Q1FY19 – Result Update

NALANDA RESEARCH

STRONG BUY *

Downside Scenario	Current Price	Price Target	Upside Scenario
	1129	1327	
		17.5% ▲	

July 30, 2018

Reliance Industries Ltd.

Strong petchem, improved GRM & Jio turnaround will be the key triggers

Refining margins to improve going ahead

GRM for Q1FY19 stood at $10.5/barrel as compared to $11.9/barrel in Q1FY18 & $11/barrel in Q4FY18. The company recorded relatively lower GRM due to (i) Soft light distillate and stable middle distillate cracks (ii) Increased supply from China, end of turnaround crude differentials. The company's Jamnagar refinery processed 16.6MMT of crude, thereby, reporting de-growth of 4% yoy & 0.6% qoq.

We expect refining margins to remain strong and to be around $12-13 per barrel by FY19E & FY20E respectively. We expect global capacities in Latin America & Africa to remain poorly utilized which will lift the GRM of the company going ahead.

We expect refining EBITDA to be around INR 331 bn & INR 403 bn by FY19E & FY20E respectively, propelled by higher volumes (more than 18 MMT) and higher GRM's by FY20E.

Petchem business continued a strong show

The petrochemicals business revenue grew by an impressive 58.2% yoy & 5.7% qoq to INR 402870 million. EBIT grew by 94.9% yoy & 22.1% qoq to INR 78570 million. EBIT margins witnessed strong expansion and stood at 19.5% in Q1FY19 as compared to 15.8% in Q1FY18 & 16.9% in Q4FY18. Margin expansion is on the back of (i) Better realization backed by stronger demand (ii) Feedstock cost optimization and superior product mix (iii) Firm polyester margin on quarterly basis (iv) Strategic shift to light feed enhancing earnings stability despite volatile crude and naphtha prices.

We expect strong demand from PE and PP to sustain going ahead and would lift demand and thereby overall utilization.

Retail business is on the verge of a turnaround

The retail business revenue grew 123.7% yoy & 7.1% qoq to INR 258900 million. EBIT margins witnessed strong expansion and stood at 4.1% in Q1FY19 as compared to 2.5% in Q1FY18 & 3.9% in Q4FY18. Growth is on the back of (i) Rapid store expansion along with superior customer value proposition across all consumption baskets (ii) Strong focus on cost control, scalability and operating leverage is reflecting in 3x EBITDA growth on y-o-y basis.

We expect retail business to remain strong backed by rapid expansion in stores.

JIO business contribution at the bottom-line will be the key for earnings growth

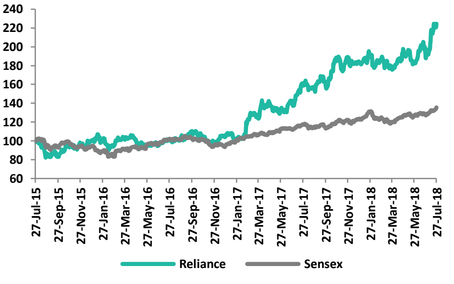
The digital business revenue grew 14.6% qoq to INR 96530 million. EBIT margins remained same on the quarterly basis. Total wireless data traffic during the quarter stood at 642 crore GB. Subscriber base as on Q1FY19 stood at 215.3 million and witnessed a robust growth of 15.4% qoq. ARPU during the quarter stood at NR 134.5/subscriber per month. Jio has continued its strong subscriber growth trend with net addition of 28.7 million as compared to 26.5 million in Q4FY18, thereby witnessing highest subscriber addition in any quarter since the launch of commercial services.

We expect Jio to perform strongly going ahead and subsequent increase in tariffs will ramp up the revenue going ahead.

Stock Details	
Industry	Oil & Gas
Sensex	37337
Nifty	11278
Bloomberg Code	RIL:IN
Eq. Cap. (INR. Mn.)	59220
Face Value (INR.)	10
52-w H/L	1138/765
Market Cap (INR. Mn.)	7159009

Valuation Data	FY18	FY19E	FY20E
EV/EBITDA (x)	11.7	8.5	7.0
P/E (x)	18.5	13.6	11.3
P/B (x)	2.2	2.0	1.7

Reliance Industries Ltd Vs SENSEX



Shareholding Pattern (in %)	Jun'18	Mar'18	Jun'17
Promoters	47.35	47.45	46.30
FIIs	24.40	24.34	22.43
DIIs	11.73	11.50	12.08
Retail	16.51	16.71	18.82
Total	**100.0**	**100.0**	**100.0**

** Read last page for disclaimer & rating rationale*

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Valuations

We value the company using SOTP valuation, thereby, valuing refining & petchem business at 7.5x FY20E EBITDA & telecom at 7x FY20E EBIDTA to arrive at a target price of INR 1327/share indicating 17.5% upside.

(INR Millions)	FY16	FY17	FY18	FY19E	FY20E
Revenue (Net of excise duty)	2,741,510	3,053,820	3,916,770	5,250,984	5,647,683
Growth	*-*	*11%*	*28%*	*34%*	*8%*
EBITDA	417,560	462,060	641,760	887,347	1,021,220
Growth	*-*	*11%*	*39%*	*38%*	*15%*
Net Profit	296,340	299,380	360,210	490,650	587,036
Growth	*-*	*1%*	*20%*	*36%*	*20%*
EV/EBITDA	17.4	16.3	11.7	8.5	7.0
P/E	10.2	13.1	18.5	13.6	11.3

Source: NSPL Research

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Q1FY19 Result Analysis

(INR Millions)	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue (Net of excise duty)	**1287560**	**1169150**	**834710**	**10.1%**	**54.3%**
COGS	900010	822830	581300	9.4%	54.8%
Employee Expenses	29510	24750	24550	19.2%	20.2%
Other Expenses	151430	136880	103320	10.6%	46.6%
Total Expenses	**1080950**	**984460**	**709170**	**9.8%**	**52.4%**
EBITDA	**206610**	**184690**	**125540**	**11.9%**	**64.6%**
Depreciation	51730	48520	30370	6.6%	70.3%
Other Income	17780	22030	21240	-19.3%	-16.3%
EBIT	**172660**	**158200**	**116410**	**9.1%**	**48.3%**
Finance Cost	35500	25660	11190	38.3%	217.2%
PBT (before exceptional item)	**137160**	**132540**	**105220**	**3.5%**	**30.4%**
Share of associates	100	-80	140	-225%	-28.6%
Exceptional items	-	-	10870		
PBT (after exceptional item)	**137260**	**132460**	**116230**	**3.6%**	**18.1%**
Taxes	42410	37870	25440	12%	66.7%
Net Profit	**94850**	**94950**	**90790**	**0.3%**	**4.5%**
EPS in INR	**15.97**	**15.93**	**15.36**	**0.3%**	**4%**

- The company's net sales grew 10.1% y-o-y and 54.3% q-o-q to INR 1287560 million in Q1FY19.
- EBITDA grew by 11.9% y-o-y and 64.6% q-o-q to INR 206610 million in Q1FY19. EBITDA Margins stood at 16% in Q1FY19 as against 15.8% in Q1FY18 and 15% in Q4FY18. Expansion in margins for the quarter is attributable to strong performance from the Refining & Marketing business and the Retail business.
- Employee expense grew by 19.2% y-o-y & 20.2% q-o-q to INR 29510 million owing to expansion of petrochemical unit and newly installed ROGC refinery.
- Finance cost grew by 38.3% y-o-y & 217.2% q-o-q to INR 35500 million in Q1FY19.
- PBT grew by 3.6% y-o-y & 18.1% q-o-q to INR 137260 million in Q1FY19.
- Reported PAT grew 0.3% y-o-y and 4.5% q-o-q to INR 94850 million in Q1FY19. PAT margins stood at 7.4% in Q1FY19 as compared to 8.1% in Q1FY18 and 10.9% in Q4FY18.
- PAT margins witnessed decline to the tune of 350 bps q-o-q owing to high finance cost.

	Q1FY19	Q1FY18	Q4FY18
Top-line contribution share			
Petrochemicals	23%	23%	23%
Refining & Marketing	54%	61%	56%
Oil & Gas	1%	1%	0%
Retail	15%	11%	14%
Digital services	5%	0%	5%
Others	2%	3%	2%
Total	**100%**	**100%**	**100%**
Bottom-line contribution share			
Petrochemicals	53%	35%	44%
Refining & Marketing	36%	64%	38%
Oil & Gas	-3%	-3%	-4%
Retail	1%	3%	6%
Digital services	11%	0%	10%
Others	3%	2%	6%
Total	**100%**	**100%**	**100%**

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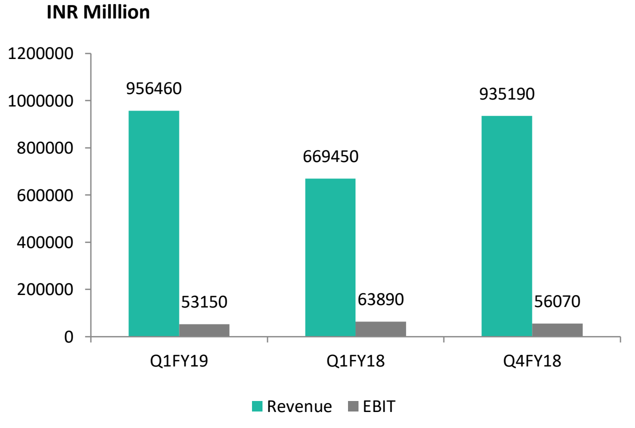
Refining & Marketing business

INR in Million	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	956460	669450	935190	42.9%	2.3%
EBIT	53150	63890	56070	-16.8%	-5.2%
EBIT margins	5.6%	9.5%	6.0%		
Crude Refined (MMT)	16.6	17.3	16.7	-4%	-0.6%
GRM ($ per barrel)	10.5	11.9	11	-11.8%	-4.5%

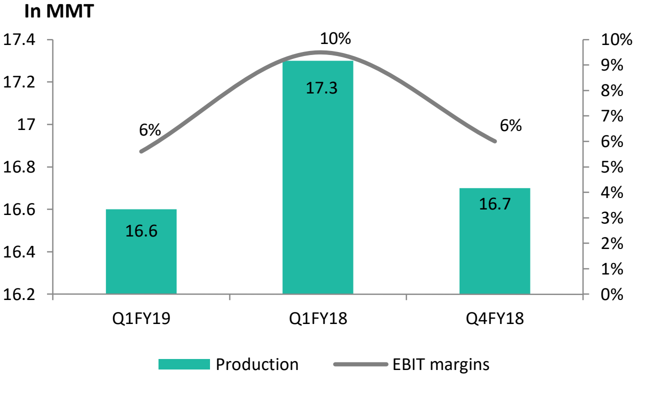
Source: Company, NSPL Research

- The segment performance at the EBIT level was impacted lower GRM's and adverse movement in Brent-Dubai differentials on Y-o-Y basis.
- The company's revenue grew by 42.9% y-o-y & 2.3% q-o-q to INR 956460 million.
- The company EBIT declined by -16.8% y-o-y & -5.2% q-o-q to INR 53150 million.
- Lower crude throughput due to planned turnaround of one Crude distillation unit and softer refining margins led to decline in Segment EBIT on y-o-y basis.
- GRM's for Q1FY19 stood at $10.5 per barrel as compared to $11.9 per barrel in Q1FY18 & $11 per barrel in Q4FY18.
- Lower GRM's were reported due to (i) Soft light distillate and stable middle distillate cracks (ii) Increased supply from China
- The company's Jamnagar refinery processed 16.6 MMT of crude, thereby, reporting de-growth of 4% y-o-y & 0.6% q-o-q.
- The average refinery utilization rates globally in Q1FY19 are 88.5% in North America, 82.2% in Europe and 86.2% in Asia.
- The company's exports of refined products from India stood at $6.1 billion during the Q1FY19 as compared to $4.8 billion in Q1FY18. In terms of volume, exports of refined products were 9.3 MMT during Q1FY19 as compared to 10.0 MMT in Q1FY18.
- Singapore gasoline cracks averaged $12.1 per barrel during Q1FY19 as against $13.7 per barrel in Q4FY18 and $14.2 per barrel in Q1FY18. Gasoline markets remained well supplied with ramp-up in new refinery capacities particularly in Asia.
- Arab Light – Arab Heavy crude differential settled at $3.2 per barrel in Q1FY19 as compared to $2.9 per barrel in Q4FY18 and $2.2 per barrel in Q1FY18. Light heavy differential widened in line with the increase in gasoil-fuel oil spread.
- India's oil demand in Q1FY19 grew by 5.5% YoY. Gasoline 8.4% y-o-y, Diesel 3.4% y-o-y, ATF 13.4% y-o-y and LPG 9.6% y-o-y.
- Reliance has 1325 retails outlets operational as on Q1FY19.

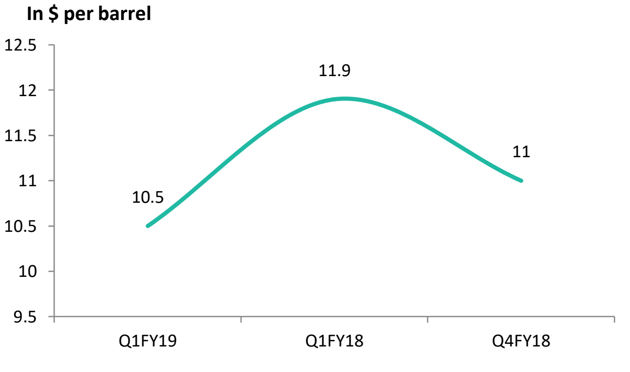
Revenue & EBIT performance



Production & margin performance



GRM declined yearly & quarterly



Source: Company, NSPL Research

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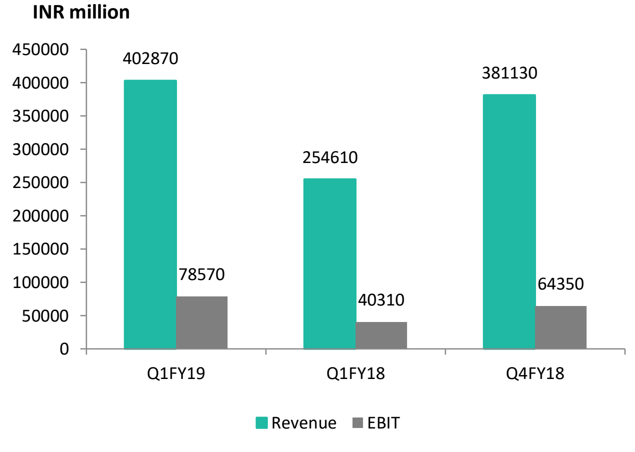
Petrochemicals business

INR in Million	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	402870	254610	381130	58.2%	5.7%
EBIT	78570	40310	64350	94.9%	22.1%
EBIT margins	**19.5%**	**15.8%**	**16.9%**		
Production (MMT)	9.2	6.9	9.2	33.3%	0%

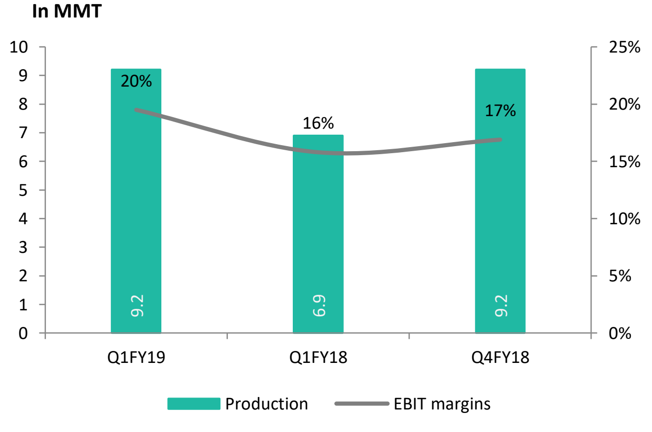
Source: Company, NSPL Research

- The petrochemicals business revenue grew by an impressive 58.2% y-o-y & 5.7% q-o-q to INR 402870 million.
- The company's EBIT grew by 94.9% y-o-y & 22.1% q-o-q to INR 78570 million.
- EBIT margins witnessed strong expansion and stood at 19.5% in Q1FY19 as compared to 15.8% in Q1FY18 & 16.9% in Q4FY18.
- Margin expansion is on the back of (i) Better realization backed by stronger demand (ii) Feedstock cost optimization and superior product mix (iii) Firm polyester margin on quarterly basis (iv) Strategic shift to light feed enhancing earnings stability despite volatile crude and naphtha prices.
- Crude oil prices continued to strengthen during the quarter amid supply disruptions and geo-political concerns. Asian polymer margins weakened with strength in feedstock naphtha prices.
- Polymer prices remained stable during the quarter. On Q-o-Q basis, PP and HDPE prices gained by 1% and 2% respectively; whereas PVC prices weakened marginally by 1%. PP margins remained stable ($ 285/MT) through the quarter. PE margins over naphtha weakened by 5% on quarterly basis ($ 640/MT) amidst strengthening naphtha prices. The company's feedstock strategy helped offset the naphtha price volatility by including US Ethane and refinery off-gases as feedstock.
- PVC margins softened by 13% q-o-q basis ($ 539/MT) due to strong EDC price environment.
- Polymer demand in India continues to witness robust growth aligned with fast paced economic growth, increased budgetary support for affordable housing and infrastructure. On yearly basis, domestic polymer demand increased by 10% during Q1FY19. PP demand was higher by 13% y-o-y, aided by demand growth from automobile and raffia packaging.
- PE and PVC demand were up by 11% and 5% respectively on y-o-y basis mainly due to strength in pipe segment.
- The company's polymer production was up by 45% y-o-y to 1.42 MMT driven by sustainable volume growth following commissioning and stabilization of ROGC complex.
- The company maintained its leadership position in domestic polymer market with a 44% market share in petrochemicals segment.
- On quarterly basis, Dubai crude oil prices were up by 13% while Asian naphtha prices gained 11% tracking crude prices and a supportive demand-supply scenario. Ethylene and propylene prices were largely stable during the quarter amidst supply constraints due to cracker shutdowns and healthy downstream demand.

Revenue & EBIT of Petrochemicals business



Production & margin performance



- PX prices increased 3% q-o-q tracking the uptrend in crude prices. PX-Naphtha delta decreased 9% q-o-q ($ 336/MT) in anticipation of long supplies with start-up of new capacities.
- PTA markets were healthy supported by tight supplies and improved downstream demand arising from a peak textile season in China. Prices remained firm, up 7% q-o-q boosting delta by 25% q-o-q to $187/MT, surpassing the 5-year average.
- MEG prices crossed $1000/MT mark early in the quarter amidst tight supplies and low Chinese port inventory. The bullish trend was supported by firm energy values and improved downstream demand.
- The company's polyester chain expansions have fully stabilized and are operating at optimal levels. Fiber intermediate production during Q1FY19 surged 12% y-o-y to 2.4 MMT while Polyester production increased 7% y-o-y at 0.63 MMT.

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Oil & Gas business

INR in Million

Domestic Oil & Gas business	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	754	582	612	**29.6%**	**23.2%**
EBIT	-245	-231	-416	**6.1%**	**-41.1%**
EBIT margins	**-32.5%**	**-39.7%**	**-68%**		
Production (BCFe)	17.9	20.3	18.4	**-11.8%**	**-2.7%**

Source: Company, NSPL Research

- The domestic Oil & Gas business revenue grew 29.6% y-o-y & 23.2% q-o-q to INR 754 million.
- The company EBIT is recording losses , however, the losses have halved as compared on a quarterly basis.
- Incremental production from CBM block partially offset lower production from KG D6 during Q1FY19.
- Production recorded de-growth of 11.8% y-o-y & 2.7% q-o-q to 17.9 BCFe in Q1FY19.
- KG D6 field produced 0.14 MMBBL of crude oil and 13.24 BCF of natural gas in Q1FY19, lower by 39% and 35% respectively on a y-o-y basis. Fall in oil and gas production was mainly on account of natural decline, compounded by water and sand ingress.
- Panna-Mukta fields produced 1.11 MMBBL of crude oil and 13.8 BCF of natural gas in Q1FY19, a reduction of 16% in crude oil and 7% in natural gas on y-o-y basis. This was primarily on account of natural decline in field, and interim shut-in of wells due to asset maintenance activities.
- For the quarter Q1FY19, the CBM field produced 3.26 BCF of gas as compared to 2.68 BCF during Q4FY18. CBM field is currently producing nearly 1 MMSCMD of gas.

Oil & Gas business (US Shale)

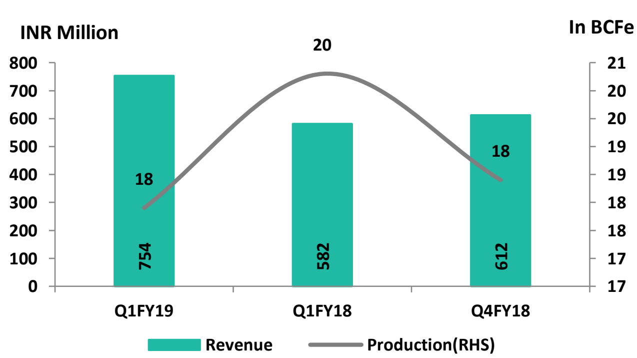
INR in Million

US Shale business	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue ($ Mn)	86	94	105	**-9%**	**-18%**
EBITDA ($ Mn)	19	24	38	**21%**	**-50%**
EBIT margins	**22.1%**	**25.5%**	**36.2%**		
Production (BCFe)	23.8	34.7	28.7	**-31%**	**-17%**

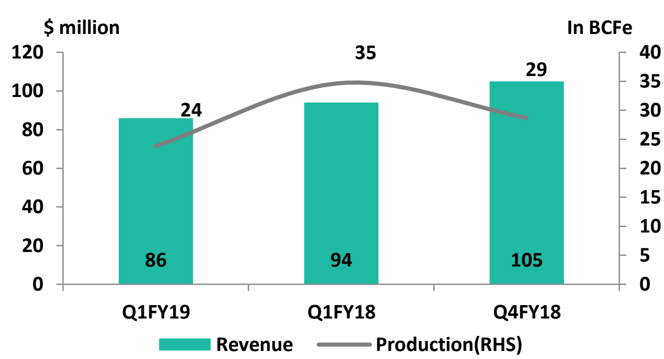
Source: Company, NSPL Research

- The Oil & Gas US shale business revenue declined by 9% y-o-y & 18% q-o-q to $86 million.
- Production reduced by 17% q-o-q & 31% y-o-y to 23.8 BCFe due to natural decline of wells.
- WTI averaged at $67.9 vs. $62.9/bbl in Q1FY19. The NGL realizations improved 8.5% q-o-q due to higher propane and butane prices in Q1FY19.
- Increased Ethane and Propane exports and new crackers coming on-stream helped with improved demand/pricing outlook. Gas prices declined during the quarter. Henry Hub gas prices averaged 7% lower q-o-q at $2.80/MMbtu. Differentials in Marcellus region remained stable q-o-q.
- Overall production was lower mainly due to natural decline of wells as no new wells came online.
- Capex remained moderate at $26 MM for the quarter, 6% lower than in Q4FY18.
- At Chevron JV, the drilling and completion activity continued at non operated area while well preparatory work and some drilling activity commenced in JV operated area; drilling activity is expected to start in Q4CY18.
- The sale of certain Eagle Ford assets in the Western Eagle Ford area to Sundance Energy Inc. was closed during the quarter.

Domestic Oil & Gas business performance



Oil & Gas US shale business performance



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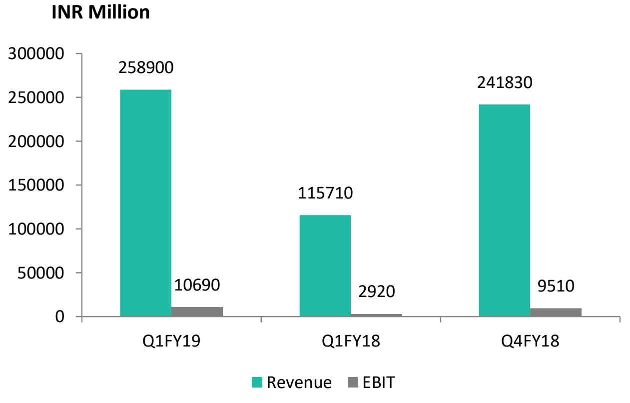
Organised Retail business

INR in Million	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	258900	115710	241830	123.7%	7.1%
EBIT	10690	2920	9510	266.1%	12.4%
EBIT margins	**4.1%**	**2.5%**	**3.9%**		
Area operated (Mn sq.ft)	18.6	17.7	13.8	5.1%	34.8%

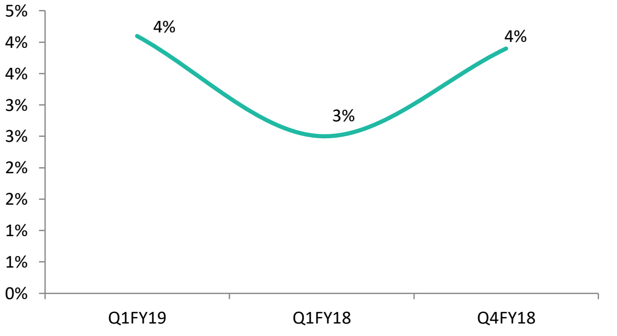
Source: Company, NSPL Research

- The retail business revenue grew by 123.7% y-o-y & 7.1% q-o-q to INR 258900 million.
- The company's EBIT grew by 266.1% y-o-y & 12.4% q-o-q to INR 10690 million.
- EBIT margins witnessed strong expansion and stood at 4.1% in Q1FY19 as compared to 2.5% in Q1FY18 & 3.9% in Q4FY18.
- Margin expansion is on the back of (i) Rapid store expansion along with superior customer value proposition across all consumption baskets supported revenue growth (ii) Strong focus on cost control, scalability and operating leverage is reflecting in 3x EBITDA growth on y-o-y basis.
- The company's retail's grocery stores led by **Reliance Smart** and **Fresh** have recorded robust growth backed by growth in Staples, Fruits & Vegetables and Home & Personal Care categories. Reliance Fresh was ranked as India's Most Trusted Grocery Brand in a study covering 9,000 brands across 16 cities in The Brand Trust Report. Reliance Smart crossed a milestone of 100 stores during the quarter. Together both the brands now operate 509 stores across 96 cities. **Reliance Market** continue to be a leading cash and carry chain in India. Reliance Market opened 2 new stores in Dankuni and Kolkata during the period and launched own brand products across staples, luggage, disposables and stationary categories.
- The company's brands continues to expand its international partner portfolio and now operates 500+ stores across Partner Brands. Most of the brands expanded its presence in the expectant mother and in general merchandise for children category by acquiring **Mothercare** India business from DLF Brands. Mothercare currently operates 64 stores and 51 shop in shops across 30 cities.
- **Ajio.com** the curated online fashion destination, continues to witness strong customer traction with 2.2 million app downloads during the quarter. An average customer visits Ajio mobile app six times in a month and repeat customers contribute two-thirds to the revenue. The site currently features over 75,000 options compared to 37,000 options in same period last year.
- Reliance Retail added 68 stores and 794 Jio Points during Q1FY19 and operates 8,533 stores and 502 (own) petro outlets across more than 5,200 cities as of 30th June, 2018.

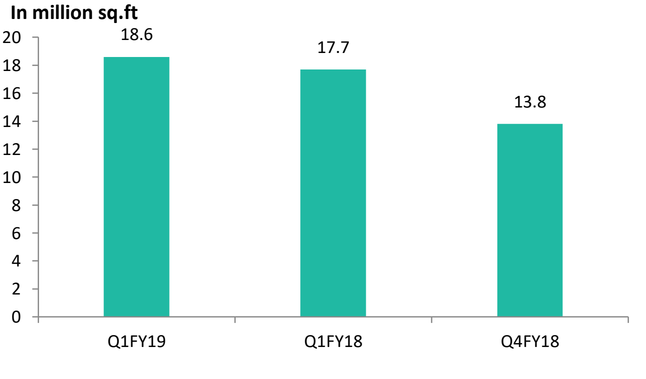
Revenue & EBIT of Retail business



EBIT margin show a growth trend



Area operated under retail business



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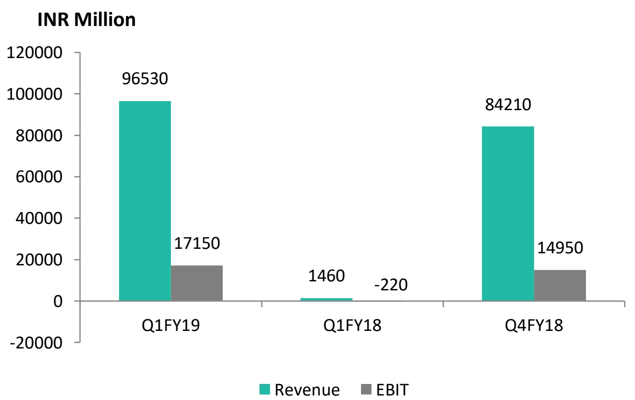
Digital business

INR in Million	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	96530	1460	84210	6511%	14.6%
EBIT	17150	-220	14950	-	14.7%
EBIT margins	**17.8%**	**-15.1%**	**17.8%**		
Subscribers (Millions)	215.3	-	186.6	-	15.4%

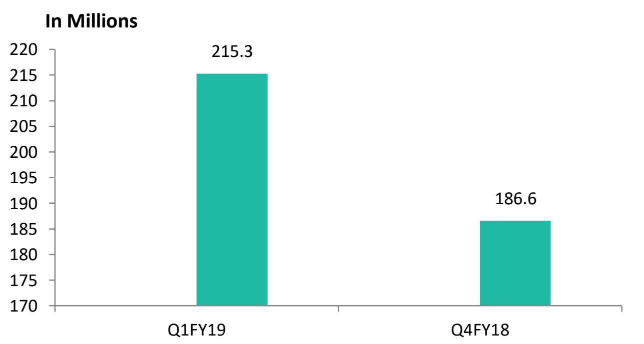
Source: Company, NSPL Research

- The digital business revenue grew 14.6% q-o-q to INR 96530 million.
- The company EBIT grew 14.7% q-o-q to INR 17150 million.
- EBIT margins remained same qoq at 17.8%
- Total wireless data traffic during the quarter of 642 crore GB.
- Total voice traffic during the quarter of 44,871 crore minutes.
- Subscriber base as on Q1FY19 stood at 215.3 million and witnessed a robust growth of 15.4% y-o-y.
- Lowest churn in the industry at 0.30% per month.
- ARPU during the quarter stood at INR 134.5/subscriber per month.
- Jio has continued its strong subscriber growth trend with net addition during the quarter of 28.7 million as compared to 26.5 million in Q4FY18 witnessing highest in any quarter since the launch of commercial services.
- Gross adds at 30.5 million and churn of only 1.8 million implying the lowest industry churn rate at 0.30% per month.
- Customer activity grew substantially in the quarter with average data consumption per user per month of 10.6 GB and average voice consumption of 744 minutes per user per month.
- Video consumption drove most of the usage, increasing to 340 crore hours per month on the network; average video consumption of 15.4 hours per subscriber per month.
- During the quarter, Jio launched the Zero-Touch Post-paid plan at INR 199/ month offering a) unlimited voice and SMS, b) 25GB 4G data, c) pre-activated ISD calling starting at 50 paise/ min and d) one-click activation of international roaming at attractive rates (starting from INR 2/ min for voice, INR 2/ MB for data, INR 2/ SMS) without any upfront security deposit.
- Jio also launched the '**Monsoon Hungama**' offer for Jio-Phone with upfront security deposit of only INR 501 for a new Jio-Phone (offered by Reliance Retail), effective 21st July, 2018. The offer works in conjunction with return of an old feature phone. Also, Jio-Phone 2, which offers a larger screen and full **QWERTY** keyboard for a price of INR 2,999 has also been announced. Jio-Phone 2 would be available starting 15th August, 2018. Most used social media applications like YouTube, Facebook and WhatsApp would also be available for Jio Phone users starting 15th August, 2018.
- During the last quarter, Jio offered various schemes to its prepaid customers including Jio Cricket Gold Pass, Double Dhamaka for limited period, attractive cashbacks on digital recharges, etc.

Revenue & EBIT of Digital business



Significant jump in subscriber base



- The engagement metrics of the Jio subscribers is also the highest in the industry in India and among the highest globally as well. Average data consumption at 10.6 GB per user per month, average voice consumption at 744 minutes per user per month and average video consumption at 15.4 hours per user per month make Jio the leader in the industry across all of these service offerings.
- Average data consumption has grown substantially in this quarter, primarily driven by video consumption. We believe data consumption will be one of the key triggers of the digital business.
- We expect subscriber base to go up significantly and might able to cross 300+ million users by FY21E.
- However, the growth from the Jio will be much more driven from the tariffs situation. We expect the company to increase tariff's rate gradually over the coming quarters which will boost the margins of digital business.
- Robust EBITDA margins and strong operating leverage to play out in the near future of digital busisness.

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Profit & Loss (INR Millions)	FY16	FY17	FY18	FY19E	FY20E
Net sales	**2,741,510**	**3,053,820**	**3,916,770**	**5,250,984**	**5,647,683**
COGS	1886750	2122990	2674660	1886750	1886750
Employee Expenses	74,260	83,880	95,230	119,822	124,688
Other Expenses	362,940	384,890	505,120	613,723	641,763
EBITDA	**417,560**	**462,060**	**641,760**	**887,347**	**1,021,220**
D&A	116,110	116,460	167,060	222,248	235,161
Other income	74,800	94,430	99,490	125,858	121,453
EBIT	**376,250**	**440,030**	**574,190**	**790,957**	**907,512**
Interest Expense	36,950	38,590	80,520	113,043	84,875
PBT	**339,300**	**401,440**	**493,670**	**687,567**	**822,637**
Tax	88,700	102,060	100,980	196,917	235,601
PAT	**296,340**	**299,380**	**360,210**	**490,650**	**587,036**
EPS in INR	**6.2**	**11.5**	**14.1**	**17.8**	**20.4**

Balance Sheet (INR Millions)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	29,480	29,590	59,220	59,220	59,220
Reserves & Surplus	2,286,080	2,607,500	2,875,840	3,314,817	3,840,030
Minority Interest	33,560	29,170	35,390	35,390	35,390
Shareholder's Funds	**2,349,120**	**2,666,260**	**2,970,450**	**3,409,427**	**3,934,640**
Long term borrowings	1,416,470	1,521,480	1,441,750	1,541,750	1,421,750
Long term provisions	12,310	23,530	29,060	40,872	42,044
Deferred tax liabilities	338,040	468,720	498,280	498,280	498,280
Other non-current liabilities	22,490	90,250	85,420	85,420	85,420
Total Non-current liabilities	**1,789,310**	**2,103,980**	**2,054,510**	**2,166,322**	**2,047,494**
Short Term borrowings	235,450	315,280	374,290	524,290	274,290
Trade payables	602,960	765,950	1,068,610	1,102,103	1,144,125
Other financial liabilities	895,330	1,045,410	1,251,510	1,815,913	1,867,985
Other current liabilities	100,050	208,820	431,790	362,728	373,129
Short-term provisions	17,750	17,690	12,320	30,728	31,609
Current liabilities	**1,851,540**	**2,353,150**	**3,138,520**	**3,715,670**	**3,647,083**
Total Equity and Liabilities	**5,989,970**	**7,123,390**	**8,163,480**	**9,289,198**	**9,628,402**
Fixed Assets	1,578,250	1,704,830	3,160,310	3,618,989	3,829,247
Capital work in progress	1,703,970	2,503,770	1,662,200	1,662,200	1,662,200
Intangible assets	228,310	231,510	820,410	939,482	994,065
Intangible assets under develop	583,000	744,600	208,020	208,020	208,020
Goodwill on consol	42,540	48,920	58,130	58,130	58,130
Loans & advances	20,320	27,080	26,680	47,039	48,388
Non current investments	415,120	256,390	252,590	262,694	273,201
Other Non-current assets	140610	138,160	137,280	239,989	246,870
Total Non-current Assets	**4,712,120**	**5,655,260**	**6,325,620**	**7,020,941**	**7,314,397**
Inventories	464,860	489,510	608,370	704,342	731,198
Current Investments	425,030	572,600	576,030	576,030	576,030
Trade receivables	44,650	81,770	175,550	142,037	146,110
Cash and cash equivalents	110,280	30,230	42,550	263,995	234,591
Short term loans & advances	8,410	9,960	23,270	31,515	32,419
Other current assets	163,450	198,710	327,610	443,691	456,414
Other financial assets	61170	85350	84,480	148,256	152,507
Total Current Assets	**1,277,850**	**1,468,130**	**1,837,860**	**2,268,257**	**2,314,005**
Total Assets	**5,989,970**	**7,123,390**	**8,163,480**	**9,289,198**	**9,628,402**

Source: NSPL Research

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Cash Flow (INR Millions)	FY16	FY17	FY18	FY19E	FY20E
PBT	387,370	400,340	494,260	687,567	822,637
Operating profit before working capital changes	388,870	441,700	627,650	1,013,206	1,142,673
Operating profit after working capital changes	467,160	596,330	813,030	1,157,863	1,238,359
Less income tax paid	-85820	-100,830	-98,440	-196,917	-235,601
Cash Flow from Operating	**381,340**	**495,500**	**714,590**	**960,946**	**1,002,758**
(Incr)/ Decr in Gross PP&E	-468,980	-781090	(739,530)	(800,000)	(500,000)
Purchase of investments	-7,153,340	(6,547,600)	(5,339,840)	(10,104)	(10,508)
Cash Flow from Investing	**-361,900**	**-662,920**	**-682,900**	**-834,438**	**-515,464**
(Decr)/Incr in Debt	346730	317280	369,700	250,000	(370,000)
Dividend Paid	-72590	-530	-39,160	-53,707	-64,257
Finance costs	-92240	-129200	-176,690	-113,043	-84,875
Cash Flow from Financing	-32,100	86,170	-20,010	94,937	-516,698
Incr/(Decr) in Balance Sheet Cash	**-12,660**	**-81,250**	**11,680**	**221,445**	**-29,404**
Cash at the Start of the Year	122,850	110,230	29,890	42,550	263,995
Cash at the End of the Year	**110,230**	**30,230**	**42,550**	**263,995**	**234,591**

RATIOS	FY16	FY17	FY18	FY19E	FY20E
Profitability					
Return on Assets (%)	5.0%	4.2%	4.4%	5.0%	5.0%
Return on Capital (%)	9.4%	9.8%	12.0%	14.4%	16.1%
Return on Equity (%)	12.6%	11.2%	12.1%	14.4%	14.9%
Margin Trend					
Gross Margin (%)	14.2%	14.0%	14.9%	16.5%	17.8%
EBITDA Margin (%)	12.8%	13.3%	13.3%	14.7%	15.8%
Net Margin (%)	10.8%	9.8%	9.2%	9.8%	11.0%
Liquidity					
Current Ratio	0.7	0.6	0.6	0.6	0.6
Quick Ratio	0.3	0.3	0.3	0.3	0.3
Debtor Days	6	10	16	10	10
Inventory Days	107	102	107	102	102
Creditor Days	139	160	188	160	160
Solvency					
Total Debt / Equity	0.7	0.7	0.6	0.6	0.4
Interest Coverage	10.2	11.4	7.1	7.7	10.7
Valuation Ratios					
EV/EBITDA	17.4	16.3	11.7	8.5	7.0
P/E	10.2	13.1	18.5	13.6	11.3
P/B	0.6	0.7	2.2	2.0	1.7

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Reliance Industries Ltd.				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	Strong Buy	More than 15%
July 30, 2018	1129	1327	Strong Buy	Buy	5% - 15%
				Hold	0 – 5%
				Reduce	-5% - 0
				Sell	Less than -5%

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Other disclosures	NO

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