

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 75th Annual Report and the Audited Accounts for the year ended 31st March, 2004.

Change of name

As approved by the Members at the last Annual General Meeting held on 9th June, 2003, the name of the Company has been changed to Reliance Energy Limited with effect from 24th February, 2004 as per the certificate issued by the Registrar of Companies, Maharashtra. The new name of the Company would not only convey the association of the Company with the Reliance Group and enhance its brand equity but would also reflect the diversified areas of its operations and its thrust on energy business.

Financial Results

During the year under review, the Company achieved an aggregate income of Rs.3,582.70 crore. The highlights of the financial results are as under:

	(Rs. crore)	
	2003-2004	2002-2003
Total Income	3,582.70	2,759.29
Gross Profit before Depreciation	736.08	412.45
Depreciation	318.72	259.81
Profit before Tax	417.36	152.64
Provision for Taxation (Income tax and Wealth tax)	28.65	17.28
Provision for Deferred Tax	21.63	(26.97)
Profit after Tax	367.08	162.33
Add:		
Balance of Profit brought forward from previous year	93.77	86.21
Balance of Profit transferred on Amalgamation	1.85	-
	<u>462.70</u>	<u>248.54</u>
Less / Add:		
Prior Period Adjustments -		
Current Tax (Net)	(7.14)	42.86
Deferred Tax (Net)	-	(2.40)
Expenses	0.10	-
	<u>469.74</u>	<u>208.08</u>
Less: Statutory Reserves	16.50	15.95
Amount available for appropriations	<u>453.24</u>	<u>192.13</u>
Appropriations:		
Dividend on Equity Shares		
(i) Interim-Quarterly Dividends	42.84	-
(ii) Final Dividend	27.65	60.60
Corporate tax on Dividends	9.03	7.76
Transfer to Debenture		
Redemption Reserve	26.17	5.00
Transfer to General Reserve	225.00	25.00
Balance carried to Balance Sheet	122.55	93.77
	<u>453.24</u>	<u>192.13</u>

Dividend

The Company during the year introduced the investor friendly practice of paying Quarterly Dividends by way of interim dividends. The Company paid Quarterly Dividends of Re.1.00 (10%) each on Equity Shares for the quarters ended 30th June, 30th September and 31st December, 2003.

In addition to three quarterly dividends aggregating Rs. 3 per Equity Share paid during the year 2003-04, the Directors recommend a final dividend of Rs. 1.50 per Equity Share making a total dividend of Rs. 4.50 per Equity Share for the financial year ended 31st March, 2004, which, if approved at the forthcoming 75th Annual General Meeting, will be paid to (i) those Equity Shareholders whose names appear on the Register of Members of the Company as on Friday, 28th May, 2004 and (ii) to those whose names appear as beneficial owners as at the end of business on Friday, 28th May, 2004, as per particulars to be furnished by the Depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited.

Promoters of the Company

The Reliance Group acquired the management and control of the Company in February 2003 following the open offer to the shareholders of the Company and became the Promoters of the Company, as defined under Regulation 2(h) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997. The shareholding of the Reliance Group in the Company as on the date of this Report is 50.70%.

Issue of Securities

(i) 0.5 per cent Foreign Currency Convertible Bonds

The Company had issued 0.5 per cent Foreign Currency Convertible Bonds (FCCBs) aggregating US \$ 120 million in October, 2002 with a right to bondholders to convert their bonds at any time after 25th December, 2002 into Global Depository Receipts (GDRs), each representing 3 equity shares of a nominal value of Rs. 10 each in the Company. So far FCCBs amounting to US \$ 102.35 million have been converted into GDRs. During the year, the Company cancelled the Letter of Credit backed credit enhancement of these bonds, with the consent of the bondholders. On part conversion of FCCBs, the Company allotted 2,01,99,047 Equity Shares of Rs. 10 each on four occasions during the year. As on 31st March, 2004, FCCBs aggregating US\$ 17.65 million continued to remain outstanding and the FCCB holders have the option to convert these FCCBs into GDRs representing 34,82,585 shares on or before 25th December, 2007.

(ii) Issue of Equity Shares on Preferential Allotment Basis

To further strengthen the Company's financial position and to generate resources, inter alia, for investing in the businesses of the Company, the Company issued and allotted in March, 2004, 1,72,30,000 equity shares of Rs.10 each at a premium of Rs.630 each aggregating Rs. 1,102.72 crore to institutional investors and a promoter group company, viz. Reliance Power Ventures Limited (RPVL) on a preferential basis in terms of the relevant Guidelines for Preferential Issues issued by the

Securities and Exchange Board of India. The Company further issued and allotted 91,95,622 equity shares of Rs.10 each at a premium of Rs.630 each aggregating Rs.588.52 crore on 2nd April, 2004, to RPVL. The equity shares allotted as aforesaid to the institutional investors are locked-in for a period of one year and those allotted to RPVL are locked-in for three years.

(iii) Issue of Warrants on Preferential Allotment Basis

The Company also allotted 98,61,228 warrants of Rs.640 each to RPVL on 2nd April, 2004, on a preferential basis. The holder of warrants will be entitled to apply for and be allotted one equity share of Rs.10 each at a price of Rs.640 (including a premium of Rs.630) against each warrant any time after the date of allotment but on or before the expiry of 18 months from the date of allotment. The warrants and the shares allotted on exercise of option attached to the warrants issued as above to the promoters shall be locked-in for a period of three years from the date of allotment of warrants.

(iv) Issue of Zero per cent Convertible Bonds

The Company during the year also issued Zero per cent Convertible Bonds aggregating US\$ 178,058,000. The said Bonds will mature on 24th March, 2009. Bondholders have a right to convert their Bonds at any time after 23rd April, 2004 into Equity Shares or Global Depository Receipts (GDRs), each representing 3 equity shares of Rs. 10 each in the Company at a price of Rs.1,006.92 per Equity Share. In the event of conversion of the entire Bonds, it will result in the issue and allotment of 79,99,984 Equity Shares.

(v) Issue of Non-Convertible Debentures

The Company during the year issued 4 series of secured Non-Convertible Debentures (NCDs) aggregating Rs.625 crore.

Fixed Deposits

The Company discontinued accepting Fixed Deposits since December 1998. Deposits amounting to Rs.3,60,000 due for repayment, were unclaimed by 41 depositors as on 31st March, 2004. Since then, none of the depositors has claimed the deposits. Out of the unclaimed amounts, the Company, during the year transferred Rs.38,000 to the Investor Education and Protection Fund set up by the Government of India.

Amalgamations

BSES Andhra Power Limited (BAPL) and Reliance Salgaocar Power Company Limited (RSPCL), which became wholly owned subsidiary companies during the year, were amalgamated with the Company effective from 1st April, 2003 as sanctioned by the orders passed by the Hon'ble High Court of Andhra Pradesh and the Goa Bench of the Hon'ble High Court of Bombay respectively. BAPL owned and operated the multi-fuel fired combined cycle power project (CCPP) of 220 MW at Samalkot in East Godavari District of Andhra Pradesh and RSPCL owned and operated a 48 MW combined cycle power plant in Goa. These two power stations now operate as divisions of the Company.

Standby Charges

The matter is presently pending before the MERC for final determination. The Company has so far deposited Rs 605.90 crore.

Management Discussions and Analysis of Financial Condition and Results of Operations:

Management Discussion and Analysis of Financial Condition and Results of Operations of the Company for the year under review is given as a separate statement in the Annual Report. As regards Note Nos.11 and 12 referred to in Notes forming part of the Accounts regarding investments in three companies in Orissa and on Standby Charges, the explanations given in the said notes are self explanatory. The Company has revalued its Plant and Machinery located at Dahanu during the year. Consequent to the revaluation, there is an additional charge for depreciation of Rs.135.74 crore for the year ended 31st March, 2004 and an equivalent amount has been withdrawn from the General Reserve. This has no impact on profit for the year.

Disinvestments

The Company has, in order to focus on its core activities to enhance overall shareholder value, decided to exit from non-core activities that were undertaken by the Company. During the year, the Company disinvested its entire shareholdings in ST-BSES Coal Washeries Limited and Maithon Power Limited.

Delisting of shares

With the extensive networking of the Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE), investors have access to online dealings in equity shares of the Company across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and NSE and the depth and liquidity of trading in the Company's Equity Shares on all other Stock Exchanges were not significant. In view of this and pursuant to the resolution passed by the Members at the Annual General Meeting of the Company held on 9th June, 2003, the equity shares of the Company have been delisted from the Ahmedabad Stock Exchange, The Bangalore Stock Exchange Limited, The Delhi Stock Exchange Association Limited and the Inter-Connected Stock Exchange of India Limited, in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. Delisting of shares from the Calcutta Stock Exchange Association Limited is under process.

Wage Revision

During the year under review, the Company signed a Wage Agreement in respect of Unionised employees of the Company with effect from 1st July, 2002 and also revised the salaries of the officers of the Company. The additional financial outflow on account of this wage revision would amount to Rs.27.50 crore per annum. The entire exercise of wage revision was focused on enhancing productivity with plans to develop multi-skills of employees and changing the mindset about functional responsibility and accountability, so as to promote better work culture. All these would result in improved services to the customers of the Company.

Directors

Shri S S Dua relinquished his post as Director (Technical) on 20th July, 2003 after attaining superannuation. The Board recorded with appreciation the contribution made by Shri S S Dua during his tenure as Director (Technical) and also as Acting Chairman and Managing Director of the Company.

The tenure of Shri K H Mankad, as Director (Finance) ended on 20th December, 2003. He was appointed for a further period from 21st December, 2003 to 1st October, 2007 subject to approval by the Members at the ensuing Annual General Meeting. Shri Y P Gupta resigned from the Board on 30th April, 2003. Shri Jayant Kawale resigned from the Board on 15th October, 2003. The Board recorded with appreciation the contributions made by Shri Y P Gupta and Shri Jayant Kawale during their tenure on the Board.

Shri V R Galkar was appointed as a Director on 9th June, 2003, in the casual vacancy caused by the resignation of Shri Y P Gupta. Shri Gautam Joshi Doshi and Shri Cyril Shroff were appointed as Directors on 27th March, 2003 in the casual vacancies caused by the resignations of Shri P N Bhandari and Shri S Rajgopal respectively. Members' consent is requested for appointment of Shri V R Galkar, Shri Gautam Doshi and Shri Cyril Shroff as per the resolutions contained in the Notice convening the Annual General Meeting.

Pursuant to Article 131(a) and 131(aa) of the Articles of Association of the Company, the Company has been notified that in addition to Shri Anil D. Ambani, Shri Satish Seth and Shri Amitabh Jhunjhunwala shall not be liable to retire by rotation.

Shri S C Gupta, Shri J P Chalasani and Shri K H Mankad retire by rotation and are eligible for re-appointment.

Brief resumes of Directors, the nature of their expertise in specific functional areas, names of companies in which they hold directorships and the memberships of Committees of the Board, their shareholdings are given in the section on Corporate Governance elsewhere in the Annual Report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profit of the Company for the said period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the accounts for the financial year ended 31st March, 2004, on a 'going concern' basis.

Auditors

M/s. Haribhakti & Co. Chartered Accountants, M/s Price Waterhouse, Chartered Accountants and M/s Chaturvedi & Shah, Chartered Accountants, the Statutory Auditors, will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received letters from each of them to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Technology Absorption and Foreign Exchange Earnings and Outgo

The information relating to technology absorption, foreign exchange earnings and outgo required to be disclosed under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure I and forms part of this Report.

Corporate Governance

The Company is one of the pioneers in the country in implementing the best of international practices of corporate governance. A separate section on Corporate Governance forms part of the Annual Report. A certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is given in Annexure II.

Personnel

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

Acknowledgement

The Board of Directors wishes to thank the Government of India (including the Ministry of Power), Government of Maharashtra (including Energy and Environment Departments), Maharashtra Pollution Control Board, Maharashtra State Electricity Board, Maharashtra Electricity Regulatory Commission, Dahanu Taluka Environment Protection Authority, Municipal Corporation of Mumbai and Dahanu, Indian and overseas Financial Institutions, Bankers, customers, suppliers, shareholders and the employees of the Company at all levels for the continued co-operation and unstinted support extended to the Company.

On behalf of the Board of Directors

Mumbai,
16th April, 2004

Anil D Ambani
Chairman & Managing Director

ANNEXURE I TO THE DIRECTORS' REPORT

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

(A) Conservation of Energy : Not Applicable

(B) Technology Absorption : As below

FORM 'B'

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D was carried out by the Company:

A. Mumbai Supply Division

- a. Design and development of theft detection device.
- b. Sequence of Event (SOE) logging software developed to integrate it with Geo-Position Satellite (GPS) clock.

B. Goa Power Station

- a. Modification of warren pump [Gas turbine (GT) fuel pump] seals.
- b. Cooling tower modification - addition of wooden planks
- c. GT Automatic Voltage Regulator (AVR) - substitution of 220 V DC relays with 240 V DC relays.
- d. Mixing of well water with cooling water

C. Goa Distribution system

- a. Replacement of electromagnetic relays with numeric relays
- b. Inhouse testing facility- meters, transformer and Current Transformer (CT) / Potential Transformer (PT)
- c. Design of kiosk for outdoor installation.
- d. Design of outdoor LT distribution box.

2. Benefits derived:

A. Mumbai Supply Division

- a. Intimation of attempts of theft are received at the control centre. Electricity theft can thus be immediately identified and prevented.
- b. During the system disturbances, the events are logged as per the GPS clock.

B. Goa Power Station

- a. Inhouse modification of board seals with gland and flushing arrangements has solved chronic problem of seal failure of pump and resulting in better plant availability. Modification in coupling reduced replacement time of pump from 8 hrs to 2 hrs, thus increasing plant availability.
- b. Considerable savings in windage losses, resulting in water consumption reduction.
- c. The relays were having higher failure rate. Higher rating of relays have increased the upper tolerance band resulting in no failure leading to increased plant availability
- d. Use of 10% well water with plant make up water bringing proportional cost reduction in water consumption

C. Goa Distribution system

- a. To avoid co-ordinate mismatch, electromagnetic relays were substituted with numeric relays for better response

and system reliability.

- b. A testing laboratory was commissioned with meter test bench and testing equipment for transformers, CT and PT Power quality analysis for distribution system and customers, will also be taken up by laboratory. The laboratory is to ensure product quality checks for better reliability.

- c. Inhouse kiosk design was developed using galvanized Aluminium corrugated sheets for housing HT breakers and Ring Main Units (RMUs). The kiosk is designed specially keeping heavy rain in mind.

- d. Inhouse design, specially suited for heavy rain conditions, developed for outdoor type LT meter and Motor Control Central Board (MCCB) box.

3. Future Plan of action:

A. Mumbai Supply Division

- a. Development of condition monitoring, data logging and alarm transmitting system for substation equipment parameters like fault sensing, load profiling, abnormality sensing and security.
- b. Study of use of alternate sources of energy like solar cells for street lighting.
- c. Development of inhouse testing and load simulation facility for cable joints and terminations.
- d. Use of economic and long lasting polymer products in electricity distribution equipment in place of corrosion prone mild steel.
- e. Feasibility study of implementation of pre-payment type metering system.
- f. Automatic Meter Reading (AMR) introduction for industrial customers and for grid metering.
- g. Implementation of Distribution Management System (DMS) and Geographical Information System (GIS).
- h. Introduction of 220 kV Gas Insulated Switchgears type Receiving Station.

B. Goa Power Station

- a. Implementation of Gas Insulated Sub-station (GIS) for distribution system
- b. Feasibility study for implementation of SCADA for distribution system
- c. Study on suitability of maintenance free hermetically sealed distribution transformer is under progress.

4. Expenditure on R & D :

Capital Expenditure: Rs. 0.61 lakhs

Recurring Expenditure: Rs. 37.41 lakhs

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :

A. Dahanu Power Station

- a. High Velocity OxyFuel (HVOF) surface coating of boiler tube for protection against erosion and subsequent

failure and unit outage. First time tried in power boiler in the country, which is expected to give prolonged service of boiler and lesser outage, thereby increased reliability.

- b. Fabric expansion compensators for Air Pre-heater (APH) out let primary air & secondary airside and wind box. This has resulted in power saving and preventing hot air leakages, thereby improving housekeeping.
 - c. Replacement of re-circulation valves for boiler feed pumps with advanced design Drag technology valves. This has resulted in energy saving in terms of reduction of Auxiliary Power.
 - d. Installation of High resolution disturbance recorder for 220 KV Switch yard. The microprocessor based disturbance recorder has many advanced features and is useful for analysis of faults in electrical system.
 - e. Installation of Variable Frequency Drive for Heavy Fuel Oil (HFO) pump. This is an advanced energy saving device and is a step towards energy conservation.
 - f. Installation of Master clock based on Geo-Position Satellite (GPS) time synchronisation to facilitate uniform time stamping across all electrical and Plant Monitoring System-SCADA system network. This will help in diagnosis and analysis of events and improve system reliability.
 - g. Installation and commissioning of new lubeoil panel for Induced Draft (ID), Forced Draft (FD), Primary Air (PA) Fans in Unit-1 for improved reliability and maintainability.
 - h. New Programmable Logic Controller (PLC) based drier control system for Instrument air System for improved reliability.
 - i. PC based software for plant model demonstration system.
 - j. Inhouse Design & Commissioning of SCADA based Modified 220 KV REL Islanding scheme. This has improved REL system reliability during grid disturbances.
- B. Mumbai Supply Division:**
- a. Adoption of polymer based materials in distribution system for junction boxes and looping boxes for reducing the maintenance cost.
 - b. Development of inter-departmental communication network (Lotus notes) for faster response.
 - c. Induction of Enterprise Resource Planning software (SAP) to facilitate material procurement, job scheduling, monitoring and overview of the business.
 - d. Introduction of MOH material in distribution transformers for low losses.
 - e. Introduction of 20 MVA power transformers with Oil Natural Air Natural (ONAN) cooling to eliminate fan cooling.
 - f. 'Hot Line Washing' of Insulators in 220KV Switchyard for online cleaning.
 - g. 'Buzzer Testing of disc insulators' for checking healthiness of String Insulators on Transmission Line.

C. Goa Power Station

- a. GT atomising air cooling water circuits isolated from cooling water system of the plant to demineralised water closed system.
- b. Installation of new Flame Scanner in GT.
- c. Implementation of Diesel Generator DG synchronisation scheme with grid

D. Goa Distribution system

- a. Substitution of microprocessor based MCCBs with thermal MCCBs for LT distribution
- b. Procurement of SCADA combatable equipment.

E. Samalkot Power Station

- a. Equipped with the state-of-the-art technology control systems for its Gas Turbine Generator set as well as for its Steam Turbine Generator Set.
- b. The equipment in the balance of Plant can be put into service from the remote control room with the usage of an advanced version of Functionally Distributed Control System.
- c. The switchyard of the power station is provided with the latest genere of the SCADA System.

2. Benefits derived as a result of the above efforts :

A. Dahanu Power Station

- a. High Velocity Oxy Fuel (HVOF) surface coating of boiler tubes, installation and commissioning of new lubeoil panels, new PLC for Instrumentation driers are aimed at achieving higher reliability of the Units.
- b. Fabric expansion compensator, replacement of re-circulation for boiler feed pumps and installation of variable frequency drive for HFO pump are aimed at reducing auxiliary power consumption of the units.
- c. The other technology absorption related to SCADA, installation of master clock based on GPS were aimed at having a proper analysis of various events and helping in taking preventive actions ultimately to increase the reliability of the Units.

B. Mumbai Supply Division

- a. Induction of polymer based materials as an alternative to the sheet metal has resulted in lowering the capital cost of the equipment, elimination of periodic maintenance cost (re-painting works) and reduction in cases of theft as the scrap value of these polymer materials are significantly less as compared to mild steel.
- b. Application of Lotus Notes has effected faster response and eliminated time lost in manual transit of files and records apart from significantly lowering paper consumption.
- c. SAP has facilitated improved and exact material procurement, job scheduling, monitoring and overview of the business. Around 700 users from accounts and engineering department are extensively utilizing the SAP facility.

- d Introduction of MOH material result in lowering of the no-load losses (iron loss) and also increase the working life of the equipment.
 - e ONAN cooling results in power saving (as the fan-cooling operation is eliminated). Also, provision for upgraded use of the 20 MVA upto 25 MVA is also be possible.
 - f Benefits of 'Hot Line Washing' are,
 - Availability of the equipment increases as shut down of the equipment not required
 - Loss in Power Generation due to breakdown/outages is minimised
 - Improves dielectric strength of the insulators
 - Increases life of insulators
 - Reduction in Transmission Line Losses
 - g Benefits of 'Buzzer Testing of disc insulators' are,
 - Availability of the equipments increases as shut down of the equipments not required
 - Test indicates the condition of insulators thereby preventive maintenance can be carried out in off peak time
 - Reliability and stability of the system increases due to reduction in breakdowns.
- C. Goa Power Station**
- a The chronic problem of atomising air cooler failure due to choking/ stress corrosion failure resolved by isolating the water circuit to DM water. This led to higher availability of the plant. Also, it resulted in savings in plant cooling water consumption as the cycle of concentration could be raised to higher limits.
 - b The new scanners are six times more sensitive than the conventional scanners and replacement has resulted in quick machine start ups compared to earlier start ups. Resulted in higher reliability and availability of machine.
 - c Scheme implemented for smooth changeover of plant load from DG set to grid after start up avoiding dependency on grid power during start ups. Such scheme would minimise the plant startup time.

D. Goa Distribution System

- a After detailed study, the microprocessor based MCCBs were used in place of thermal MCCBs for LT distribution for quicker fault clearance increasing reliability of the system.
- b All switchgears were ordered with SCADA features so that integration with GIS and SCADA could be easily done at a later stage.

E. Samalkot Power Plant

The application of the the station technologies being used at will facilitate safe, economic and efficient operations of the plant

3. Future Plan of action

A Goa Power Station

- a Study of coal fired boiler for reduction in generation cost.
- b On line GT compressor washing system to prolong interval between shutdowns for compressor washing
- c Two speed motor for Cooling Tower fan to reduce auxiliary power consumption
- d Installation of VFD for CT make up pump to reduce auxiliary power consumption
- e Partition of control room area which is not under use to reduce AC load for Aux power reduction
- f Use Electronic ballast and saturation coil transformer for plant lighting to reduce aux power consumption

EXCHANGE EARNINGS AND OUTGO:

The required information in respect of foreign exchange earnings and outgo is given in Note No 6 of the Accounts.

On behalf of the Board of Directors

Mumbai
16th April, 2004

Anil D Ambani
Chairman & Managing Director

ANNEXURE II TO THE DIRECTORS' REPORT

Auditors' Certificate on compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement(s)

To the Members of Reliance Energy Limited (Formerly known as BSES Limited)

We have examined the compliance of the conditions of Corporate Governance by Reliance Energy Limited (Formerly known as BSES Limited) for the year ended 31st March 2004 as stipulated in Clause 49 of the Listing Agreement of the Company entered into with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, except for Board composition as disclosed under Note 5 to Table 1 and Note 4 to Table 4 of Corporate Governance Report, we certify that the Company has complied with the conditions of Corporate

Governance as stipulated in the above mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Haribhakti & Co.	For Price Waterhouse	For Chaturvedi & Shah
Chartered Accountants	Chartered Accountants	Chartered Accountants
Chetan Desai	Partha Ghosh	Rajesh Chaturvedi
Partner	Partner	Partner
Membership	Membership	Membership
No. 17000	No. 055913	No. 45882
Mumbai, 16th April, 2004		