



Weekly Wealth

April 17th 2023

Week Gone

- In the week ended on Thursday, 13 April 2023, the S&P BSE Sensex jumped 598.03 points or 1% to settle at 60,431. The Nifty 50 index advanced 228.85 points or 1.30% to settle at 17,828.
- The BSE Mid-Cap index added 1.52% to settle at 24,720.57.
- The BSE Small-Cap index gained 1.53% to close at 28,149.58.

Week Ahead

- On the domestic macro front, HCL Technologies will declare its quarterly financial results on 20 April 2023.
- Overseas, China's first quarter gross domestic product (GDP) data will be announced on 18 April 2023. China will also announce industrial production data for March on 18 April 2023.
- Japan will announce inflation rate for March on 21 April 2023.
- US will announce retail sales for March on 14 April 2023.

Technical View

The pattern analysis on the weekly chart shows that Nifty witnessed a tepid pullback from the polarity zone, 100WMA, and the falling channel supporting trendline. The index surged 239 points from the previous weekly close on relatively lesser volume in the truncated week gone by and trails below the pattern resistance with immediate support at 50 WMA near 17330. On the contrary, the volatility made a new low of 11.80 readings as it plunged 8.8% which is a concern as this invites a probability for an unruly move hence managing risk on long positions will be cardinal. It is to be noted that the coming week remains shortened as well with Friday being a trading holiday. On the price action front, the index is anticipated to garner further bullish strength to push above the channel provided the level 17300 remains intact on a weekly closing basis.



Source: Falcon, BP Equities Research

DOMESTIC INDICES

Index	13-Apr-23	06-Apr-23	Weekly % Chg
Nifty 50	17,828.0	17,599.2	1.3
Nifty Next 50	38,496.8	38,187.1	0.8
Nifty 100	17,635.2	17,414.7	1.3
Nifty 500	14,954.3	14,759.2	1.3
NIFTY MIDCAP 100	30,884.7	30,353.8	1.7
S&P BSE SENSEX	60,431.0	59,833.0	1.0
S&P BSE 100	18,058.7	17,830.8	1.3
S&P BSE 200	7,583.0	7,483.2	1.3
S&P BSE 500	23,789.5	23,475.1	1.3
S&P BSE MidCap	24,720.6	24,351.1	1.5
S&P BSE SmallCap	28,149.6	27,725.3	1.5

NIFTY TOP GAINERS (WEEKLY)

Scrip	13-Apr-23	06-Apr-23	Weekly % Chg
Tata Motors	469.5	426.6	10.1%
Eicher Motors	3213.1	2933.8	9.5%
Kotak Mahindra Bank	1869.5	1751.9	6.7%
Bajaj Auto	4288.4	4023.2	6.6%
JSW Steel	720.7	686.6	5.0%

NIFTY TOP LOSERS (WEEKLY)

Scrip	13-Apr-23	06-Apr-23	Weekly % Chg
Vedanta	275.7	286.25	-3.7%
HCL Tech	1070.85	1111.2	-3.6%
Zee Entertainment	208.15	214.05	-2.8%
Infosys	1389.2	1423.55	-2.4%
Hindustan Uniliver	2536.2	2582.75	-1.8%

WORLD INDICES

Index	13-Apr-23	06-Apr-23	Weekly % Chg
Nikkei Index	28,493.5	27,518.3	3.5
Hang Seng Index	20,438.8	20,331.2	0.5
Kospi Index	2,571.5	2,490.4	3.3
Shanghai SE Composite	3,338.2	3,327.7	0.3
Strait Times Index	3,300.5	3,300.5	0.0
Dow Jones	33,886.5	33,485.3	1.2
NASDAQ	12,123.5	12,088.0	0.3
FTSE	7,871.9	7,741.6	1.7

FOREX

Currency	13-Apr-23	06-Apr-23	Weekly % Chg
US\$ (Rs.)	81.9	81.9	0.1
GBP (Rs.)	101.7	101.7	0.0
Euro (Rs.)	89.9	89.3	0.7
Yen (Rs.) 100 Units	61.2	62.0	-1.2

FII - ACTIVITY

(INR. Cr.)

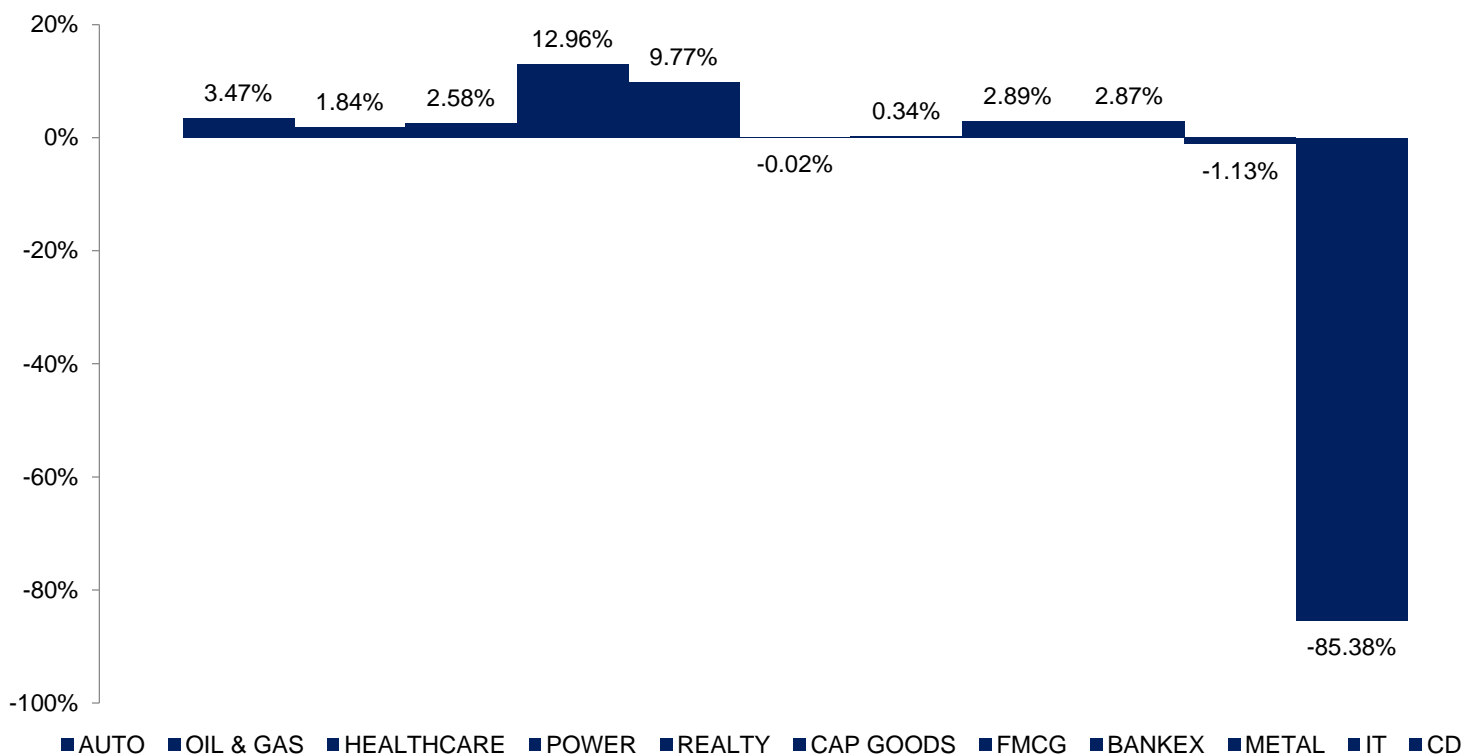
Date	Purchases	Sales	Net
13-Apr-23	8,033.1	7,811.3	221.9
12-Apr-23	8,459.4	6,551.4	1,908.0
11-Apr-23	6,932.0	6,589.1	342.8
10-Apr-23	4,057.8	3,175.3	882.5
<u>MTD</u>	27,482.2	24,127.1	3,355.2

DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
13-Apr-23	6,526.5	6,800.1	-273.7
12-Apr-23	7,428.0	7,653.3	-225.2
11-Apr-23	7,786.9	8,050.9	-264.0
10-Apr-23	7,060.7	6,709.2	351.5
<u>MTD</u>	28,802.1	29,213.5	-411.4

BSE WEEKLY SECTORAL PERFORMANCE



TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	13/04/23 Share Price (Rs.)	06/04/23 Share Price (Rs.)	Weekly % Chg	13/04/23 Open Interest	06/04/23 Open Interest	Weekly % Chg
DLF	4269.5	4025.1	6.1	2462750.0	1817500.0	35.5
HDFCAMC	3358.4	3423.2	-1.9	645800.0	487600.0	32.4
MANAPPURAM	628.2	636.3	-1.3	4714450.0	3607500.0	30.7
NTPC	159.5	151.4	5.4	54011650.0	42785050.0	26.2
AARTIIND	673.6	564.3	19.4	14517000.0	11850000.0	22.5

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	13/04/23 Share Price (Rs.)	06/04/23 Share Price (Rs.)	Weekly % Chg	13/04/23 Open Interest	06/04/23 Open Interest	Weekly % Chg
MRF	36486.55	36615.1	-0.4	14280	18045	-20.9
PEL	485.65	463.4	4.8	8921000	10675500	-16.4
APOLLOHOSP	276.1	265.45	4.0	33076000	39236000	-15.7
MFSL	616.5	606.3	1.7	2425000	2844000	-14.7
DELTACORP	4416.2	4222.4	4.6	1478375	1688000	-12.4

Company Overview

Reliance Industries Limited (RIL) is a Fortune 500 company and the largest Indian company in terms of market capitalization. Over the years, the company has diversified into various businesses like Petchem, Refining, Retail, Telecom, and Media & Entertainment. (1) The energy business (~57.6% of sales in FY22) of RIL includes Refining and Marketing, Petrochemicals, and Oil & Gas Exploration and Production. (2) Reliance Retail (~22.7% of Sales) is the largest retailer in India and has established its business across 5 key consumption baskets of Consumer Electronics, Fashion & Lifestyle, Grocery, Petro Retail, and Connectivity. (3) Reliance Jio (~11.4% of sales) is the telecom business which was launched in 2016 as a 4 G-only network. In just over three years, Jio has become the largest telecom service provider in terms of subscribers and revenues. The company also has an associated suite of the 'Jio app' catering to various consumer needs. (4) Other businesses (~8.3% of sales) include Network18's portfolio of 56 channels across news and entertainment genres and 16 international channels. RIL has also started focusing on financial services driven by its digital payment solutions and payment bank.

Investment Rationale

China reopen ensure petchem margin expansion; refining should also see gains

China, which consumes more than one-third of the petrochemicals globally, is now re-opening and will ensure near-term incremental improvement in the petrochemical business, which could bring some positive surprise to petrochemical margins in FY24. Key petrochemical product spreads have also bounced from lows on the back of China reopening. We, thus, expect RIL's profit from petrochemicals to improve sharply from FY24 onwards on the back of improved margins and volume. Further, the recent cooling in crude oil prices, pick-up in gasoline spreads, and the removal of the windfall tax would positively impact refining margins going ahead.

Retail business augurs well for future growth

The company has a vision to triple its retail business over the next 3-5 years, banking on a wider reach, enhanced product range, and deeper online penetration. Reliance Retail business recorded ~26% CAGR in revenue over FY18-22 period. Further, the company's strong store expansion, deeper penetration, robust product portfolio, and strong footfalls have led the retail business to significantly outperform. The company's retail segment has built capabilities through organic growth, acquisitions, and strategic partnerships with investments near Rs. 30,000 crores in FY22. Further, Reliance Retail added over 2,500 new stores and 11.1 mn sq. ft. of warehousing space during the year. We expect a) Reliance omnichannel presence in major verticals like Reliance Digital, Fashion & Lifestyle, and grocery segment, b) scaling up of the Jio platform, and c) deeper penetration of JioMart to accelerate growth.

Stock Rating		
BUY	HOLD	SELL
>15%	-5% to 15%	<-5%

Stock Details	
CMP (INR)	2,350
Target Price (INR)	2,716
NSE Symbol	RELIANCE
BSE Code	500325
Bloomberg	RIL IN
Reuters	RELI.BO

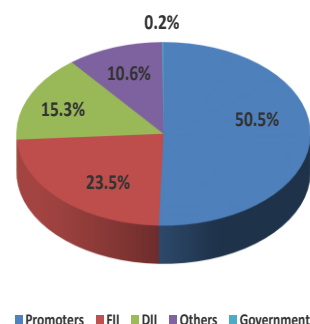
Key Data	
NIFTY	17,805
52Week H/L (INR)	2855/2180
O/s shares (mn)	6766
Market Cap (INR bn)	15,876
Face Value (INR)	10

Average Volume	
3 months	7,499,120
6 months	6,177,950
12 months	6,933,100

Valuation and Outlook

Reliance Industries Ltd. continued to post decent numbers due to good operating performance, with all businesses delivering growth. We, thus, expect Reliance Industries' profitability to improve going ahead led by (1) China reopening will ensure near-term incremental improvement in the Petrochemical business. (2) Telecom business in the recent quarter was able to deliver the best-ever revenues and EBITDA, driven by strong momentum in customer growth and data consumption. It launched True 5G services which are now available across 134 cities and towns in India. (3) The upstream gas will contribute meaningfully at least for the next 5 years. (4) Retail will continue to grow at 25% CAGR on the back of an unorganized to organized shift. (5) We believe a potential stake sale in the new energy business and build-up of Jio Financials will provide sentiment triggers going forward. (6) Reliance is also entering the FMCG sector due to which many FMCG companies have started feeling the pinch as acknowledged by stalwarts like Varun Berry of Britannia. (7) RIL is also making progress toward the implementation of new energy Giga factories at Jamnagar as a stepping stone in the green energy sector. Thus, on the basis of the above factors, we give the stock a "Buy" rating. **On the valuation front, we value the company based on 25x of FY24e earnings and arrived at a target price of INR 2,715 (16% upside from CMP) with a 12 months investment horizon.**

Share Holding Pattern



Relative Price Chart



Key Financials							
YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	3,916,770	5,692,090	5,975,350	4,669,240	6,999,620	8,749,525	9,291,996
<i>Revenue Growth (Y-o-Y)</i>		45.3%	5.0%	(21.9%)	49.9%	25.0%	6.2%
EBIDTA	641,760	841,670	888,940	799,220	1,104,600	1,399,924	1,496,011
<i>EBIDTA Growth (Y-o-Y)</i>		31.2%	5.6%	10.1%	(38.2%)	26.7%	6.9%
Net Profit	360,750	395,880	393,540	491,280	607,050	699,962	799,112
<i>Net Profit Growth (Y-o-Y)</i>		9.7%	(0.6%)	24.8%	23.6%	15.3%	14.2%
Diluted EPS	53.3	58.5	58.2	72.6	89.7	103.5	118.1
<i>Diluted EPS Growth (Y-o-Y)</i>		9.7%	(0.6%)	24.8%	23.6%	15.3%	14.2%
Key Ratios							
EBIDTA margin (%)	16.4%	14.8%	14.9%	17.1%	15.8%	16.0%	16.1%
NPM (%)	9.2%	7.0%	6.6%	10.5%	8.7%	8.0%	8.6%
RoE (%)	12.1%	10.0%	8.5%	6.1%	6.8%	7.3%	7.8%
RoCE (%)	13.4%	12.6%	11.8%	7.8%	9.8%	12.1%	12.2%
Valuation Ratios							
P/E (x)	44.1x	40.2x	40.4x	32.4x	26.2x	22.7x	19.9x
EV/EBITDA	27.5x	22.0x	20.8x	22.5x	16.2x	12.8x	12.0x
P/BV (x)	5.4x	4.0x	3.4x	2.0x	1.8x	1.7x	1.5x
Market Cap. / Sales (x)	4.1x	2.8x	2.7x	3.4x	2.3x	1.8x	1.7x

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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