

Reliance Industries

BSE SENSEX
 30,029

S&P CNX
 8,823

CMP: INR1,441 TP: INR1,713 (+19%)
Buy

Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USDb)	9132.9 / 121.8
52-Week Range (INR)	1603 / 867
1, 6, 12 Rel. Per (%)	24/25/36
12M Avg Val (INR M)	17587
Free float (%)	51.1

Financials Snapshot (INR b)

Y/E March	2020	2021E	2022E
Net Sales	5,957	5,358	6,873
EBITDA	879	902	1,197
Net Profit	432	421	622
Adj. EPS (INR)	68.1	66.4	98.1
EPS Gr. (%)	8.4	-2.5	47.8
BV/Sh. (INR)	715.1	776.7	867.2

Ratios

Net D:E	0.6	0.5	0.3
RoE (%)	10.3	8.9	11.9
RoCE (%)	8.5	7.7	9.9
Payout (%)	11.6	7.3	7.8

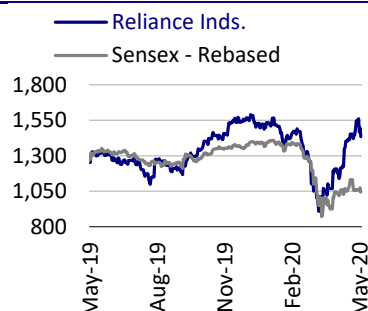
Valuations

P/E (x)	21.2	21.7	14.7
P/BV (x)	2.0	1.9	1.7
EV/EBITDA(x)	13.4	13.0	9.2
EV/Sales (x)	2.0	2.2	1.6
Div. Yield (%)	0.4	0.3	0.4

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	48.9	48.9	46.2
DII	13.6	14.2	12.2
FII	26.3	25.6	25.7
Others	11.2	11.4	16.0

FII Includes depository receipts

Stock Performance (1-year)


Seals fourth stake sale deal in Jio Platforms in a month

Global investor General Atlantic to buy 1.34% stake for INR66b

- In less than four weeks, Reliance Industries (RIL) has announced a fourth deal in which General Atlantic would invest INR66b in Jio Platforms for 1.34% equity stake at post-money equity value of INR4.91t (in-line) and EV of INR5.2t.
- Again, this deal showcases interest of global investors in Jio Platforms. Further, along with the previous three deals – Facebook (FB) ([see report](#)), Silver Lake ([see report](#)) and Vista ([see report](#)) – this deal could help RJio in realization of its digital plans.
- With recent capital reorganization, creation of InvIT and the recent stake sales (the four deals), Jio Platforms has virtually turned debt free. Its net debt now stands at INR28b.
- We value Jio Platforms by assigning an EV/EBITDA multiple of 13x on FY22E to arrive at a target price of INR855/share.

Contours of the General Atlantic deal

- RIL has announced that General Atlantic would invest INR66b in Jio Platforms for 1.34% equity stake at post-money equity value of INR4.91t and at enterprise value of INR5.2t.
- Jio Platforms' valuation in this deal is in line with the previous two deals – Silver Lake and Vista Equity Partners (INR4.9t post-money equity) – and is at 12.7% premium to the FB deal (INR4.4t).
- This is the fourth high profile investment in RIL in less than four weeks, during which the company has raised INR672b for 14.8% equity stake.

Reiteration of conviction on Jio Platforms' valuation

- The fourth high profile investment in Jio Platforms (in less than four weeks) reaffirms the global demand for the company and provides a huge thumbs up for its valuation.
- General Atlantic is a global growth equity firm with AUM of USD34b as at 31st Mar'20. The company has a 40-year track record of investing in the technology, consumer, financial services and healthcare sectors. General Atlantic has investments in companies such as Airbnb, Alibaba, Ant Financial Box, Facebook, Uber and other global technology players.
- Similar to the previous deals, Jio Platforms can leverage the experience of General Atlantic to crystalize its digital plans.

RJio transforming into an almost debt-free company

- With this deal, Jio Platforms has turned virtually debt free; its current net debt now stands at INR28b from net debt of INR1.4t in FY19 (net debt to EBITDA reduced from 9.7x in FY19 to virtually nil in FY21E) and peak net debt of INR2.17t before formation of the InvIT structure.

Swarnendu Bhushan - Research Analyst (Swarnendu.Bhushan@MotilalOswal.com); +91 22 6129 1529

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@MotilalOswal.com); +91 22 6129 1565

Sarfraz Bhimani - Research Analyst (Sarfraz.Bhimani@MotilalOswal.com); +91 22 6129 1566

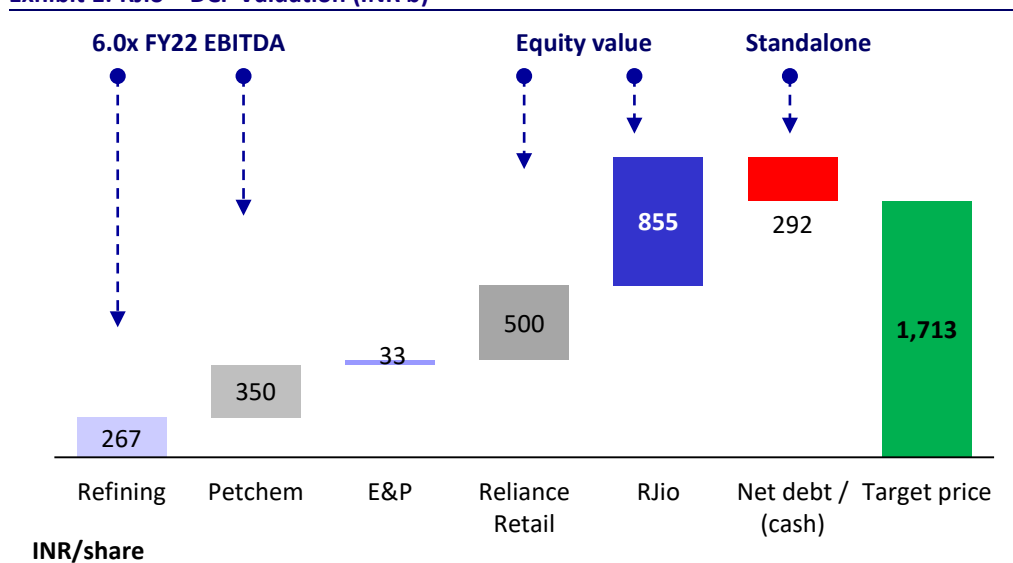
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- Post InvIT and capital reorganization efforts, RJio had a net debt of INR410b (prior to the FB deal). With FB's INR147b (rest transferred to RIL) cash infusion, net debt reduced to INR263b. This further declined to INR94b owing to Silver Lake and Vista's combined investment of INR169b. With General Atlantic's current investment of INR66b, the company's net debt would reduce further to INR28b. Prior to the equity stake sales, RJio's debt reduction was a result of two major debt reclassifications – creation of the InvIT structure worth INR707b in FY20 to transfer its tower and fiber assets and the capital reorganization in which the company transferred debt of INR1.08t to the parent company. These moves enabled RJio to create a lean balance sheet structure in line with global technology giants. Further, EBITDA hike opportunity (either through ARPU hike or market share gains) along with these transactions could provide RJio with potential RoCE of 17.6% in FY21E.

Valuation and view

- We expect RJio to garner revenue/EBITDA CAGR of 22%/44% over FY20-22E along with healthy EBITDA margin expansion. Despite the price hike, the company witnessed lower-than-expected ARPU growth in 4QFY20, which was mainly due to longer validity recharge plans. Thus, we believe RJio would accrue full benefit of the price hike in FY21. Additionally, the favorable competitive landscape in the Indian telecom sector should offer healthy incremental EBITDA either through ARPU hikes or market share gains. We maintain our valuation for RJio at INR855/share assigning 13x EV/EBITDA on FY22E.

Exhibit 1: RJio – DCF Valuation (INR b)

Source: MOFSL, Company

Exhibit 2: Post-money, RJio's equity value stands at INR4.91t (INR b)

Jio Platforms	Pre-money	General Atlantic amount infused in Jio Platforms	Post-money
Enterprise Value	5,160	0	5,160
Debt	316	66	250
Equity Value	4,844	66	4,910

Source: Company

Exhibit 3: General Atlantic infuses INR66b for 1.34% stake in Jio Platforms

Particulars	
Total amount received from General Atlantic (INR b)	66
Stake (%)	1.34

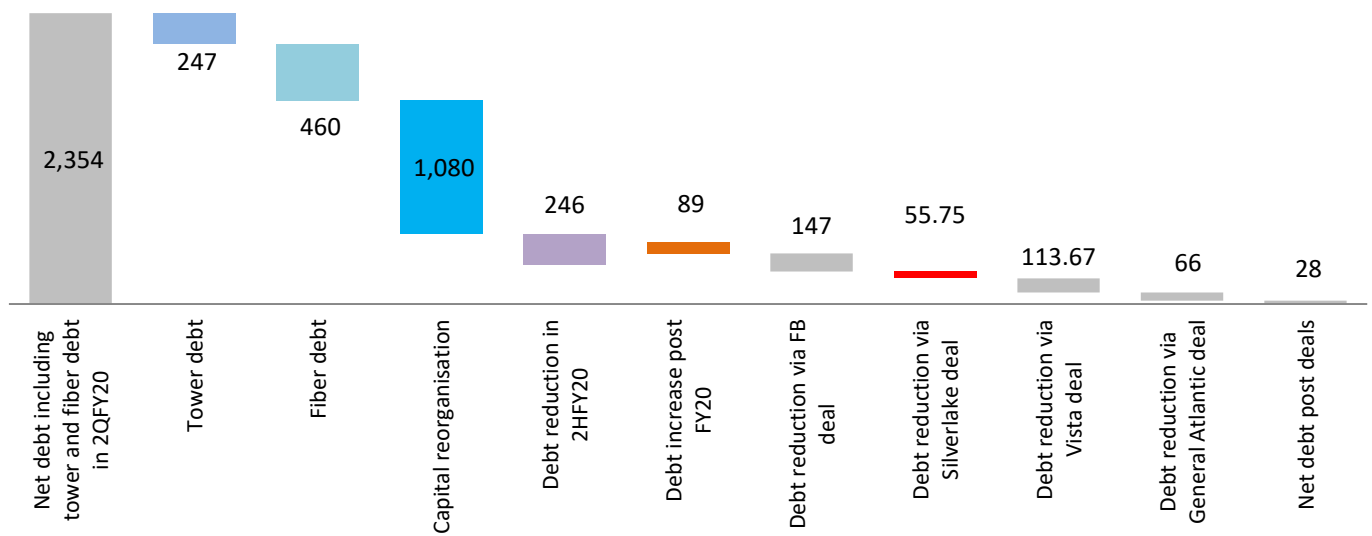
Source: Company

Exhibit 4: RJio – EV/EBITDA based valuation on FY22E

Particulars	(INRb)
EBITDA	447
EV/EBITDA (x)	13
EV	5,645
Debt	584
Equity Value	5,061
Value Per Share	855

Source: MOFSL, Company

Exhibit 5: RJio is virtually debt free with net debt of INR28b



Note: We considered INR460b in fiber debt in our valuation as the deal is yet to be finalized

Source: MOFSL, Company

Exhibit 6: VIL needs to implement price hike to survive

(Amount in INR b)	FY22
Capex	52
Cash Interest	30
Deferred spectrum liability	165
AGR payment	52
Total requirement	300
EBITDA (pre IND AS 116)	128
Incremental EBITDA required	172
Incremental revenue required	245
ARPU (INR)	138
Subscribers (m)	304
ARPU hike required (INR)	67
New ARPU (INR)	206
Increase in ARPU required (%)	49%

Source: MOFSL, Company

Exhibit 7: At 49% ARPU hike (needed by VIL to survive), RJio's incremental EBITDA is estimated at INR280b

Company	RJio
(Amount in INR b)	FY22
EBITDA	447
ARPU (INR)	148
Increase in ARPU due to VIL price hike (%)	49
New ARPU	221
Subscribers (m)	462
Incremental revenue	400
Incremental EBITDA	280
New EBITDA	727
Increase in EBITDA (%)	63

Source: MOFSL, Company

Reliance Jio Infocomm: Financials and valuations

Consolidated – Income statement								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	0	0	0	202	388	543	722	810
Change (%)	NA	0.0	-50.0	NA	92.7	39.9	32.9	12.2
Total Expenditure	0	0	0	134	237	327	376	363
% of Sales	NA	NA	NA	66.6	61.1	60.3	52.0	44.8
EBITDA	0	0	0	67	151	216	346	447
Margin (%)	NA	NA	NA	33.4	38.9	39.7	48.0	55.2
Depreciation	0	0	0	36	64	74	101	111
EBIT	0	0	0	32	87	142	246	335
Int. and Finance Charges	0	0	0	20	41	66	25	34
Other Income	0	0	0	0	0	1	4	17
PBT after EO Exp.	0	0	0	11	46	76	225	319
Total Tax	0	0	0	4	16	21	60	87
Tax Rate (%)	0.0	34.4	34.5	34.8	34.9	27.2	26.6	27.1
Reported PAT	0	0	0	7	30	56	165	233
Adjusted PAT	0	0	0	7	30	56	165	233
Change (%)	NA	-31.7	98.6	LP	310.0	87.7	196.7	41.0
Margin (%)	NA	NA	NA	3.6	7.6	10.2	22.9	28.7

Consolidated – Balance sheet								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	301	450	450	450	450	450	450	450
Total Reserves	-1	-78	259	579	-46	1,260	1,425	1,657
Net Worth	301	372	709	1,029	404	1,710	1,875	2,107
Total Loans	239	884	1,244	1,438	1,479	421	421	421
Capital Employed	539	1,257	1,953	2,468	1,883	2,130	2,295	2,528
Gross Block	10	12	14	1,595	1,444	1,772	2,224	2,442
Less: Accum. Deprn.	1	2	4	40	104	138	278	390
Net Fixed Assets	9	9	10	1,555	1,340	1,634	1,946	2,053
Capital WIP	723	1,061	1,780	700	346	213	0	0
Total Investments	8	8	9	10	13	25	11	11
Curr. Assets, Loans&Adv.	80	197	211	272	259	545	677	806
Account Receivables	0	0	0	9	7	16	40	44
Cash and Bank Balance	0	0	0	7	4	75	286	376
Loans and Advances	80	197	210	256	247	454	351	385
Curr. Liability & Prov.	281	19	56	70	74	152	154	157
Account Payables	0	0	0	31	33	47	46	45
Other Current Liabilities	281	19	55	34	41	104	94	97
Provisions	0	0	1	5	1	1	14	16
Net Current Assets	-201	178	155	202	185	394	523	649
Appl. of Funds	539	1,257	1,953	2,468	1,883	2,265	2,480	2,713

E: MOFSL Estimates

Reliance Jio Infocomm: Financials and valuations

Ratios								
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)								
EPS	0.0	0.0	0.0	0.2	0.7	1.2	3.7	5.2
Cash EPS	0.0	0.0	0.0	1.0	2.1	2.9	5.9	7.6
BV/Share	10.0	8.3	15.7	22.9	9.0	38.0	41.7	46.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
FCF per share		-4.9	-9.3	-7.2	-8.3	-7.6	4.9	2.4
Return Ratios (%)								
RoE	-0.1	0.0	-0.1	0.8	4.1	5.3	9.2	11.7
RoCE	NA	0.0	0.0	0.9	2.6	5.2	8.3	10.7
RoIC	NA	7.7	-0.2	2.1	3.5	6.2	9.5	11.8
Working Capital Ratios								
Fixed Asset Turnover (x)	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.3
Asset Turnover (x)	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.3
Debtor (Days)	274	913	3,650	17	7	11	20	20
Creditor (Days)	0	0	0	56	31	32	23	20
Leverage Ratio (x)								
Current Ratio	0.3	10.3	3.8	3.9	3.5	3.6	4.4	5.1
Interest Cover Ratio	-14.0	-18.0	-47.2	1.5	2.1	2.1	9.7	10.0
Net Debt/Equity	0.8	2.4	1.7	1.4	3.6	0.2	0.1	0.0

Consolidated – Cash flow statement									(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	
OP/(Loss) before Tax	0	0	0	11	46	76	225	319	
Depreciation	0	0	0	36	64	74	101	111	
Interest & Finance Charges	0	0	0	20	41	66	25	34	
Direct Taxes Paid	0	0	0	-2	-10	-12	-60	-87	
(Inc)/Dec in WC	-28	-43	-34	-29	-75	-37	116	-36	
CF from Operations	-28	-44	-34	36	66	168	407	342	
Others	0	0	0	0	0	-2	11	-17	
CF from Operating incl EO	-28	-44	-34	36	67	166	418	324	
(Inc)/Dec in FA	-95	-176	-385	-358	-438	-508	-200	-218	
Free Cash Flow	-123	-220	-419	-322	-372	-342	218	106	
(Pur)/Sale of Investments	-5	0	0	-1	0	-9	14	0	
Others	0	0	0	0	0	4	8	22	
CF from Investments	-101	-177	-386	-359	-438	-512	-178	-196	
Issue of Eq/Pref.Shares	71	150	337	313	0	1,250	0	0	
Inc/(Dec) in Debt	72	103	141	102	460	-538	0	0	
Interest Paid	-13	-33	-58	-85	-92	-103	-25	-34	
Dividend Paid	0	0	0	0	0	0	0	0	
Others	0	0	0	0	0	0	0	0	
CF from Fin. Activity	129	220	420	330	368	609	-25	-34	
Inc/Dec of Cash	0	0	0	7	-3	262	216	94	
Opening Balance	0	0	0	0	7	0	71	282	
Closing Balance	0	0	0	7	4	262	286	376	

Reliance Consol.: Financials and valuations

Consolidated – Income statement								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	3,754.4	2,740.0	3,053.8	3,916.8	5,692.1	5,957.0	5,357.8	6,872.5
Change (%)	-13.6	-27.0	11.5	28.3	45.3	4.7	-10.1	28.3
EBITDA	373.6	417.0	461.9	641.8	841.7	878.8	902.4	1,197.3
Margin (%)	10.0	15.2	15.1	16.4	14.8	14.8	16.8	17.4
Depreciation	115.5	115.7	116.5	167.1	209.3	222.0	244.0	259.3
EBIT	258.2	301.4	345.5	474.7	632.3	656.7	658.4	938.0
Int. and Finance Charges	33.2	36.9	38.5	80.5	165.0	220.3	232.5	229.9
Other Income	86.1	122.9	93.4	88.6	83.9	143.0	140.0	137.3
PBT bef. EO Exp.	311.1	387.4	400.3	482.8	551.2	579.4	565.8	845.5
EO Items	0.0	0.0	0.0	0.0	0.0	-44.4	0.0	0.0
PBT after EO Exp.	311.1	387.4	400.3	482.8	551.2	535.0	565.8	845.5
Total Tax	74.7	88.8	102.0	133.5	153.9	137.3	145.6	224.0
Tax Rate (%)	24.0	22.9	25.5	27.6	27.9	25.7	25.7	26.5
Minority Interest	0.7	1.2	-0.7	-11.5	-1.0	-1.1	-0.7	-0.7
Reported PAT	235.7	297.5	299.0	360.8	398.4	398.8	420.9	622.1
Adjusted PAT	235.7	297.5	299.0	360.8	398.4	431.8	420.9	622.1
Change (%)	4.8	26.2	0.5	20.7	10.4	8.4	-2.5	47.8
Margin (%)	6.3	10.9	9.8	9.2	7.0	7.2	7.9	9.1

Consolidated – Balance sheet								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	29.4	29.5	29.6	59.2	59.3	63.4	63.4	63.4
Total Reserves	2,155.4	2,286.0	2,607.5	2,875.8	3,811.9	4,469.9	4,860.2	5,433.5
Net Worth	2,185.0	2,315.6	2,637.1	2,935.1	3,871.1	4,533.3	4,923.6	5,496.9
Minority Interest	30.4	33.6	29.2	35.4	82.8	80.2	80.2	80.2
Total Loans	1,682.5	1,947.1	1,836.8	1,816.0	2,719.4	2,914.2	3,014.2	2,514.2
Deferred Tax Liabilities	129.7	204.9	212.0	245.4	499.2	541.2	541.2	541.2
Capital Employed	4,027.6	4,501.2	4,715.0	5,031.9	7,172.6	8,068.9	8,559.1	8,632.5
Gross Block	2,844.7	3,312.5	3,564.0	5,775.5	5,867.8	7,450.1	8,572.9	9,197.5
Less: Accum. Deprn.	1,324.1	1,505.9	1,627.7	1,794.7	2,004.1	2,226.1	2,470.1	2,729.4
Net Fixed Assets	1,520.6	1,806.6	1,936.3	3,980.7	3,863.8	5,224.0	6,102.8	6,468.1
Goodwill on Consolidation	44.0	42.5	48.9	58.1	120.0	102.6	102.6	102.6
Capital WIP	1,664.6	2,287.0	3,248.4	1,870.2	1,794.6	1,091.1	468.2	343.6
Total Investments	764.5	840.2	856.1	855.3	2,403.0	2,767.7	2,767.7	2,767.7
Curr. Assets, Loans&Adv.	1,051.2	1,013.8	978.3	1,348.4	1,842.7	2,473.8	2,341.3	3,085.3
Inventory	532.5	464.9	489.5	608.4	675.6	739.0	663.5	851.1
Account Receivables	53.2	44.7	81.8	175.6	300.9	196.6	176.5	226.4
Cash and Bank Balance	125.5	110.3	30.2	42.6	110.8	309.2	397.8	592.3
Loans and Advances	340.1	394.0	376.8	521.9	755.4	1,229.1	1,103.5	1,415.5
Curr. Liability & Prov.	1,017.2	1,488.8	2,353.0	3,080.8	2,851.5	3,590.3	3,223.5	4,134.8
Account Payables	594.1	603.0	766.0	1,068.6	1,083.1	968.0	869.1	1,114.8
Other Current Liabilities	353.7	855.8	1,545.9	1,970.8	1,721.1	2,580.8	2,317.2	2,972.3
Provisions	69.5	30.1	41.2	41.4	47.3	41.5	37.2	47.7
Net Current Assets	33.9	-475.0	-1,374.7	-1,732.5	-1,008.8	-1,116.4	-882.2	-1,049.6
Appl. of Funds	4,027.6	4,501.2	4,715.0	5,031.9	7,172.6	8,068.9	8,559.1	8,632.5

E: MOFSL Estimates

Reliance Consol.: Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
EPS	37.2	46.9	47.2	56.9	62.8	68.1	66.4	98.1
Cash EPS	55.4	65.2	65.5	83.3	95.9	103.2	104.9	139.0
BV/Share	344.7	365.3	416.0	463.0	610.7	715.1	776.7	867.2
DPS	4.6	4.9	5.1	5.6	6.1	6.1	4.0	6.4
Payout (%)	15.1	12.4	13.1	11.9	11.6	11.6	7.3	7.8
Valuation (x)								
P/E	38.8	30.7	30.5	25.3	22.9	21.2	21.7	14.7
Cash P/E	26.0	22.1	22.0	17.3	15.0	14.0	13.7	10.4
P/BV	4.2	3.9	3.5	3.1	2.4	2.0	1.9	1.7
EV/Sales	2.8	4.0	3.6	2.8	2.1	2.0	2.2	1.6
EV/EBITDA	28.6	26.3	23.7	17.0	14.0	13.4	13.0	9.2
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.4
Return Ratios (%)								
RoE	11.3	13.2	12.1	13.0	11.7	10.3	8.9	11.9
RoCE	7.2	8.0	7.5	8.8	9.1	8.5	7.7	9.9
RoIC	12.8	17.0	27.9	24.2	17.8	14.4	11.1	14.0
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	0.8	0.9	0.7	1.0	0.8	0.6	0.7
Asset Turnover (x)	0.9	0.6	0.6	0.8	0.8	0.7	0.6	0.8
Inventory (Days)	52	62	59	57	43	45	45	45
Debtor (Days)	5	6	10	16	19	12	12	12
Creditor (Days)	58	80	92	100	69	59	59	59
Leverage Ratio (x)								
Current Ratio	1.0	0.7	0.4	0.4	0.6	0.7	0.7	0.7
Interest Cover Ratio	7.8	8.2	9.0	5.9	3.8	3.0	2.8	4.1
Net Debt/Equity	0.7	0.8	0.7	0.6	0.7	0.6	0.5	0.3

Consol. – Cash flow statement

(INR b)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	311.1	387.4	400.3	482.8	551.2	535.0	565.8	845.5
Depreciation	115.5	115.7	116.5	167.1	209.3	222.0	244.0	259.3
Tax paid	-74.7	-88.8	-102.0	-133.5	-153.9	-137.3	-145.6	-224.0
Change in deferred tax liability	10.5	75.2	7.0	33.5	253.8	42.0	0.0	0.0
Change in net working capital	279.9	493.8	819.6	370.1	-655.4	306.0	-145.6	361.9
Operating cash flow	641.5	982.1	1,242.1	931.4	206.1	968.8	519.3	1,243.3
Capex	-1,015.6	-1,022.5	-1,214.0	-842.5	-1,427.5	-2,210.1	-500.0	-500.0
Change in investments	-158.5	-75.6	-15.9	0.8	-198.9	984.2	0.0	0.0
Investing cash flows	-1,174.1	-1,098.2	-1,229.9	-841.7	-1,626.4	-1,226.0	-500.0	-500.0
Change in borrowings	294.9	264.6	-110.4	-20.7	903.4	194.8	100.0	-500.0
Issuance of equity	-2.0	-129.9	61.7	-20.0	584.1	309.8	0.0	0.0
Others	18.8	-126.7	57.3	-13.8	631.5	307.2	0.0	0.0
Dividend paid	-35.6	-37.0	-39.2	-42.8	-46.4	-46.4	-30.6	-48.8
Financing cash flow	278.2	100.9	-92.3	-77.3	1,488.5	455.5	69.4	-548.8
Net change in cash	-254.4	-15.2	-80.1	12.3	68.3	198.4	88.6	194.5
Closing cash balance	125.5	110.3	30.2	42.6	110.8	309.2	397.8	592.3

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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