



My dear fellow shareowners,

It gives me great pleasure to share with you the highlights of our Company's performance during the year 2004-05.

In just over two years after the acquisition of management control in the Company by the Reliance Group, Reliance Energy has made significant strides in its operational as well as financial performance.

We are committed to make Reliance Energy a world-class utility company, benchmarked to international standards of quality, operational performance, efficiency and customer care, in line with the inspiring vision of Dhirubhai H. Ambani, the legendary founder-chairman of the Reliance Group.

Performance Review

You will be happy to learn that our Company has achieved rapid transformation in its performance, in its quest to be amongst the most admired utility companies in the world.

Today, Reliance Energy is India's leading private sector utility group, with aggregate group revenues of around Rs 9,500 crore (US\$ 2.2 billion), and gross fixed assets of Rs 10,700 crore (US\$ 2.4 billion).

Reliance Energy is also India's most valuable private sector power company, with market capitalisation of over Rs 9,500 crore (US\$ 2.2 billion).

We rank among the top 20 private sector listed companies in the country, in terms of all major financial parameters, such as assets, sales, profits and market capitalisation.

The highlights of our performance for the year 2004-05 are:

- Total Income of Rs 4,593 crore (US\$ 1.05 billion), against Rs 3,583 crore in the corresponding previous financial year, an increase of 28 per cent
- Cash Profit of Rs 970 crore (US\$ 222 million), against Rs 686 crore in the corresponding previous financial year, an increase of 41 per cent

- Net Profit of Rs 520 crore (US\$ 119 million), against Rs 367 crore in the corresponding previous financial year, an increase of 42 per cent
- Cash Earnings Per Share for the year Rs 52 (US\$ 1.2), an increase of 33 per cent
- Earnings Per Share (EPS) for the year Rs 28 (US\$ 0.6), an increase of 33 per cent

The 42 per cent growth in net profit was achieved, after taking into consideration higher provisions/ expenses aggregating Rs 180 crore (US\$ 41 million) for the year ended 31st March, 2005. Excluding the above, the net profit would have been higher at Rs 700 crore (US\$ 160 million), an increase of 91 per cent.

The Company ranks third among Indian private sector companies in terms of net worth. As on 31st March 2005, the net worth of the Company stood at Rs 6,339 crore (US\$ 1,449 million).

The Company remains debt free at the net level, and enjoys the top-end ratings of 'AAA' and 'Ind AAA' by CRISIL and FITCH, respectively, clearly indicating the financial conservatism.

A conservative capital structure, as reflected by a zero net debt position as on 31st March 2005, coupled with strong cash reserves provide a robust platform for our future growth.

The turnover of our EPC and Contracts Division was Rs 1,235 crore (US\$ 282 million) during the year under review.

In line with the management's decision to focus on the considerable in-house opportunities, and selective large projects for its EPC and Contracts division, the division had a record order book position of about Rs 3,500 crore (US\$ 800 million) as on 31st March 2005, as against Rs 1,200 crore in the previous year, an increase of 192 per cent.

On the operational front, the Dahanu Power Station achieved a record Plant Load Factor of 101.4 per cent, compared to 100.3 per cent last year.

I am sure you will be happy to note that the Dahanu Power Station received international recognition during the year. It was named as one of the world's top 12 plants of 2004 by Platts POWER magazine, in its July/August 2004 issue based on several selection criteria such as operational efficiency, minimal environmental impact, technology use, financing structure, etc.

During the year, Reliance Energy also received several other prestigious awards and recognitions for its quality of operations, safety and environment standards.

Our two distribution companies in Delhi also achieved a notable improvement in both operational and financial performance during the year.



The aggregate total income of the two Delhi distribution companies during the year under review was Rs 3,248 crore (US\$ 742 million), as against Rs 2,587 crore in the previous year, an increase of 26 per cent.

The aggregate Profit before Tax (PBT) was Rs 179 crore (US\$ 41 million), as against Rs 149 crore in the previous year, an increase of 20 per cent.

The aggregate technical and commercial (AT&C) losses have reduced from the actual opening loss levels of 51.5 per cent and 63.2 per cent in BSES Rajdhani and BSES Yamuna respectively, to 40.9 per cent and 50.2 per cent respectively at the end of the financial year ended 31st March 2005. Further reduction in AT&C loss levels will provide substantial upside to the Delhi companies.

Focus on Customer Satisfaction

The year 2004-05 witnessed various steps and initiatives to meet Reliance Energy's commitment to the international standards of customer service. The stress was on consumer interface initiatives with the aim of achieving world-class standards.

In a move to further consolidate its position as one of the most consumer friendly utilities in the world, Reliance Energy has launched the first of its kind 'Multilingual Power Bill' in Mumbai. With this move, the Company has become the only utility company in the world to offer multilingual billing choice in as many as 19 Indian languages.

Taking forward the philosophy of offering the customer the bill in his/ her language, Reliance Energy introduced another path breaking initiative by launching bill for the visually impaired in Braille.

Future Growth

The enactment of the Electricity Act 2003 has opened up new opportunities in the Indian power sector. Reliance Energy has undertaken various initiatives during the year as part of its 'Well Head to Wall Socket' growth strategy, with high levels of integration.

Reliance Energy is committed to expanding customer base in its distribution business through new licenses, through open access on existing networks, and /or through participation in the privatisation process of state owned distribution assets. The Company plans to set up gas, wind, hydro and coal based power generation projects, to match its distribution capability. The Company is also exploring growth opportunities in the power transmission sector.

Reliance Energy, through a special purpose vehicle viz. Reliance Energy Generation Limited is setting up a 3,740 MW gas based mega power project at Dhirubhai Ambani Energy City, near Dadri in the state of Uttar Pradesh. With an initial investment outlay of about Rs 11,000 crore (US\$ 2.5 billion), the power project, to be developed in phases, will also be the world's largest gas based power generating plant at a single location.

Reliance Energy aims at a leadership role in creating world-class power infrastructure in the country in pace with regulatory changes and reforms in the domestic power sector.

Corporate Governance

Reliance Energy is ever at the forefront in introducing best practices in Corporate Governance. We have reviewed the revised Clause 49 of the Listing Agreement (implementation whereof is deferred), the Combined Code on Corporate Governance of the London Stock Exchange and the Corporate Governance rules of the New York Stock Exchange. Though none of these is applicable to us, we have proactively revised our governance practices which now substantially conform to these codes and rules.

Value Creation

The interests of shareholders have always been our prime focus, and in line with this, we are committed to maximizing the value for all our shareholders. Since becoming a part of the Reliance Group, Reliance Energy has created over Rs 6,500 crore (US\$ 1.5 billion) of wealth for its shareholders in just over two years, with market capitalization increasing from less than Rs 3,000 crore (US\$ 685 million) to over Rs 9,500 crore (US\$ 2.2 billion).

We thank each one of you, for your unstinted support and loyalty, which has made this possible.

Looking Forward

We are focused on delivering superior value to our customers, ensuring international quality and reliability of service.

We are committed to enhancing scale, competitiveness, efficiency and productivity of our businesses, benchmarked to global standards of excellence.

We will always maintain our conservative financial profile, ensuring high degree of financial flexibility to capture future growth opportunities.

We attach high importance to health and safety of our people, and the environment around us.

We remain confident that, over the long term, our emphasis on consistent performance, financial conservatism and discipline, and generation of superior returns on investments, will contribute to further enhancement of overall value for all our shareholders.



Anil D. Ambani
Chairman and Managing Director