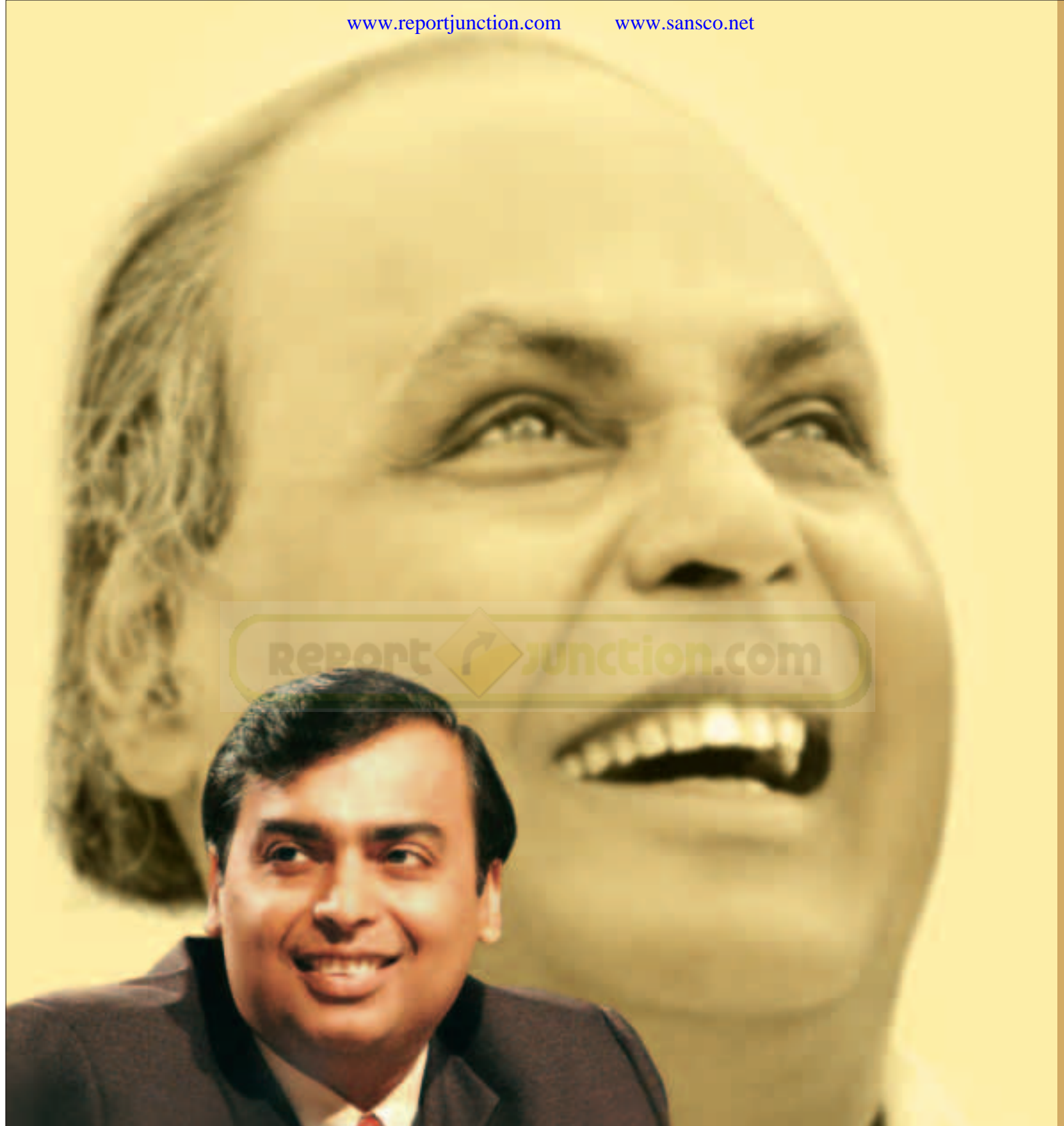


ANNUAL REPORT 2005-2006

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Growth is Life



"The fundamental belief for us is that Growth is Life and we have to continue to grow at all times."

- Mukesh D. Ambani
Chairman & Managing Director

Letter to Shareholders



Mukesh D. Ambani
Chairman & Managing Director

Dear Shareowners,

I am writing this letter to share with you a matter of great pride in the history of your company.

You will be happy that Reliance Industries Limited has become the first and only Indian company in the private sector to cross the US\$ 2 billion mark in terms of net profit.

In fact, in 2005-06, Reliance Industries Limited (RIL) delivered a path-breaking performance across most operating and financial indicators and continues to enjoy a pre-eminent position as the largest private sector enterprise in India in terms of revenues, profits, net worth, assets and market capitalization.

Highlighting the global competitiveness of your company, RIL continues to be India's largest exporter. In 2005-06, RIL's exports touched US\$ 7.3 billion. This accounted for over 37% of our revenues and 8.2% of India's total exports. RIL continues to be a global leader in its major product categories.

Strategic investments in newer businesses, consolidation of businesses, robust business plans in newer domains and capitalizing on new value creation opportunities were some of the hallmarks of the year gone by.

The world is witnessing a powerful movement towards greater balance in the midst of an unprecedented surge of prosperity. Continued economic growth has to contend with anxieties on account of rising oil prices and geo-political uncertainty. In this environment your company continues to march forward with unabated self-confidence.

We look to the future with optimism because the centre of economic growth is shifting to Asia. Demand and rapid capacity creation in virtually every aspect of the economy characterizes the Asian growth story. The world is increasingly focusing on the economic prowess of the two most

populous nations - India and China. The spotlight in the coming years will be on the growth paradigms of these two giants. It is a historic opportunity to correct disparities across the continents, to rebalance the world and take it towards a more equitable paradigm of growth and consumption in various parts of our planet.

India's economy, poised to continue to grow at almost 8% is a major factor in realizing this vision. We believe that this growth rate is sustainable. In fact, there is potential for achieving even higher growth rates. The robustness of the Indian economy is reflected through its vibrant capital markets and its increasing FDI inflows.

Your company continues to focus on value creation opportunities for our stakeholders. During the year, the largest demerger in Indian corporate history unlocked tremendous value for our shareholders.

During the year, your company also decided to float a subsidiary of global importance, Reliance Petroleum Limited (RPL). RPL is setting up a refinery with processing capacity of 580,000 barrels per day in the Special Economic Zone in Jamnagar, near our existing refinery. This will be one of the most advanced refineries in the world and would cater to the high value-added global markets of US and Western Europe.

On a stand-alone basis RPL will be the sixth largest refinery in the world and combined with our existing refinery it will make Jamnagar the single largest location of refinery assets in the world. Post 2008, when Reliance Petroleum Limited is expected to go on stream, Jamnagar will process 2 out of every 100 barrels of crude processed in the world. This is a significant achievement in terms of global scale.

The creation of RPL is yet another eloquent manifestation of our value creation process. Through RPL, our shareholders will be able to enjoy the benefits of a refining business catering to the global markets.

We at RIL are continuously driven by the desire to excel our past performance and expand our horizons. India's confident

march towards emergence as a global economic power has further reinforced our strong belief in the inherent strengths of the Indian economy. Faith in the future of the country remains a source of tremendous inspiration for us.

It has always been our conviction that the nation's assets must be augmented. We have done this through creating temples of industrial excellence. Now we are forging ahead to further strengthen the sinews of the national economy by unearthing some of her huge natural reserves and initiating new breakthroughs across several new domains.

We also believe that your company has the capacity and the ability to emerge as a significant player on the global energy scene.

Our exploration programme is going on full throttle and the signs are very encouraging. We believe that we will emerge as a significant producer of energy, both of oil and natural gas. This will enable us to enhance India's status as an energy source in the world and without doubt, give a new dimension to our growth story.

We also believe that your company has the capacity and the ability to emerge as a significant player on the global energy scene. To that effect we are also pursuing global opportunities in exploration and production. We will share our progress in this area with you in the days to come.

A revolution of rising aspirations is sweeping all parts of India coupled with rapid expansion and consumption at all levels in our society. We are, therefore, planning a pan-India footprint of multi-format retail outlets to provide the customer with choice in products and services. All the outlets will be connected seamlessly through a state-of-the-art supply chain infrastructure. This initiative has been assiduously planned to connect the Indian farmer and producer with the consumer directly.

Inherent in these domains are tremendous opportunities for both India and RIL, bounded only by our imagination and implementation skills. We will endeavour to deliver value and delight all our constituencies, most of all our shareholders.

Traditionally, RIL has always been a leader in maximizing shareholder value. As we move to the next big ideas in organized retailing, oil and gas exploration and production and infrastructure, besides consolidating your company's lead in existing businesses, we will strive to surpass our standards in delivering shareholder value far more than ever before.

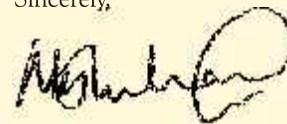
We believe that development must be enduring and sustainable. Therefore, our initiatives are aimed to ensure a better quality of life for the communities in which we work.

RIL has always bet on its people, particularly young people. Our faith in the talent of India is immense. I am happy to report that RIL is powered by the energy and enthusiasm of youth. Our average age is below 37 and our team of young achievers are giving shape to our aspirations in emerging business domains, while taking leadership position in existing businesses.

All these factors sustain continuous growth and high return for all our stakeholders.

I have continued to enjoy steadfast support from the Board of Directors of RIL. I would like to take this opportunity to express my gratitude to the Board, customers, suppliers, bankers, employees and our over two million shareholders for their unceasing confidence and support.

With best wishes,
Sincerely,



Mukesh D. Ambani
Chairman & Managing Director

Highlights 2005-06

TURNOVER

Rs. 89,124 crore (US\$ 19,976 million)

GROSS PROFIT

Rs. 14,982 crore (US\$ 3,358 million)

CASH PROFIT

Rs. 13,174 crore (US\$ 2,953 million)

NET PROFIT

Rs. 9,069 crore (US\$ 2,033 million)

NET PROFIT 5 YEAR CAGR

28%

TOTAL ASSETS

Rs. 93,095 crore (US\$ 20,866 million)

Growth without Limits

Share in India's economy grows

Revenues equivalent to 2.8% of India's GDP

8.2% of India's total exports

8% of the Government of India's indirect tax revenues

4.7% of the total market capitalisation

11.5% weightage in the BSE Sensex

9.3% weightage in the Nifty Index

Growing importance across the globe

Largest producer of Polyester fibre and yarn

4th largest producer of Paraxylene (PX)

5th largest producer of Mono Ethylene Glycol (MEG)

7th largest producer of Purified Terephthalic Acid (PTA)

7th largest producer of Polypropylene (PP)



Notice

Notice is hereby given that the Thirty-second Annual General Meeting of the Members of RELIANCE INDUSTRIES LIMITED will be held on Tuesday, June 27, 2006 at 11.00 a.m., at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020, to transact the following businesses :

Ordinary Business :

1. To consider and adopt the audited Balance Sheet as at March 31, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint Directors in place of those retiring by rotation.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants, M/s. Deloitte Haskins & Sells, Chartered Accountants and M/s. Rajendra & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

Special Business :

5. 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 Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Prof. Dipak C. Jain, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of the Articles of Association of the Company.”

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”) or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations, the Articles of Association of the Company and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include ‘Employees Stock Compensation Committee’ of the Board) and in supersession of the Special Resolution passed by Members in the Annual General Meeting of the Company held on June 13, 2000, consent of the Company be and is hereby accorded to the Board to grant, offer and issue, in one or more tranches, to such permanent employees of the Company whether working in India or out of India and Directors of the Company whether Wholtime Directors or otherwise (hereinafter referred to collectively as the “Employees”), as may be decided by the Board, Options exercisable by the Employees under a Scheme titled “Employees Stock Option Scheme - 2006” (hereinafter referred to as “the Scheme”) to subscribe to such number of equity shares and/or equity linked instruments which could give rise to the issue of equity shares (hereinafter referred to collectively as “the Securities”) of the Company not exceeding in aggregate 5% of the issued, subscribed and paid-up equity shares of the Company as on March 31, 2006, i.e. up to 6,96,75,402 equity shares, at such price and on such terms and conditions as may be determined by the Board in accordance with the Guidelines or any other applicable provisions as may be prevailing at that time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to formulate, evolve, decide upon and bring into effect the Scheme on such terms and conditions as contained in the Explanatory Statement to this item in the Notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of the Scheme from time to time including but not limited to, amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the Scheme.

RESOLVED FURTHER THAT the Securities may be allotted in accordance with the Scheme either directly or through an existing trust or a trust which may be setup in any permissible manner and that the Scheme may also envisage for providing any financial assistance to the trust to enable the trust to acquire, purchase or subscribe to the Securities of the Company.

RESOLVED FURTHER THAT any new equity shares to be issued and allotted as aforesaid shall rank *pari passu* inter se with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the Securities allotted under the Scheme on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations, the Articles of Association of the Company and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include 'Employees Stock Compensation Committee' of the Board) and in supersession of the Special Resolution passed by Members in the Annual General Meeting of the Company held on June 13, 2000, consent of the Company be and is hereby accorded to the Board to extend the benefits of the "Employees Stock Option Scheme – 2006" referred to in the resolution under Item No. 6 in this Notice and duly passed at this Meeting, also to such permanent employees of the subsidiary companies whether working in India or out of India and Directors of the subsidiary companies whether Wholtime Directors or otherwise, as may be decided by the Board and / or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such terms and conditions as may be decided by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

By Order of the Board of Directors

Vinod M. Ambani
President and Company Secretary

Mumbai,
April 27, 2006.

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



Notes :

1. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.**
2. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. In terms of Article 155 of the Articles of Association of the Company, Shri Nikhil R. Meswani, Shri H. S. Kohli and Shri Y.P. Trivedi, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commends their respective re-appointments.
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
5. Members are requested to bring their Attendance Slip alongwith their copy of Annual Report to the Meeting.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting.
9. (a) The Company has already notified closure of Register of Members and Transfer Books from Saturday, June 3, 2006 to Saturday, June 10, 2006 (both days inclusive) for determining the names of Members eligible for dividend on Equity Shares, if declared at the Meeting.
(b) The dividend on Equity Shares, if declared at the Meeting, will be paid on or after June 27, 2006 to those Members whose names shall appear on the Company's Register of Members on Friday, June 2, 2006. In respect of shares held in dematerialised form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories as at the end of business on Friday, June 2, 2006.
10. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, under the signature of the Sole/First joint holder, the following information to be incorporated on dividend warrants :
 - (i) Name of the Sole/First joint holder and the Folio Number.
 - (ii) Particulars of Bank Account, viz.:
 - (a) Name of Bank
 - (b) Name of Branch
 - (c) Complete address of the Bank with Pin Code Number
 - (d) Account type, whether Savings Account (SA) or Current Account (CA)
 - (e) Bank Account Number
 - (b) Members who hold shares in dematerialised form may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. **Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.**

11. The Company has transferred all unpaid/unclaimed dividends declared up to the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required under the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules). Members who have not so far claimed or collected their dividends declared up to the aforesaid financial year are requested to claim such dividends from the Registrar of Companies, Maharashtra, CGO Complex, 2nd Floor, "A" Wing, CBD-Belapur, Navi Mumbai - 400 614, Telephone (091) (022) 2757 6802, by making an application in Form II of the Rules. A specimen of the said Claim Form is provided in the Annual Report.
12. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed dividends for the financial years 1995-96, 1996-97 and 1997-98 to the **Investor Education and Protection Fund (IEPF)** established by the Central Government. Dividends for the financial year ended March 31, 1999 and thereafter, which remain unpaid/unclaimed for a period of 7 years will be transferred by the Company to IEPF. **Information in respect of such unpaid/unclaimed dividends and the last date for claiming the same are provided in Shareholders' Referencer forming part of the Annual Report.**
- Members who have not so far encashed dividend warrant(s) for the aforesaid years are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately. **Members are requested to note that no claims shall lie against the Company or IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**
13. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, for consolidation into a single folio.
14. Non-Resident Indian Members are requested to inform the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately of:
- a) the change in the Residential status on return to India for permanent settlement.
 - b) the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of Bank with Pin Code Number, if not furnished earlier.
- 15. Members are advised to refer to the Shareholders' Referencer provided in the Annual Report.**

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

The Board of Directors of the Company (the Board), has appointed, pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 135 of the Articles of Association of the Company, Prof. Dipak C. Jain as an Additional Director of the Company with effect from August 4, 2005.

In terms of the provisions of Section 260 of the Act, Prof. Dipak C. Jain would hold office upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member alongwith a deposit of Rs.500/-, proposing the candidature of Prof. Dipak C. Jain for the office of Director of the Company, under the provisions of Section 257 of the Act.

Prof. Dipak C. Jain has, to his credit, more than 20 years experience in management, education and corporate governance. Keeping in view his enriched expertise and knowledge, it will be in the interest of the Company that Prof. Dipak C. Jain is appointed as a Director, who if appointed, shall be liable to retire by rotation, in accordance with the provisions of the Articles of Association of the Company.

A brief resume of Prof. Dipak C. Jain, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

The Board commends the resolution set out at Item No. 5 of the Notice for your approval.

Save and except Prof. Dipak C. Jain, none of the other Directors of the Company is, in any way, concerned or interested in the resolution.