

Reliance Industries | BUY



Weakness in O2C and Retail business drag earnings growth

RIL's consolidated 2QFY25 EBITDA was 1.7% below JMFe and 3.5% below consensus at INR 391bn (up 0.8% QoQ, but down 4.7% YoY) due to slightly lower O2C and Digital EBITDA while Retail EBITDA growth was weak as expected. O2C business EBITDA at INR 124bn was 1.4% below JMFe due to slightly lower-than-expected GRMs (implied ~USD 7.1/bbl) and weak petchem margins, while E&P segment EBITDA was 1% above JMFe at INR 52.9bn. Digital EBITDA was slightly lower than JMFe at INR 161.4bn on higher subs loss at 10.9mn; that was, however, partly offset by higher tariff-hike-led ARPU at INR 195.1. Further, Retail business EBITDA continued to be muted at INR 58.6bn on weak Fashion and Lifestyle (F&L) demand, continued focus on streamlining of operations and calibrated approach to the B2B business. Capex rose QoQ to INR 340bn in 2QFY25 (vs. INR 288bn in 1QFY25); net debt also rose by INR 41bn QoQ to INR 1,164bn at end-2QFY25. We reiterate BUY on RIL (unchanged TP of INR 3,470) as we believe net debt concerns are overdone, and also because RIL has industry leading capabilities across businesses to drive robust 14-15% EPS CAGR over the next 3-5 years.

- **Weaker-than-expected GRM led to O2C business EBITDA being 1.4% below JMFe at INR 124bn; E&P segment EBITDA 1% above JMFe at INR 52.9bn:** O2C EBITDA at INR 124bn (down 5.2% QoQ and down 23% YoY on a high base) was 1.4% below JMFe – hence, implied GRM was ~USD 7.1/bbl vs. JMFe of USD 7.2/bbl (vs. ~USD 7.7/bbl implied in 1QFY25); further, implied petchem margin seems to have further weakened QoQ as expected. RIL's overall O2C EBITDA margin was largely in line with JMFe at USD84/tn (vs. USD 89/tn in 1QFY25). However, E&P segment EBITDA was 1% above JMFe at INR 52.9bn in 2QFY25 (up 1.5% QoQ). KG D6 block gas output averaged ~28.5mmcmd and oil condensate output was at 21kbpd and continues to be in a similar range currently.
- **Digital EBITDA, at INR 161.4bn, slightly lower than JMFe on higher subs loss at 10.9mn; that was partly offset by higher tariff-hike-led ARPU at INR 195.1:** Digital segment EBITDA at INR 161.4bn (up 8.0% QoQ and up 14.7% YoY) was 1.3% below JMFe due to higher net subscriber loss at 10.9mn (vs. JMFe of 1.2mn addition) on account of sim consolidation among lower ARPU subscribers post the recent tariff hike; hence, monthly churn increased to 2.8%. However, ARPU was higher than JMFe at INR 195.1 (vs. JMFe of INR 194), up 7.4% QoQ due to partial follow-through of the recent tariff hike and a better subscriber mix; the management expects full impact of the tariff hike to flow through in the next 2-3 quarters. Jio standalone 2QFY25 revenue was slightly below JMFe at INR 285bn (up 7.3% QoQ and up 14.8% YoY). Further, opex was also a tad higher than JMFe at INR 82.4bn; hence, Jio's standalone 2QFY25 EBITDA was 1.3% lower than JMFe at INR 152bn (up 8.6% QoQ and up 16.6% YoY); EBITDA margin was 53.4% in 2QFY25 (vs. 52.8% in 1QFY25). SG&A, access charges and other costs were higher than expected, but largely offset by lower network costs, licence fees and spectrum usage charges. Around 148mn subs migrated to Jio's 5G network (vs. around 130mn at end-1QFY25, over 108mn at end-4QFY24 and around 90mn at end-3QFY24); Jio's 5G network now carries over 34% of Jio's wireless data traffic (vs. over 31% at end-1QFY25,

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,470
Upside/(Downside)	26.4%
Previous Price Target	3,470
Change	0.0%

Key Data – RELIANCE IN

Current Market Price	INR2,745
Market cap (bn)	INR18,574.3/US\$221.0
Free Float	44%
Shares in issue (mn)	6,765.0
Diluted share (mn)	6,766.0
3-mon avg daily val (mn)	INR21,847.7/US\$259.9
52-week range	3,218/2,220
Sensex/Nifty	81,973/25,128
INR/US\$	84.1

Price Performance

%	1M	6M	12M
Absolute	-6.8	-6.5	16.8
Relative*	-5.8	-16.2	-5.5

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	8,778,350	9,010,640	9,408,999	10,490,150	11,944,531
Sales Growth (%)	26.1	2.6	4.4	11.5	13.9
EBITDA	1,421,620	1,622,330	1,623,031	1,964,914	2,276,557
EBITDA Margin (%)	16.2	18.0	17.2	18.7	19.1
Adjusted Net Profit	662,840	696,210	713,707	885,401	1,056,774
Diluted EPS (INR)	98.0	102.9	105.5	130.9	156.2
Diluted EPS Growth (%)	17.9	5.0	2.5	24.1	19.4
ROIC (%)	10.2	9.5	8.8	10.3	11.5
ROE (%)	8.9	9.2	8.7	10.0	10.9
P/E (x)	28.0	26.7	26.0	21.0	17.6
P/B (x)	2.6	2.3	2.2	2.0	1.8
EV/EBITDA (x)	14.7	13.0	13.1	10.8	9.2
Dividend Yield (%)	0.3	0.4	0.4	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 14/Oct/2024

around 28% at end-4QFY24 and 25% at end-3QFY24). JioAirFiber continues to see strong uptake and engagement pan-India and Jio is the fastest growing wireless operator globally with over 2.8mn JioAirFiber connections at end-2QFY25 (vs. over 1.1mn at end-1QFY25) and reiterated its target to connect 100mn homes at record speed (vs. 12.9mn subs at end-Jul'24). Hence, data usage per subs has risen 2.3% QoQ to 31GB/month driven by higher mix of 5G and home users.

- **Retail EBITDA growth continued to be muted on weak F&L demand, continued focus on streamlining of operations and calibrated approach to B2B business:** Retail gross revenue was weak for the 3rd consecutive quarter, at INR 763bn (up only 0.9% QoQ and down 1.1% YoY); hence, Retail EBITDA was also muted at INR 58.6bn (up only 3.3% QoQ and up only 0.5% YoY), though it was 2.7% above JMFe muted expectation. The management attributed the muted growth to weak Fashion and Lifestyle (F&L) demand, continued focus on streamlining of operations and calibrated approach to the B2B business. However, EBITDA margin was up 18bps QoQ at 7.7% in 2QFY25 due to streamlining of operations and calibrated approach in B2B. Total 18,946 physical stores operational (28 net stores added in 2QFY25, but total area declined by net 1.9mn sqft probably as a few larger stores got rationalised and replaced by smaller stores), taking total area to 79.4mn sqft (vs. 81.3mn sqft at end-1QFY25).
- **Capex rose QoQ to INR 340bn in 2QFY25 (vs. INR 288bn in 1QFY25); net debt also rose by INR 41bn QoQ:** RIL's consolidated 2QFY25 capex rose to INR 340bn vs. capex of INR 288bn in 1QFY25 (1HFY25 capex was INR 628bn vs. FY24 capex of INR 1,318bn; FY23 capex was INR 1,418bn ex-spectrum and INR 2,355bn including spectrum). Further, reported net debt rose by INR 41bn QoQ to INR 1,164bn at end-2QFY25 (vs. reported net debt of INR 1,123bn at end-1QFY25). Consolidated gross debt at end-2QFY25 was INR 3,363bn (vs. INR 3,049bn at end 1QFY25); while cash and cash equivalents at end 2QFY25 was INR 2,199bn (vs. INR 1,926bn at end 1QFY25).
- **Net debt concerns overdone; we reiterate BUY on robust 14-15% EPS CAGR over the next 3-5 years:** We reiterate BUY on RIL (unchanged 1 year TP of INR 3,470; and 3-year TP of INR 4,295); we believe [net debt concerns are overdone](#) as expect its net debt to decline gradually as capex will not only moderate (INR 1.2trln-1.4trln p.a. vs. INR 2.3trln in FY23) but, importantly, also be fully funded by a gradual increase in internal cash generation. RIL's guidance on keeping reported net debt to EBITDA below 1x (0.75x at end-2QFY25) also gives comfort. Be that as it may, we believe RIL could still drive a robust 14-15% EPS CAGR over the next 3-5 years with Jio's ARPU expected to rise at 11-12% CAGR over FY24-28 with ARPU being on a structural uptrend given the industry structure, future investment needs, and the need to avoid a duopoly market — [A Giant Digital Leap](#). Moreover, Retail EBITDA is also expected to grow at 15-20% on continued strong growth momentum as RIL is driving omni-channel capabilities across segments. Further, listing of Jio and Retail business over the next few years could lead to a potential re-rating. At CMP, the stock is trading at FY27E P/E of 17.6x (3 yr avg: 24.3x) and FY27E EV/EBITDA of 9.2x (3 yr avg: 12.7x). **Key risks:** **a)** continued high capex, resulting in rising net debt with limited earnings visibility from new projects; **b)** weak subs addition and limited ARPU hike; and **c)** weak downstream margins due to macro concerns.

2QFY25 Result Review

Key takeaways from post-earnings webinar:

Net debt and capex: Capex up QoQ to INR 340bn in 2QFY25 driven by O2C and New Energy business; net debt also rose by INR 41bn QoQ

- RIL's consolidated 2QFY25 capex rose QoQ to INR 340bn vs. capex of INR 288bn in 1QFY25 (1HFY25 capex was INR 628bn vs. FY24 capex of INR 1,318bn; FY23 capex was INR 1,418bn ex-spectrum and INR 2,355bn including spectrum). The **management attributed higher capex in 1HFY25 to O2C and New Energy business** while said Jio's capex has moderated post 5G rollout.
- **Reported net debt rose by INR 41bn QoQ to INR 1,164bn at end-2QFY25 (vs. reported net debt of INR 1,123bn at end-1QFY25)**. Consolidated gross debt at end-2QFY25 was INR 3,363bn (vs. INR 3,049bn at end 1QFY25) while cash and cash equivalents at end-2QFY25 was INR 2,199bn (vs. INR 1,926bn at end-1QFY25).

Exhibit 1. RIL consolidated quarterly debt and capex details

INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Reported Gross debt	3,186,850	2,956,870	3,117,430	3,246,220	3,049,370	3,363,370	10.3%	13.7%
Less: Cash & cash equivalent	1,920,640	1,779,600	1,923,710	2,083,410	1,925,960	2,198,990	14.2%	23.6%
Reported Net debt	1,266,210	1,177,270	1,193,720	1,162,810	1,123,410	1,164,380	3.6%	-1.1%
Add: Spectrum Liability	1,128,470	1,105,970	1,105,970	1,082,720	1,082,720	1,067,350	-1.4%	-3.5%
Net debt including Spectrum Liability	2,394,680	2,283,240	2,299,690	2,245,530	2,206,130	2,231,730	1.2%	-2.3%
Reported Net debt to EBITDA	0.8	0.7	0.7	0.7	0.7	0.7	2.9%	3.7%
Net debt (including Spectrum Liability) to EBITDA	1.6	1.4	1.4	1.3	1.4	1.4	0.4%	2.5%
Consolidated Capex	396,450	388,150	301,020	232,070	287,850	340,220	18.2%	-12.3%

Source: Company, JM Financial

Energy business: GRM weak due to subdued global oil demand in China/US; expect GRM to improve due to shutdowns and rise in heating demand during winter

- Refining margin was hit in 2QFY25 due to subdued global oil demand, particularly in China and US, and seasonal factors. Gasoline cracks were also weak due to rising EV penetration in China and high refinery runs in the US.
- However, the management expects refining margin to improve in the near term due to likely tightening in the fuel market on account of refinery cuts in Europe and Asia in 3QFY25 amidst weak margin and expected surge in heating oil demand during winter months.
- The management is hopeful that global downstream chemical margin could see some improvement due to interest rate cuts and stimulus package in China.
- On New Energy business, the management said first of the New Energy giga-factories is on track to commence production of solar PV modules by the end of this year.
- Expect global gas prices to remain range-bound and supported in the near term as there is no major LNG supply capacity additions likely in the near term, some impact on supply due to maintenance shutdown planned in the near term, coupled with support from high crude price.
- Average KGD6 production for 2QFY25 is 28.5mmscmd and 21kbpd of oil/condensate and continues to be in a similar range currently.

Digital business: Reiterated robust traction in Jio 5G & AirFiber driven by pan-India rollout; full tariff hike to reflect in the next 2-3 quarters

- ARPU was higher than JMFe at INR 195.1 (vs. JMFe of INR 194), up 7.4% QoQ due to partial follow-through of recent tariff hike and a better subscriber mix (given the subs loss in the low ARPU segment post tariff hike); the **management expects full impact of the tariff hike to flow through in the next 2-3 quarters.**
- **Around 148mn subs migrated to Jio's 5G network** (vs. around 130mn at end-1QFY25, over 108mn at end-4QFY24 and around 90mn at end-3QFY24); and **Jio's 5G network now carries over 34% of Jio's wireless data traffic** (vs. over 31% at end-1QFY25, around 28% at end-4QFY24 and 25% at end-3QFY24).
- **JioAirFiber continues to see strong uptake and engagement pan India and Jio is the fastest growing wireless operator globally with over 2.8mn JioAirFiber connections at end-2QFY25** (vs. over 1.1mn at end-1QFY25); the company reiterated its target to connect 100mn homes at record speed (vs. 12.9mn subs at end Jul'24).

Exhibit 2. Jio standalone quarterly financials

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Revenue	241,270	248,560	255,130	260,810	265,800	285,270	7.3%	14.8%
Operating costs	114,640	117,970	120,910	123,470	125,580	133,020	5.9%	12.8%
- Network costs	73,790	76,070	77,060	78,660	79,230	82,440	4.1%	8.4%
-License fees, SUC and oher rever	22,040	22,900	23,300	23,890	24,330	25,960	6.7%	13.4%
-Access Charges	3,210	2,990	3,020	2,130	2,620	3,650	39.3%	22.1%
- Employee Costs	4,420	4,680	5,030	4,830	4,850	4,960	2.3%	6.0%
-SG&A and other costs	11,180	11,330	12,500	13,960	14,550	16,010	10.0%	41.3%
EBITDA	126,630	130,590	134,220	137,340	140,220	152,250	8.6%	16.6%
Depreciation & Amortization	51,590	52,580	54,110	55,660	56,070	57,340	2.3%	9.1%
EBIT	75,040	78,010	80,110	81,680	84,150	94,910	12.8%	21.7%
Interest cost	9,710	10,080	10,160	10,040	11,010	11,220	1.9%	11.3%
Reported PBT	65,330	67,930	69,950	71,640	73,140	83,690	14.4%	23.2%
Tax	16,700	17,350	17,870	18,270	18,690	21,380	14.4%	23.2%
Reported PAT	48,630	50,580	52,080	53,370	54,450	62,310	14.4%	23.2%
Tax/PBT (%)	25.6%	25.5%	25.5%	25.5%	25.6%	25.5%		
EBITDA margin (%)	52.5%	52.5%	52.6%	52.7%	52.8%	53.4%		

Source: Company, JM Financial.

Exhibit 3. Jio segmental break-up - computation of ARPU of wireless business (ex- FTTH)

Particulars	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Jio reported revenue (INR mn)	240,420	247,500	253,680	259,590	264,780	283,380	7.0%	14.5%
Jio reported ARPU (INR)	181	182	182	182	182	195	7.4%	7.4%
Jio- reported subscriber numbers (mn)	448.5	459.7	470.9	481.8	489.7	479	-2.2%	4.2%
-TRAJ reported/ calculated Jio wireless subs (mn)	439	450	461	471	478	465	-2.6%	3.4%
-TRAJ reported FTTH subscriber base (mn)	9.2	9.8	10.4	11.1	12.0	13.3	11.3%	36.7%
-Jio Fiber ARPU (assumed)	444	444	444	444	444	444	0.0%	0.0%
Calculated revenue from FTTH (INR mn)	11,655	12,601	13,407	14,292	15,358	16,856	9.8%	33.8%
Reported average subscriber base (mn)	444	454	465	476	486	484	-0.3%	6.6%
ARPU from FTTH (INR)	8.8	9.2	9.6	10.0	10.5	11.6	10.1%	25.4%
Wireless revenue (INR mn)	228,765	234,899	240,273	245,298	249,422	266,524	6.9%	13.5%
ARPU from Wireless business (INR)	171.8	172.4	172.1	171.7	171.2	183.5	7.2%	6.4%

Source: Company, JM Financial.

Exhibit 4. Jio standalone debt details

INR Bn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Gross debt (excluding deferred payment liability)			433		527	709
Deferred payment liability			1,106		1,083	1,067
Other Financial liability (primarily capex creditors)			648		502	429
Total Gross debt			2,187		2,112	2,205
Less: Cash and Cash Equivalents			18		14	5
Net Debt			2,169		2,099	2,200
Net Debt to EBITDA (x)			3.9		3.6	3.4

Source: Company, JM Financial.

Exhibit 5. Jio Platforms Ltd consolidated quarterly financials

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Revenue	261,150	268,750	276,970	288,710	294,490	317,090	7.7%	18.0%
Operating costs	129,990	133,470	137,420	145,110	148,110	157,780	6.5%	18.2%
EBITDA	131,160	135,280	139,550	143,600	146,380	159,310	8.8%	17.8%
Depreciation & Amortization	52,750	54,150	56,020	58,110	58,510	59,890	2.4%	10.6%
EBIT	78,410	81,130	83,530	85,490	87,870	99,420	13.1%	22.5%
Interest cost	9,820	10,200	10,280	10,180	11,150	11,440	2.6%	12.2%
Reported PBT	68,560	70,910	73,230	75,270	76,670	87,950	14.7%	24.0%
Tax	17,580	17,940	18,780	19,440	19,740	22,590	14.4%	25.9%
Reported PAT	50,980	52,970	54,450	55,830	56,930	65,360	14.8%	23.4%
Tax/PBT (%)	25.6%	25.3%	25.6%	25.8%	25.7%	25.7%		
EBITDA margin (%)	50.2%	50.3%	50.4%	49.7%	49.7%	50.2%		

Source: Company, JM Financial.

Total digital EBITDA came in at INR 161.4bn in 2QFY25, of which JPL's EBITDA was INR 159.3bn (including Jio business EBITDA of INR 152.3bn). Other digital EBITDA (ex-Jio) was slightly lower QoQ at INR 9.1bn in 2QFY25 with that of digital entities outside JPL being lower QoQ and that of digital entities inside JPL higher QoQ.

a) **Entities inside JPL:** JPL's EBITDA ex-Jio business was higher QoQ at INR 7.1bn in 2QFY25 vs. INR 6.2bn in 1QFY25.

b) **Entities outside JPL:** Digital EBITDA ex-JPL was lower QoQ at INR 2.1bn in 2QFY25 vs. INR 3.1bn in 1QFY25.

Exhibit 6. Digital business break-up into Telecom and ex-Telecom Digital assets

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Revenue break-up								
Digital	320,770	326,570	334,630	347,410	354,700	380,550	7.3%	16.5%
JPL consolidated	261,150	268,750	276,970	288,710	294,490	317,090	7.7%	18.0%
Jio standalone (Telecom)	241,270	248,560	255,130	260,810	265,800	285,270	7.3%	14.8%
Digital revenue ex-Telecom	79,500	78,010	79,500	86,600	88,900	95,280	7.2%	22.1%
-Entities inside JPL	19,880	20,190	21,840	27,900	28,690	31,820	10.9%	57.6%
-Entities outside JPL	59,620	57,820	57,660	58,700	60,210	63,460	5.4%	9.8%
Digital revenue ex-Telecom (% of total Digital revenue)	24.8%	23.9%	23.8%	24.9%	25.1%	25.0%		
EBITDA break-up								
Digital	137,220	140,710	142,610	146,420	149,440	161,390	8.0%	14.7%
JPL consolidated	131,160	135,280	139,550	143,600	146,380	159,310	8.8%	17.8%
Jio standalone (Telecom)	126,630	130,590	134,220	137,340	140,220	152,250	8.6%	16.6%
Digital EBITDA ex-Telecom	10,590	10,120	8,390	9,080	9,220	9,140	-0.9%	-9.7%
-Entities inside JPL	4,530	4,690	5,330	6,260	6,160	7,060	14.6%	50.5%
-Entities outside JPL	6,060	5,430	3,060	2,820	3,060	2,080	-32.0%	-61.7%
Digital EBITDA ex-Telecom (% of total Digital EBITDA)	7.7%	7.2%	5.9%	6.2%	6.2%	5.7%		
EBIT break-up								
Digital	79,360	82,270	83,610	85,990	88,060	98,580	11.9%	19.8%
JPL consolidated	78,410	81,130	83,530	85,490	87,870	99,420	13.1%	22.5%
Jio standalone (Telecom)	75,040	78,010	80,110	81,680	84,150	94,910	12.8%	21.7%
Digital EBIT ex-Telecom	4,320	4,260	3,500	4,310	3,910	3,670	-6.1%	-13.8%
-Entities inside JPL	3,370	3,120	3,420	3,810	3,720	4,510	21.2%	44.6%
-Entities outside JPL	950	1,140	80	500	190	(840)	-542.1%	-173.7%
Digital EBIT ex-Telecom (% of total Digital EBIT)	5.4%	5.2%	4.2%	5.0%	4.4%	3.7%		
EBITDA margin (%)								
Digital	42.8%	43.1%	42.6%	42.1%	42.1%	42.4%	0.7%	-1.6%
JPL consolidated	50.2%	50.3%	50.4%	49.7%	49.7%	50.2%	1.1%	-0.2%
Jio standalone (Telecom)	52.5%	52.5%	52.6%	52.7%	52.8%	53.4%	1.2%	1.6%

Source: Company, JM Financial. Please note JPL, apart from the telecom assets (i.e. Jio), contains tech investments like Embibe (Ed- tech), OTT platforms, Haptik (AI based messaging app) to name a few. As per our understanding digital assets outside JPL consists of logistic, tech start-ups like Grab-a-Grub etc. which work with the retail side of the business

Retail business: Weak performance for 3rd consecutive quarter due to weak F&L demand, store rationalisation and calibrated approach to B2B business; hopeful of upcoming festive season to drive growth

- The management attributed weak retail revenue and EBITDA growth to weak Fashion and Lifestyle (F&L) demand (driven by impact of shradh month), continued focus on streamlining of operations and calibrated approach to the B2B business. However, EBITDA margin improved due to streamlining of operations and calibrated approach in B2B. However, the management is hopeful of the upcoming festive season to drive growth.
- A total of 18,946 physical stores are operational (28 net stores added in 2QFY25, but total area declined by net 1.9mnsq feet probably as a few larger stores got rationalised and replaced by smaller stores), taking total area to 79.4mn sqft area (vs. 81.3mn sqft area at end-1QFY25).
- Continued focus on scaling up Digital Commerce and New Commerce, with these channels contributing to 17% of total revenue (vs. 18% of total revenue in 1QFY25).
- JioMart is scaling up quick commerce pilot by serving customers through own store network.
- Consumer brands continue to deliver growth across categories with revenue from General Trade growing +250% YoY. Many new products / markets were launched under its bouquet of brands across categories. It had several own-brand new products across categories even as it continued to grow its merchant base, which was up 2X YoY.

Exhibit 7. RIL consolidated quarterly snapshot

INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
Revenue (net of GST and excise)	2,075,590	2,318,860	2,250,860	2,365,330	2,317,840	2,315,350	-0.1%	-0.2%
Operating costs	1,694,660	1,909,180	1,844,300	1,940,170	1,930,190	1,924,770	-0.3%	0.8%
EBITDA	380,930	409,680	406,560	425,160	387,650	390,580	0.8%	-4.7%
EBITDA Margin %	18.4%	17.7%	18.1%	18.0%	16.7%	16.9%	14bps	-80bps
Depreciation	117,750	125,850	129,030	135,690	135,960	128,800	-5.3%	2.3%
EBIT	263,180	283,830	277,530	289,470	251,690	261,780	4.0%	-7.8%
Interest	58,370	57,310	57,890	57,610	59,180	60,170	1.7%	5.0%
Other income	38,130	38,410	38,690	45,340	39,830	48,760	22.4%	26.9%
PBT	243,700	265,510	259,860	278,200	232,310	252,590	8.7%	-4.9%
Tax	61,120	66,730	63,450	65,770	57,860	59,360	2.6%	-11.0%
Reported PAT before Minority interest	182,580	198,780	196,410	212,430	174,450	193,230	10.8%	-2.8%
Reported PAT after Minority interest	160,110	173,940	172,650	189,510	151,380	165,630	9.4%	-4.8%
Reported EPS after Minority interest (INR)	23.7	25.7	25.5	28.0	22.4	24.5	0.1	0.0
Tax/PBT (%)	25.1%	25.1%	24.4%	23.6%	24.9%	23.5%		
Segment EBITDA break-up								
O2C	152,860	162,810	140,640	167,620	130,930	124,130	-5.2%	-23.8%
E&P	40,150	47,660	58,040	56,060	52,100	52,900	1.5%	11.0%
Organised retail	51,390	58,310	62,710	58,770	56,720	58,610	3.3%	0.5%
Digital service	137,220	140,710	142,610	146,420	149,440	161,390	8.0%	14.7%
Financial Services	0	0	0	0	0	0	NM	NM
Others	22,230	22,000	19,710	21,330	20,030	21,060	5.1%	-4.3%
Total	403,850	431,490	423,710	450,200	409,220	418,090	2.2%	-3.1%

Source: Company, JM Financial

Exhibit 8. RIL segment-wise breakdown

INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)
O2C segment								
Production meant for sale (mmt)	17.2	17.1	16.4	17.1	17.7	17.7	0.0%	3.5%
Total throughput (incl Refinery throughput) (mmt)	19.7	20.0	18.7	19.8	19.8	20.2	2.0%	1.0%
Overall O2C EBITDA/tn (USD/ton)	108	115	103	118	89	84		
S'pore Dubai GRM (USD/bbl)	4.0	9.7	5.5	7.3	3.5	3.6		
Implied RIL GRM (USD/bbl)	11.0	12.5	10.0	11.2	7.7	7.2		
E&P business								
Gas production (mmscmd) (RIL's share)	15.7	21.7	22.9	22.9	22.3	22.1	-0.8%	2.1%
KG D6 gas realisation (USD/mmbtu)	10.8	10.5	9.7	9.5	9.3	9.6	3.0%	-8.7%
CBM gas realisation (USD/mmbtu)	14.2	13.7	15.6	14.3	11.6	11.4	-1.6%	-16.9%
Jio (standalone)								
No of subs (Mn)	449	460	471	482	490	479	-2.2%	4.2%
QoQ increase in no of subs (Mn)	9.2	11.2	11.2	10.9	7.9	-10.9		
ARPU (INR/month)	181	182	182	182	182	195	7.4%	7.4%
MoU (Mins/month)	1,003	979	982	1,008	977	977	0.0%	-0.2%
Data usage (GB/month)	24.9	26.6	27.3	28.7	30.3	31.0	2.3%	16.5%
Revenue (INR Mn)	241,270	248,560	255,130	260,810	265,800	285,270	7.3%	14.8%
EBITDA (INR Mn)	126,630	130,590	134,220	137,340	140,220	152,250	8.6%	16.6%
EBITDA margin (%)	52.5%	52.5%	52.6%	52.7%	52.8%	53.4%		
PAT (INR Mn)	48,630	50,580	52,080	53,370	54,450	62,310	14.4%	23.2%
Retail segment								
Total stores	18,446	18,650	18,774	18,836	18,918	18,946	0.1%	1.6%
Net stores addition in quarter	406	204	124	62	82	28		
Area (mn sq ft)	70.6	71.5	72.9	79.1	81.3	79.4	-2.3%	11.0%
Net area addition in quarter (mn sq ft)	5.0	0.9	1.4	6.2	2.2	-1.9		
Store Footfalls (mn)	249	260	282	272	296	297	0.3%	14.2%
Registered Customer Base (mn)	267	281	293	304	316	327	3.5%	16.4%
No of Transactions (mn)	314	315	320	311	334	343	2.7%	8.9%
Digital & New Commerce - sales contribution (%)	18%	19%	19%	18%	18%	17%		
Gross revenue (INR mn)	699,480	771,480	830,630	766,270	756,150	763,020	0.9%	-1.1%
EBITDA (INR mn)	51,270	58,200	62,580	58,710	56,640	58,500	3.3%	0.5%
EBITDA margin* (%)	7.3%	7.5%	7.5%	7.7%	7.5%	7.7%	18bps	12bps

Source: Company, JM Financial, * on gross revenue basis

Key Assumptions and Estimates

Exhibit 9. Key Assumptions

	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Brent crude price (USD/bbl)	80.0	95.4	83.1	75.0	75.0	75.0	75.0
Exchange rate (INR/USD)	74.5	80.4	82.8	84.4	86.1	87.9	89.6
Refining							
EBITDA (INR Bn)	279	412	379	275	367	374	382
Crude throughput	67.8	67.1	67.8	68.2	68.2	68.2	68.2
Margins (USD/bbl)							
Spore Dubai GRM	5.0	10.7	6.6	4.0	6.0	6.0	6.0
RIL's total GRM premium	4.5	2.0	4.6	4.5	4.5	4.5	4.5
a) RIL normal GRM premium	4.0	1.3	3.6	3.5	3.5	3.5	3.5
b) Petcoke gasification addition to GRM	0.5	0.8	1.0	1.0	1.0	1.0	1.0
RIL's total GRM	9.5	12.7	11.2	8.5	10.5	10.5	10.5
Refining cash opex	2.0	2.3	2.0	2.0	2.0	2.0	2.0
Refining EBITDA	7.5	10.4	9.2	6.5	8.5	8.5	8.5
Petrochemicals							
EBITDA (INR Bn)	249	208	245	267	303	388	484
EBITDA/ton (USD/ton)	206	175	206	216	237	249	262
Sales volumes (mmtpa)							
Polymers	5.8	5.7	5.6	5.7	5.8	6.7	7.5
Polyesters	3.2	3.2	3.2	3.2	3.3	3.8	4.3
Fiber intermediaries	6.3	5.1	4.7	4.8	4.8	6.3	7.9
Total	16.2	14.8	14.4	14.6	14.8	17.7	20.6
E&P							
EBITDA (INR Bn)	55	136	202	201	207	213	219
Gas production (mmscmd)	18	269	31	33	33	33	33
Gas realisation (USD/mmbtu)	6.3	0.8	10.2	10.0	9.5	9.5	9.5
Digital			1,134			167%	199%
EBITDA (INR Bn)	403	503	567	632	794	948	1,127
EBITDA margin (%)	47.9%	49.8%	50.2%	50.4%	53.7%	54.3%	54.7%
Wireless segment							
Subscribers (mn - EoP)	410	439	482	499	510	518	526
ARPU (INR)	153	178	181	201	222	248	279
Retail			461.6			153%	184%
Revenue (INR Bn)	1,993	2,683	3,130	3,654	4,288	5,065	5,981
EBITDA (INR Bn)	124	180	231	249	294	354	426
EBITDA margin (%)	6.2%	6.6%	6.8%	6.8%	6.9%	7.0%	7.1%
Net Store additions (#)	2,485	2,844	796	366	648	661	674
Gross revenue per average store (INR)	120	146	165	187	212	243	278
- YoY growth (%)	8%	21%	13%	14%	14%	14%	14%
EBITDA break-up (INR Bn)							
O2C	527	621	624	542	670	763	866
E&P	55	136	202	201	207	213	219
Digital	403	503	567	632	794	948	1,127
Retail	124	180	231	249	294	354	426
Financial Services & Others	19	-6	67	-1	-1	-1	-1
Total	1,128	1,433	1,691	1,623	1,965	2,277	2,635
Energy business	582	757	826	743	878	975	1,084
Non-energy business (incl others)	546	677	865	880	1,087	1,301	1,551
EBITDA proportion							
O2C	47%	43%	37%	33%	34%	33%	33%
E&P	5%	9%	12%	12%	11%	9%	8%
Digital	36%	35%	34%	39%	40%	42%	43%
Retail	11%	13%	14%	15%	15%	16%	16%
Financial Services & Others	2%	0%	4%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%
Energy business	52%	53%	49%	46%	45%	43%	41%
Non-energy business (incl others)	48%	47%	51%	54%	55%	57%	59%
EBITDA growth (%)							
O2C	38%	18%	1%	-13%	24%	14%	14%
E&P	2015%	149%	49%	0%	3%	3%	3%
Digital	18%	25%	13%	11%	26%	19%	19%
Retail	26%	45%	28%	8%	18%	20%	20%
Financial Services & Others	-66%	-131%	-1221%	-102%	0%	0%	0%
Total	28%	27%	18%	-4%	21%	16%	16%

Source: Company, JM Financial

Valuation

Our 1 year target Price for RIL of INR 3,470/share (and 3 year TP of INR 4,295) is computed on a sum-of-the-parts (SOTP) valuation method:

- a) Petchem segment at an EV of INR 430/share based on 7.5x Mar'27EV/EBITDA;
- b) Refining segment at an EV of INR 415/share based on 7.5x Mar'27 EV/EBITDA;
- c) E&P segment at an EV of INR 189/share based on 6.0x Mar'27 EV/EBITDA;
- d) Digital segment (RIL's 67.05% stake in JPL) at an EV of INR1,102/share comprising: i) Telecom business at INR 986/share based on DCF valuation; implied valuation of ~10.5x Mar'27 EV/EBITDA; and ii) Digital opportunities at INR 116/share based on potential monetisation of Video OTT apps, audio OTT and Consumer IoT business.
- e) Retail business (RIL's 83.0% stake) at an EV of INR 1,086/share based on 25x Mar'27 EBITDA. Further, we value Jio Mart at an EV of INR 157/share, factoring in the opportunity of digitisation of kirana stores.
- f) New Energy business at an EV of INR 166/share (based on 1.5x announced capex of INR 750bn) and other investments at INR 126/share (listed investment, Disney Viacom JV and Real estate investment).

We reiterate BUY given its industry leading capabilities across businesses and expectation of robust 14-15% EPS CAGR over the next 3-5 years. At CMP, the stock is trading at FY27E P/E of 17.6x (3-yr avg: 24.3x) and FY27E EV/EBITDA of 9.2x (3-yr avg: 12.7x).

Exhibit 10. RIL Sum-of-the-parts valuation - our 1 year target price for RIL is INR 3,470/share

Business segment	Valuation methodology	Mar'27 EBITDA (INR Bn)	Valuation multiple	Valuation (INR bn)	Valuation (USD bn)	Valuation (INR/share)	Comments
Energy business				6,996	83	1,034	
Petchem	EV/ EBITDA	388	7.5	2,912	34	430	Valued at 7.5x Mar'27 EV/EBITDA
Refining	EV/ EBITDA	374	7.5	2,808	33	415	Valued at 7.5x Mar'27 EV/EBITDA
E&P	EV/ EBITDA	213	6.0	1,276	15	189	Valued at 6x Mar'27 EV/EBITDA
Digital business (for RIL's 67.05% stake)				7,453	88	1,102	
a) Telecom business	DCF			6,668	79	986	Based on DCF valuation;COE 13.5% and WACC of 11%; implied valuation of 10.5x Mar'27 EV/EBITDA
b) Digital opportunities				785	9	116	JPL investments at book value - Monetization of Video OTT apps, JioSaavn and Consumer IoT business etc
Retail business (for RIL's ~83% stake)	EV/ EBITDA			8,411	100	1,243	
a) Retail business				7,349	87	1,086	Valued at 25x Mar'27 EV/EBITDA, based on peers valuation range; D-Mart trades at +40x
b) JioMart New commerce business				1,062	13	157	Valuing kirana digitisation opportunity assuming Jio Mart gets ~10% market share in General Trade ecommerce market by FY30
New Energy business				1,125	13	166	At 1.5x announced capex of INR 750bn
Other investments				850	10	126	Listed equity / Disney Viacom JV / Real estate investment
Total Enterprise Value				24,834	294	3,670	
Less: Net Debt				1,376	16	203	
Total Equity Value				23,459	278	3,470	

Source: JM Financial

Exhibit 11. RIL Sum-of-the-parts valuation – our 3-year target price for RIL is INR 4,295/share

Business segment	Valuation methodology	EBITDA (INR Bn)	Valuation multiple	Valuation (INR bn)	Valuation (USD bn)	Valuation (INR/share)	Comments
Energy business				8,018	95	1,183	
Petchem	EV/ EBITDA	501	7.5	3,754	44	555	Valued at 7.5x EV/EBITDA
Refining	EV/ EBITDA	389	7.5	2,921	35	432	Valued at 7.5x EV/EBITDA
E&P	EV/ EBITDA	224	6.0	1,342	16	197	Valued at 6x EV/EBITDA
Digital business (for RIL's 67.05% stake)				8,516	101	1,259	
a) Telecom business	DCF			7,544	89	1,115	Based on DCF valuation;COE 13.5% and WACC of 11%; implied valuation of 9.0x Mar'29 EV/EBITDA
b) Digital opportunities				971	12	144	JPL investments at book value - Monetization of Video OTT apps, JioSaavn and Consumer IoT business etc
Retail business (for RIL's ~83% stake)	EV/ EBITDA			11,324	134	1,674	
a) Retail business				10,016	119	1,480	Valued at 25x Mar'29 EV/EBITDA, based on peers valuation range; D-Mart trades at +40x
b) JioMart New commerce business				1,308	15	193	Valuing kirana digitisation opportunity assuming Jio Mart gets ~10% market share in General Trade ecommerce market by FY30
New Energy business				1,500	18	222	At 2x announced capex of INR 750bn
Other investments				850	10	126	Listed equity / Disney Viacom JV / Real estate investment
Total Enterprise Value				30,208	358	4,463	
Less: Net Debt				1,126	13	166	Net debt at end FY28
Total Equity Value				29,082	344	4,295	

Source: JM Financial

Risks along with EPS and valuation sensitivity

a) Refining margin sensitivity: Every USD 1/bbl increase/decrease in GRM has a positive/negative impact of 2% of our valuation, 4% of our FY26E EPS, and 2% of our FY26E EBITDA. An unexpected decline in refining margin could have a negative impact on RIL's earnings and valuation.

b) Petchem margin sensitivity: Every USD 20/tonne increase/decrease in EBITDA margin has a positive/negative impact of 1% of our valuation, 2% of our FY26E EPS, and 1% of our FY26E EBITDA. An unexpected slide in petchem EBITDA margin could hurt RIL's earnings and valuation.

c) Retail margin sensitivity: Every 50bps increase/decrease in retail EBITDA margin has a positive/negative impact of 2% of our valuation, 2% of our FY26E EPS, and 1% of our FY26E EBITDA. Any downside to retail profitability could have a negative impact on RIL's earnings and valuation.

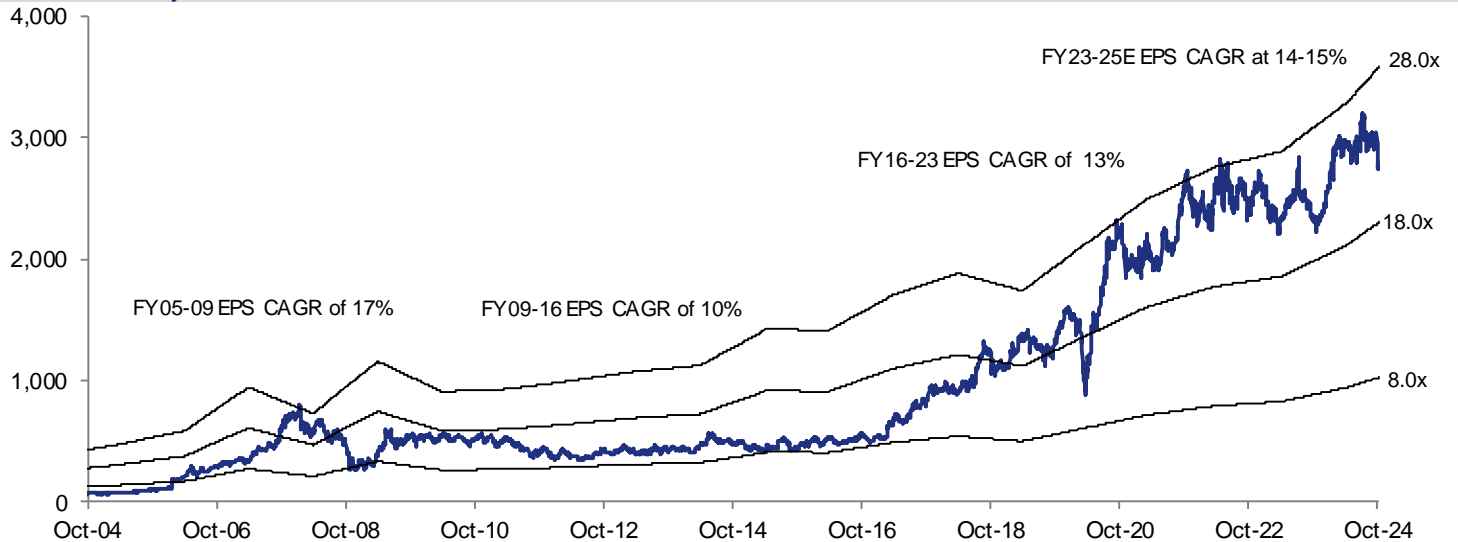
d) ARPU and subscriber sensitivity: Every INR 10 increase/decrease in ARPU has a positive/negative impact of 1% of our valuation and 2% our FY26E EPS and FY26E EBITDA. Every 20mn increase/decrease in subscribers has a positive/negative impact of 1% of our valuation, FY26E EPS and FY26E EBITDA. Lower-than-expected ARPU and subscriber growth could have a negative impact on RIL's earnings and valuation.

Exhibit 12. RIL Earnings and valuation sensitivity

	FY26E Base case assumption	Change	Impact on FY26 EBITDA		Impact on FY26 EPS		Impact on TP	
			INR bn	% change	INR	% change	INR	% change
GRM (USD/bbl)	10.5	+/- USD 1/bbl	43	2%	4.8	4%	55	2%
Petchem EBITDA margins (USD/ton)	237	+/- USD 20/tn	26	1%	2.9	2%	36	1%
Retail EBITDA margins (%)	6.9%	+/- 0.5%	24	1%	2.6	2%	86	2%
Jio wireless ARPU	222	+/- INR 10	33	2%	2.5	2%	24	1%
Jio wireless subscriber (mn)	510	+/-20mn	15	1%	1.1	1%	29	1%
Base case			1,965		131		3,470	

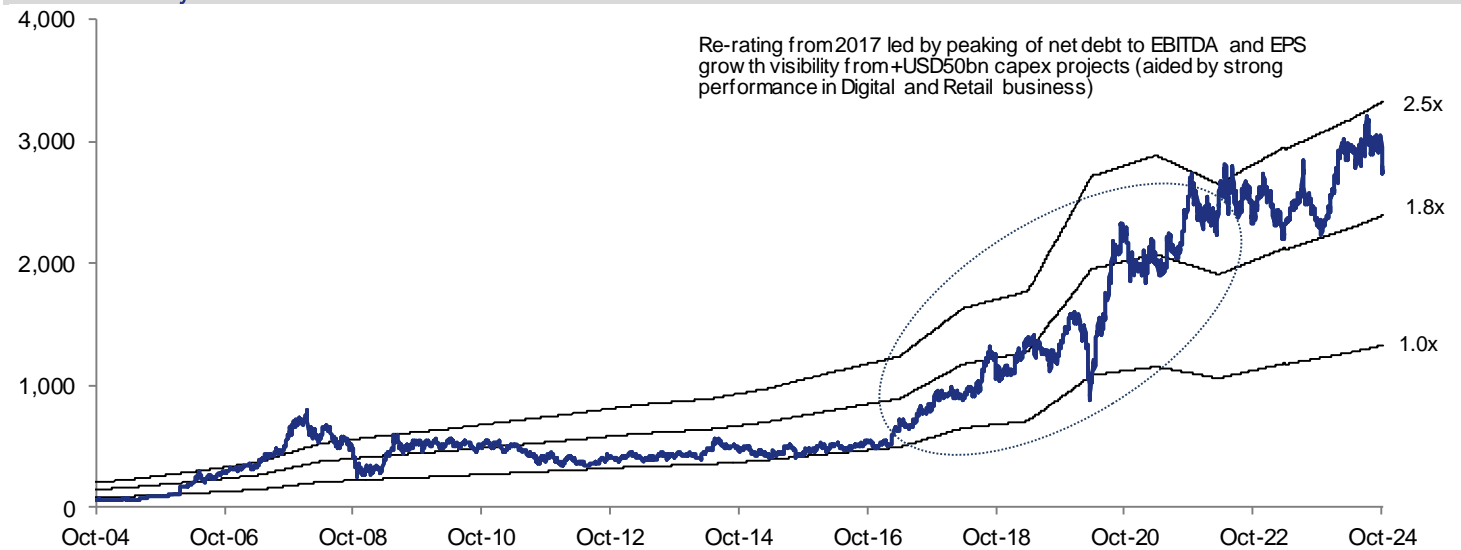
Source: JM Financial

Exhibit 13. RIL 1-year forward PE band



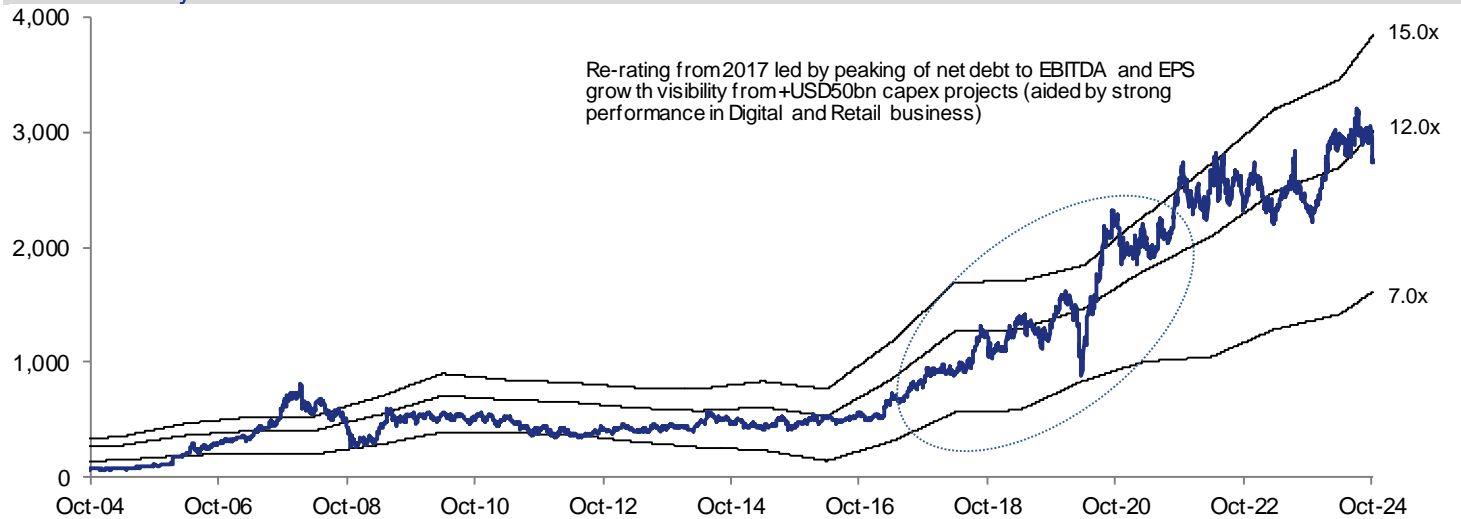
Source: JM Financial, Bloomberg

Exhibit 14. RIL 1-year forward PB band



Source: JM Financial, Bloomberg

Exhibit 15. RIL 1-year forward EV-EBITDA band



Source: JM Financial, Bloomberg

Exhibit 16. Global refiners' valuation snapshot

Company	EV/EBITDA (x)			EBITDA Margins (%)			P/E (x)			P/B (x)			ROE (%)		
	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25
US peers															
Valero Energy	3.7	7.7	7.3	9.9	5.5	6.1	5.9	15.2	13.2	1.9	1.8	1.8	34.6	12.6	13.9
Marathon Petroleum	4.8	7.6	7.4	11.6	8.0	8.2	7.5	17.7	16.1	2.8	3.3	3.0	34.0	16.4	17.6
US peers average	4.3	7.7	7.3	10.7	6.7	7.1	6.7	16.4	14.6	2.4	2.5	2.4	34.3	14.5	15.8
European peers															
Galp Energia	4.6	5.1	5.4	16.7	15.9	15.3	14.6	13.2	15.2	3.1	2.9	2.7	23.4	22.0	18.0
Motor Oil Hellas	2.7	3.7	4.8	10.5	8.4	6.9	2.5	5.2	5.4	0.8	0.8	0.8	34.6	13.8	12.6
PKN Orlen	1.9	2.4	2.2	12.5	9.8	12.4	2.9	5.7	5.2	0.4	0.4	0.4	17.7	7.0	7.8
Saras	2.2	3.2	4.5	6.1	4.5	3.2	4.9	8.5	17.2	1.1	1.1	1.1	24.5	12.8	7.9
MOL Hungarian oil & gas plc	3.3	3.1	3.4	12.3	13.1	12.4	3.8	4.1	4.8	0.5	0.5	0.5	14.0	12.2	9.7
OMV Ag	3.1	3.5	3.7	19.6	20.6	20.8	5.2	5.9	6.5	0.7	0.7	0.7	12.0	11.7	11.0
European peers average	3.0	3.5	4.0	13.0	12.1	11.8	5.6	7.1	9.0	1.1	1.1	1.0	21.0	13.3	11.2
Asian peers															
SK Innovation	9.9	9.9	6.7	5.5	5.6	8.0	19.3	470.8	9.6	0.5	0.5	0.5	2.8	-0.2	5.3
GS Holdings	4.3	4.3	4.1	15.0	15.2	15.6	2.3	3.2	2.9	0.3	0.3	0.3	12.0	9.3	9.5
SK Energy Co Ltd	9.9	9.9	6.7	5.5	5.6	8.0	19.3	470.8	9.6	0.5	0.5	0.5	2.8	-0.2	5.3
MRPL	6.1	10.9	7.6	8.0	4.4	6.5	8.6	21.0	11.6	2.5	2.1	1.9	28.4	11.2	15.5
CPCL	3.7	5.9	5.2	6.7	4.2	5.2	4.9	7.7	7.5	1.5	1.4	1.2	32.5	21.3	14.7
BPCL	4.7	7.6	7.3	8.7	5.6	5.8	5.4	9.9	9.3	2.0	1.7	1.5	44.0	17.5	15.8
HPCL	5.5	8.8	7.6	6.4	3.9	4.5	4.9	9.3	8.0	1.9	1.5	1.3	43.9	18.2	18.9
IOCL	4.6	7.1	6.3	9.8	6.6	7.3	5.2	9.7	8.6	1.4	1.2	1.1	29.5	12.4	12.9
RIL	13.2	11.9	10.5	17.3	17.5	18.7	26.4	24.2	20.7	2.2	2.1	1.9	8.8	9.3	9.9
Asian peers average ex- RIL	6.1	8.0	6.4	8.2	6.4	7.6	8.7	125.3	8.4	1.3	1.1	1.0	24.5	11.2	12.2
Global peers average ex- RIL	4.7	6.3	5.6	10.3	8.6	9.1	7.3	67.4	9.4	1.4	1.3	1.2	24.4	12.4	12.3
Global peers median ex- RIL	4.4	6.5	5.9	9.9	6.1	7.7	5.2	9.5	9.0	1.2	1.1	1.1	26.4	12.5	12.7

Source: JM Financial, Bloomberg

Exhibit 17. Global telecom companies' valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26	CY23/FY24	CY24/FY25	CY25/FY26
Bharti Airtel	13.7	11.7	10.5	50.6	33.6	25.8	9.4	7.7	6.5	53.4	54.7	55.2	21.0	25.0	27.8
Bharti Hexacom	18.4	14.6	12.2	46.5	36.0	25.5	12.7	10.1	7.9	50.1	53.3	55.6	25.3	31.6	34.8
Jio (JMF)	18.5	15.5	12.3	40.2	31.4	22.4	3.5	3.1	2.7	52.6	53.2	53.5	9.0	10.5	13.0
Vodafone Idea	15.1	12.3	10.2	NM	NM	NM	NM	NM	NM	42.8	45.5	48.1	NM	NM	NM
Indian telcos average	16.4	13.5	11.3	45.7	33.7	24.6	8.5	7.0	5.7	49.7	51.7	53.1	18.4	22.3	25.2
A T&T	6.8	6.6	6.5	10.1	9.8	9.5	1.4	1.3	1.2	36.5	36.8	37.0	13.8	13.3	13.1
T-Mobile	10.1	9.6	8.9	22.6	19.1	16.1	3.9	3.9	3.9	39.1	39.8	40.9	17.3	21.0	25.5
Verizon	6.8	6.8	6.6	10.1	9.6	9.3	1.4	1.8	1.6	36.2	36.2	36.5	13.8	18.4	17.6
US telcos average	7.9	7.7	7.4	14.3	12.8	11.6	2.2	2.3	2.2	37.3	37.6	38.1	15.0	17.6	18.7
Deutsche Telekom	7.0	6.4	6.2	14.4	13.1	11.6	2.3	2.2	2.1	37.4	39.6	40.1	15.4	16.5	17.2
Orange	5.3	5.0	4.9	9.7	8.8	8.0	0.8	0.8	0.8	29.9	31.1	31.5	8.4	9.0	9.5
Telefonica	5.6	5.5	5.5	13.5	12.8	12.0	1.2	1.2	1.1	32.2	32.2	32.0	8.4	8.1	8.3
Telenor	7.8	7.7	7.5	12.8	16.3	14.5	2.9	3.0	3.0	43.8	44.0	44.5	23.3	18.1	20.7
Vodafone Plc	6.3	6.0	5.9	10.0	8.5	7.2	0.4	0.3	0.3	29.7	30.1	30.2	3.3	3.8	4.1
BT Group	4.3	4.3	4.2	7.5	7.6	7.5	0.9	1.1	1.0	39.0	39.4	39.9	12.5	12.4	12.4
Europe telcos average	6.0	5.8	5.7	11.3	11.2	10.2	1.4	1.4	1.4	35.4	36.1	36.4	11.9	11.3	12.0
China Mobile	6.9	3.6	3.4	9.8	10.0	9.5	1.9	1.0	1.0	32.9	32.6	32.6	19.5	11.1	11.1
China Telecom	3.8	3.7	3.6	11.6	10.7	9.9	0.8	0.8	0.8	26.7	26.6	26.4	7.3	7.7	8.1
China Unicom	1.5	1.5	1.5	9.4	8.7	8.0	0.5	0.5	0.5	26.3	25.9	25.7	5.8	6.1	6.4
China telcos average	4.1	2.9	2.8	10.3	9.8	9.1	1.1	0.8	0.8	28.6	28.4	28.2	10.9	8.3	8.6
KT Corp	1.5	3.1	3.0	9.4	7.4	7.1	0.5	0.5	0.5	21.1	21.1	21.3	5.8	7.4	7.5
LG Uplus	3.2	2.7	2.7	8.2	6.9	6.5	0.6	0.5	0.4	24.9	24.8	24.7	7.1	6.9	7.0
SK Telecom	3.9	3.8	3.8	10.0	9.7	9.2	1.0	1.0	0.9	30.9	30.5	30.1	10.2	10.1	10.3
Korea telcos average	2.9	3.2	3.2	9.2	8.0	7.6	0.7	0.7	0.6	25.6	25.5	25.4	7.7	8.1	8.3
Axiata	5.8	5.5	5.3	30.8	22.7	18.8	1.0	1.0	1.0	45.2	45.5	46.2	3.2	4.2	4.9
Maxis	9.5	9.3	9.2	21.6	20.2	19.2	5.2	4.9	4.8	39.7	39.4	39.3	24.0	25.0	26.5
Malaysia telcos average	7.6	7.4	7.2	26.2	21.5	19.0	3.1	3.0	2.9	42.4	42.5	42.7	13.6	14.6	15.7
Advanced Info	9.4	9.0	8.8	24.2	21.7	20.2	8.3	7.9	7.6	50.7	51.3	51.8	35.5	37.0	38.2
Chungwa Telecom	11.4	11.1	11.0	25.8	24.9	24.3	2.5	2.5	2.5	38.6	38.9	38.3	9.9	10.1	10.2
Converge ICT	5.8	5.2	4.9	11.6	10.3	9.4	2.2	1.8	1.5	59.9	59.9	59.8	20.2	18.7	17.0
Globe Telecom	8.0	7.6	7.3	15.9	14.8	13.2	2.0	2.0	1.9	46.9	47.1	47.1	15.1	14.9	15.7
Indosat	5.1	4.7	4.4	15.6	12.7	10.8	2.5	2.2	2.0	48.3	49.1	49.5	15.6	17.3	18.4
MTN Group	4.3	3.8	3.3	13.7	10.1	7.6	1.3	1.2	1.1	36.5	37.1	39.5	NM	NM	NM
Singtel	15.9	15.0	14.5	20.3	17.6	15.6	2.1	2.1	2.1	26.4	27.1	27.5	10.6	11.7	13.0
Taiwan Mobile	12.4	11.9	11.6	27.6	25.4	22.5	4.1	4.1	4.0	20.4	19.7	18.7	15.5	17.5	18.8
Telecom Indonesia	4.5	4.3	4.1	11.6	10.8	10.1	2.0	1.9	1.8	51.3	51.9	52.2	17.5	18.0	17.5
XL Axiata	4.2	4.0	3.8	15.7	13.3	11.8	1.1	1.0	1.0	50.5	50.6	50.2	7.0	7.6	8.0
Other regional telcos average	8.1	7.7	7.4	18.2	16.2	14.6	2.8	2.7	2.5	43.0	43.3	43.5	16.3	17.0	17.4
Global telcos average	7.9	7.3	6.8	18.4	15.8	13.6	2.7	2.5	2.3	38.7	39.2	39.5	13.9	14.5	15.4

Source: Bloomberg, JM Financial.

Exhibit 18. Global petchem companies' valuation snapshot

Company	EV/EBITDA (x)			EBITDA Margins (%)			P/E (x)			P/B (x)			ROE (%)		
	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25
Global (ex Asia) peers															
DoW	9.5	9.1	7.6	12.2	13.1	15.0	24.8	23.3	15.3	1.9	2.0	2.0	7.2	8.6	13.2
Du Pont	14.3	13.6	12.5	24.4	24.9	25.6	24.9	22.9	19.9	1.6	1.5	1.5	6.2	6.6	7.7
Wacker Chemie	6.7	7.3	5.5	12.9	12.7	15.5	14.2	21.5	12.0	1.0	1.0	1.0	6.8	4.7	7.8
Johnson Matthey	6.0	6.0	5.6	14.6	16.0	17.4	10.4	10.0	8.6	1.1	1.1	1.1	10.1	11.4	11.4
BASF	8.6	8.2	7.2	10.8	12.1	13.1	15.2	14.6	12.1	1.1	1.2	1.2	5.2	7.4	9.2
Indorama ventures	9.7	8.4	7.5	7.7	8.7	9.6	41.9	NM	13.6	0.7	0.9	0.9	1.6	-6.7	6.2
SABIC	11.6	11.2	8.0	14.6	15.5	20.5	151.2	39.4	18.5	1.3	1.3	1.3	1.2	3.2	7.1
Eastman Chemical Co	10.9	9.7	8.9	17.4	19.3	20.1	17.2	14.3	12.4	2.4	2.3	2.1	13.9	15.9	17.1
Olin Corp	6.4	8.7	6.6	19.4	14.7	17.7	12.9	29.1	12.8	2.8	2.8	2.2	21.8	8.7	19.1
AKZO Nobel	10.7	10.3	9.5	13.5	13.8	14.6	18.2	15.9	14.2	2.4	2.4	2.2	13.1	14.7	15.8
Global (ex Asia) peers average	9.4	9.3	7.9	14.7	15.1	16.9	33.1	21.2	13.9	1.6	1.7	1.5	8.7	7.5	11.5
Asian peers															
Mitsubishi Gas Chem	8.7	7.9	6.6	10.4	11.8	13.6	11.7	11.4	9.8	0.9	0.8	0.8	7.2	7.0	7.8
Sinopec Shanghai Petrochemical	17.6	10.3	8.6	1.6	2.9	3.5	270.6	60.1	13.4	0.4	0.4	0.4	-0.3	0.6	3.2
LG Chem	8.4	8.0	5.4	11.6	13.3	16.5	17.7	36.6	12.3	0.8	0.8	0.8	4.5	2.5	6.5
Formosa Chemicals & Fibre Corp	18.5	16.4	14.6	5.7	5.9	6.4	25.7	28.5	19.1	0.7	0.7	0.7	3.1	2.4	3.2
Nan Ya Plastics	17.9	14.4	11.5	8.6	11.9	14.1	39.0	30.7	19.3	0.9	0.9	0.9	2.8	3.5	5.2
Formosa Plastics	27.6	35.5	23.6	6.4	5.0	7.3	26.3	40.1	23.2	0.9	0.9	0.9	3.7	2.4	3.3
Hanwha	11.0	22.5	8.7	11.1	5.9	13.5	18.2	NM	12.6	0.5	0.6	0.6	2.4	-10.4	3.7
Asahi Kasei Corp	7.5	6.3	5.8	10.5	11.7	12.1	18.4	12.9	11.2	0.9	0.8	0.8	4.8	6.2	7.1
Toray Industries	9.3	8.3	7.4	9.6	10.1	10.8	23.3	15.3	12.6	0.9	0.7	0.7	3.7	5.0	5.8
Kuraray Co	5.9	5.2	4.8	19.5	20.6	21.2	15.6	12.9	11.3	1.0	0.9	0.9	6.9	7.2	7.9
Teijin Ltd	7.8	7.7	7.0	9.5	9.7	10.4	38.8	3.6	19.9	0.6	0.6	0.6	1.7	14.5	2.9
Mitsui Chemicals	8.2	6.7	5.9	9.9	11.5	12.5	14.5	9.7	7.9	0.9	0.8	0.7	6.4	8.2	9.5
RIL	13.2	11.9	10.5	17.3	17.5	18.7	26.4	24.2	20.7	2.2	2.1	1.9	8.8	9.3	9.9
Asian peers average	12.4	12.4	9.3	10.1	10.6	12.3	42.0	23.8	14.9	0.9	0.8	0.8	4.3	4.5	5.8
Global peers average	11.1	11.0	8.7	14.7	15.1	16.9	38.1	22.7	14.5	1.2	1.2	1.1	6.2	5.8	8.3
Global peers median	9.5	8.7	7.5	11.1	12.1	14.1	18.4	21.5	12.8	0.9	0.9	0.9	5.2	6.6	7.7

Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	8,778,350	9,010,640	9,408,999	10,490,150	11,944,531	
Sales Growth	26.1%	2.6%	4.4%	11.5%	13.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	8,778,350	9,010,640	9,408,999	10,490,150	11,944,531	
Cost of Goods Sold/Op. Exp	5,884,830	5,853,430	6,112,210	6,814,539	7,759,324	
Personnel Cost	248,720	256,790	269,630	283,111	297,267	
Other Expenses	1,223,180	1,278,090	1,404,130	1,427,586	1,611,384	
EBITDA	1,421,620	1,622,330	1,623,031	1,964,914	2,276,557	
EBITDA Margin	16.2%	18.0%	17.2%	18.7%	19.1%	
EBITDA Growth	31.1%	14.1%	0.0%	21.1%	15.9%	
Depn. & Amort.	403,030	508,320	518,733	570,385	617,403	
EBIT	1,018,590	1,114,010	1,104,298	1,394,529	1,659,154	
Other Income	117,340	160,570	142,579	136,539	137,123	
Finance Cost	195,710	231,180	189,135	194,556	174,717	
PBT before Excep. & Forex	940,220	1,043,400	1,057,742	1,336,512	1,621,560	
Excep. & Forex Inc./Loss(-)	4,180	0	0	0	0	
PBT	944,400	1,043,400	1,057,742	1,336,512	1,621,560	
Taxes	203,760	257,070	247,669	317,415	389,075	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	73,620	90,120	96,366	133,696	175,711	
Reported Net Profit	667,020	696,210	713,707	885,401	1,056,774	
Adjusted Net Profit	662,840	696,210	713,707	885,401	1,056,774	
Net Margin	7.6%	7.7%	7.6%	8.4%	8.8%	
Diluted Share Cap. (mn)	6,766.0	6,766.0	6,766.0	6,766.0	6,766.0	
Diluted EPS (INR)	98.0	102.9	105.5	130.9	156.2	
Diluted EPS Growth	17.9%	5.0%	2.5%	24.1%	19.4%	
Total Dividend + Tax	60,894	67,660	67,660	87,958	101,490	
Dividend Per Share (INR)	9.0	10.0	10.0	13.0	15.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	7,158,720	7,934,810	8,509,198	9,237,693	10,127,774	
Share Capital	67,660	67,660	67,660	67,660	67,660	
Reserves & Surplus	7,091,060	7,867,150	8,441,538	9,170,033	10,060,114	
Preference Share Capital	0	0	0	0	0	
Minority Interest	1,130,090	1,323,070	1,409,205	1,529,959	1,688,982	
Total Loans	3,139,660	3,246,220	3,172,530	3,180,155	3,136,955	
Def. Tax Liab. / Assets (-)	587,750	713,030	734,552	760,588	790,267	
Total - Equity & Liab.	12,016,220	13,217,130	13,825,486	14,708,396	15,743,977	
Net Fixed Assets	10,185,570	11,188,400	11,823,528	12,420,946	13,051,177	
Gross Fixed Assets	10,267,280	11,330,210	12,496,398	13,676,281	14,935,753	
Intangible Assets	152,700	149,890	149,890	149,890	149,890	
Less: Depn. & Amort.	3,171,930	3,680,250	4,198,983	4,769,368	5,386,771	
Capital WIP	2,937,520	3,388,550	3,376,224	3,364,144	3,352,305	
Investments	2,355,600	2,256,720	2,256,720	2,256,720	2,256,720	
Current Assets	3,517,650	4,105,360	3,860,988	4,198,990	4,724,579	
Inventories	1,400,080	1,527,700	1,419,406	1,508,277	1,644,763	
Sundry Debtors	284,480	316,280	314,073	345,230	386,719	
Cash & Bank Balances	686,640	972,250	826,933	1,030,334	1,359,364	
Loans & Advances	42,240	60,380	68,241	77,760	89,410	
Other Current Assets	1,104,210	1,228,750	1,232,335	1,237,389	1,244,323	
Current Liab. & Prov.	4,042,600	4,333,350	4,115,750	4,168,261	4,288,499	
Current Liabilities	1,471,720	1,783,770	1,620,923	1,725,444	1,895,086	
Provisions & Others	2,570,880	2,549,580	2,494,827	2,442,817	2,393,412	
Net Current Assets	-524,950	-227,990	-254,762	30,729	436,080	
Total - Assets	12,016,220	13,217,130	13,825,486	14,708,396	15,743,977	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	944,400	1,043,400	1,057,742	1,336,512	1,621,560	
Depn. & Amort.	403,030	508,320	518,733	570,385	617,403	
Net Interest Exp. / Inc. (-)	82,930	122,840	46,556	58,017	37,594	
Inc (-) / Dec in WCAP.	-196,340	63,660	-52,346	-15,507	-8,333	
Others	-20,730	-30,730	0	0	0	
Taxes Paid	-62,970	-119,610	-226,147	-291,379	-359,397	
Operating Cash Flow	1,150,320	1,587,880	1,344,538	1,658,028	1,908,827	
Capex	-1,409,880	-1,528,830	-1,153,861	-1,167,803	-1,247,634	
Free Cash Flow	-259,560	59,050	190,677	490,224	661,193	
Inc (-) / Dec in Investments	294,440	169,750	-11,445	-14,574	-18,583	
Others	185,430	223,270	142,579	136,539	137,123	
Investing Cash Flow	-930,010	-1,135,810	-1,022,727	-1,045,838	-1,129,094	
Inc / Dec (-) in Capital	4,790	198,370	-81,890	-81,890	-81,890	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	380,750	92,620	-128,442	-44,385	-92,605	
Others	-280,990	-457,450	-256,795	-282,514	-276,207	
Financing Cash Flow	104,550	-166,460	-467,128	-408,789	-450,702	
Inc / Dec (-) in Cash	324,860	285,610	-145,317	203,401	329,030	
Opening Cash Balance	361,780	686,640	972,250	826,933	1,030,334	
Closing Cash Balance	686,640	972,250	826,933	1,030,334	1,359,364	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	7.6%	7.7%	7.6%	8.4%	8.8%	
Asset Turnover (x)	0.7	0.7	0.6	0.7	0.7	
Leverage Factor (x)	1.7	1.8	1.8	1.7	1.7	
RoE	8.9%	9.2%	8.7%	10.0%	10.9%	

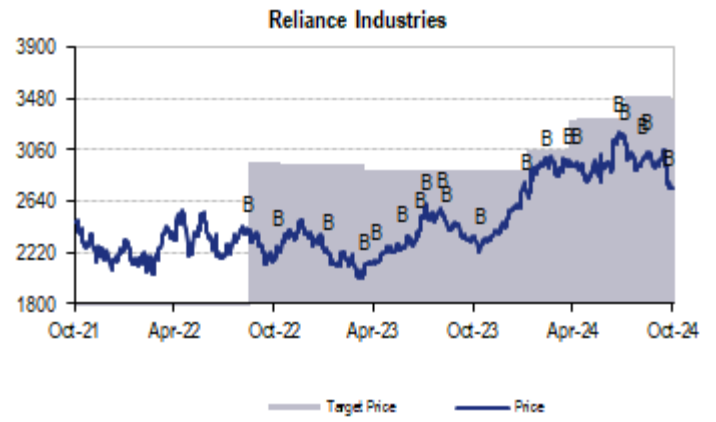
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	1,058.0	1,172.7	1,257.6	1,365.3	1,496.9	
ROIC	10.2%	9.5%	8.8%	10.3%	11.5%	
ROE	8.9%	9.2%	8.7%	10.0%	10.9%	
Net Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1	
P/E (x)	28.0	26.7	26.0	21.0	17.6	
P/B (x)	2.6	2.3	2.2	2.0	1.8	
EV/EBITDA (x)	14.7	13.0	13.1	10.8	9.2	
EV/Sales (x)	2.4	2.3	2.3	2.0	1.8	
Debtor days	12	13	12	12	12	
Inventory days	58	62	55	52	50	
Creditor days	73	88	76	74	72	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Aug-22	Buy	2,950	
24-Oct-22	Buy	2,950	0.0
22-Jan-23	Buy	2,950	0.0
28-Mar-23	Buy	2,900	-1.7
22-Apr-23	Buy	2,900	0.0
8-Jun-23	Buy	2,900	0.0
9-Jul-23	Buy	2,900	0.0
22-Jul-23	Buy	2,900	0.0
18-Aug-23	Buy	2,900	0.0
28-Aug-23	Buy	2,900	0.0
28-Oct-23	Buy	2,900	0.0
20-Jan-24	Buy	3,050	5.2
28-Feb-24	Buy	3,050	0.0
5-Apr-24	Buy	3,300	8.2
23-Apr-24	Buy	3,320	0.6
7-Jul-24	Buy	3,320	0.0
20-Jul-24	Buy	3,500	5.4
22-Aug-24	Buy	3,500	0.0
29-Aug-24	Buy	3,500	0.0
7-Oct-24	Buy	3,470	-0.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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