

Reliance Industries Limited

Financial Presentation H1 FY 2003-04

October 16, 2003

Forward Looking Statements



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

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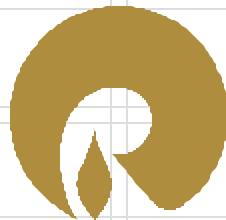


Macro Economic Environment

Financial Performance

Business Review

Summary



Macro Economic Environment

Positive Macro Economic Environment



- Good monsoons – key driver for rural demand
- Strong Liquidity flows – FDI, FII, domestic
- Interest rates at historic lows
- Relatively low inflation – support to retail consumer spending
- Rising non-oil imports – capital goods imports up
- Increased global competitiveness of Indian corporates

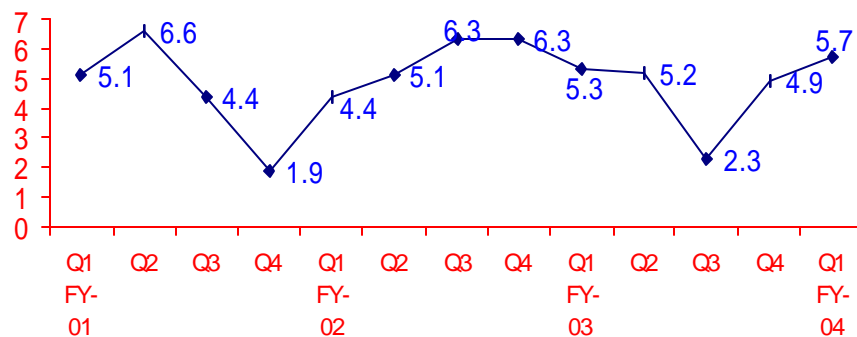
The feel-good factor returns to the Indian economy!

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Highest GDP growth rates in the World



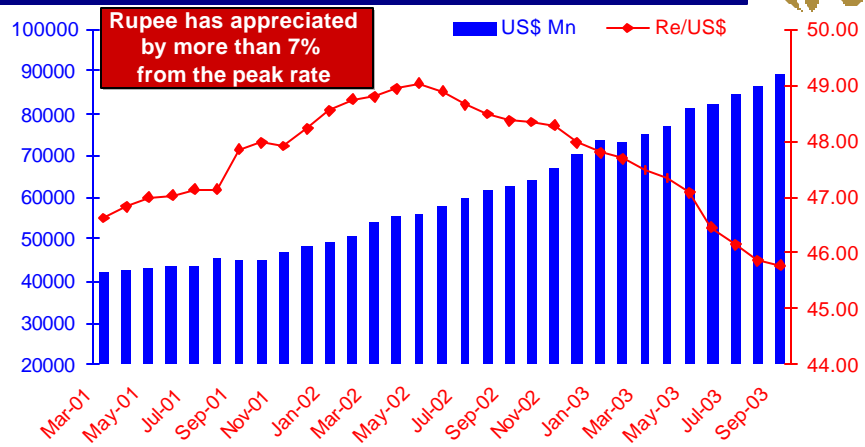
Quarterly GDP Growth Rates in %



India heads towards 7% plus GDP growth levels, even as global economic growth inches ahead at 2-3%!

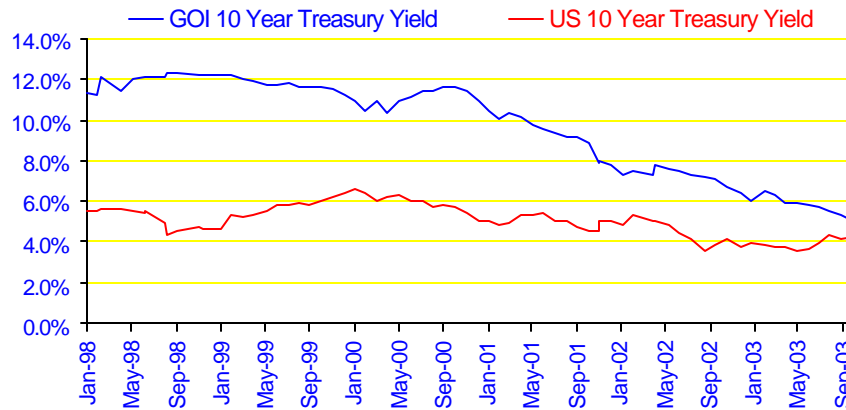
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A New Trend – Rupee Appreciation!

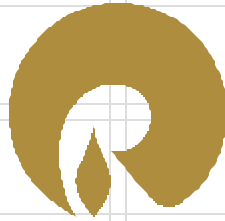


India has the 6th largest foreign exchange reserves in the world - expected to increase to over US\$ 100 billion this fiscal

Falling Interest Rates



The gap between domestic and international long term interest rates has virtually been eliminated - enhancing competitiveness of Indian industry



Financial Performance H1 FY 2003-04

RIL – H1 Performance Highlights



- Net profit at Rs 2,367 crore (US\$ 516 million), up 23%, after providing VRS of Rs 107 crore (US\$ 23 million)
- Cash profit of Rs 4,215 crore (US\$ 919 million), up 15%
- Refinery operated at 112% capacity utilisation - 15.2 million tonnes of crude processed at Jamnagar
- Petrochemicals operated at nearly 100% despite paraxylene plant shut down – production at 6.03 million tonnes, up 1.4%
- Exports US\$ 1,709 million (Rs 7,837 crore), up 41% - 78% of revenues still generated through domestic sales

Record operational and financial performance in the first half of the current financial year

Key Drivers of Strong Performance



- Robust demand growth for petrochemical products, particularly in polymers
- Capacity utilisation levels at 100%+ levels
- Improvement in operating margins
- Continuing focus on specialities
- Productivity and efficiency gains
- Improvement in working capital management
- Reduction in financial costs

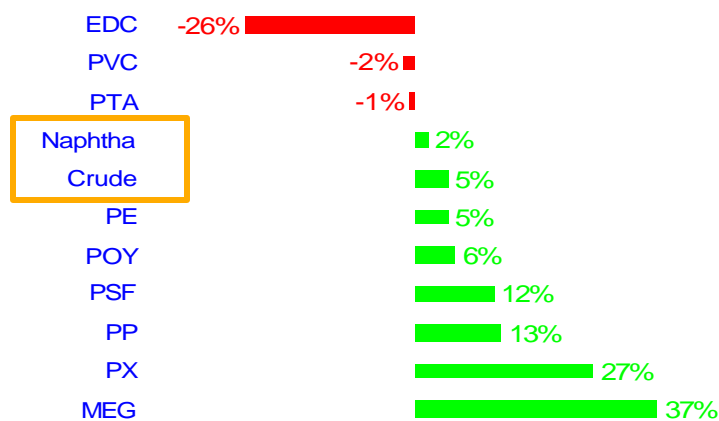
Reliance's operational and financial strengths have enabled it to maintain performance through varied industry conditions

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Operating Environment – Trends in feedstock and product prices



% change in International prices – H1 FY-04 over H1 FY-03



Increases in petrochemical products selling prices outpaced the rise in key feedstock prices, leading to improvement in margins

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RIL Income Statement for H1 FY 2003-04



	H1 FY 2003-04		% Change
	Rs crore	\$ mn	
Gross Turnover	35,202	7,675	+11%
EBITDA	5,188	1,131	+13%
Interest	700	153	-15%
Depreciation	1,478	322	+13%
Tax	536	117	-5%
Net Profit	2,367	516	+23%
Cash Profit	4,215	919	+15%

Based on current financials, cash profit on an annualised basis will be around Rs 8,500 crore (US\$ 1.8 billion)

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RIL Income Statement for Q2 FY 2003-04



	Q2 FY 2003-04		% Change
	Rs crore	\$ mn	
Gross Turnover	18,036	3,932	+11%
EBITDA	2,713	592	+15%
Interest	351	76	-15%
Depreciation	778	170	+18%
Tax	290	64	+2%
Net Profit	1,263	275	+26%
Cash Profit	2,241	489	+20%

Net profit has increased 29% on quarter-on-quarter basis, prior to VRS payments

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RIL – US GAAP Reconciliation



	Indian GAAP US\$ mn	US GAAP US\$ mn
Consolidated Net Profit	524	531
Difference	7	

Just over 1% difference between Indian and US GAAP numbers

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Segment Information for Q2 FY 2003-04



	Petrochemicals	Refining	(Rs crore) Others
Segment Revenue	7,498	10,233	305
Segment Results (EBIT)	877	796	103
EBIT Margin (%)	11.7%	7.8%	33.6%
Capital Employed	12,780	23,314	3,554
Return on Capital Employed (ROCE)	27.4%	13.7%	11.6%

Petrochemicals EBIT margin has improved, while refining margins have remained stable

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Reliance India's Largest Exporter



- Reliance is by far the largest exporter in India with exports of Rs 7,837 crore (US\$ 1,709 million) for H1 – nearly 6% of India's total exports during Apr-Sept 2003 period
- RIL exports products to over 100 countries – yet exports account for only 22% of turnover
- Offices in China, UAE, Vietnam, Turkey and Indonesia
- Exports increased 41% in the first half in an environment of an appreciating domestic currency, reflecting Reliance's enhanced global competitiveness

Reliance's record exports demonstrate the international quality of its products, and its ability to compete against global leaders

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RIL Profitability Ratios



	H1 FY 2003-04	H1 FY 2002-03
Operating margin (%)	13.5%	13.2%
Net profit margin (%)	7%	6%
EPS - Rs (\$)	33.9(0.74)	27.4(0.57)
Cash EPS - Rs (\$)	60.4(1.32)	52.2(1.08)
ROCE (%)	12.6%	11.5%

The RIL stock price is currently trading at just 8 times cash earnings

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RIL Liquidity Ratios



	H1 FY 2003-04	H1 FY 2002-03
Net Debt:Equity	0.59:1	0.57:1
Net Gearing (%)	37.3%	36.1%
Net Interest Cover	17.3	10.4

RIL's debt has an average maturity of 7 years, and the weighted average cost of debt is 8%

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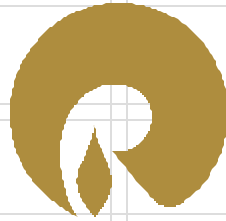
Top End Credit Ratings



- CRISIL has maintained "AAA" ratings of Reliance for the last 10 years – RIL's assets have grown from Rs 1,930 crore to Rs 63,737 crore during this period
- FITCH has reaffirmed '1nd AAA" rating, reflecting highest credit quality
- Moody's revised its outlook from "Negative" to "Stable" in a matter of just six months - attributed to strong operating performance in Q1 FY 2003-04 and abating risks in the Infocomm business
- This week, S & P has re-affirmed Reliance's "constrained by sovereign" ratings

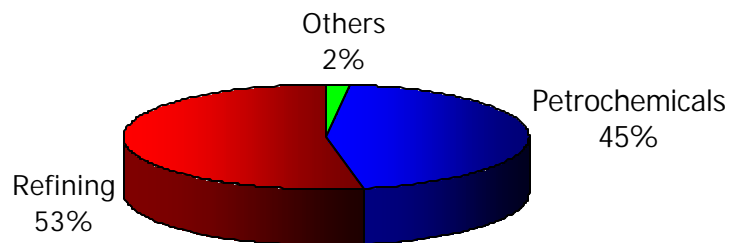
Reliance's conservative financial policy supports its domestic and international ratings

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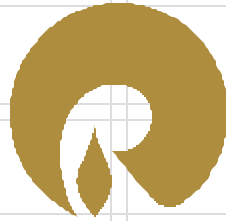


Business Review

Business Mix for H1 FY 2003-04



98% of RIL's revenues are generated from the refining and petrochemicals businesses – contribution from Oil & Gas business to increase significantly in the future



Upstream - Exploration & Production (E&P)

Reliance's Upstream Business



- Reliance holds 30% interest in the producing Panna, Mukta and Tapti oil and gas fields
- Reliance has acquired 32 blocks in India in the last few years – 90% interest in 25 blocks, and 40% - 100% interest in remaining blocks
 - 2 blocks in pre-NELP round of bidding
 - 12 blocks in NELP-1
 - 4 blocks in NELP-2
 - 9 blocks in recent NELP-3
 - 5 acquired blocks
- Reliance also has two Coal Bed Methane blocks with an area of about 1000 sq.km.
- 17% interest in 1 onshore block in Yemen

RIL is the largest private sector E&P operator in India, with total acreage of over 288,000 square kilometers

World Scale Gas Discovery – KG-D6



- The largest gas discovery in the world in 2002 - India's biggest gas discovery in nearly three decades
- Gas in-place : 14 Trillion Cubic Feet - Capable of producing 60 MMSCMD - The current supply of natural gas to consumers in India is only 65 MMSCMD
- Further exploration has the potential to significantly increase the gas in-place in KG-D6 Block - about 80% of the block still to be explored
- Exploration and delineation programme being firmed up - drilling campaign to commence in the first quarter of 2004
- First gas planned in 24-30 months from Zero Date, based on timely receipt of various government and other approvals

Reliance will alter the oil and gas industry landscape in India

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Progress – Exploration Activities



- Based on 8 wells drilled in KG D-6, 6 distinct reservoirs identified – named Dhirubhai 1 to 6
- Dhirubhai 1, 2 & 3 approved for commercial development by GOI
- Technical studies for onshore terminal site and pipeline routes commenced – report expected by end 2003
- Submitted bids for 8 blocks under the fourth round of NELP
- Oil struck in one more exploration well in Yemen block – potential production of 90,000 barrels/day, nearly 3 times of Panna-Mukta fields
- RIL to incur additional capex of Rs 190 crore (US\$ 41 million) for Panna-Mukta and Tapti fields – this will increase the production by 15%

Reliance's E&P interests have a strategic fit in the overall business portfolio, and expected to generate attractive returns

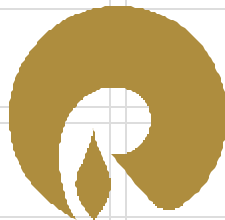
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E&P Business – Significant Contribution to Future Revenue Stream



- This gas discovery will lead to an incremental revenues of over Rs 10,000 crore annually - representing 15% of RIL's current revenues
- EBITDA margins in this business are generally in the range of 40%-50%
- Estimated pay-back period of 3-4 years conservatively
- Revenues from Oil & Gas business will enhance, and provide stability to, RIL's existing earnings stream from refining and petrochemicals businesses
- Capex of Rs 2,500 crore per annum over the next 3-4 years - to be funded through RIL's annual cash flows and debt

The contribution of the Oil & Gas business to revenues will grow from current levels of 1% to 10% - 15% in the next 3-4 years



Refining & Marketing (R&M)

R & M – First Half Operating Highlights

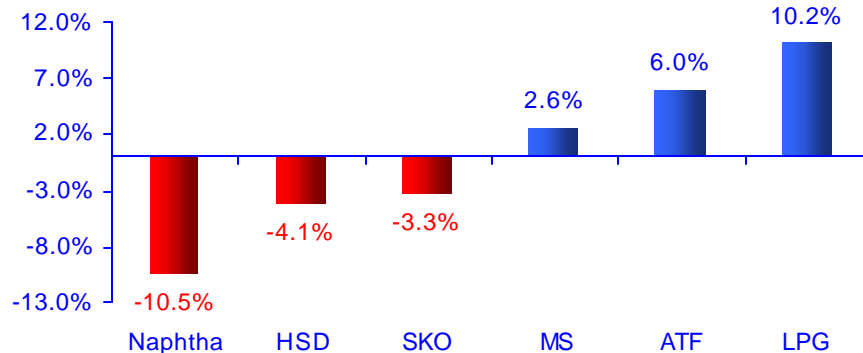


- Reliance refinery at Jamnagar processed 15.21 million tonnes of crude during the first half – an increase of 2% over the previous year first half
- Reliance's refinery continues to be the industry leader with capacity utilisation of 112%
- Crude prices continued to remain strong with Dubai Crude price ranging US\$ 25-28 / barrel
- Singapore margins remained at around US\$ 3 / barrel during the second quarter

Reliance exported about 4.4 million tonnes of petroleum products during the first half as against 3.6 million tonnes in the previous year first half – an increase of 22%

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R & M – Domestic Demand Scenario



- LPG and ATF demand continued to grow strongly – MS also maintained positive growth - HSD still in negative territory
- Overall demand for petroleum products remain subdued at -2.2% during the first half

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Factors Affecting Low HSD Demand

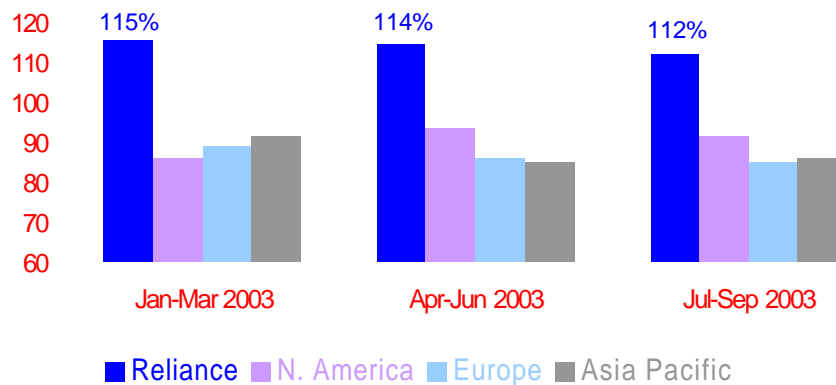


- Drop in HSD demand has been observed in the past several quarters despite growth in GDP
- Factors responsible for drop in HSD demand are:
 - increased availability of LPG and only marginal drop in PDS SKO sales has led to HSD adulteration/ substitution
 - increased use of CNG in the transport sector
 - substitution of HSD by natural gas in the industry sector
 - substantial difference between domestic HSD and SKO price encourages import of SKO and export of HSD

Historically HSD demand has moved in correlation to GDP growth rate indicating current decline may be reversed in the future

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R & M – Record Capacity Utilisation



Reliance's refinery continues to operate at over 110% utilisation rates compare to its global peers which operated at around 85-90%

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R & M - Outlook



- Refining capacity increased from 27 MTPA to 31 MTPA in FY-03
- Further debottlenecking will increase the crude processing capacity to 33 MTPA by the end of current fiscal – at marginal capital costs
- Increased throughput will enable the refinery to gain further flexibility in processing different varieties of crude
- Globally, refining margins are expected to improve due to a variety of factors such as stringent fuel specifications across the globe, demand growth in Asia, etc.
- An upbeat projection for Indian economy, good monsoon, and construction of new highways will enhance demand

Reliance will benefit significantly from future growth opportunities arising out of improvement in industry demand

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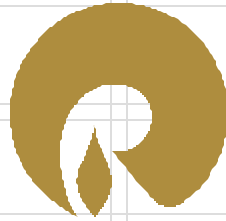
Retail Marketing Plans



- Entry into retail marketing will provide direct access to the consumer, reducing dependence on Government oil companies
- Reliance will be able to redirect export surplus into the domestic market, leading to increased margins
- RIL has approvals for setting up over 5,800 retail outlets – work underway to set up 1,500 retail outlets in Phase 1 by next year
- State-of-the-art retail network with higher throughput per outlet compared to existing industry averages
- Marketing agreement with government oil companies IOC, HPCL, and BPCL for offtake upto March 2004 – separate agreement with IOC till 2008

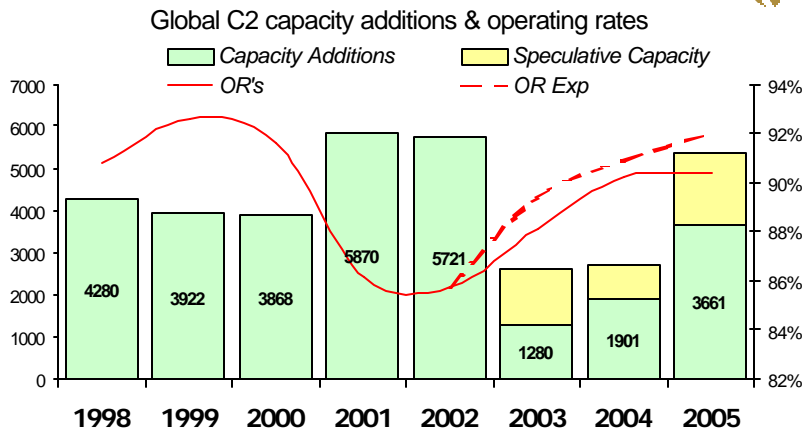
Reliance's entry into marketing will enable it to achieve downstream integration, and enhance overall return on capital

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Petrochemicals

Petrochemicals – Recovery underway with minimal capacity build-up



Source: CMAI Light Olefins 2002

No capacity addition in Middle East in 2004.....the next peak is expected in 2005

Trend in Petrochemicals Margins



	Change over FY-03	Current \$/MT	Q1 FY'04 \$/MT	FY-03 \$/MT
PE	20%	368	344	307
PP	18%	447	435	380
PVC	46%	342	280	234
POY	2%	308	326	301
PSF	38%	191	201	138

Petrochemical deltas are showing improvement over the previous year..... indicating strength in the petrochemicals up cycle

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Current Petrochemical Margins Compared to Previous Upcycle



	Current Margins \$/MT	Peak Margins \$/MT	% gap from Peak
PE	368	837	56%
PP	447	983	55%
PVC	342	736	54%
POY	308	892	65%
PSF	191	1,062	82%

Current Petrochemical margins are still at half way mark from the last upcycle of 1995-96

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Petrochemicals – Operating Highlights



- Polymers demand witnessed robust growth of 16% during the first half - industry production increased to 1.9 million tonnes, an increase 8%
- Demand for Polyester remained flat during the first half – industry production grew by 3% to 0.85 million tonnes
- Fibre intermediates demand tracked the Polyester demand
- Reliance maintained its market leadership position in the first half
 - Polyester 54%
 - Fibre Intermediates 78%
 - Polymers 48%

Reliance operated its world-class manufacturing facilities consistently at above 100% - maintaining its dominant market share in the growing Indian market

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Moving up the Value Chain - Specialties



Speciality as % of total Volume

	1999-2000	H1 2003-04	Change
POY	10%	36%	26%
PSF	41%	61%	20%
PP	17%	26%	9%
PE	13%	13%	-

Reliance's strategy of increasing specialty volumes has resulted in differentiation from commodity producers and increase in margins

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IPCL Income Statement for H1 FY2003-04



	H1 FY 2003-04		% Change
	Rs crore	\$ mn	
Gross Turnover	5,395	1,176	23%
EBITDA	568	124	13%
Profit before Tax & Extraordinary items	164	36	110%
Net Profit	93	20	138%

IPCL has recorded strong financial performance, reflecting the success of the integration exercise post acquisition by Reliance

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IPCL – Growth Continues



- IPCL continues to cross newer landmarks and successfully negotiate un-chartered territories
 - improved production performance, HSE performance
 - pioneering R & D
 - Stress on excellence thru internal and external benchmarking
- Higher asset productivity for commodity grades of polymers
- Aspiration to meet market needs – newer grades for import substitution with world-wide acceptance
- Exports of Rs 229 crore in the first half – an increase of 44%

IPCL's production during the first half increased to 2.29 million tonnes - representing a growth of 10%

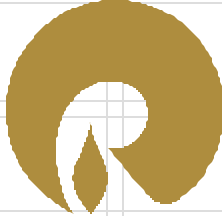
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IPCL – Government to unlock value of residual shares through Public Sale



- Encouraged by IPCL's strong financial performance, the GOI is planning to sell its 34% residual holding through an IPO
- RIL to have an **option to buy upto 5% equity** from GOI at a fair price, to reach 51% threshold
- If Reliance declines option, GOI sells entire 34% stake to public in IPO
- Assuming the offering is successfully completed, RIL is freed of its obligation to commit further capital to buy GOI's 34% stake
- Shareholders' Agreement between GOI and Reliance also then terminates, with only a few specific exclusions
- To the extent the offering is not completed, original Put and Call options as per Shareholders' Agreement survive

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Power - BSES

BSES – Acquisition by Reliance Group



- Pursuant to the second open offer at Rs 230, BSES became part of the Reliance Group on January 18, 2003
- Reliance Group now has 58.2% equity stake in BSES – valued at over Rs 3,500 crore (US\$ 760 million) at current market price
- Reliance's investments in BSES have appreciated by Rs 1,700 crore (US\$ 375 million), to the benefit of RIL's shareholders
- After acquisition by Reliance, BSES stock price has nearly doubled – huge 60% outperformance compared to BSE Sensex
- The only utility company in the benchmark index, the Sensex

The increase in stock price reflects investor confidence in future growth potential and Reliance Group sponsorship

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Income Statement for H1FY2003-04



(Rs crore)	H1FY04	H1FY03	%Change
Total Income	1,612	1,449	11%
EBITDA	339	292	16%
Interest	21	33	(36%)
Depreciation	130	128	
Tax incl. Deferred Tax	14	8	
Profit After Tax	173	123	41%
Cash Profit	303	251	21%

BSES has reported 134% yoy growth in net profit during the second quarter from Rs 37.9 crore to Rs 88.8 crore

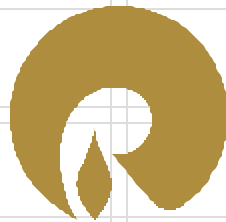
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Future Growth Opportunities



- BSES is developing a comprehensive blue print for pursuing future growth in the deregulated environment:
 - Expansion of customer base into new areas
 - Evaluation of plans for gas based power generation plant
 - Development of business plans and capabilities in Transmission and Power Trading businesses
- Transforming the organisation – people and culture

*BSES' growth strategy for the future is focused on integration –
"FROM WELL HEAD – TO WALL SOCKET"*



Reliance Infocomm

Reliance Infocomm - India's No.1 Mobile Operator



- Reliance is India's largest mobile service provider within 5 months of the commercial launch
- 4.9 mn subscribers (CDMA+GSM) nationwide as on Sept '03
- Fastest ramp-up of network – Usage of 11 crore network minutes per day
- 600 MoUs/ Month per sub – twice GSM average
- Currently acquiring 1 out of every 2 wireless subscribers in the country
- Achieved cash breakeven, likely to report net profit in the very first year of commercial operations – a record in the history of telecom industry globally

India's No. 1 wireless services operator within 5 months of launch

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The largest wireless operator within five months of launch



Operator	September 2003 (mn)	Market Share
Reliance	4.94	21%
Bharti	4.62	19%
BSNL	4.52	19%
Hutchison	3.22	13%
Tata	2.66	11%
BPL	1.30	5%
Others	2.74	11%
Total Market	24.00	100%

Source: COAI, ABTO report for Sept, 2003; Subscriber figures include GSM + CDMA Subs

Attained fastest market leadership position

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Reliance Infocomm - Roadmap



- Prepaid wireless services to be launched shortly
- Reliance India *Mobile* services available in over 480 cities – target to achieve pan India coverage of 693 cities
- Automated Retail outlets in every neighborhood for superior customer service
- Enterprise Broadband to be rolled out in phases
- Testing of Netway to begin; strategic alliance with Microsoft to develop and deploy IP TV services

Unleashing the entire digital value chain

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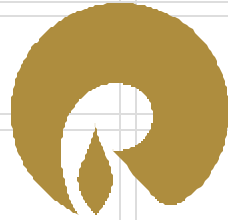
Reliance Infocomm - Capex



- Reliance Infocomm's capex budget is Rs 18,000 Crore (US\$ 3.9 billion)
- Expenditure up to Sept 2003 at Rs 9,600 Crore (US\$ 2.1 billion)
- Balance capex of Rs 8,400 Crore (US\$ 1.8 billion) to be spent over the next 18-24 months
- RIL is the lead investor with 45% equity stake
- RIL's investment in Reliance Infocomm is Rs 6,000 crore (US\$ 1.3 billion) as on Sept 2003
 - Equity : Rs 2,363 Crore (US\$ 515 million)
 - Others : Rs 3,600 Crore (US\$ 785 million)

Infocomm will finance all its future capex on the strength of its own balance sheet

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Summary

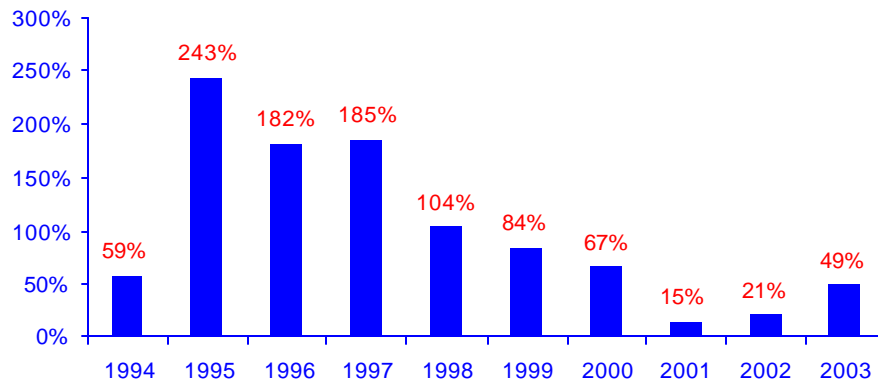
Drivers of Future Earnings Growth



- Major contribution from high margin E&P business from 2006
- Volume growth in existing refining and petrochemicals business
- Increased sale of petroleum products in domestic markets
- Marketing margins from sale of transportation fuels
- Uptrend in petrochemicals cycle
- Higher earnings for consolidation from IPCL and BSES
- Earnings from Infocomm to be consolidated from next year

Reliance is entering a period of sustained earnings growth

Reliance's Changed Profile – Coverage of Capex by Cash Flow.....



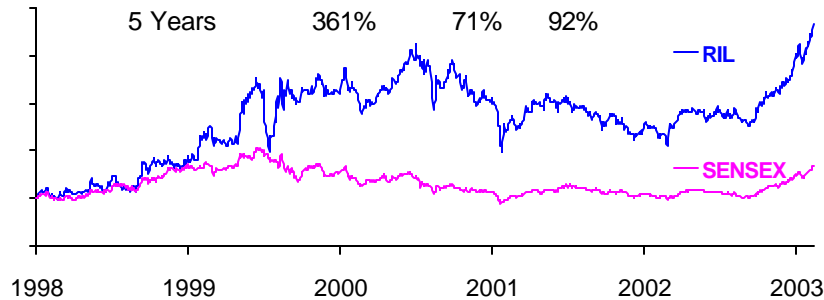
Reliance has met its entire capex from internal cash flows in the last 6 years – this trend will be maintained in the future

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Superior Share Price Performance



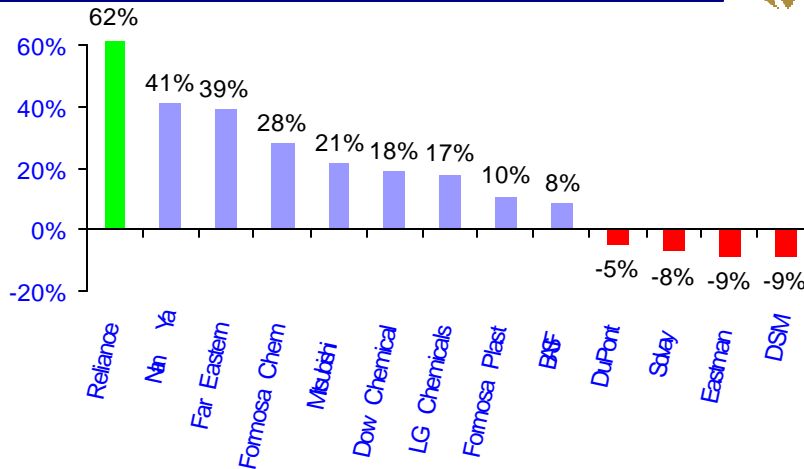
	% change		
	RIL	Sensex	Nifty
YTD	62%	44%	43%
1 Year	101%	62%	61%
2 Years	80%	64%	63%
3 Years	52%	30%	33%
5 Years	361%	71%	92%



Reliance has consistently outperformed Sensex over the last 5 years

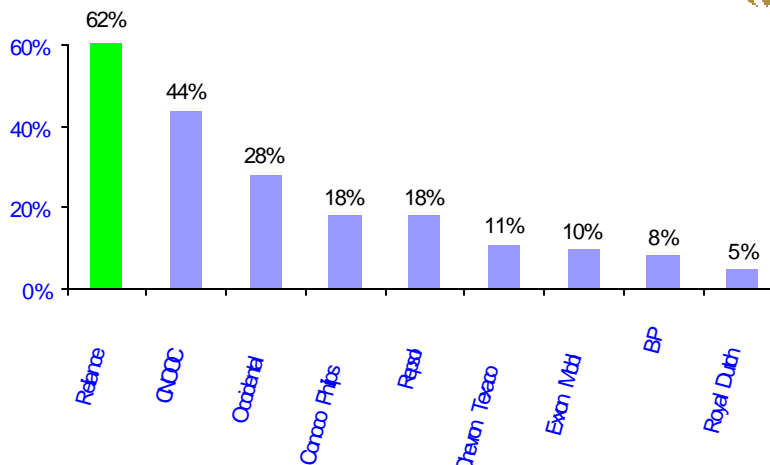
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Reliance stock has outperformed Global Chemical Companies....



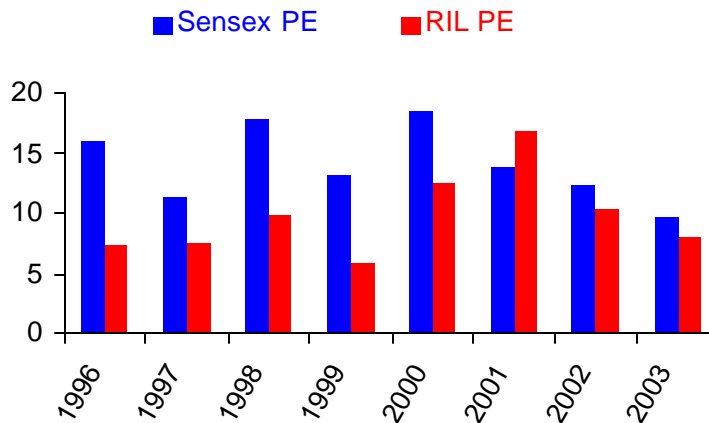
Year-to-date, Reliance leads the global chemical companies in stock price performance

.....and the integrated Oil Companies



Reliance's share has also outperformed many global heavy weights on YTD basis

Valuation - PE Multiple Trend



RIL's discount to the Sensex PE has virtually been eliminated in recent years, reflecting improved perceptions of fundamentals – presently trading at par with Sensex PE

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Reliance's Shareholding Pattern



	Sept-03	Dec-02	Change %
Promoters/Treasury stock	45.8%	45.8%	0.0%
Foreign Investors			
FIIs, etc.	20.1%	15.5%	4.6%
GDRs	6.1%	5.6%	0.5%
Banks / MFs / FIs	10.4%	13.3%	-2.9%
35 lakh retail investors	17.6%	19.8%	-2.2%

- Foreign shareholding has increased by over 5% since 1st January 2003 – inflow of over US\$ 600 million in RIL's stock
- UTI's holding in RIL has reduced from the peak of 13% to under 3%
- RIL stock is significantly under owned by domestic Mutual Funds – exposure of Rs 325 crore (US\$ 71 million) against expected Sensex weightage based exposure of Rs 2,400 crore (US\$ 525 million)

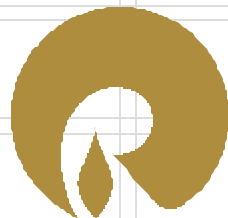
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Summary



- Reliance will generate strong cash flows estimated at over Rs 25,000 crore over the next 3-4 years – enabling the company to pursue its future growth plans
- RIL's petrochemicals business to reap the benefits of upturn in the petrochemical cycle over the next 2-3 years
- Future cash flows to improve substantially with implementation of development plans for discovered gas reserves, and entry into retail marketing of petroleum products
- Investments in Reliance Infocomm will start yielding returns from next year onwards

Reliance is India's leading private sector company – ideally positioned to participate in the growth of the Indian economy, both in the manufacturing and service sector



Growth is Life

Thank You