RELIANCE INDUSTRIES LIMITED

Annual Report

1997-98

What did Reliance achieve in 1997-98?

Sales - Rs. 13,404 crores (US $ 3,394 million)

Operating Profit (EBDIT) - Rs. 2,887 crores (US $ 731 million)

Cash Profit (EBDT) - Rs. 2,383 crores (US $ 603 million)

Net Profit - Rs. 1,653 crores (US $ 418 million)

Compounded Annual Net Profit growth over 5 years - 39%

Compounded Annual Earnings Per Share growth over 5 years - 22%

What did the growth in 1997-98 do for Reliance?

Resulted in Total Assets - Rs. 24,388 crores (US $ 6,175 million)

Enhanced shareowner value for 2.2 million shareowners

India's largest private sector enterprise

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These documents are subject to the approval of the shareholders at the ensuing Annual General Meeting.

How has Reliance fared over the years ?

Consistent and robust growth

(Rs. in crores)

	1997-98 $ Mn	1997-98	'96-97	'95-96	'94-95	'93-94	'92-93	'91-92	'90-91	'89-90	1985
Sales	3,394	13,404	8,730	7,786	7,019	5,345	4,106	2,953	2,098	1,841	733
Total Income	3,479	13,740	9,020	8,058	7,331	5,555	4,222	3,005	2,106	1,857	744
Earnings Before Depreciation, Interest and Tax (EBDIT)	731	2,887	1,948	1,752	1,622	1,159	929	575	487	425	139
Depreciation	169	667	410	337	278	255	280	193	174	162	37
Profit After Tax	418	1,653	1,323	1,305	1,065	576	322	163	126	91	71
Taxes paid to the Government	765	3,021	2,490	2,234	2,147	1,391	1,118	984	826	698	373
Equity Dividend %	35	35*	65	60	55	51	35	30	30	30	50
Dividend Payout	83	327	299	276	199	138	85	48	46	46	25
Equity Share Capital	236	932*	458	458	456	318	245	152	152	152	52
Reserves and Surplus	2,750	10,863	8,013	7,747	6,731	4,011	2,362	1,711	996	929	254
Net Worth	3,034	11,983	8,471	8,405	7,193	4,335	2,613	1,944	1,154	1,087	311
Gross Fixed Assets	5,043	19,918	14,665	11,374	8,390	5,132	4,641	4,314	2,186	1,999	736
Net Fixed Assets	3,791	14,973	11,173	9,233	6,585	3,600	3,368	3,338	1,483	1,469	607
Total Assets	6,175	24,388	19,536	15,038	11,529	8,121	6,083	4,880	2,712	2,553	1,046
Market Capitalisation	4,182	16,518	14,395	9,783	12,027	10,718	4,388	6,656	1,825	997	906
Number of Employees		17,375	16,778	14,255	12,560	11,873	11,944	11,940	11,666	11,355	9,066

1US$ = Rs. 39.495 (Exchange rate as on 31.3.1998)

Key indicators

	1997-98 US$	1997-98	'96-97	'95-96	'94-95	'93-94	'92-93	'91-92	'90-91	'89-90	1985
Earnings Per Share - Rs.	**0.45**	**17.6***	28.7	27.9	23.4	18.1	13.1	10.7	8.3	6.9	13.8
Cash Earning Per Share - Rs.	**0.63**	**24.7***	37.6	35.2	29.5	26.1	24.5	23.4	19.7	16.6	21.1
Sales Per Share - Rs.	**3.63**	**143.6***	189.6	169.9	153.9	168.1	166.9	194.1	138.0	121.1	141.0
Book Value Per Share - Rs.	**3.25**	**128.3***	184.0	179.0	158.0	136.0	106.0	127.8	75.0	71.0	59.0
Debt : Equity Ratio	**0.68:1**	**0.68:1**	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
EBDIT/ Sales %	**21.5**	**21.5**	22.3	22.5	23.1	21.7	22.6	19.5	23.2	23.1	19.0
Net Profit Margin %	**12.3**	**12.3**	15.2	16.8	15.2	10.8	7.8	5.5	6.0	4.9	9.7
RONW%	**21.2**	**21.2****	22.3	25.3	23.7	18.2	20.7	17.1	12.2	9.0	30.6

1 US$ = Rs. 39.495 (Exchange rate as on 31.3.1998)

* After bonus issue of 1:1

** Excluding CWIP and revaluation

'20 Years to Cherish'

Chairman's communication

Twenty years have passed since we made our first offering to the Indian public, with a public issue of equity shares floated at par. We were a small company then – barely known outside the circle of our influence. Our sales were Rs. 67 crores (US $ 8 million), our assets Rs. 33 crores (US $ 4 million) and our net worth just Rs. 10 crores (US $ 1 million). Our entire market capitalisation at that time was Rs. 10 crores (US $ 1 million).

Twenty years later, we are happy to say, we are India's leading private sector company – in terms of sales, assets, net worth and gross, operational and net profits. We are one of the world's most integrated producers of petrochemicals.

Our asset base has increased to Rs. 24,388 crores (US $ 6,175 million) during the period. Our shareholder base was 58,000 shareholders then; it is 2.2 million now. Market capitalisation has gone up to nearly Rs. 16,500 crores (US $ 4,200 million).

We are extremely happy that those who reposed faith and trust in us, supported us in those early days, and stayed with us through the good times and the tough times, have shared in our prosperity in equal measure.

> ***In 20 years:***
>
> *From Rs. 10 crores to Rs. 16,500 crores.*
>
> *From US $ 1 million to US $ 4,200 million.*
>
> ***.......20 years to cherish!***

The Qualitative Story

Reliance Industries registered 54% growth in turnover at Rs. 13,404 crores (US $ 3,394 million), and 25% growth in net profit at Rs. 1,653 crores (US $ 418 million) this year. If the numerical side of the Reliance story gives you pleasure, look at the qualitative side as well.

We are the largest Indian producers in most of what we make. We are bursting into the ranks of the top ten (and top five selectively) of the world's largest producers in all our products – and we are doing all this at margins which are attractive and which provide for robust growth.

It is the way we have achieved this that makes the Reliance growth story impressive. Customs tariffs have dropped sharply in the last few years – from 185 per cent for polyester yarn/fibre in 1991-92 to a mere 30 per cent in 1997-98. Reliance has had to compete with declining landed prices of the imported material.

We have done so most spiritedly and aggressively: Reliance continues to hold the largest market share for these items in India. Reliance has successfully demonstrated that its growth has come not from licenses and protection but hard work and strategic thinking.

What is particularly heartwarming is that Reliance is a genuine and dynamic Indian success story in the global markets. Our growth has come with home-grown talent. Besides, we did this in markets which didn't seem to exist when we went into production.

Each time we set up a greenfield capacity or expanded in a big way, the general opinion seemed to be that we were taking a huge risk. But with our global size we were able to price more competitively. When added to a high service standard, we delivered value to the customer.

As we foresaw, Reliance actually expanded the size of the market faster than it would otherwise have been. Reliance triggered faster consumption in India and helped reduce the vast gap compared with the global consumption average of all our products. Our huge belief in the strength and potential of the Indian market was vindicated through the sustained and rapid growth of our company.

Returns for the Investor

While the business of asset building, market creation and profit generation was taking place, we never lost sight of one fact : that providing returns to the shareholder had to be our first and most sacred responsibility.

The investors who applied in our public issue in 1977 have earned a 30% return on their investment till the end of the last financial year. Since we made products essentially for domestic consumption, it was a satisfying case of the Indian shareholders funding projects to service Indian customers; an instance of Indian shareholders pooling their resources to build assets for the nation.

What makes me proud

A number of things make me proud when I look back. Figuring high on the list is the successful commissioning and stabilisation of our operations at Hazira - our first major step into the global petrochemicals industry.

Hazira was a dramatic step forward. A number of industry experts who have visited the complex feel that this is easily one of the most integrated petrochemicals complexes in the world. In addition to the integration, this is what we did right:

- We absorbed various technologies successfully.
- Each of the plants is functioning at high operating rates.
- The efficiencies that we have reached can be compared with the best companies the world over.
- Our cost of production is among the lowest in the world.

To cap all this, we have already expanded capacities from 1.5 million tonnes to 6 million tonnes per annum. The commissioning of the Jamnagar complex will take our capacity to 9 million tonnes per annum.

History in Jamnagar

Reliance Petroleum is setting up the world's largest grassroots refinery in Jamnagar. The project revolves around the Four P's: petrochemicals, plastics, power and port. The refinery will help the Reliance group capture greater value by integrating further towards its primary raw material – crude.

The crude will be refined by Reliance Petroleum – in which Reliance Industries and a fully owned subsidiary presently hold 39% of the equity. More than 30% of the output of the refinery will be captively consumed by the group.

The petroleum coke from the refining operation will provide the feedstock for generating power. The port will facilitate year-round movement of crude. When it is fully operational, the Jamnagar complex will emerge as a high point on the global energy map.

Outlook

Growth is Life! We see India as a country characterised by huge and deficit markets. We see India as a land of opportunities for our people to build globally competitive assets for the nation. We see India as a reservoir of tremendous intellectual and human capital, with its people impatient for growth and change.

We are committed to the long term growth of our country and our countrymen. It is our vision that India will one day, and soon, rank among the leading economic superpowers of the world. Reliance will endeavour to be there in the forefront of all this growth and development.

Shareholder Value

This brings me to Reliance's driving aim. We will endeavour to add to the wealth of our shareowners. By earning and reporting growth in our profits through business cycles. By ensuring adequate communication that will enable people to better understand the real strengths of our company.

We don't just want you to register some income through dividends on your holdings. Our goal is overall shareholder value enhancement. All this growth at Reliance will still not be good enough if it does not translate into real prosperity for our family of Reliance shareowners.

We are committed to making this happen. We are committed to making you wealthy shareowners of our company!

Dhirubhai H. Ambani
Chairman

Management Discussion and Analysis

Overall Review

Reliance reported another year of satisfactory performance, in an extremely challenging scenario for the global petrochemicals industry, especially in the context of the Asian economic crisis.

For the year ended 31st March, 1998, sales grew by 54% from Rs. 8,730 crores (US $ 2,431 million) to Rs. 13,404 crores (US $ 3,394 million). **Sales volume growth of 91% was achieved during the period, as a result of the successful commissioning of all new plants at the Hazira Petrochemical complex**.

Strong volume growth

During the period under review, production volume increased nearly three times from 1.8 million tonnes to 5.2 million tonnes. Lower product selling prices resulted in strong domestic demand growth. Almost the entire volume was sold in the domestic market, thereby enhancing market share in almost all products.

During the period under review, the company successfully commissioned a new 200,000 tonnes per annum polyethylene plant, a new 120,000 tonnes per annum mono ethylene glycol (MEG) plant, a 30,000 tonnes per annum polyester fibre fill (FF) plant and a new 350,000 tonnes per annum purified terephthalic acid (PTA) plant.

In addition, the capacity of the multifeed cracker was increased from 500,000 tonnes per annum to 750,000 tonnes per annum of ethylene. **Overall, seventeen new world-class facilities have been commissioned, with different technologies in each case, over the past 2-3 years.**

The highest levels of safety standards have been maintained during commissioning and production. All technologies have been absorbed with ease, and plants have reached rated capacities within a short time. High product quality has been ensured, resulting in consumer acceptance, both in India and abroad.

With the **commissioning of the multifeed cracker, the company has eliminated its major risk of procurement and logistics related to ethylene and propylene,** used as feedstocks in the manufacture of polymers and fibre intermediates. The company has entered into term contracts for petrochemical naphtha – the key feedstock for its multifeed cracker, assuring quality and quantity for optimum operations.

Domestic demand growth

The domestic demand for the polyester industry (PFY and PSF) crossed one million tonnes per annum, registering growth of around 29% over 1996-97. The domestic prices of both polyester staple fibre and polyester filament yarn continued to remain lower than cotton prices for the second year in a row, leading to a further shift in consumption in favour of polyester. The demand for PTA and MEG tracked polyester demand, resulting in growth of over 30%.

The domestic industry demand for all the three polymers (PE, PP, PVC) increased from 1.54 million tonnes per annum to 1.81 million tonnes per annum, recording growth of 18%. The domestic demand for both PP and PE combined recorded a growth of over 20%, while demand for PVC grew by 10%. **Substantially lower PP prices led to a surge in domestic demand by over 38%.** As almost 30% of PP and PE applications overlap, lower prices of PP led to a shift in domestic demand from PE to PP.

The Oil and Gas business, being implemented through an unincorporated joint venture between Reliance, Enron and ONGC to develop Panna, Mukta and Tapti Oil and Gas fields, made substantial progress in the implementation of development plans. The production of Oil for the year 1997-98 was 141,000 tonnes while the Gas production from Tapti fields, which commenced in June 1997, was 11,500 BBTU.

Stable operating margin

Operating margin remained stable at 19%. Operating profit, before other income, increased by 54% to Rs. 2,551 crores (US $ 646 million). **Operating margin stability was achieved despite lower international prices, primarily as a result of the commissioning of the cracker, substantially lower raw material prices in the second half of 1997-98, and an enhanced focus on cost reduction and productivity**.

Other income, which primarily includes interest and dividend income, increased by 16% to Rs. 336 crores (US $ 85 million), owing to higher interest income derived from larger cash balances and investments.

Interest expense increased from Rs. 170 crores (US $ 47 million) to Rs. 504 crores (US $ 128 million) on account of increased borrowings and lower capitalisation of interest for projects, as a result of commissioning of new plants at the Hazira Petrochemicals complex. Savings in **interest costs were however achieved by prepayment of high cost debt, and greater control over working capital management.**

Depreciation increased from Rs. 410 crores (US $ 114 million) to Rs. 667 crores (US $ 169 million), as a result of commissioning of the new plants at the Hazira Petrochemicals complex. During the year under review, the company revalued plant and machinery at its Patalganga and Naroda complex as at 1st April, 1997. Consequently, there is an additional charge for depreciation during the year of Rs. 793 crores (US $ 201 million) relating to revalued assets, which has been withdrawn from General Reserve.

Capital expenditure during the year was Rs. 2,482 crores (US $ 629 million), which primarily included the expenditure for the Jamnagar Petrochemicals complex.

Profit before tax increased by 25% to Rs. 1,716 crores (US $ 434 million) reflecting volume growth, backward integration through commissioning of the multifeed cracker, lower costs, and improved productivity. The gains were partially offset by lower international prices, higher interest and depreciation charge relating to commissioning of new plants at the Hazira Petrochemicals complex.

Profit after tax increased by 25% from Rs. 1,323 crores (US $ 368 million) to Rs. 1,653 crores (US $ 418 million).

Resources and Liquidity

The company funds its long term and project related financing requirements from a combination of internally generated cash flows and external sources.

During this year, Reliance refinanced its US $ 150 million syndicated loan, and obtained the tightest pricing for any Indian private sector company. Reliance issued sterling notes for 150 million which were largely placed with institutional investors in the UK. Reliance is the only Indian issuer so far to access this pool of capital.

Reliance also made a US $ 150 million private placement of notes to European banks and institutional investors. Since 1995, Reliance has issued over US $ 1.3 billion of debt securities in the international capital markets. These securities are currently assigned an investment grade "Baa3" rating by Moody's, a "BB +" rating, with stable outlook, by Standard & Poor and an investment grade "2" rating by NAIC.

Reliance demonstrated its financial flexibility during the year, by successfully tapping the domestic debt markets, when international markets remained closed to most issuers from emerging markets on account of the Asian economic crisis.

During the year, Reliance privately placed debentures of Rs. 1,087 crores to finance ongoing capital expenditure. Reliance raised nearly Rs. 188 crores (US $ 47 million) by issue of preference shares, the largest issue of preference share capital from any private sector company in India. During the year, Reliance made an early redemption of three series of public debentures, aggregating to Rs. 656 crores.

The rating of the company's long term debt from CRISIL was maintained and reaffirmed at AAA, the agency's highest rating.

The company meets its working capital requirements through committed rupee credit lines provided by a consortium of Indian and foreign banks. These credit lines are fixed annually and reviewed on a quarterly basis.

To provide an alternative source of working capital, Reliance has established a rupee commercial paper program. Its commercial paper is rated at P1 + by CRISIL, the highest credit rating that can be assigned to this instrument. As at March 31, 1998, Reliance had no commercial paper outstanding. The peak outstandings during the financial year were, however, Rs. 690 crores (US $ 175 million).

Investments as at March 31, 1998 were Rs. 4,282 crores (US $ 1,084 million) of which liquid investments were Rs. 2,701 crores (US $ 684 million). Cash and bank balances as at March 31, 1998 were Rs. 2,134 crores (US $ 540 million). Foreign currency denominated investments and balances were US $ 1,258 million (Rs. 4,697 crores), which afford the company a substantial hedge against translation risk on its long term debt.

During the year, Reliance's total exports were Rs. 366 crores (US $ 93 million) as compared to Rs. 107 crores (US $ 30 million) in the previous year. Its revenues from sale of crude oil and gas, which are US dollar denominated, were Rs. 204 crores (US $ 52 million). Its export and oil/gas revenues comfortably exceed annual debt servicing of foreign currency debt.

The company is exposed to increased costs from devaluation of the Rupee because of its foreign currency loans as well as its imported feedstocks, mainly naphtha, PX and EDC. The company believes that the adverse effect of any devaluation of the Rupee on the company's results is unlikely to be significant because the prices for its products in the Indian market are effectively priced by reference to the Rupee price of imported products.

Reliance undertakes liability management transactions such as interest rate swaps and currency swaps to reduce overall cost of debt and diversify its liability mix. These transactions are entirely for hedging purposes.

Asian Economic Crisis

Reliance's business strategy was convincingly vindicated during the year, in the aftermath of the currency crisis which swept the entire Asia Pacific region. Steep depreciation was witnessed in this period in the value of all major currencies in the region. Domestic demand growth in those countries suffered a setback, as a sharp economic backlash was witnessed after years of rapid growth.

Producers in affected countries resorted to panic liquidation of inventories, in a desperate bid to acquire liquidity to service dollar denominated debt. Petrochemical producers in the region had typically used high gearing and sourced dollar debt to fund their projects – the value of this debt in local currency terms multiplied overnight – sending shock waves through the region's financial, currency and stock markets.

Commodity markets were subjected to significant product pricing pressures. Tariff protection levels in India also remained at reduced levels. In this challenging environment, Reliance maintained its leading market share in all its products, and prevented imports from gaining a foothold in the Indian markets.

Capitalising on its dominant position in the huge and growing domestic market, Reliance more than matched overseas suppliers at every step – not just in terms of quality and price, but in technical and marketing support, and providing customised solutions for individual customers.

Reliance's deep understanding of the local markets, and its excellent long-term relationships with customers, ensured that temporarily heightened volatility in the markets did not lead to any loss of business. Reliance derived 97% of its revenues from the booming Indian market, while producers in other countries struggled to find markets.

With the de-stocking phase over, most petrochemical producers in the South-East Asian region began facing acute working capital problems. High dependence on imported feedstocks for many units worsened their situation. Credit for raw material supplies was often not available, as available liquidity simply dried up and access to foreign sources of capital was cut off. Operating rates necessarily dropped significantly.

In this difficult period, when a number of South-East Asian manufacturers defaulted on debt obligations and were compelled to curtail production, Reliance demonstrated its global competitiveness by setting up major new facilities and operating its plants at full capacity.

Interestingly, even as customs duties have dropped in India over the last few years, and Asian currencies weakened substantially in 1997-98, imports of petrochemical products into India have shown a declining trend.

In the medium and long-term perspective, the currency turmoil has led to a more disciplined approach towards regional capacity creation. Political and economic risk perceptions of investing in the South-East Asia region have increased dramatically. The flow of long-term capital in the form of equity, external commercial borrowings, suppliers' credit and buyers' credit has also dropped sharply.

A number of cracker projects with proposed downstream facilities have been shelved, put on hold or delayed, as international and domestic lenders have become more discerning.

Business Review

Polyester Business

Polyester Filament Yarn (PFY)

Reliance is the 6th largest producer of PFY in the world, with a total capacity of 220,000 tonnes per annum. Reliance operated at nearly 100% capacity utilisation in 1997-98, producing 217,000 tonnes of PFY. This represents an increase of 32% over 1996-97 production.

Reliance maintained its market leadership, with a market share of 33%.

The introduction of sophisticated manufacturing processes and product handling facilities at Hazira improved the quality of PFY produced by Reliance. Aided by excellence in service standards, Reliance emerged as the supplier of choice among quality consumers and hi-tech manufacturing units in India.

During the year, Reliance also emerged as an important and regular supplier of PFY in the international market for sophisticated texturising machines – a step towards becoming a player in the global PFY market.

The domestic PFY industry registered impressive growth in 1997-98, recording a 29% increase in consumption – riding on the back of robust growth of over 26% in the previous year. Domestic demand increased from 460,000 tonnes to 595,000 tonnes over the period.

Demand growth was spurred by a further significant decline in PFY prices during the year. This was the result of lower international prices, the reduction in import tariff from 45% in 1996-97 to 35% in

1997-98, and the cut in excise duty from 46% in 1996-97 to 34.5% in 1997-98.

This decline in PFY prices coincided with a rise in cotton prices. With PFY becoming cheaper than cotton and other fibres, a strong substitution effect was fuelled, leading to newer applications.

Reliance's foresight that polyester consumption in India will grow exponentially is paying rich dividends, justifying the substantial expansion of the polyester business over the years.

Reliance's unique position as a fully integrated PFY producer enabled it to successfully face the challenges witnessed in the second half of the financial year, when product prices remained under pressure. The last quarter of 1997-98 has seen a recovery in PFY prices, which has continued into the current year. Based on prevailing trends, Reliance visualises a stable margin environment for its PFY business, with continuing strong demand growth.

Polyester Staple Fibre (PSF)

Reliance is the 5th largest producer of PSF in the world, with an installed capacity of 270,000 tonnes per year.

Reliance produced 232,000 tonnes of PSF in 1997-98, an increase of 72% over the production of 135,000 tonnes of 1996-97. Domestic demand for PSF registered significant improvement of 28% from 332,000 tonnes in 1996-97 to 426,000 tonnes in 1997-98. Demand growth was triggered by the strong substitution effect, arising from cheaper PSF prices relative to cotton and other alternates.

The major achievement of an otherwise challenging year was the increase in Reliance's market share in PSF from 41% in the previous year to 54% in 1997-98. Reliance achieved significant market penetration in new markets within the country during the year.

Intensive marketing and technical support efforts pro-actively directed at individual users led to breakthroughs in capturing new customers. Reliance's unique capabilities of producing a wide range encompassing 9 different grades of PSF at 3 different manufacturing locations helped it to offer complete solutions to customers.

Just-in-time supplies by Reliance enabled customers to significantly reduce their inventory levels from an average of 15 days to under 7 days, leading to reduced interest costs for them.

A major strength of Reliance's PSF business has been the strong bonding with customers, which has ensured that over 75% of customers have remained with the company for more than 3 years. Creation of such relationships has also resulted in more than 80% of the spinning mills in the country sourcing their PSF requirements, either partially or exclusively, from Reliance.

Reliance, with its dominant capacities, significant vertical integration, and leading market share position, is ideally positioned to capture new opportunities arising from the likely restructuring of the domestic PSF industry. The compounded annual demand growth rate of around 20% witnessed in the industry over the past decade is expected to be maintained in the future.

Polyester Fibrefill (PFF)

Reliance commissioned a plant to manufacture 30,000 tonnes per annum of polyester fibrefill with DuPont technology. PFF is used for filling/non-woven end usages like pillows, quilts, cushions, sleeping bags, mattresses and furniture cushions. PFF, being lighter and cleaner, gives better shape retention compared to traditional filling materials like cotton, cotton waste, synthetics waste, and coir.

Reliance is actively setting up a distribution channel to reach fibrefill to consumers in India through retail outlets. It is also working towards developing a regular market for exports to the US and Europe.

Poly Ethylene Terepthalate (PET)

Reliance introduced a new product in the market in the previous year – Bottle Grade PET chips. The raw materials used in the manufacture of PET chips are PTA and MEG. In that context, PET chips are similar to polyester in chemical composition.

Reliance commissioned an 80,000 tonne bottle grade PET chip plant at the Hazira Manufacturing Complex. Reliance's PET chips, marketed under the brand name 'RELPET', soon met with international acceptance due to their high quality. Reliance has moved swiftly to capture a leading market share of 28% in less than six months.

PET is an internationally accepted popular material used in packaging articles such as bottles. The per capita consumption of PET in India is quite low at 0.02 kg, compared to 0.11 kg for China and 4.5 kg for USA.

The PET market in India is in its nascent stages and will be going through a boom in expansion in the next 2-3 years. International majors such as Coca Cola, Pepsi, Cadbury Schweppes and Nestle are having major plans for their products, of which PET is an integral packaging material. Reliance's contribution will be specifically oriented to the growth of this market.

Reliance's key competitive advantages which will provide it with the edge to succeed in the PET business are:

- World scale plants + World-class Technology

- Wider product-mix than competitors
- Backward integration to feedstocks
- Customer support through:
    - Product application & research
    - Entrepreneur development program
    - Wide distribution network

Fibre Intermediates Business

Purified Terephthalic Acid (PTA)

Reliance manufactured 684,000 tonnes of PTA during 1997-98, registering 153% growth over production of 270,000 tonnes in 1996-97 – an achievement unparalleled in the global petrochemicals industry.

Reliance commissioned a new 350,000 tonnes per year PTA manufacturing facility at Hazira in 1997-98, based on ICI, UK technology. Reliance's total PTA production will be close to one million tonnes per year, placing it among the top 5 global producers of PTA. The new plant achieved rated capacity utilisation soon after commissioning.

Reliance is presently the only Indian manufacturer of PTA. The total domestic consumption is around one million tonnes. Towards the end of 1997-98, Reliance held 78% market share. PTA is the preferred and more economical raw material for manufacturing polyester.

Reliance captively consumes around 440,000 tonnes of PTA in the manufacture of polyester yarn and fibre. Captive production and consumption of PTA leads to value addition, margin enhancement and cost competitiveness in Reliance's polyester business, besides ensuring uninterrupted production.

PTA prices tended downwards in 1997-98 in response to Asia-Pacific pricing pressures. The drop in Reliance's PTA prices was substantially compensated by the steep decline in price of the principal feedstock, paraxylene (PX). The major portion of PX consumed by Reliance is presently being imported.

The Asia-Pacific crisis prompted producers in the Far East to resort to unfair competition, dumping their output into India at unreasonably low prices. In response to this, the Indian government imposed an anti-dumping import duty ranging from Rs. 463 per tonne to Rs. 3,375 per tonne of imported material from November 1997 onwards. Imports of PTA into India have been gradually declining and are currently less than 15,000 tonnes per month.

The outlook for PTA remains healthy, as domestic demand growth for the user industry – polyester – is expected to remain buoyant in the coming years. Reliance is expected to maintain its competitiveness in PTA production, on account of economies of scale arising from its significant capacity build-up.

Mono Ethylene Glycol (MEG)

Reliance achieved the distinction of becoming the 10th largest producer of MEG in the world during 1997-98, with total capacity rising to 340,000 tonnes per year. A new MEG plant was commissioned at Hazira during the year, based on the Shell process, with an installed capacity of 120,000 tonnes per year. The new plant achieved higher than rated capacity, within a few days of commissioning.

Reliance's production of MEG increased to 279,000 tonnes in 1997-98 – registering 154% growth over production of 110,000 tonnes in 1996-97. Domestic demand rose 34% to 412,000 tonnes during the year. Reliance's market share in MEG is now close to 78%.

MEG is an intermediate, along with PTA, in the manufacture of polyesters – fibres, films and PET. Around 60% of Reliance's annual MEG production is expected to be consumed in-house. The balance will cater to the increasing domestic demand from the rapidly growing polyester industry.

The Asia-Pacific crisis, and substantial new capacity additions in the third quarter of the year 1997, resulted in declining MEG prices. Despite this, MEG imports remained at barely 4,000 tonnes per month – a testimony to Reliance's competitiveness, efficient customer service and realistic pricing policies.

Captive availability of the major raw material, ethylene, from the naphtha cracker at Hazira ensured uninterrupted production of MEG, in addition to bringing about cost reduction and significant margin improvement.

Demand for MEG in the domestic market has been growing at an annual compounded rate of over 20%. Strong demand growth in the polyester business is expected to ensure a continuing healthy outlook for MEG.

Polymers Business

Polyethylene (PE)

Reliance commissioned its second PE plant with an installed capacity of 200,000 tonnes per year at Hazira during 1997-98. Reliance's total capacity of 400,000 tonnes per year makes it the 10th largest swing manufacturing PE capacity in the world. Reliance's plants have the flexibility to produce High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE), switching to either in response to changes in demand.

Reliance produced 318,000 tonnes of PE in 1997-98, an increase of 93% from 165,000 tonnes in the previous year. The market share increased to 60%

from 45% last year. A significant milestone was achieved in March 1998, with cumulative PE production crossing a million tonnes.

The major raw material for PE, ethylene, is sourced from Reliance's cracker at Hazira. Captive supply of ethylene insulates the company from volatility in international prices, leads to efficiencies in logistics, and helps reduce costs and improve margins.

Polyethylene is used in the manufacture of packaging materials, water storage tanks, milk crates, and a variety of household products.

Domestic demand in 1997-98 stood at 665,000 tonnes. Per capita consumption of PE in India is among the lowest in the globe. Compared to an Asian average of 3.6 kg per year, and the US average of 14.7 kg per year, India consumes only 0.7 kg per year of PE. Reliance is well poised to exploit this untapped potential through its world scale capacities, deep reach in the market arising from its countrywide marketing and distribution network, and sustained market development efforts.

In the short term, domestic demand growth in PE in 1997-98 was out-paced by the 38% growth in PP consumption, arising from sharply reduced PP prices. Approximately 30% of PE and PP markets tend to overlap. However, new product applications and substitution opportunities are expected to increase in the coming years – providing a continuing impetus to PE demand growth.

Polypropylene (PP)

Reliance's PP plant completed its first full year of working in 1997-98. The company produced 357,000 tonnes of PP, increasing its market share to 71% in 1997-98. This represented an increase of 297% over production of 90,000 tonnes in the previous year. Three new grades of random copolymer, impact copolymer and fibre filament were introduced during the year.

The number of customers more than doubled from 800 to 2,100. Reliance demonstrated a high degree of flexibility in suitably modifying PP grades to meet the exacting requirements of individual customers.

Reliance will be commissioning a new 400,000 tonnes per year PP plant at its Jamnagar complex in the year 1999. This will place Reliance among the top 5 producers of PP in the world.

PP is used in the production of everyday-use articles such as packaging materials, hosiery garments, moulded articles, kitchenware, furniture and medical appliances. During the year, domestic PP consumption increased an impressive 38% to 595,000 tonnes.

Per capita consumption of PP in India at 0.7 kg per year is still extremely low compared to the rest of Asia/Far East at 3.5 kg per year, Europe at 8 kg per year, and the US at 8.3 kg per year.

Areas such as packaging (flexible and rigid), plasticulture (plastics in agriculture), infrastructure (power/telecom/cables/pipes), household (durables/housewares) hold considerable potential. Comprehensive developmental efforts have also been initiated to substitute other natural products like wood, metal, jute and paper in various applications.

The existing PP plant at Hazira enjoys complete linkage for its basic raw material, propylene, from the naphtha cracker. The new PP facility at Jamnagar will obtain propylene from Reliance Petroleum's refinery located at the same complex.

PP prices were affected during the year by the Asia-Pacific crisis and the build-up of capacity in the region. However, reduced prices led to booming demand and significant growth in volumes. Reliance's integrated operations and global scale plants are expected to steer the company through a challenging environment.

Polyvinyl Chloride (PVC)

Reliance produced 270,000 tonnes of PVC in 1997-98, registering growth of 42% over production of 190,000 tonnes in 1996-97. A major achievement during the year was the crossing of the one million tonne mark in cumulative PVC production since start up in December 1991.

The year witnessed optimisation and fuller exploitation of existing facilities to achieve higher levels of productivity. Reliance's competitive capital costs and operating cost positions gave it leadership in the domestic market. Reliance's share of the domestic market increased from 38% in 1996-97 to 42% in 1997-98. Higher volumes compensated for the declining trend in product prices.

Domestic demand for PVC was 554,000 tonnes during 1997-98. PVC is a versatile polymer and has a variety of applications : pipes, sheets, films, footwear, wires and cables. The substitution of traditional materials with PVC has – and will – lead to the development of new applications, driving demand further in the coming years.

PVC holds a unique position in the plastics spectrum on account of its unique features, and is headed for robust long term growth. PVC fittings are the most widely accepted medium of water, sewage and other liquid handling systems in the advanced countries. Major opportunities exist in areas such as substitution of traditional materials like asbestos, and GI/CI fittings.

Per capita consumption of PVC in India is among the lowest in the globe. Compared to a Chinese average of 2.32 kg per year, and the US average of 17.8 kg per year, India consumes only 0.63 kg per year of PVC. In the backdrop of this vast potential, the growth trend in PVC consumption is expected to firm up in coming years.

Polymer Intermediates Business

Cracker - Ethylene and Propylene

The financial year under review was the first full year of working for the world's largest grassroot multi-feed cracker set up by Reliance at Hazira. This is the first cracker to be commissioned during the last 20 years in India, and is also the only world-scale ethylene producing plant in India. An added distinction the cracker has given Reliance is the largest naphtha cracking capacity in Asia.

The successful stabilisation of the cracker within the first few months of operations represented one of the major highlights at Hazira in 1997-98. Demonstrating its unique project engineering strengths, Reliance debottlenecked capacity of the cracker from 500,000 tonnes per year to 750,000 tonnes per year in the first half of 1997-98 itself.

The cracker produced 626,000 tonnes of ethylene and 309,000 tonnes of propylene during the year. This represented 89 per cent capacity utilisation for the cracker.

The polymer, polyester and textiles businesses of Reliance are now fully integrated from naphtha to fabrics and plastics. The cracker has eliminated Reliance's exposure to the international market for procurement of basic feedstocks like ethylene and propylene, and contributed significantly to stability of margins.

The cracker can use a variety of feedstocks, including naphtha, natural gas liquids and other petroleum feedstocks. The naphtha for the cracker is transhipped at Reliance's single-buoy mooring (SBM) currently operational off the coast of Hazira. This is then transferred to the complex via pipelines.

The propylene and ethylene produced is used for the manufacture of PP, PE, PVC and MEG at the Hazira complex. Benzene and xylenes produced in the cracker are used for manufacturing LAB and paraxylene at the Patalganga complex.

Cracker - Other Products

In addition to ethylene and propylene, the cracker also produces aromatics like benzene, toluene, mixed xylene and carbon black feed stock (CBFS).

Benzene

In 1997-98, Reliance produced 130,000 tonnes of benzene, and swiftly attained market leadership with a market share of 37% which is more than double the nearest competitor's market share.

Domestic demand grew by 16% during 1997-98 and it is expected that this growth will accelerate in the coming years.

Benzene, like ethylene and propylene, is a building block in the petrochemicals industry. It is used in the manufacture of major industrial chemicals like styrene, phenol, caprolactum, linear alkyl benzene (LAB), nitro-benzene, chloro-benzene, maleic anhydride and aniline.

Toluene

Reliance manufactured 10,500 tonnes of toluene in 1997-98, making it the largest producer of toluene in the country.

Regular and large supplies of toluene have helped the downstream industry grow faster. Demand growth was 20% in 1997-98, and is expected to grow at a healthy pace in the coming years.

The company produces ultra-pure toluene which is suitable for the manufacture of toluene di-isocyanate. The other applications include nitro toluene, chloro toluene and solvents for bulk drugs.

Mix Xylene

Reliance is the only producer of this product in India. Reliance produced 70,000 tonnes of mix xylene for 1997-98. The isomer grade was consumed captively for the production of paraxylene at Patalganga while the solvent grade was used by the paints, pesticides and oil-field chemical industries.

Carbon Black Feed Stock

Carbon Black Feed Stock (CBFS) is used primarily for the manufacture of carbon black, a critical raw material for the tyre industry. Reliance manufactured 77,500 tonnes of CBFS during 1997-98. The output from Reliance helped in bridging the gap between demand and supply, leading to a substantial decline in the quantum of imports during the year.

Chemicals Business

Linear Alkyl Benzene (LAB)

Linear Alkyl Benzene is used in the manufacture of detergents. Against its installed capacity of 100,000 tonnes, Reliance produced 95,000 tonnes of LAB in 1997-98. This represented a market share of 37%. The market share of the nearest competitor was 34%. The total domestic consumption for LAB is around 227,000 tonnes.

Paraffins

Reliance produced 93,500 tonnes of paraffins in 1997-98, accounting for a 48 per cent market share. With the growth in the PVC market, the demand for paraffins is rising.

Ethylene Oxide (EO)

Ethylene Oxide is a versatile chemical used in the manufacture of cosmetics, pharmaceuticals, toiletries, oil filled chemicals, refineries and automobiles. The company produced 18,300 tonnes of EO in 1997-98, accounting for a 37% market share.

Tri Ethylene Glycol (TEG)

TEG is used in oil exploration, lubricants, speciality chemicals and polyester production. Reliance manufactures TEG by adding value to di-ethylene glycol (DEG) which is a by-product from the production of MEG. In 1997-98 Reliance manufactured 11,400 tonnes of TEG accounting for 100 per cent share of the domestic market. Nearly 3,500 tonnes of TEG was exported in 1997-98.

Textiles Business

Reliance is India's largest synthetic textile manufacturer. The textiles complex at the site is one of the largest and most modern synthetic textiles mills in Asia. The complex houses activities like spinning, weaving, crimping, texturing and dyeing of yarn, warp knitting, fabric designing, printing and processing. Naroda also accommodates one of the largest design studios in Asia.

The textiles are sold under the brand name of VIMAL, HARMONY and SlumbeRel. These products are marketed through a distribution network of independent wholesale dealers, as well as franchised retail outlets, which sell Reliance's fabrics exclusively, and many independently owned retail outlets throughout India.

Reliance's fabric output is noted for its design, quality and upmarket appeal.

Vimal

VIMAL is India's largest selling brand of premium textiles. VIMAL derives its competitive edge from the huge range that it is able to offer customers. VIMAL retains its novelty element by introducing fresh and latest collections at regular intervals. This has been made possible by Reliance's continuous investment in the best machines and sophisticated technology to upgrade the production and design process.

It is the conscious effort of the textiles unit to manufacture better quality and increase the variety available to the upper segment of the market. This is aimed at increasing the margins available through value addition.

Harmony

HARMONY is the largest selling brand of premium furnishing fabrics. HARMONY offers a broad range of the latest in ethnic and international designs. It also makes flat jacquards, new generation velours, transfer prints, dyed coordinates, automotive velours, jacquards, printed drapes and laced net curtains.

One of the activities to promote the HARMONY collection was an art show hosted by Reliance in Mumbai. The entire HARMONY collection was displayed in the art show. The collection met with an enthusiastic response from all sections of society.

Oil and Gas

Reliance has invested in the oil and gas business, through an unincorporated joint venture with Enron and ONGC to develop the Panna, Mukta and Tapti oil fields. The joint venture has made substantial progress in the implementation of development plans. The fields are currently producing crude oil as well as natural gas.

The total capital expenditure incurred by the consortium till date is around Rs. 2,000 crores. The preliminary results of reservoir studies for assessing the future production potential from these fields have been very encouraging and significant levels of reserve addition are envisaged.

The production of oil from the Panna-Mukta oil field is currently around 18,000 barrels a day. This is expected to increase to 30,000 barrels a day by the end of 1998. Further drilling of wells is under progress. Panna Mukta are currently producing 1.2 million cubic meters of gas per day and this is expected to reach a level of 2.2 million cubic meters per day by 1999-2000.

Gas production from Tapti field commenced from June 1997, and is currently around 5 million cubic meters of gas per day.

Enron Oil and Gas, the joint venture partner and Operator, has recently presented a proposal to the Tapti consortium participants, seeking approval of a new development plan for the Tapti gas fields. EOG estimates incremental Tapti natural gas volumes could approach approximately 17 million standard cubic metres per day (MMSCMD) during the year 2000 if the new development plan is approved. This would take the total gas production at Tapti to approximately 22 MMSCMD. These new volumes would be in addition to current Tapti deliveries. This would make the joint venture a very large natural gas producer with a significant market share.

Exposure to this business brings several advantages to Reliance. Revenues from the business are denominated in US dollars and provide a hedge against depreciation of the Indian currency. The project also enjoys several tax benefits.

Jamnagar Petrochemicals Complex - The next big leap

Reliance Industries is investing around Rs 5,000 crores (US $ 1,250 million) in building two world-scale plants at the site of the Jamnagar refinery. A new petrochemical complex comprising three paraxylene plants with an aggregate annual capacity of 1.4 million tonnes and a polypropylene plant of 400,000 tonnes per annum is expected to go on-stream in the year 1999. Reliance is expected to emerge as one of the top 5 PP manufacturers in the world and also the world's second largest producer of paraxylene, upon completion of the project.

These plants will raise Reliance's current manufacturing capacities by another 50% to 9.3 million tonnes per year. With this, Reliance would have raised its annual capacity over five times – from 1.8 million tonnes to 9.3 million tonnes.

The Jamnagar complex will be the first world-scale manufacturing complex to have a fully integrated petroleum refinery, petrochemicals complex, power plant and a port with related infrastructure.

Value-Creating Investments

Reliance Petroleum

Reliance is making significant investments in Reliance Petroleum Ltd., a separately listed company, setting up the world's largest grassroots refinery project at Jamnagar, Gujarat. During the year, Reliance, as promoter of Reliance Petroleum, along with associates, has announced an investment of Rs. 2,400 crores (US $ 608 million) in equity linked instruments of Reliance Petroleum, spread over a period of 3 years.

Reliance, along with its subsidiary, Reliance Industrial Investments and Holdings Ltd. (RIIHL), are presently holding instruments entitling them, at their option, to approximately 39% of the paid up equity capital of Reliance Petroleum on a fully diluted basis. Reliance and RIIHL have expressed their willingness to increase their holding up to a maximum of 50% of fully diluted equity capital of Reliance Petroleum.

Reliance Petroleum is setting up a globally competitive, 18 million tonnes per annum refinery, with the highest degree of complexity among all refineries in India. Reliance Petroleum will have approximately 20% of the country's refining capacity upon commissioning in the second half of 1999.

The investment in Reliance Petroleum is extremely attractive in view of the low levels of per capita consumption of energy in India, and the looming deficit situation vis-a-vis demand-supply of petroleum products. It is estimated that the country will have to double its existing refining capacity of around 70 million tonnes per annum in the next 10 years to match consumption growth.

Investment prospects in refining and marketing must be viewed in the light of the emerging deregulation in the industry, in which the phased dismantling of the administered pricing mechanism (APM) has been notified by the government. Over the last few decades, the existing refiners have lagged far behind in scale, technology, efficiencies, complexity, flexibility and safety. The oligopolistic industry structure remained unexposed to competitive pressures.

A sustainable competitive edge for Reliance Petroleum emerges from:

- Scale and technology
- Integration
- Procurement, logistics and marketing
- Financing
- Intellectual Capital
- Management vision, and entrepreneurial ability.

Reliance Petroleum is confident of creating a strong competitive edge for the following reasons:

Scale and technology

- It is the largest grassroots refinery in the world.
- It is the largest, state-of-the-art refinery in India.
- The plant will have a lower capital and operating cost per tonne.
- The sophistication of the plant will enable deep conversion.
- The plant will retain the flexibility to process different types of crude.
- The plant will meet the stringent US environment standards.
- The gross refining margins will be higher than the domestic and regional peer group in deregulated scenario.

Integration

- The integration of the refinery with petrochemicals and power will improve the Nelson's complexity Index from 9.9 to 13.8.
- Group companies will consume a third of the production.

Procurement and logistics

- It is located within attractive proximity to the major crude markets in the Middle East leading to freight savings and easier logistics management.

- The location is port-based with an adequate draft for large vessels.
- Forecasts have indicated an easy crude availability from the Middle East for the coming years.

Financing

- The management has preferred to finance the project conservatively with a low gearing.
- The debt maturity has been spread over 10 years.
- Reliance Petroleum already has an investor base of more than 5 million.
- The company has accessed foreign capital through a US $ 100 million convertible bond and a US $ 300 million syndicated loan (oversubscribed three times).

Highlights of Progress at Jamnagar

- The foundations for the major equipment to be installed have been completed. The equipment, which came in towards the end of 1997-98, is in the process of being erected on the foundations.
- The jetty to service the Jamnagar project was completed in a record six months to facilitate the inflow of project material. The jetty is now capable of handling all inward consignments of equipment including the ones weighing over 1,200 tonnes.
- The pipe fabrication shop at Jamnagar is one of the world's largest fabrication facility at a single location. The fabrication facility has been equipped with the latest computer-controlled machines to meet the critical and exacting requirements of the refinery and petrochemical complex.
- The structural fabrication shop, which is fabricating the structures for the project, has gone on-stream. The shop is equipped with the latest computer-controlled machines and is one of the biggest of its kind in Asia.
- The Field Design facility has been equipped with the latest CAD software for design review. Around 500 engineers are working to meet the ongoing engineering requirements of the complex.
- Nearly 85,000 workers were mobilised to ensure that the construction work was carried out day and night. Most major contractors in India have mobilised their machinery, supervisory staff and workers to complete the construction work for the project. This makes the Jamnagar project one of the largest construction efforts ever undertaken.
- A world record 150,000 cubic metres of concreting was achieved in January 1998.

Power

A sum of around US $ 1.35 billion will be invested in three power projects over the coming years. The current status of power projects being promoted by the Reliance group is as follows:

1. Patalganga : 410 MW
2. Bawana : 421 MW
3. Jamnagar : 500 MW

- The implementation of power projects will be done by stand-alone power producing companies on a project recourse basis.
- The plants will supply power to the state electricity grid under pre-negotiated power purchase agreements.
- The naphtha linkage and techno-economic clearance for the Patalganga project were accorded during 1997-98. The power purchase agreement (PPA) has been signed for the Jamnagar project.
- The power project at Jamnagar is synergic with the refinery business. The output from the refinery – naphtha and pet-coke – will be utilised as feedstock for the power project.

Reliance's entry into the power business provides a strategic fit for the following reasons :

- It has a ready feedstock availability.
- Power generation provides a link in the overall integration strategy.
- The group has prior experience in captive power generation and in-house skills for planning and executing large projects.
- The group has the strength to raise adequate financial resources.
- The power generation business provides attractive returns.
- The characteristics of the venture represent an annuity business.

It is estimated that 80,000 MW of generating capacity, entailing an investment of US $ 80 billion, will have to be added in the next 10 years to ensure that existing deficits do not widen. Deregulation in the distribution of power as and when it is announced is expected to provide further growth opportunities.

Reliance Telecom

Reliance Telecom is undertaking two projects – the cellular services business in seven circles and the basic services project in Gujarat.

Cellular services project highlights

- Reliance Telecom won seven of the 19 circles opened up by the government.
- The seven circles which Reliance has been awarded cover 13 states, nearly a third of India's population, and 36 per cent of India's land mass. The license fees committed by Reliance Telecom is the lowest on a per POP basis amongst comparable circles.
- Since the states are in close proximity to each other, Reliance enjoys a low capital cost.
- The tele-density in these regions is among the lowest in India.
- The equipment and service contracts have been awarded.
- The project has registered the lowest capital cost for any cellular investment in India and is also cost competitive in a global context.
- The project has already commenced services since end 1997 in over 20 cities.

Basic services project highlights

- Reliance won the basic services bid in Gujarat.
- Reliance has had to pay a low license fee per POP: this is less than half paid in Maharashtra.
- Gujarat is an attractive market: a state with a high industrial growth, a high per capita income but a low existing telephone penetration.
- Currently, the DoT network comprises of 1.16 million lines with a waiting list of around 300,000.
- Reliance plans to deploy a combination of wireless and wireline access networks integrated with state of art digital equipment. The wireless network will enable it to install telephone lines quickly. A fibre optic backbone to retain flexibility for future growth is being planned.
- Reliance will provide advanced value added services such as virtual phone networks, prepaid cards and toll free calling to its customers.

Forward-looking statement

Looking forward to 1998-99, Reliance Industries expects to see continuing volume growth in its business. A number of projects were commissioned during the course of the financial year under review, and the full impact of these projects will be reflected in 1988-99 in the form of higher sales.

The product pricing scenario has been extremely volatile in the second half of the year under review, in view of the pressures arising from the Asian economic crisis. There has been a price recovery in some products towards the end of the year. Future developments in the affected Asian economies will hold the key to the future direction of commodity prices.

Reliance will continue its focus on improving productivity, operational efficiencies and cost reduction in the endeavour to impart stability to operating margins.

Disclaimer

The information contained in this section is the best of information available with and market perception of Reliance Industries. None of the information provided has been done with a view to solicit investment into the Reliance stock or any industrial motive in mind. While every care has been taken to ensure the veracity of information and figures, we would advise caution to readers basing their investment/disinvestment decisions on the information provided.

Directors' Report

The Directors have pleasure in presenting the 24th Annual Report and the audited accounts for the financial year ended 31st March, 1998.

Financial Results

		1997-98			1996-97	
		Rs. Crs.	**US$ Mn***		Rs. Crs.	US$ Mn
Gross profit before interest and depreciation		**2,886.54**	**730.86**		1,947.81	542.34
Less : Interest		**503.55**	**127.50**		169.97	47.32
Depreciation	**1,460.27**			1,352.33		
Less: Transfer from General Reserve	**792.95**	**667.32**	**168.96**	942.19	410.14	114.20
Profit before Tax		**1,715.67**	**434.40**		1,367.70	380.82
Less : Provision for Taxation		**63.00**	**15.95**		45.00	12.53
Profit after Tax		**1,652.67**	**418.45**		1,322.70	368.29
Add : Taxation for earlier years		**(85.67)**	**(21.69)**		–	–
Balance in Profit & Loss Account		**662.79**	**167.82**		60.67	16.89
Investment Allowance (Utilised) Reserve Written Back		**36.00**	**9.11**		26.65	7.42
Surplus Available for Appropriation		**2,265.79**	**573.69**		1,410.02	392.60
Appropriations:						
Capital Redemption Reserve		–	–		200.00	55.69
Debenture Redemption Reserve		**64.47**	**16.32**		97.99	27.28
General Reserve		**752.65**	**190.57**		150.00	4.18
Dividends paid on :						
Preference Shares		**10.33**	**2.62**		/ / / / / / / / / / / / / –	
–						
Equity Shares		**326.81**	**82.75**		299.24	83.32
Tax on dividend :						
For 1996-97		**29.92**	**7.58**		–	–
For 1997-98		**33.72**	**8.54**		–	–
Balance carried to Balance Sheet		**1,047.89**	**265.31**		662.79	222.13
		2,265.79	**573.69**		1,410.02	392.60

* 1 US $ = Rs. 39.495 (Exchange rate as on 31-3-98)

Dividends

The Directors have recommended a dividend of Rs. 3.50 per Equity share on 93,37,49,403 Equity shares of Rs. 10 each, for the financial year ended 31st March, 1998, 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 23rd May, 1998.

The Directors have also recommended dividend on 10% 1,27,45,000 Redeemable Preference Shares of Rs. 100 each, 10.5% 10,50,000 Redeemable Preference Shares of Rs. 100 each and 10.5% 50,00,000 Redeemable Preference Shares of Rs. 100 each. This dividend has been fully adjusted against the interim dividend paid by the Company during the financial year ended 31st March, 1998.

International Offerings

The Company completed two pioneering transactions in the international capital markets by issue of unsecured notes. It placed £ 150 million with institutional investors in UK through a ten year offering. This is the first sterling bond issue from an Indian issuer and is an important step in investor diversification for the Company. The issue was rated by the international rating agencies, Moody's Investor Services and Standard & Poors at "Baa3" and "BB+" respectively. The Company also issued US $ 150 million of 30 year notes on a private placement basis to European insurance companies and other long term investors. This marks the first such private placement from India and reflects the name, recognition and confidence of international investors. The Company has so far raised US $ 1.314 billion by way of loans, bonds and notes with maturities from 7 to 100 years and tapped a variety of markets.

Bonus Shares

The Shareholders of the Company at the Extra Ordinary General Meeting held on 16th October, 1997, approved an issue of Bonus Shares in the ratio of One Equity Share of Rs. 10 each for every equity share held to all the shareholders of the Company as on 29th November, 1997. The Company has therefore, issued and allotted 46,60,90,452 Equity Shares as Bonus Shares.

Allotment of Shares on Conversion of Bonds

The Company in the year 1993 had issued 3.5% Convertible Bonds (FCCB) aggregating US $ 140 million in the international market. During the year ended 31st March, 1998, holders of 11,944 Bonds aggregating to US $ 59,720,000 have opted for conversion and accordingly the Company has allotted 72,89,149 equity shares.

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, along with 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, 1998, are annexed.

Fixed Deposits

The Company has not accepted/ renewed any deposits during the year. Deposits of Rs. 0.38 crore due for repayment on or before 31st March, 1998 were not claimed by 638 depositors as on that date. Of these, deposits amounting to Rs. 15,000 of 2 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 S. Venkitaramanan was appointed as Nominee Director of The Industrial Credit and Investment Corporation of India Limited (ICICI) on the Board in place of Shri B.V. Bhargava. The Board places on record its appreciation for the valuable guidance received from Shri B.V. Bhargava during his tenure as Director.

Shri A. N. Poddar has also been appointed as Nominee Director of General Insurance Corporation (GIC) on the Board in place of Shri M.V. Purohit. The Board places on record its appreciation for the valuable guidance received from Shri M.V. Purohit during his tenure as Director.

Shri Natvarlal H. Ambani, a Director of the Company passed away on 1st March, 1998. He was associated with the company since its initial years and was indeed a crucial pillar for the company during its formative years which were also the years when the company was under constant pressure to deliver on the high expectations of the Shareholders of the Company. With profound grief, the Directors put on record the invaluable services rendered by Late Shri N.H. Ambani during his tenure as Director.

Shri T. Ramesh U. Pai, Shri Yogendra P. Trivedi and Shri Ramniklal H. Ambani, 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

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

Acknowledgment

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 **Dhirubhai H. Ambani**
Dated: 27th April, 1998 Chairman

Annexure to Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. Conservation of Energy

(a) Energy Conservation Measures Taken : -

1. Replacement of conventional shell and tube type combined feed exchanger in LAB plant by plate type exchanger.
2. Steam condensate preheating by integration with process plants leading to reduced steam consumption in deaerators.
3. Installation of advance process control system.
4. Heat integration of Extract column bottom in LAB plant.
5. Automatic blowdown controls for steam boilers in fibre division.
6. Simulation package utilised for optimising distillation column operation in petrochemical plants.
7. Improved utilisation of steam generation potential in the Heat Recovery steam generators utilising the exhaust heat from gas turbines.
8. Optimisation of cooling water consumption in various condensers and coolers.
9. Replacement of existing Air Dryer by Heat of Compression type.
10. Low Pressure Plant Air Integration between Utilities and Energy Centre.
11. Medium Pressure Steam Integration between Utilities and Energy Centre.
12. Replacement of lower efficiency Dow Vaporisers.
13. Additional generation of ELP steam from the PTA Reactor off Gas for usage in Process.
14. Augmenting quench water tower operation to conserve heat in the circuit in naphtha cracker.
15. Optimisation of quench oil tower operation in naphtha cracker.
16. Optimisation of plant operating parameters in aromatics plant.
17. Reduction of cooling water circulation in aromatics plant.
18. Reduction of cooling water circulation in Polyethylene plant.
19. Reduction of nitrogen consumption in Polyethylene plant.
20. Optimisation of fuel gas consumption in two furnaces in VCM plant.
21. Improved condensate recovery system in PVC plant with minor modifications.
22. Introduction of basket type strainers in waste water area.
23. Replacement of Process cooling water fan blades of GRP with hollow FRP blades in MEG plant.
24. HP steam substituted by LP vent steam in dehydrator in MEG-II.
25. Rich absorbent pump operation optimised in MEG plant and one of the two pumps isolated.
26. Utilisation of low pressure fuel gas from naphtha cracker in the HRSGs of CPP.
27. 7 Nos. Aluminum Fans of Cooling Towers replaced by FRP Fans. This shall generate a Power Saving of 60000 Units/year.
28. HSD fired imported super heater of Arioli M/c. has been replaced by Indigenous NG fired super heater.
29. Replacement of inverted type steam traps by flat type, thereby saving of thermal energy in Processing Unit 1.
30. Replaced old programmers by completely auto-operated programmers for complete cycle resulting into over 60 % of saving in water consumption in the suiting processing.
31. PC based data process logging system installed for Jet Dyeing Machine in Suiting Process House leading to 40% of savings in water consumption.
32. Old Copper and Aluminum chokes were replaced by new electronic chokes in Water Jet department thereby saving 25 % electrical energy in lighting.

(b) Additional Investments and proposals, if any, being implemented for reduction in Consumption of Energy :

1. Installation of back pressure turbine.
2. Optimisation of recycle paraffin pumping system.
3. Prefractionation stripper side cut recovery.
4. Advanced simulation package for optimising distillation column operation.
5. Optimisation of LAB (FE), feed Kerosene Preheat train.
6. Condensate heater in quench water circuit in naphtha cracker.

7. Superheating of dilution steam in naphtha cracker.
8. Condensate and flash steam recovery from boiler blow-down in naphtha cracker.
9. Additional quench oil reboilers for enhancing heat recovery from quench oil circuit in naphtha cracker.
10. Utilisation of SCO vent gases for condensate polishing unit effluent agitation and neutralisation in naphtha cracker.
11. Hot quench water by pass across quench water coolers to reduce pressure drop in the quench water circuit in naphtha cracker.
12. Heat recovery scheme to recover 35 TPH steam from condensing vapours in PTA plant.
13. Electrical motors' efficiency audit.
14. Scheme for recovering 2.5 MMkCal/h low grade heat by condensing column vapours and use the same for meeting refrigeration requirements.
15. Provision of variable frequency drive in reactor feed pump in PE-II plant.
16. Reduction of load of Dowtherm vaporisers by reducing heat losses in the Dowtherm loop in PE plant.
17. Condensate recovery from slurry heater in PE plant.
18. Heat recovery from VCM column bottoms in VCM plant to conserve steam and cooling water.
19. Utilisation of excess LP steam in the deaerators.
20. Replacement of solid GRP fans with hollow FRP fans in utility cooling towers.
21. Firing C9 liquid fuel generated from naphtha cracker in heat recovery steam generators.
22. Change V-Belt Pulley Drive to Flat Belt Pulley Drive to save power.
23. Cooling water system ON/ OFF control for operating equipment to save electric power.
24. Infrared thermography for energy conservation.
25. Installation of more numbers of Capacitors to improve Power Factor.

(c) Impact of Measures at (a) and (b) above for Reduction of Energy Consumption and on the Cost of Production of Goods :

1. Replacement of combined feed exchanger with plate type heat exchanger has resulted in saving of Rs.220 lacs p.a. in terms of fuel.
2. Steam integration through back pressure turbine would lead to saving of Rs.560 lacs p.a.
3. Prefractionation stripper side cut recovery operation for better heat integration will save Rs.90 lacs p.a.
4. Preheating of steam condensate by integration with process plants has saved low pressure steam requirement to the tune of Rs.374 lacs p.a.
5. Heat integration of extract column bottom in LAB plant resulted in saving of Rs.19 lacs p.a.
6. Advance process control system resulted in saving of approximately Rs.82 lacs p.a.
7. Automatic blowdown control system for steam boilers in fibre division resulted in savings of Rs.59 lacs p.a.
8. Power Savings of Rs.15 lacs p.a. is expected by replacement of new Air Dryer system.
9. Saving of fuel to the extent of Rs.116 lacs shall be achieved by optimisation of LAB (FE) feed Kerosene preheat train.
10. Fuel equivalent of Rs.881 lacs has been achieved by additional generation of ELP steam from the PTA reactor off gas, for usage in Process.
11. Augmenting quench water tower operation results in savings of Rs.100 lacs p.a.
12. Optimisation of quench oil tower operation results in heat recovery equivalent to Rs.280 lacs p.a.
13. Optimisation of plant operating parameters in aromatics plant results in energy savings (both steam and power) equivalent to Rs.95 lacs p.a.
14. Introduction of basket type strainers in PVC plant results in annual saving of Rs.25 lacs p.a.
15. Utilisation of low pressure vent steam in MEG plant results in reduction in steam consumption equivalent to Rs.120 lacs p.a.
16. Utilisation of low pressure fuel gas from cracker in CPP results in significant gain of Rs.1200 lacs p.a.
17. Condensate heater in quench water circuit results in energy saving equivalent to Rs.300 lacs p.a.
18. Superheating of dilution steam results in energy savings equivalent to Rs.48 lacs p.a.
19. Condensate and flash steam recovery from boiler blow down of cracker results in energy savings equivalent to Rs.40 lacs p.a.
20. Additional quench oil reboilers to recover low grade heat results in energy savings equivalent to Rs.900 lacs p.a.
21. Utilisation of vent gases for condensate polishing unit effluent neutralisation results in power savings equivalent of Rs.3 lacs p.a.
22. Hot quench water by pass across quench water coolers results in power savings equivalent to Rs.5 lacs p.a.
23. Scheme to recover 35 tph steam in PTA plant results in savings of Rs.1400 lacs p.a.

24. Scheme to recover 2.5 Gcal/h heat from aromatics plant results in steam saving equivalent to Rs.73 lacs p.a.
25. Provision of variable frequency drive for reactor feed pump in PE-II plant results in reduced power consumption equivalent to Rs.20 lacs p.a.
26. Reducing the load of Dowtherm vaporisers results in fuel saving equivalent to Rs.50 lacs p.a.
27. Heat recovery from VCM column bottoms results in energy savings equivalent to Rs.68 lacs p.a.
28. Replacement of solid GRP fans with hollow FRP fans in utility cooling towers results in saving of Rs.16 lacs p.a.

B. Technology Absorption :

FORM - 'B'

Form for 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 p-xylene 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 p-xylene oxidation reactor to estimate residence time and deat volume in the reactor.
    4. Conversion of REMAX, a heavier by-product in p-xylene manufacturing process to more valuable benzene - toluene - xylene (BTX) mixture.
    5. Implementation of advanced process control for MEG plant, EO recovery, purification, Glycol evaporation & purification sections.
    6. Faster decoking of EDC furnaces by having higher decoking temperature.
    7. New Oxy-8 catalyst along with the old Oxy-4 catalyst for enhancing ethylene efficiency of reactor/ EDC production.
    8. New generation emulsifying agent used for flexible pipe and film grade PVC for improving porosity and morphology.
    9. Improved secondary emulsifying agent used for rigid Pipe and Calendering, Wires and Cables and other electrical applications.
    10. Alteration of appropriate additives in PE (film extrusion grades) achieving processing speed and thermal stability.
    11. Change of reactor mode for PE (injection moulding grade) resulting in improved product quality.
    12. Improved formulation package dosage and incorporation of co-monomers for PP (film grade) used for garment packaging.
    13. PP (Raffia grade) developed for usage in tapes, fabrics and mono-filaments.
    14. PP (Impact co-polymer grades) developed for use in "Batteries and Locomotive Parts" and for 'Luggage ' industry.
    15. Usage of special chemical for emulsion breaking in NGL-Naphtha Cracker production process, resulting in enhanced plant efficiency.
    16. Development of Wool Dyeing technique to reduce time in dyeing cycle of wool resulting into reduced wool damage, less energy consumption and retention of natural properties of wool.
    17. Development of dimensionally stable shrink-resist machine washable wool and wool blended Worsted Fabrics.
    18. Modified bi-stretch polyester/ wool blended fabrics meant for sports and leisure-wear having appropriate steam stability.
    19. Production of all wool worsted fabrics having milled finish.
    20. Development of high-twisted crepe fabric for up-market requirement.
    21. Production of high light-fast woven jacquard seat cover fabrics for automobile manufacturers of international repute.
    22. Production of all wool light weight, fine worsted fabrics from single weft yarn resulting into softer feel, finish and better formability.
2. Benefits derived as a result of the above R&D :
    a. Product Development/ Improvement :-
        1. Optimisation of process parameters to achieve improved consumption of Acetic acid in oxidation of p-xylene to PTA.
        2. Introduction of a recovery process to recover acetic acid and reducing the load on effluent treatment.
        3. Use of simulation techniques to develop models for MOLEX and PAREX to achieve optimisation of Zone ratios and hence utilities consumption.
        4. Improvements in on-stream days by using alternate equipment in existing Px-facility.
        5. Optimisation of process parameters to establish enhanced throughput in the Px-adsorption section.
        6. Pilot plant trials in eco friendly non-HF

catalyst for LAB process have given encouraging data.

7. Process modification in Back-end section to enhance throughputs and optimise yields.
8. New Deniers like 126/136/POY, 80/68/POY, 235/108/POY, 235/68/POY have been successfully developed for achieving better performance and texture of fabric.
9. Development of FDY products like 50/48, 70/36, 70/72, 75/108, 50/72 BRT, 100/72 and 145/72 for special use.
10. Low shrinkage FDY produced and commercialised.
11. Modification of oil application system to improve finish pick-up.
12. 3.0 Denier trilobal tow produced for specific application.
13. Improved dyeing process of natural wool fibres with minimum damage and better retention of natural properties.
14. Developed high performance machine washable worsted fabrics.
15. Improved bi-stretch fabrics for sports and leisurewear.
16. Produced milled finish & high-twisted crepe all wool worsted fabrics for up-market requirement.
17. Wider acceptability of high light-fast woven jacquard fabrics as auto textiles.
18. Produced superfine all wool fabrics for international market.

b. Import substitution : -

1. IHI HP Compressor Gear Box internals developed indigenously.
2. Gas Turbine 1 Naphtha filtration skid developed indigenously.
3. Impeller for GA - 701 sundyne pump developed indigenously.
4. Rotary joint for PSF draw machine developed indigenously.
5. PTA drier brush seal developed indigenously.
6. Indigenisation of a number of engineering spares and accessories in polyester and petrochemical area yielded a net saving of Rs.200 lakhs in the 1997-98.
7. Substituted imported Disperse Dyes with indigenous dyes for furnishing fabrics.
8. Substituted UV-absorber from an indigenous source.

3. Future Plan of Action :

1. Pentane recovery from p-xylene 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 p-xylene oxidation reactor.
4. Catalyst recovery from PTA residue and incinerator ash.
5. Optically brightened staple fibre product under development.
6. Addition of "Define Unit" in LAB process to reduce diolefins.

New PVC Grades :

- For Powder Coating Applications, tailored K57 grade.
- For Electrical cable sector, manufacture of K65 grade.
- For special Rainware applications, introduction of another K72 grade.
- For high impact product applications, standardised receipe for K74 grade .

New PE Grades :

1. MDPE Insulation grade.
2. LLDPE Base Resin for cable Jacketing
3. LLDPE high flow grade
4. Relene, Monofilament grade
5. UV stabilised LLDPE Rotomoulding grades

Expenditure on R&D :	Rs. Crs.
a. Capital	–
Recurring	38.96
Total	38.96
b. Total R&D expenditure as percentage of turnover.	0.29%

Technology absorption, adaption and innovation:

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

1. Development of Catalyst for convertion of REMAX to BTX.
2. Development of 0.8 denier Polyester Staple Fibre.
3. Development of optically brightened stapled fibre product.
4. Development of new FDY/ SDY products.

<u>Information regarding imported technology</u>

Product	Technology from	Year of import	Status of implementation/ absorption
Ethylene & Cracker Products	Stone & Webster Engineering Corp. (USA)	1992	Full
Purified Terephthalic Acid	John Brown Engineers, UK (ICI PLC,UK)	1994	Full
Mono Ethylene Glycol	Shell (Lummus Crest B.V. Holland)	1996	Full
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	Full
High Density Polyethylene	Novacor, Canada	1995	Full

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 in most of its products. During the year, the Company had exports worth Rs. 321.27 crores (US$ 86.3 million)

2. Total Foreign exchange used and earned

		Rs. Crs.
a.	Total Foreign Exchange earned	565.92
b.	Total savings in foreign exchange through products manufactured by the Division and deemed exports (US$ 2,464.58 million)	9,174.88
	Sub total (a + b)	9,740.80
c.	Total Foreign exchange used	5,176.69

Form 'A'

Form for disclosure of particulars with respect to Conservation of Energy

Part 'A'

Power & Fuel Consumption	**April, 97 to March, 98**	April, 96 to March, 97
1. Electricity		
a) Purchased Units (Lakhs)	**801.79**	896.95
Total Cost (Rs. in crores) (Note)	**32.13**	32.38
Rate/ Unit (Rs.)	**4.01**	3.61
b) Own Generation		
1) Through Diesel Generator		
Units (Lakhs)	**200.82**	374.09
Units per unit of fuel	**3.63**	3.54
Cost/ Unit (Rs.)	**2.18**	1.98
2) Through Steam Turbine/ Generator		
Units (Lakhs)	**20,576.97**	12,410.66
Units per unit of fuel	**4.39**	3.52
Cost/ Unit (Rs.)	**1.03**	1.45
2. Furnace Oil		
Quantity (K. Ltrs)	**113,501.40**	365,376.82
Total Cost (Rs. in crores)	**67.24**	205.59
Average Rate per Ltr. (Rs.)	**5.92**	5.63
3. Diesel Oil		
Quantity (K. Ltrs)	**77,906.14**	116,200.54
Total Cost (Rs. in crores)	**69.28**	100.80
Average Rate per Ltr. (Rs.)	**8.89**	8.67
4. Others		
Gas		
Quantity (1000 M3)	**412,568.94**	241,598.10
Total Cost (Rs. in crores)	**111.83**	50.52
Average Rate per 1000M3 (Rs.)	**2,710.63**	2,091.16

Note: Excluding demand charges.

Part 'B'

Consumption per Unit of Production

	Fabrics Per 1000 Mtrs.		PFY Per MT		PSF Per MT		PTA Per MT		LAB Per MT		MEG Per MT		PVC Per MT		HDPE Per MT		PP Per MT		FF Per MT		CRACKER Per MT		PET 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	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Electricity (KWH)	**1258**	1229	**1293**	1224	**726**	653	**416**	377	**324**	314	**849**	869	**481**	474	**267**	238	**373**	430	**1359**		**173**		**222**	
Furmace Oil (Ltrs)	**10**	3	**31**	16	**24**	26	**12**	95	**126**	45							**10**		**1**		3			
Gas (SM3)	**1429**	1348									**12**	12	**76**	112	**45**	35	**1**		**169**					
LSHS (Kgs)			**28**	140	**22**	130		53	**145**	255									**65**					

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,
RELIANCE INDUSTRIES LIMITED

We have audited the attached Balance Sheet of RELIANCE INDUSTRIES LIMITED as at 31st March 1998 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, 1998 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

D. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated : 27th April, 1998

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. During the year, the company has revalued Plant and Machinery located at Naroda and Patalganga as at 1-4-97 based on the replacement cost of those assets as per approved valuers report.
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, or from Companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956.
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 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/ rescheduled and are also generally regular in the payment of interest, wherever stipulated.
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, 1998 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 there are no damaged goods.

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

Mumbai
Dated : 27th April, 1998

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 1998 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, 1998 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

(P. R. Barpande)
Partner

Mumbai
Dated : 27th April, 1998

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. During the year, the company has revalued Plant and Machinery located at Naroda and Patalganga as at 1-4-97 based on the replacement cost of those assets as per approved valuers report.
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, or from Companies under the same management as defined under sub section (1B) of Section 370 of the Companies Act, 1956.
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 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/ rescheduled and are also generally regular in the payment of interest, wherever stipulated.
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, 1998 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 there are no damaged goods.

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

(P. R. Barpande)
Partner

Mumbai
Dated : 27th April, 1998

Balance Sheet as at 31st March, 1998

(Rs. in crores)

	Schedule	As at 31st March, 1998 Rs.	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital - Equity	'A'	**931.90**		458.45	
Share Capital - Preference	'A'	**187.95**			
Reserves and Surplus	'B'	**10,862.75**		8,012.49	
			11,982.60		8,470.94
Advance Against Future Receivables [Refer Note 11, Schedule 'O']			**300.00**		–
Loan Funds					
Secured Loans	'C'	**2,736.78**		4,246.76	
Unsecured Loans	'D'	**5,510.55**		3,378.72	
			8,247.33		7,625.48
TOTAL			**20,529.93**		16,096.42
APPLICATION OF FUNDS					
Fixed Assets	'E'				
Gross Block		**17,848.33**		10,955.92	
Less:Depreciation		**4,944.47**		3,491.20	
Net Block		**12,903.86**		7,464.72	
Capital Work-in-Progress		**2,069.43**		3,708.63	
			14,973.29		11,173.35
Investments	'F'		**4,282.33**		4,455.68
Current Assets, Loans and Advances					
Current Assets	'G'				
Interest Accrued on Investments		**21.07**		60.33	
Inventories		**1,343.96**		1,085.36	
Sundry Debtors		**642.72**		601.42	
Cash and Bank Balances		**2,133.51**		863.75	
		4,141.26		2,610.86	
Loans and Advances	'H'	**991.05**		1,296.25	
		5,132.31		3,907.11	
Less: **Current Liabilities and Provisions**	'I'				
Current Liabilities		**3,382.01**		3,087.49	
Provisions		**475.99**		352.23	
		3,858.00		3,439.72	
Net Current Assets			**1,274.31**		467.39
TOTAL			**20,529.93**		16,096.42
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: 27th April, 1998

For and on behalf of the Board

D.H. Ambani	Chairman
A.D. Ambani	Managing Director
N.R. Meswani **H.R. Meswani**	Executive Directors
S.Venkitaramanan	Nominee Director
R.H. Ambani **T.Ramesh U. Pai** **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Profit and Loss Account for the year ended 31st March, 1998

(Rs. in crores)

	Schedule	1997-98		1996-97	
		Rs.	**Rs.**	Rs.	Rs.
INCOME					
Sales			**13,403.78**		8,730.33
Other Income	'J'		**335.60**		289.60
Variation in Stock	'K'		**368.28**		(95.27)
			14,107.66		8,924.66
EXPENDITURE					
Purchases			**14.19**		15.23
Manufacturing and Other Expenses	'L'		**11,206.93**		6,961.62
Interest	'M'		**503.55**		169.97
Depreciation		**1,460.27**		1,352.33	
Less : Transferred from General Reserve [Refer Note 3, Schedule O]		**792.95**		942.19	
			667.32		410.14
			12,391.99		7,556.96
Profit Before Tax			**1,715.67**		1,367.70
Provision for Taxation			**63.00**		45.00
Profit for the year			**1,652.67**		1,322.70
Add: Taxation for earlier years			**(85.67)**		–
Balance brought forward from last year			**662.79**		60.67
Investment Allowance (Utilised) Reserve Written Back			**36.00**		26.65
Amount Available For Appropriations			**2,265.79**		1,410.02
APPROPRIATIONS					
Capital Redemption Reserve		–		200.00	
Debenture Redemption Reserve		**64.47**		97.99	
General Reserve		**752.65**		150.00	
Interim Dividend on Preference Shares		**10.33**		–	
Proposed Dividend on Equity Shares		**326.81**		299.24	
Tax on Dividend [including for previous year Rs. 29.92 crores]		**63.64**		–	
			1,217.90		747.23
Balance Carried to Balance Sheet			**1,047.89**		662.79
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: 27th April, 1998

For and on behalf of the Board

D.H. Ambani Chairman
A.D. Ambani Managing Director
N.R. Meswani, **H.R. Meswani** Executive Directors
S.Venkitaramanan Nominee Director
R.H. Ambani, **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, 1998 Rs.	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.
Authorised:					
120,00,00,000 (55,00,00,000)	Equity Shares of Rs. 10 each		**1,200.00**		550.00
– (5,50,000)	15% Cumulative Redeemable Preference Shares of Rs. 100 each		–		5.50
10,00,00,000 (3,00,00,000)	Preference Shares of Rs. 100 each		**1,000.00**		300.00
– (14,45,00,000)	Unclassified Shares of Rs. 10 each		–		144.50
			2,200.00		1,000.00
Issued, Subscribed and Paid up:					
Equity					
93,37,49,403 (46,03,69,802)	Equity Shares of Rs. 10 each fully paid up	**933.75**		460.37	
	Less: Calls in arrears - by others	**1.85**		1.92	
			931.90		458.45
Preference					
1,27,45,000 (–)	10% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid-up (Redeemable at par on 15th September, 2000)	**127.45**		–	
10,50,000 (–)	10.5% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid-up (Redeemable at par on 15th September, 2002)	**10.50**		–	
50,00,000 (–)	10.5% Cumulative Redeemable Preference Shares of Rs. 100 each fully paid-up (Redeemable at par on 17th September, 2002)	**50.00**		–	
			187.95		–
			1,119.85		458.45

Of the above Equity Shares:

1. (a) 48,17,70,552 (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) 21,04,19,721 (20,31,30,572) Shares were allotted on conversion/surrender of Debentures and Bonds, conversion of Term Loans, exercise of Warrants, against Global Depository Shares (GDS) and reissue of forfeited equity shares.

2. Refer to Note 1(e)(iv) of Schedule 'C' and Note 1 to Schedule 'D' in respect of option on unissued share capital.

Schedules forming part of the Balance Sheet

SCHEDULE 'B'

(Rs. in crores)

RESERVES & SURPLUS	**As at 31st March, 1998**		As at 31st March, 1997	
	Rs.	**Rs.**	Rs.	Rs.
Revaluation Reserve				
On Revaluation of Fixed Assets [Refer Note 3, Schedule 'O']		**2,771.06**		–
Capital Reserves				
As per last Balance Sheet	**185.26**		2.45	
Add: On Redemption of Debentures	**0.01**		0.43	
On Assignment of Interest Free Sales Tax Loan	**–**		182.38	
	185.27		185.26	
Less: Adjusted on Sales Tax Assessment	**2.03**		–	
		183.24		185.26
Capital Redemption Reserve				
As per last Balance Sheet	**205.80**		5.80	
Add : Transferred from Profit and Loss Account	**–**		200.00	
	205.80		205.80	
Less : Capitalised on Issue of Bonus Shares	**205.80**		–	
		–		205.80
Share Premium Account				
As per last Balance Sheet	**4,823.75**		4,823.75	
Add : Received during the year	**180.05**		–	
	5,003.80		4,823.75	
Less : Capitalised on Issue of Bonus Shares	**260.29**		–	
Issue Expenses	**6.42**		–	
	4,737.09		4,823.75	
Less: Calls in arrears - by others	**10.74**		11.15	
		4726.35		4,812.60
Debenture Redemption Reserve				
As per last Balance Sheet	**471.04**		373.05	
Add: Transferred from Profit and Loss Account	**64.47**		97.99	
		535.51		471.04
Investment Allowance (Utilised) Reserve				
As per last Balance Sheet	**274.70**		301.35	
Less : Transferred to Profit and Loss Account to the extent no longer required	**36.00**		26.65	
		238.70		274.70
Taxation Reserve				
As per last Balance Sheet		**10.00**		10.00

Schedules forming part of the Balance Sheet

SCHEDULE 'B' (Contd.)

(Rs. in crores)

RESERVES & SURPLUS	**As at 31st March, 1998 Rs.**	**Rs.**	As at 31st March, 1997 Rs.	Rs.
General Reserve				
As per last Balance Sheet	**1,390.30**		2,182.49	
Less: Transferred to Profit and Loss Account [Refer Note 3, Schedule 'O']	**792.95**		942.19	
	597.35		1,240.30	
Add : Transferred from Profit and Loss Account	**752.65**		150.00	
		1,350.00		1,390.30
Profit and Loss Account		**1,047.89**		662.79
		10,862.75		8,012.49

SCHEDULE 'C'

SECURED LOANS

	As at 31st March, 1998 Rs.	**Rs.**	As at 31st March, 1997 Rs.	Rs.
A) DEBENTURES				
Non-Convertible Debentures	**2,413.54**		2,012.98	
Less: Calls in arrears - by others	**0.68**		2.32	
		2,412.86		2,010.66
B) TERM LOANS				
1. From Banks				
a) Foreign Currency Loans	**0.53**		710.48	
b) Rupee Loans	**200.00**		240.00	
	200.53		950.48	
2. From Financial Institutions				
a) Foreign Currency Loans	**38.15**		841.23	
b) Rupee Loans	**19.26**		18.47	
	57.41		859.70	
		257.94		1,810.18
C) WORKING CAPITAL LOANS				
From Banks		**65.98**		425.92
		2,736.78		4,246.76

Notes

1. (a) Debentures referred to in A to the extent of Rs. 729.04 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 to the extent of Rs. 1,342.50 crores are secured/to be 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 Maharashtra.
   (c) Debentures referred to in A to the extent of Rs. 180 crores are secured/to be secured by legal mortgage in English form on the properties situated at Patalganga, District Raigad in the State of Maharashtra and on the properties situated at Jamnagar, in the State of Gujarat.
   (d) Debentures referred to in A to the extent of Rs. 162 crores are secured by way of second and subservient charge, created by legal mortgage in English form on the properties situated at Patalganga, District Raigad in the State of Maharashtra.

Schedules forming part of the Balance Sheet

SCHEDULE 'C' (Contd.)

(e) Debentures referred to in A consists of (i) 14% Debentures of Rs. 100 each aggregating Rs. 27.50 crores which are redeemable at a premium of 5% on the face value of the Debentures, at the end of the eighth year from the respective dates of allotment commencing from March, 1999. (ii) 12.5 % Debentures of Rs. 95 each aggregating Rs. 341.54 crores are redeemable at par on the expiry of 10 years from the date of allotment i.e. 26th February, 2002 with an option to the Board to redeem at any time after 26th February, 1999. (iii) 18 % Debentures of Rs. 100 each aggregating Rs. 60 crores which are redeemable at par in three equal installments on the expiry of sixth, seventh and eighth year from the date of allotment; the redemption will commence from July 1999. (iv) 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 i.e. 12th January, 2000. Warrant issued with the debentures entitle the holders thereof to apply at the option of the warrantholders for 12,00,00,000 Equity Shares of Rs. 10 each of the Company. (v) 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 September, 2002. (vi) 14.08 % Debentures of Rs. 100 each aggregating Rs. 312.50 crores which are redeemable at par in three equal annual installments, commencing from the expiry of fifth year from the respective dates of allotment; commencing February 2000. (vii) 14.50 % Debentures of Rs. 10,00,000 each, aggregating Rs. 112 crores which are redeemable at par on the expiry of fifth year from the date of allotment; i.e. 19th May, 2002. (viii) 13.50 % Debentures of Rs. 1,00,00,000 each, aggregating Rs. 50 crores which are redeemable at par in three installments on the expiry of the fifth, sixth and seventh year from the date of allotment; the redemption to commence from 15th September, 2002. (ix) 13.50 % Debentures of Rs. 1,00,00,000 each aggregating Rs. 100 crores which are redeemable at par on the expiry of the tenth year from the date of allotment; i.e. on 28th November, 2007. (x) 12.25 % Debentures of Rs. 1,00,00,000 each aggregating Rs. 325 crore which are redeemable at par in three equal installments on the expiry of fifth, sixth and seventh year from the date of allotment; the redemption will commence from January, 2003. (xi) 12.50 % Debentures of Rs. 1,00,00,000 each aggregating Rs. 110 crores which are redeemable at par on the expiry of seventh year from the date of allotment i.e. January, 2005. (xii) 13.75 % Debentures of Rs. 1,00,00,000 each aggregating Rs. 110 crores which are redeemable at par on the expiry of the tenth year from the respective date(s) of allotment i.e. January, 2008. (xiii) 13.75 % Debenture of Rs. 1,00,00,000 each aggregating Rs. 80 crores which are redeemable at par on the expiry of the tenth year from the respective date(s) of allotment i.e. January, 2008. (xiv) 14.75 % Debentures of Rs. 1,00,00,000 each aggregating Rs. 200 crores which are redeemable at par in three equal annual installments, commencing from the expiry of eighth year from the respective dates of allotment; redemption will commence from February, 2006. (xv) Debentures aggregating Rs. 0.03 crores are held by Directors.

2. (a) Term Loans referred to in B(1) (b) above, to the extent of Rs. 200 crores are secured/to be secured on the properties situated at Jamnagar, 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. 37.14 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 Loan referred to in B(2) (a) above, to the extent of Rs. 1.01 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) above, to the extent of Rs. 0.53 crores are secured by guarantee issued by one of the Bankers to the company against hypothecation of specific items of plant and machinery.
   (e) Term Loans referred to in B(2) (b) above, to the extent of Rs. 19.26 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 1(b) and Term Loans referred to in Note 2(b) above, shall rank pari passu, inter-se and charges created / to be created on the Debentures referred to in Note 1(c) and Term Loans referred to in Note 2(a) 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. excluding current assets of unincorporated joint venture.
   (b) Secured Loans include loans of Rs. 21.37 crores and Debentures of Rs. 27.50 crores repayable/redeemable within one year.

Schedules forming part of the Balance Sheet

SCHEDULE 'D'

(Rs. in crores)

UNSECURED LOANS	**As at 31st March, 1998 Rs.**	**Rs.**	As at 31st March, 1997 Rs.	Rs.
A) i) 3.5% Convertible Bonds Due 1999		**315.79**		502.81
ii) 8.125% Bonds Due 2005		**592.43**		538.73
iii) 9.375% Notes Due 2026		**394.95**		359.15
iv) 10.375% Notes Due 2016		**394.95**		359.15
v) 10.5% Notes Due 2046		**394.95**		359.15
vi) 8.25% Notes Due 2027		**845.19**		768.58
vii) 10.25% Notes Due 2097		**394.95**		359.15
viii) 7.625% Notes Due 2027		**592.43**		–
ix) 8.75% Notes Due 2007		**992.48**		–
x) Syndicated Loan Due 2002		**592.43**		–
B) Short Term Loans				
i) Banks		**–**		80.00
ii) Others		**–**		52.00
		5,510.55		3,378.72

Note : 1. The Bonds referred to in A(i) are convertible into 1,74,88,775 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. Nil. (Previous year Rs. 80 crores.) (Maximum amount outstanding at anytime during the year Rs. 690 crores).

Schedules forming part of the Balance Sheet

SCHEDULE 'E'

FIXED ASSETS

(Rs. in crores)

	Gross Block				Depreciation				Net Block	
Description	As At 1-4-97 Rs.	Additions Rs.	Deductions Rs.	**As At 31-3-98 Rs.**	Upto 1-4-97 Rs.	For the Year Rs.	Deductions Rs.	Upto 31-3-98 Rs.	**As At 31-3-98 Rs.**	As At 31-3-97 Rs.
Leasehold Land	54.41	–	–	**54.41**	1.76	0.46	–	2.22	**52.19**	52.65
Freehold Land	4.78	7.37	–	**12.15**	–	–	–	–	**12.15**	4.78
Development Rights/ Producing Properties	46.65	551.75	–	**598.40**	1.72	18.15	–	19.87	**578.53**	37.17
Buildings	541.17	515.25	–	**1,056.42**	64.22	18.47	–	82.69	**973.73**	476.95
Plant & Machinery	9,342.70	*5,604.33	5.11	**14,941.92**	3,261.62	*1,365.64	4.74	4,622.52	**10,319.40**	6,088.84
Electrical Installation	337.68	103.41	–	**441.09**	52.55	17.84	–	70.39	**370.70**	285.13
Factory Equipments	148.49	62.72	0.56	**210.65**	18.64	8.53	0.14	27.03	**183.62**	129.85
Furniture & Fixtures	51.78	11.01	0.25	**62.54**	14.96	5.71	0.04	20.63	**41.91**	36.82
Vehicles	47.84	25.78	5.78	**67.84**	9.85	5.65	2.08	13.42	**54.42**	37.99
Ships	174.15	1.20	–	**175.35**	42.85	9.54	–	52.39	**122.96**	131.30
Aircrafts & Helicopter	25.41	21.29	–	**46.70**	4.55	1.65	–	6.20	**40.50**	20.86
Jetties	180.86	–	–	**180.86**	18.48	8.63	–	27.11	**153.75**	162.38
Total	10,955.92	6,904.11	11.70	**17,848.33**	3,491.20	1,460.27	7.00	4,944.47	**12,903.86**	7,464.72
Previous Year	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**	
Capital Work-in-Progress									**2,069.43**	3,708.63

NOTES :

a) Leasehold Land includes Rs. 0.11 crore in respects of which lease-deeds are pending execution.

b) Buildings includes cost of shares in co-operative societies Rs. 0.01 crore (Previous year Rs.0.01 crore).

c) Capital Work-in-Progress includes :

(i) Rs. 189.86 crores on account of pre-operative expenses (Previous year Rs. 302.04 crores).

(ii) Rs. 35.96 crores on account of cost of construction materials at site (Previous year Rs. 252.98 crores).

(iii) Rs. 76.47 crores on account of advance against Capital Expenditure (Previous year Rs. 464.34 crores).

d) Additions and Capital Work-in-Progress include Rs. 349.37 crores on account of exchange difference (net). (Previous year Rs. 119.20 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, Schedule 'O'.

Schedules forming part of the Balance Sheet

SCHEDULE 'F'

(Rs. in crores)

INVESTMENTS		As at 31st March, 1998 Rs.	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.
A. LONG TERM INVESTMENTS					
Government and other securities					
Unquoted					
	7 Years National Savings Certificates (Deposited with Sales Tax Dept) (Face Value Rs.5,000; Previous year Rs.5,000)	–		–	
	Post Office Time Deposit	**0.20**		0.20	
	Indira Vikas Patra (Previous year Rs.15,000)	**0.52**		–	
	Kisan Vikas Patra (Deposited with Sales Tax Dept.) (Rs.20,000; Previous year Rs.20,000)	–		–	
		0.72		0.20	
			0.72		0.20
Trade Investments					
In Equity Shares					
Quoted, fully paid up					
6,05,79,809 (6,05,80,969)	Reliance Capital Ltd. of Rs. 10 each	**486.54***		486.56	
69,80,000 (69,80,000)	Reliance Industrial Infrastructure Ltd. of Rs. 10 each	**16.58**		16.58	
		503.12		503.14	
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 Shop & 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 (300)	Reliance Petroproducts Private Ltd. of Rs.10 each (Rs.3,000; Previous year Rs.3,000)	–		–	
800 (800)	Reliance Global Trading Private Ltd. of Rs.10 each (Rs.8,000; Previous year Rs. 8,000)	–		–	
12,800 (-)	Reliance Telecom Ltd. of Rs. 10 each	**0.01**		–	
		3.94		3.93	

Schedules forming part of the Balance Sheet

SCHEDULE 'F' (Contd.)

(Rs. in crores)

INVESTMENTS		As at 31st March, 1998 Rs.	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.
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 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 each Rs. 2.50 paid up (Rs.3,125; Previous year Rs. 3,125)	–		–	
		–		–	
In Preference Shares					
Unquoted, fully paid up					
86,00,000 (86,00,000)	6% Cumulative Redeemable Preference Shares of Reliance Enterprises Ltd. of Rs. 100 each	**86.00**		86.00	
32,00,000 (–)	14% Cumulative Redeemable Preference Shares of Reliance Ports & Terminals Ltd. of Rs. 100 each	**32.00**		–	
		118.00		86.00	
In Debentures					
Unquoted, partly paid up					
2,23,52,830 (–)	14% Optionally Fully Convertible Debentures of Reliance Petroleum Ltd. of Rs 770 each, Rs 38.50 paid up	**86.06**		–	
	[company under the same management]				
			711.12		593.07
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					
8,83,143 (8,83,843)	Zero Coupon Optionally Convertible Unsecured Debentures of Reliance Industrial Investments and Holdings Ltd. of Rs.5,000 each	**441.58**		441.93	
2,79,90,000 (2,79,90,000)	6.25 % Unsecured Convertible Debentures of Reliance Industrial Investments and Holdings Ltd. of Rs. 100 each	**279.90** @		279.90	
		721.48		721.83	
			869.19		869.54

Schedules forming part of the Balance Sheet

SCHEDULE 'F' (Contd.)

(Rs. in crores)

INVESTMENTS	As at 31st March, 1998 Rs.	Rs.	As at 31st March, 1997 Rs.	Rs.
Other Investments				
In Equity Shares				
Quoted, fully paid up				
15,51,574 BSES Ltd. of Rs. 10 each (15,51,599)	**33.73**		33.73	
17,82,602 Larsen & Toubro Ltd. of Rs. 10 each (17,82,637)	**43.37**		43.37	
	77.10		77.10	
Unquoted, fully paid up				
1,000 Air Control & Chemical Engineering (1,000) Co. Ltd. of Rs. 100 each	**0.01**		0.01	
		77.11		77.11
TOTAL (A)		**1,658.14**		1,539.92
B. CURRENT INVESTMENTS				
Other Investments				
In Equity Shares				
Quoted, fully paid up				
80 ICICI Ltd. of Rs.10 each (80) (Rs.1,491; Previous year Rs. 1,491)	**–**		–	
120 Indian Petrochemicals Corporation Ltd. (120) of Rs.10 each (Rs. 15,360; Previous year Rs. 15,360)	**–**		–	
100 Container Corporation of India Ltd. (100) of Rs.10 each (Rs. 7,187.40; Previous year Rs. 7,187.40)	**–**		–	
	–		–	
Unquoted, fully paid up				
4,80,000 HIM Teknoforge Ltd. of Rs.10 each (4,80,000)	**1.20**		1.20	
In Debentures				
Quoted, fully paid up				
624 12.5% Fully convertible Debentures of (624) ICICI Ltd.of Rs. 450 each	**0.03**		0.03	

Schedules forming part of the Balance Sheet

SCHEDULE 'F' (Contd.)

(Rs. in crores)

INVESTMENTS		As at 31st March, 1998 Rs.	Rs.	As at 31st March, 1997 Rs.	Rs.
In Bonds					
Taxable, unquoted, fully paid up					
8	14% Sardar Sarovar Nigam Ltd. Bonds of				
(–)	Rs. 1,000 each	**0.04**		–	
–	Unsecured Redeemable Industrial Finance				
(200)	Corporation Ltd. Growing Income				
	Scheme Bonds of Rs.5,000 each	–		0.10	
		0.04		0.10	
In Units					
Quoted					
3,06,400	SBI Magnum Multiplier Plus 1993				
(4,70,100)	of Rs. 10 each	**0.31**		0.48	
85,600	Unit Trust of India (1964 Scheme)				
(85,600)	of Rs.10 each	**0.13**		0.13	
50,00,000	Reliance Growth Fund of Rs.10 each				
(50,00,000)		**5.00**		5.00	
		5.44		5.61	
Unquoted					
14,28,262	Kothari Pioneer Prima Fund of Rs.10 each				
(1,47,82,770)		**1.43**		14.78	
1,06,42,017	Reliance Vision Fund of Rs.10 each				
(1,50,00,000)		**10.64**		15.00	
10,000	Reliance Liquid Fund of Rs. 10 each				
(–)		**0.01**		–	
		12.08		29.78	
In Investment Management Account					
	– With Union Bank Of Switzerland	**1,777.73**		1,935.64	
	– With Credit Suisse	**827.67** #		943.40	
		2,605.40		2,879.04	
	TOTAL (B)		**2,624.19**		2,915.76
TOTAL INVESTMENTS (A) + (B)			**4,282.33**		4,455.68

Schedules forming part of the Balance Sheet

SCHEDULE 'F' (Contd.)

(Rs. in crores)

INVESTMENTS	**As at 31st March, 1998**		As at 31st March, 1997	
AGGREGATE VALUE OF	**Book Value Rs.**	**Market Value Rs.**	Book Value Rs.	Market Value Rs.
Quoted Investments	**585.69**	**491.12**	585.88	429.81
Unquoted Investments	**3,696.64**	**–**	3,869.80	–

Movements during the year Purchased & Sold	**Face Value Rs.**	**Nos.**	**Cost Rs. in crores**
Bonds			
17% Sardar Sarovar Nigam Ltd.	**1,000**	**3,000**	**0.30**
14% Sardar Sarovar Nigam Ltd.	**50,000**	**62**	**0.31**
13.5% Syndicate Bank	**1,00,000**	**500**	**5.00**
13.5% Reliance Telecom Ltd.	**1,000**	**9,00,000**	**90.00**
Mutual Fund Units			
Reliance Income Fund	**10**	**98,07,43,859**	**986.50**
Certificate of Deposit			
ABN Amro Bank	**4,00,00,000**		**3.94**
Commerze Bank	**5,00,00,000**		**4.92**

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

Includes Rs. 336.78 crores being balance of unutilised monies raised by issue, on or after 13th September, 1996.

@ Interest rate revised from 8% to 6.25% with effect from 1st April, 1997.

Schedules forming part of the Balance Sheet

SCHEDULE 'G'

(Rs. in crores)

CURRENT ASSETS	**As at 31st March, 1998** **Rs.**	**Rs.**	As at 31st March, 1997 Rs.	Rs.
INTEREST ACCRUED ON INVESTMENTS		**21.07**		60.33
INVENTORIES				
(Certified and Valued by the Management)				
Stores, spares, dyes, chemicals, etc.	**464.66**		348.72	
Raw Materials	**187.32**		412.94	
Stock-in-Process	**54.78**		50.74	
Finished Goods	**637.20**		272.96	
		1,343.96		1,085.36
SUNDRY DEBTORS (Unsecured)				
Over six months				
Considered good	**90.13**		114.60	
Considered doubtful	**21.35**		8.50	
	111.48		123.10	
Less:Provision for doubtful debts	**21.35**		8.50	
	90.13		114.60	
Others, considered good	**552.59**		486.82	
		642.72		601.42
CASH AND BANK BALANCES				
Cash on hand	**0.56**		0.57	
Balance with Banks				
In Current Accounts with Scheduled Banks	**40.56**		115.99	
In Fixed Deposit Accounts :				
With Scheduled Banks	**0.80**		0.97	
With Others	**2,091.59** *		746.22	
		2,133.51		863.75
		4,141.26		2,610.86

* Represents deposits of

a) Rs. 648.29 crores with Union Bank of Switzerland (Previous year Rs. 565.27 crores) (Maximum amount outstanding at anytime during the year Rs. 648.29 crores.)

b) Rs. 1,443.30 crores with Credit Suisse (Previous year Rs.1.37 crores) (Maximum amount outstanding at anytime during the year Rs. 1,443.30 crores).

c) Rs. Nil with Bankers Trust Company (Previous year Rs.179.58 crores) (Maximum amount outstanding at anytime during the year Rs. 179.58 crores).

d) Includes Rs. 587.19 crores being balance of unutilised monies raised by issue, on or after 13th September, 1996.

Schedules forming part of the Balance Sheet

SCHEDULE 'H'

(Rs. in crores)

LOANS AND ADVANCES	As at 31st March, 1998 Rs.	Rs.	As at 31st March, 1997 Rs.	Rs.
UNSECURED - (CONSIDERED GOOD)				
Loans to subsidiary companies		**13.33**		13.43
Advances recoverable in cash or in kind or for value to be received		**763.41**		731.74
Deposits		**75.98**		213.89
Balance with Customs, Central Excise Authorities, etc.		**138.33**		337.19
		991.05		1,296.25

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. 120.00 crores to Reliance Petroleum Limited, a Company under the same management towards advance against promoters' contribution. (Previous year Rs. 15.37 crores) (Maximum amount outstanding anytime during the year Rs. 306.75 crores)

(iii) Rs. 51.96 crores towards Preference Shares/Debenture Application money pending allotment. (Previous year Rs. 164.67 crores)

SCHEDULE 'I'

CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors	**3,190.49** *		2,923.91	
Unclaimed Dividends	**12.89**		12.19	
Excess Debenture Application monies refundable/adjustable	**3.10**		3.13	
Interest accrued but not due on loans	**175.53**		148.26	
		3,382.01		3,087.49
PROVISIONS				
Provision for Wealth Tax	**2.73**		3.40	
Provision for Leave Encashment	**5.77**		4.59	
Provision for Income Tax	**108.00**		45.00	
Proposed Dividend	**326.81**		299.24	
Tax on Dividend	**32.68**		–	
		475.99		352.23
		3,858.00		3,439.72

* Includes for capital expenditure Rs. 610.05 crores. (Previous year Rs. 1,063.84 crores) and acceptances of Rs. 95.45 crores (Previous year Rs. 537.68 crores)

Schedules forming part of the Profit and Loss Account

SCHEDULE 'J'

(Rs. in crores)

OTHER INCOME		**1997-98**		1996-97
	Rs.	**Rs.**	Rs.	Rs.
Export Incentives		**0.34**		0.04
Dividends :				
From Subsidiaries	**–**		11.80	
From Current Investments	**0.07**		1.14	
From Long Term Investments	**20.48**		19.67	
		20.55		32.61
[Tax Deducted at source Rs. 34,240; (Previous year Rs. 8.07 crores)]				
Interest Received :				
From Current Investments	**244.03**		131.60	
From Long Term Investments	**17.50**		8.41	
From Others	**27.40**		42.25	
		288.93		182.26
[Tax Deducted at source Rs. 9.23 crores; (Previous year Rs.9.78 crores)]				
Profit on Sale of Current Investments (net)		**9.38**		41.61
Profit on Sale of Long Term Investments (net)		–		2.94
Profit on Sale of Assets		**0.46**		0.16
Miscellaneous Income		**15.94**		29.98
		335.60		289.60

SCHEDULE 'K'

VARIATION IN STOCKS

STOCK-IN-TRADE (at close)				
Finished goods	**637.20**		272.96	
Stock-in-process	**54.78**		50.74	
		691.98		323.70
STOCK-IN-TRADE (at commencement)				
Finished goods	**272.96**		383.24	
Stock-in-process	**50.74**		35.73	
		323.70		418.97
		368.28		(95.27)

Schedules forming part of the Profit and Loss Account

SCHEDULE 'L'

(Rs. in crores)

MANUFACTURING AND OTHER EXPENSES		1997-98		1996-97
	Rs.	Rs.	Rs.	Rs.
RAW MATERIALS CONSUMED		**3,646.43**		1,932.19
INTER-DIVISIONAL TRANSFERS		**3,684.60**		2,288.68
MANUFACTURING EXPENSES				
Stores, Chemicals and Packing Materials	**639.58**		357.62	
Electric Power, Fuel and Water	**301.69**		323.71	
Machinery Repairs	**56.21**		30.13	
Building Repairs	**21.85**		20.37	
Labour, Processing and Machinery hire Charges	**118.33**		111.89	
Excise Duty	**1,893.13**		1,283.85	
Lease Rent	**54.33**		70.38	
Exchange Differences (Net)	**(27.49)**		(29.18)	
		3057.63		2,168.77
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES				
Salaries, Wages and Bonus	**229.06**		169.20	
Contribution to Provident Fund, Gratuity Fund, Superannuation Fund, Employee's State Insurance Scheme, Pension Scheme, Labour Welfare Fund etc.	**25.75**		18.78	
Employee's Welfare and other amenities	**55.05**		50.15	
		309.86		238.13
SALES & DISTRIBUTION EXPENSES				
Samples, Sales Promotion and Advertisement Expenses	**55.27**		25.20	
Brokerage and Commision	**70.75**		50.50	
Warehousing and Distribution Expenses	**109.14**		50.30	
Sales Tax	**0.04**		5.87	
		235.20		131.87
ESTABLISHMENT EXPENSES				
Insurance	**44.58**		31.27	
Rent	**31.31**		26.25	
Rates and Taxes	**35.30**		24.73	
Other Repairs	**22.80**		20.38	
Travelling Expenses	**46.86**		27.37	
Payment to Auditors	**1.90**		1.74	
Professional Fees	**88.00**		76.18	
Loss on Sale of Discarded Assets	**2.15**		1.71	
General Expenses	**119.88**		78.45	
Wealth Tax	**2.50**		1.00	
Charity & Donations	**10.30**		1.52	
		405.58		290.60
		11,339.30		7,050.24
Less : Pre-operative Expenses of Projects Under Commissioning (net)		**132.37**		88.62
		11,206.93		6,961.62

SCHEDULE 'M'

INTEREST	1997-98	1996-97
Debentures	**426.85**	114.63
Fixed Loans	**73.74**	23.44
Others	**2.96**	31.90
	503.55	169.97

Significant Accounting Policies

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, as adopted consistently by the company, except for certain fixed assets which are revalued.

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 and includes amounts added on revaluation, 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 and 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 and producing properties, depreciation has been provided in proportion of Oil and Gas Production achieved; Premium on leasehold 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; on revalued assets the depreciation has been charged as aforesaid over the residual life of the assets.

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 and 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.

Significant Accounting Policies

SCHEDULE 'N' (Contd.)

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 ONGC 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/or 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. Sales include Inter-divisional transfers of Rs. 3,684.60 crores (Previous Year Rs. 2,288.68 crores).
3. The Company has, based on a valuation made by approved valuers, revalued as at 1-4-97 the Plant and Machinery located at Patalganga and Naroda. The resultant appreciation aggregating to Rs. 2,771.06 crores has been added to the Gross Block of the Fixed Assets and credited to Revaluation Reserve. Consequent to the revaluation there is an additional charge for depreciation of Rs. 792.95 crores and an equivalent amount has been withdrawn from General Reserve which is credited to the Profit and Loss Account.
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. 2.24 crores.(Previous year Rs. 0.18 crore).
5. (a) Auditors' Remuneration :

		(Rs.in crores)
	1997-98	1996-97
i) Audit Fees	**0.90**	0.75
ii) Tax Audit Fees	**0.20**	0.20
iii) For Certification and Consultation in finance and tax matters	**0.70**	0.70
iv) Expenses reimbursed	**0.10**	0.09
	1.90	1.74
(b) Cost Audit Fees :	**0.02**	0.01

6. Managerial Remuneration :

		(Rs.in crores)
	1997-98	1996-97
i) Salaries	**2.22**	1.07
ii) Contribution to Provident Fund and Superannuation Fund	**0.30**	0.17
iii) Provision for Gratuity	**0.06**	0.32
iv) Perquisites	**0.78**	0.41
v) Commission	**2.57**	–
	5.93	1.97

Notes on Accounts

SCHEDULE 'O' (Contd.)

Computation of net profit in accordance with Section 198 read with Section 309(5) of the Companies Act, 1956.

	(Rs. in crores) 1997-98
Profit before taxation	1,715.67
Add: Depreciation as per accounts	667.32
Provision for Doubtful Debts	12.85
Loss on Sale of Assets	2.15
Managerial Remuneration	5.57
	2,403.56
Less: Depreciation under Section 350 of the Companies Act, 1956	1,280.70
Profit on Sale of Assets	0.46
Profit on Sale of Investments	9.38
Net profit for the year	1,113.02
Commission to the whole-time directors @ 0.25% of the above	2.78
Restricted in accordance with the resolution of shareholders	2.57

7. A sum of Rs. 1.14 crores (net credit) (Previous year Rs. 3.57 crore net credit) is adjusted to General Expenses representing Net Prior Period Items.

8. The income-tax assessments of the Company have been completed up to Assessment Year 1995-96. The total demand raised by the Income-Tax Department upto the said Assessment Year is Rs. 349.53 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.13.03 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, 1998. 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. 399.92 crores. (Previous year Rs. 379.58 crores). Future obligations towards lease rentals under the lease agreements as on 31st March, 1998 amount to Rs. 126.87 crores. (Previous year Rs. 180.27 crores).

11. The company has agreed to assign a portion of receivables in respect of future sales from its Oil & Gas operations. Pending this assignment an advance of Rs. 300 crores has been received from the proposed assignees which is shown as 'Advance Against Future Receivables' in the Balance Sheet.

Notes on Accounts

SCHEDULE 'O' (Contd.)

12. **PRE-OPERATIVE EXPENSES**

(In respect of Projects up to 31st March 1998, to be capitalised.) (Rs. in crores)

		1997-98		1996-97
	Rs.	**Rs.**	Rs.	Rs.
Opening Balance		**302.04**		395.67
Add: Pre-operative expenditure transferred from Profit and Loss account	**132.37**		88.62	
Lease Expenses and Hire Charges	**20.57**		18.12	
Interest	**254.29**		394.80	
Issue Expenses	**21.64**		27.17	
		428.87		528.71
		730.91		924.38
Less : Capitalised during the year		**541.05**		622.34
Closing Balance		**189.86**		302.04

13. **CONTINGENT LIABILITIES**

(Rs. in crores)

	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.
(a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for	**1,725.56**	1387.05
(b) Outstanding guarantees furnished to Banks and Financial institutions including in respect of Letters of Credit	**1,001.61**	1438.54
(c) Guarantees to Banks and Financial institutions against credit facilities extended to third parties	**1,385.98**	1222.65
(d) Liability in respect of bills discounted with Banks	**65.30**	29.86
(e) Uncalled liability on partly paid Shares/Debentures (Previous year Rs. 33,750)	**1,635.11**	–
(f) Claims against the company/disputed liabilities not acknowledged as debts	**155.87**	47.70
(g) Sales tax deferral liability assigned	**235.56**	238.14

14. The Department of Company Affairs, Government of India vide its Order No. 46/49/98-CL.III dated 17th April, 1998 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 Part II, Schedule VI to the Companies Act, 1956.

Notes on Accounts

SCHEDULE 'O' (Contd.)

15. **LICENSED AND INSTALLED CAPACITY**

	UNIT	Licensed Capacity 1997-98	Licensed Capacity 1996-97	Installed Capacity 1997-98	Installed Capacity 1996-97
(a) (i) Ethylene	M.T.	**1,550,000**	1,550,000	**750,000**	750,000
(ii) Propylene	M.T.	**755,000**	755,000	**365,000**	365,000
(iii) Benzene	M.T.	**291,000**	291,000	**235,000**	235,000
(iv) Butadiene and Other C4s	M.T.	**465,000**	465,000	**225,000**	225,000
(v) Toluene	M.T.	**197,000**	197,000	**197,000**	197,000
(vi) Xylene	M.T.	**165,000**	165,000	**165,000**	165,000
(b) Purified Terepthalic Acid	M.T.	**N.A.**	N.A.	**975,000**	550,000
(c) Polypropylene	M.T.	**N.A.**	N.A.	**360,000**	360,000
(d) Poly Vinyl Chloride	M.T.	**N.A.**	N.A.	**270,000**	270,000
(e) Polyester Staple Fibre/Polyester Chips	M.T.	**N.A.**	N.A.	**235,000**	235,000
(f) High/Linear Low Density Polyethylene (Swing Plant)	M.T.	**N.A.**	N.A.	**320,000**	160,000
(g) Polyester Filament Yarn/Polyester Chips	M.T.	**N.A.**	N.A.	**152,300 +**	152,300 +
(h) (i) Mono Ethylene Glycol	M.T.	**600,000**	500,000	**300,000**	200,000
(ii) Higher Ethylene Glycol	M.T.	**75,000**	62,500	**37,500**	12,500
(iii) Ethylene Oxide	M.T.	**75,000**	75,000	**50,000**	10,000
(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.	**602**	714
(ii) Knitting M/c	Nos.	**N.A.**	N.A.	**28**	28
(m) (i) Chlorine	M.T.	**708,800**	1,104,000	**–**	–
(ii) Caustic Soda	M.T.	**800,000**	1,268,000	**–**	–
(iii) Hydrogen	M.T.	**20,160**	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.	**80,000**	–
(r) Polyester Staple Fibre Fill	M.T.	**N.A.**	N.A.	**30,000**	–

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	1997-98	1996-97
Fabrics	Mtrs. in Lacs	**401.84**	433.62
Polyester Filament Yarn	M.T.	**2,20,573**	1,46,145
Polyester Staple Fibres	M.T.	**2,41,522**	1,31,296
PET	M.T.	**18,839**	–
PTA	M.T.	**2,16,833**	20,076
LAB	M.T.	**94,908**	86,089
Ethylene Glycol	M.T.	**1,59,770**	45,031
PVC	M.T.	**2,70,067**	1,89,596
PE	M.T.	**3,16,377**	1,65,277
PP	M.T.	**3,56,788**	88,664
Crude Oil	M.T.	**1,40,906**	1,48,187
Gas	BBTU	**11,493**	–
Normal Paraffin	M.T.	**18,800**	20,087
Fibre Fill	M.T.	**7,447**	–
Ethylene	M.T.	**43,006**	–
Propylene	M.T.	**1,102**	–
Benzene	M.T.	**1,00,456**	–
Xylene	M.T.	**18,773**	–
Toluene	M.T.	**6,510**	–

17. **VALUE OF IMPORTS ON C.I.F. BASIS IN RESPECT OF** (Rs. in crores)

	1997-98 Rs.	1996-97 Rs.
Raw Materials	**2,726.58**	1,606.54
Stores and Spares, Dyes and Chemicals	**224.08**	139.89
Capital goods	**1,307.51**	986.75

18. **EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF**

Interest on foreign currency loans	**413.96**	223.42
Interest on Debentures held by Non-residents on repatriation basis (Gross)	**1.11**	1.55
Technical Know-how & Engineering Fees	**104.39**	251.21
Oil and Gas Activity	**211.74**	329.46
Other Matters	**115.81**	116.32

Notes on Accounts

SCHEDULE 'O' (Contd.)

19. **VALUE OF RAW MATERIALS CONSUMED**

	1997-98		1996-97	
	Rs. in crores	**% of total Consumption**	Rs. in crores	% of total Consumption
Imported	**3,176.16**	**87.10**	1,586.98	82.13
Indigenous	**470.27**	**12.90**	345.21	17.87
	3,646.43	**100.00**	1,932.19	100.00

20. **VALUE OF STORES, CHEMICALS AND PACKING MATERIALS CONSUMED**

	1997-98		1996-97	
	Rs. in crores	**% of total Consumption**	Rs. in crores	% of total Consumption
Imported	**219.49**	**34.32**	102.29	28.60
Indigenous	**420.09**	**65.68**	255.33	71.40
	639.58	**100.00**	357.62	100.00

21. **EARNINGS IN FOREIGN EXCHANGE**

(Rs. in crores)

	1997-98	1996-97
	Rs.	Rs.
Export of goods on FOB basis	**321.27**	66.62
Interest	**244.65**	130.16

22. **EXPENDITURE ON RESEARCH & DEVELOPMENT**

Total Revenue Expenditure including amortisation of deferred costs and Unamortised Deferred Research and Development Expenditure	**38.96**	17.69

23. **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	**19,006**	20,404
(b) Number of Equity Shares held by them	**11,00,13,404**	10,16,20,914
(c) (i) Amount of dividend paid (Gross) (Rs. in crores)	**71.51**	60.97
Tax deducted at source: Rs. Nil.(Previous year Rs.8.81 crores.)		
(ii) Year to which dividend relates	**1996-97**	1995-96

Notes on Accounts

24. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No. :	11-19786	State Code:	11
Balance sheet Date:	31-03-98		

II. Capital Raised during the year (Amount Rs.Crores)

Public Issue :	NIL	Rights Issue :	NIL
Bonus Issue :	466.09	Private Placement :	187.95
Conversion of Bonds :	7.29		

III. Position of Mobilisation and Deployment of Funds (Amount Rs. crores)

Total Liabilities :	24387.93	Total Assets :	24387.93
Sources of Funds			
Paid-up Capital :	1119.85	Reserves & Surplus :	10862.75
Advance Against Future Receivables:	300.00		
Secured Loans :	2736.78	Unsecured Loans :	5510.55
Application of Funds			
Net Fixed Assets :	14973.29	Investments :	4282.33
Net Current Assets:	1274.31		

IV. Performance of Company (Amount Rs.crores)

Turnover :	13403.78	Total Expenditure :	12391.99
Profit Before Tax :	1715.67	Profit After Tax :	1652.67
Earnings per share in Rs.	17.60	Dividend : Rs. per share	3.50

V. Generic Names of Three Principal Products of Company (as per monetary terms)

Item Code No. (ITC Code) :

29172.00

Product Description :

PURIFIED TEREPHTHALIC ACID (PTA)

Item Code No. (ITC Code) :

540242.00

Product Description :

POLYESTER FILAMENT YARN (PFY)

Item Code No. (ITC Code) :

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: 27th April, 1998

For and on behalf of the Board

D.H. Ambani	Chairman
A.D. Ambani	Managing Director
N.R. Meswani **H.R. Meswani**	Executive Directors
S.Venkitaramanan	Nominee Director
R.H. Ambani **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, 1998	31st March, 1998
2. Date from which they become subsidiary companies	30th September, 1985	30th December, 1988
3. a. Number of shares held by Reliance Industries Ltd. 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 1998	Rs. 96.66 Lakhs	(Rs. 16.07 Lakhs)
ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries.	(Rs. 1293.83 Lakhs)	Rs. 55.26 Lakhs
b. Dealt with in holding company's accounts:		
i) For the financial year ended 31st March, 1998	NIL	NIL
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: 27th April, 1998

For and on behalf of the Board

D.H. Ambani	Chairman
A.D. Ambani	Managing Director
N.R. Meswani **H.R. Meswani**	Executive Directors
S.Venkitaramanan	Nominee Director
R.H. Ambani **T.Ramesh U. Pai** **Y.P. Trivedi**	Directors
V.M. Ambani	Secretary

Cash Flow Statement Annexed to the Balance Sheet for the period April 1997-March 1998

	1997-98			Rs. in crores 1996-97
	Rs.	Rs.	Rs.	Rs.
A: CASHFLOW FROM OPERATING ACTIVITIES :				
Net Profit after tax as per P & L Account		**1,652.67**		1,322.70
Adjusted for :				
Net Prior Year Adjustments	**(1.14)**		(3.57)	
Tax Provision	**63.00**		45.00	
Provision for Doubtful Debts	**12.85**		3.91	
Loss on Sale of Discarded Assets	**1.69**		1.55	
Depreciation	**1,460.27**		1,352.33	
Transferred from General Reserve	**(792.95)**		(942.19)	
Adjusted on Sales Tax Assessment	**(2.03)**			
Effects of Exchange Rate Change	**(34.46)**		(48.07)	
Profit on Sale of Investments/Dividend Income	**(29.92)**		(77.16)	
Interest/Other Income	**(288.93)**		(182.26)	
Interest Expenses	**503.55**		169.97	
		891.93		319.51
Operating Profit before Working Capital Changes		**2,544.60**		1,642.21
Adjusted for :				
Trade & Other Receivables	**312.99**		(339.89)	
Inventories	**(258.59)**		(325.74)	
Trade Payables	**713.12**		988.86	
		767.52		323.23
Cash Generated from Operations		**3,312.12**		1,965.44
Interest Paid		**(737.54)**		(521.25)
Net Prior Year Adjustments		**1.14**		3.57
Taxes Paid		**(100.67)**		(30.00)
Net Cash From Operating Activities		**2,475.05**		1,417.76
B: CASHFLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets		**(2,324.77)**		(2,407.74)
Sale of Fixed Assets		**3.00**		6.57
Purchase of Investments		**(1,209.58)**		(516.49)
Sale of Investments		**1,118.68**		772.64
Movement in Investment Management Account		**273.64**		(2,879.04)
Movement in Loan		**(93.92)**		209.60
Interest Income		**317.27**		146.16
Dividend Income		**20.54**		24.54
Net Cash Used in Investing Activities		**(1,895.14)**		(4,643.76)

Cash Flow Statement Annexed to the Balance Sheet for the period April 1997-March 1998

Rs. in crores

	1997-98		1996-97	
	Rs.	**Rs.**	Rs.	Rs.
C: CASHFLOW FROM FINANCING ACTIVITIES :				
Proceeds from Issue of Share Capital (net)		**182.01**		1.56
Advance Against Future Receivables		**300.00**		–
Redemption of Preference Share Capital		–		(200.00)
Proceeds from Long Term Borrowings		**3,488.26**		3,446.34
Repayment of Long Term Borrowings		**(2,757.87)**		(358.37)
Short Term Loans		**(431.83)**		(152.43)
Dividends Paid		**(339.83)**		(273.59)
Effects of exchange rate change		**249.11**		70.93
Net Cash used in Financing Activities		**689.85**		2,534.44
Net Increase in Cash & Cash Equivalents (A+B+C)		**1,269.76**		(691.56)
Opening Bal of Cash & Cash Equivalents		**863.75**		1,555.31
Closing Bal of Cash & Cash Equivalents		**2,133.51**		863.75

For and on behalf of the Board

Mumbai
Dated: 27th April, 1998

A.D. Ambani
Managing Director

Auditors Report

We have verified the attached Cash Flow Statement of Reliance Industries Ltd., derived from audited financial statements and the books and records maintained by the Company for the year ended 31st March, 1998 and 31st March, 1997 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: 27th April, 1998

Reconciliation of Profit determined under Indian GAAP to Net Income in accordance with US GAAP and International Accounting Standards (IAS)

The following reconciliation between accounting principles generally accepted in India ("Indian GAAP"), accounting principles generally accepted in the United States ("US GAAP") and International Accounting Standards ("IAS") has been provided as additional disclosure to assist readers who may be unfamiliar with Indian GAAP.

It may, however be noted that 97% of the revenue of the Company are earned in India and therefore the accounts should be read as per Indian GAAP.

Reconciliation of Profit determined under Indian GAAP with Net Income according to US GAAP

Year ended 31st March, 1998	**Notes**	**Rs. (Crores)**	**US $ (Millions)**
Profit after tax determined under Indian GAAP		**1653**	**419**
Adjustments to conform with US GAAP			
Share in Income of Affiliates	1	42	11
Consolidation of Subsidiaries	2	53	13
Leases	3	16	4
Indirect Preoperative Expenses	4	(50)	(13)
Foreign Currency	5	(55)	(14)
Depreciation	6	40	10
Deferred Income Tax	7	(117)	(30)
Issue Expenses	8	(10)	(2)
Consolidated Net Income in accordance with US GAAP		**1572**	**398**

1 US $ = Rs. 39.495 (Exchange rate as on 31.03.98)

Notes to Reconciliation of Profit determined under Indian GAAP with Net Income according to US GAAP.

1. **Share in Income of Affiliates**
   Under Indian GAAP, investments in affiliates, where RIL generally owns 20% to 50%, are carried at cost. Income from such affiliates is recognised to the extent dividends are declared.

   Under US GAAP, investments in unconsolidated affiliates are accounted for using the equity method, whereby the investment is carried at RIL's related share of the net assets of such affiliates. RIL records as income its share of the net earnings, determined in accordance with US GAAP, of such affiliates.

2. **Consolidation of Subsidiaries**
   US GAAP requires the preparation of consolidated financial statements, whereas Indian GAAP has no such requirement. Accordingly, under US GAAP, net income includes the earnings of subsidiaries, determined in accordance with US GAAP. The earnings of RIL's subsidiaries are higher under US GAAP as they include gains on the valuation of certain investments which are marked to market.

3. **Leases**
   Under Indian GAAP, no distinction is made between an operating and a capital lease. Under US GAAP, leases are classified into operating or capital, based on the underlying characteristics of the lease. Capital leases are accounted for as though the company had entered into an obligation and invested in an asset, resulting in the charge to operations being the aggregate of depreciation on the asset and interest on the outstanding obligation. For leases under Indian GAAP, the charge to operations consists of the lease rental. Adjustment has been made for reversal of lease rental and the revenue charge of depreciation and interest for capital leases.

4. **Indirect Preoperative Expenses**
   Under Indian GAAP indirect preoperative expenses incurred during construction are capitalised. Under US GAAP, such indirect costs must be expensed as incurred.

5. Foreign Currency

Under Indian GAAP, gains or losses arising from the conversion of foreign currency denominated liabilities that have been undertaken for the acquisition of fixed assets, is capitalised as a part of the cost of fixed assets and amortised over the remaining useful life of such assets. Under US GAAP, such gains or losses, as well as the unrealised gain or loss on certain foreign currency denominated investments are required to be included in the determination of net income.

6. Depreciation

Depreciation has been adjusted to take account of the adjustments to fixed assets for indirect preoperative expenses and foreign currencies.

7. Deferred Income Tax

The provision for taxation under Indian GAAP is based on the estimated tax currently payable and no provision is required to be made for deferred income taxes for the future tax effects of past transactions. US GAAP requires that a provision for such deferred income taxes be made.

8. Issue Expenses

Under Indian GAAP issue expenses are capitalised or charged to share premium. Under US GAAP, debt issue cost are amortised over the life of the debt. Bonus share issue expenses are charged to revenue.

Reconciliation of Profit determined under Indian GAAP with Net Income according to IAS

Year ended 31st March, 1998	**Notes**	**Rs. (Crores)**	**US $ (Millions)**
Profit after tax determined under Indian GAAP		**1653**	**419**
Adjustments to conform with IAS			
Share in Income of Affiliates	1	32	9
Consolidation of Subsidiaries	2	(7)	(2)
Leases	3	16	4
Indirect Preoperative Expenses	4	(50)	(13)
Foreign Currency	5	(55)	(14)
Depreciation	6	40	10
Deferred Income Tax	7	(117)	(30)
Issue Expenses	8	(7)	(2)
Consolidated Net Income in accordance with IAS		**1505**	**381**

1 US $ = Rs. 39.495 (Exchange rate as on 31.03.98)

Notes to Reconciliation of Profit determined under Indian GAAP with Net Income according to IAS.

1. Share in Income of Affiliates

Under Indian GAAP, investments in affiliates, where RIL generally owns 20% to 50%, are carried at cost. Income from such affiliates is recognised to the extent dividends are declared.

Under IAS, investments in unconsolidated affiliates are accounted for using the equity method, whereby the investment is carried at RIL's related share of the net assets of such affiliates. RIL records as income its share of the net earnings, determined in accordance with IAS, of such affiliates.

2. Consolidation of Subsidiaries

IAS requires the preparation of consolidated financial statements, whereas Indian GAAP has no such requirement. Accordingly, under IAS, net income includes the earnings of subsidiaries, determined in accordance with IAS.

3. Leases

Under Indian GAAP, no distinction is made between an operating and a capital lease. Under IAS, leases are classified into operating or capital. Capital leases are accounted for as though the company had entered into an obligation and invested in an asset, resulting in the charge to operations being the aggregate of depreciation on the asset and interest on the outstanding obligation. For leases under Indian GAAP, the charge to operations consists of the lease rental. Adjustment has been made for reversal of lease rental and the revenue charge of depreciation and interest for capital leases.

4. Indirect Preoperative Expenses

Under Indian GAAP indirect preoperative expenses incurred during construction are capitalised. Under IAS, such indirect costs must be expensed as incurred.

5. Foreign Currency

Under Indian GAAP, gains or losses arising from the conversion of foreign currency denominated liabilities that have been undertaken for the acquisition of fixed assets, is capitalised as a part of the cost of fixed assets and amortised over the remaining useful life of such assets. Under IAS, such gains or losses, as well as the unrealised gain or loss on certain foreign currency denominated investments are required to be included in the determination of net income.

6. Depreciation

Depreciation has been adjusted to take account of the adjustments to fixed assets for indirect preoperative expenses and foreign currencies. Effect of revaluation has not been considered in IAS.

7. Deferred Income Tax

The provision for taxation under Indian GAAP is based on the estimated tax currently payable and no provision is required to be made for deferred income taxes for the future tax effects of past transactions. IAS requires that a provision for such deferred income taxes be made.

8. Issue Expenses

Under Indian GAAP issue expenses are capitalised or charged to share premium. Under IAS, bonus share issue expenses are charged to revenue.

INTERNATIONAL ACCOUNTANTS' REPORT

To The Board of Directors
Reliance Industries Limited

We have audited the accompanying reconciliations of (1) Profit After Tax determined under accounting principles generally accepted in India ("Indian GAAP") to Consolidated Net Income in accordance with accounting principles generally accepted in the United States ("US GAAP"), and (2) profit determined under Indian GAAP to Consolidated Net Income in accordance with International Accounting Standards ("IAS") ("the Reconciliations") for the year ended 31st March 1998 for Reliance Industries Limited ("Reliance"). These Reconciliations are the responsibility of Reliance's management. Our responsibility is to express an opinion on the Reconciliations based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Reconciliations are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Reconciliations. An audit also includes assessing the accounting principles used, as well as evaluating the overall Reconciliation presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Reconciliations referred to above present fairly, in all material respects, the adjustments required to restate Profit After Tax as determined under Indian GAAP to Consolidated Net Income in accordance with US GAAP and IAS, respectively.

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

P.R. Barpande
Partner

Mumbai
27th April 1998

Value Creation

In the annual report for the year 1997-98, the Company has incorporated two value added parameters to measure the creation of value for shareholders which is the basic tenet of corporate governance.

MARKET VALUE ADDED (MVA)

The most reliable measure of management's long run success in adding value is something known as Market Value Added. (MVA). The aim of corporate management is to maximise the amount by which the company's market value exceeds the capital supplied by the company's investors.

MVA is a far more revealing figure than a simple rise in market capitalisation (a measure of size rather than success), because the latter fails to consider the money investors put up.

MVA = Current market value of debt and equity - Economic book value

Economic book value = Share capital + Free reserves + Debt

Rs. Crores

Year ended March 31,	**1996**	**1997**	**1998**
Current market value of debt and equity	21,471	26,703	32,645
Less : Economic book value	12,470	15,540	17,395
MARKET VALUE ADDED	**9,001**	**11,163**	**15,250**

TOTAL SHAREHOLDERS' RETURN (TSR)

Total Shareholders' Return represents the change in capital value of a company over a one year period, plus dividends, expressed as a gain or loss percentage of the beginning capital value.

Total Shareholders' Return = Incremental gain(Loss)/ Beginning capital value

Rs. Crores

Year ended March 31,	**1996**	**1997**	**1998**
Closing capital value	9,576	11,820	16,518
Less : Beginning capital value	12,027	9,576	11,820
	(2,451)	2,244	4,698
Add : Dividend	276	299	327
Incremental Gain/ (Loss)	(2,175)	2,543	5,025
TOTAL SHAREHOLDERS' RETURN (%)	**(18%)**	**27%**	**43%**

The increase in MVA and TSR clearly displays strong upward trend in shareholders' value which is in line with our commitment. It also mirrors the growth on account of successful implementation of Hazira Complex.

DEVTI FABRICS LIMITED

Directors' Report

To the Members,

Your Director present the 14th Annual Report together with the Audited Statement of Accounts for the Financial year ended 31st March, 1998.

Operations

The Company has earned profit of Rs. 96.66 lacs during the year under review as against Rs. 108.97 lacs 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 J.B. Dholakia 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

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 : 25th April, 1998

Auditors' Report

To

The Members of Devti Fabrics Limited

We have audited the attached Balance Sheet of DEVTI FABRICS LIMITED as at 31st March, 1998 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, 1998 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 : 25th April, 1998

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 stores, spare parts and raw materials have been physically verified by the Management at the end of 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, secured 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 purchase 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, in the opinion of the management the raw materials and spares are not damaged or unserviceable and hence no provision is made for the same.
13. The Company has not accepted any deposit from the public.
14. As there was no manufacturing activity during the year the question of by products or realisable scrap does not arise.
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, 1998 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 Provisions) 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

H.P. Chaturvedi
Partner

For **Rajendra & Co.**
Chartered Accountants

R.J. Shah
Partner

Mumbai
Dated : 25th April, 1998

Balance Sheet as at 31st March, 1998

(Rs. in lacs)

	Schedule	As at 31st March, 1998 Rs.	Rs.	As at 31st March, 1997 Rs.	Rs.
SOURCES OF FUNDS:					
Shareholders' Funds					
Share Capital	'A'		**21.01**		21.01
Loan Funds					
Unsecured Loans (From Holding Company)			**1,302.79**		1,342.84
TOTAL			**1,323.80**		1,363.85
APPLICATION OF FUNDS:					
Fixed Assets	'B'				
Gross Block		**30.93**		225.61	
Less: Depreciation		**11.51**		181.14	
Net Block			**19.42**		44.47
Current Assets, Loans and Advances					
Current Assets	'C'				
Inventories		**3.87**		9.32	
Sundry Debtors		**99.70**		226.36	
Cash and Bank Balances		**5.80**		13.69	
		109.37		249.37	
Loans and Advances	'D'	**13.75**		21.43	
		123.12		270.80	
Less: Current Liabilities and Provisions	'E'				
Current Liabilities		**15.91**		245.25	
		15.91		245.25	
Net Current Assets			**107.21**		25.55
Profit and Loss Account			**1,197.17**		1,293.83
TOTAL			**1,323.80**		1,363.85
Notes on Accounts	'H'				

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

Mumbai
Dated : 25th April, 1998

For and on behalf of the Board

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

Profit and Loss Account for the year ended 31st March, 1998

(Rs. in lacs)

	Schedule	1997-98		1996-97	
		Rs.	**Rs.**	Rs.	Rs.
INCOME					
Sales		**1,057.11**		1,071.74	
Other Income	'F'	**30.74**		10.76	
			1,087.85		1,082.50
EXPENDITURE					
Purchases		**981.20**		949.45	
Manufacturing and Other Expenses	'G'	**7.37**		13.97	
Depreciation		**2.62**		10.11	
			991.19		973.53
Profit for the year			**96.66**		108.97
Add: Balance brought forward from last year			**(1,293.83)**		(1,402.80)
Balance carried to Balance Sheet			**(1,197.17)**		(1,293.83)
Notes on Accounts	'H'				

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

Mumbai
Dated : 25th April, 1998

For and on behalf of the Board

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

Schedules Forming Part of the Balance Sheet

SCHEDULE 'A'

(Rs. in lacs)

SHARE CAPITAL		**As at 31st March, 1998 Rs.**	As at 31st March, 1997 Rs.
Authorised:			
2,50,000	Equity Shares of Rs. 10 each	**25.00**	25.00
Issued, Subscribed & Paid up:			
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'

FIXED ASSETS

(Rs. in lacs)

Description	Gross Block				Depreciation				Net Block	
	As at 1.4.97 Rs.	Additions Rs.	Deductions Rs.	**As at 31.3.98 Rs.**	Up to 1.4.97 Rs.	For the year Rs.	Deductions Rs.	**Up to 31.3.98 Rs.**	**As at 31.3.98 Rs.**	As at 31.3.97 Rs.
Buildings	27.48	–	–	**27.48**	8.69	0.92	–	**9.61**	**17.87**	18.79
Plant & Machinery	174.59	36.90	211.49	**–**	161.75	1.15	162.90	**–**	**–**	12.84
Electric Installation	17.23	–	17.23	**–**	7.31	0.29	7.60	**–**	**–**	9.92
Factory Equipment	2.86	–	2.86	**–**	1.68	0.07	1.75	**–**	**–**	1.18
Furniture & Fixture	3.44	–	–	**3.44**	1.70	0.19	–	**1.89**	**1.55**	1.74
Vehicles	0.01	–	–	**0.01**	0.01	–	–	**0.01**	**–**	–
Total	225.61	36.90	231.58	**30.93**	181.14	2.62	172.25	**11.51**	**19.42**	44.47
Previous Year	225.61	–	–	**225.61**	171.03	10.11	–	**181.14**	**44.47**	

Schedules Forming Part of the Balance Sheet

SCHEDULE 'C'

(Rs. in lacs)

CURRENT ASSETS	As at 31st March, 1998		As at 31st March, 1997	
	Rs.	**Rs.**	Rs.	Rs.
Inventories				
(as verified, valued and certified by the management)				
Stores, spares, dyes & chemicals	**1.95**		7.40	
Raw materials	**1.92**		1.92	
		3.87		9.32
Sundry Debtors (Unsecured, considered good)*				
Over Six months	**56.77**		–	
Others	**42.93**		226.36	
		99.70		226.36
Cash and Bank Balances				
Balance with Scheduled Banks:				
In Current Accounts		**5.80**		13.69
		109.37		249.37

* Includes Rs. 33.22 lacs due from Reliance Petroleum Ltd., a Company under the same management.

SCHEDULE 'D'

(Rs. in lacs)

LOANS AND ADVANCES	As at 31st March, 1998	As at 31st March, 1997
	Rs.	Rs.
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	**0.08**	6.31
Deposits	**13.67**	15.12
	13.75	21.43

SCHEDULE 'E'

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Sundry Creditors	**0.32**	228.93
Other Liabilities	**15.59**	16.32
	15.91	245.25

Schedules Forming Part of the Profit and Loss Account

SCHEDULE 'F'

(Rs. in lacs)

OTHER INCOME	**1997-98**	1996-97
	Rs.	Rs.
Interest received	–	0.09
Miscellaneous Income	–	4.37
Profit on sale of fixed assets, stores and spare parts	**27.61**	–
Excess provision for expenses no longer required	**3.13**	6.30
	30.74	10.76

SCHEDULE 'G'

(Rs. in lacs)

MANUFACTURING AND OTHER EXPENSES	**1997-98**		1996-97	
	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				
Electric Power, fuel and water		**5.52**		7.68
Payment to and Provisions for Employees				
Retrenchment/Voluntary Retirement Scheme Compensation		–		3.88
Establishment Expenses				
Insurance	**0.88**		0.28	
Rates and taxes	**0.07**		0.48	
Other repairs	–		0.71	
Payment to Auditors	**0.35**		0.35	
General Expenses	**0.55**		0.59	
		1.85		2.41
		7.37		13.97

Notes on Accounts

SCHEDULE 'H'

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 the generally accepted accounting principles and the provisions of the 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)

	1997-98	1996-97
(a) Audit fees	**0.25**	0.25
(b) Tax audit fees	**0.10**	0.10
	0.35	0.35

(Rs. in lacs)

	As at 31st March, 1998	As at 31st March, 1997
4. Contingent Liabilities	–	–

5. Licensed & Installed Capacity (As certified by the Management)	**Licensed Capacity 31.3.98**	Licensed Capacity 31.3.97	**Installed Capacity 31.3.98**	Installed Capacity 31.3.97
Spindles (Nos.)	**N.A.**	N.A.	**NIL**	11,816

	1997-98	1996-97
6. Production of finished products meant for sale	**–**	–
7. Value of imports on CIF basis	**–**	–
8. Expenditure in foreign currency	**–**	–

9. Quantitative Information		**1997-98**		1996-97	
	UNIT	**Quantity**	**Rs. in lacs**	Quantity	Rs. in lacs
a) Opening stock		–	–	–	–
b) Closing stock		–	–	–	–
c) Purchases					
Fabrics	Mtrs/lacs	**25.67**	**981.20**	24.07	949.45
d) Sales					
Fabrics	Mtrs/lacs	**25.67**	**1,057.11**	24.07	1,071.74
e) Raw Material Consumed			**–**		–

Notes on Accounts

SCHEDULE 'H' (Contd.)

	1997-98 Rs. in lacs	**1997-98** % of total Consumption	1996-97 Rs. in lacs	1996-97 % of total Consumption
10. Value of Raw Material Consumed	–	–	–	–
11. Value of stores, spare parts dyes & chemicals	–	–	–	–
12. Earnings in foreign exchange	–		–	

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	31-03-98		

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	1323.80	Total Assets	1323.80
Source of Funds:			
Paid-up Capital	21.01	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	1302.79
Application of Funds:			
Net Fixed Assets	19.42	Investments	NIL
Net Current Assets	107.21		
Accumulated Losses	1197.17	Miscellaneous Expenditure	NIL

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

Turnover	1087.85	Total Expenditure	991.19
Profit before tax	96.66	Profit after tax	96.66
Earnings per Share (Rs)	46.01	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 : 25th April, 1998

RELIANCE INDUSTRIAL INVESTMENTS AND HOLDINGS LIMITED

Directors' Report

To the Members,

Your Directors present the 12th Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1998.

Financial results

	1997-98	1996-97
		(Rs. in lacs)
Profit before tax	53.66	1,324.10
Less : Provision for taxation	–	175.00
Profit after tax	53.66	1,149.10
Less : Taxes for earlier years	69.73	(5.94)
	(16.07)	1,155.04
Add : Balance in Profit and Loss Account	55.26	80.26
	39.19	1,235.30
Less : Interim Dividend	–	1,180.04
Balance carried forward to Balance sheet	39.19	55.26

Income

During the year, the Company has received dividend income of Rs. 1,002.04 lacs from investments.

Dividend

The Directors have not recommended dividend on Equity shares for the financial year ended 31st March, 1998

Directors

Shri. S. Seth 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.

Non-Banking Financial Companies (Reserve Bank) Directions

The Company has made an application for registration under Section 45IA of the Reserve Bank of India Act, 1934, to carry on the business as a Non-Banking Financial Institution.

Deposits

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-

Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

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 : 25th April, 1998

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, 1998, 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, 1998 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
Rajesh D. Chaturvedi Partner	R.J. Shah Partner

Mumbai

Dated : 25th April, 1998

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 such loans 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 was under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 and which has since been received. The rate of interest and other terms and conditions of the said loan were 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, there is repayment of principal amounts and payment of interest wherever 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, 1998 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 or which have been lent under stock lending scheme.

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

Mumbai

Dated : 25th April, 1998

Balance Sheet as at 31st March, 1998

(Rs. in lacs)

	Schedule	As at 31st March, 1998 Rs.	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.	As at 31st March, 1997 Rs.
SOURCES OF FUNDS:					
Shareholders' Funds					
Capital	'A'	14,750.44		14,750.44	
Reserves and Surplus	'B'	434.35		450.42	
			15,184.79		15,200.86
Loan Funds					
Unsecured Loans	'C'		72,177.15		72,182.15
TOTAL			87,361.94		87,383.01
APPLICATION OF FUNDS:					
Investments	'D'		128,223.15		87,100.28
Current Assets, Loans and Advances	'E'				
Current Assets					
Sundry Debtors		–		3.98	
Cash and bank balances		22.32		43.42	
		22.32		47.40	
Loans and Advances		398.22		426.24	
		420.54		473.64	
Less: Current Liabilities and Provisions	'F'				
Current Liabilities		41,106.75		15.87	
Provisions		175.00		175.04	
		41,281.75		190.91	
Net Current Assets			(40,861.21)		282.73
TOTAL			87,361.94		87,383.01
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 : 25th April, 1998

Profit and Loss Account for the year ended 31st March, 1998

	Schedule	1997-98		1996-97 (Rs. in lacs)	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Income on Investments	'G'	1,002.59		1,931.47	
Interest received [Tax Deducted at source Rs. 0.81 lacs, previous year Rs. 0.54 lacs]		4.04		32.58	
Income from Stock Lending		813.02		1,200.00	
			1,819.65		3,164.05
EXPENDITURE					
Establishment & Other Expenses	'H'	14.24		9.52	
Premium on redemption of debentures		1.75		947.65	
Provision for diminution in market value of investments		0.62		–	
Interest					
Debentures		1,749.38		840.37	
Others		–		42.41	
			1,765.99		1,839.95
Profit before tax			53.66		1,324.10
Less: Provision for taxation			–		175.00
Profit after tax			53.66		1,149.10
Less: Taxes for earlier years			69.73		(5.94)
			(16.07)		1,155.04
Add: Balance brought forward from last year			55.26		80.26
Amount available for appropriation			39.19		1,235.30
Appropriations:					
Interim Dividend Paid (subject to tax)			–		1,180.04
Balance carried to Balance Sheet			39.19		55.26
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 : 25th April, 1998

Schedules Forming Part of the Balance Sheet

SCHEDULE 'A' (Rs. in lacs)

SHARE CAPITAL

		As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.
Authorised:			
149990000	Equity Shares of Rs. 10 each.	14,999.00	14,999.00
10000	11% Non-Cumulative Redeemable Preference Shares of Rs. 10 each	1.00	1.00
		15,000.00	15,000.00
Issued, Subscribed & Paid up:			
147504400	Equity Shares of Rs. 10 each fully paid up (Held by Reliance Industries Limited, the Holding Company)	14,750.44	14,750.44
		14,750.44	14,750.44

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

SCHEDULE 'B'

RESERVES AND SURPLUS

	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.
General Reserves:		
As per last Balance Sheet	395.16	395.16
Profit and Loss Account	39.19	55.26
	434.35	450.42

SCHEDULE 'C' (Rs. in lacs)

UNSECURED LOANS

	As at 31st March, 1998 Rs.	Rs.	As at 31st March, 1997 Rs.	Rs.
A. Zero Coupon Convertible Unsecured Redeemable Debentures of Rs. 5,000 each	44,192.15		63,145.15	
Less: Redeemed	35.00		18,953.00	
		44,157.15		44,192.15
B. 6.25% Fully-Convertible Unsecured Debentures of Rs.100 each.		27,990.00		27,990.00
C. Loan from Holding Company		30.00		-
		72,177.15		72,182.15

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 for conversion of 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. The 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 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 are 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. As per revised terms of the said debentures interest rate has been reduced from 8.00% p.a. to 6.25% p.a. w.e.f. 01.04.1997 with the consent of the debentureholders for the remaining tenure of the Debenture.

Schedules Forming Part of the Balance Sheet

SCHEDULE 'D'

INVESTMENTS

(Rs. in lacs)

			As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.
		Investments : (Valued, Verified & Certified by Management)		
(A)		Long Term Investments		
		Quoted:		
		Equity Shares - Fully paid-up		
#	13163772 (13164062)	Larsen & Toubro Ltd. of Rs.10 each	13,415.30	13,415.59
	882370	Kothari Sugars and Chemicals Ltd. of Rs.10 each	337.30	337.30
*	191592000	Reliance Petroleum Ltd. of Rs.10 each	19,159.20	19,159.20
#	6839078	BSES Ltd. of Rs. 10 each	11,288.58	11,288.58
		Debentures - Fully paid-up		
*	95796000	Secured Triple Option Convertible Debentures (TOCDs) of Reliance Petroleum Ltd. of Rs. 40 each.	38,318.40	38,318.40
		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
	3500 (-)	Neha Real Estates Private Limited of Rs. 10 each	24.57	–
	1150 (-)	Reliance Aromatics & Petrochemicals Pvt. Ltd. of Rs. 10 each	0.11	–
	1200 (-)	Reliance Energy & Project Development Pvt. Ltd. of Rs. 10 each	0.12	–
	50 (-)	Reliance Telecom Ltd. of Rs. 10 each	0.01	–
		Debentures - Fully paid-up		
	4806897 (-)	Reliance Petroleum Ltd. Unsecured Fully-Convertible Non Interest bearing Debentures of Rs. 950 each.	45,665.52	–
		Debenture Application Money		
		Reliance Petroleum Ltd. 4806897 Unsecured Fully-Convertible Non Interest bearing Debentures of Rs. 950 each, Rs. 95 paid-up.	–	4,566.55
		TOTAL (A)	128,222.2 5	87,098.76

Schedules Forming Part of the Balance Sheet

SCHEDULE 'D' (Contd.)

(Rs. in lacs)

	As at 31st March, 1998 Rs.	As at 31st March, 1997 Rs.
(B) Current Investments		
Quoted:		
Equity Shares - Fully paid-up		
2500 M H Mills and Industries Ltd. of Rs. 10 each	0.94	0.94
200 HDFC Bank Ltd. of Rs. 10 each	0.02	0.02
Debentures - Fully Paid-up		
1250 14% Non-Convertible Debentures of M H Mills and Industries Ltd. of Rs. 45 each.	0.56	0.56
	1.52	1.52
Less: Provision for diminution in the value of investments	0.62	-
TOTAL (B)	0.90	1.52
TOTAL (A+B)	128,223.15	87,100.28

* 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 holdings, till the loans granted by them to Reliance Petroleum Ltd. are outstanding.

\# Refer Note no. 3 of Schedule 'I'.

AGGREGATE VALUE OF	As at 31st March, 1998		As at 31st March, 1997	
	Book Value Rs.	Market Value Rs.	Book Value Rs.	Market Value Rs.
Quoted Investments	82,519.68	129,782.03	82,520.59	100,659.03
Unquoted Investments	45,703.47		4,579.69	
	128,223.15		87,100.28	

Schedules Forming Part of the Balance Sheet

SCHEDULE 'E'

(Rs. in lacs)

CURRENT ASSETS, LOANS AND ADVANCES	As at 31st March, 1998		As at 31st March, 1997	
	Rs.	Rs.	Rs.	Rs.
Current Assets:				
Sundry Debtors (Unsecured, considered good, subject to confirmation)				
Over six months		–		3.98
Cash and Bank Balances:				
Cash on hand	0.01		0.01	
Balance with a Scheduled Bank:				
In Current Account	22.31		43.41	
		22.32		43.42
Loans and Advances				
Advances recoverable in cash or in kind or for value to be received	42.44		121.94	
Advance Payment of Taxes	355.78		304.30	
		398.22		426.24
		420.54		473.64

SCHEDULE 'F'

(Rs. in lacs)

CURRENT LIABILITIES AND PROVISIONS	As at 31st March, 1998	As at 31st March, 1997
	Rs.	Rs.
Current Liabilities		
Other Liabilities	41,106.75	15.87
Provisions		
For Taxation	175.00	175.04
	41,281.75	190.91

Schedules Forming Part of the Profit and Loss Account

SCHEDULE 'G'

(Rs. in lacs)

INCOME ON INVESTMENTS	1997-98		1996-97	
	Rs.	Rs.	Rs.	Rs.
Dividend				
From Long Term Investments		1,002.04		1,219.84
[Tax Deducted at Source Rs. NIL, previous year Rs. 285.38 lacs]				
Interest				
From Current Investments		0.15		45.55
[Tax Deducted at Source Rs. 0.03 lacs, previous year Rs. 0.01 lacs]				
Profit on Sale of Investments (Net)				
From Long Term Investments	0.40		595.29	
From Current Investments	–		70.79	
		0.40		666.08
		1,002.59		1,931.47

SCHEDULE 'H'

ESTABLISHMENT & OTHER EXPENSES				
Salary, Wages and Bonus		2.91		1.92
Legal & Professional charges		0.50		0.20
Filing Fees		0.01		0.01
Custodian fees		5.26		5.26
Bad Debts		3.98		–
Miscellaneous expenses				
Brokerage paid	–		0.07	
Other Administrative Expenses	0.08		0.56	
		0.08		0.63
Auditors' Remuneration				
Audit Fees	1.00		1.00	
Tax Audit Fees	0.50		0.50	
		1.50		1.50
		14.24		9.52

Notes on Accounts

SCHEDULE 'I'

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 are carried at cost and provision for diminution in value is made only if such decline is other than temporary in the managements opinion. 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

    In respect of stock lending activity, income is accounted for on accrual basis. 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.

3. The Company has entered into an agreement for Stock lending facility with an approved intermediary, whereby the Company has agreed to lend 60,00,000 Equity shares of Larsen and Toubro Ltd. and BSES Ltd. each. As at the end of the year, 31,27,000 Larsen & Toubro Ltd. Equity shares have been lent under stock lending scheme.

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

5. Dividend income is after adjusting irrecoverable dividend of earlier years of Rs. 8.49 lacs.

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.

Notes on Accounts

SCHEDULE 'I' (Contd.)

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

1. Registration Details:

Registration No.	11-41081	State Code	11
Balance Sheet Date	31-03-98		

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	87361.94	Total Assets	87361.94
Source of Funds:			
Paid-up Capital	14750.44	Reserves & Surplus	434.35
Secured Loans	NIL	Unsecured Loans	72177.15
Application of Funds:			
Net Fixed Assets	NIL	Investments	128223.15
Net Current Assets	(40861.21)		
Accumulated Losses	NIL	Miscellaneous Expenditure	NIL

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

Turnover/Income	1819.65	Total Expenditure	1765.99
Profit before extraordinary item and taxation	53.66	Profit before tax	53.66
Profit after tax	53.66	Dividend Rate(%)	NIL
Earnings per Share (Rs)	0.04		

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 : 25th April, 1998

Calendar

Audited annual results	:	End April
Annual general meeting	:	Second fortnight June
First quarter results	:	Third week July
Second quarter results	:	Third week October
Third quarter results	:	Third week January

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)

◆

Trading Symbol Bombay Stock Exchange	:	**'RIL 325'**
Trading Symbol Bombay Stock Exchange (Demat Segment)	:	**'RILDM500325'**
Trading Symbol National Stock Exchange	:	**'RELIANCE EQ'**
Trading Symbol National Stock Exchange (Demat Segment)	:	**'RELIANCEAE'** (For T+5 settlement) and **'RELIANCEBE'** (For T+1 settlement)

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).

◆

Toll Free Number for Investors in Delhi : 1600157777
Voice Mail Number for Investors in Mumbai : 9729044

◆

List of Investor Service Centres of Karvy Consultants Ltd.

CITY	STD CODE	TEL. NO.	FAX	
Agra	(0562)	352368 / 351625	(0562)	352368
Ahmedabad	(079)	6420422 / 6563527	(079)	6565551
		6563528		
Ahmedabad	(079)	6578070 / 6578021	(079)	6578070
Allahabad	(0532)	400588	(0532)	400988
Alwar	(0144)	22752		——
Ambala	(0171)	530891	(0171)	442929
Amritsar	(0183)	220370 / 229473	(0183)	229473
Asansole	(0341)	204968 / 200169		——
Bangalore	(080)	6621184 / 6621192		
		6621193 / 6621496		6621169
Bangalore	(080)	5253249 / 5362930	(080)	5257926
Bangalore	(080)	3314678 / 3314680		——
Baroda	(0265)	361514 / 363207	(0265)	363207
Bellary	(08392)	76073 / 78358	(08392)	77592
Bhadravathi	(081826)	78199		——
Bhopal	(0755)	554165	(0755)	555732
Bhubaneshwar	(0674)	500909 / 503777		501657
Calcutta	(033)	4644891 / 4647231	(033)	4644866
Chandigarh	(0172)	705543 / 603864		——
Chennai	(044)	8283658 / 8258034	(044)	8273181
Chennai	(044)	8258034 / 8268292	(044)	8268426
Chikmanglur	(08262)	30524 / 21703	(08262)	30524
Cochin	(0484)	310884 / 322152	(0484)	323104
Coimbatore	(0422)	211928 / 210283	(0422)	211928
Dhanbad	(0326)	205930 / 305966	(0326)	303021
		206191		
Erode	(0424)	221671		——
Goa	(0832)	226150 / 228470	(0832)	223742
Gulbarga	(08472)	27635	(08472)	26794
Guwahati	(0361)	543322 / 515251		
		512084		——
Gwalior	(0751)	321524		——
Hubli	(0836)	372086 / 374409	(0836)	372086
Hyderabad	(040)	243324	(040)	236602
Indore	(0731)	432837		——
Jabalpur	(0761)	312009		——
Jaipur	(0141)	363321 / 375039	(0141)	364660
Jammu	(0191)	547246		——
Jamnagar	(0288)	72573	(0288)	550513
Jamshedpur	(0657)	432064	(0657)	423061
Jodhpur	(0291)	627918 / 641533		——
Kanpur	(0512)	357672		——
Kolhapur	(0231)	651716 / 650548	(0231)	652108
Lucknow	(0522)	230273	(0522)	230552
Ludhiana	(0161)	24862 / 426112	(0161)	406154(PP)
Madurai	(0452)	537948	(0452)	537948
Mumbai	(022)	2677307 / 2676283		
		2676278		2671237
Mumbai	(022)	Voice Mail		
		9729044		
		6367226 / 6322266		6310882
Mumbai	(022)	2004090 / 2004091		2004094
Mangalore	(0824)	492302		——
Mysore	(0821)	510781		——
Nagpur	(0712)	537531 / 538132		
		533428		538133
New Delhi	(011)	Toll Free		
		1600157777		
		5154978 / 5154940		5105993
Patna	(0612)	673699 / 671500	(0612)	672688
Pondicherry	(0413)	30291 /	(0413)	30291
Pune	(0212)	323291	(0212)	323292
Rajahmundry	(0883)	444318	(0883)	65318
Rajkot	(0281)	223733	(0281)	232229
Ranchi	(0651)	203166	(0651)	201979
Rourkela	(0661)	506116 / 505388	(0661)	522692
Salem	(0427)	419515 / 415898	(0427)	419515
Shillong	(0364)	230085 / 230118	(0364)	
		225147 / 226636		——
Shimoga	(08182)	78199	(08182)	78199
Solapur	(0217)	311027	(0217)	612219
Sirsi	(08384)	75319	(08384)	75319
Surat	(0261)	425062	(0261)	425062
Tanjore	(04362)	23406	(04362)	——
Varanasi	(0542)	323930	(0542)	——
Vijayawada	(0866)	436965	(0866)	436241
Visakhapatnam	(0891)	575202 / 573143	(0891)	550328

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

S. Venkitaramanan
Nominee Director - ICICI

A. N. Poddar
Nominee Director - GIC

Ramniklal H. Ambani

Mansingh L. Bhakta

T. Ramesh U. Pai

Yogendra P. Trivedi

Secretary

Vinod M. Ambani

Solicitors & Advocates

Kanga & Co.

Auditors

Chaturvedi & Shah
Member - Summit International Associates Inc.
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
Citibank 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,
222, Nariman Point
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:

- **Patalganga Complex**
  B-4, Industrial Area, Patalganga
  Off Mumbai-Pune Road
  Near Panvel, Dist. Raigad 410 207
  Maharashtra State, India.
- **Naroda Complex**
  103/106, Naroda Industrial Estate
  Naroda, Ahmedabad 382 330
  Gujarat State, India.
- **Hazira Complex**
  Village Mora, Bhatha P.O.
  Surat-Hazira Road
  Surat 394 510, Gujarat State, India.
- **Jamnagar Complex**
  Taluka Lalpar
  P.O. Digvijay Gram, Dist. Jamnagar
  Gujarat 361 140

Subsidiary Companies

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

Registrars & Transfer Agent

Karvy Consultants Limited

- 46, Avenue 4, Street No.1, Banjara Hills
  Hyderabad - 500 034, India.
  Tel. Nos. 91-40-3320251/3320751/3312454
  Fax No. 91-40-3311968
  E-Mail: reliance@indl.vsnl.net.in
- 7, Andheri Industrial Estate
  Off Veera Desai Road
  Andheri (West), Mumbai 400 053, India.
  Tel. Nos. 91-22-6267226/6269044/6271802
  Fax No. 91-22-6290882