

Reliance Industries Ltd. (AGM)

18-Jun-2010

Important updates from the AGM:

- The company has cash and cash equivalents to the tune of Rs. 21,874 crore
- Non compete agreement cancelled to enter into power foray
- The company will foray into thermal, hydro and nuclear power space when it is opened for private operators
- The company will supply gas to ADAG group when the project is completed
- The company has till now been working on a 5MW solar power project in Jodhpur which is the biggest in India and has executed a 1MW project for the Commonwealth games
- Polyester business has been the frontrunner over the last 30 years, the company is planning to increase investment in this sector
- Petrochemical sector had been in a consolidation phase over the years because of commissioning of Jamnagar refinery
- Significant growth in automobiles, food processing and other verticals will help in creating derived demand for the petrochemical business
- For expanding production in polyester and petrochemical space the company is setting up 2.3 mt PTA 5.4 lakh tonne capacity
- An off gas ethylene cracker plant with a capacity of over 1.5MTPA will be set up
- Focus on kerosene in petrochemical segment
- To become one of the biggest company in the world in synthetic rubber domain channelising huge capex along with collaboration with a Russian company
- Over the past year provided high quality gasoline to export markets in USA becoming the first company in India to do so
- The company has also expressed interest in creating the biggest coal gasification plant in the world to supplement the Jamnagar refinery
- In the E&P segment the company will now focus on execution in the various discoveries of Oil & Gas blocks it had made in the past decade
- The company will also make significant investments in the shale gas space which is the next discovery in the Oil & Gas space
- The company will continue to grow in the organized retail space which occupies a very low share in the retail market in India.
- The company with its global tie ups plans to expand its presence in various formats on a Pan India basis
- The company expects its retail business to grow from a turnover of Rs 4500 cr to over Rs 45000 cr in the next decade a 10 fold increase
- The company expects to transform the wireless broadband segment in India with the start of a 4G wireless telecommunication business
- The company will not build its own infrastructure and employ an “Asset light partner heavy” approach

Event Update



- The company is working on building a hospital and diagnostics centre in Mumbai and is expected to start operations in two years time
- The company is also building up a global university under the “Reliance Foundation” which will mark its foray into the education sector

Kredent Analysis:

The company has announced major expansions in petrochemical and synthetic rubber segment while as expected the company announced its foray in the broadband wireless space after the acquisition of Infotel Ltd. The company announced its plans for the various segments in which the company operates in the next 10 years.

We believe that now with a major part of the capex in the E&P segment done now execution will be the key in developing the fields and starting up production. The global fluctuation in crude oil prices has been a deterrent for the company which has impacted a lot of investment made in the sector by declining Gross refining margins from \$12.2 bbl to \$ 6.6 bbl.

The company is planning to embark on a new value chain by entering into the education, power, telecommunication and healthcare segment. With these announcements it remains to be seen that whether the company will be able to execute its plans and how long it takes to start delivering returns. Going by history and the strong execution capabilities we expect the company not to face any problems in execution but the gestation period is still large and the near term expenditure should affect the company negatively in the short to medium term.

On the financials front net debt equity remains low at 0.31 and with cash equivalents of over Rs. 21000 crore as on 31st Mar, 2010 the company is in a good position to raise capital for its expansion.

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