

# CHAIRMAN'S STATEMENT

Twenty-Sixth  
Annual General Meeting

Tuesday, 13th June, 2000



**Reliance**  
**Industries Limited**

**Growth is Life**  
[www.ril.com](http://www.ril.com)

---

Maker Chambers IV, 222 Nariman Point, Mumbai 400 021.

## Welcome

It gives me great pleasure to welcome all of you to Reliance's twenty-sixth Annual General Meeting.

The company's accounts for the year ended March 31, 2000 along with the Directors' and Auditors' report, have already been circulated to you. With your permission, I would like to take them as read.

We have achieved several important milestones this year.

We have completed our **Rs. 25,000 crore** (US\$ 6 billion), **world class**, globally competitive, **fully integrated** refinery and petrochemicals complex at Jamnagar.

**The completion of the Jamnagar complex is a significant milestone in our growth, and has further enhanced our leadership position in the Indian economy.**

This year, **Reliance, alone, will account for nearly 3% of India's GDP.**

**We, alone, will also contribute nearly 5% of the Central Government's total revenues.**

**A contribution to the national economy, of this scale and magnitude, by a single industrial group, is unique.**

**In less than 25 years, we have achieved leadership in India's private sector, in terms of assets, sales, profits, net worth and market cap.**

**Our group market cap is the highest in the country - Rs. 65,000 crores** (nearly US\$ 15 billion).

**Reliance is the only group in the country, where the benefits of this wealth creation of Rs. 65,000 crores (nearly US\$ 15 billion), have been shared with more than 50 lakh retail and institutional investors, in India and abroad. I count this amongst our greatest achievements.**

## Financial Performance

The process of economic reforms, and India's integration with the global economy, started in 1991. This has led, over the years, to substantial competition to Indian industry.

You will be happy to note that, **for the past 10 consecutive years** since the reforms began, **Reliance has posted higher sales, profits, and earnings per share (EPS).**

This achievement is truly unique in an Indian, as well as international context, and **reflects the success of our overall corporate strategies.**

It is even more remarkable that Reliance has achieved this growth, maintaining a conservative financial profile, and top-end credit ratings.

This year, Reliance Industries Ltd. (RIL) has become the first private sector company, in the annals of India's corporate history, to achieve **new milestones, which are significant, even by global standards:**

- **sales** of over **Rs. 20,000 crores** (US \$ 4.6 billion).
- **gross profits** of over **one billion US dollars** - Rs. 4,746 crores (US \$ 1.01 billion).
- **net profit** of over **half a billion US dollars** - Rs. 2,403 crores (US \$ 551 million).

**Reliance ranks amongst the top three chemicals companies in the world in terms of return on net worth (RONW) at 22%.**

**In Asia, our RONW is the highest amongst all chemicals companies. These are truly unique distinctions, especially for a young Indian company.**

**RIL's compounded annual growth rates for the past 10 years** demonstrate our consistent performance:

- **Sales growth - 27% per annum**, from Rs. 1,841 crores (US\$ 422 million) to Rs. 20,301 crores (US\$ 4,654 million).
- **Total Assets growth - 28% per annum**, from Rs. 2,553 crores (US\$ 585 million) to Rs. 29,369 crores (US\$ 6,733 million).
- **Net Worth growth - 29% per annum**, from Rs. 1,153 crores (US\$ 264 million) to Rs. 13,983 crores (US\$ 3,210 million).
- **Net Profits growth - 39% per annum**, from Rs. 91 crores (US \$ 21 million) to Rs. 2,403 crores (US \$ 551 million).
- **Market Capitalisation growth - 43% per annum**, from Rs. 997 crores (US \$ 223 million) to Rs. 35,880 crores (US \$ 8 billion).

## Exports

The vast, and rapidly growing, Indian markets clearly provide tremendous growth opportunities for Reliance.

With the increasing trends towards globalisation of markets, we have also launched a major export thrust.

Our exports have registered strong growth this year, reflecting the international quality, and global competitiveness, of our products.

**Our total exports have increased 164% this year, from Rs. 685 crores (US\$ 157 million), to Rs. 1,811 crores (US\$ 415 million).**

This reflects an increase of more than 20 times in the past 4 years, from just Rs. 86 crores (US \$ 25 million) in 1995-96.

Our exports are now around 9% of total revenues, as compared to less than 1% of revenues in 1995-96.

**We expect our exports to further increase to over Rs. 2,500 crores (over US\$ 500 million) during the current year.**

**We have emerged as the largest manufacturer exporter in India**, even though over 90% of our revenues are derived from domestic sales.

Our focus will be on value added and speciality products for exports, in the developed markets of the Europe and the US. Reliance's export initiatives have placed the 'Made in India' label firmly on the global map.

The completion of the Jamnagar complex has made RIL self-sufficient in its major feedstocks, namely, naphtha and paraxylene.

**This has transformed RIL from being a large user of foreign exchange, to a substantial net earner of foreign exchange for the country.** This is another feature of our all-round contribution to the nation's economic growth.

## **Current Performance**

**I am pleased to inform you that Reliance is faring well this year.** Reliance will declare its financial results for the first quarter on **July 20, 2000.**

## **Completion of Jamnagar Complex**

We have completed our Rs. 25,000 crore (US \$ 6 billion) integrated Jamnagar complex, well **within our budgeted costs**, and in a **record period of less than 36 months.**

The Jamnagar complex will **enhance our leadership** in the petrochemicals and energy business, and **substantially enhance the degree of vertical integration in our operations.**

The complex houses:

- **the world's largest grassroot refinery project, with capacity of 27 million tonnes per annum, and accounting for over 25% of the country's total refining capacity.**
- **the world's largest paraxylene plant with a capacity of 1.4 million tonnes per annum.**
- **the world's largest polypropylene plant with a capacity of 600,000 tonnes per annum.**
- **India's largest all weather port, captive power plants, and all related infrastructure.**

This represents **the largest industrial investment ever made by an Indian group at any one location.**

The Jamnagar complex will significantly **contribute to the country's economic development, and make us self-sufficient in petroleum products in the future.**

## **Reliance Petroleum**

Reliance holds a **64% equity stake** in Reliance Petroleum Ltd. (RPL). Over 2.2 million domestic and international, retail and institutional, investors hold the rest of RPL's equity capital.

RPL has completed its 27 million tonnes per annum refinery at Jamnagar in a period of less than 36 months. **This is a world record for building a refinery of this size, scale, and complexity.**

The RPL refinery ranks amongst the most complex refineries in the world, and is, by far, the most sophisticated refinery in India.

**The refinery production has been stabilised, and full rated capacity has been attained, within a short period of three months. This is also a world record, for a refinery of this scale and complexity.**

The smooth completion of the refinery project demonstrates Reliance's ability to implement multi-billion dollar, world scale projects, at the lowest capital costs, and in the shortest time.

RPL's capital costs per tonne are 40% lower than comparable costs for other refineries set up in Asia in recent years. This significantly enhances RPL's long term global competitiveness.

**RPL is already the most valuable petroleum company in Asia, with a market capitalisation of Rs. 27,625 crores (US\$ 6.3 billion).**

The refinery has been built to the **highest international standards of safety and environment protection.** RPL has the capability to deliver products of international specifications, even beyond the Euro II norms.

The refinery is **fully integrated with the petrochemicals complex and the power plants** at the Jamnagar complex.

**25% - 30% of the refinery's output is being consumed within the group.**

**Reliance Petroleum is likely to achieve a turnover of over Rs. 25,000 crores (nearly US\$ 6 billion) this year.**

**You will be happy to learn that RIL and RPL will be India's top 2 private sector companies, from this year.**

## **Growth Opportunities**

**Reliance has invested over Rs. 35,000 crores (US\$ 9 billion) in the past few years, in the creation of world class assets at our Hazira and Jamnagar Growth Centres.**

**These investments are expected to generate significant cash flows in the future.**

**We intend to utilise these future cash flows to maintain our growth momentum, and enhance overall shareholder value.**

The utilisation of cash flows will be broadly in line with the capital allocation framework announced by us last year,

Our **growth plans and value creation strategies** for the future include:

1. **Pursuit of growth opportunities in our existing businesses**, namely:
  - oil and gas
  - refining and marketing
  - petrochemicals
  - power
  - telecom
2. **Participation in attractive opportunities being created in New Economy sectors, especially in the setting up of Next Generation, broadband networks, capable of delivering end-to-end solutions to customers.**
3. **Using the Internet and new technologies to e-enable Reliance** and enhance value for customers, suppliers, employees, and shareholders.
4. **Implementation of share buyback, Employee Stock Option Plans (ESOP) and other similar initiatives.**

**Our future growth will be based on the same fundamental principles and strategies, which have brought us to the global leadership ranks in our petrochemicals and energy business.**

These include:

- Building world scale, and world class assets
- Deploying leading edge global technologies
- Ensuring a high degree of vertical integration
- Being globally competitive in all our operations
- Efficiently implementing multi-billion dollar projects
- Achieving market leadership
- Delivering international quality of products
- Emphasising capital efficiency and productivity
- Adopting financial conservatism
- Attracting, and empowering, top quality people
- And above all, ensuring overall shareholder value enhancement

**In all humility, I would like to state that we have achieved unparalleled success and recognition in our existing businesses, by adopting these principles.**

**We are confident that these principles will lead us to even greater success in our future endeavours, in existing and new businesses.**

I will now elaborate on our specific plans for growth in each business.

### **Oil and Gas – Existing Interests**

The Reliance group's major feedstock for the energy and petrochemicals business is crude oil.

**Our entry into the oil and gas business is part of our strategy to reduce our dependence on external imports of crude oil – both, for India, and for Reliance.**

RIL already has an existing 30% interest in the producing oil and gas fields at Panna, Mukta, and Tapti. Production has been increasing steadily over the last few years.

Estimates for recoverable reserves from **Panna and Mukta** fields have recently been **revised upwards by 28%**. Estimates for in place gas reserves at **Tapti** have also been raised, by as much as **200%**.

**A revised development plan, which could lead to a substantial increase in production from these fields, is at an advanced stage of consideration.**

### **Oil and Gas – New Developments**

India is one of the least explored countries in the world, for oil and gas. The Government's New Exploration Licensing Policy (NELP) aims to encourage large scale private sector participation in this sector, in order to make the country self-sufficient in energy in the future.

An important element of the new policy is that it allows 100% private sector ownership, thereby providing complete flexibility to the operator.

We have **recently been awarded 14 off-shore exploration blocks** under this new policy. This has made **Reliance the largest private sector oil and gas exploration and production (E&P) company in India.**

The new blocks have been awarded through a process of **open, competitive, international bidding.**

**These blocks cover a total oil and gas acreage of over 100,000 square kilometers, off the West and East coast of India.**

It is significant that exploration in some of Reliance's blocks will involve technologically complex, deep-water exploration, for the first time in India.

We are confident of achieving positive results well ahead of the four year timeframe indicated by the Government. The results of preliminary studies are encouraging.

The new policy offers several tax and other incentives. **This will contribute to the generation of healthy financial returns from this business in the future,** in addition to the fulfilment of strategic objectives.

In view of the strategic importance, **Reliance intends participating in a major way, in all future rounds of bidding, under the new policy.**

**Reliance is also continuing to seek selective opportunities overseas, to significantly expand its presence in this sector.**

## **Petrochemicals**

Reliance is a globally ranked producer of all its major petrochemicals products.

Our global rankings are as follows:

- Polyester Filament Yarn (PFY) 4<sup>th</sup>
- Polyester Staple Fibre (PSF) 5<sup>th</sup>
- Paraxylene (PX) 3<sup>rd</sup>
- Purified Terephthalic Acid (PTA) 6<sup>th</sup>
- Polypropylene (PP) 6<sup>th</sup>
- Polyethylene - Swing Capacity (PE) 10<sup>th</sup>
- World's largest grassroot multi-feed cracker

At the last two AGMs, I have spoken to you about our role in consolidation of the Indian polyester industry, as a strategy for enhancing our market leadership, and improving the competitive structure of the overall industry.

Based on this strategy, we have acquired control over production capacities of 4 relatively large polyester producers over the last two years. **This has enhanced our effective production capacity in polyester by nearly 200,000 tonnes per annum, to nearly 800,000 tonnes per annum.**

We are also implementing our plans for further increasing our polyester capacity, to more than 1 million tonnes per annum, as announced at the last AGM. **This will potentially rank Reliance amongst the top 3 polyester producers in the world.**

This increase in polyester capacity will naturally be accompanied by a corresponding increase in capacities of the feedstocks for polyester, namely, PTA and MEG.

Similarly, we are pursuing debottlenecking opportunities for expanding the capacity of our cracker at Hazira, and the polyethylene plants.

**We are increasing our focus on speciality and value added production, in polyester and polymers, to enhance product differentiation, further improve profitability, and deliver superior value to customers.**

I am confident that the global scale of our operations, our international competitiveness, and future growth strategies will enable us to significantly expand our market leadership in all our products.

## **E-enabling Reliance**

**New internet based technologies are changing people's lives, and the way business is conducted, all over the world.**

**We recognise the potential for leveraging our existing strengths, and these emerging technologies, to significantly lower costs, improve efficiencies and further increase our overall global competitiveness.**

**This will substantially enhance our profitability, and deliver superior value to our customers, suppliers, employees, and shareholders.**

**We are already working on building a seamless community, integrated with our key suppliers and customers.**

**Reliance intends to provide customised, and personalised services, to its customers, drawing upon the power of the Internet.**

**Implementation of suitable Supply Chain Management (SCM), Customer Relationship Management (CRM), and Knowledge Management (KM) strategies, will enable us to substantially cut inventories, increase responsiveness, and provide enhanced services to customers.**

**The entire procurement cycle - forecasting, planning, replenishment, supply chain financing, transportation – will be automated, leading to significant cost savings.**

**We are actively considering participation in a number of opportunities, involving the major global, internet based, chemicals marketplaces, and are also playing a leadership role in developing similar initiatives in India. These exchanges will allow Reliance to access new markets for its products, and optimise procurement costs.**

**We are confident that an e-enabled Reliance will benefit significantly from the application of new Internet based technologies.**

## **Power**

Reliance already has substantial experience in power generation, as we have implemented captive power plants at all our manufacturing locations.

**Reliance is the largest producer of captive power in India, with an aggregate power generation capacity of over 800 MW.**

We are pursuing several other attractive opportunities in the power business, across the areas of generation, transmission and distribution. This business has a natural integration with our petrochemicals and petroleum businesses.

We are promoting a number of independent power projects in the country. **Our objective is to achieve capacity of 10,000 MW over the next 5 to 10 years.**

The projects already under development at Patalganga in Maharashtra, Jamnagar and Ghogha in Gujarat, Jayamkondam in Tamilnadu, Goa, and Hirma in Orissa, have an aggregate capacity of over 6,000 MW.

I would also like to use this opportunity to say a few words about our BSES offer.

BSES is India's largest electric utility. BSES is ranked amongst India's 20 largest companies in terms of net profits, and amongst the 35 largest companies, on other financial parameters.

Reliance is already the single largest private sector shareholder in BSES, with a holding of nearly 15%. We have now made an open offer for acquiring an additional 20% of the equity share capital of BSES, together with change in management control.

**We are confident of creating substantial value for shareholders of BSES and Reliance, through the acceleration of growth plans for the company.**

## **Communications**

### **Telecom**

Reliance Telecom provides cellular and basic telephony services.

Reliance Telecom has cellular licenses for 7 circles covering 13 states, namely Madhya Pradesh, Bihar, Orissa, Himachal Pradesh, West Bengal, Assam, Sikkim, Nagaland, Manipur, Mizoram, Arunachal Pradesh, Meghalaya, and Tripura.

Reliance Telecom also has the basic telephony license for the state of Gujarat.

**These territories cover over 350 million people, nearly a third of India's population, and approximately 36 per cent of India's geographical area.**

We have already covered 36 cities, in the first phase of our cellular operations. The subscriber base has increased by 135% to reach 70,000 this year. **We expect to expand our cellular services coverage to over 90 cities, and double our subscriber base, over the next 1 year or so.**

We have already commenced fixed line telecom services in Gujarat in March 2000. A state-of-the-art, broadband network for Gujarat is under implementation.

We are confident that Reliance Telecom will significantly expand its operations and coverage, and increase its subscriber base over the next few years.

### **New Infocom Initiatives**

#### **Broadband Networks**

**Fundamental shifts are occurring in the global economy, owing to revolutionary advances in technology. These have led to the convergence of the communication and information businesses. We call this - the Infocom Revolution.**

**We, at Reliance, firmly believe that there is a one time opportunity for the Indian economy to leapfrog from its current inadequate infrastructure, to a super, world-class digital infrastructure, comparable to any other in the world.**

**Our own Infocom initiatives are married to the objectives of accelerating India's economic growth, building world class assets, capable of delivering superior long term returns, and enhancing overall shareholder value.**

**We have a demonstrated track record of creating world class, and globally competitive, new businesses, from the ideas and planning stage, to project execution and generation of profits.**

**We will leverage our core competencies of complex project management, technology absorption, financial engineering, and building grass-root businesses, to become a leading player in the infocom landscape.**

**We are committed to building a state-of-the-art, world-class, Internet infrastructure in India.**

**Our vision is to create an advanced, facilities-based, intelligent, next generation communications network, with terabit bandwidth, that will leapfrog India into the centrestage of the global communication and information technology space.**

**We believe that the creation of this infrastructure is essential for India to occupy its rightful place in the knowledge economy.**

**Our state-of-the-art networks will be scalable, future proof, and will evolve with advances in technology and deregulation in India.**

**Our strategy is to roll out a world class, all optic, Internet Protocol based, broadband network covering the top 115 cities in India, and accounting for more than 50% of India's GDP.**

**We will endeavour to attain market leadership in integrated broad brand services, with value added voice, image and data offerings over our networks.**

**Our broad band network, and internet data centres, will deliver advanced applications and solutions, including e-commerce, media-casting, web hosting and managed software services, to businesses, consumers and service providers, rendering physical and geographical boundaries irrelevant.**

**Our next generation broad band networks will also provide us the capability to participate in local, long distance and international communications markets, as well as in the markets for trading of bandwidth, as reforms progress in this sector.**

**We expect to complete these investments in the next 24 months, and are convinced that these will bring about a paradigm shift in the way India will communicate, and conduct business, at home, and with the rest of the world.**

**Reliance Industries will be the lead investor in this entire Infocom initiative.**

**We are also at an advanced stage of discussions with leading global companies in new economy sectors, for alliances across the entire digital value chain.**

**We will keep you apprised as we finalise our broad corporate structure and major alliances.**

**We are confident that our infocom foray will substantially enhance overall shareholder value, and deliver superior returns to investors.**

## **Share Buyback**

**Reliance has announced India's largest share buyback programme for Rs. 1,100 crores (over US \$ 250 million).**

**The company will buy back shares, through the open and transparent method of market purchases, at a maximum price of Rs. 303 per share.**

The share buyback aims at distributing a portion of the company's cash flows to the shareholders in a tax efficient, and investor friendly manner, while retaining adequate resources for the pursuit of attractive growth opportunities.

**The share buyback demonstrates our confidence in Reliance's future growth prospects, and reflects our perception that the Reliance shares continue to be under-valued.**

The buyback of shares will lead to a reduction in share capital, and is likely to enhance EPS and RONW.

As per prevailing regulations, RIL will not be entitled to issue fresh equity for a period of 2 years, after the completion of the share buyback programme.

**We have not made a fresh equity issue in the last nearly six years.**

**In effect, we will not be issuing fresh equity for a period of up to 9 years, even as we have implemented major expansion plans, maintained a conservative financial position, and reported significant growth across all financial parameters.**

## **Employee Stock Option Plan (ESOP)**

Employee Stock Option Plans (ESOP) are recognised as one of the most effective means to align the interests of the company, employees and shareholders.

ESOPs provide for tax efficient, performance linked rewards to employees. ESOPs also provide the company an opportunity to optimise personnel costs, through an additional, market-driven, mechanism for compensating employees.

With ESOP, employees see their own performance and growth derived from, and driven by, the company's performance and growth.

**We believe the ESOP proposed by Reliance will complement our existing policies and strengths in attracting, retaining, and motivating the best talent, thereby creating significant value for our employees and shareholders.**

## **People**

Reliance is today a large organisation manned by thousands of expert engineers, managers, and other professionals. At heart, we remain as young, informal, agile, and growth driven, as we were two decades ago, as a small company set up by entrepreneurs.

**The average age of the Reliance team is just 35 years.** Reliance's ability to train, develop, and retain people of extraordinary caliber and initiative, has been a key driver for the company's exponential growth.

Reliance is widely regarded by professionals as an employer of choice, enabling it to attract the highest quality people. Reliance is also a preferred employer on the leading engineering and management campuses in the country.

Reliance offers a competitive compensation structure, and offers opportunities for extraordinary personal and professional development to all its employees.

We are confident that the vast reservoir of intellectual capital resident in Reliance will continue to provide a sustainable competitive edge to the company in the future.

## **Corporate Governance**

Reliance has played a pioneering role in adhering to the highest international standards of corporate governance.

We have been amongst the front-runners in the country in implementing the following initiatives:

- Audit of accounts by a firm of international accountants in addition to the regular audit by the statutorily appointed Indian auditors
- Reconciliation of quarterly and annual accounts with US GAAP, for the convenience of the company's large international investor base
- Regular presentations to Indian and international institutional investors
- Regular online communication of corporate, financial, and product information, through the company website, www.ril.com
- Defined policy for ethical business conduct by Reliance personnel

**This year, Reliance has further demonstrated its commitment to enhanced transparency and disclosure, by voluntarily complying with the SEBI code for corporate governance, one full year before it becomes mandatory.**

## **Community Development**

Reliance has undertaken several community development initiatives to meet its obligations as a responsible corporate citizen.

During the year, Reliance contributed Rs. 10 crores (over US \$ 2 million) towards various community development and philanthropic initiatives.

Recently, Reliance has set an example for the corporate sector, by becoming the first industrial complex in India to supply water from its Jamnagar complex, to many areas affected by the shortage of drinking water.

**The Jamnagar complex arranged the supplies of 16 lakh gallons of water per day, for the people of the Jamnagar city, and made drinking water supplies to many affected areas in Rajasthan.** These initiatives have been widely appreciated.

Reliance continues to maintain the highest health, safety, and environment standards. The company also actively sponsors various initiatives for developing the regions neighbouring its manufacturing complexes.

## **Value Creation**

**In 1997, Reliance became the first Indian company to enunciate a value creation framework, detailing its business and financial strategies.**

**At that time, I had publicly announced medium to long term performance targets for the company. I am happy to report that we have achieved, and even exceeded, most of these targets.**

**Some of the more significant achievements are listed below:**

- Sales of Rs. 20,000 crores (US \$ 4.6 billion) have been crossed in 1999-2000, one year ahead of target.
- Return on net worth (RONW) of 22% has been recorded this year, well ahead of the target of 20%, to be achieved by the year 2002.
- EPS has increased by 24% this year, ahead of the targeted annual EPS growth of 20%.
- Share buyback and Employee Stock Option programmes are currently under implementation.
- We are also ahead of our target of doubling the market value of Reliance by the year 2002. RIL's market capitalisation has already increased 77%, from Rs. 20,222 crores (US\$ 4.5 billion) in 1997 to Rs. 35,880 crores (US\$ 8 billion).

**This remarkable performance has been rewarded by the stock markets, generating strong returns for Reliance shareholders, over all short, medium and long term timeframes.**

**Reliance's share price has appreciated by 92% over the past 1 year, and by as much as 973% over the past 10 years.**

**This represents outperformance over the BSE Sensex by 74% for the past 1 year, and as much as 483% over the past 10 years.**

**I attribute this success to the continued support of our 22 lakh strong family of Reliance shareholders.**

**I am sure you will continue to extend your support to all of us at Reliance, in the future, as well.**

## **Acknowledgements**

I would like to thank all the investors, lenders, suppliers and customers of Reliance.

I would also like to thank all employees of Reliance for their commitment and hard work. I thank all my colleagues on the Board for their continued support and encouragement.

Thank you once again, my dear shareholders, for your patience.

June 13, 2000  
Mumbai

**Dhirubhai H. Ambani**  
**Chairman**