ADD (Maintain)

CMP: **INR 2,539** Target Price: **INR 2,670 (INR 2,650)** ▲ 5%

ICICI Securities

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23 July 2023

India | Equity Research | Q1FY24 results review

Reliance Industries

Oil & Gas

Operationally in-line performance; H2 prospects appear stronger

Reliance Industries (Reliance) reported YoY flat EBITDA and ~11% YoY decline in net earnings in Q1FY24. The oil-to-chemical (OTC) segment lagged with 27% YoY decline in segmental EBIT, reflective of the weak demand trends in downstream petroleum segment. Upstream, retail and digital services continued to show good YoY momentum – with sharply higher gas production from the new fields and sustained improvement in retail footprint driving growth. Going forward, we do see earnings momentum supported by retail, upstream and RJio for FY24E. Also, tight global supply may see OTC prospects improve over H2FY24E. Progress on the new energy business, improvement in RJio and retail are key drivers going forward for Reliance. We retain **ADD** on the stock, with our core thesis of 'high capex, low FCF yields' and 'low return ratios offsetting earnings strength' remaining unchanged as of now.

OTC segment weak; H2 likely to show stronger performance

Reliance saw its OTC segment performance weaken in Q1, with our estimates suggesting a USD 3/bbl QoQ dip in GRMs and flattish petrochemical margins impacting earnings. Segmental EBITDA of INR 152.7bn was down 23% YoY and 6% QoQ. Petchem saw weak deltas across the board, with small QoQ increases in PE/PP deltas, but a sharp 23% QoQ dip in PVC delta. Demand prospects for H2 however remain robust, with strong revival in Chinese demand and tight supply likely to drive margin recovery over next 12 months.

Upstream sustains growth; consumer businesses flattish QoQ

Gas output for Reliance averaged 20.9mmscmd in Q1 and has further ramped up to ~27mmscmd in Q2-TD. Reliance has signed GSPAs for ~29mmscmd with customers and has guided to reach ~30mmscmd of output in coming months For digital services, operating revenue and EBITDA showed strong YoY growth, but QoQ performance was muted with revenue and EBITDA growing only 2.5% and 2.2% respectively. Similar trends were seen in retail as well, with strong YoY growth but only 1% QoQ growth in revenue and 5% QoQ growth in EBITDA.

Net debt takes a breather; capex to remain material

Net debt of INR 1.27trn was flattish vs Mar'23 (restated) levels of INR 1.26trn, with gross debt of INR 3.19trn also flat vs Mar'23 levels – suggesting a welcome improvement in operating cashflows and some moderation in capex intensity over the previous quarter. Our core contention of return ratios remaining muted due to materially high capex remains intact, with our estimates suggesting a mere 230bps improvement in RoE and 220bps improvement in RoCE over FY22-FY25E.

Financial summary

Y/E March (INR bn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	7,216	8,929	9,954	10,894
EBITDA	1,105	1,429	1,643	1,870
EBITDA %	15.3	16.0	16.5	17.2
Net Profit	584	667	805	950
EPS (Rs)	86.4	98.6	119.0	140.4
EPS % Chg YoY	33.8	14.1	20.7	18.0
P/E (x)	29.4	25.8	21.3	18.1
EV/EBITDA (x)	17.1	13.7	11.6	10.0
RoCE (Pre-tax) (%)	7.1	7.9	8.6	9.5
RoE (%)	7.9	8.3	9.4	10.1

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Market Data	
Market Cap (INR)	17,177bn
Market Cap (USD)	2,09,452mn
Bloomberg Code	RELIANCE IN
Reuters Code	RELI.BO
52-week Range (INR)	2,632 /1,986
Free Float (%)	50.0
ADTV-3M (mn) (USD)	195

Price Performance (%)	3m	6m	12m
Absolute	18.2	15.3	11.7
Relative to Sensex	11.8	10.3	20.4

ESG Disclosure	2021	2022	Change
ESG score	**51.7**	**56.9**	**5.3**
Environment	40.4	46.1	5.6
Social	29.6	34.8	5.2
Governance	84.9	89.9	5.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(0.9)	0.3
EBITDA	(1.3)	0.3
EPS	(3.2)	(0.8)

Previous Reports

24-04-2023: Q4FY23 results review
21-01-2023: Q3FY23 results review

H2FY24E earnings prospects need to improve to meet street estimates

EBITDA run-rate extrapolated from Q1 would imply an annualised EBITDA of INR 1.5trn for FY24E (this would be 6-7% lower than current street and our base case estimates). While we do expect both OTC and consumer businesses to show greater momentum over H2FY24E, any slippages on the OTC front and slowing growth in the consumer businesses creates downside risks for FY24E.

Maintain ADD

We have tweaked our earnings estimates marginally for the OTC and retail segments and adjusted the share count to factor-in the treasury share transfer to the newly demerged financial services. We have also raised the effective tax rate to the new rate of ~25%. At our revised estimates, we still see consolidated EPS CAGR at a material 19.3% over FY23-FY25E, with a lower 14.4% CAGR in EBITDA. With these revisions, our SOTP-based target price of INR 2,670/sh implies a limited 5% upside, underpinning our **ADD** rating. **Key risks:** Stronger OTC margin, lower capex, stronger ARPU growth in RJio, and faster-than-estimated execution on green energy plans.

Exhibit 1: Q1FY24 result snapshot

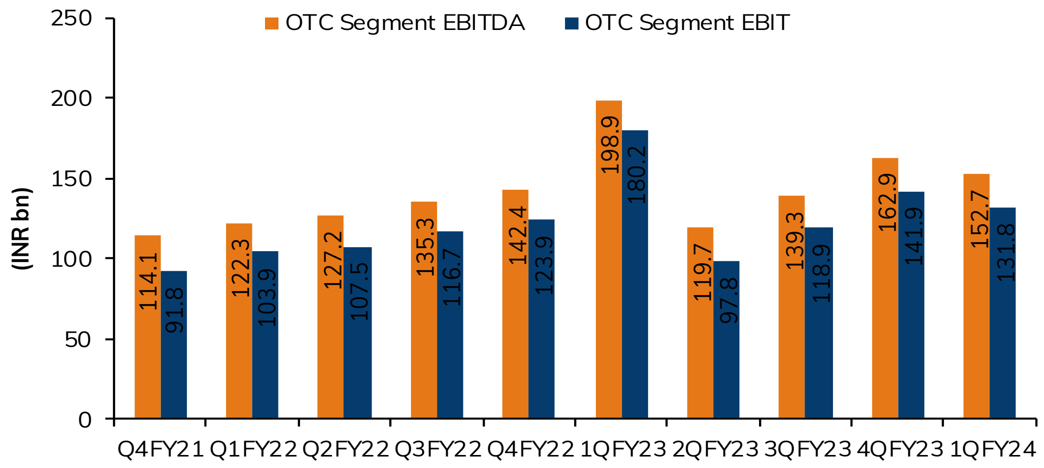
Consolidated (INR bn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Revenues	2,075.6	2,193.04	(5.4)	2,129.5	(2.5)
Expenditure	1,694.7	1,813.1	(6.5)	1,745.1	(2.9)
EBITDA	**380.9**	**380.0**	0.3	**384.4**	(0.9)
Depreciation	117.8	89.5	31.6	114.6	2.8
Interest	58.4	40.0	46.0	58.2	0.3
Other income	38.1	22.5	69.7	29.2	30.7
PBT	242.9	273.0	(11.0)	240.8	0.9
Extraordinary Item					
Tax	61.1	77.9	(21.6)	27.9	119.3
Assoc/Minority	(21.7)	(15.5)		(20.0)	
Adj. PAT	160.1	179.6	(10.8)	193.0	(17.0)
Reported PAT	**160.1**	**179.6**	(10.8)	**193.0**	(17.0)
EPS (INR/sh)	**23.7**	**26.5**	(10.8)	**28.5**	(17.0)
Recurring EPS (INR/sh)	**23.7**	**26.5**	**(10.8)**	**28.5**	**(17.0)**

Source: Company data, I-Sec research

OTC earnings see weakness

OTC segment EBITDA of INR 152.7bn declined 23% YoY and 6% QoQ, with considerable weakness seen in middle distillate cracks for gasoline, diesel and ATF driving the weakness, with mixed margin trends in petchem also a dampener for Q1. While Reliance does not disclose GRMs separately, our estimates based on their historical product slates suggest average GRMs for the company have dipped by ~USD 3-4/bbl, even after the impact of Russian crude and windfall taxes.

Exhibit 2: OTC segment remained weak in Q1FY24 QoQ and YoY



Source: Company data, I-Sec research

Going forward, we see a tighter demand-supply environment helping boost margins over the next 12-18 months. Industry estimates suggest that, post a record decline of ~2.5% in oil product demand in CY22, Chinese demand can accelerate to ~5.7% in CY23 and global demand growth is also likely to sustain at 2-2.5% over CY23. Overall, the next refined product balance is expected by industry bodies like OPEC and IEA to be in negative territory over at least H2CY23, which provides comfort on our assumptions of strong GRMs for Reliance over this period.

Petchem integrated deltas have improved marginally QoQ in Q1FY24 (~12% decrease YoY) to USD 534/t). We expect petchem demand to pick up, with revival in Chinese demand post removal of restrictions and continuing momentum in Indian demand (polymer and polyester demand grew 5% and 16% respectively, YoY, in Q1). However, given the continued weakness in Europe and stronger interest rates across the developed world, we still see only a gradual improvement in margins for this sub-segment over FY24E-FY25E.

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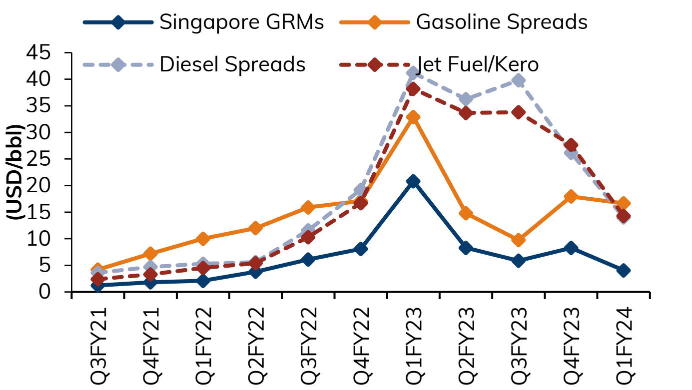
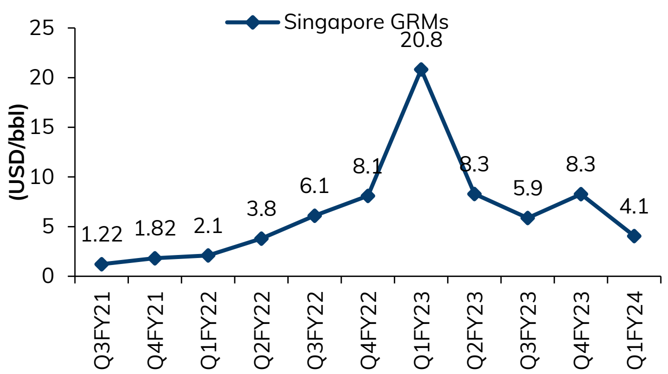
Exhibit 3: Decrease in gasoline (petrol), diesel and ATF spreads in Q1FY24



Source: Company data, I-Sec research

Exhibit 4: Singapore GRMs contracted in Q1FY24



Source: Company data, I-Sec research

Exhibit 5: Crude demand-supply balance to remain tight

mb/d	CY19	CY20	CY21	CY22	CY23E	CY24E
Demand	**99.7**	**91.0**	**97.5**	**99.9**	**102.1**	**103.2**
Supply	**100.5**	**93.9**	**95.3**	**100.1**	**101.1**	**101.1**
Non-OPEC	65.6	63.1	63.7	65.7	67.3	68.5
OPEC	**34.9**	**30.8**	**31.6**	**34.5**	**33.8**	**32.6**
NGL	5.4	5.2	5.2	5.4	5.5	5.5
Oil	29.5	25.7	26.4	29.1	28.3	27.1
Supply surplus/(deficit)	**0.8**	**2.9**	**-2.2**	**0.2**	**-1.0**	**-2.1**

Source: IEA Bloomberg , I-Sec research

Exhibit 6: Global petroleum fuel demand – by product as well as overall – to grow in CY23E

mb/d	CY19	CY20	CY21	CY22	CY23E	CY24E	CY23 growth %	CY24 growth %
LPG & Ethane	13.2	13.2	13.8	14.2	14.4	14.6	1.4%	1.4%
Naphtha	6.6	6.4	6.9	6.8	7.0	7.4	2.9%	5.7%
Motor Gasoline	26.7	23.7	25.6	26.0	26.6	26.6	2.3%	0.0%
Jet Fuel & Kerosene	8	4.7	5.2	6.2	7.3	7.5	17.7%	2.7%
Gas/Diesel Oil	28.3	26.1	27.5	28.3	28.4	28.5	0.4%	0.4%
Residual Fuel Oil	6.2	5.6	6.2	6.5	6.7	6.7	3.1%	0.0%
Other Products	11.8	11.9	12.2	11.8	11.8	11.9	0.0%	0.8%
Total Products	100.7	91.7	97.5	99.8	102.3	103.1	2.5%	0.8%

Source: IEA Oil market report, I-Sec research

Exhibit 7: China fuel demand by product to grow sharply in CY23E post decline in CY22

mb/d	CY19	CY20	CY21	CY22	CY23E	CY24E	CY23 growth %	CY24 growth %
LPG & Ethane	1.8	1.8	1.9	2.1	2.3	2.4	9.5%	4.3%
Naphtha	1.4	1.5	1.6	1.8	2.1	2.3	16.7%	9.5%
Motor Gasoline	3.4	3.2	3.5	3.4	3.7	3.7	8.8%	0.0%
Jet Fuel & Kerosene	0.9	0.8	0.8	0.6	0.9	1	50.0%	11.1%
Gas/Diesel Oil	3.2	3	3.2	3.3	3.6	3.6	9.1%	0.0%
Residual Fuel Oil	0.4	0.5	0.5	0.6	0.6	0.6	0.0%	0.0%
Other Products	3	3.5	3.5	2.9	2.9	2.9	0.0%	0.0%
Total Products	14.1	14.3	15.1	14.7	16.1	16.6	9.5%	3.1%

Source: IEA Oil market report, I-Sec research

Exhibit 8: India fuel demand by product to grow gradually in CY23E after sharp rise in CY22

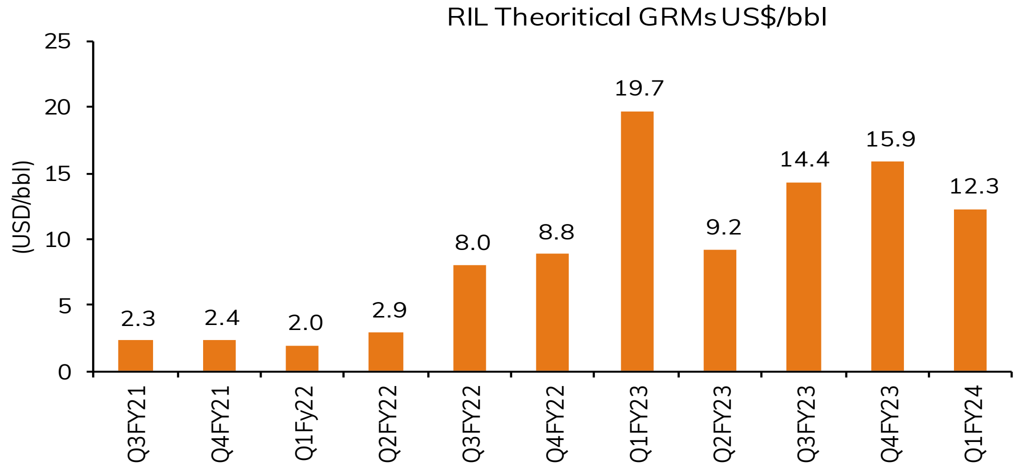
mb/d	CY19	CY20	CY21	CY22	CY23E	CY24E	CY23 growth %	CY24 growth %
LPG & Ethane	0.8	0.9	0.9	0.9	0.9	1	0.0%	11.1%
Naphtha	0.3	0.3	0.3	0.3	0.3	0.3	0.0%	0.0%
Motor Gasoline	0.7	0.7	0.8	0.9	0.9	0.9	0.0%	0.0%
Jet Fuel & Kerosene	0.2	0.1	0.1	0.2	0.2	0.2	0.0%	0.0%
Gas/Diesel Oil	1.6	1.5	1.5	1.7	1.8	1.9	5.9%	5.6%
Residual Fuel Oil	0.1	0.1	0.2	0.2	0.2	0.2	0.0%	0.0%
Other Products	1.1	1	1	1.1	1.1	1.2	0.0%	9.1%
Total Products	5	4.6	4.9	5.3	5.5	5.6	3.8%	1.8%

Source: IEA Oil market report, I-Sec research

We assume flattish GRMs for Reliance during FY24E-FY25E

Within the composition of Singapore benchmark slate, the surge in diesel and ATF spreads in particular is of relevance for Reliance, given that an estimated ~47% of the company's product slate comes via these two products vs SG benchmark of ~35%. Given the sharp downward moves in these spreads, theoretical GRMs for Reliance have also dipped sharply over the last few weeks (GRMs Q2FY21 onward are I-Sec estimates; Reliance has stopped providing GRM data post the consolidation of downstream businesses into the OTC segment).

Exhibit 9: Reliance – theoretical GRMs decreased in Q1FY24

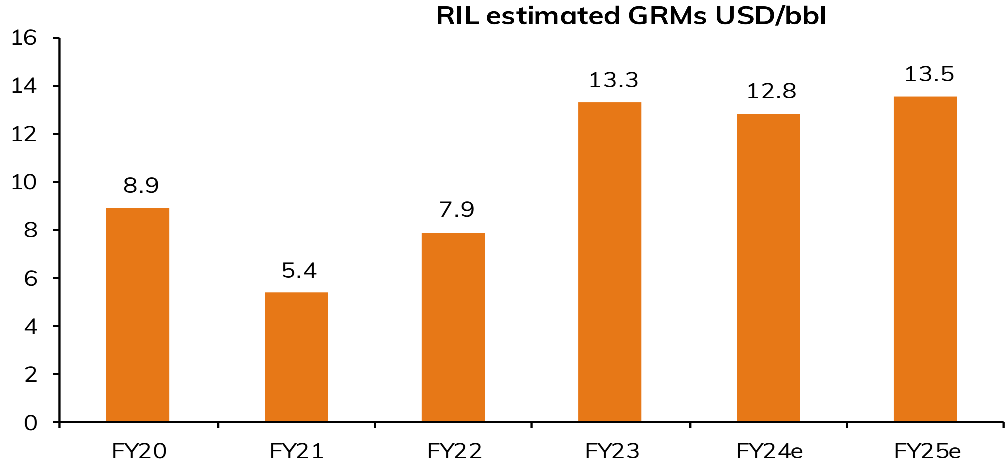


Source: Company data, I-Sec research

Estimation of refining earnings is a somewhat difficult exercise now since Reliance no longer reports refining and petchem metrics separately. However, it is definitely worth looking at trends in the overall margins and comparing like-for-like movement in theoretical spreads/GRMs from Reliance's perspective over the past few quarters.

With the reopening of Chinese economy, tight product supply and sustained gas-to-diesel switch sustaining in Europe keeping diesel/ATF spreads elevated, we believe the current strength in key product spreads will sustain. However, Q1FY24 trends were muted due to global demand concerns and we therefore maintain our flattish GRM assumptions over FY24E and FY25E.

Exhibit 10: Reliance GRM estimates for FY24E-FY25E to remain muted vs FY23 levels

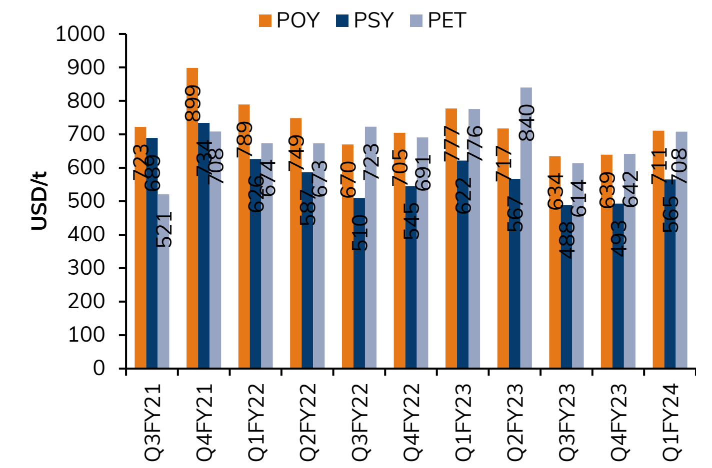


Source: Company data, I-Sec research

Petrochemical results saw some improvement QoQ; we expect marginal improvement over FY24E-FY25E

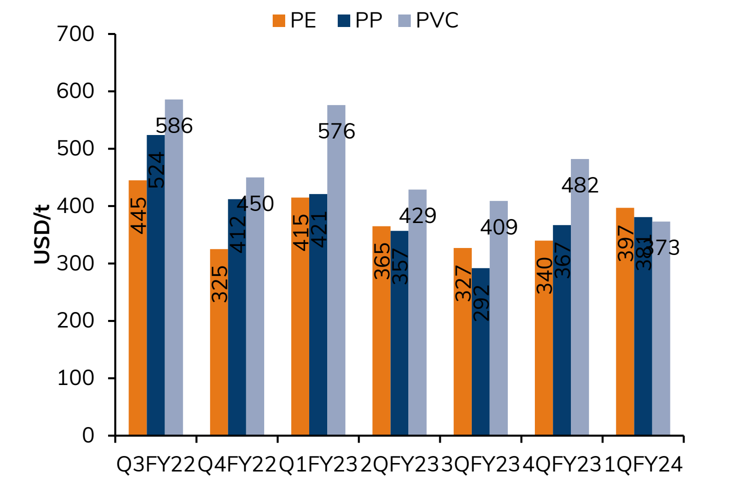
YoY polymer deltas over naphtha declined sharply with PVC deltas down 35%, while PE and PP deltas are also down 8-10% YoY. QoQ trends were more mixed, with ~4-17% QoQ improvement seen in PE and PP deltas, but a 23% QoQ dip in PVC margins. On the flip side however, the decline of 16% in US ethane prices has helped shore up margins for the petrochemical segment. Polyester chain deltas have however improved materially QoQ, with a recovery in gasoline demand and lower feedstock costs helping PX, PTA and MEG deltas for the quarter.

Exhibit 11: Polymer deltas have improved QoQ…



Source: Company data, I-Sec research

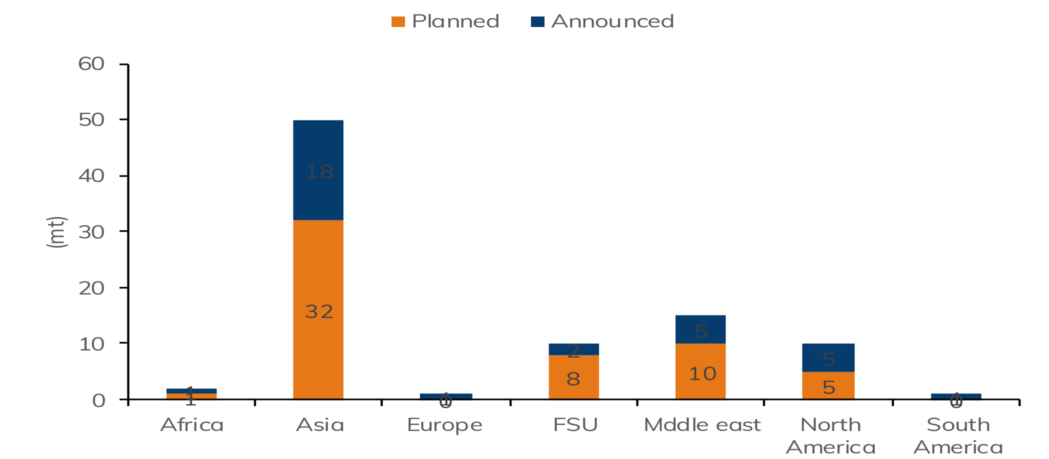
Exhibit 12: …polyester deltas have also improved QoQ



Source: Company data, I-Sec research

Globally, additions to ethylene capacities remain significant, with a material ~99mtpa of capacity expected to be added over the next five years (Link). Asia is likely to lead the way with an estimated ~50mtpa of capacity additions (planned + announced) with some additions in North America and the Middle East as well.

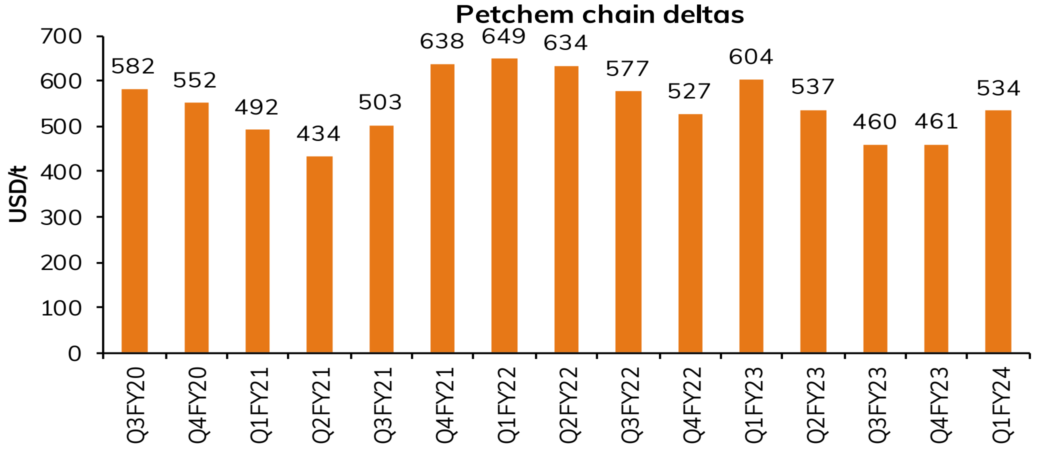
Exhibit 13: Global ethylene capacity additions projected to grow over CY21-CY25 – Asia to lead the way



Source: Global Data Energy, I-Sec research

Margins, however, are set to stay muted given the weak demand, hence weaker realisation trends over the next 12-18 months. Additionally, we expect input prices to remain above historical levels for the next 12-18 months. This may be driven by tight demand-supply balance, no visibility on resolution of the Russia-Ukraine conflict and the shift to add petrochemical capacity by most standalone refiners. As a result of higher demand for naphtha and the fact that most global petrochemical capacities are still running on naphtha (as opposed to gas or LPG), spreads for Reliance have also seen a muted trend over the last three quarters.

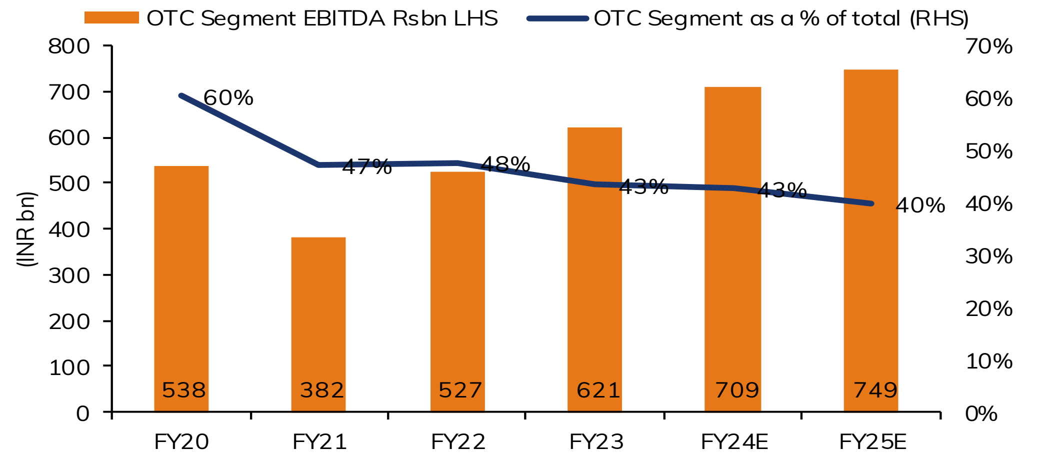
Exhibit 14: Reliance – Estimated integrated petchem deltas have moderated in past 12 months on YoY basis



Source: Company data, I-Sec research

In this context, we continue to build 10% CAGR in OTC segment's EBITDA over FY23-FY25E, with some upside risk to these estimates if Chinese demand momentum runs ahead of our current sense and/or greater demand from Europe over the next 12 months.

Exhibit 15: OTC segment earnings CAGR likely at 10% over FY23-FY25E



Source: Company data, I-Sec research

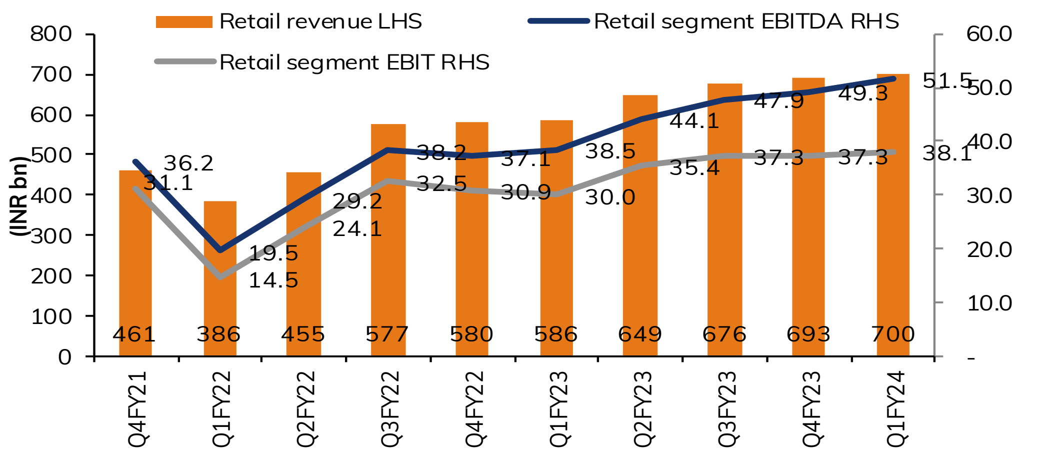
Retail – Q1 sees muted sequential improvement

Reliance reported 19% YoY jump in its retail segment revenue (up 1% QoQ) in Q1FY24 with EBITDA growth of 34% YoY (+5% QoQ). Company has continued its aggressive roll-out of offline and online retail infra, with 555 stores added during the quarter (net addition of 406 stores) to reach a cumulative 18,446 stores. Other highlights:

- Record footfalls of 249mn
- Area under retail coverage crossed 70.6mn-sqft, with ~5mn-sqft added in Q1FY24
- EBITDA margin (from operations) at 7.7%, up 30bps YoY, 20bps QoQ
- Strong growth in digital and new commerce segments, with revenue from this channel at ~18% of total segment revenue

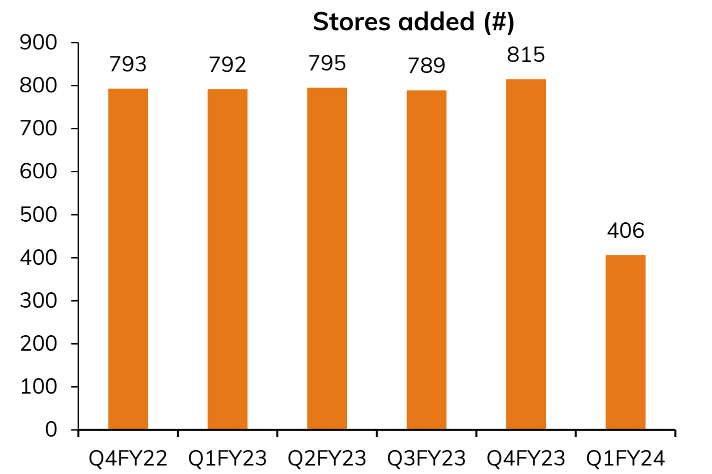
With growing footprint in both offline and online arenas, sustained improvement in margins and the share of private labels growing steadily, we continue to build strong growth in this segment over the next 2-3 years. We note however that the sequential run-rate of revenue is slowing down and will have to pick up substantially over the next few quarters to sustain the high YoY growth as the base catches up over H2FY24E.

Exhibit 16: Trends in retail segment earnings: Peer-leading performance continues



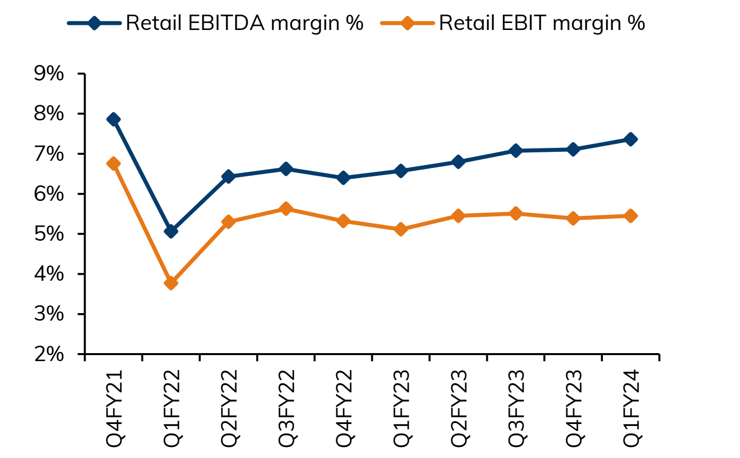
Source: Company data, I-Sec research

Exhibit 17: Net store additions moderated in Q1FY24



Source: Company data, I-Sec research

Exhibit 18: Margins continue to be strong



Source: Company data, I-Sec research

We estimate market-leading growth to sustain over the next 2-3 years

We expect revenue and EBITDA from the retail segment to continue to show peer-leading CAGRs of 14.4/14.9% over FY23-FY25E. This may be driven by: i) the platforms, both online and offline, that are already in place; ii) delta from omni-channel momentum; and iii) new acquisitions and continued build-out of the offline infrastructure (bolstered by ~12-13mn-sqft taken over via FRL properties) over the next few years. EBITDA margin may also expand as the company keeps moving up the value chain in its brand portfolio and captures a larger share of the premium segment, coupled with a sharply higher online share of wallet over the period. Additionally, even if we conservatively assume a miniscule 1% of the unorganised retail market moving to Reliance (at an EBITDA margin of 5%), that alone can add INR0.4-0,5bn to EBITDA and Rs8.5bn-9bn to Revenue by FY25E.

Exhibit 19: Retail to continue growing materially over FY23-FY25E

RETAIL (INR bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total revenues	**6,91,980**	**13,05,660**	**16,29,360**	**15,76,291**	**19,97,490**	**26,04,270**	**29,86,910**	**33,90,483**
Core retail	3,62,670	7,31,170	9,27,780	8,92,251	11,76,641	16,02,835	18,75,317	21,56,614
Non Core retail	3,29,310	5,74,490	7,01,580	6,84,041	8,20,849	10,01,435	11,11,593	12,33,868
Total EBITDA	**25,290**	**62,010**	**96,530**	**98,420**	**1,24,230**	**1,79,740**	**2,09,084**	**2,37,334**
Core	21,880	51,750	82,800	81,869	99,661	1,47,317	1,70,553	1,93,597
Non core	3,410	10,260	13,730	16,551	24,569	32,423	38,531	43,737
	3.7%	4.7%	5.9%	6.2%	6.2%	6.9%	7.0%	7.0%
Margin								
Core	6.0%	7.1%	8.9%	9.2%	8.5%	9.2%	9.1%	9.0%
Non core	1.0%	1.8%	2.0%	2.4%	3.0%	3.2%	3.5%	3.5%

Source: Company data, I-Sec research

Realignment of retail creates a benchmark for segment value

The decision to clean up the retail segment capital structure may or may not be intended to pave the way for a smoother eventual IPO. However, the declared transaction price of INR 1,362/sh is at a premium of 54-60% to the fair value determined by consultants EnY and BDO. Our assigned value of INR 971/sh for the segment is broadly in line with the fair value determined by the consultants and, given the very small, one-off nature of this deal, we keep our estimates unchanged as of now.

Reliance Retail Ltd (RRL) approved a proposal to reduce its equity share capital to the extent held by shareholders other than its promoter and holding company for a consideration of INR 1,362/sh. RRVL holds 99.96% stake in RRL. While the buyback amount is not really material, it does do two things: i) cleans up capital structure of the retail entity, with 100% of the stake now in the hands of the promoter, and ii) sets a marker on valuation of the entity, with the independent valuation by EY and BDO (see *below*) and the value eventually paid up by Reliance.

Exhibit 20: Reliance Retail Ltd shareholding and Buyback

Reliance Retail Ltd Share Holding	mn
ES shares	4,990
Equivalent ES from Convertible Preference Shares	4,000
Total O/s Shares	**8,990**
RRVL ES shares	4,987
RRVL Equivalent ES from Convertible Preference Shares	4,000
Total RRVL holding	8,987
RRVL holding in Reliance Retail Ltd	**99.96%**
Buy Back of Shares	3.4
Buy Back Price (INR/ sh)	1,362
Impact of Buy Back (INR bn)	**4.7**

Source: Company data, I-Sec research

Reliance appointed global consultant EY and BDO for valuation of shares (link). EY and BDO have reportedly valued RRL at a fair price of INR 884/sh and INR 849/sh respectively. However, RRL paid premium of INR 480-513/sh for purpose of buyback, ostensibly to compensate the recipients for the tax liable for this payout. At the payout price of INR 1,362/sh, implied EV/EBITDA on I-Sec FY25E estimates comes to ~53x – at the top end of peer valuations, while the independent valuations imply multiples of 34-35x (FY25E). We are therefore comfortable with our base case EV of INR 990/sh for the segment, which implies a multiple of 37.5x (FY25E).

Exhibit 21: Reliance Retail implied valuation

Reliance Retail Ltd	INR Bn	INR/Sh	Implied EV/EBITDA
Buyback price as per Reliance Retail Notice INR/sh	12,245	1,362.00	
Debt as per FY22 AR	408	45.33	
Valuation of Firm	12,653	1,407.33	53.3
EY - Valuation			
Equity	7,948	884.03	
Debt as per FY22 AR	408	45.33	
Valuation of Firm	8,355	929.36	35.2
BDO - Valuation			
Equity	7,634	849.08	
Debt as per FY22 AR	408	45.33	
Valuation of Firm	8,041	894.41	33.9
Valuation as per I-Sec (incl minority for comparison)	8,900	989.94	37.5

Source: Company data, I-Sec research

RJio's revenue growth slows; 5G capex ahead of schedule

Reliance Jio Infocomm's (RJio) revenue grew 9.9% YoY, helped by rise in mobile subs base, faster growth in FTTH and higher enterprise (incl. ILD) revenue. EBITDA was up 14.7% YoY, aided by lower SUC (which added to EBITDA growth by 4.2% YoY). RJio remains confident of driving higher revenue growth led by: 1) adoption of 5G services, hence higher data usage; 2) FTTH subs growth boosted by JioFiber Backup plan; and 3) continued growth in enterprise business. However, we see near-term challenges to EPS growth with rise in costs due to higher network charges, rise in D&A on capitalising 5G spectrum and network investment, and higher interest cost (on 5G capitalisation). RJio said it has completed 65% of its planned 5G rollout with 115k sites, which implies significantly lower 5G deployment vs 4G. We have reduced our EBITDA estimates by ~1.5-3% for FY24E/FY25E.

RJio revenue up 9.9% YoY to INR 240bn in Q1FY24

This was driven by subs growth of 6.8% YoY (net add: 9.2mn) to 449mn, and ARPU growth of 2.7% YoY to INR 181. Company benefited from: **1)** strong growth in FTTH subs base (est. 50% YoY to 9mn), which has higher ARPU vs mobile subs; **2)** higher mix of ILD revenue, which is indicated by 25% rise in access charges; and **3)** stronger growth in enterprise business, which includes connectivity solutions (including SD WAN, cloud, IOT, etc). We anticipate ARPU growth to be higher in FY24E and FY25E aided by tariff hikes, which we believe is not completely baked into our estimates.

Churn rate has slightly dipped to 1.8% (vs 2% in Q4FY23) and gross adds were somewhat lower at 33.2mn (vs 35.2mn in Q1FY23) due to reduced on-ground competitive intensity. Minutes grew 7.2% YoY to 1,340-bn, and data usage was up 28.2% YoY to 33,200-bn MB. Data usage growth was also aided by fast growth of FTTH subs who use higher data quantity. Also, free IPL available on JioCinema has helped.

EBITDA grew 14.7% YoY to INR 126bn

Network costs rose 7.8% YoY to INR 74bn and may rise further over the next two years due to: **1)** commercial launch of 5G services, which is seeing rapid rollout; and **2)** increased rollout of JioFiber will help charge more rental cost add to P&L. SG&A expenses grew 23.5% YoY to INR 11bn. Employee costs increased 19.8% YoY to INR 4.4bn. License fees and SUC dipped 13% YoY to INR 22bn as RJio benefited from lower-weightage SUC charge (as % of AGR) on purchase of 5G spectrum. D&A rose 22% YoY to INR 52bn, partially on deployment of spectrum bought in Mar'21, higher lease liability recognition and higher data utilisation. Interest cost dipped 2.6% YoY to INR 9.7bn as interest on 5G spectrum is not charged to P&L. Net profit grew 12.2% YoY to INR 48.6bn.

Jio Platforms' revenue rose 31% YoY

Revenue of Jio Platforms (standalone, which houses most digital properties of the company) grew 31% YoY to INR 20bn in Q1FY24 due to technology support to JioCinema for broadcasting IPL. EBITDA jumped 20% YoY to INR 4.5bn. Net profit rose 20.5% YoY to INR 2.4bn due to lower effective tax rate at 27.9% (vs 29.6% in Q1FY23).

Other highlights

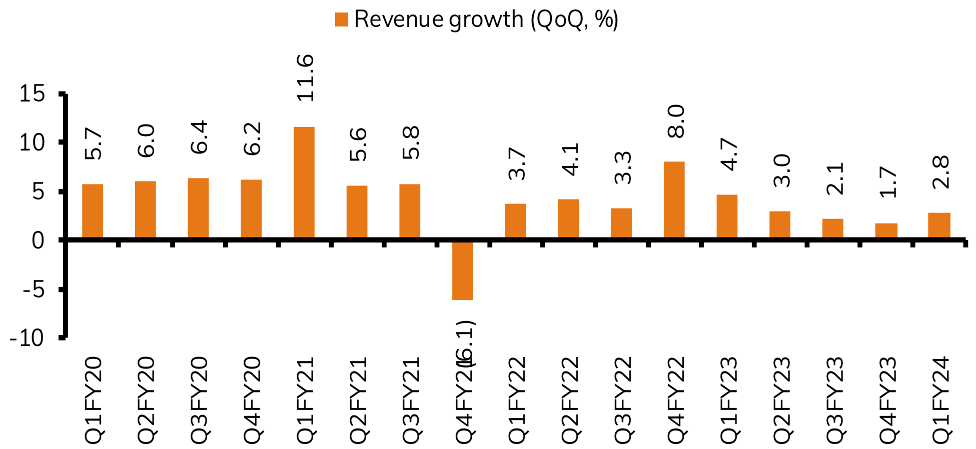
1) RJio's 5G rollout plan is ahead of schedule with deployment of 115k 5G sites with 690k cells (6 cells / site with 3 cells / site each for 700MHz and 3500MHz band). This implies that the company has rolled out ~65% of its planned 5G deployment (total planned sites is ~175k vs 4G sites of >300k). RJio's 5G coverage is now >90% in towns; **2)** 98% of the new sub adds are coming on the postpaid plans; and **3)** for FTTH, LCO partnership programme is live in >1,000 cities.

Exhibit 22: Reliance Jio (standalone) financials

INR mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)
Revenue	**2,18,730**	**2,25,210**	**2,29,980**	**2,33,940**	**2,40,420**	**2.8**	**9.9**
Network operation cost	68,420	71,810	72,270	72,240	73,790	2.1	7.8
% of revenue	31.3	31.9	31.4	30.9	30.7		
Access charges	2,570	1,890	2,200	2,820	3,210	13.8	24.9
% of revenue	1.2	0.8	1.0	1.2	1.3		
License fees and spect charges	25,360	23,210	21,200	21,550	22,040	2.3	(13.1)
% of revenue	11.6	10.3	9.2	9.2	9.2		
Employee cost	3,690	4,280	4,000	4,370	4,420	1.1	19.8
% of revenue	1.7	1.9	1.7	1.9	1.8		
SGA and other exp	9,050	9,130	10,220	10,860	11,180	2.9	23.5
% of revenue	4.1	4.1	4.4	4.6	4.7		
EBITDA	**1,09,640**	**1,14,890**	**1,20,090**	**1,22,100**	**1,25,780**	**3.0**	**14.7**
EBITDA margin (%)	50.1	51.0	52.2	52.2	52.3		
Depreciation and amortisation	42,310	45,230	48,100	49,820	51,590	3.6	21.9
EBIT	**67,330**	**69,660**	**71,990**	**72,280**	**74,190**	**2.6**	**10.2**
Interest	9,970	10,160	10,400	10,060	9,710	(3.5)	(2.6)
Other income	820	1,120	630	1,050	850		
PBT	**58,180**	**60,620**	**62,220**	**63,270**	**65,330**	**3.3**	**12.3**
Provision for tax	14,830	15,440	15,840	16,110	16,700	3.7	12.6
Effective tax rate (%)	25.5	25.5	25.5	25.5	25.6		
Exceptional	-	-	-	-	-		
Net income (reported)	**43,350**	**45,180**	**46,380**	**47,160**	**48,630**	**3.1**	**12.2**

Source: I-Sec research, Company data

Exhibit 23: RJio's sequential revenue growth



Source: I-Sec research, Company data

Exhibit 24: ARPU growth was supported by faster growth in FTTH and enterprise business

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)
Subscribers (mn)	420	428	433	439	449	2.1	6.8
Net adds (mn)	9.7	7.7	5.3	6.4	9.2		
Gross adds (mn)	35.2	32.7	34.2	32.6	33.2		
ARPU (INR)	176	177	178	179	181	1.0	2.7
Churn (%)	2.0	2.0	2.2	2.0	1.8		
Minutes of Use (min/subs)	1,004	968	984	1,001	1,006	0.5	0.2
Minutes on Network (mn)	12,50,000	12,30,000	12,70,000	13,10,000	13,40,000	2.3	7.2
Data usage per sub (MB)	20,801	22,183	22,468	23,160	24,931	7.6	19.9
Data volume (mn MB)	2,59,00,000	2,82,00,000	2,90,00,000	3,03,00,000	3,32,00,000	9.6	28.2

Source: I-Sec research, Company data

Exhibit 25: Jio Platforms (consolidated) financials

INR mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)
Net revenue	**2,34,670**	**2,42,750**	**2,48,920**	**2,54,650**	**2,61,150**	**2.6**	**11.3**
Total expenses	1,20,430	1,22,640	1,23,730	1,26,980	1,29,990	2.4	7.9
EBITDA	**1,14,240**	**1,20,110**	**1,25,190**	**1,27,670**	**1,31,160**	**2.7**	**14.8**
EBITDA (%)	*48.7*	*49.5*	*50.3*	*50.1*	*50.2*		
Depreciation	43,290	46,250	49,170	50,930	52,750	3.6	21.9
EBIT	**70,950**	**73,860**	**76,020**	**76,740**	**78,410**	**2.2**	**10.5**
EBIT (%)	30.2	30.4	30.5	30.1	30.0		
Finance cost	10,000	10,210	10,470	10,140	9,820	(3.2)	(1.8)
PBT	**60,950**	**63,650**	**65,550**	**66,600**	**68,590**	**3.0**	**12.5**
Tax	15,650	16,360	16,740	16,760	17,610	5.1	12.5
Tax (%)	25.7	25.7	25.5	25.2	25.7		
Net profit	**45,300**	**47,290**	**48,810**	**49,840**	**50,980**	**2.3**	**12.5**

Source: I-Sec research, Company data

Exhibit 26: Jio Platforms (standalone): Revenue grew 32% YoY

INR mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)
Net revenue	**15,120**	**16,420**	**18,310**	**19,660**	**19,880**	**1.1**	**31.5**
Total expenses	11,340	12,320	13,840	15,140	15,350	1.4	35.4
EBITDA	**3,780**	**4,100**	**4,470**	**4,520**	**4,530**	**0.2**	**19.8**
EBITDA (%)	25.0	25.0	24.4	23.0	22.8		
Depreciation	980	1,020	1,070	1,110	1,160	4.5	18.4
EBIT	**2,800**	**3,080**	**3,400**	**3,410**	**3,370**	**(1.2)**	**20.4**
EBIT (%)	*18.5*	*18.8*	*18.6*	*17.3*	*17.0*		
Finance cost	30	50	70	80	110	37.5	266.7
PBT	**2,770**	**3,030**	**3,330**	**3,330**	**3,260**	**(2.1)**	**17.7**
Tax	820	920	900	650	910	40.0	11.0
Tax (%)	29.6	30.4	27.0	19.5	27.9		
Net profit	**1,950**	**2,110**	**2,430**	**2,680**	**2,350**	**(12.3)**	**20.5**

Source: I-Sec research, Company data

Exhibit 27: Reliance Jio (standalone) financials

INR mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	**3,88,381**	**5,43,160**	**6,98,880**	**7,69,770**	**9,07,860**	**10,14,533**	**11,71,890**
Network operation cost	1,13,379	1,69,300	2,20,580	2,50,130	2,84,740	3,12,075	3,51,633
% of revenue	29.2	31.2	31.6	32.5	31.4	30.8	30.0
Access charges	42,070	57,959	46,310	8,060	9,480	12,976	13,694
% of revenue	10.8	10.7	6.6	1.0	1.0	1.3	1.2
License fees and spect charges	41,592	57,200	77,550	90,740	91,320	92,794	1,07,306
% of revenue	10.7	10.5	11.1	11.8	10.1	9.1	9.2
Employee cost	16,577	14,630	13,370	14,220	16,340	18,301	19,399
% of revenue	4.3	2.7	1.9	1.8	1.8	1.8	1.7
SGA and other exp	23,803	28,410	31,940	30,320	39,260	46,516	51,913
% of revenue	6.1	5.2	4.6	3.9	4.3	4.6	4.4
EBITDA	**1,50,960**	**2,15,661**	**3,09,130**	**3,76,300**	**4,66,720**	**5,31,872**	**6,27,944**
EBITDA margin (%)	38.9	39.7	44.2	48.9	51.4	52.4	53.6
Depreciation and amortisation	63,984	73,960	1,15,340	1,36,150	1,85,460	2,33,043	2,50,850
EBIT	**86,976**	**1,41,701**	**1,93,790**	**2,40,150**	**2,81,260**	**2,98,829**	**3,77,094**
Interest	41,486	66,170	38,400	43,770	40,590	84,004	1,12,658
Other income	64	870	5,480	2,270	3,620	3,982	4,380
PBT	**45,555**	**76,401**	**1,60,870**	**1,98,650**	**2,44,290**	**2,18,807**	**2,68,816**
Provision for tax	15,916	19,330	40,720	50,480	62,220	55,729	68,467
Effective tax rate (%)	34.9	25.3	25.3	25.4	25.5	25.5	25.5
Net income (reported)	**29,639**	**55,611**	**1,20,150**	**1,48,170**	**1,82,070**	**1,63,077**	**2,00,350**

Source: I-Sec research, Company data

Exhibit 28: Earnings revision

INR mn	Revised		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
KPIs						
Subs (mn)	468	490	463	488	1.1	0.4
ARPU (INR)	186	204	192	209	(3.2)	(2.3)
Financial						
Revenue	10,14,533	11,71,890	10,41,866	11,90,683	(2.6)	(1.6)
EBITDA	**5,31,872**	**6,27,944**	**5,49,349**	**6,36,747**	**(3.2)**	**(1.4)**
EBITDA (%)	52.4	53.6	52.7	53.5		
PAT	1,63,077	2,00,350	1,72,433	2,03,305	(5.4)	(1.5)

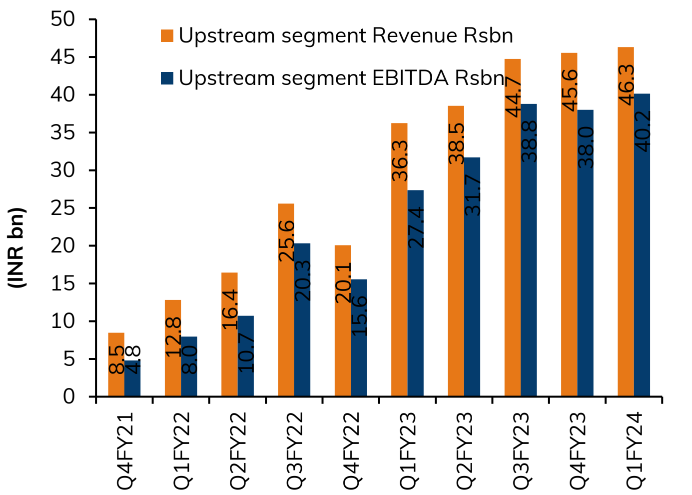
Source: I-Sec research, Company data

Upstream: Plans on track

From a low of INR 1.9bn EBITDA loss seen in Q2FY21 owing to continuously declining production from legacy KG basin assets and losses from US shale, the revival in production from new fields starting from Q4FY21, divestment of most US shale assets and stronger product realisations have transformed the fortunes of this segment for Reliance. Production of gas for Reliance has been steady at 20.9mmscmd in Q1FY24 (up 1.9mmscmd QoQ), but the start of MJ 1 field should boost this to ~30mmscmd by the end of FY24E.

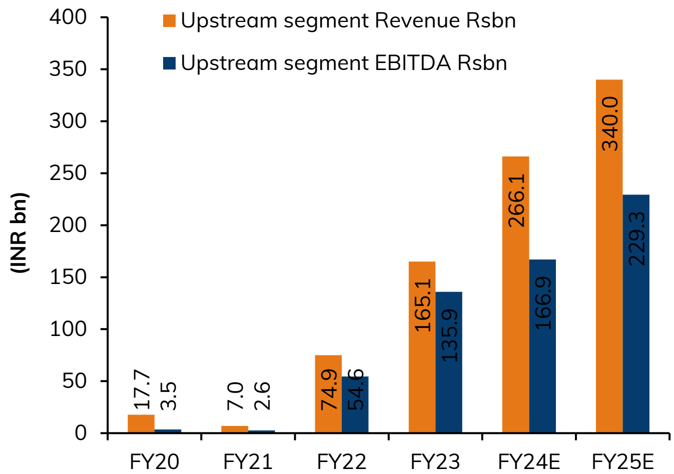
Segment revenue and EBITDA were up 28% and 47% respectively, in Q1FY24. This was mainly due to higher price realisation along with increase in gas production as compared to FY23 levels. The average price realised for KGD6 gas was USD10.8/mmbtu in Q1FY24, up 11.2% YoY. Also, Reliance sold its first cargo of condensate (500k barrels) in Q1.

Exhibit 29: Sharp revival in fortunes for upstream...



Source: Company data, I-Sec research

Exhibit 30: ...set to improve even further



Source: Company data, I-Sec research

Unlocking value: Decoding the financial services demerger & retail buyout

Reliance Industries (Reliance) recently announced the decision to demerge its financial services business (Reliance Strategic Industries Ltd) into a new listed entity (resulting company or RC). Reliance announced the effective date as 1st Jul'23 with exchange ratio of 1:1, with 20th Jul'23 as the record date. As per FY22 financials, net worth of the RC was at INR 280bn, with an additional ~INR 1.2trn worth of Reliance treasury stake to be transferred to the RC by Reliance. Reliance has also mentioned that additional liquidity could be put in to the RC to help with the liquidity and initial funding. In an additional capital reorganisation measure, Reliance also decided to buy back the minority share in Reliance Retail Limited (~0.04% or 3.4mn shares) for INR 1,362/sh to consolidate its 100% share in the holding company Reliance Retail Ventures (RRVL).

Regulatory and strategic reasons for the RSIL demerger
The financial services business currently has investments/interests in multiple areas: i) consumer and merchant lending, ii) payment solutions, iii) insurance, iv) brokerage and wealth management, etc. Due to the regulatory requirements with respect to each sub-segment and the need to focus more closely on the space, Reliance has chosen to segregate this business and we do see a material scaling-up opportunity via leveraging its 440mn RJio subscriber base and the massive ~18k stores in the retail business.

Value unlocking – Reliance announces spin-off of the financial services arm
RSIL is a registered non-banking financial company – 'systemically important non-deposit taking company' and a wholly-owned subsidiary of Reliance.

The financial services business has investments across:

- Reliance Industrial Investments and Holdings Limited (RIIHL)
- Reliance Payment Solutions Limited
- Jio Payments Bank Limited
- Reliance Retail Finance Limited
- Jio Information Aggregator Services Limited, and
- Reliance Retail Insurance Broking Limited

Reliance Industries (Reliance) has proposed (link) scheme of arrangement between Reliance and RSIL (Reliance Strategic Investment Ltd – resulting company) to demerge the financial services business into the resulting company. NCLT via order (link) 28th Jun'23 has sanctioned the scheme.

In response to this scheme, Reliance has announced effective date of scheme to be 1st Jul'23 with one equity share of resulting company of fair value INR 10 to be allotted for every one share held in Reliance and 20th Jul'23 has been fixed as record date.

However, the resulting company shall not issue any shares (treasury shares - 412mn shares) held by: i) Petroleum Trust (PT), sole beneficiary of which is Reliance Industrial Investments and Holdings Limited (RIIHL), and ii) Reliance Services and Holdings Limited (RSHL), a company controlled by Petroleum Trust, sole beneficiary of which is RIIHL pursuant to 232(3) (b) of the Companies Act, 2013

Key industrial experts in lending business on board

- Mr. Hitesh Sethia , MD and CEO (link) , is a financial services executive with over 2 decades of experience across Europe, Asia (India & Greater China) and North America. He has spent most of his career at ICICI Bank gaining functional experience and handling leadership roles across various departments such as credit, retail banking, corporate banking and transaction banking coupled with understanding of technology applications in financial services. He has a rich experience in the areas of strategy formulation, market development, compliance, risk management and team building across multiple countries.

- Shri Sunil Mehta is the Chief Executive of Indian Banks' Association which acts as a representative of over 236 member banks and associate members operating in India and plays a collaborative role between banks, regulators and government in improving customer service with a focus on digital banking.

- Mrs . Arundhati Bhattacharya is Non-Executive - Independent Director- A banker and former Chairperson of India's largest bank, SBI; currently leads Indian operations of Salesforce, a global leader in customer relationship management software

- Mr. K V Kamath- Non-Executive - Independent Director- Kundapur Vaman Kamath is an accomplished Indian banker who started his career with Industrial Credit and Investment Corporation of India (ICICI; later named ICICI Bank) after graduating from IIM Ahmedabad in 1971. Under his leadership, ICICI transformed into a diversified, technology-driven financial services group across banking, insurance and asset management in India, with a global presence. After his stint at ICICI, Kamath held various coveted positions, including chief of the New Development Bank of BRICS countries, chairman of Infosys, and the chairperson of the INR 200bn development finance institution, (NaBFID)

Exhibit 31: Net worth of financial services business and RSIL

Net worth as on 31st Mar'22	(INR mn)
Net worth of Financial Services Business of RELIANCE as at March 31, 2022	
A) ASSETS	
Non-Current Assets	
Property, Plant and Equipment	490.0
Intangible Assets	130.0
Financial Assets	
Investments	1,24,030.0
Loans	71,480.0
Other Non-current assets	1,070.0
Current Assets	
Financial Assets	
Investments	51,600.0
Other Financial Assets	9,710.0
B) LIABILITIES	0.0
Net worth = (A)-(B)	2,58,510.0
Net worth of Reliance Strategic Investments Limited as at March 31, 2022	
Financial Assets	
Cash & Bank Equivalents	5.1
Loans	20,010.0
Investments	1,809.0
Other Financial Assets	0.1
Non Financial Assets	
Current Tax Asset (Net)	403.5
Deferred Tax Asset (Net)	53.1
Other Non Financial Assets	0.4
(B) LIABILITIES	
Other Financial Liabilities	0.7
Other Non Financial Liabilities	0.2
Net worth = (A) - (B)	22,280.3

Source: Company data, I-Sec research

Exhibit 32: Net worth of resulting company

Assets & Liabilities and net worth of the Resulting Company (including of financial services business) as at 31st Mar'22	INR mn
Financial Assets	
Loans	91,490.0
Investments	1,76,290.0
Other Financial Assets	10,780.0
Total Financial Assets	2,78,560.0
Non-Financial Assets	
Property Plant and Equipment	490.0
Intangible Assets	130.0
Current Tax Asset (Net)	410.0
Deferred Tax Asset (Net)	50.0
Total Non Financial Assets	1,080.0
Total Assets	2,79,640.0
B) LIABILITES	0.0
Net worth = (A)-(B)	2,79,640.0
Net worth of as on 31st March FY22	
a) RELIANCE	41,67,060.0
b) Financial Services Business	2,58,510.0
c) RELIANCE excluding the net worth of Financial Services Business	39,08,550.0
d) RSIL	22,280.0
e) RSIL including the net worth of Financial Services Business	2,79,640.0

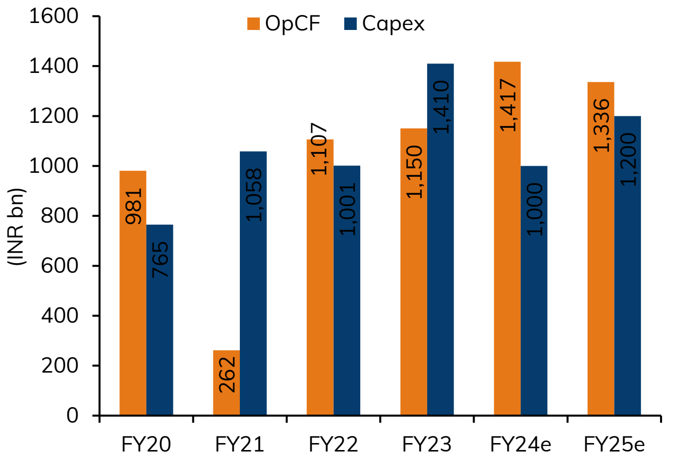
Source: Company data, I-Sec research

Valuation and view: Another driver of growth getting into place, but risk-reward remains balanced

The addition of the financial services piece adds to what has been a dizzying array of disparate businesses which have seen Reliance come in, disrupt the existing players and create a dominant position in the segments over the last decade. We are strongly optimistic on the prospects of Reliance's green energy business as well as strong momentum being seen in its consumer business segments over the next 12-18 months. However, we believe current multiples are at a 'zero things can go wrong' scenario, one which we do not find tenable.

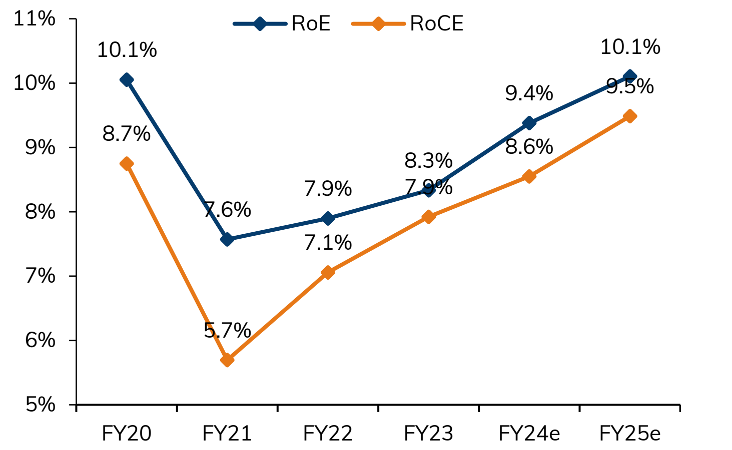
Reliance has for the last three years consistently shown a decline in key return ratios with RoE/RoCE remaining at sub-10 or low double-digit levels throughout FY19-FY25E and dividend payout has also remained low despite strong earnings. From an investment standpoint, muted return ratios, coupled with higher multiples, which underplay all risks (lower margins, green energy execution/scale/timelines falling short), should be a reason to exercise caution. Our valuation ascribes the value of the mid-upcycle EV/EBITDA multiples to OTC, peer-leading multiples for RJio, strong EV/EBITDA multiples for retail and 1.5x capital employed to the 'new energy' segment. This delivers a fair value of INR 2,670/sh, implying ~5.2% upside from CMP. We maintain our **ADD** rating on the stock.

Exhibit 33: Operating cashflow good enough for capex



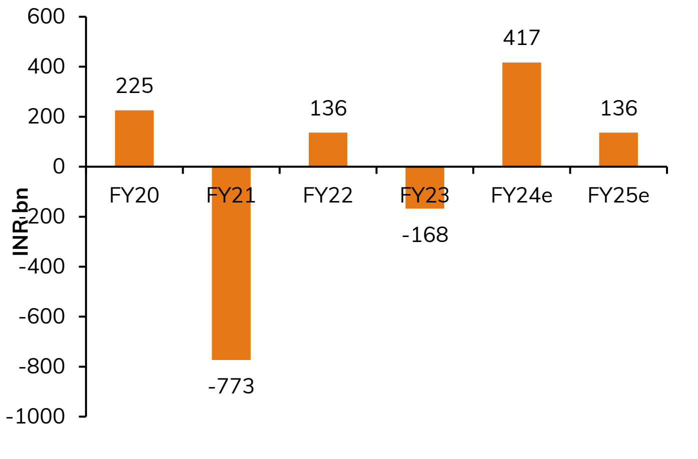
Source: Company data, I-Sec research

Exhibit 34: Muted return ratios to persist



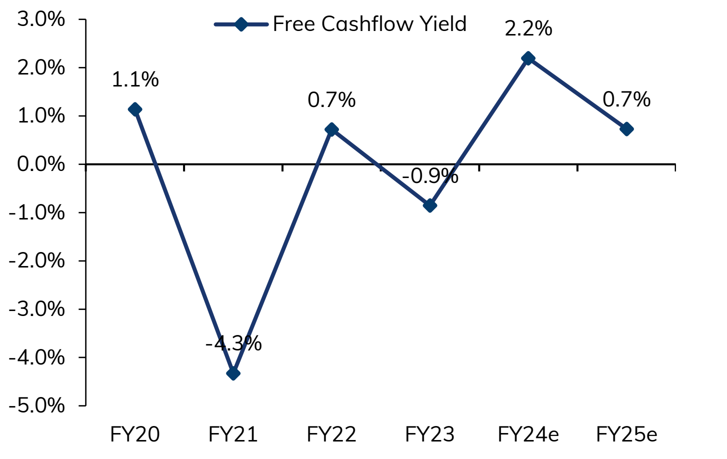
Source: Company data, I-Sec research

Exhibit 35: Free cashflow to remain weak...



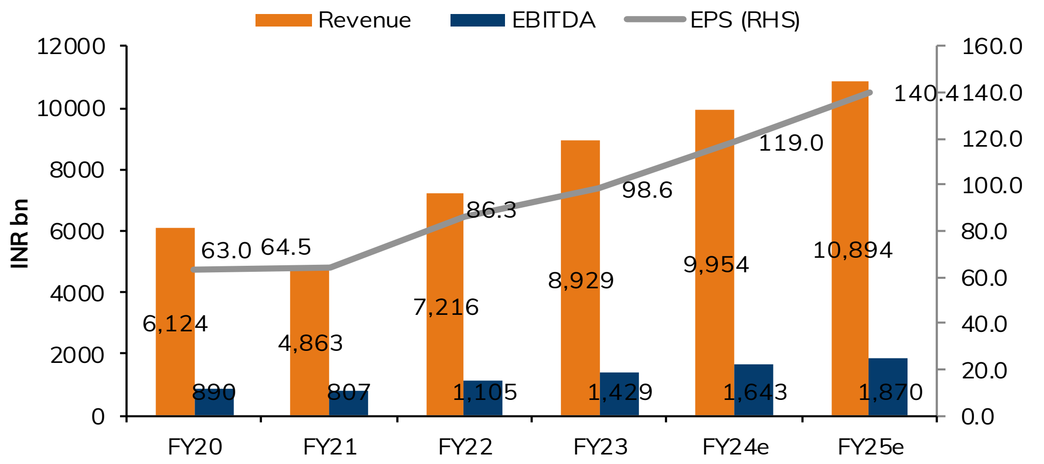
Source: Company data, I-Sec research

Exhibit 36: ...so will be free cashflow yield



Source: Company data, I-Sec research

Exhibit 37: EBITDA and profitability CAGRs at ~14-19% for FY23-FY25E



Source: Company data, I-Sec research

Exhibit 38: Reliance – SOTP summary

Business	Valuation measure used	USD bn	INR bn	INR/share
Petrochemicals	7x Avg of FY25E EV/EBITDA	24.4	2,003	296
Refining	7x Avg of FY25E EV/EBITDA	42.3	3,467	512
Exploration & production	DCF	6.1	503	74
Media	Market value	0.2	19	3
Retail	38x FY25E EV/EBITDA	92.3	7,570	1,119
Telecom	67% of Rjio DCF value +Digital Services FV	61.8	5,065	749
New Energy	1.5x Capital employed	13.7	1,125	166
Total EV		**240.9**	**19,752**	**2,919**
Less: net debt		20.6	1,687	249
Sum of parts valuation		**220.3**	**18,065**	**2,670**
CMP				**2,539**
Upside / (downside)				**5.2%**

Source: Company data, I-Sec research

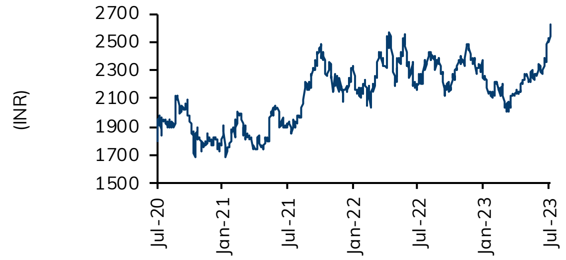
Key risks: Stronger OTC margin, lower capex, stronger ARPU growth in RJio, and faster-than-estimated execution on green energy plans.

Exhibit 39: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	50.5	50.4	50.4
Institutional investors	38.8	38.6	38.8
MFs and others	5.8	6.3	6.5
FIs/ Banks	0.9	0.9	1.0
Insurance	8.6	8.8	8.7
FIIs	23.5	22.6	23.6
Others	10.7	11.0	10.8

Source: Bloomberg, I-Sec research

Exhibit 40: Price chart



Source: Bloomberg, I-Sec research

Financial summary

Exhibit 41: Profit & Loss

(INR bn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	**7,216**	**8,929**	**9,954**	**10,894**
EBITDA	**1,105**	**1,429**	**1,643**	**1,870**
EBITDA Margin (%)	15.3	16.0	16.5	17.2
Depreciation & Amortization	298	403	439	480
EBIT	807	1,026	1,204	1,390
Interest expenditure	146	196	182	165
Other Non-operating Income	149	118	164	179
PBT	**841**	**948**	**1,186**	**1,403**
Profit / (Loss) from Associates	**3**	**0**	**0**	**0**
Less: Taxes	163	207	286	339
PAT	676	741	900	1,064
Less: Minority Interest	71	74	95	114
Net Income (Reported)	**607**	**667**	**805**	**950**
Extraordinaries (Net)	28	-	-	-
Recurring Net Income	**584**	**667**	**805**	**950**

Source Company data, I-Sec research

Exhibit 42: Balance sheet

(INR bn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	2,149	2,931	2,948	3,041
of which cash & bank	362	747	1,036	1,004
Total Current Liabilities & Provisions	2,419	2,710	2,407	2,225
Net Current Assets	**(270)**	**220**	**541**	**815**
Other Non Current Assets	-	-	-	-
Net Fixed Assets	6,278	7,233	7,443	7,814
Other Fixed Assets	-	-	-	-
Capital Work in Progress	1,725	2,938	3,288	3,638
Non Investment	3,763	2,747	2,472	2,225
Current Investment	1,082	1,287	1,287	1,287
Deferred Tax assests	-	-	-	-
Total Assets	**12,578**	**14,425**	**15,032**	**15,779**
Liabilities				
Borrowings	**3,192**	**4,480**	**4,155**	**3,787**
Deferred Tax Liability	**496**	**603**	**696**	**808**
Lease Liability	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	68	68	68	68
Reserves & Surplus*	7,727	8,144	8,888	9,777
Total Net Worth	**7,795**	**8,212**	**8,956**	**9,845**
Minority Interest	1,095	1,130	1,225	1,339
Total Liabilities	**12,578**	**14,425**	**15,032**	**15,779**

Source Company data, I-Sec research

Exhibit 43: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	2,301	2,172	2,129	2,076
% growth (YOY)	37%	17%	3%	-5%
EBITDA	312	352	384	381
Margin %	13.6	16.2	18.1	18.4
Other Income	35.1	31.5	29.2	38.1
Extraordinaries	-	-	-	-
Adjusted Net Profit	136.6	157.9	193.0	160.1

Source Company data, I-Sec research

Exhibit 44: Cashflow statement

(INR bn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Cash Flow from operation before working Capital	**1,137**	**1,410**	**1,643**	**1,869**
Working Capital Changes	7	(196)	(32)	(306)
Tax	(38)	(63)	(193)	(227)
Operating Cashflow	**1,107**	**1,150**	**1,417**	**1,336**
Capital Commitments	(970)	(1,318)	(1,000)	(1,200)
Free Cashflow	**136**	**(168)**	**417**	**136**
Others CFI	(131)	406	439	426
Cashflow from Investing Activities	**(1,101)**	**(912)**	**(561)**	**(774)**
Inc (Dec) in Borrowings	99	367	(325)	(368)
Interest Cost	(263)	(217)	(182)	(165)
Others	338	(46)	(61)	(61)
Cash flow from Financing Activities	**173**	**105**	**(567)**	**(594)**
Chg. in Cash & Bank balance	**188**	**385**	**289**	**(32)**
Closing cash & balance	362	747	1,036	1,004

Source Company data, I-Sec research

Exhibit 45: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Recurring EPS	86.4	98.6	119.0	140.4
Diluted EPS	86.4	98.6	119.0	140.4
Recurring Cash EPS	130.4	158.2	183.9	211.3
Dividend per share (DPS)	7.5	9.0	9.0	9.0
Book Value per share (BV)	1,152.1	1,213.6	1,323.6	1,455.0
Dividend Payout (%)	8.7	9.1	7.6	6.4
Growth (%)				
Net Sales	48.4	23.7	11.5	9.5
EBITDA	36.8	29.4	15.0	13.8
EPS	33.8	14.1	20.7	18.0
Valuation Ratios (x)				
P/E	29.4	25.8	21.3	18.1
P/CEPS	19.5	16.1	13.8	12.0
P/BV	2.2	2.1	1.9	1.7
EV / EBITDA	17.1	13.7	11.6	10.0
EV / Operating Income	19.8	17.2	13.9	11.9
Dividend Yield (%)	0.3	0.4	0.4	0.4
Operating Ratios				
EBITDA Margins (%)	15.3	16.0	16.5	17.2
Effective Tax Rate (%)	19.4	21.8	24.1	24.1
Net Profit Margins (%)	8.1	7.5	8.1	8.7
NWC / Total Assets (%)	(2.1)	1.5	3.6	5.2
Fixed Asset Turnover (x)	0.9	0.9	0.9	1.0
Working Capital Days	(22.7)	9.0	(9.2)	(8.4)
Net Debt / Equity %	22.4	29.8	20.5	15.2
Profitability Ratios				
RoCE (%)	5.7	6.2	6.5	7.2
RoCE (Pre-tax) (%)	7.1	7.9	8.6	9.5
RoE (%)	7.9	8.3	9.4	10.1

Source Company data, I-Sec research

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