COMPANY UPDATE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,810 | ⮝ 20%

RELIANCE INDUSTRIES | Oil & Gas | 18 April 2023

Capex ramp-up likely in sync with structural growth

- **EBITDA momentum likely to continue in Q4 propelled by both cyclical and consumer engines**
- **Concerns on elevated capex overdone; capex programme likely to remain in line with structural growth**
- **Maintain BUY with a slight change in TP to Rs 2,810 (vs. Rs 2,840) as we include Jio Financial in our valuation**

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EBITDA momentum to continue in Q4: We expect RIL to post Q4FY23 EBITDA ex-other income of Rs 368bn (+5% QoQ, 17% YoY), with the energy/consumer segments likely to rise 5%/3% QoQ and 18%/22% YoY. Sequential pick-up in the energy business should be supported by a return to normal throughput, an uptick in petrochem margin, and potentially higher Russian crude usage that offsets the pullback in transportation cracks. Strong annual growth in the consumer segment is likely to stem from 7% YoY growth in net Jio subscribers, a 7% rise in ARPU and 34% growth in retail EBITDA led by Covid recovery and steady footprint expansion.

Stock correction overdone: RIL's stock is down 14% from the recent peak in 30 Nov 2022 even after the modest 6% recovery since 20 Mar 2023. We attribute this correction to the company's embrace of a wider canvas for consumer goods (FMCG) and financial services (Jio Financial Services or JFS), in addition to standalone 5G. We assume an enhanced capex plan of Rs 1.2tn annually for FY24 and FY25, which would be in line with structural EBITDA growth as it is unlikely to skew net debt/EBITDA beyond 1.5x by FY25. Clearer management guidance of a 3-5-year plan for new ventures along with financial discipline targets could help assuage concerns.

Key growth catalysts: (a) O2C: Guidance on cost reduction with deployment of new energy in O2C; (b) Jio: Gains in market share and ARPU on nationwide launch of 5G, affordable 5G smartphone rollout, and Jio AirFibre; (c) Retail: Delivery on 3x growth target over 3-5 years set at the FY21 AGM and demonstration of RIL's comfort in sharing the granular performance for major retail verticals; (d) JFS: Roadmap and listing; (e) E&P: Start-up of MJ field; (f) Listing of Jio and retail businesses.

Reiterate BUY, TP Rs 2,810: We revise our TP to Rs 2,810 (from Rs 2,840) as we now account for JFS at Rs 144/sh, valuing it in line with RIL's treasury stock, and also value RIL without adjusting for treasury stock on its books. Our TP for RIL is based on an SOTP valuation for the refining (7x FY25E EV/EBITDA), petrochem (8x), telecom (Jio: 9x) and retail (30x) businesses. Apart from Rs 144/sh now added for JFS, our valuation includes Rs 149/sh for the upstream business, Rs 104 for digital services and Rs 121 for the new energy division.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	RIL IN/Rs 2,340
Market cap	US$ 193.0bn
Free float	50%
3M ADV	US$ 208.9mn
52wk high/low	Rs 2,856/Rs 2,180
Promoter/FPI/DII	50%/23%/16%

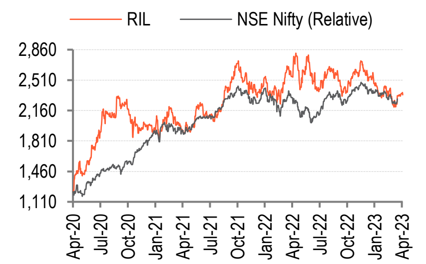
Source: NSE | Price as of 18 Apr 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	69,99,620	86,15,446	85,80,220
EBITDA (Rs mn)	11,04,600	14,42,861	16,38,439
Adj. net profit (Rs mn)	5,84,201	6,87,139	7,82,271
Adj. EPS (Rs)	86.4	101.6	115.6
Consensus EPS (Rs)	86.4	104.7	120.3
Adj. ROAE (%)	7.9	8.5	8.9
Adj. P/E (x)	27.1	23.0	20.2
EV/EBITDA (x)	16.8	12.8	11.4
Adj. EPS growth (%)	33.8	17.6	13.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Q4FY23 preview

EBITDA momentum to continue in Q4

We expect RIL to post Q4FY23 EBITDA (excluding other income) growth of 5% QoQ and 17% YoY to Rs 368bn, with the energy/consumer segments likely to rise 5%/ 2.7% QoQ and 18%/22% YoY.

- **Energy – Modest sequential uptick:** We project a modest 5% sequential pick-up in energy business EBITDA aided by improvement in oil-to-chemicals (O2C) throughput and petrochemical margin, and potentially higher usage of cheaper Russian crude which would offset the impact of pullback in transport fuel cracks (after adjusting for windfall tax). Energy EBITDA is forecast to post strong 18% YoY growth in Q4 primarily on the back of 90% higher gas realisation YoY.
- **Consumer – Strong double-digit YoY growth:** We expect the consumer business to deliver robust 22% YoY growth. Digital services is likely to post 18% YoY growth on the back of 7% growth in the consumer base and a 7% increase in ARPU driven by a tariff increase in Dec'22. We also forecast 34% YoY EBITDA growth for Reliance Retail in the wake of Covid recovery and ramp-up in revenue from continuing footprint expansion.

Fig 1 – Quarterly preview: RIL likely to maintain growth momentum

(Rs bn)	Q4FY23E	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Consolidated P&L					
Revenue	2,217	2,206	0.5	2,119	4.6
EBITDA excl. other income	**368**	**352**	**4.5**	**314**	**17.4**
Net income adjusted	183	178	2.6	180	1.4
Net income post minority share	162	158	2.4	162	(0.2)
EBITDA mix					
Oil to Chemicals (O2C)	147	139	5.6	142	3.3
Oil and Gas	40	39	1.8	16	153.9
Retail	50	48	4.2	37	34.3
Digital Services	132	129	2.2	112	17.6
Others	15	13	17.3	28	(45.9)
Segment EBITDA	**383**	**368**	**4.2**	**335**	**14.4**
Delta	15	16	(7.6)	3	354.5
Consolidated EBITDA (Reported)	**398**	**384**	**3.7**	**338**	**17.7**
Energy business	**187**	**178**	**4.8**	**158**	**18.1**
Consumer business	**182**	**177**	**2.7**	**149**	**21.7**

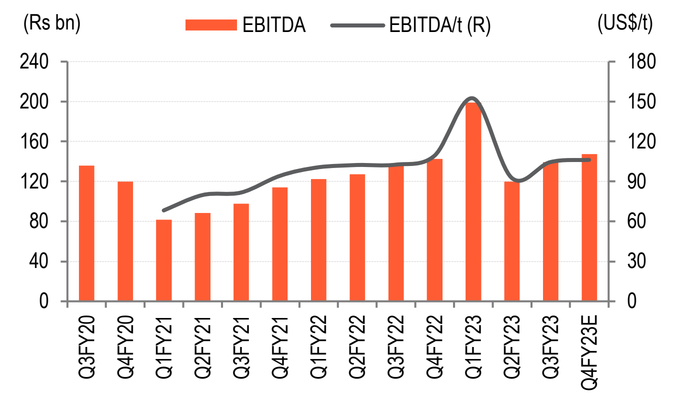
Source: Company, BOBCAPS Research

Fig 2 – Quarterly operational indicators

Parameter	Unit	Q4FY23E	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Digital Services						
Customer base	mn	437.9	432.9	1.2	410.2	6.8
Net customer additions	mn	5.0	5.3		(10.9)	
ARPU	Rs/month	180.0	178.2	1.0	167.6	7.4
Retail						
Revenue	Rs bn	631	601	5.0	508	24.1
EBITDA margin excl investment income	%	7.9	7.7	1.9	7.1	12.1
Oil to Chemicals						
Feedstock throughput	mt	19.4	18.8	3.4	19.3	0.7
Production meant for sale	mt	16.8	16.2	3.9	17.3	(2.7)
Transportation fuels	mt	10.8	10.2	6.2	10.7	1.2
Oil and Gas						
Production	BCFe	43.3	44.2	(2.1)	40.4	7.1
KG-D6 gas production	mmscmd	19.0	19.0	0.0	18.0	5.6
KG-D6 realisation	US$/MMbtu	11.7	11.3	3.5	6.1	90.9

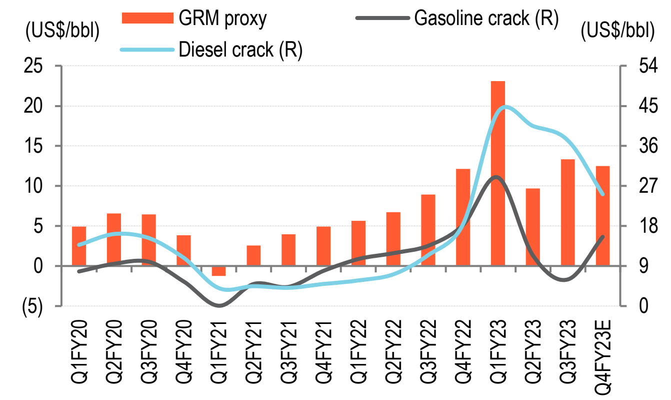
Source: Company, BOBCAPS Research

Fig 3 – O2C EBITDA likely to improve on higher throughput and recovery in petrochem margin



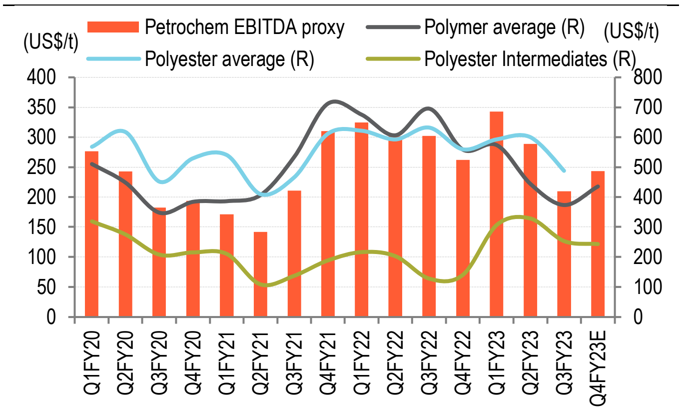
Source: Company, BOBCAPS Research

Fig 4 – Refining GRM (proxy) should be healthy as cheaper Russian crude likely offsets pullback in transport fuel cracks



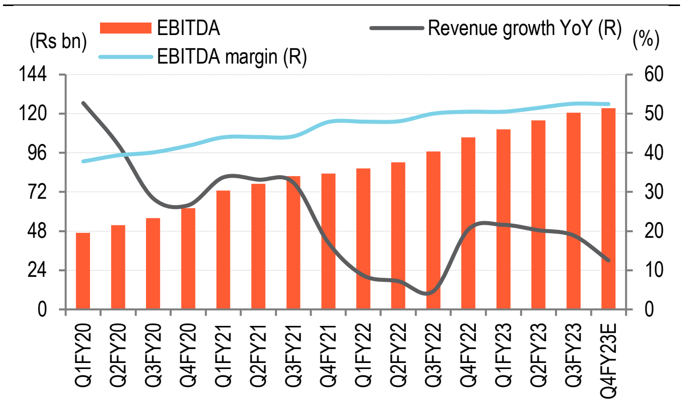
Source: Company, BOBCAPS Research

Fig 5 – Petrochemicals EBITDA (proxy indicator) shows signs of recovery



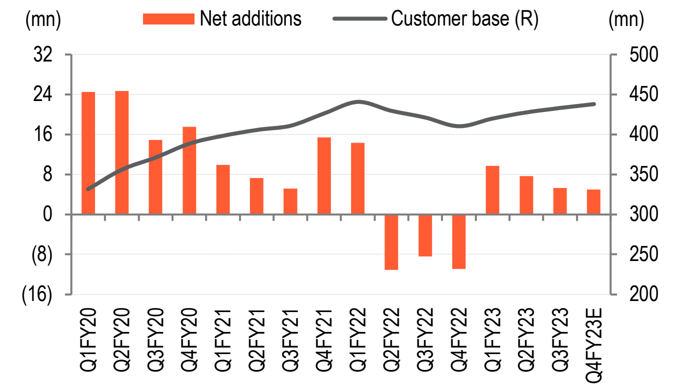
Source: Company, BOBCAPS Research

Fig 6 – Jio Infocomm's (Jio) EBITDA likely to remain steady amid accelerating 5G launches



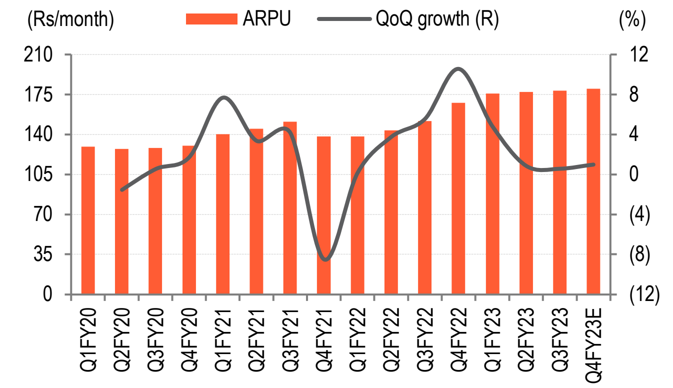
Source: Company, BOBCAPS Research

Fig 7 – Jio's net subscriber addition expected to remain positive but soft



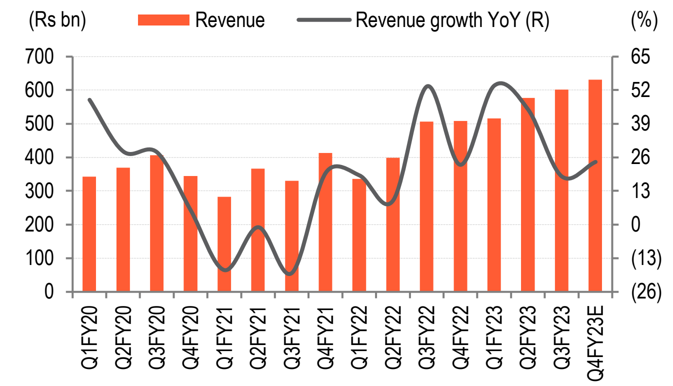
Source: Company, BOBCAPS Research

Fig 8 – Jio's ARPU to remain range-bound as it focuses on national rollout



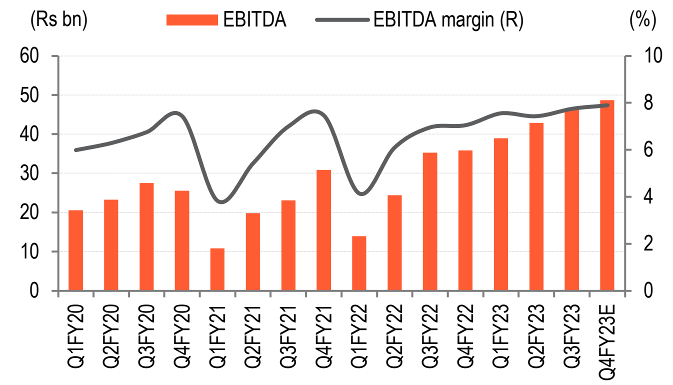
Source: Company, BOBCAPS Research

Fig 9 – Retail revenue growth supported by footprint expansion



Source: Company, BOBCAPS Research

Fig 10 – Retail EBITDA margin likely to remain healthy on lower discounts outside festive season



Source: Company, BOBCAPS Research

Key developments

Jio Financial Services (JFS)

In Oct'22, RIL had announced the spin-off of its financial services business so as to focus on the consumer and merchant lending segments by leveraging its proprietary data analytics and consumer & vendor touchpoints across retail and digital services. JFS also aims to incubate the insurance, asset management and digital broking segments with the right partnerships. We believe de-merger could be completed over next 6 months.

- The proposed 1:1 share issue ratio for each share of RIL will give JFS equity capital of Rs 63.5bn after adjusting for no share issuance corresponding to treasury stock.
- To provide adequate regulatory capital, RIL proposes to transfer 6.1% of its treasury stock held in Petroleum Trust to JFS.
- Ex-ICICI Bank leaders have been appointed as Chairman (K V Kamath) and CEO (Hitesh Sethia) for the financial services arm.
- The National Company Law Tribunal (NCLT) has scheduled a meeting on 2 May to seek approval from shareholders and creditors on RIL's demerger proposal.

JFS valued at Rs 144/sh

At this juncture, we value JFS at 1x RIL's treasury stock valuation (~Rs 980bn or US$ 13bn) which translates to Rs 144/sh. Eventually, JFS's valuation will depend upon clarity on the regulatory capital to be deployed for identified business and the holding company discount on the value of RIL's stake above regulatory capital requirements. While RIL's entire shareholding may not be considered as regulatory capital, we assume that JFS will able to leverage this stake to raise the mandated funds. Until the business model evolves, we prefer to value the company in line with RIL's marketable treasury stock.

Jio Digital

Key growth drivers for Jio Digital will be the pan-India rollout of 5G coverage and adoption of 5G services, followed by monetisation in the form of higher ARPU. Jio is working on the launch of *AirFibre* to accelerate wireless broadband penetration and on affordable 5G smartphones to spur 5G usage. Delivery on these milestones is essential for Jio Digital to yield better value for its shareholders during the proposed initial public offering. Jio Digital has recently secured non-recourse debt – a clear indication of its acceptance by investors as an independent business.

- Jio has been aggressively rolling out 5G coverage, now spanning more than 400 cities across India.
- To accelerate adoption, Jio has launched another family plan priced at Rs 699/ month which aims to build 5G adoption across family members and also encourage the move from the prepaid to postpaid segment with free 5G data and Netflix & Amazon Prime subscriptions as incentives.

- To boost adoption of home broadband and compete effectively with cable operators, Jio is offering an affordable broadband plan starting at Rs 198/month, offering unlimited data at 10mbps speed along with a bundled entertainment offer priced at Rs 100/month or Rs 200/month, and a rider to boost speed to 30mbps for 1, 2 or 7 days through additional payment in the range of Rs 21-152. The telecom regulator is now examining this offer after complaints from peers about its predatory nature and bundled offerings of live TV plus over-the-top (OTT) apps. Jio had 7.7mn fibre-to-the-home (FTTH) customers as of Dec’22 against its target of 50mn.

Jio Retail

Key stock drivers for Jio Retail include delivering on its target of 3x growth over 3-5 years set at RIL’s FY21 annual general meeting (AGM), developing its new focus area of consumer brands, and achieving sector-leading margins by leveraging its large scale of operations and high penetration of private labels.

- Jio Retail has developed a large portfolio of private labels across various verticals.
- Following its announcement of in Aug’22, Jio Retail has started building a portfolio of consumer products (FMCG arm) and piloting regional launches. In the beverage category, the company is relaunching *Sosyo* in Gujarat at a Rs 10 price point and *Campa Cola* in South India. In dairy, it is bringing ice cream to Gujarat under the *Independence* brand and in the snacks category, the company has tied up with a leading Sri Lanka-based biscuit brand *Maliban*.
- Jio Retail aims to scale up FMCG products using omnichannel distribution, including Reliance Retail stores, JioMart, and its partnerships with over 2mn merchants.

Media (Viacom18)

RIL’s media vehicle – Viacom18 – has tied up with Bodhi Tree, a venture fund run by James Murdoch’s Lupa Systems and Uday Shankar, to disrupt the media and entertainment sector. Bodhi Tree, with participation of Qatar Investment Authority as one of the largest investors, has put US$ 528mn into Viacom18 whereas RIL has invested US$ 1.3bn vs. its initial commitment of US$ 216mn after Bodhi Tree scaled back its investment by 70%. Funding closure has finally been achieved in Apr’23 from the earlier plan of Oct’22. Viamcom18’s effective fully diluted stake is split amongst RIL group entities: 60.37%, TV18: 13.54%, Bodhi Tree: 13.08%, and Paramount Global: 13.01%.

The JioCinema App has been transferred to Viacom18. The app is currently streaming Indian Premier League (IPL) cricket free of charge and setting viewership records. Previously, it had streamed the FIFA Football World Cup free.

Fund raising

We currently assume RIL's elevated capital expenditure plan at Rs 1.2tn annually for FY24-FY25 and look forward to further clarity from management on outlay targets. The company has tied up or is working to garner funding as follows: US$ 3bn in non-convertible debentures (NCD), a US$ 3bn syndicated loan, a US$ 2bn additional credit line, and a US$ 2.4-3.0bn infrastructure investment trust (InvIT) fund.

- RIL's board approved the issuance of Rs 200bn (~US$ 3bn) in NCDs on a private placement basis in Jan'23.
- The company has raised the US$ 3bn of syndicated loans and secured an additional credit line of US$ 2bn through syndication in late March/early April. The fund raising was equally split between RIL and Jio. This is the first time Jio has been successful in raising a non-recourse loan.

Fig 11 – Fund raise

	Amount raised			Average tenure	Interest spread	
	US$ loan (US$ bn)	Yen loan (Yen bn)	Yen loan (in US$ bn)	(years)	US$ loan (bps over SOFR)	Yen loan (bps over Tonar)
RIL	1.15	48.8	0.38	5.25	121	58
JIO	1.2	48.8	0.38	5	128	65

Source: BOBCAPS Research | SOFR: Secured Overnight Finance Rate, Tonar: Tokyo Overnight Average Rate

- RIL has started the process of setting up a US$ 2.4-3bn InvIT to monetise the backend warehousing and logistics assets of its retail businesses.

Earnings forecasts

Fig 12 – RIL's EBITDA mix

Particulars	FY21	FY22	FY23E	FY24E	FY25E	FY22-25E CAGR (%)
EBITDA (Rs bn)						
O2C	367	514	611	586	582	-
Oil & Gas	2	55	118	146	165	-
Cyclical subtotal	**368**	**568**	**729**	**732**	**747**	**-**
Digital Services	334	394	481	626	783	-
Retail	98	124	177	238	301	-
Consumer subtotal	**432**	**518**	**658**	**864**	**1,084**	**-**
Others	8	18	56	42	42	-
Consolidated business EBITDA	**807**	**1,105**	**1,443**	**1,638**	**1,873**	**-**
EBITDA YoY growth (%)						
O2C	(31.0)	40.2	18.9	(4.1)	(0.7)	4.3
Oil & Gas	(87.9)	3410.6	115.9	24.0	12.8	44.5
Cyclical subtotal	**(32.3)**	**54.4**	**28.3**	**0.5**	**2.0**	**9.5**
Digital Services	48.2	18.2	21.9	30.2	25.1	25.7
Retail	1.4	26.5	42.8	34.6	26.5	34.5
Consumer subtotal	**34.1**	**20.1**	**26.9**	**31.4**	**25.5**	**27.9**
Consolidated	**(9.3)**	**36.8**	**30.6**	**13.6**	**14.3**	**19.2**
EBITDA composition (% of total)						
O2C	45.4	46.5	42.4	35.8	31.1	-
Oil & Gas	0.2	4.9	8.2	8.9	8.8	-
Cyclical subtotal	**45.6**	**51.5**	**50.5**	**44.7**	**39.9**	**-**
Digital Services	41.3	35.7	33.3	38.2	41.8	-
Retail	12.1	11.2	12.3	14.5	16.1	-
Consumer subtotal	**53.5**	**46.9**	**45.6**	**52.7**	**57.9**	**-**

Source: Company, BOBCAPS Research

Fig 13 – Key assumptions

Parameter	Unit	FY21	FY22	FY23E	FY24E	FY25E
Exchange rate	INR/USD	74.2	74.5	80.2	81.8	83.4
Energy						
Oil price	US$/bbl	45.8	80.0	95.0	85.0	80.0
Refining margin	US$/bbl	6.0	8.0	10.5	9.5	9.0
Petrochem EBITDA	US$/t	203	272	273	251	251
O2C throughput	mt	63.6	68.2	71.0	71.0	71.0
Gas realisation- KG D6	US$/mmbtu	3.8	4.9	10.7	10.2	9.6
Gas production- KG D6	mmscmd	1.8	17.7	19.0	24.5	29.0
Jio Digital Services						
No of subscribers	mn	426	410	441	481	505
ARPU	Rs	144	150	178	187	206
Retail						
Revenue growth	% YoY	(3.8)	25.8	32.6	33.7	28.3
EBITDA margin	%	6.0	6.2	7.5	7.7	7.6

Source: Company, BOBCAPS Research

Fig 14 – Comparison with consensus

(Rs bn)	BOBCAPS			Consensus			Delta to Consensus (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,615	8,580	9,483	9,175	9,733	10,141	(6.1)	(11.8)	(6.5)
EBITDA	1,443	1,638	1,873	1,438	1,640	1,774	0.3	(0.1)	5.6
Adj. PAT	687	782	857	707	817	901	(2.8)	(4.2)	(4.8)
EPS (Rs)	101.6	115.6	126.7	104.7	120.3	134.0	(3.0)	(3.9)	(5.4)

Source: Refinitiv, BOBCAPS Research

Valuation methodology

BUY with TP of Rs 2,810

We revise our TP for RIL to Rs 2,810 from Rs 2,840 as we now factor in the valuation of JFS (on par with RIL's treasury stock) and also value RIL at its full equity base of 6.77bn shares without adjusting for the treasury stock on its books. The small downward shift in our fair value is the result of our previous implicit valuation of treasury stock at our target price. We now value it at current market price assuming that JFS will leverage the same to raise needed regulatory capital.

Our TP is based on an SOTP valuation with unchanged target multiples for all businesses, including refining (7x FY25E EBITDA), petrochemicals (8x), telecom (Jio Infocomm: 9x) and retail (30x). We also include Rs 149/sh (vs. Rs 158 earlier) for the upstream business, Rs 104 (vs. Rs 110) for the digital services venture, Rs 121 (vs. Rs 129) for the new energy division, and Rs 144 for JFS. Maintain BUY as we believe the recent stock correction offers a good entry opportunity with 20% upside potential. In our view, concerns over elevated capex are overdone and we expect the ramp up in outlay to be in keeping with RIL's structural profit growth.

Fig 15 – Valuation summary

Business (Rs bn)	Fair Value (US$ bn)	Fair Value (Rs bn)	Value/share (Rs)	Valuation basis
Energy				
Refining	30	2,209	327	7x FY25E EBITDA
Petrochem	38	2,844	420	8x FY25E EBITDA
Upstream	13	1,005	149	Combination of DCF and reserve multiple
New energy	10	818	121	Option value
Energy total	**91**	**6,876**	**1,016**	**-**
Jio Infocomm	63	4,671	690	9x FY25E EBITDA, RIL share
Digital Services	9	701	104	6x FY25E Sales, discounted to FY24; RIL share
Reliance Retail	103	7,689	1,137	30x FY25E EBITDA, RIL share
Consumer business total	**175**	**13,060**	**1,931**	**-**
Jio Financial Services	**13**	**977**	144	**At 1x value of RIL Treasury shares**
Enterprise value	**280**	**20,913**	**3,091**	**-**
Net Debt	31	2,318	343	-
Marketable securities	6	416	62	At 85% of BV
Equity value	**254**	**19,011**	**2,810**	**22.2x FY25E EPS**
TP (rounded to nearest Rs 5)	**-**	**-**	**2,810**	**-**

Source: BOBCAPS Research

Key risks

We highlight key downside risks to our estimates below.

- **O2C and Oil & Gas businesses:** Lower-than-assumed oil price, gas price, GRM and petrochemical crack movements on easing of the demand-supply balance, or adverse regulatory moves (such as higher windfall tax rate or cap on gas price) are key downside risks.
- **Digital Services:** Downside risks in this business are lower growth in subscriber base, slower rise in average tariffs, inferior operating margin and slower pickup in digital services than our assumptions.
- **Reliance Retail:** Below-expected revenue growth driven by slower economic activity as well as lower market share gains against organised retail and competition are primary downside risks. Higher competitive intensity can also push operating margin below our current assumptions. RIL has invested more than US$ 1bn in acquiring assets and capabilities, and the pace of integration will pose added challenges.
- **New Energy:** Slower-than-expected evolution and integration of new energy businesses with existing businesses is a key downside risk.
- **Corporate risk:** Succession planning with orderly transfer of management control to the next generation is the key to continuity. RIL has initiated the process by elevating Akash Ambani as Chairman of Reliance Jio Infocomm and elevating a professional manager, Pankaj Pawar, as Managing Director.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	**46,69,240**	**69,99,620**	**86,15,446**	**85,80,220**	**94,82,529**
EBITDA	8,07,370	11,04,600	14,42,861	16,38,439	18,73,061
Depreciation	(2,65,720)	(2,97,970)	(3,64,855)	(4,04,700)	(4,53,022)
EBIT	5,41,650	8,06,630	10,78,006	12,33,740	14,20,040
Net interest inc./(exp.)	(2,11,890)	(1,45,840)	(1,82,399)	(1,88,399)	(1,88,399)
Other inc./(exp.)	1,63,270	1,49,470	1,17,579	1,33,076	1,27,992
Exceptional items	56,420	28,360	0	0	0
EBT	4,93,030	8,10,260	10,13,187	11,78,417	13,59,633
Income taxes	(17,220)	(1,62,970)	(2,47,550)	(2,86,264)	(3,52,934)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(40,950)	(68,600)	(78,498)	(1,09,882)	(1,49,413)
Reported net profit	**4,91,280**	**6,07,050**	**6,87,139**	**7,82,271**	**8,57,287**
Adjustments	0	0	0	0	0
Adjusted net profit	**4,36,628**	**5,84,201**	**6,87,139**	**7,82,271**	**8,57,287**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	10,88,970	15,93,300	18,94,678	17,85,555	17,41,073
Other current liabilities	7,71,750	6,67,360	9,49,678	8,59,727	8,29,537
Provisions	51,290	37,890	37,890	37,890	37,890
Debt funds	27,47,410	29,39,980	31,39,980	31,39,980	31,39,980
Other liabilities	5,46,910	8,57,850	8,89,266	9,16,997	9,55,767
Equity capital	64,450	67,650	67,650	67,650	67,650
Reserves & surplus	69,37,270	77,27,200	83,54,647	90,57,885	98,31,519
Shareholders' fund	70,01,720	77,94,850	84,22,297	91,25,535	98,99,169
Total liab. and equities	**1,32,00,650**	**1,49,86,220**	**1,65,07,278**	**1,71,49,055**	**1,80,36,199**
Cash and cash eq.	1,73,970	3,61,780	1,59,175	1,12,579	3,00,908
Accounts receivables	1,90,140	2,36,400	2,46,850	2,39,001	2,38,349
Inventories	8,16,720	10,77,780	12,42,168	11,82,647	11,58,384
Other current assets	16,99,430	13,64,580	13,64,580	13,64,580	13,64,580
Investments	36,48,280	39,42,640	39,42,640	39,42,640	39,42,640
Net fixed assets	53,10,460	61,47,890	71,63,083	85,65,337	94,02,060
CWIP	12,59,530	17,25,060	22,58,692	16,12,182	14,99,188
Intangible assets	1,02,120	1,30,090	1,30,090	1,30,090	1,30,090
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**1,32,00,650**	**1,49,86,220**	**1,65,07,278**	**1,71,49,055**	**1,80,36,199**

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	**(15,20,350)**	**11,83,480**	**13,74,689**	**9,49,922**	**11,71,329**
Capital expenditures	(4,89,180)	(15,15,680)	(19,13,680)	(11,60,443)	(11,76,752)
Change in investments	(85,770)	(7,65,610)	0	0	0
Other investing cash flows	(6,32,040)	5,92,750	1,17,579	1,33,076	1,27,992
Cash flow from investing	**(12,06,990)**	**(16,88,540)**	**(17,96,101)**	**(10,27,367)**	**(10,48,760)**
Equities issued/Others	10,02,980	3,200	0	0	0
Debt raised/repaid	(3,54,780)	9,100	2,00,000	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(45,840)	(42,970)	(59,691)	(79,034)	(83,653)
Other financing cash flows	19,89,750	7,23,540	78,498	1,09,882	1,49,413
Cash flow from financing	**25,92,110**	**6,92,870**	**2,18,807**	**30,849**	**65,760**
Chg in cash & cash eq.	**(1,35,230)**	**1,87,810**	**(2,02,605)**	**(46,596)**	**1,88,330**
Closing cash & cash eq.	**1,73,970**	**3,61,780**	**1,59,175**	**1,12,579**	**3,00,908**

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	76.2	89.7	101.6	115.6	126.7
Adjusted EPS	64.5	86.4	101.6	115.6	126.7
Dividend per share	6.1	6.7	8.8	11.7	12.4
Book value per share	1,086.4	1,152.2	1,245.0	1,348.9	1,463.3

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	4.0	2.6	2.1	2.2	2.0
EV/EBITDA	23.0	16.8	12.8	11.4	10.1
Adjusted P/E	36.3	27.1	23.0	20.2	18.5
P/BV	2.2	2.0	1.9	1.7	1.6

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	79.5	69.7	67.8	66.4	63.1
Interest burden (PBT/EBIT)	101.4	104.0	94.0	95.5	95.7
EBIT margin (EBIT/Revenue)	11.6	11.5	12.5	14.4	15.0
Asset turnover (Rev./Avg TA)	37.6	49.7	54.7	51.0	53.9
Leverage (Avg TA/Avg Equity)	2.2	1.9	1.9	1.9	1.8
Adjusted ROAE	7.6	7.9	8.5	8.9	9.0

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	(21.9)	49.9	23.1	(0.4)	10.5
EBITDA	(9.3)	36.8	30.6	13.6	14.3
Adjusted EPS	(0.3)	33.8	17.6	13.8	9.6
Profitability & Return ratios (%)					
EBITDA margin	17.3	15.8	16.7	19.1	19.8
EBIT margin	11.6	11.5	12.5	14.4	15.0
Adjusted profit margin	9.4	8.3	8.0	9.1	9.0
Adjusted ROAE	7.6	7.9	8.5	8.9	9.0
ROCE	5.7	5.8	6.6	7.1	7.5
Working capital days (days)					
Receivables	15	11	10	10	9
Inventory	95	72	107	102	95
Payables	97	83	89	97	85
Ratios (x)					
Gross asset turnover	0.6	0.9	0.9	0.8	0.8
Current ratio	1.0	1.0	0.8	0.8	0.9
Net interest coverage ratio	2.6	5.5	5.9	6.5	7.5
Adjusted debt/equity	0.4	0.3	0.4	0.3	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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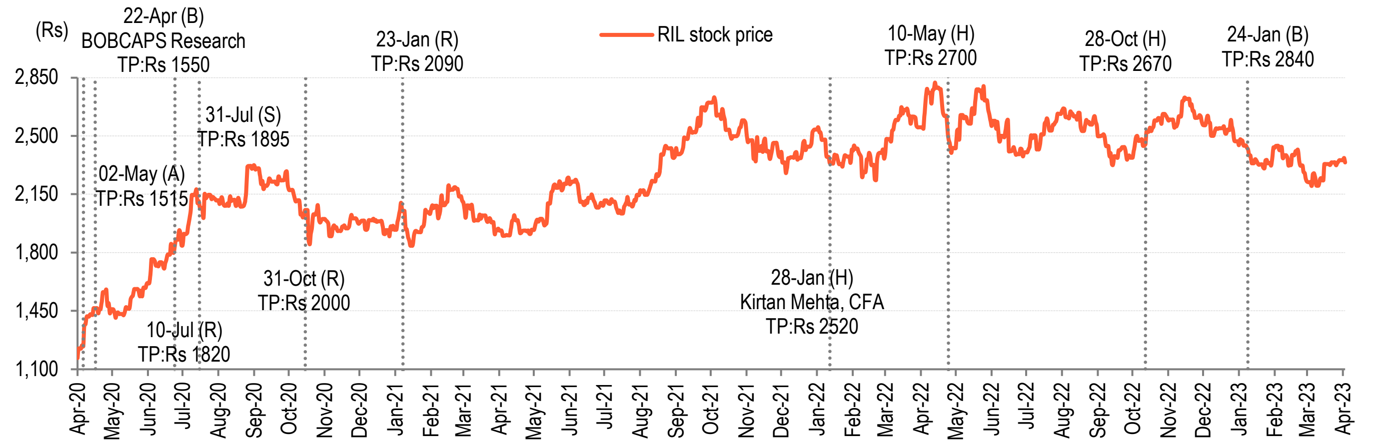
Ratings and Target Price (3-year history): RELIANCE INDUSTRIES (RIL IN)



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