



Today's top research idea

Reliance Industries | FY22 AGM: 5G, new energy, and FMCG foray in focus

- ❖ The AGM discussed company's ambitious plans across business verticals particularly the ensuing 5G launch, FMCG foray and new energy investments.
- ❖ RJio's plan to launch 5G services over the next two months across major cities and Pan India by Dec'23 with an estimated investment of INR2,000b.
- ❖ The Retail segment is seeing continued expansion through physical as well as digital platforms coupled with launch of FMCG biz.
- ❖ The O2C announced capex investment of INR750b, while the new energy saw announcement of 100% stake in REC along with commencement of upcoming 10GW solar PV cell and module production capacity by CY24, and b) targeted 20GW capacity by CY26.
- ❖ Over the next 2-3 years this could create the next engine of growth with large technological advancement and ambitious growth targets. But it could dent the existing single digit return ratios in the near term. We reiterate our BUY rating with a TP of INR2,880.

Market snapshot



Equities - India	Close	Chg. %	CYTD.%
Sensex	57,973	-1.5	-0.5
Nifty-50	17,313	-1.4	-0.2
Nifty-M 100	30,854	-0.8	1.3
Equities-Global	Close	Chg. %	CYTD.%
S&P 500	4,031	-0.7	-15.4
Nasdaq	12,018	-1.0	-23.2
FTSE 100	7,427	0.0	0.6
DAX	12,893	-0.6	-18.8
Hang Seng	6,872	-0.7	-16.6
Nikkei 225	27,879	-2.7	-3.2
Currency	Close	Chg. %	CYTD.%
USD/INR	80.0	0.1	7.6
USD/EUR	1.0	0.3	-12.1
USD/JPY	138.7	0.8	20.5
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	7.3	0.03	0.8
10 Yrs AAA Corp	7.6	0.03	0.6
Flows (USD b)	29-Aug	MTD	CY21
FII's	-0.07	5.93	-21.72
DII's	0.02	-0.79	27.27
Volumes (INRb)	29-Aug	MTD*	YTD*
Cash	582	633	622
F&O	93,361	1,33,761	1,05,761

Note: *Average



Research covered

Cos/Sector	Key Highlights
Reliance Industries	FY22 AGM: 5G, new energy, and FMCG foray in focus
Financials	The ensuing FinTech revolution in Wealth Management for the mass affluent
Metals Weekly	China stimulus inadequate, but non-ferrous reacts positively



Piping hot news

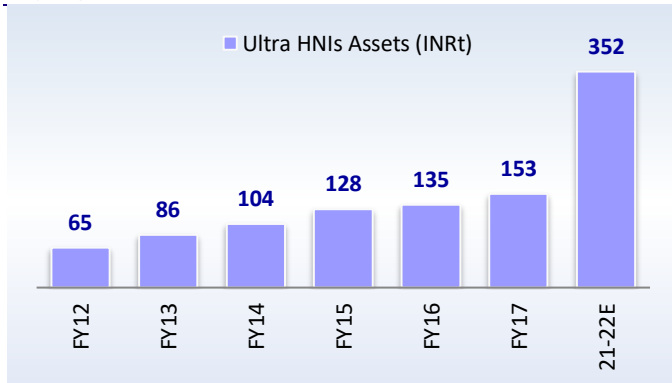
NPA rate under ECLGS at 4.8 per cent in March 2022: Report

The rate of loan default or NPA under the Emergency Credit Line Guarantee Scheme (ECLGS) introduced after the onset of the COVID-19 pandemic was 4.8 per cent as of March 2022, according to a report. The Non Performing Assets (NPAs) are higher in the services and infrastructure sectors, which are largely driven...



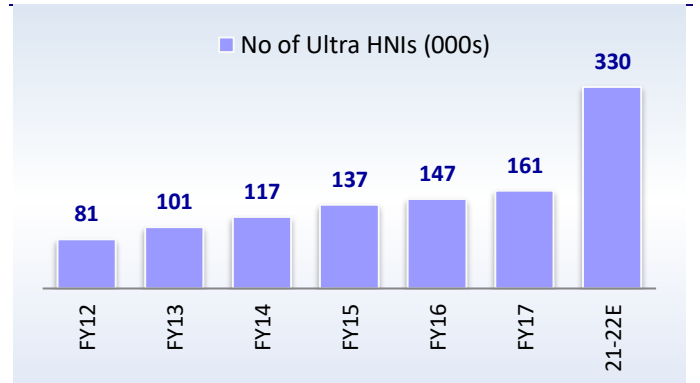
Chart of the Day: Financials (The ensuing FinTech revolution in Wealth Management for the mass affluent)

Rapid growth in assets (over INR500m)...



Source: MOFSL, DRHP Anand Rathi Wealth

...as well as the number of UHNIs



Source: MOFSL, DRHP Anand Rathi Wealth

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1

NPA rate under ECLGS at 4.8 per cent in March 2022: Report

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2

In commitment to O2C business, Reliance to invest Rs 75,000 cr in petchem expansion

Reliance Industries NSE -0.78 % chairman Mukesh Ambani announced an investment for Rs 75,000 crore in the next five years in the petrochemical business. On the occasion of the 45th AGM, Ambani said that the new investments will be in setting up a PTA plant, expanding polyester capacity, tripling capacity of vinyl chain and a chemical unit in UAE. The announcement signifies the Reliance's commitment to the O2C business at a time when the focus of the group has been on the diversification in telecom, retail and new energy.

3

Centre looks to tweak natural gas pricing policy

The government is planning to overhaul the natural gas pricing policy with an aim to cushion consumers from global shocks and ensure fair rates for both buyers and producers, according to people familiar with the matter.

4

L&T Tech Services wins 5-year deal from BMW Group in infotainment domain

Engineering services firm L&T Technology Services announced on Monday that it has won a five-year, multi-million-dollar deal from European luxury automaker BMW Group to provide high-end engineering services for its suite of infotainment consoles targeted for its family of hybrid vehicles.

5

Droom Technology bets on four-fold demand in EVs by next three years

Lightbox Ventures-backed online vehicle marketplace Droom Technology expects demand for electric vehicles to grow four-fold in the next three years, amid a sharp rise in fuel prices and an increased push from the government to accelerate the shift towards e-mobility.

6

Reliance to develop new smartphone with Google in \$25-bn 5G push

India's telecom leader Reliance said on Monday it is working with Alphabet Inc's Google to launch a budget 5G smartphone as it laid out a \$25 billion plan for introducing the next-generation wireless services within two months.

7

Looking at duty-free access for ODOP products in FTAs: Piyush Goyal

Commerce and industry minister Piyush Goyal on Monday said that India is looking at getting duty-free access for different products identified under the government's One District One Product (ODOP) initiative to promote exports of gold jewellery, toys, handicrafts...

Reliance Industries

BSE SENSEX 57,973
S&P CNX 17,313

CMP: INR2,597 TP: INR2,880(+11%)

BUY



Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USD\$b)	17574.6/ 219.8
52-Week Range (INR)	2855 / 2130
1, 6, 12 Rel. Per (%)	3/7/13
12M Avg Val (INR M)	18435
Free float (%)	50.9
Bloomberg	RIL IN

Financials Snapshot (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	7,000	8,591	8,873
EBITDA	1,105	1,457	1,470
Adj PAT	584	792	807
EBITDA (%)	16%	17%	17%
EPS (INR)	86.4	117.1	119.3
EPS Gr. (%)	27%	36%	2%
BV/Sh. (INR)	1,209	1,322	1,439

Ratios

Net D/E	0.3	0.3	0.2
RoE (%)	7.9	9.7	9.1
RoCE (%)	7.8	8.8	8.6

Valuations

P/E (x)	30.1	22.2	21.8
P/BV (x)	2.1	2.0	1.8
EV/EBITDA (x)	18.1	13.7	13.3

FY22 AGM: 5G, new energy, and FMCG foray in focus

We attended the 45th AGM of RIL on 29th Aug'22, following are the key highlights from the event:

- The AGM touched upon the company's ambitious plans across business verticals, particularly the ensuing 5G launch, foray into the FMCG space, and new energy investments.
- **RJio** plans to launch 5G services over the next two months across major cities with a target to achieve a pan India coverage by Dec'23, incurring an investment of INR2,000b. It also plans to launch JioAir, a 5G wireless device that will accelerate its home broadband services. With the rollout of 5G services and usage of connected devices, the management expects the overall industry subscriber base to double to 1.5b.
- **Media:** It plans to make inroads in the digital space, with investments in movie rights, original OTT content, and sports content across the spectrum.
- **Retail:** It will continue to expand in all categories (Grocery, Electronics, Fashion, and Pharma) through physical as well as digital platforms. It also plans to foray into the FMCG space, thanks to its sizeable private label business.
- **O2C:** It announced a capex investment of INR750b, underscoring capex towards a) a single train PTA plant of 3mmtpa capacity, b) 1mmtpa PET capacity, c) 1mmtpa polyester capacity, and d) an increase of ~3x in vinyl chain capacity from its existing capacity (1.5mmtpa integrated) by CY26.
- **New energy:** It recently acquired 100% stake in REC Solar, which specializes in solar panels. In addition to the earlier announcements, it highlighted the following: a) an upcoming 10GW solar PV cell and module production capacity by CY24, and b) targeted 20GW capacity by CY26 as part of the five GIGA factories under process.

Valuation and view

We expect consolidated revenue/EBITDA to clock 13%/15% CAGR over FY22-24, which does not factor any incremental growth from 5G capex, new energy, and other segments. Retail, Telecom, and new energy can be the next growth engines over the next two-to-three years, given the large technological advancements and ambitious growth targets. However, the same can dent its existing single-digit return ratios in the near term.

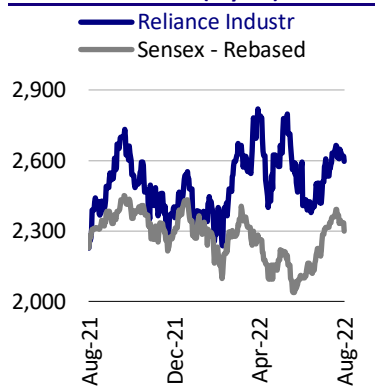
We value the Refining and Petrochemical segment at an FY24 EV/EBITDA ratio of 7.5x, arriving at a SoTP valuation of INR721/share for the standalone business. We ascribe an equity valuation of INR1,027/share to RJio and INR1,202/share to Reliance Retail, factoring in the recent stake sale. Our higher EV/EBITDA multiple of 41x for Retail and 19x for Digital Services, underscore new growth opportunities in the Digital space and steady market share gains. We reiterate our BUY rating with a TP of INR2,880.

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	49.1	49.1	49.1
DII	14.4	14.0	12.9
FII	26.2	26.6	27.3
Others	10.3	10.4	10.7

FII Includes depository receipts

Stock Performance (1-year)



Announces a capex of INR750b in O2C over the next five years

- At present, the KG-D6 fields contribute 20% to overall gas production. However, the same will rise to 30% of India’s total gas production after the complete commissioning of the MJ field over the next few months.
- RIL has announced a capex of INR750b over the next five years, which includes a single-train PTA plant of 3mmtpa capacity, 1mmtpa PET capacity, 1mmtpa polyester capacity, and an increase of ~3x in their vinyl chain capacity from its existing capacity (1.5mmtpa integrated) by CY26.
- The management has guided at a 20,000mtpa carbon fiber plant, based on acrylonitrile, by CY25 and will commence production of acrylonitrile by CY23. It will double its PET recycling bottling plant capacity, which is used to recycle plastic bottles.
- It has replaced 5% of its energy consumption with green power and steam within a year of usage via a biomass energy plant at Dahej and Hazira.

New energy businesses

- The total global investment required for new energy stands at USD5t.
- After the announcement of four Giga-factories at its last AGM (CY21), it announced its fifth Giga power electronics factory, which will help it achieve its renewable energy aim.
- RIL recently acquired 100% stake in REC Solar, which specializes in solar panels and renewable solar energy. It is in the expansion phase and will increase capacity to 1.8GW in Singapore from 1.2GW, which will indirectly help RIL.
- REC Solar is in the process of adding 10GW solar PV cell and module production capacity by CY24, and is targeting 20GW capacity by CY26. RIL aims to start production of battery packs by CY23 and aims to scale up the same by CY27.
- The management expects a complete transition to green hydrogen from gray hydrogen by CY25.

Digital services

- RJio has consolidated its position as India’s numero uno digital service provider, with 421m mobile broadband subscribers on its 4G network.
- Average monthly data consumption stands at 20GB, up ~2x YoY.
- Jio Fiber has a pan India fiber optic network of 1.1m km, with 7m connected premises.
- Despite overall fixed broadband connections of 20m, the management feels there is still a lot of penetration left within this segment.

5G services:

- RIL aims to scale up its 5G network on the back of three major premises, which include: a) its 4G capabilities and advanced services, b) its fixed broadband services, and c) adoption of connected intelligent solutions.
- Unlike peers, it aims to launch 5G services on its standalone infrastructure, with zero dependency on its 4G network, coupled with the largest and most appropriate mix of spectrum acquired (3500MHz and 26GHz bands, along with 700MHz for indoor coverage).
- With an estimated investment of INR2,000b, it is on track to roll out 5G services in Delhi, Mumbai, Chennai, and Kolkata by Diwali. It is targeting a pan-India rollout by Dec’23.
- It will also offer private 5G solutions and private networks for enterprises, focusing on automation and optimization of energy consumption.
- RJio will offer ‘Jio air fibre’, a home gateway wireless device, for personal Wi-Fi.

- It plans to broadcast IPL on its digital platform via diverse video streams and multiple camera angles.
- RIL will open its 5G experience center in Mumbai for the display of 5G used case services.
- The company has a collaboration with the following players:
 - **Meta** for understanding and realizing immersive technology in the metaverse.
 - **Google** to manufacture ultra-affordable 5G smartphone and Google Cloud for 5G solutions to users.
 - **Microsoft** for understanding the Azure ecosystem business application for SME businesses.
 - **Intel** for scaling up of data centers.
 - **Qualcomm** for working on a Cloud native scalable 5G network in the sub-600MHz section.
- It has identified 800m connected devices, which can it increase to 1.5b devices in the near term.

Media

- Subsidiary Viacom 18 announced its foray into the Sports segment by bagging the digital rights to broadcast IPL for the next five years.
- It is also looking to invest in movie rights and OTT content.

Retail

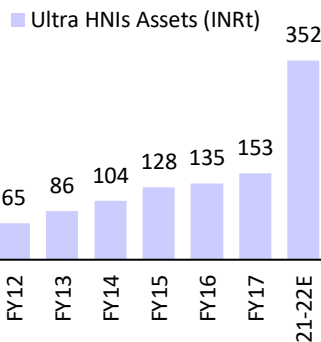
- Growth in this segment will be based on the *panch pran* philosophy:
 - Focus on customer experience in the digital and physical segment.
 - Growing multiple channels to improve reach, especially in rural India.
 - Offer maximum choice to customers by investing in design value, service, and experience.
 - Expand its product portfolio after partnering with MSMEs and other smaller players.
 - Strengthened its logistics and supply chain capabilities.
- The segment has 200m registered customers, with 520m customer walk-ins (up 18% YoY).
- **New commerce and Digital:**
 - Under digital commerce, it registered average daily orders of over 0.6m, up over 2.5x YoY.
 - Under new commerce, it has a merchant base of 2m partners, and is on course to onboard 10m merchants.
- **Grocery:**
 - JioMart has a presence in ~260 towns. It opened 2,500 new stores in FY22, taking its total count to over 15k, spread over 42m sq. ft.
 - It launched products under Staples and general merchandise, and announced a partnership between WhatsApp and JioMart.
- **Consumer Electronics:**
 - With over 8,700 stores and 200 service centers under this segment, it is one of the largest players in India.
 - Around 93% of online orders have been delivered within six hours.
- **Fashion and Apparel:**
 - The company has a presence in 3,500 towns and 8,000 brands.
 - In AJIO, ~80% of purchases are from repeat customers.
- It is looking to launch its FMCG business, which will market goods produced by tribal and other marginalized communities.



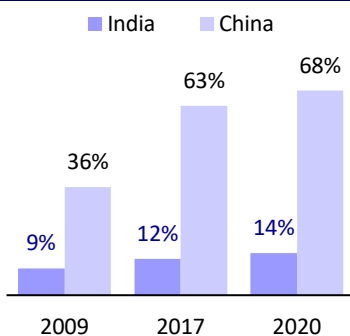
The ensuing FinTech revolution in Wealth Management for the mass affluent

- IIFWAM is planning to enter the mass affluent segment over the next few quarters. We met the founder Dezerv to understand the modalities and opportunities in this space.
- India is at the cusp of a massive uptrend in customers needing wealth management support, especially in digital mode. While the UHNI population is served by the organized wealth managers such as IIFLWAM, Julius Baer, the private client division of Banks, among others, the emerging HNI population is often ignored.
- Insurance agents, chartered accountants, or mutual fund advisors push products to this segment, and hence they do not get true portfolio management advice.
- Young (30-40 year olds) employees who are amassing wealth offers a huge scope for opportunity to the providers of Wealth Management services in the digital mode.
- Post our interaction, our confidence on overall growth of the Wealth Management business only got stronger.
- We maintain our Buy rating on IIFLWAM with a one-year TP of INR2,200.

Rapid growth in UHNI assets (over INR500m)



Wealth under professional management remains low



Differentiated business model amid a plethora of FinTechs

- Wealth Management involves value added services such as advisory, goal planning, and asset allocation. However, relative to the Western world, Indian customers show reluctance towards payment for such value added services.
- Amid the various WealthTech models in India, currently broking, mutual fund (MF) distribution, and robo advisory are the key ones. It is pertinent to create a differentiation to stand out among a plethora of companies.
- MFs play an important role in Wealth Management and there has been an increasing adoption of direct MF investments by digitally savvy customers. Nevertheless, WealthTech firms are innovating to add value by offering services.
- The business of Mass Affluent Digital Platform (MADP) is not comparable with the likes of Groww and Zerodha, which are transaction platforms, as the scale of business increases with an improvement in the market and vice versa. For MADPs, client stickiness will be better even in a falling market. The ideal competition is ICICI Direct, a bank RM, or an IFA.
- The traditional Wealth Management business model has a linear growth, wherein it is more dependent on the number of RMs getting added, while in the digital model those limitations are less.
- Competition is increasing, but the market is large enough for a few players to exist. The key reason for success in this segment is to focus on digitization, not automation, and the same has to flow from the top management.



Indian companies' valuations

	Price (INR)	EV/ EBITDA (x)		P/B (x)	
		FY23E	FY24E	FY23E	FY24E
Steel					
Tata	105	4.3	1.8	1.0	0.9
JSW	650	7.1	6.1	2.1	1.8
JSP	416	5.0	3.6	1.0	0.9
SAIL	80	4.9	2.4	0.6	0.6
Non-ferrous					
Vedanta	266	4.9	4.8	1.5	1.5
Hindalco	431	5.5	5.2	1.5	1.3
Nalco	80	5.0	3.2	1.1	1.0
Mining					
Coal	231	4.0	5.1	2.6	2.3
HZL	285	6.0	5.7	3.7	3.9
NMDC	124	6.1	5.2	1.0	0.9

Global companies' valuations

Company	M-cap USD b	EV/EBITDA (x)		P/B (x)	
		CY22/ FY23	CY23/ FY24	CY22/ FY23	CY23/ FY24
Steel					
AM	21	2.6	2.6	0.3	
SSAB	5	2.5	3.1	0.6	
Nucor	37	6.7	8.0	1.6	
POSCO	16	2.7	2.5	0.3	
JFE	7	5.6	5.9	0.4	
Aluminum					
Norsk Hydro	15	4.6	4.3	1.4	
Alcoa	10	3.8	3.0	1.5	
Zinc					
Teck	19	3.7	3.4	0.9	
Korea Zinc	9	7.1	6.7	1.3	
Iron ore					
Vale	64	2.9	3.2	1.4	
FMG	40	4.6	5.6	2.2	
Diversified					
BHP	147	4.6	5.4	2.9	
Rio	97	4.1	4.3	1.7	

China stimulus inadequate, but non-ferrous reacts positively

- China continues to announce small measures to revitalize the economy through targeted measures, though no big bang stimulus has been announced so far.
- Thermal price continued to rally by ~6% WoW as both Germany and the UK announced plans to defer the closure of thermal power plants, extend the lives of the existing ones and ban Russian coal leading to increase in global thermal coal prices last week. With winter approaching, we expect the near-term thermal coal prices to remain firm fueled by demand from Europe.
- Coking coal price also inched up ~1% WoW as weather deteriorated in the Queensland region in Australia.
- Domestic HRC price corrected ~1% while TMT also corrected marginally as international price continued to slide on weakening Chinese economy.
- However, announcement of stimulus in China has supported the non-ferrous pack with Copper/Aluminum/Zinc up ~3%/~5%/~4% WoW, respectively.

Commodities/forex tracker

		UoM	Spot	WoW (%)	MoM (%)
Steel	India HRC (ex-Mum)	INR/t	56,700	-1	-5
	India TMT Prime (ex-Mum)	INR/t	56,300	-1	-3
	India TMT Secondary (ex-Mum)	INR/t	55,500	-1	4
	Korea HRC - FoB	USD/t	555	-5	-21
	Dom. HRC (Prem/(Disc) v/s FTA)	INR/t	8,465	1,742 INR	8,616 INR
	China HRC Dom.	USD/t	586	1	2
	China HRC - FoB	USD/t	605	-2	-3
Coking coal	India Prem HCC CNF	USD/t	293	1	32
	India 64 Mid Vols CNF	USD/t	274	1	39
	India Low Vols PCI CNF	USD/t	293	1	37
Metals	Iron Ore Fines (Odisha Index) Fe 62%	INR/t	3,400	0	-4
	Iron Ore Fines (China - CNF) Fe 62%	USD/t	102	1	-2
	Europe Scrap HMS 1&2(80:20)	USD/t	460	-4	7
	C-DRI (ex-Raipur)	INR/t	35,200	0	-1
Thermal Coal	RB1 (6000 NAR) SA FoB	USD/t	367	5	6
	RB2 (5500 NAR), SA FoB	USD/t	230	0	-6
	Indonesia (4200 GAR) Futures	USD/t	81	5	-2
Non-Ferrous	Copper	USD/t	8,315	3	10
	Aluminum	USD/t	2,495	5	2
	Zinc	USD/t	3,678	4	17
	Lead	USD/t	1,998	-4	0
	Nickel	USD/t	21,540	-3	0
	Alumina	USD/t	330	0	-3
	Ali UBC Scrap	USD/t	1,764	3	5
Ali UBC Scrap Spread	USD/t	731	11	-4	
Bullion	Gold	USD/Oz	1,744	0	0
	Silver	"	19.3	0	0
FX	INR:USD	x	79.9	0	0
	USD:EUR	"	1.00	-1	-1
	USD:GBP	"	1.17	-1	-2
	CNY:USD	"	6.87	1	2
	JPY:USD	"	138	0	1



Concor: FY23 domestic growth seen at 30% vs 35% in FY22; V Kalyana Rama, CMD

- Land license fee will continue to be the same in FY23 as FY22
- Land license fee is 6% of industrial market value of land
- Land revenue authorities make changes to land value every 6 months
- Provided 25% value of land holdings
- Maintain FY23 volume guidance of 5 m TEUs
- FY23 domestic growth seen at 30% vs 35% in FY22

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Can Fin Homes: Demand is intact despite interest rates & realty costs going up; Girish Kousgi, MD & CEO

- Demand is intact despite interest rates & realty costs going up
- Saw slightly less demand in super premium segment
- 11-12% industry growth over a high base would be good this year
- Growth will come at the cost of NIM
- Expect asset quality to remain stable
- Credit cost will remain under control

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City Union Bank: All the points mentioned in the RBI report are satisfactorily addressed; N Kamakodi, MD & CEO

- All the points mentioned in the RBI report are satisfactorily addressed
- All the points that RBI report talks about, have been resolved
- There's not even a single outstanding point
- There is no impact on the P&L, explanations submitted to RBI, have been accepted
- If we sanctioned loans beyond norms, they would've been part of divergence
- There is no NPA that has come from gold loans

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Aptus Value Housing: Looking at loan growth of 25-30% in FY23; M Anandan, CMD

- We are looking at further improvement in asset quality
- Confident of bringing NPAs back to levels of 1% and below
- There is some spillover in NPAs, will bring them down
- Have hardly seen any write-offs in the last 10 years
- Have strong collection processes in place
- Increase in interest rates will not impact us much
- Looking at loan growth of 25-30% in FY23

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NOTES

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