

19th July 2005 – Chairman’s Speech at the EGM of Reliance Capital

Dear fellow Reliance Capital Shareowners,

It gives me great pleasure to welcome each one of you to this Extraordinary General Meeting of our company.

It is a particularly proud moment for me – to meet all of you for the first time as Chairman of this company.

I am happy that for the first time a general meeting of our company is being held in Mumbai.

Brief History

My formal association with Reliance Capital is barely a month old. But my emotional involvement with the company goes back a very long time.

The story of Reliance Capital began nearly 20 years ago – on March 5, 1986, to be precise.

This was around the time when my father, and the founder of the Reliance Group, the legendary Dhirubhai Ambani, had suffered a stroke.

In the midst of his illness, he would talk passionately about the untapped power and potential of the financial services sector in the country.

It was this foresight and faith which gave birth to Reliance Capital and Finance Trust, which was later renamed Reliance Capital Limited.

As always, Dhirubhai was way ahead of his time...

I am committed to carrying forward this inspiring legacy, and realizing Dhirubhai's dream of seeing Reliance Capital as the primary engine of growth for India's financial services sector.

Place of Financial Services Sector in the Global Economy

The financial services sector is today one of the key drivers of the global economy.

Five of the top 20 companies in the world are financial services companies.

Over 21 per cent of the total revenues and 27 per cent of the total profits of the top 500 companies in the world are generated by financial services, the largest for any single sector.

Financial Services in India

In India, financial services and banking contribute 14 per cent of the aggregate revenues and 19 per cent of the aggregate profits of the top 200 companies, second only to petroleum sector.

But we have a long way to go...

Financial services and banking companies account for little over 10 per cent of India's market capitalization as against nearly 25 per cent in the US.

Add to that our high savings rate of 28 per cent, rising purchasing power parity (PPP), rapidly growing middle class, changing demographics, and improving macro economic policy environment...And one gets a glimpse of the enormous gap between promise and performance.

In one word, Reliance Capital stands at the threshold of a truly historic opportunity.

Future of Reliance Capital

Reliance Capital is today a zero-debt company.

We have no Non-performing Assets.

We have not raised any fixed deposits from public.

We are also the largest Non-Banking Finance Company in the country in terms of net worth.

Reliance Capital Mutual Fund already ranks among the top 5 private sector mutual funds in the country, with over Rs 10,000 crore of assets under management.

Our equity funds have registered the fastest growth in the industry – with assets under management growing from Rs 20 crore in 2001, to over Rs 4,500 crore now.

The Reliance Growth Fund ranks among the top 3 best performing equity funds over the last 5 years, with compounded annual returns of over 37 per cent.

We are committed to replicating this resounding success in other areas of business...

Our future lies in emerging as a full-spectrum financial services company.

I will share with you the full road-map of this transformation in due course.

Infusion of Fresh Equity

The feedstock for growth in financial services is 'Capital'.

The newly-created Anil Dhirubhai Ambani Enterprises (ADAE) proposes to invest over Rs 2,300 crore by way of equity in Reliance Capital.

This investment will be made in accordance with SEBI guidelines, at Rs 228 per share -- a 52-week high price at the time the decision was announced.

This is, by far, the single largest investment by any professional entrepreneur in this country.

This investment is a reflection of my personal conviction in the vast potential of the financial services sector, and the long-term growth prospects of Reliance Capital – a conviction amply shared by others.

The company's recent equity offer was oversubscribed 12 times by global investors and that too in a record time of 4 days – representing a commitment of over US \$ 1 billion (Rs 4,500 crore) as against the offer of US \$ 85 million (Rs 370 crore).

After the proposed equity infusion, the net worth of Reliance Capital will go up from Rs 1,500 crore to Rs 4,500 crore, taking the company to a completely different, and higher orbit.

Reliance Capital will become the third largest private sector company, after ICICI and HDFC, in the financial services sector, in terms of net worth.

In the last one month, the share price of Reliance Capital has appreciated 70 per cent, outperforming the Sensex by 65 per cent.

Our market capitalisation has risen from under Rs 3,000 crore to over Rs 5,000 crore – creating wealth for over 2,00,000 shareholders – an average increase of Rs 65 crore of investor wealth per day.

At current market prices, based on the planned equity infusion, our market capitalisation will touch Rs 10,000 crore.

At the average industry debt-equity ratio in financial services of 10:1, we will have the capacity to borrow Rs 45,000 crore. But even at half that ratio, Reliance Capital will have a borrowing power of Rs 22,500 crore – creating a stronger financial platform for future growth and expansion.

Increase in FII limit

I am delighted to acknowledge the presence in our midst today of two prominent members of the foreign investor community --- Deepinder Bhatia of Ironbound Capital and Sam Gupta of Passport Capital. Together, they represent foreign institutions, which hold over 15 per cent of equity in Reliance Capital.

Currently, FIIs can only hold up to 24 per cent of equity in Reliance Capital. But we have already reached that limit.

Therefore, we propose, with your approval, to increase the FII investment ceiling to 49 per cent.

This will boost Reliance Capital's weightage in indices used as benchmarks for investments by FIIs, enhancing the company's overall valuation.

Acquisition of Adlabs

Reliance Land Pvt. Ltd., a part of Reliance Capital group, has recently proposed to acquire a 51 per cent stake in Adlabs, a leading player in the entertainment industry, for an aggregate investment of Rs 360 crore.

This proposed acquisition reflects our planned strategy -- of deploying our financial resources and management bandwidth for the maximization of shareholder value.

Adlabs has a proven track record of performance, and a demonstrated capacity for leadership and vision.

By working together with the present management of Adlabs, we will endeavour to play a lead role in this exciting new area of growth.

At current prices, our proposed investment has already registered a mark-to-market gain of Rs 200 crore – an increase of over 55 per cent, in less than 3 weeks.

Re-Organization

A large number of you present here today are also shareholders of Reliance Industries Limited (RIL).

As you are aware, the Reliance group is currently undergoing a process of re-organization.

The RIL Board has, in principle, approved this process.

The four pillars of the ongoing restructuring, as I have advocated, are fairness and transparency, and the need to unlock and enhance value for all 2.3 million RIL shareholders, especially the small investors who have long been the bedrock of Reliance's foundation.

Conclusion

I look forward to your unanimous support in passing the resolutions.

I also look forward to building a sustained and mutually rewarding relationship with all of you.

Thank You.

Anil D. Ambani

Chairman