

August 29, 2024

Company Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	3,002		3,002	
Sales (Rs. bn)	9,779	10,521	9,779	10,521
% Chng.	-	-	-	-
EBITDA (Rs. bn)	1,622	1,800	1,622	1,800
% Chng.	-	-	-	-
EPS (Rs.)	97.5	110.3	97.5	110.3
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	8,778	9,011	9,779	10,521
EBITDA (Rs. bn)	1,422	1,622	1,622	1,800
Margin (%)	16.2	18.0	16.6	17.1
PAT (Rs. bn)	663	696	659	746
EPS (Rs.)	98.0	102.9	97.5	110.3
Gr. (%)	4.3	5.0	(5.3)	13.2
DPS (Rs.)	9.0	8.8	5.3	5.7
Yield (%)	0.3	0.3	0.2	0.2
RoE (%)	8.9	9.2	8.0	8.4
RoCE (%)	9.6	10.2	9.3	9.8
EV/Sales (x)	2.6	2.6	2.3	2.1
EV/EBITDA (x)	16.3	14.2	13.9	12.2
PE (x)	31.0	29.6	31.2	27.6
P/BV (x)	2.9	2.6	2.4	2.2

Key Data

RELI.BO | RELIANCE IN

52-W High / Low	Rs.3,218 / Rs.2,220
Sensex / Nifty	82,135 / 25,152
Market Cap	Rs.20,582bn/ \$ 2,45,405m
Shares Outstanding	6,766m
3M Avg. Daily Value	Rs.19273.26m

Shareholding Pattern (%)

Promoter's	50.33
Foreign	21.75
Domestic Institution	17.41
Public & Others	10.51
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.1	4.1	25.7
Relative	(0.9)	(8.1)	(0.4)

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Aiming higher and higher

Quick Pointers:

- Announces establishment of GW-scale AI ready data centres in Jamnagar along with offering AI solutions in the future
- New Energy may become as big and as profitable as O2C in 5-7 years

If one were to adopt the slogan of a leading brand "What Next?", RIL in its 47th AGM (post IPO) evinced its aspiration to foray into AI this year. This is in addition to the already charted course for New Energy. From sharply negative valuation a couple of years back, with right strategy and execution, the company has successfully created behemoths like digital services and retail which, as per our valuation now command USD85bn and USD114bn valuation (RIL's stake) respectively. Banking on the same philosophies, the company embarked upon New Energy segment three years back and has now set its eyes upon AI.

While there is no doubt on its execution capabilities, unlike digital services and retail, both new energy and AI also have an element of yet-to-mature technologies. Additionally, the cash cow O2C segment appears under stress due to demand not keeping up with supply. The company is trading at 14x FY25 consolidated EV/EBITDA and 31x FY25 consolidated PE. We estimate consolidated EPS CAGR of ~4% for FY24-26E. We value Refining and petrochemical segment at 7.5x FY26 EV/EBITDA, Digital services at 15x FY26 EV/EBITDA and Retail at 39x FY26 EV/EBITDA. Reiterate 'Hold' at SOTP based TP of Rs3,002.

Key highlights

- Deep tech AI:** The company has announced that it would build large scale AI infrastructure including gigawatt scale AI ready data centre. These would be powered by green energy and would cater to agriculture, education, healthcare and small businesses.
- Jio and Retail to double revenues and EBITDA in 3-4 years
- New Energy:** Remains committed to INR750bn new energy investment. Production of solar modules to commence by end of this year while integrated 10GW production of modules, cells, ingots, wafers, polysilicon to commence within few quarters. The company is developing first generation bifacial solar cells using HJT technology with 26% efficiency. BESS of 30GW to commence operations from H2 next year. This would be backward integrated to cell manufacturing and battery chemicals in few quarters. Multi-GW electrolyzer facility using alkaline, PEM and AEM to be ready by 2026 which would enable production of green hydrogen and green molecules.
- New Energy to be as valuable and as profitable as O2C in 5-7 years**
- Target to connect 100mn homes and 20mn small and medium enterprises through AirFibre
- To set up integrated 1.5mmtpa PVC and cPVC at Dahej and Nagothane by 2026-27. To set up 1mmtpa specialty polyester capacity by 2026-27 with 3mmtpa PTA by 2027.
- Adding 3 more VLECs which would provide more feedstock flexibility

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	8,778	9,011	9,779	10,521
YoY gr. (%)	25.4	2.6	8.5	7.6
Cost of Goods Sold	5,885	5,853	6,352	6,835
Gross Profit	2,894	3,157	3,426	3,687
Margin (%)	33.0	35.0	35.0	35.0
Employee Cost	249	257	279	300
Other Expenses	1,223	1,278	1,525	1,587
EBITDA	1,422	1,622	1,622	1,800
YoY gr. (%)	28.7	14.1	0.0	11.0
Margin (%)	16.2	18.0	16.6	17.1
Depreciation and Amortization	403	508	534	582
EBIT	1,019	1,114	1,088	1,218
Margin (%)	11.6	12.4	11.1	11.6
Net Interest	196	231	246	248
Other Income	117	161	155	162
Profit Before Tax	940	1,043	997	1,132
Margin (%)	10.7	11.6	10.2	10.8
Total Tax	204	257	246	277
Effective tax rate (%)	21.7	24.6	24.7	24.5
Profit after tax	736	786	751	880
Minority interest	74	90	91	108
Share Profit from Associate	-	-	-	-
Adjusted PAT	663	696	659	746
YoY gr. (%)	4.3	5.0	(5.3)	13.2
Margin (%)	7.6	7.7	6.7	7.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	663	696	659	746
YoY gr. (%)	4.3	5.0	(5.3)	13.2
Margin (%)	7.6	7.7	6.7	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	663	696	659	746
Equity Shares O/s (bn)	7	7	7	7
EPS (Rs)	98.0	102.9	97.5	110.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	10,288	11,351	14,437	15,654
Tangibles	10,288	11,351	14,437	15,654
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,193	3,701	4,235	4,817
Tangibles	3,193	3,701	4,235	4,817
Intangibles	-	-	-	-
Net fixed assets	7,095	7,650	10,202	10,837
Tangibles	7,095	7,650	10,202	10,837
Intangibles	-	-	-	-
Capital Work In Progress	2,938	3,389	1,053	586
Goodwill	153	150	150	150
Non-Current Investments	2,356	2,257	2,257	2,257
Net Deferred tax assets	(603)	(722)	(722)	(722)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,400	1,528	1,658	1,784
Trade receivables	284	316	343	369
Cash & Bank Balance	687	972	1,463	2,083
Other Current Assets	-	-	-	-
Total Assets	16,074	17,560	18,534	19,582
Equity				
Equity Share Capital	68	68	68	68
Other Equity	7,091	7,867	8,491	9,199
Total Networkth	7,159	7,935	8,558	9,266
Non-Current Liabilities				
Long Term borrowings	3,344	3,461	3,461	3,461
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,472	1,784	1,936	2,083
Other current liabilities	2,367	2,334	2,533	2,726
Total Equity & Liabilities	16,074	17,560	18,534	19,582

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	940	1,043	997	1,132
Add. Depreciation	403	508	534	582
Add. Interest	-	-	-	-
Less Financial Other Income	117	161	155	162
Add. Other	207	230	(91)	(108)
Op. profit before WC changes	1,550	1,781	1,439	1,605
Net Changes-WC	(196)	64	83	80
Direct tax	(204)	(257)	(246)	(277)
Net cash from Op. activities	1,150	1,588	1,276	1,409
Capital expenditures	(1,318)	(1,376)	(750)	(750)
Interest / Dividend Income	-	-	-	-
Others	388	240	-	-
Net Cash from Inv. activities	(930)	(1,136)	(750)	(750)
Issue of share cap. / premium	5	209	-	-
Debt changes	381	93	-	-
Dividend paid	(51)	(61)	(36)	(38)
Interest paid	-	-	-	-
Others	(456)	(606)	-	-
Net cash from Fin. activities	105	(166)	(36)	(38)
Net change in cash	325	286	490	620
Free Cash Flow	(168)	212	526	659

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	2,319	2,251	2,365	2,318
YoY gr. (%)	0.8	3.6	11.1	11.7
Raw Material Expenses	1,527	1,475	1,535	1,535
Gross Profit	792	776	831	783
Margin (%)	34.1	34.5	35.1	33.8
EBITDA	410	407	425	388
YoY gr. (%)	31.2	15.3	10.6	1.8
Margin (%)	17.7	18.1	18.0	16.7
Depreciation / Depletion	126	129	136	136
EBIT	284	278	289	252
Margin (%)	12.2	12.3	12.2	10.9
Net Interest	57	58	58	59
Other Income	38	39	45	40
Profit before Tax	265	258	277	232
Margin (%)	11.4	11.5	11.7	10.0
Total Tax	67	63	66	31
Effective tax rate (%)	25.2	24.6	23.7	13.2
Profit after Tax	198	195	211	202
Minority interest	24	22	22	23
Share Profit from Associates	-	-	-	-
Adjusted PAT	174	173	190	179
YoY gr. (%)	27.4	9.3	(1.8)	11.5
Margin (%)	7.5	7.7	8.0	7.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	174	173	190	179
YoY gr. (%)	27.4	9.3	(1.8)	11.5
Margin (%)	7.5	7.7	8.0	7.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	174	173	190	179
Av g. Shares O/s (bn)	7	7	7	7
EPS (Rs)	25.7	25.5	28.0	26.4

Source: Company Data, PL Research

Key Financial Metrics

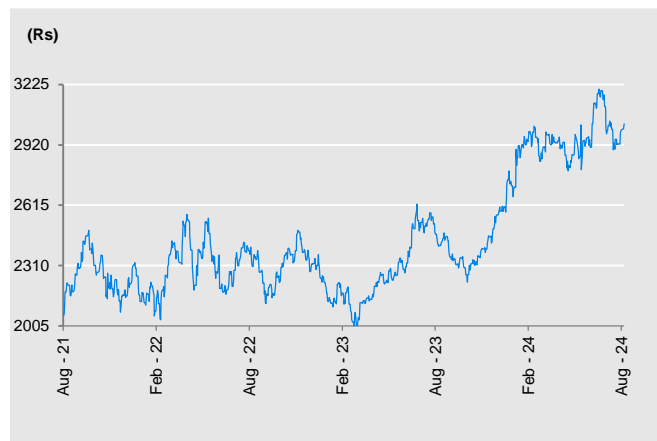
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	98.0	102.9	97.5	110.3
CEPS	157.5	178.0	176.3	196.3
BVPS	1,058.0	1,172.7	1,264.9	1,369.5
FCF	(24.8)	31.4	77.8	97.3
DPS	9.0	8.8	5.3	5.7
Return Ratio(%)				
RoCE	9.6	10.2	9.3	9.8
ROIC	6.6	6.7	6.4	7.0
RoE	8.9	9.2	8.0	8.4
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.2	0.1
Net Working Capital (Days)	34	32	32	32
Valuation(x)				
PER	31.0	29.6	31.2	27.6
P/B	2.9	2.6	2.4	2.2
P/CEPS	19.3	17.1	17.2	15.5
EV/EBITDA	16.3	14.2	13.9	12.2
EV/Sales	2.6	2.6	2.3	2.1
Dividend Yield (%)	0.3	0.3	0.2	0.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Brent (US\$/bbl)	96.1	83.3	85.0	85.0
US\$/Rs	80.7	83.3	83.7	84.3
Production meant for sale(mmt)	16.6	17.0	17.2	17.0
EBITDA/mt (US\$)	89.0	78.2	74.8	84.4
Net Subscriber addition (mn)	29.1	42.5	42.0	42.0
Retail Rev Growth YoY(%)	32.0	18.3	18.5	15.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	21-Jul-24	Hold	3,002	3,112
2	07-Jul-24	Hold	3,018	3,177
3	28-Jun-24	Hold	3,031	3,061
4	23-Apr-24	Hold	2,955	2,960
5	09-Apr-24	Hold	2,902	2,972
6	20-Jan-24	Accumulate	2,912	2,735
7	08-Jan-24	Accumulate	2,718	2,608
8	23-Nov-23	Accumulate	2,618	2,388
9	28-Oct-23	BUY	2,618	2,266
10	06-Oct-23	BUY	2,913	2,318

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	635	735
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Accumulate	1,701	1,605
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,593	1,444
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,516	1,562
9	Deepak Nitrite	Reduce	2,717	2,970
10	Divgi Torqtransfer Systems	Accumulate	734	665
11	Eicher Motors	BUY	5,335	4,577
12	Endurance Technologies	Accumulate	2,696	2,478
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,907	3,330
17	Gujarat Gas	Accumulate	666	622
18	Gujarat State Petronet	BUY	417	336
19	Hero Motocorp	Accumulate	5,911	5,072
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,330	2,908
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	15,145	13,116
29	Navin Fluorine International	Accumulate	4,144	3,771

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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