



**Reliance**

Industries Limited

Growth is Life

## **1Q FY 2008-09 Results**

July 24, 2008

# 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.*

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# Financial Results – 1Q FY09



4Q FY08	(in Rs. Crore)	1Q FY09	1Q FY08	% Change
38,697	Turnover	<b>43,050</b>	31,290	37.6%
6,308	PBDIT	<b>6,347</b>	5,870	8.1%
3,912	Net Profit	<b>4,110</b>	3,630	13.2%
26.9	EPS (Rs.)	<b>28.3</b>	25.0	

Stable operating performance in volatile conditions

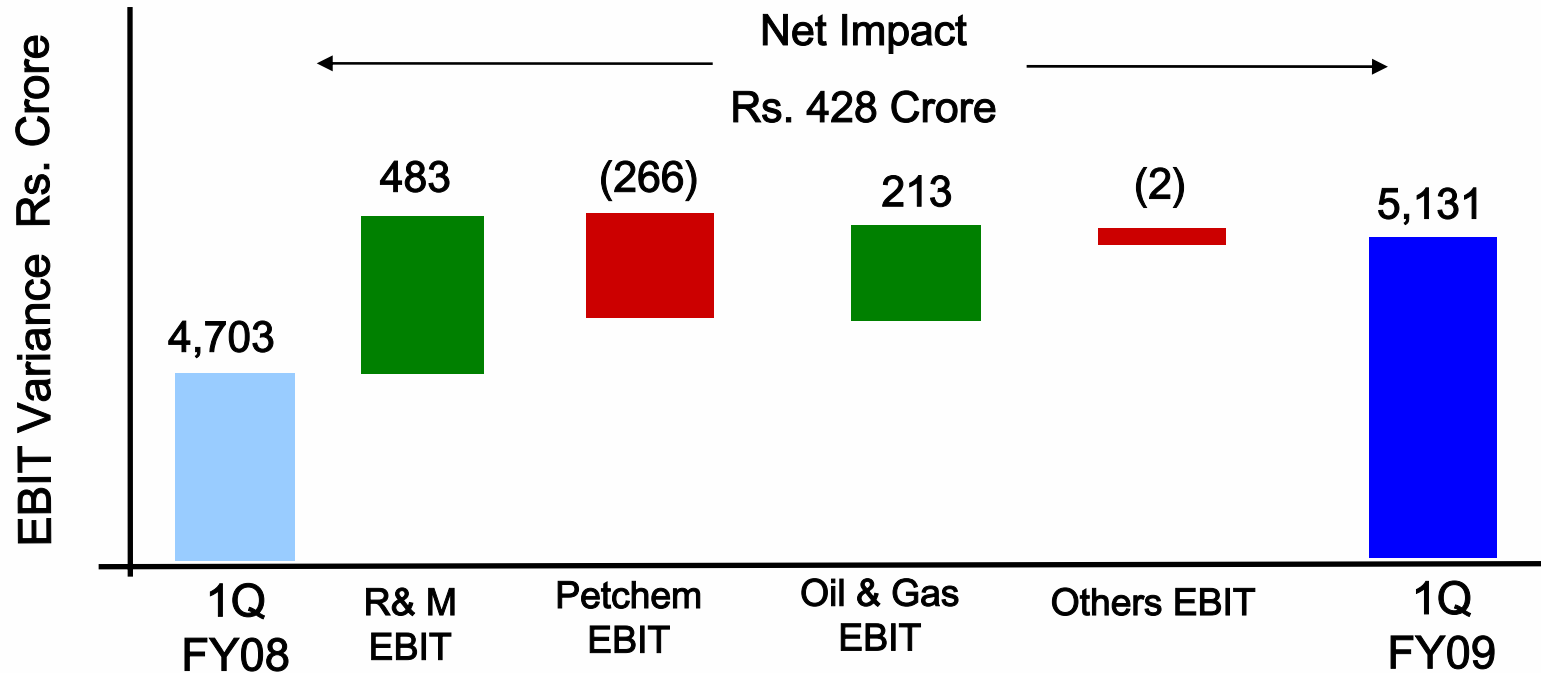
# Segment Results - 1Q FY09



4Q FY08	(in Rs. Crore)	1Q FY09	1Q FY08	% change
	<b>Refining</b>			
28,686	Revenues	32,587	22,328	45.9%
2,839	EBIT	3,040	2,557	18.9%
9.9%	EBIT (%)	9.3%	11.5%	
	<b>Petrochemicals</b>			
14,119	Revenues	14,871	13,213	12.5%
1,466	EBIT	1,579	1,845	-14.4%
10.4%	EBIT (%)	10.6%	14.0%	
	<b>Oil and Gas</b>			
828	Revenues	787	518	51.9%
447	EBIT	503	290	73.4%
54.0%	EBIT (%)	63.9%	56.0%	

Refining and Petrochemicals margins impacted by high crude prices

# Segment EBIT Bridge – 1Q FY09 Vs 1Q FY08



- R&M earnings boosted by higher throughput, reduced costs due to thrust on exports and weaker Rupee
- Petchem impacted by higher feedstock cost
- Lower E&P volume offset by higher realization

# Net Profit Bridge – 1Q FY09 Vs 1Q FY08



**Net Profit up by  
Rs 480 crore  
compared to  
previous year**

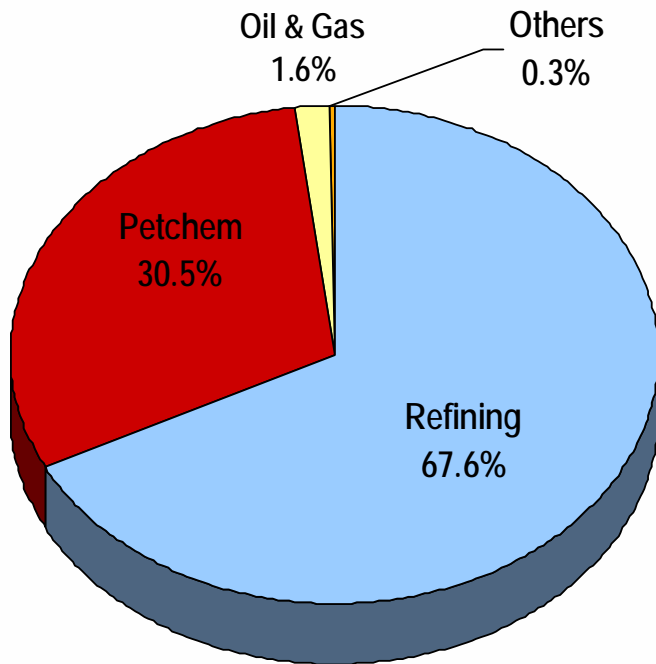
	(Rs crore)
<b>Net Profit 1Q FY08</b>	<b>3,630</b>
Operating Profit	448
Other Income	29
Interest	1
Depreciation	(26)
Tax	27
<b>Net Profit 1Q FY09</b>	<b>4,110</b>

Growth driven by higher contribution from key businesses

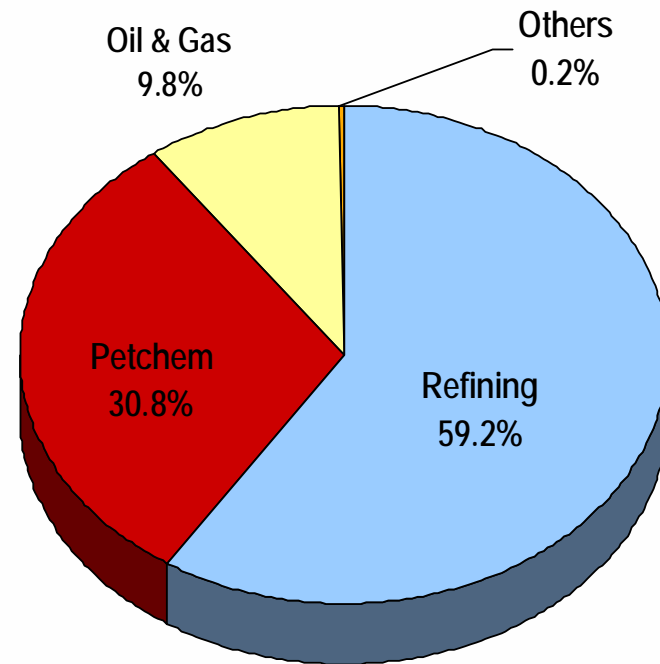
# Business Mix - 1Q FY09



## Revenues



## EBIT



Refining and petrochemicals contributed 98% of revenues and 90% of EBIT

# Financial Ratios



Ratios	1Q FY09	4Q FY08
Net Debt : Equity	0.38	0.35
Net Gearing	25%	24%
Interest Cover	8.2	10.8
ROCE (%) *	25.7	24.6
ROE (%) (Adjusted) *	24.6	24.9

\* Annualised

Strong financials, Conservative balance sheet, Ratings reaffirmed



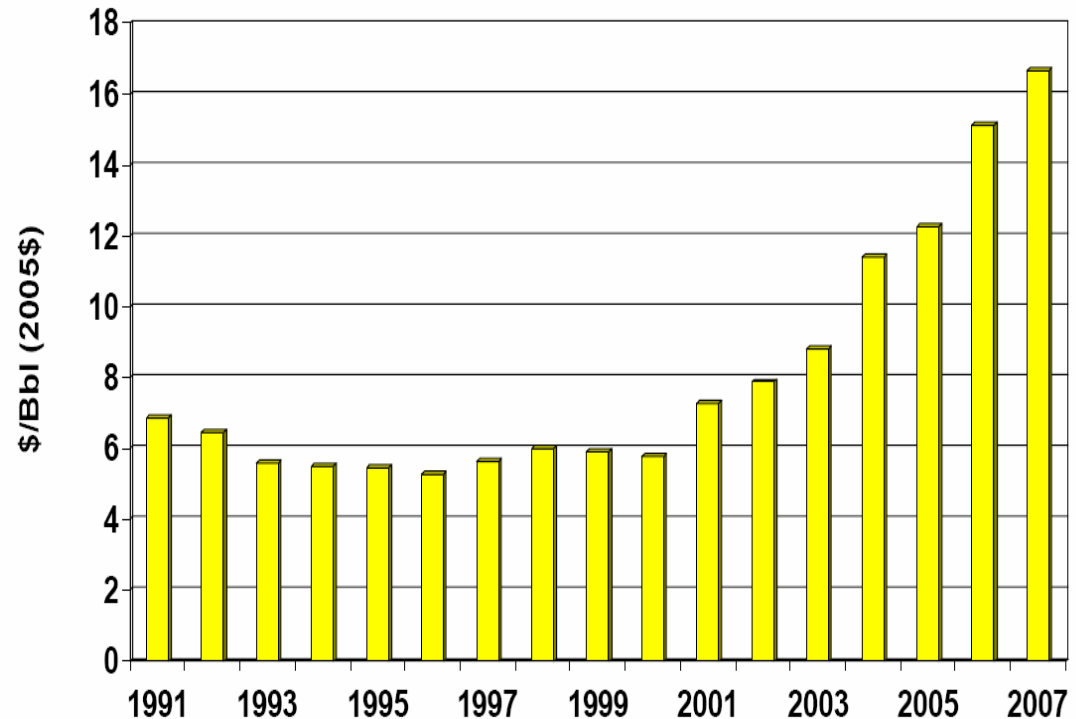
## Exploration & Production – Oil and Gas

# E&P Environment



- Energy demand driven by secular growth
  - OECD slowdown mitigated by demand from Middle East and Emerging Economies
- Energy supply challenge - production from existing fields declining at 5%
- Energy prices to remain firm
  - Era of Easy oil finds are over
  - High F&D costs in Frontier Areas
  - Resource Nationalism
- Despite high prices, demand is sustained
  - IEA expects oil demand to grow by 0.80 MMBD in 2008
- Supply chain continues to be tight with the continued rise in oil prices

PIRA's Finding and Development Costs in \$/bbl

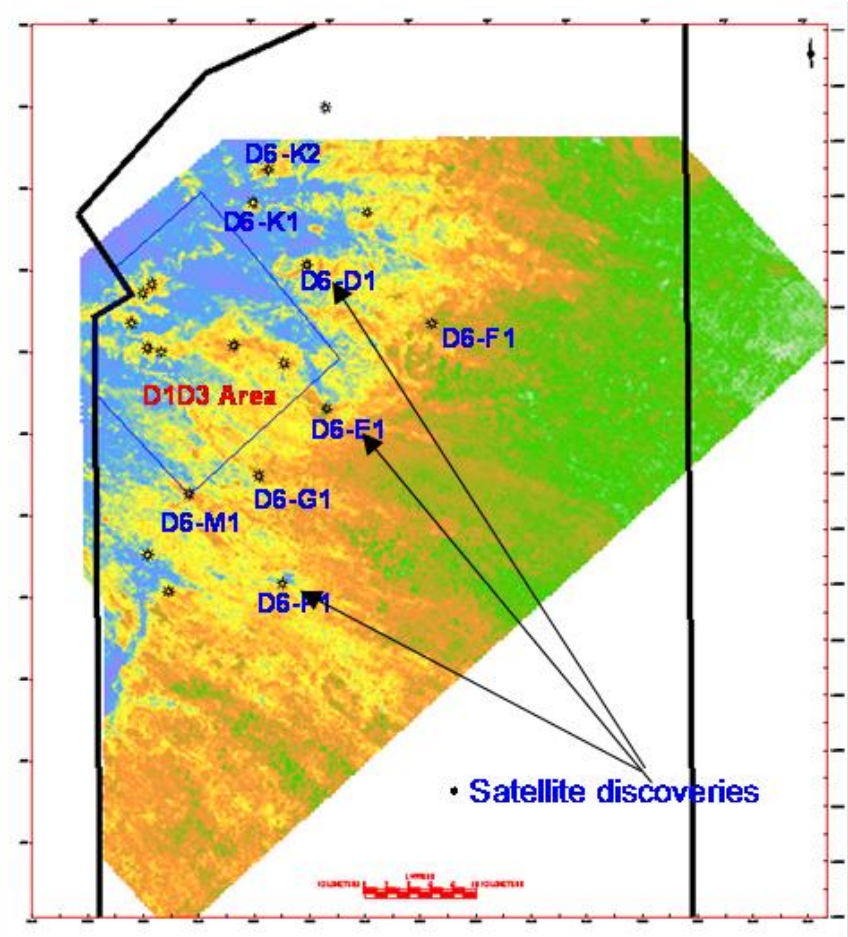


High prices and tight supply chain to continue

# KG - D6 : A Transformational Initiative



- KG-D6 D1 and D3 with capacity of 550,000 boe / day equals 40% of India's current production
- Production of 80 MMSCMD from D1 D3 will constitute amongst the world's largest and most complex deepwater facilities
- Production from KG-D6 will double India's gas availability
- RIL's global gross reserves and contingent resource base at 5 bboe



Creating a platform to be amongst Top-15 E&P companies globally



# Reliance - International Portfolio



■ Farmed in 3 blocks in Peru

■ Farmed out 25% interest in  
East Timor Block K to OIL  
and IOC

Block Name	Country	Location	Acreage - Sq KM	Operator
Block K	East Timor	Deep water	2,384	Reliance
Block 9	Yemen	Onland	2,234	Calvalley
Block 18	Oman	Deep water	21,140	Reliance
Rovi	Kurdistan	Onland	516	Reliance
Sarta	Kurdistan	Onland	607	Reliance
Block 41	Oman	Deep water	23,850	Reliance
Block 34	Yemen	Onland	7,016	Reliance
Block 37	Yemen	Onland	6,894	Reliance
W-06-05	Australia	Shallow Water	5,760	Reliance
Borojo North	Columbia	Deep water	4,000	Reliance
Borojo South	Columbia	Deep water	4,000	Reliance
Block 39	Peru	Onland	8,903	Repsol
Block 108	Peru	Onland	12,000	Plus Petro
Block 141	Peru	Onland	5,169	Reliance
			<b>104,473</b>	

International footprint with focus on Asia-Pacific & Latin American opportunities

# Panna-Mukta and Tapti Update



- Panna-Mukta: Crude production down 30% Q-o-Q to 0.3 Mn Tonnes and Gas production down 27% to 353 MMSCM
- Lower production due to a shutdown in the PPA Process Platform in June 2008
- Increase in oil and gas prices offset loss of production
- Tapti: Gas production up 97% to 1,133 MMSCM compared to 1Q FY08; condensate production up 133% to 77,400 Tonnes
- Development Plan of South West Panna and Panna K fields approved

Increase in prices offset the impact of production loss at Panna Mukta

# D1-D3 : Project on Track for First Gas by 2H 08-09



## Drilling & Well Completions

- All major equipments, hardware and packages has been delivered at site
- Lower wells completion and upper wells completion are under progress with 2 rigs having been deployed for the purpose

## Offshore Subsea, CRP

- Hookup and pre-commissioning activities at control-cum riser platform (CRP) are under progress.
- Sub-sea installations including installation of structures, flow lines, pipelines, umbilical laying are under full swing.
- Pipeline laying from land fall point to on-shore terminal is completed

## Onshore Terminal

- Civil works for on-shore terminal are almost fully completed with around 91% of structural work also completed. Pipe rack erection and installation of all major equipment and packages has also been completed.
- AG piping fabrication, erection and instrumentation works are currently under progress.
- Installation and testing of field fab tanks, transformers have been completed.
- Hot oil heaters, pneumatic and hydro testing have also been completed.
- Construction of buildings in the infrastructure area is in advanced stage of completion.

# MA - Project on Track for First Oil by 2H 08-09



## Drilling & Well Completions

- Drilling of two production wells and one gas injection well completed.
- Lower completion of all the three wells completed, while upper completion for first well is under progress.

## Offshore Subsea

- Sub-sea supply, logistic and installation work has been fully completed.
- All installation barges and support vessels have been demobilized after completion of work.
- Installation of suction anchors, mooring lines, buoy, manifold, hold back piles, tether piles, gas injection umbilical, production risers completed.

## FPSO

- Floating Production Storage and Offloading vessel (FPSO) is expected to sail off for Indian Waters by the year end



## Refining & Marketing

# Global Business Environment



- Demand slowdown due to moderation in global economic growth and the ensuing credit crisis
- 2008 oil demand forecast revised downwards by IEA from 1.7% to 1.1%
- Crude oil prices breach new highs
  - Crosses \$ 140 per barrel in June 2008
  - Growth of over 40% during the quarter
  - Increased speculative activity and heightened volatility
- Product imbalances cause margin divergence and extreme volatility
  - Gasoline demand slowdown resulting in lower utilisation in the US
  - Gasoil demand surge due to exceptional circumstances globally
  - Markets remained fully supplied despite fears of product supply

Challenging environment for refining business globally

# Crude at a New High

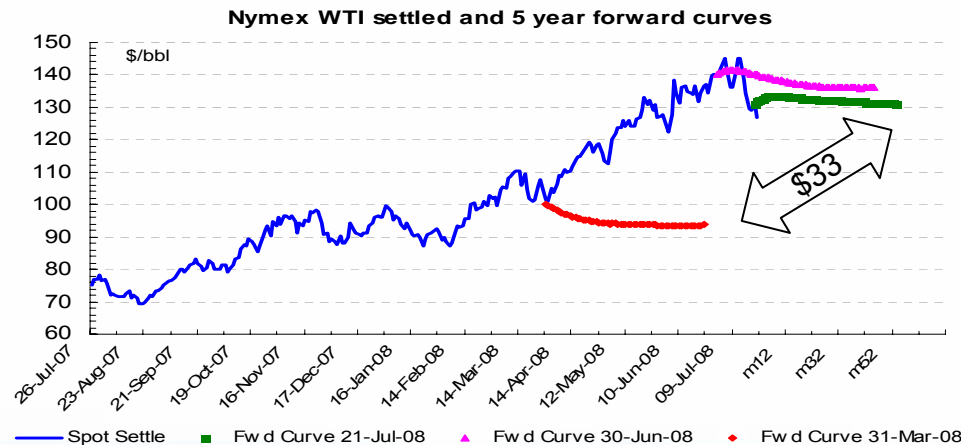
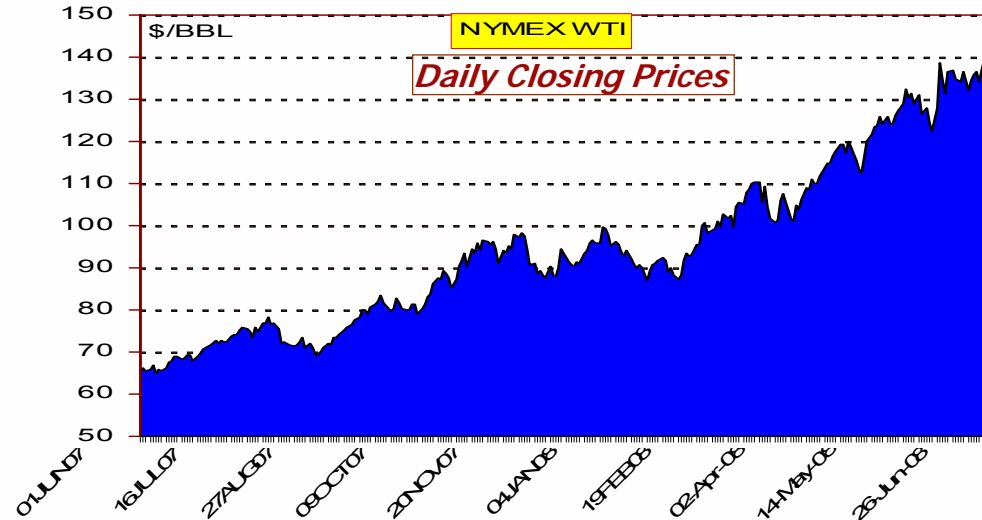


## SUPPLY CONCERNS

- Geopolitical concerns
- No significant increase in OPEC supplies
- Non-OPEC supply outlook disappointing
- Strike by Chevron workers, Force Majeure on Bonga take away supplies

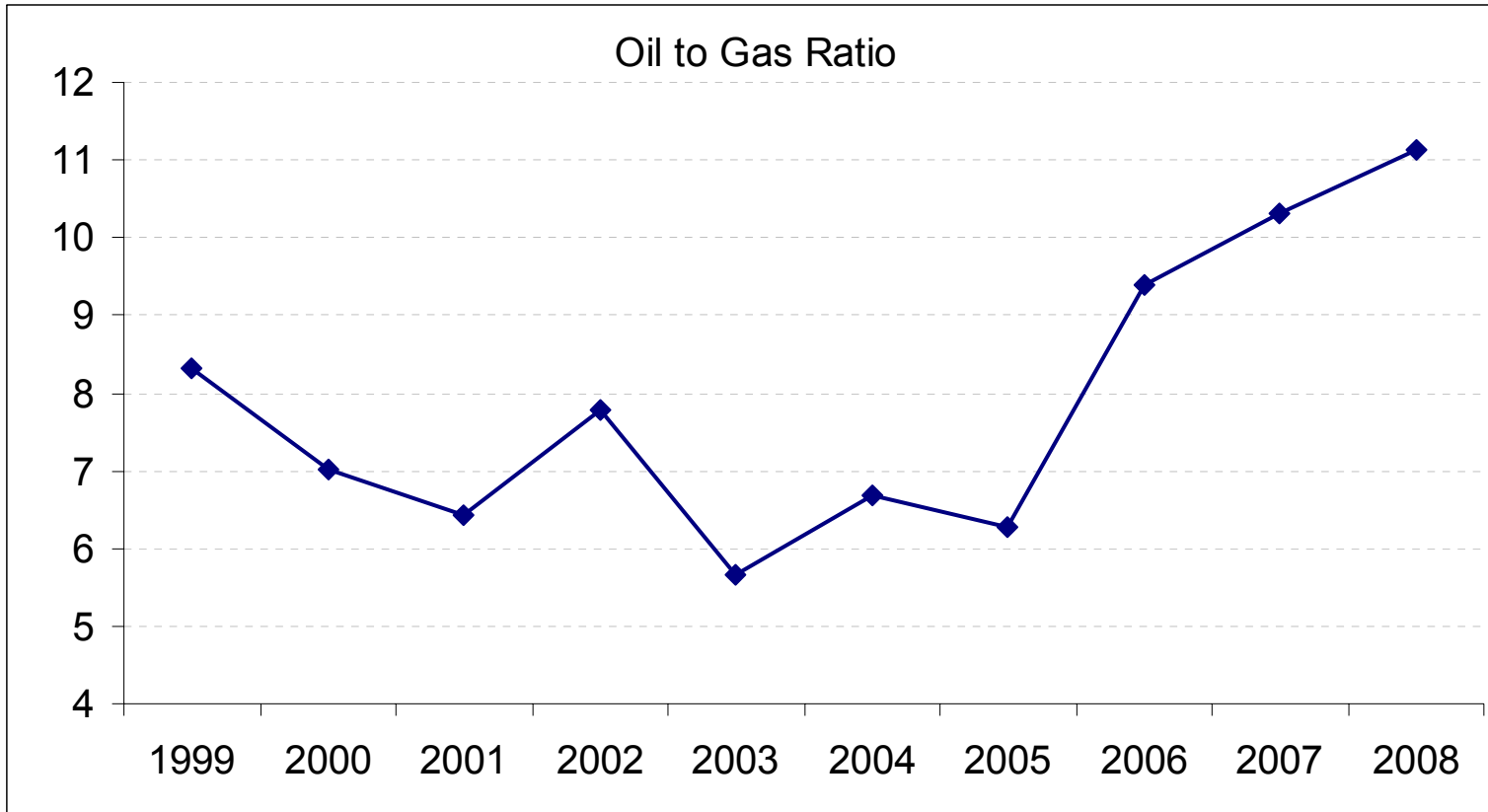
## OTHER FACTORS

- US \$ weakness against major currencies
- Flow of funds from investors and long term pension funds into oil market
- High degree of speculative activity



Long term crude price expectations have moved by \$ 30 /bbl during the quarter

# Oil to Gas Ratio



Reference: WTI Crude vs. Henry Hub Gas Price

Gas prices lagging crude prices; Oil-Gas ratio at historic high

# Regional GRM Trends



US\$ / bbl

Period	US NY	Rotterdam	Mediterranean	Singapore
Benchmark Crude	WTI	Brent	Ural	Dubai
Avg. Q1 FY09	7.19	9.47	6.28	8.14
Avg. Q4 FY08	4.56	4.13	3.70	6.95
Avg. Q3 FY08	3.59	5.25	4.60	7.73
Avg. Q2 FY08	8.64	3.53	3.75	6.38
Avg. Q1 FY08	18.81	6.64	7.22	9.51

Source: Reuters

Margins remained volatile and averaged lower in most regions

# Regional GRM - Crude Ratio



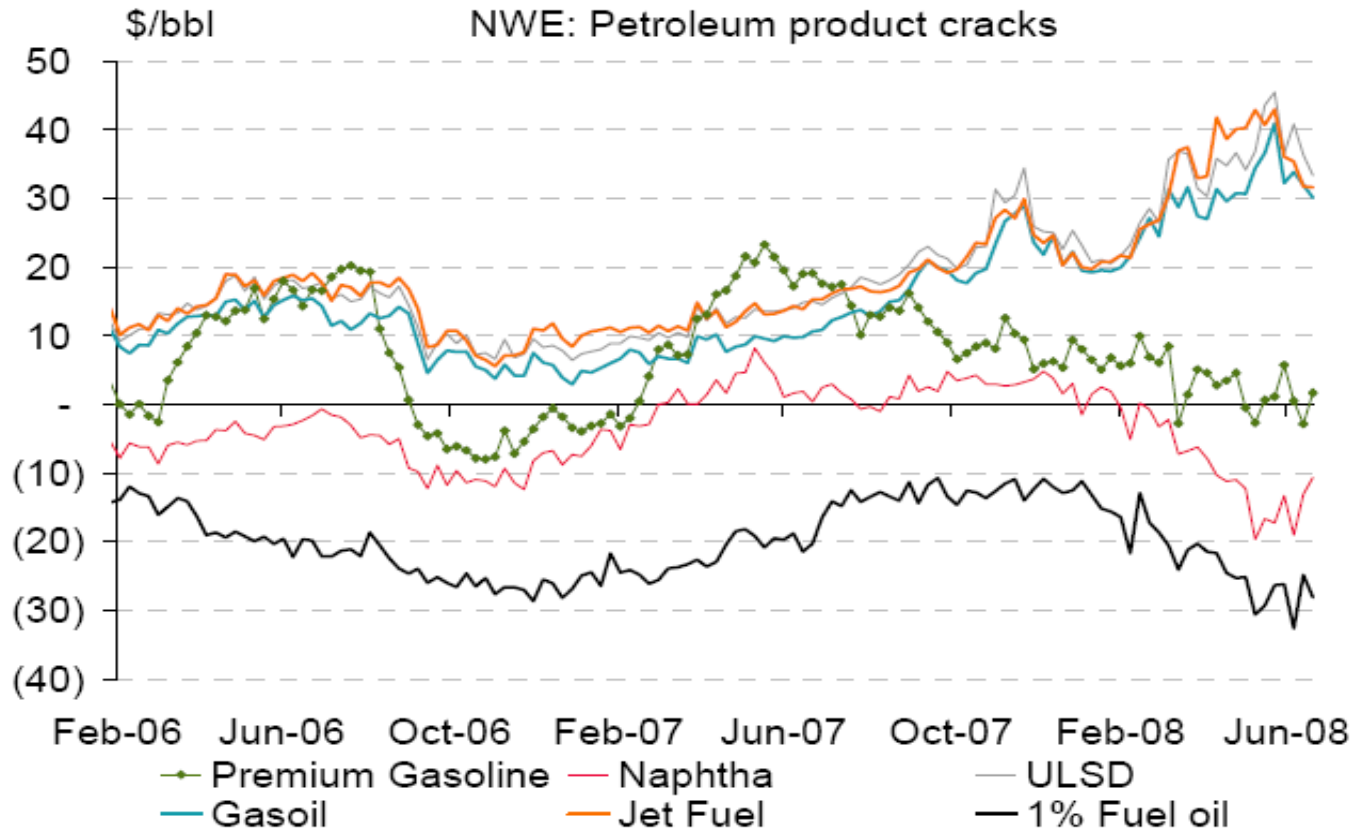
*GRM as % of average price of Benchmark Crude*

<b>Period</b>	<b>US NY</b>	<b>Rotterdam</b>	<b>Mediterranean</b>	<b>Singapore</b>
<b>Benchmark Crude</b>	<b>WTI</b>	<b>Brent</b>	<b>Ural</b>	<b>Dubai</b>
Avg. Q1 FY09	5.8	7.7	5.4	7.0
Avg. Q4 FY08	4.7	4.3	4.0	7.6
Avg. Q3 FY08	4.0	5.9	5.4	9.3
Avg. Q2 FY08	11.5	4.7	5.2	9.1
Avg. Q1 FY08	28.9	9.7	11.1	14.7

Source: Reuters

Regional GRMs decline as a percentage of crude price

# Petroleum Product Cracks



Source: Reuters; Merrill Lynch Reports

Margin difference between fuel oil and middle distillates widened to historic highs - simple refiners under severe pressure

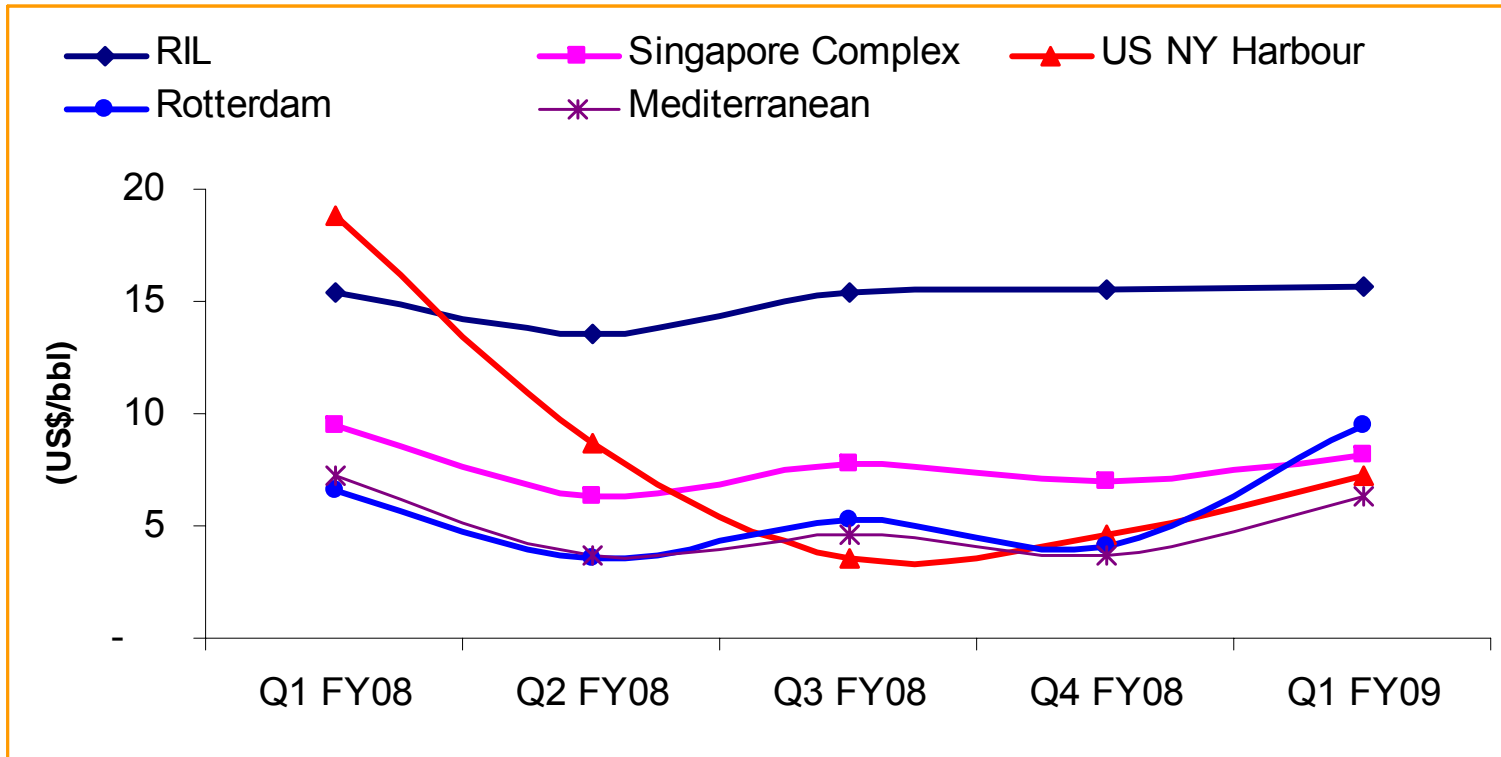
# Key Drivers: Product Crack Volatility



- Marked slowdown in gasoline demand, especially in the US due to:
  - Weak economic activity and reduced consumer confidence
  - High retail prices
  - High inventories and low operating rates
- US Gasoline cracks drop from \$ 10/bbl to \$ 0.42/bbl in 1QFY09; similar volatility witnessed across regions. Currently negative in Europe
- Fuel oil cracks hit a new low of \$ (-) 28/bbl
  - Demand for fuel oil drops due to availability of subsidised diesel
- Extraordinary rise in diesel demand led to concerns on product availability and consequent speculative pricing
  - Spurt in demand from China due to power crisis, coal shortages, reduced local supplies and inventory build-up ahead of Olympics 2008
  - Power shortages in South Africa, Chile, New Zealand and rise in Japanese demand with shut down of Kashiwazaki nuclear plant

Heightened margin volatility posed significant challenge for refiners globally

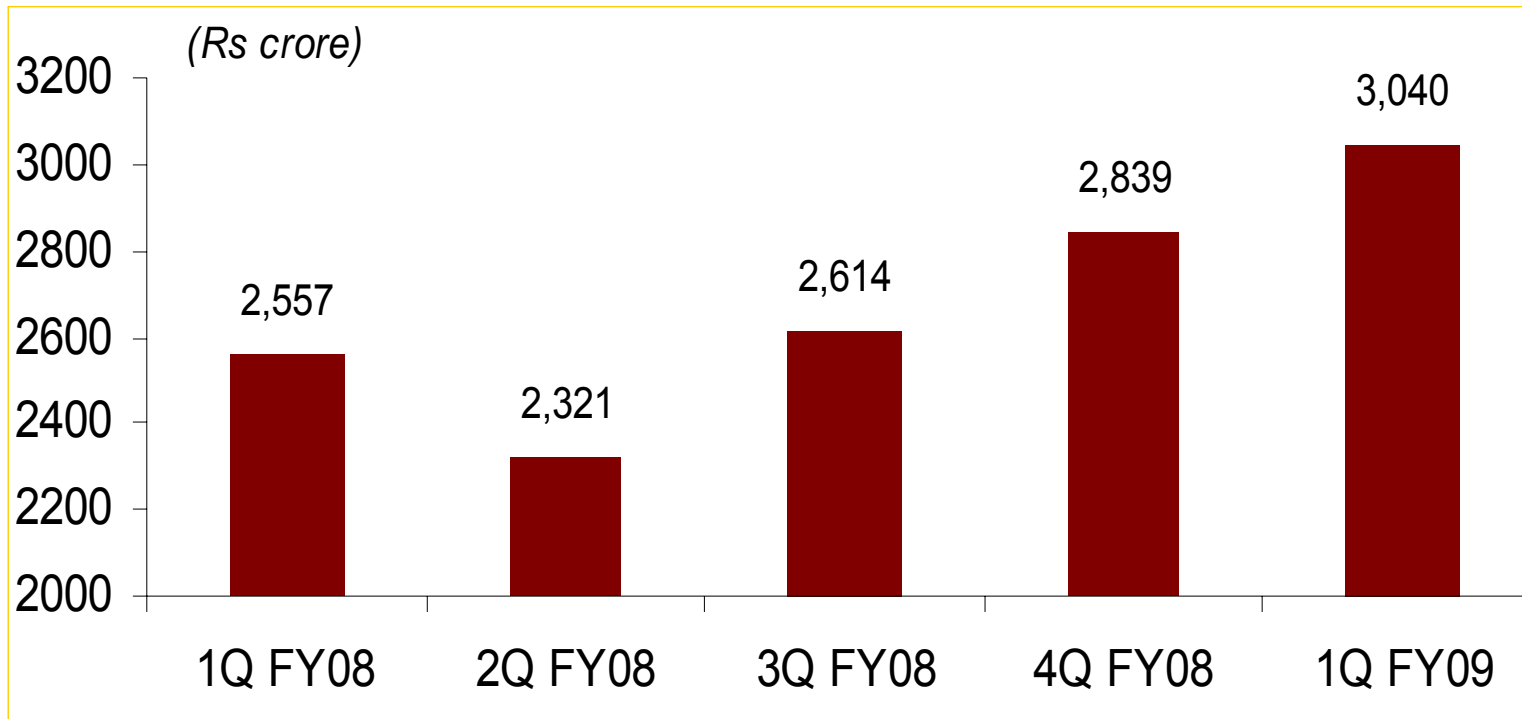
# Margin Benchmarking



Cracking margins Source: Reuters / Company Data

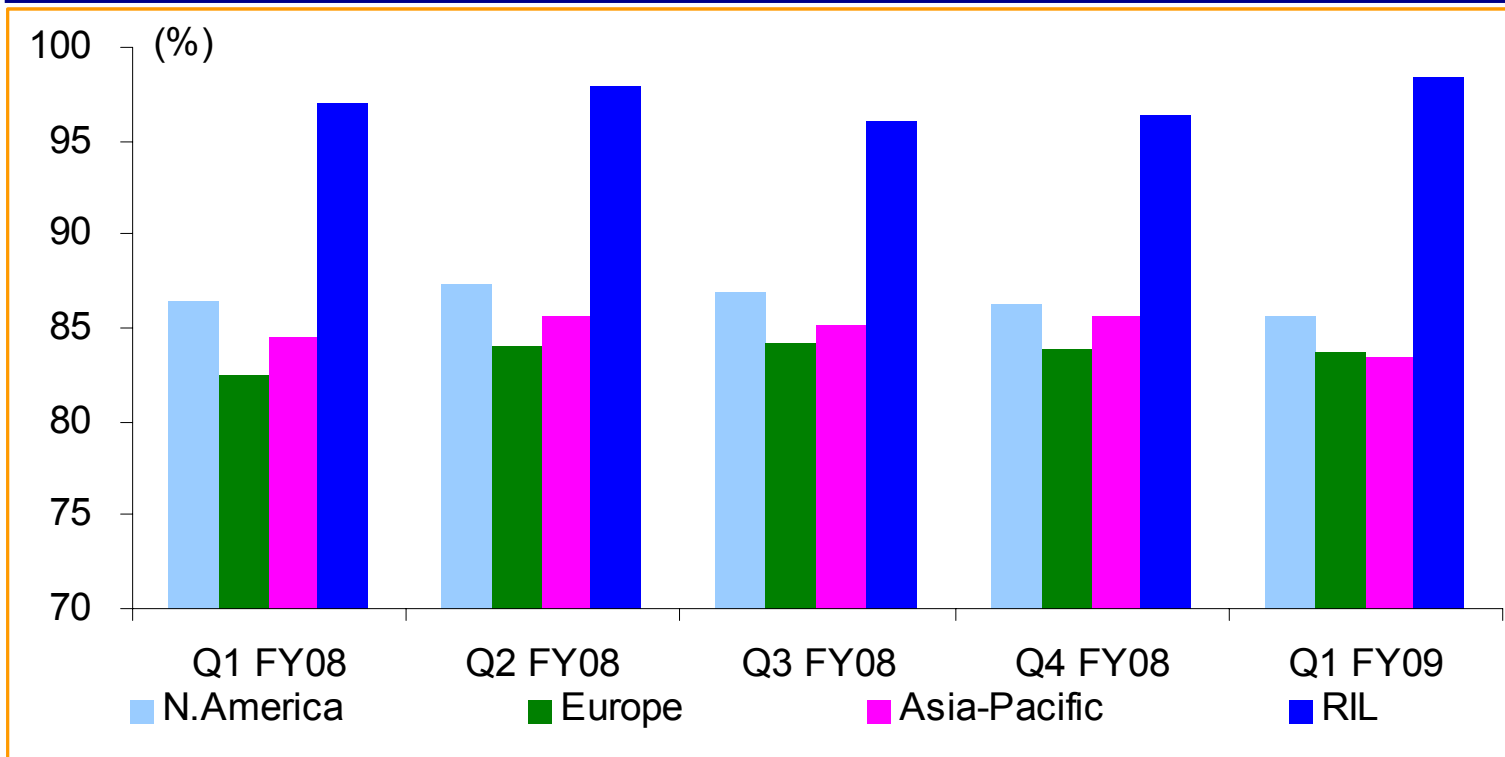
Continued out-performance over all global benchmarks

# RIL Refining Business EBIT Trends



Sustained profitability despite volatile market conditions

# Refining Operating Rates



*Source: Reuters / Company Data*

RIL's significant operating leverage over global peers – processed 8.13 Mn tonnes and exported 5.3 Mn tonnes during the quarter

# RPL Project Progress Update



- Overall implementation progress at 94%
- Procurement activities in the close-out mode already
- Construction progressing to meet pre-commissioning requirements
- All major equipment installed
- Start-up planning in place; operations preparedness achieved
- Pre-commissioning activities gain momentum
- Support infrastructure like utilities, tankage and product evacuation facilities are under commissioning already
- Resources in-place to sustain pre-commissioning activities on fast track

Project on-track for early commissioning, ahead of initial schedule



# Petrochemicals

# Business Environment - Polymers



- Prices at a historic high in Q1 on back of cost push
- Naphtha based producers impacted negatively as increase in feedstock cost could not be fully passed on
- No new cracker capacities on-stream Q1 FY09
- High capital cost and long project gestation leading to cancellation of announced cracker projects
- Domestic demand remained strong despite historic high prices

# Price Scenario - Feedstock and Products



Asia	FY 2007-08	Q1'08	Q4'08	Q1'09	% Change Q1FY09 vs. Q4FY08
\$/Mt					
Crude Dubai	562	472	662	845	28%
Naphtha	727	654	830	989	19%
Ethylene	1194	1143	1271	1394	10%
Propylene	1184	1142	1318	1550	18%
EDC	426	404	434	457	5%
HDPE	1403	1267	1551	1678	8%
PP	1383	1281	1491	1722	15%
PVC	985	927	1020	1185	16%
Butadiene	1232	950	1753	2180	24%
Benzene	1010	1066	997	1208	21%

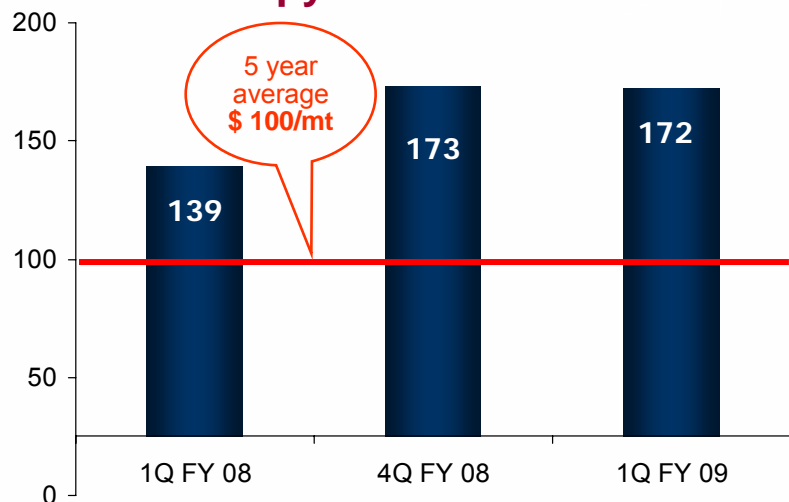
Source: Platts

Increase in product prices not fully tracking increase in naphtha

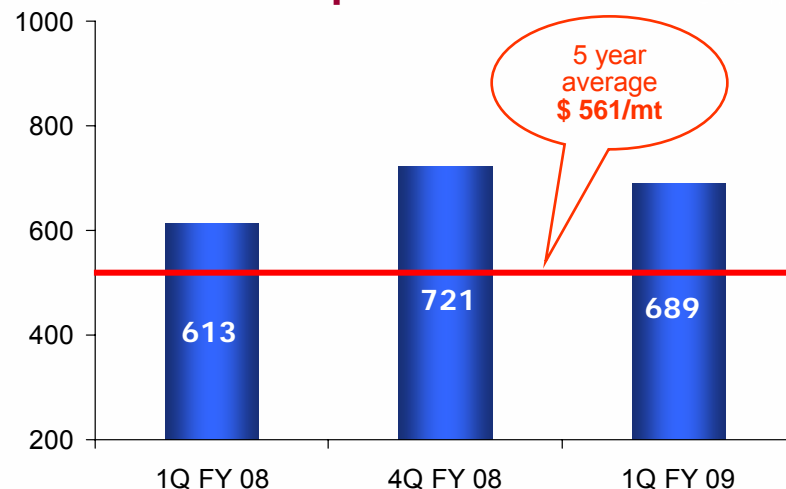
# Polymer Deltas



## PP - Propylene

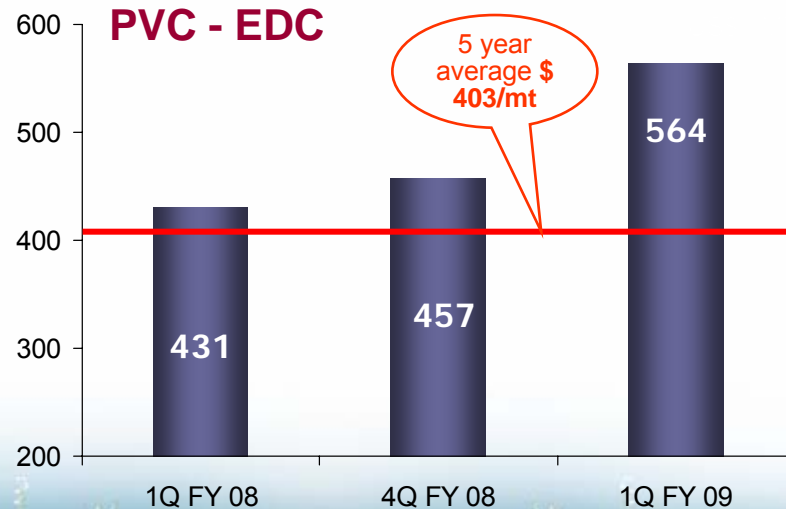


## HDPE - Naphtha



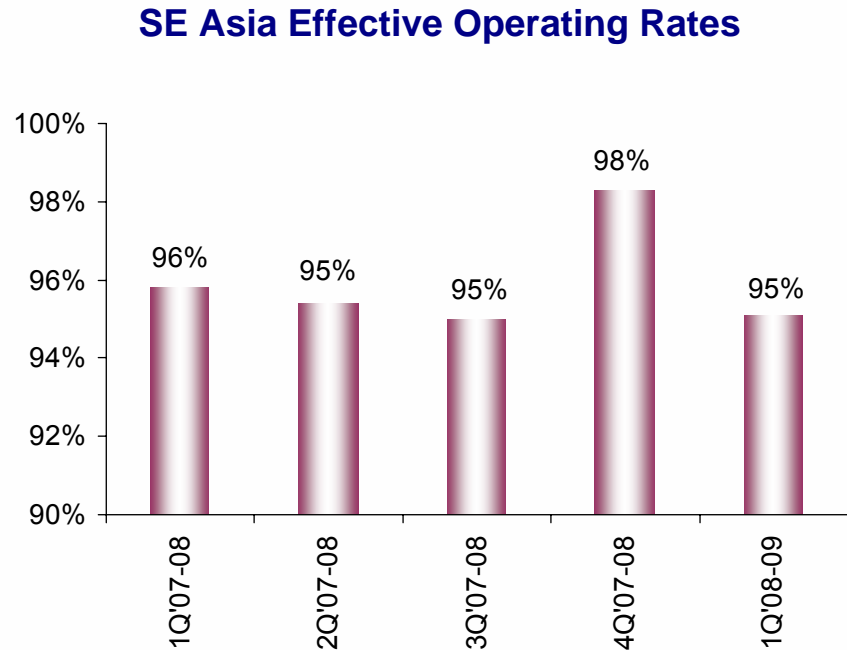
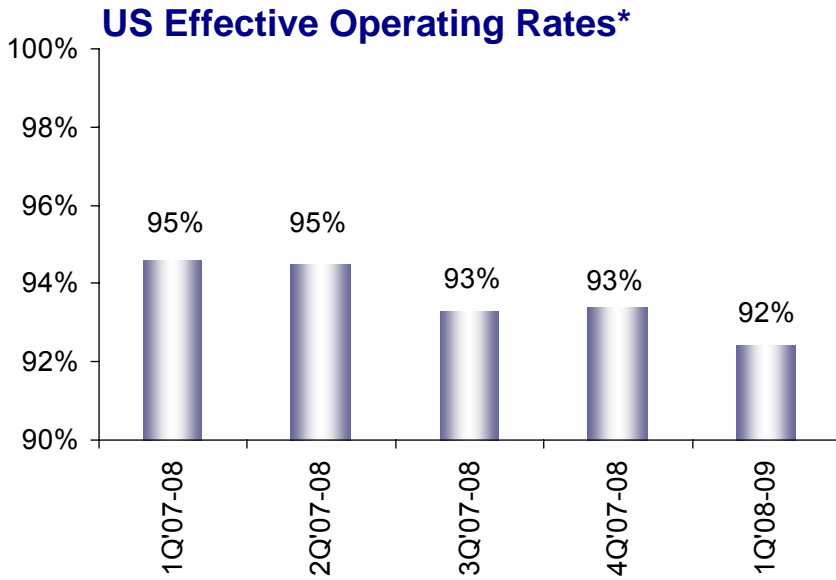
- PE and PP deltas stable – well above 5 year average
- Significant improvement in PVC deltas – Q-o-Q higher by \$ 107 /MT

## PVC - EDC



Source : Platts

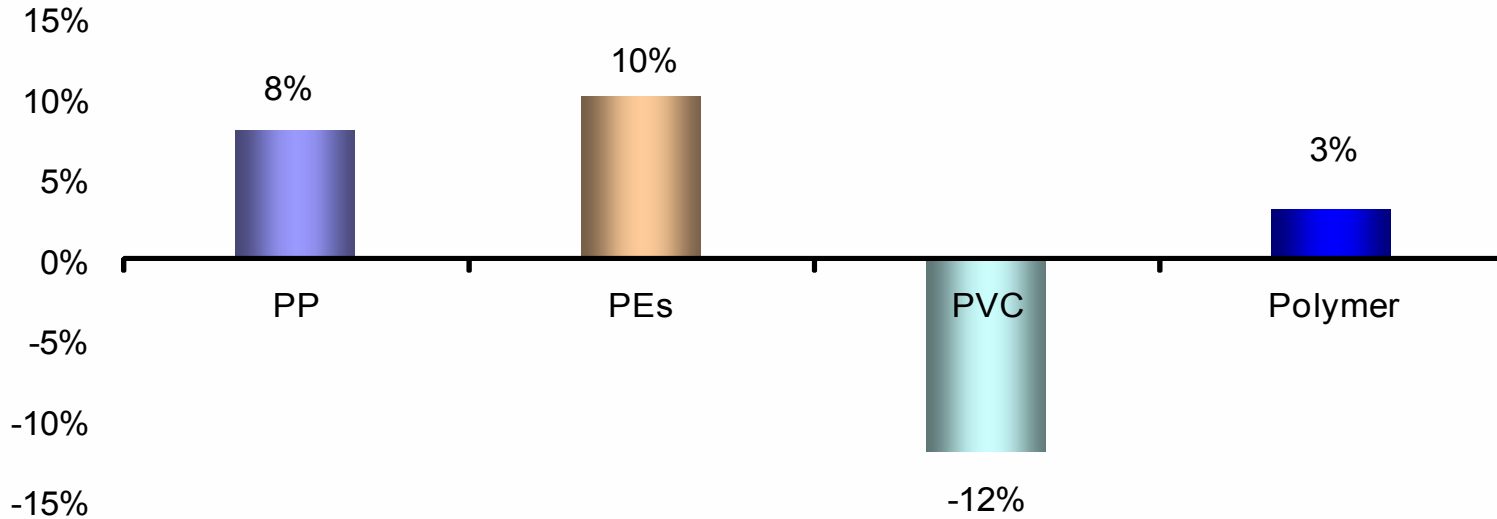
# Ethylene Operating Rates



- US effective operating rates declined marginally
- SE Asia operating rate reduced due to high C2 cost

\* Effective operating rates--a utilization rate that excludes plants that are temporarily idle

# Domestic Consumption Growth 1Q FY09



## PP

- Growth in the Raffia sector (Cement / FIBC), automotive and appliances

## PVC

- Industry imports down by 60%
- High international prices, Impact of ADD
- Domestic players sold higher Q-o-Q basis
- Filler content increase reduced PVC consumption

## PE

- HDPE - growth in Pipe (telecom ducts) and carry bags
- LLDPE – growth in Flexible / Bulk packaging
- LDPE – growth in Cable Compounds

# Business Environment - Polyester



- Robust domestic demand despite record high prices
- High feedstock cost impacting margins of polyester producers
- Weak economic environment impacting textile exports to US & EU
- Expansions delayed in China with credit norms tightening and payment cycle lengthening
- Concerns on effluent levels during Olympics 2008 resulting in capacity constraints in chemical and processing units - downstream textile processors affected

# Product Price Environment



Product (\$/MT)	FY 2007-08	Q1FY08	Q4FY08	Q1FY09	% change Q1FY09 vs. Q4FY08
Naphtha	727	654	830	989	19%
PX	1,157	1,238	1,167	1,455	25%
PTA	885	929	867	1,058	22%
MEG	1,192	940	1,174	1,102	-6%
POY	1,523	1,423	1,609	1,705	6%
PSF	1,410	1,310	1,493	1,444	-3%
PET	1,334	1,286	1,388	1,464	5%

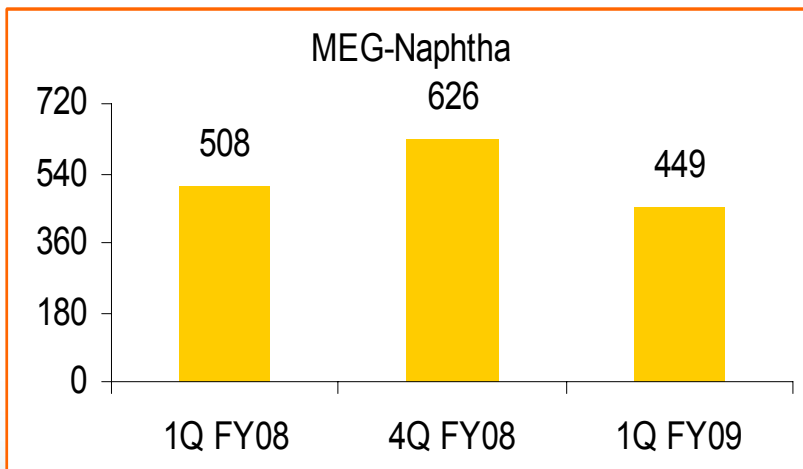
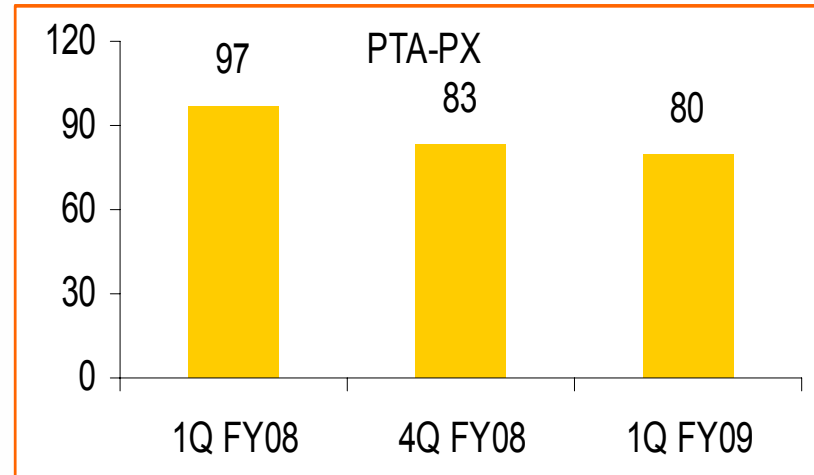
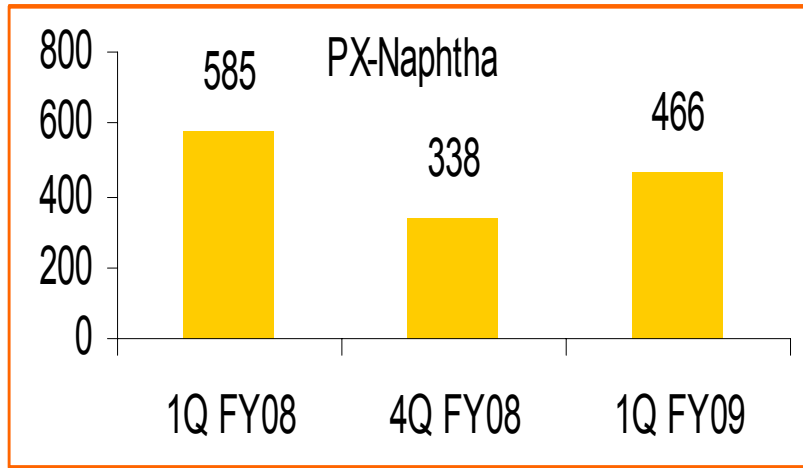
Source: Platts, ICIS-Lor

High intermediate prices on the back of record feedstock cost push

# Fibre Intermediates Margin Environment



US\$/MT



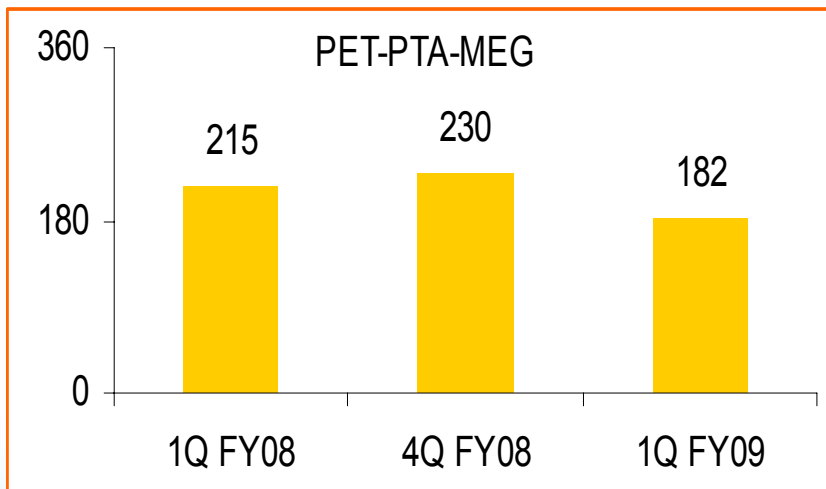
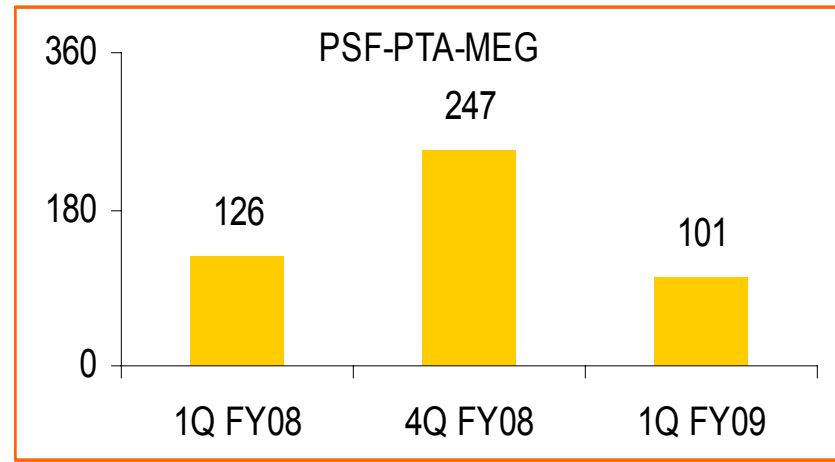
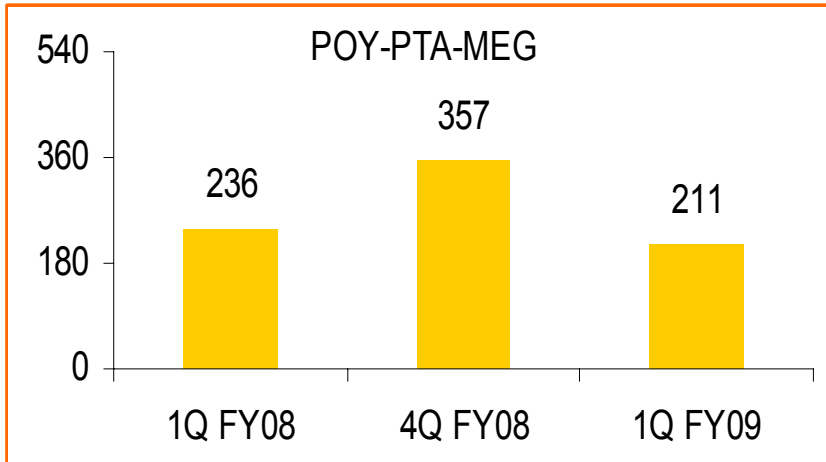
- PTA delta at historic low
- Fibre Intermediates margins under pressure due to high feedstock cost
- Increased availability of MEG (ME capacity resumes) during the quarter results in price decline

Source: Platts, ICIS-Lor

# Polyester Margin Environment



US\$/MT



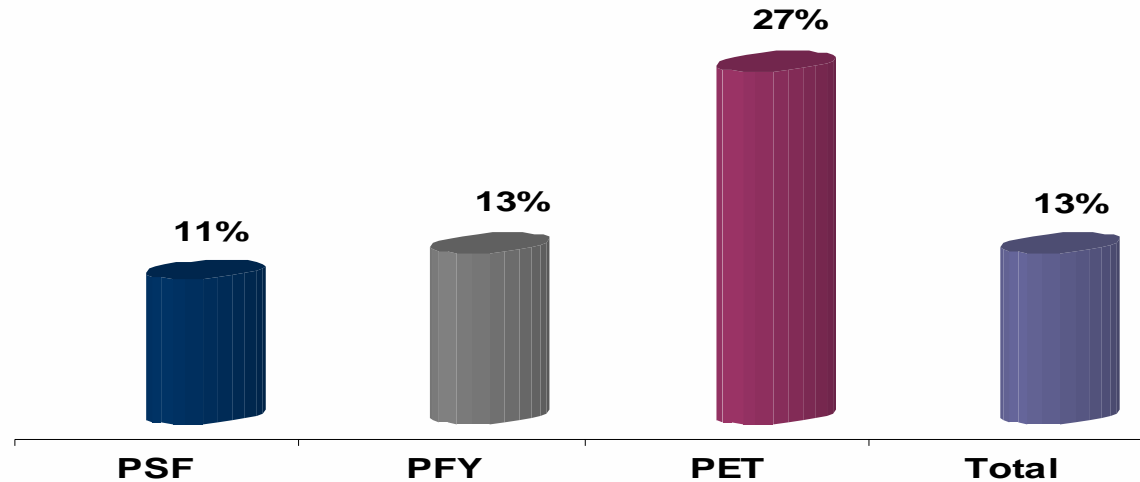
Unusual quarter wherein both standalone and integrated producers witnessed margin pressure

Source: Platts, ICIS-Lor

# Domestic Demand Growth – 1Q FY09



Demand Growth in Apr-Jun FY '0809 (Y-o-Y)



- Record cotton prices and lower availability leading to substitution
- Textile consumption at 1 – 1.5 x of GDP growth – leading to higher consumption of finished products
- Demand for PET continues to rise with increased applications in beverages (aerated and non-aerated), food and pharmaceuticals

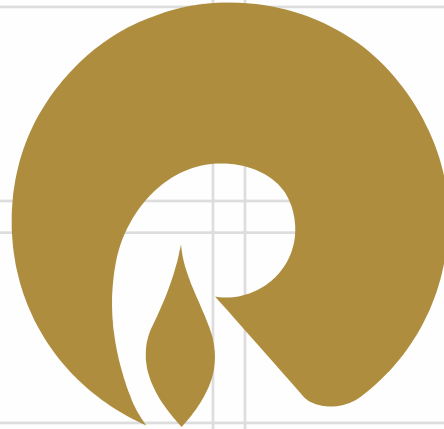


# Summary

# Summary



- RIL sustains growth and profitability despite unprecedented challenges arising out of high crude prices, volatile product margins and weakening economies
- FY 2008-09 poised to be a landmark year for RIL
  - RPL refinery project on track for early completion
  - Commencement of production of oil and gas from KG D6 block
- Transformational initiatives aimed at creating sustainable shareholder value



**Thank You**

