

Reliance Industries (RELIANCE)

Oil, Gas & Consumable Fuels

ADD

CMP(₹): 1,476

Fair Value(₹): 1,605

Sector View: Neutral

NIFTY-50: 24,968

July 21, 2025

1Q miss due to retail/O2C; downgrade to ADD

RIL's 1QFY26 consolidated EBITDA (+11% yoy, down 2% qoq) was 4% below our estimates. Retail EBITDA (+12.5% yoy, down 5.1% qoq) and O2C EBITDA (+11% yoy, down 3.8% qoq) were 6-7% below KIE estimates. Digital business (EBITDA +23%/6% yoy/qoq) and E&P (EBITDA down 4.1%/2.5% yoy/qoq) were 2.2%/3.7% ahead of KIE estimates. 1Q capex, at Rs299 bn, moderated (Rs360 bn in 4Q) and reported net debt (Rs1.2 tn) was flat. Despite the miss, the retail business outlook is sanguine and improved margins in telecom are a positive. Recent enhanced EU sanctions on Russia increase uncertainty, but could be a positive if enforced strictly, in our view. However, after the recent run, valuations are richer and the upside looks limited. Downgrade to ADD (from BUY); FV of Rs1,605 (Rs1,520 earlier).

1QFY26: Miss on retail/O2C; digital and E&P better

Consolidated EBITDA, at Rs429 bn (+11% yoy, down 2.1% qoq), was 4% below our estimates. Retail and O2C, while up yoy, were below estimates. **Retail EBITDA** of Rs63.8 bn (+12.5% yoy, down 5.1% qoq) was 6.4% below KIE estimates. **O2C EBITDA**, at Rs145 bn (+10.8% yoy, down 3.8% qoq), was 7% below KIE estimates. However, Digital was better and E&P decline was lower. **Digital Services** EBITDA, at Rs183 bn (+23% yoy, 6% qoq), was 2.2% ahead on margin expansion, led by improved operational efficiency. **E&P EBITDA**, at Rs50 bn (down 4.1%/2.5% yoy/qoq), was 3.7% ahead on lower production declines and opex. Adjusted for extraordinary income (Rs89.2 bn from the Asian Paints stake sale), consolidated PBT, at Rs282 bn (+22% yoy, down 3% qoq), was 5.2% below KIE. Adjusted PAT, at Rs181 bn (+19% yoy, down 6.9% qoq), was 7.4% below KIE.

Retail: Subdued 1Q driven by consumer electronics; QC seeing good growth

Gross revenue, at Rs842 bn (+11.3% yoy, down 5% qoq), was 6.7% below our estimates. Adjusted for connectivity (revenue up 16.6% yoy), core retail revenue was up ~8.3% yoy (9.7% below KIE). Operating EBITDA, at Rs60.4 bn (up 10.9% yoy, down 7.2% qoq), was 8.2% below our estimates. EBITDA margins, at 7.2% (down 2 bps yoy, down 17 bps qoq), were 12 bps below our estimates.

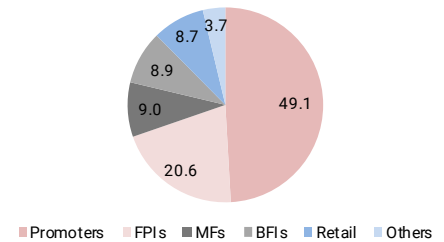
According to the company, while grocery and fashion did well, consumer electronics was impacted due to the early monsoon and AC sales, in particular, were impacted. 1Q is seasonally weaker qoq. EBITDA was also impacted due to the residual impact of last year's store rationalization. JioMart's hyper-local business continues to see strong growth. It now covers 4,290 pin codes across 2,100+ stores in 1,000+ cities. The daily orders grew 68% qoq and 175% yoy. It is adding dark stores in the areas that have high demand or where there are gaps. The consumer business under Reliance Consumer Products Limited (RCPL) continues to see strong growth, with 1Q revenue of Rs44 bn, up 2X yoy. Reliance has filed for a scheme of demerger of RCPL from RRVL, with April 01, 2025, as the effective date. Post-demerger, RCPL will become RIL's subsidiary, with the shareholding mirroring RRVL's current shareholding.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,476/1,605/ADD
52-week range (Rs) (high-low)	1,594-1,115
Mcap (bn) (Rs/US\$)	19,975/231.9
ADTV-3M (mn) (Rs/US\$)	17,674/205.2

Shareholding pattern (%)



Price performance (%)

	1M	3M	12M
Absolute	3	16	(7)
Rel. to Nifty	3	11	(8)
Rel. to MSCI India	2	9	(6)

Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	51.5	57.7	71.0
EPS growth (%)	0.0	12.1	23.1
P/E (X)	28.7	25.6	20.8
P/B (X)	2.4	2.2	2.0
EV/EBITDA (X)	13.7	11.8	9.6
RoE (%)	8.5	8.8	9.9
Div. yield (%)	0.4	0.4	0.4
Sales (Rs bn)	9,647	9,812	10,751
EBITDA (Rs bn)	1,654	1,841	2,176
Net profits (Rs bn)	696	781	961

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of July 18, 2025

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R-Jio: Ahead on margin expansion, driven by cost efficiencies and operating leverage

R-Jio revenue, at Rs309 bn, moved up 2.9% qoq (+16.6% yoy) was in line with our estimates. Blended ARPU, at Rs208.8 (+15% yoy, +1.2% qoq), was marginally lower than our estimate of Rs209.5. Net subscribers increased by 9.8 mn (6.1 mn in 4Q). After losing 10.9 mn net subscribers in 2Q, driven by SIM consolidation after tariff hikes, R-Jio has added 19.2 mn subscribers in the past three quarters.

Total broadband additions of 2 mn in the quarter, taking the total to 20 mn customers, of which 7.4 mn was from Jio AirFiber (FWA). Jio AirFiber connections have gone up from 1.4 mn in 1QFY25 to 7.4 mn in 4Q. According to Reliance, it is adding nearly 1 mn broadband subscribers each month, of which 70-75% are on FWA. The fast rollout of FWA has been, driven by Jio's proprietary Point to Multi-Point (P2MP) rollout using UBR (unlicensed band radio).

R-Jio's EBITDA, at Rs167 bn (up 20% yoy, up 5.3% qoq), was 1.1% ahead of our estimates. The beat was driven EBITDA margin expansion to 54% (up 124 bps qoq, 83 bps higher versus KIE), driven by cost-rationalization and operating leverage. It expects margins at the similar level in near term. Margins are likely to rise as broadband share rises and realized ARPUs also moved up.

Energy: O2C below estimates; E&P decline was lower

The consolidated O2C EBITDA, at Rs145 bn (up 10.8% yoy, down 2.1% qoq), was 4% below our estimates. Reliance benefited from high marketing margins on transport fuels, improved transport fuel cracks and improve PP/PVC deltas. However, there was impact of due to shutdowns and further declines in polyester chain margins. PX margins were particularly weak. Standalone O2C EBITDA, at Rs92.4 bn (up 1.8% yoy, down 3.3% qoq), was 4.3% below our estimates.

The gap between consolidated and standalone O2C earnings remained high. The delta for EBITDA was Rs52.7 bn in 1Q (Rs55.3 bn in 4Q, Rs40.2 bn yoy) and for EBIT it was Rs47.2 bn (Rs51.5 bn in 4Q, Rs34.1 bn in 1Q). The increased gap has been driven by improved retail fuel earnings for Jio-BP and better profitability of pet coke gasification.

E&P EBIT of Rs35 bn (down 8.5% yoy, down 2.6% qoq) was 1.2% ahead of our estimates. KG-D6 gas production, at 26.6 mmscmd, declined 8% yoy (flat qoq, 1% ahead of KIE). KG-D6 gas price realization, at US\$10.0/mmbtu, moved up 7.6% yoy (down 1.2% qoq).

Downgrade to ADD (from BUY) with FV of Rs1,605 (earlier Rs1,520)

We have moderated our core retail business revenue by ~4.5%/2.5% and EBITDA estimates by 5.7%/4.2% for FY2026/27E. After relatively subdued 11% operating EBITDA growth in 1Q, we expect growth to pick up in the remainder of FY2026E, partly driven by a low base. We expect Reliance Retail EBITDA growth to be ~16% in FY2026E and 20-21% in FY2027/28E, with a CAGR of ~19% over FY2025-28E.

With benefits of cost efficiency and better transmission of tariff hikes visible in 1QFY26, and stronger subscriber additions in broadband, we have increased the Digital business EBITDA assumption by 1.7%/2.3% in FY2026/27E. We continue to assume another 15% telecom tariff hike from March 2026.

In O2C, driven by relatively weaker 1Q, we have cut our O2C EBITDA estimates for FY2026E by 3.7%.

Overall, our FY2026E EBITDA estimates decline by 1.6% for FY2026E and are flat for FY2027E. We expect RIL's EBITDA/EPS to report 15%/17% CAGRs over FY2025-28E. Driven by roll-forward, our SoTP-based FV increases to Rs1,605 (earlier Rs1,520). After the recent strong run, valuations are relatively rich. We downgrade to ADD (from BUY).

In our view, the overall outlook is positive. With 5G investments behind, capex should not rise. Apart from improvement in retail, any firm announcements of telecom IPO (and likely tariff hike before that) will be a catalyst.

The recent enhanced sanctions on Russia by EU that also proposes to ban any petroleum imports into EU made using Russian imports. While it adds to near-term uncertainty, strict enforcement will likely be difficult. This can lead to a spike in fuel margins. Counter-intuitive, but this would be positive for Indian refiners such as Reliance.

Consolidated results of Reliance Industries

Exhibit 1: Interim consolidated results of Reliance Industries, March fiscal year-ends (Rs mn)

	(% chg.)							2026E	2025	(% chg.)
	1QFY26	1QFY26E	1QFY25	4QFY25	vs KIE	yoy	qoq			
Net sales	2,436,320	2,294,497	2,317,840	2,613,880	6.2	5.1	(6.8)	9,812,383	9,646,930	1.7
Total expenditure	(2,007,270)	(1,847,377)	(1,930,190)	(2,175,560)	8.7	4.0	(7.7)	(7,971,440)	(7,992,490)	(0.3)
Inc/(Dec) in stock	42,140	—	57,490	(26,210)				-	151,240	
Raw materials	(1,568,640)	(1,430,228)	(1,592,070)	(1,677,490)	9.7	(1.5)	(6.5)	(6,196,808)	(6,448,130)	(3.9)
Staff cost	(72,320)	(67,882)	(70,710)	(76,840)	6.5	2.3	(5.9)	(258,871)	(285,590)	(9.4)
Other expenditure	(408,450)	(349,268)	(324,900)	(395,020)	16.9	25.7	3.4	(1,515,761)	(1,410,010)	7.5
EBITDA	429,050	447,120	387,650	438,320	(4.0)	10.7	(2.1)	1,840,943	1,654,440	11.3
Other income	61,950	50,140	39,830	49,050	23.6	55.5	26.3	153,320	179,780	(14.7)
Finance cost	(70,360)	(62,223)	(59,180)	(61,550)	13.1	18.9	14.3	(235,880)	(242,690)	(2.8)
DD&A expense	(138,420)	(137,428)	(135,960)	(134,790)	0.7	1.8	2.7	(563,783)	(531,360)	6.1
Pretax profits	282,220	297,610	232,340	291,030	(5.2)	21.5	(3.0)	1,194,600	1,060,170	12.7
Extraordinaries	89,240	90,246	-	-				89,240	—	
Current tax	(29,910)	(52,926)	(30,700)	(29,060)	(43.5)	(2.6)	2.9	(228,033)	(127,580)	78.7
Deferred tax	(34,740)	(18,500)	(27,160)	(37,630)	87.8	27.9	(7.7)	(72,648)	(124,720)	(41.8)
Net income	306,810	316,429	174,480	224,340	(3.0)	75.8	36.8	983,160	807,870	21.7
Share of profit/(loss) of associates	1,020	1,000	(30)	1,770				1,020	5,220	(80)
Minority interest	(37,890)	(32,145)	(23,070)	(32,040)				(113,994)	(116,610)	(2.2)
Adjusted net income	180,700	195,038	151,380	194,070	(7.4)	19.4	(6.9)	780,946	696,480	12.1
Adjusted EPS (Rs)	13.4	14.4	11.2	14.3	(7.4)	19.4	(6.9)	57.7	51.5	12.1
Effective tax rate (%)	22.9	18.4	24.9	22.9				25.2	23.8	
Segment EBITDA										
O2C	145,110	156,043	130,930	150,800	(7.0)	10.8	(3.8)	629,037	549,880	14.4
Oil & gas	49,960	48,173	52,100	51,230	3.7	(4.1)	(2.5)	184,235	211,880	(13.0)
Organized retail	63,810	68,152	56,720	67,210	(6.4)	12.5	(5.1)	288,491	250,940	15.0
Digital	183,120	179,141	149,440	172,780	2.2	22.5	6.0	759,180	650,010	16.8
Others	25,890	22,770	20,030	22,690	13.7	29.3	14.1	80,000	85,260	(6.2)
Total EBITDA	467,890	474,280	409,220	464,710	(1.3)	14.3	0.7	1,940,943	1,747,970	11.0
Segment EBIT										
O2C	125,210	136,043	106,860	131,390	(8.0)	17.2	(4.7)	540,130	472,570	14.3
Oil & gas	35,460	35,093	38,660	38,050	1.0	(8.3)	(6.8)	126,708	158,400	(20.0)
Organized retail	48,660	53,542	40,020	53,140	(9.1)	21.6	(8.4)	222,606	190,700	16.7
Digital	114,160	112,114	88,060	108,010	1.8	29.6	5.7	477,209	397,170	20.2
Others	6,620	3,300	390	2,020	100.6	1,597.4	227.7	13,507	5,300	154.8
Total EBIT	330,110	340,092	273,990	332,610	(2.9)	20.5	(0.8)	1,380,160	1,224,140	12.7
Interest expense	(70,360)	(62,223)	(59,180)	(61,550)	13.1	18.9	14.3	(235,880)	(242,690)	(2.8)
Interest income	25,520	27,000	26,180	26,610	(5.5)	(2.5)	(4.1)	81,580	114,180	(28.6)
Other unallocable (net)	86,190	(7,000)	(8,650)	(6,640)	(1,331.3)	(1,096.4)	(1,398.0)	(30,240)	(30,240)	-
PBT	371,460	297,869	232,340	291,030	24.7	59.9	27.6	1,195,620	1,065,390	12.2
Current tax	(29,910)	(52,989)	(30,700)	(29,060)	(43.6)	(2.6)	2.9	(228,033)	(127,580)	78.7
Deferred tax	(34,740)	(18,500)	(27,160)	(37,630)	87.8	27.9	(7.7)	(72,648)	(124,720)	(41.8)
PAT	306,810	226,381	174,480	224,340	35.5	75.8	36.8	894,940	813,090	10.1

Source: Company, Kotak Institutional Equities estimates

RIL's reported net debt was flat qoq

Exhibit 2: RIL's net debt, March fiscal year-ends, 2021 onward (Rs bn)

	2021	2022	2023	2023	2024	1QFY25	1HFY25	2025	1QFY26
Reported net debt by the company									
Beginning gross debt	2,574	2,447	3,035	3,035	3,117	3,246	3,049	3,505	3,475
Beginning cash and cash equivalents (a)	2,205	2,417	1,933	1,933	1,924	2,083	1,926	2,350	2,304
Beginning net debt	369	30	1,102	1,102	1,194	1,163	1,123	1,155	1,171
Ending gross debt	2,518	2,663	3,147	3,140	3,246	3,049	3,363	3,475	3,384
Ending cash and cash equivalents (a)	2,142	2,315	2,045	1,882	2,083	1,926	2,199	2,304	2,209
Ending net debt	376	348	1,102	1,258	1,163	1,123	1,164	1,171	1,176
Change in net debt	7	318	(0.3)	155	(31)	(39)	41	16	5

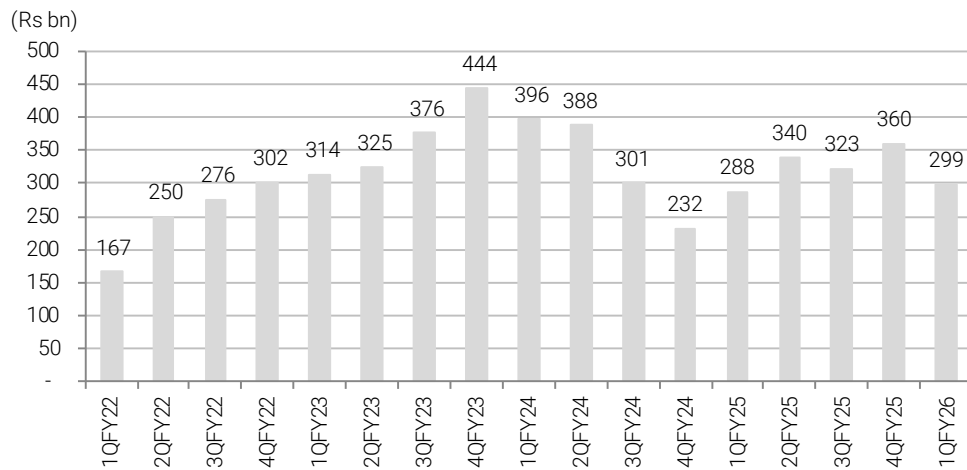
Notes:

RIL's restated gross debt, cash and equivalents and net debt for FY2023 to account for JFS demerger

Source: Company, Kotak Institutional Equities estimates

RIL's capex declined 17% qoq to Rs299 bn; FY2025 capex was Rs1.3 tn

Exhibit 3: Trend of RIL's consolidated capex, March fiscal year-ends, 1QFY22 onward (Rs bn)



Source: Company, Kotak Institutional Equities estimates

Standalone result of Reliance Industries

Exhibit 4: Interim standalone results of Reliance Industries, March fiscal year-ends (Rs mn)

	1QFY26	1QFY26E	1QFY25	4QFY25	(% chg.)			2026E	2025	(% chg.)
					vs KIE	yoy	qoq			
Net sales	1,163,410	1,090,761	1,298,980	1,329,620	6.7	(10.4)	(12.5)	4,919,767	5,173,490	(4.9)
Total expenditure	(1,031,710)	(940,244)	(1,155,830)	(1,178,460)	(9.7)	10.7	12.5	(4,227,780)	(4,592,800)	7.9
Inc/(Dec) in stock	(14,600)	-	48,760	9,950				-	-	NM
Raw materials	(850,440)	(757,244)	(1,036,460)	(1,005,550)	(12.3)	17.9	15.4	(3,460,666)	(3,892,060)	11.1
Staff cost	(20,970)	(23,000)	(21,560)	(22,760)	8.8	2.7	7.9	(92,114)	(86,900)	(6.0)
Other expenditure	(145,700)	(160,000)	(146,570)	(160,100)	8.9	0.6	9.0	(675,000)	(613,840)	(10.0)
EBITDA	131,700	150,516	143,150	151,160	(12.5)	(8.0)	(12.9)	691,987	580,690	19.2
Other income	45,360	45,000	35,020	55,770	0.8	29.5	(18.7)	127,160	160,940	(21.0)
Finance cost	(21,940)	(22,580)	(29,630)	(20,580)	2.8	26.0	(6.6)	(97,307)	(100,540)	3.2
DD&A expense	(41,300)	(45,500)	(47,080)	(44,640)	9.2	12.3	7.5	(198,367)	(179,810)	(10.3)
Pretax profits	113,820	127,436	101,460	141,710	(10.7)	12.2	(19.7)	523,473	461,280	13.5
Extraordinaries	89,240	-	-	-				89,240	-	NM
Current tax	(19,470)	(30,585)	(24,570)	(23,460)				(100,634)	(93,990)	(7.1)
Deferred tax	(4,550)	-	(780)	(6,080)				(25,000)	(14,670)	(70.4)
Reported net income	179,040	96,852	76,110	112,170	84.9	135.2	59.6	487,079	352,620	38.1
Adjusted net income	89,800	96,852	76,110	112,170	(7.3)	18.0	(19.9)	397,839	352,620	12.8
Effective tax rate (%)	21.1	24.0	25.0	20.8				20.5	23.6	(13.0)
EPS (Rs)	6.6	7.2	5.6	8.3	(7.3)	18.0	(19.9)	29	26	12.8
Segment results										
Standalone EBITDA										
O2C	92,350	96,543	90,680	95,530	(4.3)	1.8	(3.3)	481,542	365,280	31.8
Oil & gas	49,800	47,973	52,050	50,950	3.8	(4.3)	(2.3)	184,235	210,860	(12.6)
Others	12,490	20,000	19,650	37,370	(37.6)	(36.4)	(66.6)	26,210	4,550	476.0
Total	154,640	164,516	162,380	183,850	(6.0)	(4.8)	(15.9)	691,987	580,690	19.2
Standalone EBIT										
O2C	77,930	81,043	72,730	80,020	(3.8)	7.1	(2.6)	410,130	303,660	35.1
Oil & gas	35,410	34,973	38,700	37,880	1	(9)	(7)	126,708	157,770	(20)
Others	250	4,000	4,330	23,490	(94)	(94)	(99)	8,951	35,730	(75)
Total	113,590	120,016	115,760	141,390	(5)	(2)	(20)	545,790	497,160	10
Interest expense	(21,940)	(22,580)	(29,630)	(20,580)	3	26	(7)	(97,307)	(100,540)	3
Interest income	25,460	35,000	24,500	23,820	(27)	4	7	94,990	95,370	(0)
Other unallocable (net)	(3,290)	(5,000)	(9,170)	(2,920)	34	64	(13)	(20,000)	(30,710)	35
PBT	113,820	127,436	101,460	141,710	(11)	12	(20)	523,473	461,280	13
Current tax	(19,470)	(30,585)	(24,570)	(23,460)	36	21	17	(100,634)	(93,990)	(7)
Deferred tax	(4,550)	-	(780)	(6,080)				(25,000)	(14,670)	(70)
PAT	179,040	96,852	76,110	112,170	85	135	60	397,839	352,620	13

Source: Companies, Kotak Institutional Equities estimates

O2C: Below estimates

Consolidated O2C EBITDA, at Rs145 bn (up 10.8% yoy, down 3.8% qoq), was 7% below our estimates.

Reliance benefited from high marketing margins on transport fuels, improved transport fuel cracks and improved PP/PVC deltas. However, there was the impact due to shutdowns and further declines in polyester chain margins. PX margins were particularly weak and its production was optimized by prioritizing higher value transport fuel outputs.

According to Reliance, despite US ethane prices firming up over last year (up 25% yoy), ethane cracker economics remain much more attractive versus Naphtha.

Standalone O2C EBITDA, at Rs92.4 bn (up 1.8% yoy, down 3.3% qoq), was 4.3% below our estimates.

The gap between consolidated and standalone O2C earnings remained high. The delta for EBITDA was Rs52.7 bn in 1Q (Rs55.3 bn in 4Q, Rs40.2 bn yoy) and for EBIT it was Rs47.2 bn (Rs51.5 bn in 4Q, Rs34.1 bn in 1Q). The increased gap has been driven by improved retail fuel earnings for Jio-BP and better profitability of pet coke gasification.

In refining, with higher domestic retail fuel margins, focus has been on increasing domestic sales. In FY2025, retail sales of petrol and HSD were up by 6 bn liters (35% yoy). According to Reliance, petrol/diesel sales in 1Q were also up 35% yoy. With 1.7X/2.8X throughput versus the industry average, Jio-BP had a market share of 3.6%/5.8% for petrol/diesel in 1Q. With retail margins remaining strong, Reliance has earlier indicated that it is looking to add domestic retail fuel outlets (currently ~2,000 outlets).

O2C segment EBITDA (up 11% yoy) declined 3.8% qoq, driven by shutdowns, weak aromatics and stronger currency

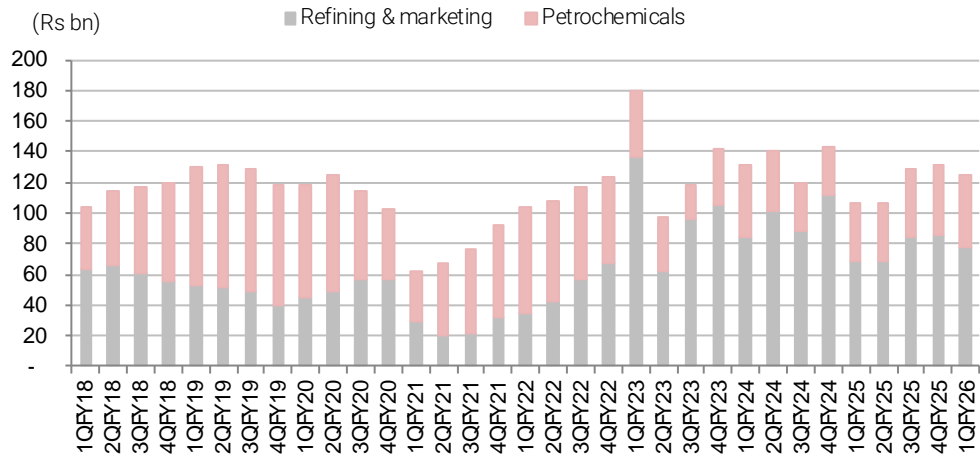
Exhibit 5: Quarterly performance of O2C segment, March fiscal year-ends, 1QFY24 onward

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	(% chg.)	
										yoy	qoq
Financials (Rs bn)											
Revenue	1,330	1,480	1,411	1,426	1,571	1,556	1,496	1,646	1,548	(1.5)	(6.0)
EBITDA	153	163	141	168	131	124	144	151	145	10.8	(3.8)
DD&A	21	22	21	24	24	18	16	19	19.9	(17.3)	2.5
EBIT	132	141	120	144	107	106	128	131	125.2	17.2	(4.7)
Total assets	3,853	4,050	4,079	4,163	4,204	4,165	4,270	4,409	4,584	9.0	4.0
Operating metrics (mn tons)											
Feedstock throughput	19.7	20.0	18.7	19.8	19.8	20.2	20.2	20.3	19.1	(3.5)	(5.9)
Production meant for sale											
Transportation Fuels	11.1	11.1	10.2	11.3	11.6	11.2	11.9	12.0	11.4	(1.7)	(5.0)
Polymers	1.4	1.5	1.2	1.5	1.4	1.5	1.5	1.6	1.5	7.1	(6.2)
Fiber Intermediates	0.9	0.9	0.8	0.8	0.7	0.8	0.8	0.8	0.7	0.0	(12.5)
Polyesters	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.0	0.0
Chemicals and Others	3.2	3.0	3.6	2.9	3.3	3.5	3.0	2.8	3.0	(9.1)	7.1
Total	17.2	17.1	16.4	17.1	17.7	17.7	17.9	17.9	17.3	(2.3)	(3.4)
EBITDA (US\$/ton)	108	115	103	118	89	84	95	97	98	10	1

Source: Company, Kotak Institutional Equities estimate

O2C earnings declined qoq on weaker refining; overall margins remain subdued

Exhibit 6: RIL's O2C, refining & marketing and Petchem EBIT; 1QFY18 onward (Rs bn)



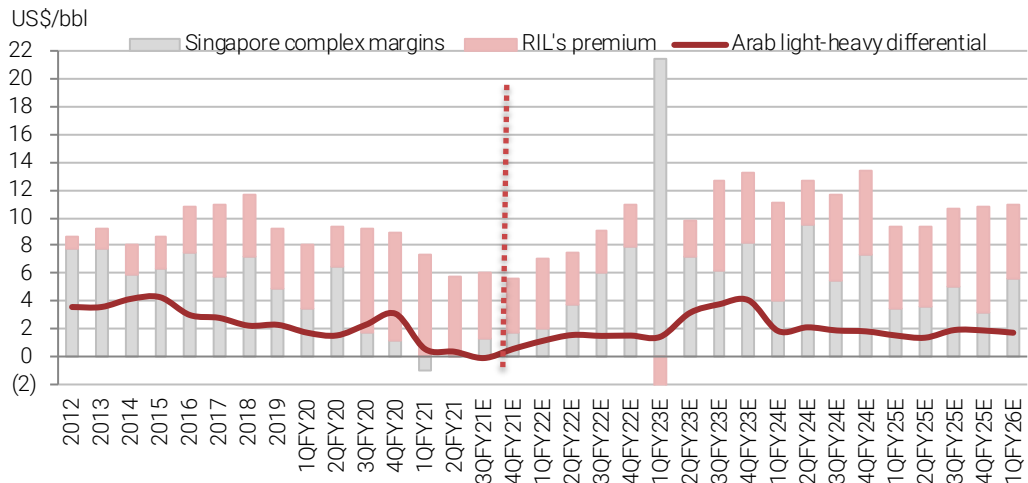
Notes:

(a) From 3QFY21, EBIT breakdown is our estimate as the company reports combined O2C.

Source: Company, Kotak Institutional Equities estimates

We estimate RIL's GRM for 1Q at ~US\$11/bbl

Exhibit 7: Refining margins, March fiscal year-ends, 2012 onward (US\$/bbl)



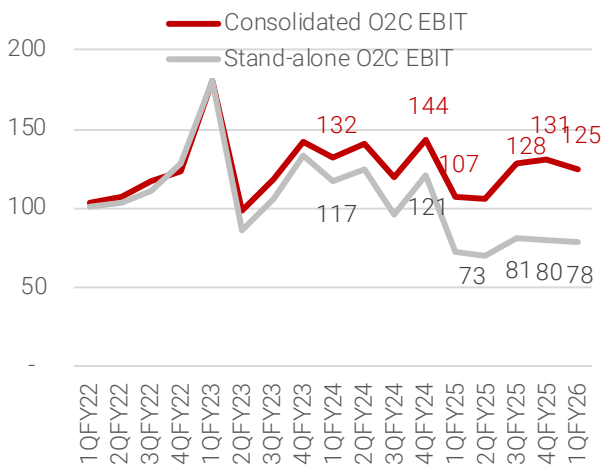
Notes:

(a) From 3QFY21, RIL's GRM is our estimate

Source: Company, Kotak Institutional Equities estimates

Delta between consol. and standalone O2C EBIT has been wide due to retail fuels, PCG and international business...

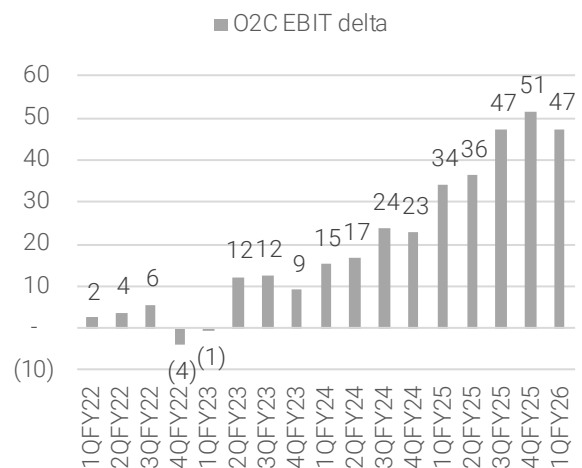
Exhibit 8: O2C: Consolidated and standalone EBIT, March fiscal year-ends, 1QFY22 onward (Rs bn)



Source: Company, Kotak Institutional Equities

...delta between consolidated and standalone O2C business was Rs47 bn in 1Q (Rs51 bn in 4QFY25, Rs34 bn in 1QFY25)

Exhibit 9: O2C EBIT delta (consolidated less standalone EBIT), March fiscal year-ends, 1QFY22 onward (Rs bn)



Source: Company, Kotak Institutional Equities

With elevated auto fuel margins, Jio-BPs MS& HSD sales were up 35% yoy

Exhibit 10: Jio-BP's volumes and growth in 1QFY26

		1QFY26	yoy (%)
MS & HSD	mn KL	1.9	35
ATF	'000 KL	172	
e-Mobility	GWh	9.4	134
CBG & CNG	TMT	55	190

Source: Company, Kotak Institutional Equities

Jio-BP's had market share of 3.6% in MS and 5.8% in HSD in 1Q, with much higher per station throughput versus industry

Exhibit 11: Jio-BP's transport fuel market share and throughput versus industry (% , times)

	Market share (%)	throughput versus industry (X)
MS	3.6	1.7
HSD	5.8	2.8
ATF	5.9	

Source: Company, Kotak Institutional Equities

Reliance is looking to expand retail outlets through Jio-BP (current ~2,000 outlets)

Exhibit 12: Retail fuel marketing station for key players, March 2014 onward (numbers)

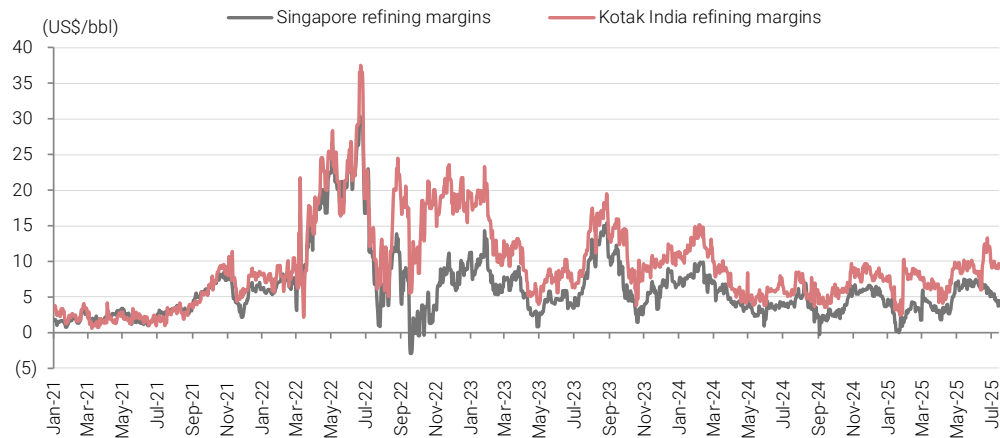
	Mar-14	Mar-16	Mar-18	Mar-20	Mar-22	Mar-24	Mar-25	Addition Since 2014
OMCs								
IOCL	23,993	25,363	27,089	29,085	34,559	37,473	40,221	16,228
HPCL	12,869	13,439	15,062	16,476	20,025	22,022	23,642	10,773
BPCL	12,503	13,802	14,447	16,234	20,063	21,840	23,747	11,244
OMCs total	49,365	52,604	56,598	61,795	74,647	81,335	87,610	38,245
Private/others								
RIL - BP JV	1,400	1,400	1,400	1,400	1,457	1,706	1,906	506
NEL	1,382	2,100	4,473	5,702	6,568	6,599	6,685	5,303
Shell	98	82	108	189	323	343	361	263
Others	3	4	6	7	32	101	164	161
Private/others - total	2,883	3,586	5,987	7,298	8,380	8,749	9,116	6,233
Total	52,248	56,190	62,585	69,093	83,027	90,084	96,726	44,478
Private/other share %	5.5	6.4	9.6	10.6	10.1	9.7	9.4	14.0

Source: PPAC, Kotak Institutional Equities

O2C: Refining margins stronger in FY2026 so far; diesel cracks strong recently

SG complex margins were up US\$2.5/bbl (82%); India slate margins up US\$1.7/bbl (25%) in 1QFY26

Exhibit 13: Daily refining margins, March fiscal year-ends, January 2020 onward (US\$/bbl)

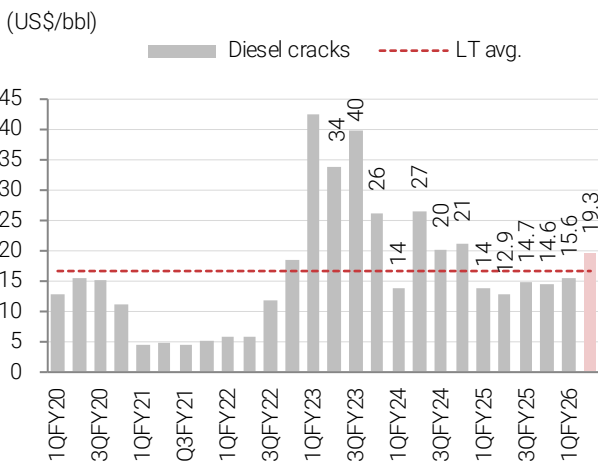


	Kotak India refining margins (a) (US\$/bbl)						Singapore refining margins (US\$/bbl)					
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
1Q	0.8	1.9	23.2	7.3	5.4	8.5	(1.0)	2.1	21.5	4.1	3.5	5.6
2Q	1.1	3.4	11.4	13.3	5.6	9.4	0.0	3.8	7.1	9.6	3.6	4.7
3Q	2.3	7.5	16.6	9.3	7.6		1.2	6.1	6.3	5.4	5.0	
4Q	2.1	9.0	14.4	11.0	6.8		1.8	8.0	8.3	7.3	3.1	
Average	1.6	5.5	16.4	10.2	6.3	8.9	0.5	5.0	10.8	6.6	3.8	5.2

Source: Reuters, Kotak Institutional Equities estimates

Diesel cracks were strong in 1Q; even stronger in 2QFY2TD

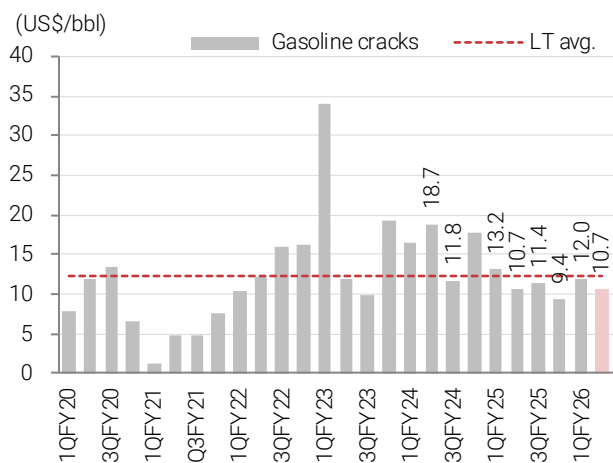
Exhibit 14: Diesel crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

Gasoline cracks seeing some moderation after a strong 1QFY26

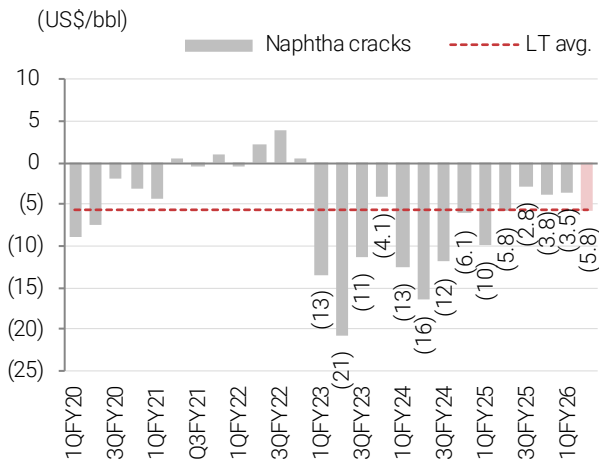
Exhibit 15: Gasoline crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

Naphtha cracks moderating from relatively strong in 1HCY25

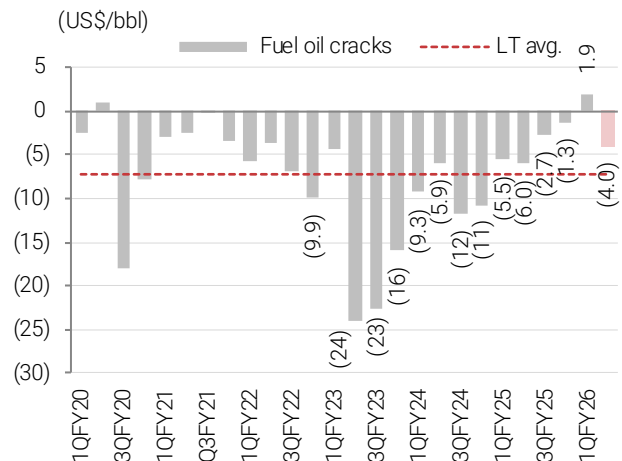
Exhibit 16: Naphtha crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

Fuel oil cracks have also seen a sharp decline recently

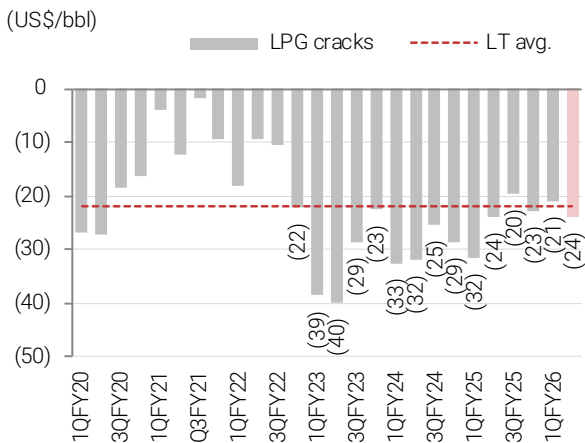
Exhibit 17: Fuel oil crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

After a strong 1Q, LPG cracks moderating in 2QFY26 so far

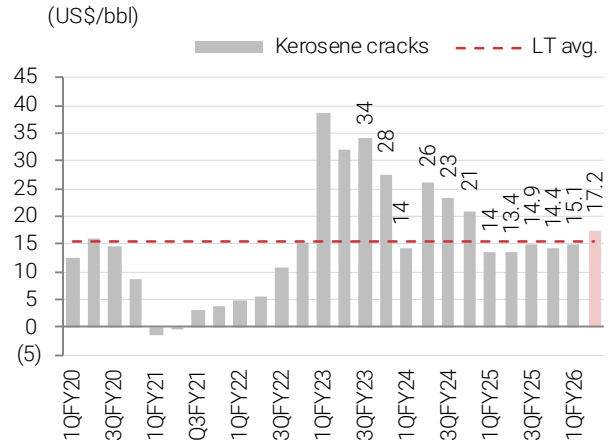
Exhibit 18: LPG crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

Kerosene/ATF cracks continue to strengthen

Exhibit 19: Kerosene crack spreads, 1QFY20 onward (US\$/bbl)



Source: Reuters, Kotak Institutional Equities

O2C: Petchem spreads over naphtha rising recently

Petchem margins have been muted so far in this quarter after improvement in 2QCY25

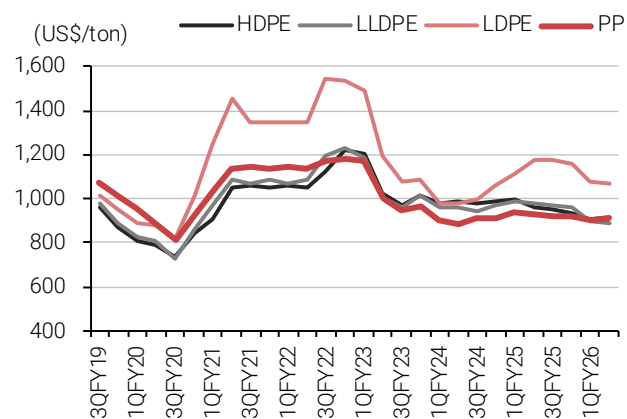
Exhibit 20: Asia's chemical margins, calendar year-ends (US\$/ton)

	Annual average margins					Quarterly average					qoq (%)
	2021	2022	2023	2024	2025	3QCY24	4QCY24	1QCY25	2QCY25	3QCY25	
Integrated chain margin											
Ethylene											
HDPE – naphtha	422	330	353	313	321	306	314	289	342	353	3.3
LLDPE – naphtha	464	324	335	314	322	319	335	314	330	323	(2.1)
LDPE – naphtha	775	552	372	466	510	514	536	513	510	503	(1.4)
Polypropylene											
PP – naphtha	497	302	279	263	309	273	281	269	336	348	3.6
PVC – naphtha	719	370	206	142	118	171	157	98	133	133	0.0
Polyester											
PSF – naphtha	465	500	496	317	292	334	298	252	317	338	6.8
PFY – naphtha	691	692	684	560	519	532	572	522	520	508	(2.2)

Source: Reuters, Bloomberg, Platts, Kotak Institutional Equities

Key polymer prices broadly flat for key polymers

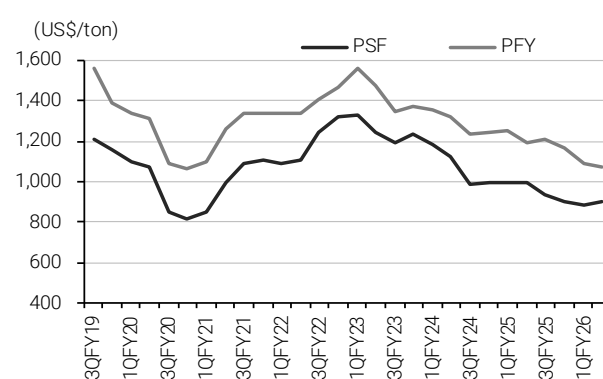
Exhibit 21: HDPE/LLDPE/LDPE/PP prices, March fiscal year-ends; 1QFY20 onward (US\$/ton)



Source: Platts, Reuters, Kotak Institutional Equities

PSF/PFY prices remain weak

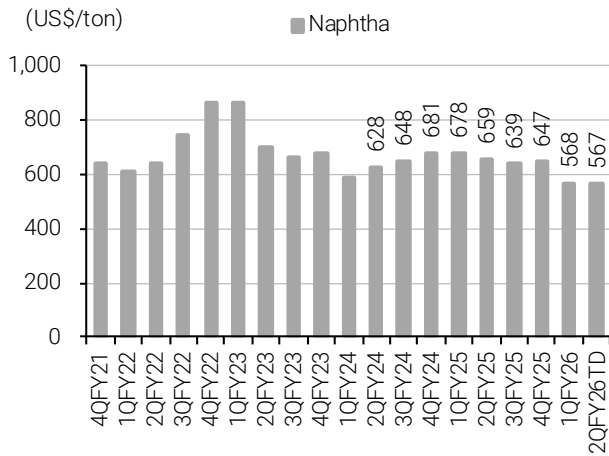
Exhibit 22: PSF/PFY prices, March fiscal year-ends; 1QFY20 onward (US\$/ton)



Source: Platts, Reuters, Kotak Institutional Equities

Naphtha prices had sharply declined in 1Q; flat so far in 2Q

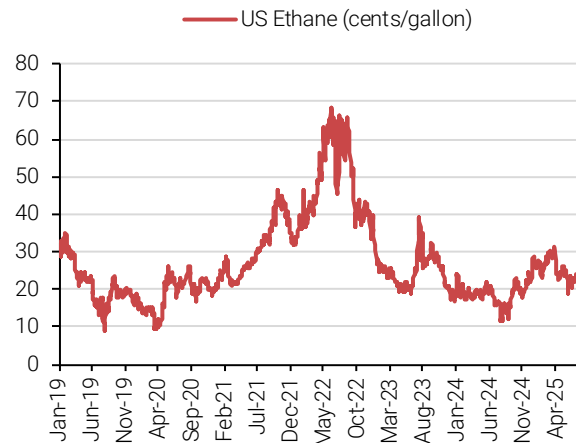
Exhibit 23: Naphtha prices, March fiscal year-ends; 1QFY21 onward (US\$/ton)



Source: Platts, Reuters, Kotak Institutional Equities

Ethane prices have moderated recently, after firming up in 2HFY25

Exhibit 24: US Ethane price, March fiscal year-ends; January 2021 onward (US cents/gallon)



Source: Platts, Reuters, Kotak Institutional Equities

EU’s enhanced sanctions against Russia increases uncertainty

On July 18, 2025, the European Union has announced the 18th package ([link](#)) of sanctions against Russia. With the aim of ramping up pressure on Russia, the announced sanctions further enhanced. In the latest 18th package of sanctions, measures on energy include:

- ▶ **Oil price cap lowered to US\$47.6/bbl (from US\$60/bbl):** The new measures have also introduced an automatic and dynamic mechanism to ensure that the cap is always 15% lower than the six-month average price of Ural crude.
- ▶ **Import ban on refined oil products derived from Russian crude:** This seeks to ban imports into the EU market of refined products made from Russian crude.
- ▶ **Transaction ban for Nord Stream 1 and 2:** No EU operator will be allowed to engage any transactions regarding Nord Stream pipelines.
- ▶ **105 additional vessel listings:** This takes the total of 444 vessels of Russia’s shadow fleet that are listed by the EU. Listed vessels are subject to a port access ban and a ban on receiving services.
- ▶ **Full-fledged listings—asset freezes, travel bans—throughout the shadow fleet value chain.** These target both Russian and international companies managing shadow fleet vessels, traders of Russian crude oil, and a major customer of the shadow fleet, a refinery in India with Rosneft as its main shareholder.

In our view, enhanced sanctions by the EU increase uncertainty and create an overhang as it targets to ban imports of refined products made from Russian crude. While sanctions specifically identify one refinery with Rosneft as the main shareholder (Nayara), it also increases concerns on other exports to the EU, such as Reliance and PSU refiners.

We also note that **Indian government spokesperson has already criticized these sanctions.** It has said:

“We have noted the latest sanctions announced by the European Union. India does not subscribe to any unilateral sanction measures. We are a responsible actor and remain fully committed to our legal obligations.

The Government of India considers the provision of energy security a responsibility of paramount importance to meet the basic needs of its citizens. We would stress that there should be no double standards, especially when it comes to energy trade.”

Counter-intuitive, but stricter implementation can benefit Indian refiners

We note that since the Russia-Ukraine conflict in 2022, the EU along with several developed countries, including the US have imposed sanctions on Russian energy exports. However, after the initial disruption in 2022, there has not been much impact on Russia's oil and petroleum product exports. While sanctioning nations have stopped taking Russian products, these have been offset by higher imports by several other countries such as India and China.

Also, unlike natural gas for which the EU nations have sharply reduced consumption, the crude oil or petroleum product consumption has not declined much. We note that despite sanction, overall Russian production or exports were not significantly impacted. While the US and several European countries had stopped taking Russian oil/products, the flows had diverted to other countries, with India seeing one of the largest increases in Russian oil usage.

In our view, one of key reason for not strictly enforcing the sanctions has been likely impact of global crude oil and product balances and likely spike in prices. Similarly, while there is a price cap on Russian crude of US\$60/bbl, this has not likely led to much impact. For example, India's average oil import cost of Russian oil have moved in tandem with benchmark crude prices. Rather, the discounts of Russian crudes have narrowed in recent years.

In our view, if the new price cap was US\$47.6/bbl (and dynamic cap of 15% discount to Urals) was to be strictly followed, India's average imports prices will get lower. This will be a positive for Indian refiners importing Russian crudes.

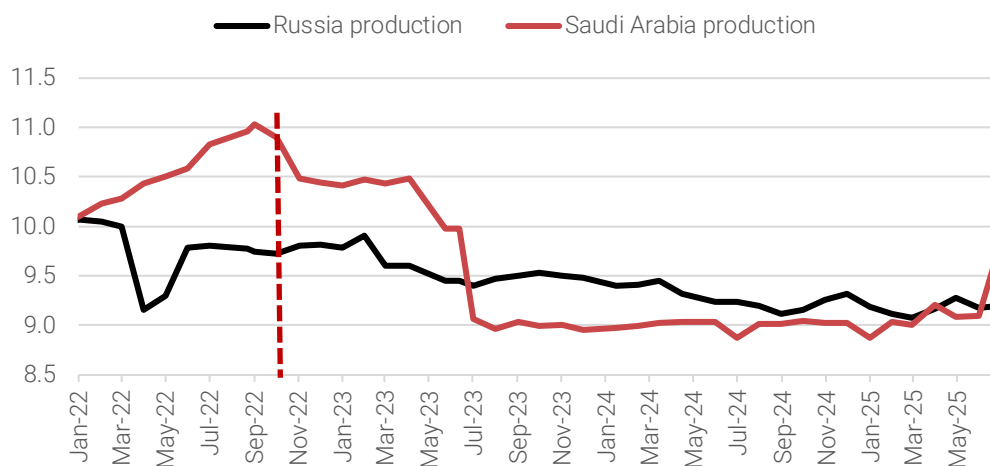
Similarly, while the ban on imports of petroleum products (made using Russian crude) seem negative for Indian refiners, **but strict enforcement may actually be positive**. We note that the EU is a large destination for exports of petroleum products such as petrol and diesel. If it had to completely stop such imports, and source from elsewhere, this would lead to a disruption in trade flows, and **would likely lead to spike in fuel crack similar to seen in 2022**. The increased cracks could easily offset any short-term impact on lower exports volumes.

In our view, as the ban is only on products made using Russian oil, refiners can find ways to earmark their output based on input crude used. Only products made from non-Russian crude could be exported to the EU. While there will initial challenges, but in our view, if bans were to continue such a scheme could be worked out.

As the Indian government is against such unilateral bans and would not like its energy system to be disturbed, it could also possibly come to rescue, in our view. These could include arrangements to have swapping of volumes with OMCs. The products made using Russian crudes can be swapped and sold domestically, in our view. However, in our view, such a situation may not arise.

After initial decline, Russia's oil production decline not much and driven by OPEC+ cuts.

Exhibit 25: Russia and Saudi Arabia's oil production trend, Jan 2022 onward (mb/d)



Source: IEA, Kotak Institutional Equities

Despite sanctions, Russian oil exports did not decline much; India has been largest incremental importer

Exhibit 26: Russia's crude oil and petroleum products exports trends, from 2021 (mb/d, %)

	Country wise export (mb/d)				Country wise export (%)			
	2021	2022	2023	2024	2021	2022	2023	2024
EU	3.3	3.0	0.6	0.4	44.0	39.6	8.2	5.3
UK+US	0.7	0.2	-	-	9.3	2.1	-	-
Türkiye	0.2	0.4	0.7	0.9	2.7	5.4	9.1	11.3
China	1.6	1.9	2.4	2.4	21.3	25.1	30.9	31.8
India	0.1	0.9	2.0	1.9	1.3	11.9	25.2	25.7
OECD Asia	0.5	0.2	0.0	0.0	6.7	2.4	0.3	0.4
Middle East	-	0.1	0.4	0.2	-	1.5	5.1	3.0
Africa	-	0.1	0.4	0.4	-	1.2	4.7	5.5
Latin America	-	0.0	0.2	0.2	-	0.4	2.8	3.2
Other	1.1	0.8	1.0	1.0	14.7	10.7	13.1	12.8
Unknown	-	-	0.0	0.0	-	-	0.3	0.6
Total	7.5	7.7	7.8	7.6	100.0	100.0	100.0	100.0

Source: IEA, Kotak Institutional Equities

Despite US\$60/bbl cap, delivered cost of Russian crudes have been higher, and discounts have narrowed

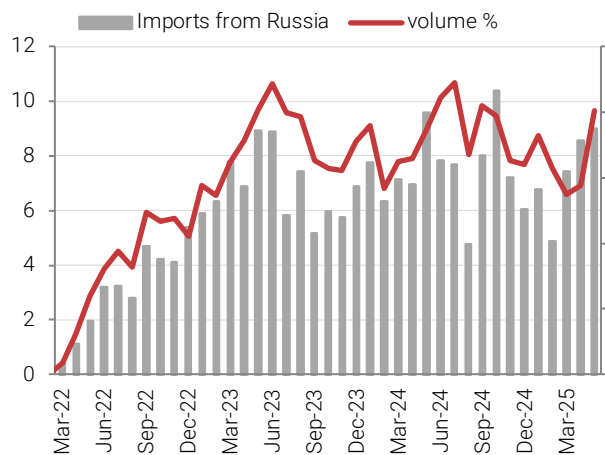
Exhibit 27: India's crude import prices, premium/(discount) versus Dubai (1M lag), March fiscal year-ends, 2020 onward (US\$/bbl)

Price (US\$/bbl)												
	Russia	Iran	Venezuela	Nigeria	Kuwait	Iraq	S. Arabia	UAE	USA	Others	Overall	Dubai 1M lag
Average price of crude imports												
2015	115.9	86.1	69.8	98.8	83.6	80.8	86.6	93.1	-	84.9	84.9	88.1
2016	67.8	43.1	34.2	53.8	44.0	41.3	46.7	50.5	48.6	44.7	44.6	47.6
2017	80.4	45.0	35.2	52.2	44.1	42.1	47.6	48.1	-	45.8	45.1	45.4
2018	54.0	54.4	43.7	61.9	56.3	52.5	57.8	58.7	57.7	55.2	54.9	54.8
2019	72.9	69.4	57.3	76.8	69.0	65.4	72.6	74.5	76.7	67.3	69.0	68.7
2020	67.6	69.0	47.9	71.1	64.6	60.5	66.1	68.6	70.0	64.0	63.7	62.9
2021	46.9	-	21.4	47.1	44.7	41.0	43.1	46.1	49.0	42.7	43.3	41.8
2022	78.4	-	-	78.5	76.5	73.6	80.6	77.8	77.6	73.6	76.2	73.7
2023	83.6	-	-	109.2	94.5	91.0	100.9	104.3	92.0	95.7	93.9	95.9
2024	76.7	-	64.3	91.4	89.5	79.4	90.6	89.6	86.7	87.8	82.4	81.8
2025	78.7	-	64.6	89.4	79.5	77.1	83.1	85.9	85.1	80.4	80.2	79.4
Premium/(discount) to Dubai crude												
2015	27.9	(2.0)	(18.2)	10.8	(4.5)	(7.2)	(1.5)	5.1	-	(3.2)	(3.2)	
2016	20.2	(4.5)	(13.4)	6.2	(3.6)	(6.3)	(0.9)	2.9	1.0	(2.9)	(3.0)	
2017	35.0	(0.4)	(10.2)	6.8	(1.3)	(3.2)	2.2	2.7	-	0.4	(0.3)	
2018	(0.7)	(0.4)	(11.0)	7.2	1.5	(2.3)	3.0	3.9	3.0	0.4	0.1	
2019	4.2	0.7	(11.3)	8.1	0.3	(3.2)	4.0	5.8	8.1	(1.3)	0.3	
2020	4.7	6.2	(14.9)	8.3	1.7	(2.4)	3.2	5.7	7.1	1.2	0.9	
2021	5.1	-	(20.4)	5.3	2.9	(0.8)	1.3	4.3	7.2	0.9	1.5	
2022	4.7	-	-	4.8	2.8	(0.1)	6.9	4.1	3.9	(0.1)	2.5	
2023	(12.4)	-	-	13.2	(1.4)	(5.0)	5.0	8.4	(4.0)	(0.3)	(2.1)	
2024	(5.1)	-	(17.5)	9.5	7.7	(2.4)	8.8	7.8	4.8	6.0	0.6	
2025	(0.7)	-	(14.8)	10.0	0.1	(2.3)	3.7	6.5	5.7	1.0	0.8	

Source: IEA, Kotak Institutional Equities

Russian crude accounted for ~36% of India's total crude imports in FY2024/25

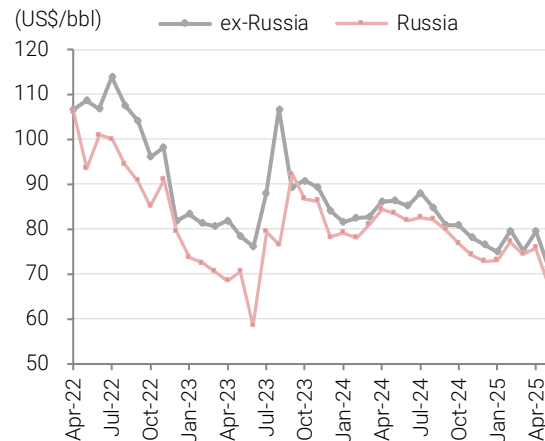
Exhibit 28: Monthly petroleum crude imports from Russia, March 2022 onward (mn ton)



Source: Commerce Ministry, Kotak Institutional Equities

Discount for Russian crude have declined, with average ~US\$2.5/bbl in FY2025 (US\$13/9 per bbl in FY2023/2024)

Exhibit 29: Price of Russian/ex-Russian oil imports, from April-2022 (US\$/bbl)



Source: Commerce Ministry, Kotak Institutional Equities

Since April-2022, higher Russian imports have led to potential saving of nearly US\$15.8 bn

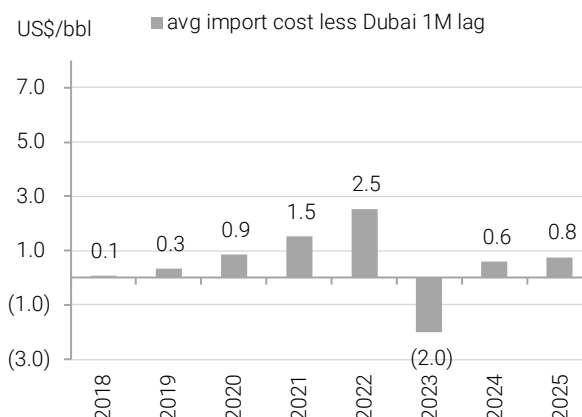
Exhibit 30: Share of Russia’s imports from April-2022, and potential savings (mn tons, US\$/bbl, US\$ bn)

	mn ton	US\$ bn
Break-up of imports		
Russia	239	137
Ex-Russia	527	337
Total	766	473
Russia share %	31.2	28.9
Savings from Russian imports		
Discount US\$/bbl		
Potential savings US\$bn		15.8

Source: Commerce Ministry, Kotak Institutional Equities

Average costs of India's crude imports (versus Dubai crude) have been on rising trend as Russian discounts have narrowed

Exhibit 31: India’s average crude import cost less Dubai crude (1M lag), March fiscal year-ends, 2018-25 (US\$/bbl)



Source: Commerce Ministry, Kotak Institutional Equities

European countries accounted for ~25% of India's petroleum exports in 2023 and 2024.

Exhibit 32: India's POL exports to key countries/regions, CY2021-24 (mmt, %)

	India's exports (mmt)				India's exports (%)			
	2021	2022	2023	2024	2021	2022	2023	2024
Europe	11.1	13.9	25.0	26.0	12.5	14.6	24.1	26.7
Singapore	10.2	6.4	7.8	10.3	11.6	6.8	7.5	10.6
UAE	7.1	7.9	7.8	9.8	8.0	8.4	7.5	10.1
Australia	5.4	4.6	4.6	5.4	6.1	4.8	4.5	5.5
South Africa	1.8	3.1	4.1	5.1	2.1	3.3	4.0	5.2
USA	5.6	5.1	7.2	5.0	6.4	5.3	7.0	5.1
TANZANIA	0.5	2.4	2.7	4.3	0.6	2.5	2.6	4.4
Others	46.6	51.5	44.5	31.5	52.7	54.2	42.9	32.3
Total	88.3	95.0	103.7	97.5	100	100	100	100

Note:

(1) The data is for exports of all petroleum products from India under HS code 2710.

Source: Commerce ministry, Kotak Institutional Equities

E&P: Weak but marginally better than our estimates

E&P EBIT of Rs35 bn (down 8.5% yoy and 6.5% qoq) was 1.2% above our estimates. KG-D6 gas production, at 26.6 mmscmd, was flat qoq, but was lower 8% yoy as natural declines have set in.

KG-D6 gas price realization at US\$10.0/mmbtu moved up 7.6% yoy (down 1.2% qoq).

Exhibit 33: Quarterly performance of E&P segment, March fiscal year-ends, 1QFY24 onward

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	(% chg.)		
									1QFY26	yoy	qoq
Financials (Rs bn)											
Revenues	46.3	66.2	67.2	64.7	61.8	62.2	63.7	64.4	61.0	(1.2)	(5.2)
EBITDA	40.2	47.7	58.0	56.1	52.1	52.9	55.7	51.2	50.0	(4.1)	(2.5)
DD&A	8.2	13.2	16.9	15.3	13.4	13.4	13.4	13.2	14.5	7.9	10.0
EBIT	31.9	34.4	41.2	40.8	38.7	39.5	42.2	38.1	35.5	(8.3)	(6.8)
Operating metrics											
Domestic gas production (bcf)	50	70	74	74	72	72	71	66	66.7	(7)	0.5
KG-D6 gas (bcf)	48.3	68.3	72.3	71.4	69.4	69.3	68.5	63.7	63.9	(8)	0.3
CBM (bcf)	2.1	2.1	2.0	2.1	2.3	2.6	2.7	2.7	2.8	23	4.4
KG-D6 production (mmscmd)	20.9	27.3	29.6	29.7	28.7	28.4	28.0	26.7	26.6	(7.3)	(0.4)
CBM (mmscmd)	0.65	0.65	0.62	0.65	0.7	0.81	0.83	0.85	0.88	23	3.3
Gas price realisation (US\$/mmbtu)											
KG-D6 gas (US\$/mmbtu)	10.8	10.5	9.7	9.5	9.3	9.6	9.7	10.1	10.0	7.6	(1.2)
CBM (US\$/mmbtu)	14.2	13.7	15.6	14.3	11.6	11.4	10.6	10.4	9.9	(15)	(4.4)
CBM / KG-D6 premium (%)	31	31	61	50	25	19	9	3	(0.7)	(103)	(126)
HPHT ceiling vs LNG prices											
HPHT ceiling (GCV, US\$/mmbtu)	12.1	12.1	10.0	10.0	9.9	9.9	10.2	10.2	10.2	2.9	-
Spot LNG (US\$/mmbtu)	10.5	11.9	15.4	9.4	11.2	13.0	13.9	13.9	12.3	10	(11.5)
RasGas LNG (US\$/mmbtu)	11.0	10.8	12.1	11.2	11.6	11.4	10.5	10.3	9.8	(15)	(4.6)

Source: Company, PPAC, Reuters, Bloomberg, Kotak Institutional Equities estimates

R-Jio: Ahead on margin expansion; broadband additions picking up

R-Jio revenue, at Rs309 bn, moved up 2.9% qoq (+16.6% yoy) was in line with our estimates. Blended ARPU, at Rs208.8 (+15% yoy, +1.2% qoq), was marginally lower than our estimate of Rs209.5. Net subscribers increased by 9.8 mn (6.1 mn in 4Q). After losing 10.9 mn net subscribers in 2Q, driven by SIM consolidation after tariff hikes, R-Jio has added 19.2 mn subscribers in the past three quarters.

Total broadband additions of 2 mn in quarter, taking the total to 20 mn customers, of which 7.4 mn was from Jio AirFiber (FWA). Jio AirFiber connections have gone up from 1.4 mn in 1QFY25 to 7.4 mn in 4Q. According to Reliance, it is adding nearly 1 mn broadband subscribers each month, of which 70-75% are on FWA. The fast rollout of FWA has been driven by Jio's proprietary Point to Multi-Point (P2MP) rollout using unlicensed ban radio (UBR).

R-Jio's EBITDA, at Rs167 bn (up 20% yoy, up 5.3% qoq), was 1.1% ahead of our estimates. The beat was driven EBITDA margins expansion to 54% (up 124 bps qoq, 83 bps higher versus KIE), driven by cost-rationalization and operating leverage. It expects margins at the similar level in the near term. Margins are likely to rise as broadband share rises and realized ARPUs also moved up.

Reported R-Jio PAT, at Rs67.1 bn (up 23% yoy, up 1.0% qoq), was 3.6% below our estimate.

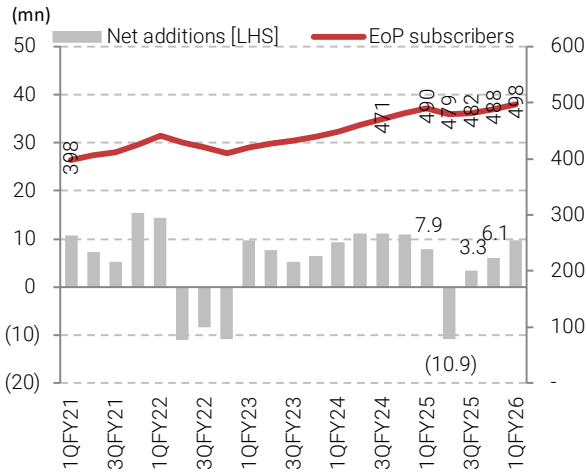
Exhibit 34: Quarterly results of R-Jio, March fiscal year-ends (Rs mn)

	1QFY26	1QFY26E	1QFY25	4QFY25	(% chg.)			2026E	2025	(% chg.)
					vs KIE	yoy	qoq			
Profit model										
Revenues	308,820	310,117	264,780	300,180	(0.4)	16.6	2.9	1,310,950	1,141,410	14.9
Interconnect	(3,850)	(4,848)	(2,620)	(4,940)	(20.6)	46.9	(22.1)	(15,846)	(16,850)	(6.0)
LF/SUC	(28,200)	(28,298)	(24,330)	(27,840)	(0.3)	15.9	1.3	(119,985)	(104,940)	14.3
Network operating costs	(84,520)	(86,311)	(79,230)	(84,060)	(2.1)	6.7	0.5	(360,003)	(329,320)	9.3
Employee costs	(4,970)	(5,238)	(4,850)	(5,040)	(5.1)	2.5	(1.4)	(21,415)	(19,870)	7.8
SG&A and other costs	(20,380)	(20,280)	(14,550)	(19,780)	0.5	40.1	3.0	(84,520)	(67,570)	25.1
EBITDA	166,900	165,141	139,200	158,520	1.1	19.9	5.3	709,180	602,860	17.6
Other income	6,110	3,500	1,020	3,360				9,028	9,470	
Finance cost	(20,810)	(14,133)	(11,010)	(13,460)	47.2	89.0	54.6	(85,771)	(48,370)	77.3
Depreciation and amortization	(62,040)	(61,028)	(56,070)	(59,250)	1.7	10.6	4.7	(257,948)	(230,980)	11.7
Profit before taxes	90,160	93,481	73,140	89,170	(3.6)	23.3	1.1	374,490	332,980	12.5
Current tax	-	-	-	-				-	-	
Deferred tax	(23,050)	(23,838)	(18,690)	(22,750)				(95,554)	(85,030)	
Net income	67,110	69,643	54,450	66,420	(3.6)	23.3	1.0	278,936	247,950	12.5
Adjusted net income	67,110	69,643	54,450	66,420	(3.6)	23.3	1.0	278,936	247,950	12.5
Contribution to RIL's EPS (Rs)	3.3	3.4	2.7	3.3				13.7	12.2	
Operational metrics										
EOP subscribers (mn)	498.0	498.8	489.7	488.2	(0.2)	1.7	2.0	525.0	488.2	7.5
Average subscribers (mn)	493.1	493.5	485.8	485.2	(0.1)	1.5	1.6	506.6	485.0	4.5
ARPU (Rs/month)	208.8	209.5	181.7	206.2	(0.3)	14.9	1.2	215.6	196.1	10.0
EBITDA margins (%)	54.0	53.3	52.6	52.8	79 bps	147 bps	124 bps	54.1	52.8	128 bps
Data consumption (bn GB)	54.7	52.8	44.1	48.9	3.6	24.0	11.9		184.5	
Data consumption per user (GB/month)	37.0	35.7	30.3	33.6	3.7	22.2	10.1		31.7	
Voice consumption (bn min)	1,490	1,520	1,420	1,490	(2.0)	4.9	0.0		5,790	
Voice consumption per user (min/month)	1,007	1,027	974	1,024	(1.9)	3.4	(1.6)		995	
Net subscriber additions (mn)	9.8	10.6	7.9	6.1					6.4	
Total levies (%)	9.2	9.3	9.3	9.4				9.3	9.3	(7)bps
Tax rate (%)	25.6	25.5	25.6	25.5				25.5	25.5	
Incremental EBITDA margin (%)	97.0	66.6	59.3	52.6				62.7	56.1	

Source: Company, Kotak Institutional Equities estimates

R-Jio's net subscriber adds of 9.8 mn in 1Q (7.9 mn in 1QFY25)

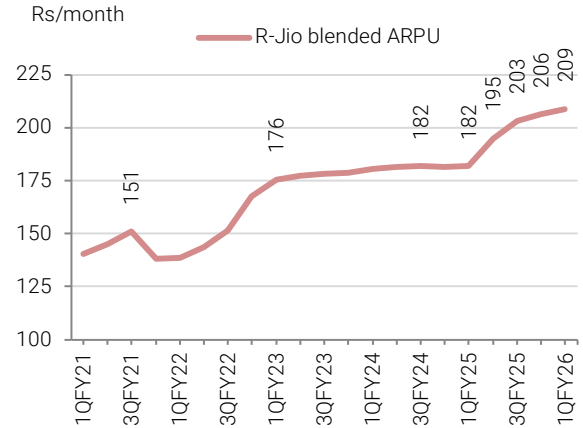
Exhibit 35: Total and net subscriber addition trends for R-Jio, March fiscal year-ends; 1QFY21 onward (mn)



Source: Company, Kotak Institutional Equities

R-Jio reported ARPU of Rs208.8 (Rs206.2 qoq, KIE: Rs209.5)

Exhibit 36: Blended ARPU trends for R-Jio, March fiscal year-ends, 1QFY21 onward (Rs/month)



Source: Company, Kotak Institutional Equities

Exhibit 37: Consolidated quarterly results of Jio Platforms, March fiscal year-ends, 1QFY24 onward (Rs bn)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	(% chg.)	
										YoY	qoq
Profit model											
Revenues	261	269	277	289	294	317	331	340	350	19	3.1
EBITDA	131	135	140	144	146	159	166	170	181	24	6.6
JPL EBITDA margin (%)	50.2	50.3	50.4	49.7	49.7	50.2	50.1	50.1	51.8	206 bps	170 bps
Finance cost	(10)	(10)	(10)	(10)	(11)	(11)	(13)	(14)	(21.1)	89	55
Depreciation and amortization	(53)	(54)	(56)	(58)	(59)	(60)	(61)	(62)	(64.8)	10.7	4.4
Profit before taxes	69	71	73	75	77	88	92	94	96	25	1.1
Net income	51	53	54	56	57	65	69	70	71	25	1.2
Contribution to RIL's EPS (Rs)	2.5	2.6	2.7	2.7	2.8	3.2	3.4	3.5	3.5	25	1.2
Operational metrics											
Non-mobility revenues	20.7	21.3	23.3	29.1	29.7	33.7	37.7	39.7	41.5	39.7	4.6
Non-mobility EBITDA	4.5	4.7	5.3	6.3	6.2	7.1	7.9	8.3	8.3	35.4	0.7
Non-mobility EBITDA margin	21.9	22.1	22.9	21.5	20.7	20.9	20.9	20.9	20.1	(64)bps	(77)bps
Non-mobility PAT	2.3	2.4	2.4	2.5	2.5	3.1	3.8	3.8	4.0	60.9	4.7
Non-mobility as % of JPL revenue	7.9	7.9	8.4	10.1	10.1	10.6	11.4	11.7	11.8	176 bps	17 bps
Non-mobility as % of JPL EBITDA	3.5	3.5	3.8	4.4	4.2	4.4	4.7	4.9	4.6	39 bps	(27)bps
Non-mobility as % of JPL PAT	4.6	4.5	4.4	4.4	4.4	4.7	5.5	5.4	5.6	126 bps	19 bps

Source: Company, Kotak Institutional Equities estimates

Exhibit 38: Quarterly performance of Digital segment, March fiscal year-ends, 1QFY24 onward

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	(% chg.)	
										yoy	qoq
Financials (Rs bn)											
Gross revenues	320.8	326.6	334.6	347.4	354.7	380.6	397.3	408.6	419.5	18.3	2.7
EBITDA	137.2	140.7	142.6	146.4	149.4	161.4	166.4	172.8	183.1	22.5	6.0
DD&A	57.9	58.4	59.0	60.4	61.4	62.8	63.9	64.8	69.0	12.3	6.5
EBIT	79.4	82.3	83.6	86.0	88.1	98.6	102.5	108.0	114.2	29.6	5.7
Total assets	5,349	5,471	5,514	5,553	5,601	5,842	5,928	5,980	6,140	9.6	2.7
Digital services (ex-JPL)											
Revenue	14.4	11.2	9.5	9.1	9.2	9.4	9.8	10.1	8.9	(2.9)	(11.5)
EBITDA	6.1	5.4	3.1	2.8	3.1	2.1	0.6	2.6	1.8	(42.2)	(32)
EBITDA margin (%)	42.1	48.5	32.1	31.3	33.2	22.2	5.6	25.9	19.8	60 bps	(614)bps

Source: Company, Kotak Institutional Equities

Reliance Retail: Subdued 1Q, expect pick-up in area addition in 2HFY26

After undergoing an aggressive store rationalization cycle in FY2025, we believe Reliance Retail will be back to net store addition in FY2026. While RR's net qoq area addition of 0.2 mn sq. ft (down 4.6% yoy, 0.3% qoq) and net addition of 252 new stores to 19,592 stores (up 3.6% yoy, 1.3% qoq) was underwhelming, we believe this is set to normalize in the next few quarters. We model unchanged 6.0/7.0 mn sq. ft of net area addition in FY2026/27 and believe area addition should pick up pace in 2HFY26.

Segmentally, competitive intensity in the grocery segment may remain high, though RR does have an extensive offline network, which it has already begun to deploy for quick deliveries (10 to 30 minutes slot in select pin codes). Overall, after posting 6.6% revenue growth in FY2025, we believe RR can post 16/22% revenue growth in FY2026/27E, with steady EBITDA margin of ~7.2%. Based on 1QFY26 run-rate, we have trimmed FY2026-27E revenue estimates by ~4.5/2.5% and EBITDA estimates by 5.7%/4.2%.

Pace of net store addition to pick up from FY2026 after a slippage in FY2025

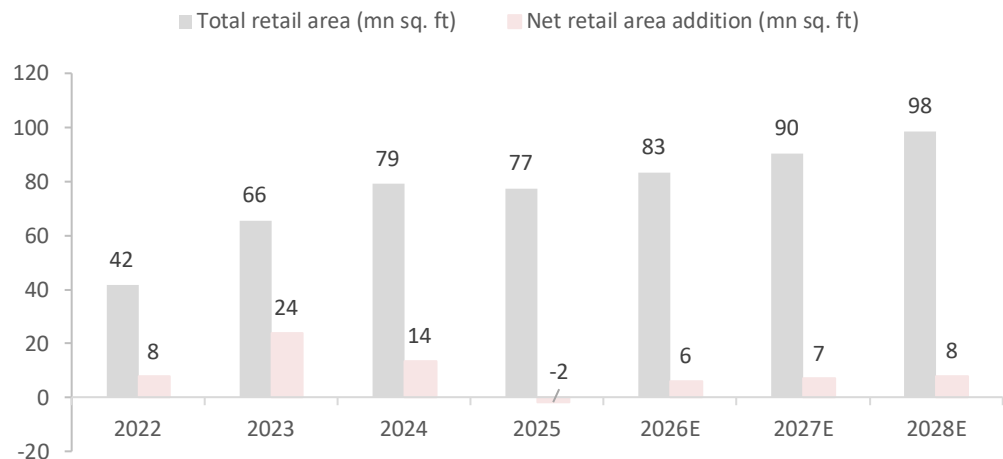
Exhibit 39: Store addition for Reliance Retail, March fiscal year-ends (#)



Source: Company, Kotak Institutional Equities estimates

We expect 6-7 mn sq. ft of annual retail area addition from FY2026

Exhibit 40: Retail area addition for Reliance Retail, March fiscal year-ends (mn sq. ft)



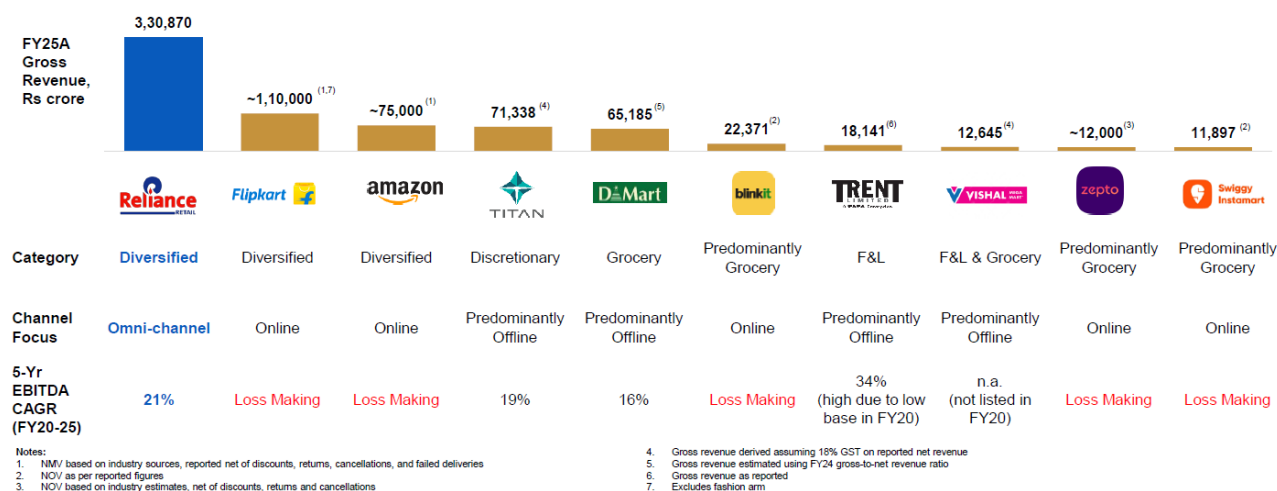
Source: Company, Kotak Institutional Equities estimates

1QFY26: Takeaways from analyst meet

Relative size versus peers. According to management, Reliance Retail is 3X the size of the next largest retailer and 5X size of the next largest listed retailer. It further highlighted the consistently profitable nature of RR's operations compared with several peers who are not profitable. We do, however, note that of the Rs.3.3 tn of gross revenue highlighted for RRVL for FY2025, ~Rs1.2 tn was attributable to connectivity and Rs2.1 tn was attributable to core retail. This revenue figure is still ~2X that of Flipkart's FY2025 estimated NMV.

Reliance Retail is significantly ahead of competition, even adjusted for connectivity revenues

Exhibit 41: Comparison of Reliance Retail with other retail names



Note:

RRVL's reported revenue also includes revenue from connectivity business (~Rs1.2 tn), and thus comparison is not like-to-like.

Source: Company, Kotak Institutional Equities

1QFY26 performance. RRVL witnessed market-leading performance in grocery and fashion. However, impact of early monsoon was felt on consumer electronics such as AC sales, which is a significant part of sales. Segmentally:

- ▶ **Offline grocery.** The grocery business continued its pace of growth even at scale, further consolidating market leadership. Double-digit yoy growth was witnessed in core categories such as HPC (+15%), F&V (+15%), and Packaged Foods (+13%). The company continues to follow a premiumization strategy across categories (Food, Personal Care & Kitchenware). Its B2B Metro format also witnessed healthy growth momentum. The company operates across multiple price points and formats, which is an advantage over multiple peers. Premiumization has helped expand EBITDA margins of the segment. Steady store expansion in the segment will continue.
- ▶ **JioMart and quick commerce.** Quick commerce is shaping consumer habits in India, with consumers valuing convenience and speed. Initially, management believed that one-day delivery would be enough, but have realized that customers want convenience and immediate gratification. JioMart is the fastest-growing online platform in India now, with the advantage of established network and wide reach across the country. In contrast to competitors, who are focused on metro cities, JioMart is present in 4,290 pin codes serviced by 2,200+ stores in 1,000+ cities and can use its existing offline network to its advantage. The company is setting up dark stores in areas where it does not have an existing network, but there is opportunity; for instance, South Mumbai.

RRVL already operates the largest fresh supply chain in the country, which will enable it to double down on the F&V category. F&V is a key driver of frequency and loyalty. Top 40-50 cities contribute to 90% of orders for peers. Unit economics are better for JioMart versus peers as it is only setting up dark stores in areas of high demand and utilizing its existing store network in other areas. In contrast, competitors open dark stores in new areas and take longer time to reach the breakeven volume of orders. QC revenue is not included in offline store growth metrics. Inorganic growth does not make sense, as of now.

- ▶ **Fashion and lifestyle.** Earlier model of 90-180 day cycles does not work anymore, given how quickly trends are changing now. The company is seeing a strong rebound in the fashion industry after slow growth in FY2025. The company has shrunk the design-to-shelf cycle to 30 days and is using a lot of AI to come up with designs that are in trend. Reliance has added 170+ stores in the past 12 months across the Azorte, GAP and Yousta formats.

It is also building non-apparel categories to help improve the basket-size and bill value. Ajio is seeing consistent improvement in metrics, with a 17% yoy increase in ABV. Ajio Rush is its 4-hour delivery model and is available in 6 cities with 130k+ options. It has better unit economics due to higher ABV (50-60% higher than a normal transaction) and higher acceptance/lower returns. Shein has received strong customer response and has crossed 2 mn app downloads and 20,000+ SKUs.

- ▶ **Consumer durables.** While the average bill value was up 26% yoy, the business overall was impacted due to low AC sales on account of the early onset of monsoons. RRVL acquired the Kelvinator brand IP for India to strengthen its own brand's play.
- ▶ **Consumer products.** RCPL is being demerged from RRVL to build a focused organization and house all consumer brands portfolio. The demerger scheme has been filed and the demerger will be effective from April 1, 2025. This division posted revenue of Rs44 bn revenue in 1Q (2X yoy), with the GT channel contributing to 70%+ of sales. The company continues to expand its pan-India network and is investing in manufacturing, R&D, automation and backward integration. It envisages RCPL to be one of India's largest FMCG companies by FY2030.

Exhibit 42: Quarterly performance of retail segment, March fiscal year-ends, 1QFY24 onward

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	1QFY26E	(% chg.)		
											KIE	yoy	qoq
Operating metrics													
Retail stores (#)	18,446	18,650	18,774	18,836	18,918	18,946	19,102	19,340	19,592			3.6	1.3
Area (mn sq. ft)	70.6	71.5	72.9	79.1	81.3	79.4	77.4	77.4	77.6			(4.6)	0.3
Financials													
Revenue	699	771	831	766	756	763	903	886	842	902	(6.7)	11.3	(5.0)
Core retail	453	517	570	500	484	472	602	578	525				
Jio and fuel	247	254	260	266	272	291	301	308	317				
Share of digital/new commerce (%)	18	19	19	16	18	17	18	18	18				
Operational EBITDA	49.0	56.1	60.6	56.3	54.5	56.8	66.3	65.1	60.4	65.8	(8.2)	10.9	(7.2)
EBIT	38.1	44.3	48.8	43.7	40.0	44.3	53.2	53.1	48.7	53.3	(8.8)	21.6	(8.4)
Net profit	24.5	27.9	31.7	27.5	25.5	29.4	34.9	35.5	32.7			28.3	(7.7)
Growth yoy (%)													
Retail stores (#)	17	12	9.0	4.4	2.6	1.6	1.7	2.7	3.6				
Area (mn sq. ft)	55	31	21	20.6	15.2	11.0	6.2	(2.1)	(4.6)				
Revenue	19	19	23	10.6	8.1	(1.1)	8.7	15.7	11.3	19.3			
EBITDA	26	31	30	18.1	11.3	1.2	9.4	15.6	10.9	20.9			
PAT	19	21	32	14	4	5	10	29	28				
Margins (%)													
EBITDA	7.0	7.3	7.3	7.3	7.2	7.4	7.3	7.3	7.2	7.3	(12)bps	(2)bps	(17)bps
EBIT	5.5	5.7	5.9	5.7	5.3	5.8	5.9	6.0	5.8	5.9	(13)bps	49 bps	(22)bps

Source: Company, Kotak Institutional Equities

Reliance retail had a net store addition of 252 stores in 1QFY26

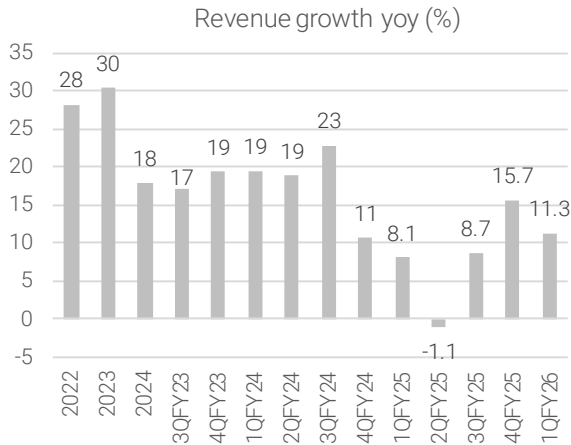
Exhibit 43: Store addition details of Reliance Retail, March fiscal year-ends (#)

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Opening store count	18,774	18,836	18,918	18,946	19,102	19,340
Gross store addition	562	331	464	779	1,085	388
Implied store closure	500	249	436	623	847	136
Net store addition	62	82	28	156	238	252
Ending store count	18,836	18,918	18,946	19,102	19,340	19,592

Source: Company, Kotak Institutional Equities

Retail business revenue growth moderated to 11.3% yoy

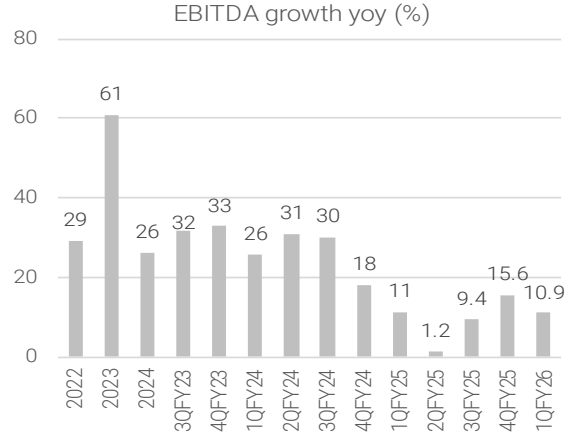
Exhibit 44: Retail business revenue growth, March fiscal year-ends; 2022 onward (%)



Source: Company, Kotak Institutional Equities

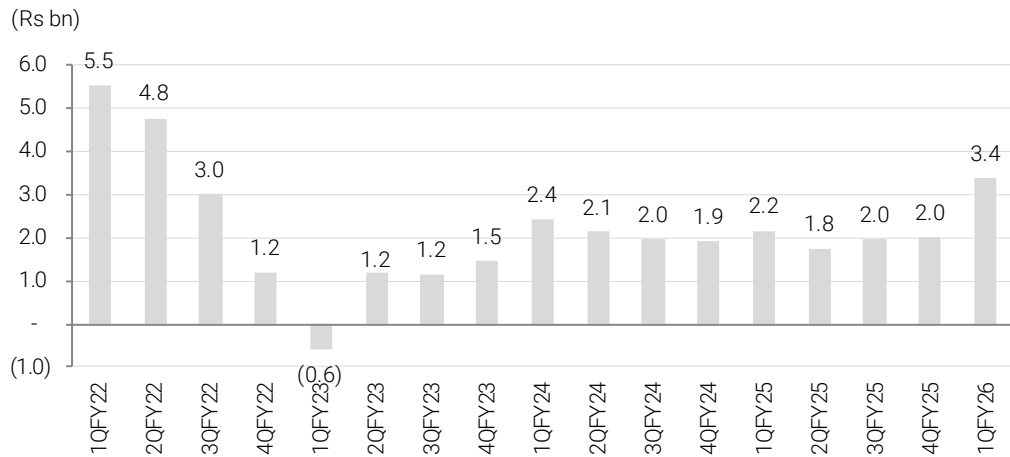
Retail EBITDA growth also moderated to 10.9% yoy

Exhibit 45: Retail business EBITDA growth, March fiscal year-ends; 2022 onward (%)



Source: Company, Kotak Institutional Equities

Exhibit 46: Investment income included in retail EBITDA, March fiscal year-ends, 1QFY22 onward



Source: Company, Kotak Institutional Equities estimates

New Energy: Creating an end-to-end green energy business

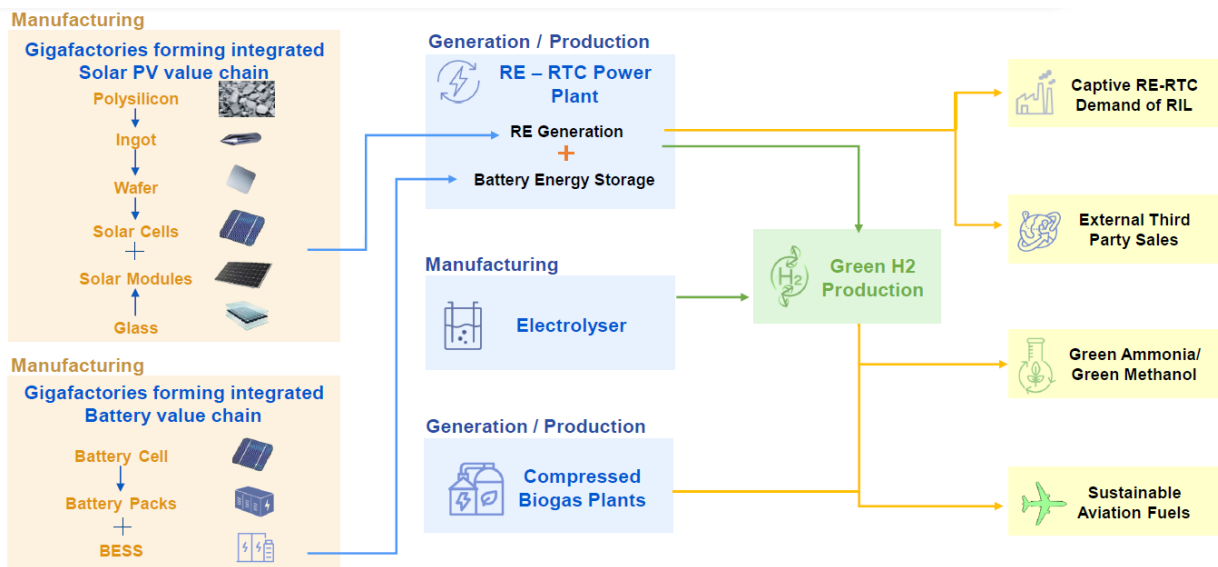
For its upcoming new energy business, the company said that completion and commissioning activities are in full swing. According to the company, it is creating one of world’s most advanced and integrated manufacturing ecosystem. This will also be largest at scale outside China.

A few months ago, Reliance had commissioned its first line of solar PV module capacity of ~1 GW. It has now started the execution of power generation projects at Kutch, and is mobilizing resources at site. The plan is to have just-in-time delivery of modules from Jamnagar to Kutch. It is also setting up a dedicated transmission line from Kutch to Jamnagar.

According to Reliance, it is on track to fully operationalize the new energy ecosystem in the next 4-6 quarters.

Reliance is planning to create an end-to-end integrated green energy business

Exhibit 47: Reliance’s New Energy business target areas



Source: Company, Kotak Institutional Equities

Key estimate changes and sensitivity of earnings to key segmental estimates

Exhibit 48: Key changes to our FY2026-27E RIL estimates, March fiscal year-ends

	Revised		Earlier		Change (%)	
	2026E	2027E	2026E	2027E	2026E	2027E
Consolidated						
EBITDA	1,841	2,176	1,871	2,172	(1.6)	0.2
Net income	781	961	818	971	(4.6)	(1.0)
EPS (Rs)	58	71	60	72	(4.6)	(1.0)
R-Jio						
Wireless revenue	1,162	1,360	1,146	1,344	1	1
FTTH + FWA revenue	149	241	156	238	(4)	1
Total revenue	1,311	1,601	1,302	1,583	1	1
EBITDA	709	918	697	897	1.8	2.4
Net income	279	410	289	405	(3.6)	1.1
EBITDA margins (%)	54.1	57.4	53.5	56.7	57 bps	70 bps
EOP Wireless subs (mn)	496.0	518.0	494.2	516.2	0	0
Wireless ARPU (Rs/sub/month)	200.4	223.5	197.9	221.7	1	1
EOP FTTH + FWA subs (mn)	29.0	41.0	28.0	38.0	4	8
Total subscribers EOP (mn)	525	559	522	554	0.5	0.9
Blended ARPU (Rs/sub/month)	216	246	214	245	0.6	0.5
Capex (including capitalized costs)	392	404	383	402	2.3	0.6
Net debt	1,705	1,411	1,690	1,394	0.9	1.2
Retail						
Revenue (gross)	3,819	4,640	4,002	4,764	(4.6)	(2.6)
Core retail	2,473	2,997	2,666	3,140	(7.2)	(4.6)
Jio and fuel	1,346	1,644	1,337	1,625	0.7	1.2
EBITDA	276	335	293	350	(5.7)	(4.2)
Core retail	256	310	273	325	(6.2)	(4.6)
Jio and fuel	20	25	20	24	0.7	1.2
EBIT	211	265	228	280	(7.4)	(5.3)
Net income	130	169	143	180	(8.8)	(6.1)
EBITDA margins (%)	7.2	7.2	7.3	7.3	(9)bps	(12)bps
O2C						
O2C EBITDA	629	700	653	702	(3.7)	(0.3)
Refining throughput (mn tons)	73.0	73.0	73.0	73.0	-	-
GRM (US\$/bbl)	10.2	10.5	10.5	10.5	(2.9)	-
Petchem Volumes (mn tons)	21.6	21.9	21.6	21.9	-	-
Unit EBITDA (US\$/ton)	247	292	251	292	(1.3)	0.0
E&P						
E&P EBITDA	184	150	185	151	(0.6)	(0.6)
KG-D6 production mmscmd	32	27	32	27	-	-
Gas price realisation (US\$/mmbtu)	9.5	9.5	9.5	9.5	-	-

Source: Kotak Institutional Equities estimates

Exhibit 49: Sensitivity of consolidated EBITDA, EPS and FV to key estimates, March fiscal year-ends, 2026-27E

	Change	FY2026E				FY2027E			
		EBITDA		EPS		EBITDA		EPS	
		(Rs bn)	(%)	(Rs)	(%)	(Rs bn)	(%)	(Rs)	(%)
Refining margins	+US\$1/bbl	46	3%	2.6	5%	47	2%	2.6	4%
Refining operating cost	+US\$0.5/bbl	(23)	-1%	(1.3)	-2%	(24)	-1%	(1.3)	-2%
Petchem margins	+US\$25/ton	47	3%	2.6	5%	48	2%	2.6	4%
Retail EBITDA margins	+50 bps	17	1%	0.8	1%	20	1%	1.0	1%
Jio wireless ARPU	+Rs10/month	46	2%	1.7	3%	49	2%	1.8	3%
Jio wireless subscriber	+25 mn	42	2%	1.6	3%	48	2%	1.8	2%
Exchange rate	Rs1/US\$	7.6	0.4%	0.4	0.7%	5.8	0.3%	0.4	0.5%
Base case		1,841		58		2,176		71	

Source: Company, Kotak Institutional Equities estimates

Key assumptions behind earnings model

Exhibit 50: Financial model of Reliance Jio, March fiscal year-ends, 2019-28E (Rs bn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Assumptions										
Wireless subscriber base at end-period (mn)	307	388	424	405	431	471	470	496	518	540
Wireless subscriber market share (%)	28	34	36	35	38	40	39	40	41	42
Wireless ARPU (Rs/month)	131	130	141	150	173	174	188	200	224	247
Broadband subscriber base at end-period (mn)	1	1	3	5	8	11	18	29	41	53
Broadband ARPU (Rs/month)	0	0	662	496	503	500	514	529	574	581
Overall subs at end-period (mn)	307	389	426	410	439	482	488	525	559	593
Blended ARPU (Rs/month)	131	130	143	153	178	181	196	216	246	274
Overall EBITDA margins (%)	38.9	39.7	44.2	48.9	51.4	52.4	52.8	54.1	57.4	60.3
Profit model										
Revenues	388	543	699	770	908	1,001	1,141	1,311	1,601	1,894
EBITDA	151	216	309	376	467	524	603	709	918	1,143
Net income	30	56	120	148	182	205	248	279	410	554
Contribution to RIL's EPS (Rs)	2.2	4.2	5.9	7.3	8.9	10.1	12.2	13.7	20.1	27.2
Balance sheet										
Net-worth	404	1,710	1,830	1,978	2,160	2,364	2,614	2,893	3,303	3,856
Effective net debt	1,456	495	511	971	1,979	2,090	1,878	1,705	1,411	999
Invested capital	1,760	2,144	2,295	3,227	4,682	5,299	5,810	6,178	6,578	7,036
Cash flow										
Operating cash flow	50	92	275	233	404	351	436	514	688	871
Working capital	(75)	(37)	19	(64)	(2)	30	58	20	(20)	(16)
Capital expenditure inc. DPL repayments	(438)	(518)	(261)	(481)	(336)	(534)	(462)	(511)	(486)	(510)
Free cash flow	(464)	(462)	34	(313)	66	(153)	32	24	182	345
Returns (%)										
RoAE	4.1	5.3	6.8	7.8	8.8	9.0	10.0	10.1	13.2	15.5
RoACE	2.6	5.2	6.4	6.7	5.9	5.4	6.2	7.4	10.2	13.0
CRoCI	6.9	8.4	11.5	9.8	8.5	8.5	8.9	9.7	11.6	13.3
Adjusted CRoCI	6.9	8.8	11.4	9.8	8.5	8.5	9.2	10.0	12.3	14.9

Source: Company, Kotak Institutional Equities estimates

Exhibit 51: Financial model of Reliance Retail, March fiscal year-ends, 2019-28E (Rs bn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Revenues (gross)	1,306	1,629	1,576	1,997	2,604	3,068	3,309	3,819	4,640	5,515
Core retail	735	928	799	1,207	1,672	2,040	2,137	2,473	2,997	3,571
Connectivity	570	702	777	790	932	1,028	1,172	1,346	1,644	1,944
EBITDA	62	97	83	108	174	219	239	276	335	402
Core retail	52	83	67	92	160	203	222	256	310	373
Connectivity	10	14	16	16	14	15	17	20	25	29
EBIT	55	83	65	86	135	163	179	211	265	333
Net income	33	54	55	71	92	111	123	130	169	206
Contribution to RIL's EPS (Rs)	2.3	3.8	3.5	4.5	5.8	6.9	7.7	8.2	10.6	12.9
Balance sheet										
Net-worth	128	184	815	886	970	1,251	1,359	1,489	1,658	1,864
Net debt	113	20	(322)	42	405	255	328	339	316	278
Invested capital	241	204	493	928	1,375	1,506	1,686	1,828	1,975	2,142
Operating metrics (%)										
Revenue growth	88.7	24.8	(3.3)	26.7	30.4	17.8	7.9	15.4	21.5	18.9
Core retail	102.9	26.2	(13.9)	51.0	38.5	22.0	4.7	15.7	21.2	19.2
Non-core retail	73.1	23.0	10.8	1.7	17.9	10.3	14.0	14.9	22.1	18.3
EBITDA margins	4.7	5.9	5.3	5.4	6.7	7.1	7.2	7.2	7.2	7.3
Core retail	7.0	8.9	8.4	7.6	9.6	10.0	10.4	10.4	10.4	10.4
Non-core retail	1.8	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
EBIT margins	4.2	5.1	4.1	4.3	5.2	5.3	5.4	5.5	5.7	6.0
RoAE	30.0	34.9	11.1	8.3	9.9	10.0	9.4	9.1	10.8	11.7
RoACE	20.2	27.6	13.8	9.0	8.7	8.4	8.4	8.9	10.4	12.0
Stores (#)	10,415	11,784	12,711	15,196	18,040	18,836	19,340	19,940	20,640	22,102

Note:

Fuel retail business transferred to RIL-BP JV during FY2021

Source: Company, Kotak Institutional Equities estimates

Exhibit 52: Major assumptions for RIL's O2C business, March fiscal year-ends, 2022-28E

	2022	2023	2024	2025	2026E	2027E	2028E
Exchange rate (Rs/US\$)	74.5	80.4	82.8	84.6	86.1	88.0	90.0
Freedstock throughput (mn tons)							
Crude throughput	70.0	69.7	71.4	73.7	73.0	73.0	73.0
Overall throughput	76.7	76.5	78.2	79.1	80.0	80.0	80.0
Sales volume (mn tonnes)							
Gasoil	25.8	25.2	24.9	24.8	24.8	24.8	24.8
Gasoline / Alkylate	11.7	12.2	13.5	13.4	13.4	13.4	13.4
ATF	3.7	4.7	5.3	5.3	5.3	5.3	5.3
Transportation Fuels	41.2	42.1	43.7	43.5	43.5	43.5	43.5
PP	2.9	2.7	2.8	3.2	3.3	3.4	3.5
PE	2.2	2.2	2.1	2.4	2.5	2.6	2.6
PVC	0.7	0.8	0.7	0.8	0.8	0.9	0.9
Elastomers etc.	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Polymers and elastomers	6.2	6.1	6.0	6.9	7.1	7.3	7.5
PX	2.9	1.9	1.4	1.6	1.7	1.7	1.8
PTA	2.2	2.2	2.4	2.8	2.8	2.9	3.0
MEG	1.2	1.0	0.9	1.0	1.1	1.1	1.1
Fiber Intermediates	6.2	5.1	4.7	5.4	5.6	5.7	5.9
Filament	1.2	1.2	1.3	1.5	1.5	1.6	1.6
Staple	0.8	0.8	0.8	0.9	0.9	1.0	1.0
PET	1.2	1.2	1.1	1.3	1.3	1.3	1.4
Polyesters	3.2	3.2	3.2	3.7	3.8	3.9	4.0
Benzene/derivatives	0.5	0.4	0.5	0.6	0.6	0.6	0.6
Soid fuel and others	10.9	9.5	9.7	11.1	11.5	11.8	12.1
Total Product meant for sales	68.2	66.4	67.8	71.2	72.0	72.8	73.7
O2C margin assumption							
Consol. refining GRM (US\$/bbl)	8.6	13.4	12.2	10.1	10.2	10.5	11.0
Refining opex (US\$/bbl)	3.3	3.6	3.3	3.3	2.9	2.8	2.8
Petchem EBITDA margin (US\$/ton)	170	106	116	119	133	152	166

Source: Company, Kotak Institutional Equities estimates

Exhibit 53: Segmental breakup of consolidated EBITDA, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
EBITDA									
O2C	554	382	527	621	624	550	629	700	775
Petrochemicals	309	248	301	243	248	215	247	292	332
Refining and marketing	245	134	227	377	376	335	382	408	443
Oil and gas	4	3	55	136	202	212	184	150	137
Organized retail	97	85	110	180	231	251	288	348	415
Digital services	225	340	403	503	567	650	759	978	1,208
Others	(48)	(3)	(10)	(18)	(1)	(8)	(20)	0	(5)
Total EBITDA	831	807	1,084	1,422	1,622	1,654	1,841	2,176	2,530
Total EBITDA (US\$ bn)	12	11	15	18	20	20	21	25	28

Source: Company, Kotak Institutional Equities estimates

Valuations:

Exhibit 54: Calculation of R-Jio's enterprise value using discounted cash flow analysis in base case scenario (Rs bn)

	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Assumptions										
Wireless subscriber base (mn)	496	518	540	550	560	568	573	578	583	588
Net adds	25.8	22.0	22.0	10.0	10.0	7.5	5.0	5.0	5.0	5.0
Wireless ARPU (Rs/month)	200	224	247	262	275	287	299	309	318	328
y-y	6.7	11.6	10.4	6.0	5.0	4.5	4.0	3.5	3.0	3.0
DCF model										
Wireless EBITDA	627	785	960	1,054	1,131	1,204	1,269	1,328	1,382	1,438
Adjusted tax expense	(95)	(140)	(190)	(216)	(242)	(265)	(288)	(310)	(332)	(356)
Change in working capital	1	3	3	2	2	2	1	1	1	1
Operating cash flow	533	647	774	840	891	941	983	1,019	1,051	1,083
Capital expenditure	(392)	(404)	(466)	(355)	(359)	(364)	(369)	(374)	(379)	(393)
Free cash flow	141	243	308	485	532	577	614	645	672	690
Discounted cash flow-now	131.5	205.1	235.0	335.1	332.7	326.6	314.5	299.0	281.9	261.8
Discounted cash flow-1 year forward		227	260	370	368	361	348	330	312	289
Discounted cash flow-2 year forward			287	409	406	399	384	365	344	320
	Now	+1-year	+2-years							
Discount rate (%)	10.5%	10.5%	10.5%							
Total PV of free cash flow	2,723	3,138	3,503							
Terminal value assumption										
Growth in perpetuity	4.5%	4.5%	4.5%							
FCF in terminal year	690	721	753							
Exit FCF multiple (X)	17.4	17.4	17.4							
Exit EV/EBITDA multiple (X)	8.4	8.7	9.1							
Terminal value	12,011	12,552	13,117							
PV of terminal value	4,560	4,765	4,979							
Value of R-Jio wireless	7,283	7,902	8,482							
Implied EV/EBITDA (X)	13.1	12.6	10.8							
Value of R-Jio FTTH + FWA	1,080	1,686	1,972							
Enterprise value of R-JIL	8,362	9,588	10,454							
Value of other Digital services	625	693	703							
Enterprise value of RIL's digital services	8,987	10,281	11,156							
Minority interest (33.52%)	(2,383)	(2,875)	(3,267)							
Attributable EV for RIL's digital segment	6,604	7,407	7,890							
Shares outstanding (mn)	13,532	13,532	13,532							
EV/share for RIL (Rs/share)	488	547	583							

				Sensitivity of 12-month fair value to WACC and perpetual growth						
				WACC (%)	Perpetual growth (%)					
					2.5%	3.5%	4.5%	5.5%	6.5%	
9.5%	8,047	8,941	10,193	12,070	15,198					
10.0%	7,494	8,241	9,259	10,731	13,042					
10.5%	7,010	7,641	8,482	9,659	11,425					
11.0%	6,583	7,121	7,824	8,782	10,167					
11.5%	6,204	6,666	7,260	8,052	9,160					

Source: Company, Kotak Institutional Equities estimates

SoTP-based Fair Value

Exhibit 55: SoTP valuation of RIL based on September 2027 estimates (Rs)

	EBITDA (Rs bn)	EV/EBITDA (X)	EV (Rs bn) (US\$ bn)		Valuation (Rs/share)
Energy			6,421	74	474
Petrochemicals	312	7.0	2,183	25	161
Refining and marketing	426	7.0	2,981	34	220
Upstream	144	4.0	574	7	42
New energy option value			682	8	50
Digital services			7,939	92	587
Base case	1,093	DCF	11,156	129	824
Minority interest (33.52%)			(3,217)	(37)	(238)
Organized retail			8,330	96	616
Core retail	381	26.0	9,910	115	732
Minority interest (16.49%)			(1,580)	(18)	(117)
Disney - Viacom JV			347	4	26
Total enterprise value			23,036	266	1,702
Consolidated net debt			1,318	15	97
Fair value			21,718	251	1,605

Source: Kotak Institutional Equities estimates

Exhibit 56: Standalone profit model, balance sheet, cash model, March fiscal year-ends, 2020-28E (Rs bn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)									
Net sales	3,360	2,457	4,223	5,283	5,345	5,173	4,920	5,050	5,212
EBITDA	467	335	509	656	743	581	692	730	777
Other income	145	148	138	112	121	161	127	128	120
Finance cost	(121)	(162)	(91)	(126)	(134)	(101)	(97)	(71)	(44)
DD&A expense	(97)	(92)	(103)	(101)	(177)	(180)	(198)	(206)	(219)
Pretax profits	394	229	454	541	553	461	523	580	635
Extraordinary items	—	43	0	0	0	0	89	0	0
Current tax	(72)	0	(5)	(62)	(109)	(94)	(101)	(114)	(128)
Deferred tax	(13)	47	(69)	(49)	(23)	(15)	(25)	(25)	(24)
Net profits	309	319	379	430	420	353	487	441	482
Adjusted net profits	309	276	379	430	420	353	398	441	482
Adjusted EPS (Rs)	22.8	20.4	28.0	31.8	31.1	26.1	29.4	32.6	35.6
Balance sheet (Rs mn)									
Total equity	4,246	4,745	4,715	4,791	5,151	5,431	5,840	6,200	6,597
Deferred taxation liability	506	308	308	340	363	374	399	424	448
Total borrowings	2,623	2,217	1,946	2,158	2,118	2,032	1,430	945	413
Other liabilities	2,314	1,467	1,818	1,617	1,965	2,387	2,579	2,605	2,701
Total liabilities and equity	9,689	8,737	8,787	8,906	9,596	10,224	10,248	10,173	10,159
Cash	84	56	217	568	692	825	1,101	1,098	880
Other assets	1,369	1,811	1,739	1,500	1,591	1,675	1,314	1,203	1,380
Total fixed assets	3,344	3,397	2,743	2,941	3,613	3,820	3,930	3,969	3,995
Investments	4,891	3,473	4,088	3,896	3,701	3,904	3,904	3,904	3,904
Total assets	9,689	8,737	8,787	8,906	9,596	10,224	10,248	10,173	10,159
Free cash flow (Rs mn)									
Operating cash flow, excl. working capital	312	211	425	462	493	352	583	545	604
Working capital	309	(359)	138	(122)	78	296	553	137	(80)
Capital expenditure	(232)	(218)	(182)	(286)	(343)	(373)	(308)	(245)	(245)
Investments	(991)	925	(334)	181	(140)	(49)	0	0	0
Other income	42	108	62	97	99	141	127	128	120
Free cash flow	(559)	668	110	333	188	367	956	564	400
Ratios (%)									
Debt/equity	55.2	43.9	38.7	42.1	38.4	35.0	22.9	14.3	5.9
Net debt/equity	49.2	30.3	22.2	17.1	13.1	10.0	(4.8)	(11.8)	(15.5)
RoAE	6.6	5.6	7.5	8.4	7.9	6.2	6.6	6.8	7.0
RoACE	6.0	6.2	6.4	7.4	7.0	5.5	6.3	6.5	6.8
Adjusted RoACE	12.1	8.5	10.5	16.5	15.5	11.0	15.9	18.2	19.9
CRoCI	5.9	6.5	6.9	7.7	8.2	7.1	8.1	8.1	8.1
Adjusted CRoCI	11.8	8.1	12.8	16.9	17.1	15.7	21.0	21.2	19.3

Source: Company, Kotak Institutional Equities estimates

Exhibit 57: Consolidated profit model, balance sheet, cash model, March fiscal year-ends, 2020-28E (Rs bn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs bn)									
Net sales	5,967	4,669	6,960	8,778	9,011	9,647	9,812	10,751	11,803
EBITDA	831	807	1,084	1,422	1,622	1,654	1,841	2,176	2,530
Other income	140	163	149	117	161	180	153	154	129
Finance cost	(220)	(212)	(146)	(196)	(231)	(243)	(236)	(222)	(205)
DD&A expense	(222)	(266)	(298)	(403)	(508)	(531)	(564)	(597)	(628)
Pretax profits	528	493	790	940	1,043	1,060	1,195	1,511	1,825
Minority interest/share of associates	(4)	(41)	(52)	(69)	(90)	(111)	(113)	(163)	(231)
Extraordinary items	(2)	56	28	0	0	0	89	0	0
Effective tax	(128)	(17)	(160)	(204)	(257)	(252)	(301)	(387)	(468)
Net profits	394	491	607	667	696	696	870	961	1,126
Adjusted net profits	396	435	579	667	696	696	781	961	1,126
Adjusted EPS (Rs)	29.2	32.1	42.8	49.3	51.4	51.5	57.7	71.0	83.2
Balance sheet (Rs bn)									
Total equity	4,533	7,002	7,795	7,159	7,935	8,432	9,224	10,105	11,145
Deferred tax liability	512	370	496	603	722	835	907	1,000	1,102
Minority interest	80	993	1,095	1,130	1,323	1,664	1,777	1,940	2,171
Total borrowings	2,914	2,238	2,663	3,140	3,246	3,475	2,888	2,428	1,926
Other liabilities	3,590	2,610	2,947	4,043	4,333	5,095	5,254	5,267	5,422
Total liabilities and equity	11,630	13,212	14,997	16,074	17,560	19,501	20,051	20,739	21,767
Cash	309	174	362	687	972	1,065	1,373	1,636	1,909
Loans and advances	224	25	17	17	34	59	59	59	59
Other assets	2,014	2,794	2,802	2,982	3,258	3,581	3,342	3,358	3,683
Total fixed assets	6,315	6,570	7,873	10,033	11,039	12,372	12,852	13,262	13,692
Investments	2,768	3,648	3,943	2,356	2,257	2,424	2,424	2,424	2,424
Total assets	11,630	13,212	14,997	16,074	17,560	19,501	20,051	20,739	21,767
Effective net debt	2,487	594	1,163	2,950	2,773	2,760	1,725	912	96
Free cash flow (Rs bn)									
Operating cash flow, excl. working capital	504	586	836	1,130	1,152	1,140	1,445	1,651	1,962
Working capital	192	(507)	7	(196)	64	237	538	87	(130)
Capital expenditure	(765)	(1,058)	(1,195)	(1,410)	(1,573)	(1,445)	(1,163)	(1,089)	(1,101)
Other income	22	92	60	111	107	164	153	154	129
Free cash flow	(47)	(888)	(292)	(365)	(250)	96	974	804	860
Ratios (%)									
Debt/equity	64.3	32.0	34.2	43.9	40.9	41.2	31.3	24.0	17.3
Net debt/equity	54.9	8.5	14.9	41.2	35.0	32.7	18.7	9.0	0.9
RoAE	9.4	7.5	7.8	8.9	9.2	8.5	8.8	9.9	10.6
RoACE	7.2	7.2	6.5	7.0	7.0	6.7	7.0	8.0	9.0
Adjusted RoACE	9.9	9.2	9.8	10.8	10.4	9.4	9.7	11.3	13.0
CRoCI	7.3	7.4	7.1	8.2	8.6	8.2	8.7	9.4	10.1
Adjusted CRoCI	10.3	10.1	10.7	12.2	12.9	11.1	11.9	12.9	13.9

Source: Company, Kotak Institutional Equities estimates