

FY 2006-07 – First Quarter Results



**Reliance
Industries Limited**

July 20, 2006

Forward Looking Statements



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Forward-looking statements are based on certain assumptions and expectations of future events. The companies referred to in this presentation cannot guarantee that these assumptions and expectations are accurate or will be realised. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. These companies assume no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.

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Environment and Business Highlights



- World's largest expansion in Polyester of 550 KTA – commissioned and production fully absorbed in domestic and international market
- Additional PTA facility of 730 KTA commissioned in July '06
- Higher feedstock costs lead to historic highs in petrochemical prices with stable margins for polymers and negative impact on the non-integrated polyester producers
- High crude prices accompanied by record GRMs of US \$ 12.4 per barrel (higher than US Gulf Coast)
- Under recoveries in retail sales of petroleum products necessitate export push
- Discovery notification was made for the MA1 well in KGD6. This signifies a large geological play that could result in future discoveries

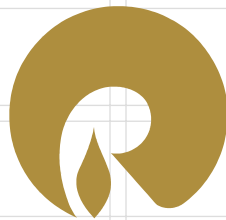
[New capacities augur well going forward](#)

Environment and Business Highlights (Con't)



- Performance to be viewed considering:
 - Scheduled maintenance shut-down at the refinery of 14 days (throughput loss of 0.4 million tonnes)
 - Planned shutdown of cracker at Hazira of 21 days (decrease in ethylene production by 24% and propylene by 23%)
 - Under-recoveries in sale of transportation fuels in the domestic market

Robust performance achieved in a challenging environment



Financial Performance Q1 FY07

Financial Results



(in Rs crore)	Q1	Q4	Q1	% change wrt	
	FY06	FY06	FY07	Q1 FY06	Q4 FY06
Revenues	19,884	26,448	26,166	31.6%	-1.1%
Net Profit	2,310	2,502	2,547	10.3%	1.8%
Cash Profit	3,277	3,660	3,659	11.7%	0.0%
EPS (Rs)	16.6	18.0	18.3	10.2%	1.7%

Highest ever Net Profit in a quarter

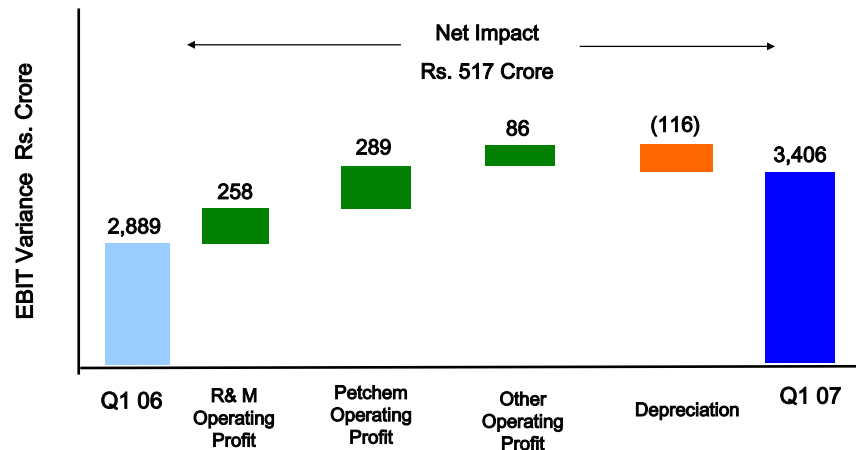
Segment Results



(in Rs crore)	Q1	Q4	Q1	% Change wrt	
	FY06	FY06	FY07	Q1 FY06	Q4 FY06
Refining					
Revenues	16,095	21,222	20,862	29.6%	-1.7%
EBIT	1,788	1,742	2,035	13.8%	16.8%
EBIT (%)	11.1%	8.2%	9.8%		
Petrochemicals					
Revenues	6,670	8,820	9,787	46.7%	11.0%
EBIT	882	1,065	1,087	23.2%	2.1%
EBIT (%)	13.2%	12.1%	11.1%		

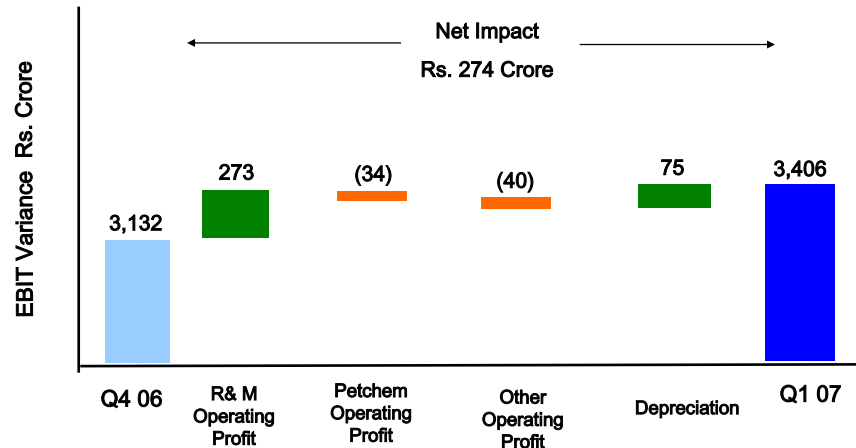
Refining EBIT improves on strong GRMs despite pressure on domestic sales. Petrochemical EBIT margins lower due to higher price environment, compensated by higher volumes

EBIT Bridge – Q1 FY07 Vs Q1 FY06



EBIT higher primarily on account of higher Operating Profit from Refining and Petrochemical businesses

EBIT Bridge – Q1 FY07 Vs Q4 FY06



EBIT higher primarily on account of higher Operating Profit from Refining Segment

Net Profit – Q1 FY07 Vs Q1 FY06



Net Profit for the quarter up by Rs 237 Crore compared to previous quarter

		(Rs crore)
Net Profit Q1 FY06		2310
Operating Profit		671
Other Income	-150	
Interest	-29	
Depreciation	-116	
Tax	-139	
Net Profit Q1 FY07		2547

Net profit increase primarily due to higher operating profit

Net Profit – Q1 FY07 Vs Q4 FY06

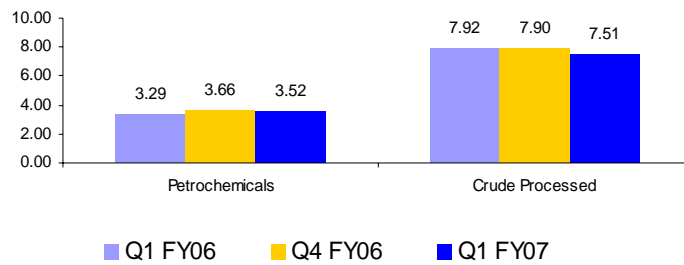


Net Profit for the quarter up by Rs 45 Crore compared to trailing quarter

		(Rs crore)
Net Profit Q4 FY06		2502
Operating Profit		191
Other Income	-43	
Interest	-41	
Depreciation		75
Tax	-137	
Net Profit Q1 FY07		2547

Earnings growth both on Y-o-Y and sequential basis despite higher interest and tax

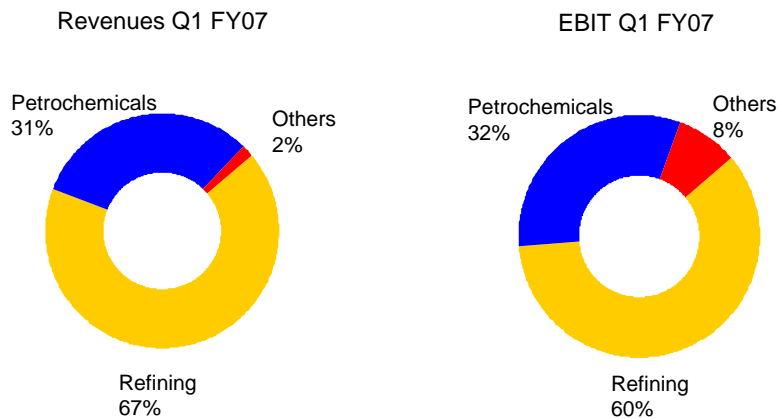
Production



Production / Crude processed in Million Tonnes

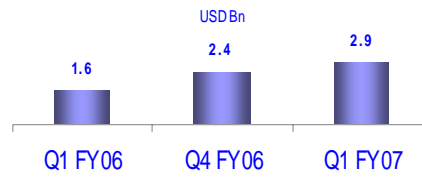
Petrochemical production down due to planned shutdown of Cracker and downstream at Hazira partially offset by commissioning of new capacities. Crude processed lower due to scheduled maintenance shutdown of certain units in May 06

Business Mix for Q1 FY07

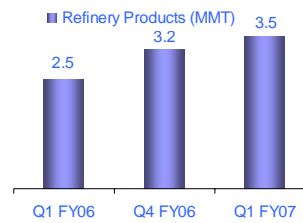


Refining & Petrochemicals contribute 98% of revenues

Exports



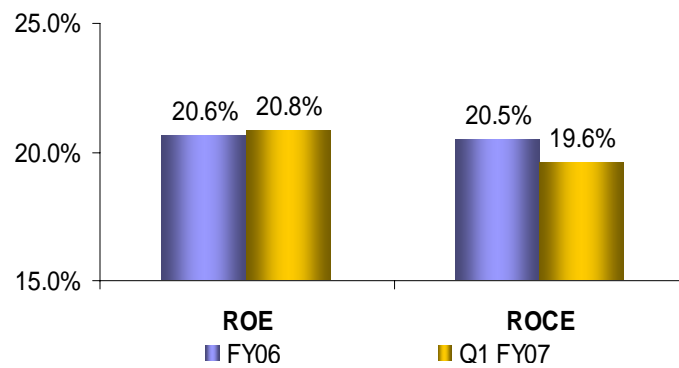
Refining
contributes 75%



Exports in Q1 FY07 up 86% compared to Q1 FY06

Exports at 51% of total revenues

ROE & ROCE



ROE of 21% and ROCE of 20%, well above Reliance's cost of capital

Liquidity Ratios and Debt Profile



Ratios	FY06	Q1 FY07
Gross Debt : Equity	0.46	0.47
Net Debt : Equity	0.34	0.41
Net Gearing	25%	29%
Interest Cover	7.7	8.1
Weighted Avg. Cost of Debt (%)	7.0	7.0
Avg. Maturity of Debt (years)	4.9	4.8
Forex Debt (%)	63.0	66.0

Highest rating of 'AAA' rating by CRISIL, and Investment Grade ratings of BBB and Baa2 by S&P and Moody's respectively

Capex



(in Rs crore)	Q1 FY07
E & P	476
Refining & Marketing	522
Petrochemicals	85
Common	818
Total	1,900

Capex 50% of Cash profit

Q1 FY07 E&P Highlights



- KGD6: Discovery notification of MA1 well in KGD6
 - Testing in two zones located 3 KM below sea level
 - Discovery signifies a large geological play that could result in future discoveries
- NEC25: Six discoveries declared as Commercial
- CBM: Commenced drilling in Rajasthan Blocks
 - Environmental Clearance obtained for Sonhat Block
- Production from PMT increased by 5% to 407,816 MT of Oil (compared to Q1 '06) - Gas production remained flat at 869 MMSCM

KG-D6 : Key Milestones and Status



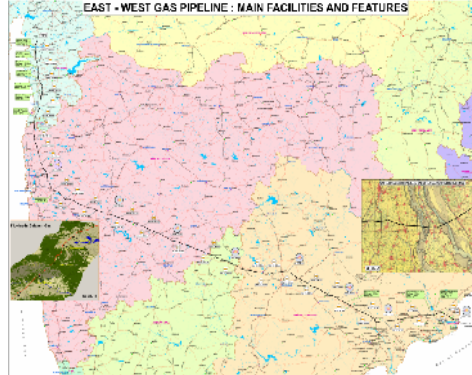
	Milestone Description	Status
Pre Project	Award of PMC	Completed
Subsurface and Drilling	Development drilling & completion	Development drilling to commence later this year. Drilling tangibles ordered.
Off Shore	Off Shore Installation	All Offshore critical long lead equipments ordered. Bids for EPIC/Offshore installation under evaluation - to be awarded shortly
On Shore	FEED and Completion of Detailed Engineering.	In Progress as per schedule
	Major Plant Civil Works	Contract for construction awarded. Preparatory works in progress
	Completion of On Shore works	
Gas Production	Pre commissioning and Gas production	

Project 'on-track' to commence first phase of gas production in FY 2008-09

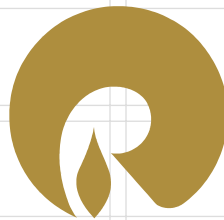
Gas Transportation



- 48 inch – 1,400 KM East West Pipeline across Andhra, Karnataka, Maharashtra and Gujarat
- EWP to provide access to potential gas markets in its corridor
- Leverage deficit gas market in India – current shortfall >100 mmscmd
- EWPL commissioning synchronized with KGD6 development
- Project implemented by Reliance Gas Transportation Infrastructure Limited



Work on schedule to ensure gas delivery in FY09



Refining & Marketing (R&M)

Q1 FY07 Highlights



- Light-heavy differential of US\$ 5.6/bbl during the quarter
- Crude prices breached US\$ 70 /bbl in April 2006 - rise without commensurate increase in domestic retail prices
- RIL's capacity utilization was 91% with 7.51 Million Tonnes of crude processed
- Lower utilization due to a scheduled maintenance shutdown of 14 days
- Increase in MS and HSD retail selling price above controlled price leads to significant drop in volumes
- 54 additional retail outlets added

Superior refinery performance leads to strong GRM

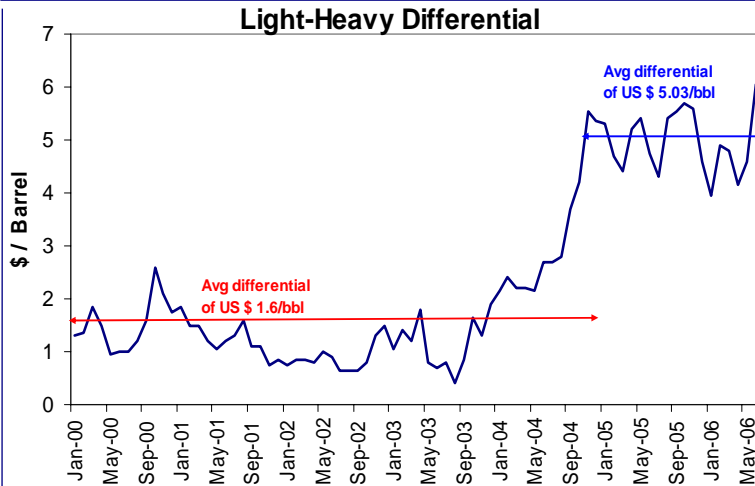
Refinery Product Sales



(in million tonnes)	Q1	Q4	Q1	% Change wrt	
	FY06	FY06	FY07	Q1 FY06	Q4 FY06
PSU	1.9	1.1	0.7	-63%	-36%
Captive	1.6	1.8	1.7	6%	-6%
Retail	0.6	1.1	0.9	50%	-18%
Others	1.3	1.2	1.1	-15%	-8%
Exports	2.5	3.2	3.5	40%	9%
Total	7.8	8.4	7.9	1%	-6%

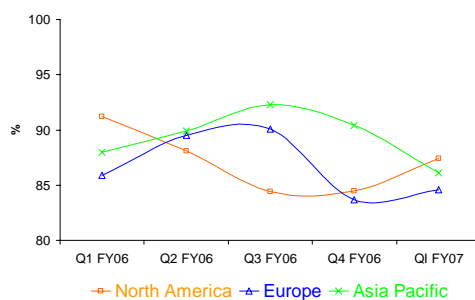
Retail sales reduced on a trailing quarter basis (Q1 '07 vs Q4 '06) due to substantial under recovery in the domestic market

Light and Heavy Differential



Significant differential in Light and heavy over last 5-6 quarters

Global Utilization Rates

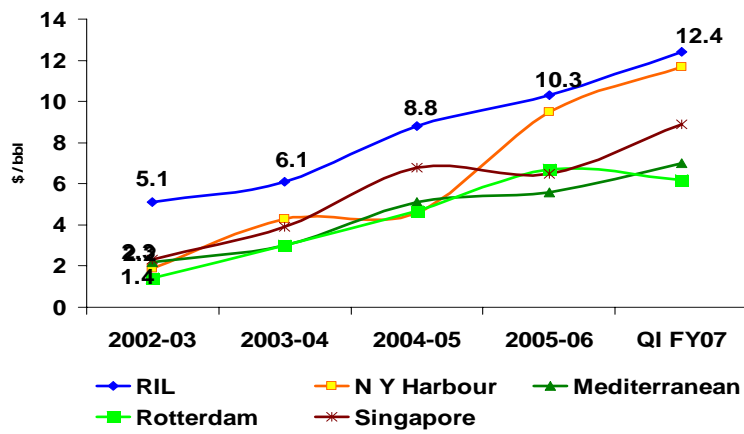


Source: ESI

Utilization rates are expected to remain high in the near term

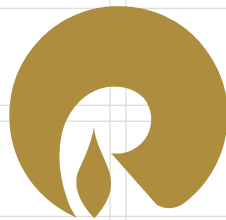
- IEA expects Oil Demand to increase by 5 MMBD till 2009
- IEA expects capacity additions to lag demand
- Refinery utilization in Q1 FY 07 remained low on account of heavy maintenance turnaround in Asia-Pac
- Q2 FY07 margins expected to remain strong as stocks increase for winter

Margin Benchmarking



Source: Reuters / Company Data

Record GRM with RIL outperforming global benchmarks

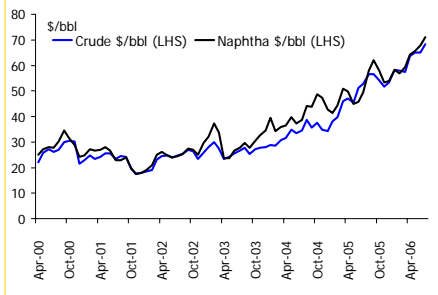


Petrochemicals (Polymers)

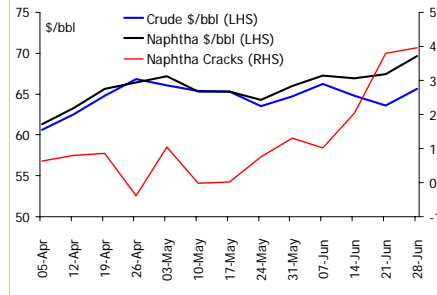
Operating Environment : Q1 FY07



Crude / Naphtha MOPS Prices (\$/bbl)



Naphtha Cracks (\$/bbl) Q1 FY07



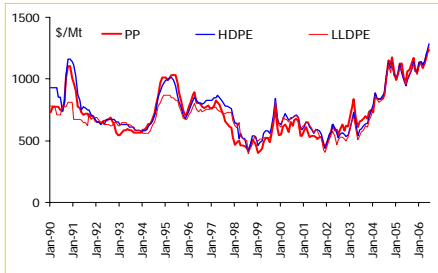
- Crude / Naphtha Prices reaching historical highs
- Petrochemical industry benefits from narrowing Naphtha cracks during Apr/May which widened in June
- Sustained cost push, higher product price and stable margins

Crude : Dubai, Naphtha : MOPS

Operating Environment : Q1 FY07



Polymer Price Movement Jan 1990 onwards



Polymer Price Peaks

	Previous Peak		Q1 FY07 Peak	
	\$/Mt	Period	\$/Mt	Period
PP	1,175	Nov-2004	1,234	Jun-2006
HDPE	1,160	Oct-1990	1,283	Jun-2006
LLDPE	1,120	Nov-2004	1,261	Jun-2006
LDPE	1,420	Nov-2004		
PVC	1,070	May-1995		

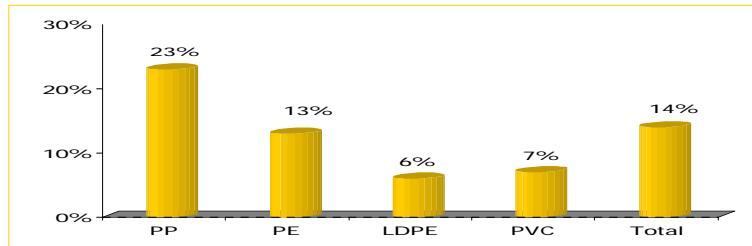
- Key polymer prices cross previous peak – strong trends continue
- Margins sustained on higher price regime and planned / unplanned shutdowns in the region
- Economic conditions drive demand growth globally
- China and India consolidating their position as global manufacturing hubs driving polymer demand

Source : Avg. Monthly Price (CMAI from Jan 1990)

Domestic Industry Scenario Q1 FY07

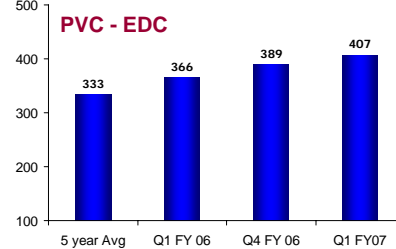
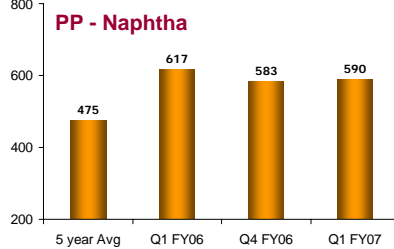
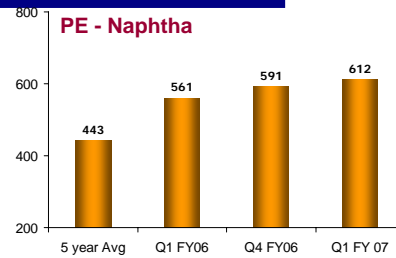
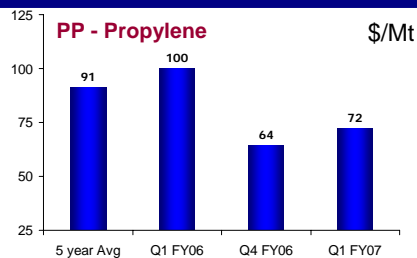


Y-o-Y Industry Growth (%)



- On a Y-o-Y basis, polymer demand grew at 14% on the back of sustained growth in the downstream industry (mainly consumer packaging and infrastructure)
- RIL's Operating rate was at 106% with the rest of Asia at 90-95%
- Reliance commissioned PP facility at Jamnagar with an additional capacity of 280 KTA – total capacity now at 1.43 Million tonnes

Polymer Margins – Q1 FY07



Stable polymer products margins

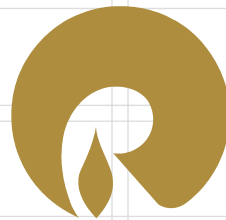
Source : Platts

Outlook for Polymers



- Operating rates continue to look strong with shutdowns planned and residual impact of previous outages / break-downs
- Project delays in Iran on account of geo-political issues and resource constraints
- Key economic indicators continue to look positive resulting in higher polymer demand
- High feedstock environment continues to be a matter of concern

Business environment for polymers remains positive in the short/medium term



Polyester

Operating Environment



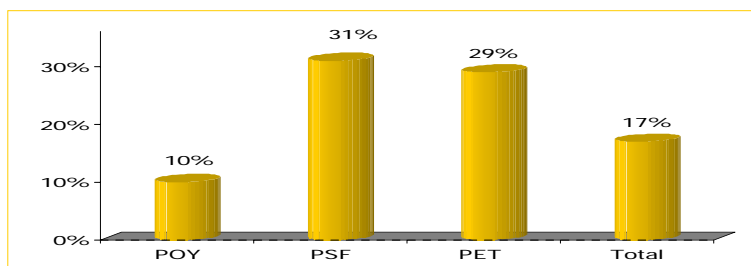
- Global demand growth was at 6% with China and Asia continuing to be key drivers with growth rate of 10%
- High crude oil prices affecting polyester margins. Increase in cost was partially mitigated by higher price realization
- Polyester capacities expansions only in India and China (3 million tonnes in 2006)
- PX continues to be short due to lack of significant expansion in 2004-06 – not in line with expansion in PTA capacity.
- Operating rates in China improved to 70% from 65% and remained 80% in India

Growth was buoyant despite higher prices, margins remained under pressure

Domestic Polyester Scenario



Y-o-Y Industry Growth (%)

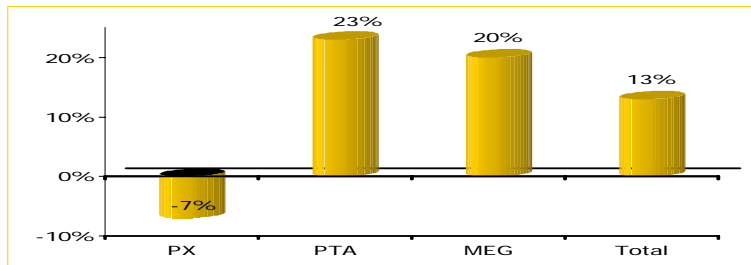


- Economic growth, quota removals and continuing high cotton prices resulting in India growing at 17% Y-o-Y
- Indian textile exports to the US up 14% for the period Jan '06 to May '06 - China witnesses just 4% growth in the same period

Domestic Fibre Intermediates Scenario



Y-o-Y Industry Growth (%)



- Buoyant polyester demand continued to push Intermediates growth which was at 13% on Y-o-Y
- PX demand dropped due to shutdown of DMT capacity in India – planned PTA start-ups at RIL and IOC to improve PX demand

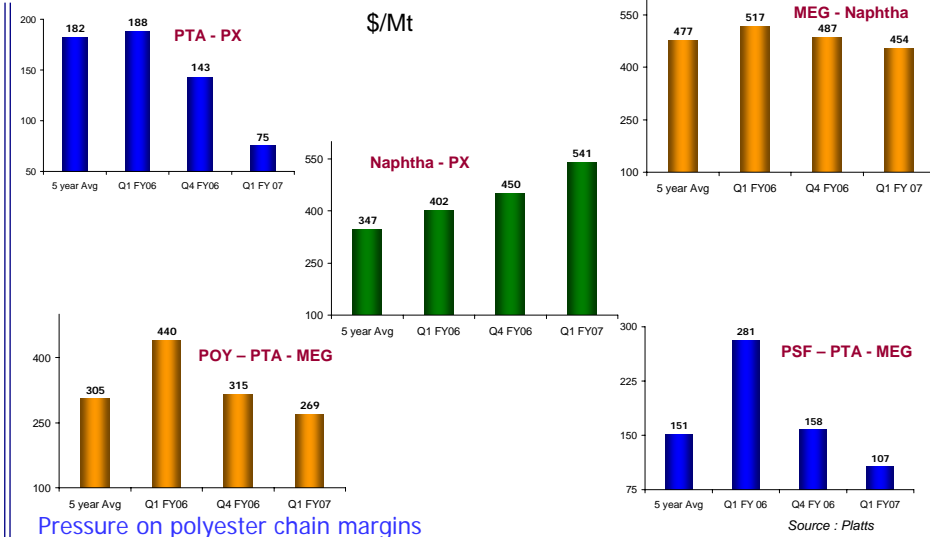
Operating Environment - Reliance



- New capacities commissioned
 - PFY - 320 KTA
 - PSF - 230 KTA
- Production increased to 361 KTA up 29% Y-o-Y
- RIL's market share increased to 56% in the domestic market
- Additional PTA capacity of 730 KTA commenced in July 06
- Launched branded products - some of which are now available in 450 cities/ towns – aimed at improving overall margins

Capacity addition aimed at capturing domestic demand growth

Polyester Chain Margins – Q1 FY07

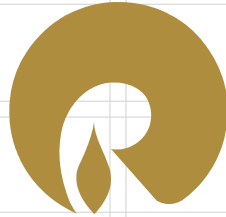


Outlook for Polyester



- In the short term, stand-alone polyester margin expected to be under pressure due to high PX prices. This could ease in 2007/08 once PX availability improves
- Availability of PX to be critical for new PTA Plants in China
- Anti-dumping duty on imports of POY from China to help improve price realization for domestic producers
- Excise duty reduction for Polyester resulting in demand growth

RIL poised to benefit as the world leader in Polyester



Summary

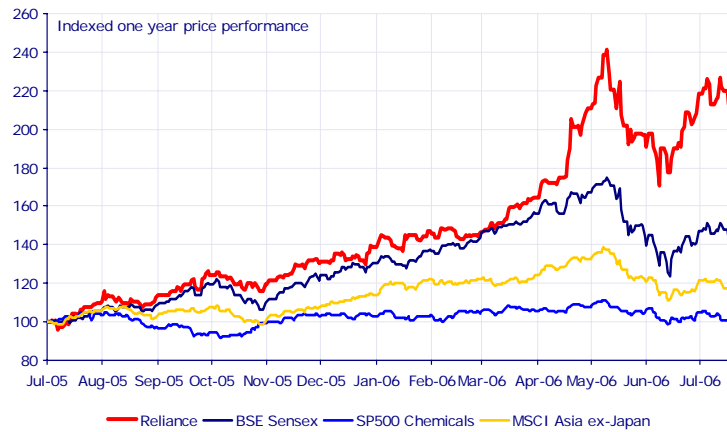
Outlook - overall



- Strong refining margins expected in light of growing demand, light-heavy differential and impact of seasonality
- Benefits of new capacity at RIL will be realized going forward
- Delays in implementation for Petrochemical projects in the Middle East expected to extend the relatively high margin scenario
- Capital allocation to E&P likely to create significant value from existing reserves and future discoveries

Positive outlook for all our key businesses

Reliance: Superior Stock Performance



Outperforming most benchmarks in last one year

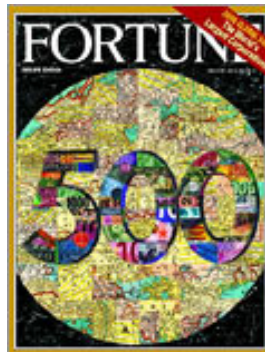
Fortune Global 500



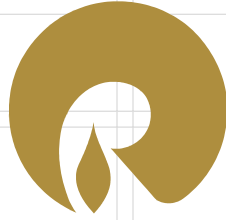
Amongst the 200 most Profitable Companies in the Fortune Global 500

Among the top 25 Climbers – change of 75 ranks

	Global Rank		
Net Sales	342	↑	75
Net Profit	194	↓	11
Net Worth	226	↑	19
Assets	351	↑	6



India's only private sector company to feature in Fortune Global 500 list



Growth is Life

Thank You