs mn)	565,320	EV/Investment	25%		141	44
Total (b)						215	66
E&P - future							
Satellites fields*	Reserves (tcf)	2.20	EV/boe (\$/boe)	3.0		18	6
R-Series (D34)	Reserves (tcf)	1.61	EV/boe (\$/boe)	3.0		13	4
NEC-25	Reserves (tcf)	1.02	EV/boe (\$/boe)	3.0		8	3
CBM	Reserves (tcf)	1.39	EV/boe (\$/boe)	3.0		11	4
Total (c)						51	16
Investments							
Treasury stock	Number of shares (mn)	286	Market Price (disc.)	1,063		304	94
Retail	EBITDA (Rs mn)	13,679	EV/EBITDA	8.0		109	34
Telecom	Investment (Rs mn)	1,780,000	EV/Investment	1.0		1,780	549
SEZ	Investment (Rs mn)	28,000	EV/Investment	1.0		28	9
Total (d)						2,221	686
Enterprise Value (a+b+c+d)						6,841	2,111
Net Debt						1,651	510
Equity value						5,189	1,602

Source: Axis Capital

Financial summary (Consolidated)

Profit & loss (Rs bn)

Y/E March	FY16	FY17	FY18E	FY19E
Net sales	2,740	3,054	3,426	3,621
Other operating income	-	-	-	-
Total operating income	2,740	3,054	3,426	3,621
Cost of goods sold	(1,888)	(2,123)	(2,352)	(2,412)
Gross profit	852	931	1,074	1,210
<i>Gross margin (%)</i>	<i>31.1</i>	<i>30.5</i>	<i>31.4</i>	<i>33.4</i>
Total operating expenses	(435)	(469)	(517)	(560)
EBITDA	417	462	558	650
<i>EBITDA margin (%)</i>	<i>15.2</i>	<i>15.1</i>	<i>16.3</i>	<i>17.9</i>
Depreciation	(116)	(116)	(156)	(204)
EBIT	301	345	402	446
Net interest	(37)	(38)	(51)	(50)
Other income	75	94	90	98
Profit before tax	339	401	441	494
Total taxation	(89)	(102)	(112)	(126)
<i>Tax rate (%)</i>	<i>26.2</i>	<i>25.4</i>	<i>25.4</i>	<i>25.4</i>
Profit after tax	251	299	329	369
Minorities	2	(1)	(1)	(1)
Profit/ Loss associate co(s)	-	-	-	-
Adjusted net profit	253	298	328	368
<i>Adj. PAT margin (%)</i>	<i>9.2</i>	<i>9.8</i>	<i>9.6</i>	<i>10.1</i>
Net non-recurring items	46	-	-	-
Reported net profit	299	298	328	368

Balance sheet (Rs bn)

Y/E March	FY16	FY17	FY18E	FY19E
Paid-up capital	29	29	29	29
Reserves & surplus	2,407	2,704	3,031	3,398
Net worth	2,437	2,734	3,061	3,427
Borrowing	1,968	2,468	2,568	2,368
Other non-current liabilities	138	138	138	138
Total liabilities	4,576	5,374	5,802	5,970
Gross fixed assets	3,205	4,646	7,229	7,434
Less: Depreciation	(1,454)	(1,571)	(1,727)	(1,931)
Net fixed assets	1,751	3,075	5,502	5,503
Add: Capital WIP	2,605	2,033	30	30
Total fixed assets	4,355	5,108	5,532	5,533
Other Investment	-	-	-	-
Inventory	470	527	591	625
Debtors	49	54	61	64
Cash & bank	848	891	917	1,046
Loans & advances	249	280	314	332
Current liabilities	1,487	1,596	1,731	1,754
Net current assets	187	233	237	404
Other non-current assets	-	-	-	-
Total assets	4,576	5,374	5,802	5,970

Source: Company, Axis Capital

Cash flow (Rs bn)

Y/E March	FY16	FY17	FY18E	FY19E
Profit before tax	339	401	441	494
Depreciation & Amortisation	116	116	156	204
<i>Chg in working capital</i>	<i>469</i>	<i>(3)</i>	<i>22</i>	<i>(37)</i>
Cash flow from operations	889	413	507	535
<i>Capital expenditure</i>	<i>(1,124)</i>	<i>(869)</i>	<i>(580)</i>	<i>(205)</i>
Cash flow from investing	(1,124)	(869)	(580)	(205)
<i>Equity raised/ (repaid)</i>	<i>3</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Debt raised/ (repaid)</i>	<i>269</i>	<i>500</i>	<i>100</i>	<i>(200)</i>
<i>Dividend paid</i>	<i>(37)</i>	<i>(52)</i>	<i>(58)</i>	<i>(64)</i>
Cash flow from financing	239	448	42	(264)
Net chg in cash	5	(8)	(31)	66

Key ratios

Y/E March	FY16	FY17	FY18E	FY19E
OPERATIONAL				
FDEPS (Rs)	78.0	92.1	101.3	113.4
CEPS (Rs)	127.9	128.0	149.4	176.4
DPS (Rs)	9.6	13.8	15.2	17.0
Dividend payout ratio (%)	10.4	15.0	15.0	15.0
GROWTH				
Net sales (%)	(27.0)	11.5	12.2	5.7
EBITDA (%)	11.6	10.8	20.7	16.5
Adj net profit (%)	7.3	18.0	10.0	12.0
FDEPS (%)	7.3	18.0	10.0	12.0
PERFORMANCE				
RoE (%)	10.9	11.5	11.3	11.3
RoCE (%)	8.7	8.8	8.8	9.2
EFFICIENCY				
Asset turnover (x)	0.8	0.8	0.8	0.8
Sales/ total assets (x)	0.5	0.5	0.5	0.5
Working capital/ sales (x)	(0.2)	(0.2)	(0.2)	(0.2)
Receivable days	6.5	6.5	6.5	6.5
Inventory days	73.8	74.2	75.2	76.8
Payable days	96.2	98.3	98.4	97.4
FINANCIAL STABILITY				
Total debt/ equity (x)	0.8	0.9	0.9	0.7
Net debt/ equity (x)	0.5	0.6	0.6	0.4
Current ratio (x)	1.1	1.1	1.1	1.2
Interest cover (x)	8.2	9.0	7.9	9.0
VALUATION				
PE (x)	18.1	15.4	14.0	12.5
EV/ EBITDA (x)	13.7	13.3	11.2	9.1
EV/ Net sales (x)	2.1	2.0	1.8	1.6
PB (x)	1.9	1.7	1.5	1.3
Dividend yield (%)	0.7	1.0	1.1	1.2
Free cash flow yield (%)	(5.1)	(9.9)	(1.6)	7.2

Source: Company, Axis Capital

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, authors (Research team) and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associates do not have any material conflict of interest. I/we have not served as director, officer or employee in the subject company.

Research Team

Sr. No	Name	Designation	E-mail
1	Poonam Darade	Research Associate	poonam.darade@axissecurities.in
2	Pankaj Bobade	Research Analyst	pankaj.bobade@axissecurities.in

5. ASL or its associates has not received any compensation from the subject company in the past twelve months. ASL or its Research Analysts has not been engaged in market making activity for the subject company.

6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

- Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
- Managed or co-managed public offering of the securities from the subject company of this research report and / or;
- Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report

Term& Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkarMarg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582.