

My dear shareowners,

I am delighted to welcome each one of you to this 20th Annual General Meeting of our Company.

In April 2006, the shareholders of Reliance Capital Limited (RCL) and Reliance Capital Ventures Limited (RCVL) approved the proposed merger between the two companies. As a result, the shareholders of RCVL will directly hold shares of Reliance Capital, increasing the size of our shareholder family to over 2.3 million members.

The company's accounts for the year ended 31st March, 2006, 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.

Performance Review

I am happy to share with you the highlights of your company's exceptionally strong operational and financial performance during the year 2005-06:

- Gross Income of Rs. 652 crore—a rise of 121% over the previous year
- Cash Profit of Rs. 561 crore -- an increase of 319% over FY 04-05
- Net Profit of Rs. 538 crore -- an increase of 408%
- Earnings per Share of Rs. 29.7 -- an increase of 258%
- Book Value of Rs. 182.8 per share -- an increase of 62%
- Adjusted Book Value (including mark-to-market gains on investment portfolio) of Rs. 288 per share

Shareholder Value Creation

During the year under review, the market capitalization of your company, taking into account the closing price on the last working day of FY 05-06, went up from Rs. 2,2~2 crore to Rs. 11,569 crore, a rise of over 400 per cent.

The share price increased from Rs. 179 to Rs. 519 per share, reflecting an increase of over 190 per cent. Reliance Capital outperformed the benchmark indices of BSE and NSE by 117 per cent and 124 per cent, respectively.

Strong Financial Platform

Your company enters the New Year on an extremely sound financial footing, with a foundation that would be the dream of any financial services company:

- A Net worth of Rs. 4,123 crore, as on 31st March, 2006, placing your company among the top 3 private sector companies, in the financial services sector, after ICICI and HDFC.

- This has been achieved, in substantial measure, by the capital infusion of Rs. 2,673 crore by Reliance ADA Group -- by far the single largest investment by any professional entrepreneur in this country.
- A virtually debt free status, with a debt to equity ratio of 0.06 as on 31st March, 2006
- Highest credit ratings, of 'A1+' and 'F1+', awarded by ICRA and FITCH, respectively
- Substantial borrowing ability of over Rs. 40,000 crores — taking the average financial services industry debt-equity ratio of 10:1 -- to power our ambitious growth plans for the future

Engines of Growth

Reliance Mutual Fund

Reliance Mutual Fund offers investors a well-rounded portfolio of products to meet their varying and diverse needs.

It is not only among the largest mutual funds in the country, but also the fastest growing. The year just ended saw the Fund growing our assets under management (AUM) by over 170 per cent.

As of 31st March, 2006, the Reliance Mutual Fund was ranked the no. 1 private sector mutual fund in India, with an AUM of Rs. 24,669 crore. This includes the largest equity portfolio of Rs. 15,010 crore, for any private fund house.

During the year, Reliance Equity Fund created a record by raising Rs. 5,759 crore, from over 9.29 lakh applications, in a New Fund Offering (NFO) — the largest ever sum by any fund in the 42-year-old history of the Indian mutual fund industry.

Even more gratifying was the pride of being voted 'India's Most Trusted Mutual Fund Brand' in the Economic Times-Brand Equity annual survey, conducted by AC Nielsen ORG Marg. The survey was conducted on such diverse and comprehensive parameters as perceived popularity, distinctiveness, quality connotation and repurchase intent.

The year also saw your company continue on its path of innovation; a path that has given it the distinction of achieving a host of firsts, including the recent launch of Reliance Any Time Money Card — India's first mutual fund with an ATM-cum-debit card - that offers investors 24-hour access to their funds, at over 1 million VISA ATMs worldwide, and is accepted at over 24 million Point-of-Sale terminals, across the globe.

Life Insurance

Reliance Life Insurance started its business with the acquisition of AMP Sanmar in October 2005. The regulatory formalities relating to the acquisition were completed in February this year.

In the last 6 months, the life insurance business has focused on creating the necessary platform and infrastructure for its ambitious growth plans to take off.

Having strengthened its existing presence across 110 offices, the company has now expanded its network to 44 new locations. The strength of its field force has gone up by over 300 per cent. This brings Reliance Life Insurance closer to redeeming its pledge of emerging as a leader in the field, and fulfilling its promise of enhancing value and accelerating growth.

Reliance General Insurance

Reliance General has received permission from the regulator, IRDA, to add 36 new branches, taking its total branch infrastructure to 51 by the end of July 2006. This number is further expected to increase to 100 by March, 2007. Meanwhile, the strength of its agent force has gone up by more than 200 per cent in 2006-07.

I am happy to report that your company added 250 corporate clients to its roster on a single day, i.e. 1st April, 2006. As of today, your company has already garnered over 75 per cent of the total gross premium collected last year.

Today, Reliance General Insurance is ranked no. 5 among the private sector companies.

Other New Initiatives

At Reliance Capital, the customer will always remain our driving force.

Your company remains committed to identifying and capitalizing on all growth opportunities to meet the growing and as yet untapped needs of our customer.

We look forward to sharing these developments with you, as they unfold. Quality, Six Sigma & Knowledge Management

Reliance Capital launched a multi-phase Quality & Knowledge Management (KM) initiative in November 2005.

Each phase of this initiative is aligned with business priorities and is aimed at enhancing internal efficiencies and shareholder value.

The launch of the annual Chairman's Quality Award has generated a healthy competitive spirit among our businesses for achieving performance excellence.

The seriousness of our Quality & KM initiatives is reflected in the fact that our performance appraisal system, starting with the CEO5 of various business verticals, has been fundamentally re-aligned to include Quality & Customer-related measures.

Human Capital

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

Towards this end, your company is committed to maximizing synergies across its various businesses and weaving a common cultural fabric of integrity, ethics and corporate governance. Simultaneously, your company is also building strong domain expertise, in each of its varied businesses.

Your company has aligned itself with best Industry & HR Practices, significantly scaled up all its businesses, and demonstrated its ability to attract top talent from the market. In all, it has more than doubled its employee strength since June 2005.

Acknowledgements

I take this opportunity to 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 your continued support and patronage.

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

Chairman