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Clarity on RIL's telecom venture awaited

Reliance stock is buzzing ahead of its Q2 results but where it goes from here could depend on the kind of visibility it can give on its telecom business.

Reliance Industries stock has worked up a froth over the last week in anticipation of blockbuster Q2 results from the company. The stock has gone up nearly 10% over the last week to Rs 492 from Rs 455.10. More than the cold numbers for the bygone quarter, the market, however, would be more focussed on the future outlook for the conglomerate, which has presence in oil and gas exploration, refinery, petrochemicals, telecom, textiles and power. That is an area of debate among analysts and fund managers.

While Jigar Shah of KR Choksey Securities sees the stock going up 20% from here, **Jon Thorn of India Capital Management would simply want to know when and how much money is going to come from Reliance's telecom venture.**

Speaking to CNBC-TV18, Thorn remarked, "As far as direction of the stock is concerned, we've to see what they declare today. At the moment I suppose the stock is fairly valued. It was cheap 3-4 months ago and we do hold it. Whether we should buy more of it now we'll find out this afternoon. The critical thing we're looking at is telecom—where the mobile and fixed line thing is going. What they say about that will determine the price action in the stock in the next several months...it is the biggest blackhole in terms of information and outlook. You can price in refinery, you can price in whole bunch of other things. Revenue and income of telecom is the biggest uncertainty right now."

Shah, however, has great faith in Reliance's ability to come out a winner in its telecom venture and he sees the company's initiatives paying off. "Yes, the telecom picture is a bit hazy right now but it is going to unfold. I believe they are in a very strong position. Their investment in IPCL has fructified. Their investment in BSES looks like fructifying looking at the power scenario. Traditionally, in bullish markets people have given valuations for holding companies' investments too. I would target another 20% rise from the current prices," he said.

Thorn does not buy the argument that Reliance is a neat package of entire India infrastructure story for FIIs betting on a boom in Indian economy and they should be paying a premium for that. He also shrugs off the sum-of-the-parts valuation of Rs 500 given to Reliance stock by some analysts.

"If you are investing in Indian economy, though it seems a tidy way to do it that you buy the entire utility and infrastructure base in Reliance. But that assumes that all the different sectors will be performing. It doesn't make Reliance any more attractive. We've moved from conglomerate corporate model and focus on core competencies. Traditionally there is a conglomerate discount and that is one reason Reliance is cheaper than it should be. Conglomerates have more risk than single focus companies," he argued.