

Reliance Capital Limited

**Review report on the results for the financial year ended
March 31, 2015 (Audited)**

May 29, 2015

Safe Harbour

This report and the discussion that follows may contain “forward looking statements” by Reliance Capital Limited (“RCL”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operation, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of RCL about the business, industry and markets in which RCL operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond RCL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of RCL. In particular, such statements should not be regarded as a projection of future performance of RCL. It should be noted that the actual performance or achievements of RCL may vary significantly from such statements.

General Risk

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of RCL including the risks involved.

Convenience translation

We publish our financial statements in Indian Rupees. All references herein to “Indian Rupees” and “Rs.” are to Indian Rupees and all references herein to “US dollars” and “US\$” are to United States dollars. All translations from Indian Rupees to United States dollars were made (unless otherwise indicated) using the rate of Rs. 62.20 = US\$ 1.00 for Q4 FY15 profit and loss items, Rs. 61.10 = US\$ 1.00 for FY15 profit and loss items, and Rs. 62.60 = US\$ 1.00 for the balance sheet items as on March 31, 2015. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian Rupees respectively, as the case may be, at any particular rate, the above rates or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding off.

We also use the international convention of presenting financial information in millions or billions of rupees. Note: One million rupees is equal to ten lakh rupees. Ten million rupees is equal to one crore rupees. One billion rupees is equal to one hundred crore rupees.

Table of contents

Section 1 - Reliance Capital at a glance

Section 2 - Business Overview

Section 3 - Capital Market Highlights

SECTION 1
RELIANCE CAPITAL - PERFORMANCE AT A GLANCE

(Rs. Million)

Particulars	2012	2013	2014	2015
Reliance Capital Limited (Consolidated)				
Total Revenues	66,269	75,186	75,441	88,608
Profit After Tax	4,578	8,119	7,465	10,011
Net worth	116,963	120,054	124,831	135,466
Total Assets	353,430	405,881	455,277	474,401
Reliance Life Insurance				
Total Premium (Net)	54,702	40,153	42,567	45,917
Profit Before Tax / (Loss)	3,726	3,804	3,589	1,352
Reliance General Insurance				
Gross Written Premium	17,548	20,362	24,417	27,530
Profit Before Tax / (Loss)	(3,416)	(928)	641	814
Reliance Commercial Finance				
Total Revenues	19,450	21,168	22,100	23,609
Profit Before Tax	2,537	3,420	4,295	4,406
Reliance Capital Asset Management (Consolidated)				
Total Revenues	6,647	7,346	7,749	9,551
Profit Before Tax	3,076	2,896	3,521	4,550
Broking & Distribution businesses				
Total Revenues	3,810	3,781	3,499	2,849
Profit Before Tax	554	448	(207)	(255)

Particulars	Year ended March 31,			
	2012 ⁺	2013 ⁺	2014 ⁺	2015 ⁺
Reliance Life Insurance				
New business premium	18,093	13,766	19,340	20,697
Reliance General Insurance				
Combined Ratio (%)	145%	121%	119%	121%
Reliance Commercial Finance				
Loan book size	132,386	136,524	136,668	154,093
Reliance Mutual Fund				
Average Asset under Management (Rs. billion)	781	946	1,035	1,371
Broking & Distribution businesses				
Broking Accounts (Nos.)	683,500	710,000	723,600	750,900

⁺ All the financial highlights given are based on consolidated audited results

SECTION 2

BUSINESS OVERVIEW

Introduction:

Reliance Capital is one of India's leading private sector financial services companies and ranks amongst the top financial services companies, in terms of net worth.

Reliance Capital is a part of the Reliance Group and is a constituent of CNX Nifty Junior and MSCI Global Small Cap Index.

Reliance Group is amongst India's leading business houses with over 230 million customers. The Group has a strong presence across a wide array of high growth consumer-facing businesses of financial services, telecom, energy, power, infrastructure and Defence.

Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial finance; equities and commodities' broking; wealth management services; distribution of financial products; asset reconstruction; proprietary investments and other activities in financial services.

Summary of Consolidated Financial Statements

(Rs. Million)

	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Interest Income	9,960	9,468	9,461	38,847	36,814
Capital Gains / Dividend	4,133	(135)	1,194	7,053	1,521
Premium Earned	6,632	5,483	6,558	27,501	24,372
Management & Advisory Fee	2,596	1,659	2,274	8,687	6,991
Brokerage & Commission	614	699	738	3,032	2,664
Other Income	1,339	1,301	830	3,487	3,079
Total income	25,274	18,475	21,055	88,608	75,441
Interest & Finance charges	6,315	6,279	6,667	26,423	25,011
Other Expenses	13,675	8,986	11,579	49,875	41,960
Total Expenses	19,990	15,265	18,245	76,298	66,971
Profit before tax	5,284	3,210	2,810	12,310	8,470
Net Profit after Minority Interest & share of profit of associates	4,068	2,667	2,132	10,011	7,465
Diluted EPS (Rs.)	16.5	10.9	8.7	40.7	30.4

- Total consolidated income of Rs. 88.6 billion (US\$ 1.5 billion) against Rs. 75.4 billion in the corresponding previous period - a YoY increase of 17%

- Interest & finance charges for the year were Rs. 26.4 billion (US\$ 432.5 million) - an increase of 6% as against the corresponding previous period
- Other expenses for the year were Rs. 49.9 billion (US\$ 816.3 million) - an increase of 19% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the year ended March 31, 2015, was Rs. 10.0 billion (US\$ 163.8 million) - a YoY increase of 34%.
- Net debt to equity stood at 1.78 as on March 31, 2015, as compared to 1.82 at the end of FY14

Balance sheet

As on March 31, 2015, the company had total assets of Rs. 474.4 billion (US\$ 7.6 billion) - a YoY increase of 4%. The company had a net worth of Rs. 135.5 billion (US\$ 2.2 billion) - a YoY increase of 9%.

It enjoys the highest ratings of '**A1+**' by ICRA and CRISIL, for its short term borrowing program and '**CARE AAA**' by CARE for its long term borrowing program.

Reliance Life Insurance

- Reliance Life Insurance (RLI) offers products that fulfill savings and protection needs of customers. As on March 31, 2015, Reliance Life offered 27 products, of which 18 were targeted at individuals and 9 at group business
- As on March 31, 2015, Reliance Life Insurance had 8 optional rider offerings to provide comprehensive risk protection to customers. Of these, 6 was for Individual Business Segment and the rest for the Employee Benefits Business Segment
- RLI is amongst the leading Indian private sector insurers (in terms of new business premium) with a private sector market share of 5.9% as against 6.6% in FY14 (Source: March 2015 data, IRDA website)
- Total premium (net of reinsurance) for the year was Rs. 45.9 billion (US\$ 751.5 million) - a YoY increase of 8%
- New business premium for the year ended March 31, 2015, was Rs. 20.7 billion (US\$ 338.7 million) - a YoY increase of 7%. Of the individual new business premium, 77% was contributed by traditional products
- Renewal premium rose to Rs. 25.5 billion (US\$ 417.6 million) - a YoY increase of 9%
- Operating costs (including commission) was at Rs. 18.1 billion (US\$ 295.9 million) for the year ended March 31, 2015 - YoY increase of 8%
- RLI achieved a profit before tax of Rs. 1.4 billion (US\$ 22.1 million), for the year ended March 31, 2015 - a YoY decrease of 62%. The declared results of Reliance Capital include consolidation of 48% stake of RLI

- **Financial Performance**

(Rs. Million)

	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
First year premium	4,623	4,886	4,118	19,711	18,363
Single premium	350	214	203	986	977
Total new business premium	4,973	5,100	4,321	20,697	19,340
Renewal premium	8,846	7,968	6,245	25,514	23,494
Total premium (Net of Reinsurance)	13,734	12,988	10,520	45,917	42,567
Profit before tax	87*	1,396*	395	1,352	3,589*
Operating Costs (incl. commission)	5,866	5,097	4,165	18,076	16,688
Total Funds under management	169,274	183,278	185,995	169,274	183,278

* Including policyholder's surplus transferred to shareholders' account

- Average ticket size for the year rose to over Rs. 26,600 - a YoY increase of 26%
- The distribution network stood at approx. 900 offices across India and over 110,000 customer touch points

New Business Achieved Profit (NBAP)

NBAP provides a reflection of the Company's performance for the year and it also determines the new business's contribution in the value of the Company. It is calculated by the present value (PV) of expected net transfers to shareholders generated from the new business written during the FY2015 based on a given set of assumptions. NBAP Margin is the key measure of the profitability.

Basis of preparation

The NBAP is derived from the future stream of shareholder transfers and discounting the estimated future transfers at the risk discount rate. The future stream of shareholder transfers are net of tax after allowing for the effect of holding the solvency margins from the contribution generated by new business.

- The new business achieved profit for the year ended March 31, 2015, was Rs. 3.4 billion (US\$ 56.4 million) - a YoY increase of 23%
- The new business achieved profit margin for the year ended March 31, 2015, was 27.7% as against 23.8% for the corresponding previous period

The assumptions used for calculating NBAP are as follows:

Operating Assumptions:

- Operating assumptions such as mortality, morbidity and persistency are based on company's recent operating experience where such experience is credible, industry experience and reinsurer's experience
- Expense assumptions are based on the Company's latest expense projection which reflects recent responses to the lower growth environment. The chosen expense loadings are consistent with current best estimate assumptions and represent the Company's most recent view of long term expense assumptions
- No allowance has been made for any expense overruns that the Company experiences in the short term

Economic Assumptions:

Particulars	Assumptions p.a.
Cash / Money Market / TB	7.8%
Government Securities	7.7%
Corporate Bond	8.2%
Equities	13.7%
Inflation	5.0%
Risk discount rate	12.5%
Tax rate	14.4%

Sensitivity:

The sensitivity of the NBAP to economic assumptions is given below:

Particulars	Base Value	(Rs. Million)	
		+1%	-1%
Investment return	3,444	4,510	2,162

- The investment return sensitivity considers a change in the assumed rate of growth for unit-linked funds, the assumed rate of investment return on non-unit cash flows and reserves and on assets supporting the solvency margin, and a change in the rate of expense inflation

Further consideration:

- NBAP reflects **93.45%** of the weighted regular premium (WRP) for business written in the year ended March 31, 2015. Group business is considered as single premium.
- The value from group business and rider business has not been considered. These business lines represent **6.55%** of the WRP
- 10% weightage is given to all single premium business
- NBAP is sensitive to the assumptions and actual experience may differ from these assumptions
- NBAP does not include the shareholder transfers from existing business

Reliance General Insurance

- Reliance General Insurance (RGI) offers insurance solutions for auto, health, home, property, travel, marine, commercial and other specialty products
- RGI is amongst the leading private sector general insurance players in India with a private sector market share of 7.7%
- Gross Written Premium for the year ended March 31, 2015, was Rs. 27.5 billion (US\$ 450.6 million) - a YoY increase of 13%
- During the year, RGI realized a gross written premium of Rs. 5.9 billion (US\$ 96.9 million) from commercial lines of business - a YoY increase of 23%

- **Segment-wise break up of Premium**

Particulars	FY15	FY14
Motor	60%	60%
Health	17%	21%
Fire & Engineering	11%	10%
Marine	2%	2%
Others	10%	7%
Total	100%	100%

- Number of policies sold in the year rose by 18% to nearly 4.4 million
 - Usage of manual cover-note in Motor segment reduced from 8% in FY14 to 5% in FY15
- **Financial Performance**

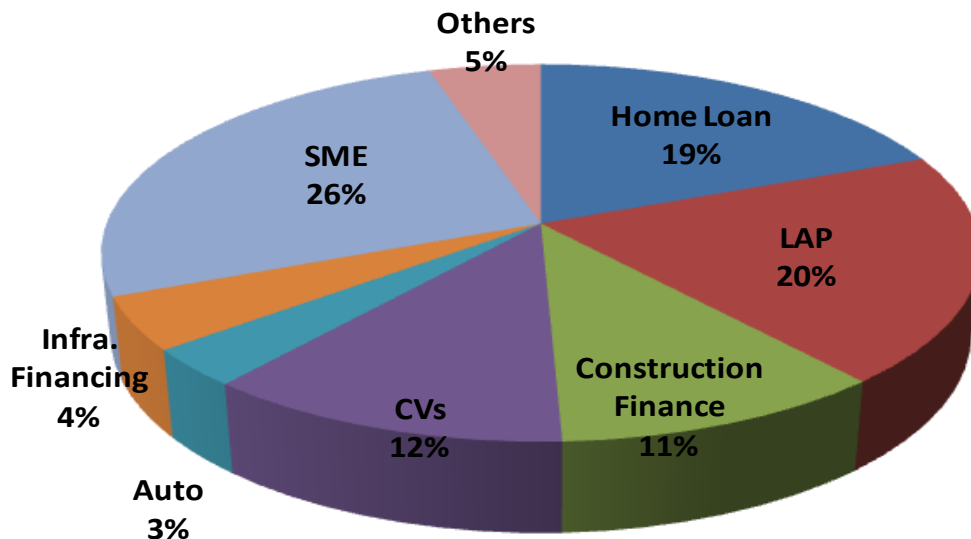
	(Rs. Million)				
	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Gross Written Premium	6,604	5,528	6,580	27,530	24,417
Profit before Tax / (Loss)	178	272	145	814	641
Combined ratio with pool	124%	119%	126%	121%	119%
Capital infusion	400	-	350	900	-
Investment book	50,483	38,427	49,397	50,483	38,427
No. of policies issued (millions)	1.0	1.0	1.2	4.4	3.7
No. of branches	127	127	127	127	127
No. of intermediaries	17,249	15,547	16,414	17,249	15,547

- The combined ratio for the year ended March 31, 2015, was at 121% as against 119% in the corresponding previous period

- The profit was at Rs. 813.9 million (US\$ 13.3 million) for the year ended March 31, 2015 - a YoY increase of 27%
- The solvency ratio for the business was at 1.53 as on March 31, 2015
- The total capital invested is at Rs. 18.4 billion (US\$ 293.5 million)
- The distribution network composed of over 125 branches and over 17,200 intermediaries as on March 31, 2015

Reliance Commercial Finance

- Reliance Commercial Finance (RCF) offers a wide range of products which include Home loans, Loans against property, SME loans, Commercial vehicle loans, and Infrastructure financing
- RCF is amongst the leading lenders in the SME segment. The focus in this business continues to be on asset backed lending and productive asset creation. In line with this, the Company has been disbursing only secured asset backed loans and has wound down the unsecured loans portfolio
- As on March 31, 2015, 100% of the outstanding book was secured
- The disbursements for the year ended March 31, 2015, were Rs. 104.4 billion (US\$ 1.7 billion) - a YoY increase of 7%
- As on March 31, 2015, the assets under management (including securitized portfolio) was Rs. 199.2 billion (US\$ 3.2 billion) as against Rs. 173.5 billion as on March 31, 2014 - a YoY increase of 15%
- As on March 31, 2015, the outstanding loan book was Rs. 154.1 billion (US\$ 2.5 billion) as against Rs. 136.7 billion as on March 31, 2014 - a YoY increase of 13%. This loan book is spread across 69,400 customers from top 44 Indian metros
- **Loan Book Mix (as on March 31, 2015)**



- During the year, RCF securitized loans of Rs. 34.4 billion (US\$ 563.4 million) - a YoY increase of 24%
- Total income stood at Rs. 23.6 billion (US\$ 386.4 million) in FY15 as against Rs. 22.1 billion in the corresponding previous period - a YoY increase of 7%
- The Net Interest Income for the year ended March 31, 2015, was at Rs. 8.0 billion (US\$ 131.7 million) - a YoY increase of 14%
- Average NIMs for the year ended March 31, 2015, rose to 5.9% as against 5.5% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 4.4 billion (US\$ 72.1 million) - a YoY increase of 3%
- The cost to income ratio for the year was 17.1% as against 16.4% in FY14

- **Financial Performance**

(Rs. Million)

	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Disbursements	34,123	37,205	23,505	104,422	98,039
Net Interest Income	2,462	1,993	1,930	8,044	7,069
Total Income	6,432	5,705	5,765	23,609	22,100
Interest expenses	3,471	3,287	3,419	13,909	13,308
Other expenses	1,225	1,103	892	4,047	3,619
Provisions	227	(106)	348	1,247	877
Profit before tax	1,509	1,511	1,107	4,406	4,295

- Gross NPLs improved to 2.2% of outstanding AUMs at Rs. 4.3 billion (US\$ 69.1 million) as on March 31, 2015, as against 2.5% as at December 31, 2014
- The coverage ratio (including write-offs) stood at 57% as on March 31, 2015. Excluding write-offs, the ratio was at 20%

Reliance Capital Asset Management

- Reliance Capital Asset Management (RCAM) managed Rs. 2.4 trillion (US\$ 39.3 billion) as on March 31, 2015, across:
 - mutual funds* - Rs. 1.4 trillion (US\$ 22.0 billion)
 - pension funds - Rs. 993.9 billion (US\$ 16.0 billion)
 - managed accounts - Rs. 15.6 billion (US\$ 251.1 million) and
 - offshore funds - Rs. 60.4 billion (US\$ 970.9 million)
 - alternative investment fund - Rs. 5.3 billion (US\$ 85.1 million)
- * - average assets under management (AAUM) for the quarter ended March 31, 2015
- RCAM continues to be the largest asset manager in the country
- RCAM's income from its operations for the year ended March 31, 2015, was at Rs. 9.6 billion (US\$ 156.3 million) - a YoY increase of 23%
- RCAM's total expenditure from its operations for the year ended March 31, 2015, was at Rs. 5.0 billion (US\$ 81.9 million) - a YoY increase of 18%
- Profit before tax for the year ended March 31, 2015, was Rs. 4.5 billion (US\$ 74.5 million) - a YoY increase of 29%
- PBT margins rose to 48% in FY15 as against 45% for the corresponding previous period

- **Financial Performance**

	(Rs. Million)				
	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Total Income	2,752	1,884	2,495	9,551	7,749
Total Expenses	1,490	644	1,235	5,002	4,228
Profit before tax	1,262	1,241	1,260	4,550	3,521

- Highlights for the quarter:
 - Equity AAUMs form over 33% of the overall AAUMs
 - 83% of RMF's equity schemes have beaten the benchmark in the one-year time frame
 - RMF grew its assets in the FMP category by 8% while Industry declined by 21%
 - Conducted approx. 500 investor awareness programmes (IAPs), covering nearly 14,600 participants in the quarter

Reliance Mutual Fund

- Reliance Mutual Fund (RMF) is amongst the top 3 mutual funds in India in terms of Assets under Management, with a market share of 11.5%
- The AAUM for the quarter ended March 31, 2015, was at Rs. 1.4 trillion (US\$ 22.0 billion) as against Rs. 1.0 trillion for the corresponding previous period - a YoY increase of 32%
- RMF continues to be one of the most profitable Mutual Funds in India
- Continued focus on the untapped retail opportunity
 - Gold Savings Fund
 - Gold assets size was Rs. 15.3 billion (US\$ 245.3 million) in AAUM for the quarter ended March 31, 2015
 - RMF had a 22% market share in gold AUMs as on March 31, 2015
- There were 1.3 million Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the year - a YoY increase of 15%
- As on March 31, 2015, there were total 66 schemes - 26 Equity oriented schemes, 32 debt oriented schemes, 7 exchange traded schemes and 1 fund of funds scheme
- At the end of FY15, RCAM had a wide distribution network spanning 170 touch points and more than 45,600 empanelled distributors

Broking business

- Reliance Capital's broking business provides clients with access to equities, equity options and commodities futures, wealth management, portfolio management services, mutual funds and IPOs. The focus is on the key business verticals of broking and wealth management
- Equity Broking:
 - Over 750,900 retail broking accounts as on March 31, 2015 - a YoY increase of 4%
 - Daily average stock exchange turnover stood at Rs. 17.3 billion (US\$ 283.3 million) - a YoY increase of 39%
- Commodity Broking:
 - It has approx. 54,600 commodity broking accounts as on March 31, 2015 - a YoY increase of 14%
 - The average daily commodities broking turnover was Rs. 2.9 billion (US\$ 47.1 million) - a YoY decrease of 22%
- Revenues of the broking business stood at Rs. 1.9 billion (US\$ 30.6 million) for the year ended March 31, 2015 - a YoY increase of 35%
- Profit before tax for the year ended March 31, 2015, was Rs. 53.5 million (US\$ 0.9 million) as against a loss of Rs. 229.3 million in FY14
- **Financial Performance**

	(Rs. Million)				
	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Total Income	520	343	502	1,868	1,385
Total Expenditure	544	555	497	1,814	1,614
Profit before tax	(23)	(212)	5	54	(229)

Distribution business - 'Reliance Money'

- The distribution business of Reliance Capital, branded as 'Reliance Money', is a comprehensive financial services and solutions provider, providing customers with access to mutual funds, life and general insurance products, loans, and other premium financial products such as PMS, private equity, REITs, etc.

- As on March 31, 2015, Reliance Money had a pan India distribution network of over 170 branches
- Wealth Management:
 - In wealth management, client needs are assessed to create customized financial investment opportunities
 - The AUM as on March 31, 2015, increased to Rs. 13.6 billion (US\$ 217.6 million) - a YoY increase of 69%
- Reliance Money's revenues stood at Rs. 980.7 million (US\$ 16.1 million) for the year ended March 31, 2015 - a YoY decrease of 32%
- The business made a loss of Rs. 309.0 million (US\$ 5.1 million) for the year ended March 31, 2015
- **Financial Performance**

(Rs. Million)

	Q4 FY15	Q4 FY14	Q3 FY15	FY15	FY14
Total Income	236	438	229	981	1,447
Total Expenditure	374	367	336	1,290	1,419
Profit before tax	(138)	71	(107)	(309)	28

Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt / assets. The focus of the business continues to be on the distressed assets in the SME and retail segments
- The assets under management as on March 31, 2015, rose to Rs. 10.9 billion (US\$ 173.8 million) as against Rs. 6.8 billion as on March 31, 2014 - a YoY increase of 59%
- Profit before tax for the year ended March 31, 2015, was Rs. 121.5 million (US\$ 2.0 million) - a YoY increase of 18%

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on March 31, 2015	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (March 31, 2015)	252,632,800
Closing market price (Rs.) (March 31, 2015)	424.6
Combined volume (NSE & BSE) (for the year) (No. in million / day)	3.3
Combined value (NSE & BSE) (for the year) (Rs. billion / day)	1.5
F & O volume (NSE - for the year) (No. in million / day)	15.5
F & O value (NSE - for the year) (Rs. in billion / day)	7.3
Stock Beta (for year ended March 31, 2015)	1.3
Market capitalization as on March 31, 2015 (Rs. billion)	107.3
Market capitalization as on March 31, 2015 (US\$ billion)	1.7
Book value per equity share (Rs.)	536.2

Summarized shareholding pattern as of March 31, 2015

Category	No. of shares	Shareholding
Promoters	132,982,303	52.6%
Foreign investors - FIIs, NRIs and others	45,111,118	17.9%
Domestic institutions/ Banks / Mutual funds	30,541,530	12.1%
Indian public	43,997,849	17.4%
Total	252,632,800	100.0%