



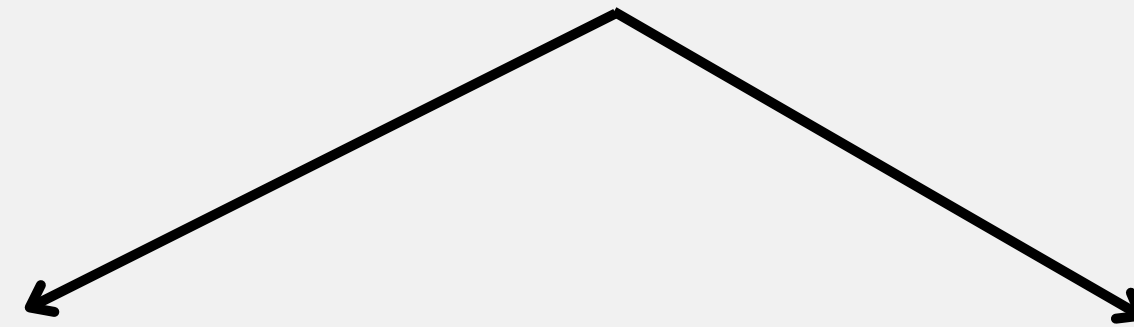
DEEP DIVE RELIANCE RETAIL

Presented by Abhishek Ginodia, CA CFA

Coverage

- **Overview**
- **Reliance Retail's Presence**
- **Disruption!**
- **Growth via Acquisition Strategy**
- **Backing of International Investors**
- **Bhav Bhagwan Che**
- **Failed - Forced Buyback**
- **Incredible Private Label Play**
- **Addressing the Elephant - Valuation**
- **Peer Comparison**
- **IPO Updates**

India's retail market at US\$822 billion in FY 2019-20
Grow @ CAGR of 10% US\$1,315 billion by FY 2024-25.



The organised retail market @ US\$88 billion in FY 2019-20
Grow at a CAGR of 19% to US\$231 billion by FY 2024-25.

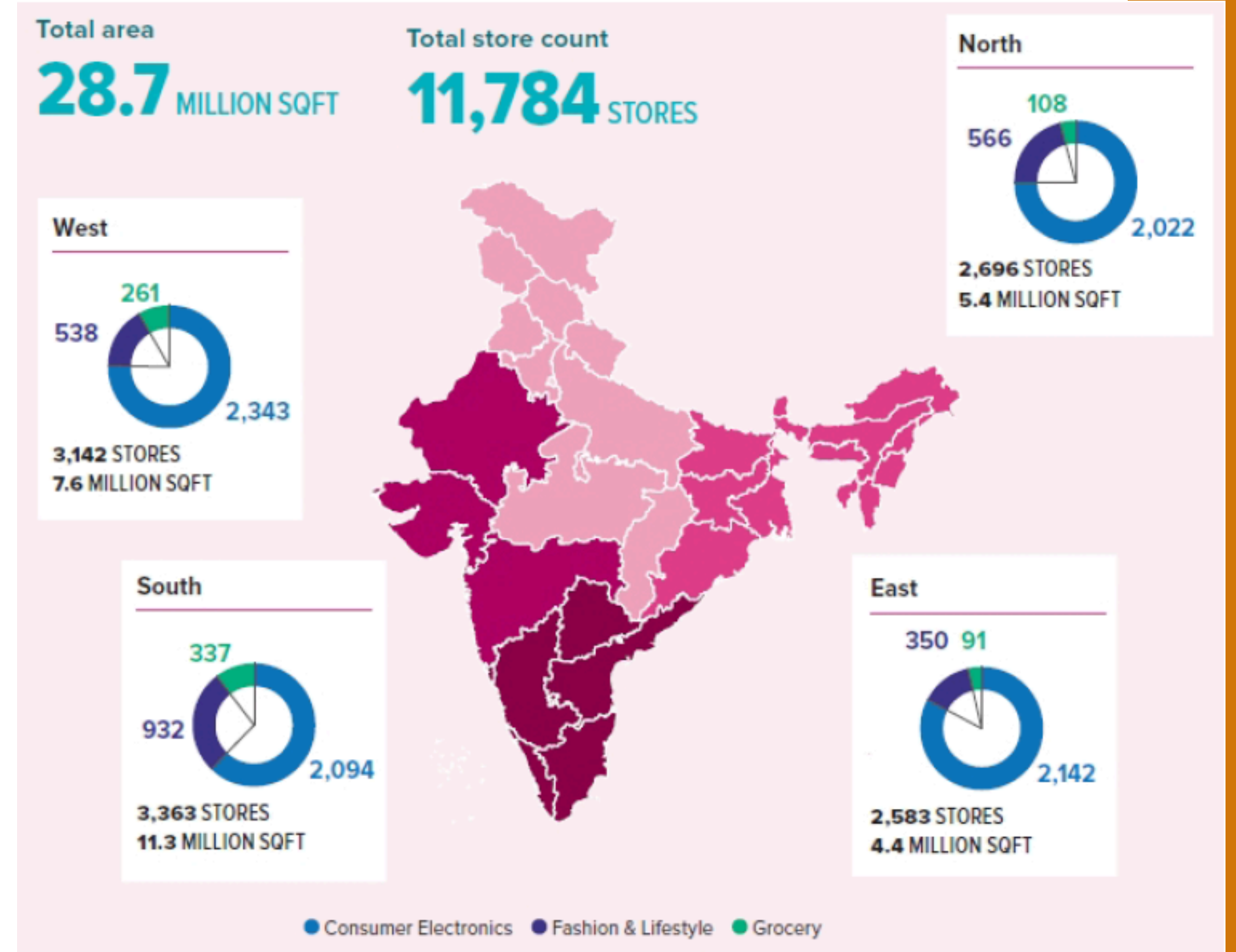
The unorganised retail market is poised to grow to over US\$1 trillion over this period,

Making it amongst the most attractive consumer sector opportunities across the world.

Geographical Presence

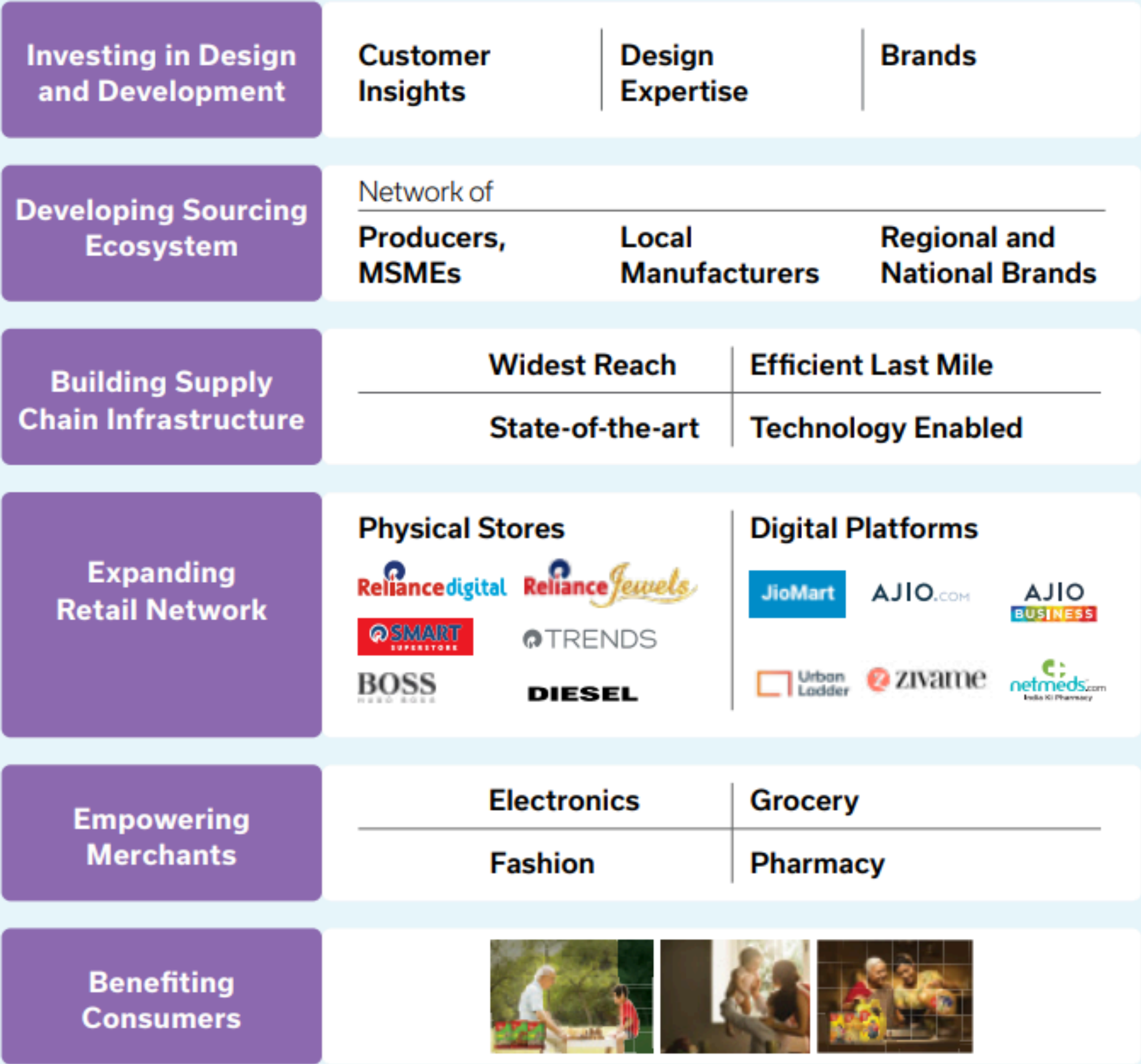
PHYSICAL PRESENCE & STORE COUNT

> Fastest growing retailers in India, @ 19% CAGR over the last 12 years (Store Area Addition)



Grand Retail Play!

An inclusive approach to retailing



Product Innovation / Solutions

Vendor Development

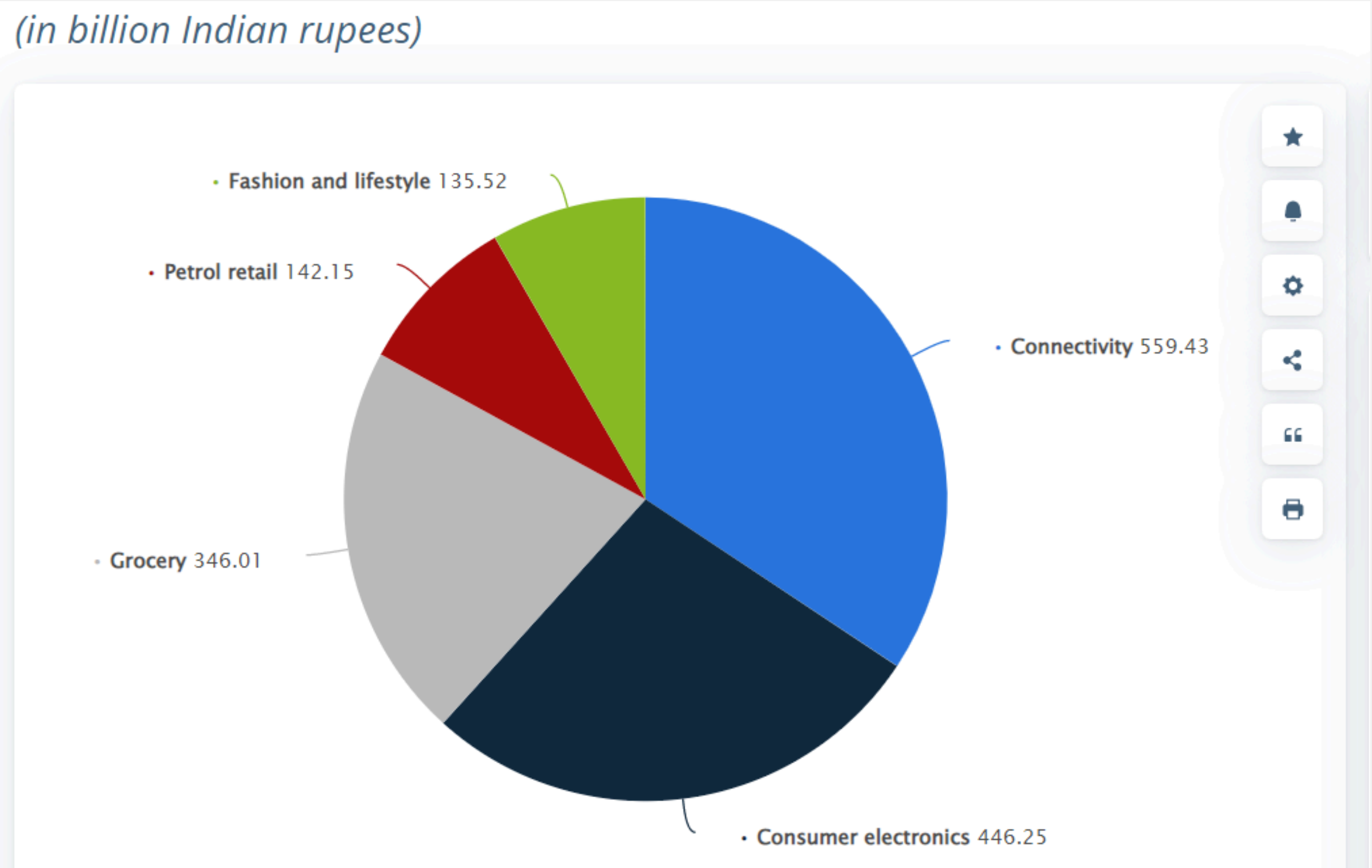
Pan-India Network

Trusted Partners

Better Experience

Reliance Retail caters to five key consumption baskets

- 1) Consumer Electronics
- 2) Fashion & Lifestyle
- 3) Grocery
- 4) Pharma Retail
- 5) Connectivity



Differentiated Store Concepts for Consumer Electronics



- Destination consumer electronics store
- Product experience zones
- 300+ national, international brands
- Differentiated value proposition



- Smaller stores offering mobility and communication devices
- Store presence in 7,000+ towns
- Extending reach by catalogue and web-sales



- Full-fledged after sales service arm
- India's first multi-product, multi-brand and multi-location service network
- End-to-end product life cycle support
- ISO certified service organisation

New Age Digital Platforms

 <https://www.reliancedigital.in/>

- Reliance Digital's online shopping website and app with presence across 1,340 cities
- Fully integrated omni-channel experience
- Extending JioMart to consumer electronics for providing a one-stop shopping solution

JioMart

- Offering Reliance Digital's assortment through hyper-local fulfilment

Diverse Store Concepts for Fashion & Lifestyle



- India’s largest fashion destination
- Strong portfolio of own brands
- Extensions to tap residual market opportunities



- Affordable family footwear store
- Wide range of own brands



- Destination for fine jewellery
- Range of silver, gold, diamond and bridal jewellery
- 100% purity, transparency

Mono brand sites

<https://www.gasjeans.in>

<https://www.hamleys.in>

<https://www.marksandspencer.in>

<https://www.mothercare.in>



- Experiential store with mid to premium positioning
- Caters to entire wardrobe



- Partner to 45+ international brands
- Global experience within India
- Access to affluent consumers



- Global category leader in children’s premium toys
- Presence across 17 countries

<https://www.stevemadden.in/>

<https://www.superdry.in>

<https://www.visionexpress.in/>

New Age Digital Platforms

AJIO

- Online fashion and lifestyle destination
- Nearly 6 lakh options spanning over 2,500 brands
- Curated section AJIO Luxe offers the best of luxury, bridge to luxury and premium brands



- India’s most loved furniture brand
- Presence across 20 cities and 11 experience centres



- Offering Trends assortment through hyperlocal fulfilment



- Offers solutions for every stage in a woman’s life
- Delivering across 1,900+ cities, 65 stores

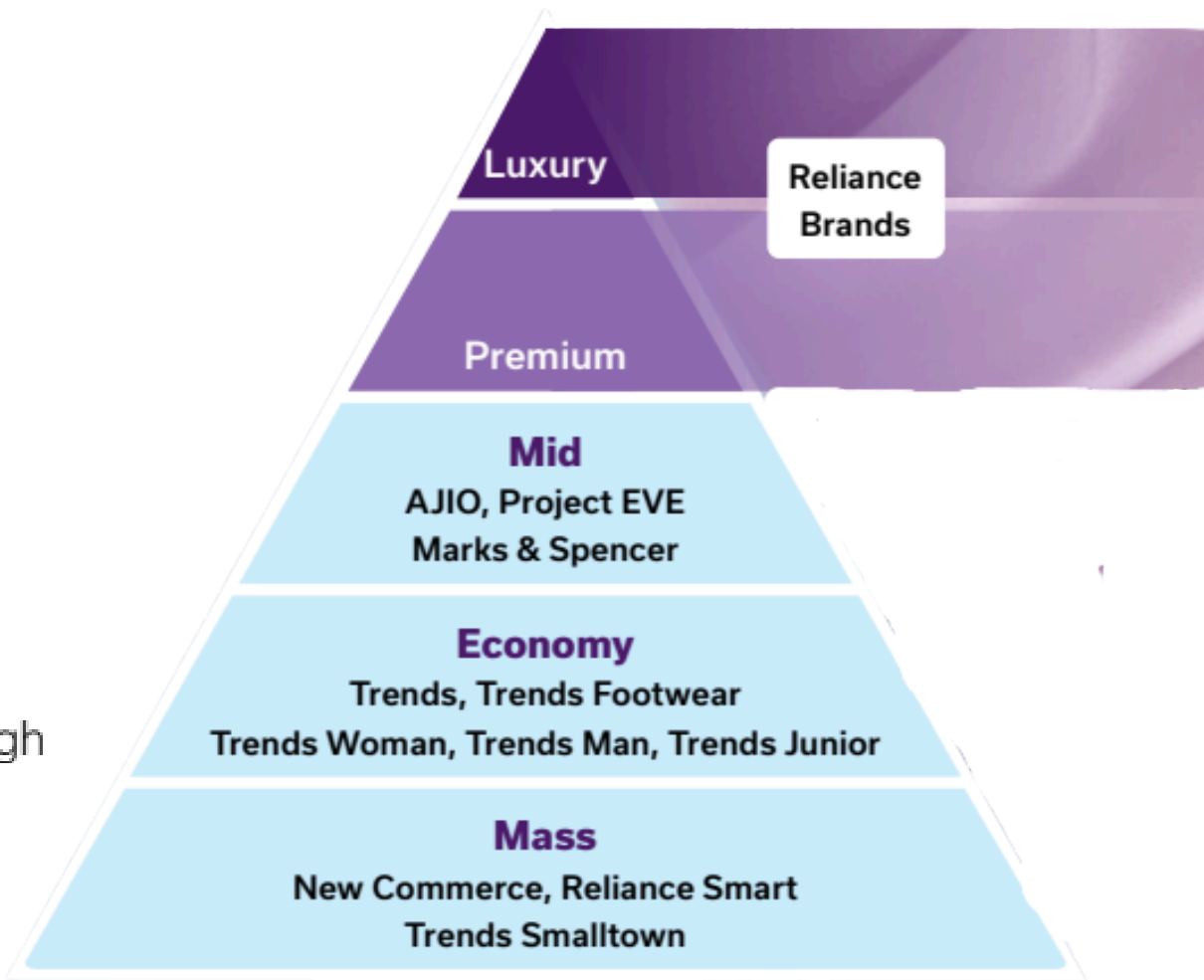


Exhibit 197 - Value pyramid for fashion brands



Source: Company data, Jefferies

Differentiated store concepts for Grocery



- Gourmet retail chain



- Destination supermarket store
- Serves food and non-food needs
- Everyday low-price strategy; savings promise



- Neighbourhood multipurpose store
- Blending physical and digital – endless aisle, e-kiosks and digital services

New Age Digital Platforms

JioMart

- India's widest footprint hyperlocal grocery delivery platform
- 200+ cities
- Integrated with stores to offer seamless customer experience

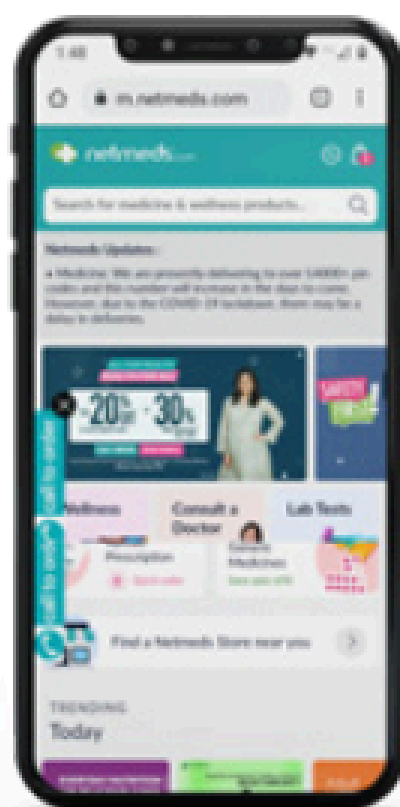
Own Brand Portfolio Across Staples, Processed Foods, Home, Beauty and Personal Care



Pharmacy

Reliance Retail forayed into pharmacy retail during FY 2020-21.

It aims to lead the category by pioneering an omnichannel pharma strategy encompassing physical stores, digital platform Netmeds.com, and partnerships with connected local pharmacies. This integrated and inclusive offering will enhance accessibility and affordability of medicines for Indian customers.



Connectivity

Reliance Retail works as the master distributor for Jio connectivity services. The distribution network comprises of 8,200+ Jio stores and a vast network of retailers across the country for new customer acquisitions and recharges.

Jio Stores provide customers best-in-class service of activations, recharges, devices availability and after sales service.

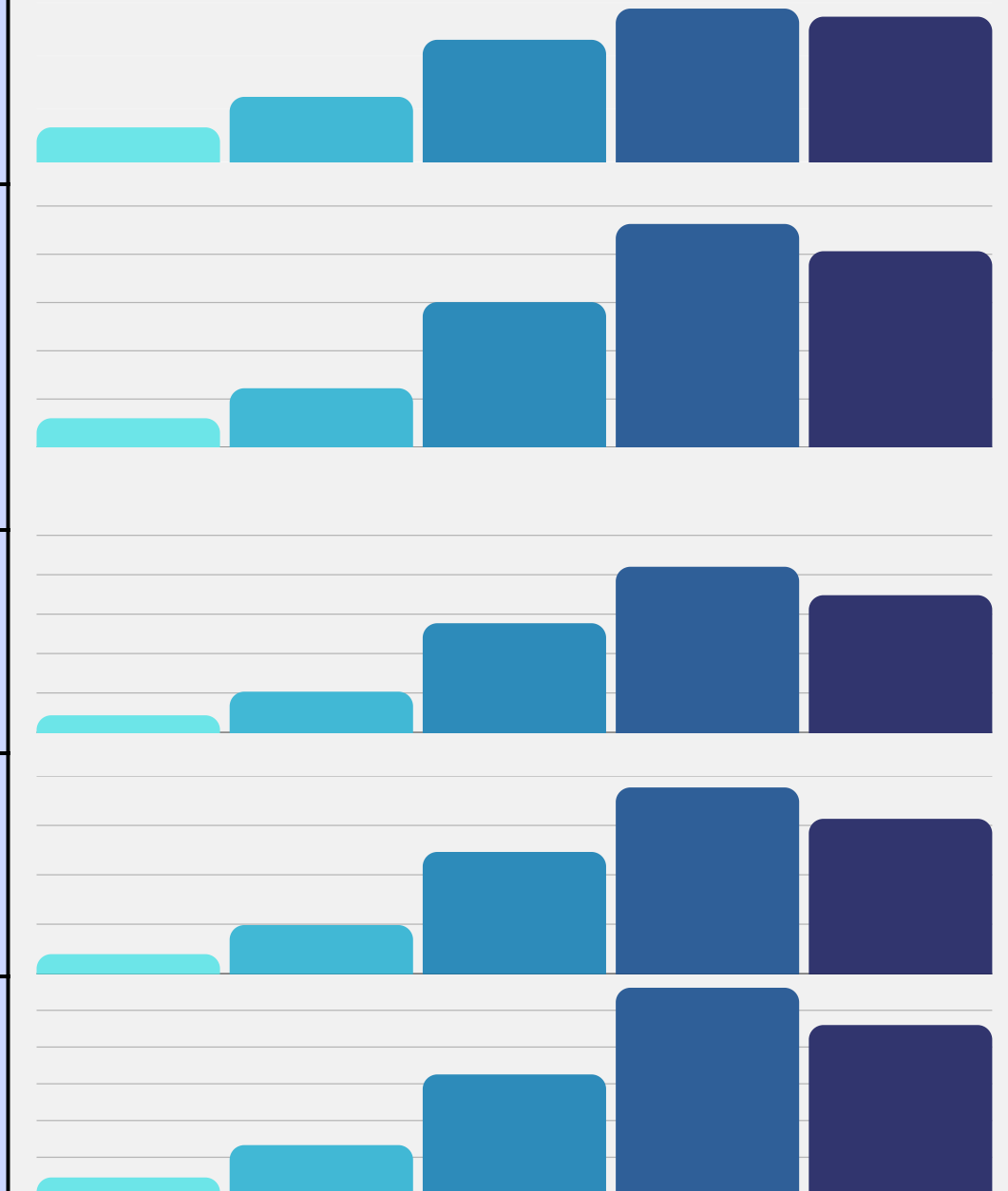
In order to enhance seamless customer recharge and activation experience, the business has created a unique entrepreneur model by onboarding over 1.6 million Jio Associates who help customers to remain connected at all points in time.

To keep friends and family safe, business is encouraging digitally savvy customers to recharge online on their own and stay home, stay safe and stay connected. Business has also enhanced the technology solution/architecture to improve recharge experience on its online partner platforms.



Financial Prowess

Particulars	31st March 2017	31st March 2018	31st March 2019	31st March 2020	31st March 2021
Net Revenue	32,829.45	61,534.84	115,188.98	144,517.35	136,910.66
Operating Profit (EBITDA)	1,204.12	2,447.17	6,017.62	9,255.76	8,126.12
PBIT	863.58	2,064.83	5,537.56	8,404.93	6,960.62
PBT	786.30	1,963.87	4,925.86	7,536.61	6,266.48
PAT	449.46	1,330.82	3,254.41	5,614.44	4,598.97



Marquee Investors

Reliance Retail completes Rs 47,265 cr fundraise from 10.09% stake sale

Sl no	Investor	Date	Amount (Rsbn)	% stake on fully diluted basis
1	Silver Lake Partners	25-Sep-20	75.0	1.6%
2	Silver Lake & Co-Investors	09-Oct-20	18.8	0.4%
3	KKR	14-Oct-20	55.5	1.2%
4	Mubadala	15-Oct-20	62.5	1.3%
5	ADIA	15-Oct-20	55.1	1.2%
6	GIC	16-Oct-20	55.1	1.2%
7	TPG	19-Oct-20	18.4	0.4%
8	General Atlantic	21-Oct-20	36.8	0.8%
9	PIF	09-Nov-20	95.6	2.0%
	Total		472.7	10.1%

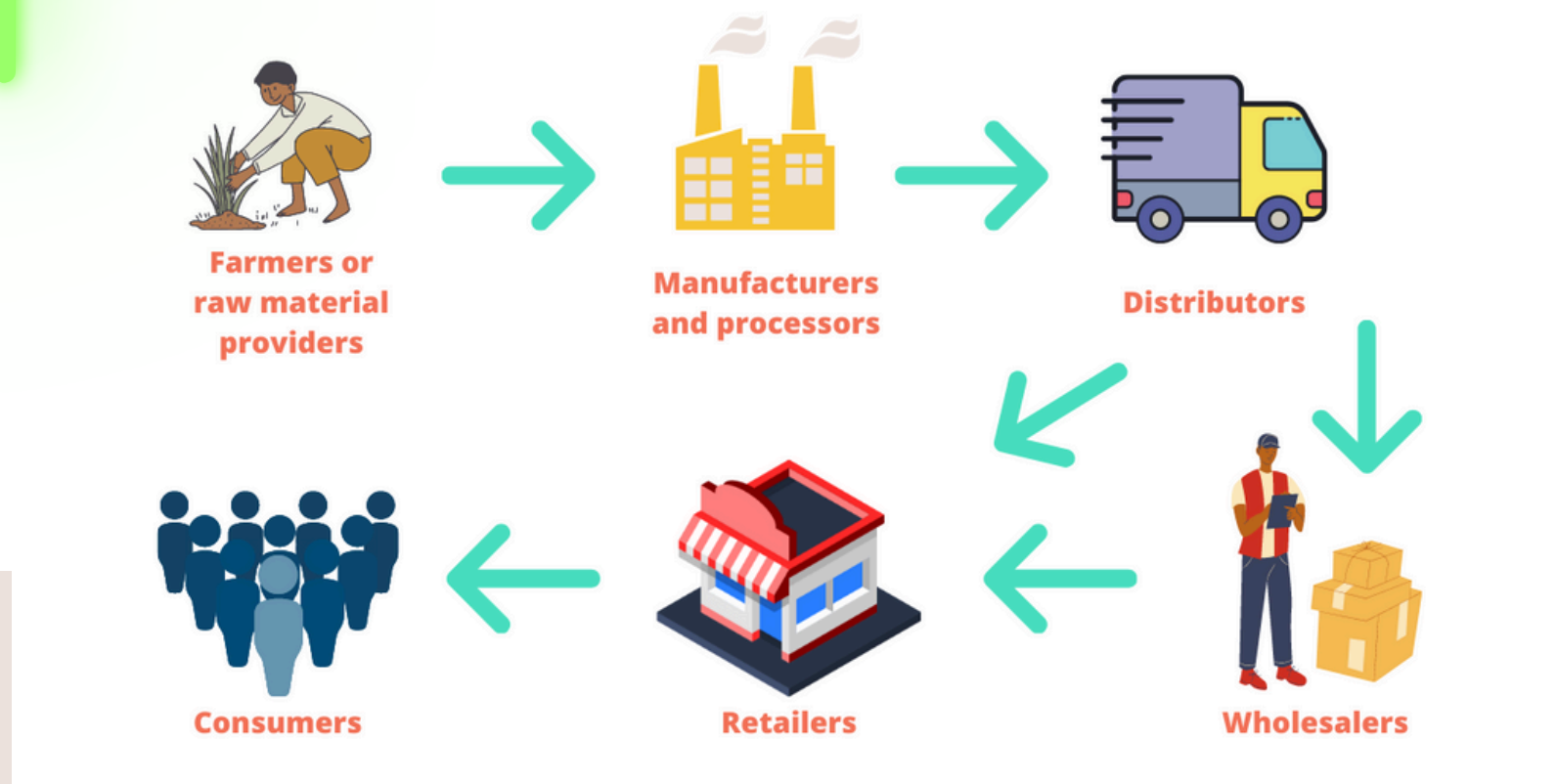
Source: Company data, Jefferies

"RRVL has received cumulative subscription amount of Rs 47,265 crore from the following financial partners and allotted 69.27 crore equity shares to them" the company said in a statement.

**So what
is the
game
plan?**

DISRUPTION IN THE RETAIL DISTRIBUTION

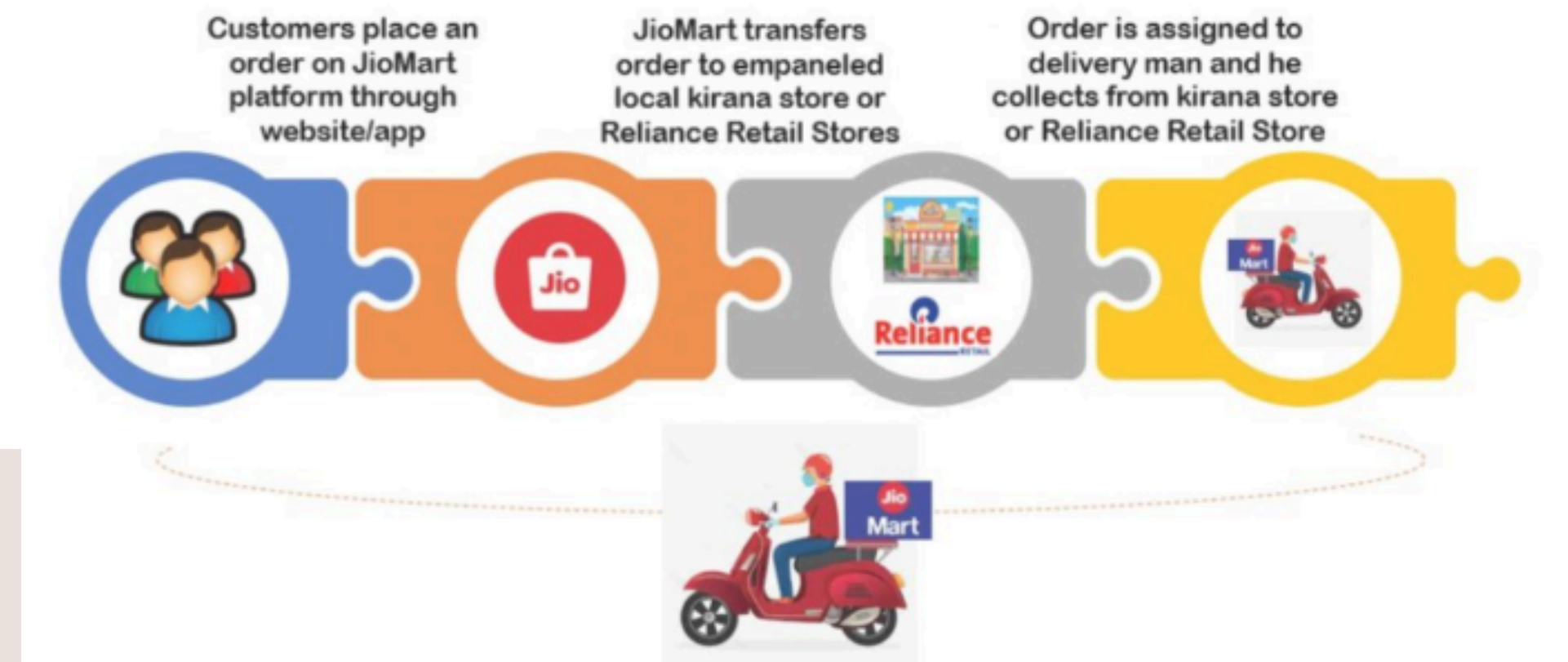
JioMart Partner - RIL's retail ordering app for merchants - fundamentally upends the traditional retail distribution .



Let's take a typical FMCG product - say, a packet of turmeric powder

Manufacturers procure dry turmeric from farmers and process it into fine powders in their plants. This is then packed, sealed and then given to distributors, who are in charge of localized order capture and delivery.

Distributors have a wide network of salespeople and agents, who connect them to wholesalers and retailers. And from the retailer, the turmeric powder reaches the consumer - i.e., you and me.



Instead of relying on distributors, kirana stores can now simply place their order requirements on the JioMart Partner platform and have them delivered within 24 hours + at cheaper rates. They can also avail training services, credit facilities and free product samples.

It's a simple digitisation and streamlining of the entire supply chain - but with far-reaching consequences.

WITH GREAT DISRUPTION COMES GREAT RESENTMENT

“The distributor fraternity is in danger as companies like JioMart, Metro Cash & Carry, Booker, Udaan, etc. are flouting the law and using unethical tactics and predatory pricing to establish a monopoly and destroy age-old distribution networks, which will result in huge unemployment”

All India Consumer Products Distributors Federation (AICPDF),
representing around 400,000 distributors across the country
wrote to PMO & Govt Authorities

GROWTH VIA ACQUISITIONS



- Completed over 2 dozen acquisitions in short span
- Acquired technology companies to build its omnichannel platform, which includes physical stores, B2B with Kirana stores and e-commerce of JioMart and AJIO.

3 Private Label Play

Developing private labels in tandem with emerging trends is a stated priority for the company.

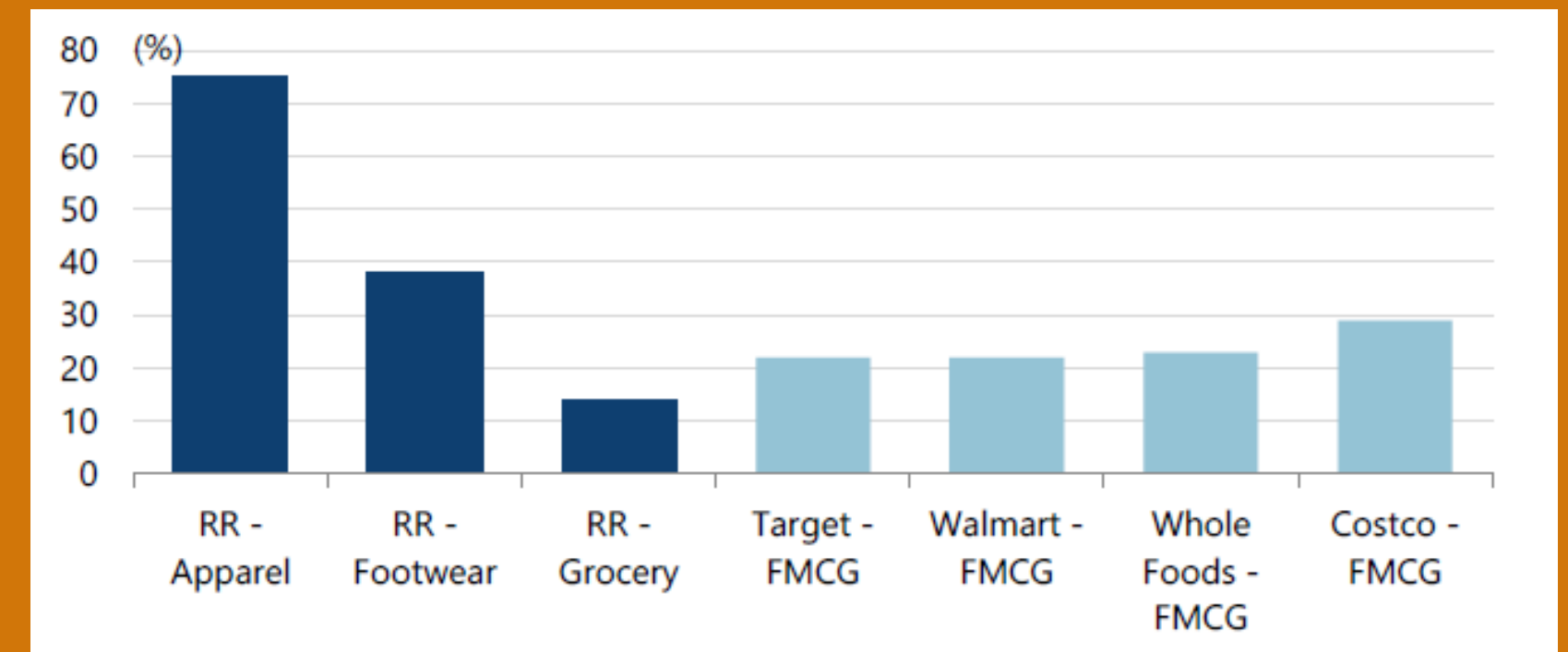
Reliance Retail has a wide portfolio of private labels across categories which contributes 75% of apparel sales, ~40% of footwear and ~15% of grocery.

The private label strategy will be instrumental in fuelling both profitability and growth for RR as it embarks on the kirana linking program.



Private Label Game of Reliance

RR'S PRIVATE LABELS ARE AMONG THE CHEAPEST IN EACH CATEGORY AND APPEALS TO VALUE ORIENTED CONSUMERS WHICH FORMS THE BULK OF THE CLIENTELE AT KIRANA STORES.



RR CAN LEVERAGE THE EXCLUSIVITY OF PRIVATE LABELS TO ONBOARD MORE KIRANAS FASTER TO ITS JIOMART PLATFORM AND NEGOTIATE BETTER. AS IN THE CASE OF COSTCO'S KIRKLAND SIGNATURE

LABEL, A SUCCESSFUL IN-HOUSE BRAND CAN IMPROVE THE STICKINESS OF THE CUSTOMER BASE.

RELIANCE - AMAZON - FUTURE GROUP FIASCO

THE STORY SO FAR

AUG '19 Amazon acquires a 49 per cent stake in Future Coupons for ₹1,500 crore; it gives the buyer an indirect 4.81 per cent stake in the listed entity, Future Retail

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OCT '20: Amazon approaches the Singapore International Arbitration Centre alleging the Future Group violated its contract and the deal with Reliance Retail should not go through; the deal is halted later in the month

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FEB-MAR '22: Reliance Retail terminates the lease of over 800 stores owned by Future Retail; takes complete charge of these stores

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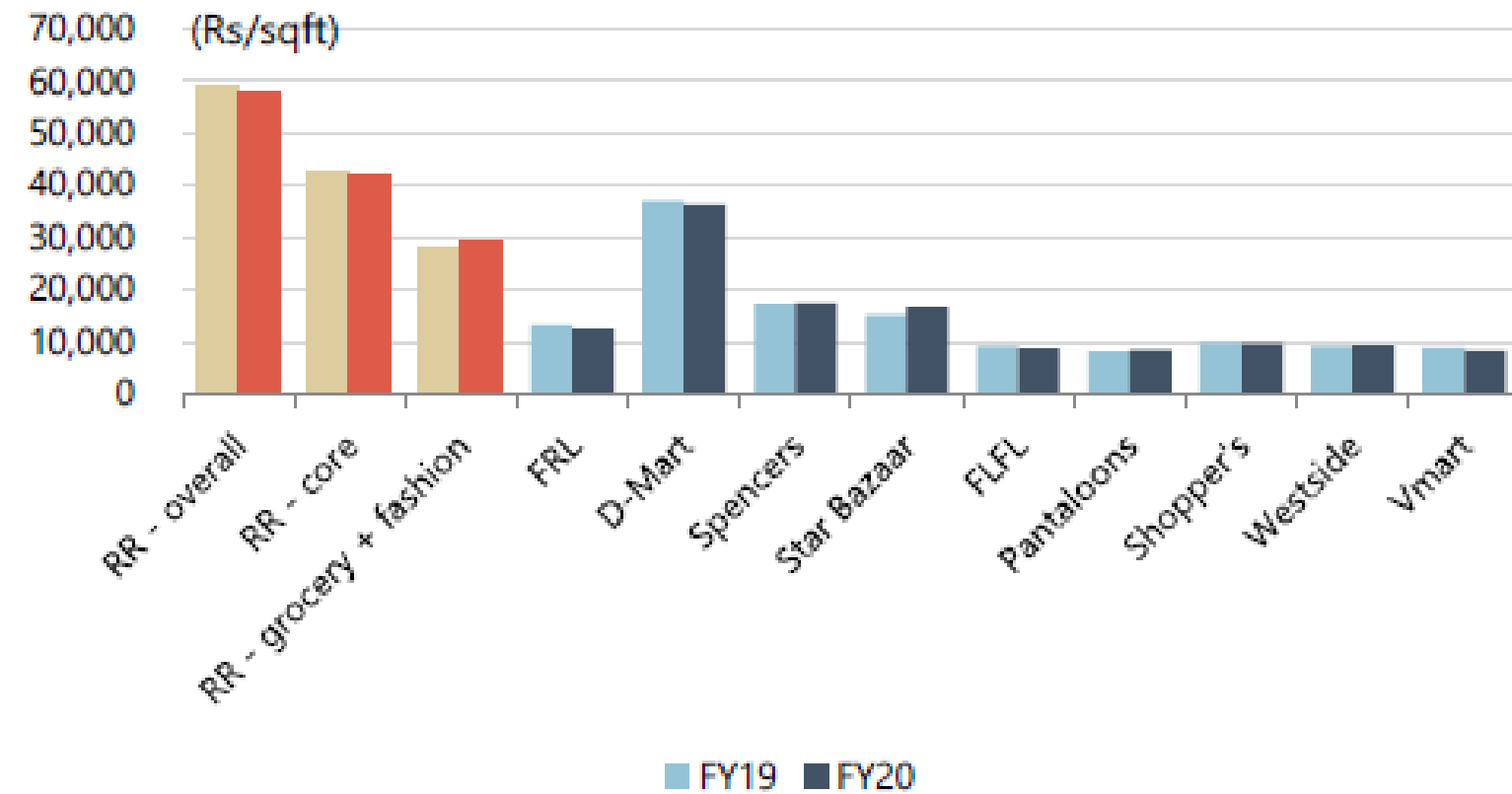
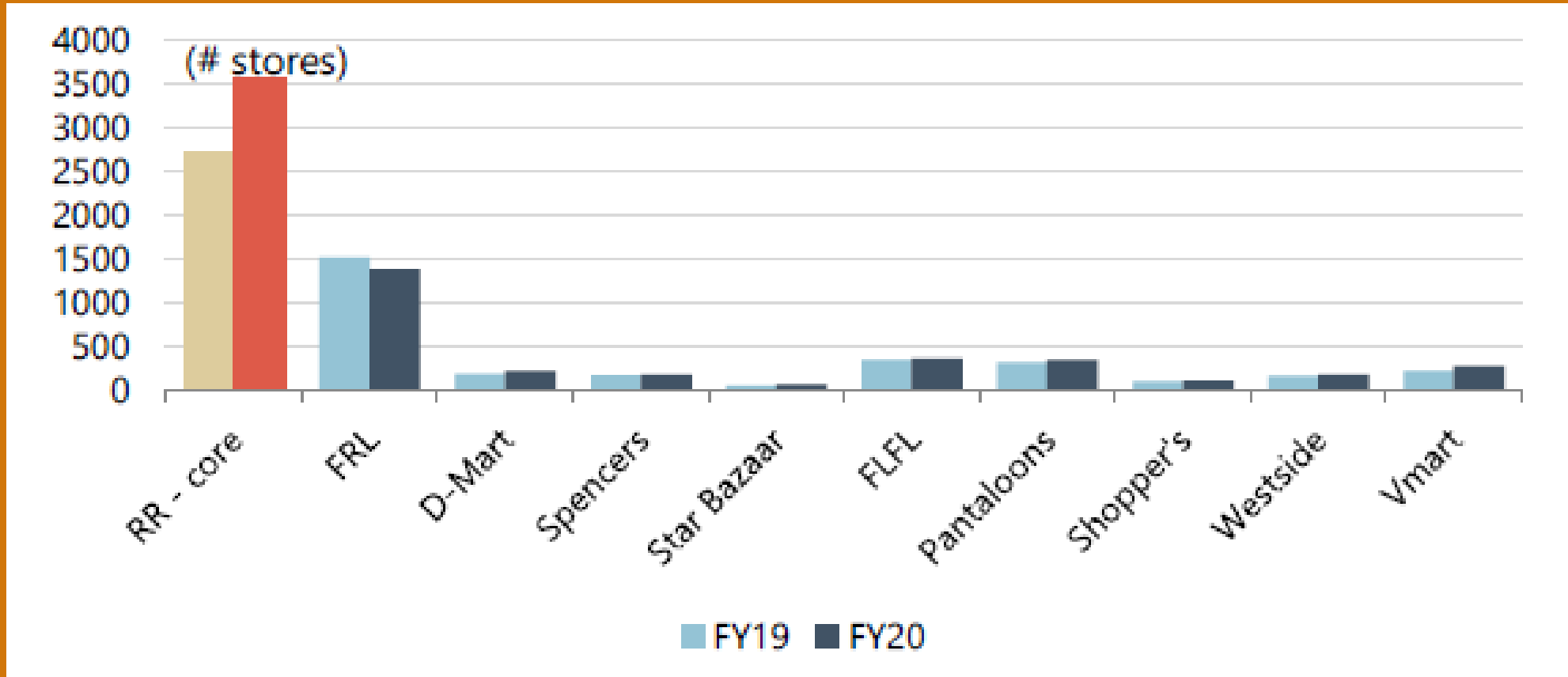
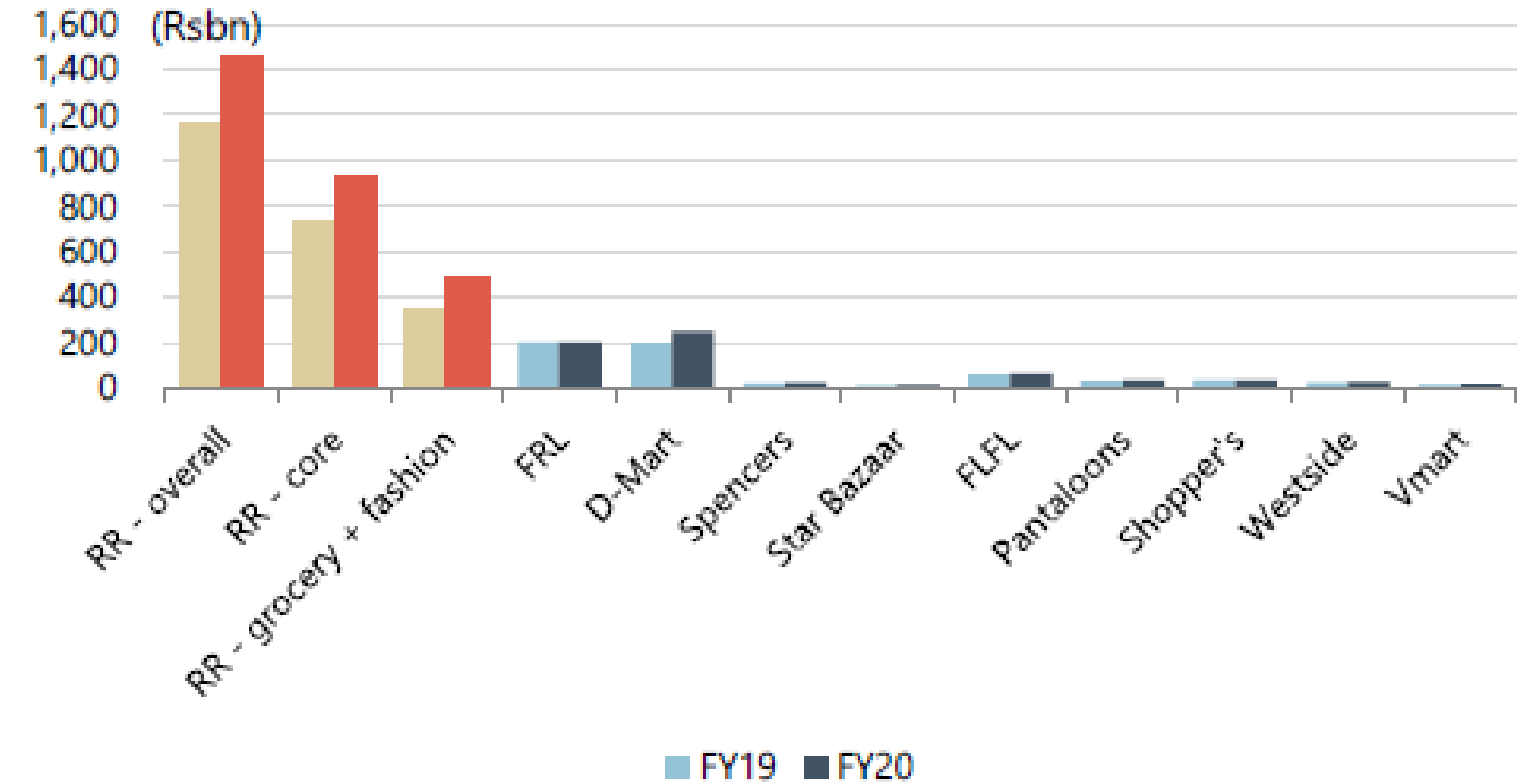
FEB '21: The Future Group moves NCLT and requests approval to call for a shareholder meeting for approval of deal with Reliance

- US-e-commerce giant Amazon and India's Reliance Industries have been locked in a fierce battle for the "FUTURE" -- almost literally.
- At stake is control over India's retail business estimated to reach \$ 1.3 trillion by 2025, setting off a spate of legal wrangles between Amazon and the Future Group.

Peer Comparison

BIGGER THAN THE NEXT 10 RETAILERS PUT TOGETHER

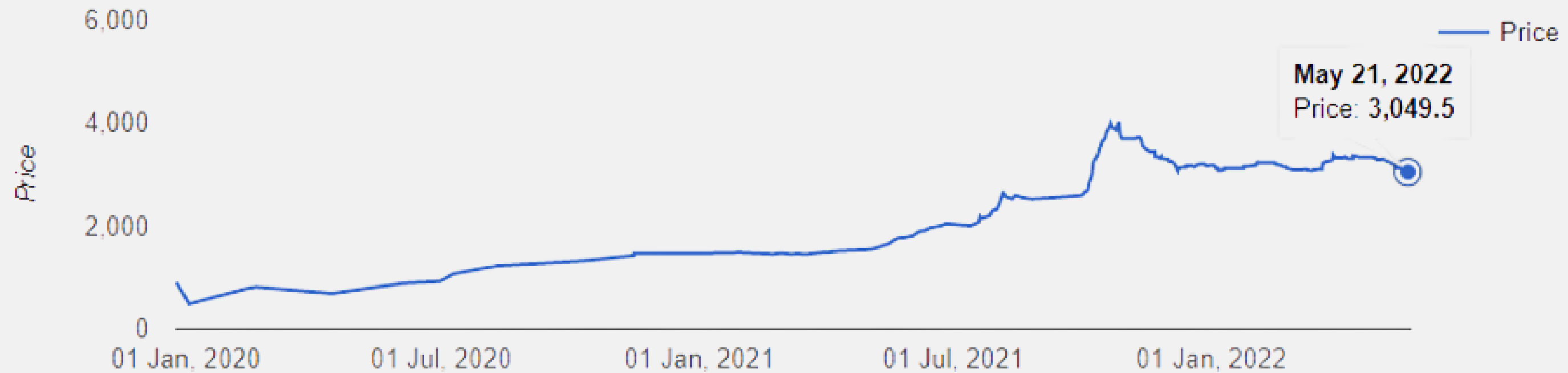
IN SPITE OF ITS MAMMOTH SIZE, RR GREW ITS CORE REVENUES AT A 50% CAGR OVER FY17-20 WHILE MOST PEERS CLOCKED <20%.



Lets Talk Valuation



'BHAV BHAGWAN CHE'



The shares of Reliance Retail started trading at Rs 450/sh in early '19 in the unlisted markets which quickly moved up to Rs 900/share in a matter of weeks.

The share price retraced back to Rs 400 after a mandatory swap offered to investors, which caused a major controversy some investors lost almost 50% as they sold out in fear and the brave ones took RIL to court which in the end resulted in the initial swap offer not being mandatory rather voluntary.

Forced Buyback - Failed

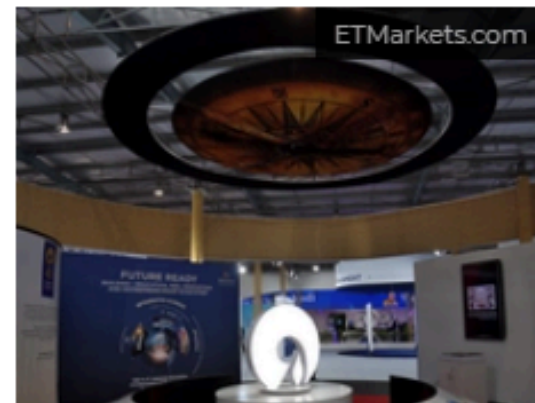
THE COUNTRY'S BIGGEST FIRM BY MARKET VALUATION ON DECEMBER 25 PROPOSED A SWAP RATIO OF 4:1, WHICH IMPLIED INVESTORS CAN GET ONE SHARE OF RIL (MARKET PRICE THEN WAS RS 1650/SHARE FOR EVERY FOUR SHARES HELD IN RELIANCE RETAIL.

REVERSED

RIL's swap offer wipes out 50% value in Reliance Retail shares

Synopsis

"A lot of retail investors lost over half their money as Reliance Retail was valued at around Rs 5 lakh crore earlier in the unlisted space," said Sandip Ginodia of Abhishek Securities, which deals in shares in the unofficial market for unlisted stocks.



RELATED

A proposal: Reliance Retail shareholders to exchange their stock for RIL shares

Tech View: Nifty forms bearish candle as supports shift lower

F&O: Bears return to dominate market; expect reversal in VIX

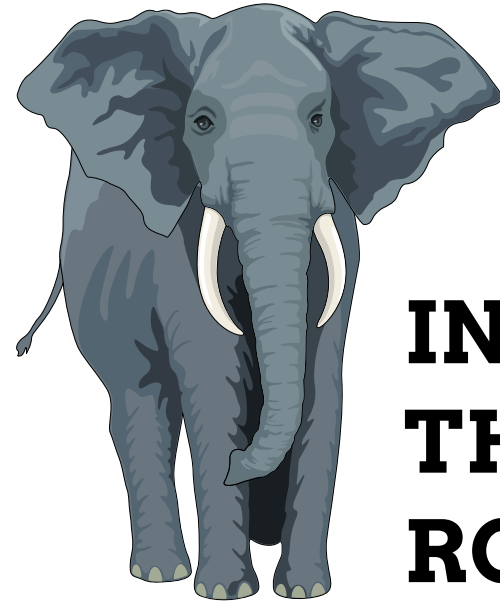
New Delhi: Shares of [Reliance Retail](#) plunged around 50 per cent in the unlisted market on Thursday, a day after [Reliance Industries](#) (RIL) proposed a share swap scheme for shareholders of its retail venture.

The country's biggest firm by market valuation on December 25 proposed a swap ratio of 4:1, which implied investors can get one share of RIL for every four shares held in Reliance Retail. The swap ratio valued the retail business at Rs 2.5 lakh crore.

"A lot of retail investors lost over half their money as Reliance Retail was valued at around Rs 5 lakh crore earlier in the unlisted space," said Sandip Ginodia of Abhishek Securities, which deals in shares in the unofficial market for unlisted stocks.

Ginodia said the stock traded at Rs 850-900 till a few days back. When RIL valued its retail business at Rs 2.5-2.75 lakh crore, it brought down the per share value to Rs 475-500.

VALUATION CHECK



**IN
THE
ROOM**

Although the shares of Reliance Retail trade in the Pre-IPO markets at Rs 3300/sh, 5x over the fair value we calculated.

The Market Value at that price stands at over 15 Lakh Cr, which is close to the MCap of Reliance Industries.

PE at an astounding 370x (Avenue Supermart - 157x even in this corrected market)

Jefferies, in a recent report, ascribed a \$100 billion equity value to Reliance Retail (RR).

Our Working on the Valuation of Reliance Retail

MCap AT \$100 bN - INR 7,75,800 Cr

Per Share Valuation at a 100B\$ Valuation = INR 1,555/share

However, there is a catch to the future dilution:

Paid Equity Capital: INR 4990 Cr (499 Cr Shares)

Convertible Preference Share : INR 80 Cr
(Convertible into 400 crore shares)

Convertible Debentures: INR 330 Crores
(Convertible into 33Cr shares)

Number of Equity Shares used for calculating Diluted EPS - 932 Cr

Diluted equity price per share - INR 832/share.

SOTP VALUATION OF RIL

	Amt (in Cr.)
I. Jio Platforms (19x EV/EBITDA of Proj FY24; 66% stake)	5,87,563
II. Reliance Retail (3.5x Sales for Proj FY24; 85.1% stake)	9,84,563
III. O2C & Oil & Gas Valuation	4,59,000
IV. Enterprise Value for Just Dial (at 67% stake)	4,266
V. Implied EV from Renewable Initiatives (2.5x Investments committed)	1,87,500
VI. Net Debt	34,815
Market Capitalization (I+II+III+IV+V+VI+VII)	21,88,041
CMP of RIL	Rs 2630/sh

(Note – SOTP is the process of
**valuing a company by determining
what its aggregate divisions would be
worth if they were spun off or acquired
by another company)**

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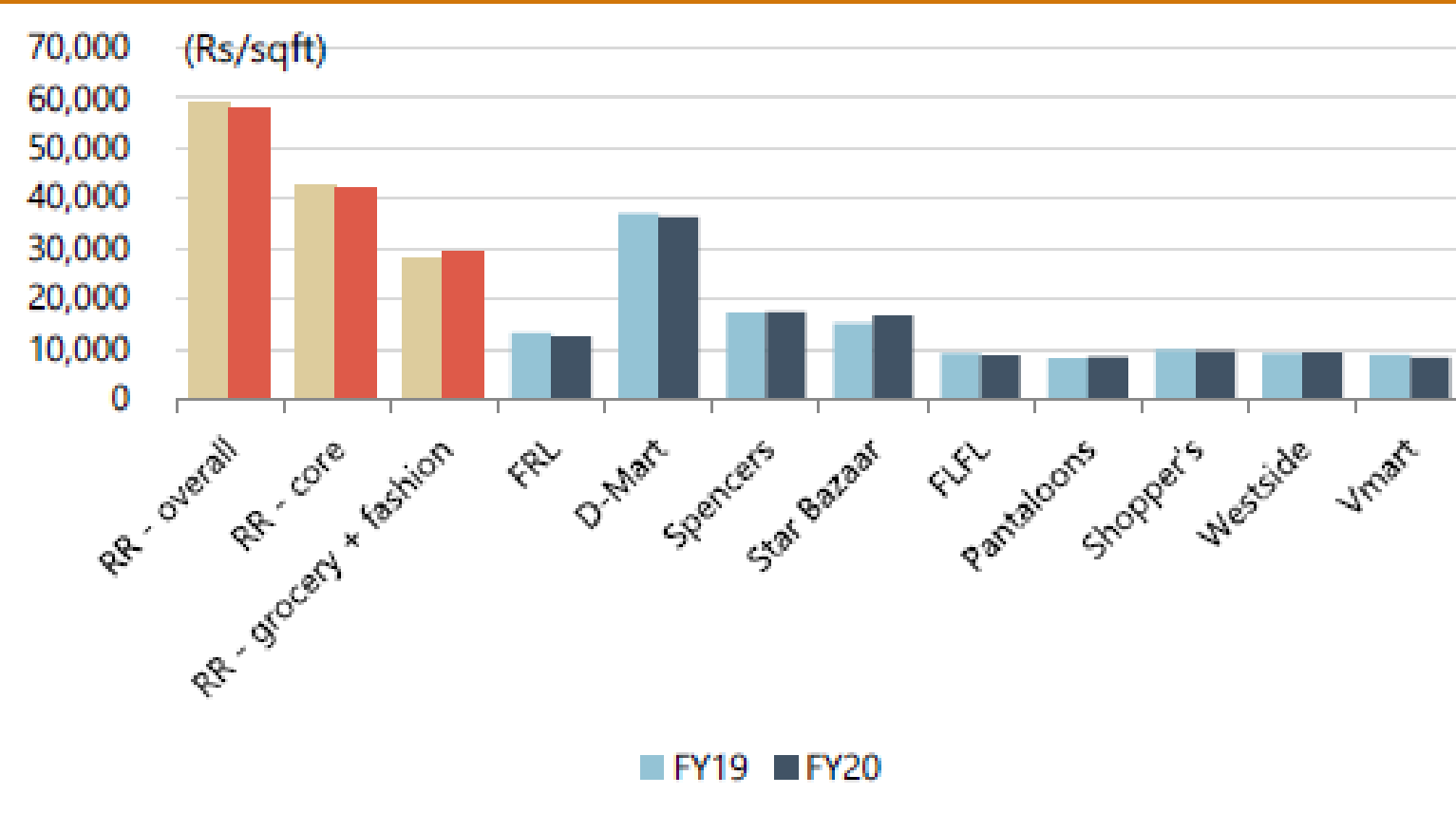
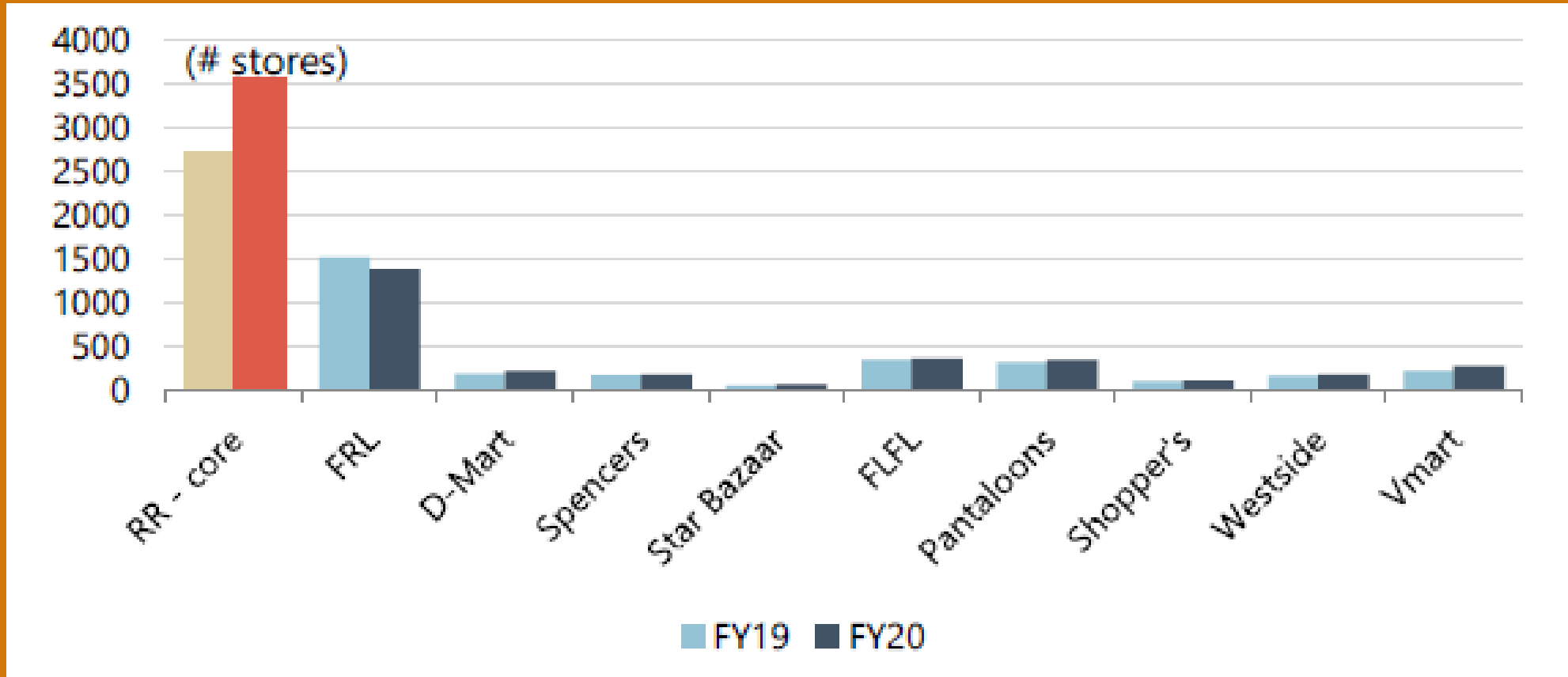
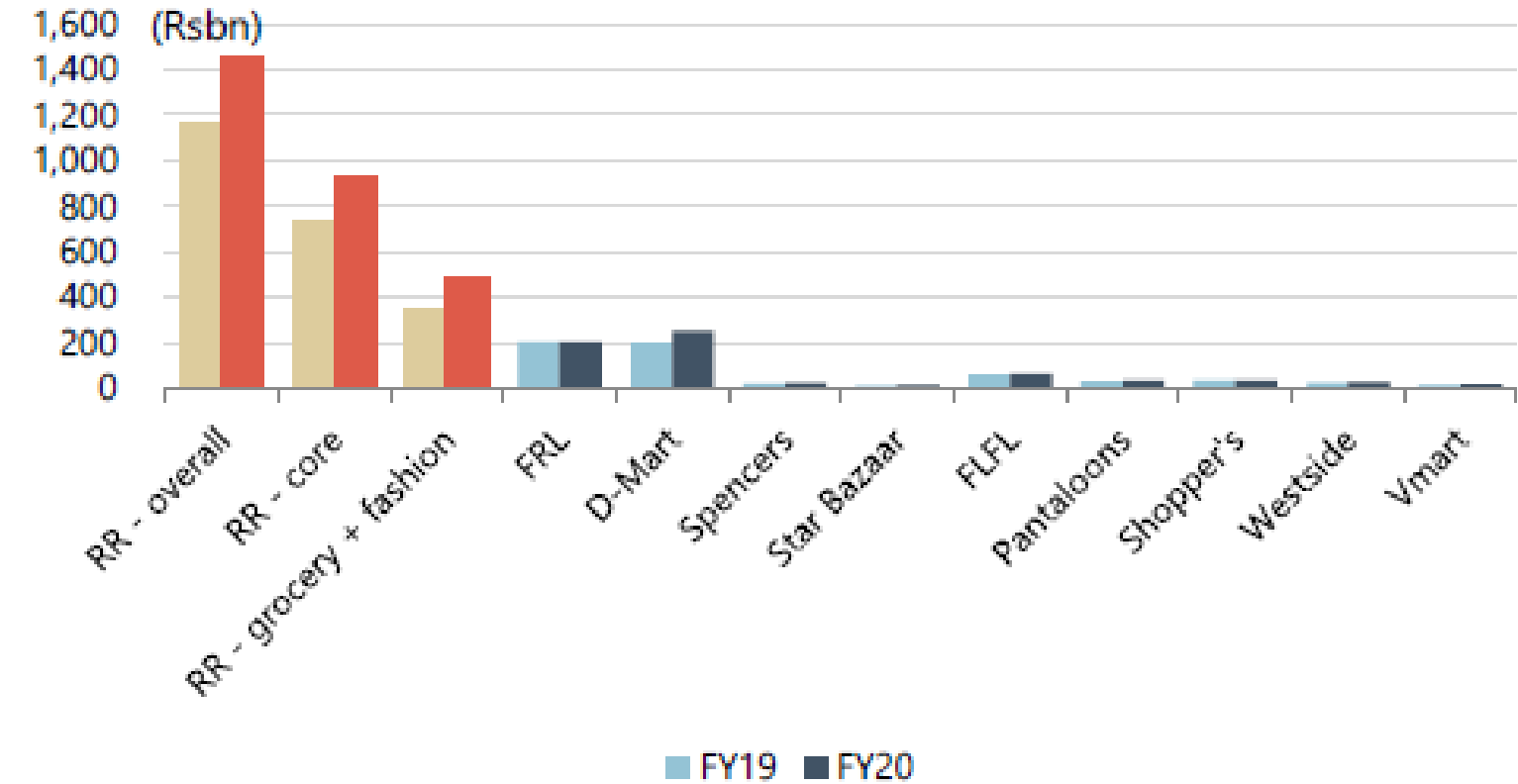
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Peer Comparision

	<u>Reliance Retail</u>	<u>D-Mart</u>	<u>Amazon</u>	<u>Walmart</u>
EV	13,14,000	2,10,721	93,75,866	34,78,601
EBITDA	8,083	2,504	7,71,037	2,83,600
EV/EBITDA	162	94	18	14

IN REVENUE TERMS

**Reliance Retail is 5x of D-Mart
17x of Adita Birla Fashion & Retail
18x of Future Retail**

- **RR's lead over competition is evident from the fact that its retail area footprint is ~2x that of Future Retail and ~4x of DMart which are other large & formidable players in the retail space..**

- **In grocery, RR has a ~20% share amongst organised players and is as much as 40% bigger than the second largest player, DMart.**
- **In fashion retail, the Company has 5% share of the organised segment and is over 50% larger than peers like Aditya BirlaFashion (ABFRL). RR accounts for a third of India's organised electronics retail (12% of overall electronics retail)**

IPO Update

Mukesh Ambani readies for mega IPOs of Reliance Retail, RJIO

IPO Plans

Reliance Retail likely to raise ₹50,000–75,000 crore (\$6.5 billion to \$10 billion) in the stake sale assuming that promoters dilute at least 10 per cent of their holdings.

Global Listing

According to sources, a global listing for both RRVL and RJPL simultaneously along with a listing in India cannot be ruled out. Reliance Jio may also be listed in the US on the Nasdaq platform, which is the world's largest marketplace for tech companies.