



# Board Of Directors Of Ipcl And Ril Approve Merger

Dipayan Mazumdar & Associates, March 11, 2007

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*The Board of Directors of Reliance Industries Ltd (RIL) and Indian Petrochemicals Corporation Limited (IPCL) have unanimously approved the scheme of merger of IPCL with RIL*

PR9.NET March 11, 2007 - MUMBAI: The Board of Directors of Reliance Industries Ltd (RIL) and Indian Petrochemicals Corporation Limited (IPCL) have unanimously approved the scheme of merger of IPCL with RIL, subject to the necessary regulatory & shareholder approvals.

RIL is India's largest private sector company with a leadership position in the petrochemicals industry while IPCL is India's second largest company in that sector. As part of the divestment program of the Government of India, RIL acquired 26% equity in IPCL in the year 2002 and thereafter increased its holding to 46% through an open offer. Over the last five years of IPCL's operations, with the support of Reliance management several initiatives were introduced to increase capacity utilization, reduce operating costs and improve financial management. This has resulted in ongoing improvement in financial and operating performance at IPCL with revenue increasing from Rs 5,527 crore in FY 2001-02 to Rs 12,362 crore in FY 2005-06, a CAGR of 22% and net profit increasing from Rs 107 crore in FY 2001-02 to Rs 1,164 crore in FY 2005-06, a CAGR of 82%. The improvement in financials has led to a significant improvement in IPCL's capital structure, with IPCL becoming debt free on net basis as compared to a net debt of Rs 3,482 crore in March 2002.

RIL has a diversified portfolio of businesses in the form of oil and gas, refining and marketing, petrochemicals, organized retail and development of Special Economic Zones. RIL has plans to make significant capital investments in all its core businesses to pursue growth opportunities. On the other hand, IPCL's business portfolio predominantly consists of commodity polymers, which makes it prone to earnings volatility and cyclical risk. The merger provides shareholders of IPCL an opportunity to de-risk their investment by participating in the growth opportunities at RIL.

The merger will be earnings accretive for RIL's shareholders at the proposed merger ratio. This merger will also facilitate the integration of management resources with economic interest while providing for free flow of products and intellectual capital between the two companies.

The proposed merger is in line with industry trends, which will help achieving scale, size, integration, and enhanced financial strength along with the flexibility to pursue future growth opportunities, both organic and inorganic, within and outside India.

Commenting on the merger, Mukesh D. Ambani, Chairman & Managing Director, RIL, stated, "With this merger, I am happy to welcome all IPCL shareholders to the RIL family. This merger will create value through synergies and scale that shall enhance the sustainable competitive advantages of RIL. This merger will be earnings accretive for the shareholders of RIL and shall provide shareholders of IPCL an opportunity to participate in RIL's diversified business portfolio."

Consolidated Production of Key Petrochemical products ('000 tonnes)\*

Product RIL IPCL RIL (post merger)

Ethylene 836 946 1,782

Propylene 403 348 751

PE 429 587 1,016

PP 1,362 258 1,620

PVC 341 243 585

MEG 509 271 780

POY 623 121 744

PSF 613 129 743

\* Production is based on production for the nine months period ended 31st Dec 2006, as annualized, for comparison purpose only.

Merger Details:

The appointed date of merger of IPCL with RIL is April 01, 2006. Under the terms of the proposed merger, IPCL shareholders will receive 1 share of RIL for every 5 shares of IPCL held by them. The exchange ratio has been determined on the basis of a Valuation Report by PricewaterhouseCoopers and Ernst & Young, jointly appointed. JM Morgan Stanley and DSP Merrill Lynch are the Financial Advisors. Amarchand & Mangaldas & Suresh A Shroff & Company are the Legal Advisors.

The share capital of RIL post merger shall increase from Rs 1,393.5 crore to Rs 1,453.6 crore.

RIL's associate companies hold 47.3% of IPCL's equity share capital. These shares will be exchanged for equity shares of RIL having current market value of over Rs 3,700 crore, and will constitute 2% of the enhanced equity share capital of RIL. The associates will hold the shares for the benefit of all the shareholders of RIL and could monetize the economic value at an appropriate time in the future. These shares could be offered to financial or strategic investors in domestic or international markets.

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**About Dipayan Mazumdar & Associates**

DMA is an independent Public Relations consultancy set up in 1998 to provide contemporary Corporate Communications support. We are a team of professionals from different communications disciplines. Ours is a people oriented approach – people are our greatest assets.

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