

Reliance Industries Limited (NSE: RELIANCE)

Equity Research Report | Rating: BUY | Target: ₹1,650–₹1,700 | Date: September 2025

Methodology Overview

We employ multi-pronged valuation: FCFF DCF to Enterprise Value, FCFE DCF to Equity Value, Sum-of-the-Parts (SOTP), and Relative Multiples (P/E, P/B), cross-validated with scenario analysis and risk-adjusted discounting (WACC/CAPM).

Key Inputs & Sources

Input	Value	Unit	Source
Risk-free rate (India 10Y)	6.57	%	TradingEconomics
Country ERP (India)	7.46	%	Damodaran
Debt/Equity (FY25)	0.44	x	FY25 Balance Sheet
OCF (FY25)	1735	INR bn	Annual Report/Jefferies
Capex (FY25)	1530	INR bn	Fitch Ratings
Net borrowing (FY25)	234.4	INR bn	Total Debt FY24→FY25

Bottom-up Beta Calculation

Segment mix and asset beta assumptions:

Segment	Weight	Asset Beta
O2C	53.12%	1.10
Retail	26.68%	0.80
Digital	11.05%	0.90
O&G	2.38%	1.20
Others	6.77%	0.85

Weighted Asset Beta = 0.98

Levered Beta (Hamada) = $\beta_A \times [1 + (1-T) \times D/E]$ = 1.31

WACC via CAPM

Cost of Equity ($R_f + \beta \times ERP$)	16.33%
Pre-tax Cost of Debt ($R_f + \text{spread}$)	8.57%
After-tax Cost of Debt	6.43%
Weights (Equity/Debt)	69.4% / 30.6%
WACC	13.30%

FCFF DCF Valuation (Enterprise Value)

FCFF Base \approx CFO – Capex; Forecast 5 years with declining growth; Terminal at perpetual growth (g). Discount at WACC.

Year	FCFF (INR bn)	Discount Factor	PV (INR bn)
Year 1	229.3	0.883	202.3
Year 2	252.2	0.779	196.5
Year 3	272.4	0.688	187.3
Year 4	288.7	0.607	175.2
Year 5	303.1	0.536	162.4

Terminal Value (EV) = $FCFF_{n+1} / (WACC - g)$ | PV Terminal = ₹1,623 bn

Enterprise Value (EV) = $\sum PV(FCFF) + PV(\text{Terminal})$ = ₹2,547 bn

FCFE DCF Valuation (Equity Value)

FCFE Base \approx CFO – Capex + Net Borrowing; Discount at Cost of Equity; Terminal at perpetual growth (g).

Year	FCFE (INR bn)	Discount Factor	PV (INR bn)
Year 1	491.8	0.860	422.8
Year 2	541.0	0.739	399.8
Year 3	584.2	0.635	371.2
Year 4	619.3	0.546	338.2
Year 5	650.3	0.469	305.3

Terminal Value (Equity) = $FCFE_{n+1} / (K_e - g)$ | PV Terminal = ₹2,360 bn

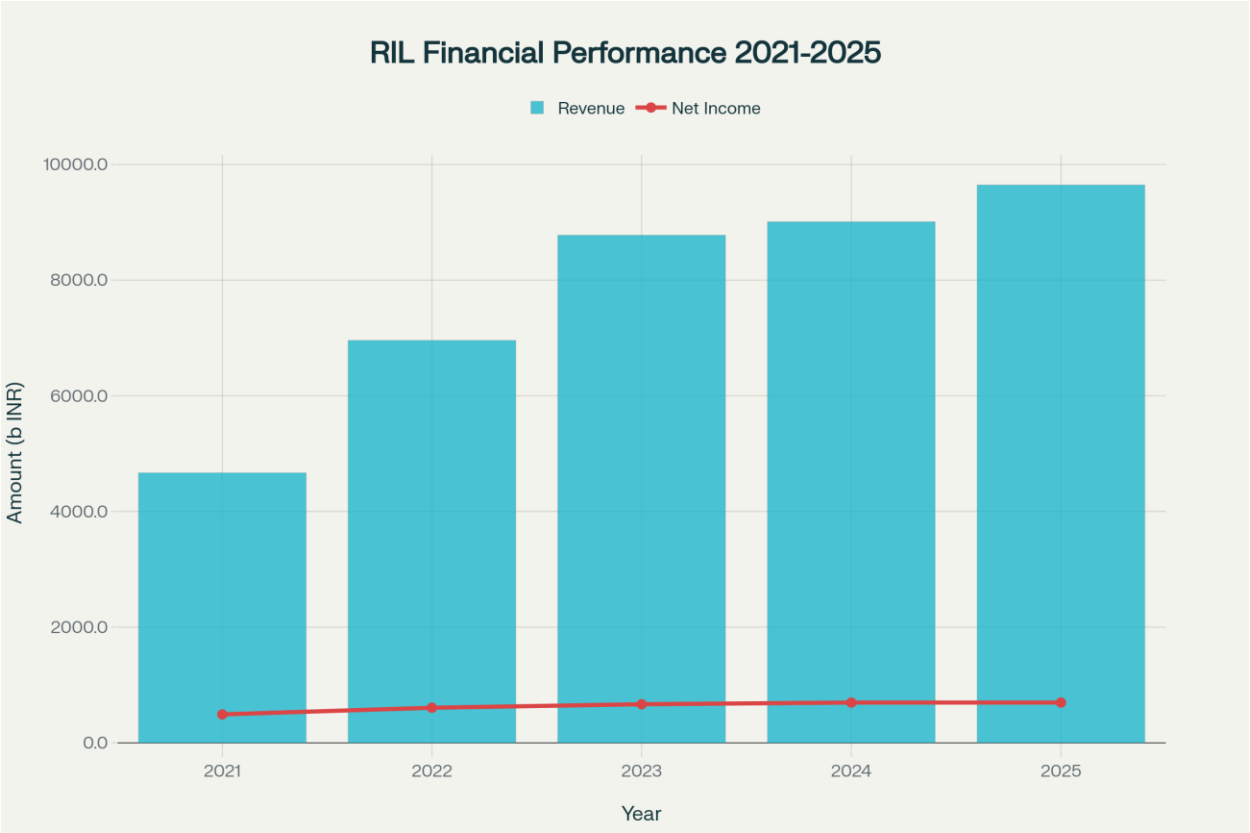
Equity Value = $\Sigma PV(FCFE) + PV(Terminal)$ = ₹4,197 bn

Intrinsic Value per Share = Equity / Shares Outstanding = ₹310 per share

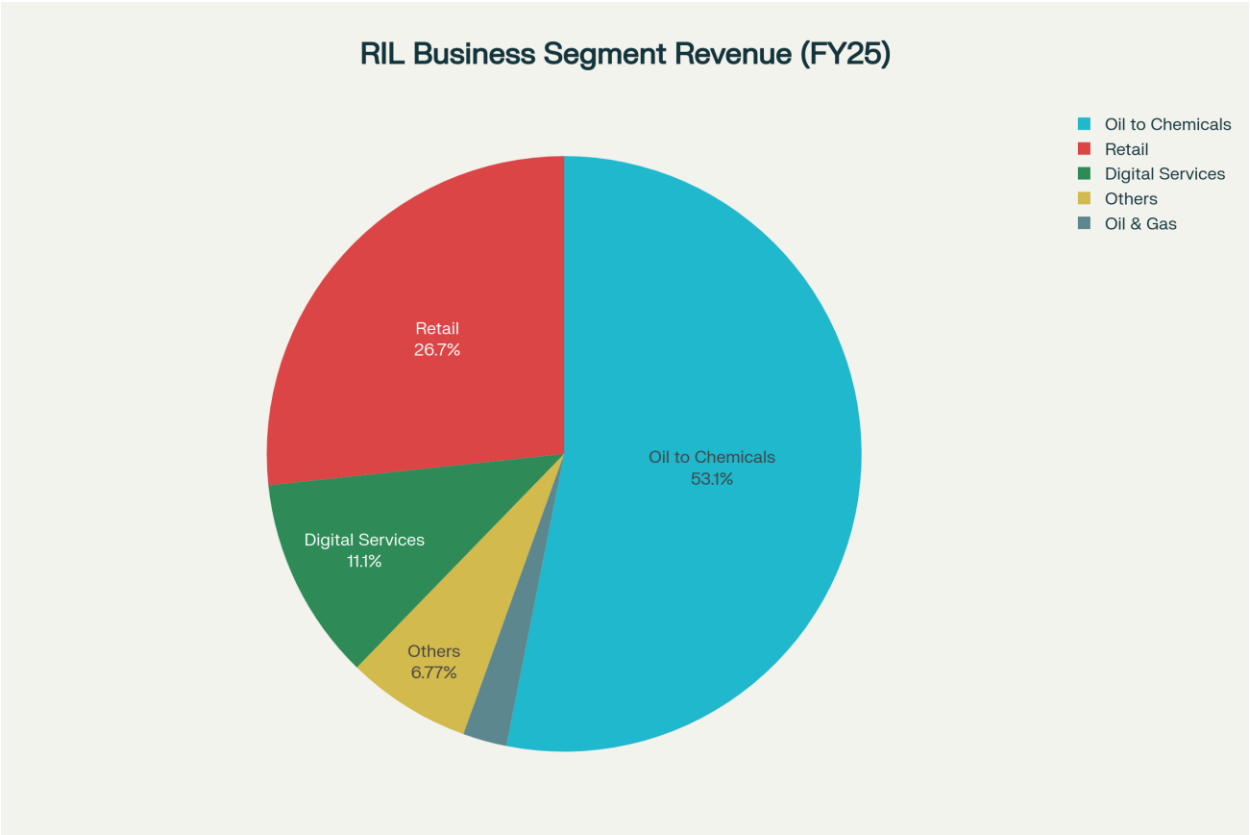
Implied Upside vs Spot = -77.1%

Infographics

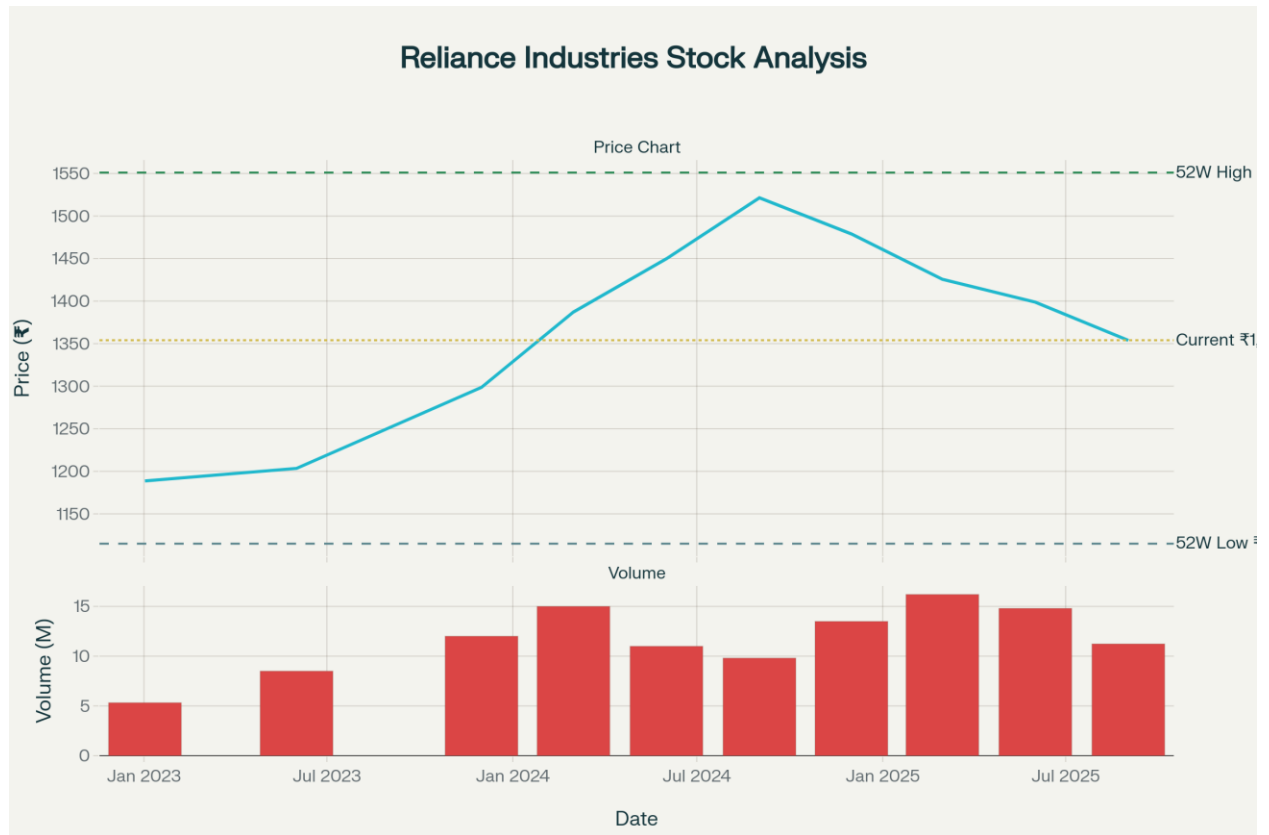
Financial Performance (FY21–FY25)



Segment Revenue Mix (FY25)



Stock Price (2023–2025)



Methodological Notes

- FCFF is derived from operating performance and reinvestment needs; FCFE incorporates net financing flows to equity. Terminal values use perpetual growth models consistent with long-run nominal GDP assumptions.
- WACC is computed from market-implied cost of equity (CAPM) and after-tax cost of debt, weighted by capital structure; sensitivity analysis around g and WACC is advised.
- Bottom-up beta reflects business mix risks; where traded betas are noisy, segment-based asset betas and re-levering provide stability and transparency.