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Research Paper Equity Research and Fundamental Analysis of Reliance Industries Limited: Financial Performance, Valuation and Investment Consideration for Batra & Batra and Its Clients

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ABSTRACT

This study evaluates Reliance Industries Limited (RIL) through fundamental equity-research techniques and examines its investment attractiveness for consideration by Batra & Batra and its clients. The research integrates five-year financial statement analysis, ratio analysis, cash-flow analysis, discounted cash flow (DCF) valuation, segmental business assessment and portfolio-oriented interpretation. The study is based primarily on secondary data from RIL annual reports, investor disclosures, regulatory filings and financial databases, supplemented by practical learning obtained during the two-month OJT at Batra & Batra.

The analysis indicates that RIL has demonstrated sustained expansion in revenue, earnings and operating cash generation, supported by its diversified exposure to Oil-to-Chemicals (O2C), Jio Platforms, Reliance Retail and New Energy. The OJT report also highlights improving profitability and cash conversion, while recognizing that the company remains capital intensive and exposed to commodity cycles, regulatory developments, competition and execution risks. The DCF framework in the OJT report uses FCFF, WACC and terminal growth to estimate intrinsic value, while the broader OJT work also applies SOTP thinking to a diversified conglomerate.

The study concludes that RIL combines strong business fundamentals, scale and multiple long-term growth engines with material valuation and capital-allocation risks. Therefore, investment consideration should be long term and valuation conscious, with regular monitoring of emerging businesses, capital expenditure, cash generation and intrinsic value. The conclusions are educational and analytical and should not be interpreted as proprietary investment advice.

Keywords: Reliance Industries Limited; Equity Research; Fundamental Analysis; Financial Statement Analysis; DCF Valuation; SOTP; Portfolio Management; Investment Analysis

1. Introduction

1.1 Background of the Study

Investment decisions in modern financial markets require systematic analysis of a company's financial strength, industry environment, competitive position, growth prospects and intrinsic value. Equity research brings these dimensions together to support informed investment decisions. During the OJT at Batra & Batra, the project focused on Reliance Industries Limited, a diversified Indian conglomerate whose operations span O2C and energy, digital services and telecommunications, organized retail, and New Energy.

1.2 Problem Context

RIL presents a distinctive equity-research problem because its business segments differ materially in growth rates, capital intensity, cyclicality, competitive dynamics and valuation drivers. A consolidated financial analysis is useful for understanding overall scale and profitability, but investment evaluation also requires attention to segment economics, capital allocation, future growth and valuation. The OJT therefore combined fundamental analysis with DCF and SOTP-oriented valuation thinking.

1.3 Importance of the Study

The study is important because it connects academic finance concepts with practical equity-research work undertaken during the OJT. It demonstrates how financial statements, ratios, cash flows, industry analysis and valuation techniques can be integrated into an investment view for a large-cap diversified company. The research also reflects the practical requirement to communicate financial analysis in a form that can support client and portfolio discussions.

1.4 Research Gap

Existing research and investment analysis commonly examine RIL through financial performance, stock-market performance, sector analysis or valuation models separately. The present study contributes by integrating these dimensions within a single-company case study and interpreting them from the perspective of investment consideration by Batra & Batra and its clients. It also combines the detailed financial analysis in the OJT report with the structured research-paper framework used in the reference paper.

2. Research Objectives

- To analyze the historical financial performance, balance-sheet position, cash-flow trends and key financial ratios of Reliance Industries Limited.
- To evaluate RIL's business segments and the major industry forces affecting its performance.
- To assess the intrinsic value of RIL using the FCFF-based Discounted Cash Flow framework documented in the OJT report.
- To understand the relevance of SOTP and segment-level valuation for a diversified conglomerate such as RIL.
- To identify the major strengths, risks, opportunities and capital-allocation considerations relevant to investment decisions.
- To formulate a valuation-conscious investment view based on the evidence contained in the OJT report.

3. Literature Review

3.1 Theoretical Foundations

Fundamental Analysis Theory: Graham and Dodd established the concept of intrinsic value and emphasized the analysis of financial statements, earnings potential, asset quality and business fundamentals. The present study applies this framework to RIL through financial, industry and business analysis.

Modern Portfolio Theory: Markowitz (1952) emphasized the relationship among risk, expected return and diversification. This perspective is relevant because RIL is assessed not only as an individual security but also as a possible component of diversified portfolios.

Efficient Market Hypothesis: Fama (1970) proposed that security prices incorporate available information. This provides context for understanding why market prices can differ from fundamental valuation estimates and why valuation outputs should be interpreted with caution.

Valuation Theory: DCF, relative valuation and dividend-based methods provide alternative approaches to estimating value. Damodaran's work emphasizes cash-flow forecasting, risk assessment and appropriate valuation inputs. The present research uses FCFF-based DCF as the principal documented valuation method and recognizes SOTP as particularly relevant to RIL's diversified structure.

3.2 Review of Prior Work

Study / Source	**Major contribution**	**Relevance to present study**
Graham & Dodd	Intrinsic value and fundamental analysis	Financial statement and business-fundamental assessment
Markowitz (1952)	Risk, return and diversification	Portfolio relevance of RIL
Fama (1970)	Efficient markets and information	Interpretation of market price versus intrinsic value
Damodaran	Cash-flow valuation and risk assessment	DCF valuation framework
Gordon & Shapiro (1956)	Dividend-based valuation theory	Context for alternative valuation approaches
CFA Institute	Equity research and portfolio construction	Structured research and investment process

3.3 Research Gap and Contribution

The reviewed theoretical literature provides a strong foundation for fundamental analysis, portfolio theory and valuation. The contribution of this study is the integration of these frameworks into a practical single-company equity-research case based on the Batra & Batra OJT, with particular emphasis on RIL's diversified business model, financial performance, valuation and investment implications.

4. Research Methodology

4.1 Research Design

The study follows a descriptive and analytical research design. Descriptive analysis is used to explain RIL's business model, sector environment and OJT context, while analytical methods are used to compare financial performance, calculate ratios, interpret cash-flow trends and evaluate intrinsic value.

4.2 Type of Research

The study combines fundamental research with applied research. Fundamental research is used to understand RIL's business and financial strengths, while applied research interprets the results for investment consideration by Batra & Batra and its clients.

4.3 Data Sources

- RIL annual reports and consolidated financial statements.
- RIL investor presentations and corporate disclosures.
- NSE and BSE filings and public regulatory information.
- SEBI publications and relevant industry reports.
- Financial databases and market-data resources identified in the OJT report.
- Practical observations and learning from the OJT at Batra & Batra.

No statistically representative primary survey was conducted for the equity analysis. Client interaction, wealth-planning exposure and internal professional learning formed part of the practical OJT component.

4.4 Sampling Plan

Item	Description
Sampling technique	Purposive sampling
Sampling unit	Reliance Industries Limited
Sample size	1 company
Case-study scope	Detailed company-specific equity research
Historical period	FY2022–FY2026
DCF forecast period	FY2027–FY2031

4.5 Analytical Tools

Area	Measures	Purpose
Growth	Revenue, PAT, OCF, CAGR	Assess expansion
Profitability	EBITDA margin, EBIT margin, NPM, ROA, ROE, ROCE	Assess operating and capital returns
Liquidity	Current ratio, cash balance	Assess short-term financial strength
Leverage	Debt-to-equity, interest coverage	Assess financing risk
Efficiency	Asset turnover, cash conversion	Assess asset use and earnings quality
Capital intensity	Capex, Capex/Revenue, CWIP	Assess reinvestment requirements
Valuation	FCFF, WACC, terminal growth, EV, equity value	Estimate intrinsic value
Portfolio context	Diversification, benchmark relevance, concentration risk	Interpret investment role

4.6 DCF Framework

The documented valuation uses the Free Cash Flow to Firm approach. Forecast operating performance is converted into NOPAT and adjusted for depreciation and amortisation, capital expenditure and changes in net working capital. FCFF is discounted using WACC to obtain the present value of explicit cash flows and terminal value. Enterprise value is then adjusted for debt and cash to derive equity value, which is divided by shares outstanding to estimate intrinsic value per share.

5. Industry and Company Analysis

5.1 Business Structure

RIL operates across four principal pillars: Oil-to-Chemicals and downstream energy; Digital Services and Telecommunications through Jio Platforms; Organized Retail through Reliance Retail; and New Energy and decarbonization initiatives. This diversified structure provides multiple growth drivers but also makes consolidated valuation more complex.

5.2 Industry Forces

Force	Assessment	Implication for RIL
Threat of new entrants	Low	High capital, infrastructure and regulatory requirements protect scale advantages
Buyer power	Moderate	Consumers and subscribers are price sensitive; scale and bundling provide mitigation
Supplier power	Moderate	Crude supply and global commodity conditions influence O2C economics
Threat of substitutes	Low to Moderate	EVs and green fuels create long-term transition pressure
Competitive rivalry	Moderate to High	Telecom, retail and O2C each face strong competition

5.3 Strategic Drivers and Risks

- Consumer and digital growth through Jio and Reliance Retail.
- Cash generation from the mature O2C business to support investment in new businesses.
- Expansion of New Energy, including solar, storage and green-hydrogen-related initiatives.
- High capital expenditure and execution requirements across growth businesses.
- Exposure to crude prices, refining margins, petrochemical cycles and geopolitical conditions.
- Regulatory, competitive and technological risks across telecom, retail and energy.

6. Data Analysis and Findings

6.1 Five-Year Financial Performance

Year	Revenue ₹ Cr	EBITDA ₹ Cr	PAT ₹ Cr	OCF ₹ Cr	EBITDA Margin	ROE	ROCE
FY22	717,635	111,577	67,845	110,654	15.5%	7.6%	7.3%
FY23	891,311	142,186	74,088	115,032	16.0%	8.6%	9.3%
FY24	914,472	162,620	79,020	158,788	17.8%	9.0%	10.0%
FY25	980,136	165,966	81,309	178,703	16.9%	8.4%	9.4%
FY26	1,075,675	179,093	95,754	192,113	16.6%	9.1%	9.5%

Revenue increased from ₹7,17,635 crore in FY2022 to ₹10,75,675 crore in FY2026, representing approximately 10.6% CAGR. PAT increased from ₹67,845 crore to ₹95,754 crore, while operating cash flow increased from ₹1,10,654 crore to ₹1,92,113 crore, an approximate 14.8% CAGR. The faster expansion of operating cash flow relative to revenue indicates strengthening cash-generation capability.

6.2 Balance-Sheet Analysis

Balance-sheet item	FY2022	FY2026	Interpretation
Total assets	₹14.97 lakh crore	₹21.78 lakh crore	Large expansion of asset base
Non-current assets	₹11.53 lakh crore	₹15.83 lakh crore	Higher investment intensity
Property, Plant & Equipment	₹5.00 lakh crore	₹7.51 lakh crore	Continued productive-asset investment
Capital Work-in-Progress	₹68,052 crore	₹1,92,287 crore	Large project pipeline / capital committed
Cash & cash equivalents	₹36,178 crore	₹1,45,977 crore	Greater liquidity and flexibility
Total equity	₹8.89 lakh crore	₹10.86 lakh crore	Stronger equity base
Total liabilities	₹6.11 lakh crore	₹10.92 lakh crore	Liabilities increased alongside expansion

The balance sheet reflects a growth-oriented and increasingly capital-intensive company. The expansion in assets, equity and cash is positive, but the increase in liabilities and CWIP makes returns on new investments an important monitoring point.

6.3 Cash-Flow Analysis

Year	Operating Cash Flow ₹ Cr	Capex ₹ Cr	OCF – Capex ₹ Cr
FY22	110,654	100,145	10,509
FY23	115,032	140,988	-25,956
FY24	158,788	152,883	5,905
FY25	178,703	139,967	38,736
FY26	192,113	122,916	69,197

The OJT analysis shows that cash generation after capital expenditure moved from a positive ₹10,509 crore in FY2022 to negative ₹25,956 crore in FY2023 and subsequently strengthened. By FY2026, the reported cash surplus after capex was materially stronger, indicating movement from an aggressive investment phase toward improved cash generation.

6.4 Ratio Analysis

Year	EBITDA Margin	EBIT Margin	NPM	ROA	ROE	ROCE	D/E	Current Ratio	Interest Coverage	Asset Turnover	OCF/PAT	Capex/ Revenue
FY22	15.5%	11.4%	9.5%	4.5%	7.6%	7.3%	0.30x	1.12x	6.61x	0.48x	1.63x	14.0%
FY23	16.0%	11.4%	8.3%	4.6%	8.6%	9.3%	0.38x	1.07x	6.21x	0.55x	1.55x	15.8%
FY24	17.8%	12.2%	8.6%	4.5%	9.0%	10.0%	0.35x	1.18x	5.84x	0.52x	2.01x	16.7%
FY25	16.9%	11.5%	8.3%	4.2%	8.4%	9.4%	0.34x	1.10x	5.65x	0.50x	2.20x	14.3%
FY26	16.6%	11.3%	8.9%	4.4%	9.1%	9.5%	0.34x	1.10x	5.48x	0.49x	2.01x	11.4%

The ratios indicate improving profitability and capital efficiency, although RIL remains capital intensive. EBITDA margin improved from 15.5% to 16.6%, ROE from 7.6% to 9.1%, and ROCE from 7.3% to 9.5%. Debt-to-equity remained moderate at 0.34x in FY2026, while the current ratio remained near 1.1x.

6.5 DCF Valuation

Year	Revenue ₹ Cr	EBIT ₹ Cr	NOPAT ₹ Cr	FCFF ₹ Cr	Discount Factor	PV of FCFF ₹ Cr
FY26A	1,075,675.0	121,261.0	94,165.9	70,706.9	1.000x	70,706.9
FY27E	1,204,756.0	135,812.3	105,465.9	79,955.4	0.904x	72,263.2
FY28E	1,325,231.6	149,393.6	116,012.4	89,107.6	0.817x	72,786.8
FY29E	1,457,754.8	164,332.9	127,613.7	99,316.5	0.738x	73,321.0
FY30E	1,574,375.1	177,479.5	137,822.8	108,907.8	0.667x	72,666.6
FY31E	1,684,581.4	189,903.1	147,470.4	118,388.0	0.603x	71,392.5

DCF Assumption	Value
Risk-free rate	6.8%
Beta	0.93
Equity risk premium	6.0%
Cost of equity	12.4%
Cost of debt	7.2%
Effective tax rate	22.3%
WACC	10.6%
Terminal growth	5.0%
Debt	₹3,74,421 crore
Cash	₹1,45,977 crore
Shares outstanding	1,353.2 crore
Assumed market price	₹1,275.90

Valuation Output	Amount
PV of explicit FCFF	₹3,62,430 crore
PV of terminal value	₹13,27,986 crore
Enterprise value	₹16,90,416 crore
Less: Debt	₹3,74,421 crore
Add: Cash	₹1,45,977 crore
Equity value	₹14,61,972 crore
Intrinsic value per share	₹1,080.30
Assumed market price	₹1,275.90
Implied upside / (downside)	(15.3%)
OJT valuation view	HOLD / UNDERWEIGHT

Under the documented base-case assumptions, intrinsic value of approximately ₹1,080.30 per share is below the assumed market price of ₹1,275.90, implying approximately 15.3% downside. The result is valuation-led rather than a conclusion that the underlying business is weak.

6.6 DCF Sensitivity Analysis

Terminal Growth / WACC	9.5%	10.5%	11.5%
4%	₹1,158.3	₹949.7	₹796.8
5%	₹1,404.2	₹1,113.8	₹913.0
6%	₹1,790.6	₹1,350.9	₹1,071.3

The sensitivity analysis demonstrates that intrinsic value is highly dependent on WACC and terminal growth. The base-case estimate should therefore be interpreted as a range-sensitive analytical estimate rather than an exact market value.

7. Discussion

7.1 Major Findings

- Revenue, EBITDA, PAT and operating cash flow increased materially across FY2022–FY2026.
- Operating cash flow grew faster than revenue, indicating stronger cash-generation capability.
- Profitability and return ratios improved, with EBITDA margin, ROE and ROCE higher in FY2026 than FY2022.
- RIL maintained moderate reported debt-to-equity while substantially expanding its asset base.
- Capital intensity remains a central concern because large capex and CWIP require successful execution and adequate returns.
- RIL's diversified business model provides multiple growth engines but also makes valuation more complex.
- The documented DCF produces an intrinsic value below the assumed market price, supporting a valuation-conscious HOLD / UNDERWEIGHT view under those assumptions.

7.2 Discussion Against Research Objectives

Objective	Result	Interpretation
Financial performance	Revenue, PAT and OCF increased; returns improved	Strong scale and resilience with continuing capital intensity
Industry & business analysis	Diversified exposure across O2C, Jio, Retail and New Energy	Multiple growth engines but different risk/return drivers
DCF valuation	₹1,080.30 intrinsic value vs ₹1,275.90 assumed market price	Valuation risk under base-case assumptions
SOTP / segment perspective	Business-specific drivers recognized	Segment-level valuation can improve conglomerate analysis
Investment view	Fundamentally strong but valuation-sensitive	Long-term, disciplined and monitored exposure is appropriate

8. Investment Implications

For Batra & Batra and its clients, the findings suggest that RIL can be considered a strategically important large-cap company because of its scale, diversification, cash generation and long-term growth initiatives. However, the investment case should not be based solely on business quality. Entry valuation, capital allocation, execution of emerging businesses and portfolio concentration should be considered together.

The OJT analysis supports a valuation-conscious approach. Where market valuation materially exceeds the documented intrinsic-value estimate, incremental exposure should be disciplined. Conversely, the company's strong fundamentals and long-duration growth opportunities mean that short-term market movements should not be the sole basis for an investment decision.

9. Conclusion and Recommendations

9.1 Conclusion

Reliance Industries Limited demonstrates a financially strong, diversified and cash-generative business profile. Across FY2022–FY2026, the company expanded revenue, EBITDA, PAT and operating cash flow while improving ROE and ROCE and maintaining moderate debt-to-equity. Its O2C operations provide an important cash-generation base, while Jio, Retail and New Energy provide longer-term growth opportunities.

At the same time, RIL remains highly capital intensive. The expansion of productive assets and CWIP creates a continuing requirement to assess whether capital deployed is translated into sustainable earnings and free cash flow. The FCFF-based DCF documented in the OJT estimates enterprise value of approximately ₹16.90 lakh crore and equity value of approximately ₹14.62 lakh crore. The resulting intrinsic value of approximately ₹1,080.30 per share is below the assumed market price of ₹1,275.90, leading to a HOLD / UNDERWEIGHT valuation conclusion under the stated assumptions.

9.2 Recommendations

1. Maintain strategic but valuation-conscious exposure: RIL may remain an important large-cap investment candidate, but incremental allocation should be disciplined when valuation is materially above intrinsic value.

2. Adopt a long-term perspective: Jio, Retail and New Energy involve long-duration investments and should be assessed over a multi-year horizon rather than short-term price movements.

3. Monitor emerging businesses and capital allocation: Track Jio, Retail, New Energy and related initiatives separately and assess whether capital deployed translates into sustainable revenue, profitability and cash flow.

4. Maintain portfolio diversification: Even though RIL is diversified internally, investors should avoid excessive concentration in one company or business ecosystem and diversify across sectors.

5. Conduct periodic valuation reviews: Update revenue, EBITDA, PAT, OCF, ROE, ROCE, liquidity, leverage, capex and DCF assumptions after major results and material corporate developments.

6. Use scenario-based valuation: Recalculate intrinsic value under alternative revenue-growth, margin, capex, WACC and terminal-growth assumptions rather than relying on a single point estimate.

10. Limitations and Future Scope

10.1 Limitations

- The study relies primarily on secondary data and does not include direct management interviews or proprietary institutional research.
- The analysis covers five fiscal years; a longer period could capture a wider range of economic and business cycles.
- The sample is limited to one company, so findings should not be generalized to all companies or portfolios.
- DCF valuation is sensitive to revenue growth, margins, WACC, terminal growth, capex and working-capital assumptions.
- Detailed proprietary portfolio weights and investment limits of clients were not available for analysis.
- The research emphasizes fundamental analysis and does not extensively incorporate short-term technical indicators or behavioural-finance variables.

10.2 Future Research

- Compare RIL with relevant peers using P/E, EV/EBITDA and other relative valuation metrics.
- Conduct detailed segment-wise valuation of O2C, Jio Platforms, Reliance Retail and New Energy.
- Use SOTP, EVA, Residual Income and alternative FCFF approaches to cross-check the DCF result.
- Develop bull, base and bear scenarios for revenue growth, margins, capex, WACC and terminal growth.
- Examine RIL's actual portfolio contribution through weight, return contribution, risk contribution and benchmark performance when reliable data is available.
- Expand ESG and sustainability analysis of renewable energy, green hydrogen, solar manufacturing and energy-transition initiatives.

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12. Source Note

This research paper was prepared by restructuring and synthesizing the user-provided Batra & Batra OJT report using the organization, academic framing and presentation approach of the supplied Aditya Birla Capital reference research paper. The financial figures, DCF assumptions and investment conclusions are retained from the OJT source; where the sources did not provide independent verification, no additional factual claims were introduced as verified facts.