

Reliance Sibur Elastomers Private Limited

December 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,620	CARE AAA; Stable	Assigned
Long-term bank facilities	782 (reduced from 812.43)	CARE AAA; Stable	Reaffirmed
Issuer rating	-	CARE AAA; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and issuer rating of Reliance Sibur Elastomers Private Limited (RSEPL) continue to draw strength from its strong and resourceful promoter - Reliance Industries Limited (RIL, rated 'CARE AAA; Stable/CARE A1+'), holds 74.90% equity shareholding in RSEPL, extended corporate guarantee for its term debt and demonstrated financial support, which is expected to continue going forward. Ratings also draw comfort from operational synergies derived by RSEPL from promoters in the form of technology, sourcing raw material, utilities, marketing arrangements for sale of products isobutylene isoprene rubber (IIR) and halo butyl isobutylene isoprene rubber (HIIR), being product diversification of RIL's existing elastomers business. Ratings also factor in first-mover advantage to RSEPL being India's first and sole manufacturer of specialty products, IIR and HIIR. Rating strengths mostly offset stabilisation risks associated with the recently commissioned manufacturing facilities with limited operational track record and risk associated with volatile product spreads, competition from imports and forex risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- Significant change in ownership of RSEPL (decline in RIL's shareholding).
- Deterioration in credit profile of RIL.

Analytical approach: Standalone.

Rating is further notched-up for strong operational, financial and management linkages with its parent, RIL.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that support from its strong parent (RIL) and expected ramp-up of capacity utilisation would lead to healthy cash flows for RSEPL and a strong credit profile.

Detailed description of key rating drivers

Key strengths

Strong and resourceful promoter (RIL)

RSEPL is a joint venture (JV) between two renowned business groups, Reliance (Mukesh Ambani) group through RIL, and Sibur group through Sibur Investments AG (SIAG). RSEPL derives significant strength from its majority shareholder (RIL), which has a strong credit profile and is the Reliance group's flagship company. RIL is India's largest private sector enterprise with businesses across energy and materials value chain, retail, and telecom sectors. SIBUR is also a leading Russian-integrated petrochemical company. RIL and RSEPL share a common brand identity 'Reliance', which further supports the rating. Per sanction terms of rated debt, Reliance group is required to maintain controlling stake in RSEPL and management control in the tenure of bank facilities.

Demonstrated support from promoters

Promoters have provided adequate financial and operational support for stabilising manufacturing facilities, fund raising and timely servicing of debt obligations. In FY21 (refers to April 01 to March 31), RSEPL refinanced its then-outstanding project term debt (ECBs) of US\$330 million, through availment of ECBs only, due to delay in its project completion. RSEPL's existing ECBs have relatively short tenure of four years and are backed by an unconditional and irrevocable corporate guarantee from RIL. RSEPL has recently availed longer tenure rupee term loan of ₹1,620 crore, backed by an unconditional and irrevocable corporate guarantee from RIL, to be exclusively used for refinancing of existing ECBs. CARE Ratings expects RSEPL's operational cash flows are not expected to be sufficient in short-to-medium term against its debt servicing requirements due to relatively short tenor of ECBs. CARE Ratings expects debt servicing obligation to be met by RSEPL's operational cash flow, refinancing and promoters'

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

support, if required. In the past, RIL supported in the form of unsecured loans of ₹1,216 crore as on March 31, 2024, to ensure timely debt servicing. In case of promoter's support, where any shareholder fails to meet their equity commitment obligations, provisions of shareholders agreement will apply, where in the event of a funding default, funding shareholder may elect to subscribe to the portion of securities that a non-funding shareholder has failed to subscribe.

Operational synergies derived from promoter groups

RSEPL draws significant operational synergies across levels from manufacturing technology, sourcing raw materials, availability of utilities and marketing arrangements. Technology for butyl rubber manufacturing provided by SIBUR is perpetual. RSEPL's manufacturing facility is spread across 120 acres area, in the vicinity of RIL's refinery complex at Jamnagar, Gujarat, resulting in considerable savings in raw materials transportation cost, as RSEPL procures its entire requirement of key raw material from RIL. RSEPL has also been able to sell most of its IIR and HIIR to major domestic tyre manufacturers, which are already RIL's customers for synthetic rubber and also has access to global markets through strong network of promoters.

First-mover advantage being India's first manufacturer of specialty butyl rubber products

RSEPL is the first and sole company in India to manufacture IIR and HIIR. RSEPL's manufacturing technology is proprietary and in the hands of limited players globally, acting as a significant entry barrier into this specialty market and limiting competition. These products are primarily used in tyre industry, where IIR is utilised in inner tube type tyres and HIIR is utilised for inner liner of tubeless tyres. Products also have other applications, including pharmaceuticals, sealants, and hoses. With prevalent demand from tyre manufacturers in India and access to global markets through strong network of JV partners, CARE Ratings expects RSEPL to reap benefits as first mover.

Liquidity: Strong

RSEPL's liquidity profile is primarily driven by support of its shareholders, which has been demonstrated in the past through infusion of equity and unsecured loans. RSEPL's term debt is supported by corporate guarantee of RIL and was also refinanced due to the group's financial flexibility. Utilisation of fund-based working capital limit is negligible and term debt repayment obligations, which commenced from March 2023, are expected to be supported by internal accruals and refinancing through already sanctioned term debt and promoters support, if required.

Key weakness

Stabilisation risks associated with manufacturing facilities

RSEPL completed construction of IIR plant in September 2019 and HIIR plant in February 2021. IIR plant achieved COD on March 31, 2022, and HIIR plant achieved COD on March 31, 2023, post-integration with IIR plant. IIR plant operated at ~80% capacity whereas HIIR plant operated at ~55% capacity in FY24, which was first year of integrated operations for the company. RSEPL registered total operating income (TOI) of ₹2,974 crore (including income from trade of rubber chemicals) and PBILDT margin of 6.62% in FY24. RSEPL's PBILDT margin was impacted in FY24 amidst lower spread between products and raw material prices and limited capacity utilisation, partly impacted due to cheaper imports in the country.

In the current fiscal, IIR plant is operating at almost full capacity whereas HIIR plant's capacity utilisation is expected to improve gradually. Recently, GoI imposed anti-dumping duty on imports of IIR in India, which is expected to support product realisations. CARE Ratings expects RSEPL's PBILDT margin to improve, going forward, due to expected improvement in capacity utilisation of HIIR and support from tariff measures. Stabilisation of manufacturing facilities, ramping up capacity utilisation and generation of envisaged returns in a timely manner would be key rating monitorable.

Exposure to volatile product spreads and forex risk

RSEPL's profitability is exposed to volatility in spread between product prices and key raw material prices (high purity iso-butylene). The company is also exposed to forex fluctuations due to sizable exports and term debt denominated in USD and JPY currencies.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Issuer Rating](#)

About the company and industry

Industry classification

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

RSEPL is a JV between Reliance group (via RIL) and Sibur group (via Sibur Investment AG, Switzerland) with shareholding of 74.90% and 25.10%, respectively. RIL is India's largest private sector enterprise with businesses across energy and materials value chain, retail, and telecom sectors. SIBUR group is a leading Russian-integrated petrochemical player. RSEPL has set up a plant for manufacturing IIR, which is integrated downstream into manufacturing HIIR. IRR capacity is 120,000 tonne per annum and HIIR capacity is 60,000 tonne per annum.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	1,046.66	2,974.05
PBILDT	-0.23	196.85
PAT / (Net loss)	-131.72	-61.83
Overall gearing (times)	1.29	1.36
Interest coverage (times)	NM	0.90

A: Audited; NM: Not Meaningful

Financials are reclassified per CARE Ratings' standards.

Note: these are latest available financial results.

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 and Rating Outlook
Fund-based - LT-External Commercial Borrowings	-	-	September 2026	342	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	November 2033	1,620	CARE AAA; Stable
Fund-based/Non-fund-based-Long Term	-	-	-	80	CARE AAA; Stable
Fund-based/Non-fund-based-Long Term	-	-	-	360	CARE AAA; Stable
Issuer Rating-Issuer Ratings	-	-	-	-	CARE AAA; Stable

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/Non-fund-based-Long Term	LT	80	CARE AAA; Stable	-	1)CARE AAA; Stable (18-Sep-23)	1)CARE AAA; Stable (06-Sep-22)	1)CARE AAA; Stable (18-Oct-21)

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
						2)CARE AAA; Stable (07-Apr-23)		2)CARE AAA; Stable (07-Sep-21)
2	Fund-based/Non-fund-based-Long Term	LT	360	CARE AAA; Stable	-	1)CARE AAA; Stable (18-Sep-23) 2)CARE AAA; Stable (07-Apr-23)	1)CARE AAA; Stable (06-Sep-22)	1)CARE AAA; Stable (18-Oct-21) 2)CARE AAA; Stable (07-Sep-21)
3	Issuer Rating-Issuer Ratings	LT	-	CARE AAA; Stable	-	1)CARE AAA; Stable (18-Sep-23) 2)CARE AAA; Stable (07-Apr-23)	1)CARE AAA; Stable (26-Dec-22) 2)CARE AAA (Is); Stable (06-Sep-22)	1)CARE AAA (Is); Stable (07-Sep-21)
4	Fund-based - LT-External Commercial Borrowings	LT	342	CARE AAA; Stable	-	1)CARE AAA; Stable (18-Sep-23) 2)CARE AAA; Stable (07-Apr-23)	-	-
5	Fund-based - LT-Term Loan	LT	1620	CARE AAA; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-External Commercial Borrowings	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-Long Term	Simple
4	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender detailsTo 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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