

REDUCE

TP: Rs 1,820 | ▼ 1%

RELIANCE INDUSTRIES

Oil & Gas

15 July 2020

AGM highlights – Expanding lateral offerings

Chairman Mukesh Ambani in his 43rd AGM speech expounded on his vision of expanding lateral offerings across business verticals. Key highlights:

RJio's GLOCAL intent – Google + 5G + lateral offerings: Google's US\$ 4.5bn stake buy in RJio (7.7%, at Rs 4.4tn valuation) follows Facebook's strategic interest. This deal is aligned towards building an Android-based OS for RJio's entry-level 4G (and eventually 5G) smartphones, with the intent of upgrading its >100mn featurephone users. RJio also claimed to have designed a complete 5G solution that could spearhead its initiative of transitioning its >400mn wireless subscribers to 5G and also target the 350mn 2G subscribers through its entry-level phone offering.

RJio showcased lateral offerings such as JIO Meet, JIO Glass and JIO TV+ that are aimed at amplifying the use of its data service offerings. With an overall ~33% stake sale in RJio, RIL has created a massive war chest of both cash and strategic knowhow. The company aims to scale its communications solutions and services globally (built from local R&D – hence GLOCAL) through its partnerships with Facebook and Google.

Retail – strategic stake sales could unlock further value: The retail business's massive scale and reach across the hinterland through its 11,800 stores offers a platform to extend the JioMart initiative across the country. With Facebook's strategic support, JioMart would integrate its connectivity solution with physical small-scale grocery (kirana) stores. This would be scaled up across the company's retail footprint and extended to other formats such as electronics, fashion and pharma. As with RJio, RIL may undertake strategic stake sales to extend its retail offerings.

Aramco deal delayed; RIL may explore other partners: As expected, RIL's US\$ 15bn potential fund raise through a 25% stake sale in its Oil-to-Chemicals business to Saudi Aramco has been delayed. RIL indicated that several global companies have evinced interest. The company, however, intends to file its proposal for demerging the Oil-to-Chemicals business with NCLT.

Pricing in deleveraging – time for earnings delivery: As highlighted in our [recent RIL Annual Report analysis](#), we believe most of the deleveraging initiatives are priced in at current valuations of 16x FY22E EPS, given the downside risk to cyclical earnings. Stake sale in the retail business may alter our view.

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Ticker/Price	RIL IN/Rs 1,844
Market cap	US\$ 165.8bn
Shares o/s	6,762mn
3M ADV	US\$ 471.3mn
52wk high/low	Rs 1,979/Rs 876
Promoter/FPI/DII	50%/24%/26%

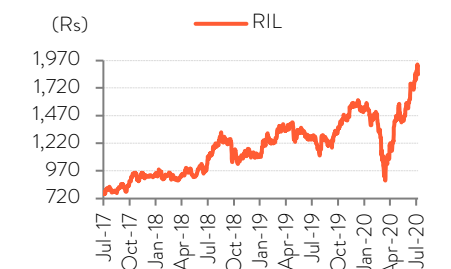
Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY21E	FY22E	FY23E
Total revenue (Rs bn)	3,786	4,775	4,584
EBITDA (Rs bn)	939	1,393	1,710
Adj. net profit (Rs bn)	485	796	1,072
Adj. EPS (Rs)	71.7	117.7	158.6
Adj. EPS growth (%)	9.3	64.2	34.7
Adj. ROAE (%)	10.5	14.2	16.5
Adj. P/E (x)	25.7	15.7	11.6
EV/EBITDA (x)	16.2	10.7	8.5

Source: Company, BOBCAPS Research

STOCK PERFORMANCE



Source: NSE

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

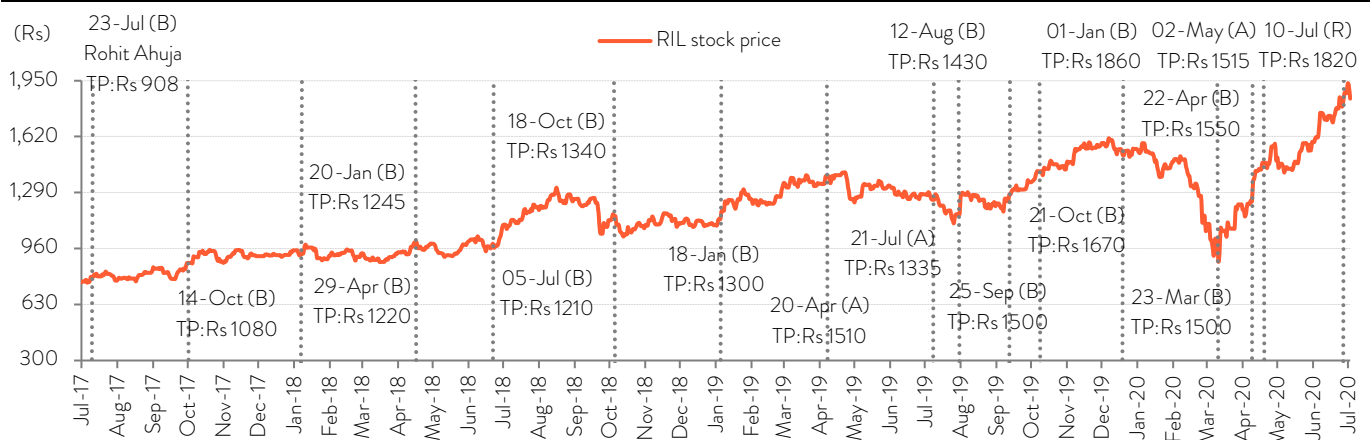
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: RELIANCE INDUSTRIES (RIL IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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