

Reliance Industries (RIL IN)

FUNDAMENTAL VIEW ¹

As of 04 Feb 2025

- We are comfortable with Reliance's large diversified scale of operations and dominant presence in various key sectors (refining, petrochemicals, retail and telecom), which allows for earnings resilience.
- We believe a lackluster oils-to-chemicals outlook is well mitigated by strong outlooks for telecom, retail, and upstream oil & gas.
- Plans to ramp up its renewable energy business could provide the next leg of growth and improve ESG perception.
- Reliance incurs significant capex that has weighed on free cash flow generation, though we acknowledge its historically prudent financial management and robust credit metrics that provide ample elbowroom for some credit profile deterioration.

RISKS & CATALYSTS

As of 04 Feb 2025

- Reliance's O2C (oil-to chemicals) margins remain under pressure from high crude oil input costs and global growth slowdown concerns, though China's recent stimulus measures could spur improvements.
- Reliance incurs significant capex at historically high levels, particularly from continued investments into its O2C, retail, and nascent renewables businesses. This has weighed on its free cash flow generation, though we take comfort in Reliance's historically prudent financial management and robust credit metrics.
- Reliance faces key-person risk; 65-year old Chairman Mukesh Ambani has begun to hand over the reins of the company's different business divisions to his children.

CREDIT QUALITY SCORE (CQS)²

As of 07 Feb 2025

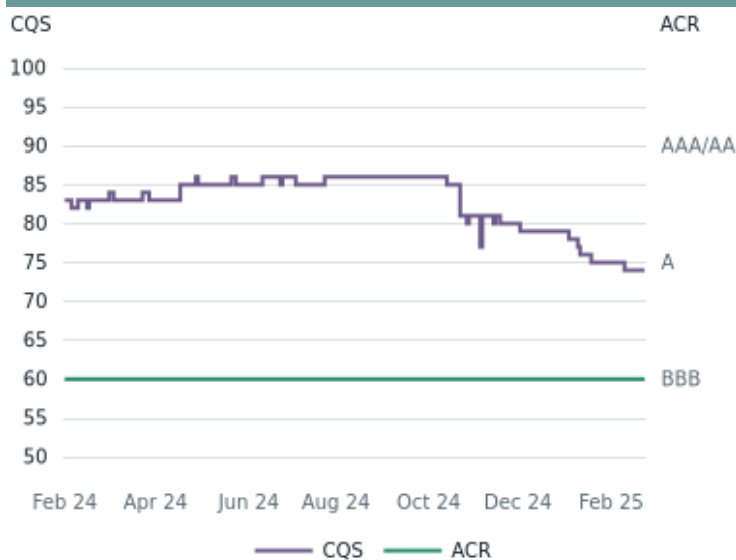
CURRENT CQS

74

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



KEY METRICS

As of 04 Feb 2025

INR BN	FY22	FY23	FY24	1H24	1H25
Debt to Book Cap	26.4%	35.3%	33.1%	32.8%	32.7%
Net Debt to Book Cap	23.4%	29.9%	26.1%	27.5%	26.4%
Debt/Total Equity	35.9%	54.5%	49.6%	48.7%	48.6%
Debt/Total Assets	21.3%	28.1%	26.1%	25.4%	25.6%
Gross Leverage	2.9x	3.2x	2.8x	2.8x	2.9x
Net Leverage	2.6x	2.7x	2.2x	2.4x	2.3x
Interest Coverage	5.7x	7.3x	7.0x	6.7x	6.9x
EBITDA Margin	15.3%	15.9%	17.7%	17.7%	16.5%

BUSINESS DESCRIPTION

As of 04 Feb 2025

- 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 20 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 18.8k stores (as of March 2024) 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 (482 mn as of March 2024) 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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