

### Oil and Gas January 23, 2022

<b>CMP</b>	<b>2478</b>
<b>Sensex</b>	<b>59037</b>

### Stock Statistics

Bloomberg code	RIL IN
Equity Cap (INR mn)	64800
Face Value (INR)	10
Free float (%)	49.4
INR / USD	74.4
Market cap (INR bn)	16762
Market cap (USD bn)	225
52 Wk High/Low (INR)	2750/1830

### Shareholding Pattern (%) – 'Dec-21

Promoter	50.6
Foreign Institutional Investor	24.0
MF / FI / UTI / Banks	13.3
Public & Others	12.1

**Analyst**  
**Nirav Jimudia**

✉: nirav@anvilresearch.com

### RIL Industries LTD Q3FY22 Result Update

**Strong Performance across all business segments. Improved Gas realizations by 70% QoQ, better GRM's due to improvement in middle distillate cracks by 30-45% QoQ coupled with availability of domestic natural gas at better deals than costly LNG, partial impact of 20% tariff hike taken at JIO in December coupled with removal of low end ARPU subscribers & yet another record performance from the Retail division helped RIL to show all round improved operating performance. Consolidated 3QFY22 EBITDA at INR 297bn (+14% QoQ) Reported PAT at Rs 186 bn was aided by one time exception gain of Rs 28 bn due to sale of stake in US Eagle ford shale assets. Going Forward in F23e, full impact of 20% tariff hike in JIO, start of Gas production in MJ-1 field (3QF23e taking total gas production to 30 m/cmd from 18 m/cmd currently), yield maximization, introduction of premium products in O2C coupled with cost controls should help RIL to continue earnings momentum.**

**O2C Business:** O2C business reported sales volume of 17.6 mmt (+5% QoQ). EBIDTA/t at \$106/t (+\$6/t QoQ). For 9MF22, EBIDTA/t improved from \$75/t in 9MF21 to \$100/t. Reported EBIDTA for the O2C business at Rs 139 bn in 3QF22 (+12% QoQ). Petchem cracker operating rate for 2QF22 at 97% (+1% QoQ). Average Gasoline/Gasoil/Jet-Kero cracks improved \$3.2/4.5/4.8/bbl. on QoQ basis to \$12.9/12.6/10.2/bbl. resp which led to significant improvement in refining performance. This coupled with placing more products in the domestic market due to improvement in demand environment providing duty protection + improved availability of natural gas as fuel for the refinery at better deals as compared to high-cost LNG led to twin benefits of improved profitability. In terms of new development, facility for improving Naphtha Quality got commissioned during 3Q which helped premium realizations and production of needle coke further aided the profitability. Polymer deltas were stable QoQ despite higher feedstock prices as logistic constraints & higher ocean freight support India prices. Polyester chain deltas were higher by \$38/t QoQ to \$631/t led by higher PTA, POY and PET. PX Margins got impacted by 41% QoQ due to newer capacity additions globally.

**E&P:** Average Production from D-6 in 3QF22 at 18 mcm/d (flat QoQ) at average Gas Realizations of \$6.1/mmbtu which got revised from October 21 by almost 70%. Reported Sales/EBIDTA of Rs 25.6/20.3 bn for 3QF22 (+56/90% QoQ). Price realization for CBM gas for 3Q FY 22 was \$ 7.11 /mmbtu vis-à-vis \$ 6.63 /mmbtu in 2Q FY 22 and \$ 4.24 /mmbtu in 3Q FY 21. MJ Field is expected to start production from 3QF23 and once ramped up total production from D-6 will be 30 mcm/d. Reliance has divested all its shale gas assets and has exited from the shale gas business in North America which resulted into exception gain of Rs 29 bn as disclosed in the exceptional item.

**Retail:** Revenue at Rs 506 bn (+27% QoQ) with Core EBIDTA at Rs 35 bn (+ 45% QoQ) and EBIDTA Margins of 7% (+0.9% QoQ) for 3QF22. Investment Income of Rs 3 bn for 3QF22 taking total PBDIT to Rs 38 bn. Retail excluding connectivity and Petro retail improved 49% QoQ and 90% YoY. Apparel and Footwear sales were up 2x on strong festive demand Continuous emphasis on cost management, all time high revenue on Grocery business with double digit growth, 2x growth (YoY) in apparel, footwear & consumer durables coupled with store addition of 837 (813 in 2Q & 123 stores in 1Q) led to improved performance. RIL retail has invested Rs 76 bn in 9MF22 in acquisitions and strategic partnerships

**RJIO:** Reported Revenue at Rs 193 bn (+4% QoQ) with EBIDTA at Rs 95 bn (+6% QoQ) in 2QF22 with EBIDTA Margins of 49% (+1.2% QoQ). ARPU ~ Rs 151.6 (+6%) QoQ as tariffs were revised by 20% in Dec 21 entire effect of which will be seen in 4QF22e. JIO surprised negatively on subscriber additions losing 8.5 mn which management attributes sim consolidation and disconnecting subscribers with inconsistent usage and bottom of the pyramid low ARPU subscribers. Subscriber base as on 3QF22 stands at 421 mn. Average Data consumption at 18.4 GB/month (+5% QoQ). Total data traffic grew by healthy 2% QoQ to 2340 cr GB. JIO has prepaid Rs 308 bn clearing all deferred spectrum liabilities acquired in auctions prior to March 2021 which will result in interest cost saving of Rs 12 bn annually

**Reported Net debt at Rs 28.6 bn in 3QF22 (vs net cash of Rs 36 bn in 2QF22). Consolidated Gross debt at Rs 2447 bn in 3QF22 (vs Rs 2559 bn in 2QF22) while cash & cash equivalents was Rs 2418 bn (vs Rs 2595 bn in 2QF22).**

**Valuation** We expect RIL EBIDTa to improve to Rs 1401 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 30 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 @ 31x FY22e & 24x FY23e consol.EPS.**

# Reliance Industries Ltd

## Standalone Quarterly Financials: (Rs/Cr)

Particulars	Q3 FY22	Q2 FY22	QoQ	Q3 FY21	YoY
Net Sales	1,17,396	1,03,418	14%	67,400	74%
Operating Cost	91,041	91,041	0%	58,710	55%
EBIDTA	13,895	12,377	12%	8,690	60%
<i>EBIDTA Margin %</i>	11.8%	12.0%		12.9%	
Other Income	3,443	3,769	-9%	3,616	-5%
PBDIT	17,338	16,146	7%	12,306	41%
Depreciation	2,597	2,705	-4%	2,209	18%
PBIT	14,741	13,441	10%	10,097	46%
Interest	2,301	2,487	-7%	3,140	-27%
PBT	12,440	10,954	14%	6,957	79%
EO Income/ (Exp)	-	-		(116)	
Adj PBT	12,440	10,954		6,841	
Tax Exp	2,273	1,726	32%	(1,787)	-227%
<i>Tax Rate %</i>	18.3%	15.8%		-25.7%	
PAT	10,167	9,228	10%	8,628	18%
<b>EPS (Rs/sh)</b>	<b>15.7</b>	<b>14.2</b>		<b>13.3</b>	

## Consolidated Quarterly Financials: (Rs/Cr)

Particulars	Q3FY22	Q2FY22	QoQ	Q3 FY21	YoY
Net Sales	1,91,271	1,74,104	10%	1,23,997	54%
Operating Cost	1,61,565	1,48,084	9%	1,02,431	58%
EBIDTA	29,706	26,020	14%	21,566	38%
<i>EBIDTA Margin %</i>	15.5%	14.9%		17.4%	
Other Income	4,047	4,224	-4%	4,453	-9%
PBDIT	33,753	30,244	12%	26,019	30%
Depreciation	7,683	7,230	6%	6,665	15%
PBIT	26,070	23,014	13%	19,354	35%
Interest	3,812	3,819	0%	4,326	-12%
PBT	22,258	19,195	16%	15,028	48%
Exceptional Gain/ (loss)	2,836	-		(121)	
Adjusted PBT	25,094	19,195	31%	14,907	68%
Tax Exp	4,688	3,755	25%	88	5227%
<i>Tax Rate %</i>	21.1%	19.6%		0.6%	
PAT	20,406	15,440	32%	14,819	38%
Share of Profit from Associates	133	39		75	
Minority Interest	-	-		-	
PAT after MI	20,539	15,479	33%	14,894	38%
<b>EPS (Rs/sh)</b>	<b>31.7</b>	<b>23.9</b>		<b>23.0</b>	

# Reliance Industries Ltd

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

Particulars	3QF20	4QF20	1QF21	2QF21	3QF21	4QF21	1QF22	2QF22	3QF22
<b>Segment EBIDTA</b>									
O2C	13,568	12,552	8,248	8,841	9,756	11,407	12,231	12,720	13,530
Petchem	7,239	5,938	4,430	5,964					
Refining	6,530	6,614	3,818	3,002					
Digital	6,024	6,833	7,803	8,345	8,942	8,945	9,268	9,561	10,230
Retail	2,736	2,569	1,083	2,029	3,102	3,623	1,953	2,923	3,835
E&P	64	(46)	(32)	(194)	4	480	797	1,071	2,033
Financial Services	92	352	380	530	300	144	132	179	246
Others	944	1,634	1,409	1,075	1,494	1,164	1,413	1,411	1,711
<b>Total</b>	<b>23,629</b>	<b>23,894</b>	<b>18,891</b>	<b>20,751</b>	<b>23,598</b>	<b>25,763</b>	<b>25,794</b>	<b>27,865</b>	<b>31,585</b>
<b>Dep</b>									
O2C	2,284	2,293	1,964	2,091	2,109	2,230	1,837	1,973	1,863
Petchem	1,373	1,385	1,038	1,069	-	-	-	-	-
Refining	596	908	926	1,002	-	-	-	-	-
Digital	2,121	2,582	3,095	3,188	3,226	3,345	3,486	3,553	3,932
Retail	341	497	361	487	493	510	499	514	587
E&P	430	439	479	436	451	369	569	692	707
Financial Services	-	-	-	-	-	-	-	(11)	10
Others	280	374	314	324	331	410	399	402	486
<b>Total</b>	<b>5,141</b>	<b>6,185</b>	<b>6,213</b>	<b>6,506</b>	<b>6,610</b>	<b>6,864</b>	<b>6,790</b>	<b>7,123</b>	<b>7,585</b>
<b>EBIT</b>									
O2C	11,284	10,259	6,284	6,750	7,647	9,177	10,394	10,747	11,667
Petchem	5,866	4,553	3,392	4,895					
Refining	5,934	5,706	2,892	2,000					
Digital	3,903	4,251	4,708	5,157	5,716	5,600	5,782	6,008	6,298
Retail	2,395	2,072	722	1,542	2,609	3,113	1,454	2,409	3,248
E&P	(366)	(485)	(511)	(630)	(447)	111	228	379	1,326
Financial Services	92	352	380	530	300	144	132	190	236
Others	664	1,260	1,095	751	1,163	754	1,014	1,009	1,225
<b>Total</b>	<b>18,488</b>	<b>17,709</b>	<b>12,678</b>	<b>14,245</b>	<b>16,988</b>	<b>18,899</b>	<b>19,004</b>	<b>20,742</b>	<b>24,000</b>

( Source: Company Reports, Anvil Estimates)

# Reliance Industries Ltd

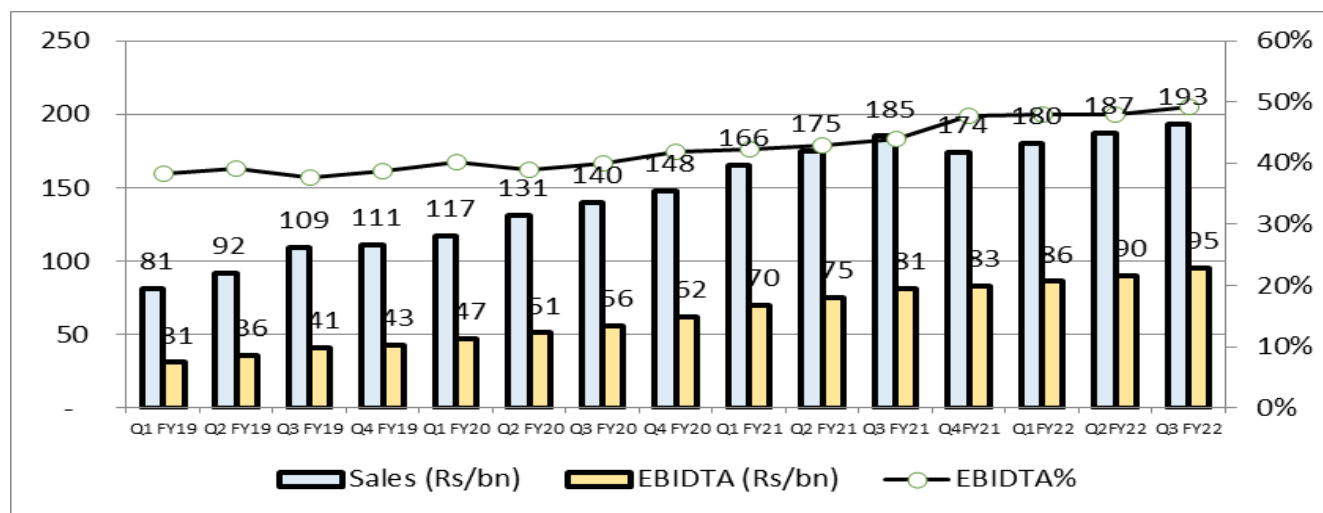
**Exhibit 2: O2C Business Snapshot**

Particulars	U.O.M	2QF21	3QF21	4QF21	1QF22	2QF22	3QF22
<b>Throughput</b>	<b>MMT</b>	<b>16.8</b>	<b>18.2</b>	<b>18.7</b>	<b>19.0</b>	<b>18.7</b>	<b>19.7</b>
Production Meant for Sale							
Transportation Fuels	MMT	8.7	9.7	9.9	9.8	9.8	10.9
Polymers	MMT	1.5	1.5	1.5	1.4	1.5	1.5
Fiber Intermediates	MMT	1.1	1.1	1.1	1.1	1.1	1.0
Polyesters	MMT	0.6	0.6	0.6	0.6	0.6	0.6
Chemicals & Others	MMT	3.0	3.3	3.5	3.6	3.8	3.6
<b>Total</b>	<b>MMT</b>	<b>14.9</b>	<b>16.2</b>	<b>16.6</b>	<b>16.5</b>	<b>16.8</b>	<b>17.6</b>
<b>EBIDTA</b>	<b>\$/t</b>	<b>69.5</b>	<b>72.7</b>	<b>84.2</b>	<b>94.3</b>	<b>99.8</b>	<b>105.5</b>

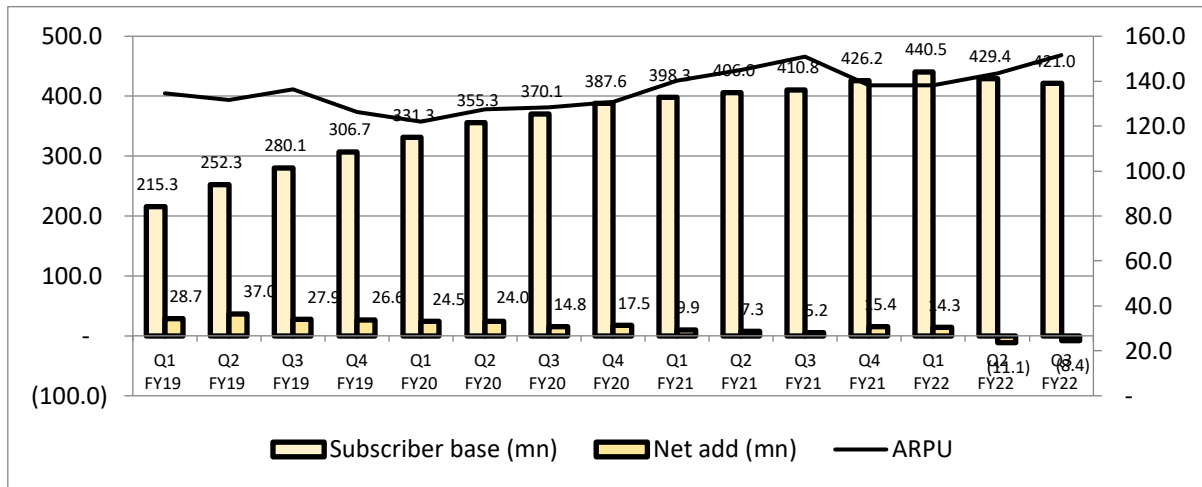
**Exhibit 3: E&P Snapshot**

Particulars	Units	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Sales	Rs/Cr	506	355	431	848	1,281	1,644	2,559
EBIDTA	Rs/Cr	(32)	(194)	4	480	797	1,071	2,033
EBIT	Rs/Cr	(511)	(630)	(447)	111	228	379	1,326
Depreciation	Rs/Cr	479	436	451	369	569	692	707
KG D-6 Realization	\$/mmbtu			3.51	4.0	3.6	3.6	6.1
KG D-6 Avg production	bcfe	-	-	1.6	22.5	49.8	58.8	59.5
KG D-6 Avg production	m/cmd			0.5	6.8	15.1	17.8	18.0
CBM Production	bcfe	3.1	3.1	2.9	2.8	2.7	2.6	2.5

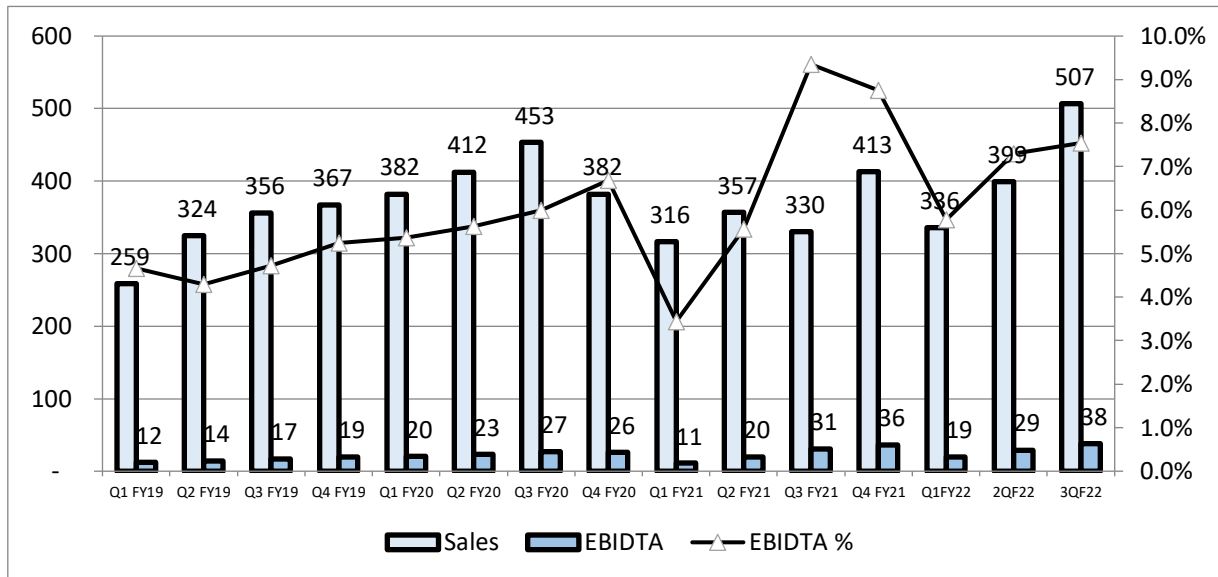
**Exhibit 4: Revenue and EBIDTA Trend - RJIO**



**Exhibit 5: Subscriber addition and ARPU Trend**



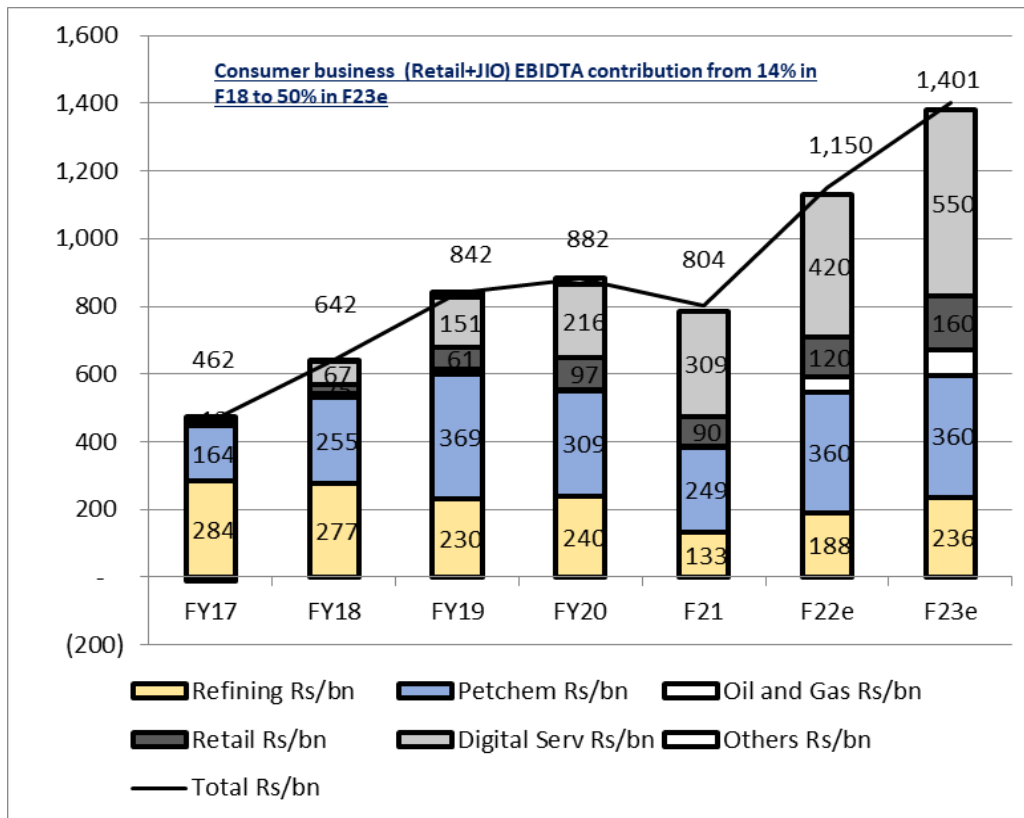
**Exhibit 6: Retail Revenue and EBIDTA (Rs/bn)**



**Exhibit 7: Region Wise Store Break up -Retail**

Store Network Region	Total Stores	Additions		
		3QF22	2QF22	1QF22
North	3,212	209	151	6
South	4,276	252	324	56
East	3,132	186	161	17
West	3,707	186	172	43
International	85	4	5	1
<b>Total</b>	<b>14,412</b>	<b>837</b>	<b>813</b>	<b>123</b>

**Exhibit 7: Consumer Business to form 50% 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	7,920
EBIDTA	462	642	842	882	804	1,150	1,401
Other Income	94	99	84	140	163	142	142
PBDIT	556	741	926	1,022	967	1,292	1,543
Interest	38	81	165	220	212	180	180
PBDT	518	661	761	801	755	1,112	1,363
Dep	116	167	209	222	266	288	307
PBT	401	494	551	579	489	824	1,056
EO Income/ (Exp)	-	-	-	(44)	56	-	-
Adj PBT	401	494	551	535	546	824	1,056
Tax	102	133	154	137	17	214	275
<b>PAT</b>	<b>299</b>	<b>360</b>	<b>397</b>	<b>398</b>	<b>529</b>	<b>609</b>	<b>781</b>

( 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	7,900	8,630
<b>Net Worth</b>	<b>2,637</b>	<b>2,935</b>	<b>3,871</b>	<b>4,533</b>	<b>7,002</b>	<b>7,964</b>	<b>8,694</b>
Deferred Tax Liabilities	212	245	451	512	370	419	483
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
<b>Total</b>	<b>5,656</b>	<b>6,356</b>	<b>8,063</b>	<b>9,177</b>	<b>11,071</b>	<b>11,883</b>	<b>12,476</b>
Gross Block	3,610	5,810	5,965	7,438	7,758	8,356	8,928
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	5,723	5,988
CWIP	3,248	1,870	1,795	1,091	1,260	1,260	1,260
<b>Total Fixed Assets</b>	<b>5,231</b>	<b>5,906</b>	<b>5,778</b>	<b>6,418</b>	<b>6,672</b>	<b>6,982</b>	<b>7,248</b>
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	1,254	1,582
Net Working Capital	(434)	(422)	(183)	(317)	576	-	-
<b>Total</b>	<b>5,656</b>	<b>6,356</b>	<b>8,063</b>	<b>9,177</b>	<b>11,071</b>	<b>11,883</b>	<b>12,476</b>

( Source: Company Reports, Anvil Estimates)

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

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
PBDIT	556	741	926	977	1,023	1,292	1,543
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)	-	-
<b>Cash Flow from Operations</b>	<b>587</b>	<b>807</b>	<b>491</b>	<b>1,062</b>	<b>362</b>	<b>1,700</b>	<b>1,375</b>
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	-	-	-
<b>Cash Flow from Investing</b>	<b>(746)</b>	<b>(770)</b>	<b>(991)</b>	<b>(639)</b>	<b>(1,508)</b>	<b>(600)</b>	<b>(600)</b>
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)	-	-	-
<b>Cash Flow from Financing</b>	<b>78</b>	<b>(25)</b>	<b>557</b>	<b>(192)</b>	<b>1,020</b>	<b>(45)</b>	<b>(447)</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>(81)</b>	<b>13</b>	<b>57</b>	<b>231</b>	<b>(127)</b>	<b>1,055</b>	<b>328</b>
Opening Cash	110	29	42	100	331	204	1,259
Cash and Cash Equivalents	29	42	100	331	204	1,259	1,587

( Source: Company Reports, Anvil Estimates)

## Valuation Ratios:

Particulars	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e
EPS	47	57	63	62	77	81	104
DPS	5	6	6	7	7	8	8
P/E	53	44	39	40	32	31	24
ROCE	24%	20%	18%	15%	10%	15%	19%
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	5.0	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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