

Reliance Industries | BUY

Near bear-case valuation; reiterate BUY

The recent weakness in RIL's share price (down ~15% in the last 2 months) seems primarily due to: a) 5-6% downgrade in consensus FY25 EBITDA estimate driven by weak O2C and Retail business earnings in 1HFY25; and b) limited clarity on Jio's listing timeline. Further, this was aided by accelerated stake sale by FILs (down 112bps in Oct'24 and down 169bps during Jul-Oct'24 to 22.5% at end-Oct'24). Hence, at CMP, RIL is trading near our bear-case valuation of INR 1,230. We expect RIL's 3QFY25E EBITDA to be robust at INR 434bn (up 11% QoQ and 6.7% YoY) led by recovery in GRM, lagged impact of tariff hike and some recovery in Retail business growth driven by the festive season. We reiterate BUY as we 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 and INR 1.3trln in FY24) but, importantly, also be fully funded by a gradual increase in internal cash generation. 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% 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. Clarity on the potential timeline and valuation for Jio's listing could be a possible near to medium term trigger.

- Digital business ARPU poised for structural ~11% CAGR led by tariff hikes, MBB upgrades, post-paid additions and data monetisation:** As highlighted in our recent [Telecom sector note](#), we believe ARPU is on a structural uptrend given the consolidated industry structure, and the industry's need to earn respectable RoCE on huge investments already made in the business and future investment needs. Our calculation suggests (**Exhibit 2**) that the industry needs to achieve an **ARPU of INR 275-305 in the next 3-4 years for a pre-tax RoCE of 12-15%** considering the significant capex incurred on 5G rollout and future investment needs; this is likely to come via a mix of: **a)** regular tariff hikes, and **b)** continued MBB upgrades, post-paid additions and data monetisation. Hence, we expect **Jio's ARPU to rise at 11% CAGR over FY24-28**. We value the Digital segment on DCF basis at an enterprise value of INR 551/share (or INR 7,453bn) based on: **a)** INR 493/share EV for the Telecom business implying 10.5x FY27 EV/EBITDA vs. our implied valuation of ~11.5x FY27 EV/EBITDA for Bharti Airtel's India business; and **b)** INR 58/share EV for potential digital opportunities (video & OTT apps, IoT business, etc.)
- Retail business weakness driven by store rationalisation, scale down of low margin B2B business and muted growth in Fashion & Lifestyle segment:** RIL's Retail business growth has been muted for last 3 quarters driven by: **a)** muted growth in Fashion and Lifestyle (F&L) segment while growth is robust in grocery and consumer electronics segment; **b)** rationalisation of stores; **c)** scale-down of the low-margin B2B business; and **d)** one-off factors like heavy monsoon in 2QFY25, heat wave in 1QFY25 and farmer protest in Northern India in 4QFY24. The management is hopeful of growth revival driven by the ongoing festive season. We continue to expect 15-20% growth in Retail business EBITDA as RIL is driving omni-channel capabilities across segments. Further, the company's foray into FMCG point towards its strong focus on building a large portfolio of brands and strengthening the supply chain. We continue to value the Retail business at an EV of INR 543/share (or INR 7,349bn) based on 25x FY27 EBITDA; however, we conservatively now value JioMart at NIL value (vs. EV of INR 79/share) due to potential impact of Quick Commerce on opportunity to digitise kirana stores.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,660
Upside/(Downside)	28.5%
Previous Price Target	1,735
Change	-4.3%

Key Data – RELIANCE IN

Current Market Price	INR1,292
Market cap (bn)	INR17,487.1/US\$207.0
Free Float	43%
Shares in issue (mn)	13,530.0
Diluted share (mn)	13,532.0
3-mon avg daily val (mn)	INR25,378.4/US\$300.4
52-week range	1,609/1,189
Sensex/Nifty	79,803/24,131
INR/US\$	84.5

Price Performance

%	1M	6M	12M
Absolute	-3.5	-9.7	7.9
Relative*	-3.6	-16.3	-8.7

* To the BSE Sensex

JM Financial Research is also available on:
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Thomson Publisher & Reuters,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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	1,056,907
Diluted EPS (INR)	49.0	51.4	52.7	65.4	78.1
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)	26.4	25.1	24.5	19.7	16.5
P/B (x)	2.4	2.2	2.1	1.9	1.7
EV/EBITDA (x)	14.0	12.3	12.4	10.2	8.7
Dividend Yield (%)	0.7	0.8	0.4	0.5	0.5

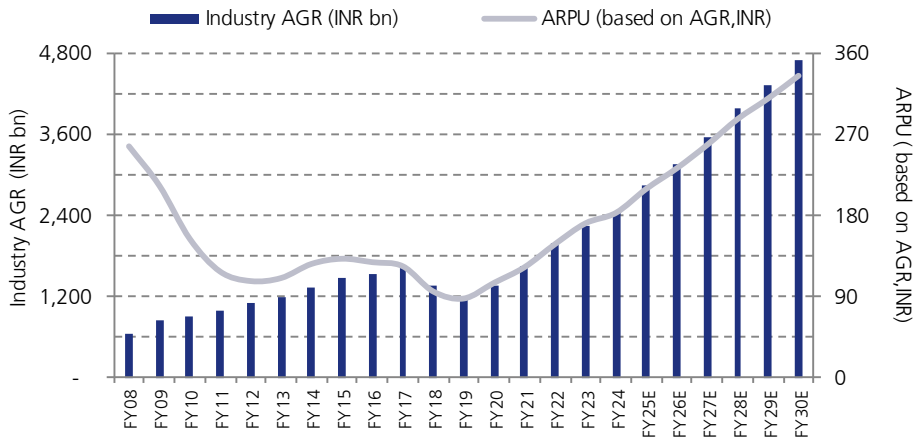
Source: Company data, JM Financial. Note: Valuations as of 29/Nov/2024

- **Petchem margin continues to be muted, but refining margin outlook robust:** Industry's petchem margin outlook continues to be subdued due to significant capacity, particularly in China amidst weak global demand growth. However, refining margin outlook is robust as IEA expects global oil demand growth to be robust at 0.9mmbpd in CY24 and 1.0mmbpd in CY25 despite China's oil demand growth concerns, while refining capacity addition is likely to be slightly lower than demand growth. RIL is relatively better placed to mitigate macro uncertainty due to its integrated and complex facility, locational advantage and its strength in feedstock sourcing and product placement. Separately, RIL's E&P business earning is likely to be steady given near peak volumes and gas realisation is likely to continue to be around USD 9-10/mmbtu. We value its Energy business at an enterprise value of INR 517/share (or INR 6,996bn) based on 7.5x FY27 EBITDA for the O2C business and 6.0x FY27 EBITDA for the E&P business.
- **3QFY25 earnings likely to be robust led by recovery in GRM and lagged impact of tariff hike:** S'pore Dubai GRM has recovered to ~USD 6/bbl currently (vs. USD 3.6/bbl in 2QFY25) as diesel cracks has strengthened to ~USD 16-17/bbl (vs. USD 12.8/bbl in 2QFY25) while petrol crack has improved to ~USD 14/bbl (USD 10.7/bbl in 2QFY25) – **Exhibit 9**. Assuming current cracks continue, S'pore Dubai GRM can average USD 5.3/bbl and diesel crack can average USD 15.9/bbl in 3QFY25E. Hence, we expect RIL's 3QFY25E EBITDA could be up ~11% QoQ and up 6.7% YoY at INR 434bn assuming: **a)** O2C EBITDA up 14% QoQ on expectation of RIL's GRM rising to ~USD 9/bbl (from ~USD 7.1/bbl in 2QFY25) while petchem margin continues to be weak; E&P EBITDA expected to be largely steady QoQ; **b)** Digital EBITDA up 7% QoQ on expectation of 5.5% QoQ rise in ARPU to INR 205 on the back of partial flow-through of Jul'24 tariff hike; **c)** Retail EBITDA up 10.5% YoY, given the company's commentary of robust start to festive season sales.
- **Valuation near bear-case scenario:** The recent weakness in RIL's share price (down ~15% in the last 2 months) seems primarily due to 5-6% downgrade in consensus FY25 EBITDA estimate driven by weak 1HFY25 earnings as: **a)** O2C earnings was hit on account of weakness in GRM in 1HFY25 amidst continued sluggish petchem margin; and **b)** Retail business EBITDA moderated sharply in the last 3 quarters (as discussed above). Limited clarity on Jio's listing timeline added to the weakness. In addition, this was aided by accelerated stake sale by FII's (FII's stake in RIL at 22.5% at end-Oct'24, 112bps in Oct'24 and down 169bps during Jul-Oct'24 — **Exhibit 18**). Hence, at CMP, RIL is trading near our bear-case valuation of INR 1,230 (**Exhibit 15**) which is based on the following bear-case assumptions: **a)** valuing the O2C business at 6.5x Mar'27 EV/EBITDA (vs. 7.5x in the base case) and assuming O2C EBITDA is 20-30% below our base case due to global macro uncertainty; **b)** valuing the Telecom business at implied ~9.5x Mar'27 EV/EBITDA (vs. 10.5x in base case) and valuing its Digital assets at 50% of their book value; **c)** valuing the Retail business at 20x Mar'27 EV/EBITDA (vs. 25x in the base case); and **d)** valuing New Energy business at 0.5x of investments (vs. 1.5x in the base case).
- **Net debt to decline gradually on likely moderation of capex; Reiterate BUY on robust 14-15% EPS CAGR over the next 3-5 years:** We maintain our earnings estimate; however, our TP has been cut by ~4% to INR 1,660 (from INR 1,735) primarily as we conservatively now value JioMart at NIL value (vs. EV of INR 79/share) due to potential impact of Quick Commerce on the opportunity to digitise kirana stores. We reiterate BUY as we 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 and INR 1.3trln in FY24) 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. Clarity on the potential timeline and valuation of Jio's listing could be a possible near to medium term trigger. 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% 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**. Further, listing of Jio and Retail businesses over the next few years could lead to a potential re-rating. At CMP, the stock is trading at FY27E P/E of 16.6x (3-yr avg: 24.9x) and FY27E EV/EBITDA of 8.5x (3-yr avg: 12.8x). **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; **c)** continued muted growth in Retail business; and **d)** subdued O2C margins due to macro concerns.

ARPU poised for structural growth led by tariff hikes, MBB upgrade, post-paid addition and data monetisation

With the consolidation of India's telecom industry largely complete, we expect the wireless industry's revenue to grow further, at ~14% CAGR, to ~INR 3,200bn by FY26E and at ~12% CAGR +INR 4,700bn by FY30E vs. ~INR 2,400bn in FY24, having already doubled from a low of ~INR 1,200bn in FY19 (**Exhibit 1**) due to continued structural uptrend in industry ARPU driven by the industry's need to earn respectable ~15% RoCE on huge investments already made in the business (including huge 5G capex) and future investment needs.

Exhibit 1. Telecom industry revenue to grow at ~12% CAGR to +INR 4,700bn by FY30E, after having doubled to +INR 2,400bn in FY24 (from a low of ~INR 1,200bn in FY19)



Source: TRAI, JM Financial.

Our calculation suggests (**Exhibit 2**) that the industry needs to achieve an **ARPU of INR 275-305 in the next 3-4 years for a pre-tax RoCE of 12-15%** considering the significant capex incurred on 5G rollout and future investment needs (taking the total investments to ~INR 10,600bn cumulative till end-FY27E).

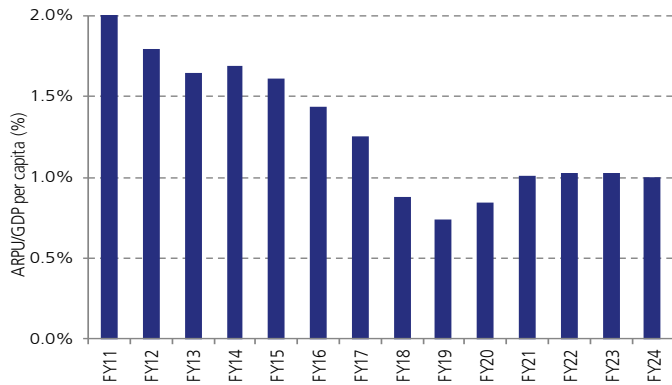
Exhibit 2. Estimated ARPU of INR 275-305 for a pre-tax RoCE of 12% and 15% based on huge investments already made in the business and future investment needs

	For 12% ROCE	For 15% ROCE	Comments
Required return	12%	15%	
Total invested capital (INR bn)	10,580	10,580	Book value of net invested capital at the end of FY24 + estimated capex over FY25-27E
Required EBIT (INR bn)	1,270	1,587	
Actual non-statutory opex (INR bn)	1,865	1,865	2QFY25 annualized opex ex-License Fees and Spectrum Usage Charges [SUC]
License Fee + SUC (%)	10%	10%	License Fee taken at 8% and SUC at ~2%
Required revenue (INR bn)	3,483	3,836	
Number of subscribers (mn)	1,047	1,047	
ARPU (INR)	275	305	

Source: Company, JM Financial.* Pre-IND AS numbers used

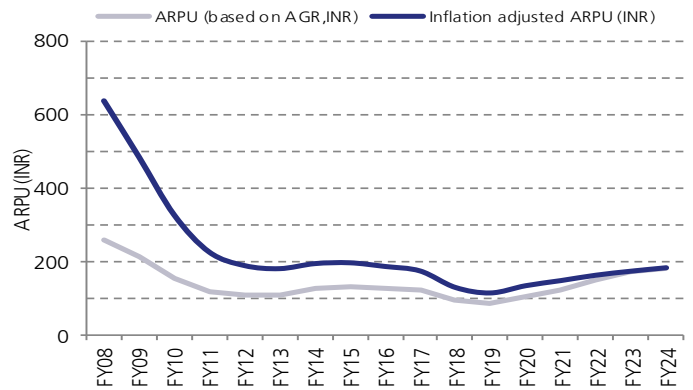
We expect structural growth in ARPU to be driven via a mix of: **a)** tariff hikes; **b)** MBB upgrade to 4G/5G; **c)** strong post-paid additions and **d)** data monetisation driven by continued rise in data usage. Prior to the recent tariff hike of 11-25% in Jul'24, we have witnessed multiple tariff hikes in the last 4-5 years: **i)** 30-40% hike in Dec'19 by all telcos across plans; **ii)** hike in entry level prepaid plan from INR 49 to INR 79 in Jul'21; **iii)** ~20% hike in Nov-Dec'21 by all telcos across plans; and **iv)** sharp hike in entry level pre-paid tariff (from INR 99 to ~INR 155) by Bharti across India and later followed by VIL. Despite these hikes and highest data usage, **ARPU in India is one of the world's lowest at USD 2.4/month vs. the global average of USD 8-10/month** (and USD 7.1/month in China and +USD 20/month in developed countries). **India's ARPU to GDP per capita is still low at ~1.0% in FY24** vs. +1.5% before FY15 (i.e., before Jio's entry), though it has recovered from a low of ~0.7% in FY19. This is because both nominal- and inflation-adjusted ARPUs are still lower than historical ARPUs despite the recent increase (**Exhibit 3-6**).

Exhibit 3. India’s ARPU to GDP per capita is still low at ~1% vs. +1.5% before Jio’s entry despite the recent increase



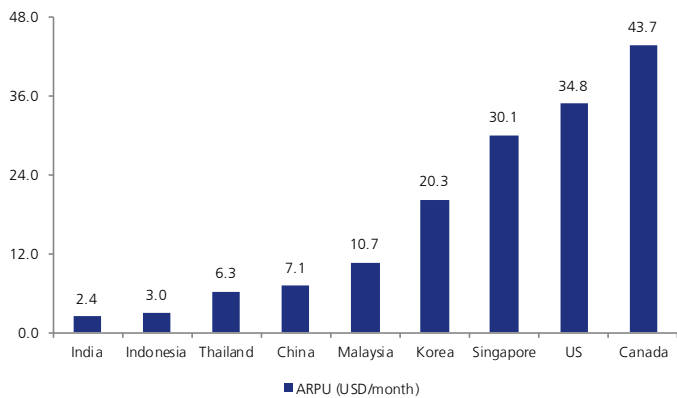
Source: TRAI, JM Financial.

Exhibit 4. Both nominal- and inflation-adjusted ARPUs still lower than historical ARPUs despite the recent increase



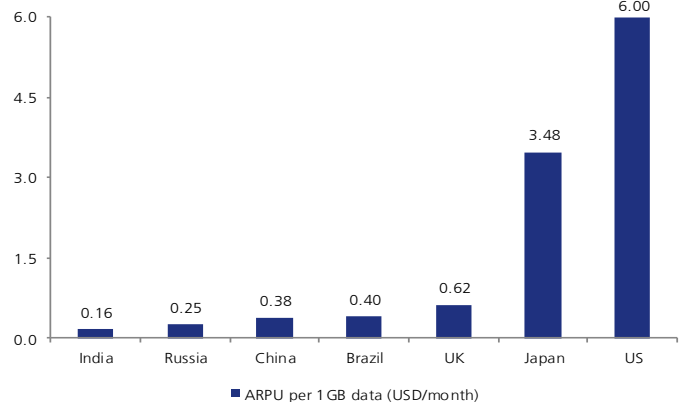
Source: TRAI, JM Financial.

Exhibit 5. At USD 2.4/month, India’s ARPU one of the lowest in the world



Source: Company, Bloomberg, JM Financial.

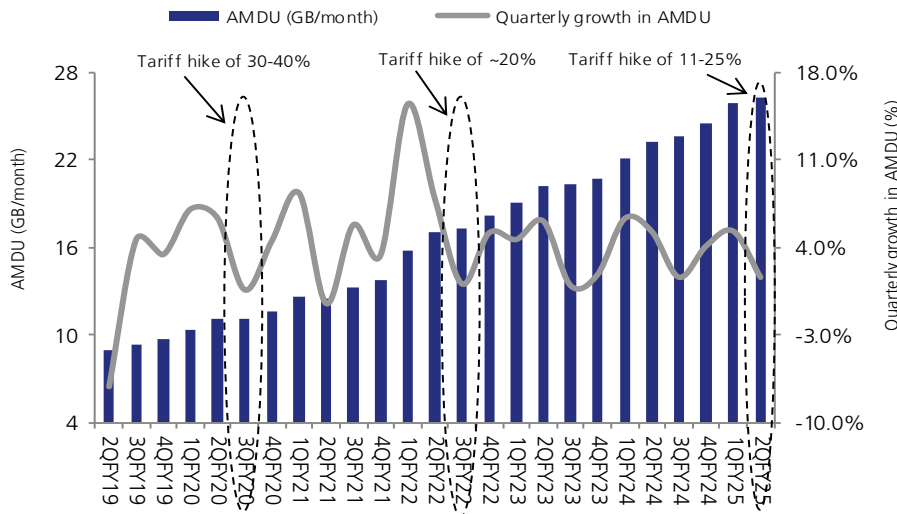
Exhibit 6. Data rates in India one of the lowest in the world at USD 0.18/GB



Source: Worldwide mobile data pricing database (Cable.co.uk)

However, despite having the lowest ARPU, India’s AMDU (average monthly data usage per data subs) is the highest globally, and continues to rise despite tariff hikes — it has risen from 11GB/month in 2QFY20 (before the start of tariff hikes) to ~26.3GB/month in 2QFY25 (**Exhibit 7**). AMDU growth trajectory is likely to continue over the next 3-5 years with gradual pick-up in 5G penetration as new use cases are developed and 5G smartphones become even more affordable.

Exhibit 7. Despite tariff hikes, India's telecom industry AMDU has gone up from ~11GB/month in 2QFY20 (before start of tariff hikes) to ~26.3GB/month in 2QFY25



Source: Company, JM Financial.

Also, there is significant scope for industry's MBB penetration to further rise to 85-90% in the next 3-5 years, after having risen to ~78% in Sep'24 vs. ~47% in Mar'19 (before the start of tariff hikes) and vs. 22% in Mar'17; MBB penetration is ~85-100% in China, Brazil and in developed countries. Jio aims to upgrade the entire existing 200mn-250mn feature phone users via its JioBharat phone, while Bharti expects the industry trend of upgrade of ~40mn feature phones to smartphones annually to continue for the next couple of years.

We believe continued rise in data usage, MBB upgrades and post-paid additions, despite strong tariff hikes, indicate the consumer's ability and willingness to pay for higher tariffs as smartphone connectivity is becoming a necessity service. Hence, we believe future tariff hikes are also unlikely to be detrimental to MBB upgrades, post-paid additions and data usage.

Exhibit 8. Telcos' MBB penetration has risen sharply despite tariff hikes

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Sep-24
Total EoP Subscriber base (mn)									
Bharti (including BHL)	274	304	325	328	352	360	371	386	383
VIL	209	223	395	319	284	261	237	220	212
Jio	109	187	307	388	423	404	430	470	464
Others	579	470	135	123	122	117	106	90	94
Total	1,170	1,183	1,162	1,158	1,181	1,142	1,144	1,165	1,154
Total EoP MBB Subscriber base (mn)									
Bharti (including BHL)	47	83	112	146	189	211	236	266	277
VIL	62	100	110	117	124	122	125	128	126
Jio	109	187	307	388	423	404	430	470	464
Others	40	25	16	17	20	24	22	21	34
Total	258	395	545	668	755	761	813	884	901
MBB subs as % of Total subs									
Bharti (including BHL)	17%	27%	35%	45%	54%	58%	64%	69%	72%
VIL	30%	45%	28%	37%	44%	47%	53%	58%	59%
Jio	100%	100%	100%	100%	100%	100%	100%	100%	100%
Others	7%	5%	12%	14%	16%	20%	21%	23%	36%
Total	22%	33%	47%	58%	64%	67%	71%	76%	78%

Source: TRAI, JM Financial

Petchem margin continues to be muted, but refining margin outlook robust

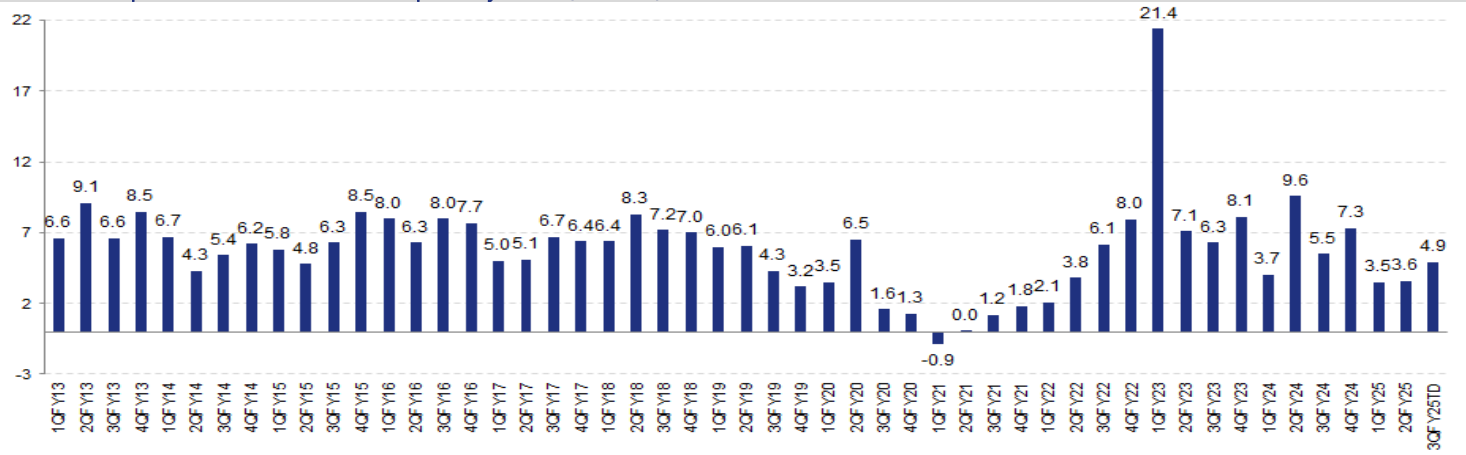
Industry's petchem margin outlook continues to be subdued due to significant capacity, particularly in China amidst weak global demand growth. However, refining margin outlook is robust as IEA expects global oil demand growth to be robust at 0.9mmbpd in CY24 and 1.0mmbpd in CY25 despite China's oil demand growth concerns, while refining capacity addition is likely to be slightly lower than demand growth. RIL is relatively better placed to mitigate macro uncertainty due to its integrated and complex facility, locational advantage and its strength in feedstock sourcing and product placement. Separately, RIL's E&P business earning is likely to be steady given near peak volumes and gas realisation likely to continue to be around USD 9-10/mmbtu. We value its Energy business at an enterprise value of INR 517/share (or INR 6,996bn) based on 7.5x FY27 EBITDA for the O2C business and 6.0x FY27 EBITDA for the E&P business.

Exhibit 9. S'pore Dubai GRM recovered to USD 4.6/bbl in 3QFY25TD led by robust diesel cracks

	3QFY25TD	2QFY25	1QFY25	4QFY24	3QFY24	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17
S'pore GRM (USD/bbl)	4.9	3.6	3.5	7.3	5.5	6.6	10.8	5.0	0.5	3.2	4.9	7.2	6.2
Product cracks (USD/bbl)													
Diesel	14.4	12.8	13.9	21.2	20.3	20.5	35.7	10.5	4.7	13.6	14.4	13.2	11.1
Petrol	10.7	10.7	13.3	17.6	11.8	16.2	19.1	13.7	4.6	10.0	8.4	14.6	14.9
Naptha	-2.2	-5.6	-9.9	-5.9	-12.0	-11.8	-12.1	1.6	-0.8	-5.4	-3.9	0.2	1.2
LPG	-18.8	-23.5	-31.6	-28.3	-25.5	-29.7	-36.3	-15.1	-6.9	-22.2	-22.3	-13.2	-11.4
Jet Fuel	14.4	12.8	13.9	21.2	20.3	20.5	32.9	10.5	4.7	13.6	14.4	13.2	11.1
Fuel Oil	-2.6	-6.0	-5.5	-10.6	-11.8	-9.4	-18.4	-6.5	-2.2	-6.9	-1.5	-3.2	-4.8
Brent (USD/bbl)	75.0	80.4	84.9	83.1	84.3	83.0	94.7	80.0	44.7	60.9	70.2	57.6	49.0

Source: Bloomberg, Reuters

Exhibit 10. S'pore Dubai GRM historical quarterly trend (USD/bbl)



Source: BP statistical review, IEA, JM Financial

Exhibit 11. IEA expects global oil demand to grow by 0.9mmbpd in CY24 and 1mmbpd in CY25 (vs. 2.1mmbpd in CY23)

mmbpd	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24E	CY25E
IEA											
Global demand (mmbpd)	95.3	96.5	98.2	99.3	99.7	90.8	97.5	99.8	101.9	102.8	103.8
Demand growth (mmbpd, YoY)	1.9	1.1	1.7	1.1	0.4	-8.9	6.7	2.3	2.1	0.9	1.0
EIA											
Global demand (mmbpd)	95.9	97.5	99.4	100.1	100.9	91.6	97.5	100.0	102.1	103.1	104.4
Demand growth (mmbpd, YoY)	1.8	1.6	1.9	0.7	0.8	-9.3	6.0	2.5	2.1	1.0	1.2

Source: IEA, EIA, JM Financial

Exhibit 12. Global petchem margin continues to be subdued (USD/mt)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Polymer Delta Scenario																	
PP-Naphtha	199	188	94	164	140	134	150	278	307	253	300	249	166	637	530	360	315
HDPE-Naphtha	675	629	599	492	430	482	595	696	769	721	668	576	390	512	426	362	333
PVC-Naphtha-EDC	453	498	388	411	488	535	468	453	441	531	583	465	462	584	573	474	373
Polyester Delta Scenario	671	718	497	862	764	509	536	746	556	569	650	638	603	513	602	550	518

Source: Company, JM Financial

3QFY25 earnings to be robust led by recovery in GRM and lagged impact of tariff hike

S'pore Dubai GRM has recovered to ~USD 6/bbl currently (USD 4.6/bbl in 3QFY25TD vs. USD 3.6/bbl in 2QFY25) as diesel cracks has strengthened to ~USD 16-17/bbl (USD 14.1/bbl in 3QFY25TD vs. USD 12.8/bbl in 2QFY25) while petrol crack has improved to ~USD 14/bbl (USD 10.5/bbl in 3QFY25TD vs. USD 10.7/bbl in 2QFY25) – **Exhibit 9**. Assuming current cracks continue, S'pore Dubai GRM can average USD 5.3/bbl and diesel crack can average USD 15.9/bbl in 3QFY25E.

RIL 3QFY25E EBITDA could be up ~11% QoQ and up 6.7% YoY at INR 434bn assuming:

- O2C EBITDA up 14% QoQ on expectation of RIL's GRM rising to ~USD 9/bbl (from ~USD 7.1/bbl in 2QFY25) while petchem margin continues to be weak; E&P EBITDA expected to be largely steady QoQ
- Digital EBITDA up 7% QoQ on expectation of 5.5% QoQ rise in ARPU to INR 205 on the back of partial flow-through of Jul'24 tariff hike
- Retail EBITDA up 10.5% YoY given the company's commentary of robust start to festive season sales

Exhibit 13. RIL consolidated quarterly snapshot

INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E	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	2,279,508	-1.5%	1.3%
Operating costs	1,694,660	1,909,180	1,844,300	1,940,170	1,930,190	1,924,770	1,845,871	-4.1%	0.1%
EBITDA	380,930	409,680	406,560	425,160	387,650	390,580	433,638	11.0%	6.7%
EBITDA Margin %	18.4%	17.7%	18.1%	18.0%	16.7%	16.9%	19.0%	215bps	96bps
Depreciation	117,750	125,850	129,030	135,690	135,960	128,800	133,320	3.5%	3.3%
EBIT	263,180	283,830	277,530	289,470	251,690	261,780	300,317	14.7%	8.2%
Interest	58,370	57,310	57,890	57,610	59,180	60,170	63,179	5.0%	9.1%
Other income	38,130	38,410	38,690	45,340	39,830	48,760	46,322	-5.0%	19.7%
PBT	243,700	265,510	259,860	278,200	232,310	252,590	284,961	12.8%	9.7%
Tax	61,120	66,730	63,450	65,770	57,860	59,360	71,240	20.0%	12.3%
Reported PAT before Minority interest	182,580	198,780	196,410	212,430	174,450	193,230	213,721	10.6%	8.8%
Reported PAT after Minority interest	160,110	173,940	172,650	189,510	151,380	165,630	184,189	11.2%	6.7%
Reported EPS after Minority interest (INR)	11.8	12.9	12.8	14.0	11.2	12.2	13.6	0.1	0.1
Tax/PBT (%)	25.1%	25.1%	24.4%	23.6%	24.9%	23.5%	25.0%		
Segment EBITDA break-up									
O2C	152,860	162,810	140,640	167,620	130,930	124,130	141,385	13.9%	0.5%
E&P	40,150	47,660	58,040	56,060	52,100	52,900	51,838	-2.0%	-10.7%
Organised retail	51,390	58,310	62,710	58,770	56,720	58,610	69,277	18.2%	10.5%
Digital service	137,220	140,710	142,610	146,420	149,440	161,390	172,638	7.0%	21.1%
Others	22,230	22,000	19,710	21,330	20,030	21,060	20,000	-5.0%	1.5%
Total	403,850	431,490	423,710	450,200	409,220	418,090	455,138	8.9%	7.4%

Source: Company, JM Financial

Exhibit 14. RIL segment-wise breakdown

Source:	Company,				JM			Financial		
INR Mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E	QoQ (%)	YoY (%)	
O2C segment										
Production meant for sale (mmt)	17.2	17.1	16.4	17.1	17.7	17.7	17.9	1.1%	9.1%	
Overall O2C EBITDA/tn (USD/ton)	108	115	103	118	89	84	94			
S'pore Dubai GRM (USD/bbl)	4.0	9.7	5.5	7.3	3.5	3.6	5.3			
Implied RIL GRM (USD/bbl)	11.0	12.5	10.0	11.2	7.7	7.1	9.0			
E&P business										
Gas production (mmscmd) (RIL's share)	15.7	21.7	22.9	22.9	22.3	22.1	22.9	3.5%	0.1%	
KG D6 gas realisation (USD/mmbtu)	10.8	10.5	9.7	9.5	9.3	9.6	9.5	-0.2%	-1.3%	
Jio (standalone)										
No of subs (Mn)	449	460	471	482	490	479	482	0.6%	2.3%	
QoQ increase in no of subs (Mn)	9.2	11.2	11.2	10.9	7.9	-10.9	3.0			
ARPU (INR/month)	181	182	182	182	182	195	206	5.5%	13.3%	
EBITDA (INR Mn)	126,630	130,590	134,220	137,340	140,220	152,250	163,498	7.4%	21.8%	
Retail segment										
Gross revenue (INR mn)	699,480	771,480	830,630	766,270	756,150	763,020	763,765	0.1%	-8.0%	
EBITDA (INR mn)	51,270	58,200	62,580	58,710	56,640	58,500	69,277	18.4%	10.7%	
EBITDA margin* (%)	7.3%	7.5%	7.5%	7.7%	7.5%	7.7%	9.1%	140bps	154bps	

Valuation near bear-case scenario; reiterate BUY

RIL' share price is trading near our bear-case valuation: The recent weakness in RIL's share price (down ~15% in the last 2 months) seems primarily due to 5-6% downgrade in consensus FY25 EBITDA estimate driven by weak 1HFY25 earnings as: a) O2C earnings was hit on account of weakness in GRM in 1HFY25 amidst continued sluggish petchem margin; and b) Retail business EBITDA moderated sharply in the last 3 quarters. Limited clarity on Jio's listing timeline added to the weakness. In addition, this was aided by accelerated stake sale by FILs (FILs' stake in RIL at 22.5% as of end-Oct'24, 112bps in Oct'24 and down 169bps during Jul-Oct'24 — **Exhibit 18**).

Hence, at CMP, RIL is trading near our bear-case valuation of INR 1,230 (**Exhibit 15**), which is based on the following bear-case assumptions: **a)** valuing the O2C business at 6.5x Mar'27 EV/EBITDA (vs. 7.5x in the base case) and assuming O2C EBITDA is 20-30% below our base case due to global macro uncertainty; **b)** valuing the Telecom business at implied ~9.5x Mar'27 EV/EBITDA (vs. 10.5x in base case) and valuing its Digital assets at 50% of their book value; **c)** valuing the Retail business at 20x Mar'27 EV/EBITDA (vs. 25x in the base case); and **d)** valuing New Energy business at 0.5x of investments (vs. 1.5x in the base case).

Exhibit 15. RIL's Bear-case sum-of-the-parts valuation is ~INR 1,230/share

Business segment	Valuation methodology	Mar'27 EBITDA (INR Bn)	Valuation multiple	Valuation (INR bn)	Valuation (USD bn)	Valuation (INR/share)	Comments
Energy business				4,679	55	346	
Petchem	EV/ EBITDA	311	6.5	2,019	24	149	20% lower EBITDA, valued at 6.5x EV/EBITDA
Refining	EV/ EBITDA	262	6.5	1,703	20	126	30% lower EBITDA, valued at 6.5x EV/EBITDA
E&P	EV/ EBITDA	191	5.0	957	11	71	10% lower EBITDA, valued at 5x EV/EBITDA
Digital business (for RIL's 67.05% stake)				6,425	76	475	
a) Telecom business	DCF			6,033	71	446	Based on DCF valuation; COE 13.5% and WACC of 11%; implied valuation of 9.5x Mar'27 EV/EBITDA
b) Digital opportunities				392	5	29	JPL investments at 50% of book value
Retail business (for RIL's ~83% stake)	EV/ EBITDA			5,879	70	434	Valued at 20x Mar'27 EV/EBITDA, based on peers valuation range; D-Mart trades at +30x
New Energy business				375	4	28	At 0.5x announced capex of INR 750bn in 3 years
Other investments				250	3	18	Listed equity / Disney Viacom JV / Real estate investment - at 50% holding discount
Total Enterprise Value				17,609	209	1,300	
Less: Net Debt				958	11	71	
Total Equity Value				16,651	197	1,230	

Source: JM Financial Note: We have used 6,349mn shares for our target price computation (including 423mn Rights shares but excluding 413mn Treasury shares)

Given below are details of the valuation at which RIL had sold stake in Retail and JPL business in the last few years.

Exhibit 16. Details on stake sale in JPL to various investors in 2020

Investor	Amount (INR bn)	Stake (%)	Pre-money EV (INR tn)	Date
Facebook	436	9.99%	4.62	Apr-20
Google	337	7.73%	4.62	Jul-20
Vista Equity Partners	114	2.32%	5.16	May-20
Saudi PIF	114	2.32%	5.16	Jun-20
KKR	114	2.32%	5.16	May-20
Silver Lake	102	2.08%	5.16	Jun-20
Mubadala Investment Company	91	1.85%	5.16	Jun-20
General Atlantic	66	1.34%	5.16	May-20
Abu Dhabi Investment Authority	57	1.16%	5.16	Jun-20
TPG	45	0.93%	5.16	Jun-20
L Catterton	19	0.39%	5.16	Jun-20
Intel Capital	19	0.39%	5.16	Jul-20
Qualcomm Ventures	7	0.15%	5.16	Jul-20
Total Minority stake in JPL	1,521	32.95%		

Source: Company, JM Financial

Exhibit 17. Details on stake sale in Retail business to various investors since 2020

Date	Firm	Equity stake (on fully diluted basis)	Investment (INR bn)	Pre-money equity value (INR bn)
09-Sep-20	Silver Lake	1.75%	75.0	4,210
23-Sep-20	KKR	1.17%	55.5	4,210
30-Sep-20	General Atlantic	0.84%	36.8	4,285
30-Sep-20	Silver Lake	0.38%	18.8	4,285
01-Oct-20	Mubadala	1.40%	62.5	4,285
02-Oct-20	GIC	1.22%	55.1	4,285
03-Oct-20	TPG	0.41%	18.4	4,285
06-Oct-20	ADIA	1.20%	55.1	4,285
05-Nov-20	Saudi PIF	2.04%	95.6	4,587
23-Aug-23	Qatar Inv Authority	0.99%	82.8	8,278
11-Sep-23	KKR	0.25%	20.7	8,361
06-Oct-23	ADIA	0.59%	49.7	8,381
Total		12.24%	625.8	

Source: Company, JM Financial

Recent weakness in RIL's share price could be due to accelerated stake sale by FIs: FIs' shareholding in RIL has declined to 22.5% as of end-Oct'24 (from the peak of 28.3% in Mar'21); hence, FIs' stake has decreased by: **a)** 112bps in Oct'24; **b)** 169bps during Jul-Oct'24; **c)** 243bps in the last 1 year since Sep'23; **d)** 381bps in the last 2 years since Sep'22; and **e)** 558bps in the last 3 years since Sep'21.

However, DIs' shareholding in RIL has risen to 17.9% as of end-Oct'24 (from the last 4-year low of 12.3% in Mar'21); hence, DIs' stake has increased by: **a)** 62bps in Oct'24; **b)** 220bps in the last 1 year since Sep'23; **c)** 333bps in the last 2 years since Sep'22; and **d)** 508bps in the last 3 years since Sep'21. Hence, the total FI and DI shareholding as of end-Oct'24 was 40.4% (vs. last 1-year peak of 41.2% in Jun'24 and vs. 40.6% in Mar'21); FIs and DIs' total stake has decreased by: **a)** 50bps in Oct'24; **b)** 23bps in the last 1 year since Sep'23; **c)** 48bps in the last 2 years since Sep'22; and **d)** 50bps in the last 3 years since Sep'21.

Exhibit 18. RIL's FI and DI shareholding trend (%)

Month	FI's Stake (%)	DI's Stake (%)	Total FI's + DI's Stake (%)	Total Promoters Stake (%)	RIL's Share Price (INR)
30-Sep-18	26.7	11.5	38.2	46.2	566
31-Dec-18	26.2	12.0	38.2	46.2	504
31-Mar-19	26.7	11.6	38.3	46.2	613
30-Jun-19	26.7	11.4	38.2	46.2	563
30-Sep-19	26.1	14.0	40.1	48.9	599
31-Dec-19	26.8	13.4	40.2	48.9	681
31-Mar-20	26.4	13.5	39.9	48.9	500
30-Jun-20	27.0	13.2	40.1	49.2	773
30-Sep-20	27.7	12.8	40.5	49.1	1,014
31-Dec-20	27.8	12.5	40.3	49.1	901
31-Mar-21	28.3	12.3	40.6	49.1	909
30-Jun-21	27.8	12.7	40.5	49.1	958
30-Sep-21	28.1	12.8	40.9	49.1	1,143
31-Dec-21	27.5	13.2	40.7	49.1	1,075
31-Mar-22	27.1	13.8	40.9	49.1	1,196
30-Jun-22	26.7	14.2	40.9	49.1	1,178
30-Sep-22	26.3	14.6	40.9	49.1	1,079
31-Dec-22	26.1	14.9	41.0	49.1	1,157
31-Mar-23	25.0	15.7	40.8	49.1	1,058
30-Jun-23	25.1	15.8	40.9	49.1	1,158
30-Sep-23	24.9	15.7	40.6	49.1	1,173
31-Dec-23	24.5	16.3	40.8	49.1	1,292
31-Mar-24	24.5	16.7	41.1	49.1	1,486
30-Jun-24	24.2	17.0	41.2	49.1	1,565
30-Sep-24	23.6	17.3	40.9	49.1	1,477
29-Oct-24	22.5	17.9	40.4	49.1	1,340

Source: Company, JM Financial

Net debt to decline gradually on likely moderation of capex; reiterate BUY on robust 14-15% EPS CAGR over the next 3-5 years: We reiterate BUY as we 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 and INR 1.3trln in FY24) 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% 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. Further, listing of Jio and Retail businesses over the next few years could lead to a potential re-rating. At CMP, the stock is trading at FY27E P/E of 16.6x (3-yr avg: 24.9x) and FY27E EV/EBITDA of 8.5x (3-yr avg: 12.8x).

Our base case 1-year TP for RIL is INR 1,660/share: Our 1-year target price for RIL of INR 1,660/share (and 3-year TP of INR 2,050) is computed on a sum-of-the-parts (SOTP) valuation method:

- a) Petchem segment at an EV of INR 215/share based on 7.5x Mar'27 EV/EBITDA;
- b) Refining segment at an EV of INR 207/share based on 7.5x Mar'27 EV/EBITDA;
- c) E&P segment at an EV of INR 94/share based on 6.0x Mar'27 EV/EBITDA;
- d) Digital segment (RIL's 67.05% stake in JPL) at an EV of INR551/share comprising: i) Telecom business at INR 493/share based on DCF valuation; implied valuation of ~10.5x Mar'27 EV/EBITDA; and ii) Digital opportunities at INR 58/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 543/share based on 25x Mar'27 EBITDA.
- f) New Energy business at an EV of INR 83/share (based on 1.5x announced capex of INR 750bn) and other investments at INR 37/share (listed investment, Disney Viacom JV and Real estate investment).

Exhibit 19. RIL Base-case Sum-of-the-parts valuation — our 1-year target price for RIL is INR 1,660/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	517	
Petchem	EV/ EBITDA	388	7.5	2,912	34	215	Valued at 7.5x Mar'27 EV/EBITDA
Refining	EV/ EBITDA	374	7.5	2,808	33	207	Valued at 7.5x Mar'27 EV/EBITDA
E&P	EV/ EBITDA	213	6.0	1,276	15	94	Valued at 6x Mar'27 EV/EBITDA
Digital business (for RIL's 67.05% stake)				7,453	88	551	
a) Telecom business	DCF			6,668	79	493	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	58	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			7,349	87	543	Valued at 25x Mar'27 EV/EBITDA, based on peers valuation range; D-Mart trades at +30x
New Energy business				1,125	13	83	At 1.5x announced capex of INR 750bn
Other investments				500	6	37	Listed equity / Disney Viacom JV / Real estate investment
Total Enterprise Value				23,423	277	1,731	
Less: Net Debt				958	11	71	
Total Equity Value				22,465	266	1,660	

Source: JM Financial

Exhibit 20. RIL Base-case Sum-of-the-parts valuation — our 3-year target price for RIL is INR 2,050/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	590	
Petchem	EV/ EBITDA	501	7.5	3,754	44	277	Valued at 7.5x EV/EBITDA
Refining	EV/ EBITDA	389	7.5	2,921	35	216	Valued at 7.5x EV/EBITDA
E&P	EV/ EBITDA	224	6.0	1,342	16	98	Valued at 6x EV/EBITDA
Digital business (for RIL's 67.05% stake)				8,516	101	629	
a) Telecom business	DCF			7,544	89	558	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	72	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			10,016	119	740	Valued at 25x Mar'29 EV/EBITDA, based on peers valuation range; D-Mart trades at +30x
New Energy business				1,500	18	111	At 2x announced capex of INR 750bn
Other investments				500	6	37	Listed equity / Disney Viacom JV / Real estate investment
Total Enterprise Value				28,550	338	2,104	
Less: Net Debt				713	8	53	Net debt at end FY28
Total Equity Value				27,836	330	2,050	

Source: JM Financial

Key Assumptions and Estimates

Exhibit 21. 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)							
S'pore 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	20	31	33	33	33	33
Gas realisation (USD/mmbtu)	6.3	11.0	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

Risks along with EPS and valuation sensitivity

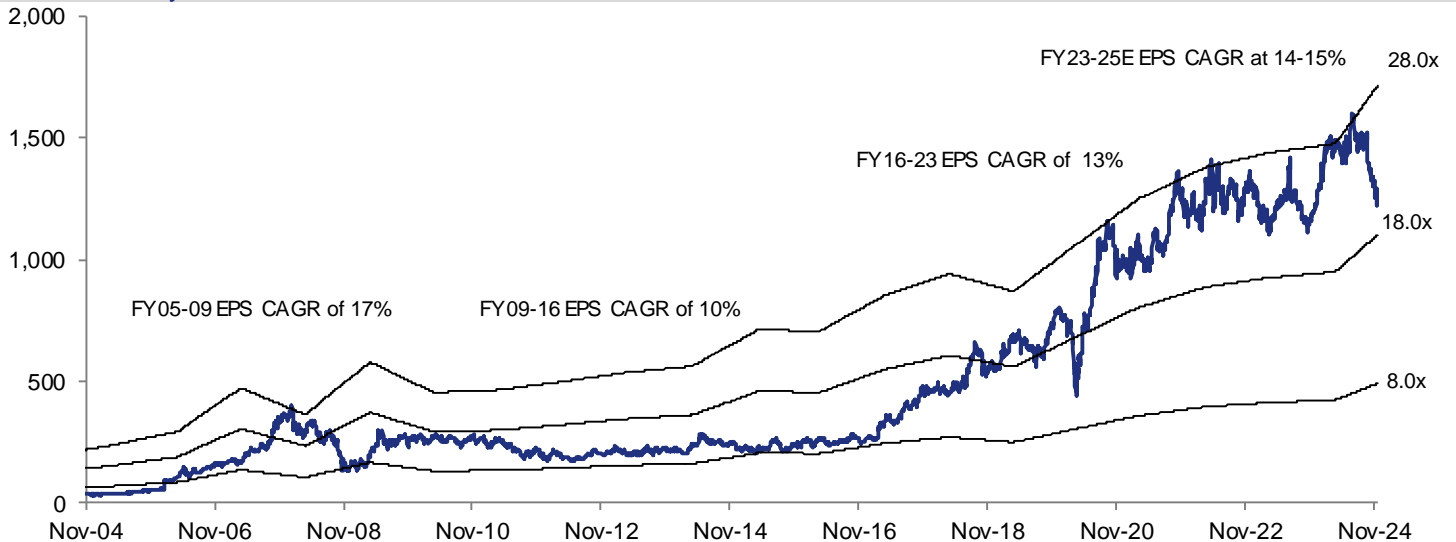
- a) **Refining margin sensitivity:** Every USD 1/bbl increase/decrease in GRM has a positive/negative impact of 2% of our valuation, 4% of our FY26E EPS, and 2% of our FY26E EBITDA. An unexpected decline in refining margin could have a negative impact on RIL's earnings and valuation.
- b) **Petchem 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 3% 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 22. RIL's 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%	2.4	4%	28	2%
Petchem EBITDA margins (USD/ton)	237	+/- USD 20/tn	26	1%	1.5	2%	18	1%
Retail EBITDA margins (%)	6.9%	+/- 0.5%	24	1%	1.3	2%	43	3%
Jio wireless ARPU	222	+/- INR 10	33	2%	1.3	2%	12	1%
Jio wireless subscriber (mn)	510	+/-20mn	15	1%	0.6	1%	15	1%
Base case			1,965		65		1,660	

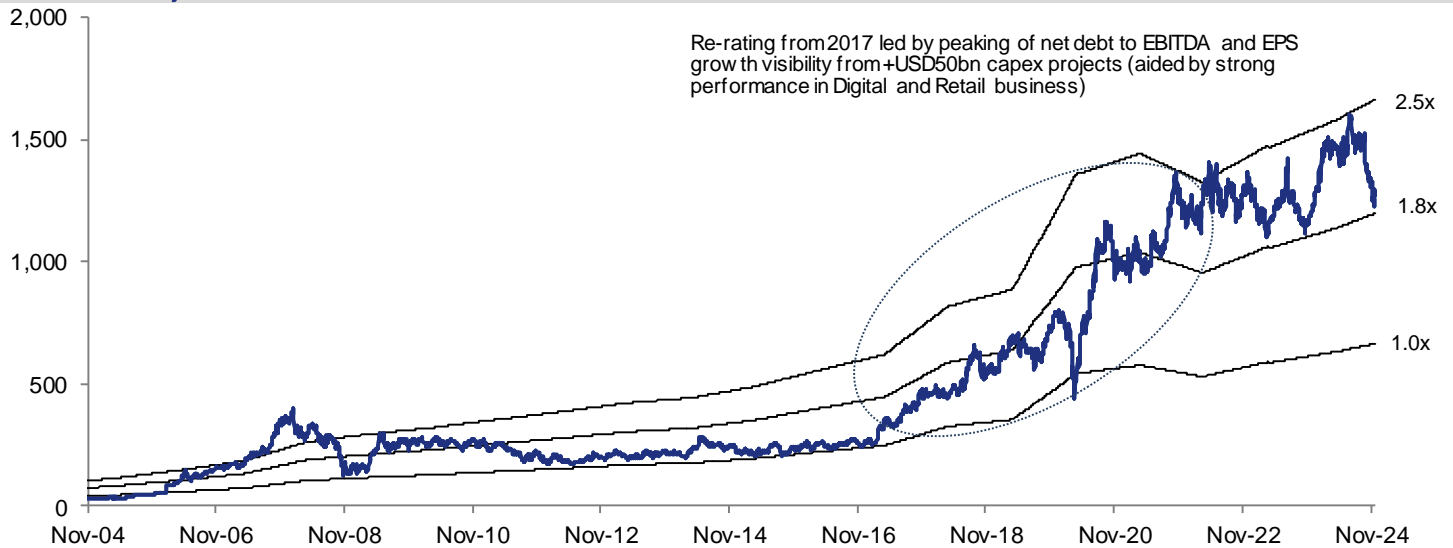
Source: JM Financial

Exhibit 23. RIL 1-year forward PE band



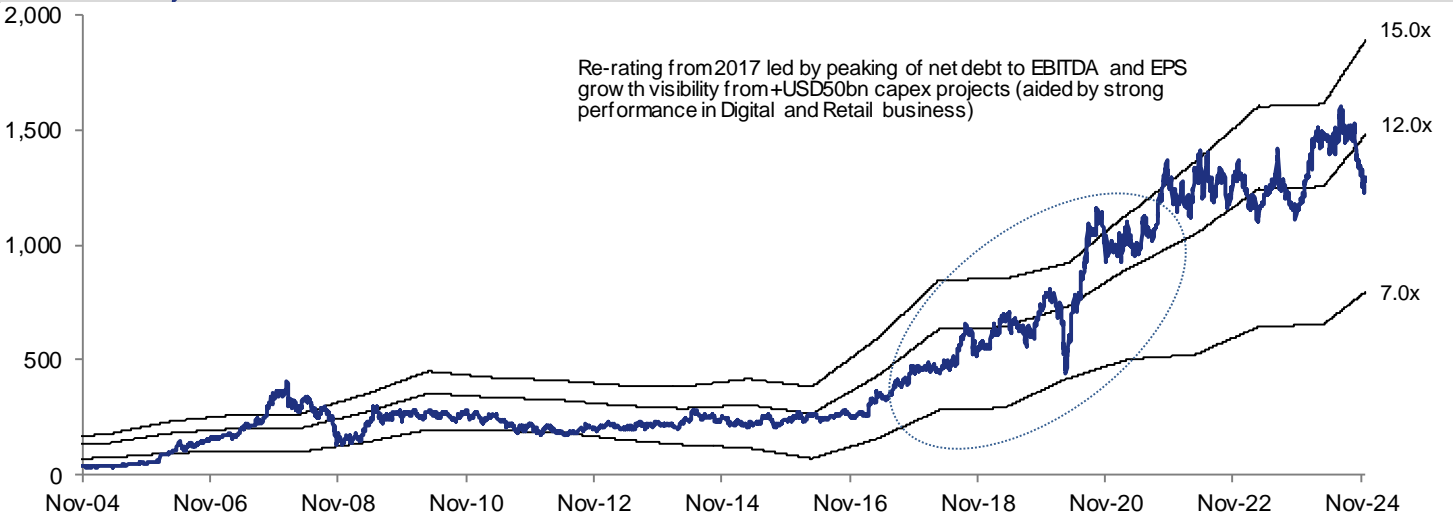
Source: JM Financial, Bloomberg

Exhibit 24. RIL 1-year forward PB band



Source: JM Financial, Bloomberg

Exhibit 25. RIL 1-year forward EV-EBITDA band



Source: JM Financial, Bloomberg

Exhibit 26. 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	3.6	7.7	7.3	9.9	5.2	5.9	5.7	15.6	14.2	1.8	1.7	1.7	34.6	10.6	12.3
Marathon Petroleum	4.6	7.3	7.7	11.6	8.1	7.8	7.1	16.0	16.0	2.7	2.7	2.8	34.0	16.7	17.3
US peers average	4.1	7.5	7.5	10.7	6.7	6.9	6.4	15.8	15.1	2.2	2.2	2.3	34.3	13.7	14.8
European peers															
Galp Energia	4.0	4.4	4.9	16.7	16.1	15.1	13.3	11.4	13.8	2.8	2.5	2.4	23.4	23.2	16.9
Motor Oil Hellas	2.8	3.9	5.1	10.5	8.1	6.7	2.4	5.8	6.2	0.8	0.8	0.8	34.6	11.9	10.7
PKN Orlen	1.7	2.3	2.0	12.5	10.6	12.4	2.7	5.7	4.8	0.4	0.4	0.4	17.7	6.7	8.0
MOL Hungarian oil & gas plc	3.1	3.0	3.2	12.3	12.9	12.1	3.8	4.4	5.0	0.5	0.5	0.5	14.0	11.2	9.3
OMV Ag	3.0	3.4	3.6	19.6	20.9	21.0	5.0	6.2	6.4	0.7	0.7	0.7	12.0	10.8	11.0
European peers average	2.9	3.4	3.8	13.0	12.2	11.7	5.4	6.7	7.2	1.0	1.0	0.9	21.0	12.8	10.7
Asian peers															
SK Innovation	11.6	15.6	8.8	5.5	4.3	7.5	19.6	NM	15.4	0.5	0.6	0.6	2.8	-4.1	3.6
GS Holdings	4.4	4.5	4.3	15.0	14.9	15.0	2.3	3.4	3.0	0.3	0.3	0.3	12.0	8.1	9.1
SK Energy Co Ltd	11.6	15.6	8.8	5.5	4.3	7.5	19.6	NM	15.4	0.5	0.6	0.6	2.8	-4.1	3.6
MRPL	5.8	15.5	8.0	8.0	3.0	5.9	7.6	29.0	11.3	2.2	2.0	1.7	28.4	4.1	14.7
CPCL	3.5	9.0	7.2	6.7	2.7	3.4	3.4	16.3	7.3	1.1	1.0	0.9	32.5	6.8	14.3
BPCL	4.2	7.1	6.8	8.7	5.4	5.6	4.6	9.4	8.9	1.7	1.5	1.3	44.0	16.4	15.1
HPCL	5.6	9.1	7.3	6.4	3.9	4.8	4.7	11.0	7.8	1.8	1.5	1.3	43.9	16.5	17.9
IOCL	4.6	8.0	6.7	9.8	5.8	6.9	4.4	11.2	8.1	1.2	1.0	0.9	29.5	9.7	11.6
RIL	12.4	11.6	10.2	17.3	17.5	18.9	24.6	21.8	18.7	2.1	1.9	1.6	8.8	8.8	9.6
Asian peers average ex- RIL	6.4	10.5	7.2	8.2	5.5	7.1	8.3	13.4	9.7	1.2	1.0	0.9	24.5	6.7	11.3
Global peers average ex- RIL	4.9	7.7	6.1	10.3	8.2	8.8	7.1	11.2	9.6	1.3	1.2	1.1	24.4	9.8	11.5
Global peers median ex- RIL	4.2	7.3	6.8	9.9	5.6	7.2	4.7	11.0	8.1	1.1	1.0	0.9	26.4	10.7	11.3

Source: JM Financial, Bloomberg

Exhibit 27. 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	13.3	11.4	9.9	45.8	31.7	24.7	9.3	7.6	6.2	52.9	54.4	55.4	21.7	25.8	28.6
Bharti Hexacom	17.8	14.6	12.1	47.1	34.8	24.6	11.4	9.6	7.9	49.2	51.7	53.7	26.3	30.1	35.0
Jio (JMFe)	18.8	15.7	12.5	43.0	33.7	24.0	3.7	3.4	2.9	52.6	53.2	53.5	9.0	10.5	13.0
Vodafone Idea	15.5	13.0	10.5	NM	NM	NM	NM	NM	NM	42.2	44.3	47.5	NM	NM	NM
Indian telcos average	16.4	13.7	11.2	45.3	33.4	24.4	8.1	6.8	5.7	49.2	50.9	52.5	19.0	22.1	25.5
AT&T	6.9	6.7	6.6	10.5	10.4	10.2	1.5	1.4	1.3	36.7	37.2	37.5	13.6	14.0	13.3
T-Mobile	11.4	10.9	10.0	26.2	22.9	19.3	4.6	4.7	4.8	39.2	39.3	40.5	17.5	20.6	25.5
Verizon	6.9	6.7	6.5	10.5	9.4	9.1	1.5	1.8	1.6	36.1	36.4	36.6	13.6	18.8	17.8
US telcos average	8.4	8.1	7.7	15.7	14.3	12.9	2.5	2.6	2.6	37.3	37.6	38.2	14.9	17.8	18.9
Deutsche Telekom	7.2	6.6	6.3	16.3	15.3	13.3	2.6	2.5	2.4	37.4	39.5	40.1	15.7	16.3	17.1
Orange	5.1	4.9	4.8	9.7	8.7	7.9	0.8	0.8	0.8	31.1	31.3	31.8	8.5	8.8	9.3
Telefonica	5.0	5.0	5.0	14.3	13.0	12.4	1.2	1.1	1.1	32.0	32.0	31.9	8.3	8.5	8.7
Telenor	7.8	7.6	7.4	12.4	15.6	13.9	2.7	2.7	2.7	43.6	43.9	44.5	24.0	18.2	21.3
Vodafone Plc	6.0	5.8	5.6	10.6	8.6	7.6	0.4	0.4	0.4	29.4	29.8	30.3	3.8	4.3	4.9
BT Group	4.5	4.5	4.4	8.3	8.4	8.3	1.1	1.2	1.1	39.0	39.9	40.2	12.5	13.1	12.2
Europe telcos average	5.9	5.7	5.6	12.0	11.6	10.6	1.4	1.5	1.4	35.4	36.1	36.5	12.1	11.6	12.3
China Mobile	6.9	3.5	3.4	9.7	9.9	9.5	2.0	1.0	1.0	33.5	33.3	33.0	19.2	10.4	10.6
China Telecom	3.8	3.6	3.5	11.6	10.7	9.9	0.8	0.8	0.8	26.6	26.8	26.7	7.3	7.6	8.0
China Unicom	1.5	1.5	1.4	9.0	8.1	7.4	0.5	0.5	0.5	26.3	25.7	25.6	5.7	6.0	6.4
China telcos average	4.0	2.9	2.8	10.1	9.6	8.9	1.1	0.8	0.8	28.8	28.6	28.4	10.8	8.0	8.3
KT Corp	1.5	3.4	3.4	9.0	8.4	8.5	0.5	0.7	0.6	19.3	21.6	21.3	5.7	8.2	7.9
LG Uplus	3.9	2.9	2.9	12.6	8.3	7.8	0.7	0.6	0.5	24.6	24.6	24.4	5.2	7.6	7.8
SK Telecom	3.9	3.9	3.9	11.3	10.6	9.9	1.1	1.1	1.0	31.1	30.7	30.1	10.1	10.2	10.5
Korea telcos average	3.1	3.4	3.4	10.9	9.1	8.7	0.8	0.8	0.7	25.0	25.6	25.3	7.0	8.6	8.7
Axiata	5.2	5.1	4.9	31.4	22.8	19.4	1.0	1.0	1.0	46.3	46.1	46.3	3.1	4.1	5.0
Maxis	8.7	8.6	8.5	19.5	18.6	17.6	4.7	4.5	4.3	39.8	39.4	39.1	24.1	25.2	26.1
Malaysia telcos average	7.0	6.8	6.7	25.5	20.7	18.5	2.9	2.7	2.7	43.0	42.7	42.7	13.6	14.7	15.5
Advanced Info	9.8	9.4	9.0	25.2	22.7	20.9	8.8	8.5	8.0	51.4	52.0	52.6	36.3	37.8	39.1
Chungwa Telecom	11.3	11.0	11.1	25.7	24.8	24.8	2.5	2.4	2.5	38.3	38.6	37.4	9.7	10.1	10.1
Converge ICT	5.7	5.1	4.7	11.2	10.1	9.1	2.2	1.9	1.6	59.7	59.6	59.7	20.7	19.6	18.5
Globe Telecom	7.4	7.1	6.8	13.9	12.8	11.3	1.8	1.8	1.7	46.8	47.0	47.1	14.4	14.5	15.4
Indosat	4.9	4.5	4.2	14.7	11.0	9.4	2.3	1.5	1.3	48.1	48.7	49.1	15.5	16.2	17.2
MTN Group	4.1	3.6	3.2	12.6	9.6	7.4	1.1	1.1	1.0	36.7	38.9	40.3	NM	NM	NM
Singtel	15.5	14.8	14.3	20.0	17.4	15.1	2.0	2.0	1.9	26.7	27.1	27.5	10.3	11.4	12.9
Taiwan Mobile	12.1	11.7	11.4	26.2	24.7	22.0	4.1	4.0	3.9	20.9	20.2	19.4	16.2	17.7	18.8
Telecom Indonesia	4.3	4.1	4.3	11.2	10.5	10.0	1.9	1.8	1.7	51.3	52.1	47.3	16.9	17.4	17.1
XL Axiata	4.2	4.0	3.8	15.3	12.6	11.2	1.1	1.0	0.9	50.9	50.7	50.5	6.8	7.7	8.3
Other regional telcos average	7.9	7.5	7.3	17.6	15.6	14.1	2.8	2.6	2.5	43.1	43.5	43.1	16.3	16.9	17.5
Global telcos average	7.9	7.2	6.7	18.5	15.8	13.7	2.7	2.5	2.3	38.7	39.2	39.4	13.9	14.6	15.5

Source: Bloomberg, JM Financial.

Exhibit 28. 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	8.4	8.2	7.0	12.2	12.8	14.4	20.7	21.4	14.3	1.6	1.7	1.7	7.2	7.7	13.2
Du Pont	13.9	13.1	12.0	24.4	25.3	26.1	24.2	21.5	18.9	1.5	1.4	1.4	6.2	6.8	7.6
Wacker Chemie	5.4	6.0	4.7	12.9	12.9	15.0	11.0	16.7	10.5	0.8	0.8	0.8	6.8	4.9	7.0
Johns on Matthey	5.1	5.1	4.8	14.6	16.4	17.5	9.1	9.0	7.5	0.9	1.0	1.0	10.1	14.5	11.3
BASF	7.8	7.4	6.7	10.8	12.1	12.8	13.5	13.2	11.7	1.0	1.1	1.1	5.2	7.3	8.4
Indorama ventures	9.0	7.9	6.7	7.7	8.6	9.9	44.0	NM	12.8	0.8	1.0	0.9	1.6	-7.8	7.1
SABIC	11.1	10.5	7.8	14.6	15.7	20.2	142.4	36.9	18.6	1.2	1.3	1.2	1.2	3.2	6.5
Eastman Chemical Co	10.3	9.3	8.6	17.4	18.9	19.6	16.3	13.7	12.0	2.3	2.1	2.0	13.9	15.4	16.6
Qin Corp	5.9	8.9	6.8	19.4	13.5	16.5	11.7	42.7	15.1	2.5	2.3	2.3	21.8	6.1	14.8
AKZO Nbel	9.5	9.4	8.7	13.5	13.7	14.4	15.8	13.6	12.4	2.1	2.1	1.9	13.1	14.4	15.3
Global (ex Asia) peers average	8.6	8.6	7.4	14.7	15.0	16.6	30.9	21.0	13.4	1.5	1.5	1.4	8.7	7.3	10.8
Asian peers															
Mitsubishi Gas Chem	8.7	8.0	6.7	10.4	11.7	13.5	11.9	11.3	9.8	0.9	0.8	0.8	7.2	7.2	8.0
Sinopec Shanghai Petrochemical	16.5	11.2	8.5	1.6	2.4	3.3	276.5	58.2	16.0	0.4	0.4	0.4	-0.3	0.5	2.7
LG Chem	7.9	8.6	5.7	11.8	12.3	16.2	13.2	44.6	12.5	0.7	0.7	0.6	5.0	1.3	4.8
Formosa Chemicals & Fibre Corp	16.5	19.6	17.1	5.7	4.4	5.1	21.2	53.0	25.5	0.6	0.6	0.7	3.1	0.8	1.6
Nan Ya Plastics	16.6	16.1	14.0	8.6	10.0	11.1	34.7	40.8	23.6	0.8	0.8	0.8	2.8	1.5	2.5
Formosa Plastics	24.4	24.0	19.9	6.4	6.6	7.8	22.0	51.3	23.4	0.8	0.8	0.8	3.7	1.4	2.2
Hanwha	10.3	36.2	9.6	11.1	3.5	11.9	13.0	NM	24.6	0.3	0.4	0.4	2.4	-15.5	1.5
Asahi Kasei Corp	8.0	6.6	6.0	10.5	11.8	12.2	18.2	12.7	10.8	0.9	0.8	0.7	4.8	6.2	7.0
Toray Industries	9.8	8.5	7.6	9.6	10.4	11.1	26.3	16.6	14.0	1.0	0.9	0.8	3.7	5.2	6.1
Kuraray Co	5.4	4.7	4.4	19.5	20.8	21.6	15.1	12.1	10.5	1.0	0.9	0.8	6.9	7.5	8.2
Teijin Ltd	7.5	7.4	6.7	9.5	9.7	10.4	35.5	3.2	16.5	0.6	0.5	0.5	1.7	11.3	2.9
Mitsui Chemicals	7.7	6.6	5.7	9.9	11.1	12.4	13.7	10.1	7.8	0.8	0.7	0.7	6.4	7.6	9.4
RII	12.4	11.6	10.2	17.3	17.5	18.9	24.6	21.8	18.7	2.1	1.9	1.6	8.8	8.8	9.6
Asian peers average	11.7	13.0	9.4	10.1	10.2	12.0	40.4	28.0	16.4	0.8	0.8	0.7	4.3	3.4	5.1
Global peers average	10.4	11.1	8.5	14.7	15.0	16.6	36.3	25.0	15.1	1.1	1.1	1.0	6.2	5.1	7.6
Global peers median	9.0	8.6	7.0	11.1	12.1	13.5	18.2	16.7	14.0	0.9	0.9	0.8	5.2	6.2	7.1

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	137,299	
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	1,621,736	
Excep. & Forex Inc./Loss(-)	4,180	0	0	0	0	
PBT	944,400	1,043,400	1,057,742	1,336,512	1,621,736	
Taxes	203,760	257,070	247,669	317,415	389,118	
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	1,056,907	
Adjusted Net Profit	662,840	696,210	713,707	885,401	1,056,907	
Net Margin	7.6%	7.7%	7.6%	8.4%	8.8%	
Diluted Share Cap. (mn)	13,532.0	13,532.0	13,532.0	13,532.0	13,532.0	
Diluted EPS (INR)	49.0	51.4	52.7	65.4	78.1	
Diluted EPS Growth	17.9%	5.0%	2.5%	24.1%	19.4%	
Total Dividend + Tax	121,788	135,320	67,660	81,192	94,724	
Dividend Per Share (INR)	9.0	10.0	5.0	6.0	7.0	

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	9,244,459	10,141,439	
Share Capital	67,660	67,660	135,320	135,320	135,320	
Reserves & Surplus	7,091,060	7,867,150	8,373,878	9,109,139	10,006,119	
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	790,274	
Total - Equity & Liab.	12,016,220	13,217,130	13,825,486	14,715,162	15,757,650	
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	4,205,756	4,738,252	
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	1,037,100	1,373,037	
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	37,495	449,753	
Total - Assets	12,016,220	13,217,130	13,825,486	14,715,162	15,757,650	

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	1,621,736	
Depn. & Amort.	403,030	508,320	518,733	570,385	617,403	
Net Interest Exp. / Inc. (-)	82,930	122,840	46,556	58,017	37,418	
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	-359,432	
Operating Cash Flow	1,150,320	1,587,880	1,344,538	1,658,028	1,908,792	
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	661,158	
Inc (-) / Dec in Investments	294,440	169,750	-11,445	-14,574	-18,583	
Others	185,430	223,270	142,579	136,539	137,299	
Investing Cash Flow	-930,010	-1,135,810	-1,022,727	-1,045,838	-1,128,918	
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	-275,748	-269,441	
Financing Cash Flow	104,550	-166,460	-467,128	-402,023	-443,936	
Inc / Dec (-) in Cash	324,860	285,610	-145,317	210,167	335,937	
Opening Cash Balance	361,780	686,640	972,250	826,933	1,037,100	
Closing Cash Balance	686,640	972,250	826,933	1,037,100	1,373,037	

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%	

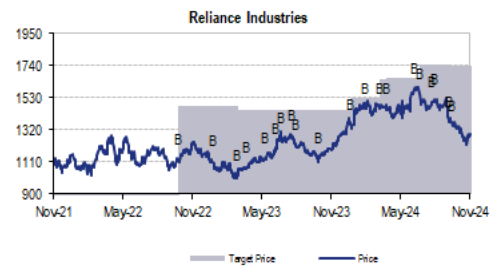
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	529.0	586.4	628.8	683.2	749.4	
ROIC	10.2%	9.5%	8.8%	10.3%	11.5%	
ROE	8.9%	9.2%	8.7%	10.0%	10.9%	
Net Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1	
P/E (x)	26.4	25.1	24.5	19.7	16.5	
P/B (x)	2.4	2.2	2.1	1.9	1.7	
EV/EBITDA (x)	14.0	12.3	12.4	10.2	8.7	
EV/Sales (x)	2.3	2.2	2.1	1.9	1.7	
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.
24-Oct-22	Buy	1,475	
22-Jan-23	Buy	1,475	0.0
28-Mar-23	Buy	1,450	-1.7
22-Apr-23	Buy	1,450	0.0
8-Jun-23	Buy	1,450	0.0
9-Jul-23	Buy	1,450	0.0
22-Jul-23	Buy	1,450	0.0
18-Aug-23	Buy	1,450	0.0
28-Aug-23	Buy	1,450	0.0
28-Oct-23	Buy	1,450	0.0
20-Jan-24	Buy	1,525	5.2
28-Feb-24	Buy	1,525	0.0
5-Apr-24	Buy	1,650	8.2
23-Apr-24	Buy	1,660	0.6
7-Jul-24	Buy	1,660	0.0
20-Jul-24	Buy	1,750	5.4
22-Aug-24	Buy	1,750	0.0
29-Aug-24	Buy	1,750	0.0
7-Oct-24	Buy	1,735	-0.8
15-Oct-24	Buy	1,735	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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