

Windfall taxes impact O2C margins...

About the stock: Reliance Industries (RIL) is one of India's biggest conglomerates with a presence in oil refining & marketing and petrochemicals, oil & gas exploration, retail, digital services, media, etc, making it a well-diversified business entity.

- At the EBITDA level in FY22, O2C and oil & gas contributed 49% while retail, digital and others contributed 10%, 34% and 7%, respectively

Q2FY23 Results: RIL's results were lower than estimated on the profitability front.

- Revenue was up 33.7% YoY to ₹ 232863 crore as all major segments reported revenue growth. It grew 4.4% QoQ mainly led by retail segment
- EBITDA was at ₹ 31224 crore, up 20% YoY (down 17.8% QoQ). EBITDA growth YoY was driven by the retail segment (up 51% YoY) and digital service (up 28.6% YoY). O2C segment margins were down 5.9% YoY, 40% QoQ on account of special additional excise duty levied on export of fuels
- Subsequently, PAT was at ₹ 13656 crore, flattish YoY, down 23.9% QoQ

What should investors do? Long term prospects and dominant standing of RIL in each of its product & service portfolio provides comfort for long term value creation. RIL's consumer business will be the growth driver, going ahead. However, refining product cracks have seen correction compared to peaks witnessed in Q1FY23.

- We maintain our **HOLD** rating on the stock

Target Price and Valuation: We value RIL at ₹ 2700 on an SoTP basis.

Key triggers for future price performance:

- Increment value accretion from the 'digital ecosystem' that will be captured at the Jio Platforms (JPL) level
- Steady FCF generation in the retail segment would enable the company to maintain debt at lower levels and improve its ability to invest in future inorganic opportunities
- Rise in GRMs will be the key to lift O2C earnings. Steady cash flow from traditional business to enable RIL to invest in new energy verticals

Alternate Stock Idea: Apart from RIL, in our oil & gas coverage we also like Gail.

- Gail is a beneficiary of increasing gas consumption. Stable volume growth along with higher profitability from gas trading, petchem and LPG segment due to higher oil prices will add value
- BUY with target price of ₹ 100



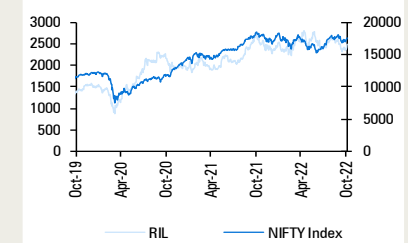
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	16,72,274.2
Total Debt (FY22) (₹ Crore)	3,55,258.1
Cash (FY22) (₹ Crore)	36,178.0
EV (₹ Crore)	19,91,354.3
52 week H/L	2855/ 2181
Equity capital (FY22) (₹ Crore)	6,765.0
Face value (₹)	10.0

Shareholding pattern

	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	50.6	50.7	50.6	50.6
FII	24.7	24.2	23.9	23.6
DII	13.6	14.3	14.7	14.9
Others	11.0	10.9	10.8	10.9

Price Chart



Recent event & key risks

- Key Risk:** (i) Lower discretionary spends owing to higher inflation can subdue sales (ii) Higher than expected refining margins

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Key Financial Summary

Key Financials	FY20	FY21	FY22	5 Yr CAGR (FY17-22)	FY23E	FY24E	2 Yr CAGR (FY22-24E)
Revenue (₹ crore)	6,58,866.0	5,39,238.0	7,92,756.0	19.1	9,54,480.4	9,86,233.9	11.5
EBITDA (₹ crore)	88,709.0	80,737.0	1,10,460.0	19.1	1,35,447.5	1,57,940.2	19.6
PAT (₹ crore)	39,354.0	49,128.0	60,705.0	15.3	63,942.6	79,848.4	14.7
EPS (₹)	62.1	76.2	89.7		94.5	118.0	
P/E (x)	39.8	32.4	27.5		26.2	20.9	
P/BV (x)	3.5	2.3	2.1		2.0	1.8	
RoCE (%)	8.1	5.5	7.1		8.7	10.3	
RoE (%)	8.8	7.0	7.8		7.6	8.7	

Key takeaways of recent quarter & conference call highlights

Segmental details

Reliance Jio

RJio's Q2 – a steady performance. The subscriber addition traction remained healthy as the company added 7.7 million (mn) subs (a tad more than expectations of 7 mn). ARPU, however, saw muted growth of 0.9% QoQ at ₹ 177.2 (our expectations ₹ 181), possibly with only benefits of extra day during the quarter flowing through while subscriber mix (higher data usage driven ARPU upgrades) possibly saw no improvement, as per our view. Revenues, EBITDA were at ₹ 22521 crore, ₹ 11489 crore, up 3%, up 4.8% QoQ, respectively. Margins were at 51%, up 90 bps QoQ and a tad higher than our estimates of 50.4%, owing to better than expected flow through of lower spectrum usage charges. PAT at ₹ 4518 crore, up 4.2% QoQ, was a tad lower than expected (our expectations ₹ 4598 crore), owing to higher than anticipated depreciation.

- **On KPI front, key takeaways were:**

- **Subscribers:** The overall subscriber base (including Fiber and enterprise) were at 427.6 mn, up 7.7 mn QoQ (vs. our expectations of 7 mn sub addition). We highlight that with second consecutive positive subscriber addition quarter, SIM consolidation impact seen in FY22 is over. The gross addition remained healthy at 32.7 million and churn remained stable QoQ at 2%
- **ARPU:** ARPU saw only a modest improvement of 0.9% QoQ. We had expected some subscriber mix during the quarter apart from one extra day benefit. However, lower than expected ARPU implies no subscriber mix led improvement sequentially, in our view
- **Data/voice usage:** Total minutes declined 1.2% QoQ to 1,232 bn (MoU/sub/month was at 969), which, as per the company, was attributable to normalisation of voice calling as mobility of people increased post pandemic as well as impact of OTT based calling. The data usage was up 6.7% QoQ to 22.2 GB/day
- **Margins:** The company alluded at margin expansion to lower spectrum usage charges, albeit partial impact was seen during Q2. Recall, that spectrum purchased in the last auction had zero SUC, while the Department of Telecommunications (DoT) had also removed the 3% floor rate on spectrum usage charge. Thus, we believe Jio stands to attain annualised SUC savings of ₹ 2500+ crore, which will boost the margins, ahead
- **5G Auction:** Jio led the recently concluded spectrum auction with highest quantum of spectrum purchase across 300 MHz and 26 GHz. It was also the only telco to bid for pan-India 700 MHz spectrum band to fortify its indoor coverage strength and launch standalone 5G network along with the expansion of fixed wireless access (FWA) for home broadband services. The total outlay was at ₹ 88078 crore, implying annual equated instalment will be ₹ 7877 crore

- **Outlook:** We marginally tweak the earnings estimates and remain constructive on Jio. We believe superior spectrum portfolio along with superior digital ecosystem offering lends Jio a competitive advantage even in 5G (as seen in 4G foray). The near term monitorable would be when and how much the next tariff hike is undertaken as most incremental 5G benefits of industry use cases are still at least two to three years away. The telcos, thus, need to take a tariff hike in the near term to compensate for near term cash outflows

Reliance Retail

Q2FY23 witnessed an operating environment equivalent to the pre-Covid period with waning of the pandemic. The consumer sentiment turned positive across various towns and cities, which was further aided by many promotional events and early onset of festivities. **Key highlight being robust square feet addition.**

Driven by strong demand owing to full-fledged opening up of offices, schools and early festive demand, Reliance Retail reported one of its best quarterly performance in Q2FY23. **On a favourable base, revenue for the quarter grew 43% YoY to ₹ 64920 crore (I-direct estimate: ₹ 63795 crore) with core retail revenue (excluding Jio sales) increasing ~60% YoY (three year CAGR: 19%).** With consumers returning to stores, Reliance Retail registered over 180 million footfalls across formats and geographies during the quarter, which reflects growth of 23% over the pre-Covid level. The company's customer base increased 28% YoY to 221 million customers. On the segmental front, grocery segment delivered the best performance with sales doubling YoY, followed by fashion and consumer electronics segment, which grew 40%. Better product mix and positive operating leverage, resulted in EBITDA margins expanding 120 bps YoY to 6.6% (excluding other income). **Absolute EBITDA grew robustly by 76% YoY to ₹ 4286 crore (I-direct estimate: ₹ 4019 crore).**

Retail over the last five years has created world class ecosystem (online + offline) with unmatched scale (revenue, stores significantly ahead of peers). **During Q2FY23, while store openings of 795 were similar to that of Q1FY23 (792 store), addition in terms of square feet has been humongous at 9.2 million square feet (sq ft) (Q1FY23: 4.3 mn). This translates into larger store sized additions in Q2FY23 with average store size of 11000+ sq ft (Q1FY23: ~5000). Retail coverage area now has crossed 50 mn (three year CAGR: 30%), which is more than 4x the size of the second largest retailer.** Reliance Retail's widespread physical store network would further enhance its omni-channel capabilities (~18% of revenues) and position it as a frontrunner to garner consistent business growth by capturing a larger pie of the Indian retail sector opportunity.

Fashion & lifestyle:

- The fashion and lifestyle business reported a strong quarter as consumers refreshed their wardrobes and shopped for festive occasions. Offline business registered its strongest quarter ever with high double-digit like-for-like growth driven by higher average bill values and conversions from key festive events of Onam, Ganesh Chaturthi, Navratri and Pujo. During the quarter, the business introduced three new store concepts. Among the new store formats added was 'Azorte', a tech-aided premium fashion and lifestyle store format, 'Centro' which is a fashion & lifestyle departmental store format and 'Fashion Factory' which is a format that offers value deals across brands to serve discerning customers
- AJIO continued its growth momentum with yet another all-time high quarterly performance. With a catalogue of over a million options, AJIO is one of the key online destinations for fashion seeking customers. Reliance Retail's merchant partner business also further scaled up by extending its merchant partner base and expanded share of wallet through a wide offering of external and own brands portfolio. On the luxury/premium brands segment, business grew as footfalls in mall stores normalised and new stores were launched. AJIO Luxe, the online marketplace for luxury brands, experienced a threefold increase in revenues
- The jewellery business grew steadily backed by enhanced product design capabilities. During the quarter, the business launched seven collections, including "Mahalaya," a collection inspired by Maharashtra's arts and traditions. The division registered 16% YoY growth in Q2FY23

Grocery:

- The grocery business delivered best ever quarter with business doubling over last year. Stores registered high double digit like for like growth with footfalls and average bill values continuing to remain high as customers shopped for gifting and festivities in addition to their daily needs
- The JioMart Kirana business onboarded 4x merchants year on year. The business expanded its supply chain infrastructure by adding 57 new fulfilment facilities increasing business reach and reducing merchant response time
- JioMart, the leading cross-category horizontal platform, continued its growth journey during the quarter. The platform strengthened its capabilities by augmenting the catalogue size and seller base multi-fold
- 'Tyohar Ready Sale' saw strong performance, resulting in 2.5x growth in traffic and 3x app installations. Among key initiatives was the launch of JioMart on WhatsApp native app during the quarter

Consumer electronics:

- Consumer electronics business witnessed strong double-digit growth driven by higher bill values and conversions as more number of customers visited its stores
- Consumer electronics business recorded its best-ever August 15 "Digital India Sale" with instant discounts, cross category promotions. The business had robust growth across all categories on the back of new product launches and attractive offers. Mobile phones, TVs, washing machines did particularly well with 30% YoY growth. Own/licensed brands business continued to expand its distribution reach resulting in more than twofold increase in revenues
- Digital commerce and new commerce growth momentum for the company remained strong as the business capitalised on festive and big online days and expanded partner merchant network

Reliance Retail during Q2FY23 has been able to deliver all time high revenues amid a normalised demand scenario. The company is broadly looking at scaling up its various businesses through focussed initiatives. On the future strategy front, the company is planning to focus on enhancing consumer touch-points to capture the larger India opportunity. Reliance Retail is expected to continue with its aggressive store network expansion and strengthen its digital commerce and Omni-channel capabilities. The company is further planning to strengthen its supply chain infrastructure and is expected to investing in strengthening its back end capabilities which would enable it to enhance timely order fulfilment across channels. Also, the management indicated that it would continue to on board new merchants and augment its own product design capabilities and grow its own brand portfolio and focus on scaling up new businesses.

Energy segments

O2C margins impacted by windfall tax; E&P growth continues

- O2C revenue was at ₹ 159671 crore, up 32.5% YoY, down 1.3% QoQ (our estimate: ₹ 137160 crore). Revenue growth was mainly attributed to increase in crude oil prices
- EBITDA declined 5.9% YoY and 40% QoQ to ₹ 11968 crore, (our estimate: ₹ 11309 crore). Margins declined mainly on account of the special additional excise duty levied on export of fuels and lower polymer deltas. SAED related costs were ₹ 4039 crore. The downstream segment was impacted as retail fuel prices remained capped in spite of higher benchmark product prices
- Going ahead, we estimate O2C EBITDA at ₹ 50682 crore and ₹ 54843 crore in FY23E and FY24E, respectively, as we revise GRMs estimate taking into account current product cracks trend
- E&P segment revenue growth YoY was mainly driven by increase in realisation. Revenue at ₹ 3853 crore was up 134.4% YoY and 6.3% QoQ (our estimate: ₹ 3311 crore). Domestic production was 43.6 BCFe (13.4 mmscmd), up 4.3% YoY. KG-D6 production during the quarter was 19 mmscmd
- KG-D6 realisation increased 173.5% YoY and 1.9% QoQ post revision in gas prices in October 2021 and April 2022 that led to EBITDA growth. Also, CBM realisation reported 251.4% YoY and 3.6% QoQ growth. EBITDA was at ₹ 3171 crore, up 196.1% YoY and 15.9% QoQ (our estimate: ₹ 2412 crore)
- The management said that production from MJ field is expected to commence by the end of the year. This would lead to an increase in E&P segment volumes and is expected to contribute around 30% of India's gas production. Gas ceiling price was revised upwards by ~25.6% from US\$ 9.92/mmbtu to US\$ 12.46/mmbtu October 2022 onwards and is expected to remain healthy in FY23E, which augurs well for the segment
- Going ahead, we estimate E&P EBITDA at ₹ 14599 crore and ₹ 15962.3 crore in FY23E and FY24E, respectively

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Total Revenues	2,32,863.0	2,06,951.0	1,74,104.0	33.7	2,23,113.0	4.4	Higher than estimates due to higher than expected O2C realisation
Raw materials costs	1,59,571.0	1,39,195.8	1,13,429.0	40.7	1,46,869.0	8.6	
Employees Cost	6,153.0	4,946.4	4,580.0	34.3	6,003.0	2.5	
Other Expenses	35,915.0	32,148.7	30,075.0	19.4	-4,788.0	-850.1	
Total Expenditure	2,01,639.0	1,76,290.9	1,48,084.0	36.2	1,48,084.0	36.2	
EBITDA	31,224.0	30,660.0	26,020.0	20.0	37,997.0	-17.8	Marginally higher than estimates
EBITDA margins (%)	13.4	14.8	14.9	-154 bps	17.0	-362 bps	
Depreciation	9,730.0	9,082.0	7,230.0	34.6	8,946.0	8.8	
EBIT	21,494.0	21,578.0	18,790.0	14.4	29,051.0	-26.0	
Interest	4,554.0	3,150.0	3,819.0	19.2	3,997.0	13.9	
Other Income	3,439.0	3,950.0	4,263.0	-19.3	2,182.0	57.6	
Extra Ordinary Item	0.0	0.0	0.0	NA	0.0	NA	
PBT	20,379.0	22,378.0	19,234.0	6.0	27,236.0	-25.2	
Total Tax	4,867.0	5,639.3	3,755.0	29.6	7,793.0	-37.5	
PAT	13,656.0	15,158.1	13,680.0	-0.2	17,955.0	-23.9	

Key Metrics

Exchange rate (₹/\$)	80.0	80.0	74.1	8.0	77.3	3.6	
ARPU (₹)	177.2	181.2	143.6	23.4	175.7	0.9	Muted QoQ growth
Subscribers (mn)	427.6	426.9	429.5	-0.4	419.9	1.8	Higher than estimates
Retail revenue (₹ crore)	64936.0	63795.0	45450.0	42.9	58569.0	10.9	Driven by growth in grocery segment.
Retail EBITDA (₹ crore)	4414.0	4019.0	2923.0	51.0	3849.0	14.7	
O2C EBITDA (₹ crore)	11968.0	11309.3	12720.0	-5.9	19888.0	-39.8	
E&P EBITDA (₹ crore)	3171.0	2412.7	1071.0	196.1	2737.0	15.9	Higher than estimates on account of higher realisation
Gas output (mmscmd)	13.4	12.9	16.3	-17.6	13.4	-0.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			
	Old	New	% Change	Old	New	% Change	
Revenue	926993.0	954480.4	3.0	968042.3	986233.9	1.9	
EBITDA	1,38,038.1	1,35,447.5	-1.9	156948.2	1,57,940.2	0.6	Revised O2C estimates led to change in consolidated estimates
EBITDA Margin (%)	14.9	14.2	-70 bps	16.2	16.0	-20 bps	
PAT	69,794.6	63,942.6	-8.4	82129.8	79,848.4	-2.8	
EPS (₹)	103.2	94.5	-8.4	121.4	118.0	-2.8	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current				Earlier		
	FY21	FY22	FY23E	FY24E	FY23E	FY24E	
Exchange rate (₹/\$)	74.0	74.5	78.8	79.0	78.8	79.0	
ARPU (₹)	143.1	153.4	184.3	202.0	184.7	202.9	
Subscribers	426.2	410.2	445.2	464.2	435.2	451.2	
Retail revenue (₹ crore)	153818.0	199749.0	267281.8	327976.5	260008.2	311499.7	
Retail EBITDA (₹ crore)	9842.0	12423.0	17924.4	22748.9	17021.9	21645.7	
O2C EBITDA (₹ crore)	38170.0	52722.0	50682.0	54843.0	55999.3	58850.2	Revised estimates taking into account current product cracks trend
E&P EBITDA (₹ crore)	258.0	5457.0	14599.1	15962.3	13484.9	15962.3	
Gas output (mmscmd)	8.3	14.1	15.4	20.8	15.3	20.8	

Source: Company, ICICI Direct Research

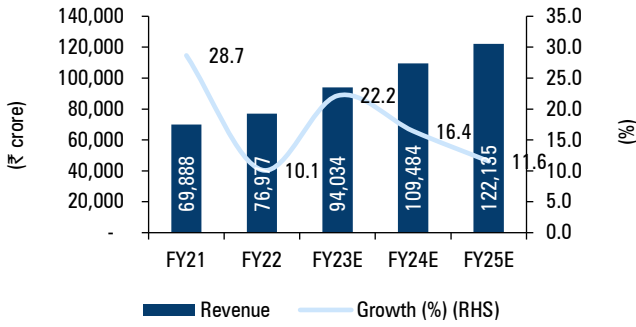
Exhibit 4: Jio Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Revenue	22,521	22,992	18,735	21,873	20.2	3.0	Topline was driven by healthy subscriber addition sequentially, while ARPU growth QoQ was modest
Other Income	112	60	14	82	700.0	36.6	
Network operating expenses	7,181	7,116	6,264	6,842	14.6	5.0	
Access charges	189	260	217	257	-12.9	-26.5	
Employee cost	428	373	355	369	20.6	16.0	
Selling & Distribution expenses	434	390	264	362	64.4	19.9	
Other expenses	479	560	452	543			
LF/SUC	2,321	560	2,194	2,536			
EBITDA	11,489	11,589	8,989	10,964	27.8	4.8	EBITDA was benefitted by lower SUC
EBITDA Margin (%)	51.0	50.4	48.0	50.1	303 bps	89 bps	
Depreciation	4,523	4,389	3,188	4,231	41.9	6.9	
Interest	1,016	1,104	1,084	997	-6.3	10.8	
Exceptional Items	0	0	0	0	NA	NA	
Total Tax	1,544	1,557	1,203	1,483	28.3	4.1	
PAT	4,518	4,598	3,528	4,335	28.1	4.2	
Subs (mn)	428	427	430	420	-0.4	1.8	
ARPU (₹)	177.2	181.2	143.6	175.7	23.4	0.9	

Source: Company, ICICI Direct Research

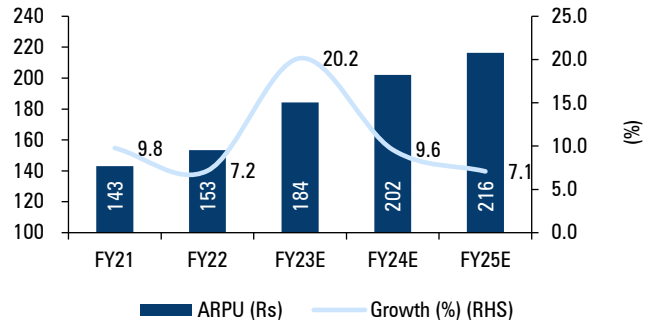
Story in charts

Exhibit 5: Jio revenue trend



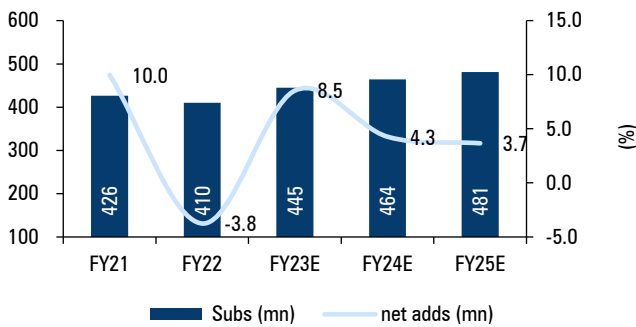
Source: Company, ICICI Direct Research

Exhibit 6: ARPU to grow at 12% CAGR in FY22-25E



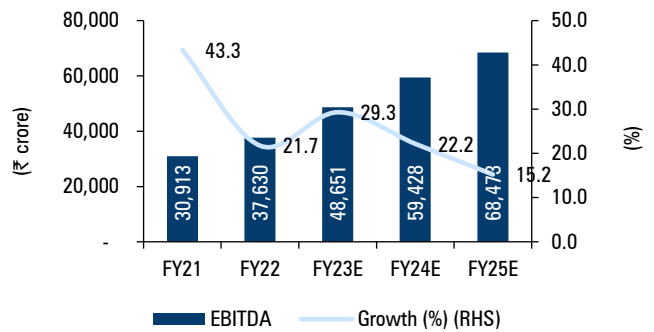
Source: Company, ICICI Direct Research

Exhibit 7: Subscribers growth trend



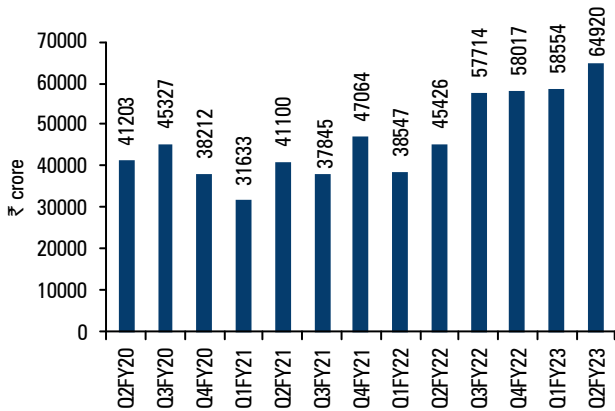
Source: Company, ICICI Direct Research

Exhibit 8: Jio EBITDA trend



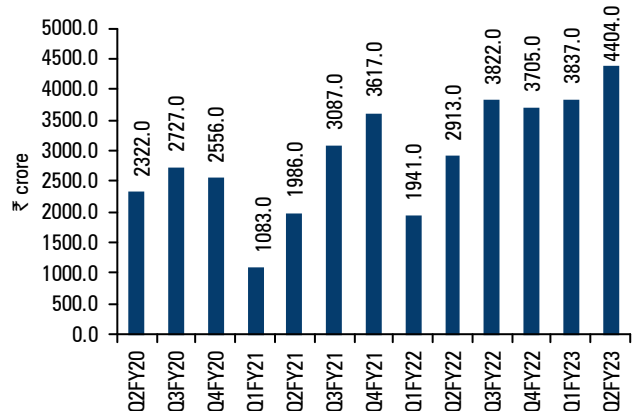
Source: Company, ICICI Direct Research

Exhibit 9: Retail- Revenue quarterly trend



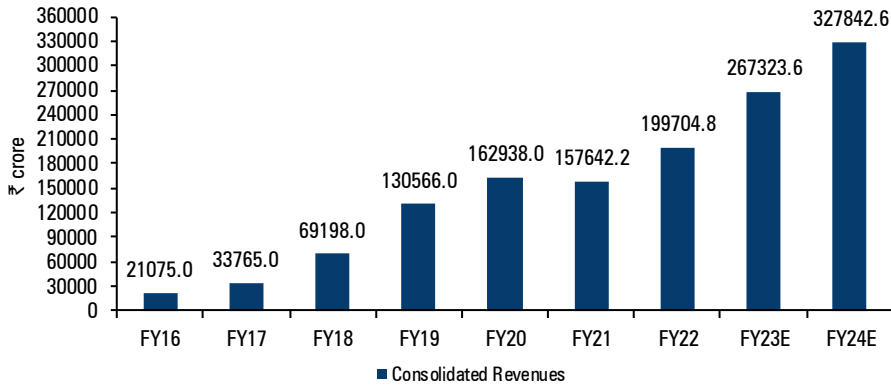
Source: Company, ICICI Direct Research

Exhibit 10: Retail EBITDA quarterly trend



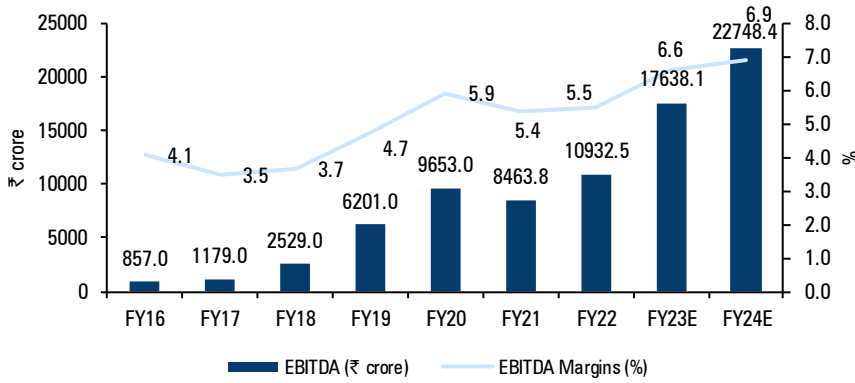
Source: Company, ICICI Direct Research. EBITDA includes other income

Exhibit 11: Consolidated retail revenues to grow at CAGR of 28% in FY22-24E



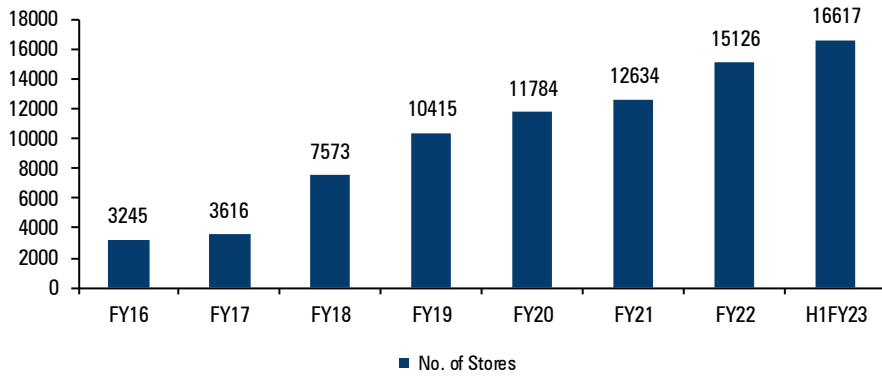
Source: Company, ICICI Direct Research

Exhibit 12: EBITDA expected to grow at 44% CAGR during FY22-24E



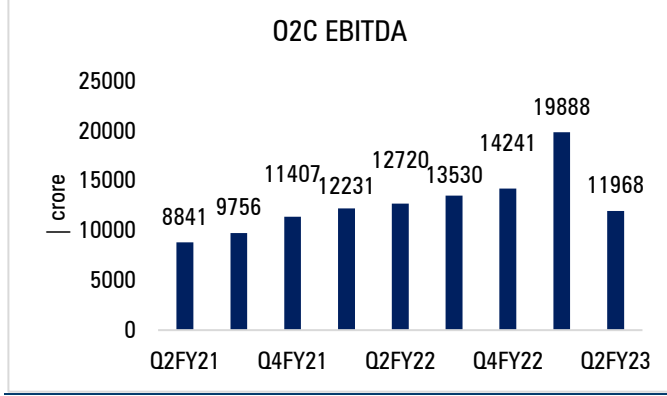
Source: Company, ICICI Direct Research. EBITDA excludes other income

Exhibit 13: Robust store addition trajectory in FY22 (added ~2500 stores)



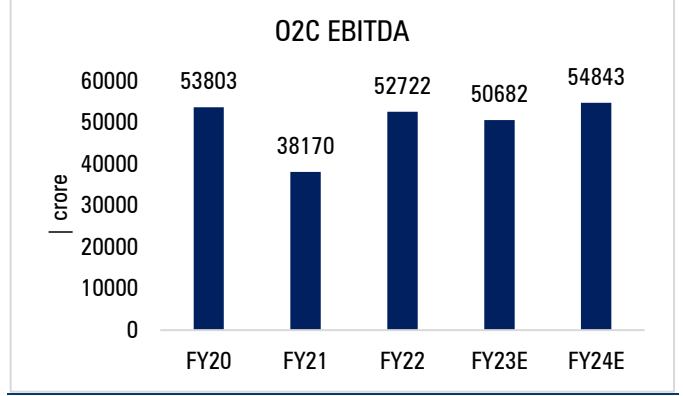
Source: Company, ICICI Direct Research

Exhibit 14: O2C EBITDA quarterly trend



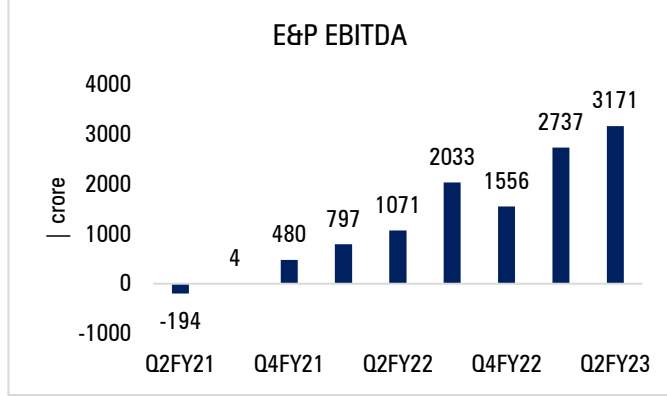
Source: Company, ICICI Direct Research

Exhibit 15: O2C EBITDA trend



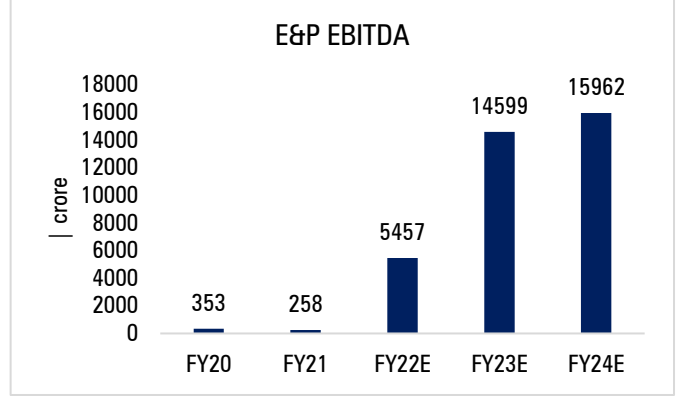
Source: Company, ICICI Direct Research

Exhibit 16: E&P EBITDA quarterly trend



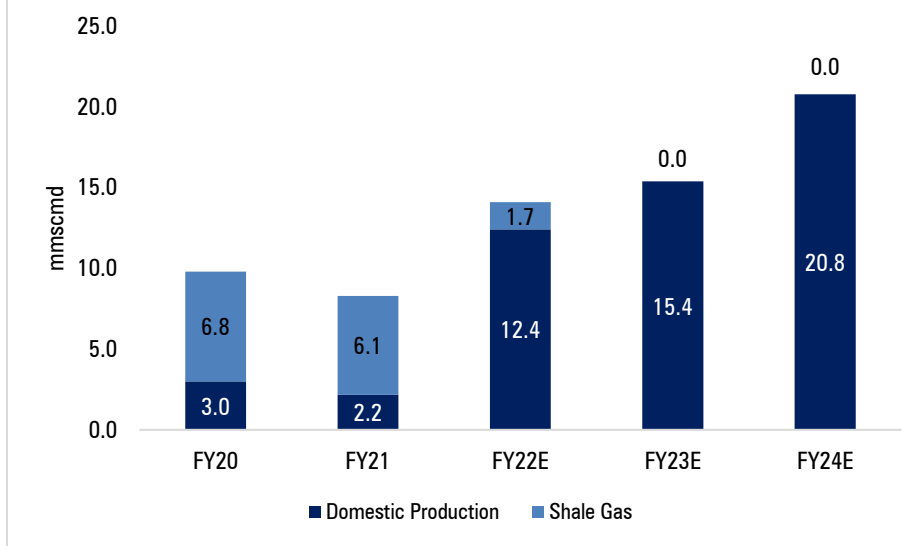
Source: Company, ICICI Direct Research

Exhibit 17: E&P EBITDA trend



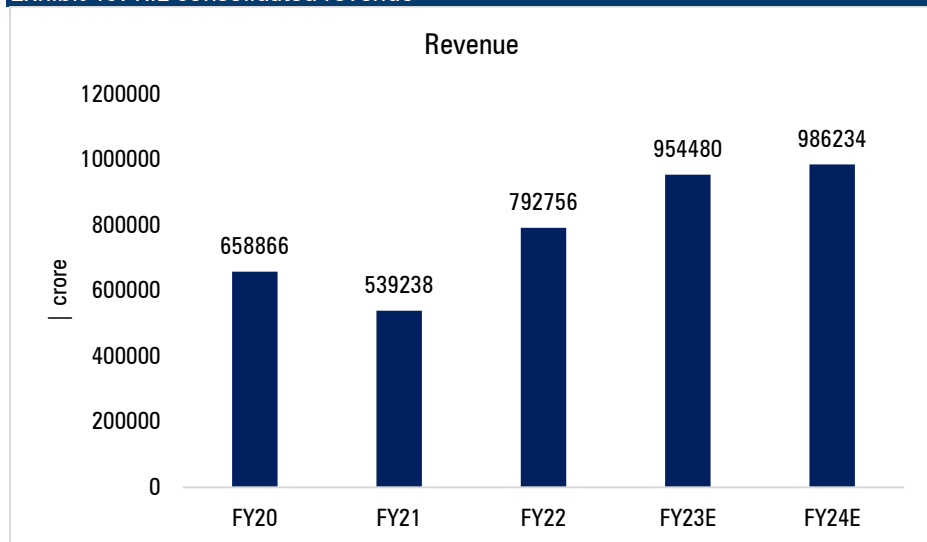
Source: Company, ICICI Direct Research

Exhibit 18: Gas production trend



Source: Company, ICICI Direct Research

Exhibit 19: RIL consolidated revenue



Source: Company, ICICI Direct Research

Exhibit 20: RIL consolidated EBIT

	FY20	FY21	FY22	FY23E	FY24E
O2C	45191.0	29773.0	45194.0	42124.0	45843.0
Oil & gas	-1407.0	-1477.0	2879.0	11790.1	12662.3
Retail	8292.0	7991.0	10198.0	14360.3	18471.1
Digital Services	14634.0	21181.0	25150.0	32212.0	39607.0
Financial Services	811.0	1357.0	726.0	983.0	1600.0
Others	2671.0	3635.0	5196.0	2750.0	3800.0
Total	70192.0	62460.0	89343.0	104219.4	121983.4

Source: Company, ICICI Direct Research

Exhibit 21: Percentage share of business segments in RIL's EBIT mix

	FY20	FY21	FY22	FY23E	FY24E
O2C	64.4%	47.7%	50.6%	40.4%	37.6%
Oil & gas	-2.0%	-2.4%	3.2%	11.3%	10.4%
Retail	11.8%	12.8%	11.4%	13.8%	15.1%
Digital Services	20.8%	33.9%	28.1%	30.9%	32.5%
Financial Services	1.2%	2.2%	0.8%	0.9%	1.3%
Others	3.8%	5.8%	5.8%	2.6%	3.1%
Total	100%	100%	100%	100%	100%

Source: Company, ICICI Direct Research

Exhibit 22: Valuation

Business segments	Valuation Methodology	Value (₹ crore)	₹/share
Energy			
Oil to Chemicals	6.6x FY24E EBITDA	363061	537
Oil & Gas	6.5x FY24E EBITDA	103755	153
Value of Energy business		466816	690
Consumer Business			
Retail (RIL share)	38x FY24E EBITDA	737354	1090
Digital services (RIL share)	DCF	565448	836
Value of Consumer business		1302802	1926
Others		154200	228
Net debt		97498	144
Equity value		1826320	2700

Source: Company, ICICI Direct Researches

Consolidated Financial Summary

Exhibit 23: Profit and loss statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Revenue	539238.0	792756.0	954480.4	986233.9
Growth (%)	-18.2	47.0	20.4	3.3
(Inc./)Dec. in stock trade	199915.0	360784.0	442072.4	396082.5
Raw material Costs	92786.0	114128.0	135381.9	164667.2
Employee Costs	14817.0	18775.0	22889.0	24720.2
Excise Duty	72314.0	92794.0	104422.9	122843.8
Other Expenditure	78669.0	95815.0	114266.7	119980.0
Op. Expenditure	4,58,501.0	6,82,296.0	8,19,032.8	8,28,293.7
EBITDA	80737.0	110460.0	135447.5	157940.2
Growth (%)	-9.0	36.8	22.6	16.6
Depreciation	26572.0	29797.0	37433.1	41556.8
EBIT	54165.0	80663.0	98014.4	116383.4
Interest	21189.0	14584.0	14851.0	13000.0
Other Income	16843.0	15227.0	13521.0	16600.0
PBT	55461.0	84142.0	96684.4	119983.4
Growth (%)	3.5	51.7	14.9	24.1
Tax	1722.0	16297.0	25025.5	30235.8
Minority Interest	4611.0	7140.0	7716.4	9899.3
Reported PAT	49128.0	60705.0	63942.6	79848.4
Growth (%)	24.8	23.6	5.3	24.9
EPS	76.2	89.7	94.5	118.0

Source: Company, ICICI Direct Research

Exhibit 25: Balance Sheet ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Source of Funds				
Equity Capital	6,445.0	6,765.0	6,765.0	6,765.0
Preference Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	6,93,727.0	7,72,720.0	8,33,975.1	9,07,734.9
Shareholder's Fund	7,00,172.0	7,79,485.0	8,40,740.1	9,14,499.9
Loan Funds	2,92,714.0	3,55,258.1	2,85,258.1	2,20,258.1
Deferred Tax Liability	37,001.0	49,644.0	54,919.0	60,194.0
Minority Interest and others	99,260.0	1,09,499.0	1,17,499.0	1,25,499.0
Source of Funds	11,29,147.0	12,93,886.1	12,98,416.2	13,20,451.0
Application of Funds				
Gross Block	7,75,812.0	8,92,149.0	9,61,389.0	10,34,389.0
Less: Acc. Depreciation	2,34,554.0	2,64,351.0	3,01,784.1	3,43,340.9
Net Block	5,41,258.0	6,27,798.0	6,59,604.9	6,91,048.1
Capital WIP	1,25,953.0	1,72,506.0	1,41,835.0	1,28,835.0
Total Fixed Assets	6,67,211.0	8,00,304.0	8,01,439.9	8,19,883.1
Investments	3,64,828.0	3,94,264.0	4,09,682.0	4,14,682.0
Inventories	81,672.0	1,07,778.0	1,22,905.7	1,26,994.5
Debtor	19,014.0	23,640.0	33,995.2	35,126.1
Cash	17,397.0	36,178.0	1,08,841.9	1,22,760.4
Loan & Advance, Other CA	1,71,090.0	1,37,501.0	1,28,501.0	1,19,001.0
Total Current assets	2,89,173.0	3,05,097.0	3,94,243.8	4,03,882.0
Current Liabilities	1,86,936.0	2,01,989.9	3,00,726.7	3,10,731.2
Provisions	5,129.0	3,789.0	6,222.8	7,264.9
Total CL and Provisions	1,92,065.0	2,05,778.9	3,06,949.5	3,17,996.1
Net Working Capital	97,108.0	99,318.1	87,294.3	85,885.9
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	11,29,147.0	12,93,886.1	12,98,416.2	13,20,451.0

Source: Company, ICICI Direct Research

Exhibit 24: Cash flow statement ₹ crore

(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	53,739.0	67,845.0	71,658.9	89,747.6
Add: Depreciation	26,572.0	29,797.0	37,433.1	41,556.8
Add: Others	-17,122.0	12,643.0	5,275.0	5,275.0
Cash Profit	63,189.0	1,10,285.0	1,14,367.0	1,36,579.4
Increase/(Decrease) in CL	-83,978.0	13,713.9	1,01,170.6	11,046.6
(Increase)/Decrease in CA	-55,312.0	2,857.0	-16,482.9	4,280.2
CF from Operating Activit	-76,101.0	1,26,855.9	1,99,054.8	1,51,906.2
Purchase of Fixed Assets	52,019.0	1,62,890.0	38,569.0	60,000.0
(Inc)/Dec in Investments	-88,061.0	-29,436.0	-15,418.0	-5,000.0
Others	87079	10239	8000	8000
CF from Investing Activit	-53,001.0	-1,82,087.0	-45,987.0	-57,000.0
Inc/(Dec) in Loan Funds	-81,689.0	62,544.1	-70,000.0	-65,000.0
Inc/(Dec) in Sh. Cap. & Res.	2,01,189.0	16,880.0	-4,315.4	-9,899.3
Dividend Paid	3921	5412	6088.5	6088.5
CF from financing activit	1,15,579.0	74,012.1	-80,403.9	-80,987.8
Change in cash Eq.	-13,523.0	18,781.0	72,663.9	13,918.5
Op. Cash and cash Eq.	30,920.0	17,397.0	36,178.0	1,08,841.9
CI. Cash and cash Eq.	17,397.0	36,178.0	1,08,841.9	1,22,760.4

Source: Company, ICICI Direct Research

Exhibit 26: Key ratios

(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Book Value	1,086.4	1,152.2	1,242.8	1,351.8
Cash per share	27.0	53.5	160.9	181.5
EPS	76.2	89.7	94.5	118.0
Cash EPS	117.5	133.8	149.9	179.5
DPS	7.0	8.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	15.0	13.9	14.2	16.0
PAT Margin (%)	10.0	8.6	7.5	9.1
Fixed Asset Turnover (x)	0.8	1.0	1.2	1.2
Inventory Turnover (Days)	55.3	49.6	47.0	47.0
Debtor (Days)	12.9	10.9	13.0	13.0
Current Liabilities (Days)	126.5	93.0	115.0	115.0
Return Ratios (%)				
RoE	7.0	7.8	7.6	8.7
RoCE	5.5	7.1	8.7	10.3
RoIC	5.6	7.3	9.6	11.5
Valuation Ratios (x)				
PE	32.4	27.5	26.2	20.9
Price to Book Value	2.3	2.1	2.0	1.8
EV/EBITDA	23.1	18.0	13.6	11.2
EV/Sales	3.5	2.5	1.9	1.8
Leverage & Solvency Ratios				
Debt to equity (x)	0.4	0.5	0.3	0.2
Interest Coverage (x)	2.6	5.5	6.6	9.0
Debt to EBITDA (x)	3.6	3.2	2.1	1.4
Current Ratio	1.5	1.5	1.3	1.3
Quick ratio	1.1	1.0	0.9	0.9

Source: Company, ICICI Direct Research

Exhibit 27: ICICI Direct coverage universe (Oil & Gas)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
BPCL (BHAPET)	339	350	Hold	68,840	41.3	-19.3	82.3	8.2	-17.5	4.1	6.4	173.4	3.4	15.1	-2.8	24.4	17.5	-9.0	29.8
GAIL (India) (GAIL)	84	100	Buy	55,231	23.3	13.7	8.9	3.6	6.1	9.4	3.0	4.7	7.2	18.8	15.1	8.4	18.6	14.7	9.1
Gujarat Gas (GUJGA)	500	480	Hold	34,420	18.9	23.4	20.9	26.4	21.4	23.9	16.4	13.5	14.6	27.0	28.2	21.8	23.1	23.2	17.9
HPCL (HINPET)	248	260	Hold	35,190	44.9	-67.4	42.5	5.5	-3.7	5.8	8.0	-11.4	7.7	7.3	-14.4	7.8	16.5	-32.8	18.6
Indian Oil Corp (INDOIL)	73	80	Hold	1,02,803	17.1	2.3	13.9	4.3	32.0	5.3	2.4	5.5	2.5	12.9	2.4	10.1	18.4	2.6	14.8
Indraprastha Gas (INDGAS)	422	420	Hold	29,540	18.8	19.0	20.2	22.5	22.2	20.9	15.0	13.7	12.5	22.3	21.1	20.0	19.0	16.9	15.9
Mahanagar Gas (MAHGAS)	845	820	Hold	8,347	60.4	58.9	84.8	14.0	14.3	10.0	8.6	8.6	6.0	19.8	17.7	23.1	16.6	15.0	19.0
ONGC (ONGC)	124	135	Hold	1,59,133	8.9	32.0	37.1	13.9	3.9	3.3	5.4	2.8	2.0	4.5	14.8	20.9	5.5	17.0	17.3
Petronet LNG (PETLNG)	200	210	Hold	30,000	22.3	17.7	19.2	8.9	11.3	10.4	5.5	6.6	5.8	27.0	20.0	20.8	25.0	19.0	19.5
Reliance Industries (RELIND)	2,472	2,700	Hold	16,72,274	89.7	94.5	118.0	27.5	26.2	20.9	18.0	13.6	11.2	7.1	8.7	10.3	7.8	7.6	8.7

Source: Bloomberg, ICICI Direct Research

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