RESULT REVIEW

BUY
TP: Rs 3,380 | ⮝ 16%

RELIANCE INDUSTRIES | Oil & Gas | 25 April 2024

Aligned with India growth story through energy/consumer biz

- **Company delivered 26% EBITDA CAGR over FY21-FY24 clocking 29% CAGR in cyclical business and 22% in consumer businesses**
- **Consumer businesses contributed ~50% of EBITDA in FY24 and are still geared to deliver 25% CAGR over FY24-26 leading to 12% CAGR for RIL**
- **Maintain BUY with a higher TP of Rs 3,380 (from 3,175); RIL's consumer businesses remain key beneficiaries of India's growth story**

Kirtan Mehta, CFA
research@bobcaps.in

Q4 EBITDA in line except for Retail: While RIL's Q4 EBITDA was in line with our and consensus estimates, Retail was 6% below our estimate. We attribute it to one-off rationalisation being undertaken in Retail with 500 stores closed in Q4 alone. The company managed capex of Rs 1.3tn with Rs 1.4tn of cash profit in FY24.

Consumer businesses gaining dominance: Digital Services and Retail now account for ~50% of capital employed but ~80% of net debt accounting for deferred payment liabilities as of FY24. They contribute ~50% of EBITDA and more than ~40% of net income (see business split charts on page 4).

Consumer business to drive double-digit earnings growth: We lower FY25/ FY26 EBITDA by 2.1%/3.5% factoring in the benefit of increase in telecom tariff from H2FY25 and lowering EBITDA growth CAGR for Retail to 22% (from 26%) over FY24-26. We bake in a 12% CAGR in EBITDA over FY24-FY26 led by 25% CAGR in consumer business profits.

Next phase of energy growth initiated: RIL hinted about commencing the next phase of India-centric capacity expansion. We believe this could include investment in PVC/ CPVC, repurposing of i) PX/PTA at Patalganga to produce MX and PIA and ii) ACN plant to produce carbon fibre, etc (refer to Derisking the O2C business). In Oil & Gas, we believe RIL will be able to extend plateau production period with production of 4-5mmscmd from additional wells in R and Satellite clusters.

Key stock catalysts: (a) Jio: Clear signs of monetising standalone 5G roll-out. (b) Retail: Delivery on 3x growth target over FY21-FY26 and demonstration of RIL's comfort in sharing performance details for major retail verticals. (c) O2C: Guidance on cost reduction with the deployment of new energy. (d) Media: Progress on scaling up the business. (e) Public offers: Listing of the Jio and retail businesses

Reiterate BUY: We raise our SOTP-based TP to Rs 3,380 (from Rs 3,175) by raising target multiples for Refining, Petrochemicals and Digital Services to reflect increase in valuation for peers and rolling forward fair value to Apr'25 (Jan'25). BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	RIL IN/Rs 2,920
Market cap	US$ 240.4bn
Free float	50%
3M ADV	US$ 210.3mn
52wk high/low	Rs 3,025/Rs 2,220
Promoter/FPI/DII	50%/22%/17%

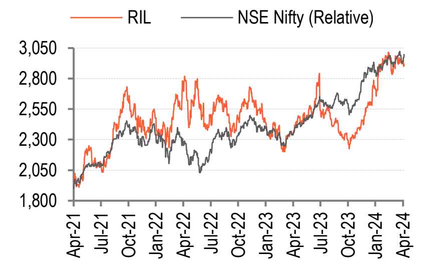
Source: NSE | Price as of 25 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	90,10,640	94,70,586	1,04,66,229
EBITDA (Rs mn)	16,22,187	17,86,119	20,42,221
Adj. net profit (Rs mn)	6,96,067	7,94,724	9,43,701
Adj. EPS (Rs)	102.9	117.5	139.5
Consensus EPS (Rs)	102.9	121.9	140.3
Adj. ROAE (%)	9.2	9.6	10.4
Adj. P/E (x)	28.4	24.9	20.9
EV/EBITDA (x)	13.8	12.5	10.9
Adj. EPS growth (%)	5.0	14.2	18.7

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

Stock performance



Source: NSE

Q4 broadly in line

RIL’s Q4FY24 EBITDA at Rs 425bn was in line with our forecast/consensus, whereas net income of Rs 190bn was 5% ahead of our estimate but 4% below Bloomberg consensus.

- **Q4 Retail EBITDA faltered.** Among RIL’s business segments, only the Retail business’s EBITDA was 6% below our forecasts, while others were broadly in line – O2C (1%), Oil & Gas (1% below) and Digital Services (in line). Retail business revenue grew 18% YoY, lower than the 28% of FY24. We believe this was the result of one-off rationalisations during the quarter, also apparent in stores closed during the quarter.

- **Consumer businesses clock high double-digit growth despite slowdown in Digital Services.** Until the next round of tariff hikes, the Digital Services business is experiencing a temporary slowdown clocking 9.4% YoY growth in Q4 and 12.7% in FY24. The retail business maintained momentum this year clocking 28% growth in FY24 after a sharp 35% rebound post Covid over FY21-FY23. Collectively, EBITDA for the consumer businesses grew 17% in FY24.

- **Consolidated operational momentum remains healthy.** Propelled by the twin energy and consumer engines, RIL’s consolidated business delivered YoY EBITDA growth of 14% in Q4 and 15% in FY24.

- **Consumer businesses contributed more than 40% of consolidated net profit.** Consumer businesses now account for nearly half of RIL’s EBITDA and 41% of consolidated net profit. While Reliance Retail’s (RRVL) contribution improved to 14% of EBITDA as well as net profit in FY24, Digital business (JPL) contributed 34% of EBITDA and 27% of net profit. The share of standalone operations has reduced to 53% of PAT.

- **Cash profit covered capex even in the year of 5G roll-out.** With the completion of pan-India 5G rollout, RIL’s capex moderated to ~Rs 530bn in H2 from ~Rs 1,600bn in the previous four quarters.

  Over FY24, capex of Rs 1.3tn was well covered by internal cash generation, i.e., cash profit of Rs 1.4tn. Net debt remained broadly stable YoY, increasing by just Rs 60bn YoY to Rs 1,162bn (excluding deferred spectrum liabilities).

Fig 1 – Quarterly performance: Q4FY24 consolidated EBITDA in line, Retail missed our estimates

(Rs bn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	FY24	FY23	YoY (%)
Consolidated P&L								
Revenue	2,407	2,280	5.6	2,164	11.2	9,145	8,929	2.4
EBITDA excl other income	425	407	4.6	384	10.6	1,622	1,429	13.5
Net income adjusted	212	196	8.2	213	(0.4)	790	741	6.7
Net income post minority share	190	173	9.8	193	(1.8)	696	667	4.4
EBITDA mix								
Oil to Chemicals (O2C)	168	141	19.3	163	3.0	624	621	0.5
Oil and Gas	56	58	(3.4)	38	47.5	202	136	48.6
Retail	58	63	(7.0)	49	18.4	231	180	28.4
Digital Services	146	143	2.7	134	9.4	567	503	12.7
Others	22	20	12.1	20	12.2	86	61	41.3
Segment EBITDA	451	424	6.4	404	11.6	1,710	1,500	14.0
Delta	20	22	-	10	-	73	47	-
Consolidated EBITDA (Reported)	**471**	**445**	**5.7**	**414**	**13.8**	**1,783**	**1,547**	**15.2**
Energy businesses	224	199	12.7	201	11.4	826	757	9.1
Consumer businesses	205	205	(0.3)	183	11.8	798	683	16.9

Source: Company, BOBCAPS Research

Fig 2 – Quarterly operational indicators

Parameter	Unit	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	FY24	FY23	YoY (%)
Digital Services									
Customer base	mn	481.8	470.9	2.3	439.3	9.7	481.8	439.3	9.7
Net customer additions	mn	10.9	11.2	-	6.4	-	42.4	29.1	45.7
ARPU	Rs/month	181.7	181.7	0.0	178.8	1.6	181.4	177.5	2.2
Retail									
Revenue	Rs bn	676	744	(9.1)	616	9.8	2,731	2,309	18.3
Core revenue	Rs bn	461	532	(13.4)	417	10.4	1,890	1,535	23.1
EBITDA margin excl investment income	%	8.3	8.1	-	7.7	-	8.1	7.6	-
Total store count	Nos	18,836	18,774	0.3	18,040	4.4	18,836	18,040	4.4
Total store area	mn sqft	79.1	72.9	8.5	65.6	20.6	79.1	65.6	20.6
Oil to Chemicals									
Feedstock throughput	mt	19.8	18.7	5.9	19.8	0.0	78.2	77.0	1.6
Production meant for sale	mt	17.1	16.4	4.3	17.1	0.0	67.8	66.4	2.1
Transportation fuels	mt	11.3	10.2	10.8	11.4	(0.9)	43.7	42.0	4.0
Oil and Gas									
Production	BCFe	73.5	74.3	(1.1)	45.1	63.0	268.6	176.1	52.5
KG-D6 gas production	mmscmd	29.7	29.6	0.3	20.0	48.5	27.1	19.3	40.9
KG-D6 realisation	US$/MMbtu	9.5	9.7	(1.3)	11.4	(16.3)	10.1	10.6	(4.4)

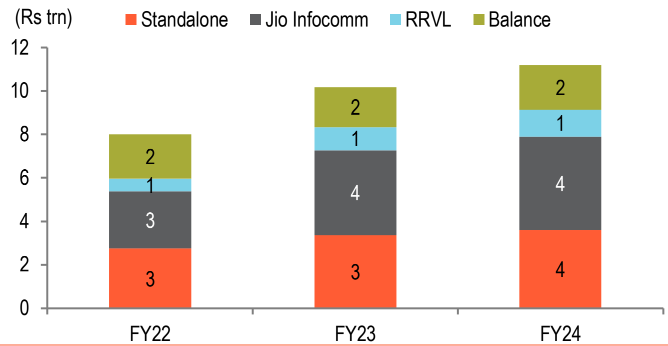
Source: Company, BOBCAPS Research

Consumer businesses gaining dominance

Consumer businesses (represented by Jio Infocomm and RRVL in the charts) now account for close to 50% of fixed capital (fixed assets, spectrum and intangibles) as well as capital employed. Due to a significantly high share of deferred payment liabilities in Jio Infocomm, consumer businesses account for nearly 80% of net debt.

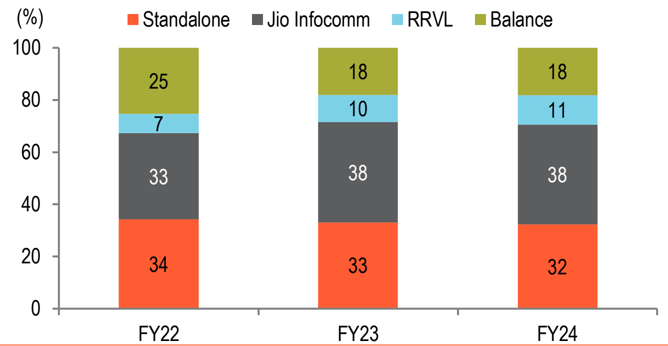
Consumer businesses contribution to profits have increased to close to 50% at EBITDA level and more than 40% at net income level in FY24.

Fig 3 – Fixed capital: Investments largely driven by consumer businesses…



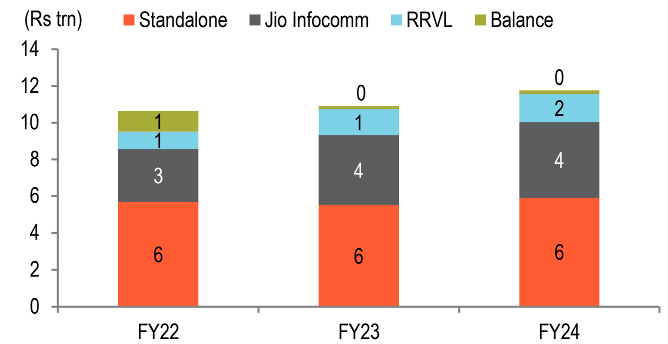
Source: Company, BOBCAPS Research

Fig 4 – … raising their share to 49% of total fixed capital in FY24



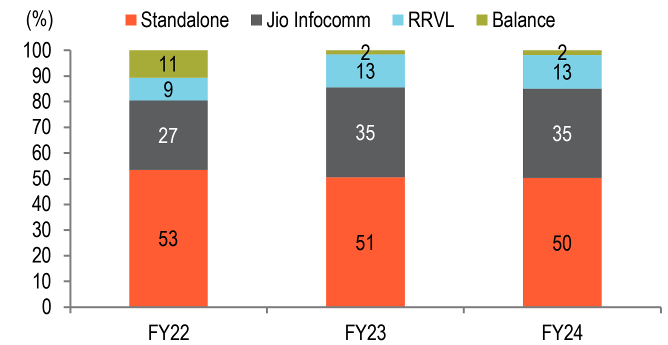
Source: Company, BOBCAPS Research

Fig 5 – Capital employed optimised with optimisation of working capital across businesses



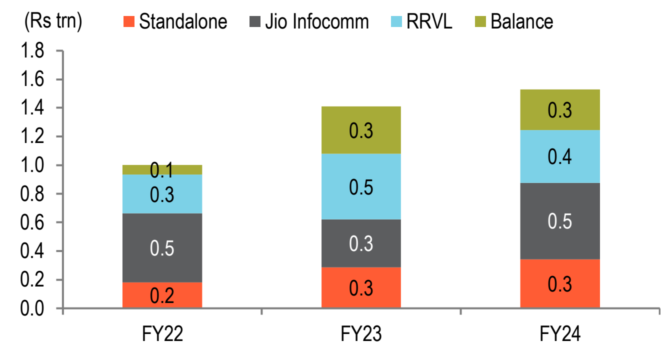
Source: Company, BOBCAPS Research

Fig 6 – Capital employed: Consumer businesses account for 48% of total in FY24



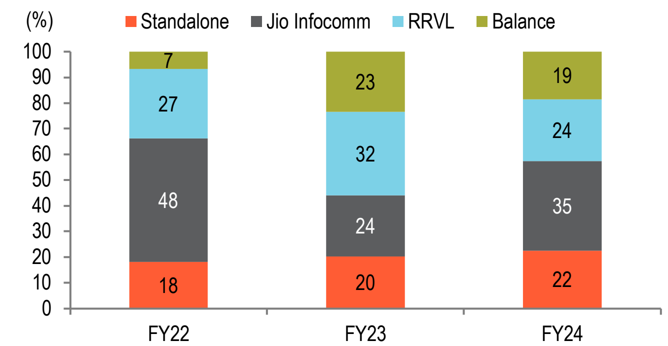
Source: Company, BOBCAPS Research

Fig 7 – Investment cash outflow on PPE: picked up in Jio Infocomm in FY24 for launch of 5G services...



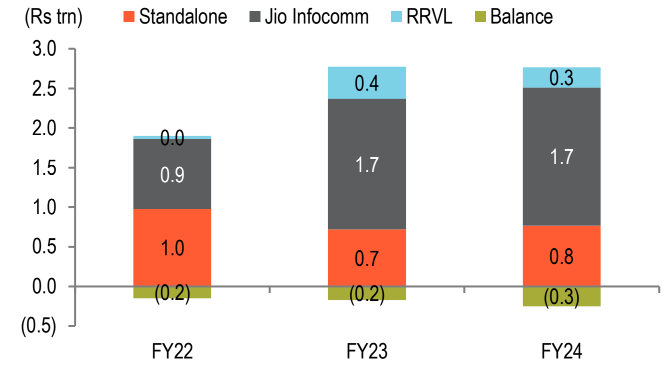
Source: Company, BOBCAPS Research, Note: PPE: Property, Plant and Equipment

Fig 8 – … whereas Retail outgo came down in FY24



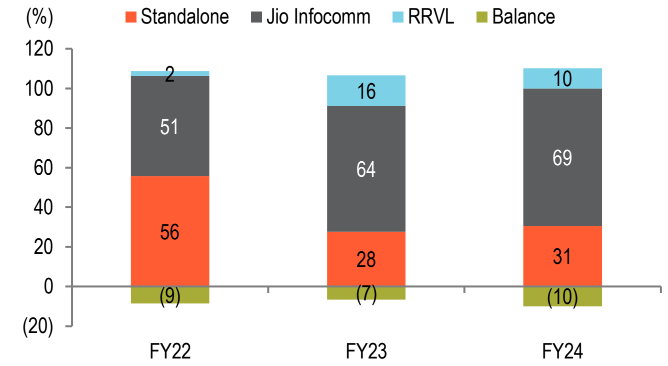
Source: Company, BOBCAPS Research

Fig 9 – Net debt (incl. deferred payment liabilities)…



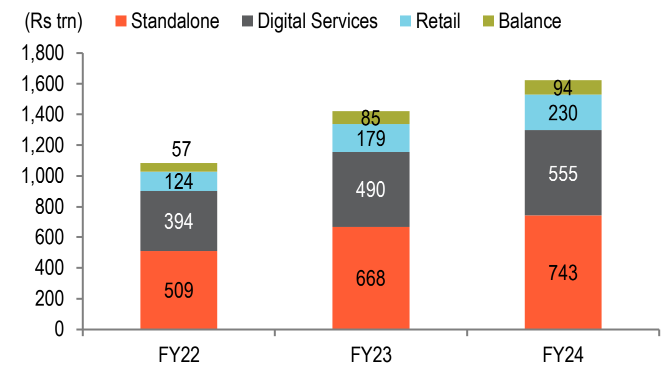
Source: Company, BOBCAPS Research

Fig 10 – … is significantly high in Jio Infocomm



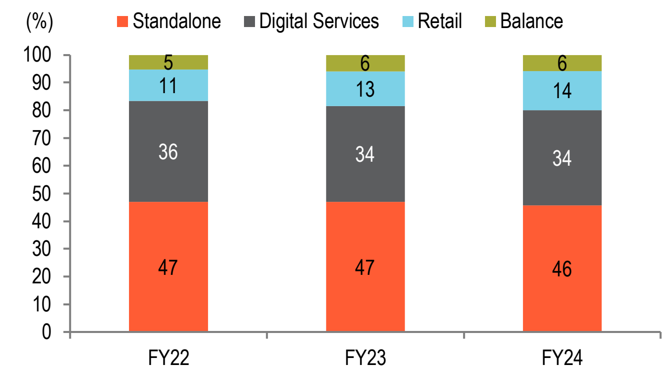
Source: Company, BOBCAPS Research

Fig 11 – EBITDA contribution



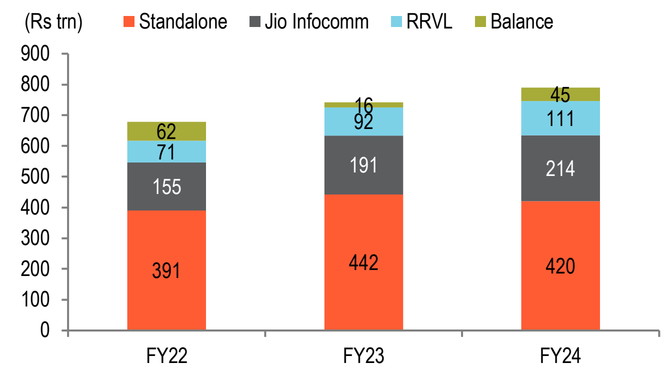
Source: Company, BOBCAPS Research

Fig 12 – Consumer businesses account for 48% of EBITDA in FY24 in line with capital employed



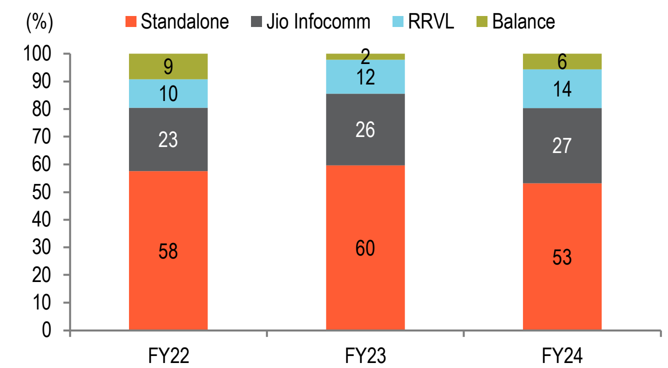
Source: Company, BOBCAPS Research

Fig 13 – Net income contribution



Source: Company, BOBCAPS Research

Fig 14 – Consumer businesses contribute 41% in FY24

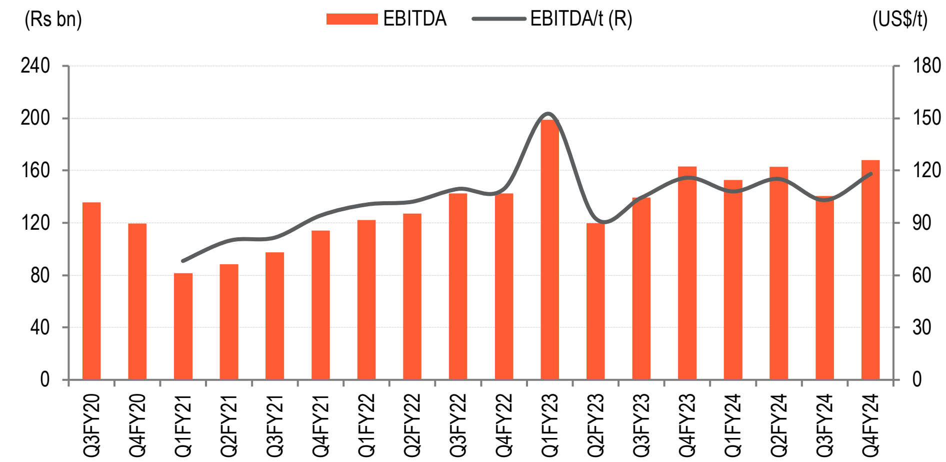


Source: Company, BOBCAPS Research

Oil to Chemicals (O2C)

O2C EBITDA staged a sharp 19% QoQ recovery to Rs 168bn, posting the quarter as the second highest quarterly EBITDA since RIL started reporting combined O2C profit.

Fig 15 – O2C: Second-best quarterly performance since RIL started disclosing combined O2C EBITDA

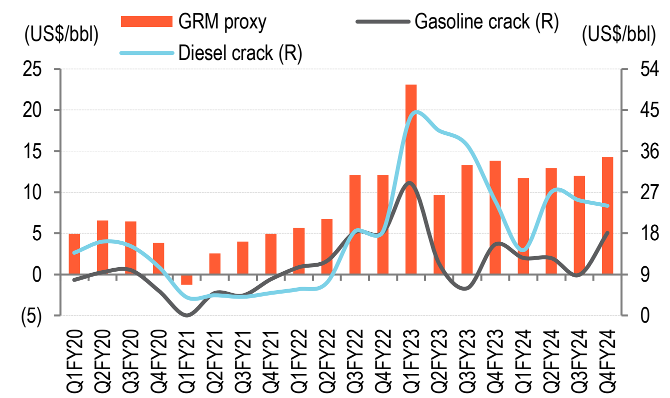


Source: Company, BOBCAPS Research

- **Pick-up in volumes and margins:** The segment benefitted from resumption of full operation post a major planned maintenance shutdown in Q3 as well as pick up in refining margin driven by sharp recovery in gasoline spreads, a modest recovery in polymer margin and further reduction in US ethane prices.

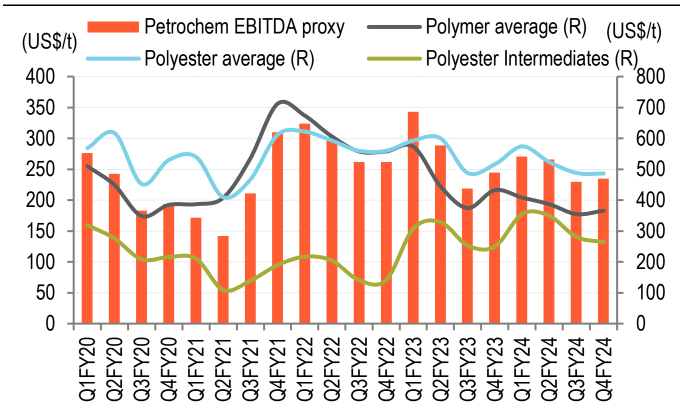
  In Refining, we estimate that RIL's gross refining margin (GRM) improved by US$ 2.3/bbl in Q4 to US$ 14.3/bbl. In Petrochemicals, we estimate that average EBITDA/t may have improved marginally by 2% QoQ to ~US$ 235/t with mild recovery in polymer spreads.

Fig 16 – Refining GRM (proxy) elevated



Source: Company, BOBCAPS Research

Fig 17 – Petrochemicals EBITDA (proxy) modest recovery



Source: Company, BOBCAPS Research

- **Flexibility continues to add value:** RIL continues to demonstrate the benefit of its flexible refining capabilities to largely overcome the soft margin environment in different parts of the chain. RIL maximised arbitrage barrels from Latin America as well as Russia and usage of ethane from the US, maximised middle distillates for capturing market arbitrage post the Red Sea crisis, optimised aromatics components blending to gasoline over para-xylene (PX), maximised gasoline net back by capturing arbitrage opportunities in US markets, maximised downstream fuel sale with improved demand, and domestic chemicals sale due to subdued petrochemical margins.

O2C profits to remain resilient over FY25E-FY26E

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

In the near term, RIL expects global oil demand to stay resilient, gasoline cracks to remain high with strong seasonal demand and lower inventory levels, and middle distillate cracks to remain with rebalanced trade flow with Russian barrels moving out of Europe. RIL also highlights near-term volatility from OPEC's decision on voluntary cuts, potential attacks on energy infrastructure amid geopolitical conflicts.

In the medium term, RIL highlights challenges in refining with incremental supply outpacing demand with ramp-up of new refineries in China, the Middle East and West Africa. For downstream petrochemicals, RIL expects only a gradual recovery in margin with a slowing pace of capacity addition.

Oil & Gas

In Q4, Oil & Gas EBITDA was down 3% QoQ after reaching a plateau production of ~30mmscmd in Q3. The Oil & Gas business successfully clocked ~50% YoY growth in FY24 delivering a full ramp-up of the KG-D6 gas field.

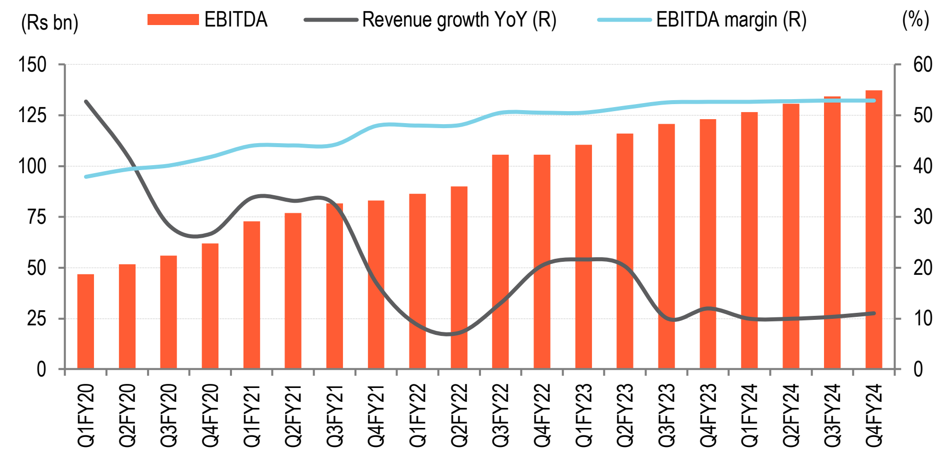
Over the next two years, we expect Oil & Gas EBITDA to come off the peak with easing of gas realisation and sharing of higher profit barrels with government.

While we are currently modelling plateau production for two years, we now see the possibility of a longer plateau period with additional 4-5mmscmd production from the R and Satellite Clusters after two to three years. RIL recently received approval from the government for additional wells in these clusters.

Digital Services

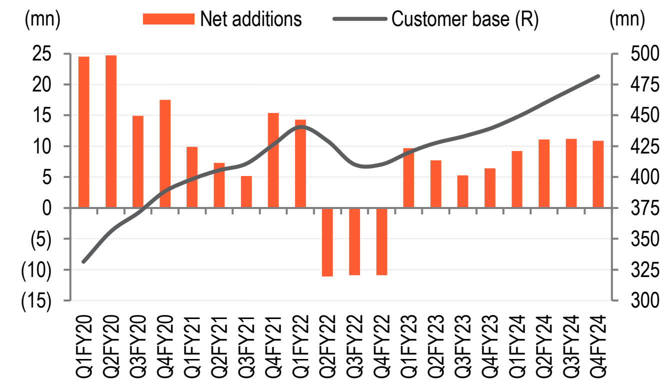
Digital Services continued to post slower EBITDA growth of 9.4% YoY in Q4 as RIL and the industry are holding tariff levels steady to allow migration to 5G services on a national scale. Growth is currently being driven by increased momentum in customer addition, with a 9.7% YoY rise in Jio Infocomm's (connectivity platform) customer base, leading to 42.4mn YoY net additions, and only a 2% YoY rise in ARPU. Sequentially as well, EBITDA grew 2.7% QoQ on the back of a 2.3% rise in customer base with 10.9mn net additions whereas ARPU was flat at Rs 181.7.

Fig 18 – Digital Services: Slowdown in EBITDA growth



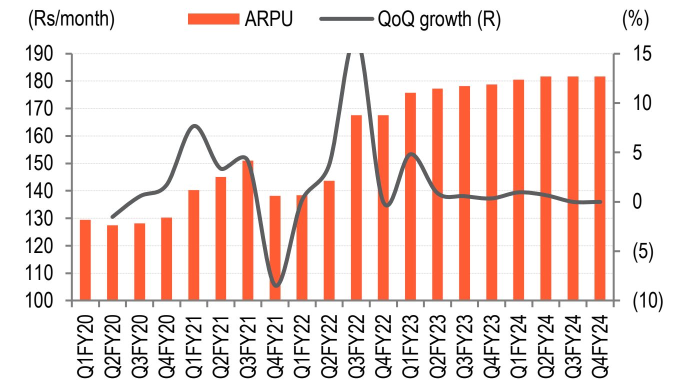
Source: Company, BOBCAPS Research

Fig 19 – Gaining subscriber market share



Source: Company, BOBCAPS Research

Fig 20 – ARPU stable, 5G is the next lever for uptick



Source: Company, BOBCAPS Research

Jio 2.0: Anticipating next phase of growth momentum

A key trigger for RIL's Digital Services business is the translation of differentiated service offerings into increased subscriber traction and profitability, underpinned by 5G services that facilitate an upgraded mobile ecosystem dubbed 'Jio 2.0' by the company. Jio is executing identified strategies for four segments – individuals, homes, enterprise and digital platform.

- **Market share gains:** Jio added more than 71mn subscribers over the past two years and gained a 300bps market share since Dec'22 to reach 40.1% market share by Feb'24. This is well ahead of its closest competitor, which added 70bps subscriber market share during the same period.
- **5G migration underway:** Amid continuing beta trial, Jio has seen usage of 5G services by 108mn customers (70mn in Q2FY24), the equivalent of 22.5% of its customer base. The 5G network now carries ~28% of Jio's wireless data traffic.
- **Jio AirFiber gaining traction in Tier-2 towns:** From initial engagements, Jio's new wireless internet service, Jio AirFiber, is seeing traction in Tier-2 towns wherein demand and affordability for higher speed internet has been the greatest but optical fibre has not yet reached for offering wireline network. Like its wireline counterpart – JioFiber – Jio AirFiber is seeing high data consumption of nearly

400GB per month per user as it is bundled with content. Momentum is likely to pick up with availability of JioAirFiber increasing to ~5,900 cities/ towns.

- **Entry into small businesses:** With AirFiber, Jio aims to extend fast internet to another underserved fixed premise category – small and medium businesses (SMB). Besides end-to-end managed Wi-Fi solutions, Jio is creating a bundle of software solutions to target four specific verticals – a) hotels, b) small manufacturers, c) schools and colleges, and d) hospitals.

Expect Digital Services EBITDA to rise 26% CAGR by FY26E

We model for 26% annual growth in Digital Services EBITDA over FY24-FY26 on the back of leveraging revenue increase from increasing 5G service penetration.

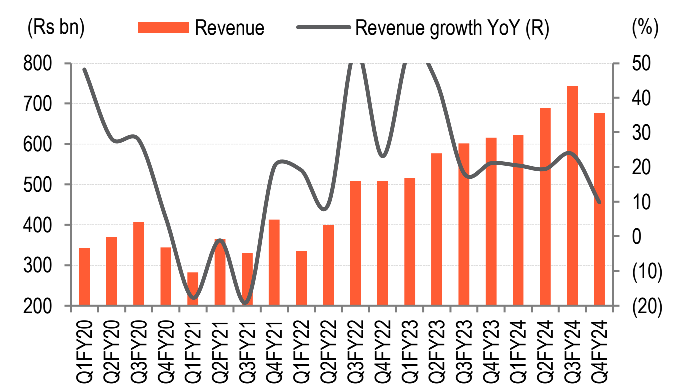
- Assuming continuing momentum in consumer additions that we have seen post 5G roll-out and traction of inexpensive smart phones, we look for 40mn additions in FY25 but then slow down to 25mn additions in FY26. For home broadband services, we factor in a gradual pickup in connections to ~40mn by end-FY26.
- Given consolidation of the industry and completion of nation-wide roll-out of 5G services, we are factoring in on average 11% annual hikes in ARPU to an average of Rs 222 in FY26. Although Jio 2.0 is in the making, we remain conservative in our assumptions at this stage as ARPU acceleration will depend upon the successful ramp-up of 5G services, levels of user engagement and new use cases for the technology.

Retail

Retail business EBITDA of Rs 58bn (excluding investment income) was down 7% QoQ and posted slower growth of 10% (28% YoY over 9MYF24). We attribute slower growth to one-off rationalisations during the quarter. Jio has closed more than 500 stores during the quarter to optimise its footprint.

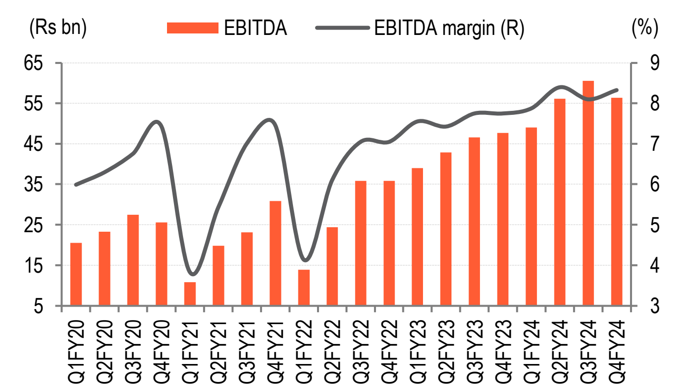
- Retail gross revenue is currently running at Rs 3.1tn annual run rate or 1.9x FY21 revenue and must grow at an annualised rate of 24% over the next two years if it is to triple within five years, in line with RIL’s target set at the FY21 AGM. Growth has been driven by core segments growing 2.4x to Rs 1.9tn revenue over FY21-24, and delivering a growth CAGR of 34%.
- Core revenue was up 23% in FY24 driven by Grocery (31% YoY), Fashion and Lifestyle (28%) and Consumer Electronics excluding Devices (19%).
- Retail EBITDA margin expanded 50bps YoY in FY24, benefitting from revenue pickup with high operating leverage.
- The focus of the Retail business has shifted to store space extension after developing a footprint of more than 18,000 stores. Store space increased 21% YoY to 79.1mn sq ft in FY24. The Retail business has started rationalising its footprint, closing 1,050 stores against the addition of 1,846 stores during FY24.

Fig 21 – Retail revenue growth: Q4 faltered on one-off rationalisations. FY24 strong at 18%



Source: Company, BOBCAPS Research

Fig 22 – Retail EBITDA margin up 50bps YoY in FY24



Source: Company, BOBCAPS Research

Expect Retail EBITDA to slow to 22% CAGR by FY26E

We now forecast 22% annual growth in Retail EBITDA over FY24-FY26, slowing down from our prior forecast of 26%.

- We assume 2.8x revenue growth over five years between FY22 and FY26 (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 8.7% in FY26 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 Q4 and FY24 disclosures, we lower our EBITDA estimates for FY25 by 2.1% and FY26 by 3.5%. We now assume the benefit of tariff increase flowing through only from H2FY25 and conservatively assume marginally lower EBITDA growth in Retail at 22% CAGR (vs 26%) over FY24-26.

Fig 23 – Revised estimates

	Actual	New		Old		Change (%)	
(Rs bn)	FY24P	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,011	9,471	10,466	9,698	10,912	(2.3)	(4.1)
EBITDA	1,622	1,786	2,042	1,824	2,116	(2.1)	(3.5)
EBITDA margin (%)	18.0	18.9	19.5	18.8	19.4	-	-
Adj. PAT	696	795	944	800	982	(0.6)	(3.9)
EPS (Rs)	102.9	117.5	139.5	118.2	145.2	(0.6)	(3.9)

Source: Company, Bloomberg

Our revised EBITDA forecasts are marginally (-1.9%) below Bloomberg consensus for FY25 but in line for FY26.

Fig 24 – Estimates vs Bloomberg Consensus

	Forecasts		Consensus		Delta to consensus (%)	
(Rs bn)	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,471	10,466	10,101	10,825	(6.2)	(3.3)
EBITDA	**1,786**	**2,042**	**1,822**	**2,038**	**(1.9)**	**0.2**
Adj. PAT	795	944	824	943	(3.6)	0.1
EPS (Rs)	117.5	139.5	121.9	140.3	(3.7)	(0.6)

Source: Bloomberg, BOBCAPS Research

We expect 12% annual growth in RIL's EBITDA over FY24-FY26 mainly driven by 25% CAGR for the Consumer business.

Fig 25 – RIL's EBITDA mix

Particulars	FY21	FY22	FY23	FY24P	FY25E	FY26E	FY21/24 CAGR (%)	FY24/26E CAGR (%)
EBITDA (Rs bn)								
O2C	382	527	621	624	600	615	-	-
Oil & Gas	2	55	136	203	194	174	-	-
Cyclical subtotal	**383**	**582**	**757**	**827**	**794**	**789**	**-**	**-**
Digital Services	334	394	490	555	684	879	-	-
Retail	98	124	179	230	275	341	-	-
Consumer subtotal	**432**	**518**	**669**	**786**	**960**	**1,220**	**-**	**-**
Others	(7)	(16)	(4)	9	33	33	-	-
Consolidated business EBITDA	**807**	**1,084**	**1,422**	**1,622**	**1,786**	**2,042**	**-**	**-**
EBITDA YoY growth (%)								
O2C	na	38.1	17.7	0.5	(3.8)	2.5	17.8	(0.7)
Oil & Gas	(92.9)	3,410.6	149.0	49.5	(4.8)	(9.9)	407.5	(7.4)
Cyclical subtotal	**(70.2)**	**51.8**	**30.1**	**9.3**	**(4.1)**	**(0.6)**	**29.2**	**(2.3)**

Particulars	FY21	FY22	FY23	FY24P	FY25E	FY26E	FY21/24 CAGR (%)	FY24/26E CAGR (%)
Digital Services	117.5	18.2	24.3	13.3	23.3	28.5	18.5	25.8
Retail	57.8	26.5	44.8	28.5	19.5	23.9	33.0	21.7
Consumer subtotal	**100.3**	**20.1**	**29.2**	**17.4**	**22.2**	**27.1**	**22.1**	**24.6**
Consolidated	**(4.1)**	**34.3**	**31.1**	**14.1**	**10.1**	**14.3**	**26.2**	**12.2**
EBITDA composition (% of total)								
O2C	47.3	48.6	43.7	38.5	33.6	30.1	-	-
Oil & Gas	0.2	5.0	9.6	12.5	10.8	8.5	-	-
Cyclical subtotal	**47.5**	**53.6**	**53.2**	**51.0**	**44.4**	**38.6**	**-**	**-**
Digital Services	41.3	36.4	34.5	34.2	38.3	43.0	-	-
Retail	12.1	11.4	12.6	14.2	15.4	16.7	-	-
Consumer subtotal	**53.5**	**47.8**	**47.1**	**48.4**	**53.7**	**59.7**	**-**	**-**

Source: Company, BOBCAPS Research

Fig 26 – Key assumptions

Parameter	Unit	FY22	FY23	FY24P	FY25E	FY26E
Exchange rate	INR/USD	74.5	80.4	82.8	83.5	83.5
Energy						
Oil price	US$/bbl	80.0	95.0	84.7	85.0	85.0
Refining margin	US$/bbl	8.0	11.5	11.5	10.5	9.5
Petrochem EBITDA	US$/ton	282	285	263	257	278
O2C throughput	mt	68.2	66.4	71.0	71.0	71.0
Gas realisation- KG D6	US$/mmbtu	4.9	10.7	11.2	10.2	10.2
Gas production- KG D6	mmscmd	17.7	19.0	27.1	29.0	29.0
Jio Digital Services						
No of subscribers	mn	410	439	482	522	547
ARPU	Rs	150	177	181	194	222
Retail						
Revenue growth	% YoY	25.8	32.0	18.3	19.5	20.5
EBITDA margin	%	6.2	7.5	8.0	8.4	8.7

Source: Company, BOBCAPS Research

BUY with TP of Rs 3,380

We raise our SOTP-based TP for RIL to Rs 3,380 from Rs 3,175 as we incorporate the Q4FY24 results, adjust our target multiples in line with rerating of peer companies and discount our SOTP value to Apr'25 (Jan'25 previously) to arrive at a one-year forward TP.

- We have raised our target FY26E EV/EBITDA for Refining (7.5x from 7x), Petrochemicals (8.5x from 8x), Telecom (Jio Infocomm: 10x from 9x) but maintained it for Retail (32x).
- We include valuations of other businesses: Rs 194/sh (from Rs 187/sh) for the upstream business, Rs 129 (from Rs 112) for the Digital Services venture, Rs 186 (from Rs 181) for the New Energy division and Rs 41 (from Rs 35) for the media business.

- We now adjust net debt for pro-rated share of RIL in the Jio Infocomm and Retail businesses.

We maintain BUY on RIL given 16% upside potential. In our view, the company will deliver structural profit growth while balancing its capex outlay and risk profile.

Fig 27 – Valuation summary

Business (Rs bn)	Fair Value (US$ bn)	Fair Value (Rs bn)	Value/share (Rs)	Valuation basis
Energy				
Refining	31	2,568	380	7.5x FY26E EBITDA
Petrochem	39	3,267	483	8.5x FY26E EBITDA
Upstream	16	1,310	194	Combination of DCF and reserve multiple
New energy	15	1,262	186	Option value
Energy total	**102**	**8,407**	**1,243**	**-**
Jio Infocomm	71	5,887	870	10x FY26E EBITDA, RIL share
Digital Services	11	870	129	6x FY26E Sales, RIL share
Reliance Retail	113	9,353	1,382	32x FY26E EBITDA, RIL share
Consumer business total	**195**	**16,109**	**2,381**	
Media business	3	275	41	Combination of market value and book value
Enterprise value	**299**	**24,780**	**3,662**	-
Net Debt	23	1,911	282	-
Equity value	0	0	0	
TP (rounded to nearest Rs 5)	**276**	**22,869**	**3,380**	**24.2x FY25E EPS**

Source: BOBCAPS Research

Oil to Chemicals

We value RIL's Refining and Chemicals businesses at an increased one-year forward EV/EBITDA of 7.5x (from 7x) and 8.5x (from 8x) respectively. Our revised multiples are broadly in line with global peers in refining (6.9x-7.7x on CY24E/FY25E) and petrochem (8.5-10.1x on CY24E).

While RIL's Refining and Petrochem operations deserve a premium over peers, our stance reflects our conservative approach to valuing cyclical businesses. 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 of improving chemical integration from 25% to 60-70% in the course of the decade. RIL aims to embark on phase 1 expansion towards this in FY25.

Fig 28 – 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	67.5	USD	158.8	11.5	10.7	2.1	1.9	7.8	7.4
Valero Energy	VLO US	55.2	USD	167.5	9.4	11.3	2.0	1.9	5.7	6.6
Marathon Petroleum	MPC US	71.9	USD	199.7	10.4	11.6	3.1	3.0	6.8	7.4
S-Oil	010950 KS	0.6	KRW	76,900	6.2	6.2	0.9	0.8	4.9	5.1
SK Innovation	096770 KS	0.8	KRW	1,10,000	9.8	5.7	0.5	0.4	8.2	6.2
IRPC	IRPC TB	1.1	THB	1.97	22.4	11.3	0.5	0.5	9.1	6.8
Thai Oil	TOP TB	3.6	THB	59	8.5	5.8	0.8	0.7	9.0	6.0
Eneos Holdings	5020 JP	14.1	JPY	718.4	9.2	8.3	0.7	0.6	7.2	6.8
Idemitsu Kosan	5019 JP	9.4	JPY	1,046	9.1	8.9	0.8	0.7	7.7	8.0
Weighted Average	**-**	**224.1**	**-**	**-**	**10.4**	**10.8**	**2.2**	**2.1**	**6.9**	**7.2**
Simple Average	**-**	**-**	**-**	**-**	**10.7**	**8.9**	**1.3**	**1.2**	**7.4**	**6.7**
Median	**-**	**-**	**-**	**-**	**9.4**	**8.9**	**0.8**	**0.7**	**7.7**	**6.8**

Source: Bloomberg, BOBCAPS Research

Fig 29 – Global petrochemicals peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					CY23E	CY24E	CY23E	CY24E	CY23E	CY24E
LG Chem	051910 KS	2.0	KRW	3,81,500	15.5	8.0	0.8	0.8	6.8	4.9
Lotte Chemical	011170 KS	0.3	KRW	1,00,100	96.8	7.7	0.3	0.3	10.3	7.5
SK Innovation	096770 KS	0.8	KRW	1,10,000	9.8	5.7	0.5	0.4	8.2	6.2
S-Oil	010950 KS	0.6	KRW	76,900	6.2	6.2	0.9	0.8	4.9	5.1
Wanhua Chemical	600309 CH	36.6	CNY	84.43	13.0	11.0	2.5	2.1	8.3	6.6
IRPC	IRPC TB	1.1	THB	1.97	22.4	11.3	0.5	0.5	9.1	6.8
Formosa Plastics	1301 TT	13.5	TWD	68.8	34.7	21.8	1.2	1.2	26.9	19.7
Petronas Chemicals	PCHEM MK	11.5	MYR	6.88	20.9	17.2	1.3	1.3	9.8	8.1
Indorama Ventures	IVL TB	3.6	THB	23.9	16.3	10.8	0.8	0.8	7.6	6.5
LyondellBasell	LYB US	32.6	USD	100.55	12.2	10.2	2.4	2.3	7.8	7.1
Dow	DOW US	39.9	USD	56.74	18.7	13.2	2.1	2.0	8.5	7.1
Weighted Average	**-**	**142.5**	**-**	**-**	**17.4**	**12.9**	**2.0**	**1.9**	**10.1**	**8.2**
Simple Average	**-**	**-**	**-**	**-**	**25.1**	**11.5**	**1.2**	**1.2**	**9.8**	**7.8**
Median	**-**	**-**	**-**	**-**	**17.5**	**10.9**	**1.0**	**1.0**	**8.5**	**7.1**

Source: Bloomberg, BOBCAPS Research

Digital Services

While we value Jio Infocomm's wireless, wireline and enterprise business at 10x (from 9x) FY26E EBITDA, we value its venture into Digital Services (part of JPL) at 6x FY26E Sales (unchanged) discounted back to Apr'25. While our target multiple for the Jio Infocomm telecom business has been revised upwards in line with rerating of the Indian sector, it is at a discount to the implied FY25 multiple for the India business from the current FY25 trading multiple of its closest competitor, Bharti Airtel. We believe valuations of telecom players in India now reflect better ARPU and, in turn, improved revenue over the next couple of years.

Fig 30 – Indian telecom peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Bharti Airtel	BHARTI IN	95.4	INR	1336.4	38.6	27.7	6.9	5.8	10.5	8.9
Vodafone Idea	IDEA IN	7.9	INR	13.1	NA	NA	NA	NA	14.5	12.9

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

Our one-year forward EV/EBITDA of 32x is conservative compared with the simple average/ median FY25 multiple of 38.3x/ 39.1x 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 31 – Indian retail peers

Company	Bloomberg Code	Market Cap (US$ bn)	Price Currency	Current Price	P/E (x)		P/B (x)		EV/EBITDA (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Trent	TRENT IN	18.0	INR	4,222	112.8	82.9	30.7	22.5	59.0	45.8
Avenue Supermarkets	DMART IN	37.5	INR	4,798	91.9	74.3	14.1	11.9	59.1	47.8
Titan	TTAN IN	38.5	INR	3,610	69.9	57.2	18.5	15.1	46.6	38.7
Jubilant Foodworks	JUBI IN	3.5	INR	440	68.8	50.9	11.2	9.6	20.6	17.1
Aditya Birla Fashion and Retail	ABFRL IN	3.2	INR	260	NA	NA	6.6	6.9	18.9	15.7
V-Mart Retail	VMART IN	0.5	INR	2,087	96.8	56.8	6.4	5.7	39.1	24.9
Shoppers Stop	SHOP IN	0.9	INR	712	54.1	36.3	18.6	12.2	31.8	26.7
Bata India	BATA IN	2.1	INR	1,363	46.6	37.9	9.5	8.2	19.1	16.3
Relaxo Footwears	RLXF IN	2.5	INR	824	84.5	64.0	12.7	11.4	50.5	38.4
Weighted Average	**-**	**106.6**	**-**	**-**	**85.2**	**67.2**	**18.1**	**14.5**	**50.8**	**41.1**
Simple Average	**-**	**-**	**-**	**-**	**78.2**	**57.5**	**14.3**	**11.5**	**38.3**	**30.2**
Median	**-**	**-**	**-**	**-**	**77.2**	**57.0**	**12.7**	**11.4**	**39.1**	**26.7**

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 revised our value for the media business to Rs 41/sh (from Rs 35/sh) 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 on the board of RIL.

Glossary

Glossary			
ACN	Acetonitrile	**PTA**	Purified terephthalic acid
CPVC	Chlorinated Polyvinyl Chloride	**PVC**	Poly vinyl chloride
MX	Mixed xylene	**PX**	Para xylene
PIA	Purified isophthalic acid		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Total revenue	**69,59,630**	**87,78,350**	**90,10,640**	**94,70,586**	**1,04,66,229**
EBITDA	10,84,460	14,21,620	16,22,187	17,86,119	20,42,221
Depreciation	(2,97,820)	(4,03,030)	(5,08,320)	(5,53,394)	(6,10,602)
EBIT	7,86,640	10,18,590	11,13,867	12,32,725	14,31,619
Net interest inc./(exp.)	(1,45,840)	(1,95,710)	(2,31,180)	(2,28,676)	(2,28,676)
Other inc./(exp.)	1,49,430	1,17,340	1,60,570	1,72,458	1,95,440
Exceptional items	28,360	0	0	0	0
EBT	7,90,230	9,40,220	10,43,257	11,76,508	13,98,383
Income taxes	(1,59,700)	(2,03,760)	(2,57,070)	(2,81,120)	(3,15,188)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(68,450)	(73,620)	(90,120)	(1,00,664)	(1,39,494)
Reported net profit	**5,90,440**	**6,62,840**	**6,96,067**	**7,94,724**	**9,43,701**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,67,613**	**6,62,840**	**6,96,067**	**7,94,724**	**9,43,701**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Accounts payables	15,93,300	14,71,720	17,83,770	16,33,442	16,33,442
Other current liabilities	6,67,360	11,23,260	11,52,800	11,92,400	11,98,636
Provisions	37,890	37,850	42,190	42,190	42,190
Debt funds	29,39,980	34,20,960	35,18,090	35,18,090	35,18,090
Other liabilities	8,57,850	17,16,220	17,95,750	19,30,439	21,03,081
Equity capital	67,650	67,660	67,660	67,660	67,660
Reserves & surplus	77,27,200	70,91,060	78,67,150	85,90,261	94,61,570
Shareholders' fund	77,94,850	71,58,720	79,34,810	86,57,921	95,29,230
Total liab. and equities	**1,49,86,220**	**1,60,58,820**	**1,75,50,480**	**1,83,98,216**	**1,95,87,898**
Cash and cash eq.	3,61,780	6,86,640	9,72,250	10,19,042	15,09,462
Accounts receivables	2,36,400	2,84,480	3,16,280	3,13,840	3,16,904
Inventories	10,77,780	14,00,080	15,27,700	15,32,677	15,32,677
Other current assets	13,64,580	11,46,450	12,89,130	12,89,130	12,89,130
Investments	39,42,640	23,55,600	22,56,720	22,56,720	22,56,720
Net fixed assets	61,47,890	70,95,350	76,49,960	98,07,406	1,07,84,412
CWIP	17,25,060	29,37,520	33,88,550	19,84,510	17,03,702
Intangible assets	1,30,090	1,52,700	1,49,890	1,49,890	1,49,890
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**1,49,86,220**	**1,60,58,820**	**1,75,50,480**	**1,83,53,216**	**1,95,42,897**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Cash flow from operations	**11,66,910**	**12,02,980**	**12,12,927**	**11,97,083**	**15,34,678**
Capital expenditures	(15,15,680)	(25,33,630)	(15,13,960)	(13,06,800)	(13,06,800)
Change in investments	(7,65,610)	16,67,980	(21,340)	0	0
Other investing cash flows	5,92,710	13,790	2,83,600	1,72,458	1,95,440
Cash flow from investing	**(16,88,580)**	**(8,51,860)**	**(12,51,700)**	**(11,34,342)**	**(11,11,360)**
Equities issued/Others	3,200	10	0	0	0
Debt raised/repaid	9,100	(2,75,650)	1,42,880	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(42,970)	(50,830)	(56,478)	(71,612)	(72,393)
Other financing cash flows	7,40,150	3,00,210	1,92,980	1,00,664	1,39,494
Cash flow from financing	**7,09,480**	**(26,260)**	**2,79,382**	**29,052**	**67,101**
Chg in cash & cash eq.	**1,87,810**	**3,24,860**	**2,40,609**	**91,793**	**4,90,420**
Closing cash & cash eq.	**3,61,780**	**6,86,640**	**9,27,249**	**10,19,042**	**15,09,462**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
Reported EPS	87.3	98.0	102.9	117.5	139.5
Adjusted EPS	83.9	98.0	102.9	117.5	139.5
Dividend per share	6.7	7.5	8.3	10.6	10.7
Book value per share	1,152.2	1,058.0	1,172.7	1,279.6	1,408.4

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
EV/Sales	3.2	2.5	2.5	2.4	2.1
EV/EBITDA	20.7	15.7	13.8	12.5	10.9
Adjusted P/E	34.8	29.8	28.4	24.9	20.9
P/BV	2.5	2.8	2.5	2.3	2.1

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Tax burden (Net profit/PBT)	69.3	70.5	66.7	67.5	67.5
Interest burden (PBT/EBIT)	104.1	92.3	93.7	95.4	97.7
EBIT margin (EBIT/Revenue)	11.3	11.6	12.4	13.0	13.7
Asset turnover (Rev./Avg TA)	49.4	56.6	53.6	52.8	55.2
Leverage (Avg TA/Avg Equity)	1.9	2.1	2.2	2.2	2.1
Adjusted ROAE	7.7	8.9	9.2	9.6	10.4

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
YoY growth (%)					
Revenue	49.1	26.1	2.6	5.1	10.5
EBITDA	34.3	31.1	14.1	10.1	14.3
Adjusted EPS	30.0	16.8	5.0	14.2	18.7
Profitability & Return ratios (%)					
EBITDA margin	15.6	16.2	18.0	18.9	19.5
EBIT margin	11.3	11.6	12.4	13.0	13.7
Adjusted profit margin	8.2	7.6	7.7	8.4	9.0
Adjusted ROAE	7.7	8.9	9.2	9.6	10.4
ROCE	5.6	6.8	6.9	7.1	7.9
Working capital days (days)					
Receivables	11	11	12	12	11
Inventory	71	75	86	88	88
Payables	83	76	80	81	71
Ratios (x)					
Gross asset turnover	0.9	0.9	0.9	0.8	0.7
Current ratio	1.0	0.9	1.0	1.1	1.2
Net interest coverage ratio	5.4	5.2	4.8	5.4	6.3
Adjusted debt/equity	0.3	0.4	0.3	0.3	0.2

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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Note: Recommendation structure changed with effect from 21 June 2021

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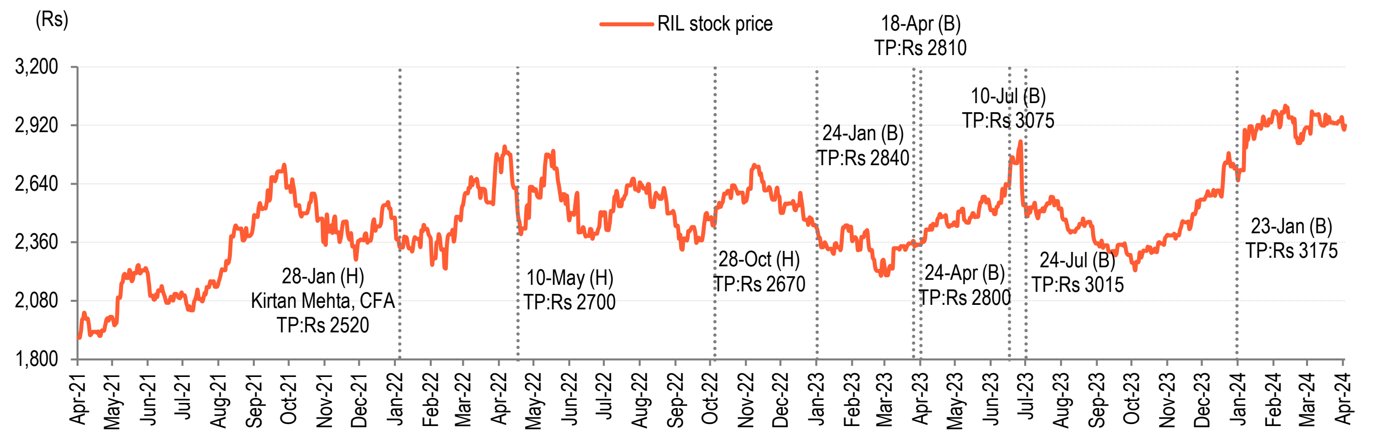

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