

Mixed quarter...

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

Q3FY23 Results: RIL's results were better than estimates on the operational profitability front.

- Revenue was up 15.3% YoY to ₹ 220592 crore as all major segments reported revenue growth. It de-grew 5.3% QoQ mainly due to a weak petchem performance
- EBITDA was at ₹ 35247 crore, up 18.7% YoY and 12.9% QoQ vs. I-direct estimate of ₹ 34249.2 crore. EBITDA growth YoY was driven by oil & gas (up 91% YoY) and digital service (up 26.1% YoY)
- However, PAT was lower than estimates at ₹ 15792 crore (I-direct estimate: ₹ 17267.7 crore) due to higher-than-expected depreciation and interest. PAT de-grew 14.9% YoY but was up 15.6% QoQ

What should investors do? RIL's consumer business will be the growth driver, going ahead. Tariff hikes undertaken by Jio would be a key monitorable. O2C segment is likely to improve as higher middle distillate cracks would help strengthen GRMs along with a rebound in petchem demand.

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

Target Price and Valuation: We value RIL at ₹ 3050 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 ONGC.

- ONGC is primarily engaged in exploration, development and production of crude oil and natural gas. ONGC's crude oil production has been in the range of 54-65% of total domestic oil production in FY11-22



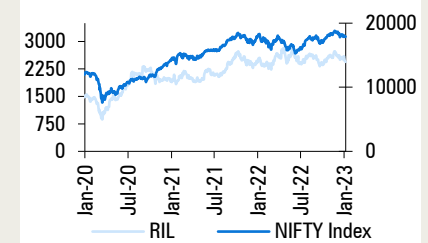
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	16,52,689.5
Total Debt (FY22) (₹ Crore)	3,55,258.1
Cash (FY22) (₹ Crore)	36,178.0
EV (₹ Crore)	19,71,769.6
52 week H/L	2855/ 2181
Equity capital (FY22) (₹ Crore)	6,765.0
Face value (₹)	10.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	50.7	50.6	50.6	50.5
FII	24.2	23.9	23.6	23.5
DII	14.3	14.7	14.9	15.3
Others	10.9	10.8	10.9	10.8

Price Chart



Recent event & key risks

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

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Key Financial Summary

Key Financials	FY20	FY21	FY22	5 Yr CAGR (FY17-22)	FY23E	FY24E	FY25E	3 Yr CAGR (FY22-24E)
Net Sales (₹ crore)	6,58,866.0	5,39,238.0	7,92,756.0	19.1	9,64,030.9	10,04,389.0	10,83,189.3	11.0
EBITDA (₹ crore)	88,709.0	80,737.0	1,10,460.0	19.1	1,43,824.5	1,57,027.2	1,76,721.4	17.0
PAT (₹ crore)	39,354.0	49,128.0	60,705.0	15.3	68,086.4	78,969.9	89,244.7	13.7
EPS (₹)	62.1	76.2	89.7		100.6	116.7	131.9	
P/E (x)	39.4	32.0	27.2		24.3	20.9	18.5	
P/BV (x)	3.4	2.2	2.1		2.0	1.8	1.7	
RoCE (%)	8.1	5.5	7.1		9.2	9.8	10.6	
RoE (%)	8.8	7.0	7.8		8.1	8.6	8.9	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Segmental details

Reliance Jio

RJio's Q3 – Mixed show. The subscriber addition traction remained healthy as the company added 5.3 million (mn) subs (a tad less than expectations of 6 mn). The ARPU, however, saw muted growth of 0.6% QoQ at ₹ 178.2 (our expectations ₹ 180), as subscriber mix (higher data usage driven ARPU upgrades) possibly saw only marginal improvement. Revenues and EBITDA were at ₹ 22998 crore, ₹ 12009 crore up 1.1%, 4.5% QoQ, respectively. Margins were at 52.2%, up 120 bps QoQ and a tad higher than our estimates of 51.5%, owing to better-than-expected flow through of lower spectrum usage charges (SUC). PAT at ₹ 4638 crore, up 2.7% QoQ, was largely in line with our expectations.

On the KPI front, key takeaways were:

- Continues to lead subscriber addition:** The overall subscriber base (including Fiber, enterprise) was at 432.9 mn, up 5.3 mn QoQ (vs. our expectations of 6 mn sub addition). We highlight that with third consecutive positive subscriber addition quarter, the company is leading the subscriber addition. Gross addition remained healthy at 34.2 million and churn was slightly higher QoQ at 2.2% (vs. 2% in Q2)
- ARPU muted:** ARPU saw only a modest improvement of 0.6% QoQ. We had expected some subscriber mix benefit during the quarter with 1.5% QoQ growth in ARPU. However, lower than expected ARPU implies only marginal subscriber mix led improvement sequentially
- Data/voice usage:** Total minutes up 3.2% QoQ to 1,271 bn (MoU/sub/month was at 985, up 1.7% QoQ). The data usage was up 0.9% QoQ to 22.4 GB/day, implying that 4G based usage has largely plateaued for the company
- Margins aided by lower SUC:** Jio alluded that margin expansion would lower spectrum usage charges. Recall, that spectrum purchased in 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 margins. Our computation implies that ~₹ 2200 crore of annualised SUC savings has already been seen and, thus there will be only marginal benefit ahead
- Jio Platform performance:** The revenues of Jio Platforms (holding company for Jio and other digital businesses of RIL) came in at ₹ 24892 crore, up 2.5% QoQ. EBITDA at ₹ 12519 crore was up 4.2% QoQ with margin of 50.3%, up 80 bps QoQ. PAT at ₹ 4881 crore was up 3.2% QoQ
- 5G rollout and other initiatives:** Jio launched 5G during Q3 with 5G coverage expanding to 134 cities, till date across 18 circles with pan-India rollout target of December, 2023 on track. The company indicated that 25K+ sites have been deployed across 700 MHz and 3500 MHz bands with six sectors. It is also on track for expansion of fixed wireless access (FWA) for home broadband services. The company continues to look for new growth opportunities in the enterprise segment especially in the areas of tourism, manufacturing, SMEs, e-governance, education, healthcare, agriculture, automation, artificial intelligence, gaming, and IT. Like Airtel, Jio is also partnering with local cable operators now for faster rollout in small to mid-sized towns

Outlook: We tweak the earnings estimates (baking in tad lower ARPU and higher depreciation). Nonetheless, we remain constructive on Jio from a medium/long term basis. 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 a couple of years away. Telcos, thus, need to take a tariff hike in the near term to compensate for near term cash outflows.

Reliance Ind- ESG Disclosure Score

Score	FY20	FY21	FY22
Environmental	37.3	40.4	46.1
Social	29.6	29.6	32.2
Governance	84.9	84.9	89.9
Overall ESG Score	50.6	51.7	56.1

Source: Bloomberg, ICICI Direct Research

Reliance Retail

Q3FY23 witnessed a normalised operating environment equivalent to the pre-Covid period with the waning of the pandemic. Consumer sentiment was upbeat in the initial part of the quarter and revenue growth was strong during the festive season. Though demand waned post the festive season, the company supported the revenue growth momentum with increased focus on promotional schemes and events.

Reliance Retail reported a mixed operational performance in Q3FY23 with revenues coming in below our estimates while EBITDA was in-line. Revenue for the quarter grew 17% YoY to ₹ 67623 crore (I-direct estimate: ₹ 70400 crore). The miss was largely on the back of lower than expected revenue trajectory in the fashion segment, which grew 13% YoY (I-direct estimate: 20%). The management indicated that demand momentum started waning off during November and December after a strong festive season. **Grocery segment continued to register industry leading performance, with robust growth of 65% YoY (double digit SSSG).** Footfalls were at an all-time high of ~201 million during the quarter (up 26% YoY). We believe the customer conversion ratio has declined during the quarter. **Despite lower than anticipated revenue, EBITDA grew handsomely by 32% YoY to ₹ 4657 crore (I-direct estimate: ₹ 4650 crore) with margins expanding 80 bps YoY to 6.9% (I-direct estimate: 6.6%).** PAT growth was restricted to 7% YoY to ₹ 2400 crore on account of higher depreciation expense (up 81% YoY) and finance cost (up 255% YoY). Store addition trajectory slowed down a bit with opening of 608 stores in Q3FY23 (vs. 790+ store additions witnessed in the preceding two quarters) taking the store count to 17225. The company continued to add larger stores of ~10000 sq ft vs. average of ~3000 sq ft. **Weaker than expected topline performance could be a leading indicator of declining demand offtake for the consumer discretionary space.**

Reliance Retail, over the last five years, has created world class ecosystem (online + offline) with unmatched scale (revenue, stores significantly ahead of peers). **Retail coverage area now has crossed 60 mn square feet (three year CAGR: 30%), which is more than 4.5x the size of the second largest retailer.** Reliance Retail's widespread physical store network would further enhance its omni-channel capabilities (~20% 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:

- Fashion & lifestyle delivered revenue growth of 13% YoY led by demand uptick due to festivals and wedding season. Festive offers during Diwali, Prathmashami, Christmas received a good consumer response resulting in higher conversions and bill values during the festive period. Business across apparel & lifestyle categories like men's formals, women's Indian wear, kids wear and footwear performed well. However, delayed winter in the north and eastern regions negatively impacted the winter wear category
- AJIO continued its growth momentum as it expanded its customer base by 33% and catalogue size by 62% YoY. Further the premium brands business saw 38% growth YoY led by higher footfalls and new store openings
- The jewellery business grew on the back of wedding season and festive demand with sales during Dhanteras growing 38% YoY. The company strengthened the design capabilities and launched several new collections to stimulate customer demand

Grocery:

- The company's grocery business delivered robust revenue growth of 65% YoY, which was led by broad based growth in categories of fruits & vegetables, staples, general merchandise, packaged food. Further strong customer engagement through Bestival festive sale and premiumisation of assortment enhanced customer experience and drove higher average bill value
- The company's Grocery Digital Commerce business saw steady revenue growth driven by festive demand and expansion of MilkBasket in new cities

- Grocery new commerce revenue growth during the quarter was driven by new merchant on boarding and efficient supply chain, which resulted in superior delivery capabilities for merchant partners

Consumer electronics:

- The company's consumer electronics business excluding devices witnessed 45% revenue growth YoY driven by higher footfalls and bill values during the quarter. The company focussed on wider assortment, new launches, attractive offers and financing schemes, which drove revenue traction across stores and digital platforms
- Category-wise, the business saw double digit growth across categories of phones, TVs and appliances
- The company's owned & licensed brands sales were up 100% YoY with increase in merchant base and higher wallet share from on boarded merchants. The company's digital commerce orders were up 5x YoY driven by festive offers, category led campaigns and financing schemes

Other segments and new initiatives:

- The company has started creating an array of consumer products and brands and moved ahead on its ambition of building a significant presence in the FMCG business. The company launched its FMCG brand 'Independence' in Gujarat. The same is being expanded across product categories and newer geographies. The company is concentrating on building a strong portfolio of products catering to regional tastes and preferences. During the period, consumer brands business launched several new variants in processed foods, beverages, spices and staples. Acquisition of Sosyo, Lotus Chocolate and expansion of Independence brand would further strengthen the portfolio of the business. Reliance Retail also strengthened its product offerings with acquisition of V Retail (Centro Footwear).
- JioMart continued its growth momentum with a robust uptick in non-grocery category contribution and broad-based growth across all town classes. JioMart has strengthened its catalogue by 71% QoQ and expanded the seller base by 83% QoQ during the period. The company is expanding JioMart as a cross-category horizontal platform. It witnessed broad based growth across all town classes with Tier II and beyond towns growing fastest. 'JioMart on Whatsapp' expanded its active customer base 37% MoM and total orders increased 9x since its launch

Reliance Retail during Q3FY23 has been able to deliver all time high revenues amid a normalised demand scenario aided by festive and wedding season. The company is broadly looking at scaling up its various businesses through focussed initiatives across consumption categories. 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. Its warehouse and fulfilment centre space increased 3x over Q3FY20 to Q3FY23. The company is further planning to strengthen its supply chain infrastructure and is expected to continue investing in strengthening its back end capabilities, which would enable it to enhance timely order fulfilment across channels. The company continues 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. Further, its ambition of building a strong presence in the FMCG segment could lead to further strengthening its FMCG portfolio through selective acquisition of brands across product categories, which could provide thrust to its revenue growth over the longer term.

Energy segments

Refining margins improve; E&P growth continues

- O2C revenue was at ₹ 144630 crore, up 10% YoY, down 9.4% QoQ (I-direct estimate: ₹ 121908.1 crore). Revenue growth was mainly attributed to increase in realisation
- EBITDA increased 2.9% YoY and 16.4% QoQ to ₹ 13926 crore, (I-direct estimate: ₹ 12607 crore). EBITDA growth was led by strong refining margins although petchem performance weakened QoQ due to low demand. Special additional excise duty of ₹ 1898 crore was levied on export of diesel and jet fuel
- Going ahead, the management expects middle distillate cracks to remain firm and polymer margins to improve with revival in demand from China, EU and the US. We estimate O2C EBITDA at ₹ 62325 crore, ₹ 57901.6 crore and ₹ 62362.9 crore in FY23E, FY24E and FY25E, respectively, as we revise GRMs estimate taking into account current product cracks trend
- E&P segment revenue growth YoY and QoQ was mainly driven by increase in gas realisation. Revenue at ₹ 4474 crore was up 75% YoY and 16% QoQ (I-direct estimate: ₹ 4289.7 crore). Domestic production was 44.2 BCFe (13.4 mmscmd). Total KG-D6 production during the quarter was ~19 mmscmd
- KG-D6 realisation increased 84% YoY and 14% QoQ post revision in gas prices in October 2022 from a ceiling price of US\$9.92/mmbtu to US\$12.46/mmbtu. Also, CBM realisation grew 194% YoY but was down 10% QoQ due to decline in crude prices. EBITDA was at ₹ 3880 crore, up 91% YoY and 22.4% QoQ (I-direct estimate: ₹ 3626.2 crore)
- The management said production from MJ field is expected to commence in Q4FY23 and deliver ~30 mmscmd gas in FY24. The company expects gas price realisation to remain high in the near term. Also, the Kirit Parikh committee has recommended the removal of the ceiling price for HPHT fields from January 1, 2026, which would augur well for Reliance
- Going ahead, we estimate E&P EBITDA at ₹ 14115.1 crore, ₹ 15955.6 crore and ₹ 17320.5 crore in FY23E, FY24E and FY25E, respectively

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Total Revenues	2,20,592.0	2,00,477.9	1,91,271.0	15.3	2,32,863.0	-5.3	Higher than estimates due to higher than expected O2C realisation
Raw materials costs	1,45,737.0	1,29,464.9	1,26,169.0	15.5	1,59,571.0	-8.7	
Employees Cost	6,267.0	5,032.8	4,660.0	34.5	6,153.0	1.9	
Other Expenses	33,341.0	31,730.9	30,736.0	8.5	-4,159.0	-901.7	
Total Expenditure	1,85,345.0	1,66,228.7	1,61,565.0	14.7	1,61,565.0	14.7	
EBITDA	35,247.0	34,249.2	29,706.0	18.7	31,224.0	12.9	Marginally better than estimates
EBITDA margins (%)	16.0	17.1	15.5	45 bps	13.4	257 bps	
Depreciation	10,187.0	9,337.0	7,683.0	32.6	9,730.0	4.7	Higher than expected
EBIT	25,060.0	24,912.2	22,023.0	13.8	21,494.0	16.6	
Interest	5,201.0	3,150.0	3,812.0	36.4	4,554.0	14.2	Higher than expected
Other Income	3,213.0	3,950.0	4,180.0	-23.1	3,439.0	-6.6	
Extra Ordinary Item	0.0	0.0	2,836.0	NA	0.0	NA	
PBT	23,072.0	25,712.2	25,227.0	-8.5	20,379.0	13.2	
Total Tax	5,266.0	6,479.5	4,688.0	12.3	4,867.0	8.2	
PAT	15,792.0	17,267.7	18,549.0	-14.9	13,656.0	15.6	Lower PAT due to higher than estimated depreciation and interest

Key Metrics

Exchange rate (₹/\$)	82.2	82.2	75.0	9.7	80.0	2.8	
ARPU (₹)	178.2	179.9	151.6	17.5	177.2	0.6	Muted QoQ growth
Subscribers (mn)	432.9	433.6	421.0	2.8	427.6	1.2	
Retail revenue (₹ crore)	67634.0	70461.0	57717.0	17.2	64936.0	4.2	Lower than estimates due to lower revenue from the fashion segment
Retail EBITDA (₹ crore)	4786.0	4650.0	3835.0	24.8	4414.0	8.4	
O2C EBITDA (₹ crore)	13926.0	12607.0	13530.0	2.9	11968.0	16.4	Above estimates due to higher refining margins
E&P EBITDA (₹ crore)	3880.0	3626.2	2033.0	90.9	3171.0	22.4	Better than estimates due to marginally high gas volume
Gas output (mmscmd)	13.6	13.4	13.1	4.0	13.4	1.4	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	943353.0	964030.9	2.2	1018975.0	1004389.0	-1.4	1100924.5	1083189.3	-1.6
EBITDA	1,38,096.0	1,43,824.5	4.1	159560.7	1,57,027.2	-1.6	180369.7	1,76,721.4	-2.0
EBITDA Margin (%)	14.6	14.9	28 bps	15.7	15.6	-2 bps	16.4	16.3	-7 bps
PAT	65,956.8	68,086.4	3.2	81060.5	78,969.9	-2.6	92334.0	89,244.7	-3.3
EPS (₹)	97.5	100.6	3.2	119.8	116.7	-2.6	136.5	131.9	-3.3

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current					Earlier		
	FY21	FY22	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Exchange rate (₹/\$)	74.0	74.5	80.4	82.2	82.2	80.4	82.2	82.2
ARPU (₹)	143.1	153.4	179.1	195.6	211.7	184.3	202.0	216.3
Subscribers	426.2	410.2	442.4	461.4	478.9	445.2	464.2	481.2
Retail revenue (₹ crore)	153818.0	199749.0	261611.0	316325.1	374313.7	266121.1	327976.5	389373.8
Retail EBITDA (₹ crore)	9842.0	12423.0	17909.0	22068.0	26420.0	17797.4	22748.9	27764.0
O2C EBITDA (₹ crore)	38170.0	52722.0	62325.4	57901.6	62362.9	53744.5	55816.9	62362.9
E&P EBITDA (₹ crore)	258.0	5457.0	14115.1	15955.6	17320.5	14312.2	16608.9	17052.9
Gas output (mmscmd)	8.3	14.1	14.1	20.0	21.1	14.7	20.8	20.8

Source: Company, ICICI Direct Research

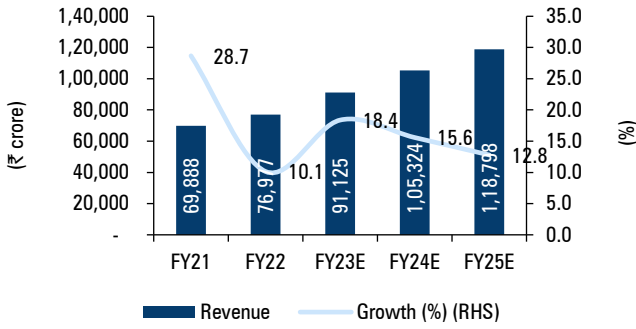
Exhibit 4: Jio Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	Q2FY23	YoY (%)	QoQ (%)	Comments
Revenue	22,998	23,206	19,347	22,521	18.9	2.1	Topline was driven by healthy subscriber addition sequentially, while ARPU growth QoQ was modest
Other Income	63	21	155	112	-59.4	-43.8	
Network operating expenses	7,227	7,402	6,243	7,181	15.8	0.6	
Access charges	220	220	229	189	-3.9	16.4	
Employee cost	400	432	361	428	10.8	-6.5	
Selling & Distribution expenses	498	400	269	434	85.1	14.7	
Other expenses	524	510	479	479			
LF/SUC	2,120	2,299	2,252	2,321			
EBITDA	12,009	11,944	9,514	11,489	26.2	4.5	EBITDA was benefitted by lower SUC
EBITDA Margin (%)	52.2	51.5	49.2	51.0	304 bps	120 bps	
Depreciation	4,810	4,560	3,568	4,523	34.8	6.3	
Interest	1,040	1,200	1,254	1,016	-17.1	18.1	
Exceptional Items	0	0	0	0	NA	NA	
Total Tax	1,584	1,580	1,232	1,544	28.6	2.6	
PAT	4,638	4,624	3,615	4,518	28.3	2.7	
Subs (mn)	433	434	421	428	2.8	1.2	
ARPU (₹)	178	180	152	177	17.5	0.6	

Source: Company, ICICI Direct Research

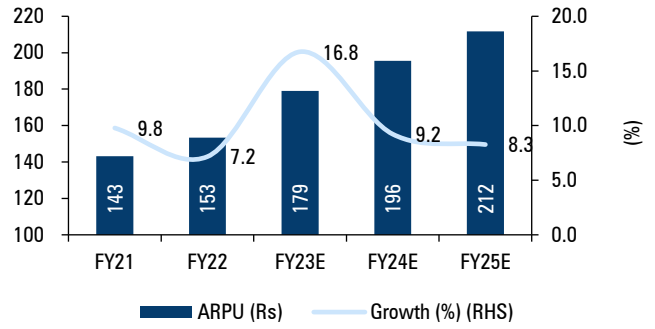
Story in charts

Exhibit 5: Jio revenue trend



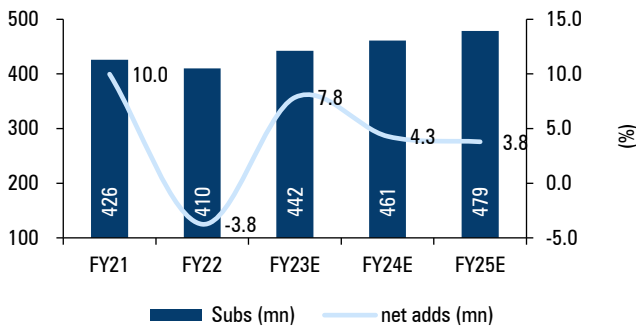
Source: Company, ICICI Direct Research

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



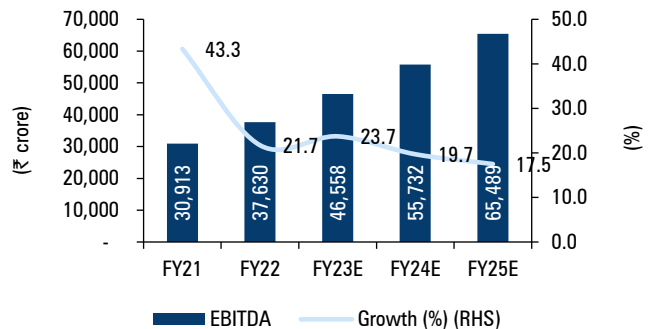
Source: Company, ICICI Direct Research

Exhibit 7: Subscribers growth trend



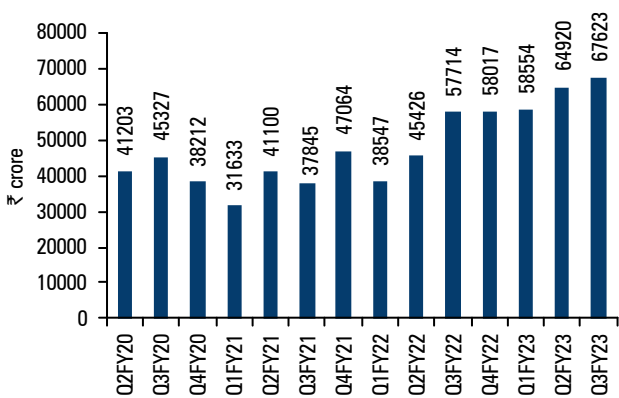
Source: Company, ICICI Direct Research

Exhibit 8: Jio EBITDA trend



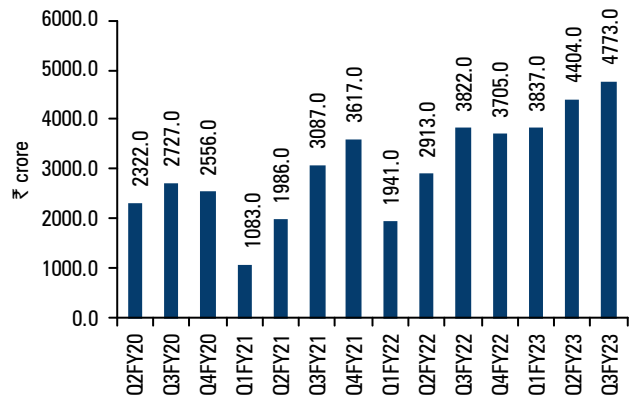
Source: Company, ICICI Direct Research

Exhibit 9: Retail- Revenue quarterly trend



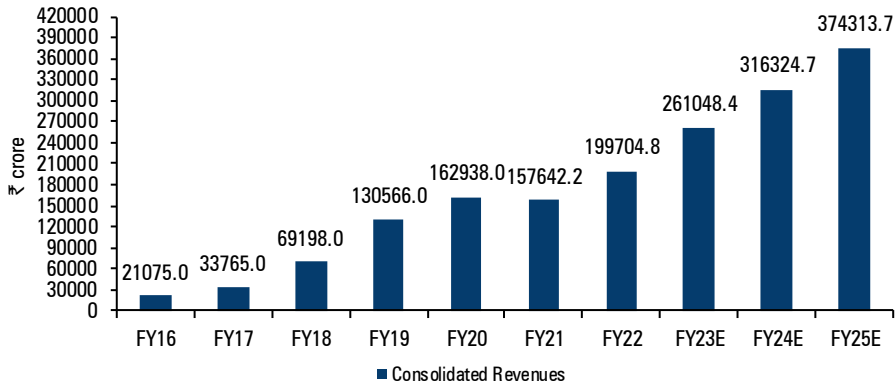
Source: Company, ICICI Direct Research

Exhibit 10: Retail EBITDA quarterly trend



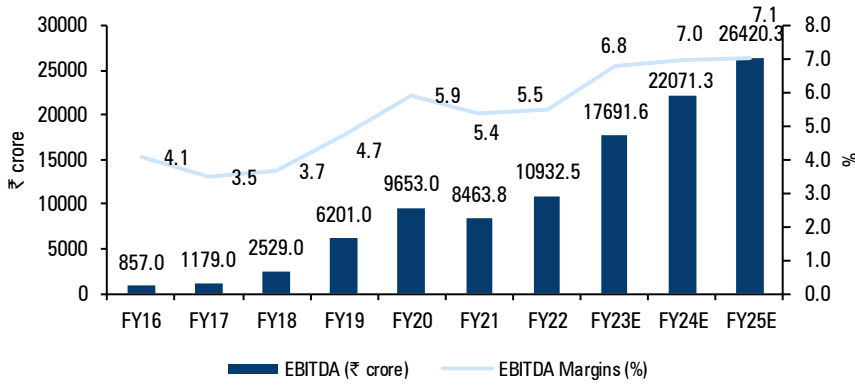
Source: Company, ICICI Direct Research. EBITDA includes other income

Exhibit 11: Consolidated retail revenues to grow at CAGR of 23% in FY22-25E



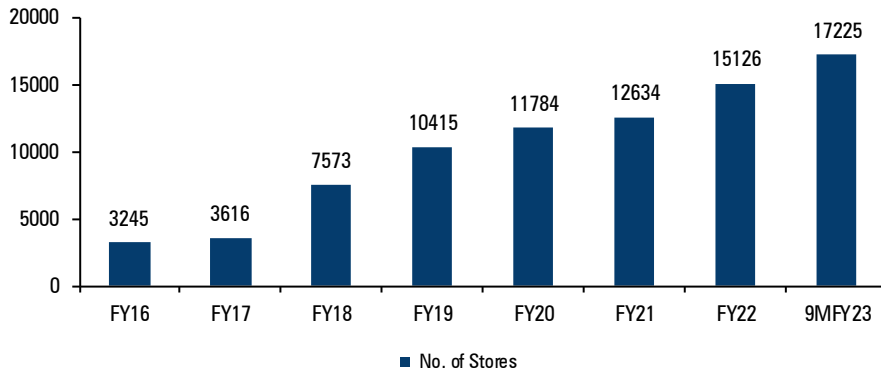
Source: Company, ICICI Direct Research

Exhibit 12: EBITDA expected to grow at 34% CAGR during FY22-25E



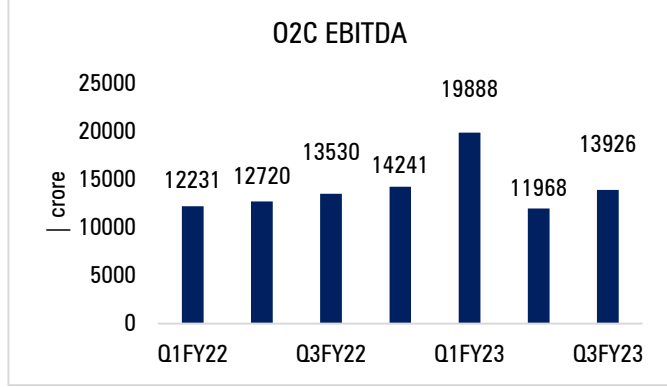
Source: Company, ICICI Direct Research. EBITDA excludes other income

Exhibit 13: Robust store addition trajectory in YTD FY23 (added ~2100 stores)



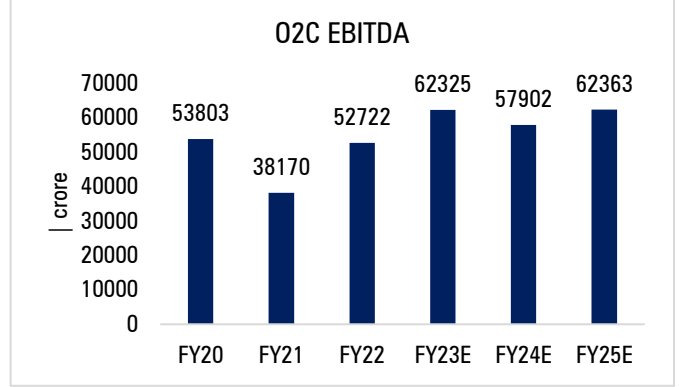
Source: Company, ICICI Direct Research

Exhibit 14: O2C EBITDA quarterly trend



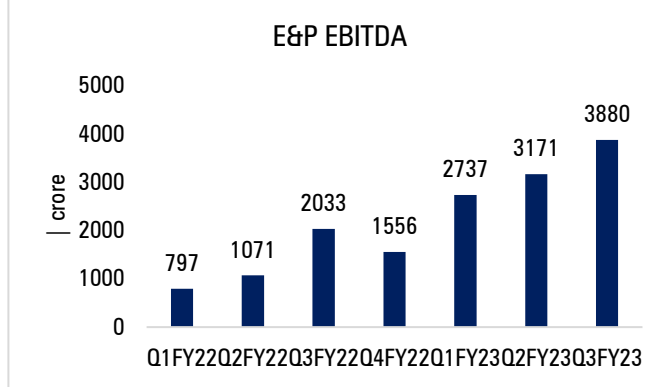
Source: Company, ICICI Direct Research

Exhibit 15: O2C EBITDA trend



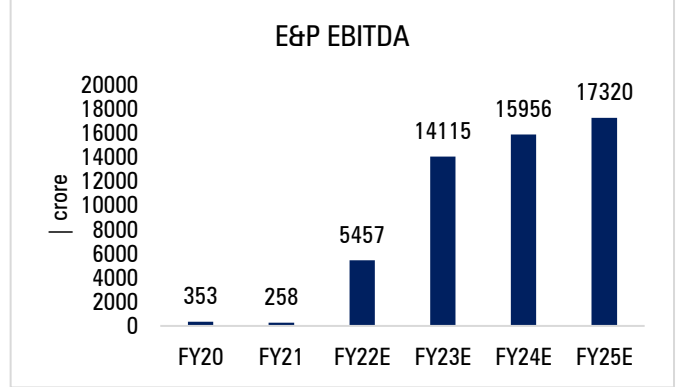
Source: Company, ICICI Direct Research

Exhibit 16: E&P EBITDA quarterly trend



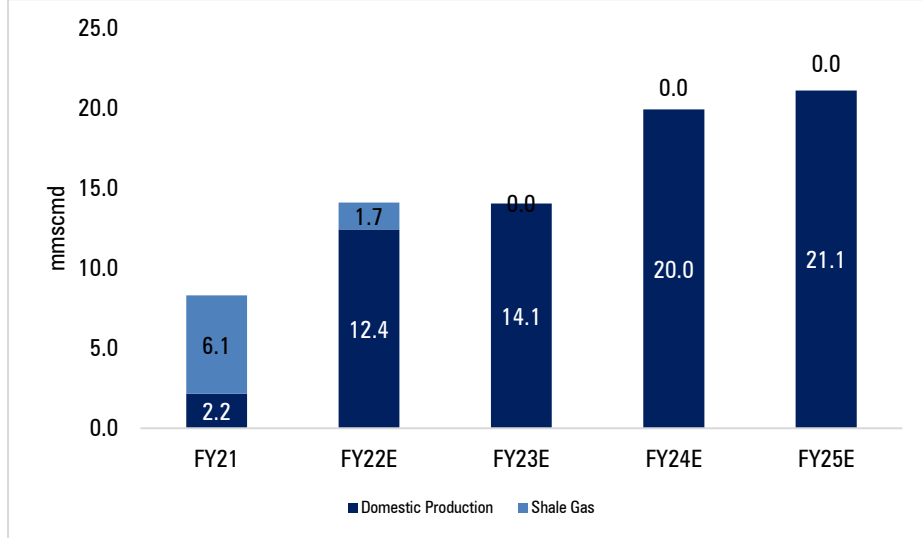
Source: Company, ICICI Direct Research

Exhibit 17: E&P EBITDA trend



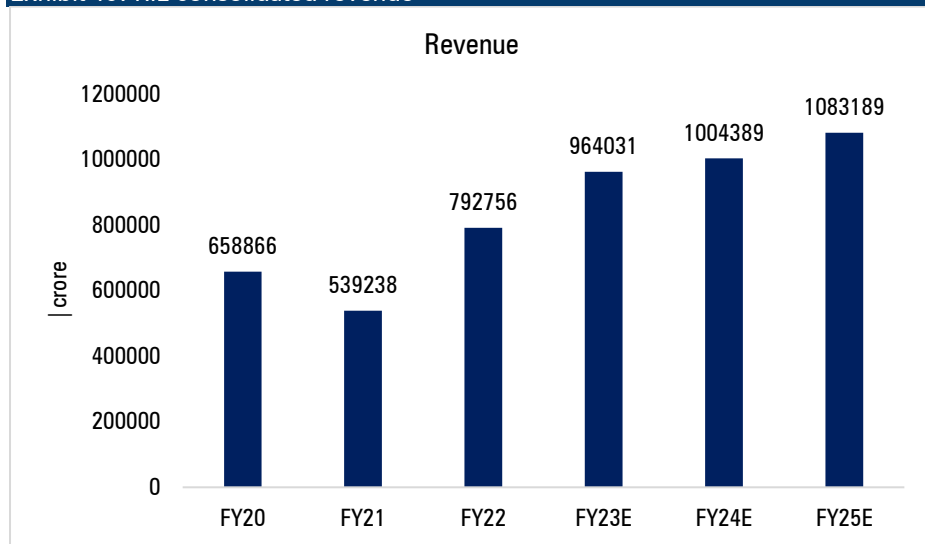
Source: Company, ICICI Direct Research

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

	FY21	FY22	FY23E	FY24E	FY25E
O2C	29773.0	45194.0	53982.4	48901.6	53362.9
Oil & gas	-1477.0	2879.0	11383.1	12655.6	14120.5
Retail	7991.0	10198.0	14124.6	17608.0	21160.0
Digital Services	21181.0	25150.0	29668.0	35761.0	40658.0
Financial Services	1357.0	726.0	792.0	1600.0	0.0
Others	3635.0	5196.0	1903.0	3800.0	5180.0
Total	62460.0	89343.0	111853.1	120326.2	134481.4

Source: Company, ICICI Direct Research

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

	FY21	FY22	FY23E	FY24E	FY25E
O2C	47.7%	50.6%	48.3%	40.6%	39.7%
Oil & gas	-2.4%	3.2%	10.2%	10.5%	10.5%
Retail	12.8%	11.4%	12.6%	14.6%	15.7%
Digital Services	33.9%	28.1%	26.5%	29.7%	30.2%
Financial Services	2.2%	0.8%	0.7%	1.3%	0.0%
Others	5.8%	5.8%	1.7%	3.2%	3.9%
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 FY25E EBITDA	416584	616
Oil & Gas	6.5x FY25E EBITDA	112583	166
Value of Energy business		529167	782
Consumer Business			
Retail (RIL share)	36x FY25E EBITDA	811305	1199
Digital services (RIL share)	DCF	668923	989
Value of Consumer business		1480229	2188
Others		154200	228
Net debt		100234	148
Equity value		2063362	3050

Source: Company, ICICI Direct Researches

Consolidated Financial Summary

Exhibit 23: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Revenue	792756.0	964030.9	1004389.0	1083189.3
Growth (%)	47.0	21.6	4.2	7.8
(Inc./Dec. in stock trade)	360784.0	434560.6	404225.5	432518.7
Raw material Costs	114128.0	143771.9	167723.6	180989.6
Employee Costs	18775.0	24123.2	26053.1	28137.3
Excise Duty	92794.0	99287.5	124973.4	134216.7
Other Expenditure	95815.0	118463.1	124386.3	130605.6
Op. Expenditure	6,82,296.0	8,20,206.4	8,47,361.8	9,06,468.0
EBITDA	110460.0	143824.5	157027.2	176721.4
Growth (%)	36.8	30.2	9.2	12.5
Depreciation	29797.0	38595.4	42301.0	47840.0
EBIT	80663.0	105229.1	114726.2	128881.4
Interest	14584.0	16902.0	13000.0	12400.0
Other Income	15227.0	12784.0	16600.0	17600.0
PBT	84142.0	101111.1	118326.2	134081.4
Growth (%)	51.7	20.2	17.0	13.3
Tax	16297.0	25592.9	29818.2	33788.5
Minority Interest	7140.0	7431.8	9538.1	11048.1
Reported PAT	60705.0	68086.4	78969.9	89244.7
Growth (%)	23.6	12.2	16.0	13.0
EPS	89.7	100.6	116.7	131.9

Source: Company, ICICI Direct Research

Exhibit 25: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Source of Funds				
Equity Capital	6,765.0	6,765.0	6,765.0	6,765.0
Preference Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	7,72,720.0	8,38,118.9	9,11,000.3	9,94,156.5
Shareholder's Fund	7,79,485.0	8,44,883.9	9,17,765.3	10,00,921.5
Loan Funds	3,55,258.1	3,00,258.1	2,50,258.1	2,10,258.1
Deferred Tax Liability	49,644.0	54,919.0	60,194.0	65,469.0
Minority Interest and others	1,09,499.0	1,17,499.0	1,25,499.0	1,33,499.0
Source of Funds	12,93,886.1	13,17,560.0	13,53,716.4	14,10,147.6
Application of Funds				
Gross Block	8,92,149.0	9,76,389.0	10,49,389.0	11,29,389.0
Less: Acc. Depreciation	2,64,351.0	3,02,946.4	3,45,247.4	3,93,087.4
Net Block	6,27,798.0	6,73,442.6	7,04,141.6	7,36,301.6
Capital WIP	1,72,506.0	1,41,835.0	1,28,835.0	1,25,835.0
Total Fixed Assets	8,00,304.0	8,15,277.6	8,32,976.6	8,62,136.6
Investments	3,94,264.0	4,59,682.0	4,74,682.0	4,99,682.0
Inventories	1,07,778.0	1,24,135.5	1,29,332.3	1,39,479.2
Debtor	23,640.0	34,335.3	35,772.8	38,579.3
Cash	36,178.0	65,700.7	85,584.4	1,10,023.8
Loan & Advance, Other CA	1,37,501.0	1,28,501.0	1,19,001.0	1,09,501.0
Total Current assets	3,05,097.0	3,52,672.5	3,69,690.5	3,97,583.3
Current Liabilities	2,01,989.9	3,03,735.8	3,16,451.3	3,41,278.8
Provisions	3,789.0	6,336.3	7,181.3	7,975.4
Total CL and Provisions	2,05,778.9	3,10,072.0	3,23,632.7	3,49,254.2
Net Working Capital	99,318.1	42,600.4	46,057.8	48,329.0
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	12,93,886.1	13,17,560.0	13,53,716.4	14,10,147.6

Source: Company, ICICI Direct Research

Exhibit 24: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	67,845.0	75,518.2	88,508.0	1,00,292.9
Add: Depreciation	29,797.0	38,595.4	42,301.0	47,840.0
Add: Others	12,643.0	5,275.0	5,275.0	5,275.0
Cash Profit	1,10,285.0	1,19,388.6	1,36,084.0	1,53,407.9
Increase/(Decrease) in CL	13,713.9	1,04,293.2	13,560.6	25,621.6
(Increase)/Decrease in CA	2,857.0	-18,052.8	2,865.8	-3,453.5
CF from Operating Activi	1,26,855.9	2,05,629.0	1,52,510.4	1,75,576.0
Purchase of Fixed Assets	1,62,890.0	53,569.0	60,000.0	77,000.0
(Inc)/Dec in Investments	-29,436.0	-65,418.0	-15,000.0	-25,000.0
Others	10239	8000	8000	8000
CF from Investing Activit	-1,82,087.0	-1,10,987.0	-67,000.0	-94,000.0
Inc/(Dec) in Loan Funds	62,544.1	-55,000.0	-50,000.0	-40,000.0
Inc/(Dec) in Sh. Cap. & Res.	16,880.0	-4,030.8	-9,538.1	-11,048.1
Dividend Paid	5412	6088.5	6088.5	6088.5
CF from financing activit	74,012.1	-65,119.3	-65,626.6	-57,136.6
Change in cash Eq.	18,781.0	29,522.7	19,883.8	24,439.3
Op. Cash and cash Eq.	17,397.0	36,178.0	65,700.7	85,584.4
Cl. Cash and cash Eq.	36,178.0	65,700.7	85,584.4	1,10,023.8

Source: Company, ICICI Direct Research

Exhibit 26: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Book Value	1,152.2	1,248.9	1,356.6	1,479.6
Cash per share	53.5	97.1	126.5	162.6
EPS	89.7	100.6	116.7	131.9
Cash EPS	133.8	157.7	179.3	202.6
DPS	8.0	9.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	13.9	14.9	15.6	16.3
PAT Margin (%)	8.6	7.8	8.8	9.3
Fixed Asset Turnover (x)	1.0	1.2	1.2	1.3
Inventory Turnover (Days)	49.6	47.0	47.0	47.0
Debtor (Days)	10.9	13.0	13.0	13.0
Current Liabilities (Days)	93.0	115.0	115.0	115.0
Return Ratios (%)				
RoE	7.8	8.1	8.6	8.9
RoCE	7.1	9.2	9.8	10.6
RoIC	7.3	9.7	10.6	11.7
Valuation Ratios (x)				
PE	27.2	24.3	20.9	18.5
Price to Book Value	2.1	2.0	1.8	1.7
EV/EBITDA	17.9	13.1	11.6	9.9
EV/Sales	2.5	2.0	1.8	1.6
Leverage & Solvency Ratios				
Debt to equity (x)	0.5	0.4	0.3	0.2
Interest Coverage (x)	5.5	6.2	8.8	10.4
Debt to EBITDA (x)	3.2	2.1	1.6	1.2
Current Ratio	1.5	1.1	1.1	1.1
Quick ratio	1.0	0.7	0.7	0.7

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)	335	350	Hold	71,337	42.0	-11.2	55.3	8.0	-29.9	6.1	6.5	30.6	5.0	13.2	-2.2	15.2	17.9	-5.0	21.4
GAIL (India) (GAIL)	93	100	Hold	61,148	23.3	9.9	8.9	4.0	9.4	10.4	3.3	7.4	8.1	18.8	10.3	8.7	18.6	11.1	9.5
Gujarat Gas (GUJGA)	515	550	Hold	35,453	18.9	18.9	26.6	27.2	27.3	19.4	17.3	16.9	12.1	27.3	22.0	26.4	23.3	19.6	22.5
HPCL (HINPET)	232	250	Hold	32,919	44.9	-39.6	47.8	5.2	-5.9	4.9	7.8	-18.2	6.6	7.3	-9.9	8.3	16.5	-17.0	18.3
Indian Oil Corp (INDOIL)	77	85	Hold	1,08,734	17.1	2.8	14.0	4.5	27.1	5.5	2.5	5.8	2.6	12.9	2.4	10.1	18.4	3.2	14.9
Indraprastha Gas (INDGAS)	381	430	Hold	26,670	18.8	21.7	20.9	20.3	17.6	18.3	13.5	11.5	10.8	22.3	22.5	20.2	19.0	18.8	16.1
Mahanagar Gas (MAHGAS)	897	1,000	Hold	8,860	60.4	50.4	79.6	14.8	17.8	11.3	9.2	10.6	6.9	19.8	15.1	22.2	16.6	13.1	18.4
ONGC (ONGC)	149	155	Hold	1,91,217	10.4	8.9	32.0	14.3	16.7	4.7	4.2	6.4	3.3	10.2	4.5	14.8	6.7	5.5	17.0
Petronet LNG (PETLNG)	212	215	Hold	31,800	22.3	18.2	19.4	9.5	11.6	11.0	5.8	6.9	6.2	27.0	20.5	20.9	25.0	19.4	19.5
Reliance Industries (RELIND)	2,443	3,050	Buy	16,52,690	89.7	89.7	100.6	32.0	27.2	24.3	22.9	17.9	13.1	5.5	7.1	9.2	7.0	7.8	8.1

Source: Bloomberg, ICICI Direct Research

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