

MEDIA RELEASE

**Reliance Energy Board approves share buy-back
of up to Rs.2,000 crore (US\$ 500 million), in two phases**

**First tranche of up to Rs.800 crore (US\$ 200 million)
effective immediately, based on Board approval**

**Second tranche of additional Rs.1,200 crore (US\$ 300 million)
based on shareholders' approvals to be obtained**

**Buy-back of shares at up to Rs.1,600 per share
through transparent open market purchases**

**Buy-back Price represents approx. 10% premium
over today's closing price**

Mumbai, March 5, 2008: The Board of Directors of Reliance Energy Limited (REL), at a meeting held today, **approved a buy-back of its outstanding equity shares for an aggregate amount of up to approximately Rs.2,000 crore (US\$ 500 million), in two phases.**

An amount of Rs.800 crore (US\$ 200 million) will be expended in the first phase on the share buyback, pursuant to the approval granted by the Board of Directors. This amount represents 10% of the paid-up equity share capital of the Company, and its free reserves.

A further amount of Rs.1,200 crore (US\$ 300 million) will be expended in the second phase, subject to necessary approvals by the shareholders, in terms of the provisions of the Companies Act, 1956 and relevant SEBI Guidelines. This amount represents an additional 15% of the paid-up equity share capital of the Company, and its free reserves.

REL will buy-back shares up to a maximum price of Rs.1,600, representing a premium of over 30% to the low of Rs.1,225 recorded during the calendar year 2008, and a premium of approx. 10% to the closing share price on the date of the Board meeting.

Reliance Energy Limited

Reliance Energy Centre

Santa Cruz (East)

Mumbai 400 055

Tel: +91 22 3009 9999

www.rel.co.in

REL will buy-back shares on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), **through a transparent mechanism of open market purchases**, from time to time.

The share buy-back will be made from the Company's substantial balances of cash and cash equivalents, and is expected to:

- **reduce short term volatility** in the Company's share price;
- **deter speculative activity** in the Company's shares;
- **send a strong signal to the capital markets on the perceived under-valuation** of the Company's share price; and
- **reiterate the confidence of management in future growth prospects** of the Company.

The shares purchased under the buy-back program will be cancelled, as required under SEBI guidelines, leading to a reduction in the Company's outstanding equity capital.

The proposed buy-back is expected to lead to the following benefits:

- Reduction in the outstanding number of equity shares, and consequently, **an increase in earnings per share (EPS)**;
- **Improvement in Return on Net Worth** and other financial ratios;
- **Reduction in floating stock**, contributing to higher valuations, and enhancing long term price performance;
- Reduction in volatility in the Company's stock price, leading to **reduction in the cost of equity, and weighted average cost of capital (WACC)**;
- **No impact on leverage ratios**, as the Company is debt free at a net level;
- Positive impact on the Company's stock price, contributing to **maximization of overall shareholder value**.

REL's fully diluted equity capital is Rs.279.53 crore, and its market capitalisation is over Rs.42,000 crore (US\$ 10.5 billion).

Reliance Energy Limited:

Reliance Energy, a part of Reliance - Anil Dhirubhai Ambani Group, is India's leading private sector utility Company.

Reliance Energy Limited

Reliance Energy Centre

Santa Cruz (East)

Mumbai 400 055

Tel: +91 22 3009 9999

www.rel.co.in

Reliance Anil Dhirubhai Ambani Group currently has a market capitalisation of nearly Rs.3,00,000 crore, net worth in excess of Rs.40,000 crore, cash flow of Rs.9,000 crore, net profit of Rs.5,000 crore and zero net debt.

Reliance Energy is ranked amongst India's top 20 listed private companies in terms of all major financial parameters, including assets, sales, net worth, profits and market capitalisation.

