

“If you can dream it, you can do it !”

- Dhirubhai H. Ambani  
Founder & Visionary

# **Financial Presentation 3rd Quarter FY 2004-05**



**Reliance  
Industries Limited**

January 21, 2005

# Forward Looking Statements



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

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

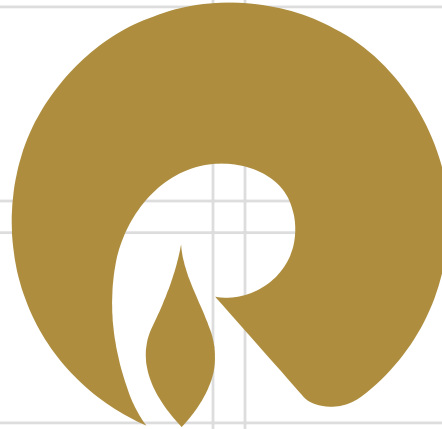
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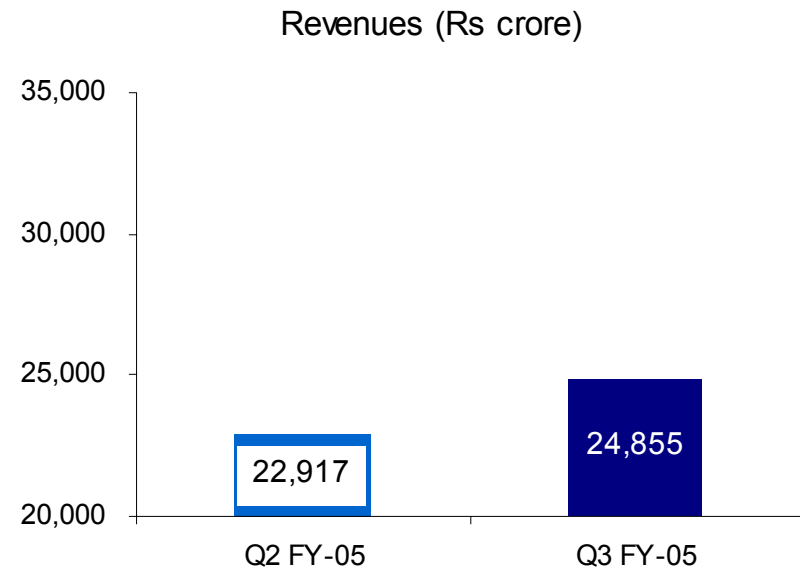
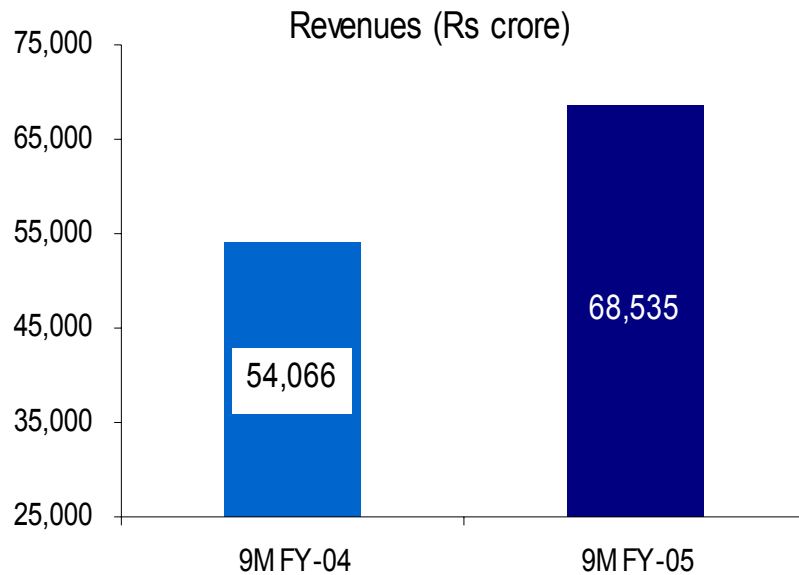
**Business Review**

**Summary**



## Financial Performance

# Revenues



*Gross Turnover up 8% compared to the trailing quarter and 27% for the 9 month period*

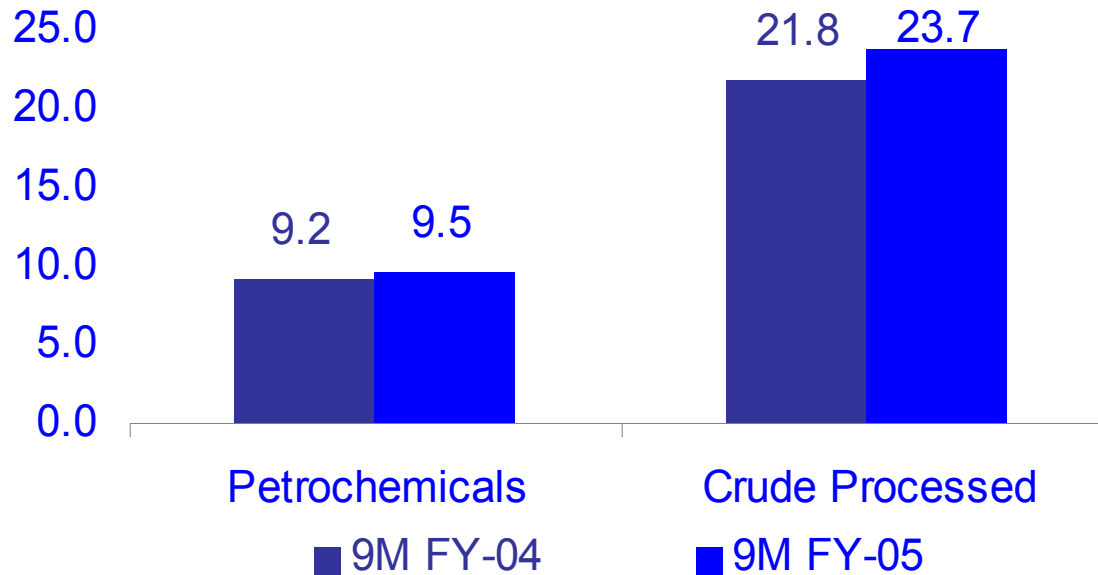
# Key Revenue Drivers



- Volume growth of 3%
- Impact of increase in product selling prices 24 %

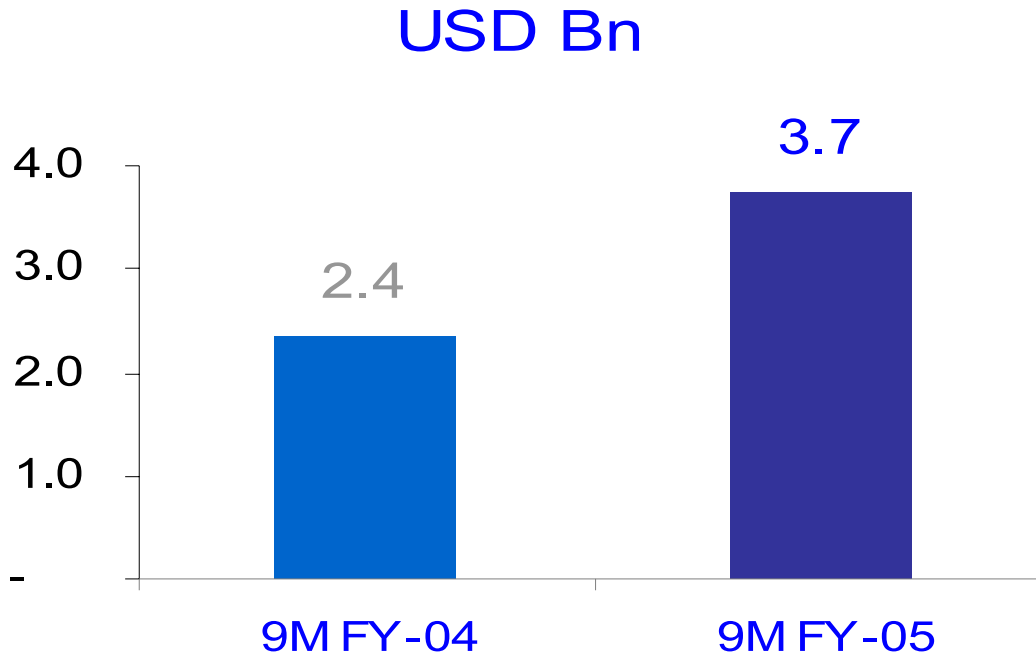
*Growth in the 9 months period mainly driven by higher selling prices*

# Record Production



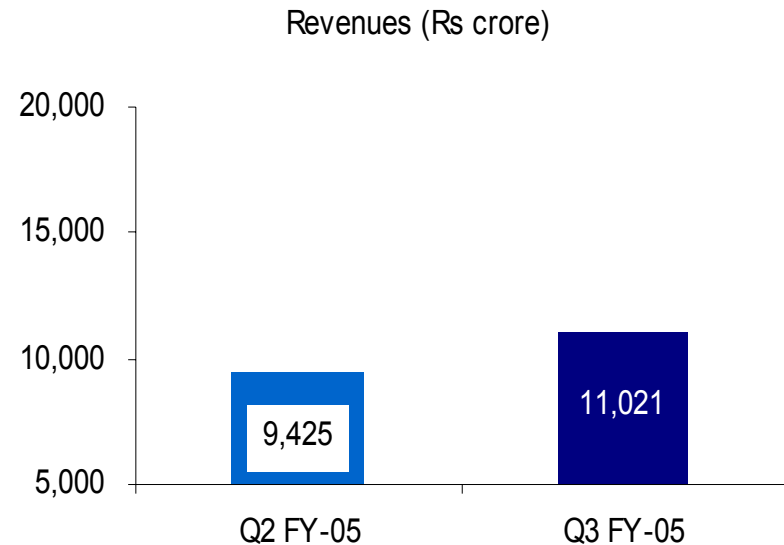
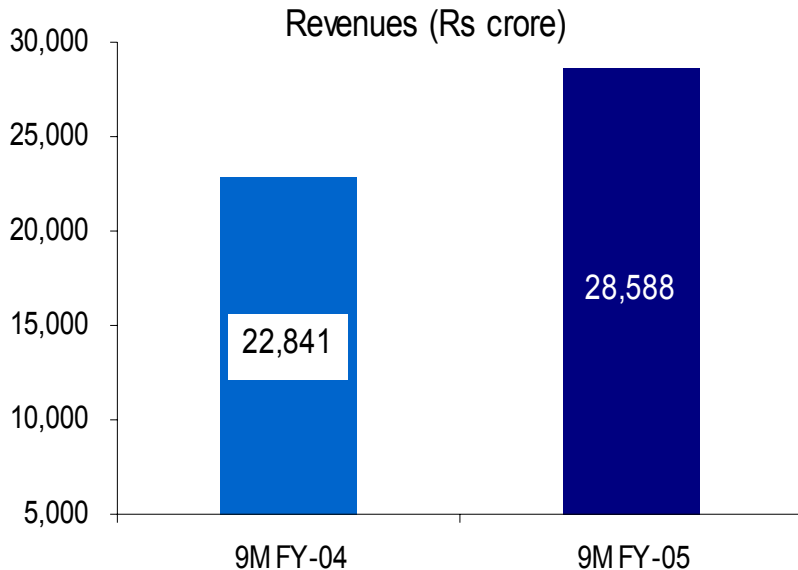
*Petrochemicals up 3%, Crude Processed up 9%*

# Exports



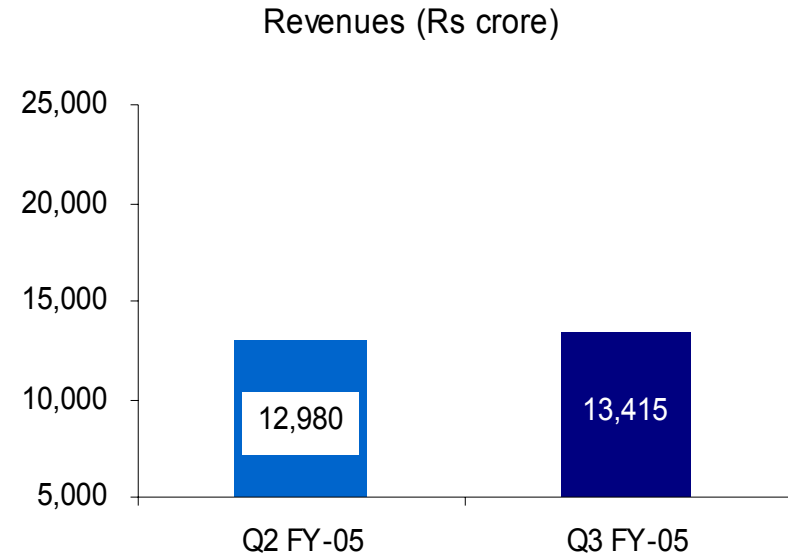
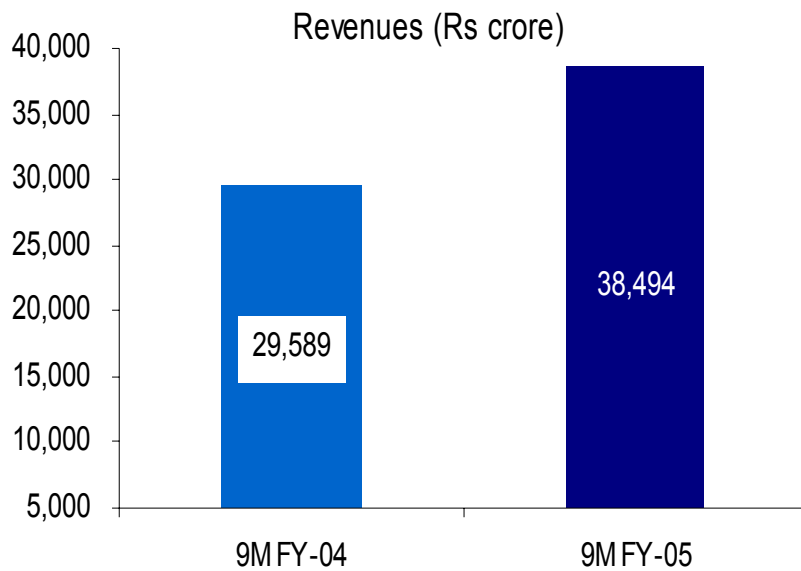
*Exports up 55% and now at 24% of total revenues*

# Segment Revenues - Petrochemicals



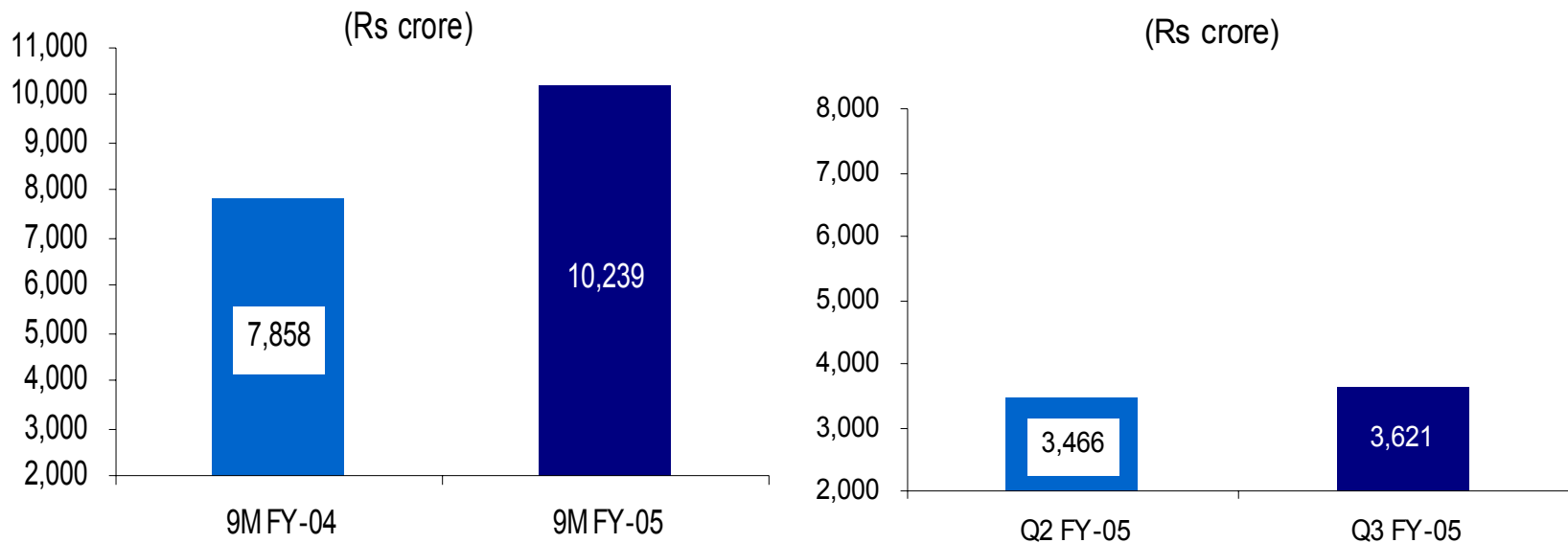
*Petrochemicals segment revenues up 17% compared to the trailing quarter and 25% for the 9 month period*

# Segment Revenues - Refining



*Refining segment revenues up 3% compared to trailing quarter and 30% for the 9 month period*

# EBITDA



*EBITDA up 5% compared to trailing quarter and 30% for the 9 month period*

# Segment EBIT Margins



	9M FY-04	9M FY-05	Q2 FY-05	Q3 FY-05
Petrochemicals (%)	10.8	9.7	11.0	7.7
Refining & Marketing (%)	8.1	10.2	9.6	11.8

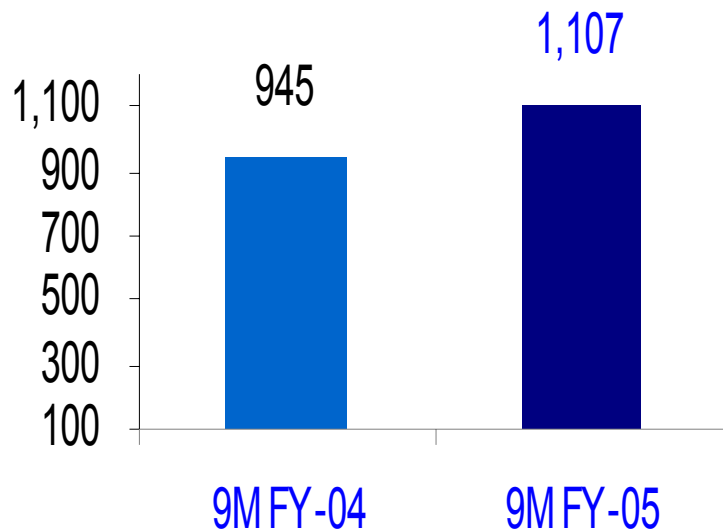
*Increase in EBIT margins of Refinery*

*Petrochemical EBIT margins impacted due to high input cost and consumer resistance at higher product prices*

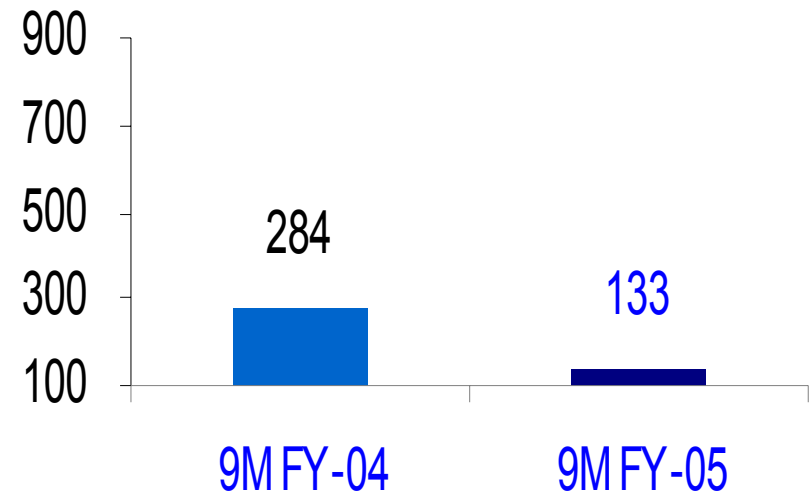
# Interest



### Gross Interest (Rs Cr)

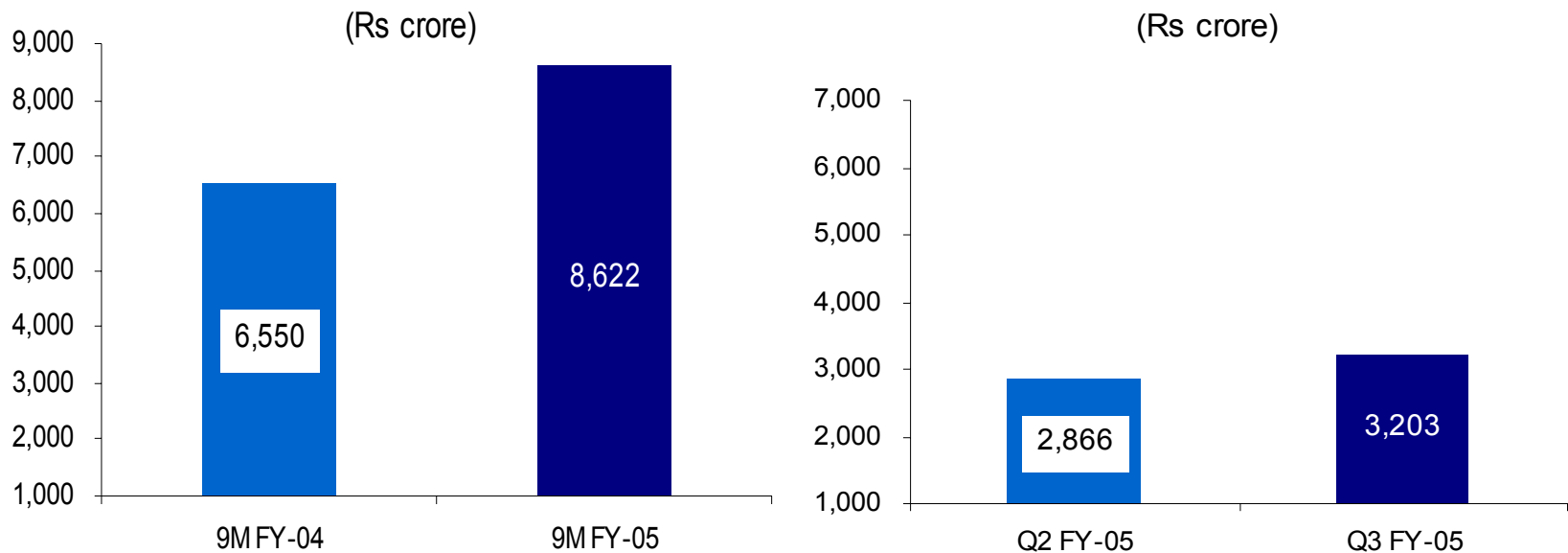


### Net Interest (Rs Cr)



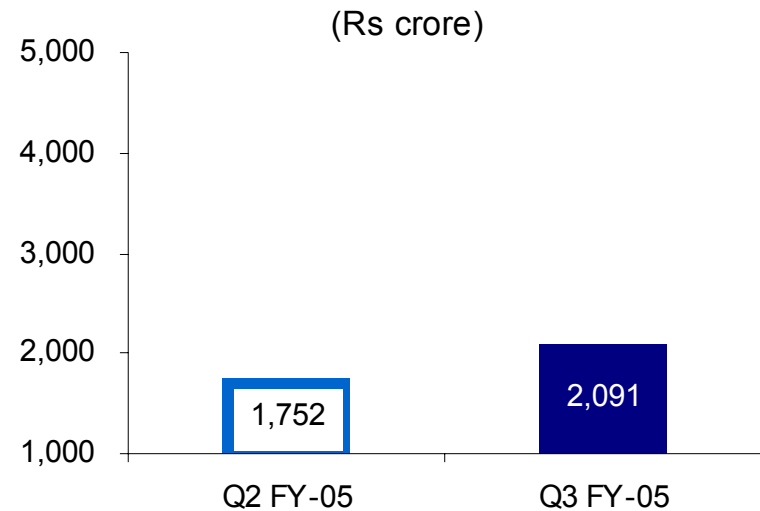
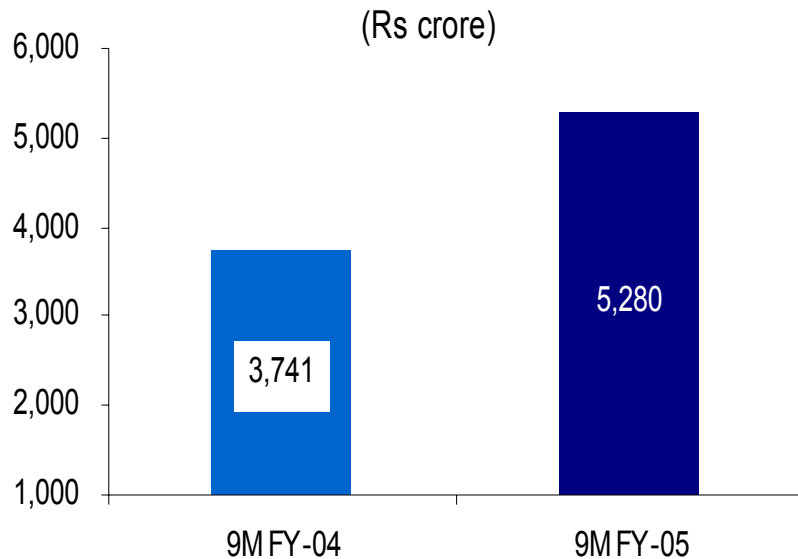
*Gross Interest up 17% due to impact of rupee depreciation*  
*Net Interest down 53%*

# Cash Profit



*Cash profit up 12% compared to the trailing quarter and up 32% for the 9 month period*

# Net Profit



*Net profit up 19% compared to the trailing quarter and up 41% for the 9 month period*

# Growth in Net Profit

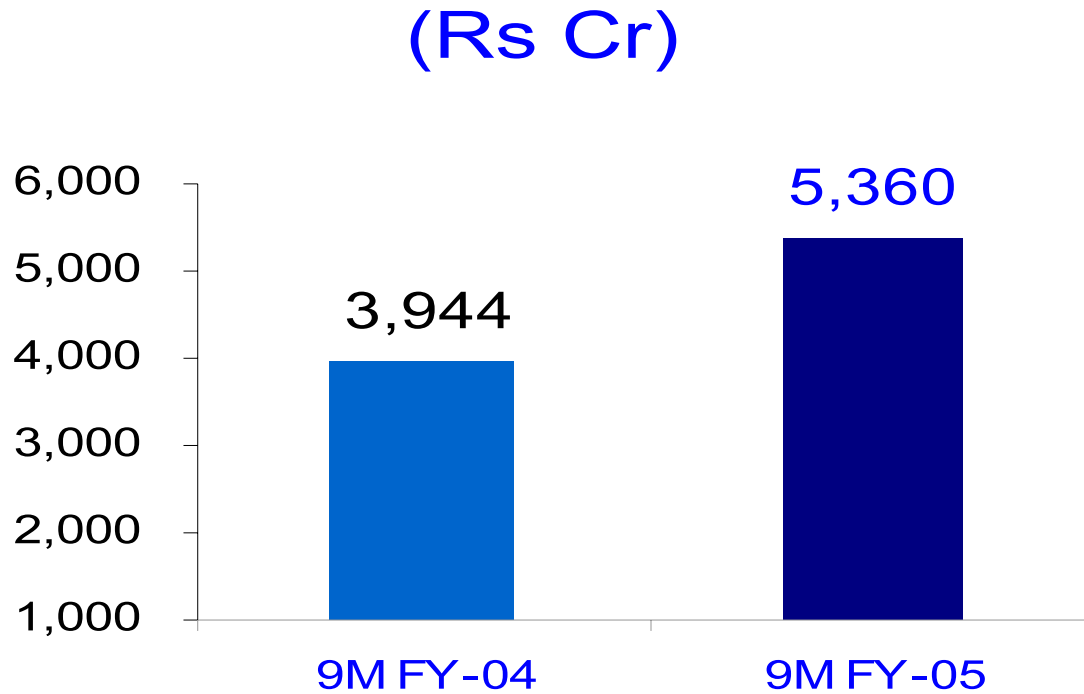


9M FY-05 (Rs crore)

Operating Profit	+2,068
Other Income	+313
EBIDTA	+2,381
Interest	-162
Depreciation	-463
Tax	-324
Net Profit	+1,539

*Net profit growth solely by operating profit*

# Consolidated Net Profit



*Consolidated Net Profit up 36%*

# Consolidated Profit



	Rs crore
RIL Standalone	5,280
Share of	
REL	162
IPCL	152
Infocomm	-38
Others	38
Elimination of premium on preference shares	-238
Consolidated Profit	5,360

*Future profit growth in associates will reflect true value of returns on RIL's investments*

# Capex



9M FY-05 (Rs crore)

Oil & Gas	1,000
Retail Marketing	450
Refining & Petrochemicals	1,150
Total	2,600

*Capex to lead to sustained growth in future*

# Profitability Ratios



	9M FY-04	9M FY-05
EPS – Rs	26.8	37.8
Cash EPS – Rs	46.9	61.7
ROCE (%)	11.8	17.8
RONW (%)	16.6	20.7

*Significant improvement in all profitability ratios*

# Liquidity Ratios



	9M FY-04	9M FY-05
Gross Debt : Equity	0.72	0.42
Net Debt:Equity	0.60	0.34
Net Gearing	37.3%	25.4%
Interest Cover	5.7	5.7

*Adjusted for market value of investments, RIL is debt free*

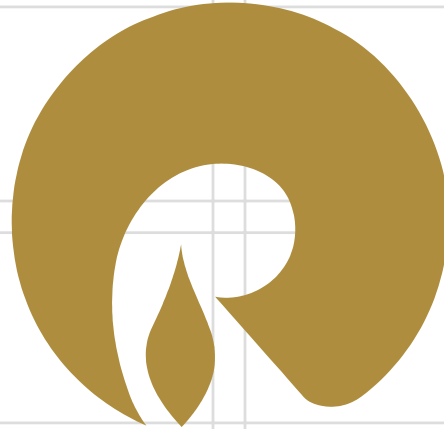
# Conservative Debt Profile



31st Dec 2004

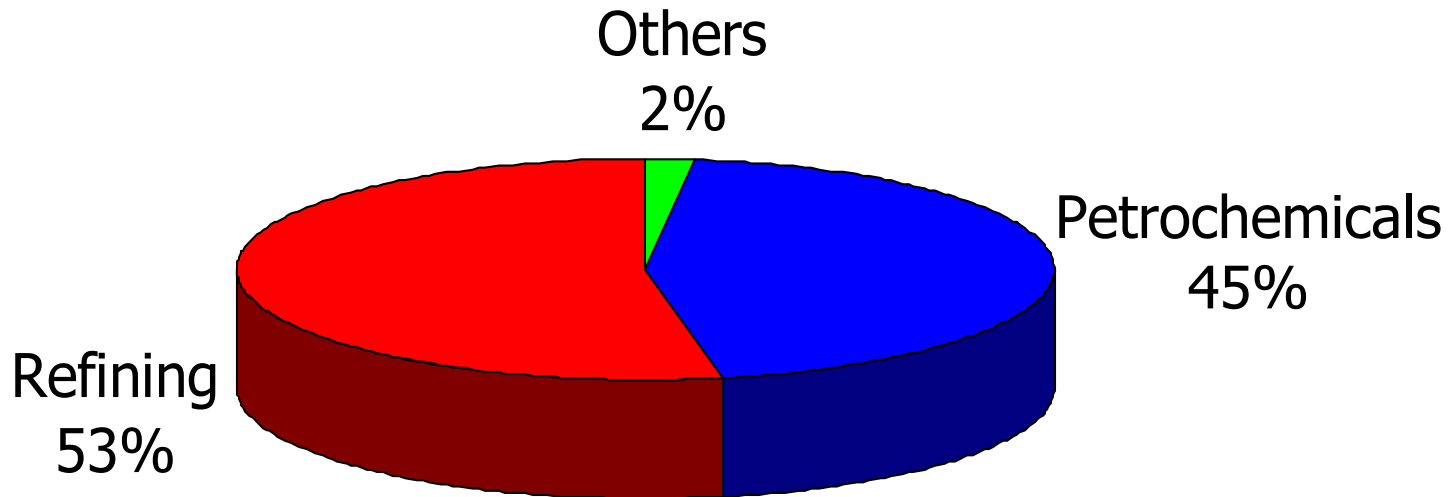
Weighted Avg Cost of Debt	7.3%
Avg. Maturity of Debt	4.75 yrs
Forex debt	45%

*Top end 'AAA' rating maintained for over 10 consecutive years*

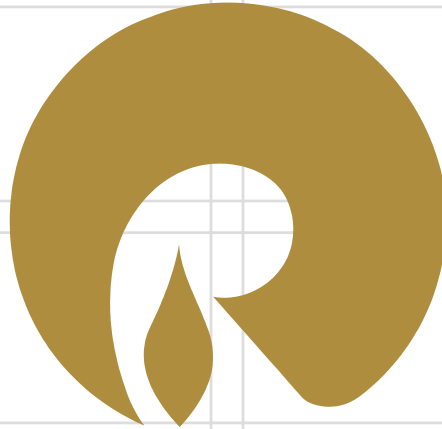


## **Business Review**

# Business Mix for 9 Months FY 2004-05



*Refining and Petrochemicals contribute 98% of revenues. Share of Oil & Gas business poised to increase*



**Exploration & Production (E&P)**

# Status – Panna-Mukta and Tapti



- Crude oil production increased by 8% during the 9 month YOY
- Gas production increased by 10% during 9 month period YOY
- Oil production is at 30,000 BOPD
- Gas production is about 400 MMSCFD

*Oil and Gas production increased by 9% during the 9 month period*

# Exploration Status – KG-D6 and Other Blocks



- Seismic data acquisition in progress in 3 blocks
- Seismic data interpretation in progress in other blocks. This would lead to identification of drillable locations in phases
- Drilling in progress in 4 blocks
- 13th exploration well currently in progress in KGD6
- 1 exploration well completed in Yemen, one appraisal well under progress
- Reliance has been awarded the 21440 sq.km. deepwater block 18 in Oman – PSC is likely to be signed soon

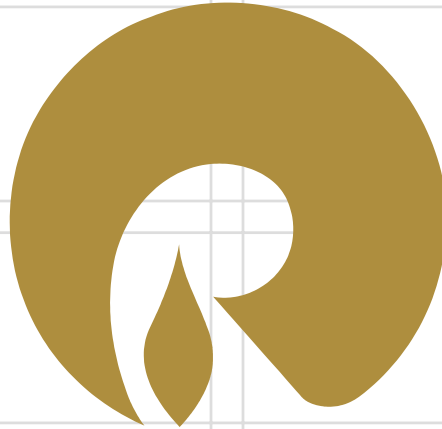
*Exploration progressing as per plan*

# Status – KG D6 development



- Development plan for Dhirubhai 1 & 3 fields approved by the Directorate General of Hydrocarbons; Forest clearance awaited
- Resolution of “cash vs. kind” issue pending
- Commercial production from D6 expected in the year 2008-09, subject to various statutory approvals

<b>Activity</b>	<b>Date/Lead time</b>
EPC tendering	Q4, 2004-5
EPIC award	Q3, 2005-6
Construction & installation	2 years

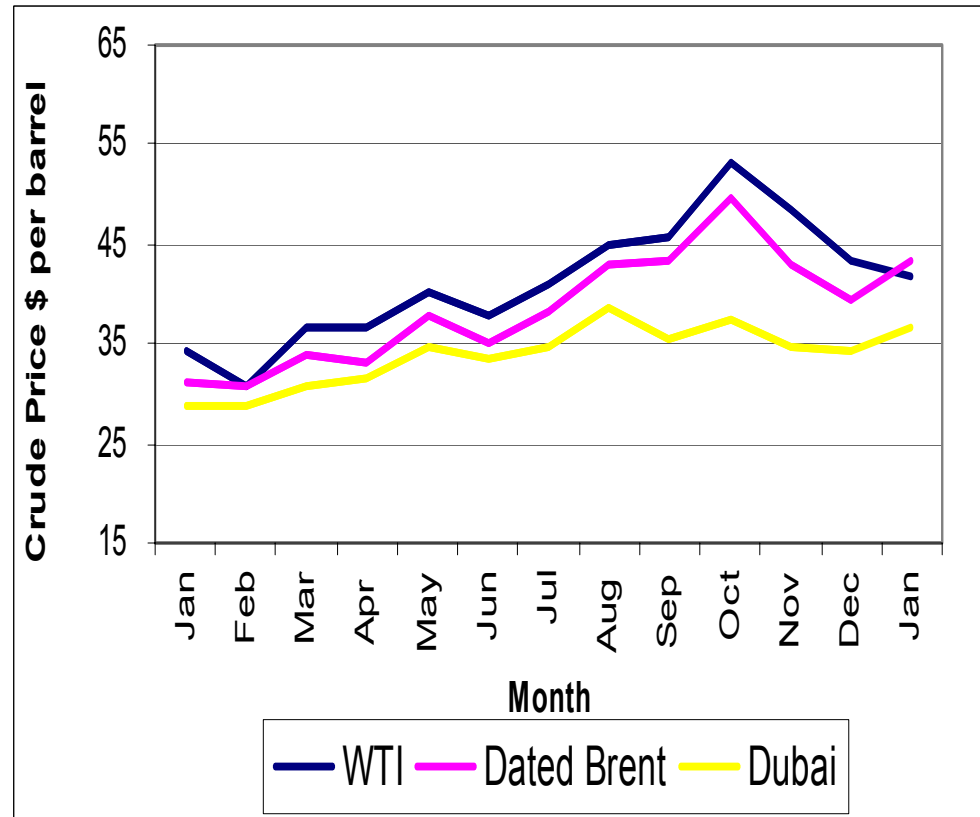


**Refining & Marketing (R&M)**

# Global Crude Oil Prices



- Prices dropped US\$10/bbl in Dec'04 from the Oct'04 peak of US\$55/bbl
- OPEC announced production cuts in mid-Dec'04 with further review of production quota in end-Jan'05
- Geopolitical issues and low spare oil production capacity : Key price determinants

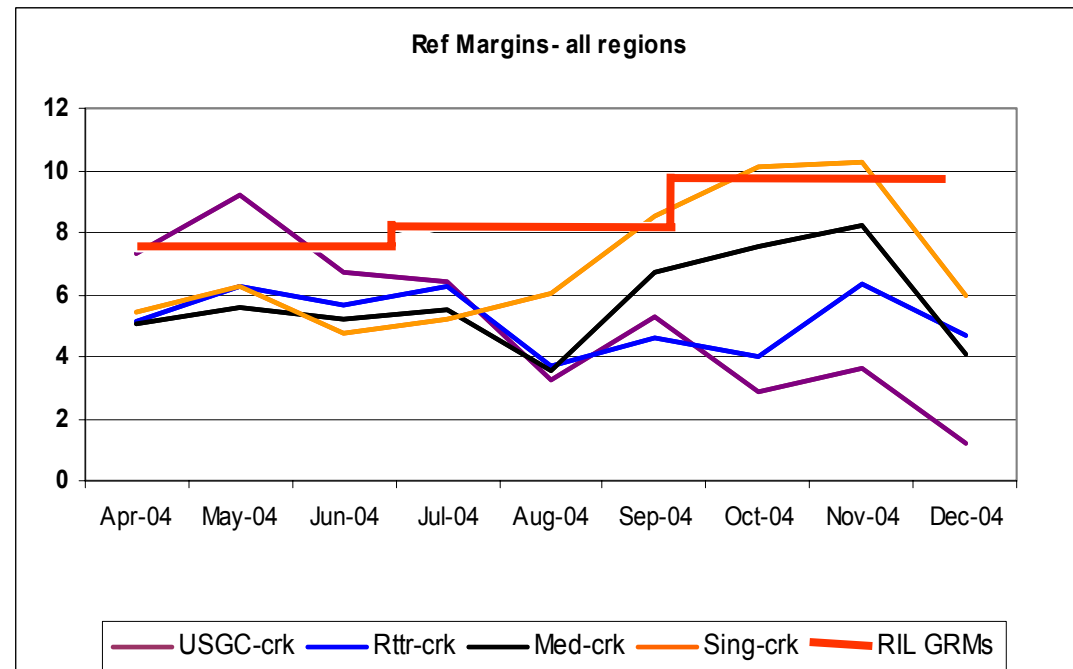


*Analyst forecast for 2005 ranging from 35 to 45 \$/bbl*

# Global Refining Margins



- Strong refining margins in 1st half of Q3FY05
- However, margins softened in 2nd half of the quarter due to
  - Mild weather conditions
  - General economic slowdown
  - Build-up in product stocks



*Avg. Singapore complex margin for the quarter \$ 8.8 / bbl –  
RIL's GRMs at \$ 9.8/bbl*

# Highlights : Refinery Performance



- Crude processed
  - 23.69 million tons
  - 96% capacity utilisation
- 7 new opportunity crudes processed
- Capacity utilisation for the secondary processing units continues to be high
- 5% reduction in fuel and loss on YOY basis

*High capacity utilisation and strong GRMs lead to superior financial performance*

# Refinery Product Sales



Million Tonnes

	9M FY-04	9M FY-05
PSU	8.5	6.6
Captive	3.8	5.1
Others	2.8	4.1
Exports	5.6	7.6
Total	20.7	23.4

*Own Domestic Sales and Exports offset lower PSU off-take*

# Highlights : Marketing



- 280 outlets fully operational, offering customised value-propositions for different consumer segments and on their way to Market Leadership in their respective territories
- Initiated bulk sales to Government and Public sector customers
- Nationwide supply chain network of terminals and depots operational
- Initial roll-out of approx. 2000 outlets to be completed during 2005-06
- Organisation building, training and automation plans on track towards establishing a pan-India service Brand

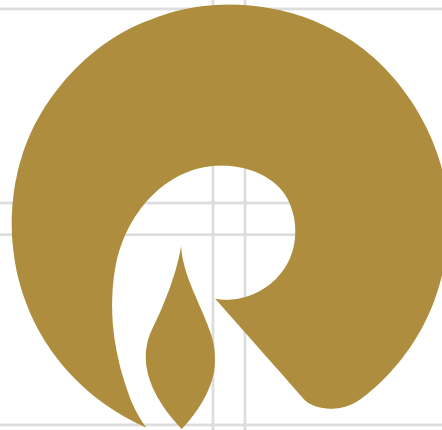
# ***Performance of commissioned ROs***

Throughput from Reliance outlets **2.5 times** industry average

Over **60%** of the outlets achieve **Market Leadership**  
within weeks of operations



**Implementation of balance value propositions  
expected to further improve market effectiveness**

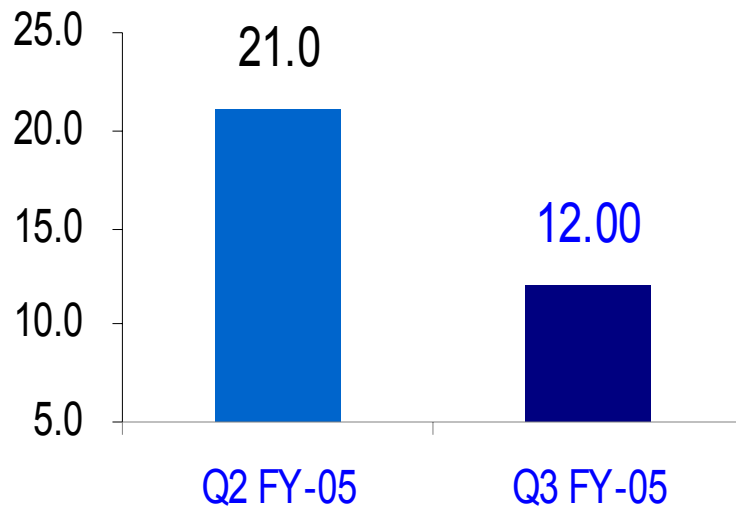


**Petrochemicals**

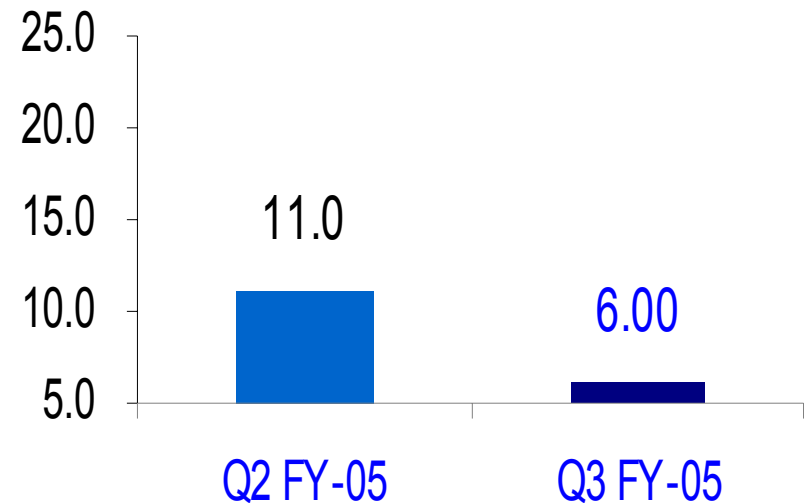
# Polyester Deltas



## POY (Rs/Kg)

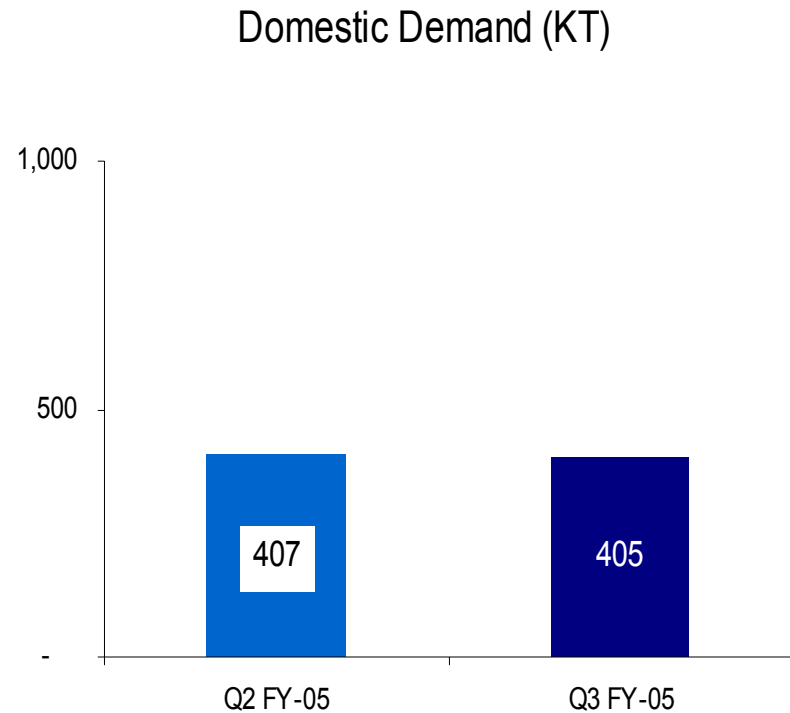
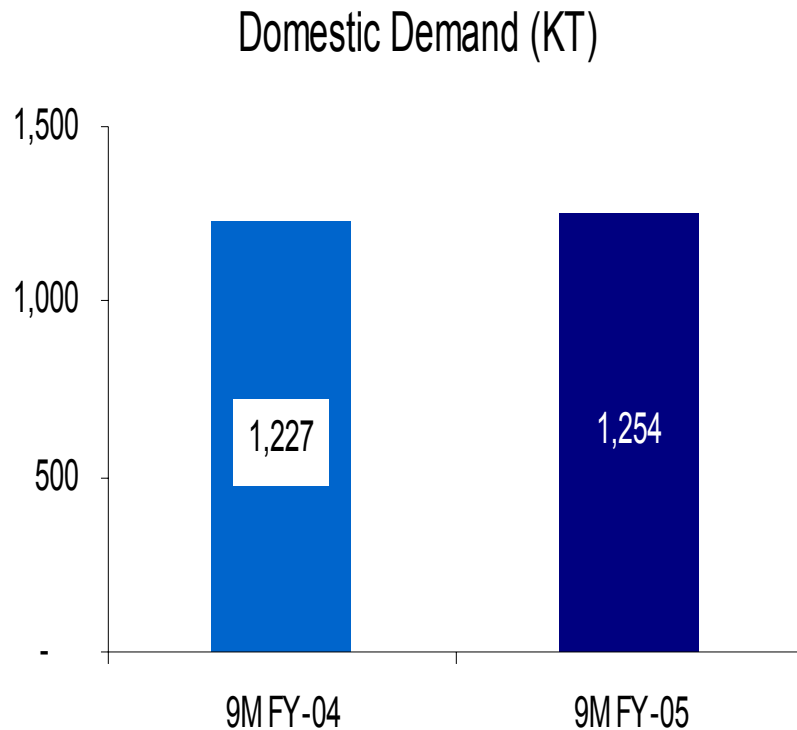


## PSF (Rs/Kg)



*POY/PSF deltas significantly lower during Q3 FY-05 due to strong fibre intermediate prices*

# Polyester Consumption

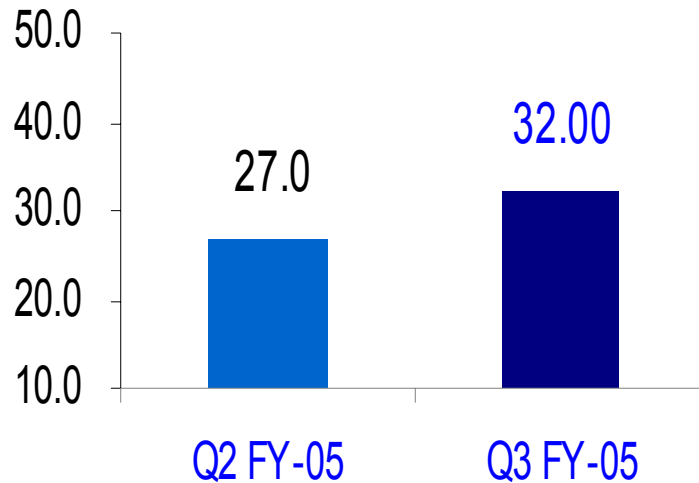


*Demand flat compared to the trailing quarter due to high polyester prices*

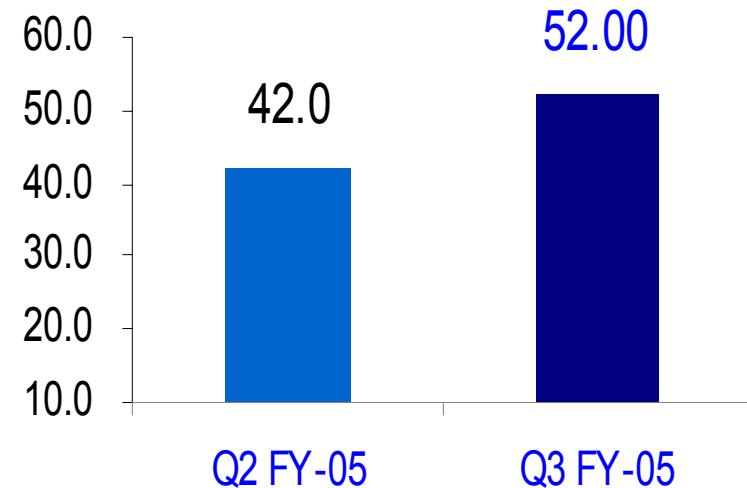
# Polyester Intermediates Deltas



## PTA (Rs/Kg)

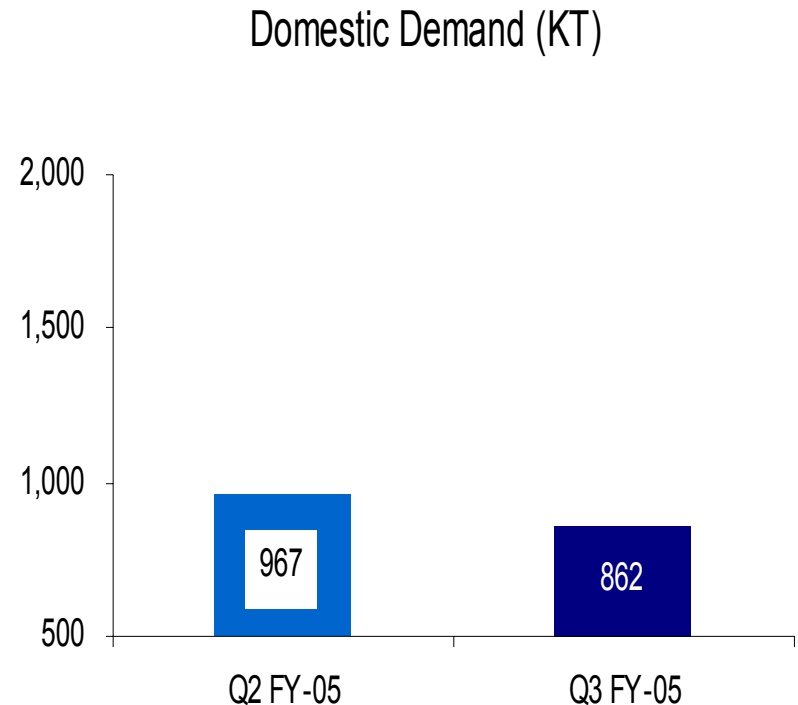
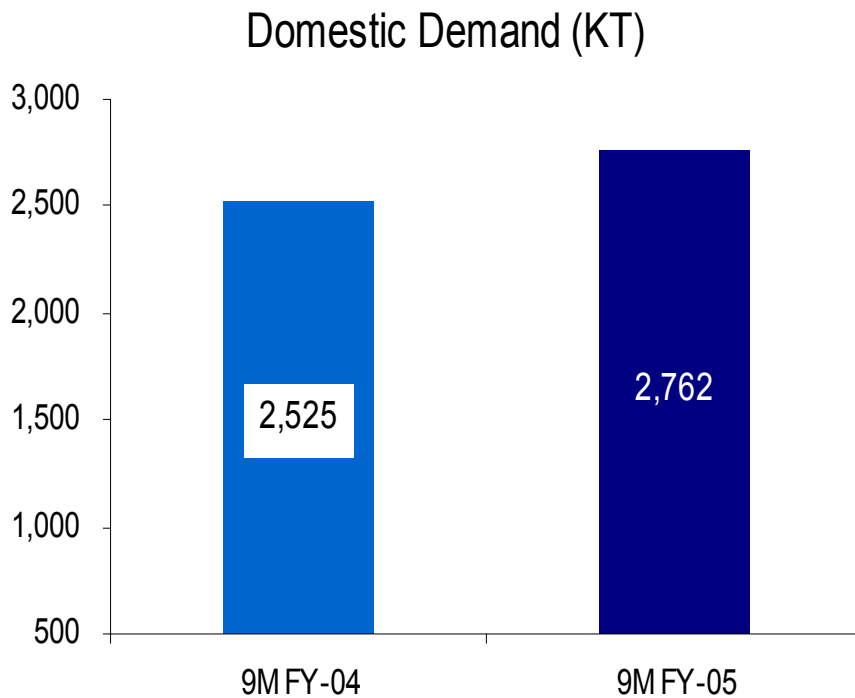


## MEG (Rs/Kg)



*Polyester intermediates deltas continue to remain strong due to supply constraints*

# Polyester Intermediates Consumption

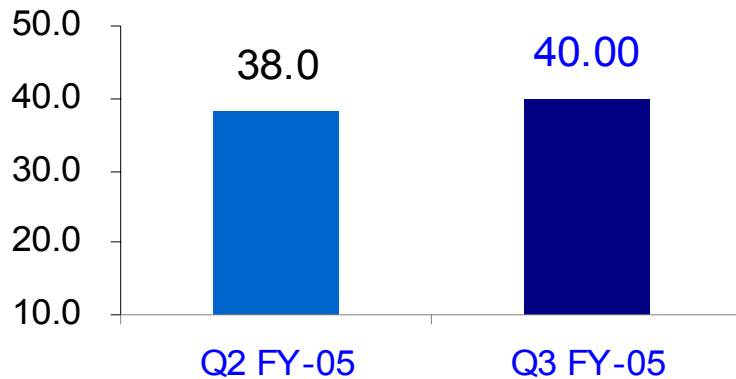


*Demand down 11% compared to the trailing quarter due to price sensitivity*

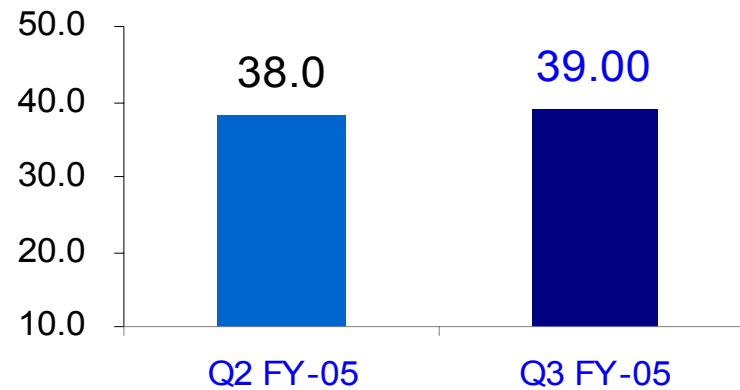
# Polymer Deltas



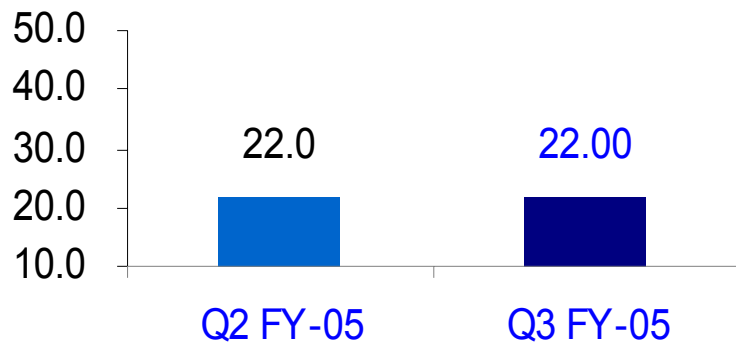
## PP (Rs/Kg)



## PE (Rs/Kg)

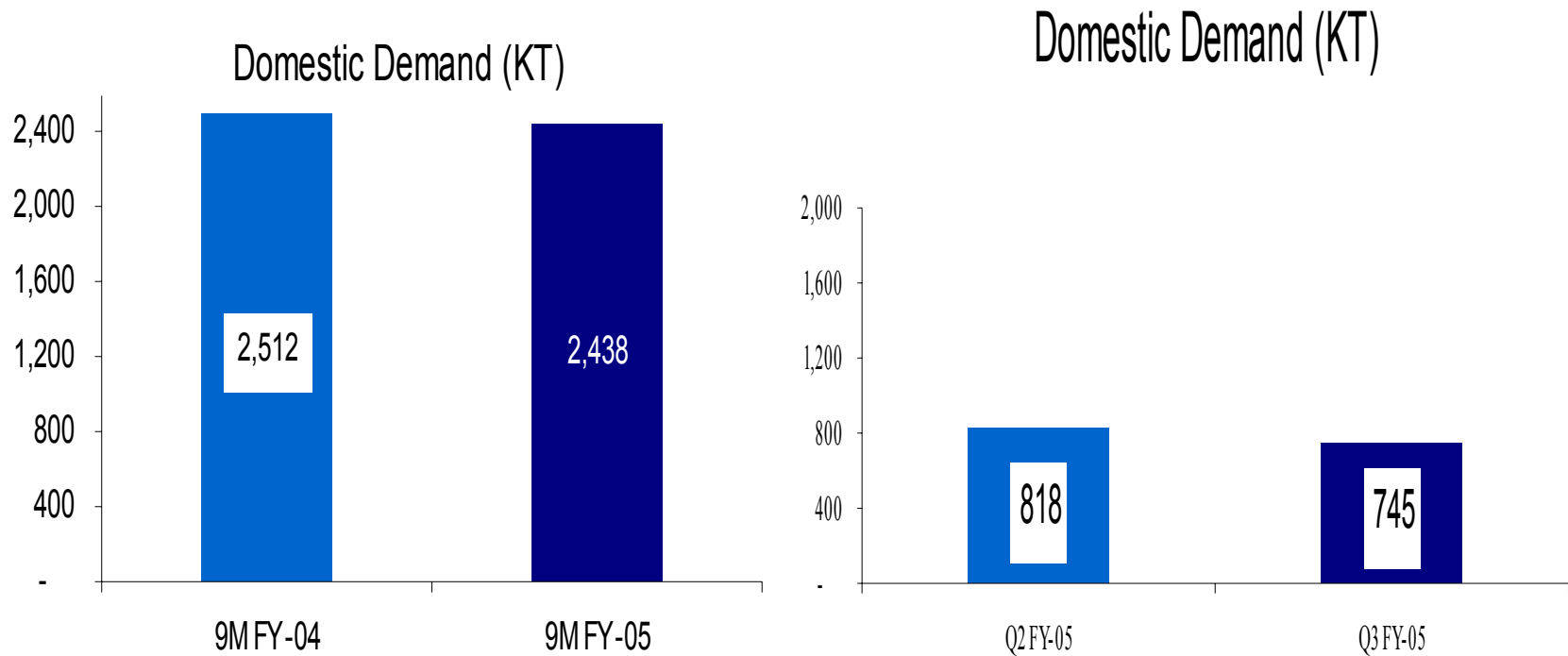


## PVC (Rs/Kg)



*Polymer deltas remain stable*

# Polymer Consumption



*Ongoing high prices impact demand*

# Capacity Expansion Plans



			(KTA)
	FY-06	FY-07	FY-08
PP	280		
Styrene			550
POY	330		
PSF	220		
PX		310	
PTA		532	
<b>Total</b>	<b>830</b>	<b>842</b>	<b>550</b>

*2.5 million tonnes capacity addition in next 2-3 years*

# Acquisitions Update : Trevira



- Acquisition Date - August 11, 2004
- Significant progress in the following areas:
  - Advance impact € 30 mn in raw materials fully mitigated through price & volume increases and product mix changes
  - Transfer of texturising equipment from Silkeborg to Guben commenced, will give annual savings of € 3.0 mn, other fixed cost reduction measures being implemented
  - Marketing and Sales force strengthened to improve market share
  - Product substitution of standard POY, PTY and PSF commenced from RIL and low margin Trevira products being rationalised
  - SAP implementation progressing. Post commissioning 01 Mar 05, back-office activity to commence in Mumbai

*Significant improvements in operating and financial performance expected in 2005*

# Acquisitions Update : NOCIL



- Production Capacities :
  - Specialty Polymers
    - EVA (Ethyl Vinyl Acetate) - 13 KTA
    - UHMWPE (Ultra High Molecular Weight PE) - 2.4 KTA
  - Commodity Polymer
    - HDPE (High Density Polyethylene) - 60 KTA
- Commenced production and sales of specialty polymer EVA & HDPE
- Another specialty polymer UHMWPE starting in Jan'05

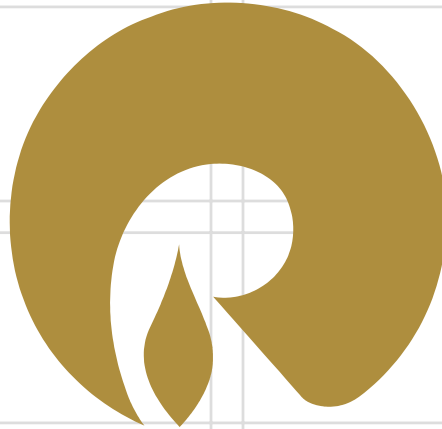
*Estimated annualised revenue at Rs 375 crores*

# Acquisitions update : S M Dyechem



- 80,000 tonnes per annum of MEG capacity based on alcohol
- Reliance becomes the fifth largest MEG producer in the world, with total capacity of 832,000 tonnes per annum
- Plant shut down since 1996
- Reliance confident of successful start up of the plant – likely start up by June 05
- Raw material sourcing not an issue due to location in the Sugar belt
- MEG produced can be consumed captively at PG and CIPL

*Attractive return on investment expected due to stronger MEG prices and planned polyester expansions in India*



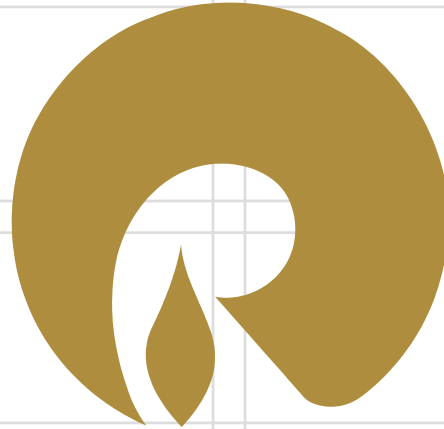
**IPCL**

# IPCL – Impressive Performance



- Gross Turnover Rs 10,312 crore, up 8%
- Cash profit Rs 989 crore, up 88%
- Net profit Rs 450 crore, up 159%
- Export earnings Rs 938 crore, up 117%
- Production 3.83 million tonnes, up 9%

*Strong performance on the back of robust margins*



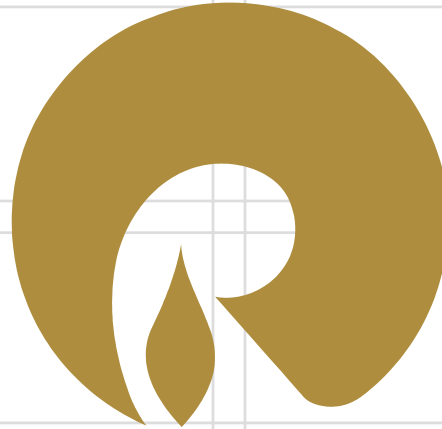
**Reliance Energy**

# REL - Strong Performance



- Total Income of Rs 3,003 crore, up 11%
- Cash Profit of Rs 615 crore, up 20%
- Net Profit of Rs 366 crore, up 37%
- Net worth Rs 6,251 crore
- Successful turnaround of Delhi operations - aggregate PBT up from Rs 12 crore to Rs 128 crore for 9 months

*Ranked No. 3 in the private sector based on Net Worth*



**Reliance Infocomm**

# RIC Q3 Performance Highlights



- Subscriber base crosses 10 mn landmark
- Avg. monthly acquisitions at 0.45 mn, highest during the year
- Revenues at Rs 1,415 crore, up 58% YOY
- EBITDA at Rs. 219 crore, up 284% YOY
- Loss lower at Rs. 6 cr, against loss of Rs. 111 cr in Q3 FY04

# RIC – Income Statement for 9mth FY05



Particulars	9 mths FY04	9 mths FY05	Y-o-Y Growth
Revenue	1,708	3,728	118%
<b>EBITDA</b>	<b>64</b>	<b>512</b>	<b>700%</b>
Interest	-	-	
Depreciation	334	676	102%
Tax	-	-	
<b>PAT</b>	<b>(272)</b>	<b>(164)</b>	NM
Cash Profit	64	512	700%

*Significant improvement in revenues and operating profit*

# RIC – Income Statement Q3 Vs Q2 FY05



Particulars	Q2 FY05	Q3 FY05	Q-o-Q Growth
Revenue	1,207	1,415	17%
<b>EBITDA</b>	<b>166</b>	<b>219</b>	<b>32%</b>
Interest	-	-	
Depreciation	225	225	
Tax	-	-	
<b>PAT</b>	<b>(58)</b>	<b>(6)</b>	NM
Cash Profit	166	219	32%

*Operations expected to be profitable in the forthcoming quarters*

# RCIL Consolidated Profit

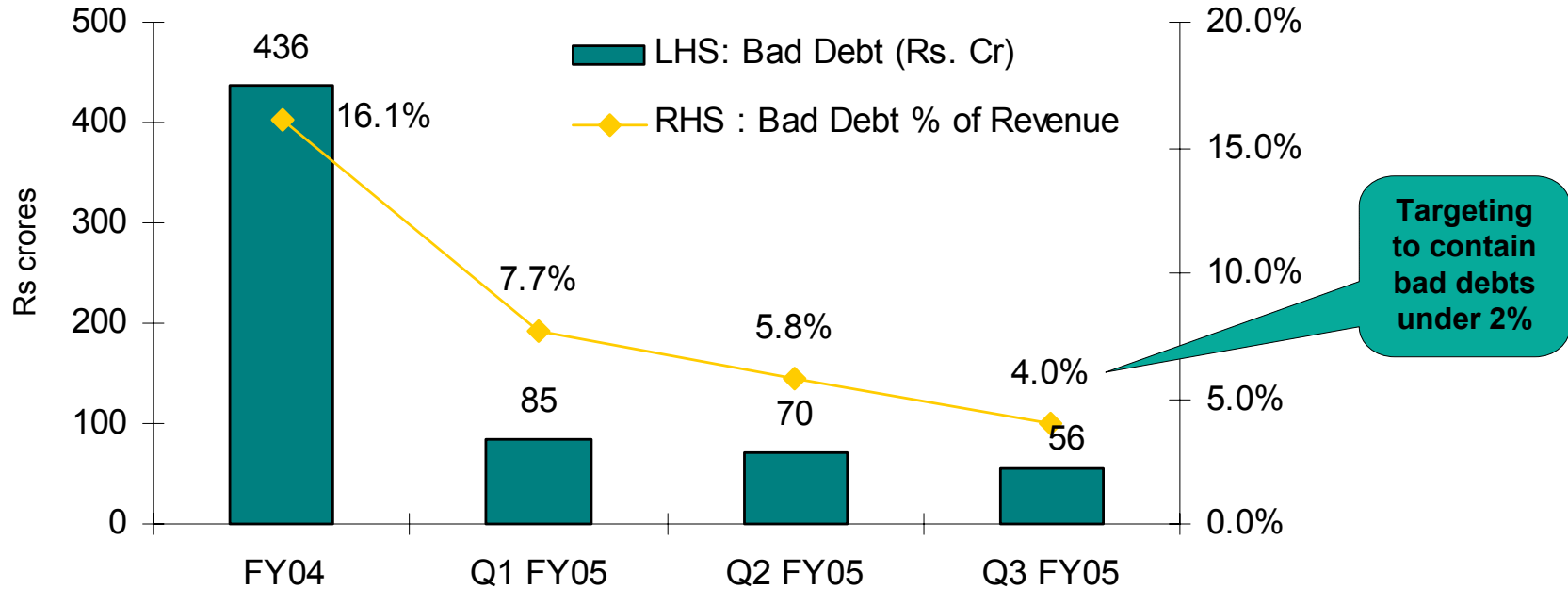


	(Rs. Crores)
	9 mths FY 05
RIC Standalone Net Profit	(164)
RCIL Standalone Net Profit	2
Subsidiaries of RIC and RCIL, net of minority interest	83
<b>RCIL Consolidated Net Profit / (Loss)</b>	<b>(79)</b>
RIL Share (45%)	(36)
Elimination of Income on Preference Shares	(238)
<b>Net impact on RIL consolidated Profit</b>	<b>(274)</b>

# Migration leads to lower Bad Debts



## Trend in Bad Debt Provisioning



- Bad debts have declined due to improved systems to check delinquency and sustained efforts to improve cash collection
- Migration of marginal subscribers from post-paid to prepaid has also helped in containing bad debts during the quarter
- Incrementally, about 80% of the additions are under prepaid

# Project Cost and Means of Finance



## Project Cost

Particulars	Rs. Cr.	US\$ Bn
Entry Fee	2,234	0.50
IRU & Other Infrastructure	7,499	1.66
Electronics & OSS/BSS	12,403	2.75
Investment in Subsidiary (FLAG)	1,500	0.33
Preoperative Expenses	763	0.17
Contingency	500	0.11
<b>TOTAL</b>	<b>24,900</b>	<b>5.52</b>

Incurred Till Dec 31, 2004 : Rs.15,700 Cr.

## Means of Finance

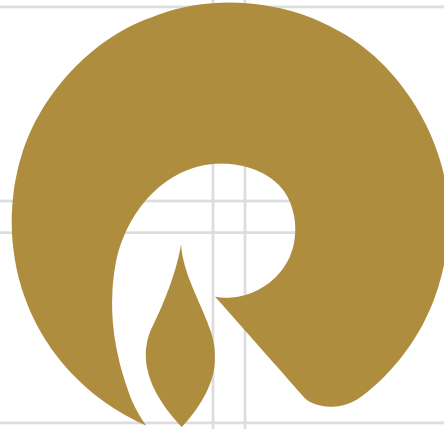
Particulars	Rs. Cr.	U\$ Bn
Equity	6,785	1.50
Preference Shares	8,100	1.80
Debt	9,733	2.16
Internal Accruals	282	0.06
<b>TOTAL</b>	<b>24,900</b>	<b>5.52</b>

Debt Equity Ratio : 0.65:1

# Equity and Debt Funding



- Equity of Rs 3,035 cr and Preference shares of Rs 8,100 cr raised as part of project funding. Balance Rs 3,750 cr. to be raised
- Total Debt equivalent to US\$ 2.2 Bn (Rs 9,700 cr) tied up and committed by lenders
  - From Domestic Banks (raised) Rs. 5,000 cr
  - Foreign Debt
    - Syndicated Foreign Currency Loan (ECB) (raised) US\$ 300 Mn
    - Foreign Currency Loans under US Exim and EDC facilities US\$ 750 Mn
- Optimal mix of rupee and foreign currency loans
- Attractive interest rates. Wtd. Avg. cost of all Borrowings ~5.5%
- Entire debt funding for the project has been tied up



## Summary

# Major Financial Transactions



- USD 150 million equivalent in EUR
  - Funding Polyester Expansion plans
  - First ECA covered facility for RIL in over 2 decades
  - Represents longest tenor financing (11 years) since issuance of Bonds in 1996-97
  
- USD350 million
  - First Multi-currency (JPY, USD, EUR) transaction in India
  - Finest pricing (95 bps) by RIL for a medium-term loan



# Share Buyback

- Buyback opened on 10-Jan-2005, to remain open until 26-Dec-2005
- Price not exceeding Rs 570 per share
- Aggregate amount not exceeding Rs 2,999 crore
- Shares bought back till date:
  - No. of shares                      2,669,495
  - % of equity capital                      0.19
  - Avg. price (Rs)                      522
  - Total Amount (Rs crore)                      139

*Buyback to lead to increase in EPS, and improvement in RONW*

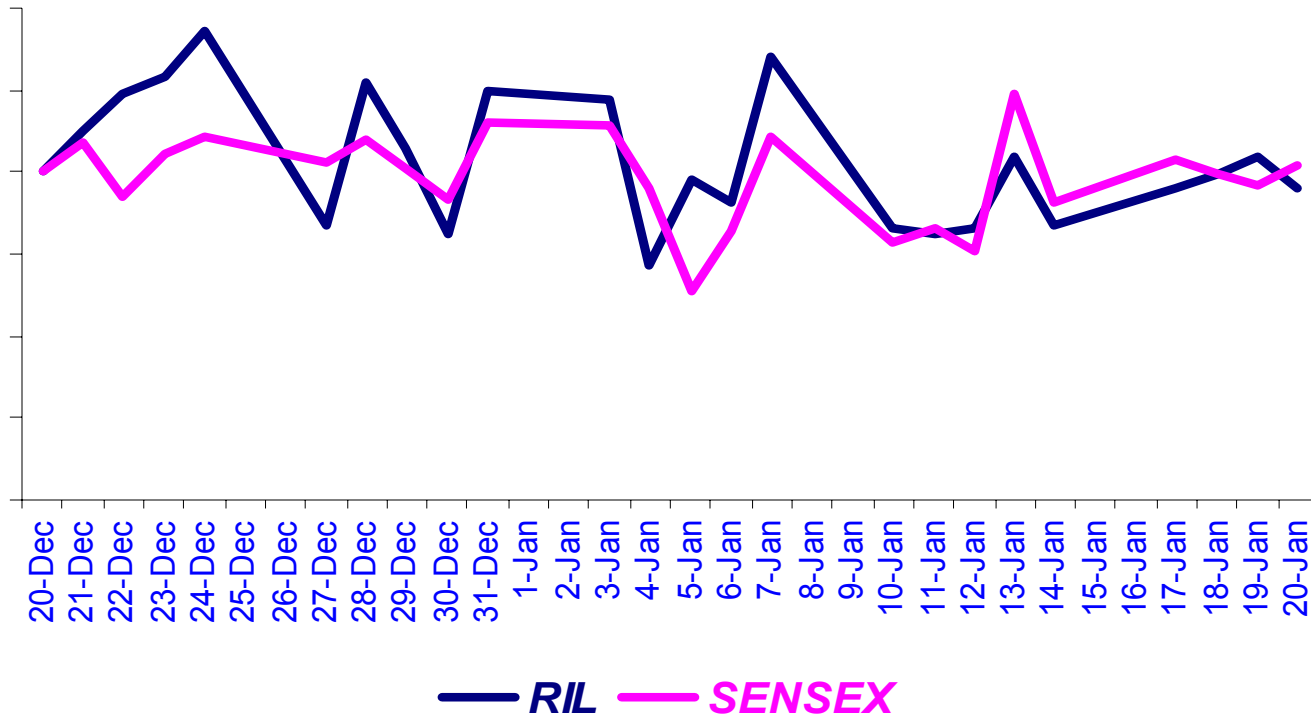
# RIL Stock Price Performance



Date	20-Dec-04	27-Dec-04	31-Dec-04
Sensex	6403.00	6513.03	6602.69
RIL	480.65	516.85	533.80
Relative performance to Sensex as on date	10.14%	4.18%	2.26%

*RIL has comfortably outperformed the Sensex since the buyback announcement and even on a YTD basis*

# RIL Relative to Sensex



*Following buyback announcement, RIL's beta has reduced from 1.19 to 0.81*

# Analyst Views on Share Buyback



## ■ Goldman Sachs

“We believe this offer for buy back for nearly 7% of RIL’s floating stock should boost investor sentiment once the company starts implementing the buy back scheme.”

## ■ UBS

“The buy-back proposal aims to correct the under performance and indicates under-valuation of RIL shares, in our view.”

## ■ Citigroup

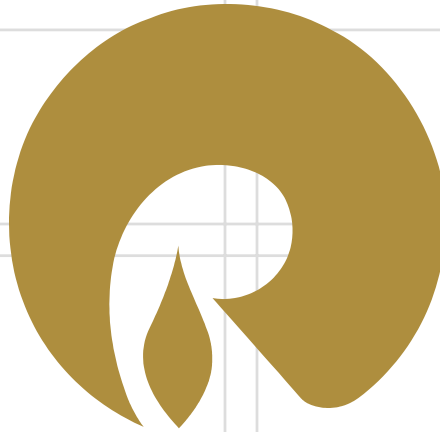
“The buy back is likely to be EPS accretive at this price.”

# The Growth Engines



- Substantial investments in Oil & Gas
  - New exploration activities
  - Development of gas fields
- Creation of retail marketing network for transportation fuels
- Increase in petrochemicals capacities
- Investments in new opportunities

*Investments of US\$ 8-10 billion over next five years to power earnings growth*



Growth is Life

**Thank You**