

Reliance Industries Ltd. Investor Presentation FY 2003-04

29th April 2004

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Forward Looking Statements

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Reliance – The Journey

Where we Started

	FY 1978
	Rs crore
Sales	120
Net Profit	7
Cash Profit	10
Networth	14
Total Assets	60
Exports	12
Market Cap	10

A first generation enterprise - maiden IPO for Rs 2.8 crore in 1978

Today

	FY 2004	CARG %
	Rs crore	1978-2004
Sales	74,418	27%
Cash Profit	9,197	30%
Net Profit	5,160	26%
Networth	34,452	34%
Total Assets	71,157	30%
Exports	14,969	30%
Market Cap	75,300	39%

Reliance is the first company in the private sector to record profit of over US\$ 1 billion

Among Top 500 Cos. Globally

	US \$ bn	
Net Profit	1.2	Amongst top 150
Net Worth	7.8	Amongst top 225
Assets	16.3	Amongst top 375
Net Sales	11.8	Amongst top 450

**Reliance aims
to rank among the
top 100 companies
globally**

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Reliance in the Global League

- Reliance's annual profits are higher than Bayer, Sony, McDonalds, Bank of China
- In Assets, Reliance is ahead of Akzo Nobel, Kodak, 3M, Dell Computers
- With market cap of over Rs 75,000 crore, Reliance ranks among the top 300 companies

**RIL's profits have
grown at CARG
of 25% over the
last 5 years**

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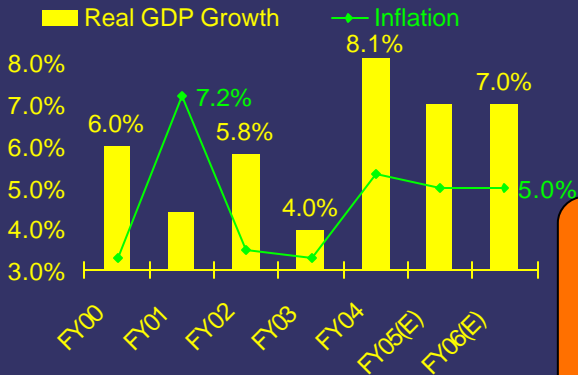
India and Reliance

- ✍ Revenues equivalent to 3% of India's GDP
- ✍ Contributing 9% of India's indirect taxes
- ✍ 6% of the country's exports
- ✍ 7% of the total market capitalisation
- ✍ 12.6% weightage in the benchmark Sensex

**1 in every 4 investors
in India
is a
Reliance shareholder**

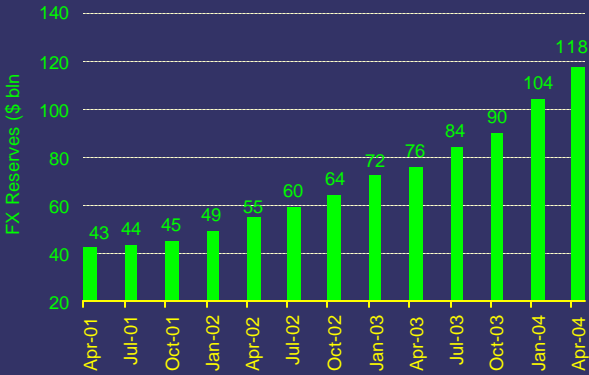
Indian Economy

India - Robust Growth



India recorded over 10% GDP growth in Q3

Growing Forex Reserves...



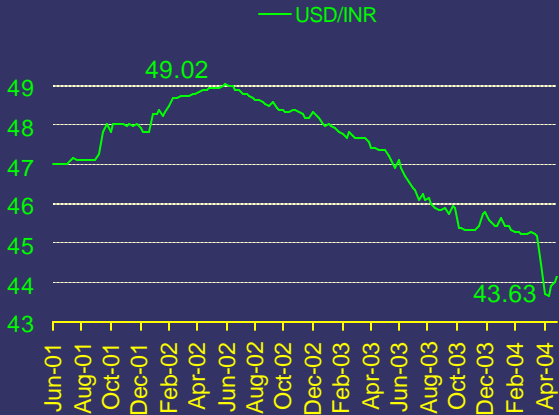
India's forex reserves have nearly trebled in last 3 years

...among the highest in the world

Country	Reserves (US\$ Billion)
1) Japan	827
2) China	440
3) Taiwan	227
4) South Korea	164
5) Hong Kong	124
6) India	118
7) Singapore	103
8) Malaysia	51
9) UK	46
10) Thailand	43
11) Italy	36
12) Canada	36

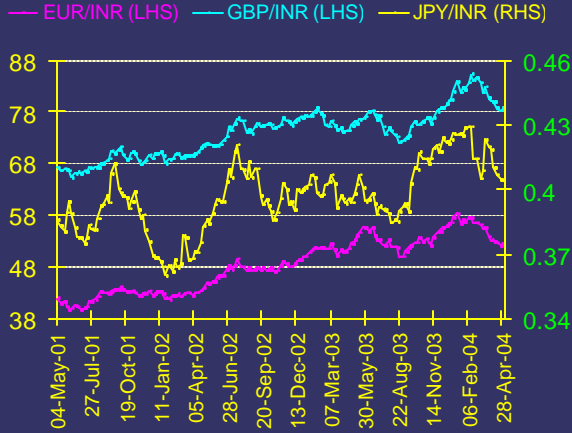
India's Forex reserves higher than combined reserves of UK, Italy and Canada

Weaker US\$



Rupee appreciated 12.6% from its low in June'02 to March'04

Strength in Other Currencies



Rupee depreciated against Euro by 19%, Yen by 5%, and Pound Sterling by 10% in last 2 years

Financial Performance FY 2003-04

RIL - Highlights FY 2003-04

	Rs crore	% change
Revenues	74,418	14%
Cash Profit	9,197	22%
Net Profit	5,160	29%
EPS	36.8	29%

First company in Indian private sector to report net profits exceeding US\$ 1 billion

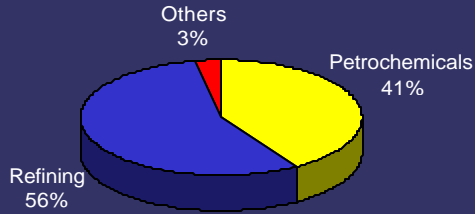
Consolidated Profit FY 2003-04

	Rs crore
RIL Standalone	5,160
Share of	
REL	118
IPCL	63
Infocomm	(265)
Others	93
Consolidated Profit	5,169

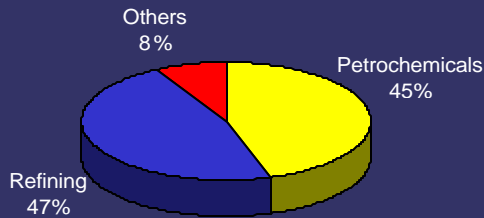
FY 2003-04 results reflect consolidated picture of all RIL businesses

Segment Revenue

Growth is Life



Segment EBIT



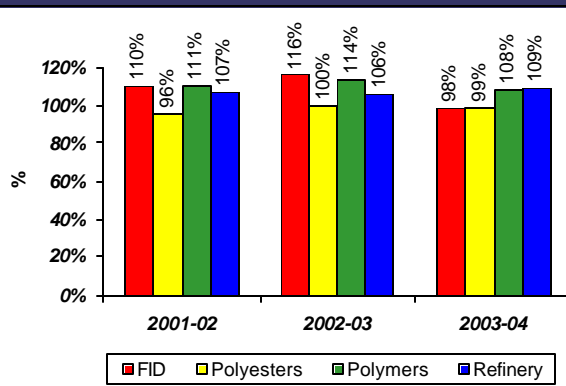
Petrochemicals and Refining account for 97% of revenue And 92% of EBIT

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100%+ Operating Rates

Growth is Life

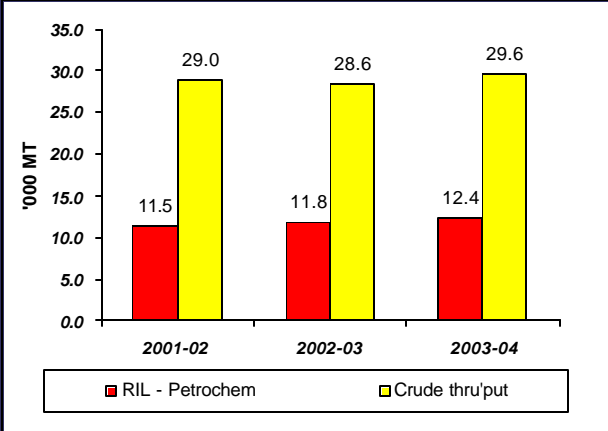


Peak Capacity utilisation provides maximum operating leverage

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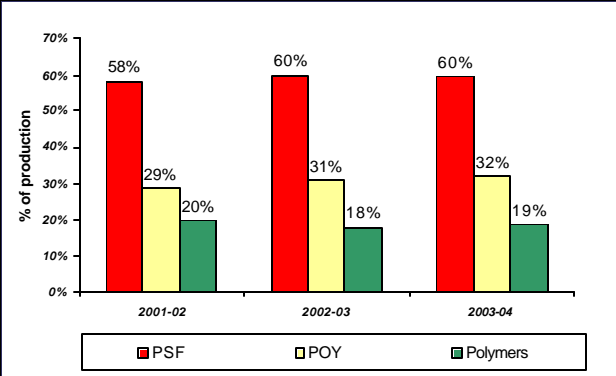


Record Production



Consistent volume growth in all businesses

Emphasis on Specialities



Specialities provide 5%-25% premium pricing

India's Largest Exporter

- ✍ Exports US\$ 3,424 billion (Rs 14,969 crore), up 30 %
- ✍ Nearly 6% of India's total exports during FY-04
- ✍ Exports to over 97 countries – still accounting for only 20% of turnover

**Export growth despite
8% rupee
appreciation -
global competitiveness**

Profitability Ratios

	FY-04	FY-03
EPS – Rs (\$)	36.8(0.8)	29.3
Cash EPS – Rs (\$)	65.7(1.5)	54.0
ROCE (%)	12.5%	11.1%

**Return on equity
improved from
15% to 17%
during the year**

Liquidity Ratios

	FY-04	FY-03
Net Debt:Equity	0.53	0.57
Net Gearing	34.7%	36.2%
Interest Cover	4.7	3.8

RIL's debt has an average maturity of 6.5 years - weighted average cost is 6.6%

Exploration & Production

E&P Vision

- ✍ Enhance India's energy and economic security
- ✍ Become an integrated upstream and downstream energy co.
- ✍ Generate superior returns on capital employed

**India's No. 1
private sector
E&P player**

E&P Portfolio

- ✍ Producing Assets - Panna-Mukta & Tapti
- ✍ Exploration Blocks - 31 blocks in India and one in Yemen
- ✍ Exploration Acreage - about 300,000 sq.km.
- ✍ Coal Bed Methane - 5 blocks (4,000 sq.km.)

**A diversified and
balanced portfolio of
offshore and onshore
blocks**

E&P initiatives in India

- ✍ World's largest gas discovery in 2002 – Dhirubhai Ambani gas fields
- ✍ In-place reserves estimated at 14 TCF in KG-D6 block, based on 8 wells
- ✍ 2 more exploration wells drilled in KG-D6 – both successful gas discoveries - reserve potential being ascertained
- ✍ Over 25,000 line-kms of 2D and 6000 sq.kms of 3D seismic data acquired

**Significant
upside potential
in KG – D6**

Overseas E&P initiatives

- ✍ 25% interest in Yemen block
- ✍ Three more wells drilled in Yemen Block
- ✍ Oil discovery in two, Oil show in third
- ✍ RIL's share of reserves – 70 million barrels

**Encouraging success
in
overseas ventures**

KG-D6 Development Concept

- ✍ Modular approach to development – investment as per market match
- ✍ Initial investment to allow flexibility for quick and efficient ramp-up in future
- ✍ Development scheme based on subsea wells tied back to onshore terminal
- ✍ Onshore processing of reservoir fluid

A modular and flexible approach to development

Current Status – D6 Development

- ✍ Site acquired for onshore terminal, land for Land Fall Point being negotiated
- ✍ Infrastructure development initiated in the acquired land
- ✍ Environment Clearance from the AP State Govt. obtained
- ✍ Options for gas pipeline under evaluation – large number of approvals already received

Development progressing as per plan

E&P Growth Plan

- ✍ KG-D6 – production likely from 2006-07, subject to various statutory approvals
- ✍ Appraisal programme in Yemen
- ✍ CBM exploration campaign to be launched in 3 blocks in Chhattisgarh and Rajasthan

Focus on early production and world-class tools

Significant Contribution to Future Revenues

- ✍ KG-D6 in-place gas reserves capable of producing upto 60 MMSCMD – nearly doubling the country's current gas production
- ✍ Gas discovery will lead to incremental revenues of nearly Rs 10,000 crore
- ✍ EBITDA margins generally 40%-50%

E&P business to contribute nearly 10% of Reliance's future revenues

Refining & Marketing

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R & M - Global Overview FY-04

✍ 2003-04 a volatile year, driven by:

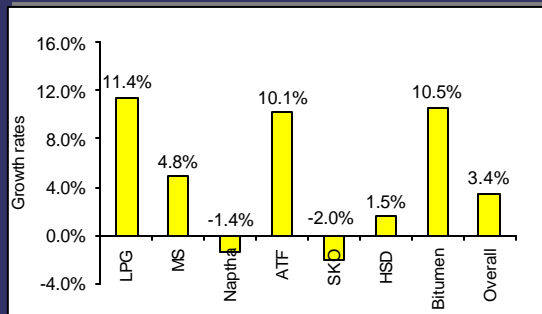
- ✍ Political uncertainties in the Middle East
- ✍ Robust economic performance of mega economies like US, China, India
- ✍ Low commercial inventories world-wide

***A record year
for
Refining & Marketing***

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Demand Growth in India : 2003-04

Growth is Life



- ✍ LPG demand growth 11% y-o-y
- ✍ HSD demand turned positive

**Overall 3.4%
demand growth driven
by strong economic
fundamentals**

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R&M : Highlights FY 2003-04

Growth is Life

- ✍ Throughput achieved - 29.5 MMT
- ✍ Capacity utilisation - 109 %
- ✍ Phase 2 of Quality & Yield Improvement (QYI) successfully completed
- ✍ Operating flexibility and efficiency improved - full impact in 2004-05
- ✍ Market share of 25%

**Reliance refinery
now the third largest
in the world with
33 million tpa capacity**

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R&M : Highlights FY 2003-04

- ✍ Achieved 15 million man-hours without any loss time incident
- ✍ Ranked best in Shell Global benchmarking study in 'Energy & Loss' performance
- ✍ Ranked No. 1 in 'Energy performance' in Solomon benchmarking in Asia Pacific

Reliance refinery recognized as global leader in energy efficiency

Global R&M - Outlook

- ✍ Refining margins likely to be healthy
 - ✍ Tight global inventories
 - ✍ Strong demand growth particularly in China
 - ✍ Tightening product specs in various parts of the world

Optimistic outlook for the industry

R&M in India - Outlook

- ✍ Petroleum product demand expected to be buoyant
 - ✍ Strong economic outlook
 - ✍ New highways to boost HSD consumption
 - ✍ Adulteration menace largely reduced
 - ✍ Further penetration of LPG as domestic cooking fuel

**Healthy demand
growth expected
in 2004-05**

Retail Marketing Programme

- ✍ Commissioning of retail outlets in full swing
- ✍ Expected to cover the entire country by end of the year – 11 outlets already open
- ✍ About 400 ROs at various stages of construction – upto 2,000 ROs in FY-05
- ✍ Through put per outlet to be nearly double the current industry average

**Retail initiatives
to complete
R&M integration**

Product Storage Terminals

- ✍ 4 owned terminals for MS/HSD operational at Bhopal, Chennai, Haldia, & Hazira
- ✍ Two more terminals are expected to be set up by second quarter
- ✍ Long term agreements finalized with independent terminal operators at Cochin, JNPT, Kakinada, Mangalore and Vizag

***Adequate support
of
product terminals
in place***

Petrochemicals

Current Petrochemical Margins Compared to Previous Upcycle

Growth is Life

	Current Margins \$/MT	Peak Margins \$/MT	% gap from Peak
PE	517	837	38%
PP	494	983	50%
PVC	456	736	38%
POY	315	892	65%
PSF	183	1,062	83%

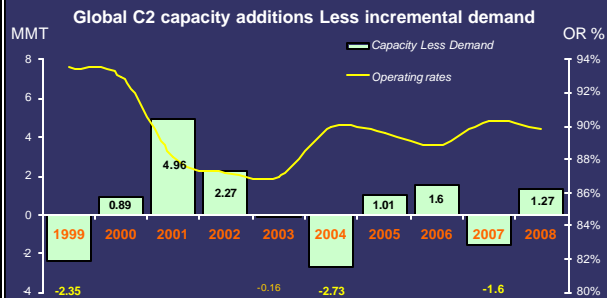
Current margins are at half way mark from the last upcycle of 1995-96

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Minimal capacity addition boost operating rates

Growth is Life



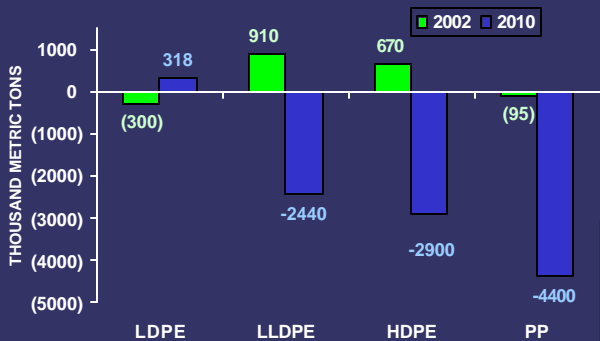
Source: CMAI Light Olefins 2004

... the next phase of margin expansion is expected in 2005-09

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Asian Demand-Supply Gap



Source: Chemsystems

Net capacity additions imperative

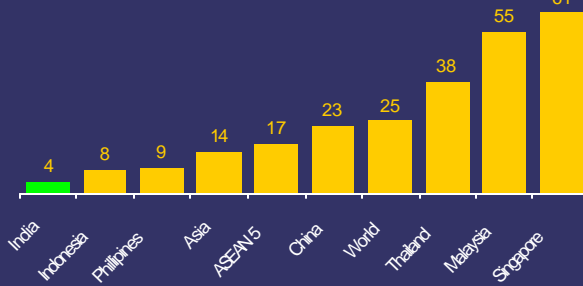
Improving Fundamentals

- Revival in global demand in line with GDP growth
- Asia emerging as largest consuming region
- Improved operating rates – better margins
- Double digit growth rate in domestic markets

A new growth phase in the petrochemicals cycle

India - Low Per Capita Consumption

2003 : Per Capita Polymer Consumption (Kgs)



Domestic per capita consumption still very low

Source: Chem Systems, CMAI, DCI, World Bank, population.com

Plastics Consumption Growth

	Plastics Growth Rate	GDP % Growth (2003)
Global	3%	3.9%
Asia	5%	7.8%
India	13%	7.4%

Source: CMAI, IMF

✍ Asia - largest consuming area with a CARG of 7% over last 5 years

✍ India: Double digit growth rate - to be 3rd largest polymer market by 2010

Indian polymer demand growth ~ twice GDP growth

Polymers – Reliance Market Share

	Domestic Market Share*
PP	74%
PVC	62%
PE	54%
Total	62%

* - Including IPCL

**Leading share
in Indian
Polymer Industry**

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Polymers - Strong R & D Platform

- ✍ Enhanced Grade Development Capabilities
 - ✍ more than 110 grades
 - ✍ Focus on Specialties
- ✍ State-of-the-art Research & Technology in
 - ✍ Product / Process / Grades
 - ✍ Cat-chem

**Catering to every
Sector - from
fibres to infrastructure**

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Polymers - Strong IPR

- ✍ ~ 10% new business created
- ✍ 50 new applications developed every year
- ✍ Strong IPR (> 30 international patents)
- ✍ Global accreditation
(Hitachi, Matsushita, Tupperware)

*Generating profits
from
intellectual capital*

Polyester - Opportunities

- ✍ WTO quota removal - final phase of 49% in
Jan-05
- ✍ Majority of polyester items included in final phase
of over 2,000 items
- ✍ Fabric and Garment manufacturing to
shift from Korea/Taiwan/Sri Lanka
and Vietnam to India and China

*End of quota regime
unveils
growth opportunities*

Polyester – Advantage India

- ✍ Complete value chain in India – China import dependent for raw materials
- ✍ International brands will move to India to hedge country risk
- ✍ Respect for Intellectual Property Rights – India has an edge over China

India to become preferred manufacturing and sourcing destination

Polyester – R & D

- ✍ Reliance Technology Centre established as a center for excellence in Polyester R & D
 - ✍ Total investment US\$ 30 million
 - ✍ Scientists & Engineers : 55
 - ✍ Cumulative research : 250 yrs
 - ✍ Research papers published: 175
 - ✍ Strategic alliance with DuPont for innovative products

Research to focus on developing innovative products

IPCL Turnaround

	Mar-02	Mar-04	Change
Production	3.7	4.6	+24%
Net Profit	107	273	+155%
Debt	3,716	2,166	-42%
Debt to Equity	1.73	1.2	-29%

*Complete turnaround
in less than 2 years
since takeover*

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IPCL – FY 2003-04 Results

- ✍ Turnover Rs 13,541 crore, up 36%
- ✍ Net Profit Rs 273 crore, up 34%
- ✍ Production up 5% to 4.6 million tonnes

**Profit growth
of 50%
before
extraordinary items**

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Reliance Energy

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Reliance Energy – FY 2003-04 Results

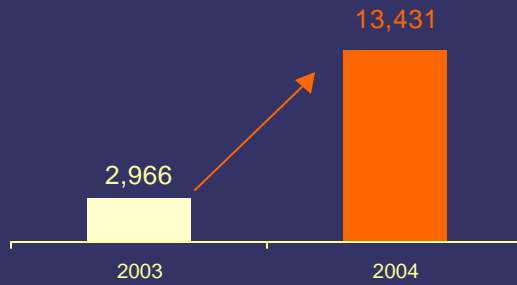
- ✍ Turnover Rs 3,583 crore, up 30%
- ✍ Cash Profit Rs 686 crore, up 63%
- ✍ Net profit Rs 367 crore, up 127%

***Strong net profit growth,
despite higher provision
of Rs 128 crore***

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Reliance Energy - Today

Market Cap (Rs Cr)



**An increase
of 353%
in a year**

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REL Investment - Significant Gains to Reliance

- ✍ Reliance Group holds 52% in Reliance Energy
- ✍ Investment of Rs 3,200 crore
- ✍ Current value of Rs 7,700 crore –gains of Rs 4,500 crore on mark-to-market basis

**Market cap
addition of over
Rs 10,000 crore
in a year**

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Reliance Infocomm

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Infrastructure

- ✍ CDMA 1X network in over 1,100 cities and towns in 20 telecom circles
- ✍ 60,000 Route Kms of nationwide OFC backbone with terabit capacity (2,200,000 fiber kms)
- ✍ Flag Telecom – Reliance's first international acquisition
- ✍ Access to 55,000 kms undersea cable, landing stations in 17 countries across 4 continents

***Creating
world class
digital infrastructure
for India***

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Leadership

- ✍ No. 1 mobile operator within 7 months of launch
- ✍ 7 mn subscribers nationwide with ~ 22% mobile market share
- ✍ Ranked #1 as India's Most Trusted Telecom brand and #3 as India's Most Trusted Services Brand (Source:ET Brand Equity with AC Nielsen & ORG MARG)

**Leading the
Wireless market
in India**

Leadership

- ✍ On-line Mobile portal 'R-World' logs 35 mn hits a day
- ✍ 300,000 subscribers accessing the internet at speeds upto 144 kbps
- ✍ Acquired > 20% market share of Incoming ILD Minutes

**Leading the
Mobile
Multi media
Revolution**

Wireless Trends

Wireless

- Post Paid outgoing MoU – 342 Minutes
- ARPU – Rs. 523

Churn

- Negligible Churn (Cumulative 190,000) – 2.7% of over 7 mn cumulative subscriber base

**Affordable tariffs
Increased Usage**

Future Growth

Wireless

- Sustain and enhance coverage leadership
 - 3800 additional towns to be covered – 5000 towns by year end
 - Capacity to handle 40 mn subscribers by year end
- Prepaid to enhance leadership
- Focused acquisition of High ARPU Customers

**Building capacity
and
nationwide coverage**

Future Growth

- ✍ Enterprise Broadband:
 - ✍ Covering 200 cities initially
 - ✍ Bundling of Voice & Data
- ✍ Consumer Broadband: Digital Homes
 - ✍ Ethernet to every home
 - ✍ Set top box offering interactive TV services, VOD, Broadband Internet access, Video Conferencing, Gaming

**Enabling
'A Digital Way of Life'**

RIL's Investment in Infocomm

- ✍ RIL's investment in Infocomm as of March 2004 – Rs 12,000 crore
- ✍ No incremental investment envisaged

**Reliance Infocomm
reported cash profit
in the very first
year of operations**

Growth Plans

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Growth Plans

- ✍ Substantial investments in E&P
 - ✍ New exploration activities
 - ✍ Development of KG – D6
- ✍ Creation of Retail Marketing Network for transportation fuels
- ✍ Increase in petrochemicals capacities
- ✍ Enhanced returns from power and infocomm affiliates

**Significant investments
across energy chain
to drive
earnings growth**

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Capex Plans – Over the next 5 years

	Outlay (Rs crore)
Exploration	4,000
KG-D6 Development & Trans.	15,000
Retail Marketing	7,000
Petrochemicals	6,000
Modernisation	3,000
Total Capex	35,000

**Annual capital outlay
approx. Rs 7,000 crore
over
the next 5 years**

Petrochemicals Capex Plans

	Capacity (KTA)	Outlay (Rs crore)
Petrochemicals		
PTA	532	} 6,000
POY	216	
PSF	216	
PP	280	
Styrene	550	
Butadiene	125	
Aromatics	481	
Total	2,400	

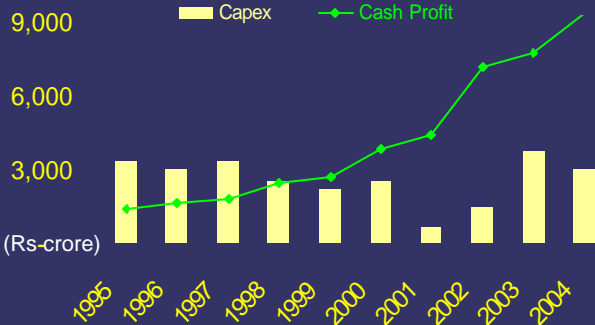
**20% capacity addition
in the next 2-3 years
from
12.5 MTPA to 15 MTPA**

Post Expansion Scenario

	Reliance Capacity	Domestic Mkt. Share	Global Rank
PX	1,956	83%	3
PTA	1,812	63%	3
POY/PSF	1,384	54%	1
PP	1,630	85%	7
Butadiene	175	68%	15
Styrene	550	100%	14

Leading domestic share and amongst top 10 producers in the world

Capex to Cash Profit



- Last 5 years aggregate capex nearly 40% of aggregate cash flow
- Next 5 years, aggregate capex is estimated to be 50% of aggregate cash flow

Future capex adequately covered by internal accruals – debt:equity ratio to remain conservative

RIL - Share Price Performance

	% change		
	RIL	Sensex	Nifty
1 Year	99%	95%	95%
2 Years	87%	69%	65%
5 Years	337%	75%	92%
10 Years	218%	53%	-

**Market Cap addition of
Rs 36,500 crore in
FY-04 - highest in
private sector**

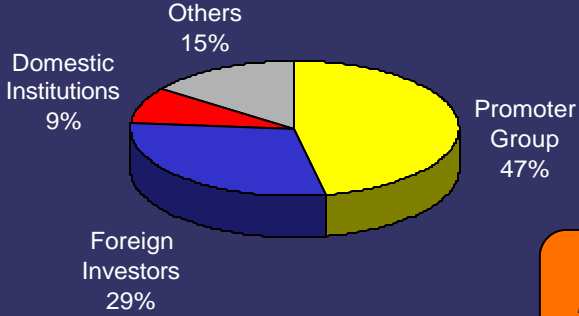
Sum of the Parts Valuation

	Rs / share
Petrochemicals	327
Refining	187
Upstream E&P	102
Infocomm	155
REL/IPCL/RCL/RIL	80
Treasury Stock (RIL)	64
Total	915

(Source: research reports)

**Significantly
undervalued
relative to
RIL's future prospects**

Shareholding Pattern



Foreign holding increased by 8% - inflow of over US\$ 900 million in RIL shares

Today

- ✍ India's No. 1 private sector group
- ✍ Revenues Rs. 90,000 crores
- ✍ Cash flows Rs. 10,000 crores
- ✍ Net income Rs. 5,200 crores
- ✍ 95% of revenues – energy chain

A US\$ 20 billion enterprise created in just 25 years

The Future

- ✍ Aggregate group cash flows of Rs 50,000 crore in the next 5 years
- ✍ Targeted consolidated net profit growth of 20% y-o-y over the next 5 years on enhanced base
- ✍ Investments into areas critical for India attaining economic superpower status:
 - upstream oil and gas
 - downstream refining and marketing
 - power, information and communications
- ✍ Positioned to capture opportunities in both, manufacturing and services sectors

***The No. 1 company
in a market
of
a billion people***

Reliance Industries Ltd.

Growth is Life