

BUY Reliance Industries

Steady numbers; capex to decline as 5G rolls out; retain BUY

Oil & Gas ▶ Result Update ▶ October 29, 2023

TARGET PRICE (Rs): 2,730

RIL reported largely in-line earnings (consol EBITDA: Rs410bn; PAT: Rs174bn) in Q2FY24, driven by a beat on our Retail and O2C estimates, while Upstream saw a miss due to MJ1 commissioning costs. Jio remained consistent with better than expected net subscriber additions. Net debt fell 7% QoQ to Rs1.18trn, led by Retail fund-raise and strong OCF. Mgmt. highlighted that capex intensity is expected to decline by FY24-end, on completion of 5G network roll-out. Q2FY24 capex—attributable to 5G rollout and building of the retail eco-system—stood at Rs388bn, down 2% QoQ. We keep FY24-26E earnings largely unchanged. We retain our BUY on RIL on the back of steady earnings outlook and peaking-out of current capex cycle which should entail FCF generation and debt reduction. Valuations are attractive and we maintain Sep-24E TP at Rs2,730/share.

Reliance Industries: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	69,99,620	87,78,350	93,88,906	95,36,680	1,01,75,000
EBITDA	11,04,600	14,21,620	16,12,411	17,77,903	19,19,273
Adj. PAT	5,37,474	6,29,665	6,71,232	7,67,073	8,47,999
Adj. EPS (Rs)	95.6	104.3	99.1	113.1	125.0
EBITDA margin (%)	15.8	16.2	17.2	18.6	18.9
EBITDA growth (%)	36.8	28.7	13.4	10.3	8.0
Adj. EPS growth (%)	17.3	9.2	(5.0)	14.2	10.4
RoE (%)	7.3	8.4	9.0	9.5	9.6
RoIC (%)	10.9	13.8	13.5	13.3	13.5
P/E (x)	26.8	22.9	22.9	20.0	18.1
EV/EBITDA (x)	14.1	11.0	10.4	9.4	8.5
P/B (x)	1.8	2.0	2.0	1.8	1.7
FCFF yield (%)	(3.3)	(9.2)	(0.2)	2.0	4.1

Source: Company, Emkay Research

Key Result Highlights: O2C EBITDA grew 7% QoQ, led by better distillate spreads & PVC deltas, feedstock optimization and cheaper ethane. O2C feedstock/sales stood at 20.0mt/17.1mmt, up 2%/down 1% QoQ, while EBITDA/mt rose 4% to USD98. **Upstream** EBITDA rose 19% QoQ to Rs47.7bn, as KG Basin gas volumes were up 35% QoQ at 28.3mmscmd, amid higher implied opex. **Jio** clocked strong net subs additions of 11.2mn (vs our est of 9.5mn), while ARPU was in-line at Rs181.7, up 1% QoQ. Jio's EBITDA rose 2.6% QoQ to Rs140.7bn. Network opex was up 3.1% QoQ to Rs76.1bn. **Retail** EBITDA rose 13% QoQ to Rs58.3bn, as net store additions stood at 204, while retail area rose 1% QoQ to 71.5mn sqft. Q2 revenue growth was led by Grocery/Fashion-Lifestyle which grew strongly at 33/32% YoY, while Electronics growth was slower at 11%. RIL's Other Income was up 9% YoY to Rs38.4bn (a 7% beat). RIL sold stake in Retail & raised capital of Rs103.5bn from QIA/KKR during Q2, and of Rs49.7bn from ADIA in Oct-23. RIL completed asset transfer to warehouse InvIT for Rs51.5bn in Oct-23.

Management KTAs: RIL's outlook on the O2C business remains positive, with tight fuel markets, strong domestic demand and limited new-builds. Global downstream chemical margin is expected to stay soft in the near term, while moderation in new supplies from China and demand recovery could help to improve overall margin. Current KG Basin gas output is ~29mmscmd and likely to touch 30mmscmd in coming months, while CBM gas production is expected to be ramped up in Q4FY24. Jio expects 5G pan-India coverage by Dec-23, with 1mn 5G cells deployed across 8k cities/towns in India, as JioFiber scales up and tech stack upgradation continues. Retail momentum is expected to sustain, as Digital/New commerce scales up, amid new launches and channel expansion initiatives.

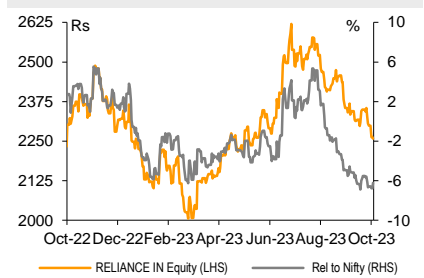
Valuation: We value RIL on an SOTP basis, with core segments using Sep-25E EV/EBITDA and New Energy/Other segments using EV-IC/EV-sales methodologies. We largely retain our EV/EBITDA multiple for all segments. We adjust RIL's stake in the Retail business after the recent Rs155bn fund-raise. **Key risks:** Adverse commodity/currency, B2C competition, delay in monetization of ventures, and policy & new business risks.

Target Price – 12M	Sep-24
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	20.5
CMP (27-Oct-23) (Rs)	2,265.8

Stock Data	Ticker
52-week High (Rs)	2,632
52-week Low (Rs)	1,986
Shares outstanding (mn)	6,765.7
Market-cap (Rs bn)	15,330
Market-cap (USD mn)	1,84,161
Net-debt, FY24E (Rs mn)	14,91,567
ADTV-3M (mn shares)	7
ADTV-3M (Rs mn)	17,040.0
ADTV-3M (USD mn)	204.7
Free float (%)	50.0
Nifty-50	19,047
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	49.1
FPIs/MFs (%)	22.1/15.7

Price Performance

(%)	1M	3M	12M
Absolute	(4.4)	(9.5)	1.5
Rel. to Nifty	(1.0)	(6.6)	(5.5)

1-Year share price trend (Rs)**Sabri Hazarika**

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Exhibit 1: Actuals vs. Estimates (Q2FY24)

Consolidated (Rs bn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	2,319	2,249	2,234	3%	4%	
EBITDA	410	404	403	1%	2%	The O2C & Retail beat partly offset by the Upstream miss
EBITDA margin	17.7%	18.0%	18.0%	-29bps	-38bps	
Adj. Net Profit (after MI)	174	174	179	0%	-3%	D/A was higher

Source: Company, Emkay Research

Exhibit 2: Detailed Actuals vs. Estimates (Q2FY24)

(Rs bn)	Q2FY24E	Q2FY24A	Deviation
Consol. EBITDA	404	410	6
O2C	160	163	3
Upstream	51	48	-3
Retail	54	58	4
Jio	141	141	-1
Others	3	4	1
Balancing	-5	-4	1
D/A	120	126	6
Interest	58	57	0
Other Income	36	38	2
Tax	64	67	3
Minority Interest	-24	-25	-1
PAT	174	173	0

Source: Company, Emkay Research

Exhibit 3: Quarterly Highlights (Consolidated)

(Rs bn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
Revenue	2,301	2,172	2,129	2,076	2,319	1%	12%	4,494	4,394	-2%
Expenditure	1,988	1,819	1,745	1,695	1,909	-4%	13%	3,801	3,604	-5%
EBITDA	312	352	384	381	410	31%	8%	692	791	14%
Depreciation	97	102	115	118	126	29%	7%	187	244	30%
Interest	46	52	58	58	57	26%	-2%	86	116	35%
Other Income	35	31	29	38	38	9%	1%	58	77	33%
Exceptionals	0	0	0	0	0			0	0	
PBT	205	230	241	243	265	30%	9%	478	508	6%
Tax	49	53	28	61	67	37%	9%	127	128	
PAT	156	177	213	182	198	27%	9%	351	380	8%
Minor./Assoc.	-19	-19	-20	-22	-24			-35	-46	
Group Rep. PAT	137	158	193	160	174	27%	9%	316	334	6%
Group Adj. PAT	137	158	193	160	174	27%	9%	316	334	6%
Adj. EPS (Rs)	21.6	25.0	30.5	23.7	25.7	19%	9%	50.0	49.4	-1%
EBITDA Margin	14%	16%	18%	18%	18%			15%	18%	
Tax Rate	24%	23%	12%	25%	25%			27%	25%	
Gross Debt	2,949	3,035	3,147	3,187	2,957	0%	-7%	2,949	2,957	0%
Cash & Equivalent	2,016	1,933	2,045	1,921	1,780	-12%	-7%	2,016	1,780	-12%
Net Debt	933	1,102	1,102	1,266	1,177	26%	-7%	933	1,177	
Capex	325	376	444	396	388	19%	-2%	640	785	23%
Refining Volumes (mmt)*	16.1	16.2	17.3	17.2	17.3	7%	1%	32.9	34.5	5%
Petchem Net Volumes (mmt)*	4.4	4.1	4.2	4.3	4.4	0%	2%	8.9	8.7	-2%
Upstream EBITDA	32	39	38	40	48	50%	19%	59	88	
KG-D6 Gas Output (mmscmd)	19.0	19.3	20.2	20.9	28.3	49%	35%	19.0	24.7	30%
Retail Revenue	649	676	693	700	772	19%	10%	1,235	1,471	19%
Retail Reported EBITDA	44	48	49	52	58	32%	13%	83	110	33%
Retail EBITDA Margin	6.8%	7.1%	7.1%	7.4%	7.6%			6.7%	7.5%	
Jio Revenue (incl Digital)	225	230	234	240	248	10%	3%	444	488	10%
Jio Reported EBITDA	123	129	134	137	141	14%	3%	240	278	16%
Jio EBITDA Margin	55%	56%	57%	57%	57%			54.1%	57.0%	
Jio ARPU (Rs)	177	178	179	181	182	3%	1%	176	181	3%
Jio Subs (mn)	428	433	439	449	460	8%	2%	428	460	8%

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

Exhibit 4: O2C earnings, volumes and margins

(Rs bn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
Throughput – Feedstock (mmt)	18.6	18.8	19.8	19.7	20.0	8%	2%	38.4	39.7	3%
Production For Sale (mmt)	16.2	16.1	17.1	17.2	17.1	6%	-1%	33.1	34.3	4%
Transport Fuels	9.9	10.2	11.4	11.1	11.1	12%	0%	20.4	22.2	9%
Polymers	1.4	1.4	1.5	1.4	1.5	7%	7%	2.8	2.9	4%
Fibre Intermediaries	0.9	0.7	0.7	0.9	0.9	0%	0%	1.7	1.8	6%
Polyesters	0.6	0.6	0.6	0.6	0.6	0%	0%	1.3	1.2	-8%
Chemicals & Others	3.4	3.2	2.9	3.2	3.0	-12%	-6%	6.9	6.2	-10%
Revenue	1,597	1,446	1,286	1,330	1,480	-7%	11%	3,214	2,810	-13%
Expenditure	1,477	1,307	1,123	1,178	1,317	-11%	12%	2,895	2,495	-14%
EBITDA	120	139	163	153	163	36%	7%	319	316	-1%
D&A	22	20	21	21	22	0%	5%	41	43	6%
EBIT	98	119	142	132	141	44%	7%	278	273	-2%
EBITDA/mt (USD)	81	90	100	94	98	22%	4%	106	96	-9%

Source: Company, Emkay Research

Reliance Jio – Strong net subs addition continues

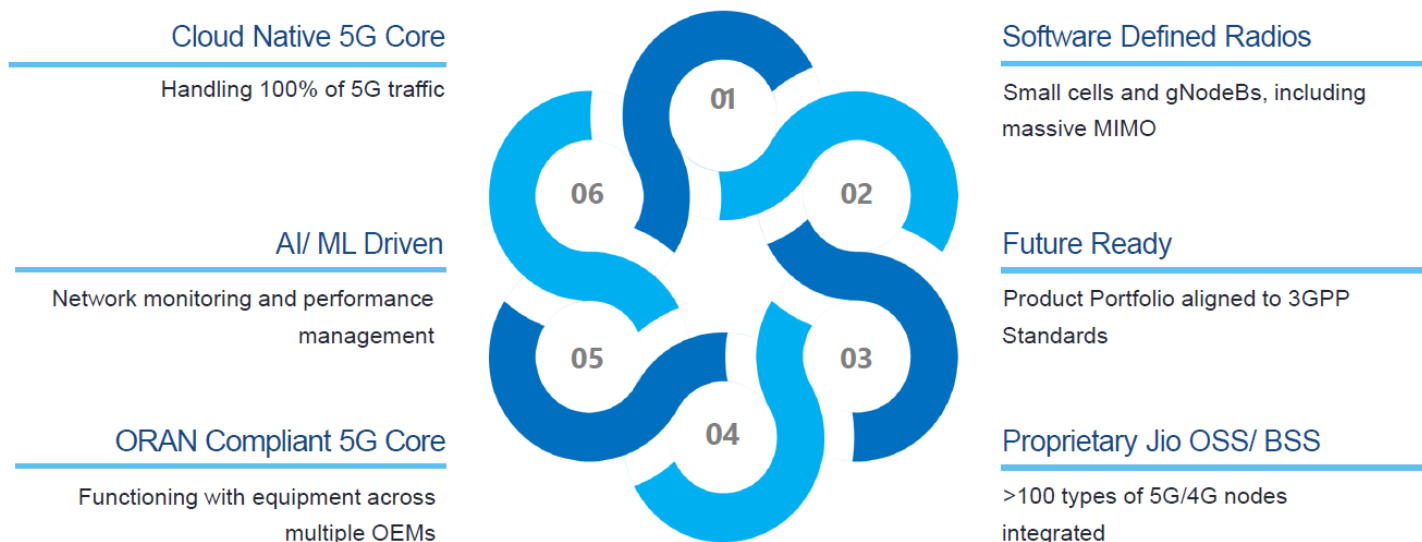
Strong subscriber addition in Q2: RJio reported net subscriber addition of 11.2mn (up from 9.2mn in Q1) vs. our estimate of 9.5mn growth. We estimate wireless subscribers addition at 10.5mn (8.4mn in Q1), assuming home broadband subscribers of 0.69mn in Q2 (0.84mn in Q1). ARPU rose 0.7% QoQ to Rs181.7 (in line with our estimate), driven by better subscriber mix, partially offset by start of 5G services. Data consumption/subscriber rose to 26.6GB vs. 24.9GB in Q1, helped by 5G subscribers. Jio has seen good 5G traction with 70mn subscribers shifting to 5G. Jio has deployed over 1mn 5G cells pan-India (vs. 690K cells at the end of Q1).

Revenue and margin, in-line: Revenue grew 2.9%QoQ, broadly in line with consensus/our estimates. EBITDA margin was flat QoQ at 52.3%, largely matching our estimate. Network operating cost was up 3.1% QoQ to Rs76.1bn (flat QoQ, as a %age of sales). Marketing expense was up 1.3% QoQ, as spend remained elevated. License fees were up 3.9% QoQ, while employee expense was up 5.9% QoQ. Access charges were down 6.9% QoQ, offsetting the impact on margin. JPL-ex Jio revenue/EBITDA was up 2.5% QoQ/3.5% QoQ (+22bps margin expansion QoQ).

Outlook – Strong subscriber addition to endure: Jio's subscriber addition has been strong in the last 5 quarters, while ARPU growth has been moderate, in the absence of tariff hikes. We expect the strong subscriber addition to continue for RJio, led by: i) competitive pricing of it plans; and ii) roll out of 5G that may attract high-ARPU customers from Vi (including postpaid customers), as Vi is yet to roll out 5G; and iii) launch of JioBharat phone at an attractive price, targeting current 2G customers. We expect a tariff hike in FY25, as: i) telcos are not earning the required rate of return and will need a tariff hike to recover the 5G investment; and ii) a moderate tariff hike is unlikely to alleviate the cash constraint for Vi.

We increase FY24E/25E/26E subscriber numbers by ~2% each, to factor-in the fast subscriber addition. We marginally reduce our ARPU estimate by 0.3%. Our FY24E/25E/26E EBITDA increases by 0.9%/1.8%/1.7%, as a result.

Exhibit 5: Jio's indigenous 5G stack



Source: Company

Jio – Financial performance and KPIs (Q2FY24)

- RJio's revenue grew 2.9 % QoQ to Rs247.5bn, in line with Consensus/Emkay estimates of Rs248.5bn/Rs247.1bn.
- EBITDA stood at Rs129.5bn (+3% QoQ). EBITDA margin was flat QoQ at 52.3%, broadly in line with our estimate of 52.4%.
 - Network operating cost was up 3.1% QoQ to Rs76.1bn (flat QoQ, as a %age of sales).
 - Marketing expense was up 1.3% QoQ to Rs11.3bn, as spend remained elevated amid rise in competitive intensity.

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- License fees and spectrum charges were up 3.9% QoQ to Rs22.9bn. Employee expenses were also up, by 5.9% QoQ to Rs4.9bn.
- Access charges were down by 6.9% QoQ (post the >13.8% QoQ growth in Q1) to Rs3bn, mitigating the impact on margin.
- **RPAT grew 4% QoQ to Rs50.6bn (Emkay: Rs50.2bn).** Other income was up 25% QoQ to Rs1.06bn. Interest expense was up 3.8% QoQ to Rs10.1bn, due to higher number of loans in Q2FY24. Depreciation charge increased 1.9% QoQ, possibly due to higher network utilization and incremental addition to gross block.
- **JPL ex-Jio revenue was up 2.5% QoQ to Rs21.2bn.** EBITDA was up 3.5% QoQ to Rs4.7bn. Margin was up by 22bps QoQ, to 22.1%.
- **KPIs – Higher net subscriber add and higher data consumption key positives**
 - Total subscriber base increased by 11.2mn (vs. >9.2mn in Q1FY24/>6.4mn in Q4FY23; Emkay: 9.5mn) to 459.7mn, possibly aided by competitive pricing of plans.
 - ARPU stood at Rs181.7, up 0.7% QoQ, in line with our estimate and driven by better subscriber mix across mobility and wireline, partially offset by start of 5G services.
 - Total data consumption was up 9.4%QoQ to 36.6bn GB, helped by the greater consumption from 5G and the higher engagement. Data consumption/subscriber rose to 26.6GB vs. 24.9GB in Q1. MOU was down QoQ, at 979mins.

Key takeaways from the earnings call

- **Jio has deployed over 1mn 5G cells pan-India (vs. 690K/350K cell deployments reported at the end of Q1FY24/Q4FY23), with coverage across ~8,000 cities/towns.** Jio has contributed to 85% of the overall 5G capacity in the country till date. There is strong 5G traction, with 70mn subscribers shifting to 5G. 150k towers carry 700MHz and 3500MHz band cells. Monthly 5G traffic crossed 1.5Exabytes (note: 1Exabyte = 1bn gigabyte). The management expects pan-India deployment by the end of this year.
- **JioBharat phone has gained high market share in the non-smartphone segment.** JioBharat is now being extended to multiple SKUs, to widen its reach. It has significant share gain through MNP. Consumer will have the option to put more money and get better JioBharat devices.
- **Premium devices on Jio network that cost >Rs20k have doubled in the last 18months.** Jio is planning to launch Jio AirFibre pan-India soon. Jio AirFibre is using Jio's SA version, which can use network slicing for dedicated capacity for homes. Jio is ramping up the supply chain for devices and feet-on-street for pan-India launch.
- **Enterprise continues to gain traction.** The top-20 banks and >400 BFSI companies run on Jio connectivity. Jio enterprise has an 80% win rate in Government bids. One in four enterprise customers use two or more Jio services.
- **Jio 5G network supported by Jio's own native stack.** Jio is developing own software defined radios. Its 5G core is ORAN compliant. AI/ML stack is developed indigenously.

Exhibit 6: Jio – Quarterly financials

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Net Sales	2,25,210	2,29,980	2,33,940	2,40,420	2,47,500	2.9	9.9
Access charge	1,890	2,200	2,820	3,210	2,990	(6.9)	58.2
as % of sales	0.8	1.0	1.2	1.3	1.2		
Network Operating	71,810	72,270	72,240	73,790	76,070	3.1	5.9
as % of sales	31.9	31.4	30.9	30.7	30.7		
Employee Expenses	4,280	4,000	4,370	4,420	4,680	5.9	9.3
as % of sales	1.9	1.7	1.9	1.8	1.9		
Marketing Expenses	9,130	10,220	10,860	11,180	11,330	1.3	24.1
as % of sales	4.1	4.4	4.6	4.7	4.6		
License Fee	23,210	21,200	21,550	22,040	22,900	3.9	(1.3)
as % of sales	10.3	9.2	9.2	9.2	9.3		
Total operating expenditure	1,10,320	1,09,890	1,11,840	1,14,640	1,17,970	2.9	6.9
EBITDA	1,14,890	1,20,090	1,22,100	1,25,780	1,29,530	3.0	12.7
Depreciation	45,230	48,100	49,820	51,590	52,580	1.9	16.3
EBIT	69,660	71,990	72,280	74,190	76,950	3.1	6.8
Other Income	1,120	630	1,050	850	1,060	24.7	(5.4)
Interest	10,160	10,400	10,060	9,710	10,080	3.8	(0.8)
Exceptional Item	0	0	0	0	0		
PBT	60,620	62,220	63,270	65,330	67,930	4.0	12.1
Tax	15,440	15,840	16,110	16,700	17,350	3.9	12.4
PAT	45,180	46,380	47,160	48,630	50,580	4.0	12.0
(%)						(bps)	(bps)
EBITDAM	51.0	52.2	52.2	52.3	52.3	2	132
EBITM	30.9	31.3	30.9	30.9	31.1	23	16
EBTM	26.9	27.1	27.0	27.2	27.4	27	53
PATM	20.1	20.2	20.2	20.2	20.4	21	38
Effective Tax rate	25.5	25.5	25.5	25.6	25.5	(2)	7

Source: Company, Emkay Research

Exhibit 7: Jio Platforms (Consolidated) – Quarterly Financials

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Revenue	2,42,750	2,48,920	2,54,650	2,61,150	2,68,750	2.9%	10.7%
EBITDA	1,20,110	1,25,190	1,27,670	1,31,160	1,35,280	3.1%	12.6%
EBITDA Margin	49.5%	50.3%	50.1%	50.2%	50.3%	11 bps	86 bps
PAT	47,290	48,810	49,840	50,980	52,970	3.9%	12.0%

Source: Company, Emkay Research

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

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Revenue	17,540	18,940	20,710	20,730	21,250	2.5%	21.2%
EBITDA	4,100	4,470	4,520	4,530	4,690	3.5%	14.4%
EBITDA Margin	23.4%	23.6%	21.8%	21.9%	22.1%	22 bps	-130 bps
PAT	2,110	2,430	2,680	2,350	2,390	1.7%	13.3%

Source: Company, Emkay Research

Exhibit 9: Jio subscriber addition remains elevated

Subscriber break-down (mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Wireless	421	425	431	439	450	2.4	6.9
Home broadband (estimated)	6.8	7.7	8.3	9.2	9.9	7.5	44.4
Total	428	433	439	449	460	2.5	7.5
Subscriber additions							
Wireless	7.0	4.5	5.7	8.4	10.5	25.7	49.5
Home broadband (estimated)	0.67	0.82	0.68	0.84	0.7	-17.9	3.0
Total	7.7	5.3	6.4	9.2	11.1	20.7	44.2

Source: Company, Emkay Research

Exhibit 10: Jio – KPIs

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
ARPU (Rs)	177.2	178.2	178.8	180.5	181.7	0.7	2.5
MoU	969.0	985.0	1,003.0	1,003.0	979.0	-2.4	1.0
Total number of mins Calculated (bn)	1,231.8	1,271.4	1,312.2	1,335.7	1,333.7	-0.1	8.3
Total Data consumption (bn GBs)	28.2	28.9	30.2	33.2	36.3	9.4	28.6
Data Usage/ per User (GB/month)	22.2	22.4	23.1	24.9	26.6	7.0	20.0

Source: Company, Emkay Research

Exhibit 11: Jio – Summarized Financials

	FY23	FY24E	FY25E	FY26E
Subscriber (mn)	439	477	503	522
Subscriber addition (mn)	29	37	26	20
ARPU (Rs)	178	183	200	216
YoY growth	16%	3%	9%	8%
Revenue (Rs mn)	9,07,908	10,06,201	11,77,156	13,26,607
YoY growth	18%	11%	17%	13%
EBITDA (Rs mn)	4,66,768	5,29,754	6,27,576	7,28,877
EBITDA Margin (%)	51.4	52.6	53.3	54.9

Source: Company, Emkay Research

Change in estimates: We increase FY24E/FY25E/FY26E subscriber numbers by ~2% each, to factor-in the fast subscriber addition. We marginally reduce our ARPU estimate by 0.3%. Our FY24E/FY25E/FY26E EBITDA increases by 0.9%/1.8%/1.7%, respectively, as a result.

Exhibit 12: Changes in estimates

(Rs mn)	FY24E			FY25E			FY26E		
	Old	Revised	Change	Old	Revised	Change	Old	Revised	Change
Subscriber (mn)	469	477	1.6%	493	503	1.9%	512	522	1.9%
ARPU (Rs)	184	183	-0.3%	201	200	-0.3%	216	216	-0.3%
Revenue	10,00,740	10,06,201	0.5%	11,60,712	11,77,156	1.4%	13,06,000	13,26,607	1.6%
EBITDA	5,25,096	5,29,754	0.9%	6,16,519	6,27,576	1.8%	7,17,031	7,28,877	1.7%
EBITDA Margin (%)	52.5	52.6	18 bps	53.1	53.3	20 bps	54.9	54.9	4 bps

Source: Company, Emkay Research

Reliance Retail – Steady revenue growth and margins

Decent pick-up in Fashion/Electronics; Grocery growth healthy, albeit moderates vs. recent quarters’: Net retail revenue at Rs689bn grew 19% YoY in Q2, largely led by 12% growth in store-count, continued traction in online/new commerce channels (~19% mix in Q2) and consolidation of acquired businesses. A likely mix improvement towards the higher-margin Grocery/Fashion-Lifestyle businesses (vs. the non-core connectivity business) resulted in a 70bps EBITDA margin gain YoY to ~8.1% and drove a strong 31% EBITDA growth. Store additions were lower at 204 in Q2 vs the recent run-rate of 650-700. Total store-count stood at 18,650 (up 12%), covering 71.5mn sqft (up ~31% on YoY basis).

Q2 growth was led by Grocery/Fashion-Lifestyle, which grew strongly at 33%/32%, YoY respectively, while Electronics grew slower than the company average at 11%. Growth in the Grocery segment is healthy on a strong base (+100% growth in Q2FY23), but there is moderation from the >60% growth over the last three quarters. Encouragingly, the 32% YoY growth in Fashion indicates a strong performance, likely led by partner brands, jewelry and the AJIO ‘All Star Sale’.

Digital traction continues: Strong traction in digital/new-commerce channels continued, with sustained traction in consumer-facing platforms (JioMart/Ajio) and healthy on-boarding of merchants in new commerce initiatives. Digital/New-commerce channels contributed 19% to Q2 sales. JioMart’s seller base grew by 2x on YoY basis.

Strengthening Consumer brands portfolio through product launches: Revenue growth was driven by momentum in beverages, general merchandize and staples. Focus on expanding distribution and engagement in the General Trade channel led to 4x YoY revenue growth. The Beverage category grew 7x, likely on a small base, with ‘Campa’ gaining traction and launch of ‘Campa Cricket’ during the quarter.

Change in estimates: EBITDA estimates marginally increase on better margin performance in Q2FY24.

Exhibit 13: Reliance Retail – Quarterly financials

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY chg	QoQ chg	H1FY24	H1FY23	YoY chg
Gross Revenue	6,49,200	6,76,230	6,92,670	6,99,480	7,71,480	18.8%	10.3%	14,70,960	12,34,740	19.1%
Net Revenue	5,76,940	6,00,960	6,15,590	6,21,590	6,89,370	19.5%	10.9%	13,10,960	10,92,760	20.0%
Reported Retail EBITDA	44,040	47,730	49,140	51,390	58,200	32.2%	13.3%	1,09,590	82,410	33.0%
- margin on net revenue	7.6%	7.9%	8.0%	8.3%	8.4%			8.4%	7.5%	
EBIT	35,400	37,170	37,260	38,050	44,210	24.9%	16.2%	82,260	65,350	25.9%
- EBIT margin	6.1%	6.2%	6.1%	6.1%	6.4%			6.3%	6.0%	

Source: Company, Emkay Research

Exhibit 14: Reliance Retail – Change in estimates

(Rs mn)	FY24e			FY25e			FY26e		
	Previous	Revised	YoY	Previous	Revised	YoY	Previous	Revised	YoY
Revenue (net)	27,41,901	27,41,901	0.0%	31,34,400	31,34,401	0.0%	35,83,435	35,83,437	0.0%
EBITDA	2,25,201	2,26,677	0.7%	2,63,150	2,64,174	0.4%	3,08,791	3,08,325	0.4%
- margin	8.2%	8.3%	0	8.4%	8.4%	0	8.6%	8.6%	0
Core retail EBITDA	2,05,005	2,06,482	0.7%	2,42,993	2,44,018	0.4%	2,86,124	2,85,660	0.4%
- margin	10.1%	10.1%	0	10.4%	10.4%	0	10.6%	10.6%	0

Source: Company, Emkay Research

Oil & Gas – O2C stable, while Upstream earnings to grow

We have kept O2C EBITDA largely unchanged across FY24-26E. Petchem prices are expected to be range-bound, as new Chinese supplies enter the market. Outlook on O2C is considerably contingent on China's outlook on both, the supply as well as demand fronts. In Upstream, we have cut realization by 11-12% each over FY24-26E, reflecting lower gas prices based on current ceiling. Consequently, Upstream EBITDA has been lower by 11-13% each over FY24-26E.

Exhibit 15: Change in O&G assumptions and estimates

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Average GRM (USD/bbl)	11.6	11.7	1%	11.0	11.0	0%	11.1	11.0	0%
Petchem EBITDA/mt (USD)	166	166	0%	170	170	0%	172	172	0%
KG Gas Volumes (mmscmd)	27.3	28	1%	30.0	30	0%	30.0	30	0%
Gas Price (USD/mmbtu)	13.1	11.5	-12%	13.7	12.2	-11%	13.7	12.2	-11%
O2C EBITDA (Rs bn)	611	617	1%	614	614	0%	622	620	0%
Upstream EBITDA (Rs bn)	218	189	-13%	250	222	-11%	237	210	-11%

Source: Company, Emkay Research

Against the marginal increase in earnings of Jio and Retail offset by a cut in Upstream, we raise 'Other Segment' earnings based on the H1FY24 run-rate; hence, our overall consolidated earnings estimate for RIL remains largely unchanged.

The EPC part of Reliance Property Management was demerged into RIL parent through a scheme, resulting in restating of standalone numbers from Q1FY24, though consolidated numbers have remained unchanged. Shareholders have approved appointment of Isha, Akash and Anant Ambani on the RIL board; all three have assumed office as non-executive directors.

Exhibit 16: Change in RIL's consolidated estimates

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	9,289	9,389	1%	9,431	9,537	1%	9,978	10,175	2%
EBITDA	1,611	1,612	0%	1,777	1,778	0%	1,911	1,919	0%
EBITDA margin	17.3%	17.2%	-17bps	18.8%	18.6%	-20bps	19.2%	18.9%	-29bps
APAT	679	671	-1%	778	767	-1%	855	848	-1%
EPS (Rs)	100.3	99.1	-1%	114.7	113.1	-1%	126.0	125.0	-1%

Source: Company, Emkay Research

Valuation

Exhibit 17: SOTP-based valuation – Sep-24E

Sep-25E - Consol. (Rs bn)	Method	Head	Multiple	EV	EV/sh
Refining	EV/EBITDA	321	7.5	2,405	355
Petrochemicals	EV/EBITDA	296	7.5	2,220	327
Upstream Oil & Gas	EV/EBITDA	216	5.0	1,073	158
Organised Retail (82%)	EV/EBITDA	228	35.0	7,993	1,178
Telecom (Jio) - 67%	EV/EBITDA	455	10.5	4,773	704
Others	EV/Sales	859	1.0	859	127
New Energy	EV/IC	750	1.0	750	111
Total		1,601	12.5	20,073	2,959
Adj. Net Debt (end Sep-24E)				1,555	229
Equity Value				18,518	2,730
Shares O/S (bn)					6.8

Source: Company, Emkay Research

Exhibit 18: PER-based valuation (on Sep-25E EPS)

Consol. (Rs/sh)	FY21	FY22	FY23	FY24E	FY25E	FY26E
RIL's Adjusted EPS	54.3	84.6	99.1	99.1	113.1	125.0
Target Multiple (x)						22.9
SOTP Target Price						2,730

Source: Company, Emkay Research

Reliance Industries: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	69,99,620	87,78,350	93,88,906	95,36,680	1,01,75,000
Revenue growth (%)	49.9	25.4	7.0	1.6	6.7
EBITDA	11,04,600	14,21,620	16,12,411	17,77,903	19,19,273
EBITDA growth (%)	36.8	28.7	13.4	10.3	8.0
Depreciation & Amortization	2,97,970	4,03,030	5,07,582	5,37,510	5,56,105
EBIT	8,06,630	10,18,590	11,04,829	12,40,393	13,63,168
EBIT growth (%)	48.9	26.3	8.5	12.3	9.9
Other operating income	1,49,470	1,17,340	1,61,328	1,64,351	1,70,588
Other income	1,49,470	1,17,340	1,61,328	1,64,351	1,70,588
Financial expense	1,45,840	1,95,710	2,52,726	2,45,543	2,28,929
PBT	8,10,260	9,40,220	10,13,430	11,59,201	13,04,827
Extraordinary items	0	0	0	0	0
Taxes	1,62,970	2,03,760	2,55,384	2,92,119	3,28,816
Minority interest	(2,800)	(240)	0	0	0
Income from JV/Associates	(71,400)	(73,860)	(86,814)	(1,00,010)	(1,28,011)
Reported PAT	6,07,050	6,62,840	6,71,232	7,67,073	8,47,999
PAT growth (%)	23.6	9.2	1.3	14.3	10.6
Adjusted PAT	5,37,474	6,29,665	6,71,232	7,67,073	8,47,999
Diluted EPS (Rs)	95.6	104.3	99.1	113.1	125.0
Diluted EPS growth (%)	17.3	9.2	(5.0)	14.2	10.4
DPS (Rs)	8.0	9.0	9.9	11.3	13.7
Dividend payout (%)	8.4	8.6	10.0	10.0	11.0
EBITDA margin (%)	15.8	16.2	17.2	18.6	18.9
EBIT margin (%)	11.5	11.6	11.8	13.0	13.4
Effective tax rate (%)	28.7	25.2	25.2	25.2	25.2
NOPLAT (pre-IndAS)	5,75,126	7,61,905	8,26,412	9,27,814	10,19,650
Shares outstanding (mn)	6,352.2	6,353.2	6,772.8	6,779.5	6,786.3

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	8,10,260	9,40,220	10,13,430	11,59,201	13,04,827
Others (non-cash items)	32,660	(11,990)	0	0	0
Taxes paid	(37,970)	(62,970)	(1,47,582)	(1,95,097)	(2,41,497)
Change in NWC	7,34,750	8,41,830	(5,999)	36,712	68,915
Operating cash flow	11,06,540	11,50,320	13,71,237	15,42,706	16,79,581
Capital expenditure	(16,28,900)	(25,85,560)	(14,00,053)	(12,08,053)	(10,07,577)
Acquisition of business	(6,99,750)	18,93,530	(15,798)	(15,956)	(16,116)
Interest & dividend income	59,520	1,11,230	1,61,328	1,64,351	1,70,588
Investing cash flow	(11,01,030)	(9,12,350)	(12,66,370)	(10,71,624)	(8,65,189)
Equity raised/(repaid)	3,200	10	68	68	68
Debt raised/(repaid)	1,44,940	4,76,610	40,000	(50,000)	(2,00,000)
Payment of lease liabilities	(21,320)	(14,060)	(14,060)	(14,060)	(14,060)
Interest paid	(1,45,840)	(1,95,710)	(2,52,726)	(2,45,543)	(2,28,929)
Dividend paid (incl tax)	(42,970)	(50,830)	(67,123)	(76,707)	(93,280)
Others	2,13,560	(1,25,530)	(20,210)	(20,210)	(20,210)
Financing cash flow	1,72,890	1,04,550	(2,99,992)	(3,92,392)	(5,42,351)
Net chg in Cash	1,78,400	3,42,520	(1,95,125)	78,690	2,72,041
OCF	11,06,540	11,50,320	13,71,237	15,42,706	16,79,581
Adj. OCF (w/o NWC chg.)	18,41,290	19,92,150	13,65,239	15,79,418	17,48,497
FCFF	(5,22,360)	(14,35,240)	(28,816)	3,34,653	6,72,005
FCFE	(6,08,680)	(15,19,720)	(1,20,214)	2,53,461	6,13,664
OCF/EBITDA (%)	100.2	80.9	85.0	86.8	87.5
FCFE/PAT (%)	(100.3)	(229.3)	(17.9)	33.0	72.4
FCFF/NOPLAT (%)	(90.8)	(188.4)	(3.5)	36.1	65.9

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	67,650	67,660	67,728	67,795	67,863
Reserves & Surplus	77,27,200	70,91,060	76,95,168	83,85,534	91,40,253
Net worth	77,94,850	71,58,720	77,62,896	84,53,329	92,08,116
Minority interests	10,94,990	11,30,090	12,16,904	13,16,914	14,44,925
Deferred tax liability (net)	4,86,010	5,87,750	6,95,552	7,92,574	8,79,893
Total debt	26,63,050	31,39,660	31,79,660	31,29,660	29,29,660
Total liabilities & equity	1,20,38,900	1,20,16,220	1,28,55,012	1,36,92,477	1,44,62,595
Net tangible fixed assets	46,97,770	52,44,600	61,07,696	67,48,570	71,70,076
Net intangible assets	11,43,350	13,90,320	13,90,320	13,90,320	13,90,320
Net ROU assets	3,06,770	4,60,430	4,60,430	4,60,430	4,60,430
Capital WIP	17,25,060	29,37,520	29,66,895	29,96,564	30,26,530
Goodwill	1,30,090	1,52,700	1,52,700	1,52,700	1,52,700
Investments [JV/Associates]	34,73,340	15,79,810	15,95,608	16,11,564	16,27,680
Cash & equivalents	14,42,960	18,71,370	16,88,093	17,78,748	20,62,874
Current assets (ex-cash)	20,66,880	24,22,070	25,90,531	26,31,304	28,07,425
Current Liab. & Prov.	29,47,320	40,42,600	40,97,260	40,77,723	42,35,440
NWC (ex-cash)	(8,80,440)	(16,20,530)	(15,06,729)	(14,46,419)	(14,28,015)
Total assets	1,20,38,900	1,20,16,220	1,28,55,012	1,36,92,477	1,44,62,595
Net debt	12,20,090	12,68,290	14,91,567	13,50,912	8,66,786
Capital employed	1,20,38,900	1,20,16,220	1,28,55,012	1,36,92,477	1,44,62,595
Invested capital	53,97,540	56,27,520	66,04,416	73,05,601	77,45,511
BVPS (Rs)	1,227.1	1,126.8	1,146.2	1,246.9	1,356.9
Net Debt/Equity (x)	0.2	0.2	0.2	0.2	0.1
Net Debt/EBITDA (x)	1.1	0.9	0.9	0.8	0.5
Interest coverage (x)	0.2	0.2	0.2	0.2	0.1
RoCE (%)	8.3	9.4	10.2	10.6	10.9

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	26.8	22.9	22.9	20.0	18.1
P/CE(x)	17.2	13.9	13.0	11.8	11.0
P/B (x)	1.8	2.0	2.0	1.8	1.7
EV/Sales (x)	2.2	1.8	1.8	1.8	1.6
EV/EBITDA (x)	14.1	11.0	10.4	9.4	8.5
EV/EBIT(x)	19.4	15.4	15.2	13.5	11.9
EV/IC (x)	2.9	2.8	2.5	2.3	2.1
FCFF yield (%)	(3.3)	(9.2)	(0.2)	2.0	4.1
FCFE yield (%)	(4.2)	(10.6)	(0.8)	1.7	4.0
Dividend yield (%)	0.4	0.4	0.4	0.5	0.6
DuPont-RoE split					
Net profit margin (%)	7.7	7.2	7.1	8.0	8.3
Total asset turnover (x)	0.6	0.7	0.8	0.7	0.7
Assets/Equity (x)	1.5	1.6	1.7	1.6	1.6
RoE (%)	7.3	8.4	9.0	9.5	9.6
DuPont-RoIC					
NOPLAT margin (%)	8.2	8.7	8.8	9.7	10.0
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	10.9	13.8	13.5	13.3	13.5
Operating metrics					
Core NWC days	(30.1)	(3.0)	(3.0)	(3.0)	(3.0)
Total NWC days	(30.1)	(3.0)	(3.0)	(3.0)	(3.0)
Fixed asset turnover	0.8	0.9	0.9	0.8	0.8
Opex-to-revenue (%)	16.4	16.8	17.0	18.2	18.5

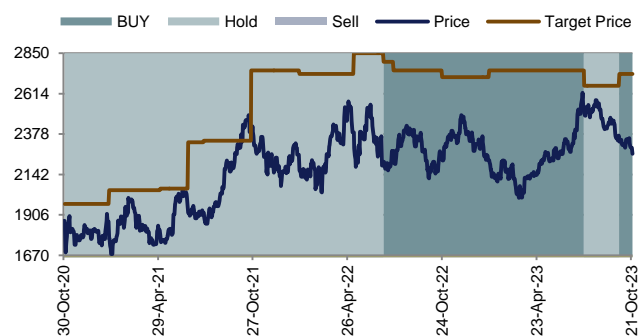
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
28-Sep-23	2,334	2,730	Buy	Sabri Hazarika
29-Aug-23	2,420	2,660	Hold	Sabri Hazarika
23-Jul-23	2,539	2,660	Hold	Sabri Hazarika
24-Apr-23	2,148	2,750	Buy	Sabri Hazarika
22-Jan-23	2,225	2,750	Buy	Sabri Hazarika
24-Oct-22	2,259	2,710	Buy	Sabri Hazarika
23-Jul-22	2,280	2,750	Buy	Sabri Hazarika
15-Jul-22	2,188	2,800	Buy	Sabri Hazarika
04-Jul-22	2,199	2,800	Buy	Sabri Hazarika
08-May-22	2,387	2,850	Hold	Sabri Hazarika
24-Jan-22	2,166	2,730	Hold	Sabri Hazarika
23-Nov-21	2,174	2,750	Hold	Sabri Hazarika
24-Oct-21	2,394	2,750	Hold	Sabri Hazarika
26-Jul-21	1,892	2,340	Hold	Sabri Hazarika
25-Jul-21	1,918	2,340	Hold	Sabri Hazarika
25-Jun-21	1,917	2,330	Hold	Sabri Hazarika
23-Jun-21	2,009	2,060	Hold	Sabri Hazarika
29-May-21	1,908	2,060	Hold	Sabri Hazarika
03-May-21	1,785	2,060	Hold	Sabri Hazarika
23-Apr-21	1,735	2,050	Hold	Sabri Hazarika
23-Mar-21	1,902	2,050	Hold	Sabri Hazarika
25-Jan-21	1,768	2,050	Hold	Sabri Hazarika
01-Nov-20	1,872	1,970	Hold	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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