

October 11, 2021

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		UNDER REVIEW	
Target Price	2,955		-	
Sales (Rs. m)	4,547,949	4,765,334	4,454,515	4,651,096
% Chng.	2.1	2.5		
EBITDA (Rs. m)	725,513	755,312	662,394	672,300
% Chng.	9.5	12.3		
EPS (Rs.)	89.3	93.6	82.0	83.9
% Chng.	9.0	11.7		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	2,457	3,926	4,548	4,765
EBITDA (Rs. bn)	335	516	726	755
Margin (%)	13.6	13.1	16.0	15.9
PAT (Rs. bn)	276	374	576	603
EPS (Rs.)	42.9	58.1	89.3	93.6
Gr. (%)	(22.7)	35.4	53.8	4.8
DPS (Rs.)	6.5	8.5	13.5	69.7
Yield (%)	0.2	0.3	0.5	2.6
RoE (%)	6.1	7.3	10.1	10.1
RoCE (%)	3.7	5.6	7.7	7.8
EV/Sales (x)	7.3	4.3	3.5	3.5
EV/EBITDA (x)	53.8	32.8	21.9	22.0
PE (x)	61.9	45.7	29.7	28.3
P/BV (x)	3.6	3.1	2.9	2.9

Key Data

RELI.BO | RIL IN

52-W High / Low	Rs.2,802 / Rs.1,746
Sensex / Nifty	60,136 / 17,946
Market Cap	Rs.17,377bn/ \$ 230,585m
Shares Outstanding	6,339m
3M Avg. Daily Value	Rs.28532.57m

Shareholding Pattern (%)

Promoter's	50.59
Foreign	25.09
Domestic Institution	13.11
Public & Others	11.21
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.4	33.8	18.8
Relative	6.0	10.4	(20.0)

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Ups ante in Green Energy, Retail Platforms; Buy

Quick Pointers:

- RIL acquisition of REC Group and Sterling and Wilson solar are building blocks to generate 100GW green energy by 2030
- RIL continues to up the ante in retail space and launch of 7/11 stores will add to momentum created by Just Dial, Netmeds and Urban Ladder acquisitions

We upgrade RIL to 'BUY' (from earlier Under Review) and increase TP to Rs2,955 (previous Rs2,416) as we incorporate higher value for Hydrocarbon (improved GRMs), Retail (higher multiple for grocery, electronics and fashion) and Telecom businesses (higher ARPU). RIL made its first move of foraying into green energy, through twin acquisition of 100% stake in REC Group for USD771mn (Rs57.4bn) and 40% stake in Sterling and Wilson Solar (SWSL) for Rs36.3bn. These are essential building blocks in RIL's quest to achieve 100GW of green energy by 2030 and build 4 giga factories for its green energy venture. While revenue impact of this acquisition will be back ended, RIL has laid first steps in setting the new business and we will incorporate its value going forward. It has also added platform companies like Just Dial, Netmeds and Urban Ladder by creating a strong ecosystem of future growth to better compete with leaders like Amazon, Walmart and Tata (post acquisition of Big basket and 1mg). We believe entry into futuristic technology and new platforms will continue to power growth in coming years. Recommend Buy

RIL acquires REC Group- leader in solar cells/panels: RIL has acquired 100% stake in REC Group for an EV of USD771mn. REC is one of world's leading solar cells/panels and polysilicon manufacturing company. It has three manufacturing facilities – two in Norway making solar grade polysilicon and one in Singapore making PV cells and modules.

REC acquisition will help RIL become a global scale PV manufacturing player with industry leading heterojunction (HJT) technology.

RIL plans to use this industry leading technology in its fully integrated, metallic Silicon to PV Panel manufacturing giga factory at Dhirubhai Ambani Green Energy Giga Complex, Jamnagar initially starting with 4 GW per annum capacity and eventually growing to 10 GW per annum.

Reliance will also strongly support REC's planned expansions including 2-3 GW Cells and Module capacity in Singapore, brand new 2 GW Cells and Module unit in France and another 1 GW Modules plant in the US.

Sterling and Wilson Solar (SWSL)- leading EPC & O&M player: SWSL is one of the world's leading EPC (engineering, procurement, construction) players and has executed projects worth 11 GW across the globe. RIL will buy 40% stake in SWSL through a combination of primary investment, secondary purchase and open offer.

In the first leg, Reliance New Energy Solar Ltd (RNEL), a wholly owned arm of Reliance Industries will be issued fresh shares of SWSL as a preferential allotment of 29.3mn shares at Rs 375/sh, representing 15.46% of company's expanded equity base.

In second leg another 9.7% of the company will be acquired by RNESL from Shapoorji Pallonji & Co. Pvt. Ltd at the same price. And in last leg RIL will make an open offer to acquire 25.9% additional stake. Total acquisition cost for 40% stake will be around Rs36bn.

Transforming into a formidable platform/online play

RIL has acquired multiple companies like Just Dial, Netmeds, Urban Ladder etc in order to bring bouquet of diverse services and better target consumers. Regular addition of these leading platforms/brands will help RIL transform into a formidable online player to help compete with large global players like Amazon, Walmart and Tata post acquisition of Big Basket and 1mg.

Indian retail space is getting more competitive, as big players exert their dominance in large domestic markets and the sector also gets consolidated. RIL, with its focused approach to buy niche players will evolve into a one stop shop for customers. Furthermore strategic partnership with global technology players like Facebook and Google will help garner disproportionate share of customer's wallet too.

Exhibit 1: Recent acquisition by RIL in retail space

Date	Acquisition	Business
19th Aug 2020	Netmeds	Online pharmacy space
16th Nov 2020	Urban Ladder	Online furniture seller
1st Sept 2021	Just Dial	Leading search engine platform

Source: Company, PL

Exhibit 2: SOTP

	Rs m	Rs/share	Comments
FY23E Refining/Petrochemical EBITDA	6,77,168		
EV of Petrochem & Refining (Rs m)	60,94,512	961	@ EV/EBITDA of 9x FY23E
Net Debt (Rs m)	-6,39,820	(101)	Estimated as on FY23E, net of cash and liquid investments
Key investments			
- E&P Assets	3,86,758	61	Valued at 8x EV/E FY23E
- Organised retail & other key investments	64,53,055	1,018	Based on 0.9x FY24 sales adj for stake sale
- Infotel (BWA)	50,66,703	799	Based on RJIO's FY24 12.5x EV/E, adj for stake sale in JPL
- Shale Gas NPV (Marcellus + Eagle Ford)	92,661	15	NPV based on HH of \$3-3.5/mmbtu
Total value of investments & other assets	1,19,99,177	1,892	
Equity value (Rs m)	1,87,33,509	2,955	
No. of shares (m.)	6,502		

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	2,456,670	3,926,031	4,547,950	4,765,334
YoY gr. (%)	(26.9)	59.8	15.8	4.8
Cost of Goods Sold	1,989,154	3,214,463	3,613,158	3,786,093
Gross Profit	467,516	711,568	934,791	979,241
Margin (%)	19.0	18.1	20.6	20.5
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	335,000	515,981	725,513	755,312
YoY gr. (%)	(35.4)	54.0	40.6	4.1
Margin (%)	13.6	13.1	16.0	15.9
Depreciation and Amortization	91,990	118,320	131,077	133,035
EBIT	243,010	397,661	594,436	622,278
Margin (%)	9.9	10.1	13.1	13.1
Net Interest	162,110	56,160	32,316	31,028
Other Income	148,180	160,100	219,400	228,631
Profit Before Tax	229,080	501,600	781,520	819,881
Margin (%)	9.3	12.8	17.2	17.2
Total Tax	(47,320)	127,272	205,865	216,484
Effective tax rate (%)	(20.7)	25.4	26.3	26.4
Profit after tax	276,400	374,328	575,654	603,397
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	276,400	374,328	575,654	603,397
YoY gr. (%)	(21.4)	35.4	53.8	4.8
Margin (%)	11.3	9.5	12.7	12.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	276,400	374,328	575,654	603,397
YoY gr. (%)	(21.4)	35.4	53.8	4.8
Margin (%)	11.3	9.5	12.7	12.7
Other Comprehensive Income	-	0	0	0
Total Comprehensive Income	276,400	374,328	575,654	603,397
Equity Shares O/s (m)	6,445	6,445	6,445	6,445
EPS (Rs)	42.9	58.1	89.3	93.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	4,245,210	4,637,210	4,782,210	4,927,210
Tangibles	4,245,210	4,637,210	4,782,210	4,927,210
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,324,290	1,442,610	1,573,687	1,706,722
Tangibles	1,324,290	1,442,610	1,573,687	1,706,722
Intangibles	-	-	-	-
Net fixed assets	2,920,920	3,194,600	3,208,523	3,220,488
Tangibles	2,920,920	3,194,600	3,208,523	3,220,488
Intangibles	-	-	-	-
Capital Work In Progress	328,350	265,700	265,700	265,700
Goodwill	147,410	147,410	147,410	147,410
Non-Current Investments	3,183,180	2,845,810	2,478,932	2,116,258
Net Deferred tax assets	(307,880)	(317,539)	(332,080)	(351,361)
Other Non-Current Assets	49,680	51,667	53,734	55,883
Current Assets				
Investments	946,650	975,050	1,004,301	1,034,430
Inventories	374,370	387,225	398,724	-
Trade receivables	41,590	107,562	124,601	-
Cash & Bank Balance	55,730	1,265,645	2,228,363	1,453,542
Other Current Assets	83,320	89,152	95,393	102,071
Total Assets	8,736,730	9,977,739	10,698,952	9,137,582
Equity				
Equity Share Capital	64,450	64,450	64,450	64,450
Other Equity	4,680,300	5,395,361	5,883,994	5,883,994
Total Network	4,744,750	5,459,811	5,948,444	5,948,444
Non-Current Liabilities				
Long Term borrowings	1,605,980	1,702,980	1,602,980	1,502,980
Provisions	14,990	17,988	22,485	28,106
Other non current liabilities	5,040	6,048	7,258	8,709
Current Liabilities				
ST Debt / Current of LT Debt	331,520	364,672	437,606	525,128
Trade payables	869,990	1,290,750	1,557,517	-
Other current liabilities	816,360	769,783	730,372	697,591
Total Equity & Liabilities	8,736,650	9,977,739	10,698,952	9,137,582

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	229,080	501,600	781,520	-
Add. Depreciation	91,990	118,320	131,077	-
Add. Interest	162,110	56,160	32,316	-
Less Financial Other Income	148,180	160,100	219,400	228,631
Add. Other	-	-	-	-
Op. profit before WC changes	483,180	676,080	944,913	-
Net Changes-WC	(1,777,130)	238,443	200,752	(1,064,697)
Direct tax	47,320	(127,272)	(205,865)	(216,484)
Net cash from Op. activities	(1,246,630)	787,251	939,799	(1,281,181)
Capital expenditures	(144,310)	(329,350)	(145,000)	(11,965)
Interest / Dividend Income	-	-	-	-
Others	1,664,530	337,370	314,320	314,320
Net Cash from Invt. activities	1,520,220	8,020	169,320	302,355
Issue of share cap. / premium	264,403	395,255	-	-
Debt changes	(362,770)	130,152	(27,066)	(12,479)
Dividend paid	(41,893)	(54,523)	(87,021)	-
Interest paid	(162,110)	(56,160)	(32,316)	-
Others	-	-	-	-
Net cash from Fin. activities	(302,370)	414,724	(146,402)	(12,479)
Net change in cash	(28,780)	1,209,995	962,717	(991,305)
Free Cash Flow	(1,390,940)	457,901	794,799	(1,293,146)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22E
Net Revenue	674,000	859,770	905,700	1,097,132
YoY gr. (%)	(25.3)	11.7	79.5	79.1
Raw Material Expenses	501,020	655,710	680,070	846,378
Gross Profit	172,980	204,060	225,630	250,754
Margin (%)	25.7	23.7	24.9	22.9
EBITDA	86,900	101,930	114,600	135,754
YoY gr. (%)	(32.9)	(10.1)	60.8	77.5
Margin (%)	12.9	11.9	12.7	12.4
Depreciation / Depletion	22,090	25,820	25,090	28,500
EBIT	64,810	76,110	89,510	107,254
Margin (%)	9.6	8.9	9.9	9.8
Net Interest	31,400	30,010	23,510	25,500
Other Income	36,160	27,970	35,880	40,000
Profit before Tax	69,570	74,070	101,880	121,754
Margin (%)	10.3	8.6	11.2	11.1
Total Tax	(17,870)	(2,100)	15,930	19,481
Effective tax rate (%)	(25.7)	(2.8)	15.6	16.0
Profit after Tax	87,440	76,170	85,950	102,273
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	87,440	76,170	85,950	102,273
YoY gr. (%)	(8.8)	195.2	(11.9)	56.2
Margin (%)	13.0	8.9	9.5	9.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	87,440	76,170	85,950	102,273
YoY gr. (%)	(8.8)	195.2	(11.9)	56.2
Margin (%)	13.0	8.9	9.5	9.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	87,440	76,170	85,950	102,273
Avg. Shares O/s (m)	6,445	6,445	6,445	6,445
EPS (Rs)	13.6	11.8	13.3	15.9

Key Financial Metrics

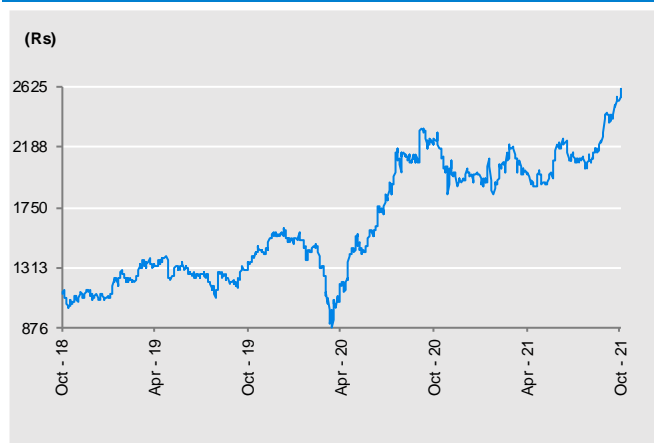
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	42.9	58.1	89.3	93.6
CEPS	57.2	76.4	109.7	114.3
BVPS	736.2	847.1	923.0	923.0
FCF	(215.8)	71.0	123.3	(200.6)
DPS	6.5	8.5	13.5	69.7
Return Ratio(%)				
RoCE	3.7	5.6	7.7	7.8
ROIC	3.1	5.1	8.0	9.4
RoE	6.1	7.3	10.1	10.1
Balance Sheet				
Net Debt : Equity (x)	0.2	0.0	(0.2)	(0.1)
Net Working Capital (Days)	(67)	(74)	(83)	-
Valuation(x)				
PER	61.9	45.7	29.7	28.3
P/B	3.6	3.1	2.9	2.9
P/CEPS	56.8	75.9	108.9	113.5
EV/EBITDA	53.8	32.8	21.9	22.0
EV/Sales	7.3	4.3	3.5	3.5
Dividend Yield (%)	0.2	0.3	0.5	2.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Brent (US\$/bbl)	45	65	70	70
GRM(US\$/bbl)	6	9	10	11
Refining thruput (MTPA)	45	65	70	70
US\$/Rs	74	77	79	81

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Oct-21	UR	-	2,556
2	25-Jul-21	BUY	2,416	2,106
3	2-Jul-21	UR	-	2,129
4	1-May-21	BUY	2,256	1,995
5	5-Apr-21	BUY	2,232	1,992
6	23-Feb-21	BUY	2,232	2,008
7	24-Jan-21	BUY	2,232	2,050
8	8-Jan-21	BUY	2,232	1,911
9	31-Oct-20	BUY	2,232	2,055

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	985	1,021
2	Bharat Petroleum Corporation	BUY	581	436
3	Burger King India	BUY	250	168
4	GAIL (India)	BUY	184	162
5	Gujarat Gas	BUY	845	610
6	Hindustan Petroleum Corporation	BUY	404	303
7	Indian Oil Corporation	UR	-	126
8	Indraprastha Gas	BUY	662	528
9	Mahanagar Gas	BUY	1,370	1,091
10	NOCIL	BUY	393	296
11	Oil & Natural Gas Corporation	UR	-	148
12	Oil India	BUY	328	242
13	Petronet LNG	BUY	351	236
14	Reliance Industries	UR	-	2,556

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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