

January 22, 2016

## Reliance Industries

### Performance highlights

| Consolidated (₹ cr) | 3QFY16       | 3QFY15       | yoy (%)     | 2QFY16       | qoq%        |
|---------------------|--------------|--------------|-------------|--------------|-------------|
| Net revenue         | 68,261       | 93,528       | (27.0)      | 70,901       | (3.7)       |
| EBITDA              | 11,368       | 8,689        | 30.8        | 8,045        | 41.3        |
| Margin (%)          | 16.7         | 9.3          | 736bp       | 11.3         | 531bp       |
| <b>Reported PAT</b> | <b>7,290</b> | <b>5,256</b> | <b>38.7</b> | <b>6,720</b> | <b>11.0</b> |

Source: Company, Angel Research

Reliance Industries (RIL)' net sales for 3QFY2016 declined by 27% yoy to ₹68,261cr as against ₹93,528cr in the corresponding quarter last year, due to fall in crude oil prices. The EBITDA however increased by 31% yoy to ₹11,368cr (marginally below our estimate), led by strong gross refining margin (GRM) and better-than-expected EBITDA of the Petrochemicals division. The GRM stood at \$11.5/bbl for the quarter, the highest in seven years, as against \$7.3/bbl in 3QFY2015.

The Petrochemicals segment's EBIT increased 28% yoy to ₹2,639cr, led by strong polymer deltas and higher volumes. This aided in a 463bp yoy expansion in EBIT margin to 13.6% during the quarter. Falling oil prices coupled with natural decline in domestic oil and gas production, coupled with the challenging scenario for the shale business resulted in an 89% yoy fall in the E&P segment's EBIT. Store additions in the Retail segment continued to remain strong with 187 stores added during the quarter. RIL continued building the ecosystem for distribution of Jio devices, gearing up for its roll out. We believe the Retail and Telecom businesses would be the key growth drivers for the company in the coming years.

**Outlook and valuation:** We believe RIL's growth in the coming years will be driven by its core Refining and Petrochemicals business. We value the Refining business at 8x EBITDA, while we retain the 6.5x multiple for the Petrochemicals business. We value the Telecom business at 1x equity investment and Retail at 1x one year forward revenue. **We retain our Accumulate rating on the stock with a target price of ₹1,120, implying a ~14% upside from current levels.**

### Key financials (Standalone)

| Y/E March (₹ cr)       | FY2013          | FY2014          | FY2015          | FY2016E         | FY2017E         |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue</b>         | <b>3,60,297</b> | <b>3,90,117</b> | <b>3,29,076</b> | <b>2,69,959</b> | <b>3,06,554</b> |
| % chg                  | 9.2             | 8.3             | (15.6)          | (18.0)          | 13.6            |
| <b>Adj. net profit</b> | <b>19,716</b>   | <b>20,173</b>   | <b>20,397</b>   | <b>25,713</b>   | <b>28,440</b>   |
| % chg                  | 4.8             | 2.3             | 1.1             | 26.1            | 10.6            |
| <b>Adj. EPS (₹)</b>    | <b>67.2</b>     | <b>68.6</b>     | <b>69.3</b>     | <b>87.3</b>     | <b>96.5</b>     |
| OPM (%)                | 8.5             | 7.9             | 9.6             | 14.0            | 14.3            |
| P/E (x)                | 13.8            | 13.2            | 12.8            | 11.3            | 10.2            |
| P/BV (x)               | 1.6             | 1.5             | 1.3             | 1.2             | 1.1             |
| RoE (%)                | 12.1            | 11.7            | 11.0            | 11.3            | 11.4            |
| RoCE (%)               | 8.8             | 8.2             | 7.7             | 8.7             | 9.0             |
| EV/Sales (x)           | 0.9             | 0.9             | 1.1             | 1.4             | 1.2             |
| EV/EBITDA              | 10.1            | 11.1            | 11.9            | 10.1            | 8.7             |

Source: Company, Angel Research; Note: CMP as of January 21, 2016

## ACCUMULATE

|              |        |
|--------------|--------|
| CMP          | ₹985   |
| Target Price | ₹1,120 |

|                   |           |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

### Stock Info

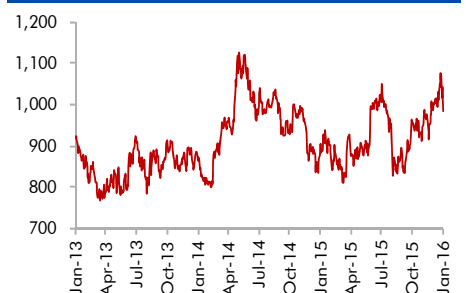
|                   |           |
|-------------------|-----------|
| Sector            | Oil & Gas |
| Market Cap (₹ cr) | 319,049   |
| Net Debt (₹ cr)   | 86,341    |
| Beta              | 1.2       |
| 52 Week High / Lo | 1,090/797 |
| Avg. Daily Volume | 4,158,630 |
| Face Value (₹)    | 10        |
| BSE Sensex        | 23,962    |
| Nifty             | 7,277     |
| Reuters Code      | RELI.BO   |
| Bloomberg Code    | RIL IN    |

### Shareholding Pattern (%)

|                         |      |
|-------------------------|------|
| Promoters               | 46.7 |
| FII / NRIs / OCBs       | 19.4 |
| MF / Banks / Indian FIs | 13.5 |
| Indian Public / Others  | 20.5 |

| Abs. (%) | 3m     | 1yr    | 3yr  |
|----------|--------|--------|------|
| Sensex   | (12.2) | (17.1) | 19.2 |
| RIL      | 3.2    | 8.9    | 7.0  |

### 3-year price chart



Source: Company, Angel Research

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**Exhibit 1: 3QFY2016 performance (Consolidated)**

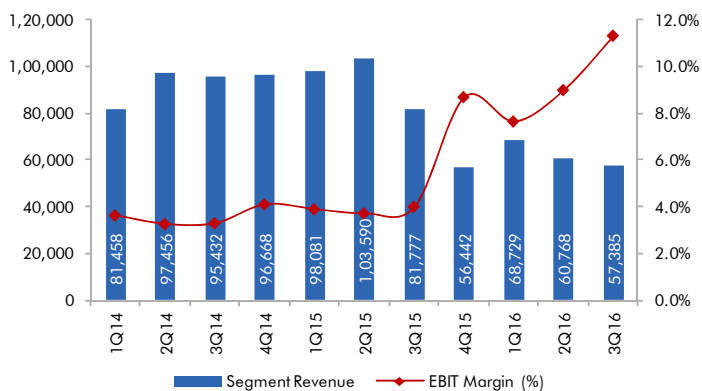
| (₹ cr)                        | 3QFY16        | 3QFY15        | yoy%          | 2QFY16        | qoq%         | 9MFY16          | 9MFY15          | yoy%          |
|-------------------------------|---------------|---------------|---------------|---------------|--------------|-----------------|-----------------|---------------|
| <b>Net sales</b>              | <b>68,261</b> | <b>93,528</b> | <b>(27.0)</b> | <b>70,901</b> | <b>(3.7)</b> | <b>2,16,292</b> | <b>3,07,965</b> | <b>(29.8)</b> |
| Raw Material Cost             | 46,318        | 73,480        | (37.0)        | 49,451        | (6.3)        | 1,54,999        | 2,56,159        | (39.5)        |
| % of net sales                | 67.9          | 78.6          |               | 69.7          |              | 71.7            | 83.2            |               |
| Employee Cost                 | 2,026         | 1,548         | 30.9          | 1,786         | 13.4         | 5,788           | 4,603           | 25.7          |
| % of net sales                | 3.0           | 1.7           |               | 2.5           |              | 2.7             | 1.5             |               |
| Other expenditure             | 8,549         | 9,811         | (12.9)        | 11,619        | (26.4)       | 25,915          | 19,707          | 31.5          |
| % of net sales                | 12.5          | 10.5          |               | 16.4          |              | 12.0            | 6.4             |               |
| Total expenditure             | 56,893        | 84,839        | (32.9)        | 62,856        | (9.5)        | 1,86,702        | 2,80,469        | (33.4)        |
| % of net sales                | 83.3          | 90.7          |               | 88.7          |              | 86.3            | 91.1            |               |
| <b>EBITDA</b>                 | <b>11,368</b> | <b>8,689</b>  | <b>30.8</b>   | <b>8,045</b>  | <b>41.3</b>  | <b>29,590</b>   | <b>27,496</b>   | <b>7.6</b>    |
| Margin (%)                    | 16.7          | 9.3           | 736bp         | 11.3          | 531bp        | 13.7            | 8.9             | 773bp         |
| Interest                      | 921           | 1,137         | (19.0)        | 972           | (5.2)        | 2,795           | 2,639           | 5.9           |
| Depreciation                  | 3,133         | 2,954         | 6.1           | 3,171         | (1.2)        | 9,345           | 8,760           | 6.7           |
| Other income                  | 2,426         | 2,340         | 3.7           | 4,507         | (46.2)       | 8,765           | 6,323           | 38.6          |
| <b>Profit before tax</b>      | <b>9,740</b>  | <b>6,938</b>  | <b>40.4</b>   | <b>8,409</b>  | <b>15.8</b>  | <b>26,215</b>   | <b>22,420</b>   | <b>16.9</b>   |
| % of net sales                | 14.3          | 7.4           |               | 11.9          |              | 12.1            | 7.3             |               |
| Tax                           | 2,383         | 1,747         | 36.4          | 1,784         | 33.6         | 6,096           | 5,394           | 13.0          |
| % of PBT                      | 24.5          | 25.2          |               | 21.2          |              | 23.3            | 24.1            |               |
| <b>Net Profit</b>             | <b>7,357</b>  | <b>5,191</b>  | <b>41.7</b>   | <b>6,625</b>  | <b>11.0</b>  | <b>20,119</b>   | <b>17,026</b>   | <b>18.2</b>   |
| Minority Int. / Share of ass. | (67)          | 65            |               | 95            |              | 113             | 159             |               |
| <b>Reported Net Profit</b>    | <b>7,290</b>  | <b>5,256</b>  | <b>38.7</b>   | <b>6,720</b>  | <b>8.5</b>   | <b>20,232</b>   | <b>17,185</b>   | <b>17.7</b>   |
| Adjusted Net Profit           | 7,290         | 5,256         | 38.7          | 6,468         | 12.7         | 19,980          | 17,185          | 16.3          |

Source: Company, Angel Research

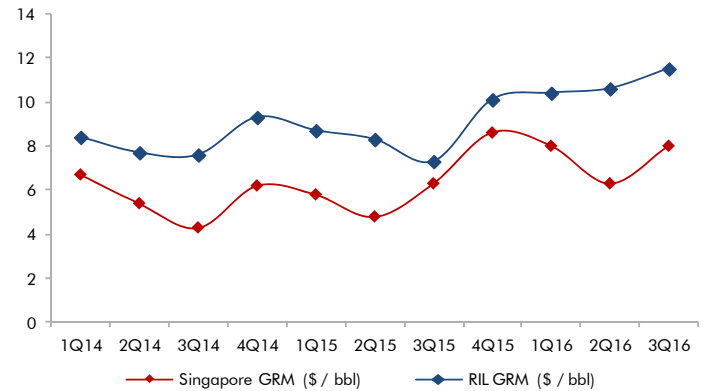
## Result highlights

### Refining margins well ahead of expectation

The Refining segment posted a strong set of numbers with standalone EBIT nearly doubling to ₹6,491cr on a yoy basis. The same was led by strength in standalone GRMs at \$11.5/barrel for the quarter, as against \$10.6/barrel in the sequential previous quarter and Singapore GRM of \$8/barrel.

**Exhibit 2: Refining segment revenues and EBIT Margin**


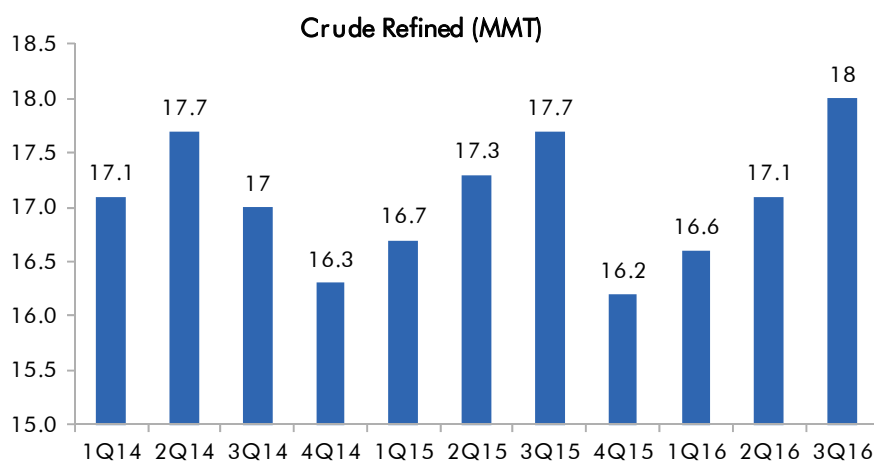
Source: Company, Angel Research

**Exhibit 3: RIL's GRM vs Singapore GRM**


Source: Company, Angel Research

The GRM for the quarter came in ahead of our estimate and the highest in 7 years, led by product mix flexibility, seasonal rebound in middle distillates crack, coupled with opportunistic crude sourcing and lower energy costs incurred during the quarter. The Refining and Marketing segment's revenue decreased 30% yoy to ₹57,385cr, led by a decline in crude prices. Jamnagar refineries processed 18MMT of crude with an average utilization of 116%, as against 17.1MMT in the sequential previous quarter and 17.7MMT in 3QFY2015.

**Exhibit 4: Refining volumes**

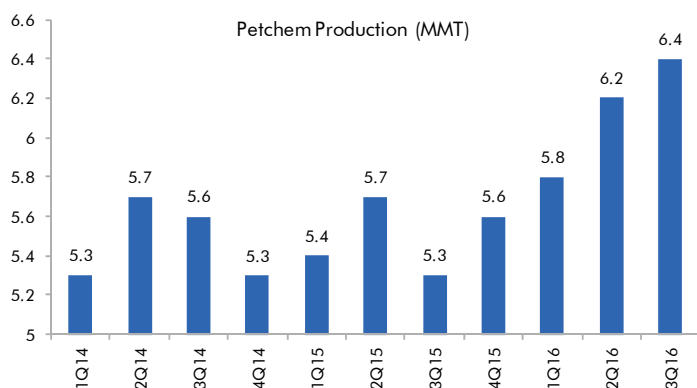


Source: Company, Angel Research

**Petrochemicals business posts strong margin expansion**

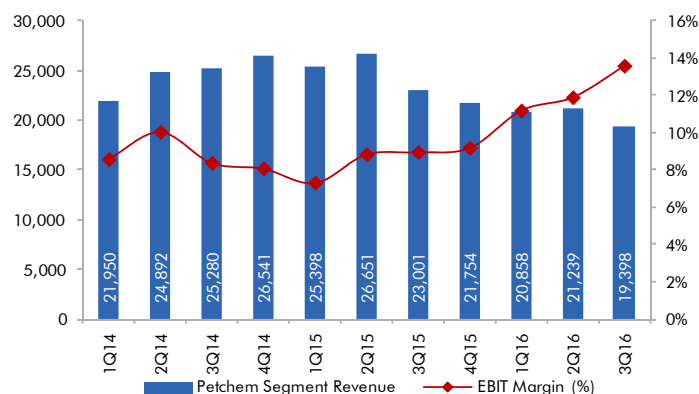
The Petrochemicals segment's revenue declined by 16% yoy to ₹19,398cr, led by lower crude and feedstock prices. The EBIT for the segment however increased 28% yoy to ₹2,639cr, led by strong polymer deltas and stable polyester chain deltas, coupled with higher volumes. Production volumes increased 21% yoy to 6.4MMT. Higher EBIT resulted in a 463bp yoy expansion in EBIT margin to 13.6% during the quarter. RIL successfully commissioned its PET facility at Dahej during the quarter.

**Exhibit 5: Strong increase in petchem production**



Source: Company, Angel Research

**Exhibit 6: Petchem EBIT margin rises 463bp**



Source: Company, Angel Research

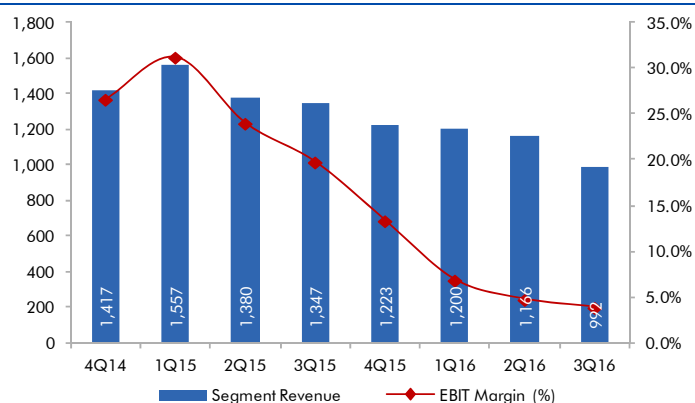
### E&P segment outlook continues to remain bleak

On the domestic front, crude oil production at KG-D6 continued to decline during the quarter with a 23% yoy fall at 0.36MMBBL, while natural gas production declined 10% yoy to 34.5BCF. Production at the Panna-Mukta-Tapti (PMT) fields too declined with crude oil production falling 12% to 1.64MMBBL, while natural gas production fell 19% to 17.5BCF. Fall in oil and gas production in the fields could mainly be attributed to geological reasons, with production from Tapti expected to cease this quarter.

The domestic Oil & Gas segment's revenue declined 26% yoy to ₹992cr, led by decline in both volumes and realisations. The EBIT margin for the segment declined to 3.9% for the quarter as against 19.8% in 3QFY2015.

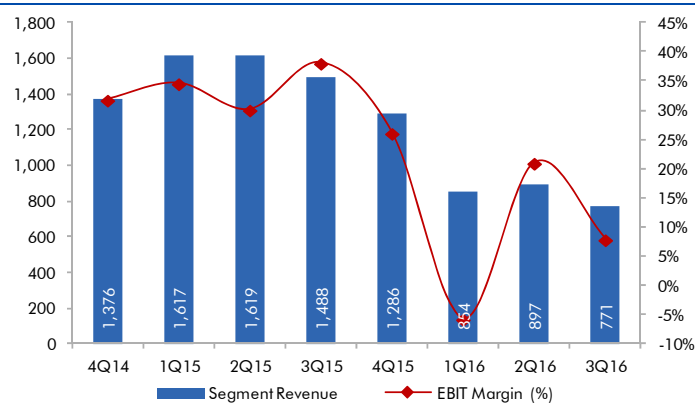
On the US shale front, the macroeconomic environment continues to remain challenging, with higher supplies from the OPEC and slowdown in China affecting crude prices. Unit realizations of the shale business declined 47% yoy and 14% qoq. Consequently, even with modest growth in volumes, the revenue for the quarter declined 48% yoy to ₹771cr. The segment's EBIT margin declined to 7.9% during the quarter as against 38.1% in 3QFY2015.

**Exhibit 7: Domestic E&P revenues and EBIT Margin**



Source: Company, Angel Research

**Exhibit 8: US Shale revenues and EBIT Margin**



Source: Company, Angel Research

### Store expansion continues to drive Retail segment revenues

The Retail segment added 187 stores during the quarter, leading to a 29% increase in revenue at ₹6,042cr. The store count reached 3,043 with 1,537 of these being Reliance Digital stores. EBIT margin remained stable at 2.4% resulting in a 10.5% increase in the segment's EBIT.

RIL continues building the ecosystem for distribution of Jio devices and gearing up for its roll out, which would be in a phased manner. Reliance Retail launched its own brand of 4G LTE smart phones under the brand 'LYF' during the quarter and has received a strong response during the initial roll out phase. Reliance Jio is the first telecom operator to hold a pan-India unified license and holds the highest amount of liberalised spectrum among telecom operators, totaling to 751.1MHz. The company plans to provide seamless 4G services using LTE in 800MHz, 1800MHz and 2300MHz bands through an integrated ecosystem. We believe the Retail and Telecom businesses would be the key drivers for growth for the company in the coming years.

## **Investment arguments**

### **Growth in core business profits to remain strong**

We expect RIL's core Refining and Petrochemicals business to continue to outperform, led by its leadership in these segments. Refining margins are expected to remain strong considering delays in other upcoming refinery projects, which should limit supplies in the market. Also, new capacity additions are expected to drive revenues and EBIT of the Petrochemicals business. While the E&P business would continue to remain a drag, we believe the Refining and Petrochemicals businesses would more than offset the decline.

### **Strong investments in Jio and Retail business to drive growth**

RIL is nearing the end of its massive capex programme of ~₹200,000cr, the full benefit of which should start showing up from the next fiscal. The company has made huge investments in Jio (~₹100,000cr to be invested by the time of launch of services), while it continues to invest in the Retail business. RIL plans to expand its store presence from 200 locations to over 900 cities and towns. Apart from these, the company has spent ~85% of the capex for its four key projects (petcoke gasification plant at its refinery, refinery off-gas cracker in petrochemicals, polyester/aromatics capacity expansion and import of ethane from US). We expect these investments to drive EBITDA for the company over the coming years.

## Outlook and valuation

We believe RIL's growth in the coming years would be driven by its core Refining and Petrochemical business. We value the Refining business at 8x EBITDA, while we retain the 6.5x multiple for the Petrochemicals business. We value the telecom business at 1x equity investment and Retail at 1x one year forward revenue. **We retain our Accumulate rating on the stock with a target price of ₹1,120, implying a ~14% upside in the stock price from the current levels.**

### Exhibit 9: RIL - SOTP Valuation

| Business         | Value (₹ Cr) | Per share (₹) | Methodology          |
|------------------|--------------|---------------|----------------------|
| Refining Segment | 1,95,127     | 662           | EV/EBITDA (8x)       |
| Petrochemicals   | 1,48,325     | 503           | EV/EBITDA (6.5x)     |
| KG D6            | 11,014       | 37            | DCF                  |
| PMT              | 4,587        | 16            | EV/EBITDA (4x)       |
| Shale            | 4,866        | 17            | EV/EBITDA (3x)       |
| Retail           | 22,681       | 77            | 1x Sales             |
| Telecom          | 29,747       | 101           | 1x Equity Investment |
| Net Debt         | (86,341)     | (293)         |                      |
| Target Value     | 3,30,006     | 1,120         |                      |

Source: Company, Angel Research

## Company background

Reliance Industries Ltd is a Fortune Global 500 company and the largest private sector company in India with interests in the energy and materials value chain. Over the years the company has successfully integrated backwards in the energy chain and has attained leadership in most areas. The company operates one of the largest refining capacities of 1.24mmbbl/day and has one of the most complex refineries in the world. The company is now foraying into newer businesses such as organized retail and broadband services.

**Profit & Loss Statement (Standalone)**

| Y/E March (₹ cr)              | FY2013          | FY2014          | FY2015          | FY2016E         | FY2017E         |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Sales</b>              | <b>3,60,297</b> | <b>3,90,117</b> | <b>3,29,076</b> | <b>2,69,959</b> | <b>3,06,554</b> |
| Other operating income        | 0               | 0               | 0               | 0               | 0               |
| <b>Total operating income</b> | <b>3,60,297</b> | <b>3,90,117</b> | <b>3,29,076</b> | <b>2,69,959</b> | <b>3,06,554</b> |
| % chg                         | 9.2             | 8.3             | (15.6)          | (18.0)          | 13.6            |
| Total Expenditure             | 3,29,510        | 3,59,240        | 2,97,474        | 2,32,173        | 2,62,797        |
| Raw Material cost             | 3,03,312        | 3,30,249        | 2,65,075        | 2,00,268        | 2,27,767        |
| Employee Costs                | 3,354           | 3,370           | 3,686           | 3,994           | 4,139           |
| Other Expenses                | 22,844          | 25,621          | 28,713          | 27,911          | 30,891          |
| <b>EBITDA</b>                 | <b>30,787</b>   | <b>30,877</b>   | <b>31,602</b>   | <b>37,786</b>   | <b>43,757</b>   |
| % chg                         | (8.4)           | 0.3             | 2.3             | 19.6            | 15.8            |
| (% of Net Sales)              | 8.5             | 7.9             | 9.6             | 14.0            | 14.3            |
| Depreciation & Amortisation   | 9,465           | 8,789           | 8,488           | 9,438           | 11,583          |
| <b>EBIT</b>                   | <b>21,322</b>   | <b>22,088</b>   | <b>23,114</b>   | <b>28,348</b>   | <b>32,174</b>   |
| % chg                         | (4.1)           | 3.6             | 4.6             | 22.6            | 13.5            |
| (% of Net Sales)              | 5.9             | 5.7             | 7.0             | 10.5            | 10.5            |
| Interest & other Charges      | 3,036           | 3,206           | 2,367           | 2,528           | 3,392           |
| Other Income                  | 7,998           | 8,936           | 8,721           | 7,899           | 8,633           |
| <b>Profit before tax</b>      | <b>26,284</b>   | <b>27,818</b>   | <b>29,468</b>   | <b>33,719</b>   | <b>37,415</b>   |
| % chg                         | 2.1             | 5.8             | 5.9             | 14.4            | 11.0            |
| Tax Expense                   | 5,281           | 5,834           | 6,749           | 8,005           | 8,976           |
| (% of PBT)                    | 20.1            | 21.0            | 22.9            | 23.7            | 24.0            |
| <b>Recurring PAT</b>          | <b>21,003</b>   | <b>21,984</b>   | <b>22,719</b>   | <b>25,713</b>   | <b>28,440</b>   |
| <b>Adjusted PAT</b>           | <b>19,716</b>   | <b>20,173</b>   | <b>20,397</b>   | <b>25,713</b>   | <b>28,440</b>   |
| % chg                         | 4.8             | 2.3             | 1.1             | 26.1            | 10.6            |
| (% of Net Sales)              | 5.5             | 5.2             | 6.2             | 9.5             | 9.3             |

**Balance Sheet (Standalone)**

| Y/E March (₹ cr)            | FY2013          | FY2014          | FY2015          | FY2016E         | FY2017E         |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>SOURCES OF FUNDS</b>     |                 |                 |                 |                 |                 |
| Equity Share Capital        | 3,229           | 3,232           | 3,236           | 3,238           | 3,278           |
| Reserves & Surplus          | 1,76,791        | 1,93,859        | 2,12,940        | 2,34,000        | 2,57,800        |
| <b>Shareholders Funds</b>   | <b>1,80,020</b> | <b>1,97,091</b> | <b>2,16,176</b> | <b>2,37,268</b> | <b>2,60,968</b> |
| Total Loans                 | 72,427          | 89,968          | 97,620          | 1,03,350        | 1,11,100        |
| Deferred Tax Liability      | 12,293          | 12,376          | 12,956          | 13,432          | 14,132          |
| Other Long term liabilities | -               | -               | 1,404           | -               | -               |
| <b>Total Liabilities</b>    | <b>2,64,740</b> | <b>2,99,435</b> | <b>3,28,156</b> | <b>3,54,050</b> | <b>3,86,200</b> |
| <b>APPLICATION OF FUNDS</b> |                 |                 |                 |                 |                 |
| Gross Block                 | 2,13,154        | 2,22,565        | 2,36,062        | 2,59,550        | 3,24,450        |
| Less: Acc. Depreciation     | 1,03,406        | 1,13,159        | 1,21,499        | 1,30,900        | 1,42,400        |
| <b>Net Block</b>            | <b>1,09,748</b> | <b>1,09,406</b> | <b>1,14,563</b> | <b>1,28,650</b> | <b>1,82,050</b> |
| Capital Work-in-Progress    | 19,116          | 41,716          | 75,753          | 78,600          | 37,850          |
| Investments                 | 52,509          | 86,062          | 1,12,573        | 1,19,600        | 1,28,850        |
| <b>Current Assets</b>       | <b>1,15,610</b> | <b>1,01,963</b> | <b>65,637</b>   | <b>92,350</b>   | <b>1,05,500</b> |
| Cash                        | 49,547          | 36,624          | 11,571          | 12,750          | 19,700          |
| Inventories                 | 42,729          | 42,932          | 36,551          | 30,050          | 33,350          |
| Debtor                      | 11,880          | 10,664          | 4,661           | 6,700           | 8,850           |
| Other                       | 11,454          | 11,743          | 12,854          | 42,850          | 43,600          |
| <b>Current liabilities</b>  | <b>53,871</b>   | <b>68,309</b>   | <b>69,908</b>   | <b>65,150</b>   | <b>68,050</b>   |
| Net Current Assets          | <b>61,739</b>   | <b>33,654</b>   | <b>(4,271)</b>  | <b>27,200</b>   | <b>37,450</b>   |
| Other Assets                | 21,628          | 28,597          | 29,538          | -               | -               |
| <b>Total Assets</b>         | <b>2,64,740</b> | <b>2,99,435</b> | <b>3,28,156</b> | <b>3,54,050</b> | <b>3,86,200</b> |



**Cash flow statement (Standalone)**

| Y/E March (₹ cr)                 | FY2013          | FY2014          | FY2015          | FY2016E         | FY2017E         |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit before tax                | 39,598          | 49,547          | 33,224          | 33,719          | 37,415          |
| Depreciation                     | 9,465           | 8,789           | 8,488           | 9,438           | 11,583          |
| Change in Working Capital        | 5,782           | 14,515          | 8,315           | (30,292)        | (3,300)         |
| Others                           | (17,185)        | (24,626)        | (8,660)         | 26,743          | (1,555)         |
| Direct taxes paid                | (4,665)         | (6,065)         | (6,082)         | (7,529)         | (8,276)         |
| <b>Cash Flow from Operations</b> | <b>32,995</b>   | <b>42,160</b>   | <b>35,285</b>   | <b>32,079</b>   | <b>35,868</b>   |
| (Inc.)/ Dec. in Fixed Assets     | (15,911)        | (32,399)        | (42,634)        | (26,335)        | (24,150)        |
| (Inc.)/ Dec. in Investments      | 2,132           | (31,232)        | (23,403)        | (7,027)         | (9,250)         |
| Others                           | (1,018)         | (382)           | 10,039          | -               | -               |
| <b>Cash Flow from Investing</b>  | <b>(14,797)</b> | <b>(64,013)</b> | <b>(55,998)</b> | <b>(33,362)</b> | <b>(33,400)</b> |
| Issue of Equity                  | 12              | 183             | 226             | -               | -               |
| Inc./(Dec.) in loans             | 1,230           | 12,476          | 5,453           | 5,730           | 7,750           |
| Dividend Paid (Incl. Tax)        | (2,924)         | (3,093)         | (3,268)         | (3,268)         | (3,268)         |
| Others                           | (6,567)         | (4,036)         | (3,351)         | -               | -               |
| <b>Cash Flow from Financing</b>  | <b>(8,249)</b>  | <b>5,530</b>    | <b>(940)</b>    | <b>2,462</b>    | <b>4,482</b>    |
| Inc./(Dec.) in Cash              | 9,949           | (16,323)        | (21,653)        | 1,179           | 6,950           |
| <b>Opening Cash balances</b>     | <b>39,598</b>   | <b>49,547</b>   | <b>33,224</b>   | <b>11,571</b>   | <b>12,750</b>   |
| <b>Closing Cash balances</b>     | <b>49,547</b>   | <b>33,224</b>   | <b>11,571</b>   | <b>12,750</b>   | <b>19,700</b>   |

**Key ratios**

| Y/E March                    | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|------------------------------|--------|--------|--------|---------|---------|
| <b>Per Share Data (₹)</b>    |        |        |        |         |         |
| Reported EPS                 | 71.5   | 74.8   | 77.2   | 87.3    | 96.5    |
| Adjusted EPS                 | 67.2   | 68.6   | 69.3   | 87.3    | 96.5    |
| Cash EPS                     | 103.8  | 104.7  | 106.0  | 119.3   | 135.9   |
| DPS                          | 9.0    | 9.5    | 10.0   | 10.0    | 10.0    |
| Book Value                   | 613.1  | 670.4  | 734.5  | 805.4   | 885.8   |
| <b>Valuation Ratio (x)</b>   |        |        |        |         |         |
| P/E (on FDEPS)               | 13.8   | 13.2   | 12.8   | 11.3    | 10.2    |
| P/CEPS                       | 9.5    | 9.4    | 9.3    | 8.3     | 7.2     |
| P/BV                         | 1.6    | 1.5    | 1.3    | 1.2     | 1.1     |
| Dividend yield (%)           | 0.9    | 1.0    | 1.0    | 1.0     | 1.0     |
| EV/Sales                     | 0.9    | 0.9    | 1.1    | 1.4     | 1.2     |
| EV/EBITDA                    | 10.1   | 11.1   | 11.9   | 10.1    | 8.7     |
| EV/Total Assets              | 1.2    | 1.1    | 1.1    | 1.1     | 1.0     |
| <b>Returns (%)</b>           |        |        |        |         |         |
| ROCE                         | 8.8    | 8.2    | 7.7    | 8.7     | 9.0     |
| ROE                          | 12.1   | 11.7   | 11.0   | 11.3    | 11.4    |
| <b>Turnover ratios (x)</b>   |        |        |        |         |         |
| Asset Turnover (Gross Block) | 1.7    | 1.8    | 1.4    | 1.1     | 1.0     |
| Inventory (days)             | 39.9   | 40.1   | 44.1   | 45.0    | 37.7    |
| Receivables (days)           | 15.3   | 10.5   | 8.5    | 7.7     | 9.3     |
| Payables (days)              | 51.8   | 57.2   | 76.7   | 91.3    | 79.3    |
| WC cycle (ex-cash) (days)    | 14.9   | 4.3    | (10.4) | (0.9)   | 19.2    |
| <b>Solvency ratios (x)</b>   |        |        |        |         |         |
| Net debt to equity           | 0.1    | 0.3    | 0.4    | 0.4     | 0.4     |
| Net debt to EBITDA           | 0.3    | 0.6    | 0.9    | 0.9     | 0.8     |
| Interest Coverage            | 7.0    | 6.9    | 9.8    | 11.2    | 9.5     |

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| Disclosure of Interest Statement                                   | Reliance Industries |
|--|---------------------|
| 1. Analyst ownership of the stock                                  | Yes                 |
| 2. Angel and its Group companies ownership of the stock            | No                  |
| 3. Angel and its Group companies' Directors ownership of the stock | Yes                 |
| 4. Broking relationship with company covered                       | No                  |

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

|  |             |  |                                    |
|--|-------------|--|------------------------------------|
| <b>Ratings (Based on expected returns over 12 months investment period):</b> | Buy (> 15%) | Accumulate (5% to 15%)<br>Reduce (-5% to -15%) | Neutral (-5 to 5%)<br>Sell (< -15) |
|--|-------------|--|------------------------------------|