



## Report on Corporate Governance

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practices stem from the culture and mindset of the organisation. As shareholders across the globe evince keen interest in the practices and performance of companies, Corporate Governance has emerged on the centre stage.

Over the years, governance processes and systems have been strengthened at Reliance. In addition to complying with the statutory requirements, effective governance systems and practices inter alia towards transparency, disclosures, internal controls and promotion of ethics at work-place have been institutionalised. Reliance recognises that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of all the stakeholders. For implementing the Corporate Governance practices, Reliance has a well defined policy framework consisting of the following :

- Reliance's values and commitments policy
- Reliance's code of ethics
- Reliance's business policies
- Reliance's policy for prohibition of insider trading
- A detailed programme of ethics management

These policies and their effective implementation underpin the commitment of the Company to uphold highest principles of Corporate Governance consistent with the Company's goal to enhance shareholder value.

**Corporate Governance Monitoring and Review Process at Reliance :** With expert assistance from Indian and international firms, Reliance had initiated a programme to review its policies and practices of Corporate Governance with a clear goal not merely to comply with statutory requirements in letter and spirit but also to implement the best international practices of Corporate Governance, in the overall interest of all the stakeholders.

Some of the major initiatives taken by the Company towards strengthening its corporate governance systems and practices include the following :

**(a) Constitution of Corporate Governance and Stakeholders' Interface Committee :**

The Corporate Governance and Stakeholders' Interface Committee, an Independent Board Committee, examines various Corporate Governance practices from time to time and recommends to the Board for adoption. The Board of Directors of the Company ('the Board') considers the

recommendations of the Corporate Governance and Stakeholders' Interface Committee and decides to implement the suggestions in the larger interests of transparency, accountability and shareholder value.

Establishment of a dedicated independent Board Committee demonstrates the level of commitment the management has in putting in place a pervasive governance framework flowing from top.

**(b) Nomination Committee :**

The scope of the Corporate Governance and Stakeholders' Interface Committee was enhanced to act as Nomination Committee as well. Accordingly, the Committee evaluates appointment of Directors on the Board and recommends the same to the Board. This move of the management aims at ensuring increased level of transparency, objective evaluation of the Board strength and impartial selection of new Directors on the Board.

**(c) Adoption of Corporate Governance Manual :**

On the recommendations of the Corporate Governance and Stakeholders' Interface Committee, the Board approved and adopted, during the last year, a comprehensive Corporate Governance Manual ('the Manual') setting out the procedures for effective functioning of the Board and its Committees.

The Manual also incorporates the Code of Business Conduct and Ethics for Directors and Management Personnel, Code of Ethics for Employees, Code of Conduct for Prohibition of Insider Trading and key accounting policies. These policies will be constantly monitored and reviewed by the Corporate Governance and Stakeholders' Interface Committee, from time to time.

**(d) Secretarial Audit :**

As a strong measure of transparency and control, the Company has, voluntarily, appointed an independent practicing company secretary, who has been conducting secretarial audit. The quarterly reports of this audit are placed before the Board and the annual audit report, as placed before the Board, is included in the Annual Report for perusal of shareholders.

This audit, as a process, acts both as a preventive check as well as verification of compliance with various applicable corporate and securities laws.

**(e) Guidelines for the Board / Committee Meetings :**

With a view to institutionalise corporate affairs and set up systems and procedures for advance planning for matters

requiring discussion/decisions by the Board and Board Committee, the Company has defined guidelines for meetings of the Board and Board Committees. These Guidelines seek to systematise the decision making process at the meetings of the Board and Board Committees in an informed and efficient manner. The salient features of the guidelines have been dealt with in detail elsewhere in this report.

(f) **Implementation of the best globally prevalent governance practices :** It is the Company's policy to adopt the best governance practices as laid down in international codes of Corporate Governance and as practiced by well known global companies. The Company, as part of continuing exercise of strengthening its corporate governance practices, examines recommendations of expert committees, from time to time and implement them to the extent feasible. Some of the best global governance norms put to practice at Reliance include the following –

- (i) **Non-audit services :** The Audit Committee has laid down a policy for non-audit services.
- (ii) **Disclosure Controls and Procedures :** The Company has effective disclosure controls and procedures in place. The communication of the Company's policies, plans and accomplishments are made in an effective manner. Disclosure of information on the proceedings of the board meetings / committee meetings / forward looking statements is prohibited without prior approval of the management. Further, all filings with stock exchanges are reviewed by the Shareholders' / Investors' Grievance Committee on a quarterly basis.
- (iii) **Lead Independent Director :** Taking a cue from internationally prevalent norms of corporate governance, Lead Independent Director has been designated. The role of Lead Independent Director is set out elsewhere in this Report.

(g) **Role of the Company Secretary in Overall Governance Process :**

As per the internationally recommended practice, the Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. All the Directors of the Company have access to the advice and services of the Company Secretary in ensuring an effective functioning of the Board. The Company Secretary administers, attends and prepares minutes of the Board and Board Committee proceedings in accordance with the statutory requirements as well as added governance norms.

(h) **Observance of the Secretarial Standards issued by the Institute of Company Secretaries of India :**

The Institute of Company Secretaries of India (ICSI) is one of the premiere professional bodies in India. ICSI has issued

secretarial standards on important aspects like Board meetings, General meetings, payment of dividend, maintenance of registers and records etc. Though these standards are recommendatory in nature, the Company observes them voluntarily.

**In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges in India (Clause 49) and some of the best practices followed internationally on Corporate Governance, a report containing the details of governance systems and processes at Reliance Industries Limited is as under :**

#### 1. Company's Philosophy on Code of Governance

Reliance's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, lenders and the Government. Reliance is committed to achieve and maintain the highest international standards of Corporate Governance. Reliance believes that all its actions must serve the underlying goal of enhancing overall shareholder value on a sustained basis.

Reliance is committed to good governance practices that create long term sustainable shareholder value. Keeping in view the Company's size, complexity, global operations and corporate traditions, the Reliance Governance framework is based on the following main principles :

- Constitution of a Board of Directors of appropriate composition, size, varied expertise and commitment to discharge their responsibilities and duties.
- Ensuring timely flow of information to the Board and its Committees to enable them discharge their functions effectively.
- Independent verification and safeguarding integrity of the Company's financial reporting.
- A sound system of risk management and internal control.
- Timely and balanced disclosure of all material information concerning the Company to all stakeholders.
- Transparency and accountability.
- Compliance with all the applicable rules and regulations.
- Fair and equitable treatment of all its stakeholders including employees, customers, shareholders and investors.

## 2. Board Composition and Particulars of Directors

### Board Composition

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors. The Board consists of 13 Directors, out of which 8 are Independent Directors. Composition of the Board and category of Directors are as follows :

| Category                               | Name of the Directors  |
|--|--|
| Promoter Director                      | Mukesh D. Ambani<br><i>Chairman &amp; Managing Director</i>  |
| Executive Directors                    | Nikhil R. Meswani<br>Hital R. Meswani<br>Hardev Singh Kohli  |
| Non-Executive Non-Independent Director | Ramniklal H. Ambani  |
| Independent Directors                  | Mansingh L. Bhakta<br>Yogendra P. Trivedi<br>Dr. Dharam Vir Kapur<br>Mahesh P. Modi<br>S. Venkitaramanan<br>Prof. Ashok Misra<br>Prof. Dipak C. Jain<br>Dr. Raghunath A. Mashelkar * |

\* Additional Director with effect from June 9, 2007.

All the Independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the tests of independence as laid down under Clause 49. All such declarations are placed before the Board for information.

No Director is related to any other Director on the Board, except for Shri Nikhil R. Meswani and Shri Hital R. Meswani, who are brothers.

### Lead Independent Director

The Independent Directors of the Company have designated Shri Mansingh L. Bhakta as the Lead Independent Director. The role of Lead Independent Director is as follows :

- To preside over meetings of Independent Directors.
- To ensure that there is adequate and timely flow of information to Independent Directors.
- To liaise between the Chairman & Managing Director, the Management and the Independent Directors.
- To preside over meetings of the Board and Shareholders when the Chairman and Managing Director is not present or where he is an interested party.
- To perform such other duties as may be delegated to the Lead Independent Director by the Board/Independent Directors.

### Directors' Profile

Brief resume of all the Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships, memberships/chairmanships of Board Committees and their shareholding in the Company are provided below :

#### a) Shri Mukesh D. Ambani, age 50, is a Chemical



Engineer from the University of Bombay and pursued MBA from Stanford University, USA. He is the son of Shri Dhirubhai H. Ambani, Founder Chairman of the Company. Shri Ambani joined Reliance in 1981 and initiated Reliance's backward integration from textiles into polyester fibres and further into petrochemicals, petroleum refining and oil and gas exploration and production. In this process, he directed the creation of several new world-class manufacturing facilities involving diverse technologies that have raised Reliance's petrochemicals manufacturing capacities from less than a million tonnes to thirteen million tonnes per year.

Shri Ambani directed and led the creation of the world's largest grassroots petroleum refinery at Jamnagar, India, with a current capacity of 660,000 barrels per day (33 million tonnes per year) integrated with petrochemicals, power generation, port and related infrastructure, at an investment of Rs. 25,000 crore (nearly US\$ 6 billion).

Shri Ambani set up the largest and most complex information and communications technology initiative in the world in the form of Reliance Infocomm Limited (now Reliance Communications Limited). Covering more than 1,100 towns and cities across India, Reliance Infocomm offers the full range of voice, data, video and value added services, on the strength of 80,000 kilometres of optic fibre-based terabit infrastructure, at the lowest entry cost and service cost anywhere in the world.

Shri Ambani is also steering Reliance's initiatives in a world scale, offshore, deep water oil and gas exploration and production program and implementation of a pan-India organized retail network spanning multiple formats and supply chain infrastructure.

Shri Ambani's achievements include:

- Bestowed the US-India Business Council (USIBC) 'Global Vision' 2007 Award for Leadership in 2007
- Invited to be a member of the World Business Council for Sustainable Development (WBCSD). He is the only Indian CEO to be a Council Member of WBCSD.
- Conferred 'ET Business Leader of the Year' Award by The Economic Times (India) in the year 2006.

- Received the first NDTV-Profit 'Global Indian Leader Award' from Hon'ble Prime Minister of India, Shri Manmohan Singh in New Delhi in the year 2006
- Had the distinction and honour of being the co-chair at the World Economic Forum Annual Meeting 2006 in Davos, Switzerland.
- Ranked 42nd among the 'World's Most Respected Business Leaders' and second among the four Indian CEOs featured in a survey conducted by Pricewaterhouse Coopers and published in Financial Times, London, November, 2004.
- Conferred the World Communication Award for the 'Most Influential Person in Telecommunications in 2004' by Total Telecom, October, 2004.
- Conferred the 'Asia Society Leadership Award' by the Asia Society, Washington D.C., USA, May, 2004.

Shri Ambani is the Chairman of Reliance Petroleum Limited and Reliance Retail Limited and a Director of Reliance Europe Limited and Pratham India Education Initiative. He is the Chairman of the Finance Committee, a member of the Shareholders'/ Investors' Grievance Committee and the Employees Stock Compensation Committee of the Company.

Shri Ambani is a member of the Prime Minister's Council on Trade and Industry, Government of India; Council of Scientific and Industrial Research (CSIR) Society, India; Board of Governors of the National Council of Applied Economic Research, New Delhi and the Advisory Council of the Indian Banks' Association.

He is a member of the Indo-US CEOs Forum, the International Advisory Board of Citigroup, and McKinsey Advisory Council.

He is the Chairman, Board of Governors of the Indian Institute of Management, Bangalore and a member of the IIT Bombay Advisory Council of the Indian Institute of Technology, Mumbai. He is also a member of the Advisory Council for the Graduate School of Business of the Stanford University.

Shri Ambani is the Promoter of the Company and holds 18,07,923 shares in the Company as on March 31, 2007.

- b) **Shri Nikhil R Meswani**, age 41, is a Chemical Engineer. He is the son of Shri Rasiklal Meswani, one of the Founder Directors of the Company.



Shri Meswani joined Reliance at an early age in 1986 and since July 01, 1988 he is a Wholetime Director designated as Executive Director on the Board of Reliance.

He is responsible for the entire Petrochemicals and Polyester Businesses. He has contributed to the growth of the Petrochemicals and Polyester Divisions of Reliance to its present position as a market leader in India and one amongst the top ten Petrochemicals companies in the world. In addition, he handles several corporate responsibilities.

He is a member of the Finance Committee and the Shareholders' / Investors' Grievance Committee of the Company.

He is a member on several key committees of the Government of India connected with the Ministry of Textiles, Petrochemicals and Petroleum & Natural Gas.

Shri Meswani is the President of Association of Synthetic Fibre Industry. He was also the Chairman of Asian Chemical Fibre Industries Federation.

He was named Young Global Leader of Tomorrow by the World Economic Forum in 2005 and continues to actively participate in the activities of the World Economic Forum.

He was honoured by the Textile Association (India), Institute of Economic Studies, Ministry of Commerce & Industry and the University Institute of Chemical Technology (UICT), Mumbai.

Shri Meswani holds 1,21,174 shares in the Company as on March 31, 2007.

- c) **Shri Hital R. Meswani**, age 39, graduated with honours in the Management & Technology programme from University of Pennsylvania. He received a B.S. Degree in Chemical Engineering and B.S. Economics (equivalent to B.B.A.) from the Wharton Business School, both from University of Pennsylvania, U.S.A.



Shri Meswani joined Reliance Industries Limited in 1990. He is on the Board of the Company as a Wholetime Director designated as Executive Director since August 4, 1995, with overall responsibility of the Petroleum Business, all manufacturing and project activities of the group including Jamnagar, Patalganga and Hazira Complexes.

Shri Meswani is a Director of Reliance Industrial Investments and Holdings Limited and Reliance Petroleum Limited. He is the Chairman of the Audit Committee of Reliance Industrial Investments and Holdings Limited, member of the Shareholders'/ Investors' Grievance Committee of Reliance Petroleum Limited. He is the Chairman of the Health, Safety & Environment Committee and a member of the Finance Committee and the Shareholders'/ Investors' Grievance Committee of the Company.



Shri Meswani holds 87,930 shares in the Company as on March 31, 2007.

- d) **Shri Hardev Singh Kohli**, age 73, is a MSc. He has wide



experience in implementation and operation of Fertilizers and petrochemicals plants in Private, Public and Co-operative sectors. Since 1991, he has been working at the Company's Hazira Complex. Keeping in view his expertise in the field of petrochemicals, he was

appointed as a Wholtime Director of the Company designated as Executive Director with effect from April 1, 2000.

In recognition of his far reaching vision, management skills, innovative ideas, untiring efforts and dynamic leadership, he was conferred the prestigious The Wisitex Foundation Award - 1996 "Man of the Corporate Management" and many more.

Shri Kohli is also on the Board of Reliance Assam Petrochemicals Limited. He is a member of the Health, Safety and Environment Committee of the Company.

Shri Kohli holds 1,155 shares in the Company as on March 31, 2007.

- e) **Shri Ramniklal H. Ambani**, age 82, has been one of the senior most Directors of the Company since January 11, 1977.



Shri Ramniklal H. Ambani is the elder brother of Late Shri Dhirubhai H. Ambani, the Founder Chairman of the Company, and has been instrumental in chartering the

growth of the Company during its initial years of operations from its factory at Naroda, in Ahmedabad.

Shri Ambani along with Late Shri Dhirubhai H. Ambani, set up and operated the textile plant of the Company at Naroda, Ahmedabad and was responsible in establishing the Reliance Brand name "VIMAL" in the textile market in the country.

Shri Ambani is a Director of Gujarat Industrial Investments Corporation Limited, Sintex Industries Limited and Yashraj Investments and Leasing Company Private Limited. He is the Chairman of the Audit Committee of Gujarat Industrial Investments Corporation Limited.

Shri Ambani holds 83,647 shares in the Company as on March 31, 2007.

- f) **Shri Mansingh L. Bhakta**, age 75, is a Director of the Company since September 27, 1977. He is a Senior Partner of Messrs. Kanga & Company, a leading firm of Advocates and Solicitors in Mumbai. He has been in practice for over 45 years and has vast experience in the legal field and particularly on matters relating to corporate laws, banking and taxation.



and taxation.

Shri Bhakta is the legal advisor to leading foreign and Indian companies and banks. He has also been associated with a large number of Euro issues made by Indian companies. He was the Chairman of the Taxation Law Standing Committee of LAWASIA, an Association of Lawyers of Asia and Pacific which has its headquarters in Australia.

Shri Bhakta is a Director of Ambuja Cements Limited, Micro Inks Limited, The Indian Merchant's Chamber, Mumbai, JCB Manufacturing Limited and JCB India Limited. He is the Lead Independent Director of the Company. He is the Chairman of the Shareholders'/ Investors' Grievance Committee and the Remuneration Committee of the Company. He is the Chairman of the Audit Committee, the Compensation and Remuneration Committee and the Banking Matters Committee of Ambuja Cements Limited and a member of the Audit Committees of Micro Inks Limited and JCB India Limited. He is Recipient of Rotary Centennial Service Award for Professional Excellence from Rotary International. He is listed as one of the Leading Lawyers of Asia for 2006 and 2007 by Asialaw, Hongkong.

Shri Bhakta holds 1,42,000 shares in the Company as on March 31, 2007.

- g) **Shri Yogendra P. Trivedi**, age 78, is a Director of the Company since April 16, 1992.



Shri Trivedi is practicing as Senior Advocate, Supreme Court. He is holding important positions in various fields viz., economic, professional, political, commercial, education, medical, sports and social fields. He has received various awards and

merits for his contribution in various fields. He was a Director in Central Bank of India and Dena Bank amongst many other reputed companies. He is the past President of Indian Merchants' Chamber and presently on the Managing Committee of ASSOCHAM and International Chamber of Commerce.

Shri Trivedi is the Chairman of Sai Service Station Limited, Telstar Travels Private Limited and Trivedi

Consultants Private Limited. He is a Director of Reliance Petroleum Limited, Colosseum Sports & Recreation International, Safari Industries (India) Limited, Birla Power Solutions Limited, The Supreme Industries Limited, The Zandu Pharmaceuticals Works Limited, Zodiac Clothing Company Limited, Seksaria Biswan Sugar Factory Limited, New Consolidated Construction Company Limited, Metro Exporters Private Limited, Clare Mont Trading Private Limited and Monica Travels Private Limited.

Shri Trivedi is also a Director/Member of Indian Merchants' Chamber, All India Association of Industries, Western India Automobile Association, W.I.A.A. Club, Yachting Association of India, B.C.A. Club, Orient Club, Cricket Club of India and Yatch Club (all Section 25 companies).

Shri Trivedi is the Chairman of the Audit Committees of Zandu Pharmaceuticals Limited, Birla Power Solutions Limited and Reliance Petroleum Limited. He is a member of the Audit Committees of Zodiac Clothing Company Limited, Sai Service Station Limited, Seksaria Biswan Sugar Factory Limited and New Consolidated Construction Company Limited. He is the Chairman of the Shareholders'/ Investors' Grievance Committee of Reliance Petroleum Limited. He is also the Chairman of the Audit Committee, Corporate Governance and the Stakeholders' Interface Committee, the Employees Stock Compensation Committee and the Retail Business Committee of the Company. He is also a member of the Shareholders'/ Investors' Grievance Committee and the Remuneration Committee of the Company.

Shri Trivedi holds 11,500 shares in the Company as on March 31, 2007.

- h) **Dr. Dharam Vir Kapur**, age 78, is a Director of the Company since March 28, 2001. He is a Graduate with Honours in Electrical Engineering and is having wide experience in Power, Capital goods, Chemicals and Petrochemicals Industries.



Dr. Kapur had an illustrious career in the Government sector with a successful track record of building vibrant organisations and successful project implementation. He served Bharat Heavy Electricals Limited (BHEL) in various positions with distinction but perhaps the most remarkable achievement of Dr. Kapur's career is the establishment of systems oriented National Thermal Power Corporation (NTPC) of which he was the founder Chairman-cum-Managing Director. For his contribution to the success and leadership of the fledgling organisation, he was described as Model Manager by the Board of the World Bank.

Dr. Kapur served as Secretary to the Government of India in the Ministries of Power, Heavy Industry and Chemicals & Petrochemicals during 1980-86. He has

also been associated with a number of national institutions as Member, Atomic Energy Commission, Member, Advisory Committee of the Cabinet on Science and Technology, Chairman, Board of Governors, IIT Bombay, Member, Board of Governors, IIM Lucknow, Chairman, National Productivity Council, etc.

Dr. Kapur made significant contributions in the field of Technology Management and Industrial Development and in recognition of his services, Jawaharlal Nehru Technological University, Hyderabad conferred on him the degree of D. Sc.

Dr. Kapur is the Chairman (Emeritus) of Jacobs H&G Private Limited, Chairman of GKN Driveline (India) Limited and Drivetech Accessories Limited. He is a Director of Honda Siel Power Products Limited, Zenith Birla (India) Limited, DLF Power Limited and DLF Limited. He is the Chairman of the Audit Committees of Honda Siel Power Products Limited and GKN Driveline (India) Limited. He is the Chairman of the Shareholders'/Investors' Relations Committee of Honda Siel Power Products Limited and DLF Limited. He is the Chairman of the Chairman's Executive Committee of GKN Driveline (India) Limited and Corporate Governance Committee of DLF Limited. He is a member of the Audit Committee of Zenith Birla (India) Limited and DLF Limited and of the Remuneration Committee of Honda Siel Power Products Limited. He is also a member of the Corporate Governance and Stakeholders' Interface Committee, Remuneration Committee, Retail Business Committee and Health, Safety and Environment Committee of the Company.

Dr. Kapur holds 6,772 shares in the Company as on March 31, 2007.

- i) **Shri Mahesh P. Modi**, age 67, is a Director of the Company since March 28, 2001. He held high positions in Government of India as Chairman of Telecom Commission; Secretary, Ministry of Coal; Special Secretary, Insurance and Joint Secretary, Ministry of Petroleum, Chemicals and Fertilizers. He has considerable



management experience, particularly in the fields of energy, insurance, petrochemicals and telecom.

At present, Shri Modi is a Director on the Boards of ICICI Prudential Life Insurance Company Limited and Reliance Petroleum Limited. He is the Chairman of the Audit Committee of ICICI Prudential Life Insurance Company Limited.

Shri Modi is a member of the Audit Committee and the Shareholders'/Investors' Grievance Committee of

Reliance Petroleum Limited. He is also a member of the Audit Committee, the Employees Stock Compensation Committee and the Corporate Governance and Stakeholders' Interface Committee of the Company.

Shri Modi holds 562 shares in the Company as on March 31, 2007.

- j) **Shri S. Venkitaramanan**, age 76, is a Director of the Company since June 27, 1997. He holds a Master's Degree in Physics from the University of Kerala and also a Masters Degree in Industrial Administration from Carnegie Mellon University, Pittsburgh, USA.



Shri Venkitaramanan is a former Governor of Reserve Bank of India

and former Secretary to the Government of India, Ministry of Finance. He is a Director of Housing Development Finance Corporation Limited, New Tirupur Area Development Corporation Limited and Tamil Nadu Water Investment Company Limited.

Shri Venkitaramanan is a member of the Audit Committee and the Remuneration Committee of the Company.

Shri Venkitaramanan does not hold any shares in the Company as on March 31, 2007.

- k) **Prof. Ashok Misra**, age 60, is a Director of the Company since April 27, 2005. He is a Ph.D. and M.S. in Polymer Science & Engineering from the University of Massachusetts, USA and M.S. in Chemical Engineering from Tufts University and B. Tech. in Chemical Engineering from IIT, Kanpur. He has also completed the Executive



Development Program in 1999 at the Kellogg School of Management, Northwestern University, Evanston, Illinois, USA.

Prof. Misra authored one book on Polymers and published several articles in international journals and has been awarded six patents.

Prof. Misra is Director of Indian Institute of Technology, Powai, Mumbai, since May 2000. He is a member of several scientific associations and societies. He is also on the Board of National Thermal Power Corporation Limited and Rashtriya Chemicals & Fertilizers Limited. He is a member of the Management Controls Committee of National Thermal Power Corporation Limited.

Prof. Misra holds 174 shares in the Company as on March 31, 2007.

- l) **Prof. Dipak C. Jain**, age 50, is a Director of the Company since August 4, 2005. He is a Ph.D. in Marketing and M.S. in Management Science from the University of Texas and M.S. in Mathematical Statistics from Gauhati University.



Prof. Jain is a distinguished teacher and scholar. He has been Dean of the Kellogg School of Management, Northwestern University, Evanston, Illinois, USA since July, 2001. He has more than 20 years experience in management and education. He has published several articles in international journals on marketing and allied subjects.

Prof. Jain's academic honors include the Sidney Levy Award for Excellence in Teaching in 1995; the John D.C. Little Best Paper Award in 1991; Kraft Research Professorships in 1989-90 and 1990-91; the Beatrice Research Professorship in 1987-88; the Outstanding Educator Award from the State of Assam in India in 1982; Gold Medal for the Best Post-Graduate of the Year from Gauhati University in India in 1978; Gold Medal for the Best Graduate of the Year from Darrang College in Assam in India in 1976; Gold Medal from Jaycees International in 1976; the Youth Merit Award from Rotary International in 1976; and the Jawaharlal Nehru Merit Award, Government of India in 1976.

Prof. Jain is a Member of American Marketing Association and the Institute of Management Services. He is a Director of John Deere & Company, Hartmarx Corporation and Northern Trust Bank (companies incorporated outside India). He is a Director of Reliance Retail Limited. He is also a member of the Retail Business Committee and the Employees Stock Compensation Committee of the Company.

Prof. Jain does not hold any shares in the Company as on March 31, 2007.

- m) **Dr. Raghunath Anant Mashelkar**, age 64, was appointed as an Additional Director of the Company with effect from June 9, 2007. He is a Ph.D. in Chemical Engineering, an eminent engineering scientist, presently the President of Indian National Science Academy (INSA) and President of Global Research Alliance, a network of publicly funded R&D institutes from Asia-Pacific, Europe and USA with over 60,000 scientists. Dr. Mashelkar was the Director General of the Council of Scientific and Industrial Research (CSIR) for over eleven years. Dr. Mashelkar is only the third Indian Engineer to have been elected as Fellow of Royal Society (FRS), London in the twentieth century. He was elected Foreign Associate of National Academy of



Science, USA (2005), Foreign Fellow of US National Academy of Engineering (2003), Fellow of Royal Academy of Engineering, U.K. (1996), and Fellow of World Academy of Art & Science, USA (2000). Twenty-six universities have honoured him with honorary doctorates, which include Universities of London, Salford, Pretoria, Wisconsin and Delhi.

Dr. Mashelkar has won over 50 awards and medals from several bodies for his outstanding contribution in the field of science and technology. He is the only scientist so far to have won the JRD Tata Corporate Leadership Award (1998) and the Star of Asia Award (2005) at the hands of George Bush Sr., the former president of USA.

The President of India honoured Dr. Mashelkar with Padmashri (1991) and with Padmabhushan (2000), which are two of the highest civilian honours in recognition of his contribution to nation building.

Dr. Mashelkar is a Director of ICICI Knowledge Park and Media Lab Asia.

Dr. Mashelkar does not hold any shares in the Company.

### 3. Board Meetings, its Committee Meetings and Procedures

#### A. Institutionalised decision making process

At the apex level of the decision making process lies with the Board of Directors appointed by the shareholders of Company in accordance with the applicable provisions of the Companies Act, 1956 and the Listing Agreement. The Board has constituted seven standing Committees, namely Audit Committee, Corporate Governance and Stakeholders' Interface Committee, Employees Stock Compensation Committee, Finance Committee, Health, Safety & Environment Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee. The Board also constitutes various functional Committees depending on the business needs.

The internal Guidelines for Board / Board Committee meetings systematise the decision making process at the meetings of the Board/Committees in an informed and efficient manner. The following sub-sections deal with the practice of these guidelines at Reliance.

#### B. Scheduling and selection of Agenda Items for Board meetings

- (i) Minimum six Board meetings are held in each year, which are pre-scheduled. Apart from the above, additional Board meetings are convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

- (ii) Normally the meetings are held at the Company's Registered Office at Maker Chambers IV, 222, Nariman Point, Mumbai 400 021.
- (iii) All divisions/departments of the Company are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion / approval / decision at the Board / Committee meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board / Committee meetings.
- (iv) The Board is given presentations covering Finance, Sales, Marketing, and the major business segments and operations of the Company global business environment, all business areas of the Company, including business opportunities, business strategy and the risk management practices, before taking on record the quarterly financial results of the Company at each of the pre-scheduled Board meetings.

The information placed before the Board includes :

- Annual operating plans of businesses, capital budgets and any updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board, as also resolutions passed by circulation.
- Appointment or resignation of Chief Financial Officer and Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture, acquisitions of companies or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.





- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like implementation of Voluntary Retirement Scheme etc.
  - Statement of significant transactions and arrangements entered by unlisted subsidiary companies.
  - Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
  - Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
  - Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
  - Quarterly summary of all long-term borrowings made, bank guarantees issued, loans and investments made.
  - Internal Audit findings and External Audit Management Reports (through the Audit Committee).
  - Status of business risk exposures, its management and related action plans.
  - Making of loans and investment of surplus funds.
  - Proposals for investment, mergers and acquisitions.
  - Dividend declaration.
  - General notices of interest of Directors.
  - Terms of reference of Board Committees.
  - The minutes of the Board meetings of unlisted subsidiary companies.
  - Brief on statutory developments, changes in Government policies etc. with impact thereof, directors' responsibilities arising out of any such developments.
  - Brief on clarifications made to the press.
- (v) The Chairman of the Board and the Company Secretary in consultation with other concerned team members of the senior management, finalise the agenda papers for the Board meetings.
- C. Board Material distributed in advance**
- a. Agenda and Notes on Agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Agenda papers for facilitating meaningful and focussed discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled before the meeting with specific reference to this effect in the Agenda.
  - b. In special and exceptional circumstances, additional or supplementary item(s) on the Agenda are permitted. Sensitive subject matters may be discussed at the meeting without written material being circulated in advance.
- D. Recording Minutes of proceedings at Board and Committee meetings**
- The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board / Committee for their comments. The finalised minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.
- E. Post Meeting Follow-up Mechanism**
- The Guidelines for Board and Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the decisions taken by the Board and Committees thereof. The important decisions taken at the Board / Board Committee meetings are communicated to the departments / divisions concerned promptly. Action taken report on the decisions/minutes of the previous meeting(s) is placed at the immediately succeeding meeting of the Board / Committee for noting by the Board / Committee.
- F. Compliance**
- The Company Secretary while preparing the Agenda, Notes on Agenda, Minutes etc. of the meeting(s), is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules issued thereunder and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

4. Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies :

| Name of the Director          | Attendance of meetings during 2006-07 |          | No. of Directorships and Committee Memberships/Chairmanships |                         |                           |
|-------------------------------|---------------------------------------|----------|--|-------------------------|---------------------------|
|                               | Board Meeting                         | Last AGM | Other Directorships*   | Committee Memberships** | Committee Chairmanships** |
| Mukesh D. Ambani              | 9                                     | Yes      | 2  | 1                       | –                         |
| Nikhil R. Meswani             | 8                                     | Yes      | –  | 1                       | –                         |
| Hital R. Meswani              | 7                                     | Yes      | 2  | 2                       | 1                         |
| Hardev Singh Kohli            | 8                                     | Yes      | 1  | –                       | –                         |
| Ramniklal H. Ambani           | 9                                     | Yes      | 2  | –                       | 1                         |
| Mansingh L. Bhakta            | 9                                     | Yes      | 5  | 2                       | 2                         |
| Yogendra P. Trivedi           | 9                                     | Yes      | 10   | 5                       | 5                         |
| Dr. Dharam Vir Kapur          | 9                                     | Yes      | 6  | 2                       | 4                         |
| Mahesh P. Modi                | 8                                     | Yes      | 2  | 3                       | 1                         |
| S. Venkitaramanan             | 9                                     | Yes      | 3  | 1                       | –                         |
| Prof. Ashok Misra             | 9                                     | Yes      | 2  | –                       | –                         |
| Prof. Dipak C. Jain           | 9                                     | Yes      | 1  | –                       | –                         |
| Dr. Raghunath A. Mashelkar*** | NA                                    | NA       | –  | –                       | –                         |

\* The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.

\*\* In accordance with Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committees of all Public Limited Companies have been considered.

\*\*\* Dr. Raghunath A. Mashelkar was appointed as an Additional Director with effect from June 9, 2007.

5. Number of Board Meetings held and the dates on which held

Nine Board meetings were held during the year, as against the minimum requirement of four meetings. The Company has held at least one Board meeting in every three months and the maximum time gap between any such two meetings was not more than three months. The details of the Board meetings are as under :

| Sl. No. | Date              | Board Strength | No. of Directors Present |
|---------|-------------------|----------------|--------------------------|
| 1       | April 7, 2006     | 12             | 11                       |
| 2       | April 27, 2006    | 12             | 10                       |
| 3       | July 20, 2006     | 12             | 12                       |
| 4       | October 19, 2006  | 12             | 12                       |
| 5       | November 9, 2006  | 12             | 11                       |
| 6       | January 18, 2007  | 12             | 12                       |
| 7       | February 24, 2007 | 12             | 12                       |
| 8       | March 10, 2007    | 12             | 12                       |
| 9       | March 29, 2007    | 12             | 11                       |

6. Board Committees

A. Standing Committees

Details of the Standing Committees of the Board and other related information are provided hereunder :

(i) Audit Committee

**Composition :** The Board has constituted Audit Committee, comprising three Independent Non-Executive Directors, namely Shri Yogendra P. Trivedi, Chairman, Shri S. Venkitaramanan, Vice Chairman, and Shri Mahesh P. Modi. All the members of the Audit Committee possess financial / accounting expertise. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49.

Shri Vinod M. Ambani is the Secretary to the Audit Committee.

**Objective :** The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.



**Terms of Reference :** The terms of reference / powers of the Audit Committee has been specified by the Board of Directors as under :

**A. The Audit Committee shall have the following powers :**

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

**B. The role of the Audit Committee shall include the following :**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of Statutory Auditors and fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgement by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions.
  - Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, the performance of Statutory and Internal Auditors, adequacy of internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
8. Discussion with Internal Auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower Mechanism.
13. Carrying out such other function as may be specifically referred to the Committee by the Board of Directors and / or other Committees of Directors of the Company.
14. To review the following information :
  - The management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
  - Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of Internal Auditors.
15. Reviewing the financial statements and in particular the investments made by the unlisted subsidiaries of the Company.
16. Review of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.)

**Meetings :** Five Committee meetings were held during the year, as against the minimum requirement of four meetings. The details of the meetings are as under :

| Sl. No. | Date             | Committee Strength | No. of Members Present |
|---------|------------------|--------------------|------------------------|
| 1       | April 27, 2006   | 3                  | 3                      |
| 2       | July 19, 2006    | 3                  | 3                      |
| 3       | October 19, 2006 | 3                  | 3                      |
| 4       | January 18, 2007 | 3                  | 3                      |
| 5       | March 28, 2007   | 3                  | 3                      |

Executives of Accounts Department, Finance Department, Secretarial Department and Management Audit Cell and Representatives of the Statutory and Internal Auditors were invited to attend the Audit Committee Meetings. The Cost Auditors appointed by the Company under Section 233B of the Companies Act, 1956 were also invited to attend the Audit Committee Meetings, where cost audit reports were discussed.

**Attendance of each Member at the Audit Committee meetings held during the year**

| Committee Member                 | No. of meetings attended |
|----------------------------------|--------------------------|
| Yogendra P. Trivedi, Chairman    | 5                        |
| S. Venkitaramanan, Vice Chairman | 5                        |
| Mahesh P. Modi                   | 5                        |

The Chairman of the Audit Committee was present at the last AGM.

**(ii) Corporate Governance and Stakeholders' Interface (CGSI) Committee**

**Composition :** The Board has constituted Corporate Governance and Stakeholders' Interface Committee comprising Shri Yogendra P. Trivedi, Chairman, Dr. Dharam Vir Kapur and Shri Mahesh P. Modi.

**Terms of Reference :** The terms of reference of the Corporate Governance and Stakeholders' Interface Committee, inter alia, include the following :

- Observance of practices of Corporate Governance at all levels and to suggest remedial measures wherever necessary.
- Provision of correct inputs to the media so as to preserve and protect the Company's image and standing.
- Dissemination of factually correct information to the investors, institutions and public at large.
- Interaction with the existing and prospective FIIs and rating agencies, etc.
- Recommendation for nomination of Directors on the Board.

**Criteria for Selection of Independent Directors :** Corporate Governance and Stakeholders' Interface Committee, which also acts as Nomination Committee, examines the requirement of the Company for independent inputs for policy making and based on the above requirement evaluates appointment of directors

on the Board and sends its recommendations to the Board for consideration. The independent directors are eminent experts drawn from various fields. The number of directorships and memberships on various committees is also taken into account. A confirmation that the director, if appointed, would qualify the test of independence as also qualification test prescribed under the Companies Act, 1956 is taken before any independent director is appointed. The Board considers the recommendations of the Committee and takes appropriate decision. These criteria ensure objective evaluation in the directors' selection process.

**Meetings :** During the year, the Corporate Governance and Stakeholders' Interface Committee has met six times the details of which are as under :

| Sl. No. | Date              | Committee Strength | No. of Members Present |
|---------|-------------------|--------------------|------------------------|
| 1       | April 27, 2006    | 3                  | 3                      |
| 2       | June 27, 2006     | 3                  | 3                      |
| 3       | July 12, 2006     | 3                  | 3                      |
| 4       | November 22, 2006 | 3                  | 3                      |
| 5       | January 18, 2007  | 3                  | 3                      |
| 6       | February 6, 2007  | 3                  | 3                      |

**Attendance of each Member at the CGSI Committee meetings held during the year**

| Committee Member              | No. of meetings attended |
|-------------------------------|--------------------------|
| Yogendra P. Trivedi, Chairman | 6                        |
| Dr. Dharam Vir Kapur          | 6                        |
| Mahesh P. Modi                | 6                        |

**(iii) Employees Stock Compensation Committee**

**Composition :** The Board has constituted Employees Stock Compensation Committee (the Committee), comprising Shri Yogendra P. Trivedi (Chairman), Shri Mahesh P. Modi, Prof. Dipak C. Jain and Shri Mukesh D. Ambani.

**Terms of Reference :** The Committee was formed inter alia to formulate detailed terms and conditions of the Employees Stock Option Scheme including :

- the quantum of options to be granted under Employees Stock Option Scheme per employee and in aggregate;
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- the exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period;



- (d) the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- (e) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- (f) the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others;
- (g) the grant, vest and exercise of option in case of employees who are on long leave; and
- (h) the procedure for cashless exercise of options, if any.

**The Employees Stock Option Scheme :** Keeping in line with the global trends, Employees Stock Option Scheme was put in place by the Company. During the year, the Committee approved and implemented the Employees Stock Option Scheme (the Scheme), and granted 2,87,28,000 (two crore eighty seven lakh twenty eight thousand only) Options at the rate of Rs.1,284/- (being the closing market price on NSE on March 15, 2007 as rounded to Rs. 1,284/-) plus all taxes, as may be levied on the Company in this regard, to Eligible Employees of the Company and its Subsidiary Companies, subject to the provisions of the Scheme, statutory provisions including SEBI Guidelines as may be applicable from time to time and the rules and procedures set out by the Company from time to time in this regard.

**Meetings :** During the year, the Committee met twice, details of which are as under-

| Sl. No. | Date             | Committee Strength | No. of Members Present |
|---------|------------------|--------------------|------------------------|
| 1       | February 6, 2007 | 4                  | 4                      |
| 2       | March 16, 2007   | 4                  | 3                      |

**Attendance of each Member at the Committee meetings held during the year**

| Committee Member        | No. of meetings attended |
|-------------------------|--------------------------|
| Y. P. Trivedi, Chairman | 2                        |
| Mahesh P. Modi          | 2                        |
| Prof. Dipak C. Jain     | 2                        |
| Mukesh D. Ambani        | 1                        |

**(iv) Finance Committee**

**Composition :** The Finance Committee of the Board comprises Shri Mukesh D. Ambani, Chairman, Shri Nikhil R. Meswani and Shri Hital R. Meswani.

**Terms of Reference :**

- Review the Company's financial policies, risk assessment and minimisation procedures, strategies and capital structure, working capital and cash flow management and make such reports and recommendations to the Board with respect thereto as it may deem advisable.
- Review banking arrangements and cash management
- Exercise all powers to borrow moneys (otherwise than by issue of debentures), from time to time, such that the amount of all such borrowings including bonds / debentures, but excluding temporary loans obtained from the bankers in the ordinary course of business outstanding at any time shall not exceed Rs. 35,000 crore and taking necessary actions connected therewith including refinancing for optimisation of borrowing costs.
- Giving of guarantees / issuing letters of comfort / providing securities within the limits approved by the Board.
- Borrow monies by way of loan and / or issuing and allotting Bonds / Notes denominated in one or more foreign currencies in international markets, for the purpose of refinancing the existing debt, capital expenditure, general corporate purposes including working capital requirements and possible strategic investments within the limits approved by the Board.
- Provide corporate guarantee / performance guarantee by the Company within the limits approved by the Board.
- Approve to open and operate Investment Management Accounts with Foreign Banks and appoint them as Agents, establishment of representative / sales offices in or outside India etc.
- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.
- Other transactions or financial issues that the Board may desire to have them reviewed by the Finance Committee.
- Delegate authorities from time to time to the Executives / Authorised persons to implement the decisions of the Committee.
- Regularly review and make recommendations about changes to the charter of the Committee

Finance Committee meets as and when the need to consider any matter assigned to it arises.

**(v) Health, Safety and Environment (HS&E) Committee**

**Composition :** The Board has constituted Health, Safety and Environment Committee comprising Shri Hital R. Meswani, Chairman, Shri Hardev Singh Kohli and Dr. Dharam Vir Kapur.

**Terms of Reference :** The Health, Safety and Environment Committee has been constituted, inter alia, to monitor and ensure maintaining highest standards of environmental, health and safety norms and compliance with applicable pollution and environmental laws at all works / factories / locations of the Company and to recommend measures, if any, for improvement in this regard.

The Committee reviews, inter alia, the Health Safety and Environment Policy of the Company, performance on health, safety and environment matters and the procedures and controls being followed at various Plants of the Company and compliance with the relevant statutory provisions.

**Meetings :** The Committee met four times during the year the details of which are as under :

| Sl. No. | Date             | Committee Strength | No. of Members Present |
|---------|------------------|--------------------|------------------------|
| 1       | April 27, 2006   | 3                  | 3                      |
| 2       | July 27, 2006    | 3                  | 2                      |
| 3       | October 19, 2006 | 3                  | 3                      |
| 4       | January 18, 2007 | 3                  | 3                      |

**Attendance of each Member at the HS&E Committee meetings held during the year**

| Committee Member           | No. of meetings attended |
|----------------------------|--------------------------|
| Hital R. Meswani, Chairman | 3                        |
| Hardev Singh Kohli         | 4                        |
| Dr. Dharam Vir Kapur       | 4                        |

#### (vi) Remuneration Committee

**Composition :** The Board has constituted Remuneration Committee comprising Shri Mansingh L. Bhakta, Chairman, Shri Yogendra P. Trivedi, Shri S. Venkitaramanan and Dr. Dharam Vir Kapur.

**Terms of Reference :** The Remuneration Committee has been constituted to recommend / review remuneration of the Managing Director and Wholetime Directors, based on their performance and defined assessment criteria.

**Meetings :** There was no meeting of the Remuneration Committee during the year, as no revision in remuneration was considered.

**Remuneration policy, details of remuneration and other terms of appointment of Directors :**

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing Industry practice.

The aggregate value of salary and perquisites including commission paid for the year ended March 31, 2007 to the Managing Directors and Wholetime Directors is as follows :

Shri Mukesh D. Ambani, Chairman and Managing Director, Rs. 30.46 crore (Salary Rs. 0.60 crore, Perquisites Rs. 0.48 crore and Commission Rs. 29.06 crore); Shri Nikhil R. Meswani, Executive Director, Rs. 7.77 crore (Salary Rs. 0.15 crore, Perquisites Rs.0.24 crore and Commission Rs. 7.265 crore); Shri Hital R. Meswani Rs. 7.76 crore (Salary Rs. 0.15 crore, Perquisites Rs. 0.24 crore and Commission Rs. 7.265 crore); Shri Hardev S. Kohli Rs. 1.15 crore (Salary Rs. 0.38 crore and Perquisites Rs. 0.54 crore). Commission payable is variable and is based on the net profits of the Company.

Besides this, all the Wholetime Directors are also entitled to Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent not taxable and Gratuity and encashment of leave at the end of tenure, as per the rules of the Company and to the extent not taxable. The tenures of the office of the Wholetime Directors are for a period of 5 years from their respective dates of appointments and can be terminated by either party by giving three months' notice in writing. There is no separate provision for payment of severance fees.

The Company has granted stock options to the Executive Directors as under -

1. Shri Nikhil R. Meswani .. 7,00,000
2. Shri Hital R. Meswani .. 7,00,000
3. Shri Hardev Singh Kohli .. 50,000

The Chairman and Managing Director, Shri Mukesh D. Ambani, being the Promoter of the Company, has not been granted any stock option in compliance with the SEBI Guidelines. The other relevant details of stock options, including exercise period, vesting period etc. are covered elsewhere in this Report.

The Non-Executive Directors are paid sitting fee at the rate of Rs.20,000/- for attending each meeting of the Board and / or Committee thereof. The Non-Executive Directors are also paid collectively commission amounting to Rs.1,00,00,000/- on an annual basis, in such proportion as may be decided by the Board, provided that the total commission payable to such Directors shall not exceed 1% of the net profits of the Company.

**Sitting fee and commission to the Non-Executive Directors, for 2006-07 are as detailed below :**

| Name of the Non-Executive Director | Sitting Fee Rs. | Commission Payable Rs. | Total Rs.   |
|------------------------------------|-----------------|------------------------|-------------|
| Ramnikkal H. Ambani                | 1,80,000        | 12,50,000              | 14,30,000   |
| Mansingh L. Bhakta                 | 2,40,000        | 12,50,000              | 14,90,000   |
| Yogendra P. Trivedi                | 6,00,000        | 12,50,000              | 18,50,000   |
| S. Venkitaramanan                  | 2,80,000        | 12,50,000              | 15,30,000   |
| Dr. Dharam Vir Kapur               | 4,80,000        | 12,50,000              | 17,30,000   |
| Mahesh P. Modi                     | 4,20,000        | 12,50,000              | 16,70,000   |
| Prof. Ashok Misra                  | 1,80,000        | 12,50,000              | 14,30,000   |
| Prof. Dipak C. Jain                | 3,20,000        | 12,50,000              | 15,70,000   |
| Total                              | 27,00,000       | 1,00,00,000            | 1,27,00,000 |



There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Non-Executive Directors.

**(vii) Shareholders' / Investors' Grievance Committee**

**Composition :** The Board has constituted Shareholders' / Investors' Grievance Committee (the Committee), comprising Shri Mansingh L. Bhakta, (Chairman), Shri Yogendra P. Trivedi, Shri Mukesh D. Ambani, Shri Nikhil R. Meswani and Shri Hital R. Meswani.

**Terms of Reference :** The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also looks into redressal of shareholders'/ investors' complaints related to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc. The Committee oversees performance of the Registrars and Transfer Agents of the Company, and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992. The Board has delegated the power of approving transfer of securities to the Managing Director and / or the Company Secretary.

**Meetings :** During the year, the Committee met three times, details of which are as under :

| Sl. No. | Date             | Committee Strength | No. of Members Present |
|---------|------------------|--------------------|------------------------|
| 1       | July 6, 2006     | 5                  | 5                      |
| 2       | October 12, 2006 | 5                  | 4                      |
| 3       | January 11, 2007 | 5                  | 5                      |

**Attendance of each Member at the Committee meetings held during the year**

| Committee Member             | No. of meetings attended |
|------------------------------|--------------------------|
| Mansingh L. Bhakta, Chairman | 3                        |
| Yogendra P. Trivedi          | 3                        |
| Mukesh D. Ambani             | 3                        |
| Nikhil R. Meswani            | 2                        |
| Hital R. Meswani             | 3                        |

**Compliance Officer**

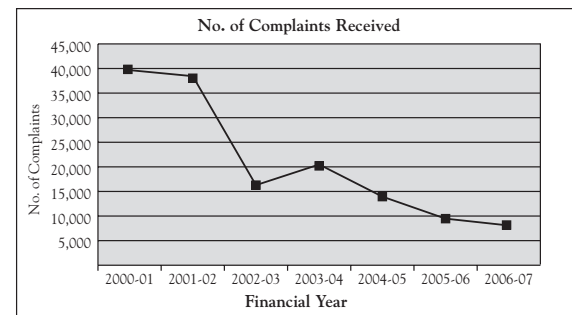
Shri Vinod M. Ambani is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges in India.

**Investor Grievance Redressal**

The total number of complaints received and resolved to the satisfaction of investors during the year under review and their break-up are provided as under :

| Type of Complaints                            | Number of Complaints |
|---|----------------------|
| Non-Receipt of Annual Reports                 | 277                  |
| Non-Receipt of Dividend Warrants              | 5128                 |
| Non-Receipt of Interest / Redemption Warrants | 1760                 |
| Non-Receipt of Certificates                   | 915                  |
| Total   | 8080                 |

There were no outstanding complaints as on March 31, 2007. 286 requests for transfers and 1172 requests for dematerialisation were pending for approval as on March 31, 2007, which were approved and dealt with by April 3, 2007.



**B. Functional Committees**

The Board may, from time to time, constitute one or more Functional Committees delegating thereto powers and duties with respect to specific purposes. Meetings of such Committees are held as and when the need arises. Time schedule for holding the meetings of such functional committees are finalised in consultation with the Committee Members.

The Board has constituted the Retail Business Committee, comprising Shri Yogendra P. Trivedi, Chairman, Dr. Dharam Vir Kapur and Prof. Dipak C. Jain, to study the Retail Business Opportunity and to apprise the Board of Directors. During the year, five meetings of the Committee were held on April 7, 2006, April 27, 2006, June 27, 2006, July 20, 2006 and January 11, 2007, where all the members were present.

**Procedure at Committee Meetings**

The Company's guidelines relating to Board meetings are applicable to Committee meetings as far as may be practicable. Each Committee has the authority to engage outside experts, advisers and counsel to the extent it considers appropriate to assist in its work. Minutes of the proceedings of the Committee meetings are placed before the Board meetings for perusal and noting.

## 7. Code of Business Conduct and Ethics for Directors and management personnel

The Code of Business Conduct and Ethics for Directors and management personnel ('the Code'), as recommended by the Corporate Governance and Stakeholders' Interface Committee and adopted by the Board, is a comprehensive Code applicable to all Directors and management personnel. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centres around the following theme :

"The Company's Board of Directors and management personnel are responsible for and are committed to setting the standards of conduct contained in this Code and for updating these standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This Code should be adhered to in letter and in spirit."

A copy of the Code has been put on the Company's website [www.ril.com](http://www.ril.com).

The Code has been circulated to all the members of the Board and management personnel and the compliance of the same is affirmed by them annually. A declaration signed by the Chairman & Managing Director is given below :

I hereby confirm that the Company has obtained from all the members of the Board and management personnel, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and management personnel in respect of the financial year 2006-07.

Mukesh D. Ambani

Chairman & Managing Director

## 8. Whistle Blower Mechanism

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. The reports received from any employee will be reviewed by the Ethics Office and the Corporate Governance and Stakeholders' Interface Committee. The Directors and management personnel are obligated to maintain confidentiality of such reportings and ensure that the whistle blowers are not subjected to any discriminatory practices.

## 9. Subsidiary Monitoring Framework

All the subsidiary companies of the Company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies, inter alia, by the following means –

- Financial statements, in particular the investments made by the unlisted subsidiary companies, are reviewed quarterly by the Audit Committee of the Company.
- All minutes of the meetings of the unlisted subsidiary companies are placed before the Company's Board regularly.
- A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board.

Shri Yogendra P. Trivedi and Shri Mahesh P. Modi, Independent Directors of the Company have been appointed as Independent Directors on the Board of Reliance Petroleum Limited, a listed subsidiary of the Company. Prof. Dipak C. Jain, Independent Director of the Company has been appointed as a Director on the Board of Reliance Retail Limited, a subsidiary of the Company.

Brief of the Company's subsidiary companies as on March 31, 2007 are as under :

| Sl. No. | Name of the Subsidiary                               | Country in which incorporated |
|---------|--|-------------------------------|
| 1       | Reliance Industrial Investments and Holdings Limited | India                         |
| 2       | Reliance Ventures Limited                            | India                         |
| 3       | Reliance Strategic Investments Limited               | India                         |
| 4       | Reliance Industries (Middle East) DMCC               | U.A.E.                        |
| 5       | Reliance Jamnagar Infrastructure Limited             | India                         |
| 6       | Reliance Petroleum Limited                           | India                         |
| 7       | Reliance Retail Limited                              | India                         |
| 8       | Reliance Netherlands BV                              | Netherlands                   |
| 9       | Reliance Haryana SEZ Limited                         | India                         |
| 10      | Ranger Farms Limited                                 | India                         |
| 11      | Retail Concepts & Services (India) Private Limited   | India                         |
| 12      | Reliance Retail Insurance Broking Limited            | India                         |
| 13      | Reliance Dairy Foods Limited                         | India                         |
| 14      | Reliance Retail Finance Limited                      | India                         |
| 15      | Reliance Exploration & Production – DMCC             | U.A.E.                        |
| 16      | RESQ Limited   | India                         |
| 17      | Reliance Global Management Services Private Limited  | India                         |

## 10. General Body Meetings

Location, date and time of the Annual General Meetings held during the preceding 3 years and the Special Resolutions passed thereat are as follows :





| Year    | Location   | Date and Time                | Special Resolutions passed  |
|---------|--|------------------------------|---|
| 2003-04 | Birla Matushri Sabhagar, 19 Marine Lines, Mumbai-400 020 | June 24, 2004<br>11.00 a.m.  | No special resolution passed.   |
| 2004-05 | Birla Matushri Sabhagar, 19 Marine Lines, Mumbai-400 020 | August 3, 2005<br>11.00 a.m. | 1. For re-appointment of Shri Hardev Singh Kohli as the Executive Director of the Company.<br>2. For payment of commission to the Directors of the Company other than the Managing Director and Wholetime Directors.                  |
| 2005-06 | Birla Matushri Sabhagar, 19 Marine Lines, Mumbai-400 020 | June 27, 2006<br>11.00 a.m.  | 1. For approving the Employees Stock Option Scheme for granting stock options to the employees of the Company.<br>2. For extension of the Employees Stock Option Scheme to the directors and employees of the Company's subsidiaries. |

#### Special Resolution Passed Through Postal Ballot :

A Special Resolution was passed on March 29, 2007, by the Company's members through postal ballot under Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 read with Section 81(1A) of the Companies Act, 1956, for preferential issue of 12,00,00,000 warrants @ Rs.1,402 per warrant to entities in the Promoter Group, convertible into an equal number of equity shares of the Company. Details of the aforesaid special resolution passed through postal ballot are as under –

- (a) **Person who conducted the postal ballot exercise :** The Board appointed Dr. S. D. Israni, Practising Company Secretary, as the Scrutinizer to conduct postal ballot voting process. Dr. Israni conducted the process and submitted his report to the Chairman and Managing Director.
- (b) **Procedure followed :**
  - (i) The Postal Ballot Notice and accompanying documents were despatched to shareholders under certificate of posting.
  - (ii) A calendar of events along with Board Resolution was submitted to the Registrar of Companies, Maharashtra, Mumbai.
- (c) **Details of voting pattern :** After scrutinizing all the ballot forms received, the Scrutinizer reported that the

shareholders representing 99.94% of the total voting strength voted in favour of the resolution, based on which the results were declared and the resolution was carried with overwhelming majority.

**Court Convened Meetings :** On April 21, 2007, meetings of the shareholders, secured creditors (including debentureholders) and unsecured creditors of the Company convened by the Hon'ble High Court of Judicature at Bombay, were held wherein the Scheme of Amalgamation of Indian Petrochemicals Corporation Limited with the Company ('the Scheme') was approved with an overwhelming majority. The Scheme has since become effective on September 5, 2007, the Appointed Date of the Scheme being April 1, 2006.

#### 11.a Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the management, their relatives, or subsidiaries, etc. that may have potential conflict with the interests of the Company at large

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of Members is drawn to the disclosures of transactions with the related parties set out in Notes on Accounts – Schedule 'O', forming part of the Annual Report.

The Company's major related party transactions are generally with its Subsidiaries and Associates. The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, sectoral specialisation and the Company's long term strategy for sectoral investments, optimization of market share, profitability, legal requirements, liquidity and capital resources of Subsidiaries and Associates.

All related party transactions are negotiated on arms length basis and are intended to further the interests of the Company.

#### b.Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital markets, during the last three years.

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

#### c.Disclosure of Accounting Treatment

Excess of the fair value of the net assets taken over by the Company over the fully paid up value of equity shares to be issued and allotted pursuant to the Scheme of Amalgamation of Indian Petrochemicals Corporation Limited with the Company (the Scheme) and stamp duty payable on Amalgamation amounting to Rs. 5,461.25 crore

have been credited to the Securities Premium Account as prescribed in the Scheme. Had the Scheme not prescribed this accounting treatment, the said amount would have been credited to Capital Reserve.

## 12. Means of Communication

**Half Yearly Reports :** Half Yearly Reports covering financial results are sent to members at their registered addresses.

**Quarterly Results :** Quarterly Results are published in 'The Economic Times' and 'Maharashtra Times'.

**News Releases, Presentations etc. :** Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website [www.ril.com](http://www.ril.com).

**Website :** The Company's website [www.ril.com](http://www.ril.com) contains a separate dedicated section 'Investor Relations' where shareholders information is available. Full Annual Report is also available on the website in a user- friendly and downloadable form.

**Annual Report :** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms part of the Annual Report.

**SEBI EDIFAR:** Annual Report, Quarterly Results, Shareholding Pattern etc. of the Company are also posted on the SEBI EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

**Designated Exclusive email-id :** The Company has designated the following email-ids exclusively for investor servicing

- (a) For queries on Annual Report – [investor\\_relations@ril.com](mailto:investor_relations@ril.com)
- (b) For queries in respect of shares in physical mode – [rilinvestor@karvy.com](mailto:rilinvestor@karvy.com)

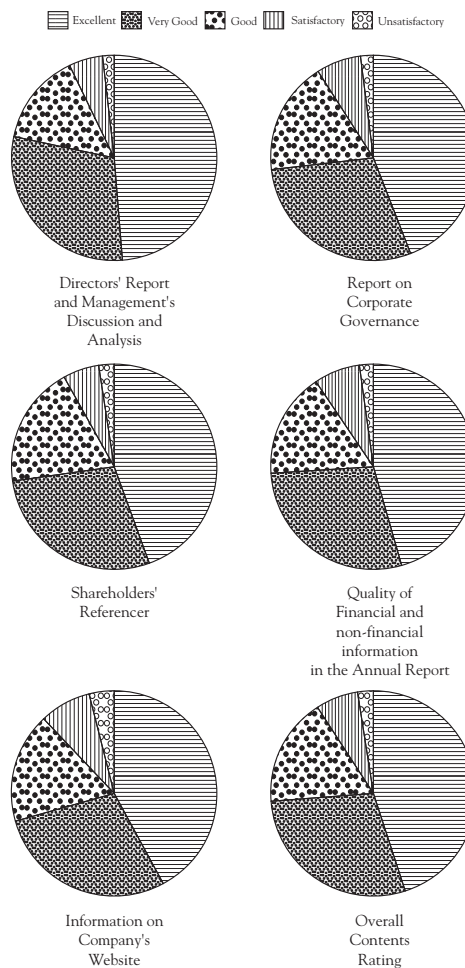
**Other Means :** The Company works on various means and ways for making the general meetings effective. Such means and ways include distribution of providing forms to the shareholders before the meeting starts by which means the shareholders can write their questions in advance of the meetings, in addition to their opportunity to ask questions at the meeting.

**Shareholders' Feedback Survey :** Along with the last year's Annual Report, the Company sent shareholders' feedback form seeking shareholders' views on various matters relating to the Annual Report and investor services.

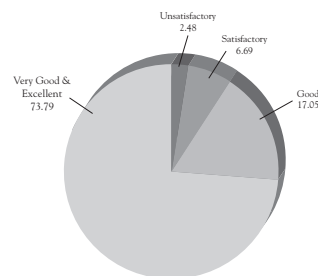
The shareholders were requested to rate the services on five parameters, viz., (1) Excellent, (2) Very Good, (3) Good, (4) Satisfactory and (5) Unsatisfactory.

Many shareholders participated and sent their feedback to the Company during the year. An analysis of the feedback received from the shareholders is given hereunder –

### Itemwise Rating



### Overall Rating





**13. General Shareholder Information**

**13.1 Company Registration Details :** The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L17110MH1973PLC019786.

**13.2 Annual General Meeting:**

Day, Date, Time and Venue  
 Friday, October 12, 2007 at 11.00 a.m.  
 Birla Matushri Sabhagar,  
 19, New Marine Lines,  
 Mumbai 400020

**13.3 Financial Year :** April 1 to March 31

**13.4 Book Closure Period**

Friday, October 5, 2007 to Friday, October 12, 2007 (both days inclusive), for AGM

**13.5 Dividend Payment Date**

Interim Dividend was paid on March 23, 2007

**13.6 Listing of Equity Shares, Debt Securities and Global Depository Receipts (GDRs) on Stock Exchanges, Payment of Listing Fee, Stock Codes etc.**

| Exchange   | Code / Trading Symbol | ISIN / CUSIP |
|--|-----------------------|--------------|
| <b>Equity Shares</b>   |                       |              |
| Bombay Stock Exchange Limited, (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001                      | 500325                | INE002A01018 |
| National Stock Exchange of India Limited (NSE), "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai 400 051 | RELIANCE EQ           |              |
| <b>GDRs</b>  |                       |              |
| Luxembourg Stock Exchange, 11, Avenue de la Porte-Neuve, L-2227 Luxembourg   | RILYP                 | 759470107    |

Also traded on PORTAL System (NASDAQ, USA) and SEAQ System (London Stock Exchange).

**Overseas Depository**

The Bank of New York Mellon Corporation  
 101 Barclay Street  
 New York NY 10286 USA

**Domestic Custodian**

ICICI Bank Limited  
 Empire Complex, E7/F7, 1st Floor,  
 414, Senapati Bapat Marg,  
 Lower Parel, Mumbai-400 013

**Payment of Listing Fees :** Annual listing fee for the year 2007-08 (as applicable) has been paid by the Company to BSE and NSE. Annual maintenance and listing agency fee for the calendar year 2006 has been paid by the Company to the Luxembourg Stock Exchange.

**Debt Securities**

The Wholesale Debt Market (WDM) Segment of NSE.

**Debenture Trustees**

Axis Bank Limited  
 Maker Tower F, 13th Floor, Cuffe Parade, Colaba,  
 Mumbai 400 005

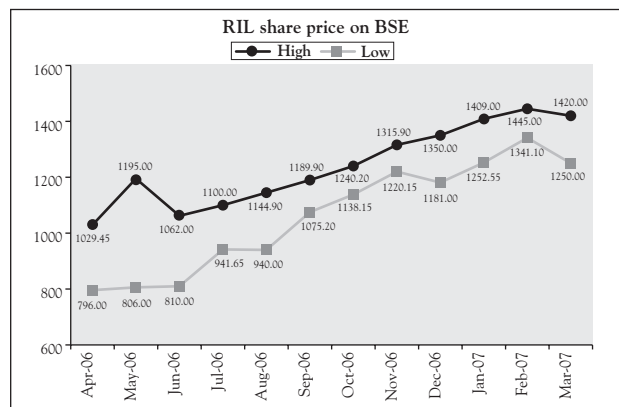
IDBI Trusteeship Services Limited  
 Asian Building, Ground Floor,  
 17, R. Kamani Marg, Ballard Estate,  
 Mumbai 400 023

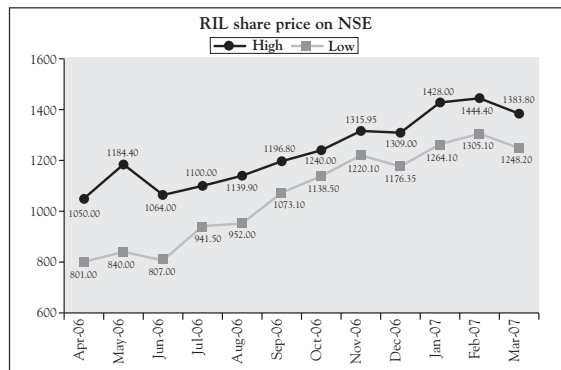
**13.7 Stock Market Data**

|                | Bombay Stock Exchange (BSE)<br>(In Rs. per share) |                   | National Stock Exchange (NSE)<br>(In Rs. per share) |                   |
|----------------|---|-------------------|---|-------------------|
|                | Month's High Price                                | Month's Low Price | Month's High Price                                  | Month's Low Price |
| April 2006     | 1,029.45  | 796.00            | 1,050.00  | 801.00            |
| May 2006       | 1,195.00  | 806.00            | 1,184.40  | 840.00            |
| June 2006      | 1,062.00  | 810.00            | 1,064.00  | 807.00            |
| July 2006      | 1,100.00  | 941.65            | 1,100.00  | 941.50            |
| August 2006    | 1,144.90  | 940.00            | 1,139.90  | 952.00            |
| September 2006 | 1,189.90  | 1,075.20          | 1,196.80  | 1,073.10          |
| October 2006   | 1,240.20  | 1,138.15          | 1,240.00  | 1,138.50          |
| November 2006  | 1,315.90  | 1,220.15          | 1,315.95  | 1,220.10          |
| December 2006  | 1,350.00  | 1,181.00          | 1,309.00  | 1,176.35          |
| January 2007   | 1,409.00  | 1,252.55          | 1,428.00  | 1,264.10          |
| February 2007  | 1,445.00  | 1,341.10          | 1,444.40  | 1,305.10          |
| March 2007     | 1,420.00  | 1,250.00          | 1,383.80  | 1,248.20          |

Source: BSE & NSE websites

The closing market price on September 10, 2007 is Rs. 1,987.20 per equity share on BSE and Rs. 1,985.60 on NSE.





### 13.8 Share price performance in comparison to broad based indices – BSE Sensex and NSE Nifty

RIL share price performance relative to BSE Sensex based on share price on March 31, 2007

|                        | Percentage Change in |        |                        |
|------------------------|----------------------|--------|------------------------|
|                        | RIL Share price      | Sensex | RIL relative to Sensex |
| Financial Year 2006-07 | 71.85                | 15.89  | 48.29                  |
| 2 years                | 225.15               | 101.33 | 61.50                  |
| 3 years                | 229.92               | 133.82 | 41.10                  |
| 5 years                | 490.34               | 276.79 | 56.68                  |
| 10 years               | 1258.71              | 288.95 | 249.33                 |

RIL share price performance relative to Nifty based on share price on March 31, 2007

|                        | Percentage Change in |        |                       |
|------------------------|----------------------|--------|-----------------------|
|                        | RIL Share price      | Nifty  | RIL relative to Nifty |
| Financial Year 2006-07 | 72.29                | 12.31  | 53.40                 |
| 2 years                | 225.55               | 87.73  | 73.41                 |
| 3 years                | 230.39               | 115.68 | 53.19                 |
| 5 Years                | 491.97               | 238.32 | 74.97                 |
| 10 Years               | 1252.88              | 294.67 | 242.79                |

### 13.9 Registrar and Transfer Agents:

Karvy Computershare Private Limited  
46, Avenue 4, Street No.1  
Banjara Hills  
Hyderabad 500 034  
E-Mail: rilinvestor@karvy.com  
Telephone Nos. : +91-40-23320666 / 23320711/ 23323037  
Fax No.: +91 40 2332 3058

List of Investor Service Centres of Karvy Computershare Private Limited forms part of the Annual Report.

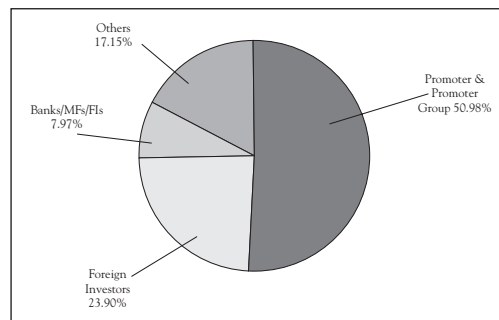
### 13.10 Share Transfer System

Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 7 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Board has delegated the authority for approving transfer, transmission etc. of the Company's securities to the Managing Director and /or Company Secretary. A summary of transfer / transmission of securities of the Company so approved by the Managing Director / Company Secretary, is

placed at every Board Meeting. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

### 13.11 Distribution of Shareholding as on March 31, 2007



### Share Ownership Pattern as on March 31, 2007

| Sl. No. | Name of the Shareholder(s)                            | No. of Shares | % of Total Share Holding |
|---------|---|---------------|--------------------------|
| 1       | Promoter & Promoter Group*                            | 710370687     | 50.98                    |
| 2       | Mutual Funds & Unit Trust of India                    | 34520821      | 2.48                     |
| 3       | Banks, Financial Institutions and Insurance Companies | 76551933      | 5.50                     |
| 4       | Foreign Institutional Investors                       | 271623991     | 19.49                    |
| 5       | Private Corporate Bodies                              | 59562329      | 4.27                     |
| 6       | Indian Public   | 179375149     | 12.87                    |
| 7       | Non Resident Indians/Overseas Corporate Bodies        | 11566390      | 0.83                     |
| 8       | Depository under GDR facility                         | 49936741      | 3.58                     |
|         | Grand Total   | 1393508041    | 100.00                   |

\* The Company (RIL) was founded by late Shri Dhirubhai Ambani. Shri Mukesh D. Ambani is the Promoter of the Company.

### Top 10 Shareholders

| Sl. No. | Name of the Shareholder(s)  | No. of Shares | % of Total Share Holding |
|---------|---|---------------|--------------------------|
| 1       | Petroleum Trust (through Trustees for sole beneficiary- M/s. Reliance Industrial Investments and Holdings Ltd.) | 104660154     | 7.51                     |
| 2       | Life Insurance Corporation of India   | 62750482      | 4.50                     |
| 3       | Eklavya Mercantile Private Limited  | 61337013      | 4.40                     |
| 4       | Bhumika Trading Private Limited   | 60598878      | 4.35                     |
| 5       | Ekansha Enterprise Private Limited  | 59709857      | 4.28                     |
| 6       | The Bank of New York as Depository (for GDRs)   | 49936741      | 3.58                     |
| 7       | Reliance Enterprises Limited  | 44781625      | 3.21                     |
| 8       | Bahar Trading Private Limited   | 43328996      | 3.11                     |
| 9       | Anumati Mercantile Private Limited  | 43109368      | 3.09                     |
| 10      | Madhuban Merchandise Private Limited  | 34233723      | 2.46                     |



## Shareholding Pattern by Size

| Sl. No. | Category (Shares) | Electronic |            |                   | Physical |          |                   | Total   |            |                   |
|---------|-------------------|------------|------------|-------------------|----------|----------|-------------------|---------|------------|-------------------|
|         |                   | Holder     | Shares     | % to total Shares | Holder   | Shares   | % to total Shares | Holder  | Shares     | % to total Shares |
| 1       | 1 - 500           | 745423     | 61356952   | 4.62              | 1102501  | 51448449 | 79.18             | 1847924 | 112805401  | 8.10              |
| 2       | 501 - 1000        | 24205      | 17147759   | 1.29              | 6514     | 4478450  | 6.89              | 30719   | 21626209   | 1.55              |
| 3       | 1001 - 2000       | 9300       | 12932350   | 0.97              | 1813     | 2477425  | 3.81              | 11113   | 15409775   | 1.11              |
| 4       | 2001 - 3000       | 2467       | 6067006    | 0.46              | 399      | 979079   | 1.51              | 2866    | 7046085    | 0.51              |
| 5       | 3001 - 4000       | 1010       | 3532656    | 0.27              | 162      | 570142   | 0.88              | 1172    | 4102798    | 0.29              |
| 6       | 4001 - 5000       | 606        | 2760042    | 0.21              | 93       | 424174   | 0.65              | 699     | 3184216    | 0.23              |
| 7       | 5001 - 10000      | 934        | 6625448    | 0.50              | 106      | 758233   | 1.17              | 1040    | 7383681    | 0.53              |
| 8       | 10001 - 20000     | 440        | 6237283    | 0.47              | 48       | 659333   | 1.01              | 488     | 6896616    | 0.49              |
| 9       | Above 20000       | 1082       | 1211869239 | 91.22             | 36       | 3184021  | 4.90              | 1118    | 1215053260 | 87.19             |
|         | TOTAL             | 785467     | 1328528735 | 100.00            | 1111672  | 64979306 | 100.00            | 1897139 | 1393508041 | 100.00            |

## Geographical Distribution of Shareholders

| Sr. No. | Name of the City | Electronic |       |            |       | Physical |       |          |       | Total     |        |              |        |
|---------|------------------|------------|-------|------------|-------|----------|-------|----------|-------|-----------|--------|--------------|--------|
|         |                  | Holder     | % age | Shares     | % age | Holder   | % age | Shares   | % age | Holder    | % age  | Shares       | % age  |
| 1       | Mumbai           | 192376     | 10.14 | 1240719008 | 89.04 | 192254   | 10.13 | 17383566 | 1.25  | 3 84 630  | 20.27  | 1258102574   | 90.28  |
| 2       | Delhi            | 65598      | 3.46  | 14756134   | 1.06  | 99042    | 5.22  | 5784278  | 0.42  | 1 64 640  | 8.68   | 20540412     | 1.47   |
| 3       | Ahmedabad        | 45984      | 2.42  | 13078956   | 0.94  | 67703    | 3.57  | 3184070  | 0.23  | 1 13 687  | 5.99   | 16263026     | 1.17   |
| 4       | Kolkata          | 35959      | 1.90  | 6861090    | 0.49  | 45931    | 2.42  | 2552765  | 0.18  | 81 890    | 4.32   | 9413855      | 0.68   |
| 5       | Bangalore        | 30892      | 1.63  | 4528628    | 0.32  | 32119    | 1.69  | 2240806  | 0.16  | 63 011    | 3.32   | 6769434      | 0.49   |
| 6       | Chennai          | 26634      | 1.40  | 5388108    | 0.39  | 30434    | 1.60  | 1602883  | 0.12  | 57 068    | 3.01   | 6990991      | 0.50   |
| 7       | Pune             | 26633      | 1.40  | 4473747    | 0.32  | 22908    | 1.21  | 1400121  | 0.10  | 49 541    | 2.61   | 5873868      | 0.42   |
| 8       | Hyderabad        | 19162      | 1.01  | 2272445    | 0.16  | 26124    | 1.38  | 1244066  | 0.09  | 45 286    | 2.39   | 3516511      | 0.25   |
| 9       | Vadodara         | 18556      | 0.98  | 2404705    | 0.17  | 22341    | 1.18  | 1132813  | 0.08  | 40 897    | 2.16   | 3537518      | 0.25   |
| 10      | Others           | 323673     | 17.06 | 34045914   | 2.44  | 572816   | 30.19 | 28453938 | 2.04  | 8 96 489  | 47.25  | 62499852     | 4.49   |
|         | Total            | 785467     | 41.40 | 1328528735 | 95.34 | 1111672  | 58.60 | 64979306 | 4.66  | 18 97 139 | 100.00 | 13935 08 041 | 100.00 |

## 13.12 Build up of Equity Share Capital

| Sl. No. | Particulars   | Allotment Date     | No. of Shares |
|---------|---|--------------------|---------------|
| 1       | Subscribers to Memorandum   | October 19, 1975   | 1 100         |
| 2       | Shareholders of Reliance Textile Industries Limited (Merged with the Company) | May 9, 1977        | 59 50 000     |
| 3       | Conversion of Loan  | September 28, 1979 | 9 40 000      |
| 4       | Rights Issue - I  | December 31, 1979  | 6 47 832      |
| 5       | Bonus Issue - I   | September 19, 1980 | 45 23 359     |
| 6       | Debenture - Series - I Conversion   | December 31, 1980  | 8 40 575      |
| 7       | Consolidation of Fractional Coupon Shares                                     | May 15, 1981       | 24 673        |
| 8       | Conversion of Loan  | June 23, 1981      | 2 43 200      |
| 9       | Conversion of Loan  | September 22, 1981 | 1 40 800      |
| 10      | Rights Issue - II   | October 6, 1981    | 23 80 518     |
| 11      | Debenture - Series - II Conversion  | December 31, 1981  | 8 42 529      |
| 12      | Debenture - Series - I Conversion - Phase II                                  | December 31, 1981  | 27 168        |
| 13      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company)            | April 12, 1982     | 81 059        |
| 14      | Rights Issue - II NRIs  | June 15, 1982      | 774           |
| 15      | Debenture - Series - III Conversion   | August 31, 1982    | 19 20 000     |
| 16      | Rights Issue - II   | September 9, 1982  | 41            |
| 17      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - II       | December 29, 1982  | 1 942         |
| 18      | Bonus Issue- II   | September 30, 1983 | 1 11 39 564   |
| 19      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - III      | September 30, 1983 | 371           |
| 20      | Debenture - Series - IV Conversion  | September 30, 1983 | 64 00 000     |
| 21      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - IV       | April 5, 1984      | 617           |
| 22      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - V        | June 20, 1984      | 50            |
| 23      | Debenture - Series - I Conversion   | October 1, 1984    | 97 66 783     |
| 24      | Debenture - Series - II Conversion  | December 31, 1984  | 2 16 571      |
| 25      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - VI       | January 31, 1985   | 91            |
| 26      | Consolidation of Fractional Coupon Shares                                     | April 30, 1985     | 45 005        |
| 27      | Debenture - Series - E Conversion   | April 30, 1985     | 53 33 333     |
| 28      | Debenture - Series - III Conversion   | July 5, 1985       | 52 835        |
| 29      | Debenture - Series - IV Conversion  | December 17, 1985  | 42 871        |
| 30      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - VII      | December 31, 1985  | 106           |
| 31      | Consolidation of Fractional Coupon Shares                                     | December 31, 1985  | 610           |
| 32      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - VIII     | November 15, 1986  | 40 284        |
| 33      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - IX       | April 1, 1987      | 169           |
| 34      | Debenture - Series - G Conversion   | August 1, 1987     | 6 60 30 100   |



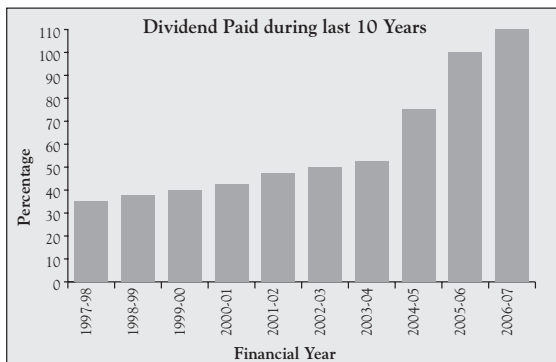
| Sl. No. | Particulars  | Allotment Date     | No. of Shares        |
|---------|--|--------------------|----------------------|
| 35      | Rights Issue - III   | February 4, 1988   | 3 15 71 695          |
| 36      | Debenture - Series - G Conversion  | February 4, 1988   | 29 35 380            |
| 37      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - X                                     | June 2, 1988       | 25                   |
| 38      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - XI                                    | October 31, 1988   | 10                   |
| 39      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - XII                                   | November 29, 1990  | 322                  |
| 40      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - XIII                                  | May 22, 1991       | 46                   |
| 41      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company) - XIV                                   | October 10, 1991   | 25                   |
| 42      | Euro Issue- GDR-I  | June 3, 1992       | 1 84 00 000          |
| 43      | Shareholders of Sidhpur Mills Co Limited (Merged with the Company)   |                    | 4 060                |
| 44      | Shareholders of Reliance Petrochemicals Limited (Merged with the Company)                                  | December 4, 1992   | 7 49 42 763          |
| 45      | Loan Conversion  | July 7, 1993       | 3 16 667             |
| 46      | Debenture - Series - H Conversion  | August 26, 1993    | 3 64 60 000          |
| 47      | Warrant Conversion (Debenture - Series F)  | August 26, 1993    | 1 03 16 092          |
| 48      | Euro Issue GDR - II  | February 23, 1994  | 2 55 32 000          |
| 49      | Loan Conversion  | March 1, 1994      | 18 38 950            |
| 50      | Warrant Conversion (Debenture - Series J)  | August 3, 1994     | 87 40 000            |
| 51      | Private Placement of Shares  | October 21, 1994   | 2 45 45 450          |
| 52      | Conversion of Reliance Petrochemicals Limited Debentures   | December 22, 1994  | 75 472               |
| 53      | Shareholders of Reliance Polypropylene Limited and Reliance Polyethylene Limited (Merged with the Company) | March 16, 1995     | 9 95 75 915          |
| 54      | Warrants Conversion  | March 10, 1995     | 74 80 000            |
| 55      | Conversion of 3.5% ECB Due 1999 - I  | May 24, 1997       | 544                  |
| 56      | Conversion of 3.5% ECB Due 1999 - II   | July 11, 1997      | 13 31 042            |
| 57      | Conversion of 3.5% ECB Due 1999 - III  | July 22, 1997      | 6 05 068             |
| 58      | Conversion of 3.5% ECB Due 1999 - IV   | September 13, 1997 | 18 64 766            |
| 59      | Conversion of 3.5% ECB Due 1999 - V  | October 22, 1997   | 18 15 755            |
| 60      | Conversion of 3.5% ECB Due 1999 - VI   | November 4, 1997   | 1 03 475             |
| 61      | Bonus Issue - III  | December 20, 1997  | 46 60 90 452         |
| 62      | Conversion of 3.5% ECB Due 1999 - VII  | December 4, 1997   | 15 68 499            |
| 63      | Conversion of 3.5% ECB Due 1999 - VIII   | September 27, 1999 | 7 624                |
| 64      | Conversion of Warrants   | January 12, 2000   | 12 00 00 000         |
| 65      | Shareholders of Reliance Petroleum Limited (Merged with the Company)                                       | October 23, 2002   | 34 26 20 509         |
|         | Total  |                    | <b>139 63 77 536</b> |
|         | Less : Shares Bought Back and extinguished   |                    | <b>28 69 495</b>     |
|         | <b>Total Equity as on March 31, 2007</b>   |                    | <b>139 35 08 041</b> |

### 13.13 Corporate Benefits

#### Dividend Declared for the last 10 Years

| Financial Year | Dividend Declaration Date | Dividend Rate (%) |
|----------------|---------------------------|-------------------|
| 2006-07        | 10/03/2007                | 110.00            |
| 2005-06        | 27/06/2006                | 100.00            |
| 2004-05        | 03/08/2005                | 75.00             |
| 2003-04        | 24/06/2004                | 52.50             |
| 2002-03        | 16/06/2003                | 50.00             |
| 2001-02        | 31/10/2002                | 47.50             |
| 2000-01        | 15/06/2001                | 42.50             |
| 1999-00        | 13/06/2000                | 40.00             |
| 1998-99        | 24/06/1999                | 37.50             |
| 1997-98        | 26/06/1998                | 35.00*            |

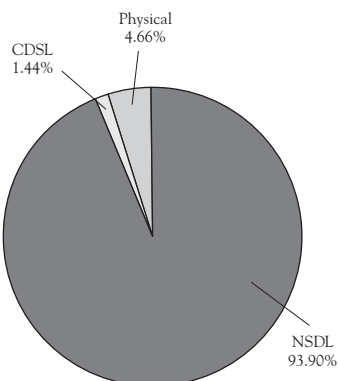
\* Dividend after Bonus Issue in the ratio of 1:1



#### Bonus Issues of Fully Paid-up Equity Shares

| Financial Year | Ratio |
|----------------|-------|
| 1980-81        | 3:5   |
| 1983-84        | 6:10  |
| 1997-98        | 1:1   |

### 13.14 Dematerialisation of Shares



95.34% of the Company's Paid up Equity Share Capital has been dematerialised upto March 31, 2007 (94.61% upto March 31, 2006). Trading in Equity Shares of the Company is permitted only in dematerialised form as per notification issued by SEBI.

#### Liquidity:

The Company's Equity Shares are among the most liquid and actively traded shares on the Indian Stock Exchanges. RIL shares consistently rank among the top few frequently traded shares, both in terms of the number of shares traded, as well as value. The highest trading activity is witnessed on the BSE and NSE. Relevant data for the average daily turnover for the financial year 2006-2007 is given below:

|                      | BSE       | NSE       | Total     |
|----------------------|-----------|-----------|-----------|
| Shares               | 1,598,375 | 4,247,286 | 5,845,661 |
| Shares (in Rs. crs.) | 152.04    | 464.62    | 637.58    |

[Source : This information is compiled from the data available from the websites of BSE and NSE]

### 13.15 Outstanding GDRs/Warrants and Convertible Bonds, Conversion Date and likely impact on equity

- (a) **GDRs :** Outstanding GDRs as on March 31, 2007 represent 4,99,36,741 equity shares constituting 3.58% of the Paid up Equity Share Capital of the Company. Each GDR represent two underlying equity shares in the Company. GDR is not a specific time-bound instrument and can be surrendered any time and converted into the underlying equity shares in the Company. The shares so released in favor of the investors upon surrender of GDRs can either be held by the investors concerned in their name or sold off in the Indian secondary markets for cash.
- (b) **Employee Stock Options :** A total of 2,87,28,000 stock options are outstanding. Each stock option, upon exercise of the same, would give rise to one equity share of Rs. 10/- each fully paid up. The exercise would be made at the market price prevailing as on the date of the grant, i.e. Rs. 1284 per share plus taxes as may be levied on the Company in this regard. Therefore issuance of equity shares pursuant to exercise of stock options will not affect the profit and loss account of the Company.

These options vest over one year to a maximum period of seven years, depending upon specified criteria. The options can be exercised during a period of five years or such other period as the Employees Stock Compensation Committee may decide from the date of grant. The options unexercised during the exercise period would lapse.





- (c) **Convertible Warrants** : A total of 12,00,00,000 warrants allotted on preferential basis on April 12, 2007, to entities in the Promoter Group @ 1402/-, being the price calculated as per the specifications of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, are outstanding. Such warrants are exercisable within a maximum period of 18 months from the date of allotment, into an equal number of fully paid-up equity shares of the Company.

### 13.16 Locations of Manufacturing Facilities

#### Allahabad

A/10-A/27, UPSIDC Industrial Area,  
Kailash Nagar, Karchana, P. O. T.S.L.,  
Dist. Allahabad - 211 010  
Uttar Pradesh, India

#### Barabanki

Dewa Road, Somaiya Nagar,  
Barabanki - 225 123  
Uttar Pradesh, India

#### Baulpur

Baulpur, District Dhenkanal  
Orissa - 759 031, India

#### Gandhar

P. O. Dahej, Bharuch - 392 130,  
Gujarat, India

#### Hazira

Village Mora, Bhatha P.O. Surat-Hazira Road  
Surat – 394 510, Gujarat, India.

#### Hoshiarpur

Dharmshala Road, V.P.O. Chohal,  
District Hoshiarpur,  
Punjab - 146 014, India

#### Jamnagar

Village Motikhavdi, P.O. Digvijay Gram,  
Dist. Jamnagar – 361 140  
Gujarat, India.

#### Kurkumbh

D-1, M.I.D.C. Kurkumbh  
Taluka Daund  
Dist. Pune – 413 801  
Maharashtra, India

#### Naroda

103/106,  
Naroda Industrial Estate  
Naroda, Ahmedabad – 382 320  
Gujarat, India.

#### Nagpur

Village Dahali  
Mouda Ramtek Road,  
Tehsil Mouda - 441104  
District Nagpur, Maharashtra, India

#### Nagothane

P. O. Petrochemicals Township,  
Nagothane  
Raigad - 402 125, Maharashtra, India

#### Patalganga

B-4, Industrial Area, Patalganga  
Off Bombay-Pune Road  
Near Panvel,  
Dist. Raigad – 410 207  
Maharashtra, India.

#### Silvassa

342, Kharadpada,  
Near Silvassa  
Union Territory of Dadra &  
Nagar Haveli - 396 235, India

#### Vadodara

P. O. Petrochemicals  
Vadodara - 391 346, Gujarat, India

### 13.17 Address for Correspondence

#### (i) Investor Correspondence

For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption of debentures and any other query relating to the shares and debentures of the Company.

#### For Shares held in Physical form

Karvy Computershare Private Limited  
46, Avenue 4, Street No. 1  
Banjara Hills  
Hyderabad – 500 034  
E-Mail: rilinvestor@karvy.com

#### For Shares/Debentures held in Demat form

To the investors' Depository Participant(s) and/or Karvy Computershare Private Limited.

#### (ii) Any query on Annual Report

Shri S. Sudhakar  
Vice President–Corporate Secretarial  
Reliance Industries Limited  
3rd Floor, Maker Chambers IV  
222, Nariman Point  
Mumbai 400 021  
Email:investor\_relations@ril.com

### 13.18 Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund

During the year under review, the Company has credited Rs. 21.08 crore to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. Details of the aforesaid transfer are as under :

| Type of Transfer  | Amount transferred<br>(Rs. in crore) |
|---|--------------------------------------|
| Dividend  | 3.45                                 |
| Interest on Debentures                                    | 0.11                                 |
| Redemption of Debentures                                  | 17.52                                |
| Total amount transferred during the year                  | 21.08*                               |
| Cumulative amount transferred to IEPF upto March 31, 2007 | 65.35                                |

\* includes amounts transferred to IEPF by the erstwhile IPLC

#### 14. Compliance Certificate of the Auditors

Certificate from the Auditors of the Company, M/s. Chaturvedi & Shah, M/s. Deloitte Haskins & Sells and M/s. Rajendra & Co., confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is annexed to the Directors' Report forming part of the Annual Report.

This Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

#### 15. Adoption of Mandatory and Non-Mandatory Requirements of Clause 49

The Company has complied with all the mandatory requirements of Clause 49. In addition, the Company complies with the following Non-mandatory requirements stipulated under Clause 49.

##### Remuneration Committee:

The Company has constituted Remuneration Committee to recommend / review remuneration of the Managing Director and Wholtime Directors based on their performance and defined assessment criteria.

##### Communication to shareholders:

Half yearly Reports covering financial results are sent to Members at their registered addresses.

##### Audit Qualification:

The Company is in the regime of unqualified financial statements.

##### Training of Board Members:

As part of ongoing knowledge sharing and updation, an Executive Brief of relevant statutory changes and landmark judicial pronouncements encompassing important laws such as the Company Law, SEBI Law, FEMA, Laws re. NBFCs, Income-tax Law etc. is circulated to all the Directors of the Company, every quarter.

Board members meet periodically senior managerial personnel and discuss about the areas of business interest of the Company. This process enhances the effectiveness of the Board in discharging its supervisory functions.

The Board is continuously empowered with the latest developments in the Company's businesses and external environment affecting the industry as a whole. Presentations are made to the Board on global business environment, all business areas of the Company including business opportunities, business strategy and the risks involved.

#### Mechanism for evaluating non-executive Board Members:

The Company is developing a suitable process for assessing the effectiveness of the Board and the Committees.

#### Whistle Blower policy:

The Company has a whistle blower mechanism wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. Such reports received will be reviewed by the Corporate Governance and Stakeholders Interface Committee from time to time. The confidentiality of those reporting violations shall be maintained and they shall not be subjected to any discriminatory practices.

#### 16. CEO and CFO Certification

The Chairman and Managing Director and the Chief Financial Officer of the Company give certification on financial reporting and internal controls to the Board in terms of Clause 49.

#### 17. Secretarial Audit Report

The Company has voluntarily appointed Dr. K.R. Chandratre, Practicing Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended March 31, 2007, who has submitted his report confirming the compliance with all the applicable provisions of various corporate laws. The Secretarial Audit Report is annexed.

#### 18. Capital Integrity Audit

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with National Securities Depository Limited and Central Depository Services (India) Limited, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Stock Exchanges in India where the securities of the Company are listed.

#### 19. Fee to Statutory Auditors

The fee paid to the Statutory Auditors for the year was Rs. 8.77 crore (previous year Rs. 7.41 crore), including Rs. 3.20 crore (previous year Rs. 3.20 crore) as fees paid for certification in finance & tax matters.



# Secretarial Audit Report

The Board of Directors  
Reliance Industries Limited  
Maker Chambers IV  
Nariman Point  
Mumbai 400 021

I have examined the registers, records and documents of Reliance Industries Limited ("the Company") for the financial year ended on March 31, 2007 maintained under the provisions of -

- The Companies Act, 1956 and the Rules made under that Act;
  - The Depositories Act, 1996 and the Regulations and the Bye-laws framed under the Act;
  - The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')-
    - o The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and
    - o The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000
    - o The Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999
  - The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made under that Act;
  - The Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited and Luxembourg Stock Exchange.
1. I report that, based on my examination and verification of the records produced to me and according to the information and explanations given to me by the Company, the Company has, in my opinion, complied with the provisions of the Companies Act, 1956 ("the Act") and the Rules made under the Act and Memorandum and Articles of Association of the Company, inter alia with regard to:
- (a) maintenance of various statutory registers and documents and making necessary entries therein;
  - (b) closure of Register of Members/Debtenture Holders;
  - (c) forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
  - (d) service of documents by the Company on its Members, and Registrar of Companies.
  - (e) Notice of Board meetings and Committee meetings of Directors;
  - (f) the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
  - (g) the 32<sup>nd</sup> annual general meeting held on June 27, 2006;
  - (h) the consent of the members obtained by way of special resolution passed through postal ballot in terms of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001;
  - (i) approval of the shareholders, secured creditors (including debentureholders) and unsecured creditors in their respective court convened meetings held on April 21, 2007 in terms of the Hon'ble Bombay High Court Order under Sections 391-394 of the Companies Act, 1956 read with the Companies (Court) Rules, in relation to amalgamation of Indian Petrochemicals Corporation Limited with the Company;
  - (j) minutes of proceedings of General Meetings and of Board and other meetings;
  - (k) approvals of shareholders, the Board of Directors, the Committee of Directors and government authorities, wherever required;
  - (l) constitution of the Board of Directors and appointment, retirement and re-appointment of Directors;
  - (m) appointment and remuneration of Directors including the Managing Director and Wholtime Directors;
  - (n) appointment and remuneration of Auditors and Cost Auditors;
  - (o) transfers and transmissions of the Company's shares and debentures and issue and delivery of original and duplicate certificates of shares and debentures;
  - (p) declaration and payment of dividends including interim dividend and redemption of debentures ;
  - (q) form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
  - (r) transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
  - (s) borrowings and registration, modification and satisfaction of charges;
  - (t) investment of the Company's funds including inter corporate loans and investments;
  - (u) contracts, common seal, registered office and publication of name of the Company; and
  - (v) generally, all other applicable provisions of the Act and the Rules made under that Act;
2. I further report that:
- (a) the Company's Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings /

debenture holdings and directorships in other companies and interests in other entities.

- (b) the Company has obtained all necessary approvals of the Central Government or such other authorities, as the case may be, under the various provisions of the Act.
  - (c) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under the said Acts against the Company, its Directors and Officers.
3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Regulations and the Bye-laws framed thereunder with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.
  4. I further report that:
    - (a) the Company has complied with the requirements under the Listing Agreements entered into with Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Luxembourg Stock Exchange.
    - (b) the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the disclosures and maintenance of records required under the Regulations.
    - (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the Regulations.
    - (d) the Company has complied with the provisions of the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employees Stock Option Scheme, Grant of Options and related disclosures and other aspects.
    - (e) the Company has complied with the provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 with regard to issue and allotment of convertible warrants on preferential basis to entities in the Promoter Group.

Dr. K R Chandratre  
Practising Company Secretary  
Certificate of Practice No. 5144

Place : Mumbai  
Dated: August 22, 2007

## Auditors' Certificate on Corporate Governance

To the Members,  
RELIANCE INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Reliance Industries Limited, for the year ended on 31<sup>st</sup> March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

|  |   |   |
|--|---|---|
| For Chaturvedi & Shah<br>Chartered Accountants | For Deloitte Haskins & Sells<br>Chartered Accountants | For Rajendra & Co.<br>Chartered Accountants |
|--|---|---|

|  |  |  |
|--|--|--|
| D. Chaturvedi<br>Partner<br>Membership No.: 5611 | A. Siddharth<br>Partner<br>Membership No.: 31467 | A. R. Shah<br>Partner<br>Membership No.: 47166 |
|--|--|--|

Place : Mumbai  
Dated: September 10, 2007