

Bloomberg Code	RIL.IN
No of share O/S (Nos Cr)	676.6
Market Cap (Rs Cr)	16,76,613
Face Value (Rs)	10.0
Dividend Yield (%)	0.28
52 Wk High/Low (Rs)	2750/1830

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 10.4%/57.0%, respectively, to INR 1,85,027 cr in Q3FY22. The EBITDA reported a QoQ/YoY growth of 14.2%/37.7%, respectively, to INR 29,706 cr, while EBITDA margins improved at a QoQ rate of 53bps to 16.1% in Q3FY22 (contracted by 224bps YoY). Finance cost declined at a YoY rate of 11.9% to INR 3,812 cr due to repayment of a significant amount of debt. As a result, net profit reported YoY growth of 41.6% to INR 18,549 cr during the quarter.

Shareholding (%)	
Promoters	50.6
Institutional	38.4
Public	11.0
Total	100

Strong recovery in core business

The Oil-to-Chemical (O2C) business reported a QoQ/YoY revenue growth of 9.1%/56.8%, respectively, to INR 1,31,427 cr in Q3FY22, primarily on account of a sharp increase in average realization due to higher crude oil prices.

The segment's EBIT grew at a QoQ/YoY rate of 8.6%/52.6%, respectively, to INR 11,667 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 to 19.7 MMT in Q3FY22 from 18.7 MMT in Q2FY22 and 18.2 MMT in Q3FY21. Global oil demand in 3Q FY22 grew by 1.1 mb/d from 2Q FY22 to reach 99.0 mb/d, which is 4.8 mb/d higher compared to 3Q FY21 due to robust consumption and increasing international travel as more countries re-opened their borders.

RIL Cracker operating rates were at 97%, as against 96% both in 2Q FY22 and 3Q FY21. LPG production maximized considering better economics over marginal Alky volumes. Facility commissioned for improving naphtha quality, to capture the incremental premium.

Strong price realization in gas and higher production at KGD6 improved E&P financials

The Oil & Gas E&P business reported a QoQ/YoY revenue increase of 55.7%/493.7% to INR 2,559 cr due to higher price realization. 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. EBIT from this segment stood at INR 1,326 cr, against a loss of INR 447 cr in Q3FY21. CBM gas production was at 2.51 BCF in Q3FY22 compared to 2.62 BCF in Q2FY22 and 2.93 BCF in Q3FY21.

RIL completed the sale of its interest in Eagle ford Shale assets to Ensign Operating III LLC. This transaction has resulted into a gain of INR 2,872 cr.

Retail bounced back after the lockdown, Jio sustained its momentum

The Retail segment's revenue stood at INR 57,717 cr in Q3FY22, a QoQ/YoY growth of 27.0%/56.5% respectively, while the segment's EBIT reported a QoQ/YoY growth of 34.8%/24.5%, respectively, to INR 3,248 cr. Reliance Retail added a net of 777 stores during Q3FY22 (compared to 832 stores in Q2FY22) and expanded the retail area by 2.7 mn sq ft (compared to 2.8 mn sq ft in Q3FY22). The revenue per sq ft in Q3FY22 came in at INR 14,429 (compared to INR 12,185 in Q2FY22 and INR 11,823 in Q3FY21), while the EBIT per sq ft stood at INR 812 in Q3FY22 (compared to INR 646 in Q2FY22 and INR 836 in Q3FY21).

Jio lost 8.5 mn subscribers in Q3FY22 (compared to net loss of 11.1 mn in Q2FY22), taking the total subscriber base to 421 mn. A COVID-led spike in churn of low-end subscribers reduced the subscriber base. The ARPU improved QoQ from INR 143.6 in Q2FY22 to INR 151.6 in Q3FY22 due to higher data usage. Per capita monthly data usage improved from 17.6 GB/month in Q2FY22 to 18.3 GB/month in Q3FY22. As a result, the segment reported a QoQ revenue and EBIT growth of 3.4% and 4.8%, respectively, to INR 25,200 cr and INR 6,298 cr, respectively, during the quarter.

Balance Sheet Health

Finance cost decreased by 11.9% YoY to INR 3,812 cr as against INR 4,326 cr in the corresponding quarter of the previous year. Lower finance costs reflect large paydown of debt, other liabilities and stabilization of exchange rates. Outstanding debt as on Dec 31, 2021 was INR 2,44,708 cr. Cash & cash equivalents as on Dec 31, 2021 were at INR 2,41,846 cr. Reliance Jio paid INR 30,791 cr (including accrued interest) to the DoT towards prepayment of the entire deferred liabilities pertaining to spectrum acquired in auctions.

Valuation - RIL is currently trading at FY24 forwarded EV/EBITDA of 12.3x.

Financial Summary

RIL reported strong numbers across all segments. The run rate is expected to sustain in the coming years.

EBITDA margins took a hit due to higher input cost and operating expenses.

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.

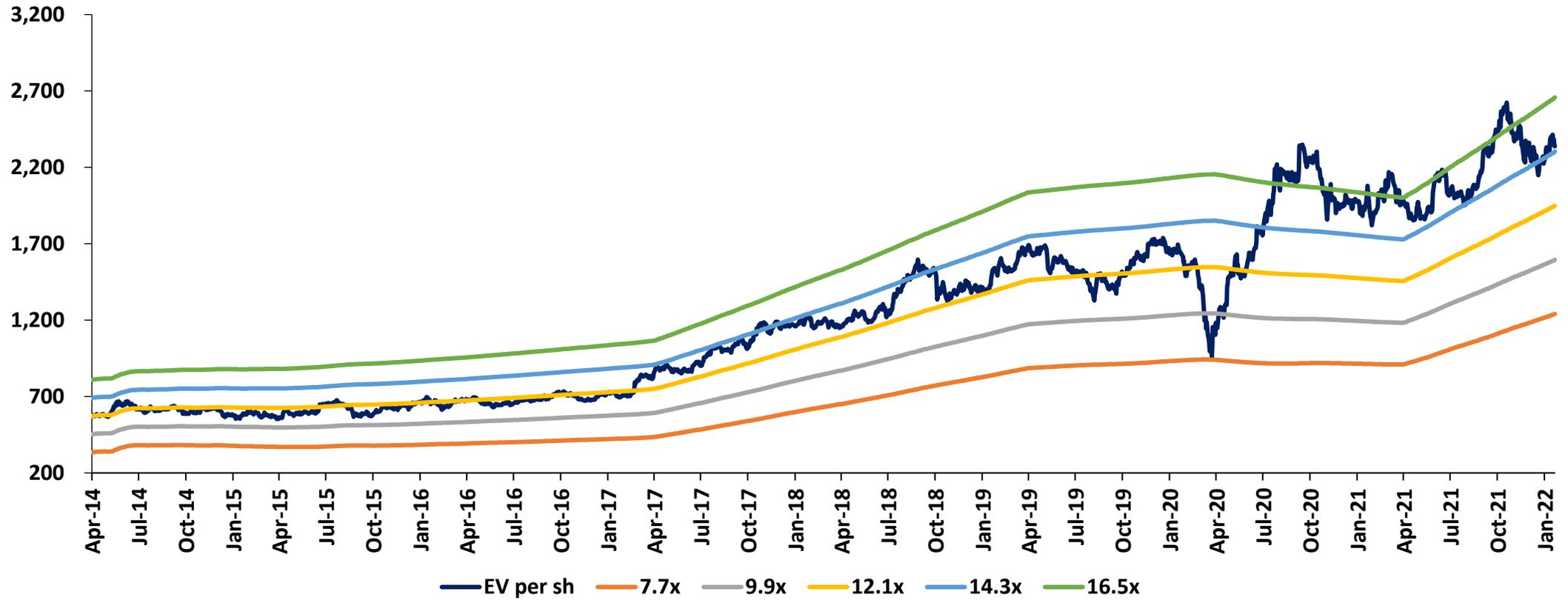
Figures are in Rs Cr	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	FY19	FY20	YoY (%)	FY21	YoY (%)	FY22E	YoY (%)
Net Sales	1,85,027	1,17,860	57.0	1,67,611	10.4	5,69,209	5,97,535	5.0	4,66,924	-21.9	6,86,300	47.0
Raw Material Cost	1,26,169	72,249	74.6	1,13,429	11.2	3,94,646	4,05,429	2.7	2,92,942	-27.7	4,61,194	57.4
RM Cost to Sales (%)	68.2	61.3		67.7		69.3	67.9		62.7		67.2	
Employee Cost	4,660	4,244	9.8	4,580	1.7	12,488	14,075	12.7	14,817	5.3	18,530	25.1
Employee Cost to Sales (%)	2.5	3.6		2.7		2.2	2.4		3.2		2.7	
Other Expenses	24,492	19,801	23.7	23,582	3.9	77,908	89,137	14.4	79,243	-11.1	97,176	22.6
Other Exp to Sales (%)	13.2	16.8		14.1		13.7	14.9		17.0		14.2	
EBITDA	29,706	21,566	37.7	26,020	14.2	84,167	88,894	5.6	79,922	-10.1	1,09,400	36.9
EBITDA Margin (%)	16.1	18.3	-2.24	15.5	0.53	14.8	14.9		17.1		15.9	
Depreciation	7,683	6,665	15.3	7,230	6.3	20,934	22,203	6.1	26,572	19.7	29,312	10.3
Interest	3,812	4,326	-11.9	3,819	-0.2	16,495	22,027	33.5	21,189	-3.8	16,353	-22.8
Interest Coverage	6	3		5		4	3		3		5	
Other Income	4,047	4,453	-9.1	4,224	-4.2	8,386	13,279	58.3	17,142	29.1	16,355	-4.6
Other Income to Sales (%)	2.2	3.8		2.5		1.5	2.2		3.7		2.4	
Profit Before Tax	22,258	15,028	48.1	19,195	16.0	55,124	57,943	5.1	49,303	-14.9	80,090	62.4
Tax Rate (%)	8.3	1.4		19.6		27.9	31.4		-8.0		26.0	
Profit After Tax	20,406	14,819	37.7	15,440	32.2	39,734	39,773	0.1	53,223	33.8	59,266	11.4
PAT Margin (%)	11.0	12.6	-1.5	9.2	1.8	7.0	6.7		11.4		8.6	
Share of Assoc / Minority Int	-1,857	-1,718		-1,760		-146	-419		-4,095		-1,448	
Net Profit	18,549	13,101	41.6	13,680	35.6	39,588	39,354	-0.6	49,128	24.8	57,818	17.7
Net Margin (%)	10.0	11.1	-1.1	8.2	1.9	7.0	6.6		10.5		8.4	
Adjusted EPS	27	19	41.6	20	35.6	59	58	-0.6	73	24.8	85	17.7
Shareholder's Funds						3,87,112	4,49,166	16.0	7,00,172	55.9	7,34,863	5.0
BV per share						572	664	16.0	1,035	55.9	1,086	5.0
Net Debt						2,06,771	2,32,459	12.4	81,968	-64.7	-58,957	-171.9
Net Debt to Equity						0.5	0.5		0.1		-0.1	
Net Debt to EBITDA						2.5	2.6		1.0		-0.5	
RoE						10.2	8.8		7.0		7.9	
RoIC						7.7	6.7		7.4		8.8	
P/E						42.4	42.6		34.1		29.0	
EV/EBITDA						22.4	21.5		22.0		14.8	

Financial Summary

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	FY18	FY19	FY20	FY21
Organized Retail															
Revenue (Rs Cr)	38,216	41,202	45,327	38,242	31,633	39,199	36,887	46,099	38,563	45,450	57,717	69,198	1,30,566	1,62,987	1,53,818
EBIT (Rs Cr)	1,786	2,035	2,389	2,072	727	1,542	2,609	3,113	1,454	2,409	3,248	2,064	5,546	8,282	7,991
Total store count (nos)	10,644	10,901	11,316	11,784	11,806	11,931	12,201	12,711	12,803	13,635	14,412	7,573	10,415	11,784	12,711
Total area (mn sq ft)	23.0	24.5	26.3	28.7	29.0	29.7	31.2	33.8	34.5	37.3	40.0	17.7	22.0	28.7	33.8
Area per store (sq ft)	2,161	2,248	2,324	2,436	2,456	2,489	2,557	2,659	2,695	2,736	2,775	2,337	2,112	2,436	2,659
Revenue per sq ft (Rs)	16,616	16,817	17,235	13,325	10,908	13,198	11,823	13,639	11,178	12,185	14,429	39,095	59,348	56,790	45,508
EBIT per sq ft (Rs)	777	831	908	722	251	519	836	921	421	646	812	1,166	2,521	2,886	2,364
Telecom/Digital Services															
Revenue (Rs Cr)	15,886	16,534	17,555	19,153	21,302	22,679	23,678	22,628	23,403	24,362	25,200	23,770	47,097	69,128	90,287
EBIT (Rs Cr)	3,121	3,322	3,857	4,251	4,708	5,157	5,716	5,600	5,782	6,008	6,298	3,196	8,784	14,551	21,181
Subscriber base (Mn)	331.3	355.9	370.0	387.5	398.3	405.6	410.8	426.2	440.6	429.5	421.0	186.6	306.7	387.5	426.2
Net subscriber addition (Mn)	24.6	24.6	14.1	17.5	10.8	7.3	5.2	15.4	14.4	(11.1)	(8.5)	186.6	120.1	80.8	38.7
ARPU (Rs)	122	128	128	131	140	145	151	138	138	144	152	137	126	131	138
Wireless data usage (Cr GB)	1,090	1,202	1,208	1,284	1,420	1,442	1,586	1,668	2,034	2,300	2,340	1,315	3,233	4,784	6,116
Per capita data usage (GB/month)	11.4	11.7	11.1	11.3	12.0	12.0	13.0	13.3	15.6	17.6	18.3	5.9	10.9	11.5	12.5
Voice on network (Cr min per day)	864	883	898	974	977	1,013	1,060	1,148	1,169	1,192	1,150	1,019	2,567	3,619	4,198
Per capita voice usage (min/month)	813	771	742	771	746	756	779	823	809	822	811	410	781	782	774
Oil & Gas															
Revenue (Rs Cr)	923	790	873	625	506	355	431	848	1,281	1,644	2,559	5,204	5,005	3,211	2,140
EBIT (Rs Cr)	-249	128	64	-485	-511	-630	-447	111	228	379	1,326	-1,536	-1,379	-542	-1,477
Gas Production (BCFe)	37.7	40.1	43.2	30.3	28.3	27.6	26.8	24.3	46.0	52.9	42.2				
KGD6	5.7	5.5	5.0	0.9	0.0	0.0	1.0	15.0	33.1	39.2	39.7	67.9	36.4	17.0	16.0
CBM	3.0	3.0	3.1	3.1	3.0	3.1	2.9	2.8	2.7	2.6	2.5	6.8	12.6	12.2	11.8
US Shale	17.8	19.9	23.9	26.3	25.3	24.5	22.9	6.5	10.2	11.1	0.0	129.3	84.7	87.9	79.2
Panna Mukta	11.2	11.7	11.3	0.0	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	3.7	3.7	3.2	3.2	0.0	0.0	3.5	4.0	3.6	3.6	6.1	2.7	3.2	3.5	1.9
CBM	7.4	7.3	6.7	6.9	3.7	3.6	4.2	5.2	6.0	6.6	7.1	4.4	7.9	7.1	4.2
US Shale	3.3	2.7	3.1	2.4	1.6	1.8	2.1	5.0	5.4	6.2	0.0	3.5	4.0	2.9	2.6
Panna Mukta	5.7	5.7	5.7	0.0	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)	0.8	1.0	0.8	0.0	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)	71.1	63.9	61.7	0.0	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	0.8	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	51.5	0.0	0.0	0.0
Crude Throughput (MMT)	17.5	16.7	18.1	18.3	16.6	16.8	18.2	18.7	19.0	18.7	19.7	69.8	68.3	70.6	70.3

1 year forward valuation band chart

1 year forward EV/EBITDA



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Ventura Securities Limited

Corporate Office: 8th Floor, 'B' Wing, I Think Techno Campus, Pokhran Road no. 02, Off Eastern Express Highway, Thane (West) 400 607

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