



## Reliance Industries – Q2 FY12 result update

17<sup>th</sup> October, 2011

CMP: 836

Market Capitalization (Rs. in bn): Rs.2,738 bn

### Q2FY12: Financial highlight (Rs. in bn)

Particulars	Q2FY12	Q1FY12	qoq (%)	Q2FY11	yoy (%)	H1FY12	H1FY11	yoy (%)
Turnover	807.9	836.8	(3.5)	599.6	34.7	1,644.7	1,209.6	36
PBDIT	109.5	110	(0.45)	100.6	8.7	219.5	201.3	9
Profit before Tax	73.1	72.6	(0.69)	61.4	19	145.8	121.8	19.6
Net Profit	57	56.6	(0.71)	49.2	15.8	113.6	97.7	16.3
EPS (Rs.)	17.4	17.3	(0.58)	15.1	15.2	34.7	29.9	16.1

Source: Company, Ajcon Research

Reliance industries met street expectations on the bottom-line front. This was mainly on account of direct correlation to crude oil prices. At the same time, it also resulted in higher raw material costs, affecting operating profit margin. Revenues from the exploration & production business fell sharply, and margin pressures in the petrochemical segment offset much of the gains from higher volume sales and price hikes. RIL's July-September quarter net profit rose 15.8% year-on-year, to Rs. 56.6 bn. Net turnover for the quarter rose by 35% to Rs. 807.9 bn, beating estimates of Rs. 798 bn.

The increase in profits was largely driven by improved performance in the refining and petrochemicals business. All its manufacturing facilities operated at record levels with refineries achieving operating rates of 110%. RIL has strong balance sheet and sustained earning base to pursue growth opportunities.

GRM was lower than expected at US\$10.1/bbl in 2QFY12. Management attributed the contraction in premium to the Singapore benchmark to: 1) the US\$1.1/bbl decline in L-H differential; and 2) US\$1/bbl impact of replacement of KG-D6 gas with high-priced imported LNG.

### Segment analysis:

#### Oil and Gas (exploration and production):

- a) Segment revenue: Rs 35.6bn, down 17.2% y-o-y
- b) Earning before interest and taxes: Rs 15.3 bn, down 10.2 % y-o-y
- c) The production from KG-D6 was 2.7 million barrels of crude oil, and 303.4 BCF of natural gas, a reduction of 42.1% and 20.3% respectively on y-o-y basis. The reduction in production was mainly due to reservoir complexity. Production of gas condensate was 0.40 million barrels, an increase of 26.3 % over the previous period. Gas was sold as per the Government's Gas Utilization Policy and at a price of \$ 4.2 /MMBTU.

**Refining and marketing:**

- a) Segment revenue: Rs. 68,096 crore, up 37% y-o-y
- b) Segment EBIT: Rs. 3,075 crore, up 40.3% y-o-y
- c) RIL, which operates the world's biggest refining complex in western India, gross refining margins were at US\$10.1 per barrel but did not immediately provide year-ago numbers. The margins had been at US\$10.3 a barrel in the previous quarter. The company also said that the refining and marketing segment achieved a record revenues due to higher prices which accounted for 38% growth in revenue while increase in volume accounted for 3.5% growth in revenue.

**Petrochemicals:**

- a) Segment revenue: Rs. 210.6 bn, up 39.5% y-o-y
- b) Segment EBIT: Rs. 24.2 bn, up 10%, however, segment EBIT would have been higher if depreciation cost would have been lower.

**Key developments in Q2FY12:**

The company announced a rich gas and condensate discovery in the very first well drilled in the block CY-PR-DWN-2001/3(CYPR-D6) located in deepwater Cauvery-Palar basin. The block with an area of about 8,600 sq km was awarded to RIL under the bidding round of NELP-III. This is one of the exploration blocks where BP has 30% participating interest.

On 30<sup>th</sup> August 2011, RIL and BP announced the completion of BPs acquisition of a 30% stake in 21 oil and gas production sharing contracts (PSCs) that Reliance operates in India, including the producing KG-D6 block.

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