Creating world-class assets for India

Reliance Industries Limited

23rd Annual Report 1996-97

“ Reliance Industries Limited, India's largest private sector enterprise, is a major player in the Indian petrochemicals sector. Reliance's operations capture value addition at every stage from producing crude oil and gas to polyester and polymer products and are vertically integrated to the production of textiles. Reliance has one of the largest marketing networks in the Indian industry. All its brands are market leaders. ”

Sales - Rs. 8,730 crores (US$ 2,431 million)

Operating Profit (EBDIT) - Rs. 1,948 crores (US$ 542 million)

Cash Profit (EBDT) - Rs. 1,778 crores (US$ 495 million)

Net Profit - Rs. 1,323 crores (US$ 368 million)

Total Assets - Rs. 19,536 crores (US$ 5,440 million)

4 million investors

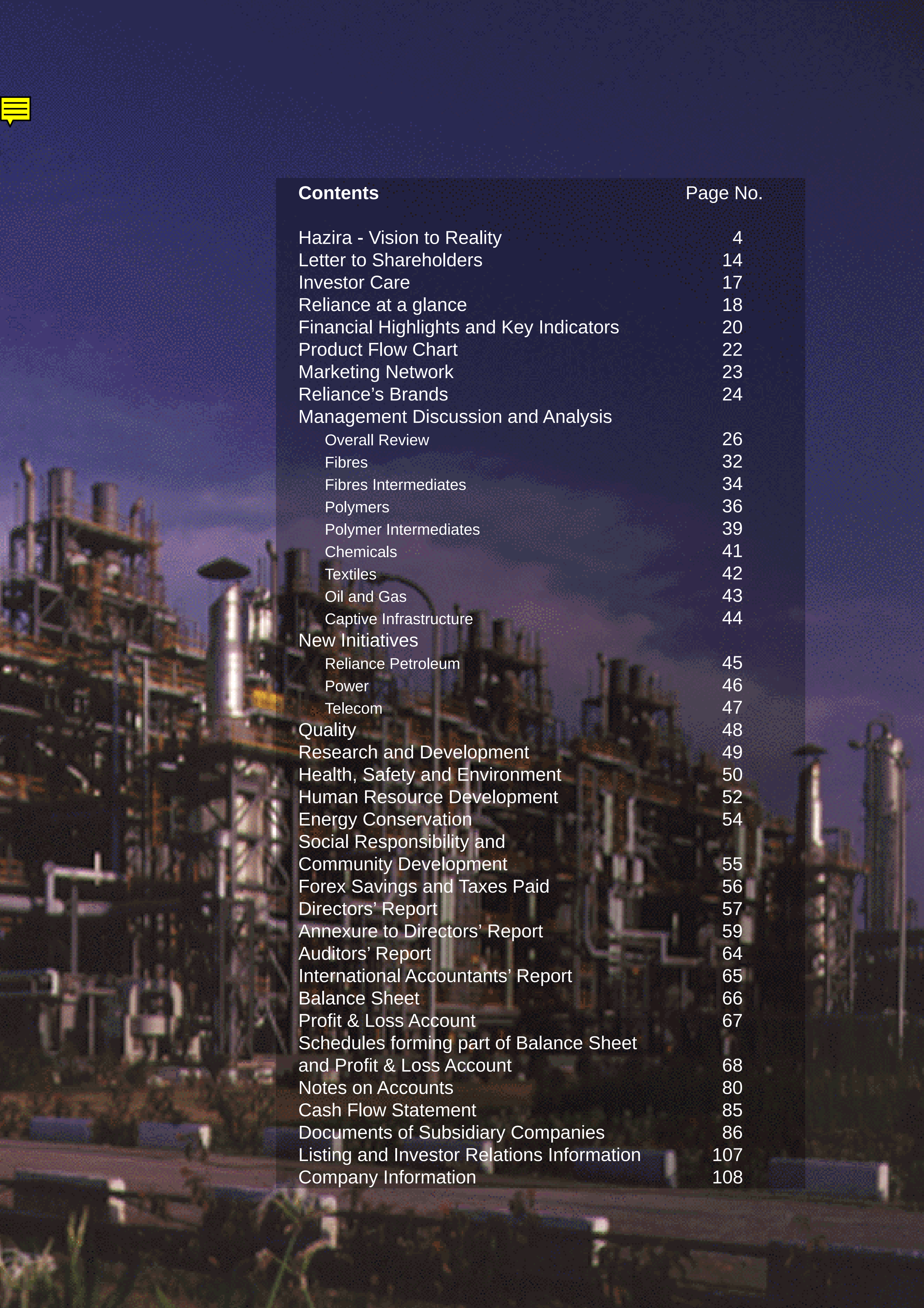
Compounded Annual Net Profit growth over 5 years - 52%

Compounded Annual Earnings per share growth over 5 years - 22%

India's largest shareholder family

India's largest private sector enterprise

Hazira Cracker - Row of Furnaces



Contents

Hazira

Vision
to
Reality

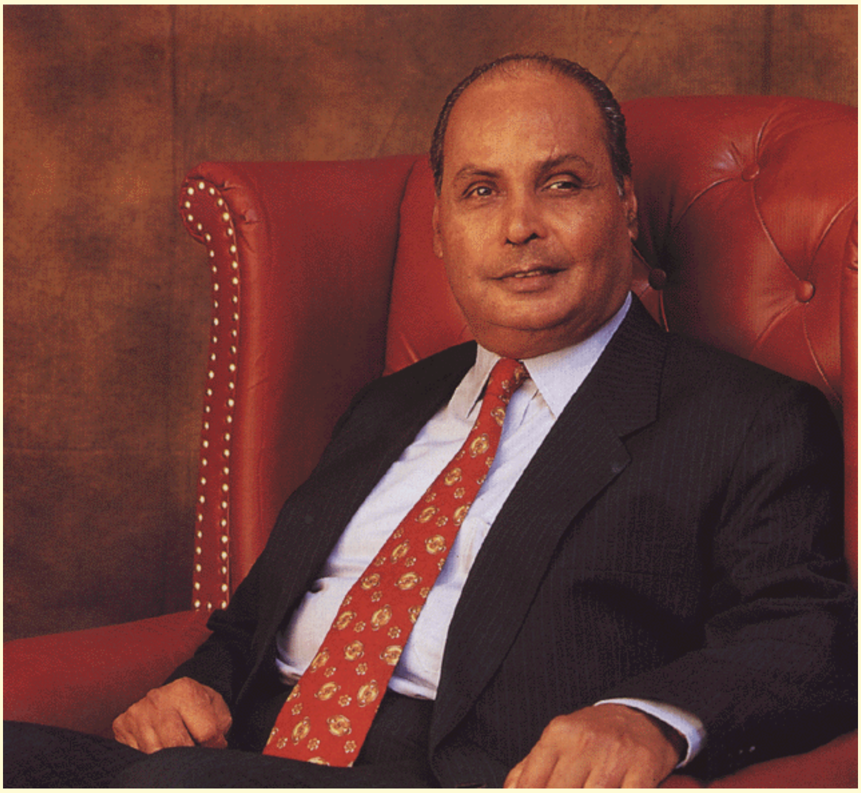
Hazira Phase II expansion has been substantially completed in 1996-97. This ambitious Rs. 9,000 crore ($ 2,500 million) expansion has enhanced Reliance's production capacity four folds to more than 6 million tonnes per annum.

New 350,000 tonnes per annum PP plant


New 350,000 tonnes per annum PTA plant

New 120,000 tonnes per annum MEG plant

Automated Product Handling and Packaging System



Dhirubhai H. Ambani
Chairman

Anil D. Ambani
Managing Director

Mukesh D. Ambani
Vice Chairman & Managing Director

Consistent Financial Performance

I am pleased to report that Reliance has once again posted good financial results for the year ended 31 March 1997, as may be seen from the key numbers as under:

Sales	Rs. US$	8,730 2,431	crores million	**+12%**
Operating Profit	Rs. US$	1,948 542	crores million	**+11%**
Profit after tax	Rs. US$	1,323 368	crores million	**+1%**
Taxes Paid	Rs. US$	2,490 693	crores million	**+11%**
Earnings Per Share	Rs. US	28.73 80	 cents	**+4%**
Net Worth	Rs. US$	8471 2,359	crores million	**+1%**
Total Assets	Rs. US$	19,536 5,440	crores million	**+30%**

In 1996-97, product prices internationally were under severe pressure and this was reflected in India as well. However, due to the good growth in volumes in India, Reliance has been able to operate its plants at full capacity, and thus more than offset the effect of the decline in product prices.

During the past five years profit after tax grew annually at 52% and earnings per share at 22% (compounded). Reliance has also retained its position as number one in the private sector in India in terms of profits and total assets.

Hazira expansion substantially completed

A significant achievement of the year is the substantial completion of the ambitious world scale expansion at the Hazira Complex. This complex, involving an investment of over Rs. 9,000 crores (US$2,500 million) has created world class assets and is unparalleled in the Indian Corporate history. This also represents the single largest investment by any Indian private sector enterprise at a single location.

Hazira today is among the few of the world's largest petrochemical complexes. The scale of operations combined with the extent of integration makes it unique in the global chemical context. It also secures for Reliance a slot among the top polyester producers in the world.

For all of us at Reliance, Hazira represents a tremendous accomplishment.

People who made Hazira happen

Hazira is a standing monument of the world class strengths of Indian managers, engineers and workers. Hundreds of our highly competent engineers enthusiastically committed themselves for months to create this complex. Thousands of workers - both skilled and semi skilled - toiled hard in a very disciplined manner. Without their unstinted efforts Hazira would not have attained such a significant place among corporate peers, both in India and abroad.

May I therefore use this opportunity to thank our dedicated team of people who have made Hazira a reality.

Next Phase

Reliance is planning to develop Jamnagar in Gujarat as its next growth centre. Plans are well under way to invest approximately Rs.5,000 crores (US$1,400 million) to create another world class petrochemical complex. In committing resources of this magnitude, our key objective is to retain the competitiveness of Reliance in a fast changing world where the time scales for industrialisation is shortening. It took Japan only 25 years and Korea 13 years to achieve what the U.S. did in 40 years. The target for China is less than 10 years and India can not be far behind.

Landmark Transactions

In 1996-97, Reliance became the first corporate in Asia to issue bonds in the U.S. debt markets with maturities of 100 as well as 50 years. Reliance also issued bonds with 20 and 30 year maturities in the U.S. debt markets. All these bonds are unsecured and have been raised without recourse to any guarantees from government, banks or institutions.

Reliance has thus been able to establish a benchmark yield curve for maturities of 10,12,20,30,50 and 100 years.

These international debt issues have also assisted the company in reducing its overall cost of capital.

In 1996-97, Reliance was assigned investment grade ratings by Moody's and National Association of Insurance Commissioners (Baa3 and NAIC 2 respectively) and BB+ with positive outlook by Standard & Poor. In the case of Standard & Poor India's sovereign rating was a limiting factor.

Four Fold Volume Growth

A new phase of growth commences with the completion of Hazira. Production capacities of Reliance will increase four folds to over 6 million tonnes per annum on completion of Hazira Petrochemical Complex. This four fold volume growth in production capacity will emerge as the key determinant of Reliance's business performance in the coming years.

Business Outlook

Hazira expansion completes Reliance's vertical integration chain. As a result of this, cost positions have improved and the operations have become global in scale and more competitive. I am confident that Reliance is now in a better position to fully participate in the robust demand growth in domestic markets.

A highly competitive scenario is developing for the Indian industry in the wake of increased globalisation. In the chemical industry India is now fully integrated into the realities of the international market place. It is a completely different way of doing business. Reliance, with its position as a world class, global scale player, is confident of successfully competing in such an environment.

Reliance will continue to pursue its chosen strategies to compete and grow. Key elements of our strategy will remain:

- Pursue opportunities in the domestic market
- Maintain leading market positions
- Implement vertical backward integration
- Access leading technologies
- Achieve economies of scale
- Maintain competitive cost positions
- Leverage core competencies and skills
- Focus on conservative financial management

These principles have stood us in good stead in the era after the economic reform process started in India and I am confident that they will be as valuable in the future.

Mumbai
April 22, 1997

Dhirubhai H. Ambani
Chairman

The pioneering role of Reliance in creating an equity cult in India is widely recognised. Even today it is the largest traded private sector stock in India, with its 2.6 million retail shareholders spread across the length and breadth of the country.

The company is conscious of the need for all its shareholders to fully participate in the benefits arising from the growth of the company. In this regard the following specific measures were taken during 1996-97.

Appointment of International Accountants

Touche Ross & Co., a member of Deloitte, Touche and Tohmatsu International (DTTI), has been appointed by Reliance as its International Accountants. The company will work with Touche Ross & Co. to harmonise the best of Indian and International Accounting Practices so as to provide the most value added inputs to shareholders.

Dematerialisation and commencement of trading on the depository

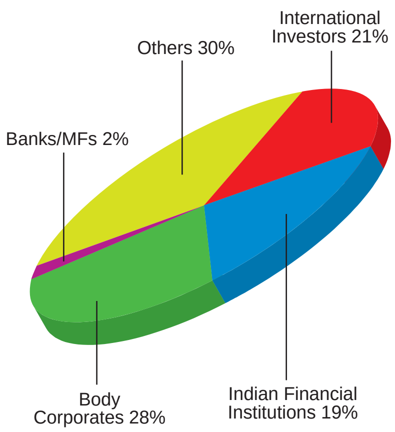
Reliance was one of the first few Indian companies to join the depository to enable commencement of paperless trading. Most of the technical and share related problems find their origin in the Indian system of paper based trading and settlements. With active trading on the dematerialised segment, Reliance has moved away from the systemic problems plaguing share trading. The company is actively working with all bulk holders of equity to enable dematerialisation of the shares held by them.

Reliance had appointed Arthur Andersen and Associates for doing a complete reconciliation of its share capital register based on information collected directly from the shareholders. The findings of this long exercise have once again confirmed that the records maintained are correct and that the integrity of the outstanding share capital is fully preserved.

Reliance has appointed Karvy Consultants Ltd. for handling its Registrar and Transfer (R&T) work.

Reliance has also appointed Price Waterhouse to recommend best practices and conduct system audits of the R&T functions.

Our Shareholders



Reliance at a glance

Textiles

Naroda, near Ahmedabad, Gujarat

VIMAL	Suitings Shirtings Dress Materials Saris
HARMONY	Furnishing Fabrics Day Curtains Automotive Upholstery
SLUMBEREL	Fibrefilled Pillows Sleep Products
RECRON	Texturised Yarns Twisted / Dyed Yarn

Fibres, Fibre Intermediates & Chemicals

Patalganga, near Bombay, Maharashtra

RECRON	Polyester Staple Fibre (PSF) Polyester Filament Yarn (PFY)
	Partially Oriented Yarn (POY) Polyester Chips Purified Terephthalic Acid (PTA) Paraxylene (PX)
RELAB	Linear Alkyl Benzene
	Normal Paraffin Hydrocarbon Solvents

Polymers, Chemicals, Fibres & Fibre Intermediates

Hazira, near Surat, Gujarat

REON	Polyvinyl Chloride (PVC)
RECLAIR	Linear Low Density Polyethylene (LLDPE)
RELENE	High Density Polyethylene (HDPE)
REPOL	Polypropylene (PP)
	Ethylene Oxide Mono-ethylene Glycol (MEG) Di-ethylene Glycol Tri-ethylene Glycol Ethylene Propylene Benzene Toluene Xylene Carbon Black Feed Stock (CBFS) Vinyl Chloride Monomer (VCM)
RECRON	Polyester Staple Fibre (PSF) Polyester Filament Yarn (PFY)
RELPET	Polyethylene Terephthalate (PET) Purified Terephthalic Acid (PTA)

Polymers & Fiber Intermediates

Jamnagar, Gujarat

Reliance Petroleum
Paraxylene (PX)
Polypropylene

Oil & Gas

Panna & Mukta - off Bombay High
Tapti - Northwest of Bombay

Crude Oil
Natural Gas

New Initiatives

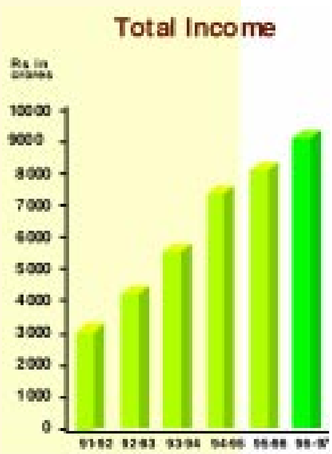
Infrastructure
Power
Telecom

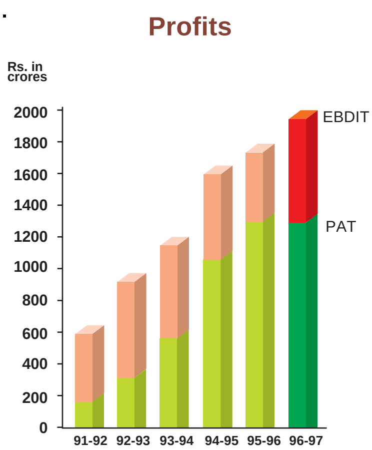
Financial Highlights

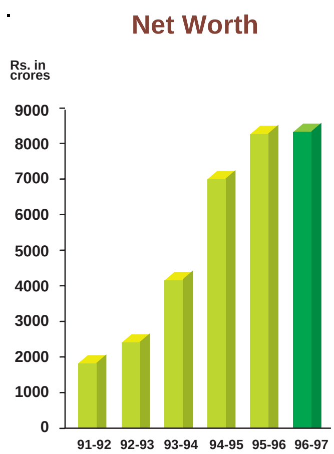
(Rs. in crores)

	1996-97 US$ million	1996-97	'95-96	'94-95	'93-94	'92-93	'91-92	'90-91	'89-90	1985	1980
Sales	2,431	8,730	7,786	7,019	5,345	4,106	2,953	2,098	1,841	733	208
Total Income	2,511	9,020	8,058	7,331	5,555	4,222	3,005	2,106	1,857	744	212
Earnings Before Depreciation,											
Interest and Tax (EBDIT)	542	1,948	1,752	1,622	1,159	929	575	487	425	139	31
Depreciation	114	410	337	278	255	280	193	174	162	37	7
Profit After Tax	368	1,323	1,305	1,065	576	322	163	126	91	71	11
Taxes paid to the Govt.	693	2,490	2,234	2,147	1,391	1,118	984	826	698	373	74
Equity Dividend %	65	65	60	55	51	35	30	30	30	50	25
Dividend Payout	83	299	276	199	138	85	48	46	46	25	3
Equity Share Capital	128	458	458	456	318	245	152	152	152	52	12
Reserves and Surplus	2,231	8,013	7,747	6,731	4,011	2,362	1,711	996	929	254	19
Net Worth	2,359	8,471	8,405	7,193	4,335	2,613	1,944	1,154	1,087	311	32
Gross Fixed Assets	4,083	14,665	11,374	8,390	5,132	4,641	4,314	2,186	1,999	736	75
Net Fixed Assets	3,111	11,173	9,233	6,585	3,600	3,368	3,338	1,483	1,469	607	58
Total Assets	5,440	19,536	15,038	11,529	8,121	6,083	4,880	2,712	2,553	1,046	153
Market Capitalisation	4,008	14,395	9,783	12,027	10,718	4,388	6,656	1,825	997	906	78
Number of Employees		16,778	14,255	12,560	11,873	11,944	11,940	11,666	11,355	9,066	6,646

1US$ = Rs. 35.915 (Exchange rate as on 31.3.1997)







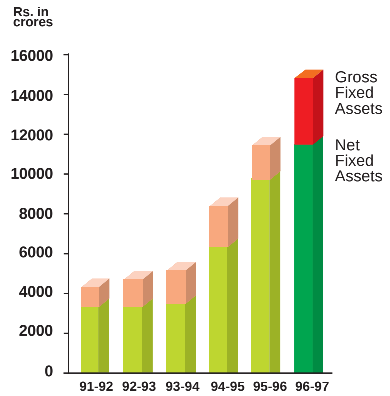
Key Indicators

	1996-97		'95-96	'94-95	'93-94	'92-93	'91-92	'90-91	'89-90	1985	1980
	US$										
Earnings Per Share - Rs.	0.8	28.7	27.9	23.4	18.1	13.1	10.7	8.3	6.9	13.8	9.3
Cash Earning Per Share - Rs.	1.1	37.6	35.2	29.5	26.1	24.5	23.4	19.7	16.6	21.1	15.0
Sales Per Share - Rs.	5.3	189.6	169.9	153.9	168.1	166.9	194.1	138.0	121.1	141.0	173.3
Book Value Per Share - Rs.	5.1	184.0	179.0	158.0	136.0	106.0	85.0	75.0	71.0	59.0	26.0
Debt : Equity Ratio	0.83:1	0.83:1	0.49:1	0.35:1	0.58:1	0.84:1	0.92:1	0.61:1	0.55:1	1.66:1	1.51:1
EBDIT/Sales %	22.3	22.3	22.5	23.1	21.7	22.6	19.5	23.2	23.1	19.0	14.9
Net Profit Margin %	15.2	15.2	16.8	15.2	10.8	7.8	5.5	6.0	4.9	9.7	5.3
RONW % *	22.3	22.3	25.3	23.7	18.2	20.7	17.1	12.2	9.0	30.6	40.0

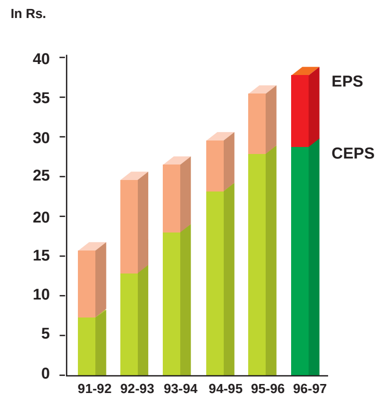
1 US$ = Rs. 35.915 (Exchange rate as on 31.3.1997)

* Excluding CWIP

Assets

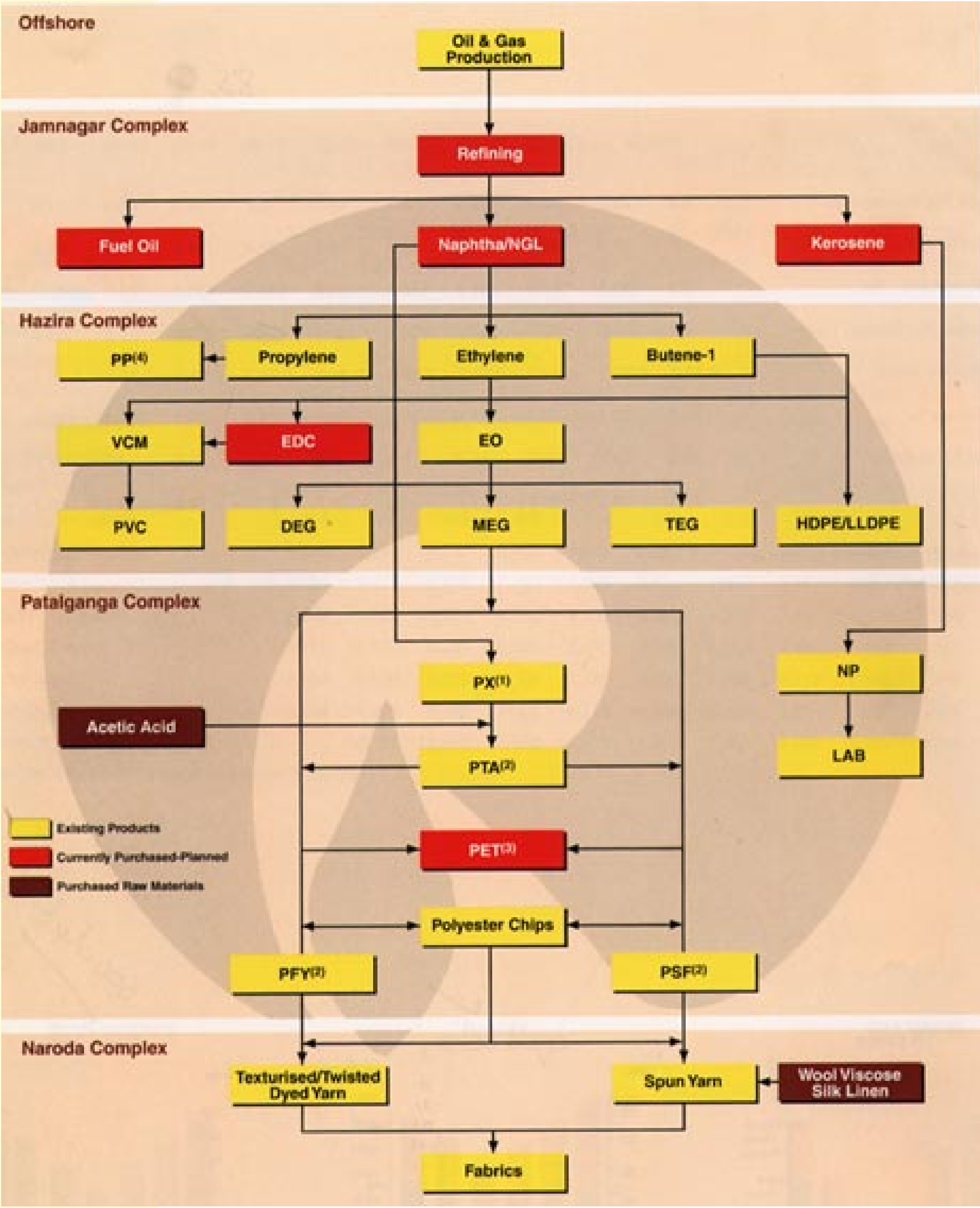


EPS & CEPS



Book Value

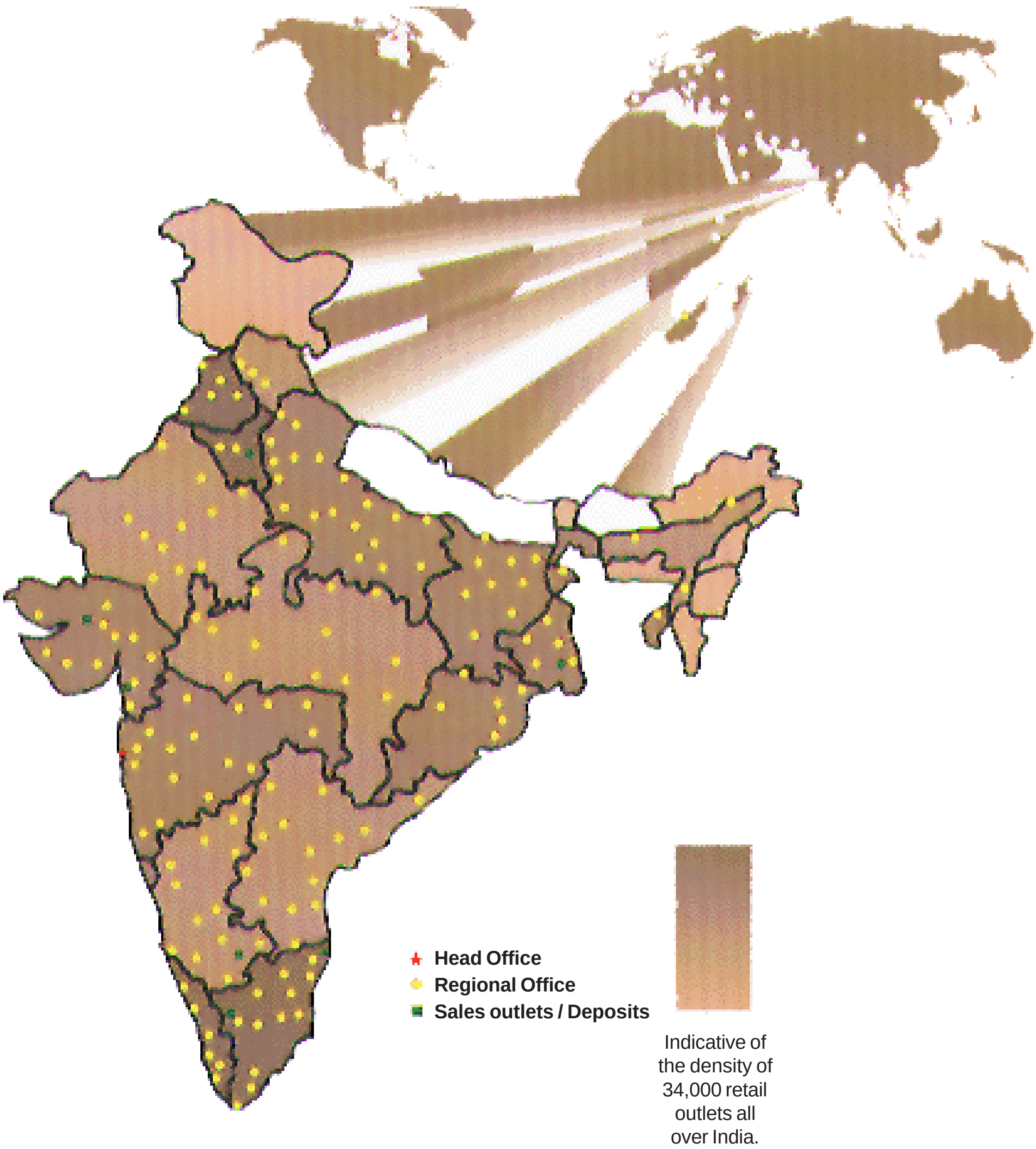
Product Flow Chart



Abbreviation	Full Name
DEG	Di-ethylene glycol
DMT	Di-methyl-terephthalate
EDC	Ethylene di-chloride
EO	Ethylene oxide
HDPE	High density polyethylene
LAB	Linear alkyl benzene
LLDPE	Linear low density polyethylene
MEG	Mono-ethylene glycol
NGL	Natural gas liquid
NP	Normal paraffin
PET	Polyethylene terephthalate
PFY	Polyester filament yarn
PP	Polypropylene
PSF	Polyester staple fibre
PTA	Purified terephthalic acid
PVC	Polyvinyl chloride
PX	Paraxylene
TEG	Tri-ethylene glycol
VCM	Vinyl chloride monomer

(1) Manufacturing also planned at Jamnagar complex
(2) Plant also under operation at Hazira complex
(3) Manufacturing planned at Hazira complex
(4) Manufacturing also planned at Jamnagar complex

Reliance in Global Markets



Export Markets

North America
- Canada
- U.S.A.

Europe
- Belgium
- France
- Germany
- Ireland
- Italy
- Netherlands
- Portugal
- Spain
- U.K.

Pacific
- Australia
- New Zealand

Middle East
- Iran
- Israel
- Jordan
- U.A.E.

South America
- Mexico

Asia
- China
- Indonesia
- Japan
- Korea
- Malaysia
- Nepal
- Philippines
- Singapore
- Sri Lanka
- Vietnam

Africa
- Egypt
- Kenya
- Malta
- Mauritius
- Morroco
- South Africa

The extensive marketing network consists of over 500 distributors. 2,500 showrooms and 34,000 retail outlets. The customer base includes 25,000 industrial customers in addition to the retail markets throughout India.

India's Largest Selling Brands

Business	Brand	Product	Market Share (% Share in Production)	No. of Other Players in the Industry
Polyesters	**Recron**	Texturised Yarn Twisted/Dyed Yarn Polyester Staple Fibre (PSF) Polyester Filament Yarn (PFY)	 41 35	 8 33
Polymers	**Relene**	High Density Polyethylene (HDPE)	45	2
	Reclair	Linear Low Density Polyethylene (LLDPE)		
	Repol	Polypropylene (PP)	45	1
	Reon	Polyvinyl Chloride (PVC)	38	6
Chemicals	**Relab**	Linear Alkyl Benzene (LAB)	38	2
Fibre Intermediates		Purified Terephthalic Acid (PTA) Mono Ethylene Glycol (MEG)	55 55	3 4
Textiles	**Vimal** **Harmony** **SlumbeRel**	Suitings, Shirtings, Dress material, Sarees Furnishing fabrics, Day curtains Automotive upholstery Fibre filled pillows and sleep products		
Oil & Gas		Crude Oil & Natural Gas		

(**Note :** Given the highly fragmented structure of the textiles industry, the market share in case of Textiles - Vimal, Harmony, SlumbeRel is difficult to work out. However, the share of these brands in the market controlled by top 5 premium brands is around 36%.)

India's Largest Selling Brands

Nearest Competitor's Market Share	Brand Logo	End Uses	Technology Partner
21 9	RECRON A RELIANCE PRODUCT	Apparels, Home textiles Industrial sewing threads, Automotive Upholstery	E.I. DuPont, USA
38	RELENE A RELIANCE PRODUCT	Packaging-woven sacks, films, containers, Household-luggage Industrial crates, pallets, gas pipes, ropes, Agriculture-water pipes	Novacor, Canada (earlier DuPont, Canada)
	RECLAIR A RELIANCE PRODUCT	Packaging-films, squeeze bottles. Household-lid and caps, water tanks, Industrial-storage containers, liners, cable sheathing. Agriculture-drip irrigation	
55	REPOL A RELIANCE PRODUCT	Packaging-Woven sacks, TQ and BOPP films, containers, strappings Household-Bathware, Kitchenware, Furniture Industrial-Dashboard, bumpers, grills, fender, other plastic components	Union Carbide, USA (Unipol Process)
20	REON A RELIANCE PRODUCT	Pipes & fittings, profiles, films & sheets, bottles containers, wire & cables	Geon Company, USA (earlier B.F. Goodrich, USA)
38	RELAB A RELIANCE PRODUCT	Detergents	UOP, USA
31		Raw material-Polyester	ICI, UK
32		Raw material-Polyester	ABB Lummus Crest, Netherlands (Shell Process)
	VIMAL® A RELIANCE PRODUCT	Apparels	
	Harmony	Furnishings, home textiles	
	SlimbeRel	Sleep products	E.I. DuPont, USA
		Refining, Power, Fertilizers and Petrochemicals	Enron Oil & Gas, USA

Reliance maintained its momentum of growth with yet another year of sales and profit enhancement.

Operating performance during 1996-97

Strong Financial Performance

Reliance maintained its momentum of growth with yet another year of sales and profit enhancement. Product prices were under pressure internationally and the impact of this was also felt in India.

Sales grew by 12% to Rs. 8,730 crores (US $ 2,431 million) and profit after tax increased by 1 % to Rs. 1,323 crores (US $ 368 million). There has also been a change in the method of providing depreciation from Straight Line Method (SLM) to Written Down Value (WDV) method in respect of certain assets. Had there been no change in the method of providing depreciation, the profits for the year would have been higher by Rs. 66 crores (US $ 18 million).

Volume growth

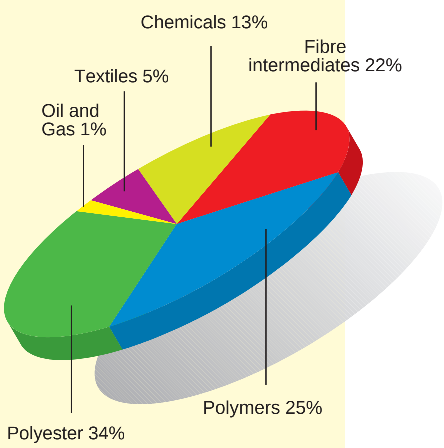
The company commissioned several world scale manufacturing facilities at its Hazira Petrochemicals Complex during 1996-97. This will result in a four fold increase in total capacity and completion of the integration chain.

A 35% growth in sales volume, plants operating at full capacity, improvement in cost efficiencies, higher value addition due to extension of the integration chain and better working capital management enabled the company to perform well in an otherwise difficult year.

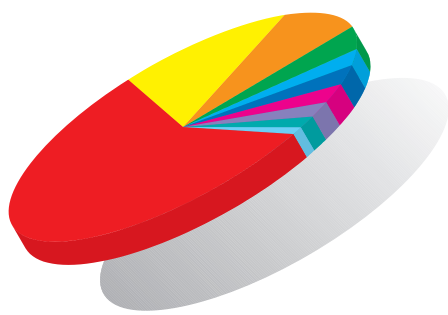
Business Mix

Reliance's business mix remained largely unchanged with 34% of sales coming from Polyester, 22% from Fibre intermediates, 25% from Polymers, 13% from Chemicals, 5 % from Textiles and 1 % from Oil and Gas. Reliance continued to lead the domestic market in all its products with market shares ranging between 35 % and 55%.

Business Mix



Distribution of Income



Key	Item	%
	Manufacturing expenses	57
	Excise Duty	14
	Retained Earnings	11
	Depreciation	5
	Dividend	3
	Administrative Expenses	3
	Employee Cost	3
	Sales Expenses	2
	Interest	2
	Tax	1

During the financial year 1996-97, Reliance tapped the US debt market with its five Yankee Bond issues for a total sum of US $ 614 million.

Robust market growth

The market for Reliance's major products, namely polyesters and polymers, grew strongly during 1996-97 and the company was able to fully participate in this growth with new capacities coming on stream during 1996-97.

The full impact of capacity additions will, however, be reflected to a greater extent during the coming years.

Landmark debt transactions

During the financial year 1996-97, Reliance tapped the US debt market with its five Yankee Bond issues for a total sum of US $ 614 million. The maturities for these issues were right across the yield curve ranging from 10 to 100 years.

Time of issue	Amount (US $mm)	Maturity (in years)
June 96	100	20
June 96	100	30 put 12
Aug 96	100	50 put 30
Jan 97	214	30 put 10
Jan 97	100	100

Yankee Bond Issues - Distinctions

With these issues, Reliance achieved the following in the global capital market :

1. To be the first corporate issuer of 50 and 100 year bonds from Asia.
2. To be the first issuer with split rating (due to the constraint of India's sovereign rating) in the world to issue a 100 year bond.
3. To be among less than 30 issuers in the world who have accessed the 100 year market in the last 4 years.
4. Reliance, now, has 10, 12, 20, 30, 50 and 100 year bonds outstanding and thus provides a benchmark yield curve for future Indian issues.

International Debt Issues - Benefits

Reliance has so far raised a total of US $ 914 million in the international fixed income market. This has led to a lowering of its average cost of capital and increase in the average maturity.

Average maturity of debt has more than doubled thereby bringing the maturity profile closer to the economic life of the underlying productive assets. Average maturity of the total foreign debt of Reliance is 23 years.

Market access was at a time of historically low interest rates, which has led to further savings in interest cost. Reliance, today, is a well known name in the international capital markets and has the ability to raise funds at competitive cost.

Ratings from international agencies

During 1995-96, Reliance became the first Indian company in the private sector to be rated by international rating agencies and it continues to be the only one to be rated by three international rating agencies, namely Standard & Poor (S&P), Moody's Investor Services Inc. and National Association of Insurance Commissioners (NAIC). In 1996-97, Moody's and NAIC retained their ratings of “Baa3 Investment Grade” and “NAIC 2 Investment Grade” respectively on Reliance, while S&P upgraded its rating from “BB+

The key elements of Reliance's competitive strategy are integration and site orientation, capital cost advantage and operating cost competitiveness.

Stable Outlook" to "BB+ Positive Outlook". These ratings are at par with India's sovereign rating from all three agencies, which provides additional comfort to the international debt investing community.

Consistent financial performance

Historic performance

Reliance has recorded consistent financial performance over the years with sales, profits, networth, total assets and EPS growing strongly despite increased international competition and volatility in product prices.

Over the last five years, sales rose at a compounded annual rate of growth (CARG) of 24 % from Rs. 2,953 crores in 1991-92 to Rs. 8,730 crores in 1996-97. Profit after tax has risen at an even higher rate of 52 % to Rs. 1,323 crores over the same period, with the EPS growing at an impressive CARG of 22%. EPS in dollars has grown at a CARG of 19% over the last 5 years.

Consistent performance in a declining import tariff environment

Even as the domestic industry was thrown open to international competition with the lowering of peak import tariffs from 110 % in 1993 to 40 % in 1997, Reliance managed to maintain its operating profit margin in the range of 18 to 20 %. The net profit margin, on the other hand, improved substantially from 8 % in 1992-93 to 15 % in 1996-97.

	1993	1994	1995	1996	1997
Peak import tariff (%)	110	85	65	50	40
OPM (%)	20	18	19	19	19
NPM (%)	8	11	15	17	15
RONW (%)*	21	18	24	25	22
EPS (Rs.)	13	18	23	28	29
Cash EPS (Rs.)	25	26	30	35	38

*Excluding CWIP

Global cost competitiveness

Reliance has always built world scale capacities based on state-of-the-art technology, which compete among the best in the world. Reliance is one of the lowest cost producers of polyester and polymers in the world. The key elements of Reliance's competitive strategy are integration and site orientation, capital cost advantage and operating cost competitiveness.

Integration and site orientation

Reliance's vision has been to build integrated sites rather than creating stand-alone facilities at different locations. Apart from ensuring security of feed-stock, integration allows the company to capture value addition at every stage - Reliance is fully integrated from naphtha to polymers on one end and right up to fabrics on the other end.

Reliance has, over the years, developed a strong distribution network for reaching its large and geographically diverse customer base.

The site orientation allows for optimisation of energy and utility costs due to sharing of resources among different facilities, savings on packaging and freight costs and overall production efficiencies.

Captive power

All of Reliance's manufacturing facilities are totally supported by captive power, which translates into a competitive advantage for the company due to the energy intensive nature of the petrochemicals business and the ability of the company to generate energy at internationally competitive costs.

Capital Cost advantage

Building world class plants at competitive costs resides at the core of Reliance's competitive strategy. The capital costs of completed projects for Reliance is significantly lower than that of similar plants set up elsewhere in the world, despite the high import duty on capital goods and higher interest rates in India.

Operating cost competitiveness

Ongoing efforts for achieving productivity gains and improving efficiencies, have ensured that Reliance is one of the most competitive producers of petrochemicals in this part of the world, in terms of operating costs.

Over a period of time, Reliance has built a highly skilled and experienced team of qualified engineers and professionals with international exposure.

Distribution Network

Reliance has, over the years, developed a strong distribution network for reaching its large and geographically diverse customer base, which gives the company a strong foothold in the market against domestic and international competition.

In some of the products, Reliance has the capability to deliver the specified quantity of product within 24 hours at the customer's doorstep anywhere in the country. This allows the customer to manage the inventory efficiently, who in turn is willing to pay a premium for the convenience.

Completion of Hazira Projects

Reliance joins the global league

The financial year 1996-97 saw substantial completion of Reliance's ambitious Hazira Phase II expansion programme totalling over Rs.9,000 crores (US $ 2,500 million). Seven world scale plants were commissioned at Hazira during 1996-97. This has resulted in a four fold increase in the total installed capacity to over 6 million tonnes per annum, and has enabled the company to leap-frog into the global league in most of its products.

Reliance achieved a major milestone in 1996-97 by commissioning the largest grassroot multi-feed cracker in the world.

Hazira Projects - a quantum leap for Reliance

Product	New Capacity (tonnes per annum)
Polyester Filament Yarn (PFY)	120,000
Polyester Staple Fibre (PSF)	160,000
Purified Terephthalic Acid (PTA)	350,000
Mono Ethylene Glycol (MEG)	120,000
Poly Vinyl Chloride (PVC)	90,000
Cracker	2,200,000
Polypropylene (PP)	350,000

Polyester

With these expansions, Reliance's Polyester Filament Yarn (PFY) capacity has increased to 210,000 tonnes per annum, which makes it currently the sixth largest producer of PFY in the world.

PSF capacity has increased to 270,000 tonnes per annum, making Reliance currently the fifth largest producer of PSF in the world.

Reliance also commissioned a 350,000 tonnes per annum PTA plant and a 120,000 tonnes per annum MEG plant during 1996-97 to ensure captive availability of key raw materials. Consequent to the commissioning of these plants, the company's capacities in PTA and MEG have more than doubled.

Polymers

Reliance expanded its range of plastics by commissioning a 350,000 tonnes per annum Polypropylene (PP) plant at Hazira in 1996-97. With this, the company has 45 % share of the current domestic production.

Cracker

Reliance achieved a major milestone in 1996-97 by commissioning the largest grassroot multi-feed cracker in the world. The cracker can produce 750,000 tonnes per annum of ethylene, 365,000 tonnes per annum of propylene and over 1,000,000 tonnes per annum of aromatics and other by-products.

Captive availability of ethylene and propylene will lead to margin enhancement and security of feed-stock.

Hazira Projects under implementation

The remaining four projects under implementation at Hazira, are already at an advanced stage of implementation and are all expected to be completed during 1997-98.

Product	Capacity under implementation (Tonnes)
Polyethylene	200,000
PET Chips	80,000
Purified Terephthalic Acid	350,000
Mono Ethylene Glycol	120,000

Reliance's business mix of fibre and polymer negates considerably the cyclicality inherent to the petrochemical business.

Cost efficiencies from Hazira

Cost efficiencies will improve due to spreading of fixed costs over larger production and increased degree of integration. Savings on freight, packaging and handling costs will also improve the cost structure.

Simultaneous implementation of several projects at the same site has led to other cost efficiencies like standardisation of equipment, bulk ordering and sharing of resources among various facilities.

In brief, successful commissioning of Hazira signifies a quantum shift in the scale and cost structure of Reliance. This has also placed the company very firmly on the global map.

Jamnagar Petrochemical Complex - Next phase of growth

Project details and status

The next phase of growth is planned at Jamnagar, where Reliance is building two more world scale plants - one PP plant with capacity of 400,000 tonnes per annum and three Paraxylene plants with an aggregate capacity of 1.4 million tonnes per annum. Work has already begun on these projects - basic and detailed engineering for both the projects is almost complete.

Volume growth

The total capacity of Reliance will further grow by 50 % to 9.3 million tonnes per annum on completion of these two projects. On completion of the Jamnagar projects, Reliance will become the second largest producer of Paraxylene and the fifth largest producer of PP in the world. The company will then become self-sufficient in its captive requirement of Paraxylene apart from having a substantial saleable surplus.

Reliance - Emerging Global Ranks

Product	Emerging Global Rank
Polyester Filament Yarn	6th
Polyester Staple Fibre	5th
Purified Terephthalic Acid	5th
Mono Ethylene Glycol	10th
Paraxylene	2nd
Polyethelene	10th
Polypropylene	5th
Cracker	Largest grassroot multi-feed cracker in the world

Outlook

Looking on from here, volume growth will be the key driver of Reliance's earnings expansion. The company will continue to remain focused on the domestic market, which is also growing very rapidly in both the company's major product portfolios.

Reliance's global cost competitiveness, scale and integration will allow it to retain its foothold over the local market despite competition from imports - the company's deep understanding of the domestic market and a strong distribution network also gives it a significant edge.

Reliance's business mix of fibre and polymer negates considerably the cyclicality inherent to the petrochemical business. Increased integration will lead to the emergence of a more stable company.

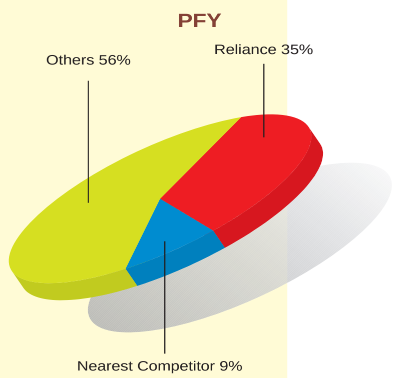
As in the past, much of the future growth will be organic, with the company exploiting core business opportunities in the domestic market. Reliance has grown significantly in stature after the completion of Hazira projects. Additional internal flows will also be major source of funds for future use.

With a total capacity of 210,000 tonnes per annum , Reliance has emerged as the 6th largest producer of PFY in the world.

Polyester Filament Yarn (PFY)

With a total capacity of 210,000 tonnes per annum , Reliance has emerged as the 6th largest producer of PFY in the world. During 1996-97, Reliance commissioned a 60,000 tonnes per annum PFY capacity at Hazira. The fresh capacities have commenced production and are operating at full capacity.

In 1996-97, Reliance produced about 165,000 tonnes per annum of PFY. The increase in production led to an increase in Reliance's market share from 29 % in 1995-96 to 35 % in 1996-97.

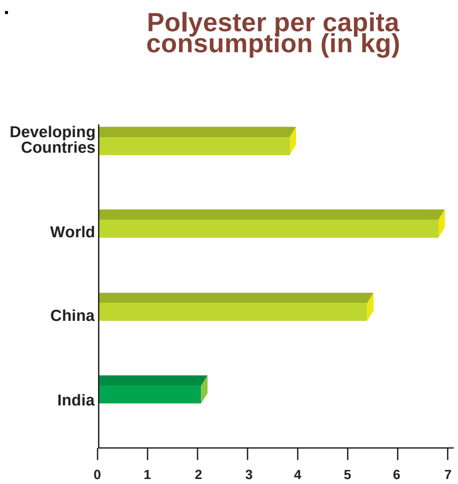


PFY industry witnessed a robust demand growth of around 26 %. The domestic demand for PFY increased from 360,000 tonnes per annum in 95-96 to 460,000 tonnes per annum in 96-97. Falling international prices and reduced excise duties as well as import tariffs have made PFY more affordable vis-a-vis other fibres. These price differentials have led to a growing preference for polyester over cotton and other fibres. This trend is likely to continue and lead to a domestic demand growth rate of around 24 % in the coming years. Reliance always believed in the potential for cotton substitution by polyester. This has been validated by the trends in the market place.

Introduction of more sophisticated processes in the Hazira polyester complex enhanced Reliance's quality and cost position. The automated material handling and packaging system at Hazira significantly improves the overall product quality.

New products in the Fully Drawn Yarn (FDY) segment were developed which have led to fresh applications for FDY being developed.

Reliance is ideally positioned to retain its leadership position and emerge stronger if there is a phase of industry restructuring. A secure raw material position, a strong cost competitive position, significant economies of scale, and the wide marketing network equip Reliance to meet the challenges in the wake of industry restructuring.



Reliance is the fifth largest PSF producer in the world.

Polyester Staple Fibre (PSF)

During 1996-97, Reliance commissioned the 160,000 tonnes per year Polyester Staple Fibre (PSF) plant based on DuPont technology at Hazira.

With the commissioning of this plant, the total PSF capacity of Reliance has increased to 270,000 tonnes per year. This places Reliance as the fifth largest PSF producer in the world. Reliance's PSF production was about 135,000 tonnes in 1996-97.

The rapid expansion of capacity will enable RIL to entrench itself further in the domestic polyester market. In 1996-97, RIL enjoyed a dominant 41 % share in domestic production of PSF in an industry comprising 9 producers and with the second largest producer having a 21 % share. Riding upon the capacity expansions, Reliance's share is slated to improve to over 50 % in 1997-98. Reliance is already a 'Preferred Supplier' in the market and expects to further widen its customer base.

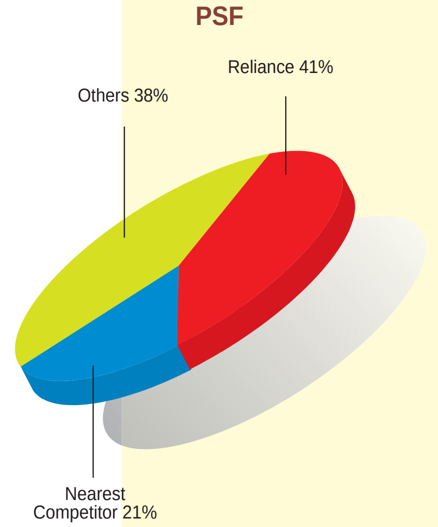
Currently, Reliance's PSF is supplied, either exclusively or partially, to almost 80 % of the total spinning mills in the country. Reliance's strategically designed marketing network (6 Regional Offices, 5 Area Offices and 5 Resident Representatives) ensures that its Techno-Commercial team works closely with its customers to provide prompt and value-added service through innovative methods.

With 3 manufacturing locations and 9 manufacturing lines, Reliance has a unique capability to produce 9 different products of PSF simultaneously and offer the widest product range off the shelf. Reliance's customers will enjoy uninterrupted supplies of all products while maintaining minimum inventory at their end, resulting in significant savings in their working capital.

Domestic demand for PSF has grown at a compounded rate of 19 % over the last ten years. The trend is likely to continue well into the future with the demand for PSF during 1997-98 expected to be 400,000 tonnes per annum.

Reliance is India's largest polyester producer with fully integrated processes and facilities. Captive consumption of PTA and MEG for the production of PSF leads to considerable margin enhancement and value addition in the fibres business.

Reliance's huge capacities and vertical integration enable it to achieve economies of scale, improve cost efficiencies, expand market shares and capture the rapidly growing demand in the domestic market. Reliance's strong competitive position will ensure that it emerges stronger from any industry restructuring in the polyester staple fibre industry.



Reliance will be among the top 5 PTA producers in the world after the commissioning of its third PTA plant at Hazira.

Purified Terephthalic Acid (PTA)

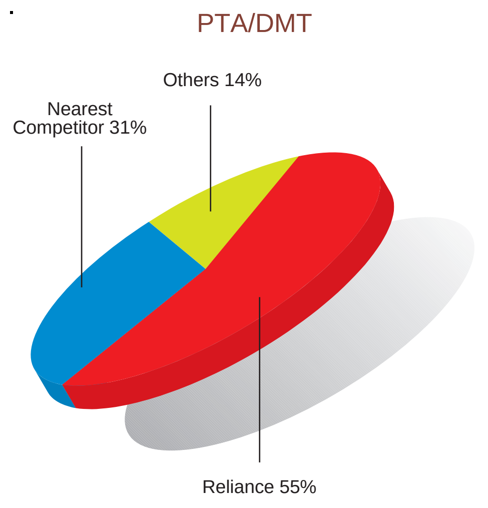
Reliance commissioned the 350,000 tonnes per year PTA plant based on ICI, UK technology, at Hazira. With the commissioning of this plant, Reliance is able to produce 600,000 tonnes of PTA per year.

A third PTA plant with a capacity of 350,000 tonnes per annum is currently being set up, also at Hazira, and is at an advanced stage of implementation. On completion of this project, Reliance's total PTA production is expected to be around one million tonnes per annum placing it amongst the top 5 global producers of PTA.

Reliance is currently India's only producer of PTA, the preferred and more economical route for production of polyester. Reliance produced about 270,000 tonnes per annum of PTA during 1996-97. Reliance will enhance its market share from 55% in 1996-97 to about 70% in 1997-98. Reliance's own consumption of PTA is expected to be about 500,000 tonnes per annum on commissioning of all its polyester capacity.

Captive production and consumption of PTA leads to value addition, margin enhancement and cost competitiveness in the Fibres business.

The supply and demand for polyester in India have increased at an annual compounded rate of 20% over the past ten years, leading to high growth rate for PTA. The consumption of PTA/DMT in India during 1997-98 is expected to be about 1.2 million tonnes per annum. The global PTA/DMT industry has grown at the rate of 9% during the same period.



Reliance will join the global league with the commissioning of the third plant to become the tenth largest producer of MEG in the world.

Mono Ethylene Glycol (MEG)

Reliance commissioned its 120,000 tonnes per annum MEG plant based on Shell process, at Hazira. With the commissioning of this second plant, Reliance can produce 220,000 tonnes of MEG per annum.

Reliance is also building a third 120,000 tonnes per annum MEG plant at Hazira, which is identical to the second plant and is expected to be completed by the end of 1997-98. Reliance will join the global league with the commissioning of the third plant to become the tenth largest producer of MEG in the world.

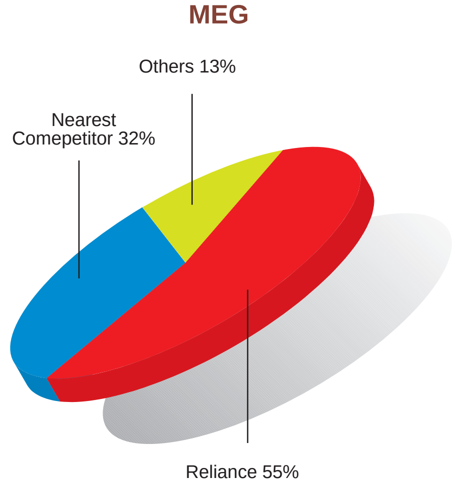
MEG is one of the principal raw materials for production of polyester along with Purified Terephthalic Acid (PTA). The second MEG plant will ensure captive availability of raw material for Reliance's enhanced polyester capacity, while the third plant will largely cater to the rapidly growing MEG demand in the domestic market, driven primarily by aggressive capacity additions by major polyester producers and strong demand growth rates currently being witnessed in the polyester business.

Ethylene is the main raw material for producing MEG. Reliance has commissioned the world's largest grass-root multi-feed cracker at Hazira with a capacity to yield 750,000 tonnes per annum of ethylene. The ethylene output from the cracker will be sufficient to meet the entire captive requirement of Reliance's MEG plants.

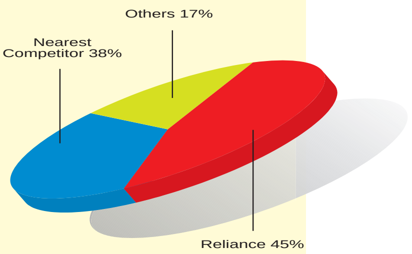
Captive availability of ethylene will insulate Reliance from fluctuations in the international prices and will further save costs and enhance margins.

The demand for MEG in the domestic market has grown at a compounded annual rate of about 20 % over the last ten years - significantly ahead of the comparable global rate of growth of around 7 % per annum. The domestic demand for MEG has grown at a much higher rate of about 38 % during 1996-97, riding on robust growth in demand for polyester, a trend which is likely to continue in the future.

Reliance is already the leading producer of MEG with 55 % of the total domestic production in 1996-97. Reliance's production was about 110,000 tonnes in 1996-97. Reliance's market share in domestic production of MEG will expand further to about 70% in 1997-98.



Reliance's total production capacity will double to 400,000 tonnes per annum, making it the tenth largest swing manufacturing facility of PE in the world.



Polyethylene (PE)

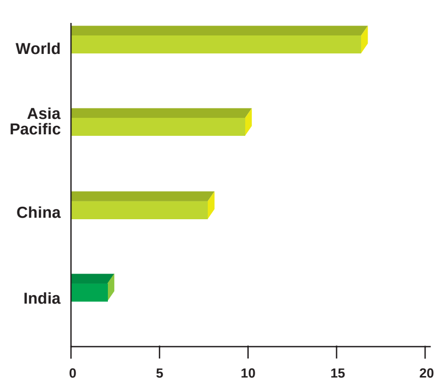
Reliance is the largest producer of polyethylene in India with its swing plant of 200,000 tonnes per annum at Hazira, which has the capability to produce both High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE).

The company's upcoming plant of 200,000 tonnes per annum will begin commercial production soon. With this, Reliance's total production capacity will double to 400,000 tonnes per annum, making it the tenth largest swing manufacturing facility of PE in the world.

Reliance produced about 165,000 tonnes of PE in 1996-97. Reliance will expand its already dominant market share of 45 % significantly in the coming years due to availability of increased production capacity from the second PE plant.

The demand for polyethylene in the domestic market has grown at a compounded annual rate of about 19 % over the last ten years. The domestic market has further grown by 16 % in 1996-97. This trend is likely to continue in the future riding on the back of continued expansion of demand from existing application areas, new product applications and substitution opportunities. With strong growth fundamentals in place, India is likely to remain a net importer of PE for the coming few years. Reliance will continue to target deeper penetration of the end markets and pursue new applications and substitution opportunities.

Commissioning of the cracker will insulate the company from fluctuations in the international prices of ethylene and will further save costs and enhance margins in the PE business.



Reliance is expected to lead the Indian market with a market share of 73%.

Polypropylene (PP)

During 1996-97, Reliance commissioned its 350,000 tonnes per annum world scale PP production facility. This makes Reliance a global player in PP and one of the largest producers of PP in this part of the world.

This state-of-the-art fully computerized plant employs highly efficient Unipol gas-phase polymerization process from Union Carbide and Shell's widely acclaimed catalyst system. This, coupled with the market proven product technology, also of Shell, would enable Reliance to produce the complete range of grades required by Indian Plastic Processing Industry.

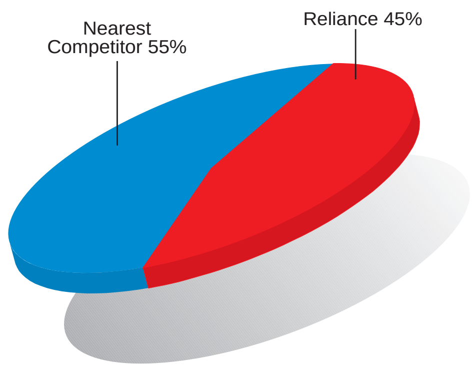
PP produced from this plant has been tried out and accepted by all the major users in India. The PP produced from this plant has met the globally acceptable quality standards.

Reliance has integrated its PP plant with its own propylene from the Cracker. This will lead to substantial cost savings and margin enhancement.

Historically, the global demand growth of PP at 7% has been the fastest among all commodity thermoplastics. In India, consumption of PP has grown at an annual compounded rate of 22% over the past ten years.

The demand for PP in India during the financial year 1996-97 was 425,000 tonnes. This is expected to grow at over 20 % over the next few years. At present, over 50 % of the demand is met through imports which will now be met by Reliance. Reliance is expected to lead the Indian market with a market share of 73%. Reliance produced about 90,000 tonnes of PP in 1996-97.

PP



Reliance enjoys the position of undisputed leadership in the Indian PVC market in terms of product quality and supply capability.

Polyvinyl Chloride (PVC)

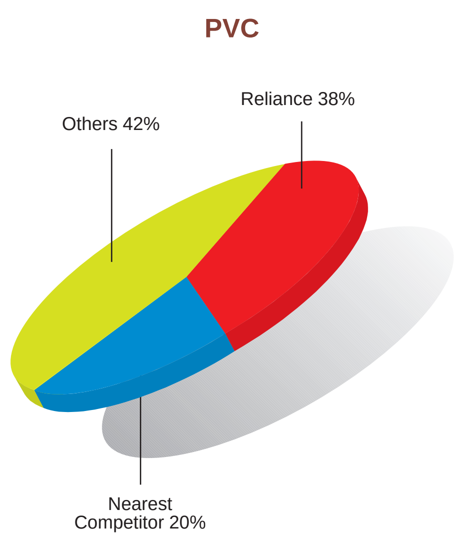
Reliance completed the debottlenecking of its PVC plant and increased the capacity from 180,000 tonnes to 270,000 tonnes per annum. With this Reliance is a global scale producer of PVC. Reliance enjoys the position of undisputed leadership in the Indian PVC market in terms of product quality and supply capability.

The plant will be expanded further to 300,000 tonnes per annum. PVC produced from this plant has been tried and tested successfully by various major consumers. Productivity of the manufacturing process was improved in 1996-97 which yielded substantial improvements in quality.

Reliance's share in domestic production will increase from 38% to 46 % by 1997-98. In 1996-97, Reliance produced about 190,000 tonnes.

Historically, the PVC demand growth in India at 12% has far outpaced the global demand growth at 4%. Domestic demand for PVC grew from 467,000 tonnes in 95-96 to 503,000 in 96-97. This growth rate of 8 % is expected to touch 14 % in the coming year.

PVC is one of the most versatile Polymers and has a wide spectrum of applications - pipes, sheets, films, footwear, wires and cables. Substitution of traditional materials with PVC will lead to development of new applications and hence drive significant demand growth for PVC in coming years. Reliance's aggressive capacity creation and the consequent thrust towards widening consumer base and spread, has resulted in an impetus to the processing industry. By virtue of its versatility and re-cyclicability, PVC holds a unique position in the spectrum of plastics and is assured of healthy demand growth.



Reliance commissioned the world's largest grass-root multi-feed cracker at Hazira.

Cracker - Ethylene and Propylene

Reliance commissioned the world's largest grass-root multi-feed cracker at Hazira. The cracker can produce 750,000 tonnes per annum of ethylene, 365,000 tonnes per annum of propylene and over 1,000,000 tonnes per annum of aromatics and other by-products.

Reliance's cracker is the only world scale ethylene plant in India. With this, India has joined the elite group of world scale ethylene producers. Reliance has the largest naphtha cracking capacity in Asia and is the first to be commissioned during the last 20 years in the country. The cracker technology is from Stone & Webster (USA).

With the cracker on stream, polymer, polyester and textiles businesses of Reliance are fully integrated. The cracker improves Reliance's competitive position by securing stable low cost raw materials through vertical backward integration. This helps Reliance capture value addition at all stages of the petrochemical chain. The state-of-the-art technology and the significant economies of scale result in considerable cost savings and margin enhancement.

The cracker substantially ends Reliance's dependence on the international market for ethylene and propylene. It also insulates Reliance from price fluctuations and will further save costs and enhance margins.

Reliance has emerged as the leading Indian producer of ethylene and propylene. It will now account for about 55 per cent of domestic ethylene production. The net annual foreign exchange savings for the country, by way of import substitution will be over US $ 500 million.

The cracker can use a wide variety of feedstocks including naphtha, Natural Gas Liquids (NGL) and other petroleum feedstocks. Reliance has its own the jetty and chemical terminal at the Hazira Complex to import the required feedstocks. The naphtha for the cracker can be off-loaded at the Reliance's Single Point Mooring (SPM) currently operational off the Hazira coast and transferred to the complex via pipelines.

Ethylene and propylene production will be used for the production of polyethylene (PE), Polypropylene(PP), Polyvinyl Chloride (PVC) and mono-ethylene glycol (MEG) at the Hazira petrochemical complex.

The cracker employs the most modern environment friendly technology.

Cracker - Other Products

Besides Ethylene and Propylene, the Cracker produces Aromatics viz., Benzene, Toluene, Mix-Xylene and Carbon Black Feed Stock (CBFS).

Benzene

Like Ethylene and Propylene, Benzene is a basic feed stock in the petrochemical industry. It is used for the manufacture of major industrial chemicals such as Styrene, Phenol, Caprolactum, Linear Alkyl Benzene (LAB), Nitro-benzene, Chloro-benzene, Maleic Anhydride and Aniline.

Reliance will be the largest producer of Benzene in the country.

Reliance will be the largest producer of Benzene in the country (Reliance expects to attain 28% share in the domestic market). Reliance's production facility will achieve the following objectives:

- Limit imports thereby saving foreign exchange to the tune of around US $ 50 million.
- Catalyze growth in the downstream industry. Benzene domestic demand has been growing at a rate of 5% in the past. The demand is expected to grow at much higher rates in future.
- Provide valuable link in the integration of LAB & Styrene.

Toluene

Reliance will be the largest producer of Toluene in the country. Reliance will be producing ultra pure Toluene suitable for the manufacture of Toluene Di-isocyanate. Other applications of Toluene include Nitro Toluene, Chloro Toluene and solvent for bulk drugs.

The Mobil Selective Toluene Dis Proportionation (MSTDP) Unit facilitates conversion of Toluene to Paraxylene.

Mix Xylene

Reliance will be the largest and the only producer of this product in India. Isomer Grade Mix Xylene will be captively consumed for the production of Paraxylene at Patalganga. Solvent Grade Mix Xylene will be used by Paint, Pesticides, Oilfield Chemicals etc.

Carbon Black Feed Stock (CBFS)

CBFS, as the name suggests, is used primarily for the manufacture of carbon black which is a critical raw material for tyre industry. With the impressive growth of automobile industry, in the past two years, CBFS domestic demand is estimated at 440,000 tonnes per annum in 1997-98. This demand is expected to grow at 8% upto 2000. CBFS demand is also being met through imports. Reliance's production will help to bridge the gap between demand and supply.

Reliance's LAB sold under the brand name Relab continued to be used by all the leading detergent manufacturers in the country.

Linear Alkyl Benzene (LAB)

Reliance's LAB sold under the brand name Relab continued to be used by all the leading detergent manufacturers in the country. Reliance is one of the largest Indian producers of LAB. With a production of about 85,000 tonnes, Reliance's share in domestic production was 38 % in 1996-97. Reliance is planning an increase in capacity to meet the growing demand.

Paraffins

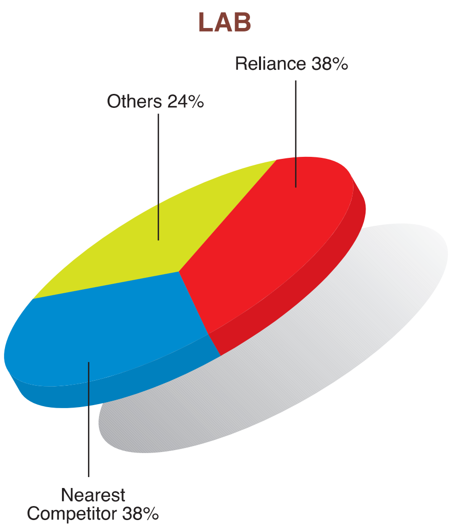
With a production of about 30,000 tonnes, Reliance continues to be the major player in the domestic paraffins market. Reliance's share in the domestic production is 55 %. The growing demand for PVC is driving the market for Paraffins. Reliance has plans to increase its capacity by 25,000 tonnes per annum to meet the increasing demand.

Ethylene Oxide (EO)

EO is a versatile chemical used in cosmetics, pharmaceuticals, toiletries, oil field chemicals, refinery and automobiles. With a production of about 15,000 tonnes, Reliance increased its share in domestic production from 31 % in 1995-96 to 42 % in 1996-97.

Tri Ethylene Glycol (TEG)

TEG is used in oil exploration, lubricants, specialty chemicals and polyester production. Reliance continues to substitute imports of this chemical. Reliance manufactures TEG by adding value to Diethylene Glycol (DEG), a by product from its Monoethylene Glycol facility. Reliance quality is benchmarked as the best against the other major producers in the world. Reliance exports significant production of TEG to other countries in Asia. In 1996-97, Reliance produced about 3,000 tonnes.



Reliance's Naroda textiles complex houses one of the largest and most modern synthetic textile mills in Asia.

Reliance is India's largest synthetic textile producer with a production capacity of 50 million meters per annum. Reliance's Naroda textiles complex houses one of the largest and most modern synthetic textile mills in Asia. Activities carried out at the Naroda mill include the entire gamut of textile operations such as - spinning and weaving, crimping, texturing and dyeing of yarn, warp knitting, fabric designing, printing and processing. Naroda has the distinction of having one of the largest design studios in Asia.

The textiles are sold under the brand name of VIMAL, HARMONY and SlumbRel. These products are marketed through a distribution network of approximately 450 independent wholesale dealers, 1,600 franchised retail outlets (selling only Reliance products) and 34,000 other independently owned retail outlets throughout India.

VIMAL

VIMAL is India's largest selling brand of premium textiles. The competitive edge for VIMAL stems from the huge range of choices it offers to the consumers. Fresh and latest VIMAL textiles collections are periodically released every year to provide enchanting variety for the consumers. This variety is possible because latest international machines are used to upgrade the production and design process. A conscious attempt is made to offer more and better variety to the upper segment of the market. The focus is on maximizing margins by higher levels of value addition.

VIMAL worsted and blended suitings, shirtings, sarees and dress materials are widely acclaimed by Indian as well as international consumers.

HARMONY

HARMONY is the largest selling brand of premium furnishing fabrics. HARMONY offers a complete range of latest in ethnic and international designs, flat jacquards, new generation velours, transfer prints, dyed co-ordinates, automotive velours, jacquards, printed drapes and laced net curtains.

The entire HARMONY collection was displayed in an art show hosted by Reliance at Mumbai. The collection met with enthusiastic response from the connoisseurs and the discerning elite of the Indian society.

Oil production from the Panna - Mukta oil field is currently over 11,500 barrels per day. It is expected to increase to 45,000 barrels per day by 1998-99.

Reliance has an un-incorporated joint venture with Enron and ONGC to develop Panna, Mukta and Tapti fields. The joint venture has made significant progress in the implementation of the development plans. The reservoir studies using advanced technology for assessing the production potential from these fields are in progress. Total capital expenditure incurred till date is around Rs. 1,800 crores (US $ 500 million).

Oil production from the Panna - Mukta oil field is currently over 11,500 barrels per day. It is expected to increase to 45,000 barrels per day by 1998-99. Currently, over 1 million cubic meters per day of Gas is flared at the Panna - Mukta fields. The gas flaring is expected to stop in June 1997 and the sales are expected to peak at 2 million cubic meters per day by end 1997.

Gas production facilities at the Tapti were commissioned in March 1997.

Attractive business opportunities are opening up in the domestic oil exploration business. The new exploration licensing policy attempts to create a very positive environment for new ventures in the exploration business. Reliance plans to pursue more exciting opportunities in this business.

Recently, Reliance was awarded four separate exploration blocks on the basis of competitive bids. The first phase of the exploration involves an estimated commitment of approximately US $ 20 million to carry out seismic studies and drill exploratory wells to ascertain hydrocarbon resource potential.

Reliance is the world's largest and one of the most experienced lighterage operators for cryogenic products being handled up to -104ºC.

Reliance has one of the largest manufacturing operations in the Indian corporate sector. Availability of infrastructure of a very high scale is imperative for ensuring smooth operations. To secure against shutdown risk, Reliance has built large utility plants in-house at its integrated petrochemical complexes. Creation of these utilities has also reduced the operating costs for Reliance.

Captive Power Plants

To ensure a low cost assured supply of energy for its growing requirements, Reliance has built new power plants at Naroda and Patalganga with a capacity of 75 MW. The captive power facilities at Hazira have also been expanded to meet the fresh demand.

Captive Generation at Reliance

Location	MW
Hazira	220
Patalganga	85
Naroda	45
Jamnagar*	400
	750

*Under implementation

Captive Port Infrastructure

Given the global size and scale of operations at Hazira, an efficient port and marine infrastructure is an essential pre-requisite for maintaining full capacity utilisation of the plants. Reliance has created such an infrastructure in a cost-effective manner which is unique in India. The facilities include 1 Single Point Mooring System and 3 Jetties. Reliance has 1 ocean going tanker, 4 ocean going vessels for liquefied gases and 5 tugs.

This infrastructure can handle Ethylene, Propylene, EDC, VCM, LPG, Butenes, MEG, PX, Benzene and Naphtha. Naphtha and PX are imported at Hazira by sea and offloaded at a Single Point Mooring System located offshore. From there it is delivered to the facility via a pipeline. EDC and LPG are transported by mid sea lighterage. Reliance is the world's largest and one of the most experienced lighterage operators for cryogenic products being handled up to -104ºC.

Reliance Petroleum's 15 million tonne refinery will be the world's largest single stream grass root refinery.

Consistent with the overall policy of the company, Reliance Industries will invest in separate companies which will undertake new businesses. Currently, the businesses being undertaken are :

1. Oil Refining - Reliance Petroleum Ltd.
2. Power - Separate entities
3. Telecom - Reliance Telecom

The basic objective of investing in these new areas is to take advantage of the new policy of the Government of India for allowing private sector participation in these industries as also for providing a certain degree of counter-cyclicality to the existing businesses of Reliance Industries.

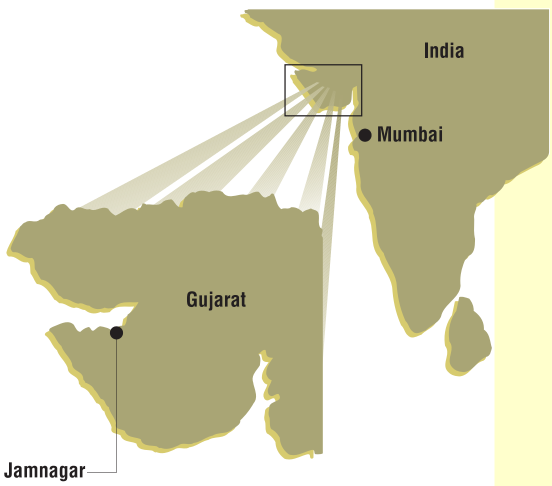
Reliance Petroleum

Reliance Petroleum's 15 million tonne refinery will be the world's largest single stream grass root refinery. The capital cost of the refinery is one of the lowest compared to other new Indian and international refineries. It will achieve highest value addition per unit of capital investment.

Reliance Industries Limited is expected to consume approximately 20 % of the refinery's total production for its petrochemical and polyester manufacturing complexes. Assured feedstock supply from Reliance Petroleum will be a key highlight for Reliance Industries. Petroleum coke from the refinery will be consumed in the Jamnagar Power project being set up by a Reliance group company.

The refinery project will prove to be a further step in Reliance's strategy of vertical backward integration and demonstrates the willingness of the Reliance group to take on large projects in domestic markets where strong demand is expected. The refinery will prove to be an important link in the Petrochemical - Petroleum - Power integration strategy of the Reliance group. The project leverages on Reliance's core competencies of project management, technical expertise and competitive financing.

The implementation of the refinery by Reliance Petroleum is progressing satisfactorily. Bechtel, internationally reputed engineering contractors, have been given the single point responsibility for technology, engineering, procurement, construction management and project management services for the refinery project. UOP, USA, the world leaders in refinery technology will provide basic engineering and licensing for the project. Currently, Bechtel has deputed around 1,200 engineers to the project. All the basic engineering and most of the detailed engineering has been completed. Most of the equipment have been ordered and are fully committed.



Feedstock linkage is key in the integration between Reliance's petrochemical, petroleum and power businesses.

Location	MW
Patalganga (Maharashtra)	410
Bawana (Delhi)	421
Jamnagar (Gujarat)	500

Power

Reliance is currently in the process of implementing three independent power projects (IPPs) in separate entities with a total power generating capacity of 1331 MW at Patalganga (Maharashtra), Bawana (Delhi), Jamnagar (Gujarat).

In 1996-97, the Power Purchase Agreement (PPA) for Patalganga was signed.

Reliance with its vast experience and expertise in setting up and maintaining captive power plants, raising finances and excellent record in fast track implementation of mega projects is well placed to meet challenges in the power sector in India.

Reliance's forays into the power sector are a further step in its vertical backward integration strategy. "From oil well head to power generation" is the theme underlying the Reliance strategy. Feedstock linkage is key in the integration between Reliance's petrochemical, petroleum and power businesses. Reliance's refining and oil & gas ventures are ideally positioned to provide fuel to the power generation units.

Reliance Telecom's strategy, consistent with all Reliance Group Companies, is to establish itself as the market leader in the sector.

Telecom

Reliance Telecom has been awarded eight licences for cellular mobile telephone service in seven circles and basic telephone service in one circle. Cellular mobile telephone service licence circles comprise of Assam, Bihar, Himachal Pradesh, Madhya Pradesh, North East, Orissa and West Bengal. These licences are valid for a period of 10 years and can be extended for 5 years at a time. Basic telephone service licence is for the state of Gujarat. This licence will be valid for a period of 15 years and can be extended for 10 years at a time.

In respect of basic telephone service licence for Gujarat circle, total licence fee for a period of 15 years amounts to about Rs. 3396 crores (US $ 946 million). This leads to one of the lowest per POP licence fee among the comparable circles. In respect of cellular services, licence fee for all its circles amounts to about Rs. 340 crores (US $ 95 million) over a 10 year period. This also leads to the lowest per POP licence fees among the comparable circles.

The cellular mobile telephone services project is being implemented on a turnkey basis, with the prime contract having been given to Motorola and Ericsson, leading suppliers in the world. Motorola is providing the Base Station Subsystem with Ericsson providing the Switching System. The implementation is going on in all the seven circles with teams of Motorola, Ericsson and Reliance Telecom already there on the site. By end of 1998, half of each circle licensed to Reliance Telecom will be covered by Reliance's cellular network. Marketing of the Cellular business, under the brand of "Reliance Mobile", is progressing in full swing.

Reliance Telecom's strategy, consistent with all Reliance Group Companies, is to establish itself as the market leader in the sector. Reliance Telecom may selectively expand both its geographic reach as well as the scope of services that it offers as the market matures and opportunities become available, while maintaining the same focus on shareholder value that it successfully demonstrated in its financially prudent bidding strategy. The telecom businesses will begin implementation in phases over 1997-98.

In 1996-97, Reliance became the first company in India to receive ISO certification for the service departments.

Reliance has always focused on quality as a core strength and has consistently worked towards building and maintaining a premium image for all its products and services.

- All the manufacturing facilities of Reliance except the ones commissioned towards the end of the year, are ISO certified, signifying international standard of quality controls and systems.
- In 1996-97, Reliance became the first company in India to receive ISO certification for the service departments, which is indicative of the company's commitment to total quality in every aspect of its operations.
- For the engineers and managers at Reliance, quality enhancement is a never ending pursuit. Several technological advancements in 1996-97 led to significant upgradation of existing facilities.
- During 1996-97, a fully Automated Product Handling and Packaging system was installed for the PFY units at Hazira at a cost of Rs. 60 crores, leading to better quality of delivered product, better tracking of product and avoidance of human induced errors. A similar facility is currently being installed for the PFY units in Patalganga.
- Reliance's strategy for automation is with a view to enhance quality. The company is continuously expanding the use of Advanced Process Control (APC) systems in its plants, leading to better control over process parameters and consequently consistent and superior quality of production. The newer facilities are completely based on the APC technology.
- Ongoing efforts and expenditure on maintaining quality has led to enhanced customer satisfaction, which is evident from the consistent reduction in complaint rate over the years. To take a few examples, during 1996-97, customer complaints in HDPE got reduced by half, in PVC by one-third and there was no complaint in MEG.
- In 1996-97, excellent quality was achieved for the new product PP in a short period of time. Prime grade production was 94 % in the first quarter of start-up - significantly higher than the best achieved by the licenser's reference plant (87%).

Reliance remains totally committed to quality, which forms the core of the company's manufacturing and customer satisfaction strategy.

The company is committed to linking itself with premier educational and research institutions of India.

At Reliance, R&D efforts are geared towards quality improvements, developing more efficient and environment friendly processes, and expanding user markets through new product applications.

Bringing industry and academics together

The company is committed to linking itself with premier educational and research institutions of India and thus bringing together industry and the academics. Reliance is working on several joint projects with prestigious research institutes like National Chemicals Laboratory (NCL), University Department of Chemical Technology (UDCT), Indian Institute of Technology (IIT) and the Bhaba Atomic Research Centre (BARC).

R&D for protecting environment

Pilot plant trials using eco-friendly non-HF catalyst in the LAB process have yielded encouraging results. This has the potential of making the process more environment friendly.

R&D for value addition

Catalyst has been developed for converting REMAX, a heavier by-product in manufacturing Paraxylene, to more valuable Benzene-Toluene-Xylene (BTX) mixture.

R&D for improving efficiencies

Detailed kinetic studies have been conducted for acetic acid decarboxylation in presence and absence of Paraxylene and its oxidation intermediates. These studies have led to better understanding of the dependence of acetic acid loss on various reaction parameters in Paraxylene oxidation. With this improved knowledge base, the R&D team at Reliance, has been able to reduce the loss of acetic acid during manufacture of crude terephthalic acid.

R&D for quality and productivity gains

Innovative efforts by the R&D team at Reliance have led to optimisation of timing sequence in VITOX process used for generating oxygen for effluent treatment plant. As a result, oxygen purity and net oxygen production have improved substantially.

Reliance Technology Centre (RTC)

Reliance has built a core R&D group for research and technology development activities in selected focus areas under the umbrella of Reliance Technology Centre. The group is currently working on the technology upgradation of melt spinning and drawline processes, development and use of process simulation softwares for melt spinning and esterification, scientific support to manufacturing and marketing functions and applications research for development of new synthetic fibre products. In future, the group will also focus on development of new polymer products for expanding their markets and assisting the customers in tapping new opportunities. Reliance is committed to developing the RTC into a world class R&D centre by expanding it substantially over the next few years.

Reliance will continue to improve upon its technology and processes through ongoing internal R&D efforts as well as joint efforts in collaboration with the premier research organisations of India. Reliance believes that it is essential to stay on the cutting edge of technology in order to ensure total customer satisfaction.

The company is committed to conduct its business with respect and care for the environment and has always kept it in mind while selecting technology, licenser, contractor or equipment supplier.

Health

Medical facilities are made available to all employees and their families. Preventive measures like periodic health check-ups and awareness programmes are encouraged.

Safety

Reliance is fully committed to total safety in all aspects of its operations. The company's motto is that safety overrides all production targets.

The company is proud of its impeccable record of over 33 million man hours without even a single lost time accident. This is achieved as a combination of the various steps taken by the company.

- Focus on safety during engineering, construction, startup and operation.
- Ongoing training and validation for all employees including contractors.
- Regular internal and external safety audits are conducted to gauge progress and improve upon systems.
- Reliance efforts in safety have been recognised by various agencies over the years.
- The company won the Award of honour from the National Safety Council of USA in 1993, 1994 and 1995.
- The company also consistently improved upon its world ranking in safety as adjudged by the National Safety Council of USA from 10th in 1992 to 1st in 1996.
- Reliance won the sword of honour from the British Safety Council four times in 1992, 1993, 1994 and 1996 respectively.
- The company has gained the five star rating three times from the British Safety Council in 1992, 1994 and 1996 respectively.

Reliance is committed to continue regarding safety of people as its prime focus, which will not be compromised for any other considerations.

Environment

As a responsible corporate citizen, Reliance is fully conscious of its environment and is determined to protect it. The company is committed to conduct its business with respect and care for the environment and has always kept it in mind while selecting technology, licenser, contractor or equipment supplier.

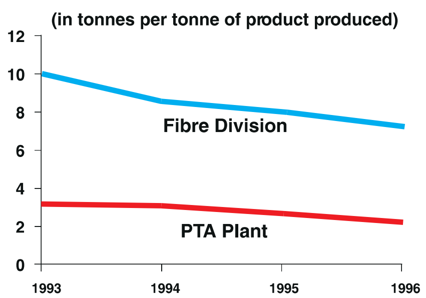
- Reliance has sought to consistently improve its environment care practices to absorb new advances in technology. As a result, the company has been able to keep its effluent discharge (environment care) and process water consumption levels (conservation of natural resource) far below the statutory limits, and has consistently improved upon these levels year after year.
- Reliance has sought to continuously reduce the pollutant load on the environment by controlling the quantity of pollutants at the sources, adopting more environment friendly processes and by recycling streams that yield organic pollutants.

Reliance became a signatory of "Responsible Care" in 1993, which is a global voluntary chemical industry initiative.

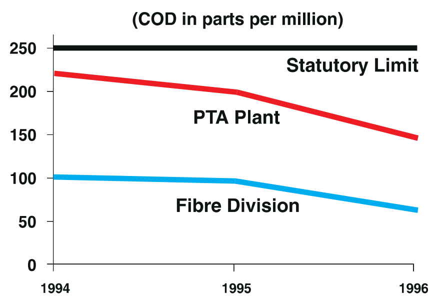
- The company has received the maximum water cess rebate for the fourth year in succession, which is a direct result of our environment care practices being to the fullest satisfaction of the authorities.
- Reliance has an active environment care policy covering the air, water, noise and land environment.
- All the manufacturing complexes of the company have lush green surroundings. The company uses treated effluent for plantation of trees and gardening, which goes to show the company's expertise in effluent treatment and commitment to environment care.
- R&D team at Reliance has produced LAB with non-HF (i.e. environment friendly) catalyst during trial runs in pilot plant.
- The company switched to carton-less packaging for polyester filament yarn in 1996-97 in its effort to be responsible for the environment in every possible way.
- The efforts of the company in this field have been recognised by way of awards conferred by leading organisations.
- In 1996-97, Reliance received the Indian Chemical Manufacturers Association (ICMA) award for "Environmental Control Strategies and Safety in Chemical Plants", the Southern Gujarat Chambers of Commerce and Industry award for the "Outstanding Pollution Control Programme" and the Gujarat State Safety award for "Lowest Disable Injury Index".
- Reliance became a signatory of "Responsible Care" in 1993, which is a global voluntary chemical industry initiative. Under "Responsible Care", individual chemical companies voluntarily demonstrate their commitment to improve all aspects of performance, which relate to the protection of health, safety and environment. Reliance has achieved considerable success in this programme under the broad heads of process safety, employee health and safety, pollution prevention, emergency response, distribution and product stewardship.

Reliance is committed to act in a responsible manner, continuously analyse and improve upon its practices, processes and products to reduce the risk to the environment and the product life cycle to the minimum.

Process Water Consumption in Patalganga



Effluent Discharge Levels in Patalganga



As we grow, our goal is to continue to be among the most preferred employers in each of the businesses.

The linkage between business strategy and human resource strategy has been a major challenge for Reliance as the magnitude of organic growth achieved by the Company has been unparalleled. The company had to identify, recruit, train and develop a large number of people and the whole process had to start from scratch. The strategy adopted was to recruit a core group of experienced senior managers from both India and abroad and simultaneously initiate a programme of recruiting large numbers of fresh graduates (engineering, science, management, finance and accounting professionals etc). The core group took on the responsibility of both setting up the business as well as training and developing younger people.

As we grow, our goal is to continue to be among the most preferred employers in each of the businesses and to provide an ideal working environment to all employees. The process consists of selection, training and empowerment.

Selection

Reliance has a major presence in the campuses of leading engineering colleges and other institutions at the time of yearly recruitment. During 1996-97 alone, 2,200 new members were added, mainly at the Hazira petrochemicals complex.

Training

The basic objective of our training programmes is to assist employees at all levels to improve their skills and knowledge and develop an attitude that, in a fast growing organisation, consensus building is essential for achieving targets.

Many structured training programmes were organised during the year, especially for operators and technicians. This involved both sending groups of people to external institutions and also inviting external faculty members to conduct in-house courses. The personnel were also trained at sites by representatives of process licensers and major equipment suppliers. In addition, majority of the company's engineers have been trained abroad in licensers' reference plants so as to ensure that technology transfer and operations take place without any loss of time.

The training centre established last year at the Hazira petrochemicals complex was further strengthened by recruitment of quality trainers and, besides updating the technical knowledge and skills of the regular employees, around 400 graduate engineer trainees were trained during the year.

The basic engineering course is a unique effort started by Reliance in collaboration with the Indian Institute of Technology (IIT), Powai - the first of its kind in India by any company. The syllabus for this course was framed by the faculty of IIT and departmental heads at Reliance, with the objective of teaching engineering fundamentals to non-engineer employees. The first batch of 30 employees have all completed the first module of the Basic Chemical Engineering course successfully. This initiative will be followed by similar efforts in other applied engineering fields of mechanical, electrical and instrumentation.

Reliance's tie-up with the Indian Institute of Management (IIM), Bangalore for Management Development Programme continued.

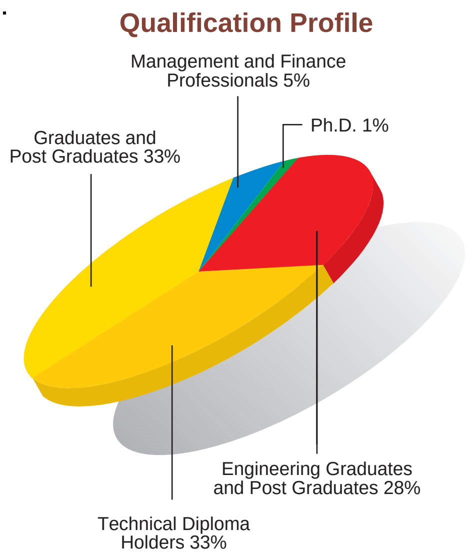
Reliance's tie-up with the Indian Institute of Management (IIM), Bangalore for Management Development Programme continued. Under this programme, IIM Bangalore has developed a specially designed residential course for four months with the objective of improving the general management skills of engineers.

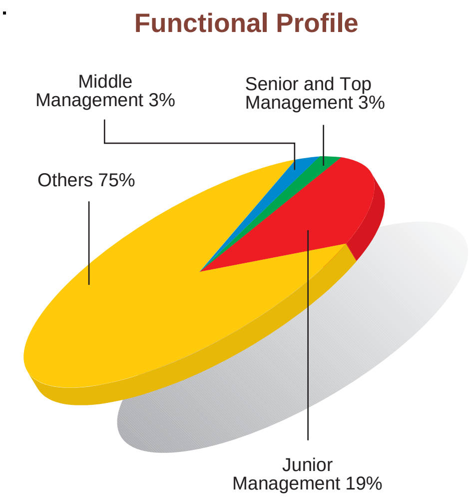
Empowerment

Reliance believes that empowerment, opportunity for technical exposure and to perform in a creative working environment can convert employees into agents of change. The success of the company's HRD policies is reflected in its recognition as the most preferred employer by fresh engineering graduates and the extremely low employee turnover rate witnessed over the years. Reliance will continue to innovate in the field of HRD with an objective to keep on adding value to its employees.

Employee Welfare

Apart from the statutory welfare facilities, Reliance provides housing, medical and transport facilities for its employees and schooling facilities for the employees' children, at all its manufacturing complexes.





In 1996, Reliance won the first prize for Energy Conservation in Petrochemical Sector for the third consecutive year.

Reliance's commitment to energy conservation is reflected in its continuous efforts to save energy at every stage. In Reliance, energy conservation is given top priority, starting from the design stage of the plant itself and then maintaining and improving it in the normal plant operations.

Encouraging results

Sustained efforts in energy conservation have enabled Reliance to save 350,000 million kilo calories of energy in the last three years. Investments of Rs. 90 crores in energy conservation projects over the last three years has resulted in energy related savings of over Rs. 50 crores for the company.

Energy conservation through technology

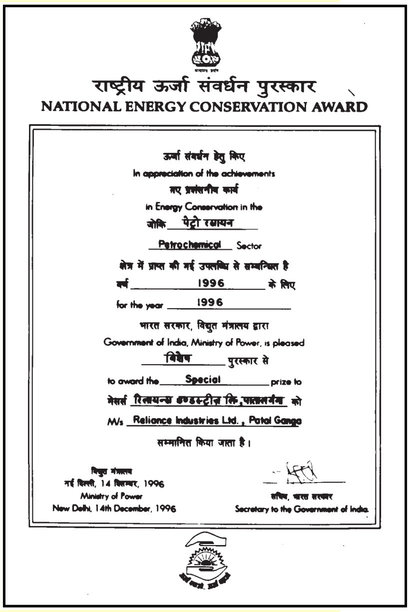
The company's production plants are of world scale capacities and are based on leading technologies. The continuous improvement and upgradation of technology has enabled Reliance to operate these plants at optimum specific consumption of raw materials and energy.

Thrust on sustained improvement

Sustained efforts on energy conservation and an integrated approach towards energy management is reflected in the continuous reduction in specific consumption per tonne of product over the years. Optimum energy consumption is emphasized from design stage itself of each plant and further improved in the regular plant operations.

Energy audits

Continuous updation of energy conservation efforts is achieved by frequent energy audits at the operating level. Reliance has an elaborate energy accounting system in place wherein quantified measurements of all the raw materials, work in progress, finished goods and the total fuel and power consumed is monitored on continuous basis. Energy metres with totalisers have been installed in plants to measure the individual and total power consumption. These metres are calibrated against international standards as per ISO requirements. The accounting system generates the variance reports which compare the specific and total consumption against the set norms.



राष्ट्रीय ऊर्जा संवर्धन पुरस्कार
NATIONAL ENERGY CONSERVATION AWARD

ऊर्जा संवर्धन हेतु किए
In appreciation of the achievements
गए प्रशंसनीय कार्य
in Energy Conservation in the
जोकि पेट्रो रसायन
Petrochemical Sector
क्षेत्र में प्राप्त की गई उपलब्धि से सम्बन्धित है
वर्ष 1996 के लिए
for the year 1996
भारत सरकार, विद्युत मंत्रालय द्वारा
Government of India, Ministry of Power, is pleased
विशेष पुरस्कार से
to award the Special prize to
मेसर्स रिलायन्स इण्डस्ट्रीज लि., पातालगंगा को
M/s Reliance Industries Ltd., Patal Ganga
सम्मानित किया जाता है।

विद्युत मंत्रालय
नई दिल्ली, 14 दिसम्बर, 1996
Ministry of Power
New Delhi, 14th December, 1996

सचिव, भारत सरकार
Secretary to the Government of India

Key focus area

Optimisation of process conditions and implementation of energy conservation schemes is accorded the highest priority in the key result area of a plant-in-charge.

Salient measures for energy conservation

Some of the measures taken for conserving energy are :

1. Zero flaring by optimal usage of fuel gas in the plants. This is achieved by integrating the different consumers across the complex through the pipeline network.
2. Steam integration and waste heat recovery across the complex.
3. Installation of Vapour Absorption Chillers to consume low pressure waste steam.
4. Installation of Advance Process Control (APC) for processes has led to energy savings.
5. Co-generation of steam and power through energy efficient gas turbines and Heat Recovery Steam Generators (HRSG).

Recognition of Reliance's energy conservation efforts

In 1996, Reliance won the first prize for Energy Conservation in Petrochemical Sector for the third consecutive year, an achievement that has won the company a Special Award from the Ministry of Power.

Reliance will continue to work towards sustained improvement in the area of energy conservation.

The focus of the community development work being done by the company is towards creating self-awareness and income generation activities in the villages.

Reliance is aware of its social responsibility as the country's leading private sector corporate and has always worked towards development of the areas surrounding its manufacturing sites.

Reliance believes that the objective of social and community development can not be achieved by monetary aid alone, it is important to ensure the participation of the community and create awareness in the people, leading to sustained development and upliftment. The focus of the community development work being done by the company is towards creating self-awareness and income generation activities in the villages surrounding its manufacturing sites.

With this objective in view, the company has initiated many programmes, which target specific areas for improvement. The core areas identified by the company for social work are women groups, education, youth groups and health. Considerable progress has been achieved in many of these areas.

Education programme

Ensuring primary education for the children is a prime focus area for the government and is necessary for nation building. Many of the children going to primary schools in the Raigad district, are first generation learners who tend to drop out in absence of a sufficiently interesting or organised form of teaching. Reliance joined hands with UNICEF to train the teachers in modern learning methods, so as to make education more interesting for the children. The programme also targeted on creating awareness among the teachers, students and the community about the importance of primary education. As a result, the drop-out rate, which was an alarming 35 % by 4th standard at the start of the programme, has declined alongwith a sustained improvement in attendance levels.

Camp for T. B. Awareness, Diagnostic and Treatment

Reliance has been conducting free camps for eye care, polio, blood donation and dental etc. - this year, the company organised a six day camp for T. B. Awareness, Diagnostic and Treatment at Ahmedabad. The camp covered 55 villages and 200,000 people. In all, about 3400 people were screened, out of which 600 were found to be T. B. carriers. The company has undertaken to provide complete medical care till these infected people are fully cured.

Personal Hygiene Awareness Programme

The company is working on a low cost toilet scheme in the Raigad district. The scheme aims at creating awareness among the people in the villages about the need for personal hygiene and building a total of 200 toilets.

Women Groups

The company has started Mahila Mandals, sewing classes, savings groups for women and has also conducted health awareness programmes for women.

Other noteworthy efforts include mobile dispensaries, training the rural boys and girls in hospital and community health work, making water available to nearby villages, constructing roads and renovating schools and balvadis in these villages.

Reliance will continue to work on the development of the villages surrounding its manufacturing sites. The ultimate objective of the company is to create a more sustainable model of rural development which will help the villages be more self- reliant.

Reliance is amongst the top three tax payers to various government agencies.

Foreign Exchange Savings

Reliance's products are import substitutes and thus save precious foreign exchange for the country. Reliance ranks among the top companies in India in terms of foreign exchange savings, which have consistently climbed up over the years.

During the year 1996-97, Reliance's production saved Rs. 4450 crores (US $ 1239 million) in foreign exchange for the country, which is more than 50 % higher than the savings of Rs. 2783 crores (US $ 775 million) achieved in 1995-96.

The foreign exchange savings will increase further in coming years with dramatic increase in capacities and production.

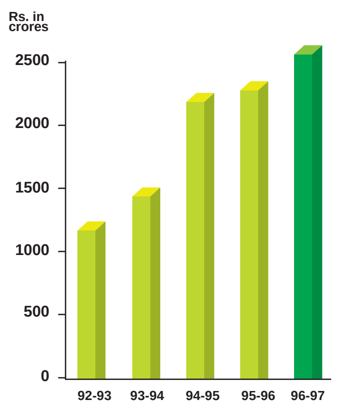
Taxes paid

Reliance is amongst the top three tax payers to various government agencies. Bulk of the contribution to the exchequer is by way of excise and custom duties.

During 1996-97, Reliance also paid direct corporate tax of Rs.45 crores. In all, Reliance paid a total of Rs. 2490 crores (US $ 693 million) in taxes and duties, which is almost twice its reported profit after tax. This sum represents an increase of 11 % over the total contribution to the exchequer of Rs. 2234 crores (US $ 622 million). The various taxes and duties form one of the largest elements in the company's cost structure.

The total amount of duties and taxes paid by Reliance has consistently increased over the years even as the rates of custom and excise duties have been brought down in absolute terms. This is made possible due to the continuous increase in Reliance's production.

Taxes Paid to the Govt.



The Directors have pleasure in presenting the 23rd Annual Report and the audited accounts for the financial year ended 31st March, 1997.

Financial Results

		1996-97			1995-96	
		Rs. Crs.	**US$ Mn***		Rs. Crs.	US$ Mn*
Gross profit before interest and depreciation		**1947.81**	**542.34**		1751.91	487.79
Less : Interest		**169.67**	**47.24**		110.13	30.66
Depreciation	**1352.33**			336.51		
Less: Transfer from General Reserve	**942.19**	**410.14**	**114.20**	–	336.51	93.70
Profit before Tax		**1367.70**	**380.82**		1305.27	363.43
Less : Provision for Taxation		**45.00**	**12.53**		0.00	0.00
Profit after Tax		**1322.70**	**368.29**		1305.27	363.43
Add : Balance in Profit & Loss A/c.		**60.67**	**16.89**		90.92	25.32
Add : Investment Allowance (Utilised) Reserve Written Back		**26.65**	**7.42**		0.00	0.00
Surplus Available for Appropriation		**1410.02**	**392.60**		1396.19	388.75
Appropriations:						
Capital Redemption Reserve		**200.00**	**55.69**		—	—
Debenture Redemption Reserve		**97.99**	**27.28**		231.30	64.40
General Reserve		**150.00**	**4.18**		800.00	222.75
Dividend paid on Preference Shares		**0.00**	**0.00**		28.00	7.80
Recommended Dividend on: Equity Shares		**299.24**	**83.32**		276.22	76.91
Balance carried to Balance Sheet		**662.79**	**222.13**		60.67	16.89
		1410.02	**392.60**		1396.19	388.75

*** 1 US$ = Rs. 35.915 (Exchange rate as on 31-3-97)**

Dividends

The Directors have recommended a dividend of Rs. 6.50 per Equity share on 46,03,69,802 Equity shares of Rs. 10/- each, for the financial year ended 31st March, 1997, which if approved at the forthcoming Annual General Meeting will be paid to all those Equity Shareholders whose names appear on the Register of Members as on 14th June, 1997.

International Offerings

The Company has recently completed landmark transactions by raising US$314 Million from the US capital market by issue of Notes. Two internationally renowned Credit rating agencies, Moody's Investor Service Inc. and Standard & Poor's have assigned "Baa3" and "BB+" respectively, for these Notes. These Notes, issued in the international market, are unsecured and have not been Guaranteed by any Institution. Since the first issue of GDRs in 1992, the Company has raised US$ 1.5 billion from the international market. The Company has so far raised US$ 914 million by way of loans/bonds/notes, with maturities of 7 year, 10 year,12 year, 20 year, 30 year, 50 year and 100 year, thus achieving a minimum average maturity of 23 years and final average maturity of 32 years.

Energy, Technology & Foreign Exchange

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

Subsidiary Companies

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the report of the Board of the Directors of Devti Fabrics Limited and Reliance Industrial Investments & Holdings Limited and the respective Auditors' Report thereon for the year ended 31st March, 1997, are annexed.

Fixed Deposits

The Company has not accepted /renewed any deposits during the year. Deposits of Rs. 0.42 crore due for repayment on or before 31st March, 1997 were not claimed by 727 depositors as on that date. Of these, deposits amounting to Rs.10,000 of 3 depositors have since been repaid.

Personnel

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the secretary at the Registered Office of the Company.

Directors

During the year Shri B.V. Bhargava and Shri M.V. Purohit were appointed as Nominee Directors of the Industrial Credit and Investment Corporation of India Limited (ICICI) and General Insurance Corporation (GIC) on the Board in place of Shri S.S. Betrabet, Nominee Director of ICICI and Shri Y.D. Patil, Nominee Director of GIC. The Board places on record its appreciation for the valuable guidance received from Shri S.S. Betrabet and Shri Y.D. Patil during their tenure as Directors.

Shri N.H. Ambani, Shri M.L. Bhakta and Shri N.R. Meswani, retire by rotation and being eligible offer themselves for reappointment.

Auditors and Auditors' Report

Messrs. Chaturvedi & Shah and Messrs. Rajendra & Co. Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly, the said auditors will be appointed as auditors of the Company at the ensuing Annual General Meeting. The notes to the accounts referred to in the Auditors Report are self explanatory and, therefore do not call for any further comments.

International Accountants

During the year M/s. Touche Ross & Co. member of Deloitte Touche Tohmatsu International, one of the Big Six global accounting firms, were appointed as International Accountants of the Company. The report submitted by them for the year under review to the Board of Directors, is circulated with this report for the information of members.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and the Banks, during the year under review.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company for its success.

For and on behalf of the Board of the Directors

Mumbai
Dated: 22nd April, 1997

Dhirubhai H. Ambani
Chairman

Particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

(a) Energy Conservation Measures Taken:

1. Installation of Gas Turbine with HRSG.
2. Installation of Air Preheater for hot oil heaters.
3. Simulation package utilised for optimising distillation column operation in petrochemical plants.
4. Improved utilisation of steam generation potential in the Heat Recovery steam generators utilising the exhaust heat from gas turbines.
5. Optimisation of cooling water consumption in various condensers and coolers.
6. Double extraction cum condensing steam turbine generator has been successfully commissioned. The operation of the steam turbo generator helps in optimizing steam and power generation and improves co-generation efficiency.
7. Lube oil recovery from gas turbine oil condensate vent has been commissioned in both Gas Turbines # 1 & # 2.
8. Flash steam generated from boiler blow down of new boilers (HRSG # 3, 4, 5 & 6) is utilized in feed water deaerators.
9. Implementation of Advanced process controllers for MEG plant distillation columns.
10. Second cooling tower fan blades replaced by hollow FRP.
11. Centrifuge revamped with higher capacity.
12. Centrate exchanger replaced with higher capacity.
13. Injection water chilling scheme commissioned.
14. Catalyst storage bunker modification to reduce energy consumption.
15. Better chilled water chemical treatment to minimize fouling and corrosion and thereby improve heat transfer rates to achieve lower energy consumption.
16. Modified steam traps network in dryer heaters to reduce steam consumption.
17. Installation of modified centrifuge to reduce moisture in wet cake thereby reducing steam requirement in dryer.
18. Maximized recycle of purge ethylene.
19. Off gas usage in process air compressor.
20. Reduction of exhaust steam of K-301 by modifying the line by keeping it in floating with the MP steam header.
21. Antisurge control for cracked gas compressor implemented.
22. Diverting cooling water from various pump seals to cooling tower.
23. Implementation of sequential start up of air compressor.
24. Providing solenoid valves in steam and water lines in the ejector system.
25. Conversion of Captive Power Plant to combined cycle co-generation plant with the commissioning of Steam Turbine.
26. Replacement of Aluminum Fans in our Sulzer Air-conditioning Plants for FRP Fans which are more energy efficient than the Aluminum ones.
27. Supplying extra chilled water to Twisting Machines with the help of Booster Pump.
28. Redesign of Main Steam supply and distribution pipelines with steam traps for whole unit from single source of supply.
29. Frequency of electrical supply to process maintained at 50 Hz by operating Captive Power Plant on Isochronous mode.
30. Installation and commissioning of Gas Booster Compressors.
31. Various modifications and installations carried out in processing machines like fixing separators, traps, PRVs, Temperature Controllers, etc.

(b) Additional Investments and Proposals, if any, being implemented for reduction in consumption of energy:

1. Installation of back pressure turbine.
2. Replacement of conventional shell and tube type combined feed exchanger in LAB plant by plate type exchanger.
3. Optimisation of recycle paraffin pumping system.
4. Installation of advance process control system.
5. Prefractionation of stripper side cut recovery.
6. Steam condensate preheating by integration with process plants leading to reduced steam consumption in deaerators.
7. Advanced simulation package for optimising distillation column operation.
8. Heat integration of column bottoms in LAB plant.
9. Automatic blowdown controls for steam boilers in fibre division.
10. Change over from trap system to condensate pot system for Concentrator-I reboiler.
11. Review of chilled water system for optimum utilization.
12. Recovery of condensate from reslurry water heater.
13. Replacement of other cooling water fan blades with hollow FRP blades.
14. Exhausting of hot air from spinning area to reduce air-conditioning load.

15. PTA cooling tower blowdown to be used as make up in POY cooling tower.
16. Installation of highly efficient gas fired superheater in place of HSD fuel firing in Arioli superheater.
17. Conversion of furnace oil fired thermopac to gas fired thermopac with efficient burners saving thermal energy and maintaining environment friendly conditions.
18. Saving of electrical power by installing variable speed drive system in various equipments.
19. Electrical power saving by installation of water conservation system.
20. Modification in water supply system with installation of low head high flow pumps for saving electrical power.

(c) Impact of measures at (a) & (b) above for reduction of energy consumption and on the cost of production of goods:

1. Air preheater for hot oil heater would lead to savings of Rs. 10 lacs p.a.
2. Steam integration through back pressure turbine would lead to saving of Rs. 560 lacs p.a.
3. Replacement of combined feed exchanger with plate type heat exchanger would result in saving of Rs.220 lacs p.a. in terms of fuel only.
4. Optimization of recycle paraffin pumping system would lead to saving of Rs. 10 lacs p.a.
5. Prefractionation stripper side cut recovery operation for better heat integration will save Rs. 90 lacs p.a.
6. Preheating of steam condensate by integration with process plants would save low pressure steam requirement to the tune of Rs. 374 lacs p.a.
7. Heat integration of extract column bottom in LAB plant would result in saving of Rs. 19 lacs p.a.
8. Advance process control system would result in saving of approximately Rs.82 lacs p.a.
9. Automatic blowdown control system for steam boilers in fibre division would result in savings of Rs.59 lacs p.a.
10. Total steam consumption reduction by 8 MT/hr. Expected saving of Rs. 170 lacs p.a.
11. Recovery of approx. 22 MT/hr. of steam condensate, expected equivalent to Rs. 16 lakh p.a.
12. Reduction in power consumption by 14 MW and equivalent savings of Rs. 1100 lacs p.a.
13. Reduction in LP steam consumption by 13.0 MT/hr. and equivalent savings of Rs. 260 lacs p.a.
14. Filter water consumption reduced by 650 m^3 per day.
15. Power saving of 30% in cooling tower fans.
16. Filter water consumption will be reduced by 2000 m^3 per day due to use of PTA cooling tower blow down.
17. Modification of chilled water pipeline has resulted in savings of Rs. 45 lacs p.a.
18. Change of cooling tower fan blades from Aluminum to FRP has saved electrical energy up to 47% with higher output.
19. Use of Solar Hot Water System (Non-conventional Energy) in Guest House has resulted in power saving of Rs.0.5 lacs p.a.
20. Replacing street light fittings has resulted in power saving of Rs. 0.3 lacs p.a.

B. Technology Absorption:

Form - 'B'

Form of disclosure of particulars with respect to:

Research and Development (R&D)

1. Specific areas in which Research and Development (R&D) is being carried out by the Company:

1. Kinetic studies for acetic acid decarboxylation in presence and absence of paraxylene and its oxidation intermediates.
2. Study of removal of Y- colour impurities in crude terephthalic acid by further oxidation.
3. Radio-isotope tracer experiments in paraxylene oxidation reactor to estimate residence time and dead volume in the reactor.
4. Pilot-plant trials for manufacturing Linear Alkyl Benzene using non-HF catalyst.
5. Simulation of MOLEX and PAREX process.
6. Conversion of REMAX, a heavier by-product in paraxylene manufacturing process to more valuable benzene - toluene - xylene (BTX) mixture.
7. Development of new and finer filament deniers for better performance and improved fabric texture.
8. Implementation of advanced process control for MEG plant, EO recovery, purification, Glycol evaporation & purification sections.
9. Faster decoking of EDC furnaces by having higher decoking temperature.
10. New Oxy-8 catalyst along with the old Oxy-4 catalyst for enhancing ethylene efficiency of reactor/EDC production.
11. Dual catalyst used in K-6701 grade.
12. Anti foaming agent used in stripper column for K-5701 grade.
13. Coating agent (Polystat-7A) trials conducted for K-5701 grade.
14. Trials carried out with alternate co-catalyst (CC) for polymerisation. Further trials with another co-catalyst (CJ) planned before final commercialisation.

15. Trials in progress for improving properties of injection moulding grade.
16. Development of all wool single yarn suitable for weft for weaving on high speed shuttleless loom to produce light weight fine Worsted Fabrics.
17. Investigation on effects of construction parameters on the fabric performance using objective measurement technique - FAST.
18. Performance evaluation and further development of wool and wool blended stretch fabrics for International Market.
19. Development of light-fast automotive textiles matching International Standards using indigenous dyes and UV-absorbent for hot and humid conditions.
20. Development of Flax blended yarn on Worsted System for Menswear.

2. Benefits derived as a result of the R&D:

(a) Product Development/ Improvement:

1. The dependence of acetic acid loss on various reaction parameters in paraxylene oxidation is established. This information is used to reduce the loss of acetic acid during manufacture of crude terephthalic acid.
2. Radio- isotope tracer experiments have helped understand the mixing pattern in the paraxylene oxidation reactor.
3. Pilot - plant trials using eco-friendly non-HF catalyst for LAB process have shown encouraging results.
4. MOLEX and PAREX simulation is near completion and the models will be used for reducing desorbent losses and optimising the utility consumption.
5. Using bench-scale experiments, catalyst is developed for conversion of REMAX to BTX.
6. New Deniers like 82/47/POY, 126/47/POY, 130/47/POY, 230/47/POY, 80/69/POY, 230/108/POY have been developed successfully for achieving better performance and modified texture of fabric.
7. Development of FDY products like - 40/6/FDY, 30/6/FDY, 50/6/FDY developed for Bolting cloth.
8. Development of 145/144/POY, 145/72/POY for direct use in warping and weaving.
9. Spin finish application system modified to improve oil pick up conformity on yarn & to further improve texturising performance.
10. New design intermingling Jets developed to improve interlacement in POY FDY to improve texturing & warping performance.
11. 3.0 Denier Trilobal TOW products established in Staple fibre.
12. By using dual catalyst system, reaction time reduced by 20 minutes, increasing the no. of batches by 875.
13. By using new Anti-foaming agent, 2 charges per day increased.
14. By using Polystat -7A coating, non reaction time is reduced.
15. Substantial cost reduction owing to trials with alternate co-catalysts.
16. Pack life of POY increased.
17. Pusher plates being developed to reduce inspection rejects.
18. Nabachem silicon spray has reduced spinneretes wiping frequency.
19. Produced light weight fine Worsted Fabrics with improved feel, handle and reduction in cost for International Market.
20. Improved and anticipated performance of fabrics meant for export on automated tailoring plants.
21. Wider acceptance of Worsted Stretch Fabrics in International Market.
22. Produced high value and light fast automotive fabrics as per International Standards.
23. Developed classic linen-like menswear fabrics.

(b) Import Substitution:

1. Planetary GearBox developed indigenously.
2. Vacuum pump impeller developed indigenously.
3. Indigenisation of a number of engineering spares and accessories in polyester and petrochemical areas yielded a net saving of Rs. 228 lacs in the year 1996-97.
4. Anti-block agent Gasil AB 720 presently imported from UK partly replaced by indigenously sourced material. This indigenous substitute was successfully tried and has been regularised.
5. Anti-static agent GMS was also partly substituted with Finastat-9500 from an indigenous supplier. Field trials with the same were successful.
6. Erucamide and oleamide were replaced partly with Finawax-C and Finawax-O respectively from an indigenous source.
7. Indigenous Calcium Stearate was successfully tried.

3. Future Plan of Action:

Projects proposed for the following:

1. Pentane recovery from paraxylene plant stream.
2. Installation of pilot-plant to conduct trials with catalyst developed for conversion of REMAX to BTX.
3. Develop impeller and sparger design for increasing transfer in paraxylene oxidation reactor.
4. Catalyst recovery from PTA residue and incinerator ash.
5. Optically brightened stable fibre product under development.
6. Ethyl chloride dosing system.

7. Triple catalyst usage in case of one grade is under trial.
8. Coating agent (Polystat-7A) trials to be conducted for other grades.
9. Cycle time reduction by modifying charging sequence, catalyst optimization & reduction in recovery time to optimise productivity.
10. Install balancing equipment to increase the productivity of low/high K-value resin production.
11. Production of impact grade polymer.
12. Advanced process control installation for consistent quality.
13. Provision of timer for D guide movement.
14. Interlock of cut basket with swing arm.
15. Tandem drive in Gear pumps of CPs.
16. Vector drive in Booster pumps of CPs.
17. Smaller size Oligomer pumps.
18. Development of high twisted Crepe Fabrics.
19. Development of Wool Dyeing technique to reduce wool damage and retention of its natural properties.
20. Development of high performance shrink-resist machine washable wool and wool blended fabrics.
21. Investigation and development of enzyme finishing techniques to achieve softer handle in Worsted and Synthetic Suiting.
22. Development of woven velor by using fine denier polyester fibres in pile.
23. Development of Womenswear using newer fibre and techniques.
24. Development of special fabric qualities such as:
    a) RAISED FINISH in Polyester/Viscose Suitings for better comfort and luxurious touch.
    b) RIPPLE FINISH in Polyester/Viscose Suitings giving wavy appearance.
    c) STRETCH SUITING (Lycra/Spandax) for wear comfort
       - one / two way stretch in Polyester/Wool
       - Stretch-denim in Polyester/Viscose
    d) MACHINE WASHABLE FINISH for all Wool Suitings (to avoid dry cleaning).
    e) LUXURIOUS SUITINGS (Extra fine Wool with speciality fibres such as Wool/Angora, Wool/ Camel hair, Poly/Wool/Mohir & Silk Blends).

4. Expenditure on R&D

		Rs. Crs.
(a)	Capital	3.77
	Recurring	17.69
	Total	21.46
(b)	Total R & D expenditure as percentage of turnover	0.25%

Technology absorption, adaptation and innovation:

Efforts in brief, made towards technology absorption, adaptation and innovation and benefits derived as a result thereof:

1. Development of eco-friendly catalyst for alkylation reactions.
2. New Deniers developed for achieving better performance and modified texture of fabric.
3. Development of 3.0 Denier Trilobal TOW in Staple fibre.
4. New FDY products developed for BOLTING CLOTH.
5. Model Simulation for MOLEX and PAREX.

Information regarding imported technology

Product	Technology from	Year of import	Status of implementation/absorpiton
Ethylene & Cracker Products	Stone & Webster Engineering Corp. (USA)	1992	Under absorption
Purified Terephthalic Acid	John Brown Engineers, UK (ICI PLC, UK)	1994	Under absorption
Mono Ethylene Glycol	Shell (Lummus Crest B.V. Holland)	1996	Under absorption
PVC Expansion	Geon Co., U.S.A.	1994	Full
Polypropylene	John Brown Engineers, UK (Shell/Union Carbide)	1994	Full
Polyethylene Terephthalate	Sinco Engineering Italy	1994	Under implementation
High Density Polyethylene	Novacor, Canada	1995	Under implementation

C. Foreign Exchange Earnings and Outgo

1. Activities relating to Exports, initiatives to increase Exports, Development of new Export Markets for Products and Services and Export Plan.

The Company has maintained its focus as usual on development of domestic market while seeking export markets as opportunities arise keeping in mind capacity increase in most of its products. During the year, the Company had exports worth Rs. 66.62 crores (US$ 18.5 million).

a. Exports of value added Polyester yarn increased by nearly 25% compared to the previous year with Exports to new markets in Spain, Canada & France.

b. Exports of Partially Oriented Yarn during the current year to Iran, Egypt, Nepal with scope for further growth in the coming years.

c. Exports of premium brand “VIMAL” Worsted Fabrics, Dress materials, Furnishing Fabrics increased by 75% with increased exports to current markets in USA, UK and new customers in China, Vietnam, Canada & Mexico.

2. Total Foreign Exchange used and earned

		Rs. Crs.
a)	Total Foreign Exchange earned	196.78
b)	Total savings in foreign exchange through products manufactured by the Company and deemed exports (US$ 1250 million)	4489.36
	Sub Total (a + b)	4686.14
c)	Total Foreign Exchange used	3716.11

Form ‘A’

Form for disclosure of particulars with respect to Conservation of Energy

Part ‘A’

Power & Fuel Consumption	**April, 96 to March, 97**	April, 95 to March, 96
1. Electricity		
a) Purchased Units (Lakhs)	**896.95**	1,647.93
Total Cost (Rs.in crores) (Note)	**32.38**	46.29
Rate / Unit (Rs.)	**3.61**	2.81
b) Own Generation		
1) Through Diesel Generator		
Units (Lakhs)	**374.09**	531.80
Units per unit of fuel	**3.54**	3.57
Cost / Unit (Rs.)	**1.98**	2.31
2) Through Steam Turbine/Generator		
Units (Lakhs)	**12,410.66**	8,411.95
Units per unit of fuel	**3.52**	3.50
Cost / Unit (Rs.)	**1.45**	1.25
2. Furnace Oil		
Quantity (K.Ltrs)	**365,376.82**	253,297.55
Total Cost (Rs. in crores)	**205.59**	117.58
Average Rate per Ltr. (Rs.)	**5.63**	4.64
3. Diesel Oil		
Quantity (K.Ltrs)	**116,200.54**	77,867.16
Total Cost (Rs. in crores)	**100.80**	56.72
Average Rate per Ltr. (Rs.)	**8.67**	7.28
4. Others		
Gas		
Quantity (1000 M3)	**241,598.10**	231,258.67
Total Cost (Rs. in crores)	**50.52**	48.55
Average Rate per 1000M3 (Rs.)	**2,091.16**	2,099.31

Note: Excluding demand charges.

Part ‘B’
Consumption per Unit of Production

	Fabrics		PFY		PSF		PTA		LAB		MEG		PVC		HDPE		PP	
	Per 1000 Mtrs.		Per MT		Per MT		Per MT		Per MT		Per MT		Per MT		Per MT		Per MT	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Electricity (KWH)	1229	1199	1224	1318	653	693	377	371	314	320	869	840	474	497	238	207	430	
Furnace Oil (Ltrs)	3	6	16	16	26	19	95	134	45	84								
Gas (SM3)	1348	371									12	11	112	108	35	33		
LSHS (Kgs)		3	140	157	130	179	53	20	255	249								

Note : The above figures indicate only the direct consumption and exclude consumption of power and fuel in the supporting Utilities.

Auditors' Report

To the Members of RELIANCE INDUSTRIES LIMITED

We have audited the attached Balance Sheet of RELIANCE INDUSTRIES LIMITED as at 31st March 1997 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, we give in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that :
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b) In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of such books.
   c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
   d) In our opinion and to the best of our information and according to explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
      (i) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March,1997 and
      (ii) in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants

For **Rajendra & Co.**
Chartered Accountants

Mumbai
Dated : 22nd April, 1997

D. Chaturvedi
Partner

R.J.Shah
Partner

Annexure to Auditors' Report
Referred to in paragraph 1 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available except in respect of certain items of furniture and fixtures, which is being updated. According to the information and explanations given to us the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of the assets. No material discrepancies were noticed on such verification..
2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stock of stores, spare parts, raw materials and finished goods have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As explained to us, there were no material discrepancies noticed on physical verification of the stocks of raw materials, stores and spares and finished goods having regard to the size of the operations of the Company.
6. The valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year the Company had taken loans from a Company under the same management within the meaning of sub section (1B) of Section 370 of the Companies Act, 1956. The rate of interest and the other terms and conditions of the said loans were not, prima-facie, prejudical to the interests of the Company.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 and/or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, except interest free loans to its subsidiary company and advance towards promoters contribution. Attention is invited to Note No.9 of Schedule 'O' to the accounts. In our opinion, having regard to the long term involvement with these companies and considering the explanations given to us in this regard, the terms and conditions of the above are not, prima-facie, prejudical to the interests of the Company.
9. In respect of the loans and advances in the nature of loans given by the Company to parties, other than to the companies mentioned in para 8 above, they are generally repaying the principal amounts as stipulated and are also generally regular in the payment of interest.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 (Rupees Fifty Thousand only) or more in respect of any party.
12. According to the information and explanations given to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods . Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits from the public.
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realizable by-products and scrap wherever significant.
15. In our opinion the internal audit system of the Company is commensurate with its size and the nature of its business.
16. The Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
18. According to information and explanation given to us, no undisputed amounts payable in respect of Income Tax , Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as on 31st March 1997 for a period of more than six months from the date of becoming payable.
19. According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or Directors have been charged to Revenue Account other than those payable under contractual obligation or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of trading activities, we are informed that there were no damaged goods.

For **Chaturvedi & Shah**
Chartered Accountants

For **Rajendra & Co.**
Chartered Accountants

Mumbai
Dated : 22nd April, 1997

D. Chaturvedi
Partner

R.J.Shah
Partner

International Accountants' Report

To The Board of Directors of Reliance Industries Limited

We have audited the attached Balance Sheet of RELIANCE INDUSTRIES LIMITED as at 31st March 1997 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, we give in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 1 above, we state that :

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b) In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of such books.
c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
d) In our opinion and to the best of our information and according to explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
   (i) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March,1997 and
   (ii) in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **Touche Ross & Co.**
Chartered Accountants

Mumbai,
Dated : 22nd April, 1997

P.R. Barpande
Partner

Annexure to Report
Referred to in paragraph 1 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available except in respect of certain items of furniture and fixtures which is being updated. According to the information and explanations given to us the fixed assets have been physically verified by the management during the year in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of the assets. No material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. As explained to us, the stock of stores, spare parts, raw materials and finished goods have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As explained to us, there were no material discrepancies noticed on physical verification of the stocks of raw materials, stores and spares and finished goods having regard to the size of the operations of the Company.
6. The valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. During the year the Company had taken loans from a Company under the same management within the meaning of sub section (1B) of Section 370 of the Companies Act, 1956. The rate of interest and the other terms and conditions of the said loans were not prima-facie, prejudicial to the interests of the Company.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 and/or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, except interest free loans to its subsidiary companies and advance towards promoters contribution. Attention is invited to Note No.9 of Schedule 'O' to the accounts. In our opinion, having regard to the long term involvement with these companies and the explanations given to us in this regard, the terms and conditions of the above are not, prima-facie, prejudical to the interest of the Company.
9. In respect of the loans and advances in the nature of loans given by the Company to parties, other than to the subsidiary companies and advance towards promoters contribution as mentioned above, they are generally repaying the principal amounts as stipulated and are also generally regular in the payment of interest.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 (Rupees Fifty Thousand only) or more in respect of any party.
12. According to the information and explanations given to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods . Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits from the Public .
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap wherever significant.
15. In our opinion the internal audit system of the Company is commensurate with its size and the nature of its business.
16. The Central Government has prescribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
18. According to information and explanation given to us, no undisputed amounts payable in respect of Income Tax , Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as on 31st March 1997 for a period of more than six months from the date of becoming payable.
19. According to the information and explanations given to us and on the basis of records examined by us, no personal expenses of employees or Directors have been charged to Revenue Account other than those payable under contractual obligation or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In relation to trading activities of the company, we are informed that the there are no damaged goods.

For **Touche Ross & Co.**
Chartered Accountants

Mumbai
Dated : 22nd April, 1997

P.R. Barpande
Partner

Balance Sheet as at 31st March, 1997

(Rs. in crores)

	Schedule	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
Sources of Funds					
Shareholders' Funds					
Share Capital - Equity	'A'	**458.45**		458.23	
- Preference	'A'	**—**		200.00	
Reserves and Surplus	'B'	**8,012.49**		7,747.07	
			8,470.94		8,405.30
Loan Funds					
Secured Loans	'C'	**4,246.76**		3,422.54	
Unsecured Loans	'D'	**3,378.72**		1,298.91	
			7,625.48		4,721.45
Total			**16,096.42**		13,126.75
Application of Funds					
Fixed Assets	'E'				
Gross Block		**10,955.92**		6,885.50	
Less: Depreciation		**3,491.20**		2,141.34	
Net Block		**7,464.72**		4,744.16	
Capital Work-in-Progress		**3,708.63**		4,488.71	
			11,173.35		9,232.87
Investments	'F'		**4,455.68**		1,952.91
Current Assets, Loans and Advances					
Current Assets	'G'				
Interest Accrued on Investments		**60.33**		34.00	
Inventories		**1,085.36**		759.61	
Sundry Debtors		**601.42**		330.56	
Cash and Bank Balances		**863.75**		1,555.31	
		2,610.86		2,679.48	
Loans and Advances	'H'	**1,296.25**		1,173.12	
		3,907.11		3,852.60	
Less: **Current Liabilities and Provisions**	'I'				
Current Liabilities		**3,087.49**		1,629.61	
Provisions		**352.23**		282.02	
		3,439.72		1,911.63	
Net Current Assets			**467.39**		1,940.97
Total			**16,096.42**		13,126.75
Significant Accounting Policies	'N'				
Notes on Accounts	'O'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated: 22nd April, 1997

For and on behalf of the Board

D.H. Ambani	Chairman
M.D. Ambani	Vice Chairman & Managing Director
A.D. Ambani	Managing Director
N.R. Meswani, **H.R. Meswani**	Executive Directors
M.V. Purohit	Nominee Director
R.H. Ambani, **N.H. Ambani**, **M.L. Bhakta**, **T. Ramesh U. Pai**, **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Profit and Loss Account for the year ended 31st March, 1997

(Rs. in crores)

	Schedule	1996-97 Rs.	1996-97 Rs.	1995-96 Rs.	1995-96 Rs.
Income					
Sales			**8,730.33**		7,786.34
Other Income	'J'		**289.60**		272.44
Variation in Stock	'K'		**(95.27)**		146.82
			8,924.66		8,205.60
Expenditure					
Purchases			**15.23**		18.71
Manufacturing and Other Expenses	'L'		**6,961.62**		6,434.98
Interest	'M'		**169.97**		110.13
Depreciation		**1,352.33**		336.51	
Less : Transferred From General Reserve [Refer Note 3, Schedule O]		**942.19**		—	
			410.14		336.51
			7,556.96		6,900.33
Profit Before Tax			**1,367.70**		1,305.27
Provision For Taxation			**45.00**		—
Profit for the year			**1,322.70**		1,305.27
Add : Balance brought forward from last year		**60.67**		90.92	
Add : Investment Allowance (Utilised) Reserve Written Back		**26.65**		—	
			87.32		90.92
Amount Available For Appropriations			**1,410.02**		1,396.19
Appropriations					
Capital Redemption Reserve		**200.00**		—	
Debenture Redemption Reserve		**97.99**		231.30	
General Reserve		**150.00**		800.00	
Interim Dividend Paid on Preference Shares (subject to tax)		**—**		28.00	
Proposed Dividend on Equity Shares (subject to tax, if any)		**299.24**		276.22	
			747.23		1,335.52
Balance Carried to Balance Sheet			**662.79**		60.67
Significant Accounting Policies	'N'				
Notes on Accounts	'O'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated: 22nd April, 1997

For and on behalf of the Board

D.H. Ambani	Chairman
M.D. Ambani	Vice Chairman & Managing Director
A.D. Ambani	Managing Director
N.R. Meswani, **H.R. Meswani**	Executive Directors
M.V. Purohit	Nominee Director
R.H. Ambani, **N.H. Ambani**, **M.L. Bhakta**, **T. Ramesh U. Pai**, **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Schedules forming part of the Balance Sheet

Schedule 'A'

			(Rs. in crores)		
Share Capital			**As at 31st March, 1997**		As at 31st March, 1996
		Rs.	**Rs.**	Rs.	Rs.
Authorised:					
55,00,00,000	Equity Shares of Rs. 10 each		**550.00**		550.00
5,50,000	15% Cumulative Redeemable Preference Shares of Rs. 100 each		**5.50**		5.50
3,00,00,000	Preference Shares of Rs. 100 each		**300.00**		300.00
14,45,00,000	Unclassified Shares of Rs. 10 each		**144.50**		144.50
			1,000.00		1,000.00
Issued: Equity					
46,03,69,802	Equity Shares of Rs. 10 each		**460.37**		460.37
Subscribed: Equity					
46,03,69,802	Equity Shares of Rs. 10 each fully paid up	**460.37**		460.37	
	Less: Calls in arrears - by others	**1.92**		2.14	
Issued & Subscribed : Preference			**458.45**		458.23
— (2,00,00,000)	14% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid up (Redeemed at par on 29th March, 1997)		**—**		200.00
			458.45		658.23

Of the above Equity Shares:

1. (a) 1,56,80,100 Shares were allotted as Bonus Shares by capitalisation of Premium and Reserves.
   (b) 18,05,78,290 Shares were allotted pursuant to Schemes of Amalgamation without payments being received in cash.
   (c) 20,31,30,572 Shares were allotted on conversion/surrender of Debentures, conversion of Term Loans, exercise of Warrants, against Global Depository Shares (GDS) and reissue of forfeited equity shares.
2. Refer Note 1(c)(v) of Schedule C and Note 1 to Schedule D in respect of option on unissued share capital.

Schedule 'B'

(Rs. in crores)

Reserves & Surplus	**As at 31st March, 1997**		As at 31st March, 1996	
	Rs.	**Rs.**	Rs.	Rs.
Capital Reserves				
As per last Balance Sheet	**2.45**		0.58	
Add: On redemption of Debentures	**0.43**		1.87	
Profit on reissue of Forfeited Shares (Previous year Rs. 39,540)				
On Assignment Of Interest Free Sales Tax Loan (Refer Note 11 of Schedule O)	**182.38**		—	
		185.26		2.45
Capital Redemption Reserve				
As per last Balance Sheet	**5.80**		5.80	
Add: Transferred from Profit and Loss Account	**200.00**		—	
		205.80		5.80
Share Premium Account				
As per last Balance Sheet	**4,823.75**		4,823.71	
Add: On Reissue of Forfeited Shares	**—**		0.04	
	4,823.75		4,823.75	
Less: Calls in arrears	**11.15**		12.49	
		4,812.60		4,811.26
Debenture Redemption Reserve				
As per last Balance Sheet	**373.05**		141.75	
Add: Transferred from Profit and Loss Account	**97.99**		231.30	
		471.04		373.05
Investment Allowance (Utilised) Reserve				
As per last Balance Sheet	**301.35**		301.35	
Less: Transferred to Profit and Loss Account to the extent not required	**26.65**		—	
		274.70		301.35
Taxation Reserve				
As per last Balance Sheet		**10.00**		10.00
General Reserve				
As per last Balance Sheet	**2,182.49**		1,382.49	
Less: Transferred to Profit and Loss Account (Refer Note 3 of Schedule O)	**942.19**		—	
	1,240.30		1,382.49	
Add: Transferred from Profit and Loss Account	**150.00**		800.00	
		1,390.30		2,182.49
Profit and Loss Account		**662.79**		60.67
		8,012.49		7,747.07

Schedules forming part of the Balance Sheet

Schedule 'C'

(Rs. in crores)

Secured Loans	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1996 Rs.	As at 31st March, 1996 Rs.
A) Debentures				
1. **Non-Convertible Debentures**	2,012.98		1,780.95	
Less: Calls in arrears	2.32		52.43	
	2,010.66		1,728.52	
2. **Advance Subscription on Debentures**	—		83.00	
		2,010.66		1,811.52
B) Term Loans				
1. **From Banks**				
a) Foreign Currency Loans	710.48		529.39	
b) Rupee Loans	240.00		77.80	
	950.48		607.19	
2. **From Financial Institutions**				
a) Foreign Currency Loans	841.23		395.01	
b) Rupee Loans	18.47		16.94	
	859.70		411.95	
		1,810.18		1,019.14
C) Working Capital Loans				
From Banks		425.92		591.88
		4,246.76		3,422.54

Notes

1. (a) Debentures referred to in A(1) to the extent of Rs. 1415.48 crores are secured by way of legal/equitable mortgage on the properties situated at Naroda, District Ahmedabad and Hazira, District Surat in the State of Gujarat and at Patalganga, District Raigad in the State of Maharashtra and Ships of the Company.
   (b) Debentures referred to in A(1) to the extent of Rs. 597.50 crores are secured by legal mortgage in English form on the properties situated at Hazira, District Surat, in the state of Gujarat and at Patalganga, District Raigad, in the State of Maharastra.
   (c) Debentures referred to in A(1) consists of (i) 15 % Debentures of Rs. 100 each aggregating Rs. 266.55 crores which are redeemable at par on 31st August, 1999. (ii) 14 % Debentures of Rs. 100 each aggregating Rs. 57.50 crores which are redeemable at a premium of 5 % on the face value of the Debentures, in two equal instalments at the end of seventh and eighth year from the respective dates of allotment commencing from March, 1998. (iii) 12.5 % Debentures of Rs. 95 each aggregating Rs. 341.57 crores, 14 % Debentures of Rs. 150 each aggregating Rs. 124.95 crores and 17.5 % Debentures of Rs. 100 each aggregating Rs. 264.91 crores, all of which are redeemable at par on the expiry of 10 years from the date of allotment i.e. 2002 with an option to the Board to redeem at any time after 26th February, 1999.(iv) 18% Debentures of Rs. 100 each aggregating Rs. 60 crores which are redeemable at par in three equal instalments on the expiry of sixth, seventh and eighth year from the date of allotment; the redemption will commence from July, 1999. (v) 14 % Debentures of Rs. 50 each aggregating Rs. 300 crores which are redeemable at par on the expiry of sixth year from the date of allotment ie. 12th January, 2000. Warrants issued with the Debentures entitle the holders thereof to apply at the option of the Warrantholders for 6,00,00,000 Equity Shares of Rs. 10 each of the company. (vi) 16.50 % Debentures of Rs. 100 each, aggregating Rs. 285 crores which are redeemable at par on the expiry of seven years from the respective dates of allotment, commencing from September, 2002. (vii) 14.08 % Debentures of Rs. 100 each, aggregating Rs. 312.50 crores which are redeemable at par in three equal instalments, commencing from the expiry of fifth year from the respective dates of allotment commencing from February, 2000. (viii) Debentures aggregating Rs. 0.11 crore are held by Directors.
2. (a) Term Loans referred to in B(1) (a) above, to the extent of Rs. 538.73 crores are secured on the properties situated at Hazira, District Surat in the State of Gujarat and at Patalganga, District Raigad in the State of Maharashtra and Ships of the Company and Term Loans referred to in B(2)(a) above to the extent of Rs.744.24 crores are secured on the properties situated at Hazira, District Surat in the State of Gujarat and at Patalganga, District Raigad in the State of Maharashtra.
   (b) Term Loans referred to in B(2) (a) above, to the extent of Rs. 91.93 crores and Term loans referred to in B(2)(b) above, to the extent of Rs.5.20 crores are secured/to be secured on the properties situated at Naroda, District Ahmedabad and Hazira, District Surat in the State of Gujarat, at Patalganga, District Raigad in the State of Maharashtra and Ships of the Company.
   (c) Term Loans referred to in B(2)(a) to the extent of Rs. 5.06 crores are secured by an exclusive charge by way of hypothecation of specific items of machinery.
   (d) Term Loans referred to in B(1) (a) to the extent of Rs. 0.99 crore are secured by guarantee issued by one of the Bankers of the company against hypothecation of specific items of plant and machinery.
   (e) Term Loans referred to in B(1) (a) to the extent of Rs. 8.71 crores are secured by guarantee issued by one of the Bankers to the company against hypothecation of all movable assets both present and future situated at Naroda and Patalganga .
   (f) The Term Loans referred to in B(1)(a) to the extent of Rs. 162.05 crores and term loans referred to in B(1)(b) to the extent of Rs. 240 crores are secured/to be secured on the properties situated at Hazira, District Surat in the State of Gujarat and at Patalganga, District Raigad in the State of Maharastra.
   (g) The Term Loans referred to in B(2)(b) above to the extent of Rs.13.27 crores are secured/to be secured only on the dwelling units constructed/to be constructed for the employees of the Company.
3. The charges created/to be created on the debentures referred to in Note 1(a) and Note 1(b) and term loans referred to in Notes 2(a),2(b) and 2(f) above, shall rank pari passu, inter-se.
4. (a) Working Capital Loans from Banks referred to in (C) above are secured by hypothecation of present and future stock of raw materials, stock-in-process, stores and spares, book debts, outstanding monies, receivable claims, trust receipts etc.
   (b) Secured Loans include loans of Rs. 292.96 crores and Debentures of Rs. 25 crores repayable/redeemable within one year.

Schedule 'D'

(Rs. in crores)

Unsecured Loans			**As at 31st March, 1997** Rs.	**Rs.**	As at 31st March, 1996 Rs.	Rs.
A i)	**3.5%**	**Euro Convertible Bonds due 1999**		**502.81**		480.92
ii)	**8.125%**	**Euro Bonds due 2005**		**538.73**		515.25
iii)	**9.375 %**	**Notes Due 2016**		**359.15**		—
iv)	**10.375 %**	**Notes Due 2026**		**359.15**		—
v)	**10.5 %**	**Notes Due 2046**		**359.15**		—
vi)	**8.25 %**	**Notes Due 2027**		**768.58**		—
vii)	**10.25 %**	**Notes Due 2097**		**359.15**		—
B)	**Short Term Loans**					
i)	Banks			**80.00**		—
ii)	Others			**52.00**		67.00
C)	**Interest-free Loans under Sales-tax Deferral Scheme**			**—**		235.74
				3,378.72		1,298.91

Note : 1. The Bonds referred to in A(i) are convertible into 1,52,49,305 Equity Shares of Rs. 10 each of the Company at the option of the bondholders.

2. Short Term Loans from banks represents Commercial Paper of Rs.80 crores. (Previous year Nil) (Maximum amount outstanding at anytime during the year Rs.80 crores).

Schedule 'E'
Fixed Assets

(Rs. in crores)

	Gross Block				**Depreciation**				**Net Block**	
Description	As At 01-04-96 Rs.	Additions Rs.	Deductions Rs.	**As At 31-03-97 Rs.**	Upto 01-04-96 Rs.	For the Year Rs.	Deduc-tions Rs.	Upto 31-03-97 Rs.	**As At 31-03-97 Rs.**	As At 31-03-96 Rs.
Leasehold Land	54.41	—	—	**54.41**	1.30	0.46	—	1.76	**52.65**	53.11
Freehold Land	3.31	1.55	0.08	**4.78**	—	—	—	—	**4.78**	3.31
Development Rights	38.65	—	—	**38.65**	1.35	0.13	—	1.48	**37.17**	37.30
Buildings	427.32	113.89	0.04	**541.17**	52.67	11.56	0.01	64.22	**476.95**	374.65
Plant & Machinery	5,605.69	3,752.76	7.75	**9,350.70**	1,967.59	1,295.81	1.54	3,261.86	**6,088.84**	3,638.10
Electrical Installation	231.22	106.51	0.05	**337.68**	40.40	12.15	—	52.55	**285.13**	190.82
Factory Equipments	79.61	69.06	0.18	**148.49**	13.08	5.62	0.06	18.64	**129.85**	66.53
Furniture & Fixtures	38.77	13.08	0.07	**51.78**	11.69	3.28	0.01	14.96	**36.82**	27.08
Vehicles	34.20	16.07	2.43	**47.84**	6.61	4.09	0.85	9.85	**37.99**	27.59
Ships	170.59	3.56	—	**174.15**	33.60	9.25	—	42.85	**131.30**	136.99
Aircrafts & Helicopter	25.41	—	—	**25.41**	3.13	1.42	—	4.55	**20.86**	22.28
Jetties	176.32	4.54	—	**180.86**	9.92	8.56	—	18.48	**162.38**	166.40
Total	6,885.50	4,081.02	10.60	**10,955.92**	2,141.34	1,352.33*	2.47	3,491.20	**7,464.72**	4,744.16
Previous Year	5,315.40	1,572.99	2.89	**6,885.50**	1,805.78	336.51	0.95	2,141.34	**4,744.16**	
Capital Work-in-Progress									**3,708.63**	4,488.71

Notes :

a) Leasehold Lands include Rs. 0.11 crore in respect of which lease-deeds are pending execution.

b) Buildings include cost of shares in Co-operative Societies Rs. 0.01 crore (Previous Year Rs. 86,400).

c) Capital Work-in-Progress includes :
  (i) Rs. 302.04 crores on account of pre-operative expenses. (Previous Year Rs. 395.67 crores).
  (ii) Rs. 252.98 crores on account of cost of construction materials at site. (Previous Year Rs. 236.82 crores).
  (iii) Rs. 464.34 crores on account of advance against Capital Expenditure. (Previous Year Rs. 307.59 crores).

d) Additions include Rs. 119.20 crores on account of exchange difference. (Net) (Previous Year Rs. 20.41 crores).

e) The Ownership of Jetties vests with Gujarat Maritime Board. However, under an agreement with Gujarat Maritime Board, the company has been permitted to use the same at a concessional rate.

* (Refer to Note 3 of Schedule 'O')

Schedules forming part of the Balance Sheet

Schedule 'F'

(Rs. in crores)

Investments		**As at 31st March, 1997 Rs.**	**Rs.**	As at 31st March, 1996 Rs.	Rs.
A. Long Term Investments					
Government and other Securities					
Unquoted					
	7 Years National Savings Certificates (Deposited With Sales Tax Dept)(Face Value Rs.5000; Previous Year Rs.5,000)	**—**		—	
	Post Office Time Deposit	**0.20**		0.20	
	Indira Vikas Patra (Rs.15,000;Previous year Rs.15,000)	**—**		—	
	Kisan Vikas Patra (Deposited with Sales Tax Dept) (Rs.20,000;Previous year Rs.20,000)	**—**		—	
	Vikas Cash Certificate (Deposited with Sales Tax Dept) (Rs.NIL ; Previous year Rs.2,000)	**—**		—	
		0.20		0.20	
			0.20		0.20
Trade Investments					
In Equity Shares					
Quoted, fully paid up					
6,05,80,969 (6,05,80,969)	Reliance Capital Ltd. of Rs. 10 each	**486.56 ***		486.55	
69,80,000 (69,80,000)	Reliance Industrial Infrastructure Ltd. of Rs. 10 each	**16.58**		16.58	
		503.14		503.13	
Unquoted, fully paid up					
60 (60)	New Piece Goods Bazar Co. Ltd. of Rs. 100 each (Rs.17,000; Previous year Rs.17,000)	**—**		—	
5 (5)	Bombay Gujarat Art Silk Vepari Mahajan Co-operative Shops & Warehouse Society Ltd. of Rs.200 each (Rs.1,000; Previous year Rs.1,000)	**—**		—	
165 (165)	The Art Silk Co-operative Society Ltd. of Rs. 100 each (Rs.16,500 ; Previous Year Rs.16,500)	**—**		—	
20 (20)	The Bombay Market Art Silk Co-operative (Shops & Warehouses) Society Ltd., of Rs.200 each, (Rs. 4,000 ; Previous Year Rs.4,000)	**—**		—	
15 (15)	Pandesara Industrial Co-operative Society Ltd. of Rs.100 each (Rs.1,500 ; Previous year Rs. 1,500)	**—**		—	
11,08,500 (11,08,500)	Reliance Europe Ltd. of Sterling Pound 1 each	**3.93**		3.93	
300 (650)	Reliance Petroproducts Private Ltd. of Rs.10 each (Rs.3,000; Previous year Rs.6,500)	**—**		—	
800 (800)	Reliance Global Trading Private Ltd. of Rs.10 each (Rs.8,000; Previous year Rs. 8,000)	**—**		—	
		3.93		3.93	
Unquoted, partly paid up					
225 (225)	Crimpers Industrial Co-operative Society Ltd. of Rs. 100 each Rs. 25 paid up (Rs.5,625; Previous Year Rs. 5,625)	**—**		—	
1,000 (1,000)	Reliance Petroproducts Private Ltd. of Rs. 10.00 each Rs.2.50 paid up. (Rs.2,500 ; Previous year Rs. 2,500)	**—**		—	
1,250 (1,250)	Reliance Global Trading Private Ltd. of Rs. 10.00 each Rs.2.50 paid up. (Rs.3,125 ; Previous year Rs. 3,125)	**—**		—	
		—		—	

Schedule 'F' (Contd.)

(Rs. in crores)

Investments		**As at 31st March, 1997** Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
In Preference Shares					
Unquoted, fully paid up					
86,00,000 (86,00,000)	6% Cumulative Redeemable Preference Shares of Reliance Enterprises Limited, of Rs. 100 each	**86.00**		86.00	
		86.00		86.00	
In Debentures					
Unquoted, fully paid up					
— (1,00,00,000)	Zero Coupon Optionally Convertible Unsecured Debentures of Reliance Petroproducts Private Limited of Rs. 100 each	—		100.00	
		—		100.00	
			593.07		693.06
In Equity Shares of subsidiary companies					
Unquoted, fully paid up					
2,10,070 (2,10,070)	Devti Fabrics Ltd. of Rs. 10 each	**0.21**		0.21	
14,75,04,400 (14,75,04,400)	Reliance Industrial Investments and Holdings Ltd. of Rs.10 each	**147.50**		147.50	
		147.71		147.71	
In Debentures of subsidiary companies					
Unquoted, fully paid up					
8,83,843 (12,62,903)	Zero Coupon Optionally Convertible Unsecured Debentures of Reliance Industrial Investments and Holdings Ltd. of Rs.5,000 each	**441.93**		631.45	
2,79,90,000 (-)	8% Debentures of Reliance Industrial Investments & Holdings Ltd Rs. 100 each	**279.90**		—	
		721.83		631.45	
			869.54		779.16
Other Investments					
In Equity Shares					
Quoted, fully paid up					
15,51,599 (15,51,600)	BSES Ltd. of Rs. 10 each	**33.73**		33.73	
17,82,637 (27,57,800)	Larsen & Toubro Ltd. of Rs. 10 each	**43.37**		69.53	
		77.10		103.26	
Unquoted, fully paid up					
1,000 (1,000)	Air Control & Chemical Engineering Co. Ltd. of Rs. 100 each	**0.01**		0.01	
		0.01		0.01	
			77.11		103.27
	Total (A)		**1,539.92**		1,575.69

Schedules forming part of the Balance Sheet

Schedule 'F' (Contd.)

(Rs. in crores)

Investments		**As at 31st March, 1997** Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
B Current Investments					
Other Investments					
In Equity Shares					
Quoted, fully paid up					
— (11,000)	Delta Industries Ltd of Rs. 10 each	—		0.08	
80 (80)	The Industrial Credit & Investment Corporation of India Ltd. of Rs. 10 each (Rs. 1,491 ; Previous Year Rs. 1,491)	—		—	
120 (3,91,960)	Indian Petrochemicals Corporation Ltd. of Rs.10 each (Rs. 15,360)	—		6.44	
— (2,54,700)	Industrial Development Bank of India Ltd. of Rs.10 each	—		3.40	
100 (22,500)	Equity Shares of Container Corporation of India Ltd. of Rs. 10 each (Rs. 7,187.40)	—		0.16	
		—		10.08	
Unquoted, fully paid up					
4,80,000 (4,80,000)	HIM Teknoforge Limited of Rs.10 each	**1.20**		1.20	
		1.20		1.20	
In Debentures					
Quoted, fully paid up					
624 (624)	12.5% Fully convertible Debentures of ICICI Ltd. of Rs. 450 each	**0.03**		0.03	
		0.03		0.03	
In Bonds					
Taxable, Unquoted, fully paid up					
	13% Unsecured, Redeemable, Industrial Development Bank of India Omni Bonds Series 2 in the form of Promisory Note (Face value NIL ; Previous Year Rs.2 crores)	—		1.92	
— (50,000)	13% Secured, Redeemable Bonds of Nuclear Power Corporation of India Ltd. of Rs.1,000 each	—		4.73	
— (1,10,000)	15.5% Secured, Redeemable, 2nd issue Privately placed Bonds of Nuclear Power Corporation of India Ltd. of Rs.1,000 each	—		10.29	
— (3,04,500)	17.5% Secured, Redeemable, Non-cumulative Bonds of Nuclear Power Corporation of India Ltd. of Rs. 1,000 each	—		30.75	
— (5,000)	Unsecured, Redeemable, Floating Interest Rate Bonds of Punjab National Bank of Rs.10,000 each	—		4.83	
—	17% Secured, Redeemable Bonds of Power Finance Corporation (Face value NIL ; Previous year Face value Rs. 17 crores)	—		17.22	
200	Unsecured Redeemable Industrial Finance Corporation Growing Income Scheme Bonds of Rs.5000 each (Previous Year Rs.NIL)	**0.10**		—	
		0.10		69.74	

Schedule 'F' (Contd.)

(Rs. in crores)

Investments		**As at 31st March, 1997**		As at 31st March, 1996	
		Rs.	**Rs.**	Rs.	Rs.
In Units					
Quoted					
4,70,100	SBI Magnum Multiplier Plus 1993 units	**0.48**			
(22,60,100)	of Rs. 10 each			2.26	
85,600	Units (1964 Scheme), Unit Trust of India				
(11,40,85,600)	of Rs.10 each (Deposited with Govt. Authorities)	**0.13**		173.97	
50,00,000	Reliance Capital Growth Fund of Rs.10 each				
(50,00,000)		**5.00**		5.00	
		5.61		181.23	
Unquoted					
—	The Alliance'95 Fund Units of Rs.10 each	**—**		4.85	
(50,00,000)					
—	Units of Unit Scheme 1995, Unit Trust of India				
(3,00,000)	of Rs.100 each	**—**		3.00	
1,47,82,770	Kothari Pioneer Prima Fund Units of Rs.10 each				
(9,05,37,771)		**14.78**		92.09	
1,50,00,000	Reliance Vision Fund of Rs.10 each				
(1,50,00,000)		**15.00**		15.00	
		29.78		114.94	
In Investment Management Account **					
—	With Union Bank of Switzerland (Previous Year NIL)	**1,935.64**		—	
—	With Credit Suisse First Boston (Previous Year NIL)	**943.40**		—	
		2,879.04		—	
	Total (B)		**2,915.76**		377.22
Total Investments (A) + (B)			**4,455.68**		1,952.91

Aggregate Value of	**Book Value Rs.**	**Market Value Rs.**	Book Value Rs.	Market Value Rs.
Quoted Investments	**585.88**	**429.81**	797.72	785.52
Unquoted Investments	**3869.80**	**—**	1155.19	—

Movements during the year Purchased & Sold	**Face Value Rs.**	**Nos.**	**Cost Rs.in crores**
Bonds			
13% Industrial Credit & Investment Corporation of India Limited.	**1,000**	**1,40,000**	**12.13**
9.5% India Development Bonds.	**15,000** @		**0.05**
13% Industrial Development Bank of India.	**1,000**	**70,000**	**6.70**
16% IFCI Growing Income Scheme.	**5,000**	**300**	**0.15**
13% National Hydroelectric Power Corporation.	**1,000**	**1,70,000**	**16.25**
15.5% Nuclear Power Corporation of India Ltd.	**1,000**	**1,00,000**	**8.89**
17.5% Nuclear Power Corporation of India Ltd.	**1,000**	**1,90,000**	**18.44**
17% Power Finance Corporation.	**1,000**	**90,000**	**9.06**
@ Face Value in USD			
Mutual Fund Units			
Equity Opportunity Fund'96	**10.00**	**5,10,000**	**0.51**
UTI Master Gain 1992 Scheme	**10.00**	**1,01,000**	**0.12**
Shares			
Larsen & Toubro	**10.00**	**150**	**—**

* Includes 3,57,14,300 shares having a lock-in period upto January, 2000.

** Includes Rs. 361.23 crores being balance of unutilised monies raised by issue, on or after 13th September 1996.

Schedules forming part of the Balance Sheet

Schedule 'G'

(Rs. in crores)

Current Assets	**As at 31st March, 1997 Rs.**	**Rs.**	As at 31st March, 1996 Rs.	Rs.
Interest Accrued on Investments		**60.33**		34.00
Inventories				
(Certified and Valued by the Management)				
Stores, spares, dyes, chemicals, etc.	**348.72**		187.37	
Raw Materials	**412.94**		153.27	
Stock-in-Process	**50.74**		35.73	
Finished Goods	**272.96**		383.24	
		1,085.36		759.61
Sundry Debtors (Unsecured)				
Over six months				
Considered good	**114.60**		54.79	
Considered doubtful	**8.50**		4.58	
	123.10		59.37	
Less: Provision for doubtful debts	**8.50**		4.58	
	114.60		54.79	
Others, considered good	**486.82**		275.77	
		601.42		330.56
Cash and Bank Balances				
Cash on hand	**0.57**		0.50	
Balance with Banks				
In Current Accounts with Scheduled Banks	**115.99**		130.48	
In Fixed Deposit Accounts				
With Scheduled Bank	**0.97**		2.96	
With Others	**746.22 ***		1,421.37	
		863.75		1,555.31
		2,610.86		2,679.48

* Represents deposits of

a) Rs. 565.27 Crores with Union Bank of Switzerland (Previous Year Rs.1318.32 Crores)(Maximum amount outstanding at any time during the year Rs.2678.04 Crores.)

b) Rs. 1.37 Crores with Credit Suisse First Boston (Previous Year Nil) (Maximum Amount Outstanding at any time during the year Rs. 1267.76 Crores).

c) Rs. 179.58 Crores with Bankers Trust Company(Previous Year Nil) (Maximum Amount Outstanding at any time during the year Rs. 179.58 Crores).

d) Rs. Nil with Industrial Development Bank of India (Previous Year Rs.103.05 crores)

Schedule 'H'

Loans and Advances	**As at 31st March, 1997 Rs.**	As at 31st March, 1996 Rs.
Unsecured - (Considered Good)		
Loans to subsidiary companies	**13.43**	13.43
Advances recoverable in cash or in kind or for value to be received	**731.74**	675.25
Deposits	**213.89**	257.21
Balance with Customs, Central Excise Authorities, etc.	**337.19**	227.23
	1,296.25	1,173.12

Notes:

Advances includes :

(i) Rs. 0.21 crore to Officers (Maximum amount outstanding at any time during the year Rs. 0.21 crore)

(ii) Rs. 15.37 crores to Reliance Petroleum Limited, a Company under the same management towards promoters' contribution and other advances. (Previous Year Rs. 200.00 crores) (Maximum amount outstanding anytime during the year Rs.200 crores)

(iii) Rs. 164.67 crores towards Debenture Application Money pending allotment.(Previous Year Nil)

Schedule 'I'

(Rs. in crores)

Current Liabilities and Provisions	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
Current Liabilities				
Sundry Creditors	**2,923.91** *		1,514.54	
Unclaimed Dividends	**12.19**		9.54	
Excess Debentures Application monies refundable/adjustable	**3.13**		3.14	
Interest accrued but not due on loans	**148.26**		102.39	
		3,087.49		1,629.61
Provisions				
Provision for Wealth Tax	**3.40**		2.40	
Provision for Leave Encashment	**4.59**		3.40	
Provision for Income Tax	**45.00**		—	
Proposed Dividend (subject to tax)	**299.24**		276.22	
		352.23		282.02
		3,439.72		1,911.63

* Includes for capital expenditure Rs. 1063.84 crores. (Previous year Rs. 643.36 Crores) and acceptances of Rs.537.68 crores (Previous year Rs. 209.22 Crores)

Schedules forming part of the Profit and Loss Account

(Rs. in crores)

Schedule 'J'	Rs.	1996-97 Rs.	Rs.	1995-96 Rs.
Other Income				
Export Incentives		**0.04**		—
Dividends :				
From Subsidiaries	**11.80**		12.24	
From Long Term Investments	**19.67**		18.34	
From Current Investments	**1.14**		80.66	
		32.61		111.24
Tax Deducted at source Rs. 8.07 Crores. (Previous Year Rs. 26.19 Crores)				
Interest Received				
From Current Investments	**22.65**		16.91	
From Long Term Investments	**8.41**		—	
From Others	**151.20**		96.33	
		182.26		113.24
Tax Deducted at source Rs. 9.78 crores; (Previous year Rs.13.03 crores)				
Profit on Sale of Current Investments (net)		**41.61**		25.77
Profit on Sale of Long Term Investments (net)		**2.94**		—
Profit on Sale of Assets		**0.16**		0.03
Miscellaneous Income		**29.98**		22.16
		289.60		272.44

Schedule 'K'

Variations in Stocks	Rs.	1996-97 Rs.	Rs.	1995-96 Rs.
Stock-in-Trade (at close)				
Finished goods	**272.96**		383.24	
Stock-in-process	**50.74**		35.73	
		323.70		418.97
Stock-in-Trade (at commencement)				
Finished goods	**383.24**		223.73	
Stock-in-process	**35.73**		48.42	
		418.97		272.15
		(95.27)		146.82

Schedules forming part of the Profit and Loss Account

Schedule 'L'

				(Rs. in crores)
		1996-97		1995-96
	Rs.	**Rs.**	Rs.	Rs.
Manufacturing & Other Expenses				
Raw Materials Consumed		**1,932.19**		1,435.24
Inter-Divisional Transfers		**2,288.68**		2,059.68
Manufacturing Expenses				
Stores, Chemicals and Packing Materials	**357.62**		351.81	
Electric Power, Fuel and Water	**323.71**		315.89	
Machinery Repairs	**30.13**		45.10	
Building Repairs	**20.37**		24.46	
Labour, Processing and Machinery hire Charges	**111.89**		86.06	
Excise Duty	**1,283.85**		1,378.83	
Lease Rent	**70.38**		97.45	
Exchange Differences (Net)	**(29.18)**		19.05	
		2,168.77		2,318.65
Payments to and Provisions for Employees				
Salaries, Wages and Bonus	**169.20**		134.40	
Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Employee's State Insurance Scheme, Pension Scheme, Labour Welfare Fund etc.	**18.78**		18.28	
Employee's Welfare and other amenities	**50.15**		37.75	
		238.13		190.43
Sales & Distribution Expenses				
Samples, Sales Promotion and Advertisement Expenses	**25.20**		40.76	
Brokerage and Commision	**50.50**		51.46	
Warehousing and Distribution Expenses	**50.30**		48.14	
Sales Tax	**5.87**		13.77	
		131.87		154.13
Establishment Expenses				
Insurance	**31.27**		36.29	
Rent	**26.25**		21.62	
Rates and taxes	**24.73**		21.81	
Other repairs	**20.38**		17.13	
Travelling Expenses	**27.37**		32.44	
Payment to Auditors	**1.74**		1.21	
Professional Fees	**76.18**		51.01	
Loss On Sale Of Discarded Assets	**1.71**		0.59	
General Expenses	**78.45**		110.40	
Wealth Tax	**1.00**		1.00	
Charity & Donations	**1.52**		4.34	
		290.60		297.84
		7,050.24		6,455.97
Less : Preoperative Expenses Of Projects Under Commissioning		**88.62**		20.99
		6,961.62		6,434.98

Schedule 'M'

Interest

Debentures	**114.63**	73.90
Fixed Loans	**23.44**	30.13
Others (Net)	**31.90**	6.10
	169.97	110.13

Schedule 'N'

A. Basis of Preparation of Financial Statements

a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, subject to what is stated herein below, as adopted consistently by the company.

b) The company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

B. Fixed Assets

Fixed Assets are stated at cost, net of Modvat, less accumulated depreciation. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations relating to borrowings attributable to the fixed assets are capitalised.

C. Depreciation

Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except: on petrochemical, polyester & captive power plants which have commenced commercial production before 01-04-95, depreciation has been provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act 1956; on additions, or extensions forming an integral part of existing plants,including incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets, depreciation has been provided, as aforesaid over the residual life of the respective plants;on development rights depreciation has been provided in proportion of Oil Production achieved; Premium on lease hold land is amortised over the period of lease;cost of jetty has been amortised over the period of agreement, so however that the aggregate depreciation provided to date is not less than the aggregate rebate availed by the company.

D. Foreign Currency Transactions

a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

b) Monetary items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.

c) Non monetary foreign currency items are carried at cost.

d) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit or loss account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

E. Investments

a) Current investments are carried at the lower of cost and quoted/fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if, such a decline is other than temporary in the opinion of the management.

b) Cost is arrived at by applying specific identification method.

F. Inventories

Inventories are valued at cost except for finished goods and by-products. Finished goods are valued at lower of cost or market value and by-products are valued at net realisable value.

G. Sales

Sales include inter-divisional transfers, sales during trial run and are net of discounts.

H. Excise Duty

Excise Duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses.

I. Employee Retirement Benefits

Company's contributions to Provident Fund and Superannuation Fund are charged to Profit and Loss Account. Gratuity and Leave encashment benefit at the time of retirement are charged to Profit and Loss Account on the basis of actuarial valuation.

J. Research and Development Expenses

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the year in which they are incurred.

K. Leases

Lease rentals are expensed with reference to lease terms and other considerations, except for rentals pertaining to the period upto the date of commissioning of the assets which are capitalised.

L. Accounting for Oil and Gas Activity

Assets and liabilities as well as income and expenditure in respect of the Unincorporated joint venture with Oil and Natural Gas Corporation Ltd. and Enron Oil and Gas India Ltd. are accounted on the basis of available information on line by line basis with similar items in the company's financial statements, according to the participating interest of the company.

M. Issue Expenses

Issue Expenses pertaining to the projects are capitalised.

Notes on Accounts

Schedule 'O'

1. (a) The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.
   (b) Figures have been presented in 'crores' of rupees with two decimals in accordance with the approval received from the Company Law Board. Figures less than Rs. 50,000 have been shown at actuals in brackets.
2. As in past, sales include Inter divisional transfers of Rs. 2288.68 crores (Previous Year Rs. 2059.68 crores).
3. In view of the rapid technological advancements and other relevent commercial considerations in the deregulated global environment in respect of petrochemical, polyester and power plants which have commenced production before 1.4.1995, the method of depreciation has now been changed from straight line method (SLM) to written down value method(WDV) as indicated in item C of Schedule N.

   In compliance with the Accounting Standards(AS6) issued by the Institute of Chartered Accountants of India, depreciation has been recomputed from the date of commissioning of these plants at the WDV rates applicable to those years. Consequent to this change, there is an additional charge during the year of Rs. 942.19 crores relating to previous years and an equivalent amount has been withdrawn from General Reserve and credited to Profit and Loss Account.

   Had there been no change in the method of depreciation, the charge for the year would have been lower by Rs 66.49 crores, excluding the charge relating to previous years. Consequently, Reserves and Surplus and Net Block of Fixed Assets would have been higher by Rs. 1008.68 crores.
4. The expense on account of exchange difference on outstanding forward exchange contracts to be recognised in the Profit and Loss account of subsequent accounting periods aggregate to Rs. 0.18 crore. (Previous year 3.50 Crores)
5. (a) Auditors' Remuneration : (Rs.in crores)

		1996-97	1995-96
i)	Audit Fees	**0.75**	0.62
ii)	Tax Audit Fees	**0.20**	0.18
iii)	For Certification and Consultation in finance and tax matters	**0.70**	0.35
iv)	Expenses reimbursed	**0.09**	0.06
		1.74	1.21

   (b) Cost Auditor :
   Audit Fees Rs. 0.01 crore, (Previous Year Rs. 0.03 crore)
6. (a) The Company has been advised that the computation of net profits for the purpose of Directors' remuneration under Section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to the Directors. Fixed monthly remuneration has been paid to the Directors as per Schedule XIII to the Companies Act, 1956.
   (b) Managerial Remuneration :

i)	Salaries	**1.07**	0.79
ii)	Contribution to Provident Fund and Superannuation Fund	**0.17**	0.11
iii)	Provision for Gratuity	**0.32**	0.09
iv)	Perquisites	**0.41**	0.37
		1.97	1.36

7. A sum of Rs. 3.57 crores (net credit) (Previous Year Rs. 6.29 crore net debit) is adjusted to General Expenses representing Net Prior Period Items.
8. The income-tax assessments of the Company have been completed upto Assessment Year 1994-95. The total demand raised by the Income-Tax Department upto the said Assessment Year is Rs. 204.32 crores which is disputed. Based on the decisions of the Appellate Orders and the interpretations of other relevant provisions, the Company has been legally advised that the demand is likely to be either deleted or substantially reduced and hence the Taxation Reserve created in the past would be adequate enough to meet the liabilities, if any, in respect of disputed matters which are pending in appeals.
   Provision for Taxation for the current year has been made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
9. The company has an investment of Rs.0.21 crore in the Share Capital, loan of Rs.13.43 crores in Devti Fabrics Ltd., (DFL), a wholly owned subsidiary company. The losses of DFL exceed its paid-up Capital and Reserves as on 31st March, 1997. In view of the long term involvement of the company in the said company, no provision has been made in the accounts for the probable loss that may arise.
10. Fixed assets taken on lease amount to Rs.379.58 crores. (Previous year Rs. 378.24 crores). Future obligations towards lease rentals under the lease agreements as on 31st March, 1997 amount to Rs.180.27 crores.(Previous year Rs. 171.53 crores)
11. The company had a liabilty of Rs. 238.14 crores payable from 1.5.2001 to 1.4.2012 to the sales tax departments of the Governments of Maharashtra and Gujarat in respect of sales tax deferral scheme. The company has assigned the said liability to another company on payment of Rs. 55.76 crores and the difference of Rs. 182.38 crores has been credited to Capital Reserve during the year.
12. **Pre-Operative Expenses**
   (In respect of Projects upto 31st March 1997, to be capitalised) (Rs. in crores)

		1996-97		1995-96
Opening Balance		**395.67**		195.40
Add:				
Preoperative expenditure transferred from Profit and Loss account	**88.62**		20.99	
Lease Expenses	**18.12**		51.75	
Interest	**394.80**		235.83	
Issue Expenses	**27.17**		11.97	
		528.71		320.54
		924.38		515.94
Less : Capitalised during the year		**622.34**		120.27
Closing Balance		**302.04**		395.67

Schedule 'O'

(Rs.in crores)

13. **Contingent Liabilities**

			As at 31st March,1997 Rs.	As at 31st March,1996 Rs.
	(a)	Estimated amount of contracts remaining to be executed on capital accounts and not provided for	**1387.05**	1889.98
	(b)	Outstanding guarantees furnished to Banks and Financial institutions including in respect of Letters of Credit	**1438.54**	1725.10
	(c)	Guarantees to Banks and Financial institutions against credit facilities extended to third parties	**1222.65**	221.61
	(d)	Liability in respect of bills discounted with Banks	**29.86**	81.33
	(e)	Uncalled liability on partly paid Shares/Debentures (Rs. 33,750) (Previous year Rs.33,750)	**—**	—
	(f)	Claims against the company/disputed liabilities not acknowledged as debts	**47.70**	47.27
	(g)	Sales tax deferral liability assigned (Refer Note 11 of Schedule 'O')	**238.14**	—

14. The Department of Company Affairs, Government of India vide its Order No. 46/49/97-CL.III dated 11th April,1997 & issued under section 211 (4) of the Companies Act,1956 has exempted the company from publication of certain information in the Profit and Loss Account under paras 3 (i) (a), 3 (ii) (a) and 3 (ii) (b) of Schedule VI to the Companies Act, 1956.

15. **Licensed and Installed Capacity**

				Licensed Capacity		**Installed Capacity**	
			UNIT	**1996-97**	1995-96	**1996-97**	1995-96
(a)	(i)	Ethylene	M.T.	**1,550,000**	1,550,000	**750,000**	—
	(ii)	Propylene	M.T.	**755,000**	755,000	**365,000**	—
	(iii)	Benzene	M.T.	**291,000**	291,000	**235,000**	—
	(iv)	Butadiene & Other C4s	M.T.	**465,000**	465,000	**225,000**	—
	(v)	Toluene	M.T.	**197,000**	197,000	**197,000**	—
	(vi)	Xylene	M.T.	**165,000**	165,000	**165,000**	—
(b)		Purified Terepthalic Acid	M.T.	**N.A.**	N.A.	**550,000**	200,000
(c)		Polypropylene	M.T.	**N.A.**	—	**360,000**	—
(d)		Poly Vinyl Chloride	M.T.	**N.A.**	N.A.	**270,000**	135,000
(e)		Polyester Staple Fibre/Polyester Chips	M.T.	**N.A.**	N.A.	**235,000**	75,000
(f)		High/Linear Low Density Polyethylene (Swing Plant)	M.T.	**N.A.**	N.A.	**160,000**	160,000
(g)		Polyester Filament Yarn/Polyester Chips	M.T.	**N.A.**	N.A.	**152,300 +**	92,300 +
(h)	(i)	Mono Ethylene Glycol	M.T.	**500,000**	500,000	**200,000**	80,000
	(ii)	Higher Ethylene Glycol	M.T.	**62,500**	62,500	**12,500**	12,500
	(iii)	Ethylene Oxide	M.T.	**145,000**	145,000	**10,000**	10,000
	(iv)	Ethylene Glycol (Non-Fibre)	M.T.	**—**	18,000	**—**	—
	(v)	Carbon Dioxide	M.T.	**—**	30,000	**—**	—
(i)		Linear Alkyl Benzene	M.T.	**N.A.**	N.A.	**80,000**	80,000
(j)		Man-made Fibre spun yarn on worsted system (Spindles)	Nos.	**N.A.**	N.A.	**24,094**	24,094
(k)		Man-made Fibre on cotton system (Spindles)	Nos.	**N.A.**	N.A.	**23,040**	23,040
(l)	(i)	Man-made Fabrics (Looms)	Nos.	**N.A.**	N.A.	**714**	714
	(ii)	Knitting M/c	Nos.	**N.A.**	N.A.	**28**	28
(m)	(i)	Chlorine	M.T.	**1,104,000**	1,104,000	**—**	—
	(ii)	Caustic Soda	M.T.	**1,268,000**	1,268,000	**—**	—
	(iii)	Hydrogen	M.T.	**31,860**	31,860	**—**	—
(n)		Paraxylene	M.T.	**1,400,000**	1,400,000	**—**	—
(o)	(i)	Naphtha	M.T.	**720,000**	720,000	**—**	—
	(ii)	LPG	M.T.	**110,000**	110,000	—	—
	(iii)	Kerosene	M.T.	**180,000**	180,000	**—**	—
	(iv)	Diesel	M.T.	**360,000**	360,000	**—**	—
(p)		LDPE	M.T.	**150,000**	150,000	**—**	—
(q)		Poly Ethylene Terephthalate	M.T.	**N.A.**	—	**—**	—

N.A. - Delicensed vide Notification No.477 (E) Dated 27th July, 1991.
+ Includes 32,300 M.T. based on average Denier of 40.

Notes on Accounts

Schedule 'O' (Contd.)

16. **Production of Finished Products meant for sale**

	UNIT	**1996-97**	1995-96
Fabrics	Mtrs. in Lacs	**433.62**	492.44
Polyester Filament Yarn	M.T.	**1,46,145**	1,04,522
Polyester Staple Fibres	M.T.	**1,31,296**	93,046
PTA	M.T.	**20,076**	65,726
LAB	M.T.	**86,089**	75,826
Ethylene Glycol	M.T.	**45,031**	52,924
PVC	M.T.	**1,89,596**	1,86,511
PE	M.T.	**1,65,277**	1,91,324
PP	M.T.	**88,664**	—
Crude Oil	M.T.	**1,48,187**	1,37,384
Normal Paraffin	M.T.	**20,087**	15,380

(Rs.in crores)

17. **Value of Imports on C.I.F. basis in respect of**	**1996-97** **Rs.**	1995-96 Rs.
(a) Raw Materials	**1,606.54**	709.72
(b) Stores and Spares, Dyes and Chemicals	**139.89**	89.28
(c) Capital goods	**986.75**	1,274.57
18. **Expenditure in Foreign Currency on Account of**		
Interest in rupees on foreign currency loans	**223.42**	72.19
Interest on Debentures held by Non-residents on repatriation basis (Gross)	**1.55**	1.42
Technical Know-how & Engineering Fees	**251.21**	755.15
Oil and Gas activity	**329.46**	87.10
Other matters	**116.32**	39.28

19. **Value of Raw Materials Consumed**

	1996-97		1995-96	
	Rs. in crores	**% of total consumption**	Rs. in crores	% of total consumption
Imported	**1586.98**	**82.13**	1033.03	71.98
Indigenous	**345.21**	**17.87**	402.21	28.02
	1932.19	**100.00**	1,435.24	100.00

20. **Value of Stores, Chemicals and Packaging Materials Consumed**

Imported	**102.29**	**28.60**	118.75	33.75
Indigenous	**255.33**	**71.40**	233.06	66.25
	357.62	**100.00**	351.81	100.00

(Rs. in crores)

21. **Earnings in Foreign Exchange**	**1996-97** **Rs.**	1995-96 Rs.
Export of goods on FOB basis	**66.62**	79.88
Interest	**130.16**	46.21

22. **Remittance in Foreign Currency on Account of Dividend**
The Company has paid dividend in respect of shares held by Non-Residents on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non-Resident External Account (NRE A/c). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given herein below :

(a) Number of Non-resident shareholders	**20,404**	27,444
(b) Number of Equity Shares held by them	**10,16,20,914**	7,45,42,742
(c) (i) Amount of dividend paid (Gross)	**60.97**	34.11
Tax deducted at source: Rs.8.81 crs.(Previous Year: Rs.4.39 crs.)		
(ii) Year to which dividend relates	**1995-96**	1994-95

(Rs. in crores)

23. **Expenditure on Research & Development**	**1996-97**	1995-96
Total Revenue Expenditure including amortisation of deferred costs and Unamortised Deferred Research and Development Expenditure	**17.69**	24.56

Schedule 'O' (Contd.)

24. **Balance Sheet Abstract and Company's General Business Profile**

1. **Registration Details:**

Registration No.	11-19786	State Code	11
Balance Sheet Date	31–03–97		

2. **Capital raised during the year: (Rs. in crores)**

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private placement	NIL

3. **Position of mobilisation and deployment of funds: (Rs. in crores)**

Total Liabilities	19536.14	Total Assets	19536.14
Source of Funds:			
Paid up Capital	458.45	Reserves & Surplus	8012.49
Secured Loans	4246.76	Unsecured Loans	3378.72
Application of Funds:			
Net Fixed Assets	11173.35	Investments	4455.68
Net Current Assets	467.39		

4. **Performance of Company: (Rs. in crores)**

Turnover	8730.33	Total Expenditure	7556.96
Profit before tax	1367.70	Profit after tax	1322.70
Earnings per Share (Rs)	28.73	Dividend per Share (Rs.)	6.50

5. **Generic Names of principal products of the Company (as per monetary terms):**

Item Code No.
29172.00
Product Description
PURIFIED TEREPHTHALIC ACID (PTA)

Item Code No.
540242.00
Product Description
POLYESTER FILAMENT YARN (PFY)

Item Code No.
390120.00
Product Description
POLYETHYLENE (PE)

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated: 22nd April, 1997

For and on behalf of the Board

D.H. Ambani	Chairman
M.D. Ambani	Vice Chairman & Managing Director
A.D. Ambani	Managing Director
N.R. Meswani **H.R. Meswani**	Executive Directors
M.V. Purohit	Nominee Director
R.H. Ambani **N.H. Ambani** **M.L. Bhakta** **T. Ramesh U. Pai** **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies

Name of Subsidiary Company				Devti Fabrics Ltd.	Reliance Industrial Investments and Holdings Ltd.
1.	The financial year of the Subsidiary Companies ended on			31st March, 1997	31st March, 1997
2.	Date from which they became subsidiary companies			30th September, 1985	30th December, 1988
3.	a.	Number of shares held by Reliance Industries Limited with its nominees in the subsidiaries at the end of the financial year of the subsidiary companies.		2,10,070 Equity Shares of the face value of Rs.10 each fully paid-up	14,75,04,400 Equity Shares of the face value of Rs.10 each fully paid-up
	b.	Extent of interest of holding company at the end of the financial year of the subsidiary companies		100 %	100 %
4.	The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding Company.				
	a.	Not dealt with in the holding Company's accounts.			
		i)	For the financial year ended 31st March 1997	Rs. 108.97 Lakhs	—
		ii)	For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	(Rs.1,402.80 Lakhs)	Rs. 55.26 Lakhs
	b.	Dealt with in holding company's accounts:			
		i)	For the financial year ended 31st March, 1997	NIL	Rs.1,180.84 Lakhs
		ii)	For the previous financial years of the subsidiary Companies since they became the holding Company's subsidiaries	NIL	Rs.2,673.89 Lakhs

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated: 22nd April, 1997

For and on behalf of the Board

D.H. Ambani	Chairman
M.D. Ambani	Vice Chairman & Managing Director
A.D. Ambani	Managing Director
N.R. Meswani **H.R. Meswani**	Executive Directors
M.V. Purohit	Nominee Director
R.H. Ambani **N.H. Ambani** **M.L. Bhakta** **T. Ramesh U. Pai** **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Cash Flow Statement Annexed to the Financial Statements

					(Rs. Crores)
			1996-1997		1995-1996
		Rs.	**Rs.**	Rs.	Rs.
A.	**Cash Flow from Operating Activities**				
	Net Profit after tax as per P & L Account		**1322.70**		1305.27
	Adjusted for :				
	Net Prior Year Adjustments	**(3.57)**		6.29	
	Tax Provision	**45.00**		—	
	Provision for doubtful debts	**3.91**		—	
	Loss on Sale of Discarded Assets	**1.55**		—	
	Depreciation	**1352.33**		336.51	
	Transferred from General Reserve	**(942.19)**		—	
	Effects of exchange rate change	**(48.07)**		13.71	
	Profit on sale of Investments / Dividend Income	**(77.16)**		(137.01)	
	Interest / Other Income	**(182.26)**		(113.27)	
	Interest / Expenses	**169.97**		110.13	
			319.51		216.36
	Operating Profit before Working Capital Changes		**1642.21**		1521.63
	Adjusted for :				
	Trade & Other Receivables	**(339.89)**		42.50	
	Inventories	**(325.74)**		(97.05)	
	Trade Payables	**988.86**		44.18	
			323.23		(10.37)
	Cash Generated from Operations		**1965.44**		1511.26
	Interest Paid		**(521.25)**		(308.89)
	Net Prior Year Adjustments		**3.57**		(6.29)
	Taxes Paid		**(30.00)**		—
	Net Cash From Operating Activities		**1417.76**		1196.08
B.	**Cash Flow from Investment Activities**:				
	Purchase of Fixed Assets		**(2407.74)**		(2384.73)
	Sale of Fixed Assets		**6.57**		1.96
	Purchase of Investments		**(3395.53)**		(1509.18)
	Sale of Investments		**772.64**		1575.45
	Movement in Loan		**209.60**		439.70
	Interest / Income		**146.16**		74.98
	Dividend Income		**24.54**		85.05
	Net Cash Used in Investing Activities		**(4643.76)**		(1716.77)
C.	**Cash Flow from Financing Activities:**				
	Proceeds from Issue of Share Capital		**1.56**		209.75
	Redemption of Preference Share Capital		**(200.00)**		—
	Proceeds from Long Term Borrowings		**3446.34**		1754.24
	Repayment of Long Term Borrowings		**(358.37)**		(209.43)
	Short Term Loans		**(152.43)**		156.89
	Dividends Paid		**(273.59)**		(229.35)
	Effects of exchange rate change		**70.93**		27.11
	Net Cash used in Financing Activities		**2534.44**		1709.21
	Net Increase in Cash & Cash Equivalents (A+B+C)		**(691.56)**		1188.52
	Opening Bal of Cash & Cash Equivalents		**1555.31**		366.79
	Closing Bal of Cash & Cash Equivalents		**863.75**		1555.31

For and on behalf of the Board

Mumbai
Dated : 22nd April, 1997

A.D. Ambani
Managing Director

Auditors Report

We have verified the attached Cash Flow Statement of Reliance Industries Limited, derived from audited financial statments and the books and records maintained by the Company for the year ended 31st March, 1997 and 31st March, 1996 and found the same in agreement therewith.

For **Chaturvedi & Shah**
Chartered Accountants

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated : 22nd April, 1997.

Directors' Report

To the Members,

Your Directors present the 13th Annual Report together with the Audited Statement of Accounts for the Financial year ended 31st March, 1997.

Operations

The Company has made profit of Rs.108.97 lacs during the year under review as against a loss of Rs.646.70 lacs incurred in the previous year.

Dividend

In view of the carried forward losses, your Directors have not recommended any dividend for the financial year under review.

Directors

Shri.V.M. Ambani and Shri.N.M. Sanghavi retire by rotation and being eligible offer themselves for re-appointment.

Personnel

The Company has not paid any remuneration attracting the provisions of Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars required to be furnished in this report under Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished. There was no foreign exchange earnings or outgo during the year.

Deposits

The Company has not accepted any deposits from the public. Hence, no information is required to be appended to this report.

Auditors

The Auditors of the Company, M/s. Chaturvedi & Shah and M/s. Rajendra & Co. hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly, the said Auditors will be appointed as Auditors of the Company at the ensuing Annual General Meeting.

For and on behalf of the Board

V.M. Ambani
N. M. Sanghavi } Directors
J. B. Dholakia

Mumbai
Dated : 21st April, 1997

Auditors' Report

To

The Members of Devti Fabrics Limited

We have audited the attached Balance Sheet of DEVTI FABRICS LIMITED as at 31st March, 1997 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we state that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
   (b) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.
   (c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account.
   (d) Although the Company had incurred substantial losses in the past resulting in the erosion of its net worth, the accounts of the Company are prepared on going concern basis. Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
      (i) in so far as it relates to the Balance Sheet of the state of affairs of the company as at 31st March, 1997 and
      (ii) in so far as it relates to the Profit and Loss Account of the 'profit' of the Company for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants

H.P. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated : 21st April, 1997.

Annexure to Auditors' Report

Referred to in Paragraph 1 of our Report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that most of the assets have been physically verified by the management during the year and that no material discrepancies were noticed on such verification. In our opinion, the frequency of such physical verification is reasonable having regard to the size of the Company and the nature of its assets.
2. None of the fixed assets have been revalued during the year.
3. According to the information and explanations given to us, the stocks of finished goods, stores, spare parts and raw materials have been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As explained to us, there were no material discrepancies noticed on physical verification of the stocks.
6. In our opinion and on the basis of our examination of stock and other records the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on same basis as in the preceding year.
7. The Company has taken an interest free unsecured loan from the holding Company. It has not taken any other loans, se-cured or unsecured, from companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act, 1956, or from companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. The terms and conditions of the above loan are not, in our opinion, prima-facie prejudicial to the interests of the Company.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to companies under the same management within the meaning of section 370(1B) of the Companies Act, 1956.
9. The Company has not given any loans or advances in the nature of loans.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases and sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods or materials and sale of goods materials and services made in pursuance of contracts or arrangement entered in the register maintained under Section 301 and aggregating during the year to Rs.50,000/- or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores and raw materials.
13. The Company has not accepted any deposit from the public.
14. The Company has no by-products and in our opinion reasonable records have been maintained by the Company for the sale and disposal of realisable scrap wherever significant.
15. In our opinion the Company has an internal audit system commensurate with its size and the nature of its business.
16. The Central Government has prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of the manufacturing activities of the Company. Since there is no manufacturing activity during the year we have no comments to offer on the said clause.

17. We have been informed that provisions of Provident Fund and Employees' State Insurance are not applicable to the Company for the year.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, customs duty, sales tax and excise duty were outstanding as on 31st March, 1997 for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses of Directors have been charged to revenue account.

20. According to the information and explanations given to us and in our opinion the Company has become a sick industrial Company within the meaning of clause (O) of sub-section(1) of Section 3 of the Sick Industrial Companies (Special Pro-visions) Act, 1985.

21. In respect of trading activities, we are informed that the company does not have damaged goods lying with it at the end of the year. Therefore, no provision for any loss is required to be made in the accounts.

For **Chaturvedi & Shah** Chartered Accountants	For **Rajendra & Co.** Chartered Accountants
H.P. Chaturvedi Partner	**R.J. Shah** Partner

Mumbai
Dated : 21st April, 1997.

Balance Sheet as at 31st March, 1997

	Schedule	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	(Rs. in Lacs) Rs.
Sources of Funds :					
Shareholders' Funds					
Share Capital	'A'		**21.01**		21.01
Loan Funds					
Unsecured Loans (From Holding Company)			**1342.84**		1342.84
Total			**1363.85**		1363.85
Application of Funds :					
Fixed Assets					
Gross Block		**225.61**		225.61	
Less: Depreciation		**181.14**		171.03	
Net Block	'B'		**44.47**		54.58
Current Assets, Loans and Advances					
Current Assets	'C'				
Inventories		**9.32**		9.32	
Sundry Debtors		**226.36**		—	
Cash and Bank Balances		**13.69**		11.19	
		249.37		20.51	
Loans and Advances	'D'	**21.43**		13.67	
		270.80		34.18	
Less: **Current Liabilities and Provisions**	'E'				
Current Liabilities		**245.25**		127.71	
		245.25		127.71	
			25.55		(93.53)
Profit and Loss Account			**1293.83**		1402.80
Total			**1363.85**		1363.85
Notes on Accounts	'I'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

H.P. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

V.M. Ambani
N.M. Sanghavi Directors
J.B. Dholakia

Mumbai
Dated : 21st April, 1997

Profit and Loss Account for the year ended 31st March, 1997

(Rs. in Lacs)

	Schedule	1996 - 97 Rs.	Rs.	1995 - 96 Rs.	Rs.
Income					
Sales (Net)		**1071.74**		122.10	
Other Income	'F'	**10.76**		2.75	
Variation in Stock	'G'	**—**		(30.86)	
			1082.50		93.99
Expenditure					
Purchases		**949.45**		83.54	
Manufacturing and Other Expenses	'H'	**13.97**		646.63	
Depreciation		**10.11**		10.52	
			973.53		740.69
Profit/(Loss) for the year			**108.97**		(646.70)
Add: Balance brought forward from last year			**(1402.80)**		(756.10)
Balance carried to Balance Sheet			**(1293.83)**		(1402.80)
Notes on Accounts	'I'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

H.P. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

V.M. Ambani
N.M. Sanghavi Directors
J.B. Dholakia

Mumbai
Dated : 21st April, 1997

Schedules forming part of the Balance Sheet

Schedule 'A'

Share Capital		As at 31st March, 1997 Rs.	(Rs. in Lacs) As at 31st March, 1996 Rs.
Authorised :			
2,50,000	Equity Shares of Rs. 10/- each.	**25.00**	25.00
Issued & Subscribed :			
2,10,070	Equity Shares of Rs. 10/- each fully paid-up (Held by Reliance Industries Limited, the Holding Company)	**21.01**	21.01
		21.01	21.01

Schedule 'B'

(Rs. in lacs)

Fixed Assets	Gross Block				Depreciation				Net Block	
Description	As at 1.4.96	Additions	Deductions	**As at 31.3.97**	Up to 1.4.96	For the year	Deductions	**Up to 31.3.97**	**As at 31.3.97**	As at 31.3.96
	Rs.	Rs.	Rs.	**Rs.**	Rs.	Rs.	Rs.	**Rs.**	**Rs.**	Rs.
Buildings	27.48	-	-	**27.48**	7.77	0.92	-	**8.69**	**18.79**	19.71
Plant & Machinery	174.59	-	-	**174.59**	153.46	8.29	-	**161.75**	**12.84**	21.13
Electric Installation	17.23	-	-	**17.23**	6.74	0.57	-	**7.31**	**9.92**	10.49
Factory Equipment	2.86	-	-	**2.86**	1.54	0.14	-	**1.68**	**1.18**	1.32
Furniture & Fixture	3.44	-	-	**3.44**	1.51	0.19	-	**1.70**	**1.74**	1.93
Vehicles	0.01	-	-	**0.01**	0.01	-	-	**0.01**	**-**	-
Total	225.61	-	-	**225.61**	171.03	10.11	-	**181.14**	**44.47**	54.58
Previous Year	226.50	-	0.89	**225.61**	160.70	10.52	0.19	**171.03**	**54.58**	

Schedule 'C'

(Rs. in Lacs)

Current Assets	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
Inventories (as valued and certified by the management)				
Stores, spares, dyes & chemicals	**7.40**		7.40	
Raw materials	**1.92**		1.92	
		9.32		9.32
Sundry Debtors (Unsecured)				
Others : Considered good		**226.36**		—
Cash and Bank Balances				
Balance with Scheduled Banks:				
In Current Accounts	**13.69**		10.29	
In Fixed Deposit Account	**—**		0.90	
		13.69		11.19
		249.37		20.51

Schedule 'D'

(Rs. in Lacs)

Loans and Advances	**As at 31st March, 1997 Rs.**	As at 31st March, 1996 Rs.
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	**6.31**	—
Deposits	**15.12**	13.67
	21.43	13.67

Schedule 'E'

(Rs. in Lacs)

Current Liabilities and Provisions	**As at 31st March, 1997 Rs.**	As at 31st March, 1996 Rs.
Current Liabilities		
Sundry Creditors	**228.93**	84.54
Other Liabilities	**16.32**	43.17
	245.25	127.71

Schedules forming part of the Profit and Loss Account

Schedule 'F'

(Rs. in Lacs)

Other Income	**1996 - 97 Rs.**	1995 - 96 Rs.
Interest received	**0.09**	0.17
Miscellaneous Income	**4.37**	2.58
Excess provision for expenses no longer required	**6.30**	—
	10.76	2.75

Schedule 'G'

(Rs. in Lacs)

Variation in Stock	**1996 - 97**		1995 - 96	
	Rs.	**Rs.**	Rs.	Rs.
Stock-in-trade (at close)				
Finished goods	**—**		—	
Stock-in-process	**—**		—	
Others	**—**		—	
		—		—
Stock-in-Trade (at commencement)				
Finished goods	**—**		23.00	
Stock-in-process	**—**		7.75	
Others	**—**		0.11	
		—		30.86
		—		(30.86)

Schedules forming part of the Profit and Loss Account

Schedule 'H'

(Rs. in Lacs)

Manufacturing and other Expenses	**1996 - 97**		1995 - 96	
	Rs.	**Rs.**	Rs.	Rs.
Raw Materials Consumed				
Stock at commencement	**1.92**		1.92	
Add: Purchases	**—**		—	
	1.92		1.92	
Less: Stock at close	**1.92**		1.92	
		—		—
Manufacturing Expenses				
Stores and spare parts	**—**		1.25	
Electric Power, fuel and water	**7.68**		20.45	
		7.68		21.70
Payments to and Provisions for Employees				
Salaries, Wages and Bonus	**—**		113.50	
Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Employees' State Insurance Scheme,Pension Scheme, Labour Welfare Fund etc.	**—**		43.73	
Employees' Welfare and other amenities	**—**		8.07	
Retrenchment/VRS Compensation	**3.88**		367.42	
Ex-Gratia Wages	**—**		79.50	
		3.88		612.22
Sales and Distribution Expenses				
Samples, Sales Promotion and Advertisement Expenses	**—**		0.31	
Brokerage and Commission	**—**		0.20	
Packing Expenses	**—**		0.16	
Sales Tax	**—**		0.39	
		—		1.06
Establishment Expenses				
Insurance	**0.28**		2.01	
Rates and taxes	**0.48**		1.18	
Other repairs	**0.71**		0.33	
Travelling expenses	**—**		0.30	
Payment to Auditors	**0.35**		0.35	
General Expenses	**0.59**		6.93	
Loss on sale of assets (Net)	**—**		0.55	
		2.41		11.65
		13.97		646.63

Schedule 'I'

Notes on Accounts

1. **Significant Accounting Policies**

   a) **Basis of preparation of Financial Statements**

      i) The Financial Statements have been prepared under the Historical Cost Convention in accordance with thegenerally accepted accounting principles and the provisions ofthe Companies Act, 1956 as adopted consistently by the Company. The same are prepared on a going concern basis.

      ii) The Company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

   b) **Fixed Assets and Depreciation**

      i) Fixed assets are stated at acquisition cost less accumulated depreciation.

      ii) Depreciation on fixed assets is provided under the straight line method at the rates and in the manner prescribed by Schedule XIV to the Companies Act, 1956.

c) Inventories

Raw Materials, Stores, Spares, Dyes & Chemicals are valued at cost.

2. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

3. Auditors' Remuneration: (Rs. in lacs)

	1996-1997	1995-1996
(a) Audit fees	**0.25**	0.25
(b) Tax audit fees	**0.10**	0.10
	0.35	0.35

4. Contingent Liabilities

(Rs.in lacs)

	As at 31st March, 1997	As at 31st March, 1996
Claims against the company not acknowledged as debts	**—**	3.88

5. Licenced & Installed Capacity (As certified by the Management)

	Licenced Capacity		Installed Capacity	
	31.3.97	31.3.96	**31.3.97**	31.3.96
Spindles (Nos.)	**N.A.**	N.A.	**11816**	11816

	Unit	**1996-1997**	1995-1996
6. Production of finished products meant for sale			
Blended Yarn	M.T.	**—**	8
7. Value of imports on CIF basis		—	—
8. Expenditure in foreign currency		—	—

9. Quantitative Information

	Unit	**1996-1997 Quantity**	**1996-1997 Rs.in lacs**	1995-1996 Quantity	1995-1996 Rs.in lacs
a) Opening stock					
i) Finished Stock					
Yarn	M.T.	**—**	**—**	18	23.00
ii) Stock in process(Yarn)			**—**		7.75
iii) Others			**—**		0.11
b) Closing stock			**—**		—
c) Purchases					
Fabrics	Mtrs/lacs	**24.07**	**949.45**	2.16	83.54
d) Sales					
Yarn	M.T.	**—**	**—**	26	34.38
Fabrics	Mtrs/lacs	**24.07**	**1071.74**	2.16	87.72
e) Raw Material Consumed			**—**		—

10. Value of Raw Material Consumed

	1996-1997 Rs.in lacs	**1996-1997 % of total Consumption**	1995-1996 Rs.in lacs	1995-1996 % of total Consumption
Indigenous	**—**	**—**	—	—

11. Value of stores, spare parts dyes & chemicals

	1996-1997 Rs.in lacs	**1996-1997 % of total Consumption**	1995-1996 Rs.in lacs	1995-1996 % of total Consumption
Indigenous	**—**	**—**	1.25	100.00

	1996-1997	1995-1996
12. Earnings in foreign exchange	**—**	—

Schedule 'I' (Contd.)

13. Additional information as required under Part IV of Schedule VI to the Compaines Act, 1956.
Balance Sheet Abstract and Company's General Business Profile:

1. Registration Details:

Registration No.	11-31593	State Code	11
Balance Sheet Date	31–03–97		

2. Capital raised during the year: (Rs. in lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private placement	NIL

3. Position of mobilisation and deployment of funds: (Rs. in lacs)

Total Liabilities	1363.85	Total Assets	1363.85
Source of Funds:			
Paid up Capital	21.01	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	1342.84
Application of Funds:			
Net Fixed Assets	44.47	Investments	NIL
Net Current Assets	25.55	Miscellaneous Expenditure	NIL
Accumulated Losses	1293.83		

4. Performance of Company: (Rs. in lacs)

Turnover	1082.50	Total Expenditure	973.53
Profit before tax	108.97	Profit after tax	108.97
Earnings per Share (Rs)	51.87	Dividend Rate (%)	NIL

5. Generic Names of principal products, services of the Company:

Item Code No.	551511.00
Product Description	FABRICS

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

H.P. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

V.M. Ambani
N.M. Sanghavi } Directors
J.B. Dholakia

Mumbai
Dated : 21st April, 1997

To the Members,

Your Directors present the 11th Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1997.

Financial Results (Rs. in lacs)

		1996-97		1995-96
Profit before tax		**1324.10**		685.28
Less: Provision for taxation		**175.00**		6.00
Profit after tax		**1149.10**		679.28
Less: Short/(excess) provision of tax for the earlier year		**(5.94)**		0.19
		1155.04		679.09
Add: Balance in Profit & Loss Account		**80.26**		149.69
		1235.30		828.78
Less: a. Transfer to General Reserve	—		70.00	
b. Interim Dividend	**1180.04**		678.52	
		1180.04		748.52
Balance carried forward to Balance sheet		**55.26**		80.26

Income

During the year, the Company has received dividend income of Rs.1219.84 Lacs from investments.

Dividend

The Directors had approved payment of an interim dividend of Re.0.80 per share on 14,75,04,400 Equity shares of Rs.10/- each (subject to deduction of tax at source) for the financial year ended 31st March, 1997, aggregating to Rs.1180.04 lacs. This dividend will be fully adjusted as final dividend to be declared at the ensuing Annual General Meeting for the financial year ended 31st March, 1997.

Directors

Shri. Sandeep Junnarkar retires by rotation and being eligible offers himself for re-appointment.

Personnel

The Company has not paid any remuneration attracting the provisions of Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Being an investment company, there are no particulars furnished in this report as required under Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy and technology absorption. There was no foreign exchange earnings or outgo during the year.

Deposits

The Company has not accepted any deposit from the public. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1977.

Auditors

The Auditors of the Company, M/s.Chaturvedi & Shah and M/s.Rajendra & Co. hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. Accordingly, the said Auditors will be appointed as Auditors of the Company at the ensuing Annual General Meeting.

For and on behalf of the Board

Alok Agarwal
S. Seth } Directors
Sandeep Junnarkar

Mumbai
Dated : 21st April, 1997

Auditors' Report

To,

The Members of Reliance Industrial Investments and Holdings Limited.

We have audited the attached Balance Sheet of RELIANCE INDUSTRIAL INVESTMENTS AND HOLDINGS LIMITED as at 31st March, 1997, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   (b) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.

   (c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account.

   (d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

      i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1997 and

      ii) in so far as it relates to the Profit and Loss Account of the 'Profit' of the Company for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants

Rajesh D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated : 21st April, 1997

Annexure to Auditors' Report

Referred to in Paragraph 1 of our Report of even date

1. As the Company had no Fixed Assets during the year, Clauses 4(A)(i) and (ii) of the said Order are not applicable.
2. Since the Company has not commenced any manufacturing and/or trading activity, items (iii), (iv), (v), (vi), (x), (xi), (xii),(xiv) and (xvi) of the Clause A of paragraph 4 of the aforesaid Order are not applicable.
3. The Company has received unsecured loans from the holding Company. It has not taken any other loan, secured or unsecured, from companies, firms and other parties as listed in the register maintained under Section 301 of the Companies Act, 1956, or from companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. The terms and conditions of the above loan are not, in our opinion, prima-facie prejudicial to the interests of the Company.
4. The Company has not granted any loans, secured or unsecured to companies, firms, or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has granted a loan to a Company, which is under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956. The rate of interest and other terms and conditions of the said loan are not in our opinion, prima facie prejudicial to the interest of the Company.
5. In respect of the loans and advances in the nature of loans given by the Company, parties are generally regular both in repaying the principal amounts and payment of interest as stipulated.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public.
7. In our opinion the Company has an internal audit system commensurate with its size and the nature of its business.
8. According to the information and explanations given to us, the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948 are not applicable to the Company.
9. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Wealth-Tax, Sales-Tax, Excise Duty and Customs Duty were outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable.
10. In our opinion and according to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account.
11. The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
12. Adequate documents and records are maintained by the Company for the loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities.
13. According to the information and explanations given to us, the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to the Company.
14. In our opinion, the Company has maintained proper records and made timely entries in respect of investments dealt in or traded by the Company. The Company's investments are held in its own name, save and except, those in the process of being transferred in its name.

For **Chaturvedi & Shah** Chartered Accountants	For **Rajendra & Co.** Chartered Accountants
Rajesh D. Chaturvedi Partner	**R.J. Shah** Partner

Mumbai
Dated : 21st April, 1997

Balance Sheet as at 31st March, 1997

(Rs. in Lacs)

	Schedule	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
Sources of Funds :					
Shareholders' Funds					
Capital	'A'	**14750.44**		14750.44	
Reserves and Surplus	'B'	**450.42**		475.42	
			15200.86		15225.86
Loan Funds					
Unsecured Loans	'C'		**72182.15**		63145.15
Total			**87383.01**		78371.01
Application of Funds :					
Investments	'D'		**87100.28**		78042.69
Current Assets, Loans and Advances	'E'				
Current Assets					
Sundry Debtors		**3.98**		3.98	
Cash and bank balances		**43.42**		14.56	
		47.40		18.54	
Loans and Advances		**426.24**		382.61	
		473.64		401.15	
Less: **Current Liabilities and Provisions**	'F'				
Current Liabilities		**15.87**		5.79	
Provisions		**175.04**		67.04	
		190.91		72.83	
Net Current Assets			**282.73**		328.32
Total			**87383.01**		78371.01
Notes on Accounts	'I'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

Rajesh D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

Alok Agarwal
S. Seth
Sandeep Junnarkar
Directors

Mumbai
Dated : 21st April, 1997

Profit and Loss Account for the year ended 31st March, 1997

(Rs. in Lacs)

	Schedule	1996-97 Rs.	1996-97 Rs.	1995-96 Rs.	1995-96 Rs.
Income					
Income on Investments	'G'	**1931.47**		683.07	
Interest received		**32.58**		6.01	
[Tax Deducted at source Rs.0.54 lacs, previous year Rs.0.03 lacs]					
Stock Lending fee		**1200.00**		—	
			3164.05		689.08
Expenditure					
Establishment & Other Expenses	'H'	**9.52**		3.80	
Premium on redemption of debentures		**947.65**		—	
Interest					
Debentures		**840.37**		—	
Others		**42.41**		—	
			1839.95		3.80
Profit before tax			**1324.10**		685.28
Less: Provision for taxation			**175.00**		6.00
Profit after tax			**1149.10**		679.28
Less :Short/(excess) provision of tax for the earlier year			**(5.94)**		0.19
			1155.04		679.09
Add: Balance brought forward from last year			**80.26**		149.69
Amount available for appropriation			**1235.30**		828.78
Appropriations:					
General Reserve		**—**		70.00	
Interim Dividend Paid (subject to tax)		**1180.04**		678.52	
			1180.04		748.52
Balance carried to Balance Sheet			**55.26**		80.26
Notes on Accounts	'I'				

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

Rajesh D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

Alok Agarwal
S. Seth
Sandeep Junnarkar
Directors

Mumbai
Dated : 21st April, 1997

Schedules forming part of the Balance Sheet

Schedule 'A'

(Rs. in Lacs)

Share Capital		As at 31st March, 1997 Rs.	As at 31st March, 1996 Rs.
Authorised:			
149990000	Equity Shares of Rs. 10/- each	**14999.00**	14999.00
10000	11% Non-Cumulative Redeemable Preference Shares of Rs.10/- each	**1.00**	1.00
		15000.00	15000.00
Issued & Subscribed :			
147504400	Equity Shares of Rs.10/- each fully paid up (held by Reliance Industries Limited, the holding Company)	**14750.44**	14750.44
		14750.44	14750.44

Note : Refer Note of Schedule 'C' in respect of option on unissued share capital.

Schedule 'B'

(Rs. in Lacs)

Reserves and Surplus	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
General Reserves:				
As per last Balance Sheet	**395.16**		325.16	
Add: Transferred from Profit and Loss Account	**—**		70.00	
		395.16		395.16
Profit and Loss Account		**55.26**		80.26
		450.42		475.42

Schedule 'C'

(Rs. in Lacs)

Unsecured Loan	As at 31st March, 1997 Rs.	Rs.	As at 31st March, 1996 Rs.	Rs.
A. Zero Coupon Convertible Unsecured Redeemable Debentures of Rs.5000/- each	**63145.15**		63145.15	
Less: Bought back	**18953.00**		—	
		44192.15		63145.15
B. 8% Fully Convertible Unsecured Debentures of Rs.100/- each.		**27990.00**		—
		72182.15		63145.15

Note :

a. In respect of Debentures referred to in A above, the Company may give at its option a three months notice to the Debentureholders to opt to convert the Debentures into Equity Shares at par at any time after the expiry of 15 years, from the respective dates of allotment of such Debentures. As per revised terms the said debentures are redeemable at a premium of 5% of the face value of the debentures, in the event of the option not being granted by the Company or debentureholders not exercising their option to convert, or at the option of the Company it may redeem the said debentures in part or in full at any time during the tenure of the said debentures but not later than 25 years commencing from the respective dates of allotment. Premium payable on debentures redeemed during any financial year will become due at the end of the said financial year.

b. Debentures referred to in B above is fully convertible into equity shares of the Company at prevailing Book value at any time after the expiry of 15 years but not later than 20 years from the respective date of allotments.

Schedule 'D'

Investments : (Valued, Verified & Certified by Management)

(Rs. in Lacs)

			As at 31st March, 1997	As at 31st March, 1996
(A) Long Term Investments			**Rs.**	Rs.
Quoted :				
Equity Shares - Fully paid-up				
#	13164062 (18940162)	Larsen & Toubro Ltd. of Rs.10/- each	**13415.59**	29948.67
	882370	Kothari Sugars and Chemicals Ltd. of Rs.10/- each	**337.30**	337.30
*	191592000 (95796000)	Reliance Petroleum Ltd. of Rs.10/- each	**19159.20**	9579.60
#	6839078	BSES Ltd. of Rs.10/- each	**11288.58**	11284.48
Equity Shares - Partly paid-up				
*	— (95796000)	Reliance Petroleum Ltd. of Rs.10/- each, Rs.5/- paid-up	**—**	4789.80
Debentures - Fully paid-up				
*	95796000	Secured Triple Option Convertible Debentures (TOCDs) of Reliance Petroleum Ltd. of Rs.40/- each. (Previous year Rs.15/- each paid- up)	**38318.40**	14369.40
Unquoted :				
Equity Shares - Fully paid-up				
	22900	Observer (India) Ltd. of Rs.10/- each	**3.79**	3.79
	1700	Farvision Securities Private Ltd. of Rs.100/- each	**9.35**	9.35
Calls in Advance				
		Pending Adjustment towards Shares/ TOCDs of Reliance Petroleum Ltd., being promotor's contribution.	**—**	7184.70
Debenture Application Money				
		Reliance Petroleum Ltd. 4806897 Unsecured Fully-Convertible Non Interest bearing Debentures of Rs. 950/- each, Rs.95/- paid-up.	**4566.55**	—
		Total (A)	**87098.76**	77507.09
(B) Current Investments				
Quoted :				
Equity Shares - Fully paid-up				
	2500 (1250)	Maneklal Harilal Mills and Industries Ltd. of Rs.10/- each	**0.94**	0.47
	200 (37200)	HDFC Bank Ltd. of Rs.10/- each	**0.02**	3.72
Debentures - Fully Paid-up				
	— (1250)	14% Partly Convertible Debentures of Maneklal Harilal Mills and Industries Ltd. of Rs.37.50 each.	**—**	0.31
	1250	14% Non Convertible Debentures of Maneklal Harilal Mills and Industries Ltd. of Rs.45/- each. (Previous year Rs.22.50 each paid-up)	**0.56**	0.28
Unquoted - Fully paid-up:				
Bonds - Taxable				
	— (40000)	13% Secured Redeemable, National Hydroelectric Power Corporation Ltd. of Rs.1000/- each.	—	378.85
		Carried Forward	**1.52**	383.63

Schedule 'D' (Contd.)

(Rs. in Lacs)

		As at 31st March, 1997 Rs.	As at 31st March, 1996 Rs.
	Brought Forward	**1.52**	383.63
— (16000)	15.5%Secured Redeemable, Nuclear Power Corporation of India Ltd. of Rs.1000/- each.	**—**	151.97
	Total (B)	**1.52**	535.60
	Total (A+B)	**87100.28**	78042.69

* The Company's investment in Reliance Petroleum Ltd., a Company under the same management is towards promoters' contribution. This is subject to lock in period of five years from the date of commercial production. The Company has also given an undertaking to Financial Institutions not to dispose off the said holding, till the loans granted by them to Reliance Petroleum Ltd. is outstanding.

\# Refer Note No. 4 of Schedule 'I'

(Rs. in Lacs)

Aggregate Value of	**As at 31st March, 1997 Book Value Rs.**	**As at 31st March, 1997 Market Value Rs.**	As at 31st March, 1996 Book Value Rs.	As at 31st March, 1996 Market Value Rs.
Quoted Investments	**82520.59**	**100659.03**	70314.03	88162.36
Unquoted Investments	**4579.69**		7728.66	
	87100.28		78042.69	

Schedule 'E'

(Rs. in Lacs)

Current Assets, Loans and Advances	**As at 31st March, 1997**		As at 31st March, 1996	
Current Assets	**Rs.**	**Rs.**	Rs.	Rs.
Sundry Debtors (Unsecured, subject to confirmation)				
Over six months				
Considered good		**3.98**		3.98
Cash and Bank Balances:				
Cash on hand	**0.01**		0.04	
Balance with a Scheduled Bank:				
In Current Account	**43.41**		4.52	
In Fixed Deposit Account	**—**		10.00	
		43.42		14.56
Loans and Advances				
@ Advances recoverable in cash or in kind or for value to be received	**121.94**		59.59	
Advance Payment of Taxes	**304.30**		323.02	
		426.24		382.61
		473.64		401.15

@ Includes Rs.15.00 lacs due from Reliance Capital Ltd., a Company under the same management.

Schedule 'F'

(Rs. in Lacs)

Current Liabilities and Provisions	**As at 31st March, 1997**	As at 31st March, 1996
Current Liabilities	**Rs.**	Rs.
Other Liabilities	**15.87**	5.79
Provisions		
For Taxation	**175.04**	67.04
	190.91	72.83

Schedule 'G'

(Rs. in lacs)

Income on Investments	**1996 - 97**		1995 - 96	
	Rs.	**Rs.**	Rs.	Rs.
Dividend				
From Long Term Investments [Tax Deducted at Source Rs.285.38 lacs, previous year Rs.166.16 lacs]		**1219.84**		672.05
Interest				
From Current Investments [Tax Deducted at Source Rs.0.01 lacs, previous year Rs.6.14 lacs]		**45.55**		32.79
Profit/(Loss) on Sale of Investments (Net)				
From Long Term Investments	**595.29**		(129.31)	
From Current Investments	**70.79**		107.54	
		666.08		(21.77)
		1931.47		683.07

Schedule 'H'

(Rs. in lacs)

Establishment & Other Expenses	**1996 - 97**		1995 - 96	
	Rs.	**Rs.**	Rs.	Rs.
Salary, Wages and bonus		**1.92**		1.85
Legal & Professional charges		**0.20**		0.15
Filing Fees		**0.01**		0.01
Custodian fees		**5.26**		—
Miscellaneous expenses:				
Brokerage paid	**0.07**		0.03	
Other Administrative Expenses	**0.56**		0.26	
		0.63		0.29
Auditors' Remuneration:				
Audit Fees	**1.00**		1.00	
Tax Audit Fees	**0.50**		0.50	
		1.50		1.50
		9.52		3.80

Schedule 'I'

Notes on Accounts

1 Significant accounting policies:-

a) Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

b) Investments

i) Long term investments and unquoted current investments are carried at cost. Current investments are carried at the lower of cost and quoted/fair value, computed category wise.

ii) Cost is arrived at by applying specific identification method.

c) Stock Lending

Non-refundable fee received against stock lending facility is treated as income in the year of receipt.

2 The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

	As at 31st Mar., 1997 (Rs. in lacs)	As at 31st Mar., 1996 (Rs. in lacs)
3 Contingent Liabilities		
Uncalled liabilities on partly paid shares/debentures	**—**	21554.54

Schedule 'I' (Contd.)

4 The Company has entered into an agreement for Stock lending facility with an approved intermediary, whereby the Company has agreed to lend upto 60,00,000 Equity shares of Larsen and Toubro Ltd. and BSES Ltd. each.

5 No provision is made for premium on redemption of debentures since the amount so payable is uncertain. The premium paid is therefore accounted for in the year of redemption.

6 As the Company is not a manufacturing company, information required under paragraphs 3 and 4 of Schedule VI of the Companies Act, 1956 is not given.

7. Additional information as required under Part IV of Schedule VI to the Compaines Act, 1956.

Balance Sheet Abstract and Company's General Business Profile:

1. Registration Details:

Registration No.	11-41081	State Code	11
Balance Sheet Date	31–03–97		

2. Capital raised during the year: (Rs. in lacs)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private placement	NIL

3. Position of mobilisation and deployment of funds: (Rs. in lacs)

Total Liabilities	87383.01	Total Assets	87383.01
Source of Funds:			
Paid up Capital	14750.44	Reserves & Surplus	450.42
Secured Loans	NIL	Unsecured Loans	72182.15
Application of Funds:			
Net Fixed Assets	NIL	Investments	87100.28
Net Current Assets	282.73	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL		

4. Performance of Company: (Rs. in lacs)

Turnover/Income	3164.05	Total Expenditure	1839.95
Profit before Extraordinary item and taxation	1324.10	Profit before tax	1324.10
Profit after tax	1149.10	Earnings per Share (Rs)	0.78
Dividend Rate (%)	8.00		

5. Generic Names of principal products, services of the Company:

Item Code No.	NA
Product Description	NA

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants

Rajesh D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

For and on behalf of the Board

Alok Agarwal
S. Seth
Sandeep Junnarkar
Directors

Mumbai
Dated : 21st April, 1997

Reliance Industries Limited's Equity Shares are listed on the stock exchanges in the following cities :

• Mumbai • Ahmedabad • Bangalore • Calcutta • New Delhi
• Chennai • Cochin • Kanpur • Pune
as also with
The National Stock Exchange (NSE)

•

Symbol in Mumbai Stock Exchange is **'RIL 325'**
Symbol in National Stock Exchange is **'RELIANCE EQ'**

Global Depository Shares

are listed on the Luxembourg Stock Exchange
and traded on PORTAL System (NASDAQ, USA)
and SEAQ System (London Stock Exchange).
Symbol on SEAQ System is **'RIDGq.LT'**

Euro-convertible Bonds

are listed on the Luxembourg Stock Exchange
and are traded on PORTAL System (NASDAQ, USA).

International Investor Relations Centres

London. Phone: (0044)-171-6005300. Fax: 0044-171-600 1757
New York. Phone: (001)-212-6885744. Fax: (001)-212-6885213

List of Investor Service Centres of Karvy Consultants Ltd.

City	Phone	Fax
Ahmedabad	(079) 6420422/6663527/28	(079) 6565551
Bangalore	(080) 5253249	(080) 5262930
Bangalore	(080) 6614820/59/6645298/6716	(080) 6645813
Bangalore	(080) 3314678/3314679	(080)
Bangalore	(080) 3305548	(080)
Baroda	(0265) 361514	(0265) 363207
Calcutta	(033) 4644891	(003) 4644866
Cochin	(0484) 310884	(0484) 323104
Hyderabad	(040) 3312454/3320751/3320753	(040) 3311968
Jaipur	(0141) 363321/375039	(0141) 364660
Chennai	(044) 8283658/8258034	(044) 6273181
Chennai	(044) 8268282/8266617	(044) 8268426
Mumbai (Andheri)	(022) 6267226/6269044	(022) 6280882
Mumbai (Fort)	(022) 2677307/2676283/278	(022) 2671237
Mumbai	(022) 2004090/2004091	(022) 2004084
New Delhi	(011) 5105958/5101428	(011) 5785570
Agra	(0562) 352388	(0562) 850372/352368
Allahabad	(0532) 400588	(0532) 400988
Alwar	(0144) 22919	(0144)
Amritsar	(0813) 220370/225473	(0813) 228488
Asansole	(0341) 204568/200169	(0341)
Aurangabad	(02432) 334242/336435	(02432) 334242
Bhadravathi	(081626) 78199	(081626)
Bhopal	(0755) 554155	(0755) 555732
Calcutta	(033) 2425469	(033) 2424071
Calcutta	(033) 231854	(033) 296581
Chandigarh	(0172) 705543	(0172)
Chikmagalur	(08262) 30524/ 21703	(08262) 30524
Coimbatore	(0422) 2111928/210283	(0422) 211928
Davangere	(08182) 32675	(08182) 32455
Dhanbad	(0326) 205930/206191	(0326) 30321
Erode	(0424) 221671	(0424)
Goa	(0832) 46150/228470	(0832) 223742

City	Phone	Fax
Gulbarga	(08472) 27635 (08472)	26794
Guwahati	(0361) 512084 (0361)	
Hubli	(0836) 372086/374408/374562	(0836) 50751
Hyderabad	(040) 3243324	(040) 3236602
Hyderabad	(040) 3312241/3318572	(040) 3318572
Indore	(0731) 432837	(0731)
Jabalpur	(0761) 312009	(0761)
Jammu	(0191) 547246	(0191)
Jamnagar	(0288) 78457	(0288)
Jamshedpur	(0657) 432064	(0657) 423061
Jodhur	(0291) 627918	(0291)
Kolhapur	(0231) 651716/650548	(0231) 662108
Lucknow	(0522) 217944	(0522) 217944
Ludhiana	(0161) 24862	(0161) 406154 (PP)
Madurai	(0452) 46697	(0452)
Mangalore	(0824) 32302	(0824)
Mysore	(0821) 510781	(0821)
Nagpur	(0712) 537531/538132	(0712) 538133
Patna	(0612) 653690/651500	(0612) 662688
Pondichery	(0413) 30291	(0413) 32776
Pune	(0212) 334274	(0212) 341565
Rajahmundry	(0883) 74318	(0883) 65318
Rajkot	(0281) 223733	(0281) 232229
Ranchi	(0651) 203166	(0651) 201979
Rourkela	(0661) 506116/506012	(0661) 522692
Salem	(0427) 419515/415898	(0427) 419515
Shimoga	(08182) 78198	(08182) 78199
Solapur	(0217) 611027	(0217) 612219
Sirsi	(08384) 75318	(08384) 75319
Tanjore	(04362) 23406/23406	(04362)
Varanasi	(0542) 323930	(0542)
Vijaywada	(0666) 434559/437250	(0666) 436241
Vizag	(0631) 575202/573143	(0631) 650328

Board of Directors

Dhirubhai H. Ambani
Chairman
Mukesh D. Ambani
Vice Chairman & Managing Director
Anil D. Ambani
Managing Director
Nikhil R. Meswani
Executive Director
Hital R. Meswani
Executive Director
B.V. Bhargava
Nominee Director - ICICI
M.V. Purohit
Nominee Director - GIC
Ramniklal H. Ambani
Natvarlal H. Ambani
Mansingh L. Bhakta
T. Ramesh U. Pai
Yogendra P. Trivedi

Secretary

Vinod M. Ambani

Solicitors & Advocates

Kanga & Co.

Auditors

Chaturvedi & Shah
Rajendra & Co.

International Accountants

Touche Ross & Co.
Member - Deloitte, Touche and Tohmatsu International (DTTI)

Bankers

ABN AMRO Bank
Allahabad Bank
American Express Bank
Bank of America
Bank of Baroda
Canara Bank
Central Bank of India
Citi Bank N.A.
Deutsche Bank
HDFC Bank Ltd.
Hongkong Bank
Indian Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India
Syndicate Bank
Vijaya Bank

Registered Office

3rd Floor, Maker Chambers IV,
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Mumbai 400 021, India.
Tel. Nos. 91-22-2831633/16-2826070
Fax No. 91-22-2042268
E-Mail: investor@ril.com
Internet: http://www.ril.com

Manufacturing Facilities at

1. **Patalganga Complex**
   B-4, Industrial Area, Patalganga
   Off Bombay-Pune Road
   Near Panvel, Dist. Raigad 410 207
   Maharashtra State, India.
2. **Naroda Complex**
   103/106, Naroda Industrial Estate
   Naroda, Ahmedabad 382 330
   Gujarat State, India.
3. **Hazira Complex**
   Village Mora, Bhatha P.O.
   Surat-Hazira Road
   Surat 394 510, Gujarat State, India.

Subsidiary Companies

1. **Devti Fabrics Limited**
   3rd Floor, Maker Chambers IV,
   222, Nariman Point, Mumbai 400 021. India
2. **Reliance Industrial Investments and Holdings Limited**
   3rd Floor, Maker Chambers IV,
   222, Nariman Point, Mumbai 400 021. India

Registrars & Transfer Agent

Karvy Consultants Limited

1. 21, Road No.4, Street No.1, Banjara Hills
   Hyderabad - 500 034, India.
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   Fax No. 91-40-3311968
   E-Mail: Karvy.hyd@Karvy.Sprintrpg.ems.vsnl.net.in
2. 7, Andheri Industrial Estate
   Off Veera Desai Road
   Andheri (West), Mumbai 400 053, India.
   Tel. Nos. 91-22-6267226 / 6269044 / 6271802
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Reliance
Industries Limited

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