Reliance Industries

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RELIANCE IN
Equity Shares (m)	6766
M.Cap.(INRb)/(USDb)	18574.3 / 221
52-Week Range (INR)	3218 / 2220
1, 6, 12 Rel. Per (%)	-6/-18/-10
12M Avg Val (INR M)	18491

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	9,011	9,299	9,927
EBITDA	1,622	1,650	2,051
Adj PAT	696	654	877
EBITDA (%)	18%	18%	21%
EPS (INR)	102.9	96.7	129.7
EPS Gr. (%)	4%	-6%	34%
BV/Sh. (INR)	1,231	1,325	1,452
Ratios			
Net D/E	0.3	0.3	0.2
RoE (%)	8.6	7.9	9.8
RoCE (%)	8.4	8.1	9.8
Valuations			
P/E (x)	26.7	28.4	21.2
P/BV (x)	2.2	2.1	1.9
EV/EBITDA (x)	13.0	12.8	10.2
Div Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.6	0.0	0.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	49.1	49.1	49.1
DII	17.3	17.0	15.9
FII	23.5	23.8	24.5
Others	10.2	10.2	10.5

FII Includes depository receipts

CMP: INR2,745 TP: INR3,255 (+19%) Buy

Weak results; recovery in O2C and Retail remains key

- Reliance Industries (RIL)'s 2QFY25 consolidated EBITDA declined 5% YoY (flat QoQ) to INR391b (2% miss) due to a weaker performance in O2C (softer refining/petchem cracks) and Reliance Jio (elevated subscriber churn). Reliance Retail remained weak because of rationalization efforts. Attributable PAT declined ~5% YoY to INR166b (+9% QoQ), but it exceeded our estimate by 4% on lower depreciation and higher other income.
- **Reliance Jio (RJio):** Revenue/EBITDA grew 7%/8% QoQ, but came in 2% below our estimates as the partial flow-through of the recent tariff hike was partly offset by a large subscriber loss (net wireless subs declined ~13m).
- **Reliance Retail (Retail):** Net revenue declined ~4% YoY due to weak demand in the fashion & lifestyle category. We believe the decline in core retail would likely be higher as Connectivity would have benefitted from RJio's tariff hikes. However, reported EBITDA inched up 1% YoY (in line) as margins expanded 35bp YoY to 8.8% (60bp beat). Reported PAT was up ~5% YoY.
- **Standalone EBITDA** declined 30% YoY (-6% QoQ) to INR134b and came in 5% below our estimate, mainly due to softer cracks YoY in both refining and petchem. Standalone PAT declined 31% YoY (up 1% QoQ), but was 10% ahead of our estimate on higher other income and lower DD&A and interest costs. We cut our standalone FY25E EBITDA/PAT by 6%/8% as we build in weaker refining/petchem margins in 2HFY25.
- Consolidated net debt increased by INR40b QoQ to INR1,164b, and 2Q capex rose 18% QoQ to INR340b (down 12% YoY) due to higher capex in O2C and New Energy, while capex in RJio declined.
- We cut our FY25/FY26 consolidated EBITDA estimates by 1-2% and PAT estimates by 6%/3%, as we reduce our estimates for standalone earnings by ~8%, RJio earnings by 1-3% and Retail earnings by 2-10%. We model a CAGR of 12-13% in EBITDA/PAT over FY24-27, driven by more frequent tariff hikes in RJio and a recovery in Retail and O2C earnings.
- Using the SoTP method, we value RIL's standalone business at 8x Dec'26E EV/EBITDA to arrive at a value of INR1,001/sh. We ascribe an equity value of INR1,001/sh to RIL's equity stake in RJio (based on DCF) and INR1,319/sh to RIL's equity stake in Retail, as well as assign INR89/sh to RIL's New Energy business. **Reiterate BUY with a revised TP of INR3,255 (earlier INR3,410).**

RJio – Tariff hike flow-through offset by higher subscriber churn

- RJio's standalone revenue was up 7% QoQ (15% YoY; 2% miss) at INR283b, driven by a partial flow-through of the recent tariff hikes.
- Blended ARPU rose ~7% QoQ/YoY (in line) to INR195/month, while the subscriber base declined ~2.2% QoQ **(~11m QoQ net decline)** to 478.8m due to a heightened churn (2.8% vs. 1.7% QoQ) after the tariff hikes.
- EBITDA grew 8% QoQ (16% YoY) to INR150b (2% miss). The miss was largely due to weaker revenue. EBITDA margin expanded ~50bp QoQ to 53.1% (~20bp miss). Incremental EBITDA margin stood at 60% (vs. 59% in 1Q).