

Upbeat performance visible across segments...

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 FY23, O2C and oil & gas contributed 50% while retail, digital and others contributed 12%, 34% and 4%, respectively

Q4FY23 Results: RIL's results were marginally better than estimates on the operational profitability front.

- Revenue was up 2% YoY (down 2% QoQ) to ₹ 220592 against I-direct estimate of ₹ 201246 crore
- EBITDA came in at ₹ 38440 crore, up 23% YoY, 9% QoQ vs. I-direct estimate of ₹ 37540 crore. EBITDA growth QoQ was driven by O2C segment (up 17%)
- PAT was higher than estimates at ₹ 19299 crore, up 19% YoY, 22% QoQ (I-direct estimate: ₹ 17545 crore) due to lower-than-expected tax

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 with addition of new refining capacity with expected pickup in demand from China in the second half of 2023.

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

Target Price and Valuation: We value RIL at ₹ 2850 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
- BUY with a target price of ₹180



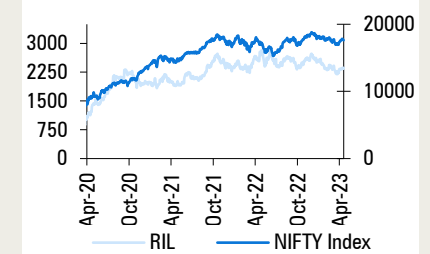
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	15,89,775.0
Total Debt (FY22) (₹ Crore)	3,21,116.0
Cash (FY22) (₹ Crore)	36,178.0
EV (₹ Crore)	18,74,713.0
52 week H/L	2855/ 2181
Equity capital (FY22) (₹ Crore)	6,765.0
Face value (₹)	10.0

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	50.6	50.6	50.5	50.5
FII	23.9	23.6	23.5	22.5
DII	14.7	14.9	15.3	16.1
Others	10.8	10.9	10.8	10.9

Price Chart



Recent event & key risks

- Key Risk:** (i) Decline in crude prices
(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 (FY22-25E)
Net Sales (₹ crore)	6,58,866.0	5,39,238.0	7,92,756.0	19.1	9,76,524.0	9,36,882.9	10,34,222.4	9.3
EBITDA (₹ crore)	88,709.0	80,737.0	1,10,460.0	19.1	1,42,908.0	1,47,474.9	1,71,724.0	15.8
PAT (₹ crore)	39,354.0	49,128.0	60,705.0	15.3	66,702.0	70,383.0	83,607.7	11.3
EPS (₹)	62.1	76.2	89.7		98.6	104.0	123.6	
P/E (x)	37.8	30.8	26.2		23.8	22.6	19.0	
P/BV (x)	3.3	2.2	2.0		1.9	1.8	1.6	
RoCE (%)	8.1	5.5	7.3		9.0	8.4	9.2	
RoE (%)	8.8	7.0	7.8		8.1	7.8	8.5	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

Segmental details

Reliance Jio

RJio's Q4 – Flattish ARPU; lower network opex aid margins: The subscriber addition traction remained healthy as the company added 6.4 million (mn) subs (in line with expectations). ARPU was flattish QoQ at ₹ 178.8, as the subscriber mix (higher data usage driven ARPU upgrades) was offset by lower number of days during the quarter. Revenues and EBITDA were at ₹ 23394 crore, ₹ 12210 crore up 1.7% QoQ each. Margins were at 52.2%, flat QoQ a tad higher than our estimates of 51.6%, owing to lower network opex (that was surprising despite aggressive 5G rollout). PAT at ₹ 4716 crore, up 1.7% QoQ, was ahead of expectations as interest expenses were flattish despite higher debt (possibly capitalised during the quarter)

On the KPI front, key takeaways were:

- Healthy subscriber addition:** The overall subscriber base (including Fiber and enterprise) were at 439.3 mn, up 6.4 mn QoQ. We highlight that with fourth consecutive positive subscriber addition quarter, **the company is leading the subscriber addition and added 29.2 mn subscribers in FY23**
- ARPU muted on reported basis:** ARPU saw only a modest improvement of 0.3% QoQ at ₹ 178.8. We believe that higher data usage driven ARPU upgrades) was offset by lower number of days during the quarter. **We also highlight that APRU reported by Jio also includes broadband subscribers and enterprise revenues. The wireless ARPU, as per our understanding, may have declined QoQ with no tariff hike measures**
- Data/voice usage:** Total minutes were up 3.2% QoQ to 1,312 bn (MoU/sub/month was at 1003, up 1.8% QoQ). Data usage was up 3.1% QoQ to 23.1 GB/day, implying that 4G based usage has largely plateaued for the company. **Nonetheless, we highlight that RIL sees 5G as a medium to long term enabler of higher data usage and APRU driver, going ahead. It highlighted that higher data usage under 5G will drive ARPU without even taking tariff hike**
- Margins aided by flattish network opex despite 5G rollout:** Margins were at 52.2%, flat QoQ and a tad higher than our estimates of 51.6%. Margins were better than expected owing to flattish network opex despite 5G roll out as the company may have capitalised the interest expenses
- Debt inches up on 5G capex:** Net debt (excluding capex creditors and lease liabilities) has increased from ₹ 78503 crore in FY22 to ₹ 151500 crore in FY23, largely led by 5G spectrum and launch led capex. The net cash capex (excluding spectrum) during FY23 was ₹ 33481 crore
- Jio Platform Performance:** The revenues of Jio Platforms (holding company for Jio and other digital businesses of RIL) came in at ₹ 25465 crore, up 2.3% QoQ. at ₹ 12767 crore, was up 2% QoQ with margin of 50.1%, down 20 bps QoQ. PAT at ₹ 4984 crore, was up 2.1% QoQ
- 5G rollout status:** Pan India 5G rollout target of December, 2023 is on track with Jio having launched 5G during Q3 and 5G coverage has expanded to 2300+ towns and cities, till date. The company indicated that 60K+ sites have been deployed across 700 MHz and 3500 MHz bands with six sectors

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

- **Business commentary:** The company continues to see 5G as a medium to long term enabler of higher data usage and APRU driver along with its dedicated **efforts to catch up on postpaid offerings (through new plans)** where it currently lags behind incumbents. Furthermore, **it highlighted its intent to aggressively expand broadband coverage (targeting 100 mn customer in two to three years vs. current base of ~9 mn) both through new plans and fixed wireless access (likely to be launched when 5G reaches critical mass)**. Like Airtel, Jio is also partnering with local cable operators now for faster rollout in small to mid-sized towns. It also **continues to build on enterprise use case both for large enterprises and small and medium businesses**

Outlook: We tweak the earnings estimates (baking in a tad higher interest expenses with higher debt). With no tariff hike in sight, 5G users' data usage trend will drive the ARPU in the near and medium term. Nonetheless, we remain constructive on Jio on a medium/long term basis. We believe that superior spectrum portfolio along with superior digital ecosystem offering lends Jio a competitive advantage even in 5G (as seen in 4G foray)

Reliance Retail

Reliance Retail reported a healthy operational performance in Q4FY23 with numbers coming in-line with our estimates. Revenue for the quarter grew 19% YoY to ₹ 69267 crore (I-direct estimate: ₹ 69415 crore). Growth was broad based with grocery segment continuing to register industry leading performance, with robust growth of 66% YoY. Fashion & lifestyle segment registered 19% YoY revenue growth (partly aided by favourable base). Partnered brands (which mainly includes premium and luxury brands) recorded 35% YoY growth during the quarter. As the industry trends indicate, premium brands are performing better than value fashion segment. Footfalls were at an all-time high of ~219 million during the quarter (up 41.% YoY). We believe the customer conversion ratio to have declined during the quarter. **EBITDA margins improved 70 bps YoY to 6.9% with EBITDA growth of 33% YoY to ₹ 4769 crore (I-direct estimate: ₹ 4789 crore).** The margin expansion was owing to favourable product mix and sourcing benefits. Store addition trajectory was robust with opening of 815 stores in Q4FY23 (added 2900 stores in FY23) reaching the milestone of 18000+ stores. **FY23 was another landmark year for the company as it grew 30% YoY to ₹ 2.6 lakh crore on a significantly large base. Retail coverage area now has crossed 65 million sq ft (up 57% YoY), which is more than 4.5x the size of the second largest retailer. Despite record number of store additions and foray into newer segments (consumer brands) the company managed to improve its RoCE profile by 250 bps YoY to 14.0% in FY23.**

During FY23, the company pursued new growth initiatives by foraying into the FMCG and beauty businesses. The FMCG business launched various products during the year including 'Independence' brand and the beverage brand, 'Campa'. The beauty business launched digital commerce platform 'Tira' and opened its flagship store in Mumbai. The company is planning to focus on the new business and would be gradually scaling up its presence in these businesses. To manage the higher scale of operations, the company continued to invest in strengthening its supply chain capabilities by expanding over 12.6 million sq. ft. of warehouse space during FY23.

Reliance Retail, over the last five years, has created world class ecosystem (online + offline) with unmatched scale (revenue growth, store addition significantly ahead of peers). 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:

- Fashion & lifestyle delivered revenue growth of 19% YoY led by wedding season & festivals resulting in higher bill values and improved conversions. Trends and Trends extension formats consolidated their position as fashion destination with high quality merchandise at value for money price points
- AJIO reported another strong quarter with improvement across operational metrics. The company expanded the product assortment for AJIO with catalogue size crossing 13 lakh options providing the customer with enhanced product options
- The premium brands have been performing well and the premium brands business registered 35% YoY growth driven by its diverse product and brand offering. Reliance Retail also strengthened its food and beverages portfolio by entering into exclusive partnerships with EL&N cafe. It also entered into a JV with Circle E Retail to vertically integrate its toy business and provide better proposition to customers
- The jewellery business registered revenue growth of 28% YoY driven by a strong wedding season and regional festivities. The business continued to focus on strengthening product offering with new collection launches

Grocery:

- The grocery business growth was driven by Smart and Smart Bazaar formats, which witnessed strong growth arising from store expansion and volume growth in existing stores. The growth in small towns was faster compared to large towns and cities. The business continued to deliver robust revenue growth led by growth across categories. The non-food contribution continues to expand. The company is aiming to increase the product offerings in the segment to meet the daily and monthly needs of the consumer and fill the product assortment gaps
- The company is expanding its presence in niche regional food brands on a pan India basis to strengthen its product offering
- Festive demand and expansion of MilkBasket in new cities led to the company's grocery digital commerce business revenues to grow at a steady pace
- The grocery new commerce revenue growth during the quarter was aided by new merchant on boarding and investment in enhancing efficiency of supply chain, which led to superior delivery capabilities for merchant partners

Consumer electronics:

- Consumer electronics business excluding devices grew 37% YoY while the growth in devices lagged the other segments. The growth in the consumer electronics business was on the back of festive events, promotions and new launches. The business delivered strong performance on Republic Day period sales with revenue growth of 35% YoY, which was driven by promotions and affordability programs
- The segment registered steady growth across categories and was able to capitalise on pre-IPL sales for televisions by category focussed promotions
- The merchant base of the segment increased 80% YoY while own brands/PBG sales were up by 2x on a YoY basis and continued to outperform the industry

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. After the company had launched its FMCG brand 'Independence' in Gujarat, the company further strengthened its presence in FMCG segment with launch of cold beverage under the brand Campa. The company is further planning to enter the value-added dairy products segment with focus on products like frozen desserts and curd, flavoured yogurt, etc. The company is concentrating on building a strong portfolio of products catering to regional tastes and preferences. Expansion of Independence brand on a pan India basis would further strengthen the presence of the company in the Indian FMCG products business
- JioMart delivered its best quarter with robust growth across categories. The platform enhanced its catalogue by 34% on a QoQ basis across categories to widen its product offering. JioMart has been able to enhance its contribution from the non-grocery segment by including Trends, Hamleys & Urban Ladder on the platform Further, JioMart further has strengthened its seller base by 56% on a QoQ basis

Reliance Retail during Q4FY23 has been able to deliver all-time high revenues amid a normalised demand scenario aided by wedding and festive season. The company is broadly looking at scaling up its various businesses through focused 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 Q4FY20 to Q4FY23. 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 for a larger scale of operations. 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 ₹ 128633 crore, down 11.8% YoY (down 11% QoQ) vs. I-direct estimate of ₹ 121422 crore. Revenue declined YoY was due to reduction in crude oil prices and lower realisation of downstream products. On a QoQ basis, petchem segment performance improved, as per our understanding
- EBITDA improved 14.4% YoY and 17% QoQ to ₹ 16293 crore vs. I-direct estimate of ₹ 15387 crore owing to improvement in refining segment performance (higher company GRMs). Special additional excise duty of ₹ 711 crore was levied on export of fuels during the quarter
- The company expects middle distillate cracks to remain supported due to Russian product ban by EU. New refining capacity with expected pickup in demand from China is expected in the second half of the year with potential of a delay. We estimate O2C EBITDA at ₹ 46447 crore and ₹ 55897 crore in FY24E and FY25E, respectively, as we revise GRMs estimate taking into account current product cracks trend
- Oil & gas segment revenue was up 1.3x YoY and flat QoQ at ₹ 4556 crore (I-direct estimate: ₹ 4445 crore) driven mainly by higher volume and gas realisation YoY. KG-D6 production during the quarter was ~20 mmscmd
- EBITDA was at ₹ 3801 crore, up 1.4x YoY and flat QoQ (I-direct estimate: ₹ 3854 crore) as gas volume and realisation remained largely unchanged QoQ
- The Government of India revised the ceiling price for HPHT fields for the period April 1, 2023 to October 1, 2023 to US\$12.12/mmbtu on a GCV basis (from US\$12.47/mmbtu earlier). The company completed the e-auction for the sale of additional 6 mmscmd gas in April. KG D6 production is estimated to reach 30 mmscmd in FY24
- Going ahead, we estimate E&P EBITDA at ₹ 18251 crore and ₹ 18007 crore in FY24E and FY25E, respectively

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Total Revenues	2,16,376.0	2,01,245.7	2,11,887.0	2.1	2,20,592.0	-1.9	
Raw materials costs	1,37,103.0	1,24,959.4	1,45,009.0	-5.5	1,45,737.0	-5.9	
Employees Cost	6,471.0	5,700.2	5,278.0	22.6	6,267.0	3.3	
Other Expenses	34,362.0	33,045.5	30,234.0	13.7	28,517.0	20.5	
Total Expenditure	1,77,936.0	1,63,705.1	1,80,521.0	-1.4	1,80,521.0	-1.4	
EBITDA	38,440.0	37,540.6	31,366.0	22.6	35,247.0	9.1	Marginally better than estimates
EBITDA margins (%)	17.8	18.7	14.8	296 bps	16.0	179 bps	
Depreciation	11,456.0	10,094.0	8,001.0	43.2	10,187.0	12.5	
EBIT	26,984.0	27,446.6	23,365.0	15.5	25,060.0	7.7	
Interest	5,819.0	5,300.0	3,556.0	63.6	5,201.0	11.9	
Other Income	2,949.0	3,950.0	2,602.0	13.3	3,213.0	-8.2	
Extra Ordinary Item	0.0	0.0	0.0	NA	0.0	NA	
PBT	24,114.0	26,096.6	22,411.0	7.6	23,072.0	4.5	
Total Tax	2,787.0	6,576.3	4,390.0	-36.5	5,266.0	-47.1	Lower than expected
PAT	19,299.0	17,544.5	16,203.0	19.1	15,792.0	22.2	

Key Metrics

Exchange rate (₹/\$)	82.3	82.3	75.2	9.4	82.2	0.1	
ARPU (₹)	178.8	179.3	167.6	6.7	178.2	0.3	
Subscribers (mn)	439.3	439.4	410.2	7.1	432.9	1.5	
Retail revenue (₹ crore)	69288.0	69415.0	58019.0	19.4	67634.0	2.4	Growth led by grocery segment
Retail EBITDA (₹ crore)	4925.0	4657.0	3712.0	32.7	4786.0	2.9	
O2C EBITDA (₹ crore)	16293.0	15387.2	14241.0	14.4	13926.0	17.0	Above estimates due to higher refining margins
E&P EBITDA (₹ crore)	3801.0	3854.4	1556.0	144.3	3880.0	-2.0	In line with estimates
Gas output (mmscmd)	14.2	13.7	12.7	11.6	13.6	4.3	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			FY25E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	960618.6	976524.0	1.7	1011913.0	936882.9	-7.4	1090659.3	1034222.4	-5.2
EBITDA	1,42,008.6	1,42,908.0	0.6	156567.2	1,47,474.9	-5.8	176229.4	1,71,724.0	-2.6
EBITDA Margin (%)	14.8	14.6	-15 bps	15.5	15.7	27 bps	16.2	16.6	45 bps
PAT	64,947.5	66,702.0	2.7	78762.1	70,383.0	-10.6	89026.7	83,607.7	-6.1
EPS (₹)	96.0	98.6	2.7	116.4	104.0	-10.7	131.6	123.6	-6.1

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	178.1	193.5	209.7	179.1	195.6	211.7
Subscribers	426.2	410.2	439.3	464.0	485.0	442.4	461.4	478.9
Retail revenue (₹ crore)	153818.0	199749.0	260427.0	316325.1	374269.1	260554.0	316325.1	374313.7
Retail EBITDA (₹ crore)	9842.0	12423.0	17974.0	22071.0	26421.0	17706.0	22068.0	26420.0
O2C EBITDA (₹ crore)	38170.0	52722.0	62075.0	46447.4	55896.9	61169.2	53732.1	62362.9
E&P EBITDA (₹ crore)	258.0	5457.0	13589.0	18250.5	18007.2	13642.4	17719.0	17035.5
Gas output (mmscmd)	8.3	14.1	13.7	19.7	20.9	13.5	19.7	20.9

Source: Company, ICICI Direct Research

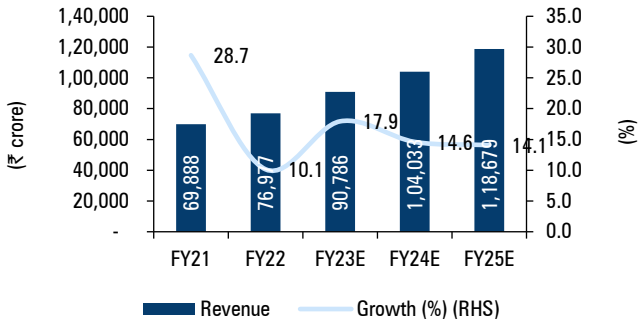
Exhibit 4: Jio Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	Q3FY23	YoY (%)	QoQ (%)	Comments
Revenue	23,394	23,455	20,901	22,998	11.9	1.7	Topline was driven by subscriber addition sequentially, while ARPU was flattish QoQ
Other Income	105	93	44	63	138.6	66.7	
Network operating expenses	7,224	7,390	6,533	7,227	10.6	0.0	
Access charges	282	261	190	220	48.4	28.2	
Employee cost	437	438	368	400	18.8	9.3	
Selling & Distribution expenses	528	522	310	498	70.3	6.0	
Other expenses	558	541	486	524			
LF/SUC	2,155	2,191	2,504	2,120			
EBITDA	12,210	12,112	10,510	12,009	16.2	1.7	
EBITDA Margin (%)	52.2	51.6	50.3	52.2	191 bps	-2 bps	Margins were better than expected owing to flattish network opex despite 5G roll out
Depreciation	4,982	4,817	3,744	4,810	33.1	3.6	
Interest	1,006	1,339	1,218	1,040	-17.4	28.8	The company capitalised the 5G debt interest, as per our understanding
Exceptional Items	0	0	0	0	NA	NA	
Total Tax	1,611	1,539	1,419	1,584	13.5	1.7	
PAT	4,716	4,510	4,173	4,638	13.0	1.7	
Subs (mn)	439.3	439.4	410	433	7.1	1.5	
ARPU (₹)	178.8	179.3	168	178	6.7	0.3	

Source: Company, ICICI Direct Research

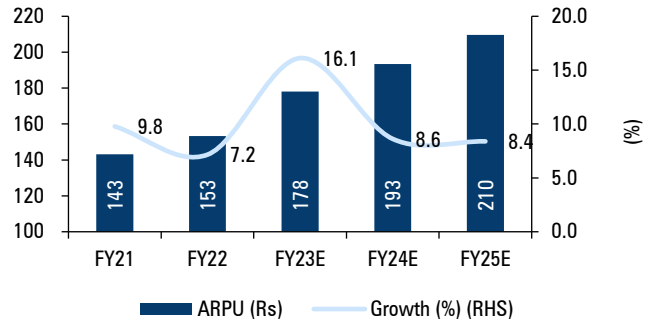
Story in charts

Exhibit 5: Jio revenue trend



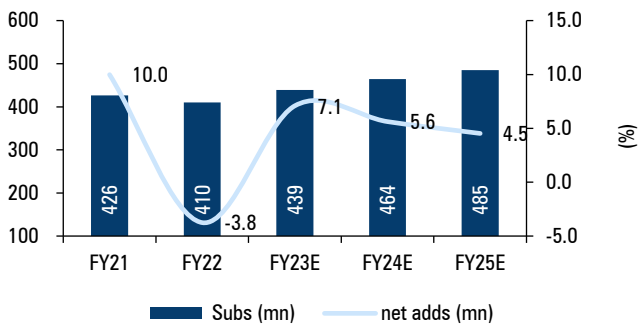
Source: Company, ICICI Direct Research

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



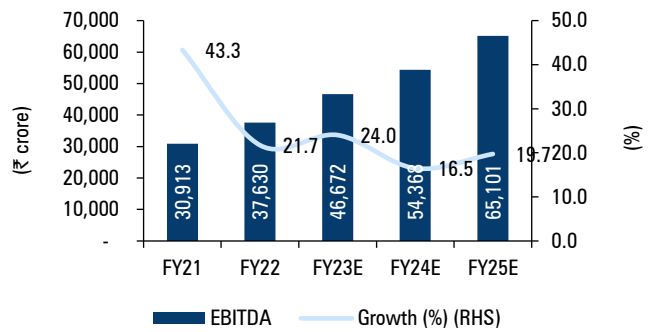
Source: Company, ICICI Direct Research

Exhibit 7: Subscribers growth trend



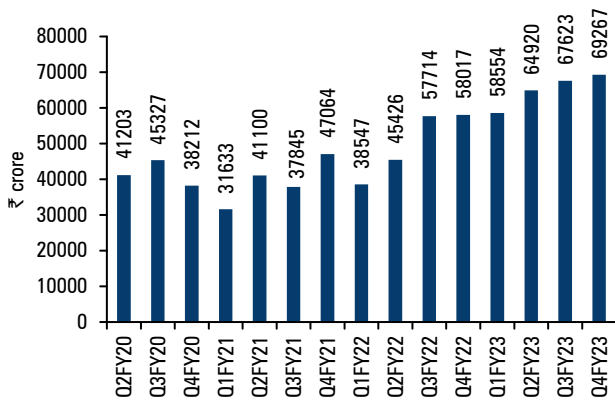
Source: Company, ICICI Direct Research

Exhibit 8: Jio EBITDA trend



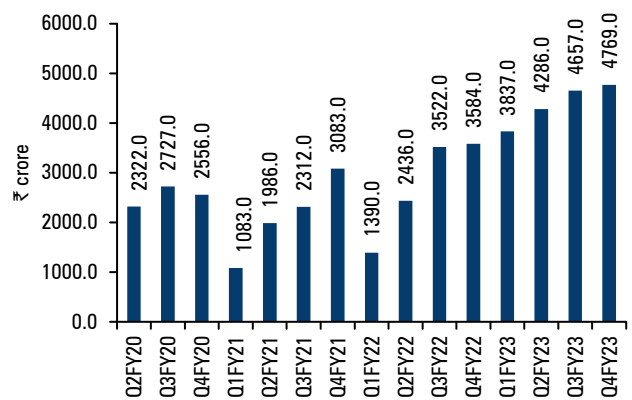
Source: Company, ICICI Direct Research

Exhibit 9: Retail- Revenue quarterly trend



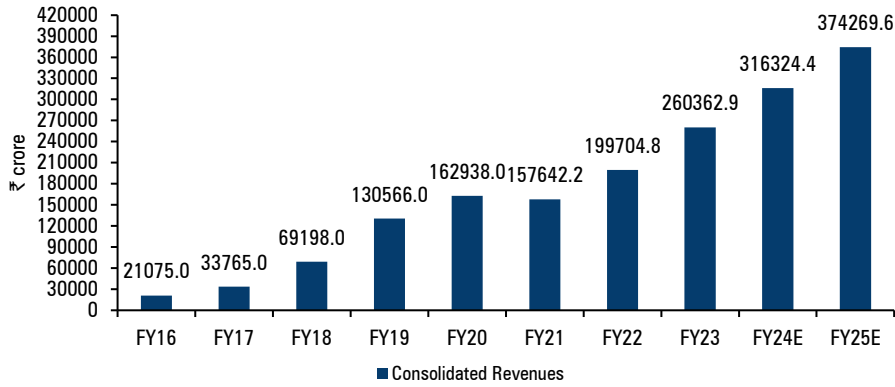
Source: Company, ICICI Direct Research

Exhibit 10: Retail EBITDA quarterly trend



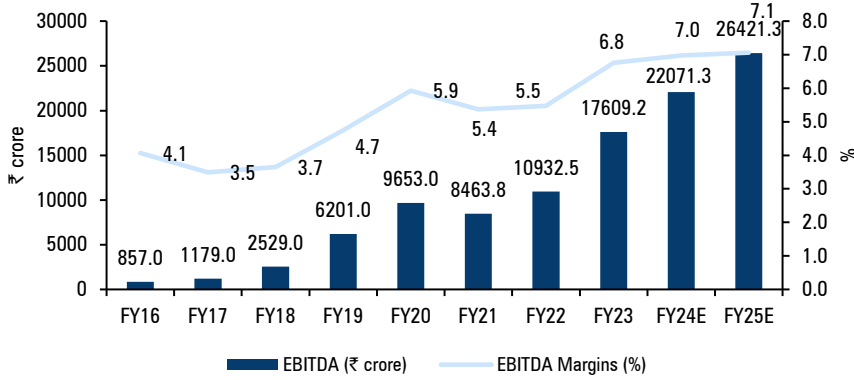
Source: Company, ICICI Direct Research. EBITDA includes other income

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



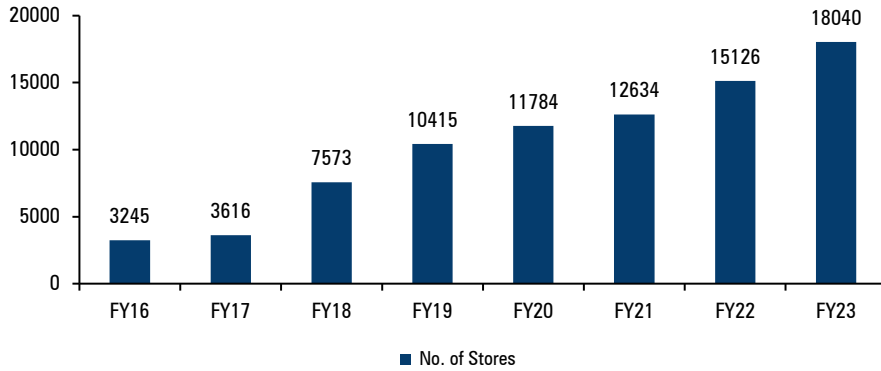
Source: Company, ICICI Direct Research

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



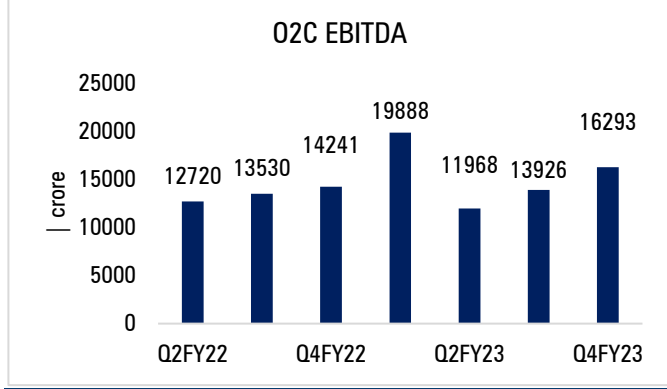
Source: Company, ICICI Direct Research. EBITDA excludes other income

Exhibit 13: Robust store addition trajectory in FY23 (added ~2900 stores)



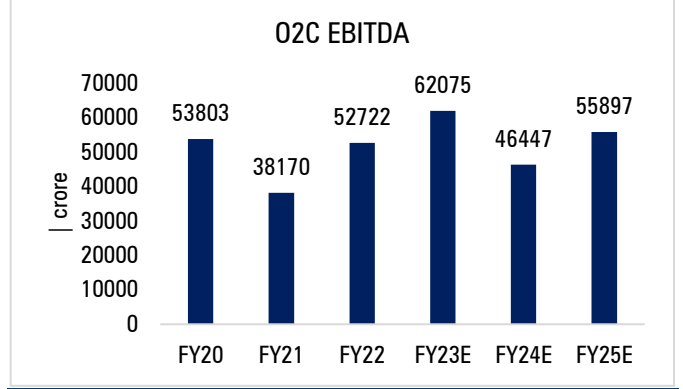
Source: Company, ICICI Direct Research

Exhibit 14: O2C EBITDA quarterly trend



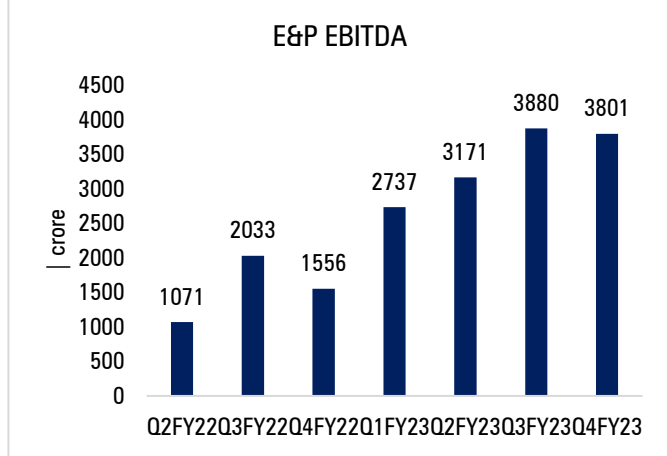
Source: Company, ICICI Direct Research

Exhibit 15: O2C EBITDA trend



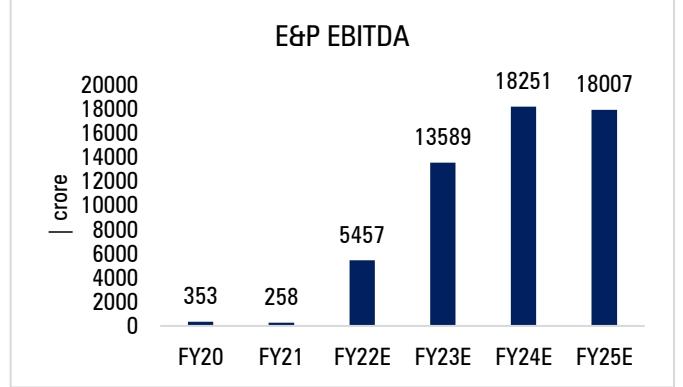
Source: Company, ICICI Direct Research

Exhibit 16: E&P EBITDA quarterly trend



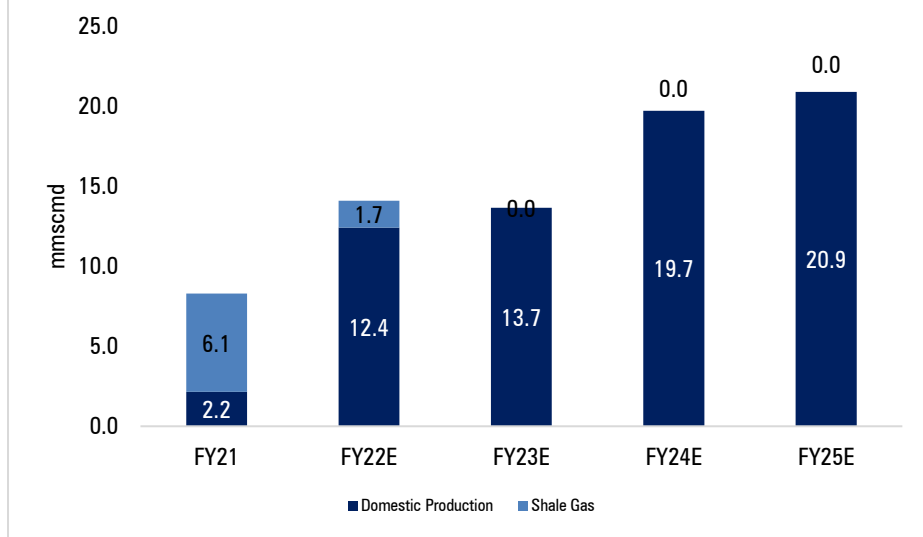
Source: Company, ICICI Direct Research

Exhibit 17: E&P EBITDA trend



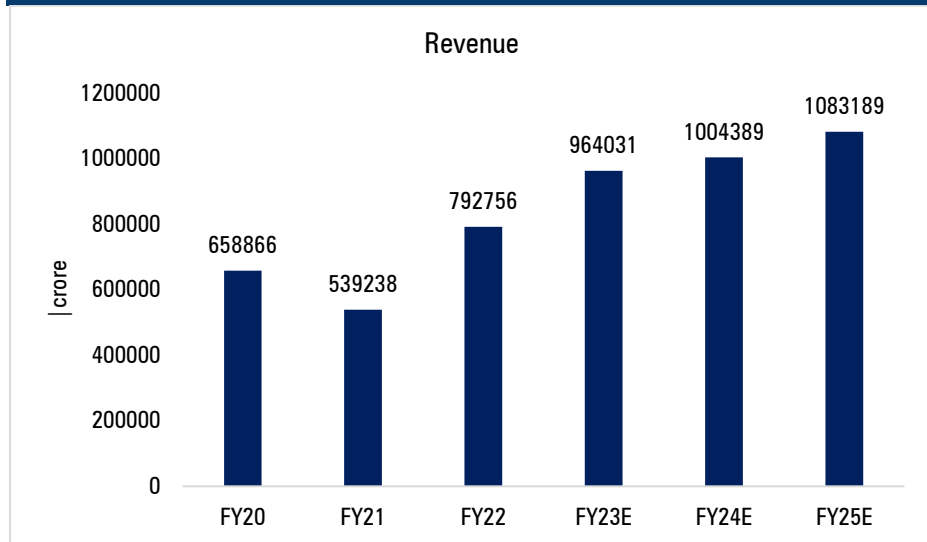
Source: Company, ICICI Direct Research

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	FY23	FY24E	FY25E
O2C	29773.0	45194.0	53883.0	37447.4	46896.9
Oil & gas	-1477.0	2879.0	10933.0	14950.5	14807.2
Retail	7991.0	10198.0	13994.0	17231.0	20857.0
Digital Services	21181.0	25150.0	29681.0	32899.0	38428.0
Financial Services	1357.0	726.0	494.0	1600.0	0.0
Others	3635.0	5196.0	1045.0	3800.0	5180.0
Total	62460.0	89343.0	110030.0	107927.9	126169.0

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%	49.0%	34.7%	37.2%
Oil & gas	-2.4%	3.2%	9.9%	13.9%	11.7%
Retail	12.8%	11.4%	12.7%	16.0%	16.5%
Digital Services	33.9%	28.1%	27.0%	30.5%	30.5%
Financial Services	2.2%	0.8%	0.4%	1.5%	0.0%
Others	5.8%	5.8%	0.9%	3.5%	4.1%
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	~8.5x FY25E EBITDA	485744	718
Oil & Gas	7x FY25E EBITDA	125150	185
Value of Energy business		610894	903
Consumer Business			
Retail (RIL share)	36x FY25E EBITDA	811756	1200
Digital services (RIL share)	DCF	628225	929
Value of Consumer business		1439981	2128
Others		154200	228
Net debt		276952	409
Equity value		1928123	2850

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	976524.0	936882.9	1034222.4
Growth (%)	47.0	23.2	-4.1	10.4
(Inc./)Dec. in stock trade	360784.0	450241.0	360603.3	397312.5
Raw material Costs	114128.0	139039.0	156358.9	172746.0
Employee Costs	18775.0	24894.0	26885.5	29036.4
Excise Duty	92794.0	97056.0	117055.0	128472.9
Other Expenditure	95815.0	122386.0	128505.3	134930.6
Op. Expenditure	6,82,296.0	8,33,616.0	7,89,408.0	8,62,498.3
EBITDA	110460.0	142908.0	147474.9	171724.0
Growth (%)	36.8	29.4	3.2	16.4
Depreciation	29797.0	40319.0	45147.0	51155.0
EBIT	80663.0	102589.0	102327.9	120569.0
Interest	14584.0	19571.0	13000.0	12400.0
Other Income	15227.0	11783.0	16600.0	17600.0
PBT	84142.0	94801.0	105927.9	125769.0
Growth (%)	51.7	12.7	11.7	18.7
Tax	16297.0	20713.0	26693.8	31693.8
Minority Interest	7140.0	7386.0	8851.1	10467.5
Reported PAT	60705.0	66702.0	70383.0	83607.7
Growth (%)	23.6	9.9	5.5	18.8
EPS	89.7	98.6	104.0	123.6

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	6,766.0	6,766.0	6,766.0
Preference Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	7,72,720.0	8,14,387.0	8,97,627.2	9,75,145.5
Shareholder's Fund	7,79,485.0	8,21,153.0	9,04,393.2	9,81,911.5
Loan Funds	3,21,116.0	3,20,659.0	3,14,116.0	3,21,616.0
Deferred Tax Liability	49,644.0	60,327.0	65,602.0	70,877.0
Minority Interest and others	1,09,499.0	1,13,009.0	1,21,009.0	1,29,009.0
Source of Funds	12,59,744.0	13,15,148.0	14,05,120.2	15,03,413.5
Application of Funds				
Gross Block	8,83,624.0	10,19,400.0	11,29,400.0	12,39,400.0
Less: Acc. Depreciation	2,55,826.0	2,96,145.0	3,41,292.0	3,92,447.0
Net Block	6,27,798.0	7,23,255.0	7,88,108.0	8,46,953.0
Capital WIP	1,72,506.0	2,93,790.0	2,84,976.3	2,76,427.0
Total Fixed Assets	8,00,304.0	10,17,045.0	10,73,084.3	11,23,380.0
Investments	3,94,264.0	3,36,633.0	3,72,658.0	4,12,658.0
Inventories	1,07,778.0	1,40,008.0	1,28,340.1	1,41,674.3
Debtor	23,640.0	28,451.0	28,234.8	31,168.3
Cash	36,178.0	74,708.0	61,767.9	44,663.8
Loan & Advance, Other CA	1,37,501.0	1,16,444.0	1,06,944.0	97,444.0
Total Current assets	3,05,097.0	3,59,611.0	3,25,286.9	3,14,950.5
Current Liabilities	2,36,132.0	3,94,354.0	3,59,352.4	3,40,018.3
Provisions	3,789.0	3,787.0	6,556.6	7,556.6
Total CL and Provisions	2,39,921.0	3,98,141.0	3,65,909.0	3,47,575.0
Net Working Capital	65,176.0	-38,530.0	-40,622.1	-32,624.5
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	12,59,744.0	13,15,148.0	14,05,120.2	15,03,413.5

Source: Company, ICICI Direct Research

Exhibit 24: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	67,845.0	74,088.0	79,234.1	94,075.2
Add: Depreciation	29,797.0	40,319.0	45,147.0	51,155.0
Add: Others	12,643.0	10,683.0	5,275.0	5,275.0
Cash Profit	1,10,285.0	1,25,090.0	1,29,656.1	1,50,505.2
Increase/(Decrease) in CL	47,856.0	1,58,220.0	-32,232.0	-18,334.0
(Increase)/Decrease in CA	2,857.0	-15,984.0	21,384.0	-6,767.7
CF from Operating Activi	1,60,998.0	2,67,326.0	1,18,808.1	1,25,403.5
Purchase of Fixed Assets	1,62,890.0	2,57,060.0	1,01,186.3	1,01,450.7
(Inc)/Dec in Investments	-29,436.0	57,631.0	-36,025.0	-40,000.0
Others	10239	3510	8000	8000
CF from Investing Activit	-1,82,087.0	-1,95,919.0	-1,29,211.3	-1,33,450.7
Inc/(Dec) in Loan Funds	28,402.0	-457.0	-6,543.0	7,500.0
Inc/(Dec) in Sh. Cap. & Res.	15,765.0	-26,330.6	10,095.5	-10,467.5
Dividend Paid	4297	6089.4	6089.4	6089.4
CF from financing activit	39,870.0	-32,877.0	-2,536.9	-9,056.9
Change in cash Eq.	18,781.0	38,530.0	-12,940.1	-17,104.1
Op. Cash and cash Eq.	17,397.0	36,178.0	74,708.0	61,767.9
Cl. Cash and cash Eq.	36,178.0	74,708.0	61,767.9	44,663.8

Source: Company, ICICI Direct Research

Exhibit 26: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Book Value	1,152.2	1,213.6	1,336.7	1,451.2
Cash per share	53.5	110.4	91.3	66.0
EPS	89.7	98.6	104.0	123.6
Cash EPS	133.8	158.2	170.8	199.2
DPS	8.0	9.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	13.9	14.6	15.7	16.6
PAT Margin (%)	8.6	7.6	8.5	9.1
Fixed Asset Turnover (x)	1.0	1.0	0.9	0.9
Inventory Turnover (Days)	49.6	52.3	50.0	50.0
Debtor (Days)	10.9	10.6	11.0	11.0
Current Liabilities (Days)	108.7	147.4	140.0	120.0
Return Ratios (%)				
RoE	7.8	8.1	7.8	8.5
RoCE	7.3	9.0	8.4	9.2
RoIC	7.6	9.6	8.8	9.6
Valuation Ratios (x)				
PE	26.2	23.8	22.6	19.0
Price to Book Value	2.0	1.9	1.8	1.6
EV/EBITDA	17.0	12.8	12.5	10.9
EV/Sales	2.4	1.9	2.0	1.8
Leverage & Solvency Ratios				
Debt to equity (x)	0.4	0.4	0.3	0.3
Interest Coverage (x)	5.5	5.2	7.9	9.7
Debt to EBITDA (x)	2.9	2.2	2.1	1.9
Current Ratio	1.3	0.9	0.9	0.9
Quick ratio	0.8	0.6	0.5	0.5

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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Reduce: -15% to -5%;

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