

Reliance Industries

Refer to important disclosures at the end of this report

Largely neutral results; ARPU print slightly better than expected

- Q3FY21 consolidated EBITDA/PAT of Rs215.7bn/Rs131bn beat our estimates by 3%/9%, driven by better-than-expected Jio ARPU, slight O2C beat, higher-than-estimated interest cost decline and tax rate of 1% (vs. 5% built) from petroleum segment restructuring.
- RIL clubbed refining and petchem into a single O2C business (as per ongoing restructuring) and discontinued disclosures of GRMs and petchem production breakup. Broadly, O2C EBITDA was ~2% above estimates on slightly higher volumes/margins.
- Jio revenue/EBITDA beat estimates by 2-3% as ARPU rose 4% to Rs151, aided by FTTH. Net subscriber additions were weak at 5.2mn. Retail's adj. EBITDA stood at Rs23.3bn with Rs7.8bn investment income. Revenue fell 19% yoy/10% qoq with petro moved to BP JV.
- We cut FY21-23E retail EBITDA by 11-13% but overall EBITDA estimates are unchanged, as we build in higher O2C margins. We roll over to FY23E earnings and raise the TP by 4% to Rs2,050. RIL's net debt was higher than our expectation. Retain Hold and EW.

Highlights: O2C EBITDA fell 28% yoy (up 10% qoq) to Rs97.6bn, with 3% qoq expansion in unit margins while volumes rose 8-9%. As per new reporting, the O2C segment's throughput/sale stood at 18.2/16.2mmt, while refining volume was 16.7mmt. KG R Cluster gas production started from mid-Dec'20. Jio revenue rose 5.8% qoq/32.4% yoy to Rs184.9bn, while EBITDA margin expanded 95bps qoq. Network opex/License fees increased 4.2%/4.8% qoq to Rs56.5bn/Rs20.4bn. S&D/employee cost was up 3.9%/3.6% qoq at Rs7.9/3.4bn. RIL's consolidated interest cost fell 29% qoq to Rs43.3bn, while Other Income was up 5% qoq at Rs44.5bn. There was Rs1.2bn exceptional item on US shale impairment, partially offset by deferred taxes. Minority interest was Rs17.9bn (vs. estimates Rs14bn). Net debt fell by Rs567bn qoq to Rs369bn vs Rs735bn inflow from JPL/RRVL stake sale.

Guidance: O2C integration is a move toward shifting the Jamnagar complex further downstream and there would be scale and synergies. Recovery in global demand implies constructive margin scenario for O2C (transport and polymers) and earnings outlook for retail. Gasifiers are operating at healthy ~80% utilization. ETR would normalize next fiscal. Capex run-rate has been range-bound. R Cluster gas output is currently at 4.5mmcmd and would touch 12.9mmcmd peak this year. The second bidding round is launched. KG ultra-deep (new play) would see seismic in Q4FY21. In Jio, FTTH is scaling up rapidly and Covid-related local issues are subsiding. Retail saw strong recovery in Fashion & Lifestyle with grocery and electronics being steady. It is focused on store opening and scaling up new ventures.

Valuation: We lower FY22/23E EPS by 4%, assuming lower Other Income/higher minority interest based on Q3 run-rate. We value RIL on a SOTP basis, keeping multiples unchanged. Key risks: Adverse commodity margins/currency, competition and corporate events.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(Page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5,692,090	5,967,430	4,658,245	6,059,050	6,663,548
EBITDA	841,670	882,170	814,709	1,169,456	1,335,561
EBITDA Margin (%)	14.8	14.8	17.5	19.3	20.0
APAT	394,809	431,838	341,428	597,165	724,852
EPS (Rs)	66.6	72.9	56.6	94.0	113.9
EPS (% chg)	11.8	9.4	(22.3)	66.0	21.2
ROE (%)	11.6	10.3	6.3	8.8	9.6
P/E (x)	30.8	28.1	36.2	21.8	18.0
EV/EBITDA (x)	16.9	17.4	18.0	12.4	10.4
P/BV (x)	3.1	2.9	2.1	1.9	1.8

Source: Company, Emkay Research

CMP	Target Price
Rs 2,050 as of (January 22, 2021)	Rs 2,050 (▲) 12 months
Rating	Upside
HOLD (■)	- %

Change in Estimates

EPS Chg FY21E/FY22E (%)	-(4)
Target Price change (%)	4.1
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	56.6	94.0
Consensus	66.0	93.7
Mean Consensus TP (12M)	Rs 2,179	

Stock Details

Bloomberg Code	RIL IN
Face Value (Rs)	10
Shares outstanding (mn)	6,339
52 Week H/L	2,371 / 867
M Cap (Rs bn/USD bn)	13,488 / 184.83
Daily Avg Volume (nos.)	15,900,380
Daily Avg Turnover (US\$ mn)	431.4

Shareholding Pattern Sep '20

Promoters	49.1%
FII's	24.6%
DII's	12.8%
Public and Others	13.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	(3)	2	35
Rel. to Nifty	(1)	(19)	(21)	14

Relative price chart



Source: Bloomberg

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Exhibit 1: Actual vs. Estimates (Q3FY21)

Rs bn (Consol.)	Actual	Estimate (Emkay)	Consensus Estimate (Bloomberg)	Variation		Comment
				Emkay	Consensus	
Total Revenues	1,179	1,272	1,209	-7%	-3%	
EBITDA	215.7	210.4	221.3	3%	-3%	Better than expected Jio earnings, slight O2C beat
EBITDA Margin (%)	18%	17%	18%	176bps	-1bps	
Adjusted Net Profit (aft MI)	132.2	120.3	111.8	10%	18%	Lower than expected interest and tax rate (1%)

Source: Company, Emkay Research

Exhibit 2: Quarterly Highlights (Consolidated)

Rs bn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY	QoQ	9MFY20	9MFY21	YoY
Revenue	1,533	1,365	883	1,112	1,179	-23%	6%	4,610	3,173	-31%
Expenditure	1,306	1,145	714	923	963	-26%	4%	3,941	2,600	-34%
EBITDA	227	220	169	189	216	-5%	14%	670	574	-14%
Depreciation	55	63	63	66	67	20%	1%	159	196	23%
Interest	54	61	67	61	43	-20%	-29%	160	171	7%
Other Income	33	39	44	42	45	36%	5%	93	131	41%
Exceptionals	-2	-43	50	0	-1			-2	48	
PBT	149	93	132	105	149	0%	42%	442	386	-13%
Tax	31	27	3	0	1	-97%		110	3	-97%
PAT	118	66	129	105	148	26%	41%	332	382	15%
Minor/Assc.	-1	-2	3	-9	-17			-2	-23	
Group Rep. PAT	116	63	132	96	131	13%	37%	330	359	9%
Group Adj. PAT	118	106	83	96	132	12%	38%	331	311	-6%
Adj. EPS (Rs)	19.6	17.6	13.7	15.9	21.9	12%	38%	55.9	51.5	-8%
EBITDA Margin	15%	16%	19%	17%	18%			15%	18%	
Tax Rate	21%	29%	2%	0%	1%			25%	1%	
Gross Debt	3,069	3,363	NA	2,793	2,574	-16%	-8%	3,069	2,574	-16%
Cash & Equivalent	1,537	1,753	NA	1,857	2,205	43%	19%	1,537	2,205	43%
Net Debt	1,531	1,610	NA	935	369	-76%	-61%	1,531	369	-76%
Net Debt+Supplier's Credit	2,111	2,110	NA	935	369	-83%	-61%	2,111	369	-83%
Capex	140	217	110	173	165	18%	-5%	557	448	-20%
Refining Volumes (mmt)	18.1	18.3	16.6	15.3	16.7	-8%	9%	52.3	48.6	-7%
Petchem Net Volumes (mmt)	5.1	5.0	4.3	4.6	4.9	-4%	7%	14.6	13.8	-5%
Upstream EBITDA	1	0	0	-2	0	-94%		4	-2	
KG-D6 Gas Output (mmscmd)	1.5	0.9	0.6	0.8	0.7	-52%	-8%	1.7	0.7	-57%
Retail Revenue	453	382	316	392	369	-19%	-6%	1,248	1,077	-14%
Retail EBITDA	27	26	11	20	31	13%	53%	71	62	-13%
Retail EBITDA Margin	6.0%	6.7%	3.4%	5.2%	8.4%			5.7%	5.8%	
Jio Revenue	140	148	166	175	185	32%	6%	395	525	33%
Jio EBITDA	60	68	78	83	89	48%	7%	165	251	52%
Jio EBITDA Margin	43.1%	46.1%	47.1%	47.7%	48.4%			41.8%	47.8%	
Jio ARPU (Rs)	128	131	140	145	151	18%	4%	123	145	18%
Jio Subs (mn)	370	388	398	406	411	11%	1%	370	411	11%

Source: Company, Emkay Research

*Note: Adjusted PAT may not match with annual tables fully due to different adjustment method in Emkay detailed annual model

Exhibit 3: O2C earnings, volumes and margins (consolidated)

Rs mn	Q3FY20	Q1FY21	Q2FY21	Q3FY21
Throughput – Feedstock (mmt)		17.6	16.8	18.2
Production For Sale (mmt)		15.8	14.9	16.2
Transport Fuels			8.7	9.7
Polymers			1.5	1.5
Fibre Intermediaries			1.1	1.1
Polyesters			0.6	0.6
Chemicals & Others			3.0	3.3
Revenue	1,191,210	589,060	761,840	838,380
Expenditure	1,055,530	507,400	673,430	740,820
EBITDA	135,680	81,660	88,410	97,560
D&A	22,840	19,670	20,910	21,090
EBIT	112,840	61,990	67,500	76,470
EBITDA/mt (USD)		61	71	73

Source: Company, Emkay Research

Exhibit 4: Revised estimates

Rs bn Consolidated	FY21E			FY22E			FY23E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	5,170	4,658	-10%	6,776	6,059	-11%	7,411	6,664	-10%
EBITDA	819	815	-1%	1,175	1,169	0%	1,339	1,336	0%
EBITDA Margins	16%	17%	165bps	17%	19%	196bps	18%	20%	198bps
PAT	513	514	0%	623	597	-4%	754	725	-4%
EPS (Rs)	79.6	79.8	0%	92.0	88.2	-4%	111.3	106.9	-4%

Source: Company, Emkay Research

Reliance Jio Result Update

Aided by a 4% rise in ARPU, revenue and EBITDA beat our projections by 2% each. ARPU print of Rs151 surpassed our expectations of Rs148, partially aided by the FTTH segment. That said, the pace of subscriber additions continue to weaken with a mere 5.2mn net adds – the lowest number of additions ever. Additionally, the gap between gross additions of 25.1mn and net additions is also a bit worrisome, in our view. Jio's ARPU and data usage is not comparable with Bharti and VIL as Jio include FTTH revenues in the same.

Financial performance

- Reported revenue registered growth of 5.8% qoq and 32.4% yoy to Rs184.9bn vs. Rs174.8bn in Q2FY21.
- EBITDA at Rs81.1bn was up 8.1% qoq with EBITDA margins expanding 95bps qoq to 43.9%.
 - **Total opex increased 4% qoq.** Network opex/License fees rose 4.2%/4.8% qoq to Rs56.5bn/Rs20.4bn. Selling & distribution was up 3.9% qoq to Rs7.9bn. Employee cost rose 3.6% qoq to Rs3.4bn.
- **RPAT rose 15.7% qoq to Rs32.9bn.**
 - Other income was meaningfully lower at Rs520mn vs. Rs2bn in the last quarter
 - Interest charge dipped 16.8% sequentially to Rs8.5bn on account debt reduction post fund raise. Depreciation charge of Rs29.1bn increased 1.4% qoq.
 - Tax expense came in at Rs11.2bn (+15.7% qoq), with ETR of 25.3%.

KPI's

- ARPU stood at Rs151, up 4% qoq vs. Rs145 in the last quarter.
- The subscriber base increased to Rs410.8mn. Net additions stood at 5.2mn subscribers, negatively impacted by Covid-related constraints and local issues. ***This is meaningfully lower than the average of the last four quarters of 12.6mn subscribers.***
- Data consumption/Sub rose to 12.9GB vs. 12GB in Q2FY21, while MOU rose to 796mins as against 776min in the previous month.
- Churn stood at 1.63%.

Other highlights

- FTTH services have witnessed an increased uptake during the quarter.
- In the home IoT space, the telco has a solution and product pipeline that includes smart speakers, home IoT solutions, applications for TV among others.
- Jio Meet crossed 15mn users during the quarter.
- The pan India IoT network is operational for applications for connected cars, smart cities, smart metering, connected assets and hospitality.

Exhibit 5: KPIs: Jio vs. Competitors

KPI- JIO	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	KPI- Q3FY21	JIO	Airtel (India)*	VIL*
ARPU (Rs)	128	131	140	145	151	ARPU (Rs)	151	167	123
Data Traffic (bn GB)	12.1	12.8	14.3	14.4	15.9	Data Traffic (bn GB)	15.9	8.1	4.7
Subscriber base (mn)	370	388	398	406	411	Subscriber base (mn)	411	301	267
Net add (mn)	14.8	17.4	10.8	7.3	5.2	Net add (mn)	5	7.0	-5.0
Data Usage/ Subs (GB)	11.1	11.3	12.1	12.0	12.9	Data Usage/ Subs (GB)	13	16.2	11.3
MOU per Subscriber per month (min)	760	771	756	776	796	MOU per Subscriber per month (min)	796	1005	663

Source: Company, Emkay Research

*Airtel (India) and VIL numbers are our estimates

Exhibit 6: Quarterly Financials

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)
Net Sales	1,39,680	1,48,350	1,65,570	1,74,810	1,84,920	5.8	32.4	3,94,810	5,25,300	33.1
Access charge	14,420	13,670	13,930	15,100	15,490	2.6	7.4	44,280	44,520	0.5
as % of sales	10.3	9.2	8.4	8.6	8.4			11.2	8.5	
Network Operating	44,230	45,600	52,250	54,260	56,530	4.2	27.8	1,23,700	1,63,040	31.8
as % of sales	31.7	30.7	31.6	31.0	30.6			31.3	31.0	
Employee Expenses	3,140	3,870	3,180	3,310	3,430	3.6	9.2	10,760	9,920	(7.8)
as % of sales	2.2	2.6	1.9	1.9	1.9			2.7	1.9	
Marketing Expenses	7,230	7,700	7,980	7,640	7,940	3.9	9.8	20,710	23,560	13.8
as % of sales	5.2	5.2	4.8	4.4	4.3			5.2	4.5	
License Fee	14,830	15,760	18,180	19,460	20,390	4.8	37.5	41,440	58,030	40.0
as % of sales	10.6	10.6	11.0	11.1	11.0			10.5	11.0	
Total operating expenditure	83,850	86,600	95,520	99,770	1,03,780	4.0	23.8	2,40,890	2,99,070	24.2
EBITDA	55,830	61,750	70,050	75,040	81,140	8.1	45.3	1,53,920	2,26,230	47.0
Depreciation	17,960	21,680	27,380	28,710	29,100	1.4	62.0	52,280	85,190	62.9
EBIT	37,870	40,070	42,670	46,330	52,040	12.3	37.4	1,01,640	1,41,040	38.8
Other Income	180	260	2,760	1,970	520	(73.6)	188.9	610	5,250	760.7
Interest	19,530	11,330	11,680	10,220	8,500	(16.8)	(56.5)	54,840	30,400	(44.6)
Exceptional Item	1,770	-310	0	0	0			1,770	-	
PBT	16,750	29,310	33,750	38,080	44,060	15.7	163.0	45,640	1,15,890	153.9
Tax	3,250	6,000	8,550	9,640	11,150	15.7	243.1	13,330	29,340	120.1
PAT	13,500	23,310	25,200	28,440	32,910	15.7	143.8	32,310	86,550	167.9
Margins (%)						(bps)	(bps)			
EBIDTA	40.0	41.6	42.3	42.9	43.9	95	391	39.0	43.1	408
EBIT	27.1	27.0	25.8	26.5	28.1	164	103	25.7	26.8	111
EBT	12.0	19.8	20.4	21.8	23.8	204	1,183	11.6	22.1	1,050
PAT	9.7	15.7	15.2	16.3	17.8	153	813	8.2	16.5	829
Effective Tax rate	19.4	20.5	25.3	25.3	25.3	(1)	590	29.2	25.3	(389)

Source: Company, Emkay Research

Reliance Retail Result Update

One-off items lead to higher revenue decline, continuing business growth better: Retail revenues declined 19% yoy /10% qoq to Rs330bn due to the transfer of petro-retailing business to RIL-BP JV and conversion of reliance market stores to fulfillment centres. 96% of total 12,201 stores were operational during Q3FY21 (vs. 85%/50% in Q2/Q1FY21), of which 52% stores operated uninterrupted (vs. 43% in Q2FY21). Footfalls remain impacted across segments and recovery has been led by better conversions and increase in ticket sizes. Reliance Retail opened 327 gross new stores (~1.6mn sqft) in Q3FY21 and indicated getting back to its pre-Covid pace of store addition (i.e. 400-500 stores).

Relatively faster recovery in fashion/lifestyle business is encouraging: Among segments, high-margin Fashion & Lifestyle bounced back strongly, recovering to pre-Covid levels, while Consumer Electronics/Grocery (going concern basis) businesses maintained their growth trajectory. Growth recovery across segments has been led by strong festive sales, omni-channel initiatives and Tier-2/3 towns. The company witnessed market share gains in the Consumer Electronics business (ex-Jio devices), led by healthy demand for laptops/small appliances. Growth revival in the Fashion & Lifestyle business is encouraging and has been led by higher conversions, ticket sizes and digital commerce, despite a 33% decline in footfalls. Reliance Jewels also witnessed high double-digit YoY growth coupled with recovery in studded mix. Grocery segment continued its strong growth momentum in Q3FY21 on a going concern basis, led by staples, FMCG and sweets. However, conversion of Reliance market stores to fulfillment centres impacted overall grocery sales.

Better revenue mix leads to EBITDA margin improvement: Comparable EBITDA margins (ex-other income) improved 20bps/150bps YoY/QoQ to 7%, helped by growth revival in high-margin Fashion & Lifestyle business (24% EBITDA margins for fashion vs. 6.4% company level margins in FY20). Reported margins at 9.3% grew 250/380bps on a YoY/QoQ basis, helped by Rs7.8bn incremental other income due to Rs470bn fund raise.

Healthy capital raise to aid store expansions and digital investments: Reliance Retail has raised Rs470bn through 10.09% stake sale with plans to accelerate new store openings and invest aggressively to scale up its digital/new commerce businesses. The company also indicated investments in design & development, in further developing vendor eco-system and in improving supply chain infrastructure to gain both customer traction as well as cost efficiencies.

Acceleration in Digital and new commerce initiatives can drive upsides: AJIO orders were up 5x on a YoY basis and JioMart continued to scale up with more traffic, active users and orders. Overall, the digital commerce business was up 12x YoY in Q3FY21. Kirana partnerships have been extended to 23 cities (vs. 20 cities in Q2FY21).

Valuations and forecasts: While the transfer of petro-retailing business and conversion of market stores to fulfillment centers lead to a cut in our revenue estimates by 20-25% but faster recovery in the high-margin fashion business and better revenue mix drive upward revision to our margin estimates by 50-100bps. Overall, these changes lead to a 10%-13% cut to our FY22E/23E EBITDA estimates. Scale of omni-channel and new commerce will be key monitorables for incremental upsides to growth. We value the retail division at 27.5x EV/EBITDA multiple. Our revised EV stands at Rs3.8tn, factoring in Rs25-30bn additional EBITDA from FRL transactions and roll over to Mar-23E EBITDA.

Exhibit 7: Financials

Rs mn	FY19	FY20	YoY%	FY21E	YoY%	FY22E	YoY%	FY23E	YoY%
Revenue	1,305,660	1,629,780	24.8%	1,486,245	-8.8%	1,886,444	26.9%	2,279,655	20.8%
Net revenues	1,163,570	1,462,720	25.7%	1,333,898	-8.8%	1,693,075	26.9%	2,045,980	20.8%
Core retail	735,280	927,790	26.2%	749,796	-19.2%	1,130,242	50.7%	1,410,023	24.8%
Core retail % of revenue	56.3%	56.9%		50.4%		59.9%		61.9%	
Retail EBITDA	62,010	96,840	56.2%	81,116	-16.2%	120,912	49.1%	151,174	25.0%
Core retail EBITDA*	51,750	80,460	55.5%	65,439	-18.7%	104,275	59.3%	132,042	26.6%
Retail margins (on net revs)	5.3%	6.6%	120bps	6.1%	-50bps	7.1%	100bps	7.4%	20bps
Core retail margin	7.0%	8.7%	160bps	9.7%	100bps	10.3%	50bps	10.4%	10bps

* ex Ind AS116 impact

Quarterly Trends

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY%	QoQ%	9MFY21	9MFY20	YoY%
Gross Revenue	382,120	316,330	411,000	378,450	-16.5%	-7.9%	1,105,780	1,247,660	-11.4%
Net Revenue	344,020	281,970	365,660	330,180	-18.8%	-9.7%	977,810	1,118,690	-12.6%
Retail EBITDA	25,560	10,790	20,060	30,870	12.4%	53.9%	61,720	71,280	-13.4%
Core Retail EBITDA	25,560	10,790	20,060	23,120	-15.8%	15.3%	53,970	71,280	-24.3%
<i>margin on net revenue %</i>	<i>6.7%</i>	<i>3.8%</i>	<i>5.5%</i>	<i>9.3%</i>			<i>6.3%</i>	<i>6.4%</i>	
EBIT	20,720	7,220	15,420	26,090	8.9%	69.2%	48,730	62,200	-21.7%
<i>margin %</i>	<i>6.0%</i>	<i>2.6%</i>	<i>4.2%</i>	<i>7.9%</i>			<i>5.0%</i>	<i>5.6%</i>	

Segment Performance and Estimates

Revenue (Rs mn)	FY19	FY20	YoY%	FY21E	YoY%	FY22E	YoY%	FY23E	YoY%
Consumer electronics	391,850	446,250	13.9%	317,672	-28.8%	509,716	60.5%	620,571	21.7%
Fashion & Lifestyle	109,280	135,520	24.0%	87,204	-35.7%	137,406	57.6%	160,632	16.9%
Grocery	234,150	346,020	47.8%	344,920	-0.3%	483,120	40.1%	628,820	30.2%
Connectivity	437,360	559,440	27.9%	683,915	22.2%	756,202	10.6%	869,632	15.0%
Petro Retail	133,030	142,150	6.9%	52,535	-63.0%				
Total	1,305,670	1,629,380	24.8%	1,486,245	-8.8%	1,886,444	26.9%	2,279,655	20.8%

EBITDA (Rs mn)

Consumer electronics	18,550	27,850	50.1%	19,696	-29.3%	33,132	68.2%	41,578	25.5%
Fashion & Lifestyle	21,830	32,420	48.5%	19,185	-40.8%	32,977	71.9%	40,158	21.8%
Grocery	11,370	22,530	98.2%	26,559	17.9%	38,166	43.7%	50,306	31.8%
Connectivity	8,910	12,370	38.8%	15,046	21.6%	16,636	10.6%	19,132	15.0%
Petro Retail	1,350	1,360	0.7%	630	-53.6%				
Total	62,010	96,530	55.7%	81,116	-16.0%	120,912	49.1%	151,174	25.0%

Margins % (on gross revenues)

Consumer electronics	4.7	6.2		6.2		6.5		6.7	
Fashion & Lifestyle	20.0	23.9		22.0		24.0		25.0	
Grocery	4.9	6.5		7.7		7.9		8.0	
Connectivity	2.0	2.2		2.2		2.2		2.2	
Petro Retail	1.0	1.0		1.2					
Total	4.7	5.9		5.5		6.4		6.6	

Source: Company, Emkay Research

Exhibit 8: Changes in estimates

Rs mn	FY21E			FY22E			FY23E		
	Old estimates	New estimates	YoY%	Old estimates	New estimates	YoY%	Old estimates	New estimates	YoY%
Revenue (net)	1,645,070	1,333,898	-18.9%	2,245,133	1,693,075	-24.6%	2,661,190	2,045,980	-23.1%
EBITDA	91,162	81,116	-11.0%	139,647	120,912	-13.4%	171,921	151,174	-12.1%
margin%	5.5%	6.1%	50bps	6.2%	7.1%	90bps	6.5%	7.4%	90bps
Core retail EBITDA	72,794	65,439	-10.1%	114,723	104,275	-9.1%	142,758	132,042	-7.5%
margin%	9.1%	9.7%	60bps	9.9%	10.3%	30bps	10.2%	10.4%	10bps

Source: Emkay Research

Valuation

Exhibit 9: SOTP-based valuation

Rs bn (FY23E Consol.)	Method	Head	Multiple	EV	EV/sh
Refining	EV/EBITDA	239	8.5	2,030	319
Petrochemicals	EV/EBITDA	339	8.5	2,881	453
Upstream Oil & Gas	EV/EBITDA	50	6.0	300	47
Organized Retail (91.5% stake)	EV/EBITDA	135	27.5	3,720	584
Others	EV/Sales	432	1.0	432	68
Telecom-Jio (67% stake)	EV/EBITDA	361	10.5	3,794	596
Total		1,185	11.1	13,157	2,067
Adj. Net Debt (Mar'22E End)				107	17
Equity Value				13,050	2,050
Shares O/S (bn) - Adj. for Treasury/Rights					6.4

Source: Emkay Research

Exhibit 10: PE-based valuation

Rs./sh (Consol.)	FY19	FY20	FY21E	FY22E	FY23E
RIL's Adjusted EPS	66.6	72.9	56.6	94.0	113.9
Target Multiple (x)					18.0
SOTP Target Price					2,050

Source: Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	5,692,090	5,967,430	4,658,245	6,059,050	6,663,548
Expenditure	4,850,420	5,085,260	3,843,535	4,889,594	5,327,987
EBITDA	841,670	882,170	814,709	1,169,456	1,335,561
Depreciation	209,340	222,030	264,207	289,563	312,875
EBIT	632,330	660,140	550,502	879,893	1,022,686
Other Income	78,920	139,560	172,752	193,382	189,322
Interest expenses	164,950	220,270	215,645	159,351	106,454
PBT	546,300	579,430	507,609	913,924	1,105,554
Tax	157,461	104,222	184,117	230,309	278,600
Extraordinary Items	4,940	(44,440)	56,200	0	0
Minority Int./Income from Assoc.	1,030	1,070	(38,263)	(86,450)	(102,103)
Reported Net Income	398,370	398,800	514,269	597,165	724,852
Adjusted PAT	394,809	431,838	341,428	597,165	724,852

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	59,260	63,390	64,450	67,684	67,785
Reserves & surplus	3,811,860	4,469,920	6,253,876	7,168,902	7,793,098
Net worth	3,871,120	4,533,310	6,318,326	7,236,586	7,860,884
Minority Interest	82,800	80,160	679,601	780,483	897,356
Loan Funds	2,875,050	3,362,940	2,762,940	1,762,940	1,162,940
Net deferred tax liability	451,470	512,230	497,230	547,230	598,230
Total Liabilities	7,280,440	8,488,640	10,258,097	10,327,239	10,519,410
Net block	3,983,740	5,326,580	5,835,436	6,084,741	6,210,499
Investment	2,533,110	3,141,740	3,635,353	3,551,397	3,527,850
Current Assets	1,664,820	2,070,770	1,615,862	1,924,588	2,180,394
Cash & bank balance	110,810	309,200	212,111	98,709	172,350
Other Current Assets	149,500	274,340	182,030	236,769	260,391
Current liabilities & Provision	2,695,860	3,141,510	1,930,524	2,346,477	2,523,453
Net current assets	(1,031,040)	(1,070,740)	(314,663)	(421,889)	(343,060)
Misc. exp	0	0	0	0	0
Total Assets	7,280,440	8,488,640	10,258,097	10,327,239	10,519,410

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	467,380	439,870	334,856	720,542	916,232
Other Non-Cash items	(8,480)	(36,610)	56,200	0	0
Chg in working cap	(28,840)	298,850	(868,166)	43,824	45,812
Operating Cashflow	423,460	980,740	(8,533)	982,971	1,102,773
Capital expenditure	(78,640)	(861,300)	(783,974)	(549,888)	(449,763)
Free Cash Flow	344,820	119,440	(792,507)	433,083	653,011
Investments	(1,704,490)	(608,630)	(493,613)	83,956	23,547
Other Investing Cash Flow	752,930	573,200	0	0	0
Investing Cashflow	(951,280)	(757,170)	(1,104,835)	(272,549)	(236,894)
Equity Capital Raised	40	4,130	1,060	3,234	102
Loans Taken / (Repaid)	687,420	487,890	(600,000)	(1,000,000)	(600,000)
Dividend paid (incl tax)	(42,820)	(45,920)	(55,865)	(70,794)	(93,271)
Other Financing Cash Flow	79,370	(251,240)	554,773	7,216	7,385
Financing Cashflow	559,060	(25,410)	(315,677)	(1,219,695)	(792,238)
Net chg in cash	31,240	198,160	(1,429,045)	(509,273)	73,642
Opening cash position	42,550	110,810	309,200	212,111	98,709
Closing cash position	110,810	309,200	212,112	98,709	172,350

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.8	14.8	17.5	19.3	20.0
EBIT Margin	11.1	11.1	11.8	14.5	15.3
Effective Tax Rate	28.8	18.0	36.3	25.2	25.2
Net Margin	6.8	8.0	6.9	11.3	12.4
ROCE	11.2	10.1	7.7	10.4	11.6
ROE	11.6	10.3	6.3	8.8	9.6
RoIC	23.0	19.4	11.9	16.2	18.2

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	66.6	72.9	56.6	94.0	113.9
CEPS	101.9	103.2	94.0	131.0	153.1
BVPS	653.2	715.1	980.3	1,069.2	1,159.7
DPS	6.5	6.5	8.7	10.5	13.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	30.8	28.1	36.2	21.8	18.0
P/CEPS	20.1	19.9	21.8	15.6	13.4
P/BV	3.1	2.9	2.1	1.9	1.8
EV / Sales	2.5	2.6	3.1	2.4	2.1
EV / EBITDA	16.9	17.4	18.0	12.4	10.4
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.7

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.5	0.5	0.2	0.1	0.0
Net Debt/EBIDTA	2.4	2.6	1.8	0.6	0.0
Working Cap Cycle (days)	(18.9)	(12.3)	(3.6)	(3.6)	(3.6)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	45.3	4.8	(21.9)	30.1	10.0
EBITDA	31.2	4.8	(7.6)	43.5	14.2
EBIT	33.2	4.4	(16.6)	59.8	16.2
PAT	10.4	0.1	29.0	16.1	21.4

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	1,533,020	1,364,920	882,530	1,112,360	1,178,600
EBITDA	227,490	220,340	168,750	189,450	215,660
EBITDA Margin (%)	14.8	16.1	19.1	17.0	18.3
PAT	116,400	63,480	132,330	95,670	131,010
EPS (Rs)	19.7	10.7	22.4	16.2	22.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Jun-20	Sep-20
Promoters	48.9	48.9	49.2	49.2	49.1
FIs	24.0	23.5	24.2	24.2	24.6
DIs	13.4	13.5	13.3	13.2	12.8
Public and Others	13.7	14.2	13.5	13.5	13.5

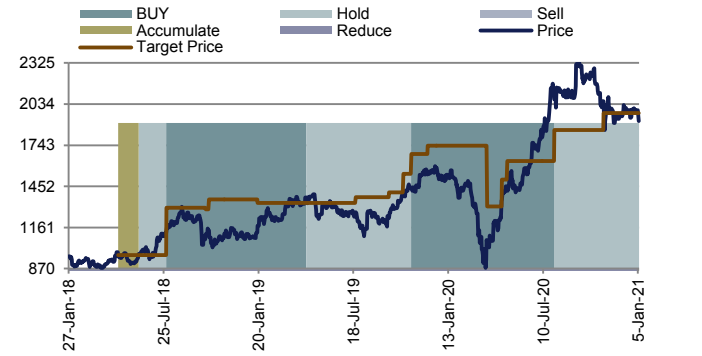
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Nov-20	2,055	1,970	12m	Hold	Sabri Hazarika
28-Sep-20	2,216	1,850	12m	Hold	Sabri Hazarika
31-Jul-20	2,067	1,850	12m	Hold	Sabri Hazarika
22-May-20	1,432	1,630	12m	Buy	Sabri Hazarika
6-May-20	1,447	1,630	12m	Buy	Sabri Hazarika
3-May-20	1,452	1,630	12m	Buy	Sabri Hazarika
23-Apr-20	1,358	1,500	12m	Buy	Sabri Hazarika
26-Mar-20	1,056	1,310	12m	Buy	Sabri Hazarika
24-Jan-20	1,507	1,740	12m	Buy	Sabri Hazarika
19-Jan-20	1,566	1,740	12m	Buy	Sabri Hazarika
5-Dec-19	1,536	1,740	12m	Buy	Sabri Hazarika
4-Dec-19	1,538	1,680	12m	Buy	Sabri Hazarika
4-Nov-19	1,444	1,680	12m	Buy	Sabri Hazarika
28-Oct-19	1,421	1,540	12m	Hold	Sabri Hazarika
25-Oct-19	1,418	1,540	12m	Hold	Sabri Hazarika
20-Oct-19	1,403	1,540	12m	Hold	Sabri Hazarika
23-Sep-19	1,228	1,410	12m	Hold	Sabri Hazarika
11-Aug-19	1,151	1,375	12m	Hold	Sabri Hazarika
22-Jul-19	1,268	1,375	12m	Hold	Sabri Hazarika
10-Jun-19	1,307	1,335	12m	Hold	Sabri Hazarika
20-Apr-19	1,373	1,335	12m	Hold	Sabri Hazarika
28-Jan-19	1,218	1,335	12m	Buy	Sabri Hazarika
18-Jan-19	1,173	1,335	12m	Buy	Sabri Hazarika
31-Dec-18	1,111	1,360	12m	Buy	Sabri Hazarika
11-Dec-18	1,087	1,360	12m	Buy	Sabri Hazarika
18-Oct-18	1,140	1,360	12m	Buy	Sabri Hazarika
12-Oct-18	1,116	1,290	12m	Buy	Sabri Hazarika
4-Sep-18	1,230	1,300	12m	Buy	Sabri Hazarika
30-Jul-18	1,141	1,300	12m	Buy	Sabri Hazarika
13-Jul-18	1,089	965	12m	Hold	Sabri Hazarika
8-Jun-18	975	965	12m	Hold	Sabri Hazarika
30-Apr-18	954	965	12m	Accumulate	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Oil & Gas



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Sector

Oil & Gas

Analyst bio

Sabri Hazarika holds an MBA and comes with 11 years of research experience. His team currently covers 12 stocks in the Indian Oil & Gas space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Oil & Gas	10.67	10.60	-1%	-7	100.00
BPCL	0.40	0.45	12%	5	4.25
GAIL	0.30	0.27	-10%	-3	2.50
Gujarat Gas	0.08	0.05	-31%	-2	0.50
Gujarat State Petronet	0.07	0.07	3%	0	0.70
Gulf Oil Lubricants	0.00	0.05	NA	5	0.50
HPCL	0.21	0.23	11%	2	2.20
Indian Oil	0.30	0.27	-12%	-4	2.50
Indraprastha Gas	0.23	0.17	-26%	-6	1.60
Petronet LNG	0.23	0.26	13%	3	2.40
Oil India	0.05	0.03	-36%	-2	0.30
ONGC	0.43	0.45	5%	2	4.20
Reliance Industries	8.37	8.29	-1%	-8	77.65
Cash	0.00	0.07	NA	7	0.70

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	23-Jan-20	23-Jul-20	22-Oct-20	22-Dec-20	21-Jan-21
EAP - Oil & Gas	100.0	102.8	126.1	124.4	120.1	130.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	103.5	125.3	123.5	119.2	128.9

*Performance measurement base date 1st April 2019

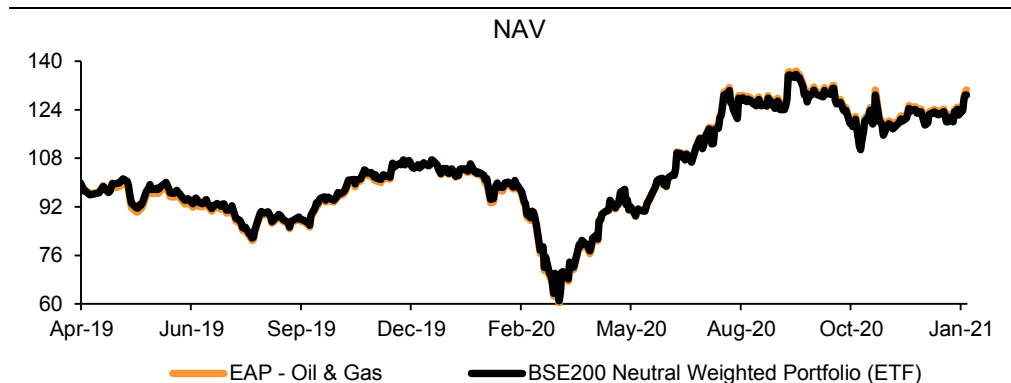
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	8.7%	4.9%	3.5%	26.9%
BSE200 Neutral Weighted Portfolio (ETF)	8.1%	4.3%	2.9%	24.5%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 25 Jan 2021 11:08:04 (SGT)

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