

Reliance Industries Limited

Instrument	Amount (in Rs Crore)	Rating Action
Commercial Paper / Short-Term Non-Convertible Debenture Programme	5000	[ICRA]A1+ reaffirmed

The rating of [ICRA]A1+ (pronounced ICRA A one plus) has been reaffirmed for the Rs. 5000 crore[^] Commercial Paper / Short-Term Non-Convertible Debenture (NCD) programme of Reliance Industries Limited (RIL).[†]

The reaffirmation of the rating factors in the robust financial risk profile of the company reflected by low net gearing levels (0.33 time as on FY 15 end), strong coverage indicators (OPBDITA/Interest of 11.3 times and NCA/Total Debt of 20% for FY 15) and low working capital intensity along with overall healthy cash generation supported mainly by the refinery and petchem segment and high non-operating income earnings. The rating also factors in the company's high financial flexibility derived from its liquid investment portfolio (over Rs 90,000 crore) and superior fund raising ability from the domestic and global banking as well as capital markets. The rating further takes 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 E&P, refining and petrochemical businesses, providing diversity to the cash flow generation.

ICRA however factors in the sensitivity of the company's profits and cash generation to refining and petrochemical margin cycle, moderate outlook on the international refining margins in the near to medium term and risks associated with the E&P business such as geological risk, lack of diversity in production blocks and moderate reserve replacement track record. Further, ICRA notes that the production from KG-D6 field has been tapering over the last few years and any further decline in production volumes remains a concern. Besides, the large capex plans (US\$ 16 bn over 2014-17) of RIL poses project implementation risks which, however, are partly mitigated by the demonstrated ability of the group to execute complex projects without material time or cost overrun. Further, the company's ability to earn remunerative returns from the telecom business, where it has made sizeable investments (over Rs 1 lakh Crore) and commercial launch is expected soon, in a highly competitive environment remains to be seen. RIL's credit profile could also be influenced by any large acquisitions or new investments in its energy/consumer businesses.

Company Profile

Reliance Industries Limited (RIL) is India's largest private sector enterprise. Starting with textiles in the late seventies, the company has pursued a strategy of backward vertical integration - in polyester, fibre intermediates, plastics, other petrochemicals, petroleum refining and oil and gas exploration and production – thereby making it a highly integrated player with presence across the energy value chain. RIL enjoys global leadership in most of its businesses, being the largest polyester yarn and fibre producer in the world and among the top five to ten producers in the world in major petrochemical products. Through its group companies, RIL is also involved in diversified businesses spanning retail, oil marketing and wireless broadband services.

On a consolidated basis, RIL reported a profit after tax (PAT) of Rs. 23,640 crore on an operating income (OI) of Rs. 375,435 crore in FY 2014-15. The company reported a profit after tax (PAT) of Rs. 22,548 crore on an operating income (OI) of Rs. 4,34,460 crore in FY 2013-14.

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[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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