

Results Q3 FY 2006-07



**Reliance
Industries Limited**

January 18, 2007

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



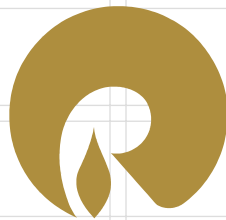
- Sustained demand growth of 7 – 8% in polymer and polyesters; Petrochemicals production up 18% Y-o-Y reflecting capacity expansion during the period
- Refinery throughput at 7.89 million tonnes in Q3 FY07 due to fire in VGO Hydro-treater Unit II in October 2006
- GRM of US\$ 11.7 / bbl in Q3 FY07 helped by strong L-H differential; US\$ 7.8 / bbl above Singapore complex margin
- Rationalization in crude / product prices help increase retail through-put - market share expands to 6.3% in December 2006
- 21% increase in oil production from PMT blocks
- Reliance Fresh has opened 24 stores in select locations

Environment and Business Highlights (Con't)



- Challenges during the period:
 - Ongoing volatility in crude / product prices
 - Soft refinery margins globally
 - Unforeseen incident at the VGO unit at Jamnagar
 - Production loss of 55 kT of PX due to planned shutdown
 - Loss due to floods leading to shutdown at Hazira

Robust operating performance in a challenging environment



Financial Performance Q3 FY07

Financial Results



(in Rs crore)	Q3	Q2	Q3	% change wrt	
	FY07	FY07	FY06	Q2 FY07	Q3 FY06
Revenues	27,771	29,550	19,899	-6%	40%
Net Profit	2,799	2,709	1,776	3%	58%
Cash Profit	4,066	3,932	2,775	3%	47%
EPS (Rs)	20.1	19.4	12.7		

Key financial numbers are not strictly comparable due to Refinery shutdown in Q3 FY 06

Net Profit growth of 58%, Cash Profit growth of 47%

Financial Results



(in Rs crore)	9M	9M	% change
	FY07	FY06	9M FY06
Revenues	83,487	62,676	33%
Net Profit	8,055	6,567	23%
Cash Profit	11,657	9,514	23%
EPS (Rs)	57.8	47.1	

Strong business performance drives growth in Net Profit and Cash Profit

Segment Results

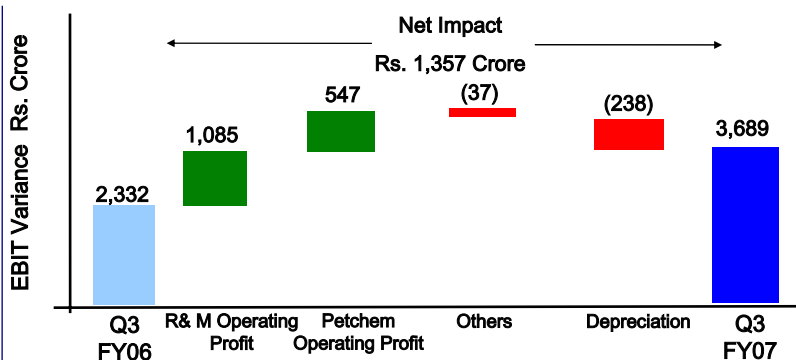


(in Rs crore)	Q3	Q2	Q3	% Change wrt	
	FY07	FY07	FY06	Q2 FY07	Q3 FY06
Refining					
Revenues	20,870	23,208	15,179	-10%	37%
EBIT	1,925	1,489	856	29%	125%
EBIT (%)	9.2%	6.4%	5.6%		
GRM (US\$ / bbl)	11.7	9.1	9.1		
Petrochemicals					
Revenues	10,895	10,874	7,353	0%	48%
EBIT	1,407	1,764	1,064	-20%	32%
EBIT (%)	12.9%	16.2%	14.5%		

Refining EBIT increased by 125% on account of higher GRM and operating efficiency; Petrochemicals EBIT increased by 32% on account of volume growth.

Petrochemical EBIT margins is lower primarily due to higher depreciation and high price environment .

EBIT Bridge – Q3 FY07 Vs Q3 FY06



EBIT higher on account of higher operating profit from petrochemicals and refining; partially offset by higher depreciation and lower other income

Corresponding quarter of the previous year was impacted by the VMP implementation at the refinery

Net Profit – Q3 FY07 Vs Q3 FY06

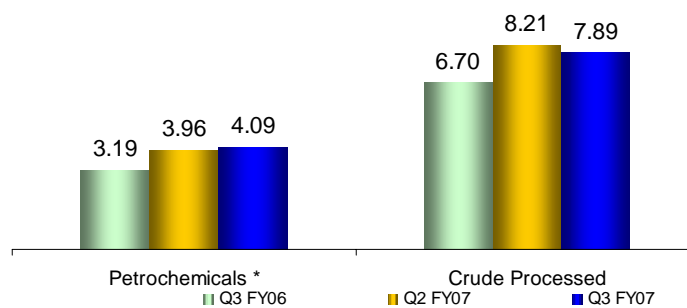


Net Profit up by Rs 1,023 Crore compared to previous corresponding quarter

		(Rs crore)
Net Profit Q3 FY06		1,776
Operating Profit		1,732
Other Income	(138)	
Interest	(99)	
Depreciation	(238)	
Tax	(234)	
Net Profit Q3 FY07		2,799

Increase in Operating profits leads to higher Net Profit; which was partially offset by lower other income, higher interest, depreciation and tax.

Production



Production / Crude processed in Million Tonnes

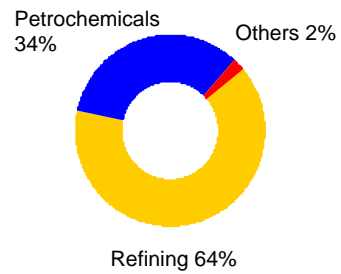
* Production includes polyester units of IPCL and PMT Oil & Gas

Petrochemical production higher due to commissioning of new PTA capacity at Hazira and ramp up of new polyester capacities

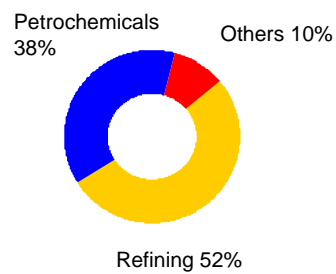
Business Mix for Q3 FY07



Revenues Q3 FY07



EBIT Q3 FY07



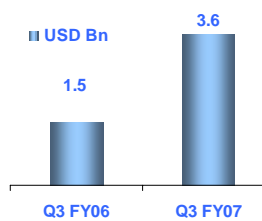
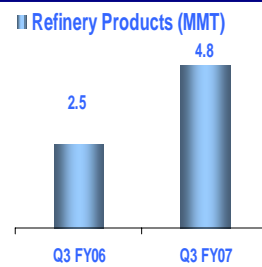
Refining and petrochemicals contributed 98% of revenues

Oil and gas shows increased contribution at EBIT level

Exports



Refining contributed 73% of Total Exports in Q3 FY 07



Exports at 58% of total Q3 FY 07 revenues

Exports in Q3 FY07 up 141% compared to Q3 FY06

Financial Ratios



Ratios	Dec-06	Sep-06	Mar-06
Net Debt : Equity	0.39	0.44	0.36
Net Gearing	26%	29%	25%
Interest Cover	8.6	8.5	7.7
Weighted Avg. Cost of Debt (%)	7.3	7.2	7.0
Avg. Maturity of Debt (years)	4.9	5.2	4.9
Forex Debt (%)	69.0	70.0	63.0
ROCE (%)	19.7	19.3	20.5
ROE (%)	20.8	20.9	20.6

Integrated business model helps sustain high ROCE and ROE

Capex



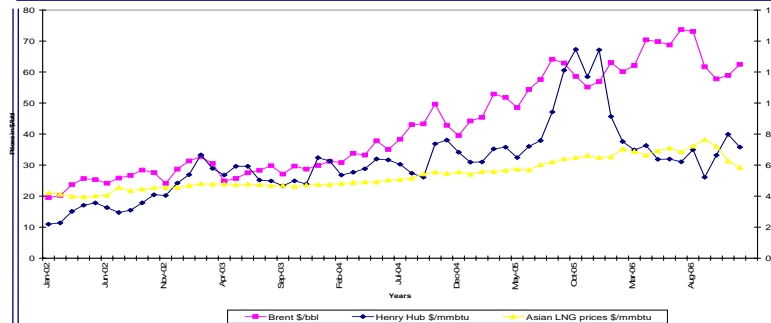
(in Rs crore)	9M FY07	Q3 FY07
Oil & Gas	2,430	1,180
Refining & Marketing	1,101	129
Petrochemicals	270	106
Common	1,298	98
Total	5,099	1,513

Capex approx 44% of Cash profit (9 months FY 07)

Major petrochemicals and refinery capex in RIL is completed

New capex largely aimed at E & P

Oil and Gas Prices



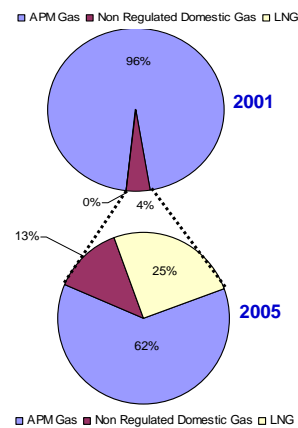
- Crude prices decline to US\$ 60 / bbl driven by a mild winter, rising stocks and reduced level of participation by markets
- Henry Hub Gas Prices declined to US\$ 7.54 / MMBTU
- Futures Markets continue to indicate high prices of Oil (till 3Q CY 2008) and Gas (till 4Q CY 2009)
 - Gas ~ US\$ 7.57 / MMBTU, Brent ~ US\$ 59 / bbl

Indian Upstream Sector



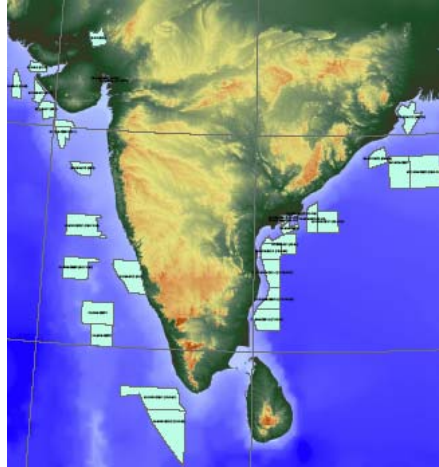
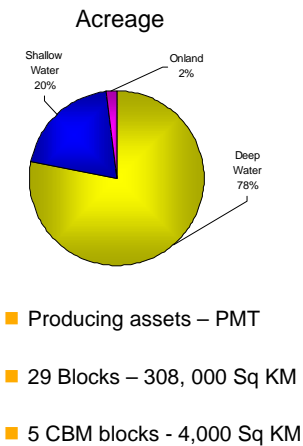
- India becoming increasingly attractive
 - NELP VI - 166 Bids for 55 blocks
 - NELP VII expected to commence in April 2007
- Emerging opportunities in natural gas
 - Prices getting more market-linked
 - East Coast shows high potential
- Regulatory body for gas pricing expected to be appointed shortly

Increasing share of market linked gas pricing



Natural gas sector witnessing increasing activity

RIL - Domestic E&P Portfolio



India's Leading Operator with focus on the highly prospective East Coast region

Exploration Status



- 8 wells drilled in KGD6, KGIII5 and KGIII6 - results under evaluation
- Cumulatively 42 wells drilled with success rate of 62%
- Deployment of an additional rig planned in near future
- Drilled MA2 well (total depth 3,581 meter) in discovery area of MA, KGD6
 - Results show thick hydrocarbon zones that strengthened the commerciality of the discovery & upside potential
- Relinquished 5 blocks (awarded under NELP I) assessed to be low on hydrocarbon prospectivity

Greater visibility on E & P prospects

KGD6 Development: Status



- KGD6 - Addendum to Initial Development Plan approved by DGH
 - Doubling of initial plateau production to 80 MMSCMD natural gas
 - Planned capital expenditure of US\$ 5.2 billion
- Subsurface - analysis for drilling of 8 wells completed
- Drilling and Completions:
 - 2 development wells under drilling
 - Contract for Sub-sea completion design awarded
- Offshore facilities:
 - Pre-engineering survey commenced
 - Detailed engineering design for offshore facility underway
 - Sub-sea systems engineering in progress
- Onshore facilities:
 - Construction of jetty underway

KGD6 on-track for gas production by 2H FY 2008-09

KG D6 Development Outlook



- Subsurface:
 - Acquisition of high resolution Q-Marine data for enhanced reservoir analysis and characterisation to be completed
- Drilling:
 - 4 Development wells drilling to be completed
 - Contract for well equipment and services to be awarded
- Offshore facilities:
 - Completion of pre-engineering survey
- Ordering of balance equipment for Land Fall Point to Onshore Terminal to be completed
- Onshore facilities:
 - Delivery of piping material to commence
 - Construction of jetty to be completed
 - Ordering of balance equipment to be completed

CBM Status



- Sohagpur East & West Blocks
 - 3 information wells and 8 production wells drilled using advanced air drilling technology
 - Well SWP #17 drilled, logged and cased in a record time of 71 hours
 - OGIP of 3.65 TCF - development plan under preparation
- Sonhat Block
 - OGIP estimation at 1.50 TCF
- Rajasthan East & West Blocks
 - Geological studies carried out and locations released for drilling information wells
 - Drilling operations to commence in next quarter

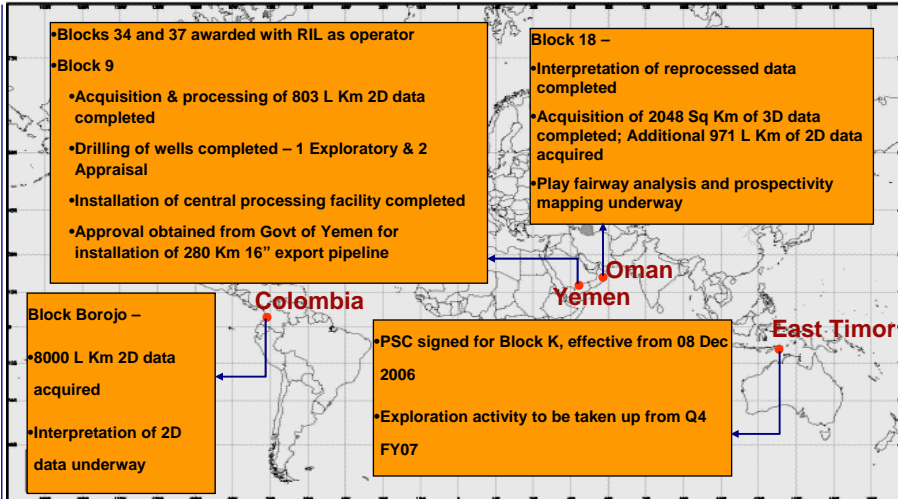
Initiating CBM production in India

PMT, NEC 25 and KG-III-6: Status

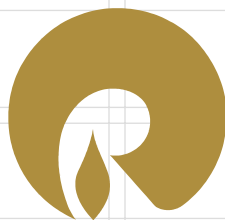


- PMT – 21% growth in oil and gas production
 - NRPOD and EPOD development projects on schedule for production up-gradation by 2H FY2007
- NEC 25 - Major offshore and onshore environmental studies in progress
 - Seismic interpretation for prospectivity mapping underway for exploration drilling
 - Conceptual analysis for development plan in progress
- KG-III-6 - 2 Exploratory wells drilled; Evaluation in progress
 - Commercial evaluation of earlier discoveries being undertaken

International Operations Status



Expansion in overseas exploration opportunities

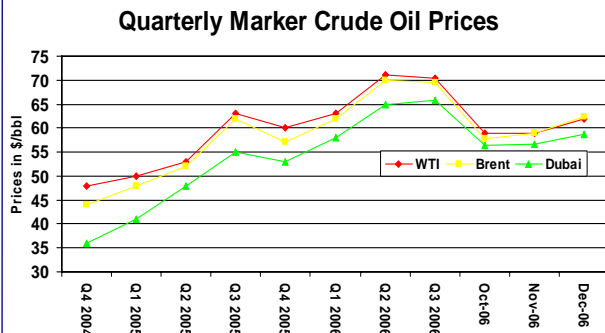


Refining & Marketing (R&M)

Crude Prices Scenario



US\$/ bbl	1999-2003	2004	2005	2006
WTI	26.6	41.5	56.6	66.0
Dubai	23.4	33.7	49.5	61.5



Oct' 06 fall driven by:

- Milder Winter/ Benign hurricane season
- High inventory
- Easing of geopolitical issues

Nov/Dec'06 recovery influenced by:

- OPEC reaction
- Robust demand growth
- Inventory Draw

Downside risk limited, given stronger growth expectations

Margin Scenario – Historic and Current



US\$/ bbl	1999-2003	2004	2005	2006
Singapore	2.4	6.4	6.8	5.8
Europe	1.8	4.6	6.4	5.1
USGC	1.2	3.5	8.0	8.4

- Step jump in cracking margins since 2004 caused by;
 - Run-away growth in demand, especially in transportation fuels
 - Little capacity additions and tighter product specification
 - Sluggish Fuel Oil demand growth due to shift to cleaner Natural Gas
- Deceleration in 2006 attributed to higher stock levels, benign storm season and slow growth in demand on the back of high oil prices

Limited additions to conversion capacity augers well for current players

Singapore Margins : Simple vs. Complex



US\$/ bbl	1999-2003	2004	2005	2006
Light-Heavy Differential	1.2	3.2	5.1	5.4
Sing Margins – Dubai cracking	2.4	6.4	6.8	5.8
Sing Margins – Dubai Topping	0.7	2.0	1.7	(0.0)
Demand growth in MMBD	1.0	3.1	1.2	0.9

- Light - Heavy differential - Widest levels seen in recent years
- Complex margins delta to simple margins at US\$ 5.8 / bbl, highest in recent times
- Demand growth around historical levels

Complex refiners' competitiveness improves

Refining sector - The year ahead



- Robust demand growth expectation of 1.4 MMBD - non OPEC production growth projected at 1.3 MMBD
- CDU capacity additions at 1 MMBD - Lower than expected demand; supportive of margins
- Cut in OPEC production could make Light-Heavy differential narrow. However, complex refiners can bridge the supply gap with alternate cheap residual fuel oil
- Following market indicators are supportive of strong complex margins:
 - Capacity additions lagging demand growth
 - Tighter product specifications
 - Continued weakness in fuel oil alongwith strong gas-oil margins
 - Residual fuel oil economical as supplementary feedstock

Shaping up as another strong year for complex refiners

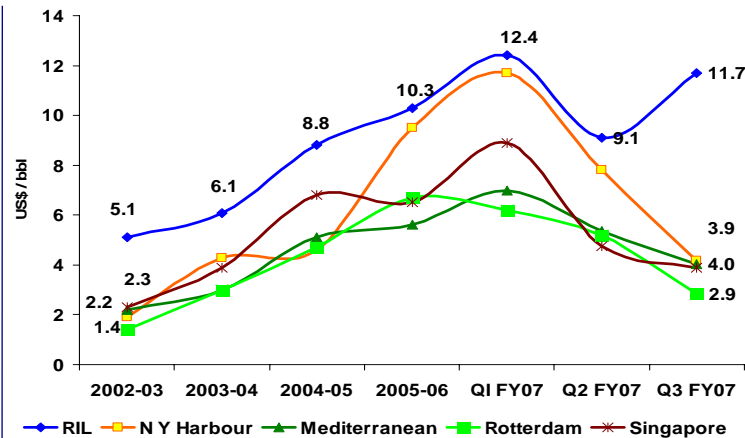
Indian Petroleum Products Demand



('000 MT)	Q3 FY07	Q2 FY07	Q3 FY06	% change wrt	
				Q2 FY07	Q3 FY06
ATF	1,042	933	872	11.7%	19.5%
HSD	11,072	9,604	10,332	15.3%	7.2%
MS	2,307	2,236	2,147	3.2%	7.4%
LPG	2,709	2,574	2,589	5.2%	4.6%
FO/LSHS	2,895	2,826	2,947	2.5%	-1.8%
Naphtha	2,522	2,231	2,497	13.0%	1.0%
TOTAL	28,337	25,615	25,442	10.6%	11.4%

Very strong growth in demand across the product range

Margin Benchmarking



Cracking margins Source: Reuters / Company Data

Increasing out performance over the global benchmarks

Refinery Operating Highlights



- Capacity utilization at 96% with 7.89 Million Tonnes of crude processed in Q3 FY 07
- Moderation in crude prices allows reduction in retail prices; market share increased to 6.3% in Dec'06
- Exports continue to grow – 13.51 Million Tonnes for first 9 months
- Commissioned the first Aviation fuelling station at Bhubaneswar
- Bagged pre-operation services and O&M contract for refueling at GMR's Hyderabad International airport.

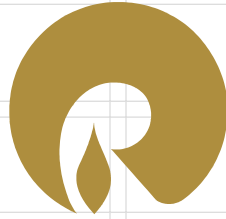
Strong performance despite softening of global refining margins

Refinery Product Sales



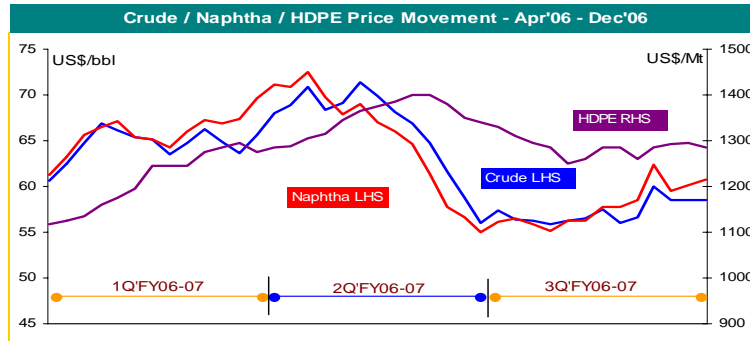
(in million tonnes)	Q3	Q2	Q3	% Change wrt	
	FY07	FY07	FY06	Q2 FY07	Q3 FY06
PSU	0.6	0.7	0.7	-6%	-3%
Captive	1.7	1.7	1.1	2%	47%
Retail	0.5	0.2	0.9	189%	-50%
Others	1.0	1.0	1.0	4%	2%
Exports	4.8	5.2	2.5	-9%	93%
Total	8.6	8.7	6.3	-2%	36%

Retail sales increased from Q2 FY07 but still lower than Q3 FY06



Petrochemicals

Operating Environment



- Feedstock prices followed Crude trend
- Naphtha cracks were slightly positive in Q3 FY 07
- 6% of Ethylene capacity remained offline due to regional outages
- Polymer Prices lower in Oct'06, stable to firm price scenario in Nov / Dec'06

Ethylene Scenario



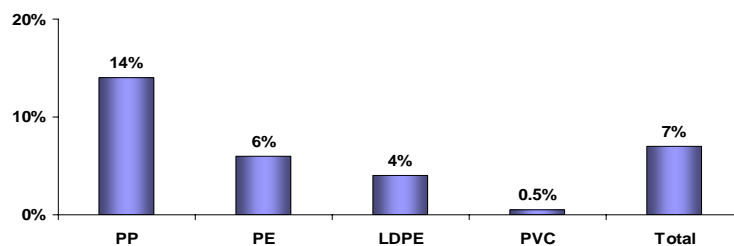
- Cracker Operating Rates are an indicator of Ethylene chain profitability
- Historically, C2 chain profitability increases at operating rate higher than 92%
- Compared to 2005, Asian region had higher planned outages for turnaround, preventive maintenance, planned capacity expansions
- Operating rates were approx 95% - demand growth, start-up delays and operating hiccups led to higher-than-historical operating rates
- Delayed Petrochemical initiatives in Iran and elsewhere in the ME
 - Lack of EPC resources
 - Out-of-sync readiness of Utilities, feed preparation, cracker and downstream units
 - Over burdened equipment vendors

Unique extended peak scenario in the Petrochemical cycle

Domestic Polymer Industry

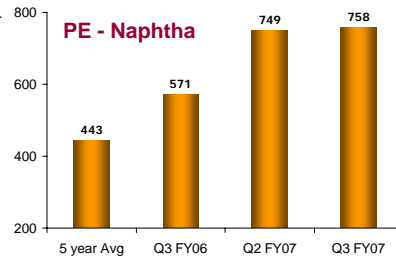
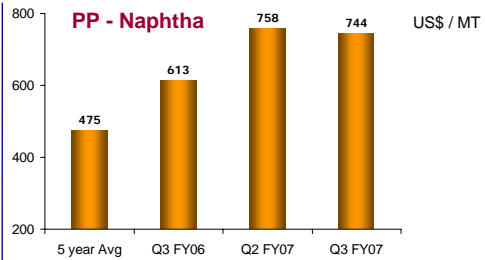


9M FY 07 Demand Growth



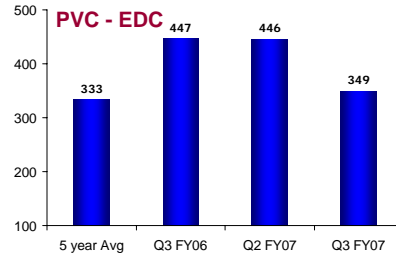
- 9M Y-o-Y growth 7% led by PP and PE
- Domestic producers accounted for higher share of supply
- Growth drivers
 - Projected 8% – 9% GDP growth
 - Demand growth in Cement, Bulk / Flexible Packaging, Automotives etc

Polymer Margins



PP and PE margins remained stable with respect to trailing quarter but, improved significantly over previous period.

PVC margins were under pressure



Source : Platts



Polyester

Business Environment : Global



- Fall in crude oil prices result in lower feedstock cost and thereby, higher margins
- Fall in global cotton stock leads to higher cotton prices and reduces pressure on polyester prices
- Improving operating rates - India: 85%, China: 75%, Taiwan: 65% and Korea: 70%
- Only one new polyester producer expected in China in 2007
 - No new polyester capacity envisaged in China in 2008
- Slow down in surplus polyester capacity creation over demand increase
 - 2007: Incremental demand will overshoot incremental capacity creation

Business Environment : Global (Contd.)



Particulars	Asia			Global		
	Demand Growth	Capacity Growth	Net Incremental Demand	Demand Growth	Capacity Growth	Net Incremental Demand
	%	%	MMT	%	%	MMT
2004	12.2%	23.2%	(4.1)	9.9%	15.8%	(3.8)
2005	9.1%	10.0%	(2.1)	6.9%	7.7%	(1.4)
2006	10.0%	8.2%	(0.9)	7.7%	8.4%	(1.6)
2007	11.5%	4.2%	0.8	8.3%	4.1%	1.1
2008	12.6%	2.2%	2.4	9.0%	1.6%	3.3
CAGR 06-08	12.1%	3.2%		8.6%	2.8%	
CAGR 04-08	10.8%	6.1%		8.0%	5.4%	

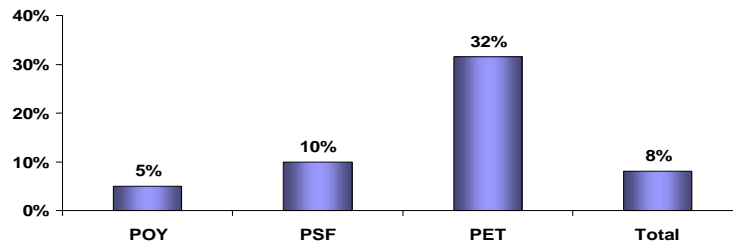
Source : HSBC

- Global polyester industry is in early stage of recovery
- Key growth drivers include improving Asian demand and slowing capacity addition

Domestic Polyester Environment



9M FY 07 Demand Growth



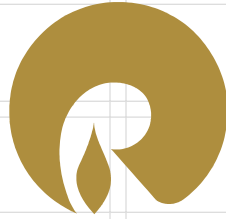
- 1 million tonnes of additional capacity commissioned in 2006
- Commissioning of two PTA plants to balance supply in domestic markets
- New investments in downstream textile industry continues to enhance demand
 - Textile exports up 15% to 20% in 2006 (in dollar terms)

Polyester Margins



- Paraxylene touched 10 year quarterly high in Q2 FY 07; Prices remained high throughout Q3 FY 07
- Margin of PTA over Paraxylene remained low throughout Q2 and Q3 of current fiscal year though prices for PTA remain high
- MEG prices continue to remain strong in current fiscal year
- High PTA and MEG prices resulted in higher polyester feedstock prices thereby, impacting margins for polyester

Despite improving polyester prices, margins remain under pressure



Associates & Subsidiaries

IPCL - Results for 9 Months FY07



(in Rs crore)	Q3 FY07	Q3 FY06	% Change	9M FY07	9M FY06	% Change
Revenues	3,459	3,153	10%	10,307	9,095	13%
PBDIT	755	568	33%	2,131	1,570	36%
Net Profit	405	289	40%	1,014	843	20%
EPS (Rs)	13.4	10.1		34.5	29.3	

Improvement in performance through better productivity and reduced costs

IPCL Performance Highlight



- Highest ever sales and operating profits
- Improved productivity with better realizations
- Cost saving resulting from replacing expensive naphtha with natural gas as fuel
- Successful integration continues to de-risk business model
- Net cash on balance sheet

Reliance Petroleum - Update



- Received statutory approvals, including SEZ approvals
- Secured land required for project implementation
- Strategic partnership with Chevron concluded
- Successful completion of equity raising and ECB financing
- Rapid progress on the engineering and procurement fronts
- Effectively transitioned from engineering and procurement phases to the construction phase already
- Infrastructure readiness attained to put construction on fast track

Project overall progress impressive and on schedule

Reliance Retail



- Fully integrated business model to add tremendous value to the Indian consumer in multiple formats on a pan-India basis
- Total investment of Rs 25,000 crore envisaged over the next few years
- RIL could invest Rs 10,000 crore in the equity capital of Reliance Retail in the next few years
- First store launched in Hyderabad on 3rd Nov 06
- 24 stores operational in Hyderabad and Jaipur

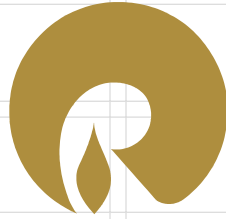
Farm to fork – a unique value proposition for the Indian farmer and consumer

Reliance Retail



- Successful execution of sourcing, processing and retailing of farm fresh in less than 6 months
- Tremendous response resulting in over 150,000 customers signing up for the loyalty programme
- Rapid scaling up of sourcing, logistics and locations for Reliance Fresh stores
- Senior management team in place with a total employee strength of 7500

Superior supply chain to ensure rapid scalability



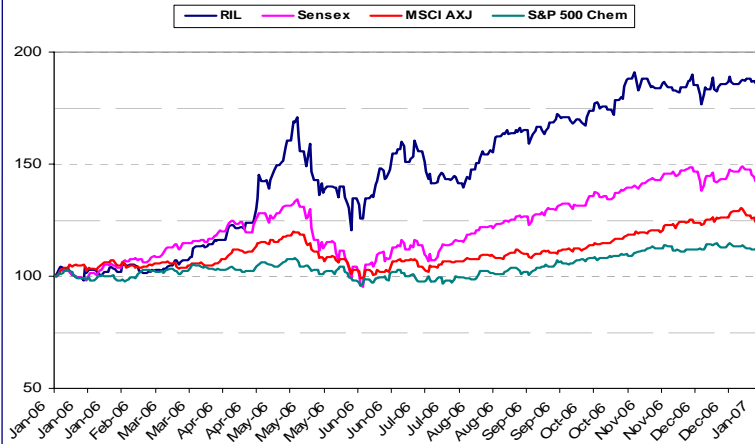
Summary

Summary



- Volatility in crude prices likely to remain – positive outlook on light-heavy differential
- RIL's existing business continue to benefit from integration
- Reliance Fresh to continue to roll-out further stores in different locations
- Robust cash flows to continue funding Strategic Initiatives in existing and new businesses to create superior shareholder value

Reliance - Stock Performance



RIL was the top contributor in the rise of Sensex during 2006



Growth is Life

Thank You