



# Reliance

Industries Limited

Growth is Life

3Q FY 2014-15

Financial Results

16 January 2015

# Forward Looking Statements



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## Financial Results

# Consolidated Financial Results : 3Q FY15



2Q FY15	(in ₹ Crore)	3Q FY15	3Q FY14	% Change Y-o-Y	% Change Q-o-Q
113,396	<b>Turnover</b>	96,330	121,077	-20.4%	-15.0%
7,394	<b>Segment EBIT</b>	6,544	6,244	4.8%	-11.5%
5,972	<b>Net Profit</b>	5,256	5,502	-4.5%	-12.0%

- Y-o-Y and Q-o-Q decline in turnover primarily on account of sharply lower crude oil prices
  - Crude prices plummeted ~40% through the quarter (Q-o-Q decline averaged ~ 25%)
- Q-o-Q segment EBIT impacted by fall out of crude declines on downstream buying sentiment and end-stock valuation
  - Y-o-Y EBIT growth led by material contribution from US Shale business

# Operational Highlights – 3Q FY15



## Refining

- Crude throughput of 17.7 MMT, operating rate of 114%
- GRM at \$ 7.3/bbl as compared to \$ 7.6/bbl last year (\$ 8.3/bbl in 2Q FY15)
  - Higher product cracks, crude throughput and effective risk management cushioned the impact of steep crude decline on inventory valuation

## Petrochemicals

- Petrochemicals production at 5.3 MMT, marginally lower on planned Hazira turnaround
- New SBR facility being ramped-up
- New PET facility ramp up to synchronize with start-up of PTA plant in 4Q FY15

## Oil & Gas

- US shale production at 52.1 BCFe, up 21% Y-o-Y
  - Average realization of \$ 4.60 /Mcfe as compared to \$ 6.03 /Mcfe a year ago
- Domestic production at 34.9 BCFe, down 5.6% on Y-o-Y

## Retail

- Presence in 166 cities, No. of stores 2285 – net addition of 279 stores
  - Over 900 stores for Digital sector - largest mobile phone retail chain in the country

# Consolidated Segment Revenue : 3Q FY15



2Q FY15	(in ₹ Crore)	3Q FY15	3Q FY14	% Change Y-o-Y	% Change Q-o-Q
103,590	Refining	81,777	107,676	-24.1%	-21.1%
26,651	Petrochemicals	23,001	27,121	-15.2%	-13.7%
3,002	Oil & Gas	2,841	2,926	-2.9%	-5.4%
4,167	Organised Retail	4,686	3,941	18.9%	12.5%
2,455	Others	3,447	1,393	147.5%	40.4%

- Hydrocarbon chain revenues impacted by sharp drop in crude oil prices
  - Pricing uncertainty impacted off-take and realizations in petrochemicals segment
- Strong growth momentum in Retail supported by
  - Store network expansion
  - High LFL sales growth of up to 19% across format sectors

# Consolidated Segment EBIT : 3Q FY15



2Q FY15	(in ₹ Crore)	3Q FY15	3Q FY14	% Change Y-o-Y	% Change Q-o-Q
3,844	Refining	3,267	3,240	1%	-15%
2,361	Petrochemicals	2,064	2,115	-2%	-13%
818	Oil & Gas	832	607	37%	2%
99	Organised Retail	133	38	250%	34%
272	Others	248	244	2%	-9%

- Refining EBIT declined sharply on Q-o-Q basis
  - Strong operating performance on higher product cracks and throughput was muted by inventory charge arising from ~40% fall in crude price
- Petchem EBIT lower on Q-o-Q; Efforts to push product sales in falling markets offset higher deltas particularly in polymers and downstream polyester segments
- Significant growth in Retail EBIT reflecting operating leverage

# Consolidated Financial Results : 9M FY15



(in ₹ Crore)	9M FY15	9M FY14	% Change Y-o-Y
Turnover	317,631	340,131	-6.6%
Segment EBIT	20,854	18,392	13.4%
Net Profit	17,185	16,612	3.4%

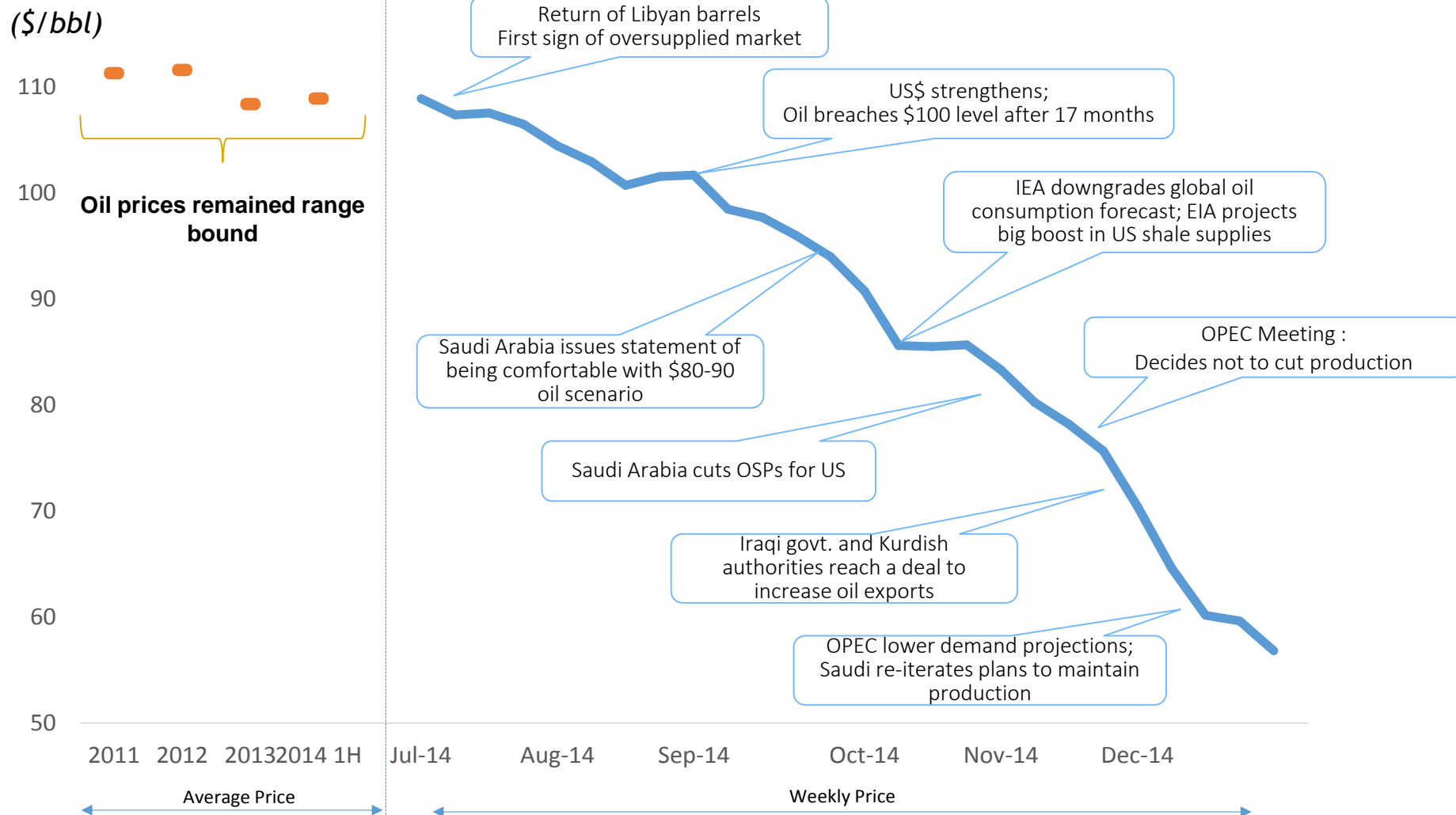
- 9M FY15 Turnover decline led by dramatic fall in crude oil prices during 3Q FY15
- Robust growth in operating profit led by strong performance across key business segments
  - EBIT for Refining up 16% on improved refining margins
  - Oil & Gas EBIT up 31% driven by US shale operations
  - Retail EBIT up 3.5x
- Record net profit at ₹ 17,185 crore, up 3.4%
- On standalone basis, RIL net profit at ₹ 16,476 crore, up 0.8% Y-o-Y





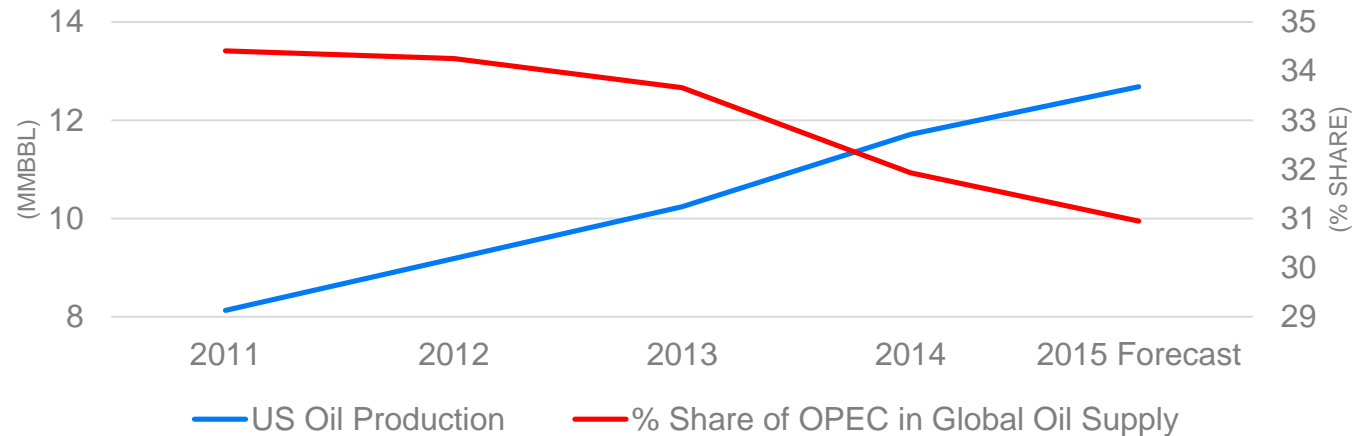
## Refining & Marketing

# Oil Price Decline...



**After more than 3 years of stability, Oil prices collapsed by > 50% in 2H 2014**

# Call on OPEC...



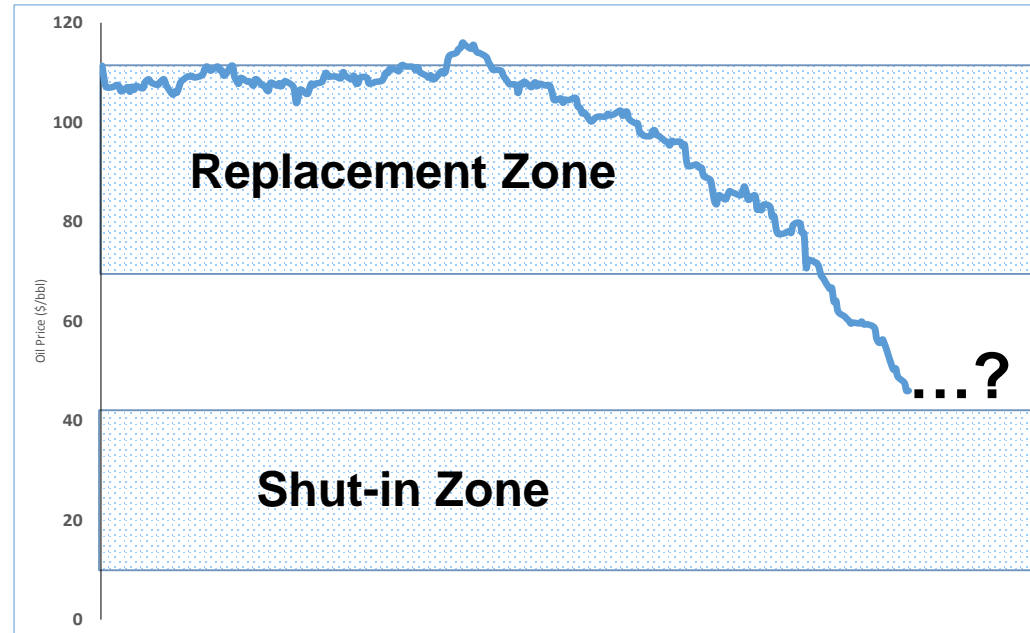
(in MMBBL)	2011	2012	2013	2014	2015 Forecast	Change (2014 vs.2011)
OECD demand	46.4	45.9	46.1	45.6	45.6	-0.8
Non OECD demand	43.1	44.6	45.7	46.8	47.8	3.7
Total Demand	89.5	90.5	91.8	92.4	93.4	2.9
Non OPEC supply	52.8	53.3	54.6	56.5	57.8	3.7
Call on OPEC	30.8	31.0	30.9	29.5	28.9	-1.3
OPEC NGLs	5.9	6.2	6.3	6.4	6.7	0.5
<b>US Oil Production</b>	<b>8.1</b>	<b>9.2</b>	<b>10.2</b>	<b>11.7</b>	<b>12.7</b>	<b>3.6</b>
<b>% Share of OPEC in Global Oil Supply</b>	<b>34.4</b>	<b>34.3</b>	<b>33.7</b>	<b>31.9</b>	<b>30.9</b>	<b>-2.5%</b>

**Strong supply growth from US, reduces the Call on OPEC**

# Oil Price – At a Critical Juncture



- Oil price approaching the Shut-in Zone
- Below \$40/bbl oil price, increasing quantity of oil fall below production costs
- Replacement Zone: The larger part of Non-OPEC new projects require oil prices in this range to deliver adequate returns

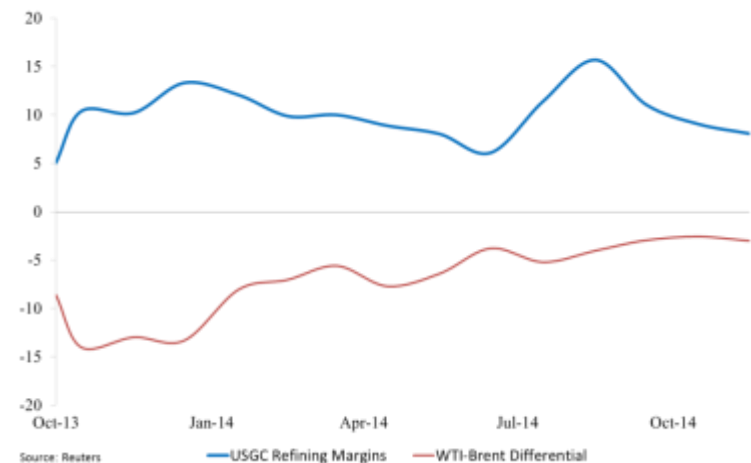
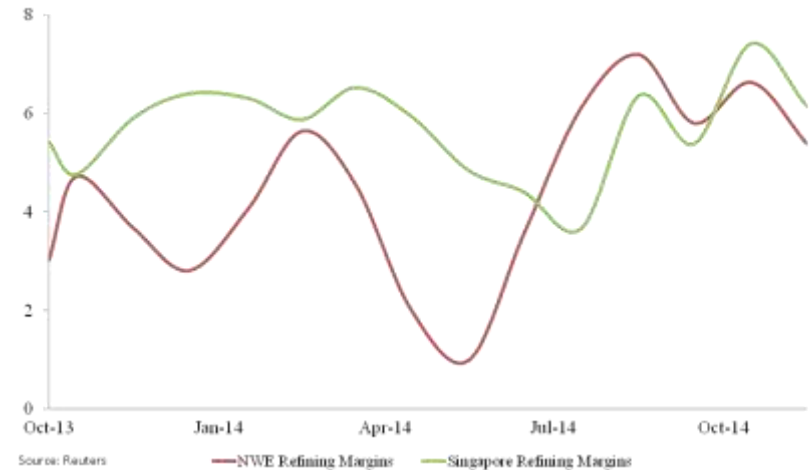


**Oil price now well below the level required to attract adequate capital for replacement barrels**

# Business Environment

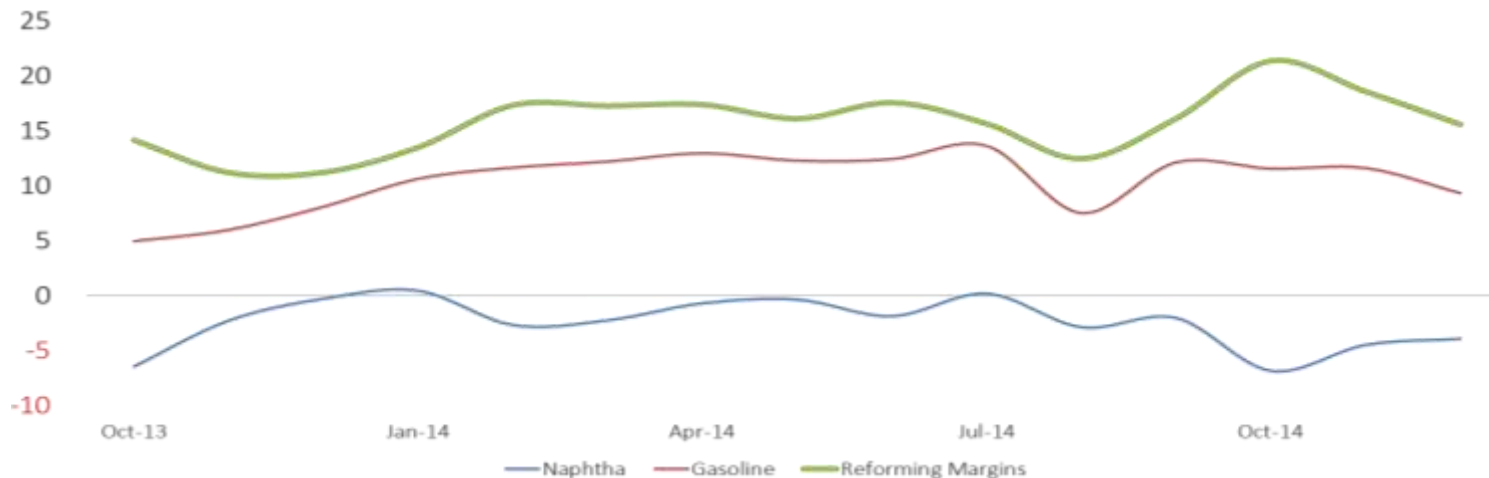


- Global economic growth on the path of a steady recovery
  - Positive macroeconomic indicators from US
  - Emerging economies including China, grow at a modest pace
- Healthy demand from Non-OECD countries lead to an oil demand growth of 700 kbd in 2014
- Increased production of light sweet oil lead to a weaker sweet-sour crude differential
- Strength in product cracks, on account of seasonal demand and weakness in crude prices
  - Stronger refining margins in Singapore and Europe
- Narrowing WTI-Brent differentials, reduce the advantage to US refiners



**Asian Margins continue to remain resilient**

# Light Distillates Cracks



## ■ Gasoline cracks remain supported on the back of strong demand

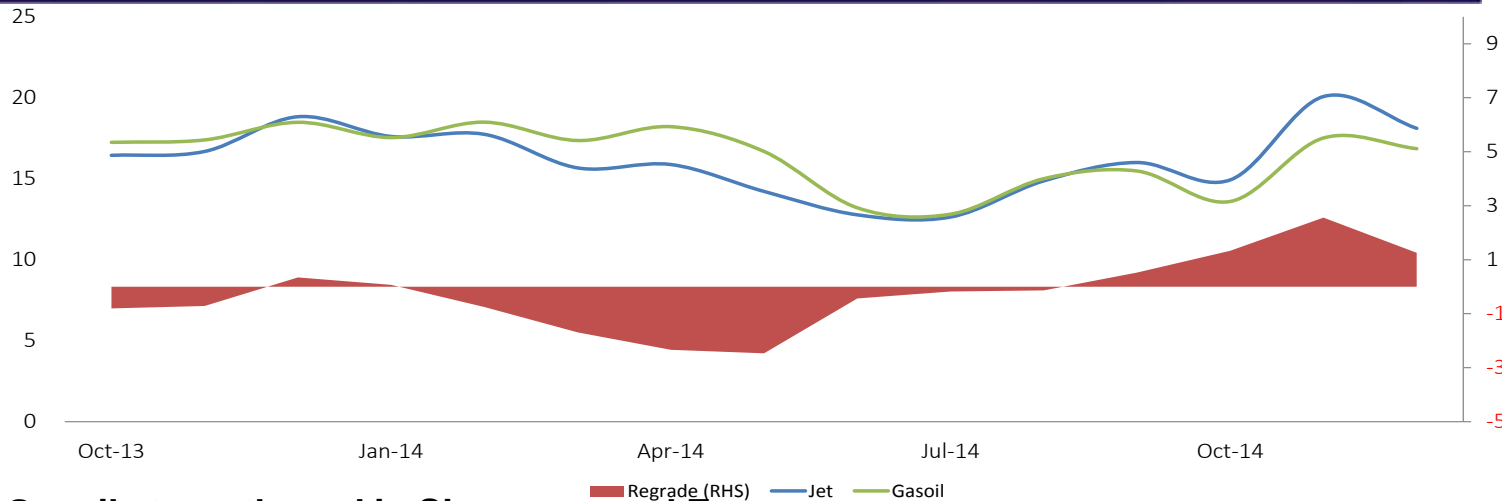
- Asian gasoline cracks remained supported initially by outages and strong buying from Indonesia; however, increase in pump prices in Indonesia and return of refinery capacity weighed on cracks
- Eastern cracks remained robust than Western cracks

## ■ Asian Naphtha cracks remain suppressed

- Asia - Muted demand and large inflows from West impacted naphtha cracks initially; however, cracks recovered on falling crude prices and demand from Petrochemicals
- In Europe and US – High stocks, low petrochemical demand, competition from LPG and weaker Asian fundamentals led to fall in cracks

**Supportive Gasoline Cracks and strong Reforming margins**

# Middle Distillates Cracks



## ■ Gasoil strengthened in Singapore and Europe

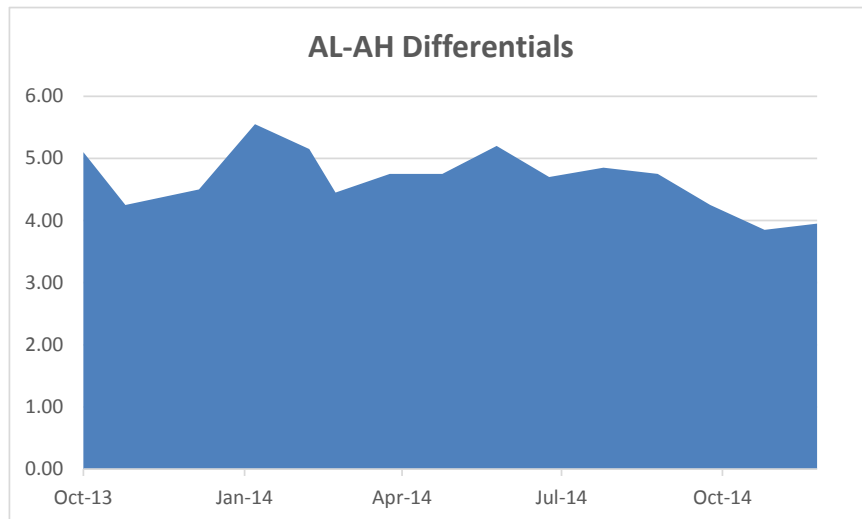
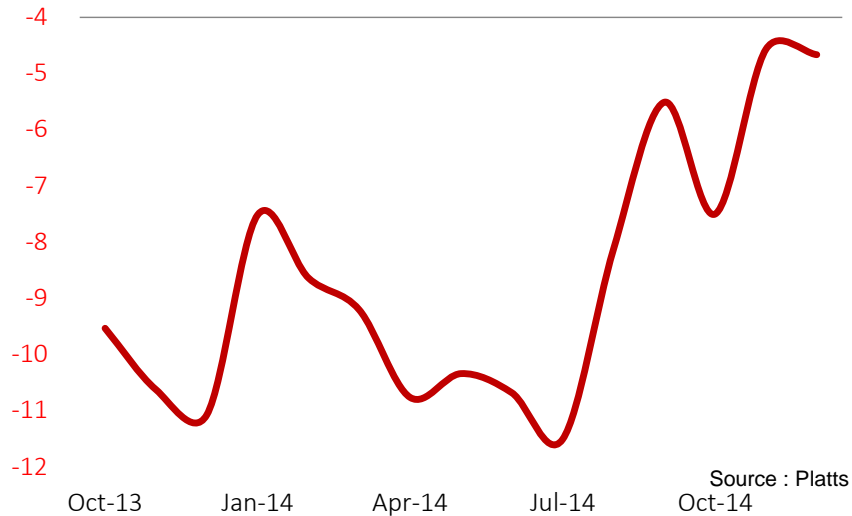
- Weakness in crude led to stronger gasoil cracks across regions
- Emerging economies use the current fall in prices to roll back subsidies
- Diesel market deregulated in India; Diesel demand up 11% Q-o-Q
- Demand supply balance received further boost as refiners switch to Jet production

## ■ Strong seasonal demand support global Jet-kero cracks

- Kero demand in Asia remained supported by strong seasonal demand for heating
- Jet/Kero cracks firmed on maintenance in US and Europe; ME barrels were diverted from Europe to US

**Strong middle distillate cracks support refining margins; seasonal strength in Jet/Kero boost regrade**

# Fuel Oil Cracks



- Asian Fuel Oil cracks strengthened boosting Singapore margins
  - Falling outright prices increased demand
  - Improvement in bunker sales coupled with fear of supply disruption due to bankruptcy of major European fuel oil supplier
  - Low demand from teakettle refineries checked the gains
- L-H differential narrowed in 3Q FY15 to \$ 4.0/bbl (vs. \$ 4.8/bbl in 2Q FY15)
  - Strengthening of FO and softness in light distillate cracks led to the narrowing L-H differentials

**Fuel oil prices lag the fall in crude price, leading to stronger cracks**



# The Asset Advantage



- Record crude processing of 17.7 MMT for the quarter
  - Refinery utilization rate of 114%
- Swing flexibility between naphtha and gasoline utilized to take advantage of the strong reforming margins
  - naphtha production reduced by ~20%
- Key Jet-Kero producing unit debottlenecked enhancing the flexibility to optimize between Gasoil and Jet-Kero production
  - Jet production for the quarter up by ~35% to take advantage of strong regrade
- Series of Energy Conservation opportunities identified; under various stages of execution
- Jamnagar Refinery complex received prestigious awards from CII
  - "National Award for Excellence in Energy Management 2014"
  - "Excellent Energy Efficient Unit"

**Continued efforts in improving product mix optimization sustained**

# Crude Sourcing Advantage



- Asset flexibility and logistics infrastructure allows optimization of crude portfolio to suit the changing market conditions
- Focus on advantaged feedstock acquisition
  - 3 new crudes processed during the quarter, taking the total no. of crudes processed to 141
- Narrowing of sweet - sour crude differentials provide an edge to RIL to suitably alter the sourcing strategy to increase the crudes priced on Sweet benchmarks
- Market structure supportive for buying long haul cargos
- Across the board weakening of quality differentials for most qualities of crude due to changing market dynamics

**The flexibility to process a wide range of crudes gives RIL a strong competitive edge**

# Business Performance



Asian Product Cracks (\$/bbl)	3Q FY15	2Q FY15	Q-o-Q Change	3Q FY14	Y-o-Y Change
Naphtha	-5.1	-1.6	-3.5	-3.0	-2.1
Gasoline	13.4	13.2	0.3	9.2	4.2
Jet/Kero	17.7	14.5	3.2	17.3	0.4
Gasoil	16.0	14.4	1.6	17.7	-1.7
Fuel Oil	-7.2	-10.5	3.4	-12.6	5.5
AL-AH Diff.	4.0	4.8	-0.8	4.6	-0.6
Brent-Dubai	1.9	0.4	1.5	2.5	-0.6
<b>Singapore</b>	6.3	4.8	1.5	5.4	0.9
<b>RIL GRM</b>	7.3	8.3	-1.0	7.6	-0.3

- Strong underlying business performance on the back of
  - Supportive crude markets
  - Healthy product cracks
  - Low oil price leading to lower fuel costs
  - Operational excellence in manufacturing
  - Efficient risk management
- Material decline in inventory valuation

**A quarter of strong performance offsets the impact of decline in Inventory valuation**

# Petroleum Retail Plan



## ■ Success Story of 2006

- Achieved market share of 14.3% in HSD and 7.2% in MS

## ■ 2015 and beyond

- 230 Outlets already commissioned
- Plan to commission entire network within a year
- Launch of aggressive consumer schemes for quick ramp up of volumes
- Target to replicate 2006 performance levels
- Leverage technology to provide superior customer value across the network



# Petroleum Retail Value Proposition



- Right Quantity and Quality of fuel at the Right price
- Consistent customer experience across all touch points through efficient mix of People, Processes and Technology
- Unique Value Added Services
  - Fleet management program to help Customers with Fleet Control, Cash Flow Management, Cashless transactions and Information
  - Customized loyalty program for different customer segments
  - Aggressive automation based “Instant Reward scheme” providing an edge over the competition, which lacks Nationwide Automation



# R&M Business Outlook – 2015



- Prices have crashed very near to the marginal production cost; eventually need to recover to support new developments
- Post recent crash, oil prices likely to witness slow recovery, leading to a sustained period of relatively low prices - outlook for oil importing emerging economies positive
- Stronger oil demand growth likely primarily through income effects and higher consumer and government spending
  - Demand from Non-OECD countries mainly in Asia expected to grow at a strong pace
- Likely capacity addition of over 2.5 MBD in the next two years
  - Delays in project commissioning, slow ramp up likely to bring the capacity additions in line with the oil demand growth
- Gasoline consumption will respond to cheaper prices, leading to supportive margins
  - Seasonal strength in naphtha demand expected

**Fall in oil prices likely to translate into stronger demand and a consumption boost**



# Petrochemicals

# Business Environment: Sharp Decline in Prices



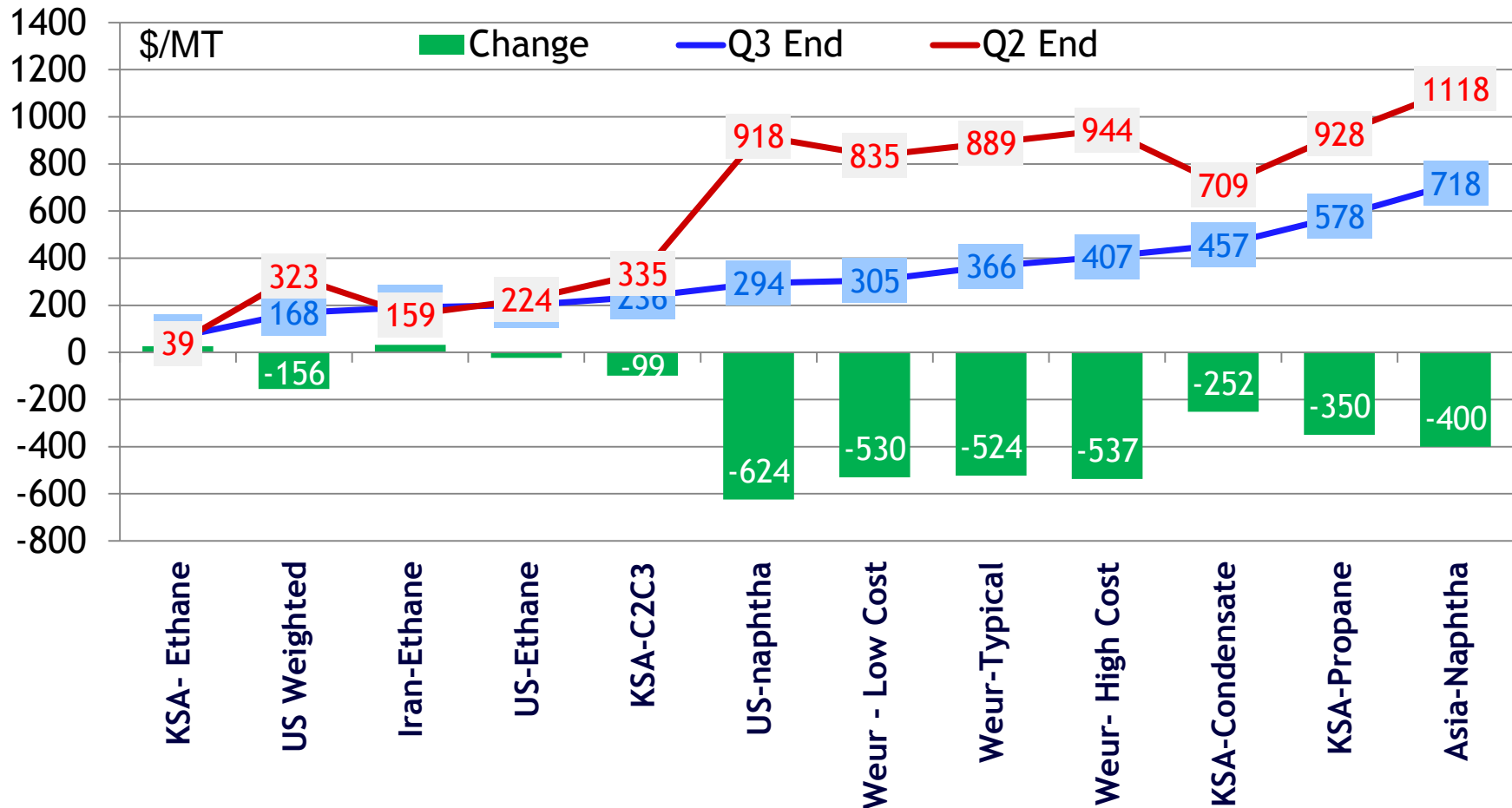
\$/MT	Entry price 01-Oct-14	Exit price 31-Dec-14	% Change
Oil - Dubai (\$/bbl)	93	53	-43%
Naphtha	805	437	-46%
Ethylene	1510	1000	-34%
Propylene	1250	590	-53%
EDC	433	300	-31%
PE	1560	1230	-21%
PP	1505	1140	-24%
PVC	1005	795	-21%

- Feedstock and product prices witnessed sharp downturn, uncertainty continues
- Naphtha prices in Asia declined with ample supply, drop in oil prices
- Product deltas at record high as feedstock prices declined more sharply and demand stayed stable
  - Aggressive sale of products checked inventory build, impacting realized deltas
- Declining prices affected trade as downstream units ran down their inventories

**Falling price environment resulted in cautious and delayed downstream buying. Proactive steps to minimize inventory holding impacted realizations and margins**



# World Ethylene Cash Cost Curve



The gap between the low feedstock cost regions and high cost regions continue to decline as naphtha cracking economics improved

# Business Environment : Demand Supported Deltas



## Polymer Demand Growth

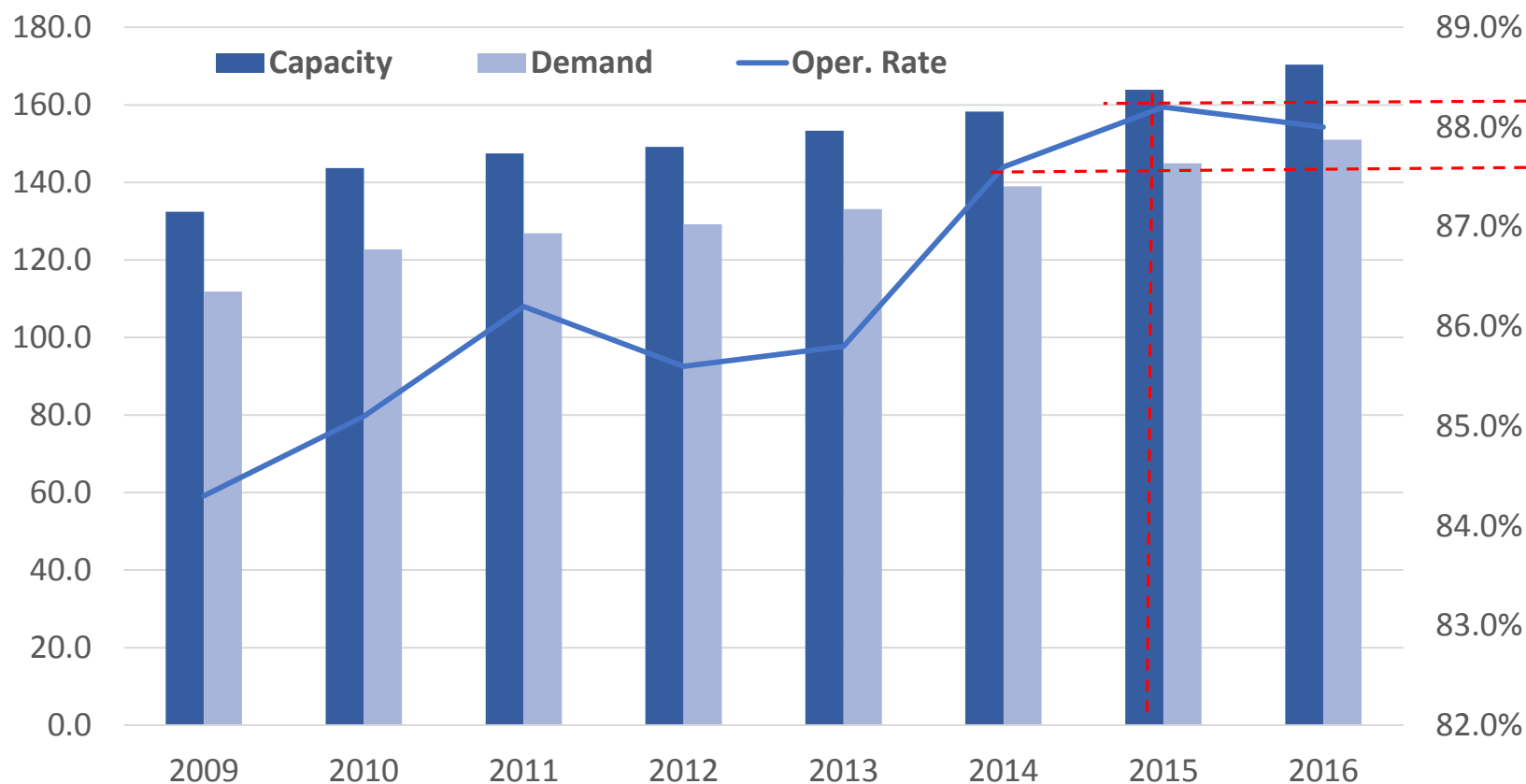
- 9M FY15 Indian polymer demand up 5.2%
  - PE: up 5.0%
  - PP : 5.3%
  - PVC : 5.4%
- China's all polymer demand for April-Nov'14 was up by 5.8% on Y-o-Y basis
- Cracker operating rates in SEA and US region remained at 91-94%

## Ethylene & Polymer Deltas

- Ethylene spread close to all-time high ~\$ 600/ MT
- On Q-o-Q basis :
  - PP delta improved 45% as propylene prices continue to fall due to oversupply
  - PE delta up 19% as naphtha prices fell in line with crude oil price
  - PVC deltas remained stable

**Polymer deltas remained high with stable demand, high operating rates and plummeting feedstock prices**

# Global Ethylene: Demand-Supply

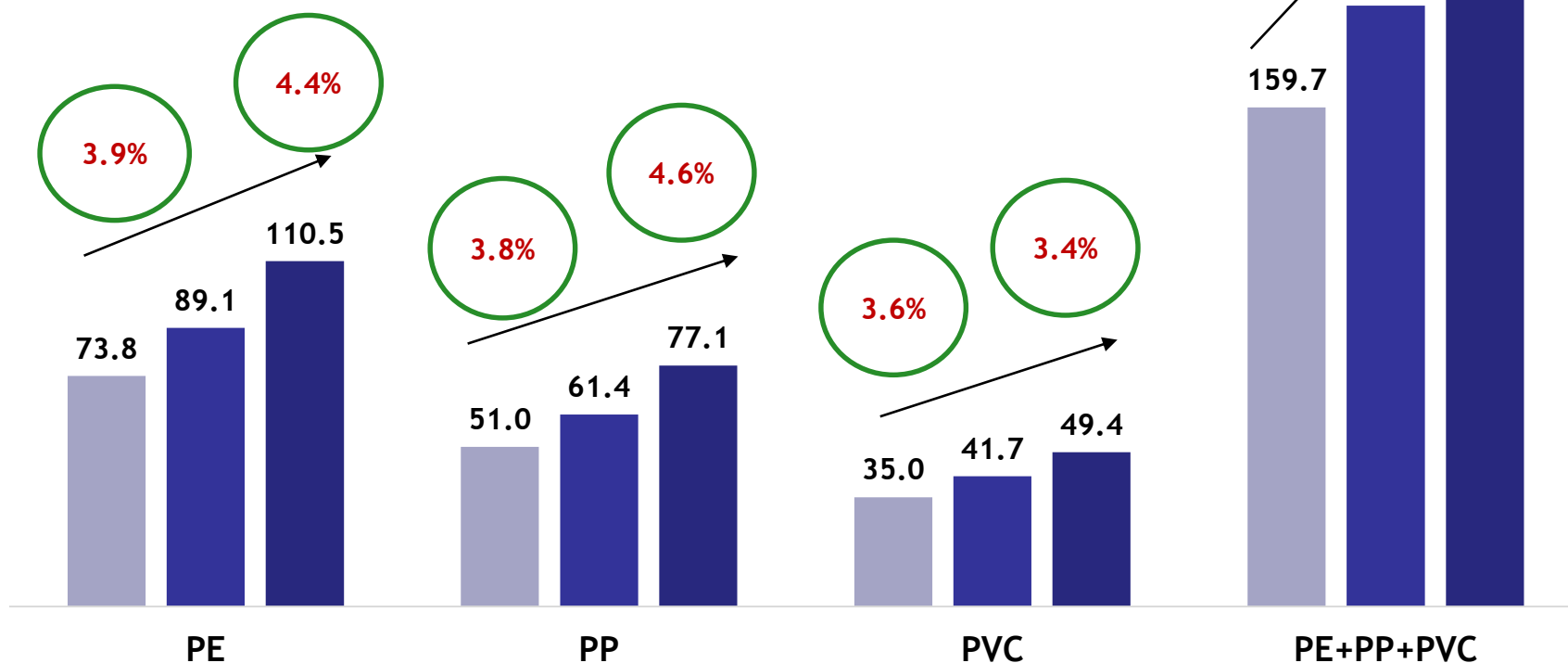


**Global ethylene operating rates to sustain upwards of 87% - near term outlook positive**

# Global Polymer Demand Growth

In MMT

■ 2010 ■ 2015 ■ 2020



Global polymers demand to increase by ~45 MMT between 2015-20, at 4.3% CARG

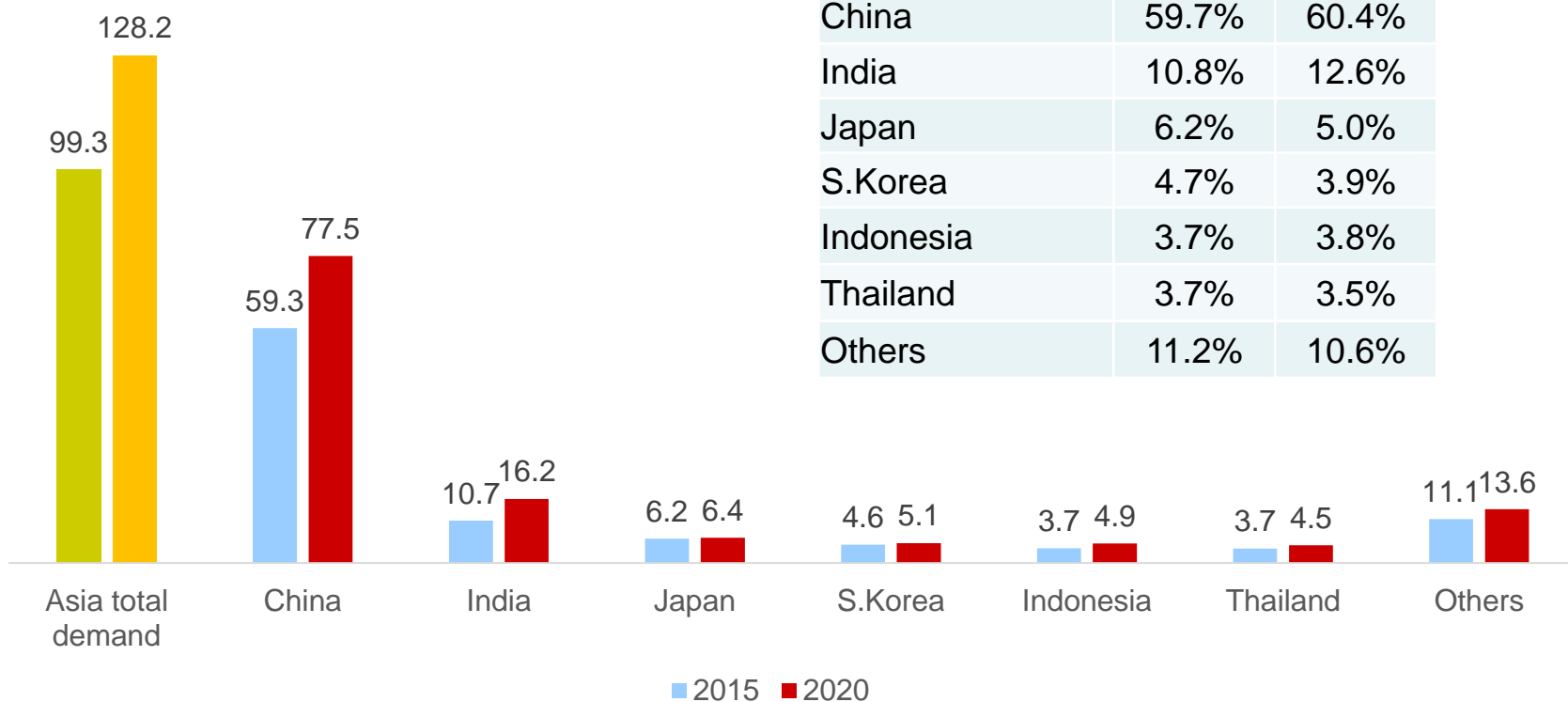
# Asia: Top Polymer Consumers – 2015 & 2020



(In MMT)

## Share in Asia's Polymer Demand

% Share	2015	2020
China	59.7%	60.4%
India	10.8%	12.6%
Japan	6.2%	5.0%
S.Korea	4.7%	3.9%
Indonesia	3.7%	3.8%
Thailand	3.7%	3.5%
Others	11.2%	10.6%



**China and India's share in Asian Polymer consumption > 70%**

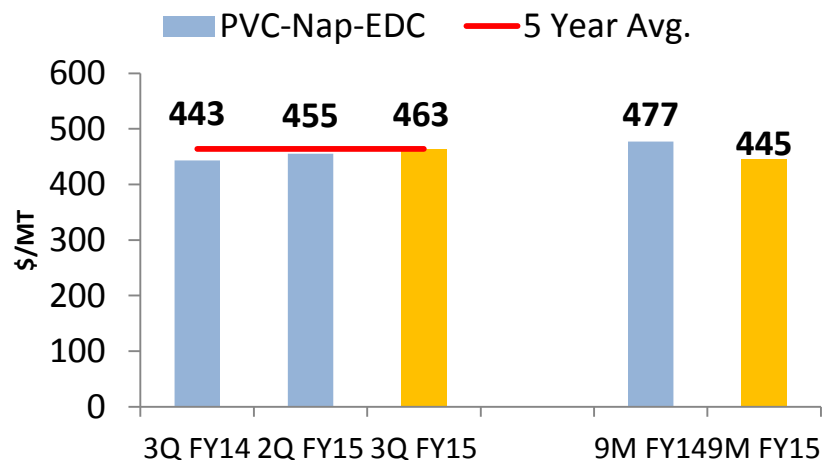
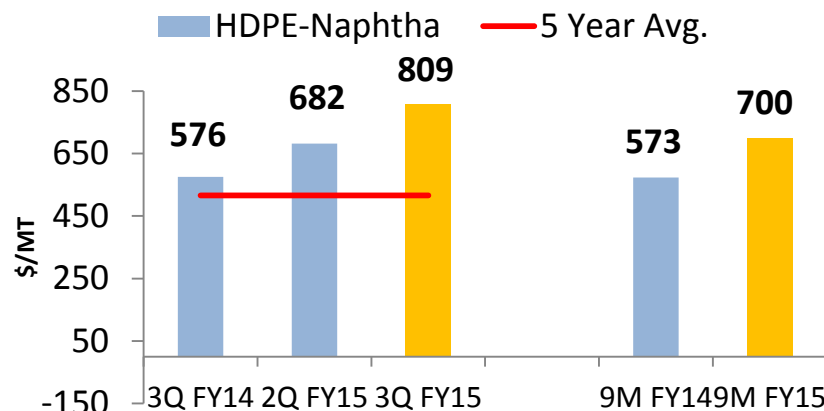
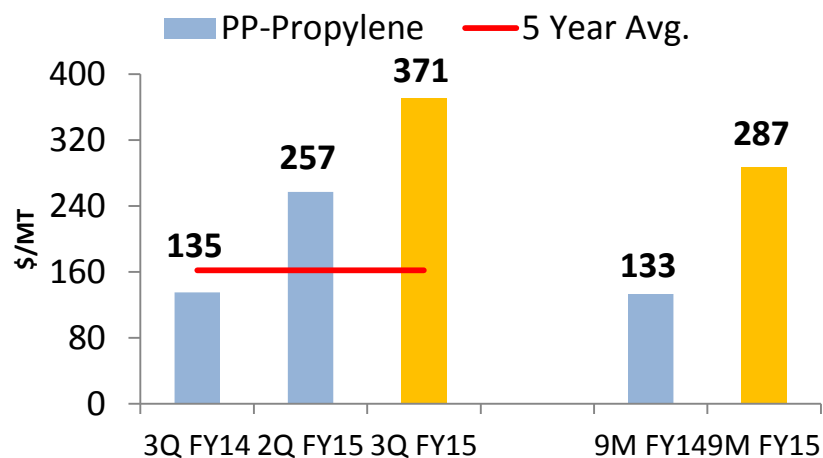
# Price Movement



\$/MT	3Q FY14	2Q FY15	3Q FY15	% Change Q-o-Q	% Change Y-o-Y
Oil - Dubai (\$/bbl)	107	102	75	-26%	-30%
Naphtha	934	899	623	-31%	-33%
Ethylene	1437	1484	1227	-17%	-15%
Propylene	1388	1282	996	-22%	-28%
EDC	395	439	371	-15%	-6%
PE	1510	1581	1432	-9%	-5%
PP	1523	1539	1367	-11%	-10%
PVC	999	1040	924	-11%	-8%

**On Q-o-Q and Y-o-Y basis polymer prices were lower on account of declining energy / feedstock prices**

# Polymer Delta Scenario



- PP deltas improved as propylene prices continue to fall (-22%) due to oversupply
- PE delta also improved as feedstock naphtha prices were falling on lower crude oil price, ample supply and soft demand
- PVC deltas improved marginally as PVC prices moved in line with feedstock EDC prices

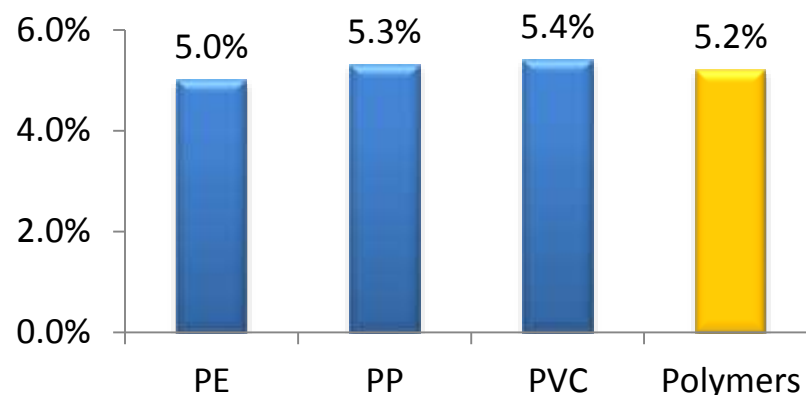
**Weak energy and feedstock prices benefitted polymer deltas**

# India Polymer Demand: 9M FY15



- Domestic demand up 5.2%
- End use demand across all majority sectors remained moderate to higher
- RIL Polymer production (9M FY15) lower at 3.3 MMT due to planned turnaround at Hazira
- Overall RIL's polymers production share at 62%
  - Domestic market share : 38%
  - PP segment market share: 59%

## India Demand (9M FY15 vs. 9M FY14)



## RIL Production

Production (KT)	9M FY14	9M FY15
PE	776	736
PP	2,128	2,059
PVC	506	471
<b>TOTAL</b>	<b>3,410</b>	<b>3,263</b>

**RIL maintained market leadership and ensured minimal inventory levels in a falling price environment**



# Outlook



- Low oil prices and growth in U.S. supportive of global economic recovery
  - Weak Eurozone and signs of stress in China and Japan are concerns
- Asian polymer demand to grow faster than global demand growth
- Global ethylene operating rates expected to sustain high levels in 2015-2016
- Polymer margins likely to normalize in near term, but remain healthy on lower feedstock prices
- ROGC project : Fast track execution on-going; construction work at an advanced stage
- Ethane imports from US : signed shipping agreements with MITSUI O.S.K. LINES for transporting liquefied ethane from North America to India
  - MOL to supervise the construction of six VLECs; also operate and manage the vessels on delivery

**RIL's new capacity additions to expand India's polymer manufacturing base**

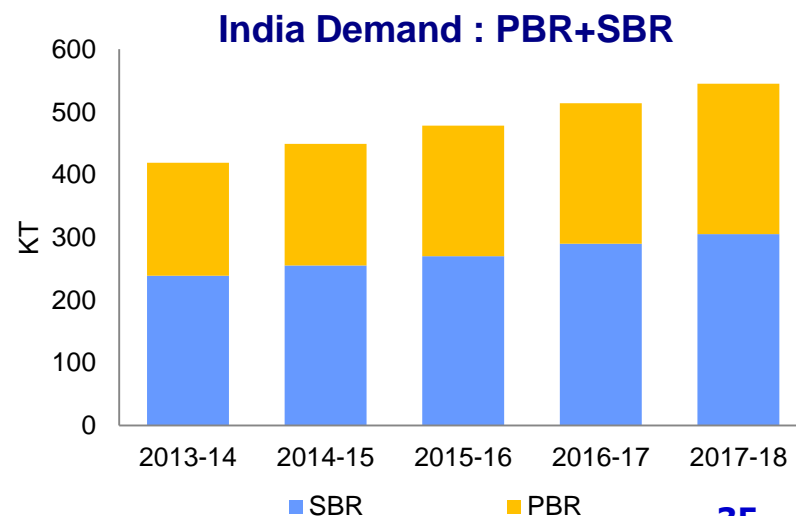
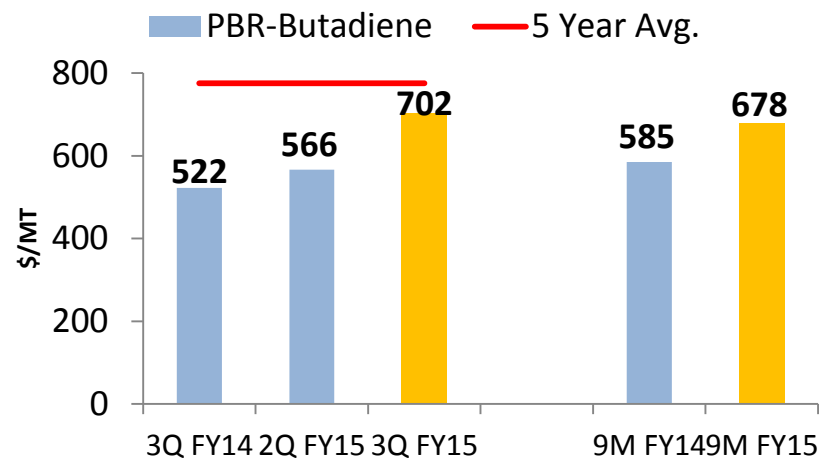


# Elastomers

# Polybutadiene Rubber (PBR)



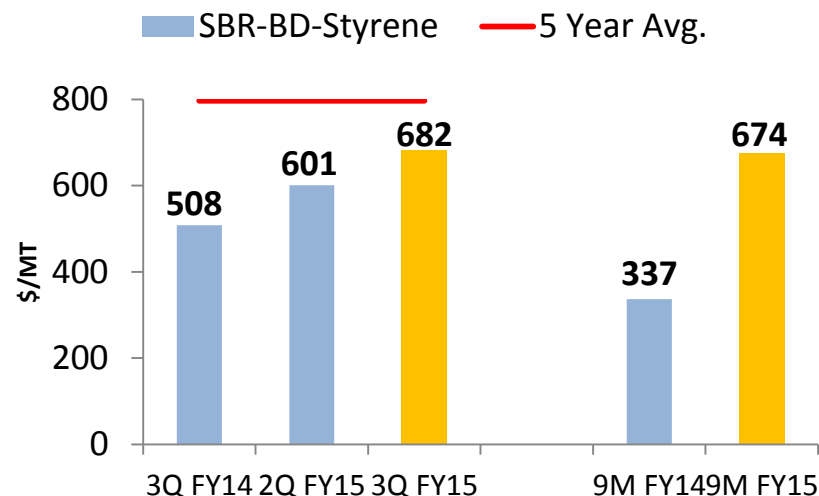
- PBR prices declined by 13% on Q-o-Q basis due to weak market conditions
  - Deltas improved due to sharper (-28%) Q-o-Q drop in BD prices
- Steady ramp-up of supplies from new PBR plant at Hazira
  - Improved RIL's market share and reduced imports
- Auto sector, which is a major driver of synthetic rubber consumption witnessed marginal recovery in sales volumes
  - Passenger car sales up 3% Y-o-Y
  - M/HCV sales up 5% Y-o-Y



# Styrene Butadiene Rubber (SBR)



- SBR prices dropped by 15% in 3Q FY15
  - Deltas improved due to sharper 25-28% Q-o-Q drop in styrene and BD prices
- Falling crude oil and natural rubber prices have increased the uncertainty and impacted the market buying sentiments
  - Natural rubber prices plummeted to as low as \$ 1380/MT in the month of October before recovering to \$ 1500 / MT level
- New 150 KTA SBR plant at Hazira
  - Production being ramped-up
  - Capability to produce entire range of dry as well as oil extended grades of SBR
  - Local availability of SBR to reduce dependence on imports





## Polyester & Fibre Intermediates

# Business Environment



\$/MT	Entry price 01-Oct-14	Exit price 31-Dec-14	% Change
Oil - Dubai (\$/bbl)	93	53	-43%
Naphtha	805	437	-46%
PX	1197	823	-31%
PTA	919	654	-29%
MEG	896	774	-14%
POY	1355	1190	-12%
PSF	1270	1070	-16%
PET	1244	1003	-19%

- Sharp decline in oil prices impacted aromatics and intermediate prices and margins
- PX, PTA and MEG prices touched multi year lows on lower feedstock prices
  - PX deltas down 18% Q-o-Q
- Feedstock uncertainty impacted polyester market sentiment amidst cautious buying
  - Focus on preventing stock build in a falling market resulted in lower realization and margins
- Downstream polyester inventory at low levels - replenishment likely on price stability
- Cotton prices lowest since 2009, however cotton-PSF delta continued to be above long term average

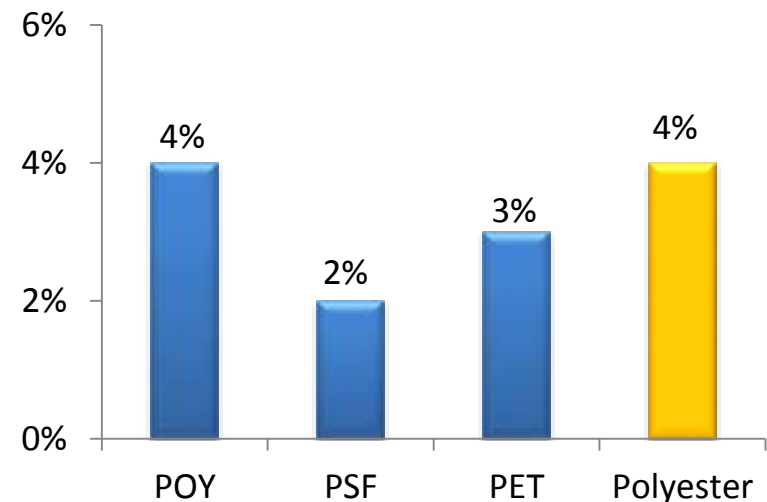
**Price stability to support restocking, demand**

# Polyester Demand



- Domestic demand improvement led by FDY and PET
  - Growth impacted by global meltdown in feedstock prices
  - PSF and PET imports declined due to price volatility
- Buying remained cautious throughout the quarter
- Labour strikes (in Surat) and liquidity crunch in downstream textile markets impacted demand
- RIL's PFY market share improved to 27% (from 20%) with the start-up of the Silvassa plant

9M FY15 vs. 9M FY14 Demand Growth (%)



# Price Movement

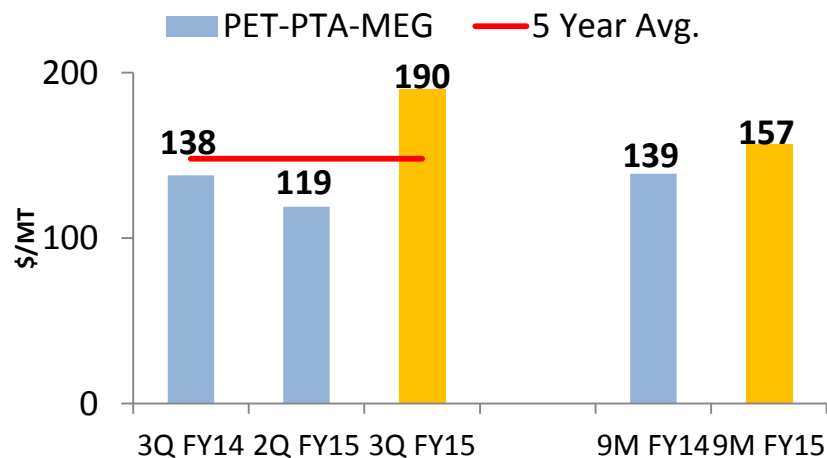
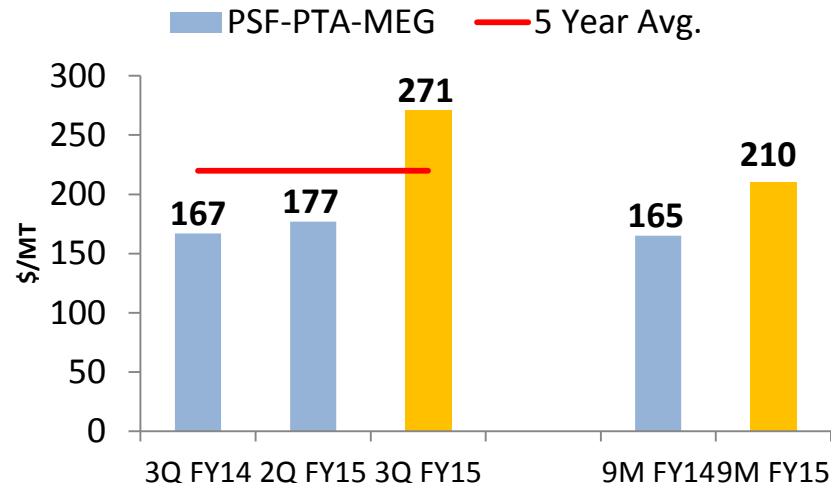
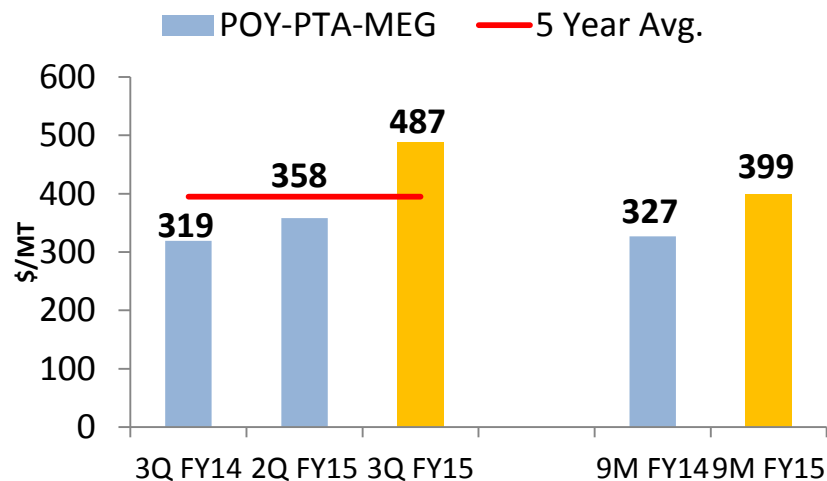


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Oil - Dubai (\$/bbl)	107	102	75	-26%	-30%
Naphtha	934	899	623	-31%	-33%
PX	1,429	1,350	1,009	-25%	-29%
PTA	1,030	1,007	775	-23%	-25%
MEG	1,041	972	826	-15%	-21%
POY	1568	1564	1442	-8%	-8%
PSF	1,417	1,383	1,226	-11%	-13%
PET	1,378	1,315	1,137	-14%	-17%

**Lower prices across the chain, drop in crude oil prices precipitated weakness**  
**Fall in Polyester prices was less pronounced vis-a-vis intermediate prices**

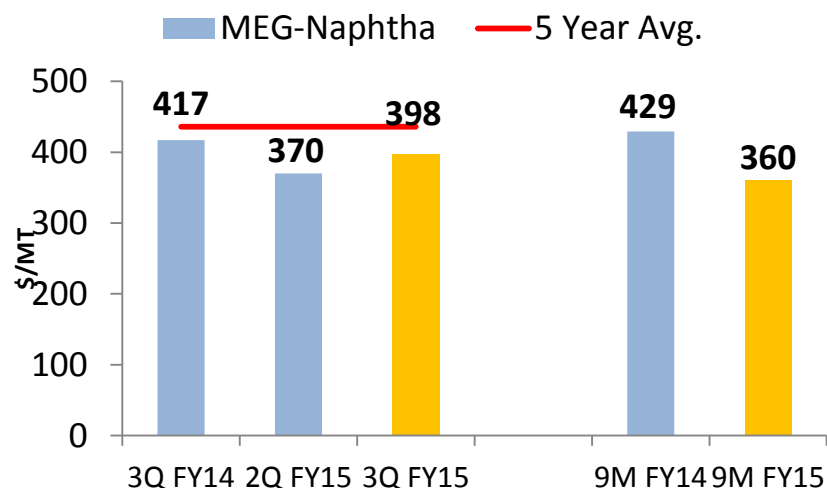
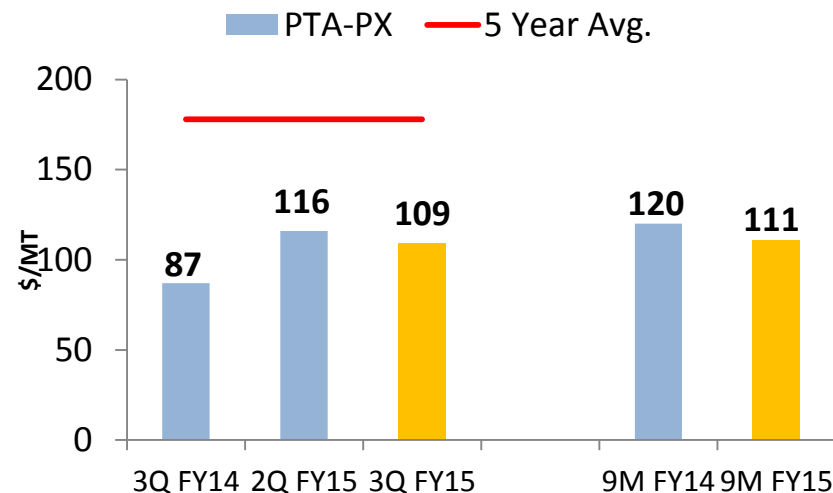
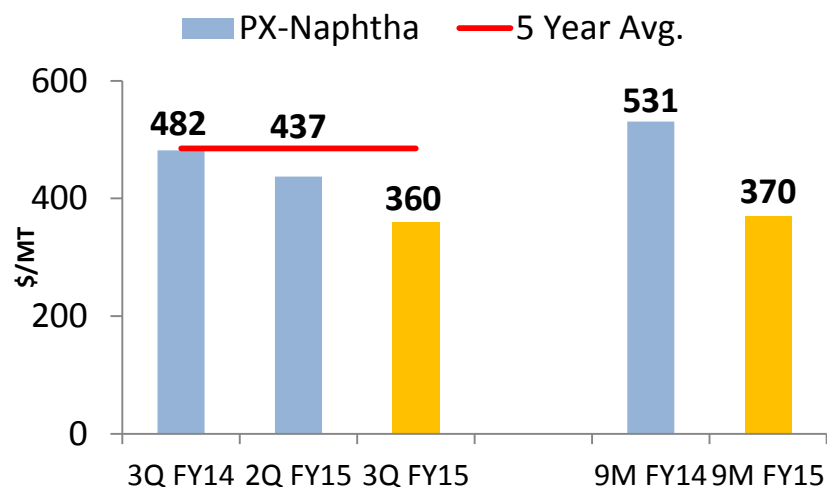


# Polyester Delta Scenario



- Polyester margins firmed up to 2 year high owing to lower raw material cost
- PSF and POY demand stable
  - Low inventory levels in key China market
- Demand for winter wear lower than anticipated
- Brazil lowered the import duty on POY from 18% to 2%
- Overall stable demand for PET in US and Asia

# Intermediates Delta Scenario



- PX margins hit by weak demand and over-supply – partly offset by lower naphtha price
- PTA margins stable due to production rationalization by Chinese producers
  - Healthy demand from polyester aided markets
- MEG margins were better Q-o-Q owing to tight supplies and low Chinese port inventories

# RIL Operational Highlights



Production (KT)	9M FY14	9M FY15
PX	1487	1611
PTA	1552	1553
MEG	507	468
<b>TOTAL</b>	<b>3546</b>	<b>3632</b>

Production (KT)	9M FY14	9M FY15
POY	470	640
PSF	478	464
PET	260	289
<b>TOTAL</b>	<b>1208</b>	<b>1390</b>

- Production of differentiated Black POY commenced at Patalganga, adding to speciality portfolio
- Polyester production improved with stabilization of Silvassa facility
  - PFY market share increased to 27%
  - Polyester exports volume increased by 12% Y-o-Y
- Intermediates production higher due to planned PX turnaround last year
  - Lower MEG production due to planned turnaround in 3Q at Hazira

# New Product Developments



## Apparel fibre and yarns

- Recron® Linen – Special thick and thin FDY
  - Used in fabric through twisting and texturizing for fancy effect
- Recron® Recro Bulk Sparkle – Additional bulk and shine
  - For rugs, fancy yarn and hand knitting
- Recron® Fancy Effect fibre – Small cut length fibers – 6mm,12mm,18mm. For – fancy effect creation in yarn, fabric and garments

## Recron Certified Products

- Sleep Tunes – India's first music pillow with embedded speakers



# Outlook



- Feedstock price stability could spur demand for building pipeline stock in the polyester and textile chain
- Low polyester prices to uplift demand in near term, however buyers still cautious
  - Chinese industry expected to gain from increased export benefits and domestic policies
- PX dynamics would largely be determined by supply side factors
  - Demand from polyester downstream expected to witness normal growth
- MEG markets to remain tight fundamentally, but prices and trade to be guided by PTA markets
- PTA capacity overhang to continue, demand growth from polyester sector to aid margin environment



## Oil and Gas – Exploration and Production

# Domestic E&P Production Update



2Q FY 15	Blocks (JV Production)	3Q FY 15	3Q FY 14	% Chg.YoY	% Chg.QoQ
	<b>Panna-Mukta</b>				
1.8	Oil (MMBBL)	1.8	2.1	-12%	4%
16.5	Gas (BCF)	18.5	17.1	8%	13%
	<b>Tapti</b>				
0.06	Oil (MMBBL)	0.05	0.1	-29%	-15%
3.9	Gas (BCF)	3.0	6.4	-53%	-24%
	<b>KG-D6</b>				
0.5	Oil (MMBBL)	0.5	0.4	6%	-7%
40.6	Gas (BCF)	38.5	40.4	-5%	-5%
0.1	Condensate (MMBBL)	0.1	0.1	34%	13%

- KG-D6 averaged at 11.8 MMSCMD of gas and 5,988 BOPD of oil/condensate
- Panna-Mukta: Q-o-Q increase in production on account of SBM issues 2Q FY15
  - Tapti – Fall in production was on account of natural decline
- Gas price at \$ 5.73/MMBTU from Panna-Mukta, \$ 5.57/MMBTU from Tapti
  - KG-D6: \$ 4.20/MMBTU (NCV) for Oct'14, and \$5.05/MMBTU (GCV) for Nov-Dec'14

# KG-D6 Block – Key Project Update



*Compressor U-301 & U-201*



- Onshore Terminal Booster Compressor (OTBC):
  - All construction activity completed
  - Final tie-ins underway
  - System charging and testing underway
  - Target commissioning of 2 compressor in 4Q FY15
- Work-over campaign in D1-D3 and MA to augment production
  - Side-track in MA5H currently underway; production from well expected by end 4Q FY15
  - D1-D3 work-over campaign to resume post MA5H side-track
- Appraisal of D55 Discovery
  - Third appraisal well drilled to appraise Southern portion of Central segment. Results being analyzed and incorporated towards Resource appraisal
  - Conceptual engineering studies underway



# Other updates



## ■ Panna Mukta and Tapti field

- Rig was mobilized towards the end of 3Q FY15 to drill work-over wells and MB wells
- Cessation of production from Tapti is likely to occur over the next six month

## ■ Relinquished block KG-D3

- Gas discoveries and prospects size small and scattered over a large area at significant offset from shore (> 50 kms)

## ■ International Ventures

- RIL and Myanmar Oil and Gas Enterprise (MOGE) expected to sign PSC with respect to Myanmar blocks M17 and M18
- RIL and PEMEX have entered into a MoU
  - For assessment of potential upstream oil & gas business opportunities in Mexico
  - Jointly evaluate value added opportunities in international markets

# Coal Bed Methane



- Development activities commenced in 2 CBM blocks – Sohagpur East and West
- Phase-1 development program envisages drilling of more than 200 wells
  - Two Gas Gathering Stations and 8 Water Gathering Stations
- The land acquisition is in advanced stage; >70% of Phase-1 scope completed
  - Currently 4 rigs in operation
  - Completed drilling of 151 surface holes, 131 production holes and performed 100 hydro-fracturing jobs
  - Concept and FEED for surface facilities is completed and detailed engineering is in advance stage
- First gas production expected by mid-FY16
- Shahdol – Phulpur Gas Pipeline Project
  - 100% completion of land acquisition and RoU Notification under PMP Act.
  - FEED and detailed engineering completed
  - All construction contracts awarded - construction work in progress

# Coal Bed Methane – Progress Update



**GG5 -11 View from Substation**



**Gas Dehydration Unit**



**TL-9 Well site- Surface facilities installation**



**CTMS**





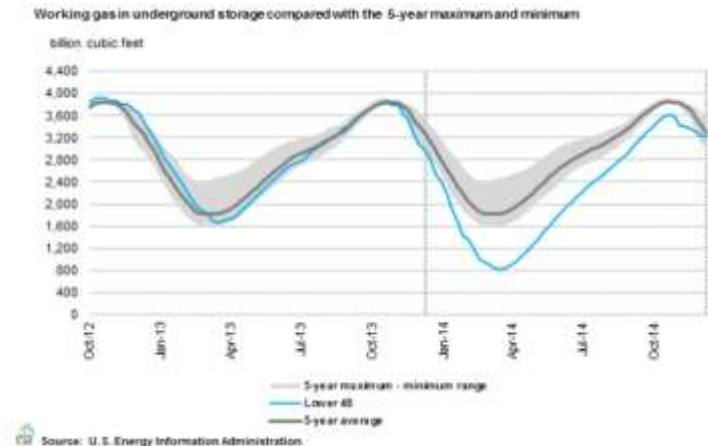
# Shale Gas Business

# Price Environment – Gas & NGLs

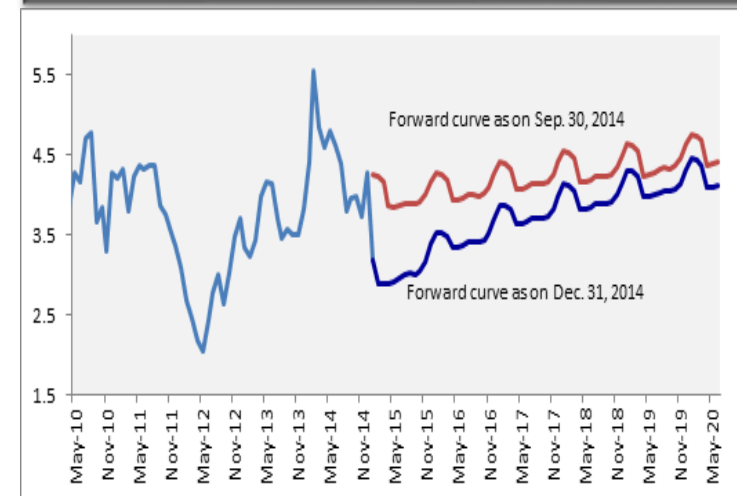


- Natural Gas prices remained volatile with a downward bias
- HH spot declined 24% from \$ 4.14/MMBTU in Oct'14 to \$ 3.14/MMBTU in Dec'14, with milder weather and accelerated supply
  - US dry gas production hit a record high of 73.5 Bcf/d in Dec'14
  - Surging supply has erased gas inventory shortfalls created by extreme weather last winter
  - Gas inventory at 3.08 TCF, up ~9% Y-o-Y, 2.1% below 5-yr. avg.
  - Weather pattern in ongoing winter, coupled with impact of cutback in activity levels, will determine gas price for the year
- Gas differentials remained high; a key challenge for Marcellus JVs
- NGL prices remained stable Q-o-Q at ~32.5% of WTI
  - Despite higher Propane exports, inventories at a record high of 73 MMBbl, (up 31 MMBbl on Y-o-Y), led by 12% higher production, putting pressure on Propane prices
  - Oversupply kept Ethane prices lower than its heating value equivalent, resulting in record Ethane rejections in the Gas stream (~350,000 Bbls/d)
  - NGLs expected to remain in 30-35% range of WTI in 2015

## US Natural Gas Inventory Levels (Bcf)



## Gas Prices (Henry Hub) (\$/MMbtu)



Source: Historical data from EIA; NYMEX Strip prices

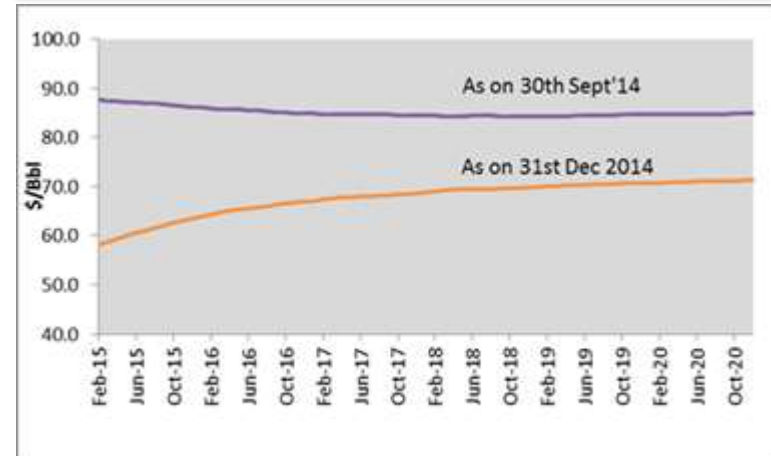


# Price Environment – WTI



- WTI prices dropped dramatically by ~ 40% in 3Q FY15
- Forward price curves for WTI and Brent have re-set at lower levels
  - Downward oil demand revisions driven by slowing economies in EU, China and Japan
  - Persistently higher supplies from Non-OPEC (mainly US and Canada),
  - OPEC's decision to maintain production levels
- Growth in US oil production (~1 MMbbl/d in 2014), is expected to reduce in response to falling oil prices
- Prices expected to recover in 2H-CY2015 as markets realign
  - Capex cuts to affect supply and slow down production growth

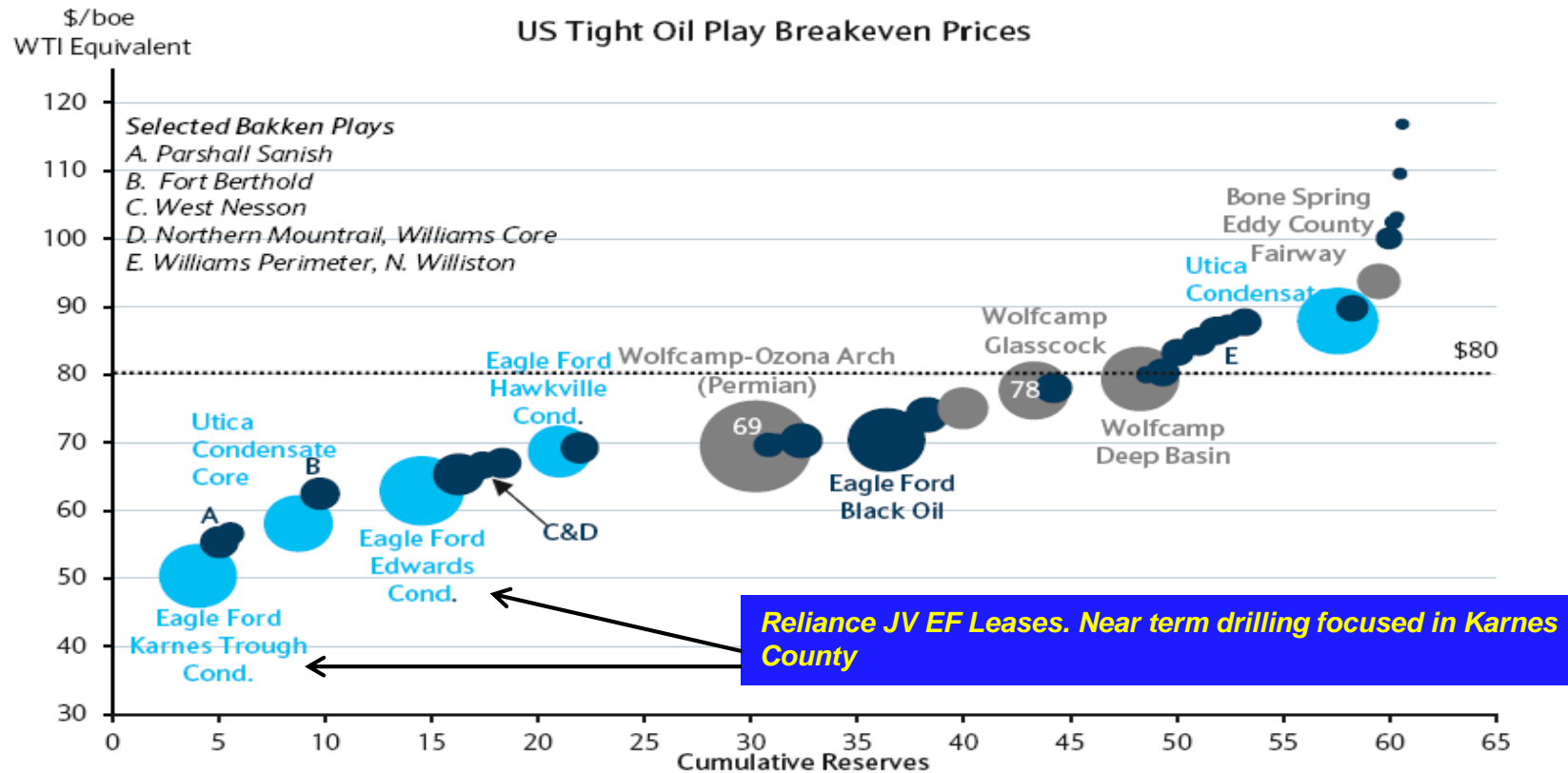
## WTI Forward Curves



## WTI Trends



# Eagle Ford : Among Most Competitive Liquids Shale Plays



Source: WoodMackenzie, Barclays Research. Note: 2P commercially viable reserves. 10% IRR assumed. B/E price calculated by sub-play area by taking the risked remaining locations multiplied by the EUR per well.

**Reliance JV acreages at the core of Eagle Ford shale**

# Business Performance Highlights



	3Q FY15	2Q FY15	3Q FY14	% Chg. From 2Q FY15	9M FY15	9M FY14	% Chg. from 9M FY14
Production (BCFe)	52.1	49.8	43.0	5%	150.5	117	28%
Revenues (\$ MM)	206	244	221	-16%	720	627	15%
EBITDA (\$ MM)	174	202	174	-14%	577	462	25%

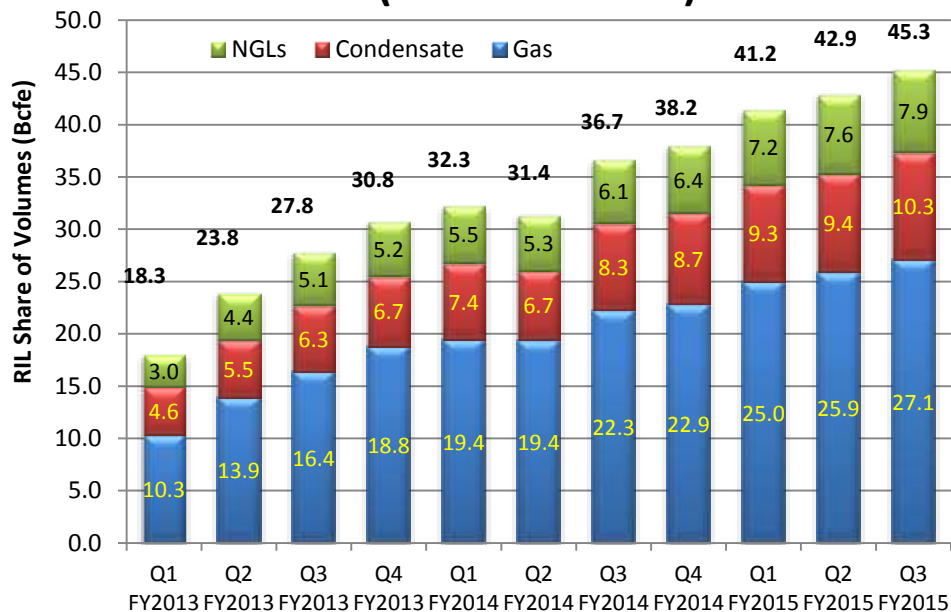
- Operational performance remained strong, with improving efficiencies and costs, despite macro headwinds
- JV Gross production crossed the 1.4 Bcfe/day mark, new production records at Pioneer and Chevron JVs
- Impact of higher production offset by lower realization; Revenue and EBITDA lower sequentially
  - Unit realization at \$4.60/Mcfe in 3QFY15, compared to \$5.69/Mcfe in 2QFY15 and \$6.03/Mcfe in 3QFY14
  - EBITDA lower sequentially, but nearly unchanged on Y-o-Y basis on the back of lower opex across JVs
- Strong overall performance on a YTD basis, reflecting impact of continued ramp-up and lower opex
- Pioneer JV exported ~16% of volumes (~1.0 MMbbl for the JV) with better differentials in 3Q FY15
- Ongoing value creation initiatives
  - Pioneer JV: Successful implementation of down spacing and completion optimization techniques towards improving resource recovery. 2-string casing design helping reduced drilling costs
  - High intensity completions being tested at Chevron
- All the 3 JVs actively pursuing opex and capex reduction initiatives in the current commodity price downturn
- 3Q capex at \$ 264 MM and cumulative investment across all JVs at \$ 7.9 bn. Carrizo and Pioneer JV remained self funded during the quarter



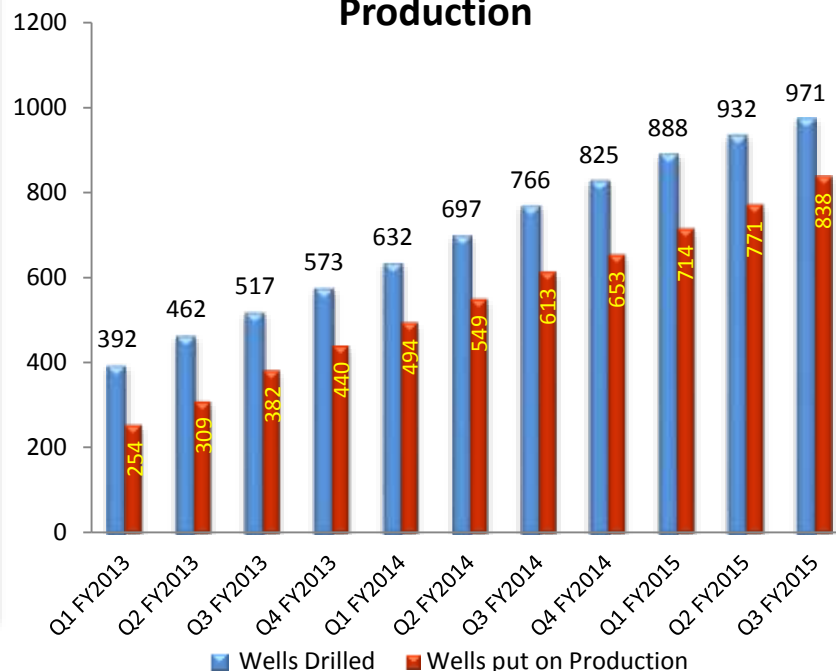
# Business Growth Trends



## Net Sales Volumes (Reliance Share)



## Total Wells Drilled and Put on Production



- Development growth momentum remained strong - 67 wells put on production in 3Q, aggregate producing well count at 838 wells, reflects growth of 40% Y-o-Y and 8% Q-o-Q
- Share of liquids stable at 40% of sales volumes
- Net sales volume (Reliance share) at 45.3 Bcfe - reflects growth of 5% Q-o-Q and 23% Y-o-Y
- Higher Q-o-Q growth in gas volumes reflects improved situation at Carrizo and strong well performance

# Shale Gas JVs: Development Progress Overview



Particulars	Pioneer JV	Carrizo JV	Chevron JV	TOTAL
Average Rigs in operation	9	-	1	10
Wells Drilled in 3Q FY15	34	-	5	39
Wells put online in 3Q FY15	30	5	32	67
Total Wells Drilled (Inception-to-date)	536	98	337	971
Total Wells Hooked up(Inception-to-date)	499*	82	257	838
Gross JV Avg. production (MMscfd) 3QFY15	725	157	366	1,247
% Production Growth YoY (3QFY15 – 3QFY14)	19%	31%	21%	21%
Total Investments (Inception-to-date) (\$ Billion)	4.2 (incl. EFS midstream)	0.9	2.9	7.9

- **Activity levels being optimized across the JVs considering commodity price outlook – Lower 2015 capex likely**
- **Business has reached development maturity with significant acreages in HBP – provides flexibility for ensuring profitable development**
- **Challenged market outlook likely to curtail near-term growth**

- Strong operational performance with improving efficiencies
- Production up 3% Q-o-Q
- Value creation initiatives progressing well (down spacing, completion optimization and 2-string casing)
- Acreage in the sweet spot of Eagle Ford and positioned well with export advantages
- Returns remain robust in low price environment on account of high graded capital allocation

- NEPA initial development maturing.
- Opportunistically pursuing upside potential – utilizing spare well potential, down-spacing / infill drilling, upgrading compression facilities and consolidating acreages
- Capex momentum slowing; JV has positive cash from operations in 2014

- Strong well performance trend continued, 6% production growth Q-o-Q
- Some well cost improvement noted; but significantly more scale and consistency needed for overall capital efficiency
- Improving capital efficiency (cost and cycle times) remains a key focus area

\* Includes 2 abandoned wells



Reliance Retail

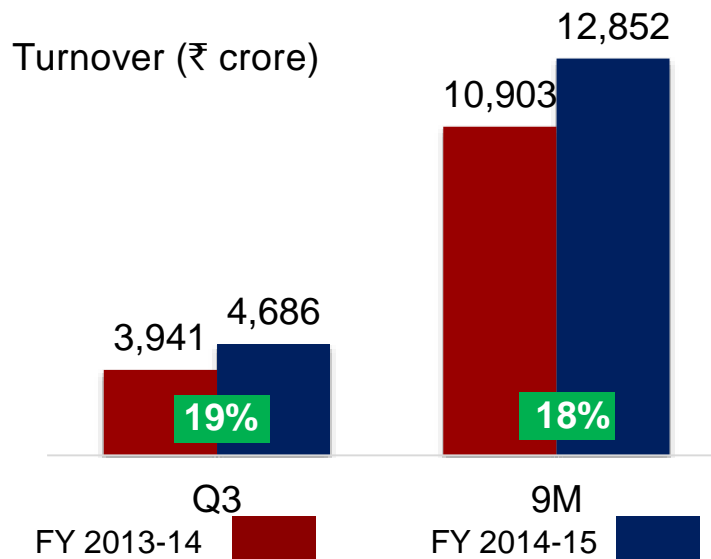
# 3Q FY15 – Key Highlights



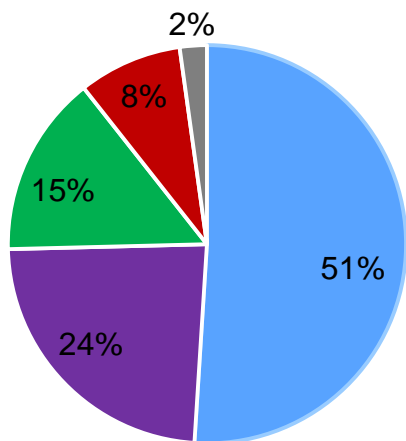
- Continued growth momentum despite challenging macro-economic environment
- Turnover for 3Q FY15 at ₹ 4,686 crore, up 19% Y-o-Y
  - LFL growth of up to 19% across formats
- Record quarterly PBDIT of ₹ 227 crore, Y-o-Y growth of 114%
- Net addition of 279 stores in 3Q FY15
- Major milestones achieved:
  - Reliance Trends presence in over 100 cities
  - Over 900 stores for Digital sector
- Encouraging response to launch of Reliance Fresh Direct

**Continued growth momentum with improved profitability**

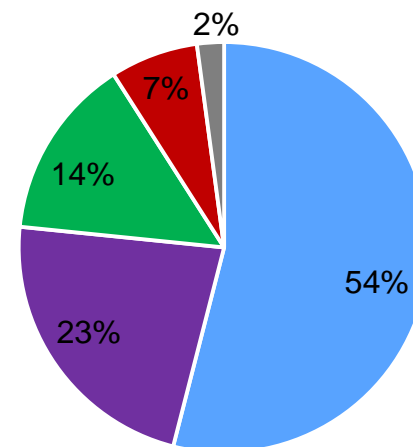
# 3Q FY15 – Turnover Trends and Business Mix



Turnover Mix – Q3 FY 15



Turnover Mix – 9M FY 15

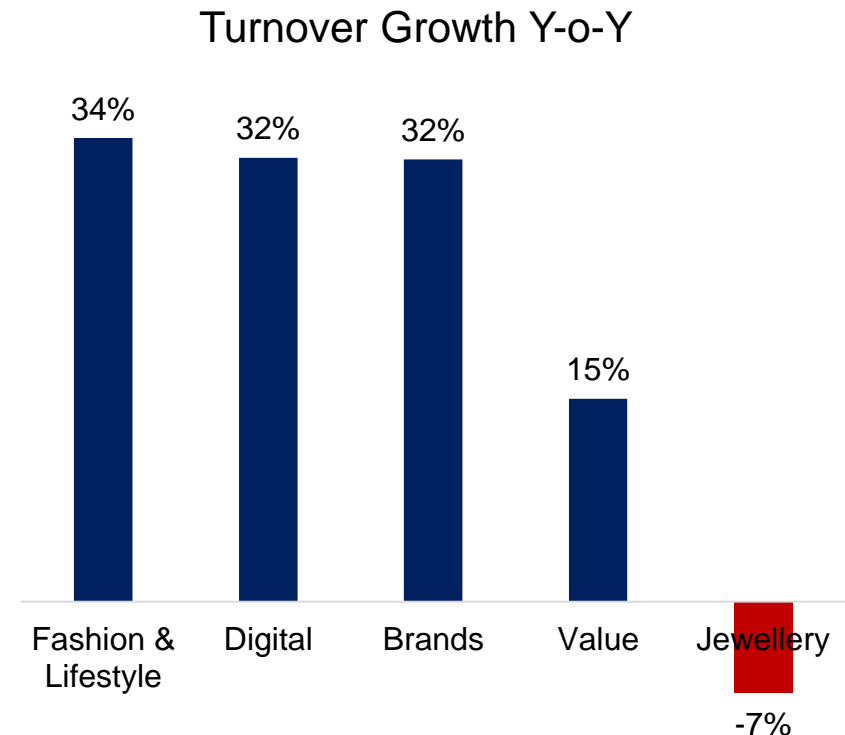


- Value & Others
- Digital
- Fashion & LifeStyle
- Jewellery
- Brands

# 3Q FY15 – Format wise Growth

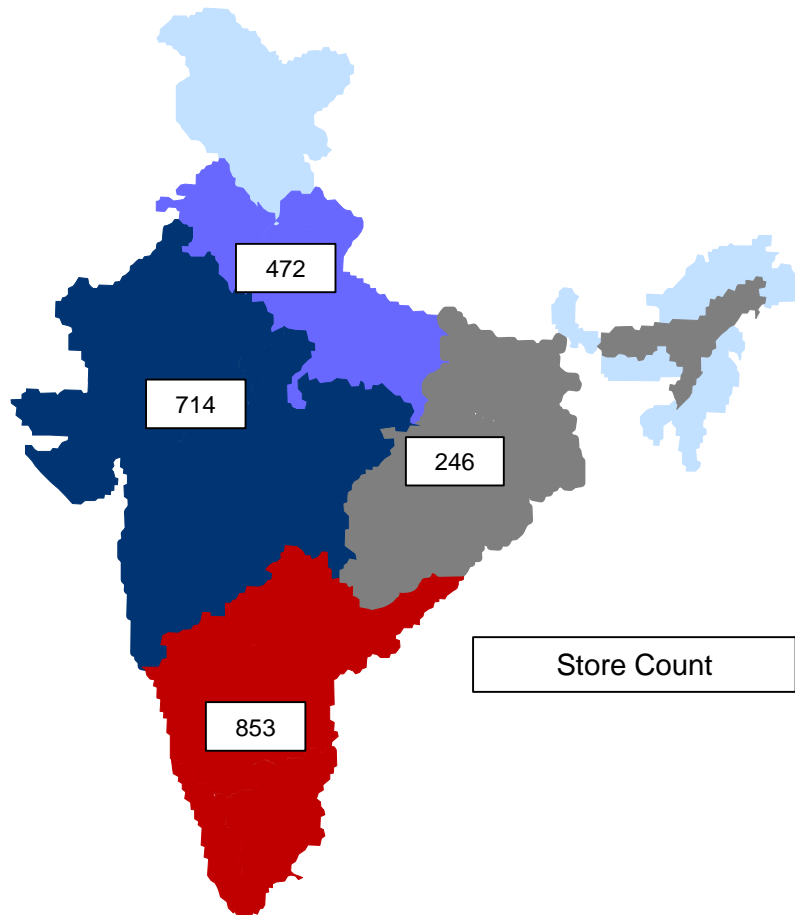


- 3Q overall turnover growth at 19%
- Festive demand supported by wider offerings
  - Turnover increase across most format sectors
- Digital and Fashion & Lifestyle continue on high growth trajectory
  - Brands continues to grow at a rapid pace



**Fashion & Lifestyle and Digital format sectors driving growth**

# Pan-India Presence



## Store Count by Format Sector

	Sep 30, 2014	Dec 31, 2014
Jewellery	53	53
Brands	100	104
Digital	689	920
Fashion & Lifestyle	569	599
Value & Others	595	609
<b>Total</b>	<b>2,006</b>	<b>2,285</b>

**Accelerated store openings with over three stores a day**

# Value



- Increasing store densities in identified markets for greater efficiencies
  - 15 Reliance Fresh stores added in cities with existing presence
- Own brand products continue to gain traction with consumers
- Reliance Fresh Direct being piloted in a limited territory and showing encouraging response
- Reliance Market continues partnering with Kirana's and businesses driving inclusive growth
  - Over 1.5 million Kirana partners
  - Operating 37 stores in 30 cities





# Digital



- Established as the largest mobile phone retail chain in the country in a short period
  - Added 231 stores in 3Q, total operational stores at 920
- Differentiated sales experience backed by service network propelling growth
- Partnered with 5 leading international brands to launch several experience zones in stores
- Strong connect with customers using social media – Facebook fans surpassed 2.3 million fans

**DISCOVER TOMORROW'S TECHNOLOGY, TODAY.**

India's leading electronics retail store, Reliance Digital, is now open at *area 10*. Walk in to discover world's best technology brands under one roof. Also, experience seamless convenience of multiple gadgets with the help of our expert store associates. Shopping at Reliance Digital comes with the real advantage, India's first and only multi-brand, multi-product, *Reliance Digital* service.

WIDE RANGE OF TVS • SMARTEST PHONES • LATEST LAPTOPS  
COOLEST APPLIANCES • SMART ACCESSORIES

LONG TENURE FINANCE    0% INTEREST\*    EASY EMIs\*    ZERO DOWN PAYMENT\*

# Fashion & Lifestyle



- Reliance Trends consolidating position as the largest apparel retailer in the country
  - Presence in over 100 cities across India
- Operationalizing of Design studio further strengthened product innovation and design capabilities
- Launched fashionable, superior quality products, such as:
  - Improved Cambric Fabric for Ethnic Wear
  - Innovative, ultra light, warm, wind resistant jacket
- Payless Shoesource stores well received by customers
  - 11 stores opened during the quarter



# Brands & Jewellery



## ■ Brands

- Continuing growth momentum
  - 3Q turnover increased by over 30% on Y-o-Y basis
- Signed an exclusive distribution agreement with globally renowned, casual luxury lifestyle brand, Juicy Couture
- Further leveraging the Iconix India brand portfolio
  - Licensed 'Candie's' footwear category



## ■ Jewellery

- Launched “Nazaraana Diamond Collection” in association with Rio Tinto diamonds
- Implemented multiple initiatives to improve operational efficiencies and in-store shopping experience





## Project Update

# Jamnagar Projects - Engineering



- Engineering is more than 90% complete with focused efforts from Project Management teams and engineering contractors
- Renowned EPC companies with global reach including Fluor, Bechtel, Technip, Tecnimont, Foster Wheeler, Linde, Jacobs, Aker executing engineering from London, Reading, Houston, Fredrick, Paris, Milan, Calgary, Munich, Mumbai, New Delhi, Chennai, Baroda
- More than 10 million man hours being spent on detail engineering efforts
- Majority of engineering deliverables for procurement and construction issued
- More than 70,000 datasheets and material requisitions issued for procuring mechanical tagged, electrical, instrumentation, bulk and semi bulk material

**Global spread for concurrent engineering to support the program**

# Jamnagar Projects - Engineering



- Over 4000 P&IDs issued for process engineering
- Over 350,000 isometrics being issued for underground and aboveground piping
- More than 9,000 foundation and superstructure drawings issued for construction
- About 6,000 drawings issued for structural steel installation
- Modern automation systems established in engineering, procurement and construction phases to enhance productivity
- Engineering set up at Jamnagar site is being established to extend support to construction and resolve site queries

**One of the largest and complex engineering efforts nearing completion through world class Engineering Companies**

# Jamnagar Projects - Procurement



- Procurement of mechanical tags, electrical, instrumentation and bulk material completed
- Orders placed on vendors across the globe including the majors like L&T, GE Energy, Linde, Atlas Copco, Doosan, Sungjin, Flowserve, Elliot, Sumitomo, Siemens, ABB, Tyco, Invensys etc
- Fabrication at vendor's shops in progress and is being monitored closely by large inspection and expediting teams
- One of the largest logistics effort established - contracts lined up with transportation / shipping agencies for expeditious delivery of material
- Substantial number of equipment and majority of bulk material received at site

**Sourcing from global reputed vendors for quality and schedule**

# Jamnagar Projects - Procurement



- Mechanical Equipment : Over 7,000 pieces ordered including 100 compressors, over 2,000 pumps and more than 150 columns and reactors
- Over 5,000 km pipe and 3 million flanges, fitting, valves ordered
- Over 3,50,000 MT of structural steel ordered
- More than 6,000 pieces of electrical machinery procured
- Nearly 50,000 instrument tags procured
- Approximately 33,000 km of electrical and instrumentation cable purchased

## **Key Partnerships**

- Linde, L&T, GE, Manturbo, Doosan, IDE, Elliot, Japan Steel and other top global vendors

## **Sourcing from vendors across diverse geographies including**

- Germany, USA, Italy, France, Japan, Korea, UK, Switzerland, Canada, Netherlands, Israel, China, UAE, Singapore, Austria, Belgium, Hong Kong, India



# Jamnagar Projects - Construction



- Construction work is in full swing to support the project requirement
- Best safety performance in India and globally first quartile performance being achieved on the project with the help of systems and training being provided by global majors
- Over 8,500 construction machinery including 1,500 cranes deployed on the project to support the construction efforts
- Over 100,000 workmen working at site to achieve construction targets
- Largest infrastructure developed to support construction with enhancement of piping & steel fab-shop capacities and new labor camps to house more than 100,000 workmen near site
- Lighting & other infrastructure being provided for “round the clock” construction
- Largest construction quantities being executed at site – more than 2.5 million cum of concrete, nearly 3,50,000 MT of steel, about 5,000 km of pipe laying and 33,000 km of cabling

**Mega Infrastructure developed to support largest Global Construction Site**

# Jamnagar Projects - Construction



- Concrete - Batching plants operating to full capacity to support construction plan, more than 150,000 cum of concrete being poured on a monthly basis
- Structural Steel - More than 20,000 MT being fabricated on a monthly basis and is being erected expeditiously.
- Piping fabrication shops producing to their capacity with more than 1 lakh inch dia per week
- Underground pipe laying is nearing completion and fronts being opened up for erection of aboveground piping
- Piping and structural steel fabrication outsourced to vendors in India, Middle East, Korea, Thailand, Indonesia, Malaysia to support construction requirements
- Equipment installation started with special cranes mobilized to erect Super Heavy Lift and Heavy Lift equipment

**Construction in full swing, ably supported by Engineering and Procurement towards fast track completion**



## Site Progress Photographs

# Gasification – Pipe Rack & Equipment Erection





# Gasification – Gasifier Erection





# Gasification – Gasifier Structure Installation





# Gasification – Petcoke Dome Internal View





# Gasification – Petcoke Handling System





# Paraxylene – Overview





# Paraxylene – Heater Assembly





# Paraxylene – Sub Station Equipment



# Cryogenic Tank – Dome Air Raising





# ROGC – Heater Package



# ROGC – Column in Transit





# C2 complex – Pipe Rack & Structure Erection





# BRU – Equipment & Pipe Rack Erection





# Gas Turbine Assembly





# Desalination Package Assembly





## Summary

# Summary



- Resilient performance of hydrocarbon businesses in turbulent commodity markets highlight our robust risk management and proficiency of our people and processes
  - Refining – strong product cracks, better crude differential tempered impact of price decline
  - Petrochemicals – robust polymer deltas offset by cautious downstream buying
- Strong growth momentum sustaining in Retail business – new delivery channels will further enhance consumer service and experience
- US Shale operations volumes up 21% despite unprecedented price volatility; crude environment will bear on earnings, drilling plans
- Mega-projects in petchem and refining business to significantly enhance profitability
  - Construction progressing rapidly in Jamnagar, over 1 lakh workmen mobilized on site
- Focus on project implementation and delivery
  - Multi-billion dollar of investments to fructify over the next 12-15 months

**RIL capex programme to deliver world class assets, superior returns**



**Thank You**