

Letter to Shareowners



Mukesh D. Ambani
Chairman and Managing Director

Dear Fellow Shareowners,

I am delighted to write you to report yet another year of outstanding achievements for our energy and materials businesses. Despite persisting global economic uncertainty, we have delivered the best operating and financial performance in our history.

Our new projects in the hydrocarbons and digital services businesses have made significant progress. We have invested over ₹1,12,000 crore (US\$17 billion) in FY 2015-16, the highest-ever by any corporate in Indian history. This large investment spread across all our businesses will create sustained and significant value for our stakeholders. As we near the end of our largest capital expenditure cycle, we are focused on ensuring a smooth start-up and stabilisation of the new growth platforms across our hydrocarbon and consumer businesses.

Global economic activity remained muted during the year as oil prices remained soft. The oversupply situation continued as oil producing countries vied for market share. Emerging markets dependent on Chinese growth were impacted as China moves from an infrastructure and export economy to a consumption based economy. Despite these macro headwinds, India was resilient and overtook China's growth rate to

become the world's fastest growing major economy. However, the Indian economy too faced challenges from slow agricultural growth with two consecutive poor monsoons and sharp contraction in exports due to weak global demand and lower commodity prices.

Against this backdrop, Reliance recorded its highest-ever consolidated net profit of ₹27,630 crore (US\$4.2 billion) during the year, a growth of 17.2% y-o-y. Strong operating performance from the refining and petrochemicals business led to higher operating profits (PBDIT), which increased by 14.2% on a y-o-y basis to ₹52,503 crore (US\$7.9 billion). The benefits of low crude oil and energy prices for our downstream businesses clearly outweigh the impact of these factors on our upstream segment, reflecting in the record earnings for the year. This underscores the robustness of our integrated model and quality of assets which deliver strong operating cash flows in a challenging environment.

The global oil demand is expected to grow by 1.4 million b/d in CY 2016 and probably by 1.3 million b/d in CY 2017. This is on the back of 1.8 million b/d of demand growth recorded during CY 2015. This cumulative growth of over 4 million b/d of global oil demand over three successive years bodes well for the refining industry. The demand growth for all our key products in the refining and petrochemicals business remained robust in India. Oil demand in India grew by 10.9%, the highest growth rate seen in the past 15 years. This was led by strong growth of 14.1% in gasoline, 7.5% in diesel, 8.8% in jet kerosene and 20.7% in naphtha.

The petrochemical product demand too remained above long-term averages. Indian polymer market experienced growth rate of 15%, surpassing China to become the fastest growing polymer market. Polyester demand growth sustained at 5% for the year.

Reliance invested over ₹1,12,000 crore (US\$17 billion) in FY 2015-16, the highest-ever by any corporate in Indian history in creating growth engines for the future.

₹23,598 crore

Record EBIT of Refining and Marketing Business

₹27,630 crore

Highest-ever consolidated net profit in FY 2015-16

Refining and Marketing

Reliance's world-class refining infrastructure at Jamnagar enabled us to deliver a very strong performance despite the turbulence in the energy sector. EBIT from refining business increased by 49.1% y-o-y to ₹23,598 crore. EBIT margins expanded from 4.7% in FY 2014-15 to 10% in FY 2015-16. Our gross refining margins stood at US\$10.8/bbl in FY 2015-16, the highest in the last seven years and significantly outperformed the Singapore benchmark.

Our refineries benefited from robust growth in global oil product demand and over supplied oil markets. Transportation fuels benefited the most, with gasoline the key growth driver. Gasoline cracks were seen at historic high levels during the year. The refining business was effectively supported by a robust risk management framework which is an integral part of the operations.

Leveraging the flexibility provided by our refining assets at Jamnagar, we were able to optimise our crude and product slate to capture higher margins from light distillates. Our refineries processed new grades of crude to make use of advantaged feedstock available at significant discounts.

This allowed us to capture the benefits of a widening differential between light and heavy crude oil.

Staying true to our commitment to growth, we aim to achieve significant long-term energy cost reduction with the completion of the petcoke gasification project, where low value petroleum coke will be used to produce high value syngas to increase Jamnagar's energy self-sufficiency. Furthermore, we continue to re-commission our petroleum retail network which has now expanded to over 1,000 outlets.

Petrochemicals

Reliance's petrochemical division continued to deliver sustained growth. Demand for downstream products increased as lower oil prices softened end product prices. Reliance's petrochemicals business has a wide product portfolio, superior feedstock linkages and serves high-growth end-markets including automobiles, packaging, consumer durables, agriculture and infrastructure sector in India. Favourable demand-supply dynamics were reflected in margin expansion across key product categories. Overall EBIT margin for the segment expanded by 380 bps to 12.4% for the year.

We made rapid progress in the completion of the new ROGC and aromatics project. These projects upon completion will add significant volumes to our polymer business and enhance integration for the polyester chain. The new cracker will be among the lowest cost producers of ethylene in the world. We have also made substantial progress in the US ethane import project, which will lower costs and ensure long-term feedstock security, flexibility and competitiveness.

In the polyester chain, we added substantial volumes in efforts to further integrate our business. We now produce 650 KTA of PET at Dahej, making it the largest bottle-grade PET resin capacity at a single location globally. To cater to the large PET capacity, we also successfully commissioned PTA facilities of a total capacity of 2.3 MMTPA in Dahej during the year. Our fully integrated polyester business model allows us to also benefit from inherent logistics and cost advantages.

Reliance is confident of placing all our incremental output from the new projects in the domestic markets to meet India's growing demand.

Letter to Shareowners (contd.)



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Refining and Marketing

World-class refining infrastructure at Jamnagar enabled to deliver an unprecedented performance. Reliance's gross refining margins stood at US\$10.8/bbl in FY 2015-16, the highest in the last seven years.



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Petrochemicals

Rapid progress in new ROGC and aromatics project. These projects will add significant volumes to RIL's polymer business and enhance integration for the polyester chain. RIL has also successfully commissioned second phase of PTA.



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Exploration and Production

Unlocked significant shareholder value by monetising its EFS midstream investment for US\$1.07 billion.

Exploration and Production

Low energy prices have created a challenging environment for upstream business of Reliance. Conserving cash while retaining optionality and preparedness for ramp-up was accorded a high priority during the year. Measures were taken in the shale gas business to optimise capital expenditure and opex through effective production management. The capital expenditure for US Shale business was cut by 25% on y-o-y basis. Reliance strategically unlocked significant shareholder value by monetising its EFS midstream investment for US\$1.07 billion.

On the domestic front, KG D6 production fell due to natural decline in the producing wells. During the year, Government of India issued new gas pricing policy which includes marketing and pricing freedom for production from discoveries in deep water, ultra-deep water and high pressure-high temperature areas. Both Reliance and its partner BP, are evaluating the new policy and investment plans to develop discovered resources.

Consumer Businesses – Reliance Retail and Digital Services

In our retail business, we have reached significant milestones over the past couple of years and continue the high growth trajectory. Reliance Retail now caters to over 3.5 million customers every week. With over ₹20,000 crore of revenue, it is India's largest retailer and has sustained a growth

rate of 29% CAGR in the last five years. In FY 2015-16, we added 624 new stores taking our total stores to 3,245 stores, spread over 12.8 million square feet and it is currently operating 3,383 stores. "Reliance Fresh" has consistently appeared in the list of most trusted national brands.

The integration of advanced infrastructure built by Jio and physical retail presence will help us create a differentiated omni-commerce model for our retail business. We are augmenting reach to customers through online-offline product assortment across trade channels. These efforts in building a seamless interface will deliver superior value proposition for our customers.

As India shifts to a digitally empowered society, we anticipate a significant demand for devices to connect users to a digital ecosystem. Keeping this in mind, we have started building the largest distribution reach for devices in India. We have introduced "LYF" models of smartphones and televisions to enable user's access to the 4G LTE experience.

The next wave of growth in India will be enabled through internet and data capabilities. Our digital initiative continues to gather speed to provide anytime, anywhere access to innovative and empowering digital content, applications and services, thereby propelling India into global leadership in the digital economy.

We envisage ushering in the era of "visuality", where video will replace voice as the new communication medium.

Our customer offerings are built on four key strategic dimensions, viz. widest coverage, substantially superior network quality, transformational data capacity and affordable services. We have made considerable progress on all of these fronts during the year.

During the year, Reliance Jio moved towards completion of its network infrastructure as well as business services and platforms. We on-boarded over 1.5 million test users, who have been using the services extensively. This has enabled testing of the network, user applications and services and business platforms. The feedback from test users is extremely encouraging. The test programme will be progressively upgraded into commercial operations in the coming months.

In order to further deepen the network coverage, Reliance Jio acquired spectrum in the 800 MHz band across 13 circles, to become the only operator with pan India LTE spectrum in both the 800 MHz and 2300 MHz bands. Reliance Jio also has spectrum in the 1800 MHz band across 18 circles. In addition, Reliance Jio has entered into an agreement for sharing of spectrum in the 800 MHz band across 21 circles (4 circles are still awaiting approval). Reliance Jio is the only telecom service



Retail

Caters to over 3.5 million customers every week. With over ₹20,000 crore of revenue, it is the largest retailer in India.



Jio

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Media and Entertainment

One of India's leading Media and Entertainment (M&E) players, with a presence across several businesses including television content production and distribution, theatrical exhibition of films and media services.

provider using sub-GHz spectrum band for LTE services in the country today. The combined spectrum footprint across frequency bands provides significant network capacity and deep in-building coverage for Reliance Jio.

At Reliance, we truly believe that empowering people with high quality internet access will help India progress and move towards a more knowledge based and connected society.

Robust Balance Sheet

RIL enjoys prime credit ratings as a result of its fiscal prudence and strong cash flows. During the year, RIL and its subsidiaries tied-up long-term foreign currency facilities of about US\$6.3 billion. With its unparalleled access to global debt markets, Reliance successfully re-priced and re-financed debt instruments thereby reducing interest cost. This year we concluded the largest financing transaction globally in the telecom sector supported by K-sure. This was also the longest tenure telecom financing supported by K-sure.

During the year, we became the first private sector energy company globally to issue notes backed by the EXIM Bank of the USA. Also, we are the first energy company globally to issue Formosa Bond. Our innovative financings earned us various accolades during the year, including 'Issuer of the Year' award for 2015 from IFR Asia and 'Best Corporate Issuer - 2015' from The Asset.

Governance and Safety

Reliance has always accorded the highest importance to health and safety in the existing plants and the projects. A fully equipped and qualified HSE (Health Safety and Environment) organisation has been provided for each location to govern, document and provide HSE assurance. The process of first and second party audits continued at all sites with feedback being provided to the Board of Directors.

To have a better assessment of the business and functional risks and to monitor risk mitigation effectiveness based on risk evaluation, the concept of BRAC (Business Risk and Assurance Committee) was introduced with senior management personnel on the committee.

On the governance front we have put in place a comprehensive Reliance Management System, a holistic set of management systems, organisational structures, processes and requirements to enable more evolved governance and risk assurance framework for Reliance through its three key core elements: Operating Management System (OMS), Financial Management System (FMS) and People Management System (PMS).

Sustainable Growth

An integral part of Reliance's philosophy is its commitment to empower and enhance the quality of lives of millions of people. During the year, Reliance Foundation

continued to provide accelerated high impact solutions to India's multifarious development challenges. Various efforts of the Foundation have positively impacted several hundreds of thousands marginal households in areas of health, livelihoods, education and relief during natural calamities. Our sports initiatives, aimed at development of youth and reviving the sporting landscape in the country, reached out to over 2 million school-going children. During the year, Reliance contributed ₹652 crore towards CSR activities, accounting for 2.38% of our profit after tax.

At the close, I would like to thank the entire team at Reliance for an outstanding year which is reflective of their efforts, dedication and commitment to success.

I would like to place on record my sincere appreciation to the Board of Directors for their guidance. I would like to express my gratitude to all our stakeholders for their continuing faith in Reliance.

With best wishes,
Sincerely,

Mukesh D. Ambani
Chairman and Managing Director
July 15, 2016