**STRICTLY PRIVATE & CONFIDENTIAL**

Date: February 25, 2016

The Board of Directors, Reliance Capital Limited H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai- 400710	The Board of Directors, Reliance Gilts Limited, Reliance Centre 19 Walchand Hirachand Marg, Mumbai - 400001
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Dear Sirs,

Subject: Fairness Opinion for the proposed demerger of Commercial Finance business of Reliance Capital Limited (RCap) to its wholly owned subsidiary Reliance Gilts Limited (RGilts) pursuant to the Scheme of Arrangement in terms of sub-Para 8(b) of Para I(A) of Annexure I ('said Para 8(b)') of the SEBI Circular No CIR/CFD/CMD/16/2015 dated 30 November 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'Circular') issued by the Securities and Exchange Board of India ('SEBI').

Please refer to the engagement letter dated February 24, 2016 regarding the Fairness Opinion in terms of the said Para 8(b) of the Circular for the proposed transfer of Commercial Finance business of Reliance Capital Limited ('hereinafter referred to as 'RCap' or 'Transferor Company') to Reliance Gilts Limited (hereinafter referred to as 'RGilts' or 'Transferee Company') pursuant to Scheme of Arrangement in terms of provisions of Section 391 to 394 of the Companies Act 1956 ('the Act') and other applicable provisions of the Act and /or Rules/Regulations made there under. It is hereby clarified and stated that upon the relevant Sections of the Companies Act 2013 pertaining to the Scheme of Compromise, Arrangement, or Amalgamation of companies being notified by the Ministry of Corporate Affairs ('MCA'), this Scheme shall be deemed to have been formulated and presented under Sections 230 to 240 of the Companies Act, 2013 read with applicable Rules made there under.

1. Background**1.1 Reliance Capital Limited ('RCap')****1.1.1 About RCap**

RCap was originally incorporated on 5th March 1986 in the State of Gujarat as "Reliance Capital & Finance Trust Limited" under the provisions of the Companies Act, 1956 with CIN of



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SEBI Regn Nos. NSE INB230645339 F&O INF230645339 Code 06453 BSE INBO 10684638 F&O INFO10684638 Code 530

NSDL IN300222 CDSL I4500 BARN 0284

CIN : U67120WB1993PTC060525
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L65910MH1986PLC165645. Subsequently the name was changed to Reliance Capital Limited on 6th January 1995. The registered office was shifted from the State of Gujarat to Maharashtra on 2nd November, 2006 and was registered with Registrar of Companies, Maharashtra, Mumbai on 20th November 2006. Its Registered Office is presently located at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400 710. RCap is in the business of Financial services with interest in asset management, mutual funds, pension funds, life and general insurance and proprietary investments, home and commercial finance, stock broking and depository services, wealth management, asset reconstruction, distribution of financial products and other related activities in financial services. The equity shares of RCap are listed on the BSE Limited and National Stock Exchange of India Limited.

1.1.2 Shareholding pattern of RCap as on December 31, 2015 is as under:

Category	Shareholding of equity shares (%)
Promoters & Promoter Group	52.13
Public (including Custodian shares)	47.23
Shares held by Employee Trusts	0.63
Total	100.00

1.1.3 Summary of Financials (standalone) of RCap is as under:

Year ending March 31,	(Rs. Crs)		
	2015	2014	2013
Total Revenue (including other income)	3,988	3254	3868
Total Expenditure including exceptional items	3144	2790	3164
Profit Before Tax	844	464	704
Profit After Tax	757	409	662
Equity share capital	253	244	246
Net worth	12387	11458	11346

1.2 Reliance Gilts Limited (RGilts)

1.2.1. About RGilts:

RGilts, the Transferee Company is a wholly owned subsidiary of RCap. RGilts was originally incorporated on 17th August 2000 as Reliance Life Insurance Limited under the provisions of the Companies Act, 1956. Subsequent to several name changes, the company is registered as Reliance Gilts

Limited with Registrar of Companies, Maharashtra, and Mumbai with effect from 3rd March 2006. Its Registered Office is located at Reliance Center, 19, Walchand Hirachand Marg, Mumbai- 400 001 with CIN U66010MH2000128301. RGilts is a registered NBFC. The entire paid up share capital of Rs.12.30 crs of RGilts is held by RCap.

1.2.2 Financial Performance:

The financial performance of RGilts for the last three years is as under:

Year ending March 31,	(Rs. Crs)		
	2015	2014	2013
Total Revenue (including other income)	0.03	0.06	0.20
Total Expenditure including exceptional items	0.01	0.04	0.01
Profit Before Tax	0.02	0.02	0.19
Profit After Tax	0.02	0.02	0.19
Equity share capital	12.30	7.00	7.00
Net worth	9.48	4.16	4.14

The company did not carry out substantial business during last 3 years.

2. Scheme of Arrangement

2.1 We have been informed that it is proposed to demerge the Commercial Finance business of RCap, the Transferor Company into RGilts, the Transferee Company with effect from April 1, 2016, the Appointed Date pursuant to the Draft Scheme under section 391-394 of the Act. The Draft Scheme would need approval from the jurisdictional High Court and other regulatory authorities as applicable.

2.2 The Salient features of the Draft Scheme are as under:

- The Draft Scheme provides for demerger and vesting of the Commercial Finance business of RCap into RGilts, with effect from Appointed date.
- The Proposed Appointed Date for the Scheme will be as per clause 1.2 of Para 1 of Part I of the Scheme.
- All the assets and liabilities of the Commercial Finance Business of RGilts shall be transferred on going concern basis.

Since the Transferee Company is a wholly owned subsidiary of the Transferor Company, the Transferee Company shall not be required to issue any shares or pay any consideration to the

Transferor Company or its shareholders, based on the valuation as per the valuation report of Jignesh & Co, Chartered Accountants, appointed for the said purpose.

3. Scope of Engagement

For the aforesaid purpose, RCap has appointed us to issue a fairness opinion for the intended Scheme in terms of the said Para 8(b) of the Circular. This report is intended only for the sole use of RCap and RGilts, and in connection with the proposed Scheme including for the purpose of obtaining judicial and regulatory approvals for the Scheme.

4. Sources of Information

We have relied on the following information in issuing this fairness opinion for the purpose of the Scheme:

- Copy of Memorandum of Association and Articles of Association of RCap and RGilts;
- Draft Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956, with regard to the proposed demerger;
- Shareholding pattern of RCap and RGilts as on December 31, 2015;
- Audited financial statement of (i) RCap for the year ending March 31, 2013, March 31, 2014 and March 31, 2015 and unaudited financials for the period ended December 31, 2015 (ii) RGilts for the year ending March 31, 2013, March 31, 2014 and March 31, 2015 and unaudited financials for the period ended December 31, 2015;
- Valuation report dated 25th February, 2016 issued by M/s. Jignesh & Co, Chartered Accountant; and
- Such other information, documents, data, reports, discussions and verbal & written explanations from RCap as well as advisors for Scheme with RCap, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

5. Key Facts From The Scheme

5.1 Based on information provided by the management of the entities forming part of the Scheme and after analyzing the Scheme, we understand that since the Transferee Company is a wholly owned subsidiary of the Transferor Company, the Transferee Company shall not be required to issue any shares or pay any consideration to the Transferor Company or its shareholders.. The Scheme is intended to transfer the Transferred Undertaking to the wholly owned subsidiary and does not involve any movement of assets or liabilities to any company outside the group.

5.2 The rationale for the proposed scheme is as under:

"All operating businesses of RCap, except the Commercial Finance business, are held in its wholly or majority owned subsidiaries. Accordingly, to align the overall operating structure, it is proposed to transfer the Commercial Finance division of RCap into a Wholly Owned Subsidiary.



This will also facilitate the treatment of RCap as a Core Investment Company (CIC) in terms of applicable RBI regulations."

6. Exclusions and Limitations

- 6.1 Our report is subject to the scope limitations detailed hereinafter. The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 6.2 In the course of the present exercise, we were provided with both written and verbal information, including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the managements of the companies that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the companies and their impact on the present exercise.
- 6.3 We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.
- 6.4 Our work does not constitute an audit, due diligence or verification of historical financials including the working results of the Companies or their business referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
- 6.5 We express no opinion whatsoever and make no recommendation at all to the companies underlying decision to effect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Companies should vote at their respective meetings held in connection with the proposed Scheme. We do not express and should not be deemed to have expressed any views on any other term of the proposed Scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of RCap will trade following the announcement of the proposed Scheme or as to the financial performance of RCap following the consummation of the proposed Scheme.
- 6.6 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 6.7 No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the companies claim we have relied solely on representation, whether verbal or otherwise made, by the management to us for purpose of this report.

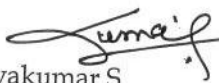


- 6.8 Our analysis and results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date for the proposed Scheme. We have no responsibility to update this report for events and circumstances occurring after the date of this report. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
- 6.9 This report has been issued for the sole purpose to facilitate the Company to comply with the said Para 8(b) of the Circular and it shall not be valid for any other purpose.

7. Opinion & Conclusion

- 7.1 With reference to above and based on information provided by the management of the entities forming part of the Scheme and after analyzing the Draft Scheme, we understand that the present Scheme has been intended to demerge the Commercial Finance business of the Transferor Company to the Transferee Company. All the assets and liabilities of the Commercial Finance business shall be transferred at book value. There will be no further cash consideration or issuance of shares.. Also, proposed demerger of Commercial Finance business into its wholly owned subsidiary and does not involve any movement of assets or liabilities to any company outside the group.
- 7.2 Since the Transferee Company is a wholly owned subsidiary of the Transferor company, there is no change in the promoter and public shareholding pattern of the public listed Company i.e., RCap.
- 7.3 In light of the forgoing and subject to the caveats as detailed hereinbefore, we as a Merchant Banker hereby certify that, in our opinion the proposed demerger of Commercial Finance business of RCap into RGilts as per the Scheme is fair and reasonable and the interest of shareholders of RCap is not prejudicially affected.

For *Dalmia Securities Private Limited*


Jeyakumar S
COO- Investment Bank



Place: Mumbai
SEBI Registration Number INM000011476

