Media Release

Reliance

TURNOVER OF RS 55,716 CRORES (US$ 12,132 MILLION) FOR THE HALF YEAR, AN INCREASE OF 30%

NET PROFIT OF RS 5,256 CRORES (US$ 1,144 MILLION) FOR THE HALF YEAR, AN INCREASE OF 10%

REGISTERS HIGHEST EVER EXPORT OF RS. 19,413 CRORES (US$ 4,227 MILLION) FOR THE QUARTER, AN INCREASE OF 142%

NET PROFIT OF RS 2,709 CRORES (US$ 590 MILLION) FOR THE QUARTER, AN INCREASE OF 9%

Mumbai, 19th October 2006 - Reliance Industries Limited has announced its unaudited results for the half-year ended September 30, 2006. **Turnover of Rs. 55,716 crores** (US$ 12,132 million). **Net Profit of Rs. 5,256 crores** (US$ 1,144 million), **the highest in private sector.**

The performance highlights of Reliance Industries Limited for the half-year ended 30th September 2006 are:

- **Turnover** increase by 30% from Rs. 42,777 crores to Rs. 55,716 crores (US$ 12,132 million)
- **Operating Profit (PBDIT)** increase by 15% from Rs. 7,694 crores to Rs. 8,868 crores (US$ 1,931 million)
- **Cash Profit (before depreciation and deferred tax)** increase by 13% from Rs. 6,739 crores to Rs. 7,591 crores (US$ 1,653 million)
- **Net Profit increase by 10% from Rs. 4,791 crores to Rs. 5,256 crores** (US$ 1,144 million)
- **Earnings Per Share (EPS)** for the half-year is Rs. 37.7 (US$ 0.82)

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- **Contribution to the national exchequer,** for the half-year in the form of various taxes is Rs. 6,015 crore (US$ 1,310 million)

- The Company's production of oil & gas and petrochemicals, including toll conversion, increased by 14% from 6.54 million tonnes to **7.48 million tonnes.**

- Refinery operated at 94.9% of capacity and processed 15.7 million tonnes of crude.

- **Exports** of manufactured products increased by 115% from Rs 15,176 crore to Rs 32,683 crore (US$ 7,117 million). Exports during the half year are equivalent to previous full year's exports of Rs 32,691 crores.

The Company has also reconciled its profits with US GAAP. Reconciliation of Net Profit as per Indian GAAP and US GAAP is as under:

	Indian GAAP		US GAAP	
	Rs Crs	**$ MM**	**Rs Crs**	**$ MM**
Net Profit	**5,256**	**1,144**	**5,453**	**1,187**
Difference			**197**	**43**

The difference is mainly on account of consolidation of subsidiaries and associates and effects of exchange variation.

Commenting on the results, Chairman Mukesh Ambani said:

"*I am happy with RIL's performance considering the challenges faced by us due to the volatility both in crude and product prices along with the natural calamity faced by us at our Hazira plant. Our superior product portfolio helped us in de-risking our business to enhance shareholder value*".

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Management's Discussion & Analysis

Business Review

Oil & Gas

High oil and gas prices have led to a significant momentum in the E&P industry globally. Despite challenges in discoveries of new reserves, E&P companies world over are using their strong cash flows in investing sizably in their exploration initiatives along with exploiting current production levels. This has in turn led to a spurt in E&P activities resulting in tight rig availability and increased rig rentals, coupled with increase in cost of related services.

As a forerunner in the E&P sector in India, RIL's business strategy is aimed at enhancing vertical integration in its energy business and capturing the value across the entire energy chain. RIL's oil and gas business provides a strong commitment towards strengthening India's energy security.

RIL is the largest exploration acreage holder among the private sector companies in India with 34 domestic exploration blocks covering an area of about 331,000 sq kms. RIL also has 5 coal bed methane blocks in India covering an area of about 4,000 sq kms. Additionally, RIL also has interests in one exploration block each in Yemen, Oman and East Timor.

Exploration Review

Processing and interpretation of acquired seismic and other data continues to be amongst the key initiatives at RIL's E&P business. Advance techniques such as multi-beam and electromagnetic surveys are conducted in order to unveil the potential existence of hydrocarbons.

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During the period under review, two exploratory wells were drilled during the period in block SR-01 and block KGIII5 with drilling depth of 4,600 meters and 3,904 meters respectively. Two hydrocarbon zones in SR01 and in KGIII5 were encountered during drilling and the same have since been notified to Director General of Hydrocarbons.

In order to further strengthen the prospects of its E&P business, RIL has bid for 21 blocks in the recently concluded NELP VI. This round of bidding witnessed high level of participation by leading international players, demonstrating India's potential in the hydrocarbon business. Results of this round of bidding are expected to be announced by the end of October 2006.

KGD6 Block

The development of Dhirubhai 1 & 3 discoveries of KGD6 is progressing as per plan. Orders for all critical long lead items for offshore and onshore installations have been awarded. Field engineering update for Onshore Terminal has been completed and detailed engineering is progressing on schedule. Site filling for the Onshore Terminal and infrastructure area has been completed and construction work is also under progress. Drilling of 4 development wells is slated to commence later this year.

The development plan envisages initial plateau production of 40 MMSCMD from KGD6 with the provision of modular expansion to address potential discoveries. Options for higher plateau production from the area are being evaluated on the basis of an upside potential in the Block. This initiative entails implementing one of the world's largest deep-water gas development projects.

PMT Blocks

The Panna-Mukta blocks produced 804,513 MT of crude oil and 707 MMSCM of natural gas during the first half of FY 2006-07.

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Production from Tapti was at 49,822 MT of condensate and 942 MMSCM of natural gas during the same period. Production in these blocks was hampered in August 2006 due to floods in ONGC's facility at Hazira.

The expansion plan (EPOD) at the Panna-Mukta Block is on schedule and is aimed at increasing production to 6.2 MMSCMD of gas and 52,000 BOPD of oil. Installations of platforms and in-field pipelines have been successfully completed with the remaining development work to be completed in 2007.

The Revised Plan of Development (NRPOD) for the Tapti block which is aimed at incremental recovery of 5.7 MMSCMD of gas is also progressing on schedule. All major contracts are being awarded and the project is planned to go on stream in 2007.

CBM Blocks

The exploration programme in the CBM blocks of RIL is also progressing as per plan. Gas in place estimates of 3.65 TCF at the Sohagpur East and West blocks have been concurred by the Director General of Hydrocarbons. Preparation of the development plan is in progress and efforts are on to produce CBM by 2009 for the first time in India.

Overseas Blocks

The development plan for the block in Yemen was approved by the concerned Ministry. Drilling of development wells is under progress.

In the block in Oman, a seismic vessel for 2D and 3D acquisition was mobilized and data acquisition has commenced.

Additionally, RIL was awarded one deepwater offshore block in East Timor Leste and the PSC is expected to be signed in 2007.

Refining & Marketing (R&M)

During the first half of FY 2006-07, domestic demand for petroleum products increased by 2.2%.

The consumption of HSD, which accounts for more than a third of the total consumption of petroleum products, registered a growth of 6.7%. Demand for LPG increased by 2.3%, MS increased by 6.4% against the corresponding period of the previous year. The demand for ATF was strong and registered an increase of 25.8%. On the other hand, consumption of Naphtha reduced by 13% due to replacement by lower priced Natural Gas and higher hydel power generation.

During the same period, the average prices of WTI, Brent and Dubai were $ 70.5 per barrel, $ 69.7 per barrel and $ 65.5 per barrel respectively while the peak prices for the same period were at $ 77.0 per barrel, $ 78.7 and $ 72.3 per barrel respectively.

The International Energy Agency has projected a world oil demand growth of 1.1 million b/d in 2006.

Factors such as improved global refining utilization, lower turnaround rate, end of peak driving season in US and continued fuel switching in China and US, led to a fall in refining margin across all regions. Singapore complex margin for the period July to September 2006 averaged at US$ 4.75 per barrel as compared to US$ 8.13 per barrel in corresponding period last year.

RIL's EBIT margin for refining business declined to 6.4% in Q2 FY07 from 8.2% last year. At the absolute level, the EBIT was lower by 3% at Rs 1,489 crore. EBIT margin was lower primarily due to softening of GRM for the quarter which declined to

US$ 9.1 / bbl in Q2 FY07 from US$ 10.4 / bbl in the corresponding previous period. RIL's complex refinery is uniquely positioned to benefit from scenario of high light – heavy differential.

On a half-year basis, refining EBIT increased to Rs 3,524 crore, an increase of 6% over the corresponding previous period. However, the EBIT margin for the refining business declined to 8.0% in H1 FY07 as compared to 9.6% in the corresponding previous period.

Reliance's refinery achieved capacity utilization of 94.9% and processed 15.7 million tonnes of crude. This utilization rate compares favorably with those for other refineries, both in India and abroad, at 88% for North America, 85% for Europe, and 86% in the Asia Pacific region.

Exports of refined products increased to 8.76 million tonnes as compared to 5.18 million tonnes last year. Exports of refined products contributed to revenues of US$ 5.5 billion. This demonstrates the superior capability of RIL's world class refinery that can cater to the global markets.

In the domestic market, prices at the retail fuel stations remained unchanged thereby leading to under-recovery for private players. Lack of a level playing field in terms of preferred treatment to the Government-owned Oil Marketing Companies necessitated RIL's decision to increase prices in order to reflect the true crude price scenario. RIL has made a representation to the Government to ensure a level playing field for private marketing companies.

As a result of higher pricing, RIL lost its market share in the retail business. Owing to substantial decline in off take, RIL also offered a support scheme to its dealers to tide over the prevailing situation.

With recent moderation in international crude prices, RIL has reduced the differential in retail selling prices compared to Government-owned Oil Marketing Companies. RIL would explore all measures to protect full capacity utilization until such time a level playing field is achieved.

Petrochemicals

RIL continues to benefit from its unique positioning as a fully integrated, globally competitive petrochemical producer.

In the petrochemicals business segment, RIL's EBIT margin improved significantly to 16.2% in Q2 FY07 from 15.7% last year. At the absolute level, the EBIT was higher by 38% at Rs 1,764 crore, a record performance. Within the petrochemicals business, polymer products and fibre intermediates witnessed strong margins on account of lower naphtha cracks for most part of the quarter. This was partially offset by lower margins in the polyester business due to high fibre intermediate prices.

On a half-year basis, Petrochemicals EBIT increased to Rs 2,851 crore, an increase of 32% over the corresponding previous period. However, the EBIT margin for the petrochemicals business declined to 13.8% in H1 FY07 as compared to 14.6% in the corresponding previous period.

In August 2006, some plants at RIL's Hazira complex had to be shut down due to flooding in the Tapi River. In addition to production loss of 63,000 tonnes, there was an additional cost of Rs 34 crore (US$ 7 million). The same has been included under the "Other Expenditure" section.

Polyester

The recent commissioning of an additional polyester capacity of 550,000 tonnes per year makes Reliance the world's largest producer of polyester fibre and yarn with a combined capacity of 2 million tones.

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Domestic demand for polyester registered a growth of 7% during the first half of the year. Demand growth was adversely affected by floods in major consumption centers and volatile raw material prices.

During the half-year, production volumes of PFY, PSF and PET increased by 32% to 725,000 tonnes. The recently commissioned polyester facilities are operating at high utilization rates and production is being absorbed in the domestic and international markets. Reliance has a domestic market share of 57% in polyester products (PFY, PSF and PET).

Reliance has maintained its focus on specialty products. Niche products constitute 57% of its PSF production and 32% of its PFY production. With the integration of Trevira, Reliance now has the most diversified portfolio globally in polyesters across commodity, specialty and niche products.

Production of PX, PTA and MEG, at 1,943,000 tonnes increased by 20% compared to corresponding period of the previous year. In July 2006, RIL commissioned a 730,000 tonnes per annum PTA plant at Hazira. Commissioning of integrated polyester and PTA plants is timed in line with growing demand.

Reliance is one of the world's largest manufacturers of polyester intermediates. Reliance is world's 3rd largest producer of PTA, 4th largest producer of PX and the 5th largest producer of MEG. Reliance's share in the domestic market for fibre intermediates (PX, PTA and MEG) stood at 82% collectively.

Polymers

Reliance is India's largest producer of polymers (PP, PE and PVC) having a market share of 45%. Reliance is the world's 7th largest producer of PP.

The domestic demand for polymers grew marginally by 1% primarily on account of higher prices. Declining polymer prices towards the end of the second quarter resulted in downstream processors adopting a 'wait and watch' approach leading to a lower off-take by the end of the quarter.

Production volumes of PP, PE and PVC increased by 7% to 1,032,000 tonnes primarily due to expansion of its PP capacity. During the half-year, Reliance produced 389,000 tonnes of ethylene, representing a decrease of 8% over corresponding previous period and 187,000 tonnes of propylene, representing a decrease of 7%. The decrease in production was due to the planned shut down of cracker plant during the half-year under review.

Chemicals

Production of Linear Alkyl Benzene (LAB) at 61,500 tonnes was higher by 10% compared to the corresponding period of the previous year. Reliance's market share in LAB stood at 26%.

The Butadiene plant at Hazira produced 44,500 tonnes during the first half of the year.

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Financial Review:

Turnover for the half-year ended September 30, 2006 was Rs. 55,716 crores (US$ 12,132 million), **up 30% from the corresponding previous period**. **Net profit for the half-year increased 10% to Rs. 5,256 crores (US$ 1,144 million).**

Other income decreased from Rs. 416 crore to Rs. 66 crore (US$ 14 million) on account of decrease in interest income due to utilization of surplus funds primarily for investment in RPL

Consumption of raw materials increased by 41% from Rs 28,769 crore to Rs 40,537 crore (US$ 8,827 million) primarily on account of higher crude prices.

Employee cost increased by 18% from Rs 512 crore to Rs 602 crore (US$ 131 million). This increase was mainly on account of performance linked incentives and increments. Reliance's employee cost as a percentage of sales is at 1% to 1.5%, which is very competitive to its global peers.

Other expenditure, which includes conversion costs, selling expenses, sales tax, repairs and maintenance, excise duty on stock, and establishment expenses increased by 7% from Rs 4,232 crore to Rs 4,555 crore (US$ 992 million), mainly on account of higher selling expenses owing to higher exports. During the first week of August 2006, some plants at the Hazira Manufacturing facility of the Company were shut down due to flooding of the Tapi river. Additional expense of Rs 34 crores (US$ 7 million) have been incurred to restore operations of the Hazira Plant which has been included under "Other Expenditure".

Operating profit before other income, increased by 21% from Rs 7,278 crore to Rs. 8,802 crore (US$ 1,917 million). Despite higher selling prices our operating profits were impacted due to higher raw material cost. Net operating margin during the half-year was 16.6% compared to 18.9% in the corresponding previous period.

Interest expenditure increased by 19% from Rs 458 crore to Rs. 544 crore (US$ 118 million) on account of increase in borrowings and exchange differences. The outstanding debt as on 30th September 2006 was Rs 24,288 crore (US$ 5,289 million) compared to Rs 21,866 crore as on 31st March 2006 and Rs 16,845 crore on 30th September 2005. Net gearing during the half year was 29% compared to 25% on 31st March 06. Interest cover during the half year was 8.8 compared to 7.7 on 31st March 2006. RIL has a highest credit rating of AAA from Crisil, and investment grade rating of Baa2 and BBB from Moody's and S&P respectively. RIL's international rating from both Moody's and S&P is above the sovereign rating of India.

Depreciation charge for the half-year increased from Rs. 1,595 crore to Rs. 1,925 crore (US$ 419 million). This increase was primarily on account of depreciation on assets capitalised during the current quarter and also last quarter of 2005-06.

Profit before tax increased by 13% from Rs 5,640 crore to Rs 6,399 crore (US$ 1,394 million).

Provision for taxation increased by 48% from Rs 497 crore to Rs 733 crore (US$ 160 million), which includes Fringe Benefit Tax of Rs 15 crore (US$ 3 million). Provision for deferred tax increased by 16% from Rs 352 crore to Rs. 410 crore (US$ 89 million).

Profit after taxation increased by 10% from Rs 4,791 crore to Rs. 5,256 crore (US$ 1,144 million).

Capital expenditure during the half-year was over Rs 3,543 crore (US$ 771 million) primarily on account of exploration & production, implementation of value maximization projects and other capital expenditure.

During the half-year, RIL acquired 90 crore equity shares of Reliance Petroleum Ltd (RPL) at Rs 60 per share. Consequent to RPL's 20% share issue to public and 5% stake sale to Chevron by RIL, RIL now holds 75% equity stake in RPL at an investment of Rs 6,750 crore (US$ 1,470 million).

The Audit Committee reviewed the above results. The Board of Directors at its meeting held on 19th October 2006 approved the above results and its release.

Media Release

Reliance

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER / HALF – YEAR ENDED 30th SEPTEMBER 2006

(Rs. in crores, except per share data)

Sr. No.	Particulars	Quarter Ended 30th September		Half-year Ended 30th September		Year Ended 31st March
		2006	2005	2006	2005	2006 (Audited)
1.	Turnover	29,550	22,893	**55,716**	42,777	89,124
	Less: Excise Duty / Service Tax Recovered	1,076	2,176	**2,720**	4,276	7,913
	Net Turnover	**28,474**	**20,717**	**52,996**	**38,501**	81,211
2.	Other Income	22	222	**66**	416	683
3.	Total Expenditure					
	a) (Increase)/decrease in stock in trade	(873)	(799)	**(1,500)**	(2,289)	(2,131)
	b) Consumption of raw materials	22,385	15,228	**40,537**	28,769	58,343
	c) Staff cost	284	259	**602**	512	978
	d) Other expenditure	2,113	2,317	**4,555**	4,232	9,722
4.	Interest and Finance Charges	278	222	**544**	458	877
5.	Depreciation	1,018	804	**1,925**	1,595	3,401
6.	**Profit before tax**	**3,291**	**2,908**	**6,399**	**5,640**	**10,704**
7.	Provision for Current Tax (including Fringe Benefit tax)	377	251	**733**	497	931
8.	Provision for Deferred Tax	205	176	**410**	352	704
9.	**Net Profit**	**2,709**	**2,481**	**5,256**	**4,791**	**9,069**
10.	Paid up Equity Share Capital, Equity Shares of Rs. 10/- each.	1,394	1,394	**1,394**	1,394	1,394
11.	Reserves excluding revaluation reserves (as per balance sheet) of previous accounting year					43,761
12.	Earnings per share (of Rs. 10) (Not Annualised)					
	Basic	19.4	17.8	**37.7**	34.4	65.1
	Diluted	19.4	17.8	**37.7**	34.4	65.1
13.	Aggregate of Public shareholding					
	- Number of Shares (in crores)			**64.66**	65.42	66.45
	- Percentage of Shareholding (%)			**46.40**	46.95	47.68

Notes:

1. The figures for the corresponding periods have been restated, wherever necessary, to make them comparable.

2. (a) The Company, had revalued plant, equipment and buildings situated at Patalganga, Hazira and Jamnagar in 2005-06 Consequent to the revaluation, there is an additional charge for depreciation of Rs. 986 crore (US$ 215 million) for the half year and an equivalent amount has been withdrawn from Revaluation Reserve. **This has no impact on the profit for the period.**

   (b) The Company had revalued its plant and machinery situated at Patalganga and Naroda in 1997-98. Consequent to the revaluation, there is an additional charge for depreciation of Rs. 15 crore (US$ 3 million) for the half year and an equivalent amount has been withdrawn from Revaluation Reserve. **This has no impact on the profit for the period.**

3. During the first week of August 2006, some plants at the Hazira Manufacturing facility of the Company were shut down due to flooding of the Tapi river. Over and above the production loss, the company incurred an additional expense of Rs. 34 crore (US$ 7 million) to restore operations of its Hazira plant which has been included under "Other Expenditure".

4. Pursuant to the adoption of Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, additional liability of Rs. 50 crore (US$ 11 million) up to 31st March 2006 net of deferred tax of Rs 17 crore (US$ 4 million) has been adjusted against the opening balance of revenue reserves. The additional charge on account of the above is Rs 6 crore for the half year.

5. Provision for Current Tax for the half year includes, Provision for Fringe Benefit Tax of Rs 15 crore (US$ 3 million).

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6. There were no investors' complaints pending as on July 1, 2006. All the 2,789 complaints received during the first quarter were resolved and no complaints were outstanding as on 30th September 2006.

7. The above results were reviewed by the audit committee. The Board of Directors at its meeting held on 19th October 2006 approved the above results and its release.

8. The statutory auditors of the Company have carried out a Limited Review of the results for quarter ended 30th September, 2006.

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UNAUDITED SEGMENT INFORMATION FOR THE QUARTER / HALF-YEAR ENDED 30TH SEPTEMBER 2006

Rs Crores

		Quarter Ended 30th September		Half Year Ended 30th September		Year ended 31st March
		2006	**2005**	**2006**	**2005**	**2005 (Audited)**
1.	**Segment Revenue**					
	- Petrochemicals	10,874	8,171	20,661	14,841	32,802
	- Refining	23,208	18,595	44,070	34,690	71,117
	- Others	555	441	1,085	854	1873
	Gross Turnover (Turnover and Inter Divisional Transfers)	**34,637**	**27,207**	**65,816**	**50,385**	**105,792**
	Less: Inter Segment Transfers	5,087	4,314	10,100	7,608	14,854
	Turnover	**29,550**	**22,893**	**55,716**	**42,777**	**90,938**
	Less: Excise Duty Recovered on Sales	1,076	2,176	2,720	4,276	7,913
	Net Turnover	**28,474**	**20,717**	**52,996**	**38,501**	**83,025**
2.	**Segment Results**					
	- Petrochemicals	1,764	1,279	2,851	2,161	4,713
	- Refining	1,489	1,532	3,524	3,319	5,916
	- Others	365	247	649	466	1,112
	Total Segment Profit before Interest and Tax	**3,618**	**3,058**	**7,024**	**5,946**	**11,741**
	(i) Interest Expense	(278)	(222)	(544)	(458)	(935)
	(ii) Interest Income	12	139	34	282	492
	(iii) Other Unallocable Income Net of Expenditure	(61)	(67)	(115)	(130)	(270)
	Profit before Tax	**3,291**	**2,908**	**6,399**	**5,640**	**11,028**
	(i) Provision for Current Tax	(377)	(251)	(733)	(497)	926
	(ii) Provision for Deferred Tax	(205)	(176)	(410)	(352)	704
	Profit after Tax	**2,709**	**2,481**	**5,256**	**4,791**	**9,398**
3.	**Capital Employed (Segment Assets – Segment Liabilities)**					
	- Petrochemicals	28,872	26,628	28,872	26,628	31,039
	- Refining	42,065	27,607	42,065	27,607	35,688
	- Others	7,699	20,139	7,699	20,139	6,502
	- Unallocated Corporate	5,092	14,407	5,092	14,407	6,570
	Total Capital Employed	**83,728**	**88,781**	**83,728**	**88,781**	**79,799**

Reliance

Notes to Segment Information for the half-year ended 30th September 2006

1. As per Accounting Standard 17 on Segment Reporting (AS 17), the Company has reported "Segment 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, Butadiene and Polyethylene Terephthalate.

   b) The **refining** segment includes production and marketing operations of the petroleum refinery.

   c) The smaller business segments not separately reportable have been grouped under the **“others”** segment. This comprises of the following:
   • Oil and Gas
   • Textile

   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 2006 are on a consolidated basis.