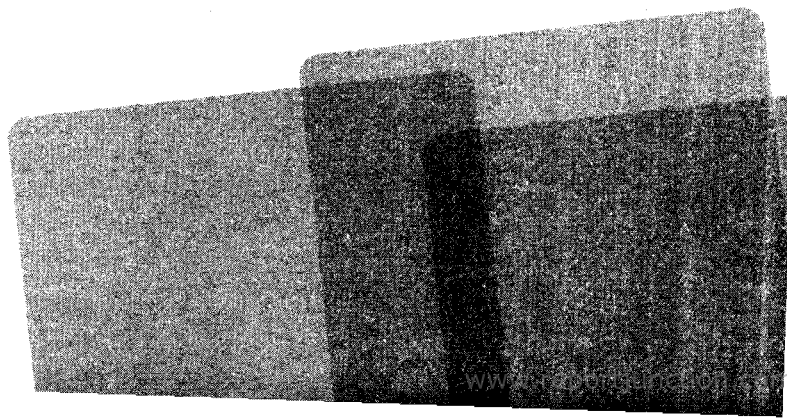
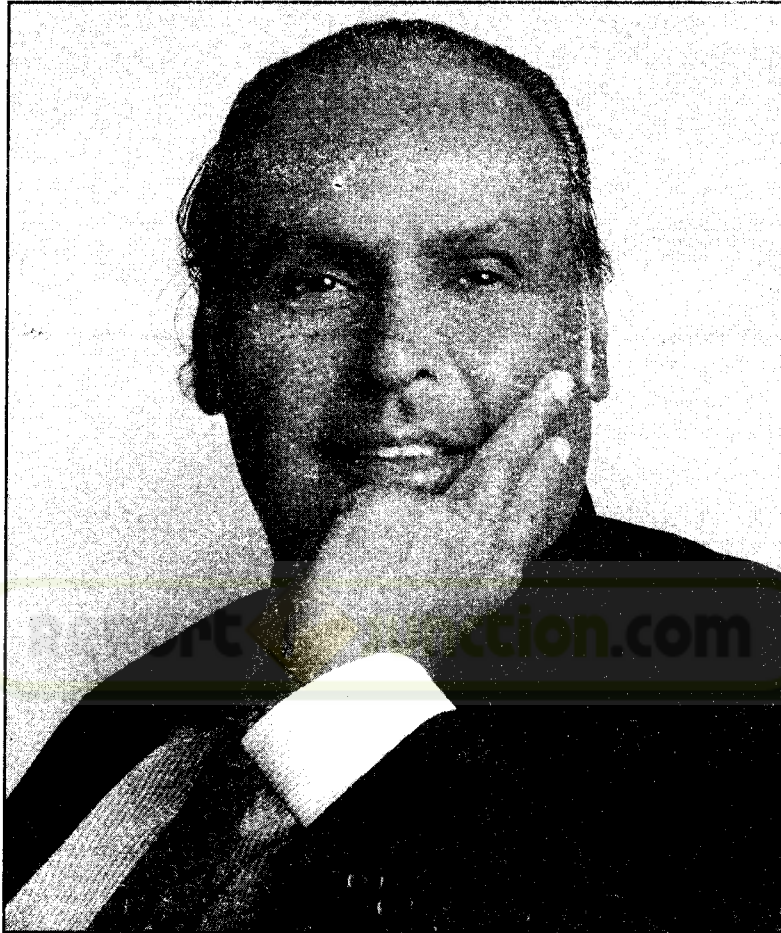




75th Annual Report 2003-2004

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" If you can dream it, you can do it."

Dhirubhai H. Ambani
(28th December, 1932 - 6th July, 2002)
Reliance Group - Founder and Visionary

VISION STATEMENT

To be amongst the most admired and most trusted integrated utility companies in the world, delivering reliable and quality products and services to all customers at competitive costs, with international standards of customer care – thereby creating superior value for all stakeholders.

To set new benchmarks in standards of corporate performance and governance through the pursuit of operational and financial excellence, responsible citizenship, and profitable growth.

RELIANCE ENERGY MISSION: EXCELLENCE IN ENERGY

- To attain global best practices and become a world-class utility.
- To provide uninterrupted, affordable, quality, reliable and clean power, to millions of customers.
- To achieve excellence in service, quality, reliability, safety and customer care.
- To earn the trust and confidence of all customers and stakeholders, exceeding their expectations, and make the company a respected household name.
- To work with vigour, dedication and innovation, with total customer satisfaction as the ultimate goal.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organisation.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and above all, people.
- To contribute towards community development and nation building.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

RELIANCE ENERGY GROUP AT A GLANCE

- | | | |
|--|------------------|------|
| ● Number of consumers | 5 million | |
| ● Area of Supply | 1,24,300 sq.kms. | |
| ● Population covered | 45 million | |
| ● Units sold (million units) | 16,000 | |
| ● Installed capacity | 941 MW | |
| ● REL Group ranks amongst the top listed Indian private sector companies on all major financial parameters as on 31st March, 2004. | | |
| | | |
| | (Rs crore) | Rank |
| Networth | 5,000 | 3 |
| Total Assets | 9,800 | 5 |
| Sales | 7,700 | 7 |
| Market Capitalisation | 13,400 | 13 |
| Net Profit | 500 | 18 |
| ● REL has a leadership position amongst listed Indian private sector power utility companies on all major parameters. | | |

REL PERFORMANCE HIGHLIGHTS

Year Ended 31st March		2004	2003	2002	2001	2000	1990	1980	1970	1960	1950	1940	1930
Units Sold - (Million Units)		7691 [^]	5880	5676	5415	5168	2899	1316	540	121	25	5	1.4
Maximum Demand MVA		1274	1226	1201	1198	1121	546	258	111	29	NA	NA	NA
High Tension Mains KMs		2915	2829	2789	2734	2577	1437	1000	700	326	NA	NA	NA
Low Tension Mains KMs		3002	2965	2923	2870	2774	1671	1143	841	418	NA	NA	NA
No. of Substations		3735	3653	3547	3444	3337	2257	1446	718	226	NA	NA	NA
No. of Consumers (in '000)		2329	2223	2142	2067	1977	1210	598	260	80	18	12	1.7
Licensed Area - 384 sq.km													
No. of Shareholders		96485	121913	144809	154993	168072	7397	NA	NA	NA	NA	NA	NA
Financial Data (Rs. in crore)													
Assets :	US\$ in million												
Fixed Assets (Net)	708.13	3091	1813	1951	2080	2107	147	43	13.74	3.18	0.78	0.28	0.16
Investments	658.65	2875	1030	611	534	525	8	3	0.48	0.09	-	-	-
Current Assets (Net)	327.61	1430	545	867	673	539	28	7	2.07	0.15	0.20	0.01	-
Total Assets	1694.39	7396	3388	3429	3287	3171	183	53	16.29	3.42	0.98	0.29	0.16
Sources of Finance :													
Share Capital	40.09	175	138	138	201	225	13	5	3.59	1.75	0.83	0.24	0.16
Reserves & Surplus	1130.81	4936	2426	2540	2375	2143	88	24	5.02	0.88	0.15	0.05	-
Borrowings	465.07	2030	632	661	695	787	27	9	5.23	0.49	-	-	-
Deposits from Consumers	4.12	18	14	17	16	16	55	15	2.45	0.30	-	-	-
Deferred Tax Liabilities	54.30	237	178	73	-	-	-	-	-	-	-	-	-
Total Finance Raised	1694.39	7396	3388	3429	3287	3171	183	53	16.29	3.42	0.98	0.29	0.16
Gross Revenue	820.85	3583	2777	2783	2778	2430	390	66	7	1	0.31	0.08	0.01
Profit Before Tax	95.53	417	153	302	350	397	12	7	1	0.29	0.08	0.02	-
Profit After Tax	85.68	367	297**	281	321	307	12	4	1	0.22	0.08	0.02	-
Dividends	16.04	70	61	61	62	61	2	1	0.31	0.14	0.04	0.02	0.01
Dividend Tax	2.06	9	8	0.17	7	7	-	-	-	-	-	-	-
Retained Earnings (including statutory reserves)	67.58	295	54	244	227	235	10	3	1	0.17	0.07	0.02	-
Equity Share Capital	40.09	175	138	138	138	138	12	4	3	2	1	0.24	0.16
Rate of Dividend on Equity Shares	*45%	*45%	44%	43%	40%	37%	18%	16%	11%	8%	7%	7%	5%
Earnings Per Share (Rs.)@	US\$ 0.60	26	22**	22	21	21	10	72	30	13	10	8	2
*Proposed- 15% , Interim-30%	@Based on face value of						@Based on face value of						
**Prior to one time adjustments	Rs. 10 per share						Rs. 100 per share						

of Rs. 135 crore

[^] includes sales in respect of
Samalkot and Goa Power Stations

1 US\$ = Rs. 43.65 as on 31st March, 2004

1 crore = 10 million

BOARD OF DIRECTORS

Anil D Ambani	- Chairman & Managing Director
Satish Seth	- Executive Vice Chairman
K H Mankad	- Director (Finance)
K D Kulkarni	- Director (HRD)
S C Gupta	- Director (Operations)
J P Chalasani	- Director (Business Development)
Amitabh Jhunjhunwala	
Cyril S Shroff	
Gautam Doshi	
Gen V P Malik, PVSM, AVSM (Retd.)	
S L Rao	
Dr. Leena Srivastava	
Prof. J Ramachandran	
V R Galkar	
Company Secretary	
Ramesh Shenoy	

AUDIT COMMITTEE

Gautam Doshi (Chairman)
Amitabh Jhunjhunwala
V R Galkar
Prof. J Ramachandran

NOMINATION/REMUNERATION COMMITTEE

Gautam Doshi (Chairman)
Cyril S Shroff
Prof. J Ramachandran

SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE

Amitabh Jhunjhunwala (Chairman)
K H Mankad
V R Galkar

ENVIRONMENT & SAFETY COMMITTEE

Dr. Leena Srivastava (Chairperson)
S L Rao
S C Gupta

AUDITORS

Haribhakti & Co.
Price Waterhouse
Chaturvedi & Shah

BANKERS

Canara Bank
UCO Bank
Union Bank of India
Standard Chartered Bank
HDFC Bank Limited
ICICI Bank Limited
ABN Amro Bank N.V.
State Bank of India

This Annual Report can be accessed at www.rel.co.in

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REGISTERED OFFICE

Reliance Energy Centre, Santa Cruz (E)
Mumbai 400 055
Telephone: (022) 3009 9999
Facsimile: (022) 3009 9741
Email: helpdesk@rel.co.in
Web site: www.rel.co.in

REGISTRAR & TRANSFER AGENT

Karvy Computershare Pvt Ltd.
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034
Telephone: (040) 2332 0666/2330 4703
Facsimile: (040) 2332 3058
Email: reenergy@karvy.com
Web site: www.karvy.com

POWER PLANTS

Dahanu Power Station	Samalkot Power Station
Dahanu Road 401 602	Industrial Development Area
Thane District	Peddapuram Mandal
	Samalkot 533 440
	Andhra Pradesh
Goa Power Station	Wind Farm
Opp. Sancoale Industrial Estate	Near Aimangala 577558
Zuarinagar 403 726	Chitradurga District
Sancoale, Mormugao,	Karnataka
Goa	

SEVENTY-FIFTH ANNUAL GENERAL MEETING

Wednesday, 9th June, 2004 at 11.00 a.m. at Reliance Energy Auditorium, Near Reliance Energy Centre, Santa Cruz (E), Mumbai 400 055

LETTER TO SHAREHOLDERS



My dear fellow shareowners,

It gives me great pleasure to share with you the highlights of our company's performance during the year 2003-04.

After being the single largest private sector shareholder in BSES for over a decade, Reliance made two open offers for acquisition of BSES, in a fair and transparent manner, in accordance with the provisions of the SEBI Takeover Code.

As a result, Reliance's stake in BSES increased to 58 per cent, and it acquired management control over the company last year.

During the current year, BSES has been renamed Reliance Energy Limited, to reflect the ownership of the Reliance group, demonstrating the complete support of the Reliance group to our company, and enabling our company to leverage the brand equity of the Reliance name.

The change in name brings with it the added responsibility to our company of matching up to the Reliance group's unparalleled track record of consistent and superior operational and financial performance, and sustained growth.

We are committed to make Reliance Energy a world-class utility company, benchmarked to international standards of quality, operational performance, efficiency and customer care, in line with the inspiring vision of Dhirubhai H. Ambani, the legendary founder-chairman of the Reliance Group.

The Transformation

You will be happy to learn that our company has achieved rapid transformation in its performance, in the short period of one year after becoming a part of the Reliance group.

Today, Reliance Energy is India's leading private sector utility group, with aggregate group revenues of around Rs 7,700 crore (US\$ 1.8 billion), and total assets of Rs 9,800 crore (US\$ 2.2 billion).

Reliance Energy is also India's most valuable power company, with market capitalisation of over Rs 13,000 crore (US\$ 3 billion).

We rank among the top 20 private sector listed companies in the country, in terms of all major financial parameters, such as assets, sales, profits and market capitalisation.

The highlights of our performance for the year 2003-04 are:

- Total Income of Rs 3,583 crore (US\$ 821 million), against Rs 2,759 crore (US\$ 632 million) in the corresponding previous financial year, an increase of 30%
- Cash Profit of Rs 686 crore (US\$ 157 million), against Rs 422 crore (US\$ 97 million) in the corresponding previous financial year, an increase of 63%
- Net Profit of Rs 367 crore (US\$ 84 million), against Rs 162 crore (US\$ 37 million) in the corresponding previous financial year, an increase of 127%
- Cash Earnings Per Share for the year Rs 48 (US\$ 1.10), an increase of 71%
- Earnings Per Share (EPS) for the year Rs 26 (US\$ 0.60), an increase of 192%

The 127% growth in net profit was achieved, after making a provision of Rs 90 crore (US\$ 21 million) during the year ended 31st March, 2004 (Rs 35 crore in the corresponding previous period) towards future contingencies, as a measure of financial conservatism.

On the operational front, all power generating stations of our company registered higher capacity utilization compared to the previous year. The Dahanu Thermal Power Station achieved a record Plant Load factor of 100%, compared to 91% last year.

Value Creation

During the year, we implemented a series of measures to enhance focus on our core activities, with the objective of creating superior value for all stakeholders.

During the year, BSES Andhra Power Limited and Reliance Salgaocar Power Company Limited were merged with our company, to improve profitability and enhance overall shareholder value.

In our EPC and Contracts division, to optimize shareholder value, we decided to focus on the considerable in-house opportunities, and selective large projects.

Our two distribution companies in Delhi also achieved a notable turnaround in their profitability during the year.

The Delhi Distribution Companies registered an aggregate total income of Rs 2,587 crore (US\$ 593 million) during the year, against Rs 1,632 crore (US\$ 374 million) last year, an increase of Rs 955 crore (US\$ 219 million).

The two Delhi distribution companies registered an aggregate net profit (excluding extra-ordinary items) of Rs 155 crore (US\$ 36 million) in FY2004, as against aggregate losses of Rs 168

crore (US\$ 39 million) in the previous period, reflecting an aggregate improvement of Rs 323 crore (US\$ 74 million).

Further, we exited from the Rs 4,367 crore, 1,000 MW coal based Maithon Power project, in line with our stated policy of using environment friendly natural gas as the preferred feedstock for future power generation, to produce clean green power.

We also divested our businesses of coal washing and broadband telecom, which had a small scale of operations, and were not adding any significant value.

We believe that human resources are the most valuable assets of the company. We are promoting a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals. We are committed to the development of a vibrant and highly motivated work force, operating in a performance oriented meritocracy.

Future Growth

During the year, the Electricity Act 2003, the single most important piece of legislation for the domestic power sector, was enacted. The Act aims at liberalizing the power sector, by creating a vibrant and progressive legislative framework to facilitate India's accelerated economic growth.

We are committed to creating world-class power infrastructure in the country in pace with regulatory changes and reforms in the power sector.

The enactment of the Electricity Act 2003 presents a unique opportunity for our company to pursue growth prospects in the generation, transmission, distribution and trading of power.

We believe that our company is uniquely positioned to pursue these growth opportunities. We have distinct competitive advantages across the entire value chain that will provide an enhanced value proposition for customers across the country, through our integrated business model – "From Well Head to Wall Socket."

The proven management skills and established project execution capabilities of Reliance will create value for millions of consumers by providing reliable and good quality power at competitive prices and achieving best-practice international standards of service, quality, safety and customer service.

We are committed to expanding our customer base in our distribution business through acquisition of new licenses, through obtaining open access on existing networks, and for through participation in the privatization process of state owned distribution assets, as sector reforms progress in various states.

We have announced the setting up of the 3,740 MW gas based mega power project at Dadri, in the state of Uttar Pradesh, about 50 kms from Delhi. With an initial investment outlay of more than Rs 11,000 crore (US\$ 2.2 billion), the power project, to be developed in phases, will be the world's largest gas based power generating plant at a single location.

The power project will bring substantial benefits to millions of customers, particularly in northern India.

During the year, our company raised funds of over Rs 3,100 crore (US\$ 710 million), through a preferential offer of equity shares and an international convertible bond offering (FCCBs), which were subscribed by the Reliance Group and major international/ domestic institutional investors.

The equity shares were offered at a price of Rs 640 per share, and the conversion price for the FCCBs is Rs 1,007 per share.

The strong response to our fund raising activities reflects investors' confidence on our company's future growth prospects.

With the new equity infusion, our company now ranks third among Indian private sector companies in terms of net worth, next only to Reliance Industries and ICICI Bank.

As on 31st March, 2004, the net worth of the company stood at Rs 4,359 crore (US\$ 1 billion). This has further increased to Rs 5,579 crore (US\$ 1.3 billion) on 2nd April, 2004.

These additional resources, coupled with a conservative capital structure, as reflected by a zero net debt position as on 31st March 2004, provide a robust platform for our future growth.

Enhancing Shareholder Value

Reliance Energy created over Rs 10,000 crore of wealth for its shareholders during the year, with market capitalization increasing from less than Rs 3,000 crore to over Rs 13,000 crore.

Equity shares of Reliance Energy outperformed the benchmark indices of BSE Sensex and NSE Nifty during the year, registering a 353% increase in market capitalization.

The interests of shareholders have always been our prime focus, and in line with this, we became the first Indian company of scale to declare quarterly dividends beginning the year 2003-04.

We remain confident that, over the long term, our emphasis on consistent performance, financial conservatism and discipline, and generation of superior returns on investments, will contribute to further enhancement of overall value for all our shareholders.

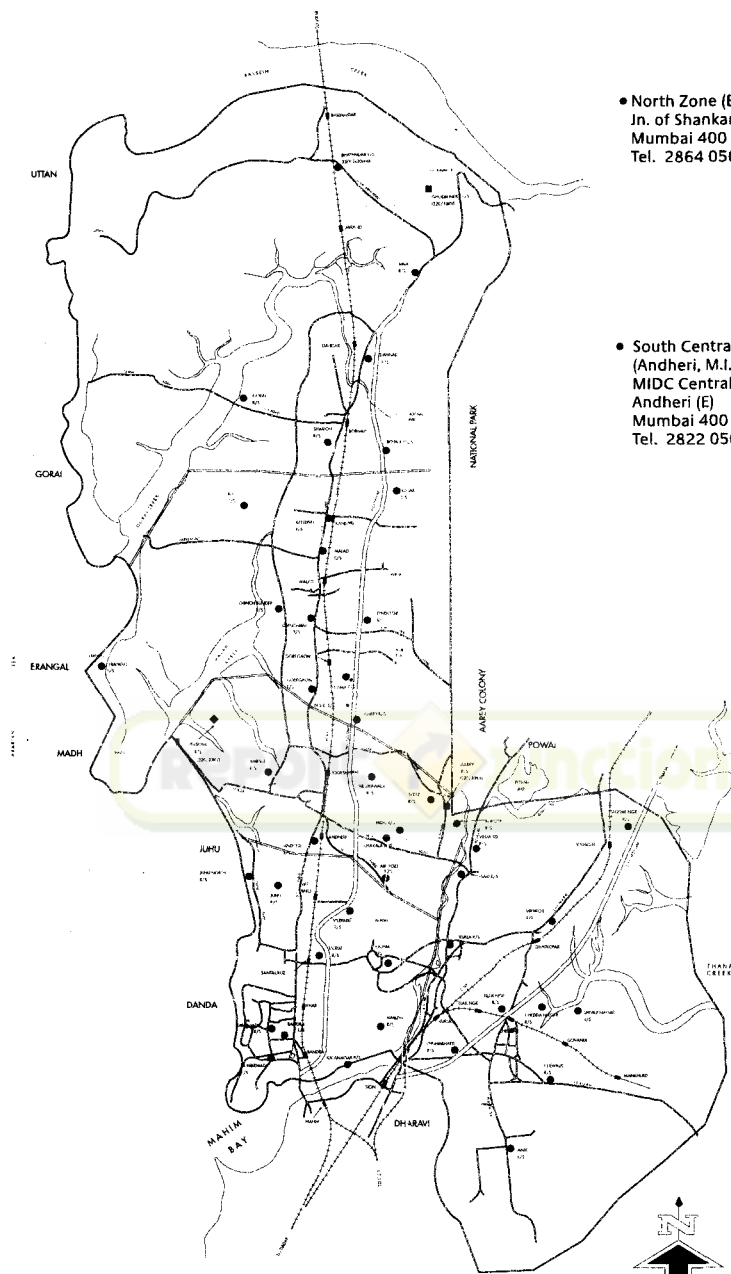


Anil D. Ambani
Chairman and Managing Director

DISTRIBUTION NETWORK IN MUMBAI



Reliance Energy
A Dhirubhai Ambani Enterprise



• **North Zone (Borivli To Bhayender)**
Jn. of Shankar Lane & S.V. Road, Kandivli (W)
Mumbai 400 067
Tel. 2864 0505, Fax 2807 0013

• **Central Zone (Goregaon To Kandivli)**
Western Express Highway
Dindoshi, Goregaon (E)
Mumbai 400 097
Tel. 2842 0505, Fax 2840 8183

• **South Central Zone**
(Andheri, M.I.D.C., Marol & SEEPZ, Jogeshwari)
MIDC Central Road, Marol Bus Depot
Andheri (E)
Mumbai 400 093
Tel. 2822 0505, Fax 2826 0176

• **South Zone (Bandra To Vile Parle)**
Electricity House
Santacruz (E)
Mumbai 400 055
Tel. 2610 0505, Fax 2611 2858

• **East Zone**
(Chunabhatti To Vikhroli
& Mankhurd)
Near Sahakar Cinema
Tilak Nagar Road No.3
Chembur
Mumbai 400 089
Tel. 2524 0505, Fax 2522 1720

• Helpline No. 30303030

As On 31st March, 2004

Licensed Area Of Supply.....	384 Kms.
No. Of Consumers.....	23.29 Lacs.
Population Covered.....	Above 90 Lacs.
Maximum Demand.....	1274 Mva.
Receiving Stations(r/s).....	49 Nos.
Sub Stations.....	3,733 Nos.
H. T. Consumers.....	397 Nos.
High Tension Mains.....	2,915 Kms.
Low Tension Mains.....	3,002 Kms.

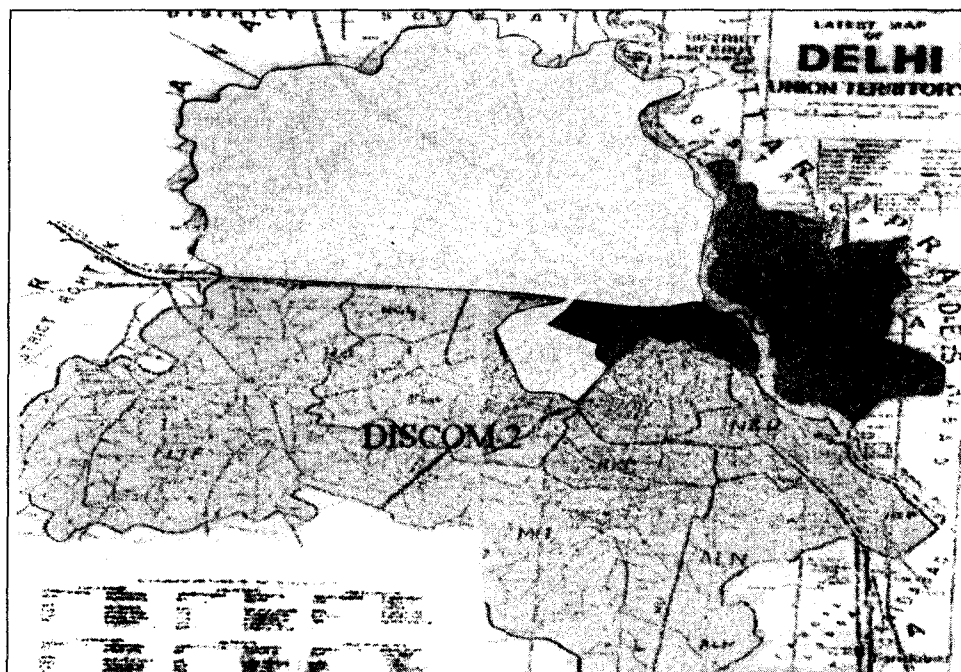
Legend

- Existing receiving station fed from Dahanu Thermal Power Station DTPS
- Existing receiving station fed from TPC
- Existing receiving station fed from TPC & DTPS
- Existing 220/33 KV. Rel receiving station



Reliance Energy
A Dhirubhai Ambani Enterprise

DISTRIBUTION NETWORK IN DELHI



DISCOM 1 : BSES Yamuna Power Limited

DISCOM 2 : BSES Rajdhani Power Limited

In July 2002, Delhi Vidyut Board was unbundled into five successor entities – the three distribution companies, a transmission and a holding company. Two of the three distribution companies have been handed over to Reliance Energy Limited.

Reliance Energy in July 2002 acquired an equity stake of 51% in two of the three Distribution Companies of Delhi after unbundling and privatization of the erstwhile Delhi Vidyut Board. The two distribution companies, BSES Yamuna Power Limited (BYPL) covering Central and East areas and BSES Rajdhani Power Limited (BRPL) covering South and West regions provide electricity to around 18 lakh consumers across an area of 900 sq kms (approx).

BSES Yamuna Power Limited has a consumer base of 8.22 lakh and consists of 10 districts – Yamuna Vihar, Krina Nagar, Chandni Chowk, Paharganj, Nand Nagri, Mayur Vihar, Daryaganj, Jhilmil, Laxminagar and Shankar Road areas.

BSES Rajdhani Power Limited has a consumer base of 9.71 lakh and consists of 11 districts – Nehru Place, RK Puram, Vikaspuri, Najafgarh, Alaknanda, Mehrauli, Palam, Nangloi, Nizamuddin, Janakpuri and Punjabi Bagh areas.

NOTICE

NOTICE is hereby given that the Seventy-fifth Annual General Meeting of the Members of Reliance Energy Limited will be held on Wednesday, the 9th June, 2004 at 11.00 a.m. at the Reliance Energy Auditorium, Near Reliance Energy Centre, Santa Cruz (E), Mumbai 400 055 to transact the following business:

Ordinary Business

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2004, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
2. To confirm the payment of quarterly interim dividends and declare the final Dividend on Equity Shares.
3. To appoint a Director in place of Shri S C Gupta, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri J P Chalasani, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri K H Mankad, who retires by rotation and is eligible for re-appointment.
6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Haribhakti & Company, Chartered Accountants, M/s. Price Waterhouse, Chartered Accountants and M/s. Chaturvedi & Shah, Chartered Accountants, be and are hereby appointed as the Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company upon such remuneration, in addition to the reimbursement of traveling and other out-of-pocket expenses incurred incidental to their functions, as may be agreed to between the Board of Directors of the Company and the respective Auditors and that the Board of Directors of the Company be and is hereby authorised to fix the remuneration as aforesaid."

Special Business**7. Appointment of Shri V R Galkar as Director**

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri V R Galkar who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri Y P Gupta pursuant to Section 262 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, and who holds office up to this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Shri V R Galkar as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. Appointment of Shri Gautam Doshi as Director

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Gautam Doshi who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri P N Bhandari pursuant to Section 262 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, and who holds office up to this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Shri Gautam Doshi as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

9. Appointment of Shri Cyril Shroff as Director

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Cyril Shroff who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri S Rajgopal pursuant to Section 262 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, and who holds office up to this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose Shri Cyril Shroff as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. Appointment of Shri K H Mankad as whole-time Director designated as Director (Finance)

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, read with Schedule XIII to and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof, for the time being in force) consent be and is hereby accorded to the appointment of Shri K H Mankad as the whole-time Director designated as Director (Finance) of the Company for a period from 22nd December, 2003 to 1st October, 2007 on the terms and conditions including remuneration as are set out in the draft Agreement to be entered into between the Company and Shri K H Mankad, (details of which are given in the Explanatory Statement attached to this Notice) which draft Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or remuneration and/or Agreement so as not to exceed