

## Reliance battle takes shine off results

*By Khozem Merchant in Mumbai*

The power struggle at Reliance Industries deepened yesterday as Anil Ambani, who is contesting control of India's largest refining and petrochemicals group with elder brother Mukesh, fired accusations that overshadowed sparkling full-year results.

Anil Ambani, vice-chairman, revealed in a statement that he had abstained from signing off on the final accounts because of an absence of relevant information, details and disclosures, including on subsidiaries IPCL and Infocomm.

He said before a board meeting to review accounts for the year to March 2005, that management, led by Mukesh, chairman, had ignored his comments on strengthening corporate governance practices at the Mumbai-based company.

"I am being sidelined. But I am still vice-chairman, contrary to [the views] of some people [at Reliance]," he said in a resurgence of hostilities after recent speculation of an impending settlement dividing assets from energy, telecoms to finance.

Anil Ambani's outburst took the shine off full-year net profit of Rs75.72bn (\$1.7bn), a 47 per cent rise year on year, on sales of Rs731.6bn, higher by 30 per cent year on year.

Earnings per share rose to Rs54.2 compared with Rs36.8 last time, Reliance said in a statement.

The quarter to March was notably strong with net profit up 62 per cent as consumption of chemicals revived on softer prices after the depletion of huge inventories in the earlier three-month period.

Operations were boosted by higher margins on mature refining activities, helped by rising demand for petrochemicals and fuel in India's expanding economy.

"Every target was blown out of the water," said Jon Thorn of Indian Capital Fund in Hong Kong, which manages about \$145m of assets in India. "But Reliance will remain a disappointment while the brothers slug it out."

Reliance is trading at a modest forward multiple of nine times 2006 earnings, which, according to another analyst, "makes it look like a company where earnings are about to slide — but nothing could be further from the truth".

Reliance Industries' share price closed down 1.48 per cent in Mumbai yesterday. It has gained 2.27 per cent, under-performing the benchmark index, since the Ambani brothers' differences surfaced in late November.

Since then their war of attrition has seen Anil Ambani boost his position. According to Indian media, Anil Ambani would gain control of the group's telecom asset in a settlement.

Reliance declared a dividend of Rs7.5 per share, which analysts said was disappointing. "The shareholders of this company who have stood by us for so many years need to be rewarded. This is their time for reward," said Anil Ambani. Mukesh declined to comment.

This week, a foretaste of the public dispute emerged at IPCL, a Reliance Industries-controlled petrochemicals company from which Mr Anil Ambani resigned in January. A former senior aide of Anil Ambani described aspects of the transaction as "indefensible".