

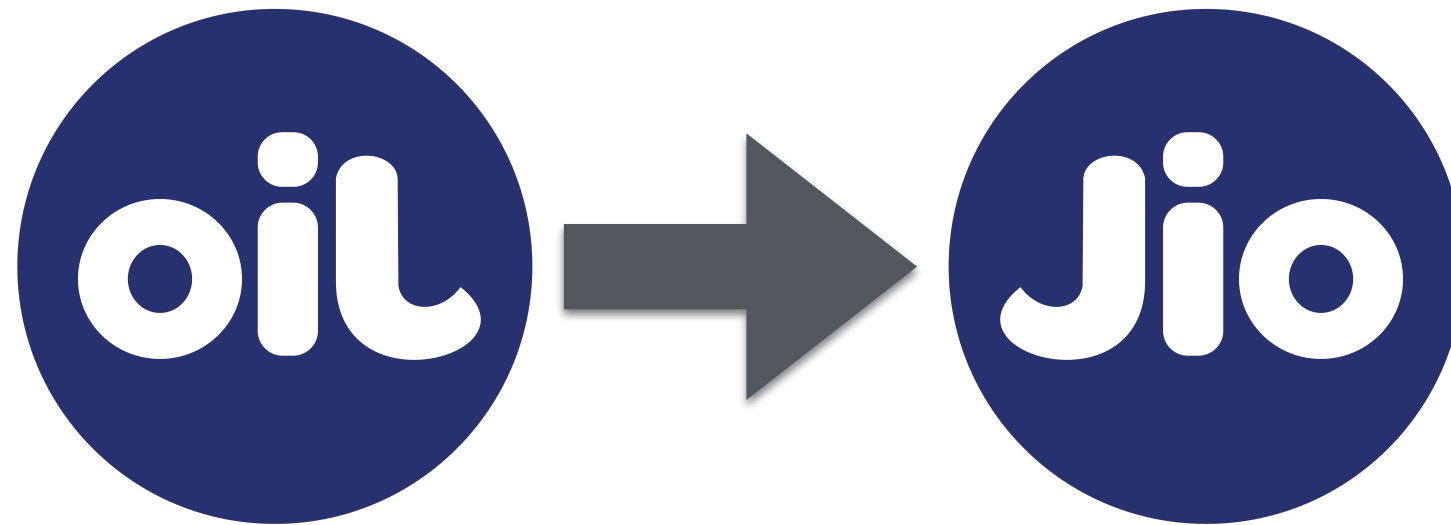


# Rajeev Mantri

Executive Director, Navam Capital



# Data Is The New Oil



## Investment Thesis on Reliance Industries Limited

By Rajeev Mantri  
Navam Capital  
March 2018

*Asian Investing Summit 2018, Hosted by MOI Global*

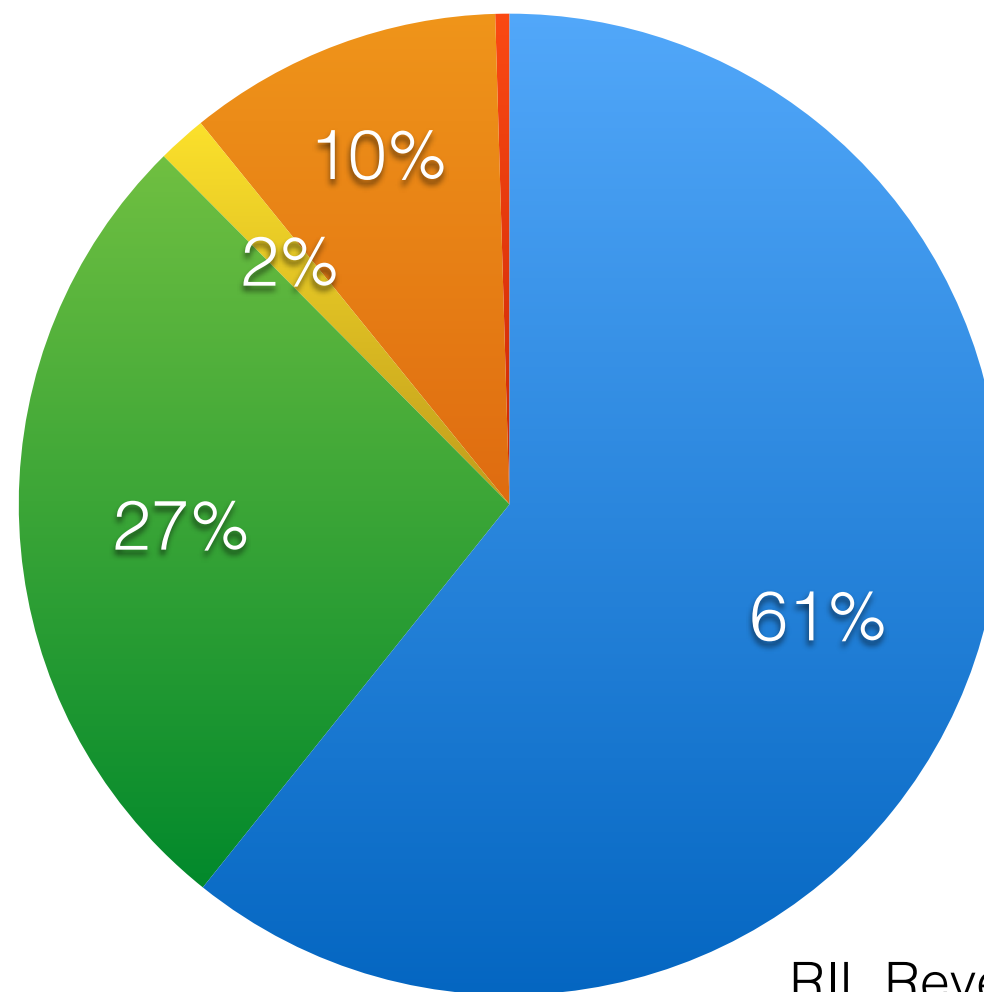
# Company Background



- Founded in 1977, Reliance Industries Ltd (RIL) is India's largest private sector company with revenues of over Rs 3.5 trillion and a market capitalisation of Rs 5.7 trillion
- A sprawling conglomerate with an entrepreneurial DNA

# Revenue Mix

● Refining & Marketing ● Petchem ● Oil & Gas E&P ● Retail ● Media



RIL Revenue Mix (FY17 Consolidated)

# Competitive Strengths

## Business

## Market Position

Refining & Marketing

World's largest single-location refinery;  
scale and performance advantage

Petrochemicals

Large footprint across polyesters and  
polymer, integrated business smoothes  
earnings volatility

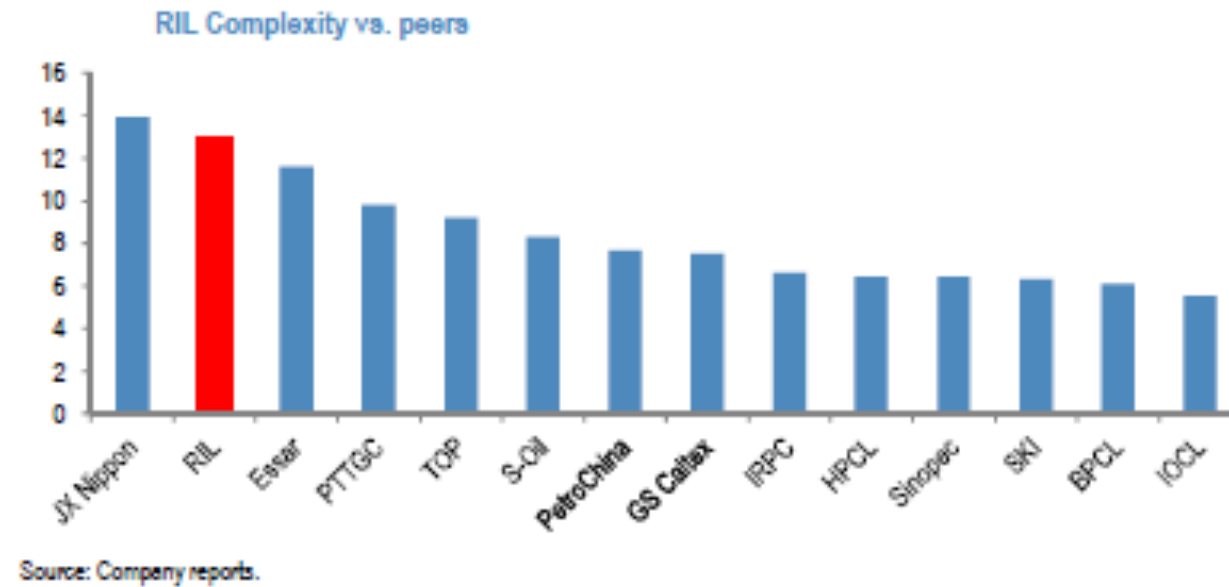
Retail

India's largest organised retailer

Media

Media and entertainment industry leader,  
content across all major Indian  
languages

# Refining



Source: JPMorgan, November 2015

- World's largest single-location refinery at Jamnagar, Gujarat, 1.24 million bpd capacity
- Ability to process a variety of crude grades - sourcing and scale advantage

# Petchem

Table 18: Polymer chain expansions

MMTPA

Product	Existing capacity	Rank	Post expansion capacity	Rank	Growth
Ethylene	2.0	19	3.5	13	75%
Propylene	2.8	10	2.8	11	0%
LDPE	0.5	10	1.1	7	120%
HDPE	0.4	24	0.4	29	0%
LLDPE	0.2	26	0.6	11	200%
PP	2.8	6	2.9	5	4%
PVC	0.7	22	0.7	24	0%
Total	9.4		12.0		28%

Source: Company reports.

Table 19: Polyester chain expansions

MMTPA

Product	Existing capacity	Rank	Post expansion capacity	Rank	Growth
PX	2.2	5	4.5	2	105%
PTA	2.7	9	5.0	5	85%
MEG	0.7	8	1.5	6	114%
PSF & PFY	1.9	1	2.3	2	21%
PET	0.5	16	1.2	7	140%
Total	8.0		14.5		81%

Source: Company reports.

Table 20: ROGC

Feedstock	ROGC	Downstream
Refinery off gas from primary and secondary units	Ethylene 1.4MMTPA Propylene 150KTPA	LLDPE 550KTPA LDPE 400KTPA MEG 830 KTPA PP 156 KTPA

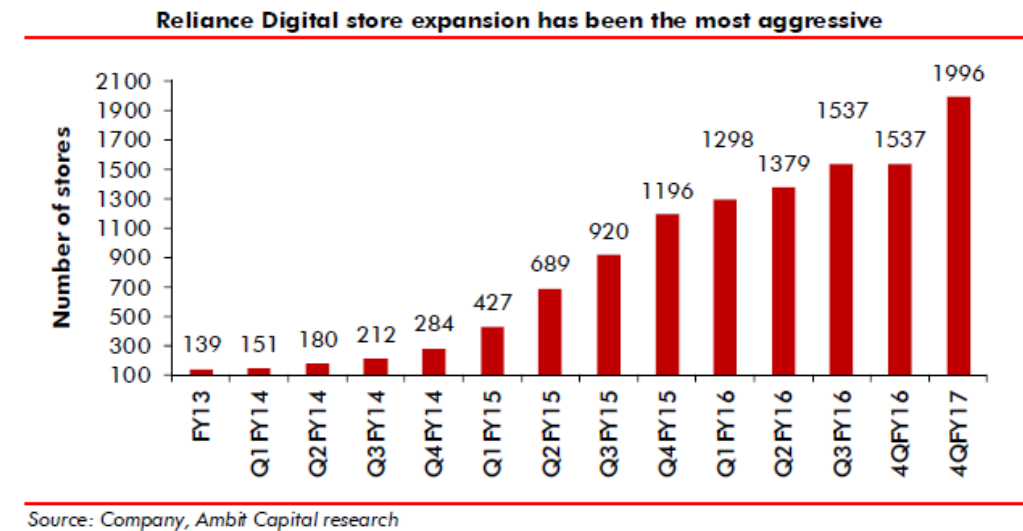
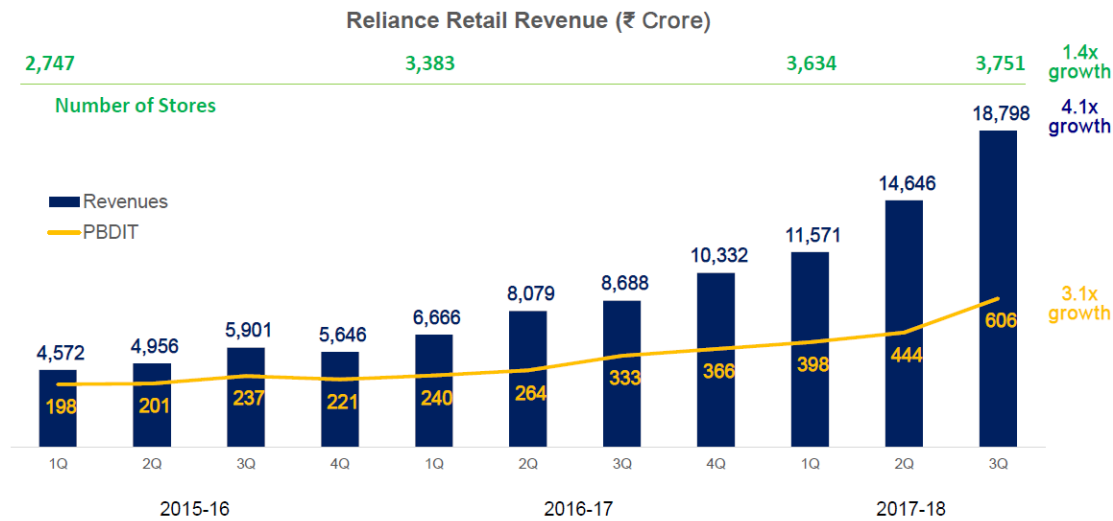
Source: Company reports.

Commissioned in January 2018

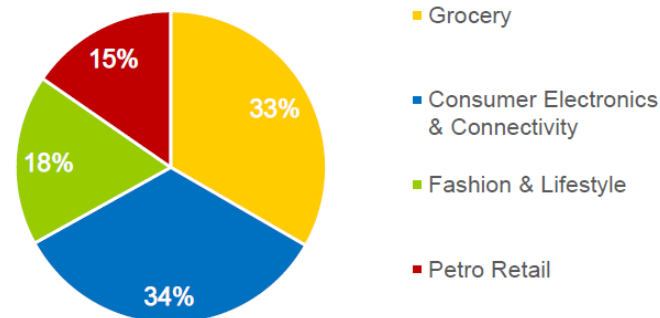
Source: JPMorgan, November 2015

- Wide portfolio straddling polyesters and polymers

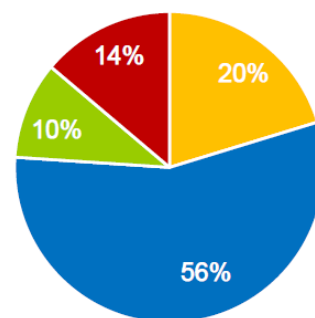
# Retail



Turnover Mix – 3Q FY17



Turnover Mix – 3Q FY18



Source: Ambit Capital, August 2017

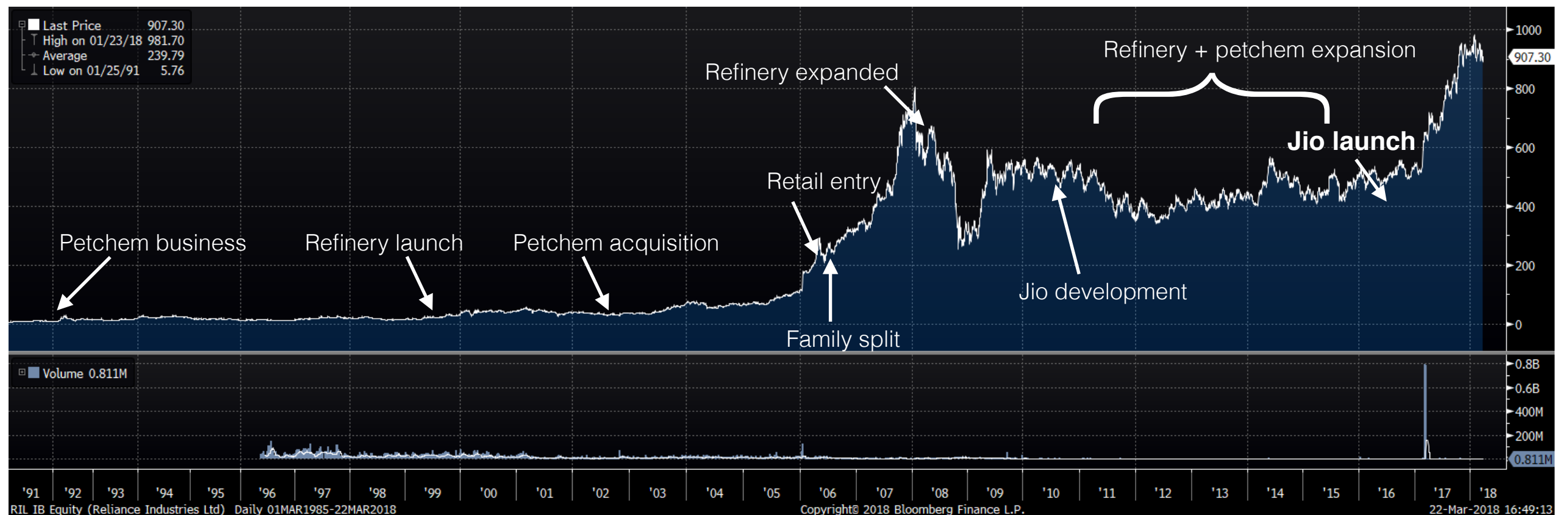
- India's largest retail business, revenue CAGR of 38% (FY11-FY17)
- 15 million square feet of retail space



# Media



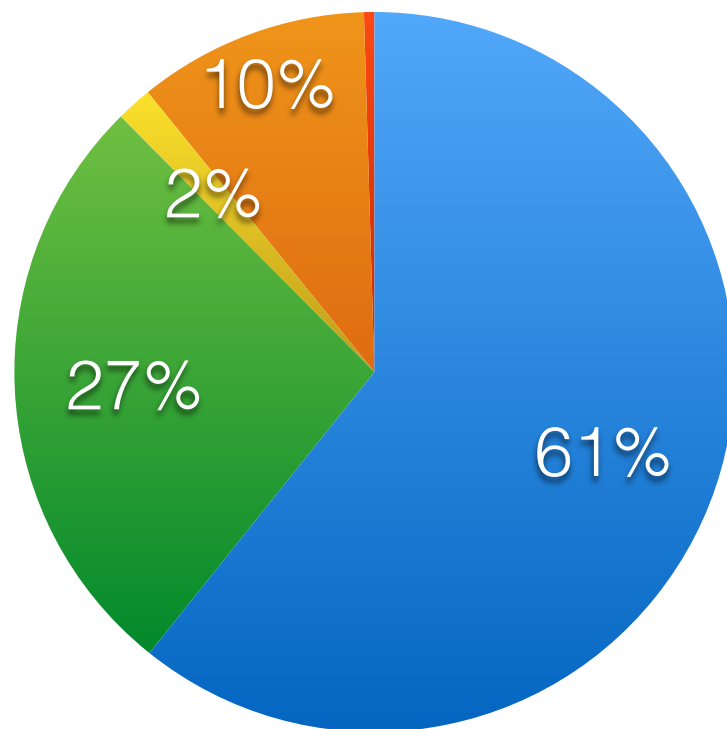
# Compounding For Decades



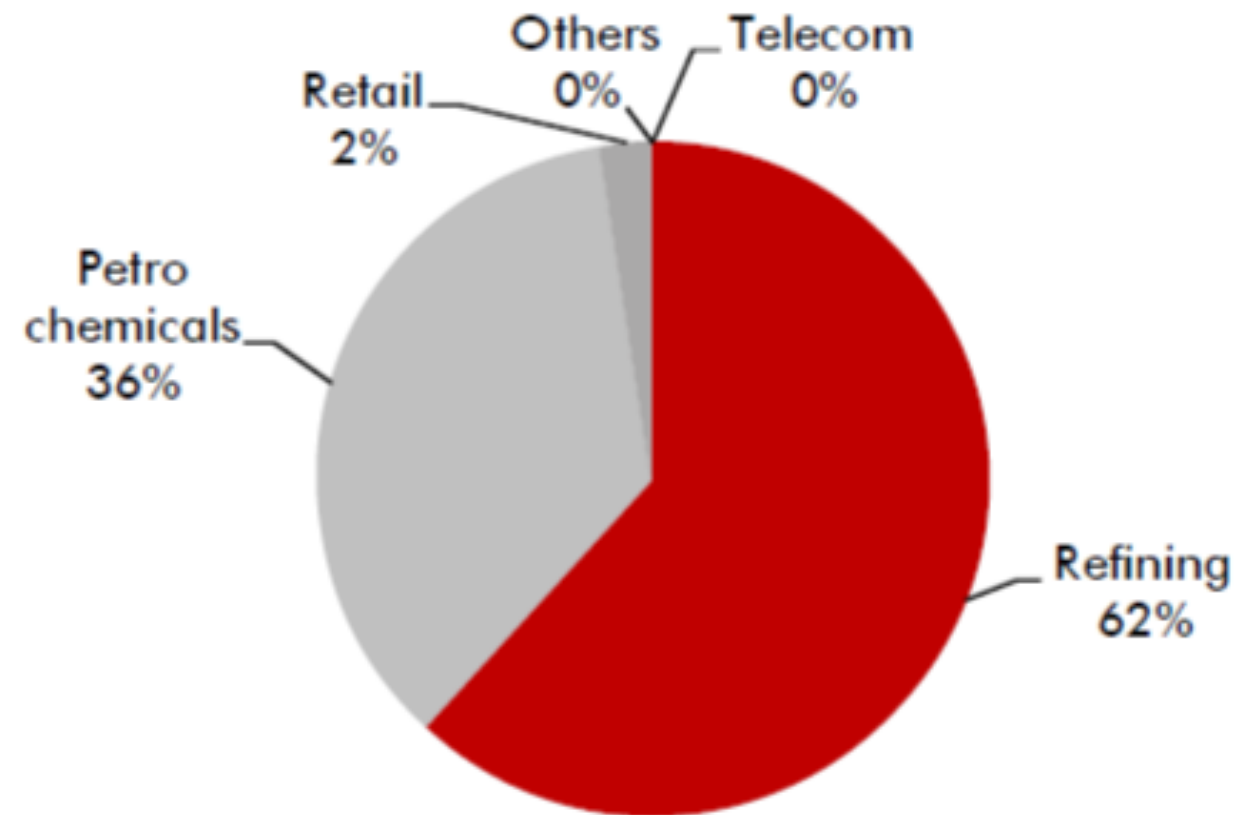
*A 40-year history of creating wealth by building new businesses*

# The Big Picture

● Refining & Marketing ● Petchem ● Oil & Gas E&P  
● Retail ● Media



*Consolidated Revenue Mix (FY17)*



*Consolidated EBITDA Contribution (FY17)*

Source: Ambit Capital, August 2017

# Capital Allocation

## SEPARATE WAYS

Reliance Industries' return ratios have fallen to single-digit levels owing to large investments in non-core businesses; although investors are now shrugging off these concerns.

Mega capex  
cycle

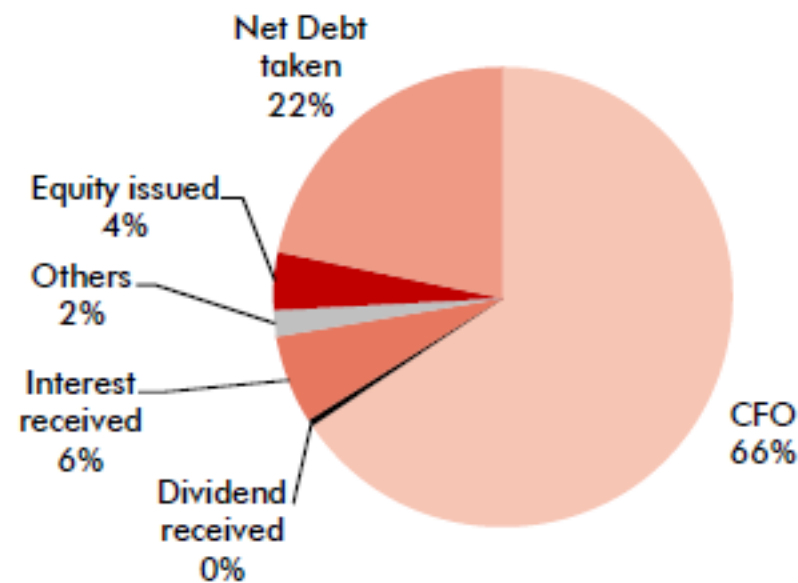


Source: Jefferies, Capitaline

Source: *Mint*, March 7 2018

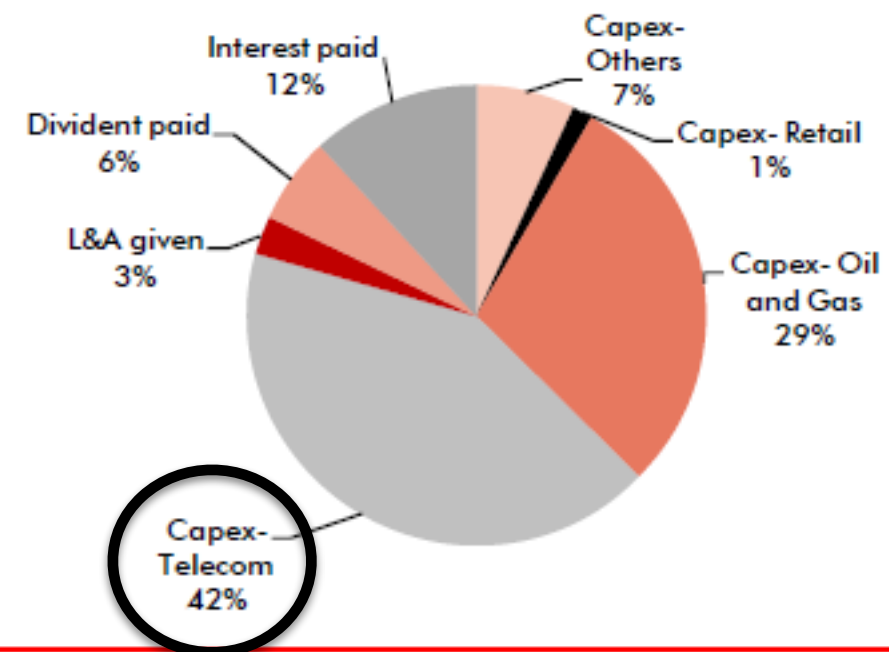
# Capital Allocation

**RIL's FY08-17 cumulative consolidated CFO**  
**(₹3.1trn)...**



Source: Company, Ambit Capital research

**...has been lower than its capex over the same period (₹3.8trn)**



Source: Company, Ambit Capital research

Source: Ambit Capital, August 2017



## The Jio Thesis: Indian Consumers Have WTP But Are Data-Deprived

Particulars	Mobile Users
Subscribers in 2009	392 mn
ARPU in 2009	Rs 179
Equivalent ARPU in 2016 (adjusted for nominal per capita income)	Rs 500

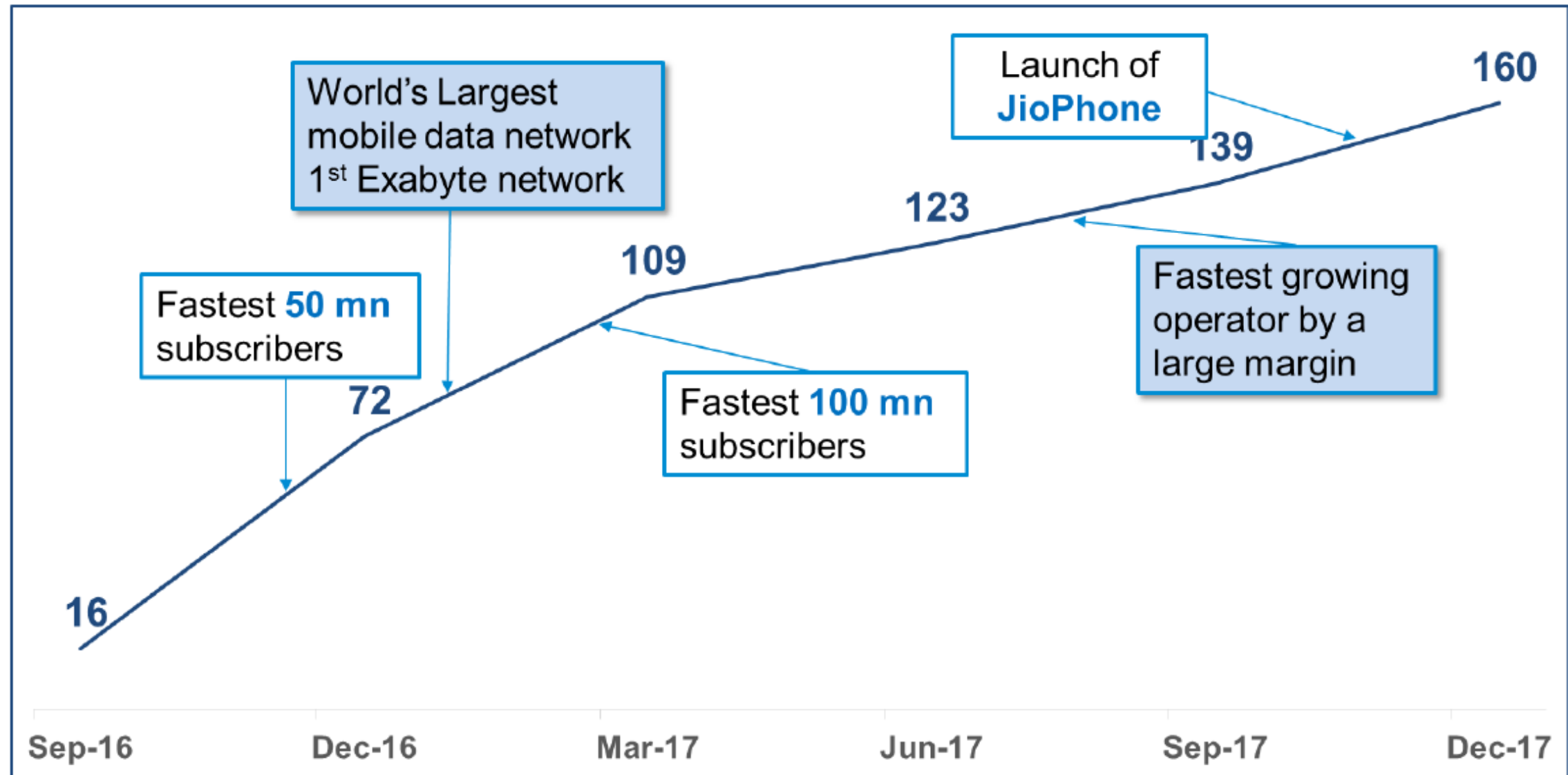
Source: TRAI, RBI, World Bank

Source: Reliance Industries, March 2017

- ~Rs 2 trillion (\$30 billion) capex on telecom business
- IP-based VoLTE network; “future proof”
- Pan-India coverage (99% of India’s population to have 4G by October 2018); best spectrum portfolio

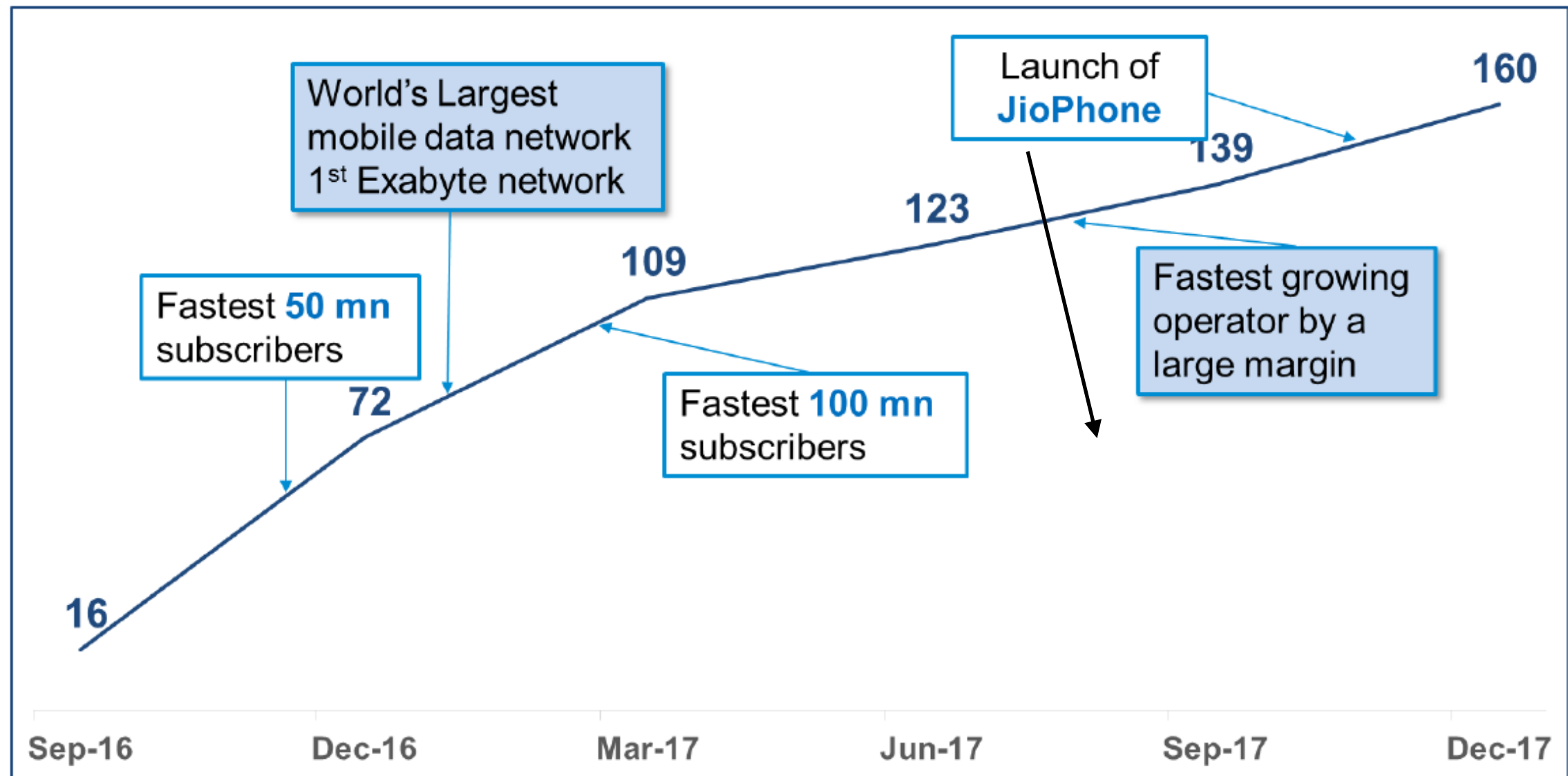


# oil To Jio



Source: Reliance Industries, December 2017

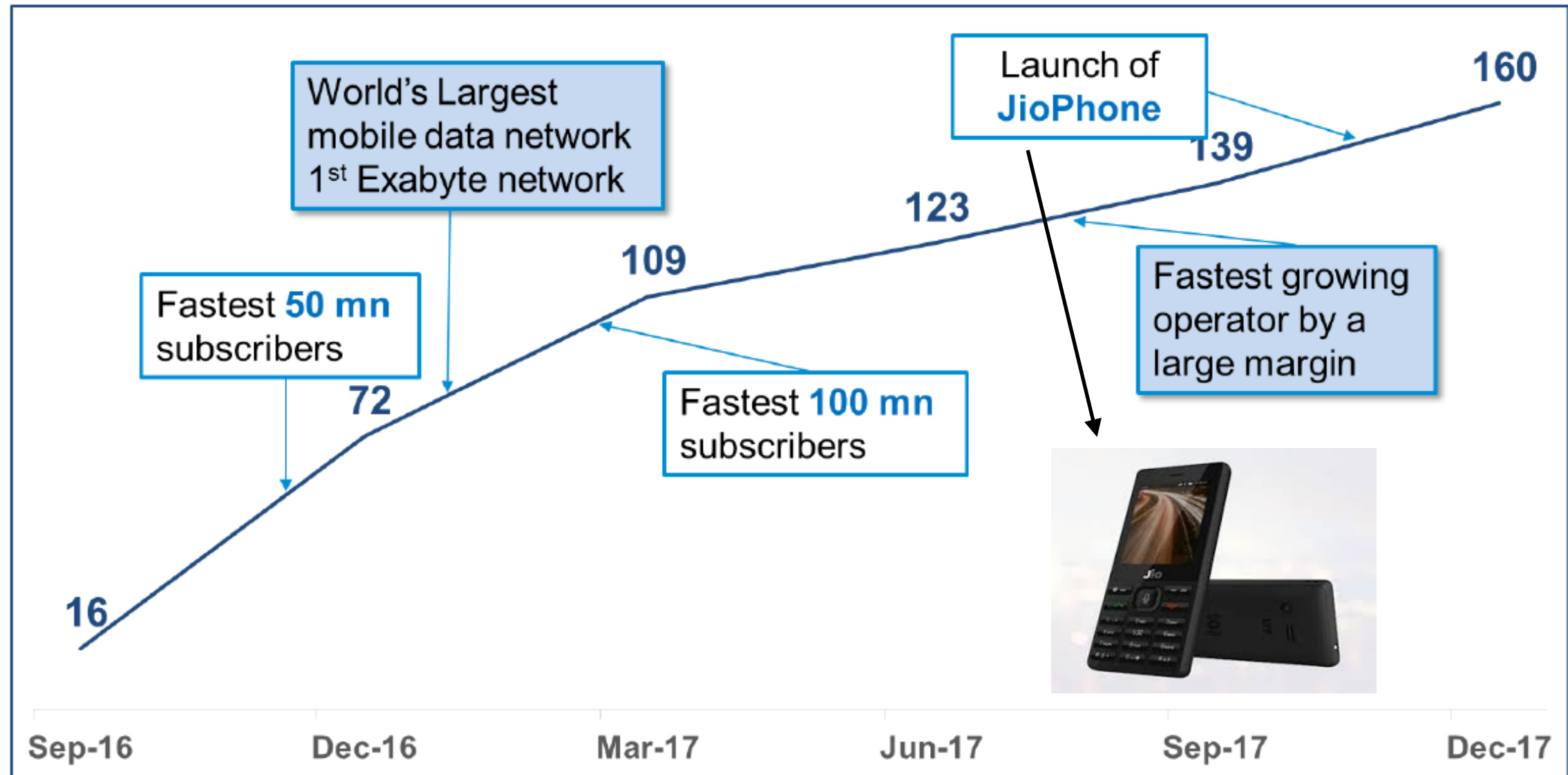
# oil To Jio



Source: Reliance Industries, December 2017

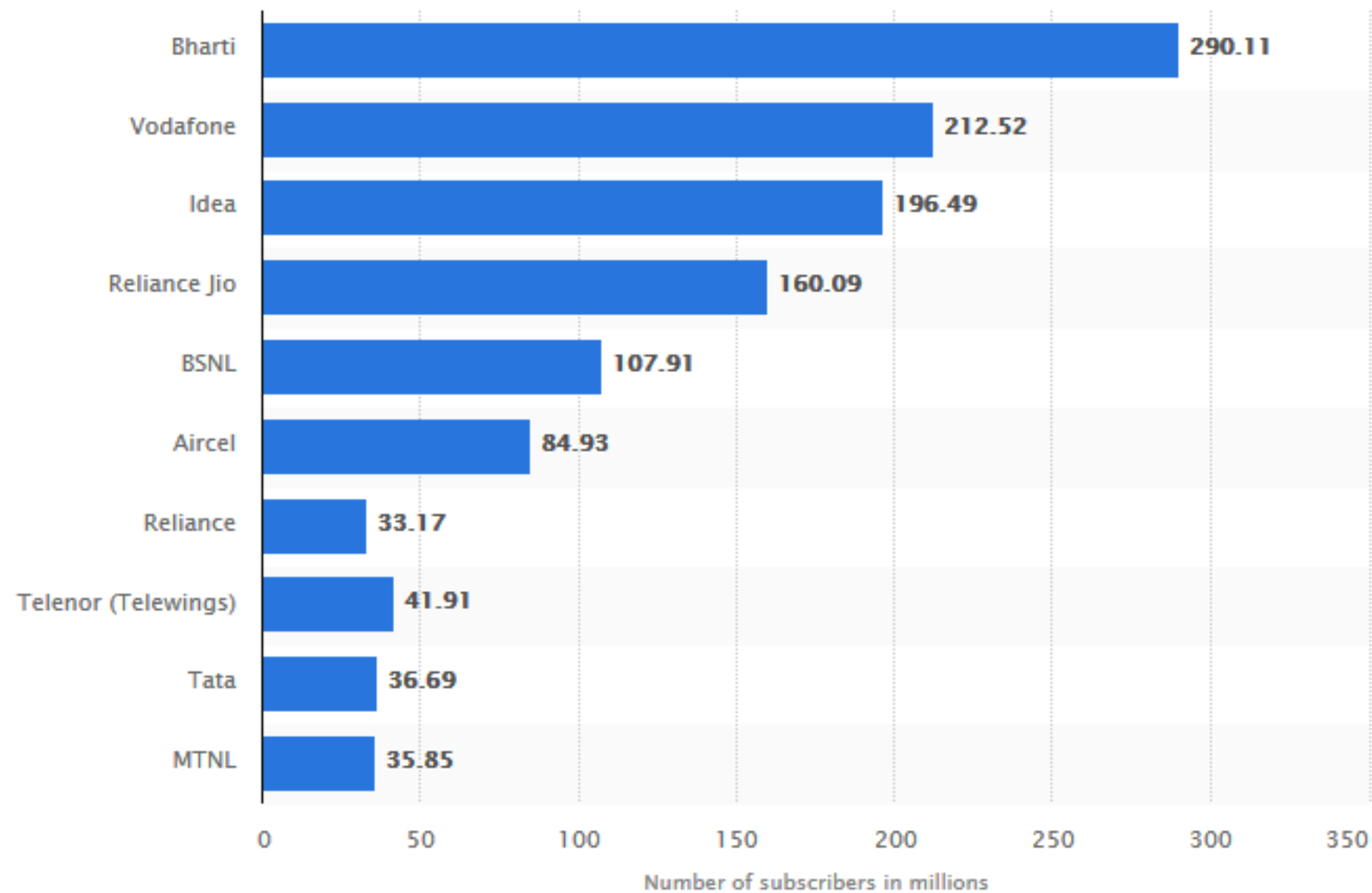


# oil To Jio



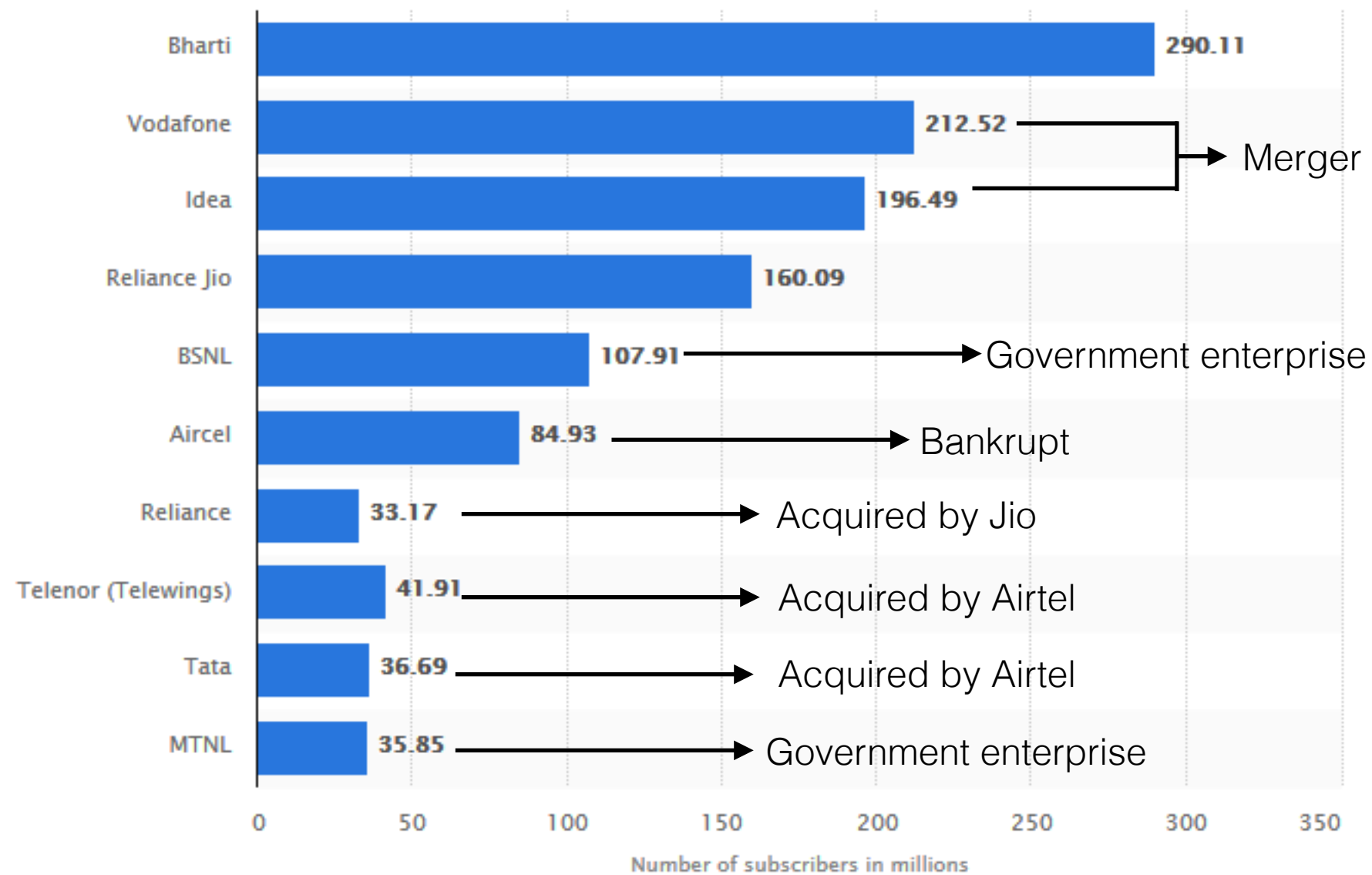
Source: Reliance Industries, December 2017

# Telco Industry Structure



Source: Statista (data as of December 2017)

# Telco Industry Structure



Source: Statista (data as of December 2017)

# Market Expansion + Consolidation

## Incremental Subscriber Share

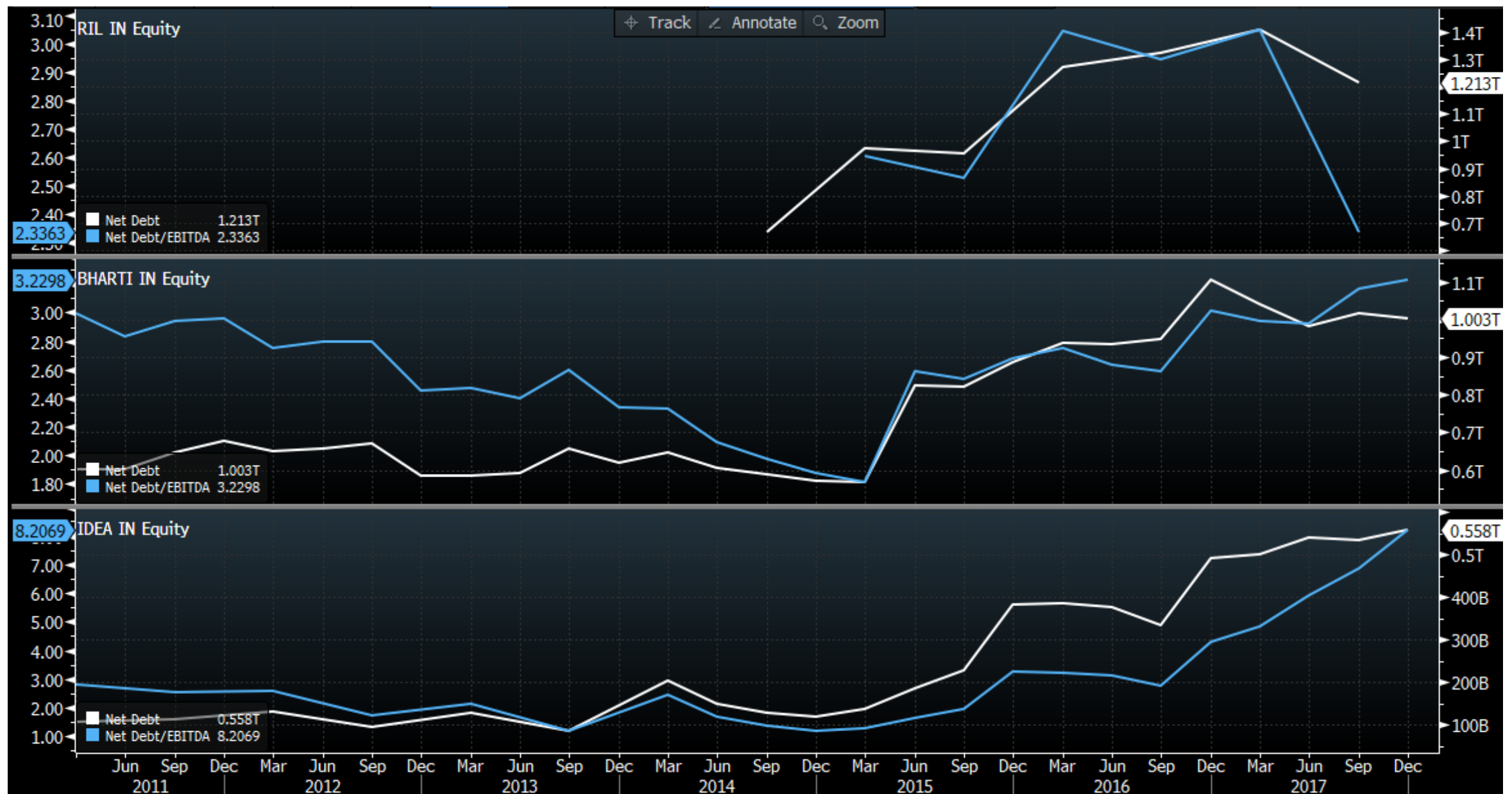
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Inc Sub Gain (mn)	Industry	JIO	Bharti	Voda	IDEA	Others
Oct-16	28.68	19.63	2.33	1.18	6.34	-0.80
Nov-16	21.09	16.26	1.08	0.89	2.52	0.33
Dec-16	27.86	20.28	2.50	1.90	2.84	0.34
Jan-17	23.08	18.48	3.55	1.75	1.55	-2.24
Feb-17	13.75	12.21	1.25	0.79	1.21	-1.70
Mar-17	5.98	5.84	3.00	1.83	2.10	-6.79
Apr-17	4.42	3.87	2.85	0.76	0.68	-3.75
May-17	6.23	4.79	2.10	1.13	0.19	-1.98
Jun-17	6.02	6.03	2.05	0.99	0.04	-3.08
Jul-17	-0.05	5.22	0.60	-1.39	-2.32	-2.16
Aug-17	-0.95	4.10	-0.21	-2.40	-2.90	0.46
Sep-17	-2.80	5.94	1.00	-0.70	-0.90	-8.14
Oct-17	-4.85	7.34	3.15	0.88	0.71	-16.93

Source: TRAI and J.P. Morgan estimates.

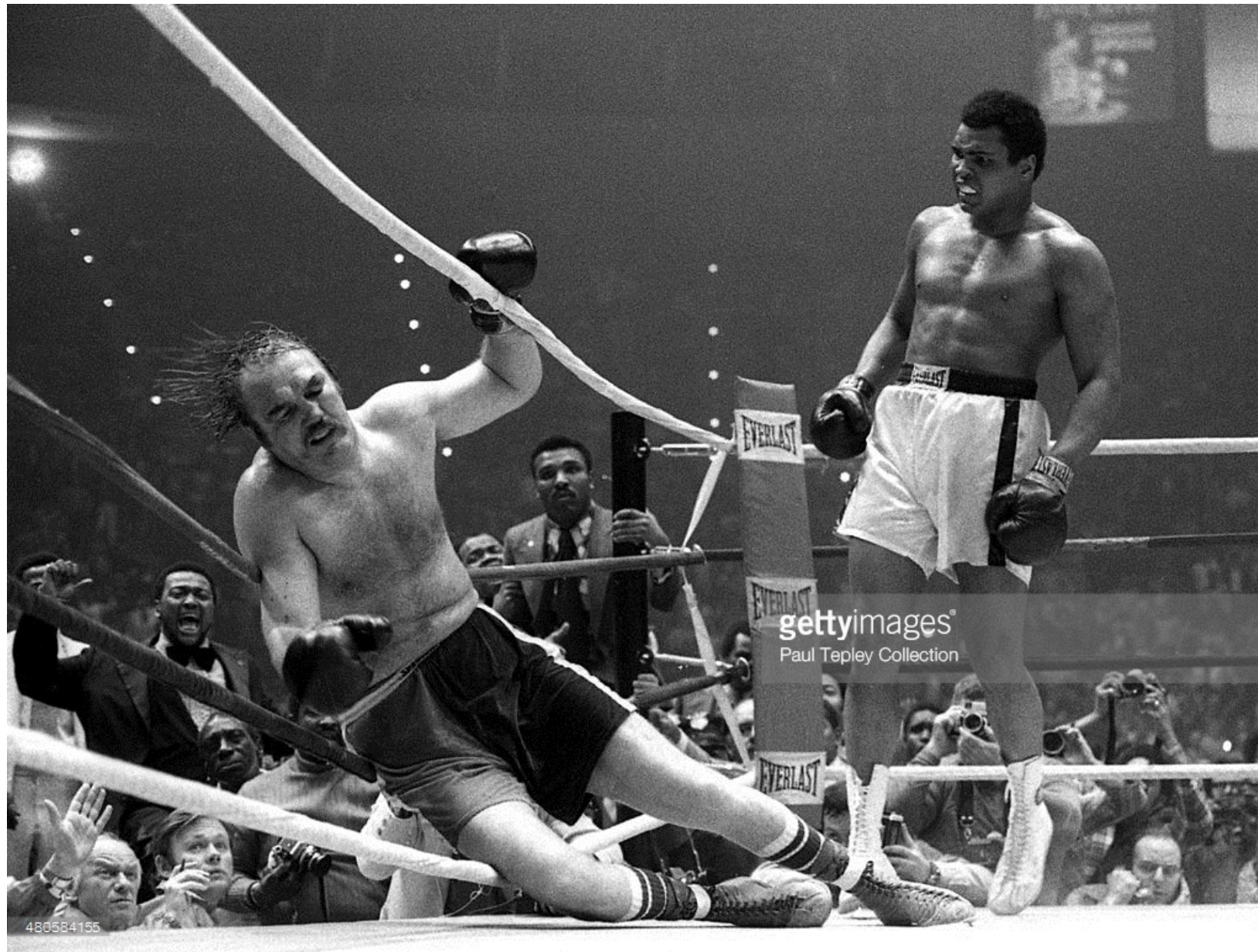
Source: JPMorgan, December 2017

# Weakened Competitors...

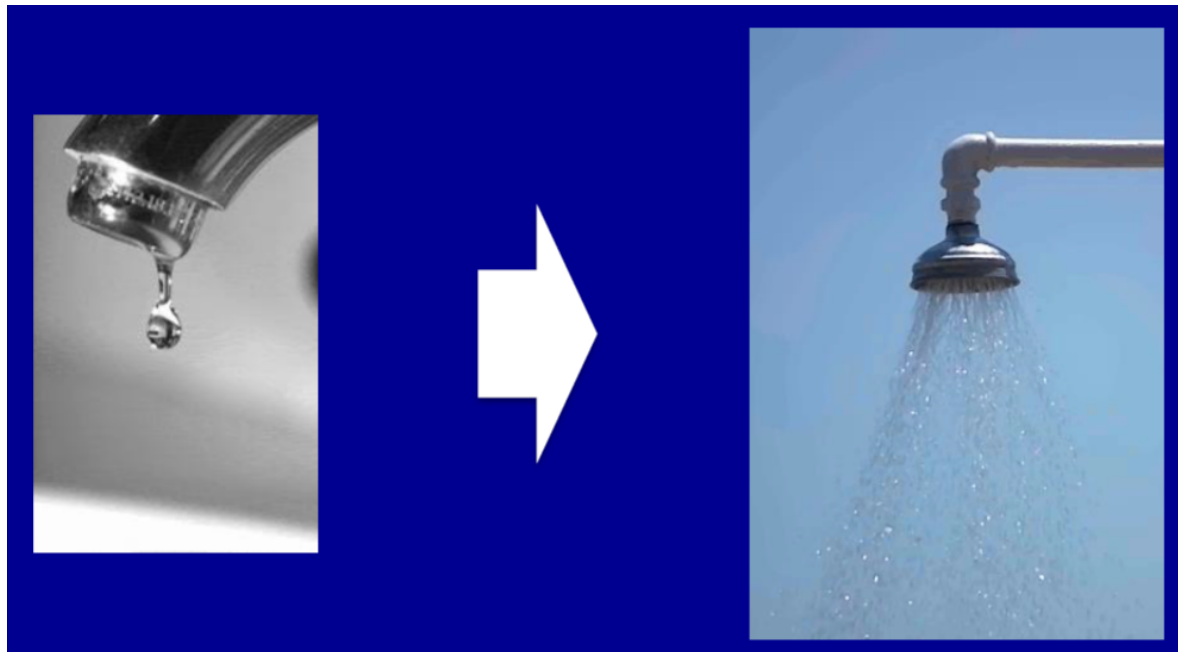




# ...Who Are On The Ropes



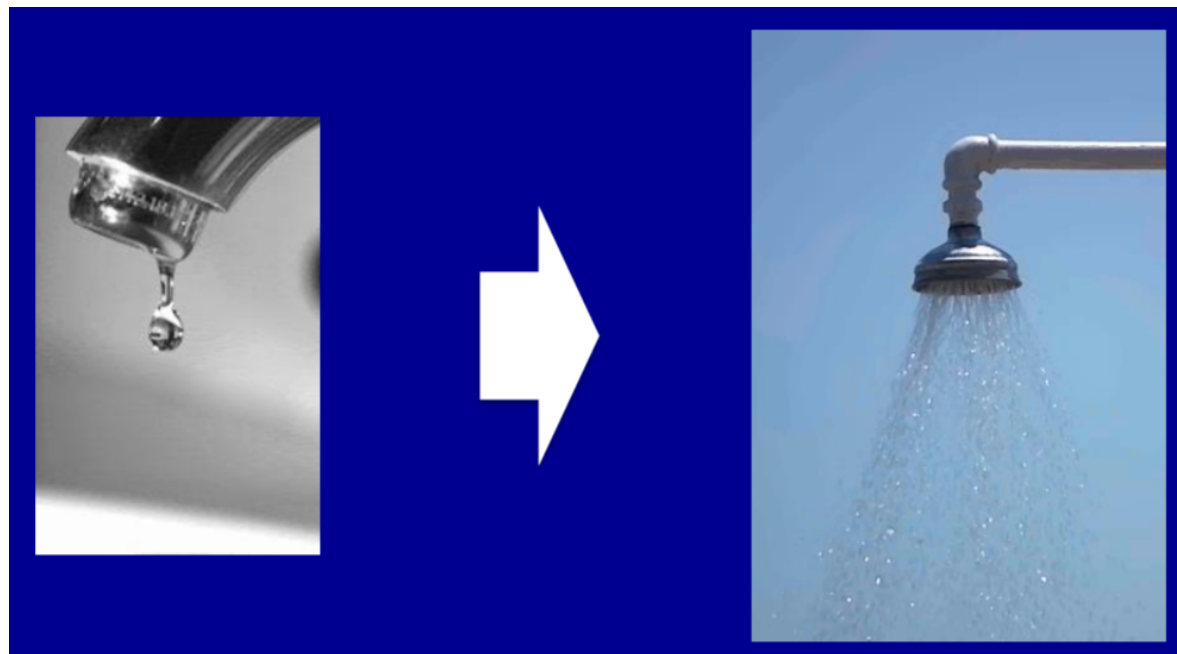
# The 5G Opportunity



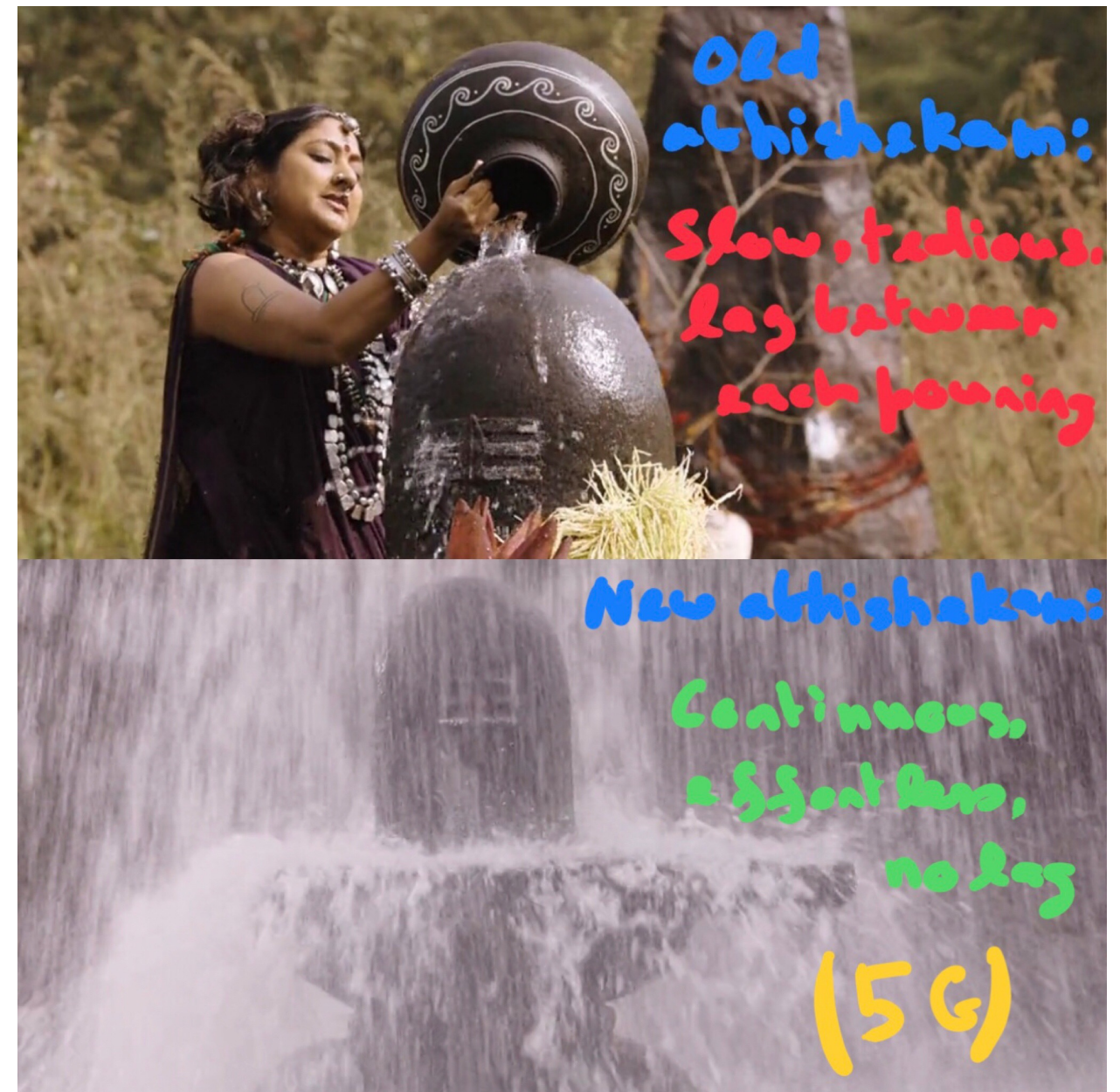
Source: Reliance Industries, March 2017



# The 5G Opportunity

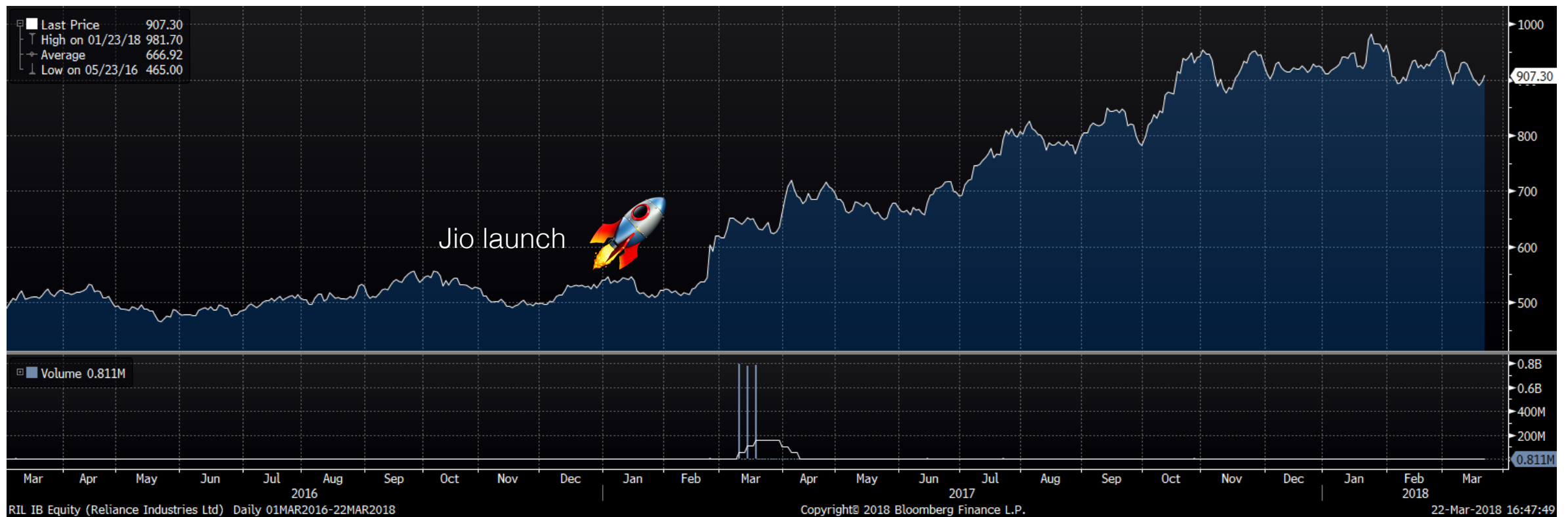


Source: Reliance Industries, March 2017





# Valuation



As of March 22 2018			
Trading Metrics		Financials (T12M) (INR B)	
Share Price (INR)	907.3	Revenue	3595.8
FDSO (B)	6.33	EBITDA	569.6
Market Cap (INR B)	5747.4	EBITDA Margin	15.8%
(+) Debt (INR B)	1839.8	Net Income	346.9
(-) Cash (INR B)	599.9	Net Income Margin	9.6%
EV (INR B)	6987.3	Net Debt	1212.6
Forward EV / EBITDA	8.6	Net Debt / EBITDA	2.3

# Ownership

Entity	FDSO %
Promoters - Ambani family	47.48%
Life Insurance Corp. of India	7.86%
Capital Group	5.96%
Blackrock	1.95%
Vanguard	1.46%
Fidelity	0.98%
SBI Funds	0.68%
Other Indian MFs	2.76%

Source: Bloomberg, March 2018

# Compounding For Decades

**ONLY VIMAL**

Only Vimal brings you exclusive innovations each time. Now it's Kombee Coordinates - coordinated trouser & shirting pair in a single pack. Prematched to suit you perfectly.

**VIMAL**  
Suitings

From India's most modern textile plant



**START A BLAZE!**

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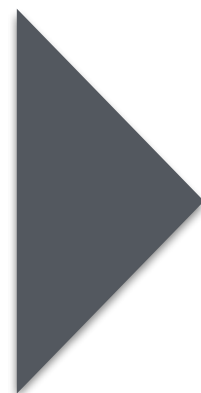
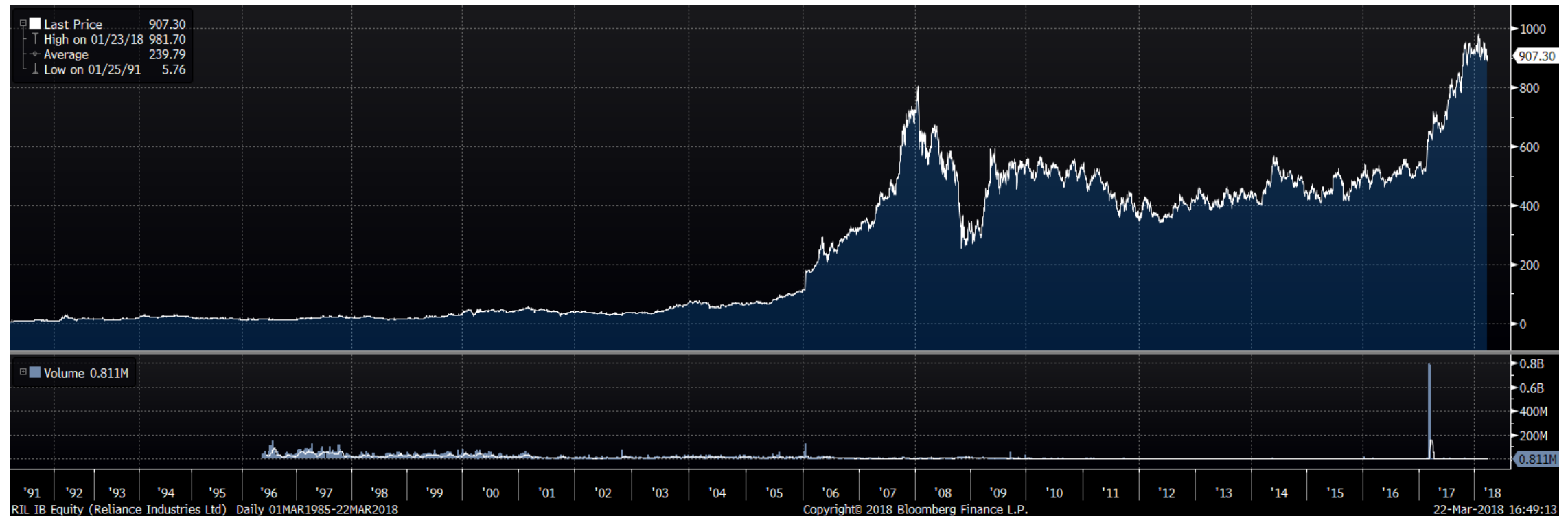
**FABRICS**

RELIANCE TEXTILE INDUSTRIES  
Baroda, Ahmedabad

Vimal Fabrics hit the headline!



# Compounding For Decades





# Risk Factors

- Competitive intensity sustains among telcos, delaying Jio contribution to FCF generation
- Refining margins are dependent on oil prices
- 5G opportunity is pushed out further into the future due to technical factors beyond RIL's control

# Conclusion



*Reliance Industries is a conglomerate that owns some of the world's best refinery and petrochemicals assets, India's largest retailer, top-tier media / entertainment holdings and Jio, which is not just a leading, future-ready telecom service provider (TSP) but a full-stack digital services venture.*

*The market is under-estimating Jio's business potential by valuing it like any another TSP. Given RIL's strategic holdings in retail and media, the state of its competitors and the opportunity of India's vast market, over time Jio could become bigger than RIL's core oil-related businesses and transform RIL into a global technology company.*

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