



Monthly Report - March 2017

Monthly Overview

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BUY

Target Price: ₹ 1800

Market Cap:	₹ 400940 Crores	Stock P/E:	13.18
Current Price:	₹1238.05	Book Value:	₹ 826.5
Target Price:	₹ 1800	Dividend yield:	0.80%
Upside potential:	45%+ (15-18 months)	52 Week High/Low:	₹ 1256.8 / ₹ 925.65

Reliance Industries Ltd.

Customer base reaches 100mn +; at Rs303/month may make it EBITDA positive from first year: The company recently highlighted that total subscriber base has crossed over 100mn and made a commercial launch from April 2017 which rules out any further extension of free services. According to new plan, Jio's existing 100mn+ subscribers will be offered Prime membership for one-time enrollment fee of Rs99 during March 2017. This would allow them to get upto 30GB/day along with free voice and full bouquet of applications until March 2018 for a tariff plan of Rs303/month. However, non-Prime members and new subscribers will have to choose from existing monthly tariff plans of Rs149 to Rs4,999 from Apr'17 as given earlier. Even, if we assume 50% of the conversion, which is a fair assumption, can be translated into EBITDA positive even in the first year if its total cost remains below Rs180 bn. This is much ahead of the street expectation which was building up the average ARPU of ~Rs150 with much lower subscriber base. Further, the management also indicated its plan to cover 99% of population by end CY17.

Petchem capacity expansion to complete by H1FY18; FY19 to see full utilization: The company's three major projects Petcoke Gasification, Refinery Off-gas Cracker and Px expansion are commissioning in different phases and likely to complete by H1FY18. The company expects petcoke gasification to improve GRMs by US\$2/bbl. We expect RIL's petrochemical EBIT to grow at a CAGR of 19% during FY16-FY18E to Rs146 bn. Further, FY19 is expected to see full utilization of US\$18 bn capex that the company incurred over the past four-five years, which would drive growth.

Polymer margins remain strong on robust domestic demand; Polyester margin also seeing an uptrend: During 9MFY17 polymer margins remained robust on over 8-10% domestic demand growth, which is expected to remain strong over the next couple of years. Further, polyester margin is continuously improving on the back of a) strong demand growth in India and b) upcycle in cotton prices. Therefore, we expect petchem margins to remain strong (improved to 15.6% in 9MFY17 from 13.4% in FY16) over the medium term.

GRMs to remain stable; factoring in US\$10.5/bbl for FY17/FY18: GRMs have improved in QTD to US\$6.9/bbl compared to US\$6.5/bbl in Q3FY17 led by higher crack spread in light distillates. Also, it is currently hovering at nearly US\$7/bbl which is likely to keep GRMs at higher level for Q4FY17. Further, over the next two years incremental refining capacity in the world is likely to be lower than the incremental demand, which is expected to keep GRMs healthy and thus positive for the company. Just to give the sensitivity, with US\$1/bbl increase in GRM, RIL's EPS grows by about 8.5% in full year.

We remain positive on stock; BUY: We expect RIL's EBITDA/PAT to grow at a CAGR of 12.5%/7.7% during FY16-FY18E to reach Rs556/315 bn in FY18. Currently, the stock is trading at a P/E 9.9x and EV/EBITDA of 9x. However, currently, the market is not giving any value to Jio and on a reverse calculation; it is trading at a EV/EBITDA of 6.7x on FY18E. Therefore, any positive surprise on Jio would add significant value to its valuation. Currently, we have a BUY rating on the stock. We maintain our POSITIVE view on the company.

Technical Overview: Reliance Industries Ltd.



- As depicted on the Monthly chart, the stock has given breakout from multi-year consolidation.
- The upward inclined ADX on the weekly chart is indicating that the trend is catching strength. The DI+ is above DI- which is further indicating a positive trend.
- The stock has given break-out from rising channel kind of pattern placed on the weekly chart.
- The stock has been range-bound and had underperformed the broader indices for a long period of time and after around 8 years it has given breakout with volume conviction.
- The stock is trading above all the important averages(SMA) i.e. 50Day (1068.05), 200Day (1028.79) and 200Week (935.43).

Based on above mentioned technical & fundamental rational, we can build a long position in the stock with 15-18 months perspective and target can be placed at around 1800. We can accumulate the stock in the range of 1200-1250. We believe the stock is having high-performance prospects with long-term perspective so one can hold the stock for a longer time for better returns.

Nifty Bank- Overview



Montly Closing	20607	
Monthly High:	21042	Monthly Low : 19470
Sector Bias:	Neutral to Positive	
Support Level:	19980	19450
Resistance Level:	21900	22780

Sector Outperformers

Axis Bank
HDFC Bank

Sector Underperformers

Bank of Baroda
ICICI Bank

Nifty Bank started the month of February on the strong bullish note. During mid of the month, it consolidated with narrow range trading. And finally, Nifty Bank ended the month again by resuming uptrend with the gains of more than 5.5%. Nifty Bank hit the all-time high level of 21042 during the month of February. Technically, it is showing long-term bullish trend by forming high-high or by crossing the previous swing high on the monthly time frame chart. Now till Bank Nifty holds the 20000 mark on a closing basis, the bias will remain positive. As per the price extension pattern placed on weekly chart the target of even 22780 -24650 is very much possible. The long-term prospects are bullish and one can accumulate quality stocks on dips. Private sector banks are showing more conviction than the PSU banks.



Nifty Outlook

Nifty continued with its positive momentum in February and posted returns of around 3.7% during the month. Nifty started the month on a bullish note with a long positive candle. February 1, 2017, was an eventful day for the market due to the Union budget announcements. The key booster for the market was status-quo on long-term capital gains and the securities transaction tax announced during the budget. After such a positive start, Nifty consolidated till mid of the month and again showed upward momentum in the last week of the month. However, the gains of Nifty towards the end of the month were basically on account of stock specific actions.

Nifty hit a fresh 52-week high level during the month of February. Nifty has completed 11 months of the current financial year with more than 15% returns. Now during March, Nifty is likely to extend these gains due to NAV propelling at the financial year-end. The important levels for Nifty are 8968 & 9119. The level of 8968 is high of 2016 which Nifty already violated on an intraday basis but failed to close above this level. Therefore, now if Nifty sustains above this level, then the next important level will be 9119 which is high of 2015. If Nifty crosses both these levels, then it will be a confirmation of a major Bull Market and will open gates for 10500-12000 levels on the higher side. As per the daily chart pattern, Nifty is showing rising channel movement with a positive sequence of high-top higher-bottom swing formation. Nifty has crossed the recent swing high level now till it holds the level of 8710 which is the recent bottom of the swing; the positive trend will remain unbeaten.

On the domestic front, the outcome of State elections which will be out by mid of March, will be a very dominant factor for the market. Apart from this, FII flows, movement of rupee against dollar, crude oil price movement, inflation and RBI policy action will be other factors to watch out. Going forward, a smooth rollout of GST can be the next big trigger for markets. Market's real medium-term trend may become more apparent after 31st March i.e. on the start of the new financial year. On the global front, US President Donald Trump's policies will also have some sector-specific impact. There is more stock specific action expected in the market rather than the broad base performance. Therefore, investors can accumulate quality stocks with a position perspective.

Nifty Outlook:

Short-term	Positive
Medium-term	Neutral to Positive
Long-term	Bullish

Montly Closing	8879	
Monthly High: 8982	Monthly Low : 8537	
Monthly Bias:	Neutral	
Support Level:	8710	8570
Resistance Level:	9120	9300

Moving Average

Days	SMA
50 Days	8480
200 Days	8434
200 Weeks	7618

Date	Event	Period	Survey	Actual	Prior
1-Mar-17	Nikkei India PMI Mfg	Feb	--	--	50.4
3-Mar-17	Nikkei India PMI Services	Feb	--	--	48.7
3-Mar-17	Nikkei India PMI Composite	Feb	--	--	49.4
6-Mar-17	BoP Current Account Balance	4Q	--	--	-\$3.40b
9-Mar-17	Local Car Sales	Feb	--	--	186523
10-Mar-17	Industrial Production YoY	Jan	--	--	-0.004
10-Mar-17	Trade Balance	Feb	--	--	-\$9840.9m
10-Mar-17	Exports YoY	Feb	--	--	0.043
10-Mar-17	Imports YoY	Feb	--	--	0.107
13-Mar-17	CPI YoY	Feb	--	--	0.0317
13-Mar-17	SEA Total Edible Oil Imports	Feb	--	--	1008.1k
13-Mar-17	SEA Palm Olein Imports	Feb	--	--	196.6k
13-Mar-17	SEA Crude Palm Oil Imports	Feb	--	--	408.1k
13-Mar-17	SEA Sunflower Oil Imports	Feb	--	--	214.8k
13-Mar-17	SEA Soybean Oil Degummed Imports	Feb	--	--	166.6k
13-Mar-17	SEA Edible Crude Palm Kernel Oil Imports	Feb	--	--	4.0k
14-Mar-17	Wholesale Prices YoY	Feb	--	--	0.0525
24-Mar-17	Eight Infrastructure Industries	Feb	--	--	--
31-Mar-17	Fiscal Deficit INR Crore	Feb	--	--	--

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