

Reliance Industries (RIL IN)

FUNDAMENTAL VIEW¹

As of 20 Jan 2023

- Reliance Industries Ltd. (RIL) is positioned as India's largest company by revenues, profits and exports. It dominates a few of the country's key sectors, such as crude oil refining, petrochemicals, telecom and retail.
- RIL's diversified operations across the consumer business continue to help it wade through the COVID-19 economic downturn and keep its earnings buoyant.
- It has strengthened its balance sheet considerably, with the help of a flurry of global investments into its retail and telecom (Jio) businesses, as well as a mega rights issue, bringing in a total of INR 2.5 bn/ \$33.6 bn.

RISKS & CATALYSTS

As of 20 Jan 2023

- RIL's O2C (oil-to chemicals) business margins have been under pressure owing to the squeeze in key downstream chemical product margins (i.e. an absolute decline in product prices vs. feedstock prices), which impacted polymer and aromatics margins.
- RIL's foray into the renewables space will require heavy investments to the tune of ~INR 750 bn over the next 3 years, which will raise its capex requirements, and weigh on its free cash flow generation. It may require RIL to take on more debt too.
- Possible further 'waves' of COVID-19 infections and consequent social restrictions could hamper demand for transportation fuels and petrochemicals sold by RIL.
- The key-person risk stands out as rather pertinent in the case of RIL, as 65-year-old Mukesh Ambani has begun to hand over the reins of RIL's different business divisions to his children.

CREDIT QUALITY SCORE (CQS)²

As of 27 Feb 2023

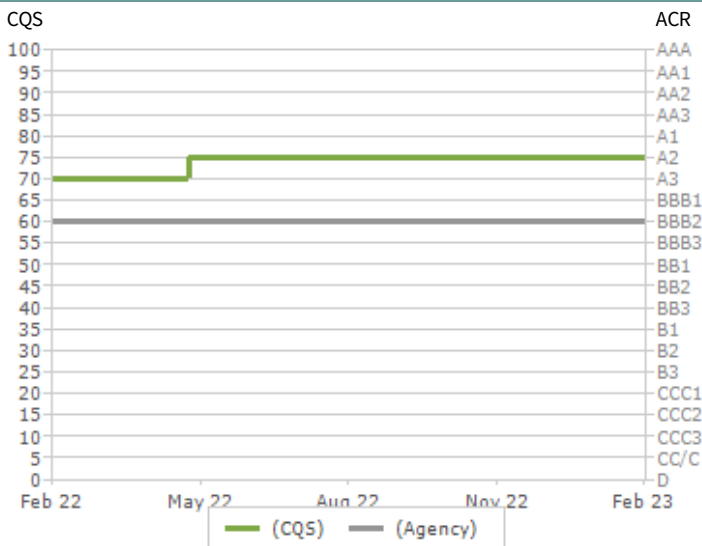
CURRENT CQS

75

CQS OUTLOOK³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 20 Jan 2023

INR BN	LTM 1H23	FY22	FY21	FY20	FY19
Debt to Book Cap	25.9%	24.1%	24.6%	43.0%	42.4%
Net Debt to Book Cap	22.0%	21.0%	22.9%	39.2%	40.8%
Debt/Total Equity	35.0%	31.7%	32.5%	75.5%	73.6%
Debt/Total Assets	19.4%	18.8%	19.7%	29.9%	29.0%
Gross Leverage	2.4x	2.6x	3.2x	3.9x	3.4x
Net Leverage	2.1x	2.2x	3.0x	3.5x	3.2x
Interest Coverage	8.6x	7.6x	3.8x	3.2x	3.3x
EBITDA Margin	15.2%	15.3%	16.6%	14.7%	14.8%

BUSINESS DESCRIPTION

As of 20 Jan 2023

- RIL is an Indian diversified conglomerate engaged in oil & gas refining, marketing, petrochemicals, organized retail, telecom and digital services, amongst others. It is the largest company in India by revenue, profits, exports and market capitalization (INR 14 tn).
- It is the second largest refiner in India and produces petroleum products such as petrol, high-speed diesel (HSD), aviation turbine fuel (ATF), LPG and lubricants.
- It is the largest petrochemicals producer in India, boasting production of ~38 mn tons in FY20. Through its integrated Jamnagar refinery complex, it produces Polymers/Plastics, Elastomers (synthetic rubber) and Polyester products.
- It is the largest retailer in India in terms of revenue. It operates 16.6k stores (as of September 2022) to sell products ranging from consumer electronics, fashion and lifestyle, grocery, petrol retail and telecom and digital services. It launched its online retail channel, 'JioMart', in December 2019.
- Reliance Jio is the largest mobile telecom operator by subscriber base (426 mn as of March 2021) in India and boasts the widest 4G wireless network in the country.
- In 2021, RIL announced investments to the tune of INR 750 bn/ \$10 bn (for next 3 years) to build a renewable energy ecosystem which will include 4 giga factories. Set to be located in Gujarat, the factories will produce solar modules, hydrogen, fuel cells and battery grid to store electricity. Long-term goals also include building 100 GW of PV solar plants by 2030.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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