

# Reliance Capital Limited

**Review report on the results for the quarter ended  
September 30, 2010 (Un-audited)**

**November 13, 2010**

### **Safe Harbor**

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 46.5 = US \$ 1.00 for Q2 FY11 profit and loss items and the rate of Rs.44.9 = US\$1 for balance sheet items as on September 30, 2010. 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.

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**SECTION 1**

**RELIANCE CAPITAL – PERFORMANCE AT A GLANCE**

(Rs. Million)

Particulars	2008	2009	2010	Quarter ended September 30, 2010*
<b>Reliance Capital Limited (Consolidated)</b>				
Total Revenues	49,192	59,400	61,406	12,998
Profit Before Tax	12,157	12,042	5,883	1,240
Net worth	65,078	73,403	77,125	79,633
Total Assets	163,710	242,600	260,330	300,943
<b>Reliance Capital Asset Management (Consolidated)</b>				
Total Revenues	4,741	4,547	6,817	1,773
Profit Before Tax	2,054	1,686	2,680	700
<b>Reliance Life Insurance</b>				
Total Premium (Net)	32,133	49,153	65,883	15,739
NBAP	NA	6,196	6,203	2,157**
<b>Reliance Commercial Finance</b>				
Total Revenues	3,985	12,002	13,252	3,120
Profit Before Tax	361	911	1350	610
<b>Broking (Reliance Securities) &amp; third party distribution ('Reliance Money')</b>				
Total Revenues	2,385	3,520	2,585	447
Profit Before Tax	1	581	149	77
<b>Reliance General Insurance</b>				
Gross Written Premium	19,464	19,149	19,797	3,707
Profit Before Tax	1,628	(502)	(905)	(282)

\*\* - for six months ended September 30, 2010

Particulars+	Year ended March 31,			Quarter ended September 30, 2010*
	2008	2009	2010	
<b>Reliance Mutual Fund</b>				
Asset under Management (Rs. billion)	908	726	925	1,087
<b>Reliance Life Insurance</b>				
New business premium	27,510	35,139	39,208	8,063
<b>Reliance General Insurance</b>				
Combined Ratio	129%	114%	117%	118%
<b>Reliance Commercial Finance</b>				
Loan book size	71,204	85,761	91,658	99,975
<b>Reliance Securities</b>				
Broking Accounts	713,636	1,010,000	640,000	646,000

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

\* Based on consolidated unaudited results

## SECTION 2

### AN OVERVIEW

#### Introduction:

Reliance Capital is one of India's leading private sector financial services companies and ranks among the top 4 private sector financial services and banking groups, in terms of net worth.

Reliance Capital is a part of the Reliance - Anil Dhirubhai Ambani Group and is a constituent of S&P CNX Nifty and MSCI India.

Reliance ADA group is amongst India's top 4 business houses with a market cap of US\$ 29 billion and over 230 million customers. It has a strong presence across a wide array of high growth Commercial- facing businesses of Telecom, Financial Services, Energy, Power, Infrastructure and Media and Entertainment.

Reliance Capital has interests in asset management and mutual funds, life and general insurance, private equity and proprietary investments, investment banking, wealth management services, stock broking, depository services, distribution of financial products, Commercial finance, exchanges and other activities in financial services.

#### Reliance Capital Asset Management (RCAM)

- Reliance Capital Asset Management managed Rs. 1.5 trillion (US\$ 34 billion) as on September 30, 2010 – 11% YoY increase across:
  - mutual funds – Rs. 1.1 trillion (US\$ 24 billion)
  - pension funds – Rs. 386 billion (US\$ 9 billion)
  - managed accounts – Rs. 22 billion (US\$ 487 million) and
  - hedge funds – Rs. 13 billion (US\$ 284 million)
- RCAM's income from its operations for the Quarter ended September 30, 2010 was at Rs. 1,773 million (US \$ 38 million) as against Rs. 1,560 million in the corresponding previous period– an increase of 14%
- Profit before tax for the Quarter ended September 30, 2010 was Rs. 700 million (US\$ 15 million) as against Rs. 648 million in the correspond previous period, an increase of 8%

#### Reliance Mutual Fund (RMF)

- Reliance Mutual Fund (RMF) has maintained its leadership position in the country. It had a market share of over 15% at the end of September 2010

- The AUM for September 2010 was at Rs. 1,087 billion (US\$ 24 billion) as against Rs. 1,016 billion for September 2009, increase of 7%
- The number of investor folios in RMF stood at 7.2 million – market share of over 15%
- Systematic Investment Plan (SIP) investor accounts increased by 40% to 1.3 million. During the quarter, RMF added an average of 100,000 SIPs every month
- At the end of Q2FY11, RCAM had a wide distribution network spanning 270 cities and 75,000 touch points in India
- Achievements in Q2FY11:
  - High focus on retail continues - Long term debt increased to 16% of AUM from 3% in September 2009
  - Raised Rs. 1.7 billion (US\$ 36 million) in newly launched Reliance Emergent India Fund
  - New Fund Offering of Reliance Small Cap Fund registered over 65,000 SIP accounts – amongst the highest number registered by mutual fund NFOs in India
  - During the quarter, RMF was voted as 'The Gold Most Trusted Brand' in the investment category, for the third consecutive year at the 12th Annual Reader's Digest Trusted Brand

### **Reliance Life Insurance**

- Reliance Life Insurance (RLI) offers products that fulfill savings and protection needs of customers. Reliance Life offers 20 products, of which 16 are targeted at individuals and 4 at group business. Reliance Life is committed to emerge as a transnational Life Insurer of global scale and standard and attaining leadership rankings in the industry within the next few years
- RLI is amongst the leading private sector players with a private sector market share of 8.5%. (Source: YTD September 2010 data, IRDA website)
- This quarter, RLIC sold the highest number of policies in the private sector industry. The number of policies sold during the quarter were 616,022 as against 495,560 for the corresponding previous period – an increase of 24%

- Total premium for the quarter was Rs. 16 billion (US\$ 338 million) as against Rs. 13 billion for the corresponding previous period – an increase of 25%
- Renewal premium for the quarter was Rs. 8 billion (US\$ 168 million) as against Rs. 5 billion – an increase of 49%
- New business premium for the quarter was Rs. 8 billion (US\$ 173 million) as against Rs. 7 billion – an increase of 8%
- The distribution network increased to 1,248 branches at the end of September 30, 2010 from 1,174 branches at the end of September 30, 2009
- The number of agents at the end of September 30, 2010 was 213,504 as against 185,703 at the end of September 30, 2009 – an increase of 15%
- The total funds under management were at Rs. 166 billion (US\$ 3.7 billion) as on September 30, 2010 against Rs. 103 billion as on September 30, 2009 – an increase of 61%
- During the quarter, the capital infusion decreased by 23% to Rs. 500 million (US\$ 11 million). The capital invested in this business, till date, is Rs. 31 billion (US\$ 696 million)
- The new business achieved profit (NBAP) margin for the half year ended September 30, 2010 was Rs. 2.2 billion (US\$ 47 million), translating to a NBAP margin of 17.9% despite change in regulations

### **Reliance Commercial Finance (formerly known as Reliance Consumer Finance)**

- Reliance Commercial Finance offers a wide range of products which include Home loans, Loans against property, SME loans, Commercial Vehicle loans, Loans for Construction equipment and Loans against securities
- The focus at Reliance Commercial Finance is not only credit growth per se but the quality of credit sourced. In line with this, the Company has been disbursing only secured asset backed loans and winding down the unsecured loans portfolio
- RCF is amongst the leading lenders in the Indian non banking finance sector
- The disbursements for the quarter ended September 30, 2010 were Rs. 20 billion (US\$ 420 million) as against Rs. 14 billion for corresponding previous period – increase of 43%

- As on September 30, 2010, the assets under management (including securitized portfolio) was Rs. 120 billion (US\$ 2.7 billion) as against Rs. 90 billion as on September 30, 2009 – increase of 34%
- As on September 30, 2010 the outstanding loan book was Rs. 100 billion (US\$ 2.2 billion) as against Rs. 83 billion at the end of September 30, 2009 – YoY increase of 21%. This loan book is spread across 119,304 customers from top 16 Indian metros.
- During the quarter, the Company securitized loans of Rs. 4.4 billion (US\$ 94 million)
- The Net Interest Income for the quarter ended September 30, 2010 was Rs. 1.3 billion (US\$ 28 million) – YoY increase of 28%
- Reliance Commercial Finance achieved a profit before tax of Rs. 610 million (US\$ 13 million) as against Rs. 228 million for the corresponding previous period – an increase of 168%
- Breaking up the financials into Secured and Unsecured:
  - The Secured book generated a net interest income of Rs. 1.1 billion (US\$ 24 million) for the quarter ended September 30, 2010 – a YoY increase of 63%. It achieved a profit before tax of Rs. 770 million (US\$ 17 million) for the quarter ended September 30, 2010, as against Rs. 724 million for the corresponding previous period – YoY increase of 6%
  - The unsecured loans generated a net interest income of Rs. 194 million (US\$ 7million) for the quarter ended September 30, 2010, as against Rs. 337 million for the corresponding previous period. The loss reduced to Rs. 160 million (US\$ 3 million) from Rs. 496 million for the corresponding previous period – YoY decline of 68%

## **Reliance Securities**

- Reliance Securities, the broking arm of Reliance Capital is the one of the leading retail broking houses in India, providing customers with access to equities, equity options and commodities futures, wealth management, wealth management services, mutual funds, IPOs, offshore investments and investment banking
- Going ahead, the focus will be on the key business verticals of broking, wealth management and investment banking
- Broking:

- It has 646,000 retail broking accounts at the end of September 30, 2010
- Reliance Money daily average stock exchange turnover stood at Rs. 15 billion (US\$ 323 million) at the end of September 30, 2010
- Commodities broking daily turnover was at Rs. 2.45 billion (US\$ 53 million)
- Yields stood at 2.5 basis points during the Quarter ended September 30, 2010, as against 1.7 basis points in Q1FY11 – 47% QoQ improvement
- Wealth Management and Investment Banking are two new initiatives of Reliance Securities
  - In wealth management, Reliance Securities assesses and creates financial investment opportunities for HNIs. It creates customized individual portfolios based on their diverse investment needs and risk profiles
    - The AUM as on September 30, 2010 has increased to Rs. 1.2 billion (US\$ 26 million) from Rs. 761 million as on September 30, 2009 – an increase of 55%
  - In investment banking, Reliance Securities addresses the capital requirements of enterprises through various instruments- IPOs, private placements, M&A etc
    - In H1 FY11:
      - As Syndicate member, handled 3 issues; total amount mobilized – Rs. 5.9 billion (US\$ 129 million)
      - IPO funding – Rs. 7.6 billion (US\$ 165 million)
- Reliance Securities achieved revenues of Rs. 361 million (US\$ 8 million) for the quarter ended September 30, 2010 as against Rs. 327 million for the quarter ended June 30, 2010 – 10% QoQ increase
- The business achieved a profit before tax of Rs. 52 million (US\$ 1 million) for the quarter ended September 30, 2010, as against Rs. 36 million for the quarter ended June 30, 2010 – 45% QoQ increase

### **Third party distribution – ‘Reliance Money’**

- The third party distribution business of Reliance Capital, branded as ‘Reliance Money’ is a comprehensive financial services and solutions provider, providing

customers with access to life and general insurance products, money transfer, currency exchange, loans and gold coins

- As on September 30, 2010, Reliance Money had a pan India distribution network of 6,198 outlets
- Reliance Money is manufacturer agnostic and distributes life & general insurance products, loans and precious metal retailing
  - It has tied up with India Post to sell gold coins through the post office network across the country
  - Through its pan India presence, Reliance Money sold over 214 kilos of gold in the quarter ended September 30, 2010 – 228% YoY increase
  - It is the largest private sector partner for Western Union Money Transfer in India – Over 520,000 money transfer transactions
- Reliance Money achieved revenues of Rs. 86 million (US\$ 2 million) for the quarter ended September 30, 2010 as against Rs. 63 million for the quarter ended June 30, 2010 – 36% QoQ increase
- The business achieved a profit before tax of Rs. 25 million (US\$ 2 million) for the quarter ended September 30, 2010

### **Reliance General Insurance**

- Reliance General Insurance (RGI) offers insurance solutions for auto, health, home, property, travel, marine, commercial and other specialty products
- RGI is among the leading private sector general insurance player in India with a private sector market share of 9.4%
- The focus at RGI is writing profitable business and not just growth. The high combined ratio and losses this quarter were on account of high claims from its health portfolio
- RGI has re-priced its health products and also significantly reduced its exposure to the unprofitable Group Mediclaim. These steps have enabled the Company to improve its combined ratio and reduce its losses compared to the previous two quarters

- As a result, Gross Written Premium for the quarter ended September 30, 2010 was Rs 3.7 billion (US\$ 80 million) – a QoQ decrease of 14%
- The combined ratio (with pool) was 118% as against 124% for the quarter ended June 30, 2010
- Brought down the loss for the quarter ended September 30, 2010 to Rs. 281 million (US\$ 6 million) from Rs. 386 million for the quarter ended June 30, 2010
- During the quarter, Rs. 470 million (US\$ 10 million) was infused into the business. The total capital invested till date is Rs. 11.5 billion (US\$ 256 million)
- The distribution network composed of 200 branches and 4,245 intermediaries at the end of September 30, 2010

### **Reliance Spot Exchange (RSX)**

- Reliance Spot Exchange is an initiative of Reliance Capital in the exchange space to set up modern exchanges, in various segments
- RSX has received state License from Gujarat, Karnataka & Rajasthan Governments. The process for obtaining state licenses from Maharashtra, Andhra Pradesh and Madhya Pradesh has been initiated
- The innovative e-auction platform developed by RSX has received various accolades from across the industry. RSX has received Information Week EDGE Award for using Information Technology for maximizing business impact for E- Auction platform.
- To familiarize members with the trading system, mandi level training programs were conducted for members and prospective members of RSX in Jodhpur, Kota and Bikaner on the e-auction platform. Live trading has been successfully carried out on the e-auction platform
- RSX aims to bring different markets together on a national electronic platform thereby creating transparency, efficiency and infrastructure for spot markets across India

### **Quant Capital/ Reliance Equities International**

- Reliance Capital has acquired a majority stake in Quant Capital. The necessary approvals are in place and the existing management team at Quant Capital will continue to be responsible for its operations. Reliance Equities International (the institutional stock broking subsidiary of Reliance Capital) is now fully integrated with

Quant Broking (the institutional stock broking subsidiary of Quant Capital) to achieve full benefit of business synergies, cost optimization and increased scale of operations

- Quant Capital focuses on the wholesale client segment of the capital markets which includes foreign and domestic institutions, corporations and ultra high net worth individuals. Apart from traditional fundamental research, it also combines quantitative and behavioral research to forecast trends and inflection points for global currencies, commodities, and equities
- Quant Capital has built and implemented state of the art trading, risk and operational platforms. The firm employs over 150 professionals with diverse skills sets and has expanded its research and quantitative teams to ensure complete sector coverage across Indian equities

### **Reliance Equity Advisors (India) Limited (REAL)**

- Reliance Equity Advisors, wholly owned subsidiary of Reliance Capital, manages a private equity fund, the Reliance Alternative Investments Fund – Private Equity Scheme I, which has successfully raised funds in the domestic market from Institutional and HNI clients. The fund has completed its first investment in the education space
- Investments are being evaluated closely by the Fund management team in sectors of infrastructure, dairy and food processing, specialty chemicals, waste management among others
- Fundraising for the international fund, the Reliance Alternative Investment Fund 1 LLC is well underway with growing interest from a number of large institutional LPs

### **Reliance Asset Reconstruction**

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt/assets. The other sponsors/ shareholders of Reliance ARC are Corporation Bank, Indian Bank, GIC of India, Dacecroft and Blue Ridge
- The asset base as on September 30, 2010 was Rs 141 million (US\$ 3.1 million)

### **Reliance Venture Asset Management (RVAM)**

- Reliance Venture Asset Management, wholly owned subsidiary of Reliance Capital, is the venture capital arm of the Reliance ADA Group with an investment mandate to

incubate or invest into high-growth, new business ideas and is stage, sector and geography agnostic

- Ranked 30th in the reputed list of US-based, Red Herring Top 100 Global Venture Capital firms in 2009 out of 1,800 global VC firms, from 32 countries, and across 12 benchmarks, Reliance Venture is the only Indian Corporate Venture Capital firm to feature in the ranking
- RVAM is also a recipient of the "Excellence Award" from India's Institute of Economic Studies, a quasi-government agency started by Members of the Indian Parliament, industry leaders, economists and educational leaders.
- RVAM's portfolio companies are considered as category creators and industry leaders. It has spawned companies including household names such as India's largest online travel website 'Yatra.com', 'Suvidhaa' - India's leading service commerce company, 'Stoke, Inc.' - a leader in multi access convergence network, 'Tessolve' - a leading semi-conductor testing company amongst many others
- The Company has fostered relations with global premier institutions and is the exclusive India partner for MIT and Stanford University for their entrepreneurship and business competitions. RVAM has also funded two start-ups from MIT
- RVAM endeavors to be the preferred choice and premier partner of all its portfolio companies and assures its full commitment to them over an unlimited period of time
- RVAM currently manages assets of Rs. 1,691 million (US\$ 38 million)

## SECTION 3

### FINANCIAL AND OPERATING HIGHLIGHTS

#### Key Highlights for the quarter ended September 30, 2010

- Total income of Rs. 13 billion (US\$ 280 million) against Rs 15 billion in the corresponding period – a decrease of 11%
- Net profit of Rs. 1.1 billion (US\$ 24 million) against Rs 1.6 billion in the corresponding period – a decrease of 28%
- Decrease in total income and net profits mainly owing to lower capital gains and loss in general insurance business
- Core businesses continue to increase their contribution towards earnings mix
  - Profit from major operating businesses at Rs. 1.4 billion (US\$ 30 million) – 51% YoY increase
  - Nearly 90% of profit before tax from core businesses as against 41% for the corresponding previous period

#### Summary of Consolidated Financial Statements

(Rs. Million)

	Q2 FY11	Q2 FY10	FY10
Total income	12,998	14,664	61,406
Staff costs	1,278	1,399	5,354
Other expenditure	2,972	3,420	13,909
Reinsurance premium ceded	1,467	1,705	7,272
Claims incurred	2,526	2,113	11,857
Interest & financial charges	3,397	3,608	13,324
Depreciation	119	154	676
Profit before tax	1,240	2,265	5,883
Net Profit after Minority Interest & share of profit of associates	1,120	1,558	4,345
Diluted EPS (Rs)	4.03	6.34	17.63

## Segmental Performance

(Rs. Million)

	Q2 FY11	Q2 FY10	FY10
<b>Finance &amp; Investments</b>			
Revenue	2,929	3,533	11,813
Profit before tax	358	1,367	3,426
Capital employed	90,820	62,695	76,284
<b>Asset Management</b>			
Revenue	1,628	1,487	6,460
Profit before tax	558	588	2,303
Capital employed	344	685	89
<b>General Insurance</b>			
Revenue	4,831	5,392	23,862
Profit before tax	(282)	1	(906)
Capital employed	10,064	6,327	7,912
<b>Commercial Finance</b>			
Revenue	3,120	3,446	13,252
Profit before tax	610	228	1,350
Capital employed	16,768	17,705	15,862
<b>Others</b>			
Revenue	489	807	6,018
Profit before tax	85	83	(274)
Capital employed	5,344	6,846	2,531

### Note:

The segmental performance given above is as per SEBI and listing agreement guidelines. The consolidated performance of Reliance Capital Limited is classified according to the source and nature of revenues and profits. In case of the financial performance discussed given hereafter, the financial performance of each business division (except the Commercial finance division) represents the unaudited financials of the respective operating subsidiary/ company.

There will be a difference in the numbers/ figures in the segmental performance given above and those given in the business financial performance given hereafter.

For e.g. the consolidated income reported under asset management segment above would include the investment management fees from activities across the various subsidiaries of

Reliance Capital. This will not be comparable with the income of Reliance Asset Management Company. This would include the income from investment management fees as well finance & investment income and other income.

**Total income:**

RCL's consolidated income from operations for the quarter ended September 30, 2010 was Rs. 13 billion (US \$ 280 million) from Rs 15 billion in the corresponding previous period – a decrease of 11%.

**Operating expenses:**

Staff costs for the quarter ended were Rs. 1,278 million (US\$ 28 million) as against Rs. 1,399 million in the corresponding period previous quarter – a decrease of 9%.

Selling, general & administrative expenses for the quarter ended September 30, 2010 were Rs. 2,972 million (US\$ 64 million) as against Rs 3,420 million in the corresponding previous quarter – a decrease of 13%.

This was in line with the plan of cost rationalization and moving towards leaner cost structures.

**Finance cost and Net profit from operations:**

Interest & finance charges for the quarter were Rs. 3,397 million (US \$ 73 million) as against Rs. 3,608 million in the corresponding period previous quarter – a decrease of 6%.

Despite the increase in borrowings, interest charges declined due to the decrease of the cost of borrowings to 8.4% for the quarter ended September 30, 2010 from 10.1% for the corresponding previous period.

Depreciation for the quarter was Rs. 119 million (US\$ 3 million) as against Rs. 154 million in the corresponding previous period, a decrease of 23%.

Profit after tax, minority interest and share of profit of associates for the quarter ended September 30, 2010 was Rs. 1.1 billion (US\$ 24 million) as against Rs. 1.6 billion in the previous quarter, a decrease of 28%

The decrease in total income and net profit was mainly owing to lower capital gains and loss from general insurance.

In fact, the earnings from core businesses continued to increase. The combined profit from the major operating businesses was Rs. 1.4 billion (US\$ 30 million), a YoY increase of 51%.

Nearly 90% of Reliance Capital's operating profits were from its core businesses, as against 41% for the corresponding previous period.

### **Balance sheet**

As on September 30, 2010, the company had total assets of Rs 301 billion (US\$ 7 billion) – YoY increase of 18% and a net worth of Rs. 80 billion (US\$ 2 billion) – YoY increase of 3%.

The company had a net debt of Rs 181 billion (US\$ 4 billion) as on September 30, 2010 and equity of Rs. 80 billion (US\$ 2 billion), resulting to net debt to equity ratio of 2.1

**BUSINESS WISE PERFORMANCE**

**RELIANCE CAPITAL ASSET MANAGEMENT**

**TOTAL ASSETS UNDER MANAGEMENT**

(Rs. Billion)

Particulars	As at Sep 30, 2010	As at Sep 30, 2009
<b>Total RCAM AUM</b>	1,508	1,357
<b>Mutual Funds</b>		
<b>AUM</b>	1,087	1,016
- Equity	36%	37%
- Debt	64%	63%
<b>Pension Funds</b>	386	301
<b>Managed Accounts</b>	22	31
<b>Offshore funds</b>	13	9

**FINANCIAL PERFORMANCE**

(Rs. Million)

	Q2 FY11	Q2 FY10	Q1 FY11	FY10
Total Income	1,773	1,560	1,642	6,817
Total Expenses	1,073	911	1,064	4,137
Profit before tax	700	648	577	2,680

**Discussion of financial performance**

**Total income:**

- RCAM's income from its operations for the quarter ended September 30, 2010 was at Rs. 1,773 million (US \$ 38 million) from Rs. 1,560 million in the corresponding period previous quarter – an increase of 14%
- Profit before tax for the period ended September 30, 2010 was Rs. 700 million (US\$ 15 million) as against Rs. 648 million in the previous quarter, an increase of 8%
- Despite the challenging regulatory conditions, the domestic asset management business increased its profitability to AAUM to 30 bps

**RELIANCE LIFE INSURANCE**

- Amongst leading private sector life insurers in India with private sector market share of 8.5%

**FINANCIAL PERFORMANCE**

(Rs. Million)

	Q2 FY11	Q2 FY10	FY10
<b>First year premium</b>	6,786	7,032	36,302
<b>Single premium</b>	1,276	410	2,906
<b>Total new business premium</b>	8,062	7,442	39,208
<b>Renewal premium</b>	7,791	5,232	26,841
<b>Reinsurance Premium paid</b>	(114)	(64)	(166)
<b>Total premium</b>	15,739	12,610	65,883
<b>Weighted Received Premium (WRP)</b>	6,914	7,073	36,593
<b>No of policies issued</b>	616,022	495,560	2,326,154
<b>Average premium per policy (Rs.) (Individual business)</b>	12,139	13,665	14,569
<b>Average tenure of policies issued</b>	15.1	14.8	14.5
<b>No of branches</b>	1,248	1,174	1,247
<b>No of agents</b>	213,504	185,703	195,565
<b>Total Funds under management</b>			
Equity	119,969	70,843	96,780
Other than equity	45,578	31,992	39,828
<b>Capital infused</b>	500	650	2,310

- Total premium for the quarter was Rs. 16 billion (US\$ 338 million) as against Rs. 13 billion for the corresponding previous period – an increase of 25%
- Renewal premium for the quarter was Rs. 8 billion (US\$ 168 million) as against Rs. 5 billion – an increase of 49%
- New Business Premium Income was Rs 8 billion (US\$ 173 million) for the quarter as against Rs 7 billion in the corresponding previous period, an increase of 8%
- The number of policies sold during the quarter was 616,022 as against 495,560 for the corresponding previous period – an increase of 24%. This quarter, RLIC sold the highest number of policies in the private sector life insurance industry

- The distribution network increased to 1,248 branches at the end of September 30, 2010 against 1,174 branches at the end of September 30, 2009
- The number of agents at the end of September 30, 2010 were at 213,504 as against 185,703 agents at the end of September 30, 2009, an increase of 15%
- The total funds under management were at Rs. 166 billion (US\$ 3.7 billion) as on September 30, 2010 against Rs. 103 billion as on September 30, 2009 – an increase of 61%
- During the quarter, the capital infusion decreased by 23% to Rs. 500 million (US\$ 11 million). The capital invested in this business, till date, is Rs. 31 billion (US\$ 696 million)

## **NEW BUSINESS ACHIEVED PROFIT (NBAP)**

### **Definition**

NBAP is defined as present value of future profits for shareholders on account of new business sales, based on a given set of assumptions

Actual experience may differ from these assumptions

### **Basis of preparation**

The NBAP is calculated net of tax after providing for cost of capital that would be required to support business. Cost of capital is taken as difference between nominal value for solvency capital and present value, at risk discount rate, of future releases of capital together with investment earnings on solvency capital

- **The new business achieved profit for half year ended September 30, 2010 was Rs. 2.2 billion (US\$ 47 million)**
- **The new business achieved profit margin for half year ended September 30, 2010 was 17.9%**

The assumptions used are as follows:

### **Economic Assumptions:**

<b>Particulars</b>	<b>Assumptions p.a.</b>
Cash/ Money Market/ TB	5.0%
Government Securities	7.5%
Corporate Bond	8.5%
Equities	12.0%
Inflation	5.5%
Risk discount rate	12.5%
Tax rate	14.2%

### **Operating Assumptions:**

- Operating assumptions such as mortality, morbidity & persistency are based industry & reinsurers experience, using our operating experience where such experience is credible

- Expense assumptions are based on our latest expense projection which reflects recent responses to lower growth environment. The chosen expense loadings are consistent with current pricing assumptions & represent our most recent view of long term expense assumptions
- No allowance has been made for any expense over runs that we experience in the short term
- Projections assume that we pay tax at the full rate of tax, with no credit for existing tax losses

**Sensitivity:**

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

**(Rs. Million)**

<b>Particulars</b>	<b>Base Value</b>	<b>+ 1%</b>	<b>- 1%</b>
Investment return	2,157.3	2,300.5	2,023.8
Risk discount rate	2,157.3	1,941.8	2,397.8

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

**Further consideration:**

- NBAP reflects 98.01% of new business written in the half year ended September 30, 2010
- Value from part of traditional business and part of group business has been ignored. These two business lines represent 1.68% & 0.30% respectively of annualized new business premium

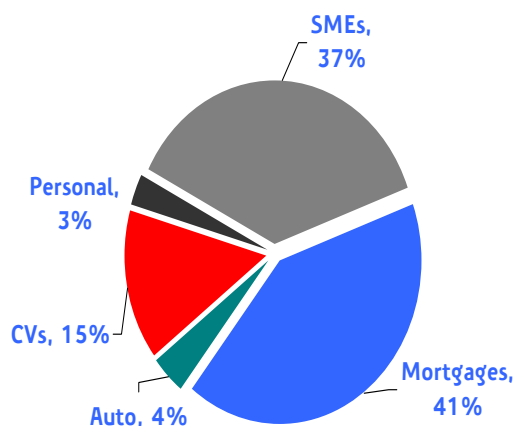
## RELIANCE COMMERCIAL FINANCE

### Discussion of financial performance

- Reliance Commercial Finance disbursed Rs. 20 billion (US\$ 420 million) of secured loans during the quarter, as against Rs. 14 billion for the corresponding previous period, increase of 43%
- As on September 30, 2010, the assets under management (including securitized portfolio) was Rs. 120 billion (US\$ 2.7 billion) as against Rs. 90 billion as on September 30, 2009 – increase of 34%
- As on September 30, 2010 the loan book was Rs. 100 billion (US\$ 2.2 billion), up 21% from Rs. 83 billion as at the end of September 30, 2009. This loan book is spread across 119,304 customers from top 16 Indian metros
- At the end of September 30, 2010, 93% of outstanding loan book was secured as against 78% at the end of September 30, 2009
- Personal loans proportion brought down to 3% of the outstanding loan book for the quarter as against 10% for the corresponding previous period
- During the quarter, the Company securitized loans of Rs. 4.4 billion (US\$ 98 million)

### LOAN BOOK MIX – as on September 30, 2010

#### Outstanding Loan book – Rs. 100 billion



**FINANCIAL PERFORMANCE**

(Rs. Million)

	<b>Q2 FY11</b>	<b>Q2 FY10</b>	<b>FY10</b>
Disbursals	19,510	13,678	57,762
Net Interest Income	1,317	1,027	4,595
Interest Income	2,812	2,759	10,725
Other Income	308	687	2,527
<b>Total Income</b>	<b>3,120</b>	<b>3,446</b>	<b>13,252</b>
Personnel Costs	215	221	916
Interest expenses	1,495	1,732	6,130
Other expenses	394	551	2,097
Provisions	406	715	2,759
<b>Profit before tax</b>	<b>610</b>	<b>228</b>	<b>1,350</b>

- The Net Interest Income for the quarter ended September 30, 2010 was Rs. 1.3 billion (US\$ 28 million) – YoY increase of 28%
- The profit before tax for the quarter ended September 30, 2010 was Rs. 610 million (US\$ 13 million) as against Rs. 228 million for the corresponding previous period – an increase of 168%
- The cost to income ratio for the quarter was 20%
- The average cost of funds for the quarter ended September 30, 2010 was 8.4%
- Average NIMs at 5.8% based on capital adequacy of 17%
- 52% YoY decline in Gross NPLs at Rs. 2.5 billion (US\$ 53 million)
- Provisioning for the quarter was Rs. 406 million (US\$ 9 million) – YoY decrease of 43%
- The provisioning till date is Rs. 882 million (US\$ 19 million) i.e. 1% of the outstanding loan book, translating to a coverage ratio of 72%

**Secured Book**

**Outstanding loan book – Rs. 93 billion – 42% YoY increase**

(Rs. Million)

	<b>Q2FY11</b>	<b>Q2FY10</b>	<b>FY10</b>
Net Interest Income	1,123	690	3,290
Interest Income	2,489	2,040	8,149
Other Income	286	647	2,404
<b>Total Income</b>	<b>2,776</b>	<b>2,687</b>	<b>10,553</b>
Personnel Costs	188	152	677
Interest expenses	1,366	1,351	4,859
Other expenses	323	403	1,519
Provisions	129	58	420
<b>Profit before tax</b>	<b>770</b>	<b>724</b>	<b>3,078</b>

- The Secured book generated a net interest income of Rs. 1.1 billion (US\$ 24 million) for the quarter ended September 30, 2010 – a YoY increase of 63%
- It achieved a profit before tax of Rs. 770 million (US\$ 16 million) for the quarter ended September 30, 2010, as against Rs. 724 million for the corresponding previous period – an increase of 6%

## Unsecured loans

**Outstanding loan book – Rs. 7 billion – 60% YoY decline**

(Rs. Million)

	<b>Q2FY11</b>	<b>Q2FY10</b>	<b>FY10</b>
Net Interest Income	194	337	1,305
Interest Income	323	719	2,575
Other Income	21	41	123
<b>Total Income</b>	<b>344</b>	<b>760</b>	<b>2,698</b>
Personnel Costs	27	69	239
Interest expenses	129	382	1,271
Other expenses	71	148	577
Provisions	278	657	2,339
<b>Profit before tax</b>	<b>(160)</b>	<b>(496)</b>	<b>(1,728)</b>

- The Company has moved away from unsecured loans and stopped net disbursements in this segment since April 2008
- Personal loans brought down to 3% for the quarter ended September 30, 2010 as against 10% for the corresponding previous period
- The unsecured loans division generated revenues of Rs. 344 million (US\$ 7 million) for the quarter ended September 30, 2010, as against Rs. 760 million for the corresponding previous period
- 58% YoY decline in provisioning from Rs. 657 million to Rs. 278 million (US\$ 3 million) in Q2 FY11
- The loss decreased to Rs. 160 million (US\$ 3 million) as against a loss of Rs. 496 million for the corresponding previous period – a decrease of 68%

**RELIANCE SECURITIES**

**FINANCIAL PERFORMANCE**

(Rs. Million)

	Q2 FY11	Q2 FY10	Q1 FY11	FY10
<b>Total Income</b>	<b>361</b>	<b>475</b>	<b>327</b>	<b>2,151</b>
<b>Sub brokerage</b>	49	21	56	182
<b>Personnel Costs</b>	110	205	118	906
<b>Other expenses</b>	150	206	118	788
<b>Profit before tax</b>	<b>52</b>	<b>42</b>	<b>36</b>	<b>275</b>

**Discussion of financial performance**

- The total income increased by 10% QoQ to Rs. 361 million (US\$ 8 million) for the quarter ended September 30, 2010 as against Rs. 327 million for the quarter ended June 30, 2010
- The business achieved a profit before tax of Rs. 52 million (US\$ 1 million) for the quarter ended September 30, 2010, as against Rs. 36 million for the quarter ended June 30, 2010, increase of 45%
- Improvement in profit margin from 9% in Q2FY10 to 14% in Q2FY11 - demonstrating focus on profitable growth across each business vertical

**THIRD PARTY DISTRIBUTION – ‘RELIANCE MONEY’**

**FINANCIAL PERFORMANCE**

(Rs. Million)

	Q2 FY11	Q2 FY10	Q1 FY11	FY10
<b>Total Income</b>	<b>86</b>	<b>134</b>	<b>63</b>	<b>434</b>
<b>Sub brokerage</b>	52	18	38	49
<b>Personnel Costs</b>	6	49	15	86
<b>Other expenses</b>	3	65	12	425
<b>Profit before tax</b>	<b>25</b>	<b>2</b>	<b>(2)</b>	<b>(126)</b>

**Discussion of financial performance**

- The total income increased by 36% QoQ to Rs. 86 million (US\$ 2 million) for the quarter ended September 30, 2010 as against Rs. 63 million for the quarter ended June 30, 2010
- The business achieved a profit before tax of Rs. 25 million (US\$ 1 million) for the quarter ended September 30, 2010
- Significant improvement in profit margin from 1% in Q2FY10 to 17% in Q2FY11 - demonstrating focus on profitable growth across each business vertical

## RELIANCE GENERAL INSURANCE

- Amongst leading private sector general insurers in India with private sector market share of 9.4%

## FINANCIAL PERFORMANCE

(Rs. Million)

	Q2 FY11	Q2 FY10	Q1 FY11	FY10
<b>Gross Written Premium</b>	3,707	4,881	4,293	19,797
<b>Profit before Tax/ (Loss)</b>	(282)	1	(386)	(905)
<b>Combined ratio with pool</b>	118%	111%	124%	117%
<b>Capital infusion</b>	470	0	950	2,100
<b>Investment book</b>				
Equity	194	1,151	885	1,155
Debt	19,409	13,442	19,087	15,412
<b>Total</b>	19,603	14,593	19,972	16,567
<b>No of policies issued (millions)</b>	1.4	1.7	0.7	3.3
<b>No of branches</b>	200	200	200	200
<b>No of intermediaries</b>	4,245	5,193	4,428	4,641

## SEGMENT WISE BREAK UP

- Premium contribution

Particulars	As at Sept 30, 2010	As at Sept 30, 2009
Motor	58%	66%
Health	16%	12%
Fire	8%	9%
Engineering	3%	4%
Others	15%	9%
Total	100%	100%

## **Discussion of financial performance**

- The focus at RGI is writing profitable business and not just growth. The high combined ratio and losses this quarter were on account of high claims from its health portfolio
- RGI has re-priced its health products and also significantly reduced its exposure to the unprofitable Group Medclaim. These steps have enabled the Company to improve its combined ratio and reduce its losses compared to the previous two quarters
- As a result, Gross Written Premium for the quarter ended September 30, 2010 was Rs 3.7 billion (US\$ 80 million) – a QoQ decrease of 14%
- The combined ratio (with pool) was 118% as against 124% for the quarter ended June 30, 2010
- Brought down the loss for the quarter ended September 30, 2010 to Rs. 282 million (US\$ 6 million) from Rs. 386 million for the quarter ended June 30, 2010
- During the quarter, Rs. 470 million (US\$ 10 million) was infused into the business. The total capital invested till date is Rs. 11.5 billion (US\$ 256 million)
- The distribution network composed of 200 branches and 4,245 intermediaries at the end of September 30, 2010

- **SECTION 4**

## STOCK MARKET HIGHLIGHTS

### General information

<b>Shareholding and Financial data as on September 30, 2010</b>	
Code/ Exchange	<b>500111/ BSE RELCAPITAL/ NSE</b>
Bloomberg/ Reuters	<b>RCAPT.IN</b>
No of share outstanding ( September 30, 2010)	<b>245,632,800</b>
Closing market price (Rs.) (September 30, 2010)	<b>780.40</b>
Combined volume (NSE & BSE) (for the quarter) (No. in million/ day)	<b>1.92</b>
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	<b>1.51</b>
F& O volume (NSE – for the quarter) (No. in million/ day)	<b>9.83</b>
F& O value (NSE – for the quarter) (Rs. in billion/ day)	<b>7.71</b>
Weightage of Reliance Capital in indices: S&P CNX Nifty	<b>0.50</b>
MSCI	<b>0.57</b>
Stock Beta (for quarter ended September 30, 2010)	<b>0.9</b>
Market capitalization as on September 30, 2010 (Rs bn)	<b>192</b>
Market capitalization as on September 30, 2010 (US\$ bn)	<b>4.3</b>
Book value per equity share (Rs.)	<b>324</b>

### Summarized shareholding pattern as of September 30, 2010

<b>Category</b>	<b>No of shares</b>	<b>Shareholding %</b>
Reliance Anil Dhirubhai Ambani Group	132,682,274	54.0%
Foreign investors – FIIs, NRIs and others	57,795, 435	23.5%
Domestic institutions/ Banks / Mutual funds	12,179,494	4.9%
Indian public	42,975,597	17.5%
<b>Total</b>	<b>24,56,32,800</b>	<b>100.00%</b>

**Reliance Capital daily stock price & volume (NSE) movement (Source: Bloomberg)**



**Comparison of Reliance Capital stock movement with peer groups (Data Source: Bloomberg)**



