

## Q1 FY 2007-08 Results



**Reliance**  
Industries Limited

July 28, 2007

## Forward Looking Statements



*This presentation contains forward-looking statements which may be identified by their use of words like “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates” or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements.*

*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.*

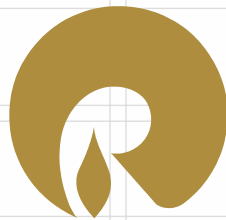
# Contents



**Financial Performance**

**Business Review**

**Summary**



**Financial Performance Q1 FY08**

## Performance Highlights – Q1 FY 08



- Highest-ever GRM at US\$ 15.4 / bbl
- 3 significant discoveries to supplement the E&P portfolio
  - Success in first well drilled in Cauvery basin – deep water
  - Success off the West coast of India – Gujarat Saurashtra
  - Additional discovery in KG D6 – Well R1
- Development plans submitted for NEC 25 and CBM blocks
- RPL - cumulative project progress of over 65%
- Reliance Retail – 201 stores operational with over 1 million loyalty customers
- RIL's Market Capitalization crosses US\$ 60 billion

## Financial Results – Q1 FY 08



(in Rs crore)	Q1	Q4	Q1	% change wrt	
	FY08	FY07	FY07	Q4 FY07	Q1 FY07
Revenues	29,493	27,399	26,166	8%	13%
Net Profit	3,264	2,853	2,547	14%	28%
Cash Profit	4,527	4,111	3,659	10%	24%
EPS (Rs)	23.4	20.5	18.3		

Robust operating performance – Cash profits cross US\$ 1 billion

## Segment Results – Q1 FY 08



(in Rs crore)	Q1	Q4	Q1	% Change wrt	
	FY08	FY07	FY07	Q4 FY07	Q1 FY07
<b>Refining</b>					
Revenues	22,794	21,069	20,862	8%	9%
EBIT	2,558	2,277	2,035	12%	26%
EBIT (%)	11.2%	10.8%	9.8%		
GRM (US\$ / bbl)	15.4	13.0	12.4		
<b>Petrochemicals</b>					
Revenues	10,844	10,670	9,787	2%	11%
EBIT	1,481	1,137	1,087	30%	36%
EBIT (%)	13.7%	10.7%	11.1%		

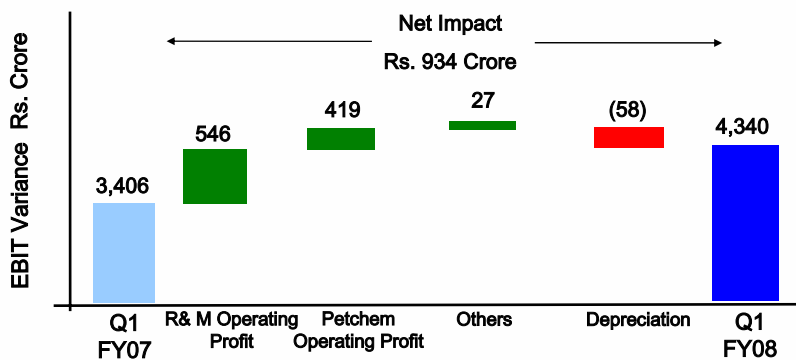
Highest ever refining EBIT on account of strong GRM

Petchem EBIT margins improved on better product realisation coupled with strong domestic demand

[www.ril.com](http://www.ril.com)

7

## Segment EBIT Bridge – Q1 FY08 Vs Q1 FY07



Higher EBIT due to higher operating profit from refining and petrochemicals; partially offset by higher depreciation

[www.ril.com](http://www.ril.com)

8

## Net Profit – Q1 FY08 Vs Q1 FY07

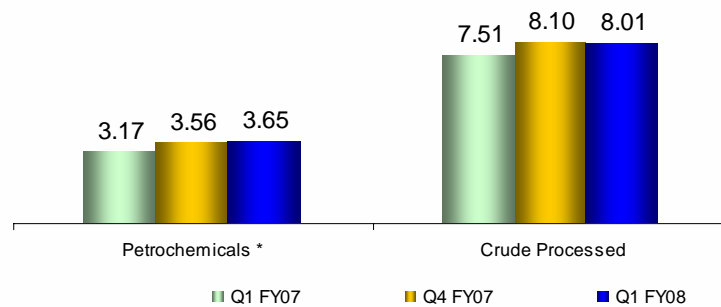


Net Profit up by Rs 717 crore compared to previous corresponding quarter

		(Rs crore)
Net Profit Q1 FY07		2,547
Operating Profit		941
Other Income		61
Interest	(22)	
Depreciation	(51)	
Tax	(211)	
Net Profit Q1 FY08		3,264

Record Operating Profits leads to higher Net Profit - partially offset by increase in interest, depreciation and tax

## Production – Q1 FY 08



Production / Crude processed in Million Tonnes

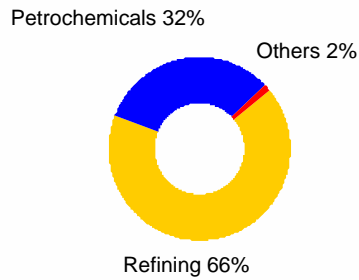
\* Production includes polyester units of IPCL and PMT Oil & Gas

Full impact for additional production of PTA and PP added last year  
Crude processed increased by 6.7% on Y-o-Y basis

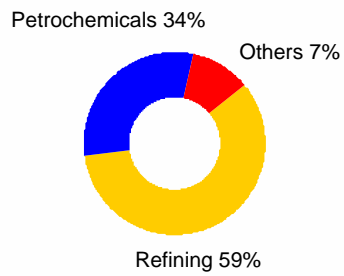
## Business Mix for Q1 FY 08



### Revenues Q1 FY08



### EBIT Q1 FY08



Refining and petrochemicals contributed 98% of revenues and 93% of EBIT

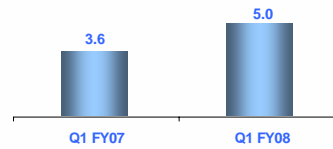
## Exports - Q1 FY 08



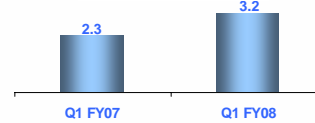
Record exports of US\$ 3.2 billion of refinery products – contributing to 75% of Total Exports in Q1 FY 08

Exports at 59% of total revenues

### Refinery Products (MMT)



### USD Bn



## Financial Ratios - Q1 FY 08



Ratios	Jun-07	Mar-07
Net Debt : Equity	0.37	0.44
Net Gearing	25%	28%
Interest Cover	9.6	8.7
Weighted Avg. Cost of Debt (%)	7.1	7.1
Avg. Maturity of Debt (years)	5.7	5.4
Forex Debt (%)	76.0	73.0
ROCE (%)	22.7	19.5
ROE (%)	21.9	20.1

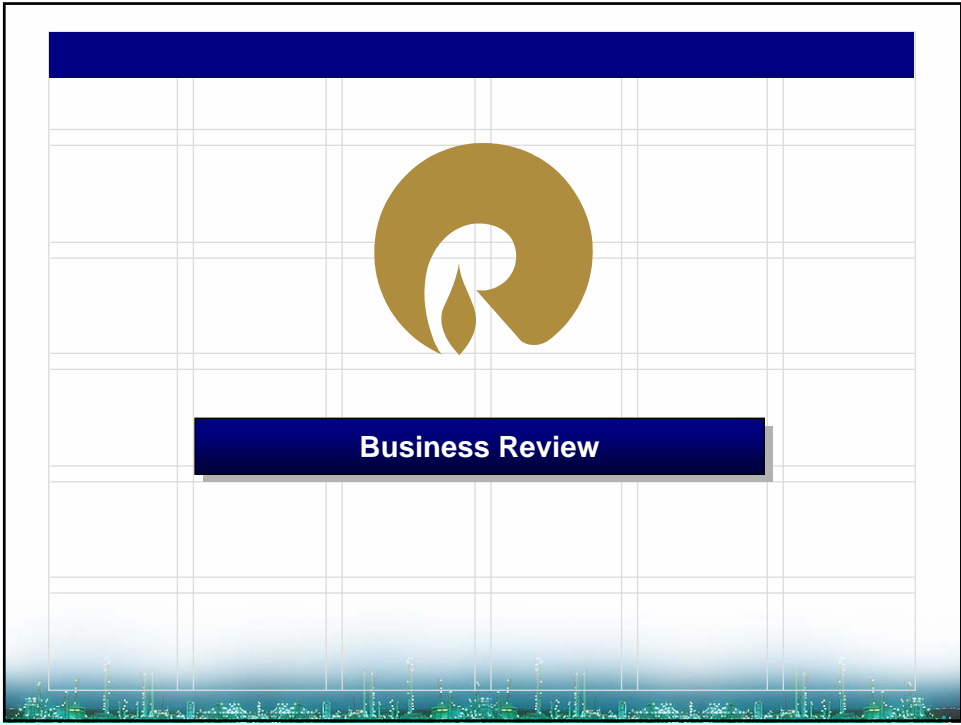
Strong balance sheet with conservative financing norms.  
Significant improvement in ROCE and ROE

## Capex - Q1 FY 08



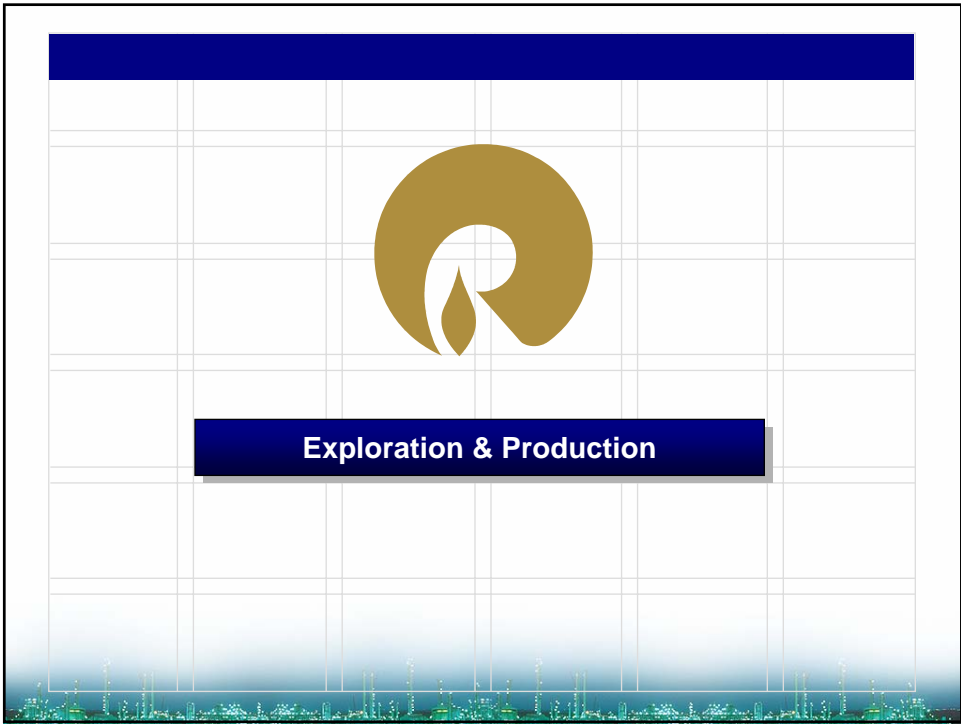
(in Rs crore)	Q1 FY08	Q4 FY07	Q1 FY07
Oil & Gas	2,461	3,295	476
Refining & Marketing	413	329	522
Petrochemicals	103	147	86
Common	885	65	855
<b>Total</b>	<b>3,862</b>	<b>3,836</b>	<b>1,939</b>

Over 85% of cash profits re-invested in existing and emerging businesses



A presentation slide with a dark blue header bar at the top. The main content area features a light gray grid background. In the center of the grid is a gold-colored logo consisting of a stylized flame or leaf shape inside a circular arc. Below the logo is a dark blue horizontal bar containing the text "Business Review" in white. At the bottom of the slide, there is a decorative border with a blue-to-white gradient and a city skyline silhouette in green and yellow.

**Business Review**



A presentation slide with a dark blue header bar at the top. The main content area features a light gray grid background. In the center of the grid is a gold-colored logo consisting of a stylized flame or leaf shape inside a circular arc. Below the logo is a dark blue horizontal bar containing the text "Exploration & Production" in white. At the bottom of the slide, there is a decorative border with a blue-to-white gradient and a city skyline silhouette in green and yellow.

**Exploration & Production**

## Exploration & Production



### Exploration Update

Development Progress

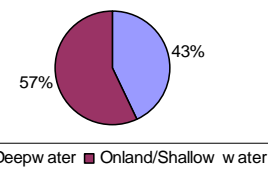
PMT Update

## Indian E&P Opportunity

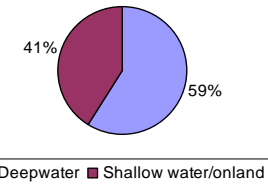


- India is under explored
  - Only 15% well explored; mostly on-land and shallow waters
- Absence of significant discovery for nearly 2 decades prior to 2000
- About 43% Sedimentary basin acreage in Deepwater
- World's largest Gas Discovery in 2002 by Reliance in the East Coast deepwater block KGD6
  - More discoveries by RIL, ONGC, GSPC in the East Coast

India's Sedimentary Basin



NELP Discoveries



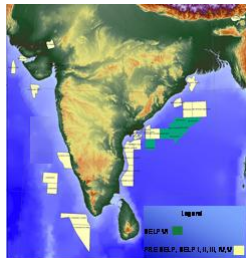
Most opportunities in India are in Deepwater - Unlocking potential is a Challenge

## Challenges in Deepwater

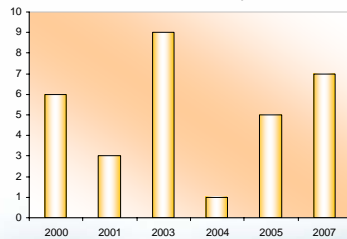


- Technology Challenges - Deepwater Technologies hitherto closely held by the majors
  - Subsurface
  - Drilling
  - Field Development
  - Production
- Harsh Environment for Operations and Equipment
- Operations in remote and inaccessible areas
- Acute shortage of manpower with the Know-How
- Supply chain pressures
  - Massive Vendor Shop Backlogs for infrastructure, equipment and Services
  - Constraints in Resource Availability
  - Cost Escalation by 100-200% across the Supply chain

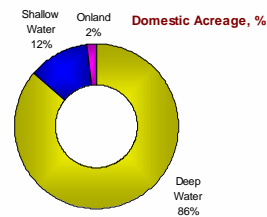
## RIL's Response



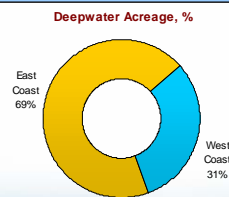
No. of Domestic Licenses Acquired



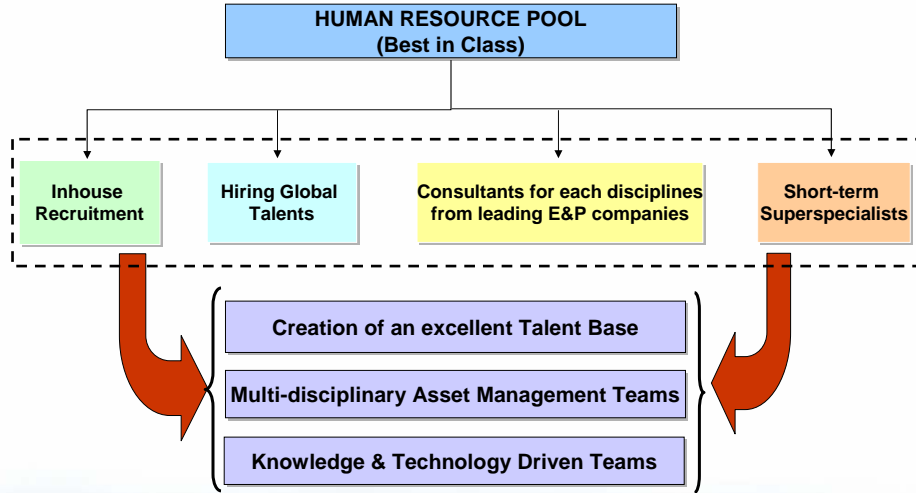
Domestic Acreage of ~ 336,000 Sq Km



Deepwater Acreage of ~ 288,000 Sq Km

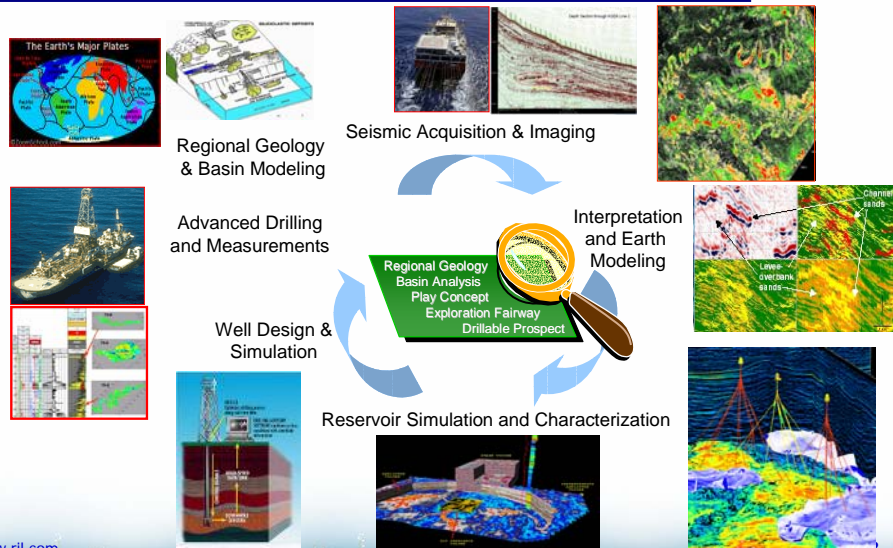


# Building Human Capital

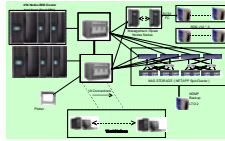


Harnessing human resources to unleash full potential  
[www.ril.com](http://www.ril.com)

# Building Process Capital

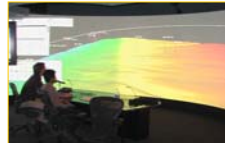


# Building Technology & Infrastructure Capital



## Geo Data Processing Facility

- High Performance Linux Clusters & Spin Server Storage
- Advanced Imaging techniques for Subsurface Analysis, Geostatistical Analysis & Reservoir Characterization



## Virtual Reality Centers

- Best in Class 3D Immersive Visualization centers
- Integrated Geo- Modeling ,and Reservoir Characterization
- Pore pressure, Geo mechanical modeling for Well Planning.

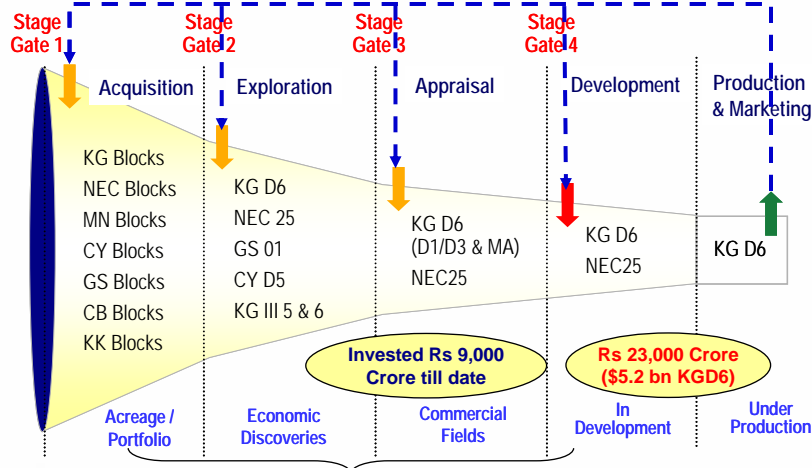


## Real Time Operations Monitoring Centre

- Monitoring & Optimization of Operations for Drill to Limit
- Predictive Drilling based on Geo-mechanical models and Real time LWD/MWD analysis
- Real time Pore Pressure Monitoring, Formation & Fluid Analysis

www.ril.com Cutting Edge Technology driving Business Performance

# RIL E&P Business – Journey So Far

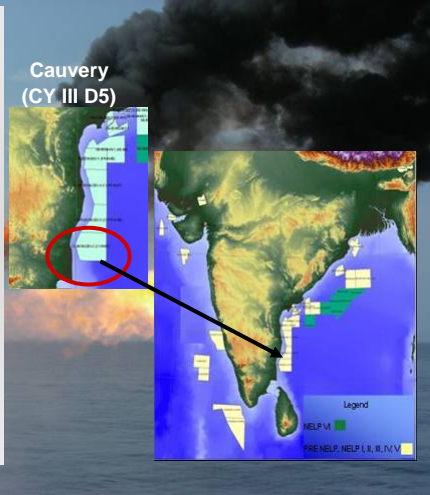


Helping India achieve self reliance in energy

## New Discovery – Cauvery Basin



- Discovered oil and gas in the very first well in the Cauvery Basin
- This Opens up a significant new vista for this entire basin
  - Total deep water acreage about 100,000 sq. kms,
  - RIL - 4 blocks spread over 41,000 sq. kms.



A significant milestone in the Cauvery frontier basin  
[www.ril.com](http://www.ril.com)

25



## Significant Discoveries



- R1 in KG D6 Block; Dhirubhai 34
  - Located at a depth of 2010 meters – deepest location to be drilled thus far – drilled to a total depth of 4860 meters
  - Encountered 2 gas bearing zones confirming presence of hydrocarbons
  - 23 exploratory wells in KG D6 thus far – Dhirubhai 34 is the 18<sup>th</sup> discovery
- B1 in GS 01 Block – Dhirubhai 33
  - Major breakthrough in west coast of India (Gujarat-Saurashtra)
  - Shallow water block – owned 90% by RIL and 10% by Hardy Oil
- More recently, Cauvery CY III D5 discovery of oil and gas

Ongoing initiatives helping build an E&P project inventory

## Exploration Success on East & West Coast



### Gujarat Saurashtra

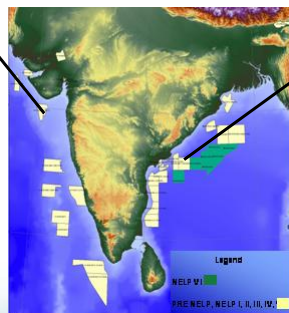


First major discovery by RIL in west coast carbonate reservoir in GS 01 block

### Krishna Godavari



Discovery in deepest well drilled to date in block KGD6 – opens up new areas in deeper strati-graphic levels and demonstrates further upside potential in the block



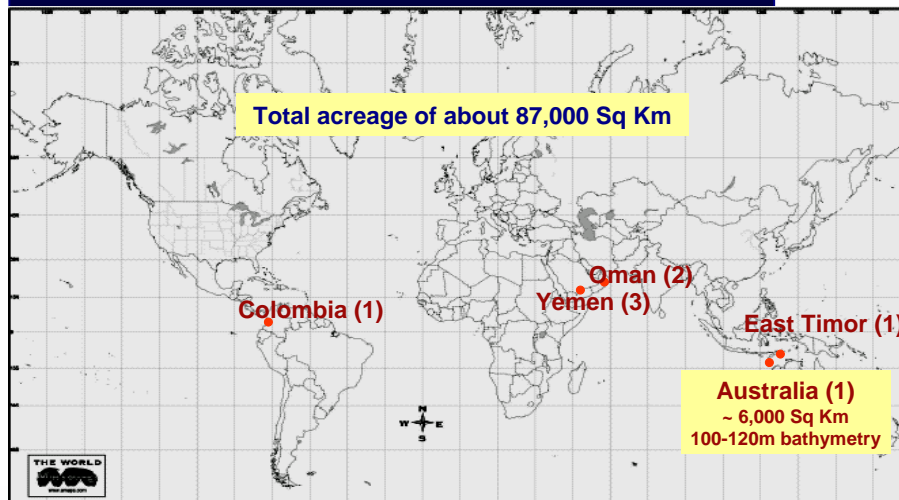
## Deepwater Success for RIL



Particulars	Drilled	Success	Success Ratio
Deepwater	24	19	79%
Shallow Water	17	12	71%
Relinquished	9	0	0%
<b>Total</b>	<b>50</b>	<b>31</b>	<b>62%</b>

- Overall success ratio of 62% - beyond global benchmarks
- Significant expertise acquired in deepwater exploration through success in KG basin and more recently in Cauvery basin

## International Portfolio Snapshot



Opportunistic expansion driven by organic growth

## Exploration & Production



Exploration Update

Development Progress

PMT Update

## KG-D6 Gas Project on Track



### Drilling & Completions

#### 72 % wells drilled

- 13 wells drilled; Remaining to be completed by Nov., 2007
- Well completions to commence in Nov., 2007
- Well completion equipment and services ordered

Activities Completed

Activities Commenced / Ongoing

### Offshore Facilities

#### 50% Completed

- Linepipes & bends - Manufacturing completed.
- Fabrication / Mfg. ongoing :
  - XMT,
  - Control Systems
  - Umbilicals
  - Subsea structures
- CRP Jacket and Deck fabrication ongoing. Jacket loadout – mid Aug, 07.
- Offshore Pipeline and installation engineering in progress.
- LFP to OT Trenching in progress

### Onshore Facilities

#### 35% Completed

- 70% of OT 3D model completed
- Major OT Long lead equipment/ packages ordered
- 70% Bulk Material received
- 95% Pile Driving completed
- 95% Pipe racks erected
- Site infrastructure being developed :
  - Construction Jetty,
  - 50% Haul Road completed

## KG-D6 - MA Oil Field Development



- Commerciality approved on 1st Feb 2007
- Development Concept to comprise of :
  - FPSO
  - Sub Sea Architecture
  - Gas evacuation to be tied in with D1/D3 Onshore terminal
- Development plan to be submitted in 2Q FY08 for approval
  - Concept Study and EPS Validation completed
  - FEED underway
- Initial targeted production of 30-35,000 BOPD in 2008-09
- Contracting synergies with D1 & D3 development project to be leveraged for equipment and services

## NEC-25 & CBM Development Projects



### NEC-25

- Initial development plan submitted to DGH for approval
  - First gas production starting 2012
  - Plateau production of 6.5 MMSCMD

### CBM

- Development plan for Sohagpur (East & West) blocks submitted to DGH for approval
  - First gas production by 2010
  - Peak production of 5 MMSCMD

Development projects aimed at scaling up production of Oil & Gas

## Managing the Supply Chain



Name	Supplier	Deep /Shallow	Contract Period
Frontier	Transcocean	Deepwater	June-06 to June-11
Actinia	Transcocean	Shallow	Sept-06 to Sept-09
C Kirk Rhein	Transcocean	Deepwater	Feb-07 to Aug-07
D534	Transcocean	Deepwater	Oct-07to Oct-11
Neptune	Neptune Marine Dr	Deepwater	Dec-07 to Dec-10
Expedition	Transcocean	Deepwater	Sept-08 to Sept-10
Blackford dolphin	Dolphin Drilling	Deepwater	Mar-08 to Mar-11

- About 100 wells planned to be drilled over the next 3-4 years
  - Contracted 7 rigs (6 Deepwater + 1 Shallow water)
  - Currently 3 rigs (2 deepwater & 1 mid-water) in operation
  - Procurement of 3 additional deepwater and 1 Jack up rig being considered
- 12 Supply vessels contracted for supporting drilling operations
  - 2 more to be contracted next quarter
- Well equipment and services contracted

Proactive management of supply chain supporting growth in business operations

## Exploration & Production



Exploration Update

Development Progress

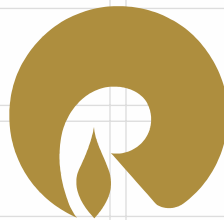
PMT Update

## Panna-Mukta and Tapti Update



- Panna-Mukta block production
  - Crude production 462,136 MT
  - Gas production 482 MMSCM
- Tapti block production
  - Gas production of 576 MMSCM
  - Condensate production 33,255 MT
- Panna-Mukta EPOD completed successfully during the quarter with drilling of all development wells - Additional production at 8,000 BOPD currently
- NRPOD (Tapti block) progressing well – on track for additional 200 MMSCFD (5.7 MMSCMD) gas from September 2007
- Declaration of Commerciality of South West Panna Discovery submitted to DGH. Preparation of Development Plan for the discovery under progress

Strong performance on account of higher production and gas prices



Refining & Marketing (R&M)

## Refining & Marketing



### Global Refining Environment

New Projects – Rising Costs & Delays

RIL – Operating Highlights

RPL – Project Progress

## Highest Refining Margins in Last 10 Years



(US\$ / bbl)	1Q FY08	4Q FY07	1Q FY07
<b>Reliance Industries Limited</b>	<b>15.4</b>	13.0	12.4
<b>Regional Benchmarks</b>			
Singapore (Dubai crack)	9.5	6.8	8.9
US Gulf Coast (Brent crack)	13.1	7.5	11.7
US Gulf Coast (WTI crack)	18.8	8.4	12.1
Rotterdam (Brent crack)	6.6	4.1	6.2
Mediterranean (Urals crack)	7.2	5.7	7.0

RIL's refining margins continue to be above most global benchmarks

## Strong Regional Refining Margins



US\$/ bbl	2004	2005	2006	Jan-Mar 2007	Apr-Jun 2007
Light-Heavy Differential	3.2	5.1	5.4	5.5	5.1
Sing Margins – Dubai Cracking	6.4	6.8	5.8	6.8	9.5
Sing Margins – Dubai Topping	2.0	1.7	(0.1)	1.2	2.1
Demand growth in MMBD	3.1	1.2	0.8	0.6	1.4

- Complex refiners continue to benefit from strong margin environment
- Singapore complex margins up 40% sequentially and 7% y-o-y
- Singapore complex margins almost at double of 5 year and 10 year average

Refining margins at historic high driven by robust demand

## Factors Driving Strong Refining Margin



- High refining margins environment due to:
  - Strong transportation fuel demand; in particular for gasoline
  - Tight gasoline inventory position in US
  - Unplanned outages / shutdowns as refiners struggle to maximize utilization rates
- Sharp improvement in Naphtha cracks due to gasoline pull factor and increased demand from petrochemicals sector
- Narrowing fuel oil spreads along with improved naphtha cracks lead to higher margins for simple refiners

Strong fundamentals auger well for complex refiners

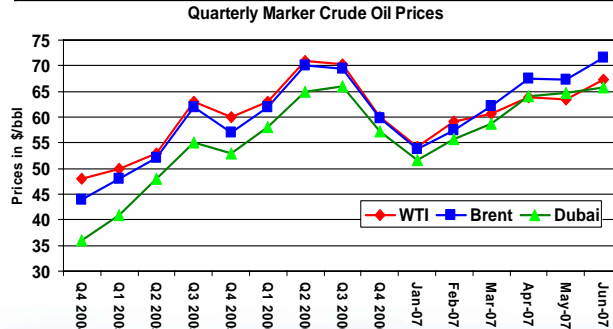
## Crude Prices Scenario



US\$/ bbl	1999-2003	2004	2005	2006	Q1 2007	Q2 2007
WTI	26.6	41.5	56.6	66.0	58.0	64.9
Dtd Brent	21.6	38.3	54.5	65.1	57.8	68.7
Dubai	23.4	33.7	49.5	61.5	55.4	64.8

Rise in oil prices driven by:

- Tight US gasoline market; Low Gasoline inventory in US
- Unplanned refinery outages
- Shut down in Nigeria (660KBD)



Oil price increased significantly during Q2 – up by 18% Q-o-Q

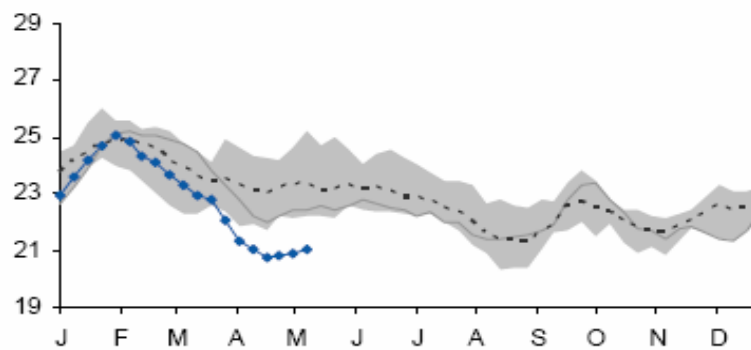
[www.ril.com](http://www.ril.com)

43

## US Gasoline Demand Cover Days



—●— 2007    — 2006    - - - - - 5-Year Avg



Source: Bloomberg / JP Morgan

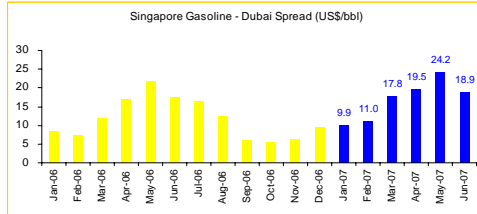
U.S. gasoline inventories stand at 204.4 MMB which is 10.1 MMB below last year

Reduction in US gasoline days cover - key driver for higher margin

[www.ril.com](http://www.ril.com)

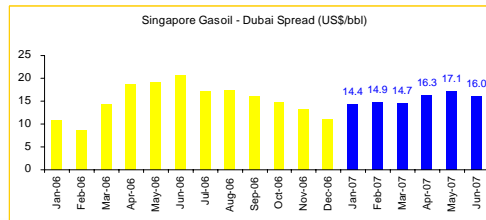
44

## Singapore Product Cracks

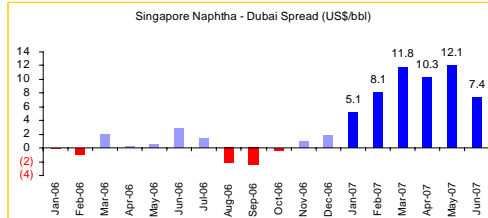


Gasoline spreads improved significantly during the Apr-June quarter on the back of strong demand

Gasoil cracks remained above the 2006 average – positive for large complex refineries like RIL

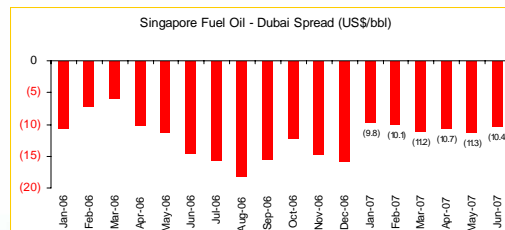


## Singapore Product Cracks

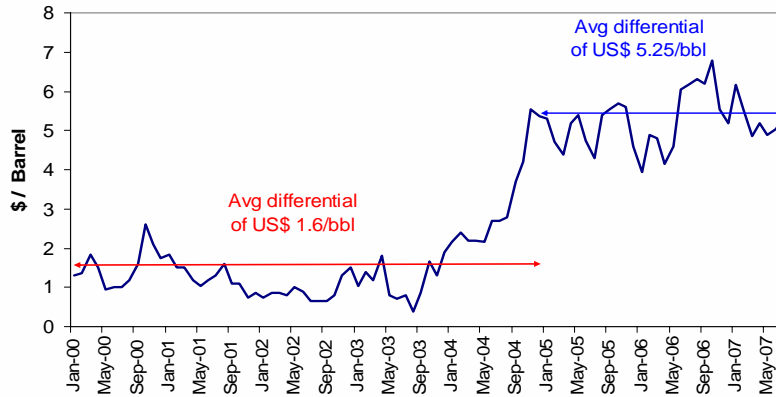


Naphtha cracks remained at high levels in 2007 – leading to improved margins for Simple refiners

Fuel oil spreads narrowed during Apr-June quarter



## Light - Heavy Differential



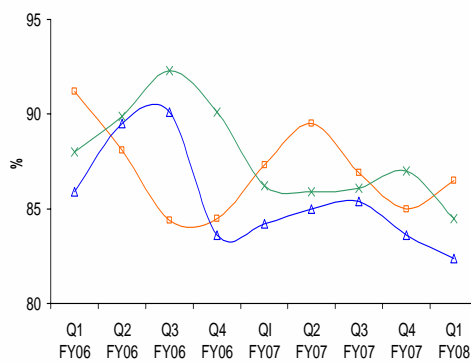
Source: Actual AL - AH

- Average AL-AH differential has remained above US\$ 5 /bbl since early 2005
- Complex refineries processing heavier grades enjoy the advantage

[www.ril.com](http://www.ril.com)

47

## Global Utilization Rates



— North America — Europe — Asia Pacific

Source: ESAI

- IEA expects Oil Demand to increase by 5.6 MMBD till 2009
- Refinery utilization in Europe and Asia remained low during Q1 FY08 on account of increased maintenance activity and unplanned outages

Utilization rates expected to remain high in the medium term

[www.ril.com](http://www.ril.com)

48

## Refining & Marketing



Global Refining Margin Environment

New Projects – Rising Costs & Delays

RIL – Operating Highlights

RPL – Project Progress

## Oil Demand and Refining Capacity



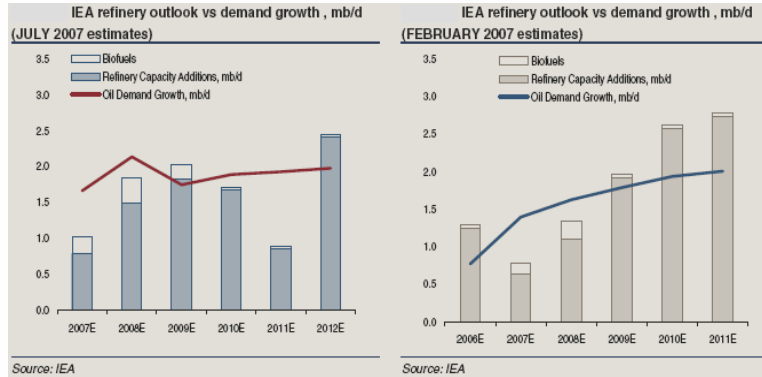
Global growth of Oil demand and refining capacity in past 20 years

	CAGR Refining Capacity		CAGR Demand	
	20 yr	10 yr	20 yr	10 yr
USA	0.5%	1.1%	1.5%	1.6%
Europe	-0.2%	0.4%	0.8%	0.7%
Asia Pacific	3.0%	2.8%	4.2%	2.9%
Global	0.8%	1.1%	1.7%	1.7%
Global ex-FSU			2.2%	1.9%

Source: BP Statistical Review of World Energy

Global oil demand growth has outpaced refinery capacity growth –  
Under investment in new refineries since 1990

## Low Visibility for New Refinery Projects



IEA have revised their estimates down for capacity additions in 2010-11

## Delays in Project Implementation

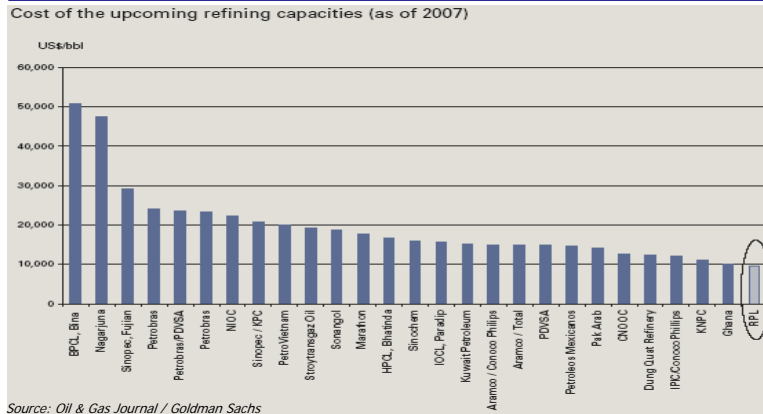


Company	Location	Capacity	Original Completion Date	Status
Petronas	Port Sudan	150,000	2009	Delayed by one year
S-Oil	S.Korea	480,000	2010	Delayed indefinitely
KNPC	Kuwait	615,000	2010	Project may be scrapped
HPCL	Bhatinda	180,000	2010	Delayed by one year
EGPC	Kafr el-Sheikh	300,000	2010	Plan to complete in 2011
NIOC	Bandar Abbas	360,000	2010	Difficult to meet the schedule due to financial pressure
NIOC	Khuzestan	180,000	2010	Difficult to meet the schedule due to financial pressure
NIOC	Bandar Abbas	300,000	2010	Difficult to meet the schedule due to financial pressure
Conoco	UAE Fujjarah	500,000	2011	Project Delayed
TOTAL	Lindsey, UK	223,000	2007	Desulfurisation - building unit to start in 2008

Source: FACTIVA / Goldman Sachs

- Chronic tightness in the contractor market and cost escalation have led to surge in replacement cost to build new refineries
- Deterioration of project economics causing delays and/or cancellation

## Rising Project Costs



The cost of new plant and equipment in the global refining business has risen significantly in the recent past, leading to delays, postponement and cancellation of projects

## Refining & Marketing



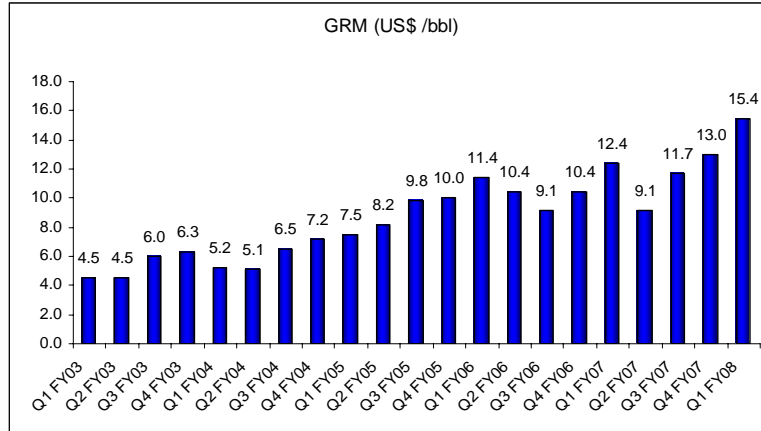
Global Refining Margin Environment

New Projects – Rising Costs & Delays

**RIL – Operating Highlights**

RPL – Project Progress

## Record Refining Margin



Cracking margins Source: Reuters / Company Data

Highest ever GRM of US\$ 15.4 /bbl in any quarter since inception

## Refinery Operating Highlights



- Capacity utilization at 97% with 8.01 Million Tonnes of crude processed in Q1 FY08
- Exports continue to grow – 5.01 Million Tonnes in Q1 FY08 compared to 3.55 Million Tonnes in Q1 FY07
- In the high growth aviation sector, RIL has now presence at 8 airports - work at another 9 airports is under progress

Strong performance boosted by rising refining margins across regions

## Refinery Product Sales



(in KT)	Q1	Q4	Q1	% Change wrt	
	FY08	FY07	FY07	Q4 FY07	Q1FY07
<b>PSU</b>	680	686	711	-0.9%	-4.4%
<b>Captive</b>	1,620	1,752	1,698	-7.5%	-4.6%
<b>Retail</b>	682	734	924	-7.1%	-26.2%
<b>Others</b>	922	1,005	1,097	-8.3%	-16.0%
<b>Exports</b>	5,005	4,152	3,545	20.5%	41.2%
<b>Total</b>	<b>8,909</b>	<b>8,329</b>	<b>7,975</b>	<b>7.0%</b>	<b>11.7%</b>

Exports increased at a healthy rate during the quarter

## Short-term Outlook



- Robust demand growth expectation of 2.4 MMBD during second half  
(Source: IEA July'07)
- Crude supply outlook remains stable with no planned shutdown
- CDU capacity additions expected to be less than 0.8 MMBD – significantly lower than expected demand growth of 1.65 MMBD
- Refinery utilisation expected to rise further
- Potential upside to product prices since unplanned refinery outages could result in supply concerns
- Geo-political conditions supportive of price and margins

Robust product margins in a high price environment

## Refining & Marketing



Global Refining Margin Environment

New Projects – Rising Costs & Delays

RIL – Operating Highlights

RPL – Project Progress

## RPL - Project Progress



- Cumulative project progress of over 65% to date
- Engineering efforts peaked and now on closeout mode for most units.
- Procurement and contracting activities nearly completed
- Equipment deliveries and their installations have commenced
- Civil construction is nearly complete
- Near peak implementation force at site already; Fully geared to sustain rapid pace of construction

Impressive project progress; On track for completion by Dec' 08

## RPL - Engineering Progress Update



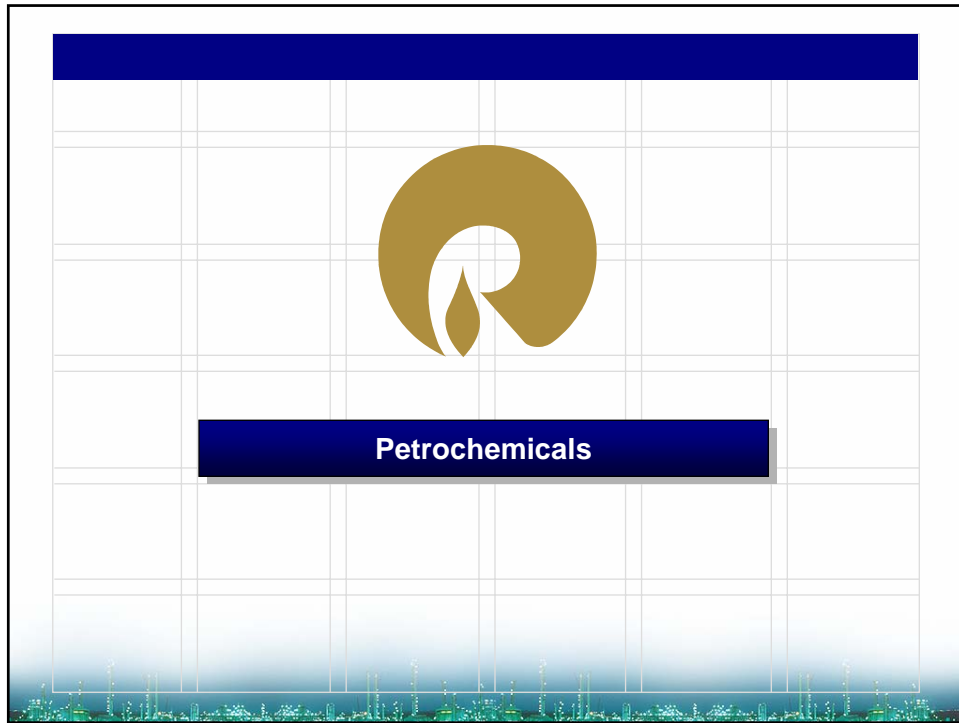
- Over 90% of engineering work completed
- Entire scope of drawings for concrete and underground piping released
- 90% of structural steel drawings & 85% of big bore pipe fabrications done
- Thrust is on expediting release of balance piping and electrical and instrumentation deliverables to the site
- 3D site modeling effort providing desired benefits of superior engineering quality, reduced construction interferences and rework at site
- Over 7500 engineers working on the project across locations globally


Engineering focus now on closeout for most of the units

## RPL - Project Implementation Summary



Milestone	Expected Completion Date	Months from Zero Date	Current Status
Start of the Project/Zero Date		01-Dec-05	Started
Technology Selection/Project Scope	Jan-06	1	Completed
Completion of Basic Engineering	May-06	6	Completed
Order placement for critical equipment	May-06	6	Completed
Completion of Detailed Engineering	Sep-07	22	Ongoing
Completion of Civil work	Nov-07	24	Progressing
Completion of Equipment Erection	Jan-08	26	Progressing
Mechanical Completion	Aug-08	33	
Ready for Start Up (RFSU) All areas	Sep-08	34	
Commencement of operations	Dec-08	36	



Petrochemicals 

Polymers - Operating Environment

Polyester – Operating Environment

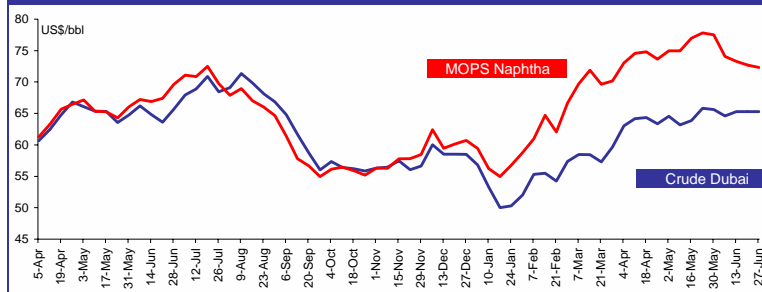
[www.ril.com](http://www.ril.com) 64

This slide contains the same logo as the first slide, positioned in the top right corner. A dark blue horizontal bar at the top left contains the word "Petrochemicals". Below it, two text boxes are centered: a red box with the text "Polymers - Operating Environment" and a light gray box with the text "Polyester – Operating Environment". The bottom of the slide features the same decorative city skyline border, with the website address "www.ril.com" on the left and the number "64" on the right.

## Operating Environment : Q1 FY07-08



Crude / Naphtha Price Movement - Weekly Averages 52 Weeks



Source : Platts

### Crude

- Remain bullish → geopolitical tensions in ME and Nigeria
- Prices up by ~ \$10/bbl between Q1'2007 & Q2'2007 → the biggest quarterly increase in last 67 quarters

### Naphtha

- +ve crack margins continued through out 1Q'07-08 → cost push
- In Jun, prices were range bound → increased supply & limited new demand

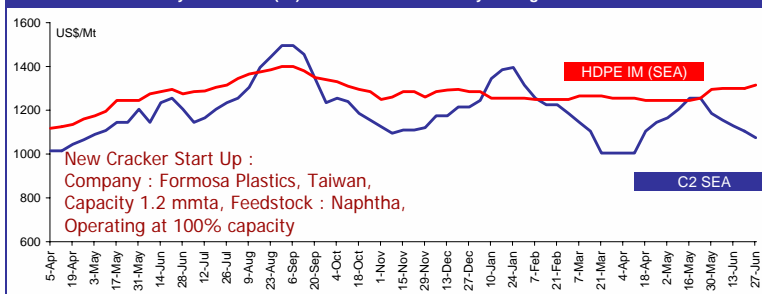
[www.ril.com](http://www.ril.com)

65

## Operating Environment : Q1 FY07-08



Ethylene / HDPE (IM) Price Movement - Weekly Averages 52 Weeks



Source : Platts

### Olefins

- Steady to firm in 1<sup>st</sup> half → supply constraints → planned turnarounds
- 5% of global capacity off-line
- Soft in 2<sup>nd</sup> half → additional supply from Taiwan / Korea

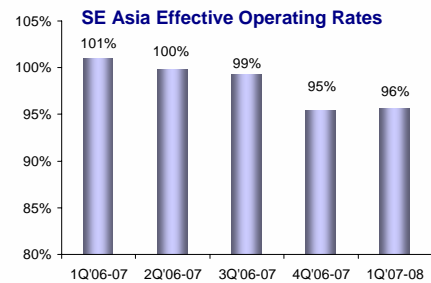
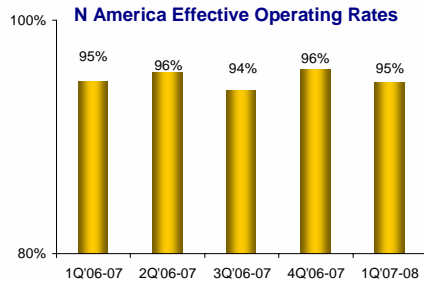
### Polymers

- Stable to firm → independent of feedstock price movements
- Overall strong demand / supply tightness across regions

[www.ril.com](http://www.ril.com)

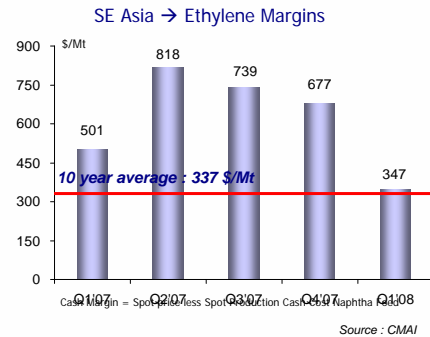
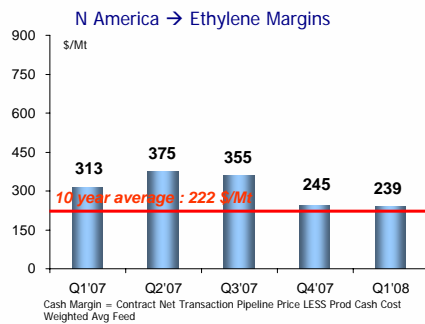
66

## Operating Rates : Q1 FY07-08



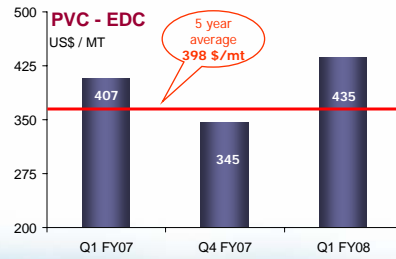
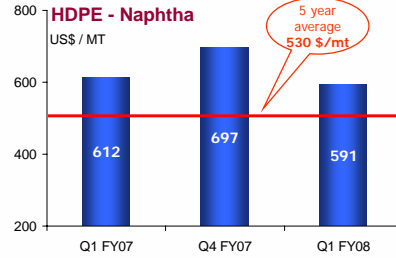
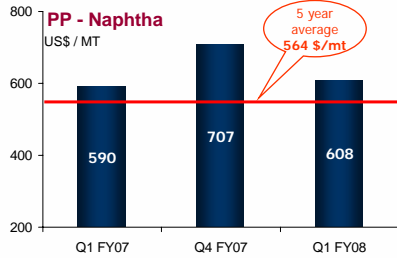
- Operating Rate in excess of 92% - highly profitable Business environment for the Polymer industry.
- Better petrochemical margins supported by lack of significant capacity addition during 2004 - 2006 and healthy GDP growth

## Ethylene Cash Margins Trend



- Ethylene cash margins declined marginally in North America due to flat gas prices
- Surge in Naphtha prices in SEA led to sharp fall in ethylene cash margins

## Price Spread Q1 FY07-08

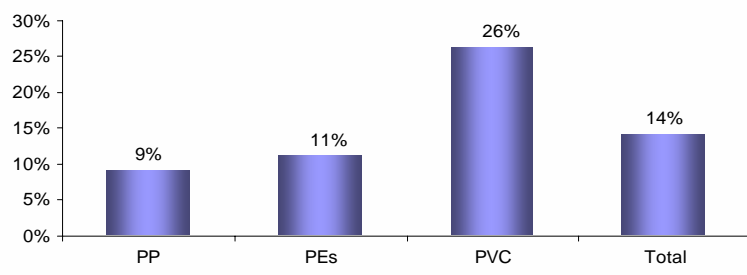


Healthy price spreads continued in Q1

Source : Platts  
www.ril.com

69

## Domestic PO + PVC Industry Q1 FY07-08



### PP

- Growth limited due to domestic availability (JG EOU and HPL shutdown)
- Overall sectors displaying double digit growth

### PVC

- Growth driven by imports
- Good growth in infrastructure sector (Pipes and profiles)

### PE

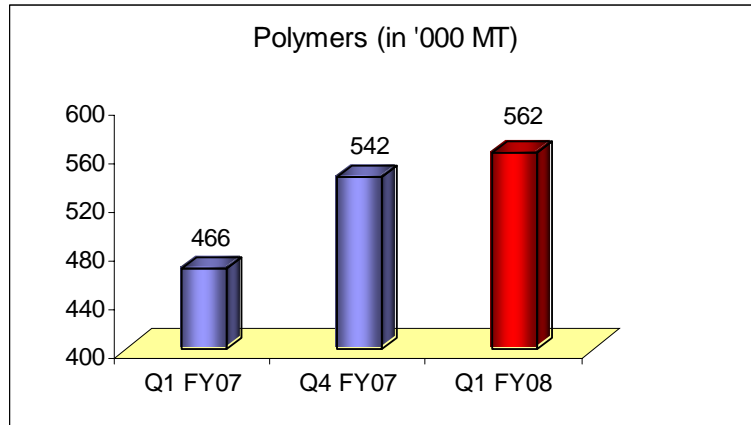
- Growth led by LLDPE (21%)
- Fledging organized retail → Growth in Flexible & Bulk packaging
- Specialized applications in power cables (niche market)

Good demand growth across sectors

www.ril.com

70

## RIL – Polymer Production



Polymers production up 20% - negating impact of Q1 FY07 cracker shutdown

## Petrochemicals



Polymers - Operating Environment

Polyester – Operating Environment

## Polyester Business: Background



### FY 06-07

- Surplus capacity
- Rapid Chinese expansion
- Low operating rates
- Low cotton prices
- High raw material prices
- Margin under pressure

### Current

- Robust demand growth
- Slowdown in Chinese expansion
- Improved operating rates
- Rising cotton prices
- RM prices to stay put
- Improving margin

Polyester witnessing start of the upcycle

## Rejuvenation Strategy



### Strategic focus

- Integrated approach for improving domestic market share
- Value creation through downstream participation
  - Spun yarn exports, Home Textiles – Pillows & Comforters
- Global strategic alliances to capture high premium markets
  - Non woven segment in the US market
- Enhancing innovation culture
  - Leveraging R&D capabilities

## Rejuvenation Strategy



### Tactical focus

- Realigning product mix by efficient utilisation of asset base
  - Value added products on small capacities; Commodity on large scale plants
  - Focus on new product & market development
- Significant cost reduction without impairing quality
  - New capacities 10% better than Chinese cost for similar product mix

## Global Outlook

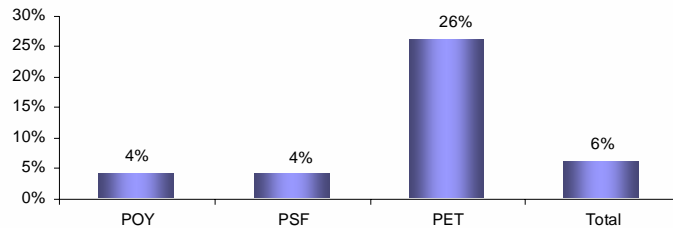


- Current international cotton prices at US\$ 1574/ MT - up by US\$ 297/ MT as compared to Q1 FY07
  - Rising cotton prices to help improve polyester margins
- Rejuvenation in downstream investments in textile industry
  - India & China continue to dominate investments in textiles
- Slow down in polyester capacity additions in China
  - Polyester operating rates to improve
- Raw material operating rates to slow down

## Domestic Business Environment

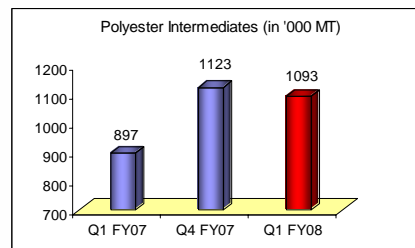
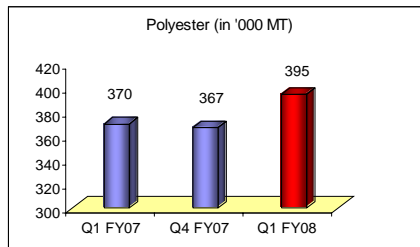


### Demand Growth in Q1FY07-08



- PET resin emerges as one of the fastest growing polymer
- Growth in domestic demand of around 6%
- Robust downstream investments to improve consumption
  - 2.8 mn spindles and 2900 shuttle-less looms shipped in 2006
  - TUFs to continue with increased allocation

## RIL – Polyester and Intermediates Production



- Polyester production increased by 7%
- Polyester Intermediates production up by 22%

## Cotton: Rising Prices Globally

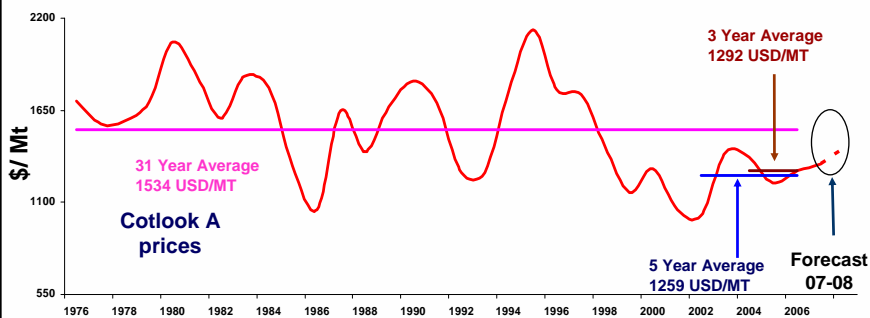


- International cotton prices is up by \$297/ MT to \$1574/ MT from Q1 '07
  - Space for margin and volume enhancement
- 2007-08 US cotton planting - lowest since 1989; fall in acreage by 28%
  - Major acreage shift to corn
- World ending stocks to decrease by 13%
- China releasing cotton from reserve stock



High cotton prices augurs well for polyester margins

## Cotton Price Trend



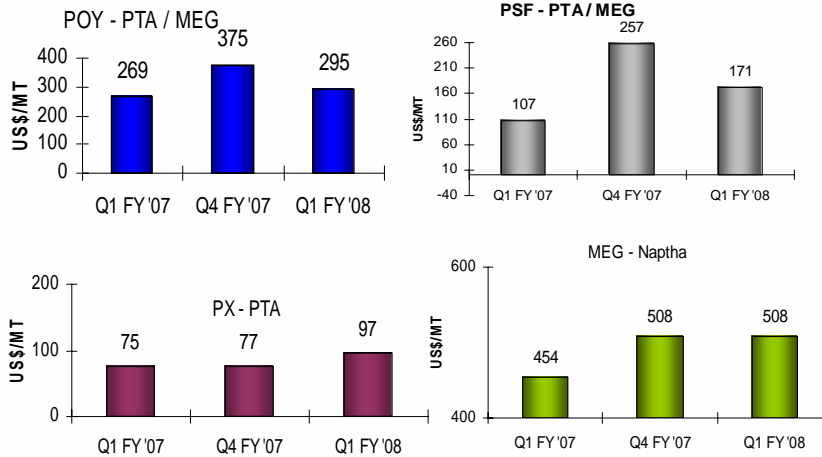
Source: ICAC price forecast

Jul '07 price – USD 1537/ MT

2007 -08 forecast – USD 1433/ MT

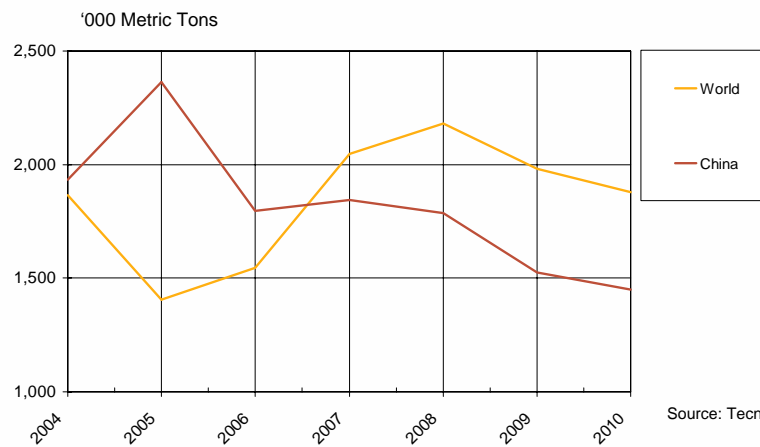
Prices surging to move beyond long term average  
Polyester price cap is relaxed

## Margin Environment



Rising downstream investments and cotton prices to improve polyester margins

## Polyester: Incremental Capacity



Source: Tecnon

Fall in incremental capacities in China to improve margins

## Polyester: Looking Ahead



- Polyester operating rates to improve
- Rising cotton prices to increase polyester demand
- PET resin demand to be driven by growth in water and edible oil segments
- Robust downstream investments to continue in India and China
- Softening RM operating rates
- Initiation of consolidation of polyester industry
- Reliance polyester business moving towards non apparel application

Reliance set to capitalise on favourable polyester environment

## Petrochemicals



Polyester  
Innovation & Technology Initiatives

## Journey towards innovation culture



- Conducting an audit of existing innovation culture
- Have acquired world class innovation process expertise
- Developing in-house cross functional teams of innovators
- Launch multiple new disruptive solutions for continuous growth
- Management knowledge building & decision making for continuous success

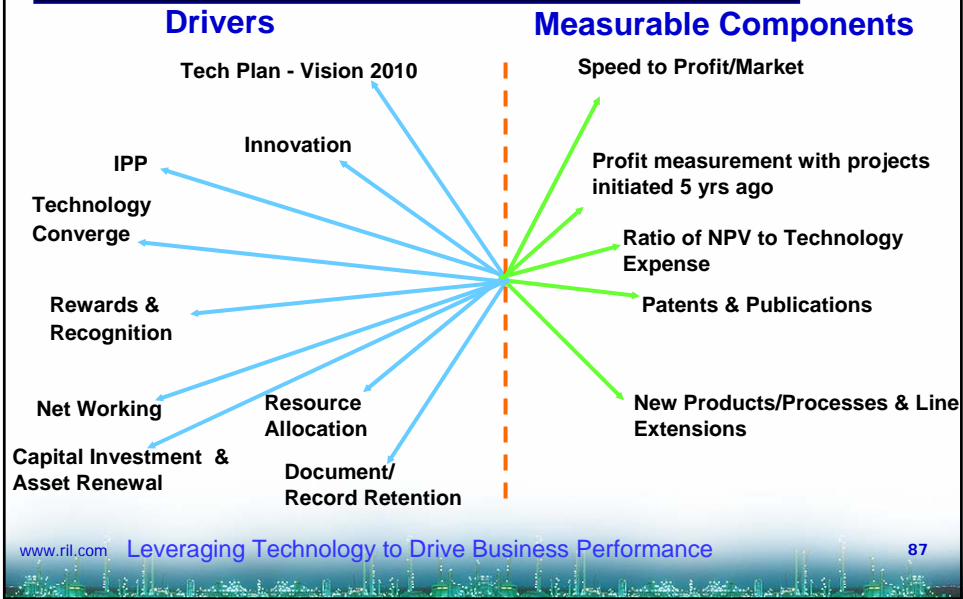


## Technology Agenda ...

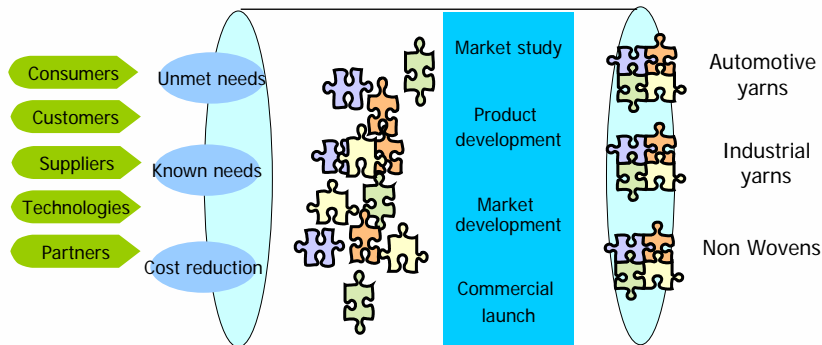


- Revolutionize asset productivity
- Strengthen our PET polymer platform
- Develop fiber engineering platform for product development
- Create or acquire new/modified PET polymer platform
- Vigorously develop new products, applications and processes
- Selectively create new businesses

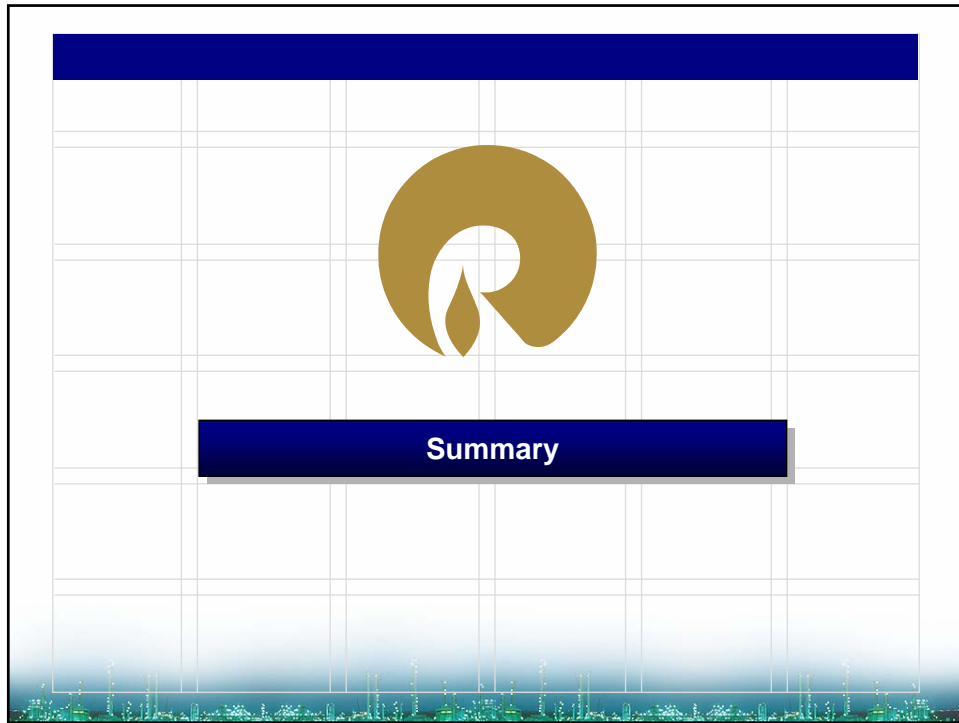
# Technology Vision Framework



# Reliance: Moving away from Apparels



New business model to focus on specialty applications



## Summary



- Investments in E&P to create significant value – new discoveries adding to the project pipeline. KG D6 on target for production in 2008
- High crude prices likely to remain – positive outlook on light-heavy differential and product demand
- Petrochemical cycle likely to be extended – higher prices and 'above trend' margin continue in Polymers and Polyesters. Robust domestic demand
- Robust cash flows to continue funding strategic initiatives in existing and new businesses to create superior shareholder value

## Reliance – Fortune Global 500 Ranking



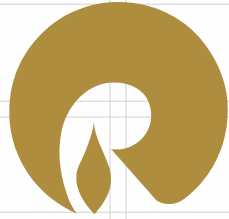
Criteria	Global Ranking	
	2006	2007
Net Sales	342	269
Net Worth	226	190
Total Assets	351	299
Net Profit	194	179

Reliance amongst the top 25 climbers globally in Fortune Global 500 Ranking

## Reliance - Stock Performance



RIL is the top positive contributor in the Sensex during 2007



Thank You

