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Quarterly Result Update

# RELIANCE INDUSTRIES LIMITED

*April 22, 2019*

Reliance Industries Limited

**Current Price: ₹ 1382.90**

## STOCK DATA

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

## VALUE PARAMETERS

| | |
|---|---|
| 52 W H/L(Rs) | 1406.50/907.10 |
| Mkt. Cap.(Rs Cr) | 876585.81 |
| Latest Equity(Subscribed) | 6338.75 |
| Latest Reserve (cons.) | 287569 |
| Latest EPS (cons.) -Unit Curr. | 60.99 |
| Latest P/E Ratio -cons | 22.67 |
| Latest Bookvalue (cons.) -Unit Curr. | 480.8 |
| Latest P/BV - cons | 2.88 |
| Dividend Yield -% | 0.41 |
| Face Value | 10 |

## SHARE HOLDING PATTERN (%)

| Description as on | % of Holding (AS ON 31 Mar 2019) |
|---|---|
| Foreign | 26.20 |
| Institutions | 12.04 |
| Govt Holding | 0.17 |
| Non Promoter Corp. Hold. | 2.57 |
| Promoters | 46.17 |
| Public & Others | 12.86 |

## Consolidated Financial Results

In Cr.

| | Qtr Ending Mar.2019 | Qtr Ending Mar. 2018 | Var. (%) |
|---|---|---|---|
| Net Sales | 141634.00 | 120143.00 | 18 |
| OPM% | 14.70 | 15.40 | |
| OP | 20832.00 | 18477.00 | 13 |
| Other Income | 3147.00 | 2203.00 | 43 |
| PBIDT | 23979.00 | 20680.00 | 16 |
| Interest | 4894.00 | 2566.00 | 91 |
| PBDT | 19085.00 | 18114.00 | 5 |
| Depreciation | 5295.00 | 4852.00 | 9 |
| PBT | 13790.00 | 13262.00 | 4 |
| Tax | 3431.00 | 3787.00 | -9 |
| PAT | 10359.00 | 9475.00 | 9 |
| Share of profit/(loss) of associates | 68.00 | -8.00 | |
| Minority interest | -65.00 | -29.00 | |
| Consolidate Net Profit | 10362.00 | 9438.00 | 10 |
| EPS (Rs) | 17.49 | 15.94 | |

**Reliance Industries (RIL) Q4 profit rises 10% to Rs 10,362 crore, beats Street estimates**

RIL achieved net sales of Rs 141634 crore, an increase of 18% as compared to Rs 120143 crore in the corresponding period of the previous year. Increase in revenue is primarily on account of strong growth in Retail & Digital Services businesses which grew by 51.6% and 61.6%, respectively. Higher Petrochemical volumes also contributed to growth in revenue. Exports (including deemed exports) from RIL's India operations were lower by 4.4% at Rs 49,052 crore as against Rs 51,295 crore in the corresponding period of the previous year due to lower volume in refining business.

Operating profit before other income and depreciation increased 12.7% to Rs 20,832 crore from Rs 18,477 crore in the corresponding period of the previous year. The growth in operating profit was led by strong operating performance in Petrochemicals, Retail and Digital services

GRM during the quarter stood at $ 8.2/bbl - outperforming Singapore benchmark by $ 5/bbl as against $ 11/bbl in the previous year quarter and quarterly crude throughput was 16 MMT compared to 16.7 MMT in Q4FY'18. KG-D6 production stood at 1.82 MMSCMD in Q4FY'19 compared to 4.3 MMSCMD in Q4FY'18

Other expenditure increased by 59.6% to Rs 21,834 crore as against Rs13,680 crore in corresponding period of the previous year primarily due to higher network operating expenses, regulatory charges, programming and telecast related expenses, lease rent and selling expenses. Depreciation (including depletion and amortization) was Rs 5,295 crore as compared to Rs 4,852 crore in corresponding period of the previous year. The increase was largely on account of RJIL's Wireless Telecommunication Network. Finance cost was at Rs 4,894 crore as against Rs 2,566 crore in corresponding period of the previous year. This increase is primarily on account of commencement of petrochemical projects at Jamnagar and Digital Services business. Higher loan balances also contributed to the increase in finance cost.

Profit after tax was higher by 9.8% at Rs 10362 crore as against Rs 9,438 crore in the corresponding period of the previous year.

Outstanding debt as on 31st March 2019 was Rs 287,505 crore compared to Rs 218,763 crore as on 31st March, 2018. Cash and cash equivalents as on 31st March, 2019 were at Rs 133,027 crore compared to Rs 78,063 crore as on 31st March, 2018. The capital expenditure for the quarter ended 31st March,2019 was Rs 32,665 crore.

Segment wise 4Q FY19 revenue from the Refining & Marketing segment decreased by 6.1% Y-o-Y to Rs 87,844 crore while Segment EBIT declined by 25.5% Y-o-Y to Rs 4,176 crore. R&M segment performance was impacted by lower crude throughput due to planned maintenance. Also, weak light and middle distillate product cracks impacted GRM. GRM for 4Q FY19 stood at $ 8.2/bbl, outperforming Singapore complex margins by $ 5.0/bbl. FY19 revenue from the Refining & Marketing segment increased by 28.7% Y-o-Y to Rs 393,988 crore from Rs 306,095 crore, primarily on account of higher crude prices during the year. Segment EBIT decreased by 19.8% to Rs 19,868 crore, impacted by volatile crude prices, multi-year low gasoline and naphtha cracks. GRM for FY19 stood at $9.2 /bbl, outperforming Singapore complex margins by $4.3/bbl.

4Q FY19 revenue from the Petrochemicals segment increased by 11.3% Y-o-Y to Rs 42,414 crore mainly due to increase in price realizations and volumes in PTA, PP and Paraxylene. Petrochemicals segment EBIT was at Rs 7,975 crore, up 23.9% Y-o-Y. Petrochemical segment recorded strong EBIT margin of 18.8%, aided by strength in PX margins. FY19 revenue from the Petrochemicals segment increased 37.3% Y-o-Y to Rs 172,065 crore, primarily due to higher volumes and prices which reflected full benefits of ROGC and Paraxylene capacity expansion projects. Petrochemicals segment EBIT increased sharply by 51.9% to its highest ever level of Rs 32,173 crore. Strong integrated polyester chain margins offset weakness across the polymer chain which was impacted by incremental supplies from new US crackers.

4Q FY19, revenue for the Oil & Gas segment increased 43.3% Y-o-Y to Rs 1,069 crore. Segment EBIT at Rs (267) crore as against Rs (600) crore in the corresponding period of the previous year. The segment performance continued to be impacted by declining volume. Domestic production was lower at 12.5 BCFe, down 32% Y-o-Y whereas production in US Shale operations declined by 35% to 20.9 BCFe. FY19 revenues for the Oil & Gas segment decreased 3.8% Y-o-Y to Rs 5,005 crore. Volumes from conventional fields and US shale were lower on account of natural decline and slowdown in development activity. Segment EBIT was at Rs (1,379) crore as against Rs (1,536) crore in the previous year. For the year, domestic production (RIL share) was at 58.9 Bcfe, down 25.4% Y-o-Y and in US Shale (RIL share) business was 94.5 Bcfe, down 32% Y-o-Y basis.

Retail revenue for 4Q FY19 grew by 51.6% Y-o-Y to Rs 36,663 crore as against Rs 24,183 crore in the corresponding period of the previous year. Business PBDIT for 4Q FY19 grew by 77.1% Y-o-Y to Rs 1,923 crore as against Rs 1,086 crore in the corresponding period of the previous year. For FY19 revenues grew by 88.7% Y-o-Y to Rs 130,566 crore as against Rs 69,198 crore in the previous year. Business PBDIT for FY19 grew by 145.2% Y-o-Y to Rs 6,201 crore as against Rs 2,529 crore in previous year. During the year, retail area under operations grew by 24.2% to 22 Mn.sq.ft.

## Business Environment update

### Domestic Oil and Gas Operation

- KG-D6 field produced 5.77 BCF of natural gas in 4Q FY19, lower by 58% on a Y-o-Y basis. There was no crude and condensate production due to cessation of MA field in 3Q Fy19. Fall in oil and gas production was mainly because of natural decline
- R-Cluster development project is progressing as per plan. Drilling and lower completion completed for 4 wells out of 6 wells. First campaign of installation facilities continued during the quarter and expected to complete in 1Q FY 20.
- Panna-Mukta fields produced 0.97 MMBBL of crude oil and 12.7 BCF of natural gas in 4Q FY19, a reduction of 25% in crude oil and 16% reduction in natural gas on Y-o-Y basis. This was primarily on account of natural decline in field, increasing water cut in the fields and shut-in of wells due to integrity/loading issues.
- During the quarter, the CBM field produced 3.09 BCF of gas as compared to 2.68 BCF during 4Q FY18 an increase of 15% on Y-o-Y basis. Average production during the quarter was at 0.97 MMSCMD.

### Oil & Gas (US Shale)

- Commodity markets in US remained volatile during 4QCY18 (consolidated with 4Q Fy19) with WTI declining by 15%, NGL realization dropping by 22% and HH gas prices improvingby 26%. Volumes were 1% lower Q-o-Q. This resulted in revenues being lower Q-o-Q. Opex was comparable to last quarter.
- Prices declined for both oil and gas during 1Q CY2019. WTI oil prices averaged lower by 7.6% Q-o-Q. With burgeoning supply of NGLs, the prices dropped by 14% for the NGL basket. HH Gas prices averaged lower by 13% Q-o-Q. However, Marcellus differentials (discount) to HH improved 32% QoQ at ($0.32)/MMBtu
- Overall production was 10% lower at 18.9 bcfe; mainly due to natural decline of wells as no new wells come online across the JVs. Volumes expected to improve in Chevron JV with hook-up of new well pad which is anticipated by end 2QCY19. Capex for the quarter was lower Q-o-Q at $ 53 MM, reflecting lower spend in Pioneer JV.

### Refining and Marketing

- Global oil demand grew by 1.3 mb/d in 2018, supported by strong growth in US and positive momentum in Asia. US witnessed the highest oil demand growth in absolute terms across all countries, supported by robust economic activity, transportation demand and higher petrochemical feedstock demand. Growth in Asia was primarily driven by China and India with by stable economic activities in these markets.
- Average refinery utilization rates globally in 4Q FY19 were 85.5% in North America, 83.4% in Europe and 88.9% in Asia. US refinery utilization declined Q-o-Q on account of maintenance in line with seasonal trend and unplanned outages caused by Polar Vortex. European refinery utilization was down Q-o-Q on account of scheduled seasonal

maintenance. Asian refinery run rates were higher Q-o-Q.

- In FY19, Singapore complex margin averaged $ 4.9 /bbl compared to $ 7.2 /bbl in Fy18. Refining margins weakened primarily on account of lower light distillate cracks which offset higher middle distillates and fuel oil cracks.
- During 4Q FY19, the benchmark Singapore complex margin averaged $ 3.2 /bbl as compared to $ 4.3 /bbl in 3Q FY19 and $ 7.0 /bbl in 4Q FY18 with lower product cracks across the barrel. Dubai oil price averaged at $ 63.5/bbl, down $ 3.9/bbl Q-o-Q and $ 0.4/bbl Y-o-Y. Crude prices remained range bound as OPEC+ cuts and lower production from Venezuela and Iran was offset by economic concerns amidst trade tensions.
- Singapore gasoil 10 ppm cracks averaged $ 14.0 /bbl during 4Q FY19 as against $ 15.8 /bbl in 3Q FY19 and $ 15.5 /bbl in 4Q FY18 Gasoil cracks fell Q-o-Q on high East of Suez distillate inventories and higher exports from China.
- Singapore gasoline cracks averaged $ 3.7 /bbl during 4Q FY19 as against $ 4.7 /bbl in 3Q FY19 and $ 13.7 /bbl in 4Q FY18. Gasoline cracks dropped Q-o-Q on high on-shore Singapore inventory levels with low seasonal demand in North America during winter. Refinery maintenance in North America and the lead up to the Northern Hemisphere's summer driving season helped recovery in gasoline cracks towards end of quarter.
- Asian naphtha cracks averaged $ (-) 7.5 /bbl in 4Q FY19 as compared to $ (-) 6.4 /bbl in 3Q FY19 and $ (-)0.5 /bbl in 4Q FY18. Naphtha cracks fell Q-o-Q weighed by lower gasoline cracks. Also, lower LPG prices led to increased substitution as petrochemical feedstock.
- Fuel oil cracks averaged $ (-) 0.9 /bbl in 4Q FY19 as compared to $ (-) 0.2 /bbl in 3Q Fy1 and $ (-) 6.3 /bbl in 4Q FY18. Fuel oil cracks trended slightly lower due to weaker regional demand. However, continued refinery upgrades and reduced heavy crude supply leading to lower fuel oil supply has been providing support to the cracks.
- Arab Light – Arab Heavy (AL – AH) crude differential averaged $ 1.4 /bbl in 4Q FY19 as compared to $ 2.2 /bbl in 3Q FY19 and $ 2.9 /bbl in 4Q FY18 with continued loss of the medium/ heavy crude supply on the back of OPEC+ cuts and sanctions on Iran and Venezuela.

## Petrochemical Business

### Polymer & Cracker

- Crude prices exhibited high volatility during FY19, amidst reduction in global demand projections, OPEC-led production cut and several geo-political concerns, including sanctions and trade conflicts. Asian Naphtha prices increased 16% Y-O-Y in FY19 due to higher crude prices and healthy demand from petrochemicals. Ethylene prices weakened 2% in FY19 Y-o-Y due to ample supply from new crackers in US. Propylene prices in Asia increased by 14% during the year with healthy demand growth from downstream and seasonal turnaround in North East Asia.
- During FY19, PP prices were up 6% aided by a healthy supply-demand scenario. However, strong propylene prices caused reduction in PP margins by 17% YoY to $249/MT. PE prices

weakened marginally during FY19 (1% Y-o-Y) due to increased supplies from new capacities. PE margins softened 14% YoY to $ 576/MT in FY19, due to stronger Naphtha prices. PVC prices remained stable during FY19, however margins weakened by 20% YoY to $ 465/MT amid strong EDC prices.

- In India, polymer demand registered a healthy growth of 7% during FY19 supported by core sector performance, infrastructure led cement demand growth and boost in e-retail. PP registered a growth of 8% in FY19 mainly driven by automotive, appliances and raffia packaging segments. PE and PVC demand grew by 6% each in FY19 mainly driven by milk packaging and infrastructure pipe end-use sectors.
- During 4Q FY19, PP and PE prices weakened by 10% and 11% Q-o-Q respectively led by decline in feedstock prices. PE and PP margins softened 9% and 13% to $ 237/M and $ 515/MT respectively in a well-supplied market. PVC prices strengthened 3% during the quarter with healthy demand. Increase in PVC prices offset higher EDC prices during 4Q FY19, resulting in stable PVC margins at $ 416/MT
- Domestic polymer demand witnessed a 6% Y-o-Y growth in 4Q FY19. RIL's production during 4Q FY19 was marginally lower by 3% Q-o-Q at 1.4 MMT due to planned turnarounds.

## Polyester Chain

- During FY19 polyester chain margins remained healthy indicating strong market sentiments. The polyester chain began on a positive note, tapered during the mid-year and picked up pace by the year-end. Consequently, operating rates across polyester chain remained healthy favouring integrated polyester producers.
- Intermediates tracked the volatility in the energy markets during FY19. FY19 PX price was higher by 25% Y-o-Y pushing margins up by 38% Y-o-Y to $ 479/MT. PTA prices were up 27% Y-o-Y tracking firm PX prices and PTA futures. PTA margins improved sharply 38% Y-o-Y to $ 181/MT and remained above 5-year average. MEG markets remained sluggish with healthy supplies, adding to rising port inventories in China. During FY19, MEG prices declined by 8% Y-o-Y and margins declined by 23% Y-o-Y to $ 417/MT with higher feedstock prices.
- Polyester markets remained volatile during FY19. PFY price increased 11% Y-o-Y, however margins dropped 7% Y-o-Y to $ 262/MT. The Chinese ban on imports of post-consumer PET effective 1st Jan 2019 was later relaxed leading to revival of recycling industry, limiting the uptrend in virgin PSF prices. During FY19, PSF prices were up 9% Y-o-Y, while margins slipped 23% Y-o-Y to $ 154/MT owing to firm raw material prices. Global PET demand remained healthy with firm beverage consumption from major developed and emerging countries. FY19 PET prices firmed up by 18% Y-o-Y and delta gained by 32% Y-o-Y to $ 222/MT due to tight supplies with prolonged unavailability of PET units in USA and Europe.
- During 4Q FY19, Fibre intermediate markets witnessed mixed trends with diverging market fundamentals. Though PX 4Q FY19 prices decreased 5% Q-o-Q, margins remained healthy at $ 546/MT. PTA 4Q FY19 prices were down by 8% Q-o-Q amidst sluggish downstream demand and liquidity tightness. Producers witnessed a sharp 21% Q-o-Q

decline in margins to $ 145/MT. MEG quarter end port inventory was 73% higher than at the start of the quarter. Consequently, MEG 4Q FY19 prices declined by 17% Q-o-Q, leading to 24% Q-o-Q decline in margins to $ 285/MT.

- Polyester markets in 4Q FY19 was marked by slow recovery in the Chinese downstream market after the National holidays which kept sentiments cautious. However, polyester producers maintained stable to soft prices in a falling feedstock price environment, resulting in higher margins. PFY 4Q FY19 prices decreased 6% Q-o-Q while margins improved 15% Q-o-Q to $ 239/MT. PSF 4Q FY19 prices decreased 4% Q-o-Q while margins improved sharply by 43% to $ 188/MT. PET markets remained firm ahead of good seasonal demand. PET 4Q FY19 prices were down 7% Q-o-Q, but margins firmed up by 14% Q-o-Q to $ 193/MT due to weak raw material prices.
- Domestic polyester demand revived; 4Q FY19 demand improved by 28% Q-o-Q and 10% Y-o-Y. Demand was driven by recovery in PET demand and healthy offtake in textile downstream with restocking of pipeline inventories.
- Reliance polyester chain expansions are operating at optimal rates. RIL FY19 polyester chain production increased 10% Y-o-Y. Fibre intermediates production in FY19 increased to 11 MMT (+13% Y-o-Y), while Polyester production remained stable at 2.9 MMT.

## Organized Retail

- Reliance Retail delivered a record breaking performance in revenue and profits growth for the year 2018-19. Segment Revenues for FY19 grew by 88.7% Y-o-Y to ₹ 130,566 crore as against Rs 69,198 in previous year. PBDIT for FY19 grew by 145.2% Y-o-Y to Rs 6,201 crore as against Rs 2,529 crore in previous year.
- Reliance Retail continues to create records by adding 510 stores during 4Q FY19 and 2,829 stores during the FY19. Reliance Retail now operates 10,415 stores covering over 22 million sq. ft. of retail space.
- During the year, Reliance Retail opened 76 new Digital stores, 2219 Jio Stores and operates more than 8,000 Digital and Jio Stores put together as on 31st March 2019.

## Media Business

- Network18 Media & Investments Limited reported 4QFY19 consolidated revenue of Rs 1,231 crore (down 23% YoY on a comparable basis) due to higher base on account of movie 'Padmaavat' last year. 4Q Ex-film revenues dipped 7% YoY led by flux around implementation of the new tariff order, and some live entertainment projects and union budget coverage in the base quarter which were absent this year.
- FY19 ex-film revenue rose 7% YoY on regional growth and a reviving ad-environment. FY19 operating EBITDA was up 13% YoY despite Rs 131 crore additional investments into regional channels, launch of FirstPost Print and Digital expansions (VOOT International & Kids, CricketNext). This was led by Regional News gestation losses compressing 42% YoY, and Business-as-usual Entertainment EBITDA margins rising to 9% (vs 5% in FY18)
- New tariff order (NTO) implementation has resulted in viewership being impacted for all broadcasters as process of consumers choosing channels/packs and distribution

realignments are still underway. This has resulted in volatile viewership data, and advertisers pulling back spends during the quarter. Under the new regime, pay channels will have better consumer connect as well as distribution economics in the medium term.

## Digital Service Business

- Net subscriber addition for the Company during the past twelve months was 120 million, which is the highest in the industry by a substantial margin
- Customer engagement for Jio services continues to be strong with average data consumption at 10.9 GB per user per month, average voice consumption at 823 minutes per user per month.

## Management Comments

**Commenting on the results, Mukesh D. Ambani, Chairman and Managing Director, Reliance Industries Limited said:** "During FY 2018-19, we achieved several milestones and made significant strides in building Reliance of the future. Reliance Retail crossed ₹ 100,000 crore revenue milestone, Jio now serves over 300 million consumers and our petrochemicals business delivered its highest ever earnings. I am proud of the entire Reliance team; their hard work and dedication has laid the foundation for these achievements and many more to come. The Company has delivered record consolidated net profit of ` 39,588 crore for the year in a period of heightened volatility in the energy markets. I am delighted to highlight that our Company has more than doubled its PBDIT in last five years to ` 92,656 crore – establishing a global benchmark for value creation.

Focus on service and customer satisfaction led to higher numbers of subscribers and footfalls across our consumer businesses, driving robust revenue growth. Our endeavour is to create better experiences for our customers, leading to a better shared future."

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