
Reliance
Industries Limited

# 2Q FY 2019-20 Financial Results

18 October 2019

# Forward Looking Statements

Reliance Industries Limited

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# Consolidated Financial Results : 2Q FY20

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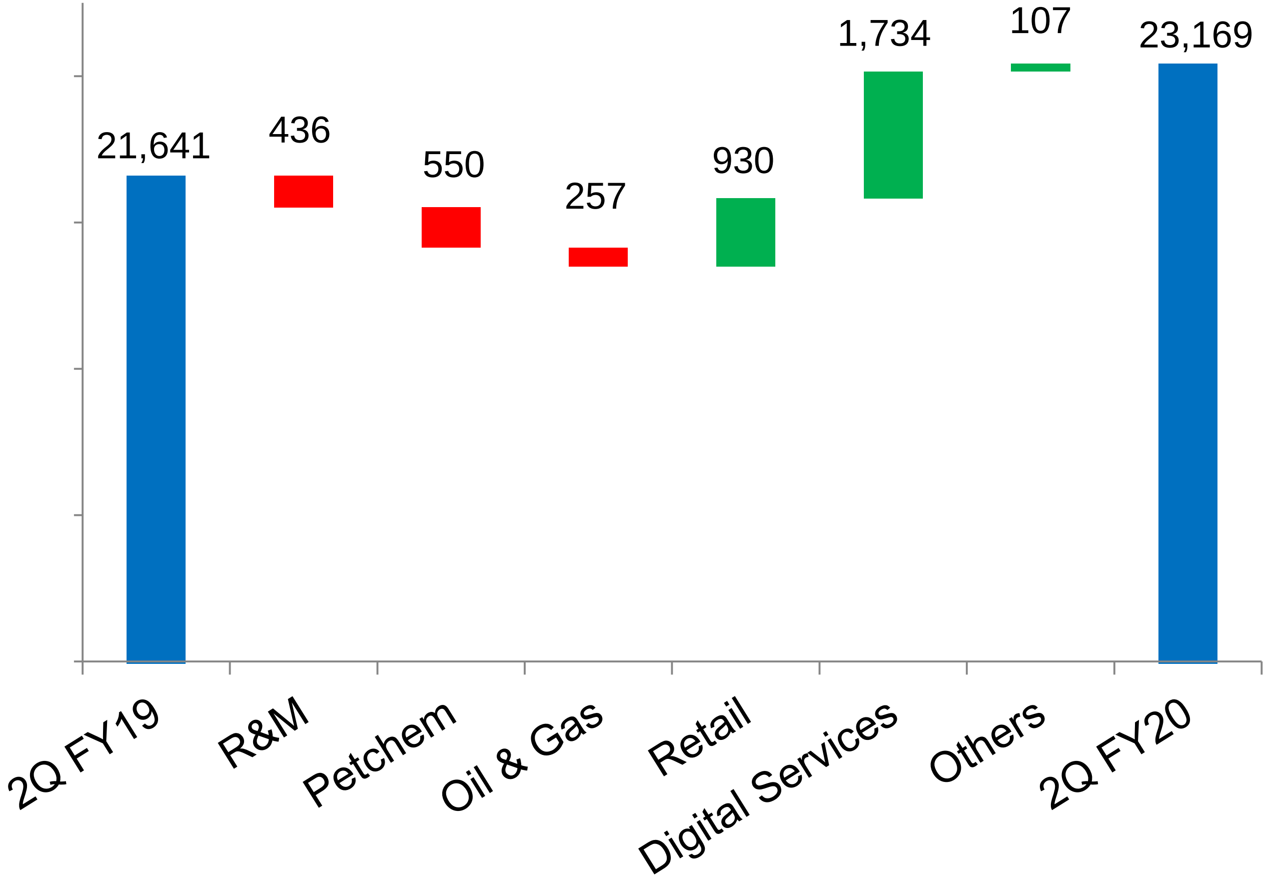
| 1Q FY20 | (in ₹ Crore) | 2Q FY20 | 2Q FY19 | % Change Y-o-Y | % Change Q-o-Q |
|---|---|---|---|---|---|
| 172,956 | Revenue | 163,854 | 156,291 | 4.8% | -5.3% |
| 22,013 | Segment EBITDA | 23,169 | 21,641 | 7.1% | 5.3% |
| 10,104 | Net Profit | 11,262 | 9,516 | 18.3% | 11.5% |

- Standalone net profit at ₹ 9,702 crore, up 9.5 % YoY and 7.4% QoQ

- QoQ Revenue lower - 10% decline in crude, partially offset by growth in consumer businesses
  - Retail revenue up 8%, Digital Services up 5%
- QoQ O2C businesses benefited from stronger fuel margins and higher volumes in petrochemicals
- QoQ Retail and Digital services EBITDA up 13.3% and 8.5% respectively
- Lower tax provision on account of cut in MAT rate

**Highest quarterly net profit aided by robust operating performance**

# Consolidated EBITDA: 2Q FY20 vs. 2QFY19

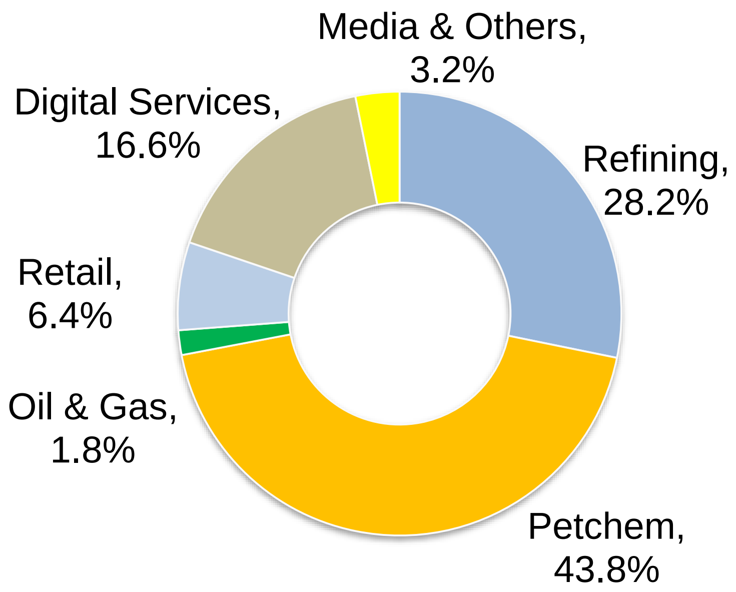



- YoY Segment EBITDA up 7 %
- Scale-up of business leading to 53% YoY growth in Consumer EBITDA
- Continuing to capture growth opportunities in consumer businesses
  - Retail added 337 stores in 2Q (1755 in last 12 months)
  - Jio added 23.9 million subscribers in 2Q (103 million subscribers in last 12 months)

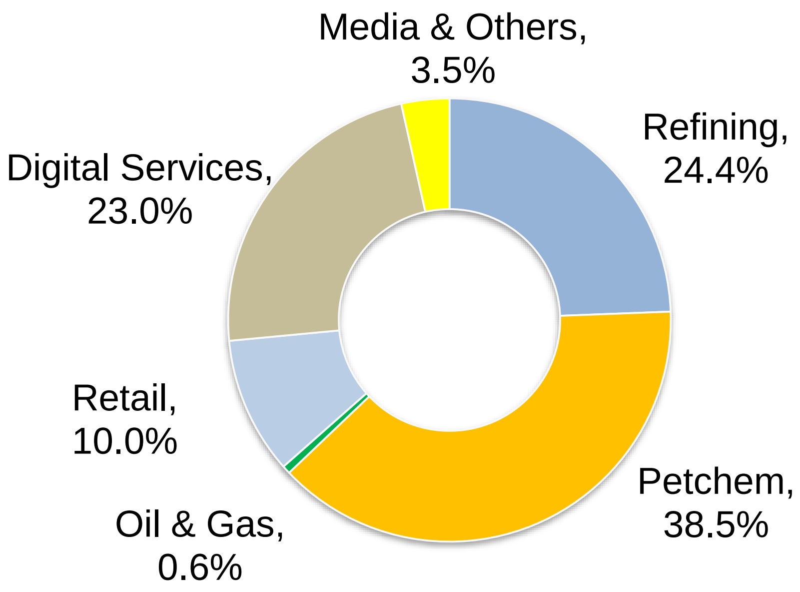
**Strong growth in consumer businesses compensate for lower contribution from O2C businesses**

# Consolidated Segment EBITDA Mix: 2Q FY20 vs. 2Q FY19

**2Q FY19**




**2Q FY20**




**Consumer businesses contribution at 33% (vs. 23%)**

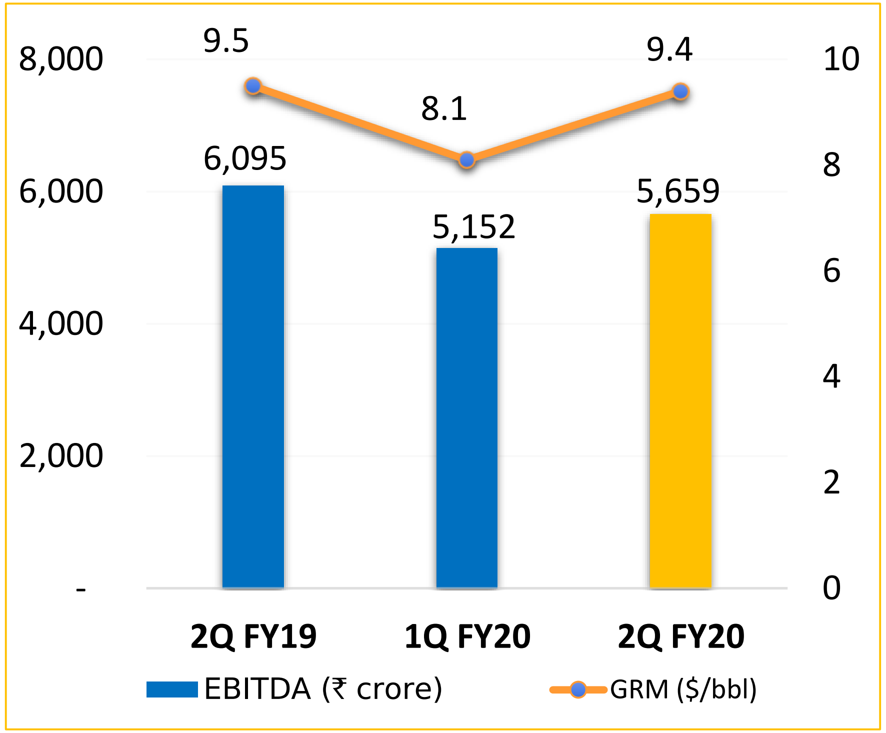
# Refining & Marketing – Operating Environment

- Heightened crude volatility, fear of major supply disruptions
  - Despite spikes avg. crude price down 10% QoQ to $ 61.9/bbl on weakening demand
  - Light crude supply, strong FO impacted differentials
- Sharp QoQ margin recovery across fuel basket
  - Singapore GRM at $ 6.5/bbl (+$ 3.0/bbl)
  - Diesel and Jet kero cracks up sharply - impact of IMO 2020 with storage build of complaint fuel
  - Unplanned outages in North America, turnarounds in Asia and Saudi run cuts
- 2019 global oil demand growth tracking 1.0 mb/d (down from 1.3 mb/d at the start of the year)
- YoY India oil demand up 2.6%
  - MS +8.0%%, HSD -0.2%, ATF -2.0%

**Soft global macro impacting demand; Supply disruptions and IMO support margins**

# Refining & Marketing – Segment Performance

- Segment EBITDA up 10% QoQ
- RIL outperformed Singapore GRM by $ 2.9/bbl, premium narrowed
  - Stronger Fuel Oil crack benefiting Singapore GRM
  - Lower availability of heavy grades resulting in higher crude cost
- Refinery throughput of 16.7 MMT, down 4% QoQ
- 1,385 fuel retail outlets
  - TPO at 305 KLPM
  - Strong YoY volume growth: HSD (+14%) / MS (+17%) vs. industry growth of (-0.2%) / (+8%)




**Strength in fuel margins helped negate impact of lower crude throughput**

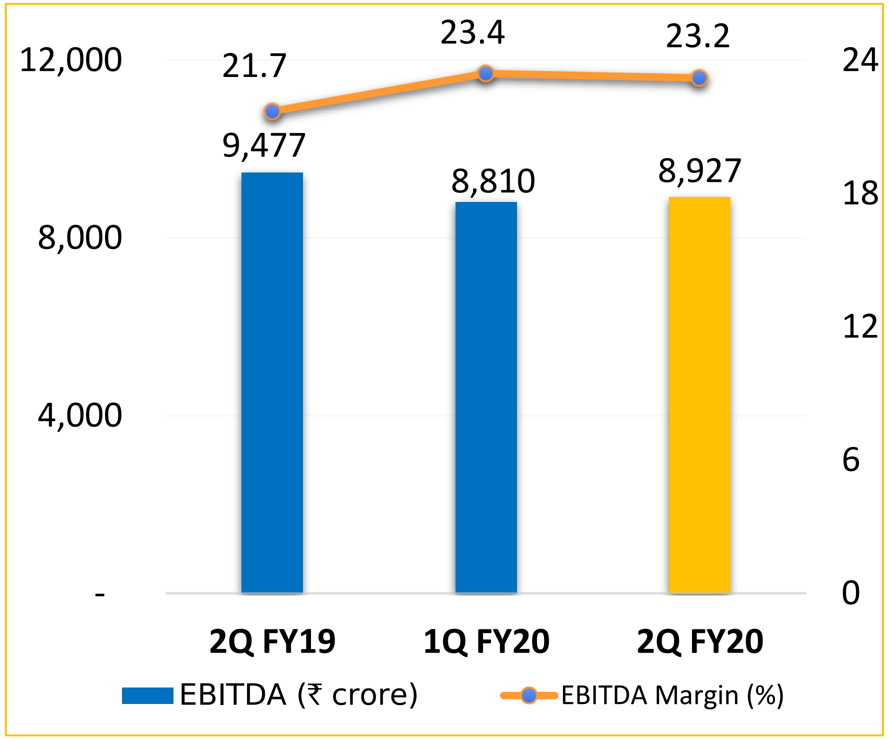
# Petrochemicals – Operating Environment

- Margin pressures with multiple headwinds
  - New capacity additions in US and China
  - US-China trade tensions and weaker global trade
  - Increasing environmental related concerns
- Weak margins for key products
  - PE (-9%), PP (-44%), PX (-13%), PTA (-16%)
- Domestic petrochemicals demand remained firm despite slower economic growth
  - Polymer demand up 5% YoY - supported by packaging, and water management projects
  - Polyester demand up 9% YoY - led by strong seasonal PET demand (+31%)

**Well supplied markets and weaker economic activity led to subdued margin environment**

# Petrochemicals – Segment Performance

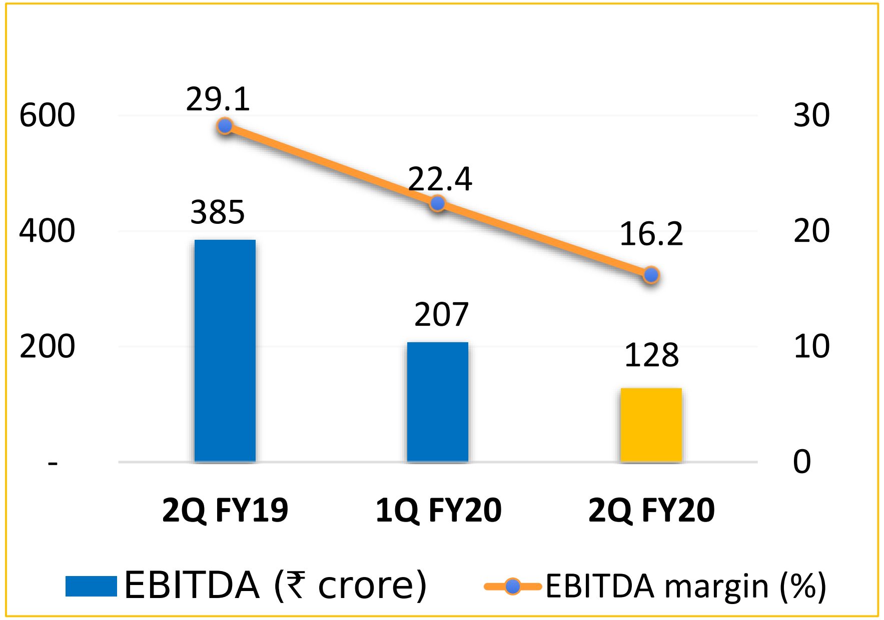
- Segment EBITDA up 1.3% QoQ
- Operating performance supported by
  - Higher volumes at 9.9 MMT, up 13% QoQ
  - Strength in POY (+8%), MEG (+10%), PVC (+29%)
  - Beneficial impact of light feed cracking : Ethane & ROGC
  - Healthy by-product credit for integrated naphtha crackers
- Polyester chain margins below 5-year average
  - Supply led weakness in PX, moderation in PTA margins




**Robust integration and feedstock flexibility help sustain performance**

# Oil & Gas Segment Performance

- EBITDA decline led by lower realizations and midstream commitments
- Domestic production 11.9 BCFe, up 2% QoQ
  - KG D6: Gas production 1.7 MMSCMD
  - CBM production 0.93 MMSCMD
  - Unit realization $ 6.09/Mcfe, down 5% QoQ
- US shale production 19.9 BCFe, up 12% QoQ
  - Unit realization $ 2.71/MCFe, down 17% QoQ with lower gas price and wider differentials
- CBM Phase-II activities - Expected commissioning of additional Gas Gathering Station by 3Q FY20




- R-Cluster development activities on track
  - Second campaign for installation of subsea production system (SPS)
  - XMT installation and upper completion of wells

**Activities underway to achieve first gas from R-Cluster by mid-2020**

# Retail Segment Performance

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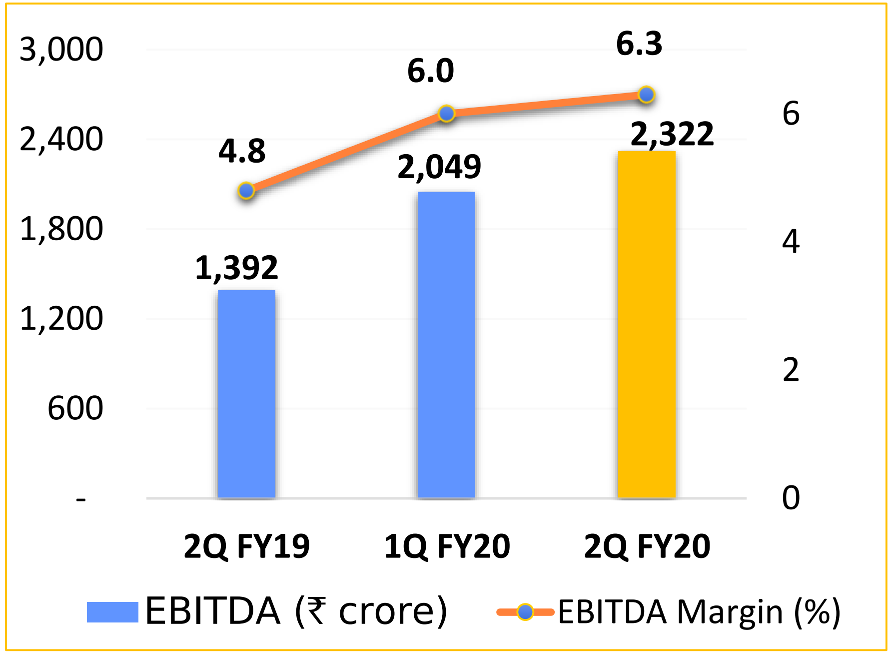
- Turnover at ₹ 41,202 crore, up 27% YoY, 7.9% QoQ
  - Strong growth across consumption baskets amidst consumption slowdown
  - Strong LFL growth of 5-14%
  - F&L, Consumer Electronics & Grocery demonstrated higher growth at 35% YoY; now contributes >60% of the business
- F&L, Consumer Electronics & Grocery EBITDA margin at 8.8% vs 7.0% last year, contributing 86% of overall EBITDA
  - Customer centricity enabling superior growth
  - Scale and operational efficiencies in sourcing, supply chain
  - Expansion in Tier 3 & 4 markets, with early break-even




- Trends Small Town crosses 100 store milestone
- SMART crosses 200 store milestone
- Hamley's in India crossed a milestone of 100 stores

**14th straight quarter of revenue and profit growth**

# Digital Services Segment Performance

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| Particular | 2Q' 19-20 | 1Q' 19-20 | 2Q' 18-19 |
|---|---|---|---|
| Gross Revenue * | 14,555 | 13,762 | 10,901 |
| Operating Revenue | 12,354 | 11,679 | 9,240 |
| EBITDA | 5,166 | 4,686 | 3,573 |
| EBITDA margin | 41.8% | 40.1% | 38.7% |
| D&A | 1,775 | 1,656 | 1,531 |
| EBIT | 3,391 | 3,030 | 2,042 |
| Finance Costs | 1,871 | 1,660 | 996 |
| Net Profit | 990 | 891 | 681 |

**Gross Revenue is value of Services inclusive of GST*
*Standalone Results*
*figures in Rs crore, unless otherwise stated*

- Jio is now second largest single-country operator globally, with 355.2 million subscribers (+41% YoY)
  - Monthly gross addition > 10 million in 2Q FY20
- Strong customer engagement and volume growth
  - 12.0 bn GB data traffic, +56% YoY; voice traffic +52% YoY
  - Per capita data usage of 11.7 GB/user/month
- Quarterly EBITDA crosses ₹ 5,000 crore, up 45% YoY
- Operating leverage playing out with EBITDA margins at 41.8% (+315bps YoY)
- Reported ARPU of ₹ 120; highest in industry on like-to-like basis
- FTTH services launched during the quarter

**Jio continues to execute ahead of plans across all parameters**

# Reliance – Saudi Aramco Partnership for O2C Division

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## Partnership

- Aramco will invest for a 20% stake in RIL's O2C division at an EV of $75 billion
  - O2C division comprises Refining and Petrochemicals assets, including Petro-retail JV with BP
- The investment is subject to due diligence, definitive agreements, regulatory and other customary approvals

## Highlights

- Partnership to leverage strengths in feedstock integration, technology, project execution and product innovation
- Aramco to supply 500 kbpd of crude on a long term basis to RIL's Jamnagar refinery
  - Several grades of crude oil from super light to heavy better utilizing refinery capabilities
  - Value creation through crude sourcing and supply security
- Aramco to participate in Indian market growth through stake in RIL's strong domestic franchise
- O2C value chain to maximize margins and meet the evolving needs of consumers
  - Supply of energy, base chemicals and new materials

**Strong synergies between global leaders in oil production and O2C**

# Reliance – BP : JV for fuel-retailing

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## The Transaction

- RIL and BP to form a petroleum retailing joint venture
  - RIL to hold 51% and BP to hold 49%
- The joint venture will assume ownership of RIL's existing fuel network and aviation fuel business
- The transaction is expected to complete in 1H CY20 subject to regulatory and other customary approvals

## JV Highlights

- To offer high quality differentiated fuels and services at its network of sites
- JV to benefit from RIL's extensive retail business experience and digital connectivity through its Jio platform
- BP to bring in its international experience in convenience, fuel retailing and aviation operations
- JV to also benefit from access to competitive fuel supplies from RIL's Jamnagar refining complex

**Expansion of the existing nationwide network of 1,400 fuel retailing outlets to 5,500**

# *Refining & Marketing*

# Performance Highlights

| (₹ crore) | 2QFY19 | 1QFY20 | 2QFY20 |
|---|---|---|---|
| Revenue | 98,760 | 101,721 | 97,229 |
| GRM ($/bbl) | 9.5 | 8.1 | 9.4 |
| EBITDA | 6,095 | 5,152 | 5,659 |
| EBITDA Margin (%) | 6.2% | 5.1% | 5.8% |
| Throughput (MMT) | 17.7 | 17.5 | 16.7 |

- Robust performance with improving product cracks – $ 2.9/bbl premium over Singapore GRM
- Strength in product margins was partially negated by impact of low crude throughput
- Maximized Middle Distillate pool in view of stronger cracks including niche diesel production
- Successfully completed major crude and Coker shutdown to enhance unit capabilities, to capture market opportunity
- Petro retail YoY volume growth – HSD (14%) / MS (17%)
- Awarded 13th CII National Award for excellence in water management 2019

**Improved product margins and operational flexibility led superior refining performance**

# Business Environment and Macro Trends Impacting Refining

**Macro and geopolitics**

- Continuing China-U.S. trade tensions
- Threats from escalation of Middle East conflicts
- Iran and Venezuela Sanctions
- Oil demand growth slows to 1mb/d for 2019

**Crude Supply**

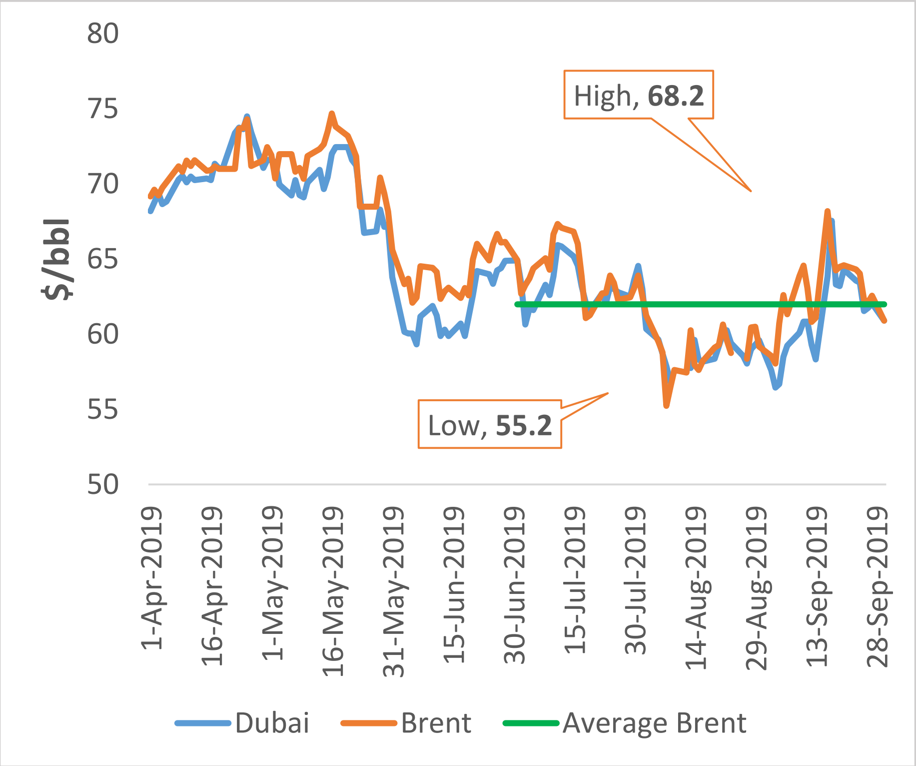
- Reduced spare capacity – Saudi Attacks
- OPEC+ cuts and growing US supplies resulting in lighter global slate

**Refining Dynamics**

- IMO spec change
- Increasing complexity
- Saudi run cuts

**Crude Differentials**

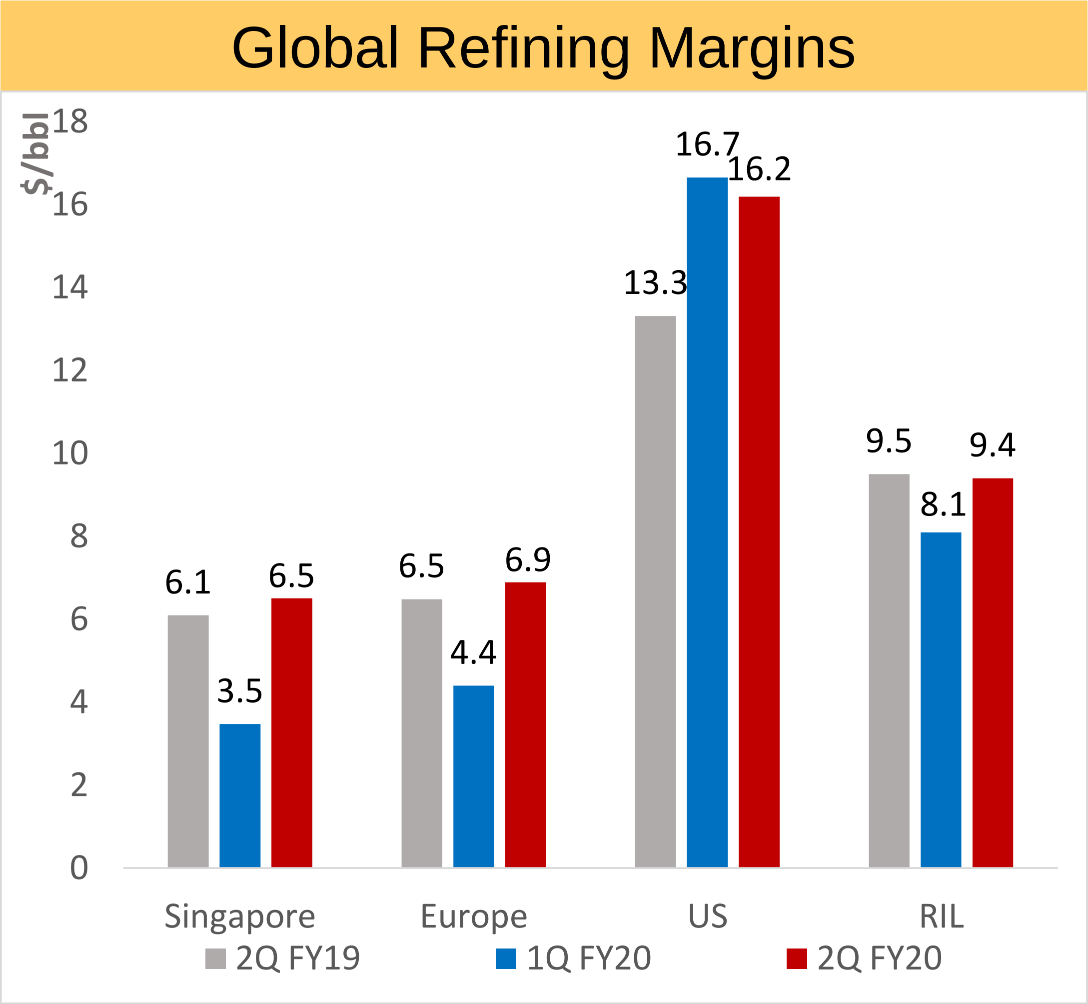
- AL-AH spread marginally lower at $1.5/bbl – AH spread to benchmark stronger by $1/bbl
- Stronger FO cracks supported heavy crude
- Abundant availability of light crude from US




➢ Brent averaged $62/bbl in 2QFY20 down 10% QoQ

**Headwinds to oil demand growth from trade tensions and economic slowdown**

# Global Refining Margins Environment

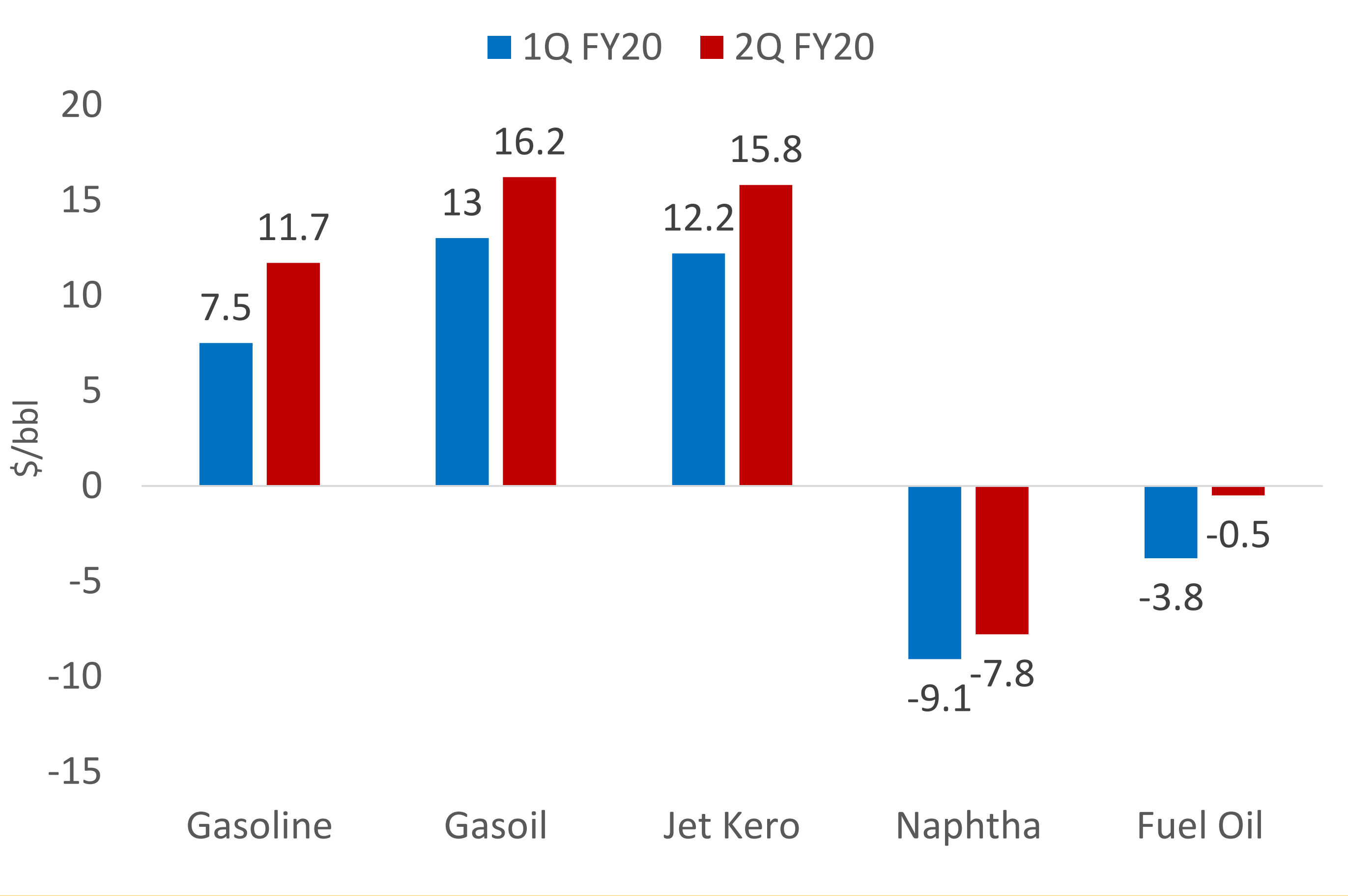



Source: Reuters, RIL

- Singapore margins strengthened QoQ
  - Improved significantly on the back of higher product cracks across the barrel except LPG
- Europe margins strengthened QoQ with higher product cracks except for gasoline and LPG
- US margins weakened QoQ with narrow WTI – Brent spread resulting in lower WTI linked cracks
- RIL GRM continue to outperform Singapore GRM, delta narrowed mainly due to
  - Stronger Fuel Oil crack benefiting Singapore GRM
  - Lower availability of heavy grades resulting in higher crude cost

**RIL's GRM outperforming Singapore margin by $ 2.9/bbl over a period**

# Refinery Product Margins




- Uplift in cracks across all products
  - Mid-distillates cracks led by run-up to IMO changes and unplanned refinery outages
  - Gasoline strengthened on heavy seasonal demand, PES outage and Saudi run-cuts
  - FO cracks supported by ME power demand and declining supply in anticipation of IMO
  - Naphtha cracks improved marginally due to increased gasoline blending demand
- Delay in refinery start-ups supported margins

**Strong rebound in fuel cracks driving regional marker margin**

# Robust Domestic Fuel Demand Growth

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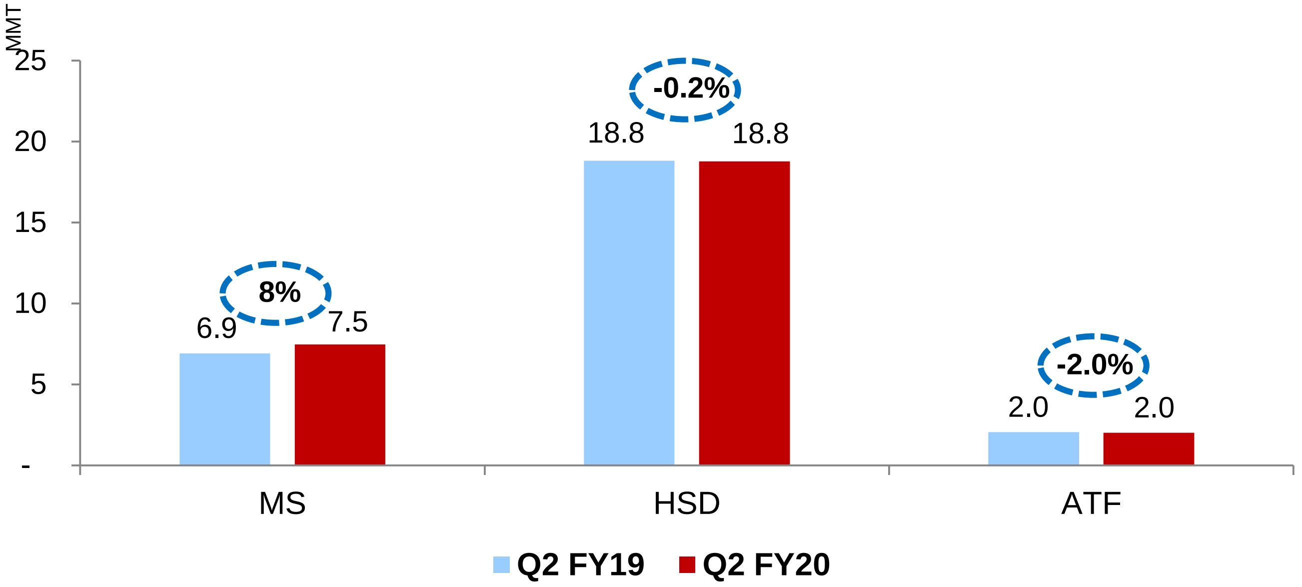
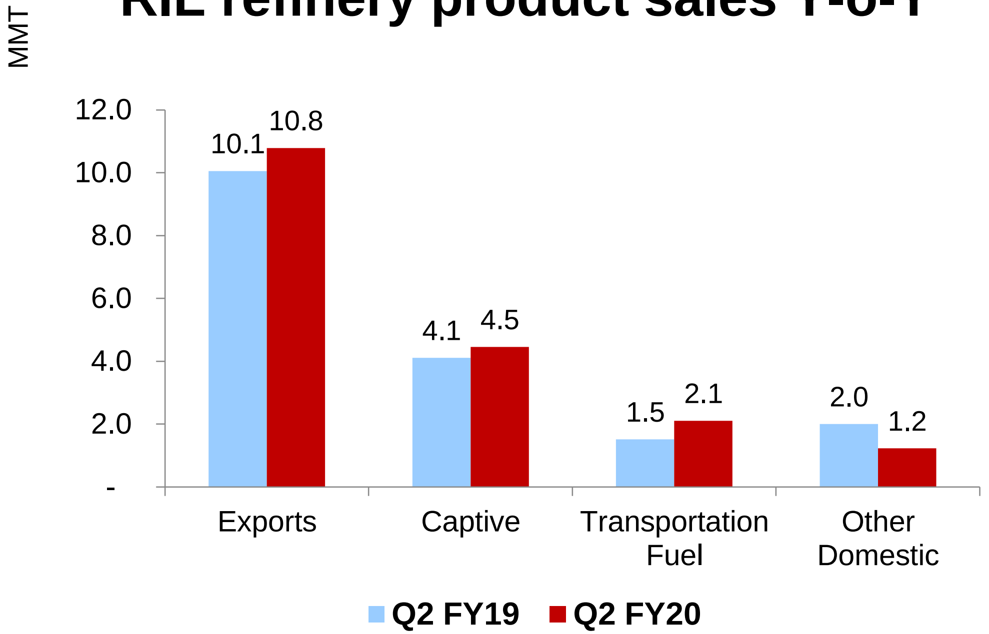
## Domestic Demand Y-o-Y




- India oil product demand grew 2.6% in 2Q FY20
  - Preference for petrol driven vehicles due to narrow price difference with diesel
  - Heavy rainfall in the country has severely affected economic activities

## RIL refinery product sales Y-o-Y




- Higher captive and export sales with optimized inventory levels
- Continued strong retail and bulk sales despite stable domestic demand

**Growth in domestic transportation fuel demand for RIL despite stable oil demand**

Source: PPAC

# Domestic Marketing


- Strong YoY volume growth: HSD (14%) / MS (17%) vs. Industry growth of (-0.2%) / (+8%)
- Focused emphasis on big ticket Fleet Customers led to total growth of 36% YoY
- E-Com Network increased to 510 ROs; Over 350% YoY volume growth

- 14% YoY volume growth across sectors against industry growth of 2%
- Reinforced priority partner position with railways
- 20% YoY growth in Non-Railway sector with continued focus on STU and Infra segment


- 11% YoY Volume growth in direct sales to airline partners against industry degrowth of 2%
- Driving ATF volumes via network growth, leveraging seasonal volumes, logistics optimization
- 34% YoY growth in Packed & Bulk LPG segments with strengthened network

**Industry leading growth driven by strong customer proposition and strengthened network**

# IMO 2020 – Significant Opportunity for Complex Refiners

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## IMO 2020 Implementation on track

- IMO implementation beginning to play out in product markets
  - Strong diesel cracks and premium of VLSFO
  - Growing premium for heavy sweet crudes
- Product market disruptions indicative of  high compliance expected for IMO spec change

## RIL Preparedness for IMO changes

- Major turnarounds completed in 1H FY20 and units stabilized
- Higher capacity Coker operation established, further enhancement planned in 4Q
- Feedstock sourcing being optimized to take advantage of changing market with suitable terming
- Widening of crude blend window to process opportunity blends
- Niche grades being launched to meet the changing market requirement

# R&M Business Outlook

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**Challenges**

- Large capacity additions 1.6 mb/d (2019) and 1.0 mb/d (2020)
- Reduced heavy crude supply due to sanctions
- Higher freight due to IMO and COSCO Sanctions

**Macro trends**

- Oil demand to grow by 1.0 mb/d (2019) and 1.2 mb/d (2020)
- OPEC+ cuts, geopolitical uncertainty, trade tensions, increased US supply

**Refining drivers**

- Continued demand growth for transportation fuels in EMs
- Additional distillate demand from IMO spec change
- VGO diversion for IMO to support gasoline in near term
- Sulfur discount on feedstocks

**Positioning**

- RIL is well placed to take advantage of emerging market scenarios by
  - Enhanced coker capacity prior to IMO
  - Versatile and flexible kit in terms of feedstock and products
  - Maximizing distillate yields

**Constructive outlook with IMO spec change, reduced crude tightness, delays in new capacities**

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# Petrochemicals

## Polymers & Polyesters

# Financial and Operating Performance

| (₹ crore) | 2QFY19 | 1QFY20 | 2QFY20 |
|---|---|---|---|
| Production (MMT) | 9.4 | 8.7 | 9.9 |
| Revenue | 43,745 | 37,611 | 38,538 |
| EBITDA | 9,477 | 8,810 | 8,927 |
| EBITDA Margin (%) | 21.7% | 23.4% | 23.2% |

- QoQ volume growth of 13% offset margin weakness
  - Volume growth led by polyester intermediates (+27%) with restart of units after turnaround
- Feedstock flexibility and agile operations boosted performance
  - Cost optimization through low cost ethane cracking and ROGC
  - Healthy by-product credit benefitted integrated naphtha crackers
- Strength in agriculture and consumer related segments
  - Vinyls and polyester helped offset margin weakness arising from durables, packaging sectors
  - QoQ margin higher in PVC (+29%), MEG (+10%), POY (+8%)
  - QoQ margin lower in PP (-44%), PET (-17%), PTA (-16%), PX (-13%), PE (-9%)

**Robust integration and feedstock flexibility mitigating margin volatility**

Source: RIL internal estimates

# Business Environment 2Q FY20

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## Polymer Chain

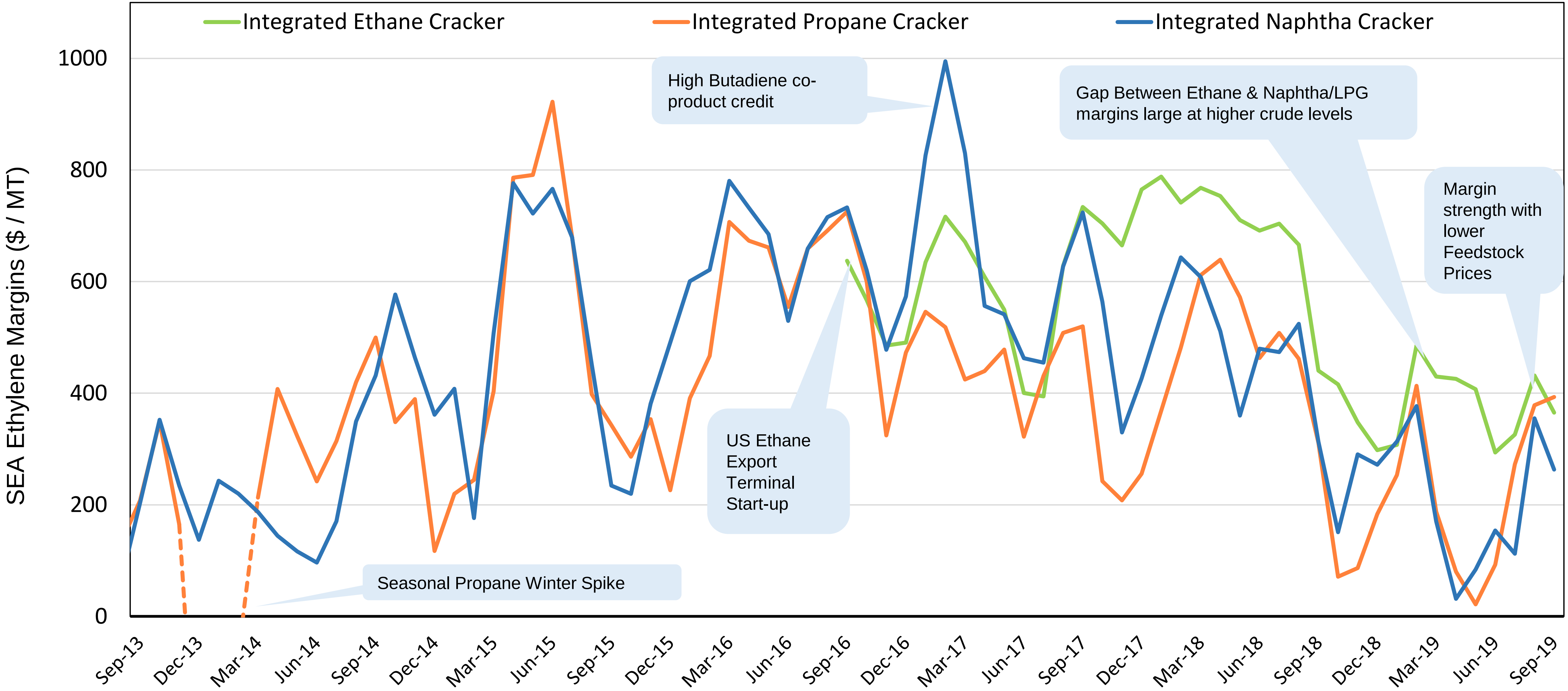
- Continued US-China trade concerns offer opportunity for cost-efficient producers to capture market share
- Global Ethylene demand growth starting to lag global supply growth with significant capacity addition
- Integrated naphtha crackers in Asia regained edge amidst healthy by-product credit
- On-purpose PDH units in NE Asia restarted with healthy fundamentals; supporting new capacity builds
- Despite economic headwinds, India registered moderate polymer demand growth (~5% up YoY)

## Polyester Chain

- Asian PX prices remained soft with volatile crude oil prices and excess supply in China
- Unplanned maintenance in Chinese PTA units helped sustained margins above 5-year avg
- Falling MEG port inventory in China and volatile energy markets supported prices and margins
- Domestic Polyester demand growth increased ~9% YoY led by firm PET and Filament demand

Source: RIL internal estimates

# Cracker Feedstock Economics




**Feedstock flexibility provides a unique competitive advantage to RIL**

# Polymers

# Polyethylene – Impacted by New Supplies

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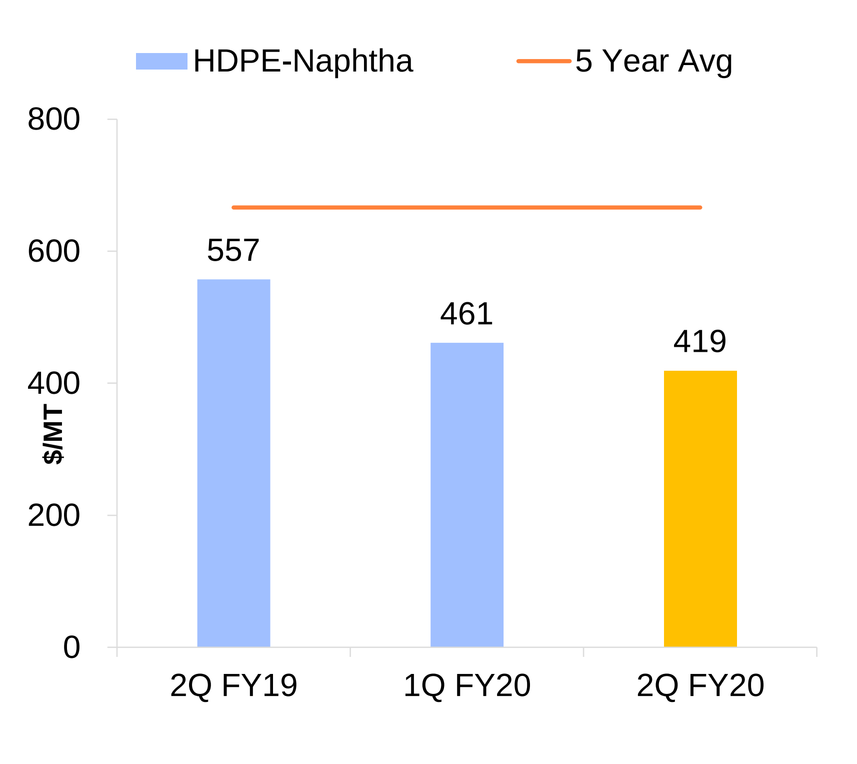
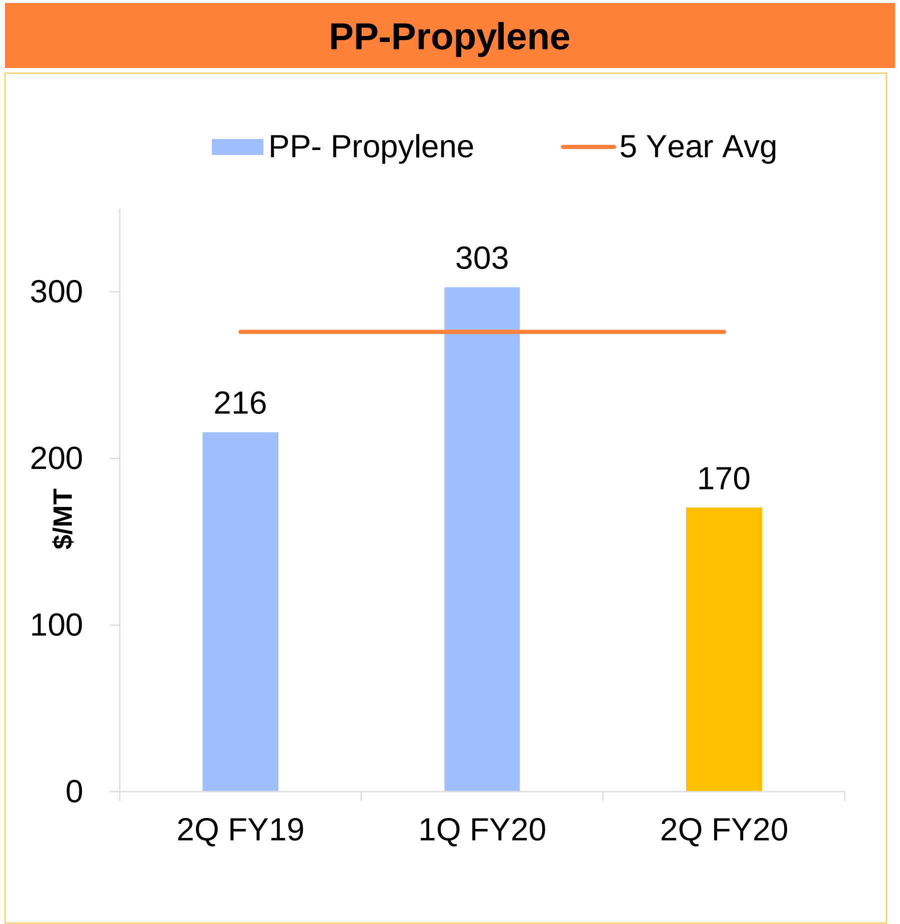
**HDPE-Naphtha**




- Well supplied global markets and weak sentiments led to subdued operating rates and overall decline in prices
  - HDPE margins over naphtha declined 9% QoQ
- US-China trade conflict impacting export demand from China
  - ~56% PE finished goods export from China to US likely to be impacted in 2019
- Domestic PE industry observing healthy growth (up 7% YoY)
  - Demand from fertilizer packaging, water management projects for irrigation and retail packaging – supported by good monsoon
- RIL PE production remained stable – ROGC LLDPE plant undergone planned reliability shutdown

(Source: Platts, ICIS, IHS Markit)

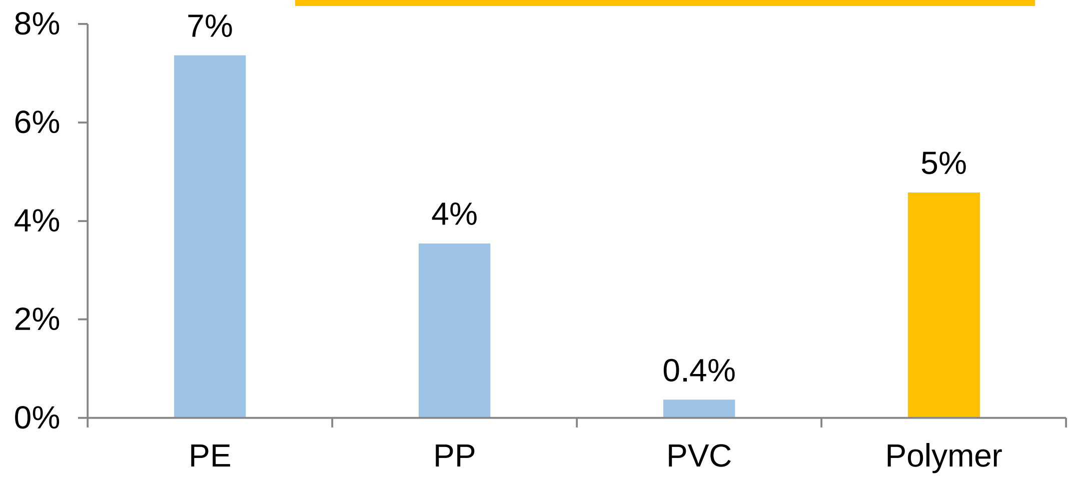
# Polypropylene




- Tight supplies from regional turn-arounds supported a firm propylene price environment – up 8% QoQ
  - PP margins further impacted by 4% QoQ decline in PP prices
- Moderate growth (~4% YoY) in domestic demand continued despite sharp slowdown in cement and auto sector
- Demand growth in China impacted by trade war
- New capacity addition in India of 700 KTA
  - India likely to become net exporter of PP homo-polymers
- RIL PP market share increased to ~48%

(Source: Platts, ICIS)

# Domestic Demand and RIL Production




- Overall polymer demand growth still healthy despite slowdown in core sectors – auto, housing
- Healthy PE demand growth from agriculture and retail sectors on back of a good monsoon
- Excessive rainfall in several parts of the country moderated demand for PVC pipes

| RIL Production (KT) | 2Q FY19 | 1Q FY20 | 2Q FY20 |
|---|---|---|---|
| **PP** | 698 | 713 | 744 |
| **PE** | 520 | 546 | 535 |
| **PVC** | 190 | 195 | 201 |
| **TOTAL** | **1408** | **1454** | **1480** |

- RIL Polymer production up by 5% YoY and 2% QoQ
- PE production down QoQ due to planned reliability shutdown

**Renewed infrastructure focus and economic stimulus to help domestic demand revival**

# Business Outlook – Polymer Chain

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**Market Environment**

- Feedstock prices likely to remain volatile – geo-political concerns and weak economic outlook
- US-China trade tensions and economic slowdown likely to hamper global demand growth
- India polymer demand to remain healthy driven by agriculture and packaging

**New Capacity**

- Global cracker operating rates likely to dip; markets expected to balance by 2021-22
- 3 MMT – US ethane based crackers expected in 2020
- ~10 MMTA of PE capacity expected over the next 18-24 months
- ~2 MMTA mixed feed cracker and ~3 MMTA on-purpose propylene units expected in China

**Emerging Global Trends**

- Several countries implementing strict measures against Single usage plastics (SUP)
- With focus on Swachh Bharat, India is also likely to see curbs in SUP usage
- Increasing trend of replacement of virgin plastics by recycled content and adoption of extended producers responsibility (EPR)

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# Polyester Chain

RELIANCE
PETROCHEMICALS
Chemistry
for smiles

# Chain margin Sustains With Lower Volatility QoQ

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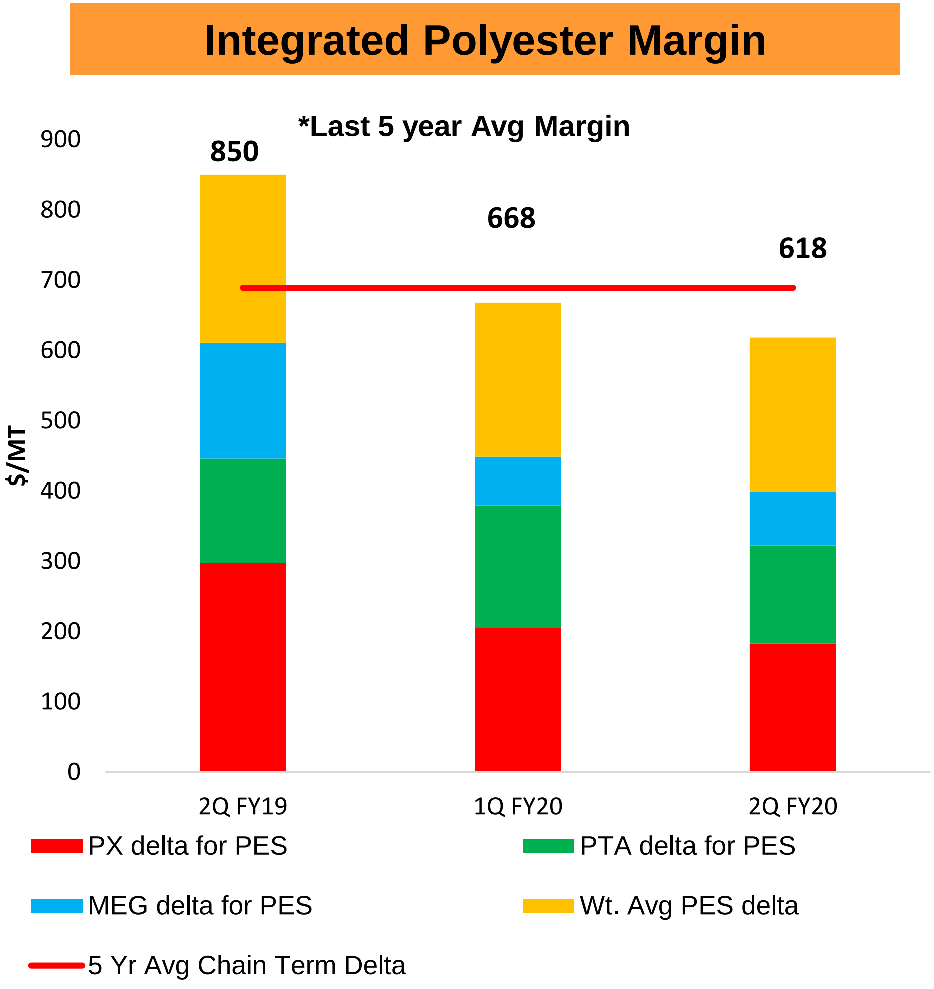
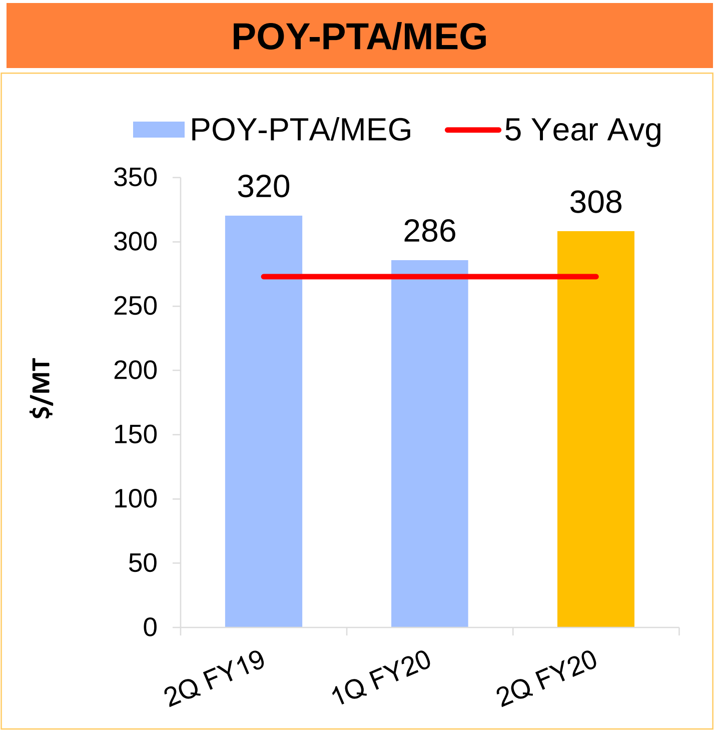
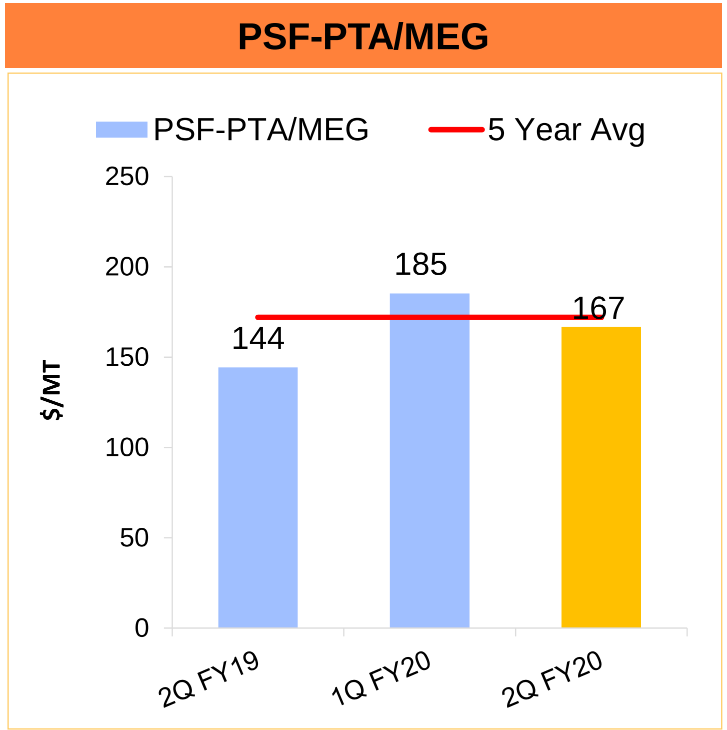


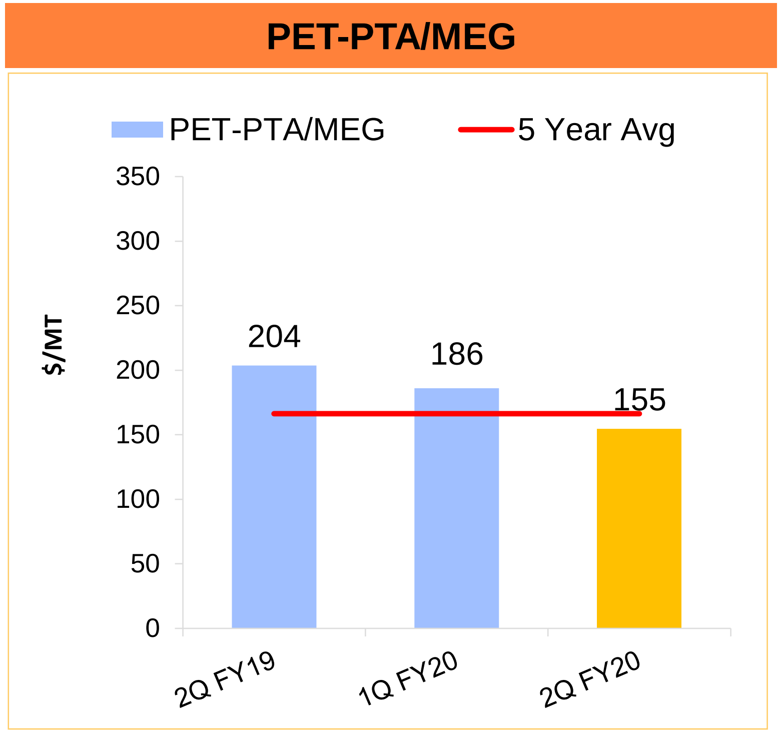

- PX price and margins under pressure
  - Concerns around new supply and feedstock volatility
- Tight PTA supply supported prices, despite weak PX
  - Margins above 5 year average supporting chain margin
- Reduction in port inventory and disciplined Chinese domestic output improved MEG margins
- Polyester margins sustained in fluctuating raw material environment
  - Downstream polyester deltas above 5 year average

**Integrated operations aid weathering of market uncertainties**

# Polyester Delta Scenario



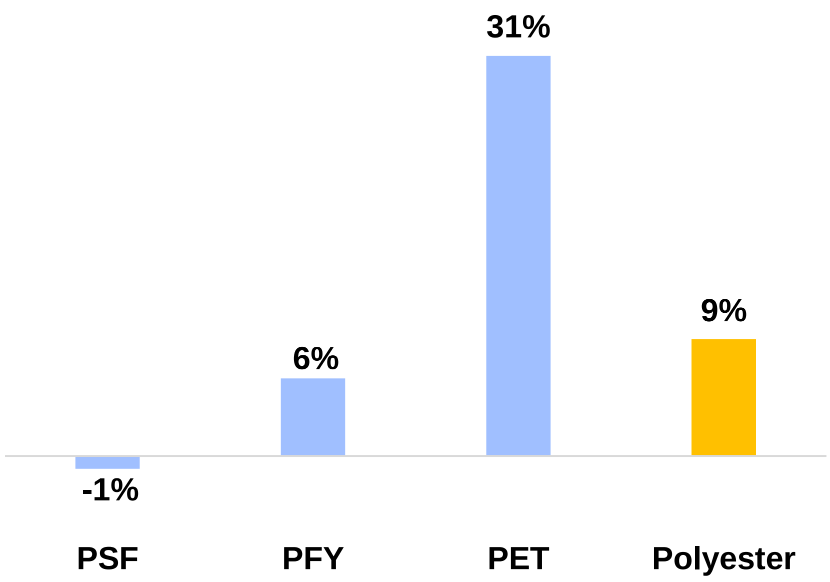




- Low inventory levels, firm demand and weak intermediate prices supported POY margins
- PSF margins declined with subdued demand impacting end realizations
- Fluctuations in feedstock prices limited uptrend in PET prices, despite healthy seasonal demand

(Source: Platts, ICIS)

# Business Environment: Strong Revival

**Domestic Demand Growth**
**(2Q FY20 vs 2Q FY19)**




- Polyester demand growth at 9% YoY with low polyester price
  - Producers maintained healthy operating rates
  - PSF markets were stressed with increased imports from China and ASEAN countries
- PET demand up 31% YoY – benefitting from rising beverage consumption and extended summer
- RIL strategically maintains its market share with optimization of product mix and increased exports

**Domestic markets to continue healthy operating rates**

# Polyester Chain – Operational Highlights

Reliance Industries Limited

| Production (KT) | 2Q FY19 | 1Q FY20 | 2Q FY20 |
|---|---|---|---|
| PX | 1124 | 737 | 1186 |
| PTA | 1215 | 1180 | 1233 |
| MEG | 415 | 344 | 444 |
| **TOTAL** | **2755** | **2260** | **2863** |

| Production (KT) | 2Q FY19 | 1Q FY20 | 2Q FY20 |
|---|---|---|---|
| POY | 279 | 260 | 265 |
| PSF | 170 | 168 | 173 |
| PET | 289 | 295 | 292 |
| **TOTAL** | **738** | **723** | **730** |

- Aromatics production increased 27% QoQ with higher capacity utilisation (planned turnaround in 1Q FY20)
- Polyester production stable amidst effective product mix and optimised inventory control

**RIL maintained its market leadership with high operating rate and efficient inventory management**

# Business Outlook – Polyester Chain

Reliance
Industries Limited

- US-China trade dispute developments to have cascading effect across polyester chain
- PX markets to be guided by operational status of new capacities
- Rationalization of PTA operating rates in China likely to support margins
- Falling port inventories in MEG likely to support prices
- Polyester markets to witness healthy demand ahead of festive season and New Year holidays – supporting prices and margins

Reliance Industries Limited

# Oil & Gas

# Domestic & Shale

# Domestic E&P – Production Update

| 2Q FY20 (JV Production) | KG D6 | Panna Mukta | CBM |
|---|---|---|---|
| Gas Production (Bcf) | 5.45 | 11.69 | 3.03 |
| Oil Production (mmbbl) | - | 0.96 | - |
| Gas realization ($/mmbtu) | 3.69 (GCV) | 5.73 (NCV) | 7.27(GCV) |
| Oil realization ($/bbl) | - | 63.94 | - |

**Note: RIL share of total domestic production at 11.9 BCFe**

**KG D6**

- Average Gas production from D1D3 field at 1.68 MMSCMD
- Field is in a late life stage and affected by low pressure and water ingress related challenges

**Panna Mukta**

- Average production : Gas at 3.6 MMSCMD; Oil at ~10,400 BOPD
- QoQ production up with higher number of production days and sustained well performance

**CBM**

- Produced 85.8 MMSCM (Average 0.93 MMSCMD) of Gas – 233 wells flowing

# Other Updates

Reliance Industries Limited

| KG D6 – 3 Projects under development | | |
|---|---|---|
| **R-Cluster** | **Satellite Cluster** | **MJ field** |
| On track for first gas in mid-2020. Key development activities to start soon<br>• Second campaign for installation of subsea production system (SPS)<br>• XMT installation and upper completion of wells<br>• Tie in of 6 wells to SPS | • Top hole drilling completed for 3 out of 5 wells<br>• Engineering and fabrication on track for SPS<br>• First offshore installation campaign planned in 3QFY20 | • Engineering work for SPS, FPSO and Subsea Installation in progress<br>• First phase of Drilling to commence in 4QFY20 |

- Assignment of NIKO's PI to RIL & BP is approved by GoI

**CBM:**

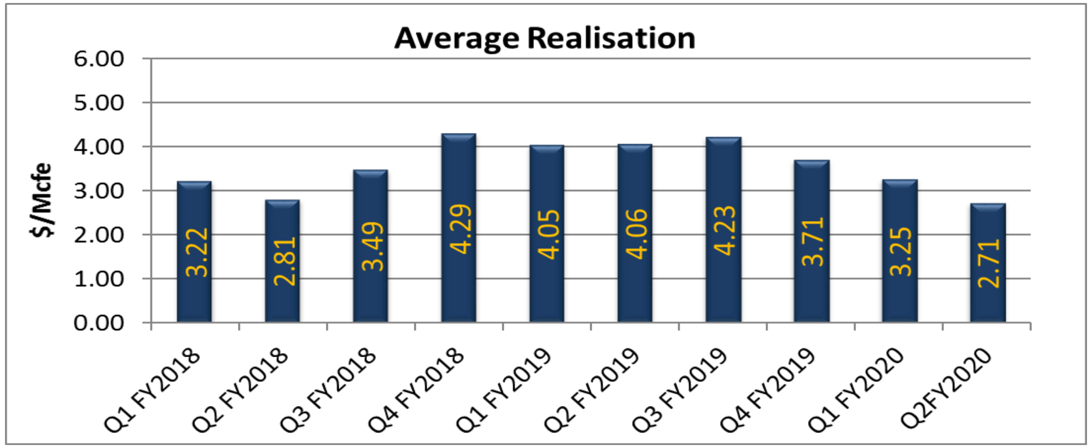
- Phase-II activities –Expected commissioning of additional Gas Gathering Station by 3Q FY20
- Hookup of 67 wells to be taken up progressively from 3Q FY20

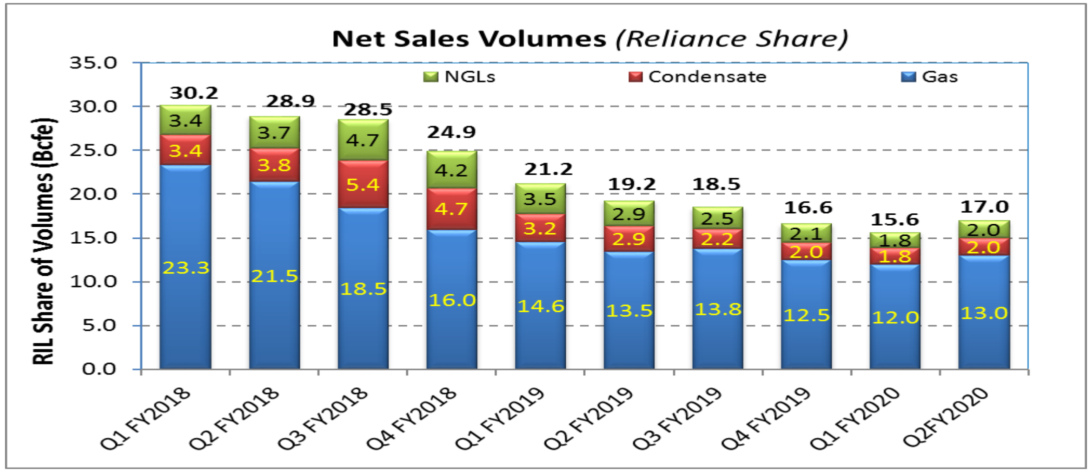
**OALP:**

- Revenue Sharing Contract (RSC) signed for Block KG-UDWHP-2018/1 awarded to RIL and BP consortium
- Petroleum Exploration License (PEL) obtained and Joint Operating agreement under finalization with BP

# US Shale - Business Performance

| | 2Q FY20 | 1Q FY20 | 2Q FY19 | % chg. YoY | 1H FY20 | 1H FY19 | % Chg vs. 1H FY19 |
|---|---|---|---|---|---|---|---|
| Production (Bcfe) | **19.9** | 17.8 | 21.2 | -6% | 37.7 | 45.0 | -16% |
| Revenues ($ MM) | **46** | 50 | 81 | -43% | 96 | 167 | -43% |
| EBITDA ($ MM) | **-19** | -14 | 13 | -243% | -33 | 32 | -203% |




- Blended realization down 17% QoQ and 33% YoY
  - Decline across products : gas, condensate, NGLs
- Eagle Ford midstream commitments continue to negatively impact EBITDA
- Volumes higher 11% QoQ driven by new wells put in production
  - 6 new wells in Marcellus and 8 in Eagle Ford
- 1 Rig and 1 Frac crew operational during 2Q FY20 in each of the JVs

Reliance Industries Limited

# Reliance

# Retail


# Key Highlights

Reliance
Industries Limited

- Crossed revenue milestone of ₹ 40,000 crore for a quarter
- 14th straight quarter of revenue and profit increase
- Broad based growth with key consumption baskets registering another quarter of double digit growth and margin improvement in tandem
- Operating leverage and efficiencies driving significant improvement in EBITDA margins
- Sustained focus on expansion across consumption baskets and geographies

**Continue to scale new highs, recording the highest ever revenues and EBITDA**

# Results Highlights

Reliance Industries Limited

*All Figures in ₹ Crore*

| 2QFY20 | 2QFY19 | % Change wrt 2QFY19 | Metric | 1HFY20 | 1HFY19 | % Change wrt 1HFY19 |
|---|---|---|---|---|---|---|
| 41,202 | 32,436 | 27% | Segment Gross Revenue | 79,398 | 58,326 | 36% |
| 36,972 | 28,832 | 28% | Segment Net Revenue | 71,209 | 51,940 | 37% |
| 2,322 | 1,392 | 67% | Segment EBITDA | 4,371 | 2,598 | 68% |
| 6.3% | 4.8% | + 150 bps | Segment EBITDA Margin (%) | 6.1% | 5.0% | + 110 bps |

**Quarterly Commentary**

- Strong growth across consumption baskets amidst consumption slowdown
- Balanced growth coming from a healthy mix of LFL performance and new store openings

**Strong growth in revenue and profit**

# Birds' Eye View of Reliance Retail's Scale

**>154 million**
(> 138 million)
Footfalls across all stores*; growth of 11% Y-o-Y

**>108 million**
(>73 million)
Registered customers; growth of 48% Y-o-Y

**>76 million**
(> 65 million)
No of bills generated; growth of 15% Y-o-Y

**>6.2 Lakh**
(>4.7 Lakh)
MT of Groceries+ sold; growth of 30% Y-o-Y

**>10,000 ltr**
(> 6,700)
Milk sold every hour; growth of 53% Y-o-Y

**~150 units**
(~100 units)
High end TVs sold every hour; growth of 29% Y-o-Y

**>6 million**
(~4 million)
Kurta's sold; growth of 43% Y-o-Y

**>475 million**
(>413 million)
Litres of Fuel sold at COCOs; growth of 15% Y-o-Y

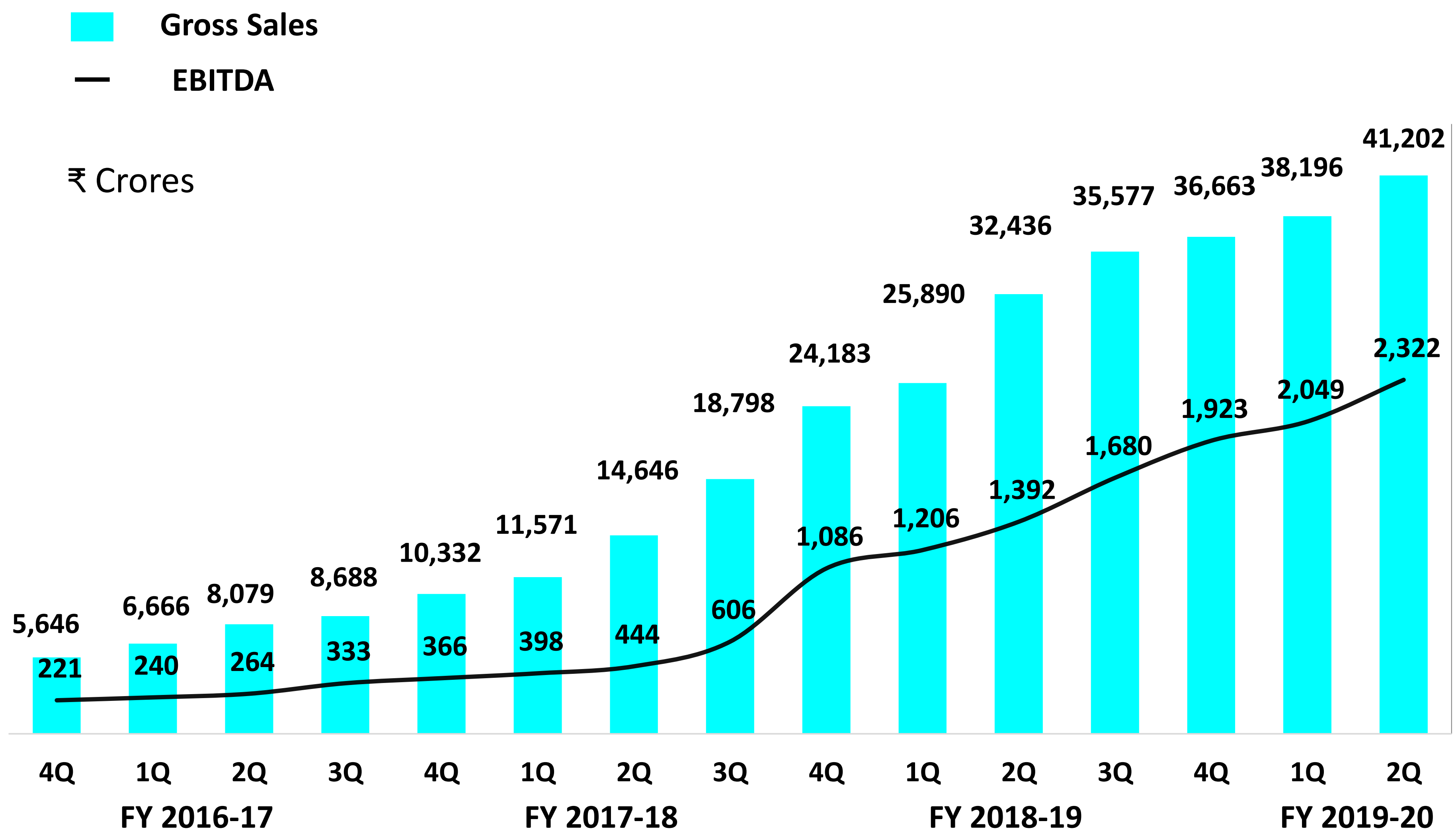
**>10 million**
(>8 million)
Sq. ft. of warehousing space, growth of 25% Y-o-Y

** Does not include Petro Retail*
*+ Represents fruits, vegetables and staples*

(Numbers in brackets represent previous year numbers)

**Serving consumers at significant scale**

# Sustaining Track Record of Growth and Profit




Sales growth of

**76%** CAGR*

EBITDA growth of

**96%** CAGR*

* Annualised CAGR for 14 quarters

# Reliance Retail Store Network

**Reliance Retail Store Count**

| Consumption Baskets | Sep 30, 2019 | Sep 30, 2018 |
|---|---|---|
| Fashion & Lifestyle | 1,979 | 1,451 |
| Consumer Electronics | 8,249 | 7,126 |
| Grocery | 673 | 569 |
| **Total** | **10,901** | **9,146** |
| **Retail Area In Mn SFT** | **24.5** | **19.5** |

- Reliance Retail has the widest reach amongst retailers with stores across 6,700+ cities & towns
  - Added 337 stores during the quarter
- Rapid store expansion across all store concepts
  - Trends Small Town crosses 100 store milestone within 1 year of opening 1st store
  - SMART crosses 200 store milestone; launched 100 stores in last 15 months
  - Hamley's in India crossed a milestone of 100 stores

**Reliance Retail operates the most extensive store network in the country**

*Does not include Petro Outlets

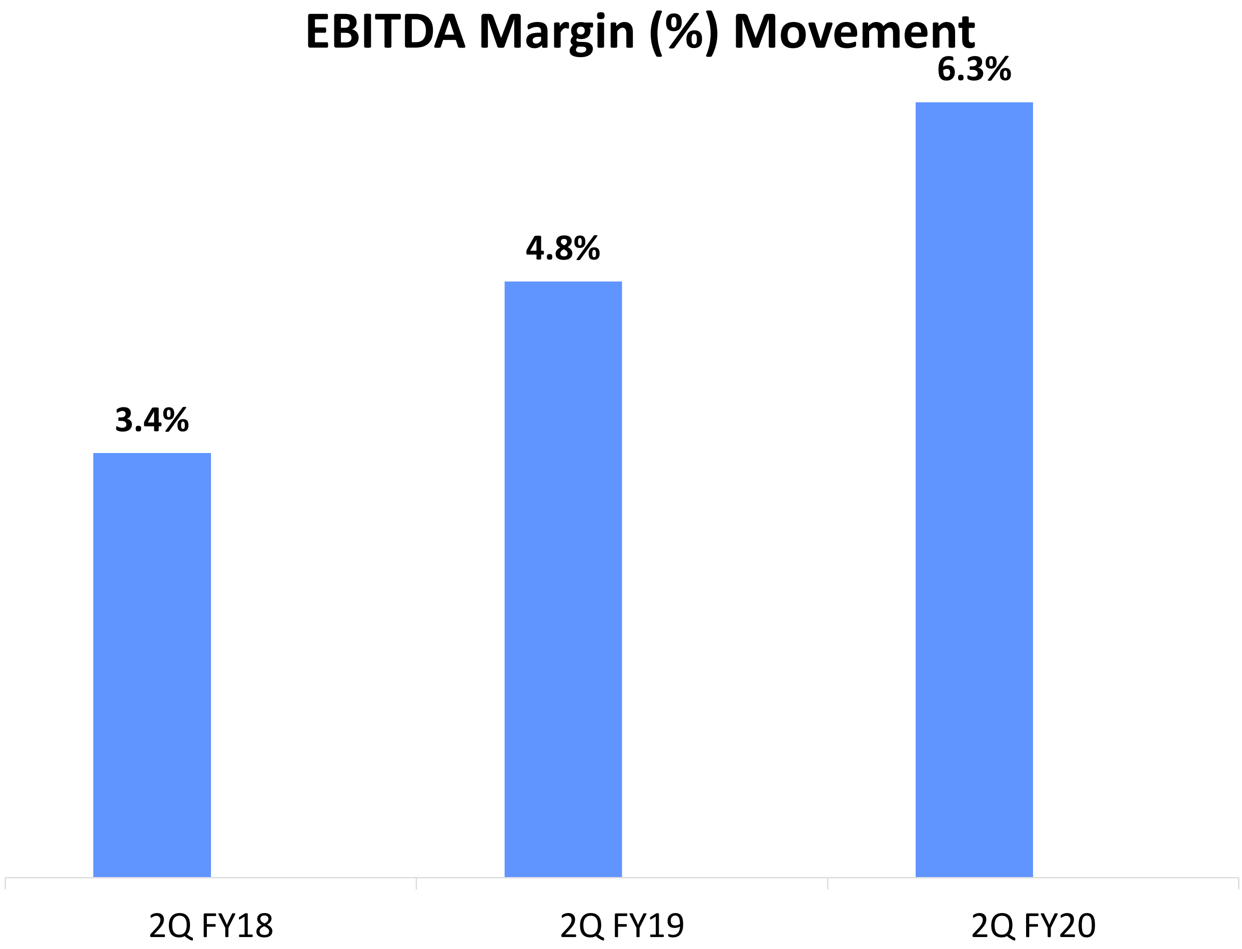
# Key Drivers of Revenue Growth

Reliance
Industries Limited

- Rapid expansion of physical store presence and deepening roots in Tier 3 / Tier 4 markets
- Customer centric approach:
  - Catchment focused assortment and wider choices
  - Wide portfolio of store brands offering compelling value proposition
  - Strengthening merchandising capabilities and closer ties with vendor partners
  - Impactful consumer activations through new store openings and events

**Customer centricity enabling superior growth**

# Key Drivers of EBITDA Margin Improvement

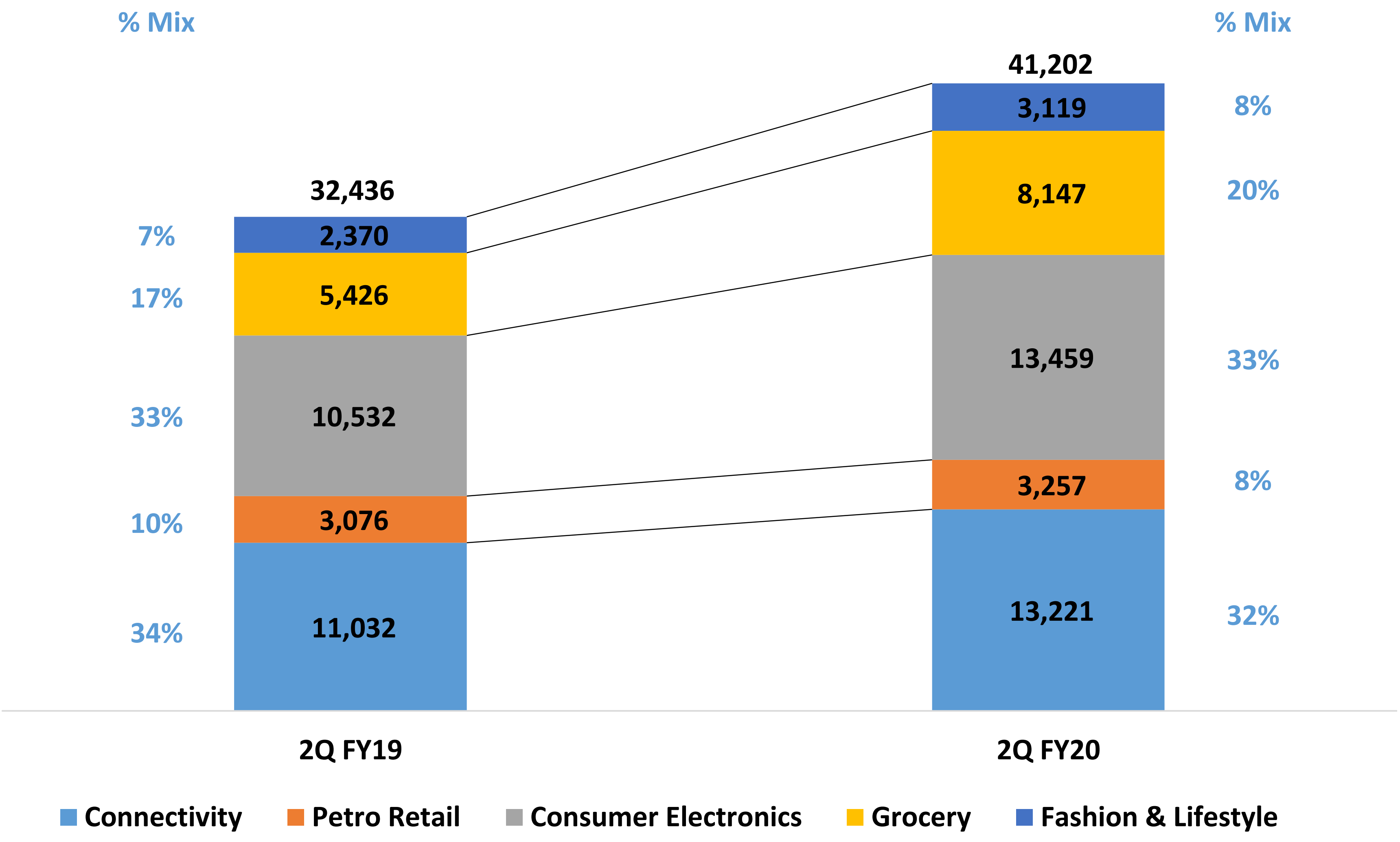



- Healthy like for like growth and improving sales productivity across consumption baskets
- Scale and operational efficiencies in sourcing and supply chain
- Expansion in Tier 3 / Tier 4 markets and early break even in these markets
- Strengthening store brand portfolio across categories

**Operating leverage driving EBITDA margin**

# Contribution from Consumption Baskets

*All Figures in ₹ Crore*



# Fashion & Lifestyle


**1,900+ Stores**

**400+ Cities**

**33 Mn+ Footfalls in 2Q FY20**

**~50 International Partner Brands**

# Performance Highlights – Fashion & Lifestyle

- 32% Y-o-Y growth witnessed in Fashion & Lifestyle consumption baskets in 2Q FY20 driven by new store openings

**Trends & Project Eve**

- Strong performance with an LFL growth of 5% in the quarter
- Crosses a milestone of 800 stores across 400+ cities to become India's largest fashion & lifestyle store chain
- Opened 77 stores in 2Q FY20 and 117 new stores in 1H FY20
- Strong customer traction at Trends Extension formats drives growth across operating parameters
- Broad based growth led by Women's Ethnic wear
- 635 stores have digital kiosks for Online – Offline sales


**Trends - India's largest fashion & lifestyle retail chain**

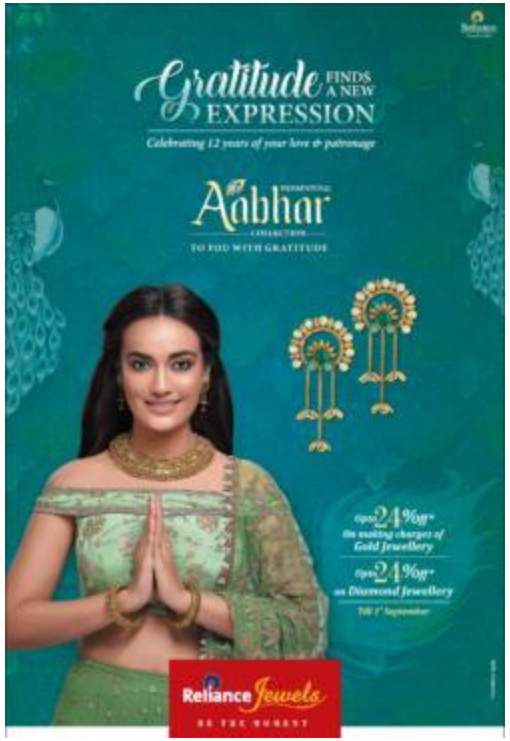
# Performance Highlights – Fashion & Lifestyle

### Trends Footwear

- 38 SIS in Trends store operationalized unlocking cross-category synergies
- Own brand contribution at 29%, up from 13% same period last year

### AJIO

- Assortment listing and number of orders doubled Y-o-Y
- 126 million web/app visits in 2Q FY20, a growth of 64% Y-o-Y
- Strengthened omni-channel capabilities – 350+ stores for direct to customer deliveries




### Jewels

- Opened 15 standalone stores and 50 SIS stores during the quarter
- Uptick in Diamond jewelry sales; launched the intricate "Aabhar" Gold collection

### Reliance Brands

- Announced partnership with Tiffany & Co. and WOMO | Bullfrog, an Italian men's cosmetics brand
- Hamley's crosses a milestone of 100 stores in India

**Serving customers across diverse concepts**

# Consumer Electronics


**8,000+ Stores**

**6,700+ Cities**

**53 Mn+ Footfalls in 2Q FY20**

**140 ResQ Service Centers**

# Performance Highlights – Consumer Electronics

- 2Q FY20 revenue grew by 28% Y-o-Y; LFL revenue growth of 12%
- Strengthened our consumer electronics store network; added 100 stores in 2Q FY20 and 235 stores in 1H FY20
- Robust growth across key categories despite market headwinds
  - Wireless phones growth driven by new product launches
  - Exclusive range & Back-to-school offers helped laptop sales growth
  - Strong TV sales growth led by HETV & attractive opening price points
  - Air care growth driven by strong offers and upselling of 5-star units
- 'Kuch Bhi on EMI' program extension to all brands for better penetration
- Entered into a long term exclusive brand licensing arrangement with Kelvinator, an American home appliances brand



**Strong growth across key Consumer Electronics categories**

# Performance Highlights – Consumer Electronics

Reliance
Industries Limited

***Golden Event Performance (10th to 15th Aug)***

- Received over 3.6 million footfalls during ‘Digital India Sale’
- Strong sales growth recorded across segments
  - 44% in Wireless Phones
  - 38% in Laptop
  - 117% in Air Care
- Specific interventions to heighten the customer experience (eg. faster checkouts)
- Wider coverage for customer engagement across all channels including print, TVC, radio, outdoor activation, online and CRM


**Recorded highest ever daily sales during activation period**

# Grocery


**670+ Stores**

**150+ Cities**

**60 Mn+ Footfalls in 2Q FY20**

**13% share of Own Brands**

# Performance Highlights – Grocery

- 2Q FY20 revenue grew by 50% Y-o-Y; LFL revenue growth of 14%
- Opened 43 stores in 2Q FY20 and 65 stores in 1H FY20
- SMART stores crossed a milestone of 200 stores during the quarter
- Growth registered across all categories led by F&V, dairy and staples
- Strengthened store brand portfolio with new product launches
  - Snactac Brand: Besan ladoo, Soan Papdi, Biscuits
  - Goodlife Multigrain Atta, Petal Sanitary Pads and Shieldz Insecticide
- Received the Annapoorna Food Retailer of the Year Award 2019 conferred by RAI and FICCI



**Accelerated expansion and strong LFL growth led to strong sales**

# Performance Highlights – Grocery



***Golden Events Performance (10th to 15th Aug)***

- Received over 5.2 million footfalls during 'Full Paisa Vasool' Sale; increase in bills by 33%
- Registered strong growth across categories (staples: 58%, confectionery/snacks: 76%)
- Differentiated "Mix and Match" promotion across brands

**Registered strong sales growth of 46% on 'Full Paisa Vasool' event**

# Performance Highlights – Petro Retail Owned Outlets

- 516 owned retail outlets operational as of Sep 30, 2019
  - Witnessed strong volume growth YoY across petroleum products
    - HSD volume grew by 15% Y-o-Y
    - MS volume grew by 17% Y-o-Y
  - Roll out of BSVI Grade fuel in 11 Districts of Haryana completed
  - Trans-connect (loyalty program) customers contribute 36% of sale


**Continues to deliver throughput higher than industry average**

# Reliance Retail: 2Q FY 2019-20 Summary

- Reliance Retail registered a strong performance underpinned by consistent strategy, sharp operational execution and a robust business model
- Retail business recorded the highest ever revenues and EBITDA in a quarter
  - In the context of a slowing growth environment, the business delivered robust revenue growth
  - Strong improvement in operating profit with EBITDA growing at 67% and margin improving +150 bps YoY
- Broad based growth with key Consumption Baskets registering another quarter of double digit growth and margin improvement in tandem
- The business added 337 new stores during the quarter, taking the overall count to over 10,901 stores

**Sustaining strong track record of performance: Consistent, Competitive, Profitable**

# Reliance Jio Infocomm Limited

# Highlights

Jio

**1** **Jio is World's second largest single-country mobile operator**

- Subscriber base at **355.2 million** – net addition of 103 million in last 12 months
- **JioPhone Diwali Offer** to accelerate 2G to 4G transition

**2** **Crossed EBITDA of Rs 5,000 crore, with 41.8% ebitda margin**

- On track to achieve 50% EBITDA margin

**3** **Robust data traffic growth of 56% YoY to 1202 crore GBs; voice traffic has grown 52% YoY**

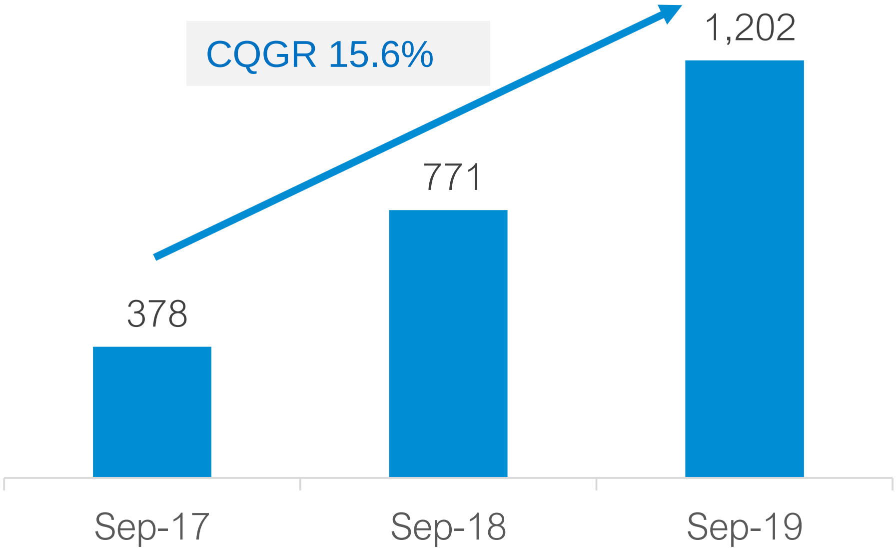
- Per capita data consumption of **11.7 GB per month**

**4** **Investment cycle for Jio is now complete with mobility coverage nearing 99% of population**

**Jio continues to execute ahead of plans across all parameters**

# Jio – Operator of Choice

**Strong growth in data traffic (cr GBs)**




**31.6 million**
Gross adds in 2Q FY20

**240**
Customers added per minute

**11.7 GB/ 789 mins**
Strong Customer engagement per month

**Rs120**
Industry leading ARPU (Like to Like)

**Industry leading operating metrics – usage numbers among the highest globally**

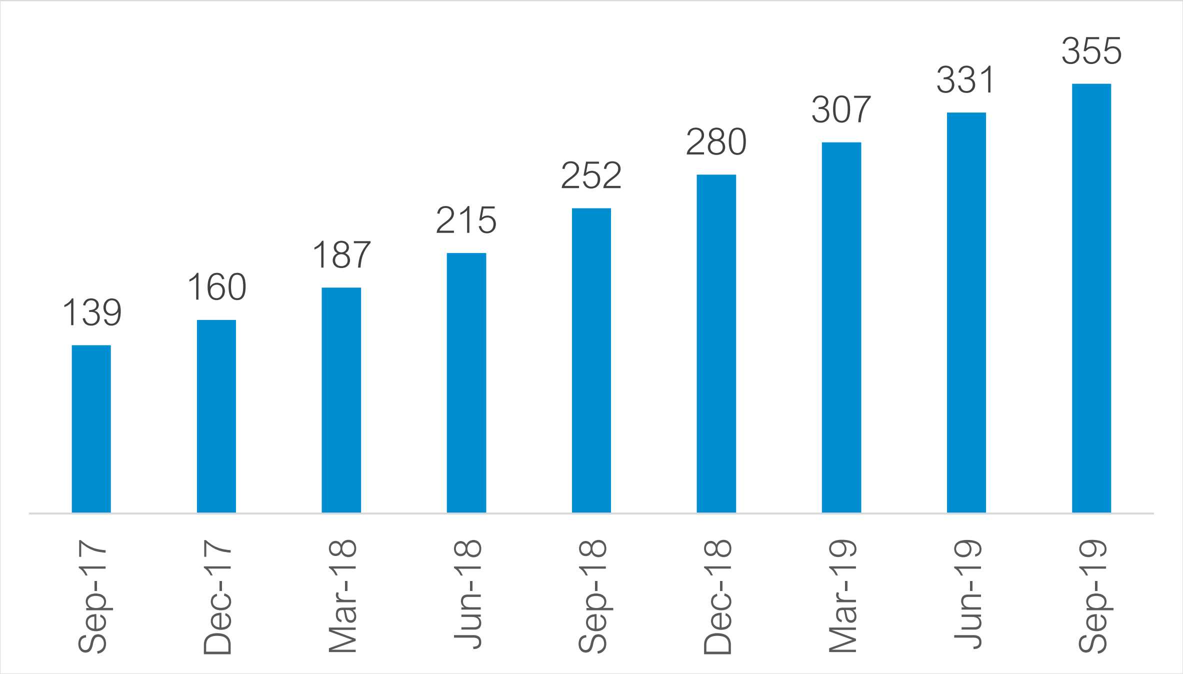
# Industry Leading Financial Metrics

| | |
|---|---|
| ✓India's largest mobile operator by revenue | 2QFY20 Revenue<br>**Rs 12,354 crore** |
| ✓Improving Ebitda profile | 2QFY20 EBITDA<br>**Rs 5,166 crore** |
| ✓Robust revenue growth | % growth YoY<br>**33.7%** |
| ✓Operating leverage playing out | Ebitda margin<br>**41.8% (+315 bps YoY)** |

**Strong growth backed by operational efficiencies; key tailwinds in place for FY20-21**

# Half A Billion Customers Is Within Reach

**EoP Subscribers (in millions)**




**Monthly gross adds of >10 million** in 2QFY20

**~50 million subscribers** added in the past six months

**Healthy trends across** all service areas and customer strata

**Affordable** tariff, **wider network** presence, **JioPhone** and attractive **bundling** of digital services are key drivers

**Jio's mission is to connect everyone and everything, everywhere – always at the highest quality and the most affordable price**

# Advantage Jio – #1 VoLTE Player Globally

**Over 350 million VoLTE subscribers using ~9.0 bn minutes every day**

- First player globally to stabilize VoLTE technology and offer at scale
- International roaming
- Free service (on-net call, conferencing, SMS and content sharing)
- > 260 Bn minutes / month
- HD voice and video calls
- No barriers: any mobile, any landline

**Indian consumers have benefitted tremendously due to implementation of the world's largest end-to-end VoLTE network**

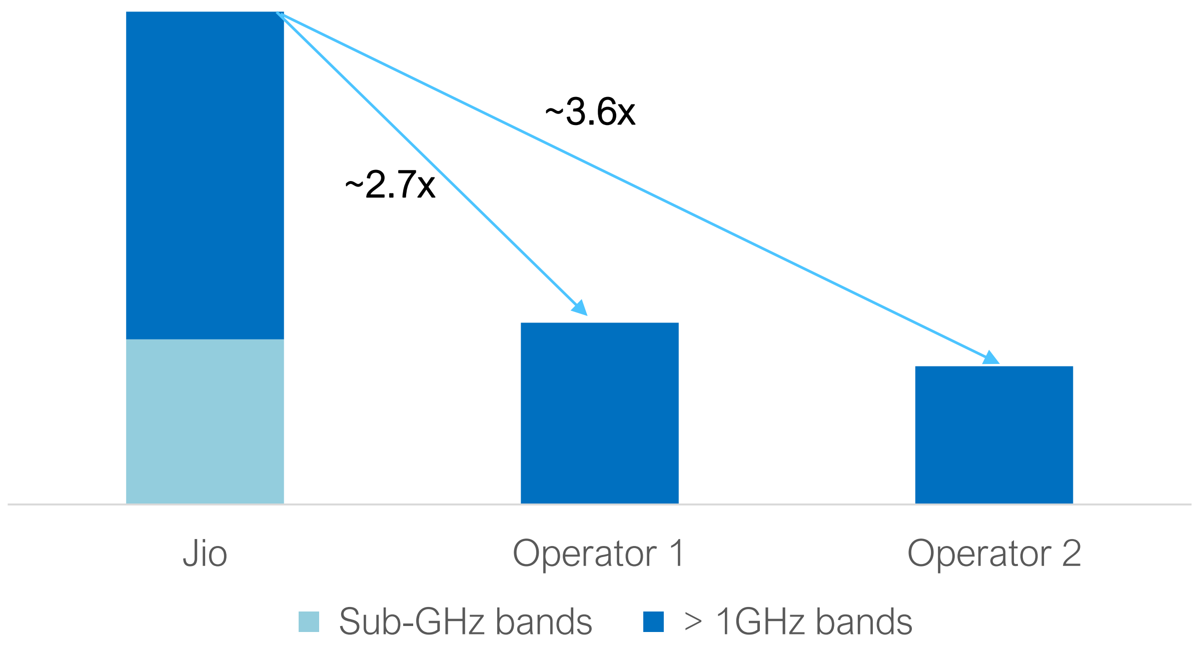
# Advantage Jio - Investment Cycle Is Complete

- Invested **~Rs3.5 Lakh crore** to create pan India digital infrastructure with largest fiber footprint
- Created world-class, legacy-free, fully scalable **4G Plus network**
- With close to ~99% coverage, **only demand driven investment required**
- Platform set to benefit from **operating leverage** and **superior returns**

**Multiple growth engines to bring true business potential to the fore**

# Advantage Jio – Network capacity and coverage

## LTE Coverage & Capacity (radiating eNodeBs)




Jio has deployed **> 750K eNodeBs** across 800MHz, 1800MHz, and 2300MHz LTE bands

At current run rate, operator 2 and 3 would take **3 / 18 years to catch-up**, provided Jio stopped adding capacity

Jio is the only operator with meaningful **sub-GHz LTE deployment**

Besides higher RF capacity, **extensive fiber backhaul** supports higher throughput

**Jio has significant lead in terms of coverage and capacity**

# Advantage Jio – Digital Ecosystem & Platforms


Holistic | Mobile First | For all Indians

**Holistic family of digital services platforms for all Indians**

# JioPhone Diwali Offer – To Accelerate 2G to 4G Transition


Over **70 million JioPhone subscribers**

**> 350 million** subs still on 2G networks

To these subs, JioPhone made available at **special price of Rs 699**

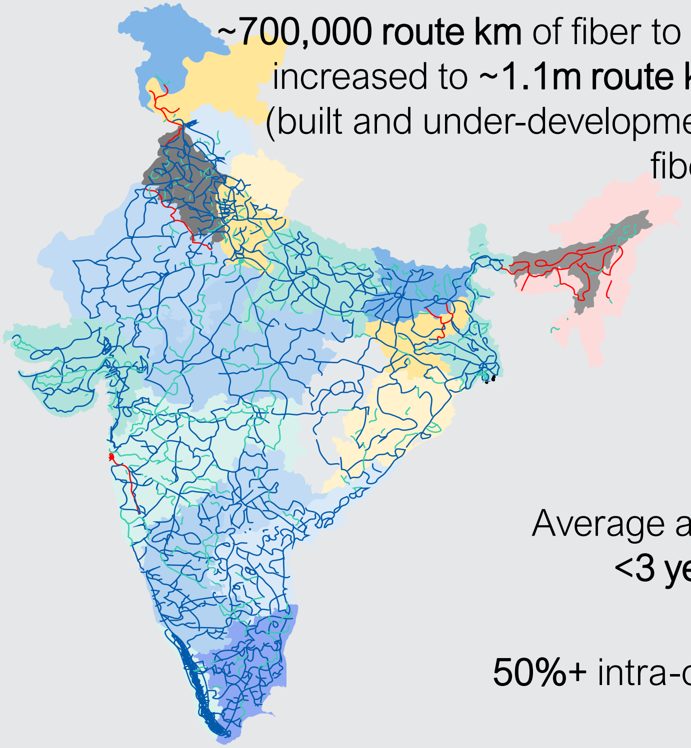
For the first **7 recharges, Jio will additionally add Rs99 worth of data**

***"Jio will ensure that no Indian is deprived of affordable Internet and the fruits of the Digital Revolution"***

**Digital inclusion for the underprivileged**

# FTTH Offering launched

## Extensive Fiber Infrastructure



~700,000 route km of fiber to be increased to ~1.1m route km (built and under-development fiber)

Average age <3 year

50%+ intra-city

**1,600** Cities covered in First Phase

## Jio Fiber Prepaid Plans

| Plan Name | Bronze | Silver | Gold | Diamond | Platinum | Titanium |
|---|---|---|---|---|---|---|
| Monthly Plan | ₹699 | ₹849 | ₹1,299 | ₹2,499 | ₹3,999 | ₹8,499 |
| Speed | 100 Mbps | 100 Mbps | 250 Mbps | 500 Mbps | 1 Gbps | 1 Gbps |
| Data | **Unlimited** (100 GB+50 GB) | **Unlimited** (200 GB+200 GB) | **Unlimited** (500 GB+250 GB) | **Unlimited** (1250 GB+250 GB) | **Unlimited** (2,500 GB) | **Unlimited** (5,000 GB) |
| Voice | **Free** | | | | | |
| TV Video Calling | **Included** (worth ₹1,200/year) | | | | | |
| Gaming | **Included** (worth ₹1,200/year) | | | | | |
| Home Networking | **Included** | | | | | |
| Device Security | Up to 5 devices (Worth ₹999/Year) | | | | | |
| VR Experience (IMMERSIVE) | | | | **Platform Access Included** | | |
| Premium Content | | | | **Platform Access Included** (First-day first-show movies, special sports content) | | |
| Welcome Offer Home Devices | **Included** Jio home gateway (worth ₹5,000) +Jio 4K set top box (worth ₹6,000) | | | | | |
| OTT Applications | 3 Months JIOCINEMA & JIOSAAVN | 3 Months OTT Apps | Annual subscription OTT & apps | | | |

**Best bundled offering in the industry**

# Transformative Microsoft Azure Partnership

| Solutions Targeted Towards | Startups | SMBs | Large Companies |
|---|---|---|---|

| Increase Adoption of Cutting Edge Technologies | Data Analytics | Artificial Intelligence | Cognitive Services | Blockchain | Internet of Things |
|---|---|---|---|---|---|

Reliance Jio to **provide its internal workforce** with cloud-based productivity and collaboration tools available with Microsoft 365 and **migrate its non-network applications** to the Microsoft Azure cloud platform

Reliance Jio **will setup datacenters** in locations across India, consisting of next-generation compute, storage and networking capabilities, and **Microsoft will deploy its Azure platform in these datacenters** to support Jio's offerings

**Drive adoption of next-gen technology solution at scale**

# Recovery of Termination Charge

- **Regulatory uncertainty** around IUC charge compels **recovery of termination charge** of 6paise/ min
- Traffic asymmetry (cited as the only factor for revisiting IUC charges), is purely driven by tariff differential for voice services and huge number of missed calls to Jio network
- For all recharges done by Jio customers **effective 10th October**, calls made to other mobile operators to be charged at the prevailing IUC rate through top-up vouchers
  - **Additional data entitlement** of equivalent value ensures **no increase in tariff for customers**
  - Applicable only till the time TRAI abolishes IUC, in line with present regulation
- Appropriate representations to be made to TRAI in the best interest of consumers

**No change in tariff strategy; focus on building the digital ecosystem**

# Update on InvIT Fund Raise

- Transaction for subscription of units of Tower InvIT by Brookfield Infrastructure Partners L.P. and affiliates in final stages and to be completed shortly
  - Brookfield Infrastructure Partners L.P. and affiliates to subscriber to units worth Rs 25,215 crore to be issued by the Tower InvIT
  - Proceeds from the investment will be used to repay existing financial liabilities of RJIPL, including loans extended by Reliance
- Ongoing discussions with potential investors for subscription of units of the Fibre InvIT

**Brookfield and affiliates investing Rs 25,215 crore in Tower InvIT**

# Appendix

# Key Operating Metrics

| Key KPIs | 2Q' 19-20 | 1Q' 19-20 | 2Q' 18-19 | QoQ Growth | YoY Growth |
|---|---|---|---|---|---|
| Subscriber base (million) | 355.2 | 331.3 | 252.3 | 7.2% | 40.8% |
| Net subscriber addition (million) | 24.0 | 24.5 | 37.1 | -2.3% | -35.4% |
| ARPU (Rs/ month) | 120.0 | 122.0 | 131.7 | -1.7% | -8.9% |
| Wireless Data Consumption (crore GB) | 1,202 | 1,090 | 771 | 10.3% | 55.9% |
| Per Capita Data Consumption (GB/ month) | 11.7 | 11.4 | 11.0 | 2.5% | 6.2% |
| Voice on Network (crore minutes per day) | 883 | 864 | 580 | 2.3% | 52.2% |
| Per Capita Voice Consumption (minutes/ month) | 789 | 821 | 761 | -3.9% | 3.7% |

- Healthy subscriber momentum with gross adds at 31.6 million
- Double digit data volume growth, with per capita usage at 11.7GB/ month
- ARPU impacted by subscriber mix and shift to long-term value packs, in line with recent trends
- Churn at 0.74% remains the lowest in the industry

**Reflect a high degree of customer acceptance**

# Key Financial Metrics

| Particular | 2Q' 19-20 | 1Q' 19-20 | 2Q' 18-19 | QoQ Growth | YoY Growth |
|---|---|---|---|---|---|
| Gross Revenue * | 14,555 | 13,762 | 10,901 | 5.8% | 33.5% |
| Operating Revenue | 12,354 | 11,679 | 9,240 | 5.8% | 33.7% |
| EBITDA | 5,166 | 4,686 | 3,573 | 10.2% | 44.6% |
| EBITDA margin | 41.8% | 40.1% | 38.7% | 169bps | 315bps |
| D&A | 1,775 | 1,656 | 1,531 | 7.2% | 15.9% |
| EBIT | 3,391 | 3,030 | 2,042 | 11.9% | 66.1% |
| Finance Costs | 1,871 | 1,660 | 996 | 12.7% | 87.9% |
| Profit Before Tax | 1,520 | 1,369 | 1,046 | 11.0% | 45.3% |
| Net Profit | 990 | 891 | 681 | 11.1% | 45.4% |

**Gross Revenue is value of Services*
*Standalone Results*
*figures in Rs crore, unless otherwise stated*

- Healthy revenue growth led by subscriber additions
- Robust EBITDA margins despite continued network expansion and shifting of infra assets outside
  - On track for target 50% EBITDA margin
- FTTH and Enterprise businesses to be key growth and margin tailwinds over next few quarters

**Setting a strong foundation for future growth**

***Growth is Life . . . .***