

# Aramco to pick up 20% in Reliance's oil biz

Valuing RIL's oil to chemicals business at \$75 billion, the deal is the largest foreign direct investment made in India

M C VAIJAYANTHI @ Mumbai

In India's largest foreign direct investment (FDI) deal, Reliance Industries Ltd. (RIL) on Monday announced that it has agreed to sell a strategic stake in its oil to chemicals business to global oil giant Saudi Aramco. According to RIL chairman Mukesh Ambani, Aramco has agreed to pick up a 20 per cent stake in the division whose enterprise value is pegged at \$75 billion.

RIL's oil to chemicals business would include all its refining and petrochemicals assets, and the petroleum retail chain in which BP recently took a 49 per cent stake.

The Aramco and BP deals are seen part of a major de-leveraging exercise by the conglomerate after analysts began flagging concerns over its growing debt. BP would pay \$7,000 crore for its stake, with both investments together set to bring in \$1.1 lakh crore, Ambani told shareholders at the company's 42nd Annual General Meeting (AGM).

Aramco will also supply up to 500 kbpd of crude oil on a long term basis to RIL's Jamnagar refinery under the agreement. The Jamnagar refinery, with a processing capacity of 1.24 mtpd, one of the largest and most complex such units in the world, is also future ready to transform from being a leading producer of fuels to chemicals, Ambani said. "As the world moves towards renewable energy sources and electric vehicles, Reliance has positioned itself far ahead of the curve to cre-

ate new value," he said.

The roadmap in RIL's oil to chemical mission aims to convert greater than 70 per cent of crude oil refined in Jamnagar into commercially competitive chemical building blocks, RIL had said in its annual report. "The Jamnagar refinery product slate, at the culmination of oil-to-chemical transition, shall be only jet fuels and petrochemicals. All refined products priced below crude shall be eliminated for chemicals at the initial stage. Final fuel de-risking shall target elimination of gasoline, alkylate and diesel," the company had said.

## Large scale deleveraging

**Saudi Aramco will invest in Reliance for a 20 per cent stake in Oil to Chemicals division at an enterprise value of \$75 billion. This will cover all of RIL's Refining and Petrochemicals assets**

Mukesh Ambani, Chairman, RIL

Ambani also told shareholders that the company would try to become a zero debt entity at the net level within 18 months, and then try to pay higher dividends, periodic bonus issues etc., Currently, RIL's net debt stands at \$1.54 lakh crore, and gross debt at \$2.88 lakh crore.

Though Ambani did not spell out the details of how the Aramco deal would be structured, since RIL also operates telecom and retail businesses, he said efforts are on to bring in partners for these two and move towards listing within five years. The oil to chemicals business, meanwhile, is likely to be carved out but kept within RIL fold for now. Once the due diligence and approval process is over, RIL is likely to issue shares to Aramco in some form to match its 20 per cent economic interest in the unit.



Chairman of Reliance Industries Limited Mukesh Ambani (C) arrives for the company's 42nd AGM in Mumbai on Monday | AP

## RIL to make a 'New Commerce' bet

SESA SEN @ New Delhi

With a successful disruptor like Reliance looking to settle in for the long haul in the retail business, the likes of Future Group, and e-commerce giants like Amazon and Flipkart, are set to see intense competition.

On Monday, Mukesh Ambani, chairman of Reliance Industries Ltd. (RIL) revealed the contours of a plan that could recast the entire retail industry. With trials of its digital commerce venture — which seeks to integrate producers, sellers and consumers under one platform — yielding promising results, Ambani said it is now working towards empowering three crore merchants and

kirana shop owners across the country with its end-to-end digital and physical distribution.

"Reliance Retail has built the capabilities to address the \$700 billion unorganised retail opportunity, which we call New Commerce," Ambani said, adding that RIL plans to bring the country's small retailers on to a digital platform which also connects suppliers with Reliance Retail stores. "The new commerce platform would enable small merchants to do everything that large enterprises and large e-commerce players are able to do," he said.

Retail has become one of RIL's biggest bets of late, as RIL

attempts to prune its dependence on traditional avenues like oil refining. Reliance Retail had crossed \$1.3 lakh crore in revenue last year, with Ambani stating that "it (was) four times larger than the second-largest retail player".

Analysts say RIL's retail gambit has the potential to unsettle Big Bazaar, Avenue Supermarts and others in the sector, primarily due to the company's deep pockets and strength in pricing. "Fast-forward five years on, Reliance will have metamorphosed into a company with a larger consumer play," said Abneesh Roy, senior vice-president, Edelweiss.



## Etihad, Anil Agarwal not interested in bidding for Jet Airways

ENS ECONOMIC BUREAU @ New Delhi

IN a big blow to Jet Airways' hopes for a revival, Etihad Airways said on Monday that it will not express interest in re-investing in the beleaguered airline "because of unresolved issues concerning its liabilities". The gulf carrier, which already holds a 24 per cent stake in Jet Airways, had in May "confirmed its interest to re-invest in Jet" subject to various conditions like securing an exemption from making an

open offer and banks taking a big haircut on their loans.

"Since then, Etihad has consistently and constructively sought and advanced solutions to help resolve Jet's issues. But, as a minority shareholder, Etihad has had limited capacity to secure required changes," Etihad said in a statement. While noting that "despite the endeavours of everyone involved there remained very significant issues relating to Jet's previous liabilities", "It was neither feasible nor responsible" to re-invest in Jet at this time, Etihad



### Eol deadline extended

The lack of sufficient bidders had forced Jet Airways' Resolution Professional to extend the deadline to submit Expressions of Interest (Eol) from the earlier August 3 to August 10.

asserted that the decision does not affect its commitment to the Indian market.

Incidentally, Anil Agarwal's family trust-led Volcan Investments has also decided to withdraw its Expression of Interest just hours after Etihad declined to bail out Jet Airways. In a statement, the company said, "The Eol... by Volcan was exploratory in nature. On further evaluation and considering other priorities, we intend to not pursue this further."

Jet Airways had suspended operations in April due to an

acute fund crunch.

The resolution professional handling Jet case under the insolvency and bankruptcy code process has so far received 16,643 claims worth \$24,888 crore from financial, operational and other creditors. Only claims of 33 financial creditors worth \$8,463 crore had been admitted however.

The RP, who had set a deadline of August 3 initially for the submission of EoIs, had to extend the deadline to August 10 since it had not received any bids as of then.

### EXPRESS READ

#### Tech Mahindra to buy 65% in Mad\*Pow

New Delhi: Tech Mahindra will pay \$70 million (about \$490 crore) to acquire 65 per cent stake in US-based strategic design consultancy firm Mad\*Pow. "... the balance 35 per cent will be acquired subsequently from the management team and the founders..." it added.

#### OYO, ACKO ink pact to provide insurance

New Delhi: OYO on Monday partnered ACKO General Insurance to offer guests a complimentary insurance cover for its properties across India. The guests will get insurance against accidental death, baggage loss and accidental medical expenses for the entire duration of their stay.

#### Kotak special fund gets \$1 bn commitments

New Delhi: Kotak Investment Advisors on Monday said it has achieved the final closure for the Kotak special situations fund, having received an aggregate commitment for \$1 billion. The fund will focus on non-performing loans (NPLs) which are either facing insolvency procedures or are outside the IBC process.

### CORPORATE RESULTS

#### Muthoot Finance Q1 profits up 9%

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Muthoot Finance on Monday reported an increase of 9 per cent in its consolidated net profit for the first quarter of the financial year ended June 30. The company recorded a net profit of \$563 crore for the quarter compared to \$518 crore recorded during the same quarter of the previous year. Total income increased to \$2,067.67 crore during the quarter against \$1,783.47 crore the previous year. Consolidated loan assets under management (AUM) rose 18 per cent to \$40,228 crore during the latest June quarter, as against \$33,954 crore a year ago.

#### SJVN net profit rises 44% to ₹423 cr

ENS ECONOMIC BUREAU @ New Delhi

State-owned SJVN on Monday posted a 43.54 per cent jump in consolidated net profit at ₹422.51 crore for June quarter 2019 as compared to the year-ago period on the back of higher revenues. The company's net profit was ₹294.35 crore in the June quarter of 2018-19, a BSE filing said. Total income rose to ₹815.06 crore during the latest June quarter from ₹650.50 crore a year ago. Gross power generation in the quarter under review rose to 3,200.57 million units from 2,404.92 million units a year ago. The company is primarily engaged in generation and sale of power across India.

#### Motherson Sumi Q1 profit falls 42%

ENS ECONOMIC BUREAU @ New Delhi

Auto component major Motherson Sumi Systems Ltd (MSSL) on Monday said its consolidated net profit declined 41.67 per cent to ₹360.64 crore for the quarter ended June 30, 2019. The company had reported a profit of ₹618.35 crore during the same period of previous fiscal. Total revenue from operations rose to ₹16,792.53 crore for April-June 2019 as compared with ₹14,775.46 crore in the year-ago period, MSSL said in a regulatory filing. The company's profitability was impacted by adverse ramp-up costs at Samvardhana Motherson Peguform (SMP) greenfield projects and tough market conditions.

## Catholic Syrian Bank files draft papers for IPO with SEBI

ENS ECONOMIC BUREAU @ New Delhi

KERALA-BASED Catholic Syrian Bank on Monday said that it had filed a draft prospectus for its planned initial public offer (IPO) with markets regulator Securities and Exchanges Board of India (SEBI).

According to an official statement, the private sector lender

is planning to raise fresh capital by issuing shares worth ₹30 crore, besides an offer for sale of 1.98 crore shares by existing shareholders.

"The net proceeds from the fresh issue are proposed to be utilised towards augmenting the bank's tier-1 capital base to meet future capital requirements which are expected to arise out of growth in our

bank's assets, primarily our bank's loans/advances and investment portfolio, and to ensure compliance with Basel III and other RBI guidelines," it said, adding that the bank's shares will be listed on both the BSE and NSE.

**The net proceeds from the fresh issue are proposed to be utilised towards augmenting the bank's tier-1 capital to meet future needs**  
Official statement, Catholic Syrian Bank

Canadian billionaire Prem Watsa currently owns a controlling stake in the bank which posted a loss of ₹197.4 crore in financial year 2018-19. Last year, Watsa's Fairfax India Holdings Corporation had acquired a 51 per cent stake in the

lender for around ₹440 crore, following which the Reserve Bank instructed it to list its shares by September 30, 2019.

This was the first time the central bank had approved an equity investment into a domestic private sector bank by a foreign firm. While the bank had received approval for an IPO in 2015, it did not go ahead with the listing at that time.

#### Andhra Bank reduces MCLR rates by 25 bps

Andhra Bank announced last week that it will be reducing the Marginal Cost of funds based Lending Rate (MCLR) effective from August 16, 2019, across all five tenors: Overnight (now 7.95%), 1 month (8%), 3 months (8.2%), 6 months (8.35%) and 1 year (8.45%).

#### Indian Bank to launch Repo-linked loans

Indian Bank last week announced that it has launched new home loan and vehicle loan products linked to the Repo rate. These products will carry interest which will change along with RBI's repo rate changes and will facilitate quick transmission of policy interest rates.

## Business & Beyond

#### K Sreekant now CMD, PowerGrid

K Sreekant assumed the charge of Chairman and Managing Director of Power Grid Corporation of India Limited on August 5, 2019. Prior to taking up this assignment, he was serving as Director (Finance) POWERGRID. The new CMD is a B.Com (Hons.) graduate, CMA and PGDBM (Finance), with more than 33 years of experience in the power sector involving all Finance and Accounting functions.



#### IBRAD bags West Bengal project

The Indian Institute of Bio-Social Research & Development, which has developed the concept of Integrated Landscape Management and Sustainable Agriculture in order to address the need for food security and human development in tribal communities, has bagged a project from West Bengal's Department of Agriculture. Tribal farmers under the project are engaged in organic and sustainable farming.

#### Canara Bank cuts MCLR rates by 10 bps

To pass on the benefit of reduction in interest rates effected by the RBI, Canara Bank has cut its marginal cost of fund-based lending rate (MCLR) by 10 basis points across all tenors, effective from August 7, 2019. With this, it has cumulatively reduced its MCLR by 20 bps in 6 months.

#### Syndicate Bank cuts MCLR, to offer repo-linked loans

Syndicate Bank has decided to lower its MCLR rates by 25 basis points across all tenors from August 12. With this, during the current financial year, the bank has cumulatively reduced its MCLR in different tenors up to 50 bps. It has also decided to introduce Repo Linked Deposit and Lending Rates.

#### AIC to provide relief to the farmers affected by recent floods

Agriculture Insurance Company of India (AIC) is closely monitoring the losses arising out of the recent floods and fully geared up to pay claims to the affected farmers under the Pradhan Mantri Fasal Bima Yojana (PMFBY) Scheme, the company said, adding that it was in touch with the State & District administration.