Reliance Industries

22 April 2024

Stronger O2C offset slowdown in retail; Maintain HOLD

RESULT UPDATE

Sector: Oil & Gas	Rating: HOLD
CMP: Rs 2,961	Target Price: Rs 2,950

Stock Info

Sensex/Nifty	73,649/22,336
Bloomberg	RELIANCE IN
Equity shares (mn)	6,766mn
52-wk High/Low	Rs 3,025/2,158
Face value	Rs 10
M-Cap	Rs 20,031bn/ USD 240bn
3-m Avg volume	USD 210mn

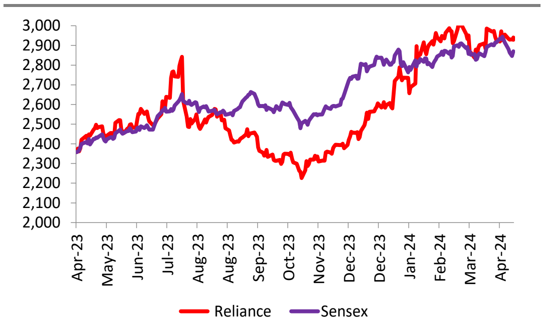
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	9,011	10,202	10,609
EBITDA	1,622	1,825	1,969
PAT	696	807	876
EPS (Rs)	102.9	119.3	129.5
PE (x)	28.8	24.8	22.9
EV/EBITDA (x)	13.1	11.7	10.9
RoE (%)	8.8	9.2	9.1
RoCE (%)	7.6	8.4	8.7
Dividend yield (%)	0.3	0.5	0.5

Shareholding Pattern (%)

	Sep'23	Dec'23	Mar'24
Promoter	50.3	50.3	50.3
-Pledged	-	-	-
FII	22.6	22.6	22.1
DII	16.0	16.1	17.1
Others	11.1	11.0	10.5

Stock Performance (1-year)



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RIL Q4FY24 EBITDA was in line with our forecast while better other income led to a 6.5% beat at PAT level. RIL reported a 5% QoQ (+11% YoY) growth at EBITDA led by a strong 19% rise in O2C EBITDA, partially offset by 7% and 3% sequential drop in Retail and upstream EBITDA. O2C volume rose 4% QoQ to 17.1mmt while EBITDA/mt improved 15% owing to higher GRM. Polymer delta saw a marginal improvement on a QoQ basis while polyester chain margin saw a flattish growth. Number of store addition slowed down to a net 62 stores while total area increased 9% QoQ to 79.1mn sq.ft. However, store rationalisation and seasonality impacted 8% revenue de-growth during Q4FY24. While Jio added 10.5mn subscriber base, ARPU remained flattish at Rs181.7. On a positive side, capex run-rate slowed down to Rs232 bn vs Rs301 bn in Q3FY24 which led to a reduction in net debt to Rs1.16 tr from Rs1.19 tr. Overall, we keep our EBITDA estimates largely unchanged while raise PAT estimates by 5.6%/12.6% for FY25E/FY26E owing to upward revision in other income on lower capex and lower interest cost. We forecast EBITDA/PAT CAGR of 10.2%/12.2% during FY24-26E. Overall, we raise our SOTP-based TP to Rs2,950 from earlier Rs2,745 on increased multiple to its Jio business as we expect tariff hike post election would boost sentiments. We maintain HOLD on the stock.

Expect tariff hike ~15% post election; Retail business to keep struggling: Last tariff hike of ~20% was happened in Dec'21 and since then tariff is largely unchanged. We are forecasting a tariff hike of 15% post election which would boost sentiments and earnings for Jio. With every 10% increase in tariff, RIL's consolidated EBITDA see an improvement of 5.6%. Retail business is facing challenges to grow at a higher pace at higher base and economical slowdown hurting the growth. We forecast a 12% CAGR during FY24-FY26E vs 24% in the previous two years.

Capex reduced further; Expecting higher capex in coming quarters: Reliance consolidated net debt declined QoQ at Rs1,163 bn (vs 1,194 bn in Q3FY24) as capex declined to Rs232 bn from Rs301 bn in Q3, However, the company had earlier announced to invest Rs800 bn for petchem expansion by FY26 while new energy business would further increase the capital expenditure in the coming quarters.

Maintain HOLD with a new TP of Rs2,950: We forecast EBITDA/PAT CAGR of 10.2%/12.2% during FY24-26E. Further, we expect listing of Retail and Jio business to complete in FY25 which would furhter reduce the net debt of the company. We raise our SOTP-based TP to Rs2,950 from earlier Rs2,745 on increased multiple to its Jio business as we expect tariff hike post election would boost sentiments. We maintain HOLD on the stock.

Investors are advised to refer disclosures made at the end of the research report.

Exhibit 1: Actual vs Estimates

Particulars	Actual	Estimates	%Variance
Net sales (Rs bn)	2,365	2,291	3.2
EBITDA (Rs bn)	425	430	(1.1)
EBITDA margin (%)	18.0	18.8	(79)
Adj net income (Rs bn)	190	178	6.5
FDEPS (Rs)	28.0	26.3	6.5

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Highlights

(Rs bn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY	QoQ
Revenue	**2,129**	**2,076**	**2,319**	**2,251**	**2,365**	**11%**	**5%**
Expenditure	1,745	1,695	1,909	1,844	1,940	11%	5%
EBITDA	**384**	**381**	**410**	**407**	**425**	**11%**	**5%**
EBITDA Margin	18.1%	18.4%	17.7%	18.1%	18.0%	-8	-9
Depreciation	115	118	126	129	136	18%	5%
Interest	58	58	57	58	58	-1%	0%
Other Income	29	38	38	39	45	55%	17%
Exceptionals	0	0	0	0	0	-	-
PBT	**241**	**243**	**265**	**258**	**277**	**15%**	**7%**
Tax	28	61	67	63	66	136%	4%
Tax Rate	11.6%	25.2%	25.2%	24.6%	23.7%	1,215	-84
Minority Int/Associates	-20	-22	-24	-22	-22	-	-
Reported PAT	**193**	**160**	**174**	**173**	**190**	**-2%**	**10%**
Adjusted PAT	**193**	**160**	**174**	**173**	**190**	**-2%**	**10%**
Adj.EPS (Rs)	**28.5**	**23.7**	**25.7**	**25.5**	**28.0**	**-2%**	**10%**
Segmental EBITDA	**404**	**404**	**431**	**424**	**451**	**12%**	**6%**
O2C	163	153	163	141	168	3%	19%
Upstream Oil & Gas	38	40	48	58	56	47%	-3%
Organised Retail	49	52	58	63	58	18%	-7%
Digital Services/Jio	134	137	141	143	146	9%	3%
Others	20	23	22	20	22	12%	12%
Gross Debt	3,147	3,187	2,957	3,117	3,246	3%	4%
Cash & Equivalents	2,045	1,921	1,780	1,924	2,083	2%	8%
Net Debt	**1,102**	**1,266**	**1,177**	**1,194**	**1,163**	**6%**	**-3%**
Capex (Rs bn) (Excl. capex for spectrum)	**444**	**396**	**388**	**301**	**232**	**-48%**	**-23%**

Source: Company, Systematix Institutional Research

Exhibit 3: Segmental Analysis

(Consolidated)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY	QoQ
O2C							
Production meant for sale (mmt)	17.1	17.2	17.1	16.4	17.1	0%	4%
EBITDA/mt (US$)	115.9	108.0	115.1	103.1	118.1	2%	15%
Organised Retail							
No of stores	18,040	18,446	18,650	18,774	18,836	4%	0%
Total area (mn sq ft.)	65.6	70.6	71.5	72.9	79.1	21%	9%
Revenue/sq ft (Rs)	9,384	8,804	9,642	10,202	8,547	-9%	-16%
Core EBITDA margin (%)	7.7%	7.9%	8.1%	8.1%	9.0%	16%	10%
Core EBITDA/store (Rs mn)	2.7	2.7	3.0	3.2	3.2	19%	0%
Digital Services							
Subscriber base (mn)	439	449	460	471	482	10%	2%
ARPU (Rs)	178.8	180.5	181.7	181.7	181.7	2%	0%
Per capital data consumption (GB/month)	30.3	33.2	36.3	38.1	40.9	35%	7%
Per capital voice consumption (min/month)	14.6	14.7	14.5	14.9	15.8	9%	6%
Oil & Gas							
Gross gas production vol-mmscmd	20.2	20.9	29.0	30.0	30.0	49%	0%
KG D6 realisation (US$/mmbtu)	11.4	10.8	10.5	9.7	9.5	-16%	-1%

Source: Company, Systematix Institutional Research

Exhibit 4: Change in estimates

Key Parameters (Rs bn)	FY25E			FY26E		
	Old	New	%Chg	Old	New	%Chg
Revenue	10,130	10,202	0.7	10,294	10,609	3.1
EBITDA	1,827	1,825	(0.1)	1,930	1,969	2.0
Net Profit	764	807	5.6	778	876	12.6
EPS (Rs)	113.0	119.3	5.6	115.0	129.5	12.6

Source: Company, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	**7,000**	**8,795**	**9,011**	**10,202**	**10,609**
Raw Material	3,393	4,200	3,955	4,590	4,655
Purchases	1,356	1,693	1,899	1,918	1,937
Opex	1,146	1,473	1,535	1,869	2,049
EBITDA	**1,105**	**1,429**	**1,622**	**1,825**	**1,969**
Depreciation	298	403	508	524	557
EBIT	**807**	**1,026**	**1,114**	**1,301**	**1,412**
Interest Cost	146	196	231	221	221
Other Income	149	118	161	182	186
PBT Before Exceptionals	**810**	**948**	**1,043**	**1,262**	**1,377**
Exceptional Items	28	0	0	0	0
PBT	**839**	**948**	**1,043**	**1,262**	**1,377**
Tax	163	207	257	318	347
Minority Interest	-69	-74	-90	-137	-155
Reported PAT	**607**	**667**	**696**	**807**	**876**
Adjusted PAT	**579**	**667**	**696**	**807**	**876**
Reported EPS (Rs)	89.7	98.6	102.9	119.3	129.5
Adjusted EPS (Rs)	**85.5**	**98.6**	**102.9**	**119.3**	**129.5**

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	841	948	1,047	1,262	1,377
Depreciation	298	403	508	524	557
Others	-2	58	88	39	35
Income Tax	-38	-63	-120	-194	-221
Change in Working Capital	7	-196	64	44	-10
Operating Cash Flow	**1,107**	**1,150**	**1,588**	**1,676**	**1,739**
Capital Expenditure	-970	-1,318	-1,376	-1,476	-1,436
Change in Investments	3	294	170	-4	-4
Interest & Dividend Income	60	111	107	182	186
Other investing activities	-193	0	-44	0	0
Investing Cash Flow	**-1,101**	**-912**	**-1,143**	**-1,299**	**-1,255**
FCF	0	0	0	0	0
Change in Equity	402	5	198	0	0
Change in Debt	99	381	93	-20	-20
Interest & Divid. Paid & others	-328	-281	-457	-471	-499
Financing Cash Flow	**173**	**105**	**-166**	**-492**	**-519**
Change in Cash	178	343	278	-115	-36
Opening Cash Balance	183	344	694	972	858
Closing Cash Balance	**362**	**687**	**972**	**858**	**822**

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
O2C – Produ. meant for sale	68.2	66.4	67.8	68.4	68.4
O2C - EBITDA	527.2	620.8	623.9	605.5	617.6
O2C - EBITDA/mt	0.1	0.1	0.1	0.1	0.1
Retail - Revenue/sq ft	40,506	42,063	35,203	34,523	36,249
Retail - EBITDA	124	176	222	244	277
Retail - EBITDA margin	7.1%	7.6%	8.1%	8.1%	8.0%
Jio - Subscriber base	410	439	479	499	519
Jio - ARPU	153.0	175.2	177.4	205.5	218.1
Jio - EBITDA	378	467	524	729	845
Oil & Gas - KG basin volume	16.3	19.8	27.5	30.0	30.0
Oil & Gas- EBITDA	55	136	202	222	194

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	68	68	68	68	68
Reserves & Surplus	7,727	7,091	7,867	8,698	9,605
Minority Interest	1,095	1,130	1,323	1,186	1,031
Networth	**8,890**	**8,289**	**9,258**	**9,952**	**10,704**
Total Debt	2,663	3,140	3,246	3,246	3,246
Other Long Term Liabilities	256	249	276	281	287
Long Term Provisions	19	16	20	21	23
Deferred Tax Liabilities	858	1,716	1,796	1,899	2,005
Capital Employed	**12,686**	**13,409**	**14,596**	**15,400**	**16,264**
Gross Block	**8,706**	**10,057**	**11,120**	**12,396**	**15,132**
Accumulated Depreciation	2,558	2,961	3,470	3,994	4,551
Net Block	6,148	7,095	7,650	8,402	10,581
CWIP	1,725	2,938	3,389	3,589	2,289
Total Fixed Assets	7,873	10,033	11,039	11,990	12,870
Long Term Invest. & Others	3,643	1,773	1,811	1,820	1,826
Current Assets	**3,470**	**4,253**	**4,701**	**4,939**	**5,024**
Short Term Investments	1,081	1,185	1,062	1,062	1,062
Inventories	1,078	1,400	1,528	1,730	1,799
Sundry Debtors	236	284	316	358	372
Cash & Bank Balance	362	687	972	858	822
Short Term Loans & Advances	240	199	265	300	312
Others	473	498	558	632	657
Current Liabil. & Provisions	**2,301**	**2,650**	**2,955**	**3,350**	**3,455**
Creditors	1,593	1,472	1,784	2,022	2,086
Other Current Liabilities	688	1,156	1,149	1,303	1,344
Short Term Provisions	19	22	22	25	25
Net Current Assets	1,170	1,603	1,746	1,589	1,569
Total Assets	**12,686**	**13,409**	**14,596**	**15,400**	**16,264**

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Growth					
Revenue growth	49.9%	25.6%	2.5%	13.2%	4.0%
EBITDA growth	36.8%	29.4%	13.5%	12.5%	7.9%
Adjusted PAT growth	8.5%	15.3%	4.4%	15.9%	8.5%
Margins					
EBITDA margin	15.8%	16.2%	18.0%	17.9%	18.6%
PBT margin	11.6%	10.8%	11.6%	12.4%	13.0%
Effective Tax rate	19.4%	21.8%	24.6%	25.2%	25.2%
Adjusted PAT margin	8.3%	7.6%	7.7%	7.9%	8.3%
Operating Cycle					
Inventory days	56	58	62	62	62
Debtor days	12	12	13	13	13
Creditor days	99	73	88	88	88
Working Capital Cycle	-30	-3	-13	-13	-13
Return Ratios					
ROE	7.8%	9.3%	8.8%	9.2%	9.1%
ROCE	6.4%	7.7%	7.6%	8.4%	8.7%
Capex/revenue	21.7%	29.1%	16.8%	14.5%	13.5%
Net debt / Equity	0.2	0.2	0.2	0.2	0.1
Yield Analysis					
CFO Yield	5.7%	6.1%	8.5%	9.3%	9.8%
FCF Yield	-3.1%	-8.0%	-0.6%	0.2%	0.7%
Dividend Yield	0.3%	0.4%	0.3%	0.5%	0.5%
Valuation					
P/E (x)	34.6	30.0	28.8	24.8	22.9
P/B (x)	2.6	2.8	2.5	2.3	2.1
EV/Sales (x)	3.0	2.4	2.4	2.1	2.0
EV/EBITDA (x)	19.2	14.9	13.1	11.7	10.9

Source: Company, Systematix Institutional Research

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DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Sudeep Anand, Prathmesh Kamath, Jennisa Popat;** hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

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