

Chairman's Statement

Extraordinary General Meeting

Mumbai
Thursday, October 16, 1997



Reliance
Industries Limited

Chairman's Statement

My Dear Shareholders,

I am happy to welcome you to our Extraordinary General Meeting. It is indeed a matter of great pleasure to be with you again - less than six months after the June 97 AGM.

Financial Performance for the half year ended Sept.1997

You will be pleased to note that your company has demonstrated a good performance in the first half. In today's competitive world, no business can act alone, free of global pressures. Businesses in India are now truly integrated with the world. In petrochemicals there are new challenges. Overall prices are still depressed. The currency crisis in South East Asia has added to the turmoil.

We at Reliance are not insulated from the above trends. However, lower prices increased the demand for most of our products. Naturally, revenues, profits and cash flows have all moved up.

I believe that these results confirm Reliance's strategy of capturing value addition through vertical backward integration. We also believe in sustaining globally competitive positions and maintaining leading market shares. This has helped Reliance to deal successfully with a difficult operating environment. The key financial highlights of the interim results declared on October 14 are as under:

- Sales have grown by 57 % to reach Rs. 6,330 crores
- Total Production Volume has grown by 78 %
- Cash Profit has grown by 39 % to touch Rs. 1,145crores
- Operating Profit has grown by 55 % to touch Rs. 1,383crores
- Net profit has grown by 29 % to touch Rs. 840 crores

We are confident that the strategies we follow will ensure that the satisfactory trend in performance will continue. Reliance looks to the future with a degree of optimism.

Financing Initiatives

Financial Innovation has been the hallmark of Reliance. During the past six months, Reliance continued to pursue its strategy of reducing its cost of capital and extending debt maturities by tapping the international debt markets. Reliance raised \$405 million (Rs. 1450 crores) in a matter of 72 hours - a feat unparalleled in Indian corporate history. In July, Reliance became the first manufacturing company in Asia to tap the Sterling market by raising Sterling 150 million (\$255 million, Rs. 900 crores) in 10 year maturity debt, the highest tenor achieved by any Asian company. Less than 72 hours after that, Reliance achieved yet another first by privately placing \$ 150 million (Rs. 540 crores) in 10 year maturity debt with sophisticated European institutional investors. In the domestic debt markets, Reliance issued NCDs of nearly Rs. 200 crores. Reliance also successfully completed the largest domestic preference capital issue of Rs.200 crores. Both these domestic offerings were heavily oversubscribed.

Success at Hazira Petrochemical Complex

At the June 1997 AGM, I spoke about the substantial completion of the over Rs.9000 crores (US \$2.5 billion) Hazira expansion program. This has resulted in the creation of world scale and world class assets and a four fold growth in manufacturing capacities. Hazira complex, as you will remember, represents the largest single investment by a private sector company at a single location. With the completion of the Hazira expansion, Reliance has secured a slot among the top petrochemical producers in the world.

In the past six months 4 new plants were commissioned at Hazira :

- a second Polyethylene plant with a capacity of 2 lakh tonnes per annum.
- a third MEG plant with a capacity of 1.2 lakh tonnes per annum
- an 80,000 tonnes per annum PET plant and
- a 30,000 tonnes per annum Fibrefill plant
- Successful de-bottlenecking of the Naphtha cracker by taking the capacity from 500,000 tonnes per annum to 750,000 tonnes per annum was the highlight of the last six months.

Now, a total of 14 world scale product plants have been commissioned at the Hazira complex in the past 18 months.

Safe, stable and efficient operations and the manufacture of world class products at the expanded Hazira petrochemical complex have been the significant success factors in the last six months. The key accomplishment at Hazira has been the high plant operating rates and the resultant strong volume growth which has been achieved in a short span of time since commissioning. Reliance has been able to further expand its leading market positions thanks largely due to this success at Hazira.

It gives me a great sense of pride and satisfaction that the hard work put in by thousands of committed and dedicated workers at Hazira has now started yielding rich rewards. The vision of achieving the position of a global major has been realized largely due to the efforts of the Hazira team.

In the months to come our third PTA plant with a capacity of 350,000 tonnes per annum will be commissioned at Hazira.

Growth : Further Progress at Jamnagar Petrochemical Complex

We have just completed our major expansion at the Hazira Petrochemical Complex and raised capacity from 1.6 million tonnes to over 6 million tonnes per annum.

We are now setting up facilities at Jamnagar to manufacture

- 1.4 million tonnes per annum of paraxylene and
- a 4 lakh tonnes per annum of polypropylene
- When completed in 1999, our overall manufacturing capacity will move up from 6 million tonnes to 9 million tonnes per annum.

Reliance Petroleum is setting up the world's largest grass-root refinery adjacent to Reliance's Jamnagar Petrochemical Complex. RPL's world class refinery will prove to be globally competitive and profitable in the emerging scenario of petroleum sector reform.

Reliance Industries is the promoter of Reliance Petroleum. RIL's investment in RPL is financially attractive and will create substantial value for all stakeholders.

Project implementation work for the 15 million tonne world class refinery is progressing rapidly. The refinery commissioning is expected in 1999. Currently, a construction work-force of over 40,000 is working at the site. In a few months, the peak construction work force will reach to over 85,000 workers. This will make Jamnagar the world's largest petrochemical / energy construction site.

Quarterly results

Reliance is committed to ensure that its accounts reporting and disclosure standards meet the highest in class and standards in the global context.

Henceforth, from the next financial year, Reliance will declare its financial performance results on a quarterly basis.

This will ensure that Reliance's vast global and 2.6 million retail investor base as well as all the stake-holders have adequate and timely information about their company. This step will be a part of the ongoing efforts to enhance investor communication.

Today's Resolutions

As outlined in the June 1997 AGM, we are committed to enhance shareholder value through the conscious and consistent pursuit of value creation strategies in our business and financial policies. Our goal of endeavoring to double the value of Reliance in the next five years will remain the guiding force for policy formulation.

A one for one bonus issue has already been announced in June 1997. This Issue is due for ratification in today's meeting.

Implementation of a bonus share issue program, a stock buyback program and an employee stock option program are the positive steps that Reliance has taken. Reliance believes that each of these actions can result in substantial value enhancement for all shareholders. Today's resolutions attempt to set forth the framework for these value creating activities. I request you to favorably consider these resolutions.

Thanks

I thank you all for your continued support.

DHA

Chairman

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