

Reliance Industries

Investment in consumer business paying off, upgrade to Buy

RIL stock has corrected by 25% from its peak over the past 4 months driven by global economic slowdown concerns. Our view that the stock price correction is overdone, and the stock should outperform, is premised on 1) Non-cyclical domestic consumer business accounting for 56% of FY21E EBITDA (31% in FY19), 2) The stock factoring only an USD 3.0/bbl FY21E refining margin, 49% lower than Global Financial Crises (GFC) quarterly trough and 3) Interest Coverage ratio of 4.3x and Net Debt/EBITDA of 1.6x in FY22E (12-35% better than the FY19 lows). The stock offers 18% upside at our TP of INR 1,400.

No financial stress even under economic slowdown conditions

We estimate that even with refining margins of USD 5.9/bbl (lowest quarterly margin during the Global Financial Crises and 36% lower than 3QFY20) and Petchem margins at a discount of 29% to 3QFY20 (lowest quarterly margin in last 13 years), RIL's FY21E EBITDA would be INR 775bn, more than adequate to service its INR 2.9trn of debt.

Jio: Next catalysts-Mobile revenue growth, fibre broadband ramp-up

With about USD 50bn (50% of market cap) invested in telecom, Jio's revenue market share growth and monetisation continues to drive a significant proportion of the value creation opportunity for RIL's shareholders. Our current forecasts imply CAGR of 13.6% in mobile subs, 4.7% in ARPUs over FY19-FY23E and 8mn fibre subs by FY23E supporting EBITDA of INR 390bn and EV of INR 4,806bn.

Retail: India's 'Everything store' continues to gain market share

Reliance Retail (RR) should gain further market share as it improves upon assortment, pricing and distribution. Grocery (46% of incremental EBITDA) should be the key EBITDA growth driver over FY19-22E. We bake in Rev/EBITDA/PAT CAGR of 20/28/34% over FY19-22E and value RR at an EV of INR 2.4trn, implying 18.5x FY22 EV/EBITDA.

Valuation: We value RIL on SOTP

We have cut FY21/22E EPS by up to 33% and our TP by 11% to INR 1,400 factoring up to 31% lower downstream margins driven by slowing global economy. We use EV/EBITDA to value downstream at Sep-21E EV/e, Retail on peer benchmarked EV/e and E&P, Jio on DCF.

Fig.1: Consolidated Financial Summary

YE Mar (Rs bn)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	2,740	3,054	3,917	5,671	5,365	4,793	5,540
EBITDA	417	462	642	839	843	819	981
APAT	329	299	361	396	390	382	514
Diluted EPS (Rs)	55.6	50.5	60.9	66.8	61.5	60.2	81.2
P/E (x)	21.4	23.6	19.6	17.8	19.4	19.8	14.7
EV / EBITDA (x)	20.9	19.5	14.3	11.6	11.1	11.5	9.4
RoE (%)	14.3	11.8	12.9	11.6	9.7	8.9	11.0

Source: Company, HDFC sec Inst Research

BUY

CMP (as on 13 Apr 20) Rs 1,191

Target Price Rs 1,400

NIFTY 8,994

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	Rs 1,566	Rs 1,400
EPS %	FY21E	FY22E
	-27%	-10%

KEY STOCK DATA

Bloomberg code	RIL IN
No. of Shares (mn)	6,339
MCap (Rs bn) / (\$ mn)	7,737/101,358
6m avg traded value (Rs mn)	17,400
52 Week high / low	Rs 1,618/876

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(21.2)	(7.9)	(8.6)
Relative (%)	3.6	10.5	11.4

SHAREHOLDING PATTERN (%)

	Dec-19	Sep-19
Promoters	50.03	50.05
FIs & Local MFs	13.78	14.42
FPIs	24.51	23.70
Public & Others	11.68	11.84
Pledged Shares	0.00	0.00

Source : BSE

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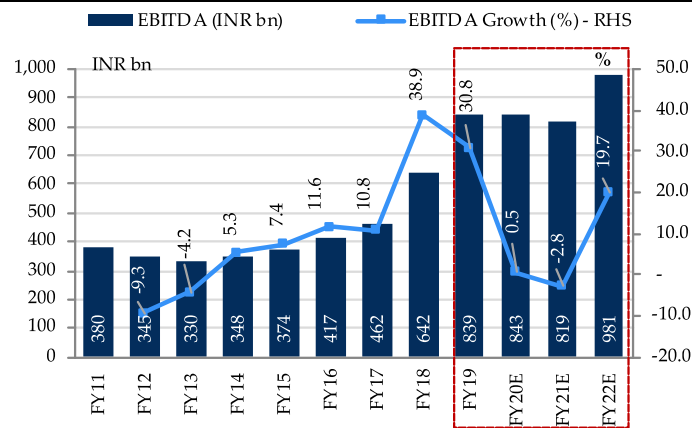
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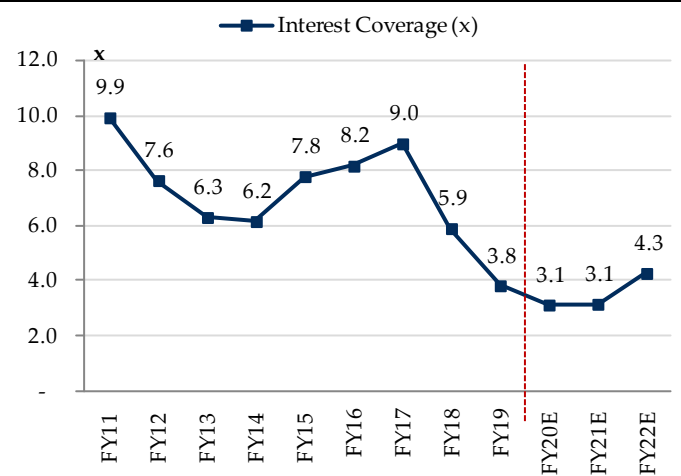
Story in charts

Fig.2: RIL - EBITDA Growth Of 7.9% CAGR Over FY20-22E



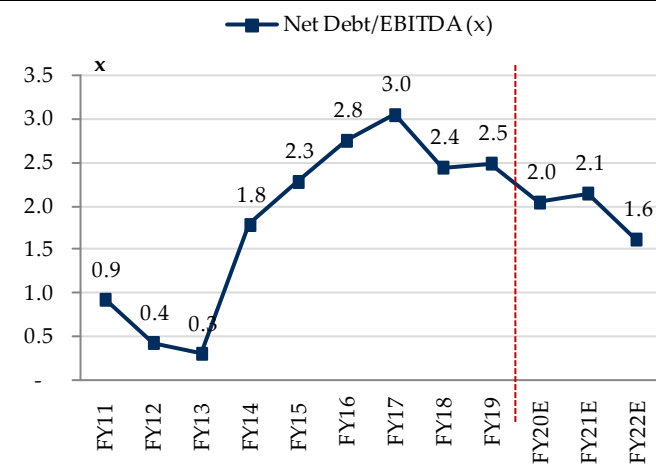
Source: Company, HDFC sec Inst Research

Fig.3: RIL - Interest Coverage Ratio To Improve Over FY20-22E



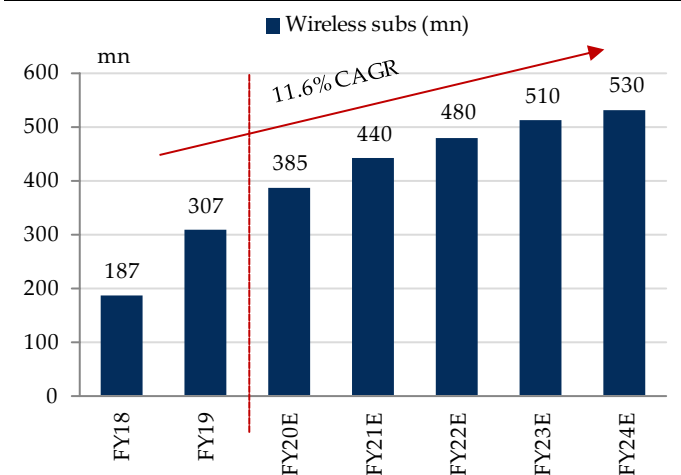
Source: Company, HDFC sec Inst Research

Fig.4: RIL - Rising EBITDA And Declining Net Debt



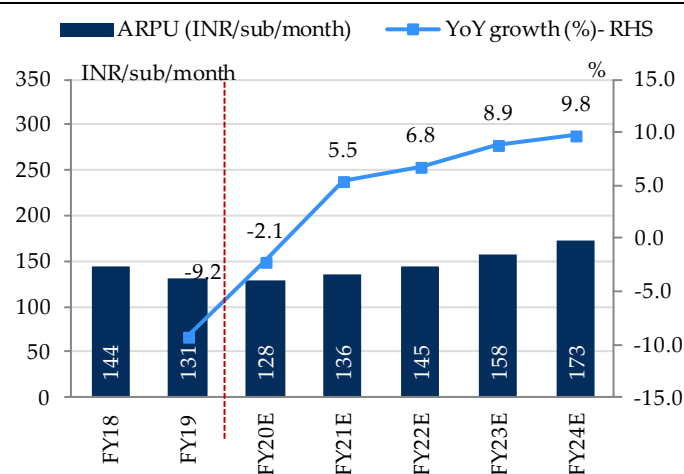
Source: Company, HDFC sec Inst Research

Fig.5: Jio – Subscribers Should Touch 500mn By FY23E



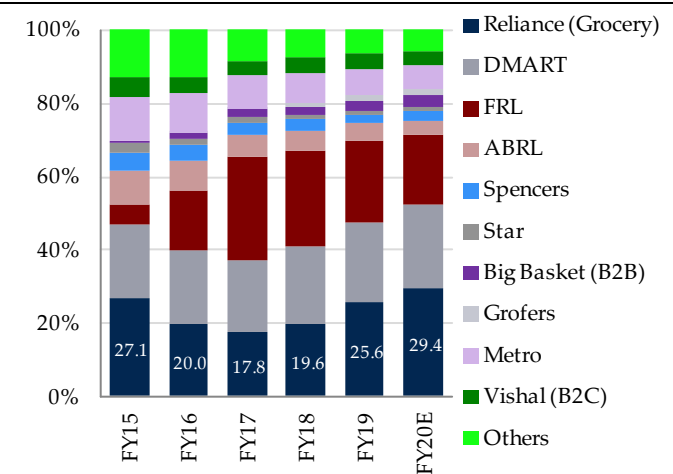
Source: TRAI, HDFC sec Inst Research

Fig.6: Jio - ARPU To Grow Over FY20-24E After A Decline In The Last Two Years



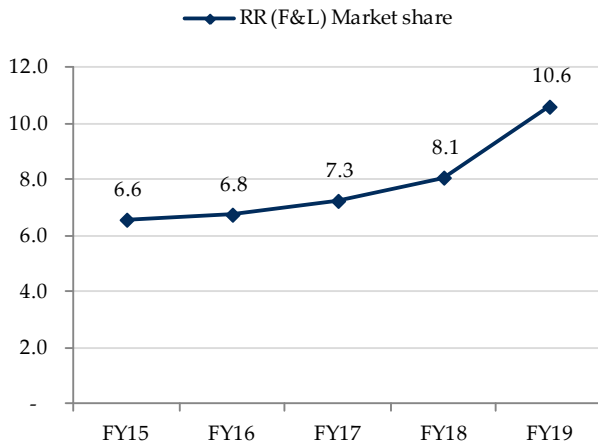
Source: Company, HDFC sec Inst Research

Fig.7: Retail – RR’s Market Share In The Organised Food And Groceries Business Is On A Rise



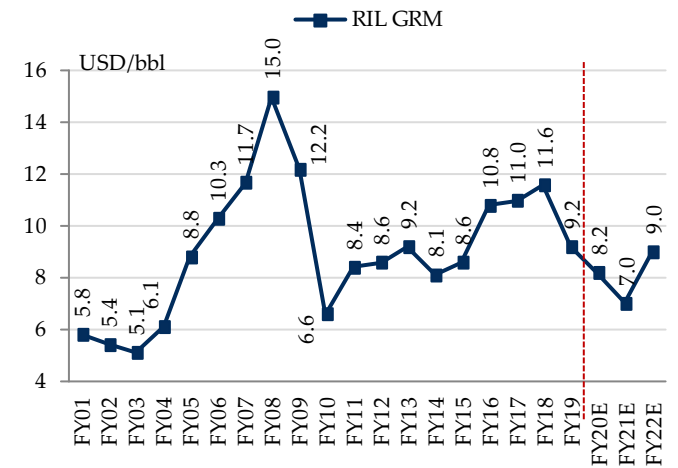
Source: Company, HDFC sec Inst Research

Fig.8: Retail- In Fashion and Lifestyle (F&L) Too, RR Has Been Consistently Gaining Share Courtesy Its Value Fashion Play – Reliance Trends



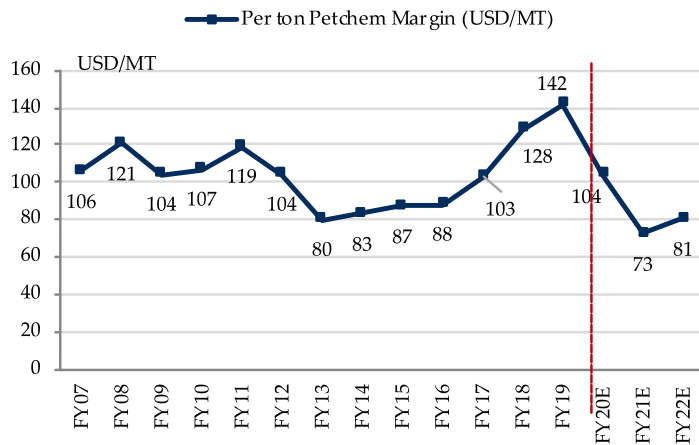
Source: Bloomberg, Company, HDFC sec Inst Research

Fig.9: Refining - After A Dip In FY21, Expect Margins To Bounce Back In FY22E



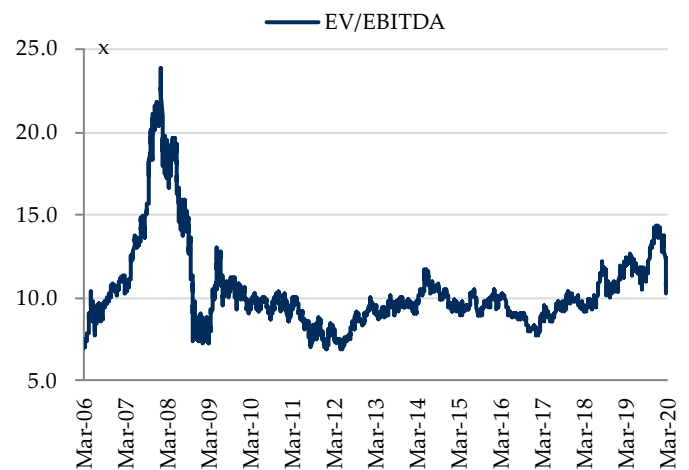
Source: Bloomberg, Company, HDFC sec Inst Research

Fig.10: Petrochemicals - RIL's Margins To Decline Given The Declining Global Demand



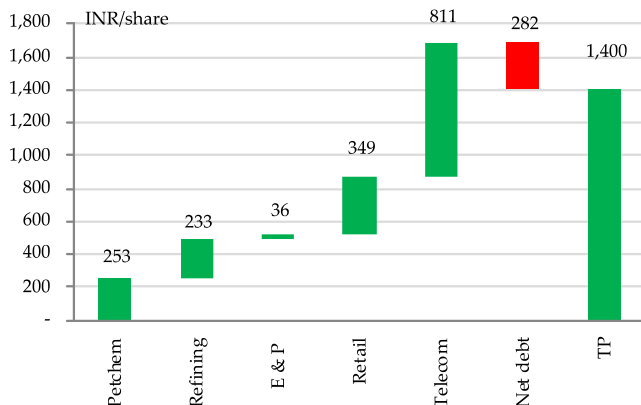
Source: Bloomberg, HDFC sec Inst Research

Fig.11: RIL – One Year Forward EV/EBITDA



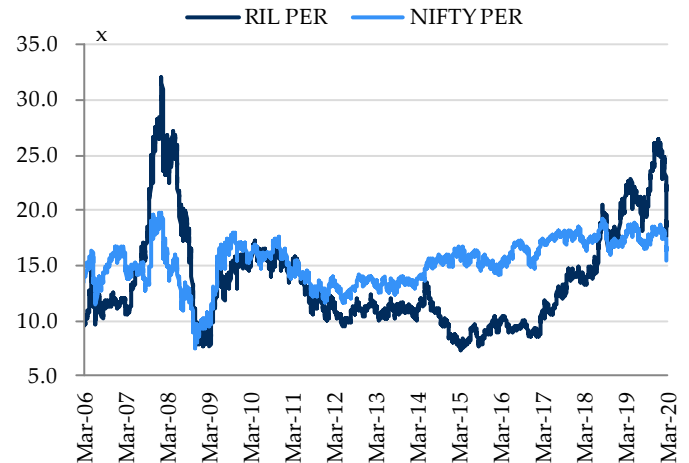
Source: Bloomberg, HDFC sec Inst Research

Fig.12: We Value RIL At INR 1,400/share



Source: HDFC sec Inst Research

Fig.13: RIL And Nifty PER



Source: Bloomberg, Company, HDFC sec Inst Research

A strong Balance Sheet even in a slowing economic environment

Debt concerns overdone

- One of the biggest investor concerns of late has been the increasing debt levels and the ability of company to continue its aggressive expansion into the consumer businesses (telecom, digital and retail) especially in a worsening global economic environment. However, RIL has started moving on a sustainable path of deleveraging, as announced in the AGM. It is evident from (1) Reducing capex intensity in its energy as well as the consumer businesses, (2) Hiving off of the Fiber and Tower assets into an InvIT structure, and (3) Potential stake sale in O2C business.
- In 9MFY20, RIL's capital expenditure has declined sharply by 44% to INR 557bn versus INR 998bn in 9MFY19. Besides, the company guided that the investment cycle in Jio is largely over.
- The transfer of fiber and tower assets into InvIT structure has already shaved off INR 1.07trn in debt from RIL's balance sheet.
- The company has concluded a partnership with BP valued at USD 1bn in the fuel retail business. Moreover, Saudi Aramco and RIL have signed a non-binding letter of intent (LOI) for Saudi Aramco to take a 20% stake in RIL's Oil to Chemicals (O2C) business valued at an EV of USD 75bn. Its due diligence is currently in progress. The potential completion of this stake sale is a key step to enable RIL to meet its deleveraging target.
- With the worsening global economic environment, investors appear to be concerned about increasing potential risks to (timely completion of) RIL's deal with Saudi Aramco. We expect the deal to be completed because of the strategic importance for both the parties. We believe that apart from this, RIL's other options to reduce debt could include potential partnerships in its digital platform as well as monetization of its retail business.
- Investor concerns on debt level seem overdone as RIL is likely to generate over ~INR 2.37trn of operating cash flow over FY20-22E. Even if RIL's deal with Aramco is delayed, earnings from RIL's energy (Refining + Petchem) businesses will be more than adequate to service the debt in a stressed downstream margin environment.
- In our stress case, we assume RIL's GRM equal to the lowest it achieved during GFC in 3QFY10 (USD 5.9/bbl) and lowest EBITDA per unit production of petrochemicals it reported in 2QFY13 (USD 71/t). We arrive at an EBITDA of INR 331bn in FY21E from its energy business while interest payable for FY21E would be INR 181bn. This implies that the EBITDA from the energy business alone is sufficient to take care of the interest cost.

Fig. 14: EBITDA Of Energy Business Is Sufficient For Interest Payment

	Unit	Current	Lowest in last 10 yrs
Refining business			
Exchange rate	INR/USD	73.5	
GRM	USD/bbl	5.9	5.9
Annual crude throughput	mmt	68	
Opex	USD/bbl	2.5	
EBITDA	USD/bbl	3.4	
EBITDA	INR mn	124,560	
Petchem business			
EBITDA/t	USD/t	71.04	71.04
Annual Production	(000 tonne)	39,600	
EBITDA	INR mn	206,770	
EBITDA (Refining+ Petchem)	INR mn	331,330	
Interest payment FY21E	INR mn	180,549	
Consolidated EBITDA for FY21E	INR mn	819,494	

Source: Company, HDFC Sec Inst Research

Fig. 15: Maturity Of Long Term Bonds And Debentures

INR bn	FY21	FY22	FY23
Secured NCD	5	55	10
Unsecured NCD	120	70	100
Unsecured Bonds	75	110	6
Total	200	235	116

Fig. 16: Maturity Of Long Term Loans

INR bn	Over FY21-FY25
Secured term loans	3.85
Unsecured term loans	20.66
Total	24.51

Source: Company, HDFC Sec Inst Research

Strong cashflow even under stressed downstream margins scenario

- We estimate that even with refining margins of USD 5.9/bbl (the lowest quarterly margin during the Global Financial Crises (GFC) in 3QFY10 and 36% lower than 3QFY20) and Petchem margins at a discount of 29% to 3QFY20 (the lowest quarterly margin in last 13 years), RIL's EBITDA would decline from INR 839bn in FY19 to INR 775bn in FY21E, more than adequate to service its INR 3 trn debt even if the Saudi Aramco deal takes longer time to be completed. Every USD 1/bbl decline in refining margins adversely impacts its Consolidated EBITDA by 3.6% or INR 30bn. The completion of largest capex cycle in its history and spinning off of the Fibre & Tower InVits which has help shave off INR 1.07trn in debt, should help RIL in its endeavour to reduce its Net Debt.
- We forecast RIL's EBITDA to grow 19.7% over FY21 – 22E driven by improved downstream margins and gradual improvement in the consumer businesses after a mere 0.5% YoY increase in EBITDA in FY20E because of the adverse impact of global economic slowdown on refining & petchem margins. We estimate RJIO and Reliance Retail to achieve EBITDA of INR 341bn & INR 128bn by FY22E.

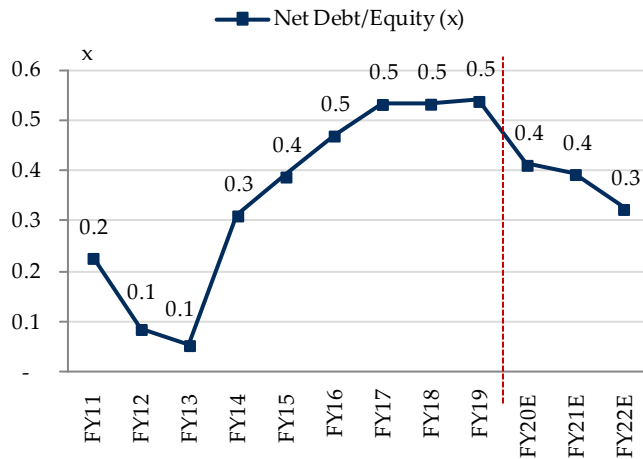
Major capex cycle over

- Since FY13, RIL has undertaken a significant capex-led growth program – largest in its history- under which it has already invested over INR 5,085bn on key projects including telecom (over INR 3,500bn) and refining & petrochemicals (over INR 2,570bn). Most of these projects have now been commissioned. RIL’s capex in FY19 was at INR 406bn, lower than INR 842bn in FY18. We expect capex to jump further to INR 448bn in FY21E and to INR 454bn in FY22E.

With capex over, Net Debt and Net Debt/Equity to decline

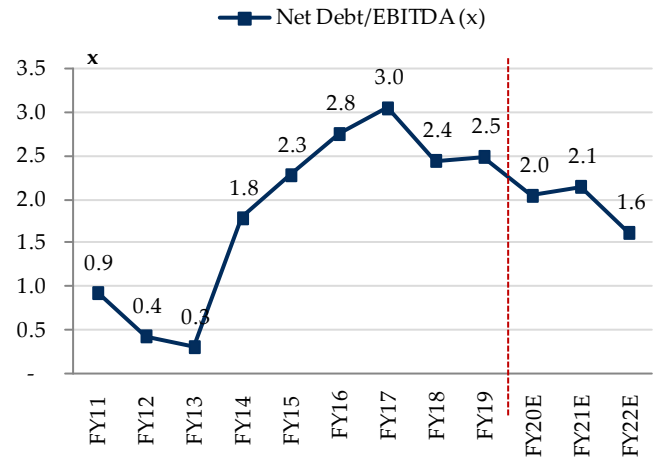
- RIL’s leverage peaked in FY19 with Net Debt/Equity at 0.5x and Interest Coverage at 3.8x, as it completed its recent capex cycle in FY18 with most of the new capacities commissioned and ramped up by FY19. We expect RIL’s Net Debt /Equity and Interest Coverage to improve to 0.3x and 4.3x by FY22E after spinning off of the Fibre & Tower InvITs despite lower downstream margins and even if the deal with Saudi Aramco is delayed.

Fig.17: Stronger Balance Sheet In Volatile Times



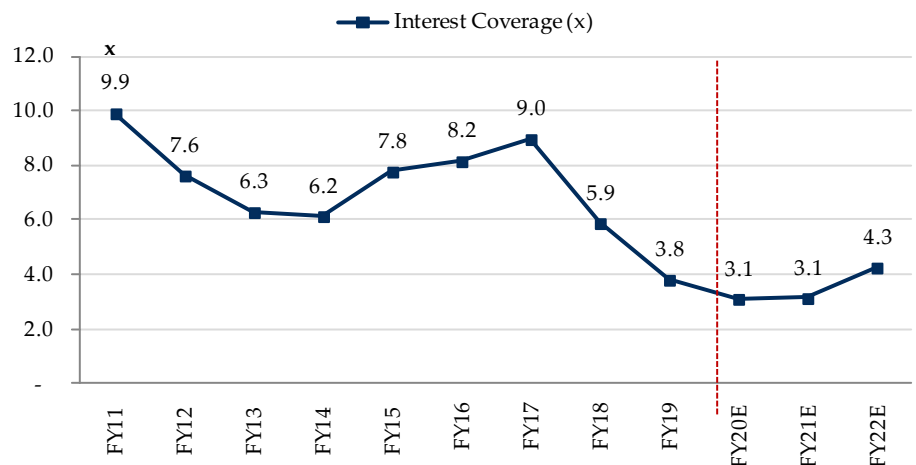
Source: Company, HDFC Sec Inst Research

Fig.18: Rising EBITDA With Declining Net Debt



Source: Company, HDFC Sec Inst Research

Fig.19: Interest Coverage Ratio Will Improve By FY22E



Source: Company, HDFC Sec Inst Research

Telecom/Digital Services: Activating more levers of revenue growth

We value Jio's telecom business at an EV of INR 4.8trn

- We forecast Jio to achieve a revenue of INR 671bn and EBITDA of INR 307bn in FY21E, scaling up to INR 1,231bn and INR 499bn by FY25E (at a CAGR of 16.4/12.9%). We expect Jio to have around 440mn subs by end FY21 with an average ARPU (Average Revenue per User) of INR 135 rising to 550mn subs at ARPU of INR 190 by FY25E. (Faster) Ramp-up in the new revenue streams viz home broadband, NB IoT, Enterprise, Cloud, etc provides further revenue growth and value upside.

Fig. 20: Jio's Key Metrics

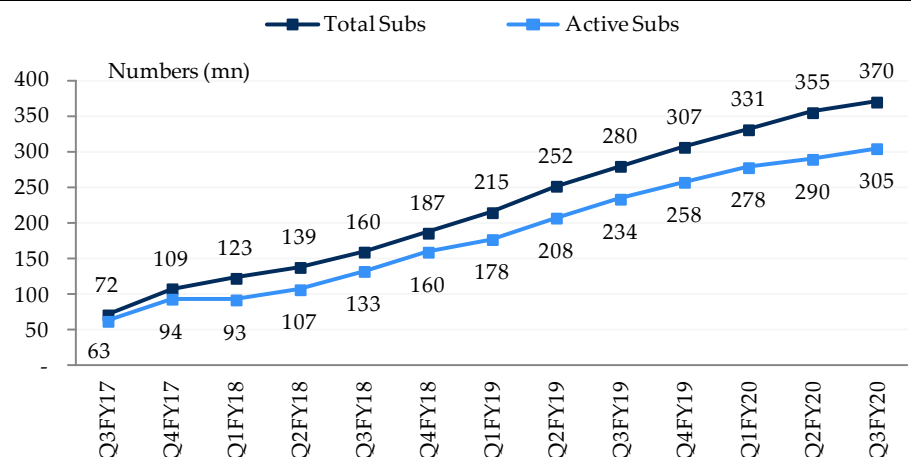
	FY18	FY19	FY20E	FY21E	FY22E
Closing Subs (mn)	186.6	306.7	385.0	440.0	480.0
ARPU (INR)	144	131	128	135	145
Net Revenues (INR bn)	159	341	396	671	799
YoY growth (%)	-	115.1	45.3	35.3	19.1
EBITDA (INR bn)	67	146	222	307	341
EBITDA Margin (%)	42.4	42.8	44.7	45.8	42.7

Source: TRAI, Company, HDFC Sec Inst Research

Subscriber adds and ARPU improvement to continue

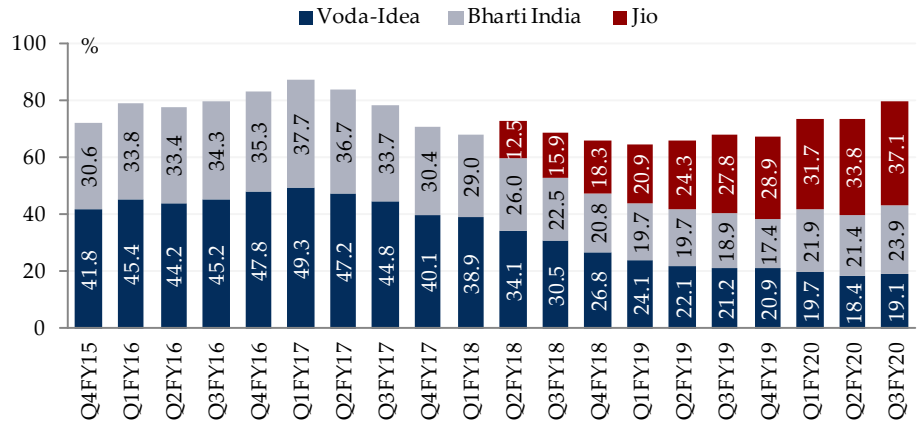
- Within 40 months from its commercial launch in Sep 2016 with 370mn subscribers, Jio is the largest telecom service provider in India by revenue market share. We expect Jio to continue subscriber addition, though at a slower rate compared to the past, with incremental 55mn subs in FY21E as it continues to offer over 35% cheaper tariffs vs competitors and better coverage. We expect ARPU to improve at a CAGR of 7.8% over FY20-FY24E on the back of tariff hikes across the industry as competitors are faced with increased regulatory costs.

Fig. 21: Jio's Monthly Mobile Subscriber Additions



Source: TRAI, HDFC Sec Inst Research

Fig. 22: Adjusted Revenue Market Share trend



Source: TRAI, HDFC Sec Inst Research

Fig. 23: Jio’s Tariffs Are At A Significant Discount To Competitors’

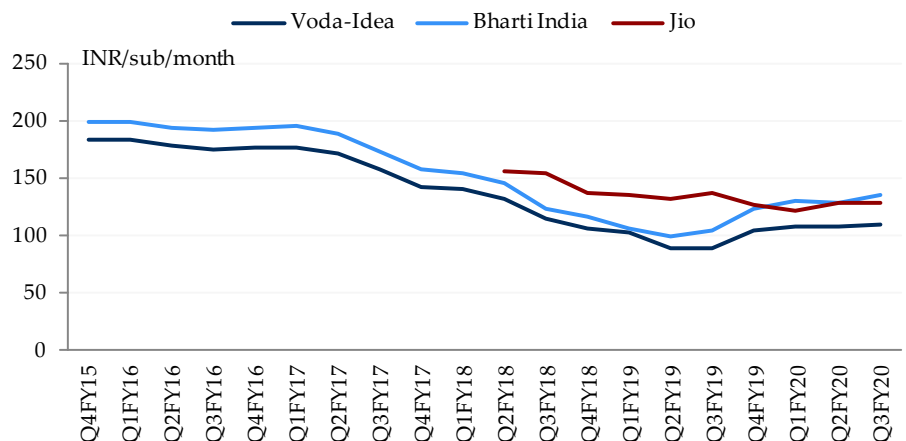
Operator	Tariff (INR)	Days	Data (GB)	Tariff/day (INR/day)	Jio’s discount vs peers (%)
Jio	199	28	42	7.1	
Airtel	219	28	28	7.8	-9.1
Voda-Idea	219	28	28	7.8	-9.1
Jio	555	84	126	6.6	
Airtel	598	84	126	7.1	-7.2
Voda-Idea	599	84	252	7.1	-7.3

Source: Company, HDFC Sec Inst Research

After two years of YoY decline expect ARPU growth from FY21E

- Jio’s aggressive launch offers adversely impacted ARPUs for its incumbent peers (Fig. 32). For instance, Bharti’s ARPU fell from a level of INR 198 pre Jio in 4QFY15 to a trough of INR 135 in 3QFY20. Voda-Idea’s ARPU’s similarly fell from INR 184 pre Jio in 4QFY15 to a trough of INR 109 in 3QFY20.
- We expect Jio’s ARUs to rise from INR 131 in FY19 to INR 145 in FY22E driven by the IUC related tariff increase and the move across the industry to raise ARPUs because of weaker finances of the competitors and increased regulatory costs. With rising ARPUs, we expect operational leverage to drive EBITDA CAGR of 7.8% over FY20 – FY24E.

Fig. 24: Adjusted Revenue Per User Trend



Source: Company, HDFC sec Inst Research

Pricing strategy: Transitioning from a tool for faster customer acquisition to monetisation

- Jio has consistently maintained that it will ensure its pricing will be competitive compared to the incumbents. With its current tariff plans Jio is still ~9/7% cheaper compared to its competitors. With Jio being consistently profitable despite such aggressive pricing, we do not foresee any change in its wildly successful pricing strategy as a key weapon in its quest to garner subscribers. We do expect Jio to turn its focus to monetizing once it acquires close to 500mn wireless subscribers by end of FY22E.

Fig. 25: Tariff Comparison

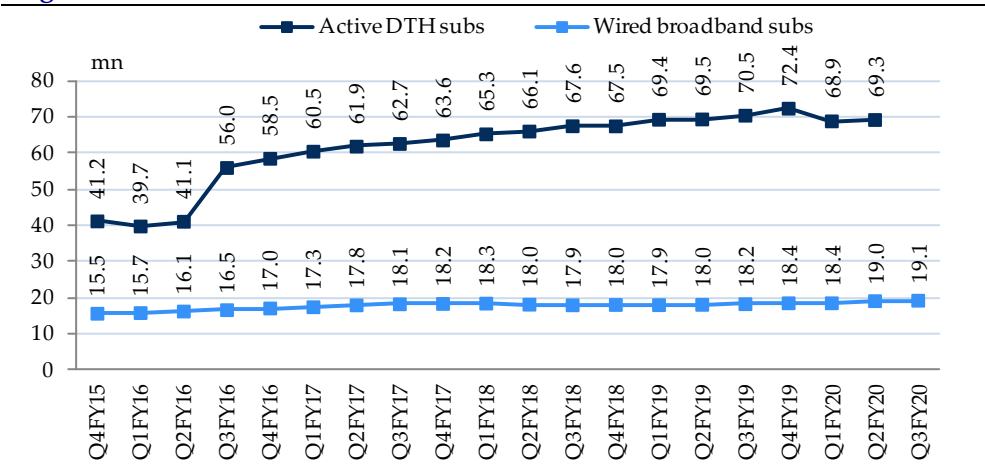
Operator	Tariff (INR)	Days	Data (GB)	Tariff/day (INR/day)	Additional on offer	Jio's discount to peers (%)
Jio	199	28	42	7.11	Unlimited calls	
Airtel	219	28	28	7.82	Unlimited calls and 100 SMS	-9.1
Voda-Idea	219	28	28	7.82	Unlimited calls	-9.1
Jio	555	84	126	6.61	Unlimited calls	
Airtel	598	84	126	7.12	Unlimited calls and 100 SMS	-7.2
Voda-Idea	599	84	252	7.13	Unlimited calls	-7.3

Source: Company, HDFC Sec Inst Research

Fibre broadband: the next revenue driver

- The current broadband market is significantly underserved – there are only 19mn wired broadband connections compared to total urban households of over 80mn. Jio's extensive fibre network and access to Den and Hathaway's customers should allow Jio to address 30mn households. Jio is targeting 20 million homes over the next 3 years. Our current estimates assume 10mn households at an ARPU of INR 800 by FY23E.

Fig. 26: Active DTH And Wired Broadband Subscribers (mn)



Source: TRAI, HDFC sec Inst Research

Additional revenue streams: Incremental Revenue opportunities Cloud

- RIL has entered into a partnership with Microsoft for its cloud infrastructure Azure which includes RIL setting up the data centres. At its AGM, RIL announced that it could offer these services (Azure, Azure AI, Office 360), including connectivity, to the SMEs at about INR 1500/month, almost one-tenth of what it would cost a SME for equivalent services.

Narrow Band IoT (NB IoT)

- Jio estimates about 2 billion connected IOT devices in the country by FY23. It intends to target 50% market share in NB-IoT which translates to an INR 200bn revenue opportunity.

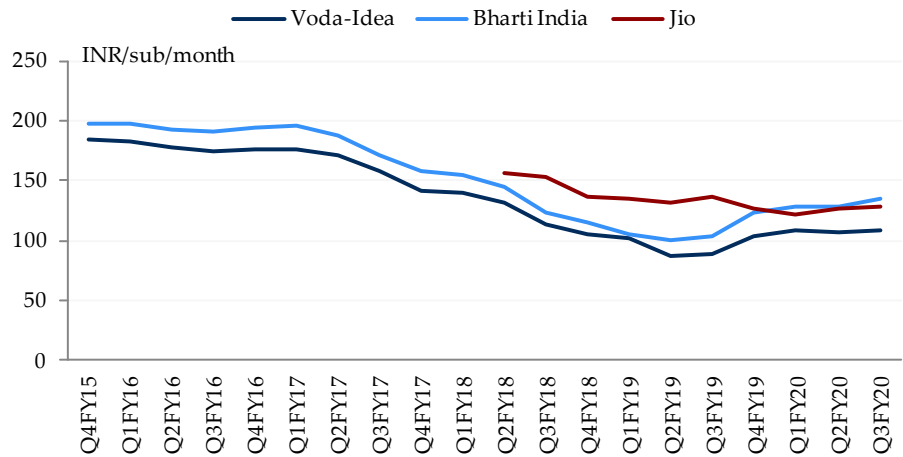
Enterprise for SMEs

- Jio is targeting 15 million business establishments in 1600 towns.

The strength of ~500mn subs

- Jio's strategy in its over 3 years since launch has been to acquire subscribers through aggressive pricing and improved content and / customer experience. It has amassed industry leading 370mn subscribers in short span of 40 months. It has never been shy in articulating its ambition to garner 450mn-500mn (~50% market share). A strong subscriber base also affords Jio a stronger bargaining position while negotiating with content providers as well as opens up additional revenue generating opportunities such as targeted advertisements using data analytics, eventual content monetization, etc.
- Content is likely to emerge as the next lever for subscriber acquisition and retention, as has been the case in many markets that have seen an explosion in data consumption. Jio could consider reviving its Jio Prime programme in order to monetize its content. Jio had initially flirted with content monetization through its Prime subscription. We do not rule out reintroduction of a similar monetization strategy once it crosses 450mn subs.
- In its endeavour to offer exclusive content, which could further be monetised for subscriber acquisition & retention as well as to enable content monetization, Jio is likely to scale up investments on exclusive content in the area of sports, entertainment, gaming, education, etc.

Fig. 27: Industry ARPUs Rising After A Period Of Decline

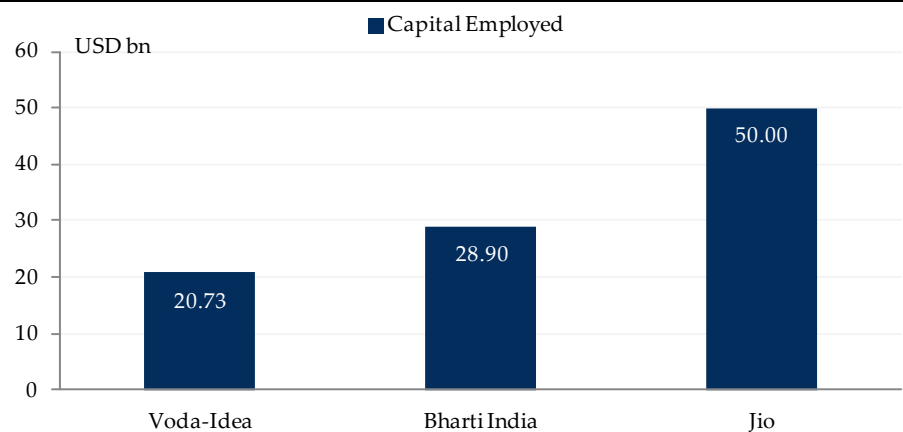


Source: Company, HDFC Sec Inst Research

Jio’s massive investment signals a constructive view of Indian telecom sector

- At the end of 3QFY20, Jio reported total investment of USD 50bn in its telecom/digital services business. This is significantly higher compared to the investments made by the incumbents likely indicating a constructive outlook on eventual returns in the business once the industry stabilizes. To its credit, over a short span of 3 years since launch Jio has influenced consumer behaviour by driving a dramatic increase in data consumption by offering better content, network reach and significantly improved consumer experience. Jio has expanded the market in terms of potential revenue streams for telecom operators in its quest to graduate to a digital services company from a pure telco.

Fig. 28: Jio’s Capital Employed Is Significantly Ahead Of Peers (Dec-19)



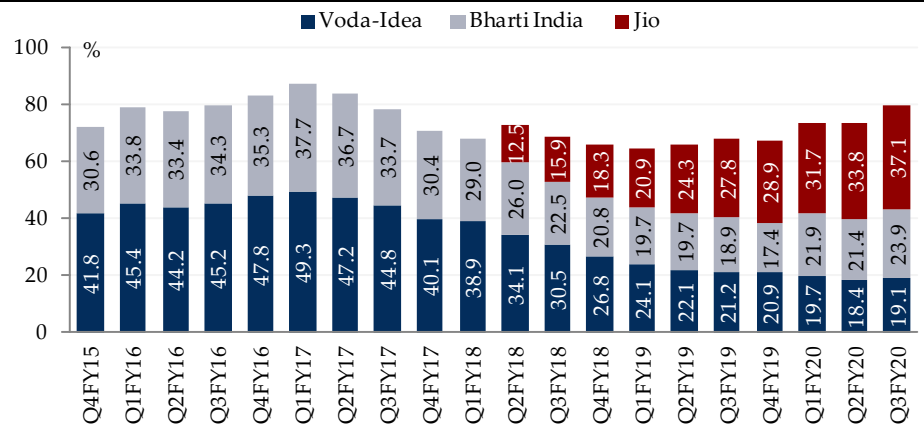
Source: Company, HDFC Sec Inst Research

Jio’s revenue market share across circles

- Since its launch in September 2016, Jio’s ramp-up of its mobile business has been impressive and significantly ahead of market expectations. Its entry precipitated a raft of operator exits and a rapid industry consolidation. Over the past 3 years, Jio has gained 31.0% share of active subscribers and 34.5% revenue market share.

- The Indian telecoms market is divided into circles for purposes of licensing and spectrum allocation. There are four categories of circles: metros and categories A, B and C- the nomenclature largely reflecting the economic potential of the market.
- As we note in Fig. 29 and Fig. 30, Jio’s circle wise performance correlates well with the level of urbanization of the market. We use the share of urban subscribers-to-total active subscribers as a proxy to the level of urbanization of a market. Jio’s outperformance has consistently been higher for rural dominated markets such as Himachal Pradesh, Bihar, UP, etc and lower for metro markets (Delhi/Mumbai) and urbanized states like TN, Karnataka, Maharashtra, etc. Jio’s greatest success seems to have come from attracting affluent subscribers in smaller markets. But lately it has narrowed the gap even in markets with higher share of urban subscribers.

Fig. 29: Adjusted Revenue Market Share trend



Source: TRAI, HDFC Sec Inst Research

Fig. 30: Circle-Wise Market Share Of Telcos as on Dec-19

Circle	Basis Net revenue (%)				Basis Active Subs (%)				R-Jio (%) Lead/(Lag) in Revenue share vs Subs share
	Bharti	Voda- Idea	R-Jio	Others*	Bharti	Voda- Idea	R-Jio	Others*	
Mumbai	23.4	32.6	31.3	12.7	26.5	36.5	35.2	1.8	(3.9)
Kolkata	27.3	32.2	32.7	7.7	27.3	31.7	36.4	4.7	(3.6)
Delhi	38.0	17.5	37.3	7.2	32.1	35.9	31.1	0.9	6.2
Sub total	30.2	26.2	34.1	9.5	29.2	35.1	33.6	2.1	0.5
Maharashtra	18.9	37.3	38.6	5.2	16.8	46.0	32.4	4.7	6.2
Karnataka	48.7	15.4	27.2	8.7	46.6	19.0	27.1	7.4	0.1
Andhra Pradesh	35.7	18.3	38.5	7.4	39.2	22.6	29.7	8.4	8.8
Tamil Nadu(Incl. Chennai)	36.3	24.0	33.5	6.2	34.2	27.9	25.8	12.1	7.7
Gujarat	12.6	37.6	45.0	4.8	18.2	45.2	31.3	5.3	13.7
Sub total	31.0	26.2	36.3	6.5	30.6	32.4	29.4	7.6	6.9
Haryana	17.9	20.8	53.2	8.1	22.2	39.6	29.2	9.0	24.1
MP	17.9	18.0	60.8	3.4	23.8	32.0	39.6	4.6	21.1
Kerala	14.5	51.2	23.4	10.8	15.2	47.7	16.7	20.4	6.7
Punjab	26.9	20.9	43.6	8.7	33.7	27.5	30.8	8.0	12.8
UP (E)	20.9	22.3	48.5	8.3	25.5	40.8	29.0	4.7	19.5
UP(W)	29.0	16.6	51.2	3.2	37.9	28.0	28.9	5.3	22.3
Rajasthan	29.1	14.1	52.1	4.7	37.5	23.7	33.5	5.3	18.6
West Bengal	22.4	22.3	52.9	2.5	30.6	35.4	30.4	3.6	22.4
Sub total	22.9	22.5	48.9	5.7	29.6	33.1	30.6	6.7	18.3
Orissa	29.1	6.3	58.0	6.6	39.0	10.8	36.3	13.9	21.7
HP	33.7	5.2	53.0	8.1	42.3	11.6	31.4	14.8	21.6
Bihar	28.8	5.2	63.9	2.1	43.7	17.5	35.2	3.7	28.7
Assam	32.4	12.0	51.8	3.8	40.4	19.3	32.9	7.4	18.9
J&K	32.8	3.1	53.6	10.6	55.3	5.1	32.2	7.4	21.4
North East	39.9	10.5	43.8	5.7	47.1	14.4	28.5	10.0	15.4
Sub total	30.9	6.7	58.0	4.4	43.2	15.2	34.2	7.4	23.7
Total	28.0	22.4	43.4	6.3	32.0	30.3	31.0	6.7	12.4
Others	43.4	40.3	3.5	12.8	-	-	-	-	3.5
Grand Total	31.4	26.4	34.5	7.7	32.0	30.3	31.0	6.7	3.5

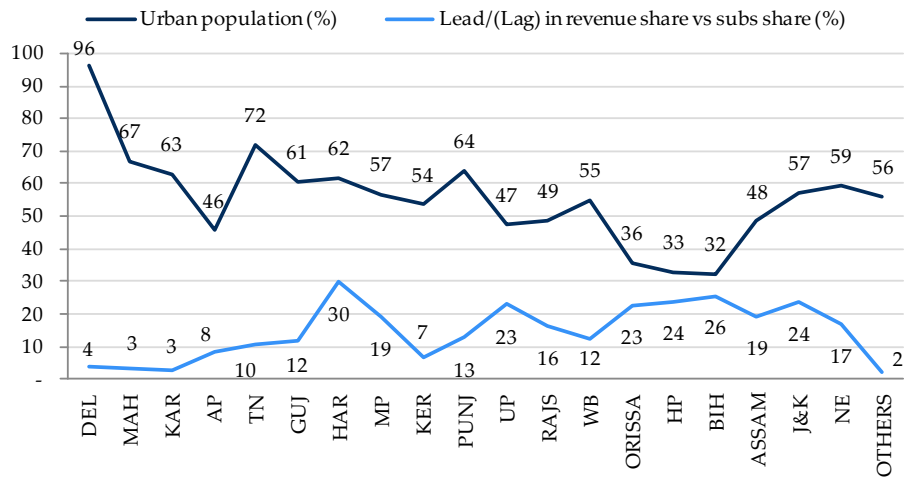
Source: TRAI, HDFC sec Inst Research | *Others include MTNL, BSNL, Rcom, Tata Telecom

Fig. 31: State-Wise Total Subscriber mix as on Sep-19

	Rural	Urban	Lead/(Lag) in revenue share vs subs share
Delhi	3.5	96.5	3.8
Subtotal	3.5	96.5	3.8
Maharashtra Incl. Mumbai	32.9	67.1	3.3
Karnataka	37.1	62.9	2.7
Andhra Pradesh	54.4	45.6	8.5
Tamil Nadu (incl. Chennai)	28.0	72.0	10.5
Gujarat	39.4	60.6	11.8
Subtotal	36.2	63.8	6.7
Haryana	38.1	61.9	29.8
Madhya Pradesh	43.3	56.7	19.1
Kerala	46.3	53.7	6.7
Punjab	36.2	63.8	12.7
Uttar Pradesh (UPE + UPW)	52.5	47.5	22.9
Rajasthan	51.4	48.6	16.3
West Bengal Incl. Kolkata	45.0	55.0	12.4
Subtotal	47.1	52.9	17.6
Orrisa	64.2	35.8	22.7
Himachal Pradesh	67.0	33.0	23.9
Bihar	67.7	32.3	25.7
Assam	51.6	48.4	19.3
Jammu & Kashmir	42.7	57.3	23.8
North East	40.7	59.3	16.9
Subtotal	60.3	39.7	22.8
Total	43.2	56.8	12.6
Others	43.9	56.1	2.3
Grand total	43.3	56.7	4.0

Source: TRAI, HDFC sec Inst Research

Fig. 32: Jio's Competitive Position Is Stronger In Less Urbanised Markets



Source: TRAI, HDFC sec Inst Research

Fig. 33: Deals / Partnerships For Content

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
1	Indiividual Learning Private Limited ("Embibe"), s subsidiary of RIL	eDreams Edusoft Private Limited ("Funtoot")	716.44	<p>1) Representing 90.5% holding in the equity share capital of Funtoot</p> <p>2) Embibe will make further acquisition of equity shares of up to INR100mn. This will be completed by December 2021 and the shareholding of Embibe will thereafter increase to 100% of share capital of Funtoot.</p> <p>3) The aforesaid acquisition is expected to accelerate Embibe's digital education technology platform development initiatives.</p>	Funtoot, an education technology company, incorporated in India on July 09, 2010, is engaged in the business of developing e-learning products and providing practice, testing and analysis modules to the students appearing for K-12 for the subjects of mathematics and science as per methodologies developed by Funtoot. It has operations in India	Funtoot is an early revenue stage company with turnover of INR 7.34 crore, INR 9.30 crore and INR 4.93 crore, and Net Profit (Loss) of INR 27.74 lakh, INR 246.39 lakh and INR (200.59) lakh in FY 2018-19, FY 2017-18 and FY 2016-17 respectively.
2	Reliance Strategic Business Ventures Limited ("RSBVL"),	NowFloats Technologies Pvt. Ltd. ("Nowfloats")	1,416.38	<p>1)The said investment represents 85% holding in the equity share capital of Nowfloats.</p> <p>2) RSBVL proposes to make a further investment of up to INR 75 crore (Indian Rupees seventy five crore only), subject to achieving agreed milestones. The further investment is expected to be completed by December 2020. Post the further investment, the shareholding of RSBVL will increase to 89.66% of the equity share capital of Nowfloats.</p>	The aforesaid investment will further enable the group's digital and new commerce initiatives. Nowfloats, incorporated in India on May 9, 2012, offers SaaS solutions to Small and Medium Enterprises (SMEs) that enable them to get a digital presence. Other solutions include local content discovery platform, online business management suite, website promotion / marketing solutions, and various other offerings for SMEs. It has operations in India.	Nowfloats is an early stage company, with turnover of INR 32.56 crore, INR 18.73 crore and INR 10.38 crore, and Net Profit (Loss) of INR (43.24) crores, INR (47.49) crores and INR (31.43) crores in FY 2019, FY 2018 and FY 2017 respectively.
3	Reliance Strategic Business Ventures Limited ("RSBVL")	Asteria Aerospace Private Limited ("Asteria")	-	<p>1) The said investment represents 51.78% holding in the equity share capital of Asteria.</p> <p>2) RSBVL proposes to make a further investment of up to INR1250mn</p> <p>3) The further investment is expected to be completed by December 2021. Post the further investment, the shareholding of RSBVL will increase to 87.3% of the equity share capital of Asteria</p> <p>4) The aforesaid investment will further enable the group's initiatives in emerging technology</p>	Asteria, incorporated in India on June 6, 2011, is a full-stack drone technology company with in-house drone manufacturing capabilities, and also offers software solutions to provide actionable insights from aerial data, intending to deliver "drone-as-a-service" digital platform. It has operations in India.	Asteria is an early stage company, with turnover of INR 1.96 crore, INR 2.04 crore and INR 1 Lakh in FY 2019, FY 2018 and FY2017 respectively, and Net Profit (Loss) of INR (12.71) crore, INR (2.47) crore and INR (2.43) crore in FY 2019, FY 2018 and FY 2017 respectively

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
4	Reliance Brands Limited	Future101 Design Private Limited (Future101)	95.00	<p>1) Future101, incorporated in July, 2013 is engaged in manufacturing, distribution and sale of luxury apparels, etc. in India. Future101 belongs to a similar industry as Reliance Brands Limited.</p> <p>2) acquired a further stake of 2.5% in Future101 Design Private Limited (Future101) on 7th February, 2019 for a consideration of INR19.9mn taking its total stake to 15%</p>		Future101 reported annual turnover of INR. 22.18 crore, INR. 20.85 crore and INR.17.11 crore in FY 2017-18, FY 2016-17 and FY 2015-16, respectively.
5	Reliance Retail Ventures Limited (RRV)	Genesis Colors Limited (GCL),	450.00	<p>1) Taking its total stake in GCL to 29.07% on the enhanced capital of GCL. Consequently, the stake of RBL in GCL shall be 43.66% and the aggregate equity shareholding of RRV and RBL in GCL stands at 72.73%</p>	The aforesaid acquisitions will help the Company to strengthen its footage in the retail industry and support its long term strategy to enhance its value in the retail industry.	
6	Reliance Industrial Investments and Holdings Limited ("RIIHL")	Shopsense Retail Technologies Pvt. Ltd. ("Shopsense" or "Fynd")	2,952.50	<p>1) RIIHL has an option to further invest an amount of up to INR 100 crore which is likely to be completed by December 2021. The total investment will translate into ~87.6% of equity share capital in Fynd on a fully diluted and converted basis.</p> <p>2) Fynd is a software technology company incorporated on 27 September 2012. Fynd provides technology platform and solutions to merchants to manage their inventory and sales across multiple demand channels for consumers, including e-commerce platforms.</p>	Fynd is an early stage company, with turnover of INR 4.84 crore, INR 0.70 crore and INR 0.52 crore, and Net Profit (Loss) of INR (18.64) crore, INR (10.64) crore and INR (1.51) crore in FY 2018, FY 2017 and FY 2016 respectively.	
7	RIL	"Reliance Navi Mumbai Infra Limited	0.50	RNMIL is incorporated with the purpose of undertaking real estate and related infrastructure activities. RNMIL is yet to commence its business operations.		

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
8	Reliance Industrial Investments and Holdings Limited ('RIIHL'),	SkyTran Inc.	-	<p>1) On 17th Oct, 2018 acquired 12.7% shareholding in SkyTran Inc. on a fully diluted basis with an option to further invest an amount upto USD 25 million in convertible notes</p> <p>2) On November 6, 2019, RSBVL has acquired further shares in SkyTran Inc. to increase its shareholding in SkyTran Inc. to 17.37% on a fully diluted basis.</p>	<p>1) SkyTran, is a venture capital-funded technology company incorporated under the laws of Delaware, United States of America (USA) in 2011. SkyTran is focused on developing state of the art technology in the field of Personal Rapid Transit Systems. SkyTran, which has partnered with National Aeronautics and Space Administration (NASA) in the US and Israel Aerospace Industries (IAI) in Israel, has developed breakthrough magnetic levitation technology for implementing personal transportation systems aimed at solving the problem of traffic congestion globally. SkyTran has 8 approved patents and 40+ patents pending approval, globally, including in India. The technology has been developed by SkyTran to create Smart Mobility Solutions. The proposed SkyTran network would consist of computer-controlled passenger pods running on its state-of-the-art, patented Passive Magnetic Levitation technology and would use cutting edge IT, Telecom, IoT and Advanced Materials technologies to transport passengers in a fast, safe, green, and economical manner.</p> <p>2) Reliance has made the investment in SkyTran with the aim to foster a 11 exclusive partnership in India where it would work closely with SkyTran to develop implementations followed by implementation of its network in India at scale. Reliance would play an active role in advancing the SkyTran solution, especially in Telecom (4G/5G/IoT/Giga Fiber), Digital Platforms and Services, Advanced Materials & Electric Batteries.</p>	

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
9	Reliance Brands Limited	Hamleys Global Holdings Limited ("HGHL"),	-	1) Completed acquisition of 100% stake of HGHL through a special purpose vehicle company set up in United Kingdom for cash consideration of GBP 67.96 million	HGHL was incorporated on August 3, 2012 in England and Wales and together with its subsidiaries is a retailer of toys under the world-renowned brand "Hamleys". Hamleys is more than 250 years old and was founded in the year 1760. It currently has 167 stores across 18 countries. Reliance Lifestyle Holdings Limited, a subsidiary of the Company, runs and operates the Indian franchise of the Hamleys brand and has 88 stores in India. This acquisition will catapult RBL to be a major player in the global toy retail industry.	HGHL reported annual (consolidated) turnover of GBP 62.88 million, GBP 66.27 million and GBP 67.99 million for the years ended December 2018, 2017 and 2016, respectively. HGHL reported Profit/(Loss) after tax of GBP 2.44 million, GBP (11.24) million, and GBP 1.94 million for the years ended December 2018, 2017 and 2016, respectively.
10	Reliance Industries Limited ("RIL") and JM Financial Asset Reconstruction Company Limited ("JMFARC")	Alok Industries Limited				
11		C-Square Info Solutions Private Limited**				
12		Dronagiri Bokadvira East/West/North/South Infra			Dronagiri Bokadvira East/west/north/south Infra Limited is a Public incorporated on 28 January 2019. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 1,000,000 and its paid up capital is INR. 500,000. It is involved in Real estate activities with own or leased property. [This class includes buying, selling, renting and operating of self-owned or leased real estate such as apartment building and dwellings, non-residential buildings, developing and subdividing real estate into lots etc. Also included are development and sale of land and cemetery lots, operating of apartment hotels and residential mobile home sites	

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
13		Dronagiri Dongri East/North/South/West Infra Limited			Dronagiri Funde West Infra Limited is a Public incorporated on 31 January 2019. It is classified as Non-govt company and is registered at Registrar of Companies, Ahmedabad. Its authorized share capital is INR. 1,000,000 and its paid up capital is INR. 500,000. It is involved in Real estate activities with own or leased property.	
14		Dronagiri Funde East/West/North/South Infra Limited			Dronagiri Funde West Infra Limited is a Public incorporated on 31 January 2019. It is classified as Non-govt company and is registered at Registrar of Companies, Ahmedabad. Its authorized share capital is INR. 1,000,000 and its paid up capital is INR. 500,000. It is involved in Real estate activities with own or leased property. [This class includes buying, selling, renting and operating of self-owned or leased real estate such as apartment building and dwellings, non-residential buildings, developing and subdividing real estate into lots etc. Also included are development and sale of land and cemetery lots, operating of apartment hotels and residential mobile home sites.	
15		Dronagiri Navghar East Infra Limited			Dronagiri Navghar East Infra Limited is a Public incorporated on 04 February 2019. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 1,000,000 and its paid up capital is INR. 500,000. It is involved in Real estate activities on a fee or contract basis.	

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
16		Dronagiri Pagote East/North/North first/north second/south first/west/east/north /south/west Infra Limited			Dronagiri Pagote East Infra Limited is a Public incorporated on 16 January 2019. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 1,000,000 and its paid up capital is INR. 500,000. It is involved in Real estate activities with own or leased property.	
17		Genesis La Mode Private Limited			Genesis La Mode Private Limited is a Private incorporated on 30 March 2012. It is classified as Non-govt company and is registered at Registrar of Companies, Delhi. Its authorized share capital is INR. 120,000,000 and its paid up capital is INR. 120,000,000. It is involved in Wholesale on a fee or contract basis.	
18		Genesis Luxury Fashion Private Ltd.				
19		GLB Body Care Private Limited				
20		GLF Lifestyle Brands Private Limited				
21		GML India Fashion Private Limited				
22		Grab A Grub Services Private Limited				
23		Jio Payments Bank Limited			Reliance Industries Limited was granted an in-principle approval by the Reserve Bank of India ('RBI') to establish a new Payments Bank under the Banking Regulation Act, 1949. It then partnered with the State Bank of India to support this ambitious initiative of building Payments Bank capabilities for every Indian and accordingly, Jio Payments Bank Limited, was incorporated in November 2016.	

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
24		Radisys Corporation			The company's products are used in mobile network applications such as small cell radio access networks, wireless core network elements, deep packet inspection and policy management equipment; conferencing, and media services including voice, video and data.	
25		Reliance Content Distribution Limited			Reliance Content Distribution Limited is a Public incorporated on 04 September 2017. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 99,999,998,000 and its paid up capital is INR. 53,401,100,000.	
26		Reliance GAS Lifestyle India Private			Reliance Gas Lifestyle India Private Limited is a Private incorporated on 10 February 2017. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 1,000,000,000 and its paid up capital is INR. 1,000,000,000. It is involved in Repair of personal and household goods	
27		Reverie Language Technologies Private Limited			Reverie Language Technologies Private Limited is a Private incorporated on 12 November 2009. It is classified as Non-govt company and is registered at Registrar of Companies, Bangalore. Its authorized share capital is INR. 617,530 and its paid up capital is INR. 167,380.	
28		Saavn Media Private Limited			Saavn Media Private Limited operates as a platform as a service company. The Company provides platform for English, Hindi, and Indian regional songs. Saavn Media offers customized radio station. Saavn Media serves customers in India.	

No	Acquirer	Acquire	Acquisition cost (INR mn)	Remarks	About the company	Financial details
29		The Indian Film Combine Private			The Indian Film Combine Pvt Ltd is a Private incorporated on 19 October 1942. It is classified as Non-govt company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is INR. 200,000,000 and its paid up capital is INR. 68,988,096. It is involved in Motion picture, radio, television and other entertainment activities	

Source: Company, HDFC Securities Inst Research

InvIT

RIL has set up two Infrastructure Investment Trusts (InvITs) as sponsors. Reliance Jio Infocomm Ltd (RJIL) has spun off its fiber and tower businesses into two Special Purpose Vehicles (SPVs). Fiber and Tower undertakings will be transferred to Jio Digital Fiber Private Ltd (JDFPL) and Reliance Jio Infratel Private Ltd (RJIPL) respectively. Both these entities are operating as independent entities with the transfer of control to the SEBI registered InvIT. The InvITs will acquire 51% in the SPVs.

- InvIT has its independent business plan and would need to meet its own obligations. This includes operating expenses and capex as well as future rollouts. RJio is an anchor tenant for all the towers and for ~50% of fiber pairs. It has signed a 20 year contract with InvITs. RJio will pay rentals at market rate which will come down with new tenants. RJio's payout should enable it to meet its near-term obligations. InvIT would raise funds by issuing units to new holders.
- Jio has transferred assets worth INR 1.25trn. The corresponding liabilities which move off its balance sheet include bank debt INR 380bn, Capex creditors INR 327bn and issue of NCDs to RIL INR 536bn. However, Jio paid an advance of INR 170bn to SPV for use of assets. SPV repaid RIL NCDs worth INR 170bn. Thus, net NCDs of RIL outstanding are worth INR 366bn.
- Brookfield has invested INR 252bn for its units and will be a key sponsor. In future, it could choose to refinance this amount with co-investors; however, as of now, it has completely underwritten this investment. INR 2bn infused by Brookfield will help InvIT take full 100% stake (51% ownership by InvIT was earlier funded through bridge loan by InvIT and the balance 49% is to be purchased from RIL now) in Asset SPV (RJIPL) and the balance INR 250bn will be infused by InvIT in RJIPL through NCDs as long term interest bearing quasi-equity/debt. InvIT would control RJIPL through a Brookfield-appointed investment manager and decide on the future course of the tower business.
- Transfer of fiber and tower assets to the SPV will enable a revaluation gain of INR 910bn. It has a GST component of INR 130bn and thus, net gain is INR 780bn. RJio's fiber assets worth INR 880bn were valued at INR 1.66trn. The InvIT issued preference shares to RIL for the difference (INR 780bn), repayment of which is contingent on the cash flows of the InvIT. This has potential to unlock value to RIL, as any additional cash flow from new users will flow to RIL.
- **Besides, the re-engineering of balance sheet will make an asset light model for RJio and make it substantially deleveraged and right size its balance sheet. This will enable it to monetize infrastructure assets and create value through external tenancies.**

Fig. 34: InvIT Structure

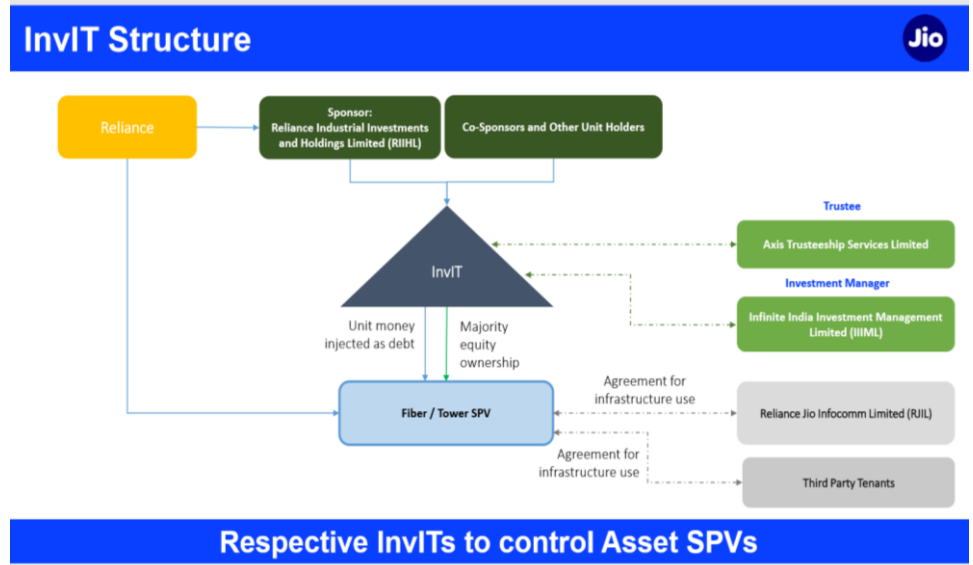


Fig. 35: Balance Sheet Of Fiber And Tower Cos Now Controlled By InvITs

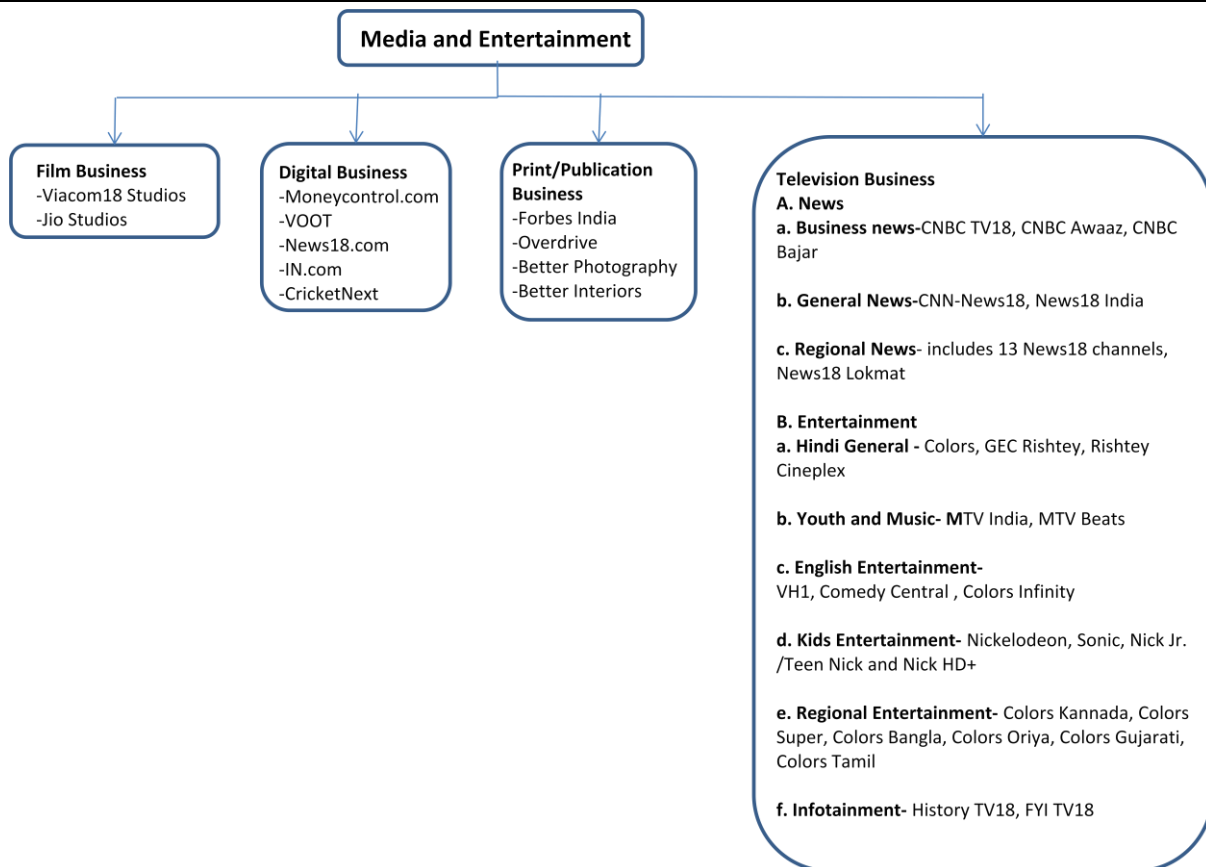
INR bn	JDFPL	RJIPL	Total
Assets	1,664.0	368.0	2,032.0
Equity Shares	5.0	2.0	7.0
Preference Shares (Marketable security)	781.0	1.0	782.0
Share Capital	786.0	3.0	789.0
Liabilities			
Bank borrowing	270.0	110.0	380.0
Other Liabilities	190.0	137.0	327.0
RIL NCDs	248.0	118.0	366.0
Advance Paid by Jio	170.0	-	170.0
Sub Total	878.0	365.0	1,243.0
Total Liabilities	1,664.0	368.0	2,032.0

Source: Company, HDFC Sec Inst research

Media and Entertainment

- Investment in Network18 Media and its subsidiary TV18 Broadcast (TV18) enables RJio to provide a combination of telecom, web and digital commerce. Network18 is a diversified media conglomerate with footprint across television broadcasting, movie production and distribution, digital content and commerce, print magazines, mobile content and allied media services. Its 20 domestic channels span over 15 languages. Network18’s television channels reach out to more than 800mn people in India, representing ~95% of the TV viewing universe. Its digital content properties across news and entertainment are consumed by over 130mn people.
- Moreover, RIL is focusing on offering exclusive content to its users and investing in creation of original content so as to deliver it to diverse populace. RIL has set up Jio Studios, with the vision to build content ecosystem of films, web series, music and other content in Hindi and regional languages. It has also acquired stakes in companies like Eros, Balaji and Viacom-18 that has given them access to varied content. This provides RIL with an edge as it offers its viewers a myriad of content to choose from, enabling it to become value differentiator. Network18 fits together within the Jio ecosystem across content creation and distribution so as to deliver Indian and global content.

Fig. 36: Network18 Verticals



Source: Company, HDFC Sec Inst Research

- The company has stated that it is looking to target 50mn households for its fiber broadband product. Currently, the company's focus is on ramping up subscriber base. RIL's rollout is progressing at a slower pace but management is confident that it will connect 20mn home connect and 15mn enterprises over 2-3 years.
- RIL is testing waters initially with Jio Saavn on content monetisation. The company has taken a first step in this direction by launching a freemium music app. The company is in process of finding the right mix and price point.

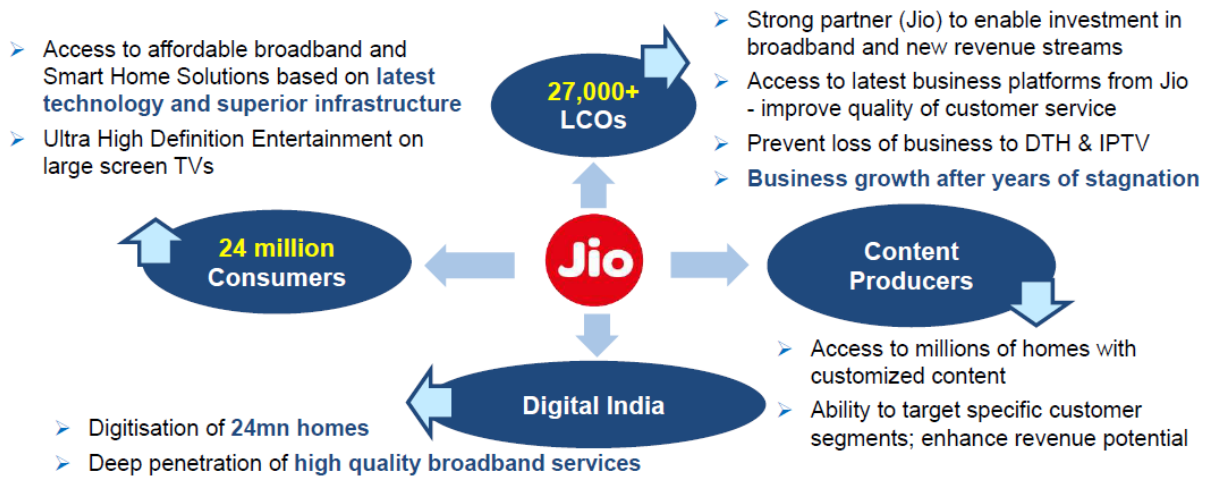
RIL to merge its distribution, media business into Network18

- RIL will consolidate its media and distribution businesses, which are currently spread across multiple entities, into Network18. Under this scheme of arrangement, TV18 broadcast, Hathway Cable & Datacom and Den Networks will merge into Network18 Media & Investments. The broadcasting business will be hosted in Network18 and the cable and Internet Service Provider (ISP) businesses in two separate wholly owned subsidiaries of Network18.
- Consolidation of cable businesses of Den and Hathway should leverage the combined strength of the more than 27,000 local cable operators (LCOs). Currently, these LCOs act as a touch points to 15-17mn households.

Investment in Hathway Cable and Den Network

- Jio has set out a target to connect 50mn homes across the country with its GigaFiber services. These services would include home broadband, wireline, content and smart home Internet of Things (IoT) solutions. Jio GigaFiber is designed to provide fast and secure ultra-broadband home experience. To accelerate this rollout, RIL has made strategic investments in Hathway Cable and Datacom and in DEN Networks. Through these investments, Jio will be strengthening the 27,000 LCOs aligned with DEN and Hathway to provide Jio Home solutions with millions of homes. This will accelerate Jio's commitment to provide services to 50mn homes in the shortest time possible.
- RIL has acquired 51.34% in Hathway Cable Datacom for a consideration of INR 29bn and a further 20.61% through an open offer at INR 12bn. Similarly, it has acquired 66.01% in Den Networks for a consideration of INR 23bn and subsequently, acquired an additional 12.05% stake for INR 4bn.

Fig. 37: Win-Win Situation For All Stakeholders



Source: Company, HDFC Sec Inst Research

- Being a pipe as well as a content creator gives Jio better access to consumer patterns which should make monetisation easier. Media and Entertainment may not contribute significantly to our SOTP presently but we believe that it would play a critical role in maintaining Jio’s revenue market share growth momentum.

Reliance Retail- De-coding India's Everything store

Story in Charts

Fig. 39: Food & Grocery (F&G) Getting Increasingly Top-Heavy. Leaner (Lower Cost Of Retailing) Grocers Like RR, DMART Gaining Share

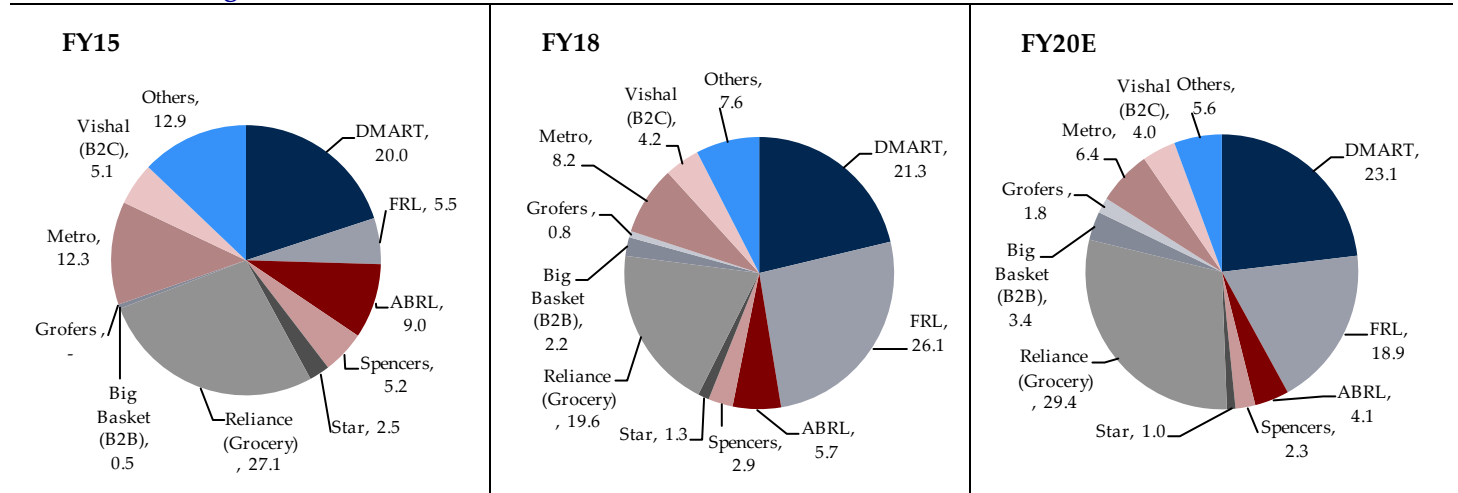
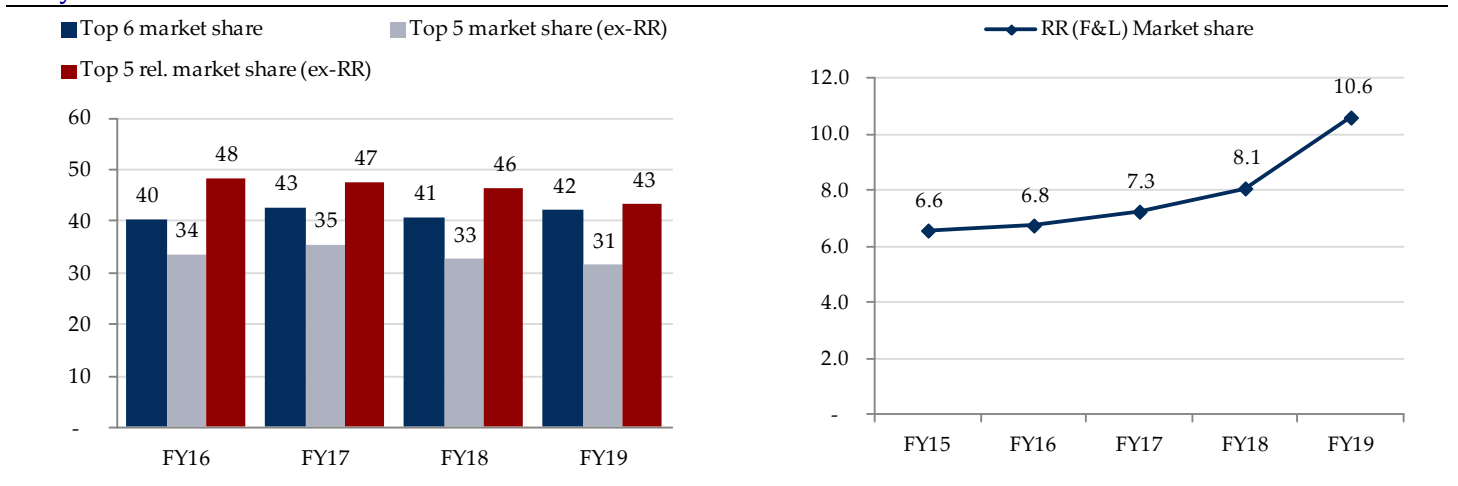
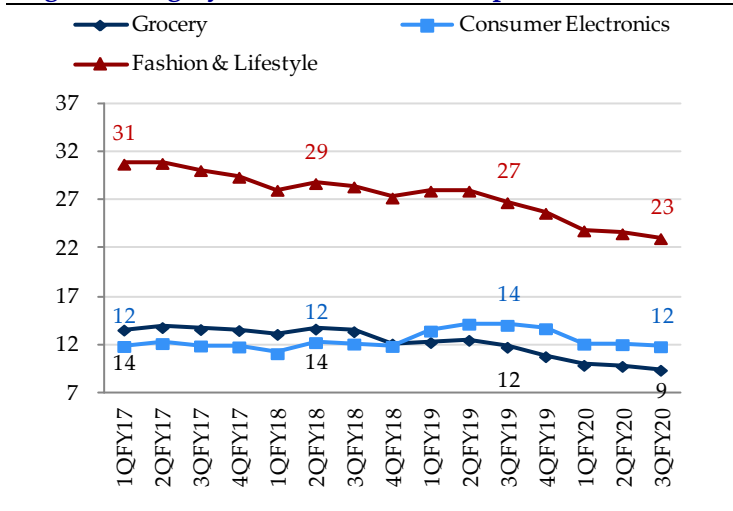


Fig. 40: In Fashion and Lifestyle (F&L) Too, RR Has Been Consistently Gaining Share Courtesy Its Value Fashion Play – Reliance Trends



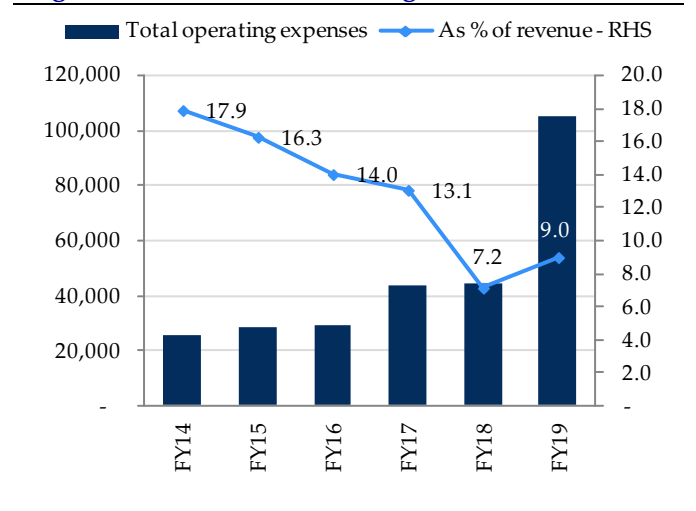
Source: Company, HDFC sec Inst Research

Fig. 41: Category-Wise Movement In Opex (% Of Sales)



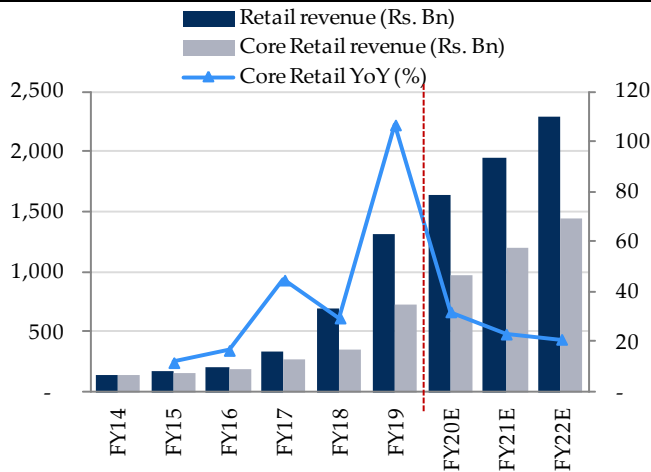
Source: Company, HDFC sec Inst Research

Fig. 42: RRVL-Cost Of Retailing Movement (Consol)



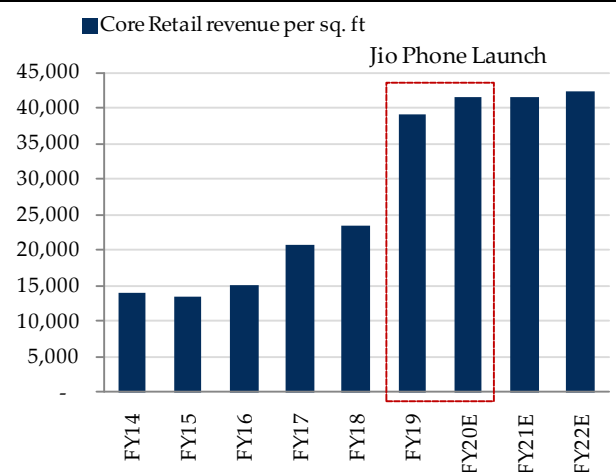
Source: Company, HDFC sec Inst Research, Note: FY19 increase in cost of retailing is due to operating leases for Jio Phones

Fig. 43: On A High Base, Core Retail Revenue To Grow At ~25% CAGR Over FY19-22E



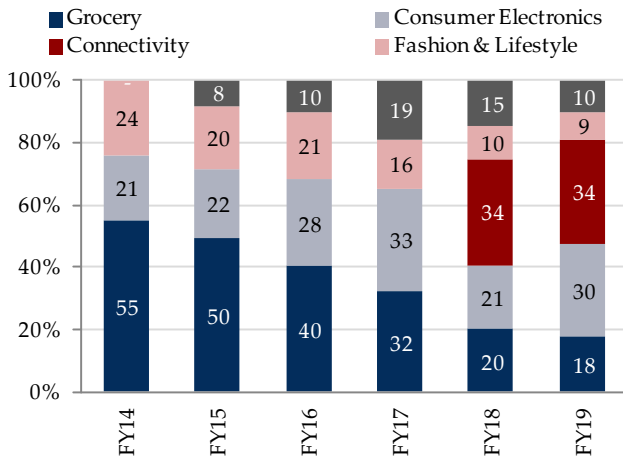
Source: Company, HDFC sec Inst Research

Fig. 44: Core Retail Productivity Estimated At ~41k Per Sq. Ft



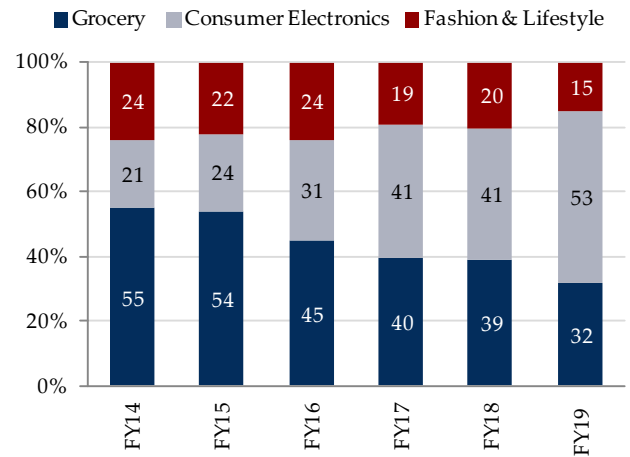
Source: HDFC sec Inst Research estimates

Fig. 45: Retail Revenue Mix



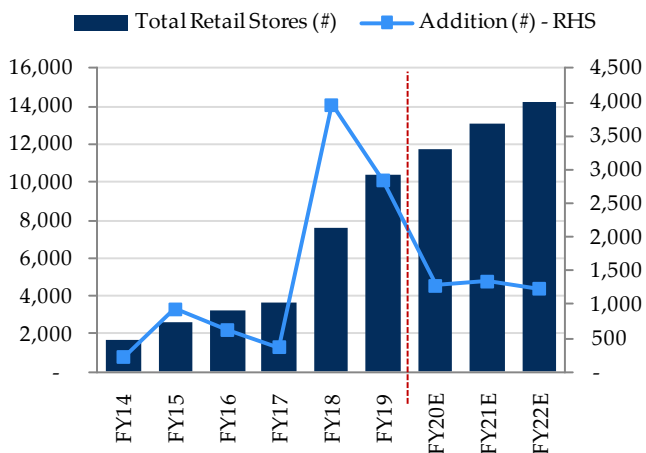
Source: Company, HDFC sec Inst Research

Fig. 46: Core Retail Revenue Mix



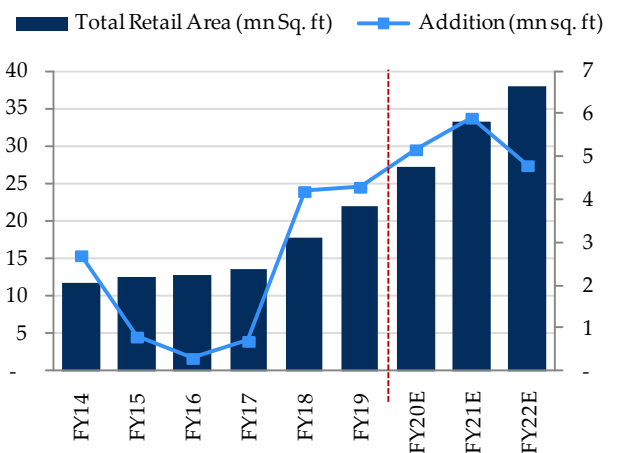
Source: Company, HDFC sec Inst Research

Fig. 47: Largest Retail Network In India - 10,901 Stores



Source: Company, HDFC sec Inst Research

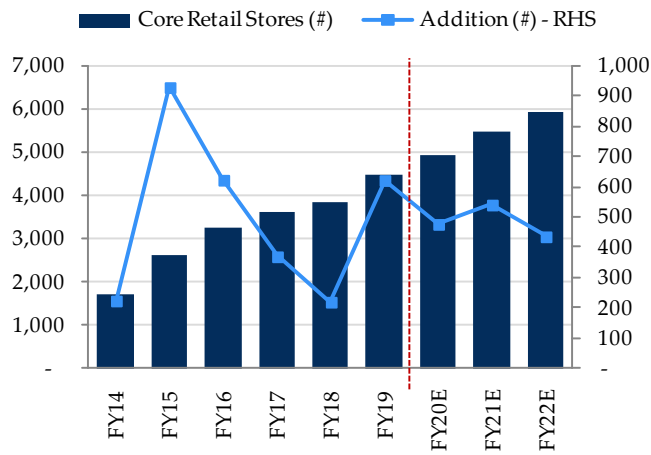
Fig. 48: ...24.5mn Sq. Ft In Retail Space



Source: Company, HDFC sec Inst Research

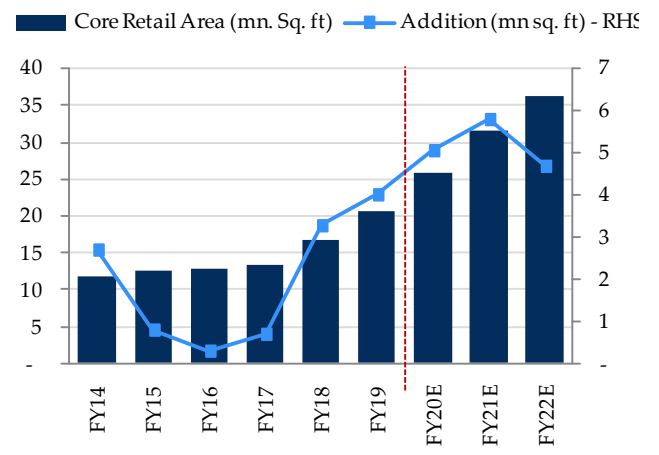
Reliance Industries: Company update

Fig. 49: Core Retail To Add >1250 Stores Over FY19-22E



Source: Company, HDFC sec Inst Research

Fig. 50: Ergo, Building In 20% Area CAGR Over GY19-22E



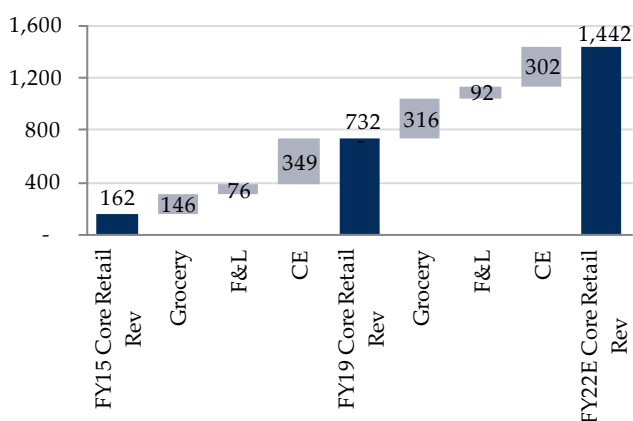
Source: Company, HDFC sec Inst Research

Grocery to be the growth anchor

Stock-up format gaining preference

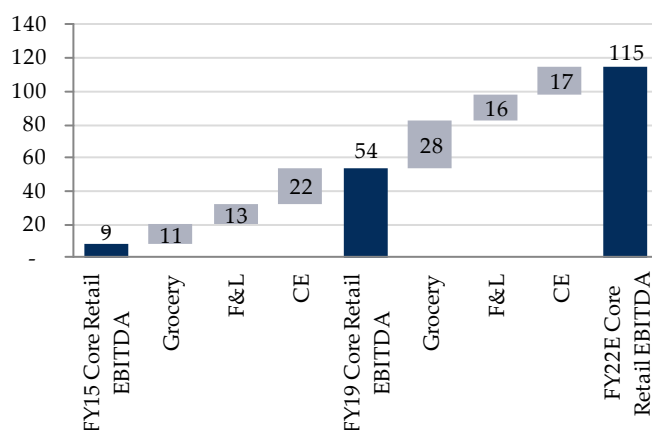
- Grocery biz is expected to take centre-stage in RR's growth narrative as Consumer Electronics biz cools off courtesy 1. moderating JIO phone sales; 2. High base, 3. Ever intensifying e-tail onslaught in the category
- Stock-up format (Reliance SMART) gaining preference as top-up format remains store economics-crushing for all industry participants. Ergo, productivity/profitability per sq ft has improved significantly over FY16-20. Recent acquisitions validate the step-up in focus on stock-up too.
- Focus remains on lowering cost of retailing via 1. Making the store network denser, 2. Improving omni-channel capabilities.
- Our store network analysis across key grocers suggests that while D-MART ranks best on real estate choices and density of network. RR too is playing catch up.
- Stock-up format (Reliance SMART) gaining preference as top-up format remains store economics-crushing for all industry participants. Ergo, productivity/profitability per sq ft has improved significantly over FY16-20. Focus remains of lowering cost of retailing via 1. Making the store network denser, 2. Improving omni-channel capabilities
- **Grocery to take centre-stage in growth narrative:** While Consumer Electronics vertical (CE) was the growth lever contributing 61/47% of incremental revenue/EBITDA over FY15-19, it is expected to cool off courtesy moderating Jio phone sales. Grocery biz is expected to take centre-stage in RR's growth narrative over FY19-22E (to contribute >45%/46% of incremental revenue/EBITDA) as expansion plans are revved up. The company operates the grocery vertical via 3 formats: 1. Reliance Fresh (Convenience store), 2. Reliance Smart (stock-up format) and Reliance Market (Cash & Carry).

Fig. 51: Revenue Contributors (FY15-22E)



Source: Company, HDFC sec Inst Research

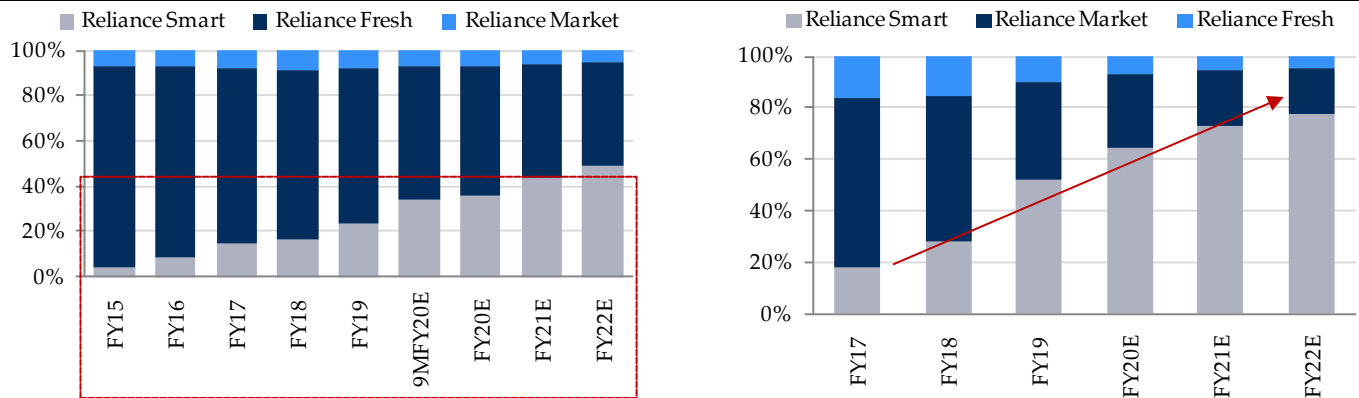
Fig. 52: EBITDA Contributors (FY15-22E)



Source: Company, HDFC sec Inst Research

- **Stock-up format gaining preference;** ergo productivity should improve: Perhaps opportunistic, but focus has decisively shifted towards the more profitable stock-up format (Reliance Smart). RR added 171/248 Smart stores (est) in just over 2 years (3QFY18-3QFY20). On the other hand, Reliance Fresh's expansion (top-up format), has been reined in. Understandably so, as the top-up format remains store economics-crushing for all industry participants. F&G productivity has improved significantly over FY16-20 (HDFC Sec est. ~INR 43.8k/sq. ft; 28% CAGR) as a consequence. Given the young store age profile of Reliance Smart, we expect SSSG to be healthy for the grocery biz and build in revenue CAGR of ~33% over FY19-22E.

Fig. 53: Stock-Up Format Reliance Smart Gaining Preference In Expansion Strategy (Mix Of No. Of Stores, Area)



Source: Company, HDFC sec Inst Research estimates

Source: Company, HDFC sec Inst Research estimates

- Recent acquisition also validates the ‘focus on stock-up’ narrative:** The recent acquisition of Shri Kannan Department stores (SKDS) also validates the focus on the stock-up format. SKDS (incorporated in FY2000), is a stock-up grocer (avg. store size: 20,690 sq. ft) with a network of 29 stores and 0.6mn sq. ft retail space predominantly in Coimbatore.
- SKDS has a dwindling top-line (-7% CAGR over FY17-19, INR 4bn in FY19) with a burgeoning working capital cycle and a precarious leverage position (Net Debt/EBITDA: 5x, Interest cover: 1.1x).** However, from RRVL’s point of view, if executed well, the deal may turn out to be a steal as
 - It gives RR access to a potentially lucrative and relatively virgin geography for org. retail - Coimbatore. The district has a PCI range of INR 200-250k and a reasonable population density of ~730/sq. km (Indian avg 464/sq. km). Big box retailers hardly have a presence in Coimbatore (Big box retailers - 5 stores; DMART has 2 stores)
 - There are enough cost synergies to milk. Also, current rev/sq ft (INR 6900) and GPM can easily be improved upon by a rejig of product mix and better utilising the asset through its omni-initiatives. Even, if RR gains a 20% share in Coimbatore we are looking at a ~15% rev CAGR for RR in this market.

Fig. 54: Enough Cost Synergies To Milk From The Recent SKDS Acquisition

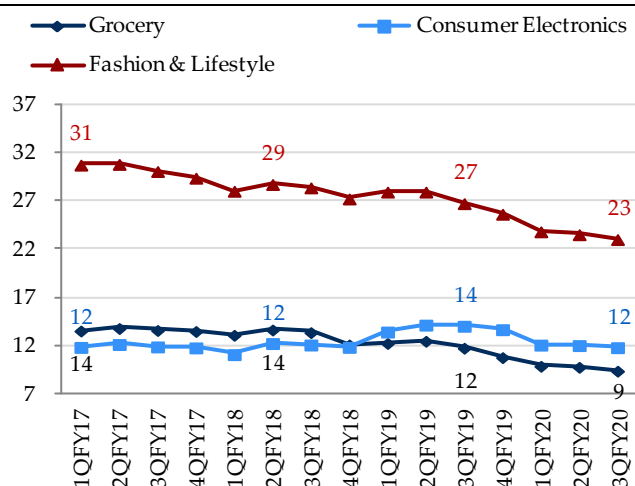
Rs. mn	SKDS				Estimated P&L (Reliance -Grocery)	
	FY17	FY18	FY19	FY22E	FY19	Comments
Revenue	4,812	4,502	4,147	5,459	216,867	@ 20% household market share, RR could improve its throughput and revenue per sq. ft by ~15% CAGR over FY19-22E
GPM	11.9	12.8	13.0	15.0	15.0	Better sourcing margins for RR and product mix change can bring GPMs closer to estimated company average of ~16%
Cost structure (As % of sales)	9.1	9.9	9.9	8.2	8.7	Savings in Employee, Rent and A&P expenses (courtesy brand equity) along with operating leverage could help save ~170bp in opex
Emp. Exp	3.5	3.8	4.0	3.0	3.0	
Rent	1.8	1.8	1.9	1.9	2.0	
A&P spends	0.3	0.3	0.3	0.1	0.2	
Other expenses	3.5	3.9	3.7	3.2	3.5	
EBITDA	136	132	128	372	13,736	
EBITDA margin (%)	2.8	2.9	3.1	6.8	6.3	
PAT	42	33	20	278		
RoE (%)	9.8	8.5	4.7			
RoCE (%)	5.5	6.9	4.0			
Revenue/sq. Ft	7,503	7,254	6,912	9,099		
EBITDA/sq. ft	212	212	213	637		
EV (money paid by RIL) (Rs. mn)			1525			
Equity Value (Rs. mn)			903			
EV/EBITDA (x)			11.9			
P/B (x)			2.1			

Source: Company, HDFC sec Inst Research estimates

Cost of retailing inching down:

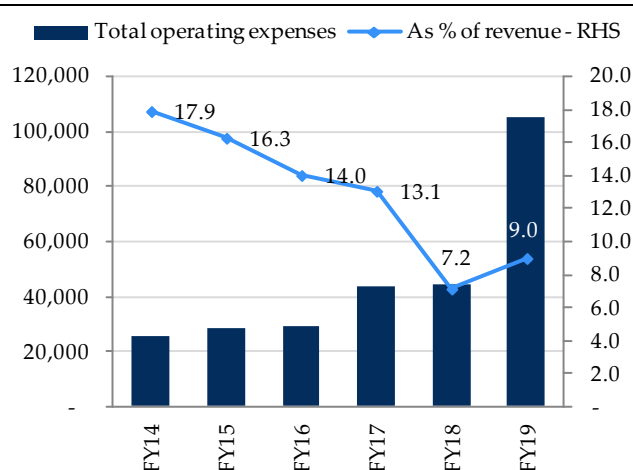
- **Network is getting denser:** Channel checks, store analysis and recent acquisitions also suggest that RR is trying to make its network denser (especially in South)
- **Ramping up its omni-footprint too:**
 1. The company has launched a new small store format in 3Q -SMART point (500-1, 500 sq. footers) with presence in residential neighbourhoods and Reliance SMART's price promise. 18 stores have been launched in Navi Mumbai, Thane and Kalyan in 3Q. These outlets will double up as last mile delivery (LMD) hubs for online fulfilment as well as act as Pick-up-points (PuP) – A la D-MART Ready.
 2. RR's 'New Commerce' initiative wherein it connects Kirana stores to a consumer base and manages their inventory via an M-POS system is expected to bring down LMD costs too as Kirana stores act as LMD agents.
- As store networks get denser and omni-footprint increases across formats/categories, supply chain costs come off, which can in turn be fed into smarter assortment pricing to gain market share. An inkling of this, can be seen in RRVL's reducing cost of retailing across core categories – F&G, F&L, Consumer Electronics (Note: These are estimates).

Fig. 55: Category-Wise Movement In Opex (As % Of Sales)



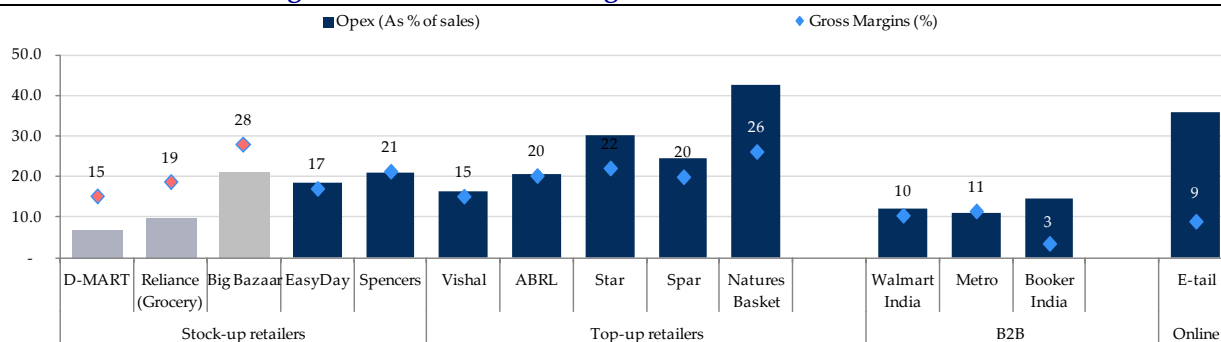
Source: Company, HDFC sec Inst Research

Fig. 56: RRVL: Cost Of Retailing Movement (Consol)



Source: Company, HDFC sec Inst Research, Note: FY19 increase in cost of retailing is due to operating leases for Jio Phones

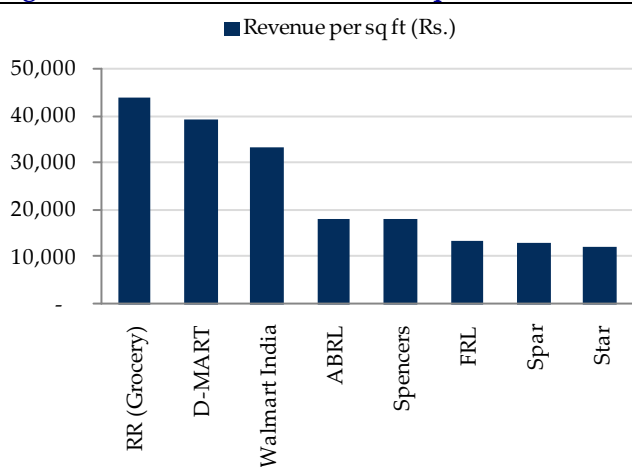
Fig. 57: Peer-Wise Gross Margins And Cost Of Retailing (%)



Source: Company, HDFC sec Inst Research (FY19), Note: Reliance Grocery figures on Gross Sales basis

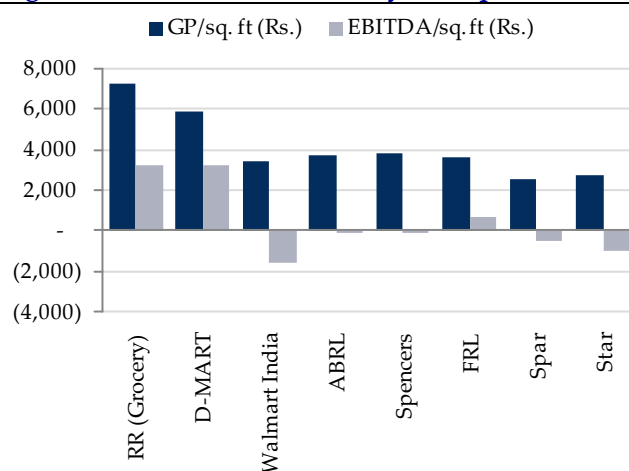
- **Tier2/3-heavy store network allows RR to focus on 'Fresh':** Our district-wise store analysis (based on per capita income and population density) clearly shows that D-MART trumps peers in real estate choices (most dense network among peers, operating in the most-densely populated districts with one of the highest per capita income profiles). Ergo, enjoys one of the highest sales velocities in trade.
- In this backdrop, RR's higher sales velocity (for Reliance Smart) seems disjointed with its store location profile (higher tier 2/3 presence). However, we believe, its focus on high frequency and high margin (if supply chain/wastage costs reined in) Fresh category in near virgin markets with weak fruits & vegetables (F&V) vendor base may perhaps be aiding its throughput/sq. ft. **However, supply chain costs are likely to be higher vs D-MART. (Cost of retailing est: ~10% for RR's grocery biz vs D-MART's 6.5%)**

Fig. 58: Grocer-Wise Revenue Per Sq. Ft



Source: Company, HDFC sec Inst Research (FY19). RR and D-MART's figures are on annualized FY20 financials

Fig. 59: Grocer-Wise Profitability Per Sq. Ft



Source: Company, HDFC sec Inst Research, RR and D-MART's figures are on annualized FY20 financials

Fig. 60: District Wise Store Mapping Across Per Capita Income and Population Density of India

Store Mix (%)											
PCI/Population density	Population (mn)	District (#)	D Mart	Reliance Smart	Big Bazaar	Star Bazaar	Vishal Megamart	Spencers	Spar	Natures Basket	
<INR100K	498	220	2.5	14.1	15.3	-	29.6	18.7	4.0	-	-
<300	105	79	0.5	5.8	2.2	-	4.4	-	-	-	-
1000-3000	162	47	-	-	8.4	-	13.2	17.1	-	-	-
3000-5000	7	2	0.5	1.7	2.2	-	3.8	1.6	4.0	-	-
300-500	47	24	1.5	2.1	0.7	-	1.3	-	-	-	-
500-1000	177	68	-	4.6	1.8	-	6.9	-	-	-	-
INR 100-150K	225	118	12.4	18.7	14.9	-	20.1	8.1	-	-	-
<300	78	56	4.0	5.0	1.1	-	5.0	0.8	-	-	-
1000-3000	33	6	-	0.8	2.5	-	1.3	2.4	-	-	-
3000-5000	5	1	-	-	0.7	-	-	0.8	-	-	-
300-500	83	43	6.0	7.9	6.2	-	7.5	3.3	-	-	-
500-1000	26	12	2.5	5.0	4.4	-	6.3	0.8	-	-	-
INR 150-200K	191	86	21.9	20.7	20.0	2.6	18.9	40.7	12.0	3.0	-
<300	67	31	6.5	5.4	1.8	-	3.1	1.6	-	-	-
1000-3000	14	3	3.0	1.2	1.5	-	1.3	-	-	-	-
300-500	56	29	5.0	5.4	3.3	-	5.0	8.1	-	-	-
5000+	9	2	0.5	2.5	8.7	-	1.3	30.9	12.0	3.0	-
500-1000	46	21	7.0	6.2	4.7	2.6	8.2	-	-	-	-
INR 200-250K	72	30	4.5	10.0	7.6	-	6.3	5.7	12.0	-	-
<300	3	3	-	-	0.4	-	-	-	4.0	-	-
1000-3000	23	7	-	1.7	2.9	-	1.3	4.1	-	-	-
300-500	18	8	1.5	2.1	1.5	-	0.6	-	-	-	-
500-1000	28	12	3.0	6.2	2.9	-	4.4	1.6	8.0	-	-
INR 250-300K	21	6	10.9	8.7	9.1	20.5	1.9	-	-	6.1	-
1000-3000	9	3	3.5	3.3	5.1	-	0.6	-	-	-	-
300-500	1	1	-	0.4	0.7	-	-	-	-	-	-
500-1000	10	2	7.5	5.0	3.3	20.5	1.3	-	-	6.1	-
INR 300-500K	57	12	32.8	17.4	25.5	76.9	18.9	19.5	68.0	90.9	-
<300	0	1	-	-	-	-	-	-	-	-	-
1000-3000	2	1	-	0.4	0.4	-	1.3	1.6	-	-	-
3000-5000	10	1	9.0	3.7	6.9	46.2	2.5	1.6	32.0	24.2	-
300-500	3	2	-	0.8	1.5	-	1.3	-	8.0	-	-
5000+	35	4	23.9	11.6	16.0	30.8	12.6	15.4	28.0	66.7	-
500-1000	8	3	-	0.8	0.7	-	1.3	0.8	-	-	-
INR 500K+	3	2	-	2.1	2.9	-	3.8	6.5	4.0	-	-
1000-3000	3	2	-	2.1	2.9	-	3.8	6.5	4.0	-	-
Gujarat	55	26	14.9	8.3	4.7	-	0.6	0.8	-	-	-
<300	19	12	1.0	3.3	1.1	-	-	-	-	-	-
1000-3000	0	1	0.5	-	-	-	-	-	-	-	-
300-500	13	5	2.5	0.8	0.4	-	-	-	-	-	-
500-1000	22	8	10.9	4.1	3.3	-	0.6	0.8	-	-	-
Grand Total	1,122	500	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: HDFC Sec Inst Research

Attempting an Indian Ling Shou Tong!

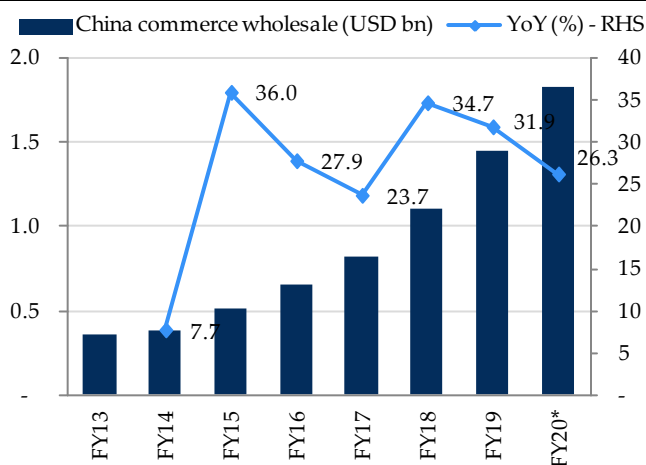
Attempting an Indian Ling Shou Tong! RR’s ‘New Commerce’ initiative is aimed at creating an ecosystem that connects the 3 key stakeholders in retail (Brands, Merchants & Consumers) – A la Ling Shou Tong (Alibaba’s B2B play). Being the largest retailer across categories/2nd largest telecom operator (by subscribers), it certainly has the Brands and Consumer leg of the equation sorted and now intends to bridge the only gap – Merchants. The retailer intends to connect ~25-30mn mom-&-pop merchants via its M-POS. Benefits to the latter are multi-fold - 1. Better procurement rates, 2. Better customer profiling, 3. superior inventory management, ergo better margins and 4. Better financing terms. What’s in it for RR? - It could charge an origination fee for its services sans the balance sheet risk.

...Some perspective: Globally, jury is still out on how to localize inventory? Why is this important? – To bring down fulfillment costs. Globally, Amazon and Alibaba have chosen divergent paths to achieve this. While Amazon has been adding fulfillment centers, Alibaba has been building a partner ecosystem alongwith acquiring physical store assets across formats to inch closer to the consumer. RR intends to go the Alibaba way. However, roadmap to success remains hazy as 1. In India, only the top 0.5-1mn odd Kirana stores can afford an M-POS, 2. Trust deficit remains, as most may view RR as a competitor rather than a partner 3. Consistent service levels may be a challenge at-least initially.

In China, while Alibaba’s Lingshoutong platform (part of China Alibaba’s Wholesale commerce) has successfully penetrated 1/6th the small retailer network in China (6mn). Its China Wholesale commerce vertical still remains sub-scale (USD 1.8bn, 2.7% of sales) after 5 years of launch, and most of its heavy-lifting is still done by another format called 1688.com - An integrated domestic wholesale marketplace which connects wholesale buyers and sellers who trade in apparel, general merchandise, home decoration and furnishing materials, electronics, packaging materials and shoes, etc.

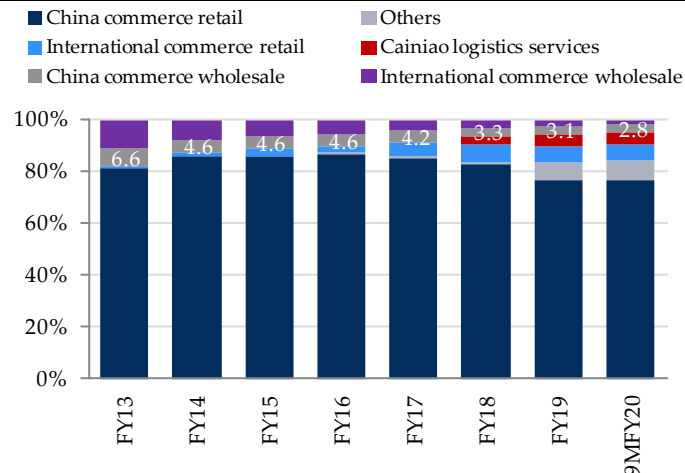
Hence, we remain circumspect of the scalability of this model in India (Not factored in estimates).

Fig. 61: Bulk Of The Growth In China Wholesale Is Courtesy 1688.com



Source: Company, HDFC sec Inst Research, FY20 is annualized

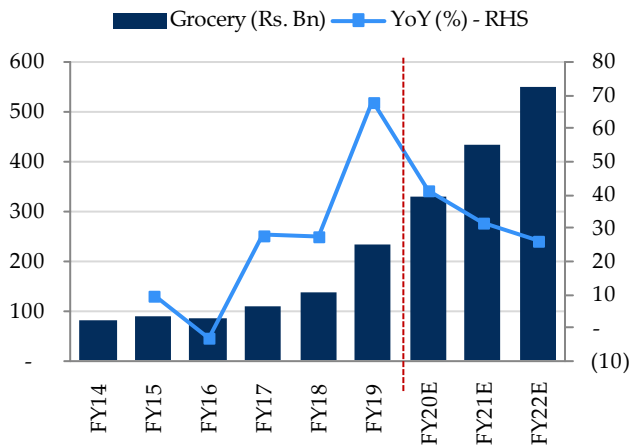
Fig. 62: China Commerce Wholesale Losing Relevance In Alibaba’s Portfolio



Source: Company, HDFC sec Inst Research

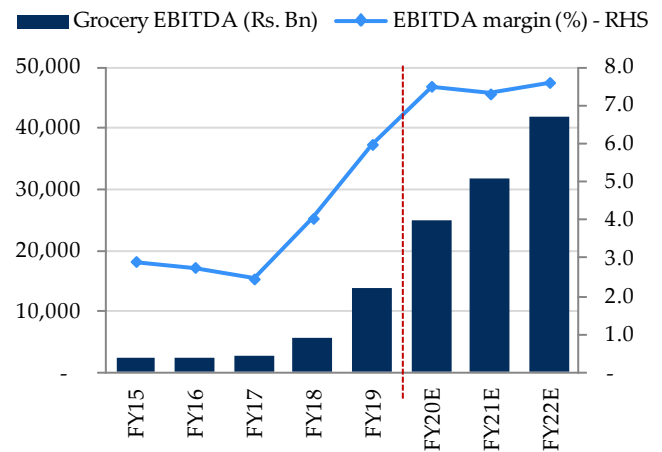
Reliance Industries: Company update

Fig. 63: RR: Expect Grocery To Grow At 35% CAGR



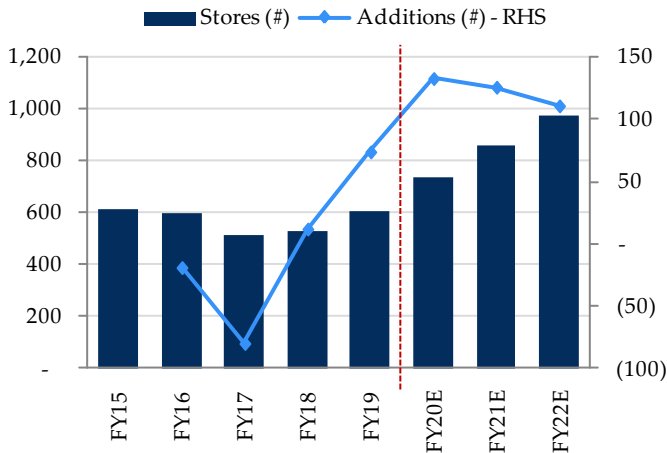
Source: Company, HDFC sec Inst Research

Fig. 64: RR: Grocery Margins To Remain Steady Over FY20-22E



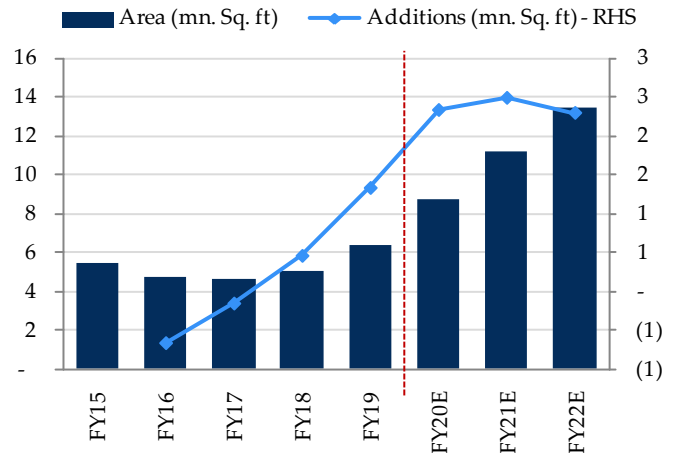
Source: Company, HDFC sec Inst Research

Fig. 65: We Build In 370 Store Additions In Grocery



Source: Company, HDFC sec Inst Research, FY20 is annualized

Fig. 66: ...and 28% Area CAGR Over FY19-22E

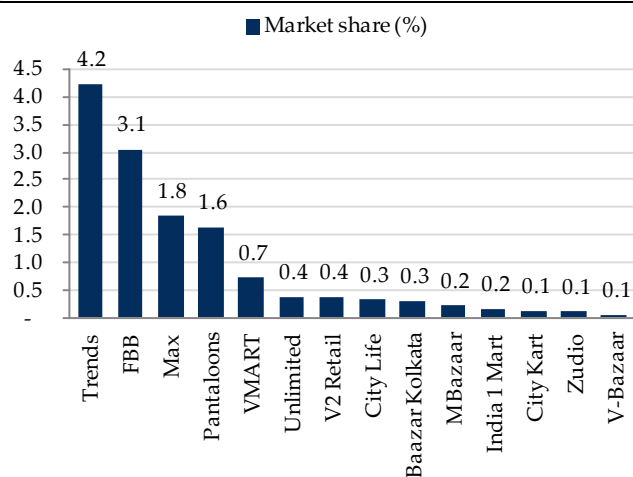


Source: Company, HDFC sec Inst Research

Trends the quarterback in Fashion & Lifestyle

- RR's value fashion format Reliance Trends remains the anchor format in this INR 140bn F&L biz accounting for ~80% of segmental revenues.
- The format seems to have got the troika of apparel retailing right – Assortment, Pricing and distribution. On assortment, It retails the highest proportion of SKUs priced in INR 500-1000 range in Men and Women and <INR 500 in Kids. On distribution, it sports the most dense network across nearly all Indian districts (512 districts used as sample). This helps, the format 1. increase top-of-the-mind recall and 2. Reduce cost of retailing, savings from which can in turn be fed into competitive pricing to gain market share.
- Meanwhile, the value fashion tail seems out of gas with footfalls sliding and working capital ballooning. Presenting, Reliance Trends an opportunity gain market share in several districts (Refer Table on district-wise store mapping)
- RR's F&L portfolio straddles multiple price points/income groups through multiple formats and categories. The largest within its portfolio is its value fashion format – Reliance Trends/extensions (est: at >INR 100bn, ~80% of RR's F&L revenue) with a presence of >840 stores. In addition, RR has JVs with 39 international brands (via Reliance Brands – A subsidiary), a presence in footwear (Reliance Footprint) and Jewellery (Reliance Jewels) making the F&L portfolio one of the most well-rounded in India. (F&L grew at 26% CAGR over FY14-20E). We expect Trends to be the growth anchor (given its value positioning) and build in a 22% revenue CAGR over FY19-22E for the F&L segment.
- Note: While international brand JVs/footwear/jewellery make RR's F&L portfolio a well-rounded one, its relevance in profitability remains low.

Fig. 67: Trends Leads The INR 4trn Value Fashion Play



Source: Company, HDFC sec Inst Research

Fig. 68: Relative Market Share Gain/(Loss)

	FY16	FY17	FY18	FY19	FY20
FBB	29.1	27.6	25.3	21.2	18.4
Pantaloons	15.3	14.9	13.3	11.4	10.8
Zudio	0.7	0.7	0.7	0.7	1.3
Max	12.5	13.8	13.5	12.8	12.9
VMART	5.7	5.9	5.7	5.1	5.1
V2 Retail	2.3	2.8	2.6	2.7	2.3
Reliance Trends	19.4	19.3	22.5	29.3	32.7
Unlimited	8.2	7.1	5.9	4.7	4.1
1India Mart	3.7	3.6	3.3	2.7	2.0
Bazaar Kolkata	0.6	0.9	1.1	1.2	1.4
City Kart	3.9	2.3	2.3	2.2	2.3
City Life	0.2	0.9	0.9	0.8	0.9
BF	1.5	1.3	2.3	2.3	2.5

Source: Company, HDFC sec Inst Research

- What makes Reliance Trends tick?** 1. Assortment selection & pricing, 2. Real estate choices and 3. Cost of retailing typically separate the wheat from the chaff in retailing - value fashion (VF) is no different. Our SKU, store network and financial analysis across the VF universe suggests that Reliance Trends trumps peers across all of the aforementioned yardsticks.

1) Along with Max Fashion, Reliance Trends sports highest proportion of Men /Women SKUs within the INR 500-1000 price range and Kids' SKUs in the <INR 500 price range among peers. It also typically offers the highest assortment range in each category. This helps, as value seekers have a higher tendency for discovery-based shopping vs purposeful shopping.

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2) The store network density of Reliance Trends also remains the highest in peer-set (assessed by store-to-district ratio) across income and population density profiles in India. (512 districts assessed on per capita income and population density). Benefits of this are two-fold – a) It increases top-of-the-mind recall for the store brand in the catchment, ergo revenue per sq. ft, b) Keeps a tight leash on supply chain costs. Cost savings can in turn be fed into pricing and increase competitiveness. Note: Cost of retailing for Reliance’s F&L biz is estimated to be the lowest among peers.

Fig. 69: Men SKUs (INR 500-1000)

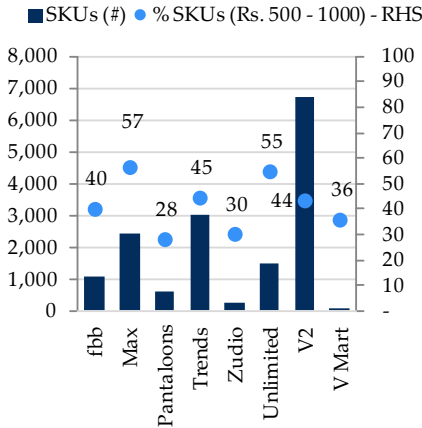


Fig. 70: Women SKUs (INR 500-1000)

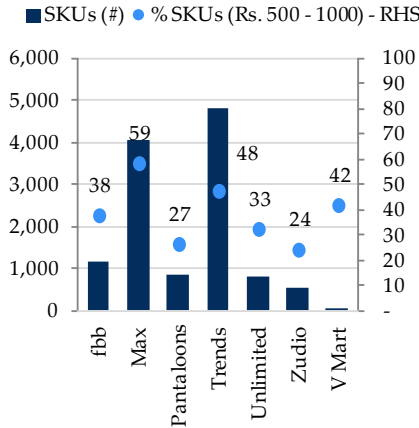


Fig. 71: Kids SKUs (<INR 500)

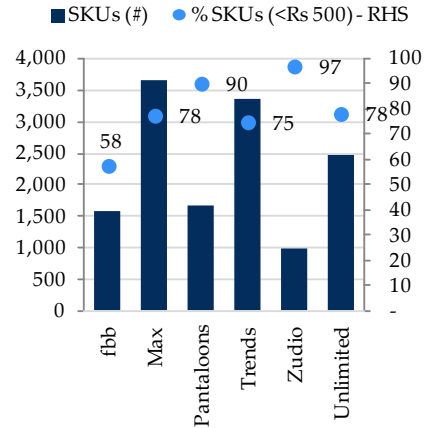


Fig. 72: Men T-shirts (<INR 500)

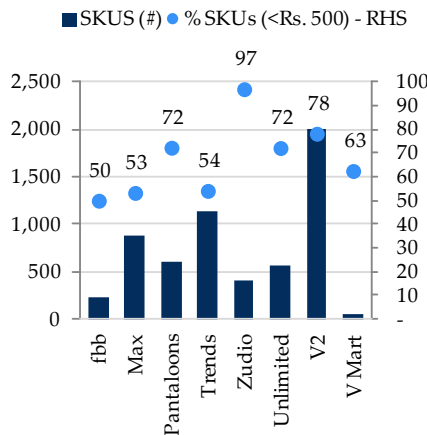


Fig. 73: Men Casual shirts (<INR 500)

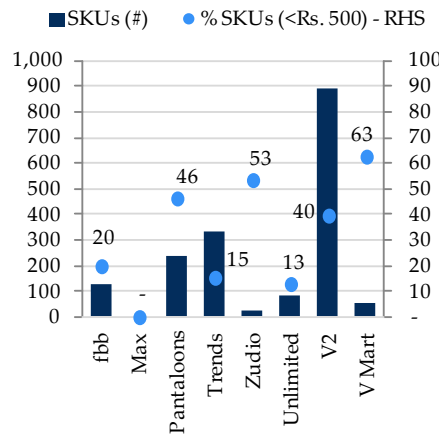


Fig. 74: Men Casual shirts (INR 500-1000)

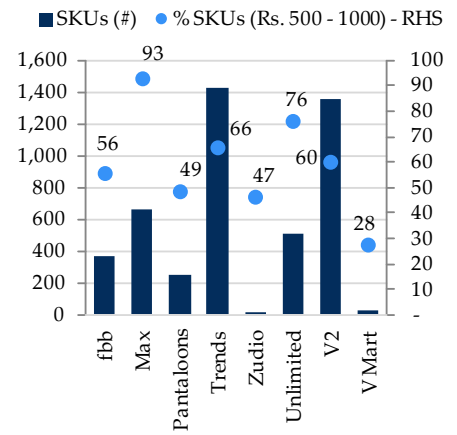


Fig. 75: Mens Trousers (INR 500-1000)

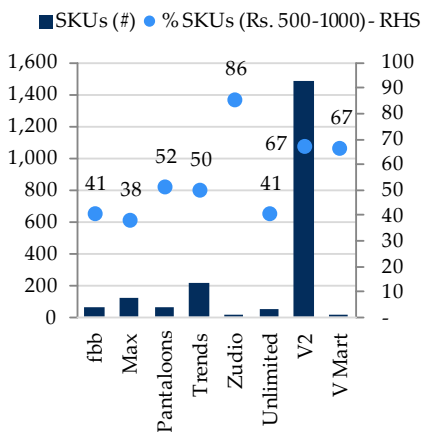


Fig. 76: Mens Jeans (INR 500-1000)

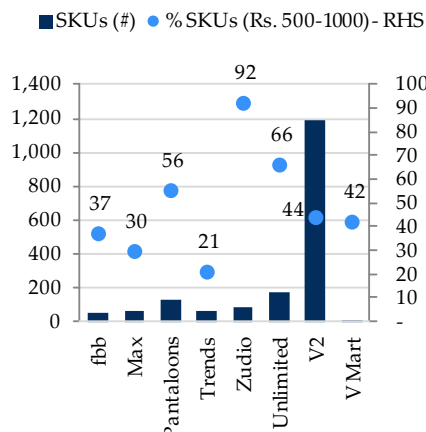
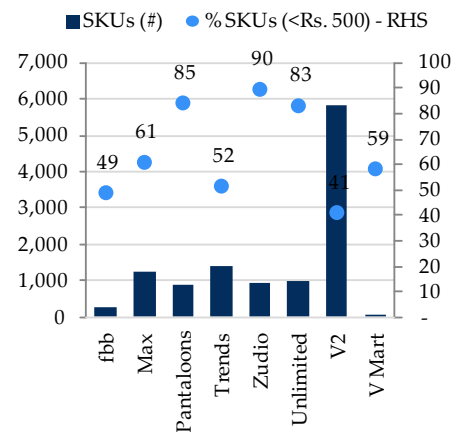


Fig. 77: Women’s Tops/Tees (<INR 500)



Source: Company websites, HDFC sec Inst Research

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Fig. 78: Women Shirts (<INR 500)

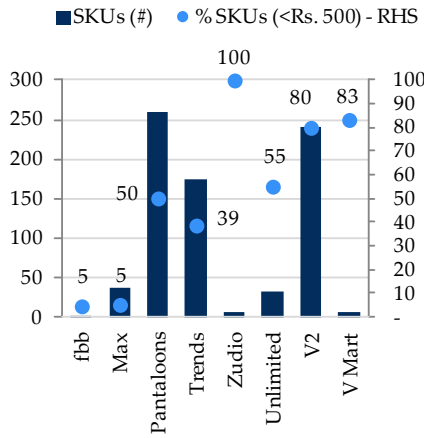


Fig. 79: Women Shirts (INR 500-1000)

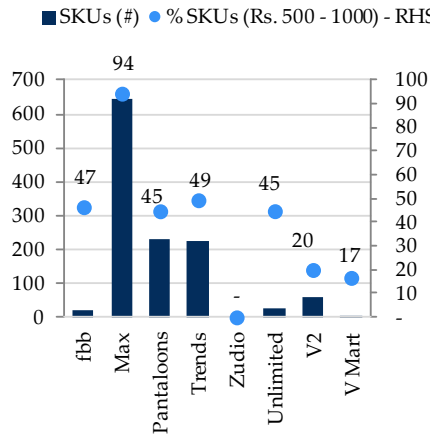
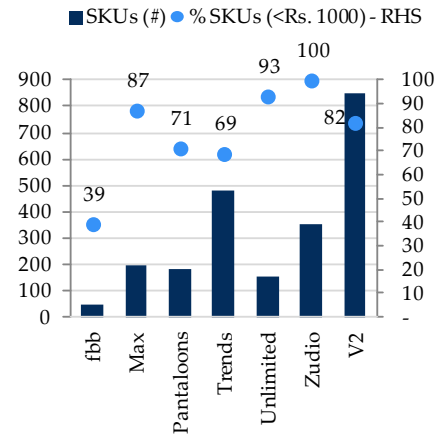


Fig. 80: Women Dresses (<INR 1000)



Source: Company websites, HDFC sec Inst Research

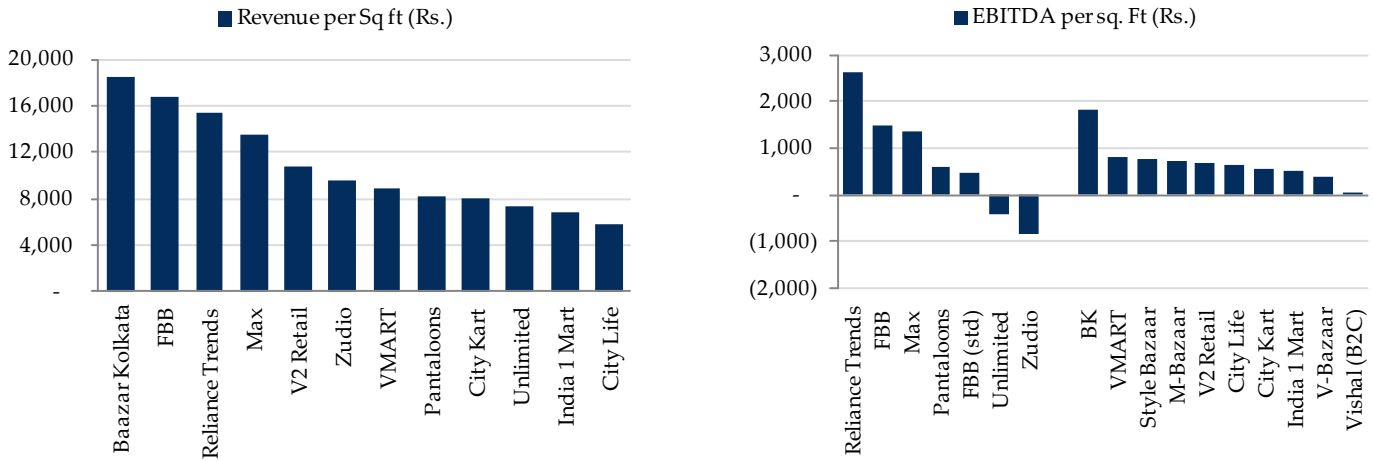
Fig. 81: District Wise Store Mapping Across Per Capita Income And Population Density of India

Row Labels	Population (mn)	District (#)	Pantaloons	Max	Fbb	Zudio	V Mart	V2 Retail	Style Bazaar	Citykart Retail	Citylife	M Bazaar	Bazaar Kolkata	1 India Mart	Reliance Trends
<100K	507	228	1.4	1.7	1.8		1.4	1.1	1.4	1.2	1.3	1.1	1.2	1.4	1.7
<500	140	97	1.0	1.0	1.1		1.1	1.0	1.0		1.0	1.0	1.0	1.0	1.6
1000-3000	165	48	1.4	1.8	2.3		1.7	1.2	1.3	1.3	1.5	1.0	1.3	1.6	2.2
3000-5000	5	1	7.0	3.0	5.0									1.0	8.0
500-1000	181	71	1.0	2.0	1.2		1.2	1.0	1.5	1.0	1.3	1.3	1.3	1.2	1.4
<300	3	4													1.3
300-500	13	7													1.6
>500k	3	2													
1000-3000	3	2	10.0	3.5	4.0		1.0	1.0		1.0	1.0				5.5
100-200k	410	206	1.8	2.1	1.8	1.2	1.2	1.1	1.7	1.0	2.3	1.8	2.3	0.7	2.5
<500	281	158	1.1	1.3	1.1	1.0	1.0	1.0	1.3	1.0	1.5	1.0	1.5	-	2.0
>5000	9	2	15.0	18.0	10.0	1.0			1.0		5.0	5.0	7.0		26.5
1000-3000	41	9	1.8	1.2	1.8		1.3	1.0	3.5		2.5	1.7	2.3		3.7
3000-5000	5	1	1.0		2.0				1.0			2.0	2.0		3.0
500-1000	74	34	1.5	1.6	1.7	1.3	1.3	1.5	1.0		1.0	1.0	1.0	1.0	2.3
300-500	1	2													1.0
200-300k	100	36	2.2	2.7	2.9	1.2	2.5	1.5	4.0		1.0	2.0	3.0	1.5	5.2
<500	22	12	1.3	1.5	1.8	2.0		1.0							2.8
1000-3000	40	10	2.0	3.3	4.2	1.0	4.0	2.0	4.0		1.0	2.0	3.0	2.0	6.4
500-1000	38	14	2.6	2.5	2.7	1.0	2.0							1.0	5.8
300-500k	58	13	7.0	18.5	6.6	5.3	2.0	1.0						1.0	12.3
<500	3	3	2.0	2.0	2.0			1.0							6.0
>5000	17	3	12.5	23.5	14.5	5.0		1.0							19.7
1000-3000	2	1	2.0		1.0			1.0							2.0
3000-5000	10	1	17.0	25.0	17.0	6.0									47.0
500-1000	8	3	1.5		1.0		2.0							1.0	2.3
300-500	1	1													1.0
5000+	17	1													13.0
Gujarat	61	27													2.5
1000-3000	6	2													1.5
500-1000	22	8													5.0
<300	19	12													1.3
300-500	13	5													1.5
Grand Total	1,138	512	2.3	3.0	2.4	1.9	1.4	1.1	1.5	1.2	1.4	1.3	1.6	1.3	2.9

Source: HDFC sec Inst Research

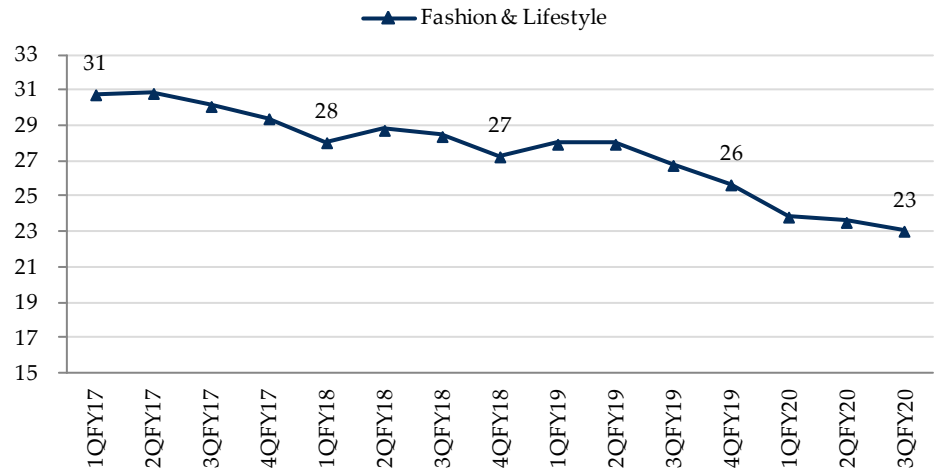
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Fig. 82: Troika Of Denser Distribution, SKU Selection And Pricing Leads To Higher Revenue/Profitability Per Sq. Ft



Source: Company, HDFC sec Inst Research

Fig. 83: Cost Of Retailing (Opex As % Of Sales) Is Estimated To Have Come Down By 770bp Over FY17-20

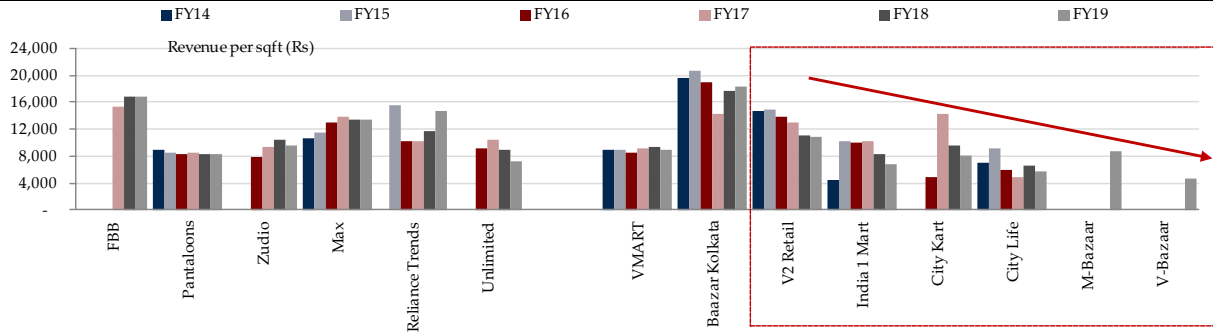


Source: HDFC sec Inst Research

- **Meanwhile, value fashion’s tail seems out of gas!** Vendors of select VF retailers (tail-end) may very well be at the end of their tether as creditor cycles for some run up as high as 6 months (on COGS). Unless store productivity and inventory management improves, an existential crisis may be lurking around the corner. Strong incumbents such as Reliance Trends and VMART will be a key benefactors.
- While leverage position for some of these troubled firms may be comfortable and the working capital issue could be partly mitigated by raising more debt, others seem precariously placed within the ecosystem. We believe, in the short term, there could be some margin pressure on the ecosystem as inventory gets liquidated across the tail-end, however, in the medium-to-long term, one could expect some consolidation of market share in favour of the industry leaders. Even if strong incumbents captures 50% of the revenue (of weak operators) at risk, we are looking at a >INR 10bn opportunity just from the consolidation exercise.
- Hence, we build in a healthy 22% revenue CAGR (8.5% SSSG), a 985 store additions and 19% Area CAGR (similar to FY16-19) over FY19-22E.

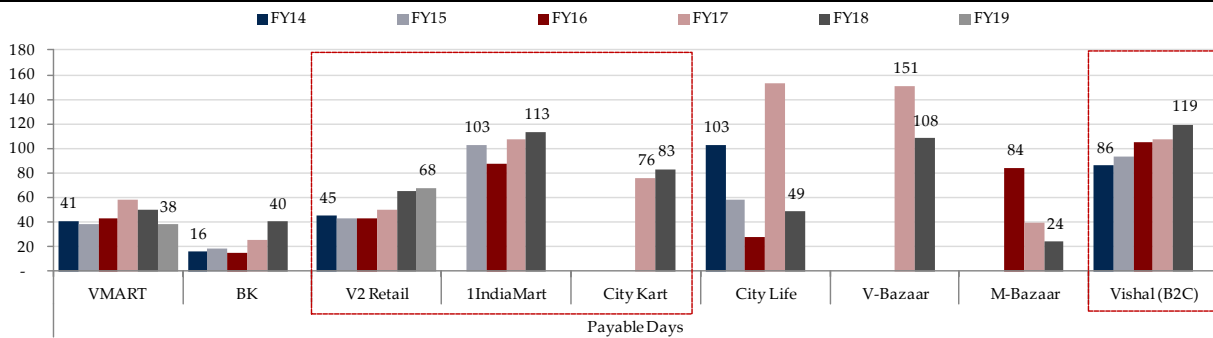
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Fig. 84: In Value Fashion, Sales Velocity Across The Tail Seems To Be Coming Off



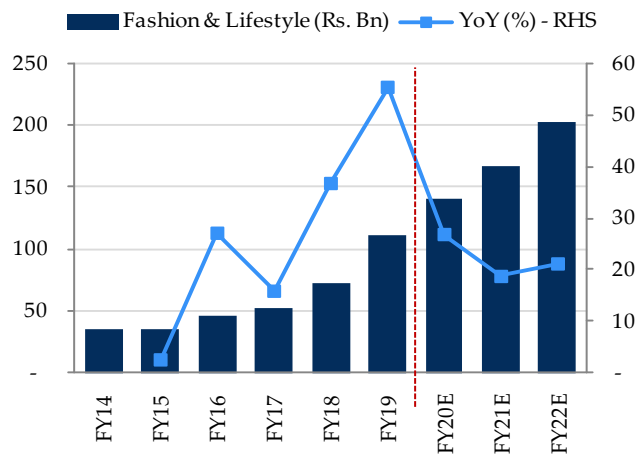
Source: Company, HDFC Securities, estimates used for VF forward retailers

Fig. 85: Ex V-MART, Payables' Support For The VF Mass Tail Has Been On The Rise; SOMETHING HAS GOT TO GIVE!



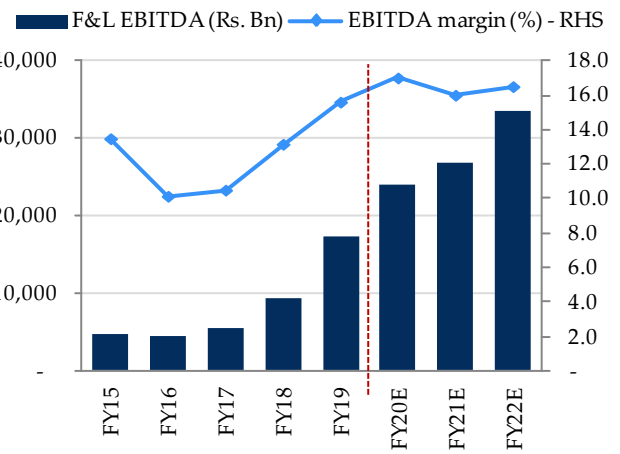
Source: Company, HDFC Securities, estimates used for VF forward retailers

Fig. 86: Building In 22% Revenue CAGR (8.5% SSSG) In F&L



Source: Company, HDFC sec Inst Research estimates

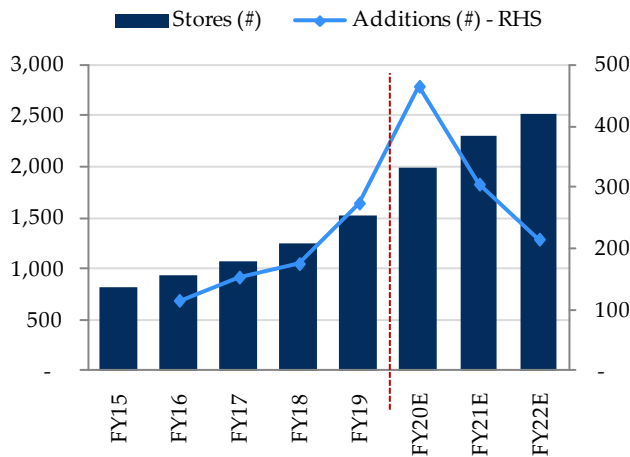
Fig. 87: ...And 24% EBITDA CAGR Over FY19-22E



Source: Company, HDFC sec Inst Research estimates

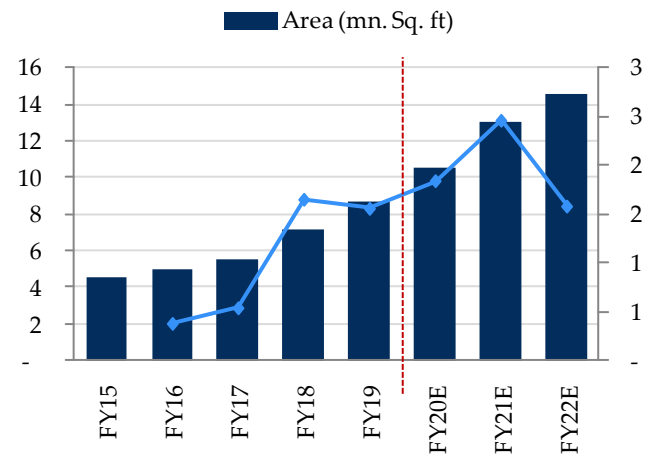
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Fig. 88: Expect A Little Under 1000 Store Additions In F&L



Source: Company, HDFC sec Inst Research estimates

Fig. 89: ...Building In 19% Area CAGR Over FY19-22E (similar to FY16-19)



Source: Company, HDFC sec Inst Research estimates

Fig. 90: Reliance Retail's Portfolio Of Formats/Brands

Business / Brand	Product / Service	End Uses
Ajio	Online fashion store	Curated online fashion store offering apparels, accessories, footwear and much more
Jio Stores	Speciality Store for mobility & communication	Latest assortment of mobiles, tablets, laptops, accessories
Project Eve	Apparel speciality store	Speciality stores catering to entire fashion & lifestyle needs of women
Reliance Digital	Electronics speciality store	Offering wide range of consumer electronics, home appliances, entertainment, gaming merchandise
Reliance Footprint	Footwear speciality store	Speciality stores dealing in footwear, handbags and accessories
Reliance Fresh	Neighbourhood store	Dealing in fresh fruits & vegetables, food, grocery and items of daily use
Reliance Jewels	Jewellery speciality store	Fine jewellery with offerings across gold, silver, diamond, precious stones and other precious metals
Reliance Market	Wholesale cash & carry store	Dealing in grocery, clothing, footwear, electronics and general merchandise
Reliance Resq	Consumer electronics after sales service provider	Service provider for consumer electronic products
Reliance Smart	Supermarket	Dealing in fresh fruits & vegetables, food, clothing, footwear, electronics and general merchandise
Reliance Smart.in	Online grocery store	Dealing in fresh fruits & vegetables, food and general merchandise
Reliance Trends	Apparel speciality store	Offers wide range of apparel, handbags, footwear and accessories
Reliance Trends Woman	Apparel speciality store	Offers curated collections of Indian women wear and accessories
Reliance Trends Man	Apparel speciality store	Offers curated collections of Indian men wear and accessories
In-store Brand		
Avaasa	Ethnic Indianwear inspired by Indian ethos and art forms	Apparel for women
DNMX	Denim inspired casuals	Apparel for men, women and children
Netplay	Smart casuals for the free spirited	Apparel for men
Performax	Activewear for sports and fitness	Apparel and footwear for men, women and children
Point Cove	Smart casuals for kids inspired by California	Apparel for children
Teamspirit	Sport Inspired Casualwear	Apparel for men, women and children
LYF	4G Mobile Handsets and Connectivity Devices	Mobile and connectivity devices
Reconnect	Exclusive Brand from Reliance Digital	Electronic gadgets and accessories
Enzo Matic	Detergent Powder brand	Detergent
Best Farms	Premium Grade Farm Produce brand	Food
Good Life	Clean, Hygienic and Wholesome products brand	Food
Scrubz	Dishwash liquid brand	Dishwash liquid
Freshomz	Room Freshener brand	Room Freshener
Expelz	Toilet Cleaner Brand	Liquid toilet cleaner
Graphite	Men's deodorant and perfumes	Men's deodorant and perfumes
Mopz	Surface cleaner brand	Liquid surface cleaner
John Players	Menswear	Men's apparel and accessories

Source: Company websites, HDFC sec Inst Research

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Fig. 91: Exclusive Brand Partnership

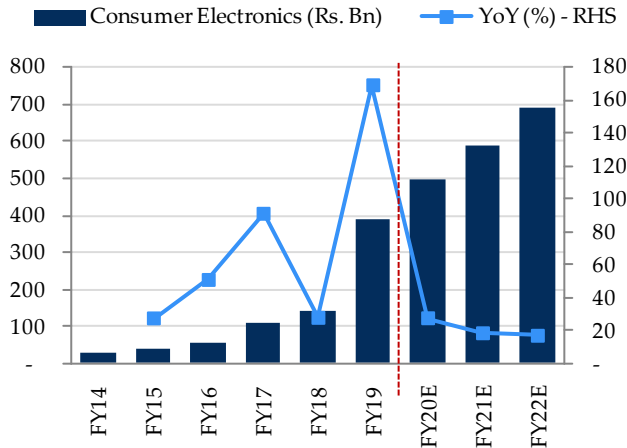
Business / Brand	Product / Service	End Uses
Armani Exchange	Unisex casual wear brand from the Armani house, its global in spirit, this is a brand for the young citizens	Casual wear, Denims
Bally	World's second oldest luxury brand	Shoes, bags and fashion accessories
Bottega Veneta	Italian Luxury accessories brand, founded in 1966, known for discretion, quality, and craftsmanship	Luxury bags, Shoes, Accessories
Brooks Brothers	American iconic brand that has redefined & shaped classic American style for nearly two centuries	Apparel and accessories for men
Canali	Tailor-made Italian luxury men's wear, leader for more than 80 years.	Men's formal wear
Cherokee	Iconic American family lifestyle brand	Apparel and accessories for kids
Coach	Founded in 1941, Coach is a leading design house of modern luxury accessories and lifestyle collections with an all-American attitude	Bags & Accessories
DC	American sportswear brand inspired by skateboarding and snowboarding	Apparel, accessories, footwear and skateboards
Diesel	Iconic Italian lifestyle brand	Apparel, accessories and footwear
Dune	Distinctive fashion footwear & accessories	Accessories and footwear for men and women
Emporio Armani	Emporio Armani is a sub label of Giorgio Armani, includes ready-to wear clothes, sunglasses, perfume, accessories and watches.	Luxury Men's wear and Women's wear
Ermenegildo Zegna	Italian luxury men's clothing	Apparel, accessories and footwear for men
Flormar	Leading beauty and colour cosmetic brand	Colour cosmetic products
Furla	Furla deals in Italian handbags, shoes and accessories since 1927. These collections are constructed with high quality craftsmanship and contemporary style	Luxury Bags, Shoes and Accessories
Giorgio Armani	Italian label founded in 1975, known for clean tailored lines and unisex occasion wear	Luxury Men's wear and Women's wear
GAS	Italian clothing brand offering quality products for intelligent, aware consumers, with an international, cosmopolitan attitude	Apparel, accessories and footwear for men & women
G Star Raw	G-Star RAW is a Dutch designer clothing company, known for technologically advanced denims	Denim, casual wear
Hamleys	The finest toy shop in the world	Toys
Hugo Boss	German brand founded in 1924, Sophisticated, modern and iconic Men's wear label, market leaders in the upper premium segment of the global apparel market.	Men's wear, formal and semi formal
Hunkemoller	Leading European lingerie brand	Lingerie, nightwear, swimwear and accessories
ICONIX	Diversified portfolio of fashion and home brands	Apparel, footwear, accessory and home fashion
Istore	Exclusive Apple Products Store	Mobile, Laptops and Connectivity Devices
Jimmy Choo	Jimmy Choo is a 21st century luxury accessories brand, with shoes at its heart, more than 150 stores and is present in the most prestigious department and specialty stores worldwide	Women's footwear and accessories
Kate Spade	Accessible luxury for women	Handbags, small leather goods, apparel and footwear
Marks & Spencer	Iconic British lifestyle brand	Apparel for women, men and children, lingerie, beauty and home décor
Michael Kors	Luxury accessories and ready-to-wear brand established in 1981. Products include accessories, footwear, watches, jewelry, men's and women's ready-to-wear apparel, eyewear and a full line of fragrance products.	Bags, Footwear and accessories
MUJI	Iconic Japanese lifestyle brand	Accessories, home, apparel, travel, beauty, stationery, etc.
Paul & Shark	Italian luxury and casual sportswear brand	Apparel, accessories and footwear for men
Paul Smith	Paul Smith is Britain's foremost designer, he combines tradition and modernity for his Men's wear high fashion and formalwear label	Men's formal wear
Payless	Affordable fashion footwear specialty store	Footwear, handbags and accessories
Thomas Pink	British shirt authority	Apparel and accessories for men
Quiksilver	Premium youth Lifestyle and culture clothing brand representing action sports	Apparel, accessories, footwear, skateboards and surfboards
Roxy	Global lifestyle brand, offering products for every aspect of an active girl's life	Apparel, accessories, swimwear and footwear for girls
Scotch & Soda	European couture brand	Shoes, bags and fashion accessories
Steve Madden	Fashion forward Footwear & Accessories Brand	Accessories and footwear for men and women
Superdry	Fashion brand that fuses design influences from Japanese graphics and vintage Americana, with the values of British tailoring	Apparel, accessories and footwear
TUMI	Founded in 1975, leading international business, accessory and travel lifestyle brand.	Travel bags, wallets and Bags
Villeroy & Boch	Luxurious and timeless pieces since 1748 for bathroom and wellness, tableware and tiling. Headquartered in Germany, this large manufacturer of ceramics specialises in innovative products	Tableware
Vision Express	Optical specialty store	Spectacles, sunglasses, contact lenses and eyewear care accessories

Source: Company websites, HDFC sec Inst Research

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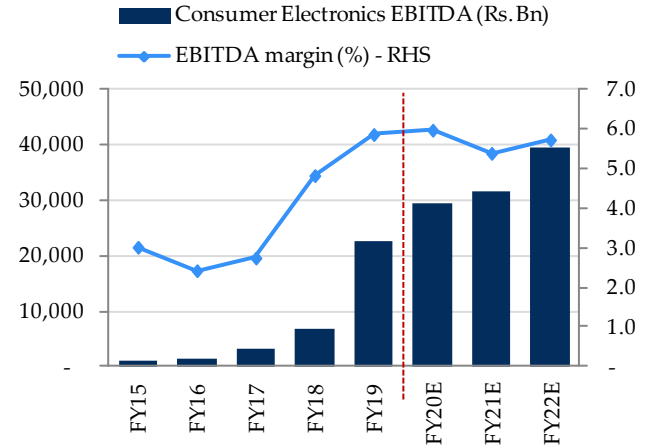
- Consumer Electronics (CE) growth to moderate:** CE is RR's biggest (~INR 49bn) and fastest growing segment (59% CAGR over FY14-20E) and now accounts for 51% of core retail revenue (up from 41% in FY18). The big revenue bump up came in 4QFY18 courtesy JIO phone/device launch. However, growth in consumer electronics will cool off as 1. Revenue from JIO devices moderate, 2. High base effect. Hence we build in moderating growth in core CE ie ex-JIO devices of ~18% CAGR (7% SSSG) over FY19-22E.

Fig. 92: Consumer Electronics (CE) Growth To Remain Healthy, Albeit Will Cool Off Over FY19-22E



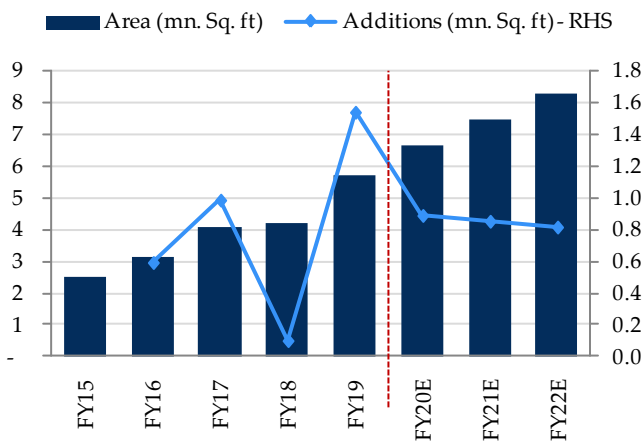
Source: Company, HDFC sec Inst Research

Fig. 93: ... EBITDA Margins To Moderate Too As JIO Device Sales Cool Off



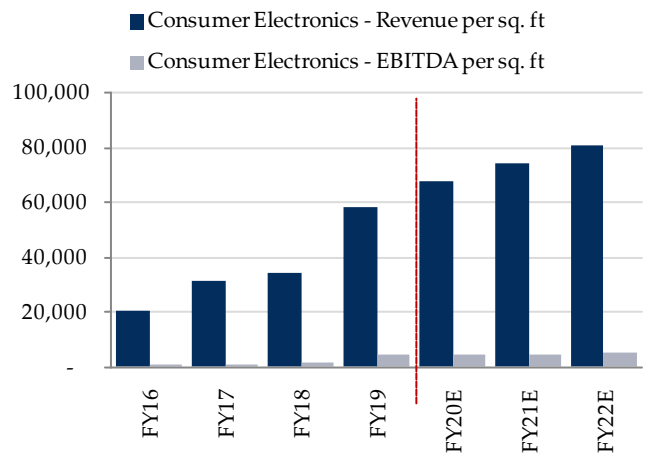
Source: Company, HDFC sec Inst Research

Fig. 94: Building In Area CAGR of 13% In CE Over FY19-22E



Source: Company, HDFC sec Inst Research

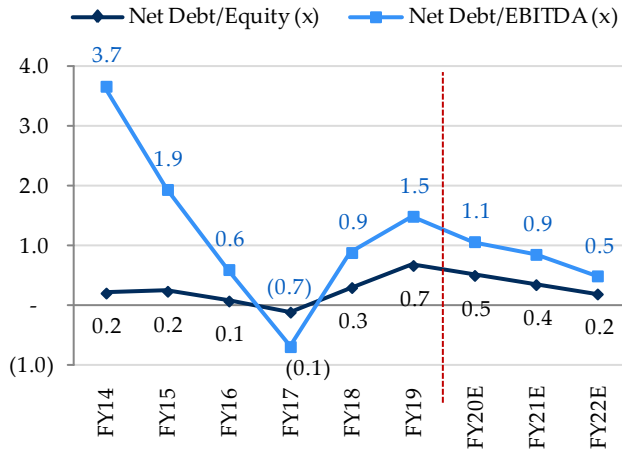
Fig. 95: Sales Velocity/EBITDA Per Sq. Ft To Remain Healthy



Source: Company, HDFC sec Inst Research

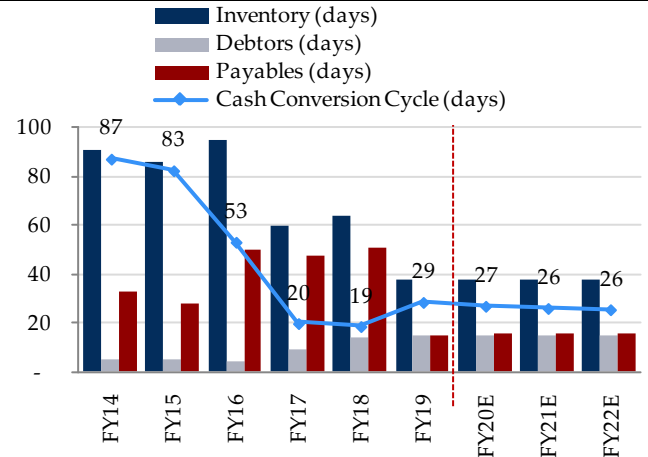
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Fig. 96: Leverage Position Remains Comfortable, Inching Up Though!



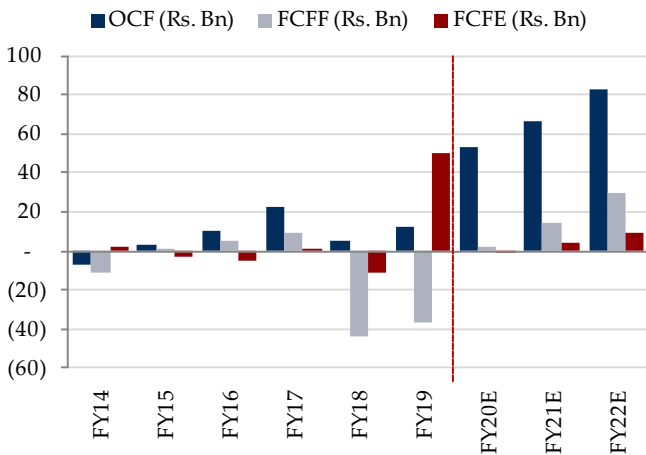
Source: Company, HDFC sec Inst Research

Fig. 97: FY19 Saw Moderation In Payables, Expect A Steady Working Capital Over FY19-22E



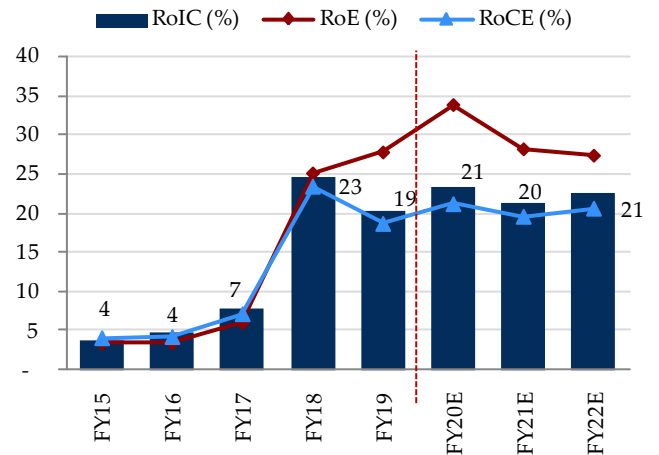
Source: Company, HDFC sec Inst Research

Fig. 98: Inching Closer To Free Cash Generation



Source: Company, HDFC sec Inst Research

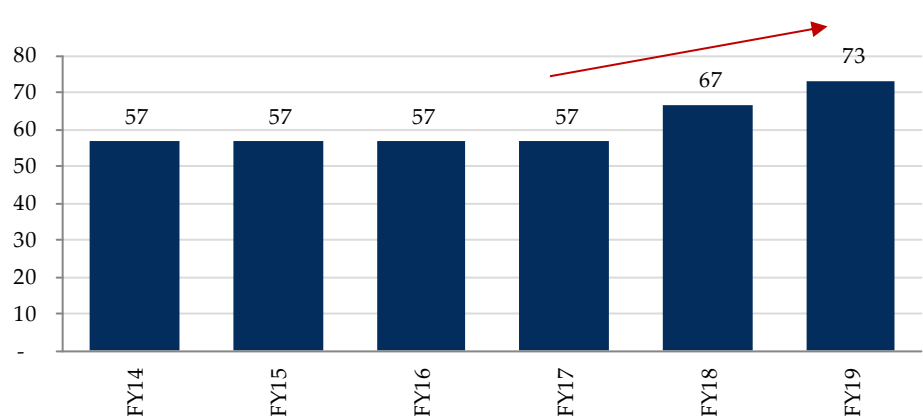
Fig. 99: Returns Profile To Remain Steady



Source: Company, HDFC sec Inst Research

Fig. 100: RIL Putting Money Where Its Mouth Is...Investments In RRVL Increasing

RIL's Investment in Reliance Retail (Rs. bn)



Source: Company, HDFC sec Inst Research

The COVID-19 Impact

- The 21-day India lockdown (effective 25-Mar-2020 onwards, now extended) courtesy the COVID-19 outbreak will impact RRVL's operations too (especially ex-grocery segments). While the situation remains fluid, and we must confess, do that extent our estimates, we have tried to estimate the impact on earnings if there is a 1 month lock-down in India
- We have estimated a one-month washout in F&L and Consumer Electronics as stores remain. The subsequent footfall loss and slow recovery underpins the 3-4%/10-14% revenue/EBITDA cut in FY21/22E.
- We've cut Consumer electronics revenue by 5-5.5% and EBITDA margin by 60-100bp in FY21/22E. Note: The margin cut is extended to FY22E also in part due to the ever-heightening competitive intensity in the category courtesy e-tail.
- F&L revenue takes a haircut of 5% each in FY21/22E. Note the COVID-19 Impact is expected to fasten the inventory liquidation process by the value fashion tail (already dealing with burgeoning working capital) once the lock-down is lifted. Reliance Trends, as a result, may find itself competing in a market froth with extended discounts. Hence, the 125-170bp EBITDA margin cut for the F&L biz in FY21/22E.

Fig. 101: Estimate Changes

(INR mn)	FY20E			FY21E			FY22E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	14,68,069	15,14,654	(3.1)	17,29,958	17,92,556	(3.5)	20,39,179	20,87,308	(2.3)
Gross Profit	2,09,724	2,16,379	(3.1)	2,48,002	2,56,976	(3.5)	2,93,351	3,00,274	(2.3)
Gross Profit Margin (%)	14.3	14.3	0 bps	14.3	14.3	(0 bps)	14.4	14.4	(0 bps)
EBITDA	89,460	97,612	(8.4)	1,02,579	1,18,864	(13.7)	1,28,710	1,42,948	(10.0)
EBITDA margin (%)	6.1	6.4	(35 bps)	5.9	6.6	(70 bps)	6.3	6.8	(54 bps)
APAT	55,067	61,148	(9.9)	62,227	74,612	(16.6)	79,659	91,054	(12.5)
APAT margin (%)	3.8	4.0	(29 bps)	3.6	4.2	(57 bps)	3.9	4.4	(46 bps)
EPS (Rs)	9.2	10.2	(9.9)	10.4	12.4	(16.6)	13.3	15.2	(12.5)

Gross Revenue Split (INR mn)	FY20E			FY21E			FY22E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Grocery	3,30,016	3,40,863	(3.2)	4,34,899	4,46,934	(2.7)	5,49,301	5,62,998	(2.4)
Consumer Electronics	4,95,671	5,13,738	(3.5)	5,88,362	6,19,188	(5.0)	6,89,524	7,29,784	(5.5)
Connectivity	5,39,135	5,49,646	(1.9)	6,03,831	6,15,603	(1.9)	6,94,406	6,77,164	2.5
Fashion & Lifestyle	1,41,361	1,47,388	(4.1)	1,67,755	1,76,285	(4.8)	2,03,160	2,14,659	(5.4)
Petro Retail	1,39,307	1,46,070	(4.6)	1,44,183	1,51,182	(4.6)	1,49,230	1,54,962	(3.7)
Total Gross Revenue	16,45,490	16,97,705	(3.1)	19,39,029	20,09,193	(3.5)	22,85,620	23,39,566	(2.3)

Source: HDFC sec Inst Research

Reliance Industries: Company update

Fig. 102: RRVL – Is One Of The Fastest Growing Retailers, Model Has Demanded Heavy Investments To Back That Growth Though!

	FY14	FY15	FY16	FY17	FY18	FY19	Total
Cash from Operations (excl WC change)	3,527	7,477	7,674	11,846	21,218	51,471	103,214
Other Income	467	198	50	232	54	228	1,229
Total	3,994	7,676	7,724	12,079	21,272	51,699	104,443
Application of funds (INR bn)							
Working Capital	10,771	4,475	(2,657)	(10,529)	16,063	39,067	57,189
Capex	4,139	2,309	5,203	13,594	49,336	49,638	124,218
Investments	-	-	-	-	-	33,801	33,801
Dividend	-	-	-	-	-	-	-
Proceeds from equity/pref. Issuance	2,017	-	-	-	(10,485)	(7,377)	(15,845)
Borrowings	(13,773)	2,427	9,449	7,090	(34,266)	(93,840)	(122,913)
Others	209	(667)	(4,100)	652	996	29,108	26,199
Net change in cash	631	(868)	(171)	1,271	(371)	1,302	1,794
Total	3,994	7,676	7,724	12,079	21,272	51,699	104,443
Cumm. WC + Capex as % of sources of funds (FY14-19)							174

Source: Company, HDFC sec Inst Research

Fig. 103: SOTP - Valuation

	Revenue (INR Mn)	FY22E EBITDA (INR Mn)	Target EV/EBITDA (x)	EV (INR Mn)	Rev CAGR (FY19-22E)	EBITDA CAGR (FY19-22E)	Comments
Grocery	4,34,899	41,747	25	10,43,673	33.1	44.1	Avenue trading at 38x EV/EBITDA, Our target multiple for Avenue is ~28x. Valuing Reliance's Grocery biz at ~10% discount to Avenue
F&L	1,67,755	33,521	20	6,70,427	22.2	24.5	@18% premium to V-MART (closest peer by trade)
Consumer Electronics	5,88,362	39,484	15	5,92,257	21.1	20.2	Great Franchise but category at risk of increasingly moving online
Connectivity	6,03,831	12,152	5	60,760	16.6	23.9	Commodity biz. just a master distributor
Petro Retail	1,44,183	1,806	5	9,028	3.3	5.0	Commodity biz
Total	19,39,029	1,28,710	18.5	23,76,146			
Net Debt				88,165			
Equity Value (INR Mn)				22,87,981			
Per Share (INR) on RRVL count				381			
Per Share (INR) on RIL count				386			
Core Retail	1,14,752	20.1	23,06,357				

Source: Company, HDFC sec Inst Research, Per share equity value on RRVL share count*

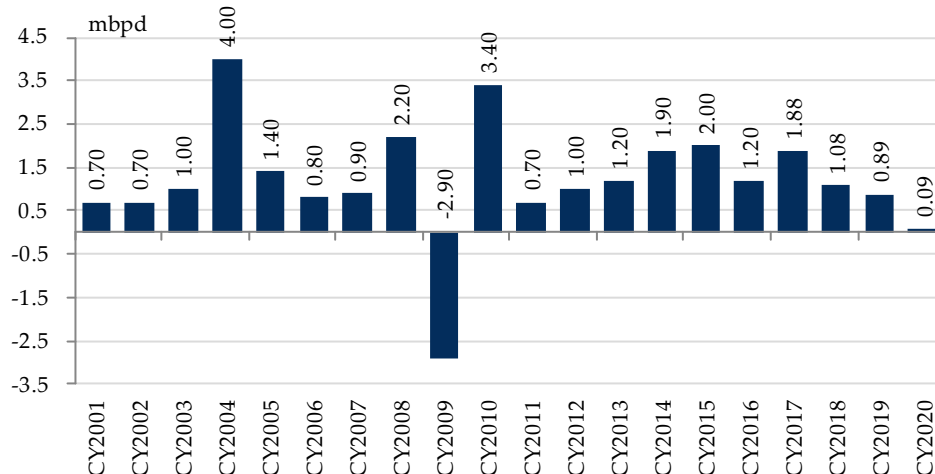
Refining: Lower margins on weak global economic outlook

- We estimate EBITDA for refining and marketing business to grow from INR 230bn in FY19 to INR 252bn in FY22E (3.1% CAGR), owing to increase in GRM. The share of refining and marketing EBITDA in consolidated EBITDA will decrease from 27.5% in FY19 to 25.2% in FY22E. We build in GRM of USD 8.2/7.0/9.0 bbl for FY20/21/22E versus USD 9.2/bbl in FY19.
- We estimate the rapid demand reduction in the near term to pressurize refining margins which should recover as refineries globally cut back capacity utilization. We expect refining margins to gradually recover with demand as expected reduction in lighter shale crude production and increase in medium heavy crude oil from Saudi should support Light - Heavy (L-H) crude differential. We expect L-H differential to widen from USD 2.2/bbl YTD FY20 to USD 2.5-3/bbl in FY21/22E, partially mitigating the adverse impact of lower crack spreads on RIL's margins.

Petroleum Product Demand To Take A Hit On Covid 19 Impact

- The onset of Covid-19 will likely have a significant adverse impact on the global economy as well as petroleum product demand. There is significant uncertainty on the economic front currently.
- IEA expects world oil demand to fall YoY in CY20 by 0.09 million barrel per day (mbpd) but chatter of a YoY decline in CY20 demand (as much as 5mbpd+) is rising because of Covid-19's devastating impact on economies of China, US, Europe and India. The corona virus outbreak in China (and subsequently rest of the world) and its impact on transportation and industrial fuels demand in China and other regions is the key reason for this bleak outlook. The pandemic has already impacted transportation fuel and particularly aviation fuel demand. Flight cancellations leading to declining jet fuel demand globally and falling gasoline demand in the US has had an adverse impact on refining margins though partially offset by rapidly declining crude price.
- Transportation fuel margins plunged to multi-year lows in 4QFY20 after more countries imposed lockdown and curbed domestic movement as part of measures to slow the spread of the virus. Transportation fuel (ATF, Gasoline and Gasoil) is ~55% of RIL's refinery output, thus the correction in the margins of these fuels will impact RIL's GRMs adversely. We expect RIL's GRM to decline from USD 8.2/bbl in FY20E to USD 7.0/bbl in FY21E.

Fig. 104: Global Oil Demand

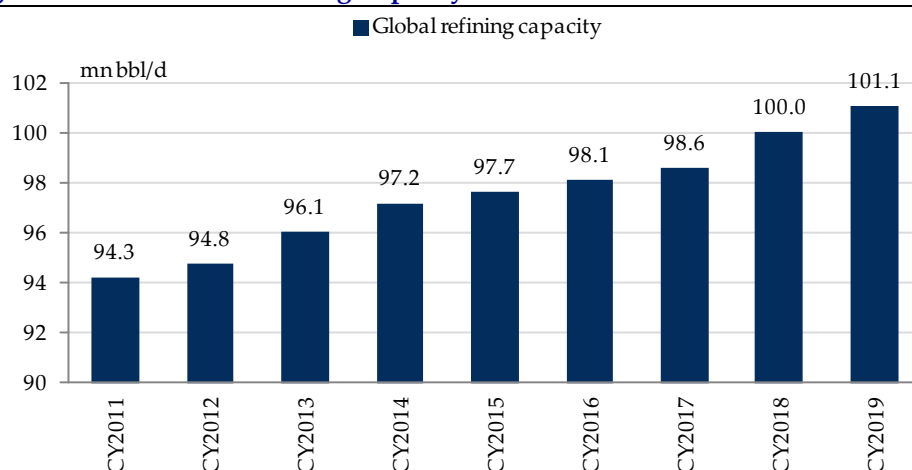


Source: IEA, HDFC sec Inst Research

Petroleum Product Supply

- We estimate 3.1mbpd incremental global refining capacity addition over CY2020-24. Given that these new additions far exceed the increase in demand for refined products this will exert downward pressure on Gross Refinery Margin (GRMs).

Fig. 105: Global Crude Refining Capacity



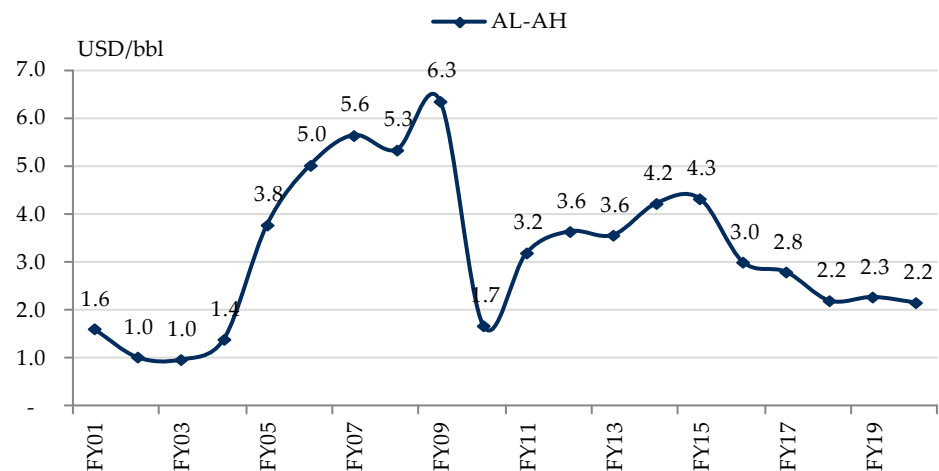
Source: Bloomberg, HDFC sec Inst Research

Light-Heavy differential to widen

- The current light – heavy crude oil imbalance is creating challenges for complex refineries like RIL. Involuntary/unplanned production cuts from countries like Venezuela and Iran and voluntary/planned production cuts (till March 2020) from OPEC+ has contributed to a large deficit in heavy sour crudes. In recent times most of the supply gains have come in the light sweet category predominantly owing to strong growth in US shale- the light sweet-medium sour crude- resulting in narrower light-heavy (L-H) spreads.
- Lower L-H differentials do not usually have any significant impact on the profitability of an average-complexity ‘simple’ refiner. However, they have a negative impact on the margin for complex refiners like RIL by increasing the cost of the heavier crudes.

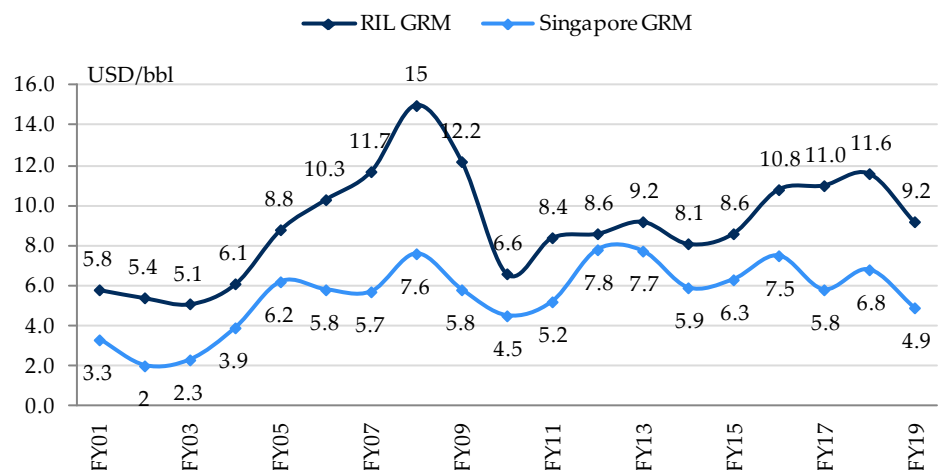
- Sustained oil prices below USD 35/bbl driven by Opec+'s decision to raise oil production should induce cuts in US shale oil production as it becomes unviable to continue production at these low oil prices. Reduction in light grade shale production from US should support L-H differential. We expect L-H differential to improve from USD 2.2/bbl in FY20 to USD 2.5-3/bbl in FY21/22E which should support RIL's GRM.

Fig. 106: Light-Heavy Differential (Arab Light-Arab Heavy)



Source: Bloomberg, HDFC sec Inst Research

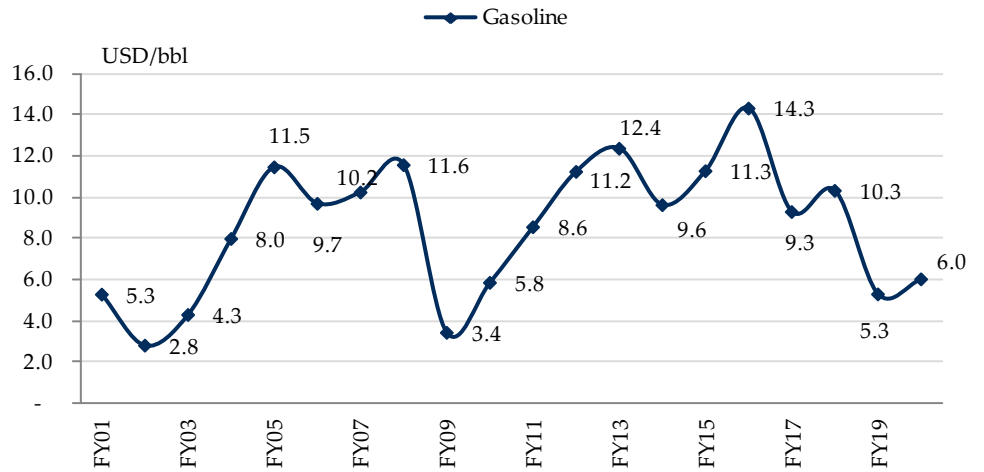
Fig. 107: RIL GRMs Have Consistently Outperformed Benchmark Singapore GRMs



Source: Company, Bloomberg, HDFC sec Inst Research

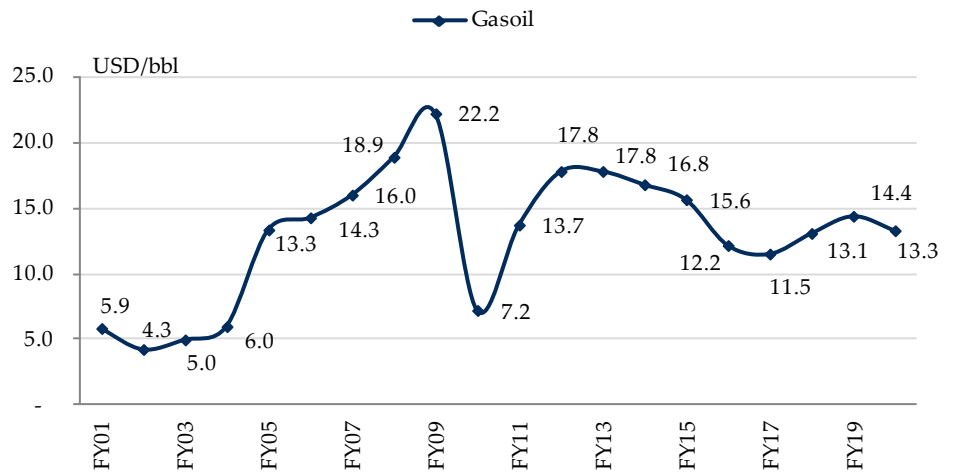
- Demand for refined products has nosedived because of the COVID-19 outbreak, which is causing governments around the world to restrict travel and economic activity, weighing heavily petroleum product demand and refining margins.
- For RIL, the current lower LNG price because of the economic slowdown substantially reduces the benefits derived out of the petcoke gasifier. The petcoke gasifier could have improved refining margins by USD 1.5 - 2.0/bbl in a 'normalised' environment which, with the low LNG price now, could add only about USD 0.5/bbl.

Fig. 108: Gasoline Spread Trend



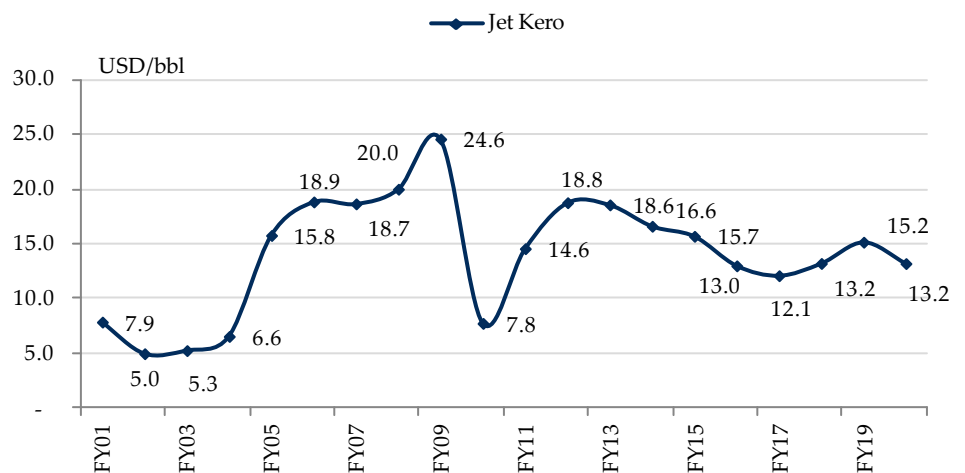
Source: Bloomberg, HDFC sec Inst Research

Fig. 109: Gasoil Spread Trend



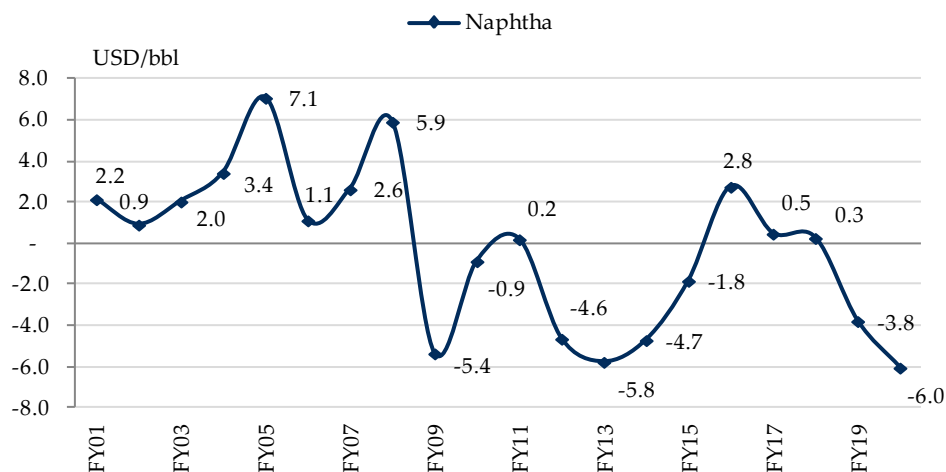
Source: Bloomberg, HDFC sec Inst Research

Fig. 110: Jet Kero Spread Trend



Source: Bloomberg, HDFC sec Inst Research

Fig. 111: Naphtha Spread Trend

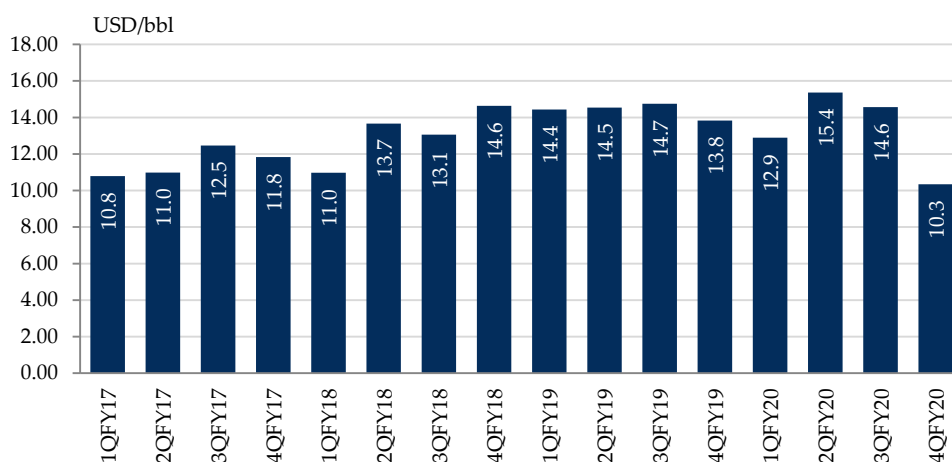


Source: Bloomberg, HDFC sec Inst Research

IMO impact on gasoil has been negated by demand reduction

- In January, the application of the International Maritime Organisation’s (IMO) new regulations on Sulphur levels in marine fuels came into effect. Preparation and transitioning of fuel systems and logistics began in 4QCY19. Since then, fuel oil prices have displayed the largest reaction as cracks for High Sulphur Fuel Oil (HSFO) get weaker while compliant fuel oil grades strengthen.
- It was expected that, the implementation of these regulations will boost middle distillate spreads, particularly gasoil spreads. However, gasoil cracks are at 16-quarter low of USD 10.3/bbl in Q4FY20 because lower demand driven by economic slowdown. Demand from ships to comply with IMO’s sulphur regulation has disappointed. Sustained recovery in diesel cracks appears unlikely owing to (1) Expected slowdown in industrial activity in China, and (2) If any, future surge in Marine Gasoil (MGO) demand is likely to be met by rise in supply of diesel from large refining capacity additions in CY19-CY20.

Fig. 112: Gasoil Spread- At 16-Quarter Low

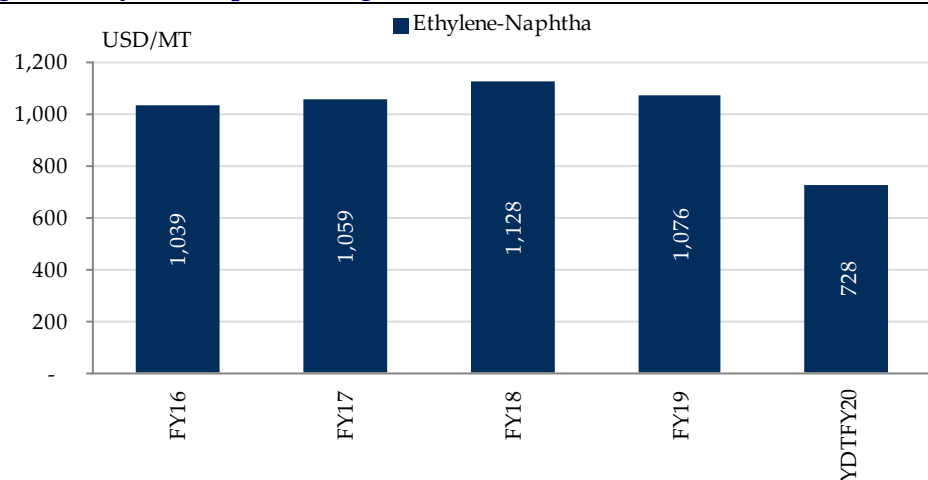


Source: Bloomberg, HDFC sec Inst Research

Petrochemical: Feedstock flexibility to ensure robust cashflow fall

- We estimate petchem EBITDA to grow from INR 376bn in FY19 to INR 233bn in FY22E (CAGR -14.8%) based on similar petchem production of 38mmt. The share of petchem EBITDA in consolidated EBITDA will reduce from 44.9% in FY19E to 23.3% in FY22E. We estimate per unit EBITDA to decline from USD142/t in FY19 to USD 81/t in FY22E. Ethylene spreads are under pressure currently owing to surge in capacity addition. Slowdown in global economy initially triggered by US - China trade war has been aggravated by outbreak of Covid-19 virus. Petchem demand should lag supply addition in near term as global economic growth takes a hit in CY2020 because of the Covid-19 impact. This should contract ethylene spreads in the near term but support a recovery over the medium term.
- Shale gas revolution has triggered a wave of low-cost production of feedstock, primarily Natural Gas Liquids (NGLs) or Ethane. NGLs/ethane-based ethylene capacity has grown considerably over last decade, especially in USA. Most of the petrochemical plants that have come online globally in the last five years are relying heavily on NGLs, primarily ethane, as the feedstock. Moreover, with new ethane-only crackers in the US and the recently started exports of US NGLs/ethane, many upcoming petrochemical plants are biased towards maximizing ethylene production from ethane. Surge of these low-cost feedstock capacities resulted in correction in ethylene spreads over naphtha in last five quarters (Fig. 113).
- The demand for ethylene grew at 3.9% CAGR from 108.6mmt in CY07 to 159.4mmt in CY17. The Covid-19 pandemic is likely to hit the global economy in near term. Global GDP growth is expected to fall from 3.6% in CY18. This will decelerate the growth of ethylene demand to 2.8% CAGR over CY20-24. Thus, incremental demand for ethylene will be 21mmt between CY20-CY24. Incremental supply of ethylene would be in excess of 18mmt. This would most likely put upward pressure on global ethylene margins.

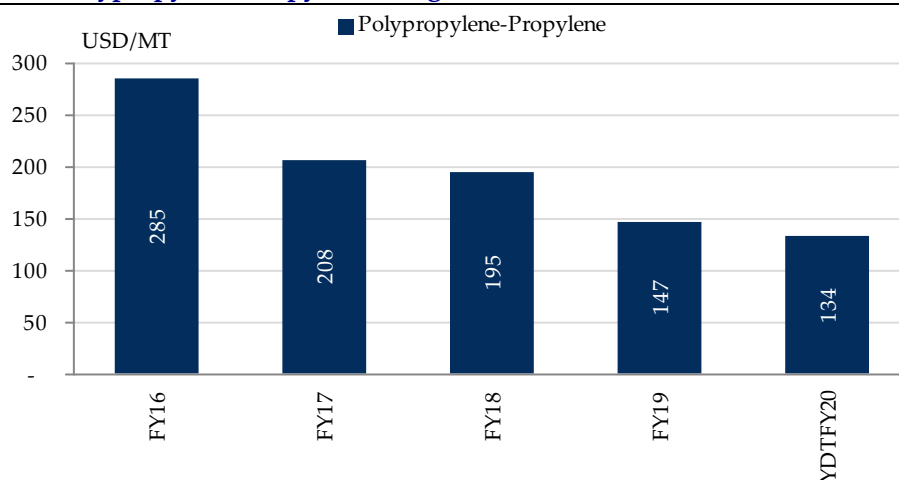
Fig. 113: Ethylene-Naphtha Margin Trend



Source: Bloomberg, HDFC Ins research

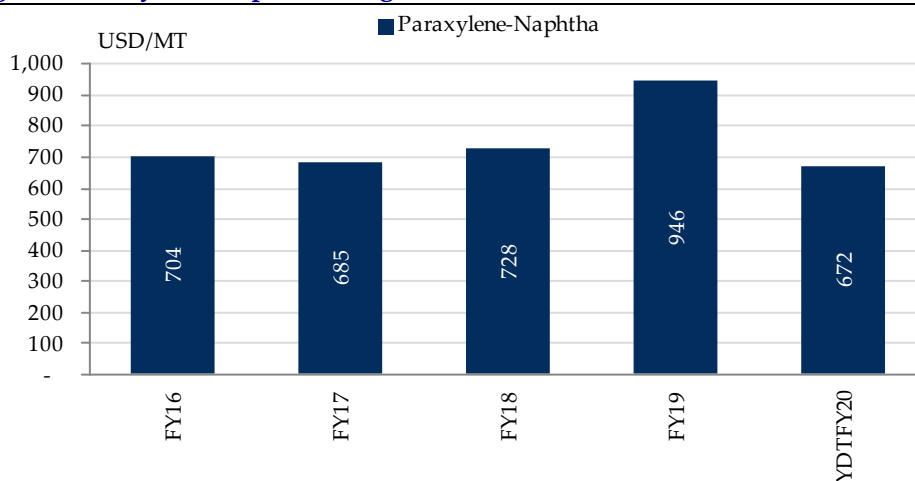
- Restriction on production of key base chemicals like propylene, and aromatics (benzene, xylene, and toluene) is the primary drawback of rising ethane based petrochemical plant capacities. The yield of other base chemicals like propylene and aromatics is especially constrained when ethane is used as feedstock since ethylene yield (from ethane) is ~80%, which leaves little room for production of other base chemicals. Due to such heavy reliance on ethane for feedstock, propylene capacity increases are likely to lag demand growth. The demand of Propylene grew at 4.5% CAGR from 68.8mmt in CY07 to 106.6mmt in CY17. During the same period world GDP grew at an average of 3.6%. We believe, the slowdown in global GDP will result in slowdown in demand growth for propylene. We expect propylene demand to increase by 18mmt (at 3.4% CAGR over CY20-24). However, supply is expected to increase merely by 3.1mmt.

Fig. 114: Polypropylene-Propylene Margin Trend



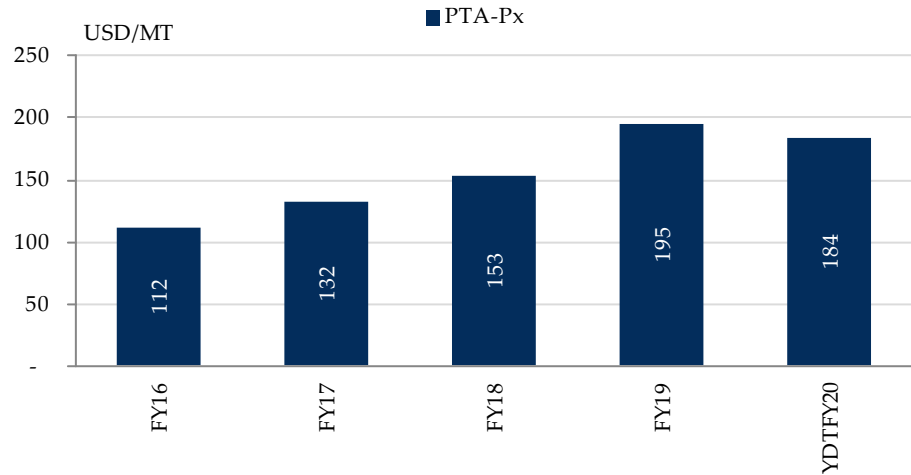
Source: Bloomberg, HDFC Ins research

Fig. 115: Paraxylene-Naphtha Margin Trend



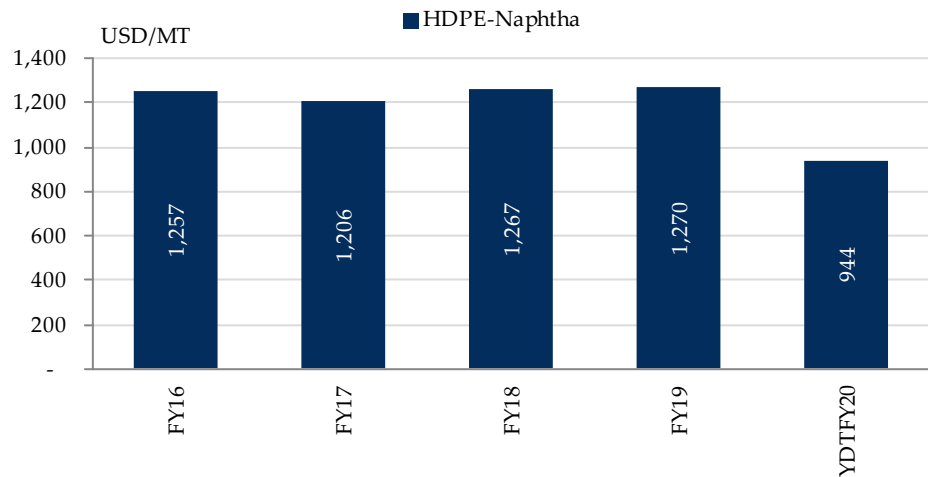
Source: Bloomberg, HDFC Ins research

Fig. 116: PTA-Paraxylene Margin Trend



Source: Bloomberg, HDFC Ins research

Fig. 117: HDPE-Naphtha Margin Trend



Source: Bloomberg, HDFC Ins research

Fig. 118: Petchem Margins At A Glance

\$/MT	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	YTD FY20
RIL petchem margin	106	121	104	107	119	104	80	83	87	88	103	128	142	122
HDPE-Ethylene	250	374	432	366	236	306	287	329	346	218	147	139	194	216
Ethylene-Naptha	1,087	1,116	916	912	1,012	1,058	1,103	1,183	1,121	1,039	1,059	1,128	1,076	728
HDPE-Naptha	1,337	1,490	1,349	1,277	1,248	1,364	1,389	1,512	1,467	1,257	1,206	1,267	1,270	944
PP-P	101	259	196	110	114	26	79	80	192	285	208	195	147	134
Px-Naptha	1,096	1,014	936	890	1,130	1,385	1,321	1,201	923	704	685	728	946	672
PTA-Px	133	166	176	255	290	196	138	137	119	112	132	153	195	184
MEG-Ethylene	100	405	75	111	216	364	236	148	81	9	(16)	98	54	36
PVC-EDC/Naptha	233	344	405	296	320	422	452	361	333	285	364	412	317	389
Butadiene-LPG	1,285	1,174	1,563	1,356	2,008	3,147	1,870	1,300	1,055	895	1,578	1,123	1,282	958

Source: Bloomberg, Company, HDFC Sec Ins research

Exploration and Production: Domestic capex to raise production

- We estimate RIL's exploration and production EBITDA to increase from INR 11bn in FY19 to INR 24bn in FY22E. The share of exploration and production EBITDA in consolidated EBITDA should increase from 1.3% in FY19 to 2.0% in FY22E. We expect gas production from KG basin to increase by 5mmscmd in FY21E to 6.2mmscmd and further to 11.2mmscmd in FY22E. We have estimated gas price of USD5.3/mmbtu for incremental gas produced from deepwater fields in FY21/22E.
- RIL's domestic upstream portfolio includes operation in conventional deepwater acreages and the unconventional Coal Bed Methane (CBM) block. Besides, with a focus on US shale oil, RIL has two joint ventures with Pioneer Natural Resources and Chevron for drilling and completion activities.

KG D6

- RIL-BP is jointly developing three deepwater fields namely, R-Cluster, Satellite Cluster and D55 (MJ) fields with an investment of USD 5bn to monetise ~3 trillion cubic feet (tcf) of discovered gas resources. First gas from R-Cluster is expected by mid-2020, followed by Satellite Cluster and MJ fields over the next two years. These fields are expected to produce ~28mmscmd of natural gas when fully developed in 2022. The JV is allowed to sell the gas produced from these fields at a market determined price.

R-Cluster development

- Drilling and completion activity for six development wells has already been completed and upper completions are underway. The final campaign for installation of subsea structures, umbilicals, flowlines have commenced. Additionally, the subsea gas gathering hub was installed during the last quarter (i.e. 3QFY20). Gas production is expected to commence from this field from 2QFY20 with peak production expected to be 12mmscmd.
- Meanwhile, the KG D6 JV has successfully conducted first round of gas bidding in Nov-19 for 5mmscmd of gas. Gas Sales and Purchase Agreement (GSPA) being signed with customers at a price between USD5.29 to 5.41/mmbtu (floor of 9% of average 3-month Brent price and cap of HTHP gas price as decided by PPAC).

Satellite Cluster

- The JV will drill five wells in this cluster. At the end of CY19, top hole drilling has been completed for 3 out of 5 wells and the first installation campaign has started. The production is expected to commence by mid-2021E with peak production from this field expected to be 7mmscmd.

MJ field

- Engineering is ongoing for Floating Production Storage Offload (FPSO), Subsea Production System (SPS) & Subsea Installation. RIL expects to start production by mid-2022 with peak production at 12mmscmd.

CBM

- RIL commenced production from its Coal Bed Methane (CBM) block SP (West)– in Mar-17. Currently, more than 238 wells are on production, producing ~ 0.94mmscmd of gas. The production is expected to increase to 3mmscmd by Mar-21. Reliance Gas Pipeline Ltd, a subsidiary of RIL, operates the 302 km long Shahdol-Phular pipeline. This pipeline connects the CBM gas fields of RIL with the national gas grid. Currently, RIL is purchasing its own gas at USD 6.26/mmbtu and will continue to purchase it till Mar-21.
- Development activities on these CBM blocks are currently underway to sustain plateau production. This Phase-II activity includes drilling and completion of more than 100 wells along with an additional gas gathering station and associated water gathering stations for collection and processing of CBM gas and water respectively. As of now, more than 67 wells have been put on production under Phase-II.

Shale Gas

- Reliance is restructuring its shale gas assets through cross-border merger of Reliance Holding USA Inc.(RHUSA) with RIL. This will allow shale gas assets to benefit from the expected up cycle in commodities.
- US oil and gas prices have corrected resulting in an activity slowdown. Production was down ~23.34% to 56.5 billion cubic feet of oil equivalent (bcfe) in 9MCY19 from 73.7bcfe in 9MCY18.

Fig. 119: Oil And Gas Portfolio

Block	Partner	RIL JV acreage		Status
		Stake (%)	(in acres)	
Conventional				
Domestic				
KG-DWN-98/3	BP-33.33%	66.67%	316,216	One producing Fields, Field Development Plan (FDP) approved for R-Cluster, Satellite Cluster and MJ, Field Development activities underway
NEC-OSN-97/2	BP-33.33%	66.7%	205,520	FDP Submitted. Under review with GoI
GS-OSN-2000/1	Hardy-10%	90.0%	148,263	Declaration Of Commerciality (DOC) reviewed
International				
Block 39	Perenco-55%, Petro Vietnam -35%	10.0%	213,746	RIL has withdrawn from the PSC. Assignment under approval with Government of Peru.
Unconventional				
Domestic				
CBM				
SP(East)-CBM-2001/1		100.0%	122,317	Development ongoing
SP(West)-CBM-2001/1		100.0%	123,552	Production started
International				
Shale				
Pioneer JV	Pioneer-46.4%,Newpek-8.6%	45.0%	149,128	Producing
Chevron JV	Chevron-60%	40.0%	218,104	Producing

Source: Company, HDFC sec Inst Research

Valuation

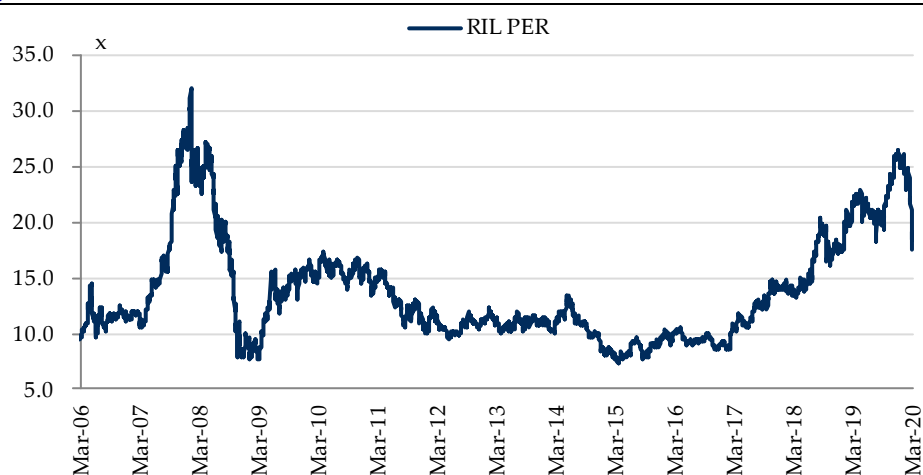
- We value RIL on an SOTP basis, using EV/EBITDA for refining, petrochemicals and retail, and DCF (WACC of 10.0%) for the telecom and E&P. We value RIL's investments at a 15% discount to their market price (for listed) or book value (for unlisted). As of Dec-19, RIL had gross debt of INR 3,069bn and cash and cash equivalents of INR 1,537bn.

Fig. 120: SOTP valuation

Business	EV (INR bn)	Value per share	Valuation basis
Petrochemicals	1,500	253	EV/EBITDA on Sep 21E
Refining	1,379	233	EV/EBITDA on Sep 21E
E & P	215	36	NPV
Investments in Retail	2,065	349	EV/EBITDA on Sep 21E
Investments in Telecom	4,806	811	NPV
Consolidated net Debt	(1,673)	-282	As on Sep-21
Value per share	8,293	1,400	

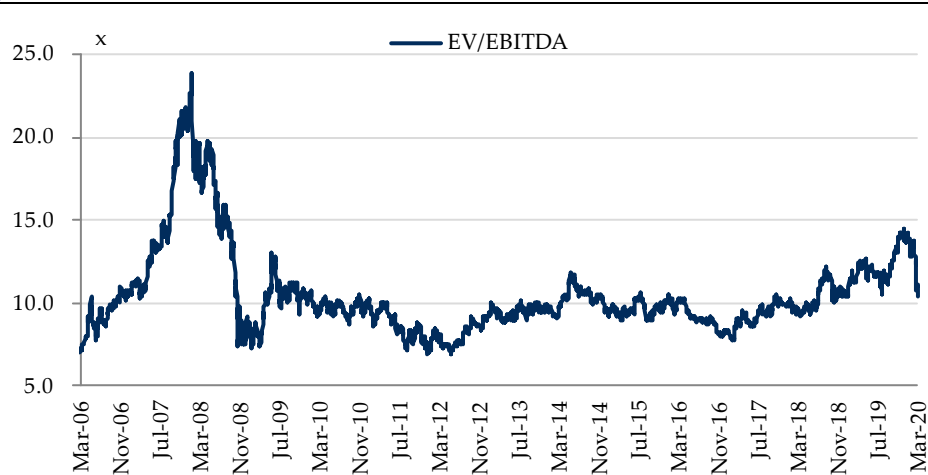
Source: HDFC sec Inst Research

Fig. 121: One-Year Forward PER Of RIL



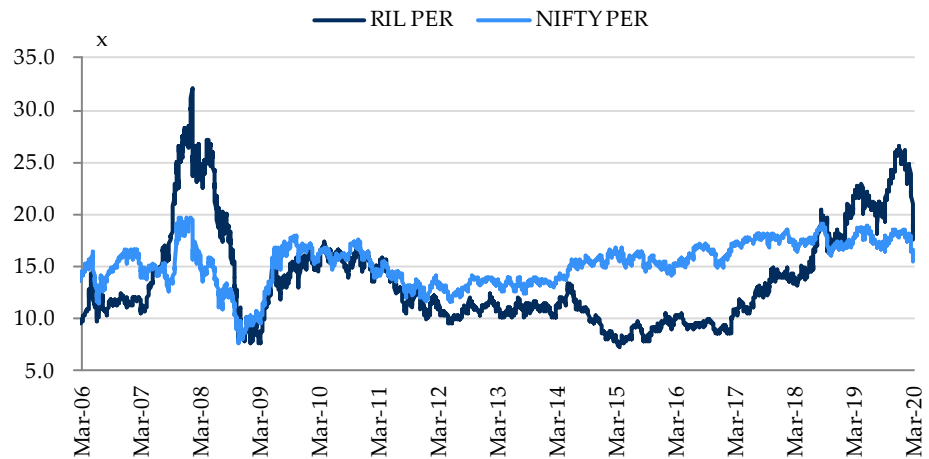
Source: Company, HDFC sec Inst Research

Fig. 122: One-Year Forward EV/EBITDA Of RIL



Source: Company, HDFC sec Inst Research

Fig. 123: RIL PER vs NIFTY PER



Source: Bloomberg, HDFC sec Inst Research

Fig. 124: Assumptions

Particulars	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Crude price (US\$/bbl)	47.0	48.0	57.5	78.0	57.3	36.3	41.3
INR-USD	65.8	66.9	66.0	70.1	71.7	73.5	75.3
Refining business							
GRM (US\$/bbl)	10.8	11.0	11.6	9.2	8.2	7.0	9.0
Crude thrupt (mmt)	69.6	70.1	69.8	68.3	70.6	65.6	71.9
Upstream Business							
PMT							
Gas (BCF)	72	63	62	51	36	-	-
Oil (mmbbl)	7	6	5	4	2	-	-
KG							
Gas (mmscmd)	10	8	5	3	2	7	15
Gas price (US\$/mmbtu)	4.7	3.1	3.5	4.0	3.1	4.7	5.1
Petrochemicals							
Sales volume (mmt)	10.2	10.1	12.7	14.8	14.7	14.7	14.7
EBIT/kg of sales volumes (INR/kg)	10.1	13.0	16.5	21.3	13.6	7.6	9.3
R-Jio							
ARPU (INR/user/month)	-	-	144.5	131.2	128.4	135.5	144.8
Subscribers (No. mn)	-	-	187	307	385	440	480
R-Retail							
Grocery							
Revenue per sq. ft (INR)				40,861	43,797	43,739	44,542
Area addition (mn sq. ft)				1.3	2.3	2.5	2.3
F&L							
SSSG (%)				25.4	12.5	5.5	7.8
Expansion-led growth (%)				23.9	12.7	12.5	12.3
Consumer Electronics (ex-JIO devices)							
SSSG (%)					9.7	8.0	8.0
Expansion-led growth (%)					31.2	16.0	12.8

Source: Company, HDFC Sec Inst Research

Fig. 125: Change in estimates

	FY20E			FY21E			FY22E		
	Old	New	% Ch	Old	New	% Ch	Old	New	% Ch
Crude oil (USD/bbl)	75.0	57.3	(23.7)	75.0	36.3	(51.7)	75.0	41.3	(45.0)
Exchange rate (INR/USD)	72.0	71.7	(0.4)	72.0	73.5	2.0	72.0	75.3	4.6
Standalone business									
GRM (USD/bbl)	9.0	8.2	(8.9)	10.2	7.0	(31.4)	10.7	9.0	(15.9)
Petchem margin (INR/kg)	16.6	13.6	(18.3)	18.7	7.6	(59.3)	18.8	9.3	(50.6)
EBITDA (INR bn)	564	482	(14.6)	647	361	(44.3)	680	462	(32.0)
EPS (INR/share)	54.1	46.5	(14.0)	60.9	31.0	(49.1)	65.8	44.3	(32.6)
Retail									
Revenue (INR bn)	1,468	1,515	(3.1)	1,730	1,793	(3.5)	2,039	2,087	(2.3)
EBITDA (INR bn)	89	98	(8.4)	103	119	(13.7)	129	143	(10.0)
APAT (INR bn)	55	61	(9.9)	62	75	(16.6)	80	91	(12.5)
EPS (INR)	9.2	10.2	(9.9)	10.4	12.4	(16.6)	13.3	15.2	(12.5)
Consolidated business									
EBITDA (INR bn)	919	843	(8.3)	1,109	819	(26.1)	1,182	981	(17.0)
EPS (INR/share)	68.3	61.5	(10.0)	82.9	60.2	(27.4)	89.8	81.2	(9.6)

Source: Company, HDFC Sec Inst Research

Fig. 126: Peer Comps

Company	Rating	Currency	CMP Apr 7	TP	P/E (x)			EV/EBITDA (x)			P/BV (x)			ROE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Refining & marketing																
Caltex	NA	AUD	1,135	NA	17.1	11.8	11.3	7.8	5.9	5.5	1.9	1.8	1.7	10.4	14.9	15.5
SK Innovation	NA	KRW	5,857	NA	23.6	8.7	8.2	8.8	5.7	5.4	0.5	0.5	0.5	2.3	5.3	5.6
S-Oil Corp	NA	KRW	4,212	NA	37.3	11.0	9.5	12.7	7.7	6.7	1.2	1.1	1.0	3.9	10.5	11.6
GS Holdings	NA	KRW	2,460	NA	7.2	5.0	4.4	6.0	5.0	4.9	0.4	0.4	0.4	6.4	7.7	8.5
Thai Oil PCL	NA	THB	85	NA	13.4	7.8	7.2	9.9	8.3	8.2	0.6	0.6	0.6	3.9	8.0	8.5
RIL	BUY	INR	1,191*	1400	19.4	19.8	14.7	11.1	11.5	9.4	1.8	1.7	1.5	9.7	8.9	11.0
IOC	BUY	INR	83*	184	6.5	5.1	4.5	5.5	4.3	3.8	0.6	0.6	0.6	10.2	12.4	13.3
BPCL	REDU	INR	350*	456	10.6	9.5	9.6	8.2	7.5	7.5	1.7	1.5	1.4	16.2	16.9	15.4
HPCL	BUY	INR	206*	320	7.9	6.8	6.4	8.0	7.0	6.1	0.9	0.9	0.8	12.6	13.3	13.0
Average					15.9	9.5	8.4	8.7	7.0	6.4	1.1	1.0	0.9	8.4	10.9	11.4
Petrochem																
IRPC PCL	NA	THB	5	NA	32.7	11.9	9.8	8.7	6.7	6.1	0.6	0.6	0.5	1.5	5.2	5.9
PTT Global	NA	THB	85	NA	16.9	10.0	10.1	8.3	6.3	5.5	0.6	0.5	0.5	3.3	5.7	6.2
Kumho Petchem	NA	KRW	4,107	NA	7.6	6.4	6.5	5.1	4.3	3.9	0.7	0.7	0.6	10.0	10.8	9.2
Hanwha Chem	NA	KRW	813	NA	7.0	5.4	4.9	7.5	6.7	6.3	0.4	0.3	0.3	5.0	6.2	6.3
Lotte Chem	NA	KRW	10,795	NA	9.1	7.0	6.3	4.0	3.4	3.1	0.4	0.4	0.4	5.1	6.3	6.4
RIL	BUY	INR	1,191*	1400	19.4	19.8	14.7	11.1	11.5	9.4	1.8	1.7	1.5	9.7	8.9	11.0
Average					15.4	10.1	8.7	7.5	6.5	5.7	0.7	0.7	0.7	5.8	7.2	7.5

Source: Bloomberg, Company, HDFC sec Inst Research | *Price as on 13-Apr

Financials

Consolidated Income Statement

YE March (INR bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Revenues	3,754	2,740	3,054	3,917	5,671	5,365	4,793	5,540
<i>Growth %</i>	(13.6)	(27.0)	11.5	28.3	44.8	(5.4)	(10.7)	15.6
Raw Material	2,940	1,888	2,123	2,675	3,945	3,552	2,974	3,394
Employee Cost	63	74	84	95	125	135	166	196
Other Expenses	378	361	385	505	762	835	833	968
EBITDA	374	417	462	642	839	843	819	981
<i>EBITDA Margin (%)</i>	10.0	15.2	15.1	16.4	14.8	15.7	17.1	17.7
<i>EBITDA Growth %</i>	7.4	11.6	10.8	38.9	30.8	0.5	(2.8)	19.7
Depreciation	115	116	116	167	209	229	252	269
EBIT	258	301	345	475	630	614	568	713
Other Income (Including EO Items)	86	121	94	99	86	103	125	137
Interest	33	37	38	81	165	197	181	167
PBT	311	385	401	494	551	521	513	682
Tax	75	89	102	133	154	130	129	166
RPAT before minority interest	236	296	299	360	397	391	383	516
Share of associates/Minority interest	(1)	1	(0)	1	(1)	(1)	(1)	(1)
RPAT post adjusting for above	236	297	299	361	396	390	382	514
EO (Loss) / Profit (Net Of Tax)	-	(32)	-	-	-	-	-	-
APAT	236	329	299	361	396	390	382	514
<i>APAT Growth (%)</i>	4.8	39.8	(9.2)	20.6	9.7	(1.6)	(2.0)	34.7
AEPS	39.8	55.6	50.5	60.9	66.8	61.5	60.2	81.2
<i>AEPS Growth %</i>	4.8	39.8	(9.2)	20.6	9.7	(8.0)	(2.0)	34.7

Consolidated Balance Sheet

YE March (INR bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital	29	29	30	59	59	63	63	63
Reserves And Surplus	2,156	2,407	2,608	2,876	3,812	4,106	4,392	4,811
Total Equity	2,185	2,437	2,637	2,935	3,871	4,169	4,456	4,875
Minority Interest	30	33	29	35	83	85	89	93
Long-term Debt	1,208	1,420	1,521	1,442	2,075	2,408	2,321	2,151
Short-term Debt	280	240	445	746	800	581	577	563
Total Debt	1,487	1,660	1,966	2,188	2,875	2,989	2,898	2,714
Deferred Tax Liability	204	271	413	448	645	657	653	649
Long-term Provision	33	43	114	114	162	150	150	151
TOTAL SOURCES OF FUNDS	3,939	4,443	5,159	5,720	7,636	8,051	8,245	8,482
APPLICATION OF FUNDS								
Net Block	1,521	1,698	1,936	3,981	3,864	4,301	4,499	4,567
Capital WIP	1,665	2,499	3,248	1,870	1,795	1,609	1,607	1,724
Goodwill on consolidation	44	53	49	58	120	120	120	120
LT Loans And Advances	195	176	27	27	68	69	71	72
Non-current investments	254	370	256	253	1,645	1,645	1,645	1,645
Non-current assets	0	0	83	87	223	230	237	244
Total Non-current Assets	3,679	4,796	5,600	6,275	7,715	7,975	8,180	8,373
Inventories	532	470	535	608	676	607	517	585
Debtors	53	49	82	176	301	325	296	318
Cash and Cash Equivalent	125	112	30	43	75	558	429	418
ST Loans And Advances	112	178	95	108	5	11	16	22
Other Current Assets	33	58	199	328	494	408	434	463
Current investments	510	399	528	576	709	709	709	709
Total Current Assets	1,366	1,266	1,468	1,838	2,261	2,618	2,401	2,515
Creditors	594	613	766	1,069	1,083	808	631	712
Other Current Liabilities & Provns	512	1,007	1,143	1,324	1,257	1,735	1,705	1,695
Total Current Liabilities	1,106	1,619	1,909	2,393	2,340	2,543	2,336	2,407
Net Current Assets	260	(353)	(441)	(555)	(79)	75	65	108
TOTAL APPLICATION OF FUNDS	3,939	4,443	5,159	5,720	7,636	8,051	8,245	8,482

Source: Company, HDFC sec Inst Research

Consolidated Cash Flow

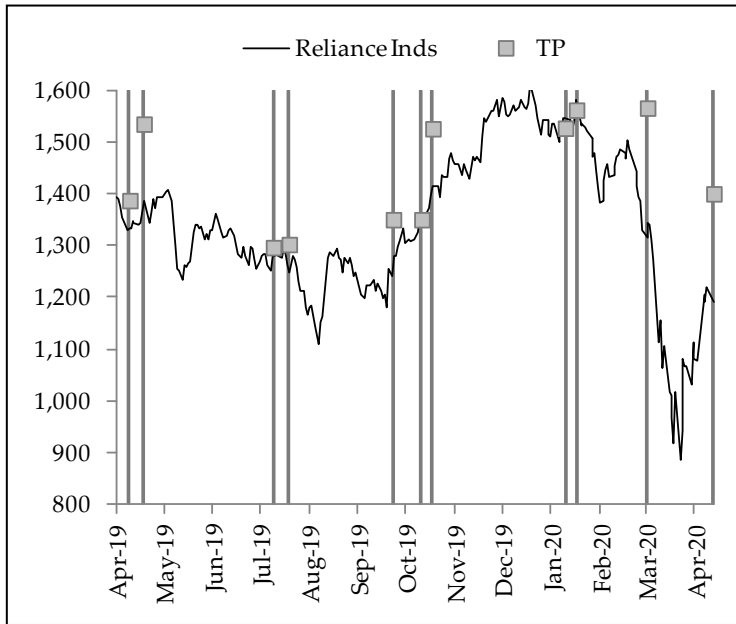
YE March (INR bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	311	385	401	494	551	521	513	682
Non-operating & EO Items	(87)	(87)	(95)	(99)	(88)	(105)	(127)	(138)
Interest Expenses	33	37	38	81	165	197	181	167
Depreciation	115	116	116	167	209	229	252	269
Working Capital Change	173	600	6	127	(443)	328	(119)	(54)
Tax Paid	10	(21)	40	(99)	44	(118)	(133)	(170)
OPERATING CASH FLOW (a)	555	1,029	507	670	439	1,051	566	756
Capex	(1,016)	(1,136)	(1,100)	(843)	(79)	(481)	(448)	(454)
Free Cash Flow (FCF)	(460)	(107)	(593)	(173)	360	571	118	302
Investments	14	(116)	114	4	(1,393)	-	-	-
Non-operating Income	86	121	94	99	86	103	125	137
Others	(16)	19	67	(3)	(178)	(8)	(8)	(9)
INVESTING CASH FLOW (b)	(931)	(1,112)	(826)	(743)	(1,564)	(385)	(331)	(326)
Debt Issuance/(Repaid)	149	172	306	222	687	114	(92)	(183)
Interest Expenses	(33)	(37)	(38)	(81)	(165)	(197)	(181)	(167)
FCFE	(344)	28	(325)	(32)	883	488	(154)	(48)
Share Capital Issuance	0	0	0	30	0	4	-	-
Dividend	(33)	(73)	-	(39)	(48)	(44)	(30)	(42)
Others	38	7	(31)	(46)	683	(60)	(62)	(48)
FINANCING CASH FLOW (c)	121	70	237	85	1,157	(184)	(364)	(441)
NET CASH FLOW (a+b+c)	(254)	(13)	(82)	12	33	482	(129)	(11)
EO Items, Others	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	125	112	30	43	75	558	429	418

Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY %								
EBITDA Margin	10.0	15.2	15.1	16.4	14.8	15.7	17.1	17.7
EBIT Margin	6.9	11.0	11.3	12.1	11.1	11.4	11.8	12.9
APAT Margin	6.3	12.0	9.8	9.2	7.0	7.3	8.0	9.3
RoE	11.3	14.3	11.8	12.9	11.6	9.7	8.9	11.0
RoIC	10.4	16.3	17.2	13.7	12.1	11.3	9.9	11.9
RoCE	7.0	8.5	6.8	7.7	7.7	6.9	6.3	7.7
EFFICIENCY								
Tax Rate %	24.0	23.1	25.4	27.0	27.9	24.9	25.2	24.4
Fixed Asset Turnover (x)	1.4	0.9	0.9	0.8	1.0	0.9	0.7	0.8
Inventory (days)	52	63	64	57	43	41	39	39
Debtor (days)	5	7	10	16	19	22	23	21
Other Current Assets (days)	14	31	35	41	32	29	34	32
Payables (days)	74	118	132	146	100	83	77	77
Other Current Liab & Provns (days)	64	195	196	181	116	178	209	182
Cash Conversion Cycle (days)	(66)	(212)	(219)	(213)	(122)	(169)	(190)	(167)
Net Debt/EBITDA (x)	2.3	2.8	3.0	2.4	2.5	2.0	2.1	1.6
Net D/E	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.3
Interest Coverage	7.8	8.2	9.0	5.9	3.8	3.1	3.1	4.3
PER SHARE DATA (INR)								
EPS	39.8	55.6	50.5	60.9	66.8	61.5	60.2	81.2
CEPS	58.0	73.9	68.9	87.3	99.8	97.6	99.9	123.5
Dividend	4.8	5.4	6.2	6.8	6.5	6.0	4.0	5.7
Book Value	344.7	384.4	416.0	463.0	610.7	657.7	702.9	769.0
VALUATION								
P/E (x)	29.9	21.4	23.6	19.6	17.8	19.4	19.8	14.7
P/Cash EPS (x)	20.5	16.1	17.3	13.6	11.9	12.2	11.9	9.6
P/BV (x)	3.5	3.1	2.9	2.6	2.0	1.8	1.7	1.5
EV/EBITDA (x)	22.6	20.9	19.5	14.3	11.6	11.1	11.5	9.4
EV/Revenue (x)	2.2	3.2	2.9	2.3	1.7	1.7	2.0	1.7
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.5	0.5	0.3	0.5
OCF/EV (%)	6.6	11.8	5.6	7.3	4.5	11.2	6.0	8.2
FCFF/EV (%)	(5.5)	(1.2)	(6.6)	(1.9)	3.7	6.1	1.3	3.3
FCFE/M Cap (%)	(4.6)	0.4	(4.3)	(0.4)	11.7	6.5	(2.0)	(0.6)

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Apr-19	1,335	NEU	1,387
22-Apr-19	1,383	BUY	1,535
9-Jul-19	1,279	NEU	1,296
22-Jul-19	1,249	NEU	1,302
22-Sep-19	1,152	NEU	1,350
11-Oct-19	1,362	NEU	1,350
21-Oct-19	1,416	NEU	1,526
10-Jan-20	1,548	NEU	1,527
19-Jan-20	1,580	NEU	1,562
2-Mar-20	1,329	ADD	1,566
14-Apr-20	1,191	BUY	1,400

From 2nd March 2020, we have moved to a new rating system

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Reliance Industries: Company update

Disclosure:

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