

RIL share price at 5-month high after Bernstein gives 'outperform' rating; what should investors do?

2 min read • 14 Jun 2023, 03:43 PM IST

[Pooja Sitaram Jaiswar](#)

Reliance Industries' stock is at a 5-month high after receiving an 'outperform' rating from Bernstein Research, which expects clean energy to be a growth pillar for the company.



The brokerage estimates RIL could achieve \$10 billion of revenue from the New Energy business in 2030, representing 40% of the TAM. (REUTERS/Vivek Prakash)

Billionaire Mukesh Ambani's **Reliance Industries** (RIL) is trading at a 5-month high on Wednesday. The stock crossed over ₹2,550 levels which were last seen on January 11, 2023. The performance comes after Bernstein Research gives an "outperform" rating on RIL and expects a potential upside of 22%. The brokerage expects clean energy (solar, battery, electrolyzers, and fuel cells) as growth pillars for the country's largest company in terms of market share. Many other brokerages have given a 'Buy' rating on RIL so far this month.

The upside was despite NCLT's approval over withdrawal of scheme of amalgamation of new energy business undertaken through Reliance New Energy.

At the time of writing, RIL's share price traded at ₹2546.80 apiece, surging ₹26.40 or 1.05% on **BSE**. The stock has touched an intraday of ₹2555 apiece. Ajit Mishra, SVP - Technical Research, Religare Broking said, buying in heavyweights like Reliance has played a critical role in keeping the tone positive of overall markets.

According to Bernstein, RIL could potentially achieve \$10 billion of revenue from the New Energy business in 2030 which represents 40% of the TAM, reported ANI.

By 2030, Bernstein estimates RIL could capture 60%, 30%, and 20% of solar, battery, and hydrogen TAM respectively.

Further, Bernstein explained that overall, Reliance is building a fully integrated end-to-end renewables energy ecosystem for customers through solar, batteries, and hydrogen. No other energy company is investing across the entire new energy value chain but if Reliance can pull this off then the value creation and earnings potential will be substantial.

Bernstein is not alone with an optimistic rating on RIL stock. Among the latest is also Kotak Institutional Equities which has recommended a 'Buy' rating on RIL for a target price of ₹2,800.

Kotak's positive outlook on RIL is due to the conglomerate's telecom arm Reliance Jio which has extended its lead in the telecom sector.

In its research note, Kotak said, "Rising competitive intensity (RJio's aggressive family postpaid plans and unlimited 5G data offerings) to attract higher value subscribers and several key state/general elections over the next 12 months would likely delay **tariff hike** to June 2024 (after general elections)."

It further added, "Delayed tariff hikes, while negative for the sector, would hurt Vi's survival hopes the most (faces ~Rs55 bn cash shortfall in FY2024) and could lead to accelerated market share gains for Bharti and RJio at Vi's expense, in our view."

Also, last week, **JM Financial** said, "We expect RIL's **net** debt to peak in FY24 and then decline gradually as capex will not only moderate (₹1.2 trillion -1.4 trillion p.a. vs. ₹2.3 trillion in FY23) but, importantly, also be fully funded by a gradual increase in internal cash generation."

Further, JM's note added, "RIL's guidance on keeping reported net debt to EBITDA below 1x (0.8x in Mar'23) also gives comfort. Be that as it may, we believe RIL could still drive a robust 14-15% EPS CAGR over the next 3-5 years with Jio's ARPU expected to rise at 10% CAGR over FY23-28, and continued strong momentum in Retail including scale-up of new initiatives (FMCG foray, inorganic growth, etc.)."

Also, it added, strong growth momentum continues in the company's Retail business as RIL is driving omni-channel capabilities across segments. Despite being contingent on global macros, RIL's O2C business earnings are also relatively well-placed.

Hence, JM Financial also reiterated BUY on RIL given the company's leading capabilities. The brokerage has set a target price of ₹2,900 apiece.