

Reliance Industries | BUY



Largely in-line results; sharp capex moderation a key positive

RIL's Cons 4QFY24 EBITDA was 1% above JMFe/consensus at INR 425bn (up 10.8% YoY and up 4.6% QoQ) due to stronger-than-expected O2C EBITDA partly offset by weaker Retail EBITDA, while Digital EBITDA was in line. O2C business EBITDA at INR 167.8bn was 6.7% above JMFe driven by strong GRMs while E&P EBITDA was also 3.6% above JMFe at INR 56bn. Digital EBITDA at INR 146.4bn was in line with JMFe; ARPU was flattish QoQ but subscriber growth continued to be robust, at 10.9mn. Retail business revenue was down 7.7% QoQ and EBITDA was down 7.0% QoQ due to store rationalisation and seasonality. More importantly, capex declined sharply to INR 232bn in 4QFY24 (vs. INR 301bn in 3QFY24 and INR 388bn in 2QFY24) driven by moderation in 5G capex– this would be positive for potential FCF generation if this becomes the new sustainable capex run-rate. We reiterate BUY on RIL (revised TP of INR 3,320) as we believe net debt concerns are overdone, and also because RIL has industry leading capabilities across businesses to drive robust 17-18% EPS CAGR over the next 5 years.

- O2C business EBITDA at INR 167.8bn (6.7% above JMFe); E&P segment EBITDA also 3.6% above JMFe at INR 56bn:** O2C EBITDA at INR 167.8bn (up 19.3% QoQ and up 3.0% YoY on a high base) was 6.7% above JMFe of INR 157.2bn – hence, implied GRM was higher at ~USD 12.2/bbl vs. JMFe of USD 11.2bbl (vs. ~USD 10/bbl implied in 3QFY24), while petchem margin was weak as expected. Further, E&P segment EBITDA was 3.6% above JMFe at INR 56bn in 4QFY24 (though down 3.4% QoQ due to rise in govt profit share as per PSC). KG D6 block is currently producing ~30mmscmd of gas and 23kbpd of oil condensate. On the New Energy business, the management said it remains committed to new projects and initiatives, including those in the New Energy segment, which will help deliver sustainable growth in future.
- Digital EBITDA at INR 146.4bn, in line with JMFe; ARPU flattish QoQ but subs growth continues to be robust, at 10.9mn:** Digital segment EBITDA at INR 146.4bn (up 2.7% QoQ and up 9.4% YoY) was in line with JMFe despite ARPU being flat QoQ at INR 181.7 (vs. JMFe of INR 182.5). However, net subscriber (subs) addition was higher than expected at 10.9mn in 4QFY24 vs. JMFe of 10.5mn net addition (vs. net addition of 11.2mn in 3QFY24); monthly churn was 1.5%. The flattish ARPU is due to majority of subs addition being driven by the low-ARPU Jio Bharat phone, promotional 5G offers and 1 lesser day in 4QFY24. Jio standalone 4QFY24 revenue was 0.3% below JMFe at INR 260.8bn (up 2.2% QoQ and up 11% YoY). Jio's standalone 4QFY24 EBITDA was also 0.5% below JMFe at INR 137.3bn (up 2.3% QoQ and up 11.5% YoY); EBITDA margin was 52.7% in 4QFY24 (vs. 52.6% in 3QFY24). Network cost was in line; SG&A cost was higher but was offset by lower other expenses. Over 108mn subs migrated to Jio's 5G network (vs. around 90mn at end-3QFY24); and Jio's 5G network is now carrying almost 28% of Jio's wireless data traffic (vs. around 25% at end-3QFY24). JioAirFiber is showing strong traction and is now available in ~ 5,900 cities/towns (vs. 4,000 cities at end-3QFY24).
- Store rationalisation and seasonality resulted in 7.7% QoQ decline in Retail business revenue and 7.0% decline in EBITDA:** Retail business performance in 4QFY24 was

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	8,778,350	9,010,640	10,396,322	11,845,038	13,351,010
Sales Growth (%)	26.1	2.6	15.4	13.9	12.7
EBITDA	1,421,620	1,622,330	1,869,268	2,221,088	2,498,740
EBITDA Margin (%)	16.2	18.0	18.0	18.8	18.7
Adjusted Net Profit	662,840	696,210	939,900	1,133,135	1,284,148
Diluted EPS (INR)	98.0	102.9	138.9	167.5	189.8
Diluted EPS Growth (%)	17.9	5.0	35.0	20.6	13.3
ROIC (%)	10.2	9.5	11.5	13.0	13.8
ROE (%)	8.9	9.2	11.3	12.3	12.5
P/E (x)	30.2	28.8	21.3	17.7	15.6
P/B (x)	2.8	2.5	2.3	2.1	1.9
EV/EBITDA (x)	15.8	13.9	12.0	10.0	8.8
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 22/Apr/2024

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,320
Upside/(Downside)	12.2%
Previous Price Target	3,300
Change	0.6%

Key Data – RELIANCE IN

Current Market Price	INR2,960
Market cap (bn)	INR20,025.6/US\$240.2
Free Float	43%
Shares in issue (mn)	6,765.0
Diluted share (mn)	6,766.0
3-mon avg daily val (mn)	INR18,188.5/US\$218.2
52-week range	3,025/2,139
Sensex/Nifty	73,649/22,336
INR/US\$	83.4

Price Performance

%	1M	6M	12M
Absolute	1.7	28.7	38.3
Relative*	0.6	12.9	12.0

* 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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impacted due to store rationalisation and seasonality. Gross revenue was down 7.7% QoQ (on a high base due to strong festive demand in 3QFY24) but up 10.6% YoY at INR 766bn; hence EBITDA was also down 7.0% QoQ at INR 58.3bn (though up 18.4% YoY) and was 7.5% below JMFe. EBITDA margin was up 7bps QoQ at 7.6% in 4QFY24. A total of 18,836 physical stores are operational (with 62 stores added in 4QFY24, with an area of 6.2mn sqft), taking total area to 79.1mn sqft area (vs. 72.9mn sqft area at end-3QFY24).

- **Capex declines sharply to INR 232bn in 4QFY24 - would be positive for potential FCF generation if this becomes the new sustainable capex run-rate:** RIL's consolidated 4QFY24 capex declined sharply to INR 232bn driven by moderation in 5G capex (vs. capex of INR 301bn in 3QFY24 and INR 388bn in 2QFY24) - this would be positive for potential FCF generation if it becomes the new sustainable capex run-rate. This takes total FY24 capex down to INR 1,318bn (vs. FY23 capex of INR 1,418bn ex-spectrum and INR 2,355bn including spectrum). However, reported net debt decline was limited to INR 30.9bn in 4QFY24 (net debt of INR 1,163bn at end-4QFY24 vs. INR 1,194bn at end-3QFY24) probably due to increase in working capital and payment of capex creditors.
- **Net debt concerns overdone; we reiterate BUY on robust 17-18% EPS CAGR over the next 5 years:** We have marginally raised our FY25-26 estimate by ~1% factoring in FY24 financials; our TP is also marginally increased to INR 3,320 (from INR 3,300). We reiterate BUY as we believe [concerns on debt are overdone](#) as we expect RIL's 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 (0.65x in Mar'24) 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 10% CAGR over FY23-28 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, strong growth momentum continues in the company's retail business as RIL is driving omni-channel capabilities across segments. At CMP, the stock is trading at FY26E P/E of 17.7x (3 yr avg: 24x) and FY26E EV/EBITDA of 9.8x (3 yr avg: 13.1x). **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.

4QFY24 Result Review

Key takeaways from post-earnings webinar:

Net Debt and capex: Capex declines sharply to INR 232bn in 4QFY24, net debt decline limited to INR 30.9bn in 4QFY24 probably due to increase in working capital and payment of capex creditors

- RIL's consolidated 4QFY24 capex declined sharply to INR 232bn driven by moderation in 5G capex (vs. capex of INR 301bn in 3QFY24, INR 388bn in 2QFY24). This takes total FY24 capex down to INR 1,318bn (vs FY23 capex of INR 1,418bn ex-spectrum and INR 2,355bn including spectrum). It would be positive for potential FCF generation if the 4QFY24 capex run-rate becomes the new sustainable run-rate.
- Reported net debt declined by INR 30.9bn QoQ to INR 1,163bn at end-4QFY24 (vs. net debt of INR 1,194bn at end-3QFY24) – the decline is partly limited due to increase in working capital (on account of higher crude price) and payment of capex creditors. Consolidated gross debt at end-4QFY24 is INR 3,246bn (vs. INR 3,117bn at end-3QFY24); while cash and cash equivalents at end-4QFY24 is INR 2,083bn (vs. INR 1,924bn at end-3QFY24).
- Management reiterated its sustained focus on maintaining reported net debt to EBITDA at below 1x (vs 0.65x currently) and supporting growth initiatives through internal accruals.

Exhibit 1. RIL consolidated quarterly debt and capex details

INR Mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Reported Gross debt	2,633,820	2,948,590	3,035,300	3,139,660	3,186,850	2,956,870	3,117,430	3,246,220
Less: Cash & cash equivalent	2,057,270	2,016,060	1,932,820	1,882,000	1,920,640	1,779,600	1,923,710	2,083,410
Reported Net debt	576,550	932,530	1,102,480	1,257,660	1,266,210	1,177,270	1,193,720	1,162,810
Add: Spectrum Liability	371,840	1,151,670	1,151,670	1,128,470	1,128,470	1,105,970	1,105,970	1,082,720
Net debt including Spectrum Liability	948,390	2,084,200	2,254,150	2,386,130	2,394,680	2,283,240	2,299,690	2,245,530
Reported Net debt to EBITDA	0.4	0.7	0.8	0.8	0.8	0.7	0.7	0.7
Net debt (including Spectrum Liability) to EBITDA	0.6	1.7	1.6	1.6	1.6	1.4	1.4	1.3
Consolidated Capex	272,630	325,340	375,990	444,130	396,450	388,150	301,020	232,070
Increase/(decrease) in working capital (as per cash flow statement on half yearly basis)		-350,460		154,120		-45,490		63,660

Source: Company, JM Financial

Energy business: Refining margin outlook robust while petchem margin expected to see gradual recovery

- O2C EBITDA was supported by better refining margin and higher throughput as primary and secondary units stabilised post major turnaround in 3QFY24.
- Management expects middle distillate cracks to remain firm aided by supply disruptions in Russia and other regions. Further, it expects gasoline cracks to be supported by strong seasonal demand and lower inventory levels.
- Management expect global downstream chemical margin to see gradual recovery due to slowing pace of capacity additions.
- Management said it remains committed to new projects and initiatives, including those in the New Energy segment, which will help deliver sustainable growth in future. It expects green energy investments to deliver lower and predictable energy cost in future.
- Expect global gas prices to remain supported due to strong crude price and robust demand from China, India and SE Asia.

Digital business: Robust traction in Jio 5G and AirFiber; ARPU steady despite promotional 5G offers and 1 lesser day

- Over 108mn subs migrated to Jio's 5G network (vs. around 90mn at end-3QFY24); Jio's 5G network is now carrying almost 28% of Jio's wireless data traffic (vs. around 25% at end-3QFY24).
- The flattish ARPU is due to majority of subs addition being driven by the low-ARPU Jio Bharat phone and 1 lesser day in 4QFY24. Further, the management highlighted that ARPU is steady despite 30% of network usage currently being given free of cost because of its promotional unlimited 5G plans to attract 5G users; hence, there is huge scope for monetisation in future.
- Superior 5G network, premium smartphone partnerships and JioBharat are driving uptake of Jio's services; growth in Jio's 5G services is now only dependent on uptick in 5G smartphones.
- JioAirFiber is now available in ~ 5,900 cities/towns (vs. 4,000 cities at end 3QFY24), with pan-India coverage expected in 1HCY24. AirFiber is seeing healthy demand in Tier 2 towns and beyond, which has driven highest ever home connects; data consumption per subs is strong at ~400GB/month.
- Increased traction on 5G and Homes (FTTH) is a key focus area for FY25.

Exhibit 2. Jio standalone quarterly financials

Jio standalone, INR mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Revenue	219,550	226,330	230,610	234,990	241,270	248,560	255,130	260,810	2.2%	11.0%
Operating costs	109,090	110,320	109,890	111,840	114,640	117,970	120,910	123,470	2.1%	10.4%
-Network costs	68,420	71,810	72,270	72,240	73,790	76,070	77,060	78,660	2.1%	8.9%
-License fees, SUC and oher revenue shar	25,360	23,210	21,200	21,550	22,040	22,900	23,300	23,890	2.5%	10.9%
-SG&A costs	3,620	4,340	4,980	5,280	5,390	5,770	6,730	7,040	4.6%	33.3%
-Other costs	11,690	10,960	11,440	12,770	13,420	13,230	13,820	13,880	0.4%	8.7%
EBITDA	110,460	116,010	120,720	123,150	126,630	130,590	134,220	137,340	2.3%	11.5%
Depreciation & Amortization	42,310	45,230	48,100	49,820	51,590	52,580	54,110	55,660	2.9%	11.7%
EBIT	68,150	70,780	72,620	73,330	75,040	78,010	80,110	81,680	2.0%	11.4%
Interest cost	9,970	10,160	10,400	10,060	9,710	10,080	10,160	10,040	-1.2%	-0.2%
Reported PBT	58,180	60,620	62,220	63,270	65,330	67,930	69,950	71,640	2.4%	13.2%
Tax	14,830	15,440	15,840	16,110	16,700	17,350	17,870	18,270	2.2%	13.4%
Reported PAT	43,350	45,180	46,380	47,160	48,630	50,580	52,080	53,370	2.5%	13.2%
Tax/PBT (%)	25.5%	25.5%	25.5%	25.5%	25.6%	25.5%	25.5%	25.5%		
EBITDA margin (%)	50.3%	51.3%	52.3%	52.4%	52.5%	52.5%	52.6%	52.7%		

Source: Company, JM Financial.

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

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Jio reported revenue (INR mn)	218,730	225,210	229,980	233,940	240,420	247,500	253,680	259,590	2.3%	11.0%
Jio reported ARPU (INR)	176	177	178	179	181	182	182	182	0.0%	1.6%
Jio- reported subscriber numbers (mn)	419.9	427.6	432.9	439.3	448.5	459.7	470.9	482	2.3%	9.7%
-TRAI reported/ calculated Jio wireless subs (n)	414	421	425	431	439	450	461	471	2.2%	9.2%
-TRAI reported FTTH subscriber base (mn)	6.2	6.8	7.7	8.3	9.2	9.8	10.4	11.1	6.7%	33.0%
-Jio Fiber ARPU (assumed)	444	444	444	444	444	444	444	444	0.0%	0.0%
Calculated revenue from FTTH (INR mn)	7,612	8,645	9,644	10,643	11,655	12,601	13,407	14,292	6.6%	34.3%
Reported average subscriber base (mn)	415	424	430	436	444	454	465	476	2.4%	9.2%
ARPU from FTTH (INR)	6.1	6.8	7.5	8.1	8.8	9.2	9.6	10.0	4.1%	22.9%
Wireless revenue (INR mn)	211,118	216,565	220,336	223,297	228,765	234,899	240,273	245,298	2.1%	9.9%
ARPU from Wireless business (INR)	169.6	170.4	170.7	170.7	171.8	172.4	172.1	171.7	-0.3%	0.6%

Source: Company, JM Financial.

Total digital EBITDA came in at INR 146.4bn in 4QFY24, of which JPL's EBITDA was INR 143.6bn (including Jio business EBITDA of INR 137.3bn). Other digital EBITDA (ex-Jio) was higher QoQ at INR 9.1bn in 4QFY24 with that of digital entities outside JPL continuing to decline QoQ and that of digital entities inside JPL being higher QoQ.

a) **Entities inside JPL:** JPL's EBITDA ex-Jio business was higher QoQ at INR 6.3bn in 4QFY24.

b) **Entities outside JPL:** Digital EBITDA ex-JPL was lower QoQ at INR 2.8bn in 4QFY24 vs. INR 3.1bn in 3QFY24.

Exhibit 4. Digital EBITDA break-up into Jio and ex-Jio Digital assets

INR mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Digital EBITDA	117,070	122,910	129,000	133,880	137,210	140,710	142,610	146,440	2.7%	9.4%
JPL EBITDA	114,240	120,110	125,190	127,670	131,160	135,280	139,550	143,600	2.9%	12.5%
Jio EBITDA	110,460	116,010	120,720	123,150	126,630	130,590	134,220	137,340	2.3%	11.5%
Digital EBITDA ex-Jio	6,610	6,900	8,280	10,730	10,580	10,120	8,390	9,100	8.5%	-15.2%
-Entities inside JPL	3,780	4,100	4,470	4,520	4,530	4,690	5,330	6,260	17.4%	38.5%
-Entities outside JPL	2,830	2,800	3,810	6,210	6,050	5,430	3,060	2,840	-7.2%	-54.3%
-As a % of total Digital EBITDA	5.6%	5.6%	6.4%	8.0%	7.7%	7.2%	5.9%	6.2%		

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-Grab etc. which work with the retail side of the business

Retail business: Performance impacted due to store rationalisation and seasonality

- Retail business performance was impacted due to store rationalisation and seasonality (on back of strong 3QFY24 due to festive demand).
- A total of 18,836 physical stores are operational (with 62 stores added in 4QFY24 with an area of 6.2mn sqft), taking total area to 79.1mn sqft area (vs. 72.9mn sqft area at end-3QFY24).
- Own Fashion & Lifestyle brands driving growth with three brands having crossed INR 20bn of annual sales.
- JioMart platform strengthened with seller base expanding by more than 94% YoY and live selection up 34% YoY.
- Consumer brands continues to scale up, growing +3x YoY in general trade. Growth continues to be driven by new product launches and acquisitions and partnerships.

Exhibit 5. RIL consolidated quarterly snapshot

INR Mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
Revenue (net of GST and excise)	2,188,550	2,300,550	2,171,640	2,128,340	2,075,590	2,318,860	2,250,860	2,365,330	5.1%	11.1%
Operating costs	1,810,980	1,988,310	1,819,170	1,744,780	1,694,660	1,909,180	1,844,300	1,940,170	5.2%	11.2%
EBITDA	377,570	312,240	352,470	383,560	380,930	409,680	406,560	425,160	4.6%	10.8%
EBITDA Margin %	17.3%	13.6%	16.2%	18.0%	18.4%	17.7%	18.1%	18.0%	-9bps	-5bps
Depreciation	89,420	97,300	101,870	114,520	117,750	125,850	129,030	135,690	5.2%	18.5%
EBIT	288,150	214,940	250,600	269,040	263,180	283,830	277,530	289,470	4.3%	7.6%
Interest	39,970	45,540	52,010	58,190	58,370	57,310	57,890	57,610	-0.5%	-1.0%
Other income	22,370	35,140	31,470	28,750	38,130	38,410	38,690	45,340	17.2%	57.7%
PBT	270,340	203,790	230,720	240,810	243,700	265,510	259,860	278,200	7.1%	15.5%
Tax	75,910	48,670	52,660	27,540	61,120	66,730	63,450	65,770	3.7%	138.8%
Reported PAT before Minority interest	194,430	155,120	178,060	213,270	182,580	198,780	196,410	212,430	8.2%	-0.4%
Reported PAT after Minority interest	179,550	136,560	157,920	192,990	160,110	173,940	172,650	189,510	9.8%	-1.8%
Reported EPS after Minority interest (INR)	26.5	20.2	23.3	28.5	23.7	25.7	25.5	28.0	0.1	0.0
Tax/FBT (%)	28.1%	23.9%	22.8%	11.4%	25.1%	25.1%	24.4%	23.6%		
Segment EBITDA break-up										
O2C	198,880	119,680	139,260	162,930	152,710	162,810	140,640	167,770	19.3%	3.0%
E&P	27,370	31,710	38,800	38,010	40,150	47,660	58,040	56,060	-3.4%	47.5%
Organised retail	38,490	44,140	47,860	49,250	51,510	58,310	62,710	58,290	-7.0%	18.4%
Digital service	117,070	122,910	129,000	133,880	137,210	140,710	142,610	146,440	2.7%	9.4%
Financial Services	0	890	2,120	0	0	0	0	0	NM	NM
Others	12,780	14,030	10,670	18,630	22,670	22,000	19,710	22,090	12.1%	18.6%
Total	394,590	333,360	367,710	402,700	404,250	431,490	423,710	450,650	6.4%	11.9%

Source: Company, JM Financial

Exhibit 6. RIL segment-wise breakdown

INR Mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	YoY (%)
O2C segment										
Production meant for sale (mmt)	16.9	16.2	16.2	17.1	17.2	17.1	16.4	17.1	4.3%	0.0%
Total throughput (incl Refinery throughput) (mmt)	19.8	18.6	18.8	19.8	19.7	20.0	18.7	19.8	5.9%	0.0%
Spore Dubai GRM (USD/bbl)	21.4	7.1	6.3	8.1	4.0	9.7	5.5	7.3		
E&P business										
Gas production (mmscmd) (RIL's share)	12.6	13.4	13.6	14.2	15.7	21.7	22.9	22.9	0.0%	61.2%
KG D6 gas realisation (USD/mmbtu)	9.7	9.9	11.3	11.4	10.8	10.5	9.7	9.5	-1.3%	-16.3%
CBM gas realisation (USD/mmbtu)	22.5	23.3	20.9	19.6	14.2	13.7	15.6	14.3	-7.8%	-26.7%
Jio (standalone)										
No of subs (Mn)	420	428	433	439	449	460	471	482	2.3%	9.7%
QoQ increase in no of subs (Mn)	9.7	7.7	5.3	6.4	9.2	11.2	11.2	10.9		
ARPU (INR/month)	176	177	178	179	181	182	182	182	0.0%	1.6%
MoU (Mins/month)	1,001	969	985	1,003	1,003	979	982	1,008	2.6%	0.5%
Data usage (GB/month)	20.8	22.2	22.4	23.1	24.9	26.6	27.3	28.7	5.1%	24.2%
Revenue (INR Mn)	219,550	226,330	230,610	234,990	241,270	248,560	255,130	260,810	2.2%	11.0%
EBITDA (INR Mn)	110,460	116,010	120,720	123,150	126,630	130,590	134,220	137,340	2.3%	11.5%
EBITDA margin (%)	50.3%	51.3%	52.3%	52.4%	52.5%	52.5%	52.6%	52.7%		
PAT (INR Mn)	43,350	45,180	46,380	47,160	48,630	50,580	52,080	53,370	2.5%	13.2%
Retail segment										
Total stores	15,866	16,617	17,225	18,040	18,446	18,650	18,774	18,836	0.3%	4.4%
Net stores addition in quarter	670	751	608	815	406	204	124	62		
Area (mn sq ft)	45.5	54.5	60.2	65.6	70.6	71.5	72.9	79.1	8.5%	20.6%
Net area addition in quarter (mn sq ft)	3.9	9.0	5.7	5.4	5.0	0.9	1.4	6.2		
Store Footfalls (mn)	175	180	201	219	249	260	282	272	-3.5%	24.2%
Registered Customer Base (mn)	208	221	235	249	267	281	293	304	3.8%	22.1%
No of Transactions (mn)	220	250	267	294	314	315	320	311	-2.8%	5.8%
Gross revenue (INR mn)	585,540	649,200	676,230	692,670	699,480	771,480	830,630	766,270	-7.7%	10.6%
EBITDA (INR mn)	38,370	44,040	47,730	49,140	51,390	58,200	62,580	58,230	-7.0%	18.5%
EBITDA margin* (%)	6.6%	6.8%	7.1%	7.1%	7.3%	7.5%	7.5%	7.6%	7bps	50bps

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

Key Assumptions and Estimates

Exhibit 7. Key Assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
Brent crude price (USD/bbl)	44.7	80.0	95.4	83.1	70.0	70.0	70.0	70.0
Exchange rate (INR/USD)	71.9	74.5	80.4	82.8	84.4	86.1	87.9	89.6
Refining								
EBITDA (INR Bn)	139	259	376	365	432	440	449	458
Crude throughput	65.7	63.0	62.3	68.2	69.6	69.6	69.6	69.6
Margins (USD/bbl)								
Spore Dubai GRM	0.5	5.0	10.7	6.6	6.0	6.0	6.0	6.0
RIL's total GRM premium	5.5	4.5	2.0	4.5	6.0	6.0	6.0	6.0
a) RIL normal GRM premium	5.5	4.0	1.3	3.5	5.0	5.0	5.0	5.0
b) Petcoke gasification addition to GRM	0.0	0.5	0.8	1.0	1.0	1.0	1.0	1.0
RIL's total GRM	6.0	9.5	12.7	11.1	12.0	12.0	12.0	12.0
Refining cash opex	2.0	2.0	2.5	2.3	2.0	2.0	2.0	2.0
Refining EBITDA	4.0	7.5	10.2	8.8	10.0	10.0	10.0	10.0
Petrochemicals								
EBITDA (INR Bn)	243	268	245	259	293	359	373	388
EBITDA/ton (USD/ton)	209	208	173	177	195	231	233	236
Sales volumes (mmtpa)								
Polymers	5.9	6.3	6.3	6.3	6.4	6.4	6.5	6.6
Polyesters	2.8	3.0	3.1	3.1	3.1	3.2	3.2	3.2
Fiber intermediaries	6.7	7.2	7.4	7.5	7.5	7.6	7.7	7.8
Total	16.2	17.3	17.6	17.7	17.9	18.0	18.2	18.4
E&P								
EBITDA (INR Bn)	3	55	136	202	223	216	222	228
Gas production (mmscmd)	3	18	269	31	35	35	35	35
Gas realisation (USD/mmbtu)	3.6	6.3	0.8	10.2	9.6	9.1	9.1	9.1
Digital								
EBITDA (INR Bn)	340	403	503	567	630	838	997	1,180
EBITDA margin (%)	44.4%	47.9%	49.8%	50.2%	50.1%	54.0%	54.5%	54.8%
Wireless segment								
Subscribers (mn - EoP)	426	410	439	480	499	510	518	526
ARPU (INR)	143	153	178	182	201	226	252	284
Retail								
Revenue (INR Bn)	1,549	1,993	2,683	3,504	4,072	5,030	6,137	7,470
EBITDA (INR Bn)	98	124	180	231	292	369	460	570
EBITDA margin (%)	6.3%	6.2%	6.6%	6.8%	7.2%	7.3%	7.5%	7.6%
EBITDA break-up (INR Bn)								
O2C	382	527	621	624	725	799	822	846
E&P	3	55	136	202	223	216	222	228
Digital	340	403	503	567	630	838	997	1,180
Retail	98	124	180	231	292	369	460	570
Financial Services & Others	56	19	-6	86	-1	-1	-1	-1
Total	879	1,128	1,433	1,710	1,869	2,221	2,499	2,823
Energy business	384	582	757	826	948	1,015	1,044	1,074
Non-energy business (incl others)	495	546	677	884	921	1,206	1,455	1,748
EBITDA proportion								
O2C	43%	47%	43%	36%	39%	36%	33%	30%
E&P	0%	5%	9%	12%	12%	10%	9%	8%
Digital	39%	36%	35%	33%	34%	38%	40%	42%
Retail	11%	11%	13%	13%	16%	17%	18%	20%
Financial Services & Others	6%	2%	0%	5%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Energy business	44%	52%	53%	48%	51%	46%	42%	38%
Non-energy business (incl others)	56%	48%	47%	52%	49%	54%	58%	62%

Source: Company, JM Financial

Valuation

Our target Price for RIL of INR 3,320/share is computed on a sum-of-the-parts (SOTP) valuation method:

- a) Petchem segment at an EV of INR 398/share based on 7.5x forward EV/EBITDA;
- b) Refining segment at an EV of INR 488/share based on 7.5x forward EV/EBITDA;
- c) E&P segment at an EV of INR 192/share based on 6.0x forward EV/EBITDA;
- d) Digital segment (RIL's 67.05% stake in JPL) at an EV of INR1,038/share comprising: i) Telecom business at INR 914/share based on DCF valuation; implied valuation of ~10.9x FY26 EV/EBITDA; and ii) Digital opportunities at INR 124/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 1,132/share based on 25x forward EBITDA. Further, we value Jio Mart at an EV of INR 141/share, factoring in the opportunity of digitisation of kirana stores.

We reiterate BUY given its industry leading capabilities across businesses and expectation of robust 17-18% EPS CAGR over the next 5 years. At CMP, the stock is trading at FY26E P/E of 17.7x (3 yr avg: 24x) and FY26E EV/EBITDA of 9.8x (3 yr avg: 13.1x)

Exhibit 8. RIL Sum-of-the-parts valuation - our Target Price for RIL is INR 3,320/share

Business segment	Valuation methodology	EBITDA (INR Bn)	Valuation multiple	Valuation (INR bn)	Valuation (USD bn)	Valuation (INR/share)	Comments
Energy business				7,291	88	1,078	
Petchem	EV/ EBITDA	359	7.5	2,690	32	398	Valued at 7.5x EV/EBITDA
Refining	EV/ EBITDA	440	7.5	3,303	40	488	Valued at 7.5x EV/EBITDA
E&P	EV/ EBITDA	216	6.0	1,298	16	192	Valued at 6x EV/EBITDA
Digital business (for RIL's share)				7,020	85	1,038	
a) Telecom business	DCF			6,182	75	914	Based on DCF valuation; implied valuation of 10.9x FY26 EV/EBITDA
b) Digital opportunities				838	10	124	Based on potential monetization of Video OTT apps, JioSaavn and Consumer IoT business
Retail business (for RIL's share)	EV/ EBITDA			8,613	104	1,273	
a) Retail business				7,657	92	1,132	Valued at 25x EV/EBITDA, based on peers valuation range
b) JioMart New commerce business				956	12	141	Valuing kirana digitisation opportunity assuming Jio Mart gets ~10% market share in General Trade ecommerce market by FY30
New Energy business				750	9	111	At 1x announced capex of INR 750bn
Total Enterprise Value				23,674	286	3,499	
Less: Net Debt				1,209	15	179	
Total Equity Value				22,465	271	3,320	

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% on our valuation, 3% on our FY25E EPS, and 2% on our FY25E 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/tn increase/decrease in EBITDA margin has a positive/negative impact of 2% on our valuation, 2% on our FY25E EPS, and 1% on our FY25E 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 1-2% on our valuation, FY25E EPS and FY25E EBITDA. Any downside to retail profitability could have a negative impact on RIL's earnings and valuation.

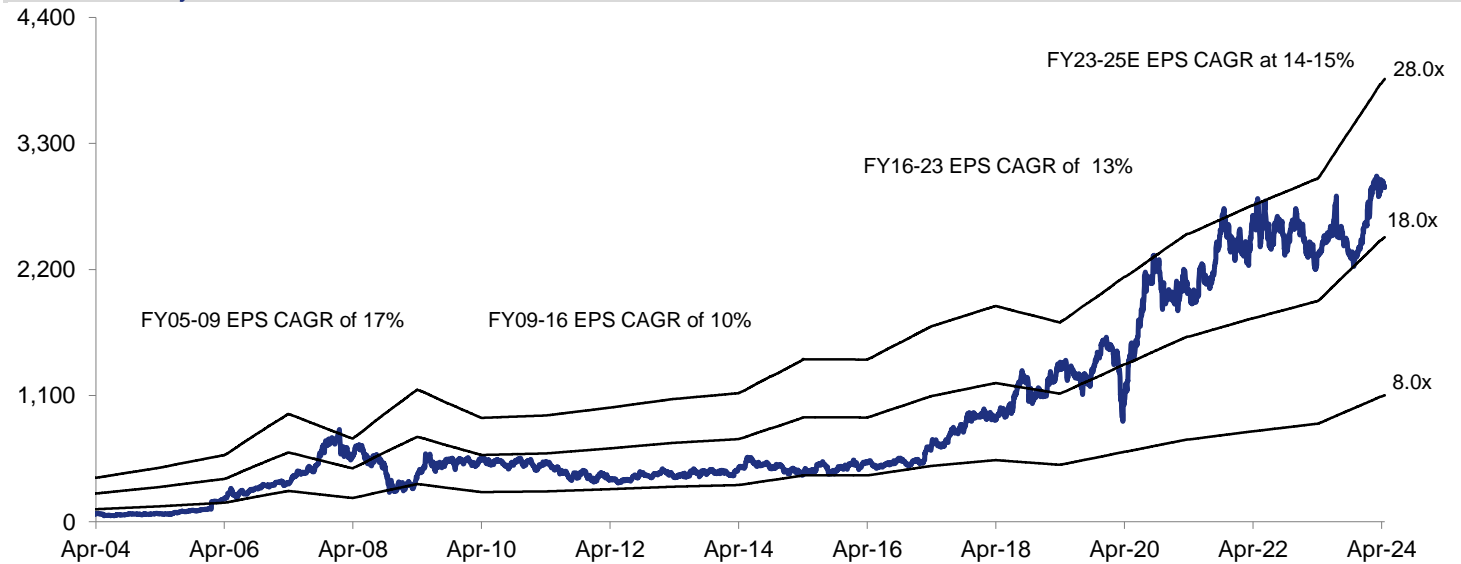
d) ARPU and subscriber sensitivity: Every INR 10 increase/decrease in ARPU has a positive/negative impact of 1% on our valuation, 2% on our FY25E EPS, and 2% on our FY25E EBITDA. Every 20mn increase/decrease in subscribers has a positive/negative impact of 1% of our valuation, FY25E EPS and FY25E EBITDA. Lower-than-expected ARPU and subscriber growth could have a negative impact on RIL's earnings and valuation.

Exhibit 9. RIL earnings and valuation sensitivity

	FY25E Base case assumption	Change	Impact on FY25 EBITDA		Impact on FY25 EPS		Impact on TP	
			INR bn	% change	INR	% change	INR	% change
GRM (USD/bbl)	12.0	+/- USD 1/bbl	43	2%	4.8	3%	58	2%
Petchem EBITDA margins (USD/ton)	195	+/- USD 20/tn	30	2%	3.3	2%	46	1%
Retail EBITDA margins (%)	7.2%	+/- 0.5%	20	1%	2.1	2%	79	2%
Jio wireless ARPU	201	+/- INR 10	31	2%	2.3	2%	23	1%
Jio wireless subscriber (mn)	499	+/-20mn	13	1%	1.1	1%	31	1%
Base case			1,869		139		3,320	

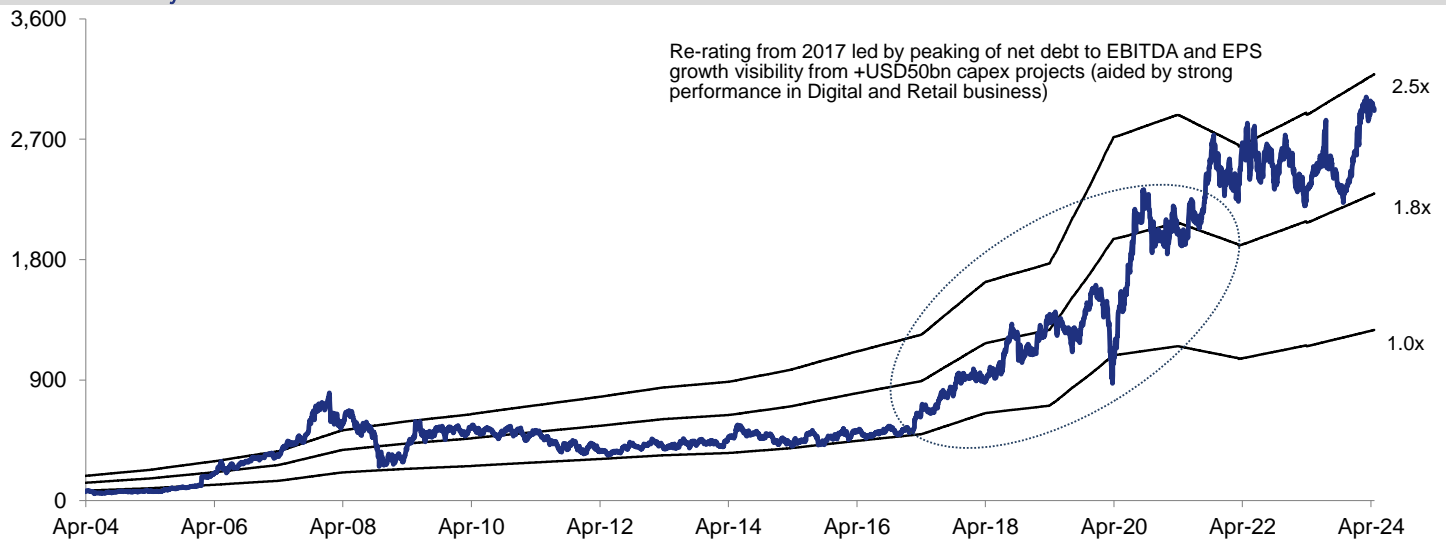
Source: JM Financial

Exhibit 10. RIL 1-year forward PE band



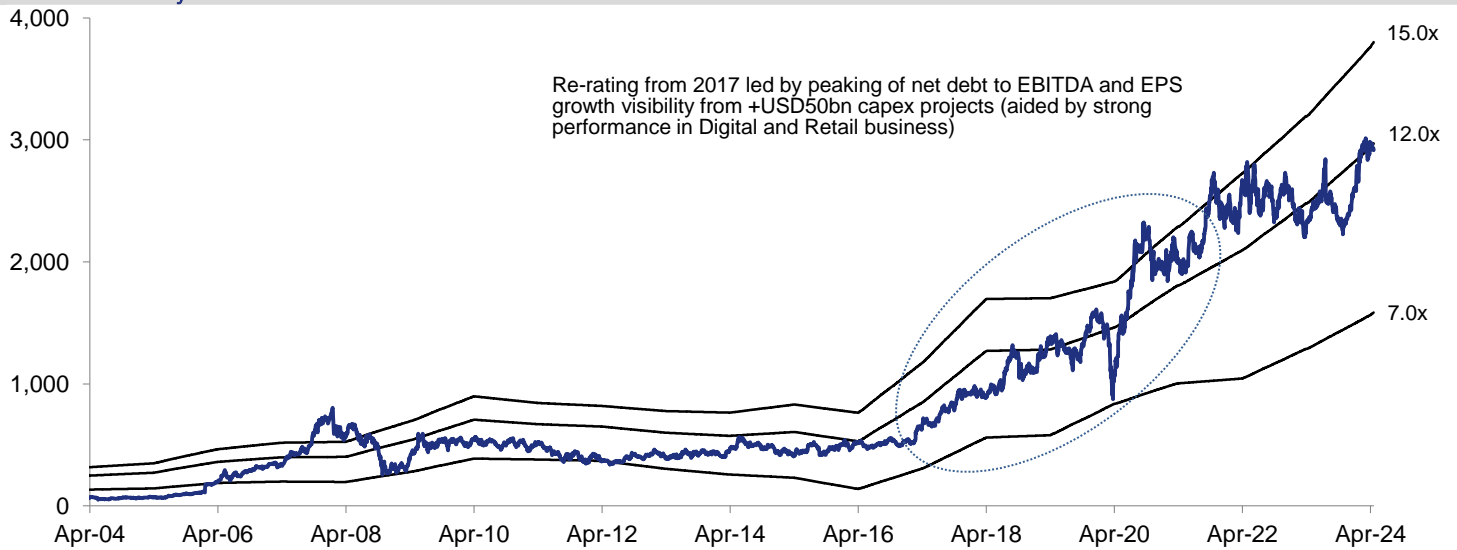
Source: JM Financial, Bloomberg

Exhibit 11. RIL 1-year forward PB band



Source: JM Financial, Bloomberg

Exhibit 12. RIL 1-year forward EV-EBITDA band



Source: JM Financial, Bloomberg

Exhibit 13. 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	4.3	5.7	6.6	9.9	7.9	7.3	6.7	9.2	10.9	2.1	1.9	1.8	16.0	8.4	6.2
Marathon Petroleum	5.5	6.5	7.2	11.6	10.4	9.4	8.9	10.4	11.5	3.4	3.0	3.0	24.0	7.3	3.9
US peers average	4.9	6.1	6.9	10.7	9.2	8.3	7.8	9.8	11.2	2.7	2.5	2.4	20.0	7.9	5.1
European peers															
Galp Energia	4.5	4.9	4.9	16.7	15.5	15.6	13.5	13.5	13.3	2.9	2.6	2.4	18.1	4.9	6.0
Motor Oil Hellas	3.1	4.5	5.3	10.5	7.8	6.7	3.1	5.1	7.3	1.0	0.9	0.9	11.5	10.9	9.0
PKN Orlen	2.1	2.8	2.5	12.5	11.0	13.4	3.5	8.1	5.8	0.5	0.5	0.4	7.5	11.5	8.9
Saras	2.3	3.2	4.3	6.1	4.6	3.6	5.4	8.7	16.4	1.2	1.2	1.2	7.5	8.0	4.6
MOL Hungarian oil & gas plc	3.2	2.9	3.0	12.3	13.8	13.0	4.2	4.8	4.9	0.6	0.6	0.5	10.3	7.4	6.8
OMV Ag	3.1	3.4	3.5	19.6	20.2	20.3	5.7	6.5	6.6	0.8	0.8	0.8	11.9	1.4	4.2
European peers average	3.0	3.6	3.9	13.0	12.1	12.1	5.9	7.8	9.0	1.2	1.1	1.0	11.1	7.3	6.6
Asian peers															
SK Innovation	8.1	6.5	4.9	5.5	7.0	8.8	16.9	9.0	5.3	0.5	0.4	0.4	7.6	6.3	4.7
GS Holdings	4.4	4.6	4.6	15.0	14.5	14.1	2.4	2.6	2.6	0.3	0.3	0.3	9.6	4.7	4.0
SK Energy Co Ltd	8.1	6.5	4.9	5.5	7.0	8.8	16.9	9.0	5.3	0.5	0.4	0.4	7.6	6.3	4.7
MRPL	7.7	9.2	9.9	8.0	6.4	6.1	11.2	13.7	15.5	3.2	2.7	2.4	14.4	8.5	1.2
CPCL	4.0	4.9	6.6	6.7	5.6	4.4	5.0	6.7	10.1	1.6	1.3	1.2	13.9	7.1	-1.5
BPCL	3.8	6.5	6.1	9.0	5.4	5.6	4.6	9.1	8.9	1.7	1.5	1.3	16.3	7.9	6.1
HPCL	4.8	7.4	6.9	5.9	4.0	4.3	4.3	7.0	6.7	1.5	1.3	1.2	20.1	8.5	6.8
IOCL	4.4	6.7	6.5	9.9	6.5	6.5	5.3	9.4	8.9	1.4	1.3	1.2	14.1	7.8	5.5
RIL	13.9	12.3	11.1	17.3	18.1	18.8	28.1	23.8	21.0	2.4	2.2	2.0	9.8	4.7	4.4
Asian peers average ex- RIL	5.7	6.5	6.3	8.2	7.1	7.3	8.3	8.3	7.9	1.3	1.2	1.0	13.0	7.1	3.9
Global peers average ex- RIL	4.6	5.4	5.5	10.3	9.2	9.2	7.4	8.3	8.7	1.4	1.3	1.2	13.2	7.3	5.1
Global peers median ex- RIL	4.3	5.3	5.1	9.9	7.4	8.0	5.4	8.8	8.1	1.3	1.2	1.2	12.9	7.6	5.1

Source: JM Financial, Bloomberg

Exhibit 14. 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	12.5	10.9	9.5	63.7	37.4	27.0	8.2	6.7	5.6	52.8	53.9	55.0	12.8	19.0	23.1
Jio (JMFe)	16.9	14.3	10.7	36.6	27.5	17.6	3.2	2.8	2.5	52.5	53.1	53.8	9.1	10.9	15.0
Indian telcos average	15.7	13.5	11.3	50.2	32.5	22.3	5.7	4.8	4.0	48.4	49.7	50.6	10.9	15.0	19.0
A&T	6.1	5.9	5.8	6.7	7.4	7.1	1.1	1.0	0.9	35.6	36.1	36.4	16.2	13.9	13.4
T-Mobile	9.1	8.5	8.0	22.5	17.8	14.3	3.0	3.0	3.1	37.7	39.1	40.2	13.3	16.7	21.2
Verizon	6.1	6.5	6.4	6.7	8.8	8.6	1.1	1.7	1.6	35.7	36.0	36.1	16.2	19.8	18.4
US telcos average	7.1	7.0	6.7	12.0	11.3	10.0	1.7	1.9	1.9	36.3	37.1	37.6	15.2	16.8	17.7
Deutsche Telekom	6.7	6.1	5.8	12.8	11.9	10.6	1.9	1.8	1.7	36.4	39.0	39.9	21.5	14.6	15.6
Orange	5.4	5.4	5.3	10.0	9.9	9.0	0.9	0.9	0.9	29.3	30.4	30.8	8.8	8.7	9.1
Telefonica	5.5	5.5	5.4	11.8	11.9	11.2	0.9	1.0	1.0	32.0	31.8	32.2	6.0	7.9	8.5
Telenor	7.5	7.4	7.2	24.9	14.4	15.0	2.5	2.6	2.7	43.1	43.1	43.9	23.7	18.7	17.4
Vodafone Plc	5.7	5.8	5.7	10.6	8.8	7.4	0.3	0.3	0.3	29.6	30.5	31.0	3.0	3.4	3.9
Europe telcos average	6.2	6.0	5.9	14.0	11.4	10.6	1.3	1.3	1.3	34.1	34.9	35.5	12.6	10.7	10.9
China Mobile	6.7	3.4	3.3	8.5	9.7	9.1	1.7	1.0	1.0	34.7	32.8	32.1	20.4	10.0	10.3
China Telecom	3.9	3.7	3.6	12.3	11.2	10.3	0.8	0.8	0.8	26.8	26.1	25.7	7.0	7.4	7.9
China Unicom	1.3	1.3	1.3	9.1	8.2	7.5	0.5	0.5	0.5	27.1	26.4	26.0	5.4	5.9	6.3
China telcos average	4.0	2.8	2.7	10.0	9.7	9.0	1.0	0.8	0.7	29.5	28.5	28.0	10.9	7.8	8.2
KT Corp	1.3	3.2	3.1	9.1	6.9	6.3	0.5	0.5	0.5	20.5	20.5	20.4	5.4	7.0	7.1
LG Uplus	3.2	3.1	3.0	7.3	6.5	6.2	0.5	0.5	0.5	25.6	25.0	25.2	6.9	7.4	7.5
SK Telecom	3.8	3.7	3.7	10.0	9.6	9.1	0.9	0.9	0.9	31.3	31.1	30.9	9.4	9.5	9.6
Korea telcos average	2.8	3.3	3.3	8.8	7.7	7.2	0.6	0.6	0.6	25.8	25.5	25.5	7.2	8.0	8.1
Axiata	6.0	6.0	5.7	55.4	35.4	25.0	1.0	1.0	1.0	46.4	45.0	45.5	2.0	3.0	4.4
Maxis	9.3	9.0	8.7	20.1	20.3	19.2	4.4	4.8	4.7	39.5	39.7	39.6	20.5	22.2	23.4
Malaysia telcos average	7.6	7.5	7.2	37.8	27.9	22.1	2.7	2.9	2.9	42.9	42.3	42.6	11.3	12.6	13.9
Advanced Info	8.7	7.8	7.5	19.8	19.0	17.0	6.5	6.2	6.0	48.9	49.8	50.2	32.8	33.3	35.0
Chungwa Telecom	11.0	10.8	10.6	25.6	25.1	23.9	2.5	2.4	2.5	39.4	38.7	38.9	9.8	10.0	10.3
Converge ICT	4.2	3.9	3.6	7.2	6.8	6.4	1.4	1.2	1.0	57.9	58.5	58.6	20.5	18.4	16.6
Digi.com	NM	NM	NM	NM	NM	NM	NM	NM	NM	46.3	47.5	48.4	11.2	11.6	13.0
Globe Telecom	7.0	6.8	6.5	13.3	12.0	11.5	1.6	1.5	1.5	45.4	45.4	45.2	14.5	13.7	12.7
Indosat	5.8	5.1	4.8	24.1	16.5	13.5	2.7	2.5	2.3	46.6	48.5	49.1	12.1	15.3	17.0
MTN Group	3.0	3.5	3.1	7.0	11.8	8.9	1.1	1.0	1.0	42.4	38.6	39.9	NM	NM	NM
Singtel	12.7	12.1	11.5	16.1	14.9	13.0	1.5	1.4	1.4	26.3	26.9	27.3	9.8	9.6	10.4
Taiwan Mobile	13.5	12.0	11.4	25.7	25.8	22.9	4.0	4.3	4.2	19.2	19.3	18.7	17.0	15.6	17.6
Telecom Indonesia	4.6	4.5	4.3	12.2	11.7	11.0	2.2	2.1	2.0	53.0	52.3	52.5	18.3	17.9	18.2
XL Axiata	4.7	4.4	4.1	22.2	17.6	14.2	1.1	1.0	1.0	49.2	49.2	49.1	4.9	5.9	6.9
Other regional telcos average	7.5	7.1	6.7	17.3	16.1	14.2	2.4	2.4	2.3	43.1	43.2	43.5	15.1	15.1	15.8
Global telcos average	7.2	6.8	6.3	18.3	15.2	13.0	2.1	2.0	1.9	38.4	38.5	38.9	12.8	12.8	13.6

Source: Bloomberg, JM Financial.

Exhibit 15. 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	9.7	8.4	7.0	12.2	13.7	15.6	26.2	18.6	13.1	2.0	2.1	2.0	7.2	11.1	17.5
Du Pont	12.2	12.5	11.2	24.4	23.9	25.3	21.2	21.4	17.8	1.3	1.3	1.3	6.2	5.8	7.0
Wacker Chemie	7.0	7.4	5.6	12.9	12.7	15.8	16.9	23.0	13.0	1.2	1.2	1.1	6.8	5.2	8.8
Johnson Matthey	7.1	6.5	6.2	14.6	16.1	16.7	12.0	10.2	9.4	1.2	1.2	1.2	10.3	11.7	12.3
BASF	8.6	7.9	6.8	10.8	11.8	13.0	16.3	15.3	11.8	1.2	1.3	1.3	5.2	7.8	10.2
Indorama ventures	9.3	7.7	6.8	7.7	9.1	10.1	42.2	16.3	10.8	0.7	0.8	0.8	1.6	4.7	7.0
SABIC	12.3	10.8	7.9	14.6	16.5	21.2	167.1	33.4	18.0	1.4	1.5	1.5	1.2	4.2	7.9
Eastman Chemical Co	9.8	8.7	8.0	17.4	19.2	19.9	15.0	12.5	10.8	2.1	1.9	1.7	13.9	15.6	16.6
Olin Corp	6.8	6.9	5.6	19.4	18.3	21.1	14.5	14.0	8.6	3.1	2.9	2.7	21.8	23.0	27.2
AKZO Nobel	10.6	9.8	9.1	13.5	14.4	15.1	18.8	15.4	13.6	2.5	2.4	2.3	13.1	15.2	16.3
Global (ex Asia) peers average	9.4	8.6	7.4	14.7	15.6	17.4	35.0	18.0	12.7	1.7	1.7	1.6	8.7	10.4	13.1
Asian peers															
Mitsubishi Gas Chem	8.1	7.3	6.4	10.4	12.0	13.4	11.6	12.7	10.7	0.9	0.8	0.8	7.5	6.7	7.2
Sinopec Shanghai Petrochemical	16.4	8.7	7.5	1.6	2.9	3.4	242.7	10.6	8.0	0.4	0.4	0.3	-0.3	3.0	4.4
LG Chem	7.4	6.0	4.0	11.6	13.9	16.7	18.5	14.5	7.6	0.9	0.8	0.7	4.5	5.7	11.0
Formosa Chemicals & Fibre Corp	20.4	14.4	12.2	5.7	7.6	8.7	32.6	24.1	18.7	0.9	0.9	0.9	3.1	2.8	4.6
Nan Ya Plastics	21.1	13.5	10.5	8.6	13.5	16.3	49.4	22.2	15.5	1.2	1.1	1.0	2.8	5.2	7.6
Formosa Plastics	33.6	28.1	20.5	6.4	7.7	9.8	35.6	33.9	21.2	1.2	1.2	1.1	3.7	4.3	6.1
Hanwha	9.0	9.2	6.2	11.1	10.5	14.4	19.7	24.5	7.1	0.5	0.5	0.5	2.4	2.0	6.6
Asahi Kasei Corp	7.8	6.9	6.4	10.5	11.4	11.8	18.7	13.7	12.1	0.9	0.8	0.8	4.8	6.5	7.0
Toray Industries	8.4	7.2	6.8	9.6	10.7	10.9	18.4	13.0	11.0	0.7	0.7	0.7	4.0	5.5	6.3
Kuraray Co	5.3	4.9	4.5	19.5	20.0	20.8	12.5	11.7	9.9	0.8	0.8	0.7	6.9	6.6	7.8
Teijin Ltd	7.5	6.3	5.8	9.2	10.7	11.1	40.1	18.7	13.8	0.7	0.7	0.6	1.7	3.5	4.7
Mitsui Chemicals	9.0	6.9	6.2	9.9	12.6	13.7	16.6	10.3	8.5	1.0	1.0	0.9	6.4	10.5	11.3
RL	13.9	12.3	11.1	17.3	18.1	18.8	28.1	23.8	21.0	2.4	2.2	2.0	8.8	9.6	9.8
Asian peers average	12.9	10.1	8.3	10.1	11.7	13.1	41.9	18.0	12.7	1.0	0.9	0.8	4.3	5.5	7.3
Global peers average	11.4	9.5	7.9	14.7	15.6	17.4	38.9	18.0	12.7	1.3	1.2	1.2	6.2	7.7	9.8
Global peers median	9.0	7.9	6.8	11.1	12.7	15.1	18.8	15.4	11.8	1.2	1.1	1.0	5.2	5.8	7.8

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	10,396,322	11,845,038	13,351,010	
Sales Growth	26.1%	2.6%	15.4%	13.9%	12.7%	
Other Operating Income	0	0	0	0	0	
Total Revenue	8,778,350	9,010,640	10,396,322	11,845,038	13,351,010	
Cost of Goods Sold/Op. Exp	5,884,830	5,853,430	6,753,587	7,694,692	8,672,992	
Personnel Cost	248,720	256,790	269,630	283,111	297,267	
Other Expenses	1,223,180	1,278,090	1,503,837	1,646,146	1,882,012	
EBITDA	1,421,620	1,622,330	1,869,268	2,221,088	2,498,740	
EBITDA Margin	16.2%	18.0%	18.0%	18.8%	18.7%	
EBITDA Growth	31.1%	14.1%	15.2%	18.8%	12.5%	
Depn. & Amort.	403,030	508,320	383,324	408,628	432,975	
EBIT	1,018,590	1,114,010	1,485,944	1,812,460	2,065,765	
Other Income	117,340	160,570	128,026	129,863	136,484	
Finance Cost	195,710	231,180	206,057	194,556	184,242	
PBT before Excep. & Forex	940,220	1,043,400	1,407,913	1,747,767	2,018,006	
Excep. & Forex Inc./Loss(-)	4,180	0	0	0	0	
PBT	944,400	1,043,400	1,407,913	1,747,767	2,018,006	
Taxes	203,760	257,070	356,451	444,196	513,656	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	73,620	90,120	111,562	170,436	220,203	
Reported Net Profit	667,020	696,210	939,900	1,133,135	1,284,148	
Adjusted Net Profit	662,840	696,210	939,900	1,133,135	1,284,148	
Net Margin	7.6%	7.7%	9.0%	9.6%	9.6%	
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	138.9	167.5	189.8	
Diluted EPS Growth	17.9%	5.0%	35.0%	20.6%	13.3%	
Total Dividend + Tax	60,894	67,660	87,958	108,256	121,788	
Dividend Per Share (INR)	9.0	10.0	13.0	16.0	18.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	7,158,720	7,934,810	8,724,099	9,693,021	10,809,071	
Share Capital	67,660	67,660	67,660	67,660	67,660	
Reserves & Surplus	7,091,060	7,867,150	8,656,439	9,625,361	10,741,411	
Preference Share Capital	0	0	0	0	0	
Minority Interest	1,130,090	1,323,070	1,415,394	1,559,897	1,744,520	
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	743,825	776,743	810,354	
Total - Equity & Liab.	12,016,220	13,217,130	14,055,849	15,209,817	16,500,900	
Net Fixed Assets	10,185,570	11,188,400	11,884,408	12,559,600	13,279,004	
Gross Fixed Assets	10,267,280	11,330,210	12,421,869	13,517,769	14,681,986	
Intangible Assets	152,700	149,890	149,890	149,890	149,890	
Less: Depn. & Amort.	3,171,930	3,680,250	4,063,574	4,472,202	4,905,178	
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	4,171,604	4,721,229	5,367,925	
Inventories	1,400,080	1,527,700	1,512,387	1,624,399	1,743,694	
Sundry Debtors	284,480	316,280	331,434	373,482	418,009	
Cash & Bank Balances	686,640	972,250	1,025,979	1,397,921	1,852,967	
Loans & Advances	42,240	60,380	68,899	83,266	99,868	
Other Current Assets	1,104,210	1,228,750	1,232,905	1,242,162	1,253,387	
Current Liab. & Prov.	4,042,600	4,333,350	4,256,883	4,327,732	4,402,749	
Current Liabilities	1,471,720	1,783,770	1,762,056	1,884,915	2,009,337	
Provisions & Others	2,570,880	2,549,580	2,494,827	2,442,817	2,393,412	
Net Current Assets	-524,950	-227,990	-85,279	393,497	965,176	
Total - Assets	12,016,220	13,217,130	14,055,849	15,209,817	16,500,900	

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	1,407,913	1,747,767	2,018,006	
Depn. & Amort.	403,030	508,320	383,324	408,628	432,975	
Net Interest Exp. / Inc. (-)	82,930	122,840	78,032	64,693	47,759	
Inc (-) / Dec in WCAP.	-196,340	63,660	-21,555	-31,200	-39,401	
Others	-20,730	-30,730	0	0	0	
Taxes Paid	-62,970	-119,610	-325,656	-411,278	-480,045	
Operating Cash Flow	1,150,320	1,587,880	1,522,057	1,778,611	1,979,294	
Capex	-1,409,880	-1,528,830	-1,079,333	-1,083,820	-1,152,379	
Free Cash Flow	-259,560	59,050	442,725	694,791	826,915	
Inc (-) / Dec in Investments	294,440	169,750	-12,674	-23,625	-27,827	
Others	185,430	223,270	128,026	129,863	136,484	
Investing Cash Flow	-930,010	-1,135,810	-963,980	-977,582	-1,043,722	
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	-294,015	-302,812	-306,030	
Financing Cash Flow	104,550	-166,460	-504,348	-429,087	-480,526	
Inc / Dec (-) in Cash	324,860	285,610	53,729	371,942	455,046	
Opening Cash Balance	361,780	686,640	972,250	1,025,979	1,397,921	
Closing Cash Balance	686,640	972,250	1,025,979	1,397,921	1,852,967	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	7.6%	7.7%	9.0%	9.6%	9.6%	
Asset Turnover (x)	0.7	0.7	0.7	0.8	0.8	
Leverage Factor (x)	1.7	1.8	1.8	1.7	1.7	
RoE	8.9%	9.2%	11.3%	12.3%	12.5%	

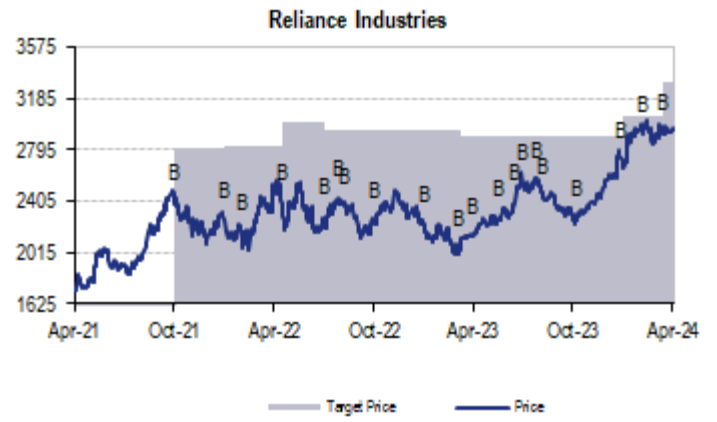
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	1,058.0	1,172.7	1,289.4	1,432.6	1,597.6	
ROIC	10.2%	9.5%	11.5%	13.0%	13.8%	
ROE	8.9%	9.2%	11.3%	12.3%	12.5%	
Net Debt/Equity (x)	0.2	0.2	0.1	0.1	0.0	
P/E (x)	30.2	28.8	21.3	17.7	15.6	
P/B (x)	2.8	2.5	2.3	2.1	1.9	
EV/EBITDA (x)	15.8	13.9	12.0	10.0	8.8	
EV/Sales (x)	2.6	2.5	2.2	1.9	1.6	
Debtor days	12	13	12	12	11	
Inventory days	58	62	53	50	48	
Creditor days	73	88	75	71	68	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
23-Oct-21	Buy	2,800	
22-Jan-22	Buy	2,815	0.5
23-Feb-22	Buy	2,815	0.0
7-May-22	Buy	3,000	6.6
23-Jul-22	Buy	2,950	-1.7
17-Aug-22	Buy	2,950	0.0
29-Aug-22	Buy	2,950	0.0
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

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.
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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