

REDUCE

TP: Rs 2,000 | ▼ 3%

RELIANCE INDUSTRIES

Oil & Gas

31 October 2020

Earnings traction lagging multiple expansion

Q2FY21 highlights: (a) RIL's EBITDA beat estimates at Rs 189bn (-14.5% YoY, +12% QoQ) led by better retail and petchem EBITDA of Rs 20bn (-13.5% YoY) and Rs 60bn (-33% YoY) respectively. (b) RJio EBITDA was in line at Rs 83.5bn (+57% YoY) backed by good ARPUs and subscriber adds. (c) GRM at US\$ 5.7/bbl was a marginal beat. Funds from stake sales in retail and the fibre InvIT leave RIL debt-free, leading us to raise FY22/FY23 earnings by 10%/7%. Upgrade to **REDUCE** (from **SELL**) with a new Sep'21 TP of Rs 2,000 (vs. Rs 1,895).

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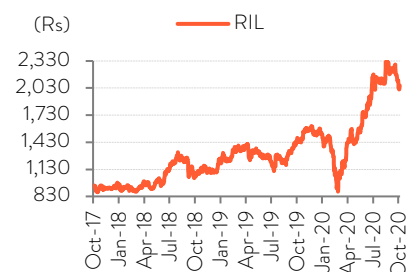
Cyclical earnings remain a drag: Reported GRMs at US\$ 5.7/bbl (vs. US\$ 9.4 YoY) remain well below the long-term average of ~US\$ 9/bbl. Benchmark GRMs have improved in Oct'20 but are still not good enough to meet our US\$ 9/bbl GRM estimate for FY21. Petchem EBITDA was ahead of our expectations at Rs 60bn (still down 33% YoY) supported by demand recovery and better polymer spreads. We remain cautious on cyclicals as margin recovery may be pushed back to FY22.

Ticker/Price	RIL IN/Rs 2,055
Market cap	US\$ 186.5bn
Shares o/s	6,762mn
3M ADV	US\$ 472.5mn
52wk high/low	Rs 2,369/Rs 876
Promoter/FPI/DII	50%/25%/24%

Source: NSE

RJio earnings surge sustains; retail recovers a bit: ARPU expansion to Rs 145 (+3.5% QoQ) and in-line subscriber additions (7.3mn) aided EBITDA of Rs 83.5bn for RJio, meeting our estimates. However, per capita data consumption remained flat QoQ at 12GB. Retail business EBITDA at Rs 20bn was above estimates (still -13.5% YoY) due to a decline in revenues for the fashion & lifestyle and consumer electronic segments.

STOCK PERFORMANCE



Source: NSE

Deleveraging well priced in: Consumer-facing businesses formed >50% of RIL's EBITDA in Q2, a fact well reflected in the expansion of its valuation multiples to ~16x FY22E EPS. However, we need to see earnings traction to justify the recent surge in stock price, as the rally factors in the debt reduction trigger. Global economies are still struggling to come out of the pandemic-induced slowdown, with India being the worst affected (among large economies).

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	5,830,940	6,116,450	4,038,781	5,373,906	5,571,457
EBITDA (Rs mn)	841,670	882,170	906,382	1,390,907	1,677,620
Adj. net profit (Rs mn)	400,860	443,240	457,572	847,408	1,082,088
Adj. EPS (Rs)	59.3	65.6	67.7	125.3	160.0
Adj. EPS growth (%)	13.6	10.6	3.2	85.2	27.7
Adj. ROAE (%)	11.7	11.1	8.9	12.9	14.5
Adj. P/E (x)	34.7	31.3	30.4	16.4	12.8
EV/EBITDA (x)	18.8	18.2	18.3	11.8	9.5

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – QUARTERLY PERFORMANCE (STANDALONE)

(Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Gross revenue	644,310	944,460	(31.8)	522,630	23.3	1,166,940	1,908,300	(38.8)
Less: Excise duty	49,590	36,230	36.9	29,850	66.1	79,440	79,960	(0.7)
Less: GST recovered	31,850	36,860	(13.6)	18,170	75.3	50,020	74,340	-
Net sales	562,870	871,370	(35.4)	474,610	18.6	1,037,480	1,754,000	(40.9)
Raw material costs	398,240	600,420	(33.7)	291,280	36.7	689,520	1,250,510	(44.9)
% of sales	70.8	68.9	-	61.4	-	66.5	71.3	-
Other expenditure	88,160	134,290	(34.4)	112,220	(21.4)	200,380	230,430	(13.0)
% of sales	15.7	15.4	-	23.6	-	19.3	13.1	-
EBITDA	76,470	136,660	(44.0)	71,110	7.5	147,580	273,060	(46.0)
EBITDA margin (%)	13.6	15.7	-	15.0	-	14.2	15.6	-
Depreciation & amortization	22,330	23,170	(3.6)	21,750	2.7	44,080	44,920	(1.9)
Interest	48,190	27,230	77.0	52,510	(8.2)	100,700	54,240	85.7
Other income	41,640	36,290	14.7	42,410	(1.8)	84,050	69,740	20.5
PBT	47,590	122,550	(61.2)	39,260	21.2	86,850	243,640	(64.4)
Provision for tax	(17,870)	25,530	(170.0)	(9,480)	88.5	(27,350)	56,260	(148.6)
Exceptional item	-	-	-	44,200	-	44,200	-	-
PAT	65,460	97,020	(32.5)	92,940	(29.6)	158,400	187,380	(15.5)
Adj. PAT	65,460	97,020	(32.5)	48,740	34.3	114,200	187,380	(39.1)
Other comprehensive income	-	-	-	15,580	-	-	-	-
Total Income	65,460	97,020	(32.5)	108,520	(39.7)	158,400	187,380	(15.5)
Adj. EPS (Rs)	10.2	15.3	(33.6)	7.6	34.3	17.7	29.6	(40.1)
GRMs (US\$/bbl)	5.7	9.4	(39.4)	6.3	(9.5)	6.0	8.8	(31.4)
Refining throughput (mmt)	15.3	16.7	(8.4)	16.6	(7.8)	31.9	34.2	(6.7)
Petrochemical production (mmt)	9.7	9.9	(2.0)	8.9	9.0	18.6	18.6	-

Source: Company, BOBCAPS Research Note*Tax rate is low on adjustments from creation of Oil2Chemicals subsidiary

FIG 2 – QUARTERLY PERFORMANCE (CONSOLIDATED)

(Rs mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Gross revenues	1,283,850	1,638,540	(21.6)	1,009,290	27.2	2,293,140	3,368,100	(31.9)
Less: Excise duty	49,590	36,230	36.9	29,850	66.1	79,440	79,960	(0.7)
Less: GST recovered	121,900	117,050	4.1	96,910	25.8	218,810	233,120	-
Net sales	1,112,360	1,485,260	(25.1)	882,530	26.0	1,994,890	3,055,020	(34.7)
EBITDA	189,450	221,520	(14.5)	168,750	12.3	358,200	434,670	(17.6)
EBITDA margin (%)	17.0	14.9	-	19.1	-	18.0	14.2	-
Depreciation & amortisation	66,260	53,150	24.7	63,080	5.0	129,340	103,260	25.3
Interest	60,840	54,500	11.6	67,350	(9.7)	128,190	105,590	21.4
Other income	42,490	36,140	17.6	43,880	(3.2)	86,370	67,600	27.8
PBT	104,840	150,010	(30.1)	82,200	27.5	187,040	293,420	(36.3)
Exceptional item	-	-	-	49,660	-	49,660	-	-
Provision for tax	(130)	37,030	(100.4)	2,600	(105.0)	2,470	79,280	(96.9)
PAT	106,020	113,520	(6.6)	132,480	(20.0)	234,230	215,420	8.7
Adj. PAT	106,020	113,520	(6.6)	82,820	28.0	188,840	215,420	(12.3)
Other comprehensive income	-	(7,860)	100.0	176,700	-	-	586,840	-
Share of P&L from associate	1,050	540	-	3,220	-	-	1,280	-
Total Income	106,020	105,660	0.3	309,180	(65.7)	238,500	802,260	(70.3)
Adj. EPS (Rs)	16.4	17.9	(8.1)	12.9	28.0	29.3	34.0	(13.8)

Source: Company, BOBCAPS Research Note*Tax rate is low on adjustments from creation of Oil2Chemicals subsidiary

FIG 3 – QUARTERLY PERFORMANCE SEGMENT WISE (CONSOLIDATED)

(Rs mn)	Q2FY21	Q2FY20A	YoY (%)	Q1FY21	QoQ (%)	H1FY21	H1FY20	YoY (%)
Petrochemicals revenues	296,650	385,380	(23.0)	251,920	17.8	548,570	761,490	(28.0)
% Sales	18.2	19.0	-	18.8	-	18.5	18.7	-
EBITDA	59,640	89,270	(33.2)	44,300	34.6	103,940	177,370	(41.4)
EBITDA margins (%)	20.1	23.2	-	17.6	-	18.9	23.3	-
% Total RIL EBITDA	31	47	-	23	-	55	94	-
EBIT	48,950	76,020	(35.6)	33,920	44.3	82,870	396,810	(79.1)
Refining revenues	621,540	972,290	(36.1)	466,420	33.3	1,087,960	1,989,500	(45.3)
% Sales	38.1	47.8	-	34.8	-	36.6	48.8	-
EBITDA	30,020	56,590	(47.0)	38,180	(21.4)	68,200	108,110	(36.9)
EBITDA margins (%)	4.8	5.8	-	8.2	-	6.3	5.4	-
% Total RIL EBITDA	16	30	-	20	-	36	57	-
EBIT	20,000	49,570	(59.7)	28,920	(30.8)	48,920	243,760	(79.9)
Oil & Gas	3,550	7,900	(55.1)	5,060	(29.8)	8,610	17,130	(49.7)
% Sales	0.2	0.4	-	0.4	-	0.3	0.4	-
EBITDA	(1,940)	1,280	(251.6)	(320)	506.3	(2,260)	3,350	(167.5)
EBITDA margins (%)	(54.6)	16.2	-	(6.3)	-	(26.2)	19.6	-
% Total RIL EBITDA	(1)	1	-	0	-	(1)	2	-
EBIT	(6,300)	(3,060)	(105.9)	(5,110)	23.3	(11,410)	(16,280)	29.9
Organized Retail	391,990	412,020	(4.9)	316,330	23.9	708,320	793,980	(10.8)
% Sales	24.0	20.3	-	23.6	-	23.8	19.5	-
EBITDA	20,090	23,220	(13.5)	10,830	85.5	30,920	43,710	(29.3)
EBITDA margins (%)	5.1	5.6	-	3.4	-	4.4	5.5	-
% Total RIL EBITDA	11	12	-	6	-	16	23	-
EBIT	15,220	20,350	(25.2)	7,220	110.8	22,440	73,230	(69.4)
Digital Service	226,790	156,190	45.2	213,020	6.5	439,810	305,290	44.1
% Sales	13.9	7.7	-	15.9	-	14.8	7.5	-
EBITDA	83,450	53,240	56.7	78,030	6.9	161,480	102,320	57.8
EBITDA margins (%)	36.8	34.1	-	36.6	-	36.7	33.5	-
% Total RIL EBITDA	44	28	-	41	-	85	54	-
EBIT	51,570	33,220	55.2	47,080	9.5	98,650	118,640	(16.8)
Others revenues	89,540	98,820	(9.4)	88,430	1.3	177,970	206,690	(13.9)
% Sales	5.5	4.9	-	6.6	-	6.0	5.1	-
EBITDA	(1,810)	(2,080)	13.0	(2,270)	(20.3)	(4,080)	(190)	2,047.4
EBITDA margins (%)	(2.0)	(2.1)	-	(2.6)	-	(2.3)	(0.1)	-
Total Revenues	1,630,060	2,032,600	(19.8)	1,341,180	21.5	2,971,240	4,074,080	(27.1)
Less: Inter segment transfers	346,210	394,060	(12.1)	331,890	4.3	678,100	705,980	(3.9)
Reported Gross Sales	1,283,850	1,638,540	(21.6)	1,009,290	27.2	2,293,140	3,368,100	(31.9)
Less: GST recovered	121,900	117,050	4.1	96,910	25.8	218,810	233,120	(6.1)
Reported Net Sales	1,161,950	1,521,490	(23.6)	912,380	27.4	2,074,330	3,134,980	(33.8)
Total Reported EBITDA	189,450	221,520	(14.5)	168,750	12.3	358,200	434,670	(17.6)

Source: Company, BOBCAPS Research

Earnings webinar takeaways

RJio thrives

- RIL's record Rs 2.5tn fund raise (~Rs 1.9tn from RJio and Retail) has created a floor to valuations for its consumer-facing businesses. These businesses have helped make the company debt-free.
- Additional investments of Rs 38bn each were announced in the Fibre InvIT by ADIA (Abu Dhabi) and PIB (Saudi Arabia).
- The 5G solutions segment carries strong potential and is awaiting 5G spectrum allocation from the government for trials.
- RJio added ~7.3mn wireless subscribers (net) in Q2FY21 vs. 9.9mn in Q1FY21 – marginally better than estimates, taking its total subscriber base to ~405mn. However, the subscriber churn rate was exceptionally high at ~2% in Q2 (vs. average of ~1%) as competition in the telecom space heats up.
- Per capita wireless data usage remained flat QoQ at 12GB/month. Jio Fiber usage has risen significantly and crossed 1mn subscribers in Q2. The recent reduction in price (Rs 399 introductory plan) coupled with removal of data caps across plans could help accelerate Jio Fiber subscriber additions.
- Management expects ARPU expansion to continue through FY21, from the current Rs 145 to Rs 165 by end-FY22, as most discount offers expire.

Retail starts to recover

- The extended economic lockdown continues to affect retail earnings, with ~15% of stores being non-operational over Q2FY21 – nevertheless, a marked improvement from 50% in Q1.
- Footfalls improved to 75% of pre-Covid levels in Q2 (from 43% in Q1) and have risen to ~85% currently.
- Store additions resumed in Q2 with ~232 outlets added (still trending below the usual average of 350/quarter).
- Offline-online integration continues with most segments becoming fully integrated with online ordering (or omni-channel).
- Launched in Q1, Jio Mart has scaled up partnerships with 1,700 merchants and extended 'kirana' partnerships to 20 cities.

Cyclicals remain a drag

- Global oil demand recovery has seen disruptions from the reimposition of lockdowns in Europe and the UK.
- GRMs remain muted throughout Q2FY21, with trends improving in Q3 thus far as the winter season kicks in.
- Refining operating costs were much below estimates at ~US\$ 1.8/bbl, driven by higher consumption of low-cost LNG. Refinery utilisation remains at >90%.
- Petrochemical EBITDA outperformed estimates on better polymer margins.
- Demand improved significantly across petrochemical categories QoQ as domestic consumers replaced imports with domestic suppliers, given concerns over global supply chains. With a higher proportion of domestic sales, RIL's petchem margins improved QoQ.

Valuation methodology

Given that consumer-facing businesses formed >50% of RIL's EBITDA in Q2FY21, we believe valuations at 16x FY22E EPS have run well ahead of fundamentals, as earnings growth and ROE expansion continue to lag. Looking at H1FY21 data, our GRM assumption of US\$ 9/bbl for FY21 carries downside risks. Benchmark Singapore complex GRMs have recovered marginally but still trend well below the five-year average of US\$ 4.5/bbl.

Funds from stake sales in retail and the fibre InvIT leave RIL debt-free, leading us to raise FY22/FY23 earnings estimates by 10%/7%. We upgrade the stock to REDUCE (from SELL) with a new Sep'21 SOTP-based target price of Rs 2,000 (vs. Rs 1,895).

FIG 4 – REVISED ESTIMATES (CONSOLIDATED)

(Rs mn)	FY21E			FY22E			FY23E		
	Old	New	Var (%)	Old	New	Var (%)	Old	New	Var (%)
Revenue	3,785,945	3,799,537	0.4	4,794,554	4,823,148	0.6	4,604,317	4,657,520	1.2
EBITDA	938,561	906,382	(3.4)	1,412,455	1,390,907	(1.5)	1,729,258	1,677,620	(3.0)
EBITDA margin (%)	24.8	23.9	-	29.5	28.8	-	37.6	36.0	-
PAT	484,225	457,572	(5.5)	771,058	847,408	9.9	1,016,206	1,082,088	6.5
PAT margin (%)	12.8	12.0	-	16.1	17.6	-	22.1	23.2	-
EPS (Rs)	71.6	67.7	(5.5)	114.0	125.3	9.9	150.3	160.0	6.5

Source: BOBCAPS Research

FIG 5 – FUND RAISING BREAKDOWN

(Rs mn)	Fund raise	Received till 30/09/2020	Received post 30/09/2020	Balance commitments
JPL	1,520,560	1,183,190	-	337,370
RRVL	377,100	75,000	302,100	-
Rights issue	531,240	132,750	-	398,490
RBML	76,290	76,290	-	-
Total	2,505,190	1,467,230	302,100	735,860

Source: Company, BOBCAPS Research

FIG 6 – DEBT REDUCTION (AS PER COMPANY)

(Rs mn)	Sep-20	Mar-20
Gross debt	2,792,510	3,362,940
Cash & cash equivalents	1,857,110	1,752,590
Fund received 3QTD	302,100	-
Balance commitments	735,860	-
Net debt	(102,560)	1,610,350

Source: Company, BOBCAPS Research

FIG 7 – RIL EBITDA COMPOSITION (CONSOLIDATED)

Business EBITDA (Rs bn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Petrochemicals	259	376	309	263	301	303
YoY growth (%)	50.9	45.6	(17.8)	(15.1)	14.6	0.6
% of total	39.3	44.9	35.1	29.0	21.6	18.0
Refining	290	230	245	162	329	343
YoY growth (%)	2.1	(20.5)	6.2	(33.8)	103.1	4.3
% of total	44.1	27.5	27.8	17.9	23.6	20.5
E&P	17	18.6	5.8	(38)	(44)	(9)
YoY growth (%)	(223.1)	10.7	(68.8)	(757.5)	15.7	(79.5)
% of total	2.6	2.2	0.7	(4.2)	(3.2)	(0.5)
RJIO	67.3	151.0	225.2	347.3	522.5	643.8
YoY growth (%)		124.4	49.1	54.2	50.4	23.2
% of total	10.2	18.0	25.5	38.3	37.6	38.4
Retail	25.3	62.0	96.5	122.4	232.5	346.7
YoY growth (%)	110.2	145.2	55.7	26.8	90.0	49.1
% of total	3.8	7.4	11.0	13.5	16.7	20.7
Consolidated business EBIDTA	658	838	881	906	1,391	1,678
YoY growth (%)	42.4	27.4	5.1	2.8	53.5	20.6
RoCE (%)	7.8	8.2	7.9	6.3	9.2	10.7
RoE (%)	12.4	11.5	10.9	8.5	12.0	13.5

Source: BOBCAPS Research

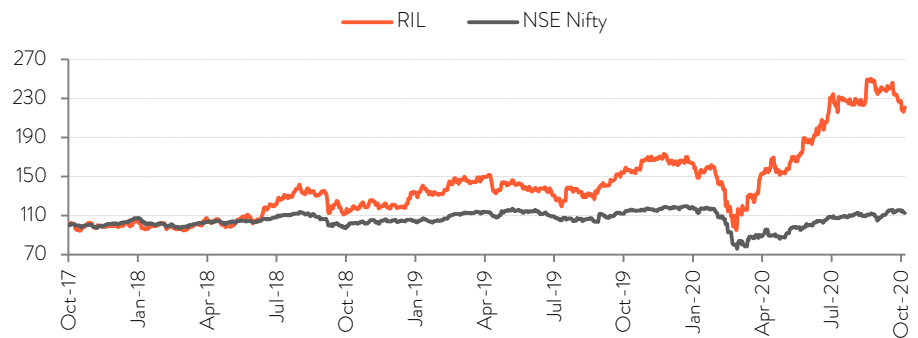
Our SOTP valuation is outlined below:

- **Cyclicals:** Refining (Rs 323/sh from Rs 300 earlier) and petrochemicals (Rs 312/sh from Rs268/sh) valued at 6.5x and 7x Sep'22E EBITDA respectively (both raised from 6x on an improving margin outlook)
- **RJio:** Valued at Rs 575/sh based on 10x Sep'22E EBITDA (vs. Rs 604 earlier, after adjusting for stake sale). We estimate FY21/FY22/FY23 ARPU at Rs 148/Rs 165/Rs 170
- **Retail:** Valued at Rs 784/sh (vs. Rs 604 earlier, after adjusting for stake sale), based on an unchanged 20x Sep'22E EBITDA

FIG 8 – SOTP VALUATION SUMMARY

Business	Fair Value		Value/share (Rs)	Comments
	(US\$ bn)	(Rs bn)		
Refining	29	2,184	323	6.5x Sep'22E EBITDA
Petrochem	28	2,111	312	7.0x Sep'22E EBITDA
Cyclical business value	57	4,295	635	
E&P business	0.5	38	6	Includes KG-D6 and shale
Jio	51	3,900	575	10x Sep'22E EBITDA, adjusted for stake sale
Reliance Retail	70	5,299	784	20x Sep'22E EBITDA, adjusted for stake sale
Enterprise value	178	13,531	2,000	
Net Debt	0	0	0	Adjusted for recent fund-raising
Equity value	178	13,534	2,000	16x FY22E EPS

Source: BOBCAPS Research

FIG 9 – RELATIVE STOCK PERFORMANCE

Source: NSE

Key risks

- **Better outlook on global economy:** RIL's valuations are highly sensitive to GRM and petrochemical crack movements. Better-than-expected recovery in global economies can raise these spreads and alter our valuation outlook.
- **Higher operating margins in RJio:** We factor in ramp-up in RJio's subscriber numbers (>450mn) and ARPUs (Rs 170/mth) by FY23. All telecom operators are eyeing much higher ARPU expansion by FY23 (Rs 200-300) – if this happens, it could take RJio's operating earnings well above estimates.
- **Better growth in retail revenues:** RIL has been significantly outperforming estimates on retail business revenue growth. We model for deceleration in retail business EBITDA in FY21 given the economic slowdown. Above-expected growth would alter our estimates.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	5,830,940	6,116,450	4,038,781	5,373,906	5,571,457
EBITDA	841,670	882,170	906,382	1,390,907	1,677,620
Depreciation	(209,340)	(222,030)	(272,554)	(296,311)	(311,496)
EBIT	632,330	660,140	633,828	1,094,595	1,366,124
Net interest income/(expenses)	(164,950)	(220,270)	(135,111)	(100,224)	(76,088)
Other income/(expenses)	86,350	139,560	193,391	234,105	252,378
Exceptional items	0	(44,440)	0	0	0
EBT	553,730	579,430	692,108	1,228,475	1,542,414
Income taxes	(153,900)	(137,260)	(189,055)	(294,837)	(345,172)
Min. int./Inc. from associates	1,030	1,070	(45,481)	(86,230)	(115,154)
Reported net profit	400,860	398,800	457,572	847,408	1,082,088
Adjusted net profit	400,860	443,240	457,572	847,408	1,082,088

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Accounts payables	1,083,090	967,990	1,317,061	1,180,895	1,168,638
Other current liabilities	1,442,530	2,209,060	1,009,060	1,009,060	1,009,060
Provisions	41,820	36,800	90,069	70,482	77,598
Debt funds	2,719,420	3,102,210	2,302,210	2,152,210	1,652,210
Other liabilities	687,620	729,620	747,899	779,275	813,818
Equity capital	59,260	63,390	67,616	67,616	67,616
Reserves & surplus	3,850,250	3,978,260	6,126,262	6,903,601	7,935,207
Shareholders' fund	3,909,510	4,041,650	6,193,878	6,971,217	8,002,823
Total liabilities and equities	9,966,790	11,167,490	12,160,176	12,663,139	13,224,146
Cash and cash eq.	110,810	309,200	160,625	252,998	335,201
Accounts receivables	300,890	196,560	235,138	214,171	212,844
Inventories	675,610	739,030	951,678	855,306	848,612
Other current assets	744,760	737,390	737,390	737,390	737,390
Investments	2,356,350	2,767,670	3,567,670	3,767,670	3,967,670
Net fixed assets	3,863,770	5,223,990	5,824,284	5,984,614	6,255,839
CWIP	1,794,630	1,091,060	570,801	728,401	734,001
Intangible assets	119,970	102,590	112,590	122,590	132,590
Total assets	9,966,790	11,167,490	12,160,176	12,663,140	13,224,146

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income + Depreciation	608,350	620,830	730,125	1,143,720	1,393,584
Changes in working capital	(653,830)	694,690	(1,048,887)	(38,412)	2,880
Other operating cash flows	116,700	(53,120)	(175,112)	(202,729)	(217,835)
Cash flow from operations	71,220	1,262,400	(493,873)	902,579	1,178,628
Capital expenditures	(14,950)	(878,680)	(352,589)	(614,241)	(588,321)
Change in investments	(1,331,690)	(409,780)	(290,000)	10,000	10,000
Other investing cash flows	(47,850)	120,640	(306,610)	34,105	52,378
Cash flow from investing	(1,394,490)	(1,167,820)	(949,199)	(570,136)	(525,943)
Equities issued/Others	40	4,130	1,951,048	0	0
Debt raised/repaid	917,090	382,790	(800,000)	(150,000)	(500,000)
Dividends paid	(42,810)	(54,854)	(38,228)	(90,069)	(70,482)
Other financing cash flows	482,540	(44,440)	0	0	0
Cash flow from financing	1,356,860	287,626	1,112,821	(240,069)	(570,482)
Changes in cash and cash eq.	33,590	382,206	(330,251)	92,373	82,203
Closing cash and cash eq.	76,140	493,016	160,625	252,998	335,201

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
Reported EPS	67.6	62.9	67.7	125.3	0.0
Adjusted EPS	59.3	65.6	67.7	125.3	160.0
Dividend per share	6.8	4.7	11.1	8.7	9.6
Book value per share	659.7	637.6	916.0	1,031.0	1,183.6

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
EV/Sales	2.7	2.6	4.1	3.0	2.9
EV/EBITDA	18.8	18.2	18.3	11.8	9.5
Adjusted P/E	34.7	31.3	30.4	16.4	12.8
P/BV	3.1	3.2	2.2	2.0	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	72.4	82.9	66.1	69.0	70.2
Interest burden (PBT/EBIT)	87.6	81.0	109.2	112.2	112.9
EBIT margin (EBIT/Revenue)	10.8	10.8	15.7	20.4	24.5
Asset turnover (Revenue/Avg TA)	64.6	57.9	34.6	43.3	43.0
Leverage (Avg TA/Avg Equity)	2.6	2.7	2.3	1.9	1.7
Adjusted ROAE	11.7	11.1	8.9	12.9	14.5

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	42.8	4.9	(34.0)	33.1	3.7
EBITDA	31.2	4.8	2.7	53.5	20.6
Adjusted EPS	13.6	10.6	3.2	85.2	27.7
Profitability & Return ratios (%)					
EBITDA margin	14.4	14.4	22.4	25.9	30.1
EBIT margin	10.8	10.8	15.7	20.4	24.5
Adjusted profit margin	6.9	7.2	11.3	15.8	19.4
Adjusted ROAE	11.7	11.1	8.9	12.9	14.5
ROCE	7.9	7.0	5.7	8.9	10.7
Working capital days (days)					
Receivables	15	15	20	15	14
Inventory	58	63	57	68	65
Payables	79	72	133	114	110
Ratios (x)					
Gross asset turnover	1.0	0.9	0.5	0.6	0.6
Current ratio	0.6	0.5	0.6	0.6	0.6
Net interest coverage ratio	3.8	3.0	4.7	10.9	18.0
Adjusted debt/equity	0.7	0.7	0.3	0.3	0.2

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

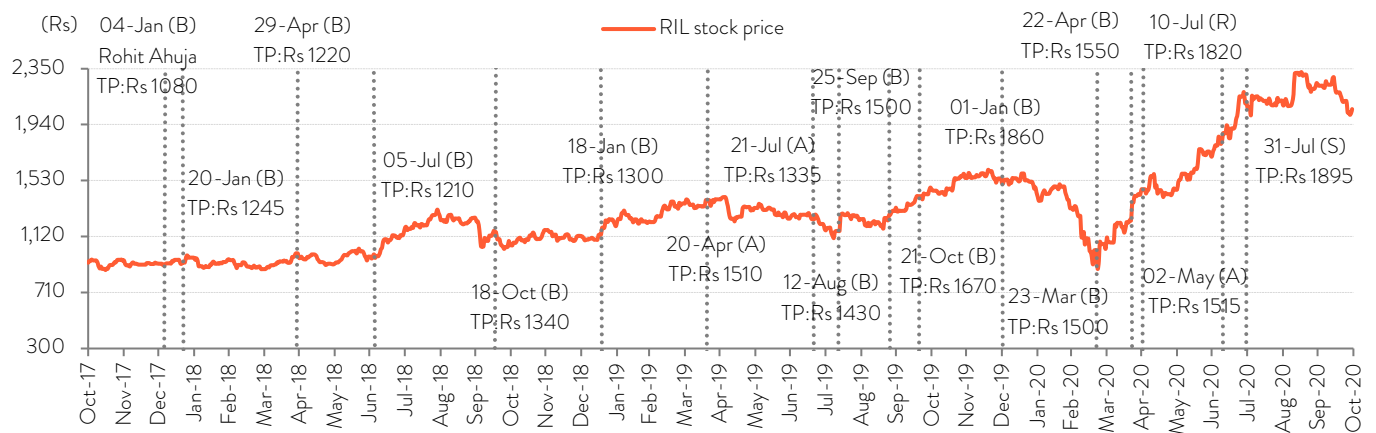
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): RELIANCE INDUSTRIES (RIL IN)



B – Buy, A – Add, R – Reduce, S – Sell

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