

Oil and Gas
June 16, 2021

CMP	2230
Sensex	52521

Stock Statistics

Bloomberg code	RIL IN
Equity Cap (INR mn)	64800
Face Value (INR)	10
Free float (%)	50
INR / USD	73.3
Market cap (INR bn)	14076
Market cap (USD bn)	193
52 Wk High/Low (INR)	2475/2024

Shareholding Pattern (%) – 'Mar-21

Promoter	50.6
Foreign Institutional Investor	25.6
MF / FI / UTI / Banks	12.6
Public & Others	11.2

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RIL Industries LTD Annual report Analysis FY21

Consumer business contributed 50% to EBIDTA in FY21 compared to 36% in FY20. Recent gas production start from R Cluster and satellite fields with 18 mmscmd of production should contribute meaningfully to the EBIDTA (Our estimate Rs 42 bn and Rs 75 bn for F22/23e). With MJ-1 field to be put into production from CY23, total production from D-6 block will reach 30 mmscmd almost 25% of India's domestic Gas Production.

With raising of Rs 2600 bn of capital through stake sale in RJIO, Retail and rights issue in one of the toughest years RIL has once again demonstrated its capabilities to withstand any disruptions and emerge even more stronger. Balance sheet has almost become debt free and with healthy EBIDTA of Rs 900-1000 bn Per annum coupled with end of capex cycle, RIL would have war chest of large cash & cash equivalents to deploy and make themselves ready when the world will come out of the pandemic.

In FY21, RIL Prepaid \$7.8 bn of long-term foreign currency loan which by far the largest by any corporate in India.

Any update on the Saudi Aramco deal progress in the AGM would be watched very closely as when successful would mark another step towards inflow of capital and valuation benchmark would be established for the O2C business. (key thing to watch for in AGM)

O2C: RIL initiated the process of carving out O2C business into separate subsidiary which will facilitate value creation through strategic partnerships and attract dedicated pool of investor capital. Target is maximizing crude to chemicals conversion and create a sustainable growth business.

RIL BP Mobility limited (RBML) a 51:49 JV between RIL and BP is having a network of 1419 outlets and target is set to have 5500 outlets over next 5 years. Highly integrated O2C business is developing next generation carbon capture utilization and storage technologies to convert carbon dioxide into high value proteins, nutraceuticals, advanced materials and fuels

RJIO: With recent spectrum acquisition, RIL increased its coverage by almost 56% to 1732 MHz Acquired spectrum will be used for transition to 5G service and also to accommodate next 300 mn 2G to 4G prospective subscribers & 50 mn FTTH. RIL has invested Rs 99 bn in the digital assets (ex telecom) taking total capex on the digital assets to Rs 496 bn till FY21 vs overall capex of > \$50 bn in the digital business combining telecom.

Retail: Digital commerce and merchant partnerships business accounted for 10% of the revenue of Reliance Retail which was nil in FY20. AJIO, digital commerce witnessed 3x jump in revenues in FY21. In FY21, over half of the 1456 stores were opened in smaller towns and with this Reliance Retail now operates 2/3 of the stores in Tier-II and small Tier towns. In Fashion & Lifestyle, own brands contribute > 75% of Trends revenue and > 60% of the footwear revenue. Strategy for growth going forward a) develop supply side ecosystem and invest in design, product development and sourcing. B) scale up digital platforms across businesses led by JIOMart & c) build new business segments & own brands

Valuation and View: 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 @ 29x FY22e & 24x FY23e consol.EPS.**

Exhibit 1: Consolidated Net Debt Trend

Particulars	Units	FY17	FY18	FY19	FY20	FY21
Net Debt Trend						
Gross Debt as per co	Rs/bn	1,966	2,188	2,875	3,363	2,518
cash and Cash Equivalent	Rs/bn	797	815	951	1,314	1,777
InVIT Money	Rs/bn	-	-	572	402	253
Balance to be received	Rs/bn					398
Net Debt	Rs/bn	1,169	1,373	1,352	1,647	89
Add:	Rs/bn					
Capex Creditors	Rs/bn	610	750	580	500	-
Deferred Payment Lia	Rs/bn	201	202	202	188	189
Net Debt as per our calculation	Rs/bn	1,980	2,325	2,134	2,336	278

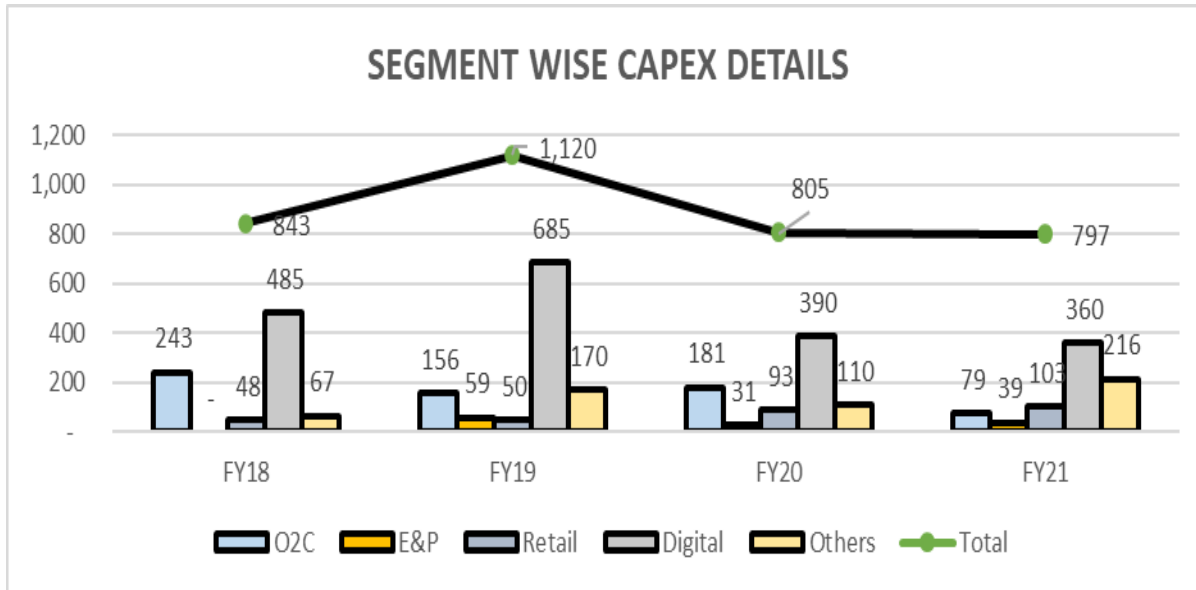
(Source: Company Reports, Anvil Estimates)

Exhibit 2: Gross Debt Break Up Segment Wise

Particulars	Units	FY17	FY18	FY19	FY20	FY21
Gross Debt Break						
Up:						
RJIO	Rs/bn	475	580	670	230	112
RIL standalone	Rs/bn	1,074	1,160	1,620	2,620	2,217
Shale	Rs/bn	328	300	350	360	39
Retail	Rs/bn		148	130	46	90
Others	Rs/bn	89		105	106	59
Total	Rs/bn	1,966	2,188	2,875	3,362	2,518

(Source: Company Reports, Anvil Estimates)

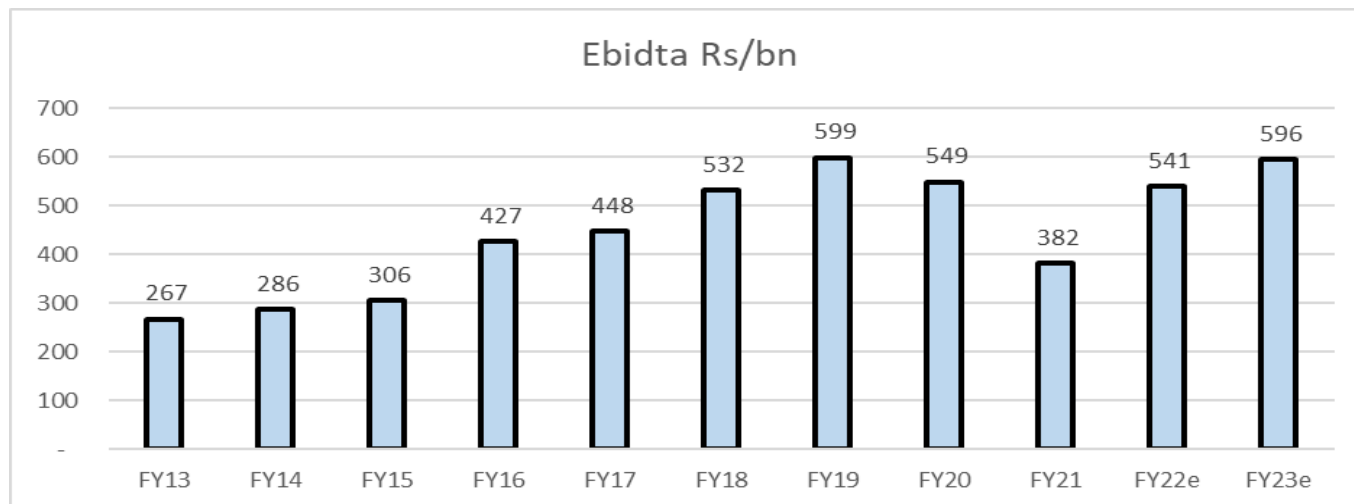
Exhibit 3: Segmental Capex Break up FY18-21 (Rs/bn)



**O2C Segment:
Key Highlights:**

1. RIL reorganized its Refinery and Petrochemical business into O2C business in FY21 to pursue emerging opportunities at the same time attract dedicated pool of capital and create value through strategic partnerships.
2. O2C business saw reduced volume of 11% in FY21 to 63.6 mmt mainly due to lesser volumes in the transportation fuels by 13% however the impact was navigated by running the downstream petrochemical plants at full throughput
3. Crude processing capabilities is further augmented with de-salter up-gradation and increasing Sulphur handling capability.
4. Highly integrated O2C business is developing next generation carbon capture utilization and storage technologies to convert carbon dioxide into high value proteins, nutraceuticals, advanced materials and fuels.

Exhibit 4: Break up of the Segmental EBIDTa O2C



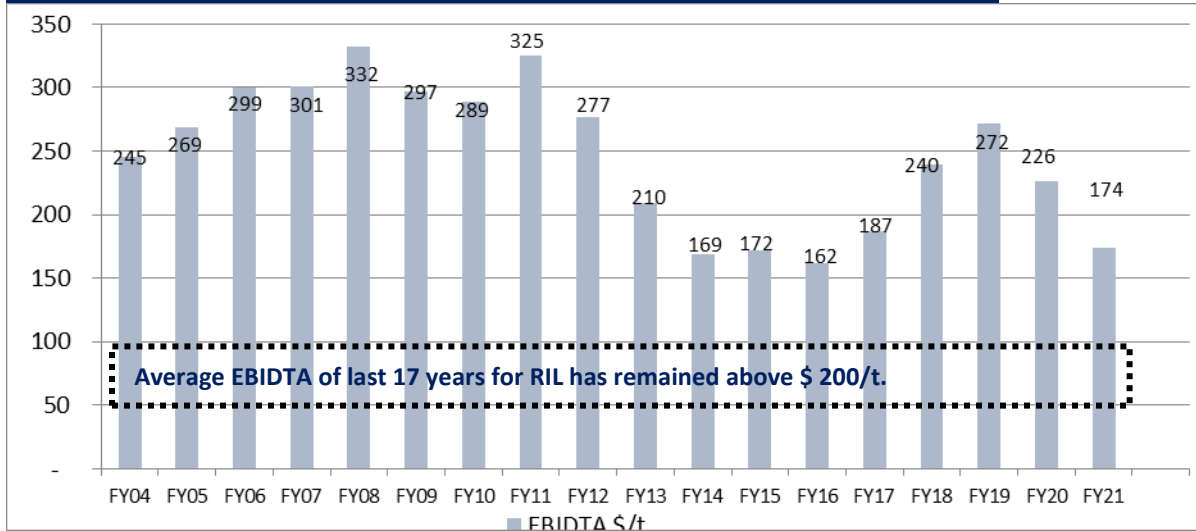
(Source: Company Reports, Anvil Estimates)

Exhibit 5: O2C business Product Wise Sales (MMT)

Particulars	Products	FY21	FY20
Transportation fuels	Gasoil	24.9	26.3
	Gasoline	10.5	12.1
	ATF	2.2	4.9
Polymers and Elastomers	PP	2.9	2.9
	PE	2.3	2.2
	PVC	0.7	0.8
	Elastomers & Feedstock	0.3	0.3
Intermediates & Polyesters	PX	3.4	2.8
	Benzene & Derivatives	0.5	0.5
	PTA	2	2.4
	MEG	1.3	1.2
	PFY	1	1.2
	PSF	0.7	0.8
	PET	1.1	1.2
Others	Fuels, Solids & Others	9.7	11.5
Grand Total		63.5	71.1

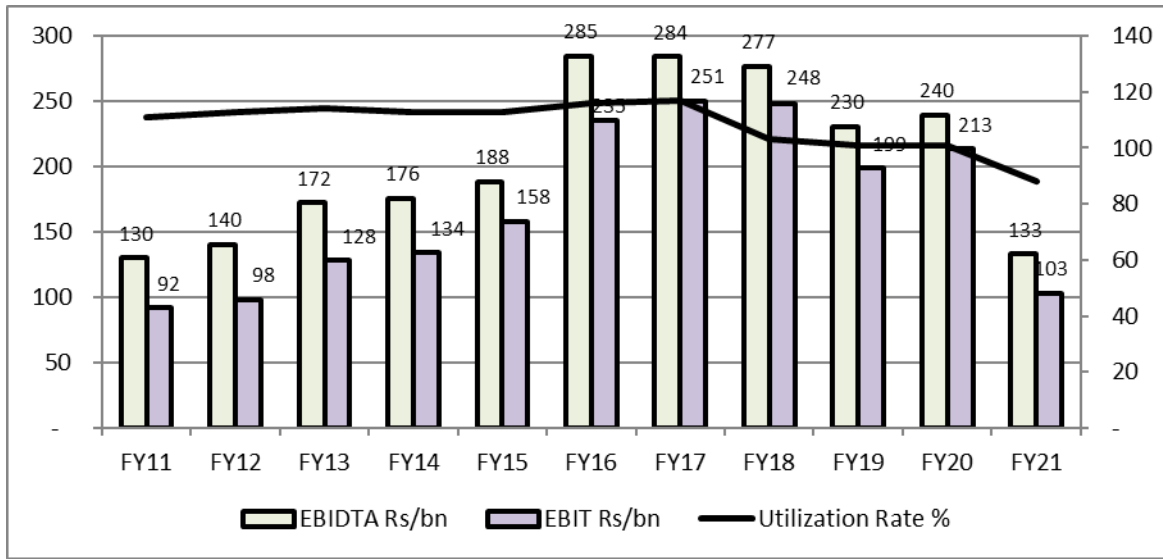
(Source: Company Reports, Anvil Estimates)

Exhibit 6: Average Petchem Ebidta has remained above \$200/t in last 17 years



(Source: Company Reports, Anvil Estimates)

Exhibit 7: Refinery EBIDTA and EBIT, utilization rate (10 yr snapshot)



(Source: Company Reports, Anvil Estimates)

Exhibit 8: Refinery GRM and SG-GRM (10 yr snapshot)

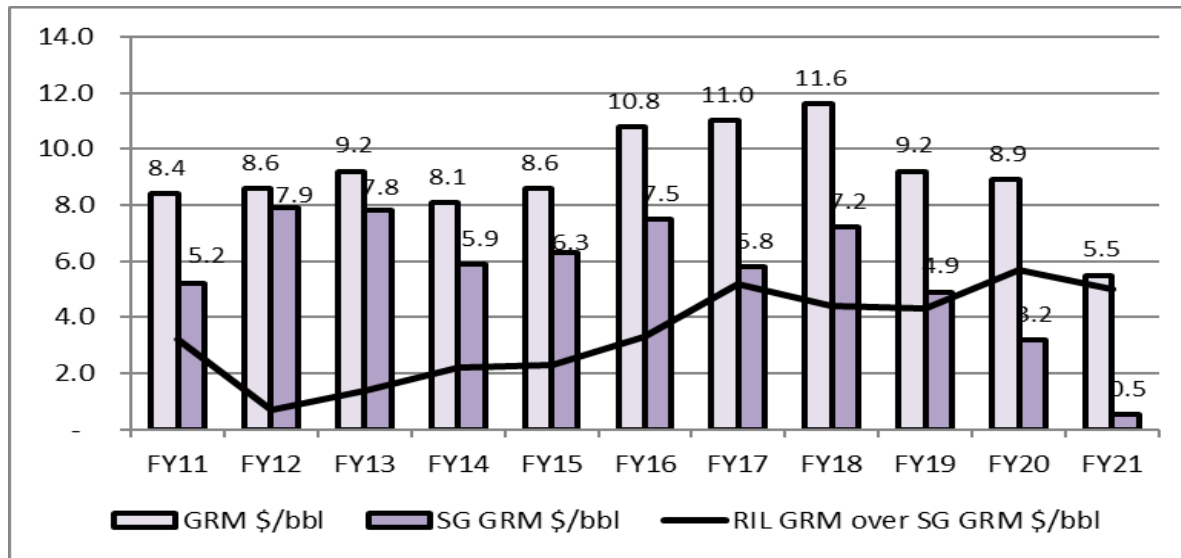
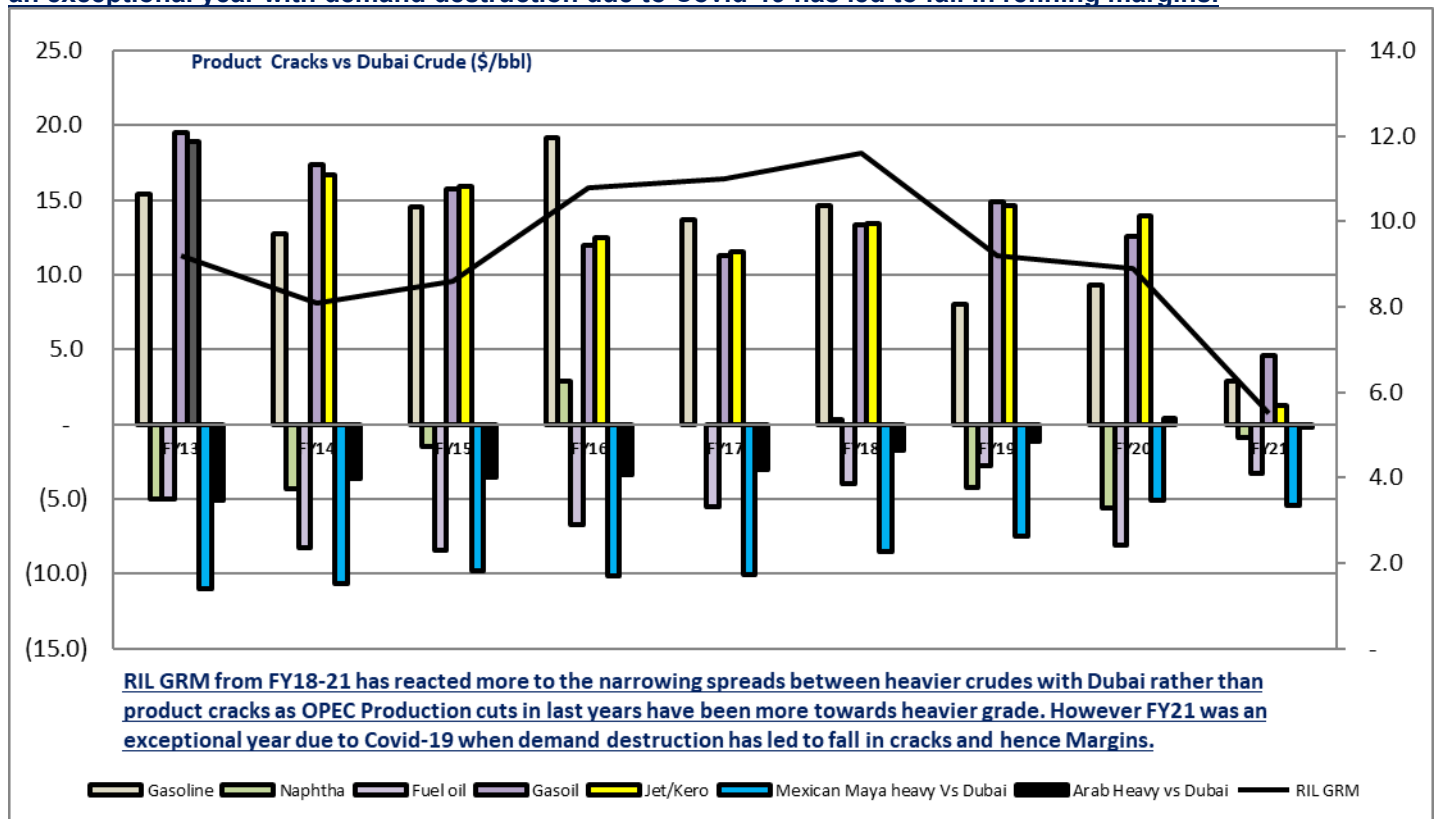
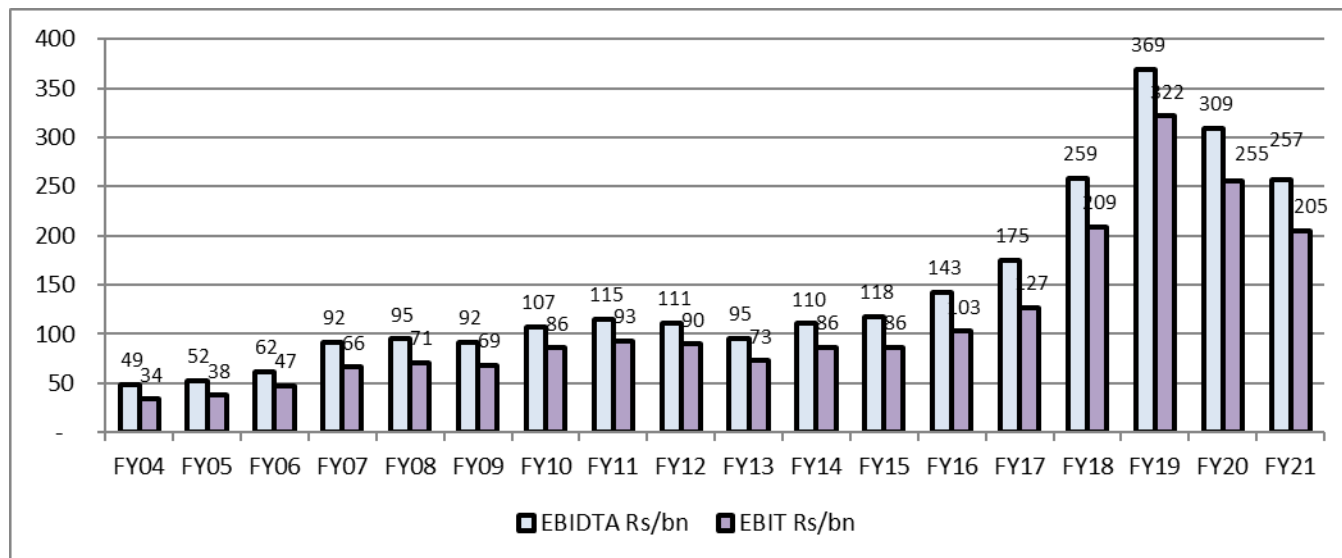


Exhibit 9: RIL GRM reacted to narrowing of heavier crude differential with Dubai from FY18-20 however FY21 an exceptional year with demand destruction due to Covid-19 has led to fall in refining margins.



(Source: Company Reports, Anvil Estimates)

Exhibit 10: Petrochemical Profitability (Last 17 year snapshot)



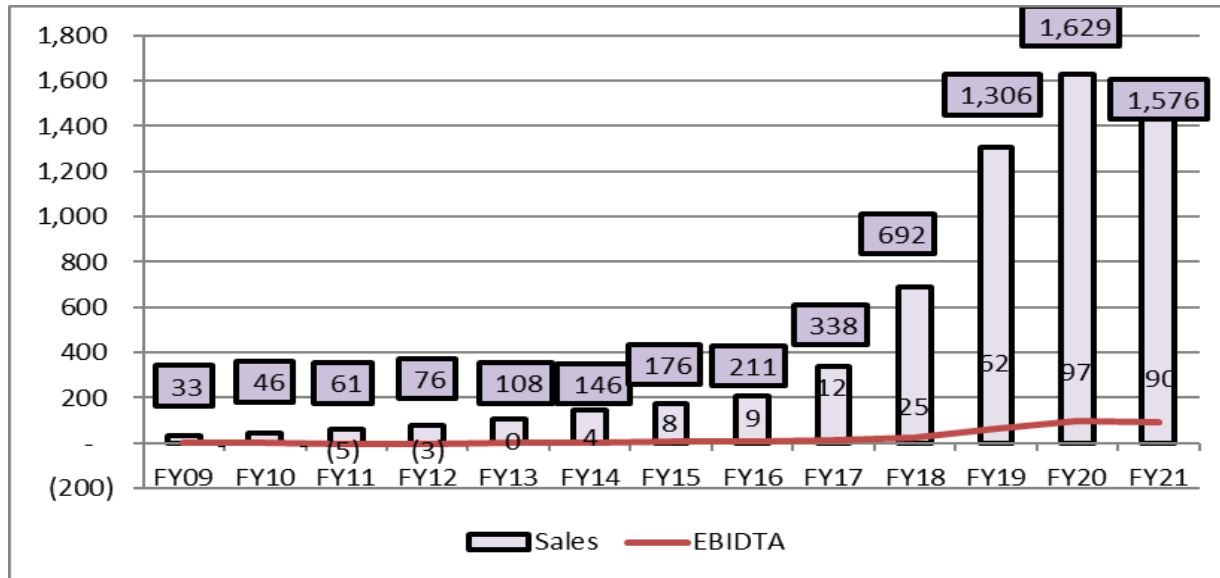
(Source: Company Reports, Anvil Estimates)

Reliance Retail:

Key Highlights:

1. Indian Retail Market is estimated to be \$822 bn in F20 and is expected to grow 10% CAGR in next 5 years.
2. Digital commerce and merchant partnerships business accounted for 10% of the revenue of Reliance Retail which was nil in FY20.
3. AJIO, digital commerce witnessed 3x jump in revenues in FY21.
4. Forayed into pharmacy retail in FY21 with acquisition of Net meds. 114 pharmacies operationalized
5. Strategy for growth going forward a) develop supply side ecosystem and invest in design, product development and sourcing. b) scale up digital platforms across businesses led by JIOMart & c) build new business segments & own brands
6. In FY21, over half of the 1456 stores were opened in smaller towns and with this Reliance Retail now operates 2/3 of the stores in Tier-II and small Tier towns.
7. In Fashion & Lifestyle, own brands contribute > 75% of Trends revenue and > 60% of the footwear revenue.
8. Jio Mart Kirana Partnerships is now active in 33 cities with investment in supply chain & technology.

Exhibit 11: Retail Revenue & EBIDTA (12 year snapshot) (Rs/Cr)



(Source: Company Reports, Anvil Estimates)

Exhibit 12: Geographical Presence of Reliance Retail area wise

Particulars	FY17	FY18	FY19	FY20	FY21
Geographical Presence					
North	763	1,740	2,394	2,593	2,859
South	1,268	2,130	2,869	3,186	3,673
East	496	1,635	2,299	2,487	2,778
West	1,089	2,068	2,853	3,050	3,324
International					77
Total	3,616	7,573	10,415	11,316	12,711
% split by Region					
North	21%	23%	23%	23%	22%
South	35%	28%	28%	28%	29%
East	14%	22%	22%	22%	22%
West	30%	27%	27%	27%	26%
International					1%
Total	100%	100%	100%	100%	100%

(Source: Company Reports)

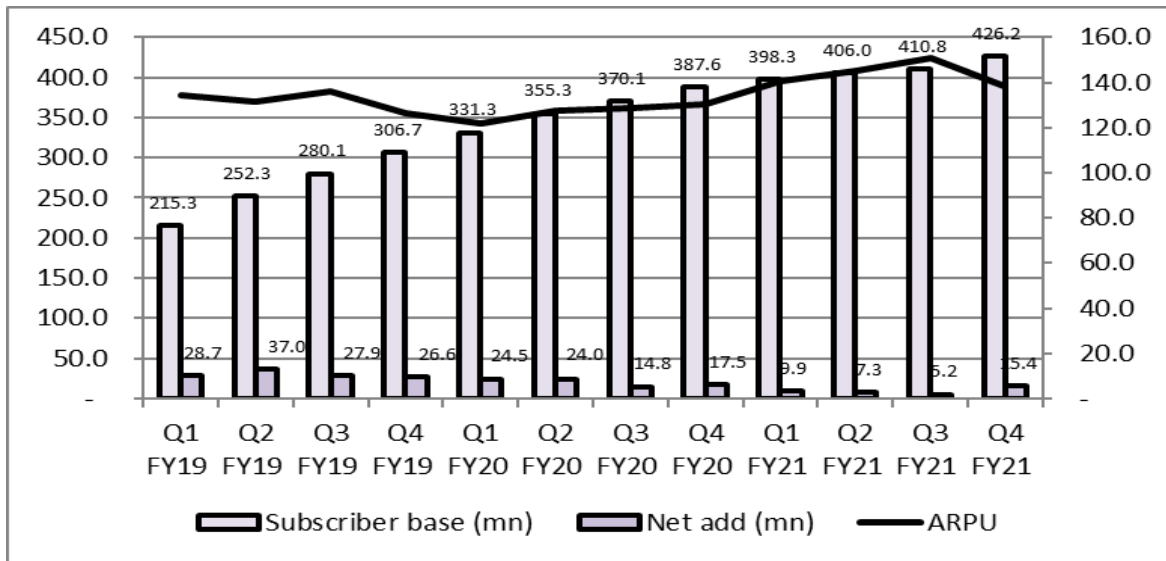
Reliance Industries Ltd

Reliance JIO

Key Highlights:

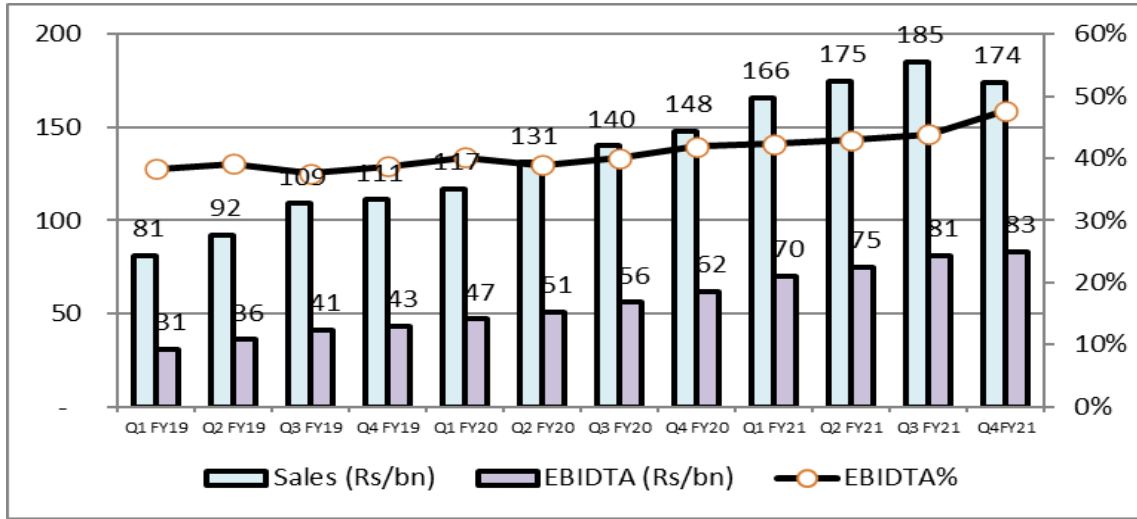
1. RIL upgraded over 100 mn 2G subscribers through JioPhone since its launch in 2017 which is almost similar to the commentary in FY20 where JIO mentioned that they have upgraded 200 mn 2G subscribers
2. Acquired the rights to use the spectrum in all the 22 cities across India and improved its total spectrum footprint by 56% to 1732 MHz
3. Total investment made since inception > \$50 bn and current subscriber base stands at 426.2 mn.
4. JIO has built sufficient network capacity for the next 300 mn subscribers, 50 mn fibre homes and 50 mn micro, small and medium enterprise.
5. After successful testing of 5G RAN, the company is developing solutions like MIMO and small cell in house which will be crucial for a successful 5G Rollout. JIO is also collaborating with network OEMs to standardize 5G devices for a successful 5G rollout.

Exhibit 13: Subscriber addition and ARPU



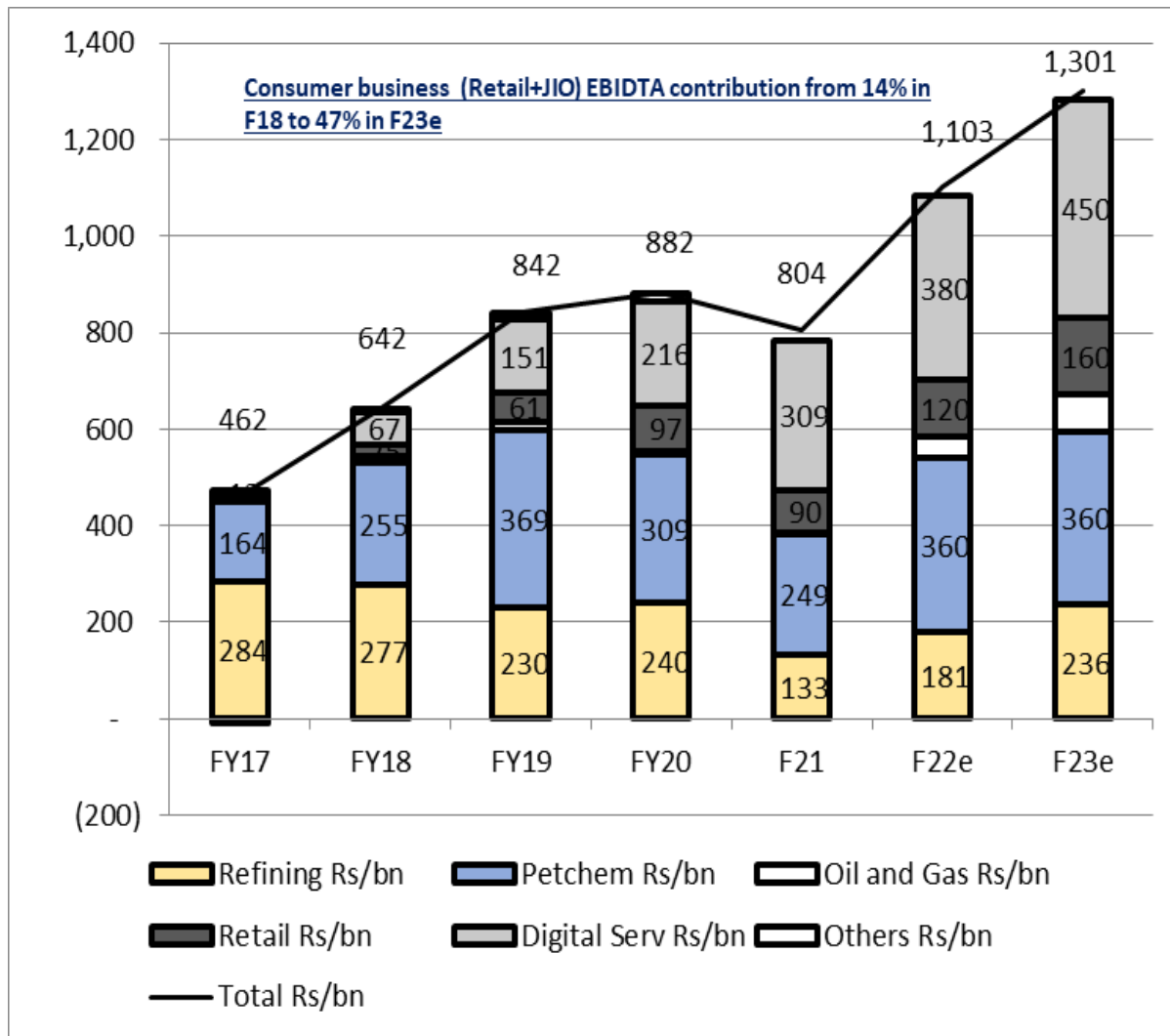
(Source: Company Reports)

Exhibit 14: RJIO Sales and EBIDTA Trend



(Source: Company Reports)

Exhibit 19: Segment Wise Contribution of EBIDTA



(Source: Company Reports, Anvil Estimates)

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	1,103	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	FY22e
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	FY21	FY22e	FY23e
EPS	47	57	63	62	77	76	94
DPS	5	6	6	7	7	8	8
P/E	48	40	36	36	29	29	24
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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NSE Regn No. – INF231046831

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