

December 6, 2022

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block,
Bandra- Kurla Complex,
Bandra (East), Mumbai 400 051

Script Code: **500325**

Trading Code: **RELIANCE**

Sub: Scheme of arrangement between (i) Reliance Industries Limited (“**RIL**”) and its shareholders and creditors; and (ii) Reliance Strategic Investments Limited (“**RSIL**” or the “**Resulting Company**”) and its shareholders and creditors for demerger of the Financial Services Business from RIL to RSIL under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Scheme**”) - **Our application dated November 16, 2022 seeking NOC**

Ref.: Rationale for Share Entitlement Ratio of 1:1 under the Scheme

In continuation of our above referred application, we submit the rationale for the 1:1 share entitlement ratio under the Scheme as under:

- 1) The subject Scheme provides for:
 - (a) demerger of the Financial Services Business of RIL into its wholly-owned subsidiary RSIL.
 - (b) Issue of equity shares by RSIL to all the equity shareholders of RIL in the ratio of 1 equity share of RSIL for every 1 equity share held in RIL and listing of equity shares of RSIL in the stock exchanges.
- 2) The Scheme does not involve transfer of the financial services business to any third party i.e. demerger of the financial services business by RIL to Company A, another listed company, which is already carrying on financial services business and having its own set of shareholders and Company A issuing shares to the shareholders of RIL.
- 3) In the case at 2 above:
 - (a) the valuation of the financial services business of RIL and valuation of Company A will be determined and agreed between the boards of RIL and Company A;

- (b) basis the comparative valuations of the financial services business of RIL and Company A, the share entitlement ratio will be determined for the purpose of issuing shares by Company A to the shareholders of RIL;
 - (c) In such cases, SEBI has mandated that (i) a valuation report should be obtained from an independent registered valuer; and (ii) the valuation and the share entitlement ratio should be certified to be fair by a SEBI registered merchant banker.
- 4) The reason due to which SEBI has mandated as in 3(c) above is that, upon demerger:
- (a) Shareholders of RIL should receive shares in Company A on a fair basis;
 - (b) Shareholders of Company A should also be treated fairly since (i) shares of Company A are being allotted to new persons, namely shareholders of RIL; and (ii) the inter-se ownership of Company A shareholders will change due to issue of shares to RIL shareholders.
- 5) In the proposed Scheme:
- (a) RSIL is a NBFC and a wholly-owned subsidiary of RIL, carrying on business for over 22 years;
 - (b) Only shareholders of RIL will be the shareholders of RSIL upon demerger;
 - (c) RSIL will not be issuing equity shares to any new persons;
 - (d) RIL's shareholding in RSIL will be cancelled;
 - (e) Inter-se ownership of RIL shareholders will continue to be same in RSIL also.
- It is for these reasons, the SEBI circular dated November 23, 2021 rightly provides that valuation report is not required in such cases as in the proposed Scheme.
- 6) In this demerger, whatever be the share entitlement ratio, for example one share of RSIL for every one share of RIL or two shares of RSIL for every one share of RIL or one share of RSIL for every two shares of RIL or any other ratio, the inter-se ownership of RIL shareholders will continue to be same in RSIL also. However, the share entitlement ratio should be determined on a rationale and logical basis and should not be fixed on an adhoc basis.
- 7) The following are the facts relevant to determination of the share entitlement ratio in the proposed scheme:
- (a) RIL has about 36.20 lakh shareholders and 676.60 crore equity shares are held by these shareholders. Below is the shareholding distribution summary of RIL for few categories:

Category (Shares held)	Holder in the Category	Cumulative Holders upto the Category
1	2,45,675	2,45,675
2	1,92,907	4,38,582
3	94,957	5,33,539
4	1,34,645	6,68,184
5	1,60,319	8,28,503
6	62,630	8,91,133
7	42,395	9,33,528
8	69,431	10,02,959
9	34,096	10,37,055
10	1,95,908	12,32,963
11	29,669	12,62,632
12	70,339	13,32,971
13	19,686	13,52,657
14	26,010	13,78,667
15	55,442	14,34,109

- (b) Shareholders holding upto 15 equity shares comprise 39.60% of the total number of shareholders of RIL.
- (c) Shareholders holding upto 100 equity shares comprise 75.10% of the total number of shareholders of RIL. Thus, 75.10% of the total number of shareholders of RIL are small shareholders.
- 8) The following are the parameters which were considered for determination of the share entitlement ratio after taking into account the above fact pattern:
- (a) The small shareholders of RIL (75.10% of the total number of shareholders) should not be disadvantaged by the share entitlement ratio. The small shareholders of RIL have been with the Company for many decades and RIL as well as these shareholders want to continue the relationship in every business.
- (b) Easily comprehensible to the small shareholders.
- (c) RSIL should have optimum share capital and optimum number of shares keeping in view:
- (i) payment of dividend to shareholders in future.
 - (ii) raising of capital by RSIL in future by issue of fresh shares after which also the share capital should not increase to sub-optimal level.
 - (iii) Optimum per share price for ease of trading by small shareholders.

- 9) Basis the above, the following options were evaluated and the share entitlement ratio of 1:1 was determined:

Sr. No.	Option	Remarks
1	1:2 or any other share entitlement ratio which results in allotment of more than 1 equity share of RSIL for every 1 equity share of RIL	This will result in number of equity shares of RSIL to be more than 676.60 crore equity shares, thereby being sub-optimal
2	Share entitlement ratio on the basis of networth of the demerged undertaking to the networth of RIL. In this case, the share entitlement ratio would have been 16:1 i.e. 1 equity share of RSIL for every 16 equity shares in RIL	(a) 14.34 lakh shareholders of RIL holding upto 15 equity shares will not get any equity shares in RSIL and hence cannot partake in the Financial Services Business. This will be against the interest of all these small shareholders. (b) In this case, the number of equity shares of RSIL would be 42.29 crore, which can result in a higher per share price compared to a price in case of share entitlement ratio of 1:1, making it difficult for small shareholders to trade in this share.
3	Any other share entitlement ratio say, 14:1, 10:1, 8:1, 4:1, etc.	The result will be the same as in case of (2) above.
4	1:1, i.e. one equity share of RSIL for every one equity share of RIL	(a) All shareholders of RIL will get equity shares of RSIL and become shareholders of RSIL and participate in the Financial Services Business. Hence this ratio is in the interest of small shareholders. This will avoid complaints from shareholders who would not be allotted any shares otherwise. (b) No fractional entitlements will arise with this ratio. (c) Easily comprehensible to small shareholders.

Sr. No.	Option	Remarks
		(d) In the opinion of the board, the 676.60 crore equity shares is an optimum equity share capital for RSIL: (i) payment of dividend to shareholders in future. (ii) raising of capital by RSIL in future (iii) optimum per share price for ease of trading by small shareholders.

- 10) Further, the networth as at March 31, 2022 of (a) RIL; (b) the Financial Services Business; (c) RIL excluding the Financial Services Business; (iv) RSIL; and (v) RSIL including the Financial Services Business, as per the statutory auditors certificates submitted to the stock exchanges, are as follows:

Sr. No.	As at March 31, 2022	Rs. crore
(a)	Networth of RIL	4,16,706
(b)	Networth of Financial Services Business (see Annexure A)	25,851
(c)	Networth of RIL excluding the networth of Financial Services Business	3,90,855
(d)	Networth of RSIL (see Annexure B)	2,228
(e)	Networth of RSIL including the networth of Financial Services Business	27,964

Thanking you,

Yours faithfully,
For **Reliance Industries Limited**



Savithri Parekh
Company Secretary & Compliance Officer

Encl: As above

Annexure A

Networth of Financial Services Business of RIL as at March 31, 2022

Particulars	(Rs crore)
(A) ASSETS	
Non-Current Assets	
Property, Plant and Equipment	49
Intangible Assets	13
Financial Assets	
Investments	12,403
Loans	7,148
Other Non-current assets	107
Current Assets	
Financial Assets	
Investments	5,160
Other Financial Assets	971
(B) LIABILITIES	-
Networth = (A)-(B)	25,851

Annexure B

Networth of Reliance Strategic Investments Limited as at March 31, 2022

Particulars	(Rs crore)
(A) ASSETS	
Financial Assets	
Cash & Bank Equivalents	0.51
Loans	2,001.00
Investments	180.90
Other Financial Assets	0.01
Non Financial Assets	
Current Tax Asset (Net)	40.35
Deferred Tax Asset (Net)	5.31
Other Non Financial Assets	0.04
(B) LIABILITIES	
Other Financial Liabilities	0.07
Other Non Financial Liabilities	0.02
Networth = (A) - (B)	2,228.03