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Quarterly Result Update

RELIANCE INDUSTRIES LIMITED

January 23, 2023

Reliance Industries Limited

Current Price: ₹ 2442.7

STOCK DATA

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

VALUE PARAMETERS

52 W H/L(Rs)	2855.00/2181.00
Mkt. Cap.(Rs Cr)	1652604.50
Latest Equity(Subscribed)	6765.48
Latest Reserve (cons.)	474686
Latest EPS (cons.) -Unit Curr.	63.96
Latest P/E Ratio -cons	38.19
Latest Bookvalue (cons.) -Unit Curr.	711.63
Latest P/BV - cons	3.43
Dividend Yield -%	0.33
Face Value	10.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/12/2022
Foreign	23.37
Institutions	14.92
Govt Holding	0.1
Non Promoter Corp. Hold.	0.56
Promoters	49.11
Public & Others	11.94

Consolidated Financial Results

In Cr.

	Qtr Ending Dec. 22	Qtr Ending Dec. 21	VAR %
Net Sales	217,164.00	185,027.00	17
OPM (%)	16.20	16.10	
OP	35,247.00	29,706.00	19
Other Inc.	3,147.00	4,047.00	-22
PBIDT	38,394.00	33,753.00	14
Interest	5,201.00	3,812.00	36
PBDT	33,193.00	29,941.00	11
Depreciation	10,187.00	7,683.00	33
PBT	23,006.00	22,258.00	3
Share of Profit/(Loss) from Associates	66.00	133.00	-50
PBT before EO	23,072.00	22,391.00	3
EO Income	0.00	2,836.00	-
PBT after EO	23,072.00	25,227.00	-9
Taxation	5,266.00	4,688.00	12
PAT	17,806.00	20,539.00	-13
Minority Interest (MI)	2,014.00	1,990.00	1
Net profit	15,792.00	18,549.00	-15
EPS (Rs)	23.34	27.42	

Q3FY23, Reliance Q3 profit slumps 15% YoY to Rs 15,792 crore, misses estimates

Consolidated net sales of Reliance Industries have increased 17.37% to Rs 217164 crore supported by continuing growth momentum in consumer businesses. Sales of Others segment rose 23.28% to Rs 19,530.00 crore (accounting for 7.32% of total sales). Sales of Oil and Gas segment has gone up 74.83% to Rs 4,474.00 crore (accounting for 1.68% of total sales). Sales of Digital Services segment has gone up 20.41% to Rs 30,343.00 crore (accounting for 11.37% of total sales). Sales of Financial services segment has gone down 54.17% to Rs 280.00 crore (accounting for 0.10% of total sales). Sales of Oil to Chemicals (O2C) segment has gone up 10.05% to Rs 1,44,630.00 crore (accounting for 54.19% of total sales). Sales of Retail segment has gone up 17.18% to Rs 67,634.00 crore (accounting for 25.34% of total sales). Inter-segment sales rose Rs 23,533.00 crore to Rs 25,928.00 crore.

Profit before interest, tax and other unallocable items (PBIT) has jumped 11.16% to Rs 26,679.00 crore. PBIT of Others segment fell 91.59% to Rs 103.00 crore (accounting for 0.39% of total PBIT). PBIT of Oil and Gas segment rose 141.86% to Rs 3,207.00 crore (accounting for 12.02% of total PBIT). PBIT of Digital Services segment rose 19.77% to Rs 7,543.00 crore (accounting for 28.27% of total PBIT). PBIT of Financial services segment fell 11.44% to Rs 209.00 crore (accounting for 0.78% of total PBIT). PBIT of Oil to Chemicals (02C) segment rose 1.92% to Rs 11,891.00 crore (accounting for 44.57% of total PBIT). PBIT of Retail segment rose 14.72% to Rs 3,726.00 crore (accounting for 13.97% of total PBIT).

PBIT margin of others segment fell from 7.73% to 0.53%. PBIT margin of Oil and Gas segment rose from 51.82% to 71.68%. PBIT margin of Digital Services segment fell from 24.99% to 24.86%. PBIT margin of Financial services segment rose from 38.63% to 74.64%. PBIT margin of Oil to Chemicals (02C) segment fell from 8.88% to 8.22%. PBIT margin of Retail

Reliance Industries: Consolidated Segment Results

	Qtr Ending Dec.22	Qtr Ending Dec.21	Var.(%)	% of (Total)
Sales				
Others	19,530.00	15,842.00	23	7
Oil and Gas	4,474.00	2,559.00	75	2
Digital Services	30,343.00	25,200.00	20	11
Financial services	280.00	611.00	-54	0
Oil to Chemicals (02C)	144,630.00	131,427.00	10	54
Retail	67,634.00	57,717.00	17	25
Total Reported Sales	266,891.00	233,356.00	14	100
Less: Inter segment revenues	25,928.00	23,533.00	10	
Net Sales	240,963.00	209,823.00	15	
PBIT				
Others	103.00	1,225.00	-92	0
Oil and Gas	3,207.00	1,326.00	142	12
Digital Services	7,543.00	6,298.00	20	28
Financial services	209.00	236.00	-11	1
Oil to Chemicals (02C)	11,891.00	11,667.00	2	45
Retail	3,726.00	3,248.00	15	14
Total PBIT	26,679.00	24,000.00	11	100
Less : Interest	5,201.00	3,812.00	36	
Add: Other un-allcoable	1,594.00	5,039.00	-68	
PBT	**23,072.00**	**25,227.00**	**-9**	

segment fell from 5.63% to 5.51%. Overall PBIT margin fell from 10.28% to 10.00%.

Operating profit margin has jumped from 16.06% to 16.23%, leading to 18.65% rise in operating profit to Rs 35,247.00 crore on account of strong growth in subscriber base and 17.5% increase in ARPU in digital services segment, growth across consumption baskets, addition of new stores and rising contribution from digital channels in retail segment, improvement in middle distillate cracks, partially offset by weak downstream chemical margins and SAED related costs in O2C segment, higher gas price realization with increase in ceiling price, and marginally higher volumes in the oil & gas segment. Raw material cost as a % of total sales (net of stock adjustments) decreased from 48.16% to 45.31%. Purchase of finished goods cost rose from 20.79% to 21.91%. Employee cost increased from 2.46% to 2.88%. Other expenses rose from 12.92% to 13.73%.

Other income fell 22.24% to Rs 3147 crore. PBIDT rose 13.75% to Rs 38394 crore. Provision for interest rose 36.44% to Rs 5201 crore due to increase in interest rates and loan balances.

PBDT rose 10.86% to Rs 33193 crore. Provision for depreciation rose 32.59% to Rs 10187 crore due to expanded asset base across all the businesses and higher network utilization in Digital Services business.

Profit before tax grew 3.36% to Rs 23,006.00 crore. Share of profit/loss was 50.38% lower at Rs 66 crore. Provision for tax was expense of Rs 5266 crore, compared to Rs 4688 crore. Effective tax rate was 22.82% compared to 18.58%.

Minority interest increased 1.21% to Rs 2,014.00 crore. Net profit attributable to owners of the company decreased 14.86% to Rs 15,792.00 crore.

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Operational Highlights

Consolidated Jio Platforms

Jio Platforms continued with its strong financial performance revenue for the quarter came in at Rs. 24,892 crore which was a pretty good 21% increase year-on-year and EBIDTA at Rs. 12,519 crore

Revenue from operations increase driven by steady increase in both subscriber base and ARPU for the connectivity business. EBITDA increase led by revenue growth and margin improvement.

Net subscriber addition was 5.3 million as gross adds remained strong at 34.2 million in 3Q FY23

ARPU increased sequentially due to better subscriber mix.

Sustained subscriber additions and higher ARPU drive revenue and EBITDA growth for the connectivity business. In addition, higher realizations from digital services drives JPL consolidated revenue growth.

Jio has extended coverage of its True5G services to 134 cities across 22 States and Union Territories of India. Jio users across these cities are now being invited to avail the Jio Welcome Offer and experience Unlimited Data at up to 1 Gbps+ speeds, at no additional cost. Jio True5G will equip the people across India with infinite growth opportunities in the areas of tourism, manufacturing, SMEs, e-governance, education, healthcare, agriculture, automation, artificial intelligence, gaming, and IT. Jio remains on track to complete its pan India 5G rollout by December 2023.

Reliance Retail

17.2% revenue increase to Rs 67623 crore was led by well-rounded growth across all baskets and channels.

EBITDA from operations increased with a +70 basis point margin improvement driven by favourable mix, operating leverage and efficiencies.

The business expanded its physical store network with 789 new store openings totaling to an area of 6 million Sq. ft

The quarter recorded highest ever footfalls at 201 million across formats and geographies.

The business continued to invest in bolstering its infrastructure capabilities by expanding over 2.2 million Sq. ft. of warehouse space.

Digital commerce and new commerce businesses continue to demonstrate strength of their business model and grew 38% Y-o-Y and contributed to 18% of the revenue.

JioMart continued its growth momentum with a robust uptick in non-grocery category contribution and broad-based growth across all town classes. JioMart has strengthened its catalogue by 71% Q-o-Q and expanded seller base by 83% Q-o-Q during the period.

Oil to Chemicals (O2C)

Revenues increased on account of higher price realisation as crude oil prices went up by 11%.

Revenue growth was constrained by lower throughput with planned Maintenance & Inspection activity turnaround during the quarter.

Exports increase led by higher price realisations despite lower downstream product volumes.

Growth in EBITDA was supported by strength in middle distillate cracks. This was however, partially offset by weak margins across polymer, polyester chain and light distillates products. Continued SAED on transportation fuels also impacted earnings by Rs 1,898 crore.

Production meant for sale was lower on Y-o-Y basis due to planned maintenance and inspection turnaround.

Global refinery throughput was higher by 1.0 mb/d Y-o-Y and rose by 0.6 mb/d Q-o-Q at 81.4 mb/d in 3Q FY23.

Domestic demand of HSD, MS & ATF increased by 10.2%, 7.7% and 23.5% respectively over same quarter last year.

India's polymer and polyester demand improved Y-o-Y by 8% and 11% respectively. Polymer demand growth was led by agriculture, infrastructure, health & hygiene, consumer durables and automotive and Polyester demand was supported by higher cotton price and increased demand from beverage segment.

Polymers

Polymer margins over Naphtha declined Y-o-Y due to sharp fall in polymers prices with subdued demand from China, US and Europe and higher imports from Middle East to Asia. Prices declined across polymer products on Y-o-Y basis, PP (27%), PE (19%) and PVC (50%).

US Ethane price was at 38.8 cents per gallon, down by 1% Y-o-Y in line with lower US gas prices amidst uncertain geopolitical situation. Singapore Naphtha price was at $ 632/MT, down by 14% Y-o-Y and 4% Q-o-Q. RIL continued to optimize cracker feedstock (Ethane vs Naphtha) to maximize value.

PE margin averaged at $ 327/MT during 3Q FY23 as against $ 365/MT in 2Q FY23 and $ 443/MT in 3Q FY22. PP margin averaged at $ 292/MT during 3Q FY23 as against $ 357/MT in 2Q FY23 and $ 522/MT in 3Q FY22. PVC margin averaged at $ 409/MT during 3Q FY23 as against $ 429/MT in 2Q FY23 and $ 586/MT in 3Q FY22.

Polyesters Chain

During 3QFY23 polyester chain delta declined with lower margins in MEG and polyesters amidst slow downstream demand in China due to COVID lockdown and bearish global macroeconomic scenario. Polyester chain margin was at $ 488/MT during 3Q FY23 as against $ 632/MT in 3Q FY22 and $ 600/MT in 2Q FY23.

PTA markets remained muted amidst slower than expected downstream recovery. MEG markets remained sluggish amidst squeezed margins, higher China port inventory, capacity additions and slower than expected downstream demand recovery in China.

In 3Q FY23, China polyester demand recovery remained slower than expected post Golden Week in China. Polyester inventory with producers and downstream remained high.

On Y-o-Y basis, domestic polyester demand improved by 11% during 3Q FY23. PSF demand improved by 16% supported by relatively higher Cotton prices while PFY demand improved by 5%. PET demand was up by 27% supported by improved demand from beverage segment due to festivities across regions and subdued demand in last year same quarter.

Easing logistics constraints led to reduction in ocean freight and lower domestic prices in India.

Transportation fuels

Singapore Gasoline 92 Ron cracks fell Y-o-Y to $5.1/bbl in 3Q FY23 from $12.9/bbl in 3Q FY22; $8.9/bbl in 2Q FY23. Fall in cracks on Y-o-Y was due to lower-than-expected demand from EU and US during festive season. Further there was inventory build-up due to surplus gasoline production as refinery runs were higher on account of continuous strength in gasoil cracks.

Singapore Gasoil 10-ppm cracks significantly increased Y-o-Y to $41.5/bbl in 3Q FY23 from $12.6/bbl in 3Q FY22; marginally increased Q-o-Q from $41.1/bbl in 2Q FY23. The continued strength in Gasoil cracks was led by strong demand, supply concerns due to brief industrial action in France and inventory levels below 5-year average.

Singapore Jet/Kero cracks increased Y-o-Y to $33.5/bbl during 3Q FY23 from $10.2 /bbl in 3Q FY22 and also up marginally Q-o-Q from $32.4/bbl in 2Q FY23. Cracks remained firm on higher demand as major airports reporting increasing passenger numbers. Further refiners reduced jet yield in favor of Kerosene for winter heating season constraining supplies.

Oil and Gas (Exploration and production) Business

Revenue increase was led by improved gas price realization and higher production. Average gas price realized for KGD6 was at $ 11.3/MMBTU in 3Q FY23 vs $ 6.1/MMBTU in 3Q FY22, with raising of gas price ceiling to ~ $12.46/MMBtu by the Government of India.

EBITDA increase sharply to ? 3,880 crore which is up almost 2x on Y-o-Y basis, EBITDA margin was at 86.7%.

Production from MJ field is on track and is expected to commence during 4Q Fy23.

Incremental gas production from MJ field along with production from R-Cluster and Sat-Cluster is expected to deliver around 30 MMSCMD in Fy24.

Geopolitical uncertainty and constrained supply likely to keep gas prices firm in the near term.

Media Business

Consolidated revenue rose 12.5% Y-o-Y primarily driven by movies and sports business amidst a challenging advertising environment. The continued softness in the macro-economic environment dampened the advertising demand and ad revenue of all segments was down on a Y-o-Y basis. Despite inflation showing signs of easing, economic sentiment remained weak during the quarter.

Core categories continued to spend on advertising, but driving growth was challenging due to restrained spends by brands across categories and a sharp pull-back by start-ups and e-com players.

EBITDA declined sharply on Y-o-Y basis with the drop-in advertising revenue directly impacting margins as investments in content continued with a view to consolidate operating metrics.

The profitability of the business also suffered due to investments in new initiatives, digital entertainment and sports, which had a negative contribution of around Rs 140 crore to EBITDA

The operating performance of the businesses was strong, however, the tough economic environment made it challenging from the perspective of financial performance. Inflation has been showing signs of cooling off, but revival of consumer demand remains crucial for growth in media business. Strong positions across verticals put`s company in a pole position to grow once macroeconomic environment normalizes.

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