

Reliance Industries

BSE SENSEX	S&P CNX	CMP: INR731	TP: INR785	Neutral						
17,374	5,291									
Bloomberg	RIL IN									
Equity Shares (m)	3,286.2									
52-Week Range (INR)	1,044/688									
1,6,12 Rel. Perf. (%)	-2/-16/-18									
M.Cap. (INR b)	2,403.7									
M.Cap. (USD b)	46.2									
Year	Net Sales	PAT	EPS	P/E	ADJ. EPS*	Adj. P/E	Adj. P/B	RoE	RoCE	EV/
End	(INR b)	(INR b)	(INR)	(X)	(INR)	(X)	(X)	(%)	(%)	EBITDA
03/11A	2,482	203	62.0	11.8	68.4	10.7	1.4	14.8	12.9	7.1
03/12A	3,299	200	61.2	12.0	67.6	10.8	1.3	12.9	12.2	7.6
03/13E	3,344	190	58.1	12.6	64.2	11.4	1.2	11.1	10.9	7.7
03/14E	2,987	210	64.1	11.4	70.8	10.3	1.1	11.2	11.1	7.0

All adj. per share info and valuation ratios are adjusted for treasury shares held by company

- RIL reported 4QFY12 EBITDA and PAT were largely in-line. Reported EBITDA stood at INR65.6b (-33% YoY, -10% QoQ) and PAT stood at INR42.4b (-21% YoY, -5% QoQ). Full year FY12 PAT is down marginally by 1% to INR200b.
- Reported segmental EBIT at INR48.2b was higher than our estimate of INR45.4b. The impact of lower E&P EBIT, due to higher D,D&A was more than compensated by higher refining EBIT led by higher GRM and higher petchem EBIT led by higher polyester volumes. Other income contribution to PBT reached 28% (net of interest expense) and 42% (gross basis) in 4QFY12.
- RIL's 4QFY12 GRM stood at USD7.6/bbl (v/s estimate of USD6.5/bbl) led by strong QoQ jump in gasoline/naphtha margins. RIL reported marginal premium of USD0.1/bbl to restated benchmark Reuters Singapore GRM as against a discount of USD1.1/bbl in 3QFY12.
- **E&P:** Management guided for 14% decline in KG-D6 reserve on account of reassessment. New reserve numbers will be disclosed in FY12 annual report. RIL has received government approval to conduct pre-development activities, and ~6 months later, RIL will be finalizing integrated development of all its KG-D6 discoveries. If RIL receives government approvals on time, then incremental gas is likely to start flowing in next 2.5-3 years. However, gas price increase (market linked) will also be critical for RIL to commit further investments.
- **Cutting estimates; further downside likely to our FY13 estimates:** Owing to reserve downgrading, we are increasing E&P D,D&A resulting in FY13/FY14 EPS decline of 4%/1%. Quarterly PAT required in FY13E stands at INR47.6b v/s 4QFY12 PAT of INR42.4b. We believe that there remains a downside risk to our FY13 estimates led by our higher GRM assumptions of USD8.3/bbl in FY13E v/s RIL's latest reported GRM of USD7.6/bbl.
- **Valuation and view:** We are reducing our SOTP value to INR785/share (earlier at INR800/share). Earnings pressure across segments is likely to continue in the medium term, and EPS accretive cash deployment continues to remain a challenge for the company. On FY13E basis, the stock trades at 11.4x Adj EPS of INR64.2 and EV/EBITDA of 7.7x. We maintain **Neutral** due to concerns on RoE reaching sub-12%, falling KG-D6 volumes and increased share (75%) of cyclical refining and petchem businesses.

Quarterly Performance (Standalone)

Y/E March	FY11				FY12				FY11	FY12
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	582.3	574.8	597.9	726.7	810.2	785.7	851.4	851.8	2,481.7	3,299.0
Change (%)	86.7	22.7	5.2	26.2	39.1	36.7	42.4	17.2	28.9	32.9
EBITDA	93.4	94.0	95.4	98.4	99.3	98.4	72.9	65.6	381.3	336.2
% of Net Sales	16.0	16.3	16.0	13.5	12.3	12.5	8.6	7.7	15.4	10.2
Change (%)	46.3	30.2	21.7	7.7	6.3	4.8	-23.7	-33.3	24.7	-11.8
Depreciation	34.9	33.8	33.6	33.9	32.0	29.7	25.7	26.6	136.1	113.9
Interest	5.4	5.4	5.5	7.0	5.5	6.6	6.9	7.7	23.3	26.7
Other Income	7.2	6.7	7.4	9.2	10.8	11.0	17.2	23.0	30.5	61.9
PBT	60.4	61.5	63.8	66.8	72.6	73.2	57.4	54.3	252.4	257.5
Tax	11.9	12.3	12.4	13.0	16.0	16.1	13.0	12.0	49.6	57.1
Rate (%)	19.7	19.9	19.5	19.5	22.1	22.1	22.6	22.0	19.6	22.2
PAT	48.5	49.2	51.4	53.8	56.6	57.0	44.4	42.4	202.9	200.4
Adj. EPS (INR)	16.3	16.5	17.3	18.1	19.0	19.2	14.9	14.2	68.1	67.3

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RIL: 3QFY12 Performance Comparison

	FY11				FY12				4QFY12 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Segmental Revenues (INRb)										
Petrochem	139	151	160	182	184	211	198	214	17.7	8.2
Refining	505	497	525	627	737	681	767	762	21.5	-0.7
Oil & Gas	47	43	42	41	39	36	28	26	-36.4	-7.9
Others	1	2	2	2	2	5	2	3	50.3	25.0
Total	692	692	728	852	962	932	996	1,005	18.0	0.9
Segmental EBIT										
Petrochem	21	22	24	26	22	24	22	22	-17.2	0.8
Refining	20	22	24	25	32	31	17	17	-32.4	0.7
Oil & Gas	19	17	15	16	15	15	13	10	-39.4	-26.5
Others	0	0	0	0	0	0	0	0	-22.2	-22.2
Total	60	61	64	67	69	70	51	48	-28.1	-6.2
Segmental EBIT Margin (%)										
Petrochemicals	15	15	15	14	12	11	11	10	-29.7	-6.9
Refining	4	4	5	4	4	5	2	2	-44.4	1.3
Oil & Gas	41	40	36	38	38	43	46	36	-4.7	-20.2
Others	7	5	5	5	3	2	4	3	-48.2	-37.8
Total	9	9	9	8	7	8	5	5	-39.0	-7.0
Operating Metrics										
Refining (USD/bbl)										
RIL GRM	7.3	7.9	9.0	9.2	10.3	10.1	6.8	7.6	-17.4	11.8
Singapore GRM	4.9	4.2	5.5	7.4	8.6	9.1	7.9	7.5	1.4	-5.1
Premium	2.4	3.7	3.5	1.8	1.7	1.0	-1.1	0.1	-94.4	-109.1
Refinery Thr' put (mmt)	16.7	16.9	16.0	16.7	17.0	17.1	17.2	16.3	-2.4	-5.2
Utilization (%)	107.7	109.1	103.2	107.7	109.7	110.3	111.0	105.2	-2.4	-5.2
Petrochemicals										
Total producton (mmt)	4.9	5.4	5.6	5.2	5.5	5.7	5.5	5.5	5.8	0.0
Polymer ('000 MT)	931	1,069	1,100	994	1,100	1,100	1,170	1,130	13.7	-3.4
Polyester ('000 MT)	422	429	449	410	411	414	375	500	22.0	33.3
Polyester Interm. ('000 MT)	1,100	1,100	1,200	1,148	1,200	1,200	1,200	1,200	4.5	0.0
E&P										
Gross Oil Production (kbd)										
PMT	36.1	9.9	28.5	37.8	33.0	30.4	29.3	27.1	-28.2	-7.6
Yemen	4.6	4.6	4.3	4.3	4.3	4.3	4.3	3.9	-9.9	-9.3
KG-D6	24.7	22.4	22.0	21.7	17.5	15.2	15.2	13.3	-38.5	-12.4
Total	65.3	36.9	54.8	63.8	54.8	49.9	48.9	44.3	-30.5	-9.3
Gross Gas Production (mmscmd)										
PMT	14.1	8.5	10.8	12.2	11.8	11.5	10.9	10.9	-11.1	-0.1
KG-D6	59.1	57.9	55.8	51.0	48.6	45.3	41.0	35.9	-29.6	-12.5
Total	73.2	66.4	66.6	63.2	60.4	56.8	51.9	46.8	-26.0	-9.9
Gross Oil +Gas (mmboe)	49.4	42.8	44.5	43.3	40.8	38.2	35.2	31.8	(26.6)	(9.8)
Net Gas Production (mmscmd)	37.2	34.6	34.4	32.3	30.5	26.1	18.3	16.4	(49.3)	(10.4)

Source: Company, MOSL

Other highlights

- Overall D,D&A grew 3% QoQ to INR26.6b, but E&P depreciation was up 11% QoQ led by reserve reduction resulting in higher per unit depletion rate.
- Other income stood at INR23b (v/s INR17.2b in 3QFY12 and INR9.2b in 4QFY11) boosted by typical year-end incomes like profit on sale of investments.
- Interest outgo at INR7.7b (v/s INR6.9b in 3QFY12 and INR7.0b in 4QFY11) included forex loss of INR2.1b. Interest capitalized during the quarter stood at INR1.1b (v/s INR1.3b in 3QFY11 and INR1.4b in 2QFY12).
- Effective tax rate stood at 22% (v/s 22.6% in 3QFY12 and 19.5% in 4QFY12).

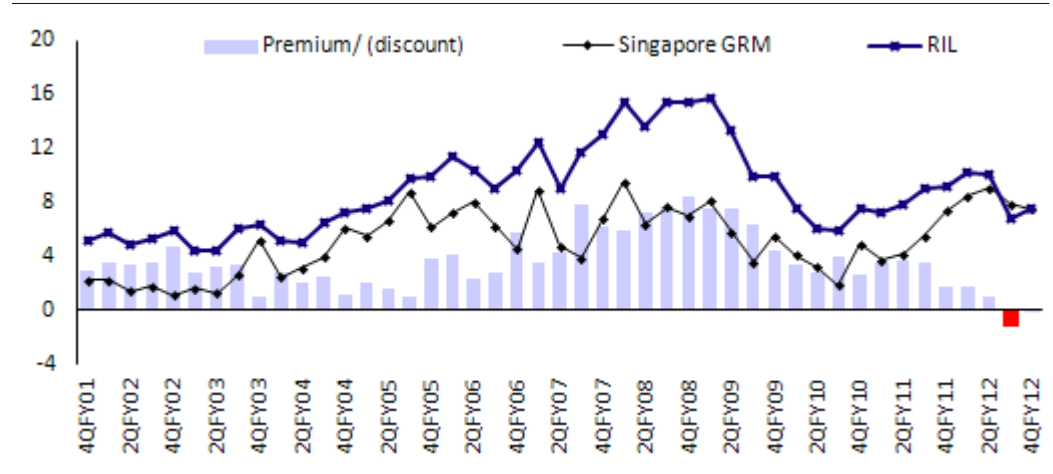
Key balance sheet numbers

- Gross debt stood at INR683b and cash/cash equivalents at INR703b, translating to net cash of INR19.9b. Cash inflow from BP has helped RIL become a net cash company in FY12 v/s FY11 net debt of INR250b.

RIL: Bought back 4.4% till date of announced buyback

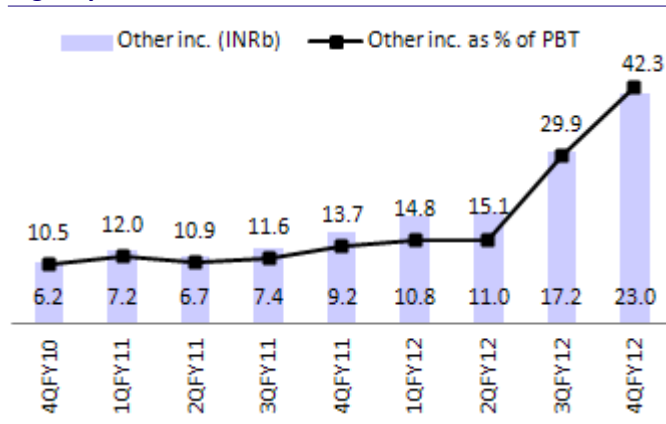
Total to be bought back ('000 shares)	120,000
Bought back till date ('000 shares)	5,261
Bought back (%)	4.4
Avg. Price (INR/sh)	753
Amount spent (INR m)	3,960
Total amount to be spent (INR m)	104,400
% of total amount spent	3.8

Premium to Singapore GRM at USD0.1/bbl (USD/bbl)

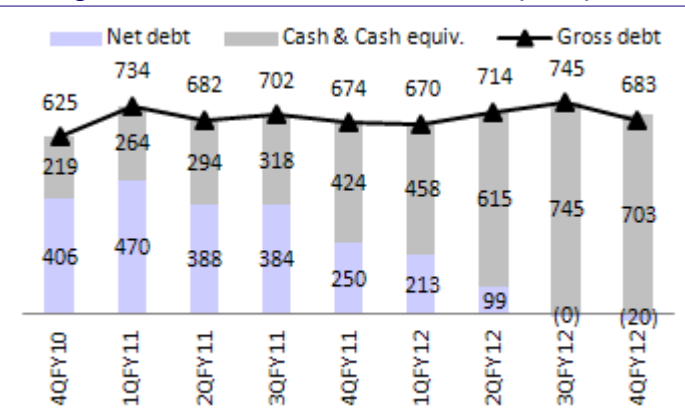


Source: Company, MOSL

Higher yields and cash balances boost other income



Strong balance sheet with net cash at INR20b (INR b)

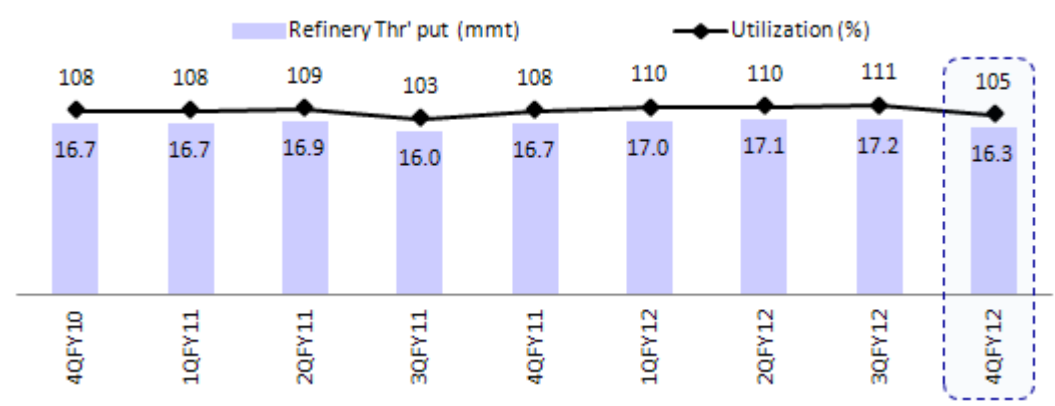


Source: Company, MOSL

Refining Segment: GRM at USD7.6/bbl; premium to Singapore at USD0.1/bbl; additional refinery closures critical for margin improvement

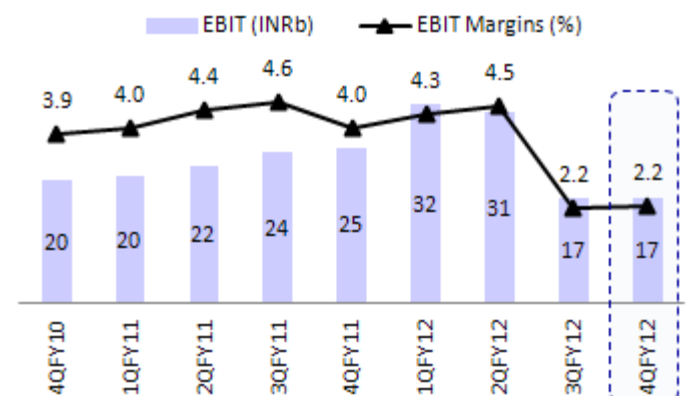
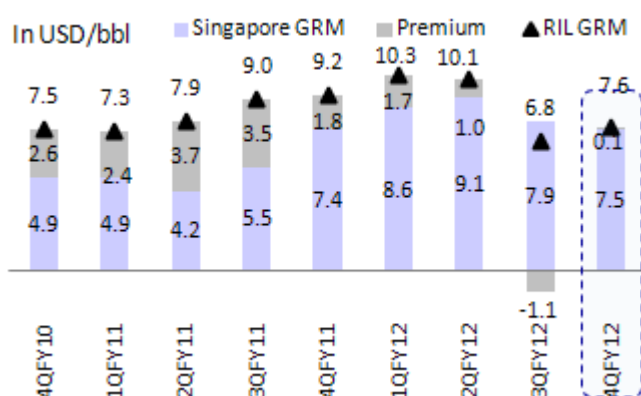
- Refinery segment EBIT contribution was down 32%YoY and up 1% QoQ at INR17b (35% of total).
- RIL's 4QFY12 GRM at USD7.6/bbl was higher than our estimate of USD6.5/bbl led by (1) strong QoQ jump in gasoline/naphtha margins, and (2) higher netbacks due to switch from winter grade to higher value summer grade. Further, peak maintenance of Asian refiners helped RIL get better netbacks.
- Despite higher QoQ GRM at USD7.6/bbl (v/s USD6.8/bbl in 3QFY12), RIL's EBIT growth was muted due to shutdown-led lower throughput at 16.3mmt v/s 17.2mmt in 3QFY12. RIL had reported GRM of USD9.2/bbl in 4QFY11.
- Refinery utilization at 105% was significantly higher than global peers. 4QFY12 planned shutdown helped de-bottleneck some of its downstream units which gave operational flexibility in terms of desirable product slate change commensurate to margins.
- RIL reported a premium to Singapore GRM at USD0.1/bbl (v/s premium of USD1.8 in 4QFY11 and discount of USD1.1 in 3QFY12).
- **Refining outlook:** While product demand remains susceptible to global growth, we expect refining margins to remain subdued unless meaningful closures take place resulting in higher utilization levels. We model in GRM of USD8.3/bbl in FY13 and USD9/bbl in FY14 for RIL (this could see further downgrade if current trend persists).

Refinery throughput at 16.3mmt (105% utilization)



4QFY12 GRM at USD7.6/bbl; premium of USD0.1/bbl

Refining EBIT margin flat QoQ at 2.2%



Source: Company, MOSL

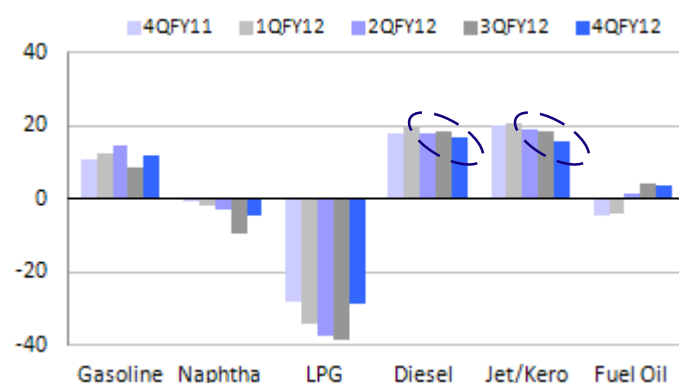
Singapore GRM has higher gasoline and FO (%)

	Reuters	RIL + RPL
Light Distillates	39	37
LPG	3	3
Propylene	-	2
Naphtha	7	8
Gasoline/Alkylates	30	23
Middle distillates	33	45
Jet/Kerosene	18	6
Diesel/Gasoil	15	38
Heavy ends	22	12
F&L	7	6
Total	100	100

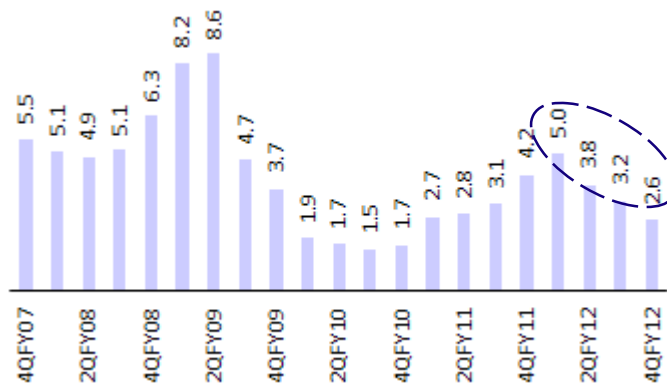
*F&L assumed for Singapore

Source: Company, MOSL

Middle distillates cracks were down QoQ (USD/bbl)



Arab Light-Heavy spreads decline QoQ (USD/bbl)



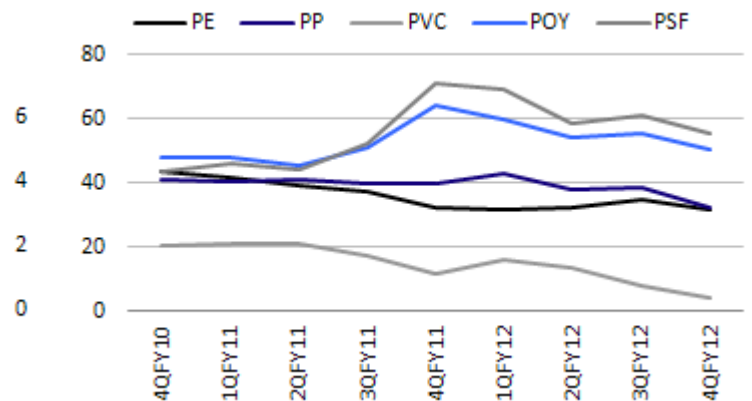
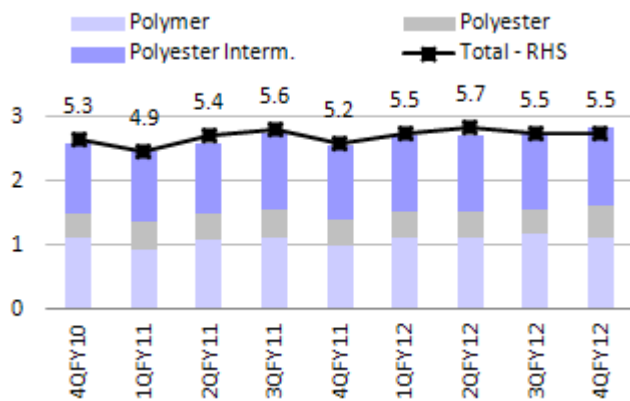
Source: Company, MOSL

Petrochemical segment: Despite lower spreads, polyester volumes help sustain EBIT; outlook positive

- RIL's petchem EBIT margin stood at 10.2% (v/s 14.4% in 4QFY11 and 10.9% in 3QFY12) led by lower polymer and polyester margins.
- **New project update:** RIL reiterated its capex towards earlier announced projects like petcoke gasification (USD3/bbl GRM improvement possible) and off-gases cracker. However, these projects are still in the technology finalization stage and will require at least 3 years to commission from zero date. Polyester expansion is on track with commissioning scheduled in CY13-CY14.
- **Petchem outlook:** We believe polymer margins have bottomed out; as incremental ethylene capacity additions are lower than likely demand growth, expect margins to improve. On the polyester front, lower cotton prices are keeping margins low; however, we do not expect meaningful downside due to secular demand.

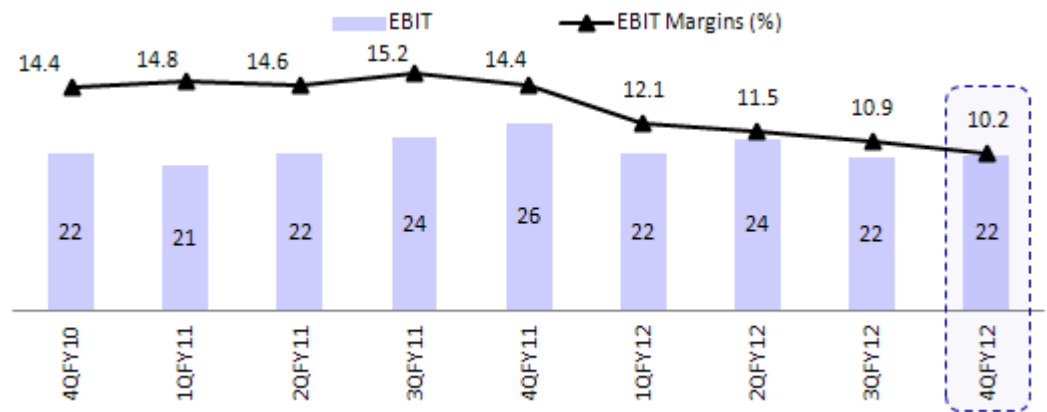
Lower petchem EBIT due to lower margins (mmt)

Petchem margins remain subdued (INR/kg)



Source: Company, MOSL

Petchem EBIT margin down QoQ at 10.2%



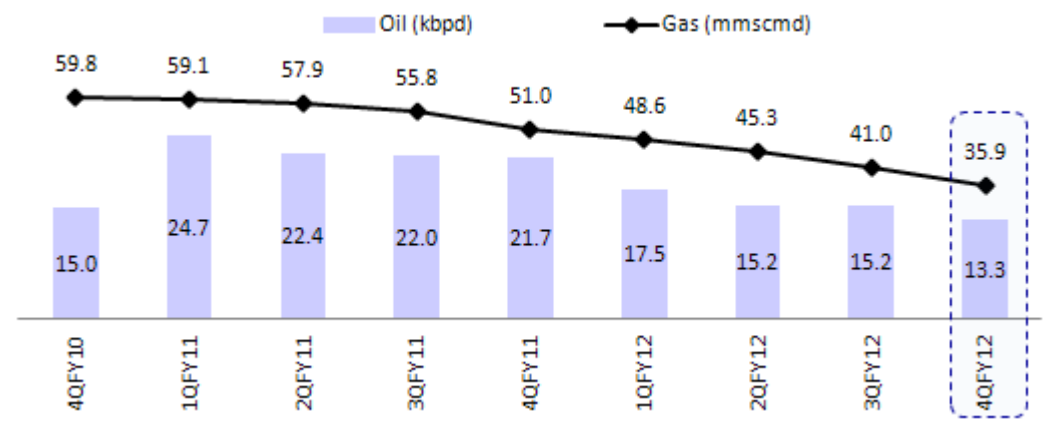
Source: Company, MOSL

E&P segment: KG-D6 production at 35.9mmcmd in 4QFY12; expect volumes to resurrect in ~3 years; reserve downgrade in FY12 annual report

- E&P EBIT stood at INR9.5b (v/s INR15.8b in 4QFY11 and INR12.9b in 3QFY12). EBIT margin stood at 36.5% v/s 45.7% in 3QFY12 and 38.2% in 4QFY11. Lower EBIT margin QoQ is due to lowering of reserve estimates (to be disclosed in FY12 annual report) which resulted in higher depletion rate.
- **KG-D6 averaged 35.9mmcmd in 4QFY12:** KG-D6 gross volumes averaged 35.9mmcmd in 4QFY12 (-12.5% QoQ) v/s 51mmcmd in 4QFY11 and 41mmcmd in 3QFY12
- RIL, for the first time, explained the KG-D6 complexities and indicated that they are largely relying on BP's sub-surface expertise to resurrect KG-D6 production.
- If RIL receives government approvals on time, then incremental gas is likely to start flowing in next 2.5-3 years. However, gas price increase (market-linked) will also be critical for RIL to commit further investments. RIL would like to have clarity on gas price before the appointed March 2014 timeline.
- **KG-D6 reservoir issues:** KG-D6 reservoir performance was not in-line with the pre-production geological models. Further, while RIL expected the development area and the adjoining area to be a continuous channel, in reality it was not. Hence, when RIL drilled wells outside the current development area, it realized that the gas volumes are low and cannot be produced economically.

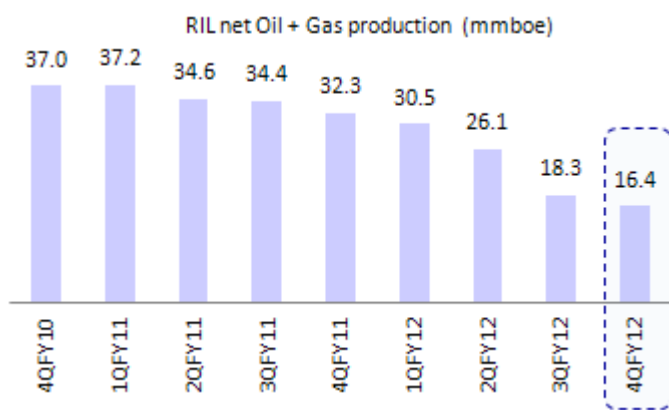
- Future development:** RIL received the permission from the government on April 21 to go ahead with seismic surveys in the current weather window. With this approval, RIL will be doing pre-development activities (surveys, engineering, field work) during the next 6 months and then submit the revised development plan comprising D1/D3, satellites, R-Series and other satellites.
- Relinquished 10 exploration blocks:** RIL has relinquished 10 exploration blocks and surprisingly some of the blocks are where RIL has already made discoveries. The following blocks were relinquished: GK-OSJ-3, MN-DWN 98/2, AS-ONN-2000/1, **KG-OSN-2001/2 (discovery)**, KG-DWN-2001/1, **KG-OSN-2001/1 (discovery)**, NEC-DWN-2002/1, PR-DWN-2001/1, **KG-DWN-98/1 (discovery)** and CY-PR-DWN-2001/4.
- Shale gas:** In FY12, RIL recorded shale gas revenue of USD250m, EBITDA of 200m and PAT of 30m (assuming tax rate of 30%).

KG-D6 gross prodn averaged 36mmscmd in 4QFY12

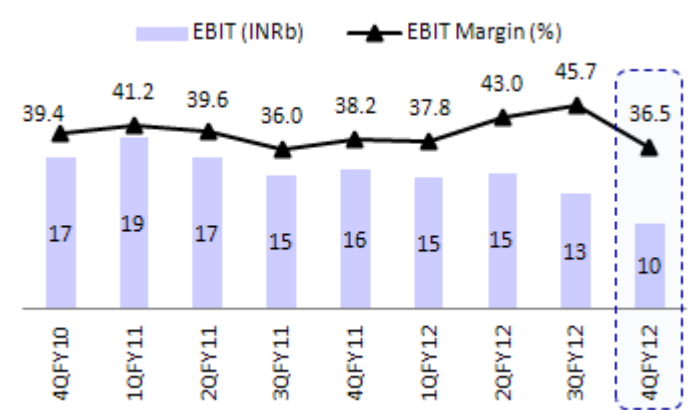


Source: Company, MOSL

Net HC production at 16.4mmboe



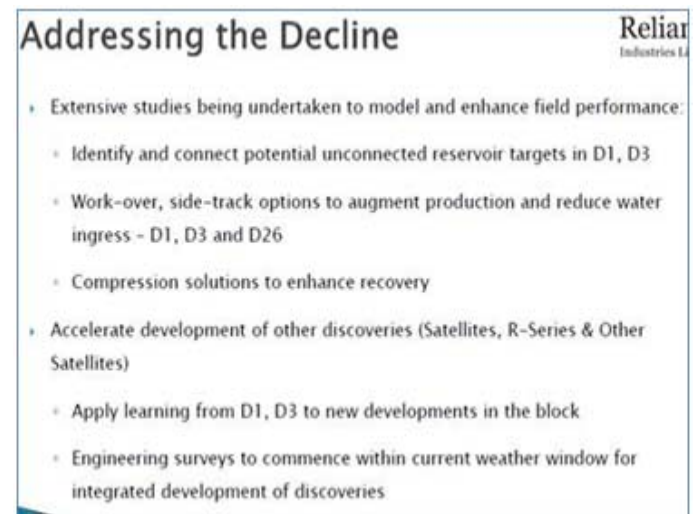
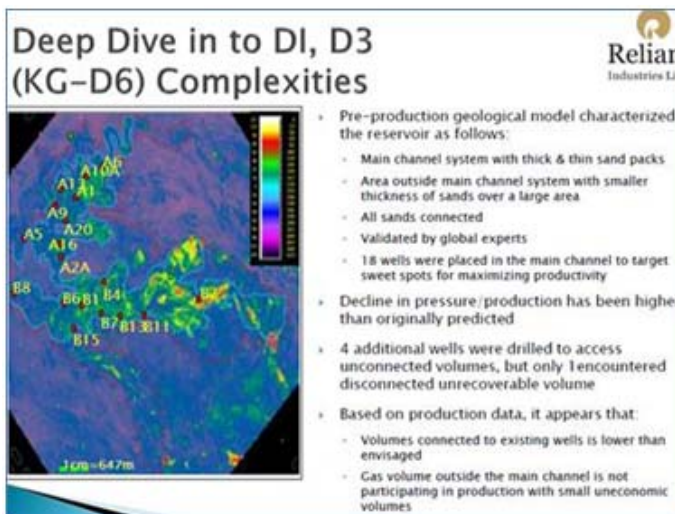
Higher D,D&A depresses E&P EBIT margin (%)



Source: Company, MOSL

RIL has explained the KG-D6 complexities for the first time

RIL's thought process on addressing the production decline



Source: RIL 4QFY12 presentation

Valuation and view**Key things to watch are**

- (1) DGH approvals for its E&P program and update on its KG-D6 ramp-up
- (2) Clarity on 7-year income tax holiday for KG-D6 gas (we model tax holiday)
- (3) Margin trend in refining and petchem
- (4) Developments on its USD12b capex plan and
- (5) Update on its BWA and retail foray.

Our assumptions for RIL

- We model average gas production of 28mmscmd FY13 and 22mmscmd in FY14.
- Well-head gas price of USD4.2/mmbtu. We continue to model in tax holiday on KG-D6 gas profits.
- Blended GRM of USD8.3/bbl in FY13 and USD9/bbl in FY14.

Valuation and view

- Owing to reserve downgrading, we are increasing of E&P D,D&A resulting in FY13/ FY14 EPS decline of 4%/1%. We are reducing our SOTP value to INR785/share (earlier at INR800/share) led by 20% recovery factor reduction in KG-D6 to ~10tcf, partly offset by reintroduction of value for CBM and D3 blocks at INR22/share.
- Share buyback has been subdued; so far, only 4.4% of the announced 120m shares have been bought back. Earnings pressure across segments is likely to continue in the medium term, and EPS accretive cash deployment continues to remain a challenge for the company.
- On FY13E basis, the stock trades at 11.4x Adj EPS of INR64.2 and EV/EBITDA of 7.7x. We maintain Neutral due to concerns on RoE reaching sub-12%, falling KG-D6 volumes and increased share (75%) of cyclical refining and petchem businesses.

RIL: Key Assumptions

Key Metrics	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
Exchange Rate (INR/USD)	40.3	45.8	47.5	45.6	47.9	50.0	48.1
Refining							
Capacity (mmt)	33.0	33.0	62.0	62.0	62.0	62.0	62.0
Production (mmt)	31.8	32.0	60.6	66.5	67.6	66.4	66.4
Capacity Utilization (%)	96	97	98	107	109	107	107
GRM (USD/bbl)							
Blended GRM	15.0	12.3	6.9	8.7	8.4	8.3	9.0
Singapore GRM	7.6	5.8	3.6	5.2	8.3	8.2	8.2
Premium to Singapore	7.3	6.5	3.3	3.5	0.1	0.1	0.8
E&P							
Gas Production (mmscmd)			39.8	56.2	42.7	28.0	22.0
Oil Production (kbd)			10.7	18.9	15.3	11.0	11.0
Pricing							
Brent Oil (USD/bbl)	82.3	84.8	69.7	86.5	114.5	110.0	100.0
Wellhead Gas Price (USD/mmbtu)			4.2	4.2	4.2	4.2	4.2
EPS	52.5	52.6	49.6	62.0	61.2	58.1	64.1
EPS (ex Treasury)	60.8	58.7	54.8	68.4	67.6	64.2	70.8
Segmental EBIT (INR b)							
Refining	103	96	60	92	90	88	98
Petrochemicals	71	69	86	93	83	83	91
E&P	15	23	55	67	53	35	30
Total	190	188	200	252	226	205	219
Segmental EBIT share (%)							
Refining	54	51	30	36	40	43	45
Petchem	37	37	43	37	37	40	41
E&P	8	12	27	27	23	17	14
Total	100	100	100	100	100	100	100

Source: Company, MOSL

Reliance: Sum of parts valuation

Business	USD b	INR b	Adj. INR/sh	Remarks/Methodology
Core business	27	1,483	498	
Refining	14	782	263	Core business EV @6x FY13E EBITDA
Petchem	13	701	235	EV @6.5x FY13E EBITDA
E&P Initiatives	10	539	181	Includes KG-D6, NEC-25, CBM, KG-III-6 and Yemen block
KG - D6 Gas (KG Basin)	4	193	65	DCF; 60% stake; Plateau of 60mmscmd in FY18; 10 TCF recovery
KG - D6 MA1 Oil (KG Basin)	1	38	13	DCF; 60% stake; 47mmbbls recovery; (LT Brent - USD90/bbl)
NEC - 25 (Mahanadi basin)	1	50	17	DCF; 60% stake; OGIP of 3.7 TCF, prodn likely in 2015/16
KG-DWN-2003/1 (D3)	1	34	11	Prospective resources of 695mmboe as per Hardy; RIL (60%)
Sohagpur East & West (CBM)	1	33	11	DCF; 100% stake; OGIP of 3.65 TCF, assumed 50% recovery
Block - 9 (Yemen)	1	40	13	Currently producing. 2P reserves of 330 mmbbls valued, assumed 50% recovery valued at @US\$20/bbl; RIL stake 25%
PMT	2	99	33	Currently producing. EV @4.5x FY13E EBITDA
Investment in Shale Gas	1	51	17	JV with Atlas, Pioneer & Carrizo; valued at cash investment
Investments	3	148	50	Includes RGTIL, RIIL and SEZ
Investments in RGTIL, RIIL	0	24	8	At book value and
Investments in fuel Retailing	1	32	11	20% discount to estimated book value
Investments in BWA	1	60	20	BWA Foray
Investment in SEZ	1	32	11	Valud at 0.75x equity investment
Reliance Retail	1	63	21	100% subsidiary of RIL; 0.75x equity investments
Less: Net Debt	-2	-105	-35	FY13E
Total Base Value	43	2,338	785	Based on fully diluted equity shares of 2,977m (excl 309m treasury shares)

Source: Company/MOSL

Reliance Industries: an investment profile

Company description

Reliance Industries (RIL), a Fortune 500 company, is India's largest private sector entity, with turnover of USD50b and net profit of USD4.1b. It has consistently reported historically high CAGRs in topline and bottomline through backward integration in energy chain (textiles, petchem, refining and E&P) and is now moving into new areas like retail and BWA.

Key investment arguments

- **E&P upside now seems back-ended:** Though E&P would be a long-term driver, in the medium term, growth seems to be subdued led by delays in ramp-up of KGD6 and delays in approvals of development plans for satellite fields and NEC-25. RIL is the largest exploration acreage holder in the private sector in India. Post its world-scale gas discovery in 2002 in KG-D6; it has reported more than 50 discoveries. Its recent alliance with BP in 21 of its NELP oil & gas blocks should help in tackling production issues in KG-D6. It should also help RIL to enhance chances of new discoveries and obtain higher recovery from its E&P acreage.
- **Refining - challenging times ahead:** While product demand remains susceptible to global growth, expect refining margins to remain subdued unless

meaningful closures take place resulting in higher utilization levels.

- **Petrochemicals - believe polymer margins have bottomed out:** As incremental ethylene capacity additions are lower than likely demand growth, expect margins to improve. On the polyester front, lower cotton prices are keeping margins low; however, we do not expect meaningful downside due to secular demand.

Key investment risks

- Further delays in the KG-D6 gas volume ramp up.
- Our estimates could be adversely affected by lower than expected refining and petchem margins.

Recent developments

- Relinquished 10 exploration blocks.
- Received approval from Government to conduct seismic surveys in KG-D6 field.

Valuation and view

- RIL trades at 11.4x FY13E adj. EPS of INR64.2 and EV/EBITDA of 7.7x. Our SOTP-based target price for RIL is INR785/share. Maintain **Neutral**.

Target Price and Recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
731	785	7.4	Neutral

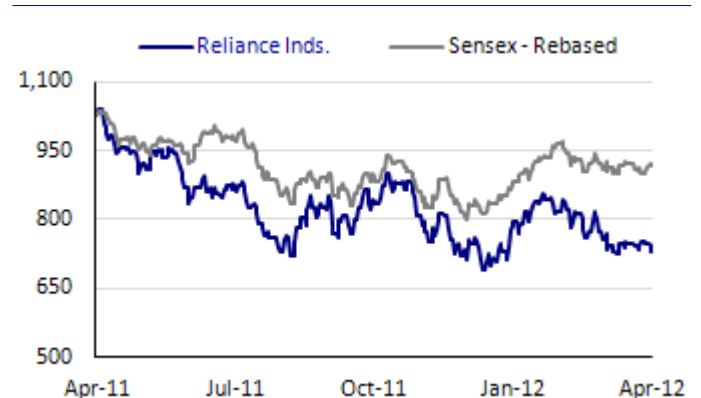
Shareholding Pattern (%)

	Mar-12	Dec-11	Mar-11
Promoter	44.9	44.8	44.8
Domestic Inst	10.6	11.3	10.7
Foreign	21.7	21.2	22.2
Others	22.8	22.7	22.3

EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	64.2	67.5	-4.9
FY14	70.8	71.9	-1.6

Stock performance (1 year)



Financials and Valuation

RIL Income Statement		(INR Billion)				
Y/E March	2010	2011	2012	2013E	2014E	
Net Sales	1,925	2,482	3,299	3,344	2,987	
Change (%)	35.7	28.9	32.9	1.4	-10.7	
EBITDA	306	381	336	308	316	
% of Net Sales	15.9	15.4	10.2	9.2	10.6	
Depreciation	105	136	114	103	96	
Interest	20	23	27	23	23	
Other Income	25	31	62	66	79	
PBT	205	252	258	248	275	
Tax	43	50	57	58	64	
Rate** (%)	21.0	19.6	22.2	23.3	23.5	
PAT	162	203	200	190	210	
Adj. PAT	162	203	200	190	210	
Change (%)	4.0	24.9	-1.2	-5.0	10.4	
Key Operating Metrics						
GRM (USD/bbl)	6.9	8.7	8.4	8.3	9.0	
KG-D6 production (mmsc)	39.8	56.2	42.7	28.0	22.0	

Balance Sheet		(INR Billion)				
Y/E March	2010	2011	2012	2013E	2014E	
Share Cap. (incl sh. Susp.)	33	33	33	33	33	
Reserves	1339	1483	1656	1814	1993	
Net Worth	1,372	1,515	1,689	1,847	2,026	
Total Loans	625	674	666	663	661	
Deferred Tax	109	116	121	126	131	
Minority Interest						
Capital Employed	2,106	2,305	2,475	2,636	2,818	
Gross Fixed Assets	2159	2213	2003	2054	2113	
Less: Depreciation	626	785	899	1002	1099	
Net Fixed Assets	1,533	1,427	1,104	1,052	1,015	
Capital WIP	121	128	192	227	284	
Investments	232	377	545	545	585	
Curr. Assets, L & Adv.						
Inventory	270	298	359	368	327	
Debtors	117	174	183	181	162	
Cash & Bank Balance	135	271	402	601	755	
Loans&Adv.and Other CA	103	171	255	261	267	
Current Liab. & Prov.						
Liabilities	368	497	524	550	522	
Provisions	36	46	42	50	55	
Net Current Assets	220	373	634	811	934	
Application of Funds	2,106	2,305	2,475	2,635	2,818	

E: MOSL Estimates

Ratios						
Y/E March	2010	2011	2012	2013E	2014E	
Basic (INR)						
EPS	49.6	62.0	61.2	58.1	64.1	
Adj. EPS (ex Treasury)	54.8	68.4	67.6	64.2	70.8	
Cash EPS	81.7	103.5	96.0	89.5	93.6	
Adj. Book Value	463.2	511.2	569.5	622.4	682.2	
DPS	7.0	8.0	8.5	8.1	9.0	
Payout (incl. Div. Tax.)	15.0	13.7	16.3	16.3	16.4	
Valuation (x)						
P/E		11.8	12.0	12.6	11.4	
Adj. P/E		10.7	10.8	11.4	10.3	
Cash P/E		7.1	7.6	8.2	7.8	
EV / EBITDA		7.1	7.6	7.7	7.0	
EV / Sales		1.1	0.8	0.7	0.7	
Adj. Price / Book Value		1.4	1.3	1.2	1.1	
Dividend Yield (%)		1.1	1.2	1.1	1.2	
Profitability Ratios (%)						
RoE	13.4	14.8	12.9	11.1	11.2	
RoCE	11.3	12.9	12.2	10.9	11.1	
Turnover Ratios						
Debtors (No. of Days)	15	21	20	20	21	
Fixed Asset Turnover (x)	1.1	1.1	1.6	1.6	1.4	
Leverage Ratio						
Net Debt / Equity (x)	0.3	0.2	0.1	0.0	-0.1	

Cash Flow Statement		(INR Billion)				
Y/E March	2010	2011	2012	2013E	2014E	
OP/(Loss) before Tax	205	252	258	248	275	
Depreciation	135	162	114	103	96	
Interest /Other Income	-1	-3	-35	-43	-55	
Direct Taxes Paid	-31	-42	-52	-53	-59	
(Inc)/Dec in Wkg. Capital	-53	1	-40	21	31	
Other op activities	-50	-38	0	0	0	
CF from Op. Activity	205	333	245	276	288	
(Inc)/Dec in FA & CWIP	-218	-121	-175	-86	-115	
(Pur)/Sale of Investments	-12	-141	61	0	-40	
Loans and Advances	0	0	0	0	0	
Other Inv activities	48	59	62	66	79	
CF from Inv. Activity	-182	-203	-52	-20	-77	
Change in Equity	1	2	1	0	0	
Inc / (Dec) in Debt	-88	30	-35	-26	-26	
Dividends Paid	-22	-24	-28	-33	-31	
CF from Fin. Activity	-110	7	-62	-58	-57	
Inc / (Dec) in Cash	-87	137	131	199	154	
Add: Opening Balance	222	135	271	402	601	
Closing Balance	135	271	402	601	755	

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