

# Reliance Industries Ltd.

**BUY**

Sector: Oil, Gas &amp; Consumable Fuels

14<sup>th</sup> November 2024

Key Changes	Target	Rating	Earnings	Target	Rs.1,516		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs.1,252</b>
Large Cap	RIL:IN	80,221	RELIANCE	500325	12 Months	<b>Return</b>	<b>+21.0%</b>

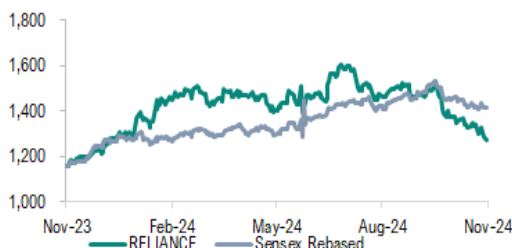
Data as of: 13-11-2024

Company Data	
Market Cap (Cr)	16,94,321
52 Week High — Low (Rs.)	1,609-1,163
Enterprise Value (Rs. cr)	24,00,961
Outstanding Shares (Rs cr)	1,353.2
Free Float (%)	50.0%
Dividend Yield (%)	0.4%
6m average volume (cr)	0.72
Beta	1.2
Face value (Rs)	10.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	50.3	50.3	50.3
FII's	22.1	22.1	21.8
MFs/Insti	16.7	17.1	17.4
Public	9.4	9.1	9.1
Others	1.5	1.4	1.4
Total	100.0	100.0	100.0
Promoters' pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-12.8%	-9.6%	9.2%
Absolute Sensex	-1.2%	8.3%	20.6%
Relative Return	-11.6%	-17.8%	-11.3%

\*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	914,472	985,693	1,034,228
Growth (%)	2.6%	7.8%	4.9%
EBITDA	178,677	177,974	200,994
EBITDA Margin (%)	19.5%	18.1%	19.4%
PAT Adjusted	69,621	71,818	87,368
Growth (%)	4.4%	3.2%	21.7%
Adjusted EPS	102.9	53.1	64.7
Growth (%)	4.4%	n.m.	21.7%
P/E	28.9	23.6	19.4
P/B	2.5	2.0	1.8
EV/EBITDA	13.4	11.7	10.2
ROE (%)	8.8%	8.4%	9.3%
D/E	0.4	0.3	0.3

## Mixed quarterly results...

Reliance Industries Ltd (RIL) manufactures petrochemicals, synthetic fibres, fibre intermediates, textiles, blended yarn and polyester staple fibre. Its petroleum refinery -cum-petrochemicals complex in Jamnagar, India, produces gasoline, superior kerosene oil and liquefied petroleum gas, among other products.

- In Q2FY25, RIL saw muted revenue growth (+0.2% YoY), driven by mixed performances of its operating segments.
- EBITDA margin contracted 30bps YoY to 18.8%, primarily owing to lower margin for the oil-to-chemicals (O2C) segment led by decline in product margins. As a result, Adj. PAT declined 9.4% YoY to Rs. 16,563cr.
- In the O2C segment, revenue grew 5.1% YoY to Rs. 155,580cr mainly due to higher volume and improved domestic product placements. However, unfavourable demand-supply dynamics led to a 50% decline in transportation fuel cracks and weakened downstream chemical deltas, resulting in a 300bps YoY decline in EBITDA margin for the segment to 8.0%
- Digital segment reported a 16.5% YoY growth in revenue to Rs. 38,055cr, driven by recent tariff hikes and the acceleration of home and digital services businesses.
- Retail revenue decline a marginal 1.1% YoY due to soft demand for fashion and lifestyle. While continuous streamlining of operations widened EBITDA margin slightly.

## Valuation

RIL's Q2FY25 performance was impacted by mixed results across its operating segments. However, we expect the upcoming festive season to boost demand for its retail business, driving growth in this segment. On the digital front, recent tariff hikes and ongoing technology advancements should strengthen Jio's customer base, supporting its growth momentum. Macro environment disruptions require close monitoring for fuel cracks and downstream deltas for steady performance of the O2C segment. Despite these mixed results, we have positive outlook and **retain BUY rating based on SOTP valuation with a revised target price of Rs. 1,516.**

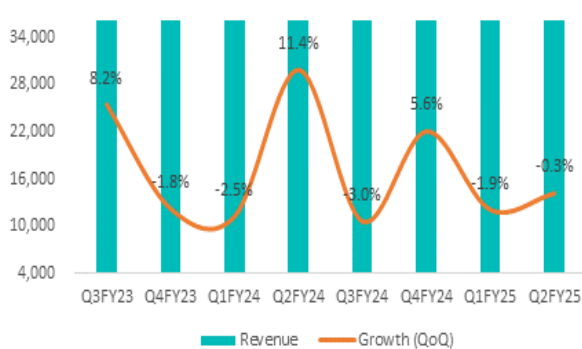
## Quarterly Financials Consol.

Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	235,481	234,956	0.2%	236,217	-0.3%	471,698	445,787	5.8%
EBITDA	44,156	44,867	-1.6%	42,745	3.3%	86,901	86,849	0.1%
Margin (%)	18.8%	19.1%	-30bps	18.1%	70bps	18.4%	19.5%	-110bps
EBIT	31,276	32,282	-3.1%	29,149	7.3%	60,425	62,489	-3.3%
PBT	25,259	26,551	-4.9%	23,231	8.7%	48,490	50,921	-4.8%
Rep. PAT	19,323	19,878	-2.8%	17,445	10.8%	36,768	38,136	-3.6%
Adj PAT	16,563	17,394	-4.8%	15,138	9.4%	31,701	33,405	-5.1%
EPS (Rs)	24.5	25.7	-4.8%	22.4	9.4%	46.9	49.4	-5.1%

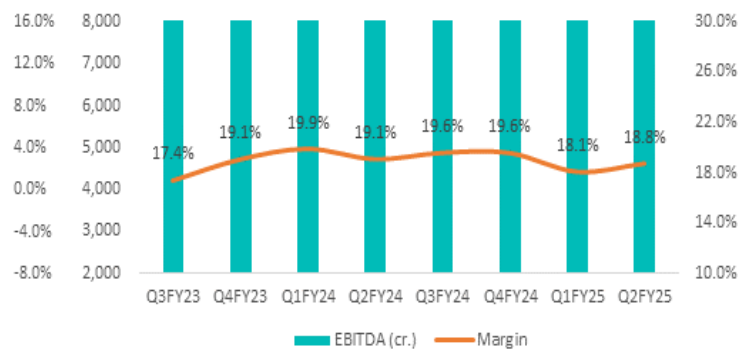
## Key highlights

- Capex for Q2FY25 was Rs. 34,022cr, which was met by cash profits. Majority of the capex was allocated towards the O2C and energy segments, while capex for Jio decreased.
- ARPU increased to Rs. 195.1/subscriber per month in Q2FY25 vs Rs. 181.7/subscriber per month in Q1FY25, driven by tariff hikes and better subscriber mix. Although the recent tariff hikes led to some SIM consolidation and a higher churn rate, the management expects the full impact of the hikes to reflect in the earnings over the next 2-3 quarters.
- Fuel cracks for gasoline, gasoil and jet/kerol declined sharply by around 50% from the elevated levels seen in Q2FY24, because of softer demand and disruptions in supply from Russia and other countries.
- Due to seasonal factors, polymer and polyester demand in India declined 5% and 7%, respectively in Q2FY25.
- Total throughput increased to 20.2 MMT vs 19.8 MMT in Q1FY25.
- Reliance Retail expanded its retail footprint in Q2FY25, opening 464 new stores and bringing the total count to 18,946. The total store operated area is at 79.4 million square feet.

## Revenue



## EBITDA



## SOTP

Particulars	Basis	Multiple	Year	Value (Rs Cr)	Value/share (Rs)
Digital Services	EV/EBIT	26x	FY26E	11,74,818	868
Organized Retail	EV/EBIT	23x	FY26E	4,96,782	367
Oil and Gas	EV/EBITDA	7x	FY26E	1,85,028	137
Others	EV/EBIT	6x	FY26E	9,767	7
Oil to Chemicals	EV/EBIT	10x	FY26E	539,177	398
<b>Enterprise Value</b>				<b>24,05,572</b>	<b>1,778</b>
Net Debt				(207,132)	(153)
Minority Interest				(147,193)	(109)
<b>Equity Value</b>				<b>20,51,248</b>	<b>1,516</b>
Share price					1,344

## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,009,755	1,077,350	985,693	1,034,228	-2.4%	-4.0%
EBITDA	193,159	208,502	177,974	200,994	-7.9%	-3.6%
Margins (%)	19.1	19.4	18.1	19.4	-100bps	0bps
Adj. PAT	80,405	93,962	71,818	87,368	-10.7%	-7.0%
EPS	59.4	69.5	53.1	64.7	-10.7%	-7.0%



## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>721,634</b>	<b>891,311</b>	<b>914,472</b>	<b>985,693</b>	<b>1,034,228</b>
% change	48.4%	23.5%	2.6%	7.8%	4.9%
<b>EBITDA</b>	<b>125,687</b>	<b>153,920</b>	<b>178,677</b>	<b>177,974</b>	<b>200,994</b>
% change	28.8%	22.5%	16.1%	-0.4%	12.9%
<b>Depreciation</b>	<b>29,797</b>	<b>40,319</b>	<b>50,832</b>	<b>50,978</b>	<b>51,173</b>
<b>EBIT</b>	<b>95,890</b>	<b>113,617</b>	<b>127,845</b>	<b>126,996</b>	<b>149,821</b>
<b>Interest</b>	<b>14,584</b>	<b>19,571</b>	<b>23,118</b>	<b>22,913</b>	<b>21,810</b>
Other Income	2,836	-	-	-	0
<b>PBT</b>	<b>84,142</b>	<b>94,046</b>	<b>104,727</b>	<b>104,084</b>	<b>128,011</b>
% change	51.7%	11.8%	11.4%	-0.6%	23.0%
<b>Tax</b>	<b>16,297</b>	<b>20,376</b>	<b>25,707</b>	<b>26,021</b>	<b>32,003</b>
Tax Rate (%)	19.4%	21.7%	24.5%	25.0%	25.0%
<b>Reported PAT</b>	<b>67,845</b>	<b>74,088</b>	<b>79,020</b>	<b>78,063</b>	<b>96,008</b>
<b>PAT att. to common shareholders</b>	<b>60,705</b>	<b>66,702</b>	<b>69,621</b>	<b>71,818</b>	<b>87,368</b>
Adj.*	-2,836	-	-	-	-
<b>Adj. PAT</b>	<b>57,869</b>	<b>66,702</b>	<b>69,621</b>	<b>71,818</b>	<b>87,368</b>
% change	33.1%	15.3%	4.4%	3.2%	21.7%
<b>No. of shares (cr)</b>	<b>668.2</b>	<b>676.6</b>	<b>676.6</b>	<b>*1,353.2</b>	<b>1,353.2</b>
Adj EPS (Rs)	<b>86.6</b>	<b>98.6</b>	<b>102.9</b>	<b>53.1</b>	<b>64.7</b>
% change	30.1%	13.8%	4.4%	n.m	21.7%
DPS (Rs)	8.0	9.0	10.0	4.8	5.8

\* Reliance announced 1:1 bonus share on Oct 28, 2024

### CASH FLOW

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>97,642</b>	<b>114,407</b>	<b>129,852</b>	<b>129,041</b>	<b>147,181</b>
Non-cash adj.	12,287	20,259	22,570	44,636	57,998
<b>Other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Changes in W.C	725	-19,634	6,366	2,993	2,649
<b>C.F. Operation</b>	<b>110,654</b>	<b>115,032</b>	<b>158,788</b>	<b>176,670</b>	<b>207,828</b>
Capital exp.	-97,008	-131,802	-137,576	-140,461	-147,377
<b>Change in inv.</b>	<b>-19,047</b>	<b>29,444</b>	<b>12,552</b>	<b>-4,865</b>	<b>-5,352</b>
Other invest.CF	5,952	11,123	10,723	10,285	9,774
<b>C.F - Investment</b>	<b>-110,103</b>	<b>-91,235</b>	<b>-114,301</b>	<b>-135,042</b>	<b>-142,955</b>
Issue of equity	40,217	519	20,922	-	-
<b>Issue/repay debt</b>	<b>7,727</b>	<b>36,669</b>	<b>6,779</b>	<b>-24,579</b>	<b>-22,121</b>
Dividends paid	-4,297	-5,083	-6,089	-6,464	-7,863
<b>Other finance.CF</b>	<b>-26,349</b>	<b>-21,650</b>	<b>-38,258</b>	<b>-22,913</b>	<b>-21,810</b>
C.F - Finance	<b>17,298</b>	<b>10,455</b>	<b>-16,646</b>	<b>-53,956</b>	<b>-51,795</b>
<b>Chg. in cash</b>	<b>17,849</b>	<b>34,252</b>	<b>27,841</b>	<b>-12,328</b>	<b>13,079</b>
Closing cash	36,178	68,664	97,225	84,897	97,976

### Balance Sheet

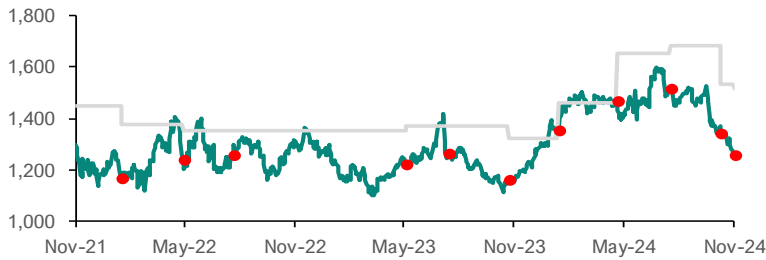
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash</b>	<b>36,178</b>	<b>68,664</b>	<b>97,225</b>	<b>84,897</b>	<b>97,976</b>
Accounts Receivable	23,640	28,448	31,628	31,542	31,544
<b>Inventories</b>	<b>107,778</b>	<b>140,008</b>	<b>152,770</b>	<b>149,104</b>	<b>155,822</b>
Other Cur. Assets	179,423	188,176	188,477	190,097	191,733
<b>Investments</b>	<b>286,146</b>	<b>117,087</b>	<b>152,382</b>	<b>157,247</b>	<b>162,599</b>
Gross Fixed Assets	878,725	1,010,527	1,148,103	1,288,564	1,435,942
<b>Net Fixed Assets</b>	<b>500,454</b>	<b>570,503</b>	<b>606,084</b>	<b>697,957</b>	<b>796,504</b>
CWIP	68,052	117,259	119,502	117,112	114,770
<b>Intangible Assets</b>	<b>231,798</b>	<b>330,795</b>	<b>360,374</b>	<b>362,937</b>	<b>365,526</b>
Def. Tax (Net)	1,043	1,549	938	1,032	1,135
<b>Other Assets</b>	<b>65,153</b>	<b>44,942</b>	<b>46,606</b>	<b>47,037</b>	<b>47,472</b>
Total Assets	1,499,665	1,607,431	1,755,986	1,838,963	1,965,081
<b>Current Liabilities</b>	<b>227,394</b>	<b>260,757</b>	<b>291,352</b>	<b>323,855</b>	<b>376,458</b>
Provisions	1,853	1,607	2,044	2,248	2,473
<b>Debt Funds</b>	<b>293,998</b>	<b>342,096</b>	<b>351,809</b>	<b>327,230</b>	<b>305,108</b>
Other Liabilities	87,436	174,090	184,993	188,166	195,356
<b>Equity Capital</b>	<b>6,765</b>	<b>6,766</b>	<b>6,766</b>	<b>6,766</b>	<b>6,766</b>
Reserves & Surplus	772,720	709,106	786,715	852,146	931,727
<b>Shareholder's Fund</b>	<b>779,485</b>	<b>715,872</b>	<b>793,481</b>	<b>858,912</b>	<b>938,493</b>
Minority Interest	109,499	113,009	132,307	138,552	147,193
<b>Total Liabilities</b>	<b>1,499,665</b>	<b>1,607,431</b>	<b>1,755,986</b>	<b>1,838,963</b>	<b>1,965,081</b>
BVPS	1,167	1,058	1,173	1,269	1,387

### Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	17.4	17.3	19.5	18.1	19.4
<b>EBIT margin (%)</b>	<b>13.3</b>	<b>12.7</b>	<b>14.0</b>	<b>12.9</b>	<b>14.5</b>
Net profit mgn.(%)	8.4	7.5	7.6	7.3	8.4
<b>ROE (%)</b>	<b>7.8</b>	<b>9.3</b>	<b>8.8</b>	<b>8.4</b>	<b>9.3</b>
ROCE (%)	8.1	9.7	10.0	9.6	10.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	12.0	11.6	12.6	11.7	11.1
<b>Inventory (days)</b>	<b>79.2</b>	<b>84.9</b>	<b>93.1</b>	<b>91.6</b>	<b>91.3</b>
Payables (days)	117.1	89.2	108.7	109.1	109.5
<b>Current ratio (x)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>
Quick ratio (x)	0.5	0.5	0.6	0.5	0.5
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	0.9	0.9	0.8	0.8	0.8
<b>Total asset T.O (x)</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
Int. covge. ratio (x)	6.6	5.8	5.5	5.5	6.9
<b>Adj. debt/equity (x)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>
Valuation					
<b>EV/Sales (x)</b>	<b>2.7</b>	<b>2.2</b>	<b>2.6</b>	<b>2.1</b>	<b>2.0</b>
EV/EBITDA (x)	15.5	12.8	13.4	11.7	10.2
<b>P/E (x)</b>	<b>27.3</b>	<b>23.6</b>	<b>28.9</b>	<b>23.6</b>	<b>19.4</b>
P/BV (x)	2.0	2.2	2.5	2.0	1.8



## Recommendation summary (Last 3 Years)



Dates	Rating	Target
25.Jan.24	HOLD	1,461
2.May.24	BUY	1,654
30.Jul.24	BUY	1,687
23.Oct.24	BUY	1,536
14.Nov.24	BUY	1,516

Source: Bloomberg, Geojit Research.

### Investment Criteria

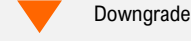
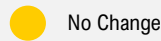
Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

#### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

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