

# Media Release

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## BOARD OF DIRECTORS OF IPCL AND RIL APPROVE MERGER

### IPCL SHAREHOLDERS TO RECEIVE ONE SHARE OF RIL FOR FIVE SHARES HELD IN IPCL

### PROPOSED MERGER IS EARNINGS ACCRETIVE FOR SHAREHOLDERS OF RIL

### IPCL'S SHAREHOLDERS SET TO BENEFIT FROM RIL'S SUPERIOR PERFORMANCE AND GROWTH MOMENTUM

#### RIL BOARD APPROVES INTERIM DIVIDEND OF RS 11 PER SHARE

#### IPCL BOARD APPROVES INTERIM DIVIDEND OF RS 6 PER SHARE

**MUMBAI, MARCH 10, 2007:** The Board of Directors of Reliance Industries Ltd (RIL) and Indian Petrochemicals Corporation Limited (IPCL) have unanimously approved the scheme of merger of IPCL with RIL, subject to the necessary regulatory & shareholder approvals.

RIL is India's largest private sector company with a leadership position in the petrochemicals industry while IPCL is India's second largest company in that sector. As part of the divestment program of the Government of India, RIL acquired 26% equity in IPCL in the year 2002 and thereafter increased its holding to 46% through an open offer. Over the last five years of IPCL's operations, with the support of Reliance management several initiatives were introduced to increase capacity utilization, reduce operating costs and improve financial management. This has resulted in ongoing improvement in financial and operating performance at IPCL with revenue increasing from Rs 5,527 crore in FY 2001-02 to Rs 12,362 crore in FY 2005-06, a CAGR of 22% and net profit increasing from Rs 107 crore in FY 2001-02 to Rs 1,164 crore in FY 2005-06, a CAGR of 82%. The

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improvement in financials has led to a significant improvement in IPCL's capital structure, with IPCL becoming debt free on net basis as compared to a net debt of Rs 3,482 crore in March 2002.

RIL has a diversified portfolio of businesses in the form of oil and gas, refining and marketing, petrochemicals, organized retail and development of Special Economic Zones. RIL has plans to make significant capital investments in all its core businesses to pursue growth opportunities. On the other hand, IPCL's business portfolio predominantly consists of commodity polymers, which makes it prone to earnings volatility and cyclical risk. The merger provides shareholders of IPCL an opportunity to de-risk their investment by participating in the growth opportunities at RIL.

The merger will be earnings accretive for RIL's shareholders at the proposed merger ratio. This merger will also facilitate the integration of management resources with economic interest while providing for free flow of products and intellectual capital between the two companies.

The proposed merger is in line with industry trends, which will help achieving scale, size, integration, and enhanced financial strength along with the flexibility to pursue future growth opportunities, both organic and inorganic, within and outside India.

**Commenting on the merger, Mukesh D. Ambani, Chairman & Managing Director, RIL, stated, "With this merger, I am happy to welcome all IPCL shareholders to the RIL family. This merger will create value through synergies and scale that shall enhance the sustainable competitive advantages of RIL. This merger will be earnings accretive for the shareholders of RIL and shall provide shareholders of IPCL an opportunity to participate in RIL's diversified business portfolio."**

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## Consolidated Production of Key Petrochemical products ('000 tonnes)\*

Product	RIL	IPCL	RIL (post merger)
Ethylene	836	946	1,782
Propylene	403	348	751
PE	429	587	1,016
PP	1,362	258	1,620
PVC	341	243	585
MEG	509	271	780
POY	623	121	744
PSF	613	129	743

\* Production is based on production for the nine months period ended 31<sup>st</sup> Dec 2006, as annualized, for comparison purpose only.

### Merger Details:

The appointed date of merger of IPCL with RIL is April 01, 2006. Under the terms of the proposed merger, IPCL shareholders will receive 1 share of RIL for every 5 shares of IPCL held by them. The exchange ratio has been determined on the basis of a Valuation Report by PricewaterhouseCoopers and Ernst & Young, jointly appointed. JM Morgan Stanley and DSP Merrill Lynch are the Financial Advisors. Amarchand & Mangaldas & Suresh A Shroff & Company are the Legal Advisors.

The share capital of RIL post merger shall increase from Rs 1,393.5 crore to Rs 1,453.6 crore.

RIL's associate companies hold 47.3% of IPCL's equity share capital. These shares will be exchanged for equity shares of RIL having current market value of over Rs 3,700 crore, and will constitute 2% of the enhanced equity share capital of RIL. The associates will hold the shares for the benefit of all the shareholders of RIL and could monetize the economic

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value at an appropriate time in the future. These shares could be offered to financial or strategic investors in domestic or international markets.

**Board of Directors of RIL approved an interim dividend of Rs 11 per share amounting to Rs 1,748 crore including dividend tax.**

**Board of Directors of IPCL approved an interim dividend of Rs 6 per share amounting to Rs 206 crore including dividend tax.**

## **Reliance Industries Limited:**

Reliance Industries Limited (RIL) is India's largest private sector company on all major financial parameters with turnover of Rs 89,124 crore (US\$ 20 billion), cash profit of Rs 13,174 crore (US\$ 3 billion), net profit of Rs 9,069 crore (US\$ 2 billion), net worth of Rs 49,804 crore (US\$ 11 billion) and total assets of Rs 93,095 crore (US\$ 20.9 billion).

For the nine months period ended December 31, 2006, RIL's turnover was at Rs 83,487 crore and net profit was at Rs 8,055 crore.

RIL is the first and only private sector Company from India to feature since 2004 Fortune Global 500 list of 'World's Largest Corporations' and ranks amongst the world's Top 200 companies in terms of profits. RIL emerged in the world's 10 most respected energy/chemicals companies and amongst the top 50 companies that create the most value for their shareholders in a global survey and research conducted by PricewaterhouseCoopers and Financial Times in 2004. RIL also features in the Forbes Global list of world's 400 best big companies and in FT Global 500 list of world's largest companies.

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## Indian Petrochemicals Corporation Limited:

IPCL was established in March 1969 as Government of India Undertaking, with the objective of establishing a petrochemicals company and developing the petrochemicals market in India.

IPCL is India second largest petrochemicals company with turnover of Rs 12,362 crore (US\$ 2,771 million), cash profit of Rs 1,727 crore (US\$ 387 million), net profit of Rs 1,164 crore (US\$ 261 million), net worth of Rs 4,970 crore (US\$ 1,114 million) and total assets of Rs 10,547 crore (US\$ 2,364 million).

For the nine months period ended December 31, 2006, IPCL's turnover was at Rs 10,307 crore and net profit was at Rs 1,014 crore.

IPCL operates three integrated petrochemicals complexes in India – a naphtha based cracker complex at Vadodara; a gas based cracker complex each at Gandhar and Nagothane. The polymer business of IPCL primarily encompasses commodity plastic raw materials namely Polypropylene (PP), Polyethylene (PE) and Poly Vinyl Chloride (PVC). The fibre intermediates business of IPCL encompasses Mono Ethylene Glycol (MEG). In FY 2005-06, IPCL made its foray into Polyester by acquiring six polyester manufacturing companies and thereby changed its business model by becoming an integrated petrochemical company.