May 01, 2020

Reliance Industries Limited- Update on Material Event

Summary of Rated Instrument:

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

Material Event

Reliance Industries Limited (RIL) announced signing of a binding agreement for an investment of Rs. 43,574 crore by Facebook, Inc. in Jio Platforms Limited (JPL) on April 22, 2020. Facebook's investment will translate into a 9.99% equity stake in JPL on a fully diluted basis. The deal values Jio Platforms Limited (JPL) at an enterprise value of Rs. 4.6 lakh crore.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA]AAA (Stable)/ [ICRA]A1+ as the stake sale in JPL is a positive step in the direction of the stated strategy of the deleveraging of the balance sheet.

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 FY2019, RIL 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. 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 significant deleveraging of RIL's balance sheet.

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 370 million as on December 31, 2019. 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

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About ICRA Limited:

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