

Summary – Investor Meet

Reliance Capital held an Analysts' Meet on Thursday, March 16, 2017, in Mumbai. During the Meet, the Company discussed various aspects of its key businesses with respect to overall market opportunity, its digital transformation and initiatives to achieve profitable growth.

The key highlights of the said Meet are as below:

- **India story - An unmatched growth story**

- In the last two and half years, India has moved from red tape to red carpet, reform to transform, Incredible India to Credible India for doing business
- Impact of demonetisation - with more money coming from parallel economy into real economy, there has been a huge surge in bank deposits and MF inflows. With investor preference moving away from gold to productive assets, there can be a dramatic change in India's growth trajectory
- All recent reforms viz. affordable housing, universal insurance, payment banking, technology platforms (Aadhaar, etc.) are key catalysts for growth of financial services in the country

- **“Go Digital”**

- India, and the domestic financial sector, is at an inflection point in terms of economic growth and demographics
- Reliance Capital, being the one of the largest financial services' company, is well placed to benefit from this change
- Reliance Capital aims to be amongst the top 3 players across all its businesses
- India and China are the largest digital markets in the world, and Reliance Capital intends to “Go Digital” in all its businesses to serve the new age customers

- **Asset Management - Mutual Fund Industry set for exponential growth in the future**

- Low penetration of financial services, small investor base and changing investor preferences towards financial assets, will drive industry growth
- With an AUM of approx. Rs. 3,50,000 crore, Reliance Nippon Life Asset Management (RNLAM) is India's largest asset manager. Also, it is the second most profitable asset management company
- A strong retail franchise has helped in better access to investors across the length and breadth of the country and build a stable asset base

- Reliance Mutual Fund has the highest SIP count in the industry with committed flows of approx. Rs. 5,000 crore per year
- RMF has a 30% market share in the ETF category
 - The CPSE FFO in January 2017 was one of the largest initial offerings in the MF industry. As part of the issuance, RMF raised over Rs. 13,700 crore (over 3x the issue size) from more than 2.7 lakh investors
- RNLAM has one of the most stable and experienced Management and Investment teams in the sector
- Digital initiatives:
 - Focused approach in deploying technology in the gamut of B2B and B2C transactions
 - RMF is sourcing approx. 30% purchases from the Digital channel
- RNLAM has a fast growing international distribution network with strategic tie-ups with Nippon Life Insurance and Samsung Asset Management
- A robust retail presence, integrated digital infrastructure and strong focus on Alternative Investments are amongst the key drivers of RNLAM's future growth

- **General Insurance - A very successful turnaround story**
 - Reliance General Insurance (RGI) is a leading private sector insurer with a 5 year CAGR of 24%, and has become a highly profitable company
 - RGI has formed key alliances with over 20 firms including IndusInd Bank, Bank of India, Andhra Bank, Catholic Syrian Bank, City Union Bank, Paytm and Freecharge
 - RGI processes over 10 lakh claims annually and has the lowest 'complaint ratio' amongst peers
 - Digital has been at the centre of the entire transformation
 - RGI is the first general insurance company to be fully integrated with Aadhar
 - Presently, on an annual basis, RGI settles over 10 lakh claims using its digital architecture
 - A diversified growth model with focus on profitability, well-defined digital strategy, additional tie-ups with banks and other alliance partners, and reduction in the combined ratio are amongst the key drivers of RGI's future growth

- **Health Insurance - Significant opportunity to create a high-growth and profitable business**
 - Retail Health Insurance is one of the most under-penetrated segments in the insurance space in India

- Reliance Health Insurance (RHI) will leverage on the strong work done by Reliance General Insurance to quickly establish its presence in the market
- RHI has significant experience in managing the business and has the second highest reach amongst stand-alone health players
- A “Digital First’ approach, value unlocking opportunities through strategic partnerships and focus on profitable growth in one of the fastest growing segments of Health Insurance, are amongst the key drivers of RHI’s future growth

- **Life Insurance - A 10 year-old business on the cusp of a significant transformation**
 - Reliance Nippon Life Insurance (RNLI) has a wide nationwide footprint with 770 offices and approx. 1 crore individual policies issued
 - Nippon Life Insurance is a very strong and committed partner. It holds a 49% stake in the company
 - Nippon Life has invested over Rs. 5000 crore, valuing the business at approx. Rs. 10,000 crore
 - RNLI’s focus has been on profitable and healthy growth. Over the last one year, it has weeded out unprofitable and poor quality business, resulting in right sizing the expense base and corresponding reduction in premium growth
 - The company has achieved a higher persistency of 61% in 9m-FY17 as against 56% in the corresponding period last year
 - RNLI has an Embedded Value of Rs. 3,074 crore as on Sept 2016, and AUM of Rs. 16,247 crore as on Dec 2016
 - The business intends to combine similar channels to leverage supervisory cost towards increasing efficiency, and grow proprietary channels
 - Open architecture in the bancassurance space, productivity enhancement, focus on improved persistency, emphasis on digitisation and a profitable product mix are amongst the key drivers of RNLI’s future growth

- **Home Finance - Tremendous macro opportunity driven by low penetration, favourable demographics and government’s push for affordable housing**
 - Reliance Home Finance (RHF) has crossed Rs. 10,000 crore in Assets under Management with a conservative Gross NPA ratio of 0.9%
 - RHF has a presence in 90 locations through a ‘hub and spoke’ model with over 28,200 customers, out of which approx. 18,000 relate to the affordable housing segment
 - RHF’s loan book is spread across segments of home loan, loan against property and construction finance
 - RHF employs a robust Analytics-based credit lifecycle management framework

- Credit score-based underwriting for Mortgage lending, and risk-based pricing
- Delinquency Prediction, automation of NCL projection and Capacity Planning for Collections
- Scientific Retention Strategy created at customer level
- The sector has a very high growth potential driven by increased affordability with rising income and stable property prices
- Focus on aggressive growth by tapping the salaried segment, potential for cross-selling and usage of modern analytical tools for collection efficiency are amongst the key drivers of RHF's future growth
- **Commercial Finance - 7-year vintage in SME lending**
 - Reliance Commercial Finance (RCF) was the first SME-focused NBFC in the country
 - The business philosophy revolves around productive asset creation for the self-employed segment
 - RCF has a 100% secured loan book, spread across 53,500 customers with presence in 44 cities
 - Till date, RCF has financed over Rs. 60,000 crore to over 1.25 lakh customers
 - RCF has attained significant expertise in providing customized products to suit borrowers' funding requirements in each SME cluster and deploys a robust risk management framework to identify stress early so that corrective action can be taken
 - RCF's AUM increased to Rs. 16,191 crore (+8%) as on Dec 2016, while the Gross NPA was 3.7% (at 90 dpd basis) as on Dec 2016 with adequate coverage
 - High growth in existing segments of the SME sector, targeting of new customer segments by distributing retail and personal finance products, and a strong focus on asset quality and profitability, are amongst the key drivers of RCF's future growth
- **Broking & Distribution - Transformation in the last two years**
 - Huge market opportunity driven by very low penetration of equity culture in India
 - The business has key presence across verticals viz. retail equity and commodity broking, Privilege Client Group segment focused on large market clients, wealth management, mass affluent distribution and, margin financing and IPO funding
 - Industry First - The business has a fully digital model whereby 95% of the accounts are opened digitally and clients are able to trade on the same day
 - Digitisation and technology have played a big role in transforming the business
 - Mobile market share has increased from 5% to 13.5%
 - Improved broking yields through segment-based pricing, integration of broking and distribution on a single platform and continued focus on digital initiatives including



deploying a fully online digital acquisition model, are amongst the key drivers of RCF's future growth

- **Investment in ICEX (Commodity Exchange) - Huge potential**

- Daily average commodity volumes (% of GDP) are very low in India (0.2%) as compared to USA (26%) and China (0.8%)
- There is a huge latent market opportunity. Also, several favourable policy regulations are expected to drive the growth of commodity trading in India
- Reliance Capital holds 26% stake in ICEX
- ICEX will be the first exchange to launch Diamond Futures contract
 - Diamond futures have potential to generate a turnover of Rs. 5,000 crore per day
- ICEX plans to trade other commodities such as Gold, Crude, etc.

- **Summary - Financial Services is our core, high growth business**

- Reliance Capital is solely focused on Financial Services' businesses
- Profitable monetisation of all non-core investments is underway, and will be substantially completed by March 2018
- Several non-core investments in movie exhibition business, film and media services, and radio and TV have already been monetised
- Reliance Capital has a strong financial platform with networth at Rs. 16,000 crore
- The company enjoys a comfortable asset-liability position and top end ratings
- The Company is well poised for profitable and sustainable growth in each of its businesses