



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

16 January 2025

Reliance Industries

Strong Retail and O2C lifted profits

RESULT UPDATE

Sector: Oil & Gas

Rating: BUY

CMP: Rs 1,269

Target Price: Rs 1,476

Stock Info

Sensex/Nifty	77,043/23,312
Bloomberg	RELIANCE IN
Equity shares (mn)	13,532mn
52-wk High/Low	Rs 1,609/1,202
Face value	Rs 10
M-Cap	Rs 17,169bn/USD 198bn
3-m Avg value	USD 217mn

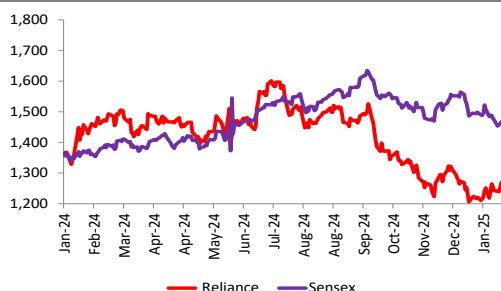
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	9,011	10,304	10,869
EBITDA	1,622	1,646	1,774
PAT	696	679	760
EPS (Rs)	102.9	50.2	56.1
PE (x)	24.7	25.3	22.6
EV/EBITDA (x)	11.3	11.2	10.5
RoE (%)	8.8	7.9	8.1
RoCE (%)	7.6	7.3	7.5
Dividend yield (%)	0.8	0.5	0.5

Shareholding Pattern (%)

	Jun'24	Sep'24	Oct'24
Promoter	50.3	50.2	50.2
-Pledged	-	-	-
FII	21.8	21.3	20.8
DII	17.4	17.6	18.2
Others	10.5	10.9	10.8

Stock Performance (1-year)



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Reliance Industries' (RIL) delivered a robust performance in Q3FY25 beats our EBITDA/PAT estimates by 5.5%/5.9% owing to a stronger-than-expected profit from the Retail and O2C businesses. Jio Digital Services and Retail sales outperformed jumping 16.7%/9.1% YoY (3.1%/16.7% QoQ) due to tariff hike, ramp up in home connections and festive season. Reliance's O2C segment showcased steady performance rising 2.4% YoY/16% QoQ due to higher GRM and better PP/PVS spread, partially offset by weaker polyester chain cracks. KG D6 production remained flattish at 28mmcmd of gas and 21K bopd of oil/condensate vs 28.6/20.8kbopd QoQ. Jio witnessed another healthy quarter as ARPU rose sharply by 11.9% YoY/4.2% QoQ to Rs203.3 (our est. Rs205), tariff hike still remains to play out in coming quarters. Subscriber base bounced back to its FY24 levels i.e. 482mn up 2.4%YoY/0.7% QoQ. Retail business benefitted from strong festive demand backed by 156 net store additions, showcasing Rev/sq.ft. of Rs10,284 (+0.8%YoY/22.8% QoQ), taking total count to 19,102 stores resulting in Core EBITDA/store of Rs3.5mn. In O2C segment, better operational excellence and strong domestic volume demand helped to clock 17.9mmt production (up 9.1% YoY) and EBITDA/mt of USD95.2 (down 7.5% YoY/13.8% QoQ). Overall, EBITDA increased 7.7%/12.1% YoY/QoQ to Rs438 bn. Total capex dropped sequentially to Rs323 bn in Q3FY25 from Rs340 bn (Rs301 bn YoY) largely spent towards new energy and O2C. Total net debt declined to Rs1.16 tr vs Rs1.19 tr YoY. We retained our BUY on the stock with a revised TP of Rs1,476 from earlier Rs1,572 on the back of lower multiple to O2C given the weakness in GRM and petrochemical spreads.

Tariff hike led to healthy double digit growth while customer basket regained

Reliance's jio revenue surged by 19.2% YoY to Rs397bn (up 4.4% QoQ), mainly due to increase in tariff charges by 12%-25% in Jul'25, resulting in 11.9% YoY jump in ARPU to Rs203.3 in Q3FY25. The company reported 3mn net subscriber addition and 46.5bn GB of robust data usage during the quarter(45bn GB QoQ). With Jio AirFiber's rapid expansion by adding 2mn new customers, the company has successfully reached ~17mn household connections. Jio's EBITDA grew by 16.7% YoY to Rs166bn, with margin improving to 42% supported by strong ARPU and data consumption.

Higher GRM and peak festive demand benefited O2C & Retail segments

Outward sales volume increased 9%/1% YoY/QoQ to the highest-ever 17.9mmt. EBITDA/mt increased 14% QoQ to US\$95/mt largely due to higher GRM and stronger PP/PVC spread which was partially offset by weaker polyester chain margin. On retail business, gross/net new store addition grew substantially at 779/156 stores, significantly higher from 464/28 stores QoQ. Though total area declined 2% QoQ to 77.4mn sq.ft. However, strong 37% growth in grocery business and turnaround in fashion & lifestyle business led to a 9.1% QoQ growth in EBITDA to Rs68 bn. Digital and new commerce contributed 18% of sales vs 17% QoQ.

We reiterate BUY with a TP of Rs1,476: Key catalyst in the coming future are 1) Impact of tariff hike to remain in subsequent quarter and deepening presence of AirFiber to boost ARPU. 2) Strong retail growth to continue on increased presence and higher digital sales 3) Listing of Jio and Retail businesses to unlock value 4) New energy business to commission in phases over the next 2 years to boost growth, etc. We forecast EBITDA/PAT CAGR of 4.6%/4.4% for FY24-FY26E. We maintain BUY with a revised TP of Rs1,476 (earlier Rs1,572).

Exhibit 1: Actual vs Estimates

Particulars	Actual	Systematix Estimates	%Variance
Net sales (Rs bn)	2,400	2,333	2.8
EBITDA (Rs bn)	438	415	5.6
EBITDA margin (%)	18.2	17.8	47
Adj net income (Rs bn)	185	175	6.2
FDEPS (Rs)	13.7	12.9	6.2

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Highlights

(Rs bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
Revenue	2,251	2,365	2,318	2,315	2,400	6.6%	3.6%
Expenditure	1,844	1,940	1,930	1,925	1,962	6.4%	1.9%
EBITDA	407	425	388	391	438	7.7%	12.1%
EBITDA Margin	18.1%	18.0%	16.7%	16.9%	18.2%	18	138
Depreciation	129	136	136	129	132	2.2%	2.3%
Interest	58	58	59	60	62	6.7%	2.7%
Other Income	39	45	40	49	42	8.9%	-13.6%
PBT	258	277	232	250	286	10.9%	14.4%
Tax	63	66	58	59	68	7.8%	15.2%
Tax Rate	24.6%	23.7%	24.9%	23.7%	23.9%	-68	17
Minority Int/Associates	-22	-22	-23	-25	-33	-	-
Adjusted PAT	173	190	151	166	185	7%	12%
Adj.EPS (Rs)	12.8	14.0	11.2	12.2	13.7	7%	12%
Segmental EBITDA	424	450	409	418	456	7.6%	9.1%
O2C	141	168	131	124	144	2.4%	16.0%
Upstream Oil & Gas	58	56	52	53	56	-4.1%	5.2%
Organised Retail	63	59	57	59	68	9.1%	16.7%
Digital Services/Jio	143	146	149	161	166	16.7%	3.1%
Others	20	21	20	21	21	9.0%	2.0%
Gross Debt	3,117	3,246	3,049	3,363	3,505	12.4%	4.2%
Cash & Equivalents	1,924	2,083	1,926	2,199	2,350	22.2%	6.9%
Net Debt	1,194	1,163	1,123	1,164	1,155	-3.3%	-0.8%
Capex (Rs bn) (Excl. capex for spectrum)	301	232	288	340	323	7.2%	-5.2%

Source: Company, Systematix Institutional Research

Exhibit 3: Segmental Analysis

(Consolidated)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
O2C							
Production meant for sale (mmt)	16.4	17.1	17.7	17.7	17.9	9.1%	1%
EBITDA/mt (US\$)	102.9	118.0	88.7	83.7	95.2	-7.5%	13.8%
Organised Retail							
No of stores	18,774	18,836	18,918	18,946	19,102	1.7%	0.8%
Total area (mn sq ft.)	72.9	79.1	81.3	79.4	77.4	6.2%	-2.5%
Revenue/sq ft (Rs)	10,202	8,547	8,150	8,376	10,284	0.8%	22.8%
Core EBITDA margin (%)	8.1%	8.4%	8.2%	8.5%	8.3%	2.2%	-2.4%
Core EBITDA/store (Rs mn)	3.2	3.0	2.9	3.0	3.5	7.6%	16.3%
Digital Services							
Subscriber base (mn)	471	482	490	479	482	2.4%	0.7%
ARPU (Rs)	181.7	181.7	181.7	195.1	203.3	11.9%	4.2%
Per capital data consumption (GB/month)	38.1	40.9	44.1	45.0	46.5	22.0%	3.3%
Per capital voice consumption (min/month)	14.9	15.8	15.7	15.4	15.9	6.6%	2.9%
Oil & Gas							
Gross gas production vol-mmscmd	30.0	30.0	28.7	28.5	28.0	-6.5%	-1.6%
KG D6 realisation (US\$/mmbtu)	9.7	9.5	9.3	9.6	9.7	0.8%	2.0%

Source: Company, Systematix Institutional Research

Exhibit 4: SOTP-based valuation

FY26E	Stake	Method	FY26E EBITDA (Rs bn)	Multiple	EV (Rs bn)	EV (US\$ bn)	Rs/share
O2C	100%	EV/EBITDA	607	8.5	5,160	61	381
Upstream Oil & Gas (67%)	67%	DCF	135	-	809	10	60
Organised Retail (85.1%)	85.1%	EV/EBITDA	219	26	5,692	68	421
Others	100%	EV/EBITDA	105	13	1,313	16	97
Digital Services (66.5%)	66.5%	EV/EBITDA	447	15.0	6,708	80	496
New Energy	100%	P/BV	750	2.0	1,500	18	111
Total			1,513	13.0	19,682	234	1,565
Net Debt					1,212	14	90
Equity Value					18,470	220	1,476

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	7,000	8,795	9,011	10,304	10,869
Raw Material	3,393	4,200	3,955	4,832	5,117
Purchases	1,356	1,693	1,899	1,918	1,937
Opex	1,146	1,473	1,535	1,908	2,041
EBITDA	1,105	1,429	1,622	1,646	1,774
Depreciation	298	403	508	534	565
EBIT	807	1,026	1,114	1,113	1,209
Interest Cost	146	196	231	237	221
Other Income	149	118	161	182	186
PBT Before Exceptionals	810	948	1,043	1,058	1,174
Exceptional Items	28	0	0	0	0
PBT	839	948	1,043	1,058	1,174
Tax	163	207	257	266	296
Minority Interest	-69	-74	-90	-112	-119
Reported PAT	607	667	696	679	760
Adjusted PAT	579	667	696	679	760
Reported EPS (Rs)	44.9	49.3	51.4	50.2	56.1
Adjusted EPS (Rs)	42.8	49.3	51.4	50.2	56.1

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	841	948	1,047	1,058	1,174
Depreciation	298	403	508	534	565
Others	-2	58	88	55	35
Income Tax	-38	-63	-120	-143	-170
Change in Working Capital	7	-196	64	126	12
Operating Cash Flow	1,107	1,150	1,588	1,630	1,617
Capital Expenditure	-970	-1,318	-1,376	-1,476	-1,437
Change in Investments	3	294	170	-4	-4
Interest & Dividend Income	60	111	107	182	186
Other investing activities	-193	0	-44	0	0
Investing Cash Flow	-1,101	-912	-1,143	-1,299	-1,255
FCF	0	0	0	0	0
Change in Equity	402	5	198	0	0
Change in Debt	99	381	93	-20	-20
Int. & Div. Paid & others	-328	-281	-457	-444	-446
Financing Cash Flow	173	105	-166	-464	-466
Change in Cash	178	343	278	-133	-104
Opening Cash Balance	183	344	694	972	839
Closing Cash Balance	362	687	972	839	735

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
O2C - Prodn. meant for sale	68.2	66.4	67.8	70.8	71.5
O2C - EBITDA	527.2	620.8	623.9	545.6	607.1
O2C - EBITDA/mt	0.1	0.1	0.1	0.1	0.1
Retail - Revenue/sq ft	40,506	42,063	35,203	34,523	36,595
Retail - EBITDA	124	176	222	246	257
Retail - EBITDA margin	7.1%	7.6%	8.1%	8.6%	8.6%
Jio - Subscriber base	410	439	479	489	509
Jio - ARPU	153.0	175.2	177.4	202.2	213.0
Jio - EBITDA	378	467	524	614	673
Oil & Gas - KG basin volume	16.3	19.8	27.5	28.5	28.0
Oil & Gas- EBITDA	55	136	202	215	202

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	135	135	135	135	135
Reserves & Surplus	7,660	7,023	7,799	8,496	9,269
Minority Interest	1,095	1,130	1,323	1,211	1,092
Networth	8,890	8,289	9,258	9,842	10,496
Total Debt	2,663	3,140	3,246	3,246	3,246
Other Long Term Liab.	256	249	276	281	287
Long Term Provisions	19	16	20	21	23
Deferred Tax Liabilities	858	1,716	1,796	1,899	2,005
Capital Employed	12,686	13,409	14,596	15,290	16,057
Gross Block	8,706	10,057	11,120	12,396	15,133
Accumulated Depreciation	2,558	2,961	3,470	4,003	4,568
Net Block	6,148	7,095	7,650	8,393	10,565
CWIP	1,725	2,938	3,389	3,589	2,289
Total Fixed Assets	7,873	10,033	11,039	11,981	12,853
Long Term Inv. & Others	3,643	1,773	1,811	1,820	1,827
Current Assets	3,470	4,253	4,701	4,951	5,014
Short Term Investments	1,081	1,185	1,062	1,062	1,062
Inventories	1,078	1,400	1,528	1,747	1,843
Sundry Debtors	236	284	316	362	382
Cash & Bank Balance	362	687	972	839	735
Short Term Loans & Adv.	240	199	265	303	319
Others	473	498	558	638	673
Current Liabilities & Prov.	2,301	2,650	2,955	3,462	3,637
Creditors	1,593	1,472	1,784	2,090	2,196
Other Current Liabilities	688	1,156	1,149	1,346	1,414
Short Term Provisions	19	22	22	25	27
Net Current Assets	1,170	1,603	1,746	1,489	1,377
Total Assets	12,686	13,409	14,596	15,290	16,057

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Growth					
Revenue growth	49.9%	25.6%	2.5%	14.4%	5.5%
EBITDA growth	36.8%	29.4%	13.5%	1.5%	7.7%
Adjusted PAT growth	8.5%	15.3%	4.4%	-2.4%	11.8%
Margins					
EBITDA margin	15.8%	16.2%	18.0%	16.0%	16.3%
PBT margin	11.6%	10.8%	11.6%	10.3%	10.8%
Effective Tax rate	19.4%	21.8%	24.6%	25.2%	25.2%
Adjusted PAT margin	8.3%	7.6%	7.7%	6.6%	7.0%
Operating Cycle					
Inventory days	56	58	62	62	62
Debtor days	12	12	13	13	13
Creditor days	99	73	88	88	88
Working Capital Cycle	-30	-3	-13	-13	-13
Return Ratios					
ROE	7.8%	9.3%	8.8%	7.9%	8.1%
ROCE	6.4%	7.7%	7.6%	7.3%	7.5%
Capex/revenue	21.7%	29.1%	16.8%	14.3%	13.2%
Net debt / Equity	0.2	0.2	0.2	0.2	0.2
Yield Analysis					
CFO Yield	6.7%	7.1%	9.9%	10.3%	10.4%
FCF Yield	-3.6%	-9.3%	-0.7%	0.0%	0.2%
Dividend Yield	0.6%	0.9%	0.8%	0.5%	0.5%
Valuation					
P/E (x)	29.7	25.7	24.7	25.3	22.6
P/B (x)	2.2	2.4	2.2	2.0	1.8
EV/Sales (x)	2.6	2.1	2.0	1.8	1.7
EV/EBITDA (x)	16.7	12.9	11.3	11.2	10.5

Source: Company, Systematix Institutional Research

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DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

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