

Oil and Gas Jan 24, 2021

CMP	2050
Sensex	48878

Stock Statistics

Bloomberg code	RIL IN
Equity Cap (INR mn)	64800
Face Value (INR)	10
Free float (%)	49.5
INR / USD	73
Market cap (INR bn)	13891
Market cap (USD bn)	186
52 Wk High/Low (INR)	2369/868

Shareholding Pattern (%) – 'Dec-20

Promoter	50.5
Foreign Institutional Investor	24.8
MF / FI / UTI / Banks	12.3
Public & Others	12.5

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RIL Industries LTD Q3FY21 Result Update

Reported EBIDTa at Rs 216 bn while the reported PAT at Rs 149 bn driven mainly by lower interest (Rs 18 bn down QoQ) and lower tax exp of Rs 1 bn with effective tax rate of 1%. RIL took impairment write off of Rs 157 bn for shale business however recognized Rs 156 bn as deferred tax asset resulting in exceptional loss of Rs 1.2 bn for the quarter.

O2C business: RIL has started disclosing performance of Refining and petrochemical business combined without disclosing separate no's for Refining & Petchem. O2C combined EBIDTa of Rs 98 bn (up 10% QoQ). Refining throughout at 16.7 mmt up 9.2% QoQ. Petrochemical cracker operating rate was 96% impacted by shutdown of ROGC at Jamnagar. PP, PE & PVC margins over Naphtha increased by 31% (\$698/t), 13% (\$541/t) & 15% (\$628/t) resp. on QoQ basis. PVC prices at 10 yr high during 3Q. PX, PTA & MEG margins improved 4% (\$141/t), 57% (\$168/t) & 17% (\$218/t). Multi modal infrastructure supporting intersite integration coupled with flexibility to switch between Naphtha/Ethane makes RIL one of the lowest cost producer of building blocks - ethylene, propylene and aromatics.

Retail EBIDTa at Rs 31 bn - including one time investment income of Rs 7.8 bn. Adjusted for this EBIDTa at Rs 23 bn with margins of 7%. This is against EBIDTa of Rs 20 bn (5.5%) QoQ and Rs 28 bn (6.8%) on YoY basis. 96% stores operational during 3Q up 11% QoQ. Of this 52% fully operational vs 43% QoQ. Overall footfalls at 75% of Pre Covid levels similar to 2QF21. 327 stores added during 3Q taking total to 12K. Retail nos doesn't include fuel retailing business as it is transferred to RIL BP JV.

Oil and Gas: Production from R cluster field started on 18th Dec with current Production at 4.5 mmscmd & average realization of \$3.5/mmbtu. Peak production from R cluster to be 12.9 mmscmd from mid CY21. Combined with MJ-1 and satellite fields peak Production will be 30 mmscmd in CY23. CBM Production steady at 0.9 mmscmd with average realization of \$4.2/mmbtu.

RJIO: JIO reported revenue of Rs 185 bn up 6% QoQ with EBIDTa of Rs 82 bn (including other income) up 6% QoQ. ARPU at Rs 151 vs Rs 145 QoQ led by consumer moving to higher data packs. Net subscriber addition at 5.2 mn vs 7.3 mn QoQ. Average voice usage at 796 minutes vs 776 mins QoQ. During the quarter Jio platforms received cash of Rs 337 bn from Google. JPL redeemed this and converted Rs 482 bn OCPS into equity. Total amount of investments in equity shares of JPL is now Rs 532 bn.

Debt & cash: Gross debt at Rs 2574 bn as against Rs 2793 bn in 1HF21 and Rs 3363 bn in F20. Reported net debt at (30 bn) as on 3QF21 as against Rs 1610 bn in F20. Received Rs 735 bn in 3QF21. Cumulative money received till now at Rs 2202 bn including rights issue money and asset monetization.

Valuation: We expect RIL EBIDTa to improve to Rs 1106 bn in F22e from Rs 882 bn in F20. 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 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. **At CMP, stock trades @ 32x FY21e & 22x FY22e consol.EPS.**

Reliance Industries Ltd

Standalone Quarterly Financials: (Rs/Cr)

Particulars	Q3 FY21	Q2 FY21	QoQ	Q3 FY20	YoY
Net Sales	67,400	61,246	10%	90,392	-25%
Operating Cost	58,710	53,599	10%	77,281	-24%
EBIDTA	8,690	7,647	14%	13,111	-34%
<i>EBIDTA Margin %</i>	12.9%	12.5%		14.5%	
Other Income	3,616	4,164	-13%	3,714	-3%
PBDIT	12,306	11,811	4%	16,825	-27%
Depreciation	2,209	2,233	-1%	2,551	-13%
PBIT	10,097	9,578	5%	14,274	-29%
Interest	3,140	4,819	-35%	2,520	25%
PBT	6,957	4,759	46%	11,754	-41%
EO Income/ (Exp)	(116)	-		-	
Adj PBT	6,841	4,759		11,754	
Tax Exp	(1,787)	(1,787)	0%	2,169	-182%
<i>Tax Rate %</i>	-25.7%	-37.5%		18.5%	
PAT	8,628	6,546	32%	9,585	-10%
EPS (Rs/sh)	13.3	10.1		14.8	

Consolidated Quarterly Financials: (Rs/Cr)

Particulars	Q3 FY21	Q2 FY21	QoQ	Q3FY20	YoY
Net Sales	1,23,997	1,16,195	7%	1,57,042	-21%
Operating Cost	1,02,431	97,250	5%	1,34,416	-24%
EBIDTA	21,566	18,945	14%	22,626	-5%
<i>EBIDTA Margin %</i>	17.4%	16.3%		14.4%	
Other Income	4,453	4,249	5%	3,405	31%
PBDIT	26,019	23,194	12%	26,031	0%
Depreciation	6,665	6,626	1%	5,545	20%
PBIT	19,354	16,568	17%	20,486	-6%
Interest	4,326	6,084	-29%	5,404	-20%
PBT	15,028	10,484	43%	15,082	0%
Exceptional Gain/ (loss)	(121)	-		(177)	
Adjusted PBT	14,907	10,484	42%	14,905	0%
Tax Exp	88	(13)	-777%	3,121	-97%
<i>Tax Rate %</i>	0.6%	-0.1%		20.7%	
PAT	14,819	10,497	41%	11,784	26%
Share of Profit from Associates	75	105		57	
Minority Interest	-	-		-	
PAT after MI	14,894	10,602	40%	11,841	26%
EPS (Rs/sh)	23.0	16.4		18.3	

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

Particulars	1QF20	2QF20	3QF20	4QF20	1QF21	2QF21	3QF21
Segment EBIDTA							
O2C			13,568			8,841	9,756
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
Retail	2,049	2,322	2,736	2,569	1,083	2,029	3,087
E&P	207	128	64	(46)	(32)	(194)	4
Financial Services	-	-	92	352	380	530	303
Others	887	809	944	1,634	1,409	1,075	1,494
Total	22,013	23,169	23,629	23,894	18,891	20,751	23,586
Dep							
O2C			2,284			2,091	2,109
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
Retail	272	287	341	497	361	487	478
E&P	456	434	430	439	479	436	451
Financial Services	-	-	-	-	-	-	-
Others	404	410	280	374	314	324	331
Total	4,906	5,160	5,141	6,185	6,213	6,506	6,595
EBIT							
O2C			11,284			6,750	7,647
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
Retail	1,777	2,035	2,395	2,072	722	1,542	2,609
E&P	(249)	(306)	(366)	(485)	(511)	(630)	(447)
Financial Services	-	-	92	352	380	530	303
Others	483	399	664	1,260	1,095	751	1,163
Total	17,107	18,009	18,488	17,709	12,678	14,245	16,991

(Source: Company Reports, Anvil Estimates)

Exhibit 2: E&P Snapshot

Particulars	Units	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Sales	Rs/Cr	1,182	1,069	923	790	873	625	506	355	431
EBIDTA	Rs/Cr	511	258	207	128	64	(46)	(32)	(194)	4
EBIT	Rs/Cr	(185)	(267)	(249)	(306)	(366)	(485)	(511)	(630)	(447)
Depreciation	Rs/Cr	696	525	456	434	430	439	479	436	451
KG D-6 Realization	\$/mmbtu	3.4	3.4	3.7	3.7	3.2	3.2			
Shale Gas-Avg Realization	\$/mcf	4.2	3.7	3.3	2.7	3.1	2.4	1.6	1.8	4.2
Total Production-Shale	bcfe	18.5	16.6	15.6	17	21.2	26.3	25.3	24.5	22.9

Exhibit 3: Revenue and EBIDTA Trend - RJIO

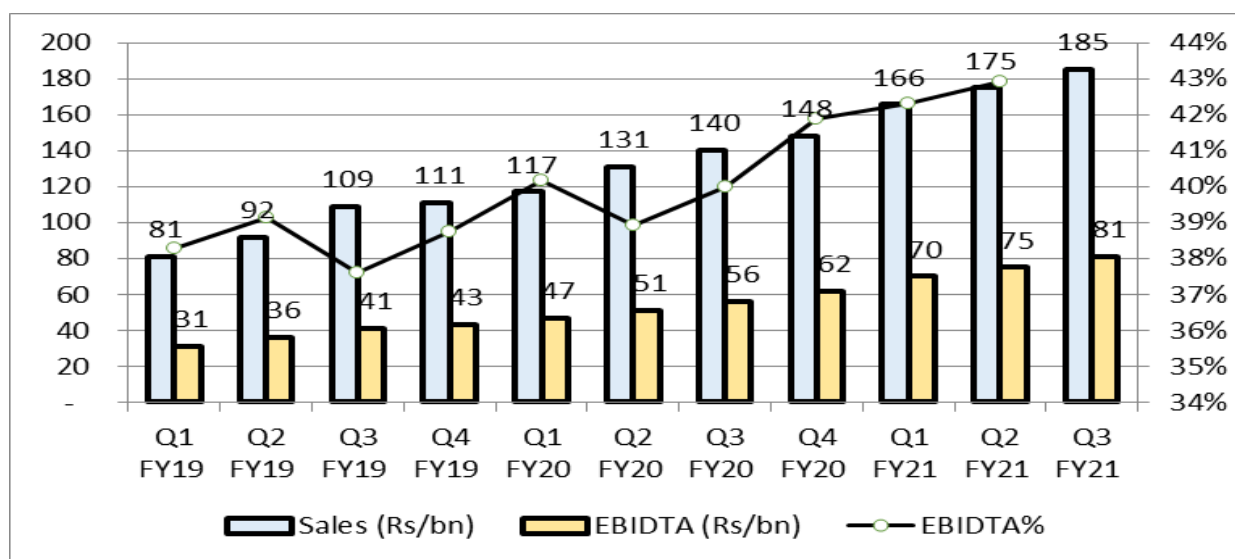


Exhibit 4: Subscriber addition and ARPU Trend

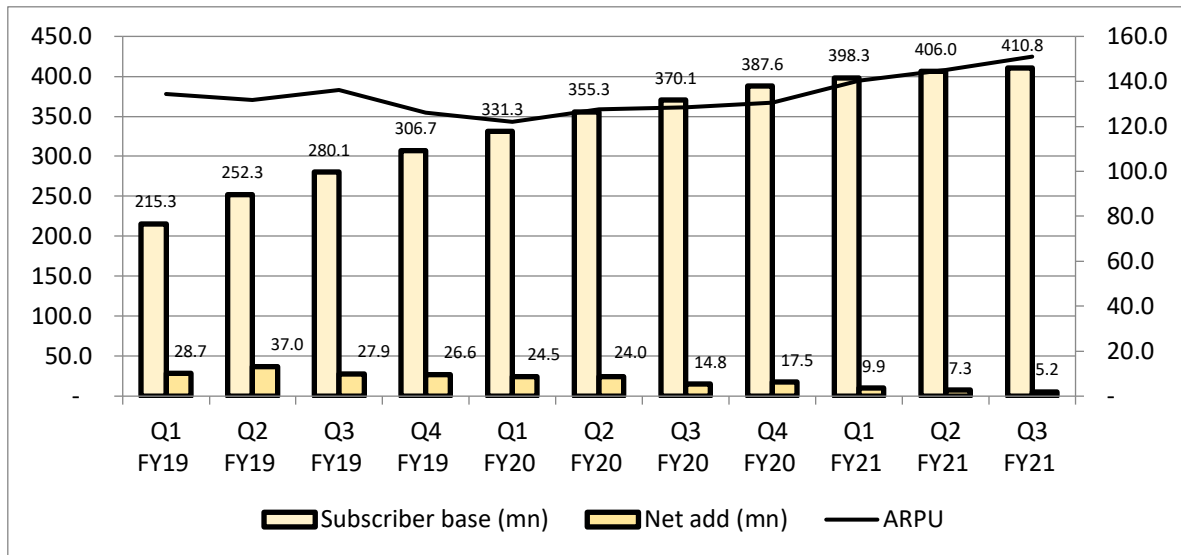


Exhibit 5: Retail Revenue and EBIDTA (Rs/bn)

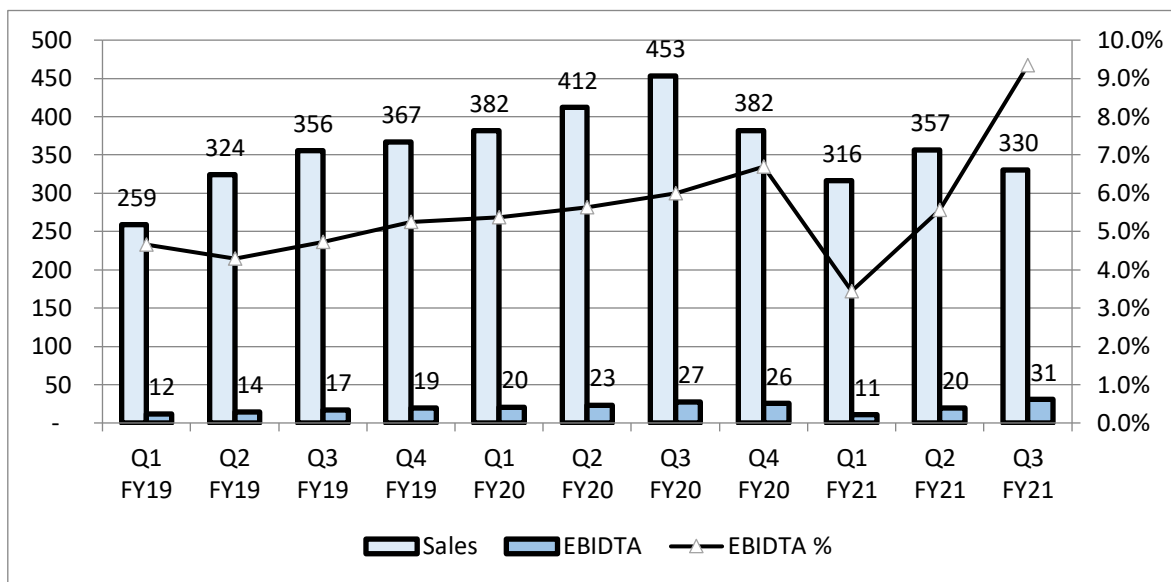
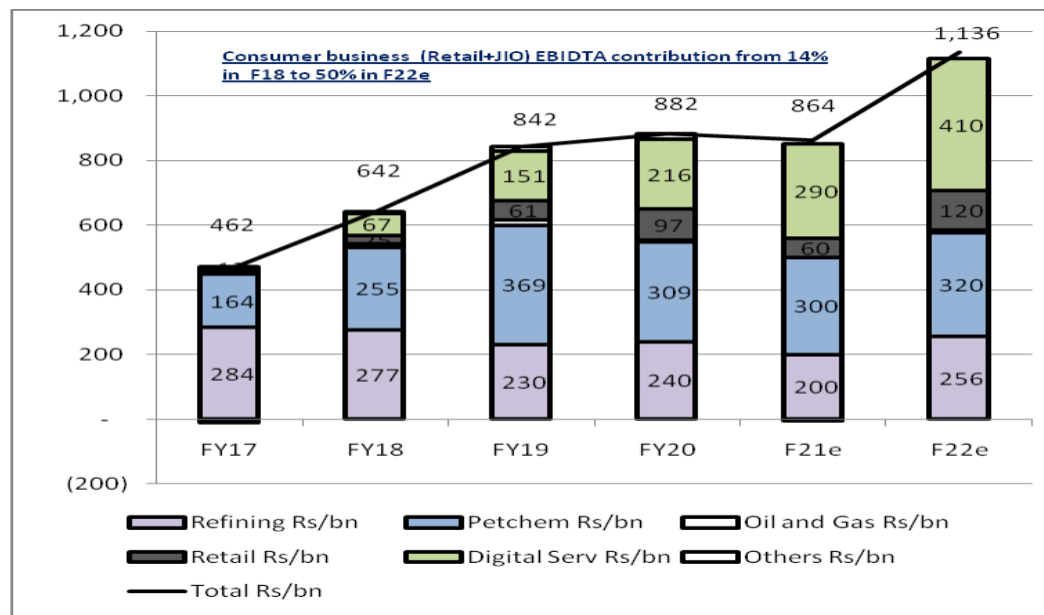


Exhibit 6: Region Wise Store Break up -Retail

Store Network Region	Total		3Q Addition	
	Stores	Area (mn Sq ft)	Stores	Area (mn Sq ft)
North	2,779	5.9	57	0.3
South	3,515	12.1	121	0.5
East	2,670	5.0	57	0.4
West	3,237	8.2	92	0.4
Total	12,201	31.2	327	1.6

Exhibit 7: Consumer Business to form 50% of the EBIDTa in F22e from 14% in F18



Reliance Industries Ltd

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

Particulars	FY17	FY18	FY19	FY20	FY21e	FY22e
Sales	3,054	4,083	5,810	6,116	5,850	6,430
EBIDTA	462	642	842	882	864	1,106
Other Income	94	99	84	140	128	142
PBDIT	556	741	926	1,022	992	1,248
Interest	38	81	165	220	220	180
PBDT	518	661	761	801	772	1,068
Depreciation	116	167	209	222	218	261
PBT	401	494	551	579	555	807
EO Income/ (Exp)	-	-	-	(44)	-	-
Adj PBT	401	494	551	535	555	807
Tax	102	133	154	137	144	210
PAT	299	360	397	398	410	597

(Source: Company Reports, Anvil Estimates)

Balance sheet: (Consolidated) (Rs/bn)

Particulars	FY17	FY18	FY19	FY20	FY21e	FY22e
Share Capital	30	59	59	63	63	63
Reserve and Surplus	2,608	2,876	3,812	4,470	4,836	5,382
Net Worth	2,637	2,935	3,871	4,533	4,899	5,445
Deferred Tax Liabilities	212	245	451	512	546	594
Minority Interest	29	35	83	80	80	80
Debt	1,966	2,188	2,875	3,363	3,213	3,013
Capex Creditors	610	750	580	500	500	500
Deferred Payment Liabilities	201	202	202	188	188	188
Total	5,656	6,356	8,063	9,177	9,426	9,821
Gross Block	3,610	5,810	5,965	7,438	7,802	8,417
Dep	1,628	1,774	1,981	2,111	2,329	2,590
Net Block	1,982	4,036	3,984	5,327	5,474	5,828
CWIP	3,248	1,870	1,795	1,091	1,091	1,091
Total Fixed Assets	5,231	5,906	5,778	6,418	6,565	6,919
Investments	62	56	1,516	1,763	1,763	1,763
Liquid Investments	767	772	841	1,004	1,004	1,004
Cash & Bank Balance	30	43	111	309	382	451
Net Working Capital	(434)	(422)	(183)	(317)	(288)	(317)
Total	5,656	6,356	8,063	9,177	9,426	9,821

(Source: Company Reports, Anvil Estimates)

Reliance Industries Ltd

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

Particulars	FY17	FY18	FY19	FY20	FY21e	FY22e
PBDIT	556	741	926	977	992	1,248
Cash Taxes Paid	(101)	(98)	(122)	(84)	(111)	(168)
(Increase)/ Decrease in WC	155	185	(288)	219	(29)	29
Forex Gain / (losses)	(23)	(21)	(25)	(21)	-	-
Cash Flow from Operations	587	807	491	1,092	852	1,109
Capex	(781)	(740)	(936)	(765)	(400)	(600)
(Purchase) of Investments	92	35	(10)	150	-	-
Exceptional Asset Sale	(54)	(53)	(25)	(30)	-	-
Others	(3)	(12)	(20)	7	-	-
Cash Flow from Investing	(746)	(770)	(991)	(639)	(400)	(600)
Debt Taken / (Paid)	215	199	865	345	(150)	(200)
Interest Cost	(129)	(177)	(233)	(285)	(220)	(180)
Dividend Paid	(1)	(39)	(43)	(46)	(45)	(45)
Deferred Spectrum Liability	(7)	(7)	(9)	(14)	(15)	(15)
Movement in Deposits	-	-	(23)	(28)	-	-
Upfront Fibre Payment	-	-	-	(164)	-	-
Cash Flow from Financing	78	(25)	557	(192)	(430)	(440)
Net Increase in Cash & Cash Equivalents	(81)	13	57	261	22	69
Opening Cash	110	29	42	100	361	382
Cash and Cash Equivalents	29	42	100	361	382	451

(Source: Company Reports, Anvil Estimates)

Valuation Ratios:

Particulars	FY17	FY18	FY19	FY20	FY21e	FY22e
EPS	47	57	63	63	65	94
DPS	5	6	6	7	7	8
P/E	39	33	29	29	32	22
ROCE	24%	20%	18%	15%	13%	16%
ROE	11%	13%	12%	9%	9%	12%

(Source: Company Reports, Anvil Estimates)

Assumptions:

Particulars	Units	FY17	FY18	FY19	FY20	FY21e	FY22e
SG GRM	\$/bbl	10.8	11.6	9.3	8.9	7.5	9.8
KG D-6 Production-Gas	mmscmd	8.0	5.3	3.2	1.5	2.0	4.5
KG D-6 Production-Oil	bopd	3,300	2,100	850	-	-	-
Petchem-Blended EBIDTA Margins	\$/t	249	295	269	226	226	218
Exchange Rate	Rs/\$	67.0	65.0	69.9	70.6	74.0	74.0

Source: Company Reports, Anvil Estimates

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