

Reliance Capital Limited

**Review report on the results for the quarter ended
December 31, 2013 (un-audited)**

February 7, 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. 62.00 = US\$ 1.00 for Q3 FY14 profit and loss items as well as for balance sheet items as on December 31, 2013. 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	2011	2012	2013	Quarter ended December 31, 2013
Reliance Capital Limited (Consolidated)				
Total Revenues	55,359	66,269	75,186	18,892
Profit After Tax	2,912	4,578	8,119	1,661
Net worth	78,097	116,963	119,910	125,635
Total Assets	319,939	353,430	405,881	440,480
Reliance Life Insurance				
Total Premium (Net)	65,479	54,702	40,153	9,713
Profit Before Tax / (Loss)	(1,293)	3,726	3,804	272
Reliance General Insurance				
Gross Written Premium	16,554	17,548	20,362	5,994
Profit Before Tax / (Loss)	(3,098)	(3,416)	(928)	106
Reliance Commercial Finance				
Total Revenues	13,741	19,450	21,168	5,625
Profit Before Tax	2,693	2,537	3,420	1,046
Reliance Capital Asset Management (Consolidated)				
Total Revenues	7,330	6,647	7,346	1,879
Profit Before Tax	2,943	3,076	2,896	843
Broking & Distribution businesses				
Total Revenues	3,109	3,810	3,781	881
Profit Before Tax	332	554	448	(72)

Particulars	Year ended March 31,			Quarter ended December 31, 2013*
	2011 ⁺	2012 ⁺	2013 ⁺	
Reliance Life Insurance				
New business premium	30,349	18,093	13,766	4,012
Reliance General Insurance				
Combined Ratio (%)	140%	145%	121%	125%
Reliance Commercial Finance				
Loan book size	122,900	132,386	136,524	136,907
Reliance Mutual Fund				
Average Asset under Management (Rs. billion)	1,016	781	946	1,025
Broking & Distribution businesses				
Broking Accounts (Nos.)	663,900	687,300	715,500	727,000

* 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; private equity; asset reconstruction; proprietary investments and other activities in financial services.

Summary of Consolidated Financial Statements

(Rs. Million)

	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Interest Income	9,551	8,345	9,065	32,067
Capital Gains / Dividend	350	729	793	11,588
Premium Earned	5,994	5,079	5,832	20,733
Management & Advisory Fee	1,702	2,063	1,783	6,416
Brokerage & Commission	636	503	573	2,208
Other Income	658	440	643	2,174
Total income	18,892	17,158	18,690	75,186
Interest & Finance charges	6,285	5,956	6,268	23,430
Other Expenses	10,495	9,789	10,783	43,453
Total Expenses	16,780	15,745	17,051	66,883
Profit before tax	2,112	1,413	1,639	8,303
Net Profit after Minority Interest & share of profit of associates	1,661	1,008	1,808	8,119
Diluted EPS (Rs.)	6.8	4.1	7.4	33.1

- Total consolidated income of Rs. 18.9 billion (US\$ 304.7 million) against Rs. 17.2 billion in the corresponding previous period - a YoY increase of 10%

- Interest & finance charges for the quarter were Rs. 6.3 billion (US\$ 101.4 million) - an increase of 6% as against the corresponding previous period
- Other expenses for the quarter were Rs. 10.5 billion (US\$ 169.3 million) - an increase of 7% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended December 31, 2013 was Rs. 1.7 billion (US\$ 26.8 million) - a YoY increase of 65%.
- Net debt to equity stood at 1.83 as on December 31, 2013, as compared to 1.65 at the end of Q3 FY13

Balance sheet

As on December 31, 2013, the company had total assets of Rs. 440.5 billion (US\$ 7.1 billion) - a YoY increase of 11%. The company had a net worth of Rs. 125.6 billion (US\$ 2.0 billion) - a YoY increase of 6%.

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 December 31, 2013, Reliance Life offered 15 products, of which 8 were targeted at individuals and 7 at group business
- As on December 31, 2013, Reliance Life Insurance had 3 optional rider offerings to provide comprehensive risk protection to customers. Of these, 1 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 6% as against 5% in Q3 FY13 (Source: December 2013 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 9.7 billion (US\$ 156.7 million) - a YoY increase of 4%
- New business premium for the quarter ended December 31, 2013, was Rs. 4.0 billion (US\$ 64.7 million) - a YoY increase of 18%. Of the new business individual premium, 88% was contributed by traditional products
- Renewal premium for the quarter was Rs. 5.7 billion (US\$ 92.7 million)
- Operating costs (excluding commission) were at Rs. 3.4 billion (US\$ 54.9 million) for the quarter ended December 31, 2013 - a YoY increase of 18%
- RLI achieved a profit before tax of Rs. 271.8 million (US\$ 4.4 million), for the quarter ended December 31, 2013 - a YoY decrease of 32%. The declared results of Reliance Capital include consolidation of 48% stake of RLI

- **Financial Performance**

(Rs. Million)

	Q3 FY14	Q3 FY13	Q2 FY14	FY13
First year premium	3,862	2,860	4,820	11,884
Single premium	150	531	267	1,882
Total new business premium	4,012	3,391	5,087	13,766
Renewal premium	5,747	5,963	5,782	26,688
Total premium (Net of Reinsurance)	9,713	9,302	10,769	40,153
Profit before tax	272	402	1,356*	3,804*
Operating Costs (excl. commission)	3,404	2,897	3,452	13,117
Total Funds under management	180,727	193,659	175,250	181,894

* Including policyholder's surplus transferred to shareholders' account

- Average ticket size for the quarter rose to over Rs. 20,400 - a YoY increase of 34%
- The distribution network stood at over 900 offices across India
- Achievements and initiatives:
 - Achieved 4th rank as the “Most Trusted Life Insurance Company” in the prestigious 2013 Brand Equity annual survey
 - Recognized by IRDA, Ministry of Finance and peers for the customer education campaign on spurious calls

Reliance General Insurance

- Reliance General Insurance (RGI) offers insurance solutions for auto, health, home, property, travel, marine, commercial and other specialty products
- RGI is the amongst the leading private sector general insurance players in India with a private sector market share of 8.0%
- Gross Written Premium for the quarter ended December 31, 2013 was Rs. 6.0 billion (US\$ 96.7 million) as against Rs. 5.0 billion for the corresponding previous period - a YoY increase of 21%
- **Segment-wise break up of Premium**

Particulars	Q3 FY14	Q3 FY13	Q2 FY14
Motor	63%	65%	58%
Health	16%	16%	23%
Fire & Engineering	9%	12%	11%
Marine	1%	1%	1%
Others	11%	6%	7%
Total	100%	100%	100%

- Number of policies sold in the quarter rose by 26% to over 9 lakhs
 - Usage of manual cover-note in Motor segment reduced from 15% in Q3 FY13 to 9% in Q3 FY14
- Online channel: Gross premium rose by 31%, while total policies sold increased by 41% over the corresponding previous period
- The combined ratio (including 3rd party motor pool) was 125% as against 112% for the corresponding previous period. The results include the exceptional impact of the increase in provision for the 'Motor Decline Risk' pool
- The profit was at Rs. 105.6 million (US\$ 1.7 million) for the quarter ended December 31, 2013 as against a profit of Rs. 156.0 million in the corresponding previous period
- The focus at RGI is on writing profitable business and improving the combined ratio. In line with this, the company is optimizing its product portfolio mix and is increasing its commercial lines of business. During the quarter, RGI realized a gross written premium of Rs. 1.2 billion (US\$ 19.1 million) from commercial lines of business - a YoY increase of 29%

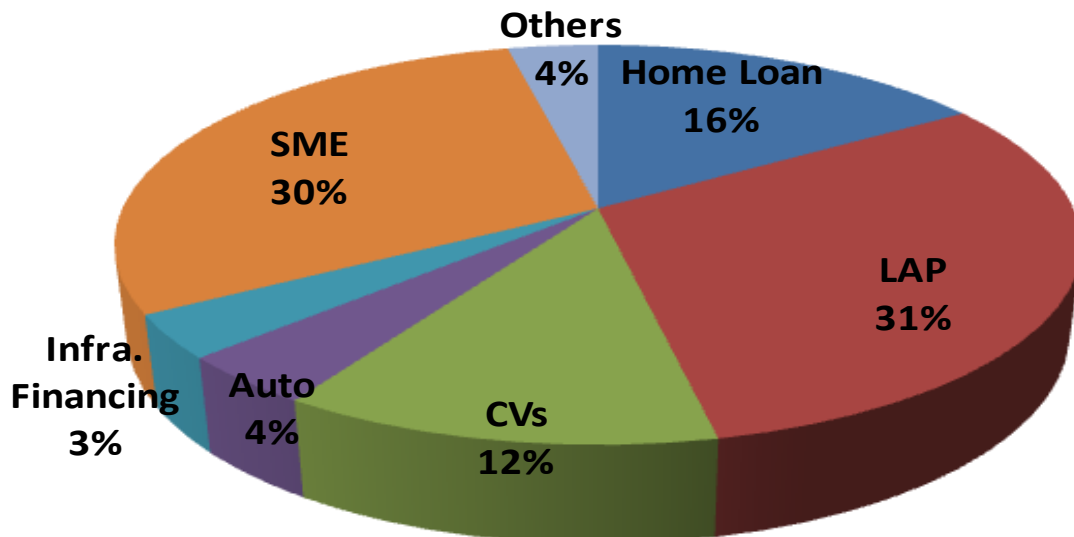
- Financial Performance

	(Rs. Million)			
	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Gross Written Premium	5,994	4,963	5,832	20,362
Profit before Tax / (Loss)	106	156	162	(928)
Combined ratio with pool	125%	112%	120%	121%
Capital infusion	-	-	-	1,550
Investment book	37,318	32,550	36,705	32,525
No. of policies issued (millions)	0.9	0.7	0.8	2.9
No. of branches	127	126	127	127
No. of intermediaries	14,452	9,902	13,398	10,665

- The total capital invested continues at Rs. 17.5 billion (US\$ 281.8 million)
- The solvency ratio for the business stood at 1.43 as on December 31, 2013
- The distribution network composed of 127 branches and nearly 14,500 intermediaries as on December 31, 2013

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 December 31, 2013, 100% of the outstanding book was secured
- The disbursements for the quarter ended December 31, 2013 were Rs. 24.2 billion (US\$ 389.9 million) as against Rs. 23.1 billion for the corresponding previous period - a YoY increase of 5%
- As on December 31, 2013, the assets under management (including securitized portfolio) was Rs. 164.1 billion (US\$ 2.6 billion) as against Rs. 159.5 billion as on December 31, 2012 - a YoY increase of 3%
- As on December 31, 2013, the outstanding loan book was Rs. 136.9 billion (US\$ 2.2 billion) as against Rs. 137.6 billion as on December 31, 2012. This loan book is spread across over 71,000 customers from top 37 Indian metros
- **Loan Book Mix (as on December 31, 2013)**



- During the quarter, RCF securitized loans of Rs. 2.4 billion (US\$ 38.6 million)
- Personal loans 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\$ 90.7 million) in Q3 FY14 as against Rs. 5.3 billion in the corresponding previous period - a YoY increase of 6%
- The Net Interest Income for the quarter ended December 31, 2013 was Rs. 1.8 billion (US\$ 29.0 million) as against Rs. 1.4 billion in the corresponding previous period - a YoY increase of 24%
- Average NIMs for the quarter ended December 31, 2013, rose to 5.6% as against 4.2% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 1.0 billion (US\$ 16.9 million) - a YoY increase of 24%, driven by higher yields
- The cost to income ratio for the quarter was at 16.0% as against 16.5% in Q2 FY14
- **Financial Performance**

	(Rs. Million)			
	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Disbursements	24,171	23,124	20,141	87,446
Net Interest Income	1,796	1,446	1,601	5,901
Total Income	5,625	5,331	5,364	21,168
Interest expenses	3,274	3,553	3,327	13,778
Other expenses	900	716	883	3,115
Provisions	405	221	245	855
Profit before tax	1,046	841	908	3,420

- Gross NPLs were relatively flat at 2.4% of outstanding AUMs at Rs. 4.0 billion (US\$ 64.1 million)
- The coverage ratio (including write-offs) stood at 56% as on December 31, 2013. Excluding write-offs, the ratio was at 17%

Reliance Capital Asset Management

- Reliance Capital Asset Management (RCAM) managed Rs. 1.9 trillion (US\$ 30.3 billion) as on December 31, 2013 across:
 - mutual funds* - Rs. 1.0 trillion (US\$ 16.5 billion)
 - pension funds - Rs. 791.4 billion (US\$ 12.8 billion)
 - managed accounts - Rs. 14.5 billion (US\$ 234.2 million) and
 - offshore funds - Rs. 47.4 billion (US\$ 765.1 million)

* - average assets under management for the quarter ended December 31, 2013

- RCAM continues to be the largest asset manager in the country
- RCAM's income from its operations for the quarter ended December 31, 2013 was at Rs. 1.9 billion (US\$ 30.3 million) - a YoY decrease of 17%
- RCAM's total expenditure from its operations for the quarter ended December 31, 2013 was at Rs. 1.0 billion (US\$ 16.7 million) - a YoY decrease of 39%
- Profit before tax for the quarter ended December 31, 2013 was Rs. 843.1 million (US\$ 13.6 million) - a YoY increase of 45%
- PBT margins rose to 45% in Q3 FY14 as against 26% for the corresponding previous quarter

- **Financial Performance**

	(Rs. Million)			
	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Total Income	1,879	2,276	1,869	7,346
Total Expenses	1,036	1,693	1,203	4,450
Profit before tax	843	583	667	2,896

- Highlights for the quarter:
 - Retail debt forms over 36% of overall debt AUMs
 - On a 5-year rolling returns basis, 2 out of Top 10 performing Equity schemes of Rs. 10 billion and above in the MF industry, belong to RMF
 - The Association of Mutual Funds in India (AMFI) appointed Mr. Sundeep Sikka, President and CEO of Reliance Mutual Fund, as its Chairman

Reliance Mutual Fund

- Reliance Mutual Fund (RMF) is amongst the top 2 mutual funds in India in terms of Assets under Management, with a market share of 12%
- The AAUM for the quarter ended December 31, 2013 was at Rs. 1.0 trillion (US\$ 16.5 billion) as against Rs. 906.4 billion for the corresponding previous period - a YoY increase of 13%
- 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. 23.5 billion (US\$ 378.3 million) in AAUM for the quarter ended December 31, 2013
 - RMF maintained a 25% market share in gold AUMs as on December 31, 2013
- The Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the quarter, were 1.2 million
- As on December 31, 2013, there were total of 52 schemes - 21 Equity oriented schemes, 26 debt oriented schemes, 4 exchange traded schemes and 1 fund of funds scheme
- At the end of Q3 FY14, RCAM had a wide distribution network spanning over 170 offices and more than 42,000 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:
 - It has over 727,000 retail broking accounts as on December 31, 2013 - a YoY increase of 3%
 - Daily average stock exchange turnover stood at Rs. 17.7 billion (US\$ 285.6 million) - a YoY decrease of 22%
- Commodity Broking:
 - It has over 41,800 commodity broking accounts as on December 31, 2013 - a YoY increase of 8%
 - The average daily commodities broking turnover was Rs. 3.5 billion (US\$ 57.2 million)
- Revenues of the broking business stood at Rs. 524.1 million (US\$ 8.5 million) for the quarter ended December 31, 2013 - a YoY decrease of 17%
- The business made a loss of Rs. 44.1 million for the quarter ended December 31, 2013
- **Financial Performance**

	(Rs. Million)			
	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Total Income	524	631	504	2,581
Total Expenditure	568	531	501	2,206
Profit before tax	(44)	100	3	375

- Wealth Management:
 - In wealth management, client needs are assessed to create customized financial investment opportunities. Customized individual portfolios are based on their diverse investment needs and risk profiles

- The AUM as on December 31, 2013 increased to Rs. 11.6 billion (US\$ 186.7 million) - a YoY increase of 33%

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, money transfer, currency exchange, loans, and premium products
- As on December 31, 2013, Reliance Money had a pan India distribution network of over 6,600 outlets
- Reliance Money is one of the largest private sector partners for Western Union Money Transfer in India - over 0.7 million money transfer transactions handled during the quarter - a YoY increase of 17%
- Reliance Money's revenues were stable at Rs. 356.8 million (US\$ 5.8 million) for the quarter ended December 31, 2013
- The business made a loss of Rs. 28.3 million (US\$ 0.5 million) for the quarter ended December 31, 2013
- **Financial Performance**

(Rs. Million)

	Q3 FY14	Q3 FY13	Q2 FY14	FY13
Total Income	357	356	352	1,200
Total Expenditure	385	360	360	1,127
Profit before tax	(28)	(4)	(8)	73

Reliance Equity Advisors (India) Limited (REAL)

- Reliance Equity Advisors was formed in 2008-09 with the aim of bringing third party investments into sunrise industries offering rapid growth opportunities in India. Reliance Equity Advisors manages the Reliance Alternative Investments Fund - Private Equity Scheme I, which is a private equity fund that makes late stage investments in mid-sized Indian companies.
- The Fund is fully invested in 7 companies and will start looking at full or part exits in the portfolio over the next two to three years and will initially consider those portfolio companies where the investment thesis has fully borne out.
- The Fund's portfolio was valued at 1.41 times cost as on March 31, 2013
- Reliance Equity Advisors continues to be fully involved with the portfolio companies and provides strategic and operational inputs on an ongoing basis. Close monitoring and tracking of performance has ensured that the portfolio remains on track and investments continue to perform to expectation.

Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt / assets
- During Q3, NPLs in the banking sector continued to rise due to lower economic growth and high interest rates. There are indications that banks would be more willing to sell NPLs at prices which are acceptable to the ARCs. Consequently, there have been substantial acquisitions during the quarter where Reliance ARC bid for retail and SME NPLs from banks on a 100% cash basis or using the SR route. We expect this trend to continue during the current year
- The assets under management as on December 31, 2013 rose to Rs. 6.7 billion (US\$ 107.7 million) as against Rs. 606.8 million as on December 31, 2012. Its own investment in NPAs increased from Rs. 140.1 million as on December 31, 2012 to Rs. 898.2 million (US\$ 14.5 million) as on December 31, 2013

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on December 31, 2013	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (December 31, 2013)	245,632,800
Closing market price (Rs.) (December 31, 2013)	361.45
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	3.4
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	1.2
F & O volume (NSE - for the quarter) (No. in million / day)	17.8
F & O value (NSE - for the quarter) (Rs. in billion / day)	6.4
Stock Beta (for quarter ended December 31, 2013)	1.74
Market capitalization as on December 31, 2013 (Rs. billion)	88.8
Market capitalization as on December 31, 2013 (US\$ billion)	1.4
Book value per equity share (Rs.)	511.5

Summarized shareholding pattern as of December 31, 2013

Category	No. of shares	Shareholding
Promoters	132,982,303	54.1%
Foreign investors - FIIs, NRIs and others	52,989,959	21.6%
Domestic institutions/ Banks / Mutual funds	13,102,984	5.3%
Indian public	46,557,554	19.0%
Total	245,632,800	100.0%