

Contours of a New Wave of Growth

CHAIRMAN'S STATEMENT

Thirty Seventh Annual General Meeting

Friday, June 3, 2011



Reliance

Industries Limited

Growth is Life

3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai 400 021

My Dear Shareowners,

It gives me great pleasure to welcome you to the 37th Annual General Meeting of Reliance Industries Limited.

The Company's accounts for the year ended March 31, 2011, along with the Directors' and Auditors' report, a Letter to the Shareholders, and Management's Discussion and Analysis, have already been circulated to you.

With your permission, I would like to take them as read.

1. Strategic Perspective

Dear Shareowners,

Over the last few years, a recurrent theme of my AGM statements has been the transformational nature of initiatives at Reliance.

Through its businesses, Reliance has transformed many sectors and redefined the way industries operate.

Reliance has always been able to foresee changes of trends in the business environment.

In every evolution of the Indian economy, we see seeds of big opportunities for value creation for our shareholders and wealth creation for the nation.

This is how Reliance positioned itself to contribute to greater energy and fuels security for India through the oil and gas and petroleum refining initiatives.

This is how Reliance decided to participate in India's consumer and rural transformation through organized retailing initiative.

Reliance relentlessly pursued these initiatives to create a strong foundation that will generate sustained value for decades.

Today, we are amongst the top 100 companies in terms of net profits in the world as per the Fortune 500 rankings.

As India grows rapidly, transformation is at the top of the Reliance agenda for a renewed organization that will deliver continuous growth.

A business transformation that will fundamentally strengthen the constitution and character of the organization.

A talent transformation that will endow Reliance with new competencies in new business domains and attract the best talent in India and abroad.

An innovation led technology transformation that will empower Reliance to explore new avenues for value creation.

A markets transformation that will engage Reliance with new customer constituencies in the consumer space.

And a partnership transformation that will enable Reliance to partner with world leaders to enter new business domains in India.

At the same time, Reliance will reinforce its traditional core values of entrepreneurship, cohesive leadership structures, meritocracy, continuous learning and value creation.

Our topmost priority at Reliance is to nurture the next generation leaders and empower them to create a new future and new value.

As a result of this focused effort, Reliance envisages a renewed and refreshed organization prepared for opportunities and challenges of a twenty-first century world.

2. Global Economic Context

My Dear Shareowners,

2010 was a sunlit year for the global economy, when growth and optimism returned in ample measure.

Economic recovery provided a much needed impetus globally.

Accommodative monetary policies promoted by most governments led to high liquidity and significant capital creation at a low cost.

Equally, stronger growth and higher demand contributed to significant rises in commodities prices.

Most emerging markets grew at nearly thrice the rate of developed markets.

Asia, undoubtedly, emerged as the engine of global economic growth.

The commodity businesses benefited from both volume and margin expansion.

This milieu presents Reliance with several opportunities and challenges.

Opportunities in market growth and for investments across each of its businesses.

Reliance also has to confront challenges arising out of higher commodity and input prices and inflationary trends.

3. Indian Economic Context

Dear Shareowners,

Within this global setting is the context of Indian economy that has immediate relevance to Reliance.

India continued its march on a trajectory of high economic growth rate.

Several sectors, which are important for Reliance from a product-market context, showed buoyant growth - agriculture, construction, automobiles and healthcare.

Infrastructure continues to be an imperative for sustaining the high-growth agenda of India.

India is envisaged to grow from a USD 1.4 trillion economy to over 9 trillion by 2020 and over 30 trillion by 2030 in nominal terms.

All these trends point to an exponential growth in several sectors across our economy.

Reliance is well positioned to remain as one of the engines of India's growth by its participation in core sectors.

And by aggressively venturing into newer domains that will create significant value and competencies in the years to come.

4. Business and Financial Performance

Dear Shareholders,

I am pleased to state that global economic recovery and the India impetus led Reliance to yet another year of stellar performance.

Today our enterprise value is over USD 75 billion.

This, by any standard, is a significant achievement.

More so, considering the relatively short history of just 33 years of Reliance, since our first IPO.

This growth signifies that we have grown 28% year on year in the last 33 years in terms of revenues.

30% year on year in the last 33 years in terms of net profits.

And 37% year on year for the last 33 years in market capitalization.

This is amongst the highest rates of growth for any business enterprise across the world.

During the year, Reliance recorded its highest ever turnover in history.

Reliance is the first private sector company in India to have turnover in excess of ₹ 250,000 crore (US\$ 58 billion) - a growth of 30% over the previous year.

On the strength of the record turnover, Reliance posted its highest-ever net profit of ₹ 20,286 crore (US\$ 4.5 billion).

This signifies the highest growth in profits in absolute terms in our history.

Operating levels across all three business units were at record highs.

Exports at ₹ 146,667 crore (US\$ 32.9 billion) rose by 33% and made up 57% of the turnover of Reliance.

Reliance continues to be India's largest exporter - a status that it has been enjoying for ten years.

Reliance also continues to be one of India's largest contributors to the national exchequer, primarily by way of payment of duties and taxes.

Such payments rose significantly by 60% to ₹ 28,719 crore (US\$ 6.44 billion) during the year.

This increase in absolute terms is unprecedented in India's corporate history.

Reliance has proposed a dividend payout of 80 percent, amounting to ₹ 2,385 crore (US\$ 0.53 billion).

This is one of the highest dividend payouts in the Indian private sector.

With a cash balance of ₹ 42,393 crore (US\$ 9.5 billion), our company is in a very strong position financially.

Reliance will be completely debt free, net of cash balances within this year.

All these reflect a robust financial position and a sound balance sheet.

Reliance envisages the continued pursuit of new opportunities for growth and profitability on the strength of this solid financial foundation.

5. Polyester

Dear Shareholders,

Let me now turn to the performance of business sectors, starting with polyester.

Reliance is the largest and the most integrated polyester player in the world with a capacity of 2.4 million tonnes per year.

We export Polyester to over 100 countries from our operations in India and Malaysia.

Recron, our subsidiary in Malaysia, is the world's largest integrated polyester and textile complex.

Recron's turnover during the year crossed USD 1 billion for the first time.

Last year, the world experienced record high cotton prices.

Pressure on land to meet increasing demand for food will limit availability of cotton.

This augurs well for polyester demand in growth markets like India.

The decision to expand polyester manufacturing capacities has to be seen in this perspective.

We recently announced the world's largest expansion in Polyester chain comprising 1.8 million tonnes of Paraxylene, 2.3 million tonnes of Purified Terephthalic Acid [PTA], 0.7 million tonnes of Mono Ethylene Glycol [MEG], 0.65 million tonnes of Polyester Resin [PET], 0.4 million tonnes of Polyester Filament Yarn [PFY] and 0.3 million tonnes of Polyester Staple Fibre [PSF].

This expansion will further consolidate our global leadership position and increase our polyester capacity to 3.6 million tonnes.

Reliance will continue to fortify its leadership position by embracing innovation and launching several new products to address new markets.

These include:

Recron HavFresh, a unique wrap which maintains freshness of fruits and vegetables for a long time even when stored outside in extreme conditions in India.

Flame retardant and antimicrobial polyester products that will improve safety and healthcare applications.

Spun-dyed fibers for water-proof tarpaulin, tents and uniforms for defense personnel and;

World-class sleep products sold under the brand Recron, the largest selling pillow brand in India with an annual sales of 2 million pieces.

Reliance has pioneered PET bottle recycling on a pan-India basis.

Reliance recycles 1.8 billion bottles every year.

This initiative provides livelihood to about 100,000 people from economically weaker sections of Indian society by engaging them in collecting, sorting and processing of PET bottles.

In summary, Reliance enjoys a strong competitive advantage based on low cost position, scale, integrated operations and presence in large and growing global markets.

6. Petrochemicals

Dear Shareowners,

After polyester, it has been the petrochemicals business that vaulted Reliance to the global league.

I am pleased to report that given the healthy demand in the Indian market, the petrochemical business delivered a record performance.

Urbanization and rising aspirations of the Indian consumer will continue to drive demand across all end uses, in particular agriculture, apparel, housing, automobiles, organized retailing and communication.

Our decision to double the size of our petrochemical business stems from the confidence reposed by the Indian market.

Plastics

In India, the demand for plastics over the last two years has been growing in excess of 20% per annum.

Per capita consumption of plastics in India will rise from 7 kg to 20 kg over the next decade.

Taking advantage of this trend, Reliance is setting up a 1.5 million tonnes olefin cracker from refinery off-gas.

This will be among the largest crackers and most competitive in the world and will strengthen the integration at Jamnagar complex.

Reliance is a global petrochemical major with its diversified commodities portfolio.

We are taking several initiatives to enhance our portfolio with the addition of specialties as well.

Elastomers and Synthetic Rubbers

We are creating a world-scale elastomer portfolio taking advantage of feedstock availability from the refinery and on the growth of automobile sector in India.

The creation of elastomer portfolio includes expansion of the existing polybutadiene rubber (PBR) capacity to 115,000 tonnes and investing in new facilities for styrene butadiene rubber (SBR) with a capacity of 150,000 tonnes.

In December 2010, we announced a joint venture with SIBUR, Russia with Reliance having a majority stake, for butyl rubber in India.

The butyl rubber plant, to be located at Jamnagar, will have an initial capacity of 100,000 tonnes.

Reliance will soon enter the select club of butyl rubber manufacturers globally.

And we will be amongst the largest producers of butyl rubber in the world.

Acetyls

Petcoke gasification provides another opportunity to create world class Acetyl portfolio to cater to coatings, adhesives and paint industries.

Reliance will build a 1 million tonnes of Acetic Acid manufacturing facility at Jamnagar.

This will enable us to emerge as the largest manufacturer in India and amongst top three globally.

Reliance will further invest in this chain to make several value added products like Vinyl Acetate Monomer [VAM] and Poly Vinyl Acetate [PVA].

Apart from building new partnerships, it will also provide materials that will transform the lives of millions of Indians.

As we diversify our portfolio from commodities to specialties, we will accomplish in the next five years what we have achieved in the last thirty years in terms of earnings from this segment.

7. Petroleum Refining and Marketing

Dear Shareowners,

Let me move upstream from the petrochemicals business to the petroleum refining and marketing business.

Recovery of the global economy resulted in a surge in demand for refined petroleum products.

Reliance scaled new heights and strengthened its presence in this global landscape.

Our refineries continue to outperform their peers in the world based on their competitive strength to process challenged feedstock to produce clean fuels at low operating costs.

Both refineries operated smoothly, processing a record 66.6 million tonnes of crude oil last year, to achieve an average utilization rate of 107%.

This is significantly higher than the average utilization rates for refineries across all regions globally.

Our refineries had the best refining margins in the world.

Reliance continued to diversify its crude oil feedstock sources of sour and heavy crudes.

The refinery received six more new grades of crude oil for processing from various global sources.

Our refinery achieved the unique distinction of having processed more than 100 different grades of crude oil from various parts of the world.

And for the first time, we started receiving pipeline supply of domestic crude oil from Mangla in Rajasthan.

We operate one of the most complex logistics network comprising of sea, road, rail and pipelines.

Our port ranked amongst the busiest ports in this part of the world handling over 1300 large and ultra large vessels last year.

On the products side, the continuing global trend of tightening product specification presents new trade opportunities for large modern refiners like Reliance.

Sulphur specification changes for automotive diesel are taking place in at least 53 countries between the end of 2009 and 2015.

During 2010, Reliance was able to establish its footprint in new markets and further strengthened its presence in ultra low sulphur diesel markets.

32% of the gasoline exported by Reliance during the year was to the US, the most competitive market in the world.

Reliance currently exports petroleum products to 46 countries across the world.

With the global move towards cleaner fuels in future, Reliance is confident of entering many more new markets.

GAPCO, the subsidiary of Reliance in East Africa, had the best performance so far in its history in terms of volumes, revenues and profits.

Its revenues are currently over USD 1.1 billion on a throughput of 1.3 million tonnes.

GAPCO operates in Tanzania, Kenya, Uganda and Rwanda and has increased its market share in all these countries.

In the petroleum refining business, Reliance is best positioned to capture top quartile margins as a result of its crude sourcing strategies, low operating cost and production of cleanest fuels.

8. Exploration and Production

Dear Shareowners,

I would now like to come to the oil and gas business.

Reliance is the single largest investor in the oil and gas sector in India in the last decade - since the liberalization of the sector through NELP.

Reliance has the largest acreage amongst the private sector operators in India.

This shows our commitment towards ensuring India's energy security and our innate belief in the hydrocarbon potential of India.

During the year, the oil and gas exploration business witnessed yet another transformational initiative – the partnership of Reliance and BP.

This strategic partnership is unprecedented as it straddles the entire gas value chain in India.

BP is acquiring 30% participating interest in 23 oil and gas blocks including the currently producing KG D6 block.

As consideration for the transaction Reliance will receive 7.2 billion US dollars to be paid up front.

In addition, performance payments of up to 1.8 billion US dollars will follow based on future exploration successes.

It marks the entry of the first global major into India's E&P sector and that too with a substantial and diverse portfolio of acreages spanning six major basins.

The partnership will synergize BP's worldwide deep-water expertise to Reliance's project execution capabilities and efforts in India's deepwater basins to form an unparalleled combination.

Reliance's KG D6 block has already supplied approximately 1.2 trillion cubic feet of natural gas and approximately 14 million barrels of crude oil to various customers in the country since the beginning of its production.

This has already meant a saving of approximately 8 billion US dollars in precious foreign exchange for the country.

Since inception in April 2009, the KG D6 gas fields have achieved uninterrupted and incident free operations.

This is testimonial to the flawless project execution, operations and the highest standards of health, safety and environment that Reliance has maintained.

KG D6 till today remains India's first and only deep water development and amongst the largest deepwater gas fields in the world.

We are proud of our courageous people who braved all odds in propelling India towards energy security.

Significant efforts are underway to comprehend the character and the behavior of these complex reservoirs, first of its kind developed in Indian deep waters.

These include extensive geoscientific and engineering work to be undertaken with our partners to sustain and augment the production.

After the government approvals for the BP-Reliance partnership, the KG D6 reservoirs will be jointly assessed to address the technical issues in ramping up production.

Meanwhile, vigorous efforts are underway to accelerate the development process of other discoveries - not only in the KG Basin, but also in Mahanadi, Cambay and other basins.

Further, Reliance is actively progressing on development of the coal bed methane blocks in Sohagpur, Madhya Pradesh.

As part of the strategic partnership, Reliance and BP are also forming a 50:50 joint venture to source and market natural gas across India.

The formation of this JV is aimed at targeting the surging demand for natural gas which is expected to triple by 2030 mirroring India's economic growth.

Reliance and BP have partnered to accelerate the development of critical and strategic infrastructure for receiving and transporting natural gas throughout the country.

In summary, our domestic Oil and Gas portfolio is a strategic asset for Reliance and India and will create substantial value in the future.

9. International Oil and Gas

Dear Shareowners,

Today, Reliance has 13 blocks in its conventional international portfolio across 7 geographies.

The development of shale gas plays has become a game changer for USA.

During the year, Reliance successfully entered the shale gas business in USA through a 40% partnership with Atlas Energy, which is now acquired by Chevron.

Reliance has thus become the partner in more than 325,000 net acres of undeveloped leasehold in the core Marcellus Shale region with RIL's resource potential in excess of 5 Tcfe.

Reliance further expanded its footprint by entering into partnership with Pioneer Natural Resources Company by acquiring a 45% interest.

Reliance has thus become the partner in more than 263,000 net acreage in Pioneer's core Eagle Ford Shale acreage position with RIL's resource potential of 4.5 Tcfe.

Reliance further strengthened its shale gas portfolio by entering into partnership with Carrizo Oil and Gas by acquiring a 60% interest.

This partnership will have access to more than 104,000 acres of undeveloped leasehold in Marcellus Shale in Central and North East Pennsylvania with RIL's resource potential of 2 Tcfe.

I am happy to inform that today within one year of entry, Reliance has emerged as a significant player in US shale gas.

Reliance now finds a place among the top 30 players in terms of acreage, across all shale plays.

The ramp-up is successfully proceeding with a total of 15 drilling rigs operating currently.

Reliance is currently internalizing competence and technology development towards the pursuit of operatorship and further business growth to create substantial value.

10. Organized Retailing

Dear Shareholders,

Let me now dwell on the organized retailing business of Reliance.

This initiative was founded on a consumer-facing business opportunity driven by consumption boom, favorable demographics and rising aspirations in India.

It is now widely acknowledged that a competitive and vibrant organized retailing sector can make a decisive contribution to Indian society and economy.

Reliance Retail has made substantial investments over the last 5 years to establish a vast retail network with a robust supply chain, cutting-edge technology and a procurement network reaching directly to tens of thousands of small traders, farmers and manufacturers.

Reliance Retail is today the largest food retailer in India.

All specialty formats including electronics and apparel, are poised to attain market leadership position in the next 2 years.

Reliance Retail has the highest geographical footprint with over 1,000 stores across 86 cities.

Reliance Retail has the largest diversified portfolio in terms of formats among all retailers in the country.

Every week, 2.5 million customers shop in our stores.

This would increase multi-fold in the years to come on the back of aggressive investment planned to grow the value format.

Reliance Retail will soon launch a cash and carry format that is built on the principle of offering inclusive growth to all our retailer partners.

By sharing benefits of strong sourcing capabilities and relationships with a large network of vendors.

This format will offer regional, national and international brands to millions of small traders and kirana shop owners.

Through our partnerships with leading global brands, we have been able to offer world-class products and most modern shopping experience to aspiring Indian consumers.

In last 2 years, Marks & Spencer business has grown by over 3 times and is poised to become a leading retail chain in the country in the coming years.

Vision Express, our optical retail format, crossed a milestone of 100 stores in its second year of operation and is on the verge of becoming a market leader.

Hamleys is built on experiential shopping and has brought a new era in the evolution of the toy market in India.

Our partnerships with Apple, Asics and Timberland continue to grow aggressively and expand their presence in the country.

In the luxury and premium segment, Reliance Brands has opened 19 stores last year in partnership with world's most revered brands like Zegna, Diesel, Paul and Shark and others offering world's best shopping environment.

We continue to add a suite of best global brands across multiple categories.

Reliance Retail is now at the inflection point of a new paradigm.

We are positioning Reliance Retail to be the undisputed leader in retailing in India.

By adopting a multi format retail model, Reliance Retail is able to successfully create a large number of retailing opportunities that are individually driven to create leadership position in respective categories.

More importantly, it has built a strong and unwavering foundation through its extraordinary people.

Its direct linkage with farmer community for procuring milk, fresh fruits and vegetables has created a small but a strong foundation for bringing about a rural transformation.

Reliance Retail has been the pivot of our consumer facing businesses, so far.

We plan to create similar value in the retail business in the years to come as we have been doing in the historically core businesses.

11. Broadband Wireless Services

Dear Shareowners,

Let me now turn to a new initiative of Reliance that has transformational potential – broadband wireless.

India is on the verge of a digital revolution which will connect, enable and enhance the lives of Indians.

At the last AGM, I spoke about how India has one of the lowest broadband penetrations globally, of less than 1%.

In a high-growth economy like India, this has to change.

India has to, and can reach broadband penetration levels comparable to other developed nations.

India has a unique opportunity to leapfrog the world and become the global leader in ubiquitous delivery of digital content, applications and services.

Over the past decade, we have already seen how telecom services have fundamentally changed the lives of hundreds of millions of ordinary Indians.

Reliance was the pioneer in defining this change.

Broadband - and broadband enabled digital services – is the next big leap forward in the digital transformation of our knowledge economy.

We foresee the creation of great economic and social value via the creation of a national, next generation broadband infrastructure.

Reliance plans to create end-to-end solutions that address the complete digital value chain, including rich content, applications and services.

Such digital services would be in the domains of education, healthcare, entertainment, financial services and government-citizen interfaces.

Currently, we are in the process of conceptualizing our products and services.

Our digital services business seeks to embrace our society's diverse needs and aspirations, by building flexibility, intelligence and extensibility into the core of our infrastructure.

This initiative is truly once in a generation opportunity to improve productivity and provide a new way of life to consumers.

It will gather momentum and visibility in the coming years.

Reliance will be at the forefront of bringing about this digital revolution.

A revolution that will help India lead the world.

12. Reliance Foundation

Dear Shareowners,

Reliance's growth story is intricately tied to India's social and economic development.

I firmly believe that the purpose of any business cannot be driven by profit alone.

Each one of us has to commit to building a better world.

India has to find its unique solutions to the enormous challenges in its social development.

Therefore in the 2009 AGM, I announced the formation of the **Reliance Foundation** with an initial planned contribution of ₹ 500 crore from Reliance Industries Limited and rapidly scaling up to ₹ 1,000 crore and more.

As catalysts of change, the Reliance Foundation has identified five critical areas - rural development, education, health, urban renewal and arts, culture & heritage.

It is my pleasure to share with you that the Foundation has embarked on several ground breaking initiatives.

The first of these initiatives is – BIJ or *Bharat India Jodo* launched in October 2010.

BIJ is mandated with the mission to build bridges between a prosperous urban India and an agrarian rural Bharat, which has immense untapped potential for prosperity and progress.

Today, in this short period of time, a very committed BIJ team works on the ground in 4 states, over 8 clusters covering over 336 villages.

With quality inputs, providing technical assistance, supporting produce aggregation, facilitating post-harvest handling and connecting to markets, our efforts will strengthen the farmers and their families.

In education, Reliance Foundation is working on developing a world-class multi-disciplinary University in Maharashtra.

The Foundation is also building a top-class engineering college and polytechnic institute in Gujarat, under a public-private partnership programme.

In healthcare, Reliance Foundation is creating a world-class tertiary care hospital by upgrading the Hurkisondas Nurrotumdas Hospital in Mumbai.

There are several other programs in various stages of incubation.

I look forward to sharing with you these plans and progress in the ensuing years.

13. Roadmap for Value Creation

Dear Shareowners,

Let me turn to an aspect that is at the core of Reliance – value creation.

Traditionally, value creation for Reliance has been built in the physical space.

In content, this encompassed energy and materials.

In character - by world-class facilities, product-market context, competitive advantage and profitability.

The physical space for value creation would, undoubtedly, continue to grow by leaps and bounds.

Reliance is uniquely placed to pursue multiple growth opportunities.

Reliance is endowed with a strong balance sheet and depth of talent.

Reliance is reinforcing its constitution with the business transformation initiative.

Reliance is forging new partnerships to pursue new growth opportunities.

Reliance's greatest opportunity is to contribute to, and also to benefit from India's galloping growth.

In the foreseeable future, India's economy is certain to become the third largest in the world, and not far behind number 1 and 2.

Reliance is determined to seize this opportunity by significantly enhancing our own ranking among global businesses.

Tomorrow's India will be a much stronger India.

Tomorrow's Reliance will also be a much stronger Reliance.

14. Your Blessings

Dear Shareowners,

Reliance has evolved over the last 33 years through several waves of growth.

In the late seventies of the last century, it was with textiles.

In the eighties, it was with polyester.

In the nineties, it was with petrochemicals.

In the first decade of this century, it has been with oil and gas and refining.

In the beginning of the second decade of this century, Reliance envisages a new wave of growth through a digital and consumer ecosystem.

The expansive strides of Reliance would continue to break newer grounds.

Inherently, they would bring about transformations – in energy security, rural livelihoods, infrastructure and consumer services.

These waves of growth have come about on the strength of your unstinted support and unflinching trust.

With the blessings of our Founder-Chairman Shri Dhirubhai Ambani.

With the resolve of our people to make Reliance one of the greatest companies in the world.

And the goodwill of all well-wishers and each one of you, shareholders.

Your resolute support emboldens us to do a lot more.

Let me assure you that we will make every effort to create value for Reliance and for all our shareholders, and new wealth for India.

15. Acknowledgements

With these words, I would like to take this opportunity to thank the Central and State Governments, the Governments of all the countries where Reliance operates, shareholders, investors, bankers, financial institutions, lenders, suppliers and customers for their consistent and resolute support.

I thank all my colleagues on the Board for their solid support and enormous encouragement.

Finally, I would like to specially acknowledge the commitment and dedication of the entire Reliance Team in creating and sustaining a truly world-class enterprise.

Thank you.

Mumbai
June 3, 2011

Mukesh D. Ambani
Chairman and Managing Director