

**My dear fellow Reliance Capital shareowners,**

I am delighted to welcome each one of you to this 21st Annual General Meeting of our Company.

This meeting is special in many ways. For a start, we have assembled here in the city of Mumbai for the first time ever.

Symbolically, this change is hugely significant, given Mumbai's status as India's premier financial city, and of course our very own, as one of India's premier financial services companies.

Mumbai is also home to nearly 3 lakh Reliance Capital shareholders – the highest number for any city in the country.

There is another very important reason why today is so special. The last financial year – our first full year of operations since the re-organization of the Reliance Group in June 2005 – has been the most outstanding period of growth and achievement in the history of our young company.

We are now one of the 20 most valuable private sector companies in the country.

In the short span of two years since becoming part of the newly-born Reliance ADA Group, our market capitalization has shot up nearly 800 per cent, from Rs 3,000 crore to over Rs 27,000 crore, creating additional shareholder wealth of over Rs 24,000 crore.

In one word, we have not only moved closer to realizing the dream of our legendary founder and my father, late Shri Dhirubhai Ambani, of making Reliance Capital one of India's leading full-spectrum financial services players, but more importantly, we have lived up to his proud heritage, of creating ever greater value for our over 1.3 million shareholders.

Success and wealth creation of this magnitude and in such short span of time is unique for any sector in the history of India's capital markets, let alone the hugely competitive financial services space.

Reliance Capital is today India's fastest growing financial services powerhouse, with over 5 million customers. Our customer base is served by one of the most extensive and technologically advanced distribution networks, comprising over 3,600 outlets in nearly 700 towns and cities across the country.

An integral member of the Reliance ADA Group, we are the bearers of a proud name, and an even prouder legacy.

Our Group, barely two years in the making, now ranks among India's top 3 business houses.

We have a strong presence across a wide array of high-growth consumer-facing businesses – from telecom and financial services to energy and power, from media and entertainment to healthcare.

Across different companies, we touch the lives of over 100 million customers, or over 1 in every 10 young and aspirational Indians every single day.

Our group enjoys the unparalleled trust, faith and confidence of nearly 7 million shareowners – the largest such family in India, perhaps even in the world.

We are among the largest employers in the country, with a young, highly trained and motivated workforce approaching 1,00,000-strong.

We have a Group market capitalisation of over Rs 1,57,000 crore, having added over Rs 1,42,000 crore or over Rs 300 crore of shareholder wealth creation every single working day over the past two years.

Our group net worth is in excess of Rs 40,000 crore.

Our cash flows across the Group are approximately Rs 9,000 crore and Net profit is over Rs 5,000 crore.

We have zero net debt at the group level.

Our current Group net worth and debt structure gives us the capacity to borrow, on a conservative basis, over Rs 1,00,000 crore.

But Reliance Capital, like the Reliance ADA Group, is not just about scale and size. It is also the about the pursuit of excellence; of values that embody the spirit of New India -- the new resurgent India of the 21<sup>st</sup> century.

Our goal is not just to build a great enterprise for our stakeholders, but also to build a great future for our country: To give millions of young Indians the power to realize their dreams, the opportunities to shape their own destiny and the means to realize their true and diverse potential.

### **Performance Review**

Our company's accounts for the year ended 31st March, 2007, along with the Director's Report, Letter to Shareholders and Management Discussion and Analysis, have been circulated to you.

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

I am happy to share with you the highlights of our company's exceptionally strong operational and financial performance during the year 2006-07:

- Gross income of Rs.2,158 crore – an increase of 128 per cent
- Net profit of Rs.703 crore – an increase of 23 per cent
- Earnings per share of Rs.30.73 – an increase of 16 per cent
- Book value of Rs. 215.7 per share – an increase of 18 per cent

- Total Assets of Rs. 6,708 crore

### **Strong Financial Platform**

We have created a strong financial platform that will be the bedrock for accelerated future growth.

- Our net worth now stands at over Rs. 5,297 crore, as on 31st March, 2007, placing us among the top 3 private sector Indian companies in the financial services sector, after LIC and HDFC.
- As before, we enjoy the highest credit ratings, of 'A1+' and 'F1+', awarded by ICRA and FITCH, respectively.

### **The Indian Economy**

India is today a booming trillion dollar economy.

A structural shift over the last few years has propelled real GDP expansion from the levels of 6 per cent averaged over the previous two decades, to over 8 per cent per annum in the last 4 years, with the last two years recording a growth rate in excess of 9 per cent.

This growth has been accompanied by rising income levels and general all-round prosperity. The investment rate in the economy, which had remained sluggish for a few intervening years, has picked up once again.

Even more heartening, our domestic rate of savings, a key determinant in our investment cycle, is now among the highest in the world, having gone up from 23.4 per cent of GDP in FY 2001, to 32.4 per cent of GDP in FY2006.

Fellow shareowners, we live in an extraordinary time – a moment of great transition in the life of our nation.

Today's India is an overwhelmingly young country, where over 55 per cent of the population or over 550 million people are below the age of 30.

In 15 years, this number is poised to touch nearly 750 million, making India the largest community of youth anywhere in the world.

India's ongoing economic evolution coupled with the energy, dynamism and ambition of its youth, is the perfect springboard for what I truly believe will perhaps be the greatest economic growth story ever to unfold anywhere in the world .

We are privileged to stand at the threshold of this unique era in our nation's long history – a time of great opportunity, hope and excitement for over 1.1 billion Indians or nearly one-sixth of humankind.

Financial services are the backbone of any economy. Across the world, this sector ranks among the top three on all major parameters, including cash flow, operating profit, net worth and market capitalization.

More than a third or over 15 of the top 50 global companies are financial sector players.

But India's financial market is still at a nascent stage. Of our total market cap of US\$ 1 trillion, the financial sector accounts for a mere 10 per cent, or US\$ 100 billion.

The extent of our lag is obvious from one simple example. The market cap of China's largest bank, ICBC, is more than twice the combined market cap of all listed financial services entities in India.

Our country today has over 320 million bank account holders, but less than 10 million demat account holders, and just about 30 million mutual fund investors. While 33 per cent of the US population invests in mutual funds, the figure for India is barely 3 per cent.

In one word, the potential and scope for growth in India's financial services space is almost limitless.

As ever, Reliance Capital will lead from the front, driving the process of growth and transformation in India's financial markets.

Let me now turn to a brief overview of our main businesses. I begin with the Reliance Mutual Fund.

## **Engines of Growth**

### *Reliance Mutual Fund*

Reliance Mutual Fund has, over the years, built for itself a great reputation in the market by offering to its investors not just consistently high returns but also a highly innovative and diversified portfolio of products and services, and an unmatched track record of integrity.

Not surprisingly, we have emerged as leaders in winning both the hearts and minds of investors across the country.

The last two years have been particularly exceptional. In June 2005, we managed barely Rs 6,000 crore of assets. Today, we handle nearly Rs 60,000 crore.

This represents an average inflow of Rs 110 crore for every single working day over the past two years.

It is no surprise that during FY 06-07, Reliance Mutual Fund (RMF) emerged as India's No.1 mutual fund, and is now universally regarded by market participants as the undisputed leader.

In Feb 2007, we became the first Indian fund to cross the US \$10 billion mark. In the next few weeks, we will be the first to reach the US\$15 billion mark.

The rapid increase in our fund corpus is matched by an equally dramatic rise in the number of people who have chosen to invest with us.

At the end of March 2007, RMF had over 3.2 million investors – up from barely half a million investors in June 05 -- the largest body of investors amongst all private sector mutual funds in the country today.

This figure is set to go up even higher, with our distribution reach doubling from 300 cities to 600 cities by the end of the year.

Integrity and trust are the key values that lie at the heart of any investment decision.

I am proud to report that for the second year running, Reliance Mutual Fund – the only private sector mutual fund in the country without a foreign partner -- has been voted as the 'Most Trusted Mutual Fund' in India, in a joint survey carried out by a leading financial daily and one of the country's largest independent market research agencies.

The growing recognition at home is now matched by the accolades abroad.

In November 2006, Reliance Growth and Reliance Vision, two flagship equity funds managed by RMF, were ranked as the top two funds globally, based on performance over the previous 5 years.

The rankings were decided by the internationally acclaimed fund tracking agency, Lipper, and covered the entire global universe of open-ended equity funds.

In March 2007, RMF bagged six awards at the Lipper Fund Award Gulf 2007 for consistent fund out-performance across a range of categories.

With increasing awareness about mutual funds as a safe and attractive investment haven for small investors, the AUM of the Indian mutual industry has registered a growth of over 400 per cent in the past three years.

Despite this growth, the current size of the Indian Mutual fund industry is small. It is pegged at US\$ 100 billion, with an incremental addition of US\$20 billion to the kitty every year from the annual savings pie of over US\$ 320 billion.

For a market leader like RMF, this represents an unprecedented avenue for future growth and expansion, and we will endeavour to build further on our leadership in this arena.

I now move to our insurance businesses.

### **Reliance Life Insurance**

Reliance Life Insurance is the fastest growing life insurance company in India.

When we acquired AMP Sanmar less than two years ago, it was among the smallest life insurance players in the Indian market, with an annual premium income of Rs 105 crore and less than 40,000 policies.

In the short time since, we have emerged as one of India's top 5 private sector life insurance companies, with gross business premium of nearly Rs 1,000 crore – an increase of nearly 900 per cent.

We are fast approaching the half million mark in terms of number of policies.

Our distribution network at the end of March 2007, stood at 217 branches – up from 120 branches the year before.

The number of our agents at the end of the year was a shade under 1,10,000 – over four times the corresponding figure in FY 05-06.

Despite the growth momentum witnessed by the industry over the past few years, the potential for future expansion as strong as ever, thanks to low penetration levels, attractive demographics, robust economic prospects and increasing investor awareness.

India's Life Insurance market is currently pegged at US \$33 billion or just under 3 per cent of GDP as against 7.3 per cent in Korea and 8.9 per cent in the UK.

Analysts suggest that this market is likely to expand at a compounded annual growth rate of 30 per cent to touch US \$ 73 billion by FY10. During the same period, private sector players are expected to grow at nearly double the industry average -- a CAGR of 60 per cent.

Reliance Life Insurance will infuse over Rs 2,000 crore over the next three to four years to scale up the business, further expand its reach and distribution, and emerge as one of the top 3 private sector life insurance companies in the country.

### **Reliance General Insurance**

As in life, so in general insurance. We are now the fastest growing company in this segment, and rank among the top 4 private sector general insurance companies in the country.

Reliance General Insurance earned an annual Gross Direct Premium of Rs. 912 crore for the last financial year – an increase of 462 per cent. During the same period, we have multiplied our customer base from 1.3 lakh to over 15 lakh policy holders.

In April 2007, we further improved our position to emerge as India's 2nd largest private sector general insurance company. We also earned the distinction of becoming the No. 1 company in new premium generation across the entire general insurance industry.

Our distribution network was scaled up to 85 branches by March 31, 2007, as against a mere 20 branches on March 31, 2006.

We have since received approval for the opening of another 115 new offices, as also a liaison office at London.

With gross written premium of around 0.6 per cent of GDP, India continues to be one of the most under-served and under-penetrated insurance markets anywhere in the world. In many developed nations, non-life insurance penetration is pegged at 40-50 per cent of the life insurance market. For India, this figure stands at a mere 20 per cent, reflecting the immense potential for growth in the years ahead.

#### *Reliance Money*

Reliance Money, which formally commenced operations in April 2007, is a comprehensive financial services and solutions provider, affording ready access, both online and offline, to equity, equity and commodity derivatives, mutual funds, IPOs, life and general insurance products, etc.

Besides the home-grown portfolio of products and services that Reliance Capital has to offer, Reliance Money will also distribute a variety of third party financial products. It will also assist millions of investors create customized individual portfolios based on their diverse investment needs and risk profiles.

The opportunities for Reliance Money are significant given that retail participation in India's capital markets, despite the recent boom, is still amongst the lowest in the world, with less than 5 per cent of household savings invested in equity/equity-related assets.

We are currently in the process of extending our presence to more than 5,000 cities and towns across the country, so as to ensure the delivery of its services in a secure, convenient and cost efficient manner.

In less than three months of our launch, Reliance Money has acquired nearly 1,00,000 customers and now account for over Rs 600 crore or 1 per cent of the average daily volume of transactions logged on the stock exchanges.

With the acquisition of Travelmate earlier in the year, we have made rapid strides in our money transfer business, and now count ourselves as among the largest private players in this segment in the country.

For Indians who wish to invest abroad, Reliance Money is today the country's largest enabler of off-shore investment in the retail investment segment.

#### *Reliance Consumer Finance*

At Reliance Capital, the customer, to use an old marketing adage, will always be the king.

We remain focussed on identifying and capitalizing on every growth opportunity, even as we strive to fulfill the new, emerging and unmet demands of India's aspiring young consumers.

As part of this continuous exercise, we have already selectively launched our retail consumer finance business in the four metros. In the year ahead, we will undertake an extensive, nation-wide launch of our retail consumer finance business.

### **Human Capital**

Reliance Capital is committed to attracting, retaining and nurturing the best talent, across its businesses.

Our team is among the youngest and best trained in the business – with 97 per cent graduates, 37 per cent post graduates, 20 per cent MBA and CAs, and an average age of 31 years.

We have adopted a localized hiring strategy by recruiting from various campuses located in metro and non-metro cities.

We added a total of 4,200 employees during the previous year. In the three months since, this number has risen by another 5,000 to reach nearly 11,000 employees. We expect to be 50,000-strong in the next 24 months.

In addition to educational qualification and experience, we accord the highest priority to rigorous, ongoing training.

The Company has instituted a strong performance linked incentive plan wherein the employee's earnings are directly proportional to his/her contribution to business results.

In November 2006, we hired a leading HR firm to conduct the first-ever independent third party Employee Engagement Survey. The survey elicited a record participation rate of over 86 per cent. Even more gratifying, it reported an overwhelming satisfaction score of 71 per cent across the Company. The results have since been widely discussed, and disseminated at all levels, followed by targeted remedial actions to enhance employee satisfaction even further.

Our company is institutionalising a leadership development process, named the Reliance DNA & Leadership Competencies, to continuously identify high potential talent and provide necessary learning interventions to help them step up to bigger roles and responsibilities within the organization.

### **Quality and Customer Care**

To stay ahead of competition and to create sustained value for stakeholders, we have identified Quality and Customer-focus as our key strategic priorities.

Our Quality roadmap, scrupulously aligned with our business priorities, is benchmarked to the best contemporary global practices, and is designed to support our single-minded objective of achieving leadership in each of our businesses

Great organizations are built on the clarity of process and the certainty of flawless execution.

We have now in place standardized business processes and stringent performance norms across each of our verticals. Defined from the point of the view of the consumer, these quality control measures help our CEOs enforce a stringent and time-bound system of accountability, while reviewing and monitoring, at periodic intervals, every sphere of business activity.

As part of our Quality initiatives, we have embarked upon a journey of Continuous Improvement to sustain our edge over competition. This includes Root Cause Analysis and prevention of defects as "part of the process". Quality Dashboards and Process Audits have been institutionalized and are additional sources of Continuous Improvement.

Starting 2006, we have instituted an annual Chairman's Quality Award. This has generated a surge of excitement and interest across the organization, while promoting healthy competition among our different businesses. .

Three of our businesses – Life Insurance, Mutual Fund and General Insurance --are already ISO certified. Other businesses will follow. Importantly, the three businesses in question are only the 2<sup>nd</sup> in their respective industry domains to obtain ISO Certification.

### **Corporate Governance**

As part of the Reliance ADA Group, our company is committed to upholding the highest standards of corporate governance and best global practices, with a view to protecting and enhancing shareholder value. .

We believe in transparency, accountability and equity, in all facets of our operations, and in every interaction with our diverse set of stakeholders – from shareowners, employees and clients to government and society.

Our governance practices seek to go beyond the mere letter of statutory and regulatory requirements to embrace the true spirit of responsible, aware and ethical corporate conduct.

### **Future growth drivers**

The future growth of our company will be propelled by the quality of our human capital, the use of cutting-edge technology, and our extensive distribution reach.

We will use them as strategic drivers to reduce the cost of delivery, improve the speed of execution and enhance customer experience at every point of interface.

"Reliance" is amongst the most trusted brand names in India. We will leverage this brand equity to increase our market share and launch innovative products and services.

We will strengthen and expand our already extensive distribution reach to further penetrate the Indian market and reach sections of people who have hitherto been denied the benefits of informed investment advice and world class financial services.

The networth of Reliance Capital currently stands at Rs 5,297 crore. At the prevailing debt-equity ratio for the financial sector, we can leverage this net worth to raise over Rs 50,000 crore.

This strength, coupled with our management bandwidth and leadership position across different businesses, gives us an unprecedented platform for future expansion.

There is little doubt in my mind that we will match the pace of growth achieved over the past two years and register compounded double-digit growth for many, many years to come.

Reliance Capital, like the Reliance ADA Group, embodies the essential ethos of our young nation – the new resurgent India of the 21st century.

We believe that we have a pivotal role to play, both as a company and as a Group, in shaping the destiny of our great nation and providing our hugely talented pool of young people a head start in life.

In keeping with this inner conviction, we will work with dedication and resolve to create pathways that connect ambition to achievement, promise to performance and potential to reality.

As I have always maintained, we are not just about scale and size; we are about the pursuit of excellence, the integrity of our values and the quality of our services.

### **Our Commitment**

Our beloved founder, the legendary Dhirubhai H. Ambani, gave us a simple entrepreneurial mantra: to aspire to the highest global standards of quality and efficiency, operational performance, and customer care.

We remain committed to upholding his vision.

Dhirubhai exhorted us to think big.

We will think bigger.

Indeed, not just bigger but better, creating ever greater value for all our stakeholders

Our journey has barely begun...In the days, months and years ahead, we will scale ever higher peaks of growth and excellence.

### **Special Offer for Reliance Shareowners**

I would like to take this opportunity to announce, on behalf of our company and Board of Directors, some special offers for Reliance Capital shareowners.

More than half of our shareowners still hold their stock in a physical form. In order to provide them with liquidity, Reliance Money will now offer them the chance to open a demat account free of cost.

Over 90 per cent of our shareholders hold less than 50 shares. We have worked out a new odd lot scheme that will help such investors to sell their stock in an easy and cost effective manner. Details of this scheme will be communicated to you shortly.

I am also delighted to announce, on behalf of Reliance Money, a special 25 per cent discount on our broking fee structure for all our investors. This scheme is not a one-time offer and will remain valid for all transactions till the end of March 2008.

### **Acknowledgements**

Before I end, let me acknowledge the contribution of our various partners in success.

My heart-felt appreciation to all colleagues at Reliance Capital for their professionalism, dedication and commitment.

My sincere thanks to the Board of Directors, for their continued support, encouragement and guidance.

My profound gratitude, on behalf of the Board, to all shareowners for their confidence, trust and support.

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