CHAIRMAN'S STATEMENT

Equity Shareholders Meeting

Monday, 8th April, 2002

Reliance
Industries Limited

Growth is Life

www.ril.com

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

My dear fellow Reliance Shareowners,

It is my great pleasure to welcome all of you today, to this shareholders' meeting of Reliance Industries Ltd., which has been convened under the orders of the High Court of Mumbai, to consider the Scheme for the Amalgamation of Reliance Petroleum Ltd. (RPL) with your company, Reliance Industries Ltd. (RIL).

The RPL-RIL merger is the largest ever merger to take place in the corporate history of India. This merger will achieve several new distinctions for your company, both on a domestic and international scale.

Each of those new distinctions is special in its own way. Each is a new milestone in the growth of Reliance.

Yet, what is most important today is that, by becoming the first Indian private sector company to rank amongst the top 500 companies globally, Reliance has once again charted new territory, and demonstrated the tremendous potential and enterprising spirit of India.

It is a truly great moment - for Reliance, for me, and for all of us.

I would like to express my personal gratitude to each of you, our shareholders, without whose trust, confidence and support, all of this would never have been possible.

Humble Beginnings

RIL's track record of consistent growth is unparalleled in the Indian context, and perhaps rare even in the international context.

We are still a first generation enterprise. In my youth, I had left India, to work as a sales attendant at the retail outlet of a multinational energy company in Aden. At that time, far away from my native shores in Gujarat, I had a dream of coming back to my country, and creating India's own global energy giant.

It was in the year 1977 that we made our first public offering, raising a small Rs. 2.82 crores, from 58,000 investors.

From then onwards, I am delighted to say that RIL's shareholders have had every reason to be happy:

- **Sales have grown by over 400 times from Rs. 67 crores to Rs. 28,008 crores (US$ 6 billion).**
- **Net profits have grown by 900 times from Rs. 3 crores to Rs. 2,646 crores (US$ 567 million).**
- **Net worth has grown by 1,500 times from Rs. 10 crores to Rs. 14,765 crores (US$ 3.2 billion).**
- **Total assets have grown by 900 times from Rs. 33 crores to Rs. 29,875 crores (US$ 6.4 billion).**

Today, RIL alone, prior to the merger, enjoys market capitalisation of nearly Rs. 32,000 crores (US$ 6.6 billion) – more than 3,000 times its market capitalisation of Rs. 10 crores in 1977. **Original investors in Reliance's initial public offering in 1977 have earned a compounded annual rate of return of 43% per annum over the last 24 years.**

India's Largest Private Sector Company

I am confident that RPL's merger with RIL will only contribute to RIL's future growth, and will lead to maximisation of overall shareholder value.

Let me share with you a few numbers, to give you a sense of what your company will look like, after the merger.

Based on announced results of RIL and RPL for the first nine months of the financial year 2001-02, as annualised (for comparative purposes only and not by way of indicative figures), the merger will create India's largest private sector company, on all major financial parameters:

- **Sales of Rs. 58,000 crores (US$ 11.8 billion) - representing nearly 3% of India's GDP**
- **Operating profit of Rs. 9,000 crores (US$ 1.8 billion)**
- **Cash profit of Rs. 6,800 crores (US$ 1.4 billion)**
- **Net profit of Rs. 4,000 crores (US$ 0.8 billion) - representing nearly 30% of the total profit of all private sector companies in India**
- **Equity share capital of Rs. 1,396 crores (US$ 284 million)**
- **Net worth of over Rs. 28,000 crores (US$ 5.7 billion)**
- **Total assets of Rs. 55,000 crores (US$ 11.2 billion)**
- **Exports of Rs. 10,800 crores (US$ 2.2 billion) – making RIL by far India's largest exporter**
- **Contribution to the national exchequer of Rs. 10,500 crores (US$ 2.1 billion) - representing 10% of indirect tax revenues of the Government of India (GOI)**
- **Annualised Cash EPS of Rs. 49.6 (US$ 1.0)**
- **Annualised EPS of Rs. 28.8 (US$ 0.6)**
- **Over 35 lakh shareholders, amongst the largest shareholder families in the world**
- **Market capitalisation of over Rs. 45,000 crores (US$ 9.3 billion), which will be the highest amongst homegrown Indian private sector companies.**

Leading Global Rankings

The merger will also give RIL the unique distinction of becoming India's first private sector company to feature in the internationally tracked Fortune Global 500 list of the world's largest corporations.

Based on latest available data published in 2001, RIL will rank:

- **amongst the top 225 companies globally in terms of net profits**
- **amongst the top 300 companies globally in terms of net worth**
- **amongst the top 425 companies globally in terms of assets**
- **amongst the top 500 companies globally in terms of sales**

In addition to the above, the merger will rank RIL amongst the top energy and petrochemicals companies globally.

RIL will rank:

- **amongst the top 30 energy and petrochemicals companies globally based on net profits**
- **amongst the top 50 energy and petrochemicals companies globally based on sales**

Within Asia, post merger, RIL will rank:

- **amongst the top 4 Asian oil and gas and chemical companies in terms of net profits**
- **amongst the top 17 Asian oil and gas and chemical companies in terms of sales**

Enhanced Business Portfolio

The merger will create India's only world scale, fully integrated energy company, with operations in oil and gas exploration and production (E&P), refining and marketing (R&M), petrochemicals, power, and textiles.

The merged entity, RIL, will enjoy global ranking in all its major businesses, and leading domestic market shares.

RIL's enhanced business and asset portfolio will now include:

- **India's largest private sector exploration and production (E&P) interests, covering 25 offshore and onshore, deep and shallow water blocks of oil and gas E&P acreage, with an area of over 175,000 square kms**
- **a 30% interest in the producing oil and gas fields at Panna, Mukta and Tapti**
- **the world's largest grassroots refinery, and the world's 5th largest refinery at any single location, with capacity of 27 million tonnes per annum (tpa) of petroleum products**
- **retail marketing assets for transportation fuels in the fast growing domestic Indian market**
- **the world's 2nd largest capacities of partially oriented yarn (POY)/polyester staple fibre (PSF)**
- **the world's largest paraxylene plant with capacity of 1.4 million tpa, making RIL the world's 3rd largest producer**
- **the world's 4th largest PTA capacity of over 1 million tpa**
- **the world's 6th largest polypropylene capacity of 1 million tpa**

In addition, **RIL has a 26% equity holding in Reliance Telecom**, which provides cellular services to over 380,000 subscribers in 15 states covering 1/3rd of India's geographical area and 1/3rd of India's population.

RIL also holds a 45% stake in Reliance Infocom, which is setting up a nationwide broadband network to provide fixed line, wireless, national long distance, and international long distance telephony, as well as a range of data and value added services, with a national footprint, and a projected capital outlay of Rs. 25,000 crores (US$ 5 billion).

RIL is the single largest private sector shareholder in BSES Ltd., which is the leading power company in India, primarily engaged in the business of generation, transmission and distribution of electricity.

Future Growth Prospects

It would be tempting to look at Reliance's preeminent position in the Indian corporate sector, and believe that we have achieved all that we could at Reliance. But that is certainly not the Reliance way – where Growth *is* Life .

We would much rather focus on the size and scale of our operations relative to the integrated global energy companies, and the fact that compared to them, we still have a long way to go.

Even after the merger, RIL's sales, profits, and assets, will be less than 10% of the respective figures for the largest global energy companies.

Therein lies the challenge and the opportunity, as well as the enormous potential for future growth.

We have set our sights higher. We have the advantage of being the market leaders for all our major products, in one of the fastest growing markets in the world. The per capita consumption of Reliance's major products in India is still amongst the lowest in the world, thereby indicating strong potential for sustained future demand growth.

We have demonstrated the international quality of our products, and the global competitiveness of our operations, by becoming India's largest exporter with export revenues of over US$ 2.2 billion (Rs. 10,800 crores) last year, and by successfully competing with our global peer group in exporting our products to more than 100 countries.

With the increasing pace of economic and hydrocarbon sector reforms in India, the privatisation of public sector oil enterprises, and the increasing globalisation of the Indian economy, I am confident that Reliance will maintain its consistent track record of growth, and will pursue newer opportunities in each of its businesses, both domestically and internationally.

Benefits from the Merger

Background: The proposed merger is in line with global industry trends, for achieving scale, size, integration, and enhanced financial strength and flexibility to pursue future growth opportunities, in an increasingly globally competitive environment.

The merger also takes into consideration factors such as:

- The continued progress in hydrocarbon sector reforms and deregulation in India
- The dismantling of the Administered Pricing Mechanism (APM) in the refining and marketing industry
- The government's decision to grant marketing rights for transportation fuels to the private sector, including to RPL
- The new growth opportunities of substantial scale arising from the proposed privatisation of domestic public sector oil companies

Financial Benefits: RPL has achieved several corporate records in the initial nearly two years of its operations.

RPL is India's largest private sector company in terms of sales, and second only to RIL in terms of profit, net worth and assets. RPL has reported cash profit of Rs. 1,877 crores (US$ 389 million) and net profit of Rs. 1,269 crores (US$ 263 million) for the 9 months period April-December 2001.

The proposed merger will thus directly result in:

- **accretion of over Rs. 1,300 crores (US$ 265 million) to RIL's net profits, and**
- **acquisition of facilities, which have been valued at over Rs. 21,000 crores (US$ 4.3 billion) by leading international industry consultants, Chemsystems.**

The merger will be **significantly accretive for RIL's shareholders, as annualised EPS will increase from Rs. 26.0 (US$ 0.5) to Rs. 28.8 (US$ 0.6) per share,** based on financial results as announced by RIL and RPL for the first 9 months of the financial year 2001-02, as annualised.

RPL, on a stand alone basis, enjoys credit rating of AA+ from CRISIL. Its rating was upgraded from BBB+ to AA+ within just about a year.

The RPL refinery has operated at 107% capacity utilisation rate during the financial year ended March 31, 2002.

In recognition of the benefits of the proposed merger, the credit rating agencies, CRISIL and FITCH have reaffirmed outstanding AAA and P1+ credit ratings for RIL, and placed RPL's existing AA+ credit rating on rating watch, with positive implications.

Operational Benefits: The merger will contribute to the following substantial benefits for RIL, thereby enhancing shareholder value:

- Scale
- Integration
- Global competitiveness
- Operational synergies
- Logistics advantages
- Cost efficiencies
- Productivity gains
- Rationalisation of business processes
- Optimisation of fiscal incentives
- Enhanced financial strength and flexibility
- Elimination of transfer pricing issues
- Reduction of volatility in the earnings stream

The merger of RPL with RIL will thus contribute to achievement of RIL's objectives of attaining leadership in the industry peer group, not only in terms of the assets base, revenues, production volumes and market share, but also in terms of maximisation of total shareholder returns.

The merged company will have the ability to leverage its large asset base, diverse range of products and services, vast pool of intellectual capital and proprietary skill sets and capabilities, and a demonstrated track record of timely and efficient project execution for multi-billion dollar projects, to significantly enhance overall shareholder value.

The merger will also result in increased financial strength and flexibility for RIL, and enhance its ability to participate in future growth opportunities, particularly in the context of its own initiatives in the E&P and Infocom sectors, and the government's approach towards hydrocarbon sector reforms, deregulation of marketing of petroleum products, and the privatisation of public sector enterprises.

The integration of the manufacturing and other facilities of RPL and RIL will also contribute to enhanced global competitiveness for the merged entity, thereby increasing its ability to compete with its peer group in domestic and international markets.

The two companies also share common corporate values. These values include protection of the environment, active support for the communities where they operate, promoting diversity and opportunity in the workforce and amongst business partners, and providing sustained returns to shareholders.

RPL and RIL share common fundamental management philosophies. Both companies pursue sustainable growth within a conservative financial framework. The merged entity will adopt a dividend distribution policy in line with existing policies of RPL and RIL.

Details of the Merger Scheme

The Boards of Directors of RIL and RPL have unanimously approved the merger of RPL with RIL, subject to necessary approvals. They have recommended an exchange ratio of one share of RIL for every 11 shares of RPL. The exchange ratio has been determined on the basis of a Valuation Report by Valuation Advisors, Price Waterhouse and SB Billimoria & Co. (member of Deloitte Touche Tohmatsu International), jointly appointed by RPL and RIL.

For determining the exchange ratio, the value per equity share of RIL and RPL have been determined using three different methods:

1. Net Asset Value (NAV) method,
2. Earnings Value (EV) method, and
3. Market Value (MV) method

The Net Asset Value (NAV) of a share is based on the historical cost of the company's assets, and usually represents the minimum value or support value of a share of a going concern. The Earnings Value (EV) per share is obtained by capitalising the company's maintainable earnings at an appropriate rate reflecting the company's risk reward profile. The Market Value (MV) of a share is determined on the basis of the weighted average price of the share for a period of six months.

Leading Indian and global experts have advised RIL and RPL on the various aspects of the merger.

JM Morgan Stanley has acted as Financial Advisor to the transaction.

Amarchand & Mangaldas & Suresh A. Shroff & Co. are the Legal Advisors.

Mr. Arun Gandhi of N.M.Raiji & Co., Mr. Bansi Mehta of Bansi Mehta & Co., and Mr. N.V.Iyer of CC Chokshi & Co. are the Advisors for the Merger.

The appointed date of merger of RPL with RIL is 1.4.2001, representing the first full year of commercial operations of RPL.

Under the proposed terms of the merger, shares of RPL held by RIL, representing 28% of RPL's equity share capital, will be cancelled.

RIL shares, against the holding of RPL shares by Reliance Industrial Investments and Holdings Ltd. (RIIHL), a 100% subsidiary of RIL, valued at over Rs. 3,300 crores (US$ 680 million) at current market prices, will be directly issued and allotted to a Trustee. These shares, representing 7.5% of RIL's equity, will be held for the benefit of RIIHL, and to realise substantial economic value.

RPL shares held by other RIL associates, representing 14% of RPL's equity share capital, will be exchanged into RIL shares, and will constitute 4.7% of the fully diluted equity share capital of RIL, with a value of over Rs. 2,100 crores (US$ 430 million) at current market prices.

The aggregate shareholding by RIIHL and other RIL associates may be leveraged to pursue significant acquisition and other growth opportunities in domestic and international markets, including by way of monetisation of this equity stake. All economic benefits will flow to RIL's shareholders, thereby maximizing shareholder value.

All these investments will be guided by the Reliance group's overall financial discipline, and its consistent objective of maintaining top end credit ratings.

Conclusion

My dear fellow Reliance shareowners, as separate entities, RIL and RPL are India's top 2 private sector companies, with good future prospects.

However, the Boards of Directors of RIL and RPL believe that the merged entity will create even greater value for their respective shareholders, than could be delivered as separate companies. The merged entity is likely to achieve higher long term financial returns than could be achieved by RIL and RPL on their own.

We believe the merger will be beneficial to the shareholders of both, RIL and RPL, and will contribute to the maximisation of overall shareholder value.

The merger will enhance value for shareholders of RPL through the resulting large asset base and scale of operations, particularly RIL's upstream operations in oil & gas, which will reduce exposure to imports of feedstock, access to RIL's strong corporate relationships built up over three decades, entry into new sectors, and access to the vast talent pool of RIL and its subsidiaries.

On the other hand, the shareholders of RIL will benefit from business of refining and marketing of petroleum products presently carried out by RPL, and the access to RPL's strong cash flows.

My dear fellow RIL shareowners, I therefore commend the resolution for merger of RPL with RIL for your approval.

I now look forward to hearing the views of my fellow shareowners. As this meeting is convened under the orders of the High Court for consideration of the scheme of amalgamation of RPL with RIL, I request all speakers to restrict their remarks to this subject only.

Your company has performed well in the year ended March 31, 2002 and our financial results will be announced shortly. I will not be in a position to offer any comments on this subject, or any subject other than the merger. However, the RIL Annual General Meeting (AGM) will be held in a few months time, and all of you will have the opportunity to discuss other matters as well, at that time.

Ladies and Gentlemen, I thank you for taking the time to be present with us today.

April 8, 2002 — **Dhirubhai H. Ambani**

Mumbai — **Chairman**