

Oil and Gas October 24, 2021

CMP	2627
Sensex	60820

Stock Statistics

Bloomberg code	RIL IN
Equity Cap (INR mn)	64800
Face Value (INR)	10
Free float (%)	49.4
INR / USD	75.0
Market cap (INR bn)	16664
Market cap (USD bn)	222
52 Wk High/Low (INR)	2750/1830

Shareholding Pattern (%) – 'Sep-21

Promoter	50.6
Foreign Institutional Investor	25.4
MF / FI / UTI / Banks	13.2
Public & Others	11.8

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RIL Industries LTD Q2FY22 Result Update

Consolidated 2QFY22 EBITDA at INR 260bn (up 11% QoQ) however due to higher interest cost to Rs 38 bn (up Rs 4 bn QoQ) Reported PAT came at Rs 155 bn. Tax rate was at 19.5% in 2QFY22 (vs 20.1% in 1QFY22). Going forward 2HF22e Core operating performance should see meaningful jump on the back of improved GRM's (+\$4.5/bbl currently vs 2QF22), structurally better placed with respect to availability of Natural Gas for refinery at better deals (vs costly LNG), Start of value-added needle coke production from Refinery, Retail may surprise positively on faster-than-expected normalization and approved increase in the gas prices by 70% vis a vis 1HF22 on higher production of 18 mcmd.

O2C Business: O2C business reported sales volume of 16.6 mmt (flat QoQ). EBIDTA/t at \$101/t (+\$7/t QoQ). For 1HF22, EBIDTA/t improved from \$64/t in 1HF21 to \$97/t. Reported EBIDTA for the O2C business at Rs 127 bn in 2QF22 (flat QoQ). Petchem cracker operating rate for 2QF22 at 96% (+1% QoQ). Weak Polymer deltas QoQ with contraction of Margins by 18%/ 16%/ 17% for PE/PP/PVC respectively impacted Petchem Performance however this was negated by improvement in refining margins with Gasoline/Gasoil cracks improved \$1.6/\$1.2 bbl QoQ coupled with improved availability of natural gas as fuel for the refinery at better deals as compared to high cost LNG and RIL will continue to enjoy the leverage of getting domestic natural gas at better pricing vis a vis high cost LNG and this will continue help RIL report better profitability apart from improvement in product cracks in 2HF22. Gasoline and PX Production was maximized during 2QF22 and company has successfully completed the trial production of needle coke (a high margin product which goes as raw material for Graphite electrodes). With current GRM Margins > \$8bbl (+\$4.5/bbl from 2QF22), O2C business should report better nos in 3Q with onset of winter coupled with dwindling inventories for auto fuels.

E&P: Average Production from D-6 in 2QF22 at 18 mcm/d (+18% QoQ) at average Gas Realizations of \$3.6/mmbtu. Gas Prices have been revised for Oct-Mar 22 to \$6.1/mmbtu the benefit of which will accrue in 2HF22. Reported Sales/EBIDTA of Rs 16.4/10.8 bn for 2QF22 (+28/34% QoQ). MJ Field is expected to start production from 3QF23 and once ramped up total production from D-6 will be 30 mcm/d. For 2HF22, E&P should report strong nos on back of approved higher gas prices (+70% vis a vis 1HF22)

Retail: Revenue at Rs 399 bn (+9% QoQ) with Core EBIDTA at Rs 24 bn (+ 69% QoQ) and EBIDTA Margins of 6.1% (+1.8% QoQ) for 2QF22. Investment Income of Rs 4.8 bn for 2QF22 taking total PBDIT to Rs 29 bn. Continuous emphasis on cost management, strong pick up in Fashion and Lifestyle business, double digit growth for consumer durables coupled with store addition of 813 (123 stores in 1Q) led to improved performance.

RJIO: Reported Revenue at Rs 187 bn (+4% QoQ) with EBIDTA at Rs 90 bn (+4% QoQ) in 2QF22 with EBIDTA Margins of 48% (flat QoQ). ARPU ~ Rs 143.6 (+4%) QoQ due to removal of low ARPU subscribers which is visible in the net addition of -11 mn subscriber's vs 14.3 mn subscribers added in 1QF22. Subscriber base as on 2QF22 stands at 429.4 mn. Average Data consumption at 17.6 GB/month (+13% QoQ). Total data traffic grew by healthy 13% QoQ to 2300 cr GB.

Reported net cash at end 1HFY22 is Rs 36bn (vs net cash of Rs 22bn at end 4QFY21). Consolidated gross debt at end 1HFY22 is Rs 2,559bn (vs Rs2,518bn in 4QFY21); while cash and cash equivalents at end 1HFY22 is Rs 2,595bn (vs Rs 2,540bn in 4QFY21).

Valuation We expect RIL EBIDTa to improve to Rs 1301 bn in F23e from Rs 808 bn in F21. Strong balance sheet, end of capex cycle coupled with integrated O2C business will enable RIL to capture most of the opportunities arising being a lowest cost producer. This along with RJIO+ Retail and 18 mmscmd of gas Production would help RIL to report robust earnings from consumer business. We continue to remain positive on the stock with strong operating cash flow and debt free balance sheet augurs well for the stock. **At CMP, stock trades @ 34x FY22e & 28x FY23e consol.EPS.**

Reliance Industries Ltd

Standalone Quarterly Financials: (Rs/Cr)

Particulars	Q2 FY22	Q1 FY22	QoQ	Q2 FY21	YoY
Net Sales	1,03,418	90,570	14%	61,246	69%
Operating Cost	91,041	79,110	15%	53,740	69%
EBIDTA	12,377	11,460	8%	7,506	65%
<i>EBIDTA Margin %</i>	12.0%	12.7%		12.3%	
Other Income	3,769	3,588	5%	4,164	-9%
PBDIT	16,146	15,048	7%	11,670	38%
Depreciation	2,705	2,509	8%	2,233	21%
PBIT	13,441	12,539	7%	9,437	42%
Interest	2,487	2,351	6%	4,819	-48%
PBT	10,954	10,188	8%	4,618	137%
EO Income/ (Exp)	-	-			
Adj PBT	10,954	10,188		4,618	
Tax Exp	1,726	1,593	8%	(1,787)	-197%
<i>Tax Rate %</i>	15.8%	15.6%		-38.7%	
PAT	9,228	8,595	7%	6,405	44%
EPS (Rs/sh)	14.2	13.3		9.9	

Consolidated Quarterly Financials: (Rs/Cr)

Particulars	Q2FY22	Q1 FY22	QoQ	Q2 FY21	YoY
Net Sales	1,74,104	1,44,372	21%	1,16,195	50%
Operating Cost	1,48,084	1,21,004	22%	97,250	52%
EBIDTA	26,020	23,368	11%	18,945	37%
<i>EBIDTA Margin %</i>	14.9%	16.2%		16.3%	
Other Income	4,224	4,219	0%	4,249	-1%
PBDIT	30,244	27,587	10%	23,194	30%
Depreciation	7,230	6,883	5%	6,626	9%
PBIT	23,014	20,704	11%	16,568	39%
Interest	3,819	3,397	12%	6,084	-37%
PBT	19,195	17,307	11%	10,484	83%
Exceptional Gain/ (loss)	-	-			
Adjusted PBT	19,195	17,307	11%	10,484	83%
Tax Exp	3,755	3,464	8%	(13)	28985%
<i>Tax Rate %</i>	19.6%	20.0%		-0.1%	
PAT	15,440	13,843	12%	10,497	47%
Share of Profit from Associates	39	(37)		105	
Minority Interest	-	-		-	
PAT after MI	15,479	13,806	12%	10,602	46%
EPS (Rs/sh)	23.9	21.3		16.4	

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Exhibit 1: Segment Wise EBIDTA , EBIT (Rs/Cr)

Particulars	1QF20	2QF20	3QF20	4QF20	1QF21	2QF21	3QF21	4QF21	1QF22	2QF22
Segment EBIDTA										
O2C			13,568			8,841	9,757	11,407	12,231	12,720
Petchem	8,810	8,927	7,239	5,938	4,430	5,964				
Refining	5,152	5,659	6,530	6,614	3,818	3,002				
Digital	4,908	5,324	6,024	6,833	7,803	8,345	8,942	8,945	9,268	9,561
Retail	2,049	2,322	2,736	2,569	1,083	2,029	3,087	3,623	1,953	2,923
E&P	207	128	64	(46)	(32)	(194)	4	480	797	1,071
Financial Services	-	-	92	352	380	530	303	144	132	190
Others	887	809	944	1,634	1,409	1,075	1,494	1,164	1,413	1,411
Total	22,013	23,169	23,629	23,894	18,891	20,751	23,587	25,763	25,794	27,876
Dep										
O2C			2,284			2,091	2,110	2,230	1,837	1,973
Petchem	1,302	1,325	1,373	1,385	1,038	1,069	-	-	-	-
Refining	644	702	596	908	926	1,002	-	-	-	-
Digital	1,828	2,002	2,121	2,582	3,095	3,188	3,226	3,345	3,486	3,553
Retail	272	287	341	497	361	487	478	510	499	514
E&P	456	434	430	439	479	436	451	369	569	692
Financial Services	-	-	-	-	-	-	-	-	-	-
Others	404	410	280	374	314	324	331	410	399	402
Total	4,906	5,160	5,141	6,185	6,213	6,506	6,596	6,864	6,790	7,134
EBIT										
O2C			11,284			6,750	7,647	9,177	10,394	10,747
Petchem	7,508	7,602	5,866	4,553	3,392	4,895				
Refining	4,508	4,957	5,934	5,706	2,892	2,000				
Digital	3,080	3,322	3,903	4,251	4,708	5,157	5,716	5,600	5,782	6,008
Retail	1,777	2,035	2,395	2,072	722	1,542	2,609	3,113	1,454	2,409
E&P	(249)	(306)	(366)	(485)	(511)	(630)	(447)	111	228	379
Financial Services	-	-	92	352	380	530	303	144	132	190
Others	483	399	664	1,260	1,095	751	1,163	754	1,014	1,009
Total	17,107	18,009	18,488	17,709	12,678	14,245	16,991	18,899	19,004	20,742

(Source: Company Reports, Anvil Estimates)

Exhibit 2: O2C Business Snapshot

Particulars	U.O.M	2QF21	3QF21	4QF21	1QF22	2QF22
Throughput	MMT	16.8	18.2	18.7	19.0	18.7
Production Meant for Sale						
Transportation Fuels	MMT	8.7	9.7	9.9	9.8	9.8
Polymers	MMT	1.5	1.5	1.5	1.4	1.5
Fibre Intermediates	MMT	1.1	1.1	1.1	1.1	1.1
Polyesters	MMT	0.6	0.6	0.6	0.6	0.6
Chemicals & Others	MMT	3.0	3.3	3.5	3.6	3.6
Total	MMT	14.9	16.2	16.6	16.5	16.6
EBIDTA	\$/t	69.5	72.7	84.2	94.3	101.0

Exhibit 3: E&P Snapshot

Particulars	Units	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q1 FY22
Sales	Rs/Cr	506	355	431	848	1,281	1,644
EBIDTA	Rs/Cr	(32)	(194)	4	480	797	1,071
EBIT	Rs/Cr	(511)	(630)	(447)	111	228	379
Depreciation	Rs/Cr	479	436	451	369	569	692
KG D-6 Realization	\$/mmbtu				4.0	3.6	3.6
Shale Gas-Avg Realization	\$/mcf	1.6	1.8	4.2	5.0	5.4	6.2
Total Production-Shale	bcfe	25.3	24.5	22.9	6.5	6.0	6.2

Exhibit 4: Revenue and EBIDTA Trend - RJIO

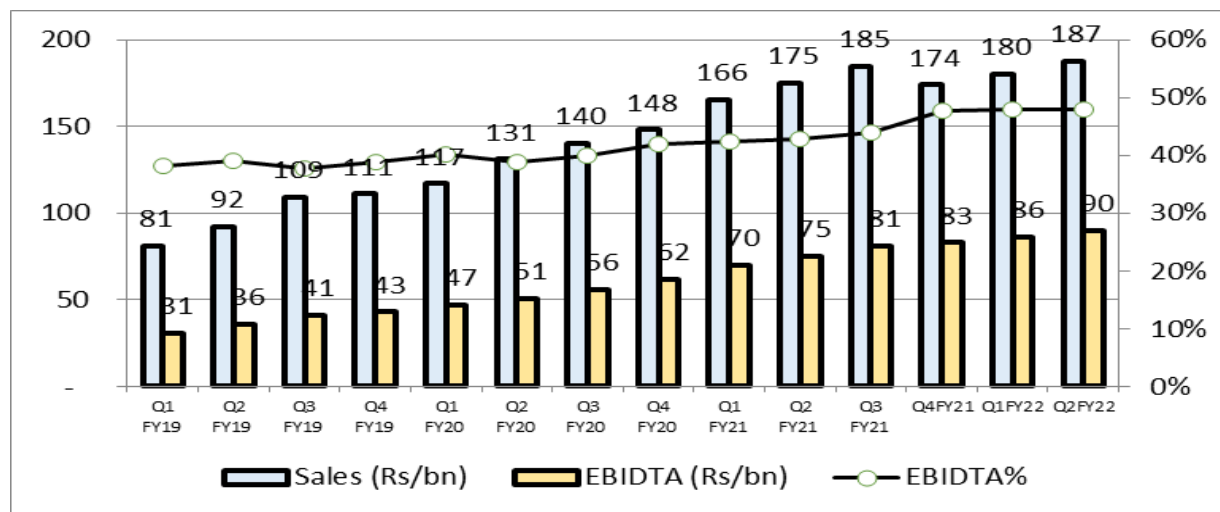


Exhibit 5: Subscriber addition and ARPU Trend

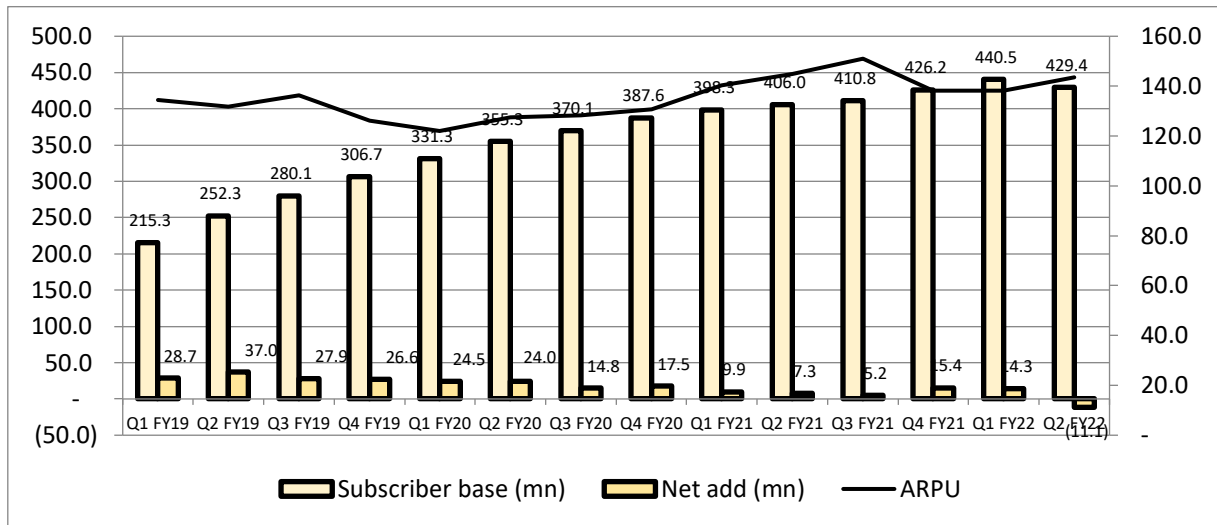


Exhibit 6: Retail Revenue and EBIDTA (Rs/bn)

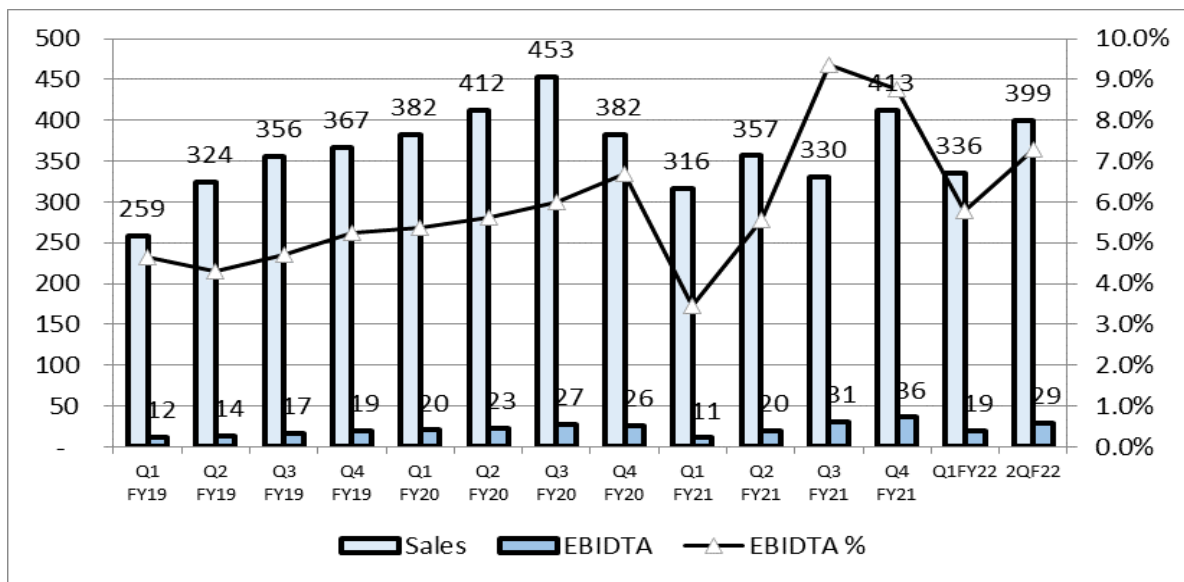
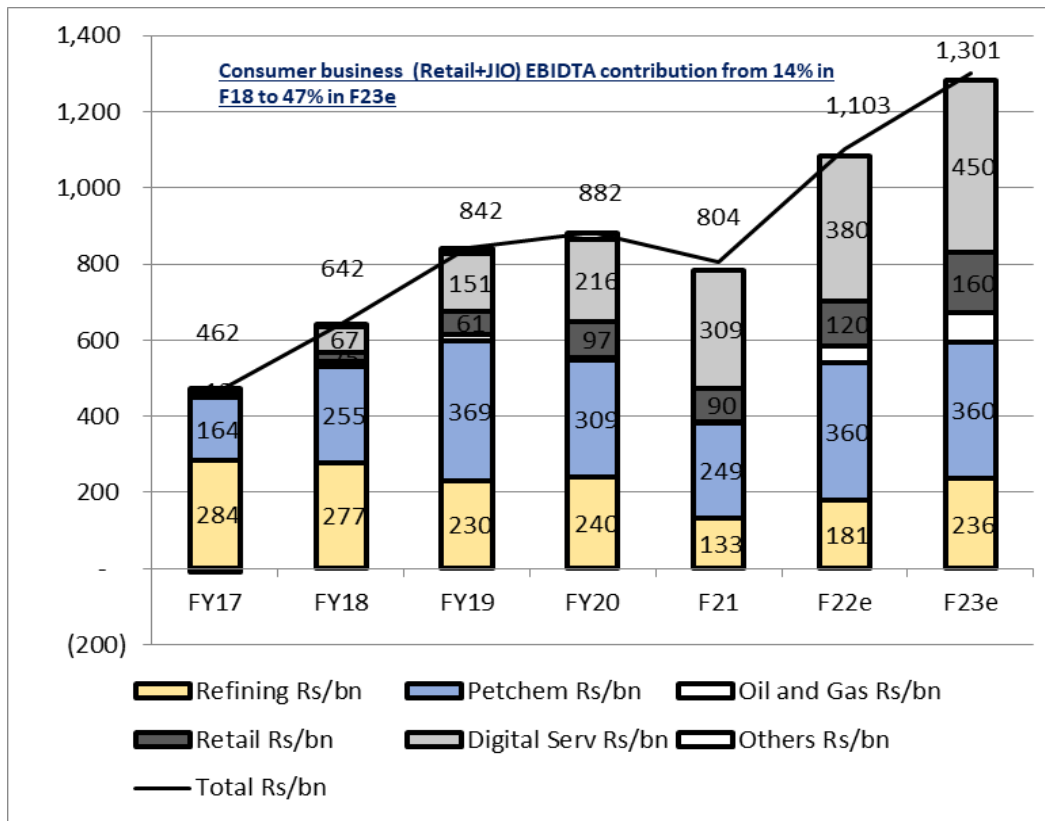


Exhibit 7: Region Wise Store Break up -Retail

Store Network Region	Total		2Q Addition	
	Stores	Area (mn Sq ft)	Stores	Area (mn Sq ft)
North	3,014	6.7	151	0.5
South	4,050	14.1	324	1.2
East	2,953	6.1	161	0.4
West	3,535	9.6	172	0.7
International	83	0.8	5	-
Total	13,635	37.3	813	2.8

Exhibit 7: Consumer Business to form 47% of the EBIDTa in F23e from 14% in F18



Reliance Industries Ltd

Profit and Loss Account: (consolidated) (Rs/bn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
Sales	3,054	4,083	5,810	6,116	4,863	6,430	6,430
EBIDTA	462	642	842	882	804	1,110	1,301
Other Income	94	99	84	140	163	142	142
PBDIT	556	741	926	1,022	967	1,252	1,443
Interest	38	81	165	220	212	180	180
PBDT	518	661	761	801	755	1,072	1,263
Dep	116	167	209	222	266	288	307
PBT	401	494	551	579	489	784	956
EO Income/ (Exp)	-	-	-	(44)	56	-	-
Adj PBT	401	494	551	535	546	784	956
Tax	102	133	154	137	17	204	249
PAT	299	360	397	398	529	580	707

(Source: Company Reports, Anvil Estimates)

Balance sheet: (Consolidated) (Rs/bn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
Share Capital	30	59	59	63	64	64	64
Reserve and Surplus	2,608	2,876	3,812	4,470	6,937	7,865	8,521
Net Worth	2,637	2,935	3,871	4,533	7,002	7,930	8,586
Deferred Tax Liabilities	212	245	451	512	370	417	474
Minority Interest	29	35	83	80	993	993	993
Debt	1,966	2,188	2,875	3,363	2,518	2,318	2,118
Capex Creditors	610	750	580	500	-	-	-
Deferred Payment Liabilities	201	202	202	188	188	188	188
Total	5,656	6,356	8,063	9,177	11,071	11,845	12,359
Gross Block	3,610	5,810	5,965	7,438	7,758	8,364	8,956
Dep	1,628	1,774	1,981	2,111	2,346	2,633	2,940
Net Block	1,982	4,036	3,984	5,327	5,413	5,731	6,016
CWIP	3,248	1,870	1,795	1,091	1,260	1,260	1,260
Total Fixed Assets	5,231	5,906	5,778	6,418	6,672	6,990	7,276
Investments	62	56	1,516	1,763	2,046	2,046	2,046
Liquid Investments	767	772	841	1,004	1,603	1,603	1,603
Cash & Bank Balance	30	43	111	309	174	1,207	1,435
Net Working Capital	(434)	(422)	(183)	(317)	576	-	-
Total	5,656	6,356	8,063	9,177	11,071	11,845	12,359

(Source: Company Reports, Anvil Estimates)

Reliance Industries Ltd

Cash Flow Statement: (consolidated) (Rs/bn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY22e
PBDIT	556	741	926	977	1,023	1,252	1,443
Cash Taxes Paid	(101)	(98)	(122)	(84)	(32)	(168)	(168)
(Increase)/ Decrease in WC	155	185	(288)	219	(507)	576	-
Exceptional Income/ (Exp)				(30)	(106)		
Forex Gain / (losses)	(23)	(21)	(25)	(21)	(16)	-	-
Cash Flow from Operations	587	807	491	1,062	362	1,660	1,275
Capex	(781)	(740)	(936)	(765)	(1,058)	(600)	(600)
(Purchase) of Investments	92	35	(10)	150	(473)	-	-
Exceptional Asset Sale	(54)	(53)	(25)	(30)	23	-	-
Others	(3)	(12)	(20)	7	-	-	-
Cash Flow from Investing	(746)	(770)	(991)	(639)	(1,508)	(600)	(600)
Debt Taken / (Paid)	215	199	865	345	(847)	(200)	(200)
Stake Sale					2,004		
Rights Issue					132	398	
Interest Cost	(129)	(177)	(233)	(285)	(183)	(180)	(180)
Dividend Paid	(1)	(39)	(43)	(46)	(38)	(49)	(52)
Suppliers Credit Taken / (Paid)	-	-	-	-	-	-	-
Deferred Spectrum Liability	(7)	(7)	(9)	(14)	(0)	(15)	(15)
Movement in Deposits	-	-	(23)	(28)	(47)	-	-
Upfront Fibre Payment	-	-	-	(164)	-	-	-
Cash Flow from Financing	78	(25)	557	(192)	1,020	(45)	(447)
Net Increase in Cash & Cash Equivalents	(81)	13	57	231	(127)	1,015	228
Opening Cash	110	29	42	100	331	204	1,219
Cash and Cash Equivalents	29	42	100	331	204	1,219	1,447

(Source: Company Reports, Anvil Estimates)

Valuation Ratios:

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
EPS	47	57	63	62	77	77	94
DPS	5	6	6	7	7	8	8
P/E	56	46	42	42	34	34	28
ROCE	24%	20%	18%	15%	10%	14%	17%
ROE	11%	13%	12%	9%	9%	8%	9%

(Source: Company Reports, Anvil Estimates)

Assumptions:

Particulars	Units	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
SG GRM	\$/bbl	10.8	11.6	9.3	8.9	0.5	3.0	6.0
KG D-6 Production-Gas	mmscmd	8.0	5.3	3.2	1.5	3.0	18.0	25.0
KG D-6 Production-Oil	bopd	3,300	2,100	850	-	-	-	-
Petchem-Blended EBIDTA Margins	\$/t	249	295	269	226	174	218	222
Exchange Rate	Rs/\$	67.0	65.0	69.9	70.6	74.0	74.0	74.0

Source: Company Reports, Anvil Estimates

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