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Reliance's 40% Profit Jump: A Turnaround, or a Cyclical Spike?

Ametra Investment Managers Private Limited | SEBI Registered Portfolio Manager | Reg No. INP000008905

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Reliance's 40% Profit Jump: A Turnaround, or a Cyclical Spike?

Reliance's shareholders just earned 40.6% more than a year ago, and on 2 November the stock had its best day since April 2020. The headline asks whether the group has turned a corner. The more useful question is which part of the profit is which: most of the jump was made in a war-tight refining market, and the rally, on a day crude fell 7.6%, looks more like the market buying the floor than the spike.

On 30 October, Reliance Industries reported net profit attributable to its shareholders of ₹25,548 crore for the July–September quarter (Q2 FY27), up 40.6% from ₹18,165 crore a year earlier and the highest in its history. Reported profit after tax, which includes the share of outside shareholders in Jio and Retail, rose 33.8% to ₹29,550 crore. A Bloomberg poll of nine analysts had pencilled in ₹21,368 crore. Group EBITDA, a measure of operating profit, rose 23.9% to a record ₹62,409 crore.

The number deserves a closer look before it is extrapolated. By coincidence, RIL's own release shows the price of crude rising by exactly the same 40.6% over the year, to an average of US$97 a barrel for Dated Brent. **Our reading is that this is a cyclical spike sitting on a structural floor: about 85% of the extra operating profit came from refining margins created by the West Asia war, while the steady growth underneath runs at roughly 5% for the group and in the high teens for Jio.** This note separates the two, looks at what happened the last time refining handed Reliance a windfall, and asks what Monday's rally was really paying for.

Earnings Snapshot (as of 2 November 2026)

Indicator	Reading	Read-through
Net profit to shareholders, Q2 FY27	₹25,548 crore (+40.6% YoY)	Record; ₹4,180 crore above the Bloomberg poll
Reported PAT, Q2 FY27	₹29,550 crore (+33.8% YoY)	Outside shareholders' share barely moved: ₹4,002 crore vs ₹3,927 crore
O2C EBITDA	₹25,203 crore (+67.9% YoY)	About 85% of the group's ₹12,042 crore EBITDA gain
Singapore gasoil (diesel) crack	US$65.8/bbl vs US$18.7	3.5 times a year ago; a war-tight diesel market
Brent: Q2 FY27 average; 2 Nov	~US$97/bbl (+40.6% YoY); US$104.77	Down 7.6% on 2 Nov on Iran diplomacy
Digital Services EBITDA	₹22,223 crore (+17.7% YoY)	The structural engine; listed Jio worth ₹13.18 lakh crore on 2 Nov
Retail EBITDA (before one-off)	₹6,228 crore (−8.6% YoY)	The weak link; a net 222 stores closed in the quarter

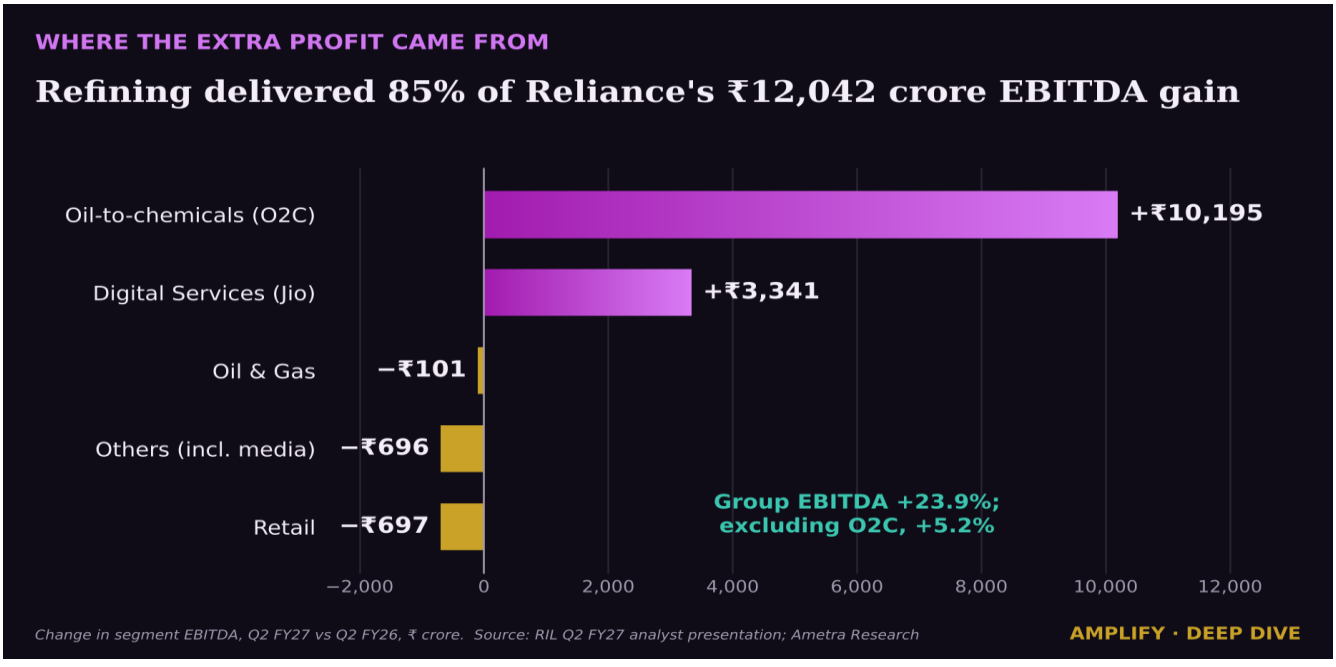
Group EBITDA excluding O2C	+5.2% YoY	The underlying growth rate, on our calculation
Diesel export levy (31 Oct)	₹11.50/litre, from ₹8.50	The state is sharing the windfall, reviewed fortnightly
RIL share price (2 Nov)	₹1,300 (+11.6%)	Best day since April 2020; still down more than 17% in 2026

1. The Number – What Actually Grew 40%

Start with the definitions, because three different growth rates are circulating. The 40.6% is net profit attributable to Reliance's own shareholders. The 33.8% that headlines RIL's media release is profit after tax including the outside shareholders of its subsidiaries. EBITDA, the cleanest measure of the businesses themselves, grew 23.9%.

Why the gap? Jio and Retail have sizeable outside shareholders; the refinery does not. Of the ₹7,458 crore rise in reported profit, ₹7,383 crore went to Reliance's own shareholders and just ₹75 crore to minorities. **The 40% is not a sign that everything grew; it is a sign that the part Reliance owns outright grew the most.**

The segment table makes the point plainly. Oil-to-chemicals (O2C) EBITDA rose by ₹10,195 crore, about 85% of the group's total increase of ₹12,042 crore. Digital Services added ₹3,341 crore. Retail, Oil & Gas and the 'Others' line, which includes media, all went backwards. Strip O2C out of both years and group EBITDA grew 5.2%.



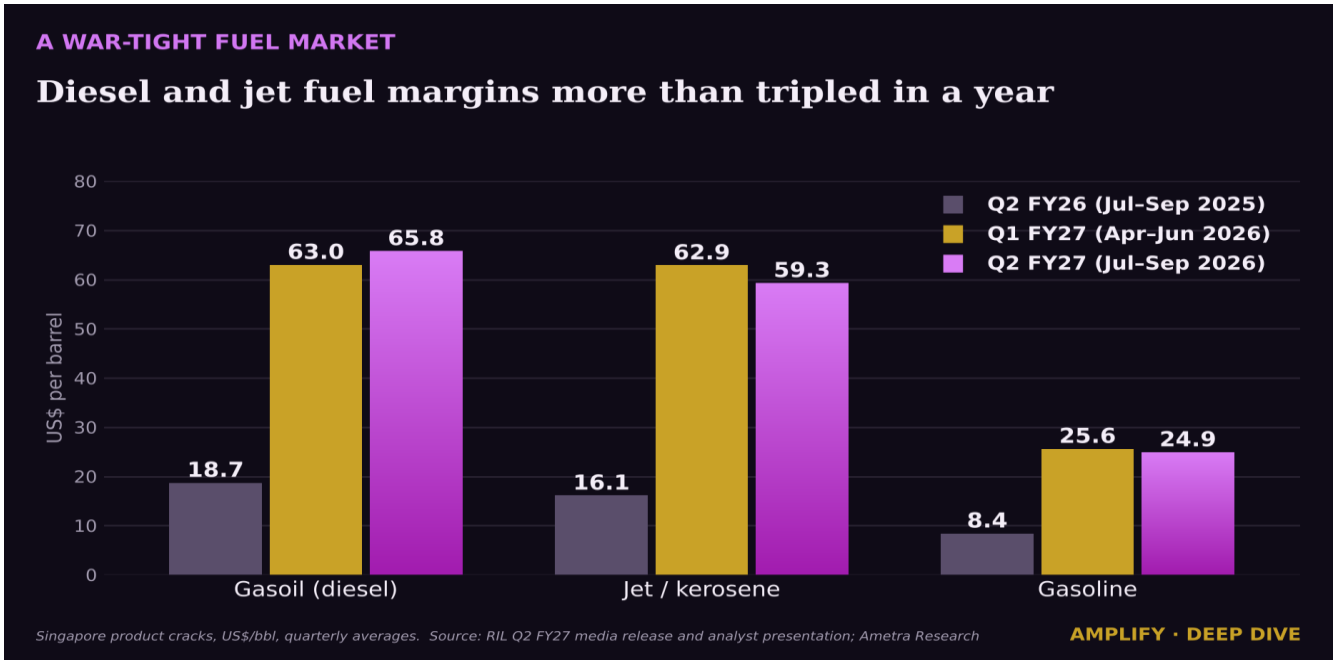
2. The Engine – A Refining Windfall Made in Hormuz

O2C revenue rose 44.2% to ₹2,31,601 crore and EBITDA 67.9% to ₹25,203 crore, lifting the margin to 10.9% from 9.3%. Throughput was slightly lower, at 20.6 million tonnes against 20.8. This was a price story, not a volume story.

RIL's release says fuel cracks, the gap between the price of a refined product and the crude it is made from, 'were up 3-3.7x Y-o-Y and reached historic highs during the quarter'. Singapore gasoil cracks averaged US$65.8 a barrel against US$18.7 a year earlier; jet fuel US$59.3 against US$16.1. In mid-September, LSEG data showed Asian diesel margins at an all-time high of slightly more than US$87 a barrel, against around US$22 before the war.

The mechanism is the one we traced in Crude Mirage: the conflict that began in February cut Gulf crude and product flows through the Strait of Hormuz, Saudi Arabia's East–West pipeline was temporarily shut, Russia banned diesel exports, and refineries in both regions came under attack. Product supply tightened faster than crude.

Reliance was unusually well placed to profit. It kept its crude runs high by buying from Latin America, North America and the Mediterranean despite what it called a '15-20x surge in freight rates', and redirected exports to the highest-paying markets in Europe, Africa and Latin America. Exports rose 46.9% to ₹1,04,250 crore. Polyester-chain margins also reached a three-year high.



That is real skill in execution, and Mukesh Ambani was right to credit the group's 'ability to optimise feedstock sourcing and product placement'. But the opportunity itself was made by a war. The same release lists what held earnings back: 'higher crude oil premiums, elevated freight rates, SAED-related costs and under-recoveries in domestic fuel retail'.

3. We Have Seen This Film – The 2022 Windfall

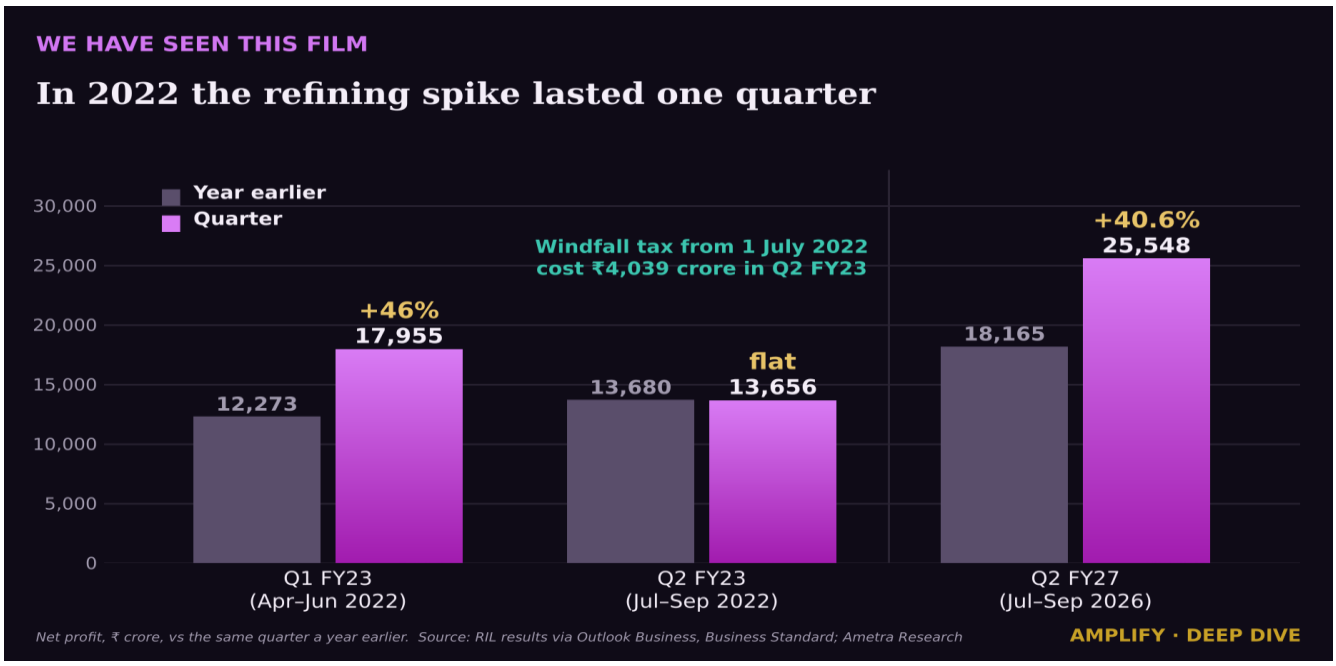
The closest precedent is three and a half years old. After Russia invaded Ukraine, Brent averaged US$113.9 a barrel in April–June 2022, and Reliance's net profit for that quarter jumped 46% to ₹17,955 crore, with O2C EBITDA up 63% to ₹19,888 crore.

On 1 July 2022 the government imposed a windfall tax, the Special Additional Excise Duty (SAED), on exports of diesel, petrol and jet fuel. The next quarter, Reliance's net profit was flat at ₹13,656 crore, against ₹13,680 crore a year earlier; the levy alone cost it ₹4,039 crore. In profit terms, the windfall lasted one quarter.

The policy response this time arrived earlier. On 27 March 2026, in a month when Brent averaged about US$103, the government reintroduced SAED on exports of diesel (₹21.50 a litre) and jet fuel (₹29.50), while cutting excise on petrol and diesel sold at home by ₹10 a litre. The rates are reset every fortnight.

On 31 October, the day after Reliance's results, diesel's export levy was raised to ₹11.50 a litre from ₹8.50 and jet fuel's to ₹11 from ₹10.50, while petrol's was scrapped. RIL's presentation says the levy keeps the margins of its domestic-tariff-area refinery 'capped at normal levels'.

One caveat, stated plainly: the 2022 analogy flatters the bear case. In 2022 the tax arrived after the spike and cut it short. In 2026 the tax was already in place for the whole quarter, and Jefferies noted in September that Reliance's SEZ refinery, which accounts for most of its refining capacity, is 'spared from windfall taxes'. The record quarter happened despite the levy. What ends this spike is less likely to be Delhi than the cracks themselves.



4. The Structural Floor – Jio, Now With a Price Tag

If there is a turnaround in this result, it is in Jio, and it is not new. Jio Platforms' EBITDA rose 16.6% to ₹21,879 crore at a 54.1% margin, and its profit 13.7% to ₹8,387 crore. Subscribers reached 542.4 million, 300 million of them on 5G, and average revenue per user rose 3.5% to ₹218.8 a month. RIL's CFO told analysts: 'we see visibility of high-teen growth for Jio'.

What changed this quarter is that the market can now see it. Jio Platforms listed on 28 October after a ₹30,188 crore fresh issue at ₹1,119 a share, subscribed more than 21 times. It opened at ₹1,358, a 21.4% premium, and closed its first day at ₹1,417.50, 26.7% above the issue price.

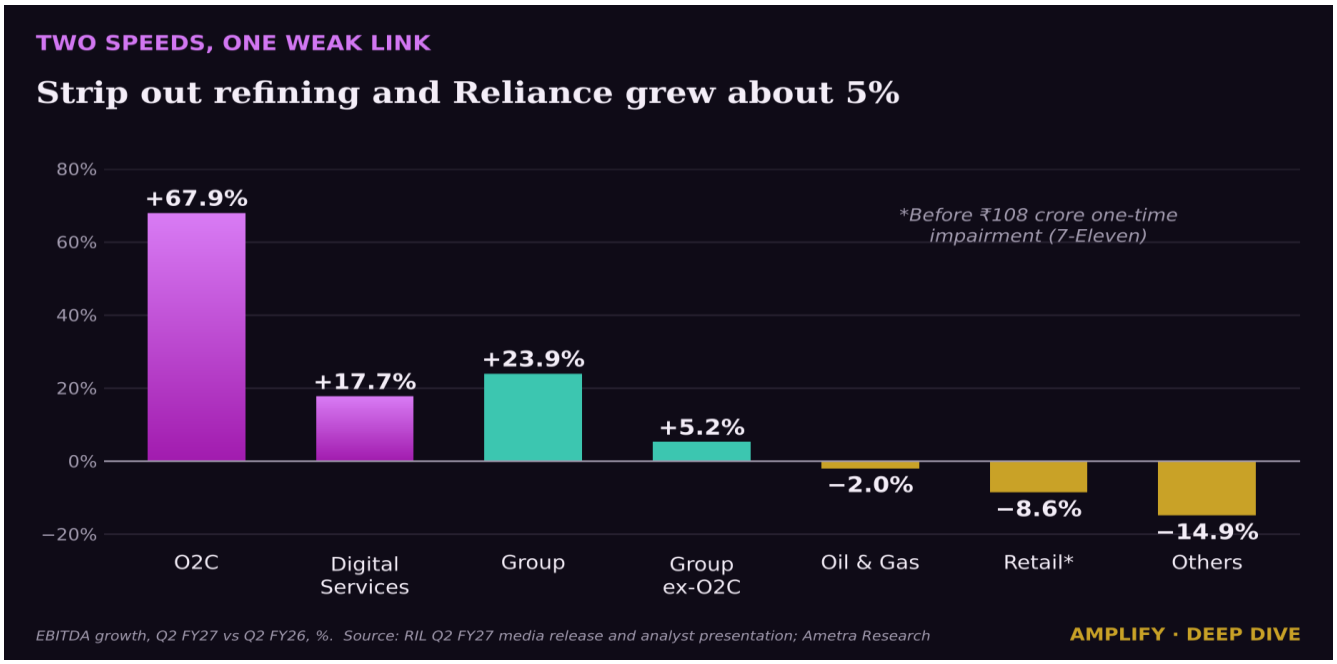
Of the proceeds, ₹27,500 crore went to prepay Reliance Jio's foreign borrowings. Beyond Jio, management expects New Energy (solar modules and cells, batteries) to begin contributing to earnings in FY28.

5. The Counter-Case – And the Weak Link

The bull case for O2C is that the refining market has changed for longer than a quarter. RIL's CFO told analysts that 'the markets are fundamentally, structurally changed'. The EIA noted that US distillate stocks were 13% below their five-year average in late September. Global refinery throughput in July was nearly 5 million barrels a day below a year earlier, according to WPB. Even after falling to US$104.77 on 2 November, Brent remains far above its 2025 average of about US$69. A spike that lasts four quarters is still a spike, but it is a profitable one.

The weak link points the other way. Reliance Retail's revenue rose 6.4%, but its EBITDA fell 8.6% to ₹6,228 crore before a ₹108 crore one-time impairment linked to 7-Eleven, and its profit fell 24.3% to ₹2,611 crore. Retail opened 303 stores but closed enough that its count fell by a net 222, to 19,947.

RIL attributes the margin squeeze to a 'planned investment phase in Digital Commerce, input-cost inflation absorbed for customers, and the festive shift to Q3'; its CFO said the group has been 'trading off short-term earnings growth to build a very scalable digital commerce platform'. Both may be true. Neither is a turnaround yet. Media profits also fell, with JioStar's EBITDA down 13.6%.



6. The Street’s Verdict – Buying the Floor, Not the Spike

The market gave its answer on Monday, 2 November. Reliance shares jumped 11.6% to close at ₹1,300 on the NSE, their biggest single-day gain since April 2020 according to Bloomberg data, lifting the company's market value by about ₹1.83 lakh crore to close to ₹17.6 lakh crore. Reliance accounted for roughly half of the Nifty's 387.70-point rise, Reuters reported, as the index closed 1.68% higher at 23,440.80 and the Sensex gained 1,233.25 points to 75,692.78. If it’s read quickly, that looks like the Street voting 'turnaround'. If read carefully, it says something closer to our reading.

Start with crude. While Indian markets traded, Brent slid towards US$109 from a six-month high of US$118 on Friday as Iranian and Qatari officials held talks on ending the war, Reuters reported; by the end of the day, January Brent futures had settled 7.6% lower at US$104.77. Had investors been buying the refining spike, that was the wrong day to do it.

Then look at the analysts. Thirty of the 31 tracking the stock rate it a Buy, yet several pared their targets: Nuvama to ₹1,703 from ₹1,766, and Dolat Capital to ₹1,635 from ₹1,670, while Emkay cut its target multiple to 11.5 times from 13. Nomura raised its FY27 EBITDA estimate by 2% but cut FY28 by 5%, and Goldman Sachs, with a ₹1,840 target, expects refining margins to moderate in the October–December quarter. Nomura's pattern, higher for this year and lower for next, is how analysts price a spike, not a turnaround.

What the rally paid for was the floor. The stock had been sold hard, and even after Monday it was still down more than 17% for 2026. Jio's listing has made the floor visible. Jio Platforms closed at ₹1,420.70 on 2 November, a market value of about ₹13.18 lakh crore, roughly three-quarters of Reliance's own, even though outside shareholders own part of Jio and Reliance also holds the refinery, Retail and New Energy.

Nuvama and Emkay now apply holding-company discounts of 25% and 20% to Jio's value inside Reliance. The debate has moved from how big the windfall is to how wide that discount should be. One caveat, stated plainly: a re-rating this large in one day uses up much of the margin of safety that the year's sell-off had created.

7. The India Angle – A Windfall the State Will Share

For Indian investors, the result is a reminder of who wins when crude spikes. Export-oriented private refiners earn the record cracks; the state taxes part of them through SAED; and fuel retailers absorb under-recoveries at the pump, a cost Reliance itself flags in its Jio-bp fuel joint venture. The windfall is a transfer within the economy as much as a gain for shareholders. When the levy last ran, from July 2022 to December 2024, it raised about ₹25,000 crore in its first year alone.

For index investors, Monday showed the concentration risk in both directions. One stock delivered about half of the Nifty's gain, so Reliance's refining earnings will flatter index aggregates while margins stay high and drag on them when margins normalise. Crude cuts the other way for the economy: a lower oil price helps India's import bill and inflation, the backdrop in our Inflation and Rates Peak note, even as it trims the refiners' windfall. What is good for the macro is mildly bad for Reliance's O2C, and the reverse.

Ametra’s Read

This is a cyclical spike sitting on a structural floor, not a turnaround. Roughly 85% of the extra operating profit came from refining margins that a war created and that will normalise; the genuine growth is in Jio, which compounds in the teens, while Retail is going backwards. Monday's 11.6% rally does not contradict this: it repriced an oversold floor on a day crude fell, while analysts pared targets. The job is to pay for the floor and treat the spike as a bonus. Our stance:

— **Value the floor, not the spike:** Underlying group EBITDA grew about 5% once O2C is set aside. Any valuation that capitalises a ₹25,203 crore quarterly O2C run-rate, against ₹15,008 crore a year ago, is paying for a war premium as if it were permanent. After Monday's re-rating, the floor is no longer cheap enough to chase.

— **Own the compounding, not the commodity:** Jio's high-teens growth visibility and IPO-funded deleveraging are the structural story, and the listing now prices it daily. That is the part of Reliance worth holding through the cycle.

— **Treat refining as a trade with an expiry date:** The windfall lasts as long as Hormuz and Russian supply stay disrupted, and the fortnightly levy is already clipping exports. Enjoy the cash flow; do not extrapolate it.

— **Make Retail prove the turn:** October–December carries the festive season that management says shifted out of Q2. If Retail EBITDA does not grow in that quarter, the investment-phase explanation wears thin.

— **Watch the tripwires:** Singapore gasoil cracks falling back below ~US$40 a barrel; the next fortnightly SAED resets in November; tanker traffic and US–Iran talks around Hormuz; and Q3 FY27 results in January, for Retail's festive quarter and the first full quarter of the higher diesel levy; and the holding-company discount analysts apply to Jio.

The bottom line: 40% is the war's number, not Reliance's. Pay for the floor, and treat the spike as a dividend from geopolitics that will not be repeated on schedule.

Positioning Map

Stance	Where	Rationale
Core hold	Reliance, for its digital and consumer franchise	Floor re-rated on 2 Nov; hold, but do not chase the rally
Favour	Digital and telecom compounding (Jio)	High-teen growth visibility, IPO-funded deleveraging
Fade	Extrapolating Q2 refining profits	~85% of the gain came from war-tight cracks that will normalise
Selective	Export-oriented refining exposure	A trade with an expiry date; the fortnightly levy shares the windfall
Add on confirmation	The Reliance Retail story	The festive October–December quarter must show EBITDA growth
Watch	Gasoil cracks, SAED resets, Hormuz, Jio discount	The tripwires that end the spike or reset the floor

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INP000008905

RESEARCH AND CONTENT PARTNER

Capital Quill

support@ametra.in

+91 90194 69258

www.ametra.in