

Oil and Gas July 26, 2021

CMP	2077
Sensex	52852

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)	13171
Market cap (USD bn)	171
52 Wk High/Low (INR)	2369/1830

Shareholding Pattern (%) – 'Jun-21

Promoter	50.6
Foreign Institutional Investor	24.5
MF / FI / UTI / Banks	12.6
Public & Others	12.3

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RIL Industries LTD Q1FY22 Result Update

Reported EBIDTA at Rs 234 bn flat QoQ while PBT grew by 11% supported by lower interest cost (down Rs 6.5 bn QoQ) and higher other income (up Rs 9.8 bn QoQ). With tax provisions normalizing at 20% in 1QF22 (8.9% in 4QF21), Reported PAT came at Rs 138 bn in 1QF22. Going forward with improvement in Gasoline cracks further in July by \$2/bbl to \$10/bbl due to improved demand in USA coupled with strong feedstock flexibility for Petrochemicals (Naphtha vs Ethane) would help O2C business to see improved performance. Strong polyester deltas coupled with improved Fiber intermediate deltas shows constructive outlook for O2C business. Further improvement in Gas Production > 18 mmscmd currently (16.6 mmscmd in 1QF22) and higher oil prices would drive EBIDTA growth for Oil and Gas segment. With new spectrum acquisition would continue help RIL to acquire additional data subscribers would help RIL to report improved EBIDTA.

O2C business: EBIDTA at Rs 122 bn for 1QF22 up 7% QoQ led improvement in refining business with Gasoline cracks improved \$2.4/bbl QoQ and Gasoil cracks improved by \$1.1/bbl QoQ which were at 6 Quarter high. Petrochemicals operating rate was 95% marginally lower impacted by shutdown at ROGC. With lockdowns and restrictions Petrochemical volumes were diverted to export market which helped higher utilization across plants however with duty protection in domestic market realizations in the export market are lower to that extent impacting the EBIDTA to that extent. Feedstock flexibility Naphtha vs Ethane helped optimize Margins. Strong Fiber intermediates (PX deltas up 25% QoQ & PET deltas up 18% QoQ) coupled with strong polyester deltas helped negate the polymer deltas which were down 6-13% QoQ (PP & PE). O2C business throughput higher at 1.6% QoQ at 19 MMT.

Retail: Revenue at Rs 336 bn with EBIDTA at Rs 19.4 bn (5.8%). Adjusted for Treasury income of Rs 5 bn EBIDTA Margins at 4.3%. This is against revenue of Rs 413 bn and adjusted EBIDTA of Rs 31 bn (7.5%) on QoQ basis. Reasons for lower performance are Retail stores and digital commerce could sell only essentials item for most part of the Quarter due to lockdowns and restrictions b) Footfalls drop to average 46% in 1QF22 from 88% QoQ coupled with operating store hours at 70%, 25% and 38% for April, May & June resp. c) Average Operating stores at 61% in 1QF22 vs 94% QoQ & d) New Store additions lower at 123 in 1QF22 vs 826 /327 stores in 4Q/3QF21 res

Oil and Gas: 1QF22 Production from KG D-6 16.6 mmscmd with current production > 18 mmscmd helped company to report EBIDTA of Rs 0.8 bn up 67% QoQ. With MJ-1 field expected to start production from 4QF23, total Gas production from KG D-6 is expected to be > 30 mmscmd. CBM Production at 0.84 mmscmd with average realization a \$6/mmbtu. Gas Realizations from KG D-6 at \$3.62/mmbtu.

RJIO: Reported EBIDTA at Rs 86 bn up 4% QoQ led by Strong subscriber addition of 14.4 mn as against 9.5 mn average addition in last 4 Quarters which we believe would have been led by strong response towards Jio-Phone. Total Subscriber base as on 1QF22 at 440.5 mn. EBIDTA Margins at 47.9% flat QoQ. ARPU at Rs 138.4/sub flat QoQ despite of the fact that Jio-Phone subscribers have lower ARPU contribution

Capex for 1QF22 at Rs 167 bn & an additional Rs 293 bn was paid for acquiring spectrum.

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 @ 27x FY22e & 22x FY23e consol.EPS.**

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Standalone Quarterly Financials: (Rs/Cr)

Particulars	Q1 FY22	Q4 FY21	QoQ	Q1 FY21	YoY
Net Sales	90,570	85,977	5%	50,446	80%
Operating Cost	79,110	75,784	4%	43,335	83%
EBIDTA	11,460	10,193	12%	7,111	61%
<i>EBIDTA Margin %</i>	12.7%	11.9%		14.1%	
Other Income	3,588	2,797	28%	4,241	-15%
PBDIT	15,048	12,990	16%	11,352	33%
Depreciation	2,509	2,582	-3%	2,175	15%
PBIT	12,539	10,408	20%	9,177	37%
Interest	2,351	3,001	-22%	5,251	-55%
PBT	10,188	7,407	38%	3,926	160%
EO Income/ (Exp)	-	-		4,420	
Adj PBT	10,188	7,407		8,346	
Tax Exp	1,593	(210)	-859%	(948)	-268%
<i>Tax Rate %</i>	15.6%	-2.8%		-24.1%	
PAT	8,595	7,617	13%	9,294	-8%
EPS (Rs/sh)	13.3	11.8		14.3	

Consolidated Quarterly Financials: (Rs/Cr)

Particulars	Q1 FY22	Q4 FY21	QoQ	Q1 FY21	YoY
Net Sales	1,44,372	1,54,896	-7%	91,238	58%
Operating Cost	1,21,004	1,31,545	-8%	74,363	63%
EBIDTA	23,368	23,351	0%	16,875	38%
<i>EBIDTA Margin %</i>	16.2%	15.1%		18.5%	
Other Income	4,219	3,237	30%	4,388	-4%
PBDIT	27,587	26,588	4%	21,263	30%
Depreciation	6,883	6,973	-1%	6,308	9%
PBIT	20,704	19,615	6%	14,955	38%
Interest	3,397	4,044	-16%	6,735	-50%
PBT	17,307	15,571	11%	8,220	111%
Exceptional Gain/ (loss)	-	797		4,966	
Adjusted PBT	17,307	16,368	6%	13,186	31%
Tax Exp	3,464	1,387	150%	260	1232%
<i>Tax Rate %</i>	20.0%	8.9%		3.2%	
PAT	13,843	14,981	-8%	12,926	7%
Share of Profit from Associates	(37)	14		322	
Minority Interest	-	-		-	
PAT after MI	13,806	14,995	-8%	13,248	4%
EPS (Rs/sh)	21.3	23.1		20.5	

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

Particulars	1QF20	2QF20	3QF20	4QF20	1QF21	2QF21	3QF21	4QF21	1QF22
Segment EBIDTA									
O2C			13,568			8,841	9,757	11,407	12,231
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
Retail	2,049	2,322	2,736	2,569	1,083	2,029	3,087	3,623	1,953
E&P	207	128	64	(46)	(32)	(194)	4	480	797
Financial Services	-	-	92	352	380	530	303	144	132
Others	887	809	944	1,634	1,409	1,075	1,494	1,164	1,413
Total	22,013	23,169	23,629	23,894	18,891	20,751	23,587	25,763	25,794
Dep									
O2C			2,284			2,091	2,110	2,230	1,837
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
Retail	272	287	341	497	361	487	478	510	499
E&P	456	434	430	439	479	436	451	369	569
Financial Services	-	-	-	-	-	-	-	-	-
Others	404	410	280	374	314	324	331	410	399
Total	4,906	5,160	5,141	6,185	6,213	6,506	6,596	6,864	6,790
EBIT									
O2C			11,284			6,750	7,647	9,177	10,394
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
Retail	1,777	2,035	2,395	2,072	722	1,542	2,609	3,113	1,454
E&P	(249)	(306)	(366)	(485)	(511)	(630)	(447)	111	228
Financial Services	-	-	92	352	380	530	303	144	132
Others	483	399	664	1,260	1,095	751	1,163	754	1,014
Total	17,107	18,009	18,488	17,709	12,678	14,245	16,991	18,899	19,004

(Source: Company Reports, Anvil Estimates)

Exhibit 2: Q2C Business Snapshot

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

Exhibit 3: E&P Snapshot

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

Exhibit 4: Revenue and EBIDTA Trend - RJIO

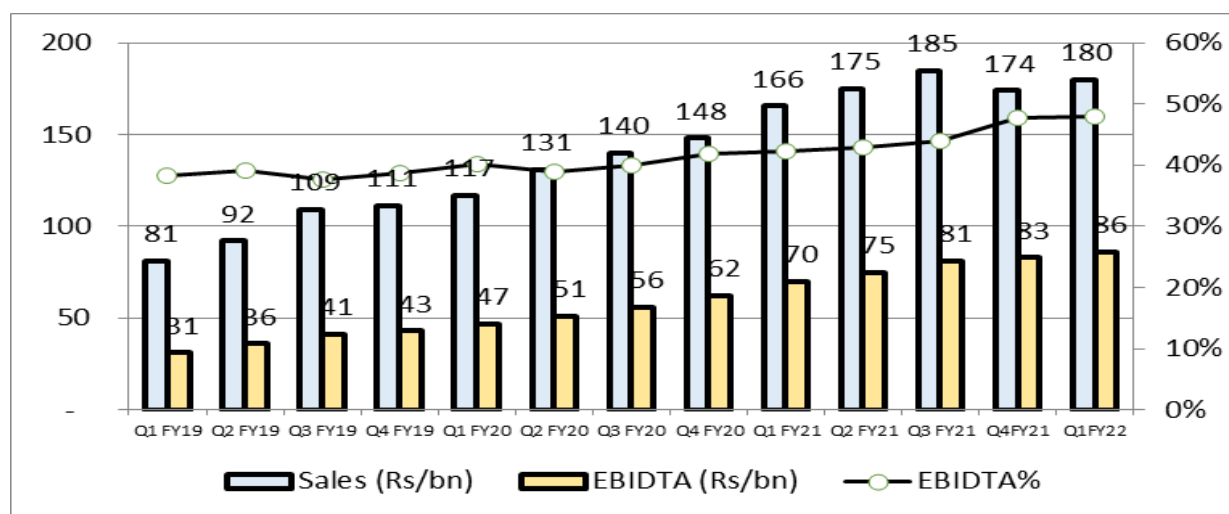


Exhibit 5: Subscriber addition and ARPU Trend

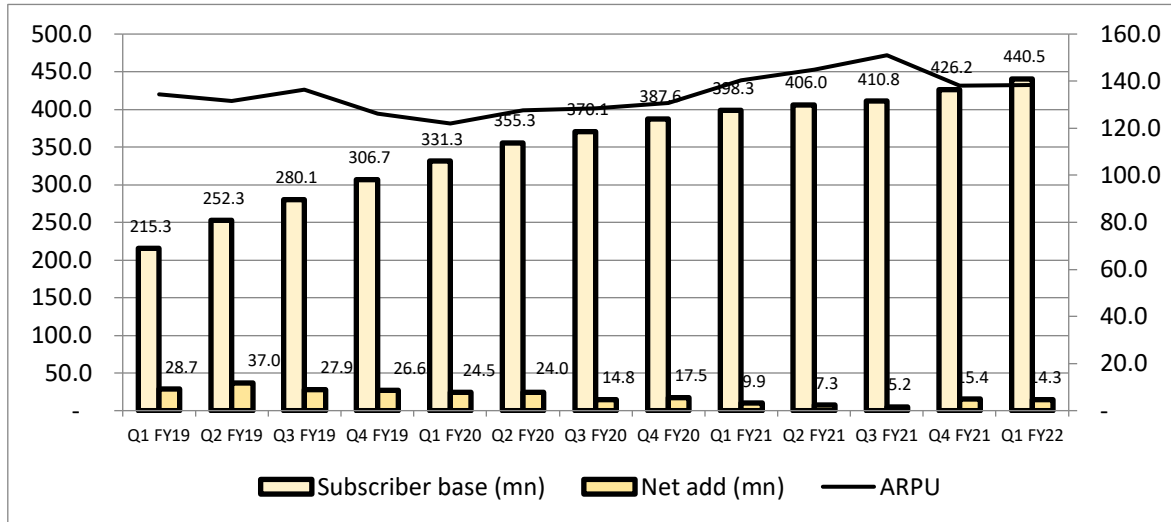


Exhibit 6: Retail Revenue and EBIDTA (Rs/bn)

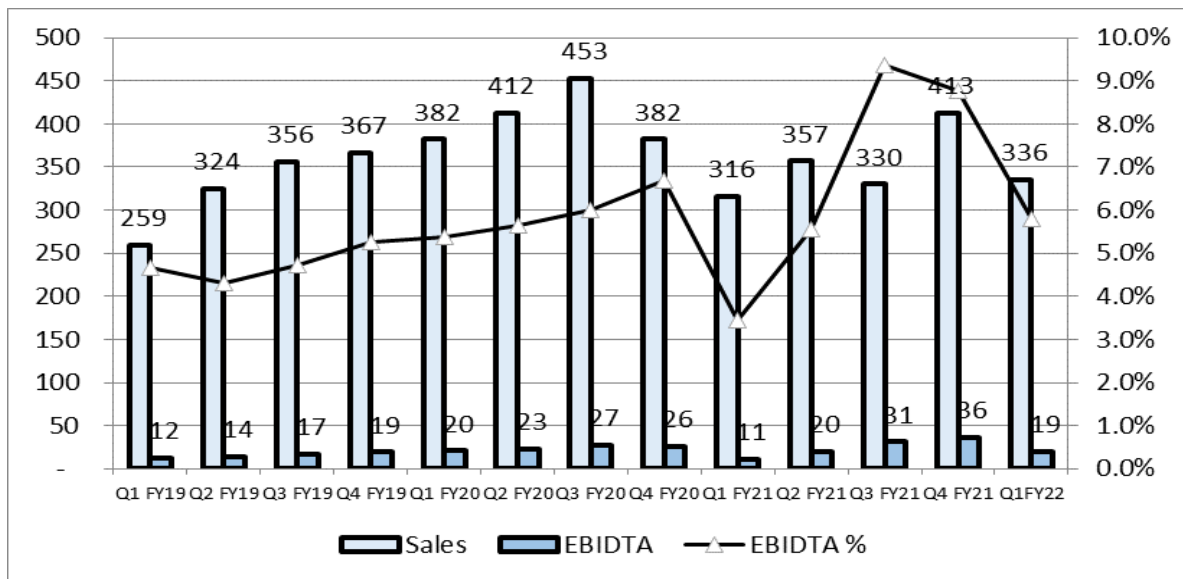
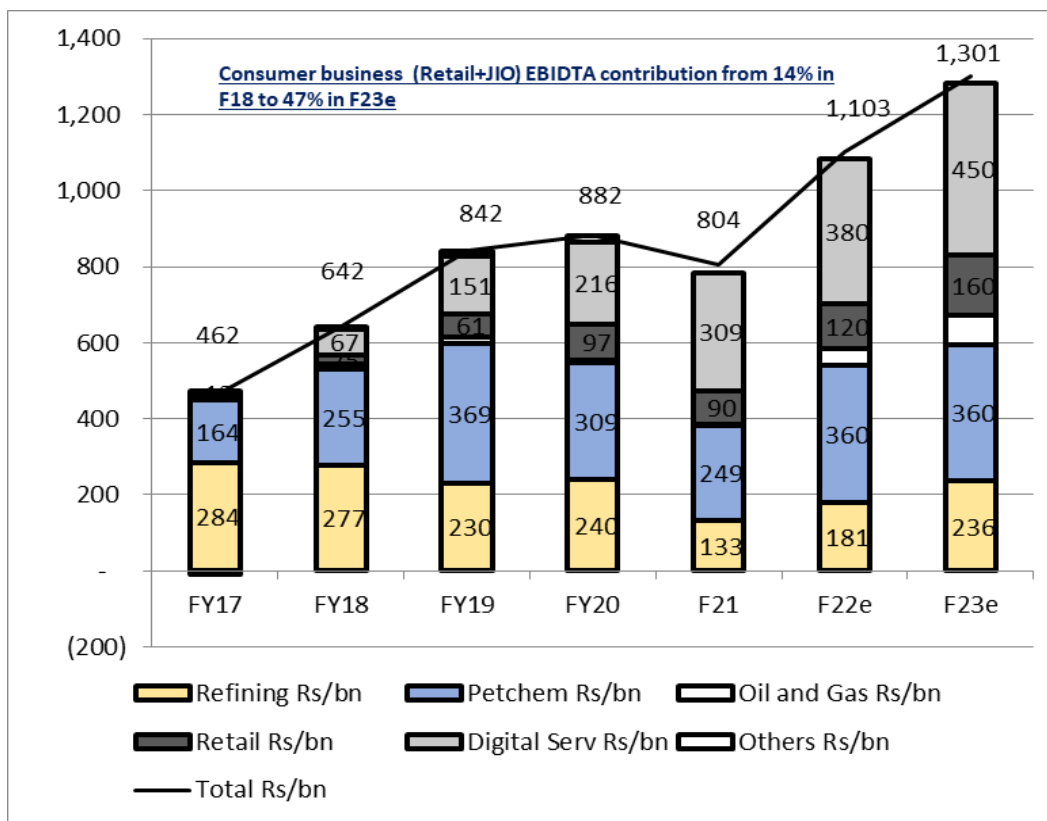


Exhibit 7: Region Wise Store Break up -Retail

Store Network Region	Total		1Q Addition	
	Stores	Area (mn Sq ft)	Stores	Area (mn Sq ft)
North	2,859	6.2	6	0.1
South	3,721	13.0	56	0.4
East	2,787	5.6	17	0.1
West	3,358	8.9	43	0.2
International	78	0.8	1	
Total	12,803	34.5	123	0.8

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



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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	1,103	1,301
Other Income	94	99	84	140	163	142	142
PBDIT	556	741	926	1,022	967	1,245	1,443
Interest	38	81	165	220	212	180	180
PBDT	518	661	761	801	755	1,065	1,263
Dep	116	167	209	222	266	288	307
PBT	401	494	551	579	489	777	956
EO Income/ (Exp)	-	-	-	(44)	56	-	-
Adj PBT	401	494	551	535	546	777	956
Tax	102	133	154	137	17	202	249
PAT	299	360	397	398	529	575	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	FY23e
PBDIT	556	741	926	977	1,023	1,245	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	1,654	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)	1,008	228
Opening Cash	110	29	42	100	331	204	1,212
Cash and Cash Equivalents	29	42	100	331	204	1,212	1,440

(Source: Company Reports, Anvil Estimates)

Valuation Ratios:

Particulars	FY17	FY18	FY19	FY20	FY21e	FY22e	FY23e
EPS	47	57	63	62	77	76	94
DPS	5	6	6	7	7	8	8
P/E	44	37	33	34	27	27	22
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	74.0

Source: Company Reports, Anvil Estimates

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