

## Chairman's Statement at RIL's AGM on 31st October 2002

Dear Shareowners,

It gives me great pleasure to welcome all of you to the 28th Annual General Meeting of Reliance Industries Ltd.

The company's accounts for the year ended March 31, 2002, along with the Directors' and Auditors' report, a Letter to Shareholders and Management Discussion and Analysis, have already been circulated to you.

With your permission, I would like to take them as read.

### 1. Tribute

I address you today for the first time as the Chairman and Managing Director of your Company.

Memories of all the past Annual General Meetings of Reliance are floating in my mind.

In each of these meetings, I sat by the side of my father Shri Dhirubhai Ambani, Founder Chairman of Reliance.

His scintillating wit, disarming humour, inspiring voice, charming laughter, the unbreakable bond between you and him - all these are coming back to my mind.

I can feel as if he is sitting there, smiling and talking to me and to all of you. I hear him telling me;

*"Sitting before you are members of my huge family - The Reliance Family. They gave me enormous respect and affection as the head of the family. And in return, I took care of them. Now, you are in my place. You have the responsibility to protect and promote their interest."*

Dhirubhai achieved the miracle known as Reliance with your unflinching support.

I am confident of your continuing and wholehearted support.

And I promise that we will take Reliance to greater heights.

We will do everything to enhance the value of your investments in the long run and to give you good returns in the short run.

I am acutely conscious of the duty he has entrusted me with, the values he has bequeathed, the task he has set and the vision he has outlined.

I derive enormous strength from what I have learnt from him and look to the future with determination and confidence.

### 2. Performance Review

## **2.1 Operating Performance**

You will be happy to know that Reliance performed resiliently in an environment characterised by constraints on global economic growth, demand-supply imbalances in virtually every sector and volatility in energy, petrochemical feedstock and product markets.

This performance was achieved on the strength of global competitiveness of Reliance's operations, leadership in domestic markets and healthy presence in export markets.

All major plants operated at over 100% capacity utilisation, setting new records in production volumes.

## **2.2 Financial Performance**

Consequently, Reliance surpassed all previous records in financial performance:

- Gross turnover increased to Rs. 57,120 crores (US\$ 11.7 billion)
- Net profit was higher at Rs. 3,243 crores (US\$ 665 million)
- Total assets increased to Rs. 56,485 crores (US\$ 11.6 billion)
- Net worth climbed to Rs. 27,812 crores (US\$ 5.7 billion)

Reliance has achieved this growth while maintaining a careful and conservative financial profile.

Reliance's gross debt-equity ratio stands at a conservative 0.64, despite the increase in total assets to Rs. 56,485 crores (US\$11.6 billion). Reliance has retained its 'AAA credit ratings'.

## **2.3 Export Performance**

Reliance qualified to be reckoned as India's largest exporter during the year.

Exports increased to Rs. 11,200 crores (US\$ 2.3 billion) from Rs. 9,370 crores (US\$ 2 billion) in the previous year.

Reliance exported its products to about 100 countries.

New offices were opened in Shanghai, Ho Chi Min City, Jakarta, Jebel Ali and Istanbul.

New offices are being opened in North America, Latin America and Eastern Europe.

Reliance's customers included those in the US and Europe with stringent quality demands.

Reliance's ability to export high volumes across the globe reflects its international competitiveness and superior

logistics capabilities.

This strong growth in exports has been achieved while retaining the thrust on domestic markets.

Exports still represent only 20% of the company's gross turnover.

In recognition of your company's outstanding achievement in exports, Reliance was granted the 'Golden Super Star Trading House' status by the Directorate General of Foreign Trade, Government of India.

## **2.4 Current Year's Performance**

In the current financial year, Reliance continues to fare well.

Financial results for the second quarter of the current year have been separately announced today.

## **3. RIL-RPL Merger**

Reliance Petroleum Limited (RPL) merged into Reliance Industries Limited (RIL) effective September 19, 2002.

In a physical sense, this has enabled Reliance to complete the integration across the energy and materials value chain - ranging from oil and gas exploration and production, refining and marketing, petrochemicals, power and textiles.

In a competitive sense, the merger has created a firm foundation for Reliance to compete with other global energy majors; supported by a robust balance sheet and strong operational synergies.

The merger has elevated Reliance to the status of India's largest private sector company on all financial parameters, including sales, assets, net worth, cash profits and net profits.

It has also made Reliance enjoy global rankings in all its major businesses.

Above all, the merger places Reliance in the reckoning for a place in the *Fortune* Global 500 list of the world's largest corporations.

The merger of Reliance Industries Limited and Reliance Petroleum Limited seeks to consolidate businesses across the value chain.

This is consistent with global industry trends.

The merger will bring about operational synergies, logistics advantages, cost efficiencies, productivity gains, rationalisation of business processes and optimisation of fiscal incentives.

These would result in strong financials, enhanced flexibility and reduced volatility in the earnings stream.

All these factors will enhance shareholder value.

#### **4. IPCL Acquisition**

Reliance acquired control of Indian Petrochemicals Corporation Limited (IPCL) on June 4, 2002.

This acquisition prepares Reliance, together with IPCL, to compete on a stronger footing in the global market, where major petrochemical companies follow a strategy of market consolidation.

To illustrate, the top five global players in polyethylene and polypropylene enjoyed a share of 25% of the global market in 1994.

By the year 2004, they would command more than 35% of the global market.

Together with IPCL, Reliance would rank as the 11th largest polymer producer in the world.

However, this combined polymers manufacturing capacity, of 26 lakh tonnes per year, would still be only about one third of the capacity of Dow, the largest manufacturer of polymers in the world.

I am delighted to mention that Reliance has turned around IPCL's performance in the very first quarter.

Production has increased by 25%, profit before tax by 140% and interest cost has reduced by 30%.

This represents a realisation of all synergies at lightning speed.

Reliance will continue to look for opportunities, in India and abroad, to improve market leadership, through an appropriate mix of 'bolt-on' acquisitions and globally competitive organic growth.

#### **5. Downstream Petroleum Sector**

The deregulation of marketing of transportation fuels from April 1, 2002 offers Reliance an opportunity to laterally expand downstream in the petroleum sector of the energy value chain.

Reliance has received government approvals for establishing about 5,800 retail outlets for marketing of transportation fuels across India and aims to establish these outlets by March 31, 2004.

This petroleum retailing initiative presents a unique opportunity to Reliance to get close to the final consumer across the length and breadth of India.

Reliance will seek to win and retain consumers by delivering clean and unadulterated fuels to correct quantities.

Thus, through forward integration from refining into marketing, combined with a world-class differentiated retail customer experience, Reliance will further enhance long-term shareholder value.

#### **6. Power Sector**

Consistent with the vision of global leadership in the energy value chain, Reliance strengthened its position in the power sector by increasing ownership of BSES to 43.4%.

BSES, India's leading utility company, has a power generation capacity of 885 MW, holds licences for distribution of power in major areas of Mumbai, Orissa and Delhi and enjoys a customer base of over five million.

Reliance's investment in BSES is driven by a vision of building adequate power infrastructure in India and making available uninterrupted quality power to consumers in a cost efficient manner through optimal operational efficiencies and the highest levels of productivity.

Reliance will also derive substantial benefits from convergence of interests in areas such as Infocomm and retailing, leveraging on the distribution strength of BSES.

With the expected acceleration of reforms and privatisation in the power sector, Reliance sees substantial growth opportunities in the future.

## **7. Infocomm Sector**

Reliance is the lead investor in Reliance Infocomm Limited, which is on the threshold of ushering in a digital revolution in India.

Our founder Chairman, Shri Dhirubhai Ambani, had a dream - to put the power of information and communications in the hands of common people at an affordable cost.

That, he believed, would help them overcome the handicaps of illiteracy and lack of mobility.

On his birthday, on December 28th this year, Reliance Infocomm will launch a major initiative to translate his dream into reality.

Beginning with the villages of Gujarat, this Infocomm revolution will sweep the country - and cover thousands of villages and hundreds of cities across the country next year.

This aggressive roll out is possible because the Infocomm project has progressed at a blistering pace during the past year.

With this initiative, Reliance has taken the first, but a big step forward in a major avenue for growth.

It will prepare Reliance for taking the mantle of leadership in the knowledge intensive business to harness the potential of millions of knowledge workers of our country.

It will provide them a platform to develop and offer IT solutions for our farmers, businesses, schools, colleges, hospitals, government and public sector organisations.

It will facilitate harnessing of India's formidable software talent to develop products for the global market and realise substantially higher value for their efforts.

Hence, it will make Reliance Infocomm a powerful vehicle for India to attain knowledge leadership in the world.

The power of this vision and opportunity is evidenced by the fact that Reliance Infocomm has attracted over five thousand professionals to join its rolls from all over the world in a short span of one year.

Reliance Infocomm has the potential to bring about an unprecedented increase in India's exports and trigger a quantum leap in India's economic growth.

In summary, Reliance Infocomm will become a major catalyst for changing the face of India and improving the quality of life of our people.

In the process, it will earn for you attractive returns and increase the value of your investments.

## **8. Human Capital**

Reliance recognises that the future of enterprises in the knowledge economy depends on building competencies in people and on harnessing diverse talents.

In this light, Reliance has built a human capital edifice, with formidable breadth, depth, young blood and discipline.

About a third of Reliance's human resources have professional education. About half of them are less than 35 years of age.

Collectively, they represent three competencies - in building world-class assets at very aggressive costs and operating them at high productivity, in coming up with innovative solutions in virtually every aspect of a business and in engaging customers with a very strong value proposition.

Today, Reliance is leveraging these three competencies to create extraordinary value in its new initiatives in oil and gas, petroleum retailing and Infocomm.

Above all, Reliance is endeavouring to create a new ecosystem for people-based competency.

It seeks to unleash the potential of talent by setting great goals, challenging tasks, focusing on meaningful social impacts and fostering a conducive learning environment.

Reliance also recognises that organisational competencies are also a product of embedded systems and processes.

With this perspective, Reliance is weaving competencies through networks and online integration of processes, workflow and transactions.

Systems are being shifted from being task centric to team centric and customer centric.

Enterprise wide information technology based processes are being implemented for better productivity, faster, less-expensive and better quality services and quicker integration of new businesses.

## **9. Corporate Governance**

For Reliance, Corporate Governance revolves around earning the trust of all constituencies in how Reliance conducts its business.

This translates into attaining the highest levels of transparency, accountability and equity, in all facets of operations, and in all interactions with stakeholders, including shareholders, employees, government and lenders.

Reliance recognises communication as a key element in the effective functioning of the overall corporate governance framework, and emphasises continuous, efficient and relevant communication with all its external constituencies.

## **10. Social Capital**

Reliance believes that building social capital is as important as building financial capital.

Reliance has placed education and health at the core of its socially oriented initiatives.

In this perspective, Reliance has supported the creation and management of several institutions in school education, higher education in science and technology and tertiary health care.

## **11. Oil and Gas Sector**

Before I conclude, I would like to share with you the realisation of our Founder Chairman's dream.

India is an energy-starved country and imports a staggering Rs 65,000 crores worth of crude oil every year, which is about two thirds of its annual requirement.

Shri Dhirubhai Ambani had a conviction that India is a highly under-explored country for oil and gas.

He firmly believed that India needed a sharply focussed and intense exploration programme, backed by best-in-class technology, people and processes.

To realise Shri Dhirubhai Ambani's dream, Reliance, like in its other businesses, created from scratch a winning combination of people, processes, systems and technology to create a world-class exploration and production company.

Reliance started its exploration programme straightway in deep water and drilled its very first well at a depth of more than 2,100 feet, the first ever for a new exploration and production company.

Reliance is now drilling in water depths of about 6,000 feet, which is the deepest ever so far accomplished in India.

Reliance has broken the myth that deep-water exploration is a prerogative of a small club of international oil companies.

I am delighted to share with you our most momentous and historic achievement of the year - India's biggest gas discovery in nearly three decades and one of the largest gas discoveries in the world this year.

Reliance has discovered natural gas in the very first well it drilled in the deep-water block D6 in Krishna Godavari basin off Andhra Pradesh coast.

This success comes in an aggressive schedule of 20 months from the receipt of exploration licence.

This is the first ever discovery by an Indian private sector company.

Of the five exploration wells drilled so far in the block, Reliance has achieved a 100% success rate, which is a significant achievement for any upstream company.

The in place volume of natural gas is in excess of 7 trillion cubic feet, equivalent to about 1.2 billion barrels or 165 million tonnes of crude oil.

Based on the recoverable reserves of over 5 trillion cubic feet, the gas availability to consumers in the country would increase by almost 60%.

Reliance continues to explore this block and expects to see further upside.

We would strive to deliver about 40 million standard cubic metres of gas per day to consumers in three to four years, after obtaining requisite government approvals for development.

The reserves would catapult Reliance into the league of integrated global energy companies.

It would signal a giant step in ensuring energy security for India, as the production would account for almost 4% of India's energy needs.

Higher energy security for India will promote higher levels of economic growth and development leading to better national security.

This new discovery is a living testimony to the farsightedness of that great visionary, Shri Dhirubhai Ambani, son of a schoolteacher from a remote village in Saurashtra, Gujarat, who has done India proud.

It is also a vindication of his conviction in India's potential and is, in fact, his posthumous gift to a nation he loved with his whole being.

In his memory, we will name the discovered gas fields as Dhirubhai 1, 2 and 3.

Today, Reliance is the largest private sector exploration and production company in India, with over 177,000 sq. kms of exploration acreage in 23 offshore and onshore blocks.

This is likely to go up by a further 100,000 sq. kms, with successes expected in the third round of bidding under the New Exploration and Licensing Policy of the Government of India.

With just under 2,000 sq. kms of the total acreage explored so far, Reliance envisages a significant potential in the upstream oil and gas business.

Consequently, Reliance will be making significant investments in these exploration and production blocks over the next two years.

This oil and gas initiative will lead to a new avenue for value creation for shareholders.

It will open enormous opportunities for economic growth and development in India.

## **12. A Strategic Perspective**

Dear Shareowners,

Reliance has grown at a dramatic pace.

This achievement is not accidental.

It has been possible because of Reliance's ability to anticipate the nature and direction of opportunities in the market place.

But it is not enough to see an opportunity.

It is also necessary to leverage them.

The Reliance leadership has been able to shape businesses to harness those opportunities in the interest of the company and its shareholders.

Globalisation, new technologies and changing demography are inexorably and continuously changing the face and frontiers of opportunities.

Unprecedented advances in information, communication and other technologies are transforming corporate structures and business models.

Reliance has demonstrated an unmatched ability to keep in step with these dramatic advances.

This has enabled Reliance to always remain one step ahead of times.

In the process, Reliance has raised the threshold of India's advancement.

Reliance is presently building on these strengths.

It is shaping a future that seeks to attain global leadership.

This objective will be achieved not by waiting for something providential to happen.

It will be realised on the strength of the company's capacity, competitiveness and competency.

We are fortifying the depth and width of the value chain. We are infusing operational and strategic flexibility.

We are diversifying market presence.

And above all, we are getting close to the final consumer.

These elements are seminal to the Reliance architecture and will enable your company to carve out a leadership position globally.

As a result of all this, Reliance aspires to contribute significantly to realising the dream of transforming India into a major economic power in the 21st century.

First, by bettering energy security, leading to economic security and, in turn, national security.

Second, by bridging the economic opportunities in the developed world with the talent available in India, through an overarching Infocomm infrastructure.

Third, by participating in the global market opportunity in hydrocarbon based materials.

And finally, by building a professional resource base among the youth of India on an unprecedented scale in diverse areas.

This is not only an aspiration, but also a dream.

A dream rooted in reality and resolve.

As my father, Shri Dhirubhai Ambani, would say; "We must dare to dream."

And as a tribute to him, let me add: " We must strive to realise what we dream".

The confidence of our shareholders is critical to realising this dream.

You have shown your belief in our potential.

I look forward to your unflinching support as Reliance surges ahead to translate Dhirubhai Ambani's dreams into reality.

I look forward to your robust backing in creating a great future for Reliance.

Our conviction flows from our faith in the future of India.

Our inspiration comes from the vision of our Founder Chairman.

Our strength comes from you, our shareholders.

Our confidence comes from our dedicated and world-class workforce.

This is a combination that gives us enormous self-confidence.

### **13. Acknowledgements**

Before I conclude, I would like to thank the Central and State Governments, shareholders, investors, bankers, financial institutions, lenders, suppliers and customers of Reliance for their consistent support.

I would also like to thank all employees of Reliance for their commitment and hard work.

I thank all my colleagues on the Board for their continued support and encouragement.

### **14. Concluding Remarks**

Dear Shareowners,

Dhirubhai regarded himself as a Trustee acting on your behalf.

To create value for shareholders was his religion.

To give you the best return was the mission of his life.

Today, as I speak from the place he occupied, I pledge to you, dear shareholders, that for all of us in Reliance - His vision is everlasting

His values are eternal

His principles are fundamental

With these words, I seek your blessings in our efforts to realise his vision and to serve you better.

Mumbai

October 31, 2002

**Mukesh Ambani**

**Chairman and Managing Director**

Note: This does not purport to be a record of the proceedings of the 28th Annual General Meeting of the Company