

# Reliance Industries Limited



# Reliance Industries Ltd.

**Streak of poor performance continues in O2C business; High-margin Jio became savior**

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,877	INR 2,284	21.7%	1,18,92,734	BUY	Oil & Gas / Telecom / Retail

## Result highlights

- Consolidated Revenue for the quarter, net of excise, stood at INR 1,112 bn, up by 26.0% QoQ / down 25.7% YoY; led by strong rebound in domestic demand across O2C business as well as normalization of retail business in Q2 compared to previous quarter. Exports was INR 345 bn; up by 5.6% QoQ
- Broadly, performance remained subdued compared to same quarter last year as all business segments de-grew on YoY except Digital services that grew 35.7% YoY.
- EBITDA was INR 189 bn, up by 12.3% QoQ / down 16.2% YoY. Net Profit was INR 95.7 bn; down by 15.1% YoY / down 27.7% QoQ; resulting into EPS of INR 14.8 per share (INR 20.53 in Q1FY21 vs INR 17.8 in Q2FY20)
- During the quarter, Reliance entered into agreement to acquire i) retail and wholesale business of Future Group (through Reliance Retail Ventures Limited (RRVL), a wholly owned subsidiary) for a consideration of INR 24,713 Cr; subject to regulatory approvals as well as ii) majority stake in Netmeds for a consideration of INR 6.20 bn.

## MARKET DATA

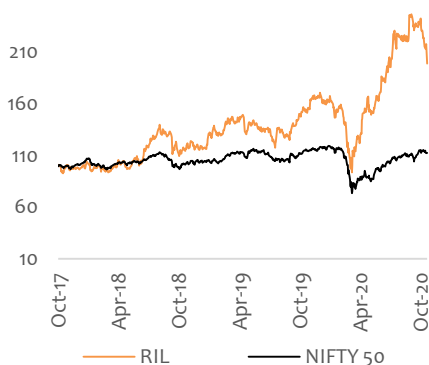
Shares outs (Mn)	6,762
Equity Cap (INR Mn)	64,450
Mkt Cap (INR Mn)	1,18,92,734
52 Wk H/L (INR)	2,369/868
Volume Avg (3m K)	16,529
Face Value (INR)	10
Bloomberg Code	RIL IN

## Key Financials

Particulars (INR mn)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	39,16,770	56,92,090	59,67,430	48,52,356	67,87,896
EBITDA	6,41,760	8,41,670	8,82,170	7,88,644	11,28,441
PAT	3,49,930	3,95,880	3,93,540	4,91,026	7,15,624
EPS Diluted (INR)	55.20	66.82	63.49	77.46	105.83
OPM	16.4%	14.8%	14.8%	16.3%	16.6%
NPM	8.9%	7.0%	6.6%	10.1%	10.5%
P/E (x)	34.0	28.1	29.6	24.2	17.7

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	39,758
NIFTY	11,669

## Refining: Marginal decline in GRM; however, new venture in mobility market is bright spot

Revenue was impacted and declined by 36.1% YoY due to lower crude oil price (Brent crude oil price averaged \$42.4/bbl vs \$61.9/bbl in Q2FY20 as global and domestic oil demand was negatively impacted due to travel restrictions compared to previous year. Sequentially, the revenue was up by 33.2% QoQ on the back of improved global as well as Indian oil demand and quarterly recovery in oil prices. Average Singapore Complex margins was at \$0.05/bbl vs \$-0.9/bbl in Q1FY21 with recovery in mobility fuels led by gasoline. However RIL maintained a significant premium of \$5.7/bbl over the regional benchmark margin. RIL GRM margin was impacted by lower product cracks and narrower light-heavy crude differential and stood at \$5.7/bbl vs \$6.3/bbl in Q1FY21 vs \$9.4 /bbl in Q2FY20. Throughput came in 15.3 MMT (down 8.4% YoY / down 7.8% QoQ). EBITDA margins contracted to 4.8% (down 123 bps YoY, down 336 bps QoQ) led by lower middle distillates cracks and narrower light-heavy crude differential leading to higher crude cost as well as planned maintenance activity during the quarter. While the near term outlook remains challenging, the opening up of economies is expected to drive demand as can be witnessed with brent oil price recovering from its low of \$30/bbl to \$42/bbl during the quarter. In the previous quarter, BP and RIL announced their new venture 'Reliance BP Mobility Limited (RBML)' which is expected to become a leading player in Indian fuels and mobility market. RBML operated 1,406 fuel retail outlets. Against industry growth of 5.3% and 41.1% Q-o-Q in HSD and MS, RBML clocked 15.1% and 55.4% respectively.

## SHARE HOLDING PATTERN (%)

Particulars	Sep-20	Jun-20	Mar-20
Promoters	50.5	50.4	50.1
FIIIs	25.9	24.8	24.1
DIIIs	12.68	13.8	13.9
Others	10.93	11	11.9
Total	100	100	100

**6.7%**

Revenue CAGR between FY 20 and FY 22E

**13.1%**

EBITDA CAGR between FY 20 and FY 22E

## Reliance Industries Ltd.

### Petchem: Domestic demand drove the performance

With strong rebound in domestic demand after unlock led to increased production at 9.7 MMT in Q2FY21 (8.9 MMT in Q1FY21) and better realizations which led to higher revenues at INR 296.7 bn (down 23.0% YoY, up 17.8% QoQ). EBITDA improved to INR 59.6 bn (down 33.3% YoY, up 34.6% QoQ) due to sequential improvement in domestic demand. Cracking margins for RIL improved QoQ attributed to feedstock mix and favorable economics for ethane cracking. RIL crackers operated at near 100% utilization during the quarter. With increase in feedstock prices, PX prices firmed 10% QoQ while PTA and MEG prices increased by 4% and 10% QoQ, respectively. Naphtha prices increased sharply by 56% QoQ following crude prices and healthy demand. Overall, domestic polymer and polyester demand improved amidst easing of lockdown and revival of downstream operations with improved labor availability.

### E&P: Production decline continues; new projects delays

The lower production in domestic business post closure of Panna Mukta and D1D3 fields and halt in shale production activity coupled with low prices resulted in YoY decline to INR 3.6 bn (down 55.1% YoY/ down 29.8% QoQ). CBM gas production remained stable at 0.94 MMSCDM (0.95 MMSCDM in Q1FY21). The overall price realization was at \$ 1.82/Mcfe, up 15% QoQ and production was 3% lower at 24.5 Bcfe. EBITDA loss widens to INR 1.94 bn (loss of INR 0.32 bn in Q1FY21) due to lower volumes. The KGD6-R cluster project delayed by couple of months and expected to commission by Q3FY21 (earlier timeline H1FY21); work on Control & Riser Platform is underway as of now. The sub-sea installation and testing work and all wells testing is completed.

### Retail: Sequential performance stellar; yet lower on YoY

Retail segment delivered strong rebound as compared with industry performance with revenues at INR 392 bn, 23.9% QoQ / down 4.9% YoY despite lower footfall than pre COVID-19 levels and restrictive store operations particularly in Fashion & Lifestyle and mall stores. Partially open and fully open stores were ~85% in Q2FY21. The company witnessed momentum in Grocery segment coupled with lower footfalls that were offset by higher bill values. JioMart Kirana partnerships were expanded to 20 cities with 4X increase in orders over Q1FY21; albeit from small base, we believe. Consumer Electronics revenues were at 2x over Q1, and notably double-digit growth over Q2FY20. Similarly, Fashion and Lifestyle categories delivered resilient sequential recovery with revenues up 3X over previous quarter. During the quarter, the segment added net 125 new stores and the current footprint of the business spans across 11,931 retail stores in over 7,000 towns with 29.7 million sq. ft. of retail space.

### RJio: IUC and tariff hike boost ARPU

Consolidated Revenues for Digital services segment increased to INR 227 bn (+35.7% YoY, +6.5% QoQ) on the back of improvement in the ARPU and subscriber addition. Total subscriber base stood at 406 mn with gross additions of 27.2 mn for Q2FY21 (10.8 mn for Q1FY21); whereas monthly churn rate increased to 1.69%. Total wireless data traffic during the quarter stood at 14.42 bn GB, registered the growth of 1.5% QoQ. EBITDA margin expanded by 411 bps YoY/+17 bps QoQ to 36.8% on the back of operating leverage and tech driven cost efficiencies. Further, JioUPI pan India rollout on MyJio was completed during the quarter; which enable financial transactions and bill payments across all Jio digital platforms.

### Valuation & Outlook

We continue to maintain our positive view on the long-term performance of the stock, and we like the business reorg initiatives at RIL (HoldCo – OpCo structure), its focused balance sheet deleveraging strategy by carving out its diverse business interests into separate entities (R-O2C/Jio Platforms/Retail) and ability to attract long term investors (FaceBook/Saudi Aramco/BP - Fuel retail JV). Gradually, RIL is becoming digital company rather than a pure refinery business. While the Petchem & refining business may underperform in the near term due to the low crude oil price scenario and a weak demand environment, we expect these to be offset by strong performance in its Digital and Consumer businesses (which together contributed to ~50% of EBITDA in Q2FY21; these businesses are forecasted to grow EBITDA at double-digit going forward). We believe, the Jio business is likely to further benefit with tariff revision and incremental subscriber base. Further, strong balance sheet offers lot of comfort for any future expansion (like 5G).

**In the light of ongoing weakness in oil and gas segment, we have downgraded our revenue estimates to the tune of 13.1% and 7.7% for FY21E and FY22E, respectively. We acknowledge that the significant decline from oil and gas segment will be offset by robust performance of Digital and consumer segment. At a CMP of INR 1877; RIL is trading at 17.7x FY22E P/E. Based on our FY22 estimates and using SOTP methodology, we arrive at a target price of INR 2,284 per share; a potential upside of 21.7%. Accordingly, we reiterate a “BUY” rating on the shares of RIL.**



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## Key Takeaways from Webinar of Reliance Industries Ltd.

### Digital business:

- First operator outside China to have 400 Mn subscribers in a single country market, with total customer base of 405.6mn.
- Qualcomm Technologies and Jio achieved over a 1 Gbps milestone on the Reliance Jio 5G NR solution with a Tier-I carrier in the US.
- Completed the InvIT transaction. Brookfield infrastructure & its institutional partner completed investment of INR 252.2bn for Tower InvIT, and Abu Dhabi investment Authority and the Public Investment Fund invested INR 37.8 bn in Fiber InvIT.
- Jio indigenously developed 5G NR products.
- Launched a high-Quality video meeting app JioMeet which is free and with no limits.
- Rolled out JioUPI on pan India basis to carry out financial transaction.

### Retail business:

- Strong QoQ recovery was witnessed in retail with increased footfalls and store reopening.
- Footfall is still lower particularly in fashion & lifestyle and malls. It was 75% of pre Covid level for Q2FY21, though it is improving which can be seen with footfall been 80% in month of Sep.
- In Q2FY21, 85% stores are operational vs. 50% in Q1FY21.
- Funds are raised to strengthen capabilities for new initiatives.
- Entered into Pharma category with acquiring majority stake in “Netmeds” for consideration of INR 6.2bn.

### Refining business

- Domestic oil products demand was up 11% QoQ.
- Maintained high premium over Singapore complex margins at \$5.7/bbl. Outperformed Asia Pacific and European refining margins.
- Maximized domestic sales to capture improved domestic demand.

### Petrochemical business

- Global cracker operating rates improved to ~84.3 % on demand revival compared to 82.7% in Q1FY21.
- Strong petchem (volume and margin) offset weak refining.
- Polymer demand up 34% QoQ, polyester up 209% QoQ with easing of lockdowns.
- Inventory is yet below pre COVID-19 level.

### Other highlights

- Off the total fund raise of INR 2,505.2 bn, only INR 735.9 bn is yet to received. Fund raised will be used entirely to reduce debt and other liability, resulting in lower interest cost.
- 85% of EBITDA growth is coming from retail and Jio. Consumer business now contributes 49.6% of consolidated EBITDA. Interest cost declined due to reduction of debt.

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### SEGMENTAL PERFORMANCE

#### Refining & Marketing Segment

Revenues came at INR 621.5 bn (down 36.1% YoY, up 33.3% QoQ) QoQ revenue improved due to higher crude price. GRM declined to \$5.7/bbl (from \$9.4/bbl in Q2FY20). However, premium to Singapore GRM was \$0.05/bbl in Q2FY21 compared to \$(0.9)/bbl in Q1FY21. EBITDA declined on account of lower middle distillates crack, higher crude price.

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	6,21,540	4,66,420	9,72,290	33.26%	-36.07%
Segment EBITDA	30,020	38,180	58,960	-21.37%	-49.08%
Throughput (MMT)	15.3	16.6	16.7	-7.83%	-8.38%
GRM (USD/bbl)	5.7	6.3	9.4	-9.52%	-39.36%
EBITDA Margin (%)	4.83%	8.19%	6.06%	-336Bps	-123Bps

Source: Company, KRChoksey Research

#### Petrochemical Segment

Revenues declined to INR 296.7 bn (down 23.0% YoY, up 17.8% QoQ). Production stood 9.7 MMT (vs 9.9 MMT in Q2FY20). Overall EBITDA declined to INR 59.6 bn (down 33.3% YoY, up 34.6% QoQ) it increased QoQ due to higher production volume and higher placement in domestic market. PE margins were stable at \$478/MT with firm demand from packaging sector, however PVC margins improved 14% and is at \$546/MT due to strong recovery in agri and construction sector. PP margin declined by 21% and is at (\$126/MT).

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	2,96,650	2,51,920	3,85,380	17.76%	-23.02%
Segment EBITDA	59,640	44,300	89,460	34.63%	-33.33%
EBITDA Margin (%)	20.10%	17.58%	23.21%	252Bps	-311Bps
Production in India (MMT)	9.7	8.9	9.9	8.99%	-2.02%

Source: Company, KRChoksey Research

#### Oil & Gas (E&P)

Revenue declined by 55.1% YoY/ down 29.8% QoQ due to lower price realization and decline in production. EBITDA was negative on the back of lower volumes and weak realization. Production was lower at 28.3 BCFe in Q2FY21 vs 31.8 BCFe in Q2FY20. CBM: Production level remained stable at 0.94 MMSCMD with ongoing focus on sustaining and augmenting production. Oil and Gas companies in US responded to COVID-19 pandemic with significant Capex cuts.

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	3,550	5,060	7,900	-29.84%	-55.06%
Segment EBITDA	-1,940	-320	1,280	506.25%	-251.56%
EBITDA Margin (%)	-54.65%	-6.32%	16.20%	-4832Bps	-7085Bps
Production (BCFe)	28.3	29.4	31.8	-3.74%	-11.01%

Source: Company, KRChoksey Research

#### Organized Retail Segment

Retail segment revenues stood at INR 392.0 bn (down 4.9% YoY/ up 23.9% QoQ), QoQ improvement was led by increase in store opening partial or fully, at 85% during quarter. Though footfall is recovering, it is still below pre COVID-19 level. Segment added 232 stores taking total count to 11,931 stores. EBITDA margin contracted by 53 bps YoY while it improved 170 bps QoQ to 5.13% in Q2FY21. QoQ EBITDA improved due to build back of revenue and cost management emphasis.

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	3,91,990	3,16,330	4,12,230	23.92%	-4.91%
Segment EBITDA	20,090	10,830	23,300	85.50%	-13.78%
EBITDA Margin (%)	5.13%	3.42%	5.65%	170Bps	-53Bps
Area Operated (mln sq. ft)	29.7	29.0	24.5	2.41%	21.22%

Source: Company, KRChoksey Research

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### Digital Services Segment

Revenues came in at INR 226.8 bn (+35.7% YoY, +6.5% QoQ) as customer engagement increased during lockdown followed by tariffs hikes in Dec'19 which led to a robust ARPU of INR 145.0. Gross subscriber addition improved sequentially to 27.2 mn due to easing of lockdown restriction, taking the total subscriber base to 405.6 mn. Per capital data consumption continues to be robust at 12.0 GB/month (12.1 GB in Q1FY21). Voice consumption stood at 776 min per user per month in Q2FY21.

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	2,26,790	2,13,020	1,67,170	6.46%	35.66%
Segment EBITDA	83,450	78,030	54,640	6.95%	52.73%
EBITDA Margin (%)	36.80%	36.63%	32.69%	17Bps	411Bps

Source: Company, KRChoksey Research

RJio Performance	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Net Subscriber addition (mn)	7.3	10.8	23.9	-32.41%	-69.46%
Total number of Subscribers (mn)	405.6	398.3	355.2	1.83%	14.19%
ARPU (INR per month)	145.0	140.3	120.0	3.35%	20.83%
Wireless data traffic (crores GB)	1,442	1,420	1,202	1.55%	19.97%
Voice Consumption (minutes per user per month)	776	977	789	-20.57%	-1.65%
Data Consumption (GB per user per month)	12.0	12.1	11.7	-0.83%	2.56%

Source: Company, KRChoksey Research

### Media Segment

Revenues came in at INR 10.6 bn (down 9.6% YoY, up 31.5% QoQ). QoQ improvement was due to returning of ad revenue in quarter which was affected due to COVID-19. Ad-revenue rebound sharply with economic activity restarting, News based business advertisement has fully recovered, and Entertainment recovery is near to full recovery. EBITDA for Q2FY21 increased to INR 1.7bn. Operating margin improved on account of Broadcasting margin rising sharply and Digital News business being profitable. Efforts to re-base cost structure have driven efficiency and improved operating leverage.

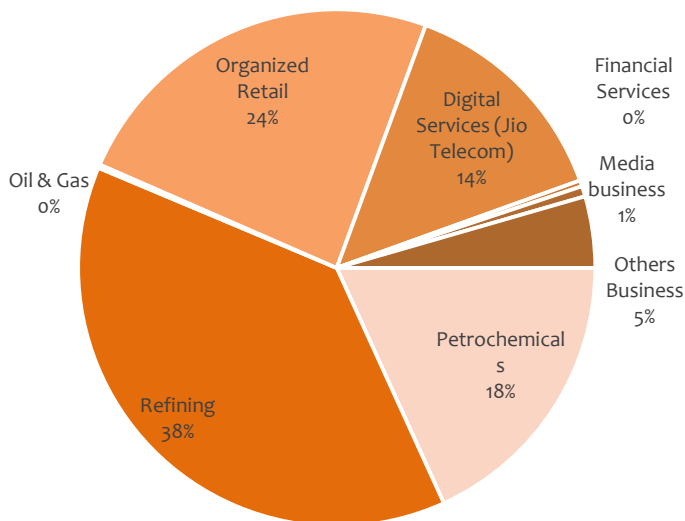
Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
Segment Revenue	10,610	8,070	11,740	31.47%	-9.63%
Segment EBITDA	1,660	270	460	514.81%	260.87%
EBITDA Margin (%)	15.65%	3.35%	3.92%	1230Bps	1173Bps

Source: Company, KRChoksey Research

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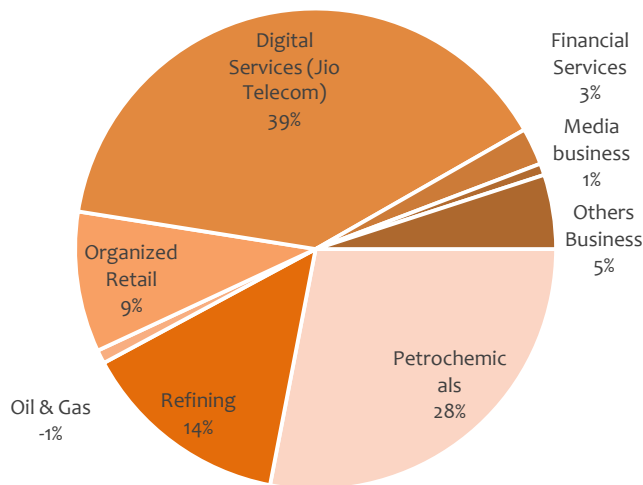
## Consolidated Business Mix- Q2FY21

Revenue Mix - Q2FY21



Source: Company, KRChoksey Research

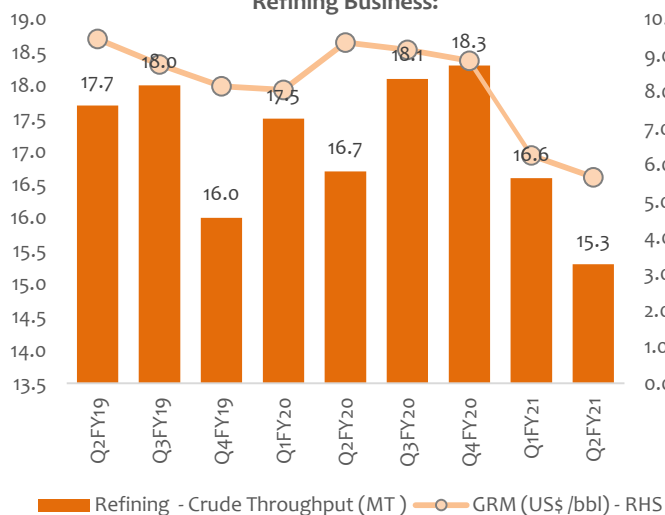
EBITDA Mix - Q2FY21



Source: Company, KRChoksey Research

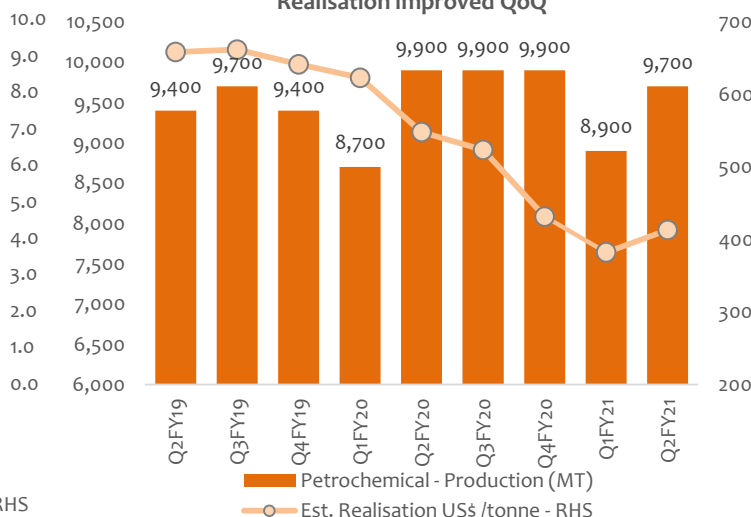
## O2C & Upstream division

Refining Business:



Source: Company, KRChoksey Research

Realisation improved QoQ

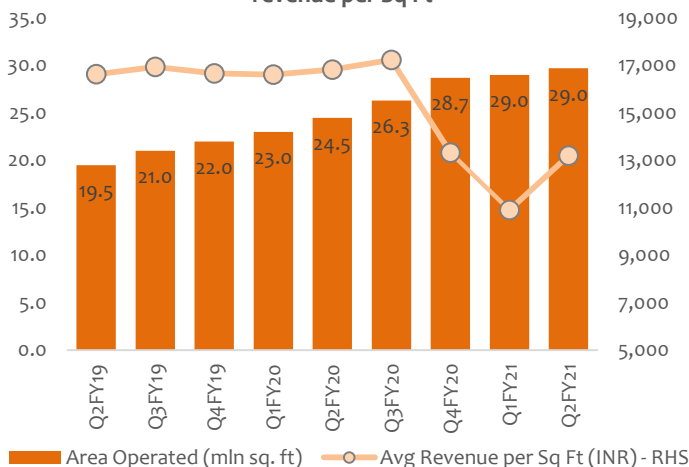


Source: Company, KRChoksey Research

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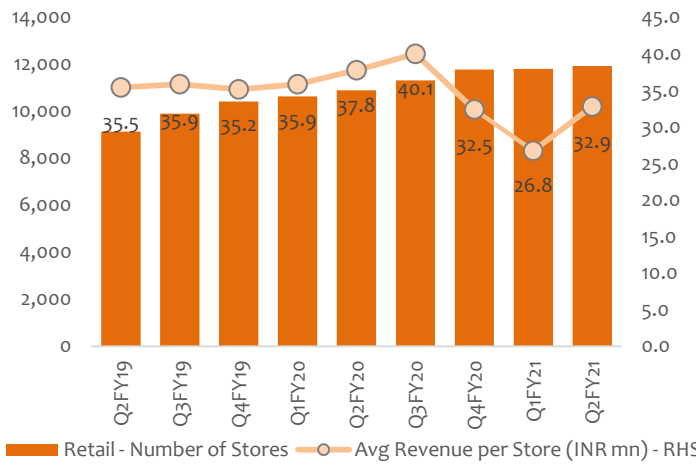
## Consumer Division – Retail Business

**Retail: easing of Lockdown positively impacted revenue per Sq Ft**



Source: Company, KRChoksey Research

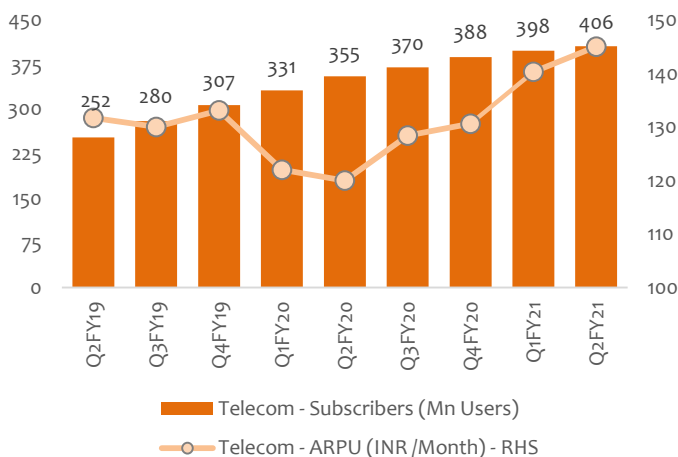
**Retail: revenue per store improve QoQ**



Source: Company, KRChoksey Research

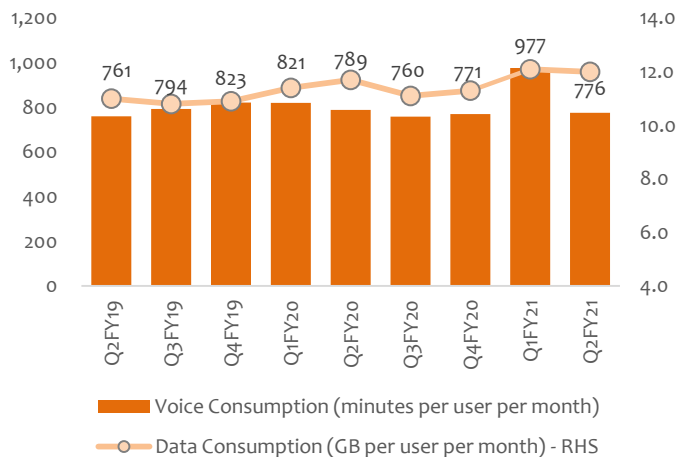
## Consumer Division – Telecom Jio Business

**Digital Business (Jio): New subscriber additions intact; recovery in monthly ARPU**



Source: Company, KRChoksey Research

**Digital Business (Jio): Data usage increasing YoY; voice minutes decline**



Source: Company, KRChoksey Research



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## QUARTERLY STATEMENT

Particulars (INR mn)	Q2FY21	Q1FY21	Q2FY20	QoQ (%)	YoY (%)
<b>Revenue from Operations</b>	<b>11,12,360</b>	<b>8,82,530</b>	<b>14,97,610</b>	<b>26.0%</b>	<b>-25.7%</b>
Cost of material consumed	4,42,200	3,52,860	6,36,260	25.3%	-30.5%
Purchase of stock-in-trade	2,96,110	1,38,150	3,57,350	114.3%	-17.1%
Changes in inventories of FG, SIT & WIP	-23,800	-16,370	8,730	45.4%	-372.6%
Cost of goods sold (COGS)	7,14,510	4,74,640	10,02,340	50.5%	-28.7%
<b>Gross Profit</b>	<b>3,97,850</b>	<b>4,07,890</b>	<b>4,95,270</b>	<b>-2.5%</b>	<b>-19.7%</b>
Gross Margin (%)	35.8%	46.2%	33.1%	-1,045bps	270bps
Employee benefit expenses	34,290	31,680	31,470	8.2%	9.0%
Other expenses	1,74,110	2,07,460	2,37,690	-16.1%	-26.7%
Total Operating Expense	2,08,400	2,39,140	2,69,160	-12.9%	-22.6%
<b>EBITDA</b>	<b>1,89,450</b>	<b>1,68,750</b>	<b>2,26,110</b>	<b>12.3%</b>	<b>-16.2%</b>
EBITDA Margin (%)	17.0%	19.1%	15.1%	-209bps	193bps
Depreciation	66,260	63,080	53,150	5.0%	24.7%
<b>EBIT</b>	<b>1,23,190</b>	<b>1,05,670</b>	<b>1,72,960</b>	<b>16.6%</b>	<b>-28.8%</b>
Finance Cost	60,840	67,350	54,500	-9.7%	11.6%
Other Income	42,490	43,880	31,550	-3.2%	34.7%
<b>PBT before exceptional items</b>	<b>1,04,840</b>	<b>82,200</b>	<b>1,50,010</b>	<b>27.5%</b>	<b>-30.1%</b>
Exceptional item	0	49,660	0	NM	NM
Total Tax expense	-130	2,600	37,030	-105.0%	-100.4%
Share of profit /(loss)of associates & JVs	1,050	3,220	540	-67.4%	94.4%
Minority interest	-10,350	-150	-900	NM	NM
<b>Profit after Tax (PAT)</b>	<b>95,670</b>	<b>1,32,330</b>	<b>1,12,620</b>	<b>-27.7%</b>	<b>-15.1%</b>
PAT Margin (%)	8.6%	15.0%	7.5%	-639bps	108bps
<b>EPS Basic (INR)</b>	<b>14.84</b>	<b>20.53</b>	<b>17.77</b>	<b>-27.7%</b>	<b>-16.4%</b>

Source: Company, KRChoksey Research

## INCOME STATEMENT

Particulars (INR mn)	FY18	FY19	FY20	FY21E	FY22E
<b>Revenue from Operations</b>	<b>39,16,770</b>	<b>56,92,090</b>	<b>59,67,430</b>	<b>48,52,356</b>	<b>67,87,896</b>
Cost of material consumed	20,74,480	27,52,370	26,06,210	20,80,920	30,20,614
Purchase of stock-in-trade	6,86,280	12,39,300	14,96,670	10,91,477	15,44,246
Changes in inventories	-86,100	-46,800	-50,480	-40,170	0
Cost of goods sold (COGS)	26,74,660	39,44,870	40,52,400	31,32,227	45,64,860
<b>Gross Profit</b>	<b>12,42,110</b>	<b>17,47,220</b>	<b>19,15,030</b>	<b>17,20,129</b>	<b>22,23,036</b>
Gross Margin (%)	31.7%	30.7%	32.1%	35.4%	32.8%
Employee benefit expenses	95,230	1,24,880	1,40,750	1,35,582	1,43,450
Other expenses	5,05,120	7,80,670	8,92,110	7,95,903	9,84,245
Total Operating Expense	6,00,350	9,05,550	10,32,860	9,31,485	11,27,695
<b>EBITDA</b>	<b>6,41,760</b>	<b>8,41,670</b>	<b>8,82,170</b>	<b>7,88,644</b>	<b>11,28,441</b>
EBITDA Margin (%)	16.4%	14.8%	14.8%	16.3%	16.6%
Depreciation	1,67,060	2,09,340	2,22,030	2,33,543	2,08,407
<b>EBIT</b>	<b>4,74,700</b>	<b>6,32,330</b>	<b>6,60,140</b>	<b>5,55,101</b>	<b>9,20,034</b>
Finance Cost	80,520	1,64,950	2,20,270	2,07,187	1,79,335
Other Income	88,620	83,860	1,39,560	1,84,932	1,97,123
PBT before exceptional items	4,82,800	5,51,240	5,79,430	5,32,846	9,37,822
Share of profit of associates & JVs	590	1,030	1,070	5,413	2,715
<b>Profit before Tax (PBT)</b>	<b>4,83,390</b>	<b>5,52,270</b>	<b>5,80,500</b>	<b>5,38,259</b>	<b>9,40,537</b>
Total Tax expense	1,33,460	1,53,900	1,37,260	47,233	2,24,913
<b>Profit after Tax (PAT)</b>	<b>3,49,930</b>	<b>3,98,370</b>	<b>4,43,240</b>	<b>4,91,026</b>	<b>7,15,624</b>
PAT Margin (%)	8.9%	7.0%	7.4%	10.1%	10.5%
<b>EPS Basic (INR)</b>	<b>55.20</b>	<b>66.82</b>	<b>63.49</b>	<b>77.46</b>	<b>105.83</b>

Source: Company, KRChoksey Research

# Reliance Industries Ltd.

## BALANCE SHEET

Particulars (INR mn)	FY18	FY19	FY20	FY21E	FY21E
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	59,220	59,260	63,390	63,390	63,390
Reserves and surplus	28,75,840	38,11,860	44,69,920	49,03,651	55,35,773
Non controlling interest	35,390	82,800	80,160	80,160	80,160
<b>Total Equity</b>	<b>29,70,450</b>	<b>39,53,920</b>	<b>46,13,470</b>	<b>50,47,201</b>	<b>56,79,323</b>
<b>Non-current liabilities</b>					
Long term borrowings	14,41,750	20,75,060	19,76,310	18,96,310	17,96,310
Deferred Payment Liabilities	2,02,100	1,88,390	1,88,390	1,88,390	1,88,390
Other financial liabilities	85,420	1,00,200	1,88,040	1,52,903	2,13,894
Long term provisions	29,060	28,560	17,900	14,555	20,361
Deferred Tax Liabilities	2,96,180	5,04,710	5,41,230	5,41,230	5,41,230
Other non-current liabilities	0	0	4,650	4,650	4,650
<b>Total non-current liabilities</b>	<b>20,54,510</b>	<b>28,96,920</b>	<b>29,16,520</b>	<b>27,98,038</b>	<b>27,64,835</b>
<b>Current liabilities</b>					
Short Term borrowings	3,74,290	6,44,360	9,37,860	5,34,360	4,74,360
Other financial liabilities	12,51,510	8,70,510	14,47,780	5,82,283	8,14,547
Trade Payables	10,68,610	10,83,090	9,67,990	7,87,111	11,15,818
Other Current liabilities	4,31,790	5,62,000	7,56,630	4,80,383	6,72,002
Short term provisions	12,320	13,260	18,900	15,368	21,499
<b>Total current liabilities</b>	<b>31,38,520</b>	<b>31,73,220</b>	<b>41,29,160</b>	<b>23,99,506</b>	<b>30,98,226</b>
<b>SOURCES OF FUNDS</b>	<b>81,63,480</b>	<b>1,00,24,060</b>	<b>1,16,59,150</b>	<b>1,02,44,744</b>	<b>1,15,42,384</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Net Block	58,50,940	56,58,400	63,15,050	58,65,840	58,30,437
Goodwill on Consolidation	58,130	1,19,970	1,02,590	1,02,590	1,02,590
Other non-current assets	4,16,550	19,25,160	26,58,910	18,14,600	26,74,178
<b>Total non-current assets</b>	<b>63,25,620</b>	<b>77,03,530</b>	<b>90,76,550</b>	<b>77,83,030</b>	<b>86,07,205</b>
<b>Current Assets</b>					
Inventories	6,08,370	6,75,610	7,39,030	6,00,935	7,81,073
Current Investments	5,76,030	7,10,230	7,29,150	5,09,497	6,95,759
Trade Receivables	1,75,550	3,00,890	1,96,560	1,59,831	2,23,585
Cash and cash equivalents	42,550	1,10,810	3,09,200	6,96,526	5,42,417
Other financial assets	4,35,360	5,22,990	6,08,660	4,94,926	6,92,345
<b>Total current assets</b>	<b>18,37,860</b>	<b>23,20,530</b>	<b>25,82,600</b>	<b>24,61,715</b>	<b>29,35,179</b>
<b>APPLICATION OF FUNDS</b>	<b>81,63,480</b>	<b>1,00,24,060</b>	<b>1,16,59,150</b>	<b>1,02,44,744</b>	<b>1,15,42,384</b>

Source: Company, KRChoksey Research

## CASH FLOW STATEMENT

Particulars (INR mn)	FY18	FY19	FY20	FY21E	FY22E
Net Profit Before Tax	4,94,260	5,52,270	5,36,060	5,32,846	9,37,822
Operating profit before WC changes	6,27,650	8,33,190	8,45,560	9,73,576	13,25,564
Cash Generated from/used in operations	8,13,030	5,45,370	10,64,600	-28,434	15,81,204
Less: Income Tax Paid (net of refunds)	-98,440	-1,21,910	-83,860	-47,233	-2,24,913
Net Cash generated from operating Act	7,14,590	4,23,460	9,80,740	-75,667	13,56,291
Net Cash Used In Investing Activities	-6,82,900	-9,51,280	-7,57,170	12,05,562	-10,90,278
Net Cash Used in Financing Activities	-20,010	5,59,060	-25,410	-7,42,569	-4,20,122
<b>Net Increase/( Decrease ) in Cash</b>	<b>11,680</b>	<b>31,240</b>	<b>1,98,160</b>	<b>3,87,326</b>	<b>-1,54,109</b>
<b>Cash at the beginning of the year</b>	<b>29,890</b>	<b>73,360</b>	<b>1,10,810</b>	<b>3,09,200</b>	<b>6,96,526</b>
<b>Add: Upon addition of subsidiaries</b>	<b>980</b>	<b>6,210</b>	<b>230</b>	<b>0</b>	<b>0</b>
<b>Cash and Cash Equivalents at the end</b>	<b>42,550</b>	<b>1,10,810</b>	<b>3,09,200</b>	<b>6,96,526</b>	<b>5,42,417</b>

Source: Company, KRChoksey Research

## Reliance Industries Ltd.

### KEY RATIOS

Particulars	FY18	FY19	FY20	FY21E	FY22E
<b>Profitability</b>					
Return on Assets (%)	4.3%	3.9%	3.4%	4.8%	6.2%
Return on Capital (%)	11.8%	10.7%	10.6%	9.9%	14.1%
Return on Equity (%)	11.8%	10.0%	8.6%	9.6%	12.6%
<b>Margin Trend</b>					
EBITDA Margin (%)	16.4%	14.8%	14.8%	16.3%	16.6%
EBIT Margin (%)	13.1%	11.5%	12.1%	13.6%	14.9%
Net Margin (%)	8.9%	7.0%	6.6%	10.1%	10.5%
<b>Liquidity</b>					
Current Ratio	0.6	0.7	0.6	1.0	0.9
Quick Ratio	0.1	0.2	0.2	0.4	0.3
Debtor Days	16.4	19.3	12.0	12.0	12.0
Inventory Days	56.7	43.3	45.2	45.2	42.0
Creditor Days	99.6	69.5	59.2	59.2	60.0
<b>Solvency</b>					
Total Debt / Equity	0.6	0.7	0.6	0.5	0.4
Interest Coverage	7.0	4.3	3.6	3.6	6.2
<b>Valuation Ratios</b>					
EV/EBITDA	22.7	17.7	14.1	15.8	11.0
P/E	34.0	28.1	29.6	24.2	17.7
P/B	4.0	3.0	2.6	2.4	2.1

Source: Company, KRChoksey Research

# Reliance Industries Ltd.

Reliance Industries Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
02-Nov-20	1,877	2,284	BUY	Buy	More than 15%
31-Jul-20	2,067	2,394	BUY		
02-May-20	1,466	1,715	BUY	Accumulate	5% – 15%
20-Jan-20	1,532	1,815	BUY		
6-Dec-19	1,550	1,815	BUY	Hold	0 – 5%
22-Oct-19	1,414	1,722	BUY		
23-July-19	1,281	1,606	BUY	Reduce	-5% – 0
23-Apr-19	1,365	1,606	BUY		
23-Jan-19	1,235	1,442	BUY	Sell	Less than – 5%
22-Oct-18	1,062	1,442	BUY		
03-Aug-18	1,183	1,442	BUY		
2-May-18	972	1,442	BUY		

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