

Strong performance supported by healthy Retail & Jio performance and recovering O2C business
Key Highlights

Reliance Industries Ltd (RIL) reported consolidated revenue of Rs. 1,49,575 cr, registering a QoQ/YoY increase of 26.9%/9.6%, respectively, in Q4FY21. EBITDA reported QoQ/YoY increase of 8.3%/6.0%, respectively, to Rs. 23,351 cr, while EBITDA margins declined at a QoQ/YoY rate of 269/53 bps, respectively, to 15.6% in Q4FY21 due to a significant increase in the RM cost. Finance cost declined at a QoQ/YoY rate of 6.5%/33.3%, respectively, to Rs. 4,044 cr due to repayment of a significant amount of debt. Net profit reported QoQ/YoY growth of 1.0%/108.4%, respectively, to Rs. 13,227 cr during the quarter. Net profit margin came in at 8.8% in Q4FY21 as against 11.1% in Q3FY21 and 4.7% in Q4FY20.

For FY21, RIL's consolidated revenue came in at Rs. 4,66,924 cr, registering a YoY decline of 21.9%. EBITDA during the same period de-grew by 9.3% to Rs. 80,737 cr in FY21. On a full year basis, the decline in RM cost led to EBITDA margin expansion by 240 bps to 17.3%. Net profit for FY21 was Rs. 49,128 cr, an increase of 24.8% and net profit margin expanded by 394 bps to 10.5%.

Weak performance of O2C in H1FY21 but strong turnover in H2FY21

Oil-to-chemical (O2C) business reported a QoQ revenue growth of 20.6% to Rs. 101,080 cr in Q4FY21, primarily on account of firm demand leading to overall growth.

Segment's EBITDA grew at a QoQ rate of 16.9% to Rs. 11,407 cr during the quarter led by volume and margin growth. Stable demand and supply disruptions benefitted fuels, polymers and polyester margins. Total throughput volumes increased from 18.2 MMT in Q3FY21 to 18.7 MMT in Q4FY21, a QoQ growth of 2.7%. Refining throughput increased from 16.2 MMT in Q3FY21 to 16.6 MMT in Q4FY21, a QoQ growth of 2.5%.

For FY21, O2C reported revenue and EBITDA decline of 29.1% YoY to Rs. 4,51,355 cr and Rs. 53,803 cr respectively, largely due to sharp demand contraction across products in H1FY21 and strong rebound in H2FY21 supported EBITDA recovery.

Bloomberg Code	RIL IN
No of share O/S (Nos Cr)	676.21
Market Cap (Rs Cr)	12,64,370
Face Value (Rs)	10.00
Dividend Yield (%)	0.33
52 Wk High/Low (Rs)	2,369/1,394

Shareholding (%)

Promoters	50.58
Institutional	38.48
Public	10.94
Total	100.00

Significant improvement in Oil & Gas business with start up of R-cluster in KGD6 Block

Oil & Gas E&P business reported a QoQ revenue increase of 96.8% to Rs. 848 cr due to commencement of production from R-cluster. Average production in Q4FY21 from R-cluster was at 7.06 mmscmd and achieved a peak production of ~12.8 mmscmd in mid-Apr'21. Sat-Cluster field commenced production in Apr'21, which is two months ahead of plan. RIL expects combined production from these two fields at >18 mmscmd, which is ~20% of India's current gas production. CBM production is stable at 0.85 mmscmd and management is committed to augmenting the production gradually in the coming years. US Shale gas production remained subdued and declined at a QoQ rate of 71.6% to 6.5 Bcfe due to divestment of interest in US Shale Marcellus assets to Northern Oil & Gas Inc. Due to a significant jump in revenue, supported by operating leverage benefits, the segment reported an EBITDA of Rs. 480 cr, up from Rs.4 cr in Q3FY21. EBITDA margin expanded from 0.9% to 56.6% during the same period. For FY21, Oil & Gas reported a revenue and EBITDA decline of 33.4% and 26.9%, respectively, to Rs. 2,140 cr and Rs. 258 cr, respectively, largely due to production decline on account of sale of Marcellus assets and cessation of D1D3 production from KGD6 and lower domestic and US Shale gas price realization, which was partially offset by commencement of the R-Cluster.

Retail reported sustained recovery across segments, Jio sustained its momentum

The Retail segment revenue stood at Rs. 46,099 cr in Q4FY21, a QoQ/YoY increase of 25.0%/20.5%, respectively, led by high demand for Fashion & Lifestyle and Grocery and strong growth in Consumer Electronics. The segment's EBIT reported a QoQ/YoY growth of 19.3%/50.2%, respectively, during Q4FY21, led by revival in store operations and a ramp-up in digital commerce. During the quarter, 94% of stores were operational with curbs/limitations largely easing. Reliance Retail added net of 826 stores during Q4FY21 and expanded the retail area by 1.5 mn sq ft. For FY21, Retail reported revenue and EBIT declines of 5.6% and 3.6% YoY to Rs. 1,53,818 cr and Rs. 7,991 cr, respectively.

Jio continued to add subscribers and reported a net addition of 15.4 mn subscribers in Q4FY21 (run rate increased from 5.2 mn subscribers added in Q3FY21), taking the total subscriber base to 426.2 mn. ARPU declined QoQ from Rs. 151 in Q3FY21 to Rs. 138.2 in Q4FY21 due to transition towards the Bill & Keep regime effective 1st Jan 2021. Per capita monthly data usage improved from 13.0 GB/month in Q3FY21 to 13.3 GB/month in Q4FY21. The segment reported a QoQ decline in revenue and EBIT by 4.4% and 2.0%, respectively, to Rs. 22,628 cr and Rs. 5,600 cr, respectively. On a YoY basis, the segment reported a revenue/EBIT growth of 18.1%/31.7% respectively. For FY21, Digital Services reported revenue and EBITDA increase of 29.7% and 44.7% YoY respectively to Rs. 90,287 cr and Rs. 21,181 cr respectively, driven by continued customer traction across segments, higher ARPU and cost efficiencies.

Valuation - RIL is currently trading at FY23 forwarded EV/EBITDA of 9.5x.

Financial Summary

Higher engagement across apps and services, high customer adoption, higher market share driven by superior network and value proposition helped Digital Services business.

Investing in acquisitions to strengthen capabilities for new commerce and scale up in digital platforms & new commerce to boost Retail segment performance.

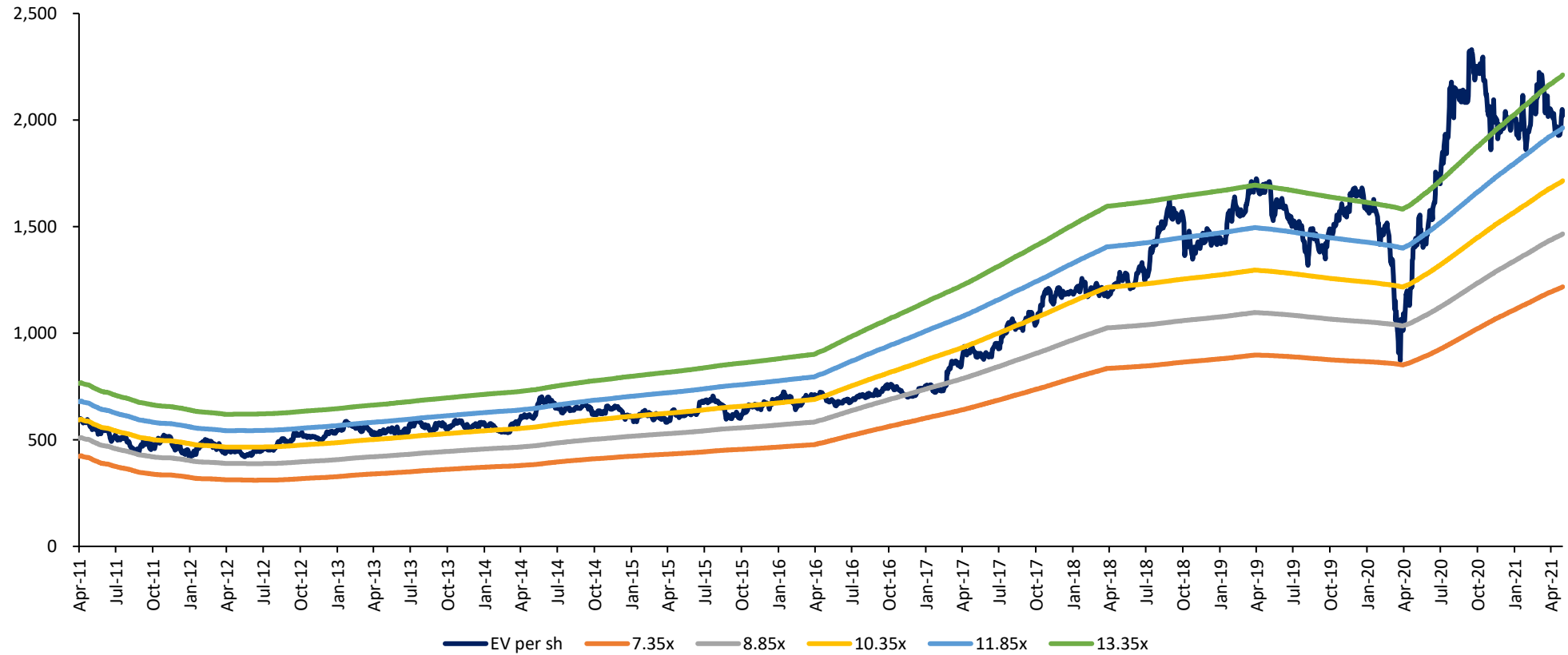
Combined production from R-cluster and Sat-cluster expected at >18 mmscmd, which is ~20% of India's current gas production.

Increasing specialty component by shifting product portfolio towards niche and higher margin grades to benefit O2C business.

Figures are in Rs Cr	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY20	FY21	YoY (%)
Revenue from operations	149,575	136,492	9.6	117,860	26.9	597,535	466,924	-21.9
Raw Material Cost	101,537	89,579	13.3	72,249	40.5	405,240	292,701	-27.8
RM Cost to Sales (%)	67.9	65.6		61.3		67.8	62.7	
Employee Cost	3,976	3,713	7.1	4,244	-6.3	14,075	14,817	5.3
Employee Cost to Sales (%)	2.7	2.7		3.6		2.4	3.2	
Other Expenses	20,711	21,166	-2.1	19,801	4.6	89,211	78,669	-11.8
Other expenses to Sales (%)	13.8	15.5		16.8		14.9	16.8	
EBITDA	23,351	22,034	6.0	21,566	8.3	89,009	80,737	-9.3
EBITDA Margin (%)	15.6	16.1		18.3		14.9	17.3	
Depreciation	6,973	6,332	10.1	6,665	4.6	22,203	26,572	19.7
Interest	4,044	6,064	-33.3	4,326	-6.5	22,027	21,189	-3.8
Exceptional Items	797	-4,267		-121		-4,444	5,642	
Other Income	3,237	3,881	-16.6	4,453	-27.3	13,164	16,327	24.0
Other Income to Sales (%)	2.2	2.8		3.8		2.2	3.5	
Profit Before Tax	16,368	9,252	76.9	14,907	9.8	53,499	54,945	2.7
Tax Rate (%)	8.5	28.9		0.6		25.7	3.1	
Profit After Tax	14,981	6,575	127.8	14,819	1.1	39,773	53,223	33.8
PAT Margin (%)	10.0	4.8		12.6		6.7	11.4	
Minority Int/Share of Associates	-1,754	-227		-1,718		-419	-4,095	
Net Profit	13,227	6,348	108.4	13,101	1.0	39,354	49,128	24.8
Net Profit Margin (%)	8.8	4.7		11.1		6.6	10.5	
Adjusted EPS (Rs.)	19.6	9.4	108.4	19.4	1.0	58.2	72.7	24.8
Shareholder's Funds						449,166	700,172	
Adjusted BVPS (Rs.)						664.2	1,035.4	
Net Debt						187,582	-2,208	
Net Debt to Equity (x)						0.4	-0.0	
Net Debt to EBITDA (x)						2.1	-0.0	
RoE (%)						8.8	7.0	
P/E (x)						32.1	25.7	
P/B (x)						3.0	1.9	
EV/EBITDA (x)						16.3	15.6	

1 year forward valuation band chart

1 year forward EV/EBITDA band chart



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