

21 July 2024

India | Equity Research | Q1FY25 results review

Reliance Industries

Oil & Gas

Tepid start to FY25

Reliance Industries (Reliance) has reported +2%/-5.5% YoY growth in EBITDA/net earnings in Q1FY25 (-9/20% QoQ). YoY performance was strong across segments except OTC, but QoQ, there was a decline in OTC, retail and upstream segment. Sequential decline was due to weaker OTC margins. Capex in Q1 increased 24% QoQ to INR 287.8bn, down 27% YoY. While earnings performance has been strong and gradual commissioning of New Energy facilities (starting H2FY25E) may be an added driver, return ratios and FCF yields remain muted and valuations seem to adequately factor in the upsides of steady EPS growth (CAGR of 9.5/10.9% for consol. EBITDA/PAT over FY24–26E). Reiterate **HOLD** with TP of INR 2,954.

Downstream – weakest earnings in six quarters

Reliance’s OTC segment performance in Q1FY25 was weakest since Q3FY23. Weaker spreads for transport fuels with some improvement in petrochemical spreads QoQ has led to segmental EBITDA decline of 22% and even YoY decline was 14%. Demand Scenario for Refining has turned bearish over the last few months and even though Petrochemical margins have improved somewhat, overall OTC prospects remain tepid for the next 12-18 months. We do expect some recovery in demand and hence margins by FY26E, but pace of the same seems lower than earlier, prompting our cut in OTC EBITDA estimates by 9.7/6.2% vs earlier for FY25/26E respectively.

Upstream/consumer businesses see QoQ weakness

For digital services, operating revenue and EBITDA showed steady YoY growth, but QoQ performance remained subdued with revenue and EBITDA growing only 2.1% and 2.0%, respectively. Retail segment delivered strong store/area under operation increment, with 10.7mn sqft added (YoY) to 81.3mn sqft across 18,918 stores. However, QoQ momentum has slowed with revenue decline of 8% and EBITDA decline of 3%. Upstream segment grew strongly YoY with Q1 seeing 30% growth in EBITDA but sequential decline of 7% was due to higher share of government profit petroleum which will persist over rest of FY25E. Digital remained steady with a 2% QoQ EBITDA growth and prospects for this segment remain very strong, with 18-25% hike taken in tariffs recently.

Financial Summary

Y/E March (INR bn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	8,913	9,145	10,381	11,188
EBITDA	1,422	1,622	1,723	1,946
EBITDA %	15.9	17.7	16.6	17.4
Net Profit	663	696	741	857
EPS (INR)	98.0	102.9	109.5	126.6
EPS % Chg YoY	16.8	5.0	6.4	15.6
P/E (x)	31.7	30.2	28.4	24.6
EV/EBITDA (x)	13.9	12.1	10.9	9.4
RoCE (Pre-tax) (%)	8.2	8.4	8.2	8.8
RoE (%)	8.9	9.2	8.6	8.9

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Market Data

Market Cap (INR)	21,045bn
Market Cap (USD)	2,51,535mn
Bloomberg Code	RELIANCE IN EQUITY
Reuters Code	RELI.BO
52-week Range (INR)	3,218 /2,220
Free Float (%)	50.0
ADTV-3M (mn) (USD)	231.5

Price Performance (%)	3m	6m	12m
Absolute	5.8	13.7	20.1
Relative to Sensex	(4.5)	1.3	0.0

Earnings Revisions (%)	FY25E	FY26E
Revenue	(0.5)	0.3
EBITDA	(4.3)	0.2
EPS	(6.9)	(1.3)

Previous Reports

23-04-2024: [Q4FY24 results review](#)

20-01-2024: [Q3FY24 results review](#)

Net debt remains elevated

Net debt (as reported by RIL) of INR 1.12trn is only marginally down from INR 1.16trn at end-FY24. Even as management has guided to lower capex intensity by FY25 as 5G capex has been completed, we see new energy and retail capex remaining high, underpinning our core contention of return ratios remaining muted over FY24-26E.

Weaker OTC to impact FY25–26E earnings

While recovery in refining spreads in Q2FY25 so far is a positive, we see OTC earnings in FY25E remaining muted considering weaker Q1 and uncertain margin environment over rest of FY25E. A combination of somewhat higher debt (hence, higher interest cost and slower other income) and moderate petrochemical spreads is amplifying the weakness in contrast to our previous assumptions. Hence, we factor in these into our revised assumptions for FY25/26E. Consequently, we lower EPS for FY25/26E by 6.9/1.3%. TP however goes up to INR 2,954/sh despite a INR 41/sh reduction in OTC EV primarily due to i) INR 48/sh increase in Digital EV vs our previous published SOTP and a INR ~120/sh reduction in estimated FY25E Net Debt.

Reiterate HOLD

At our revised estimates, we see consolidated EPS CAGR at a steady 10.9% over FY24–FY26E, with 9.5% CAGR in EBITDA. Despite earnings growth, our SoTP-based target price of INR 2,954 implies ~5% downside from here, as we see return ratios and FCF yields remaining subdued over the next 2-3 years and monetisation of new energy businesses as well as media acquisition taking time.

Key upside risks: Stronger OTC margin, lower capex and faster-than-estimated execution on green energy plans.

Key downside risks- Cyclical turn in OTC, delays/hurdles in new energy execution, slowdown in retail business

Exhibit 1: Q1FY25 result snapshot

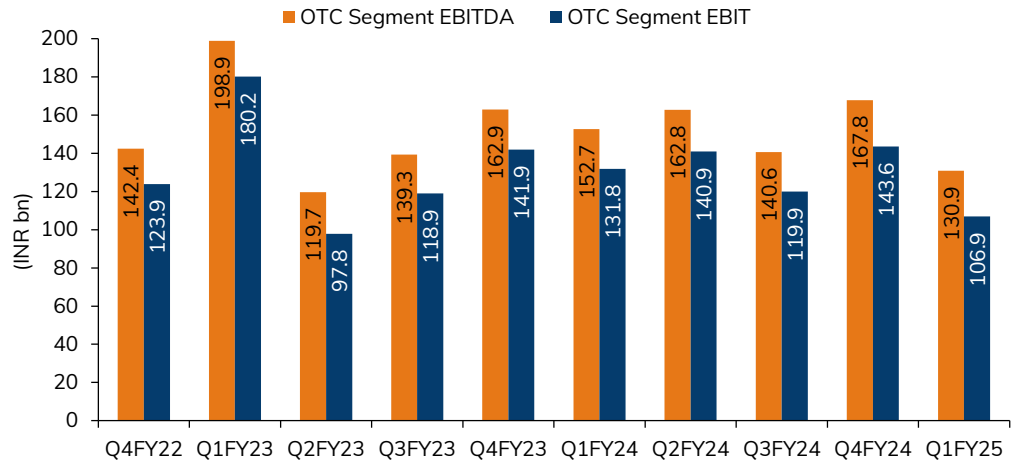
Consolidated (INR bn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ(%)
Revenues	2,317.8	2,075.6	11.7	2,365.3	(2.0)
Expenditure	1,930.2	1,694.7	13.9	1,940.2	(0.5)
EBITDA	387.7	380.9	1.8	425.2	(8.8)
Depreciation	136.0	117.8	15.5	135.7	0.2
Interest	59.2	58.4	1.4	57.6	2.7
Other income	39.8	38.1	4.5	45.3	(12.2)
PBT	232.3	242.9	(4.4)	277.2	(16.2)
Extraordinary Item					
Tax	57.9	61.1	(5.3)	65.8	(12.0)
Assoc/Minority	(23.1)	(21.7)		(21.9)	
Adj. PAT	151.4	160.1	(5.5)	189.5	(20.1)
Reported PAT	151.4	160.1	(5.5)	189.5	(20.1)
EPS (INR/sh)	22.4	23.7	(5.5)	28.0	(20.1)
Recurring EPS (INR/sh)	22.4	23.7	(5.5)	28.0	(20.1)

Source: Company data, I-Sec research

OTC saw a sharp decline in Q1FY25; likely to see pickup in H2

OTC segment EBITDA of INR 130.9bn declined 14% QoQ due to a sharp fall in gasoline, gasoil and ATF spreads partly set off by some improvement in petrochemical margins. While Reliance does not disclose GRMs separately, our estimates based on its historical product slates suggest average GRMs for the company may have remained >USD 10/bbl in Q1

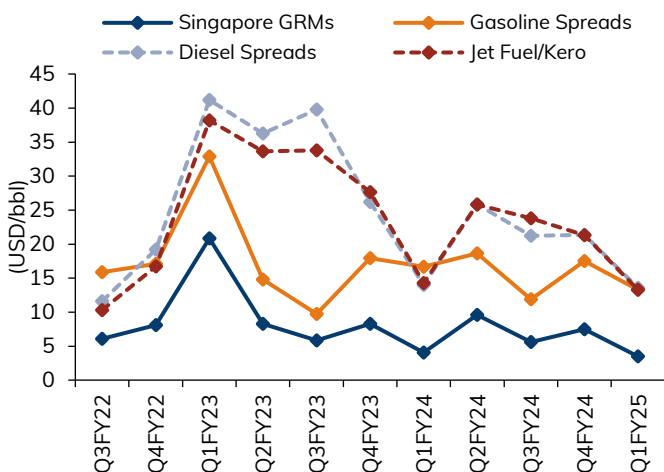
Exhibit 2: OTC segment declined sharply QoQ



Source: Company data, I-Sec research

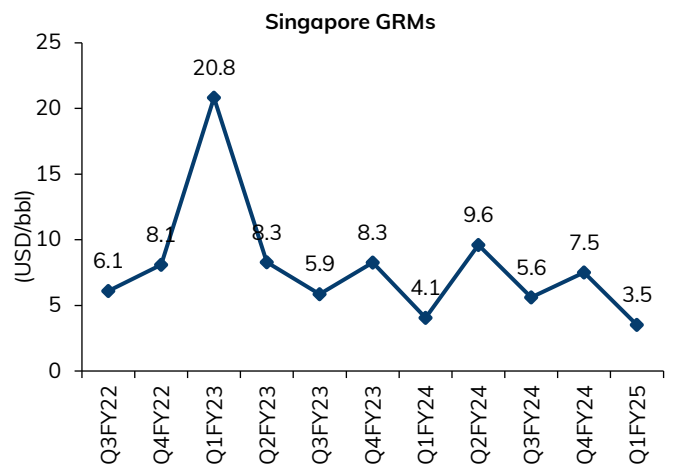
PE/PP deltas have improved 7%/6% QoQ while PVC improved 17%. We expect petchem demand to pick up, with revival in Chinese demand post removal of restrictions and continuing momentum in Indian demand (polymer/polyester demand grew 8%/5% YoY in Q1FY25). However, given the continued weakness in Europe and stronger interest rates across the developed world, we still see margins for this sub-segment improving only gradually over FY24–26E.

Exhibit 3: Gasoline (petrol), diesel and ATF spreads declined in Q1FY25



Source: Company data, I-Sec research

Exhibit 4: Decline in Singapore GRMs in Q1FY25

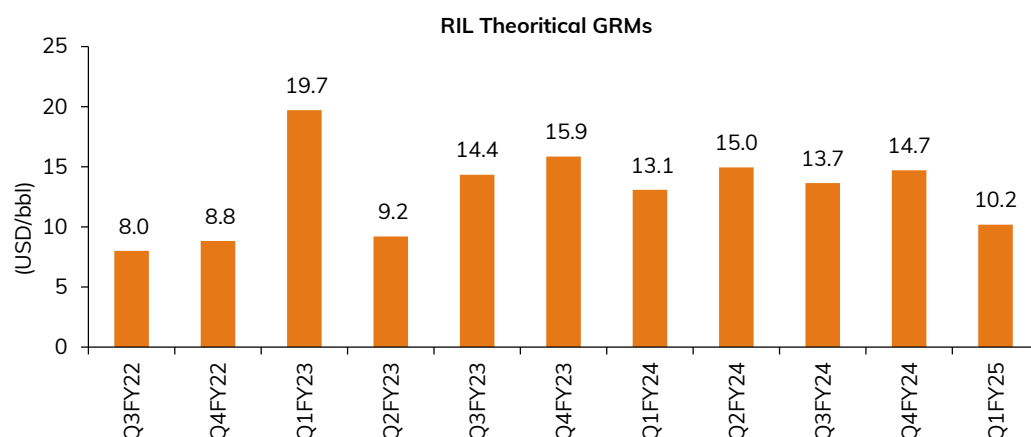


Source: Company data, I-Sec research

Exhibit 5: IEA demand-supply estimates suggest deficit in CY24, however, surplus in CY25

mb/d	CY22	CY23	CY24E	CY25E
Demand	99.9	101.7	103.2	104.3
Supply	100.1	101.5	102.7	105.8
Non-OPEC	65.7	67.8	70.2	71.8
OPEC	34.5	33.7	32.5	34.0
NGL	5.4	5.6	5.6	5.7
Oil	29.1	28.2	26.9	28.3
Supply surplus/(deficit)	0.2	-0.2	-0.5	1.5

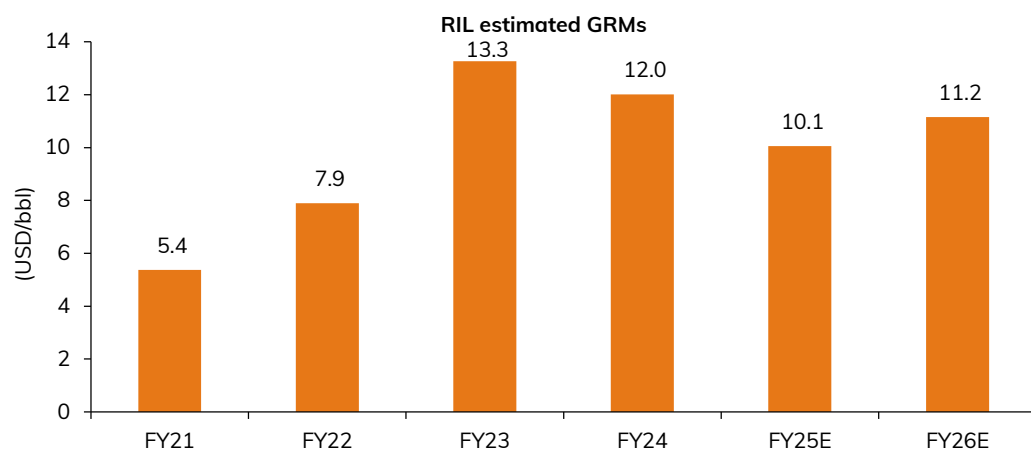
Source: I-Sec research, IEA, OPEC

Exhibit 6: Reliance – theoretical GRMs decreased in Q1FY25


Source: Bloomberg, Company data, I-Sec research

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

The tepid Chinese demand growth and the lack of material demand momentum in US product demand even in the driving season makes us cautious of building any meaningful recovery in GRMs for the next 12 months – Resultant, we build in lower implied GRMs for FY25-26E vs previous estimates and vs FY24 levels.

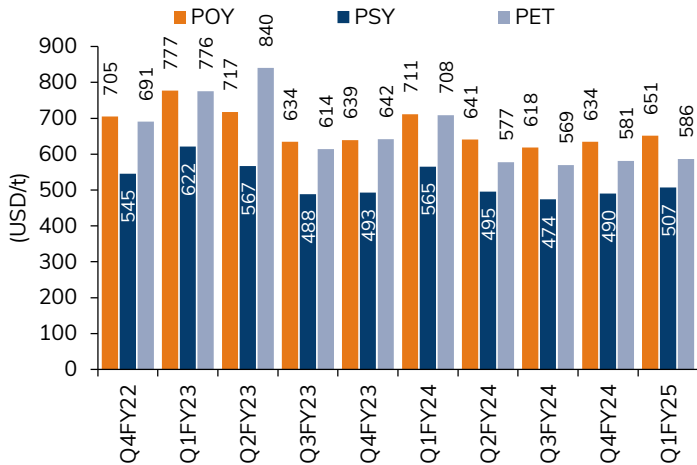
Exhibit 7: Reliance FY24–26E GRMs to remain muted vs FY23 levels


Source: Company data, I-Sec research

Petrochemical results improve marginally QoQ; we expect small improvement over FY24–26E

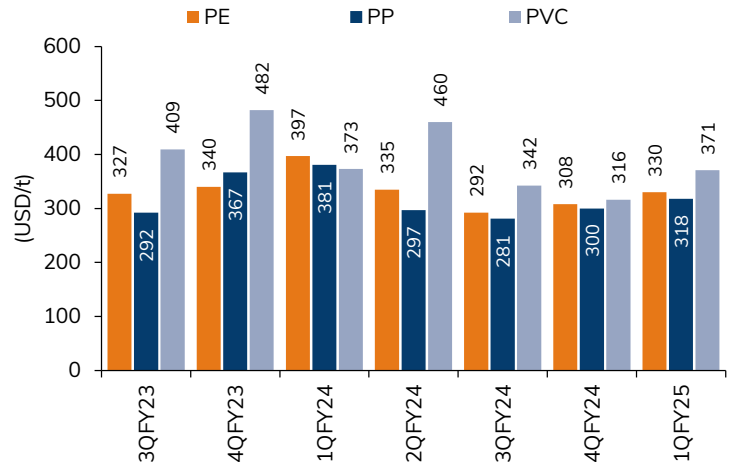
Polymer deltas over naphtha improved a bit QoQ with PE and PP deltas up 6–7%, while PVC deltas were up 17%. Ethane cracking economics remained favourable vs naphtha. Polyester chain deltas have declined 15% YoY due to weak global demand and slower China demand recovery.

Exhibit 8: Polymer deltas increase QoQ...



Source: Bloomberg, I-Sec research

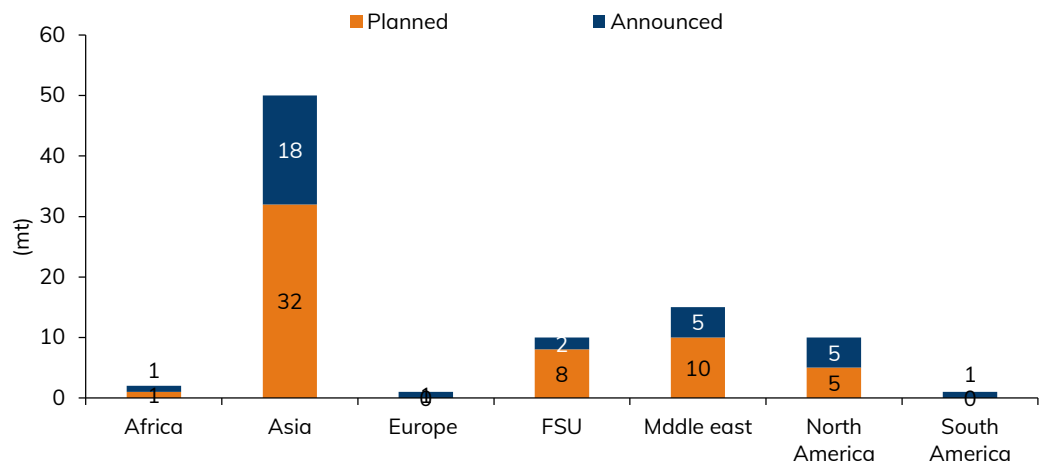
Exhibit 9: ...polyester deltas also show QoQ strength



Source: Company data, I-Sec research

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

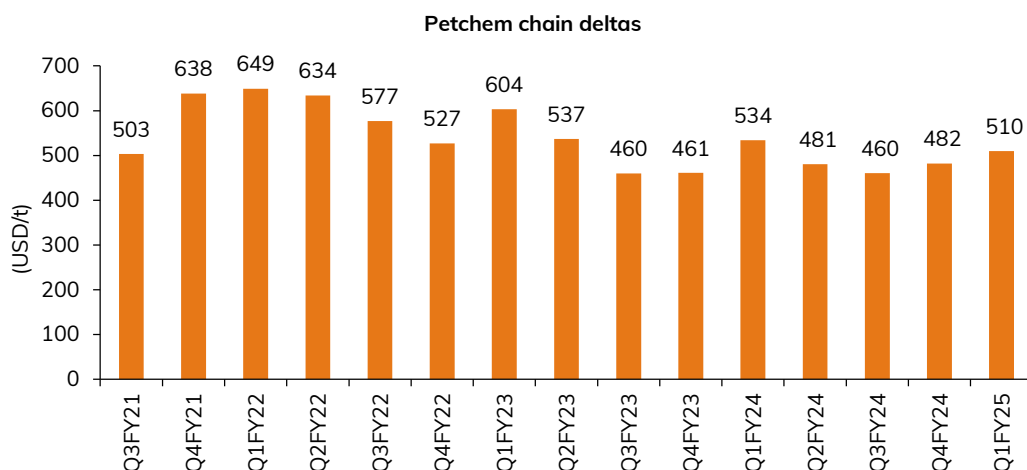
Exhibit 10: Global ethylene capacity additions are projected to grow over CY21–CY25 – Asia to lead the way



Source: Global Data Energy, I-Sec research

Margins, therefore, are set to stay muted given the weak demand; hence, we could see weaker realisation trends over the next 12–18 months. Additionally, we expect input prices to remain above historical levels for the next 12–18 months.

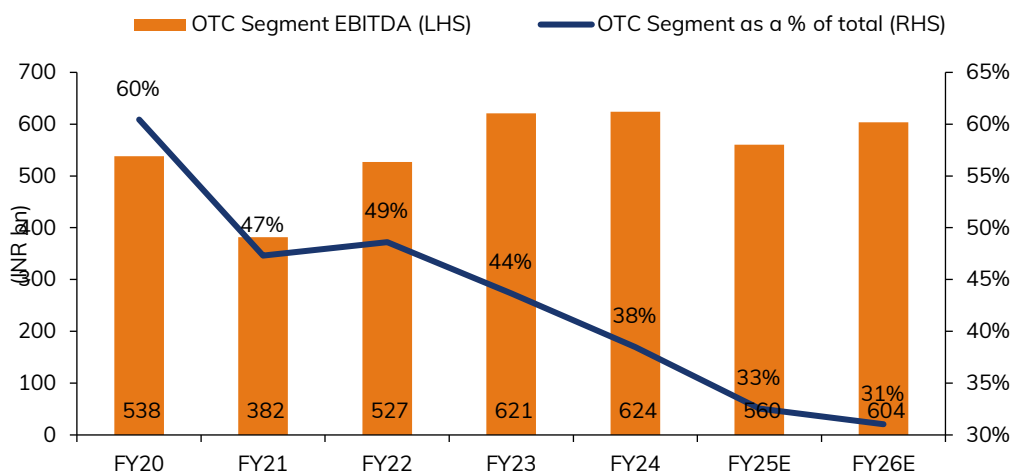
Exhibit 11: Reliance – estimated integrated petchem deltas have moderated in past 12 months on YoY basis



Source: Company data, I-Sec research

In this context, we have build in -1.6% CAGR in OTC segment's EBITDA over FY24–26E, with some upside risk to these estimates, if Chinese demand momentum runs ahead of our current sense, and/or greater demand from Europe over the next 12 months.

Exhibit 12: OTC segment earnings CAGR likely at negative 1.6% over FY24–26E



Source: Company data, I-Sec research

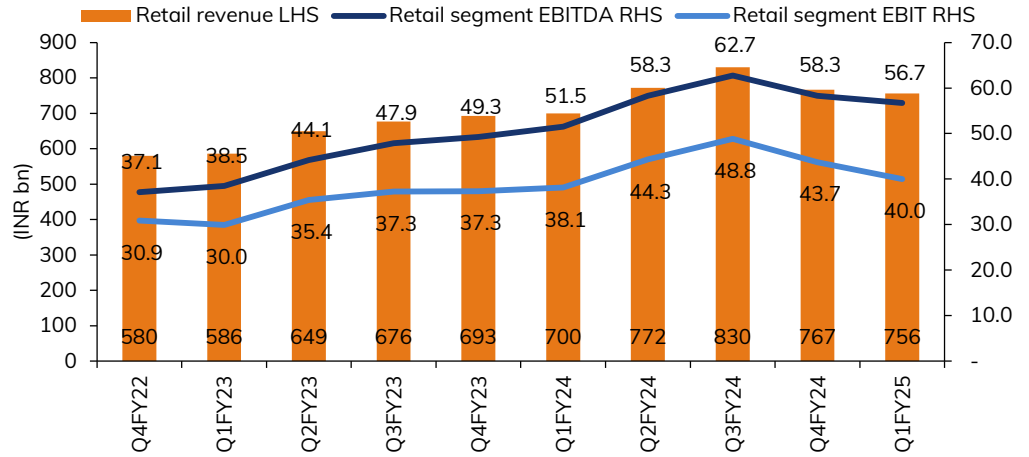
Retail: YoY growth remains strong, QoQ metrics slip sharply

Reliance reported 8% YoY jump in its retail segment revenue (down 1% QoQ) in Q1FY25 with EBITDA growth of 10% YoY (-3% QoQ). The company has continued its aggressive roll-out of offline and online retail infra, with 331 stores added during the quarter (net addition of 82 stores) to reach a cumulative 18,918 stores. Other key highlights from Q1 are as below –

- 316mn registered customer base (up 18% YoY), 296mn footfalls (up 19% YoY) and 334mn transactions (up 6% YoY)
- Area under retail coverage crossed 81.3mn sqft, with ~2.2mn sqft added in Q1FY25
- EBITDA margin at 8.2%, up 30bps YoY
- Digital commerce and new commerce contributed 18% of total revenue.

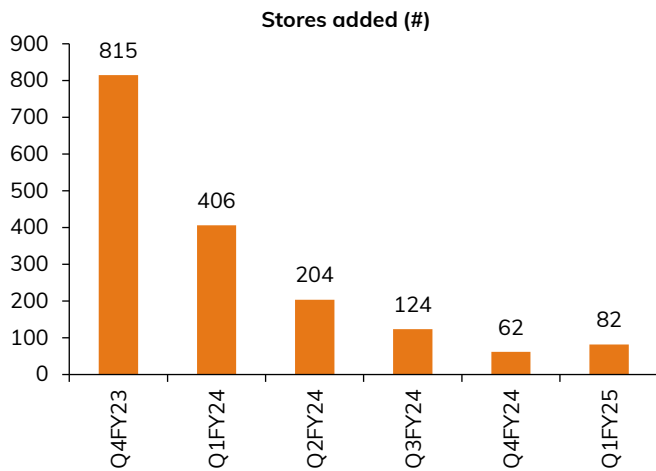
With its growing footprint in both offline and online arenas, sustained improvement in margins and the share of private labels growing steadily, we continue to build strong growth in this segment over the next 2-3 years, albeit we do see pace of growth slowing over FY25-26E, thanks to the strong base and slower growth seen in Q1.

Exhibit 13: Trends in retail segment earnings: Peer-leading performance continues



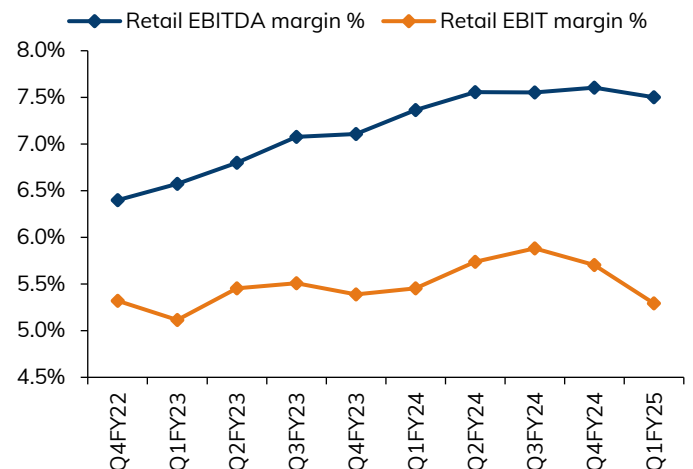
Source: Company data, I-Sec research

Exhibit 14: Net store additions moderated in last 15 months



Source: Company data, I-Sec research

Exhibit 15: Margins remain strong



Source: Company data, I-Sec research

Exhibit 16: Retail to continue growing materially over FY24–26E

RETAIL (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total revenues	13,05,660	16,29,360	15,76,291	19,97,490	26,04,270	30,67,860	34,82,374	38,87,586
Core retail	7,31,170	9,27,780	8,92,251	11,76,641	16,02,835	19,26,224	22,15,157	24,80,976
Non Core retail	5,74,490	7,01,580	6,84,041	8,20,849	10,01,435	11,41,636	12,67,216	14,06,610
Total EBITDA	62,010	96,530	98,420	1,24,230	1,79,740	2,30,820	2,60,795	2,91,686
Core	51,750	82,800	81,869	99,661	1,47,317	1,91,245	2,15,872	2,41,536
Non core	10,260	13,730	16,551	24,569	32,423	39,575	44,923	50,150
Margin	4.7%	5.9%	6.2%	6.2%	6.9%	7.5%	7.5%	7.5%
Core	7.1%	8.9%	9.2%	8.5%	9.2%	9.9%	9.7%	9.7%
Non core	1.8%	2.0%	2.4%	3.0%	3.2%	3.5%	3.5%	3.6%

Source: Company data, I-Sec research

Reliance Jio Infocomm

Stable performance; all eyes on revenue translation from tariff increase

Reliance Jio Infocomm (RJio)'s revenue grew 10.1% YoY, helped by a rise in mobile subscriber (subs) base, faster growth in FTTH/ FWA and rise in enterprise business. However, it appears that mobile revenue has grown slower due to the introductory unlimited 5G offer. 5G is progressing well with 130mn subs. Key to watch is revenue growth over next three quarters to ascertain revenue translation from tariff increase, and impact of SIM consolidation. Further, with completion of initial phase of 5G rollout, we also expect cost increase to grow fast restricting operating leverage. We have kept our estimates unchanged with tariff increase already factored with another tariff hike built during Sep'25

RJio's revenue grew 10.1% YoY to INR 265bn in Q1FY25

Company's Q1FY25 revenue growth was driven by subs growing 9.2% YoY (net add: 7.9mn) to 490mn, and ARPU growing 0.7% YoY to INR 182. ARPU has benefited from: 1) strong growth in FTTH subs base which has higher ARPU versus mobile subs; and 2) stronger growth in enterprise business – includes connectivity solutions (including SD WAN, cloud, IOT, etc.). However, ARPU in mobile business should have slipped probably from unlimited 5G data – possibly impacting data recharges and some downgrades too. Notably, RJio 5G subs crossed 130mn. Subs growth though is healthy, but has decelerated from trend of past four quarters despite higher net add in fixed broadband (thanks to FWA driving higher adoption).

Churn rate slightly increased to 1.7% (vs. 1.5% in Q4FY24) and gross adds were slightly higher at 32.7mn (vs. 32.3mn in Q4FY24). Minutes grew 6% YoY (down 1.4% QoQ) to 1,420bn, and data usage was up 32.8% YoY (7.8% QoQ) to 44,100bn MB. Data usage growth was aided by FTTH subs that use higher data quantity, with their number growing fast for RJio; and unlimited data on 5G. 5G data usage is 31% of RJio's wireless data in Q1FY25.

RJio has implemented tariff hike of 13-25% wef 3 Jul'24

Though RJio has taken highest tariff increase among peers, we reckon implied revenue growth should be same as others at ~15-17% as RJio has kept JioPhone subs tariff unchanged. RJio has also taken an initiative to cut unlimited 5G data to users only with plan at 2GB/day or above. This, compared to 5G unlimited data, was starting from the 1.5GB/day plan. (refer our [note](#))

EBITDA grew 10.7% YoY to INR 139bn.

Network costs rose 7.4% YoY to INR 779bn and the cost may continue to rise driven by: 1) commercial launch of 5G services which has seen completion of phase-1 rollout; and 2) increased rollout of JioFiber that will help charge more fiber rental cost to P&L. SG&A expenses grew 30% YoY to INR 14.6bn. Employee costs rose 9.7% YoY to INR 5bn. EBITDA margin stood at 52.6% (up 20bp). D&A rose 8.7% YoY to INR 56bn – shall continue growing as RJio commercialises spectrum under CWIP/ 5G commercial launch. Interest cost rose 13.4% YoY at INR 11bn; it is still lower as interest on 5G spectrum is not charged to P&L. Net profit grew 12% YoY to INR 54bn.

Jio Platforms' revenue rose 44% YoY.

Revenue of Jio Platforms (standalone, which houses most digital properties) grew 44% YoY to INR 29bn in Q1FY25, while EBITDA jumped 36% YoY to INR 6.2bn. Net profit grew only 7.7% YoY to INR 2.5bn – it was restricted from 2.1x YoY rise in depreciation to INR 2.4bn.

Other highlights

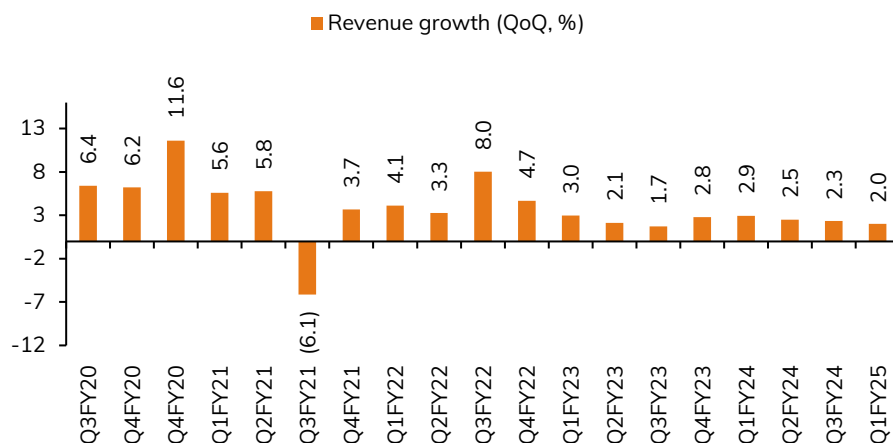
- 5G customer stood at 130mn vs 108mn Q4FY24, up 22mn QoQ
- Company is now off-loading 31% of mobility data traffic on 5G network.
- Thanks to JioAirFiber, RJio had highest fixed broadband subs net add of 1.1mn (60% of incremental subs in fixed broadband was on RJio network).
- RJio has bought more 1800MHz spectrum in two circles Bihar and WB to boost data capacities for INR 9.7bn.

Exhibit 17: Reliance Jio (standalone) financials

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Revenue	2,40,420	2,47,500	2,53,680	2,59,590	2,64,780	2.0	10.1
Network operation cost	73,790	76,070	77,060	78,660	79,230	0.7	7.4
% of revenue	30.7	30.7	30.4	30.3	29.9		
Access charges	3,210	2,990	3,020	2,130	2,620	23.0	(18.4)
% of revenue	1.3	1.2	1.2	0.8	1.0		
License fees and spect charges	22,040	22,900	23,300	23,890	24,330	1.8	10.4
% of revenue	9.2	9.3	9.2	9.2	9.2		
Employee cost	4,420	4,680	5,030	4,830	4,850	0.4	9.7
% of revenue	1.8	1.9	2.0	1.9	1.8		
SGA and other exp	11,180	11,330	12,500	13,960	14,550	4.2	30.1
% of revenue	4.7	4.6	4.9	5.4	5.5		
EBITDA	1,25,780	1,29,530	1,32,770	1,36,120	1,39,200	2.3	10.7
EBITDA margin (%)	52.3	52.3	52.3	52.4	52.6		
Depreciation and amortisation	51,590	52,580	54,110	55,660	56,070	0.7	8.7
EBIT	74,190	76,950	78,660	80,460	83,130	3.3	12.1
Interest	9,710	10,080	10,160	10,040	11,010	9.7	13.4
Other income	850	1,060	1,450	1,220	1,020		
PBT	65,330	67,930	69,950	71,640	73,140	2.1	12.0
Provision for tax	16,700	17,350	17,870	18,270	18,690	2.3	11.9
Effective tax rate (%)	25.6	25.5	25.5	25.5	25.6		
Exceptional	-	-	-	-	-		
Net income (reported)	48,630	50,580	52,080	53,370	54,450	2.0	12.0

Source: I-Sec research, Company data

Exhibit 18: Revenue growth



Source: I-Sec research, Company data

Exhibit 19: Mobile services KPIs

	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Subscribers (mn)	449	460	471	482	490	1.6	9.2
Net adds (mn)	9.2	11.2	11.2	10.9	7.9		
Gross adds (mn)	33.2	34.4	34.9	32.3	32.7		
5G Subscribers (mn)		70	90	108	130	20.4	
Net adds (mn)		-	20.0	18.0	22.0		
% of total subs		15.2	19.1	22.4	26.5		
ARPU (INR)	181	182	182	182	182	-	0.7
Churn (%)	1.8	1.7	1.7	1.5	1.7		
Minutes of Use (min/subs)	1,006	976	981	1,008	974	(3.3)	(3.2)
Minutes on Network (mn)	13,40,000	13,30,000	13,70,000	14,40,000	14,20,000	(1.4)	6.0
Data usage per sub (MB)	24,931	26,646	27,294	28,620	30,262	5.7	21.4
Data volume (mn MB)	3,32,00,000	3,63,00,000	3,81,00,000	4,09,00,000	4,41,00,000	7.8	32.8
5G data as % of total data			25.0	28.0	31.0		

Source: I-Sec research, Company data

Exhibit 20: Jio Platforms (consolidated) financials

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Net revenue	2,61,150	2,68,750	2,76,970	2,88,710	2,94,490	2.0	12.8
Total expenses	1,29,990	1,33,470	1,37,420	1,45,110	1,48,110	2.1	13.9
EBITDA	1,31,160	1,35,280	1,39,550	1,43,600	1,46,380	1.9	11.6
EBITDA (%)	50.2	50.3	50.4	49.7	49.7		
Depreciation	52,750	54,150	56,020	58,110	58,510	0.7	10.9
EBIT	78,410	81,130	83,530	85,490	87,870	2.8	12.1
EBIT (%)	30.0	30.2	30.2	29.6	29.8		
Finance cost	9,820	10,200	10,280	10,180	11,150	9.5	13.5
PBT	68,590	70,930	73,250	75,310	76,720	1.9	11.9
Tax	17,610	17,960	18,800	19,480	19,740	1.3	12.1
Tax (%)	25.7	25.3	25.7	25.9	25.7		
Net profit	50,980	52,970	54,450	55,830	56,980	2.1	11.8

Source: I-Sec research, Company data

Exhibit 21: Jio Platforms (standalone): Revenue grew 44.3% YoY

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Net revenue	19,880	20,190	21,840	27,900	28,690	2.8	44.3
Total expenses	15,350	15,500	16,510	21,640	22,530	4.1	46.8
EBITDA	4,530	4,690	5,330	6,260	6,160	(1.6)	36.0
EBITDA (%)	22.8	23.2	24.4	22.4	21.5		
Depreciation	1,160	1,570	1,910	2,450	2,440	(0.4)	110.3
EBIT	3,370	3,120	3,420	3,810	3,720	(2.4)	10.4
EBIT (%)	17.0	15.5	15.7	13.7	13.0		
Finance cost	110	120	120	140	140	-	27.3
PBT	3,260	3,000	3,300	3,670	3,580	(2.5)	9.8
Tax	910	610	930	1,210	1,050	(13.2)	15.4
Tax (%)	27.9	20.3	28.2	33.0	29.3		
Net profit	2,350	2,390	2,370	2,460	2,530	2.8	7.7

Source: I-Sec research, Company data

Exhibit 22: Reliance Jio (standalone) financials

INR mn	FY20	FY21	FY22	FY23	FY24A	FY25E	FY26E
Revenue	5,43,160	6,98,880	7,69,770	9,07,860	10,01,190	11,86,413	14,03,806
Network operation cost	1,69,300	2,20,580	2,50,130	2,84,740	3,05,580	3,47,249	3,81,194
% of revenue	31.2	31.6	32.5	31.4	30.5	29.3	27.2
Access charges	57,959	46,310	8,060	9,480	11,350	12,153	12,636
% of revenue	10.7	6.6	1.0	1.0	1.1	1.0	0.9
License fees and spect charges	57,200	77,550	90,740	91,320	92,130	1,09,295	1,29,484
% of revenue	10.5	11.1	11.8	10.1	9.2	9.2	9.2
Employee cost	14,630	13,370	14,220	16,340	18,960	21,804	23,984
% of revenue	2.7	1.9	1.8	1.8	1.9	1.8	1.7
SGA and other exp	28,410	31,940	30,320	39,260	48,970	62,399	74,399
% of revenue	5.2	4.6	3.9	4.3	4.9	5.3	5.3
EBITDA	2,15,661	3,09,130	3,76,300	4,66,720	5,24,200	6,33,512	7,82,109
EBITDA margin (%)	39.7	44.2	48.9	51.4	52.4	53.4	55.7
Depreciation and amortisation	73,960	1,15,340	1,36,150	1,85,460	2,13,940	2,67,112	3,06,184
EBIT	1,41,701	1,93,790	2,40,150	2,81,260	3,10,260	3,66,401	4,75,924
Interest	66,170	38,400	43,770	40,590	39,990	1,14,440	1,27,457
Other income	870	5,480	2,270	3,620	4,580	4,122	4,534
PBT	76,401	1,60,870	1,98,650	2,44,290	2,74,850	2,56,082	3,53,002
Provision for tax	19,330	40,720	50,480	62,220	70,190	65,397	90,148
Effective tax rate (%)	25.3	25.3	25.4	25.5	25.5	25.5	25.5
Net income (reported)	55,611	1,20,150	1,48,170	1,82,070	2,04,660	1,90,685	2,62,854

Source: I-Sec research, Company data

Exhibit 23: Reliance Jio (standalone) - Balance sheet

INR mn	FY19	FY20	FY21	FY22	FY23	FY24
Fixed assets	13,40,000	16,34,270	17,11,540	21,65,450	22,52,030	22,02,740
CWIP	3,46,080	2,12,580	1,69,810	4,78,530	16,59,910	20,79,130
Total fixed assets	16,86,080	18,46,850	18,81,350	26,43,980	39,11,940	42,81,870
Investments	11,100	11,110	11,180	11,400	11,160	11,180
Other non-current assets	1,25,380	2,74,660	3,84,010	2,39,640	2,37,420	2,50,090
Total non-current assets	18,22,560	21,32,620	22,76,540	28,95,020	41,60,520	45,43,140
Investments	1,550	13,810	4,200	5,550	5,900	25,230
Trade receivables	7,350	16,090	14,100	43,170	24,180	15,490
Cash & cash equivalents	4,290	74,800	5,890	6,120	8,550	13,640
Other current assets	1,22,050	1,79,730	2,00,160	2,35,030	2,58,570	2,76,550
Total Current Assets	1,35,240	2,84,430	2,24,350	2,89,870	2,97,200	3,30,910
Total Assets	19,57,800	24,17,050	25,00,890	31,84,890	44,57,720	48,74,050
Equity Share capital	4,50,000	4,50,000	4,50,000	4,50,000	4,50,000	4,50,000
Other Equity	(46,000)	12,59,560	13,79,730	15,27,900	17,09,970	19,13,690
Total Equity	4,04,000	17,09,560	18,29,730	19,77,900	21,59,970	23,63,690
Borrowings (incl spectrum debt)	8,44,520	1,88,390	1,92,010	5,33,460	13,55,760	15,06,430
Other financial liabilities	99,980	1,34,900	1,51,450	1,42,760	1,57,460	1,46,130
Provisions	-	-	25,260	75,740	1,37,960	2,07,840
Total Non-Current Liabilities	9,44,500	3,23,290	3,68,720	7,51,960	16,51,180	18,60,400
Borrowings	49,710	2,32,420	1,07,750	2,63,240	1,73,690	1,49,410
Trade payables	32,560	47,000	22,390	20,200	33,530	43,360
Other Current Liabilities	5,25,980	1,04,190	1,71,580	1,70,810	4,38,570	4,56,330
Provisions	1,050	590	720	780	780	860
Total Current Liabilities	6,09,300	3,84,200	3,02,440	4,55,030	6,46,570	6,49,960
Total Liabilities	19,57,800	24,17,050	25,00,890	31,84,890	44,57,720	48,74,050

Source: I-Sec research, Company data

Exhibit 24: Reliance Jio (standalone) - cash flow

INR mn	FY19	FY20	FY21	FY22	FY23	FY24
CFO	1,51,120	2,14,350	3,08,190	3,78,380	4,69,180	5,24,490
% of EBITDA	100.1	99.4	99.7	100.6	100.5	100.1
Less:						
Tax	9,680	11,670	1,380	1,090	(13,440)	1,050
Lease liability	-	6,720	7,890	14,580	40,670	36,570
CFO	1,41,440	1,95,960	2,98,920	3,62,710	4,41,950	4,86,870
Change in working capital	(74,860)	(36,860)	19,230	(64,420)	(1,840)	29,970
CFO after wc	66,580	1,59,100	3,18,150	2,98,290	4,40,110	5,16,840
Cash Capex	4,38,450	5,17,710	2,61,160	2,88,070	3,35,750	4,90,160
Cal- gross block		2,34,730	1,49,840	3,12,553	5,73,951	5,83,870
Spectrum			1,50,190	31,544	78,648	44,230
FCF	(3,71,870)	(3,58,610)	56,990	10,220	1,04,360	26,680
Less:						
Finance cost	91,650	1,03,480	23,450	14,610	38,430	1,35,730
Change in deferred payment	8,700	13,700	20	-	-	-
Other income	(3,630)	7,050	3,760	60	60	840
FCFE	(4,75,850)	(4,68,740)	37,280	(4,330)	65,990	(1,08,210)

Source: I-Sec research, Company data

Exhibit 25: Earnings revision

INR mn	Revised		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
KPIs						
Subs (mn)	505	521	505	521		
ARPU (INR)	200	228	200	228		
Financial						
Revenue	11,86,413	14,03,806	11,86,413	14,03,806		
EBITDA	6,33,512	7,82,109	6,33,512	7,82,109		
EBITDA (%)	53.4	55.7	53.4	55.7		
PAT	1,90,685	2,62,854	1,90,685	2,62,854		

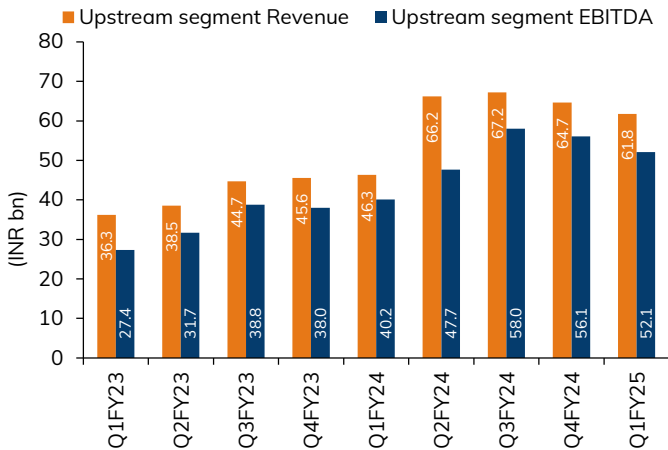
Source: I-Sec research, Company data

Upstream: Rising share of government to impact profitability

From a low of INR 1.9bn EBITDA loss seen in Q2FY21 owing to continuously declining production from legacy KG basin assets and losses from US shale, the revival in production from new fields starting from Q4FY21, divestment of most US shale assets and stronger product realisations have transformed the fortunes of this segment for Reliance. Production of gas for Reliance has been steady at 28.7mmscmd in Q1FY25 (-3% QoQ), and the start of MJ-1 field has boosted this to ~30mmscmd already, which should sustain over the next several years.

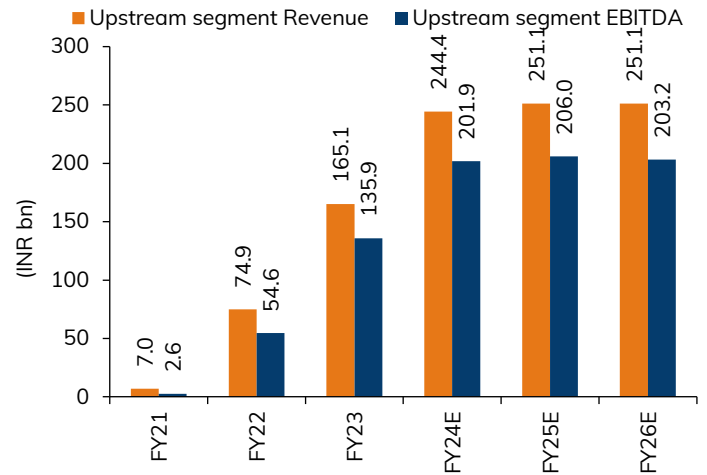
However, profitability in this segment has slipped QoQ with the completion of investment in new fields and higher cashflow driving an increase in the share of profits to the government (rising ratio of cashflow to cumulative investments led to a rising share of government profit share or profit petroleum). With flattish production, moderate premium gas prices and rising share of government, profitability may be muted over FY25-26E.

Exhibit 26: Sharp revival in fortunes for upstream...



Source: Company data, I-Sec research

Exhibit 27: ...set to show mild improvement over FY24-26E



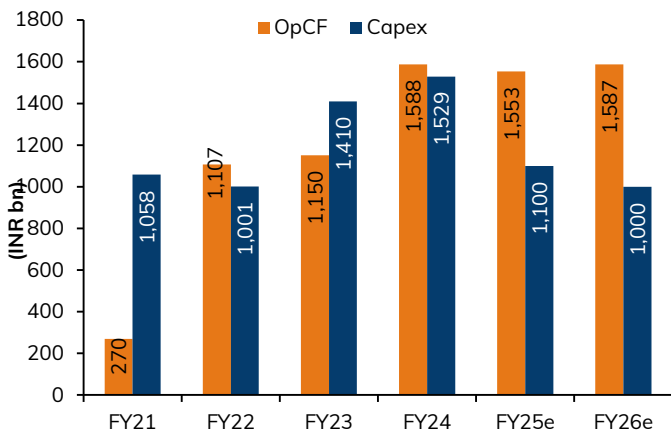
Source: Company data, I-Sec research

Valuation and view: Risk-reward remains balanced

We are strongly optimistic on the prospects of Reliance’s green energy business and see strong momentum in its consumer business segments over the next 12–18 months. However, we believe current multiples are at a ‘zero things can go wrong’ scenario, one which we do not find tenable. Reliance has, for the last three years, consistently shown a decline in key return ratios with RoE/RoCE remaining at sub-10 or low double-digit levels throughout FY19–26E and dividend payout has also remained low despite strong earnings.

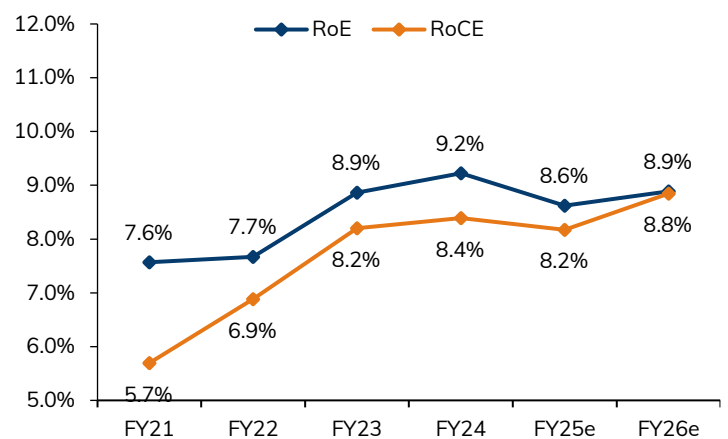
From an investment standpoint, muted return ratios coupled with higher multiples, which underplays all risks (lower margins, green energy execution/scale/timelines falling short), should be a reason to exercise caution. Our valuation ascribes the value of mid-upcycle EV/EBITDA multiples to OTC, peer-leading multiples for Rjio, strong EV/EBITDA multiples for retail and 1.5x capital employed to ‘new energy’ segment. We Our FY26E based SoTP value is at INR 2,954/sh, implying ~5% downside from CMP. We reiterate our **HOLD** rating.

Exhibit 28: Operating cashflow good enough for capex



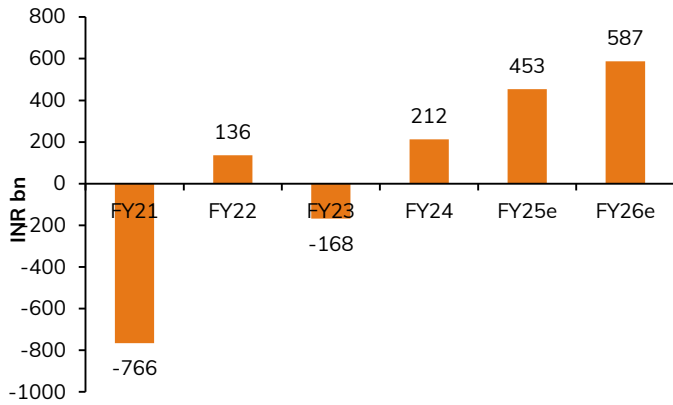
Source: Company data, I-Sec research

Exhibit 29: Muted return ratios to persist



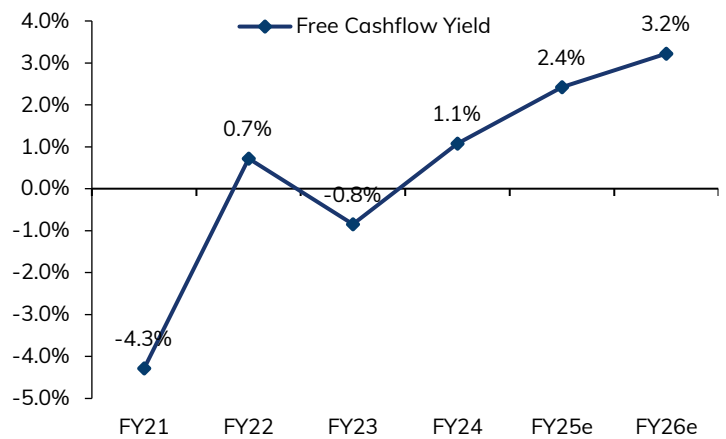
Source: Company data, I-Sec research

Exhibit 30: Free cashflow to remain weak...



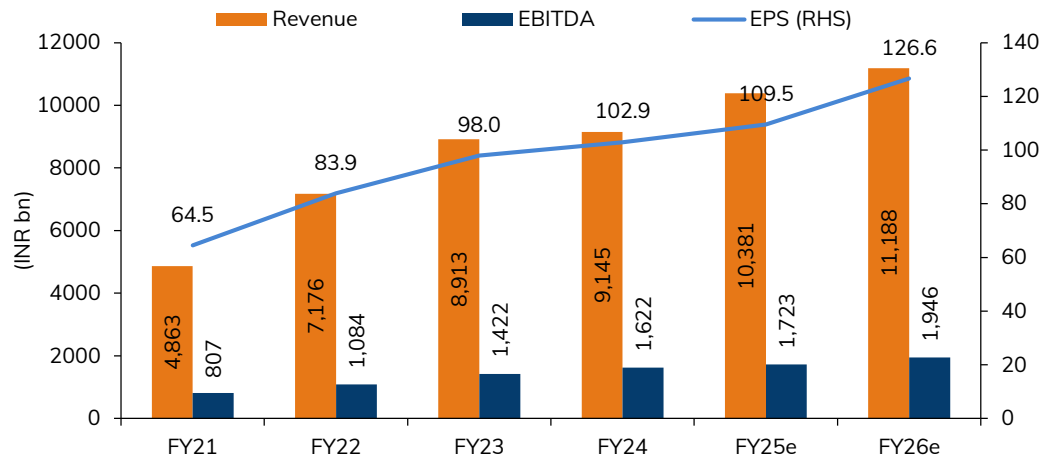
Source: Company data, I-Sec research

Exhibit 31: ...similar may be the case for free cashflow yield



Source: Company data, I-Sec research

Exhibit 32: EBITDA and profitability CAGRs at ~9-12% for FY24-26E



Source: Company data, I-Sec research

Exhibit 33: Reliance – SoTP summary

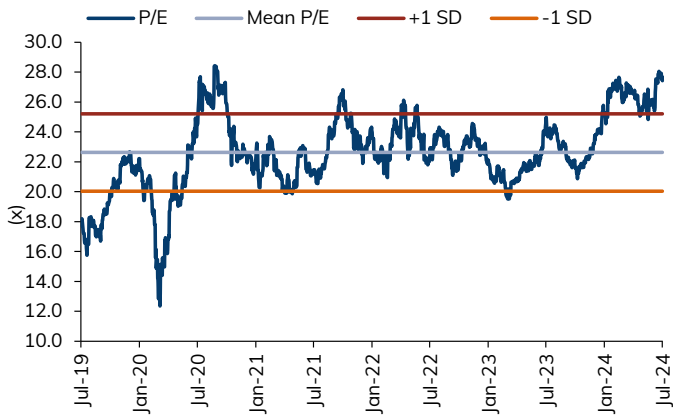
Business	Valuation measure used	USD bn	INR bn	INR/share
Petrochemicals	7x Avg of FY25E EV/EBITDA	19.1	1,601	237
Refining	7x Avg of FY25E EV/EBITDA	31.2	2,624	388
Exploration & production	DCF	6.0	501	74
Media	At recent Disney-Viacom merger valuation	4.5	374	55
Retail	37x FY25E EV/EBITDA	108.7	9,134	1,350
Telecom	67% of Rjio DCF value +Digital Services FV	73.5	6,171	912
New Energy	1.5x Capital employed	13.4	1,125	166
Total EV		256.3	21,531	3,182
Less: net debt		18.4	1,545	228
Sum of parts valuation		237.9	19,986	2,954
CMP				3,110
Upside / (downside)				-5.0%

Source: Company data, I-Sec research

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

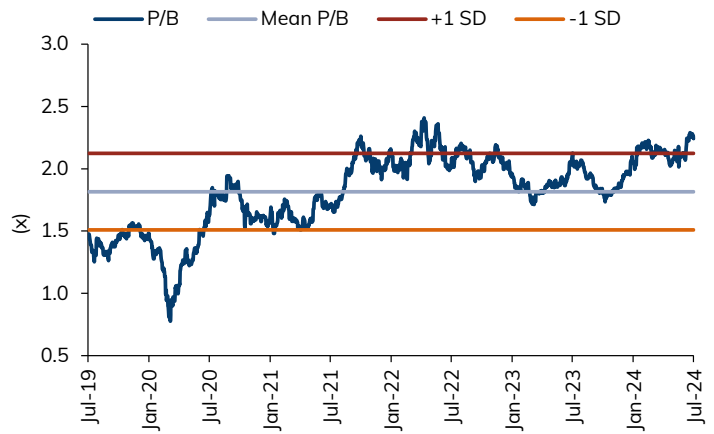
Key downside risks- Cyclical turn in OTC, delays/hurdles in new energy execution, slowdown in retail business

Exhibit 34: Reliance trading above 5-year average P/E band



Source: Bloomberg, I-Sec research

Exhibit 35: Reliance trading above 5-year average P/B band



Source: Bloomberg, I-Sec research

Exhibit 36: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	50.3	50.3	50.3
Institutional investors	38.6	37.9	39.2
MFs and others	6.6	7.0	7.5
FIs/ Banks	0.1	0.1	0.0
Insurance	8.4	8.6	8.5
FIIIs	23.5	22.2	23.2
Others	11.1	11.8	10.5

Source: Bloomberg, I-Sec research

Exhibit 37: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 38: Profit & Loss

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	8,913	9,145	10,381	11,188
EBITDA	1,422	1,622	1,723	1,946
EBITDA Margin (%)	15.9	17.7	16.6	17.4
Depreciation & Amortization	403	508	552	610
EBIT	1,019	1,114	1,170	1,336
Interest expenditure	196	231	213	193
Other Non-operating Income	117	161	151	155
PBT	940	1,047	1,113	1,302
Profit / (Loss) from Associates	0	4	4	4
Less: Taxes	204	257	280	328
PAT	736	786	829	970
Less: Minority Interest	74	94	92	118
Net Income (Reported)	667	696	741	857
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	663	696	741	857

Source Company data, I-Sec research

Exhibit 39: Balance sheet

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	2,870	3,639	4,284	4,503
of which cash & bank	687	972	1,571	1,675
Total Current Liabilities & Provisions	2,710	3,035	3,181	3,268
Net Current Assets	160	604	1,103	1,236
Other Non Current Assets	-	-	-	-
Net Fixed Assets	7,248	9,665	9,962	10,052
Other Fixed Assets	-	-	-	-
Capital Work in Progress	2,938	1,524	1,774	2,074
Non Investment	1,834	1,670	1,661	1,661
Current Investment	1,185	1,062	1,062	1,062
Deferred Tax assets	-	-	-	-
Total Assets	13,364	14,524	15,562	16,085
Liabilities				
Borrowings	4,472	4,544	4,178	3,794
Deferred Tax Liability	603	722	722	722
Lease Liability	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	68	68	700	700
Reserves & Surplus*	7,091	7,867	8,547	9,336
Total Net Worth	7,159	7,935	9,247	10,036
Minority Interest	1,130	1,323	1,415	1,533
Total Liabilities	13,364	14,524	15,562	16,085

Source Company data, I-Sec research

Exhibit 40: Quarterly trend

(INR bn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	2,319	2,251	2,365	2,318
% growth (YOY)	1%	4%	11%	12%
EBITDA	410	407	425	388
Margin %	17.7	18.1	18.0	16.7
Other Income	38.4	38.7	45.3	39.8
Extraordinaries	-	-	-	-
Adjusted Net Profit	173.9	172.7	189.5	151.4

Source Company data, I-Sec research

Exhibit 41: Cashflow statement

(INR bn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Cash Flow from operation before working Capital	1,410	1,644	1,726	1,950
Working Capital Changes	(196)	64	107	(35)
Tax	(63)	(120)	(280)	(328)
Operating Cashflow	1,150	1,588	1,553	1,587
Capital Commitments	(1,318)	(1,376)	(1,100)	(1,000)
Free Cashflow	(168)	212	453	587
Others CFI	406	233	160	155
Cashflow from Investing Activities	(912)	(1,143)	(940)	(845)
Inc (Dec) in Borrowings	367	68	(366)	(384)
Interest Cost	(217)	(372)	(213)	(193)
Others	(46)	137	565	(61)
Cash flow from Financing Activities	105	(166)	(14)	(638)
Chg. in Cash & Bank balance	325	286	599	104
Closing cash & balance	687	972	1,571	1,675

Source Company data, I-Sec research

Exhibit 42: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Recurring EPS	98.0	102.9	109.5	126.6
Diluted EPS	98.0	102.9	109.5	126.6
Recurring Cash EPS	157.5	178.0	191.1	216.8
Dividend per share (DPS)	9.0	10.0	9.0	10.0
Book Value per share (BV)	1,058.0	1,172.7	1,366.7	1,483.3
Dividend Payout (%)	9.2	9.7	8.2	7.9
Growth (%)				
Net Sales	24.2	2.6	13.5	7.8
EBITDA	31.1	14.1	6.2	13.0
EPS	16.8	5.0	6.4	15.6
Valuation Ratios (x)				
P/E	31.7	30.2	28.4	24.6
P/CEPS	19.7	17.5	16.3	14.3
P/BV	2.9	2.7	2.3	2.1
EV / EBITDA	13.9	12.1	10.9	9.4
EV / Operating Income	17.4	15.4	14.2	12.2
Dividend Yield (%)	0.3	0.3	0.3	0.3
Operating Ratios				
EBITDA Margins (%)	15.9	17.7	16.6	17.4
Effective Tax Rate (%)	21.7	24.6	25.3	25.2
Net Profit Margins (%)	7.4	7.6	7.1	7.7
NWC / Total Assets (%)	1.2	4.2	7.1	7.7
Fixed Asset Turnover (x)	0.9	0.8	0.8	0.8
Working Capital Days	9.1	0.3	(3.9)	(1.5)
Net Debt / Equity %	36.3	31.6	16.7	10.5
Profitability Ratios				
RoCE (%)	6.4	6.3	6.1	6.6
RoCE (Pre-tax) (%)	8.2	8.4	8.2	8.8
RoE (%)	8.9	9.2	8.6	8.9

Source Company data, I-Sec research

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