

**ADD** Reliance Industries**In-line Q3; capex run-rate reduces; new energy to start in H2CY24** Your success is our success

Oil &amp; Gas ▶ Result Update ▶ January 20, 2024

**TARGET PRICE (Rs): 2,950**

**RIL reported largely in-line earnings (consol. EBITDA: Rs407bn; PAT: Rs173bn) in Q3FY24. O2C and Jio EBITDA, both saw a slight miss on our estimate which was albeit offset by better Upstream (due to lower opex) and in-line Retail. Capex run-rate reduced to Rs301bn in Q3 vs. ~Rs390bn each in Q2 & Q1FY24. Net debt was up 1% QoQ to Rs1.19trn, due to pay-down of creditors for capex. Company stated that its new energy giga complex would be commissioned in phases, starting H2CY24. We broadly maintain FY24-26E earnings, but raise our SOTP-based TP by 8% to Rs2,950/share, on the back of higher new energy value (1.5x EV/IC) as development progresses (giga factory commission, green H<sub>2</sub> PLI win for 90ktpa, etc), higher Jio EV/EBITDA target (11x vs 10.5x earlier on strong subs growth, peer rerating), and rollover to Dec-24E; maintain ADD.**

**Reliance Industries: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	6,999,620	8,778,350	9,300,172	9,572,560	10,216,941
EBITDA	1,104,600	1,421,620	1,638,095	1,797,174	1,933,912
Adj. PAT	537,474	629,665	694,769	777,127	849,419
Adj. EPS (Rs)	95.6	104.3	102.6	114.6	125.2
EBITDA margin (%)	15.8	16.2	17.6	18.8	18.9
EBITDA growth (%)	36.8	28.7	15.2	9.7	7.6
Adj. EPS growth (%)	17.3	9.2	(1.7)	11.7	9.2
RoE (%)	7.3	8.4	9.3	9.6	9.6
RoIC (%)	10.9	13.8	13.7	13.4	13.5
P/E (x)	32.3	27.6	26.7	23.9	21.9
EV/EBITDA (x)	16.8	13.1	12.3	11.1	10.0
P/B (x)	2.2	2.4	2.4	2.2	2.0
FCFF yield (%)	(2.8)	(7.7)	(0.5)	1.9	3.6

Source: Company, Emkay Research

**Key Result Highlights:** O2C EBITDA fell 14% QoQ to Rs140.6bn due to maintenance in multiple units combined with lower cracks & deltas; feedstock optimization and cheaper ethane supported, though. O2C feedstock/sales stood at 18.7mt/16.4mmt, down 7%/4% QoQ, while EBITDA/mt declined 8% to USD90. **Upstream** EBITDA rose 22% QoQ to Rs58bn as opex normalized QoQ, while KG Basin gas volumes were up 5% QoQ at 29.6mmscmd. **Jio** clocked strong net subs addition of 11.2mn (vs our est of 10.5mn), while ARPU was slightly lower at Rs181.7 (flat QoQ). Jio's EBITDA was up 1.4% QoQ to Rs142.6bn. Network opex was up 1.3% QoQ to Rs77.1bn. **Retail** EBITDA rose 8% QoQ to Rs62.7bn as net store additions stood at 124, while retail area rose 2% QoQ to 72.9mn sqft. Q3 revenue growth of 23% YoY was led by Grocery/Fashion-Lifestyle, which saw strong growth of 41%/28% YoY, while Consumer Electronics grew 19%.

**Management KTAs:** O2C business outlook remains positive, on healthy diesel-kero cracks and steady demand, though volatility would be present due to OPEC+ cuts & geopolitical issues. Chemical margins are expected to be muted in the near term due to over-supply. Current KG Basin gas output is ~30mmscmd with ~21kbpd oil/condensate as well, while CBM ramp-up is under way through the 40 multi-lateral well campaign. Jio has 90mn 5G users, with 5G roll-out completed before schedule in Q3. Jio's capex intensity is expected to moderate, while the company undertakes monetization of 5G users. Retail momentum is expected to sustain, as Digital scales up (~19% of Q3 sales), with focus on expanding distribution and the product portfolio. FCF outlook should improve, along with a robust balance sheet and moderating capex.

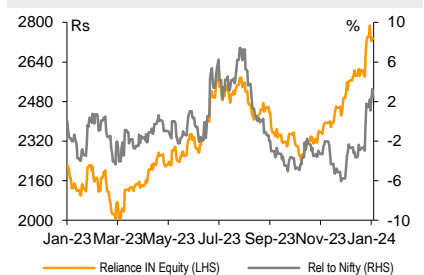
**Valuation:** We value RIL on an SOTP basis, using the Dec-25E EV/EBITDA methodology for core segments and the EV-IC/EV-sales methodology for the New Energy/Other segments. We raise our EV/EBITDA multiple by 0.5x to 11x for Jio and our EV/IC for New Energy to 1.5x from 1x earlier. **Key risks:** Adverse commodity/currency, B2C competition, delay in monetization of ventures, and policy & new business related risks.

Target Price – 12M	Dec-24
<b>Change in TP (%)</b>	<b>8.0</b>
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	7.8
CMP (19-Jan-24) (Rs)	2,734.9

Stock Data	Ticker
52-week High (Rs)	2,793
52-week Low (Rs)	1,986
Shares outstanding (mn)	6,765.7
Market-cap (Rs bn)	18,504
Market-cap (USD mn)	222,764
Net-debt, FY24E (Rs mn)	1,552,195
ADTV-3M (mn shares)	6
ADTV-3M (Rs mn)	15,575.8
ADTV-3M (USD mn)	187.5
Free float (%)	50.0
Nifty-50	21,622
INR/USD	83.1
<b>Shareholding, Sep-23</b>	
Promoters (%)	49.1
FPIs/MFs (%)	22.1/15.7

**Price Performance**

(%)	1M	3M	12M
Absolute	6.9	18.6	21.4
Rel. to Nifty	6.1	7.6	1.7

**1-Year share price trend (Rs)****Sabri Hazarika**sabri.hazarika@emkayglobal.com  
+91 22 6612 1282**Devanshu Bansal**devanshu.bansal@emkayglobal.com  
+91 22 6612 1385**Santosh Sinha**santosh.sinha@emkayglobal.com  
+91 22 6624 2414**Harsh Maru**harsh.maru@emkayglobal.com  
+91 22 6612 1336**Arya Patel**arya.patel@emkayglobal.com  
+91 22 6612 1285

## Exhibit 1: RIL – Actuals vs. Estimates (Q3FY24)

Consolidated (Rs bn)	Actual	Estimates	Consensus Estimates	Variation		Comments
		(Emkay)	(Bloomberg)	Emkay	Consensus	
Total Revenue	2,251	2,302	2,539	-2%	-11%	
EBITDA	407	403	404	1%	1%	Upstream beat partly offset by O2C & Jio miss
EBITDA Margin	18.1%	17.5%	15.9%	54bps	215bps	
Adj. Net Profit (after MI)	173	168	181	3%	-5%	Lower Minority Interest

Source: Company, Emkay Research

## Exhibit 2: RIL – Detailed Actuals vs. Estimates (Q3FY24)

(Rs bn)	Q3FY24E	Q3FY24A	Deviation
<b>Consol EBITDA</b>	<b>403</b>	<b>407</b>	<b>3</b>
O2C	144	141	-3
Upstream	51	58	7
Retail	63	63	0
Jio	145	143	-2
Others	3	2	-1
Balancing	-1	1	2
D/A	127	129	2
Interest	58	58	0
Other Income	39	39	0
Tax	65	63	-1
Minority Interest	-26	-24	2
<b>PAT</b>	<b>167</b>	<b>171</b>	<b>4</b>

Source: Company, Emkay Research

**Exhibit 3: RIL – Quarterly Highlights (Consolidated)**

(Rs bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
Revenue	2,172	2,129	2,076	2,319	2,251	4%	-3%	6,665	6,645	0%
Expenditure	1,819	1,745	1,695	1,909	1,844	1%	-3%	5,621	5,448	-3%
<b>EBITDA</b>	<b>352</b>	<b>384</b>	<b>381</b>	<b>410</b>	<b>407</b>	<b>15%</b>	<b>-1%</b>	<b>1,045</b>	<b>1,197</b>	<b>15%</b>
Depreciation	102	115	118	126	129	27%	3%	289	373	29%
Interest	52	58	58	57	58	11%	1%	138	174	26%
Other Income	31	29	38	38	39	23%	1%	89	115	29%
Exceptionals	0	0	0	0	0			0	0	
PBT	230	241	243	265	258	12%	-2%	708	766	8%
Tax	53	28	61	67	63	20%	-5%	179	191	7%
PAT	177	213	182	198	195	10%	-2%	528	575	9%
Minor./Assoc.	-19	-20	-22	-24	-22			-54	-68	
<b>Group Rep. PAT</b>	<b>158</b>	<b>193</b>	<b>160</b>	<b>174</b>	<b>173</b>	<b>9%</b>	<b>-1%</b>	<b>474</b>	<b>507</b>	<b>7%</b>
Group Adj. PAT	158	193	160	174	173	9%	-1%	474	507	7%
Adj. EPS (Rs)	25.0	30.5	23.7	25.7	25.5	2%	-1%	74.9	74.9	0%
EBITDA Margin	16%	18%	18%	18%	18%			16%	18%	
Tax Rate	23%	12%	25%	25%	25%			25%	25%	
Gross Debt	3,035	3,147	3,187	2,957	3,117	3%	5%	3,035	3,117	3%
Cash & Equivalent	1,933	2,045	1,921	1,780	1,924	0%	8%	1,933	1,924	0%
<b>Net Debt</b>	<b>1,102</b>	<b>1,102</b>	<b>1,266</b>	<b>1,177</b>	<b>1,194</b>	<b>8%</b>	<b>1%</b>	<b>1,102</b>	<b>1,194</b>	<b>8%</b>
Capex	376	444	396	388	301	-20%	-22%	1,016	1,086	7%
Refining Volumes (mmt)*	16.2	17.3	17.2	17.3	16.0	-1%	-8%	49.1	50.5	3%
Petchem Net Volumes (mmt)*	4.1	4.2	4.3	4.4	4.0	-2%	-9%	13.0	12.7	-2%
Upstream EBITDA	39	38	40	48	58	50%	22%	98	146	49%
KG-D6 Gas Output (mmscmd)	19.3	20.2	20.9	28.3	29.6	53%	5%	19.1	26.3	38%
Retail Revenue	676	693	700	772	830	23%	8%	1,911	2,302	20%
<b>Retail Reported EBITDA</b>	<b>48</b>	<b>49</b>	<b>52</b>	<b>58</b>	<b>63</b>	<b>31%</b>	<b>8%</b>	<b>130</b>	<b>173</b>	<b>32%</b>
Retail EBITDA Margin	7.1%	7.1%	7.4%	7.6%	7.6%			6.8%	7.5%	
Jio Revenue (incl Digital)	230	234	240	248	254	10%	2%	674	742	10%
<b>Jio Reported EBITDA</b>	<b>129</b>	<b>134</b>	<b>137</b>	<b>141</b>	<b>143</b>	<b>11%</b>	<b>1%</b>	<b>369</b>	<b>421</b>	<b>14%</b>
Jio EBITDA Margin	56%	57%	57%	57%	56%			54.8%	56.7%	
Jio ARPU (Rs)	178	179	181	182	182	2%	0%	177	181	2%
Jio Subs (mn)	433	439	449	460	471	9%	2%	433	471	9%

Source: Company, Emkay Research; Note: i) Some numbers may not fully match with annual tables due to different adjustment methods in the Emkay detailed annual model and averaging discrepancies; ii) \* not reported and hence assumed

**Exhibit 4: RIL – O2C earnings, volumes and margins**

(Rs bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
<b>Throughput – Feedstock (mmt)</b>	<b>18.8</b>	<b>19.8</b>	<b>19.7</b>	<b>20.0</b>	<b>18.7</b>	<b>-1%</b>	<b>-7%</b>	<b>57.2</b>	<b>58.4</b>	<b>2%</b>
Production For Sale (mmt)	16.1	17.1	17.2	17.1	16.4	2%	-4%	49.2	50.7	3%
Transport Fuels	10.2	11.4	11.1	11.1	10.2	0%	-8%	30.6	32.4	6%
Polymers	1.4	1.5	1.4	1.5	1.2	-14%	-20%	4.2	4.1	-2%
Fibre Intermediaries	0.7	0.7	0.9	0.9	0.8	14%	-11%	2.4	2.6	8%
Polyesters	0.6	0.6	0.6	0.6	0.6	0%	0%	1.9	1.8	-5%
Chemicals & Others	3.2	2.9	3.2	3.0	3.6	13%	20%	10.1	9.8	-3%
Revenue	1,446	1,286	1,330	1,480	1,411	-2%	-5%	4,660	4,221	-9%
Expenditure	1,307	1,123	1,178	1,317	1,270	-3%	-4%	4,202	3,765	-10%
<b>EBITDA</b>	<b>139</b>	<b>163</b>	<b>153</b>	<b>163</b>	<b>141</b>	<b>1%</b>	<b>-14%</b>	<b>458</b>	<b>456</b>	<b>0%</b>
D&A	20	21	21	22	21	2%	-6%	61	64	4%
EBIT	119	142	132	141	120	1%	-15%	397	393	-1%
<b>EBITDA/mt (USD)</b>	<b>90</b>	<b>100</b>	<b>94</b>	<b>98</b>	<b>90</b>	<b>0%</b>	<b>-8%</b>	<b>100</b>	<b>94</b>	<b>-6%</b>

Source: Company, Emkay Research

## Reliance Jio – Strong net subs addition continues

**Strong subscriber addition in Q3FY24:** RJio reported net subscriber addition of 11.2mn (flat QoQ) vs. our estimate of 10.5mn growth. We estimate wireless subscribers addition at 10.5mn (10.6mn in Q2), assuming number of home broadband subscribers at 0.70mn in Q3 (0.58mn in Q2). ARPU was in-line, at Rs181.7, coming in flat QoQ with better subscriber mix offset by start of free 5G services (which reduced one-off data charges). Jio has seen good 5G traction with 90mn subscribers shifting to 5G (vs. 70mn in Q2). Data consumption was up 5% QoQ and data consumption per subscriber rose to 27.3GB vs. 26.6GB in Q2.

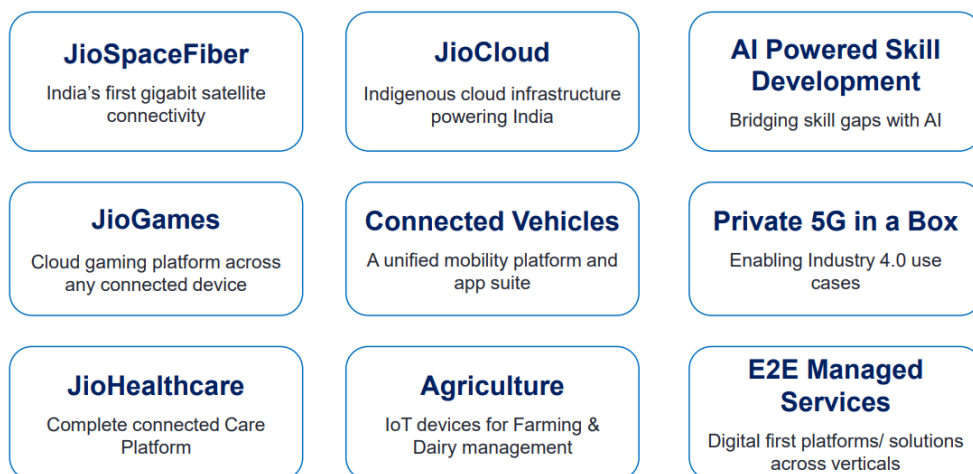
**Revenue and margin broadly in-line:** RJio's standalone revenue/EBITDA grew 2.5% QoQ each, broadly aligning with our estimates. EBITDA margin was flat QoQ at 52.3%, meeting our expectations. Marketing expense was up 10.3% QoQ amid competitive intensity, while employee expenses were also up, by 7.5% QoQ. However, network operating cost was up only 1.3% QoQ (down by 30bps QoQ as a %age of sales) which partially offset the impact on margin. JPL ex-Jio revenue was up 9.6% QoQ and margin was up by 81bps QoQ to 22.9%.

**Outlook – Healthy subscriber addition to continue:** Jio's subscriber addition has been strong in the last 6 quarters, while ARPU growth has been moderate, in the absence of tariff hikes. We expect the robust subscriber addition to endure for RJio, led by: i) competitive pricing of it plans; ii) roll out of 5G that may attract high ARPU customers from Vi (including postpaid customers), as Vi is yet to roll out 5G; and iii) launch of JioBharat phone at an attractive price, targeting current 2G customers.

We expect a tariff hike in FY25, as: 1) telcos are not earning the required rate of return and will need a tariff hike to recover the 5G investment; and 2) a moderate tariff hike is unlikely to alleviate the cash constraint for Vi. Jio will continue gaining market share amid funding delays by Vi.

**We increase FY24E/FY25E/FY26E subscriber numbers by ~1% each, to factor-in the fast-paced subscriber addition, though we cut our ARPU estimate by ~1%. Our FY25E/FY26E EBITDA remains largely unchanged, as a result.**

### Exhibit 5: Jio's 5G powered digital solutions



Source: Company

### Jio – Financial performance and KPIs (Q3FY24)

- RJio's revenue grew 2.5% QoQ to Rs253.7bn (Emkay: Rs254.6bn), broadly in line with our estimates.
- EBITDA stood at Rs133.8bn (up 2.5% QoQ). EBITDA margin was flat QoQ at 52.3%, broadly in sync with our estimate of 52.5%.
  - Marketing expense was up 10.3% QoQ to Rs12.5bn, as spend remained elevated amid rise in competitive intensity. Employee expenses were also up, by 7.5% QoQ to Rs5bn.
  - However, network operating cost was up only 1.3% QoQ to Rs77bn (down by 30bps QoQ as a %age of sales). License fees and spectrum charges were up 1.7% QoQ to Rs23.3bn. Access charges were up 1% QoQ, mitigating the impact on margin.

- **RPAT grew 3% QoQ to Rs55.1bn (Emkay: Rs51.6bn).** Other income was up 36.8% QoQ (45% above our estimate), leading to higher PAT. Finance cost was up 0.8% QoQ, coming in 17% below our expectations. Depreciation charge increased 2.9% QoQ, possibly due to higher network utilization and incremental addition to gross block.
- **JPL ex-Jio revenue was up 9.6% QoQ to Rs23.3bn.** EBITDA was up 13.6% QoQ to Rs5.3bn. Margin was up by 81bps QoQ to 22.9%.
- **KPIs – Higher net subscriber adds and higher data consumption, key positives**
  - Total subscriber addition was strong in Q3, increasing by 11.2mn (vs. increase of 11.1mn in Q2FY24/9.2mn in Q1FY24; beating our estimate of 10.5mn) to 471mn, possibly aided by competitive pricing of plans by Jio. 5G rollout accelerated the subscriber addition momentum.
  - ARPU stood at Rs181.7, flat QoQ, at a 0.8% miss to our estimate. The better subscriber mix was offset by unlimited data allowance on 5G network.
  - Total data consumption was up 5% QoQ to 38.1bn GB, helped by higher consumption from 5G and higher engagement. Data consumption per subscriber rose to 27.3GB vs. 26.6GB in Q2.

#### Key takeaways from the earnings call

- **Monthly churn was stable at 1.7% in 3QFY24.**
- **Jio completed pan-India rollout of 5G ahead of schedule** and capex is expected to moderate. 90mn subscribers shifted to 5G network for Jio. The Jio 5G network now carries 1/4th of data traffic.
- **5G rollout accelerated the subscriber addition momentum.** Jio witnessed 7.4% YoY increase in the subscriber base vs. industry increase of 0.7% YoY. Net port in the number for Jio is 2.5x of the nearest competitor's. Jio continues to gain majority share of the new 5G devices.
- **JioBharat is accelerating rural market-share gain for Jio.** JioBharat has over 45% market share in the sub-Rs1,000 segment. Rural net add for Jio is 5.2x of the nearest competitor's in rural.
- **JioAirFiber is now available in over 4,000 cities/towns.** Content bundling is driving a ~30% higher per-capita usage on JioAirFiber vs JioFiber. Demand is unlocking from tier-3 and tier-4 towns as well as the rural market. Own 5G core drives a cost-efficient rollout.
- **Enterprise continues to gain traction.** 33% of the named enterprises use 2 or more of Jio services. 50% of the branches of the top-10 banks run on Jio network. 20% of the deal wins are for digital services (non-network services). Education, professional services, and retail drive growth in SMB.

**Exhibit 6: Jio – Quarterly financials**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	QoQ (%)	YoY (%)
<b>Net Sales</b>	<b>229,980</b>	<b>233,940</b>	<b>240,420</b>	<b>247,500</b>	<b>253,680</b>	<b>2.5</b>	<b>10.3</b>
Access charge	2,200	2,820	3,210	2,990	3,020	1.0	37.3
as % of sales	1.0	1.2	1.3	1.2	1.2		
Network Operating	72,270	72,240	73,790	76,070	77,060	1.3	6.6
as % of sales	31.4	30.9	30.7	30.7	30.4		
Employee Expenses	4,000	4,370	4,420	4,680	5,030	7.5	25.8
as % of sales	1.7	1.9	1.8	1.9	2.0		
Marketing Expenses	10,220	10,860	11,180	11,330	12,500	10.3	22.3
as % of sales	4.4	4.6	4.7	4.6	4.9		
License Fee	21,200	21,550	22,040	22,900	23,300	1.7	9.9
as % of sales	9.2	9.2	9.2	9.3	9.2		
Total operating expenditure	109,890	111,840	114,640	117,970	120,910	2.5	10.0
<b>EBITDA</b>	<b>120,090</b>	<b>122,100</b>	<b>125,780</b>	<b>129,530</b>	<b>132,770</b>	<b>2.5</b>	<b>10.6</b>
Depreciation	48,100	49,820	51,590	52,580	54,110	2.9	12.5
EBIT	71,990	72,280	74,190	76,950	78,660	3.1	6.8
Other Income	630	1,050	850	1,060	1,450	36.8	130.2
Interest	10,400	10,060	9,710	10,080	10,160	0.8	(2.3)
Exceptional Item	0	0	0	0	0		
PBT	62,220	63,270	65,330	67,930	69,950	3.0	12.4
Tax	15,840	16,110	16,700	17,350	17,870	3.0	12.8
PAT	46,380	47,160	48,630	50,580	52,080	3.0	12.3
<b>(%)</b>						<b>(bps)</b>	<b>(bps)</b>
<b>EBITDA margin</b>	<b>52.2</b>	<b>52.2</b>	<b>52.3</b>	<b>52.3</b>	<b>52.3</b>	<b>0</b>	<b>12</b>
EBIT margin	31.3	30.9	30.9	31.1	31.0	(8)	(30)
EBT margin	27.1	27.0	27.2	27.4	27.6	13	52
PAT margin	20.2	20.2	20.2	20.4	20.5	9	36
Effective Tax rate	25.5	25.5	25.6	25.5	25.5	1	9

Source: Company, Emkay Research

**Exhibit 7: Jio Platforms (Consolidated) – Quarterly Financials**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	QoQ (%)	YoY (%)
Revenue	248,920	254,650	261,150	268,750	276,970	3.1%	11.3%
EBITDA	125,190	127,670	131,160	135,280	139,550	3.2%	11.5%
EBITDA Margin	50.3%	50.1%	50.2%	50.3%	50.4%	5 bps	9 bps
PAT	48,810	49,840	50,980	52,970	54,450	2.8%	11.6%

Source: Company, Emkay Research

**Exhibit 8: Jio Platforms (ex-Jio) – Quarterly Financials**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	QoQ (%)	YoY (%)
Revenue	18,940	20,710	20,730	21,250	23,290	9.6%	23.0%
EBITDA	4,470	4,520	4,530	4,690	5,330	13.6%	19.2%
EBITDA Margin	23.6%	21.8%	21.9%	22.1%	22.9%	81 bps	-72 bps
PAT	2,430	2,680	2,350	2,390	2,370	-0.8%	-2.5%

Source: Company, Emkay Research

**Exhibit 9: Jio subscriber addition remains elevated**

Subscriber break-down (mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	QoQ (%)	YoY (%)
Wireless	425	431	439	450	460	2.3	8.3
Home broadband (estimated)	7.7	8.3	9.2	9.8	10.5	7.2	36.6
<b>Total</b>	<b>433</b>	<b>439</b>	<b>449</b>	<b>460</b>	<b>471</b>	<b>2.4</b>	<b>8.8</b>
Subscriber additions (mn)							
Wireless	4.5	5.7	8.4	10.6	10.5	-1.1	134.4
Home broadband (estimated)	0.82	0.68	0.84	0.58	0.70	20.7	-14.6
<b>Total</b>	<b>5.3</b>	<b>6.4</b>	<b>9.2</b>	<b>11.1</b>	<b>11.2</b>	<b>0.9</b>	<b>111.3</b>

Source: Company, Emkay Research

**Exhibit 10: Jio – KPIs**

	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	QoQ (%)	YoY (%)
ARPU (Rs)	178.2	178.8	180.5	181.7	181.7	0.0	2.0
MOU/mth (no. of)	985.0	1,003.0	1,003.0	979.0	982.0	0.3	-0.3
Total Number of mins Calculated (bn)	1,271.4	1,312.2	1,335.7	1,333.7	1,370.8	2.8	7.8
Total Data consumption (bn GB)	28.9	30.2	33.2	36.3	38.1	5.0	31.8
Data Usage per User (GB/month)	22.4	23.1	24.9	26.6	27.3	2.5	21.9

Source: Company, Emkay Research

**Exhibit 11: Jio – Summarized Financials**

	FY23	FY24E	FY25E	FY26E
Subscriber (mn)	439	480	506	526
Subscriber addition (mn)	29	41	26	20
ARPU (Rs)	178	182	199	214
YoY growth	16%	2%	10%	8%
Revenue (Rs mn)	907,908	1,002,564	1,178,090	1,327,292
YoY growth	18%	10%	18%	13%
EBITDA (Rs mn)	466,768	525,540	628,745	729,862
EBITDA Margin (%)	51.4	52.4	53.4	55.0

Source: Company, Emkay Research

**Change in estimates:** We increase FY24E/FY25E/FY26E subscriber numbers by ~1% each, to factor-in the fast-paced subscriber addition, though we cut our ARPU estimate by ~1%. Our FY25E/FY26E EBITDA remains largely unchanged, as a result.

**Exhibit 12: Changes in estimates**

Particulars (Rs mn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Subscriber	477	480	0.8%	503	506	0.7%	522	526	0.7%
ARPU	183	182	-0.8%	200	199	-0.7%	216	214	-0.7%
Revenue	1,006,201	1,002,564	-0.4%	1,177,156	1,178,090	0.1%	1,326,607	1,327,292	0.1%
EBITDA	529,754	525,540	-0.8%	627,576	628,745	0.2%	728,877	729,862	0.1%
EBITDA Margin (%)	52.6	52.4	-23 bps	53.3	53.4	6 bps	54.9	55.0	5 bps

Source: Company, Emkay Research

**Bharti and Jio to be the key beneficiaries of any tariff hike:** The last two tariff hikes by all telcos in the prepaid segment took place in Q3FY20 and Q3FY22. In the event of any tariff hike or revenue improvement, Jio and Bharti Airtel will also be key beneficiaries of the EBITDA improvement, in our view, as the earlier price hike resulted in a 77%/70% pass-through of revenue to EBITDA for Airtel/RJio. Vi witnessed a decline in revenue during the same period, with some increase in EBITDA, on cost-cutting measures.

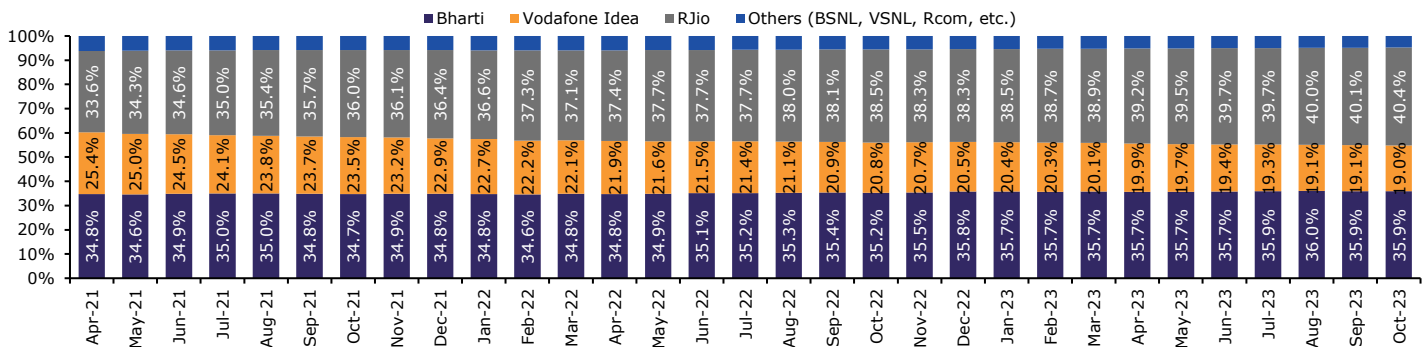
Exhibit 13: Airtel – 77% of the incremental revenue passed on to EBITDA

(Rs mn)	Q2FY20	Q3FY23	Change
<b>Airtel</b>			
Revenue	109,814	193,526.5	83,713
EBITDA	39,913	104,121	64,208
<b>Pass-through</b>			<b>77%</b>
<b>RJio</b>			
Revenue	131,300	229,980	98,680
EBITDA	51,390	1,20,090	68,700
<b>Pass-through</b>			<b>70%</b>
<b>Vi</b>			
Revenue	108,440	106,206	-2,234
EBITDA	33,956	41,808	7,852
<b>Pass-through</b>			<b>N/A</b>

Source: Company, Emkay Research

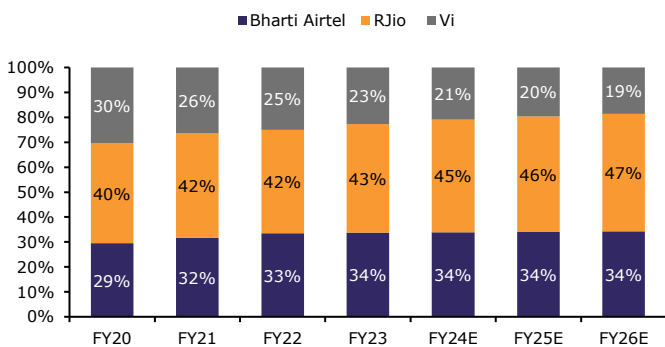
We expect the market-share gains to continue for RJio and Bharti Airtel at the expense of Vi, amid their successful launch of 5G, which may in particular help both telcos attract high ARPU customers from Vi. While Vi has witnessed a moderation in subscriber loss, we expect such losses to increase in Q3. **We increase our EV/EBITDA multiple for Jio, from 10.5x to 11.0x, as we expect market-share gains to continue for the company, amid delays in fundraise by Vi.**

Exhibit 14: RJio and Bharti Airtel continue to gain active subscriber market-share from Vi



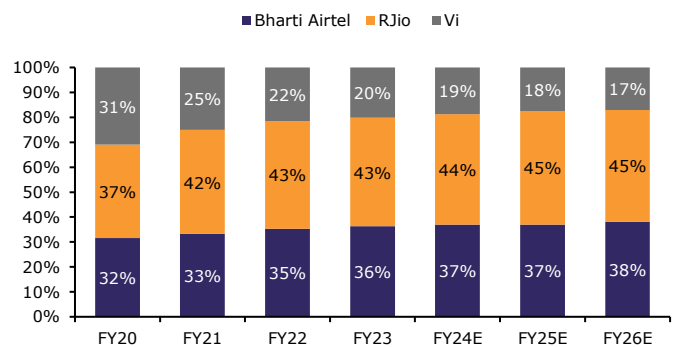
Source: TRAI

Exhibit 15: Vi likely to further lose subscriber market-share\*



Source: Company, Emkay Research; Note: \*Assuming a market with 3 private players

Exhibit 16: Bharti and RJio to gain more revenue market share



Source: Company, Emkay Research; Note: \*Assuming a market with 3 private players



## Reliance Retail – Steady trajectory upholds

**In-line topline growth led by 41%/28% growth in the Grocery/Fashion segments; ahead of 18%/21% growth for DMART/TTAN:** Net retail revenue came in at Rs744bn, growing 24% in Q3FY24, largely led by 21% growth in retail space, continued traction in online/new commerce channels (~19% mix in Q3), and consolidation of acquired businesses. Operating leverage and supply-chain efficiencies led to a 40bps EBITDA margin gain to 8.1% and drove a strong 30% EBITDA growth. Store additions remained subdued at 124/204 in Q3/Q2 vs 650-700 net additions in prior quarters. Total store-count stood at 18,774 (up 9%), covering 72.9mn sqft (up ~21% on YoY basis). Net profit at Rs31.7bn grew 32%, largely in line with EBITDA growth.

Q3 growth was led by the Grocery/Fashion business segments, which saw strong growth of 41%/28%, while Electronics saw slower growth than the 19% Company average. Growth in the Grocery segment is healthy, likely aided by consolidation of Metro Cash and the Carry business. Encouragingly, growth of 28% in company's fashion business indicates strong performance, likely led by partner brands, jewelry, AJIO, and relatively better traction in apparel/footwear. Growth is ahead of peers, as DMART/TTAN have delivered 18%/21% growth in their domestic business, while fashion peers are expected to report muted organic growth in Q3.

**Digital traction continues:** Strong traction in digital/new-commerce channels continued, with sustained traction in consumer-facing platforms (Jiomart/Ajio) and healthy on-boarding of merchants in new commerce initiatives. Digital/new-commerce channels contributed 19% to Q3 sales. JioMart's catalogue expansion continues (+84%), with its seller base growing 3x on YoY basis.

**Strengthening Consumer brands portfolio through product launches:** Revenue growth was driven by momentum in beverages, general merchandize, and staples. Focus on expanding distribution and engagement in the General Trade channel led to 3x growth in revenue/distribution.

**Valuations and forecast:** Q3 results were largely in line with estimates, leading to unchanged estimates. EV increases to Rs8.5trn (vs. Rs8.2trn earlier), led by 3M rollover. Blended multiple remains unchanged at 35x Dec-25 retail EBITDA (37x Core Retail and 7x Connectivity).

### Exhibit 17: Reliance Retail – Quarterly financials

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY chg	QoQ chg	9MFY24	9MFY23	YoY chg
Gross Revenue	676,230	692,670	699,480	771,480	830,630	22.8%	7.7%	2,301,590	1,910,970	20.4%
Net Revenue	600,960	615,590	621,590	689,370	743,730	23.8%	7.9%	2,054,690	1,693,720	21.3%
<b>Reported Retail EBITDA</b>	<b>47,730</b>	<b>49,140</b>	<b>51,390</b>	<b>58,200</b>	<b>62,580</b>	<b>31.1%</b>	<b>7.5%</b>	<b>172,170</b>	<b>130,140</b>	<b>32.3%</b>
<b>- margin on net revenue</b>	<b>7.9%</b>	<b>8.0%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>8.4%</b>			<b>8.4%</b>	<b>7.7%</b>	
EBIT	37,170	37,260	38,050	44,210	48,740	31.1%	10.2%	131,000	102,520	27.8%
- margin	6.2%	6.1%	6.1%	6.4%	6.6%			6.4%	6.1%	
PAT	24,000	24,150	24,480	27,900	31,650	31.9%	13.4%	84,030	67,660	24.2%
- margin	4.0%	3.9%	3.9%	4.0%	4.3%			4.1%	4.0%	

Source: Company, Emkay Research

### Exhibit 18: Reliance Retail – Change in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue (net)	2,741,901	2,741,901	0.0%	3,134,401	3,134,401	0.0%	3,583,437	3,583,437	0.0%
EBITDA	226,677	226,677	0.0%	264,174	264,174	0.0%	308,325	308,325	0.0%
- margin	8.3%	8.3%	0	8.4%	8.4%	0	8.6%	8.6%	0
Core retail EBITDA	206,482	206,482	0.0%	244,018	244,018	0.0%	285,660	285,660	0.0%
- margin	10.1%	10.1%	0	10.4%	10.4%	0	10.6%	10.6%	0

Source: Company, Emkay Research

## Oil & Gas – O2C stable hereon; Upstream earnings upgrade in FY24, based on 9M run-rate

We raise our O2C EBITDA estimates across FY24-26E by 2-4% each, led by a better refining margin outlook, post the major turnaround; this should lift volumes and realized GRMs. Petchem prices overall are expected to be range-bound, as new Chinese supplies enter the market and global O2C outlook remains contingent on China's demand-supply outlook. In Upstream, we cut our realization estimate by 15% each over FY25-26E, reflecting the muted gas price trend in the medium-term but partly offset by lower opex, going ahead. Consequently, Upstream EBITDA has been lowered 3% each over FY25-26E; while the FY24 estimate has been revised up by 8%, to reflect the YTD and current trends.

**Exhibit 19: Change in O&G assumptions and estimates**

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Average GRM (USD/bbl)	11.7	12.0	2%	11.0	11.4	4%	11.0	11.3	2%
Petchem EBITDA/mt (USD)	166	165	0%	170	172	1%	172	174	1%
KG Gas Volumes (mmscmd)	28	27	-1%	30	30	0%	30	30	0%
Gas Price (USD/mmbtu)	11.5	11.3	-2%	12.2	10.3	-15%	12.2	10.3	-15%
O2C EBITDA (Rs bn)	617	634	3%	614	640	4%	620	640	3%
Upstream EBITDA (Rs bn)	189	204	8%	222	214	-3%	210	204	-3%

Source: Company, Emkay Research

Against the marginal earnings cut in Jio and the lower Upstream earnings, we raise our O2C EBITDA estimates which leads to our overall consolidated earnings estimate for RIL marginally improving for FY25-26E, while the 4% hike in FY24 estimates reflects the YTD and current earnings trend.

**Exhibit 20: Change in RIL's consolidated estimates**

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Consol.									
Revenue	9,389	9,300	-1%	9,537	9,573	0%	10,175	10,217	0%
EBITDA	1,612	1,638	2%	1,778	1,797	1%	1,919	1,934	1%
EBITDA Margin	17.2%	17.6%	44bps	18.6%	18.8%	13bps	18.9%	18.9%	7bps
APAT	671	695	4%	767	777	1%	848	849	0%
EPS (Rs)	99.1	102.6	4%	113.1	114.6	1%	125.0	125.2	0%

Source: Company, Emkay Research

## Valuation

### Exhibit 21: SOTP-based valuation – Dec-24E

Dec-25E - Consol. (Rs bn)	Method	Head	Multiple	EV	EV/sh (Rs)
Refining	EV/EBITDA	337	7.5	2,528	373
Petrochemicals	EV/EBITDA	303	7.5	2,275	335
Upstream Oil & Gas	EV/EBITDA	206	6.0	1,236	182
Organised Retail (82%)	EV/EBITDA	237	35.0	8,278	1,220
Telecom (Jio) - 67%	EV/EBITDA	472	11.0	5,195	766
Others	EV/Sales	865	1.5	1,298	191
New Energy	EV/IC	750	1.5	1,125	166
<b>Total</b>		<b>1,642</b>	<b>12.5</b>	<b>21,936</b>	<b>3,234</b>
Adj. Net Debt (end Sep-24E)				1,929	284
<b>Equity Value</b>				<b>20,006</b>	<b>2,950</b>
Shares O/S (bn)					6.8

Source: Company, Emkay Research

### Exhibit 22: PER-based valuation (on Dec-25E EPS)

Consol. (Rs/sh)	FY21	FY22	FY23	FY24E	FY25E	FY26E
RIL's Adjusted EPS	54.3	84.6	99.1	102.6	114.6	125.2
<b>Target Multiple (x)</b>						<b>24.1</b>
<b>SOTP Target Price</b>						<b>2,950</b>

Source: Company, Emkay Research

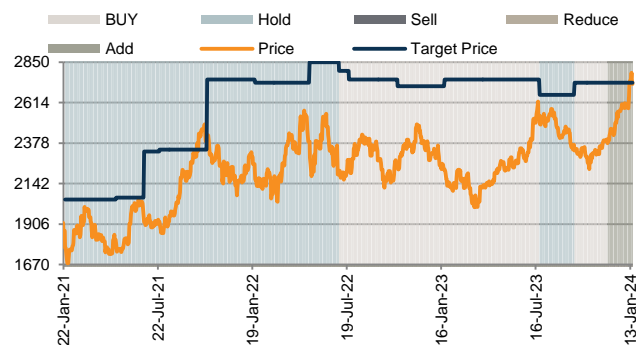


RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Nov-23	2,377	2,730	Add	Sabri Hazarika
29-Oct-23	2,266	2,730	Buy	Sabri Hazarika
28-Sep-23	2,334	2,730	Buy	Sabri Hazarika
29-Aug-23	2,420	2,660	Hold	Sabri Hazarika
23-Jul-23	2,539	2,660	Hold	Sabri Hazarika
24-Apr-23	2,148	2,750	Buy	Sabri Hazarika
22-Jan-23	2,225	2,750	Buy	Sabri Hazarika
24-Oct-22	2,259	2,710	Buy	Sabri Hazarika
23-Jul-22	2,280	2,750	Buy	Sabri Hazarika
15-Jul-22	2,188	2,800	Buy	Sabri Hazarika
04-Jul-22	2,199	2,800	Buy	Sabri Hazarika
08-May-22	2,387	2,850	Hold	Sabri Hazarika
24-Jan-22	2,166	2,730	Hold	Sabri Hazarika
23-Nov-21	2,174	2,750	Hold	Sabri Hazarika
24-Oct-21	2,394	2,750	Hold	Sabri Hazarika
26-Jul-21	1,892	2,340	Hold	Sabri Hazarika
25-Jul-21	1,918	2,340	Hold	Sabri Hazarika
25-Jun-21	1,917	2,330	Hold	Sabri Hazarika
23-Jun-21	2,009	2,060	Hold	Sabri Hazarika
29-May-21	1,908	2,060	Hold	Sabri Hazarika
03-May-21	1,785	2,060	Hold	Sabri Hazarika
23-Apr-21	1,735	2,050	Hold	Sabri Hazarika
23-Mar-21	1,902	2,050	Hold	Sabri Hazarika
25-Jan-21	1,768	2,050	Hold	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India  
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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