

Letter to Shareholders



Dear Fellow Shareowners,

Our motto "Growth is Life" aptly captures the ever-evolving spirit of Reliance. All our businesses endeavor to deliver superior value to our stakeholders and make life better for everyone.

Mukesh D. Ambani
Chairman and Managing Director

I am happy to tell you that we have again delivered outstanding performances on both financial and operational parameters across all our business segments. FY 2017-18 turned out to be a watershed year in the history of Reliance. Our new-age consumer businesses achieved leadership positions nationally – their growth rates outpacing the best in the world. Jio, now the world's largest and fastest growing mobile data network, stunned the world and made us proud by turning profitable in the very first year of operations. Reliance Retail is the only Indian retailer to rank among the world's Top 200 global retail chains. Our energy and materials businesses successfully completed one of the world's largest, most complex, and most innovative projects, achieving a level of integration that is unprecedented globally.

Yes, we have made a spectacular start to our Golden Decade. In a world full of volatility, uncertainty, complexity and ambiguity, these achievements are indeed commendable.

I thank and congratulate everyone at Reliance for this feat.

The global economy is now growing at its fastest pace since 2010, with the upturn becoming increasingly synchronised across countries. The world economy is expected to strengthen further in 2018 and 2019, with economic growth projected to rise to about 4%, from 3.7% in 2017. Stronger investment, the rebound in global trade and higher employment are helping make the recovery increasingly broad-based. This long-awaited lift, supported by policy stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. The continued rise in global trade was led by pickup in import demand in developed markets. Growing protectionism impacting trading relations and geo-political tensions in parts of Asia are a key area of concern.

India's economy maintained its strong growth in FY 2017-18 – the Gross Domestic Product growth was 6.7%, with a strong 7.7% increase in the last quarter of the year. With the 'One Nation, One Tax' GST regime being implemented, and gradually stabilising by the second half of the year, the economy witnessed upsurge in investments, consumption, as well as government spending. Industrial activity

rebounded, and services indicators too showed positive trends. Thanks to a series of policy initiatives, India moved into the world's Top 100 countries in terms of ease of doing business. The country also retained its position as a favoured destination for foreign capital, with gross foreign direct investment inflows of \$64.6 bn in 2017.

Reliance improved on its last year's record performance to post a 20.6% jump in net profit to ₹36,075 crore (\$5.5 billion). It also became the first Indian company to record an EBITDA of over \$10 billion, with our key businesses – Refining & Marketing, Petrochemicals, Retail and Digital Services – achieving record earnings performance.

The year saw our consumer businesses attain a threshold, wherefrom they will start contributing meaningfully to consolidated profits. From a mere 2% in FY 2016-17, Jio and Retail accounted for 13.1% of RIL's consolidated Segment EBITDA in FY 2017-18. This was achieved notwithstanding a sharp 33.6% spurt in consolidated EBITDA to ₹74,184 crore. Our aim is to have the consumer businesses contribute on par with the energy and materials business over the next decade, when we celebrate our Golden Jubilee.

The refining and petrochemical businesses posted record level of profitability owing to expanded capacities, high operating rates, and improved cost competitiveness. The refining business improved upon the preceding year's strong Gross Refining Margins (GRMs). The petrochemicals segment posted a significant jump in profits due to higher volumes from expanded capacities and better margins.

Refining & Marketing

Globally, oil demand grew at the rate of 1.6 mb/d in CY 2017, with Asia alone accounting for close to two-thirds of the total growth. Oil demand in India grew 5.3% in FY 2017-18, similar to the 5.4% growth of FY 2016-17. The transportation sector drove the overall demand in India, with gasoline demand rising 10%, aviation fuel growing 9%, and diesel 6.6%. LPG demand grew 8% in FY 2017-18, reflecting an increase in household penetration.

With economic activity picking up across the world, the global oil demand outlook for 2018 continues to remain

strong. IEA has forecast that in 2018, the world will consume an additional 1.4 mb/d of crude oil. The growing global demand and reducing inventories augur well for the refining industry over the next 12-18 months.

The refining and marketing segment reported a 3.2% increase in EBIT, climbing to its highest ever level of ₹25,869 crore (\$4.0 billion). The GRMs for the year rose to a nine-year high of \$11.6/bbl, climbing from last year's \$11.0/bbl.

RIL's GRM outperformed the Singapore complex margins by \$4.4/bbl. In FY 2017-18, the Singapore complex margin averaged \$7.2/bbl, compared to \$5.8/bbl in FY 2016-17, owing to strong product cracks aided by firm oil demand growth and lagging refining capacity additions.

We have maintained the highest safety standards and relentlessly strived to improve energy efficiency and minimise operating and maintenance costs. We have ensured adoption of latest developments in technology to improve asset reliability and avoid unplanned outages, thereby enabling high on-stream factor.

Reliance has constructed the world's largest petcoke gasification unit at Jamnagar – one of the most complex projects that has integrated as many as 83 process units with refineries and other downstream units. These process units operate in extreme conditions, with temperatures ranging from (-)190°C to (+)1480°C, and pressure fluctuating from vacuum to 120 standard atmosphere. This project will bring the full benefit of bottom-of-the-barrel conversion to our refining business and further boost profitability.

The gasification unit linked to the refinery in DTA is currently undergoing trial operations to ensure steady and reliable syngas supply to the Jamnagar complex. The SEZ gasification is under commissioning. RIL continued to re-commission its network of retail fuel stations. It now has 1,313 operational outlets. Improving quality of the customer base, a swift transition to dynamic pricing, and continuing focus on quality have allowed Petro Retail to bolster its performance.

Making life better for everyone.

Petrochemicals

FY 2017-18 saw stabilisation of the ethane import project and commissioning of the large projects at Jamnagar – refinery off-gas cracker, PX expansion, and other downstream capacities. These projects took refinery-petrochemicals integration to an unprecedented level globally. The commissioning of the Jamnagar projects, one of the world's most complex set of projects, in significantly lesser time and lower cost than comparable projects worldwide, further endorsed RIL's world-class project execution capability.

The petrochemicals segment benefited from expanded capacities as various projects commenced operations

through the year. The segment's EBIT increased sharply by 63% to its highest ever ₹21,179 crore (\$3.2 billion). Production increased 23.7% to 30.8 MMT. The EBIT margins increased sharply to a record level of 16.9% from 14.0% of last year, owing to favourable product deltas across the integrated polyester chain, PP and PVC.

The refinery off-gas cracker and its downstream PE and MEG units were successfully stabilised in the last quarter of FY 2017-18. With the improved availability of products, enhanced reliability in operations, and feedstock flexibility, RIL further strengthened its capability to serve the Indian market – one of the fastest growing polymer markets in the world.

In the polyester value chain, demand outpaced capacity additions in FY 2017-18 and enabled integrated players like Reliance post healthy operating rates and improved margins despite the rising costs. China's ban on imports of recycled polyester supported the demand growth of virgin polyester.

Our Petrochemicals business has progressed further on the expression of 'Chemistry for Smiles'. We have created R|Elan™, a portfolio of specialty fabrics, a perfect blend of "art" and "smart" and launched eco-friendly products based on recycled PET bottles.

Making life better for everyone.

Oil & Gas

Our Oil & Gas business continued to face headwinds owing to declining volumes and soft prices that improved towards end of the year. Volumes from conventional fields and US Shale were lower on account of natural decline and slowdown in development activity. Our domestic production was down 16.9% at 78.9 Bcfe, whereas the US Shale volume fell 19.7% to 139.7 Bcfe.

On the positive side, Reliance is poised to become one of the largest non-conventional gas producers in India with the ramp up of CBM production that crossed 1 MMSCMD. To sustain production, the second phase of development has also commenced.

Reliance and its partner announced plans to invest ₹40,000 crore (~\$6 billion) to develop the already discovered deep-water gas fields in the KG-D6 Block. Development work for R-Cluster fields has commenced. Satellite fields and Other Satellite fields will be developed in an integrated manner as a cluster project. With these fields, we will venture into ultra-deepwater and High Pressure, High Temperature areas – a first in India.

In our US Shale Gas business, the natural gas prices were firm during the year, with offtake from LNG and Mexican exports. However, the business conditions remained challenging and we continued with the strategy of 'fit for purpose' capital expenditure.

Digital Services

Jio's next generation all-IP data network with the latest 4G-LTE technology created history, transforming not just the Indian telecom industry but the whole country. Within months of Jio's launch, India shot up to World No.1 in mobile data consumption. Jio has become the world's largest and fastest growing mobile data network, boasting an unprecedented level of consumer engagement. More subscribers were added to Jio's network in the last year than all other operators combined. Equally important, Jio turned profitable in the very first year of operations. Jio earned a net profit of ₹723 crore on turnover of ₹23,714 crore in its first year of commercial operations.

Jio continued with its strong subscriber growth, with 186.6 million customers at the end of March 2018, and the lowest churn in the industry at 0.25% per month. Each Jio subscriber on an average consumes 9.7 GB data, 716 minutes of voice calls, and 13.8 hours of video per month.

Jio's end-to-end all-IP network is the most differentiated network with functionalities such as SDN and NFV, and has been consistently rated as the fastest network in India by TRAI's MySpeed application over the last 15 months. Jio's average download speed of 17.9 Mbps is more than twice the network speed available on any other network. Jio has also been consistently rated to have the widest LTE coverage in the country. During FY 2017-18, it continued expanding the 4G network coverage, and further deepening in existing areas to achieve a 99% population coverage.

Jio is constantly striving to enrich the digital experience of its customers through innovative applications developed in-house, or in collaboration with the unique ecosystem of small and large partners.

Making life better for everyone.

Jio offers its subscribers unique content such as Pyongyang 2018 Olympic Winter Games, Jio Cricket Play Along, etc. The MyJio app is the most popular self-care app with over 150 million downloads and substantial additional features. Jio has forged partnerships with the likes of Balaji Telefilms, Eros International and Saavn to bring unique content with an intuitive user interface to every Indian.

The Company continues to make progress on delivering enterprise solutions, FTTH and IOT, with beta trials initiated in a few locations. These services are being offered using the existing integrated network and platforms.

During the year, Jio was awarded the 1st rank in India and 17th globally in the Fast Company's World's 50 Most Innovative Companies list for 2018. Jio also won the "Best Mobile Operator Service for Consumers" award at the recent Mobile World Congress 2018. It was awarded "The Disruptors" title in the CNBC TV18's India Business Leader Awards 2018. JioTV won the "Best Mobile Video Content" award at the Global Mobile Awards 2018.

Reliance Retail

Reliance Retail has become the first retailer in India to cross the \$10 billion revenue milestone and enter the world's Top 200 Retail chains. We have the best reach, the best formats, and the best customer acceptance in India. Reliance Retail is India's largest retailer by revenue and profitability, delivering superior value to its customers, suppliers and other stakeholders.

Making life better for everyone.

Over the past five years, the business has grown at a massive 45% annually – doubling every two years. Reliance Retail ranks among the world's Top 5 fastest-growing retailers.

Last year alone, Reliance Retail operationalised 3,736 Jio Points across 3,700 cities to enhance its distribution reach for consumer durables and connectivity solutions – an unprecedented feat in India.

Reliance Retail, which operates in four key consumption baskets, viz. Grocery, Consumer Electronics & Connectivity, Fashion & Lifestyle, and Fuel Retail, is expanding in every market, every format and every vertical. Today, we are present in more than 4,400 cities, covering 17.7 million sq. ft of retail space.

Strong Cash Flows and Balance Sheet

Reliance became India's first company to cross \$10 billion in EBITDA in FY 2017-18. As the Company executed India's largest-ever capital expenditure programme over the past five years, the cash profit for the year was up over 31% to ₹56,034 crore, setting stage for the next growth phase of company's earnings cycle.

The Company's debt-equity ratio remained at a conservative level. We have retained our domestic credit ratings of 'CRISIL AAA' from CRISIL and 'IND AAA' from India Rating. For our international debt, we have an investment grade 'Baa2' rating from Moody's, and 'BBB+' from S&P. We maintained the ratings even as Reliance went through a large investment cycle over the past five years.

Reliance is globally acknowledged for its unique and innovative approach in fund-raising. It maintains strong relationships with a large number of international banks, financial institutions and export credit agencies. This, along with our efficient cash flow management and fiscal discipline, have helped us raise funds at competitive rates and optimise borrowing costs.

Governance & Safety

RIL differentiates itself as an employer of choice. An integrated wellness programme for employees has been implemented in the Company through medical services and related initiatives. We are committed to providing a healthy and safe work environment to employees, contractors, and all visitors.

We started the Change Agents for Safety Health and Environment (CASHe) programme more than a decade ago. Ever since, the CASHe programme has evolved into a movement encompassing the entire enterprise comprising thousands of improvement projects.

Our ambition is: "Reliance shall strive to be a leader in the field of management of Health, Safety and Environment". The Jamnagar expansion project has achieved better than international benchmarks in quality, safety, cost and schedule. Further, new records for flawless start-ups and commissioning have been established. RIL is globally certified as a 'Healthy Workplace' for the period 2017-2019 by the Global Centre for Healthy Workplaces, Tucson, USA.

Making life better for everyone.

Sustainable Growth and Societal Responsibility

The Reliance DNA ensures businesses solve problems and also create societal value for all Indians. In the 40 years of our journey since listing, we have strived to conduct businesses in a manner that is sustainable and inclusive. When we started with textiles, we provided the best-in-quality fabrics to every Indian. Our petrochemical products have a role to play in almost every aspect of modern life. When we entered the refining business, we provided high spec fuels for Indian and global markets. When we entered telecom, we strived to provide mobile phones in the hand of every Indian at an affordable rate. Through Reliance Retail, we have made the best-in-class global brands available to every section of our society. And now, with Jio, with the backdrop of inclusivity, we have made available high-speed data to every Indian at the most affordable rates, with zero call charge forever.

Making life better for everyone.

Our operational framework has been to integrate the six capitals – Natural, Human, Manufactured, Intellectual, Financial, and Social & Relationship – throughout the organisation and create value for our stakeholders.

An integral part of Reliance's philosophy is its commitment to empower and enhance the quality of lives of millions of people. Sustainability at Reliance embraces environmental and social responsibility while creating value for its stakeholders. On the operations side, we are working to maximise use of clean energy and minimise the carbon footprint in collaboration with the best available technology licensors. Reliance Foundation is deeply involved in the areas of rural transformation, health, education, sports for development, disaster response, urban renewal, and arts, culture and heritage. The initiatives of Reliance Foundation have positively impacted 20 million lives across the nation and we work incessantly to include all stakeholders in our growth story.

Making life better for everyone.

Investment in Emerging Technologies

Reliance believes that new technologies and data power will help unleash the potential of India's human capital.

Making life better for everyone.

RIL is piloting the use of Virtual Reality (VR) to increase safety and reliability through a virtual walkthrough plant environment for interactive training, testing and process simulation for all crucial personnel.

RIL is implementing a world-class analytics platform and a data lake using the best-in-breed technologies for its Big Data initiatives. Multiple advanced-stage pilots are being undertaken to establish extensive use of machine learning and artificial intelligence with a view of long-term adoption and institutionalisation.

Conclusion

Over the last four decades, Reliance has continued to grow and evolve, creating value by building competitive global-scale businesses and delivering increasing shareholder value. Over the past 3-4 years, we made significant investments in new plants, thus creating organic growth platforms for our energy and materials businesses. Our new-age businesses have shown strong resilience and sustainable growth potential for 1.3 billion Indians, as well as for Reliance, and will surely script a glorious chapter in our Golden Decade.

I would like to thank all my colleagues for their dedication, innovation and hard work. By creating new benchmarks in the businesses we operate in, our team is delivering on our mission to generate sustainable value for our stakeholders and India. These efforts also help us to deliver inclusive growth and make life better for everyone.

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
May 21, 2018