

# Reliance Industries

BSE SENSEX  
36,738

S&P CNX  
10,813

**CMP: INR1,879**

**TP: INR2,000 (+6%)**

**Buy**



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



## Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USDb)	12327.1 / 159.1
52-Week Range (INR)	1884 / 867
1, 6, 12 Rel. Per (%)	13/35/53
Avg Val, INRm	3,735
Free float (%)	54.9

## Financials Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
Net Sales	5,957	5,582	6,808
EBITDA	879	933	1,218
Net Profit	432	465	674
Adj. EPS (INR)	68.1	73.4	106.3
EPS Gr. (%)	8.4	7.8	44.8
BV/Sh. (INR)	715.1	782.2	878.8

## Ratios

Net D:E	0.6	0.5	0.3
RoE (%)	10.3	9.8	12.8
RoCE (%)	8.5	8.3	10.5
Payout (%)	11.6	8.8	9.1

## Valuations

P/E (x)	27.6	25.6	17.7
P/BV (x)	2.6	2.4	2.1
EV/EBITDA (x)	16.5	15.5	11.3
EV/Sales (x)	2.4	2.6	2.0
Div. Yield (%)	0.3	0.3	0.4

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	48.9	48.9	46.2
DII	13.6	13.6	11.8
FII	25.9	26.3	26.2
Others	11.6	11.2	15.9

FII Includes depository receipts

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

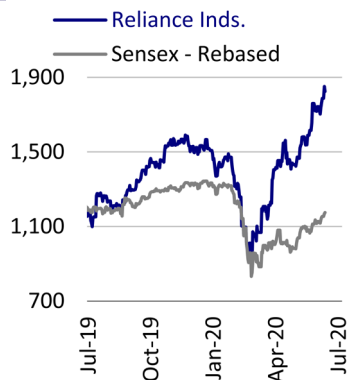
- Reliance Industries' (RIL) focus and determination with which it has executed its foray into digital and retail segments is highly commendable. This has resulted in our own equity valuation for digital and retail changing from INR315/share three years back to INR1,385/share currently.
- RIL's digital segment has seen partnerships with global giants like Facebook, Microsoft, Intel and host of well known global private equity players. This has further boosted investor confidence on the company's growth prospects and the possible synergies that could be extrapolated to retail.
- As RIL has achieved a decent foothold in both digital services and organized retail, we believe it would now turn its focus to the 'oil-to-chemicals' project, for which it has signed an MoU with Saudi Aramco. RIL had guided for this project in its 2019 Annual General Meeting.

## Oil-to-chemicals – the theory...

- In a conventional refinery, only three products (petrol, diesel and ATF) comprising 60-70% of the product slate, command positive margins.
- As refiners increase in size and have access to more capital, they come up with complex projects like delayed coker (or petcoke gasifier). This converts low value products into high value products.
- Globally, a conventional refinery produces ~8% of naphtha, which may be used as chemical feedstock. This rises to 17-20% (examples Petro Rabigh complex of Aramco/Sumitomo, Sadara complex of Saudi Aramco/Dow) in refinery-cum-petrochemical complexes. Comparatively, RIL has 24% conversion rate of 'oil-to-chemicals' currently.
- In FY20, RIL's EBITDA from refining stood at USD6.6/bbl v/s ~USD15.6/bbl in petrochemical.
- A new trend – in favor of increasing the percentage of chemicals in the overall production – is emerging. This is due to the vast difference in profitability combined with an increased threat from electric vehicles to petrol and diesel.

## ...and few implementations later, as much as 72% conversion possible

- 'Oil-to-chemicals' projects are mainly aimed at increasing the yield of light olefins or aromatics like benzene, toluene and xylene.
- Broadly, three methodologies are used. First, is the direct steam cracking of crude oil, for which, Shell and ExxonMobil have developed technologies. Another is the integrated hydro-processing/de-asphalting and steam cracking, developed by Saudi Aramco. The third is the processing of middle distillates and residues using hydrocracking, implemented at Hengli Petrochemicals, China.

**Stock Performance (1-year)**

- Most projects have a chemical yield of 40-60%. Saudi Aramco is also working with Chevron Lummus Global for commercializing Aramco's 'thermal crude-to-chemicals' technology, intended to get conversion as high as 72%. Aramco has entered into a MoU with S-Oil for USD6b steam cracker and an olefin downstream project to be completed by 2024.

**A possible 15% jump in standalone EBITDA for RIL?**

- Currently, chemical conversion stands at 24% for RIL. In its Annual Report, the company has reiterated that discussions with Saudi Aramco are still on. The advancement of Saudi Aramco in this technology could be the main reason RIL is looking at a partnership with the former.
- Currently, the what (% of conversion), when (timeline) and wherewithal (capex) of the targeted 'oil-to-chemicals' for RIL are not clear. However, the domestic retail auto fuel market is pretty saturated with OMCs having ~90% of the retail infrastructure and market with extensive expansion planned. It already exports ~60% of its refined products. 'Oil-to-chemicals' would wean RIL away from an already flooded global refining industry.
- According to our estimate, a 10% rise in chemical production from the current slate and improvement in EBITDA for the refinery-cum-petrochemical complex could be as much as USD476m or 5.7% of the standalone FY22E EBITDA. Most global 'oil-to-chemical' projects appear to have 40-60% conversion. With increase in conversion to 50%, impact on standalone/consolidated e.g. FY22E EBITDA could be 15%/7.6% (Refer Exhibit 1). The increase in EBITDA may add another INR108/share to the valuation of RIL.

**Valuation and recommendation**

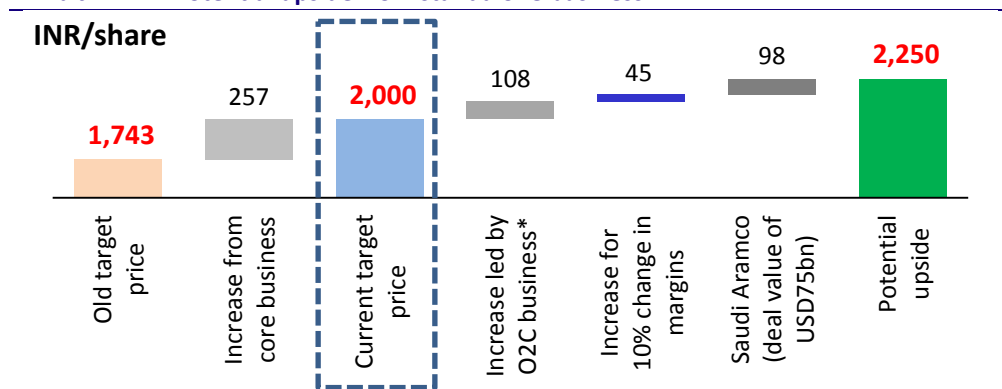
- RIL has attained a dominant position in both digital services and organized retailing. We believe the focus on the 'oil-to-chemicals' project would lead to huge potential upside from the standalone business as well.
- Although the project could take a few years to get completed due to the sheer size of the complex, our estimates suggest that 10% increase in conversion would increase the FY22E standalone/consolidated EBITDA by ~5.7%/2.9%.
- Given the recent closures of raising INR1,159b through stake sale in Jio Platforms as well as INR531b through rights issue, the company would become net debt free once the cash comes in.
- Considering the company would become a net debt free, we have raised the multiple for refining and petrochemical from 6x to 7.5x. Consumption of petroleum products also appears to be normalizing. Making adjustments for the same, our valuation for refining and petrochemical increases from INR617/share to INR791/share.
- Also, for every 10% change in petchem margins or refining GRMs, EBITDA sensitivity stands at 5-6% on standalone and 3% on consolidated basis.
- Currently, RIL's global refinery and petrochemical peers are trading at 8.9x FY21 EV/EBITDA. The stock is trading at 11.3x FY22E consolidated EBITDA and 17.7x FY22E consolidated EPS.
- We value RIL using SOTP. Valuing the standalone refining and petrochemical segments at 7.5x FY22E EBITDA and adding equity valuation of INR885/share for Jio and INR500/share for retail, we raise our target price from INR1,743/share to INR2,000/share. **We reiterate RIL as one of our top picks.**

**Exhibit 1: A possible 15% jump in standalone EBITDA for RIL (with increase in O2C conversion to 50% from current 24%)**

		Remarks
Incremental Percentage Conversion	26	❖ Current conversion stands at 24%
Total percentage conversion (%)	50.0	
Reduction in refining sales volume (mmt)	19	❖ Calculated on sales of 72.6mmt in FY20
Decrease in refining EBITDA (USDmn)	923	❖ Using blended EBITDA/bbl rather than only petrochem feedstock
Increase in petrochemical production (mmt)	19	❖ Almost similar by weight
Increase in petrochemical EBITDA (USDmn)	2,170	❖ Using blended FY20 EBITDA/bbl of production
Net increase in EBITDA (USDmn)	1,247	
<b>Net increase over FY22 standalone EBITDA (%)</b>	<b>15.0</b>	
<b>Net increase over FY22 consolidated EBITDA (%)</b>	<b>7.6</b>	

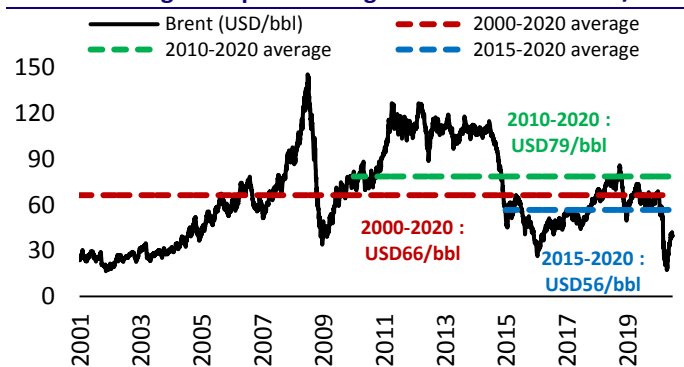
Source: Company, MOFSL

**Exhibit 2: RIL - Potential upside from standalone business**



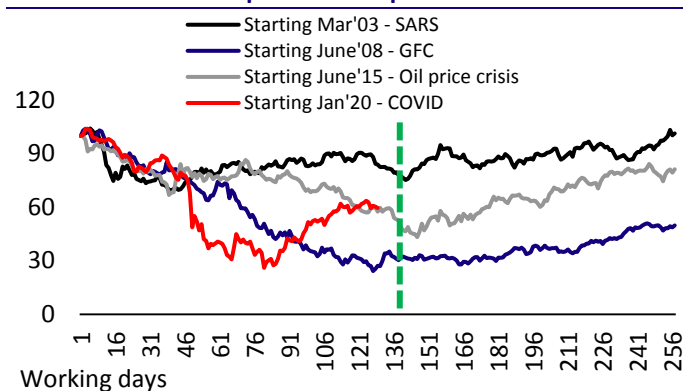
\*O2C business value is excluding capex Source: Company, MOFSL

**Exhibit 3: Long-term price average stands above USD55/bbl**



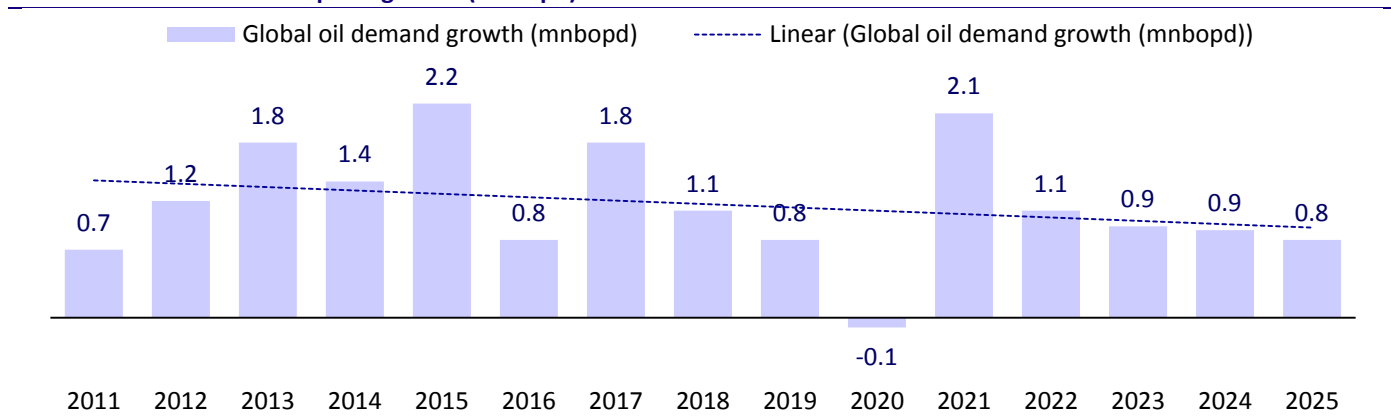
Source: Bloomberg, MOFSL

**Exhibit 4: Indexation price chart – past crude oil crises**



Source: Bloomberg, MOFSL

**Exhibit 5: Global oil consumption growth (mnbopd)**



Source: IEA, MOFSL

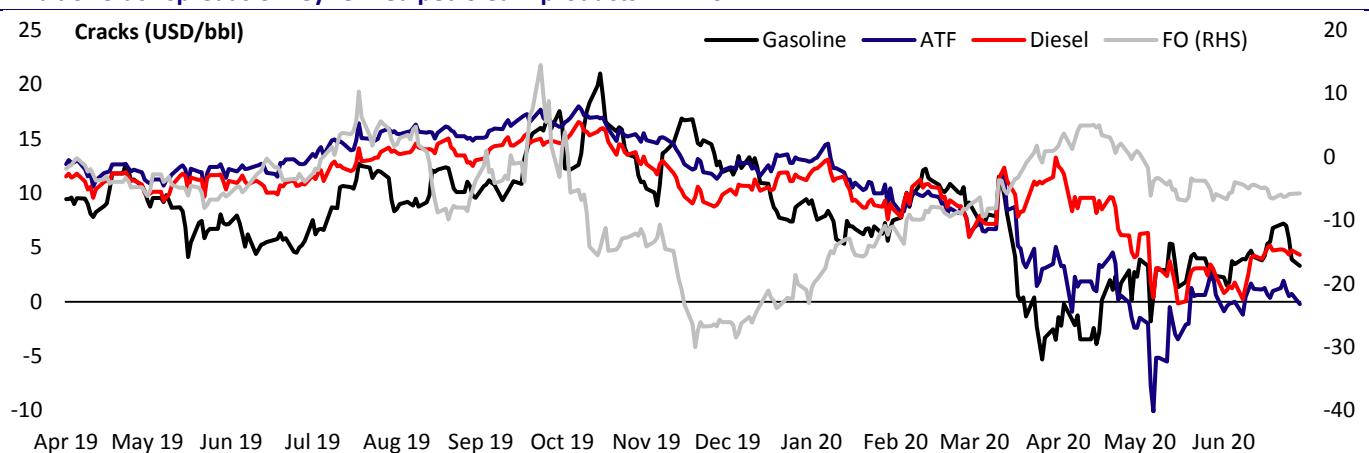
## Oil-to-chemicals

### Means for value addition as well as long-term survival

- In a refinery, petrol, diesel and ATF comprising 60-70% of the product slate, are the only profitable products.
- Transportation segment constitutes ~70% of the global consumption for petroleum products. Increasing focus on greener fuels like hydrogen and electric mobility as well as rising fuel efficiencies would likely adversely impact growth of petrol/diesel consumption globally.
- As a result, refiners are increasingly looking forward to oil-to-chemicals, both as a long-term survival tool and as a mean to increase profitability.

- *Exhibit 6* shows the crack spreads of key refined petroleum products in FY20. Barring petrol, diesel and ATF, all other products have negative margins. Hence, it has been a trend for refiners to upgrade the rest of the negative margin products either to maximize production of positive margin auto fuels or of value-added petrochemicals.
- ~60-65% production slate of Oil Marketing Companies (IOCL, BPCL and HPCL) and Nayara Oil comprises petrol and diesel while Chennai Petroleum, MRPL as well as RIL have ~50% auto fuels on their slate. For global refineries too the product profile is similar.
- Although Indian consumption of petroleum products may still grow at a higher rate, IEA estimates that global consumption growth for petrol would come down from 2.5mnbopd for each of the past six years to 0.5mnbopd in 2019-25. Similarly, diesel consumption is also likely to witness poor growth, primarily due to the onslaught of greener fuels and increased efficiencies.
- Decreased growth in consumption of refined products would worsen an already flooded refining industry. Long-term survival as well as better profitability is driving refiners to go for higher oil-to-chemicals conversion since the past few years.

**Exhibit 6: Crack spreads of key refined petroleum products in FY20**

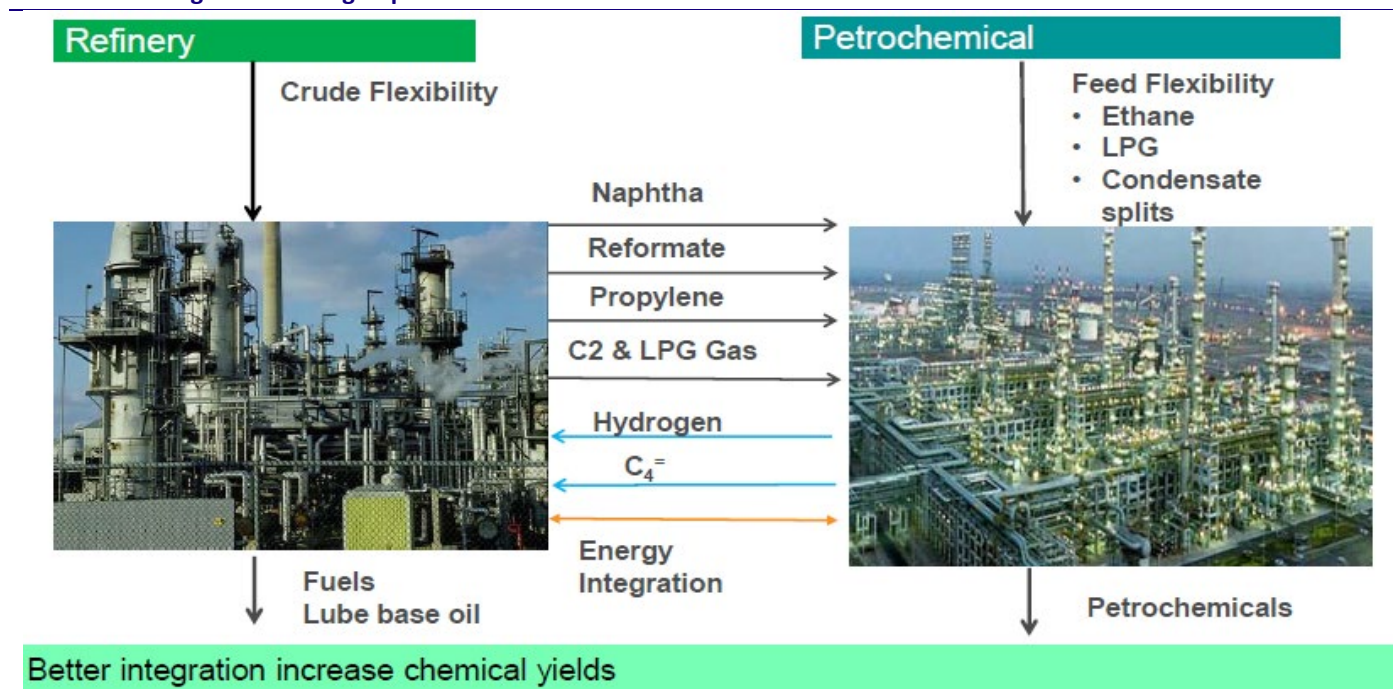


Source: Reuters, MOFSL

**Oil-to-chemicals – the theory**

- Several refinery products like naphtha, reformate, propylene, off gases and LPG may be used as feedstock to produce petrochemicals (*Refer Exhibit 5*).
- A conventional refinery produces ~8% naphtha, which may be used as a petrochemical feedstock. In an integrated refinery-cum-petrochemical complex, naphtha production may be as high as 17-20% for higher petrochemical production. RIL appears to have 13% naphtha production as of now.
- Several projects in China and the Middle East have commenced higher oil-to-chemicals conversion ranging between 40-60%. Saudi Aramco has also entered into an agreement with Chevron Lummus for commercializing its patented ‘thermal crude-to-chemicals’ technology, which aims at as high as 72% conversion.

**Exhibit 7: Moving from refining to petrochemicals**



Source: IHS, MOFSL

**Exhibit 8: Moving from refining to petrochemicals**

Project	Refinery capacity (mmtpa)	P-Xylene capacity (mmtpa)	Olefin capacity (mmtpa)	Est. chemical conversion/bbl of oil (%)	Investment (USD b)	Start trail operations
Hengli Petrochemical	20	4.3	1.5	42	11.4	Dec'18
Zhejiang Petroleum and Chemical (ZPC) Phase 1	20	40	1.4	45	12.0	2Q19
Hengyi (Brunei) PMB Refinery-Petrochem	8	1.5	0.5	>40	3.5	2019
Zhejiang Petroleum and Chemical (ZPC) Phase 2	20	4.8	1.2	50	12.0	2021
Shenghong refinery and Integrated Petrochem	16	2.8	1.1	60	11.0	2H21
Aramco/SABIC JV	20	0	3	45	20.0	2025

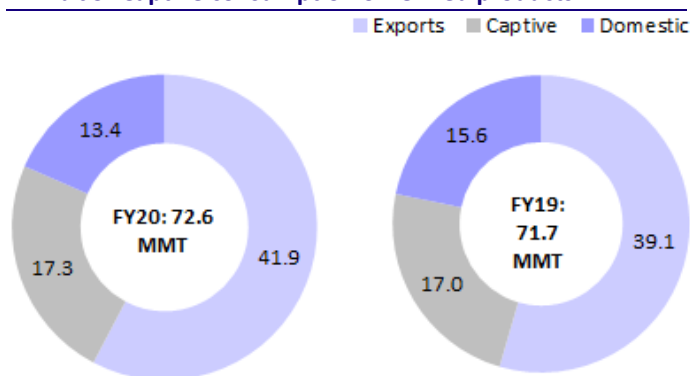
Source: IHS, MOFSL

## An increase of 15% in standalone EBITDA for RIL...

...by raising conversion from current 24% to 50%

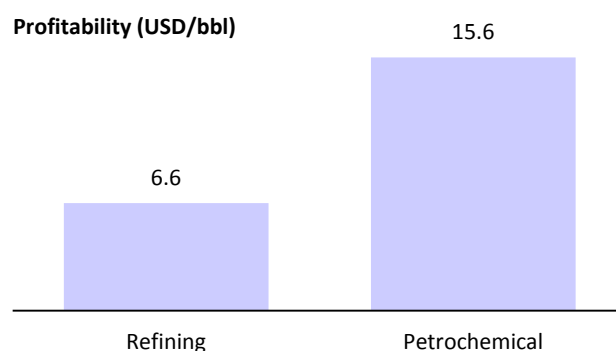
- RIL, in its last AGM, had announced that it had signed a MoU with Saudi Aramco for partnership in the 'oil-to-chemicals' business.
  - On one barrel of crude, RIL earned USD6.6/bbl in FY20 in the refining segment. Comparatively, it earned ~USD15.6/bbl in petrochemicals.
  - Our estimates suggest that if conversion rises from current 24% to 50%, it would increase FY22E standalone EBITDA by 15% and consolidated EBITDA by 7.6%.
- 
- The Annual Report of RIL suggests captive sale of 17.3mmt of refined products in total sales of 72.6mmt in FY20, translating to 24% conversion. This would broadly comprise sales of naphtha, reformate, propylene and off gases to the petrochemical segment.
  - Saudi Aramco has entered into an agreement with Chevron Lummus for commercialization of its patented technology, which offers as high as 72% conversion to chemicals. Saudi Aramco has signed a MoU with S-Oil for development of USD6b steam cracker and olefin downstream project, which are expected to be completed by 2024.
  - It appears that RIL's MoU with Saudi Aramco is also driven by the same thirst for higher chemical conversion. Others like ExxonMobil and Shell have also taken strides in the same field.
  - Our rough estimates suggest that a 10% higher conversion would result in as much as 5.7% of FY22E standalone EBITDA. A higher conversion to 50% may have a much higher impact – 15% of FY22E standalone EBITDA or 7.6% of consolidated FY22E EBITDA.
  - **The increase in EBITDA may add another INR108/share to the valuation of RIL.**

Exhibit 9: Captive consumption of refined products in RIL



Source: Company, MOFSL

Exhibit 10: Profitability of refining v/s petrochemicals in FY20 for RIL (USD/bbl)

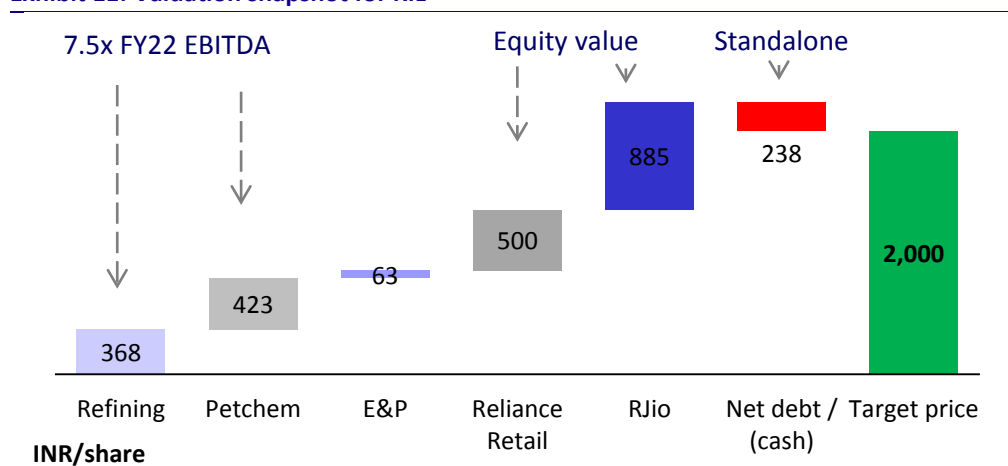


Source: Company, MOFSL

### Valuation and recommendation

- The upcoming AGM on 15<sup>th</sup> Jul'20 may shed more light on the proposed MoU with Saudi Aramco and the path toward 'oil-to-chemicals'.
- **Our estimates suggest that an increase from current 24% conversion to 50% conversion may add 15% to FY22E standalone EBITDA or 7.6% to FY22E consolidated EBITDA, translating into INR108/share of incremental valuation at 7.5x.**
- RIL is currently trading at 11.3x FY22E consolidated EBITDA and 17.7x consolidated FY22E EPS.
- RIL's global refining and petrochemical peers are trading at 8.9x FY21 EV/EBITDA. Since the inflow of cash from the current deals would make the company net debt free, we have raised our EV/EBITDA multiple for refining and petrochemical from 6x to 7.5x. Thus, the target price of RIL has increased from INR1,743/share to INR2,000/share, including the equity valuation of INR885/share for Jio and additional INR500/share for the retail segment.

Exhibit 11: Valuation snapshot for RIL



Source: Company, MOFSL

Exhibit 12: Major standalone assumptions

Key Metrics	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Exchange Rate (INR/USD)	61.2	65.4	67.1	64.5	70.0	70.9	74.9	75.8
<b>Refining</b>								
Capacity (mmt)	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Production (mmt)	67.9	69.5	70.1	70.0	68.3	70.6	68.1	70.0
Capacity Utilization (%)	110%	112%	113%	113%	110%	114%	110%	113%
<b>GRM (USD/bbl)</b>								
Singapore GRM	6.4	7.5	5.8	7.3	4.9	3.2	3.5	6.0
Premium/(disc)	2.5	3.3	5.2	4.4	4.4	5.7	4.8	5.0
RIL GRM	8.8	10.8	11.0	11.6	9.3	8.9	8.2	11.0
<b>Petchem</b>								
Net production (mmt)	22.0	24.7	24.9	32.4	37.7	38.3	37.8	40.0
EBITDA/mt (USD)	87	88	102	122	141	115	95	105
<b>RJio</b>								
Subs				187	307	388	436	466
ARPU				144.5	131.2	130.4	142.4	146.7
<b>Retail</b>								
Revenue growth (%)	26.9	13.8	44.2	94.6	98.1	27.9	0.1	35.0
<b>Consol. EPS</b>	<b>37.2</b>	<b>46.9</b>	<b>47.2</b>	<b>56.9</b>	<b>62.8</b>	<b>68.1</b>	<b>73.4</b>	<b>106.3</b>

Source: Company, MOFSL

**Exhibit 13: Global peers comparison – valuation matrix**

	ROE (%)		EV/EBITDA		PBV (x)		PE (x)	
	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22
Esso Thailand PCL	14.3	13.0	9.3	8.9	1.1	1.1	8.7	8.2
ENEOS Holdings Inc	3.9	7.6	8.5	6.8	0.6	0.6	14.2	7.2
Thai Oil PCL	7.3	8.5	8.1	7.3	0.7	0.7	10.8	10.0
S-Oil Corp	11.4	11.6	8.4	7.9	1.1	1.0	10.5	9.4
Idemitsu Kosan Co Ltd	3.9	8.6	9.4	7.8	0.6	0.6	15.3	7.3
SK Innovation Co Ltd	3.8	4.7	8.7	7.6	0.8	0.7	19.2	15.1
Phillips 66	10.5	19.8	6.7	6.2	1.2	1.1	9.9	8.4
Marathon Petroleum Corp	4.3	9.7	7.0	5.8	1.1	0.9	15.8	9.2
Valero Energy Corp	7.1	18.6	6.3	4.7	1.2	1.1	13.1	7.8
Indian Oil Corp Ltd	10.4	13.2	6.8	5.7	0.7	0.7	7.2	5.4
Bharat Petroleum Corp Ltd	15.3	19.6	10.8	8.4	1.9	1.7	12.7	9.1
Hindustan Petroleum Corp Ltd	14.9	18.8	7.3	5.6	1.0	0.9	7.2	5.2
<b>Reliance Industries Ltd</b>	<b>9.3</b>	<b>11.4</b>	<b>15.1</b>	<b>11.9</b>	<b>2.2</b>	<b>2.0</b>	<b>26.0</b>	<b>18.4</b>
Chennai Petroleum Corp Ltd	4.1	8.0	12.9	7.5	0.4	0.3	7.8	4.6

Source: Company, MOFSL



## Reliance Industries - Standalone Financials and valuations

### Standalone - Income Statement

(INR Billion)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>3,290.8</b>	<b>2,331.6</b>	<b>2,420.3</b>	<b>2,900.4</b>	<b>3,716.2</b>	<b>3,359.8</b>	<b>2,921.7</b>	<b>3,601.0</b>
Change (%)	-15.6	-29.1	3.8	19.8	28.1	-9.6	-13.0	23.2
<b>EBITDA</b>	<b>316.0</b>	<b>393.5</b>	<b>432.6</b>	<b>517.4</b>	<b>588.5</b>	<b>518.5</b>	<b>498.7</b>	<b>670.1</b>
Margin (%)	9.6	16.9	17.9	17.8	15.8	15.4	17.1	18.6
Depreciation	84.9	85.9	84.7	95.8	105.6	97.3	103.3	106.8
<b>EBIT</b>	<b>231.1</b>	<b>307.6</b>	<b>347.9</b>	<b>421.6</b>	<b>483.0</b>	<b>421.3</b>	<b>395.4</b>	<b>563.4</b>
Int. and Finance Charges	23.7	25.6	27.2	46.6	97.5	121.1	193.2	182.2
Other Income	87.2	78.2	87.1	82.2	88.2	145.4	160.2	164.0
<b>PBT bef. EO Exp.</b>	<b>294.7</b>	<b>360.2</b>	<b>407.8</b>	<b>457.3</b>	<b>473.7</b>	<b>445.6</b>	<b>362.4</b>	<b>545.2</b>
EO Items	0.0	0.0	0.0	0.0	0.0	-42.5	0.0	0.0
<b>PBT after EO Exp.</b>	<b>294.7</b>	<b>360.2</b>	<b>407.8</b>	<b>457.3</b>	<b>473.7</b>	<b>403.2</b>	<b>362.4</b>	<b>545.2</b>
Total Tax	67.5	86.3	93.5	121.1	122.0	94.1	91.2	137.2
Tax Rate (%)	22.9	24.0	22.9	26.5	25.8	23.3	25.2	25.2
<b>Reported PAT</b>	<b>227.2</b>	<b>273.8</b>	<b>314.3</b>	<b>336.1</b>	<b>351.6</b>	<b>309.0</b>	<b>271.2</b>	<b>407.9</b>
<b>Adjusted PAT</b>	<b>227.2</b>	<b>274.2</b>	<b>314.3</b>	<b>336.1</b>	<b>351.6</b>	<b>341.6</b>	<b>271.2</b>	<b>407.9</b>
Change (%)	3.3	20.7	14.6	7.0	4.6	-2.9	-20.6	50.4
Margin (%)	6.9	11.8	13.0	11.6	9.5	10.2	9.3	11.3

### Standalone - Balance Sheet

(INR Billion)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	32.4	32.4	32.5	63.4	63.4	63.4	63.4	63.4
Total Reserves	2,129.2	2,507.6	2,850.6	3,083.1	3,989.8	4,182.5	4,412.9	4,759.6
<b>Net Worth</b>	<b>2,161.8</b>	<b>2,540.0</b>	<b>2,883.1</b>	<b>3,146.5</b>	<b>4,053.2</b>	<b>4,245.8</b>	<b>4,476.3</b>	<b>4,823.0</b>
Total Loans	976.2	923.2	1,013.0	968.4	1,572.0	2,300.3	2,530.3	2,024.2
Deferred Tax Liabilities	126.8	237.5	247.7	279.3	473.2	505.6	505.6	505.6
<b>Capital Employed</b>	<b>3,264.7</b>	<b>3,700.7</b>	<b>4,143.8</b>	<b>4,394.1</b>	<b>6,098.3</b>	<b>7,051.7</b>	<b>7,512.2</b>	<b>7,352.8</b>
Gross Block	2,360.6	2,622.3	2,584.5	3,158.6	3,286.4	4,416.6	4,566.6	4,716.6
Less: Accum. Deprn.	1,215.0	1,146.9	1,053.2	1,149.0	1,254.6	1,351.8	1,455.1	1,561.9
<b>Net Fixed Assets</b>	<b>1,145.6</b>	<b>1,475.4</b>	<b>1,531.3</b>	<b>2,009.6</b>	<b>2,031.9</b>	<b>3,064.7</b>	<b>3,111.4</b>	<b>3,154.6</b>
Capital WIP	757.5	1,109.1	1,341.9	994.8	1,115.6	279.7	329.7	379.7
<b>Total Investments</b>	<b>1,125.7</b>	<b>1,572.5</b>	<b>1,924.5</b>	<b>2,252.2</b>	<b>3,316.8</b>	<b>4,891.0</b>	<b>4,891.0</b>	<b>4,891.0</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>949.0</b>	<b>659.8</b>	<b>669.8</b>	<b>918.6</b>	<b>1,293.2</b>	<b>1,453.7</b>	<b>1,473.7</b>	<b>1,754.2</b>
Inventory	365.5	280.3	340.2	395.7	441.4	388.0	337.4	415.9
Account Receivables	46.6	35.0	54.7	104.6	121.1	74.8	65.1	80.2
Cash and Bank Balance	115.7	68.9	17.5	27.3	37.7	84.4	316.4	327.9
Loans and Advances	421.1	275.6	257.3	391.0	693.0	906.5	754.8	930.3
<b>Curr. Liability &amp; Prov.</b>	<b>713.2</b>	<b>1,116.1</b>	<b>1,323.6</b>	<b>1,781.2</b>	<b>1,659.1</b>	<b>2,637.5</b>	<b>2,293.6</b>	<b>2,826.8</b>
Account Payables	650.6	1,093.7	1,289.8	1,749.9	1,626.5	2,612.6	2,272.0	2,800.2
Provisions	62.6	22.4	33.9	31.2	32.7	24.8	21.6	26.6
<b>Net Current Assets</b>	<b>235.8</b>	<b>-456.3</b>	<b>-653.9</b>	<b>-862.6</b>	<b>-365.9</b>	<b>-1,183.7</b>	<b>-819.9</b>	<b>-1,072.5</b>
<b>Appl. of Funds</b>	<b>3,264.7</b>	<b>3,700.7</b>	<b>4,143.8</b>	<b>4,394.1</b>	<b>6,098.3</b>	<b>7,051.7</b>	<b>7,512.2</b>	<b>7,352.8</b>

E: MOFSL Estimates

## Reliance Industries – Standalone Financials and valuations

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>35.8</b>	<b>43.3</b>	<b>49.6</b>	<b>53.0</b>	<b>55.5</b>	<b>53.9</b>	<b>42.8</b>	<b>64.4</b>
Cash EPS	49.2	56.8	62.9	68.1	72.1	69.2	59.1	81.2
BV/Share	357.5	420.1	476.8	520.4	670.3	702.2	740.3	797.6
<b>Valuation (x)</b>								
P/E	52.5	43.5	37.9	35.5	33.9	34.9	43.9	29.2
Cash P/E	38.2	33.1	29.9	27.6	26.1	27.2	31.8	23.2
P/BV	5.3	4.5	3.9	3.6	2.8	2.7	2.5	2.4
EV/Sales	3.9	5.5	5.3	4.4	3.6	4.2	4.8	3.8
EV/EBITDA	40.4	32.5	29.9	24.9	22.9	27.3	28.3	20.3
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4
FCF per share	2.3	41.6	28.7	71.8	-13.2	159.2	6.7	91.3
<b>Return Ratios (%)</b>								
RoE	11.0	11.7	11.6	11.1	9.8	8.2	6.2	8.8
RoCE	8.2	8.9	9.1	9.2	8.7	7.1	6.1	7.9
RoIC	13.9	21.1	29.6	31.3	26.1	18.9	15.7	22.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.4	0.9	0.9	0.9	1.1	0.8	0.6	0.8
Asset Turnover (x)	1.0	0.6	0.6	0.7	0.6	0.5	0.4	0.5
Inventory (Days)	41	44	51	50	43	42	42	42
Debtor (Days)	5	5	8	13	12	8	8	8
Creditor (Days)	72	171	195	220	160	284	284	284
<b>Leverage Ratio (x)</b>								
Current Ratio	1.3	0.6	0.5	0.5	0.8	0.6	0.6	0.6
Interest Cover Ratio	9.8	12.0	12.8	9.1	5.0	3.5	2.0	3.1
Net Debt/Equity	-0.1	-0.3	-0.3	-0.4	-0.4	-0.6	-0.6	-0.7

### Standalone - Cash Flow Statement

(INR Billion)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	294.7	360.2	407.8	457.3	473.7	403.2	362.4	545.2
Depreciation	84.9	85.9	84.7	95.8	105.6	97.3	103.3	106.8
Direct Taxes Paid	-67.5	-86.3	-93.5	-121.1	-122.0	-94.1	-91.2	-137.2
(Inc)/Dec in WC	174.5	560.6	146.2	218.5	-486.3	864.5	-131.9	264.2
<b>CF from Operations</b>	<b>486.5</b>	<b>920.3</b>	<b>545.1</b>	<b>650.4</b>	<b>-29.1</b>	<b>1,270.8</b>	<b>242.7</b>	<b>778.9</b>
<b>CF from Operating incl EO</b>	<b>491.1</b>	<b>1,031.0</b>	<b>555.3</b>	<b>682.0</b>	<b>164.8</b>	<b>1,303.2</b>	<b>242.7</b>	<b>778.9</b>
(Inc)/Dec in FA	-476.8	-767.2	-373.4	-227.1	-248.6	-294.2	-200.0	-200.0
<b>Free Cash Flow</b>	<b>14.3</b>	<b>263.8</b>	<b>181.9</b>	<b>455.0</b>	<b>-83.7</b>	<b>1,009.0</b>	<b>42.7</b>	<b>578.9</b>
(Pur)/Sale of Investments	-231.1	-446.8	-352.0	-327.7	-1,064.6	-1,574.2	0.0	0.0
<b>CF from Investments</b>	<b>-707.9</b>	<b>-1,214.0</b>	<b>-725.4</b>	<b>-554.8</b>	<b>-1,313.2</b>	<b>-1,868.4</b>	<b>-200.0</b>	<b>-200.0</b>
Inc/(Dec) in Debt	36.6	31.8	89.8	-44.7	603.6	728.3	230.0	-506.1
Dividend Paid	-35.6	-37.0	-39.2	-42.8	-46.4	-46.4	-40.7	-61.3
CF from Fin. Activity	0.3	136.2	118.7	-117.5	1,158.7	611.9	189.3	-567.3
<b>Inc/Dec of Cash</b>	<b>-216.5</b>	<b>-46.8</b>	<b>-51.4</b>	<b>9.8</b>	<b>10.4</b>	<b>46.8</b>	<b>232.0</b>	<b>11.5</b>
Opening Balance	332.2	115.7	68.9	17.5	27.3	37.7	84.4	316.4
<b>Closing Balance</b>	<b>115.7</b>	<b>68.9</b>	<b>17.5</b>	<b>27.3</b>	<b>37.7</b>	<b>84.4</b>	<b>316.4</b>	<b>327.9</b>

E: MOSL Estimates

## Reliance Industries – Consolidated Financials and valuations

Consolidated - Income Statement								(INR Billion)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>3,754.4</b>	<b>2,740.0</b>	<b>3,053.8</b>	<b>3,916.8</b>	<b>5,692.1</b>	<b>5,957.0</b>	<b>5,582.3</b>	<b>6,807.6</b>
Change (%)	-13.6	-27.0	11.5	28.3	45.3	4.7	-6.3	21.9
<b>EBITDA</b>	<b>373.6</b>	<b>417.0</b>	<b>461.9</b>	<b>641.8</b>	<b>841.7</b>	<b>878.8</b>	<b>933.1</b>	<b>1,217.8</b>
Margin (%)	10.0	15.2	15.1	16.4	14.8	14.8	16.7	17.9
Depreciation	115.5	115.7	116.5	167.1	209.3	222.0	243.4	258.8
<b>EBIT</b>	<b>258.2</b>	<b>301.4</b>	<b>345.5</b>	<b>474.7</b>	<b>632.3</b>	<b>656.7</b>	<b>689.7</b>	<b>959.1</b>
Int. and Finance Charges	33.2	36.9	38.5	80.5	165.0	220.3	235.4	233.8
Other Income	86.1	122.9	93.4	88.6	83.9	143.0	172.3	189.1
<b>PBT bef. EO Exp.</b>	<b>311.1</b>	<b>387.4</b>	<b>400.3</b>	<b>482.8</b>	<b>551.2</b>	<b>579.4</b>	<b>626.6</b>	<b>914.4</b>
EO Items	0.0	0.0	0.0	0.0	0.0	-44.4	0.0	0.0
<b>PBT after EO Exp.</b>	<b>311.1</b>	<b>387.4</b>	<b>400.3</b>	<b>482.8</b>	<b>551.2</b>	<b>535.0</b>	<b>626.6</b>	<b>914.4</b>
Total Tax	74.7	88.8	102.0	133.5	153.9	137.3	161.8	241.0
Tax Rate (%)	24.0	22.9	25.5	27.6	27.9	25.7	25.8	26.4
<b>Reported PAT</b>	<b>235.7</b>	<b>297.5</b>	<b>299.0</b>	<b>360.8</b>	<b>398.4</b>	<b>398.8</b>	<b>465.5</b>	<b>674.1</b>
<b>Adjusted PAT</b>	<b>235.7</b>	<b>297.5</b>	<b>299.0</b>	<b>360.8</b>	<b>398.4</b>	<b>431.8</b>	<b>465.5</b>	<b>674.1</b>
Change (%)	4.8	26.2	0.5	20.7	10.4	8.4	7.8	44.8
Margin (%)	6.3	10.9	9.8	9.2	7.0	7.2	8.3	9.9

Consolidated - Balance Sheet								(INR Billion)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	29.4	29.5	29.6	59.2	59.3	63.4	63.4	63.4
Total Reserves	2,155.4	2,286.0	2,607.5	2,875.8	3,811.9	4,469.9	4,894.7	5,507.5
<b>Net Worth</b>	<b>2,185.0</b>	<b>2,315.6</b>	<b>2,637.1</b>	<b>2,935.1</b>	<b>3,871.1</b>	<b>4,533.3</b>	<b>4,958.0</b>	<b>5,570.9</b>
Minority Interest	30.4	33.6	29.2	35.4	82.8	80.2	80.2	80.2
Total Loans	1,682.5	1,947.1	1,836.8	1,816.0	2,719.4	2,914.2	3,014.2	2,514.2
Deferred Tax Liabilities	129.7	204.9	212.0	245.4	499.2	541.2	541.2	541.2
<b>Capital Employed</b>	<b>4,027.6</b>	<b>4,501.2</b>	<b>4,715.0</b>	<b>5,031.9</b>	<b>7,172.6</b>	<b>8,068.9</b>	<b>8,593.6</b>	<b>8,706.4</b>
Gross Block	2,844.7	3,312.5	3,564.0	5,775.5	5,867.8	7,450.1	8,572.9	9,197.5
Less: Accum. Deprn.	1,324.1	1,505.9	1,627.7	1,794.7	2,004.1	2,226.1	2,469.5	2,728.2
<b>Net Fixed Assets</b>	<b>1,520.6</b>	<b>1,806.6</b>	<b>1,936.3</b>	<b>3,980.7</b>	<b>3,863.8</b>	<b>5,224.0</b>	<b>6,103.4</b>	<b>6,469.3</b>
Goodwill on Consolidation	44.0	42.5	48.9	58.1	120.0	102.6	102.6	102.6
Capital WIP	1,664.6	2,287.0	3,248.4	1,870.2	1,794.6	1,091.1	468.2	343.6
<b>Total Investments</b>	<b>764.5</b>	<b>840.2</b>	<b>856.1</b>	<b>855.3</b>	<b>2,403.0</b>	<b>2,767.7</b>	<b>2,767.7</b>	<b>2,767.7</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,051.2</b>	<b>1,013.8</b>	<b>978.3</b>	<b>1,348.4</b>	<b>1,842.7</b>	<b>2,473.8</b>	<b>2,510.2</b>	<b>3,119.0</b>
Inventory	532.5	464.9	489.5	608.4	675.6	739.0	691.3	843.1
Account Receivables	53.2	44.7	81.8	175.6	300.9	196.6	183.9	224.2
Cash and Bank Balance	125.5	110.3	30.2	42.6	110.8	309.2	485.3	649.6
Loans and Advances	340.1	394.0	376.8	521.9	755.4	1,229.1	1,149.7	1,402.1
<b>Curr. Liability &amp; Prov.</b>	<b>1,017.2</b>	<b>1,488.8</b>	<b>2,353.0</b>	<b>3,080.8</b>	<b>2,851.5</b>	<b>3,590.3</b>	<b>3,358.6</b>	<b>4,095.7</b>
Account Payables	594.1	603.0	766.0	1,068.6	1,083.1	968.0	905.5	1,104.3
Other Current Liabilities	353.7	855.8	1,545.9	1,970.8	1,721.1	2,580.8	2,414.3	2,944.2
Provisions	69.5	30.1	41.2	41.4	47.3	41.5	38.8	47.3
<b>Net Current Assets</b>	<b>33.9</b>	<b>-475.0</b>	<b>-1,374.7</b>	<b>-1,732.5</b>	<b>-1,008.8</b>	<b>-1,116.4</b>	<b>-848.3</b>	<b>-976.7</b>
<b>Appl. of Funds</b>	<b>4,027.6</b>	<b>4,501.2</b>	<b>4,715.0</b>	<b>5,031.9</b>	<b>7,172.6</b>	<b>8,068.9</b>	<b>8,593.6</b>	<b>8,706.4</b>

E: MOSL Estimates

## Reliance Industries – Consolidated Financials and valuations

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>EPS</b>	<b>37.2</b>	<b>46.9</b>	<b>47.2</b>	<b>56.9</b>	<b>62.8</b>	<b>68.1</b>	<b>73.4</b>	<b>106.3</b>
Cash EPS	55.4	65.2	65.5	83.3	95.9	103.2	111.8	147.2
BV/Share	344.7	365.3	416.0	463.0	610.7	715.1	782.2	878.8
DPS	4.6	4.9	5.1	5.6	6.1	6.1	5.3	8.0
Payout (%)	15.1	12.4	13.1	11.9	11.6	11.6	8.8	9.1
<b>Valuation (x)</b>								
P/E	50.6	40.1	39.9	33.0	29.9	27.6	25.6	17.7
Cash P/E	33.9	28.8	28.7	22.6	19.6	18.2	16.8	12.8
P/BV	5.5	5.1	4.5	4.1	3.1	2.6	2.4	2.1
EV/Sales	3.6	5.0	4.5	3.5	2.6	2.4	2.6	2.0
EV/EBITDA	36.1	33.0	29.7	21.3	17.3	16.5	15.5	11.3
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4
<b>Return Ratios (%)</b>								
RoE	11.3	13.2	12.1	13.0	11.7	10.3	9.8	12.8
RoCE	7.2	8.0	7.5	8.8	9.1	8.5	8.3	10.5
RoIC	12.8	17.0	27.9	24.2	17.8	14.4	11.7	14.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.3	0.8	0.9	0.7	1.0	0.8	0.7	0.7
Asset Turnover (x)	0.9	0.6	0.6	0.8	0.8	0.7	0.6	0.8
Inventory (Days)	52	62	59	57	43	45	45	45
Debtor (Days)	5	6	10	16	19	12	12	12
Creditor (Days)	58	80	92	100	69	59	59	59
<b>Leverage Ratio (x)</b>								
Current Ratio	1.0	0.7	0.4	0.4	0.6	0.7	0.7	0.8
Interest Cover Ratio	7.8	8.2	9.0	5.9	3.8	3.0	2.9	4.1
Net Debt/Equity	0.7	0.8	0.7	0.6	0.7	0.6	0.5	0.3

### Consolidated - Cash Flow Statement

(INR Billion)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	311.1	387.4	400.3	482.8	551.2	535.0	626.6	914.4
Depreciation	115.5	115.7	116.5	167.1	209.3	222.0	243.4	258.8
Tax paid	-74.7	-88.8	-102.0	-133.5	-153.9	-137.3	-161.8	-241.0
Change in deferred tax liability	10.5	75.2	7.0	33.5	253.8	42.0	0.0	0.0
Change in net working capital	279.9	493.8	819.6	370.1	-655.4	306.0	-92.0	292.7
<b>Operating cash flow</b>	<b>641.5</b>	<b>982.1</b>	<b>1,242.1</b>	<b>931.4</b>	<b>206.1</b>	<b>968.8</b>	<b>616.9</b>	<b>1,225.6</b>
Capex	-1,015.6	-1,022.5	-1,214.0	-842.5	-1,427.5	-2,210.1	-500.0	-500.0
Change in investments	-158.5	-75.6	-15.9	0.8	-198.9	984.2	0.0	0.0
<b>Investing cash flows</b>	<b>-1,174.1</b>	<b>-1,098.2</b>	<b>-1,229.9</b>	<b>-841.7</b>	<b>-1,626.4</b>	<b>-1,226.0</b>	<b>-500.0</b>	<b>-500.0</b>
Change in borrowings	294.9	264.6	-110.4	-20.7	903.4	194.8	100.0	-500.0
Issuance of equity	-2.0	-129.9	61.7	-20.0	584.1	309.8	0.0	0.0
Dividend paid	-35.6	-37.0	-39.2	-42.8	-46.4	-46.4	-40.7	-61.3
<b>Financing cash flow</b>	<b>278.2</b>	<b>100.9</b>	<b>-92.3</b>	<b>-77.3</b>	<b>1,488.5</b>	<b>455.5</b>	<b>59.3</b>	<b>-561.3</b>
Net change in cash	-254.4	-15.2	-80.1	12.3	68.3	198.4	176.1	164.3
Closing cash balance	125.5	110.3	30.2	42.6	110.8	309.2	485.3	649.6

E: MOSL Estimates

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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