

RELIANCE INDUSTRIES LTD. (RIL)

Reliance Industries Ltd. (RIL) is India's largest company with a dominant presence in Refining, Petrochemicals, Telecom and Retail businesses. RIL has built up a dominant telecom business and has already attained market leader status with 38.75 cr. subscribers at the end of Q4FY20. The company has also built a very strong retail business which is the largest organized retailing company in India. Refining and petrochemicals business would be a stable low growth business for RIL going forward.

We believe that the Telecom business will witness robust growth over next few years due to tariff hikes and shift of subscribers from Vodafone Idea to other telecom players. The retail business too would be a key value driver for the company and would now also look at leveraging on technology of Jio platforms in order to expand it's model to online from being a pure offline player.

The Company has recently been monetizing it's stake in JIO Platforms which is the digital arm of the company and also the holding company for the telecom business. The company has so far sold 14.8% stake in JIO Platforms for a total consideration of ₹ 67,195 cr. to marquee investors like Facebook, Silver lake, General Atlantic and Vista. The consideration received by the company for it's stake in JIO Platforms along with the proceeds of the right issue will be used to repay debt.

Outlook & Recommendation: The Company is offering shares to existing investors in the ratio of 1:15 at a price of ₹ 1,257 per share out of which 25% needs to be paid on application while 25% would need to be paid in May 2021 and balance 50% in November 2021. **We are positive on the future prospects of the company on the back of strong traction in digital and retail business and currently have a BUY rating on the stock with a SOTP based target price of ₹ 1,748. We would therefore recommend investors to SUBSCRIBE to the rights issue.**

Key Financials (Standalone)

| Y/E March (₹ cr) | FY19 | FY20 | FY21E | FY22E |
|-------------------|----------|----------|----------|----------|
| Net Sales | 3,85,501 | 3,50,880 | 3,73,215 | 4,57,539 |
| % chg | 32.9% | -9.0% | 6.4% | 22.6% |
| Net Profit | 35,163 | 30,903 | 30,272 | 37,510 |
| % chg | 4.6% | -12.1% | -2.0% | 23.9% |
| EBITDA (%) | 15.3% | 14.8% | 13.8% | 13.3% |
| EPS (Rs) | 55.5 | 48.8 | 47.8 | 59.2 |
| P/E (x) | 25.4 | 28.9 | 29.5 | 23.8 |
| P/BV (x) | 2.2 | 2.0 | 1.9 | 1.9 |
| RoE (%) | 8.7% | 8.4% | 6.4% | 7.8% |
| RoCE (%) | 10.5% | 9.2% | 8.4% | 10.0% |
| EV/EBITDA | 29.4 | 29.1 | 34.7 | 29.4 |
| EV/Sales | 3.2 | 3.7 | 4.8 | 3.9 |

Source: Company, Angel Research; Note: Valuation ratios based at closing price for 19th May 2020.

SUBSCRIBE

Issue Open: May 20, 2020

Issue Close: June 03, 2020

Present Eq. Paid up Capital: ₹ 6,339cr

Rights Offer: 46.26cr Shares

Post Eq. Paid up Capital: ₹ 6,766cr

Issue size (amt): ₹ 53,125cr

Offer Price ₹ 1,257

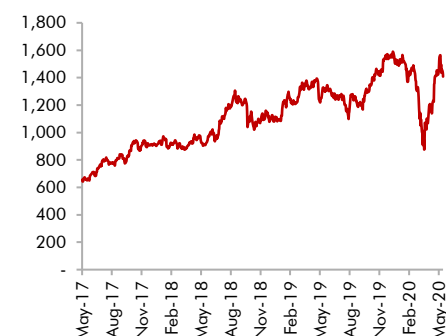
Stock Info

| Sector | Diversified |
|--------------------|-------------|
| Market Cap (₹ cr) | 892,626 |
| 52 Week High / Low | 1603/867 |
| Face Value (₹) | 10 |
| BSE Sensex | 30,196 |
| Nifty | 8,879 |
| Reuters Code | RELI.NS |
| Bloomberg Code | RIL.IN |

Shareholding Pattern (%)

| | |
|-------------------------|------|
| Promoters | 48.9 |
| MF / Banks / Indian FIs | 13.5 |
| FII / NRIs / OCBs | 23.5 |
| Indian Public / Others | 14.1 |

3 Year Price Chart:



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| Ratings (Based on Expected Returns: Over 12 months investment period) | <i>Buy (> 15%)</i> | <i>Accumulate (5% to 15%)</i> | <i>Neutral (-5 to 5%)</i> |
| | | <i>Reduce (-5% to -15%)</i> | <i>Sell (< -15%)</i> |
| | | <i>Hold (Fresh purchase not recommended)</i> | |