



TM

## Reliance Industries

23 April 2023

### Results beat estimates

RIL's Q4FY23 result beats estimates on the back of stronger O2C profits and tax reversal while the rest of the segment's profits were in line with estimates. O2C profit benefited from higher throughput (+5.3% QoQ), stronger refining margin and advantageous ethane cracking economics. Retail revenue was up 21.1%/2.4% YoY/QoQ to Rs616 bn in Q4 led by strong growth in grocery, Electronics and Fashion & Lifestyle business. While ARPU was marginally below estimate (flattish QoQ at Rs178.8), higher better margin lifted Jio's profit 17% YoY during Q4FY23. Net debt remained flattish QoQ despite elevated capex of Rs444 bn vs 376 bn in Q3FY23. We cut our FY24E/FY25E EBITDA estimates marginally by 3.6%/1.9% to factor in lower GRM and delay in production from MJ field. We maintain BUY rating on the stock with a revised TP of Rs2,766 from earlier Rs2,825.

**O2C lifted profit while consumer business reported modest growth:** O2C's throughput grew 5.3% QoQ to 19.8mmt while higher GRM and advantageous ethane cracking economics boosted petrochemical profits. However, negative impact of special excise duty stood at Rs7bn in Q4FY23 against Rs19 bn in Q3FY23. Retail business saw a sharp 64% growth in footprint with footfall stood at 219 Mn across formats in all geographies in Q4FY23. Total store count saw a healthy addition of 815 during the quarter to reach 18,040 while total area increased to 65.6 mn sq ft. vs 60.2 mn sq ft in previous quarter to ensure strong future growth. Jio's subscriber base increased 7% QoQ to reach at 439.3 mn in Q4FY23 while data traffic saw an exponential jump by 23.2% YoY at 30.3 billion GB.

**MJ field production to start from Q1FY24:** RIL expects production from MJ field to start from Q1FY24 (earlier Q4FY23) and has already successfully auctioned 6mmcmd. Further the company has already rolled out 5G to more than 2300 cities till now vs 100 cities at the end of Q3FY23 and looking to expand to pan-India by Dec'23. On retail side, digital & new commerce contributed 17% of revenue vs 18% in last quarter.

**Maintain BUY with a revised TP of Rs2,766:** We cut our FY24E/FY25E EBITDA estimates marginally by 3.6%/1.9% to factor in lower GRM and delay in production from MJ field. Further, we continue to expect tariff hike only in FY25E. The stock is trading at a P/E multiple of 19.2x and EV/EBITDA of 10.1x on FY25E. We maintain BUY on the stock with a revised TP of Rs2,766 from earlier Rs2,825 owing to the earnings cut.

#### RESULT UPDATE

Sector: Oil &amp; Gas

Rating: BUY

CMP: Rs 2,349

Target Price: Rs 2,766

#### Stock Info

Sensex/Nifty	59,655/17,624
Bloomberg	RIL IN
Equity shares (mn)	6,766mn
52-wk High/Low	Rs 2,855/2,180
Face value	Rs 10
M-Cap	Rs 15,891bn/ USD 194bn
3-m Avg volume	7.1mn

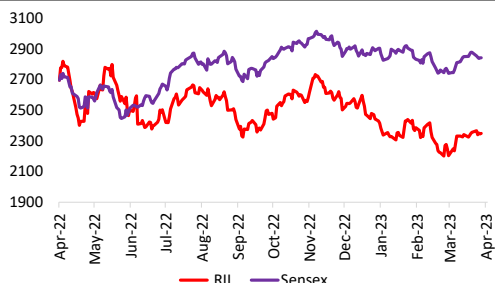
#### Financial Snapshot (Rs bn)

Y/E Mar	FY23	FY24E	FY25E
Sales	8,795	9,890	10,410
EBITDA	1,429	1,569	1,767
PAT	667	712	827
EPS (Rs)	98.6	105.2	122.3
PE (x)	23.8	22.3	19.2
EV/EBITDA (x)	11.9	11.1	10.0
RoE (%)	8.1	8.0	8.5
RoCE (%)	7.1	7.3	7.9
Dividend yield (%)	0.5	0.5	0.6

#### Shareholding Pattern (%)

	Mar'23	Dec'22	Sep'22
Promoter	50.0	50.0	51.0
-Pledged	-	-	-
FII	22.5	23.5	23.6
DII	16.4	15.3	15.0
Others	11.1	10.7	10.9

#### Stock Performance (1-year)



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**Q4FY23 Earnings Highlights**

**O2C:** Segmental profits were boosted by higher throughput (+5.3% QoQ) to 19.8mmt and stronger refining margin and advantageous ethane cracking economics. Negative impact of special excise duty stood at Rs7bn in Q4 against Rs19 bn in Q3. EBITDA/mt increased by 11% QoQ to USD115.9.

**Upstream:** Block KG D6 production was up 6% QoQ to 20.2mmscmd while CBM production was flattish at 0.7mmscmd. Avg realisation for KGD6 was flattish QoQ at \$11.4/mmbtu while CBM gas price was down 6% to \$19.6/mmbtu. The company has guided for start of production from MJ field from Q1FY24. RIL has successfully completed auction for 6mmscmd and GSPA would be signed with successful bidders soon. The company maintains guidance of ~30mmscmd in FY24.

**Retail:** Segmental revenue was up 21.1%/2.4% YoY/QoQ to Rs616 bn in Q4 led by strong growth in grocery, Electronics and Fashion & Lifestyle business. Core EBITDA margin was flattish at 7.7%. With 64% growth in Retail footprint, footfall stands at 219 Mn across formats in all geographies in Q4FY23. Total store count at 18,040 and total area at 65.6 mn sq ft. vs 17,225 and 60.2 mn sq ft in previous quarter. However, core EBITDA/store dropped 2% QoQ to Rs2.7 mn.

**JIO:** EBITDA up by 19%YoY to Rs134 bn for Q4FY23. ARPU stood at Rs178.8, flattish QoQ. Further per capital data consumption increased by 4% to 30GB/month. In a span of 6 months JIO builds up True 5G network in 2300+ cities and towns. Customer base in Q4FY23 stood at 439.3 Mn with a jump of 7.1% YoY. Data traffic saw an exponential jump by 23.2% YoY at 30.3 billion GB.

**Capex & Net debt:** Total capex remained higher at Rs444 bn vs Rs376 bn in Q3. RIL spent Rs1.5 tr (excl. spectrum liability) in FY23. Net debt stood at Rs1.1 tr, flattish QoQ.

## Exhibit 1: Actual vs Estimates

Particulars	Actual	Estimates	%Variance
Net sales (Rs tr)	2,129	2,289	(7.0)
EBITDA (Rs bn)	384	365	5.3
EBITDA margin (%)	18.1	15.9	211Bps
Adj net income (Rs bn)	193	161	19.9
FDEPS (Rs)	28.5	23.8	19.9

Source: Company, Systematix Institutional Research

## Exhibit 2: Quarterly Highlights

(Rs bn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY	QoQ
Revenue	2,074	2,193	2,301	2,172	2,129	3%	-2%
Expenditure	1,760	1,813	1,988	1,819	1,745	-1%	-4%
<b>EBITDA</b>	<b>314</b>	<b>380</b>	<b>312</b>	<b>352</b>	<b>384</b>	<b>23%</b>	<b>9%</b>
EBITDA Margin	15.1%	17.3%	13.6%	16.2%	18.1%	293	182
Depreciation	80	89	97	102	115	43%	12%
Interest	36	40	46	52	58	64%	12%
Other Income	25	22	35	31	29	19%	-7%
Exceptionals	0	0	0	0	0	-	-
<b>PBT</b>	<b>223</b>	<b>273</b>	<b>205</b>	<b>230</b>	<b>241</b>	<b>8%</b>	<b>5%</b>
Tax	44	78	49	53	28	-	-47%
Tax Rate	19.7%	28.5%	23.8%	22.9%	11.6%	-814	-1,132
Minority Int/Associates	-17	-16	-19	-19	-20	-	-
<b>Reported PAT</b>	<b>162</b>	<b>180</b>	<b>137</b>	<b>158</b>	<b>193</b>	<b>19%</b>	<b>22%</b>
<b>Adjusted PAT</b>	<b>162</b>	<b>180</b>	<b>137</b>	<b>158</b>	<b>193</b>	<b>19%</b>	<b>22%</b>
<b>Adj.EPS (Rs)</b>	<b>24.0</b>	<b>26.5</b>	<b>20.2</b>	<b>23.3</b>	<b>28.5</b>	<b>19%</b>	<b>22%</b>
<b>Segmental EBITDA</b>	<b>335</b>	<b>396</b>	<b>333</b>	<b>368</b>	<b>404</b>	<b>21%</b>	<b>10%</b>
O2C	142	199	120	139	163	14%	17%
Upstream Oil & Gas	16	27	32	39	38	144%	-2%
Organised Retail	37	38	44	48	49	33%	3%
Digital Services/Jio	112	117	123	129	134	19%	4%
Others	28	14	15	13	20	-29%	54%
Gross Debt	2,663	2,634	2,950	3,035	3,147	18%	4%
Cash & Equivalents	2,315	2,057	2,016	1,933	2,045	-12%	6%
<b>Net Debt</b>	<b>348</b>	<b>577</b>	<b>934</b>	<b>1,102</b>	<b>1,102</b>	-	<b>0%</b>
<b>Capex (Rs bn) (Excl. capex for spectrum)</b>	<b>302</b>	<b>314</b>	<b>325</b>	<b>376</b>	<b>444</b>	<b>47%</b>	<b>18%</b>

Source: Company, Systematix Institutional Research

**Exhibit 3: Segmental Analysis**

(Consolidated)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY	QoQ
<b>O2C</b>							
Production meant for sale (mmt)	17.3	16.9	16.2	16.2	17.1	-1%	6%
EBITDA/mt (US\$)	109.5	152.4	92.6	104.6	115.9	6%	11%
<b>Organised Retail</b>							
No of stores	15,196	15,866	16,617	17,225	18,040	19%	5%
Total area (mn sq ft.)	41.6	45.5	54.5	60.2	65.6	58%	9%
Revenue/sq ft (Rs)	12,220	11,337	10,586	9,983	9,384	-23%	-6%
Core EBITDA margin (%)	7.1%	7.6%	7.4%	7.75%	7.75%	10%	0%
Core EBITDA/store (Rs mn)	2.4	2.5	2.6	2.8	2.7	12%	-2%
<b>Digital Services</b>							
Subscriber base (mn)	410	420	428	433	439	7%	1%
ARPU (Rs)	167.6	175.7	177.2	178.2	178.8	7%	0%
Per capital data consumption (GB/month)	25	26	28	29	30	23%	4%
Per capital voice consumption (min/month)	968	1,001	969	985	1,003	4%	2%
<b>Oil &amp; Gas</b>							
Gross gas production vol-mmcmd	18.0	19.0	21.0	19.0	20.2	12%	6%
KGD6 realisation (US\$/mmbtu)	6.1	9.9	9.9	11.3	11.4	86%	1%

Source: Company, Systematix Institutional Research

## FINANCIALS (CONSOLIDATED)

### Profit & Loss Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>4,669.2</b>	<b>7,000</b>	<b>8,795</b>	<b>9,890</b>	<b>10,410</b>
Raw Material	1,908.5	3,393	4,200	5,025	5,144
Purchases	1,018.5	1,356	1,693	1,710	1,727
Opex	934.9	1,146	1,473	1,586	1,772
<b>EBITDA</b>	<b>807.4</b>	<b>1,105</b>	<b>1,429</b>	<b>1,569</b>	<b>1,767</b>
Depreciation	265.7	298	403	466	499
<b>EBIT</b>	<b>541.7</b>	<b>807</b>	<b>1,026</b>	<b>1,103</b>	<b>1,268</b>
Interest Cost	211.9	146	196	206	202
Other Income	163.3	149	118	147	154
<b>PBT Before Exceptionals</b>	<b>493.0</b>	<b>810</b>	<b>948</b>	<b>1,044</b>	<b>1,220</b>
Exceptional Items	56.4	28	0	0	0
<b>PBT</b>	<b>549.4</b>	<b>839</b>	<b>948</b>	<b>1,044</b>	<b>1,220</b>
Tax	17.2	163	207	228	266
Minority Interest	(41.0)	-69	-74	-104	-126
<b>Reported PAT</b>	<b>491.3</b>	<b>607</b>	<b>667</b>	<b>712</b>	<b>827</b>
<b>Adjusted PAT</b>	<b>533.5</b>	<b>579</b>	<b>667</b>	<b>712</b>	<b>827</b>
Reported EPS (Rs)	76.2	89.7	98.6	105.2	122.3
<b>Adjusted EPS (Rs)</b>	<b>82.8</b>	<b>85.5</b>	<b>98.6</b>	<b>105.2</b>	<b>122.3</b>

Source: Company, Systematix Institutional Research

### Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before tax	555	841	948	1,044	1,220
Depreciation	266	298	403	466	499
Others	-19	-2	58	59	48
Income Tax	-32	-38	-63	-106	-142
Change in Working Capital	-507	7	-196	1	-44
<b>Operating Cash Flow</b>	<b>262</b>	<b>1,107</b>	<b>1,150</b>	<b>1,465</b>	<b>1,582</b>
Capital Expenditure	-1,035	-970	-1,318	-1,572	-1,632
Change in Investments	-465	3	294	257	206
Interest & Dividend Income	84	60	111	147	154
Other investing activities	0	-193	0	0	0
<b>Investing Cash Flow</b>	<b>-1,416</b>	<b>-1,101</b>	<b>-912</b>	<b>-1,168</b>	<b>-1,273</b>
FCF	-1	0	0	0	0
Change in Equity	2,136	402	5	0	0
Change in Debt	-837	99	381	-20	-20
Interest & Div. Paid & others	-280	-328	-281	-408	-443
<b>Financing Cash Flow</b>	<b>1,019</b>	<b>173</b>	<b>105</b>	<b>-429</b>	<b>-463</b>
Change in Cash	-135	178	343	-132	-154
Opening Cash Balance	309	183	405	747	615
<b>Closing Cash Balance</b>	<b>174</b>	<b>362</b>	<b>747</b>	<b>615</b>	<b>461</b>

Source: Company, Systematix Institutional Research

### Key Assumptions

Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
O2C - Production meant for sale	63.6	68.2	66.4	68.0	68.4
O2C - EBITDA	381.7	527.2	620.8	586.4	623.3
O2C - EBITDA/mt	0.1	0.1	0.1	0.1	0.1
Retail - Revenue/sq ft	50,966	40,506	42,063	35,203	36,963
Retail - EBITDA	98	124	179	204	244
Retail - EBITDA margin	7.1%	7.1%	7.8%	7.8%	7.8%
Jio - Subscriber base	426	410	439	459	479
Jio - ARPU	143.2	153.0	175.2	180.4	200.4
Jio - EBITDA	311	378	467	558	707
Oil & Gas - KG basin volume	3.6	16.3	19.8	25.0	25.0
Oil & Gas- EBITDA	-2	55	136	208	174

Source: Company, Systematix Institutional Research

### Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share Capital	64	68	68	68	68
Reserves & Surplus	6,937	7,727	8,144	8,862	9,701
Minority Interest	993	1,095	1,130	1,026	899
<b>Networth</b>	<b>7,994</b>	<b>8,890</b>	<b>9,342</b>	<b>9,955</b>	<b>10,668</b>
Total Debt	2,238	2,663	3,147	3,147	3,147
Other Long Term Liabilities	221	256	249	254	259
Long Term Provisions	26	19	16	17	18
Deferred Tax Liabilities	547	858	1,715	1,817	1,922
<b>Capital Employed</b>	<b>11,026</b>	<b>12,686</b>	<b>14,469</b>	<b>15,190</b>	<b>16,014</b>
<b>Gross Block</b>	<b>7,656</b>	<b>8,706</b>	<b>10,057</b>	<b>11,480</b>	<b>12,912</b>
Accumulated Depreciation	2,346	2,558	2,961	3,427	3,926
Net Block	5,310	6,148	7,096	8,052	8,985
CWIP	1,260	1,725	2,938	3,088	3,288
Total Fixed Assets	6,570	7,873	10,034	11,140	12,273
Long Term Investments & Others	2,901	3,643	2,666	2,717	2,742
<b>Current Assets</b>	<b>3,730</b>	<b>3,470</b>	<b>4,420</b>	<b>4,327</b>	<b>4,109</b>
Short Term Investments	1,524	1,081	1,287	1,030	824
Inventories	817	1,078	1,400	1,575	1,657
Sundry Debtors	190	236	285	320	337
Cash & Bank Balance	174	362	747	615	461
Short Term Loans & Advances	612	240	202	227	239
Others	413	473	499	561	590
<b>Current Liabilities &amp; Prov.</b>	<b>2,175</b>	<b>2,301</b>	<b>2,651</b>	<b>2,995</b>	<b>3,111</b>
Creditors	1,089	1,593	1,472	1,663	1,727
Other Current Liabilities	1,061	688	1,156	1,306	1,357
Short Term Provisions	25	19	23	26	27
Net Current Assets	1,555	1,170	1,769	1,333	998
<b>Total Assets</b>	<b>11,026</b>	<b>12,686</b>	<b>14,469</b>	<b>15,190</b>	<b>16,014</b>

Source: Company, Systematix Institutional Research

### Ratios (Consolidated)

Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
<b>Growth</b>					
Revenue growth	-21.9%	49.9%	25.6%	12.5%	5.3%
EBITDA growth	-9.3%	36.8%	29.4%	9.8%	12.6%
Adjusted PAT growth	48.1%	8.5%	15.3%	6.7%	16.3%
<b>Margins</b>					
EBITDA margin	17.3%	15.8%	16.2%	15.9%	17.0%
PBT margin	10.6%	11.6%	10.8%	10.6%	11.7%
Effective Tax rate	3.1%	19.4%	21.8%	21.8%	21.8%
Adjusted PAT margin	11.4%	8.3%	7.6%	7.2%	7.9%
<b>Operating Cycle</b>					
Inventory days	64	56	58	58	58
Debtor days	15	12	12	12	12
Creditor days	103	99	73	73	73
Working Capital Cycle	-24	-30	-3	-3	-3
<b>Return Ratios</b>					
ROE	7.0%	7.8%	8.1%	8.0%	8.5%
ROCE	4.9%	6.4%	7.1%	7.3%	7.9%
Capex/revenue	10.5%	21.7%	29.2%	15.9%	15.7%
Net debt / Equity	0.1	0.2	0.1	0.2	0.2
<b>Yield Analysis</b>					
CFO Yield	1.9%	7.2%	7.6%	9.9%	10.8%
FCF Yield	-2.2%	-3.9%	-10.1%	-1.8%	-1.5%
Dividend Yield	0.3%	0.3%	0.5%	0.5%	0.6%
<b>Valuation</b>					
P/E (x)	28.4	27.5	23.8	22.3	19.2
P/B (x)	2.2	2.0	1.9	1.8	1.6
EV/Sales (x)	3.4	2.4	1.9	1.8	1.7
EV/EBITDA (x)	19.4	15.5	11.9	11.1	10.0

Source: Company, Systematix Institutional Research

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