September 08, 2020

Reliance Industries Limited- Update on Material Event

Summary of Rated Instrument:

Instrument	Rated Amount	Rating Outstanding
Non-convertible Debentures	57,000	[ICRA]AAA (Stable)
Commercial Paper	10,000	[ICRA]A1+
Total	**67,000.00**	

Material Event

Reliance Industries Limited (RIL) announced acquisition of the retail and wholesale business assets along with logistics and warehousing business of the Future Group on August 29, 2020 on a slump sale basis for a consideration of Rs. 24,713 crore by its wholly owned subsidiaries Reliance Retail Ventures Limited (RRVL), the holding company of Reliance Retail Limited. Additionally, Reliance Retail & Fashion Lifestyle Limited (RRFLL), a wholly owned subsidiary of RRVL, will be investing ~Rs. 1,200 crore in equity shares of Future Enterprise Limited (FEL) for purchase of 6.09% of stake in FEL, post transfer of assets to RRFL and RRVL. RRFLL will also invest Rs. 400 crore in FEL for subscription to equity warrants of FEL, which upon payment of balance 75% and conversion of warrants to equity will give RRFLL another 7.05% stake in FEL.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA]AAA (Stable)/ [ICRA]A1+ as the asset acquisition will cement the leadership position of Reliance Retail Limited (RRL) in the Indian retail industry. The valuation at which the assets have been acquired remains reasonable and will provide several synergies for RRL such as using Easyday stores as fulfilment centres for Jio Mart, RRL's entry into large space retail chains through Big Bazaar, Central and Brand Factory, increasing reach and more retail space. ICRA does not expect any major impact on the net debt position of RIL due to the asset acquisition. With expectation of external investors taking interest in investing in RRL similar to Jio Platforms Limited, the net debt position of RIL will remain comfortable in ICRA's view.

The ratings favourably take into account the robust financial profile of the company reflected by healthy profitability, strong debt protection metrics, low working capital intensity and moderate leverage levels. The ratings also factor in the company's exceptional financial flexibility derived from its healthy liquid investment portfolio and superior fund-raising ability from the domestic and global banking as well as the capital markets. In YTD FY2021, RIL has raised a total of ~Rs. 1.9 lakh crore, with ~Rs. 1.37 lakh crore raised through a 32.62% stake sale in Jio Platforms Limited (JPL), the holding company for Reliance Jio Infocomm Limited (RJIL) along with ~Rs. 53,125 crore raised through a rights issue in RIL. As a result of the significant fund raising completed, RIL became effectively net debt free as per the debt levels of March 31, 2020. In FY2020, RIL announced signing of a non-binding agreement with Saudi Arabian Oil Company (Saudi Aramco) for sale of a 20% stake in RIL's Oil-to-Chemicals (O2C) business (i.e. the refining business, petrochemicals business, and RIL's 51% stake in the petroleum retail JV with BP Plc). The deal values RIL's O2C division at an Enterprise Value of US$ 75 billion which translates to an investment of US$ 15 billion from Saudi Aramco. The transaction is subject to due diligence, regulatory and other approvals. The conclusion of the transaction is expected to lead to further deleveraging of RIL's balance sheet. In FY2019, RIL had completed certain large-scale expansions in the petrochemicals segment, including the refinery off-gas cracker and the petcoke gasification project in the refining segment. These projects are expected to generate healthy returns for RIL in the medium term and support cash generation of the company.

The ratings further take into account the established presence of RIL in the crude oil refining segment, its leadership position in the domestic petrochemicals industry with presence across several product segments and its integrated operations across exploration and production (E&P), refining and petrochemical businesses, providing diversity to the cash flow generation. The company operates one of the most complex refineries globally which improves its flexibility in terms of crude sourcing resulting in relatively high Gross Refining Margins (GRMs). The company's digital services venture, where it has made sizeable investments, has been gaining subscribers at a healthy pace since inception and has achieved a subscriber base of 398.3 million as on June 30, 2020. High consumption of voice and data services by the company's customer base and the gradual ramp up in its tariff levels have supported the ARPU (Average Revenue Per User) from the business.

The previous detailed rating rationale is available on the following link: Click here

Analyst Contacts

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Ankit Patel
+91 79 4027 1509
ankit.patel@icraindia.com

Varun Gogia
+91 124 4545 373
varun.gogia@icraindia.com

Relationship Contact

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999