

## **17<sup>th</sup> August 2005 – Chairman’s Speech at the AGM of Reliance Capital**

**Dear fellow Reliance Capital Shareowners,**

It gives me great pleasure to welcome each one of you to this 19<sup>th</sup> Annual General Meeting of our company.

It is a particularly proud moment for me – to address the Annual General Meeting of shareholders for the first time as Chairman of this company.

### **Brief History**

My formal association with Reliance Capital is barely 60 days 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 his inspiring legacy, and realizing Dhirubhai’s dream of seeing Reliance Capital as the primary engine of growth for India’s financial services sector.

The Company's accounts for the year ended 31<sup>st</sup> March 2005, along with the Directors' report 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 delighted to share with you the highlights of Reliance Capital's performance during the year 2004-05.

- Gross Income for the year stood at Rs 296 crore
- Operating Profit for the year at Rs 290 crore
- Cash Profit for the year was Rs 134 crore
- Net Profit for the year was Rs 106 crore

Dear shareowners, you will be happy to note that our Company recorded over 40% growth in net profit during the first quarter ended 30<sup>th</sup> June 2005, as compared to the corresponding quarter in the previous year. The net profit rose from Rs 21 crore to Rs 30 crore during the quarter.

### **Infusion of Funds – Stronger Platform for Future Growth**

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

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

This investment was 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).

With this equity infusion, the net worth of Reliance Capital will go up from Rs 1,500 crore to over Rs 4,100 crore, taking the company to a completely different, and higher orbit.

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

At the average industry debt-equity ratio in financial services of 10:1, we will have the capacity to borrow over Rs 40,000 crore. But even at half that ratio, Reliance Capital will have a borrowing power of over Rs 20,000 crore – creating a stronger financial platform for future growth and expansion.

### **Financial Services Sector - Global Scenario**

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 Sector in India**

In India, financial services and banking sector contributes 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 the public.

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

Reliance 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 Rs 5,000 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 46 per cent.

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

Reliance Capital already has a subsidiary, Reliance General Insurance Company Ltd., which is amongst the leading players in the country in non-life insurance business.

Dear shareowners, I am happy to report that we have recently agreed to acquire 100% stake in AMP Sanmar Life Insurance Company, subject to necessary regulatory approvals.

The proposed acquisition will mark the immediate entry of Reliance Capital into the exciting growth area of life insurance, in one of the world's fastest growing, and most under-served markets.

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

We are also exploring opportunities to scale up our business model on a nationwide basis by deepening our existing relationships with over 5 million consumers of Reliance Energy and over 12 million subscribers of Reliance Infocomm. This step will allow us to

share knowledge and best practices, and achieve substantial cost advantages, thereby enhancing overall shareholder value.

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

### **Acquisition of Adlabs**

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

This 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 investment has already registered a mark-to-market gain of Rs 375 crore – an increase of over 100 per cent, in less than two months.

### **Re-Organization of the Reliance Group**

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.

I had publicly advocated that the re-organisation of the Reliance Group should be based on the following four pillars, namely:

- fairness,
- transparency,
- the need to unlock value, and
- to enhance the wealth for over 23 lakh RIL shareholders, especially the small investors who have long been the bedrock of Reliance's foundation.

I am happy to note that the Board of RIL has accepted my position, and the proposed re-organisation is based on the same principles.

The re-organisation proposal, as approved by the RIL Board of Directors and subject to necessary approvals will, inter alia, result in over 23 lakh RIL shareholders becoming shareholders of Reliance Capital Ventures Ltd., a Special Purpose Vehicle (SPV) that will hold RIL's present shareholding in Reliance Capital.

RIL shareholders will receive 1 share of the SPV for every 1 share held in RIL.

The derived interest of over 23 lakh RIL shareholders, in the RCL shares to be held by the SPV, will be approximately 5 shares of RCL for every 100 shares held in the SPV.

### **Shareholder Value Creation**

In the last two months, the share price of Reliance Capital has appreciated 98 per cent, outperforming the Sensex by 85 per cent.

Our market capitalisation has risen from under Rs 3,000 crore to over Rs 9,500 crore – creating wealth for over 2,00,000 shareholders.

At current market prices, based on the planned equity infusion, our market capitalisation will cross Rs 11,000 crore.

The interests of shareholders have always been our prime focus. We remain committed to maximizing value for all our shareholders.

### **Acknowledgements**

I take this opportunity to thank all my colleagues at Reliance Capital for their professionalism, and dedication to the task at hand.

I am grateful to my colleagues on the Board of the Company for their support, encouragement and guidance.

But, most of all, I am indebted to you – my dear shareowners – for your steadfast support and patronage. I continue to count on your trust and confidence in transforming Reliance Capital into a full-spectrum financial services company.

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

**Anil D. Ambani**

**Chairman**