

RELIANCE Infrastructure
Anil Dhirubhai Ambani Group

Chairman's Statement
80th Annual General Meeting
Tuesday, July 21, 2009



My dear fellow Reliance Infra shareowners

It gives me immense pleasure to welcome each one of you to the 80th Annual General Meeting of our Company.

The year 2008-09 was a period of sustained growth and achievement for our Company. This was significant in the backdrop of a global recession that slowed the country's economic growth to 6.7 per cent in 2008-09 from an average of nearly 9 per cent recorded in the previous four years.

In recent times, we had established a leadership position in the power sector with a strong presence across the utility value chain. It was time to re-invent ourselves and broaden our business canvas by fully leveraging our core competence in building and managing world-class infrastructure assets.

This vision guided our transformation from BSES, a distribution utility, to Reliance Energy, a major private player in the power sector, to Reliance Infrastructure, the country's largest infrastructure company on an ownership basis.

I am glad to inform you that the Company has successfully aligned itself with the revised strategy and is now closer than ever to attaining its goal of being a leader in India's infrastructure makeover.

Last year was one of the most difficult years for fund-raising, particularly in the long-gestation power and infrastructure space. It gives me great pride to inform you that at the Group level we achieved financial closure for projects worth nearly Rs 32,000 crore.

Just on its own, Reliance Infrastructure completed the financial closure of both the metro rail projects in Mumbai & Delhi and its maiden transmission project, namely, Western Region Strengthening Scheme, during the year. Together, these projects are estimated to cost Rs 6,600 crore.

In addition to raising substantial sums of money, we have considerably strengthened our balance sheet, and our ability to borrow for future growth.

Our company currently has cash or cash equivalents of nearly Rs 10,000 crore on its balance sheet. During the year, the promoters subscribed to 42.9 million share warrants, convertible into equity, resulting in a further capital infusion of approximately Rs. 4,300 crore into the Company. Post the conversion, the promoter group's holding will increase from 38 to 48 per cent.

This will enhance our company's net worth to over Rs 16,000 crore, and increase our borrowing capability, even at a conservative debt-equity ratio of 2:1, to Rs 32,000 crore.

The Company has received both Board as well as shareholder approval, to further augment, if necessary, our capital base through the QIP route.

In sum, we have considerably strengthened our financial muscle to capture the huge emerging opportunities in infrastructure sector.

We are today the largest infrastructure company in India, on ownership of assets basis, having power and infrastructure projects worth Rs 13,500 crore.

In addition, there are another Rs 15,000 crore worth of projects where the company is preferred bidder and waiting for a letter of award.

What adds to our financial stability is the fact that our revenues are based on strategically diversified sources of cash flow, comprising annuity, BOT and EPC projects.

Group Highlights

We are proud to be a part of the Reliance Anil Dhirubhai Ambani Group, the youngest and fastest growing business house of India.

Our Group's businesses span the entire landscape of emerging human aspirations. We cover some of the most critical, high growth sectors in the country's economy – from communications to financial services, from energy to power, from media and entertainment to healthcare and infrastructure.

- Our Group net worth is today in excess of Rs 64,000 crore.
- Our annual cash flows across the Group are approximately Rs13,000 crore and Net Profit is Rs 8,000 crore.
- We have zero net debt at the Group level.

We operate in customer-centric businesses, touching the lives of over 150 million customers, or 1 in 8 Indians every single day.

Our group enjoys the trust and confidence of nearly 12 million shareowners, the largest such family in the world.

My dear fellow shareowners, I seek your continued trust and support as we continue our journey to seek higher growth and value for all our stakeholders.

Performance Review

The Company's accounts for the year ended March 31, 2009, along with the Directors' report, letter to shareowners and the Management Discussion and Analysis statement have been circulated to you.

With your permission, I would like to take them as read.

I am glad to share with you the highlights of our strong operational and financial performance during the year 2008-09.

- Total income of Rs 10,959 crore – up from Rs 7,501 crore in 2007-08,
- Cash profit of Rs 1,384 crore – up from Rs 1,308 crore in the previous year.
- Net profit of Rs 1,139 crore – up from Rs 1,085 crore.
- Cash earnings per share of Rs 60
- Earnings per share of Rs 49.5

With a net worth of about Rs 11,907 crore, we count among the top Indian private sector companies. We remain debt-free at the net level.

We are uniquely positioned to leverage this robust financial platform for accelerated future growth.

Overview of India's Infrastructure sector

To ensure sustained and rapid economic development, India needs a resolute and unwavering focus on infrastructure development. The current state of infrastructure sector is pegging back the growth potential of the country by nearly 2 percentage points every year.

The government therefore proposes to increase infrastructure spending, as a component of GDP, from 5 per cent to 9 per cent. This growth in GDP translates into an investment of US \$ 500 billion in the next five years. To achieve this, the sector requires non-debt financing of a staggering Rs 11,00,000 crore.

In absolute terms, the power sector provides the biggest opportunity for private investment. The total investment in this sector for the 11th Five-Year Plan period has been estimated at over Rs 6,66,000 crore of which private sector investment has been estimated at Rs 1,85,000 crore or a little over 27 per cent.

Another key area is roads. It is now clear that sustaining the present rate of economic growth would entail a massive investment in rolling out a quality road network throughout our vast country.

Recognising this need, the Government has envisaged an investment of over Rs 3,00,000 crore in the road sector in the 11th Plan period, the second highest sectoral investment out of 10 identified sectors. Of this amount, private investment has been estimated at nearly Rs 1,07,000 crore or over a third of the total. This investment will cover the construction and development of new roads as well as the augmentation of existing ones, with aggregate length of nearly 55,000 kms.

Private participation is critical to meeting the target both in terms of timely execution and cost competitiveness. .

The recent Union Budget has promised to remove a number of remaining irritants such as delays in land acquisition and environmental clearance to further speed up the development of road and highway projects

Similar measures are being taken in other infrastructure sectors, namely, airports, ports, sea links, MRTS (Metro Rail) to attract greater private sector participation.

We remain committed to participating in the Indian growth story through sustained and increasing investments in infrastructure. Our company is a key player in the Rail based mass rapid transport systems (MRTS), highways, civil aviation, ports and urban development projects.

Last year, we outbid international competition in a number of projects and achieved a pre-eminent position as a leading infrastructure player.

With the government unveiling a fresh set of policy initiatives, the overall environment for private sector participation in infrastructure is perhaps more conducive than ever.

Given our proven strengths in the development, implementation and operationalisation of large infrastructure projects, we stand to benefit substantially from the opportunities that are arising in this space.

Overview of India's Power Sector

The Indian power sector has grown manifold in size and capacity since independence.

The per capita power consumption has increased from 15 kWh in 1950 to 704 kWh in FY 2007-08, but this is still very low compared to the developed world; indeed, even to other emerging markets, notably China.

Although the country has the 5th largest electricity generation capacity in the world and the third largest transmission and distribution network, the per capita consumption is less than half that of China's 1,800 kWh and a 10th of the average of 8,500 kWh in the developed countries.

Power Generation

Currently, India has an installed power generation capacity of nearly 1,48,000 MW. As per the 12th plan, this figure needs to go up by another 1,00,000 MW. And even after that, India would still remain a power deficit nation.

There is universal recognition that this kind of growth, and the investment it would require, cannot be achieved without keen private participation. This brings immense opportunities for players like us with strong balance sheets and proven execution capabilities.

Power Transmission

Having focused on augmenting the generation capacity in the country for several years, it's time to turn our attention to the transmission sector. With the introduction of open access regime and power trading across the national grid, transmission sector is set for a complete transformation.

Currently, we have an inter-regional transfer capacity of 21,000 MW, which is expected to go up to 37,000 MW in the 11th plan. This entails an investment of over Rs 50,000 crore in the next 2 years.

The Government has identified 14 transmission projects for development under the tariff-based competitive bidding route, to be awarded on a build, own and operate basis. Of these, 3 projects worth Rs 6,000 crore are already at the Request for Proposal (RfP) stage of bidding.

Several other projects have been identified and are at a bidding stage under the private participation model in states like Haryana, Rajasthan and Uttar Pradesh.

Being the leading player in the sector, we are well placed to capitalize on the large upcoming opportunities in the sector.

Power Distribution

Distribution is the most critical link in the entire power sector value chain. It assumes even greater significance because of its direct impact on consumers and on the commercial viability of the sector as a whole.

The 11th five-year plan envisages investments of Rs 1,50,000 crore in the distribution segment alone.

The outlook for the power distribution sector is brighter than ever. The following key drivers will shape the future outlook of the distribution sector

- Strong policy environment
- Structural reforms
- Improved grid dynamics
- Emphasis on power for the rural sector
- Introduction of a franchisee model in distribution

The Introduction of a distribution franchisee model is a major step in inviting more private participation in the power distribution business. In this model, the distribution license of a limited area is assigned to a franchisee who is expected to benefit by improving the efficiency of the local distribution network.

Already, 9 cities in Uttar Pradesh, 4 in Bihar and 5 in Maharashtra have been put under the franchisee model. It is expected that within the next 2 to 3 years, about 100 cities will be put under franchisee model.

There are large and compelling opportunities in the distribution sector. We are in a better position to capitalize on them than most given our understanding and expertise in successfully managing Delhi and Mumbai distribution businesses.

Power Trading

Short term power trading in India is gradually gaining traction, despite continuing regulatory constraints. The quantum of power traded rose from 21 billion units in 2007-08 to about 30 billion units in 2008-09. The two power exchanges, namely, Indian Energy Exchange Limited (IEX) and Power Exchange India Limited (PXI), have started operations adding new dimension to power trading in India.

With the introduction of full open access and higher interregional transmission capability, power trading in India is set to double from the current 3 per cent of total generation to about 6 per cent in the next five years, opening up the opportunity to trade 25 billion units.

Infrastructure Business

Let me now briefly touch upon the major non-power infrastructure projects being developed by our various subsidiaries and project companies.

Highways

In the last two years, we have emerged as one of the largest developers of road and highway projects for the National Highways Authority of India (NHAI) under the build, own and transfer scheme. The Company is on verge of completing two NHAI projects and at an advanced stage of four-laning three others. All these five National Highway projects are located in Tamil Nadu, covering a length of 400 kms at a cost of Rs 3,100 crore.

We have recently won the contract for constructing a four-lane highway between Gurgaon and Faridabad in the state of Haryana. The project, which covers a total length of 66 kms and includes the improvement of the Ballabhgarh-Sohna corridor, will be developed on a build, own and transfer basis.

We have emerged as the sole bidder for the 135 km *Eastern Peripheral Expressway* project, an eastern Ring Road for the Delhi National Capital Region, at a project outlay of Rs 4,000 crore.

Just last week, we emerged as the lowest bidder for four-laning of National Highway 11 between Jaipur and Reengus, on the 52-km Jaipur-Sikar Corridor, with a concession period of 18 years.

With the traffic on Indian roads increasing by 7 to 10 per cent per annum, NHAI and other state road development corporations are coming up with massive development plans to decongest the highways. About 4,000 kms of road development projects are expected to be announced over the next 9 to 12 months.

We believe that we will play a pivotal role by actively participating in the upcoming highway projects, and have a total road project portfolio of over Rs 20,000 crore by 2012-13.

Metro Rail

The central and state governments, through various policy measures, are seeking to promote a greater use of public transport to meet the ever increasing transportation demands of urban population as well as to reduce the environmental degradation caused by numerous personalized means of transport. Metro rail has emerged as perhaps the cheapest, fastest and most comfortable mode of mass urban transport.

The Government's initiative to allow private sector participation in the various metro projects across the country is therefore a huge step forward.

Mumbai Metro One Private Limited, a subsidiary of the Company, has been implementing the Versova-Andheri-Ghatkopar corridor rail-based Mass Rapid Transit System awarded by the Mumbai Metropolitan Regional Development Authority. Once in place, the Metro rail system would provide seamless east to west connectivity for over 6 lakh commuters per day.

While the fares charged on the metro would be comparable with those of local BEST buses, the travel time would be shortened by as much as 90 minutes, not to mention the comfort in which commuters will complete the journey.

The project is targeted to be completed almost 18 months ahead of schedule, in September 2010.

Our Company is also implementing the Delhi Airport Express Line project awarded by Delhi Metro Rail Corporation. The project is the first high speed airport link in the country connecting the city's International airport with its commercial heart in Cannaught Place in a journey time of just 18 minutes. The airport express would provide world-class connectivity and be comparable to similar projects in other global cities such as London and Hong Kong.

The project would be completed in a record time of 30 months and is targeted to be commissioned in July, 2010, well before the commencement of Commonwealth Games.

Our Company-led consortium has emerged as the sole bidder for the 32 km-long Mumbai metro rail project line 2 from Charkop through Bandra to Mankhurd, bids for which were invited by the MMRDA in May 2009.

The second metro project is to be implemented under the public private participation model on a build, own, transfer basis with a concession period of 35 years. The government is expected to complete the evaluation process and announce the formal award shortly.

With these projects, the Company has emerged as the sole private sector player in the construction and operation of metro lines in India.

Western Freeway Sea Link Project

Our Company, in consortium with Hyundai Engineering of Korea, emerged as the preferred bidder for the Western Freeway Sea Link project or WFSL through international competitive bidding in February 2009.

As part of the project, which is being offered under a PPP framework, the Company shall take over the 6 km long Bandra-Worli Sea Link and construct a further 5.5 km-long extension over sea between Worli and Haji Ali. The estimated cost of the project is Rs 5,100 crore.

We expect to complete the work in four years' time. The tolling rights for the entire 11.5 km stretch from Worli to Haji Ali shall vest with the Company for the full duration of the concession period of 40 years.

We have quoted a Viability Gap Funding of Rs 1,392 crore for the project.

Specialty Real Estate Projects

Unsustainable pricing coupled with severe world-wide liquidity and credit crunch brought about a dramatic change in the fortunes of the Indian real estate industry in the past one year. From a developer's perspective, the challenge was both on account of collapsing deal volumes and price correction. The prevailing uncertainty led to a substantial slow down in the industry, with many real estate projects either being abandoned or held up at various stages of completion.

Reflecting this change in operating environment, we decided to substantially reconfigure and realign our real estate plans by varying the proposed product mix.

While ensuring that our interests in projects already awarded to us are fully protected, we have taken extra care to review and keep in check our funding requirements.

The last few months have seen some signs of revival in the industry, particularly in specialized real estate, which is our prime focus and where we are developing over 30 million square feet of space.

We hope to build on this revival as it gathers momentum in the course of the year.

Generation, Transmission and Distribution of Power Generation

Power Stations of Reliance Infrastructure

Our generation plants, with an aggregate capacity of 941 MW, continue to show significant improvement across all important performance parameters including plant load factor, efficiency, environment and safety.

All our generation plants are certified for Integrated Management System covering ISO 9001 for Quality, ISO 14001 for Environment and OHSAS 18001 for occupational health and safety.

The Dahanu Thermal Power Station continues to be the best coal-based power station in the country, with a record Plant Load Factor (PLF) of 100.99 per cent for 2008-09. The plant has been consistently operating at more than 100 per cent PLF for the last five years – a feat unmatched by any other power station in India. In the last one year, the station has won 18 national and international awards in operational, environmental, safety and CSR areas.

The Maharashtra Electricity Regulatory Commission (MERC) has recognized the excellent track record of the station and initiated a programme that aims to encourage other utilities in the state to emulate the best practices and benchmarks being followed at Dahanu.

Our power stations at Samalkot and Goa have also registered high levels of performance during the year and have show consistent improvement on major operational, environmental and safety performance parameters.

All our generation plants are geared to achieve optimum operational efficiency, with a clear focus on energy conservation, auxiliary power reduction and deployment of innovative technologies.

Reliance Power Limited

We are pursuing generation projects through our associate company, Reliance Power. The company is currently developing 17 large- and medium-sized power projects with a combined planned capacity of 33,480 MW. This is by far the largest portfolio of power generation assets under development in India in the private sector.

Reliance Power has won 3 of the 4 Ultra Mega Power Projects awarded by the Government of India on the basis of tariff-based competitive bidding.

Moving from plan to implementation. Work on the Rosa Power Plant in Uttar Pradesh is running ahead of schedule. The plant is expected to be operational before the end of financial year 2009-10. We expect to commission the expansion units at Rosa and the upcoming plant at Butibori near Nagpur by 2011.

The commissioning schedule of the Sasan Ultra Mega Power Project has also been advanced by as many as three years. We hope to commission two units of 660 MW each at Sasan before the end of financial year 2011-12.

I shall give you a comprehensive progress report on Reliance Power in the AGM next week. But before I end, I would like to mention that Reliance Power has been a great wealth multiplier for our company. Our investment in it of Rs 1,720 crore has grown by over 10 times in a short span of time.

Transmission

Our Company, through its wholly owned subsidiary Reliance Power Transmission Limited (RPTL), is undertaking key transmission projects for execution.

RPTL is the first developer in India to secure, on a 100 per cent private ownership basis, two inter-state transmission projects worth, namely, the Western Region System Strengthening Schemes in Maharashtra and Gujarat. The tariff-based international competitive bidding for these projects was conducted by the Power Grid Corporation of India. With an estimated outlay of Rs 1,370 crore, these projects will cater to eight beneficiary states and union territories in the Western Region and will, on completion, ease the power situation there by making available surplus power from the North East and the Eastern regions of the country.

I am glad to inform you that RPTL has been declared qualified at the Request for Qualification (RFQ) stage for all 3 major Inter-state projects announced for private participation.

There are other projects in states like Haryana, Rajasthan and Uttar Pradesh which are currently at various stage of bidding.

All these projects, with an aggregate value of nearly Rs 9,000 crore, will be awarded on tariff-based international competitive bidding.

RPTL would actively participate in developing the transmission requirements for all the ongoing projects of Reliance Infrastructure and other group companies. These projects include the strengthening of the Mumbai Transmission System, which is aimed at ensuring greater reliability and helping consumers with higher load requirements.

Distribution of Power

Mumbai Distribution Business

Reliance Energy, the distribution business of the company, supplies electricity to 27 lakh consumers in Mumbai; i.e. nearly two out of every three households in the city. We have the distinction of consistently operating our distribution network at 99.9 per cent reliability, giving our customers, through technical and procedural improvements, one of the most reliable power distribution networks in the country.

We were recognized as the best utility for 'Excellence in Power Distribution – Urban' from amongst 20 utilities across the country at the recently concluded IEEMA National Awards 2009.

This recognition was based on the Company's leadership on such varied parameters as uninterrupted supply, average cost of power, advanced customer service and the use of cutting-edge technology in improving quality and reliability.

We have joined hands with the World Bank to develop a world-class distribution network starting from the receiving station and going up to the electrical installations in the consumers' premises in slums falling under the Company's distribution area. The Bank is extending subsidy for the network from the meter to consumer premises. As part of this joint initiative, a pilot project is being implemented in the slums of Shivajinagar area, the eastern suburb of Mumbai.

We take pride in the fact that our service standards are the same for all our consumers, including nearly a million poor who live in slum-like conditions in our licensed area.

We are perhaps the only utility in the country to have an integrated system of network planning and management, based on state-of-the-art technologies like SCADA, Distribution Management System, Geographical Information System and Automated Remote Metering. We also have in place integrated systems for managing metering, billing, new connections and complaints. These systems allow our field staff to perform more efficiently, with easier availability of updated information.

We are continuing with our efforts to procure replacement power for the quantity that was being supplied to us for decades by the Tata Power Company from its generation plants at Trombay. The Supreme Court has held that Tata Power Company has a distribution license for Mumbai with universal service obligation, covering both BEST and Reliance Infrastructure license areas. The company has an obligation to supply power to all sections of consumers including those below the poverty line and to whom power is supplied at heavily subsidized tariffs. We welcome this move and look forward to the environment of healthy competition which it will generate.

Delhi Distribution Business

I am glad to inform you that two of our power distribution companies (Discoms) in Delhi, BSES Rajdhani Power Limited (BRPL) and BSES Yamuna Power Limited (BYPL) have recorded strong operating performance during FY 2008-09. Both have made significant improvement across all operating parameters.

The Discoms continue to focus on implementing innovative measures to improve customer service and further reduce the aggregate technical and commercial (AT&C) losses. While BRPL has brought down its losses from over 51 per cent in 2002 to 20 percent, BYPL has done so from over 63 per cent to 24 per cent at the end of FY 08-09.

This progress in reducing AT&C losses would yield a total financial incentive of approximately Rs 136 crore for the two Discoms during the year, adding significantly to shareholder value. Over the last seven years, the average annual rate of reduction in AT&C losses for both Discoms works out to nearly 5 per cent, which is vastly superior to the combined national average of less than one per cent across all states.

While the AT&C levels in Delhi are still among the highest for any metro and nowhere near the levels achieved in Mumbai, this steep loss reduction has led to a saving of over Rs 20,000 crore for the Delhi government in the last 7 years, enabling it to deploy this substantial money for other critical sectors like transportation, education and health care.

Over the same time period, the two Discoms have infused nearly Rs 3,790 crore in capital expenditure. An additional capital outlay of over Rs 1,400 crore has been earmarked in the next two years to further modernize and strengthen the distribution network. This capex reflects our continued commitment to improving the reliability of our distribution network in the capital.

During the year, the Company increased its stake in the two discoms from 26 per cent to 49 per cent.

Energy Trading

During the year, Reliance Energy Trading Limited (RETL), a subsidiary, traded 1,934 MUs of power as against 1,022 MUs in the previous year, registering a growth of 89 per cent.

Medium term agreements signed with various projects would generate an assured business volume of about 30,000 MUs over the next 10 years, adding strength to the activities of RETL.

Engineering, Procurement and Construction (EPC) Division

In the past few years, our EPC Division has established a reputation of being a leading provider of integrated design, engineering, procurement, construction and project management services for the power sector across the country.

Backed by a young and highly talented workforce, our EPC division has built capabilities to execute projects in a time-bound and cost-effective manner. We commissioned our first EPC unit of 300 MW capacities at Yamuna Nagar in a record time. We are on course to repeat that feat at the 600 MW capacity unit, which is currently coming up at Hisar.

We have forged strategic alliances and partnerships with leading international companies so as to help us access cutting-edge technologies and expertise. Our acclaimed Engineering *Centre of Excellence*, equipped with state-of-the-art technology and software, provides optimum design support for all our projects.

The Division has already commissioned the 600 MW Deenbandhu Chhoturam Thermal Power Station at Yamuna Nagar in Haryana.

It is currently executing the following EPC contracts for various power projects,

- 1,200 MW Rajiv Gandhi Thermal Power Project at Hisar in Haryana,
- 500 MW Parichha Thermal Power Project in Uttar Pradesh
- 3,960 MW Sasan Ultra Mega Power Project in Madhya Pradesh,
- 1,200 MW Raghunathpur Thermal Power Station in West Bengal, and
- 300 MW Butibori Group Captive power project in Maharashtra

Currently, this Division is executing coal based projects with aggregate capacity of 11,300 MW. It is also engaged in implementing various transmission and distribution projects across the country.

This Division posted a turnover of over Rs 2,500 crore, an increase of 74 per cent over the previous financial year. This sharp spurt in topline demonstrates the rapid strides that the EPC Division has made in the execution of projects in the power sector within a short span of time.

The Division has an order book position of over Rs. 20,000 crore as on 31st March 2009 as compared to Rs. 7,800 crore at the end of the previous year.

This order book is set to grow even more significantly as our associate company, Reliance Power, sets out to install nearly 34,000 MW of generation capacity in the next few years.

We have strengthened our EPC team by inducting multifunctional, high calibre professionals. The EPC Division now has a 1,530-strong team, with an average age of 31 years.

New opportunities

Cement Business

Our country has achieved significant growth across major sectors in recent years. We are poised to become a leading contributor to the world economy, thanks to our substantial and growing domestic demand.

No where is this demand more visible than in core infrastructure sectors such as cement. Even during the recent phase of economic slowdown, cement demand continued to rise. During FY 2008-09, the cement industry grew by 8 per cent and it is expected that it would maintain the same tempo of growth for the next 10-15 years.

As a natural extension of the power and infrastructure interests of our group, we believe it gives us strategic advantage to enter the cement sector. Nearly 40 per cent of the cost of manufacturing cement comes from the three key ingredients of coal, fly ash and power. Given that all three are at the core of our existing portfolio, there are obvious synergies that are waiting to be exploited.

We have plans to set up cement plants with an aggregate capacity of 20 million tonnes per annum at a cost of nearly Rs 10,000 crore over the next 5 years. This will make us a top 5 cement player in the country.

Last week, Reliance Cementation signed an MoU with the Maharashtra Government to set up a 5-million-tonne integrated cement plant in Yavatmal district with a grinding unit at Butibouri in Nagpur district, at an investment outlay of Rs 2,250 crore. This is in addition to the MoUs that we have already signed with the Governments of Madhya Pradesh and Gujarat.

With a view to optimizing internal synergies and consolidating all our infrastructure and related businesses under one roof, we have decided that our cement business will be implemented by Reliance Infrastructure.

Airport Business

The exponential growth in air traffic in India in the last few years has taken most industry observers by surprise. The existing infrastructure at most Indian airports is grossly inadequate to deal with this rising traffic. A lack of terminals, runways, parking bays and x-ray machines at airports across the country continues to cause time and cost delays in travel.

The government has set a target of modernizing 35 non-metro airports in the country and has chosen public-private participation as the principal means for doing so.

We are watching the developments in this sector closely and keenly pursue the upcoming projects for international airports at Navi Mumbai, Pune and Goa.

Taking air travel to India's remoter regions and rural hinterland will throw up the next big opportunity for growth in the aviation sector.

We will participate keenly in this expansion. We have been shortlisted to bid for several regional airports in the country and have also emerged as the highest bidder for the privatization of all 5 brownfield regional projects in the state of Maharashtra. These five airports are located at Nanded, Latur, Yavatmal, Baramati and Osmanabad. The scope of our work at these airports includes design, development, upgradation, financing, operating, maintenance and management.

New Ventures in Information technology

After being empanelled by the Government of India under the Restructured – Accelerated Power Development and Reform Programme (R-APDRP) scheme, our IT Group has made rapid progress. We have been selected as an IT consultant for the Karnataka State Electricity Board at five distribution circles, outbidding leading IT companies of the country.

The State Electricity Boards of Rajasthan and Andhra Pradesh have approached us to submit our Request for Proposal for IT consultancy and implementation.

The opportunity space in IT consultancy is valued at nearly Rs 1,000 crore.

The Road Ahead

Our Company has been in the business of generation, transmission and distribution of power for decades. With changes in business dynamics, we have expanded our canvas and made significant forays into infrastructural sectors like metros, highways, sea links, real estate and special economic zones in recent years.

As a result, we had often felt the need to create a simplified and transparent structure to provide greater focus and attention to our different individual business segments. This, we believed, would help us reap the benefits of –

- transparency of operations in individual companies,
- possibility of investments by strategic players in different businesses
- attribution of appropriate risk and valuation to different businesses based on their respective risk-return profile and cash flows.

With the above objectives in mind, we have devised a scheme of arrangement for restructuring the businesses of the Company.

The scheme envisages the transfer of our different businesses, from power generation, transmission and distribution to infrastructure and real estate, from special purpose investment vehicles to joint ventures, into wholly owned subsidiaries.

I wish to profusely thank all of you, my dear fellow shareowners, for your overwhelming support to our proposal for restructuring the businesses of the Company, which was placed before you at the court convened meeting held on June 9, 2009.

The scheme is now awaiting the sanction of the Hon'ble Bombay High Court.

Quality initiatives

Quality customer care is the life-breath of any service industry, and we have always accorded it the highest priority in our business strategy.

All our power stations are certified for ISO 9001 as regards quality management system, ISO 14001 as regards environmental management system and OHSAS 18001 for occupational health and safety management system. They are also certified for SA 8000 for social accountability standards and ISO 27001 for information security standards.

In order to achieve service standards of the highest order, several Six Sigma projects have been initiated in various business units. This will help us in system improvement and process augmentation through Six Sigma methodologies.

Human Capital

Over the years, our insistence on employing only the very best talent in the industry has earned us peer esteem as well as a reputation for having one of the most competent, innovative and agile workforces in the country. It is the quality and commitment of our human capital that has been the single most important driver in our evolution as an organization and our ability to expand our foot print across multiple and diverse business segments.

Our workforce is an optimum blend of technocratic merit, financial acumen and management expertise. Our employee strength, which has grown in tandem with our business operations, currently stands at 7,744. With an average executive age of 35 years, we possess an exciting blend of youth and experience.

Our challenge is to nurture this enormous talent and help it assume leadership roles, so that we are never found lacking in our ability to manage our ever expanding business canvas. To this end, we have developed a comprehensive and scientific competency framework, which is based on year-round assessment, learning and development. This has helped us create a highly motivated and dynamic work force.

Alongside our focus on individual capacity building and career mapping, we have paid equal attention to creating a proactive and harmonious industrial relations environment that contributes to improved productivity and superior service to our customers.

Environment, Health and Safety

We accord the highest priority to environment, health and safety (EHS) at all our power stations and work places.

All our power stations and the EPC Division are certified for ISO 14001 for Environment management system and OHSAS 18001 for Occupational Health and Safety Management System. The emission levels at all power stations are well below the permissible limits.

The power stations have consistently achieved '*zero reportable accidents*'. This is being attained by making *safety a way of life* rather than simply a matter of enforcing a finite set of safety rules. Safety processes include awareness programmes, internal and external safety audits, hazard identification and risk assessment and implementation of proactive safety measures.

The Company is focused on reduction of green house gas emissions and has undertaken several energy efficiency measures through innovative use of technology and process optimization. A number of such projects are in the process of registration for CDM (Clean Development Mechanism) as per the United Nations Framework Convention on Climate Change (UNFCCC) guidelines under the Kyoto Protocol.

The EHS committee of the Board periodically reviews environment, health and safety performance at our projects. The members of the committee, made up of independent directors, periodically visit various project sites for first hand report on our EHS initiatives.

Corporate Social Responsibility

As a responsible corporate, we continue to contribute actively towards CSR measures, focusing on education, healthcare, environment and other social uplift initiatives. These are aimed at reaching out to underprivileged communities that live around the areas of our business units.

Our CSR activities encompass scholarships for the meritorious and financial assistance, educational kits and school uniforms for the needy children of the local community. We have sponsored an extensive programme of computer literacy and training for local students. We continue to present the highly regarded *Best Teachers Awards* in the local schools of the Dahanu Taluka.

In Sasan, we have opened a Construction Skill Development Centre, which has been engaged in providing occupational training for local and project-affected people in collaboration with the Construction Industry and Development Council.

We have installed more than 350 hand pumps under the project *Safe Drinking water to all* in the Dahanu Taluka and made several check dams. We have also taken up water harvesting projects.

In addition, we have organized a series of medical and blood donation camps, and provided support to local hospitals for basic infrastructural improvement at our generation plants. First aid medical facilities and basic amenities like electricity, streetlights, safe drinking water and subsidized hygienic meals are provided at labour colonies at all our project sites.

We continue to support both operationally and financially, the Kokilaben Dhirubhai Ambani Hospital, the jewel among all hospitals in the country.

Corporate Governance

Our Company is a proud member of the Reliance Anil Dhirubhai Ambani Group. As such we have adopted the Group's *Corporate Governance Policies and Code of Conduct*.

These guidelines prescribe a set of systems, processes and principles that conform to the best global standards, and are aimed at promoting the interests of all our stakeholders.

Awards and Recognition

Our company continues to receive awards and peer recognition for its outstanding performance across a variety of domains – from excellence in generation to environment, quality, water and energy management, from leadership in technology and innovation to safety and corporate social responsibility.

The major awards presented to us during the year are

- IEEMA Power Awards 2009 – 1st prize in the category of 'Excellence in Thermal Power Generation'
- IEEMA Power Awards 2009 – 1st prize in the category of 'Best Environment and Efficient Power Plant – Thermal'
- Golden Peacock Award for Environment Management for the Dahanu Power Station
- 'Excellence in Power Distribution – Urban' from amongst 20 leading utilities across the country in IEEMA Power Awards 2009.
- IMC Ramakrishna Bajaj National Quality Performance Trophy, 2008, for business excellence at Dahanu Power Station
- Golden Peacock Innovation Award – 2008 for transmission division

These awards will motivate and spur us further in our quest for ever greater excellence in operational and financial performance.

Shareholder value

In line with our philosophy of creating value for investors, we utilized a part of our funds for buying back nearly 1.13 crore shares at a cost of about Rs 925 crore, the largest ever such buy-back in the country. This is intended to increase the earnings per share and return on equity, thereby creating long term shareholder value.

Our Commitment

We are on the threshold of a major organizational transformation: from being a power utility to being a diversified infrastructure company, with strong presence across the entire gamut of infrastructure space.

Our young team of highly trained, motivated and qualified professionals will enable us to make the most of every opportunity that opens up in the infrastructure space.

Powered by the experience and expertise of the Reliance ADA group in project management and financial engineering, we will seek to achieve the highest performance standards in the industry and an unchallenged leadership position across all segments in which we operate.

Acknowledgement

In conclusion, I wish to acknowledge the contribution of various individuals, institutions and organizations, towards our growth and achievements.

My sincere gratitude to our millions of customers for their trust and confidence in us during these challenging times.

To all my colleagues for their professionalism, dedication and commitment to pursue and achieve excellence in our performance.

To members of the Board for their advice, guidance and encouragement.

To financial institutions, banks, vendors and regulatory authorities for their goodwill, support and co-operation.

And, most of all to you, my dear shareowners. I am profoundly indebtedness to each one of you for your trust and confidence, and look forward to your continued support in our quest to become India's most iconic and admired infrastructure company.

Thank you, ladies and gentlemen, for your time, attention and patience.

Mumbai
July 21, 2009

Anil D Ambani
Chairman