Reliance BP Mobility Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,055	CARE AAA; Stable	Reaffirmed
Long-term/short-term bank facilities	325	CARE AAA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Reliance BP Mobility Limited (RBML) derive significant strength from its strong and resourceful parent, Reliance Industries Limited (RIL, rated 'CARE AAA; Stable/CARE A1+'), holding a majority 51% equity stake. Ratings derive significant strength from RBML's strong operational, financial and managerial linkages including fuel sourcing arrangements with RIL, which has presence across various segments of energy value chain. Ratings also derive significant comfort from 49% equity stake being held by BP Global Investments Limited (BPGIL), which is a subsidiary of BP Plc, which is also a strong player in oil and gas sector globally and has long-standing partnership with RIL group in oil and gas exploration business. Ratings also consider comfort from strategic importance of RBML to its promoters, operational synergies with both promoter groups, and RBML's growing presence in petroleum fuel retail business with favourable growth prospects.

Rating strengths are partially offset by strong competition faced by the company from public sector undertakings (PSU) oil marketing companies (OMC) controlling major share in petroleum retail market, inherent regulatory risks amidst volatile crude prices and fuel cracks, low-profit margins due to trading nature of operations, and risks associated with partly debt-funded growth plans.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Change in ownership structure of RBML, i.e., decline in shareholding of RIL below 51%.
- Deterioration in credit profile of RIL.

Analytical approach: Standalone

Rating also factor strong operational, financial, and managerial linkages with its parent, RIL (holding 51% stake in RBML). RIL has undertaken to RBML's lenders to maintain minimum 51% equity stake in RBML and retain management control during the tenor of bank facilities availed by RBML.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes RBML's strong parentage and its linkages with RIL shall result in sustenance of its comfortable financial risk profile and strong liquidity.

Detailed description of key rating drivers

Key strengths

Financially strong and resourceful promoters with vast experience in oil and gas sector

RBML is a joint venture (JV) between two renowned groups in oil & gas sector, RIL holding a controlling stake of 51% and BP Plc (BP) through BPGIL holding 49% stake in the company as on December 31, 2024. RIL has undertaken to RBML's lender to continue to hold its 51% equity stake in the company during the tenure of sanctioned bank facilities. RIL is India's largest private sector company, with diverse interests, including oil and gas exploration and production, oil refining, and petrochemicals. RIL has strong competitiveness in global oil refining and petrochemicals business arising from its integrated operations. BP, parent company of BPGIL, is a global energy giant with over 100 years of experience across oil and gas value chain and is one of the largest international energy companies with vertically integrated operations including exploration & production, refining, distribution and marketing, power generation and trading.

Strategic importance of RBML to its promoters

RIL and BP groups have a long-standing relation underlined by their partnership in oil & gas exploration and production business in India and gas trading & distribution business in India. To further expand their presence in energy value chain, both groups partnered and formed RBML as a JV to take over RIL's fuel retailing business looking at prevalent growth opportunities. Deriving

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

operational synergies from both promoter groups, RBML entered in gaseous fuel segment with CNG outlets. In line with emphasis of GoI, RBML is also entering in retailing of Bio-CNG. Additionally, RBML, leveraging strengths of its promoters, has ventured into electric vehicles (EV) charging segment by way of setting up EV fixed charging and battery swapping infrastructure across all Metros, Tier-I, and Tier-II cities in phases. Accordingly, RBML is expected to be strategically important for its promoters in the long-term as both promoter groups have plans to reduce their carbon footprints.
RBML's board of directors comprises three directors from RIL group, two directors from BP group and two independent directors. RBML's management team has representatives from both promoters, CEO from RIL group and CFO from BP group.

Strong sourcing arrangement with promoters
RBML procures almost its entire fuel requirement from RIL's refineries. Through BP group, RBML's fuel retail outlets have access to high-quality differentiated fuels, lubricants, advanced low carbon mobility solutions and on-the-go convenience stores.

Growing presence in petroleum retail business with increasing number of outlets
Before transfer of business to RBML, RIL had ~1400 fuel retail outlets, which later increased to ~1,850 outlets as on October 31, 2024. RBML intends to rebrand all existing fuel outlets under Jio-BP brand. RBML also has a plan to expand its fuel retail outlet network. In addition to fuel retail network, it has a plan to add EV charging stations, battery swapping operations, CNG/Bio-CNG stations, convenience stores at its fuel stations, and off-fuel forecourt quick service restaurants. With expected increase in number of outlets across all above-mentioned formats, RBML is expected to witness healthy growth in its retail footprint in the medium term.

Favourable growth prospects for RBML's fuel retailing business and its venture into gaseous fuels and EV charging infrastructure
India's energy demand is closely related to its economic growth; accordingly, domestic demand of petroleum products is expected grow steadily in the medium term supported by healthy economic growth. This provides healthy growth opportunities for fuel retailers like RBML to meet India's steadily growing demand for energy. In addition to this, as penetration of EVs is gaining momentum, demand for charging infrastructure has increased. Thus, growing demand for EV charging infrastructure in India, proliferation of CNG as alternative fuel and steady demand for petrol and diesel, is expected to result in favorable medium-term growth prospects for RBML.

Liquidity: Strong
RBML's liquidity profile is primarily driven by the support of its strong and resourceful parent (RIL) which has been demonstrated by latter through extension of long credit period against purchase of fuels. The company does not have debt repayment obligations for next two years. The company also has free cash & investments of ₹1,375 crore as on March 31, 2024 and unutilised fund-based working capital limit of ₹25 crore, which provides a liquidity cushion. Also, being a subsidiary of RIL group, it enjoys superior financial flexibility.

Key weaknesses
Strong competition from PSU oil marketing companies
Domestic fuel retail industry is extremely competitive with public sector undertakings such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, and Bharat Petroleum Corporation Limited having a major share in fuel retail segment. The company faces competition from these PSU companies and other private players, which are expanding their fuel retail network.

Exposure to volatility in crude oil prices and fuel cracks amidst inherent regulatory risk
Oil and petroleum product prices are a function of global demand-supply dynamics, which is primarily influenced by Organization of Petroleum Exporting Countries (OPEC) policies, geo-political situation in countries with oil reserves, economic growth, and exchange rates among others. These factors result in high level of volatility in input costs for fuel retailers like RBML. With deregulation of MS prices in June 2010 and HSD prices in September 2014, fuel retailers are free to revise retail prices daily mitigating risk associated with volatility in crude oil prices to an extent. However, retail prices of MS and HSD do not move exactly in tandem with procurement cost, due to intense competition and GoI policy, which limits pricing freedom.
In FY23, amidst high crude oil prices and consequent losses on sale of MS and HSD, RBML's total operating income (TOI) witnessed 65% y-o-y decline to ₹14,834 crore and operating loss (loss before interest, depreciation, and tax) of ₹993 crore. However, with easing of crude oil prices post November 2022, retail margins on sale of MS and HSD improved and the company reported TOI of ₹37,655 crore and PBILDT of ₹1,610 crore in FY24. CARE Ratings expects RBML's TOI to improve further in FY25 on the back of sustained healthy retail margins resulting in healthy profitability as well.

Inherently low profitability margins associated with trading nature of operations

The company's profitability margins are inherently low due to trading nature of its business, wherein it procures downstream petroleum products from refineries and sells it to retail dealers/customers. RBML's profit margin for company operated outlets is relatively better than its profit margin for dealer-operated outlets.

Partly debt-funded growth plans

The company has a plan to expand its fuel retail outlet network and refurbish its existing outlets under Jio-BP brand. The company has added 295 retail outlets in FY24 and 7MFY25 and has rebranded ~80% retail outlets to Jio-BP brand. RBML has term debt of ₹1,055 crore availed for part funding of its capex in FY23-FY24 resulting in overall gearing of 0.87x as on March 31, 2024. With improved business scenario and accumulation of healthy liquidity, the company has funded capex in 7MFY25 through internal accruals only. However, the company intends to accelerate its growth plans which are likely to be funded by a mix of internal accruals and long-term debt.

Covenants

Nature	Details
Bank Facilities-Non-financial covenants	RIL to beneficially own directly and/or indirectly a minimum 51% shareholding in total issued and paid-up equity share capital and retain management control of Reliance BP Mobility Limited in tenor of bank facilities.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Wholesale Trading
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial Sector Entities
Short Term Instruments

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Energy	Oil, gas & consumable fuels	Petroleum products	Refineries & marketing

RBML is a 51% subsidiary of RIL. Initially, RIL used to own and operate fuel retail business. As a part of RIL group strategy, RIL transferred this business to RBML via slump sale in July 2020. Post transfer of business to RBML, BPGIL (subsidiary of BP Plc) acquired 49% equity stake in RBML for an aggregate investment of ₹7,628 crore in FY21. Accordingly, RBML is now held 51% by RIL and 49% by the BP group.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	14,834	37,655
PBILDT	-993	1,610
PAT	-915	1,004
Overall gearing (times)	1.14	0.87
Interest coverage (times)	NM	19.44

A: Audited, NM: Not meaningful
Note: Above results are latest financial results available

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 instrument/facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Term loan-Long term	-	-	-	16-11-2032	1,055	CARE AAA; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	325	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	Term Loan-Long Term	LT	1,055	CARE AAA; Stable	-	1)CARE AAA; Stable (08-Jan-24)	1)CARE AAA; Stable (23-Jan-23)	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	325	CARE AAA; Stable / CARE A1+	-	-	-	-

LT: Long term; LT/ST: Long term/Short 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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
2	Term Loan-Long Term	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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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