SUMMER PROJECT REPORT

Phase - II

Summer Internship at

Monarch Networth Capital Limited

Project Title: Top Down Approach – Fundamental Analysis

Submitted to: Dr. Chetan Jhaveri

Submitted by: Pooja Gadhecha

Roll no.: 191236

Batch: MBA FT (2019-2021)

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Project Details

Name of the Student: Pooja Gadhecha

Roll no.: 191236

Name of the Organization: Monarch Networth Capital Limited

Industry: Financial services industry

Address: Monarch House, Opposite Ishwar Bhuvan, Navrangpura, Ahmedabad

Project Title: Top Down Approach – Fundamental Analysis

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Company Mentor: Mr. Arpan Shah, Technical Analyst at Monarch Networth Capital Limited

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Executive Summary

The project is based on the company's capital research, the purpose of which is to understand and analyse the company's financial performance and the nature of the company's assets in the stock market to buy and sell. This extensive study was completed with the help of basic analysis, which includes economic and market analysis, financial statement analysis, related revenue forecasts, and the formulation of safety values.

The report includes an analysis of the current scenario of COVID-19, and understands its pros and cons as well as the impact of the crisis on the market and the entire Indian economy. It involves detailed research on various topics, such as India's position in the economic cycle, comparing economic growth in China and India, and comparing pre-crisis and post-crisis scenarios to understand the government's measures. It also explains the trend of foreign securities investment in India and its pros and cons.

The following report also describes the journey of Reliance Industries Limited which is currently the largest company in India. It also focused on comparing two major RIL businesses: Reliance Refinery and Reliance Jio Infocomm Limited and their global players: Nayara Energy (formerly known as Essar Oil) and Bharti Airtel Limited. The analysis of RIL's financial statements is to measure the intrinsic value of the stock and conduct an asset assessment to predict where its price will flow. Recently, RIL became debt-free with an investment of Rs. 115,693.95 Crore to further India's digital transformation.

Word count: 241 words

Part A: Company Profile

Introduction

Monarch Networth Capital Limited (MNCL), formerly known as Networth Stock Broking Limited, is a financial service provider and primarily engaged in security and commodity contracts brokerage. The company articulates in Broking, Wealth Management, Non-Banking Financial Business and others. The company is involved in direct sales or client acquisition as it has 71 offices across India where they have more than 400 skilled professionals to help the clients in online trading platforms and other financial services offered by the company as per the requirements. The distribution channels as sub brokers are also a part of distribution network with around 350 sub brokers the company acquire clients and gain benefits out of it. The company focuses on customized and personalized strategies for their clients to help them reach their financial goals using upgraded technology, most creative techniques and best research methodology which are cost effective and profit maximizing.

The Markets of MNCL are as follows: –

- Equities and Derivatives
- Commodities
- Currency Derivatives
- Mutual funds
- Insurance
- Initial Public Offering (IPO)
- Exchange Traded Funds (ETFs)

The Products and Services of MNCL are as follows: -

- Comprehensive Financial Planning
- Merchant Banking
- Portfolio Management
- Market maker services
- Investment Banking
- Tax free bonds
- Loans against shares
- Depository services
- Systematic Investment Plan (SIP)
- Mobile Trading Platform
- National Pension System

Approximately 75-80% of the revenue of the company comes mainly from the brokerage business. Comparing MNCL with its competitors, it keeps the brokerage business pricing at a minimum level, so the company can acquire potential customers.

The organization needs to position itself as an innovative organization, while providing various financial services and helping it also expand its customer base around exploratory consumer loyalty. Nowadays, Online trading is the focus of such companies so they also tried to introduce a new application with fast services called moneymaker.

The company is involved in direct sales or client acquisition as it has 71 offices across India where they have more than 400 skilled professionals to help the clients in online trading platforms and other financial services offered by the company as per the requirements. The distribution channels as sub brokers are also a part of distribution network with around 350 sub brokers the company acquire clients and gain benefits out of it.

The organization can develop its administrative management and its customer base year after year, and further expand its operational capabilities, because we can determine that the absolute consumption of the company decreases year after year. In 2019, due to financial difficulties, the number of transactions has decreased compared to the previous year, reducing the number of advertising members for stock showcases and inevitably reducing the organization's overall business revenue.

At Monarch Networth Group, the talented pool of people comprises of qualified and experienced professionals with established track record. They have dynamic and visionary team of leaders instils in them the spirit of innovation and service attitude. The team futuristic vision, strong technical and technological expertise, leadership skills and market insight, inspire the employees to deliver unique and tailor-made financial services. Companies human capital strength stands stronger at more than 642 professionals. The company is always ready to serve their clients with extensive research and financial experts. The NBCK corporate and institutional clients have been hugely benefited by their research inputs, approachable advisors and transparent transactional process.

After analyzing various aspects of the company, it can be said that the company is a very successful company. It initially had a team of five people and now it is on its path of developing rapidly by covering more than 70 regions in India. **(Annexure:1)**. Its online services are used from funds for various Financial services, such as raw materials, foreign exchange, IPO, Wealth Management, Capital Research.

Industry Structure

The digitization of financial services enabled by the widespread adoption of smart devices, cloud computing and data accessibility and usability has brought the industry to the brink of disruption, and reshaped the competitive landscape, making it easier than ever for new entrants to break into certain financial services niches. Thus, new fintech's or emerging companies have started competing for specific financial services niches, while large technology companies have begun expanding their digital ecosystems to encompass new financial services.

For the financial services industry, due to the size of these large tech companies and the characteristics of their digital ecosystem—decentralized production, powerful links to related markets and a global distribution of products and services— this expansion has the potential to become a real game changer. For the financial services industry, this expansion may become a reality due to the size of these large technology companies and the characteristics of their digital ecosystem (decentralized production, close ties with related markets, and global distribution of products and services)

The widespread adoption of smart devices, cloud computing, and the digitization of financial services through data accessibility and availability have brought the industry to the brink of collapse and reshaped the competitive landscape, facilitating entry for new entrants to certain financial sectors countryside. As a result, new fintech companies or start-ups have begun to compete in specific areas of financial services, while large technology companies have begun to expand their digital ecosystems in new areas of financial services.

Customer Profile and Segmentation

The need to profile and understand customers is an ongoing requirement, and the organisation must update customer profiles and monitor changes in buying behaviour-based demographics, geographies, psychographics and behavioural buying data. Customer profiling requires a concise data mining process to build customer profiles for various customer groups using data in the existing enterprise data bases and systems. However, many organisations find it difficult to leverage and understand the customer profile.

Here in MNCL we can segment customers according to intraday traders, Short term traders, experts, beginners who will also tend to by research reports of the company, institutional investors, companies who intend to release its own IPO.

The company is technologically driven and as it has positioned itself as an online financial service company all the activities of the company are online and customers get their services online with market simulators and high-speed payment gateways by the company.

Part B: Project work

Project Details

The Project is an Equity Research Based Project and focuses on the Fundamental analysis of a large cap company: Reliance Industries Limited. It comprises of economic and market analysis, analysis of financial statement, forecasting of relevant payoffs and formulating a security value. It is done in three parts: Economic analysis, Industry analysis and Company analysis. Starting from the detailed study of the company's entire journey and diversifications, we have to compare it with the global peers and provide the future outlook of the company by analysing their financials. The company is operating in financial service domain with many products to offer from brokerage, portfolio management, Research work. So, in the research advice domain I have been assigned the work of equity Research by analysing different companies with fundamental analysis. As the company provides this weekly basis research report on different stocks to its D Mat account holders as perks of being a Monarch Networth Capital Limited customer. I have been assigned mainly large cap companies for analysis and research report keeping in account various economic factors and the potential of the company to predict the future of the stock.

The project also involves analysing the economic cycle and studying the impact of the current crisis: COVID 19 on the economic cycle of India as well as China. A comparison has also been made between the two major countries: India and China in terms of their growth and economic cycle. The pre-crisis and post-crisis scenarios have also been discussed along with the measures taken by the Government. The project also implicates the understanding of trend and importance of Foreign Portfolio Investment (FPI)/ Foreign Institutional Investor (FII) in India.

Objectives of the study: -

The objective of this project is to study the basics of stock market which helps to analyse whether the stock is overvalued or undervalued. Fundamental analysis is a tool to determine the company's growth prospects and also involves the study of various factors that affect a company's earnings and dividends. The purpose is also to understand how Indian economy works and how market fluctuates at the time of crisis.

Methodology

- **Approach:** The approach opted for this project was quantitative as well as qualitative wherein it involved performing the fundamental analysis of the company with the help of financials that is Profit and loss sheet and Balance sheet. It implicated drawing data from the annual report of the company and comparing it with the past data to predict the future outlook of the company. So, this analysis was done based on the quantitative data such as financial statements and graphs. The project also included research on the economy of the country and the impact of current crisis: COVID 19 on the economy so it included qualitative data.
  Thus, a mixed approach has been used to reach to the conclusion.

- **Sources of data:** The sources of data for this particular project were secondary as the research was done based on financial statements which were extracted from the annual report of the company. The study of the economic cycle was also done by reading the articles of the famous economists and news. Some analysis was also done by reading the books: Fundamental analysis for dummies, India unbound and Bulls Bears and other Beasts.

- **Method of Data Collection:** The method of data collection for this project was published literature sources, documents and records which was a mixture of quantitative as well as qualitative approach.

- **Method of Data Analysis:** Many research papers and articles were referred in order to analyse the data.

- **Presentation of Data:** The project is divided into two parts: Fundamental Analysis of Reliance Industries Limited and Economic cycle. The data is presented accordingly.

Economic Cycle

Economic cycle is when there is a fluctuation in the economy between the periods of boom and recession. Boom can be referred to as the rapid growth in the economy whereas recession means a period of stagnant growth in the economy. It is the upward and downward change in the level of Gross Domestic Product (GDP) and can mainly be identified through four stages: Expansion, Peak, Contraction and Trough. Expansion deals with an increase in employment, inflation, economic growth, production whereas Peak is an extraordinary growth in these, which leads to an imbalance in the economy. To rectify that, comes the stage of Contraction where the growth is at a decreasing level and thus, unemployment increases. Trough is when the economy is at the lowest point and then begins to recover.

India's financial stability is not in sync with economic cycle as a country with constant growth can still face financial crisis. It has been observed that the duration of India's economic cycle is much longer than the duration of normal economic cycle and it has a financial cycle that has a span of 12 years. There has been phases of ups and downs according to the cycle in the Indian economy at an average 13 quarters to expand and 9 quarters to contract. The economy reached its all-time peak of 11.4% growth in 1st quarter of 2010 and a record low of -5.9% in 1979.

Impact of the Economic Cycle on Business Operations

Economic cycle affects the operations of all businesses whether they are private or public and the impact can be measured on the basis of how a business responds to these stages. Some of the aspects through which one can understand the impact of the Economic Cycle on Business Operations are Duration, Business confidence, Interest rates, Inflation, Output gap, Stock prices, Economic Policy and Bond yield **(Annexure: 2).**

India's current stage of Economic cycle

The Indian economy entered **The Contraction Phase** of the business cycle in the third quarter of 2018-19.

In response to the COVID-19 pandemic, state governments closed non-essential businesses in March. By April, millions were unemployed, shooting the unemployment rate to high. Prior to that, the economy had been in the Expansion Phase for 6 years. The last trough was in 1st Quarter of 2013-14. Expansion phases usually last five years or so. Even before the pandemic, many economists predicted that a recession is just around the corner.

Standard & Poor's (S&P) slashed its FY21 growth estimate for India to 1.8% from 3.5% projected last month on concern that the covid-19 peak in India will come bit later than most other countries. They assume that the first-wave of community transmission peaked in March in China and will peak in April for most other economies in the region. In India, a peak in reported cases is assumed to come somewhat later, perhaps early in the third quarter.

The severe disruption to economic activity caused by Covid-19, both through demand and supply shocks, has set back emerging recovery in the Indian economy, leading to massive job losses. The International Monetary Fund (IMF) has projected the Indian economy to grow at 1.9% in 2020-21 while Barclays has estimated 0% growth for India in 2020.

Indicators which helped to determine the current position of India in the economic cycle are: -

- **The Stock Indices (BSE and NSE):** They are a collection of largest publicly traded stocks in the India so these indices give an actual idea of where the economy is heading to and as the stock market crashed in march to about 40% in total shows the impact of current situation.
- **Unemployment claims:** In general, rising unemployment rates are often seen as an indicator of trouble for the economy, and falling unemployment rates can be viewed as the opposite. As with all potential indicators, though, look beyond the surface. For example, many big companies started lying off their employees due to operational activities stoppage.
- **Consumer confidence:** The Consumer Confidence Index measures how willing people are to make purchases in any upcoming 12-month period. A rating higher than 100 means people plan to spend money, while a rating lower than 100 indicates that people are more likely to add to their savings and hold off on major purchases. The less

willing people are to spend their money, the worse that can be for the economy which is evident in current scenario with the worst hit sector being the automobile sector.

- **Housing:** An increase in new construction or rising values for existing homes can be positive indicators for the economy and the business cycle. On the other side, if there is a slowdown in the construction business or existing home prices elevates, that can be a sign of trouble.

Comparison between China & India's Growth

"India does software; China does hardware. Those are their paths to expansion."

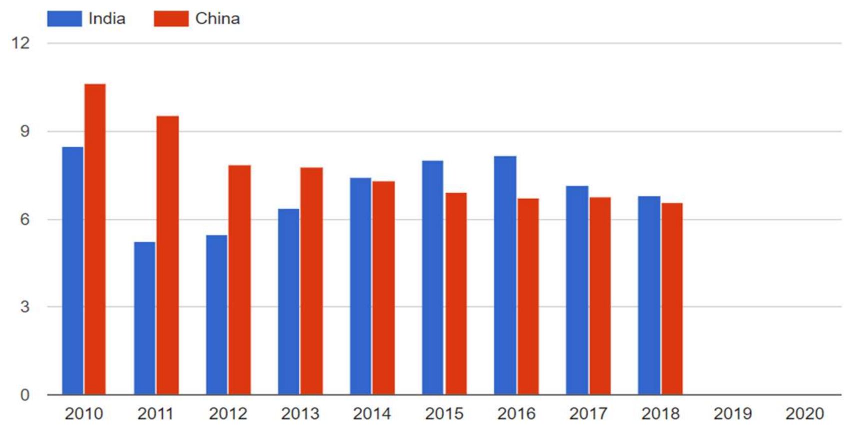
- The Dragon and the Elephant: Understanding the Development of Innovation Capacity in India and China, India and China in the Global Economy (Ch.1)

China and India are the two emerging economies in the world as they have been revolutionizing the global economy since decades and form 40% of the world's population. The pattern of the growth of both India and China are absolutely contrasting as India's population is younger than that of China's.

The history of Indian economy clearly starts with various restrictions, licensing and production gap since the beginning. The GDP growth has surged since the introduction of Liberalization, Privatization and Globalization (LPG). The only way India could continue this growth was through expansion of businesses and large-scale changes in all sectors of the economy. India focuses on the sectors where there is a need of product customization and differentiation rather than focusing on the scales. Though the exports-to-GDP ratio has been relatively low, there has been an immense boost in the foreign investments.

Since 1978, China's growth is considered to be giant and intense because of its competitive environment. The country faces a cut down in the tariff because of which there is a rivalry between the domestic firms and firms operating in other countries. China's revenue mainly relies on the trade, because of which, there is an imbalance in its growth strategy. Therefore, it is now trying to focus on the domestic demand rather than exports.

Economic Growth: The rate of change of real GDP (In %)

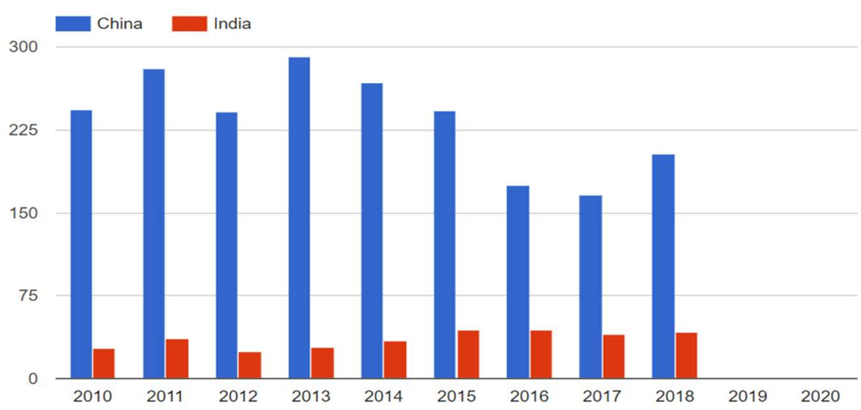


Source: TheGlobalEconomy.com, The World Bank

Comparing the two Asian countries, India and China, we can say that they are on two completely different paths of growth and development. Both of the countries are using their resources extensively and marching towards a politically, socially, economically and demographically strong economy.

China's growth story is different from India because of the competitive environment it faces since the very beginning. China's exchange business is much larger than that of India whereas Indian economy lags behind drastically when it comes to **Trade and Foreign Direct Investment.**

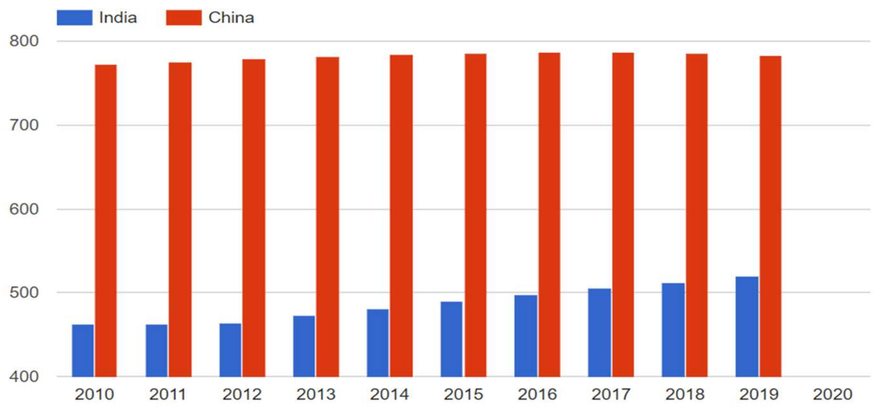
Foreign Direct Investment (In Billion US $)



Source: TheGlobalEconomy.com, The World Bank

The rigidness in the Indian **labor market** limits the country to react to the dynamic nature of workforce conditions. Whereas, in China, the workers produce 1.6 times more output than that of the Indian workers. This is the reason the productivity of China as a country is much higher than many other countries. The unhealthy labor force explains a big part of discrepancy between the growth of both the countries. This can be inferred from the data which is as follows:

Labor force (in Million people)



Source: TheGlobalEconomy.com, The World Bank

Talking about the **Political aspect**, both India and China follow a completely different system. China is one-party dictatorship and ruled by communism. By 2006, China had a major share of its revenue from the private sector rather than the public sector and because of the businesses, the economy exerts huge power. They follow a mixed system of using market forces when needed and not using market forces when not needed. Thus, China has been able to succeed at the cost of immense politics. India, on the other hand follows democracy since independence and embraces a more classic free-market structure.

The **Key Challenges** faced by China which they had highlighted in their 13th year plan (2016-2020) includes high inequality, environmental sustainability, aging population, urbanization, better approach towards healthcare and education facilities, and mainly encouraging domestic consumption. Whereas India's future plans focus on lowering the poverty rate, corruption, discrimination against female and kids, higher quality of education and healthcare, better infrastructure facilities and mainly, to strengthen the financial access. So, it can be said that China's growth is very much dependent on the investment in foreign trade, health and education. On the other hand, India's growth depends on the literacy rate, poverty rate and affluent health outcomes of the country.

China's Economic cycle

According to the Forbes, The Chinese economy is **slowing down** naturally. The adoption of new technology in the service sector has given hopes of growth but is followed by a slowdown in the economy. They are ready for the worst-case scenario currently as the economy is under pressure of the US-China Trade war and the Coronavirus outbreak. They are facing the problem of "Lack of workers and buyers". China's economic growth was 6.1% in the year 2019 which was a near 30 years low. There is a possibility that China's economy may have fallen off in the first quarter of the year 2020. The Reuters poll had predicted a further slowing down in the economic growth to 5.9% in 2020. To reach the target of 2020, China will have to have economic growth at a rate of 5-6%. The country will now have to focus more on the domestic consumption rather than trading as result of the current situation prevailing in the world. Thus, loss of investment in international businesses is going to affect the economy for a very long time. The trade war between US and China had already deteriorated China's economy as many countries rejected China's proposals of investment.

Despite the effective supervision of Covid-19, the expectation of betterment is decreasing. Due to concerns about the coronavirus pandemic, customers have remained cautious and so far, there have been few arrangements for upgrading. Similarly, due to the rapid popularity of Covid-19, a sharp decline in external interest is the main drawback of this possibility.

How current 2020 Crisis is different from the past crisis and current measure taken by the Government (Domestic and Global)

The crises which occurred previously were because of the collapse of financial system due to its inability to handle economic situations but the 2020 situation is different. The pandemic occurred which forced the country to lockdowns to flatten the curve of the infection. These lockdowns meant confining millions of citizens to their homes, shutting down businesses and ceasing almost all economic activity. Due to lockdown of almost 70 days the Indian economy will have to forego $4.5 billion in income every day. So, these scenarios are different in that sense but every time the banking system had to suffer one way or the other.

Indian government has announced a 20-lakh crore of package which included to help boast economy the government came up with several long-term reform measures such as labour reforms, opening up of all sectors for private players, APMC Act reforms, commercial coal mining and more. On the fiscal front believes the Centre has taken the easier path. The total 20 lakh crore package comprises credit guarantee worth over Rs 4.6 lakh crore and RBI liquidity worth over Rs 8.1 lakh crore. The government programmes of over Rs 13 lakh crore include loans worth over Rs 9.9 lakh crore, fiscal deficit worth over Rs 1.8 lakh crore and rest in form of subsidies like food grains.

Suggestions for the Government Plans

Broader reforms by India lacks the spark as not much was discussed on Land, Labour reforms, Tax rationalisation or on any coherent plan to invite foreign manufacturing. Govt's defence sector opening for FDI plan is not new and has been poorly executed in the past and so is the case with commercial mining for coal. APMC plans are good but also need support from states. But on the contrary India actually does not have fiscal buffers hence a large fiscal stimulus would have been a bold bet as that could have impacted ratings and currency, if not executed properly.

FPI/FII Investment Trend in India

Foreign Portfolio Investors/Foreign Institutional Investors are the biggest driver of the Indian budget market. They are the best tools for the investors as they can invest in stocks and bonds of organizations located in other nations. Until March 25, 2020, India invested approximately 12.46 trillion rupees. The interest of FII / FPI in India is guided by SEBI i.e. Securities and Exchange Board of India, and the Reserve Bank of India (RBI) maintains the farthest range of such speculation. FPI’s are allowed to invest only in the listed shares and entities.

Financial experts believe that India is a potential opportunity, and its economy has huge development capabilities. And for a developing country like India, it is necessary to stay connected with the foreign exchange reserves to match trade deficit. With the strong support of the government, FII's business has been very stable and will continue to improve in the future. There will be a big high demand for Indian currency whenever there is a high flow of FII into India. Thus, in this case, in order to control the situation, RBI will have to print more currencies which will further lead to Inflation. India, being a country with developing economy, provides higher growth potential to the investors than the developed countries. These investors mainly include insurance companies, mutual funds, hedge funds, pension funds.

In 2018-2019, 28.9% share of Indian equity shares is held by the FPI's. Because of the high growth potential, the net investment remained positive from 2010-2015. Nonetheless, there was a drag in the inflows. FPI's became net sellers in April – December 2018 because of the factors such as US Fed rate, US – China trade war, no-deal Brexit. This was the third time Indian FPI's became net sellers after 1998-99 (Asian crisis) and 2008-09 (Global Financial crisis). **(Annexure: 3)**

In the year 2019-2020, the overall market value of all organizations recorded on the Bombay Stock Exchange (BSE) reached a record 151.08 trillion rupees (2.16 trillion US dollars), reaching 154.12 trillion rupees (2.20 US dollars) billion.

The pros of FPI/FII are that they help in promoting competition and help in sustaining the financial market. They lead to an increase in the production capacity, employment and various economic factors of the country. It portraits the true picture of the firm's resources and capabilities and also a better understanding of the another country's stock market. For India, FPI's give an upshot to the stock market prices of the domestic companies.

The cons of FPI/FII are that making an investment in another country involves risk and critical aspects such as political instability and currency exchange. They do have a conflicting impact on exports as they become upscale which leads to lower demand of goods and services.

Fundamental Analysis of Reliance Industries Limited

Introduction

"For those who dare to dream, there is a whole world to win."

- Shri Dhirubhai H. Ambani

Founder Chairman, Reliance Industries Limited

Reliance Industries Limited (RIL) is an Indian multinational firm which is made up of several different companies. The founder of Reliance Industries Limited was Shri Dhirubhai H. Ambani. The company chairman and managing director of RIL are Mukesh Ambani. Reliance Industries is the largest private company in India on all major financial indicators. Reliance has energy, petrochemical, textile, natural resources, retail and telecommunications businesses in India. Reliance Industries Limited is also in the business of refining which includes the manufacturing of petrochemicals, refined petroleum products, basic chemicals, fertilizers and nitrogen compounds, primary forms of plastics and synthetic rubber. It is also India's largest publicly traded company by market capitalization and India's largest company by revenue. The company has manufacturing facilities all over the country in locations such as Dahej, Hazira, Allahbad, Hoshiarpur, Jamnagar, Nagothane, Nagpur, Naroda, Patalganga, Silvassa and Vadodara.

Reliance Industries Limited has 123 subsidiary companies and 10 associate companies. It is India's largest and most profitable private sector company. RIL continued to be a significant global player in the integrated energy value chain while establishing leadership positions in the retail and digital services business in India. RIL is now focused on building platforms across its industry-leading businesses that will herald the Fourth Industrial Revolution and will create opportunities for the nation to realize its true potential.

The journey of Reliance Industries Limited is from a small business to the largest company of India. **(Annexure: 4)**

Business Verticals of RIL: -

- **Refining and Marketing:** The robust operational performance, superior configuration and consistent high utilization of refineries at Jamnagar complex have helped Reliance Industries Limited outperform the Singapore refining benchmark.

- **Petrochemicals:** Owns and operates one of the most integrated petrochemicals facilities globally, with a portfolio comprising polymers, polyesters, fibre intermediates, aromatics and elastomers. For petroleum retail business, the brands which exist in RIL are Reliance Gas, Reliance Petroleum retail, Reliance Aviation, Auto LPG, Trans-connect, A1 Plaza, Qwik Mart, Refresh, Relstar. The textile owned brands are Only Vimal, Vimal Gifting, Deo2, Protector, D-creased, Nice, MacroMancini, H. Lewis. The licensed brand of RIL is Georgia Gullini.

- **Oil and Gas:** Upstream portfolio in India includes operations in conventional Deepwater acreages and the unconventional Coal Bed Methane (CBM) block.

- **Retail:** India's largest retailer by reach, scale, revenue and profitability. Established presence across key consumption baskets and holds a leadership position in food, consumer electronics and fashion retailing. The retail owned brands are Reliance Fresh, Reliance Smart, Reliance Market, Reliance Digital, Jio digital life, iStore in Reliance digital, Reliance resQ, Reliance Jewels, Reliance footprint, Trends, Trends woman, Trends man, Ajio.com, Projecteve.

- **Digital services:** Jio has built a world-class all-IP data, strong future-proof network with the latest 4G LTE technology. It is the only greenfield all-IP network supporting voice over LTE (VoLTE) Technology.

- **Media and Entertainment:** Network 18 is a media and entertainment powerhouse with its foothold in television, filmed entertainment, digital business, magazines, mobile content and allied businesses. The services provided by Reliance Industries Limited are Jio, MyJio, JioTV, JioSaavn, JioCinema, JioNews, JioMoney, JioSecurity, JioChat, JioNet, JioCloud, Jio4GVoice, JioHealthHub, JioBrowser.

Comparison of RIL with Global Peers

(a.) Reliance Refinery V|S Nayara Energy (Formerly Essar Oil)

With crude processing capacity of about 1.24 million Barrels per Stream Day (BSPD), the Jamnagar Reliance Refinery is the world's largest refining hub. This refinery is ready for future and can produce gasoline and diesel of any grade. The gasoline and diesel produced at Jamnagar refinery is for export and is exported to several countries, mainly to US and Europe. Besides, oil it has currently increased production of polypropylene, so that it can create products such as fibers, films and household plastic goods. On the other hand, Nayara Energy (then Essar Oil Refinery Ltd) is the second largest single site in the country with the capacity of 20 MMTPA and a high complexity index of 11.8.

While the complexity index of Jamnagar Reliance Refinery has risen by over 66 percent i.e. from 12.7 to 21.1 in 2019-20, making it capable to widen its range of production for crude oil and boost its margins. It ranks first in the world in complexity barrels. Complexity Index mentions the capabilities of a refinery to upgrade the lowest quality crude to the highest quality refinery products, including fuels and petrochemicals.

However, with the current Covid-19 situation, refinery has cut crude processing by 24% as demand has slumped for fuel consumption i.e. RIL's 35.2 million tonnes a year refinery processed 2.51 million tonnes of crude oil in March, a drop of 24% year on year, as per the Ministry of Petroleum and Natural Gas. RIL's twin refineries at Jamnagar produced 4.16% more petroleum products in March at 7.3 million tonnes It started to cut down crude processing only in the latter half of March after travel restrictions were imposed by state. However, the company's old refinery at the same site has processed 5.7% more crude oil at 3.01 million tonnes. Besides, RIL's Jamnagar Refinery operated at 83.98 per cent capacity as compared to 110.51 per cent capacity utilization in the same month a year back. This has affected the profit margin of the company which can be seen as below:

Refining Margin Falls

Source: The Economic Times

Moreover, it has reported an exceptional loss of Rs. 4245 Crore related to inventory loss due to the dramatic drop in crude oil prices.

While on the other hand Nayara Energy (Essar Oil Refinery Ltd) produced 3.33% fewer petroleum products at 1.64 million tonnes. Moreover, Nayara Energy too cut its crude processing by 4 % less fuel in March due to current Covid-19 situation. Moreover, Nayara Energy, is planning to invest Rs 1.3 lakh crore in expanding the capacity of its current 20 Million Tonne Per Annum (MTPA) Vadinar refinery by an additional 26 MTPA and add a 10.75 MMTPA petrochemical complex by 2024. Revenue of Nayara Energy has increased from Rs.855,618 million to Rs 987129 million i.e rise by about 15%. However, Net Profit of the company after tax has decreased from Rs 5320 million to Rs 3442 million i.e down by about 35.3%.

(b.) Reliance Jio Infocomm Limited V|S Bharti Airtel Limited

Reliance Jio Infocomm Limited is the subsidiary of **Reliance Industries Limited** and is headquartered in Mumbai, Maharashtra, India. It was registered on 15th February 2007 in Ambawadi, Ahmedabad. The 4G services of the company commercially started on 5th September 2016. It uses only LTE in order to provide voice services on its 4G Network. Jio owns spectrum in 850 MHz and 1,800 MHz bands in India's 22 circles, and also owns pan-India licensed 2,300 MHz spectrum which is valid until 2035. Jio has also launched its Wi-fi in the name of JioFi. MyJio, JioChat, JioMoney, Jio4GVoice, JioNet, JioSecurity, JioCloud, JioTV, JioCinema, JioSaavn, JioMags, JioXpressNews, JioNewspaper are some of the applications which Jio provides to its users.

Airtel is a **Global** brand of telecommunication services operated by **Bharti Airtel** and is one of the largest cellular service providers in the world in terms of number of subscribers. It is established in 1995 by Sunil Bharti Mittal (Chairman). The current MD and CEO of Airtel is Gopal Vittal. It operates in 18 countries across South Asia and Africa. The services of Airtel are Mobile services, Fixed-line, Broadband and Telephone services, Enterprise services, Long distance services. It provides GSM, 3G, 4G LTE, 4G+ mobile services, fixed-line broadband and voice services depending on the country of operation.

Shortly after the pandemic of the new coronavirus, the telecom operator announced that they would extend the prepayment validity period of its low-income users. Companies such as Airtel and Vodafone Idea credited 10 rupees of call time as credit for prepaid users, while Reliance Jio allocated 100 minutes of free talk time and 100 text messages to their entire user base.

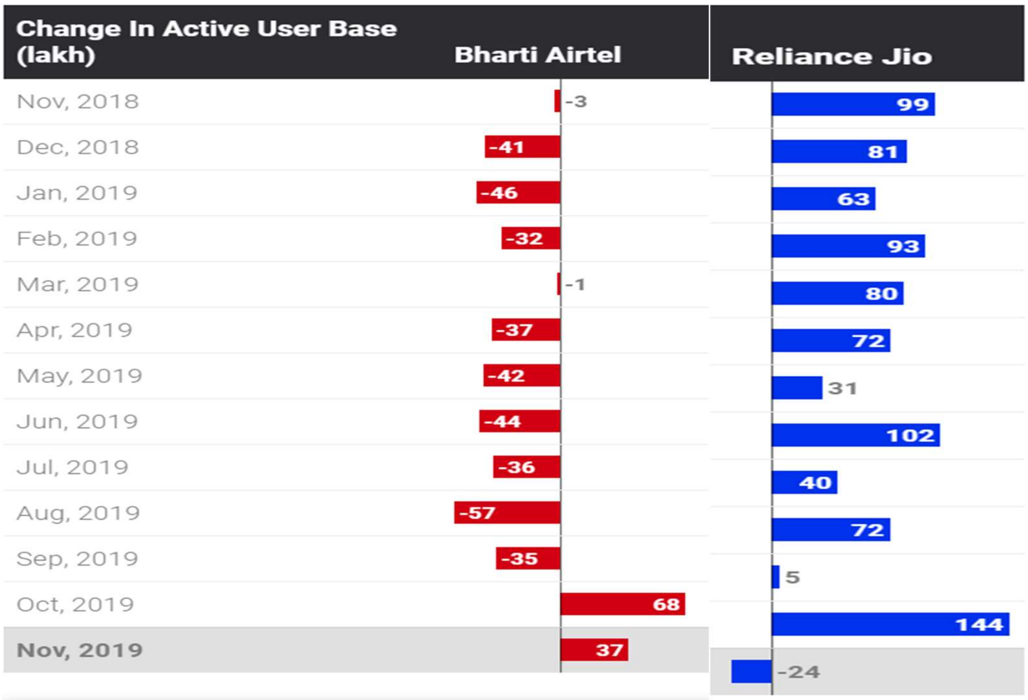
As far as the services are concerned, both of them give different services to their customers. **(Annexure: 5)**

Jio VS Airtel Plans 2020

NEW PLAN COMPARISON		PLAN MRP	
Period	**Data**	**JIO**	**AIRTEL**
1 Month (28 days)	1.5 GB / Day	199	248
	2 GB / Day	249	298
	3 GB / Day	349	398
2 Month (56 Days)	1.5 GB / Day	399	-
	2 GB / Day	444	-
3 Month (84 Days)	1.5 GB / Day	555	598
	2 GB / Day	599	698
Affordable plans	2 GB	129	148
	6 GB	329	-
	24 GB	1299	1498
12 Months (365 Days)	1.5 GB / Day	2199	2398

Source: Google (2020)

Change in Active User Base (Airtel V/S Reliance Jio)



Source: BloombergQuint (January 16, 2020)

Because of Reliance Jio's decision to charge customers for voice calls, the number of active users declined for the first time by 24 lakhs. While, during that phase, Airtel added active users by nearly 37 lakhs. Bharti Airtel surpassed Reliance Jio in increasing broadband users for the first time in 10 months. Reliance Jio, which only operates 4G networks, has added 5.6 million broadband users compared to Bharti Airtel's 7.1 million.

Reliance Jio has added 24 Million new subscribers during the January-March 2020 Quarter. Thus, after this, the subscriber base of Reliance Jio in India has reached 388M. **(Annexure: 6)**

As per Bharti Airtel Annual report 2018-2019, there are **282.6 Million** subscribers of Airtel in India as on January 31st, 2020.

Quantitative Analysis of Profit & Loss and Balance Sheet

(a.) Income Statement Overview: -

Sales Growth-

Revenue Growth of the Company on year on year basis

Year	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Sales	NA	10.30%	34.46%	30.45%	34.95%	10.70%	9.49%	-13.64%	-27.19%	11.51%	28.58%	44.89%

Source: RIL Annual Report

Business of the reliance was decline by year 2015 & 2016. However, in both the year their profits have increased because of the crude oil prices. Massive decline in revenue was compensated with the lowering input cost of crude.

However, their **compounded sales growth increased** massively in last 3 years by 28% (Approx.) CAGR.

Sales CAGR				
10 years	8 Years	5 Years	3 years	2 years
14.12%	9.95%	5.49%	27.60%	36.49%

Source: RIL Annual Report

Reliance is also considered to be one of the largest companies in India in terms of revenue.

Interest Cost-

Borrowing Cost have increased massively over past years as the company have raised borrowings. This borrowing cost (Prior to tax saving) is almost more than 15-20% of their Gross Margins. However, if we consider the size of the organization its current debt equity is still manageable.

According to an article of The Economic Times on Feb 24,2020, Mukesh Ambani is now focusing on making the industry debt free by 2020. Now, you can imagine the pace of increase in its margin if this happens.


NEWS FLASH Covid cases in India soar to 20,471, death toll at 652

Mukesh Ambani's plans to make Reliance debt-free hit multiple snags

The country's richest family becoming the subject of a tax probe is unprecedented and has surprised many.

Bloomberg | Last Updated: Feb 24, 2020, 11:30 PM IST

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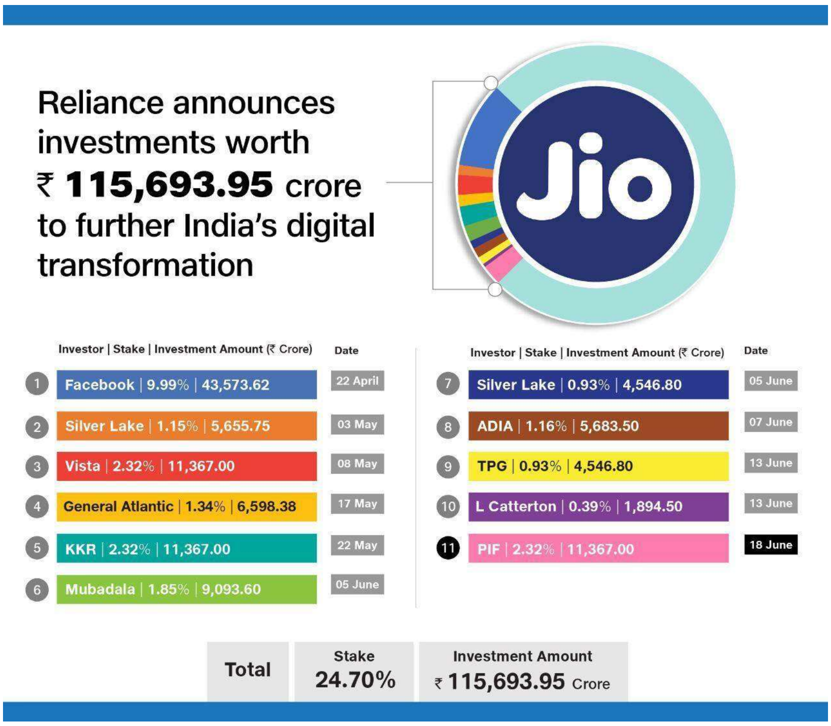
Source: The Economic Times

Reliance Industries Limited declares itself debt-free.



Source: Google (2020)

It's interest cost in comparison to its sales is here in below. You can see the rate of increase in its interest cost to sales.

Table: Interest cost in comparison to its sales

Particulars	Mar 11	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16	Mar 17	Mar 18	Mar 19
Interests	0.91	0.81	0.87	0.88	0.89	1.35	1.27	2.06	2.91

Source: RIL Annual Report

Profit After Tax (Excluding the effect of other income)-

For properly analysing the profits of the company from finance point of view it is better to exclude the effect of other income. Hence for the same purpose I have excluded it. The growth which you are seeing here is excluding all the non-operating revenues.

Table: Growth of PAT on year on year basis

Particulars	Mar 11	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16	Mar 17	Mar 18	Mar 19
PAT	16.18	-15.20	-2.05	5.00	10.94	19.24	13.33	24.96	16.12

Source: RIL Annual Report

Compounded profit growth increased after 2016.

PAT CAGR				
10 years	**8 Years**	**5 Years**	**3 years**	**2 years**
9.75%	8.34%	16.82%	18.03%	20.46%

Source: RIL Annual Report

Reliance is considered to be one of the profitable companies of India.

Massive growth in last 3 years-

Sales and PAT growth for 2017 was 11% and 13%. This has increased by 20% and 19% CAGR basis Respectively in 2017 and 2018. Which have grown more on CAGR basis in 3 years.

That means company's Revenue is increasing massively over past 3 years. Top line growth was amazing and bottom line will increase more if company reduce its debt leverage over next upcoming years (which is already in news).

	1 year	2 year CAGR	3 year CAGR
	March-17	March-18	March-19
Sales	11.51%	19.74%	27.60%
PAT	13.33%	19.00%	18.03%

Source: RIL Annual Report

(b.) Financial Position Overview: -

Share Capital & Reserves and Surplus-

Particulars	March-08	March-09	March-10	March-11	March-12	March-13	March-14	March-15	March-16	March-17	March-18	March-19
SHARE CAPITAL												
Figures	1,453.00	1,444.00	2,978.00	2,981.00	2,979.00	2,936.00	2,940.00	2,943.00	2,948.00	2,990.00	5,922.00	5,926.00
Issue/BuyBack	NA	-0.62%	106.23%	0.10%	-0.07%	-1.44%	0.14%	0.10%	0.17%	0.37%	100.14%	0.07%
RESERVES AND SURPLUS												
Figures	82,375.00	119,813.00	138,025.00	151,112.00	166,466.00	179,094.00	195,730.00	215,539.00	228,600.00	260,746.00	287,569.00	381,184.00
Growth %	NA	45.45%	15.20%	9.48%	10.16%	7.59%	9.29%	10.12%	6.06%	14.06%	10.29%	32.55%

Source: RIL Annual Report

Share capital increased by 100% in 2010 March end and 2018 March end was due to the issue of bonus shares. Hence the company has not diluted its ownership. No new ownership have been introduced by the company through FPO.

Proportion of debt in capital employed-

Particulars	March-08	March-09	March-10	March-11	March-12	March-13	March-14	March-15	March-16	March-17	March-18	March-19
Debt/Equity	0.60	0.63	0.46	0.55	0.55	0.59	0.70	0.77	0.84	0.82	0.82	0.79

Source: RIL Annual Report

Increasing debt and its borrowing cost of the company is major worry for the company. We hope that the company will soon come out of this in its good time and prosper over its life.

Investments (Long Term)-

Particulars	March-08	March-09	March-10	March-11	March-12	March-13	March-14	March-15	March-16	March-17	March-18	March-19
FIXED ASSETS (% of capital employed)	47.62	54.20	77.91	66.36	53.00	46.15	41.91	40.46	43.38	41.26	75.73	57.33
CWIP (% of capital employed)	37.08	37.39	8.28	11.83	9.68	17.27	27.11	43.04	53.65	67.51	35.07	25.83
INVESTMENT (% of capital employed)	7.08	3.26	6.38	9.06	14.74	14.81	17.96	19.77	19.71	17.23	15.54	33.89
TOTAL INVESTMENT (% of capital employed)	91.78	94.84	92.57	87.25	77.43	78.23	86.98	103.27	116.74	125.99	126.33	117.05

Source: RIL Annual Report

This is how the company has invested its capital employed. Company is investing its retained earnings in its growth. Now, the question may arise, how a company can make investments more than its capital raised from its long-term debt and retained earnings. To some extent it is also capitalized by its working capital. (As per the sorted information available on money control and screener)

Holdings of the promoters-

Current promoter holding is 50.03% which is very good. However, promoter holding is now increased in recent quarter as per the news available in economic times. Also, as per ET NOW, share of reliance increased by 11% today because of this.


Benchmarks >
Nifty • CLOSED
9,187.30 ↑ 205.85
Stock Screener>
Search, Select & Invest in Top Stocks
Top Growth Stocks
Stocks with Regular Payout
Mid-Cap Growth Stocks
FEATURED FUNDS
Axis Long Term Eq Plan-Growth

Reliance Industries surges 11% as Mukesh Ambani, family raise stakes

Mukesh Ambani, who personally held 72.31 lakh shares or 0.11 per cent of RIL, raised his holding to 75 lakh shares or 0.12 per cent.

ETMarkets.com | Last Updated: Mar 20, 2020, 04.02 PM IST

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0 Comments

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Source: ET Now

Future Prospectus for Reliance Industries Limited

- Facebook Dealing
- Telecom sector giant (Single Competitor Airtel)
- Data base of Indians (Aadhaar and Jio)
- My personal view: Currently Reliance Industries is involved in several business. When it will get demerged in future, all the shareholders holding share at that time will get ownership into various business some of may get down and some of may take new rally and growth from there. Example. ADANI GROUP
- Family business (Chances are more that it will be in existence and may grow for next 20 years in India)
- Current Market Capitalization of Reliance Industries: 8,64,267.70 Crores

Part C: Analysis and Discussion / Conclusion

Learning from the Summer Training Project

- Fundamental Analysis will try to determine whether the stock has an incentive effect in the broader market. This is a formulation process, and basic checks are usually carried out to understand the entrepreneurial motivation behind the stock for about 5-10 years. The necessary checks are usually carried out from a comprehensive to small-scale perspective to identify protective measures that are not valuable in the market. Top-down techniques are used to determine the overall financial situation, determine the quality of a particular industry at that point, and then focus on the introduction of a separate organization to determine an honest assessment of the stock. This summer training project helped me to understand and study various aspects of Fundamental analysis which will be very helpful in the near future.

- Considering the current circumstance of COVID 19, I got an opportunity to examine the Chinese and the Indian economy. And also, to comprehend the current financial phase of the nation and anticipate the future possibilities of the nation. This analysis helped me comprehend the securities exchange and various enterprises influenced by changes in the whole economy. Look at changed boundaries, for example, GDP, development, FDI venture, and per capita pay of India and China and different nations. I additionally considered the finance related emergencies and how the government and the securities exchange responded to it.

- This project gave me a complete picture of how the market changes when an unexpected situation like COVID arises. There are major fluctuations in the market and economy which cannot be avoided or ignored whenever this type of situation arises.

- I developed soft skills during this period such as making presentations, reports, e-mail writing, communication, so on and so forth. I also got to put theoretical knowledge of industrial analysis into practical life during this summer training project.

Recommendations

- **Financial Expertise:** In almost all the following years, the information and budget skills any company has is not sufficient to develop the organization. Experts must have valuable information to understand and analyze the currency-related markets. This is the main way to organize extraordinary. Despite observing strict guidelines, financial institutions should also be able to choose to understand the needs of their customers and shape themselves as a reliable and qualified business pioneer. As the customer model and comfort level indicate, it is now critical to prepare the experts for the online trading market with the help of workshops, articles, experts and even online recordings. Stockbrokers should have a special understanding of the insurance for cliental work and the nature of their contacts with welfare network providers to ensure that they manage customers at a reasonable cost. The guarantor needs to ensure that the organization can be trusted.

- **Governance:** Administrative changes in this industry are normal. The plan behind these regulations are chiefly to secure clients and abstain from contracting the business. Hence, regardless of whether an organization needs to succeed even in this circumstance, it must view itself as an organization committed to improving its clients. This is the main way it can endure even in an extreme administrative wave. The organization should revamp its money related structure on the grounds that the old budgetary structure will not, at this point be persuasive. Regardless, organizations must work as per changes in national/provincial guidelines, so even in another atmosphere, they ought to be ready to boost their abilities.

- **Technology and Innovation:** There is no doubt that innovation will improve the chaos of stock exchange capabilities. It reduces the problems and costs that could have been used for currency-related exchanges. Obviously, this innovative use will eventually become the fate of the stock exchange, and will be developed in almost any subsequent year. The capital market has been damaged, mainly because of innovation and changes in the reality of the broadcast structure. Electronic transactions have undoubtedly increased transaction volume, simplified currency transactions, reduced fees, and expanded contact with business departments. The exchange of equity framework has contributed to the decline of the exchange's status. In order for business organizations to maintain strict and reliable rules while ensuring the safety of management guidelines, they should move away from labour and instead turn to development and innovation. The current situation is that most organizations' systems are limited to authorized communications. As they continue to advance, they should recognize what progress they can make and how to use it to promote information proficiency, because this will prompt the organization to improve. The activities of such businesses currently depend on the development and progress of the organization.

- **Marketing agendas:** The fundamental problem they will see in the next few years is to build a reliable system internally and remotely so that they can reduce the cost of promotion and work according to the guidelines. Competitors should understand how your company is operating. Here, the marketing strategy is not only related to the monetary assets or trading procedures, but also to the performance and achievements of the organization. In this way, the organization will undoubtedly need successful innovations to effectively improve its life cycle self-esteem and establish a decent advertising method.

- **Risk blockage:** After understanding the established facts, the organization must use the data as a manual for future results so that the underwriter can understand the actual dangers associated with the exchange. With adequate preparation and careful consideration of the business, the organization can improve the countermeasures.

- **Knowledge and other skills:** For the upcoming years, the knowledge you have is just not enough to develop your firm. The brokers must have considerable knowledge to understand and analyse the financial markets. That is the only way this firm is going to differentiate itself from others. Along with following the binding regulations, a brokerage firm should also be able to understand its client’s requirements and portrait themselves as credible and qualified leaders in the industry. According to the trend and convenience of the clients, it is now important to provide training to the traders about the online trading platform with the help of seminars, articles, experts or even with the help of online videos. The stockbroker should have an unprecedented understanding of the protection of advertising activities and the quality of contact with safety net providers to ensure that they are getting through with the clients at a legitimate cost. The underwriter needs some kind of guarantee to trust the company.

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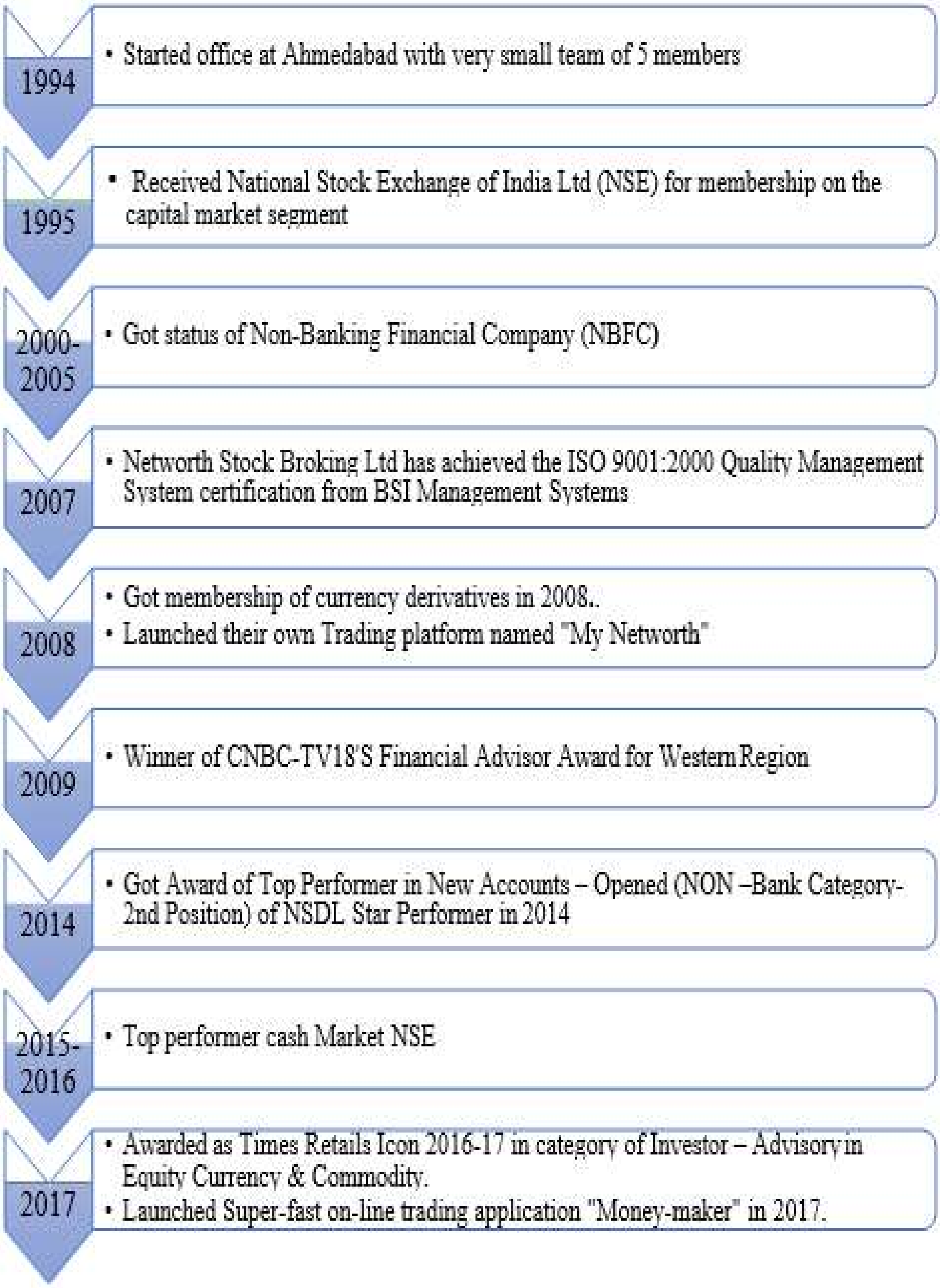
Annexure 1: Timeline of Monarch Networth Capital Limited



Annexure 2: Impact of the Economic Cycle on Business Operations

Initial Recovery	Early upswing	Late upswing	Slowdown	Recession
Duration of a few months	Duration of a year to several years	-	Duration of a few months to a year or longer	Duration of six months to a year
Business confidence is rising	Increasing confidence	Confidence and employment are high	Declining confidence	Declining confidence and profits
Low interest rates and/or budget deficits	Rising short-term interest rates	Rising short-term interest rates	Short-term interest rates are at a peak	Falling short-term interest rates
Declining inflation	Low inflation and good economic growth	Inflation increases	Inflation is still rising	Inflation tops out
Large output gap	Output gap is narrowing	Output gap eliminated and economy at risk of overheating	Falling inventory levels	Large decline in inventory
Rising stock prices	Rising stock prices	Rising stock prices with increased risk and volatility	Falling stock prices	Stock prices increasing during the latter stages
Stimulative Economic Policy	Economic Policy becomes less Stimulative	Economic Policy becomes restrictive	Economic Policy becomes less restrictive	Easing Economic Policy
Bond prices peaking	Flat or rising bond yields	Rising bond yields	Bond yields have peaked and may be falling, resulting in rising bond prices	Falling bond yields, rising prices

Annexure 3: Trends of Foreign Portfolio Investment in India

Period	Purchases (Rsbn)	Sales (Rsbn)	Net Investment (Rsbn)	Net Investment (US$bn)
2010-11	9,926	8,462	1,464.4	32.2
2011-12	9,213	8,276	937.3	18.9
2012-13	9,048	7,365	1,683.7	31.0
2013-14	9,029	9,694	450.1	8.9
2014-15	15,213	12,439	2,774.6	45.7
2015-16	13,244	13,426	-181.8	-2.6
2016-17	**15,070**	**14,586**	**484.1**	**7.6**
2017-18	**17,287**	**15,837**	**1,450.7**	**22.5**
Apr-18	1,347	1,503	-155.6	-2.4
May-18	1,275	1,573	-297.8	-4.4
Jun-18	1,451	1,609	-157.9	-2.3
Jul-18	1,286	1,263	22.6	0.3
Aug-18	1,195	1,144	51.5	0.8
Sep-18	1,311	1,521	-210.3	-2.9
Oct-18	1,345	1,734	-389.1	-5.3
Nov-18	1,282	1,166	116.0	1.6
Dec-18	1,295	1,216	78.9	1.1
Apr-Dec 2018	**11,788**	**12,730**	**-941.8**	**-13.4**

Source: SEBI Bulletin

Annexure 4: The Journey of Reliance Industries Limited

1957

- ***Modest beginnings, mammoth aspirations***
- Dhirubhai Ambani returns to India in 1957 after a stint with A. Besse & Co., Aden, Yemen. He starts a yarn trading business from a small 500 sq. ft. office in Masjid Bunder, Mumbai, but dreams of establishing India's largest company.

1977

- ***Wealth creation for all Indians***
- In 1977, Reliance Textile Industries' IPO creates history by introducing the equity cult in India. The issue is oversubscribed seven times, strengthening Reliance's growth ambitions.

1977

- ***Integrating backward, Racing forward***
- Reliance sets up a mill in Naroda, Gujarat, sparking off Reliance's backward integration journey. Mukesh Ambani leads the establishment of Reliance's first mega manufacturing project at Patalganga in a record 18 months.

1991

- ***Enhancing the lifestyle of every Indian***
- Reliance's backward integration journey continues. The Hazira plant coming on stream in 1991 laid the foundation for Reliance becoming the world's largest integrated producer of polyester.

2000

- ***India arrives on the global refining map***
- Reliance commissions the world's largest grassroots refinery in a record 36 months: the Jamnagar petrochemicals and integrated refinery complex. With the development of the associated green belt, the desert surrounding Jamnagar becomes home to another man-made wonder – Asia's largest mango orchard!

2002

- ***Triggering a telecom revolution***
- Reliance enters the Infocomm business and brings about a revolution in mobile telephony in India. In 2005, Reliance makes a strategic decision to reorganize its businesses through a demerger. Power generation and distribution, financial services and telecommunication services are demerged into separate entities.

2004

- ***Joining the global giants club***
- Reliance emerges as the first and only private Indian organization to be listed in the Fortune Global 500 list. Reliance is also the first private sector company to be rated by international credit rating agencies.

2009

- ***Investing in the energy security of India***
- Reliance commences production of hydrocarbons in its KGD6 block - against all odds - in just over two years of its discovery, making it the world's fastest green-field deepwater oil development project. With this development, Reliance completes an unprecedented backward integration journey.

2014

- ***Largest retailer serving india***
- Reliance Retail becomes the largest retailer by revenue in 2014, fulfilling the aspirations of millions across the country and bringing international experiences at affordable prices to every corner of India.

2014

- ***Innovation-led growth continues***
- Reliance Jio Infocomm Ltd., ushers in a pan-India digital revolution through state-of-the-art wireless broadband 4G services, promising to bridge the digital divide.

2017

- ***Creating exponential value***
- Reliance becomes the first Indian company to cross ₹6 trillion market capitalization. In December of the same year, Reliance celebrates its 40th year. Chairman and Managing Director Mr Mukesh Ambani said, "In just 4 decades, Reliance has grown from a small startup to one of the largest, most admired companies in the world."

2019

- ***Reaching new heights***
- 18th October 2019 Reliance Industries Ltd (RIL) becomes the first Indian company to cross ₹10 trillion market capitalization mark.
- RIL ranks 106th on the Fortune Global 500 list of the world's biggest corporations as of date.

Annexure 5: Reliance Jio V|S Bharti Airtel

Reliance Jio	Airtel
Works only on 4G handset	Works on all handsets
Provides limited 4G coverage	Provides all network coverages – 2G, 3G and 4G
When there is no 4G coverage, it leads to poor network experience	When there is no 4G coverage, its subscribers can use 2G/3G
In absence of data coverage, no calling is possible	In absence of data coverage, voice coverage doesn't get hampered

Comparing the Revenue and Net Profit/ Loss of RJIL and Bharti Airtel

(In Crore)	Reliance Jio (FY 2019-20)	Bharti Airtel (FY 2019-20)
Revenue	18,632	54,317.10
Net Profit/Loss	5,562	-36,088.20

Source: BSE Limited, BusinessToday

Annexure 6: Number of Reliance Jio Subscribers in India (By Fiscal Quarter)