

Printed from

THE TIMES OF INDIA

At 1: 15 ratio, RIL plans India's largest rights offer

TNN | May 1, 2020, 02.53 AM IST



MUMBAI: Reliance Industries (RIL), India's most valued company, plans to raise Rs 53,125 crore through a rights offer at Rs 1,257 a share, a 14% discount to the stock's Thursday close on the BSE at Rs 1,467. This is RIL's first fund-raise from the public in three decades and the largest rights offering by an Indian company. Last year, Vodafone Idea and Airtel had come out with rights offerings of about Rs 25,000-crore each.

Existing RIL shareholders can buy one share for every 15 shares held, the company said in a release. The issue will lead to an equity dilution of about 7%.

RIL chairman Mukesh Ambani and his family, the company's promoters, holds 50% in the company that is currently valued at Rs 9.3 lakh crore. The promoters will take part in the rights issue by subscribing to shares worth about Rs 26,560 crore to maintain their holding in the exploration-to-e-tailer enterprise, the company said.

"An ideal way to raise equity is through qualified institutional placement (QIP) or preferential allotment (PA). But in a QIP, promoters cannot participate and will lead to dilution of their holdings. In PA, promoters can participate but are limited to acquiring up to 5% only. Also, both have minimum price formulas to comply with," said RippleWave Equity Advisors' partner Mehul Savla. "Rights issue is the only choice if promoters want to infuse a large quantum of funds beyond the 5% acquisition limit."

RIL also said that if any non-promoter does not participate in the RIL rights offering, then their portion will be picked up by the

promoters. This would result in their stake going up in the company even further.

RIL said the issue will be structured as partly paid shares and will enable shareholders to phase out the outlay on their investment over a period of time. The rights offering is RIL's latest attempt to shore up the balance sheet and follows its deal with Facebook to whom it is selling 9.9% in Jio Platforms (its digital services unit) for Rs 43,574 crore.

RIL is looking to sell more stake in Jio Platforms besides planning to bring external investors in its retail business. RIL said that as new strategic investors look to partner and add value to the consumer and technology growth engines, the rights issue enables all shareholders to participate in the same.

At RIL's annual shareholder meet last year, Ambani had promised shareholders that when the company achieves its zero net-debt target by March 31, 2021, he will reward them with higher dividends and bonus issues. On Thursday, RIL said that the company will achieve net debt free status before its own set timeline. RIL has a net debt of Rs 1.61 lakh on its books. The rights issues and other stake-sales are towards eliminating this net debt.