

Bloomberg Code	RIL.IN
No of share O/S (Nos Cr)	676.2
Market Cap (Rs Cr)	16,66,428
Face Value (Rs)	10.0
Dividend Yield (%)	0.27
52 Wk High/Low (Rs)	2,751/1830

Shareholding (%)	
Promoters	50.59
Institutional	38.01
Public	11.40
Total	100

Sequential improvement in fuel demand aided the core business; Jio and Retail sustained momentum

Key Highlights

Reliance Industries Ltd (RIL) reported a QoQ/YoY revenue growth of 19.8%/50.7%, respectively, to INR 1,67,611 cr in Q2FY22. The EBITDA reported a QoQ/YoY growth of 11.3%/37.3%, respectively, to INR 26,020 cr, while EBITDA margins improved at a QoQ/YoY rate of 117bps/151bps to 15.5% in Q2FY22. Finance cost declined at a YoY rate of 37.2% to INR 3,819 cr due to repayment of a significant amount of debt from the proceeds of the rights issue and Jio's stake sale. As a result, net profit reported YoY growth of 46.0% to Rs.15,479 cr during the quarter.

Core business recovery underway

The Oil-to-Chemical (O2C) business reported a QoQ/YoY revenue growth of 16.7%/58.1%, respectively, to INR 1,20,475 cr in Q2FY22, primarily on account of a sharp increase in average realization due to higher crude oil prices.

The segment's EBITDA grew at a QoQ/YoY rate of 4.0%/43.9%, respectively, to INR 12,720 cr during the quarter due to a rebound in transportation fuel cracks to 4-6 quarter highs. Increased export volumes improved utilization levels across manufacturing facilities.

Total throughput increased from 16.8 MMT in Q2FY21 to 18.7 MMT in Q2FY22. Global refining throughput at 77.9 mb/d in 2QFY22 improved by 0.9 mb/d QoQ and 4.2 mb/d YoY. PP, PE and PVC prices strengthened during the quarter by 30%, 26% and 54% YoY, respectively, with higher feedstock prices and healthy global demand growth on the back of an economic revival in the US and Europe.

Commencement of KGD6 gas production to improve financials in the coming years

The Oil & Gas E&P business reported a QoQ/YoY revenue increase of 28.3%/363.1% to INR 1,644 cr due to higher commodity price realization and commencement of production from R-cluster (India's first ultra deep-water gas field in KGD6 basin) from 18th Dec 2020. The total domestic gas production by RIL has crossed 18 mmscmd, well ahead of the plan. RIL is targeting 30 mmscmd by the end of 2023, which is 33-35% of India's current natural gas production. EBITDA from this segment stood at INR 1,071 cr, against a loss of INR 194 cr in Q2FY21 and a profit of INR 797 cr in Q1FY22.

Retail bounced back after the lockdown, Jio sustained its momentum

The Retail segment's revenue stood at INR 45,450 cr in Q2FY22, a QoQ/YoY growth of 17.9%/10.5% respectively, while the segment's EBITDA reported a QoQ/YoY growth of 49.7%/44.1%, respectively, to INR 2,923 cr. Reliance Retail added a net of 832 stores during Q2FY22 (compared to 92 stores in Q1FY22) and expanded the retail area by 2.8 mn sq ft (compared to 0.7 mn sq ft in Q1FY22). The revenue per sq ft in Q2FY22 came in at INR 12,185 (compared to INR 11,178 in Q1FY22 and INR 13,198 in Q2FY21), while the EBITDA per sq ft stood at INR 646 in Q2FY22 (compared to INR 421 in Q1FY22 and INR 519 in Q2FY21).

Jio lost 11.1 mn subscribers in Q2FY22 (compared to net addition of 14.4 mn in Q1FY22 and 7.3 mn in Q2FY21), taking the total subscriber base to 429.5 mn. A COVID-led spike in churn of low-end subscribers reduced the subscriber base. The ARPU improved QoQ from INR 138.4 in Q1FY22 to INR 143.6 in Q2FY22 due to higher data usage. Per capita monthly data usage improved from 15.6 GB/month in Q1FY22 to 17.6 GB/month in Q2FY22. As a result, the segment reported a QoQ revenue and EBITDA growth of 4.1% and 3.2% to INR 24,362 cr and INR 9,561 cr, respectively, during the quarter.

Valuation - RIL is currently trading at FY22 forwarded EV/EBITDA of 16.3x.

Financial Summary

Digital services to drive overall revenue and profitability in the coming years. Organized retail recovered 100% to normal business levels; the management is expecting it to pick up in the next quarter.

EBITDA margins to take a hit in the medium term due to the subdued business environment in the petrochem and refining business.

The debt reduction plan is expected to significantly improve the balance sheet health.

CAPEX cycle is over and cash flow is expected to pick up in the medium to long term.

Figures are in Rs Cr	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY20	FY21	YoY (%)
Net Sales	167,611	111,236	50.7	139,949	19.8	597,535	466,924	(21.9)
Raw Material Cost	113,429	71,451	58.8	90,305	25.6	405,240	292,701	(27.8)
RM Cost to Sales (%)	67.7	64.2		64.5		67.8	62.7	(7.6)
Employee Cost	4,580	3,429	33.6	4,257	7.6	14,075	14,817	5.3
Employee Cost to Sales (%)	2.7	3.1		3.0		2.4	3.2	
Other Expenses	23,582	17,411	35.4	22,019	7.1	89,211	78,669	(11.8)
Other Exp to Sales (%)	14.1	15.7		15.7		14.9	16.8	
EBITDA	26,020	18,945	37.3	23,368	11.3	89,009	80,737	(9.3)
EBITDA Margin (%)	15.5	17.0	(1.51)	16.7	(1.17)	14.9	17.3	
Depreciation	7,230	6,626	9.1	6,883	5.0	22,203	26,572	19.7
Interest	3,819	6,084	(37.2)	3,397	12.4	22,027	21,189	(3.8)
Interest Coverage	4.9	2.0		4.9		3.0	2.6	
Other Income (incl Excep)	4,224	4,249	(0.6)	4,219	0.1	8,720	21,969	151.9
Other Income to Sales (%)	2.5	3.8		3.0		1.5	4.7	
Profit Before Tax	19,195	10,484	83.1	17,307	10.9	53,499	54,945	2.7
Tax Rate (%)	19.6	(0.1)		20.0		25.7	3.1	
Profit After Tax	15,440	10,497	47.1	13,843	11.5	39,773	53,223	33.8
PAT Margin (%)	9.2	9.4	(0.2)	9.9	(0.7)	6.7	11.4	
Share of Assoc / Minority Int	39	105		(37)		107	516	
Net Profit	15,479	10,602	46.0	13,806	12.1	39,880	53,739	34.8
Net Margin (%)	9.2	9.5	(0.3)	9.9		6.7	11.5	
Adjusted EPS (Rs)	22.9	15.7	46.0	20.4	12.1	59.0	79.5	34.8
Shareholder's Funds						453,331	700,172	54.5
BV per share (Rs)						670.4	1,035.4	54.5
Net Debt						187,582	53,921	(71.3)
Net Debt to Equity (X)						0.4	0.1	
Net Debt to EBITDA (X)						2.1	0.7	
RoE (%)						8.8	7.7	
RoIC (%)						7.7	7.0	
P/E (X)						44.5	33.1	
EV/EBITDA (X)						20.8	21.3	

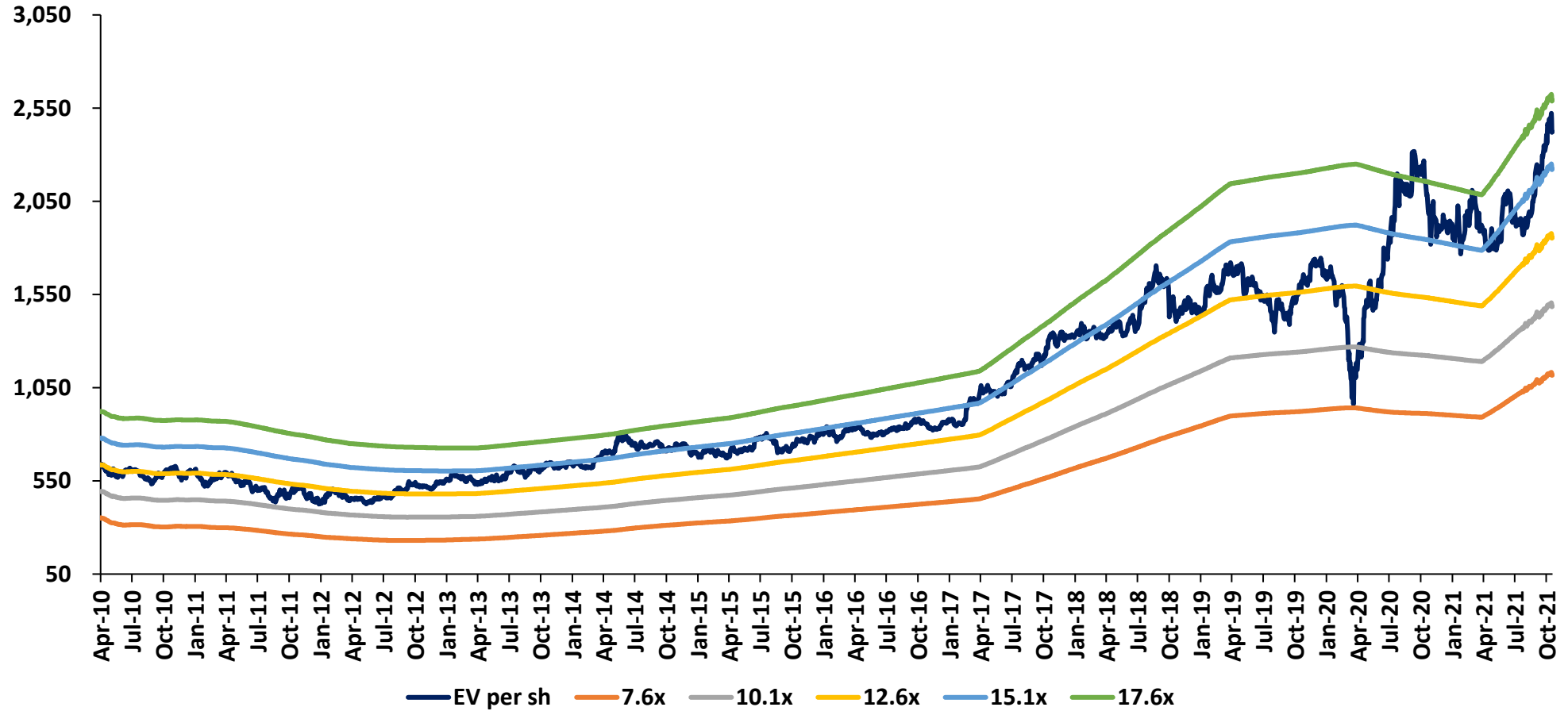
Financial Summary



Kyon ki bhaiya, sabse bada rupaiya.

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	FY18	FY19	FY20	FY21
Organized Retail																		
Revenue (Rs Cr)	25,890	32,436	35,577	36,663	38,216	41,202	45,327	38,242	31,633	39,199	36,887	46,099	38,563	45,450	69,198	130,566	162,987	153,818
EBIT (Rs Cr)	1,069	1,244	1,512	1,721	1,786	2,035	2,389	2,072	727	1,542	2,609	3,113	1,454	2,409	2,064	5,546	8,282	7,991
Total store count (nos)	8,533	9,146	9,900	10,415	10,644	10,901	11,316	11,784	11,806	11,931	12,201	12,711	12,803	13,635	7,573	10,415	11,784	12,711
Total area (mn sq ft)	18.6	19.5	20.6	22.0	23.0	24.5	26.3	28.7	29.0	29.7	31.2	33.8	34.5	37.3	17.7	22.0	28.7	33.8
Area per store (sq ft)	2,180	2,132	2,081	2,112	2,161	2,248	2,324	2,436	2,456	2,489	2,557	2,659	2,695	2,736	2,337	2,112	2,436	2,659
Revenue per sq ft (Rs)	13,919	16,634	17,270	16,665	16,616	16,817	17,235	13,325	10,908	13,198	11,823	13,639	11,178	12,185	39,095	59,348	56,790	45,508
EBIT per sq ft (Rs)	575	638	734	782	777	831	908	722	251	519	836	921	421	646	1,166	2,521	2,886	2,364
Telecom/Digital Services																		
Revenue (Rs Cr)	9,653	10,942	12,893	13,609	15,886	16,534	17,555	19,153	21,302	22,679	23,678	22,628	23,403	24,362	23,770	47,097	69,128	90,287
EBIT (Rs Cr)	1,715	2,042	2,362	2,665	3,121	3,322	3,857	4,251	4,708	5,157	5,716	5,600	5,782	6,008	3,196	8,784	14,551	21,181
Subscriber base (Mn)	215.3	252.3	280.1	306.7	331.3	355.9	370.0	387.5	398.3	405.6	410.8	426.2	440.6	429.5	186.6	306.7	387.5	426.2
Net subscriber addition (Mn)	28.7	37.0	27.8	26.6	24.6	24.6	14.1	17.5	10.8	7.3	5.2	15.4	14.4	(11.1)	186.6	120.1	80.8	38.7
ARPU (Rs)	135	132	136	126	122	128	128	131	140	145	151	138	138	144	137	126	131	138
Wireless data usage (Cr GB)	642	771	864	956	1,090	1,202	1,208	1,284	1,420	1,442	1,586	1,668	2,034	2,300	1,315	3,233	4,784	6,116
Per capita data usage (GB/month)	10.6	11.0	10.8	10.9	11.4	11.7	11.1	11.3	12.0	12.0	13.0	13.3	15.6	17.6	5.9	10.9	11.5	12.5
Voice on network (Cr min per day)	493	580	689	805	864	883	898	974	977	1,013	1,060	1,148	1,169	1,192	1,019	2,567	3,619	4,198
Per capita voice usage (min/month)	736	744	776	823	813	771	742	771	746	756	779	823	809	822	410	781	782	774
Oil & Gas																		
Revenue (Rs Cr)	1,432	1,322	1,182	1,069	923	790	873	625	506	355	431	848	1,281	1,644	5,204	5,005	3,211	2,140
EBIT (Rs Cr)	(447)	(480)	(185)	(267)	(249)	128	64	(485)	(511)	(630)	(447)	111	228	379	(1,536)	(1,379)	(542)	(1,477)
Gas Production (BCFe)																		
KGD6	13.2	11.3	6.1	5.8	5.7	5.5	5.0	0.9	0.0	0.0	1.0	15.0	33.1	39.2	67.9	36.4	17.0	16.0
CBM	3.3	3.0	3.2	3.1	3.0	3.0	3.1	3.1	3.0	3.1	2.9	2.8	2.7	2.6	6.8	12.6	12.2	11.8
US Shale	23.8	21.2	20.8	18.9	17.8	19.9	23.9	26.3	25.3	24.5	22.9	6.5	10.2	11.1	129.3	84.7	87.9	79.2
Panna Mukta	13.8	11.1	13.5	12.7	11.2	11.7	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.2	51.1	34.2	0.0
Gas Price Realization (\$/MMBTU)																		
KGD6	3.1	3.1	3.4	3.4	3.7	3.7	3.2	3.2	0.0	0.0	3.5	4.0	3.6	3.6	2.7	3.2	3.5	1.9
CBM	7.6	8.4	8.5	7.0	7.4	7.3	6.7	6.9	3.7	3.6	4.2	5.2	6.0	6.6	4.4	7.9	7.1	4.2
US Shale	4.1	4.1	4.2	3.7	3.3	2.7	3.1	2.4	1.6	1.8	2.1	5.0	5.4	6.2	3.5	4.0	2.9	2.6
Panna Mukta	5.7	5.7	5.7	5.7	5.7	5.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7	5.7	4.3	0.0
Oil Production & Realization																		
Production - Panna Mukta (mmbbl)	1.1	1.0	1.1	1.0	0.8	1.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3	4.1	2.6	0.0
Realization - Panna Mukta (\$/bbl)	71.4	73.4	72.7	61.7	71.1	63.9	61.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.2	69.8	49.2	0.0
Production - KGD6 (mmbbl)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Realization - KGD6 (\$/bbl)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	51.5	0.0	0.0	0.0
Crude Throughput (MMT)																		
	16.6	17.7	18.0	16.0	17.5	16.7	18.1	18.3	16.6	16.8	18.2	18.7	19.0	18.7	69.8	68.3	70.6	70.3

1 year forwarded valuation band chart



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