

## Reliance Chemicals and Materials Limited

December 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term/short-term bank facilities	960 (enhanced from 485)	CARE AAA; Stable/ CARE A1+	Reaffirmed
Long-term bank facilities	40 (enhanced from 15)	CARE AAA; Stable	Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Reliance Chemicals and Materials Limited (RCML) derive strength from its strong parentage of Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/CARE A1+') and strong operational, financial and managerial linkages with RIL. RCML, a wholly owned subsidiary of RIL, is setting up greenfield manufacturing facilities for production of polyvinyl chloride/vinyl chloride monomer (PVC/VCM) and carbon fibre, which are expected to be completed by end-FY26. Proposed businesses under RCML are strategically important for RIL's growth in existing oil to chemicals (O2C) value chain. Ratings also draw comfort from dominant market position of RIL in PVC segment, and favourable demand prospects for products and large import substitution opportunity.

Rating strengths largely offset implementation and stabilisation risks of these projects, which are currently at an early stage of implementation, competition from large international PVC and carbon fibre manufacturers and exposure of profitability to highly volatile PVC-EDC (ethylene dichloride) spread and input/product price volatility.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

Not applicable

#### Negative factors

- Any change in RIL's controlling ownership of RCML and/or weakening of linkages with RIL.
- Deterioration in credit profile of RIL.

### Analytical approach: Standalone

Ratings factor in strong management, financial and operational linkages with the parent, RIL. RCML is strategically important for RIL's expansion in O2C business segment and is latter's extended arm and thus is expected to receive need-based financial support in a timely manner from the parent.

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that RCML shall derive benefit from strong parentage in project implementation and stabilisation phase and in ramping up operations.

### Detailed description of key rating drivers

#### Key strengths

#### Strong and resourceful parentage of RIL, entailing significant financial flexibility to RCML

RCML derives significant comfort from resourcefulness, financial strength, and flexibility of the promoter, RIL. RIL is India's largest private sector enterprise with businesses across hydrocarbon exploration and production, petroleum refining and marketing, petrochemicals, advanced materials and composites, renewables, retail, and digital services.

Being a direct 100% subsidiary of RIL, RCML enjoys superior financial flexibility, which gives it easy access to the debt market for raising funds. RIL and RCML share a common brand identity 'Reliance', which further supports ratings. RIL has undertaken to maintain at least 51% equity stake in RCML and management control in the tenure of rated bank facilities.

#### Significant importance of oil to chemical business in overall group strategy of RIL

RCML is undertaking greenfield projects towards setting up polyvinyl chloride/vinyl chloride monomer (1 MMTPA capacity), at Nagothane, Maharashtra, carbon fibre (3,900 TPA capacity) at Hazira, Gujarat and carbon fibre reinforced polymers at Halol, Gujarat, at a total capex of ~₹16,350 crore. These projects are expected to commence commercial operations from April 2026 and shall support in expansion of O2C value chain of RIL, which remains one of the major business segments in the overall business and are strategically important for RIL. In FY24, O2C business contributed 56% and 35% to RIL's consolidated revenue

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

and PBILDT. The proposed PVC project shall result in over doubling RIL's existing PVC capacity and solidify its industry leading position in the PVC segment. RCML shall have a first-mover advantage in the domestic carbon fibre market with sizable manufacturing capacity of 3,900 TPA, which shall ensure strong competitive advantage.

RCML has set up bio-densification and compressed biogas plant (15 TPD) at Vadodara, Gujarat and is currently executing 20 TPD capacity project at Hoshiarpur, Punjab. Biogas production also supports the transition towards green fuel and shall complement RIL's existing business.

### **Operational linkages with RIL's O2C business**

For proposed PVC project, RCML is expected to benefit from technical know-how, distribution network and customer base of RIL's existing PVC business. RCML plans to source feedstock, EDC, from RIL, to manufacture PVC/VCM. In the carbon fibre business, RCML is expected to manufacture carbon fibre from acrylonitrile, where its carbon fibre production can be partly captively used in RIL's new energy initiatives. In CBG business, the output is expected to be partially sold to the group entity, for sale to end-customers through retail outlets.

### **Favourable demand prospects aided by high import substitution opportunity**

CARE Ratings expects domestic demand for PVC and carbon fibre to witness healthy growth in the medium term driven by favourable demand prospects from key end-user sectors such as construction, renewable, defence, automotive, and irrigation among others. Around two-third of domestic PVC demand is currently met through imports, which provides an opportunity for domestic manufacturers to substitute imports. The country's entire carbon fibre demand is currently catered through imports in absence of domestic manufacturing of carbon fibre.

Post commencement of operations, RCML is expected to have first-mover advantage in domestic carbon fibre industry and opportunity to substitute imports. Favourable demand prospects for PVC and carbon fibre provides good revenue visibility for RCML's proposed large size production capacities.

### **Liquidity: Strong**

RCML's strong liquidity is underpinned by its access to need-based financial support from RIL in a timely manner. Being part of the RIL group, RCML has superior financial flexibility, which provides it access to debt markets and ability to raise funds at competitive rate of interest.

### **Key weaknesses**

#### **Exposure to project risk**

The company has recently got enhanced its letter of credit (LC) limit from ₹70 crore to ₹550 crore and may increase it in line with progress of project and procurement of capital equipment. The company incurred capex of ~₹500 crore in 8MFY25 (April-November 2024) funded by equity and optionally convertible preference shares (OCPS) of ₹418 crore and balance from capital creditors. Accordingly, the project progress is at an initial stage of implementation, and is exposed to implementation and stabilisation risks. However, the RIL group's experience of executing large-scale complex projects and its technical expertise in O2C business, significantly mitigate these risks.

#### **Strong competition from international players; volatility in input and product prices**

The country currently imports a large part of domestic PVC requirement from China and entire domestic carbon fibre requirement from Japan, the USA and Germany. RCML is expected to face strong competition from Chinese PVC manufacturers. PVC industry has witnessed dumping from China, which results in margin pressure for domestic manufacturers at times. RCML's profitability in the PVC business is exposed to highly volatile PVC-EDC spread. However, RIL group's strong market position in the domestic PVC market, cost-competitiveness, established clientele, is expected to mitigate these risks and benefits the company to an extent. RCML is a new entrant in carbon fibre market and is expected to face strong competition from relatively large international carbon fibre manufacturers and expected entry of other domestic players in the market.

### **Applicable criteria**

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Project Stage Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial Sector Entities](#)

[Short Term Instruments](#)

## About the company

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Petrochemicals

Incorporated on November 02, 2022, RCML is a 100% subsidiary of RIL. RCML has set up a CBG plant with a capacity of 15 TPD at Vadodara, Gujarat, which commenced operations in March 2024. RCML is also currently executing another CBG plant with a capacity of 20 TPD at Hoshiarpur, Punjab. RCML is undertaking project to setup greenfield facilities for production of PVC/VCM, with an installed capacity of 1 MMTPA and carbon fibre, with an installed capacity of 3,900 TPA, which are expected to commence commercial operations from April 2026.

**Brief Financials:** Not applicable, as RCML is currently in a project phase.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instruments / facilities:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	40	CARE AAA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	960	CARE AAA; Stable / CARE A1+

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	40	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-24)	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	960	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (01-Jul-24)	-	-	-

LT: Long term; LT/ST: Long term/Short term

### Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Sr. No.	Name of Instrument	Detailed explanation
1.	<b>Bank Facilities:</b> Non-financial covenants	RIL to hold at least 51% equity shareholding in Reliance Chemicals and Materials Limited in the tenor of sanctioned bank facilities.

### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Sr. No.	Name of the Instrument	Complexity Level
2	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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#### About us:

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