RESULT REVIEW

BUY
TP: Rs 3,440 | ⮝ 25%

RELIANCE INDUSTRIES | Oil & Gas | 15 October 2024

Earnings bottomed out but softness may persist near term

- **Q2 results were broadly in line with muted expectations, earnings likely bottomed out but softness may persist for couple of quarters**
- **While we lower FY25 EBITDA growth to reflect short-term hiccups, we continue to bake in structural growth and see widening growth canvass**
- **We lower TP to Rs 3,440 (from Rs 3,585) due to slower retail growth; RIL's consumer business remains key beneficiary of India growth story**

Kirtan Mehta, CFA
research@bobcaps.in

Q2 broadly in line with muted expectations: RIL's Q2FY25 EBITDA at Rs 391bn was 3% below Bloomberg consensus and 2% below our forecasts, reflecting largely in-line results amid muted expectations. Segmental results were also within -2% to +3% range across all segments. Capex spend eased 33% YoY to Rs 628bn in H1 allowing net debt to remain flat at Rs 1,164bn over H1.

Earnings likely bottomed out: While pullback in margins in O2C and retail rationalisation weighed on earnings, Q2 consolidated EBITDA was still up 3% QoQ on resumption of growth in Digital Services with the tariff hike in July. Q3 earnings will gain support from further capture of tariff hike in Digital Services and retail growth in festive season. Management guides for softness for the next couple of quarters in both Retail and O2C businesses.

Structural growth intact: While we had slowed down FY25 EBITDA growth to a mid-single digit (6%) from 9% earlier on the slowdown in Retail and O2C, we continue to bake in 11% CAGR in EBITDA over FY24-FY27E, led by 22% CAGR in consumer business profits. Besides consumer businesses linked to growth aspirations of India, RIL is also developing New Energy as the next growth pillar.

Key stock catalysts: (a) Jio: Signs of monetising standalone 5G roll-out beyond Jio AirFiber. (b) Retail: Resumption of growth trajectory towards delivery on 3x growth target over five years. (c) New Energy: More visibility on delivery of initial milestones over FY25-26. d) O2C: Guidance on cost reduction with the deployment of new energy. (e) Public offers: Listing of the Jio and retail businesses.

Reiterate BUY: We lower our SOTP-based TP to Rs 3,440 (from Rs 3,585) factoring in changes to estimates and lower target multiple for Retail at 32x (from 34x) reflecting slower growth assumptions of 18% (22%) CAGR over FY24-27E. We retain target multiples for other businesses – Refining (7.5x), Petrochemicals (8.5x), and Jio Infocomm (11x). Given 25% upside, we reiterate BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	RIL IN/Rs 2,745
Market cap	US$ 221.0bn
Free float	50%
3M ADV	US$ 245.1mn
52wk high/low	Rs 3,218/Rs 2,220
Promoter/FPI/DII	50%/22%/17%

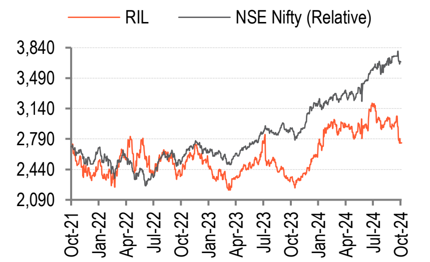
Source: NSE | Price as of 14 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	9,010,640	9,116,495	9,935,189
EBITDA (Rs mn)	1,622,187	1,715,022	1,986,179
Adj. net profit (Rs mn)	696,067	727,977	878,396
Adj. EPS (Rs)	102.9	107.6	129.8
Consensus EPS (Rs)	102.9	113.4	132.8
Adj. ROAE (%)	9.2	8.8	9.8
Adj. P/E (x)	26.7	25.5	21.1
EV/EBITDA (x)	13.1	12.4	10.6
Adj. EPS growth (%)	5.0	4.6	20.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q2 broadly in line with muted expectations

RIL's Q2FY25 EBITDA at Rs 391bn was 3% below Bloomberg consensus and 2% below our forecasts, reflecting largely in-line results amid muted expectations. EBITDA likely bottomed out in Q1.

Fig 1 – RIL Q2 vs consensus and our forecasts

(Rs bn)	Q2FY25	Consensus	Delta	BOBCAPS	Delta
Revenue from operations	2,355	2355	0.0	2,310	1.9
EBITDA excl other income	391	404	(3.4)	397	(1.7)
Net income post minority share	193	188	2.7	183	5.4

Source: Company, Bloomberg, BOBCAPS Research

- **Segment results were broadly in line.** Among RIL's business segments, while O2C EBITDA and Digital Services EBITDA were 2% below our estimates each, Oil & Gas EBITDA and Retail EBITDA were 3% and 2%, respectively, above our forecasts.
- **Segment EBITDA was 2% higher sequentially.** The EBITDA uptick was mainly the result of resumption of growth in Digital Services (contributing Rs 12bn QoQ increase), steady retail (Rs 2bn increase) and Oil & Gas (Rs 1bn increase) partially offset by a modest further decline in O2C (Rs 7bn decline).
- **Retail slowdown continued into Q2.** Retail revenue declined 1% YoY from 10% YoY growth in Q2 and 28% growth in FY24. The quarter was impacted by weak demand in Fashion and Lifestyle, continued focus on streamlining of operations and calibrated approach in B2B.
- **Consumer businesses recovered to low double-digit growth.** Despite slowdown in Retail, consumer businesses clocked 10.5% YoY growth in Q2 and largely offset weakness in energy (-16% YoY), resulting in a modest 2% decline in consolidated EBITDA. Consumer business growth likely bottomed out in Q1 with the tariff hike supporting the next leg of growth in Digital Services starting from Q2 and festive season supporting modest growth in Retail in Q3.
- **Capex eased in line with guidance.** While H1 capex at Rs 628bn was down 33% YoY, Q2 capex at Rs 340bn was down 12% YoY. Capex was well covered by internal cash generation leaving Net debt broadly stable over past six months at Rs 1,164bn (excluding deferred spectrum liabilities).
- **New indications:** (a) 5G user base at 148mn is ~30% of user base, (b) broadband consumer addition run-rate improved to 1mn/month with traction on Jio AirFiber, (c) Digital stores have crossed the mark of 650 stores, (d) within the grocery business, confectionary and snacks revenue was up 30% YoY, fruits revenue increased 26% YoY, and apparel revenue was up 49% YoY.

Fig 2 – Quarterly performance

(Rs bn)	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Consolidated P&L					
Revenue	2,355	2,362	(0.3)	2,350	0.2
EBITDA excl other income	**391**	**388**	**0.8**	**410**	**(4.7)**
Net income adjusted	193	174	10.8	199	(2.8)
Net income post minority share	166	151	9.4	174	(4.8)
EBITDA mix					
Oil to Chemicals (O2C)	124	131	(5.2)	163	(23.8)
Oil and Gas	53	52	1.5	48	11.0
Retail	59	57	3.3	58	0.5
Digital Services	161	149	8.0	141	14.7
Others	21	20	5.1	22	(4.3)
Segment EBITDA	**418**	**409**	**2.2**	**431**	**(3.1)**
Delta	21	18	-	17	-
Consolidated EBITDA (Reported)	**439**	**427**	**2.8**	**448**	**(2.0)**
Energy businesses	177	183	(3.3)	210	(15.9)
Consumer businesses	**220**	**206**	**6.7**	**199**	**10.5**

Source: Company, BOBCAPS Research

Fig 3 – Quarterly operational indicators

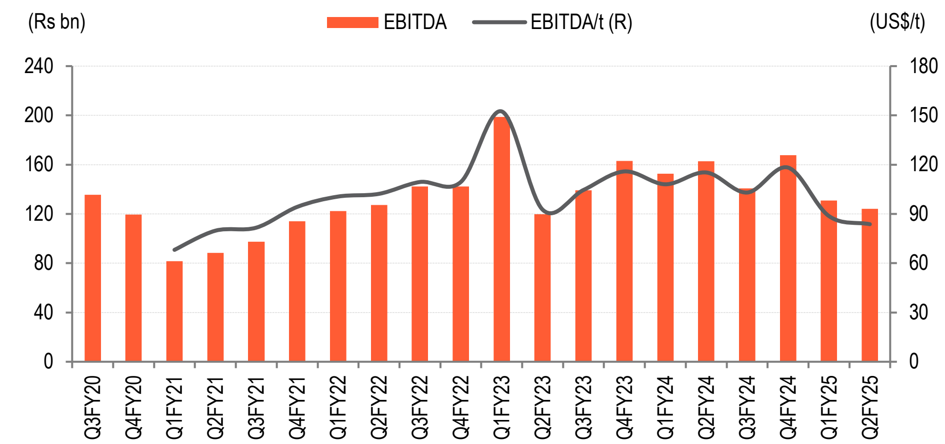
	Unit	Q2FY25	Q1FY25	QoQ (%)	Q2FY24	YoY (%)
Digital Services						
Customer base	Mn	478.8	489.7	(2.2)	459.7	4.2
Net customer additions	Mn	(10.9)	7.9	-	11.1	-
ARPU	Rs/month	195.1	181.7	7.4	181.7	7.4
Retail						
Revenue	Rs bn	665	663	0.4	689	(3.5)
Core revenue	Rs bn	430	445	(3.4)	480	(10.6)
EBITDA margin excl investment income	%	8.5	8.2	-	8.4	-
Total store count	Nos	18,946	18,918	0.1	18,650	1.6
Total store area	mn sqft	79.4	81.3	(2.3)	71.5	11.0
Oil to Chemicals (O2C)						
Feedstock throughput	Mt	20.2	19.8	2.0	20.0	1.0
Production meant for sale	Mt	17.7	17.7	0.0	17.1	3.5
Transportation fuels	Mt	11.2	11.6	(3.4)	11.1	0.9
O2C EBITDA/t	US$/t	84	89	(5.6)	115	(27.3)
Oil and Gas						
Production	BCFe	71.9	71.7	0.3	70.4	2.1
KG-D6 gas production	mmscmd	28.5	28.7	(0.7)	28.3	0.7
KG-D6 realisation	US$/MMBtu	9.6	9.3	3.0	10.5	(8.7)

Source: Company, BOBCAPS Research

Oil to Chemicals (O2C)

O2C EBITDA has seen a sharp 24% YoY pullback to Rs 124bn with another 5% QoQ decline in Q2, bringing the quarterly profit to the lower end of the Rs 120bn-200bn range seen over the past 12 quarters. Blended O2C margin per tonne at US$ 84/t was also at a 15-quarter low.

Fig 4 – O2C: EBITDA at the lower end of the range over past 12 quarters

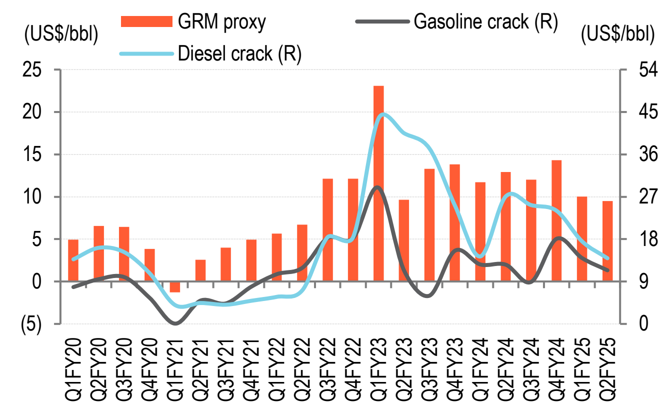


Source: Company, BOBCAPS Research

- **Sharp decline in margins:** While fuel cracks experienced a sharp pullback (down ~50% YoY), downstream petrochemical deltas were down 9%-24% YoY in Q2.

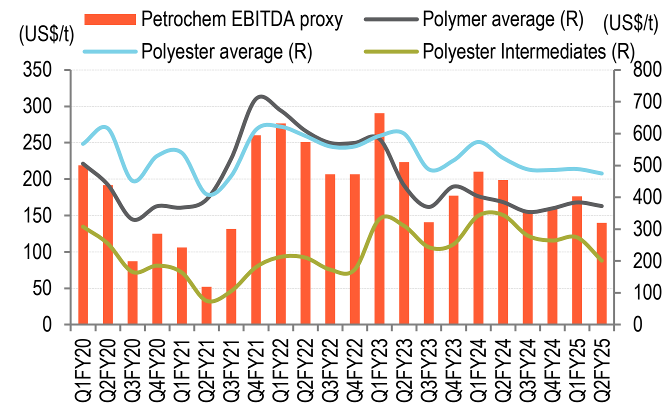
  In Refining, we estimate that RIL's gross refining margin (GRM) declined by US$ 0.5/bbl in Q2 to US$ 9.5/bbl. In Petrochemicals, we estimate that average EBITDA/t may have declined by 21% QoQ to ~US$ 140/t with sharp pullback in both polymer and polyester margins.

Fig 5 – Refining GRM (proxy) weakens on lower fuel cracks



Source: Company, BOBCAPS Research

Fig 6 – Petrochemicals EBITDA's (proxy) also declined on weaker polymer and polyester spreads



Source: Company, BOBCAPS Research

- **Flexibility continues to add value:** RIL continues to demonstrate the benefit of its flexible refining capabilities to overcome the soft margin environment in different parts of the chain. RIL benefitted from 47% YoY decline in ethane prices; maximised domestic fuel sale in view of pullback in regional margins; and maximised fuel retailing (28% YoY) to capture higher domestic marketing margins.

O2C profits to remain resilient over FY25E-FY27E

We expect O2C EBITDA to come off its peak but remain resilient over the next three years as highly complex refining and petrochemical assets allow RIL to efficiently align the feedstock mix as well as product and energy mixes with market opportunities.

- **Near-term several challenges exist –** (a) lower global operating rates for both refinery (79.2%) and petrochemical (80.0%), (b) weak demand amid adequate supply of products, and (c) continuing ramp-up of new refineries in Africa.
- **Fuel markets could tighten near-term –** due to (a) potential refinery cuts in Europe and Asia amid weak margins, (b) further pick-up in aviation fuel demand, (c) pick-up in heating oil demand. However, the quantum of tightening will depend on the level of demand recovery.
- **Downstream petrochemicals –** RIL expects only a gradual recovery in margin with a slowing pace of capacity addition.

Oil & Gas

In Q2, Oil & Gas EBITDA was up 2% QoQ as pick-up in condensate production and marginal increase in gas realisation.

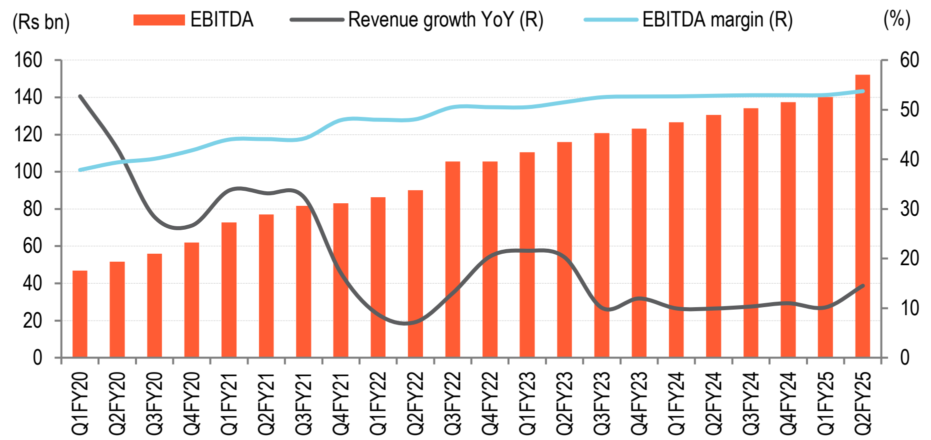
Over the next three years, we expect Oil & Gas EBITDA to come off the peak with the easing of gas realisation and sharing of higher profit barrels with government. We assume that plateau production will extend over a longer plateau period of four to five years with additional 4-5mmscmd production from the R and Satellite clusters after two to three years.

Digital Services

Digital Services EBITDA growth recovered to 14.7% YoY growth in Q2, benefitting from the 13-20% hike across different plans, partially offset by subscriber consolidation. Digital Services is gaining traction in 5G usage, home and enterprise segments.

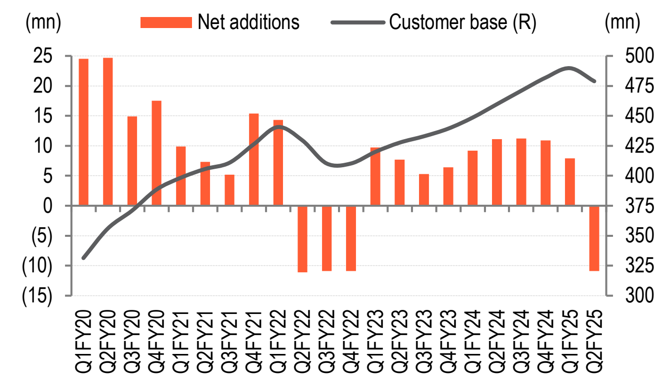
- **5G subscriber base increasing:** Jio Infocomm now has the largest 5G subscriber base worldwide outside China at 148mn translating to ~30% of its subscribers base.
- **SIM consolidation post tariff increase:** Net subscribers declined 10.9mn QoQ with a typical subscriber consolidation post tariff increase. The company indicates that the extent of consolidation is lower than in the last round of tariff increase.
- **Fixed broadband gaining traction:** Jio added 1.1mn wireline FTTH (Fibre to the Home) subscribers and 2.8m oof Jio AirFiber connections in Q2. Jio indicated that it is now in a position to add a million Jio AirFiber customers every month.

Fig 7 – Digital Services: EBITDA growth picked up from Q2 on tariff hike



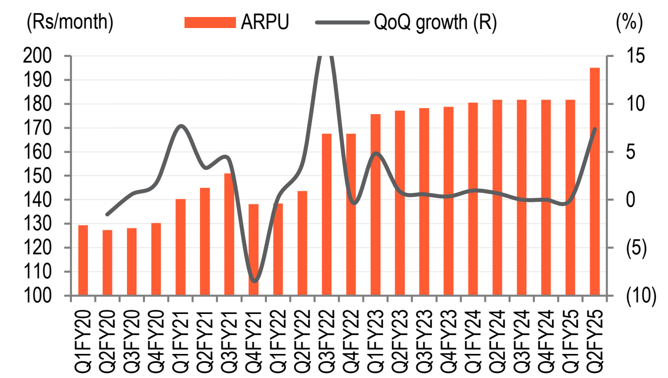
Source: Company, BOBCAPS Research

Fig 8 – Subscriber consolidation in Q2 post tariff hike



Source: Company, BOBCAPS Research

Fig 9 – ARPU rises from Q2 on tariff increase



Source: Company, BOBCAPS Research

Expect Digital Services EBITDA to rise 23% CAGR by FY27E

We model for 23% annual growth in Digital Services EBITDA over FY24-FY27E on the back of leveraging revenue increase from increasing 5G service penetration.

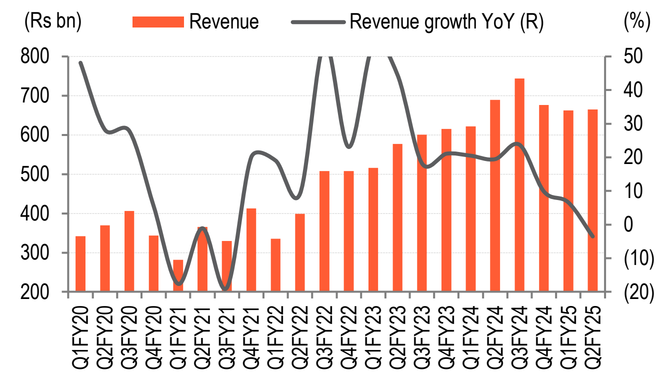
- Factoring in higher SIM consolidation than our earlier assumptions, we lower net subscriber additions from 42mn in FY24 to 12mn in FY25, but assume continuing momentum into FY26/FY27 with the addition of 30mn and 25mn, respectively, on the back of transition from 2G/3G to 4G/5G. For home broadband services, we factor in a gradual pickup in connections to ~55mn by end-FY27.
- Given the consolidation in the industry and recent increase in tariff led by Jio Infocomm, we factor in on average 12% annual hikes in ARPU to an average of Rs 256 in FY27E, broadly in line with requirements for ‘tariff repair’. Although Jio 2.0 is in the making, we remain conservative in our assumptions at this stage as ARPU acceleration will depend on the successful ramp-up of 5G services, levels of user engagement and new use cases for the technology.

Retail

Retail business EBITDA of Rs 57bn (excluding investment income) recovered 4% QoQ in Q2 after moderation over the past two quarters. Revenue declined 4% YoY in Q2 from 28% growth in FY24 as a result of weaker demand in Fashion and Lifestyle and continuing impact of rationalisations to improve business profitability. Jio closed close to 1,500 stores over the past year to optimise its footprint.

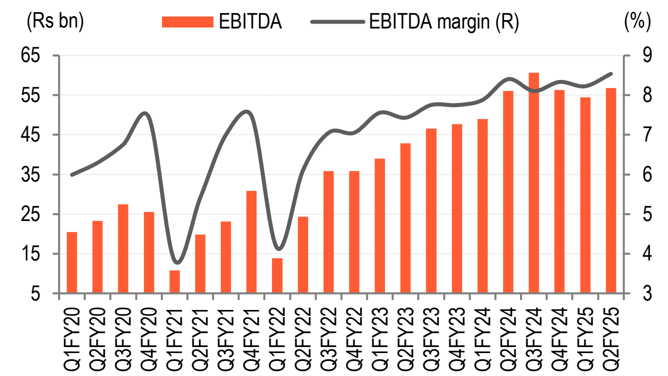
- Retail business is showing good signs of volume growth across most verticals in the first two weeks of October with the start of the festive period.
- Retail EBITDA margin improved 30bps to 8.5% in Q2 despite weaker demand in its high-margin fashion and lifestyle business, indicating improvement in overall cost structure.
- Retail business has continued rationalisation in Q2. Against gross addition of 464 stores with 1.9mn sqft store space, net addition was just 28 stores and a decline of 1.9mn sqft store space. Reliance Retail now has a footprint of 18,946 stores with store space of 79.4mn sqft.

Fig 10 – Retail revenue growth: Steady amid weaker demand for F&L and continued focus on rationalisation



Source: Company, BOBCAPS Research

Fig 11 – Retail EBITDA margin increased 30bps QoQ benefitting from rationalisation



Source: Company, BOBCAPS Research

Expect Retail EBITDA CAGR at 18% over FY24-27E

We lower annual growth in Retail EBITDA to 18% (22% previously) over FY24-FY27E.

- We assume 3.0x revenue growth between FY22 and FY27 (vs. RIL's target of 3x over three to five years). Growth would be driven by the expansion of physical stores, integration of acquisitions, digital commerce with stores, and merchant partnerships.
- We expect EBITDA margin to improve to 9.1% in FY27 from 8.0% in FY24 as the Retail business leverages its large scale and national presence, and integrates premium brands and partnerships.

Valuation methodology

Forecast revisions

Factoring in Q2 results particularly the decline in margins in Oil to Chemicals segment and likely slower growth in Retail business for another couple of quarters, we lower our EBITDA estimates for FY25 by 2.9% and FY26 by 2.3%.

Fig 12 – Revised estimates

(Rs bn)	Actual	New			Old			Change (%)		
	FY24A	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	9,011	9,116	9,935	10,729	9,350	10,334	11,205	(2.5)	(3.9)	(4.2)
EBITDA	**1,622**	**1,715**	**1,986**	**2,225**	**1,766**	**2,032**	**2,238**	**(2.9)**	**(2.3)**	**(0.6)**
EBITDA margin (%)	18.0	18.8	20.0	20.7	18.9	19.7	20.0	-	-	-
Adj. PAT	696	728	878	1,047	780	928	1,053	(6.7)	(5.3)	(0.6)
EPS (Rs)	102.9	107.6	129.8	154.7	115.2	137.2	155.6	(6.6)	(5.4)	(0.6)

Source: Company, BOBCAPS Research

We expect 11% annual growth in RIL's EBITDA over FY24-FY27 mainly driven by 22% CAGR for the Consumer business.

Fig 13 – RIL's EBITDA mix

	FY22	FY23	FY24A	FY25E	FY26E	FY27E	FY21/24 CAGR (%)	FY24/27E CAGR (%)
EBITDA (Rs bn)								
O2C	527	621	624	555	619	622	-	-
Oil & Gas	55	136	203	182	156	143	-	-
Cyclical subtotal	**582**	**757**	**827**	**736**	**775**	**765**	**-**	**-**
Digital Services	394	490	555	688	876	1,044	-	-
Retail	124	179	230	254	298	378	-	-
Consumer subtotal	**518**	**669**	**786**	**941**	**1,174**	**1,422**	**-**	**-**
Others	(16)	(4)	9	38	38	38	-	-
Consolidated business EBITDA	**1,084**	**1,422**	**1,622**	**1,715**	**1,986**	**2,225**	**-**	**-**
EBITDA YoY growth (%)								
O2C	38.1	17.7	0.5	(11.1)	11.6	0.5	17.8	(0.1)
Oil & Gas	3,410.6	149.0	49.5	(10.6)	(14.2)	(8.4)	407.5	(11.1)
Cyclical subtotal	**51.8**	**30.1**	**9.3**	**(11.0)**	**5.2**	**(1.3)**	**29.2**	**(2.6)**
Digital Services	18.2	24.3	13.3	23.8	27.4	19.2	18.5	23.4
Retail	26.5	44.8	28.5	10.0	17.6	26.8	33.0	17.9
Consumer subtotal	**20.1**	**29.2**	**17.4**	**19.8**	**24.7**	**21.2**	**22.1**	**21.9**
Consolidated	**34.3**	**31.1**	**14.1**	**5.7**	**15.8**	**12.0**	**26.2**	**11.1**
EBITDA composition (% of total)								
O2C	48.6	43.7	38.5	32.3	31.2	28.0	-	-
Oil & Gas	5.0	9.6	12.5	10.6	7.8	6.4	-	-
Cyclical subtotal	**53.6**	**53.2**	**51.0**	**42.9**	**39.0**	**34.4**	**-**	**-**
Digital Services	36.4	34.5	34.2	40.1	44.1	46.9	-	-
Retail	11.4	12.6	14.2	14.8	15.0	17.0	-	-
Consumer subtotal	**47.8**	**47.1**	**48.4**	**54.9**	**59.1**	**63.9**	**-**	**-**

Source: Company, BOBCAPS Research

Fig 14 – Key assumptions

	Unit	FY23	FY24A	FY25E	FY26E	FY27E
Exchange rate	INR/US$	80.4	82.8	83.8	84.0	84.0
Energy						
Oil price	US$/bbl	95.0	84.7	80.9	80.0	80.0
Refining margin	US$/bbl	11.5	11.5	10.0	9.5	9.5
Petrochem EBITDA	US$/tonne	216	180	167	278	278
O2C throughput	Mt	66.4	71.0	71.0	71.0	71.0
Gas realisation- KG D6	US$/MMBtu	10.7	11.2	9.7	9.7	9.6
Gas production- KG D6	mmscmd	19.0	27.1	28.5	27.0	25.0
Jio Digital Services						
No of subscribers	Mn	439	482	494	523	548
ARPU	Rs	177	181	204	234	256
Retail						
Revenue growth	% YoY	32.0	18.3	8.5	18.7	17.5
EBITDA margin	%	7.5	8.0	8.4	8.5	9.1

Source: Company, BOBCAPS Research, NM: Not meaningful

BUY with TP of Rs 3,440

We lower our SOTP-based TP for RIL to Rs 3,440 from Rs 3,585 as we incorporate changes in our estimates, and lower target one-year forward EV/EBITDA multiple for Retail business to 32x (34x), factoring in our slower growth assumptions. For our SOTP valuations, we first arrive at the Mar'25 fair value using one-year forward multiple on FY26 estimates and then roll forward the same to Sep'25 (Jun'25 previously) to arrive at our 12-month forward TP.

We include valuations of other businesses: Rs 208/sh (from Rs 217/sh) for the upstream business, Rs 134 (Rs 131) for the Digital Services venture, Rs 194 (Rs 189) for the New Energy division and Rs 42 (Rs 41) for the media business.

We maintain BUY on RIL given 25% upside potential. In our view, the company will regain its structural profit growth trajectory while balancing its capex outlay and risk profile.

Fig 15 – Valuation summary

Business (Rs bn)	Fair Value		Value/share	Valuation basis
	(US$ bn)	(Rs bn)	(Rs)	
Energy				
Refining	32	2,687	397	7.5x FY26E EBITDA
Petrochem	41	3,415	505	8.5x FY26E EBITDA
Upstream	17	1,410	208	Combination of DCF and reserve multiple
New energy	16	1,315	194	Option value
Energy total	**107**	**8,827**	**1,305**	**-**
Jio Infocomm	81	6,702	990	11x FY26E EBITDA, RIL share
Digital Services	11	907	134	6x FY26E Sales, RIL share
Reliance Retail	103	8,492	1,255	32x FY26E EBITDA, RIL share
Consumer business total	**194**	**16,101**	**2,380**	
Media business	3	287	42	Combination of market value and book value
Enterprise value	**305**	**25,215**	**3,727**	**-**
Net Debt	23	1,940	287	-
Equity value	**281**	**23,275**	**3,440**	**26.5x FY26E EPS**
TP (rounded to nearest Rs 5)	**-**	**-**	**3,440**	

Source: BOBCAPS Research

Oil to Chemicals

We value RIL's Refining and Chemicals businesses at a one-year forward EV/EBITDA of 7.5x (unchanged) and 8.5x (unchanged) respectively. Our multiples are marginally above the valuation of global peers in refining (7.2x-7.3x on CY25E/FY26E) and in range for petrochemicals (7.2x-8.5x on CY25E).

We note that RIL's refinery runs highly integrated operations and consistently delivers stronger margins than peers, has the flexibility to switch between transportation fuels and petrochemical output, and to optimise feedstock and product slates. This apart, we expect the company to gradually make progress on its plan to improve chemical integration from 25% to 60-70% in this decade. RIL aims to embark on phase 1 expansion towards this in FY25.

Fig 16 – Global refining peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E	CY24E/ FY25E	CY25E/ FY26E
Phillips 66	PSX US	57.1	USD	136	17.0	12.2	2.0	1.9	9.9	8.2
Valero Energy	VLO US	45.7	USD	143	15.2	13.2	1.8	1.8	7.7	7.2
Marathon Petroleum	MPC US	55.2	USD	165	17.7	16.1	3.3	3.0	8.0	7.8
S-Oil	010950 KS	0.5	KRW	61,600	13.8	7.0	0.8	0.7	6.8	5.8
SK Innovation	096770 KS	0.8	KRW	118,500	470.8	9.6	0.5	0.5	9.9	7.2
IRPC	IRPC TB	1.0	THB	2	61.1	17.9	0.4	0.4	9.0	7.0
Thai Oil	TOP TB	3.3	THB	50	7.1	5.8	0.6	0.6	8.3	6.8
Eneos Holdings	5020 JP	17.1	JPY	842	10.0	8.5	0.7	0.7	7.4	7.9
Idemitsu Kosan	5019 JP	10.1	JPY	1,081	9.8	8.2	0.8	0.7	8.4	7.9
Weighted Average	**-**	**190.93**	**-**	**-**	**17.8**	**12.9**	**2.1**	**2.0**	**8.5**	**7.8**
Simple Average	**-**	**-**	**-**	**-**	**69.2**	**10.9**	**1.2**	**1.1**	**8.4**	**7.3**
Median	**-**	**-**	**-**	**-**	**15.2**	**9.6**	**0.8**	**0.7**	**8.3**	**7.2**

Source: Bloomberg, BOBCAPS Research

Fig 17 – Global petrochemicals peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					CY24E	CY25E	CY24E	CY25E	CY24E	CY25E
LG Chem	051910 KS	1.9	KRW	354,500	36.6	12.3	0.8	0.8	8.0	5.8
Lotte Chemical	011170 KS	0.3	KRW	94,800	NA	15.6	0.3	0.3	16.2	8.9
SK Innovation	096770 KS	0.8	KRW	118,500	470.8	9.6	0.5	0.5	9.9	7.2
S-Oil	010950 KS	0.5	KRW	61,600	13.8	7.0	0.8	0.7	6.8	5.8
Wanhua Chemical	600309 CH	36.4	CNY	82	14.2	11.9	2.5	2.2	9.4	7.7
IRPC	IRPC TB	1.0	THB	2	61.1	17.9	0.4	0.4	9.0	7.0
Formosa Plastics	1301 TT	9.8	TWD	50	40.1	23.2	0.9	0.9	34.2	22.5
Petronas Chemicals	PCHEM MK	10.5	MYR	6	19.1	16.8	1.1	1.1	8.4	7.2
Indorama Ventures	IVL TB	4.0	THB	24	NA	13.6	0.9	0.9	8.2	7.0
LyondellBasell	LYB US	30.8	USD	95	12.3	10.2	2.2	2.1	7.8	6.9
Dow	DOW US	37.7	USD	54	23.3	15.3	2.0	2.0	9.1	7.7
Weighted Average	**-**	**133.74**	**-**	**-**	**22.4**	**13.8**	**2.0**	**1.9**	**10.6**	**8.5**
Simple Average	**-**	**-**	**-**	**-**	**81.8**	**14.1**	**1.2**	**1.1**	**11.5**	**8.5**
Median	**-**	**-**	**-**	**-**	**21.2**	**14.5**	**0.9**	**0.9**	**9.1**	**7.2**

Source: Bloomberg, BOBCAPS Research

Digital Services (Jio)

While we value Jio Infocomm's wireless, wireline and enterprise business at 11x FY26E (unchanged) EBITDA, we value RIL's venture into Digital Services (part of JPL) at 6x FY26E Sales (unchanged) and roll forward to Sep'25.

Fig 18 – Indian telecom peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Bharti Airtel	BHARTI IN	120.2	INR	1,687	50.7	33.9	9.5	7.7	13.5	11.1
Bharti Hexacom	BHARTIHE IN	8.6	INR	1,445	52.4	37.5	12.6	10.6	18.4	14.9
Vodafone Idea	IDEA IN	7.6	INR	9	NA	NA	NA	NA	13.5	11.4

Source: Bloomberg, BOBCAPS Research, NA: Not Available

Given that RIL's Digital Services are at a relatively nascent stage, we value the business at 6x Sales, in line with the typical multiple for transactions in this space. We see potential for sales of US$ 2.6bn for JPL based on our assumption of an average 7.5% market share for the company across digital market segments by FY26.

Reliance Retail

We value Reliance Retail at one-year forward target EV/EBITDA to 32x (34x), revising downwards in line with the simple average FY26 multiple of 32x for select players in the Indian retail industry that operate in different segments of the value chain. We use a simple average instead of market cap-weighted average to represent players across different segments below.

Fig 19 – Indian retail peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Trent	TRENT IN	34.8	INR	8,235	157.1	107.0	50.0	35.1	102.7	74.1
Avenue Supermarkets	DMART IN	35.4	INR	4,573	90.6	72.5	13.4	11.2	58.1	46.5
Titan	TTAN IN	36.7	INR	3,474	77.3	60.6	24.3	19.1	50.6	41.0
Jubilant Foodworks	JUBI IN	4.9	INR	630	115.2	76.0	16.0	13.7	27.1	22.2
Aditya Birla Fashion and Retail	ABFRL IN	4.3	INR	340	NA	NA	8.8	9.0	21.0	16.8
V-Mart Retail	VMART IN	1.1	INR	4,469	NA	182.2	11.8	11.0	24.8	18.8
Shoppers Stop	SHOP IN	1.0	INR	773	116.9	57.2	21.6	15.2	13.4	11.6
Bata India	BATA IN	2.1	INR	1,406	54.5	44.0	10.4	9.2	22.1	19.4
Relaxo Footwears	RLXF IN	2.4	INR	797	84.8	67.5	9.1	8.3	41.3	33.9
Weighted Average	**-**	**122.8**	**-**	**-**	**106.6**	**79.3**	**26.9**	**20.3**	**64.3**	**49.4**
Simple Average	**-**	**-**	**-**	**-**	**99.5**	**83.4**	**18.4**	**14.6**	**40.1**	**31.6**
Median	**-**	**-**	**-**	**-**	**90.6**	**70.0**	**13.4**	**11.2**	**27.1**	**22.2**

Source: Company, BOBCAPS Research, NA Not Available

New Energy

We assign an option value of US$ 15bn, which is 1.5x of the US$ 10bn investment committed by RIL for New Energy. The option value reflects progress on (a) launch of the company's solar cell giga factory and battery storage giga factory, and (b) the blueprint in place for conversion of carbon-intense feedstocks into chemicals and clean energy.

Media business

We value the media business at Rs 42/sh (Rs 41 previously) factoring in the joint venture that will combine the business of Viacom18 and Star India. We factor in the 75% stake in Network 18 Media at market value and the stakes of RIL and Viacom18 in the new media JV at the transaction value of US$ 8.5bn. The JV will be controlled by RIL and owned 16.34% by RIL, 46.82% by Viacom18 and 36.84% by Disney. RIL's investment of US$ 1.35bn in Viacom 18 has effectively resulted in a 60.36% stake (on a fully-diluted basis) for RIL.

Key risks

We highlight key downside risks to our estimates below:

- **O2C and Oil & Gas businesses:** Lower-than-assumed oil price, gas price, gross refining margin (GRM) and petrochemical crack movements on easing of the demand-supply balance, or adverse regulatory moves (such as higher windfall taxes or caps on gas price) are key downside risks.
- **Digital Services:** Downside risks in this business include lower growth in subscriber base, slower penetration in home broadband segment, 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 unorganised 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 would be a key downside risk.
- **Corporate risk:** Succession planning with orderly transfer of management control to the next generation is the key to continuity. Chairman Mukesh Ambani has already announced his intent to stay at the helm for five more years and to mentor his children Akash, Isha and Anant for "collective leadership", while also inducting them into RIL's board.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**8,778,350**	**9,010,640**	**9,116,495**	**9,935,189**	**10,729,124**
EBITDA	1,421,620	1,622,187	1,715,022	1,986,179	2,224,549
Depreciation	(403,030)	(508,320)	(582,653)	(667,434)	(741,459)
EBIT	1,018,590	1,113,867	1,132,369	1,318,744	1,483,090
Net interest inc./(exp.)	(195,710)	(231,180)	(228,676)	(228,676)	(228,676)
Other inc./(exp.)	117,340	160,570	176,131	197,943	253,364
Exceptional items	0	0	0	0	0
EBT	940,220	1,043,257	1,079,823	1,288,012	1,507,779
Income taxes	(203,760)	(257,070)	(259,137)	(290,050)	(310,322)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(73,620)	(90,120)	(92,709)	(119,566)	(150,529)
Reported net profit	**662,840**	**696,067**	**727,977**	**878,396**	**1,046,927**
Adjustments	0	0	0	0	0
Adjusted net profit	**662,840**	**696,067**	**727,977**	**878,396**	**1,046,927**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	1,471,720	1,783,770	1,582,863	1,572,888	1,572,888
Other current liabilities	1,123,260	1,152,800	1,167,111	1,168,359	1,175,251
Provisions	37,850	42,190	42,190	42,190	42,190
Debt funds	3,420,960	3,518,090	3,518,090	3,518,090	3,518,090
Other liabilities	1,716,220	1,795,750	1,920,474	2,071,649	2,249,313
Equity capital	67,660	67,660	67,660	67,660	67,660
Reserves & surplus	7,091,060	7,867,150	8,529,393	9,337,260	10,316,816
Shareholders' fund	7,158,720	7,934,810	8,597,053	9,404,920	10,384,476
Total liab. and equities	**16,058,820**	**17,550,480**	**18,243,560**	**19,313,441**	**20,628,081**
Cash and cash eq.	686,640	972,250	1,063,097	1,497,417	2,244,695
Accounts receivables	284,480	316,280	307,783	311,015	312,636
Inventories	1,400,080	1,527,700	1,494,973	1,487,537	1,487,537
Other current assets	1,146,450	1,289,130	1,289,130	1,289,130	1,289,130
Investments	2,355,600	2,256,720	2,256,720	2,256,720	2,256,720
Net fixed assets	7,095,350	7,649,960	9,778,147	10,597,767	11,199,480
CWIP	2,937,520	3,388,550	1,858,819	1,678,964	1,642,993
Intangible assets	152,700	149,890	149,890	149,890	149,890
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**16,058,820**	**17,550,480**	**18,198,559**	**19,268,440**	**20,583,080**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**1,202,980**	**1,212,927**	**1,113,852**	**1,494,539**	**1,717,956**
Capital expenditures	(2,533,630)	(1,513,960)	(1,181,109)	(1,307,200)	(1,307,200)
Change in investments	1,667,980	(21,340)	0	0	0
Other investing cash flows	13,790	283,600	176,131	197,943	253,364
Cash flow from investing	**(851,860)**	**(1,251,700)**	**(1,004,978)**	**(1,109,257)**	**(1,053,836)**
Equities issued/Others	10	0	0	0	0
Debt raised/repaid	(275,650)	142,880	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(50,830)	(56,478)	(65,734)	(70,529)	(67,372)
Other financing cash flows	300,210	192,980	92,709	119,566	150,529
Cash flow from financing	**(26,260)**	**279,382**	**26,975**	**49,037**	**83,157**
Chg in cash & cash eq.	**324,860**	**240,609**	**135,848**	**434,320**	**747,277**
Closing cash & cash eq.	**686,640**	**927,249**	**1,063,097**	**1,497,417**	**2,244,695**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	98.0	102.9	107.6	129.8	154.7
Adjusted EPS	98.0	102.9	107.6	129.8	154.7
Dividend per share	7.5	8.3	9.7	10.4	10.0
Book value per share	1,058.0	1,172.7	1,270.6	1,390.0	1,534.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.4	2.4	2.3	2.1	1.9
EV/EBITDA	14.9	13.1	12.4	10.6	9.4
Adjusted P/E	28.0	26.7	25.5	21.1	17.7
P/BV	2.6	2.3	2.2	2.0	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	70.5	66.7	67.4	68.2	69.4
Interest burden (PBT/EBIT)	92.3	93.7	95.4	97.7	101.7
EBIT margin (EBIT/Revenue)	11.6	12.4	12.4	13.3	13.8
Asset turnover (Rev./Avg TA)	56.6	53.6	51.0	53.0	53.8
Leverage (Avg TA/Avg Equity)	2.1	2.2	2.2	2.1	2.0
Adjusted ROAE	8.9	9.2	8.8	9.8	10.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	26.1	2.6	1.2	9.0	8.0
EBITDA	31.1	14.1	5.7	15.8	12.0
Adjusted EPS	16.8	5.0	4.6	20.7	19.2
Profitability & Return ratios (%)					
EBITDA margin	16.2	18.0	18.8	20.0	20.7
EBIT margin	11.6	12.4	12.4	13.3	13.8
Adjusted profit margin	7.6	7.7	8.0	8.8	9.8
Adjusted ROAE	8.9	9.2	8.8	9.8	10.6
ROCE	6.8	6.9	6.5	7.3	7.8
Working capital days (days)					
Receivables	11	12	12	11	11
Inventory	75	86	84	83	82
Payables	76	80	83	72	68
Ratios (x)					
Gross asset turnover	0.9	0.9	0.7	0.7	0.7
Current ratio	0.9	1.0	1.1	1.2	1.4
Net interest coverage ratio	5.2	4.8	5.0	5.8	6.5
Adjusted debt/equity	0.4	0.3	0.3	0.2	0.1

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
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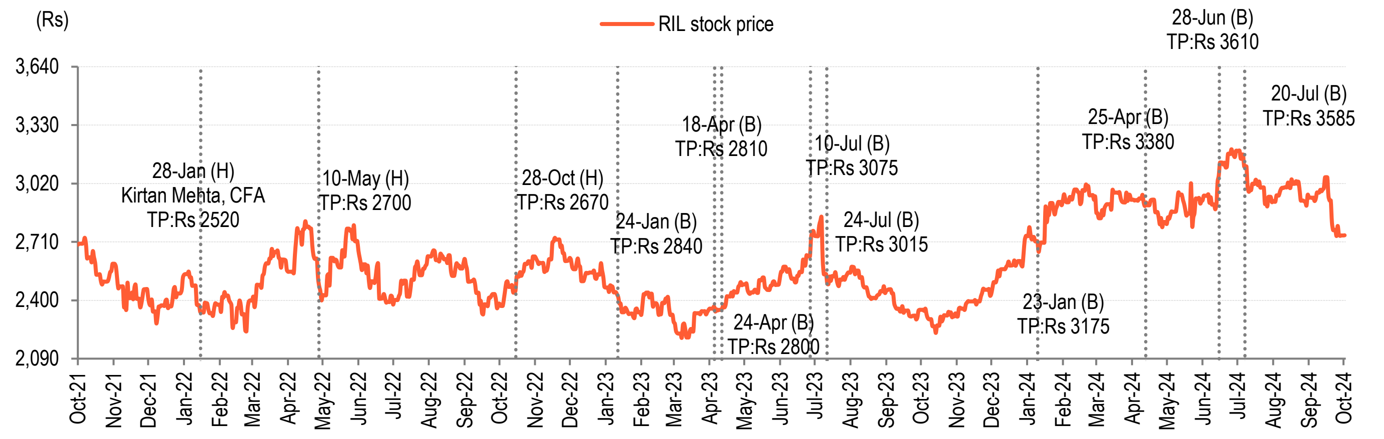

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