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Quarterly Result Update

RELIANCE INDUSTRIES LIMITED

August 04, 2020

Reliance Industries Limited

Current Price: ₹ 2008.45

STOCK DATA

BSE Code	500325
NSE Symbol	RELIANCE
Reuters	RELI.BO
Bloomberg	RIL IN

VALUE PARAMETERS

52 W H/L(Rs)	2198.70/867.44
Mkt. Cap.(Rs Cr)	1320534.13
Latest Equity(Subscribed)	6339.4
Latest Reserve (cons.)	446991
Latest EPS (cons.) -Unit Curr.	64.71
Latest P/E Ratio -cons	31.04
Latest Bookvalue (cons.) -Unit Curr.	715.10
Latest P/BV - cons	2.81
Dividend Yield -%	0.31
Face Value	10.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	26.95
Institutions	13.17
Govt Holding	0.20
Non Promoter Corp. Hold.	0.81
Promoters	49.15
Public & Others	9.73

Financial Results

In Cr.

	Qtr Ending Jun. 20	Qtr Ending Jun. 19	VAR %
Net Sales	91238.00	162353.00	-44
OPM%	18.50	13.30	
OP	16875.00	21615.00	-22
Other Income	4388.00	2846.00	54
PBIDT	21263.00	24461.00	-13
Interest	6735.00	5109.00	32
PBDT	14528.00	19352.00	-25
Depreciation	6308.00	5011.00	26
PBT before EO	8220.00	14341.00	-43
EO	-4966.00	0.00	
PBT after EO	13186.00	14341.00	-8
Tax	260.00	4225.00	-94
PAT	12926.00	10116.00	28
Share of profit/(loss) of associates	322.00	25.00	
Minority interest	15.00	37.00	
Consolidate Net Profit	13233.00	10104.00	31
EPS (Rs)*	13.35	16.90	

Q1FY21, Operating Profit down 22% and Net profit up 31%, above estimates

RIL achieved revenue of Rs 91238 crore in Q1FY21 a decrease of 44% as compared to Rs 162353 crore in the corresponding period of the previous year. Decrease in revenue is primarily due to fall in O2C revenues, led by sharp decline of 57.6% in average Brent crude price. Retail business also witnessed 17% decline in revenues due to lockdown and restrictions in store operations. Overall decline in revenue was partially offset by increase in revenue of Digital services business with strong subscriber addition and significant improvement in ARPU. Exports from RIL's India operations declined by 34.8% to Rs 32,681 crore as against Rs 50,158 crore in the corresponding period of the previous year due to lower price realizations. This was partially offset by increase in export volumes of Petrochemicals and Refining products.

EBITDA declined by 11.8% to Rs 21,585 crore from Rs 24,486 crore in corresponding period of the previous year. The decrease in EBITDA was primarily due to lower contribution from O2C business, which was impacted by significant demand destruction and margin pressure across transportation fuels and polyester chain. Lower realizations in export market also impacted the profitability despite higher regional benchmark margins. The margin pressure was partially offset by high asset utilization, integration benefits and cost optimization measures across sites.

Closure of stores and restrictions on operations across the country due to COVID-19 contributed to decrease in EBITDA of Retail business. This was partially offset by increase in EBITDA of Digital services business due to improved margins and continued subscriber momentum. Reliance Jio reported EBITDA margin of 44% during the quarter, which is the highest in the industry and increased by over 6.2% from the corresponding period last year.

Depreciation (including depletion and amortization) was Rs 6,308 crore as compared to Rs 5,011 crore in corresponding period of the previous year. Increase in depreciation was primarily on account of higher utilisation rate in digital services segment and increased depreciation on

Reliance Industries: Consolidated Segment Results

Particulars	Qtr Ending Jun. 20	Qtr Ending J un. 19	% to total	Var. (%)
Revenue:				
Petrochemicals	25192	37611	19	-33
Refining	46642	101721	35	-54
Oil & Gas	506	923	0	-45
Organized retail	31633	38216	24	-17
Digital Service	21302	15886	16	34
Financial Services	690	513		35
Others	8153	10724	6	-24
Total	134118	205594	99	-35
Less: Inter Segment Revenues	33189	31507		5
Less: GST recovered	9691	11734		
Net Revenue from Operation	91238	162353		-44
PBIT				
Petrochemicals	3392	7508	27	-55
Refining	2892	4499	23	-36
Oil & Gas	-511	-249	-4	105
Organized retail	722	1786	6	-60
Digital Service	4708	3121	37	51
Financial Services	380	122		211
Others	1095	532		106
PBIT	12678	17319	88	-27

account of capitalisation of O2C assets. The company has revised the useful life of the assets to 50 years from the respective dates of commissioning, with effect from April 01, 2020.

Finance cost was at Rs 6,735 crore as against Rs 5,109 crore in corresponding period of the previous year. The increase in finance cost was due to higher loan balances and adverse exchange rate movement. This was partially offset by rate cuts in the domestic market. Lower interest capitalisation with commissioning of Gasification project also resulted in higher interest cost

The exceptional income of Rs 4,966 crore (net of taxes of Rs 1,508 crore) in 1Q FY21 was due to profit on divestment of stake in domestic fuel retailing business - Reliance BP Mobility Services Limited.

Current tax expense was Rs 923 crore as against Rs3,193 crore in the corresponding period of the previous year due to lower tax rates as per the new tax ordinance. Deferred tax credit was Rs 663 crore as against deferred tax expense of Rs 1,032 crore in the corresponding period of the previous year. Deferred tax credit in Q1 FY21 is primarily due to planned restructuring of O2C business in the current year. This is partially offset by increase in deferred tax expense in Digital Services business.

Profit after tax (including exceptional item) increased by 30.6% at Rs 13,248 crore as against Rs10141 crore in the corresponding period of the previous year.

FY'20 results performance

For FY20 RIL achieved net sales of Rs 611645 crore, an increase of 5% as compared to Rs 583094 crore in the previous year. The company operating margins remained flat at 14.4%. As a result operating was up 5% to Rs 88217 crore. Increase in revenue is primarily on account of higher revenues from the consumer businesses. Digital services business and Retail business recorded an increase of 40.7% and 24.8%, respectively, in revenue as compared to previous year. Revenues for the Refining and Petrochemicals business declined in line with fall in average oil and product prices for the year. Average Brent oil price declined 13% Y-o-Y, while realisations for key petrochemical products declined by 15%-32% Y-o-Y. This was partially offset by higher crude throughput and petrochemicals production during the year. Exports (including deemed exports) from India were lower at Rs 202,830 crore as against Rs 224,391 crore in the previous year. The decline in exports was primarily on account of lower realization due to fall in crude oil prices.

Segment EBITDA increased by 3.2% to Rs 92,964 crore from Rs 90,084 crore in corresponding period of the previous year. The increase in segment EBITDA was led by strong performance in consumer businesses which grew by 49.3% Y-o-Y. Retail business benefitted from new store additions, strong footfalls and high LFL growth. Digital services segment witnessed robust growth in subscriber base and strong customer engagement through the year. Refining segment performance was resilient as higher volumes offset weaker product cracks and demand environment. Petrochemicals segment earnings were impacted by weak margins with subdued demand in a well-supplied market. The company has provided for non- cash inventory holding losses for the quarter. This has been disclosed as an exceptional Item of Rs 4,245 crore, net of tax (tax ₹ 899 crore) in the financial results.

Profit after tax (excluding exceptional item) was higher by 11.3% at Rs 44,324 crore as against Rs 39,837 crore in the previous year. Profit after tax (including exceptional item) was higher by 0.1% at Rs 39,880 crore as against Rs 39,837 crore in the previous year.

Operational Highlights

O2C- Refining and Marketing

- Revenues for Q1FY21 declined by 54.1% YoY to Rs 46,642 crore due to lower crude oil price and lower throughput. Brent crude price averaged at $29.2 per barrel during the quarter v/s $68.8 per barrel in Q1FY20, down 57.6% Y-o-Y.
- Segment EBITDA declined to Rs3,818 crore (down 25.8% YoY) due to weak margin environment and lower throughput. Refining segment profitability was sustained through optimized crude procurement, relatively higher utilization, cost management and agile product placement.
- Global oil demand for the quarter is estimated to have contracted sharply by 16.4 mb/d due to lockdowns and travel restrictions globally. India oil product demand also declined sharply by 25.8% Y-o-Y during the quarter, led by ATF (-80.3%), MS(-35.9%) and HSD (-33.3%). Global destruction of demand for transportation fuels impacted cracks for gasoline, gasoil and jet-kero
- Regional Benchmark Singapore Complex Margins turned negative for the first time in 2 decades and averaged at $-0.9/bbl. Reliance Gross Refining Margins at $6.3 was impacted by lower product cracks and narrower light-heavy crude differential. However, Reliance maintained a significant premium of $7.2/bbl over regional benchmark margin
- RIL optimized its refining operations to provide feedstock to Petrochemicals while meeting other supply commitments. RIL used flexibility in its refining configuration to swing significant production of ATF into Diesel and other products as ATF demand was severely impacted due to air travel restrictions

- RIL managed to achieve more than 70% of previous quarter MS and HSD volumes, due to strategic presence of retail outlets and strong customer value proposition. The exit volumes for June'20 crossed 90% of pre-Covid throughput
- BP and Reliance announced their new Indian fuels and mobility joint venture 'Reliance BP Mobility Limited (RBML)' after receipt of regulatory and other customary approvals. Operating under the 'Jio-bp' brand, the joint venture aims to become a leading player in India's fuels and mobility markets.

O2C- Petrochemcials

- Segment Revenue for Q1FY21 declined by 33.0% YoY to Rs 25,192 crore primarily due to lower price realizations with disruptions in local and regional markets amid Covid-19 outbreak.
- Segment EBITDA for the quarter declined 49.7% YoY to Rs 4,430 crore. Weak domestic demand and higher share of exports impacted margins as compared to regional benchmarks. The impact of lower realization was partially offset by cost optimization and integration benefits
- Polyester chain margins were weaker due to decline in PX and PTA margins with significant new supplies. Polyester chain margins were at $540 per tonne v/s $668 per tonne in 1QFY20. With sharp fall in feedstock prices, naphtha cracking economics improved vis-à-vis gas cracking aiding polymer chain margins. Polymer chain margins were at $500 per tonne v/s $471 per tonne in the prior period.
- Q1FY21was a very challenging quarter as due to lockdown, domestic industry and supply chains virtually came to a halt as both producers and converters shut down plants across India.
- Reliance's Operating rates remained >90%, significantly ahead of industry peers
- RIL inverted its business model from 20%/80% (exports/domestic) to 80%/20% within first 10 days of the lockdown, including exports from sites typically serving only domestic markets.

Reliance Jio Infocomm- Standalone

- Standalone revenue from operations, including access revenues, of Rs 16,557 crore, grew by 33.7% YoY. Standalone EBITDA margin of 44.0%, up from 37.8% in Q1FY20. Standalone Net Profit was Rs 2,520 crore (182.8% YoY growth)
- ARPU during the quarter was Rs 140.3 per subscriber per month
- Total wireless data traffic during the quarter was Rs 1,420 crore GB (30.2% YoY growth) with strong customer engagement and best-in-class network performance
- There has been strong wireless gross addition of 15.1 million during the quarter despite Covid related restrictions across the country. Monthly churn rate for wireless subscribers at only 0.46% during the quarter
- Customer engagement has increased during the quarter with national lockdown driving average wireless data consumption per user per month to 12.1 GB and average voice consumption to 756 minutes per user per month.

Reliance Retail

- Against the backdrop of a challenging environment, where store functioning and digital commerce fulfilment was severely impacted by lockdown and restrictions (50% stores were fully shut, 29% partially operated), Reliance Retail clocked significant revenues of Rs 31,633 crore and EBITDA of Rs 1,083 crore in the quarter
- The quarter saw 21% growth year on year across the operational businesses of Grocery and Connectivity

- Consumer Electronics and Fashion and Lifestyle businesses were hit particularly hard by the cessation of activity during the lockdown period, as stores were closed for the most part of the quarter
- Despite gross margin expansion and cost savings, EBITDA margin was impacted by fixed costs and adverse mix (with the most profitable Fashion & Lifestyle categories being hit the hardest), coming in at 3.8% during the quarter against 6.0% during the corresponding period of the previous year.
- With activity being largely suspended in the lockdown period, the business was able to open 69 new stores during the quarter. Over 250 stores across formats and geographies were in various stages of development before activity was restricted and these will be commissioned in due course.
- The current footprint of the business spans across 11,806 retail stores in over 7,000 towns with 28.7 million sq. ft. of retail space.

Oil and Gas (Exploration and production) Business

- Segment Revenues for 1Q FY21 declined by 45.2% YoY to Rs 506 crore primarily due to lower production in domestic business post closure of Panna Mukta and D1D3 fields and lower prices. Segment EBITDA for the quarter turned negative at Rs 32 crore with lower volumes and weak realizations.
- CBM gas production remained stable at 0.95 MMSCMD, with ongoing focus on sustaining and augmenting production
- Covid-19 pandemic resulted in sharp fall in commodity prices globally. Reliance and its JV partners are curtailing development activity and focusing on production. For Jan'2020-Mar'2020 period, the overall production was 10% higher from previous quarter at 26.3 bcfe and price realization was at $ 2.39/Mcfe. For Apr'2020- Jun'2020 period, the overall price realization was at $ 1.59/Mcfe Production declined by ~4% from previous quarter levels as fewer new wells came online partially offsetting the natural decline.

Media Business

- Segment revenues for Q1FY21 declined 35.2% YoY to Rs 807 crore primarily due to the COVID-19 linked clampdown on spending by advertisers, particularly in Entertainment segment.
- EBITDA for Q1 FY21 decreased to Rs 27 crore due to dip on account of the revenue drag. However, aggressive and broad-based cost-controls across business verticals limited the fall.
- Viewership in both TV and Digital media rose substantially during the lockdown. While News fared relatively better off due to a surge in viewership, General Entertainment suffered due to no original content being produced during the lockdown and nil movie releases. However, TV subscription revenue remained resilient, and Digital subscriptions have accelerated.
- Easing of lockdown towards the end of the quarter is leading to improved advertising traction, especially in News segment. Content production for National and Regional General Entertainment Channels (GECs) has also resumed. Digital advertising continues to gain ground, led by growing acceptance by advertisers, targetability of audiences, and ROI measurement.

Other developments

The Company successfully completed India's largest ever Rights Issue of Rs 53,124 crore (oversubscribed by 1.59 times) - world's largest by a Non-Financing Institution in last ten years.

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Jio Platforms Limited, a wholly owned subsidiary of Reliance Industries Limited, raise Rs 152,056 crore from leading global investors including Facebook, Google, Silver Lake, Vista Equity Partners, General Atlantic, KKR, Mubadala, ADIA, TPG, L Catterton, PIF, Intel Capital and Qualcomm Ventures in just three months. Reliance Industries, post completion of these investments, would hold 66.48% equity stake in Jio Platform on a fully diluted basis. Of the total investment, Jio Platform Limited has already received Rs 115,694 crore as subscription amount from ten investors. Rs 22,981 crore will be retained at Jio Platform to drive future growth.

BP invested Rs 7,629 crore for a 49% stake in the Company's fuel retailing business.

Promoter shareholding increased to 48.94% at the end of June'20 quarter from 48.87% at the end of Mar'20 quarter. No promoters shares was pledged

Management Comments

Commenting on the results, Mukesh D. Ambani, Chairman and Managing Director, Reliance Industries Limited said: 'I am humbled and inspired by the exemplary commitment and empathy of the Reliance family during the Covid-19 pandemic.

The severe demand destruction due to global lockdowns impacted our hydrocarbons business but the flexibility in our operations enabled us to operate at near normal levels and deliver industry-leading results. Our consumer facing businesses became the life-line for individuals and businesses with our Retail and Jio teams working hard to ensure millions got essential goods and services through the lockdown.

We completed the largest fund raise in Indian Corporate history in this quarter. I thank the millions of individual investors who supported our Rights Issue and welcome all our new partners to an exciting new phase of growth at Reliance.

E-mail: smc.care@smcindiaonline.com

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Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402 , 4th Floor , Graham Firth Steel Compound, Off Western Express Highway, Jay Coach Signal, Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004