Reliance Industries

BSE SENSEX	S&P CNX
27,837	8,541

Bloomberg	RIL IN
Equity Shares (m)	3,242.4
M.Cap.(INRb)/(USDb)	3,283.1 / 49.0
52-Week Range (INR)	1090 / 819
1, 6, 12 Rel. Per (%)	-2/-19/1
Avg Val, INRm	3771
Free float (%)	54.9

Financials & Valuations (INR b)

Y/E Mar	2016	2017E	2018E
Net Sales	2,331.6	2,706.3	3,117.9
EBITDA	401.4	475.5	567.0
PAT	274.2	313.3	356.4
EPS (INR)	84.6	95.7	108.8
Gr. (%)	20.6	13.0	13.7
BV/Sh (INR)	818.4	898.5	1,001.1
RoE (%)	12.0	12.4	12.6
RoCE (%)	11.1	11.9	12.6
P/E (x)	12.0	10.6	9.3
P/BV (x)	1.2	1.1	1.0
EV/EBITDA(x)	8.3	6.8	5.9

Estimate change

TP change

Rating change

CMP: INR1,013 TP:INR1,129 (+11%) Neutral

Reliance Industries' (RIL) 1QFY17 standalone EBITDA/PAT were boosted by surprisingly high GRMs of USD11.5/bbl (includes inventory gain of USD2/bbl). Adj. GRM were in line at USD9.5/bbl. EBITDA stood at INR108b (est INR96b; +16% YoY; flat QoQ) and PAT stood at INR75.5b (est INR65b; +19% YoY; largely flat QoQ). Management guided that core projects are largely on track with minor delays (believe 100% FY18 utilization difficult). Jio test subscribers reached 1.5m users; commercial launch will be soon but still did not give any specific timeline. We change our FY17/FY18 EPS by +4%/-2% to factor lower depletion and lower utilization in new core project. FY17 earnings will be function of GRM trend, while telecom launch and its success will drive the stock price movement.

Inventory gains boost GRM, petchem in-line: Refining EBIT stood at INR66b (+28% YoY, +3% QoQ). 1QFY17 GRM stood at USD11.5/bbl (+11% YoY, +6% QoQ) boosted by USD2/bbl inventory/hedging gains. Petchem EBIT at INR29b was in line (+18% YoY, +6% QoQ) with EBIT margin at 14.9% (13.4% in FY16) led by higher spreads.

Core projects largely on track; Jio launch round the corner

- **RIL's USD18.5b core projects** are largely on track to commission in 3QFY17 and will fully ramp-up by 4QFY17/1QFY18. Believe 100% FY18 utilization unlikely.
- **Jio capex could exceed INR1.5t:** Capex to date has reached INR1.34t (D/E of 2:1; RIL will up equity from INR450b to INR600b) and will cross guided INR1.5t capex in our view. Jio's trial user base at >1.5m with avg monthly usage of 26GB and 355min. Commercial launch will be in next few months.
- **IndAS impacts E&P asset value; reduces depletion:** KG-D6 gas prodn at 8.7mmscmd (-23% YoY) and shale at 13.8mmscmd (-10% YoY). While IndAS accounting change has reduced E&P asset value by INR396b (50% each in domestic and shale); depletion stands reduced to that extent.
- **1QFY17 capex at INR267b;** cons. net debt at INR960b (vs INR900b in 4QFY16).
- **Valuation and view:** We change our FY17/FY18 EPS by +4%/-2% to factor lower depletion and lower utilization in new core project. On FY18E basis, the stock trades at 9.3x adj. SA EPS of INR120 and EV/EBITDA of 5.9x. We roll over our SOTP-based target price to FY18 basis to INR1,129/share.

Quarterly Performance (Standalone) (INR Billion)

Y/E March	FY16				FY17E				FY16	FY17E	1QFY17	Var v/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			Est.	Est. (%)
Net Sales	658.2	608.2	565.7	499.6	535.0	659.3	704.1	808.0	2,331.6	2,706.3	606.2	-11.8
Change (%)	-31.7	-37.0	-29.5	-10.9	-18.7	8.4	24.5	61.7	-29.1	16.1	-7.9	
EBITDA	93.1	98.3	102.7	107.3	108.2	104.4	121.1	141.9	401.4	475.5	95.5	13.3
% of Net Sales	14.1	16.2	18.2	21.5	20.2	15.8	17.2	17.6	17.2	17.6	15.8	
Change (%)	23.6	19.4	42.5	24.3	16.2	6.1	17.9	32.2	27.0	18.5	2.6	
Depreciation	22.7	23.7	24.1	25.2	19.5	22.5	33.1	42.9	95.7	118.0	25.7	-24.3
Interest	6.0	6.9	6.1	5.5	9.2	6.2	8.8	9.5	24.5	33.7	5.8	59.3
Other Income	18.2	16.2	22.9	18.6	20.3	21.7	23.4	21.4	75.8	86.8	19.1	6.5
PBT	82.6	83.8	95.5	95.1	99.8	97.3	102.6	110.9	357.0	410.6	83.0	20.1
Tax	19.5	18.2	23.3	21.9	24.3	22.7	24.0	26.3	82.8	97.3	18.4	31.7
Rate (%)	23.5	21.7	24.4	23.0	24.3	23.4	23.4	23.7	23.2	23.7	22.2	
Adj. PAT	63.2	65.6	72.2	73.2	75.5	74.6	78.6	84.6	274.2	313.3	64.6	16.8
Change (%)	11.8	14.2	41.9	17.3	19.5	13.7	8.9	15.6	20.7	14.3	2.3	
Adj. EPS (INR)	21.6	22.4	24.7	25.0	25.8	25.5	26.9	29.0	93.8	107.2	22.1	16.8

Harshad Borawake (HarshadBorawake@MotilalOswal.com); +91 22 6129 1529
Rajat Agarwal (Rajat.Agarwal@MotilalOswal.com); +91 22 6129 1557

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Exhibit 1: RIL segment wise performance snapshot (standalone)

	FY14				FY15				FY16				FY17	1QFY17 (%)	
In INRb	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**YoY**	**QoQ**
Segmental Revenues															
Petchem	220	249	253	243	237	249	213	201	196	199	180	195	194	-0.7	-0.7
Refining	815	975	954	876	910	918	732	486	614	513	496	403	489	-20.2	21.4
Oil & Gas	15	15	17	14	16	14	13	12	12	12	10	9	8	-34.8	-13.1
Others	6	3	2	4	2	2	4	4	2	3	3	4	2	19.4	-35.0
Total	**1,055**	**1,241**	**1,227**	**1,138**	**1,165**	**1,183**	**962**	**703**	**823**	**726**	**688**	**611**	**694**	**-15.7**	**13.5**
Segmental EBITDA															
Petchem	24	31	27	28	26	32	29	30	33	35	36	39	38	14.2	-1.4
Refining	40	43	42	50	46	47	40	54	59	62	71	72	74	24.4	2.2
Oil & Gas	9	8	10	9	10	8	8	7	7	7	6	5	3	-49.4	-24.0
Total	**73**	**83**	**79**	**87**	**82**	**88**	**78**	**91**	**99**	**104**	**114**	**115**	**115**	**15.9**	**0.0**
EBITDA Margin (%)															
Petchem	11.1	12.5	10.6	11.6	11.0	13.0	13.8	14.9	17.0	17.6	20.0	19.7	19.6		
Refining	5.0	4.4	4.4	5.7	5.0	5.1	5.5	11.2	9.7	12.0	14.4	17.9	15.1		
Oil & Gas	58.9	57.1	59.3	62.9	65.3	61.2	58.1	57.8	57.3	59.6	62.7	50.8	44.4		
Total	**6.9**	**6.7**	**6.5**	**7.7**	**7.0**	**7.4**	**8.1**	**13.0**	**12.1**	**14.3**	**16.5**	**18.9**	**18.5**		
Segmental EBIT															
Petchem	19	25	21	21	19	24	22	21	25	25	26	27	29	18.0	6.3
Refining	30	32	31	40	38	38	32	47	51	54	63	64	66	28.0	3.2
Oil & Gas	4	4	5	4	5	3	3	2	1	1	0	-1	0	-42.2	-150.0
Others	1	0	1	2	1	1	1	1	1	1	1	1	1	57.1	12.5
Total	**53**	**61**	**59**	**66**	**62**	**66**	**57**	**71**	**77**	**80**	**91**	**91**	**96**	**24.3**	**5.8**
EBIT Margin (%)															
Petchem	8.6	10.1	8.4	8.6	7.9	9.6	10.3	10.6	12.6	12.7	14.4	14.0	14.9		
Refining	3.6	3.3	3.3	4.5	4.1	4.1	4.4	9.7	8.4	10.6	12.8	15.8	13.4		
Oil & Gas	24.2	24.3	31.2	26.7	31.3	24.1	19.8	13.4	6.9	4.8	3.9	-10.7	6.1		
Others	13.6	12.7	45.0	50.5	26.9	29.9	19.8	35.4	32.1	20.1	34.9	24.4	42.3		
Total	**5.0**	**4.9**	**4.8**	**5.8**	**5.3**	**5.6**	**6.0**	**10.2**	**9.4**	**11.1**	**13.2**	**14.9**	**13.9**		
Operating Metrics															
Refining (USD/bbl)															
RIL GRM	8.4	7.7	7.6	9.3	8.7	8.3	7.3	10.1	10.4	10.6	11.5	10.8	11.5	10.6	6.5
Singapore GRM	6.6	5.4	4.3	6.2	5.8	4.8	6.3	8.6	8.0	6.3	8.0	7.7	5.0	-37.9	-35.4
Premium	1.8	2.3	3.3	3.1	2.9	3.5	1.0	1.5	2.4	4.3	3.5	3.1	6.5	174.1	110.4
Refinery Thr' put (mmt)	**17.1**	**17.7**	**17.0**	**16.3**	**16.7**	**17.3**	**17.7**	**16.2**	**16.6**	**17.1**	**18.0**	**17.8**	**16.8**	**1.2**	**-5.6**
Utilization (%)	**110**	**114**	**110**	**105**	**108**	**112**	**114**	**105**	**107**	**110**	**116**	**115**	**108**		
Petrochemicals															
Total producton (mmt)	**5.3**	**5.7**	**5.6**	**5.4**	**5.4**	**5.7**	**5.3**	**5.6**	**5.8**	**6.2**	**6.4**	**6.3**	**6.1**	**5.2**	**-3.2**
Polymer (TMT)	1,100	1,093	1,196	1,111	1,082	1,191	993	1,034	1,080	1,220	1,183	1,140	1,146	6.1	0.5
Polyester (TMT)	411	528	272	419	411	405	577	454	512	543	548	590	513	0.2	-13.1
Polyester Int. (TMT)	1,100	1,304	1,154	1,212	1,156	1,158	1,318	1,246	1,452	1,475	1,725	1,781	1,533	5.6	-13.9
E&P															
Gross Oil Prodn (kbd)															
PMT	20.5	20.3	23.5	20.0	23.1	20.2	20.1	18.9	17.8	17.3	17.8	20.1	18.7	4.9	-7.1
KG-D6	6.6	5.8	5.7	7.8	6.8	6.5	6.5	6.7	5.5	5.4	4.6	4.2	3.5	-36.0	-15.8
Total	**27.1**	**26.1**	**29.1**	**27.8**	**29.9**	**27.7**	**28.6**	**28.6**	**28.3**	**27.7**	**27.4**	**29.3**	**22.2**	**-21.6**	**-24.2**
Gross Gas Prodn (mmscmd)															
PMT	7.7	7.4	7.3	6.4	7.1	6.3	6.6	6.4	5.8	5.5	5.4	5.6	5.4	-5.9	-3.0
KG-D6	14.8	14.0	12.4	13.7	13.1	12.5	11.8	11.5	11.3	11.4	10.6	9.7	8.7	-23.0	-9.8
Total	**22.5**	**21.4**	**19.7**	**20.1**	**20.1**	**18.8**	**18.5**	**17.9**	**17.1**	**16.9**	**16.0**	**15.3**	**14.2**	**-17.3**	**-7.3**
Gross Oil +Gas (mmboe)	**15.8**	**15.0**	**14.3**	**14.4**	**14.8**	**13.8**	**13.7**	**13.3**	**12.9**	**12.6**	**12.1**	**11.9**	**10.5**	**-18.1**	**-11.1**
Net Oil +Gas (mmboe)	**7.6**	**7.2**	**6.7**	**7.0**	**6.9**	**6.5**	**6.3**	**6.1**	**5.9**	**5.8**	**5.5**	**5.2**	**4.9**	**-17.1**	**-7.0**

Source: Company, MOSL

Key takeaways from analyst meet

REFINING: USD11.5/bbl includes USD2/bbl of inventory and hedging gains

- Management indicated that USD11.5/bbl of GRM in 1QFY17 includes USD2/bbl of product crack risk management and inventory gain benefit.
- Historically, RIL had maintained that it hedges its petroleum product cracks and hence is protected from inventory value changes.

TELECOM: Launch date soon but time undecided; Capex likely to cross INR1.5t

- Management guided that telecom launch is round the corner but did not give any specific timelines (expect in next few months).
- Capex reached INR1.34t (v/s INR1.2t on March 2016) including minor growth capex. We expect believe RIL to cross its guidance of "INR1.5t capex by launch".
- Of the INR1.34t (spectrum: 500b, physical assets: 400b; network: 350b), RIL's equity is INR450b (will be expanded to INR600b), debt is INR440b, spectrum liability of INR150b and the rest is supplier's credit.
- RIL has sold 2m LYF handsets and its trial customer base reached 1.5m with an average usage of 26GB/user/month. Employee count at Jio stands at 34,000.

Petroleum Marketing: 1,022 of 1,400 outlets opened

- RIL has reopened its 1,022 (v/s 950 outlets on March 2016) versus earlier guidance of 1,400 by March 2016 (now will reach 1,400 by Sept-16).
- Average pump throughput stood at ~230KLPM (v/s 160-190 for PSU's) and loyalty card sales account to 30% of diesel sales.
- Of the 1,022 outlets ~275 are company owned company operated (COCO) and dealer margin (INR10b in 1QFY17) is accounted in organized retail segment.

New Projects Update: Marginal delays; no change in capex

- RIL's USD18.5b core projects (petcoke gasification, polyester expansion, off-gas cracker and ethane sourcing) are largely on track and it has spent ~USD16.5b.
- While 3QFY17 is the start-up period for all projects, there could be a few weeks delay, however management will try to reach 100% throughput by end 4QFY17.
- Ethane sourcing is on track for Dec-16 trials and believes that recent surge in US ethane price is temporary phenomenon.

E&P: largely standstill led by adverse macro environment

- **Shale Gas:** Sequential improvement in realization, but rig count is still nil. Took INR60b write-down under IndAS accounting after fair value assessment.
- **Domestic E&P:** If the policy hurdels are resolved, new production (R-series, MJ1 discoveries) in KG-D6 can come in 2020 as development will require two weather windows. CBM infra under trials and production to start soon.

Others: Net debt to increase in the interim; IndAS will reduce depletion

- IndAS accounting will not change above EBITDA financials. But E&P depletion will reduce, led by INR200b reduction in asset value due to E&P accounting policy from FCM to SEM.
- 1QFY17 capex stood at INR260b (vs INR1,130/1,000b in FY15/FY16). This includes INR80b in Refining/petchem, INR130b in JIO and INR20b due to exchange rate change. RIL had guided for FY17 at ~USD9b.
- RIL expects its consolidated net debt to rise from INR950b in FY16 to ~INR1,200b in FY17.

Key financial highlights

- RIL reported its 1QFY17 results according to IndAS and restated its comparable results as well.
- Interest expenses in 1QFY17 stood at INR9.2b up 53% YoY and 67% QoQ and large increase is led by INR3b of exchange rate impact.
- Adjusting for Its capitalized interest of INR7b and forex loss of INR3.5b, RIL's implied interest rate in 1QFY17 stood at 4.9%.

Exhibit 2: IndAS impact on reserves in Balance Sheet – E&P value reduced, land revalue at fair value

(INR b)	SA	Cons.	Remarks
Reserves (under GAAP)	**2,369**	**2,407**	
E&P policy change from Full cost method (FCM) to Successful Efforts Method (SEM)	(201)	(396)	▪ SEM factors expense on surrendered blocks, unproved wells, abandoned wells and expired leases and licenses and seismic cost. ▪ Depletion under SEM is calculated on 'Proved Developed Reserve' vs 'Proved Reserve' in FCM.
Fair valuation as deemed cost for Property, Plant and Equipment	413	453	▪ RIL revalued its 33,000 acre land by INR511b. ▪ In shale gas, RIL revalued fair value of proved developed producing with IndAS book values and recorded negative impact of INR58b
Fair Valuation for financial assets	41	42	▪ Under IndAS, financial assets including investments are measured at fair values except for investments in subsidiaries, associates and JVs' which are recorded at cost.
Deferred Tax	(119)	(137)	▪ Recognised deferred tax through 'Balance Sheet Approach'.
Others	(1)	(2)	
Total	**132**	**(40)**	
Reserves (under IndAS)	**2,502**	**2,367**	

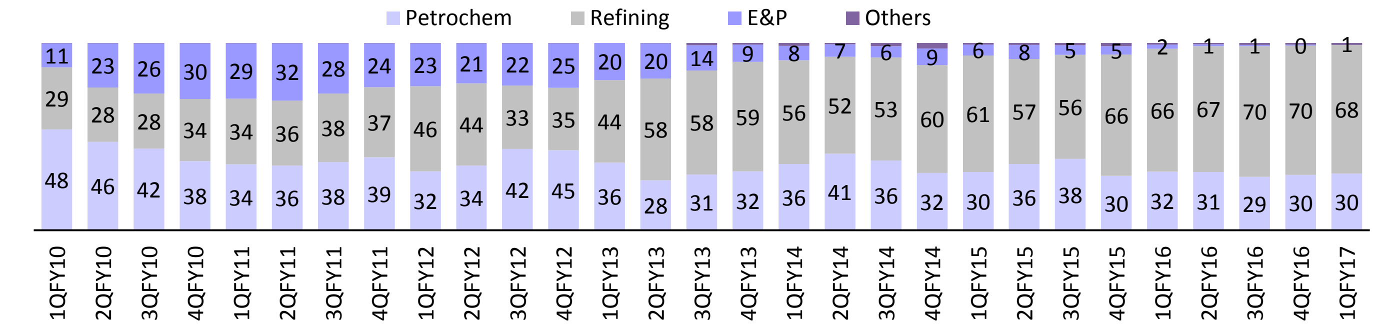
Source: Company, MOSL

Exhibit 3: IndAS impact on P&L – No material impact on net profit, depletion reduces; expect volatility in other income in future

INR million	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated
	4QFY16	**4QFY16**	**1QFY16**	**1QFY16**	**FY16**	**FY16**
Net Profit (under GAAP)	**7,320**	**7,398**	**6,318**	**6,222**	**27,417**	**27,630**
E&P policy change from FCM to SEM	(149)	(318)	152	65	279	(1,270)
Fair valuation as deemed cost for Property, Plant and Equipment	-	(99)	-	-	-	3,959
Fair Valuation for financial assets	266	229	(119)	(263)	167	(230)
Deferred Tax	(156)	(180)	51	60	(306)	(311)
Others	(54)	(100)	(33)	(60)	(131)	(234)
Total	(93)	(468)	51	(198)	9	1,914
Net profit (under IndAS)	**7,227**	**6,930**	**6,369**	**6,024**	**27,426**	**29,544**
% change (IndAS vs GAAP)	-1%	-6%	1%	-3%	0%	7%

Source: Company, MOSL

Exhibit 4: Refining share in overall standalone EBIT remains high at ~70% led by high GRM in 1QFY17



Source: Company, MOSL

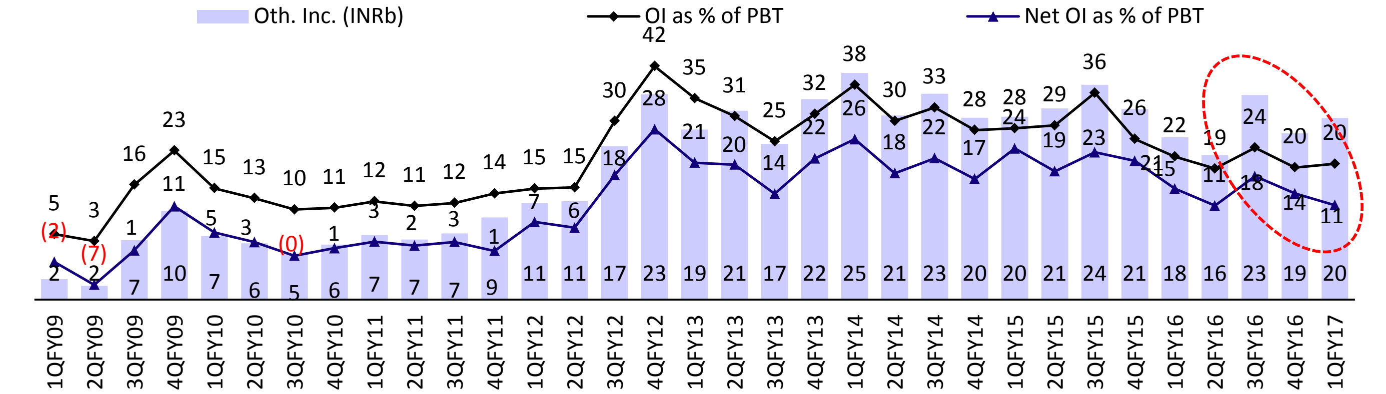
Exhibit 5: Reported interest cost increases; impact of forex change significant in 1QFY17

On standalone basis (INRm)	FY12	FY13	FY14	FY15	1QFY16	2QFY16	3QFY16	4QFY16	FY16	1QFY17
Interest Expenses (A)	19,660	21,520	18,670	15,530	3,110	3,680	3,100	3,800	13,690	5,740
Other borrowing costs (B)	180	160	140	-						
Applicable forex loss ('C)	6,830	8,680	13,250	8,140	2,860	3,260	2,990	1,740	10,850	3,500
Reported Interest cost = (A + B + C)	**26,670**	**30,360**	**32,060**	**23,670**	**5,970**	**6,940**	**6,090**	**5,540**	**24,540**	**9,240**
Interest Capitalized (D)	4,300	3,850	7,010	10,620	4,800	6,000	6,000	6,750	23,550	7,000
Gross interest cost (E) = (A + B + D)	**24,140**	**25,530**	**25,820**	**26,150**	**7,910**	**9,680**	**9,100**	**10,550**	**37,240**	**12,740**
Standalone Gross Debt (F)	**682,590**	**724,270**	**899,680**	**980,000**	**1,020,000**	**980,000**	**980,000**	**1,070,000**	**1,070,000**	**1,030,000**
Average interest rate (%) = (E) / avg (F)	3.6%	3.6%	3.2%	2.8%	3.2%	4.0%	3.7%	4.1%	3.6%	4.9%

Source: Company, MOSL

- Other income at INR20.3b (v/s INR18.2b in 1QFY16 and INR18.6b in 4QFY16) exceeded our estimate of INR19.1b.
- D,D&A was down 14% YoY and 23% QoQ to INR19.5b led by lower depletion. Depletion was lower as IndAS reduced domestic E&P value by INR200b.
- Effective tax rate stood at 24.3% in 1QFY17 (v/s 23.0% in 4QFY16).

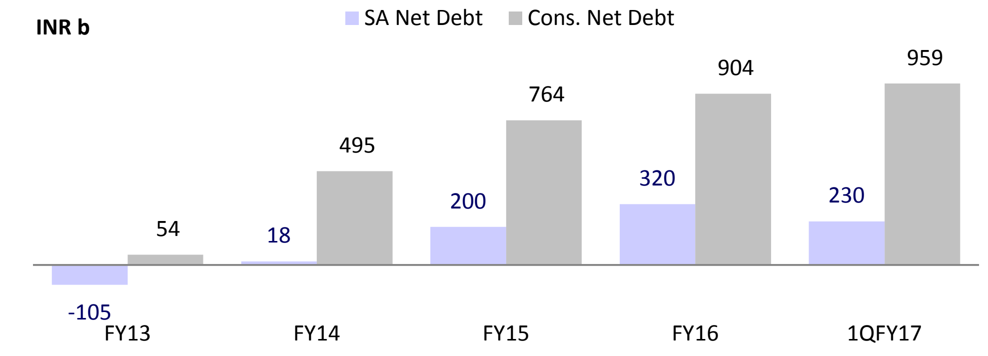
Exhibit 6: OI higher QoQ according under IGAAP; however on IndAS basis other income is lower



Source: Company, MOSL

- **Standalone net debt** stood at INR230b (v/s INR320b in FY16) led by gross debt of INR1,030b (v/s INR1070b in FY16), and cash and equivalents at INR800b (v/s INR750b in FY15).
- **Consolidated net debt stood at ~INR960b** (v/s ~INR900b in FY16); net debt increased due to rise in gross debt to INR1,870b (v/s INR1,800b in FY16); cash and equivalents were flat at INR910b (v/s ~INR900b in FY16).

Exhibit 7: Bulk of cons*. and SA debt differential explained by shale gas and telecom debt



*Does not include creditors for capex which is USD7-8b at cons level

Source: Company, MOSL

Exhibit 8: Comparing consolidated and standalone segmental EBIT: Domestic E&P turns positive

	Consolidated Financials			Standalone (SA) Financials			Cons. less SA		
INR Billion	**1QFY16**	**4QFY16**	**1QFY17**	**1QFY16**	**4QFY16**	**1QFY17**	**1QFY16**	**4QFY16**	**1QFY17**
Segmental Revenues									
Petchem	208.6	209.2	207.2	195.5	195.5	194.1	13.1	13.7	13.1
Refining	687.3	480.6	565.7	613.6	403.3	489.5	73.7	77.4	76.2
E&P	20.6	16.4	13.4	12.0	9.0	7.8	8.6	7.4	5.6
Org. Retail	47.0	57.8	66.7		-	-	47.0	57.8	66.7
Others	25.8	28.7	24.2	2.0	3.6	2.3	23.8	25.1	21.9
Total	**989.2**	**792.7**	**877.1**	**823.1**	**611.4**	**693.7**	**166.2**	**181.3**	**183.4**
Segmental EBIT									
Petchem - Cons. includes Recron Malaysia	23.3	27.0	28.1	24.5	27.2	29.0	(1.2)	(0.2)	(1.0)
Refining - Cons. Includes GAPCO	52.4	63.8	65.9	51.2	63.6	65.8	1.1	0.2	0.1
E&P* - Cons. includes US shale business with 1 quarter lag	2.0	(3.9)	(3.1)	2.3	(2.4)	0.5	(0.4)	(1.5)	(3.6)
Org. Retail	1.1	1.3	1.5				1.1	1.3	1.5
Others	2.5	3.2	1.3	0.6	0.9	1.0	1.9	2.3	0.3
Total	**81.3**	**91.4**	**93.6**	**78.7**	**89.3**	**96.3**	**2.6**	**2.1**	**(2.7)**
Segmental Capital Employed									
Petchem	529	768	786	506	741	747	23	27	39
Refining	1,191	1,036	1,052	1,175	1,032	1,065	16	4	(13)
E&P	325	380	389	186	200	206	139	180	183
Org. Retail	64	64	64	0	0	0	64	64	64
Others	720	950	1,036	460	583	585	260	367	451
Unallocated	1,353	1,298	1,304	1,292	1,297	1,301	61	1	3
Total	**4,181**	**4,497**	**4,632**	**3,619**	**3,853**	**3,619**	**23**	**27**	**39**

*Cons. includes US shale business with 1 quarter lag

Source: Company, MOSL

Core projects: Offgas cracker could start ahead of petcoke gasification

- RIL's total planned project costs earlier raised to USD18.5 remains the same.
- While there could be minor delays in petcoke gasification start in 3QFY17, off-gas cracker could start ahead of the petcoke gasification project.
- PX expansion will be commissioned by 2Q/3QFY17 and ethane import is on track for 3QFY17 trials.

Exhibit 9: New projects to drive RIL's next growth phase; capex estimate increase marginally

Project	Capex (USD b)	Feedstock's	Key products
Refinery off-gases cracker (ROGC)	~6	Refinery off-gases (From CDU, FCC etc.)	Petrochemicals (mainly ethylene chain)
Integrated gasification combined cycle (IGCC)	~6	Petcoke (From delayed coker unit)	Petrochemicals, Power, Steam, Chemicals
Polyester expansion	~5		PX, PFY, PSF, PET
Ethane sourcing	1.5	Replacing domestic gas and high cost propane/naphtha	
Total	**~18.5**		

Source: Company, MOSL

Exhibit 10: Status update of ongoing core business capex plans

In KTPA	Current Capacity	Planned Expansion	Total	Status / Likely production start
Refinery Off-gas Cracker				
Ethylene	1,883	1,365	**3,248**	3QFY17
Propylene	759	154	**913**	3QFY17
LDPE	190	400	**590**	3QFY17
LLDPE	928	550	**1,478**	3QFY17
Benzene	419	453	**872**	Along with PX line
PP	2,100	135	**2,235**	3QFY17
Polyesters				
PFY	670	395	**1,065**	Commissioned
PTY	153	140	**293**	Commissioned
PSF	692	346	**1,038**	
PET	290	648	**938**	Phase 1 commissioned; Phase 2 in Dec 2015
Polyester Intermediates				
Paraxylene	1,830	2,470	**4,300**	Full commissioning by 2Q/3QFY17 (v/s initial planned expansion of 1.9MMT)
PTA	2,050	2,296	**4,346**	Commissioned
MEG	733	730	**1,463**	4QFY16, in interim could purchase feedstock
Rubber Division				
PBR	74	40	**114**	Commissioned in 4QFY14
SBR		150	**150**	July-Sept 2014 (2QFY15)
Butyl Rubber		100	**100**	Commissioning by 2016
HPIB		105	**105**	

Source: Company, MOSL

JIO: Launch in few months; Capex to cross INR1.5t

Trial feedback encouraging; network deployment nearing completion

Telecom Analyst:
Jay Gandhi
(jay.gandhi@MotilalOswal.com);
+91 22 3089 6693

RIL management highlighted following key points on telecom: (a) ~INR1.34t has already been invested (which includes ~INR150b of spectrum payables), (b) Incremental telecom investments for FY17 pegged at ~INR160b (b) RIL holds ~846.1Mhz of spectrum across the 800Mhz, 1800Mhz and 2300Mhz bands with at least one high spectrum in 20 of the 22 circles (c) Scale of beta phase successfully expanded to 1.5m users.

RCom-RJio spectrum transfer completed, 800Mhz deployment nearing completion:

- Transfer of spectrum in 800Mhz band from RCom to RJio is now complete across 13 circles. With this RJio and RCom will share 800Mhz spectrum across 21 of the 22 circles in India.
- 800Mhz deployment is nearing completion and optimization is in final stages across 18 circles.
- RJio received frequency allocation in balance 4 circles (Karnataka, Tamil Nadu, Kerala, Rajasthan) on 6th July 2016. Deployment and optimization in these circles will take 6-8 weeks. Trials have started for Carrier Aggregation in all RJIL frequency bands.

LTE ecosystem evolving at break-neck speed as device prices drop:

- The LTE ecosystem has evolved significantly over the past one year with LTE volume market share improving to 65% vs sub-15% a year ago. LTE devices are now available at price pints <INR3000.
- RIL's 'LYF' phone is already available for purchase by consumers, through ~40,000 retail outlets and channel partners. The company has launched 20 LYF models till date with price-points ranging from INR3000-INR20,000.
- These phones, we believe are exclusively developed for RIL and in case the sales are lower than expected then the inventory impact will have to be borne by RIL.
- RJio's handset distribution is better than the bigger handset manufacturers like Samsung and others due to its wide Jio center reach and distributors, which has led it to reach 8-9% share of smartphone market in just few quarters, but we hear, risk of huge inventory loss on reducing smartphone prices has led RJio to push handsets aggressively.

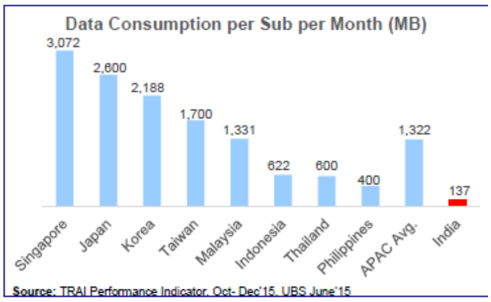
Launch date yet to be finalized

- Management is not yet commenting on the launch date and indicated that commercial launch will be done soon.
- While RIL has now almost pan-India presence, launch is likely to be a city-wise launch with initial launch in Metros which will further expand to Tier 1, 2 and 3 cities. Pan India launch could take upto 12 months.
- We expect Reliance JIO to disrupt data as well as voice market given its non-legacy infrastructure and zero dependence on voice revenue.

Exhibit 11: Huge revenue opportunity in India driven by shifting consumption habits

Shift in Consumption Habits

- Data usage in India is still abysmally low
  - Primary mobile data usage via narrowband
  - Increased speeds, affordable tariffs and enriched content to foster future demand
- Video traffic constitutes a major portion of the usage and will further increase the share
  - Matured geographies see >50% of usage via mobile video streaming
  - Social networking and communication will become more & more video based
  - India will leapfrog to an era of visuality from predominant orality driven milieu
- Global trends estimate video traffic as next engine of growth
  - Ericsson predicts 14x growth in mobile video traffic in the next 5 years



Source: TRAI Performance Indicator, Oct- Dec'15, UBS June'15

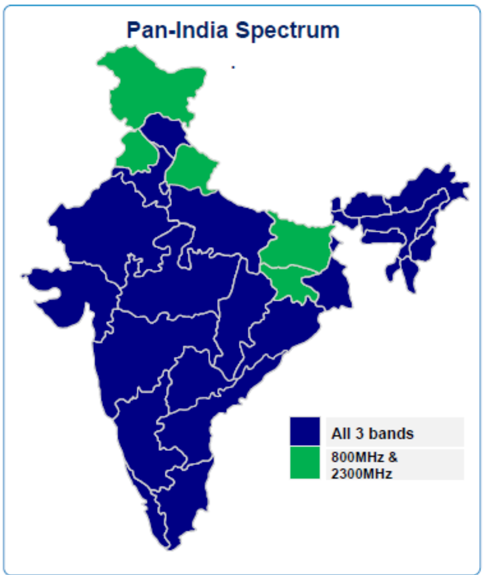
Category	Current Split	Future Split
Video	45%	70%
Social Networking	16%	8%
Web Browsing	10%	5%
Audio	3%	6%
Software download	6%	3%
Communication	3%	6%
File Sharing	2%	1%
Others	14%	1%

Source: Ericsson Mobility Report, June 2016; analyst reports

Source: Company, MOSL

Exhibit 12: Reliance Jio has the highest spectrum deployed for LTE

Pan India Spectrum Footprint



- Jio has deployed the largest amount of spectrum for 4G in India
  - Entire spectrum being used for LTE deployment – no legacy networks
- No other operator has deployed LTE in sub-GHz band in the industry
- Completed transaction for transfer of spectrum in 800MHz band from RCOM to Jio across 13 circles
  - Total holding of 846.10 MHz
  - 440MHz in 2300MHz band; 213.60MHz in 1800MHz band; 192.50MHz in 800MHz band
  - Sharing of spectrum in 800MHz band with RCOM across 21 circles

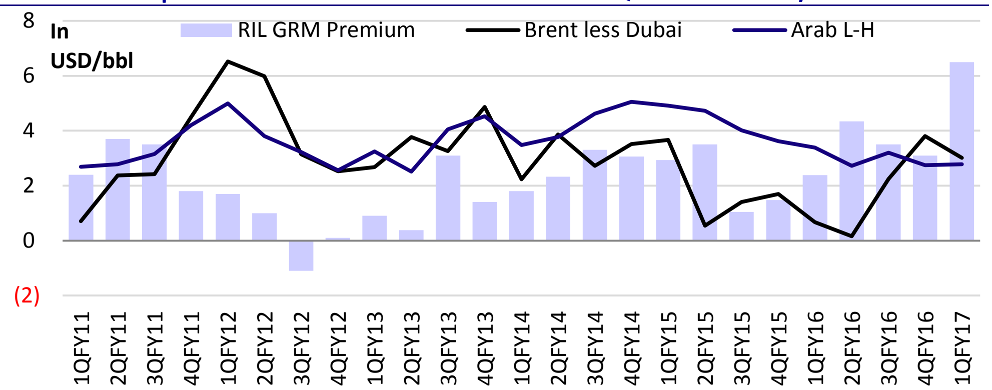
Source: Company, MOSL

REFINING: Operating GRM in line; diesel cracks sustain earnings

GRM at USD11.5/bbl boosted by inventory gains of USD2/bbl

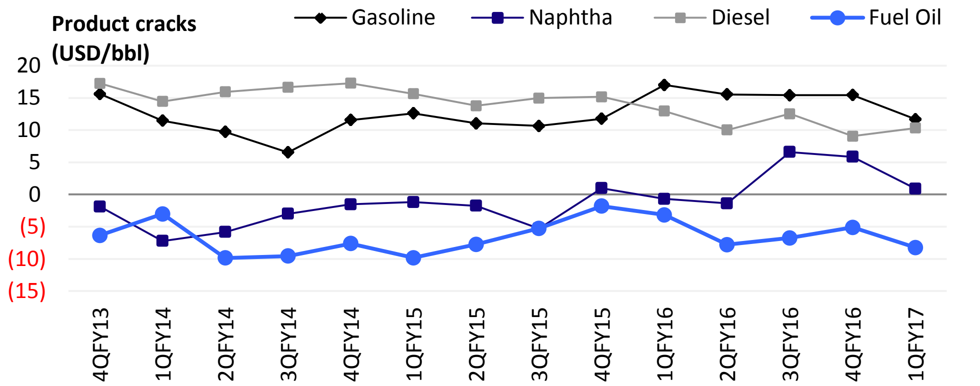
- On a sequential basis, RIL's GRM increased to USD11.5/bbl boosted by inventory gains of USD2/bbl. Operating GRM at USD9.5/bbl was in line with our estimates and declined sequentially due to an overall decline in GRMs. Refinery throughput declined QoQ in 1QFY17 to 16.8MMT (vs 16.6MMT in 1QFY16 and 17.8MMT in 4QFY16) and utilization stood at 108%.
- RIL has opened up 1,022 retail outlets by 1QFY17; throughputs averaged 230KLPM (below 4QFY16 exit avg. 240KLPM). To ramp-up to 1,400 outlets soon.
- Driven by light distillates demand in USA, RIL increased sales of premium grade gasoline in USA and LatAM.
- **Refining outlook contingent on gasoline and diesel balance:** The USD2.7/bbl decline in Singapore GRMs in 1QFY17 was driven by a supply glut in Asian gasoline markets as refineries switched to gasoline production from diesel. Global demand for gasoline, however, has only increased and US GRMs increased to USD8.1/bbl (vs USD7.4/bbl in 4QFY16). Diesel cracks, on the other hand, improved QoQ driven by strong Asian demand and are showing signs of reverting to normalized levels of ~USD12/bbl. In the last three quarters, gasoline and diesel cracks have moved in opposite directions, and strengthening diesel cracks with limited weakness in gasoline will be critical for sustenance of overall margins. We model in GRM of USD11/11.6/bbl in FY17/18 for RIL.

Exhibit 13: RIL's premium over benchmark increased to 1QFY17 to USD6.5/bbl



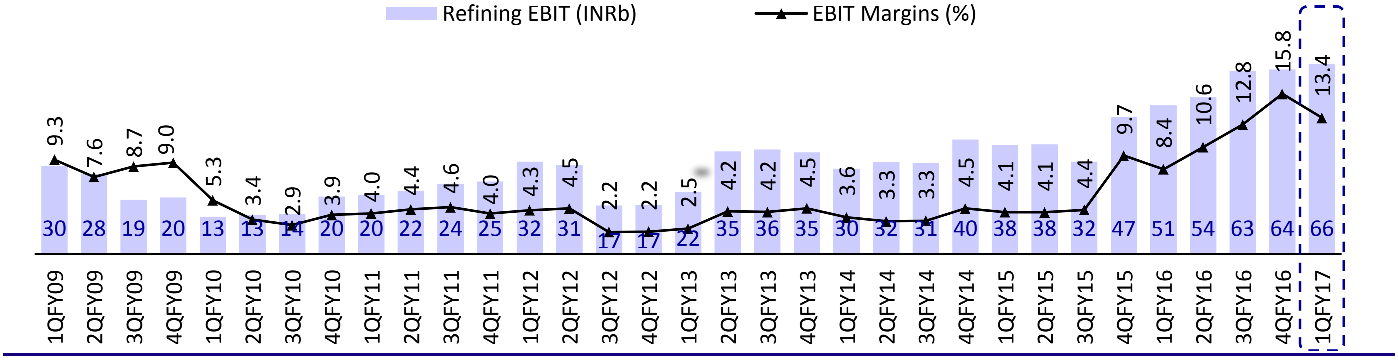
Source: Bloomberg, Company, MOSL

Exhibit 14: Diesel cracks increased during the quarter; while other product cracks declined



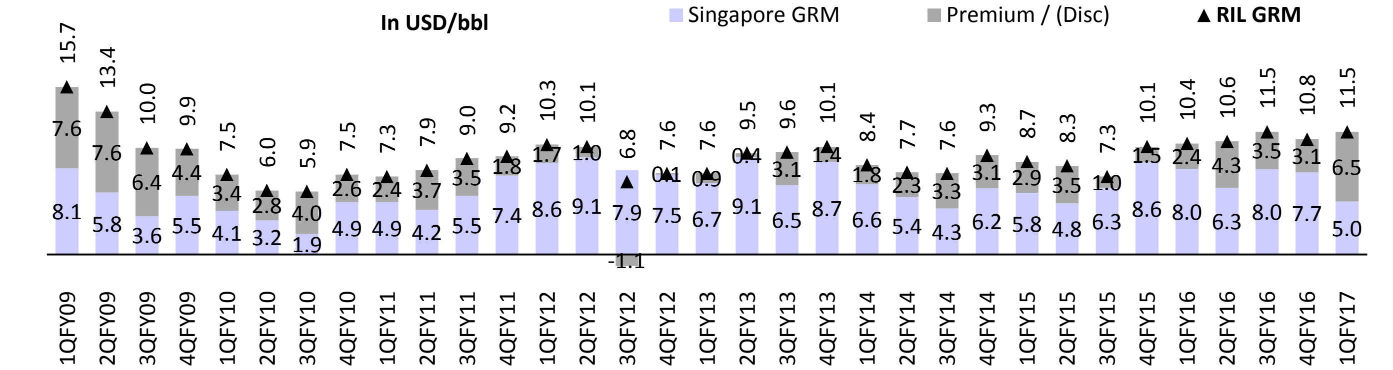
Source: Bloomberg, Company, MOSL

Exhibit 15: Refining EBIT up 29% YoY and 3% QoQ led by higher GRMs on a YoY basis



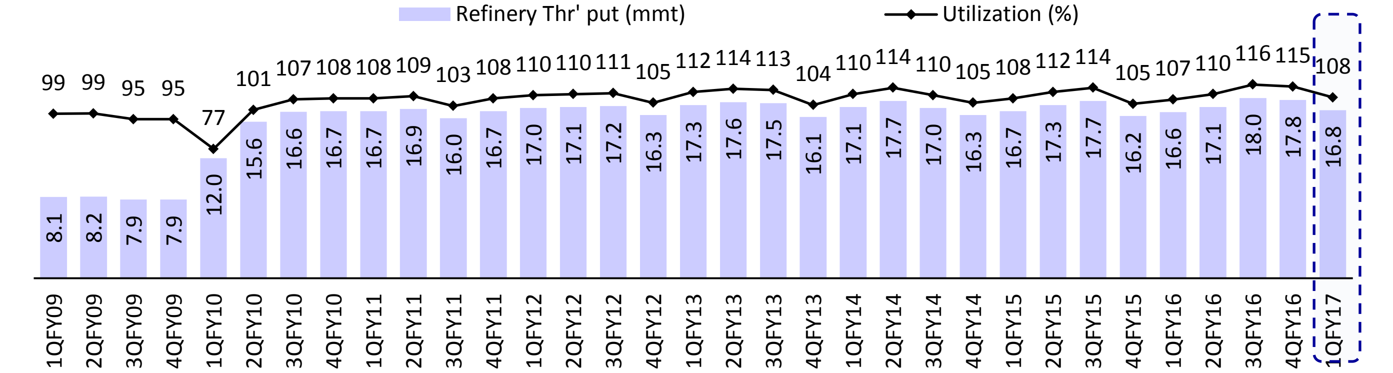
Source: Company, MOSL

Exhibit 16: 1QFY17 GRM at USD11.5/bbl; premium of USD6.5/bbl highest since 2QFY09 (USD/bbl)



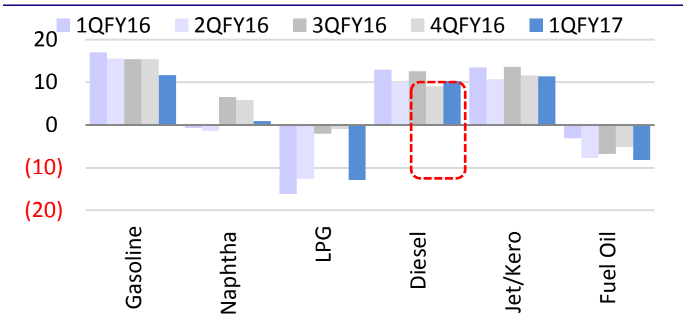
Source: Company, MOSL

Exhibit 17: Refinery throughput declines QoQ to 16.8mmt, utilization at 108%



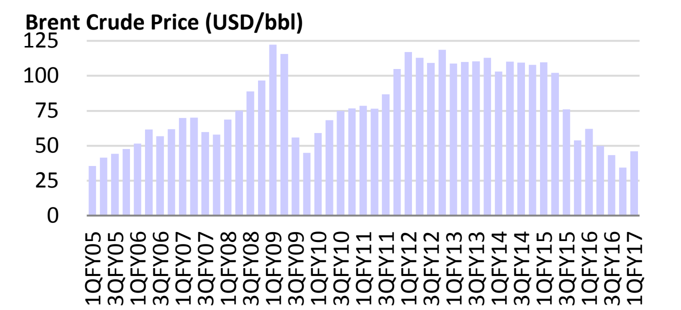
Source: Company, MOSL

Exhibit 18: Diesel cracks up 14% QoQ in 1QFY17, while other cracks decline (USD/bbl)



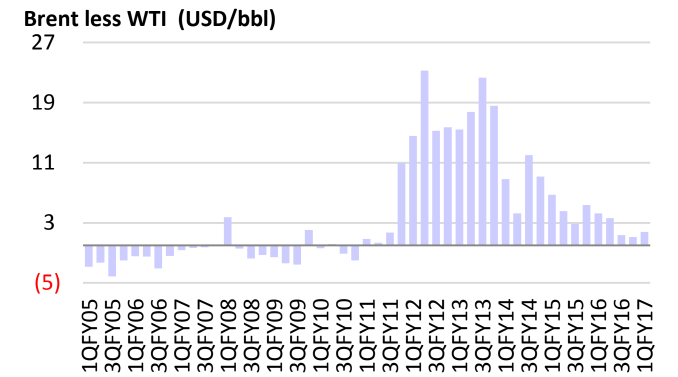
Source: Bloomberg, MOSL

Exhibit 19: Brent crude price up 34% QoQ but down 26% YoY to average USD46/bbl in 1QFY17



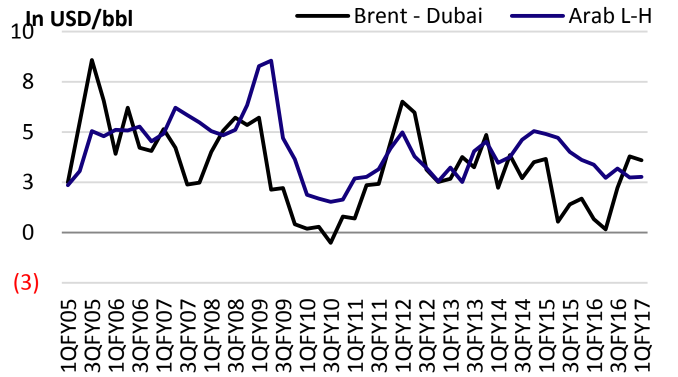
Source: Bloomberg, MOSL

Exhibit 20: Premium of Brent over WTI increased QoQ to USD2.1/bbl in 1QFY17



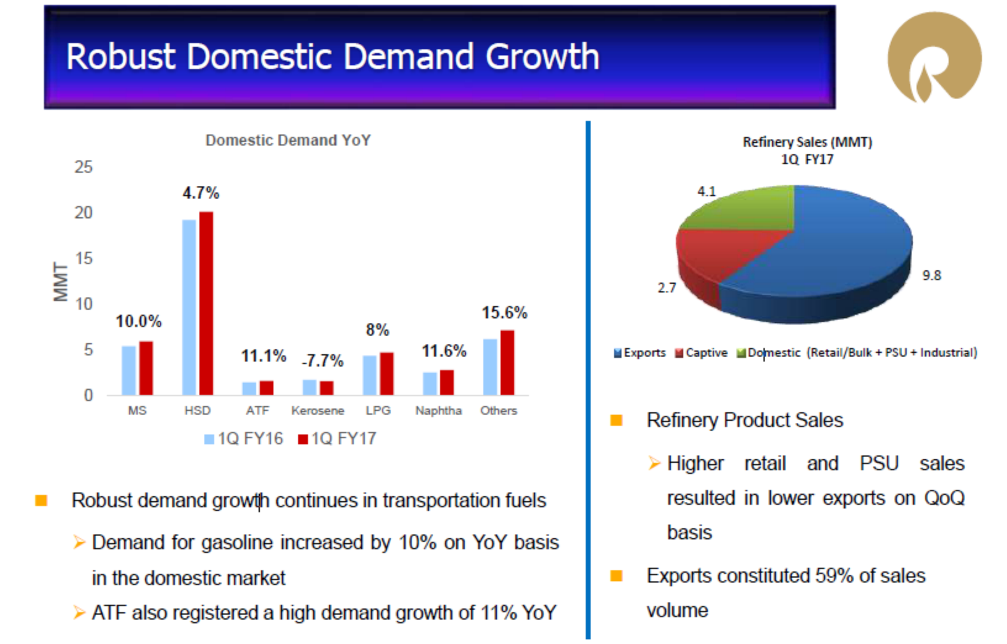
Source: Bloomberg, MOSL

Exhibit 21: Crude differentials declined in 1QFY17 (USD/bbl)



Source: Bloomberg, MOSL

Exhibit 22: India strong growth in demand supporting product cracks despite supply glut



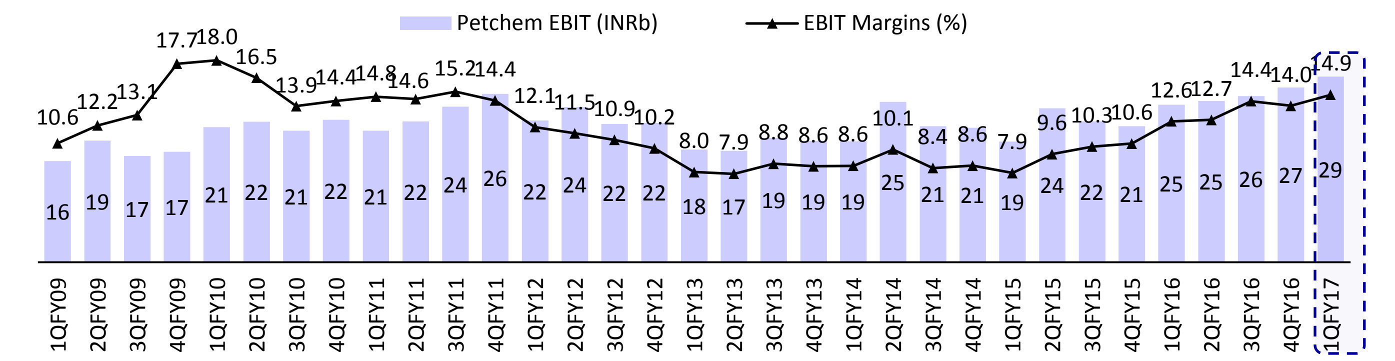
Source: Company

PETCHEM: In line with estimates (30% of total EBIT)

EBIT increased 18% YoY and 6% QoQ despite Dahej shutdown

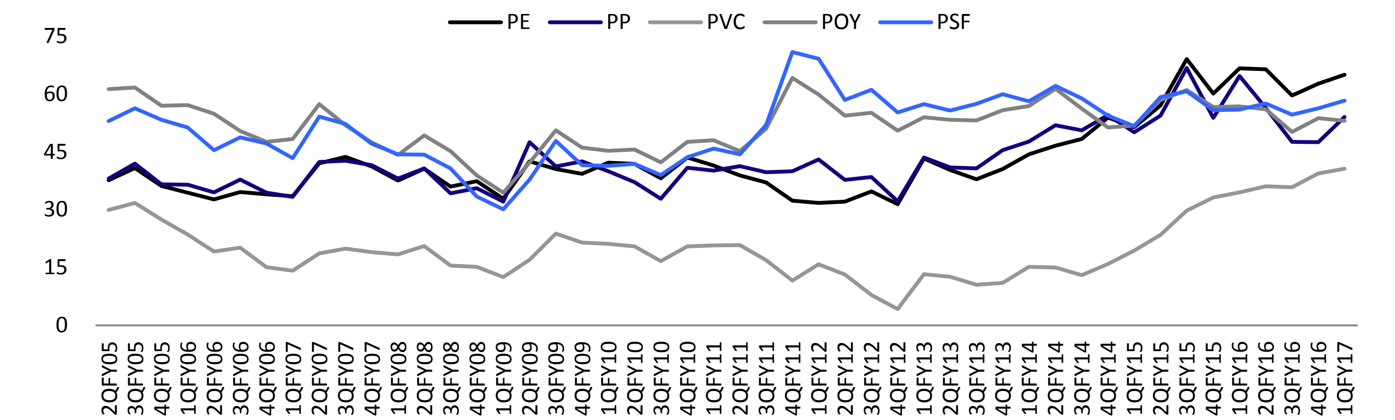
- RIL 1QFY17 petchem EBIT stood at INR29b (+18% YoY, +6% QoQ). Growth was driven by improvement in margins. During 1QFY17, PTA and PET plants at Dahej were shut-down temporarily due to water shortage.
- 1QFY17 polymer demand grew at 12% (PE at 6%, PP at 11%, PVC at 22%). 1QFY17 polyester demand was flat YoY; PET demand declined at 11%.
- Overall, in 1QFY17 PP spreads increased due to weak feedstock prices. PE spreads declined due to strong naphtha prices. PVC spreads remained firm driven by continued strong demand.
- **Petchem outlook:** While the near term outlook looks stable, will have to watch out for impact of shale based US capacity additions in the medium term (2018). On the polyester front, US elections could boost demand for textiles, benefitting overall margins in near term.

Exhibit 23: EBIT up YoY and QoQ; margins improved led by higher headline product spreads particularly boosted by PP



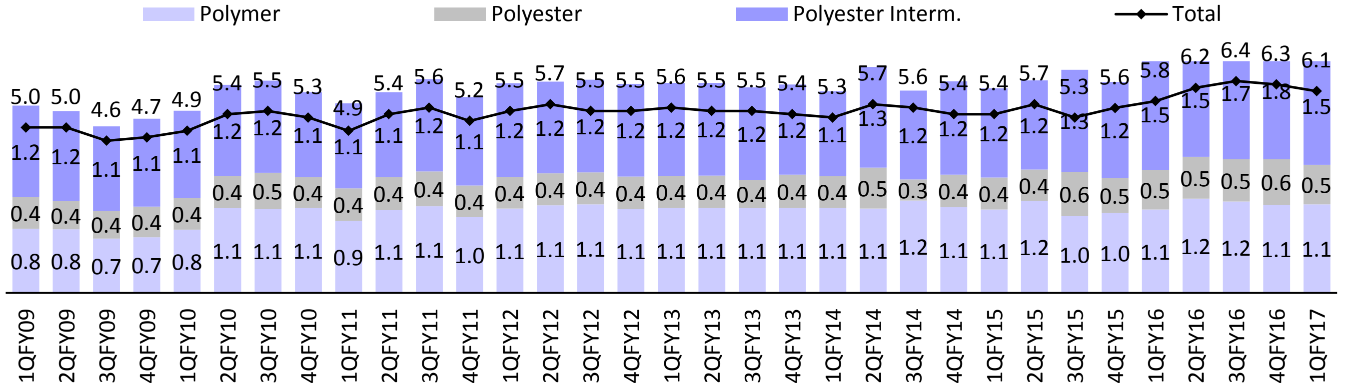
Source: Company, MOSL

Exhibit 24: Key Polymer and Polyster spreads increased QoQ in 1QFY17 (INR/kg)



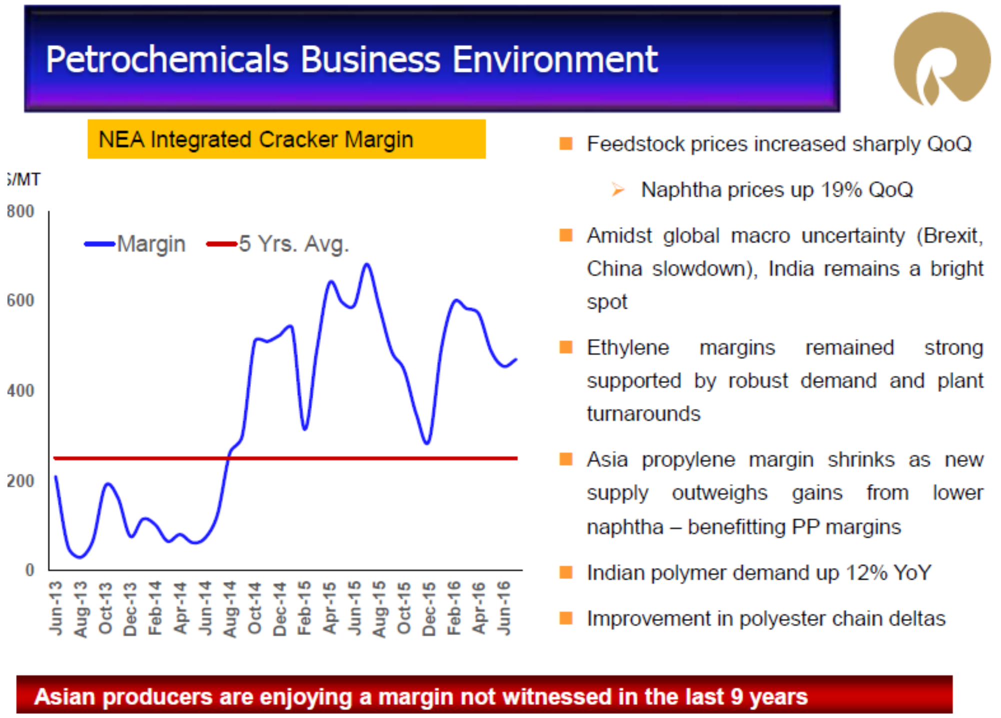
Source: Company, MOSL

Exhibit 25: Petchem volume down 3.2% QoQ, up 5.2% YoY (mmt); production declined QoQ led by water shortage at Dahej



Source: Company, MOSL

Exhibit 26: Petchem spreads strong, driven by >10% demand growth



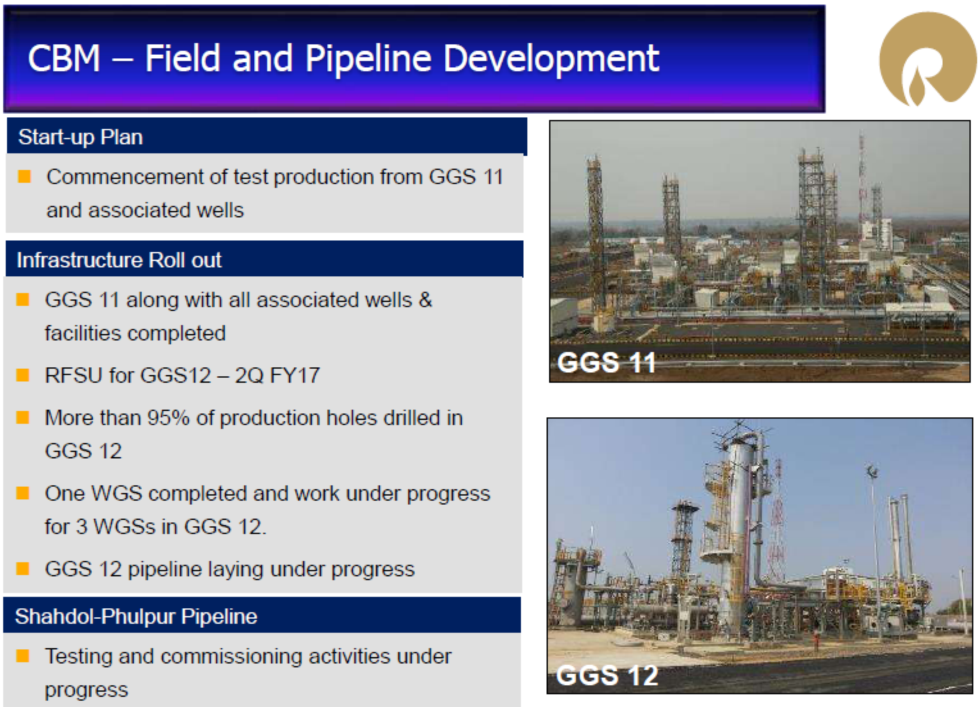
Source: Company, MOSL

E&P: KG-D6 decline continues; IndAS reduces depletion

Domestic E&P program to see uplift in long term post new pricing policy

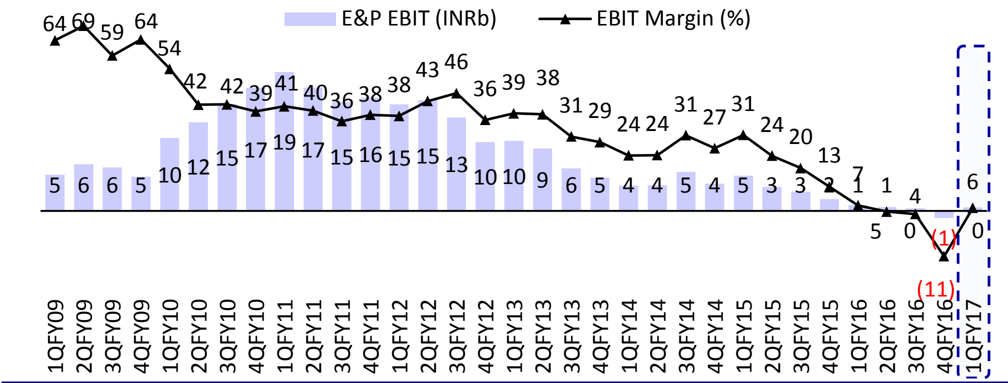
- Domestic E&P's EBIT turned green to INR480m (v/s INR2.3b in 1QFY16 and loss of INR2.4b in 4QFY16) due to lower depletion (down from INR5.5b in 4QFY16 to INR3b).
- **KG-D6 production declines:** KG-D6 gross production declined to 8.7mmsmcd in 1QFY17 (v/s 11.3mmscmd in 1QFY16 and 9.7 in 4QFY16).RIL is trying to sustain production through well optimization.
- Production from Panna-Mukta was higher due to better than anticipated gains from Panna-B wells, additional production from Mukta-A/B wells. Tapti field facilities have been turned over to ONGC post production closure.
- Domestic conventional E&P has made some headway with RIL now moving ahead with DST (well testing) as per DGH requirement. FDP for CB-10 block has been submitted to the management committee, and Phase-II exploration program is under progress
- **CBM project on track for 2016 start:** Shahdol - Phulpur pipeline is complete and testing is under progress. Phase -1 activities are progressing as scheduled.
- RIL's KG basin portfolio could see uplift with govt. announcing new pricing mechanism for gas from high temperature and high pressure regions. However, final outcome and timelines will be contingent of withdrawal of arbitration and project economics under new gas pricing. Management indicated that if regulatory issues are sorted, it would require 2 weather windows for new well development and can start production by 2020.

Exhibit 27: CBM development in full swing: Commencement of test production in FY17 (GGS: Gas gathering station)



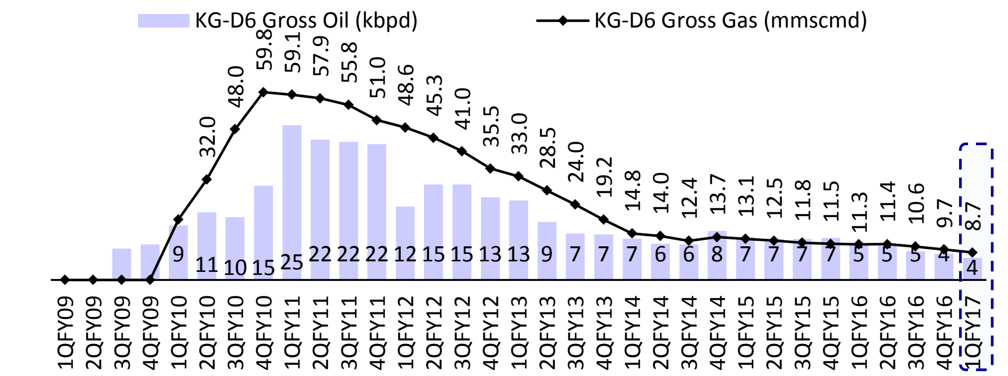
Source: Company, MOSL

Exhibit 28: E&P returns to profitability led by lower depletion



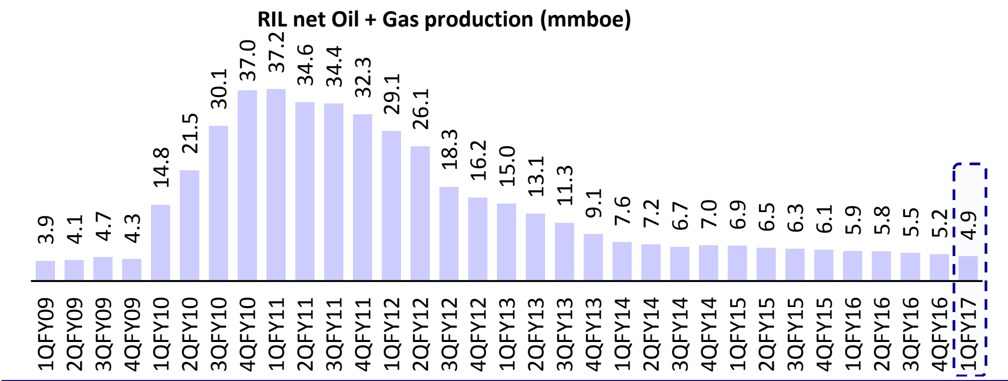
Source: Company, MOSL

Exhibit 29: KG-D6 gross production averaged 8.7mmscmd in 1QFY17



Source: Company, MOSL

Exhibit 30: RIL's net HC production at 4.9mmboe



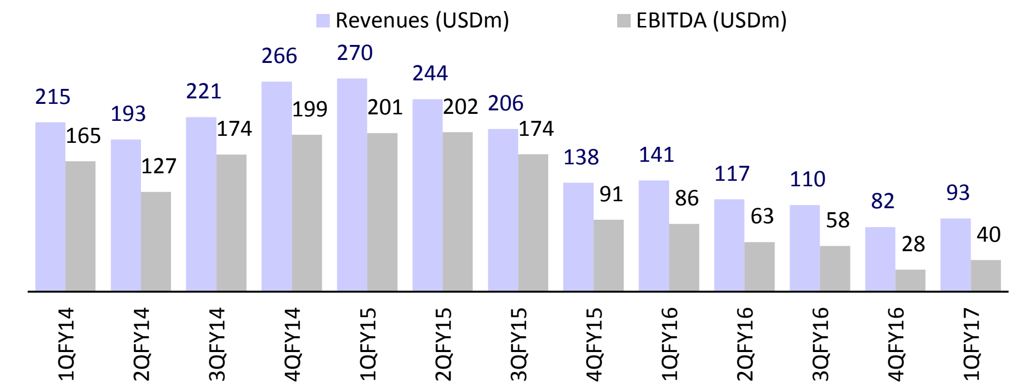
Source: Company, MOSL

Shale Gas profitability under pressure due to low prices

- Led by IndAS, RIL reduced shale asset value on he balance sheet by INR200b and further took a hit of INR58b on the book value for revised fair value assessment.
- RIL's shale gas revenues stood at USD93m (-34% YoY, +13% QoQ), while EBITDA stood at USD40m (-53% YoY, +43% QoQ).
- RIL's production share in shale JV's stood at 13.8mmscmd (-10% YoY, -12% QoQ). Production decline reflects JV partner's intentional halt of field developments.

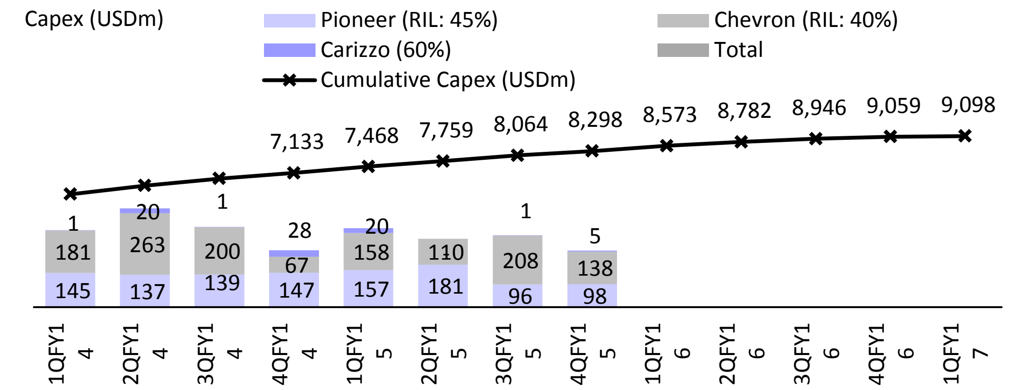
- Average realization stood at USD2.5/mscfe (v/s USD3.5/mscfe in 1QFY16 and USD2.0/mscfe in 4QFY16).
- Shale gas capex stands at ~USD10.0b (USD39m spent in 1QFY17).

Exhibit 31: Shale gas revenues down YoY due to lower YoY realizations; QoQ performance up driven by higher realizations partly offset by declining production



Source: Company, MOSL

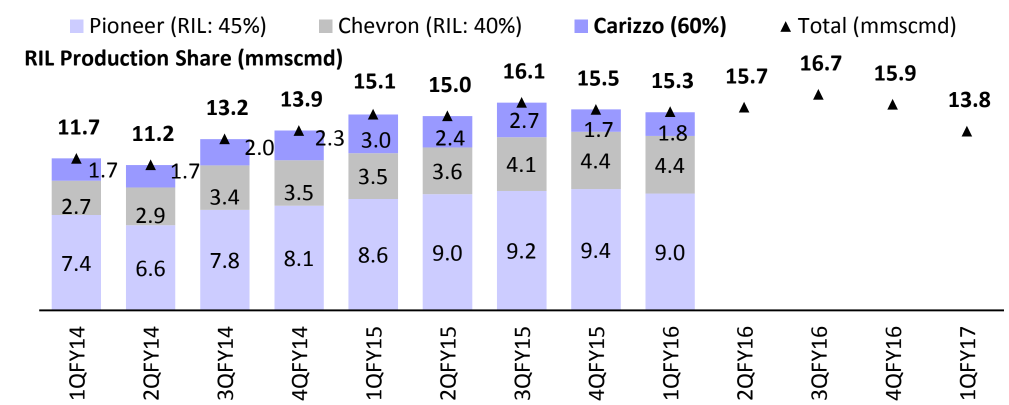
Exhibit 32: Zero development strategy during the quarter translated to modest capex od USD39m during the quarter



*asset-wise capex not disclosed in 1QFY16

Source: Company, MOSL

Exhibit 33: RIL production largely down 9% YoY and 13% QoQ (RIL Production Share mmscmd)



Source: Company, MOSL

Organized Retail: Adopting multi channel sales strategy

1QFY17 revenues up 46%; presence in 679 cities with 3,383 stores

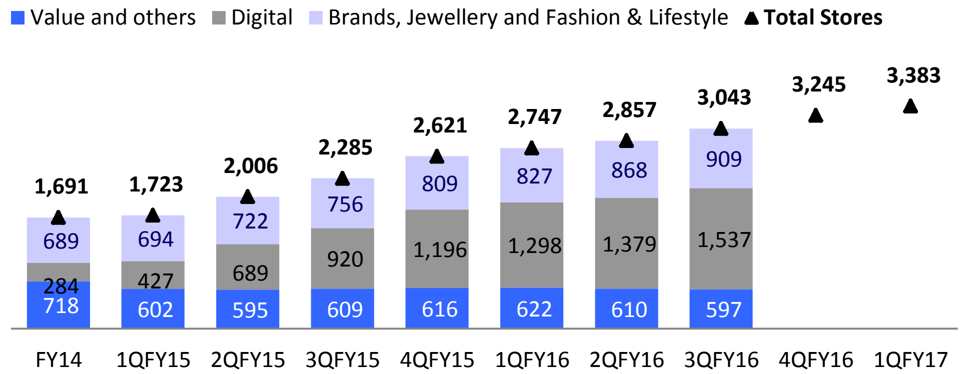
- In 1QFY17, Reliance retail reported revenues of INR66.7b (+46% YoY, 18% QoQ), EBITDA of INR2.4b (+21% YoY, +9% QoQ) and EBITDA margin of 3.6% (v/s 3.9% in 4QFY16).
- Organized retail business revenues include INR10b of revenues from petroleum sales (dealer margin on COCO outlets).
- It currently operates 3,383 stores (v/s 3,245 on Mar 31, 2016) in 679 cities with 13m sq. ft of area.
- RIL is entering e-commerce segment for Fashion & Lifestyle in phases. It has launched two websites, one for fashion and another focused on footwear. The fashion website currently focuses on women and men's and kid's section will be rolled out during the year.

Exhibit 34: Reliance retail has opened 138 stores in 1QFY17, increasing presence increased to 679 cities

	FY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
No. of stores (No.)	1,691	1,723	2,006	2,285	2,621	2,747	2,857	3,043	3,245	3,383
Addition	225	212	437	279	336	126	110	186	202	138
No. of Cities	146	148	155	166	200	210	250	371	532	679
Avg. stores per city	12	12	13	14	13	13	11	6	6	5

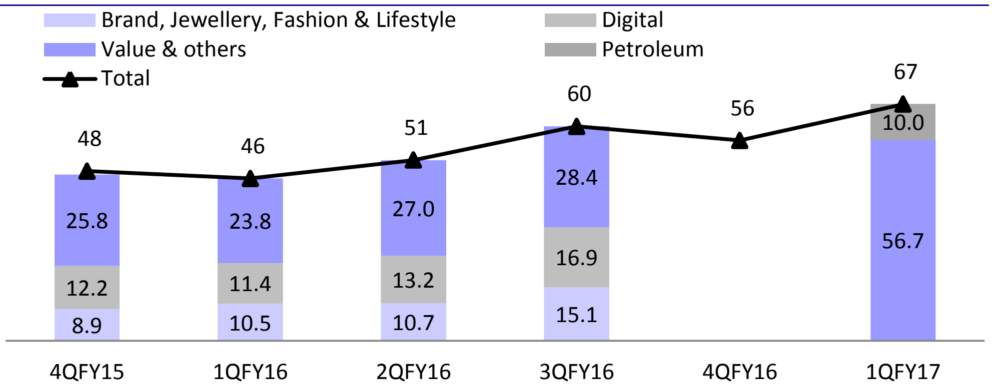
Source: Company, MOSL

Exhibit 35: Reliance opened 138 new stores in 1QFY17



Source: Company, MOSL

Exhibit 36: Revenues grew by 46% YoY (INRb)



Source: Company, MOSL

Valuation and view

- RIL is in the midst of executing its largest ever capex plans in core and non-core businesses. Key things to watchout for RIL: (1) telecom launch (USD23b capex till date) and subscriber ramp-up, (2) E&P arbitration case outcome for domestic E&P clarity and (3) Update on core capex plan of ~USD18b.
- For FY17/FY18, we model GRM at USD11/11.6/bbl. Every USD1/bbl change in GRM impacts RIL's EPS by ~10%.
- With telecom launch round the corner, RIL stock is entering into a critical juncture as success of telecom venture will drive the stock performance.
- We change our FY17/FY18 EPS by +4%/-2% to factor lower depletion and lower utilization in new core project. On FY18E basis, the stock trades at 9.3x adj. SA EPS of INR120 and EV/EBITDA of 5.9x. We roll over our SOTP-based target price to FY18 basis to INR1,129/share (vs previous target price of INR1,040).

Exhibit 37: RIL: Key assumptions

Key Metrics	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Exchange Rate (INR/USD)	45.8	47.6	45.6	47.9	54.5	60.5	61.2	65.4	68.0	70.0
Refining										
Capacity (mmt)	33.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Production (mmt)	32.0	60.6	66.5	67.6	68.1	68.1	67.9	69.5	67.7	67.7
Capacity Utilization (%)	97%	98%	107%	109%	110%	110%	110%	112%	109%	109%
GRM (USD/bbl)										
Blended GRM	12.3	6.9	8.4	8.6	9.2	8.5	8.8	10.8	11.0	11.6
Singapore GRM	5.8	3.6	5.2	8.3	7.9	5.6	6.4	7.5	6.3	7.0
Premium to Singapore	6.5	3.3	3.2	0.3	1.4	2.8	2.5	3.3	4.7	4.6
E&P										
Gas Production (mmscmd)		39.8	56.2	42.6	26.5	13.8	12.2	10.8	8.6	8.5
Oil Production (kbd)		10.7	18.9	10.9	9.1	6.4	6.6	4.9	3.5	3.5
Pricing										
Brent Oil (USD/bbl)	84.8	69.7	86.5	114.5	110.6	108.5	86.0	47.8	50.0	55.0
Wellhead Gas Price (USD/mmbtu)		4.2	4.2	4.2	4.2	4.2	4.5	4.7	3.0	3.3

Source: Company, MOSL

Exhibit 38: RIL: Segmental EBIT break-up (INRb)

Segmental EBIT (INRb)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Refining	96	60	92	97	128	132	155	233	243	260
Petchem	69	86	93	90	73	86	86	103	129	171
E&P	23	55	67	53	29	20	16	4	5	7
Total	**188**	**200**	**252**	**239**	**230**	**239**	**257**	**339**	**376**	**438**
Segmental EBIT share (%)										
Refining	51%	30%	36%	40%	56%	55%	60%	69%	65%	59%
Petchem	37%	43%	37%	38%	32%	36%	34%	30%	34%	39%
E&P	12%	27%	27%	22%	13%	9%	6%	1%	1%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

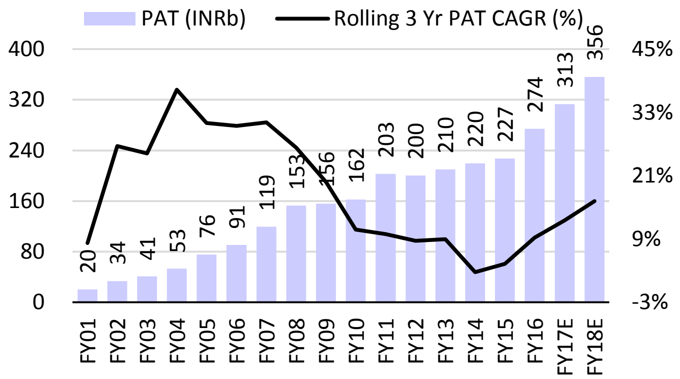
Source: Company, MOSL

Exhibit 39: RIL: Sum of the parts valuation (on FY18 basis)

Business	USD b	INR b	Adj. INR/sh	Remarks/Methodology
Core business	**50.7**	**3,397**	**1,163**	
Refining	28.2	1,890	647	EV @6x EBITDA; implied USD1582/complexity bpd
Petchem	22.5	1,507	516	Petchem EV @6x EBITDA
Domestic E&P	**1.7**	**115**	**40**	
KG - D6 (KG Basin)	0.9	59	20	DCF; 60% stake; 6tcf cumulative; model 4tcf yet to recover
NEC - 25 (Mahanadi basin)	0.2	10	4	DCF; 60% stake; OGIP of 3tcf
Sohagpur E&W (CBM)	0.2	13	4	DCF; 100% stake; OGIP of 3.65 TCF, assumed 50% recovery
PMT	0.5	34	12	Currently producing; EV @3x EBITDA
Investments	**3.2**	**216**	**74**	
Reliance Retail	3.2	216	74	100% subsidiary of RIL; 0.7x sales
Less: SA Net Debt/ (Cash)	**7.8**	**520**	**178**	
Sub-total	**47.9**	**3,208**	**1,098**	**Based on fully diluted equity sh. of 2,921m (excl 309m treasury sh.)**
Investments (equity value)				
Investment in Shale Gas	0.2	16	5	JV with Chevron. Pioneer & Carrizo
Reliance Jio (Telecom)	1.1	75	26	50% discount to license value adjusted for elapsed time
Total fair value	**49.2**	**3,299**	**1,129**	**Based on fully diluted equity sh. of 2,921m (excl 309m treasury sh.)**

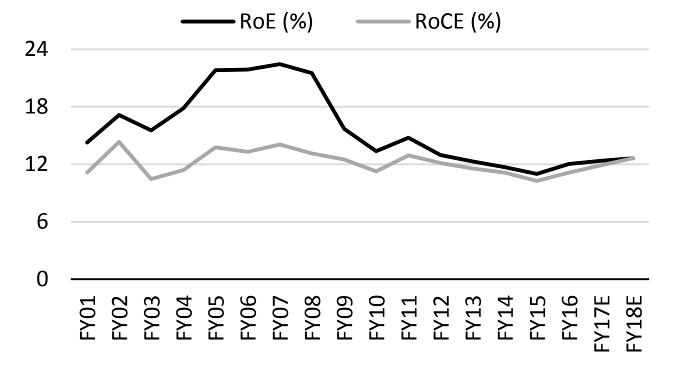
Reliance Industries: Story in charts

Exhibit 40: RIL's earnings growth momentum on a recovery track



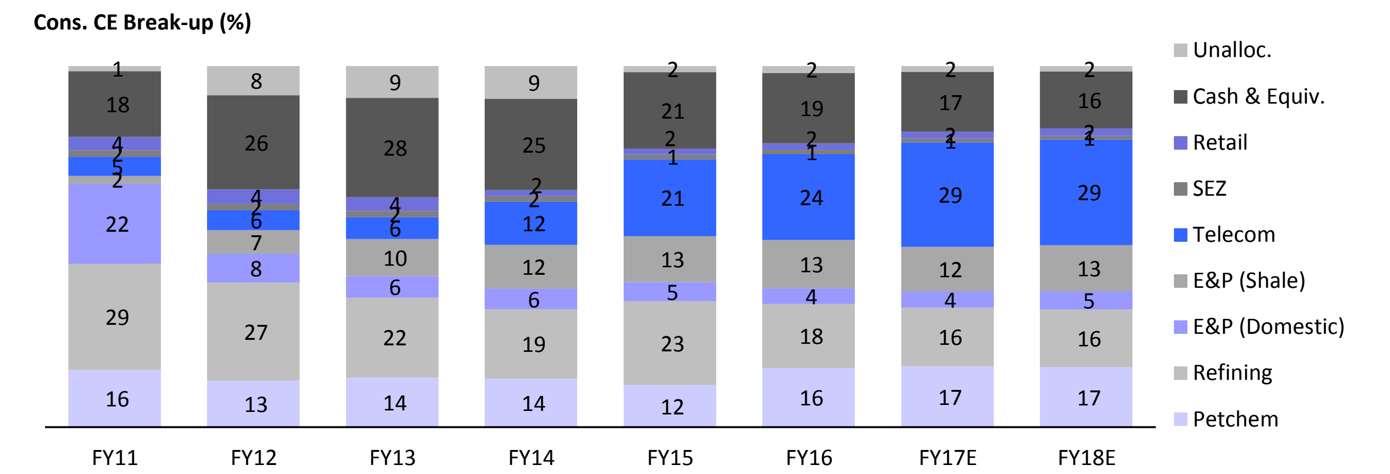
Source: Company, MOSL

Exhibit 41: Also return ratios are expected to gradually recover



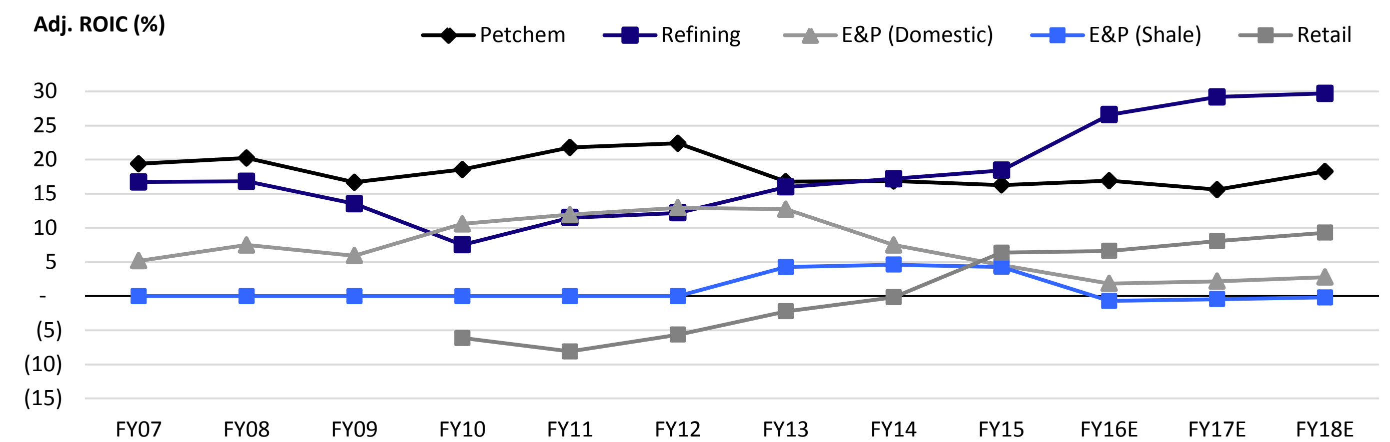
Source: Company, MOSL

Exhibit 42: FY17 Cons. Capital Employed: Higher share of non-core long gestation capex impacting RIL's overall return ratios



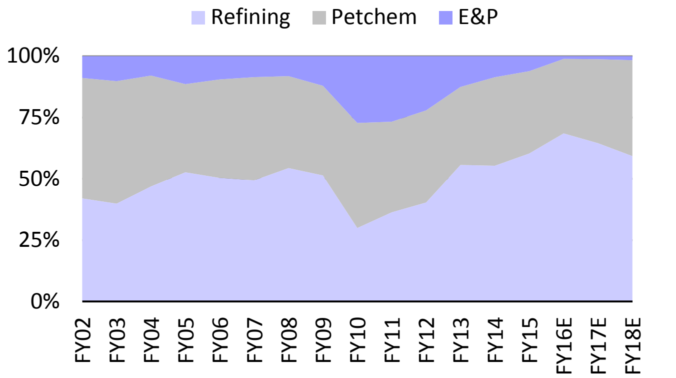
Source: Company, MOSL

Exhibit 43: With RIL's capex cycle nearing its end, expect its profitability across segments to improve (%)



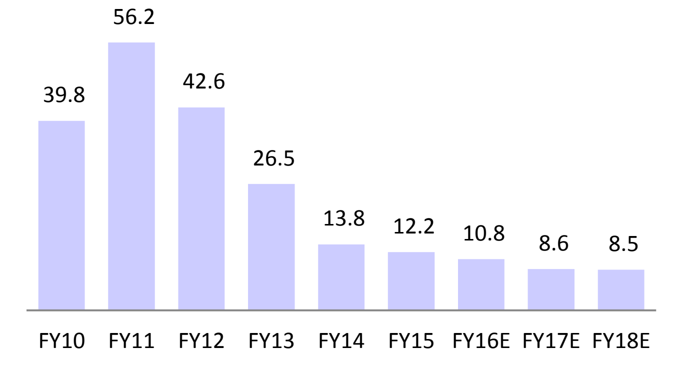
Reliance Industries: Story in charts

Exhibit 44: Segmental EBIT break-up (%) - E&P a dampener, refining and petchem outshine



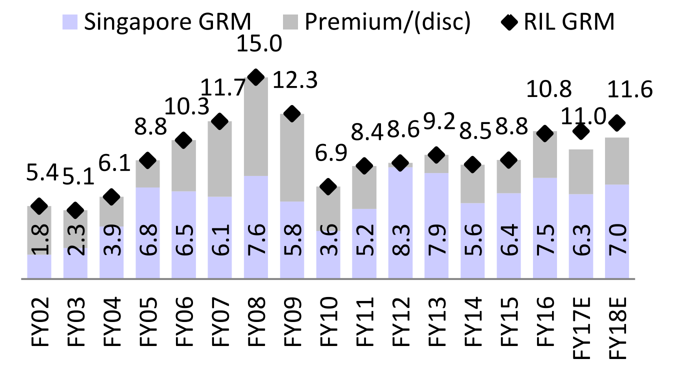
Source: Company, MOSL

Exhibit 45: Expect E&P production to decline; though new policy can boost long-term production (mmscmd)



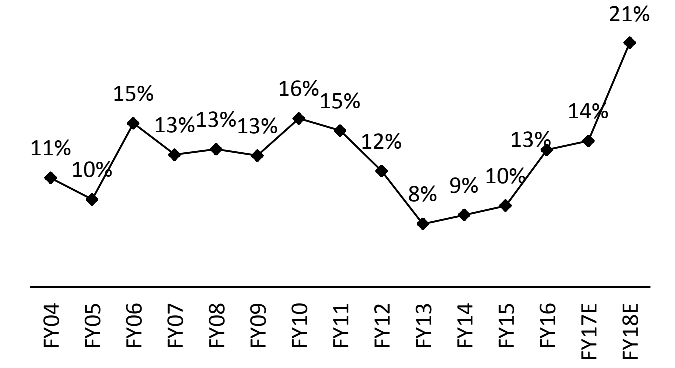
Source: Company, MOSL

Exhibit 46: RIL refining margins improved in FY16 (USD/bbl) after staying flat in recent years



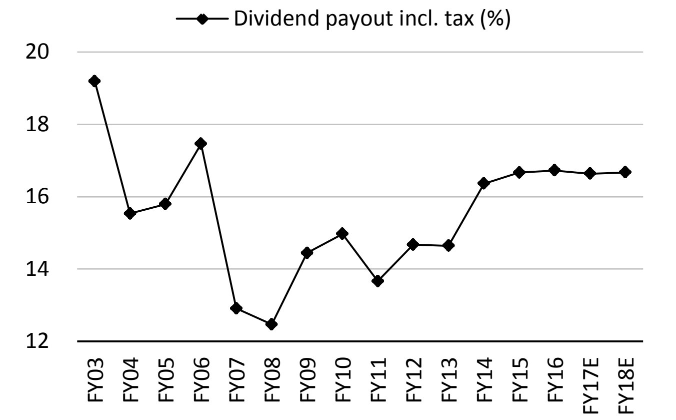
Source: Company, MOSL

Exhibit 47: While, recent petchem EBIT margins are low, we expect some recovery led by polymer chain (%)



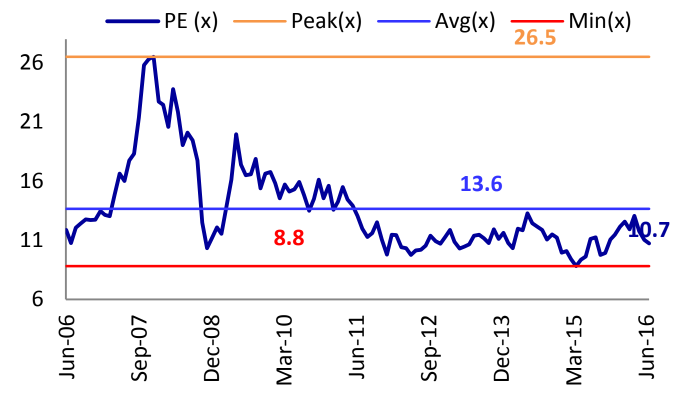
Source: Company, MOSL

Exhibit 48: Dividend Payout stabilized in recent years (%)



Source: Company, MOSL

Exhibit 49: RIL 1Yr Fwd P/E Chart (last 10 years)



Source: Company, MOSL

Financials and Valuations

Income Statement

(INR Billion)

Y/E Mar	2011	2012	2013	2014	2015	2016	2017E	2018E
Net Sales	**2,481.7**	**3,299.0**	**3,602.9**	**3,901.2**	**3,290.8**	**2,331.6**	**2,706.3**	**3,117.9**
Change (%)	28.9	32.9	9.2	8.3	-15.6	-29.1	16.1	15.2
EBITDA	**381.3**	**336.2**	**307.9**	**308.8**	**316.0**	**401.4**	**475.5**	**567.0**
EBITDA Margin (%)	15.4	10.2	8.5	7.9	9.6	17.2	17.6	18.2
Depreciation	136.1	113.9	94.7	87.9	84.9	95.7	118.0	150.5
EBIT	**245.2**	**222.3**	**213.2**	**220.9**	**231.1**	**305.7**	**357.5**	**416.5**
Interest	23.3	26.7	30.4	32.1	23.7	24.5	33.7	42.7
Other Income	30.5	61.9	80.0	89.4	87.2	75.8	86.8	93.4
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PBT	**252.4**	**257.5**	**262.8**	**278.2**	**294.7**	**357.0**	**410.6**	**467.2**
Tax	49.6	57.1	52.8	58.3	67.5	82.8	97.3	110.9
Tax Rate (%)	19.6	22.2	20.1	21.0	22.9	23.2	23.7	23.7
Min. Int. & Assoc. Share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	**202.9**	**200.4**	**210.0**	**219.8**	**227.2**	**274.2**	**313.3**	**356.4**
Adjusted PAT	**202.9**	**200.4**	**210.0**	**219.8**	**227.2**	**274.2**	**313.3**	**356.4**
Change (%)	24.9	-1.2	4.8	4.7	3.3	20.7	14.3	13.7

Balance Sheet

(INR Billion)

Y/E Mar	2011	2012	2013	2014	2015	2016	2017E	2018E
Share Capital	32.7	32.7	32.3	32.3	32.4	32.4	32.8	32.8
Reserves	1,482.7	1,628.3	1,767.7	1,938.6	2,129.4	2,365.7	2,633.2	2,937.4
Net Worth	**1,515.4**	**1,661.0**	**1,800.0**	**1,970.9**	**2,161.8**	**2,398.1**	**2,665.9**	**2,970.2**
Debt	674.0	684.3	724.1	854.8	976.2	1,070.0	1,070.0	1,070.0
Deferred Tax	115.6	121.2	121.9	122.2	126.8	131.6	139.8	149.1
Total Capital Employed	**2,305.0**	**2,466.4**	**2,645.9**	**2,947.9**	**3,264.7**	**3,599.7**	**3,875.7**	**4,189.3**
Gross Fixed Assets	2,212.5	2,054.9	2,131.5	2,225.7	2,360.6	2,634.0	3,667.0	3,907.4
Less: Acc Depreciation	785.5	917.7	1,034.1	1,131.6	1,215.0	1,310.7	1,428.7	1,579.2
Net Fixed Assets	**1,427.1**	**1,137.2**	**1,097.5**	**1,094.1**	**1,145.6**	**1,323.3**	**2,238.3**	**2,328.2**
Capital WIP	128.2	77.5	191.2	417.2	757.5	1,017.0	239.2	108.2
Investments	376.5	540.1	525.1	894.6	1,125.7	1,391.9	1,423.1	1,454.9
Current Assets	**915.4**	**1,196.5**	**1,371.4**	**1,270.0**	**949.0**	**761.6**	**972.1**	**1,005.4**
Inventory	298.3	359.6	427.3	429.3	365.5	279.6	315.2	351.7
Debtors	174.4	184.2	118.8	106.6	46.6	34.6	36.5	54.7
Cash & Bank	271.3	396.0	495.5	332.2	115.7	160.1	325.2	295.4
Loans & Adv, Others	171.4	256.8	329.8	401.8	421.1	287.2	295.2	303.5
Curr Liabs & Provns	**542.2**	**485.0**	**538.9**	**728.0**	**713.2**	**894.2**	**997.0**	**707.4**
Curr. Liabilities	496.6	442.4	495.5	686.3	650.6	820.5	916.0	618.2
Provisions	45.6	42.6	43.5	41.7	62.6	73.7	80.9	89.2
Net Current Assets	**373.2**	**711.6**	**832.4**	**542.0**	**235.8**	**-132.5**	**-24.9**	**298.0**
Total Assets	**2,305.0**	**2,466.5**	**2,646.2**	**2,947.9**	**3,264.7**	**3,599.7**	**3,875.7**	**4,189.3**

Financials and Valuations

Ratios

Y/E Mar	2011	2012	2013	2014	2015	2016	2017E	2018E
Basic (INR)								
EPS	**62.0**	**61.3**	**65.0**	**68.0**	**70.2**	**84.6**	**95.7**	**108.8**
Adj. EPS (ex Treasury)	68.4	67.7	71.9	75.2	77.6	93.6	105.6	120.1
Cash EPS	103.5	96.1	94.4	95.2	96.4	114.2	131.7	154.7
Book Value	511.2	560.7	616.5	674.2	738.5	818.4	898.5	1,001.1
DPS	8.0	8.5	9.0	9.5	10.0	12.1	13.6	15.5
Payout (incl. Div. Tax.)	13.7	14.7	14.6	16.4	16.7	16.7	16.6	16.7
Valuation(x)								
P/E			15.6	14.9	14.4	12.0	10.6	9.3
Adj. P/E			14.1	13.5	13.0	10.8	9.6	8.4
Price / Book Value			1.6	1.5	1.4	1.2	1.1	1.0
EV/Sales			0.9	0.8	1.1	1.4	1.2	1.1
EV/EBITDA			10.3	10.7	11.1	8.3	6.8	5.9
Dividend Yield (%)			0.9	0.9	1.0	1.2	1.3	1.5
Profitability Ratios (%)								
RoE	14.8	13.0	12.3	11.7	11.0	12.0	12.4	12.6
RoCE	12.9	12.1	11.6	11.1	10.2	11.1	11.9	12.6
RoIC	12.5	11.6	11.8	12.8	13.9	20.4	18.7	15.1
Turnover Ratios (%)								
Fixed Asset Turnover (x)	1.1	1.5	1.7	1.8	1.4	0.9	0.9	0.8
Debtors (No. of Days)	21.4	19.8	15.3	10.5	8.5	6.4	4.8	5.3
Leverage Ratios (%)								
Net Debt/Equity (x)	0.2	0.0	-0.1	0.0	0.1	0.0	0.0	0.0

Cash Flow Statement

(INR Billion)

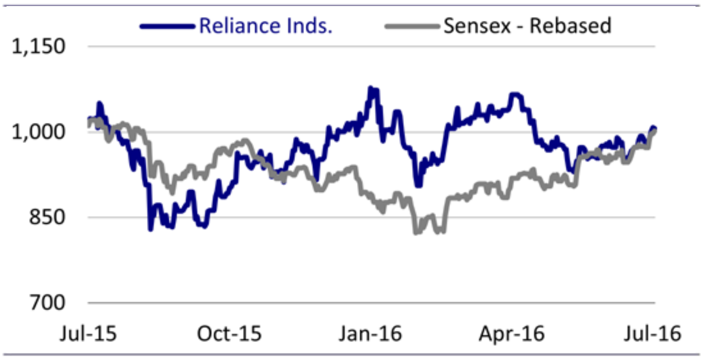
Y/E Mar	2011	2012	2013	2014	2015	2016	2017E	2018E
Adjusted EBITDA	381.3	336.2	307.9	308.8	316.0	401.4	475.5	567.0
Non cash opr. exp (inc)	4.3	17.8	17.5	24.6	33.1	22.3	21.2	24.4
(Inc)/Dec in Wkg. Cap.	0.7	-27.7	57.8	145.2	83.2	412.7	57.4	-352.6
Tax Paid	-42.0	-48.3	-46.7	-60.7	-60.8	-78.0	-89.0	-101.5
Other operating activities	-11.4	-8.2	-6.6	3.7	-18.6	0.0	0.0	0.0
CF from Op. Activity	**332.8**	**269.7**	**330.0**	**421.6**	**352.9**	**758.4**	**465.1**	**137.2**
(Inc)/Dec in FA & CWIP	-121.2	-80.1	-159.4	-324.6	-427.2	-532.8	-255.3	-109.3
Free cash flows	**211.6**	**189.7**	**170.5**	**97.0**	**-74.3**	**225.6**	**209.8**	**27.8**
(Pur)/Sale of Invt	-140.7	62.0	21.7	-119.5	-84.1	-266.2	-31.2	-31.8
Others	58.6	-12.3	-10.2	-196.0	-48.7	53.5	65.6	69.1
CF from Inv. Activity	**-203.3**	**-30.5**	**-148.0**	**-640.1**	**-560.0**	**-745.5**	**-220.8**	**-72.1**
Inc/(Dec) in Net Worth	1.9	-1.9	-30.8	1.8	2.3	0.0	0.4	0.0
Inc / (Dec) in Debt	29.6	-85.0	-22.8	84.2	20.9	69.3	-33.7	-42.7
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divd Paid (incl Tax) & Others	-24.3	-27.7	-29.0	-30.5	-32.1	-37.5	-45.4	-51.7
CF from Fin. Activity	**7.3**	**-114.6**	**-82.5**	**55.6**	**-9.0**	**31.9**	**-78.8**	**-94.4**
Inc/(Dec) in Cash	**136.7**	**124.7**	**99.5**	**-163.0**	**-216.1**	**44.8**	**165.5**	**-29.3**
Add: Opening Balance	134.6	271.3	396.0	495.2	331.8	115.3	159.7	324.8
Closing Balance	**271.3**	**396.0**	**495.5**	**332.2**	**115.7**	**160.1**	**325.2**	**295.4**

Corporate profile

Company description

Reliance Industries Ltd (RIL), a Fortune 500 company, is India's largest private sector entity, with a turnover of USD66.8b and net profit of USD3. 9b. 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.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-16	Dec-15	Mar-15
Promoter	45.2	45.2	45.2
DII	12.8	13.2	12.6
FII	22.5	21.9	22.0
Others	19.5	19.7	20.2

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIC of India	9.0
Reliance Chemicals Limited	1.9
Reliance Polyolefins Limited	1.9
Europacific Growth Fund	1.5
Government of Singapore	1.1
Abu Dhabi Investment Authority	1.1

Source: Capitaline

Exhibit 4: Top management

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

Source: Capitaline

Exhibit 5: Directors

Name	Name
Ashok Misra	Dharam Vir Kapur
Dipak C Jain	Mansingh Laxmidas Bhakta
Nita M Ambani	Raghunath Anant Mashelkar
Yogendra Premkrishna Trivedi	Raminder Singh Gujral
Adil Zainulbhai	Maheswar S Sahu

*Independent

Exhibit 6: Auditors

Name	Type
Bandyopadhyaya Bhaumik & Co	Cost Auditor
Chaturvedi & Shah	Statutory
Delloite Haskins & Sells	Statutory
Dilip M Malkar & Co	Cost Auditor
Diwanji & Associates	Cost Auditor

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	95.7	86.6	10.5
FY18	108.8	100.5	8.2

Source: Bloomberg

Disclosures

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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Varun Kumar
Varun.kumar@motilaloswal.com
Contact : (+65) 68189232
Office Address:21 (Suite 31),16 Collyer Quay,Singapore 04931

Kadambari Balachandran
kadambari.balachandran@motilaloswal.com
(+65) 68189233 / 65249115

Motilal Oswal Securities Ltd
Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025
Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com