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 moderate net gearing levels (0.4 time as on FY 16 end), strong coverage indicators (OPBDITA/Interest of 12.3 times and NCA/Total Debt of 20% for FY 16) and low working capital intensity along with overall healthy cash generation supported mainly by the refinery and petchem segment and high non-operating income. The rating also factors in the company's high financial flexibility derived from its liquid investment portfolio (Rs 82,533 crore cash & equivalents as on September 30, 2016 and ~Rs 30,000 crore of treasury shares at market value) 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, 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 decline in production from KG-D6 field coupled with the drop in the domestic gas prices has significantly weakened the profitability from the E&P business. 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 and satisfactory progress on the commissioning of these projects. Achieving healthy capacity utilisation post commissioning of all the projects will be the key to the recovery in RoCE of the company. Moreover it has made large investments in the telecom venture (over Rs 1.5 lakh crore). The company's ability to achieve meaningful returns in its telecom venture, amidst stiff competition, within a short span of time remains to be seen and will be a rating sensitivity. 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 subsidiary companies, RIL is also involved in diversified businesses spanning retail, oil marketing and telecom.

On a consolidated basis, RIL reported a profit after tax (PAT) of Rs. 27,715 crore on an operating income (OI) of Rs. 276,544 crore in FY 2015-16. The company had reported a profit after tax (PAT) of Rs. 23,640 crore on an operating income (OI) of Rs. 3,75,435 crore in FY 2014-15.

November 2016

^ 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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