

Reliance Capital Limited

**Review report on the results for the year ended
March 31, 2017 (audited)**

April 27, 2017

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. 65.00 = US\$ 1.00 for FY17 profit and loss items and for the balance sheet items as on March 31, 2017. 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	FY2014	FY2015	FY2016	FY2017
Reliance Capital Limited (Consolidated)				
Total Revenues	75,441	89,290	99,979	176,396
Profit After Tax	7,465	10,011	11,006	10,859
Net worth	124,831	137,617	153,900	165,483
Total Assets	455,277	474,401	671,118	822,094
Reliance Life Insurance				
Total Premium (Net)	42,567	45,917	43,706	39,993
Profit Before Tax / (Loss)	3,589	1,352	(1,973)	(611)
Reliance General Insurance				
Gross Written Premium	24,417	27,530	28,680	40,071
Profit Before Tax / (Loss)	641	814	991	1,303
Reliance Commercial Finance				
Total Revenues	17,802	18,466	18,391	19,535
Profit Before Tax	3,623	3,344	3,122	3,428
Reliance Home Finance				
Total Revenues	4,304	5,143	8,147	11,141
Profit Before Tax	659	1,062	1,361	1,378
Reliance Capital Asset Management (Consolidated)				
Total Revenues	7,749	9,551	13,138	14,359
Profit Before Tax	3,521	4,550	5,024	5,813
Broking & Distribution businesses				
Total Revenues	3,499	2,849	2,529	3,083
Profit Before Tax / (Loss)	(207)	(255)	(912)	415

Particulars	Year ended March 31,			
	2014 ⁺	2015 ⁺	2016 ⁺	2017 ⁺
Reliance Life Insurance				
New business premium	19,340	20,697	15,583	10,516
Reliance General Insurance				
Combined Ratio (%)	119%	121%	121%	120%
Reliance Commercial Finance				
Loan book size	105,535	103,281	109,401	124,361
Reliance Home Finance				
Loan book size	31,135	50,812	67,918	99,835
Reliance Mutual Fund				
AAUM (Rs. billion)	1,035	1,371	1,584	2,109
Broking & Distribution businesses				
Broking Accounts (Nos.)	723,600	750,900	774,900	800,500

⁺ All the financial highlights given are based on consolidated audited 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 Nifty Midcap 50 and MSCI Global Small Cap Index.

Reliance Group is amongst India's leading business houses with 250 million customers. The Group has a strong presence across a wide array of high growth consumer-facing businesses of financial services, telecom, energy, power, infrastructure, and Defence.

Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home 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)

	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Interest Income	15,025	10,025	14,131	55,866	42,410
Capital Gains / Dividend	4,330	6,521	2,013	13,373	9,285
Premium Earned	21,048	6,672	18,328	80,196	28,621
Management & Advisory Fee	3,800	3,131	3,364	13,608	12,267
Brokerage & Commission	1,433	596	575	4,167	2,842
Other Income	5,229	1,330	1,227	9,184	4,554
Total income	50,865	28,275	39,637	176,396	99,979
Interest & Finance charges	8,300	7,265	7,806	30,677	28,206
Other Expenses	37,835	13,787	28,406	130,330	54,448
Total Expenses	46,134	21,053	36,213	161,007	82,654
Profit before tax	4,730	7,223	3,424	15,388	17,325
Net Profit	4,168	4,154	2,095	10,859	11,006
Diluted EPS (Rs.)	16.5	16.5	8.3	43.0	43.6

- Total consolidated income of Rs. 176.4 billion (US\$ 2.7 billion) against Rs. 100.0 billion in the corresponding previous period - a YoY increase of 76%
- Interest & finance charges for the year were Rs. 30.7 billion (US\$ 472.0 million) - an increase of 9% as against the corresponding previous period
- Other expenses for the year were Rs. 130.3 billion (US\$ 2.0 billion) - an increase of 139% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the year ended March 31, 2017, was Rs. 10.9 billion (US\$ 167.1 million) - a YoY decrease of 1%.
- Net debt to equity stood stable at 1.88 as on March 31, 2017

Balance sheet

As on March 31, 2017, the company had total assets of Rs. 822.1 billion (US\$ 12.6 billion) - a YoY increase of 22%. The company had a net worth of Rs. 165.5 billion (US\$ 2.5 billion) - a YoY increase of 8%.

It enjoys top-end ratings of '**A1+**' by ICRA for its short term borrowing program and '**CARE AA+**' by CARE for its long term borrowing program.

Reliance Nippon Life Insurance

- Reliance Nippon Life Insurance (RNLI) offers products that fulfill savings and protection needs of customers. As on March 31, 2017, Reliance Nippon Life offered 36 products, of which 26 were targeted at individuals and 10 at affinity and employer groups
- As on March 31, 2017, Reliance Nippon Life Insurance had 8 optional rider offerings to provide comprehensive risk protection to customers. Of these, 6 were for the Individual Segment and the rest for the Employee Benefits Business Segment
- RNLI is amongst the leading Indian private sector insurers (in terms of new business premium) with a private sector market share of 2.1% as against 3.8% in FY16 (Source: March 2017 data, IRDA website)
- Total premium (net of reinsurance) for the year was Rs. 40.0 billion (US\$ 615.3 million) - a YoY decrease of 8%
- New business premium for the year was Rs. 10.5 billion (US\$ 161.8 million) - a YoY decrease of 33%. Of the individual new business premium, 79% was contributed by traditional products
- Renewal premium rose to Rs. 29.8 billion (US\$ 457.7 million) - a YoY increase of 5%
- Financial Performance**

	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
First year premium	3,050	3,437	1,853	9,573	14,467
Single premium	203	283	294	943	1,116
Total new business premium	3,252	3,720	2,146	10,516	15,583
Renewal premium	9,864	10,096	7,757	29,752	28,398
Total premium (Net of Reinsurance)	13,053	13,750	9,808	39,993	43,706
Profit before tax	(615)	(2,553)	1	(611)	(1,973)
Operating Costs (incl. commission)	3,418	5,822	2,697	10,976	16,689
Total Funds under management	172,531	159,696	162,466	172,531	159,696

- Operating costs (including commission) decreased by 34% to Rs. 11.0 billion (US\$ 168.9 million) for the year ended March 31, 2017
- Operating costs (as a percentage of Individual WRP and Renewal premium) decreased from 45% to 30% for the year ended March 31, 2017

- The business made a loss of Rs. 611.3 million for the year ended March 31, 2016 as against a loss of Rs. 2.0 billion in the corresponding previous period
- Average ticket size for the quarter increased by 6% to approx. Rs. 28,000
- The distribution network stood at nearly 750 offices and over 75,600 active advisors across India

New Business Achieved Profit (NBAP)

NBAP provides a reflection of the Company's performance for the year and it also determines the new business's contribution in the value of the Company. It is calculated by the present value (PV) of expected net transfers to shareholders generated from the new business written during the FY2017 based on a given set of assumptions. NBAP Margin is the key measure of the profitability.

Basis of preparation

The NBAP is derived from the future stream of shareholder transfers and discounting the estimated future transfers at the risk discount rate. The future stream of shareholder transfers are net of tax after allowing for the effect of holding the solvency margins from the contribution generated by new business.

- The new business achieved profit for the year ended March 31, 2017, was Rs. 2.0 billion (US\$ 30.5 million) - a YoY decrease of 27%
- The new business achieved profit margin for the year ended March 31, 2017, was 26.8% as against 28.8% for the corresponding previous period

The assumptions used for calculating NBAP are as follows:

Operating Assumptions:

- Operating assumptions such as mortality, morbidity and persistency are based on company's recent operating experience where such experience is credible, industry experience and reinsurer's experience
- Expense assumptions are based on the Company's latest expense projection which reflects recent responses to the lower growth environment. The chosen expense loadings are consistent with current best estimate assumptions and represent the Company's most recent view of long term expense assumptions

- No allowance has been made for any expense overruns that the Company experiences in the short term

Economic Assumptions:

Particulars	Assumptions p.a.
Cash / Money Market / TB	6.3%
Government Securities	6.8%
Corporate Bond	7.3%
Equities	11.8%
Inflation	5.0%
Risk discount rate	12.5%
Tax rate	14.4%

Further consideration:

- NBAP reflects **95.5%** of the weighted regular premium (WRP) for business written in the year ended March 31, 2017. One-year renewal Group business is considered as single premium
- The value from group business and rider business has not been considered. These business lines represent **4.5%** of the WRP
- 10% weightage is given to all single premium business
- NBAP is sensitive to the assumptions and actual experience may differ from these assumptions
- NBAP does not include the shareholder transfers from existing business

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 7.3%
- Gross Written Premium for the year ended March 31, 2017, was Rs. 40.1 billion (US\$ 616.5 million) - a YoY increase of 40%
- Segment-wise break up of Premium**

Particulars	FY17	FY16
Motor	49%	58%
Health	9%	19%
Fire & Engineering	11%	13%
Marine	1%	2%
Crop	27%	4%
Others	5%	4%
Total	100%	100%

- Number of policies sold in the year were 4.1 million - a YoY increase of 5%
 - Online channel: policies sold rose by 66%, while premium increased by 55%
 - Usage of manual cover-note in Motor segment reduced to 1.2% in FY17
- Financial Performance**

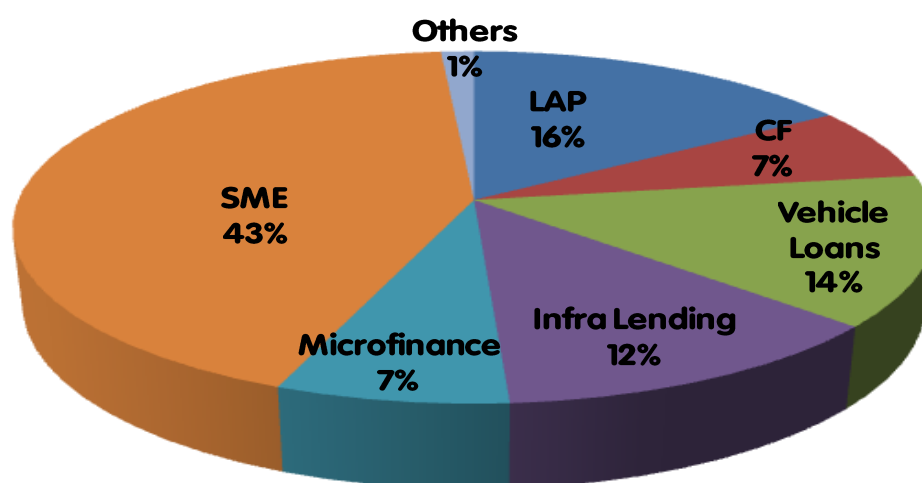
	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Gross Written Premium	7,917	6,666	8,554	40,071	28,680
Profit before Tax / (Loss)	424	242	183	1,303	991
Combined ratio with pool	115%	122%	132%	120%	121%
Investment book	67,243	53,814	64,830	67,243	53,814
No. of policies issued (millions)	1.1	1.1	1.0	4.1	3.9
No. of branches	129	126	128	129	126
No. of agents	24,552	20,562	23,429	24,552	20,562

- The combined ratio improved marginally from 121% in FY16 to 120% in FY17

- The business strengthened the IBNR reserve by Rs. 1.7 billion (US\$ 26.3 million) for the year ended March 31, 2017
- The profit was at Rs. 1.3 billion (US\$ 20.1 million) for the year ended March 31, 2017 - a YoY increase of 32%
- The solvency ratio for the business was at 1.68 as on March 31, 2017
- The total capital invested is at Rs. 18.4 billion (US\$ 282.6 million)
- The distribution network composed of 129 branches and over 24,500 agents as on March 31, 2017

Reliance Commercial Finance

- Reliance Commercial Finance (RCF) offers a wide range of products which include SME loans, Loan against property, Infrastructure financing, Agriculture loans and Supply Chain financing
- RCF is amongst the leading lenders in the SME segment. 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
- The disbursements for the year ended March 31, 2017, were Rs. 88.3 billion (US\$ 1.4 billion) - a YoY increase of 8%
- As on March 31, 2017, the assets under management (including securitized portfolio) was Rs. 167.6 billion (US\$ 2.6 billion) as against Rs. 151.6 billion as on March 31, 2016 - a YoY increase of 11%
- As on March 31, 2017, the outstanding loan book was Rs. 124.4 billion (US\$ 1.9 billion) as against Rs. 109.4 billion as on March 31, 2016 - a YoY increase of 14%. This loan book is spread across 49,400 customers from top 44 Indian cities
- **AUM Mix (as on March 31, 2017)**



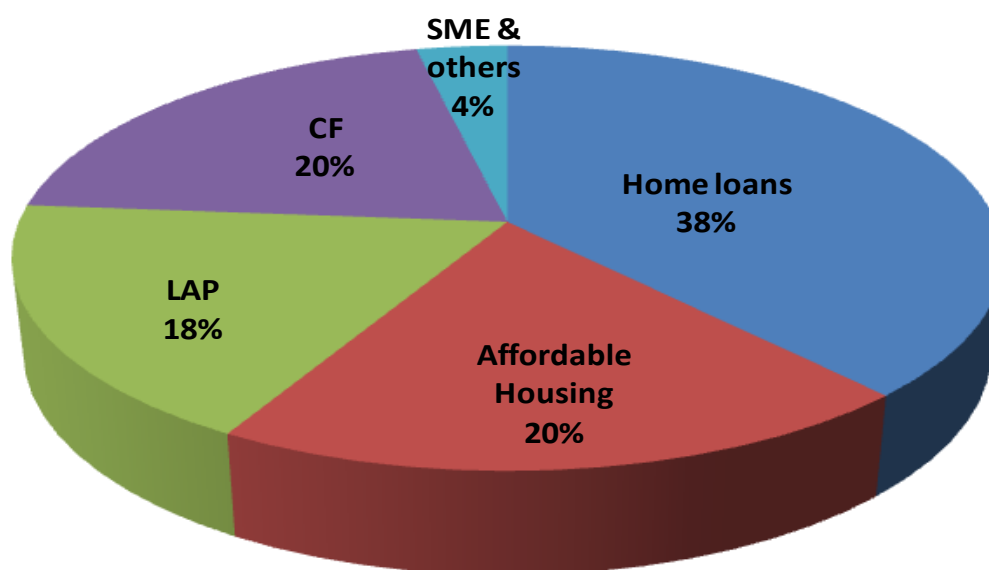
- Total income stood at Rs. 19.5 billion (US\$ 300.5 million) in FY17 as against Rs. 18.4 billion in the corresponding previous period - a YoY increase of 6%
- The Net Interest Income for the year ended March 31, 2017, was stable at Rs. 6.6 billion (US\$ 101.4 million)
- Average NIMs, adjusted for NPA reversals, for the year ended March 31, 2017, was 5.6% as against 6.0% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 3.4 billion (US\$ 52.7 million) - a YoY increase of 10%
- The cost to net income ratio improved from 40.7% in FY16 to 36.6% in FY17
- **Financial Performance**

	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Disbursements	38,349	23,041	17,257	88,265	81,379
Net Interest Income	1,985	1,935	1,416	6,593	6,553
Total Income	4,902	5,009	4,820	19,535	18,391
Interest expenses	2,169	2,530	2,651	10,399	10,305
Other expenses	929	925	808	3,341	3,287
Provisions	489	348	558	2,368	1,677
Profit before tax	1,314	1,205	804	3,428	3,122

- As on March 31, 2017, gross NPLs were stable at 3.7% of outstanding AUMs vis-à-vis December 31, 2016
- The coverage ratio (including write-offs) stood at 47% as on March 31, 2017. Excluding write-offs, the ratio was at 16%

Reliance Home Finance (RHF)

- Reliance Home Finance Limited (RHFL), a 100% subsidiary of Reliance Capital, provides a wide range of loan solutions like home loans, LAP, Construction finance (CF), flexi LAP, and Affordable housing. RHFL also provides property solutions' services that help customers find their dream homes / property along with financing
- As on March 31, 2017, 100% of the outstanding book was secured
- The disbursements for the year ended March 31, 2017, were Rs. 73.3 billion (US\$ 1.1 billion) - a YoY increase of 87%
- As on March 31, 2017, the assets under management (including securitized portfolio) was Rs. 111.7 billion (US\$ 1.7 billion) as against Rs. 73.6 billion as on March 31, 2016 - a YoY increase of 52%
- As on March 31, 2017, the outstanding loan book was Rs. 99.8 billion (US\$ 1.5 billion) as against Rs. 67.9 billion as on March 31, 2016 - a YoY increase of 47%. This loan book is spread across 33,300 customers from top 43 Indian cities
- AUM Mix (as on March 31, 2017)**



- Total income stood at Rs. 11.1 billion (US\$ 171.4 million) in FY17 as against Rs. 8.1 billion in the corresponding previous period - a YoY increase of 37%

- The Net Interest Income for the year ended March 31, 2017, was at Rs. 2.2 billion (US\$ 33.4 million) - a YoY decrease of 5%
- Average NIMs, adjusted for NPA reversals, decreased from 4.2% in FY16 to 3.4% in FY17
- RHF achieved a profit before tax of Rs. 1.4 billion (US\$ 21.2 million) - a YoY increase of 1%
- The cost to net income ratio rose from 45.3% in FY16 to 55.4% in FY17

- **Financial Performance**

	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Disbursements	29,573	12,121	12,029	73,331	39,217
Net Interest Income	420	589	629	2,168	2,289
Total Income	3,435	2,233	2,689	11,141	8,147
Interest expenses	2,323	1,450	1,798	7,531	5,358
Other expenses	734	397	453	1,999	1,264
Provisions	(37)	39	93	232	165
Profit before tax	414	347	345	1,378	1,361

- Gross NPLs were Rs. 838.6 million (US\$ 12.9 million), 0.8% of outstanding AUMs, as on March 31, 2017
- The coverage ratio (including write-offs) stood at 40% as on March 31, 2017. Excluding write-offs, the ratio was at 31%

Reliance Nippon Life Asset Management

- Reliance Nippon Life Asset Management (RNLAM) managed Rs. 3.6 trillion (US\$ 55.1 billion) as on March 31, 2017, across:
 - mutual funds* - Rs. 2.1 trillion (US\$ 32.4 billion)
 - pension funds - Rs. 1.4 trillion (US\$ 21.9 billion)
 - managed accounts - Rs. 12.8 billion (US\$ 196.5 million) and
 - offshore funds - Rs. 19.1 billion (US\$ 293.1 million)
 - alternative investment fund - Rs. 13.2 billion (US\$ 202.8 million)

** average assets under management (AAUM) for the quarter ended March 31, 2017*

- RNLAM continues to be the largest asset manager in the country
- RNLAM's total income for the year ended March 31, 2017, was at Rs. 14.4 billion (US\$ 220.9 million) - a YoY increase of 9%
- RNLAM's total expenditure for the year ended March 31, 2017, was at Rs. 8.5 billion (US\$ 131.5 million) - a YoY increase of 5%
- Profit before tax for the year ended March 31, 2017, was Rs. 5.8 billion (US\$ 89.4 million) - a YoY increase of 16%
- PBT margins rose to 40.5% in FY17 as against 38.2% for the corresponding previous period
- Return on equity for the year ended March 31, 2017, was stable at 24.5% as against the corresponding previous period

Financial Performance

	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Total Income	4,062	3,458	3,582	14,359	13,138
Total Expenses	2,463	2,141	2,063	8,546	8,114
Profit before tax	1,598	1,317	1,518	5,813	5,024

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 11.5%
- The AAUM for the quarter ended March 31, 2017, was at Rs. 2.1 trillion (US\$ 32.4 billion) as against Rs. 1.6 trillion for the corresponding previous period - a YoY increase of 33%

- RMF continues to be one of the most profitable Mutual Funds in India
- Continued focus on the untapped retail opportunity
 - Equity AAUMs form 27% of the overall AAUMs
 - There were 1.7 million Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the year - a YoY increase of 11%
- Reliance Mutual Fund has the highest AUM sourced 'outside the Top 15 cities'
- As on March 31, 2017, there were total 257 schemes - 34 Equity oriented schemes, 207 debt oriented schemes, 15 exchange traded schemes and 1 fund of funds scheme
- At the end of FY17, RNLAM had a wide distribution network spanning over 160 touch points and approx. 54,200 empanelled distributors

Broking and Distribution businesses

- 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
- The distribution business is a comprehensive financial services and solutions provider, assisting customers with access to mutual funds, insurance products, loans, and other premium financial products, with a pan India distribution network approx. 80 branches and 900 customer touch points
- Equity Broking:
 - Over 800,500 retail broking accounts as on March 31, 2017 - a YoY increase of 3%. Daily average stock exchange turnover stood at Rs. 28.0 billion (US\$ 430.1 million) - a YoY increase of 48%
- Commodity Broking:
 - It has over 80,400 commodity broking accounts as on March 31, 2017 - a YoY increase of 25%. The average daily commodities broking turnover was stable at Rs. 3.4 billion (US\$ 51.7 million)
- Wealth Management:
 - AUM as on March 31, 2017, increased to Rs. 41.3 billion (US\$ 635.2 million) - a YoY increase of 62%
- Total income was Rs. 3.1 billion (US\$ 47.4 million) for the year ended March 31, 2017 - a YoY increase of 22%
- The business had a profit of Rs. 415.4 million (US\$ 6.4 million) for the year ended March 31, 2017, as against a loss of Rs. 912.4 million for the corresponding previous period

Financial Performance

	(Rs. Million)				
	Q4 FY17	Q4 FY16	Q3 FY17	FY17	FY16
Total Income	939	536	810	3,083	2,529
Total Expenditure	872	1,289	671	2,667	3,441
Profit before tax	67	(753)	139	415	(912)

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on March 31, 2017	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (March 31, 2017)	252,632,800
Closing market price (Rs.) (March 31, 2017)	615.1
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	3.4
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	1.7
F & O volume (NSE - for the quarter) (No. in million / day)	20.9
F & O value (NSE - for the quarter) (Rs. in billion / day)	10.6
Stock Beta (for quarter ended March 31, 2017)	1.6
Market capitalization as on March 31, 2017 (Rs. billion)	155.4
Market capitalization as on March 31, 2017 (US\$ billion)	2.4
Book value per equity share (Rs.)	655.0

Summarized shareholding pattern as of March 31, 2017

Category	No. of shares	Shareholding
Promoters	1313,82,303	52.0%
Foreign investors - FIIs, NRIs and others	472,85,801	18.7%
Domestic institutions / Banks / Mutual funds	306,67,367	12.1%
Indian public and others	432,97,329	17.1%
Total	252,632,800	100.0%