**RELIANCE INDUSTRIES LIMITED**

**Introduction to the Sector and its Performance Growth**

India's petrochemical industry has been one of the fastest growing industries in the Indian economy. It provides the foundation for manufacturing industries such as pharmaceuticals, construction, agriculture, packaging, textiles, automotive, etc. The major accelerator for the growth of the petrochemical industry in India is its ongoing economic development.

Major issues faced by the Indian petrochemical industry are lack of low cost feedstock and dependence on western countries for technology. New crackers and derivatives projects announced are making slow progress and their coming onstream might be further delayed.  
  
The petrochemical industry in India is oligopolistic with four main players dominating the market, namely Reliance Industries Ltd. (RIL) along with Indian Petrochemical Ltd. (IPCL), Gas Authority of India Ltd (GAIL), and Haldia Petrochemicals Ltd. (HPL). One of the major advantages that this industry has to itself is a competitive range of labour cost and a huge trained talent pool. Meanwhile, insufficient basic infrastructure, prevalence and use of old technology and high feedstock cost in comparison to Middle East countries are some setbacks it continues to face.  
  
However, it is anticipated that the output growth of almost $200 billion from the current $83 billion will be made within the coming decade. The future of the Indian petrochemicals industry is bright with domestic demand driving the market for products. With Government support slowly falling into place, the future could see more investments from multinationals as well as domestic companies.

**Introduction about the RIL and its Performance**

RIL is the largest private player in the refining, petrochemical and E&P sectors in India. The Company’s refining complex in Jamnagar is the largest in the world and among the most complex. It is also among the largest integrated petrochemical producers, globally. Over the past 40 years, RIL has periodically transformed its core business through backward integration. First it was Textiles, then Polyester, followed by Chemicals and then Petrochemicals and Refining. In the past few years, a major lateral shift has happened, with the focus on Telecom, Data, Broadband and organised Retail. Apart from Exploration & Production (E&P) in India, RIL has made significant investments in US shale gas. In terms of revenues, Refining contribution stood at 54%, Petrochemicals at 23%, Retail at 17% and Telecom (RJIO) at 5.7%. In terms of EBIT, Petrochemicals at 50%, Refining at 32%, Telecom at 13% and Retail at 8% while Oil & Gas segment continue to post EBIT losses. RIL is also expanding its presence rapidly in the areas of Consumer Retailing and Telecom. EBIT contribution from Retail and Telecom is at 21% for 9M FY19 which was at just 2% in FY17.

**Management Discussion and Analysis**

The report contains forward-looking statements, identified by words like ‘plans’, ‘expects’, ‘will’, ‘anticipates’, ‘believes’, ‘intends’, ‘projects’, ‘estimates’ and so on. All statements that address expectations or projections about the future, but not limited to the Company’s strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realised. The Company’s actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events. The Company disclaims any obligation to update these forward-looking statements, except as may be required by law.

Overview

GLOBAL The global economy grew at 2.4% in CY 2019, slowing from 3% in CY 2018 amid global trade war, tariff related uncertainties, and Brexit. Chinese growth moderated but held up at 6.1% despite escalation of trade tensions with the United States (US). Amidst trade tensions and Brexit related uncertainty, EU growth also weakened to 1.1%. However, with talks of trade resolution in second half of 2019, Europe started to see some recovery in growth. Brexit, which was a key uncertainty for Europe over the last two years, also saw resolution towards end 2019. The US economy remained relatively strong growing at 2.3%. Global trade environment remained challenging due to heightened trade tensions. However, negotiations between the US and China since mid-October resulted in Phase One agreement. Partial roll-back of some US tariffs in exchange for Chinese commitments to make additional purchases of US products mark a deescalation of trade tensions. Oil prices averaged US$61 / bbl in 2019 supported by continued production cuts and supply constraints from Iran and Venezuela. Global oil demand growth declined to 0.8mbpd in 2019, from 1.2 mbpd in 2018. Oil demand growth continued to be led by China, India and other Asian economies. Global demand for ethylene increased by 4% y-o-y to 167 MMT in 2019. However, capacity addition across key petrochemical products significantly outpaced demand growth, pushing down prices and margins to multi-year low for these products. Global growth outlook has changed since the outbreak of COVID-19. There has been coordinated global monetary policy easing and fiscal support from governments. These policy support measures would act as cushions offsetting weakness in growth to some extent . However, global economic activity is likely to contract in 2020 and global growth environment will remain challenging in the short term.

INDIA The Indian economy grew by 4.2% in FY 2019-20 still remaining one of the fastest growing major economies in the world. Industrial activity remained healthy in the beginning of the year, but saw some weakness later. Auto sales suffered due to weak credit conditions, demand softness, and change in regulatory norms. However, services credit averaged at a healthy 10% y-o-y growth even as credit growth deteriorated. Despite weak trade environment amid increasing protectionism, services exports remained resilient at about 8%. On the rural side, with food prices firming up, demand saw some recovery with three-wheeler sales returning to positive growth in December quarter (+8% y-o-y), but reversed the recovery in 4Q. India’s oil demand remained flat in FY 2019-20 as compared to the previous year, with consumption-led demand growth in gasoline (+6.2% y-o-y) and LPG (+6% y-oy). ATF growth (-3.5% y-o-y) was subdued as air traffic growth remained soft, while diesel demand (-1% y-o-y) was impacted by weaker economic growth. Domestic demand growth for petrochemical products was healthy with polymer and polyester demand growing by 4% and 9.0% respectively. Thrust on policy initiatives continued. FY 2019-20 saw consolidation of Public Sector Banks, which should strengthen the banking sector. Non-performing loans in the banking sector have come down to 9.3% from >10% before FY 2019-20. Resolution under the Insolvency and Bankruptcy Code (IBC) is bringing procedural predictability with higher recovery rates (43% in 2019 vs 14% in 2017). With continued policy initiatives, India further continued its climb in the Ease of Doing Business rankings, climbing up 14 places to reach the 63rd rank. India is the only major country to have moved up by 67 places in just 4 years. FY 2019-20 also saw corporate tax cut being announced, further easing business environment. Government also announced significant rebates for new

manufacturing units to attract global supply chains. Outbreak of COVID-19 would make growth environment challenging in first half of FY 2020-21 but liquidity measures announced by the government should help provide support. Domestic data usage and use of digital platforms continue to gain traction in India. Reliance Jio has become the second largest single-country operator in the world. The extra-ordinary circumstances unfolding in 2020 has underscored the need for strong data networks. Increasingly, digital platforms have become critical for home, business and school connectivity. Digital transactions also continue to accelerate with UPI payments reaching 10% of GDP from just 0.7% of GDP in FY 2017-18, while credit card growth continued to be strong at 24% y-o-y. Similarly, personal credit remained strong at about 17% y-o-y reflective of the underlying consumption demand. While continuing to grow its organised retail platform, Reliance Retail is working to integrate producers/ manufacturers, supply chain, small merchants and consumers in a seamless digital ecosystem that will benefit all elements of the retail chain.

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| **Key Ratios** | | | | | |
|  | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Earnings per Share | 70.2 | 84.6 | 96.9 | 53.1 | 55.5 |
| Turnover per Share | 1053.3 | 775.3 | 817.2 | 497.8 | 633.5 |
| Book Value per Share | 668 | 784.4 | 889 | 496.7 | 542.9 |
| RONW | 13.4 | 15.1 | 17.1 | 15.5 | 13.7 |
| ROCE | 12.7 | 17.2 | 25.4 | 28.7 | 24.9 |