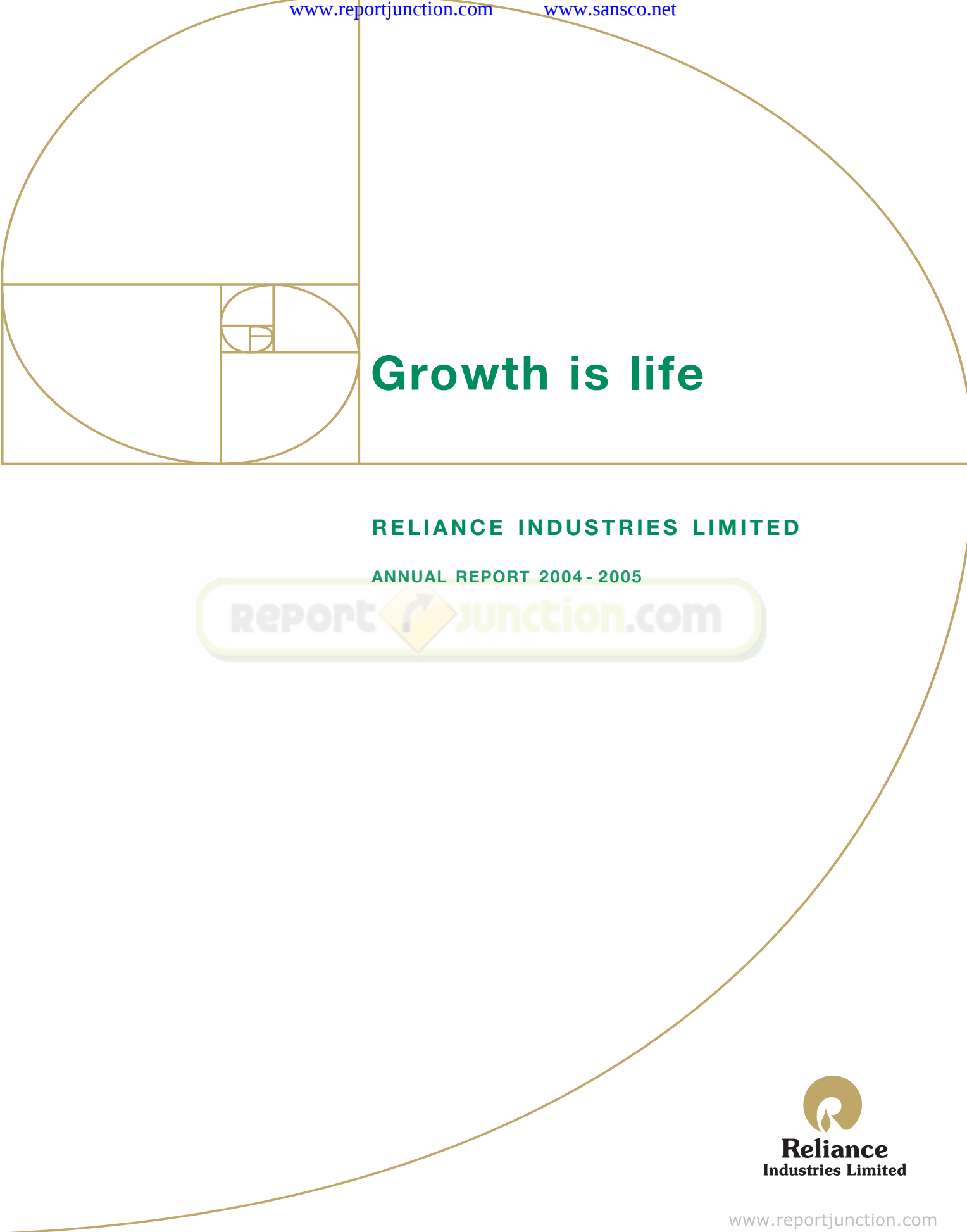


A large, thin, golden-brown line forms a spiral that starts from the bottom left and winds its way towards the top right, passing through the text 'Growth is life'. The spiral is composed of a series of quarter-circles, each inscribed within a square of decreasing size, creating a logarithmic curve.

Growth is life

RELIANCE INDUSTRIES LIMITED

ANNUAL REPORT 2004 - 2005

Report  junction.com



Reliance
Industries Limited





Growth is life

From small beginnings, we have come a long way in a short span of time. We have grown to become world-class leaders in our businesses as well as in our commitments to our people and our communities.

Reliance is committed to this spirit of growth.

The base template of our business is constructed on stellar leadership and individual performance at every level; the supporting pillars and foundations are a strong balance sheet, world-class levels of operating discipline, research and innovations in technology and focus on community building.

As we stand at the threshold of the next financial year, we are poised to test new waters, grow more businesses, increase our returns and create greater stockholder value, bringing heightened levels of confidence and satisfaction to every stakeholder.

We believe that while our growth is planned and focused, it is also spontaneous and self-energising. We are experiencing this growth and learning from it. We are now leveraging the strengths of our existing businesses and creating new growth opportunities through our emerging businesses.

We are poised to take on new challenges and move on to creating markets for tomorrow.

At Reliance, our vision drives our ambitions and our people define our business excellence.

This has made us partners of choice to our people, our country and to the rest of the world.

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

December 28, 1932 - July 6, 2002

**Mukesh D. Ambani***Chairman & Managing Director*

Letter to Shareholders

Dear Shareowners,

In 2004-05, Reliance Industries Limited (RIL) delivered a record performance across several operating and financial indicators. Strategic investments, robust business plans, sound management practices that adapt rapidly to the changing environment and vitally, the contribution each and every one of our employees made along the way have collectively resulted in businesses performing exceedingly well.

Macro-economic trends continued to be driven by high crude oil prices due to strong demand especially in growing economies like India and China, geo-political events that threatened reliability of supplies, production disruption at some of the major crude oil centres and low spare production capacity. The Exploration and Production (E&P) sector also saw very little in terms of additional capacity enhancement to cater to this growing demand in the Asian region. The downstream sector was marked by an upcycle across the entire value chain. Reliance's modern refinery complex at Jamnagar, India benefited significantly with refining margins remaining robust as demand pushed refineries, including ours to operate at high capacity rates throughout the year. The petrochemical markets were also in an early phase of an upside.

Closer home, India's GDP grew at 7% resulting in increased consumption of petroleum products which grew by 5% as compared to 3.5% for the previous year. Growth in Polymer demand was at 4% and that of polyester was at 8%, which we maintain was somewhat subdued on account of higher prices resulting from high feedstock prices.

At Reliance, the operating environment was manifested by greater global competitiveness. One expression of this was RIL's record level of exports of manufactured products to 101 countries, valued at Rs 25,532 crore (US\$ 5.8 billion). Exports for the year formed 35% of RIL's revenues, as compared to 27% in the previous year, and RIL contributed to 7.7% of India's total exports.

A high operating rate coupled with a globally competitive cost position also contributed towards RIL's remarkable performance. RIL's world-class refinery processed 31.5 million tonnes of crude at 96% utilisation rate. Nine new crude variants were also processed to take advantage of price arbitrage between heavy and light crude, demonstrating the ability of our highly complex refinery to handle wide varieties of crude. This resulted in an all time high gross refining margin (GRM) of US\$ 8.8 per barrel for the year. The 4th quarter of the year saw an aggregate GRM of US\$ 10 per barrel, the highest ever GRM since the refinery's inception. Our petrochemical manufacturing assets also saw high operating rates at 99%, and produced 12.7 million tonnes of products.

As a result, RIL realised a net profit of Rs 7,572 crore (US\$ 1.73 billion) on revenues of Rs 73,164 crore (US\$ 16.73 billion) for the year 2004-05. These figures reflect an increased income of 47% and 30% respectively over the previous year. The net profit earned is not only the highest in the history of RIL, but also continues to place RIL among the top 200 profitable companies from around the world.

Exemplary operating results, higher exports, debt reduction and prudent financial management contributed to RIL's return on net worth (RONW) rising sharply to 22%, as compared with 17% just a year earlier. Improving RONW continues to be one of the driving forces in RIL's strategy and operating plans.

The Board of Directors of RIL has decided to raise the dividend rate to 75% for the year from 52.5% in the previous year. The Board also approved what is perhaps India's largest equity share buy back programme in December 2004 valued at Rs 2,999 crore (US\$ 686 million). Returning cash in excess of our investment requirements to our shareholders - both through share buy back and our continued pursuit of a progressive dividend policy - is fundamental to our shareholder value enhancement strategy. Larger dividends, combined with the equity share buy back programme, have provided shareholders of RIL with a total cash return of Rs 1,341 crore (US\$ 307 million). This amount represents the highest return among Indian companies in the private sector.

RIL took several strategic initiatives during the year. An important initiative was the acquisition of the polyester major, Trevira GmbH, headquartered in Frankfurt, Germany. Apart from enhancing RIL's global ranking in polyester, the acquisition enables access to valuable intellectual property rights in this domain.

Another major initiative was the investment in the upstream oil and gas business and its integration with petroleum retailing, in line with our vision of being a global energy player. RIL's emphasis on accretion of its reserves through a mix of own exploration, acquisition of equity stakes in new blocks in India and overseas and integration with petroleum retailing on a pan-India basis is expected to pay dividends in the medium to long term.

Looking ahead, many of the factors that characterised the market environment in 2004-05 are likely to remain in place in 2005-06. Crude oil price volatility is expected to persist on account of geopolitical events, and could lead to supply uncertainties. Fuel demand is growing worldwide and is led by developing nations such as China and India. Petroleum refiners anticipate another year of operating at peak limits of capacity.

RIL is in a strong position to benefit from the upside in the petrochemical cycle. Operating on a global scale, high level of integration, high operating rates, low cost position, new investments and an expanded product range underline the potential to create more value in the years ahead.

I have enjoyed steadfast support from the Board of Directors of RIL. I would like to take this opportunity to express my gratitude to the Board, all well-wishers and RIL's over two million shareholders for their understanding and appreciation of the dynamics of the transition, and for their abiding confidence.

With best wishes,

Sincerely



Mukesh D. Ambani
Chairman & Managing Director
June 28, 2005

Contents

1	Highlights 2004-2005
5	Financial highlights
7	Company Information
8	Notice
15	Management's Discussion and Analysis
52	Report on Corporate Governance
72	Shareholders' Referencer
85	Directors' Report
97	Auditors' Certificate on Corporate Governance
98	Auditors' Report on Financial Statements
103	International Accountants' Report
104	Balance Sheet
105	Profit and Loss Account
106	Schedules forming part of Balance Sheet and Profit and Loss Account
119	Significant Accounting Policies and Notes on Accounts
136	Cash Flow Statement
140	Statement of Interest in Subsidiaries
142	Auditors' Report on Consolidated Financial Statements
144	Consolidated Balance Sheet
145	Consolidated Profit and Loss Account
146	Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account
154	Notes on Consolidated Accounts
169	Consolidated Cash Flow Statement
171	Reconciliation of Consolidated Net Profit with US GAAP
173	List of Investor Service Centres of Karvy
174	ECS Mandate Form
175	Nomination Form
177	Claim Form for Unpaid Dividend
	Attendance Slip and Proxy Form

Highlights 2004-05

Turnover **Rs 73,164 crore**
US\$ 16,725 Million

Gross Profit **Rs 14,261 crore**
US\$ 3,260 Million

Cash Profit **Rs 12,087 crore**
US\$ 2,763 Million

Net Profit **Rs 7,572 crore**
US\$ 1,731 Million

Net Profit 5 year CAGR **26%**

Total Assets **Rs 80,586 crore**
US\$ 18,422 Million

Growth is increase

Reliance enjoys a pre-eminent position in the Indian economy, with revenues equivalent to 2.6% of India's GDP.

We contribute



7.7% of India's total exports



7.9% of the Government of India's indirect tax revenues



4.5% of the total market capitalisation



11% weightage in the BSE Sensex



8% weightage in the Nifty Index

Global rankings



Largest producer of polyester fibre and yarn



3rd largest producer of paraxylene (PX)



5th largest producer of mono ethylene glycol (MEG)



6th largest producer of purified terephthalic acid (PTA)



7th largest producer of polypropylene (PP)

Growth is recognition

Reliance's commitment to excellence won several national and international awards, rankings and recognition for the Company and accolades for the management's outstanding performance.

RIL emerged as the first and only private sector company from India to feature in the **2004 Fortune Global 500 list of the World's Largest Corporations**, July 2004

RIL emerged as Asia's Best Chemical Company in the seventh annual survey of the **World's Best Companies** in 2004 by *Global Finance* magazine, November 2004

RIL emerged as **India's Greenest Company** amongst the private sector with an overall rank of No. 2 in a BT – ACNielsen ORG-MARG survey of shareholder perception published in *Business Today*, October 2004

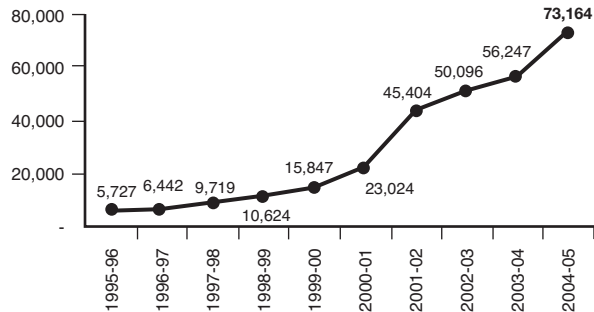
The Jamnagar refinery got the award for **Excellence in Energy Conservation** from the Federation of Gujarat Industries, April 2004

RIL was awarded the **International Refiner of the year 2005** at the World Refining and Fuels conference, March 2005

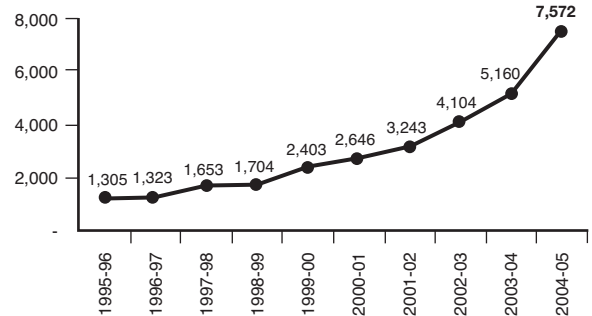
Mukesh D. Ambani was conferred the World Communication Award for the **Most Influential Person in Telecommunications in 2004** by *Total Telecom*, October 2004

Consistent growth over ten years

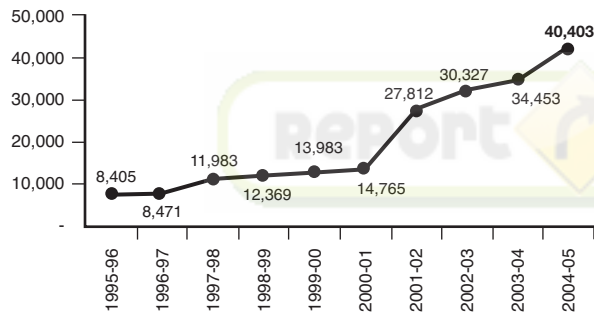
Turnover (Rs crore)



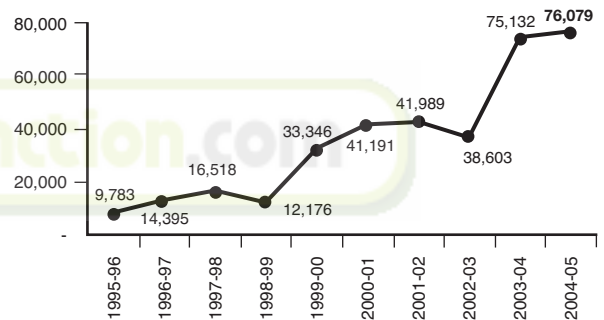
Net Profit (Rs crore)



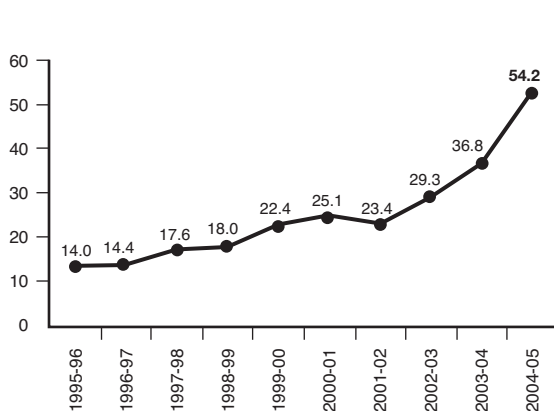
Net Worth (Rs crore)



Market Capitalisation (Rs crore)



EPS (Rs)



Book Value (Rs)

