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Reliance

**NET PROFIT OF RS 2,310 CRORES (US\$ 531 MILLION) FOR THE QUARTER,
HIGHEST IN ANY QUARTER**

**CASH PROFIT OF RS 3,277 CRORES (US\$ 753 MILLION)
FOR THE QUARTER, AN INCREASE OF 28%**

**TURNOVER OF RS 19,884 CRORES (US\$ 4,569 MILLION)
FOR THE QUARTER, AN INCREASE OF 26%**

**EXPORTS AT RS 7,144 CRORES FOR THE QUARTER (US\$ 1,642 MILLION),
AN INCREASE OF 40%**

Mumbai, 27th July 2005 - Reliance Industries Limited has announced its unaudited results for the first quarter ended June 30, 2005. **Turnover of Rs 19,884 crores** (US\$ 4,569 million). **Net Profit of Rs. 2,310 crores** (US\$ 531 million) - **the highest in the private sector.**

The performance highlights of Reliance Industries Limited for the quarter ended June 30, 2005 are:

- **Turnover** of Rs. 19,884 crores (US\$ 4,569 million) against Rs. 15,746 crores for the corresponding previous quarter, **an increase of 26%**
- **Operating Profit (PBDIT)** increased to Rs. 3,760 crores (US\$ 864 million) as against Rs. 3,152 crores for the corresponding previous quarter, **an increase of 19%**.
- **Cash Profit (before depreciation and deferred tax)** of Rs. 3,277 crores (US\$ 753 million) against Rs. 2,553 crores for the corresponding previous quarter, **an increase of 28%**.
- **Net Profit of Rs. 2,310 crores** (US\$ 531 million) against Rs. 1,437 crores for the corresponding previous quarter, **an increase of 61%**.
- The total paid up equity share stood at Rs. 1,394 crores (US\$ 320 million).
- Earnings per Share (EPS) for the quarter are Rs. 16.6 (US\$ 0.38) & Cash Earnings per Share (CEPS) for the quarter is Rs. 23.5 (US\$ 0.54).

(Annualised Earnings Per Share (EPS) is Rs. 66.3 (US\$ 1.52) & Annualised Cash Earnings Per Share (CEPS) is Rs. 94.0 (US\$ 2.16).

- The company's contribution to the national exchequer in the form of various taxes was **Rs. 3,659 crores (US\$ 841 million) against Rs. 3,195 crores** for the corresponding previous quarter, **an increase of 15%**



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- The Company's production of oil & gas and petrochemicals, including toll conversion, is **3.18 million tonnes** during the quarter.
- The Company's refinery operated at 96% capacity utilisation and processed 7.92 million tonnes of crude during the quarter.
- **Exports including deemed exports were Rs. 7,144 crores (US\$ 1,642 million)** as against Rs. 5,102 crores for the corresponding previous quarter, **an increase of 40%**.
- The Company's operations have helped the nation save precious foreign exchange to the tune of Rs. 11,111 crores (US\$ 2,553 million), as against Rs 8,786 crores for the corresponding previous quarter, **an increase of 26%**.

The Company has also reconciled its net profits as per Indian GAAP with US GAAP as under:

	<u>Indian GAAP</u>		<u>US GAAP</u>	
	Rs. Crs	\$ MM	Rs. Crs	\$ MM
Net Profit	2,310	531	2,495	573
Difference			185	42

The difference is mainly on account of foreign exchange differences.

For the quarter ending September 30, 2005 the Company expects to announce its results in the second half of October 2005.

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Management Discussion & Analysis for the quarter ended June 30, 2005

Turnover for the quarter ended June 30, 2005 was Rs. 19,884 crores (US\$ 4,569 million), **up 26% from the corresponding previous quarter. Net profit for the quarter increased 61% to Rs. 2,310 crores (US\$ 531 million).**

Increase in sales reflects the impact of increase in product selling prices of 21% and increase in sales volume of 5% as compared to the corresponding previous quarter.

Exports, including deemed exports, were Rs. 7,144 crores (US\$ 1,642 million) as against Rs. 5,102 crores during the corresponding previous quarter, **an increase of 40%.**

The Company's production of oil & gas and petrochemicals, including toll conversion was **3.18 million tonnes** during the quarter as against 3.19 million tonnes in the corresponding previous quarter.

The Company's refinery operated at 96% capacity utilisation and processed 7.92 million tonnes of crude for the quarter.

Financial Review

Operating profit, before other income, was Rs. 3,566 crores (US\$ 819 million) against Rs. 2,805 crores for the corresponding previous quarter, an increase of 27%

The company's net operating margin improved during the quarter at 20% despite volatile raw material prices, offset by higher selling prices and efficient cost control measures.

Other income decreased to Rs. 194 crores (US\$ 45 million), from Rs. 347 crores on account of the company exercising its option to convert the Preference shares of Reliance Infocomm Ltd with effect from 1st April 2005. This was partially offset by higher interest income from liquid investments and Fixed Deposits.

Interest expenditure decreased 49% to Rs. 237 crores (US\$ 54 million) due to appreciation of the rupee and reduction in debt.

Depreciation was at Rs. 791 crores (US\$ 182 million) as against Rs. 916 crores for the corresponding previous quarter. The decrease is on account of assets sold during 2004-05 and impact of WDV depreciation on petrochemical assets.

Outflow on account of Capital expenditure was over Rs. 2,100 crores (US\$ 483 million), primarily on account of oil and gas exploration, retail outlets and petrochemicals expansion.

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Business Review

Oil & Gas (E&P)

RIL's oil and gas strategy is aimed at further enhancing the level of vertical integration in its energy business, and capturing value across the entire energy chain, while fulfilling important national priorities.

RIL is the largest exploration acreage holder among the Private sector companies in India with 29 domestic exploration blocks covering an area of about 290,000 square kilometers. This is in addition to its interest in one exploration block each in Yemen and Oman. Reliance also has 5 coal bed methane blocks covering an area of about 4000 square kilometers.

12 exploration blocks were awarded under the 1st round of the New Exploration Licensing Policy (NELP-I) of Government of India. In the 2nd round, NELP II, Reliance won another 4 exploration blocks. Reliance has further been awarded 9 blocks under the 3rd round of NELP and one block under the 4th round of NELP.

The Company and various partners, including ONGC Ltd. and Oil India Ltd., were awarded two exploration blocks prior to NELP. The Company has also acquired the operating rights of four exploration blocks from Tullow Oil plc, a UK Company.

Three blocks out of the above-awarded blocks have been relinquished as the expected deposits were found to be sub-economic.

During the quarter, Reliance has further bid for 12 exploration block under the just concluded fifth round of the New Exploration Licensing Policy of the Government of India.

In the Yemen onshore block where Reliance had oil discoveries, initiatives are on to develop the discoveries on a fast track basis to bring first oil at the earliest. Further exploration activity is also under progress and results are quite encouraging.

In the Oman offshore block where RIL is the Operator, the existing seismic data has been collected and contract for reprocessing of data is being finalized. The formalities for setting up of RIL's office in Oman are in progress.

During the quarter, Reliance acquired more than 6300 Square Km of 3D seismic data. Processing and interpretation of acquired data have been taken up on an accelerated manner.

Building on the giant Dhirubhai gas discovery, Reliance continued with the exploratory drilling campaign in the discovery block KG-DWN-98/3 in the Krishna Godavari Basin. Two more wells were drilled in the block during the quarter, which not only reduced the reservoir risk

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but also confirmed upside potential of the block. Detailed evaluation of the results is in progress.

With a view to accelerate the pace of exploration in deepwater and to increase the reserve accretion, two ultra deep water rigs are planned for deployment in the east coast from June 2006. An investment of US\$ 1.5 billion is earmarked for exploration over next 2 to 3 years.

With the approval of development plan for producing 40 MMSCMD of gas initially from Dhirubhai 1 & 3 of KGD6 Block, the site preparation works is in progress and contracting strategy for development activities is being framed.

The exploration in the CBM block of RIL is also progressing as per plan.

Reliance has deployed state-of-the-art technology, and is working with leading international technology and service providers for the E&P project, covering all activities, such as seismic studies, processing and interpretation of data and drilling.

RIL also holds a 30% interest in an unincorporated Joint Venture with British Gas and ONGC, to develop the proven Panna-Mukta and Tapti oil & gas fields. British Gas has a 30% share and ONGC the balance 40% share.

The Panna-Mukta fields produced 360,288 tonnes of crude oil and 11.76 billion cubic feet (333 MMSCM) of gas during the first quarter of 2005-06.

The Tapti field produced around 19.08 billion cubic feet of gas (540 MMSCM) during the first quarter of 2005-06.

Refining & Marketing (R&M)

During the period under review, the domestic demand for petroleum products reduced by 2.3% compared to first quarter of last year. This is against 9.6% growth in the corresponding period last year.

The consumption of HSD, which accounts for more than a third of the total consumption of petroleum products, registered a negative growth of 1.2%, against a double digit growth of 12.3% during the previous corresponding period. LPG demand showed significantly lower growth of 1.8% against 18.8% growth during first quarter in the last year. Demand for MS grew by 4.4%. The demand of Aviation turbine fuel grew by 12.1% during the quarter. Naphtha and Kerosene sales fell by 14.8% and 0.6% respectively.

The average prices of WTI, Brent and Dubai for the quarter were \$ 53 per barrel, \$ 51.6 per barrel and \$ 48 per barrel respectively while the peak prices were \$ 60.4 per barrel, \$ 58.5 and \$ 54 per barrel respectively.

During the period under review, International Energy Agency reduced its global oil demand growth forecast for 2005 by 200 kb/d, to 1.58 million b/d, due to weaker outlook for China and the US, and has projected a demand of 1.75 million b/d for 2006.

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The refinery margins were robust in all the regions as product price increases were higher than the concomitant rise in crude oil prices.

During the period under review, Reliance recorded 96% capacity utilisation at its Jamnagar Refinery. The refinery processed 7.92 million tons of crude during the quarter.

This capacity utilisation compares favourably with the utilisation rates for other refineries, both in India and abroad, at 93% for North America, 86% for Europe, and 88% for Asia Pacific region.

Exports of refining products during the quarter under review were 2.46 million tons, compared to 2.55 million tons in the corresponding period last year.

RIL's downstream integration through Industrial and Retail marketing of transportation fuels continues to be in full swing. Reliance already has the necessary approvals for setting up 5,849 retail outlets across India.

As on date, over 550 outlets are operational. **Throughput per outlet continues to be high at approximately 4 to 5 times the industry average.** Reliance will continue to set new standards of product and services quality through its retail outlets. This will help improve margins, overall return on capital and, consequently, shareholder value. Reliance is on course towards targeted completion of its Retail roll out by Q2 2006.

The quarter saw the introduction of BSII/BSIII petrol and diesel in most parts of the country thereby bringing the quality of fuels sold in the country in line with the developed world. Our retail outlets continued to dispense quality fuels that exceeded the required specifications.

Petrochemicals

Polyester: Reliance is the country's largest manufacturer of PFY, PSF and PET, with a market share of 51%.

RIL's production volumes of PFY, PSF and PET increased by 19% to 279,000 tonnes primarily on account of increased PET production.

Reliance continued its focus on speciality products. 56% of PSF production and 34% of PFY production represented niche products, contributing a premium of up to 50% over commodity prices.

Demand for PFY, PSF and PET, for the period under review, was 438,000 tonnes.

Reliance also continues to be the largest manufacturer of polyester intermediates, PX, PTA and MEG, in the country, with a market share of 76%.

Production of PX, PTA and MEG increased by 2% to 795,000 tonnes.

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Polymers: Reliance is the largest manufacturer of PP, PE and PVC, in the country, with a market share of 48%.

Production volumes of PP, PE and PVC decreased 3% to 463,000 tonnes.

There was an increased focus on high value premium products, with speciality grades contributing 20% of production, and generating a premium of up to 8% over commodity prices.

Demand for PP, PE and PVC, for the period under review, was lower by 2% at 857,000 tonnes.

RIL operates the world's largest grassroots, multi-feed cracker at its Hazira petrochemicals complex. During the period under review, the Cracker produced 212,000 tonnes of ethylene and 100,000 tonnes of Propylene.

During the quarter under review, Linear Alkyl Benzene (LAB) production was 30,000 tonnes. Reliance has a market share of 27% in LAB.

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UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2005

(Rs. in crores, except per share data)

Sr. No.	Particulars	Quarter Ended 30 th June		Year Ended 31 st March
		2005	2004	2005 (Audited)
1.	Turnover	19,884	15,746	73,164
	Less: Excise Duty Recovered on Sales	2,100	1,466	7,113
	Net Turnover	17,784	14,280	66,051
2.	Other Income	194	347	1,450
3.	Total Expenditure			
	(a) (Increase)/decrease in stock in trade	(1,490)	(794)	524
	(b) Consumption of raw materials	13,540	10,504	45,932
	(c) Staff cost	253	178	846
	(d) Other expenditure	1,915	1,587	5,937
4.	Interest	237	468	1,469
5.	Depreciation	791	916	3,724
6.	Profit before tax	2,732	1,768	9,069
7.	Provision for Current Tax (including Fringe Benefit tax)	246	131	705
8.	Provision for Deferred Tax	176	200	792
9.	Net Profit	2,310	1,437	7,572
10.	Paid up Equity Share Capital, Equity Shares of Rs. 10/- each.	1,394	1,396	1,394
13.	Reserves excluding revaluation reserves (as per balance sheet) of previous accounting year	-	-	36,280
14.	Earnings per share (of Rs. 10)			
	Basic	16.6	10.3	54.2
	Diluted	16.6	10.3	54.2



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Notes:

1. The figures for the corresponding periods have been restated, wherever necessary, to make them comparable.
2. The Company had revalued its Plant and Machinery located at Patalganga and Naroda during the financial year 1997-98. Consequent to the revaluation, there is an additional charge for depreciation of Rs. 11 crores (US\$ 3 million) for the quarter ended 30th June 2005 and an equivalent amount has been withdrawn from General Reserve. **This has no impact on profit for the quarter.**
3. Provision for Current Tax includes, Provision for Fringe Benefit Tax of Rs 5 crores (US\$ 1 million) (Previous Year Rs NIL)
4. There were no investors' complaints pending as on April 1, 2005. All the 1,408 complaints received during the first quarter were resolved and no complaints were outstanding as on 30th June 2005.
5. The statutory auditors of the Company have carried out a Limited Review of the results for quarter ended June 30, 2005.
6. The above results were reviewed by the audit committee. The Board of Directors at its meeting held on 27th July 2005 approved the above results and its release.

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UNAUDITED SEGMENT INFORMATION FOR THE QUARTER ENDED JUNE 30, 2005

Sr. No		Quarter Ended		Rs. Crores
		30 th June		Year Ended
		2005	2004	31 st March
				2005 (Audited)
1.	Segment Revenue			
	- Petrochemicals	6,670	6,467	29,745
	- Refining	16,095	12,100	51,700
	- Others	413	510	2,623
	Gross Turnover (Turnover and Inter Divisional Transfers)	23,178	19,077	84,068
	Less: Inter Segment Transfers	3,294	3,331	10,358
	Turnover	19,884	15,746	73,710
	Less: Excise Duty Recovered on Sales	2,100	1,466	7,113
	Net Turnover	17,784	14,280	66,597
2.	Segment Results			
	- Petrochemicals	882	886	3,762
	- Refining	1,788	1,114	5,521
	- Others	219	269	1,192
	Total Segment Profit before Interest and Tax	2,889	2,269	10,475
	(i) Interest Expense	(237)	(468)	(1,474)
	(ii) Interest Income	143	65	369
	(iii) Other Unallocable Income Net of Expenditure	(63)	(98)	(245)
	Profit before Tax	2,732	1,768	9,125
	(i) Provision for Current Tax	(246)	(131)	(705)
	(ii) Provision for Deferred Tax	(176)	(200)	(792)
	Profit after Tax	2,310	1,437	7,628
3.	Capital Employed			
	- Petrochemicals	9,023	11,049	9,576
	- Refining	22,204	23,396	22,636
	- Others	16,920	12,327	16,282
	- Unallocated Corporate	16,662	15,128	15,684
	Total Capital Employed	64,808	61,900	64,178

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Notes to Segment Information for the quarter ended June 30, 2005:

1. As per Accounting Standard 17 on Segment Reporting (AS 17), the Company has reported segments information as described below:
 - a) The **petrochemicals** segment includes production and marketing operations of petrochemical products namely, High and Low density Polyethylene, Polypropylene, Polyvinyl Chloride, Polyester Yarn, Polyester Fibres, Purified Terephthalic Acid, Paraxylene, Ethylene Glycol, Olefins, Aromatics, Linear Alkyl Benzene and Polyethylene Terephthalate.
 - b) The **refining** segment includes production and marketing operations of the petroleum refinery.
 - c) The businesses, conducted mainly through investment in associates and smaller business segments not separately reportable have been grouped under the "**others**" segment. This comprises of the following:
 - Oil and Gas
 - Textile
 - Communication
 - Power
 - Finance and Risk management
 - d) Capital employed on other Investments and income from the same are considered under "**un-allocable**"
2. The segment results for the year ended 31st March 2005 are on a consolidated basis.

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