

MASTER PLAN



₹2,88,243 cr.
The outstanding debt that Reliance Industries had as on June 30, 2019



₹1,31,710 cr.
The cash, cash equivalents and marketable securities held by RIL, the firm with the highest debt in India



₹5.7 lakh cr.
The revenue that RIL's O2C business recorded last fiscal, while achieving exports of ₹2.2 lakh crore



5,00,000
The number of barrels per day in crude that Aramco will supply to the JV



50%
The contribution of RIL's consumer facing businesses to overall Ebitda in time, from 32% now

Reliance Industries moves to restructure its balance sheet

Saudi Aramco to pick up 20% in a to-be-carved out oil-to-chemicals business for \$15 billion; funds to help write down debt to zero in two years' time

SPECIAL CORRESPONDENT MUMBAI
The world's largest oil producer, Saudi Aramco, has agreed to pick up 20% stake in Reliance Industries Limited's (RIL) oil to chemicals (O2C) business at an enterprise value of \$75 billion in one of the largest foreign investments in India.

Both companies have signed a non-binding Letter of Intent (LoI) regarding a proposed investment in the O2C division, comprising the refining, petrochemicals and fuels marketing businesses of RIL.

"RIL's Oil to Chemicals (O2C) division will be carved out of the company, in which Saudi Aramco will hold 20% stake for \$15 billion on a zero-debt basis and it will operate as a joint venture. The value of the deal will change if the JV assumes debt.

"Aramco has the option to increase its stake in JV and will get a board seat, once the deal is done. Both RIL and Aramco will decide to list the JV in coming years," said a person in the know of the development.

At the company's 42nd AGM, Mukesh Ambani, chairman and managing director, RIL, told shareholders, "Since its inception, our Jamnagar refinery has been processing Saudi oil every single day for 20 years. Now, we have transformed our long-standing relationship of two decades into a partnership [that has] growth potential, for many more years."

This comes at a time when RIL's consumer facing businesses – Reliance Jio and Reliance Retail – are now contributing to over 32% of the company's earnings before interest, tax, depreciation and amortisation (EBITDA), compared with just 2% five years ago. The contribution from the consumer facing

RIL's O2C business had revenue of ₹5.7 lakh crore and EBITDA of ₹52,041 crore last fiscal

businesses are likely to exceed 50% of RIL's EBITDA in the coming years.

As part of the deal, Saudi Aramco will also provide 5 lakh barrels per day (bpd) of crude supply to RIL's twin refineries in Jamnagar on a long-term basis. The deal will also include RIL's fuel retailing business in which British oil major BP has bought 49% stake for ₹7,000 crore.

"This partnership will cover all of RIL's refining and petrochemicals assets, including 51% of the petroleum retail JV," Mr. Ambani said.

The investment by Saudi Aramco is subject to due diligence, definitive agreements, regulatory and other customary approvals. The move will help the Indian firm, which has the highest debt outstanding in the country, to deleverage considerably. RIL's outstanding debt as on June 30 stood at ₹288,243 crore compared to cash and cash equivalents of ₹31,710 crore.

'May improve sentiment'
"Market is going to heartily welcome the seminal announcement by India's largest company. This is India's largest-ever FDI inflow and would help dissipate the gloomy sentiment currently pervading in the economy and stock markets," said Ajay Bodke CEO, PMS, Prabhudas Lilladher.

RIL's O2C business posted revenue of ₹5.7 lakh crore, recorded exports of ₹2.2 lakh crore and saw EBITDA of ₹52,041 crore in the last fiscal. The company processed 68.3 million tonnes of crude that year with gross refining margins of \$9.2 per barrel.

All in the family: RIL CMD Mukesh Ambani with wife Nita Ambani and mother Kokilaben at the company's annual general meeting in Mumbai on Monday. • VIVEK BENDRE

'Zero net debt by March 2021'

SPECIAL CORRESPONDENT MUMBAI

Mukesh Ambani, chairman of Reliance Industries Ltd. (RIL) – which has an outstanding debt of ₹288,243 crore (\$41.8 billion) as on June 30, 2019 – plans to turn the firm into a 'zero debt' company in the next 18 months as the capital expenditure cycle for Reliance Jio and the petrochemicals expansion project comes to an end.

The company, with the highest debt in India, has cash, cash equivalents and marketable securities of ₹31,710 crore (\$19.1 billion) as on June 30, 2019, taking the net debt to ₹156,533 crore. Last fiscal, RIL transferred its telecom infrastructure assets to two separate infrastructure trusts for a consideration of ₹1.25 lakh crore with the intention of raising this money from large global institutional investors.

"We have received strong interest and commitments from reputed global investors and are confident that these transactions will be completed by the end of this financial year. Post this, we ended last year with net debt of ₹154,478 crore," Mr. Ambani told shareholders during the company's 42nd AGM. Explaining the roadmap to becoming a zero net debt company by March 31, 2021, he said, "We expect to complete our transactions with Saudi Aramco and BP within this financial year. The commitments from these two transactions are about ₹1.1 lakh crore."

RIL is planning to hive off significant minority stakes in its consumer-facing businesses of Reliance Jio and Reliance Retail to mop up funds before listing both the businesses individually on

the stock exchanges.

"We have received strong interest from strategic and financial investors in Jio and Reliance Retail. We will induct leading global partners in these businesses in the next few quarters, and move towards listing of both these companies within the next five years. We will also evaluate value unlocking options for our real estate and financial investments," he said.

"I have no doubt that your company will have one of the strongest balance sheets in the world. As we achieve our zero net-debt target, I assure you, my dear shareholders, that we will reward you abundantly through higher dividends, periodic bonus issues and other means, and at a more accelerated pace than any time in our history," Mr. Ambani said.

RIL may sell minority stakes in consumer arms, over time

Firm to look at value-unlocking in real estate, investments

SPECIAL CORRESPONDENT MUMBAI

Mukesh Ambani is trying to hit two birds with one stone through the value-unlocking exercise across RIL's businesses, in which he had invested over ₹5.4 lakh crore in the last five years, of which ₹3.5 lakh crore has been invested in Reliance Jio alone.

The company will also evaluate value-unlocking options for its real estate and financial investments.

In the coming years, RIL will be selling a significant minority stakes in its consumer-facing businesses on the lines of the Aramco deal to deleverage its balance sheet, which is a concern

among the investors. India's richest man also announced the most-awaited launch of Jio Fiber on September 5, offering customers free calls for life, LED TV, set-top box and 'first-day-first show' movies in their living rooms. In his speech titled 'New

Reliance for a New India,' Mr. Ambani said, "On the strength of our existing and new growth engines, I am confident that we can grow this by 15% annually over the next five years."

"Responding to the honourable PM's appeal, we stand committed to support the people of Jammu & Kashmir and Ladakh in all their developmental needs."

Rewarding shareholders
On becoming a net zero-debt company, Mr. Ambani assured that he would reward shareholders through higher dividends, periodic bonus issues and other means, and at a more accelerated pace.

Reliance Jio partners Microsoft

Jio data centres to be powered by the Azure cloud platform

SPECIAL CORRESPONDENT MUMBAI

Reliance Jio has entered into a long-term alliance with Microsoft to accelerate digital transformation with the launch of new cloud data centres.

Reliance Jio will set up a network of 'large, world-class data centres' across India powered by Microsoft's Azure cloud platform.

As part of a 10-year commitment the companies will offer solutions around connectivity, computing and storage solutions and other services essentials for Indian

The offerings will include solutions in connectivity, computing and storage

businesses and will span the broad Reliance Industries ecosystem, said Reliance Industries Limited (RIL) in a statement.

Tech-led GDP growth
"[Reliance] Jio and Microsoft have entered into a globally unique, long-term alliance to accelerate the digital transformation of our coun-

try," said Mukesh Ambani while addressing RIL's annual general meeting.

According to the statement, the companies would aim to enhance the adoption of leading technologies such as data analytics, AI, cognitive services, blockchain, Internet of Things (IoT) and Edge-computing among small and medium enterprises to make them ready to compete and grow, while helping accelerate technology-led GDP growth in India and driving the adoption of next generation technology solutions at scale.

IN BRIEF

Hyundai rolls out Grand i10 NIOS hatchback

CHENNAI
Hyundai Motor India Ltd. on Monday rolled-out the first Grand i10 NIOS from its Sriperumbudur plant. "Today, we are rolling out the third-generation Grand i10 NIOS, which will set new benchmarks in the hatchback segment," said S.S. Kim, MD and CEO, Hyundai Motor India. The Grand i10 NIOS is scheduled for global launch on August 20. It offers more value, features, space and excitement, the firm said.

Sundaram Home Finance cuts prime lending rate

CHENNAI
Sundaram Home Finance has announced a 10-basis-point reduction in its prime lending rate (PLR) on housing and non-housing loans. It is applicable to all customers on variable rates of interest and comes into effect from August 13. "The reduction in lending rates is in line with the current interest rate in the market," Srinivas Acharya, managing director, Sundaram Home Finance, said.

Wheels India first quarter profit dips 35%

CHENNAI
Wheels India Ltd.'s standalone net profit for the first quarter ended June 2019 dipped by 35.48% to ₹11.62 crore, due to a slump in the automobile sector. During the period under review, total revenue dropped to ₹713 crore from ₹749 crore. While there was a dip in raw material costs by ₹62 crore, there was a marginal increase in its finance costs, said the company in a regulatory filing.

As cup brims with losses, Centre to hold meeting with tea sector chiefs

More than 80% of the Indian Tea Association members incurred losses in 2018-19

INDRANI DUTTA KOLKATA

Days after the Indian Tea Association (ITA) sent a distress signal through newspaper advertisements, the Centre has called for a meeting of all stakeholders to discuss issues pertaining to the sector.

The ITA, the apex industry association – accounting for a majority of the tea produced in the organised sector – had inserted an advertisement, highlighting the crisis and seeking government intervention.

More than 80% of the ITA members, with estates in Assam and West Bengal, had incurred losses in 2018-19 and were preparing for losses during the first quarter of this fiscal.

"Most of our members

(nearly 251) are in losses," a senior ITA official told *The Hindu*.

A reading of the published results of the listed companies shows that in most cases the losses had widened since 2017-18. These firms belong to industry houses such as Williamson Magor, a heritage company, the Birlas, Ban-

gurs, the Goenkas, Tata Group and another heritage organisation in the public sector, The Andrew Yule Group.

The long list includes McLeod Russell, Warren Tea, Andrew Yule, Jay Shree Tea, Associated Plantations Pvt. Ltd. and Joonktolllee Tea & Industries to name a few.

Many of these companies have also suffered rating downgrades.

The red streak runs across the country's tea-growing regions in the north and the south. The main reason cited by the managements of these companies as also the industry captains has been the stagnation in the average selling price of tea.

While the costs have ballooned to almost ₹200 per

kg, the average selling prices have remained flat at about ₹160 per kg between 2013-14 and 2018-19,

The industry also feels that production needs to be regulated in order to boost prices. "The unhealthy demand-supply situation is one of the main reasons for stagnating prices," said Vinay Goenka chairman, ITA and executive chairman, Warren Tea.

However, sector experts felt a section of the industry, too, had failed. "One major reason is that this industry failed to reinvent itself and continued with the same old cultural practices and selling procedures similar to what was being done 100 years ago," said N. Laxmanan, a senior Nilgiris tea planter.

Not interested in Jet bid, says Anil Agarwal

PRESS TRUST OF INDIA MUMBAI

In the second major setback to the lenders bid to revive the grounded Jet Airways by selling it out, billionaire businessman Anil Agarwal, a day after announcing interest in the airline, said on Monday he was no longer interested to pursue the deal.

On Sunday, Volcan Investments, Mr. Agarwal's investment company, said it had submitted the expression of interest on Saturday-the last day of the extended bidding process.

"The expression of interest submitted for Jet Airways by Volcan was exploratory in nature. On further evaluation and considering other priorities, we intend to not pursue this further," the mining baron said.

'Taxes making capital market unattractive'

'India only nation to tax equity trading'

SPECIAL CORRESPONDENT MUMBAI

As part of their attempts to lower the trading costs in the Indian stock markets, which is among the highest globally, the Association of National Exchanges Members of India (ANMI) yet again urged Finance Minister Nirmala Sitharaman to withdraw long-term capital gains tax and also taxation of dividends in the hands of the investors.

Representatives of the broking body, who met the Finance Minister last week, told the policymakers that while India was the only country to levy a tax on equity trading in the form of securities transaction tax (STT), dividends were currently taxed thrice in the form of corporate tax, dividend distribution tax and fi-

nally at the investor level.

The capital market participants highlighted the fact that while a tax was levied on all equity market transactions, India also taxed business income and the capital gains on securities, which, combined with the triple taxation on dividends, made the Indian capital market quite unattractive globally.

Incidentally, the broking body requested the government to take 'urgent steps to boost investor sentiment' given the overall weak sentiment in the investor community, especially foreign portfolio investors (FPIs).

"Long-term capital gains tax and taxation on dividends in the hands of Indian investors should be withdrawn," ANMI said in a memorandum.

Expect NBFC customers to shift home loans to our bank: Syndicate Bank MD

Anticipation arises after the public sector lender dropped rate to 8.3%, one of the lowest in the industry, after linking it with RBI's repo rate

MANOJIT SAHA MUMBAI

Public sector lender Syndicate Bank is hoping that home loan customers of non-banking finance companies (NBFCs) will switch over to the bank.

The expectation comes after the bank had linked its home loan rate to the Reserve Bank of India's (RBI's) repo rate, leading to a drop in the interest rate to 8.3%, one of the lowest in the industry. "We are hoping that a good chunk of the current performing housing loans from NBFCs will migrate to us. Their home loan rates are much higher," Mrutyunjay

Mahapatra, MD & CEO of the bank, told *The Hindu* in an interaction.

Till now, only three lenders have linked their home loan rates to the external benchmark, that is the repo rate. While the State Bank of India (SBI) had linked home loans to the repo rate with effect from July 1, Syndicate Bank and Bank of Baroda have decided to take the same route now.

Syndicate Bank's home loan starts from 8.3%, while for Bank of Baroda, it is 8.35%. At present, SBI's repo-linked home loan rate starts from 8.4% which will come down to 8.05% from

Cheaper homes: The public sector lender expects to end the financial year with a 20-24% growth in home loans.

September when the latest cut in repo rate will be factored in. At HDFC, one of the country's largest mortgage

lenders, home loan rates start from 8.60% (8.55% for women borrowers).

Mr. Mahapatra said the

Syndicate Bank has also linked the deposit rates (for deposits over ₹25 lakh) to the repo rate

trigger for such a move was the last week's 35 bps repo rate cut by the RBI and the central bank's emphasis on monetary transmission.

Rate transmission

"[The] RBI was expressing concern over why the interest rates were not getting transmitted. So, we were doing our internal calculations. The immediacy of the step

came after the 35 bps rate cut [by the RBI]. During the speech, the RBI Governor mentioned that the transmission must happen. Also, right now, the economy needs a boost," he said.

The bank now expects home loan growth to improve with lower rates. Till the first quarter, growth in home loans for the bank was about 8% year-on-year and now, it expects to end the financial year with 20-24% growth.

Mr. Mahapatra said they were also asking builders to offer discounts to boost sales. "Festive season, unsold inventory could boost

demand. We are asking builders to give some discounts rather than holding on to stocks," he said.

Apart from home loan rates, Syndicate Bank had also linked the deposit rates (for deposits over ₹25 lakh) to the repo rate. Mr. Mahapatra said this was to maintain some parity in deposit and lending rates.

"The market wants the deposit [rates] to remain high and transmission to happen only in lending rates. But that is unsustainable. So, we decided to bring about some amount of parity in the movements of deposit rates and lending rates," he added.

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