

November 22, 2021

## Event Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	2,955		2,955	
Sales (Rs. m)	45,47,950	47,65,334	45,47,950	47,65,334
% Chng.	-	-	-	-
EBITDA (Rs. m)	7,25,513	7,55,312	7,25,513	7,55,312
% Chng.	-	-	-	-
EPS (Rs.)	89.3	93.6	89.3	93.6
% Chng.	-	-	-	-

### 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	13.9
Yield (%)	0.3	0.3	0.5	0.6
RoE (%)	6.1	7.3	10.1	10.1
RoCE (%)	3.7	5.6	7.7	7.8
EV/Sales (x)	6.9	4.0	3.2	3.0
EV/EBITDA (x)	50.4	30.6	20.3	19.1
PE (x)	57.7	42.6	27.7	26.4
P/BV (x)	3.4	2.9	2.7	2.7

### Key Data

### RELI.BO | RIL IN

52-W High / Low	Rs.2,802 / Rs.1,746
Sensex / Nifty	59,636 / 17,765
Market Cap	Rs.16,211bn/ \$ 2,18,372m
Shares Outstanding	6,343m
3M Avg. Daily Value	Rs.31260.09m

### Shareholding Pattern (%)

Promoter's	50.61
Foreign	25.39
Domestic Institution	13.22
Public & Others	10.78
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.7)	24.4	24.5
Relative	(5.4)	4.7	(7.8)

### Avishhek Datta

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## Aramco deal call off a sentiment dampener

### Quick Pointers:

- Non consumption of deal is negative; but we don't rule out more broad based partnership in future.
- Recent stock price correction offers an attractive entry point; we expect multiple value unlocking opportunities at play.

**RIL and Saudi Aramco decided not to proceed with 20% stake sale in RIL's Oil to Chemical (O2C) hydrocarbon business. This is negative as it would have given RIL an access to latest petrochemicals technologies along with assured crude supplies. RIL has made strong move towards net zero plan by 2035 and plan investment in solar energy, advanced energy storage, electrolyser and fuel cell. Accordingly, we don't rule out possibility of more broad based partnership encompassing hydrocarbons and renewables in future, given their long relationship. Also recovering crude oil prices (USD72.8/bbl average realization) has turned around the fortunes of Aramco with free cash flows of USD28.7bn as of Sept-21 end, which could have been used for future investments.**

**We have ascribed USD81bn valuation to its O2C business (which is 9% premium to earlier deal value) and did not factor in any benefit from the deal pending finalization, accordingly our valuation remains unchanged. RIL's well diversified business model makes it a perfect growth story and is well positioned to incubate new business and pursue inorganic opportunities with liquid BS. Maintain 'BUY' with a PT of Rs2,955.**

**A win-win deal that didn't get through:** RIL in their 2019 AGM mentioned signing of non-binding agreement with Saudi Aramco for 20% stake in RIL's hydrocarbon business at USD15bn (EV of USD75bn). However, deal got delayed due to pandemic. Recently at RIL's AGM, chairman reiterated possibility of concluding the deal by CY21. Accordingly, its non-consumption is surprising in our view, because it would have been a fruitful partnership. RIL would have got access to latest petchem technology and access to preferential terms for crude supplies, while Aramco would have got access to one of the fastest growing Indian markets.

**A reworked deal might be in offing:** RIL recently tried to move the business towards renewable energy and announced big plans across solar and hydrogen business. Accordingly, we don't rule out possibilities of more broad based agreement in future involving hydrocarbon and renewable energy. We have valued the O2C business at USD81bn based on 9x FY23 EV/E which is at 9% premium to proposed deal value of USD75bn. Accordingly we don't expect any material downgrade in the segment valuation.

**Valuation unchanged:** Our PT had not factored in any benefits accruing from the Aramco deal pending finalization. Accordingly, we leave our earnings and PT unchanged. Recent price correction in our view offers attractive entry point given multiple growth drivers which RIL offers. Maintain BUY.

**Exhibit 1: RIL 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
<b>Key investments</b>			
- 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
<b>Total value of investments &amp; other assets</b>	<b>1,19,99,177</b>	<b>1,892</b>	
<b>Equity value (Rs m)</b>	<b>1,87,33,509</b>	<b>2,955</b>	

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>24,56,670</b>	<b>39,26,031</b>	<b>45,47,950</b>	<b>47,65,334</b>
YoY gr. (%)	(26.9)	59.8	15.8	4.8
Cost of Goods Sold	19,89,154	32,14,463	36,13,158	37,86,093
Gross Profit	4,67,516	7,11,568	9,34,791	9,79,241
Margin (%)	19.0	18.1	20.6	20.5
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>3,35,000</b>	<b>5,15,981</b>	<b>7,25,513</b>	<b>7,55,312</b>
YoY gr. (%)	(35.4)	54.0	40.6	4.1
Margin (%)	13.6	13.1	16.0	15.9
Depreciation and Amortization	91,990	1,18,320	1,31,077	1,33,035
<b>EBIT</b>	<b>2,43,010</b>	<b>3,97,661</b>	<b>5,94,436</b>	<b>6,22,278</b>
Margin (%)	9.9	10.1	13.1	13.1
Net Interest	1,62,110	56,160	32,316	31,028
Other Income	1,48,180	1,60,100	2,19,400	2,28,628
<b>Profit Before Tax</b>	<b>2,29,080</b>	<b>5,01,600</b>	<b>7,81,520</b>	<b>8,19,878</b>
Margin (%)	9.3	12.8	17.2	17.2
Total Tax	(47,320)	1,27,272	2,05,865	2,16,483
Effective tax rate (%)	(20.7)	25.4	26.3	26.4
<b>Profit after tax</b>	<b>2,76,400</b>	<b>3,74,328</b>	<b>5,75,654</b>	<b>6,03,395</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,76,400</b>	<b>3,74,328</b>	<b>5,75,654</b>	<b>6,03,395</b>
YoY gr. (%)	(21.4)	35.4	53.8	4.8
Margin (%)	11.3	9.5	12.7	12.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,76,400</b>	<b>3,74,328</b>	<b>5,75,654</b>	<b>6,03,395</b>
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	2,76,400	3,74,328	5,75,654	6,03,395
<b>Equity Shares O/s (m)</b>	<b>6,445</b>	<b>6,445</b>	<b>6,445</b>	<b>6,445</b>
<b>EPS (Rs)</b>	<b>42.9</b>	<b>58.1</b>	<b>89.3</b>	<b>93.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>42,45,210</b>	<b>46,37,210</b>	<b>47,82,210</b>	<b>49,27,210</b>
Tangibles	42,45,210	46,37,210	47,82,210	49,27,210
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>13,24,290</b>	<b>14,42,610</b>	<b>15,73,687</b>	<b>17,06,722</b>
Tangibles	13,24,290	14,42,610	15,73,687	17,06,722
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>29,20,920</b>	<b>31,94,600</b>	<b>32,08,523</b>	<b>32,20,488</b>
Tangibles	29,20,920	31,94,600	32,08,523	32,20,488
Intangibles	-	-	-	-
Capital Work In Progress	3,28,350	2,65,700	2,65,700	2,65,700
Goodwill	1,47,410	1,47,410	1,47,410	1,47,410
Non-Current Investments	31,83,180	28,45,810	24,78,932	21,16,258
Net Deferred tax assets	(3,07,880)	(3,17,539)	(3,32,080)	(3,51,361)
Other Non-Current Assets	49,680	51,667	53,734	55,883
<b>Current Assets</b>				
Investments	9,46,650	9,75,050	10,04,301	10,34,430
Inventories	3,74,370	3,87,225	3,98,724	4,17,783
Trade receivables	41,590	1,07,562	1,24,601	1,30,557
Cash & Bank Balance	55,730	12,65,645	22,28,363	25,37,166
Other Current Assets	83,320	89,152	95,393	1,02,071
<b>Total Assets</b>	<b>87,36,730</b>	<b>99,77,739</b>	<b>1,06,98,952</b>	<b>1,07,69,545</b>
<b>Equity</b>				
Equity Share Capital	64,450	64,450	64,450	64,450
Other Equity	46,80,300	53,95,361	58,83,994	58,83,994
<b>Total Networkth</b>	<b>47,44,750</b>	<b>54,59,811</b>	<b>59,48,444</b>	<b>59,48,444</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	16,05,980	17,02,980	16,02,980	15,02,980
Provisions	14,990	17,988	22,485	28,106
Other non current liabilities	5,040	6,048	7,258	8,709
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	3,31,520	3,64,672	4,37,606	5,25,128
Trade payables	8,69,990	12,90,750	15,57,517	16,31,964
Other current liabilities	8,16,360	7,69,783	7,30,372	6,97,591
<b>Total Equity &amp; Liabilities</b>	<b>87,36,650</b>	<b>99,77,739</b>	<b>1,06,98,952</b>	<b>1,07,69,545</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	2,29,080	5,01,600	7,81,520	8,19,878
Add. Depreciation	91,990	1,18,320	1,31,077	1,33,035
Add. Interest	1,62,110	56,160	32,316	31,028
Less Financial Other Income	1,48,180	1,60,100	2,19,400	2,28,628
Add. Other	-	-	-	-
Op. profit before WC changes	4,83,180	6,76,080	9,44,913	9,83,941
Net Changes-WC	(17,77,130)	2,38,443	2,00,752	18,927
Direct tax	47,320	(1,27,272)	(2,05,865)	(2,16,483)
<b>Net cash from Op. activities</b>	<b>(12,46,630)</b>	<b>7,87,251</b>	<b>9,39,799</b>	<b>7,86,385</b>
Capital expenditures	(1,44,310)	(3,29,350)	(1,45,000)	(1,45,000)
Interest / Dividend Income	-	-	-	-
Others	16,64,530	3,37,370	3,14,320	3,14,320
<b>Net Cash from Inv. activities</b>	<b>15,20,220</b>	<b>8,020</b>	<b>1,69,320</b>	<b>1,69,320</b>
Issue of share cap. / premium	2,64,403	3,95,255	-	(5,13,550)
Debt changes	(3,62,770)	1,30,152	(27,066)	(12,479)
Dividend paid	(41,893)	(54,523)	(87,021)	(89,845)
Interest paid	(1,62,110)	(56,160)	(32,316)	(31,028)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(3,02,370)</b>	<b>4,14,724</b>	<b>(1,46,402)</b>	<b>(6,46,902)</b>
<b>Net change in cash</b>	<b>(28,780)</b>	<b>12,09,995</b>	<b>9,62,717</b>	<b>3,08,803</b>
Free Cash Flow	(13,90,940)	4,57,901	7,94,799	6,41,385

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
<b>Net Revenue</b>	<b>6,74,000</b>	<b>8,59,770</b>	<b>9,05,700</b>	<b>10,34,180</b>
YoY gr. (%)	(25.3)	11.7	79.5	68.9
Raw Material Expenses	5,01,020	6,55,710	6,80,070	7,91,690
Gross Profit	1,72,980	2,04,060	2,25,630	2,42,490
Margin (%)	25.7	23.7	24.9	23.4
<b>EBITDA</b>	<b>86,900</b>	<b>1,01,930</b>	<b>1,14,600</b>	<b>1,23,770</b>
YoY gr. (%)	(32.9)	(10.1)	60.8	61.9
Margin (%)	12.9	11.9	12.7	12.0
Depreciation / Depletion	22,090	25,820	25,090	27,050
<b>EBIT</b>	<b>64,810</b>	<b>76,110</b>	<b>89,510</b>	<b>96,720</b>
Margin (%)	9.6	8.9	9.9	9.4
Net Interest	31,400	30,010	23,510	24,870
Other Income	36,160	27,970	35,880	37,690
<b>Profit before Tax</b>	<b>69,570</b>	<b>74,070</b>	<b>1,01,880</b>	<b>1,09,540</b>
Margin (%)	10.3	8.6	11.2	10.6
Total Tax	(17,870)	(2,100)	15,930	17,260
Effective tax rate (%)	(25.7)	(2.8)	15.6	15.8
<b>Profit after Tax</b>	<b>87,440</b>	<b>76,170</b>	<b>85,950</b>	<b>92,280</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>87,440</b>	<b>76,170</b>	<b>85,950</b>	<b>92,280</b>
YoY gr. (%)	(8.8)	195.2	(11.9)	41.0
Margin (%)	13.0	8.9	9.5	8.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>87,440</b>	<b>76,170</b>	<b>85,950</b>	<b>92,280</b>
YoY gr. (%)	(8.8)	195.2	(11.9)	41.0
Margin (%)	13.0	8.9	9.5	8.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>87,440</b>	<b>76,170</b>	<b>85,950</b>	<b>92,280</b>
Avg. Shares O/s (m)	6,445	6,445	6,445	6,445
<b>EPS (Rs)</b>	<b>13.6</b>	<b>11.8</b>	<b>13.3</b>	<b>14.3</b>

Source: Company Data, PL Research

**Key Financial Metrics**

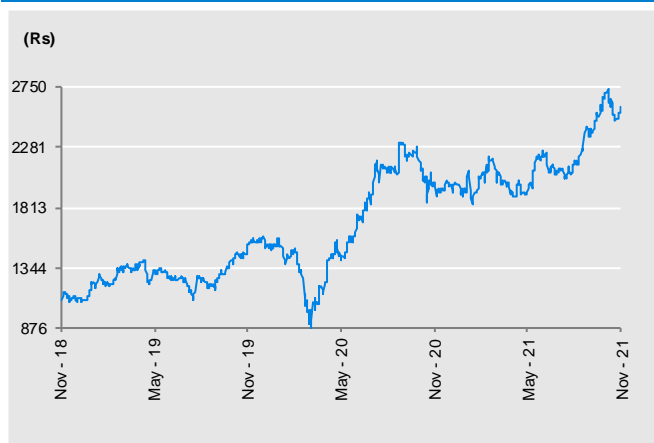
Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	42.9	58.1	89.3	93.6
CEPS	57.2	76.4	109.7	114.3
BVPS	736.2	847.1	923.0	923.0
FCF	(215.8)	71.0	123.3	99.5
DPS	6.5	8.5	13.5	13.9
<b>Return Ratio(%)</b>				
RoCE	3.7	5.6	7.7	7.8
ROIC	3.1	5.1	8.0	8.6
RoE	6.1	7.3	10.1	10.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.2	0.0	(0.2)	(0.3)
Net Working Capital (Days)	(67)	(74)	(83)	(83)
<b>Valuation(x)</b>				
PER	57.7	42.6	27.7	26.4
P/B	3.4	2.9	2.7	2.7
P/CEPS	64.0	85.5	122.7	127.9
EV/EBITDA	50.4	30.6	20.3	19.1
EV/Sales	6.9	4.0	3.2	3.0
Dividend Yield (%)	0.3	0.3	0.5	0.6

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 thput (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	25-Oct-21	BUY	2,955	2,627
2	11-Oct-21	BUY	2,955	2,653
3	05-Oct-21	UR	-	2,556
4	25-Jul-21	BUY	2,416	2,106
5	02-Jul-21	UR	-	2,129
6	01-May-21	BUY	2,256	1,995
7	05-Apr-21	BUY	2,232	1,992
8	23-Feb-21	BUY	2,232	2,008
9	24-Jan-21	BUY	2,232	2,050
10	08-Jan-21	BUY	2,232	1,911

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	589	418
2	Burger King India	BUY	250	168
3	GAIL (India)	BUY	184	149
4	Gujarat Gas	BUY	845	594
5	Hindustan Petroleum Corporation	BUY	445	303
6	Indian Oil Corporation	BUY	205	132
7	Indraprastha Gas	BUY	662	494
8	Mahanagar Gas	BUY	1,345	997
9	Oil & Natural Gas Corporation	BUY	210	155
10	Oil India	BUY	351	217
11	Petronet LNG	BUY	351	235
12	Reliance Industries	BUY	2,955	2,627

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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