

# RELIANCE INDUSTRIES



**Current Price: 925(As of 05/05/2014)**

**52 Week Low/High : 763.90/988.75**

**Target Price : Rs 1400**

## Industry Overview

The Indian oil and gas (O&G) sector is projected to touch US\$ 139,814.7 million by 2015 from US\$ 117,562.9 million in 2012. The sector provides vast opportunities for investors. In 2011, India's O&G sector witnessed one of the biggest FDI deals in the country, with British Petroleum (BP) formalizing a US\$ 7.2 billion partnership with Reliance Industries, for exploring offshore gas reserves. At the end of FY 2011–12, India had total reserves of 1330 billion cubic meters (bcm) of natural gas and 760 million metric tons (mt) of crude oil. ONGC will explore 30 additional shale gas wells in the country over the next two years, according to its chairman and managing director Mr. Sudhir Vasudeva. The company plans to invest about Rs 600 crore (US\$ 96.81 million) for the project. Shale gas is natural gas that can be found in fine-grained sedimentary rock. The gas is often locked in small spaces and is called "tight gas" due to this characteristic. It requires high-end technique to produce the hydrocarbon at economic rates. The minister feels that India could follow a similar path to the US, which turned from a net importer of energy to a net exporter of energy with the use of shale gas and oil. The news could not have come at a better time. By 2015–16, India's demand for gas is set to rise to 124 million tons per annum (mtpa) against a domestic supply of 33 mtpa and higher imports of 47.2 mtpa, which still leaves a shortage of 44 mtpa, according to projections of the Petroleum and Natural Gas Ministry.

## Company Overview

Reliance Industries is the first private sector company from India to feature in Fortune Global 500 list of world's largest corporation. Reliance got 2 blocks in Myanmar. RIL trades at 11.4x FY16E adjusted EPS of INR91.1. RIL's new refining/Petro chemical projects likely to add to earnings from end-FY16/FY17, but medium-term outlook on core business remain weak with RoE reaching sub-12%. Reliance participation in Myanmar was in line with its strategy of portfolio rationalization by expanding its international asset base and investing in regimes having attractive internationally competitive terms on offer. Revenues at Rs. 952 bn, higher by 13.1% yoy driven by strong growth in both refining and petrochemical segments aided by weak rupee. OPM falls by 54bps yoy but surges 139bps qoq; yoy fall was led by decline in contribution of E&P business, sequential improvement was owing to sharp improvement EBIT margins of the refining segment. PAT at Rs56.3bn was in line with street estimates as better than expected operational performance in refining segment was offset by lower other income

## Key Ratio's

	Mar'13	Mar'14	Mar'15(e)
P/E	14.5	13.9	12.2
P/BV	1.5	1.4	1.3
ROE	12.3%	11.6%	12%
ROA	8.95%	9.39%	9.85%
EPS	4.8	4.4	13.8

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## Peer Comparison

Name	Market Cap. (Rs. Cr.)	Sales Turnover	Net Profit	Total Assets	P/E	D/E	EPS	Market Cap/ Sales Turnover
Reliance	299,986.36	198,714.00	11,142.00	234,543.00	13.65	16.89	68.01	0.81
IOC	64,996.29	447,096.41	5,005.17	128,200.63	5.35	28.96	50.01	0.14
BPCL	33,449.88	240,115.75	2,642.90	40,200.81	7	32.59	66.24	0.14
HPCL	11,156.07	206,731.26	904.71	46,184.67	2.32	95.74	141.86	0.05
MRPL	10,445.49	65,716.99	-756.91	13,447.49		3.98	-4.32	0.15

**Conclusion:** Buy with target price of Rs. 1400

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