

# Reliance Capital Limited

**Review report on the results for the quarter ended  
June 30, 2014 (un-audited)**

**August 14, 2014**

**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. 60.00 = US\$ 1.00 for Q1 FY15 profit and loss items as well as for balance sheet items as on June 30, 2014. 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	2012	2013	2014	Quarter ended June 30, 2014
<b>Reliance Capital Limited (Consolidated)</b>				
Total Revenues	66,269	75,186	75,441	21,436
Profit After Tax	4,578	8,119	7,465	1,636
Net worth	116,963	120,054	124,831	126,429
Total Assets	353,430	405,881	455,277	458,691
<b>Reliance Life Insurance</b>				
Total Premium (Net)	54,702	40,153	42,567	9,679
Profit Before Tax / (Loss)	3,726	3,804	3,589	344
<b>Reliance General Insurance</b>				
Gross Written Premium	17,548	20,362	24,417	7,865
Profit Before Tax / (Loss)	(3,416)	(928)	641	243
<b>Reliance Commercial Finance</b>				
Total Revenues	19,450	21,168	22,100	5,615
Profit Before Tax	2,537	3,420	4,295	836
<b>Reliance Capital Asset Management (Consolidated)</b>				
Total Revenues	6,647	7,346	7,749	2,070
Profit Before Tax	3,076	2,896	3,521	887
<b>Broking &amp; Distribution businesses</b>				
Total Revenues	3,810	3,781	3,499	647
Profit Before Tax	554	448	(207)	7

Particulars	Year ended March 31,			Quarter ended June 30, 2014*
	2012 <sup>+</sup>	2013 <sup>+</sup>	2014 <sup>+</sup>	
<b>Reliance Life Insurance</b>				
New business premium	18,093	13,766	19,340	5,540
<b>Reliance General Insurance</b>				
Combined Ratio (%)	145%	121%	119%	114%
<b>Reliance Commercial Finance</b>				
Loan book size	132,386	136,524	136,668	139,313
<b>Reliance Mutual Fund</b>				
Average Asset under Management (Rs. billion)	781	946	1,035	1,129
<b>Broking &amp; Distribution businesses</b>				
Broking Accounts (Nos.)	683,500	710,000	723,600	727,600

\* All the financial highlights given are based on consolidated audited results

\* Financial highlights are based on un-audited consolidated 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 India.

Reliance group is amongst India's leading business houses with over 200 million customers. It has a strong presence across a wide array of high growth consumer facing businesses of financial services, telecom, energy, power, infrastructure and media and entertainment.

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)

	Q1 FY15	Q1 FY14	Q4 FY14	FY14
Interest Income	9,530	8,730	9,468	36,814
Capital Gains / Dividend	719	512	(135)	1,521
Premium Earned	7,830	7,063	5,483	24,372
Management & Advisory Fee	1,851	1,847	1,659	6,991
Brokerage & Commission	892	756	699	2,664
Other Income	613	476	1,301	3,079
<b>Total income</b>	<b>21,436</b>	<b>19,383</b>	<b>18,475</b>	<b>75,441</b>
Interest & Finance charges	6,838	6,179	6,279	25,011
Other Expenses	13,012	11,695	8,986	41,960
<b>Total Expenses</b>	<b>19,850</b>	<b>17,874</b>	<b>15,265</b>	<b>66,971</b>
Profit before tax	1,586	1,509	3,210	8,470
<b>Net Profit after Minority Interest &amp; share of profit of associates</b>	<b>1,636</b>	<b>1,327</b>	<b>2,667</b>	<b>7,465</b>
Diluted EPS (Rs.)	6.7	5.4	10.9	30.4

- Total consolidated income of Rs. 21.4 billion (US\$ 357.3 million) against Rs. 19.4 billion in the corresponding previous period - a YoY increase of 11%

- Interest & finance charges for the quarter were Rs. 6.8 billion (US\$ 114.0 million) - an increase of 11% as against the corresponding previous period
- Other expenses for the quarter were Rs. 13.0 billion (US\$ 216.9 million) - an increase of 11% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended June 30, 2014 was Rs. 1.6 billion (US\$ 27.3 million) - a YoY increase of 23%.
- Net debt to equity stood at 1.86 as on June 30, 2014, as compared to 1.81 at the end of Q1 FY14

### Balance sheet

As on June 30, 2014, the company had total assets of Rs. 458.7 billion (US\$ 7.6 billion) - a YoY increase of 9%. The company had a net worth of Rs. 126.4 billion (US\$ 2.1 billion) - a YoY increase of 4%.

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 June 30, 2014, Reliance Life offered 23 products, of which 16 were targeted at individuals and 7 at group business
- As on June 30, 2014, Reliance Life Insurance had 7 optional rider offerings to provide comprehensive risk protection to customers. Of these, 5 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 9.8% (Source: June 2014 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 9.7 billion (US\$ 161.3 million) - a YoY increase of 6%
- New business premium for the quarter ended June 30, 2014, was Rs. 5.5 billion (US\$ 92.3 million) - a YoY increase of 8%. Of the new business individual premium, 74% was contributed by traditional products
- Renewal premium rose to Rs. 4.2 billion (US\$ 69.9 million) - a YoY increase of 5%
- Operating costs (excluding commission) were at Rs. 3.6 billion (US\$ 60.2 million) for the quarter ended June 30, 2014 - a YoY increase of 33%
- RLI achieved a profit before tax of Rs. 343.7 million (US\$ 5.7 million), for the quarter ended June 30, 2014 - a YoY decrease of 39%. The declared results of Reliance Capital include consolidation of 48% stake of RLI
- **Financial Performance**

	(Rs. Million)			
	Q1 FY15	Q1 FY14	Q4 FY14	FY14
<b>First year premium</b>	5,410	4,795	4,886	18,363
<b>Single premium</b>	130	346	214	977
<b>Total new business premium</b>	<b>5,540</b>	<b>5,141</b>	<b>5,100</b>	<b>19,340</b>
<b>Renewal premium</b>	4,192	3,997	7,968	23,494
<b>Total premium (Net of Reinsurance)</b>	9,679	9,097	12,988	42,567
<b>Profit before tax</b>	<b>344</b>	<b>565</b>	<b>1,396*</b>	<b>3,589*</b>
<b>Operating Costs (excl. commission)</b>	3,611	2,723	4,403	13,982
<b>Total Funds under management</b>	191,160	180,069	183,278	183,278

\* Including policyholder's surplus transferred to shareholders' account

- Average ticket size for the quarter rose to over Rs. 25,400 - a YoY increase of 48%
- The distribution network stood at over 900 offices across India
- Achievements and initiatives:
  - Reliance Life Insurance was awarded the 'Business Continuity Team of the Year' by the Business Continuity Institute (BCI), UK



### 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 9.0%
- Gross Written Premium for the quarter ended June 30, 2014, was Rs. 7.9 billion (US\$ 131.1 million) as against Rs. 7.1 billion for the corresponding previous period - a YoY increase of 11%
- During the quarter, RGI realized a gross written premium of Rs. 2.0 billion (US\$ 33.3 million) from commercial lines of business - a YoY increase of 23%
- **Segment-wise break up of Premium**

Particulars	Q1 FY15	Q1 FY14	Q4 FY14
<b>Motor</b>	51%	50%	73%
<b>Health</b>	22%	24%	16%
<b>Fire &amp; Engineering</b>	16%	17%	6%
<b>Marine</b>	3%	2%	2%
<b>Others</b>	8%	7%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- Number of policies sold in the quarter rose by 19% to nearly 1.1 million
  - Usage of manual cover-note in Motor segment reduced from 8% in Q1 FY14 to 5% in Q1 FY15
- Online channel: Gross premium rose by 39%, while total policies sold increased by 64% over the corresponding previous period
- The combined ratio was 114% as against 113% for the corresponding previous period
- The profit was at Rs. 242.7 million (US\$ 4.0 million) for the quarter ended June 30, 2014, as against a profit of Rs. 101.9 million in the corresponding previous period - a YoY increase of 138%

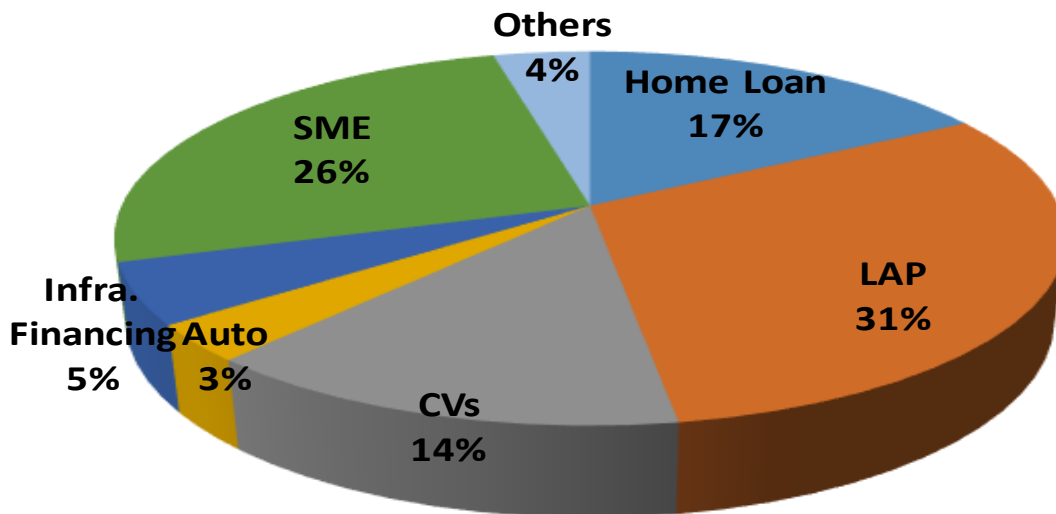
- **Financial Performance**

	(Rs. Million)			
	Q1 FY15	Q1 FY14	Q4 FY14	FY14
<b>Gross Written Premium</b>	7,865	7,063	5,528	24,417
<b>Profit before Tax / (Loss)</b>	<b>243</b>	<b>102</b>	<b>272</b>	<b>641</b>
<b>Combined ratio with pool</b>	114%	113%	119%	119%
<b>Capital infusion</b>	-	-	-	-
<b>Investment book</b>	44,946	34,340	38,427	38,427
<b>No. of policies issued (millions)</b>	1.1	0.9	1.0	3.7
<b>No. of branches</b>	127	127	127	127
<b>No. of intermediaries</b>	15,562	12,140	15,547	15,547

- The total capital invested continues at Rs. 17.5 billion (US\$ 291.2 million)
- The solvency ratio for the business stood at 1.52 as on June 30, 2014
- The distribution network composed of 127 branches and over 15,500 intermediaries as on June 30, 2014
- Achievements and initiatives:
  - At the 2014 Indian Insurance Awards, Reliance General Insurance was nominated as the 'Company of the Year' in the non-life segment. The Company also received awards for the Best Product Innovation (Health Gain) and Technology Innovation (RSBY claims management)
  - "Order of Merit" at SKOCH Financial Inclusion and Deepening Award
  - Received the award for the 'Best General Insurance Company' at the Lokmat BFSI Awards
  - Launched the roadside assistance initiative called "Anywhere Assist", to be offered along with all private car policies

### 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 Indian non banking finance sector. 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 June 30, 2014, 100% of the outstanding book was secured
- The disbursements for the quarter ended June 30, 2014, were Rs. 20.4 billion (US\$ 340.2 million) as against Rs. 16.5 billion for the corresponding previous period - a YoY increase of 23%
- As on June 30, 2014, the assets under management (including securitized portfolio) was Rs. 174.7 billion (US\$ 2.9 billion) as against Rs. 158.7 billion as on June 30, 2013 - a YoY increase of 10%
- As on June 30, 2014, the outstanding loan book was Rs. 139.3 billion (US\$ 2.3 billion) as against Rs. 135.6 billion as on June 30, 2013 - a YoY increase of 3%. This loan book is spread across over 76,700 customers from top 39 Indian metros
- **Loan Book Mix (as on June 30, 2014)**



- During the quarter, RCF securitized loans of Rs. 4.2 billion (US\$ 69.2 million)
- Personal loans (only to employees) formed a miniscule 0.05% of the outstanding loan book at the end of the quarter
- Total income stood at Rs. 5.6 billion (US\$ 93.6 million) in Q1 FY15 as against Rs. 5.4 billion in the corresponding previous period - a YoY increase of 4%
- The Net Interest Income for the quarter ended June 30, 2014, was relatively flat at Rs. 1.7 billion (US\$ 27.8 million)
- Average NIMs for the quarter ended June 30, 2014, rose to 5.7% as against 5.0% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 835.7 million (US\$ 13.9 million) - a YoY increase of 1%
- The cost to income ratio for the quarter was at 17.0% as against 15.2% in Q1 FY14

- **Financial Performance**

	(Rs. Million)			
	Q1 FY15	Q1 FY14	Q4 FY14	FY14
Disbursements	20,412	16,533	37,205	98,039
Net Interest Income	1,671	1,679	1,993	7,069
<b>Total Income</b>	<b>5,615</b>	<b>5,404</b>	<b>5,705</b>	<b>22,100</b>
Interest expenses	3,448	3,420	3,287	13,308
Other expenses	953	821	1,013	3,619
Provisions	379	333	(106)	877
<b>Profit before tax</b>	<b>836</b>	<b>830</b>	<b>1,511</b>	<b>4,295</b>

- Gross NPLs were at 2.4% of outstanding AUMs at Rs. 4.2 billion (US\$ 70.8 million)
- The coverage ratio (including write-offs) stood at 54% as on June 30, 2014. Excluding write-offs, the ratio was at 16%

## Reliance Capital Asset Management

- Reliance Capital Asset Management (RCAM) managed Rs. 2.1 trillion (US\$ 34.3 billion) as on June 30, 2014, across:
  - mutual funds\* - Rs. 1.1 trillion (US\$ 18.8 billion)
  - pension funds - Rs. 866.9 billion (US\$ 14.4 billion)
  - managed accounts - Rs. 16.4 billion (US\$ 273.3 million) and
  - offshore funds - Rs. 47.1 billion (US\$ 785.6 million)

\* - average assets under management for the quarter ended June 30, 2014

- RCAM continues to be the largest asset manager in the country
- RCAM's income from its operations for the quarter ended June 30, 2014, was at Rs. 2.1 billion (US\$ 34.5 million) - a YoY decrease of 2%
- RCAM's total expenditure from its operations for the quarter ended June 30, 2014, was at Rs. 1.2 billion (US\$ 19.7 million) - a YoY decrease of 12%
- Profit before tax for the quarter ended June 30, 2014, was Rs. 886.7 million (US\$ 14.8 million) - a YoY increase of 15%
- PBT margins rose to 43% in Q1 FY15 as against 36% for the corresponding previous quarter

- **Financial Performance**

	(Rs. Million)			
	Q1 FY15	Q1 FY14	Q4 FY14	FY14
<b>Total Income</b>	2,070	2,116	1,884	7,749
<b>Total Expenses</b>	1,183	1,345	644	4,228
<b>Profit before tax</b>	<b>887</b>	<b>771</b>	<b>1,241</b>	<b>3,521</b>

- Highlights for the quarter:
  - Retail debt forms over 27% of overall debt AUMs
  - 100% of RMF's schemes have beaten the benchmark in the last 6 months
  - Conducted more than 900 investor awareness programmes (IAPs), covering nearly 30,000 participants in the quarter
    - Over 95% of the IAPs were conducted in B15 locations to improve awareness levels in smaller locations

- RCAM Branch Service Experience has been rated as the best in the industry, as per the IMRB CSAT Survey
- RCAM was awarded the SKOCH Gold Award 2014 for Financial Literacy, in recognition of its efforts in imparting investor and distributor education to achieve financial inclusion

### **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%
- The AAUM for the quarter ended June 30, 2014, was at Rs. 1.1 trillion (US\$ 18.8 billion) as against Rs. 977.7 billion for the corresponding previous period - a YoY increase of 15%
- RMF continues to be one of the most profitable Mutual Funds in India
- Continued focus on the untapped retail opportunity
  - Gold Savings Fund
    - The ETF + FoF was Rs. 19.9 billion (US\$ 331.2 million) in AAUM for the quarter ended June 30, 2014
    - RMF maintained a 23% market share in gold AUMs as on June 30, 2014
- As on June 30, 2014, there were total of 58 schemes - 22 Equity oriented schemes, 29 debt oriented schemes, 6 exchange traded schemes and 1 fund of funds scheme
- At the end of Q1 FY15, RCAM had a wide distribution network spanning over 175 touch points and more than 42,500 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:
  - Nearly 728,000 retail broking accounts as on June 30, 2014 - a YoY increase of 2%
  - Daily average stock exchange turnover stood at Rs. 16.3 billion (US\$ 272.3 million) - a YoY increase of 44%
- Commodity Broking:
  - It has over 48,400 commodity broking accounts as on June 30, 2014 - a YoY increase of 20%
  - The average daily commodities broking turnover was Rs. 3.0 billion (US\$ 48.8 million) - a YoY decrease of 47%
- Revenues of the broking business stood at Rs. 390.3 million (US\$ 6.5 million) for the quarter ended June 30, 2014 - a YoY decrease of 6%
- Profit before tax for the quarter ended June 30, 2014, was Rs. 21.7 million (US\$ 0.4 million) - a YoY decrease of 62%

### Financial Performance

(Rs. Million)

	Q1 FY15	Q1 FY14	Q4 FY14	FY14
<b>Total Income</b>	390	415	343	1,385
<b>Total Expenditure</b>	369	358	555	1,614
<b>Profit before tax</b>	<b>22</b>	<b>57</b>	<b>(212)</b>	<b>(229)</b>

- Wealth Management:
  - In wealth management, client needs are assessed to create customized financial investment opportunities

- The AUM as on June 30, 2014, increased to Rs. 8.3 billion (US\$ 138.0 million) - a YoY increase of 64%
- Achievements and initiatives:
  - “R-advantage” - an exclusive rewards program, a first of its kind initiative in the entire broking industry, was launched during the quarter

**Distribution business - ‘Reliance Money’**

- The distribution business of Reliance Capital, branded as ‘Reliance Money’, is a manufacturer agnostic, 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 June 30, 2014, Reliance Money had a pan India distribution network of over 5,000 outlets
- Reliance Money’s revenues were stable at Rs. 256.5 million (US\$ 4.3 million) for the quarter ended June 30, 2014 - a YoY decrease of 14%
- The business made a loss of Rs. 15.1 million (US\$ 0.3 million) for the quarter ended June 30, 2014

● **Financial Performance**

	(Rs. Million)			
	Q1 FY15	Q1 FY14	Q4 FY14	FY14
<b>Total Income</b>	257	300	438	1,447
<b>Total Expenditure</b>	272	307	367	1,419
<b>Profit before tax</b>	<b>(15)</b>	<b>(8)</b>	<b>71</b>	<b>28</b>



### Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt / assets
- With the continued increase in NPAs in the banking sector, for the first time in many years, banks aggressively sold NPAs during the first quarter. Banks sold NPAs of approx. Rs. 250 billion (acquisition by ARCs approx. at Rs. 120 billion) during the quarter. Consequently, there have been substantial acquisitions where Reliance ARC bid for retail and SME NPLs from banks on a 100% cash basis or using the SR route
- The assets under management as on June 30, 2014, rose to Rs. 8.7 billion (US\$ 144.3 million) as against Rs. 617.1 million as on June 30, 2013

## SECTION 3

### CAPITAL MARKET HIGHLIGHTS

#### General information

<b>Shareholding and Financial data as on June 30, 2014</b>	
Code/ Exchange	<b>500111 / BSE RELCAPITAL / NSE</b>
Bloomberg/ Reuters	<b>RCAPT.IN</b>
No of share outstanding (June 30, 2014)	<b>245,632,800</b>
Closing market price (Rs.) (June 30, 2014)	<b>656.5</b>
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	<b>6.1</b>
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	<b>3.0</b>
F & O volume (NSE - for the quarter) (No. in million / day)	<b>29.9</b>
F & O value (NSE - for the quarter) (Rs. in billion / day)	<b>13.6</b>
Stock Beta (for quarter ended June 30, 2014)	<b>3.4</b>
Market capitalization as on June 30, 2014 (Rs. billion)	<b>161.3</b>
Market capitalization as on June 30, 2014 (US\$ billion)	<b>2.7</b>
Book value per equity share (Rs.)	<b>514.7</b>

#### Summarized shareholding pattern as of June 30, 2013

<b>Category</b>	<b>No. of shares</b>	<b>Shareholding</b>
Promoters	132,982,303	54.1%
Foreign investors - FIIs, NRIs and others	53,115,747	21.6%
Domestic institutions/ Banks / Mutual funds	163,31,962	6.6%
Indian public	432,02,788	17.6%
<b>Total</b>	<b>245,632,800</b>	<b>100.0%</b>