

Saudi Aramco Is Picking Up A \$15B Stake In India's Richest Man's Refinery

Oil giant Saudi Aramco is making one of the largest foreign investments in India by agreeing to pick up a 20% stake in the oil to chemicals division of Reliance Industries. The deal further strengthens the ties between the Kingdom's energy giant and India, a fast-growing market in need of fuel.

Aramco's stake is based on an enterprise value of \$75 billion for the O2C division of Reliance Industries Limited (RIL), which is owned by India's richest man Mukesh Ambani. Reliance said that the latest deal builds on its 25-year-old relationship with Aramco, which has supplied approximately two billion barrels of crude oil for processing at RIL's refinery at Jamnagar.

The proposed investment would result in Saudi Aramco supplying 500 KBPD of Arabian crude oil to the Jamnagar refinery on a long-term basis.

Aramco's investment comes as it looks to double down on its crude processing capacity in the next few years while securing the support of some of the biggest consumers of crude. In a sign that it might be prepping for an IPO, the oil major - which is the most profitable company with nearly \$47 billion in income despite a decline in profits - also recently held its first-ever earnings call.

Meanwhile, the deal will help Reliance reduce its debt, fueled mainly by its major investment in Jio which disrupted India's telecom sector by offering cheap calls and data. Aramco is not the only company it has sold its business to reduce its debt.

Recently, Reliance sold a 49% stake in its fuel retail business to British oil firm BP for a sum of \$990 million. As per the deal, both companies would form a joint venture that would take up operations at 1,400 fuel stations in India and aviation fuel stations at 30 airports across India.

All these have likely lessened the financial burden of Reliance, which had racked up debts worth \$22 billion by the end of March 31 - causing concerns among analysts who worried about how large debts could weigh on growth. Both Aramco and BP deals could help its billionaire head Ambani to remain on course to become a zero-net-debt company in 18 months.

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