

Reliance Industries

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

CMP: INR2,472

TP: INR2,855 (+15%)

Buy

Steady in-line performance, capex intensity accelerates

- Reliance Industries (RIL)'s 2QFY23 consolidated revenue rose 37% YoY/5% QoQ (23% beat) mainly fueled by higher crude oil prices, while EBITDA grew 20% YoY (in line) as margin contracted 190bp YoY to 13.6%. PAT remained flat YoY (in line), dragged by lower operating profit, higher depreciation and finance cost.
- RJio's standalone revenue rose 3% QoQ (20% YoY; in line) supported by moderate subscriber/ARPU growth of 2%/1% sequentially. EBITDA/PAT improved 5%/4% QoQ (28% YoY; in line), respectively, with 90bp margin expansion to 51% driven by lower spectrum usage charge towards 5G.
- Reliance Retail posted healthy revenue/EBITDA growth of 45%/51% YoY, respectively, (14% beat on EBITDA) in 2QFY23, led by the waning impact of the pandemic, improving customer sentiment and early onset of festivities.
- O2C EBITDA came in 5% below estimate at INR120b (-3% YoY) in 2QFY23. EBITDA/mt stood at ~USD93 (-7% YoY, -45% QoQ). Production meant for sale stood at 16.2 mmt in 2QFY23.
- Net debt, as per the company, stood at INR933b as of Sep'22 v/s 577b in Jun'22 with gross debt of INR2,949b. The increase in net debt is due to higher working capital requirement for O2C, translation charges and 5G spectrum
- Using SOTP, we value the Refining and Petrochemical segment at FY24E EV/EBITDA of 7.5x, to arrive at a valuation of INR724/sh for standalone business. We ascribe an equity valuation of INR960/sh to RJio and INR1,252/sh to Reliance Retail, factoring in the recent stake sale. Our higher EV/EBITDA multiples of 35x for Retail and 18x for Digital Services based on Sep'24E underscore the new growth opportunities in the Digital space and steady market share gains. **We retain our BUY rating with a TP of INR2,855.**

RJio – growth moderates; focus now on 5G deployment

- RJio's revenue/EBITDA grew 3%/5% QoQ (in line) in 2QFY23, fueled by subscriber/ARPU improvement of 2%/1%, respectively. RJio sustained the growth momentum adding 7.7m subscribers post-recovering from subscriber loss over 2QFY22-4QFY22; however, growth has moderated from the peak of ~15m subscriber adds until 1QFY22, given the high base. Incremental EBITDA margins for 2QFY23 of 81%, aided by reducing SUC attributed to the recently acquired 5G spectrum.
- RJio spent aggressively in the 5G auction incurring INR881b, much above our estimate of INR350b. It acquired all 5G spectrum bands: 700Mhz/3300MHz/26GHz. This has led to RJio's net debt mounting to INR1.7t (including deferred spectrum liabilities, as per our working). The 5G deployment should intensify capex over the next couple of years.
- We expect revenue/EBITDA CAGR of 16%/21% over FY22E-24 backed by 10%/8% CAGR in ARPU/subs, respectively. Going forward, the market share gains from VIL, tariff hikes, wireline – Jiofibre subscriber additions and other digital avenues triggered by 5G rollout should drive growth.

| | |
|-----------------------|-----------------|
| Bloomberg | RIL IN |
| Equity Shares (m) | 6,339 |
| M.Cap.(INRb)/(USDb) | 16722.2 / 202.2 |
| 52-Week Range (INR) | 2855 / 2181 |
| 1, 6, 12 Rel. Per (%) | 2-1/-14/-3 |
| 12M Avg Val (INR M) | 17897 |

Financials & Valuations (INR b)

| Y/E Mar | FY22 | FY23E | FY24E |
|--------------|-------|-------|-------|
| Sales | 7,000 | 8,720 | 9,057 |
| EBITDA | 1,105 | 1,375 | 1,488 |
| Adj PAT | 584 | 687 | 751 |
| EBITDA (%) | 16.0 | 16.0 | 16.0 |
| EPS (INR) | 86.4 | 101.6 | 111.0 |
| EPS Gr. (%) | 27.0 | 18.0 | 9.0 |
| BV/Sh. (INR) | 1,209 | 1,308 | 1,417 |

Ratios

| | | | |
|----------|-----|-----|-----|
| Net D/E | 0.3 | 0.4 | 0.3 |
| RoE (%) | 7.9 | 8.5 | 8.6 |
| RoCE (%) | 7.8 | 7.9 | 8.1 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 28.6 | 24.3 | 22.3 |
| P/BV (x) | 2.0 | 1.9 | 1.7 |
| EV/EBITDA (x) | 17.4 | 14.4 | 13.1 |
| Div Yield (%) | 0.3 | 0.3 | 0.3 |
| FCF Yield (%) | -0.7 | 0.0 | 0.0 |

Shareholding pattern (%)

| As On | Jun-22 | Mar-22 | Jun-21 |
|----------|--------|--------|--------|
| Promoter | 49.1 | 49.1 | 49.1 |
| DII | 14.4 | 14.0 | 12.9 |
| FII | 26.2 | 26.6 | 27.3 |
| Others | 10.3 | 10.4 | 10.7 |

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Reliance Retail – Healthy footfalls drive better-than-expected EBITDA

- Reliance Retail's 2QFY23 performance was healthy with revenue/EBITDA growth of 45%/51% YoY, respectively, (14% beat on EBITDA) and a healthy 30bp YoY margin improvement, much above estimates. PAT increased 36% YoY to INR23b. Cash profit at INR33.2b was up 45% YoY. Core revenue (excluding Connectivity) grew 59% YoY, as per our working, during the quarter.
- Footfalls at 180m, jumped 23% v/s pre-Covid levels driven by the waning impact of the pandemic, improving customer sentiment and early onset of festivities.
- It opened 795 stores, taking the total store count to 16,617. It further launched "JioMart" on WhatsApp that saw a resounding 37% orders from new customers.
- Reliance Retail's revenue/EBITDA are likely to clock 30%/42% CAGR over FY22-24E, respectively, powered by accelerated store adds across segments, aggressive foray into digital & new commerce and healthy store economics.

O2C EBITDA: 5% below estimate

- O2C revenue stood at INR1,376b (+31% est., +42% YoY) in 2QFY23 – primarily aided by higher crude oil prices.
- EBITDA was at INR120b (-3% YoY). **This includes windfall tax hit of INR40b imposed on export of transportation fuels.**
- EBITDA/mt was at USD93 (-7% YoY, -45% QoQ), with production meant for sale at 16.2mmt (-4% YoY) during the quarter.
- PAT stood at INR69b (17% below our estimate, -25% YoY).
- Gas price realization for KG-D6 surged 172% YoY to USD9.9/mmBtu in 2QFY23 from USD3.6/mmBtu in 2QFY22.
- Oil & Gas exploration EBITDA jumped ~3x YoY to INR32b fueled primarily by improved gas price realization for KG-D6 and CBM.

Key macro performance highlights:

- Global refinery throughput was higher by 1.8mb/d YoY at 80.4mb/d in 2QFY23.
- Volatile upstream markets and geopolitical tensions pushed up energy prices, which impacted intermediates market adversely.
- **For 1HFY23**, O2C, EBITDA was at INR340b (+43% YoY), and PAT stood at INR220b (+23% YoY).

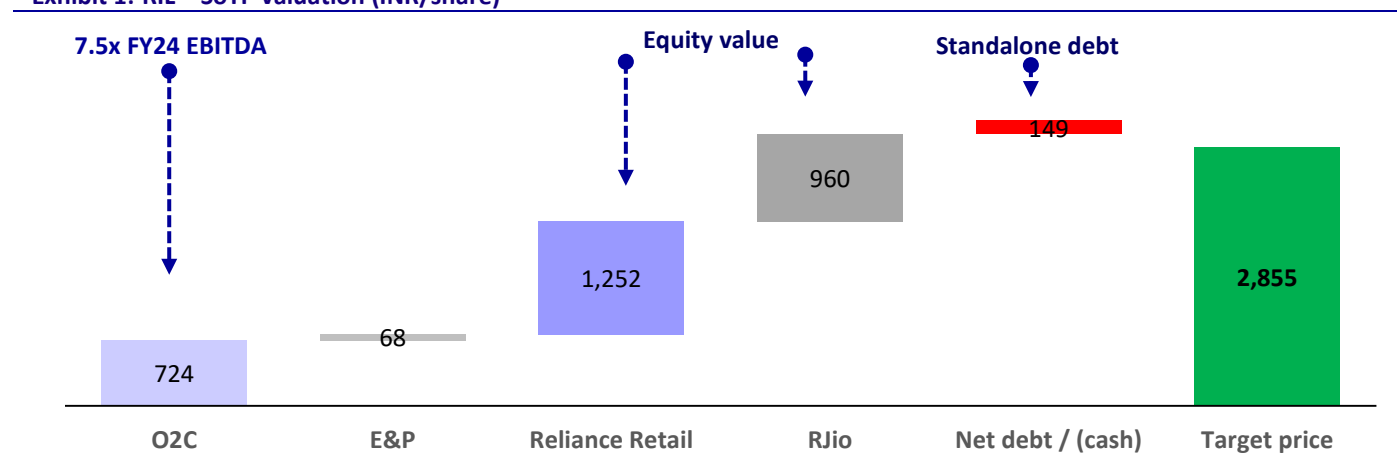
Valuation and view

- Consolidated gross debt increased to INR2,949b at end-2QFY23 (v/s INR2,633b at end-1QFY23), with cash & cash equivalents of INR2,016b and net debt of INR933b (according to the company).
- Segment-wise, the Retail business is seeing accelerated EBITDA growth which garners about 4x higher valuation multiple v/s overall business. However, the telecom business growth has moderated given that subscriber additions have peaked and 5G capex intensity has taken the center stage. Incremental market share gains and tariff hikes will be the key monitorables from hereon. The Oil and Gas business is witnessing challenging macro environment and volatile energy markets.
- We value Reliance Retail's core business at 35x EV/EBITDA and assign 4x multiple to Connectivity on Sep'24E EBITDA, to arrive at our valuation of INR1,252 – after excluding the recent 10% stake sale. Our premium valuation

multiples capture the opportunities for rapid expansion in the Retail business and the aggressive rollout of digital ventures, including the JioMart platform.

- RJio is valued at an EV/EBITDA multiple of 18x on Sep'24E EBITDA, arriving at a valuation of INR960/share (adjusted for its 66% stake). The higher multiple captures the revenue opportunity in Digital, potential tariff hikes, and steady market share gains.
- Opening up of the economy and removal of travel restrictions would enable demand to pick-up faster than expected. SG GRM contracted to an average of ~USD7.1/bbl in 2QFY23, with all product cracks declining QoQ.
- As per IEA estimates, oil demand is likely to average 99.6mb/d in 2022, up 1.9mb/d YoY. The middle distillate cracks are expected to remain firm with high gas prices in the EU along with winter demand. Oil demand should also be aided by gas-to-oil switching as winter inches closer. However, weaker global GDP growth, high inflation and interest rates remain concerns that could severely affect oil demand, with freight rates remaining high for both crude and product tankers.
- RIL believes that opening up of the Chinese economy and lower feedstock prices should help Polymer margin expansion. The onset of the festive season is also expected to support Polyester and Polymer demand.
- The Govt. of India (GoI) has already raised gas price ceiling to USD12.5/mmBtu for 2HFY23. The govt. has appointed Dr Kirit Parikh Committee to review domestic natural gas pricing. The Indian gas market remains resilient with gas consumption at 163mmcmd during Jul-Aug'22 and LNG import reducing to 80mmcmd led by higher domestic gas availability and lower demand. The management believes that geopolitical uncertainty and constrained supply is likely to keep gas prices on the higher side in the near term.
- Factoring in the aforementioned, we estimate EBITDA of USD116/mt for FY23 (vis-à-vis USD130.7/mt in 1HFY23).
- We build in a capex of INR350b per year in the standalone business, considering RIL's investments in new-age greener businesses (such as solar energy and a hydrogen ecosystem in India).
- We revise our consolidated capex upwards for FY23E to INR1,650b from INR1,000b, building in INR1,262b in telecom, INR350b in the standalone business and rest in others considering RIL's investments in greener businesses. Capex for FY24 is estimated at INR750b. The rise is largely due to the INR881b expenditure in the recent 5G auction v/s INR350b estimated earlier.
- Using SOTP, we value the Refining and Petrochemical segment at 7.5x FY24E EV/EBITDA to arrive at a valuation of INR724/share for standalone business. We ascribe an equity valuation of INR960/share to RJio and INR1,252/share to Reliance Retail, factoring in the recent stake sale. **We retain our BUY rating with a TP of INR2,855.**

Exhibit 1: RIL – SoTP valuation (INR/share)



RIL to demerge financial services undertaking and list Jio Financial Services

- RIL plans to demerge its financial services arm – Jio Financial Services Ltd. (JFSL). It will be on a share swap of 1:1 with RIL shareholders to receive ONE equity share of JFSL (FV INR10) for ONE fully paid-up equity share of INR10, held in RIL.
- Additionally, JFSL will acquire liquid assets to
 - provide adequate regulatory capital for lending to consumers, merchants, etc.
 - incubate other financial services verticals such as insurance, payments, digital broking, and asset management for at least the next three years of business operations.
- JFSL plans to launch consumer and merchant lending businesses based on proprietary data analytics to complement and supplement the traditional credit bureau-based underwriting.
- JFSL will continue to evaluate organic growth, joint-venture partnerships as well as inorganic opportunities in insurance, asset management and digital broking segments.

Consolidated - Quarterly Earnings Model (INR b)

| Y/E March | FY22 | | | | FY23E | | | | FY22 | FY23E | FY23 | Var v/s |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 2QE | |
| Net Sales | 1,399 | 1,676 | 1,850 | 2,074 | 2,193 | 2,301 | 2,148 | 2,078 | 7,000 | 8,720 | 1,875 | 23 |
| YoY Change (%) | 58.6 | 50.7 | 57.0 | 38.6 | 56.7 | 37.3 | 16.1 | 0.2 | 49.9 | 24.6 | 11.9 | |
| EBITDA | 234 | 260 | 297 | 314 | 380 | 312 | 339 | 344 | 1,105 | 1,375 | 299 | 4 |
| Margins (%) | 16.7 | 15.5 | 16.1 | 15.1 | 17.3 | 13.6 | 15.8 | 16.5 | 15.8 | 15.8 | 16.0 | |
| Depreciation | 69 | 72 | 77 | 80 | 89 | 97 | 90 | 76 | 298 | 353 | 87 | 12 |
| Interest | 34 | 38 | 38 | 36 | 40 | 46 | 42 | 37 | 146 | 165 | 41 | 10 |
| Other Income | 42 | 42 | 40 | 25 | 22 | 35 | 38 | 55 | 149 | 151 | 42 | -16 |
| PBT before EO expense | 173 | 192 | 223 | 223 | 273 | 205 | 246 | 285 | 810 | 1,008 | 213 | -4 |
| Extra-Ord expense | 0 | 0 | -28 | 0 | 0 | 0 | 0 | 0 | -28 | 0 | 0 | |
| PBT | 173 | 192 | 251 | 223 | 273 | 205 | 246 | 285 | 839 | 1,008 | 213 | -4 |
| Rate (%) | 20.0 | 19.6 | 18.7 | 19.7 | 28.5 | 23.8 | 24.6 | 23.0 | 19.4 | 25.1 | 25.3 | |
| MI & Profit/Loss of Asso. Cos. | 15.7 | 17.6 | 18.6 | 16.7 | 15.5 | 19.3 | 16.9 | 16.9 | 68.6 | 68.7 | 17 | |
| Reported PAT | 123 | 137 | 185 | 162 | 180 | 137 | 168 | 202 | 607 | 687 | 142 | -4 |
| Adj PAT | 123 | 137 | 162 | 162 | 180 | 137 | 168 | 202 | 584 | 687 | 142 | -4 |
| YoY Change (%) | 46.7 | 43.0 | 22.9 | 29.6 | 46.3 | -0.2 | 3.6 | 24.9 | 33.8 | 17.6 | 3.9 | |
| Margins (%) | 8.8 | 8.2 | 8.8 | 7.8 | 8.2 | 5.9 | 7.8 | 9.7 | 8.3 | 7.9 | 7.6 | |

E: MOFSL Estimates

Standalone - Quarterly Earning Model (INR b)

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23E | FY23 2QE | Var (%) |
|---------------------------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 861.5 | 969.3 | 1,111.5 | 1,294.8 | 1,475.3 | 1,375.5 | 1,252.2 | 1,196.5 | 4,237.0 | 5,299.6 | 1,053.0 | 31% |
| YoY Change (%) | 81.5 | 72.2 | 81.4 | 60.5 | 71.3 | 41.9 | 12.7 | -7.6 | 72.5 | 25.1 | 8.6 | |
| EBITDA | 114.6 | 123.8 | 139.0 | 145.8 | 220.1 | 119.9 | 149.0 | 158.6 | 523.1 | 647.5 | 126.4 | -5% |
| Margins (%) | 13.3 | 12.8 | 12.5 | 11.3 | 14.9 | 8.7 | 11.9 | 13.3 | 12.3 | 12.2 | 12.0 | |
| Depreciation | 25.1 | 27.1 | 26.0 | 24.7 | 22.5 | 26.1 | 27.4 | 31.3 | 102.8 | 107.3 | 27.1 | |
| Interest | 23.5 | 24.9 | 23.0 | 19.8 | 26.2 | 29.2 | 25.2 | 18.4 | 91.2 | 98.9 | 25.0 | |
| Other Income | 35.9 | 37.7 | 34.4 | 30.7 | 25.3 | 33.4 | 33.8 | 40.2 | 138.7 | 132.7 | 37.2 | |
| PBT before EO expense | 101.9 | 109.5 | 124.4 | 132.0 | 196.7 | 97.9 | 130.2 | 149.2 | 467.9 | 574.1 | 111.5 | -12% |
| Extra-Ord expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| PBT | 101.9 | 109.5 | 124.4 | 132.0 | 196.7 | 97.9 | 130.2 | 149.2 | 467.9 | 574.1 | 111.5 | -12% |
| Tax | 15.9 | 17.3 | 22.7 | 21.1 | 45.8 | 28.8 | 32.8 | 37.6 | 77.0 | 144.9 | 28.1 | |
| Rate (%) | 15.6 | 15.8 | 18.3 | 16.0 | 23.3 | 29.4 | 25.2 | 25.2 | 16.5 | 25.2 | 25.2 | |
| Reported PAT | 86.0 | 92.3 | 101.7 | 110.9 | 151.0 | 69.1 | 97.4 | 111.7 | 390.8 | 429.2 | 83.4 | -17% |
| Adj PAT | 86.0 | 92.3 | 101.7 | 110.9 | 151.0 | 69.2 | 97.4 | 111.7 | 390.8 | 429.2 | 83.4 | -17% |
| YoY Change (%) | 96.6 | 41.0 | 15.9 | 45.6 | 75.6 | -25.1 | -4.2 | 0.6 | 43.1 | 9.8 | -9.6 | |
| Margins (%) | 10.0 | 9.5 | 9.1 | 8.6 | 10.2 | 5.0 | 7.8 | 9.3 | 9.2 | 8.1 | 7.9 | |
| Key Assumptions | | | | | | | | | | | | |
| Production meant for sale (mmt) | 16.5 | 16.8 | 17.6 | 17.3 | 16.9 | 16.2 | 17.5 | 17.5 | 68.2 | 68.1 | 14.0 | 16% |
| EBITDA/mt (USD) | 94.1 | 99.4 | 105.5 | 111.9 | 168.4 | 93.0 | 104.8 | 111.1 | 102.3 | 119.0 | 113.4 | -18% |

Exhibit 2: RIL consolidated – summary of changes to our estimates (INR b)

| RIL Consol | FY23E | FY24E |
|----------------|-------|-------|
| Revenue | | |
| Old | 8,315 | 8,877 |
| Actual/New | 8,720 | 9,057 |
| Change (%) | 5% | 2% |
| EBITDA | | |
| Old | 1,407 | 1,471 |
| Actual/New | 1,375 | 1,488 |
| Change (%) | -2% | 1% |
| PAT | | |
| Old | 731 | 772 |
| Actual/New | 687 | 751 |
| Change (%) | -6% | -3% |

Source: Company, MOFSL

Exhibit 3: RIL standalone – summary of changes to our estimates (INR b)

| RIL Standalone | FY23E | FY24E |
|----------------|-------|-------|
| Revenue | | |
| Old | 4,949 | 4,737 |
| Actual/New | 5,300 | 4,866 |
| Change (%) | 7% | 3% |
| EBITDA | | |
| Old | 693 | 624 |
| Actual/New | 648 | 624 |
| Change (%) | -7% | 0% |
| PAT | | |
| Old | 478 | 447 |
| Actual/New | 429 | 423 |
| Change (%) | -10% | -5% |

Source: Company, MOFSL

Exhibit 4: RJio – summary of changes to our estimates (INR b)

| Rjio | FY23E | FY24E |
|----------------|-------|-------|
| Revenue | | |
| Old | 925 | 1,042 |
| Actual/New | 914 | 1,029 |
| Change (%) | -1% | -1% |
| EBITDA | | |
| Old | 469 | 544 |
| Actual/New | 473 | 553 |
| Change (%) | 1% | 2% |
| PAT | | |
| Old | 188 | 236 |
| Actual/New | 187 | 231 |
| Change (%) | 0% | -2% |

Source: Company, MOFSL

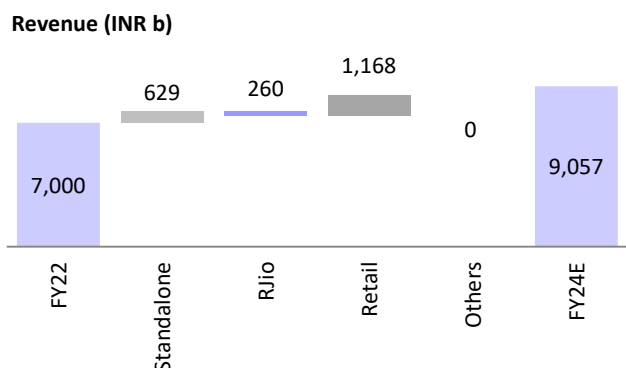
Exhibit 5: Reliance Retail – summary of changes to our estimates (INR b)

| Reliance Retail | FY23E | FY24E |
|-----------------|-------|-------|
| Revenue | | |
| Old | 2,142 | 2,798 |
| Actual/New | 2,208 | 2,862 |
| Change (%) | 3% | 2% |
| EBITDA | | |
| Old | 144 | 201 |
| Actual/New | 153 | 209 |
| Change (%) | 6% | 4% |
| PAT | | |
| Old | 69 | 108 |
| Actual/New | 75 | 114 |
| Change (%) | 10% | 6% |

Source: Company, MOFSL

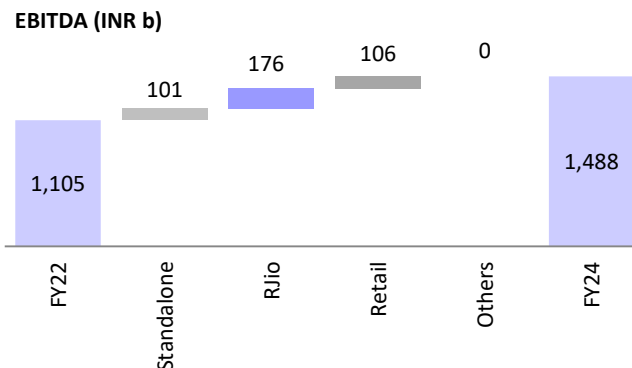
RIL – story in charts

Exhibit 6: Expect Reliance Retail to add the highest revenue over FY22–24



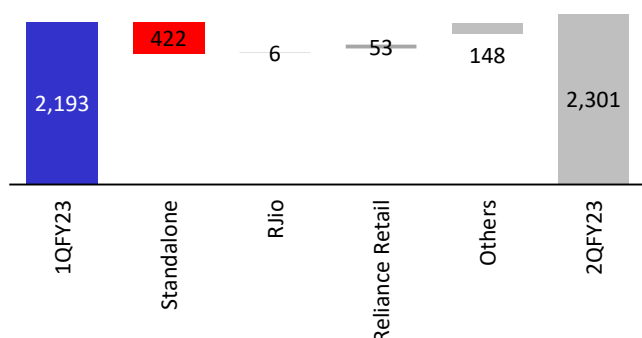
Source: Company, MOFSL

Exhibit 7: Expect RJio to add the highest EBITDA over FY22–24E



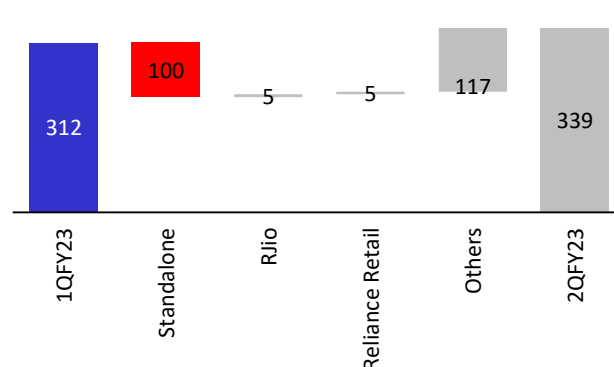
Source: Company, MOFSL

Exhibit 8: Revenue flow in 2QFY23 v/s 1QFY23



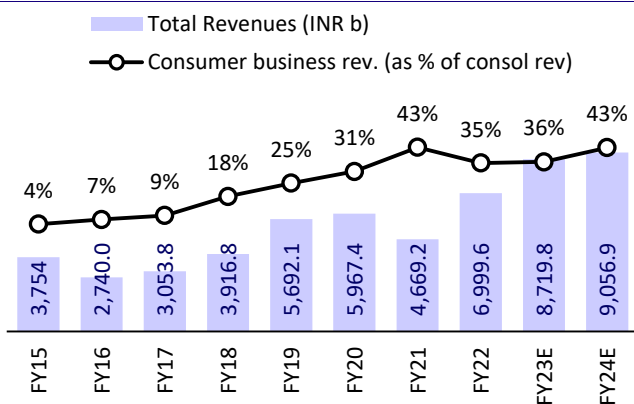
Source: Company, MOFSL

Exhibit 9: EBITDA flow in 2QFY23 v/s 1QFY23



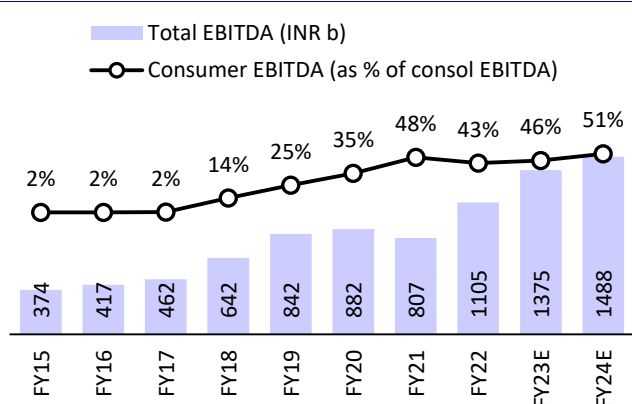
Source: Company, MOFSL

Exhibit 10: Expect Consumer business to contribute 43% to FY24 revenue



Source: Company, MOFSL

Exhibit 11: Expect Consumer business to contribute 51% to FY24 EBITDA



Source: Company, MOFSL

Exhibit 12: Net debt position (INR b)

| INR b | Sep'21 | Mar'22 | Jun'22 | Sep'22 |
|------------------------|--------|--------|--------|--------|
| Gross Debt | 2,559 | 2,663 | 2,634 | 2,949 |
| Cash & Cash equivalent | 2,595 | 2,315 | 2,057 | 2,016 |
| Net Debt | (36) | 348 | 577 | 933 |

Source: MOFSL, Company

Exhibit 13: Summary of cash flow movement in 1HFY23

| Cashflow movement (INR b) | FY22 | 1HFY23 |
|-------------------------------|------------|------------|
| PBT | 839 | 476 |
| Depreciation | 298 | 187 |
| Tax paid | -38 | -44 |
| Change in net working capital | 7 | 150 |
| Others | 1 | -469 |
| Operating Cashflow | 1107 | 301 |
| Capex | -970 | -680 |
| Net int/dividend | -43 | -51 |
| FCF (post int) | 93 | -430 |
| Investments | 3 | 423 |
| Other Investing activity | -124 | 32 |
| Net Borrowings | 99 | 189 |
| Right issue | 402 | -1 |
| Other Financing Activities | -285 | -94 |
| Net Change in Cash | 188 | 120 |

Source: MOFSL, Company



Subscriber clean up behind; gunning for 5G

Growth softens on high base

RJio's standalone revenue rose 3% QoQ (20% YoY; in line) to INR225b aided by sustained net subscriber additions post-recovery from the previous quarters and modest 1% QoQ ARPU growth. EBITDA improved to INR115b, up 5% QoQ (28% YoY) (in line) benefited by lower SUC charge (reflected in 130bp improvement) attributed to the recently acquired 5G spectrum. An additional 130-150bp expansion is likely in the next couple of quarters. Subsequently, EBITDA margin improved 90bp QoQ to 51% from 50.1% in 1QFY23, with incremental margin of 80%. PAT was up 4% QoQ to INR45.2b (in line); PAT margin improved 30bp QoQ to 20.1% in 2QFY23. Jio Platforms Ltd (JPL) revenue/EBITDA increased 3%/5% QoQ to INR243b/INR120b, respectively, in 2Q.

Stable operating metrics – ARPU up 1% QoQ

RJio saw 7.7m subscriber additions QoQ to 428m in 2QFY23. Gross subscriber additions stood at 32.7m v/s 35.2m in 1QFY23. Thus, subscriber churn was 25m, i.e. 1.9%, on account of SIM consolidation. However, the churn reduced 10bp over the quarter along with a sizeable reduction of 190bp from the peak of 4QFY22. ARPU was up by merely 1% QoQ to INR177 possibly due to market share gain and SIM consolidation in the market. Total wireless data traffic stood at 28.2b GB v/s 25.9 GB in 1QFY23 with data usage/subs growing 7% QoQ to 22.2GB/month, almost doubling since the last two years. Total voice consumption dropped 1.6% QoQ to 1.23t minutes. MoU decreased 4% QoQ to 968 minutes per month.

Rjio's 5G stake ready to drive network upgrade

RJio highlighted its differentiated Standalone 5G architecture, with unique spectrum footprint, carrier aggregation and ecosystem partnership. Unlike other operators building non-standalone 5G network, it has the ability to offer low latency, better speeds, network slicing and more efficiency. Subsequently, RJio can offer cloud gaming, enterprise solutions and better M2M connectivity along with immersive commerce. Holding a large pool of 700Mhz (sub-Ghz) spectrum aids in offering better deep indoor coverage and superior speeds through mmWave. It has also done carrier aggregation to combine network capacity and speed. The partnerships with global tech leaders should help in creating best-in-class network along with superior 5G use cases.

5G spectrum auction

RJio acquired spectrum worth INR881b, acquiring the 3300MHz and 26GHz bands, and the entire spectrum offered in the 700MHz band, to launch a full-fledged 5G standalone network. The combination of sub-GHz, mid-band and mmWave band is the need for 5G standalone network for which RJio spent the highest amount in auction v/s Airtel/VIL's spends of INR431b/INR188b, respectively. RJio also spent ~INR80b on top-up spectrum in the 800MHz and 1800MHz bands (refer to Exhibit 32).

RJio – key takeaways from the management interaction

■ Quarterly performance:

- RJio's standalone revenue was up 3% QoQ (20% YoY) to INR225b.
- EBITDA improved to INR115b, up 5% QoQ (28% YoY) and margin expanded to 51%. EBITDA improved due to the SUC benefit and management expects additional SUC benefit to flow in the next quarters.
- RJio saw 7.7m subscriber additions QoQ to 427.6m. Gross subscriber additions stood at 32.7m v/s 35.2m in 1QFY23. Thus, subscriber churn was flat at 25m (v/s 25.5m in 1QFY23) on account of SIM consolidation.
- RJIL's revenue rose 3% QoQ (20.2% YoY) to INR225b and EBITDA was up by 5% QoQ (28.9% YoY) to INR116b in 2QFY23.
- Jio Platform Ltd's operating revenue grew 23% YoY to INR243b and EBITDA rose 29% YoY to INR120b during the quarter.

■ Key operating metrics

- The subscribers count was the highest to date at 427.6m.
- ARPU was up by 1% QoQ (23% YoY) at INR177 led by better seasonality and improving subscriber mix.
- The company has 45%/36% AGR market share and subscriber market share, respectively, which is the highest in the industry.
- Customer engagement continued to grow, which has almost doubled over the last two years from 12.6GB/user in Sep'20 to 22.2GB/user in Sep'22. The customers consumed >28b GB of data in 2QFY23.
- Total voice consumption declined 1.6% QoQ to 1.23t minutes.

■ Four points for 5G differentiators:

1. 5G Standalone architecture: enhanced customer experience and enterprise capabilities

- Standalone architecture is independent of 4G network while 5G NSA operates on Legacy 4G LTE core.
- This will be a differentiated capability for RJio with Low latency, enabling use cases such as cloud gaming, AR/VR and enterprise.
- It will also ensure better speeds.
- Only Standalone architecture provides Network Slicing ability, enabling unique enterprise use cases.
- It enables massive machine-to-machine communication to bring in transformations in Industry 4.0, immersive e-commerce, connected cars and more
- Provides more power efficiency

2. Unique 5G spectrum footprint: provides superior coverage and throughput advantage

- RJio holds the largest 5G spectrum across all operators where Jio's holding is almost equal to the combined holdings of other two private operators
- It has a unique combination of sub-GHz (700 MHz band), mid-band (3.5 GHz band) and mmWave (26 GHz) bands
- 700 MHz low-band spectrum that provides deep indoor coverage and mmWave band provides superior speed.

3. Carrier Aggregation: improves indoor experience

- It combines multiple frequencies into a single data highway which enables higher throughputs
- Unique sub-GHz spectrum enables deeper penetration of 3500 MHz that will provide superior indoor download speeds
- Leveraging the uplink carrier of sub-GHz band provides higher coverage.

4. Partnership with global tech leaders: creating differentiated advantage

- **Qualcomm** – partnership to work on cloud-native, scalable, and flexible 5G infrastructure, in both mmWave and sub-6GHz, to develop a 5G ecosystem
- **Meta** – creating immersive technology and 5G use cases
- **Google** – leverage Google Cloud to offer Jio's Private 5G stack and other 5G-enabled solutions
- **Intel** – partnership for technologies used in Jio's cloud-scale data centers and 5G Edge locations, and infrastructure for cutting-edge applications such as AI
- **Other partners** – Nokia, CISCO, Samsung, and Ericsson for network technology partnership

■ Jio's 5G offering to focus on all customer segments

- **Homes** – Increase internet usage and TV consumption.
- **Mobile consumers** – Accelerate market share gain in mobility customer market
- **Small merchants and businesses** – Deliver broadband with business solutions for small merchants and businesses
- **Enterprises** – Enable digital transformation of large enterprises

Valuations rich given its growth prospects

We expect revenue growth of 16% and EBITDA growth of 21% over FY22-FY24. We also expect subscriber growth to continue after three quarters of sluggish growth factoring in 3m monthly net adds in 2HFY23/24E as we believe the subscriber clean up is largely behind. We have built in 4% increase in subscribers over 1HFY23 and 13% in FY24E, aided by better customer engagement and improving customer mix. We have not factored in the incremental tariff hikes that could provide incremental upside to the tune of 20-30%. RJio spent INR880b in the recently concluded spectrum auction v/s our estimated 350b as it acquired pan India 5G spectrum across all the three bands available to drive network rollout. We assign a rich 18x EV/EBITDA on Sep'FY24E to arrive at a valuation of INR1,445, factoring in the 34% stake sale; thus, RJio's value in RIL share comes to INR960 (for its 66% stake). The higher multiple captures: a) its market leadership, market share gains and tariff hike opportunity that are not incorporated in the estimates, b) its growth in wireline business and c) the opportunity in digital particularly from the series of recent acquisitions.

Exhibit 14: RJio – EV/EBITDA-based SoTP valuation (Sep'24E basis)

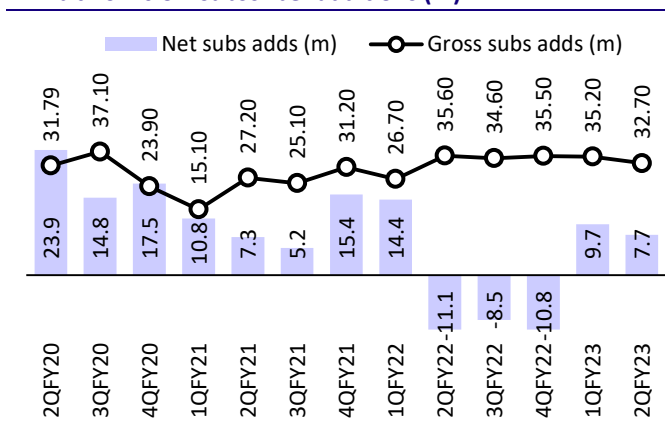
| Particulars | (INR b) |
|-------------------|---------|
| EBITDA | 589 |
| EV/EBITDA (x) | 18 |
| EV | 10,744 |
| Debt | 1,586 |
| Equity Value | 9,158 |
| Value Per Share | 1,445 |
| Stake | 66.48% |
| RIL stake in RJio | 960 |

Source: Company, MOFSL

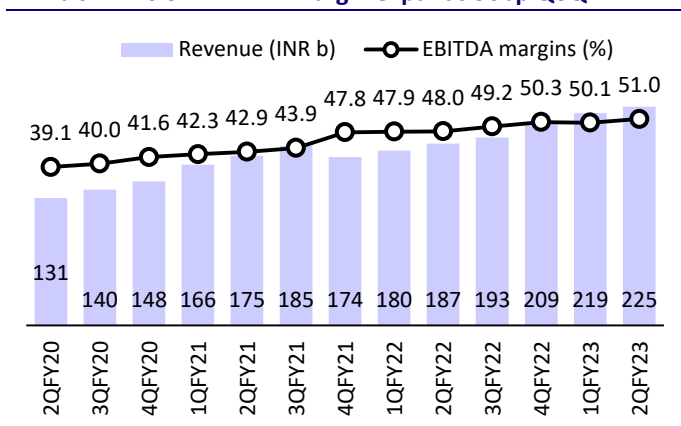
Exhibit 15: RJio – KPI comparison

| Key Operating Metrics | 2QFY22 | 1QFY23 | 2QFY23 | YoY% | QoQ% | 2QFY23E | Var (%) |
|--|--------|--------|--------|--------|-------|---------|---------|
| Subscriber base (m) | 429.5 | 419.9 | 427.6 | -0.4 | 1.8 | 431.9 | -1.0 |
| Net subs adds | -11.1 | 9.7 | 7.7 | -169.4 | -20.6 | 12.0 | -35.8 |
| Gross sub adds | 35.6 | 35.2 | 32.7 | -8.1 | -7.1 | | |
| ARPU (INR/sub/month) | 144 | 176 | 177 | 23.4 | 0.9 | 177 | 0.4 |
| Total wireless Data traffic (b GB) | 23.0 | 25.9 | 28.2 | 22.6 | 8.9 | 27 | 4.7 |
| Wireless Data traffic per sub (GB/mth) | 17.6 | 20.8 | 22.2 | 25.9 | 6.6 | 21.1 | 5.3 |
| Voice on Network (b min) | 1,090 | 1,250 | 1,230 | 12.8 | -1.6 | 1,283 | -4.1 |
| Voice consumption per sub (min/mth) | 835 | 1,004 | 968 | 15.9 | -3.6 | 1,004 | -3.6 |

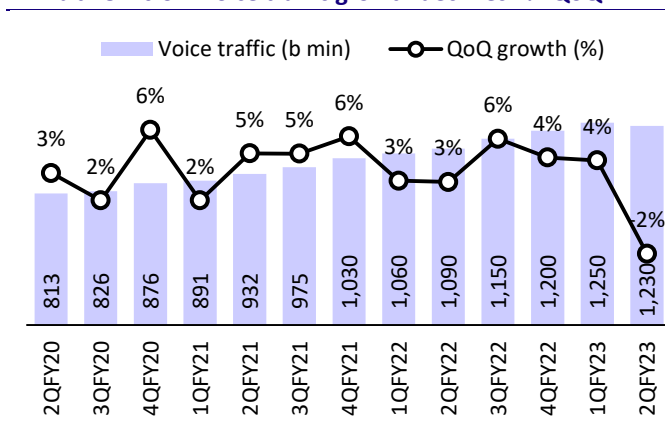
Source: MOFSL, Company

Exhibit 16: RJio – subscriber additions (m)

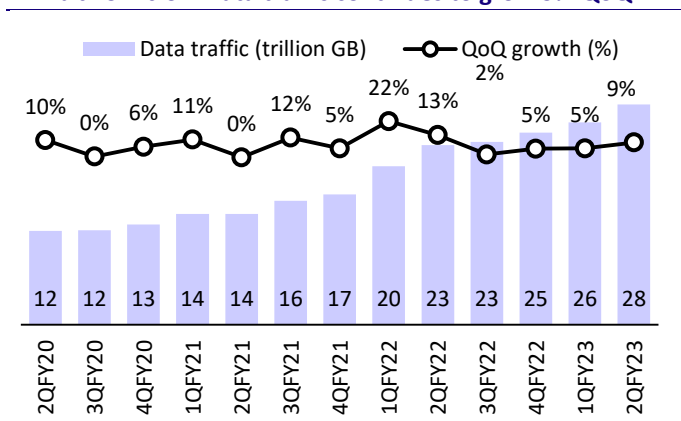
Source: MOFSL, Company

Exhibit 17: RJio – EBITDA margin expands 90bp QoQ

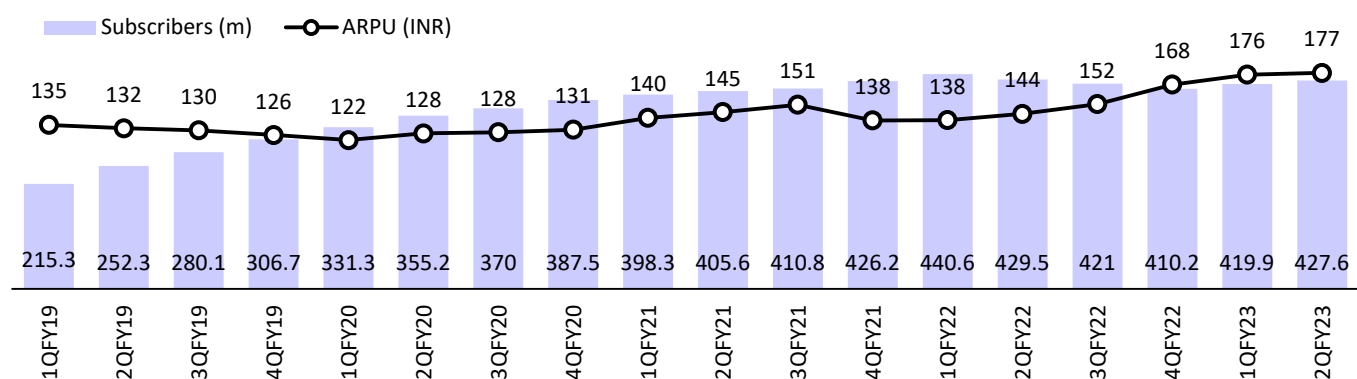
Source: MOFSL, Company

Exhibit 18: RJio – Voice traffic growth declines 2% QoQ

Source: MOFSL, Company

Exhibit 19: RJio – Data traffic continues to grow 9% QoQ

Source: MOFSL, Company

Exhibit 20: ARPU improves to INR177

Source: MOFSL, Company

Exhibit 21: Subscriber trend (in m)

| Subscribers growth drivers | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 |
|----------------------------|--------|--------|--------|--------|---------|--------|---------|--------|--------|
| Subscribers | 405.60 | 410.80 | 426.20 | 440.60 | 429.50 | 421.00 | 410.20 | 419.90 | 427.60 |
| Net Adds | 7.30 | 5.20 | 15.40 | 14.40 | (11.10) | (8.50) | (10.80) | 9.70 | 7.70 |
| Churn | 1.69% | 1.63% | 1.26% | 0.95% | 3.6% | 3.4% | 3.8% | 2.0% | 1.9% |
| Subs churn | 19.90 | 19.90 | 15.80 | 12.30 | 46.70 | 43.10 | 46.30 | 25.50 | 25.00 |
| Gross Subscriber adds | 27.2 | 25.1 | 31.2 | 26.70 | 35.60 | 34.60 | 35.50 | 35.20 | 32.70 |

Source: MOFSL, Company

Exhibit 22: Financial snapshot of Jio Platforms

| (INR b) | 2QFY22 | 1QFY23 | 2QFY23 |
|-------------------|--------|--------|--------|
| Gross Revenue | 232 | 275 | 285 |
| Operating Revenue | 198 | 235 | 243 |
| EBITDA | 93 | 114 | 120 |
| EBITDA Margin | 47.0% | 48.7% | 49.5% |
| D&A | 32 | 43 | 46 |
| EBIT | 61 | 71 | 74 |
| Finance Cost | 11 | 10 | 10 |
| PBT | 50 | 61 | 64 |
| Tax | 12 | 16 | 16 |
| Tax rate | 25% | 26% | 26% |
| PAT | 37 | 45 | 47 |

Source: MOFSL, Company

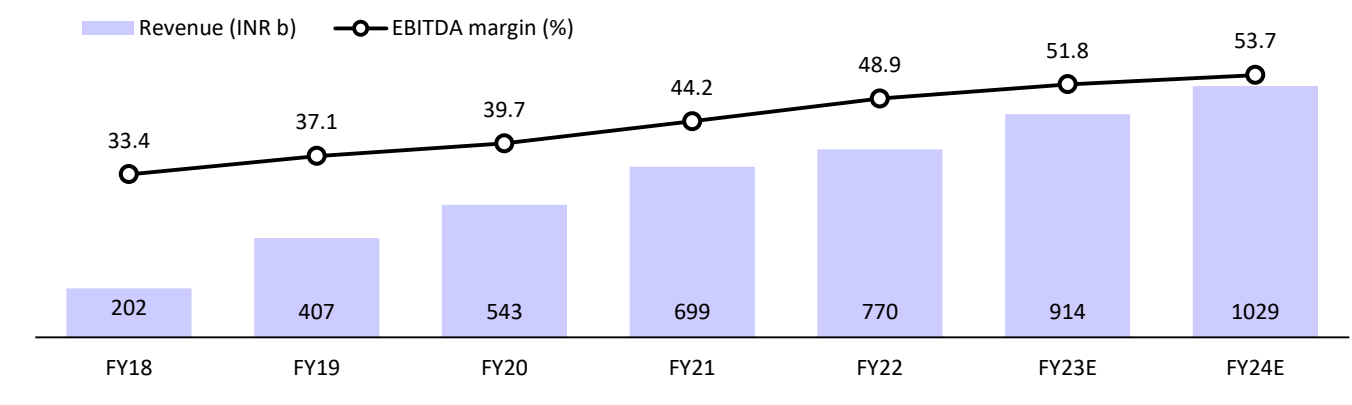
Exhibit 23: Financial comparison between Jio Platforms and subsidiaries

| Particulars (INR b) | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | YoY Gr. % |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Operating Revenue | | | | | | | | | | | |
| RJPL | 173 | 185 | 195 | 183 | 190 | 198 | 206 | 223 | 235 | 243 | 23% |
| Growth QoQ | | 7% | 5% | -6% | 4% | 4% | 4% | 8% | 5% | 3% | |
| Rjio | 168 | 177 | 185 | 174 | 180 | 187 | 195 | 209 | 220 | 226 | 21% |
| Growth QoQ | | 5% | 5% | -6% | 4% | 4% | 4% | 7% | 5% | 3% | |
| Subsidiary | 4 | 8 | 9 | 9 | 9 | 10 | 11 | 13 | 15 | 16 | 60% |
| Growth QoQ | | 94% | 14% | -4% | 5% | 9% | 7% | 20% | 15% | 9% | |
| EBITDA | | | | | | | | | | | |
| RJPL | 73 | 80 | 85 | 86 | 89 | 93 | 100 | 109 | 114 | 120 | 29% |
| Growth QoQ | | 9% | 6% | 1% | 4% | 5% | 8% | 9% | 5% | 5% | |
| Rjio | 70 | 75 | 81 | 83 | 86 | 90 | 95 | 105 | 110 | 115 | 28% |
| Growth QoQ | | 7% | 8% | 2% | 4% | 4% | 6% | 10% | 4% | 5% | |
| Subsidiary | 3 | 5 | 4 | 3 | 3 | 3 | 5 | 4 | 5 | 5 | 71% |
| Growth QoQ | | 43% | -21% | -23% | -3% | 11% | 62% | -17% | 13% | 13% | |
| PAT | | | | | | | | | | | |
| RJPL | 25 | 30 | 35 | 35 | 37 | 37 | 38 | 43 | 45 | 47 | 27% |
| Growth QoQ | | 20% | 15% | 1% | 4% | 2% | 2% | 13% | 5% | 4% | |
| Rjio | 25 | 28 | 33 | 34 | 35 | 35 | 36 | 42 | 43 | 45 | 28% |
| Growth QoQ | | 13% | 16% | 2% | 4% | 1% | 2% | 15% | 4% | 4% | |
| Subsidiary | 0 | 1.75 | 1.95 | 1.48 | 1.5 | 2 | 1.8 | 1.25 | 1.97 | 2.13 | 6% |
| Growth QoQ | | NM | 11% | -24% | 1% | 33% | -10% | -31% | 58% | 8% | |

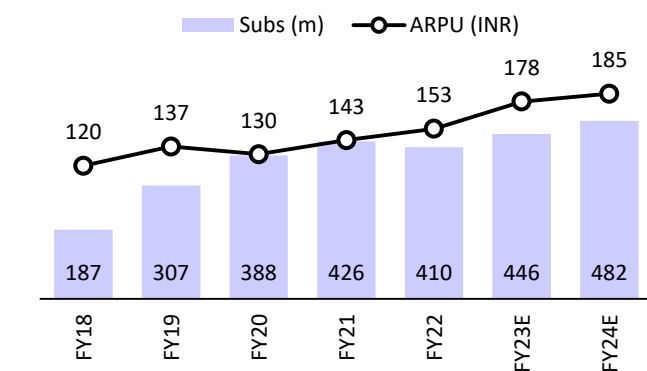
Source: MOFSL, Company

Exhibit 24: RJio – summary of changes to our estimates

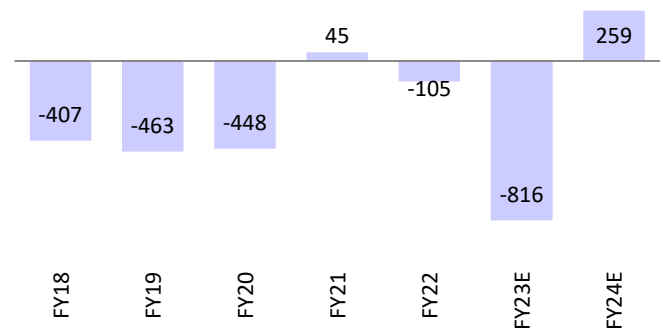
| | FY23E | FY24E |
|---------------------------|--------|--------|
| Revenue (INR b) | | |
| Old | 925 | 1042 |
| Actual/New | 914 | 1029 |
| Change (%) | -1.2 | -1.2 |
| EBITDA (INR b) | | |
| Old | 469 | 544 |
| Actual/New | 473 | 553 |
| Change (%) | 0.88 | 1.51 |
| EBITDA margin (%) | | |
| Old | 50.7 | 52.2 |
| Actual/New | 51.8 | 53.7 |
| Change (bp) | 106bps | 145bps |
| Net Profit (INR b) | | |
| Old | 188 | 236 |
| Actual/New | 187 | 231 |
| Change (%) | -0.5 | -2.0 |
| EPS (INR) | | |
| Old | 4.2 | 5.2 |
| Actual/New | 4.2 | 5.1 |
| Change (%) | -0.5 | -2.0 |

Exhibit 25: RJio – expect revenue and EBITDA margin to expand

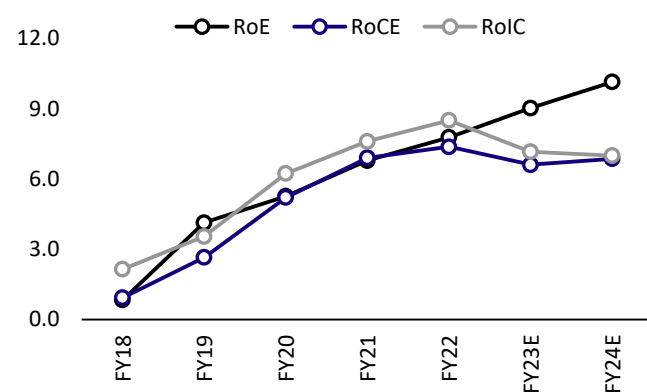
Source: MOFSL, Company

Exhibit 26: Expect ARPUs to revive

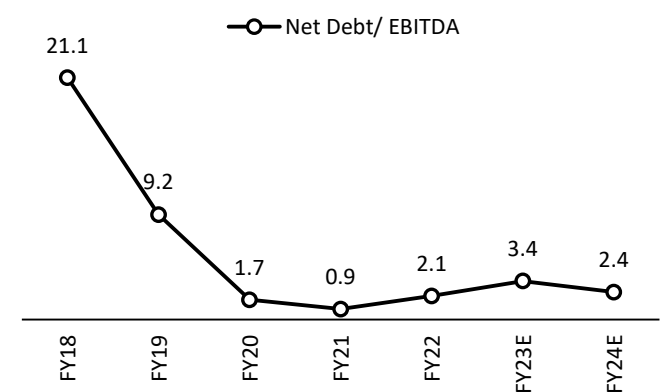
Source: MOFSL, Company

Exhibit 27: Expect FCF to turn positive (INR b)

Source: MOFSL, Company

Exhibit 28: RJio – expect RoE to improve (%)

Source: Company, MOFSL

Exhibit 29: RJio – expect net debt-to-EBITDA to increase led by 5G investment (x)

Source: Company, MOFSL

Exhibit 30: Cash flow movement

| INR b | 1HFY22 | FY22 | 1HFY23 |
|-------------------------------|--------|--------|--------|
| PBT | 94.3 | 198.7 | 118.8 |
| Depreciation | 63.0 | 136.2 | 87.5 |
| Interest | 19.1 | 43.8 | 20.1 |
| Tax paid | -0.5 | -1.1 | 11.7 |
| Change in net working capital | -38.7 | -64.4 | 43.9 |
| Others | 0.1 | -0.2 | -0.6 |
| Operating Cashflow | 137.2 | 312.9 | 281.5 |
| Capex | -158.0 | -287.8 | -194.6 |
| Net int/dividend | -4.8 | -129.8 | -16.2 |
| FCF (post int) | -25.6 | -104.7 | 70.7 |
| Investments | -35.9 | -0.7 | 6.3 |
| Net Borrowings | 61.1 | 105.9 | -78.7 |
| Net Change in Cash | -0.3 | 0.5 | -1.7 |

Source: MOFSL, Company

OCF almost increased 2x YoY to INR282b led by EBITDA growth of 28% YoY and positive cash contribution from working capital and tax. With 23% YoY increase in capex and stable net interest, FCF (post-interest) was positive at INR71b v/s negative INR26b in 1HFY22. Increase in net borrowings led to negative change in cash (at -INR2b).

Exhibit 31: Cash and capitalized capex

| Particulars | FY22 | 1HFY23 |
|--|-------------|--------------|
| Cash capex - purchase of PP&E | -288 | -195 |
| Capital WIP | 192 | 234 |
| Intangible assets under development | 286 | 1,184 |
| Total | 479 | 1,418 |
| Change | 309 | 940 |
| Change in gross block | 590 | 79 |
| Total capitalized capex | 899 | 1,019 |
| Difference between cash capex v/s capitalized capex | 611 | 824 |
| Capex for Spectrum | 323 | 879 |
| Estimated opex capitalized | 278 | -55 |

Source: MOFSL, Company

Exhibit 32: Jio spectrum positioning

| Jio | Existing Spectrum | | | | Newly Acquired | | | | | | New total Spectrum | | | | | |
|-----------------------|-------------------|------------|------------|--------------|----------------|-----------|-----------|--------------|---------------|---------------|--------------------|------------|------------|--------------|---------------|---------------|
| | 800 MHz | 1800 MHz | 2300 MHz | Total | 700 MHz | 800 MHz | 1800 MHz | 3300 MHz | 26 GHz | Total | 700 MHz | 800 MHz | 1800 MHz | 3300 MHz | 26 GHz | Total |
| Andhra Pradesh | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Assam | 5 | 10 | 40 | 70 | 10 | 5 | 0 | 100 | 1,000 | 1,130 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Bihar | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Delhi | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Gujarat | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 100 | 1,000 | 1,140 | 10 | 10 | 20 | 140 | 1,000 | 1,220 |
| Haryana | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Himachal Pradesh | 10 | 10 | 40 | 81 | 10 | 0 | 0 | 130 | 1,000 | 1,150 | 10 | 10 | 10 | 170 | 1,000 | 1,231 |
| J&K | 5 | 10 | 40 | 70 | 10 | 5 | 0 | 130 | 1,000 | 1,160 | 10 | 10 | 10 | 170 | 1,000 | 1,230 |
| Karnataka | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 130 | 1,000 | 1,150 | 10 | 10 | 10 | 170 | 1,000 | 1,230 |
| Kerala | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 130 | 1,000 | 1,150 | 10 | 10 | 10 | 170 | 1,000 | 1,230 |
| Kolkata | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Madhya Pradesh | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 130 | 1,000 | 1,170 | 10 | 10 | 20 | 170 | 1,000 | 1,250 |
| Maharashtra | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 100 | 1,000 | 1,140 | 10 | 10 | 20 | 140 | 1,000 | 1,220 |
| Mumbai | 15 | 10 | 40 | 90 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 15 | 10 | 140 | 1,000 | 1,210 |
| North East | 5 | 10 | 40 | 70 | 10 | 5 | 0 | 130 | 1,000 | 1,160 | 10 | 10 | 10 | 170 | 1,000 | 1,230 |
| Orissa | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 100 | 1,000 | 1,140 | 10 | 10 | 20 | 140 | 1,000 | 1,220 |
| Punjab | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| Rajasthan | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 130 | 1,000 | 1,170 | 10 | 10 | 20 | 170 | 1,000 | 1,250 |
| Tamilnadu | 10 | 10 | 40 | 80 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 10 | 140 | 1,000 | 1,200 |
| U.P. (East) | 10 | 10 | 40 | 80 | 10 | 0 | 10 | 100 | 1,000 | 1,140 | 10 | 10 | 20 | 140 | 1,000 | 1,220 |
| U.P. (West) | 5 | 10 | 40 | 70 | 10 | 5 | 0 | 130 | 1,000 | 1,160 | 10 | 10 | 10 | 170 | 1,000 | 1,230 |
| West Bengal | 10 | 11 | 40 | 81 | 10 | 0 | 0 | 100 | 1,000 | 1,120 | 10 | 10 | 11 | 140 | 1,000 | 1,201 |
| Total Spectrum | 205 | 221 | 880 | 1,732 | 220 | 20 | 60 | 2,440 | 22,000 | 25,040 | 220 | 225 | 281 | 3,320 | 22,000 | 26,772 |



Reliance Retail

Steady growth trajectory continues

Reliance Retail's net revenue reported a healthy growth of 44.5% YoY to INR577b (in line) led by waning impact of the pandemic, improving customer sentiment and early onset of festivities. Footfalls at 180m during the quarter jumped 23% v/s pre-Covid levels. EBITDA too reported a robust 51.2% YoY growth to INR44b (14.4% beat) propelled by improved margin due to favorable mix, positive operating leverage and operational efficiencies. EBITDA margin expanded 30bp YoY to 7.6%. PAT was up 36% YoY to INR23b in 2QFY23. Cash profit at INR33.2b rose 45% YoY. Core revenue (excluding Connectivity and petro retail) is estimated to grow 59% YoY, while core EBITDA is estimated to have risen 89% YoY in 2QFY23 to INR37.9b.

Segment-wise, Grocery and Pharma businesses doubled, Consumer Electronics and Fashion & Lifestyle rose over 40% while Digital and New commerce grew 60% YoY; contributing 18% of overall revenue. In 2QFY23, the company opened 795 stores, taking the total store count to 16,617 with an area of 54.5m sqft (v/s 45.5m sqft as of Jun'22). The company launched "JioMart" on WhatsApp during 2QFY23. About 37% of orders received from this platform were from new customers.

Acquisitions and partnerships

During 2QFY23, Reliance Retail acquired a majority stake in Mayuri Kumkum, the company that owns and operates Insight Cosmetics.

Segment-wise details

- **Consumer Electronics** witnessed a strong double-digit growth driven by higher bill values and conversions aided by improved footfalls. The segment saw robust growth across all categories aided by new product launches and attractive offers. Mobile phones, TVs, and washing machines did particularly well with 30% YoY growth.
- **Fashion & Lifestyle:**
 1. Offline business witnessed its strongest quarter ever, with high double-digit LFL growth driven by higher ABVs and conversions from key festive events such as Onam, Ganesh Chaturthi, Navratri, and Pujo.
 2. During the quarter, the company introduced three new store concepts. 'Azorte', a tech-aided premium fashion and lifestyle store format; 'Centro', a fashion & lifestyle departmental store format and 'Fashion Factory', a format that offers value deals across brands to serve discerning customers.
 3. The Jewelry business grew steadily aided by great product design capability. During the quarter, the business launched seven collections, including "Mahalaya," a collection inspired by Maharashtra's arts and traditions.
 4. The lingerie business more than doubled YoY with broad-based growth coming from Zivame, Amanté and Clovia brands. During 2QFY23, the business introduced its first shop-in-shop format within Trends stores, bringing a wider multi-brand assortment under one roof.
- **Grocery:** This segment delivered the best ever quarter with business doubling YoY. Stores registered high double-digit LFL growth with footfalls and average bill values continuing to remain high. The JioMart Kirana business onboarded 4x

merchants YoY. The business expanded its supply chain infrastructure by adding 57 new fulfillment facilities.

- **Pharma:** This business more than doubled over the last year with balanced growth across all channels. New Commerce business remains on a steady growth path with operations expanding to 2,500+ cities.

Valuation and view

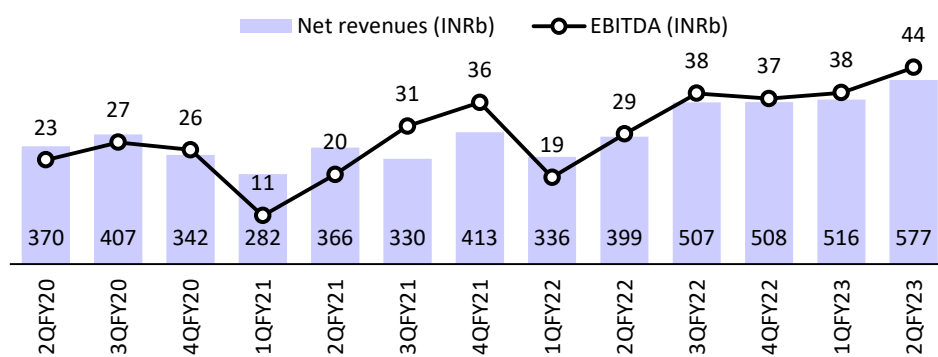
Reliance Retail has seen aggressive growth in the past few years. Even during Covid, it has increased footprint/stores by 45%/29%, respectively, over FY20-22. The digital verticals, Ajio and Jiomart, are seeing strong traction reaching around ~20% of revenue over the last few quarters and garnering a quarterly run-rate of ~INR70b. Recovery in store-level LTL growth, accelerated store additions and digital initiatives should drive faster growth and EBITDA margin improvement. We expect a revenue/EBITDA CAGR of 30%/42% over FY22-24E, to reach INR2,862b/INR209b by FY24E, respectively. Out of this, core revenue is expected to be INR2,373b for FY24. We value Reliance Retail on an SOTP basis, valuing its core business at 35x on Sep'24E EV/EBITDA and Connectivity segment at 4x EV/EBITDA on Sep'24 basis, to arrive at our valuation of INR1,392. Reliance Retail's value in RIL share comes to INR1,252 (for its 89% stake). Our premium valuation multiples capture the opportunity for rapid expansion in its retail business as well as the aggressive rollout of the digital platforms.

Exhibit 33: Quarterly performance

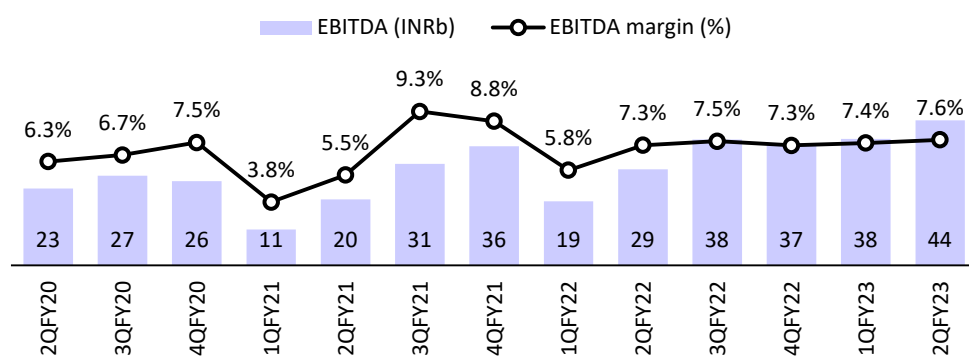
| (INR b) | 2QFY22 | 1QFY23 | 2QFY23 | YoY% | QoQ% | 2QFY23E | v/s est % |
|-----------------------------|--------|--------|--------|-------|-------|---------|-----------|
| Net Revenues | 399 | 516 | 577 | 44.5 | 11.8 | 550 | 4.8 |
| EBITDA - blended | 29 | 38 | 44 | 51.2 | 14.8 | 38 | 14.4 |
| EBITDA Margin (%) - blended | 7.3% | 7.4% | 7.6% | 34bps | 19bps | 7.0% | 64bps |
| Retail Area (in m sqft) | 37.3 | 45.5 | 54.5 | 46.1 | 19.8 | | |
| Stores | 12,803 | 15,866 | 16,617 | 3814 | 751 | | |
| PAT | 17 | 21 | 23 | 36 | 12 | | |

E: MOFSL estimates

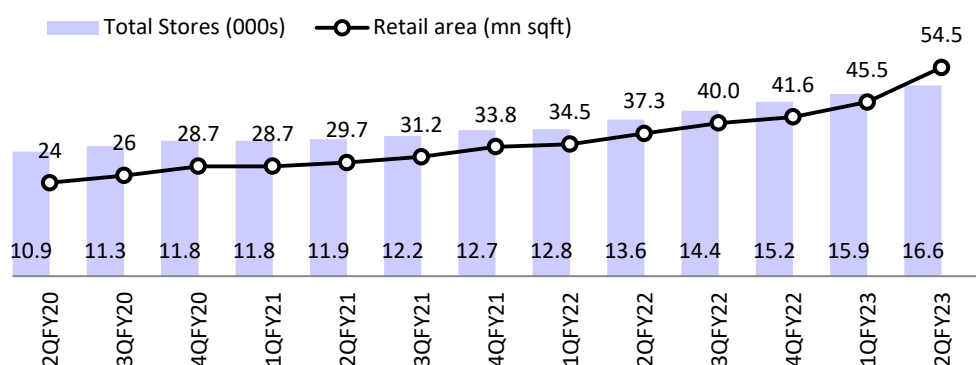
Exhibit 34: Reliance Retail – revenue continues to witness strong growth



Source: Company, MOFSL

Exhibit 35: Reliance Retail – EBITDA margin at 7.6%

Source: Company, MOFSL

Exhibit 36: Reliance Retail's footprint crosses 50m sqft mark in 2QFY23

Source: Company, MOFSL

Exhibit 37: Reliance Retail – SoTP valuation (Sep'24E-based)

| Valuation | EBITDA | Multiple | EV (INR b) |
|------------------------|--------|----------|------------|
| Core EBITDA | 262 | 35 | 9,172 |
| Petro and Connectivity | 49 | 4 | 195.9 |
| Total | | | 9,368 |
| Less Net Debt | | | 396 |
| Equity Value | | | 8,972 |
| No of Shares (in b) | | | 6.4 |
| Target Price | | | 1,392 |
| RIL stake in RRVL | | | 89.9% |
| RRVL value in SOTP | | | 1,252 |

Reliance Retail – key takeaways from the management interaction**Business recovery:**

- The segment witnessed normal operating environment as the impact of the pandemic wanes.
- Transactions across retail channels surpassed 250m, up 45% YoY.
- The segment reported strong recovery with 180m footfalls across formats, which rose 23% v/s pre-Covid period.
- The company launched “JioMart” on WhatsApp during 2QFY23, which saw 37% of orders received from new customers.

Financial performance:

- The segment reported the highest ever EBITDA with operating leverage and efficiencies driving margin improvement.
- Digital and New Commerce segment grew 60% YoY with revenue contribution at 18%. Daily orders were up 53% YoY and merchant base scaled up 2x YoY.

Demand outlook:

- The company is witnessing strong demand with onset of the festive season.
- Consumer sentiments remained upbeat with growth witnessed in spends on discretionary categories.

Store presence: The segment's total store count surpassed 16,000 mark, as the company added 795 new stores in 2QFY23.

Business segmental highlights:**Consumer Electronics:**

- The segment witnessed strong sales performance driven by higher footfalls and ABVs. It recorded the highest quarterly sales for "ResQ".
- It witnessed the best-ever 15th August sale, up 60% YoY, led by instant discounts, affordability schemes, and cross promotions.
- The segment saw a broad-based growth across categories with phones, TVs and washers growing over 30% YoY.
- Sales under own brands / private labels surged 2.3x YoY while merchant base grew 10% sequentially.
- JioMart Digital (JMD) grew 25% QoQ, led by strong performance in phones & large appliances. Merchant base was up 25% QoQ in 2QFY23.

Fashion & Lifestyle:

- Apparel & Footwear
 1. Offline business posted its best-ever quarter driven by high double-digit LFL growth due to festive events.
 2. The business launched new formats to leverage the mid-premium and mass category opportunities.
- AJIO: Catalogue grew 64% YoY and crossed 1m options. It launched 85 new brands during 2QFY23.
- New Commerce:
 1. The category continues to expand its merchant network across geographies with merchant base up 42% YoY.
 2. It strengthened the product portfolio by adding over 60k new SKUs and 427 new brands.
- Partner Brands
 1. AJIO Luxe saw revenue growth of 3.5x YoY with over 450 brands across 42k+ options live.
 2. The business launched "Rowan" toy store, started an apparel line and extended the Gas brand into kids wear.
- Jewels:
 1. Strong festive sales and network expansion drove 16% YoY revenue growth.

2. Launched seven collections during the quarter including “Mahalaya” collection to celebrate the festive season.

- **Lingerie**

1. The category witnessed broad-based revenue growth across all the brands viz. Zivame, Amanté, Clovia.
2. The company leveraged product innovation such as expanded shape-wear line, and sustainable product line using bamboo-based fabric to drive growth.

Grocery

- **Offline Grocery:**

3. The segment delivered the best-ever quarter with high double-digit LFL growth driven by higher footfalls and ABVs.
4. The company plans to focus on premiumization and localization of assortment to improve customer experience.
5. It launched various products under its own brand which includes Sure Packaged Water, Masti Oye Noodles, Meister/Jive Deo extension et al.

- **New Commerce:** The segment reported the highest ever revenue with merchant base up 4x YoY.

- **JioMart and Milkbasket:**

6. Strong performance in ‘Tyohar Ready Sale’ that registered 2.5x growth in traffic and 3x app installations.
7. Milkbasket daily subscriptions doubled over LY that capitalized on regional festivals and events.

Other Segments:

- **Pharma:** Revenue grew ~2.5x YoY driven by growth across channels. Digital commerce orders up 95% YoY with 85%+ stores being hyperlocal enabled.
- **Urban Ladder:** The flagship event ‘Full House Sale’ drove 30% YoY growth in online traffic and revenue.

Business Outlook:

- The company expects the growth momentum to continue with focus on:
 8. Larger India opportunity through continued store expansion and digital commerce.
 9. Expanding new commerce business by accelerating merchant onboarding and increasing the share of wallet
 10. Enhancing supply chain infrastructure and drive efficiencies
 11. Building portfolio of leading own brands across categories, strengthen product and design capabilities
 12. Strengthening people capabilities with continued focus on skill improvement through training.

O2C EBITDA: 5% below estimate

Cracks remain elevated but decline QoQ

- Global gasoline demand rose 0.9mb/d QoQ to 26.7mb/d led by Asia-Pacific with 0.5mb/d growth in demand. Gasoline cracks fell sharply QoQ with low demand in the US due to lower discretionary spending. Higher tanker freight rates also weighed on the export of gasoline, leading to inventory buildup and pressurizing cracks.
- Global diesel demand increased QoQ in 2QFY23 at 28.8mb/d. Gasoil cracks declined QoQ but were still elevated due to gas-to-oil switching, with inventory levels being also higher QoQ. The higher utilization rates and increased exports from China eased supply concerns during the quarter.
- ATF cracks remained elevated at USD32.4/bbl in 2QFY23 (v/s USD5.4/bbl in 2QFY22) as air travel picked up in Asia-Pacific with average number of flights rising ~20% in Jul-Aug'22 along with lower inventory levels that aided the cracks.
- **Global refinery utilization rates improved to 78.2% in 2QFY23 (+210bp QoQ) led by strengthening of distillate demand and cracks.** The global cracker utilization rate declined to ~84.4% in 2QFY23 (+98bp QoQ) with crackers restarting post-turnaround.
- **Outlook: According to IEA estimates, oil demand is likely to average 99.6mb/d in 2022, up 1.9mb/d YoY. The middle distillate cracks are expected to remain firm with high gas prices in the EU as well as the winter demand. Oil demand should also be aided by gas-to-oil switching as winter inches closer. However, weaker global GDP growth, high inflation and interest rates remain concerns that could affect oil demand adversely, with freight rates remaining high for both crude and product tankers.**

Exhibit 38: O2C operating performance – sales and throughput both decline QoQ

| Feedstock (mmt) | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | QoQ % change |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Throughput | 19 | 18.7 | 19.7 | 19.3 | 19.8 | 18.6 | -6% |
| Production meant for sale | 16.5 | 16.8 | 17.6 | 17.3 | 16.9 | 16.2 | -4% |
| Transportation fuels | 9.8 | 9.8 | 10.9 | 10.7 | 10.5 | 9.9 | -6% |
| Polymers | 1.4 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 0% |
| Fiber Intermediates | 1.1 | 1.1 | 1 | 1.0 | 0.8 | 0.9 | 13% |
| Polyesters | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.6 | -14% |
| Chemicals and Others | 3.6 | 3.8 | 3.6 | 3.4 | 3.5 | 3.4 | -3% |

Source: Company, MOFSL

Polymer domestic demand was up 1% YoY in 2QFY23.

Domestic polyester demand was up 2% YoY, although downstream polyester margin remained robust

Petchem – Polymer margins weak with stable Polyester deltas

- Demand remained stable led by healthy growth from agriculture, health & hygiene, food packaging, consumer durables and beverages. PVC demand also remained strong with a good monsoon season but PP demand was impacted adversely by lower-end product exports to regions such as the US and EU. There was a supply constraint due to the planned outage by Indian producers.
- Deltas for PE/PP/PVC declined 10%/ 15%/ 26% QoQ and the same decreased 12%/ 33%/ 24% YoY, respectively. The impact was mainly on weak market sentiments and sharper absolute decline in product prices v/s Naphtha.
- Weak MEG margin was due to a capacity overhang, as PX margin remained firm with integrated players optimizing production to capture high gasoline margin. Ease of logistics constraints led to reduction in ocean freight and lower domestic realizations.
- **Outlook: RIL believes that opening up of the Chinese economy and lower feedstock prices would help Polymer margins to improve. The onset of the festive season is also likely to help Polyester and Polymer demand accelerate.**

Exhibit 39: Polymer – domestic demand for 2QFY23

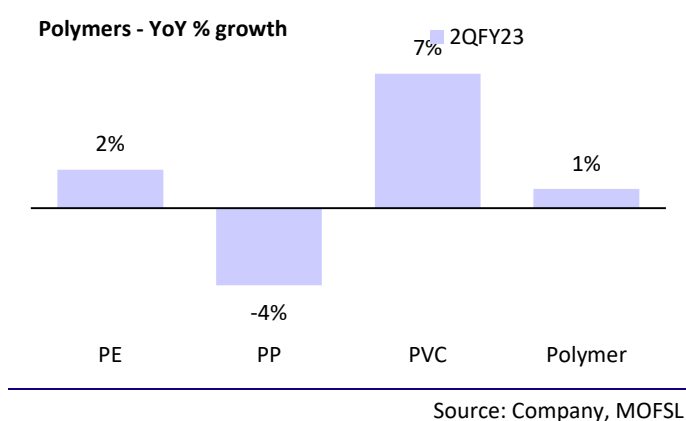


Exhibit 40: Polyester – domestic demand for the quarter

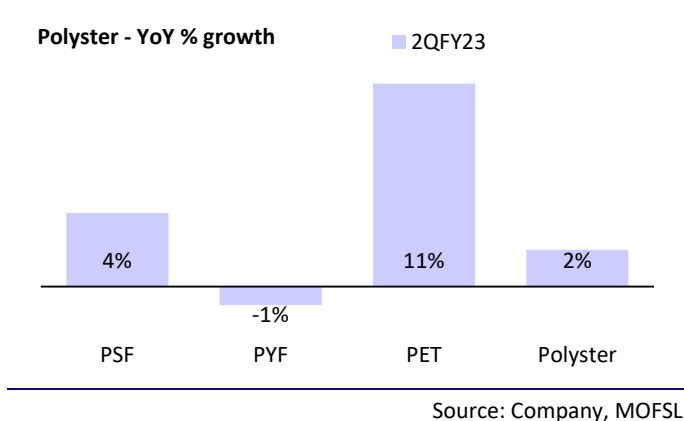


Exhibit 41: Polymer deltas for the quarter

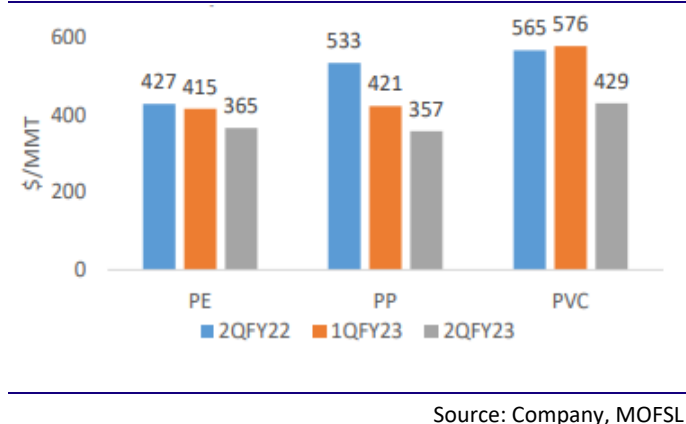
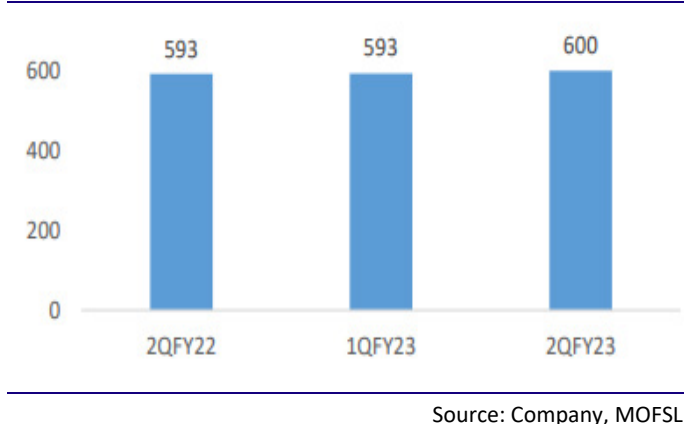


Exhibit 42: Polyester chain margins for 2QFY23 (USD/mmt)



E&P – well-positioned to generate value from the Gas business

- Segmental revenue was strong at INR38.5b (+134% YoY), with EBITDA at INR31.7b in 2QFY23 (up 196% YoY). This was attributable to the higher gas price realization and favorable move in exchange rate. EBITDAM also inched upwards and was at 82% for the quarter.
- **Production remained stable at 19mmscmd at the KG-D6 basin in 2QFY23.** The offshore installation campaign has been successfully completed with Phase-II drilling in progress. Production is likely to commence by the end of the year.
- Price realization for KG-D6 gas improved 173% YoY to USD9.9/mmBtu in 2QFY23 v/s USD3.6/mmBtu in 2QFY22. CBM gas production remained flat QoQ, while realization was higher at USD23.3/mmBtu (up 251% YoY).
- **Outlook: The GoI has already raised gas price ceiling to USD12.5/mmBtu for 2H FY23. The govt. has appointed Dr Kirit Parikh Committee to review domestic natural gas pricing. The Indian gas market remains resilient with gas consumption at 163mmscmd during Jul-Aug'22 and LNG import reducing to 80mmscmd led by higher domestic gas availability and lower demand. The management believes that geopolitical uncertainty and constrained supply is likely to keep gas prices on the higher side in the near term.**

Exhibit 43: Gas production profile and unit price realization

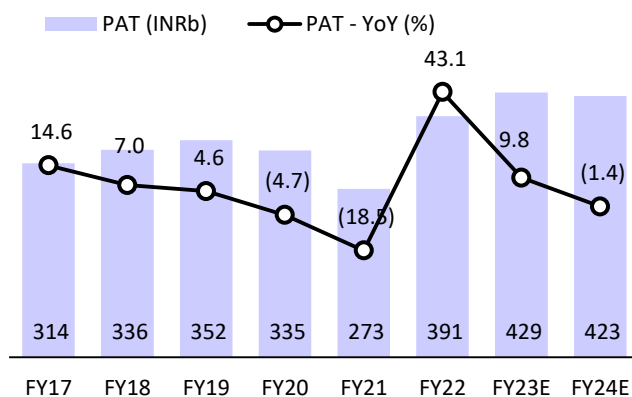
| | 3QFY21 | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | YoY % change | QoQ % change |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|--------------|
| Revenue (INR b) | 4.3 | 8.5 | 12.8 | 16.4 | 25.6 | 20.1 | 36.3 | 38.5 | 134% | 6% |
| EBITDA (INR b) | 0.0 | 4.8 | 8.0 | 10.7 | 20.3 | 15.6 | 27.4 | 31.7 | 196% | 16% |
| EBITDA margin (%) | 1% | 57% | 62% | 65% | 79% | 77% | 76% | 82% | 17% | 7% |
| Production (RIL share) (BCFe) | | | | | | | | | | |
| KG D6 | 1.0 | 15.0 | 33.1 | 39.2 | 39.7 | 38.0 | 40.8 | 41.2 | 5% | 1% |
| CBM | 2.9 | 2.8 | 2.7 | 2.6 | 2.5 | 2.4 | 2.4 | 2.4 | -8% | 0% |
| US Shale* | 22.9 | 6.5 | 10.2 | 11.1 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Price Realization | | | | | | | | | | |
| KG D6 (GCV) - USD/mmBtu | 3.5 | 4.0 | 3.6 | 3.6 | 6.1 | 6.1 | 9.7 | 9.9 | 173% | 2% |
| CBM (GCV) - USD/mmBtu | 4.2 | 5.2 | 6.0 | 6.6 | 7.1 | 7.6 | 22.5 | 23.3 | 251% | 4% |
| US Shale (GCV) - USD/mcfe* | 2.1 | 5.0 | 5.4 | 6.2 | 0.0 | 0.0 | 0.0 | - | | |

*Exited from the shale gas business in North America completely in 3QFY22

Source: Company, MOFSL

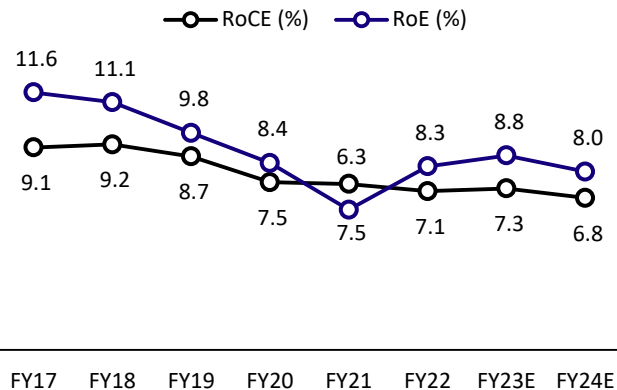
Standalone business – Story in charts

Exhibit 44: Standalone PAT profile



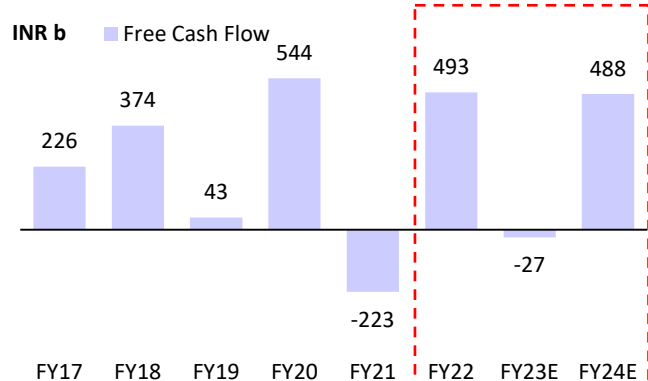
Source: Company, MOFSL

Exhibit 45: Return ratios to improve in FY23E



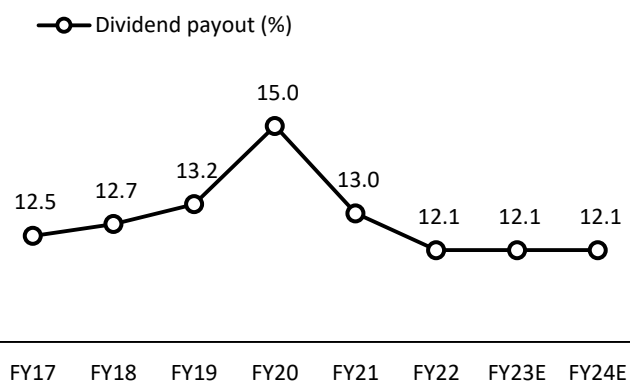
Source: Company, MOFSL

Exhibit 46: Standalone business to generate FCF of INR954b over FY22–24...



Source: Company, MOFSL

Exhibit 47: ...with dividend payout of ~12% going forward (in line with historical trend)



Source: Company, MOFSL

Reliance Jio Infocomm: Financials and valuations

Consolidated - Income Statement

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|----------|------------|------------|------------|------------|------------|------------|--------------|
| Total Income from Operations | 0 | 202 | 407 | 543 | 699 | 770 | 914 | 1,029 |
| Change (%) | -50.0 | NA | 101.8 | 33.6 | 28.7 | 10.1 | 18.7 | 12.7 |
| Total Expenditure | 0 | 134 | 256 | 327 | 390 | 393 | 440 | 477 |
| % of Sales | NA | 66.6 | 62.9 | 60.3 | 55.8 | 51.1 | 48.2 | 46.3 |
| EBITDA | 0 | 67 | 151 | 216 | 309 | 376 | 473 | 553 |
| Margin (%) | NA | 33.4 | 37.1 | 39.7 | 44.2 | 48.9 | 51.8 | 53.7 |
| Depreciation | 0 | 36 | 64 | 74 | 115 | 136 | 183 | 202 |
| EBIT | 0 | 32 | 87 | 142 | 194 | 240 | 290 | 351 |
| Int. and Finance Charges | 0 | 20 | 41 | 66 | 38 | 44 | 42 | 46 |
| Other Income | 0 | 0 | 0 | 1 | 5 | 2 | 3 | 6 |
| PBT after EO Exp. | 0 | 11 | 46 | 76 | 161 | 199 | 251 | 310 |
| Total Tax | 0 | 4 | 16 | 21 | 41 | 50 | 64 | 79 |
| Tax Rate (%) | 34.5 | 34.8 | 34.9 | 27.2 | 25.3 | 25.4 | 25.5 | 25.5 |
| Reported PAT | 0 | 7 | 30 | 56 | 120 | 148 | 187 | 231 |
| Adjusted PAT | 0 | 7 | 30 | 56 | 120 | 148 | 187 | 231 |
| Change (%) | -70.3 | LP | 310.0 | 87.7 | 116.0 | 23.3 | 26.2 | 23.7 |
| Margin (%) | NA | 3.6 | 7.3 | 10.2 | 17.2 | 19.2 | 20.5 | 22.5 |

Consolidated - Balance Sheet

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Equity Share Capital | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 |
| Total Reserves | 259 | 579 | -46 | 1,260 | 1,380 | 1,528 | 1,715 | 1,946 |
| Net Worth | 709 | 1,029 | 404 | 1,710 | 1,830 | 1,978 | 2,165 | 2,396 |
| Total Loans | 1,244 | 1,438 | 1,399 | 470 | 300 | 797 | 1,667 | 1,517 |
| Capital Employed | 1,953 | 2,468 | 1,803 | 2,179 | 2,129 | 2,775 | 3,831 | 3,913 |
| Gross Block | 14 | 1,595 | 1,444 | 1,772 | 1,965 | 2,555 | 4,335 | 4,515 |
| Less: Accum. Deprn. | 4 | 40 | 104 | 138 | 253 | 389 | 613 | 814 |
| Net Fixed Assets | 10 | 1,555 | 1,340 | 1,634 | 1,712 | 2,165 | 3,723 | 3,701 |
| Capital WIP | 1,780 | 700 | 346 | 213 | 170 | 479 | 0 | 0 |
| Total Investments | 9 | 10 | 13 | 25 | 15 | 17 | 11 | 11 |
| Curr. Assets, Loans&Adv. | 211 | 272 | 259 | 545 | 604 | 524 | 534 | 652 |
| Account Receivables | 0 | 9 | 7 | 16 | 14 | 43 | 18 | 20 |
| Cash and Bank Balance | 0 | 7 | 4 | 75 | 6 | 6 | 69 | 184 |
| Loans and Advances | 210 | 256 | 247 | 454 | 584 | 475 | 448 | 449 |
| Curr. Liability & Prov. | 56 | 70 | 155 | 238 | 371 | 410 | 437 | 451 |
| Account Payables | 0 | 31 | 33 | 47 | 22 | 20 | 24 | 26 |
| Other Current Liabilities | 55 | 34 | 121 | 190 | 323 | 313 | 332 | 346 |
| Provisions | 1 | 5 | 1 | 1 | 26 | 78 | 80 | 79 |
| Net Current Assets | 155 | 202 | 104 | 308 | 233 | 114 | 98 | 201 |
| Appl. of Funds | 1,953 | 2,468 | 1,803 | 2,179 | 2,129 | 2,775 | 3,831 | 3,913 |

Reliance Jio Infocomm: Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Basic (INR) | | | | | | | | |
| EPS | 0.0 | 0.2 | 0.7 | 1.2 | 2.7 | 3.3 | 4.2 | 5.1 |
| Cash EPS | 0.0 | 1.0 | 2.1 | 2.9 | 5.2 | 6.3 | 8.2 | 9.6 |
| BV/Share | 15.7 | 22.9 | 9.0 | 38.0 | 40.7 | 44.0 | 48.1 | 53.3 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valuation (x) | | | | | | | | |
| FCF per share | -9.3 | -7.2 | -8.3 | -7.7 | 1.5 | 0.6 | -17.2 | 6.8 |
| Return Ratios (%) | | | | | | | | |
| RoE | -0.1 | 0.8 | 4.1 | 5.3 | 6.8 | 7.8 | 9.0 | 10.1 |
| RoCE | 0.0 | 0.9 | 2.7 | 5.2 | 6.9 | 7.4 | 6.6 | 6.9 |
| RoIC | -0.2 | 2.1 | 3.5 | 6.2 | 7.6 | 8.5 | 7.2 | 7.0 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 0.0 | 0.1 | 0.3 | 0.3 | 0.4 | 0.3 | 0.2 | 0.2 |
| Asset Turnover (x) | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.3 |
| Debtor (Days) | 3,650 | 17 | 7 | 11 | 7 | 20 | 7 | 7 |
| Creditor (Days) | 0 | 56 | 29 | 32 | 12 | 10 | 10 | 9 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 3.8 | 3.9 | 1.7 | 2.3 | 1.6 | 1.3 | 1.2 | 1.4 |
| Interest Cover Ratio | -47.2 | 1.5 | 2.1 | 2.1 | 5.0 | 5.5 | 6.9 | 7.6 |
| Net Debt/Equity | 1.7 | 1.4 | 3.4 | 0.2 | 0.2 | 0.4 | 0.7 | 0.6 |

Consolidated - Cash Flow Statement

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
| OP/(Loss) before Tax | 0 | 11 | 46 | 76 | 161 | 199 | 251 | 310 |
| Depreciation | 0 | 36 | 64 | 74 | 115 | 136 | 183 | 202 |
| Interest & Finance Charges | 0 | 20 | 41 | 66 | 38 | 44 | 42 | 46 |
| Direct Taxes Paid | 0 | -2 | -10 | -12 | -1 | -1 | -64 | -79 |
| (Inc)/Dec in WC | -34 | -29 | -75 | -40 | 19 | -64 | 79 | 11 |
| CF from Operations | -34 | 36 | 66 | 165 | 332 | 313 | 492 | 491 |
| Others | 0 | 0 | 0 | -2 | -6 | 0 | -3 | -6 |
| CF from Operating incl EO | -34 | 36 | 67 | 163 | 326 | 313 | 489 | 485 |
| (Inc)/Dec in FA | -385 | -358 | -438 | -508 | -257 | -288 | -1,262 | -180 |
| Free Cash Flow | -419 | -322 | -372 | -345 | 69 | 25 | -774 | 305 |
| (Pur)/Sale of Investments | 0 | -1 | 0 | -9 | 14 | -1 | 6 | 0 |
| Others | 0 | 0 | -4 | -164 | 0 | 0 | 3 | 6 |
| CF from Investments | -386 | -359 | -442 | -681 | -243 | -288 | -1,254 | -174 |
| Issue of Eq/Pref.Shares | 337 | 313 | 0 | 1,250 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | 141 | 102 | 460 | -538 | -120 | 106 | 870 | -150 |
| Interest Paid | -58 | -85 | -92 | -103 | -23 | -130 | -42 | -46 |
| Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | -20 | -8 | 0 | 0 | 0 |
| CF from Fin. Activity | 420 | 330 | 368 | 588 | -152 | -24 | 828 | -196 |
| Inc/Dec of Cash | 0 | 7 | -7 | 70 | -69 | 0 | 63 | 115 |
| Opening Balance | 0 | 0 | 7 | 0 | 71 | 2 | 2 | 65 |
| Closing Balance | 0 | 7 | 0 | 71 | 2 | 2 | 65 | 180 |
| Other Bank Balance | 0 | 0 | 4 | 4 | 4 | 4 | 4 | 4 |
| Total balance | 0 | 7 | 4 | 75 | 6 | 6 | 69 | 184 |

Reliance Retail: Financials and valuations

Standalone - Income Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
| Total Income from Operations | 264 | 515 | 1019 | 1304 | 1317 | 1694 | 2208 | 2862 |
| Change (%) | 44.2 | 94.6 | 98.1 | 27.9 | 1.0 | 28.6 | 30.3 | 29.6 |
| Total Expenditure | 253 | 491 | 960 | 1212 | 1236 | 1591 | 2055 | 2653 |
| % of Sales | 95.6 | 95.4 | 94.2 | 93.0 | 93.9 | 93.9 | 93.1 | 92.7 |
| EBITDA | 12 | 24 | 59 | 91 | 81 | 103 | 153 | 209 |
| Margin (%) | 4.4 | 4.6 | 5.8 | 7.0 | 6.1 | 6.1 | 6.9 | 7.3 |
| Depreciation | 4 | 4 | 6 | 11 | 14 | 18 | 21 | 26 |
| EBIT | 8 | 19 | 53 | 80 | 66 | 85 | 132 | 184 |
| Int. and Finance Charges | 1 | 1 | 6 | 9 | 7 | 20 | 33 | 33 |
| Other Income | 0 | 0 | 1 | 3 | 2 | 0 | 2 | 2 |
| PBT bef. EO Exp. | 8 | 19 | 48 | 74 | 62 | 66 | 101 | 152 |
| EO Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PBT after EO Exp. | 7 | 19 | 48 | 74 | 62 | 66 | 101 | 152 |
| Total Tax | 3 | 6 | 17 | 19 | 16 | 16 | 25 | 38 |
| Tax Rate (%) | 43.6 | 33.7 | 34.9 | 25.4 | 25.8 | 25.0 | 25.2 | 25.2 |
| Reported PAT | 4 | 12 | 31 | 55 | 46 | 49 | 75 | 114 |
| Adjusted PAT | 4 | 12 | 31 | 55 | 46 | 49 | 75 | 114 |
| Change (%) | 40.4 | 192.8 | 152.4 | 76.5 | -17.2 | 7.6 | 52.6 | 51.2 |
| Margin (%) | 1.6 | 2.4 | 3.1 | 4.2 | 3.5 | 2.9 | 3.4 | 4.0 |

Standalone - Balance Sheet

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|
| Equity Share Capital | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Total Reserves | 18 | 41 | 76 | 131 | 203 | 253 | 328 | 442 |
| Net Worth | 68 | 91 | 126 | 181 | 253 | 303 | 378 | 492 |
| Total Loans | 0 | 34 | 128 | 47 | 147 | 408 | 417 | 417 |
| Deferred Tax Liabilities | -9 | -6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Employed | 60 | 119 | 254 | 228 | 401 | 710 | 795 | 909 |
| Gross Block | 40 | 53 | 98 | 114 | 158 | 229 | 260 | 309 |
| Less: Accum. Deprn. | 17 | 21 | 26 | 33 | 43 | 61 | 81 | 106 |
| Net Fixed Assets | 23 | 32 | 72 | 82 | 114 | 168 | 180 | 203 |
| Capital WIP | 7 | 41 | 25 | 88 | 106 | 237 | 237 | 237 |
| Total Investments | 8 | 5 | 36 | 6 | 6 | 7 | 6 | 6 |
| Curr. Assets, Loans&Adv. | 70 | 156 | 211 | 180 | 276 | 469 | 540 | 680 |
| Inventory | 51 | 105 | 113 | 93 | 123 | 200 | 207 | 268 |
| Account Receivables | 7 | 22 | 43 | 25 | 60 | 88 | 103 | 134 |
| Cash and Bank Balance | 3 | 2 | 3 | 3 | 4 | 5 | 81 | 86 |
| Loans and Advances | 9 | 28 | 52 | 58 | 89 | 176 | 149 | 193 |
| Curr. Liability & Prov. | 48 | 116 | 90 | 128 | 101 | 171 | 168 | 217 |
| Account Payables | 39 | 82 | 41 | 57 | 67 | 129 | 110 | 143 |
| Other Current Liabilities | 9 | 33 | 48 | 71 | 34 | 41 | 57 | 73 |
| Provisions | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| Net Current Assets | 22 | 41 | 121 | 52 | 174 | 298 | 372 | 463 |
| Appl. of Funds | 60 | 119 | 254 | 228 | 401 | 710 | 795 | 909 |

E: MOFSL Estimates

Reliance Retail: Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|------------|------------|------------|-------------|------------|------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 0.9 | 2.5 | 6.3 | 11.1 | 9.2 | 9.9 | 15.1 | 22.8 |
| Cash EPS | 1.6 | 3.4 | 7.5 | 13.3 | 12.1 | 13.5 | 19.3 | 28.0 |
| BV/Share | 13.7 | 18.2 | 25.2 | 36.3 | 50.8 | 60.6 | 75.7 | 98.6 |
| DPS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 6.6 | 15.7 | 29.0 | 36.1 | 21.1 | 17.8 | 22.1 | 26.2 |
| RoCE | 6.7 | 13.5 | 18.7 | 25.7 | 16.2 | 11.6 | 13.3 | 16.3 |
| RoIC | 9.6 | 22.8 | 26.6 | 37.5 | 23.7 | 17.2 | 21.2 | 26.2 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 6.6 | 9.7 | 10.4 | 11.4 | 8.4 | 7.4 | 8.5 | 9.3 |
| Asset Turnover (x) | 4.4 | 4.3 | 4.0 | 5.7 | 3.3 | 2.4 | 2.8 | 3.2 |
| Inventory (Days) | 70 | 74 | 40 | 26 | 34 | 43 | 34 | 34 |
| Debtor (Days) | 10 | 16 | 16 | 7 | 17 | 19 | 17 | 17 |
| Creditor (Days) | 54 | 58 | 15 | 16 | 19 | 28 | 18 | 18 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 1.5 | 1.4 | 2.3 | 1.4 | 2.7 | 2.7 | 3.2 | 3.1 |
| Interest Cover Ratio | 10.3 | 19.1 | 8.7 | 9.3 | 9.6 | 4.3 | 4.0 | 5.5 |
| Net Debt/Equity | -0.2 | 0.3 | 0.7 | 0.2 | 0.5 | 1.3 | 0.9 | 0.7 |

Standalone Cashflow Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|------------|------------|------------|-------------|------------|-------------|------------|------------|
| OP/(Loss) before Tax | 8 | 19 | 48 | 74 | 62 | 66 | 101 | 152 |
| Depreciation | 4 | 4 | 6 | 11 | 14 | 18 | 21 | 26 |
| Interest & Finance Charges | 1 | 1 | -1 | -2 | -2 | 20 | 33 | 33 |
| Direct Taxes Paid | -1 | -5 | -10 | -11 | -14 | -12 | -25 | -38 |
| (Inc)/Dec in WC | 11 | -15 | -33 | 84 | -61 | -75 | 2 | -86 |
| CF from Operations | 22 | 4 | 11 | 156 | -1 | 16 | 132 | 87 |
| Others | 1 | 1 | -24 | 9 | 7 | 0 | -2 | -2 |
| CF from Operating incl EO | 22 | 5 | -13 | 165 | 6 | 16 | 130 | 85 |
| (Inc)/Dec in FA | -8 | -48 | -47 | -67 | -82 | -203 | -33 | -49 |
| Free Cash Flow | 14 | -43 | -60 | 98 | -76 | -187 | 97 | 36 |
| (Pur)/Sale of Investments | -3 | 3 | -7 | 18 | 0 | -1 | 1 | 0 |
| Others | 0 | -4 | 0 | 2 | -15 | -52 | 2 | 2 |
| CF from Investments | -11 | -49 | -54 | -48 | -97 | -257 | -29 | -47 |
| Issue of Shares | 0 | 10 | 4 | 0 | 26 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -8 | 34 | 94 | -81 | 118 | 260 | 9 | 0 |
| Interest Paid | -1 | -1 | -6 | -9 | -6 | -19 | -33 | -33 |
| Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | -23 | -27 | -47 | 0 | 0 | 0 |
| CF from Fin. Activity | -9 | 43 | 68 | -117 | 91 | 241 | -24 | -33 |
| Inc/Dec of Cash | 2 | -1 | 2 | 0 | 0 | 1 | 76 | 5 |
| Opening Balance | 0 | 3 | 2 | 3 | 3 | 4 | 5 | 81 |
| Closing Balance | 3 | 2 | 3 | 3 | 4 | 5 | 81 | 86 |

RIL: Standalone financials and valuations

Standalone - Income Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Income from Operations | 2,420 | 2,900 | 3,716 | 3,370 | 2,457 | 4,237 | 5,300 | 4,866 |
| Change (%) | 4 | 20 | 28 | -9 | -27 | 72 | 25 | -8 |
| EBITDA | 433 | 517 | 589 | 528 | 335 | 523 | 648 | 624 |
| Margin (%) | 18 | 18 | 16 | 16 | 14 | 12 | 12 | 13 |
| Depreciation | 85 | 96 | 106 | 97 | 92 | 103 | 107 | 116 |
| EBIT | 348 | 422 | 483 | 431 | 243 | 420 | 540 | 508 |
| Int. and Finance Charges | 27 | 47 | 98 | 121 | 162 | 91 | 99 | 96 |
| Other Income | 87 | 82 | 88 | 136 | 148 | 139 | 133 | 154 |
| PBT bef. EO Exp. | 408 | 457 | 474 | 446 | 229 | 468 | 574 | 566 |
| EO Items | 0 | 0 | 0 | -42 | 43 | 0 | 0 | 0 |
| PBT after EO Exp. | 408 | 457 | 474 | 403 | 272 | 468 | 574 | 566 |
| Total Tax | 94 | 121 | 122 | 94 | -47 | 77 | 145 | 142 |
| Tax Rate (%) | 22.9 | 26.5 | 25.8 | 23.3 | -17.4 | 16.5 | 25.2 | 25.2 |
| Reported PAT | 314 | 336 | 352 | 309 | 319 | 391 | 429 | 423 |
| Adjusted PAT | 314 | 336 | 352 | 335 | 273 | 391 | 429 | 423 |
| Change (%) | 15 | 7 | 5 | -5 | -19 | 43 | 10 | -1 |
| Margin (%) | 13 | 12 | 9 | 10 | 11 | 9 | 8 | 9 |

Standalone - Balance Sheet

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21E | FY21E | FY23E | FY24E |
|-------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Equity Share Capital | 33 | 63 | 63 | 63 | 64 | 68 | 68 | 68 |
| Total Reserves | 2,851 | 3,083 | 3,990 | 3,849 | 4,680 | 4,648 | 5,025 | 5,397 |
| Net Worth | 2,883 | 3,146 | 4,053 | 3,912 | 4,745 | 4,715 | 5,092 | 5,464 |
| Total Loans | 1,013 | 968 | 1,572 | 1,973 | 1,667 | 1,946 | 2,092 | 1,820 |
| Deferred Tax Liabilities | 248 | 279 | 473 | 506 | 308 | 308 | 308 | 308 |
| Capital Employed | 4,144 | 4,394 | 6,098 | 6,391 | 6,720 | 6,969 | 7,492 | 7,592 |
| Gross Block | 2,584 | 3,159 | 3,286 | 4,417 | 4,512 | 3,943 | 4,362 | 4,702 |
| Less: Accum. Deprn. | 1,053 | 1,149 | 1,255 | 1,352 | 1,444 | 1,547 | 1,655 | 1,771 |
| Net Fixed Assets | 1,531 | 2,010 | 2,032 | 3,065 | 3,068 | 2,396 | 2,706 | 2,931 |
| Capital WIP | 1,342 | 995 | 1,116 | 280 | 328 | 347 | 279 | 289 |
| Total Investments | 1,925 | 2,252 | 3,317 | 4,918 | 3,473 | 4,088 | 4,088 | 4,088 |
| Curr. Assets, Loans&Adv. | 670 | 919 | 1,293 | 1,454 | 1,851 | 1,933 | 2,664 | 2,346 |
| Inventory | 340 | 396 | 441 | 388 | 374 | 459 | 574 | 527 |
| Account Receivables | 55 | 105 | 121 | 75 | 42 | 144 | 180 | 165 |
| Cash and Bank Balance | 18 | 27 | 38 | 85 | 56 | 217 | 185 | 254 |
| Loans and Advances | 257 | 391 | 693 | 907 | 1,379 | 1,113 | 1,724 | 1,400 |
| Curr. Liability & Prov. | 1,324 | 1,781 | 1,659 | 3,326 | 2,001 | 1,795 | 2,245 | 2,062 |
| Account Payables | 1,290 | 1,750 | 1,626 | 3,301 | 1,977 | 1,770 | 2,214 | 2,033 |
| Provisions | 34 | 31 | 33 | 25 | 24 | 25 | 31 | 29 |
| Net Current Assets | -654 | -863 | -366 | -1,872 | -150 | 138 | 419 | 285 |
| Appl. of Funds | 4,144 | 4,394 | 6,098 | 6,391 | 6,720 | 6,969 | 7,492 | 7,592 |

RIL: Standalone financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 48.8 | 52.2 | 54.6 | 52.0 | 42.4 | 60.6 | 66.6 | 65.7 |
| Cash EPS | 61.9 | 67.0 | 70.9 | 67.1 | 56.6 | 76.6 | 83.2 | 83.7 |
| BV/Share | 468.6 | 511.4 | 658.8 | 635.8 | 771.2 | 766.4 | 827.7 | 888.1 |
| Valuation (x) | | | | | | | | |
| P/E | 50.7 | 47.4 | 45.3 | 47.5 | 58.3 | 40.7 | 37.1 | 37.6 |
| Cash P/E | 39.9 | 36.9 | 34.8 | 36.8 | 43.6 | 32.3 | 29.7 | 29.5 |
| P/BV | 5.3 | 4.8 | 3.7 | 3.9 | 3.2 | 3.2 | 3.0 | 2.8 |
| EV/Sales | 7.0 | 5.8 | 4.7 | 5.3 | 7.1 | 4.2 | 3.4 | 3.6 |
| EV/EBITDA | 39.1 | 32.6 | 29.7 | 33.7 | 52.3 | 33.7 | 27.5 | 28.0 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| FCF per share | 35.1 | 58.0 | 6.7 | 84.3 | -34.5 | 76.6 | -4.2 | 75.7 |
| Return Ratios (%) | | | | | | | | |
| RoE | 11.6 | 11.1 | 9.8 | 8.4 | 6.3 | 8.3 | 8.8 | 8.0 |
| RoCE | 9.1 | 9.2 | 8.7 | 7.5 | 7.5 | 7.1 | 7.3 | 6.8 |
| RoIC | 29.6 | 31.3 | 26.1 | 24.1 | 14.4 | 13.6 | 15.4 | 12.9 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 0.9 | 0.9 | 1.1 | 0.8 | 0.5 | 1.1 | 1.2 | 1.0 |
| Asset Turnover (x) | 0.6 | 0.7 | 0.6 | 0.5 | 0.4 | 0.6 | 0.7 | 0.6 |
| Inventory (Days) | 51 | 50 | 43 | 42 | 56 | 40 | 40 | 40 |
| Debtor (Days) | 8 | 13 | 12 | 8 | 6 | 12 | 12 | 12 |
| Creditor (Days) | 195 | 220 | 160 | 358 | 294 | 152 | 152 | 152 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 0.5 | 0.5 | 0.8 | 0.4 | 0.9 | 1.1 | 1.2 | 1.1 |
| Interest Cover Ratio | 12.8 | 9.1 | 5.0 | 3.6 | 1.5 | 4.6 | 5.5 | 5.3 |
| Net Debt/Equity | 0.3 | 0.3 | 0.4 | 0.5 | 0.3 | 0.4 | 0.4 | 0.3 |

Standalone - Cash Flow Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|
| OP/(Loss) before Tax | 408 | 457 | 474 | 403 | 272 | 468 | 574 | 566 |
| Depreciation | 85 | 96 | 106 | 97 | 92 | 103 | 107 | 116 |
| Interest & Finance Charges | 27 | 47 | 98 | 121 | 162 | 91 | 99 | 96 |
| Direct Taxes Paid | -96 | -86 | -94 | -53 | -17 | -15 | -145 | -142 |
| (Inc)/Dec in WC | 195 | 205 | -193 | 335 | -320 | 138 | -312 | 203 |
| Others | -105 | -99 | -98 | -129 | -194 | -111 | 0 | 0 |
| CF from Operations | 515 | 620 | 292 | 775 | -5 | 675 | 323 | 838 |
| (Inc)/Dec in FA | -288 | -246 | -249 | -232 | -218 | -181 | -350 | -350 |
| Free Cash Flow | 226 | 374 | 43 | 544 | -223 | 493 | -27 | 488 |
| (Pur)/Sale of Investments | -6,494 | -5,348 | -127 | -1,309 | 1,202 | -563 | 0 | 0 |
| Others | 6,233 | 5,003 | -163 | 105 | -242 | 292 | 0 | 0 |
| CF from Investments | -549 | -591 | -539 | -1,436 | 743 | -453 | -350 | -350 |
| Inc/(Dec) in Debt | 30 | 91 | 415 | 118 | -181 | -238 | 146 | -272 |
| Interest Paid | -54 | -73 | -116 | -145 | -143 | -110 | -99 | -96 |
| Dividend Paid | 0 | -39 | -43 | -46 | -39 | -43 | -52 | -51 |
| CF from Fin. Activity | -16 | -19 | 258 | 708 | -766 | -60 | -5 | -419 |
| Inc/Dec of Cash | -51 | 10 | 10 | 47 | -29 | 161 | -32 | 69 |
| Opening Balance | 69 | 18 | 27 | 38 | 84 | 56 | 217 | 185 |
| Closing Balance | 18 | 27 | 38 | 85 | 56 | 217 | 185 | 254 |

RIL: Consolidated financials and valuations

Consolidated - Income Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Income from Operations | 3,054 | 3,917 | 5,692 | 5,967 | 4,669 | 7,000 | 8,720 | 9,057 |
| Change (%) | 11.5 | 28.3 | 45.3 | 4.8 | -21.8 | 49.9 | 24.6 | 3.9 |
| Total Expenditure | 2,592 | 3,275 | 4,850 | 5,085 | 3,862 | 5,895 | 7,344 | 7,569 |
| % of Sales | 84.9 | 83.6 | 85.2 | 85.2 | 82.7 | 84.2 | 84.2 | 83.6 |
| EBITDA | 462 | 642 | 842 | 882 | 807 | 1,105 | 1,375 | 1,488 |
| Margin (%) | 15.1 | 16.4 | 14.8 | 14.8 | 17.3 | 15.8 | 15.8 | 16.4 |
| Depreciation | 116 | 167 | 209 | 222 | 266 | 298 | 353 | 385 |
| EBIT | 345 | 475 | 632 | 660 | 542 | 807 | 1,022 | 1,103 |
| Int. and Finance Charges | 38 | 81 | 165 | 220 | 212 | 146 | 165 | 166 |
| Other Income | 93 | 89 | 84 | 140 | 163 | 149 | 151 | 179 |
| PBT bef. EO Exp. | 400 | 483 | 551 | 579 | 493 | 810 | 1,008 | 1,115 |
| EO Items | 0 | 0 | 0 | -44 | 56 | 28 | 0 | 0 |
| PBT after EO Exp. | 400 | 483 | 551 | 535 | 549 | 839 | 1,008 | 1,115 |
| Total Tax | 102 | 133 | 154 | 137 | 17 | 163 | 253 | 279 |
| Tax Rate (%) | 25.5 | 27.6 | 27.9 | 25.7 | 3.1 | 19.4 | 25.1 | 25.0 |
| Minority Interest | -1 | -11 | -1 | -1 | 41 | 69 | 68 | 85 |
| Reported PAT | 299 | 361 | 398 | 399 | 491 | 607 | 687 | 751 |
| Adjusted PAT | 299 | 361 | 398 | 432 | 437 | 584 | 687 | 751 |
| Change (%) | 0.5 | 20.7 | 10.4 | 8.4 | 1.1 | 33.8 | 17.6 | 9.3 |
| Margin (%) | 9.8 | 9.2 | 7.0 | 7.2 | 9.4 | 8.3 | 7.9 | 8.3 |

Consolidated - Balance Sheet

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital | 30 | 59 | 59 | 63 | 64 | 68 | 68 | 68 |
| Eq. Share Warrants & App. Money | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Reserves | 2,608 | 2,876 | 3,812 | 4,428 | 6,937 | 7,727 | 8,362 | 9,062 |
| Net Worth | 2,637 | 2,935 | 3,871 | 4,492 | 7,002 | 7,795 | 8,430 | 9,130 |
| Minority Interest | 29 | 35 | 83 | 122 | 993 | 1,095 | 1,095 | 1,095 |
| Total Loans | 1,837 | 1,816 | 2,719 | 2,914 | 2,238 | 2,820 | 3,120 | 3,120 |
| Deferred Tax Liabilities | 212 | 245 | 499 | 541 | 370 | 496 | 496 | 496 |
| Capital Employed | 4,715 | 5,032 | 7,173 | 8,069 | 10,602 | 12,206 | 13,141 | 13,841 |
| Gross Block | 3,564 | 5,775 | 5,868 | 7,450 | 7,802 | 8,938 | 11,143 | 12,454 |
| Less: Accum. Deprn. | 1,628 | 1,795 | 2,004 | 2,226 | 2,492 | 2,790 | 3,143 | 3,527 |
| Net Fixed Assets | 1,936 | 3,981 | 3,864 | 5,224 | 5,310 | 6,148 | 8,000 | 8,926 |
| Goodwill on Consolidation | 49 | 58 | 120 | 103 | 102 | 130 | 130 | 130 |
| Capital WIP | 3,248 | 1,870 | 1,795 | 1,091 | 1,260 | 1,725 | 1,170 | 609 |
| Total Investments | 856 | 855 | 2,403 | 2,768 | 3,648 | 3,943 | 3,943 | 3,943 |
| Curr. Assets, Loans&Adv. | 978 | 1,348 | 1,843 | 2,474 | 2,892 | 3,051 | 3,375 | 3,844 |
| Inventory | 490 | 608 | 676 | 739 | 817 | 1,078 | 1,343 | 1,395 |
| Account Receivables | 82 | 176 | 301 | 197 | 190 | 236 | 294 | 306 |
| Cash and Bank Balance | 30 | 43 | 111 | 309 | 174 | 362 | 25 | 364 |
| Loans and Advances | 377 | 522 | 755 | 1,229 | 1,711 | 1,375 | 1,713 | 1,779 |
| Curr. Liability & Prov. | 2,353 | 3,081 | 2,851 | 3,590 | 2,610 | 2,791 | 3,476 | 3,611 |
| Account Payables | 766 | 1,069 | 1,083 | 968 | 1,089 | 1,593 | 1,985 | 2,062 |
| Other Current Liabilities | 1,546 | 1,971 | 1,721 | 2,581 | 1,465 | 1,159 | 1,444 | 1,500 |
| Provisions | 41 | 41 | 47 | 41 | 56 | 38 | 47 | 49 |
| Net Current Assets | -1,375 | -1,732 | -1,009 | -1,116 | 282 | 260 | -101 | 233 |
| Appl. of Funds | 4,715 | 5,032 | 7,173 | 8,069 | 10,602 | 12,206 | 13,141 | 13,841 |

E: MOFSL Estimates

RIL: Consolidated financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Basic (INR) | | | | | | | | |
| EPS | 101.1 | 60.9 | 67.2 | 68.1 | 67.7 | 86.4 | 101.6 | 111.0 |
| Cash EPS | 64.5 | 81.9 | 94.3 | 101.5 | 109.0 | 136.9 | 161.4 | 176.2 |
| BV/Share | 409.2 | 455.4 | 600.6 | 696.9 | 1,086.4 | 1,209.4 | 1,308.0 | 1,416.6 |
| DPS | 5.1 | 5.5 | 6.0 | 6.0 | 6.4 | 7.0 | 7.7 | 7.6 |
| Payout (%) | 13.1 | 11.9 | 11.6 | 11.6 | 8.4 | 7.8 | 7.6 | 6.8 |
| Valuation (x) | | | | | | | | |
| P/E | 24.5 | 40.6 | 36.8 | 36.3 | 36.5 | 28.6 | 24.3 | 22.3 |
| Cash P/E | 38.3 | 30.2 | 26.2 | 24.4 | 22.7 | 18.1 | 15.3 | 14.0 |
| P/BV | 6.0 | 5.4 | 4.1 | 3.5 | 2.3 | 2.0 | 1.9 | 1.7 |
| EV/Sales | 5.8 | 4.5 | 3.3 | 3.1 | 3.9 | 2.7 | 2.3 | 2.2 |
| EV/EBITDA | 38.4 | 27.6 | 22.0 | 21.0 | 22.3 | 17.4 | 14.4 | 13.1 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| FCF per share | 1.7 | 1.8 | -0.8 | -22.1 | 14.3 | -18.3 | 0.0 | 0.0 |
| Return Ratios (%) | | | | | | | | |
| RoE | 12.1 | 13.0 | 11.7 | 10.3 | 7.6 | 7.9 | 8.5 | 8.6 |
| RoCE | 7.5 | 8.8 | 9.1 | 8.5 | 8.2 | 7.8 | 7.9 | 8.1 |
| RoIC | 27.9 | 24.2 | 17.8 | 14.5 | 11.1 | 11.1 | 10.8 | 9.8 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 0.9 | 0.7 | 1.0 | 0.8 | 0.6 | 0.8 | 0.8 | 0.7 |
| Asset Turnover (x) | 0.6 | 0.8 | 0.8 | 0.7 | 0.4 | 0.6 | 0.7 | 0.7 |
| Inventory (Days) | 59 | 57 | 43 | 45 | 64 | 56 | 56 | 56 |
| Debtor (Days) | 10 | 16 | 19 | 12 | 15 | 12 | 12 | 12 |
| Creditor (Days) | 92 | 100 | 69 | 59 | 85 | 83 | 83 | 83 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 0.4 | 0.4 | 0.6 | 0.7 | 1.1 | 1.1 | 1.0 | 1.1 |
| Interest Cover Ratio | 9.0 | 5.9 | 3.8 | 3.0 | 2.6 | 5.5 | 6.2 | 6.6 |
| Net Debt/Equity | 0.7 | 0.6 | 0.7 | 0.6 | 0.3 | 0.3 | 0.4 | 0.3 |

Consolidated - Cash Flow Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|--------------|
| PBT | 400 | 494 | 552 | 536 | 555 | 839 | 1,008 | 1,115 |
| Depreciation | 116 | 167 | 209 | 222 | 266 | 298 | 353 | 385 |
| Tax paid | -101 | -98 | -122 | -84 | -32 | -38 | -253 | -279 |
| Change in deferred tax liability | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in net working capital | 155 | 185 | -288 | 219 | -507 | 7 | 25 | 5 |
| Misc | -75 | -34 | 72 | 87 | -19 | 1 | -68 | -85 |
| Operating cash flow | 496 | 715 | 423 | 981 | 262 | 1,107 | 1,065 | 1,141 |
| Capex | -766 | -730 | -928 | -756 | -1,035 | -970 | -1,650 | -750 |
| Change in investments | 92 | 35 | -19 | 141 | -473 | 3 | 0 | 0 |
| Misc | 11 | 11 | -5 | -142 | 92 | -124 | 0 | 0 |
| Investing cash flows | -663 | -683 | -951 | -757 | -1,416 | -1,092 | -1,650 | -750 |
| Change in borrowings | 215 | 199 | 865 | 356 | -837 | 99 | 300 | 0 |
| Misc | -137 | -184 | -265 | -337 | -241 | -285 | 0 | 0 |
| Issuance of equity | 8 | 5 | 2 | 1 | 2,136 | 402 | 0 | 0 |
| Others | -129 | -180 | -263 | -335 | 1,895 | 117 | 0 | 0 |
| Dividend paid | -1 | -39 | -43 | -46 | -39 | -43 | -52 | -51 |
| Financing cash flow | 86 | -20 | 559 | -25 | 1,019 | 173 | 248 | -51 |
| Net change in cash | -81 | 12 | 31 | 198 | -135 | 188 | -337 | 339 |
| Closing cash balance | 30 | 43 | 111 | 309 | 174 | 362 | 25 | 364 |

E: MOFSL Estimates

NOTES

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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