

BUY

TP: Rs 1,670 | ▲ 18%

RELIANCE INDUSTRIES

Oil & Gas

21 October 2019

Cyclicals a mixed bag, RJio and Retail surge ahead

Reliance Industries' (RIL) Q2FY20 EBITDA marginally beat estimates at Rs 221bn (+5% YoY, +4% QoQ). Key Q2 highlights: (a) GRMs disappoint at US\$ 9.4/bbl, (b) petchem EBITDA above estimates at Rs 89bn (-5.8% YoY) on lower operating costs and higher production, (c) retail EBITDA higher at Rs 23bn (+67% YoY), and (d) RJio EBITDA a miss at Rs 53bn (+8.5% QoQ). The earnings outlook from RIL's consumer-facing businesses remains buoyant, while GRMs could trigger an upgrade on IMO impact.

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

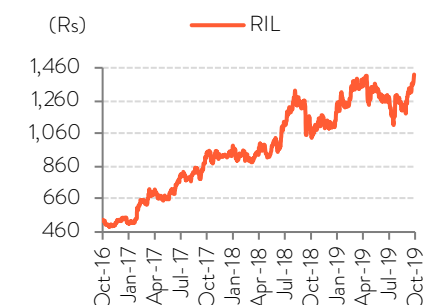
Cyclicals EBITDA contribution shrinks: In a mixed Q2, GRMs underperformed at US\$ 9.4/bbl while petchem earnings outperformed. Management did not put out clear guidance on GRMs in the runup to IMO regulations, given declining global oil demand. Oil-to-chemicals (refining + petchem) EBITDA contribution shrank to ~65% vs. 72% YoY. Petchem production scaled up to 9.9mmt, a historical quarterly high; EBITDA margins beat estimates, likely led by lower operating costs as gross margins stayed soft on global demand concerns.

Ticker/Price	RIL IN/Rs 1,416
Market cap	US\$ 126.2bn
Shares o/s	6,339mn
3M ADV	US\$ 176.5mn
52wk high/low	Rs 1,428/Rs 1,016
Promoter/FPI/DII	47%/24%/28%

Source: NSE

Consumer-facing businesses continue to uplift earnings: RJio subscriber additions sustained traction, touching 355mn, but ARPU was below estimates at Rs 120 – this led to below-expected EBITDA at Rs 53bn (+49% YoY). ARPU could improve from Q3FY20 (by ~Rs 15) following recently imposed billing rates for voice, with an intent to recover IUC charges. Retail EBITDA surged to Rs 23.2bn (+67% YoY) led by core margins of 8.9% (+130bps YoY).

STOCK PERFORMANCE



Source: NSE

Maintain BUY: We raise our Sep'20 TP to Rs 1,670 (from Rs 1,500) on higher EBITDA assumptions for RJio and Retail. We also factor in benefits from deleveraging over FY21/FY22 (~Rs 130/sh). RIL's management has clarified that its deleveraging targets are not contingent on the Saudi Aramco deal.

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	4,082,650	5,810,200	5,425,940	6,074,031	5,997,696
EBITDA (Rs mn)	641,760	839,180	954,653	1,275,572	1,620,862
Adj. net profit (Rs mn)	352,869	398,370	446,560	648,349	899,527
Adj. EPS (Rs)	59.6	67.2	70.4	102.3	141.9
Adj. EPS growth (%)	17.4	12.8	4.8	45.2	38.7
Adj. ROAE (%)	12.7	11.7	11.0	14.1	16.9
Adj. P/E (x)	23.8	21.1	20.1	13.8	10.0
EV/EBITDA (x)	17.1	12.8	12.2	9.4	6.7

Source: Company, BOBCAPS Research

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

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



Concerns on long-term petchem outlook

RIL's Q2FY20 petrochemicals EBITDA outperformed estimates on low operating costs, from soft ethane and LNG prices. Volumes improved to 9.9mmt (+14% QoQ), mainly led by higher production of polyester intermediaries. Polymer production increased 2% QoQ to 1.5mmt backed by improved demand from agriculture and allied sectors. The outlook for polymer margins remains challenging given an expected surge in capacities amid a global economic slowdown – ~3mmt of ethane-based crackers due for commissioning in the US by 2020 and ~10mmtpa of PE capacities globally by 2021.

Refining – awaiting IMO-led GRM bump-up

Refining EBITDA at Rs 56bn (-7% YoY) disappointed on low GRMs and higher operating costs (~US\$ 3/bbl). RIL expects GRMs to improve in H2FY20 as it gears up for IMO by enhancing the coker capacity (by ~30%) at its DTA refinery in Jamnagar, which would help maximise diesel output. Petcoke gasifiers are expected to be commissioned by end-FY20; as management keeps pushing the commissioning date ahead, CWIP for gasifiers has surged to Rs 540bn.

RJio maintains traction in subscriber adds but at cost of ARPU

RJio's management indicated that ARPU trends could sustain at current levels of Rs 135 (after adjusting for a ~Rs 15 bump-up from voice tariffs), leading us to reset our ARPU estimates for FY20/FY21/FY22 to Rs 127/Rs 138/Rs 145 (from Rs 125/Rs 140/Rs 160). Management maintained its guidance of adding 50mn fibre-to-the-home (FTTH) subscribers over 2-3 years which, albeit delayed, looks set to materialise. We expect FTTH ARPU to average ~Rs 800 from H2FY20.

Retail business earnings continue to surge

The retail business outperformed on all operating parameters, with revenues at Rs 412bn (+27% YoY), bucking the slowdown trends seen in other Indian retail companies. Retail EBITDA beat estimates at Rs 23bn (+67% YoY), supported by improvement in EBITDA margins to 5.6% (+20bps QoQ). The revenue mix is moving away from low-margin connectivity and petroleum retail businesses (down to 40% of revenues from 44% YoY). Fashion, consumer electronics and grocery formed ~86% of retail EBITDA, delivering 8.8% operating margins.

FIG 1 – QUARTERLY PERFORMANCE (STANDALONE)

(Rs mn)	Q2FY20A	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Net revenues	9,44,460	10,30,860	(8.4)	9,63,840	(2.0)	19,08,300	20,24,040	(5.7)
Less: Excise duty	36,230	26,950	34.4	43,730	(17.2)	79,960	70,080	14.1
Less: GST recovered	36,860	42,240	(12.7)	37,480	(1.7)	74,340	80,700	(7.9)
Net sales	8,71,370	9,61,670	(9.4)	8,82,630	(1.3)	17,54,000	18,73,260	(6.4)
Raw material costs	6,00,420	7,48,080	(19.7)	6,50,090	(7.6)	12,50,510	14,07,380	(11.1)
% of sales	68.9	77.8	-	73.7	-	71.3	75.1	-
Other expenditure	1,34,290	64,670	107.7	96,140	39.7	2,30,430	1,65,420	39.3
% of sales	15.4	6.7	-	10.9	-	13.1	8.8	-
EBITDA	1,36,660	1,48,920	(8.2)	1,36,400	0.2	2,73,060	3,00,460	(9.1)
EBITDA margin (%)	15.7	15.5	-	15.5	-	15.6	16.0	-
Depreciation & amortisation	23,170	27,450	(15.6)	21,750	6.5	44,920	55,070	(18.4)
Interest	27,230	24,170	12.7	27,010	0.8	54,240	45,550	19.1
Other income	36,290	20,120	80.4	33,450	8.5	69,740	40,800	70.9
PBT	1,22,550	1,17,420	4.4	1,21,090	1.2	2,43,640	2,40,640	1.2
Provision for tax	25,530	28,830	(11.4)	30,730	(16.9)	56,260	63,850	(11.9)
Adj. PAT	97,020	88,590	9.5	90,360	7.4	1,87,380	1,76,790	6.0
Other comprehensive income	-	(12,510)	-	(1,290)	-	-	(14,990)	-
Total Income	97,020	76,080	27.5	89,070	8.9	1,87,380	1,61,800	15.8
Adj. EPS (Rs)	15.3	14.0	9.5	14.3	7.4	29.6	27.9	6.0
GRMs (US\$/bbl)	9.4	9.5	(1.1)	8.1	16.0	8.8	10.0	(12.5)
Refining throughput (mmt)	16.7	17.7	(5.6)	17.5	(4.6)	34.2	34.3	(0.3)
Petrochemical production (mmt)	9.9	9.4	5.3	8.7	13.8	18.6	18.6	-

Source: Company, BOBCAPS Research

FIG 2 – QUARTERLY PERFORMANCE (CONSOLIDATED)

(Rs mn)	Q2FY20A	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Gross revenues	16,38,540	15,62,910	4.8	17,29,560	(5.3)	33,68,100	29,79,900	13.0
Less: Excise duty	36,230	26,950	34.4	43,730	(17.2)	79,960	70,080	14.1
Less: GST recovered	1,17,050	1,02,730	13.9	1,16,070	0.8	2,33,120	1,89,030	23.3
Net sales	14,85,260	14,33,230	3.6	15,69,760	(5.4)	30,55,020	27,20,790	12.3
EBITDA	2,21,520	2,11,080	4.9	2,13,150	3.9	4,34,670	4,17,690	4.1
EBITDA margin (%)	14.9	14.7	-	13.6	-	14.2	15.4	-
Depreciation & amortisation	53,150	52,290	1.6	50,110	6.1	1,03,260	1,04,020	(0.7)
Interest	54,500	39,320	38.6	51,090	6.7	1,05,590	74,820	41.1
Other income	36,140	12,500	189.1	31,460	14.9	67,600	30,280	123.2
PBT	1,50,010	1,31,970	13.7	1,43,410	4.6	2,93,420	2,69,130	9.0
Provision for tax	37,030	36,490	1.5	42,250	(12.4)	79,280	78,900	0.5
Adj. PAT	113,520	95,490	18.9	101,410	11.9	214,390	190,340	12.6
Other comprehensive income	-	(20,410)	100.0	(810)	100.0	(810)	(35,890)	(97.7)
Share of P&L from associate	540	10	5,300.0	250	116.0	250	110	127.3
Minority Interest	-	(330)	-	-	-	-	(590)	-
Total Income	113,520	74,750	51.9	100,600	12.8	213,580	153,860	38.8
Adj. EPS (Rs)	17.9	16.1	11.2	17.1	4.7	33.8	32.1	5.3

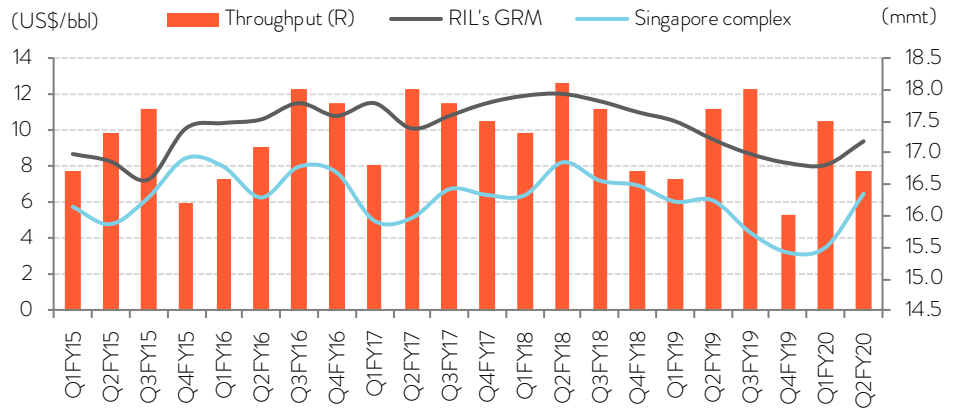
Source: Company, BOBCAPS Research

FIG 3 – QUARTERLY PERFORMANCE SEGMENT-WISE (CONSOLIDATED)

(Rs mn)	Q2FY20A	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Petrochemicals revenues	3,85,380	4,37,450	(11.9)	3,76,110	2.5	7,61,490	8,40,320	(9.4)
% Sales	19.0	22.7	-	18.4	-	18.7	22.8	-
EBITDA	89,270	94,770	(5.8)	88,100	1.3	1,77,370	1,86,880	(5.1)
EBITDA margins (%)	23.2	21.7	-	23.4	-	23.3	22.2	-
% Total RIL EBITDA	40	43	-	40	-	80	84	-
EBIT	76,020	81,200	(6.4)	75,080	1.3	3,96,810	1,59,770	148.4
Refining revenues	9,72,290	9,87,600	(1.6)	10,17,210	(4.4)	19,89,500	19,44,060	2.3
% Sales	47.8	51.2	-	49.8	-	48.8	52.7	-
EBITDA	56,590	60,940	(7.1)	51,520	9.8	1,08,110	1,22,250	(11.6)
EBITDA margins (%)	5.8	6.2	-	5.1	-	5.4	6.3	-
% Total RIL EBITDA	26	28	-	23	-	49	55	-
EBIT	49,570	53,220	(6.9)	45,080	10.0	2,43,760	1,06,370	129.2
Oil & Gas	7,900	13,220	(40.2)	9,230	(14.4)	17,130	27,540	(37.8)
% Sales	0.4	0.7	-	0.5	-	0.4	0.7	-
EBITDA	1,280	4,762	(73.1)	2,070	(38.2)	3,350	10,915	(69.3)
EBITDA margins (%)	16.2	36.0	-	22.4	-	19.6	39.6	-
% Total RIL EBITDA	1	2	-	1	-	2	5	-
EBIT	(3,060)	(4,800)	36.3	(2,490)	22.9	(16,280)	(9,270)	(75.6)
Organised Retail revenues	4,12,020	3,24,360	27.0	3,81,960	7.9	7,93,980	5,83,260	36.1
% Sales	20.3	16.8	-	18.7	-	19.5	15.8	-
EBITDA	23,220	13,920	66.8	20,490	13.3	43,710	25,980	68.2
EBITDA margins (%)	5.6	4.3	-	5.4	-	5.5	4.5	-
% Total RIL EBITDA	10	6	-	9	-	20	12	-
EBIT	20,350	12,440	63.6	17,770	14.5	73,230	23,130	216.6
Digital Service revenues	1,56,190	1,09,420	42.7	1,49,100	4.8	3,05,290	2,05,950	48.2
% Sales	7.7	5.7	-	7.3	-	7.5	5.6	-
EBITDA	53,240	35,730	49.0	49,080	8.5	1,02,320	67,200	52.3
EBITDA margins (%)	34.1	32.7	-	32.9	-	33.5	32.6	-
% Total RIL EBITDA	24	16	-	22	-	46	30	-
EBIT	33,220	20,420	62.7	30,800	7.9	1,18,640	37,570	215.8
Others revenues	98,820	55,370	78.5	1,07,870	(8.4)	2,06,690	85,050	143.0
% Sales	4.9	2.9	-	5.3	-	5.1	2.3	-
EBITDA	(2,080)	958	(317.1)	1,890	(210.1)	(190)	4,465	(104.3)
EBITDA margins (%)	(2.1)	1.7	-	1.8	-	(0.1)	5.2	-
Total Revenues	20,32,600	19,27,420	5.5	20,41,480	(0.4)	40,74,080	36,86,180	10.5
Less: Inter segment transfers	3,94,060	3,64,510	8.1	3,11,920	26.3	7,05,980	7,06,280	(0.0)
Reported Gross Sales	16,38,540	15,62,910	4.8	17,29,560	(5.3)	33,68,100	29,79,900	13.0
Less: GST recovered	1,17,050	1,02,730	13.9	1,16,070	0.8	2,33,120	1,89,030	23.3
Reported Net Sales	15,21,490	14,60,180	4.2	16,13,490	(5.7)	31,34,980	27,90,870	12.3
Total Reported EBITDA	2,21,520	2,11,080	4.9	2,13,150	3.9	4,34,670	4,17,690	4.1

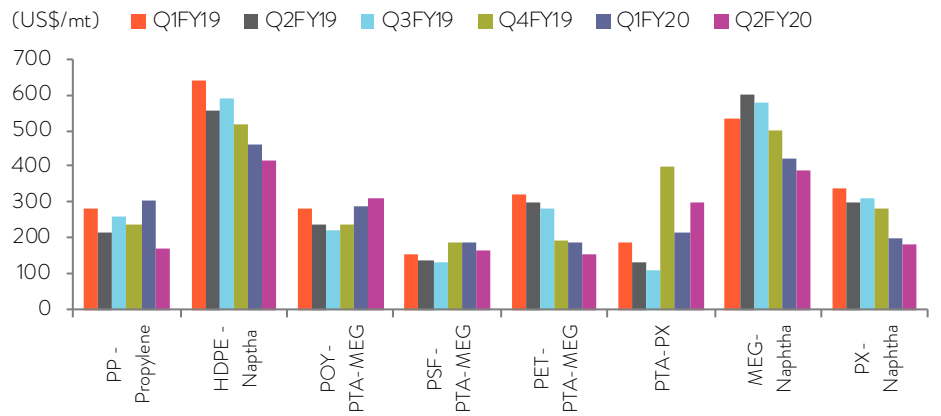
Source: Company, BOBCAPS Research

FIG 4 – REFINING BUSINESS OPERATIONAL TRENDS



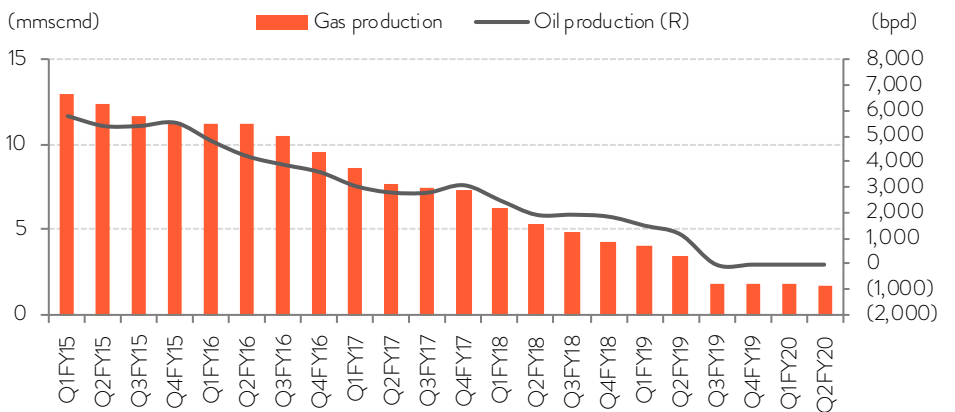
Source: Company, BOBCAPS Research

FIG 5 – PETROCHEMICAL BUSINESS DELTAS



Source: BOBCAPS Research, Company

FIG 6 – PRODUCTION TRENDS



Source: BOBCAPS Research, Company

Valuation methodology

RIL is trading at 12x/10x FY21E/FY22E EPS which looks undemanding considering its earnings growth traction and balance sheet deleveraging outlook. Valuations could re-rate to higher multiples as the contribution of cyclical businesses to overall EBITDA is expected to shrink to ~50% over FY21/FY22.

In the near term, IMO regulations offer earnings upgrade potential should they bolster RIL's GRM to >US\$ 12/bbl. Every US\$ 1/bbl improvement in GRMs could drive our fair value up by ~Rs 50/sh (~3% move). Our assumption of US\$ 12/bbl GRMs in FY21/FY22 includes diesel-FO spreads of US\$ 40/bbl, which is conservative considering that we have seen historical highs of ~US\$ 75/bbl in phases of high diesel demand growth.

Post the Q2FY20 results, we raise our Sep'20 target price for RIL to Rs 1,670 (from Rs 1,500) on higher EBITDA assumptions for RJio and Retail. We also factor in benefits from deleveraging over FY21/FY22 (~Rs 130/sh). Maintain BUY. Our SOTP valuation for RIL is outlined below:

- **Cyclicals:** Refining (Rs 410/sh) and petrochemical (Rs 479/sh) businesses valued at 7x and 8x Sep'21E EBITDA respectively (at par with global peers)
- **RJio:** Valued at Rs 578/sh based on 7x Sep'21E EBITDA of Rs 526bn
- **Retail:** Valued at 20x Sep'21E EBITDA
- **E&P:** DCF value of the KG-D6 block and development of oil & gas reserves in the R-series block factored in; PMT field valued at 7x Sep'21E EV/EBITDA and shale business assessed on residual reserves at US\$ 2/boe
- **Net debt:** Net debt assumption reduced to Rs 1,910bn (Rs 322/sh from Rs 450/sh) as we factor in balance sheet deleveraging through the Saudi Aramco and BP deals

FIG 7 – SOTP VALUATION SUMMARY

Business	Fair Value		Value/share (Rs)	Comments
	(US\$ bn)	(Rs bn)		
Refining	38	2,430	410	7x Sep'21E EBITDA
Petrochem	44	2,840	479	8x Sep'21E EBITDA
Cyclical business value	83	5,270	889	7.6x Sep'21E EBITDA
E&P business	2	108	18	Includes KG-D6, shale and PMT
Jio	53	3,422	578	7x Sep'21E EBITDA
Reliance Retail	47	3,004	507	20x Sep'21E EBITDA
Enterprise value	183	11,806	1,950	
Net Debt	30	1,910	322	Sept'21 consol. net debt
Equity value	154	9,895	1,670	~12x FY22E EPS

Source: BOBCAPS Research

Key risks

- **Global slowdown:** RIL's valuations are highly sensitive to GRM and petrochemical crack movements. A slowdown in global economies can affect these spreads and hurt our valuation outlook.
- **Lower operating margins in RJio:** We factor in an aggressive ramp-up in RJio's subscriber numbers (>500mn) and ARPUs (~Rs 145/mth) by FY22. Operating margins could trend well below our estimates if the pricing war among telecom operators sustains. The telecom business also carries regulatory risks pertaining to tariffs and spectrum usage that could hamper RJio's earnings outlook.
- **Lower growth in retail revenues:** RIL has been significantly outperforming estimates on retail business revenue growth. Economic slowdown could affect the outlook on retail revenues and hurt valuations.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	4,082,650	5,810,200	5,425,940	6,074,031	5,997,696
EBITDA	641,760	839,180	954,653	1,275,572	1,620,862
Depreciation	(167,060)	(209,340)	(279,191)	(323,398)	(342,281)
EBIT	474,700	629,840	675,462	952,174	1,278,581
Net interest income/(expenses)	(80,520)	(164,950)	(214,586)	(214,795)	(211,195)
Other income/(expenses)	88,620	86,350	138,365	135,662	133,386
Exceptional items	10,870	0	0	0	0
EBT	482,800	551,240	599,242	873,041	1,200,772
Income taxes	(133,460)	(153,900)	(152,681)	(224,693)	(301,245)
Min. int./Inc. from associates	590	1,030	0	0	0
Reported net profit	360,800	398,370	446,560	648,349	899,527
Adjusted net profit	352,869	398,370	446,560	648,349	899,527

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	1,068,610	1,083,090	1,095,468	940,828	943,447
Other current liabilities	1,688,780	1,442,530	1,442,530	1,442,530	1,442,530
Provisions	41,380	41,820	53,930	60,874	65,418
Debt funds	1,816,040	2,719,420	3,019,420	1,969,420	1,969,420
Other liabilities	498,280	687,620	701,635	723,017	752,138
Equity capital	59,220	59,260	63,390	63,390	63,390
Reserves & surplus	2,871,300	3,813,090	4,216,096	4,830,515	5,689,168
Shareholders' fund	2,930,520	3,872,350	4,279,486	4,893,905	5,752,558
Total liabilities and equities	8,079,000	9,929,630	10,675,269	10,113,373	11,008,311
Cash and cash eq.	42,550	75,120	38,593	54,192	188,336
Accounts receivables	175,550	300,890	320,040	297,564	297,011
Inventories	608,370	675,610	681,802	604,441	605,751
Other current assets	514,840	744,760	849,030	790,073	789,135
Investments	828,620	2,354,880	2,354,880	2,354,880	2,354,880
Net fixed assets	3,980,720	3,863,770	4,950,283	4,514,382	5,265,358
CWIP	1,870,220	1,794,630	1,350,671	1,357,871	1,357,871
Intangible assets	58,130	119,970	129,970	139,970	149,970
Total assets	8,079,000	9,929,630	10,675,269	10,113,373	11,008,312

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	507,120	605,860	725,752	971,746	1,241,808
Changes in working capital	598,380	(653,830)	(105,125)	11,098	7,344
Other operating cash flows	(70,660)	116,700	(124,350)	(114,281)	(104,265)
Cash flow from operations	1,034,840	68,730	496,277	868,564	1,144,888
Capital expenditures	(812,550)	(14,950)	(930,445)	105,303	(1,093,257)
Change in investments	13,010	(1,331,060)	10,000	10,000	10,000
Other investing cash flows	85,190	(47,010)	138,365	135,662	133,386
Cash flow from investing	(714,350)	(1,393,020)	(782,080)	250,966	(949,871)
Equities issued/Others	570	40	4,130	0	0
Debt raised/repaid	(240,930)	917,090	300,000	(1,050,000)	0
Dividends paid	(39,160)	(42,810)	(54,854)	(53,930)	(60,874)
Other financing cash flows	(28,650)	482,540	0	0	0
Cash flow from financing	(308,170)	1,356,860	249,276	(1,103,930)	(60,874)
Changes in cash and cash eq.	12,320	32,570	(36,527)	15,600	134,143
Closing cash and cash eq.	42,550	75,120	38,593	54,192	188,336

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	60.9	67.2	70.4	102.3	141.9
Adjusted EPS	59.6	67.2	70.4	102.3	141.9
Dividend per share	6.0	7.7	7.1	8.0	8.6
Book value per share	494.9	653.5	675.1	772.0	907.5

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	2.7	1.9	2.1	2.0	1.8
EV/EBITDA	17.1	12.8	12.2	9.4	6.7
Adjusted P/E	23.8	21.1	20.1	13.8	10.0
P/BV	2.9	2.2	2.1	1.8	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	71.5	72.3	74.5	74.3	74.9
Interest burden (PBT/EBIT)	104.0	87.5	88.7	91.7	93.9
EBIT margin (EBIT/Revenue)	11.6	10.8	12.4	15.7	21.3
Asset turnover (Revenue/Avg TA)	53.7	64.5	52.7	58.4	56.8
Leverage (Avg TA/Avg Equity)	2.7	2.6	2.5	2.3	2.0
Adjusted ROAE	12.7	11.7	11.0	14.1	16.9

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

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	33.7	42.3	(6.6)	11.9	(1.3)
EBITDA	38.9	30.8	13.8	33.6	27.1
Adjusted EPS	17.4	12.8	4.8	45.2	38.7
Profitability & Return ratios (%)					
EBITDA margin	15.7	14.4	17.6	21.0	27.0
EBIT margin	11.6	10.8	12.4	15.7	21.3
Adjusted profit margin	8.6	6.9	8.2	10.7	15.0
Adjusted ROAE	12.7	11.7	11.0	14.1	16.9
ROCE	7.3	7.9	7.2	9.9	13.0
Working capital days (days)					
Receivables	12	15	21	19	18
Inventory	73	58	59	65	61
Payables	97	79	89	77	79
Ratios (x)					
Gross asset turnover	0.9	1.0	0.8	0.8	0.8
Current ratio	0.4	0.6	0.6	0.5	0.5
Net interest coverage ratio	5.9	3.8	3.1	4.4	6.1
Adjusted debt/equity	0.6	0.7	0.7	0.4	0.3

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

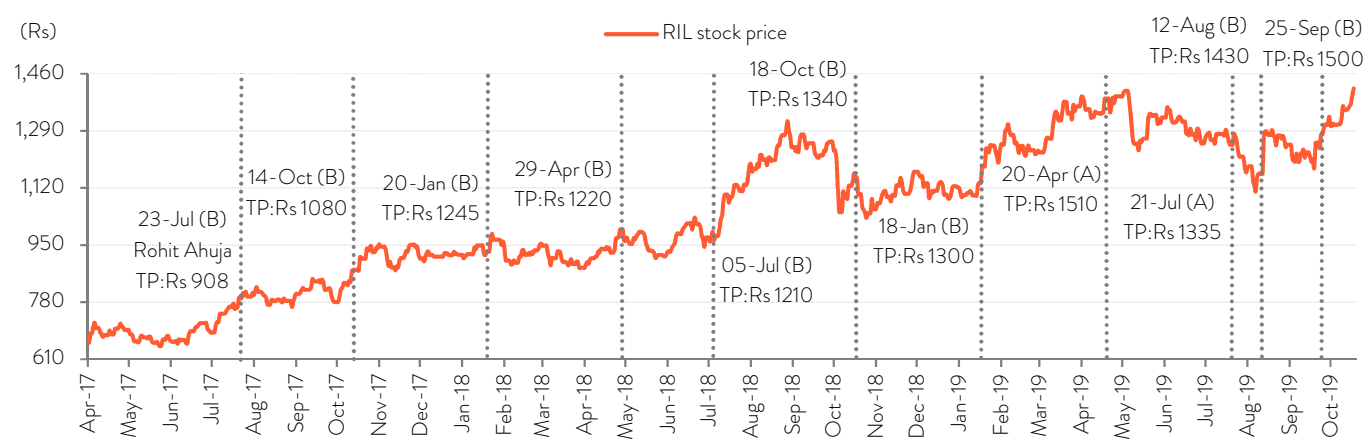
ADD – Expected return from >+5% to +15%

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

SELL – Expected return <-5%

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

HISTORICAL RATINGS AND TARGET PRICE: RELIANCE INDUSTRIES (RIL IN)



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

Rating distribution

As of 30 September 2019, out of 77 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 47 have BUY ratings, 15 are rated ADD, 6 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations

expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.