INSTITUTIONAL RESEARCH

Reliance Industries

Next leg of growth capex picking up

Our ADD rating on Reliance Industries (RIL) with a price target of INR 2,637/sh is premised on (1) recovery in the O2C businesses; (2) EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses. RIL's consolidated EBITDA at INR 384bn (+23% YoY; +9% QoQ, HSIE: INR 378bn) and APAT at INR 193bn (+19% YoY, +22% QoQ), came in above our estimates. Earnings in Q4 were largely driven by strong growth seen in the O2C segment.

- **Oil to chemicals (O2C) segment**: O2C EBITDA improved to INR 163bn (+14% YoY, +17% QoQ), owing to higher transportation fuel cracks. The O2C earnings in Q4 were impacted by INR 7.1bn due to the levy of special additional export duty on transportation fuels. Crude throughput came in at 19.8mmt (+5% QoQ), while production meant for sale stood at 17.1mmt, (+6% QoQ), above our estimates.
- **Oil & gas:** Revenue grew to INR 46bn (+2.3x YoY, +2% QoQ) while EBITDA improved to INR 38bn (+2.4x YoY, -2% QoQ), owing to improvement in price realisation and higher production from the KG D6 block. The average KG D6 production for Q4 was at ~20mmscmd, up +11% YoY, +5% QoQ. Production may improve further as the MJ field is likely to start production from Q1FY24 onwards.
- **RJPL**: Revenue improved to INR 299bn (+14% YoY, +2% QoQ) due to a higher ARPU of INR 179 (+7% YoY, +0.3% QoQ). Gross subscriber addition in Q4 was at 29.2mn, while net subscriber addition improved by 6.4mn QoQ. The total customer base stood at 439.3mn in Q4. In FY23, RIL's net debt increased to INR 1,102bn (vs net debt of INR 348bn, as of Mar-22), largely on account of higher working capital requirement, Capex funding towards 5G rollout and ramp-up in retail operations. Total Capex incurred in FY23 was INR 1,418bn compared to INR 995bn in FY22, up +43% YoY.
- **Reliance Retail (RR):** Net revenue grew +21% YoY to INR 616bn. Core Retail revenue is estimated to have clocked ~23% YoY (4-year CAGR: 21%) to INR 444bn (HSIE: INR 441bn). RR's registered customer base hit 249mn; up +29% YoY. Digital + New Commerce contribution remains healthy at 18% of core retail sales for FY23. EBITDA grew +33% (4-year CAGR: 25%) to INR 48bn (HSIE: INR 44bn). Core Retail EBITDAM expanded 88 bps YoY to 9.4% (HSIE: 8.9%). RR has nearly doubled its retail area over FY21-23 to 65.6mn sq. ft (store count: 18,040).
- **Valuation:** We use EV/EBITDA to value downstream at Mar-24E EV/e, retail on peer benchmarked EV/e and E&P and Jio on DCF. The stock is currently trading at 10.6x Mar-24E EV/EBITDA and 19.7x Mar-24E EPS.

Financial summary—consolidated

Year Ending March (INR bn)	Q4 FY23	Q3 FY23	QoQ (%)	Q4 FY22	YoY (%)	FY21	FY22	FY23P	FY24E	FY25E
Net Sales	2,129	2,172	(1.9)	2,074	2.7	4,669	7,000	8,795	11,111	11,437
EBITDA	384	352	9.1	314	22.6	807	1,105	1,429	1,736	1,831
PAT	193	158	22.2	162	19.1	437	584	667	806	838
Diluted EPS (INR)	28.5	23.3	22.2	23.9	19.1	67.8	86.4	98.6	119.1	123.9
P/E (x)						34.7	27.2	23.8	19.7	19.0
EV / EBITDA (x)						22.2	16.7	12.9	10.6	10.2
RoE (%)						7.6	7.9	8.3	9.4	9.0

Source: Company, HSIE Research

ADD

CMP *(as on 21 Apr 2023)*	INR 2,349
Target Price	INR 2,637
NIFTY	17,624

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,674	INR 2,637
EPS %	FY24E	FY25E
	+0.2%	-0.2%

KEY STOCK DATA	
Bloomberg code	RIL IN
No. of Shares (mn)	6,766
MCap (INR bn) / ($ mn)	15,892/1,93,532
6m avg traded value (INR mn)	14,144
52 Week high / low	INR 2,856/2,180

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(3.8)	(5.0)	(15.6)
Relative (%)	(2.2)	(5.5)	(18.6)

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	50.49	50.41
FIs & Local MFs	15.34	16.14
FPIs	23.49	22.49
Public & Others	10.68	10.96
Pledged Shares	0.0	0.0

Source : BSE

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Quarterly Consolidated Financial Snapshot

(INR bn)	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Revenues	**2,129**	**2,172**	**(1.9)**	**2,074**	**2.7**
Material Expenses	1,371	1,457	(5.9)	1,450	(5.5)
Employee Expenses	65	63	3.3	53	22.6
Other Operating Expenses	309	299	3.4	257	20.3
EBIDTA	**384**	**352**	**9.1**	**314**	**22.6**
Depreciation	115	102	12.5	80	43.2
EBIT	**270**	**251**	**7.7**	**234**	**15.5**
Other Income (incl EO items)	29	31	(7.3)	25	18.8
Interest Cost	58	52	11.9	36	63.6
PBT	**241**	**230**	**4.7**	**223**	**8.2**
Tax	28	53	(47.1)	44	(36.5)
RPAT	**213**	**177**	**20.0**	**179**	**19.1**
Profit/Loss of Associate Company	0	1	(53.0)	1	(78.6)
Minority Interest	20	20	0.7	18	11.6
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-
APAT	**193**	**158**	**22.2**	**162**	**19.1**
EPS	28.5	23.3	22.2	23.9	19.1

Source: Company, HSIE Research

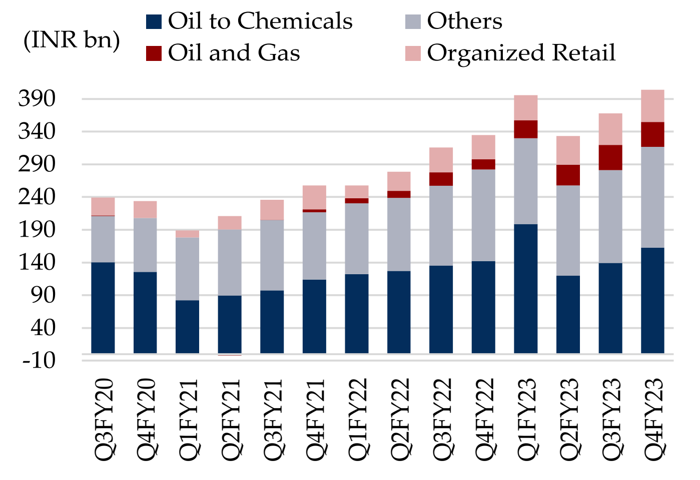
Quarterly Consolidated Segmental Snapshot

(INR bn)	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Segmental Revenues					
Oil to Chemicals (O2C)	1,286	1,446	(11.1)	1,458	(11.8)
Oil and Gas	46	45	1.8	20	126.9
Organised Retail	693	676	2.4	580	19.4
Digital Services	314	303	3.4	272	15.4
Others	332	198	67.5	243	36.5
Gross revenue	**2,670**	**2,669**	**0.0**	**2,573**	**3.8**
Less: Inter Segment Transfers	279	259	7.8	248	12.8
Value of Sales & Services	**2,391**	**2,410**	**(0.8)**	**2,325**	**2.8**
Less: GST Recovered	227	204	11.5	207	9.9
Revenue from Operations	**2,164**	**2,206**	**(1.9)**	**2,119**	**2.1**
Segmental Results Before Interest, Tax & Exceptional					
Oil to Chemicals (O2C)	142	119	19.4	124	14.6
Oil and Gas	31	32	(2.5)	9	230.5
Organised Retail	37	37	0.2	31	20.9
Digital Services	78	75	2.8	71	9.8
Others	2	3	(37.8)	21	(90.8)
Total	**290**	**267**	**8.7**	**256**	**13.3**
EBIT Margins (%)					
Oil to Chemicals (O2C)	11.0	8.2	281	8.5	254
Oil and Gas	68.6	71.7	(305)	47.1	2,152
Organised Retail	5.4	5.5	(12)	5.3	7
Digital Services	24.7	24.9	(15)	26.0	(125)
Others	0.6	1.6	(99)	8.7	(812)

Source: Company, HSIE Research

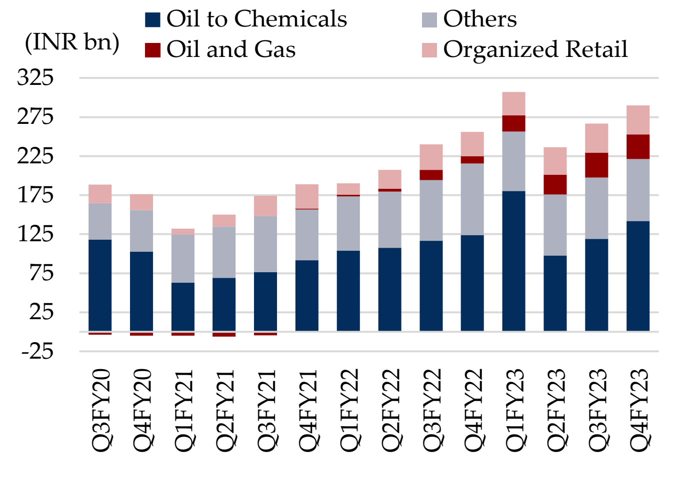
Story in Charts

Segmental EBITDA (consolidated)



Source: Company, HSIE Research

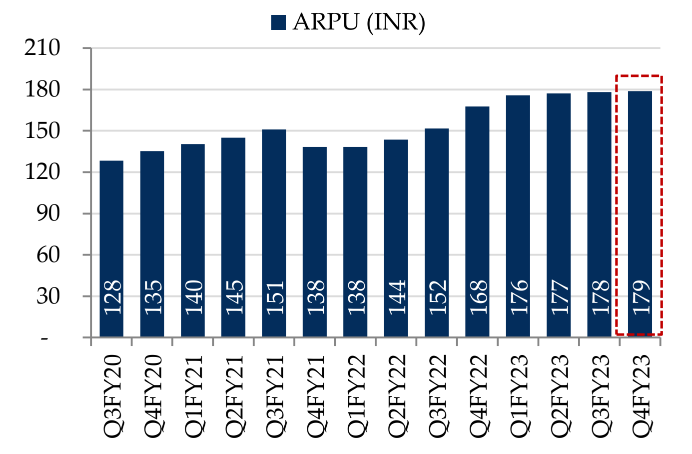
Segmental EBIT (consolidated)



Source: Company, HSIE Research

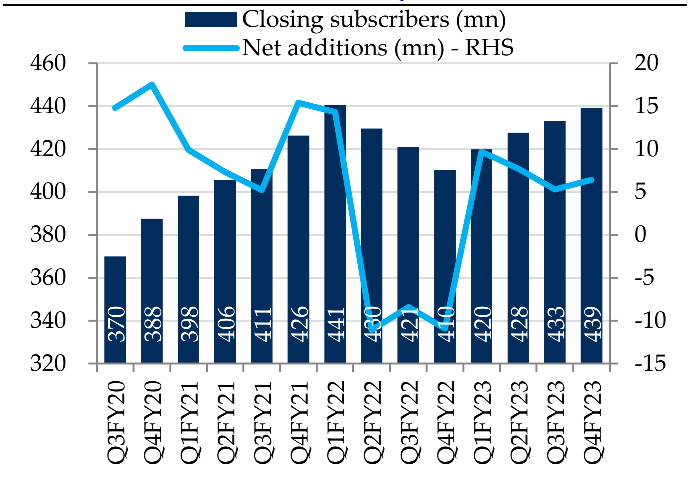
Jio Platforms

Sequential improvement in ARPU…



Source: Company, HSIE Research

…as well as subscriber base in Q3



Source: Company, HSIE Research

Reliance Jio Platforms

Quarterly Financial Snapshot (Consolidated)

(INR bn)	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Value from Services	299	292	2.3	261	14.3
Revenue from Operations	**255**	**249**	**2.3**	**223**	**14.4**
EBITDA	**128**	**125**	**2.0**	**109**	**16.9**
EBITDA Margin %	50.1%	50.3%		49.0%	
D&A	51	49	3.6	38	33.2
EBIT	**77**	**76**	**0.9**	**71**	**8.2**
Finance Costs	10	10	(3.2)	12	(16.9)
Profit before Tax	67	66	1.6	59	13.4
Net Profit	**50**	**49**	**2.1**	**43**	**15.6**

Source: Company, HSIE Research

Quarterly Operational Snapshot

	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Closing Subs (Mn)	439	433	1.5	410	7.1
Gross Adds (Mn)	29	34	(14.6)	36	(17.7)
Churn (Mn)	23	29	(21.1)	46	(50.9)
Net Adds (Mn)	6	5	20.8	(11)	(158.7)
ARPU (Rs)	179	178	0.3	168	6.7
Data Usage (Mn GB)	30,280	28,950	4.6	24,610	23.0
Data Usage/Sub (GB/Month)	23	22	3.2	20	17.3
Minutes of Usage (Bn Mins)	1,312	1,271	3.2	1,207	8.7
MOU/Sub (Mins)	1,003	985	1.8	968	3.6

Source: Company, HSIE Research

Reliance Retail

Quarterly Financial Snapshot

(INR bn)	Q4FY23	Q3FY23	*QoQ %*	Q4FY22	*YoY %*
Net Revenue	616	601	2.4	508	21.1
EBITDA	49	48	3.0	37	32.6
EBITDA margin %	8.0%	7.9%		7.3%	

Source: Company, HSIE Research

Change in estimates

	FY24E			FY25E		
	Old	New	% Ch	Old	New	% Ch
O2C business						
EBITDA (INR bn)	800	798	(0.3)	817	806	(1.3)
EPS (INR/share)	71.9	73.5	2.3	72.7	73.3	0.7
Jio						
Revenue (INR bn)	1,144	1,140	(0.3)	1,291	1,259	(2.4)
EBITDA (INR bn)	629	632	0.6	712	694	(2.6)
APAT (INR bn)	302	305	1.1	356	343	(3.6)
ARPU	183.9	181.3	(1.4)	194.3	187.0	(3.8)
Consolidated business						
EBITDA (INR bn)	1,681	1,736	3.2	1,804	1,831	1.5
EPS (INR/share)	118.9	119.1	0.2	124.2	123.9	(0.2)

Source: Company, HSIE Research

SOTP valuation

Business	EBIDTA (INR bn)	Multiple (x)	EV (INR bn)	Value per share (INR/sh)	Valuation basis
Petrochemicals	158	8.0	1,261	198	EV/EBITDA on Mar- 24E
Refining	373	8.0	2,984	470	EV/EBITDA on Mar- 24E
E & P			489	77	NPV
Retail	195	33.0	5,456	859	EV/EBITDA on Mar- 24E
Telecom			4,972	783	NPV
Investments/CWIP			2,887	455	
Consol. net Debt/creditors for capex/deferred spectrum liabilities			(1,301)	(205)	As on Mar-24
Value per share			**16,748**	**2,637**	

Source: Company, HSIE Research

Financials

Consolidated Income Statement

INR bn	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Revenues	**3,917**	**5,692**	**5,975**	**4,669**	**7,000**	**8,795**	**11,111**	**11,437**
Growth %	*28.3*	*45.3*	*5.0*	*(21.9)*	*49.9*	*25.6*	*26.3*	*2.9*
Raw Material	2,675	3,945	4,052	2,927	4,749	5,893	7,601	7,747
Employee Cost	95	125	141	148	188	249	265	279
Other Expenses	505	781	892	787	958	1,224	1,509	1,581
EBITDA	**642**	**842**	**890**	**807**	**1,105**	**1,429**	**1,736**	**1,831**
EBIDTA Margin (%)	*16.4*	*14.8*	*14.9*	*17.3*	*15.8*	*16.2*	*15.6*	*16.0*
EBITDA Growth %	*38.9*	*31.2*	*5.8*	*(9.3)*	*36.8*	*29.4*	*21.5*	*5.5*
Depreciation	167	209	222	266	298	403	441	471
EBIT	**475**	**632**	**668**	**542**	**807**	**1,026**	**1,294**	**1,360**
Other Income (Including EO Items)	99	84	87	220	178	118	123	130
Interest	81	165	220	212	146	196	210	220
PBT	**494**	**551**	**535**	**549**	**839**	**948**	**1,207**	**1,270**
Tax	133	154	137	17	163	207	285	301
RPAT before minority interest	**360**	**397**	**398**	**532**	**676**	**741**	**922**	**969**
Share of associates/Minority interest	1	(1)	(4)	(41)	(69)	(74)	(116)	(131)
RPAT after adjusting for Associates/Minority interest	**361**	**396**	**394**	**491**	**607**	**667**	**806**	**838**
EO (Loss) / Profit (Net Of Tax)	-	-	(34)	54	23	-	-	-
APAT	**361**	**396**	**427**	**437**	**584**	**667**	**806**	**838**
APAT Growth (%)	*20.6*	*9.7*	*8.0*	*2.2*	*33.8*	*14.1*	*20.8*	*4.0*
AEPS	**60.9**	**66.8**	**67.4**	**67.8**	**86.4**	**98.6**	**119.1**	**123.9**
AEPS Growth %	*20.6*	*9.7*	*0.9*	*0.5*	*27.5*	*14.1*	*20.8*	*4.0*

Consolidated Balance Sheet

INR bn	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCES OF FUNDS								
Share Capital	59	59	63	64	68	68	68	68
Reserves And Surplus	2,876	3,812	4,428	6,937	7,727	8,144	8,885	9,658
Total Equity	**2,935**	**3,871**	**4,492**	**7,002**	**7,795**	**8,212**	**8,952**	**9,725**
Minority Interest	**35**	**83**	**122**	**993**	**1,095**	**1,130**	**1,187**	**1,246**
Long-term Debt	1,442	2,075	1,976	1,637	1,877	1,832	1,762	1,693
Short-term Debt	746	800	1,387	881	786	1,315	1,299	1,283
Total Debt	**2,188**	**2,875**	**3,363**	**2,518**	**2,663**	**3,147**	**3,061**	**2,976**
Deferred Tax Liability	448	645	705	552	864	1,726	1,762	1,756
Long-term Provision	114	162	206	242	269	255	256	257
TOTAL SOURCES OF FUNDS	5,720	7,636	8,888	11,306	12,686	14,470	15,218	15,961
APPLICATION OF FUNDS								
Net Block	3,981	3,864	5,224	5,310	6,148	7,096	7,873	8,623
Capital WIP	**1,870**	**1,795**	**1,091**	**1,260**	**1,725**	**2,938**	**3,098**	**3,282**
Goodwill on consolidation	**58**	**120**	**103**	**102**	**130**	**137**	**137**	**137**
LT Loans And Advances	27	55	217	25	40	40	37	34
Non-current investments	253	1,646	2,039	2,124	2,861	2,079	2,079	2,079
Non-current assets	87	223	374	650	612	410	423	437
Total Non-current Assets	**6,275**	**7,702**	**9,048**	**9,471**	**11,516**	**12,700**	**13,646**	**14,592**
Inventories	608	676	739	817	1,078	1,400	1,610	1,625
Debtors	176	301	197	190	236	285	367	391
Cash and Cash Equivalent	43	111	309	174	362	747	660	214
ST Loans And Advances	108	5	7	1	1	2	2	3
Other Current Assets	328	471	602	1,024	712	699	696	767
Current investments	576	710	729	1,524	1,081	1,287	1,381	1,531
Total Current Assets	**1,838**	**2,274**	**2,583**	**3,730**	**3,470**	**4,420**	**4,716**	**4,531**
Creditors	1,069	1,083	968	1,089	1,593	1,472	1,906	1,860
Other Current Liabilities & Provns	1,324	1,257	1,775	805	707	1,178	1,239	1,303
Total Current Liabilities	**2,393**	**2,340**	**2,743**	**1,894**	**2,301**	**2,650**	**3,145**	**3,163**
Net Current Assets	**(555)**	**(66)**	**(160)**	**1,836**	**1,170**	**1,770**	**1,572**	**1,368**
TOTAL APPLICATION OF FUNDS	5,720	7,636	8,888	11,306	12,686	14,470	15,218	15,961

Source: Company, HSIE Research

Consolidated Cash Flow

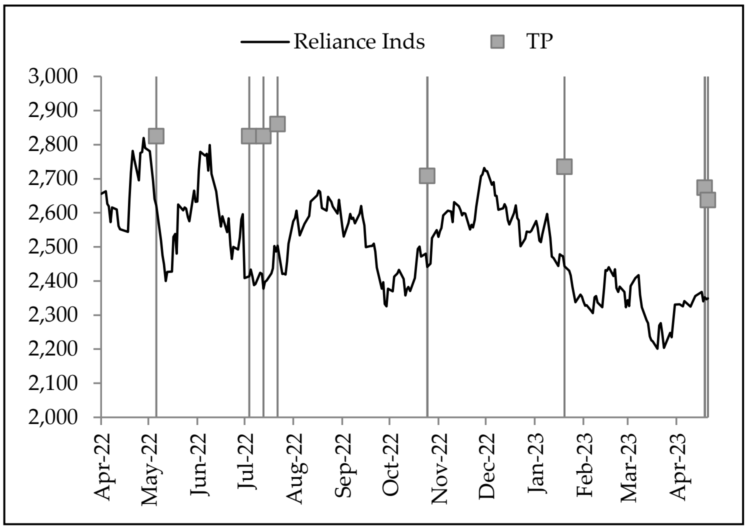
YE March (INR bn)	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	494	551	535	549	839	948	1,207	1,270
Non-operating & EO Items	(99)	(85)	(57)	(315)	(269)	(193)	(239)	(261)
Interest Expenses	81	165	220	212	146	196	210	220
Depreciation	167	209	222	266	298	403	441	471
Working Capital Change	127	(420)	292	(2,131)	854	(215)	112	(243)
Tax Paid	(99)	44	(77)	(171)	149	654	(249)	(307)
OPERATING CASH FLOW (a)	**670**	**464**	**1,134**	**(1,589)**	**2,016**	**1,794**	**1,483**	**1,151**
Capex	(843)	(79)	(861)	(520)	(1,629)	(2,571)	(1,378)	(1,406)
Free Cash Flow (FCF)	(173)	385	273	(2,110)	387	(776)	104	(256)
Investments	4	(1,394)	(392)	(85)	(738)	782	-	-
Non-operating Income	99	84	87	220	178	118	123	130
Others	(3)	(165)	(313)	(83)	23	201	(10)	(11)
INVESTING CASH FLOW (b)	**(743)**	**(1,553)**	**(1,480)**	**(469)**	**(2,166)**	**(1,469)**	**(1,265)**	**(1,287)**
Debt Issuance/(Repaid)	222	687	488	(845)	145	484	(86)	(85)
Interest Expenses	(81)	(165)	(220)	(212)	(146)	(196)	(210)	(220)
FCFE	(32)	908	541	(3,166)	386	(488)	(192)	(561)
Share Capital Issuance	30	0	4	1	3	0	-	-
Dividend	(39)	(43)	(46)	(39)	(43)	(51)	(54)	(54)
Others	(46)	678	318	3,018	378	(178)	46	49
FINANCING CASH FLOW (c)	**85**	**1,157**	**544**	**1,923**	**337**	**60**	**(304)**	**(310)**
NET CASH FLOW (a+b+c)	**12**	**68**	**198**	**(135)**	**188**	**385**	**(87)**	**(446)**
EO Items, Others	-	-	-	-	-	-	-	-
Closing Cash & Equivalents	**43**	**111**	**309**	**174**	**362**	**747**	**660**	**214**

Key Ratios

Ratios	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
PROFITABILITY %								
EBITDA Margin	16.4	14.8	14.9	17.3	15.8	16.2	15.6	16.0
EBIT Margin	12.1	11.1	11.2	11.6	11.5	11.7	11.6	11.9
APAT Margin	9.2	7.0	7.2	9.4	8.3	7.6	7.3	7.3
RoE	12.9	11.6	10.2	7.6	7.9	8.3	9.4	9.0
RoIC	13.7	12.2	11.3	6.6	7.3	9.0	9.8	9.3
RoCE	7.7	7.7	7.2	6.4	5.9	6.0	6.5	6.5
EFFICIENCY								
Tax Rate %	27.0	27.9	25.7	3.1	19.4	21.8	23.6	23.7
Fixed Asset Turnover (x)	0.8	1.0	0.9	0.6	0.8	0.9	1.0	0.9
Inventory (days)	57	43	45	64	56	58	53	52
Debtor (days)	16	19	12	15	12	12	12	12
Other Current Assets (days)	41	31	37	80	37	29	23	25
Payables (days)	146	100	87	136	122	91	91	88
Other Current Liab & Provns (days)	181	116	160	100	54	73	59	61
Cash Conversion Cycle (days)	(213)	(123)	(153)	(77)	(71)	(65)	(63)	(60)
Net Debt/EBITDA (x)	2.4	2.4	2.6	1.0	1.1	0.8	0.6	0.7
Net D/E	0.5	0.5	0.5	0.1	0.2	0.1	0.1	0.1
Interest Coverage	5.9	3.8	3.0	2.6	5.5	5.2	6.2	6.2
PER SHARE DATA (Rs)								
EPS	60.9	66.8	67.4	67.8	86.4	98.6	119.1	123.9
CEPS	85.6	97.7	100.2	107.1	130.4	158.2	184.4	193.6
Dividend	6.0	6.1	5.7	5.8	6.4	7.0	8.0	8.0
Book Value	433.8	572.1	663.9	1,034.8	1,152.1	1,213.6	1,323.1	1,437.4
VALUATION								
P/E (x)	38.6	35.2	34.8	34.7	27.2	23.8	19.7	19.0
P/Cash EPS (x)	27.4	24.0	23.4	21.9	18.0	14.9	12.7	12.1
P/BV (x)	5.4	4.1	3.5	2.3	2.0	1.9	1.8	1.6
EV/EBITDA (x)	27.6	21.7	20.9	22.2	16.7	12.9	10.6	10.2
EV/Revenue (x)	4.5	3.2	3.1	3.8	2.6	2.1	1.7	1.6
Dividend Yield (%)	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3
OCF/EV (%)	3.8	2.5	6.1	(8.9)	10.9	9.8	8.1	6.2
FCFF/EV (%)	(1.0)	2.1	1.5	(11.8)	2.1	(4.2)	0.6	(1.4)
FCFE/M Cap (%)	(0.2)	5.6	3.4	(19.6)	2.4	(3.0)	(1.2)	(3.5)

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-May-22	2,621	ADD	2,825
4-Jul-22	2,409	ADD	2,825
14-Jul-22	2,378	ADD	2,825
25-Jul-22	2,503	ADD	2,860
25-Oct-22	2,470	ADD	2,708
23-Jan-23	2,443	ADD	2,735
19-Apr-23	2,367	ADD	2,674
24-Apr-23	2,349	ADD	2,637

Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

We, **Harshad Katkar, MBA, Nilesh Ghuge, MMS, Jay Gandhi, MBA, Akshay Mane, PGDM & Rutvi Chokshi, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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