



**Reliance**

Industries Limited

Growth is Life

**2Q FY 2009-10 Results**

October 29, 2009

# 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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# Recovery Sustains Momentum

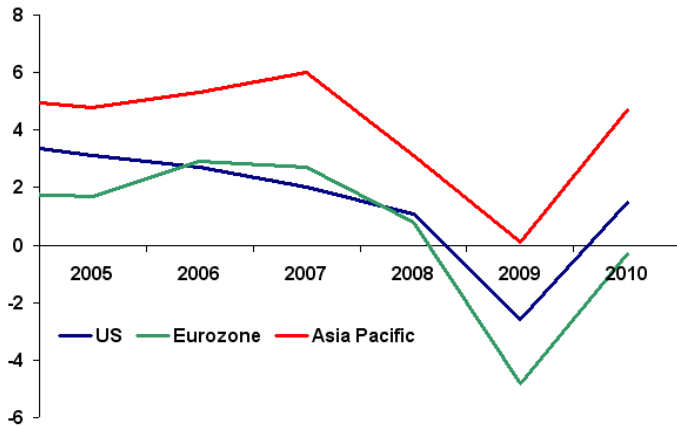


- Recovery in global economy which started in the first half of 2009 continues to sustain momentum
- Industrial production cycle has recently gained momentum as global economies come out of deep recession
- Prospects for global trade appear benign but the apprehensions of widespread deflation have receded
- IMF increased the Global GDP growth estimates for 2009-2010 by 0.6% to 3.1% - China's and US GDP growth estimates were raised by 0.5% and 0.7% to 9% and 1.5% respectively
- Equity and commodity markets continue to rally with MSCI world equity index and CRB Index up 43% and 27% from March end respectively

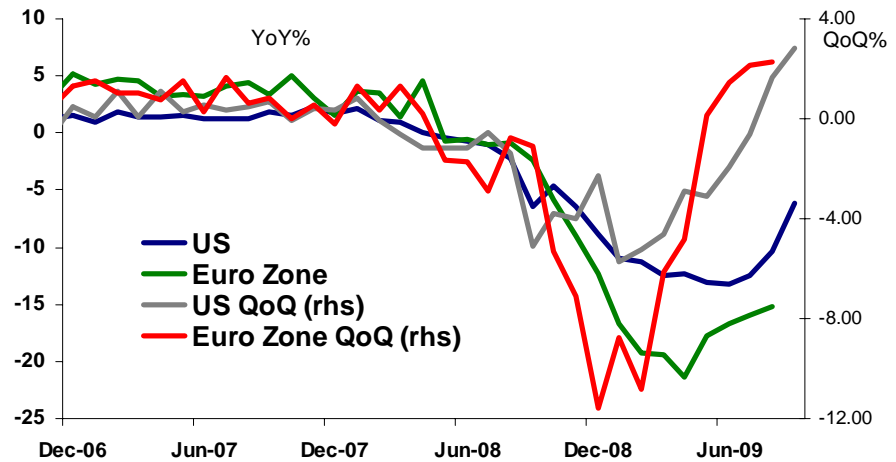
# Economic Indicators Supporting Recovery



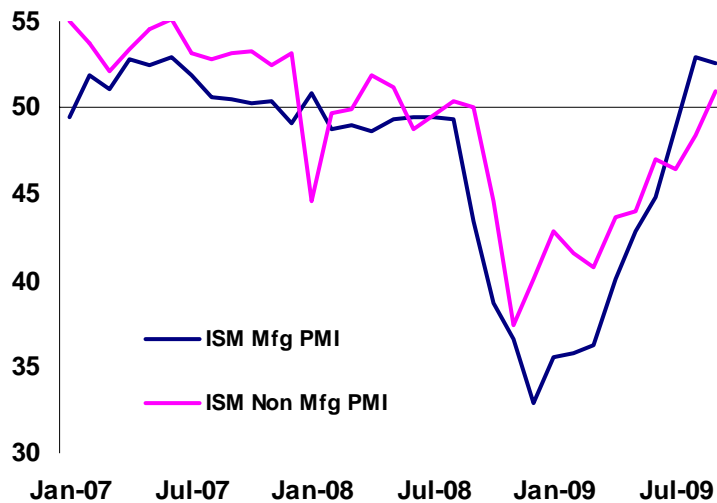
## GDP Growth Forecast



## Industrial Production



## ISM Mfg and Non Mfg



- Data and surveys continue to suggest that most major economies have returned to positive growth in Q2 or Q3 this year.
- Industrial Production has bottomed out in US and Euro Zone in month of June and April 09 respectively
- The recent trend in ISM Manufacturing and Non manufacturing suggests recovery in manufacturing sector has begun.
- V-Shaped recovery so far.

# Normalcy Returning Back



	Pre-Lehman	Current Level	Pre Lehman- Current	High	Low
<b>Equities</b>					
Nifty	4504	4826	Higher	5182	2253
Dow Jones	11517	9882	Lower	11790	6470
Hang-Seng	21042	21762	Higher	22620	10676
Shanghai	2305	3031	Higher	3478	1665
Bovespa	54404	63161	Higher	67530	29435
<b>Dollar Index</b>	78.06	76.2	Lower	89.62	74.94
<b>Commodities</b>					
Gold	805	1035	Higher	1071	683
CRB	210	282	Higher	288	210
Crude	110	79	Lower	130	32
Baltic	6466	3013	Lower	6466	663
<b>Credit</b>					
CDX	142	104	Lower	279	91
<b>Volatility</b>					
VIX	21.99	24.83	Higher	89.53	20.1

- Majority of the risk indices returned to Pre-Lehman Days
- All the risky assets except for Dow Jones are higher than pre Lehman days
- Dollar has weakened from its earlier highs and is almost closer to its pre Lehman levels
- Average of Credit spreads have fallen and currently they are lower than its pre-Lehman levels
- Volatility index have fallen from its high and it is closer to pre-Lehman level which shows that normalcy is returning back

# Performance Highlights



- Highest ever quarterly EBITDA and PBT
- KG-D6 gas production ramps up to 40 MMSCMD in a record period of 6 months
- SEZ refinery fully commissioned – operating at well over 100% capacity utilization
- Refining outperformance to Singapore Complex with GRM of \$ 6.3 /bbl for first half of FY10
- Best ever quarter in EBIT terms for the petrochemical segment – all facilities operated at near 100% capacity utilization

Completion of key projects provide the platform for exponential growth



# Financial Results

# Financial Results – 1H FY10



(in Rs. Crore)	1H FY10	1H FY09	% Change
Turnover	<b>81,284</b>	88,998	-8.7%
PBDIT	<b>14,939</b>	12,985	15.0%
PBDIT Margin	<b>18.4%</b>	14.6%	
Net Profit	<b>7,518</b>	8,220	-8.5%

Lower revenue due to lower prices (45.2%) partly offset by volume growth of 36.5%

PBDIT margin higher due to higher share of Oil & Gas business, improved petrochemical contribution and higher other income

# Financial Results – 2Q FY10

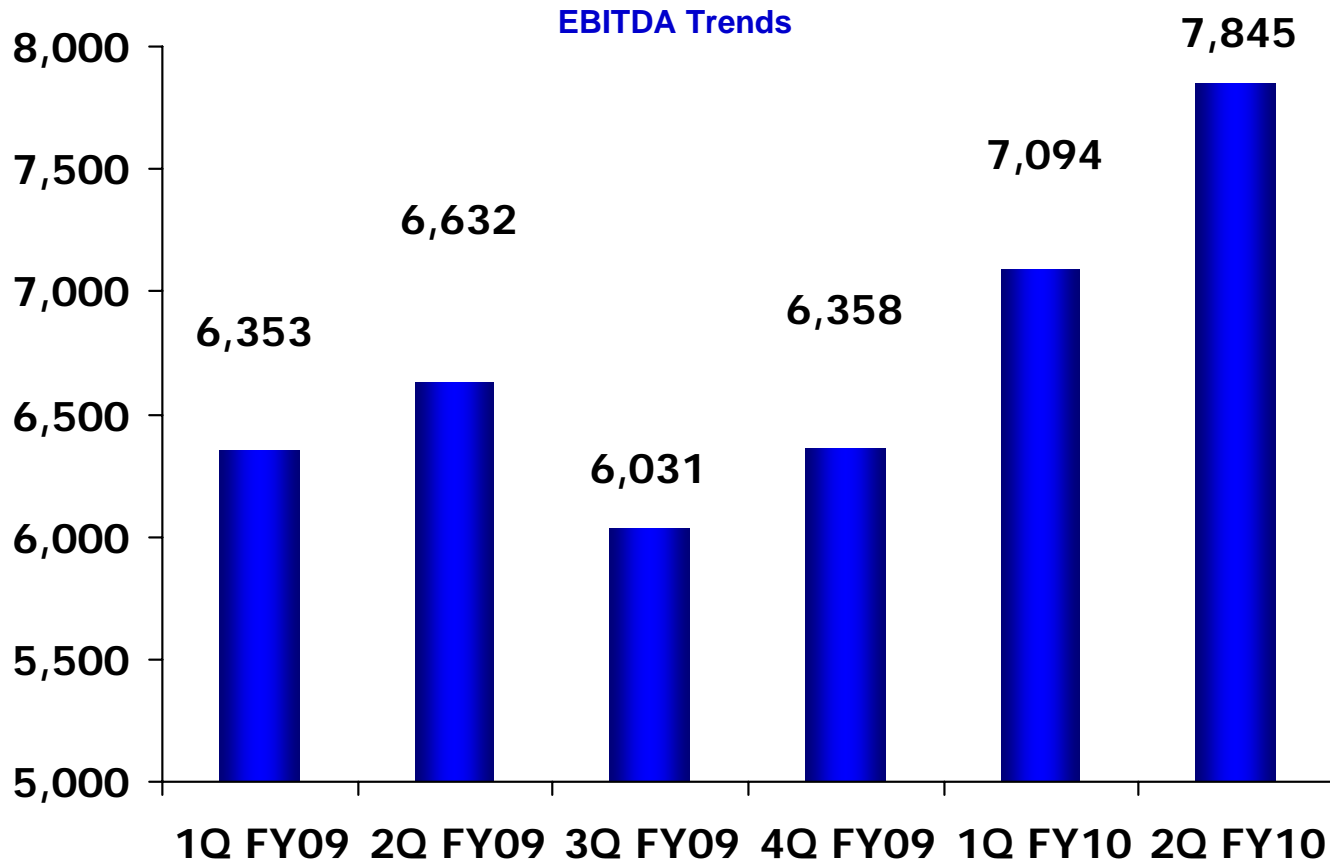


1Q FY10	(in Rs. Crore)	2Q FY10	2Q FY09	% Change
32,441	Turnover	<b>48,843</b>	46,014	6.1%
7,094	PBDIT	<b>7,845</b>	6,632	18.3%
21.9%	PBDIT Margin	<b>16.1%</b>	14.4%	
3,666	Net Profit	<b>3,852</b>	4,116	-6.4%
22.3	EPS (Rs.)	<b>23.4</b>	27.0	

Higher revenue due to higher prices 18.3% and volume growth of 32.3%

PBDIT margin is lower due to base price effect and reduced refining margins

# EBITDA Trend



Record quarterly EBITDA

# Segment Results – 1H FY10



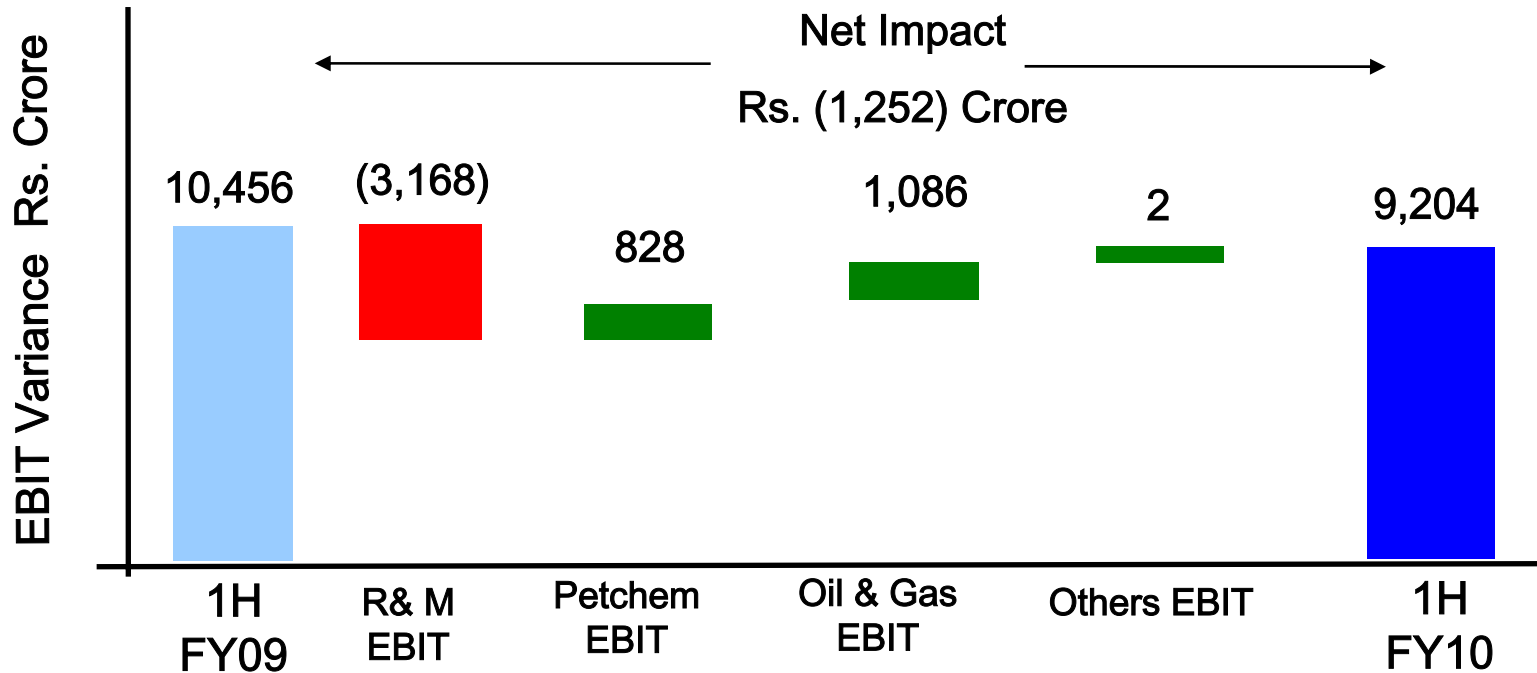
(in Rs. Crore)	1H FY10	1H FY09	% change
<b>Refining</b>			
Revenues	<b>63,998</b>	68,866	-7.1%
EBIT	<b>2,646</b>	5,814	-54.5%
EBIT (%)	<b>4.1%</b>	8.4%	
<b>Petrochemicals</b>			
Revenues	<b>25,047</b>	30,419	-17.7%
EBIT	<b>4,304</b>	3,476	23.8%
EBIT (%)	<b>17.2%</b>	11.4%	
<b>Oil and Gas</b>			
Revenues	<b>4,801</b>	1,722	178.8%
EBIT	<b>2,235</b>	1,148	94.7%
EBIT (%)	<b>46.5%</b>	66.7%	

Oil & Gas EBIT margin is lower due to higher depreciation of KG D6

Refining EBIT margin is impacted due to lower GRM and higher depreciation on the SEZ refinery

Higher Petrochemical margin due to improved domestic realization

# Segment EBIT Bridge – 1H FY10 Vs 1H FY09



Lower GRM partially compensated by stronger Petchem margins and incremental volumes KG-D6 and SEZ refinery

# Net Profit Bridge – 1H FY10 Vs 1H FY09



Net Profit down by  
Rs 703 crore  
compared to  
previous period

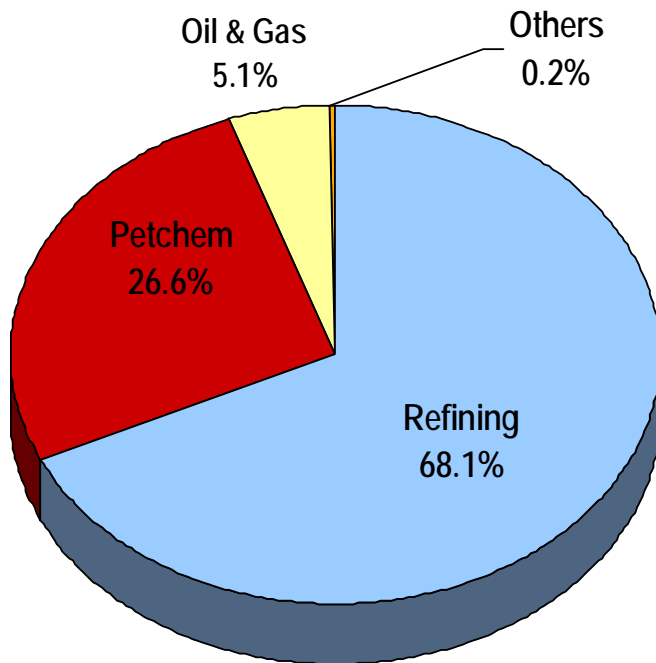
	(Rs crore)
<b>Net Profit 1H FY09</b>	<b>8,220</b>
Operating Profit	993
Other Income	960
Interest	(191)
Depreciation	(1,884)
Tax	(580)
<b>Net Profit 1H FY10</b>	<b>7,518</b>

Net Profit lower primarily due to higher depreciation (Oil & Gas and Refinery), interest (lower capitalization) and higher MAT provision

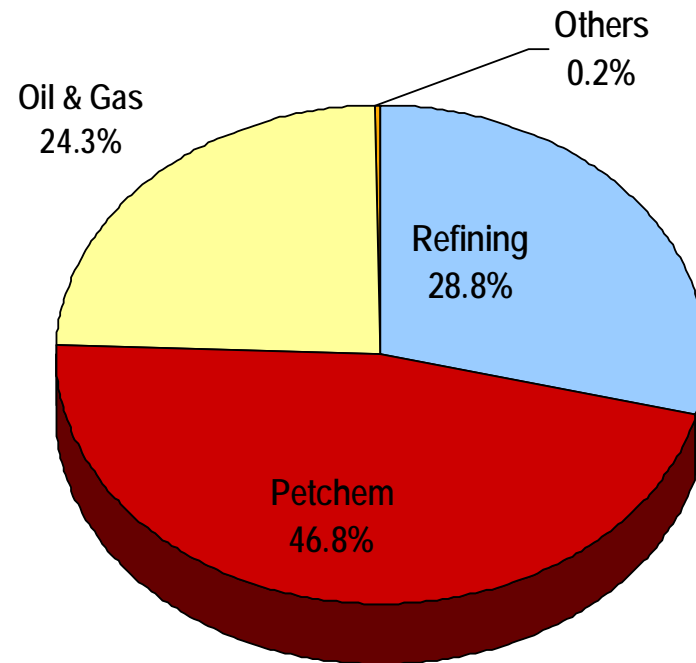
# Business Mix – 1H FY10



## Revenues



## EBIT



Oil & Gas now contributes nearly 24% of EBIT with a revenue base of around 5%

# Financial Ratios



Ratios	Sept'09	Mar'09
Net Debt : Equity	0.42	0.42
Net Gearing	27.8%	27.8%
Gross Interest Cover	8.9	5.0
ROCE (%)	13.0	20.3
ROE (%) (Adjusted)	16.1	21.6

Strong financials with a conservative balance sheet

ROCE and ROE reflecting capital base of fully commissioned assets

Higher Gross interest cover due to higher PBDIT and lower gross interest



# Oil and Gas – Exploration and Production

# RIL Oil and Gas Business Highlights



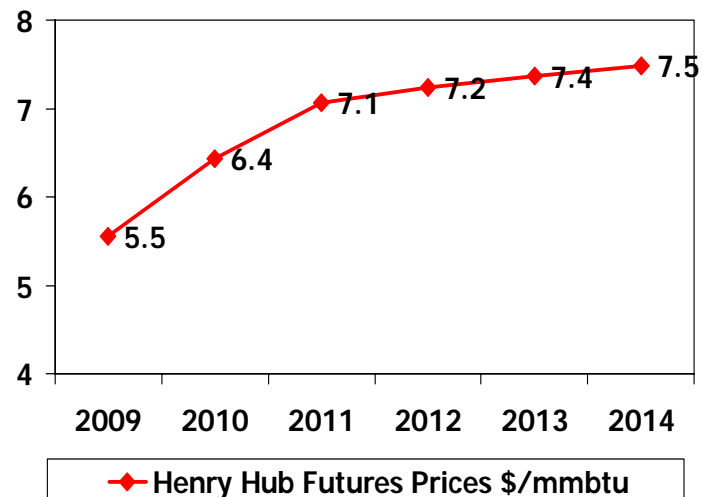
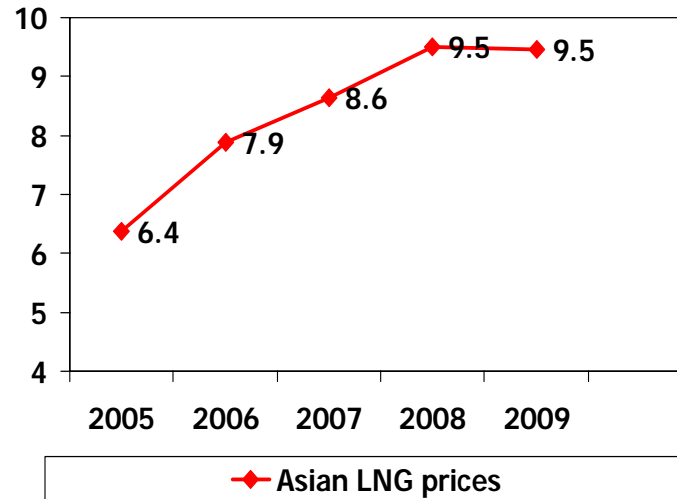
- KG D6 oil production exceeds 2.8 million barrels
- KG D6 gas production exceeds the 5 billion cubic meters mark in record timeframe
- Gas production completed 200 days of 100% uptime demonstrating flawless commissioning and execution
- 50 % of plateau production achieved in a record period of 6 months
- GSPA with 9 new customers for the supply of an additional 8 MMSCMD executed during the quarter
- Commerciality proposal filed for KG D6 R series and an integrated development plan for all gas discoveries being conceptualized
- EGoM allocates additional 20 MMSCMD of gas on firm basis, mainly for power sector – but also includes petrochemicals and refining industry in the private and public sectors

Redefining India's hydrocarbon landscape

# The Indian Gas Advantage



- In 2009, Asian LNG price averaged at \$9.5 / MMBTU
- Henry Hub spot prices averaged at \$ 3.81 / MMBTU in 2009. Forward curve indicates prices in excess of \$ 7 / MMBTU for next 5 years
- India's gas market dynamics
  - Demand supply gap of 80 MMSCMD
  - Imports 18 MMSCMD of LNG in 2009
  - PMT gas sold at \$ 5.73 / MMBTU
  - KGD6 gas priced at \$ 4.2 / MMBTU



# Appraisal & Development Highlights



## ■ KG D6

- 2 appraisal wells drilled to appraise the southern area of the Block
- Results in line with expectation; geological framework and extension of gas bearing channel levee complex systems in the area validated
- KG D6 R series commerciality filed

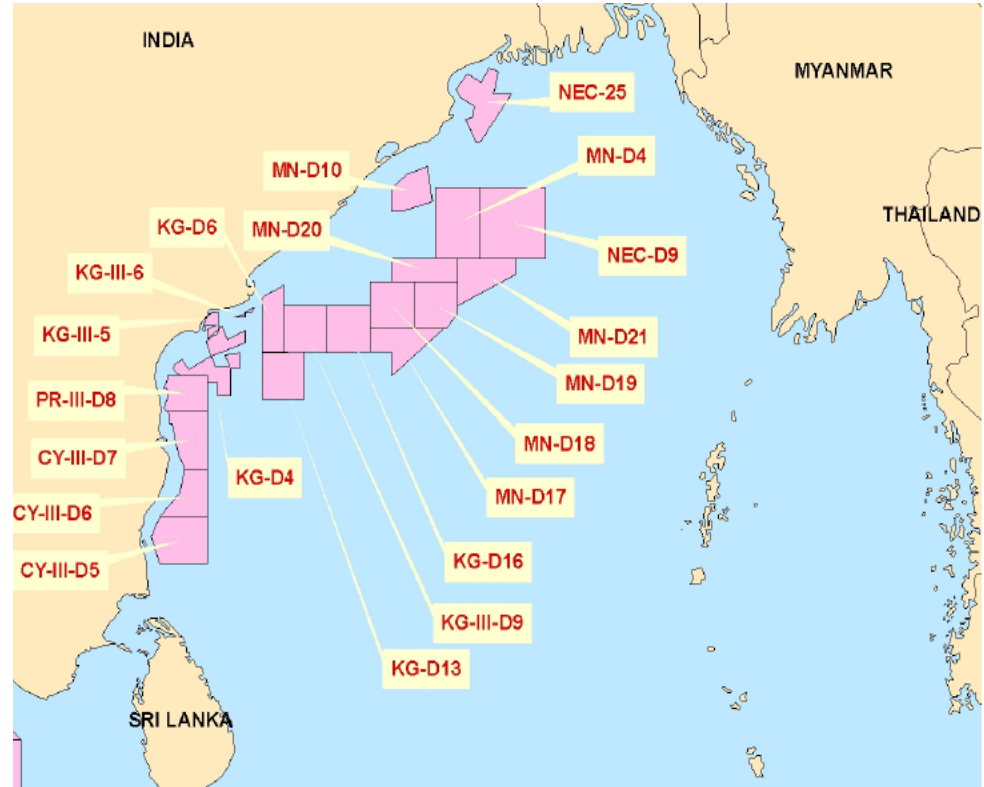
## ■ NEC 25

- Successfully drilled appraisal well in the southern and deeper parts
- Results being incorporated to generate an integrated development plan for all discoveries to maximize cost efficiency

# KG-D9 Update



- NELP III deepwater block with a total area of 11, 600 sq km located to the east of KG D6
- Commitment of 4 Wells in Phase 1
- About 40% of this area has been covered with 3D (4200 sq km) seismic and the rest with 2D
- No well data to calibrate seismic
- Well A1 drilled; sands encountered with some background gas.
- Well is an excellent parametric well to upgrade our geological model and prospect inventory to fine tune search for drilling of the balance three wells



# International Blocks - Update



- Reliance farmed-out 30% of its participating interest (PI) in Oman-Block 18 and 25% in Oman-Block 41 to Oman Oil Company Exploration and Production
- Plan to drill first overseas offshore exploratory well in the deep waters of Oman Block 18 during 2H-FY10
- Average production in the Yemen Block 9 was 4200 BOPD - Processing and interpretation of acquired data is in progress for incremental drilling

# 2Q FY10 Production Update



1Q FY10		2Q FY10	2Q FY09	% Chg.
	<b>Panna-Mukta</b>			
452	Oil ('000 MT)	387	353	9.6%
470	Gas (MMSCM)	439	375	17.1%
	<b>Tapti</b>			
51	Condensate ('000 MT)	48	76	-36.8%
834	Gas (MMSCM)	793	1,159	-31.6%
	<b>KG-D6</b>			
99	Oil ('000 MT)	123	18	-
1,733	Gas (MMSCM)	3,080	-	-

Note: Full Production volumes

- Gas production from KG D6 averaged at 33 MMSCMD for the quarter – an increase of 74% over the trailing quarter
- Price realization of \$ 60.38/ bbl for crude from KG D6 and PMT
- Price realization of \$ 5.73 / MMBTU for PMT gas

# KG-D6 Production Update



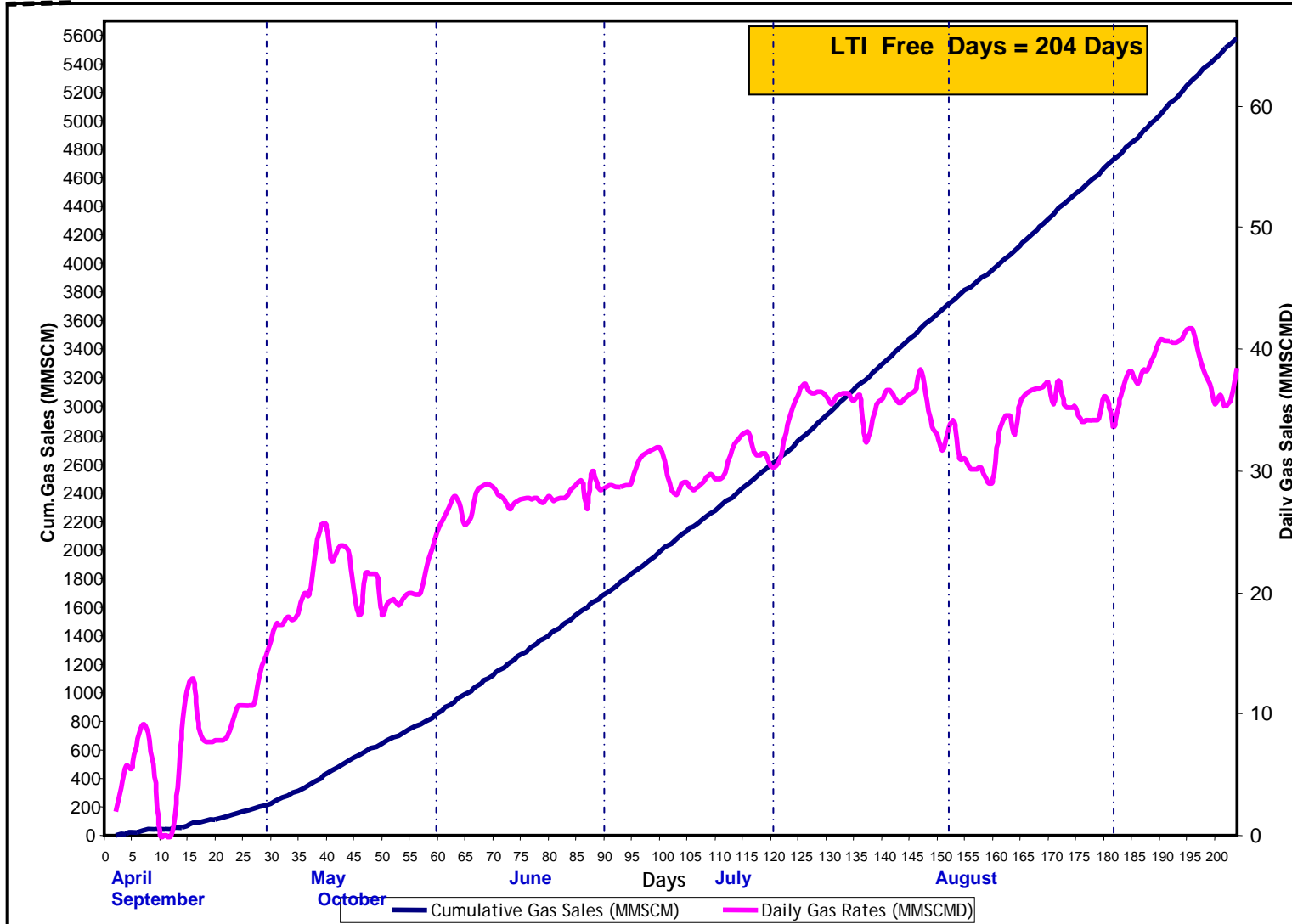
## ■ KG D6 Gas Fields

- 200 days completed with 100% uptime for planned production
- All 18 wells commissioned
- 40 MMSCMD - 50 % of plateau production achieved in a record period of 6 months through flawless commissioning and execution

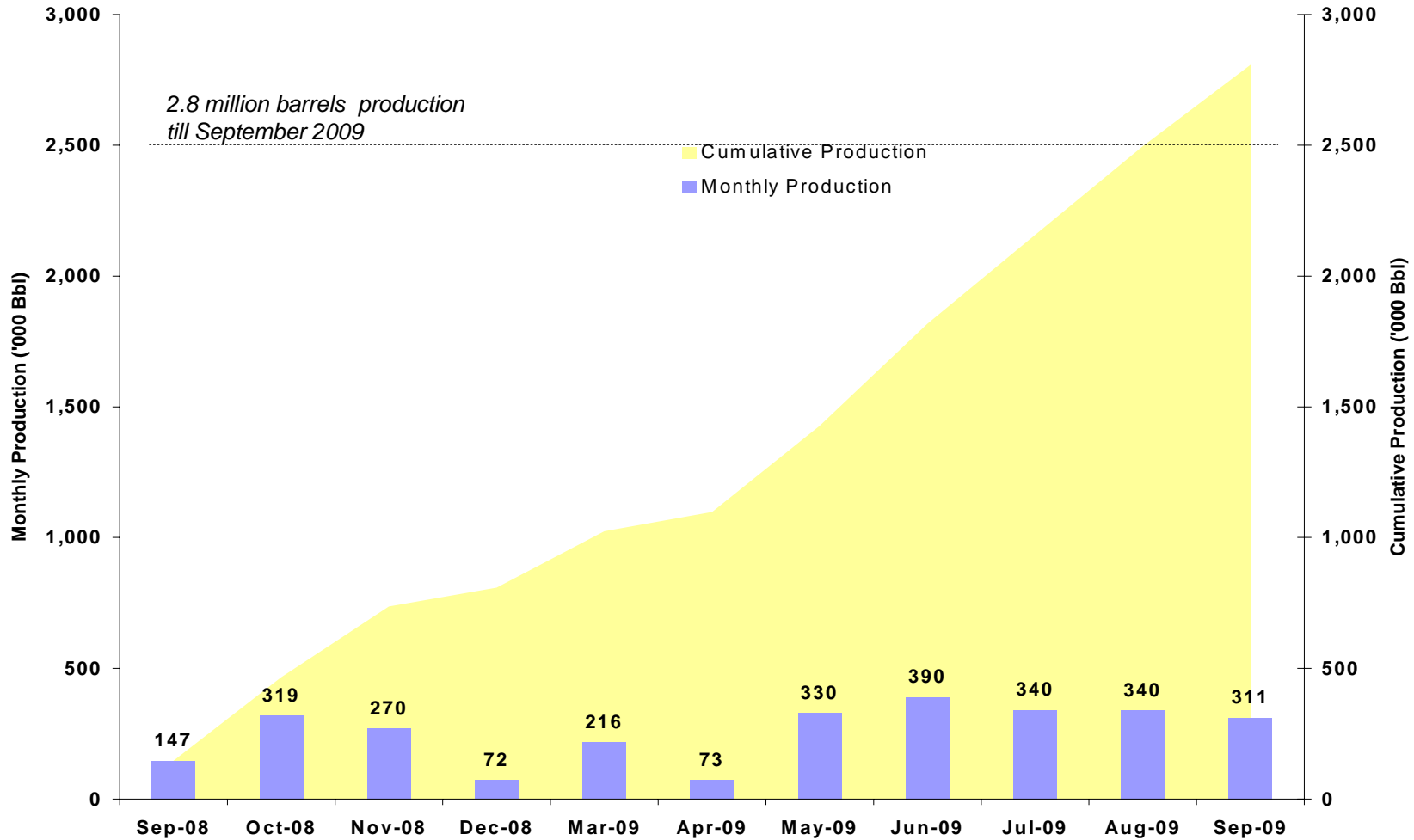
## ■ KG D6 Oil Field

- 3 wells in production with a combined rate of 10,000 BOPD

# KG D6 Gas Production Ramp Up



# KG D6 Oil Production Ramp Up



# Gas Marketing



- Gas from KG D6 block supplied to 15 fertilizers, 19 Power, 3 Steel, 1 LPG and 2 City Gas Distribution companies
- GSPA with 9 new customers for the supply of an additional 8 MMSCMD executed during the quarter. Among these, 5 customers have already started drawing gas aggregating to 5 MMSCMD
- GSPA signed with most of the customers who have been allocated KG D6 gas by Government

# Oil & Gas Outlook



- KG-D6 gas production to increase on allocation of customers and signing contracts
- KG-D6 oil ramp up in production planned for 2H FY10 on commissioning of two additional wells
- Production from PMT expected to remain stable
- Higher oil prices to provide upside for improved realization



## Refining & Marketing

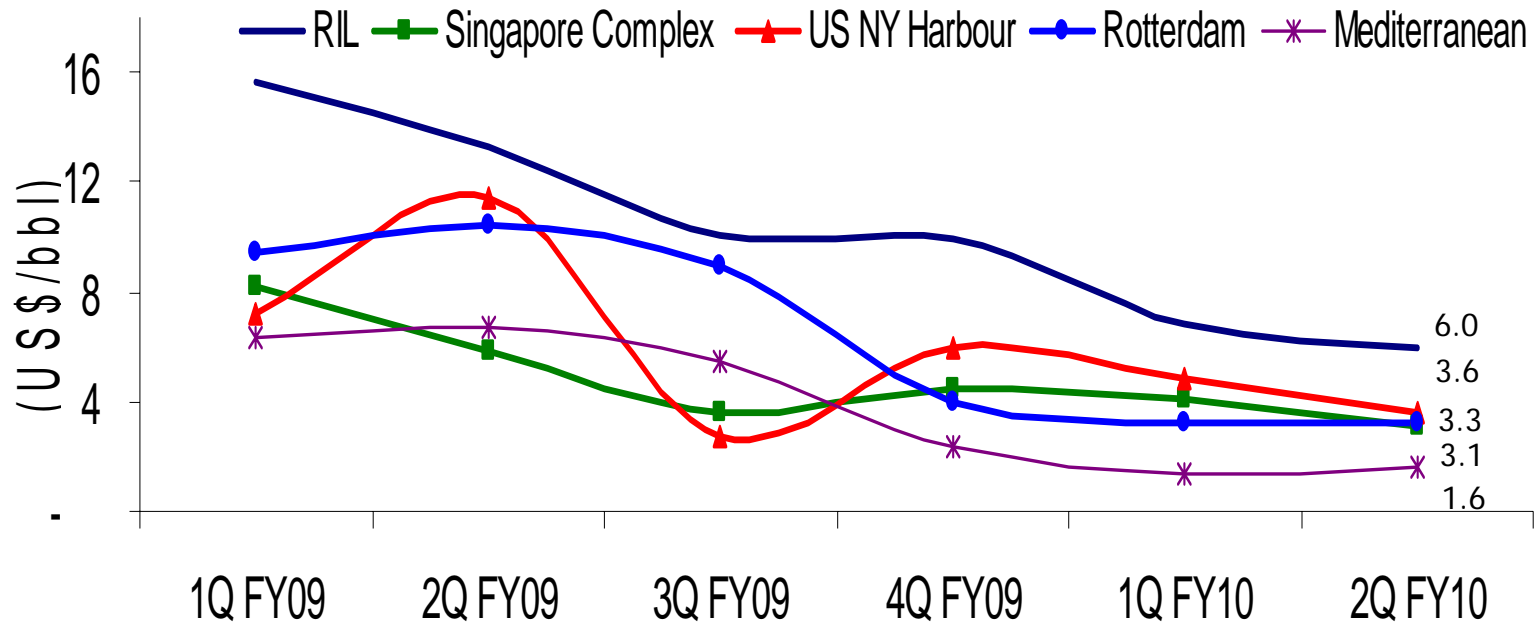
# RIL Refining & Marketing Business Highlights



- GRM of \$ 6.0 /bbl for the quarter, consistently outperforming leading regional benchmarks
- 27.63 Million tons of crude oil processed in 1HFY10. During the quarter, the refineries processed 15.63 Million tons of crude oil.
- At 101%, RIL's operating rate for the quarter was significantly higher than global averages
  - DTA operated at 88% despite the shutdown of one CDU for about 19 days
  - SEZ operated at 116% of rated capacity benefiting from the commissioning of second CDU
- Export volumes at 7.8 Million tons in 2Q FY10 across geographies
- Domestic marketing expanded with 477 retail outlets operational

Top-of-the-League performance despite tough operating environment

# Margin Benchmarking



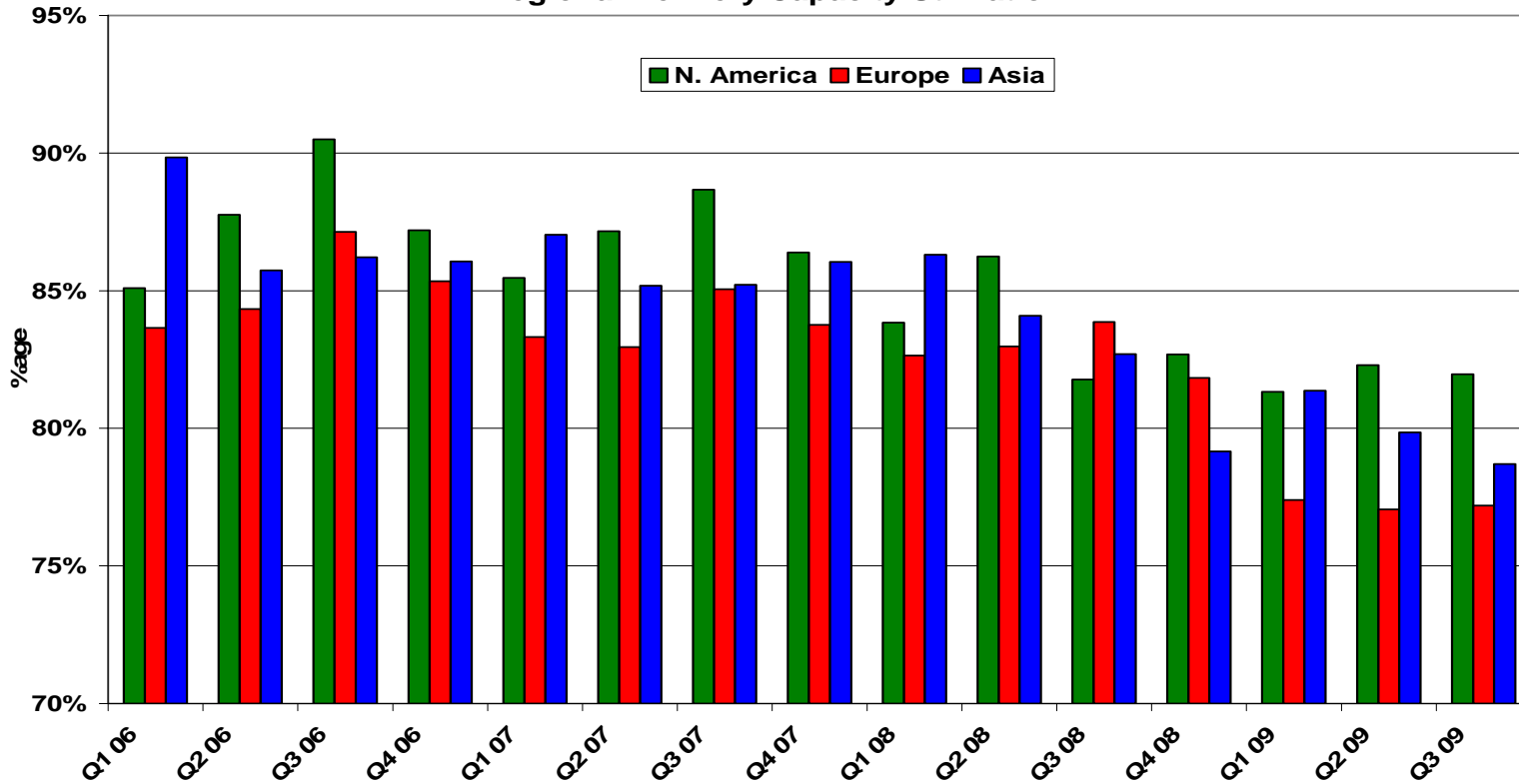
Source: Reuters / Company Data

Benefits of integration between the two refineries, balanced product portfolio and higher complexity enable the premium to benchmark refineries, despite the impact of poor light-heavy differentials

# Refinery Operating Rates



Regional Refinery Capacity Utilization



Source : ESAI

Refinery operating rates suffer in all regions for poor demand and decline in refinery margins.

# Indian Petroleum Products Demand



('000 MT)	2Q FY10	2Q FY09	% change	1H FY10	1H FY09	% change
MS	3,092	2,706	14.3%	6,317	5,506	14.7%
HSD	12,809	11,648	10.0%	27,145	25,027	8.5%
ATF	1,107	1,066	3.8%	2,225	2,232	-0.3%
Kero	2,319	2,322	-0.1%	4,636	4,625	0.2%
LPG	3,114	2,910	7.0%	6,061	5,726	5.9%
Naphtha	2,353	2,204	6.8%	4,716	4,299	9.7%
Others	6,741	6,694	0.7%	14,332	14,043	2.1%
<b>TOTAL</b>	<b>31,535</b>	<b>29,550</b>	<b>6.7%</b>	<b>65,432</b>	<b>61,458</b>	<b>6.5%</b>

Robust demand growth in the transportation fuels segment

Higher diesel consumption due to increased captive power generation and weaker monsoon

Higher penetration of personal automobiles result in stronger demand for MS

RIL ramps up its domestic business with 477 retail outlets operational

# Refinery Product Sales

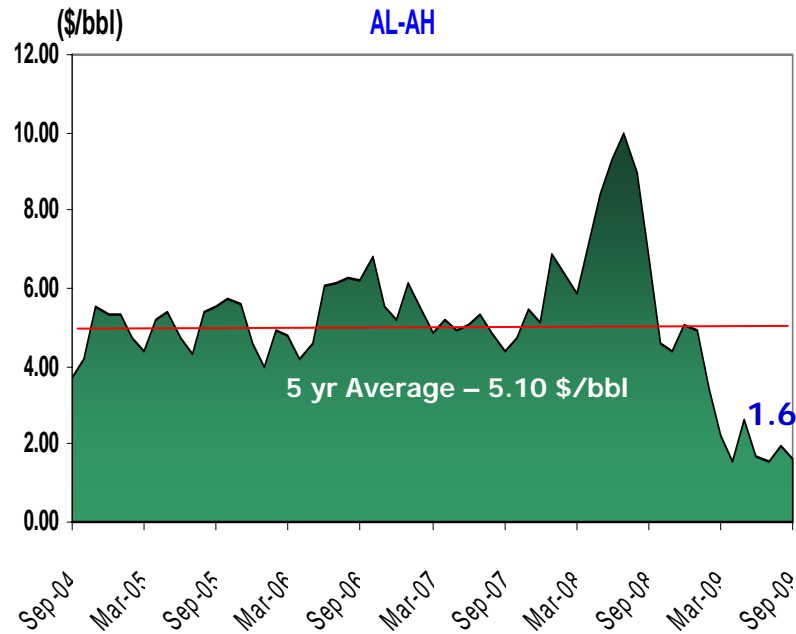
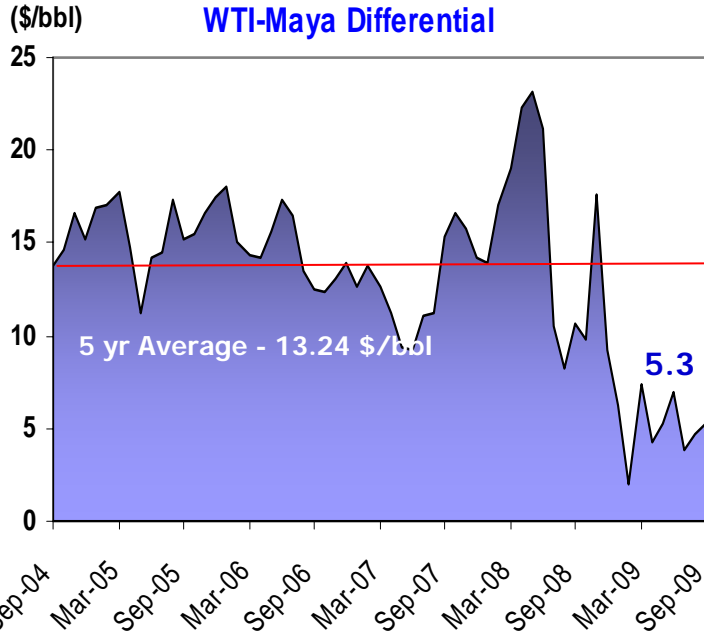


(in KT)	1H FY09	1H FY10	% change
PSU	1,348	4,412	227%
Captive	2,863	4,727	65%
Retail	46	101	120%
Others	1,769	2,584	46%
Exports	10,885	13,238	22%

Sharp increase in domestic volumes in line with growing opportunity

Push towards exports continues as the SEZ refinery gains momentum

# Light – Heavy Differential



Source: Reuters / LBS Research

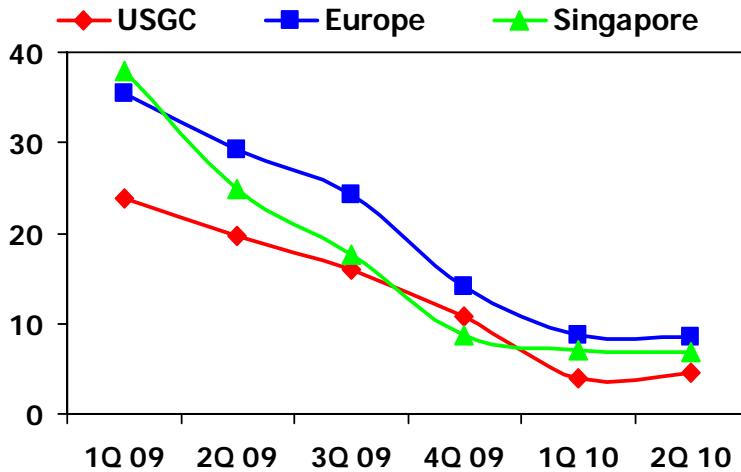
- L-H differentials remain narrow at levels significantly lower than 5-year average
- OPEC crude cuts on heavy crudes has further worsened the situation. Improving demand outlook likely to have a positive impact as OPEC enhances production
- AL-AH differentials further weakened by 0.27 \$/bbl compared to last quarter

# Product Crack Scenario

(\$/bbl)

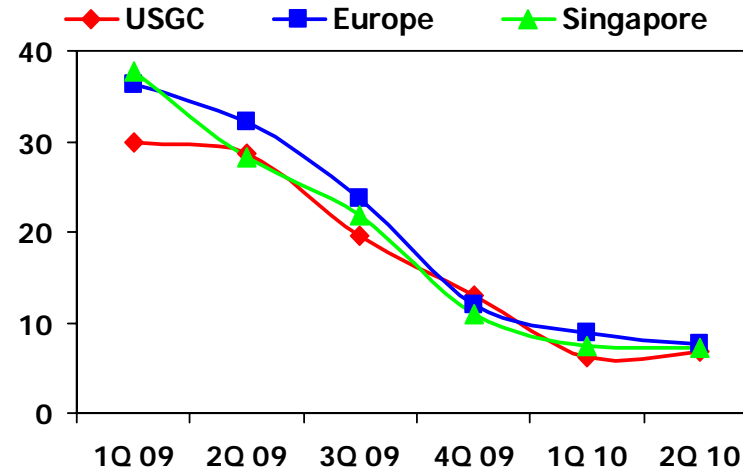


## Diesel Cracks



Source: Reuters

## Jet Kero Cracks



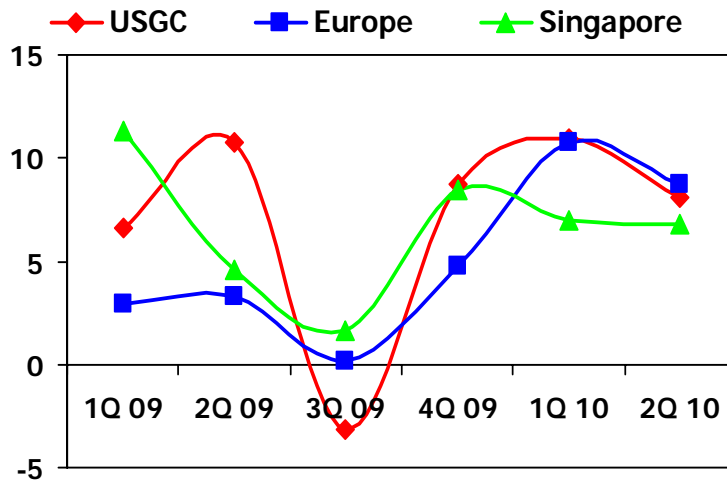
- Demand for middle distillates yet to show revival despite economic recovery – inventories are 39% above year ago levels and materially higher than the top of the five year range
- Middle distillate cracks were down in Europe and Singapore except in USGC which benefitted from regional demand spike from LatAm. With manufacturing index (ISM) past 50, signaling growth, a bounce back in demand is anticipated
- Jet-kero cracks remained depressed due to lower air travel

# Product Crack Scenario

(\$/bbl)

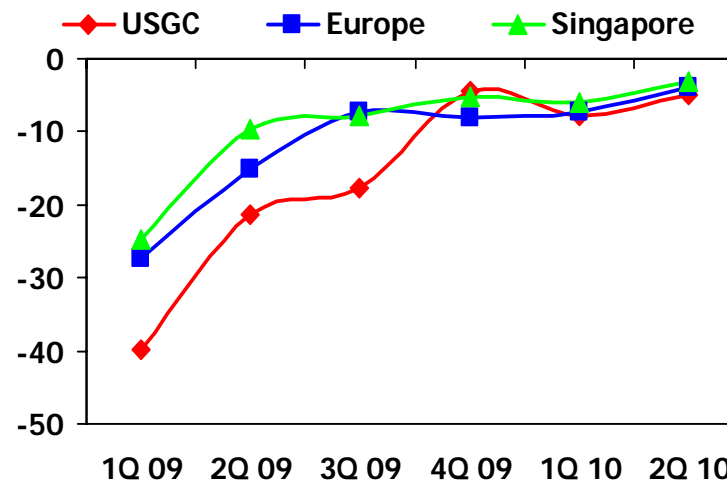


## Gasoline Cracks



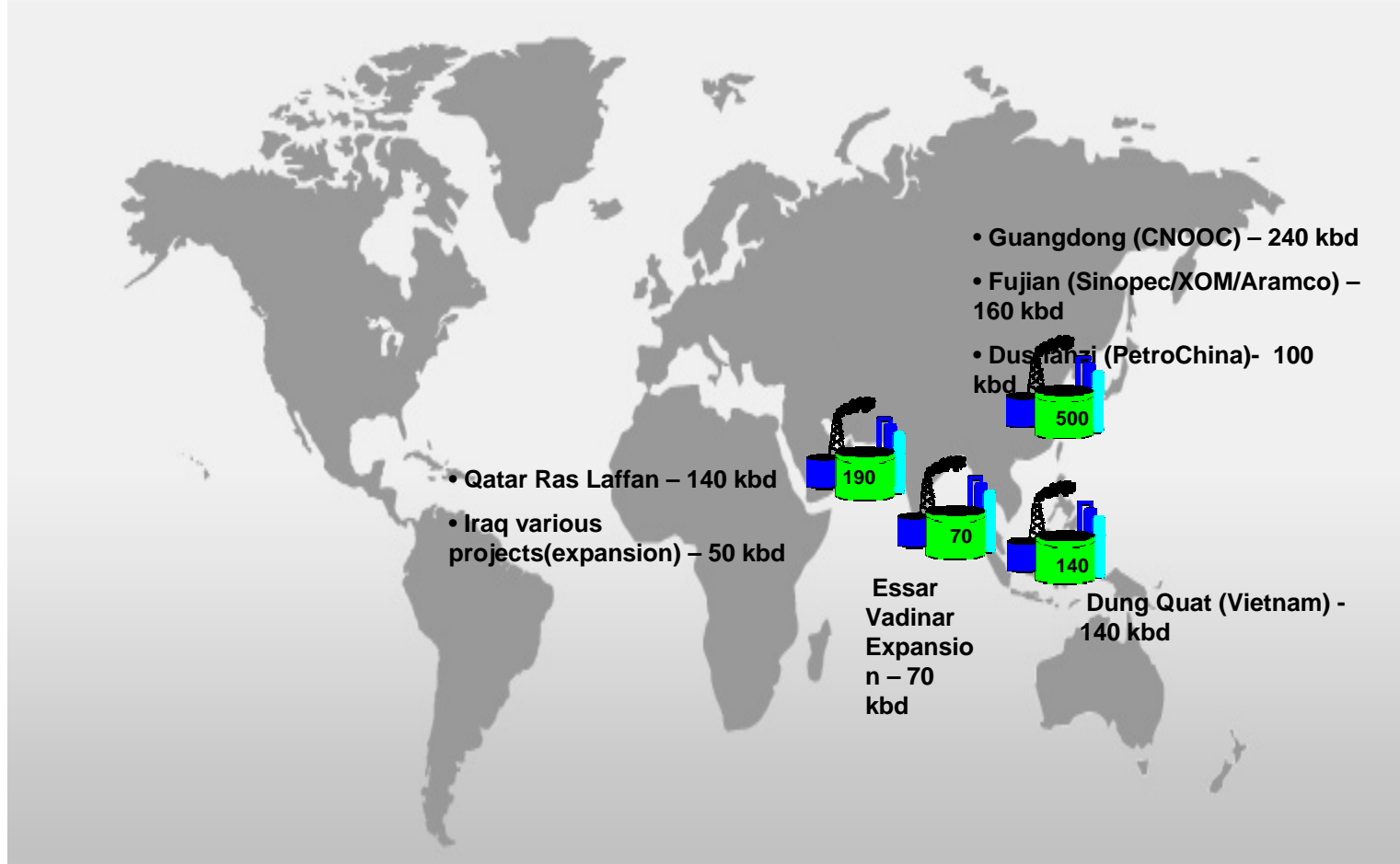
Source: Reuters

## Fuel Oil Cracks



- In the US, gasoline cracks slipped with build-up in stocks to pre-driving season level of 5.04 MMBbls which was well above the 5 year average. This, despite the positive impact of shutdowns in Europe
- Asian markets saw support on the back of positive eco indicators and outages
- Forward curve is implying strong rebound in distillate cracks

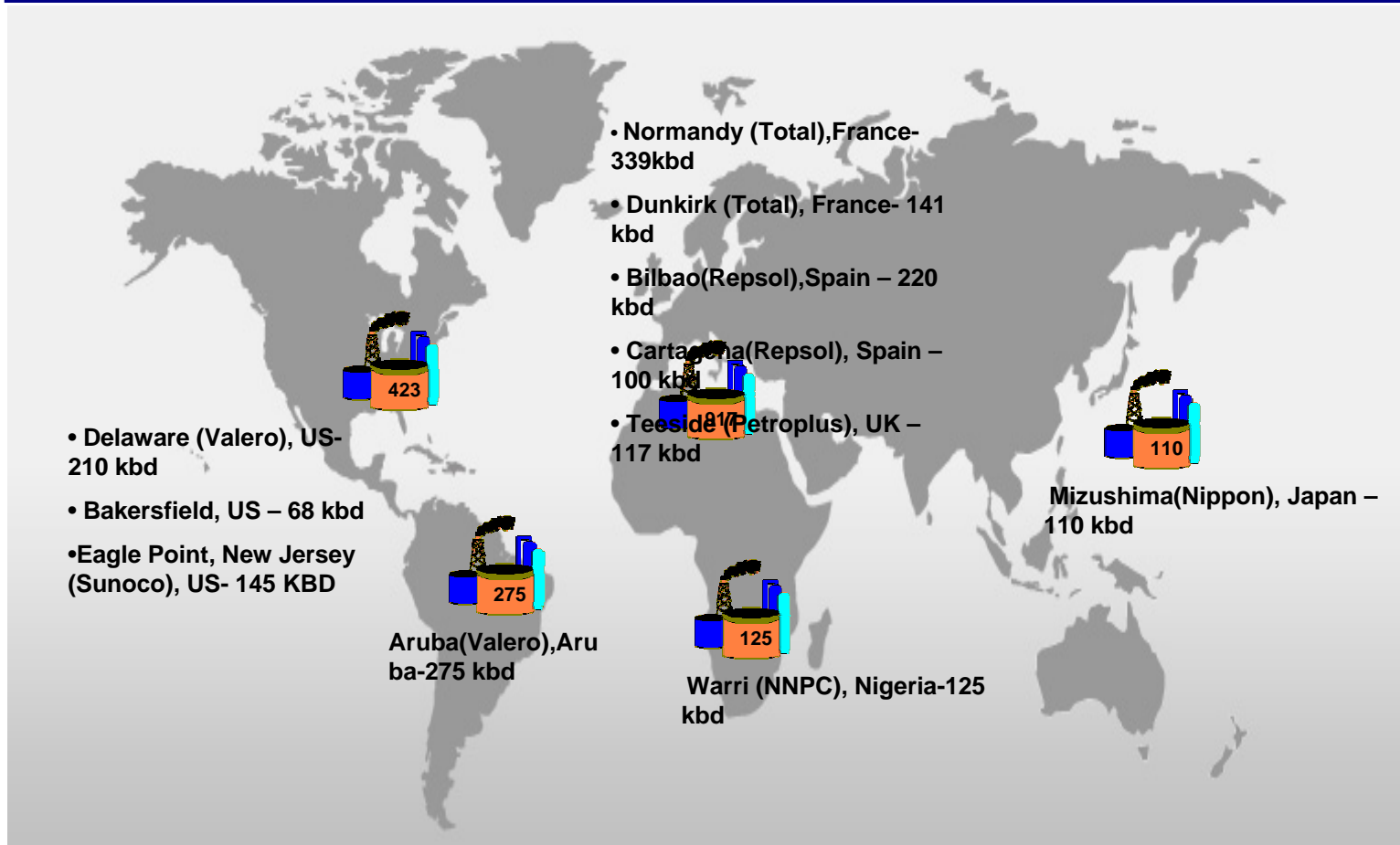
# Refinery Start-ups in 2009



Source: Market Intelligence

In addition to production from our refinery, Asia & Middle East add 900 KBD of refining capacity in 2009, mainly to cater to domestic demand

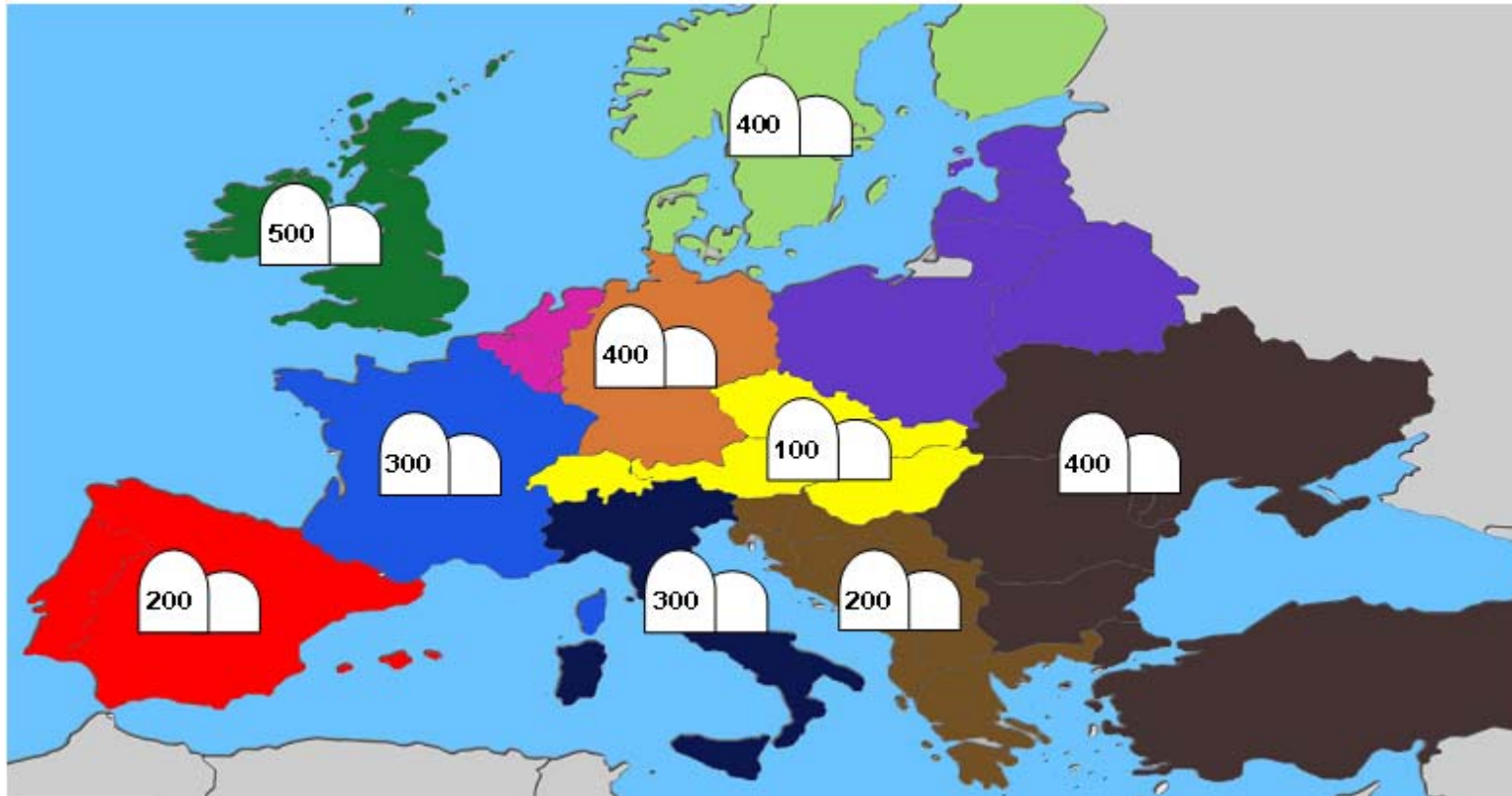
# Refinery Closures in 2009



Source: Morgan Stanley, KBC

Supply overhang resulting from demand decline results in shutdown of 1.85 Million B/D in refining capacity; Europe is especially vulnerable

# Refining Capacity at Threat



Source: JBC

Almost 2.8 Million B/D of refining capacity in Europe is vulnerable in the context of low refinery margins and decline in demand

# R&M Business Outlook



- As per IEA, Oil demand is expected to improve by 1.7% (1.4 MBD) in 2010. As production grows, L-H differentials to improve and benefit complex refineries
- Improvement in middle distillates imminent as growth in demand being led by non-OECD countries and emerging markets
- Beginning of decline in inventory levels triggered by rising demand and planned maintenance shutdowns could change outlook for gasoline
- Demand growth to outstrip functional refining capacity going forward. European refiners especially vulnerable to shutdown

The cycle is turning with margin expansion anticipated in 2010



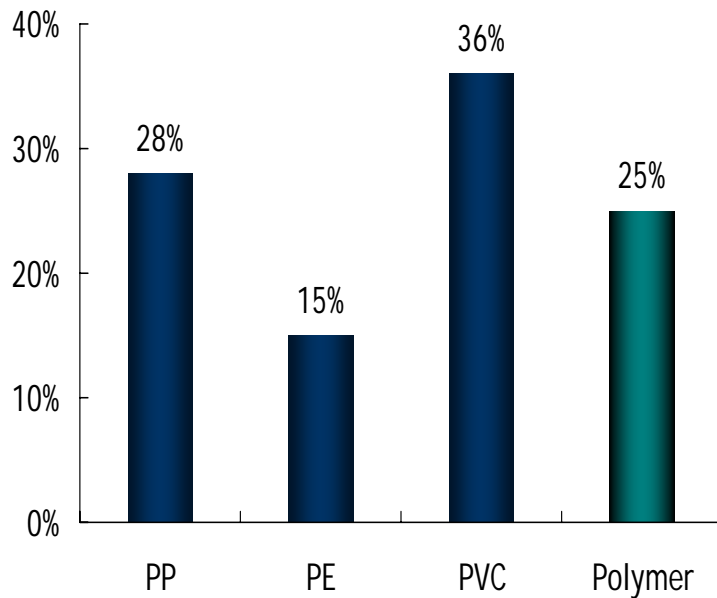
# Petrochemicals

# RIL's Petrochemicals Business Highlights



- Strong domestic orientation helped RIL in maintaining nearly 100% capacity utilization and low inventory levels
- Highest ever EBIT for a quarter and near record margins
- Strong domestic margins despite global capacity addition of 8 Million Tonnes
- Newly commissioned PP facility at the SEZ complex operated at near 100% of rated capacity. RIL's polymer production increased by 16% to 1.9 Million tons during 1HFY10
- Domestic demand bucked global trends and grew at 25% during 1HFY10 – with growth driven mainly from infrastructure and packaging sectors and the recovery in the automobile sector

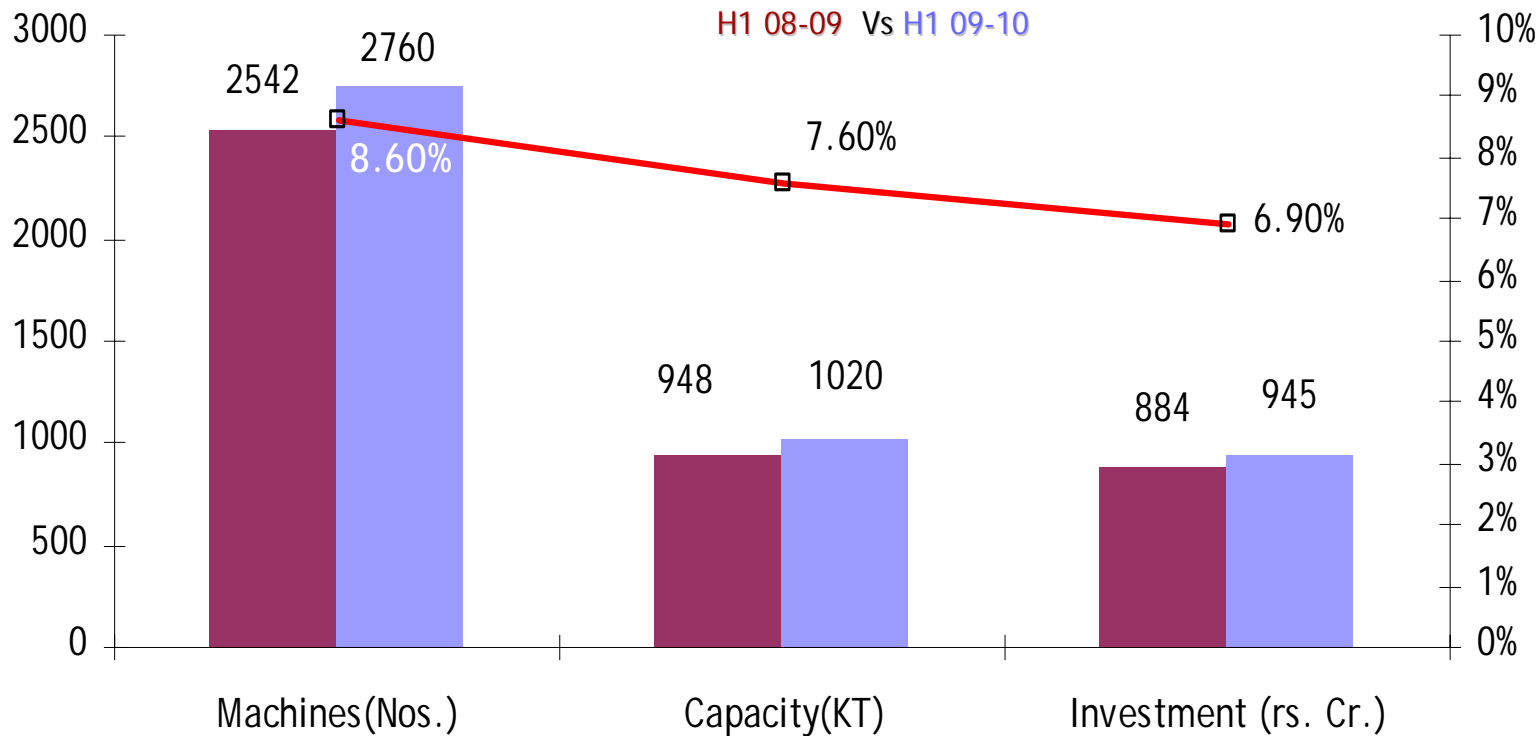
# Domestic Demand Growth Drivers



- PP – growth in containers, packaging (food and rigid) and fibre (staple and non-woven)
- PVC – Pipes and fittings, footwear and PVC sheets
- PE – HD bags, Oil containers, electrical wires and cables and co-extrusion and carrier bags

Strong domestic demand growth in essential sectors → key drivers for RIL performance

# Domestic Downstream Capacity Addition



Significant growth in IM (tanks, travel accessories), RPVC pipe (water/drainage pipes) and MLF films (food packaging)

Investments in new, non-woven medical applications

# Demand Drivers H1 2009-10



- Ongoing fiscal stimulus aids demand
- Uptick in investment & Industrial production
- Phase of destocking ends in global commodity market
- Decline in oil price volatility
- Nascent recovery in US home sales and consumption
- Rise in Asian exports



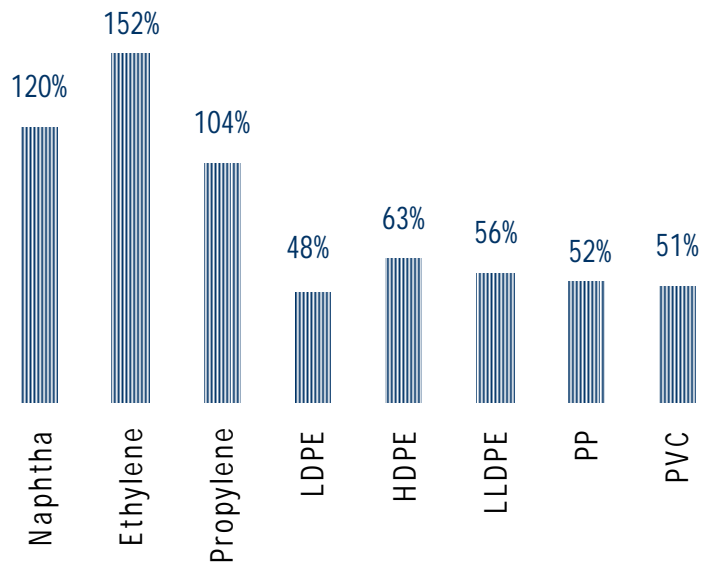
Global economy is transiting from a deep recession led by a swift turnaround in Asia

# Feedstock & Products Price Scenario



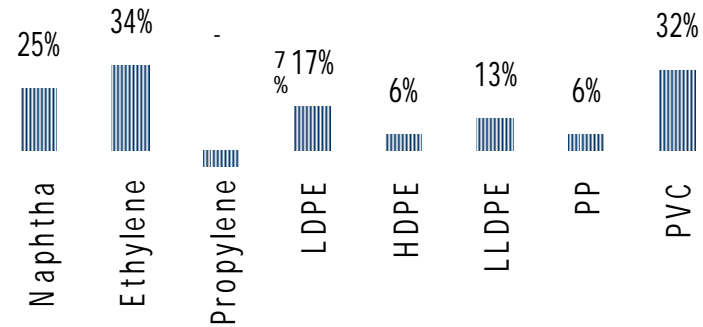
% Change from 2008 Lows

Monthly Average



% Change during H1

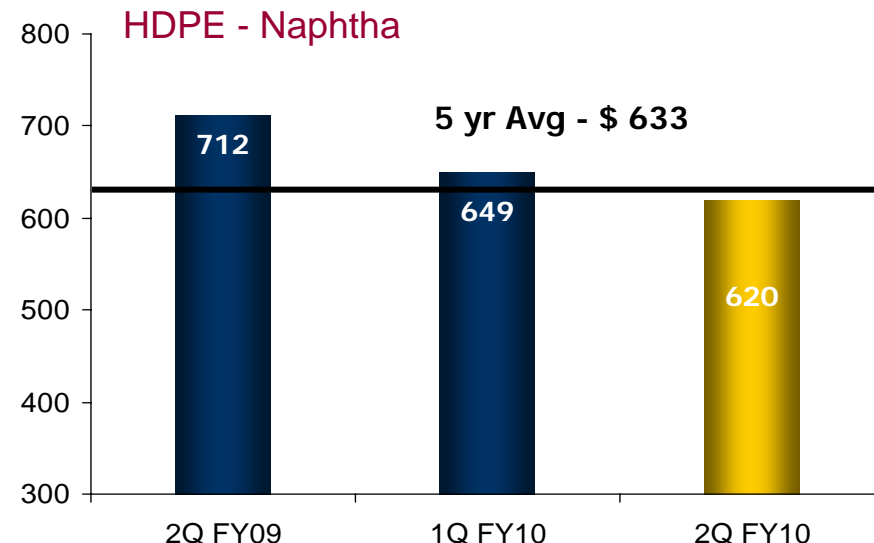
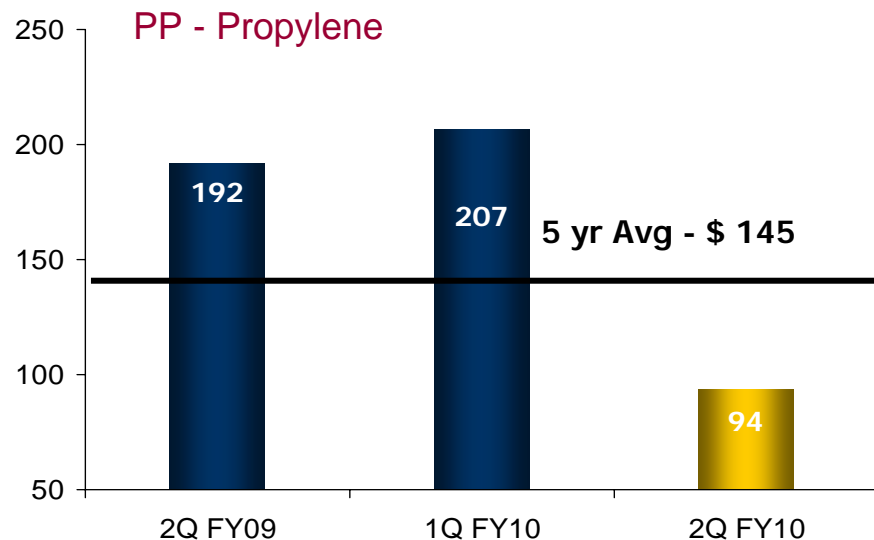
H1 Entry Vs H1 Exit



A recovery in prices during 1H 2009 due to stable crude complex & sign of economic upturn

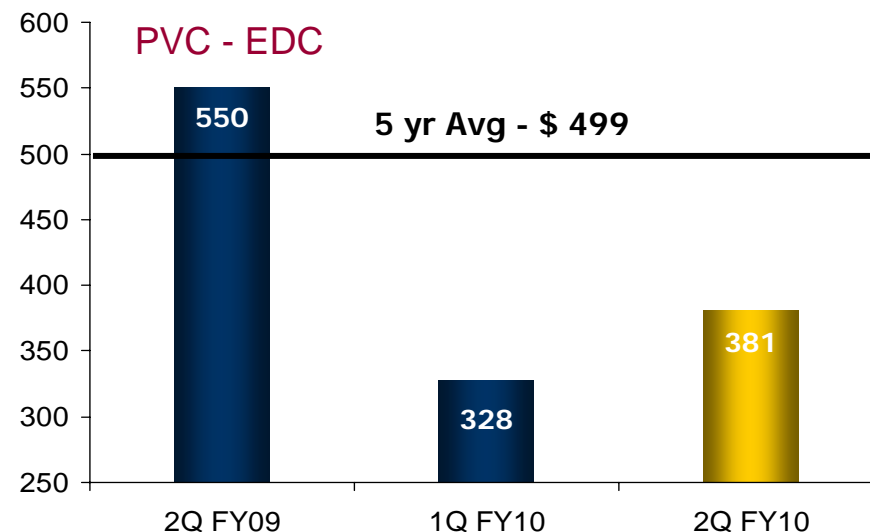
# Polymer Deltas

US\$ / MT



Source : Platts

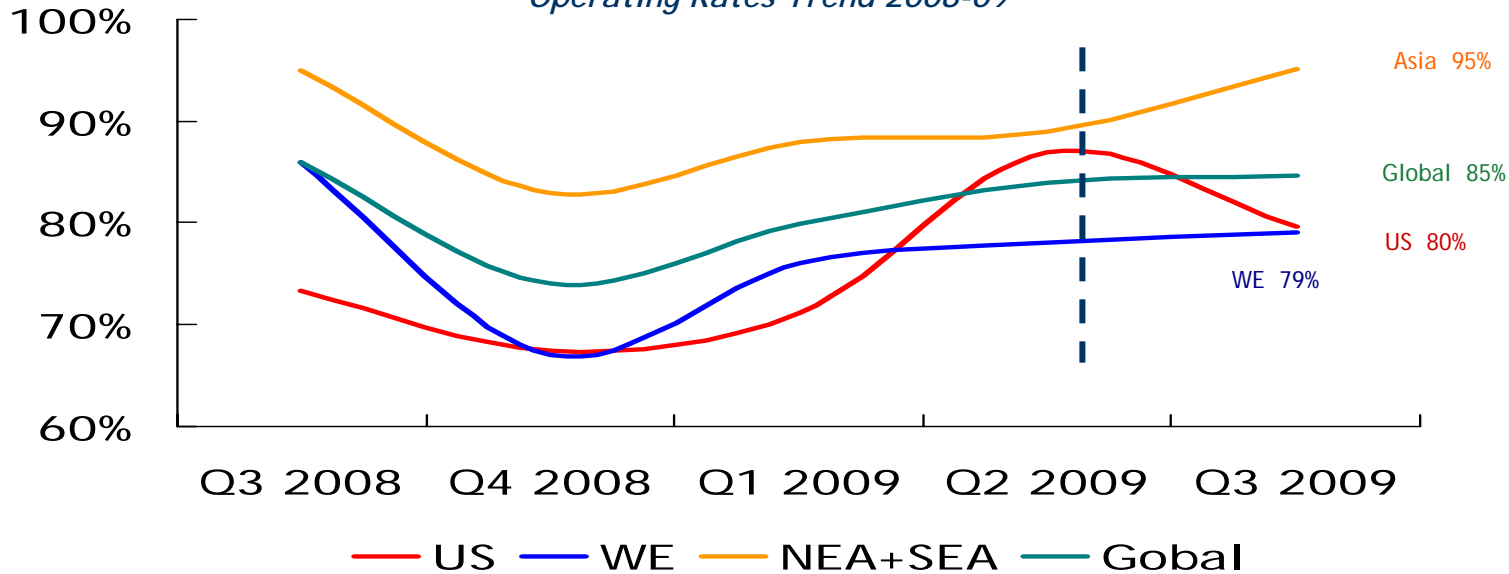
- PP margins under pressure due to new supply and lower availability as refineries cut runs
- Stable naphtha prices support PE deltas
- Resurgence in demand from infrastructure sector helps improve PVC delta on a Q-on-Q basis



# Global Operating Rates (2008-09)



Operating Rates Trend 2008-09



Source : CMAI

- Strong demand and restocking led to high capacity utilization in Asia
- Sharp decline in US operating rates amid poor demand & lower exports
- Slump in demand and new capacity from ME impact European crackers

Domestic demand continues to be key driver for healthy Asian operating rates

# 1H 2009 Cracker Capacity Additions



(Capacities in -000-mt)		Additional Capacity		
Country	Nameplate Capacities of new Crackers	Delays of 2008	2009	2010
Iran	2260	1930	330	500
Brazil	1107	1073	34	
Saudi Arabia	3033	600	2433	2067
Kuwait	850	106	744	
China	817		817	3593
UAE				700
India				600
Singapore				600
Qatar	325		325	975
Thailand	250		250	750
Debottlenecks/Closures	-508	1020	-1528	1181
<b>Total</b>	<b>8134</b>	<b>4729</b>	<b>3405</b>	<b>10966</b>

Source: CMAI, Oct 2009

Significant capacity addition in 2009-10, mainly in key growth markets

# Near Term Business Outlook



- Capacity being shut down in North America particularly the higher cost, old naphtha based crackers
- Price discipline being maintained by leading producers
- RIL to continue its predominantly domestic market orientation in order to sustain high operating rates
- Stable margin environment in 2010 as domestic market continues to grow



# Polyester Chain

# Polyester Chain Business Environment

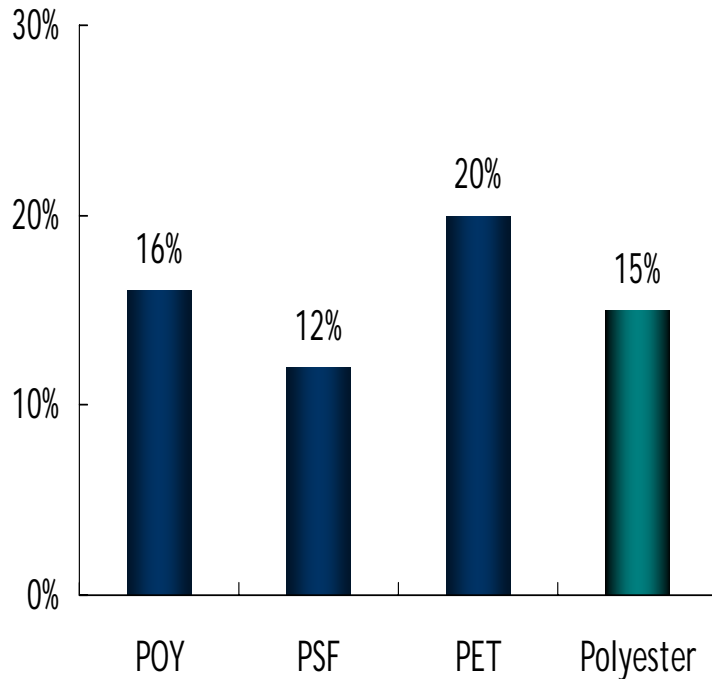


- RIL operated its polyester and fiber intermediate facilities at close to peak capacity
- Domestic demand for polyester products grew by 15%
- New investments in texturising units and fiber substitution were key drivers towards strong growth in domestic demand
- RIL's production for 1HFY10 increased by 7% and total production for the period was 831 KT
- Chain margins remained stable even as cost push from naphtha allowed for high fiber intermediate margins and stable polyester margins

# Domestic Polyester Demand Drivers



## Demand Growth in 1H FY '09-10



## Key Growth Drivers

- PSF - lower prices and higher cotton prices facilitated fiber substitution
- PFY - new downstream texturising installations, increased applications in bright and heavy denier fabrics
- PET - growth led by demand in health care, personal care, home care, confectionaries and aerated drinks

Amongst the best periods ever for all-round demand growth

# Global Product Price Movement

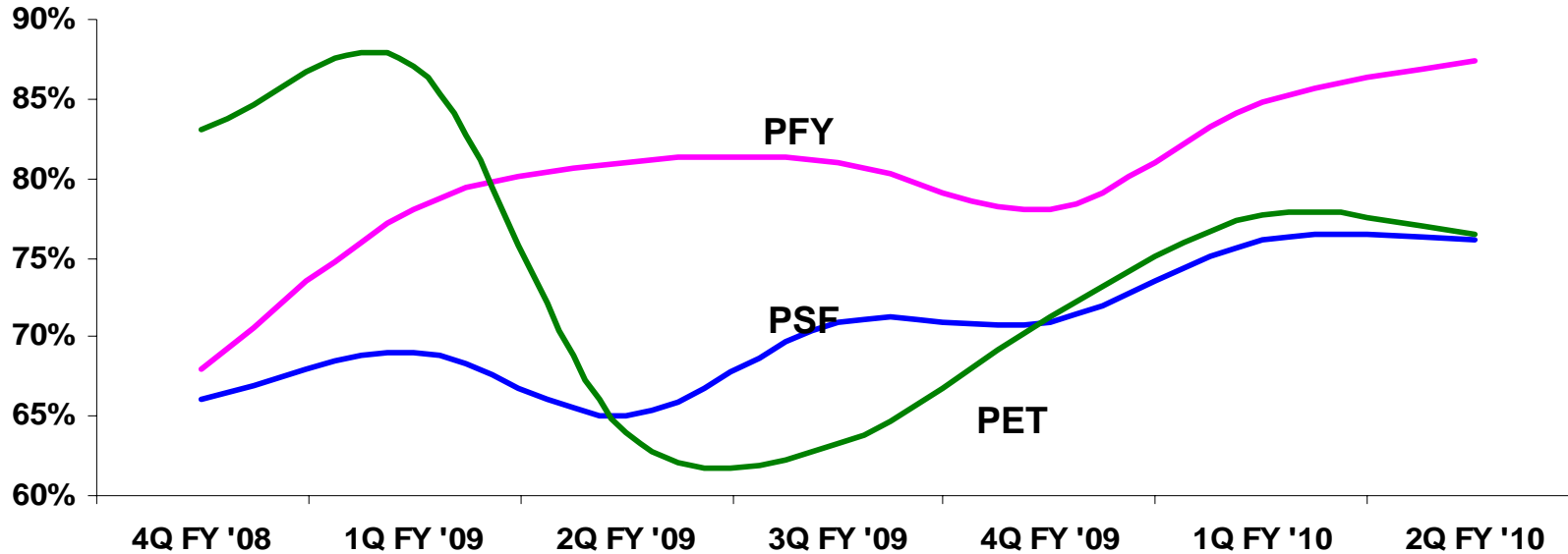


Product (\$/MT)	2Q FY09	1Q FY10	2Q FY10	% change 2Q FY10 vs. 1Q FY10
Naphtha	944	494	581	18%
PX	1,348	957	1,013	6%
PTA	1,017	850	874	3%
MEG	922	556	699	26%
POY	1,586	1,235	1,306	6%
PSF	1,476	1,125	1,196	6%
PET	1,438	1,056	1,099	4%

Pressure on fibre intermediates due to high cost push from naphtha

With the exception of PET, standalone polyester margins remain stable

# Polyester Operating Rates in China

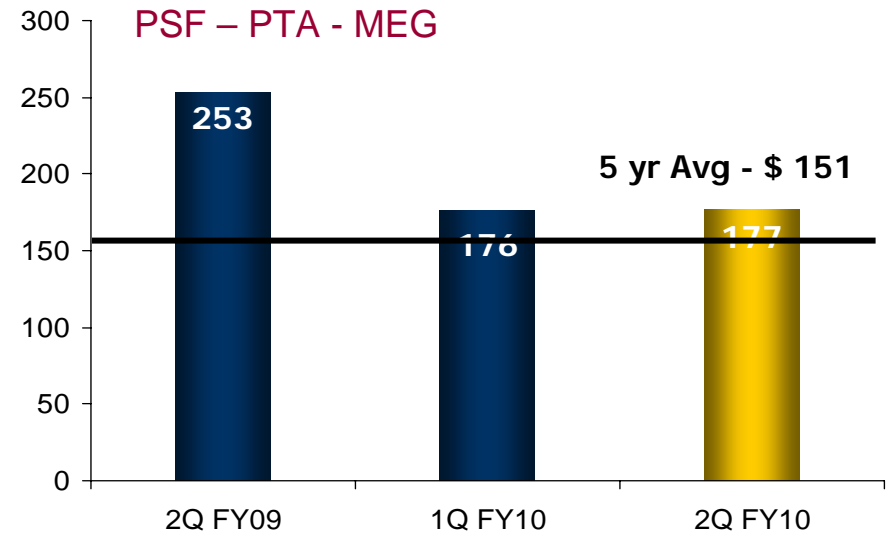
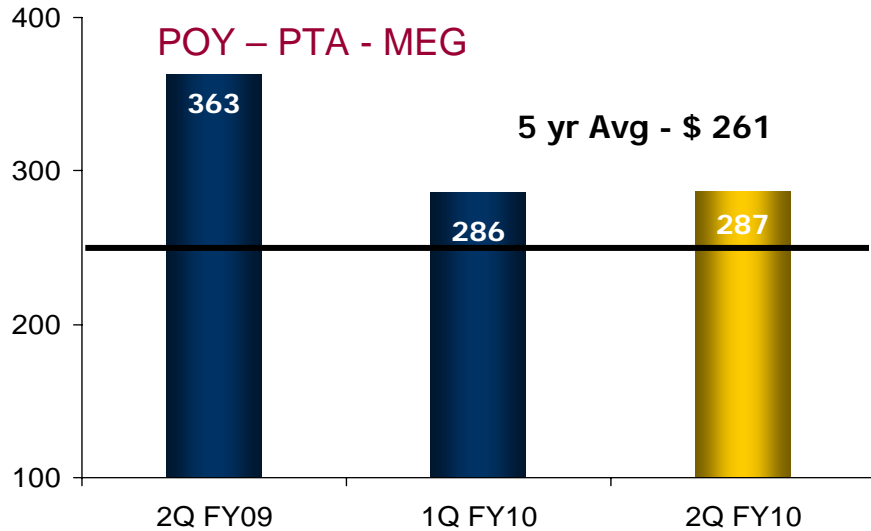


Source: CCFEI

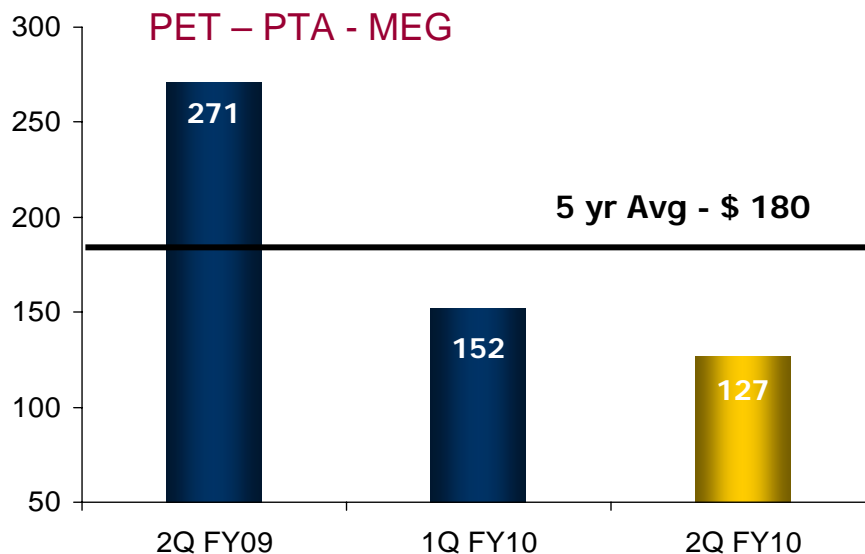
- China contributes to more than 50% of global polyester capacity
- Steady-to-firm Chinese operating rates following strong downstream demand
- PFY came out of recessionary effect first, followed by PSF and PET
- Indian operating rates higher than China with PSF at 78% and PET at 90%

# Polyester Margin Environment

US\$/MT



Source: Platts, ICIS-Lor

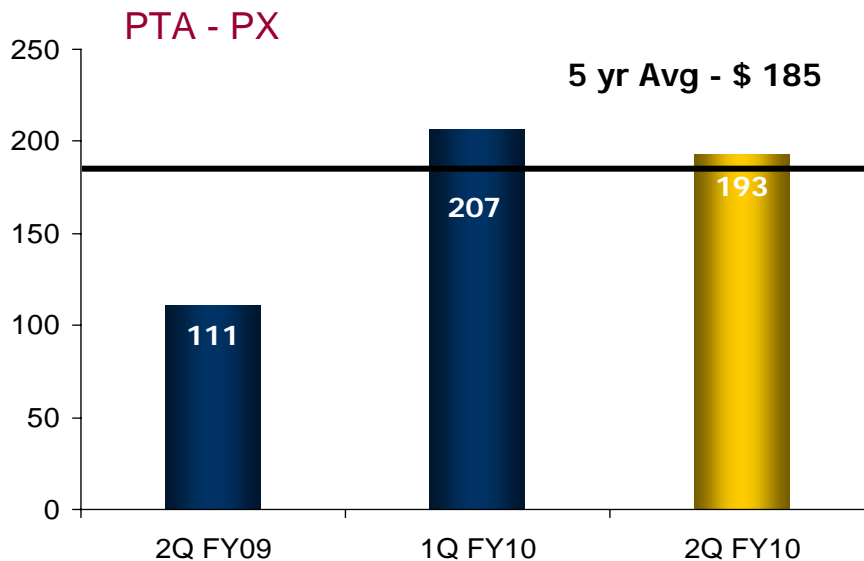
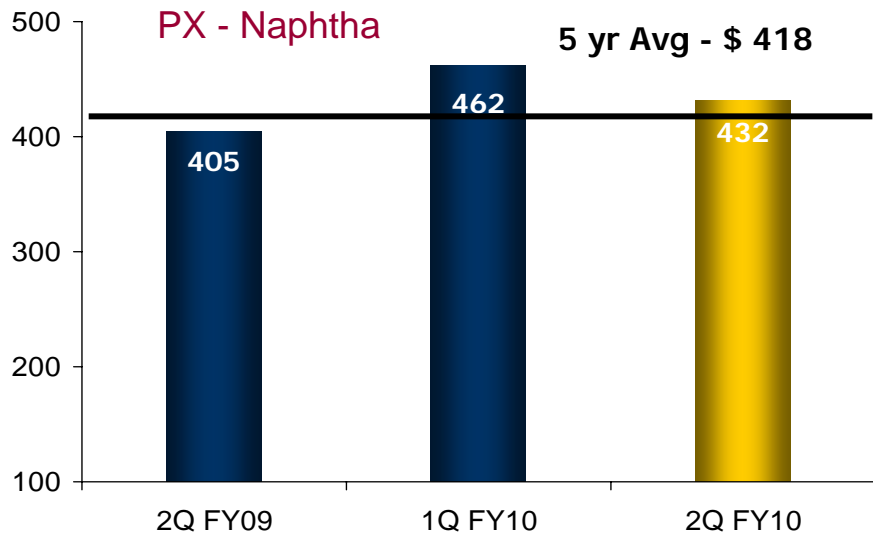


POY and PSF margins remained firm with revival in downstream textile industry

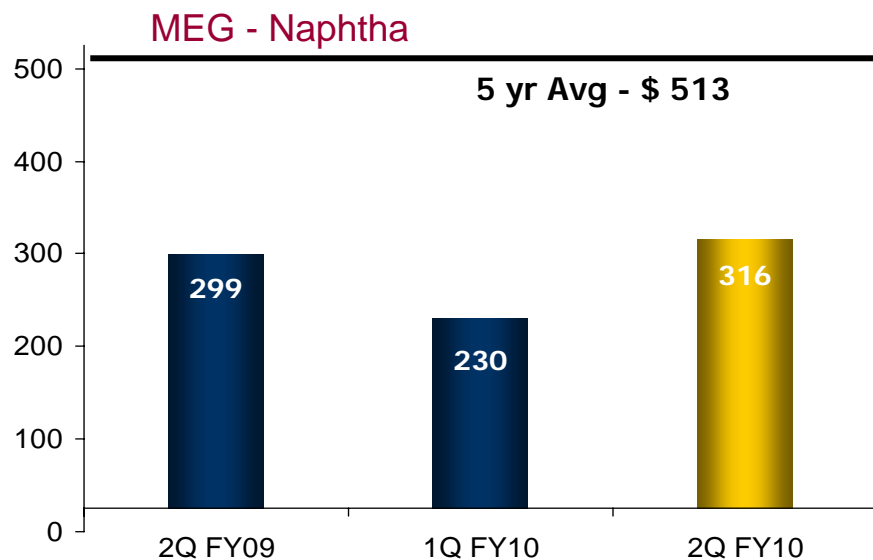
Low demand in US and Europe, high inventory levels led to pressure on prices and margins for PET

# Fiber Intermediates Margin Environment

US\$/MT



Source: Platts, ICIS-Lor



PX and PTA margins remained firm on tighter availability due to reduced refinery runs

Higher deltas for MEG due to start-up issues in the new MEG facilities in the Middle East

# Near Term Business Outlook



- Asian operating rates remain healthy despite global economic downturn
- Good domestic and international demand, and restricted supply support stable cotton prices
- Indian textile sector growing at 9% - extension of TUF to bolster further investments in the sector
- Key growth drivers arising out of new applications in technical textiles and industrial applications

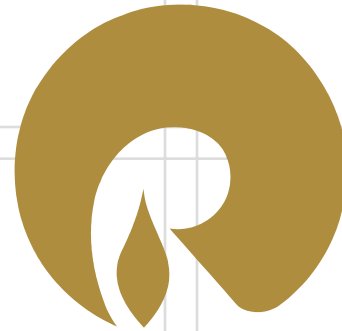


# Summary

# Summary



- World-class refinery and KG D6 oil and gas performing to expectations
- Thrust on sustaining high operating rates and maximizing margins
- E&P set to play a more meaningful role in the growth of the Company –  
now accounts for 25% of EBIT
- Earnings growth to come from higher volumes and better margin  
environment
- Top quartile refining and petrochemical assets to provide industry leading  
returns



Thank You

