

Oil and Gas Nov 1, 2020

CMP	2054
Sensex	39614

Stock Statistics

Bloomberg code	RIL IN
Equity Cap (INR mn)	64800
Face Value (INR)	10
Free float (%)	49.6
INR / USD	74.6
Market cap (INR bn)	13891
Market cap (USD bn)	186
52 Wk High/Low (INR)	2369/868

Shareholding Pattern (%) – 'Sep-20

Promoter	50.4
Foreign Institutional Investor	24.8
MF / FI / UTI / Banks	12.6
Public & Others	12.2

Analyst

Nirav Jimudia

✉: nirav@anvilresearch.com

RIL Industries LTD Q2FY21 Result Update

Petrochemicals back with a bang with EBIDTa improved 35% QoQ with cracker operating at 100% along with product sales skewed towards domestic market again where realizations are better due to duty protection + Recovery in the Retail EBIDTa on the back of 85% stores operational (50% in 1Q) helped led the improved performance . Refinery EBIDTA was down 21% QoQ on 10% reduction in GRM to \$5.7/bbl and 8% lower throughput QoQ. However growth story remains intact and with significant deleveraging of balance sheet puts RIL in a very sweet spot. Reported EBIDTA at Rs.189 bn for 2QF21 as against Rs.169 bn QoQ. PBT before extraordinary adjustments came at Rs.105 bn as against Rs.82 bn QoQ.

Refining: Refining throughout of 15.3 mmt lower by 8% QoQ on account of maintenance shutdown. Reported GRM at \$5.7/bbl and Opex at \$2.1/bbl. EBIDTa at Rs 30 bn. Flexibility to swing production from ATF to diesel helped negate the impact of weaker ATF cracks. With better crude sourcing and product optimization, Refinery performed well even though product cracks were weak & narrow Arab Light-Heavy differentials. Recovery in domestic demand enabled RIL to sell more in the domestic market where realizations are better due to custom duty benefit.

Petchem: Reported EBIDTa at Rs 60 bn improved 35% QoQ on the back of strengthening of PP, PE & PVC prices by 13/17/25% resp. due to tight supplies with regional turnarounds and improvement in demand. RIL Petchem crackers operated at 100% utilization as against global average of 85% and India average of 95%. Sold 80% of the volumes in domestic market vs. 20% QoQ (COVID-19 shutdown in India in 1Q) enabled higher margins as margins in domestic market better due to import duties and price protection. Flexibility to swing cracker feedstock to Ethane/propane in 2Q as against Naphtha in 1Q (Naphtha prices gone up 56% QoQ) also helped in lower feedstock cost. Pan India presence led to storage of finished goods at 61 warehouses enabled timely delivery of products and market share in lieu of Covid led disruptions at the same time customer preference for domestic supplies in lieu of import uncertainties. RIL achieved highest ever Quarterly sales for polymer in the domestic mkt. PVC Margins improved 14% to \$550/t QoQ led by strong demand from Agri and construction coupled with tight supply globally due to turnarounds in USA because of 2 hurricanes.

Retail: Reported EBIDTa of Rs 20 bn improved 85% QoQ. EBIDTa Margins at 5.4% as against 3.8% QoQ and 6.3% YoY. RIL opened 232 stores during the Quarter. 85% stores operational in 2Q vs 50% in 1Q. Footfalls recovering to 75% in 2Q vs 43% QoQ and Sep exit rate at 85%. Continuous focus on cost initiative coupled with recovery in high margin Fashion & Lifestyle business will help this division to do better in 2HF21e. Raised Rs 377 bn in Retail by diluting 8.22% stake.

JIO: Reported Sales of Rs 175 bn with EBIDTa of 75 bn and EBIDTa margins of 42.9%. Blended ARPU at Rs 145 from 140 QoQ. Added 7.3 mn net subscribers to take total subscriber base to 406 mn. Per capita usage at 12 GB/sub/month and voice consumption at 776 min per month.

Oil and Gas: Reported EBIDTA loss of Rs 0.2 bn with sales of Rs.3.6 bn. US Shale production at 24.5 bcfe down 4% QoQ and unit Realization at \$1.8/mmbtu up 13% QoQ. R Cluster Production from KG D-6 will start Production from H2F21.

Other Highlights: 1HF21 capex of Rs 283 bn vs Rs 217 bn in 4QF20 and F20 capex of Rs 774 bn. Repaid Rs 560 bn of debt in 1HF21 and benefit of lower interest cost will be reflected from 3QF21.

Valuation and View: We expect RIL EBIDTA to improve to INR 1106 bn in FY22e from INR 882 bn in FY20. Strong balance sheet, end of Capex cycle and operating leverage would help RIL Ind to report robust earnings from consumer business. **At CMP, stock trades @ 32x FY21e & 22x FY22e consol.EPS.**

Reliance Industries Ltd

Standalone Quarterly Financials:

Particulars	Q2 FY21	Q1 FY21	QoQ	Q2 FY20	YoY
Net Sales	61,246	50,446	21%	91,117	-33%
Operating Cost	53,599	43,335	24%	77,094	-30%
EBIDTA	7,647	7,111	8%	14,023	-45%
<i>EBIDTA Margin %</i>	12.5%	14.1%		15.4%	
Other Income	4,164	4,241	-2%	3,272	27%
PBDIT	11,811	11,352	4%	17,295	-32%
Depreciation	2,233	2,175	3%	2,317	-4%
PBIT	9,578	9,177	4%	14,978	-36%
Interest	4,819	5,251	-8%	2,723	77%
PBT	4,759	3,926	21%	12,255	-61%
EO Income/ (Exp)	-	4,420		-	
Adj PBT	4,759	8,346		12,255	
Tax Exp	(1,787)	(948)	89%	2,553	-170%
<i>Tax Rate %</i>	-37.5%	-24.1%		20.8%	
PAT	6,546	9,294	-30%	9,702	-33%
EPS (Rs/sh)	10.1	14.3		15.0	

Consolidated Quarterly Financials:

Particulars	Q2 FY21	Q1 FY21	QoQ	Q2 FY20	YoY
Net Sales	116,195	91,238	27%	152,149	-24%
Operating Cost	97,250	74,363	31%	129,997	-25%
EBIDTA	18,945	16,875	12%	22,152	-14%
<i>EBIDTA Margin %</i>	16.3%	18.5%		14.6%	
Other Income	4,249	4,388	-3%	3,614	18%
PBDIT	23,194	21,263	9%	25,766	-10%
Depreciation	6,626	6,308	5%	5,315	25%
PBIT	16,568	14,955	11%	20,451	-19%
Interest	6,084	6,735	-10%	5,450	12%
PBT	10,484	8,220	28%	15,001	-30%
Exceptional Gain/ (loss)	-	4,966		-	
Adjusted PBT	10,484	13,186	-20%	15,001	-30%
Tax Exp	(13)	260	-105%	3,703	-100%
<i>Tax Rate %</i>	-0.1%	3.2%		24.7%	
PAT	10,497	12,926	-19%	11,298	-7%
Share of Profit from Associates	105	322		54	
Minority Interest	-	-		-	
PAT after MI	10,602	13,248	-20%	11,352	-7%
EPS (Rs/sh)	16.4	20.5		17.5	

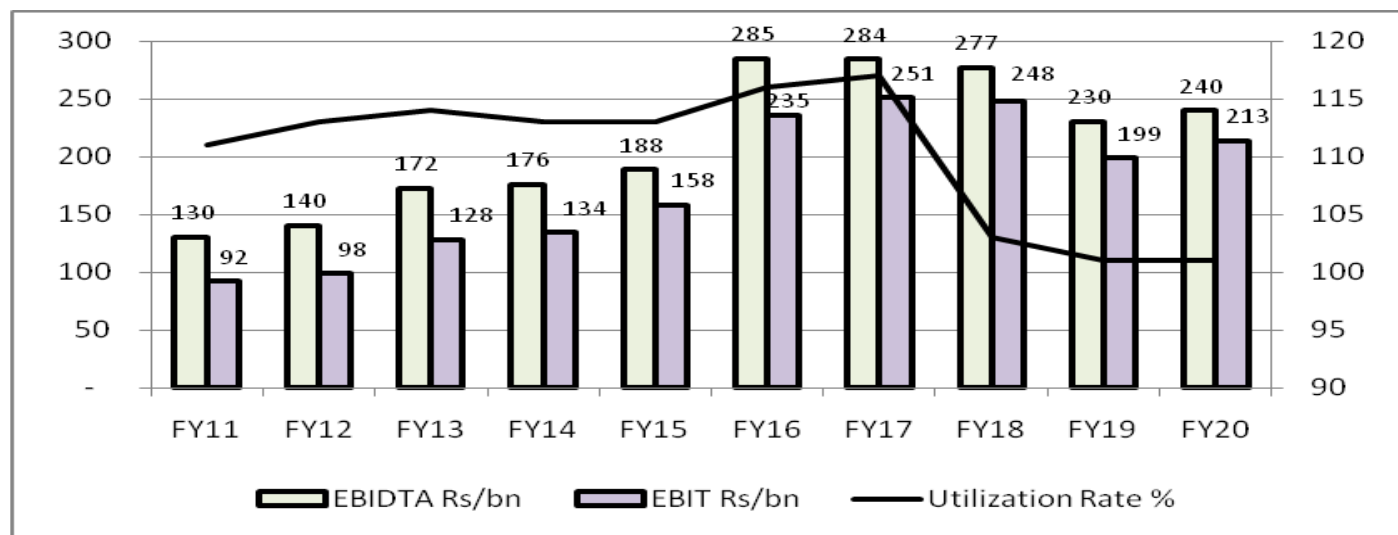
Reliance Industries Ltd

Exhibit 1: Refinery Performance at a Glance:

Particulars	units	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Production	MMT	17.7	18.0	16.0	17.5	16.7	18.1	18.3	16.6	15.3
SG GRM	\$/bbl	6.1	4.3	3.2	3.2	6.5	1.6	1.3	(1.0)	0.1
RIL GRM	\$/bbl	9.5	8.8	8.2	8.1	9.4	9.2	8.9	6.3	5.7
L-H Differential	\$/bbl	2.3	2.2	1.4	1.8	1.5	2.4	3.1	0.5	0.3
Opex-Calculated	\$/bbl	2.8	2.7	2.2	2.3	2.8	2.3	2.1	2.1	2.2
GRM	Rs/Cr	8,628	8,371	6,780	7,221	8,101	8,691	8,655	5,788	4,794
Opex	Rs/Cr	2,534	2,522	1,816	2,069	2,442	2,161	2,041	1,970	1,792
EBIDTA	Rs/Cr	6,094	5,849	4,964	5,152	5,659	6,530	6,614	3,818	3,002
Depreciation	Rs/Cr	937	904	938	644	702	873	908	926	1,002
EBIT	Rs/Cr	5,157	4,945	4,026	4,508	4,957	5,657	5,706	2,892	2,000

(Source: Company Reports, Anvil Estimates)

Exhibit 2: Refinery Profitability and Utilization Rate (10 yr snapshot)



(Source: Company Reports, Anvil Estimates)

Exhibit 3: E&P Snapshot

Particulars	Units	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Sales	Rs/Cr	1,322	1,182	1,069	923	790	873	625	506	355
EBIDTA	Rs/Cr	385	511	258	207	128	64	(46)	(32)	(194)
EBIT	Rs/Cr	(480)	(185)	(267)	(249)	(306)	(366)	(485)	(511)	(630)
Depreciation	Rs/Cr	865	696	525	456	434	430	439	479	436
KG D-6 Realization	\$/mmbtu	3.1	3.4	3.4	3.7	3.7	3.2	3.2		
Shale Gas-Avg Realization	\$/mcf	4.1	4.2	3.7	3.3	2.7	3.1	2.4	1.6	1.8
Total Production-Shale	bcfe	19.3	18.5	16.6	15.6	17	21.2	26.3	25.3	24.5

Exhibit 4: Petrochemicals Quarterly Performance

Particulars	Units	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
Sales	Rs/Cr	43,022	46,246	42,414	37,611	38,538	36,909	32,206	25,192	29,665
EBIDTA	Rs/Cr	9,477	9,596	9,361	8,810	8,927	7,252	5,938	4,430	5,964
Depreciation	Rs/Cr	1,357	1,375	1,386	1,302	1,325	1,372	1,385	1,038	1,069
EBIT	Rs/Cr	8,120	8,221	7,975	7,508	7,602	5,880	4,553	3,392	4,895
EBIDTA	%	22%	21%	22%	23%	23%	20%	18%	18%	20%
EBIT	%	19%	18%	19%	20%	20%	16%	14%	13%	17%
Gross Production	MMT	9.4	9.7	9.4	8.7	9.9	9.9	9.8	8.9	9.7

Exhibit 5: Petrochemical Profitability (Last 16 year snapshot)

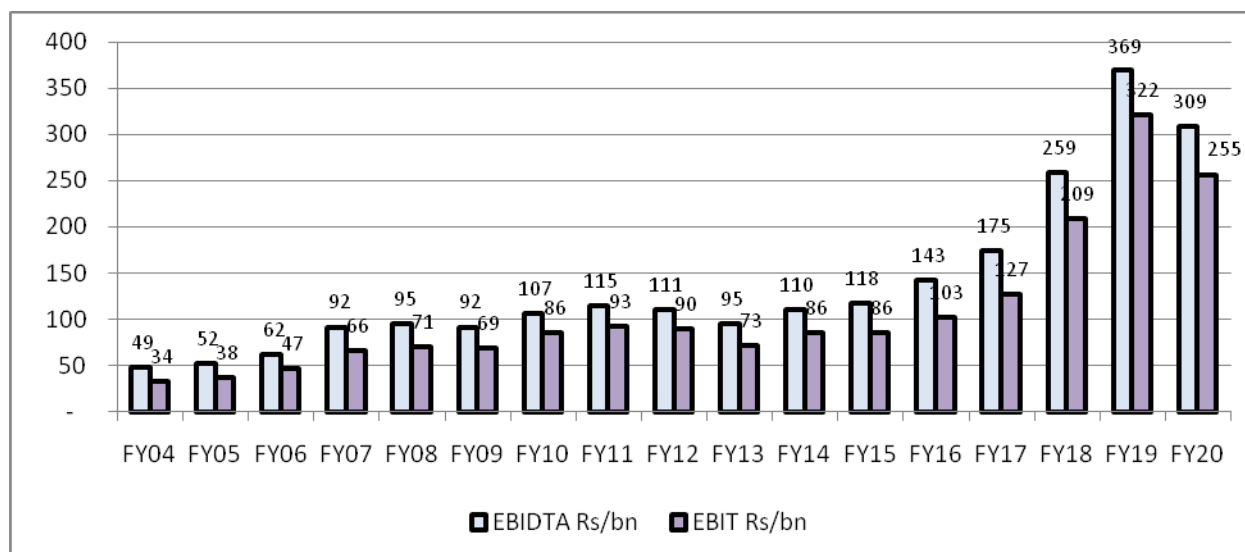


Exhibit 6: Average EBIDTA/t for last 16 years (Strong Presence across chains has enabled better performance in tough times)

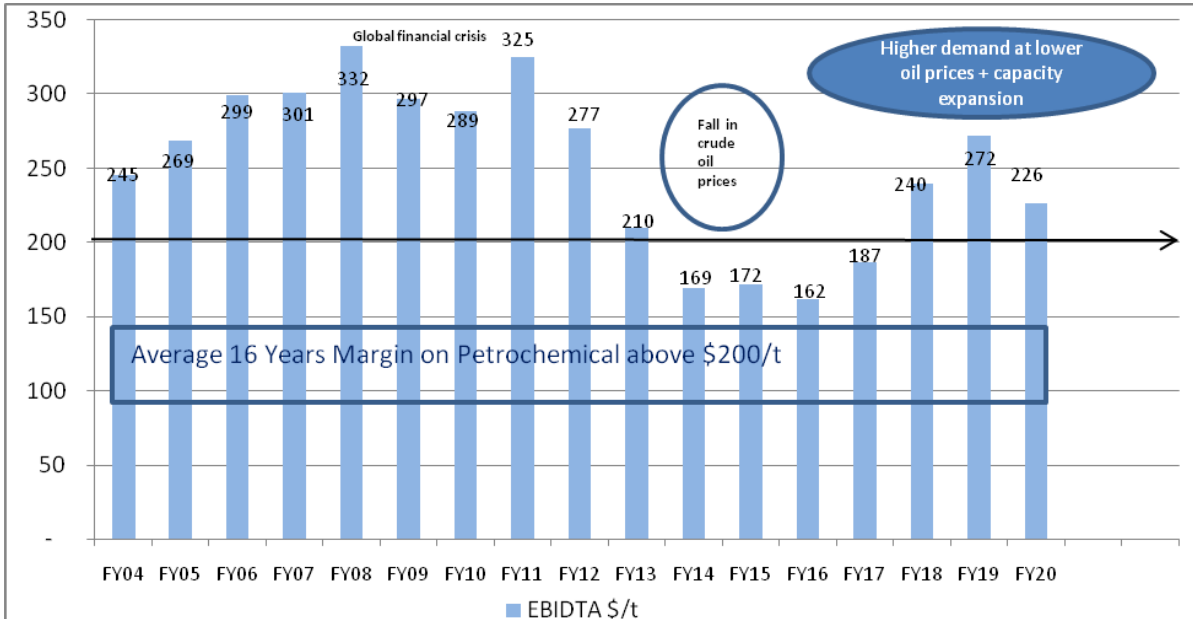


Exhibit 7: Revenue and EBIDTA Trend - RJIO

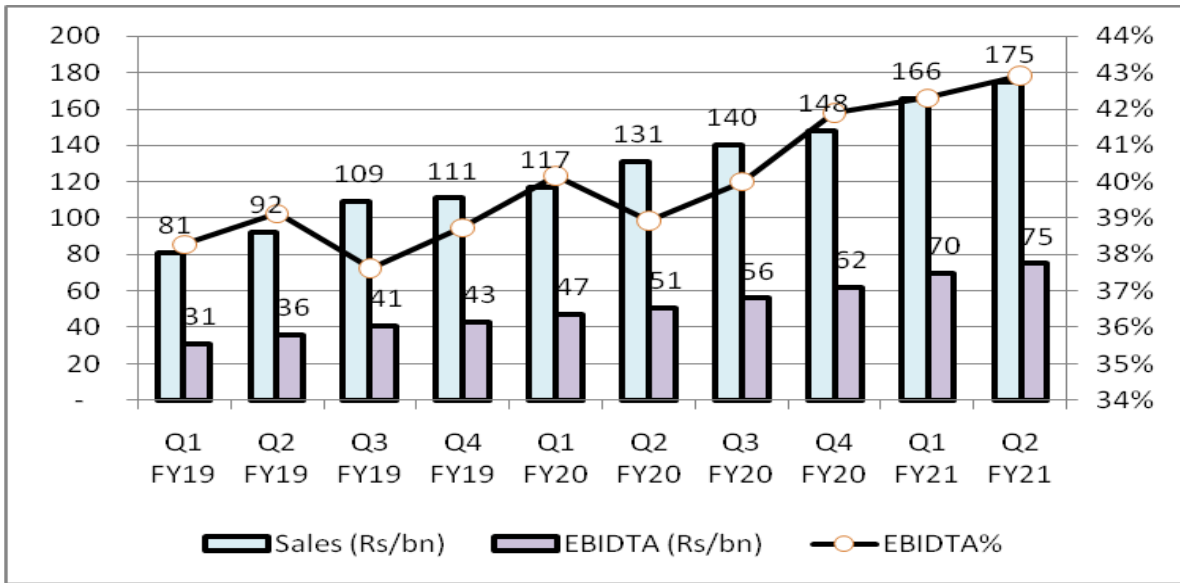


Exhibit 8: Subscriber addition and ARPU Trend

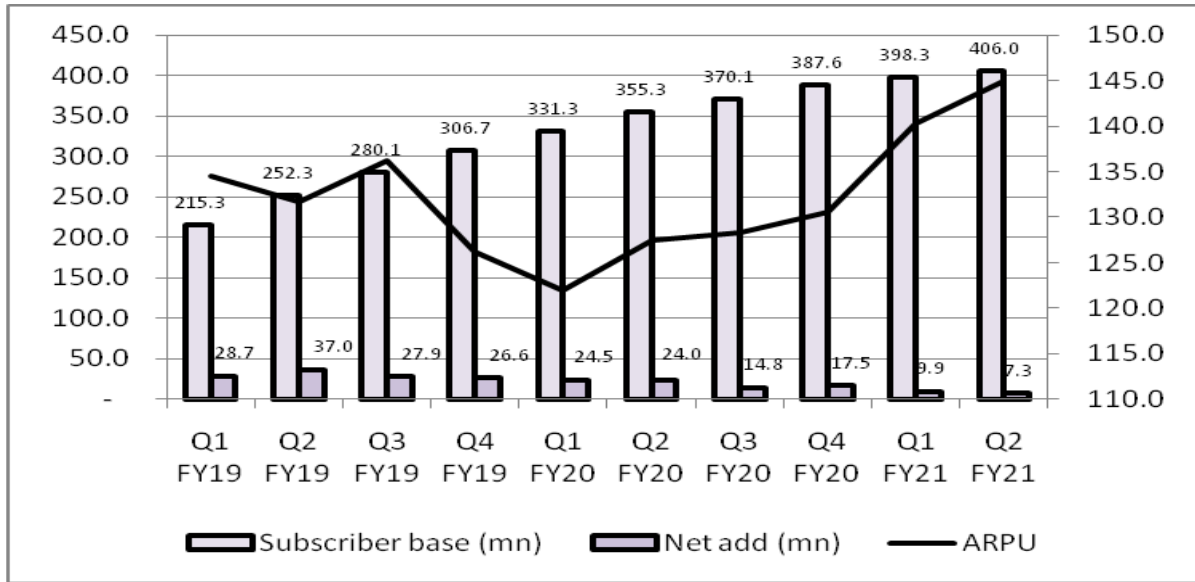


Exhibit 9: Retail Revenue and EBIDTA (Rs/bn)

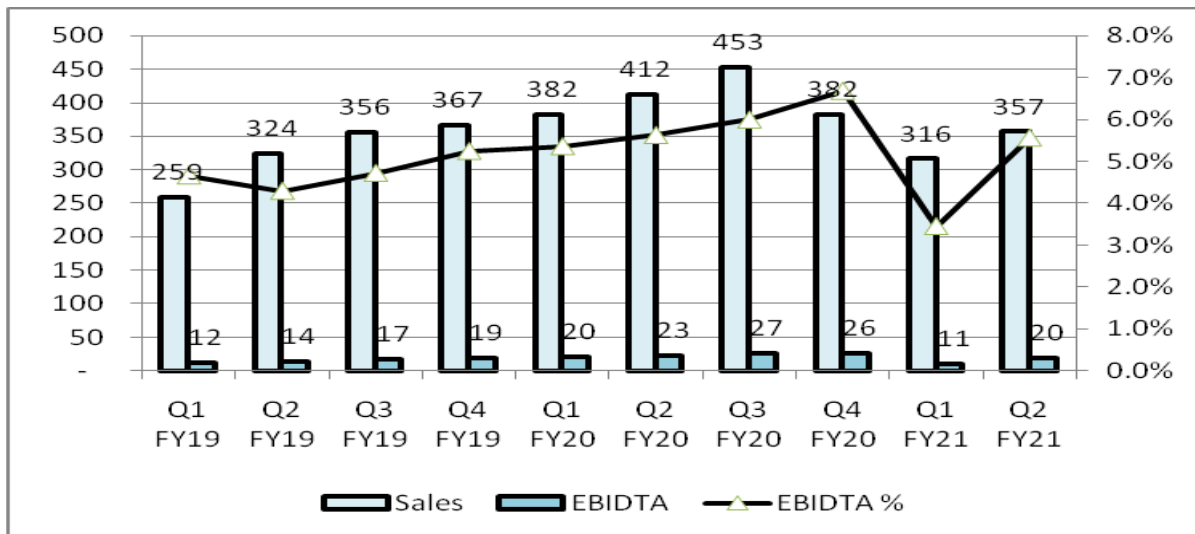
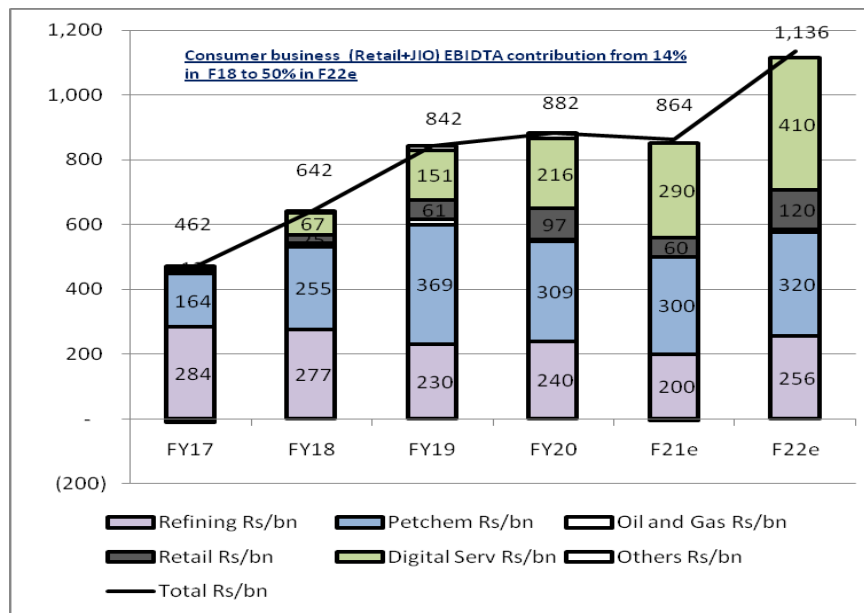


Exhibit 10: Reliance Retail Equity Raising Details:

Global Investors	Amount	%
Silver Lake Holdings	7,500	1.6
KKR	5,550	1.2
General Atlantic	3,675	0.8
Silver Lake Holdings	1,875	0.4
Mubadala	6,248	1.4
GIC	5,513	1.2
TPG	1,838	0.4
ADIA	5,513	1.2
Total	37,710	8.2

Exhibit 11: 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)

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	8.5	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

Anvil Share & Stock Broking Pvt Ltd is registered as below:

SEBI Regn No.:- U67120MH1997PTC109640

Cash Segment – BSE Regn No. – INB011209950

NSE Regn No. – INB231046831

F&O Segment - BSE Regn No. – INF011209950

NSE Regn No. – INF231046831

Under SEBI (Research Analyst) Regulations, 2014 – INH000000818

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

This is not an Exchange traded product and the Anvil Share and Stock Broking Pvt Ltd is acting as distributor of Research. All disputes with respect to the distribution of research would not have access to Exchange investor redressal forum or Arbitration mechanism.'

Analyst Certification – The views expressed in this research report accurately reflect the personal views of the analyst about the subject securities or issues and no part of the compensation of the research analyst was, is or will be directly or indirectly related to the specific recommendations and views expressed by research analyst in this report. The research analysts, strategists or research associates principally responsible for preparation of most research receive compensation based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

DISCLAIMER:

We, **Anvil Share & Stock Broking Pvt Ltd, our Analysts & our Associates** hereby solemnly declare & disclose that we:

- ✓ Do not have any financial interest of any nature in the company referred in this research report
- ✓ Do not individually or collectively hold 1% or more of the securities of the company referred in this research report
- ✓ Do not have any other material conflict of interest in the company referred in this research report
- ✓ Do not act as a market maker in securities of the company referred in this research report
- ✓ Do not have any directorships or other material relationships with the company referred in this research report
- ✓ Do not have any personal interests in the securities of the company referred in this research report

Do not have any past significant relationships with the company referred in this research report, including Investment Banking or other advisory assignments or relationships.