

Reliance Industries

BSE SENSEX	S&P CNX
36,374	10,905
Bloomberg	RIL IN
Equity Shares (m)	5,922
M.Cap.(INRb)/(USD\$b)	7186.4 / 101.2
52-Week Range (INR)	1329 / 872
1, 6, 12 Rel. Per (%)	0/1/19
12M Avg Val (INR M)	9056
Free float (%)	53.8

Financials & Valuations (consol.) (INR b)

Y/E March	2019E	2020E	2021E
Sales	5,572	6,537	6,767
EBITDA	779	932	1,039
NP	385	438	430
EPS (Rs)	65.0	74.0	72.6
EPS Growth (%)	6.6	13.9	-1.9
BV/Share (Rs)	553	618	682
RoE (%)	12.4	12.6	11.2
RoCE (%)	9.7	9.7	9.9

Valuations			
P/E (x)	17.5	15.3	15.6
P/BV (x)	2.1	1.8	1.7
EV/EBITDA (x)	10.7	8.4	7.2
EV/Sales (x)	1.5	1.2	1.1

Estimate change 

TP change 

Rating change 

CMP: INR1,134 TP: INR1,426 (+26%)

Buy

Refinery margin boosted by crude optimization, secondary units' performance

Reliance Industries' (RIL) 3QFY19 standalone EBITDA increased 12% YoY (-4% QoQ) to INR145b, below our estimate of INR149b, due to a lower-than-expected petrochem performance. GRM stood at USD8.8/bbl (our estimate: USD7.5/bbl) and throughput at 18.0mmt (our estimate: 17.5mmt). Standalone PAT grew 8% YoY (+1% QoQ) to INR89.3b (our estimate: INR87.4b). Consolidated EBITDA of INR213b (+21% YoY, +1% QoQ) was ahead of our estimate, driven primarily by a better-than-expected retail performance. Consolidated PAT stood at INR103.8b (our estimate: INR95.4b; +10% YoY, +9% QoQ).

- **Higher-than-expected GRM:** GRM stood at USD8.8/bbl, as against USD11.6/bbl in 3QFY18 and USD9.5/bbl in 2QFY19; throughput was at 18.0mmt (our estimate: 17.5mmt; -1% YoY, +8% QoQ). Premium over Singapore complex stood at USD4.5/bbl. GRM was higher than expected due to better crude optimization and optimal performance of all secondary units.
- **Petchem boosted by volumes:** Petchem EBIT grew 41% YoY (flat QoQ) to INR80b, primarily led by an increase in volumes. EBIT margin continued to shrink from 19.9% in 1QFY19 and 18.5% in 2QFY19 to 17.6% in 3QFY19. Production volumes were higher on account of ramp-up of ROGC.
- **Domestic E&P continues the downtrend:** MA field has stopped production. Gas production from KG D6 declined to 1.87mmscmd in the quarter. CBM production stood at 0.99mmscmd.
- **RJio – momentum intact:** Keeping pace with the strong subscriber run-rate (albeit marginally slowing), RJio's revenue grew 12% QoQ to INR103.8b (in-line), backed by steady 27.9m net subscriber adds (v/s 37.0m QoQ), partly offset by a marginal 1% QoQ decline in APRUs. EBITDA increased 13% QoQ to INR40.5b (in-line), despite a 23% QoQ jump in network cost, as operating leverage across other line items allowed it to improve EBITDA margin by 40bp to 39%. PAT surged 22% QoQ to INR8.3b (14% beat), driven by lower-than-expected depreciation and interest cost.

Valuation and view

- We expect Singapore GRM to average USD6/bbl, going forward. The weakness seen since the past few weeks, especially in gasoline, is likely to subside post winter with a revival of the driving season in the US.
- With its higher complexity and flexibility, RIL is expected to generate a higher GRM of ~USD11/bbl over FY20/21. We expect further delays in ramp-up of petcoke gasifiers.
- With coming up of more ethylene capacities, we expect global utilization to decline, going forward. The company expects the market to balance by 2020-21.

RJio: Equity value unchanged at INR255/share

- Given strong subscriber growth, high churn in incumbents' subscriber base and huge opportunity in the feature phone category, management clearly highlighted that there is limited reason to tinker with the price plans. We have subsequently factored in 12m monthly subscriber adds in 4QFY19 and a lower 6m in FY20 (reaching 387m in FY20). We have marginally increased our FY20 ARPU estimate to INR129 (prior: INR125), as Jiophone is attracting better ARPUs, according to management commentary.
- Our EBITDA estimates remain largely intact at INR229b/INR318b for FY20/21, assuming EBITDA margin reaching 49.2% by FY21, led by the 10pp benefit of access cost as the INR0.06/min IUC reaches sunset by Dec'19. However, we have revised down our FY20 PAT estimate by 10% owing to higher depreciation cost and interest cost as most of the investment has come on stream and management agreed that FY20 could see revision in depreciation policy to account for fixed asset tenure and higher asset base. Our DCF-based TP remains unchanged at INR255 with implied EV/EBITDA of 15/11x on FY20/21E.
- The company has already incurred capex of INR998b in 9MFY19 on a consolidated basis. There is no capex guidance for FY20. We raise our assumption from INR600b to INR1,200b for FY19. Decrease in cash results in lower other income and we cut our FY20 EPS estimate from INR86.6 to INR74. On FY20 basis, the stock trades at 15.3x and EV/EBITDA of 8.4x. In 9MFY19, the company has clocked consolidated PAT of INR294b v/s our FY19 estimate of INR385b. Our SOTP-based fair value stands at INR1,426/share. Maintain **Buy**.

Standalone - Quarterly Earning Model

Y/E March	FY18				FY19				FY18	FY19E	FY19	Var v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	642,170	685,320	732,560	840,370	911,590	961,670	1,000,960	1,034,595	2,900,420	3,908,815	871,344	14.9
YoY Change (%)	20.0	15.0	18.5	25.2	42.0	40.3	36.6	23.1	19.8	34.8	18.9	
Total Expenditure	526,280	555,490	595,120	706,120	760,050	812,750	855,890	903,143	2,383,010	3,331,833	721,886	18.6
EBITDA	115,890	129,830	137,440	134,250	151,540	148,920	145,070	131,452	517,410	576,982	149,458	-2.9
Margins (%)	18.0	18.9	18.8	16.0	16.6	15.5	14.5	12.7	17.8	14.8	17.2	
Depreciation	21,580	22,680	24,750	26,790	27,620	27,450	25,860	26,580	95,800	107,510	28,987	-10.8
Interest	7,880	13,140	10,940	14,600	21,380	24,170	24,050	18,818	46,560	88,418	18,934	27.0
Other Income	19,180	20,570	16,240	26,210	20,680	20,120	24,560	12,468	82,200	77,828	17,131	43.4
PBT	105,610	114,580	117,990	119,070	123,220	117,420	119,720	98,523	457,250	458,883	118,669	0.9
Tax	23,650	31,930	33,450	32,100	35,020	28,830	30,440	26,002	121,130	120,292	31,320	-2.8
Rate (%)	22.4	27.9	28.3	27.0	28.4	24.6	25.4	26.4	26.5	26.2	26.4	
Adj PAT	81,960	82,650	84,540	86,970	88,200	88,590	89,280	72,520	336,120	338,590	87,350	2.2
YoY Change (%)	8.6	7.3	5.4	6.7	7.6	7.2	5.6	-16.6	7.0	0.7	3.3	
Margins (%)	12.8	12.1	11.5	10.3	9.7	9.2	8.9	7.0	11.6	8.7	10.0	
Key Assumptions												
Refining throughput (mmt)	17.5	18.1	17.7	16.7	16.6	17.7	18.0	17.5	70.0	69.8	17.5	2.9
GRM (USD/bbl)	11.9	12.0	11.6	11.0	10.5	9.5	8.8	9.3	11.6	9.5	7.5	18.1
Petchem EBITDA/tonne (USD/MT)	329.0	355.4	380.1	382.1	447.0	408.1	379.5	350.0	361.6	396.1	462.0	-17.9
Petchem volumes (mmt)	2.4	2.6	2.8	3.1	3.1	3.3	3.5	3.0	10.9	12.9	3.0	16.9

E: MOSL Estimates

Consol. - Quarterly Earning Model

(INR M)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	834,710	914,810	998,100	1,169,150	1,287,560	1,433,230	1,563,970	1,286,928	3,916,770	5,571,688
YoY Change (%)	28.4	20.1	25.7	37.8	54.3	56.7	56.7	10.1	28.3	42.3
EBITDA	125,540	155,650	175,880	184,690	206,610	211,080	213,170	148,429	641,760	779,289
Margins (%)	15.0	17.0	17.6	15.8	16.0	14.7	13.6	11.5	16.4	14.0
Depreciation	30,370	42,870	45,300	48,520	51,730	52,290	52,370	49,017	167,060	205,407
Interest	11,190	22,720	20,950	25,660	35,500	39,320	41,190	24,826	80,520	140,836
Other Income	32,250	23,310	22,180	22,030	17,780	12,500	24,600	52,281	99,770	107,161
PBT	116,230	113,370	131,810	132,540	137,160	131,970	144,210	126,867	493,950	540,207
Tax	25,440	32,400	37,750	37,870	42,410	36,490	40,690	36,611	133,460	156,201
Rate (%)	21.9	28.6	28.6	28.6	30.9	27.7	28.2	28.9	27.0	28.9
Reported PAT	90,790	80,970	94,450	94,590	94,850	95,490	103,760	90,255	360,800	384,685
YoY Change (%)	28.3	12.8	25.5	17.5	4.5	17.9	9.9	-4.6	20.9	6.6
Margins (%)	10.9	8.9	9.5	8.1	7.4	6.7	6.6	7.0	9.2	6.9
Key assumptions										
Refining throughput (mmt)	17.5	18.1	17.7	16.7	16.6	17.7	18.0	17.5	70.0	69.8
GRM (USD/bbl)	11.9	12.0	11.6	11.0	10.5	9.5	8.8	9.3	11.6	9.5
Petchem sales (mmt)	2.4	2.6	2.8	3.1	3.1	3.3	3.5	3.0	10.9	12.9
Petchem (EBITDA/mt)	329	355	380	382	447	408	379	350	362	396

Exhibit 1: RIL segment-wise performance snapshot (standalone)

In INR b	FY17				FY18				FY19			3QFY19 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Segmental Revenues													
Petchem	194	213	217	252	241	268	325	368	390	430	453	39.3	5.4
Refining	489	518	532	639	589	593	638	743	814	815	889	39.3	9.1
Oil & Gas	8	7	6	7	6	8	8	6	8	7	6	-19.8	-18.1
Others	2	3	3	3	3	3	3	4	3	5	4	11.4	-29.1
Total	694	741	758	901	839	872	974	1121	1214	1257	1352	38.8	7.5
Segmental EBITDA													
Petchem	38	44	44	45	51	59	69	77	92	95	96	39.9	1.3
Refining	74	67	70	74	71	73	69	64	61	61	58	-14.9	-4.0
Oil & Gas	3	3	1	3	1	2	5	3	5	4	5	8.0	32.7
Total	115	114	114	122	123	134	142	145	158	160	160	12.3	0.0
EBITDA Margin (%)													
Petchem	19.6	20.8	20.1	17.8	21.0	22.0	21.1	21.0	23.6	22.0	21.2		
Refining	15.1	13.0	13.1	11.5	12.1	12.3	10.8	8.6	7.5	7.5	6.6		
Oil & Gas	44.4	37.7	16.4	44.1	17.9	26.8	62.9	54.4	64.7	52.3	84.7		
Total	16.6	15.4	15.1	13.5	14.6	15.4	14.6	12.9	13.0	12.7	11.8		
Segmental EBIT													
Petchem	29	35	34	35	40	49	57	63	77	80	80	41.2	0.2
Refining	66	59	61	63	64	65	61	56	52	52	49	-18.6	-4.1
Oil & Gas	0	0	-1	-1	-2	-1	-1	-4	-2.5	-1.9	1.2	-230.8	-164.0
Others	1	1	1	1	1	1	1	1	0	0	0	-63.3	633.3
Total	96	95	95	98	103	115	118	116	128	130	131	11.4	1.2
EBIT Margin (%)													
Petchem	14.9	16.3	15.5	13.7	16.5	18.3	17.4	17.2	19.9	18.5	17.6		
Refining	13.4	11.4	11.5	9.8	10.8	11.0	9.5	7.5	6.4	6.3	5.6		
Oil & Gas	6.1	3.4	-20.1	-11.5	-39.7	-12.6	-12.1	-68.0	-32.5	-25.3	19.7		
Total	13.9	12.8	12.5	10.8	12.2	13.2	12.1	10.4	10.5	10.3	9.7		
Operating Metrics													
Refining (USD/bbl)													
RIL GRM	11.5	10.1	10.8	11.5	11.9	12.0	11.6	11.0	10.5	9.5	8.8	-24.1	-7.4
Singapore GRM	5.0	5.1	6.7	6.4	6.4	8.3	7.3	7.0	6.0	6.1	4.3	-41.1	-29.5
Premium	6.5	5.0	4.1	5.1	5.5	3.7	4.3	4.0	4.5	3.4	4.5	4.7	32.4
Refinery Thr'put (mmt)	16.8	18.0	17.8	17.5	17.5	18.1	17.7	16.7	16.6	17.7	18.0	1.7	1.7
Utilization (%)	108	116	115	113	113	117	114	108	107	114	116		
Petrochemicals													
Polymer (TMT)	1146	1186	1054	1069	978	1186	1273	1466	1421	1408	1489	17.0	5.8
Polyester (TMT)	513	594	597	580	664	600	624	702	715	740	697	11.7	-5.8
Polyester Int. (TMT)	1533	1739	1735	1885	2242	2228	2347	2527	2504	2754	2854	21.6	3.6
E&P													
Gross Oil Prodn (tmt)													
PMT	231	211	201	196	180	191	180	177	151	149	145	-19.3	-2.7
KG-D6	43	39	41	47	31	25	25	23	19	15	0	-100	-100
Total	274	251	242	243	211	216	205	201	171	164	145	-29.0	-11.6
Gross Gas Prodn (mmscmd)													
PMT	5.3	4.7	4.9	4.6	4.6	5.3	4.7	4.7	4.3	4.0	4.1	-13.3	2.5
KG-D6	8.7	7.7	7.5	7.4	6.4	5.5	5.0	4.3	4.1	3.7	1.9	-62.5	-49.5
Total	14	12	12	12	11	11	10	9	8	8	6	-38.5	-22.5
Shale prod. (bcfe)	44.5	41.4	37.5	39.1	34.7	33.5	32.4	34.7	23.8	21.2	20.9	-35.5	-1.4

Source: Company, MOSL

Key takeaways from analyst meet

Refining & marketing: GRM of USD8.8/bbl

- GRM of USD8.8/bbl v/s USD11.6/bbl in 3QFY18 and USD9.5/bbl in 2QFY19.
- GRM was better than expected due to better crude optimization and optimal performance of all secondary units.
- 1,355 ROs operational.
- Sales volume MS +25% YoY, HSD +10% YoY.
- Against incremental demand of 1.3/1.4mnbopd in CY18/19, refining addition to stands at 0.8/2.0mnbopd.
- Gasoline cracks are low because of lower demand growth from China and India, high product inventories and seasonally weak demand in the US.
- Yield shift during implementation of IMO 2020 to help refining margins.

Petrochem: Production volumes up

- Highest ever production: QoQ- PE- 10%, PP- 9%, PX- 3%, PTA- 4%, MEG- 5%.
- Total prod at 9.7mmt.
- Strong polymer chain deltas – PE (+6% QoQ), PP (+20% QoQ); decline in naphtha prices supported cracker margins.
- PVC margin softened due to strong EDC prices.
- Polymer demand up 2% YoY in 3QFY19.
- Integrated polyester margin shrank QoQ due to slower growth in China.
- Domestic polyester demand was down 8% YoY.

E&P: R-series by 2020

- R-cluster progress as planned – drilling completed for two out of six wells.
- Satellite cluster development – all major orders have been committed.
- Bid evaluation for FPSO for MJ under progress.

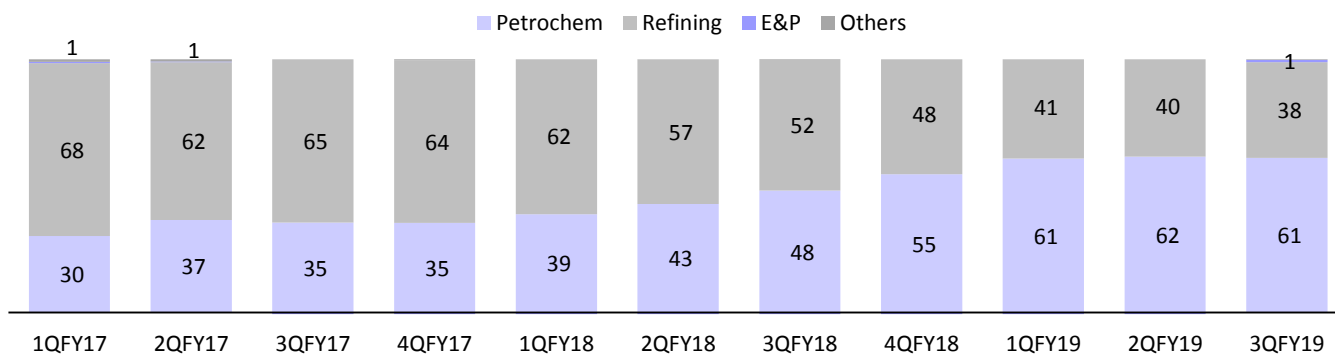
Reliance Retail: 9,907 stores with 20.6m sq. ft. of area

- Revenue stood at INR356b (+89% YoY) and EBITDA at INR16.8b (+177% YoY) in the quarter.
- Operates 514 petro outlets.

Miscellaneous

- Gross debt of INR2,744b: RIL standalone INR1,270b, Jio INR910b, RIL USA INR360b and Retail INR100b.
- Capex of INR270b in 3QFY19; INR140b on Jio, INR70b on RIL standalone, INR20b in USA, INR20b in retail.

Exhibit 2: Refining share in overall standalone EBIT stood at ~38% in 3QFY19



Source: Company, MOSL

Growth momentum continues unabated

Tower and Fiber assets likely to spin off in InvIT models

EBITDA up 13% QoQ

Keeping pace with the strong subscriber run-rate (albeit marginally slowing), RJio's revenue grew 12% QoQ to INR103.8b (in-line), backed by steady 27.9m net subscriber adds (v/s 37.0m QoQ), partly offset by a marginal 1% QoQ decline in APRUs. EBITDA at INR40.5b was up 13% QoQ (in-line), despite a 23% QoQ jump in network cost as operating leverage across other line items allowed it to improve EBITDA margin by 40bp to 39%. PAT surged 22% QoQ to INR8.3b (14% beat), driven by lower-than-expected depreciation and interest cost.

Subscriber adds robust yet relatively low

During the quarter, the company added 27.9m net subscribers, taking the total count to 280.1m; gross adds stood at 32.7m. We estimate about 61m Jiophone subscribers, with 18m adds during the quarter. The drop in monthly subscriber add run-rate from 12.3m to 9.3m QoQ was attributed to the transition of e-KYC process to new digital on-boarding platform, which created hiccups in the distribution channel. However, management indicated that things have normalized and expects growth momentum to be regained soon. Monthly subscriber churn remains moderate at 0.61% v/s 0.66% QoQ. ARPU fell marginally by 1% QoQ to INR130, mainly due to higher offtake of the Monsoon Hungama offer – INR99 price plan. Yet, RJio's ARPU is far higher than incumbents – Bharti and Vodafone Idea's 3QFY19 estimated ARPU of INR104 and INR92, respectively, given their higher share of low-ARPU feature phone subscribers.

Data/Voice traffic reaching new high; capex spirals

Total wireless data traffic increased 12% QoQ to 8.6b Gb; usage per sub per month, however, fell marginally by 2% to 10.8Gb. As per TRAI, RJio continues garnering a lion's share - ~71% of the total industry 4G data traffic as of 2QFY19. Overall voice traffic grew at a much faster pace (~19% QoQ growth to 634b min), implying increasing share of on-net traffic. Total capex in 3QFY19/9MFY19 stood at INR140b/INR466b. Management indicated that it should conclude wireless coverage capex by March-May'19 (before the monsoons) and subsequently only incur capacity capex within the wireless segment. We expect FY19 capex of INR598b, which should come down significantly to INR250b in FY20.

Asset spin-off – a googly!! Open to share tower, fiber assets

RJio announced the hive off of its tower and fiber assets into a separate entity by 4QFY19. Management indicated that it is willing to cede majority stake in the entity in a structure that could be in the form of an InvIT where investors interested in low-risk, long-term annuity cashflows could be tapped. Further, it indicated that given its scale and credence, it should get investors at low hurdle rates. Surprisingly, for the first time, management agreed to sharing infrastructure with peers at market-linked rates in comparison to its earlier stand of independently building and operating fiber, tower assets to drive competitive advantage in the market. However, management reiterated that it may continue to keep control and provide the assets at market-linked rates, thereby retaining price competitiveness and network superiority in the market. Through this move, RJio plans to hive off a sizeable portion of asset heavy business to create a lean balance sheet structure for core

Aliasgar Shakir

(aliasgar.shakir@motilaloswal.com)
02271985423

Hafeez Patel

(Hafeez.Patel@motilaloswal.com)
02250362611

digital business and deleverage the balance sheet. However, it is yet unclear how it could retain network and price competitiveness despite ceding majority control in the entity.

Unlikely to take ARPU increase; could be a good deleveraging opportunity

Post the sharp ARPU correction about 12 months ago, ARPUs have now stabilized at the current level of INR130, with both smartphone and Jiophone plans seeing limited price actions, thus bringing thoughts of ARPU increase. However, we see limited possibility of the same given (a) unabated strong subscriber run-rate of 9m in 3QFY19, offering healthy growth avenue and requiring limited alternatives to grow. (b) peers – Vodafone Idea's weak leverage and network position has led to significant subscriber churn lately and any increase in ARPU would provide oxygen to recover. If RJio is able to raise about 25-30% of the net debt position and reduce the huge balance sheet size of INR2.9t, it could provide a strong cushion against any ARPU increase requirements. (c) The asset (tower, fiber) hive off could address its own issue of high leverage and bloated balance sheet to some extent without taking any ARPU correction.

Expect subscriber growth to remain priority over ARPUs

Given the strong subscriber growth, high churn seen in incumbents' subscriber base and huge opportunity in the feature phone category, management clearly highlighted that there is limited reason to tinker with the price plans. We have subsequently factored 12m monthly subscriber adds in 4QFY19 and reducing to 6m in FY20 (reaching 388m in FY20). We have marginally increased our ARPU estimate for FY20 to INR129 (vs INR125 earlier) as Jiophone is attracting better ARPUs, as per management commentary.

RJio equity value unchanged at INR255/share

Our EBITDA estimates remain largely intact at INR224b/INR318b for FY20/21, assuming EBITDA margin reaching 49.2% by FY21, led by the 10pp benefit of access cost as the INR0.06/min IUC reaches sunset by Dec'19. However, we have revised down our FY20 PAT estimate by 10% owing to higher depreciation cost and interest cost as most of the investment has come on stream and management agreed that FY20 could see revision in depreciation policy to account for fixed asset tenure and higher asset base. Our DCF-based TP remains unchanged at INR255 with implied EV/EBITDA of 15/11x on FY20/21E.

RJio analyst meet takeaways

Key takeaways

- Management hinted that given the current healthy subscriber growth levels, it sees no reason to tinker around with the price plans.
- Mobile business is nearing its end of investment cycle, post which Jio will only be incurring capex for capacity and to decongest network.
- For hive off of Jio Digital Fiber Pvt Ltd and Reliance Jio Infratel Pvt Ltd, RJio would look for investors interested in long term annuity cash flows and would also be open to cede majority stake in the entity.
- Management alluded that it is willing to share infrastructure (tower and fiber) with peers at market-linked rates.

- Jio is closer to the commercial launch of JioGiga Fiber, connecting homes in 1400 cities. However, no firm dates were indicated by management on the commercial launch.

3QFY19 performance

- Subscriber base reached 280m mark. Gross subscriber adds stood at 32.7m, while net adds stood at 27.9m.
- Jio commands 71% of 4G data traffic share, as per 2QFY19 TRAI data.
- Total data traffic for the quarter stood at 8.6b GB with usage of 10.8GB/sub/month. Monthly data traffic has increased from 1.5 exabyte (Dec'17) to 3.1 exabyte (Dec'18).
- Total voice traffic stood at 634b min with consumption of 794min/sub/month. The increase in traffic is on the back of higher share of on-net calls.
- ARPU at INR130 saw a marginal decline. Higher offtake of INR99 price plan (for 6 months) under the Monsoon Hungama offer has impacted the overall ARPU mix.
- Other expenses are down 18% QoQ, impacted largely due to forex fluctuation.
- Shift in eKYC norms, transition to the new digital on-boarding process impacted subscriber growth for about 15-20 days and that the revenue growth could have been better if there was no such disruption. However, management hinted that the business is back to normal and that earlier subs growth rate can be sustained.
- RJio is gaining subscriber market share – estimated 23.9% as at Dec'18 v/s 21.6% as at Sept'18.
- Management highlighted that it is witnessing an increase in the MNP count, implying that customers are now using Jio as their primary simcard.
- Jiophone users are data heavy subs with about 8-9Gb/month consumption and are gradually upgrading their use. High data consumption of 10.8Gb/sub/month is happening across customer and device segments, and there may be not more than 10-15% variation across various segments.
- Video consumption accounts for over 70% of the total data consumption. Management believes that consumption levels, despite increasing, are just scratching the surface in terms of network capacity and utilization levels. Rest of the consumption is toward Ecommerce and social media.
- Mix of Jiophone and smartphone adds is stable since last 5-6 months.
- RJio commands 70% of the incremental smartphone market share. Also the Jiophone adds has been healthy.
- INR49 price plan is good to get customers on-board, who later migrate to higher plans.

Jio apps

- Jio apps are being upgraded with additional functions like ecommerce and loyalty program. Some of the features are selectively rolled out in beta version.
- Jio Cinema app has been loaded with exclusive web originals (own as well as from tie-up with production houses) to improve data consumption and increase customer stickiness.
- Management hinted that there will be more to hear in the coming days on Jio Chat and Jio money.

- JioSaavn – the new app combines music services of Jio Music and Saavn. This includes new original content releases, programmatic ad deals, etc

Network Investments

- Carrier aggregation, small cell, IBS etc. technologies are being deployed for better coverage and capacity.

Capex

- Management alluded that the mobile business is nearing the end of investment cycle and thus expenses are now getting booked in the business.

FTTH:

- Based on customer interest, JioGiga Fiber is connecting homes across 1,400 cities.
- Jio is connecting homes on trial basis and is closer to the commercial launch of JioGiga Fiber. However, no firm dates were indicated by management on the commercial launch.
- More importantly, Jio is building the last mile connectivity so that the subscription can be bulked up once the commercial launch is done.
- IOT Home solutions from Jio will include an array of services ranging from voice assist, home automation, security, smart safety and kids/elder care etc. This will not just give plain vanilla offerings but many other offerings as required by the customer.
- Acquisition of Den Networks Ltd and Hathway Cable and Datacom Ltd by RIL is awaiting regulatory approvals. Post CCI approval will work on go to market strategy.

Transfer of Fiber and Tower undertaking

- Post the transfer of fibre assets to Jio Digital Fibre Pvt Ltd, RJio could act as an anchor tenant and will continue using the assets. Management will provide further updates by next meeting post the proposed scheme of merger date on 31st March'19.
- Management indicated that Jio will not build tower and fiber once the proposed transfer is done.
- Company would look for investors interested in long-term annuity cashflows and would also be open to cede majority stake in the Jio Digital Fiber Pvt Ltd and Reliance Jio Infratel Pvt Ltd.
- Management alluded that it is willing to share infrastructure (tower and fiber) with peers at market-linked rates.
- After the merger scheme is approved, site related data will start getting disclosed.

Outlook:

- Management hinted that given the current subscriber growth levels, it sees no reason to tinker around with the price plans. Besides, there are other alternative monetization plans that could see some improvements.

- Operational efficiency and alternative revenue streams would drive strong operating leverage. Further, EBITDA margin should see further improvement as the network gets stabilized and investment cycle concludes.
- Depreciation rate for the 3QFY19 was based on the full year rate (parameters for which were earlier fixed). However, in FY20, depreciation is expected to increase.
- Coverage of the mobility business is closer to reaching 99% of population, which is driving capex. Management expects that the 99% coverage targets should be met by March-May'19, post which Jio will only be incurring capex for capacity and to decongest network in places where there are issues.
- Jio's network is 5G ready. Whenever the spectrum/technology is available and prices become sensible, it will explore the opportunity. Additionally, there are different alternatives of giving the services – through Wifi, Fiber.

Exhibit 3: RJio - DCF valuation (INR b)

Particulars	FY19E	FY20E	FY21E	FY22E	FY23-30E
EBITDA	153	230	318	349	3,640
Capex	598	250	148	148	768
FCFF (pre-tax)	-445	-20	170	201	2,872
Tax	-16	-17	-9	-23	-727
FCFF (post tax)	-461	-37	161	178	2,145
Terminal Value					5,343
Cashflow after Terminal Value	-461	-37	161	178	7,488
NPV (INR b)	3,541				

Particulars	
Terminal growth rate	4%
Enterprise value (INR b)	3,541
Net debt (INR b)	1,893
Equity value (INR b)	1,648
No of shares (b)	6.5
Target price (INR)	255

Source: Company, MOSL

Exhibit 4: RJio - Quarterly earnings model (INR m)

Y/E March	FY18				FY19				FY18	FY19E	3Q FY19E	Est. Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Revenue	0	61,471	68,794	71,280	81,091	92,400	1,03,830	1,15,110	2,01,545	3,92,430	1,04,979	-1.1
YoY Change (%)		NA	NA	NA	NA	50.3	50.9	61.5	NA	94.7	53	
Total Expenditure	315	47,053	42,524	44,349	49,630	56,680	63,310	69,825	1,34,240	2,39,446	63,939	-1.0
EBITDA	-315	14,418	26,270	26,931	31,460	35,720	40,520	45,284	67,304	1,52,985	41,040	-1.3
Margins (%)	NA	23.5	38.2	37.8	38.8	38.7	39.0	39.3	33.4	39.0	39	-30
Depreciation	12	11,839	11,926	11,988	14,394	15,310	16,840	18,805	35,765	65,349	18,305	-8.0
Finance Cost	1	6,734	6,638	7,113	7,676	9,960	10,910	12,386	20,486	40,932	11,551	-5.5
Other Income	3	17	12	7	14	10	10	0	39	34	0	-
PBT	-325	-4,138	7,718	7,837	9,405	10,460	12,780	14,093	11,091	46,738	11,184	14.3
Tax	-113	-1,432	2,674	2,732	3,286	3,650	4,470	4,933	3,862	16,339	3,914	
Rate (%)	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	0	
PAT	-213	-2,706	5,044	5,104	6,119	6,810	8,310	9,161	7,230	30,400	7,270	14.3
Margins (%)	NA	-4.4	7.3	7.2	7.5	7.4	8.0	8.0	3.6	7.7	7	
YoY Change (%)	NA	NA	NA	NA	NA	NA	65%	79%	LP	320%	0	

Source: MOSL, Company

Exhibit 5: QoQ financial performance (INR m)

Particulars	3QFY18	2QFY19	3QFY19	YoY%	QoQ%	3QFY19E	Var (%)
Revenue from operations	68,794	92,400	1,03,830	50.9	12.4	1,04,979	-1.1
Operating expenses	42,524	56,680	63,310	48.9	11.7	63,939	-1.0
EBITDA	26,270	35,720	40,520	54.2	13.4	41,040	-1.3
EBITDA margin (%)	38.2	38.7	39.0	84bps	37bps	39.1	-7bps
Depreciation and amortization	11,926	15,310	16,840	41.2	10.0	18,305	-8.0
EBIT	14,344	20,410	23,680	65.1	16.0	22,735	4.2
EBIT margin (%)	20.9	22.1	22.8	196bps	72bps	21.7	115bps
Finance Costs	6,638	9,960	10,910	64.4	9.5	11,551	-5.5
Other income	12	10	10	-18.7	0.0	0	-
Profit before Tax	7,718	10,460	12,780	65.6	22.2	11,184	14.3
Tax	2,674	3,650	4,470	67.1	22.5	3,914	14.2
Tax rate (%)	34.6	34.9	35.0	33bps	8bps	35.0	-2bps
Profit after Tax	5,044	6,810	8,310	64.8	22.0	7,270	14.3

Source: MOSL, Company

Exhibit 6: RJio: KPI comparison

Particulars	3QFY18	2QFY19	3QFY19	YoY%	QoQ%	3QFY19E	Var (%)
Subscribers (m)	160.1	252.3	280.1	75.0	11.0	289.8	-3.3
Net subs adds	21.5	37.0	27.8	29.3	-24.9	37.5	-25.9
Gross sub adds	27.8	41.7	32.7	17.6	-21.6		
ARPU (INR/sub/month)	154	132	130	-15.3	-1.3	129	0.7
Total wireless Data traffic (cr GB)	430	771	864	100.9	12.1	1,028	-15.9
Wireless Data traffic per sub (GB/mth)	9.6	11.0	10.8	12.7	-1.6	12.6	-14.4
Voice on Network (b min)	311	534	634	103.8	18.8	619	2.5
Voice consumption per sub (min/mth)	694	761	794	14.4	4.3	761	4.3

Source: MOSL, Company

Exhibit 1: RJio: Pro forma sources and application of funds

Sources of Fund	INR b	Application of funds	INR b
Equity	1,030	Fixed assets (incl. CWIP)	2,614
Debt	910	Other assets	176
Capex creditors	640		
Deferred spectrum liabilities	210		
Total	2,790	Total	2,790

Source: Company, MOSL

Exhibit 2: RJio: Pro forma cash flow working

Particulars	INR b
EBITDA	41
Add: Deprec	17
Less: Tax	4
Proforma Cash from operations	53
Capex	-140
Interest paid	-11
FCF	-98

Source: MOSL, Company

Exhibit 7: ARPU reconciliation

Subscriber category	Revenue (INR m)	Average subs (m)	ARPU (INR)
Smartphone Subs	87,954	214.2	137
Jiophone Subs	15,592	52.0	100
Prime Subscription	272	32.9	8
Total Subscribers	1,03,818	266.2	130

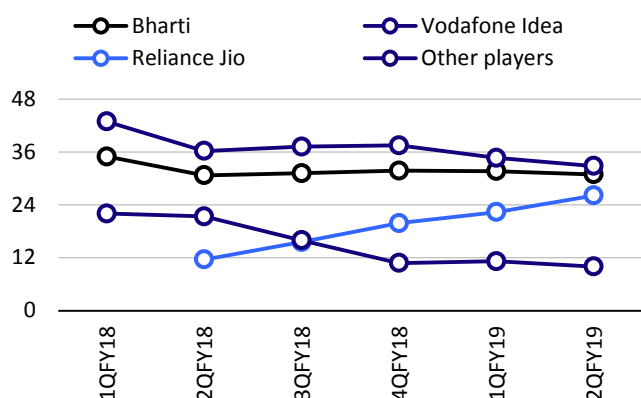
All nos are net of GSTSource: MOSL, Company

Exhibit 8: Subscriber category

(m)	3QFY19
Subscribers	280.1
Net Adds	27.8
Churn	0.61%
Gross Subscriber adds	32.9
Smartphone adds	15.0
Jiophone Subs	17.9

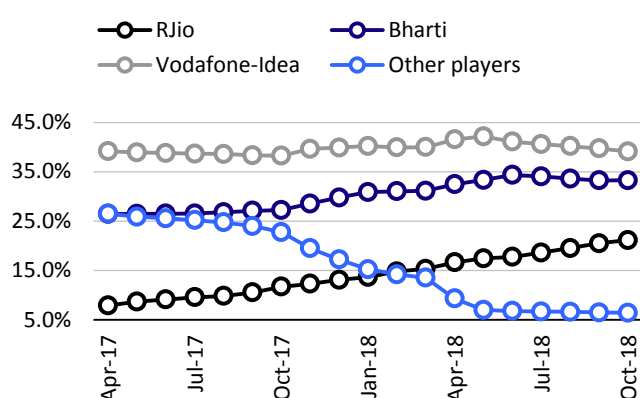
Source: Company, MOSL

Exhibit 9: RJio’s revenue market share (incl. NLD) stands at 26% as on Sept-18 (%)



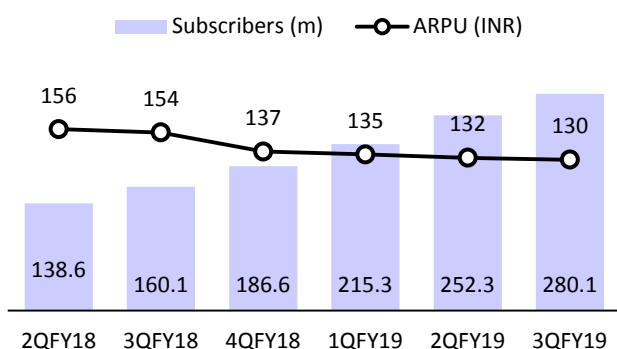
Source: TRAI, MOSL

Exhibit 10: RJio’s active subscriber market share stands at 21% as on Oct-18 (%)



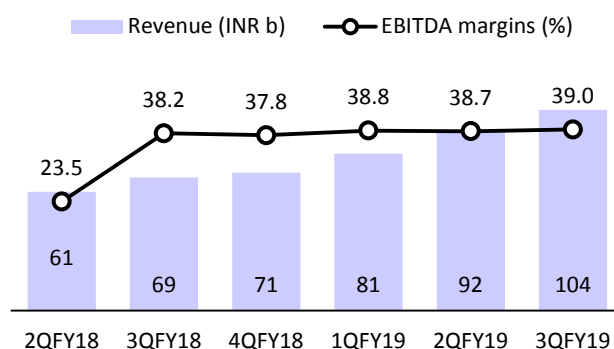
Source: TRAI, MOSL

Exhibit 11: RJio: Subscriber base increasing continually



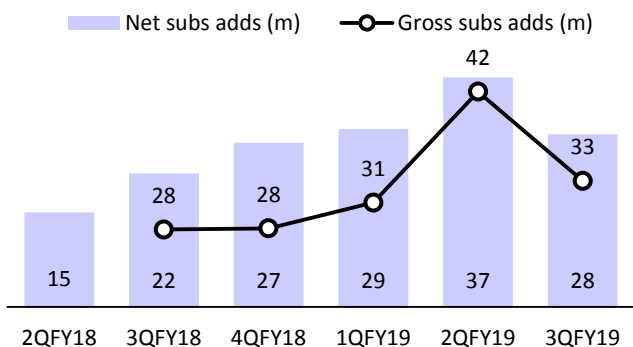
Source: MOSL, Company

Exhibit 12: RJio: EBITDA margins steady at 38-39% (%)



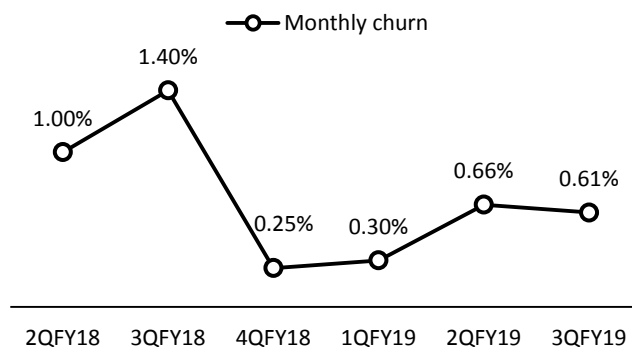
Source: MOSL, Company

Exhibit 13: RJio: Gross and net subscriber adds increasing QoQ (m)



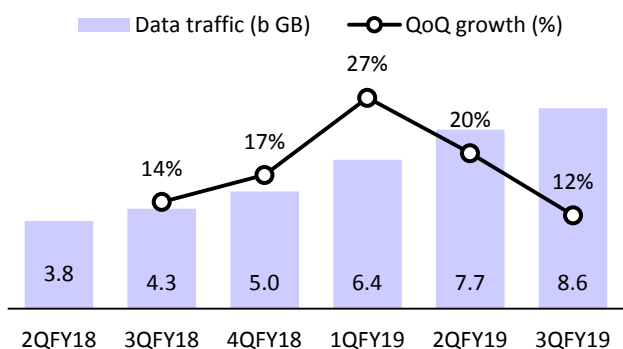
Source: MOSL, Company

Exhibit 14: RJio: Monthly churn at 0.61%



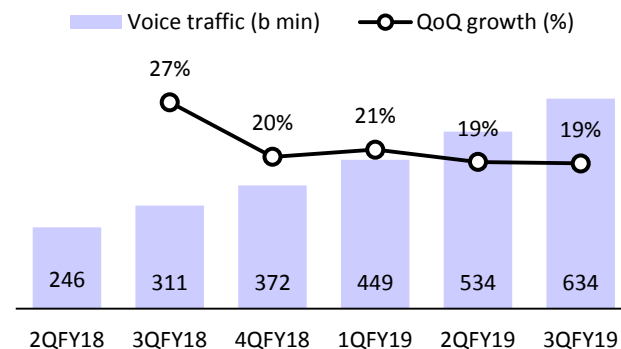
Source: MOSL, Company

Exhibit 15: RJio: Data traffic burgeoning



Source: MOSL, Company

Exhibit 16: RJio: Voice traffic grew 19% QoQ in 3QFY19



Source: MOSL, Company

Exhibit 17: RJio's prepaid price plans (INR)

	49*	98**	99*	149	153*	198	299	349	398	399	448	449	498
Validity (days)	28	28	28	28	28	28	28	70	70	84	84	91	91
Effective mthly ARPU (post GST)	43	86	87	131	125	174	263	123	140	117	131	121	135
GB (daily)	0.04	0.07	0.50	1.5	1.5	2.0	3.0	1.5	2.0	1.5	2.0	1.5	2.0

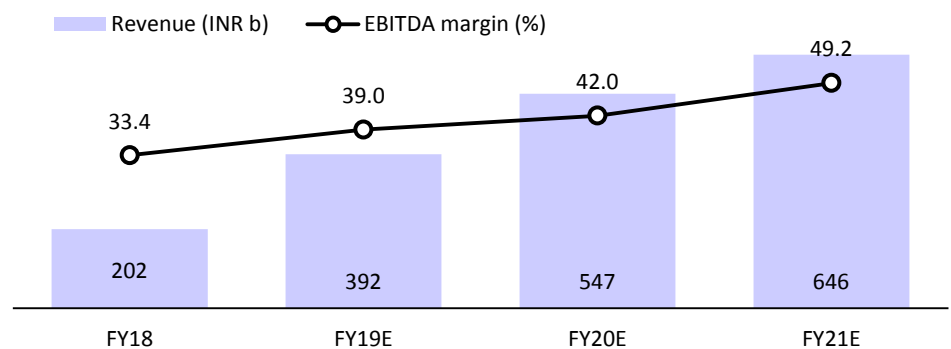
*Jiophone plans; **Data for 28 days Source: MOSL, Company

Exhibit 18: RJio: Summary of estimate change

	FY19E	FY20E
Revenue (INR b)		
Old	396	536
Actual/New	392	547
Change (%)	-0.8	2.0
EBITDA (INR b)		
Old	155	224
Actual/New	153	230
Change (%)	-1.1	2.7
EBITDA margin (%)		
Old	39.1	41.7
Actual/New	39.0	42.0
Change (bp)	-13bps	28bps
Net Profit (INR b)		
Old	28	34
Actual/New	30	31
Change (%)	6.7	-9.9
EPS (INR)		
Old	0.6	0.8
Actual/New	0.7	0.7
Change (%)	6.7	-9.9

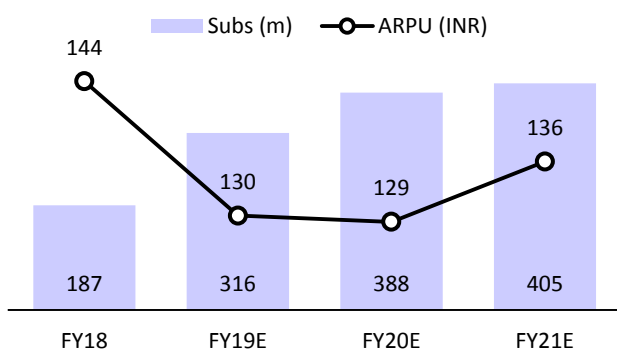
Source: MOSL, Company

Exhibit 19: RJio: Revenue and EBITDA margin to expand



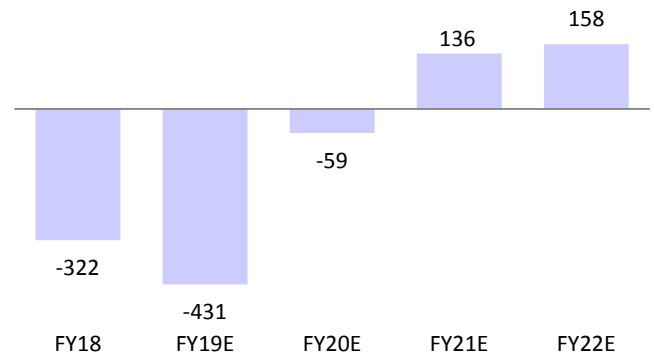
Source: MOSL, Company

Exhibit 20: ARPU recovery to be prolonged



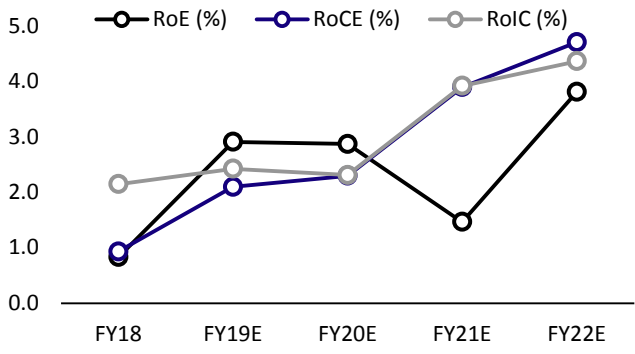
Source: MOSL, Company

Exhibit 21: FCF generation in two years (INR b)



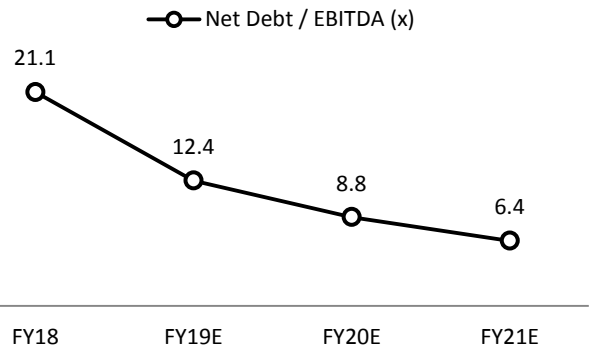
Source: MOSL, Company

Exhibit 22: RJio: Return ratios to rise (%)



Source: Company, MOSL

Exhibit 23: RJio: Net debt to EBITDA to decline (x)



Source: Company, MOSL

REFINING: Sequentially lower GRM and throughput

GRM at USD8.8/bbl v/s benchmark GRM of USD4.3/bbl

Exhibit 24: RIL's premium over benchmark stood at USD4.5/bbl in 3QFY19

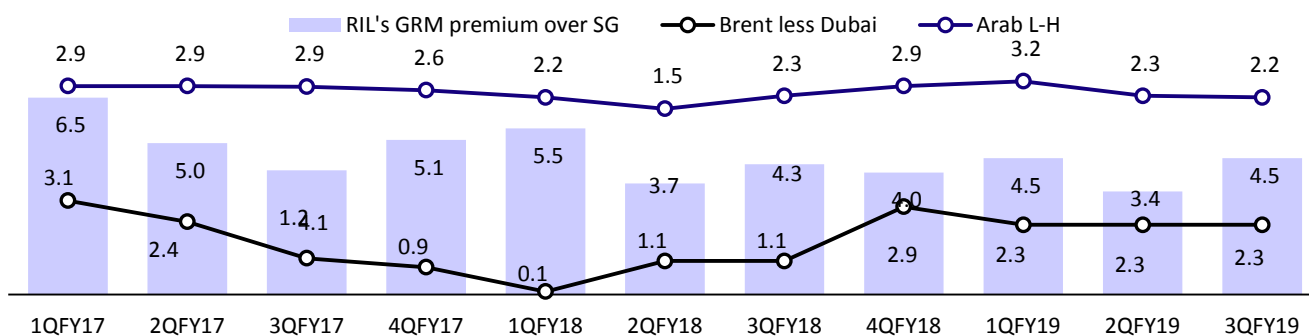


Exhibit 25: Standalone refining EBIT declined YoY/QoQ

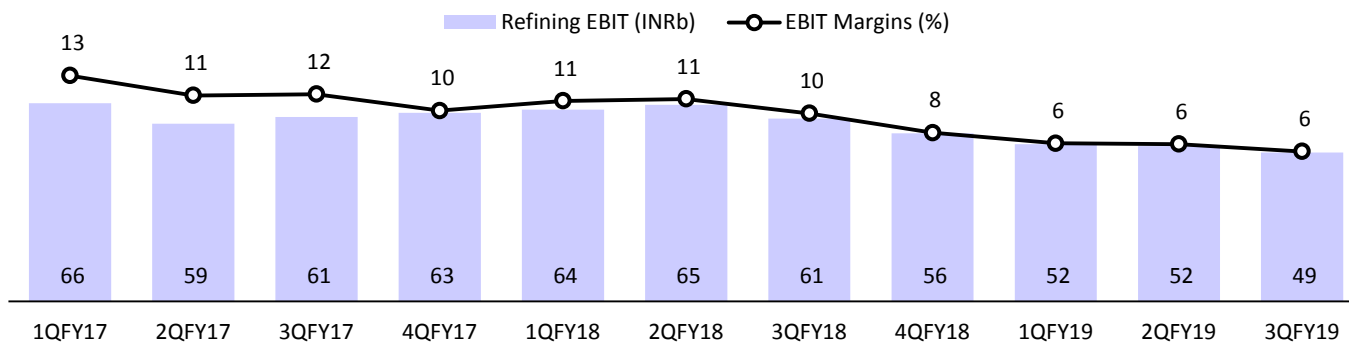
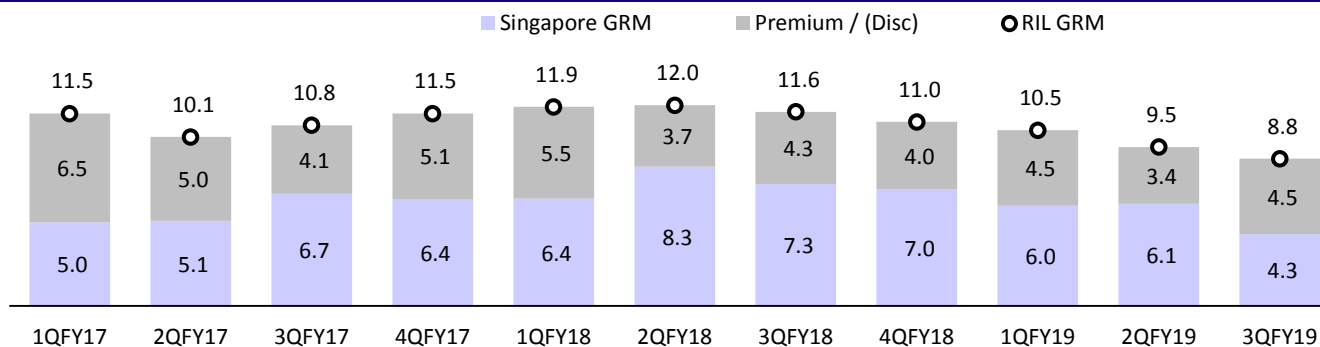
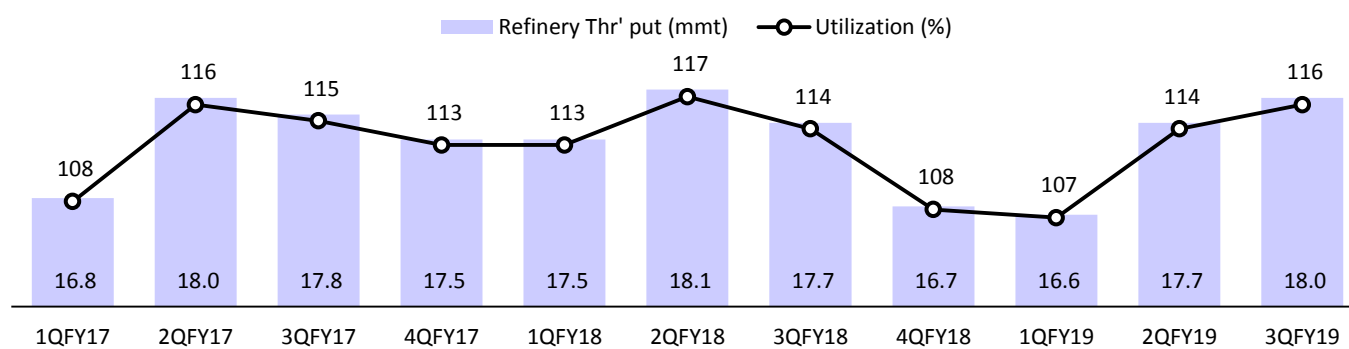


Exhibit 26: 3QFY19 GRM at USD9.5/bbl; premium of USD4.5/bbl



Source: Company, MOSL

Exhibit 27: Refinery throughput down YoY to 18.0mmt, utilization at 116%

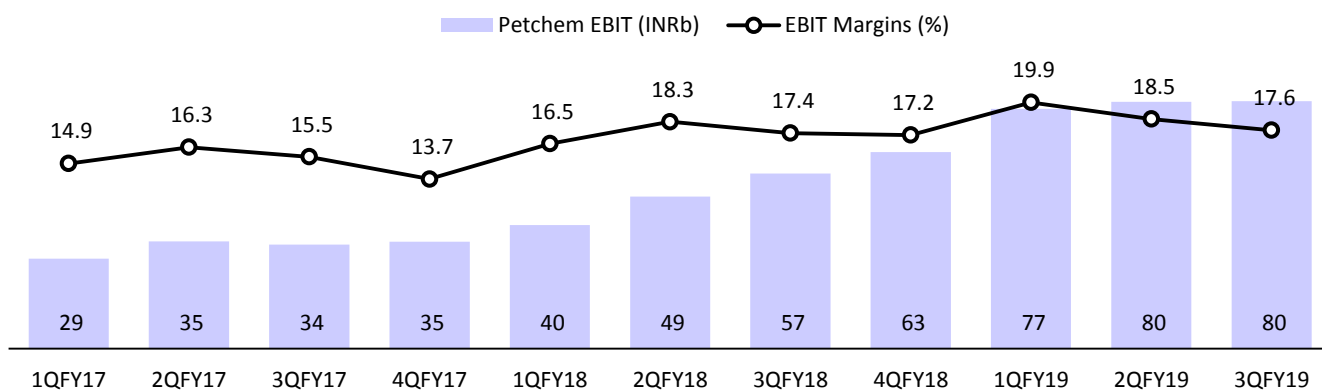


Source: Company, MOSL

PETCHEM: Robust volume growth and healthy margins drive profitability

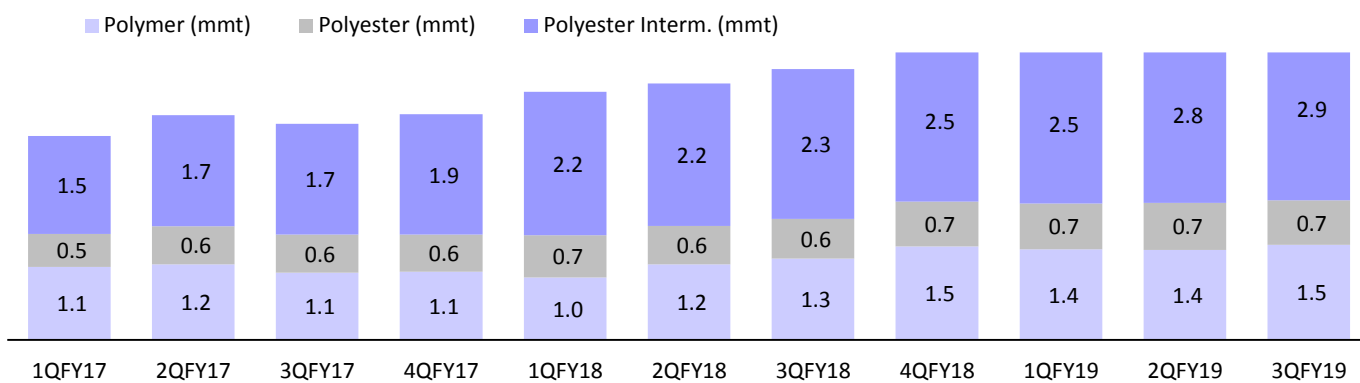
Standalone EBIT increased 41% YoY; EBIT share at 61%

Exhibit 28: Standalone EBIT up 41% YoY; margins contract QoQ to 17.6%



Source: Company, MOSL

Exhibit 29: Petchem volume increases due to new project commissioning

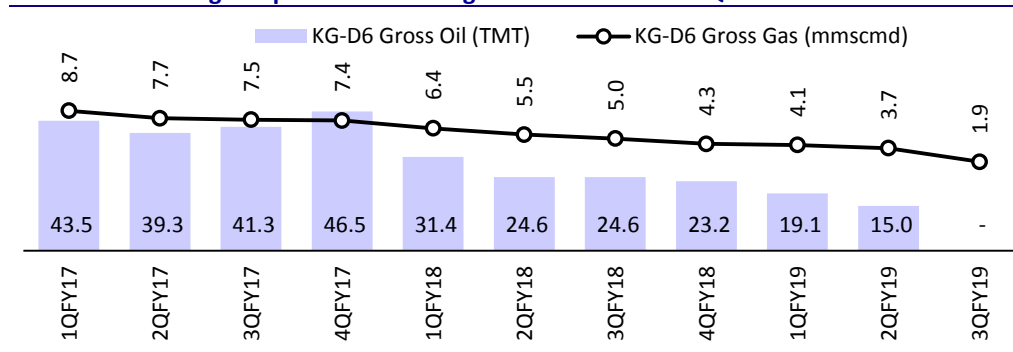


Source: Company, MOSL

E&P: KG-D6 production decline continues

Domestic E&P continues to decline

Exhibit 30: KG-D6 gross production averaged 1.87mmscmd in 3QFY19

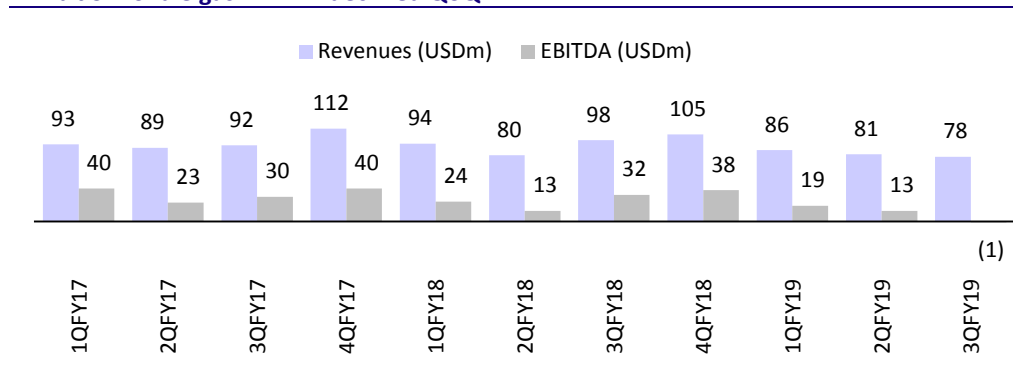


Source: Company, MOSL

Shale gas also weakens

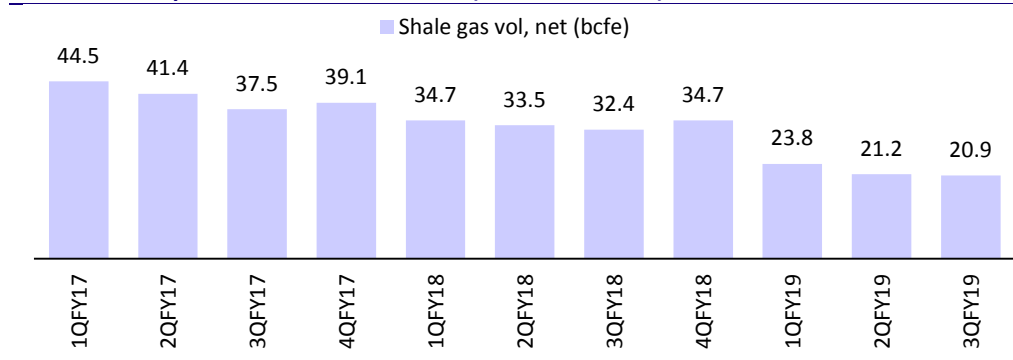
- RIL's shale gas revenue stood at USD78m (v/s USD98m in 3QFY18 and USD81m in 2QFY19), while EBITDA stood at loss of USD1mn.
- RIL's production share in shale JVs stood at 20.9bcfe (v/s 32.4bcfe in 3QFY18).

Exhibit 31: Shale gas EBITDA declined QoQ



Source: Company, MOSL

Exhibit 32: RIL production down 36% YoY (RIL's share, bcfe)



Source: Company, MOSL

Organized Retail: Sales at INR356b; EBITDA at INR16.8b

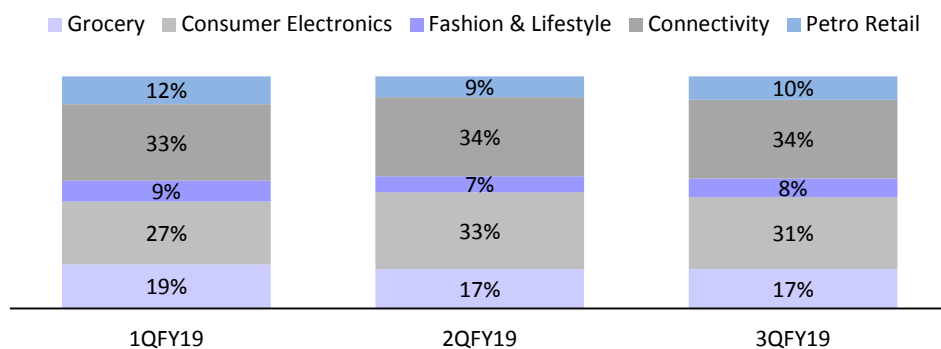
3QFY19 revenues up 89.3% YoY

Exhibit 33: Reliance Retail has opened 780 stores in 3QFY19, increasing presence to 6,400+ towns and cities

Organized Retail	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY	QoQ
No of stores (No.)	3,383	3,442	3,553	3,616	3,634	3,679	3,751	3,837	4,003	4,676	5,456	45.5	16.7
Addition	138	59	111	63	18	45	72	86	166	673	780	983.3	15.9

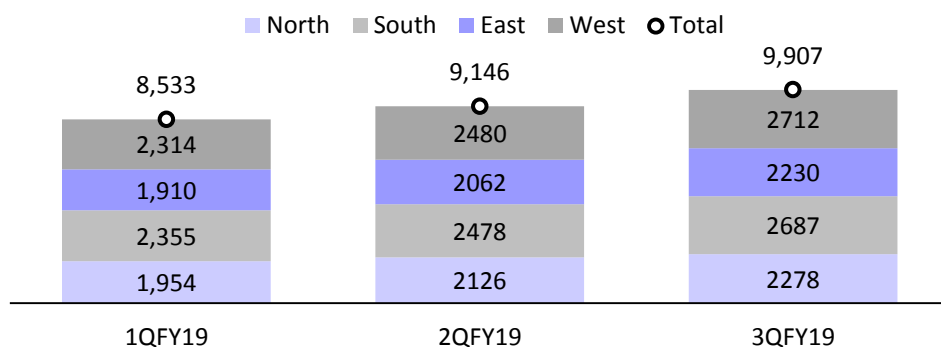
*Excludes Jio stores Source: Company, MOSL

Exhibit 34: Contribution from consumption baskets – revenue mix



Source: Company, MOSL

Exhibit 35: Reliance Retail store count by region



Source: Company, MOSL

Valuation and view

- We expect gasoline cracks to improve as (1) OECD inventories decline with upcoming shutdowns, (2) driving season picks up in the US and (3) decline in pump prices fuel consumption growth
- RIL suggests that development drilling of R-series is on track. Production of 12mmscmd is expected from mid-2020. Production from MJ and satellite fields could come into production from 2021-22.
- We value RIL's refining and petrochem segments at 7.5x Dec'20 EV/EBITDA. The higher multiple than global peers takes into account higher capacity utilization, better yield management, crude optimization and risk management.
- **RJio: Equity value unchanged at INR255/share**
 - Given the strong subscriber growth, high churn seen in incumbent's subscriber base and huge opportunity in the feature phone category, management clearly highlighted that there is limited reason to tinker with the price plans. We have

subsequently factored 12m monthly subscriber adds in 4QFY19 and reducing to 6m in FY20 (reaching 387m in FY20. We have marginally increased our ARPU estimate for FY20 to INR129 (vs INR125 earlier) as Jiophone is attracting better ARPUs as per management commentary

- Our EBITDA estimates largely remain intact with FY20/21 EBITDA estimate of INR229b/INR318b respectively assuming EBITDA margin to reach 49.2% by FY21 pushed by 10pp benefit of access cost as the INR0.06/min IUC reaches sunset by Dec'19. However we have revised our FY20 PAT estimates by 10% owing to higher depreciation cost and interest cost as most of the investment has come on stream and management agreed that FY20 could see revision in depreciation policy to account for fixed asset tenure and higher asset base. Our DCF based TP remains unchanged at INR255 with implied EV/EBITDA of 15/11x on FY20/21E.
- On FY20 basis, the stock trades at 15.3x consolidated EPS of INR74 and EV/EBITDA of 8.4x. Our SOTP-based fair value stands at INR1,426/share. **Maintain Buy.**

Exhibit 36: RIL- Key assumptions

Key Metrics	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Exchange Rate (INR/USD)	60.5	61.2	65.4	67.1	64.5	70.4	73.1	74.2
Refining								
Capacity (mmt)	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Production (mmt)	68.1	67.9	69.5	70.1	70.0	69.8	70.0	70.0
Capacity Utilization (%)	110%	110%	112%	113%	113%	113%	113%	113%
GRM (USD/bbl)								
Singapore GRM	5.6	6.4	7.5	5.8	7.3	5.6	6.0	6.0
Premium/(disc)	2.8	2.5	3.3	5.2	4.4	3.9	5.2	5.2
RIL GRM	8.5	8.8	10.8	11.0	11.6	9.5	11.2	11.2
E&P								
Gas Production (mmscmd)	13.8	12.2	8.4	7.8	5.3	2.9	1.6	1.3
Oil Production (kbd)	6.4	6.6	4.9	3.4	2.1	0.7	-	-
Petchem								
Net sales (mmt)	7.5	7.5	8.2	8.1	10.9	12.9	12.0	12.0
EBITDA/mt (USD)	241	256	266	315	362	396	375	375
Pricing								
Brent Oil (USD/bbl)	109	86	48	49	58	69	70	70
Wellhead Gas Price (USD/mmbtu)	4.2	4.2	4.2	3.2	3.4	3.4	3.4	4.2

Source: Company, MOSL

Exhibit 37: RIL: Segmental EBITDA break-up (INRb)

Segmental EBITDA (INRb)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Refining	176	187	265	284	277	234	290	294
Petchem	110	118	143	171	256	358	346	370
E&P	40	37	28	10	11	14	(3)	10
Total	326	342	436	465	544	606	633	674
Segmental EBITDA share (%)								
Refining	54	55	61	61	51	39	46	44
Petrochemicals	34	35	33	37	47	59	55	55
E&P	12	11	6	2	2	2	(0)	2
Total	100	100	100	100	100	100	100	100

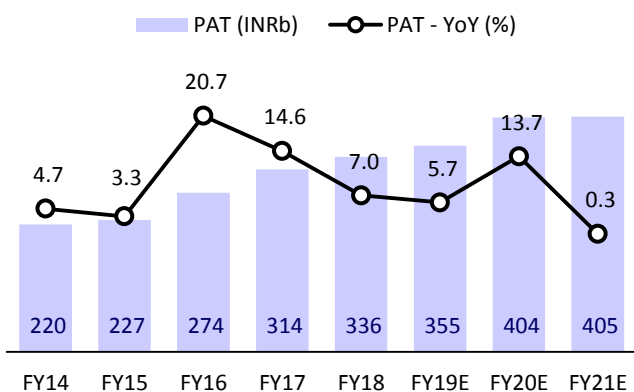
Source: Company, MOSL

Exhibit 38: RIL: Sum of the parts valuation

Sum of the parts (on FY20 basis)	Value	Remarks/Methodology
Core business		
Refining	371	❖ 7.5x Dec'20 EBITDA
Petchem	467	❖ 7.5x Dec'20 EBITDA
E&P	62	DCF, USD/boe for exploratory
Investments		
Reliance Retail	331	❖ 2.5x Dec'20 sales
RJio	255	❖ As per our telecom analyst
Total	1,486	
Net debt / (cash)	60	Standalone
Target price	1,426	

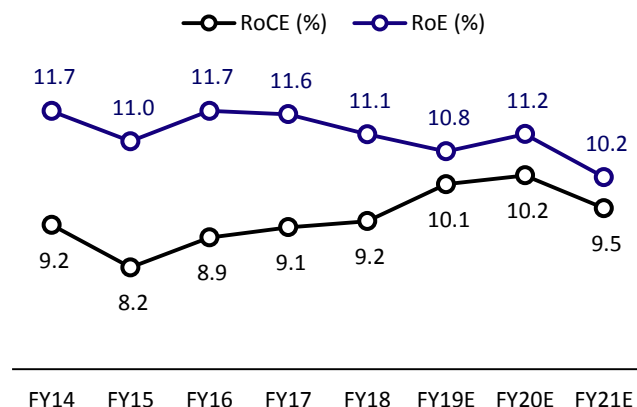
Reliance Industries: Story in charts

Exhibit 39: RIL's standalone earnings gain pace



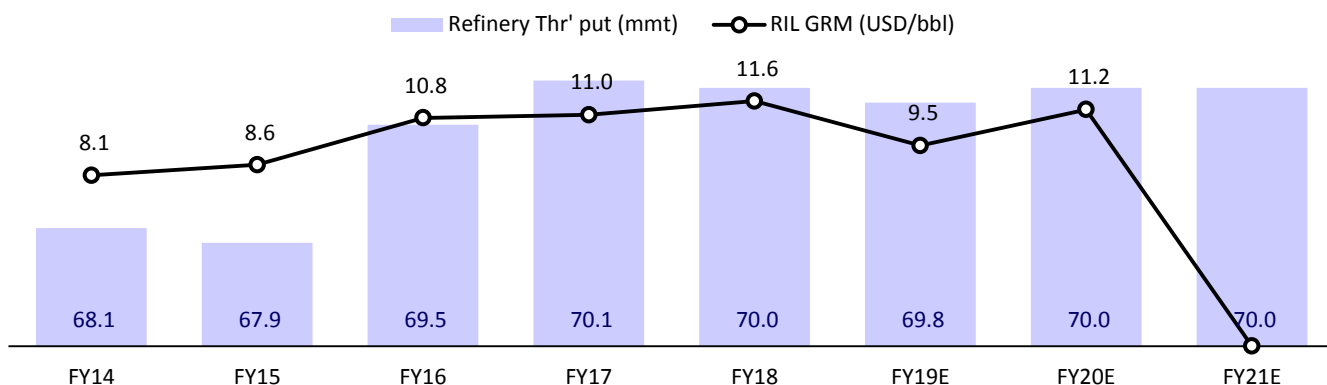
Source: Company, MOSL

Exhibit 40: Return ratios



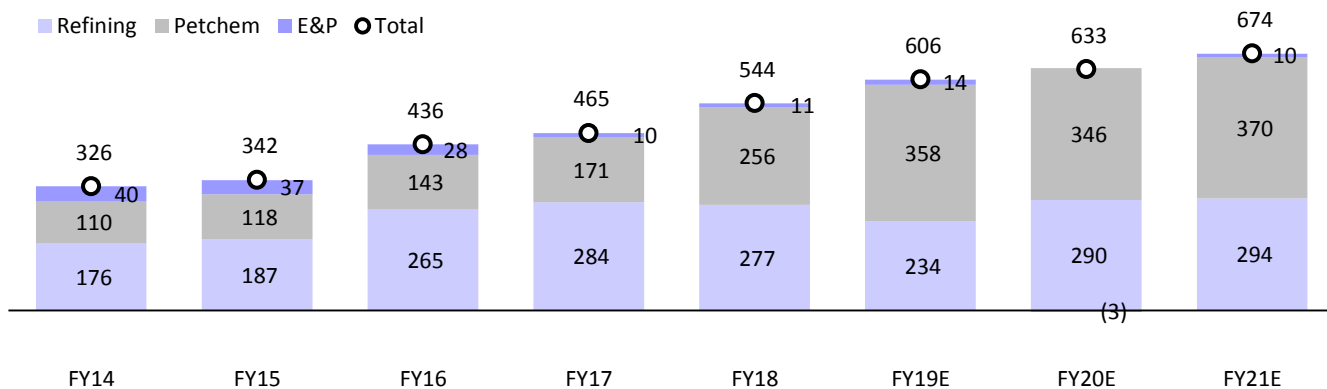
Source: Company, MOSL

Exhibit 41: Refinery throughput to remain at 70mmt in FY20/21; GRM to stabilize around ~USD11.2/bbl



Source: Company, MOSL

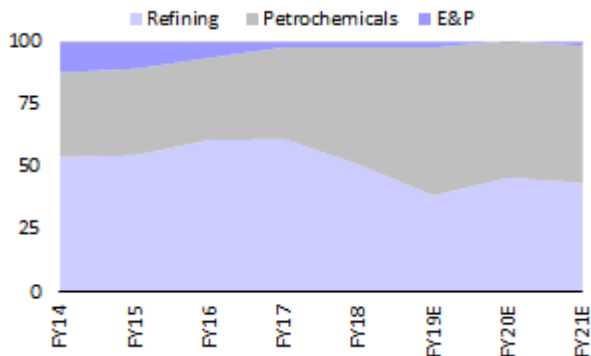
Exhibit 42: Expect petchem EBITDA contribution to increase going forward, followed by refining



Source: Company, MOSL

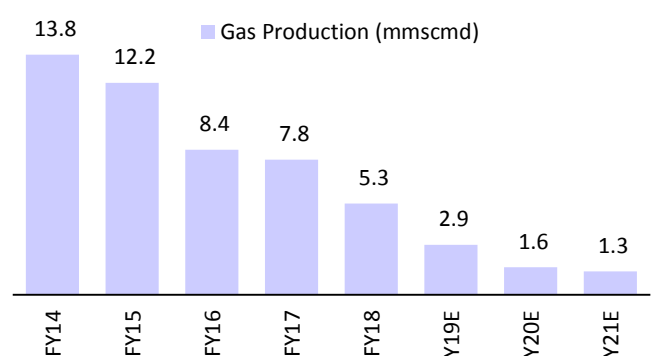
Reliance Industries: Story in charts

Exhibit 43: Segmental EBITDA break-up (%) – E&P a dampener, refining and petchem outshine



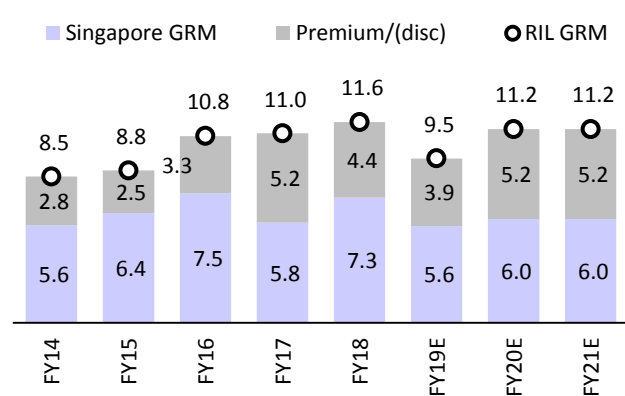
Source: Company, MOSL

Exhibit 44: Expect E&P production to decline; though new fields may boost long-term production (mmscmd)



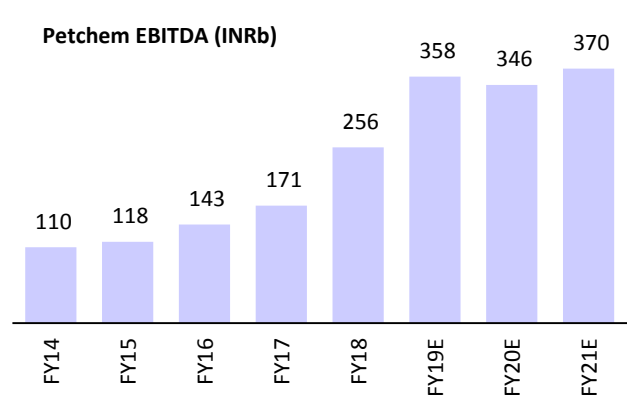
Source: Company, MOSL

Exhibit 45: RIL refining margins have improved since FY16 (USD/bbl) after staying flat before that



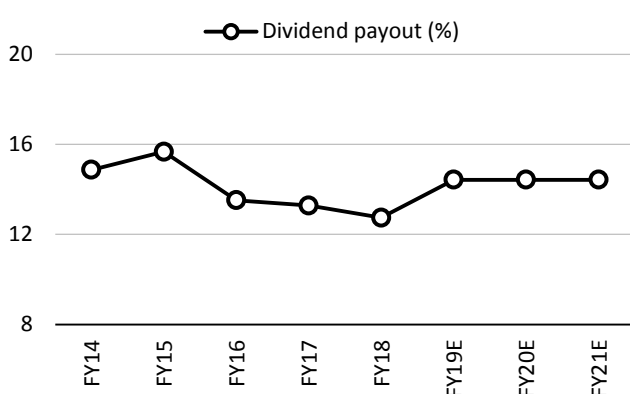
Source: Company, MOSL

Exhibit 46: We expect petchem EBITDA to improve



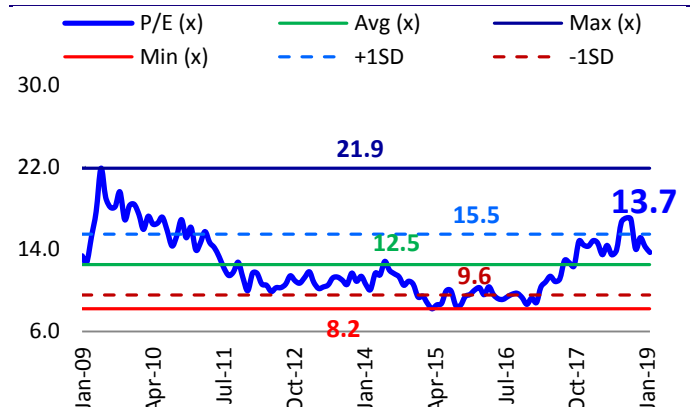
Source: Company, MOSL

Exhibit 47: Dividend payout stabilized in recent years (%)



Source: Company, MOSL

Exhibit 48: RIL 1Yr Fwd P/E Chart



Source: Company, MOSL

Reliance Jio Infocomm: Financials and valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Income from Operations	0	0	0	2,01,545	3,92,430	5,46,890	6,46,450
Change (%)	NA	0.0	-50.0	NA	94.7	39.4	18.2
Total Expenditure	195	214	433	1,34,240	2,39,446	3,17,081	3,28,502
% of Sales	NA	NA	NA	66.6	61.0	58.0	50.8
EBITDA	-195	-213	-432	67,304	1,52,985	2,29,809	3,17,948
Margin (%)	NA	NA	NA	33.4	39.0	42.0	49.2
Depreciation	34	43	49	35,765	65,349	1,22,146	1,29,546
EBIT	-228	-257	-481	31,539	87,636	1,07,663	1,88,402
Int. and Finance Charges	16	14	10	20,486	40,932	60,161	1,63,600
Other Income	13	31	12	39	34	0	0
PBT	-231	-241	-479	11,091	46,738	47,502	24,802
Total Tax	0	-83	-165	3,862	16,339	16,626	8,681
Tax Rate (%)	0.0	34.4	34.5	34.8	35.0	35.0	35.0
Reported PAT	-231	-158	-314	7,230	30,400	30,876	16,121
Adjusted PAT	-231	-158	-314	7,230	30,400	30,876	16,121
Change (%)	NA	-31.7	98.6	LP	320.5	1.6	-47.8
Margin (%)	NA	NA	NA	3.6	7.7	5.6	2.5

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	301,250	450,000	450,000	4,50,000	4,50,000	4,50,000	4,50,000
Total Reserves	-508	-77,640	258,644	5,79,330	6,09,730	6,40,606	6,56,727
Net Worth	300,742	372,360	708,644	10,29,330	10,59,730	10,90,606	11,06,727
Total Loans	238,503	884,353	1,244,490	14,38,210	19,10,000	20,35,000	20,55,000
Capital Employed	539,245	1,256,713	1,953,134	24,67,540	29,69,730	31,25,606	31,61,727
Gross Block	10,256	11,825	13,606	15,94,917	28,92,787	31,42,787	32,90,787
Less: Accum. Deprn.	1,398	2,428	3,862	39,627	1,04,976	2,27,122	3,56,668
Net Fixed Assets	8,858	9,397	9,744	15,55,290	27,87,811	29,15,665	29,34,119
Capital WIP	722,978	1,060,694	1,779,776	6,99,870	0	0	0
Total Investments	7,924	8,332	8,729	10,160	10,160	10,160	10,160
Curr. Assets, Loans & Adv.	80,392	197,404	210,634	2,71,990	2,54,608	3,14,988	3,54,384
Account Receivables	0	1	2	9,120	21,503	29,967	35,422
Cash and Bank Balance	270	153	268	7,180	7,109	12,850	4,858
Loans and Advances	80,121	197,250	210,364	2,55,690	2,25,997	2,72,171	3,14,104
Curr. Liability & Prov.	280,906	19,115	55,750	69,770	82,850	1,15,207	1,36,936
Account Payables	0	0	0	31,170	36,081	39,092	40,500
Other Current Liabilities	280,724	18,718	55,067	34,060	39,243	65,627	84,039
Provisions	182	397	683	4,540	7,526	10,488	12,398
Net Current Assets	-200,514	178,289	154,884	2,02,220	1,71,759	1,99,781	2,17,448
Appl. of Funds	539,245	1,256,713	1,953,134	24,67,540	29,69,730	31,25,606	31,61,727

E: MOSL Estimates

Reliance Jio Infocomm: Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)							
EPS	0.0	0.0	0.0	0.2	0.7	0.7	0.4
Cash EPS	0.0	0.0	0.0	1.0	2.1	3.4	3.2
BV/Share	10.0	8.3	15.7	22.9	23.5	24.2	24.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
FCF per share		-4.9	-9.3	-7.2	-9.6	-1.3	3.0
Return Ratios (%)							
RoE	-0.1	0.0	-0.1	0.8	2.9	2.9	1.5
RoCE	NA	0.0	0.0	0.9	2.1	2.3	3.9
RoIC	NA	7.7	-0.2	2.1	2.4	2.3	3.9
Working Capital Ratios							
Fixed Asset Turnover (x)	0.0	0.0	0.0	0.1	0.1	0.2	0.2
Asset Turnover (x)	0.0	0.0	0.0	0.1	0.1	0.2	0.2
Debtor (Days)	274	913	3,650	17	20	20	20
Creditor (Days)	0	0	0	56	34	26	23
Leverage Ratio (x)							
Current Ratio	0.3	10.3	3.8	3.9	3.1	2.7	2.6
Interest Cover Ratio	-14.0	-18.0	-47.2	1.5	2.1	1.8	1.2
Net Debt/Equity	0.8	2.4	1.7	1.4	1.8	1.8	1.8

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
OP/(Loss) before Tax	-231	-239	-479	11,090	46,738	47,502	24,802
Depreciation	34	43	49	35,770	65,349	1,22,146	1,29,546
Interest & Finance Charges	16	14	10	20,490	40,932	60,161	1,63,600
Direct Taxes Paid	0	3	0	-2,400	-16,339	-16,626	-8,681
(Inc)/Dec in WC	-27,827	-43,454	-33,637	-29,310	-9,980	-22,281	-25,659
CF from Operations	-28,009	-43,633	-34,057	35,640	1,26,700	1,90,903	2,83,609
Others	-8	-26	-1	59	40,336	0	0
CF from Operating incl EO	-28,017	-43,659	-34,058	35,699	1,67,036	1,90,903	2,83,609
(Inc)/Dec in FA	-95,351	-176,334	-385,398	-3,57,860	-5,98,000	-2,50,000	-1,48,000
Free Cash Flow	-123,368	-219,992	-419,456	-3,22,161	-4,30,964	-59,097	1,35,609
(Pur)/Sale of Investments	-5,338	-246	-242	-1,430	0	0	0
Others	70	78	61	70	304	270	270
CF from Investments	-100,619	-176,502	-385,579	-3,59,220	-5,97,696	-2,49,730	-1,47,730
Issue of Shares	70,530	150,000	0	3,13,400	0	0	0
Inc/(Dec) in Debt	71,513	102,861	478,037	1,01,980	4,71,790	1,25,000	20,000
Interest Paid	-13,453	-32,740	-58,188	-84,890	-40,932	-60,161	-1,63,600
Dividend Paid	0	0	0	0	0	0	0
Others	0	0	0	4	0	0	0
CF from Fin. Activity	128,590	220,121	419,849	3,30,494	4,30,858	64,839	-1,43,600
Inc/Dec of Cash	-45	-40	212	6,973	199	6,011	-7,721
Opening Balance	315	193	56	207	6,910	6,839	12,580
Closing Balance	270	153	268	7,180	7,109	12,850	4,858

Reliance Industries - Financials and valuations

Standalone - Income Statement						(INR Million)		
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Income from Operations	3,901,170	3,290,760	2,331,580	2,420,250	2,900,420	3,908,815	4,622,744	4,639,947
Change (%)	8.3	-15.6	-29.1	3.8	19.8	34.8	18.3	0.4
EBITDA	308,770	316,020	393,470	432,560	517,410	576,982	646,395	657,870
Margin (%)	7.9	9.6	16.9	17.9	17.8	14.8	14.0	14.2
Depreciation	87,890	84,880	85,900	84,650	95,800	107,510	127,615	130,615
EBIT	220,880	231,140	307,570	347,910	421,610	469,472	518,780	527,256
Int. and Finance Charges	32,060	23,670	25,620	27,230	46,560	88,418	60,000	56,000
Other Income	89,360	87,210	78,210	87,090	82,200	100,686	90,213	101,446
PBT bef. EO Exp.	278,180	294,680	360,160	407,770	457,250	481,741	548,993	572,702
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	278,180	294,680	360,160	407,770	457,250	481,741	548,993	572,702
Total Tax	58,340	67,490	86,320	93,520	121,130	126,325	144,892	167,329
Tax Rate (%)	21.0	22.9	24.0	22.9	26.5	26.2	26.4	29.2
Reported PAT	219,840	227,190	273,840	314,250	336,120	355,415	404,101	405,373
Adjusted PAT	219,840	227,190	274,170	314,250	336,120	355,415	404,101	405,373
Change (%)	4.7	3.3	20.7	14.6	7.0	5.7	13.7	0.3
Margin (%)	5.6	6.9	11.8	13.0	11.6	9.1	8.7	8.7

Standalone - Balance Sheet						(INR Million)		
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	32,320	32,360	32,400	32,510	63,350	63,350	63,350	63,350
Eq. Share Warrants & App. Money	170	170	0	0	0	0	0	0
Total Reserves	1,938,420	2,129,230	2,507,580	2,850,620	3,083,120	3,387,267	3,733,078	4,079,977
Net Worth	1,970,910	2,161,760	2,539,980	2,883,130	3,146,470	3,450,617	3,796,428	4,143,327
Total Loans	854,810	976,170	923,200	1,013,030	968,350	800,000	700,000	700,000
Deferred Tax Liabilities	122,150	126,770	237,470	247,660	279,260	279,260	279,260	279,260
Capital Employed	2,947,870	3,264,700	3,700,650	4,143,820	4,394,080	4,529,877	4,775,688	5,122,587
Gross Block	2,225,650	2,360,620	2,622,320	2,584,480	3,158,620	4,203,820	4,303,820	4,403,820
Less: Accum. Deprn.	1,131,590	1,214,990	1,146,890	1,053,180	1,148,980	1,462,332	1,589,947	1,720,561
Net Fixed Assets	1,094,060	1,145,630	1,475,430	1,531,300	2,009,640	2,741,488	2,713,873	2,683,259
Capital WIP	417,160	757,530	1,109,050	1,341,890	994,830	555,472	655,472	755,472
Total Investments	894,620	1,125,730	1,572,500	1,924,500	2,252,220	2,252,220	2,252,220	2,252,220
Curr. Assets, Loans&Adv.	1,269,990	948,960	659,760	669,770	918,560	1,391,381	2,005,108	2,293,230
Inventory	429,320	365,510	280,340	340,180	395,680	535,454	569,927	572,048
Account Receivables	106,640	46,610	34,950	54,720	104,600	139,218	164,646	63,561
Cash and Bank Balance	332,240	115,710	68,920	17,540	27,310	312,149	824,714	1,210,806
Loans and Advances	401,790	421,130	275,550	257,330	390,970	404,559	445,821	446,815
Curr. Liability & Prov.	727,960	713,150	1,116,090	1,323,640	1,781,170	2,410,683	2,850,985	2,861,595
Account Payables	686,290	650,570	1,093,730	1,289,780	1,749,940	2,355,998	2,786,312	2,796,680
Provisions	41,670	62,580	22,360	33,860	31,230	54,685	64,674	64,914
Net Current Assets	542,030	235,810	-456,330	-653,870	-862,610	-1,019,303	-845,878	-568,364
Appl. of Funds	2,947,870	3,264,700	3,700,650	4,143,820	4,394,080	4,529,877	4,775,688	5,122,587

Reliance Industries - Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)								
EPS	34.7	35.9	43.3	49.6	53.1	56.1	63.8	64.0
Cash EPS	48.6	49.3	56.8	63.0	68.2	73.1	83.9	84.6
BV/Share	326.2	357.8	420.3	477.1	520.7	571.0	628.3	685.7
DPS	4.4	4.6	4.9	5.6	5.6	6.9	7.9	7.9
Payout (%)	14.9	15.7	13.5	13.3	12.7	14.4	14.4	14.4
Valuation (x)								
P/E		31.6	26.2	22.9	21.4	20.2	17.8	17.7
Cash P/E		23.0	20.0	18.0	16.6	15.5	13.5	13.4
P/BV		3.2	2.7	2.4	2.2	2.0	1.8	1.7
EV/Sales		2.4	3.4	3.4	2.8	2.0	1.5	1.4
EV/EBITDA		25.5	20.4	18.9	15.7	13.3	10.9	10.1
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.7
FCF per share	-8.5	2.3	41.6	28.7	71.8	79.6	105.9	70.2
Return Ratios (%)								
RoE	11.7	11.0	11.7	11.6	11.1	10.8	11.2	10.2
RoCE	9.2	8.2	8.9	9.1	9.2	10.1	10.2	9.5
RoIC	12.7	13.9	21.1	29.6	31.3	27.4	31.1	38.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.8	1.4	0.9	0.9	0.9	0.9	1.1	1.1
Asset Turnover (x)	1.3	1.0	0.6	0.6	0.7	0.9	1.0	0.9
Inventory (Days)	40	41	44	51	50	50	45	45
Debtor (Days)	10	5	5	8	13	13	13	5
Creditor (Days)	64	72	171	195	220	220	220	220
Leverage Ratio (x)								
Current Ratio	1.7	1.3	0.6	0.5	0.5	0.6	0.7	0.8
Interest Cover Ratio	6.9	9.8	12.0	12.8	9.1	5.3	8.6	9.4
Net Debt/Equity	-0.2	-0.1	-0.3	-0.3	-0.4	-0.5	-0.6	-0.7

Standalone - Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
OP/(Loss) before Tax	278,180	294,680	360,160	407,770	457,250	481,741	548,993	572,702
Depreciation	87,890	84,880	85,900	84,650	95,800	107,510	127,615	130,615
Direct Taxes Paid	-58,340	-67,490	-86,320	-93,520	-121,130	-126,325	-144,892	-167,329
(Inc)/Dec in WC	-51,630	174,450	560,590	146,160	218,510	441,532	339,139	108,579
CF from Operations	256,100	486,520	920,330	545,060	650,430	904,457	870,855	644,567
Others	220	4,620	110,700	10,190	31,600	0	0	0
CF from Operating incl EO	256,320	491,140	1,031,030	555,250	682,030	904,457	870,855	644,567
(Inc)/Dec in FA	-310,470	-476,820	-767,220	-373,360	-227,080	-400,000	-200,000	-200,000
Free Cash Flow	-54,150	14,320	263,810	181,890	454,950	504,457	670,855	444,567
(Pur)/Sale of Investments	-369,530	-231,110	-446,770	-352,000	-327,720	0	0	0
CF from Investments	-680,000	-707,930	-1,213,990	-725,360	-554,800	-400,000	-200,000	-200,000
Issue of Shares	-16,450	-750	141,380	70,638	-29,970	0	0	0
Inc/(Dec) in Debt	309,580	36,600	31,790	89,830	-44,680	-168,350	-100,000	0
Dividend Paid	-32,680	-35,590	-37,000	-41,738	-42,810	-51,268	-58,291	-58,474
CF from Fin. Activity	260,450	260	136,170	118,730	-117,460	-219,618	-158,291	-58,474
Inc/Dec of Cash	-163,230	-216,530	-46,790	-51,380	9,770	284,839	512,564	386,092
Opening Balance	495,470	332,240	115,710	68,920	17,540	27,310	312,149	824,714
Closing Balance	332,240	115,710	68,920	17,540	27,310	312,149	824,714	1,210,806

Reliance Industries - Financials and valuations

Consolidated - Income Statement

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total Income from Operations	4,344,600	3,754,350	2,739,990	3,053,820	3,916,770	5,571,688	6,536,896	6,766,592
Change (%)	9.4	-13.6	-27.0	11.5	28.3	42.3	17.3	3.5
EBITDA	347,990	373,640	417,040	461,940	641,760	779,289	931,962	1,039,357
Margin (%)	8.0	10.0	15.2	15.1	16.4	14.0	14.3	15.4
Depreciation	112,010	115,470	115,650	116,460	167,060	205,407	282,443	292,981
EBIT	235,980	258,170	301,390	345,480	474,700	573,882	649,519	746,376
Int. and Finance Charges	38,360	33,160	36,910	38,490	80,520	140,836	131,648	231,087
Other Income	90,010	86,130	122,890	93,350	99,770	107,161	96,763	108,127
PBT bef. EO Exp.	287,630	311,140	387,370	400,340	493,950	540,207	614,634	623,417
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	287,630	311,140	387,370	400,340	493,950	540,207	614,634	623,417
Total Tax	62,150	74,740	88,760	102,010	133,460	156,201	177,171	194,228
Tax Rate (%)	21.6	24.0	22.9	25.5	27.0	28.9	28.8	31.2
Minority Interest	550	740	1,160	-680	-310	-680	-680	-680
Reported PAT	224,930	235,660	297,450	299,010	360,800	384,685	438,143	429,869
Adjusted PAT	224,930	235,660	297,450	299,010	360,800	384,685	438,143	429,869
Change (%)	7.7	4.8	26.2	0.5	20.7	6.6	13.9	-1.9
Margin (%)	5.2	6.3	10.9	9.8	9.2	6.9	6.7	6.4

Consolidated - Balance Sheet

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	29,400	29,430	29,480	29,590	59,220	59,220	59,220	59,220
Eq. Share Warrants & App. Money	170	170	80	0	0	0	0	0
Total Reserves	1,957,300	2,155,390	2,286,000	2,607,500	2,875,840	3,214,881	3,601,038	3,979,901
Net Worth	1,986,870	2,184,990	2,315,560	2,637,090	2,935,060	3,274,101	3,660,258	4,039,121
Minority Interest	9,590	30,380	33,560	29,170	35,390	35,390	35,390	35,390
Total Loans	1,387,610	1,682,510	1,947,140	1,836,760	1,816,040	1,946,040	2,026,040	2,106,040
Deferred Tax Liabilities	119,250	129,740	204,940	211,980	245,430	245,430	245,430	245,430
Capital Employed	3,503,320	4,027,620	4,501,200	4,715,000	5,031,920	5,500,961	5,967,118	6,425,981
Gross Block	2,610,190	2,844,690	3,312,450	3,564,010	5,775,450	7,871,626	8,950,861	9,546,708
Less: Accum. Deprn.	1,196,020	1,324,080	1,505,890	1,627,670	1,794,730	2,000,137	2,282,580	2,575,561
Net Fixed Assets	1,414,170	1,520,610	1,806,560	1,936,340	3,980,720	5,871,489	6,668,282	6,971,148
Goodwill on Consolidation	0	43,970	42,540	48,920	58,130	58,130	58,130	58,130
Capital WIP	914,940	1,664,620	2,286,970	3,248,370	1,870,220	974,044	494,809	298,962
Total Investments	606,020	764,510	840,150	856,070	855,300	855,300	855,300	855,300
Curr. Assets, Loans&Adv.	1,353,300	1,051,150	1,013,750	978,320	1,348,360	2,168,117	3,077,706	3,587,460
Inventory	567,200	532,480	464,860	489,510	608,370	890,242	1,041,180	1,063,898
Account Receivables	94,110	53,150	44,650	81,770	175,550	249,724	292,984	303,279
Cash and Bank Balance	379,840	125,450	110,280	30,230	42,550	285,752	872,533	1,318,668
Loans and Advances	312,150	340,070	393,960	376,810	521,890	742,400	871,009	901,615
Curr. Liability & Prov.	785,110	1,017,240	1,488,770	2,353,020	3,080,810	4,426,119	5,187,109	5,345,018
Account Payables	608,600	594,070	602,960	765,950	1,068,610	1,563,722	1,828,846	1,868,752
Other Current Liabilities	129,150	353,710	855,750	1,545,850	1,970,820	2,803,533	3,289,202	3,404,779
Provisions	47,360	69,460	30,060	41,220	41,380	58,864	69,061	71,488
Net Current Assets	568,190	33,910	-475,020	-1,374,700	-1,732,450	-2,258,002	-2,109,403	-1,757,558
Appl. of Funds	3,503,320	4,027,620	4,501,200	4,715,000	5,031,920	5,500,961	5,967,118	6,425,981
E: MOSL Estimates	0	0	0	0	0	0	0	0

Reliance Industries - Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)								
EPS	38.0	39.8	50.2	50.5	60.9	65.0	74.0	72.6
Cash EPS	56.9	59.3	69.8	70.2	89.1	99.6	121.7	122.1
BV/Share	335.5	369.0	391.0	445.3	495.6	552.9	618.1	682.1
DPS	4.7	5.0	5.2	5.5	6.0	6.4	7.3	7.1
Payout (%)	14.5	15.1	12.4	13.0	11.9	11.9	11.9	11.9
Valuation (x)								
P/E		28.5	22.6	22.5	18.6	17.5	15.3	15.6
Cash P/E		19.1	16.3	16.2	12.7	11.4	9.3	9.3
P/BV		3.1	2.9	2.5	2.3	2.1	1.8	1.7
EV/Sales		2.2	3.1	2.8	2.2	1.5	1.2	1.1
EV/EBITDA		22.1	20.5	18.4	13.2	10.7	8.4	7.2
Dividend Yield (%)	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6
FCF per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	11.8	11.3	13.2	12.1	13.0	12.4	12.6	11.2
RoCE	8.2	7.2	8.0	7.5	9.1	9.7	9.7	9.9
RoIC	11.6	12.8	17.0	27.9	24.4	14.4	13.0	13.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	1.3	0.8	0.9	0.7	0.7	0.7	0.7
Asset Turnover (x)	1.2	0.9	0.6	0.6	0.8	1.0	1.1	1.1
Inventory (Days)	48	52	62	59	57	58	58	57
Debtor (Days)	8	5	6	10	16	16	16	16
Creditor (Days)	51	58	80	92	100	102	102	101
Leverage Ratio (x)								
Current Ratio	1.7	1.0	0.7	0.4	0.4	0.5	0.6	0.7
Interest Cover Ratio	6.2	7.8	8.2	9.0	5.9	4.1	4.9	3.2
Net Debt/Equity	0.2	0.4	0.4	0.4	0.3	0.2	0.1	0.0

Consolidated - Cash Flow Statement

(INR M)

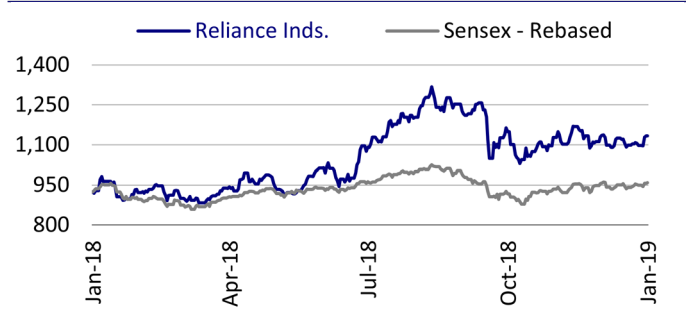
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	287,630	311,140	387,370	400,340	493,950	540,207	614,634	623,417
Depreciation	112,010	115,470	115,650	116,460	167,060	205,407	282,443	292,981
Tax paid	-62,150	-74,740	-88,760	-102,010	-133,460	-156,201	-177,171	-194,228
Change in deferred tax liability	3,370	10,490	75,200	7,040	33,450	0	0	0
Change in net working capital	62,330	279,890	493,760	819,630	370,070	768,754	438,182	94,290
Misc	-550	-740	-1,160	680	310	680	680	680
Operating cash flow	402,640	641,510	982,060	1,242,140	931,380	1,358,846	1,158,768	817,140
Capex	-606,730	-1,015,560	-1,022,520	-1,214,020	-842,500	-1,200,000	-600,000	-400,000
Change in investments	-177,540	-158,490	-75,640	-15,920	770	0	0	0
Investing cash flows	-784,270	-1,174,050	-1,098,160	-1,229,940	-841,730	-1,200,000	-600,000	-400,000
Change in borrowings	315,420	294,900	264,630	-110,380	-20,720	130,000	80,000	80,000
Misc	100	20,790	3,180	-4,390	6,220	0	0	0
Issuance of equity	-25,930	-1,950	-129,880	61,442	-20,020	0	0	0
Dividend paid	-32,680	-35,590	-37,000	-38,922	-42,810	-45,644	-51,987	-51,005
Financing cash flow	256,910	278,150	100,930	-92,250	-77,330	84,356	28,013	28,995
Net change in cash	-124,720	-254,390	-15,170	-80,050	12,320	243,202	586,781	446,134
Closing cash balance	379,840	125,450	110,280	30,230	42,550	285,752	872,533	1,318,668

Corporate profile

Company description

Reliance Industries Ltd (RIL), a Fortune 500 company, is India's largest private sector entity, with a turnover of USD60.0b and net profit of USD5.5b. Over the years, RIL has grown through backward integration in energy chain (textiles, petchem, refining and E & P) and is now moving into new areas like organized retail and BWA. It operates one of the largest refining capacity of 1.24mmbbl/d at a single location and is the largest producer of polyester fibre and yarn.

Sensex rebased



Source: MOSL/Bloomberg

Exhibit 1: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	46.2	46.2	46.2
DII	11.6	11.3	11.4
FII	26.2	26.4	26.0
Others	16.0	16.1	16.5

Note: FII Includes depository receipts Source: Capitaline

Exhibit 2: Top holders

Holder Name	% Holding
LIC of India	7.4
Europacific Growth Fund	3.2
Government of Singapore	1.2

Source: Capitaline

Exhibit 3: Top management

Name	Designation
Mukesh D Ambani	Chairman & Managing Director
Nita M Ambani	Director
Hital R Meswani	Executive Director
Nikhil Meswani	Executive Director
Pawan Kumar Kapil	Executive Director
PMS Prasad	Executive Director
K Sethuraman	Company Secretary

Source: Capitaline

Exhibit 4: Directors

Name	Name
Adil Zainulbhai	R A Mashelkar
Ashok Misra	Raminder Singh Gujral
Dipak C Jain	Shumeet Banerji
M L Bhakta	Y P Trivedi
	Arundhati Bhattacharya

*Independent

Exhibit 5: Auditors

Name	Type
Dilip M Malkar & Co	Cost Auditor
Diwanji & Co	Cost Auditor
DTS & Associates	Statutory
K G Goyal & Associates	Cost Auditor
K R Chandratre	Secretarial Audit

Source: Capitaline

Exhibit 6: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	62.1	67.6	-8.2
FY20	68.5	83.7	-18.1
FY21	67.1	97.6	-31.3

Source: Bloomberg

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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