

Reliance Capital Limited

**Review report on the results for the quarter ended
December 31, 2016 (un-audited)**

February 10, 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. 68.00 = US\$ 1.00 for Q3 FY17 profit and loss items and for the balance sheet items as on December 31, 2016. 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	Quarter ended Dec 31, 2016
Reliance Capital Limited (Consolidated)				
Total Revenues	75,441	89,290	99,979	39,637
Profit After Tax	7,465	10,011	11,006	2,095
Net worth	124,831	137,617	153,900	161,488
Total Assets	455,277	474,401	671,118	783,038
Reliance Life Insurance				
Total Premium (Net)	42,567	45,917	43,706	9,808
Profit Before Tax / (Loss)	3,589	1,352	(1,973)	1
Reliance General Insurance				
Gross Written Premium	24,417	27,530	28,680	8,554
Profit Before Tax / (Loss)	641	814	991	183
Reliance Commercial Finance				
Total Revenues	17,802	18,466	18,391	4,820
Profit Before Tax	3,623	3,344	3,122	804
Reliance Home Finance				
Total Revenues	4,304	5,143	8,147	2,689
Profit Before Tax	659	1,062	1,361	345
Reliance Capital Asset Management (Consolidated)				
Total Revenues	7,749	9,551	13,138	3,582
Profit Before Tax	3,521	4,550	5,024	1,518
Broking & Distribution businesses				
Total Revenues	3,499	2,849	2,529	810
Profit Before Tax / (Loss)	(207)	(255)	(912)	139

Particulars	Year ended March 31,			Quarter ended Dec 31, 2016*
	2014 ⁺	2015 ⁺	2016 ⁺	
Reliance Life Insurance				
New business premium	19,340	20,697	15,583	2,146
Reliance General Insurance				
Combined Ratio (%)	119%	121%	121%	132%
Reliance Commercial Finance				
Loan book size	105,535	103,281	109,401	121,143
Reliance Home Finance				
Loan book size	31,135	50,812	67,918	84,593
Reliance Mutual Fund				
AAUM (Rs. billion)	1,035	1,371	1,584	1,958
Broking & Distribution businesses				
Broking Accounts (Nos.)	723,600	750,900	774,900	791,600

⁺ 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 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)

	Q3 FY17	Q3 FY16	Q2 FY17	FY16
Interest Income	14,131	10,990	13,689	42,410
Capital Gains / Dividend	2,013	903	4,103	9,285
Premium Earned	18,328	6,642	25,228	28,621
Management & Advisory Fee	3,364	3,114	3,489	12,267
Brokerage & Commission	575	531	1,340	2,842
Other Income	1,227	1,353	1,410	4,554
Total income	39,637	23,534	49,260	99,979
Interest & Finance charges	7,806	7,082	7,485	28,206
Other Expenses	28,406	12,763	37,796	54,448
Total Expenses	36,213	19,845	45,281	82,654
Profit before tax	3,424	3,689	3,978	17,325
Net Profit after Minority Interest & share of profit of associates	2,095	2,345	2,532	11,006
Diluted EPS (Rs.)	8.3	9.3	10.0	43.6

- Total consolidated income of Rs. 39.6 billion (US\$ 582.9 million) against Rs. 23.5 billion in the corresponding previous period - a YoY increase of 68%

- Interest & finance charges for the quarter were Rs. 7.8 billion (US\$ 114.8 million) - an increase of 10% as against the corresponding previous period
- Other expenses for the quarter were Rs. 28.4 billion (US\$ 417.7 million) - an increase of 123% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended December 31, 2016, was Rs. 2.1 billion (US\$ 30.8 million) - a YoY decrease of 11%.
- Net debt to equity stood stable at 1.74 as on December 31, 2016

Balance sheet

As on September 30, 2016, the company had total assets of Rs. 783.0 billion (US\$ 11.5 billion) - a YoY increase of 56%. The company had a net worth of Rs. 161.5 billion (US\$ 2.4 billion) - a YoY increase of 10%.

It enjoys the highest ratings of '**A1+**' by ICRA for its short term borrowing program and '**CARE AAA**' 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 December 31, 2016, Reliance Nippon Life offered 36 products, of which 26 were targeted at individuals and 10 at affinity and employer groups
- As on December 31, 2016, 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 1.8% as against 3.2% in Q3 FY16 (Source: December 2016 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 9.8 billion (US\$ 144.2 million) - a YoY decrease of 1%
- New business premium for the quarter ended December 31, 2016, was Rs. 2.1 billion (US\$ 31.6 million) - a YoY decrease of 25%. Of the individual new business premium, 77% was contributed by traditional products
- Renewal premium rose to Rs. 7.8 billion (US\$ 114.1 million) - a YoY increase of 10%
- **Financial Performance**

	(Rs. Million)			
	Q3 FY17	Q3 FY16	Q2 FY17	FY16
First year premium	1,853	2,690	3,067	14,467
Single premium	294	158	220	1,116
Total new business premium	2,146	2,849	3,287	15,583
Renewal premium	7,757	7,058	7,416	28,398
Total premium (Net of Reinsurance)	9,808	9,862	10,636	43,706
Profit before tax	1	77	1	(1,973)
Operating Costs (incl. commission)	2,697	3,615	2,558	16,689
Total Funds under management	162,466	160,381	162,706	159,696

- Operating costs (including commission) decreased by 25% to Rs. 2.7 billion (US\$ 39.7 million) for the quarter ended December 31, 2016
- Operating costs (as a percentage of Individual WRP and Renewal premium) decreased from 40% to 28% for the quarter ended December 31, 2016

- The business made a profit of Rs. 1.0 million for the quarter ended December 31, 2016 as against a profit of Rs. 76.8 million in the corresponding previous period
- Average ticket size for the quarter increased marginally by 2% to over Rs. 27,300
- The distribution network stood at over 770 offices and approx. 79,800 active advisors across India

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 8.3%
- Gross Written Premium for the quarter ended December 31, 2016, was Rs. 8.6 billion (US\$ 125.8 million) - a YoY increase of 28%
- During the quarter, RGI realized a gross written premium of Rs. 3.0 billion (US\$ 44.7 million) from commercial lines of business - a YoY increase of 229%
- **Segment-wise break up of Premium**

Particulars	Q3 FY17	Q3 FY16	FY16
Motor	57%	63%	58%
Health	6%	22%	19%
Fire & Engineering	8%	10%	13%
Marine	1%	1%	2%
Others	28%	3%	8%
Total	100%	100%	100%

- Number of policies sold in the quarter were 1.0 million
 - Online channel: policies sold rose by 65%, while premium increased by 63%
 - Usage of manual cover-note in Motor segment reduced to 1.7% in Q3 FY17
- **Financial Performance**

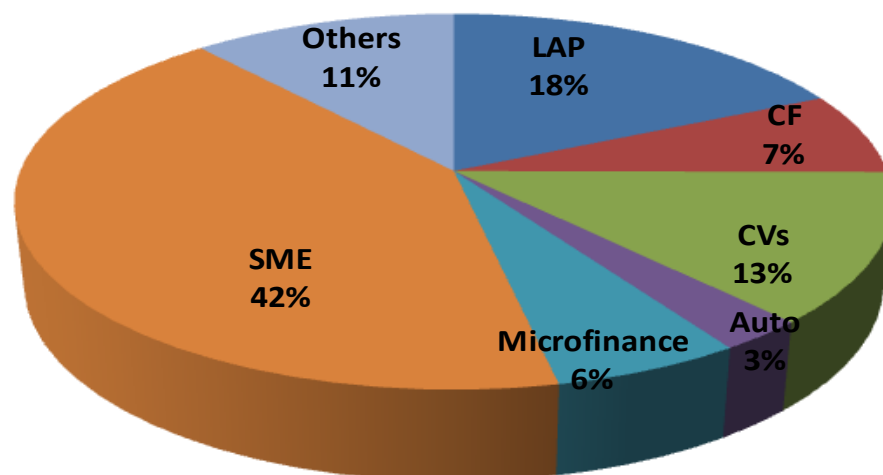
	Q3 FY17	Q3 FY16	Q2 FY17	FY16
				(Rs. Million)
Gross Written Premium	8,554	6,679	14,516	28,680
Profit before Tax / (Loss)	183	153	333	991
Combined ratio with pool	132%	124%	122%	121%
Investment book	64,830	53,801	62,840	53,814
No. of policies issued (millions)	1.0	1.0	1.0	3.9
No. of branches	128	126	125	126
No. of agents	23,429	19,307	22,570	20,562

- The combined ratio rose from 124% in Q3 FY16 to 132% in Q3 FY17

- The business strengthened the IBNR reserve by Rs. 428.5 million (US\$ 6.3 million) for the quarter ended December 31, 2016
- The profit was at Rs. 183.4 million (US\$ 2.7 million) for the quarter ended December 31, 2016 - a YoY increase of 20%
- The solvency ratio for the business was at 1.58 as on December 31, 2016
- The total capital invested is at Rs. 18.4 billion (US\$ 270.2 million)
- The distribution network composed of 128 branches and over 23,400 agents as on December 31, 2016

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
- As on December 31, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended December 31, 2016, were Rs. 17.3 billion (US\$ 253.8 million) - a YoY decrease of 21%
- As on December 31, 2016, the assets under management (including securitized portfolio) was Rs. 161.9 billion (US\$ 2.4 billion) as against Rs. 150.5 billion as on December 31, 2015 - a YoY increase of 8%
- As on December 31, 2016, the outstanding loan book was Rs. 121.1 billion (US\$ 1.8 billion) as against Rs. 106.0 billion as on December 31, 2015 - a YoY increase of 14%. This loan book is spread across 53,500 customers from top 44 Indian cities
- **AUM Mix (as on December 31, 2016)**



- Total income stood at Rs. 4.8 billion (US\$ 70.9 million) in Q3 FY17 as against Rs. 4.6 billion in the corresponding previous period - a YoY increase of 6%
- The Net Interest Income for the quarter ended December 31, 2016, was at Rs. 1.5 billion (US\$ 21.9 million) - a YoY decrease of 10%
- Average NIMs, adjusted for NPA reversals, for the quarter ended December 31, 2016, was 5.3% as against 5.8% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 803.5 million (US\$ 11.8 million) - a YoY increase of 2%
- The cost to net income ratio improved from 40.5% in Q3 FY16 to 37.2% in Q3 FY17

- **Financial Performance**

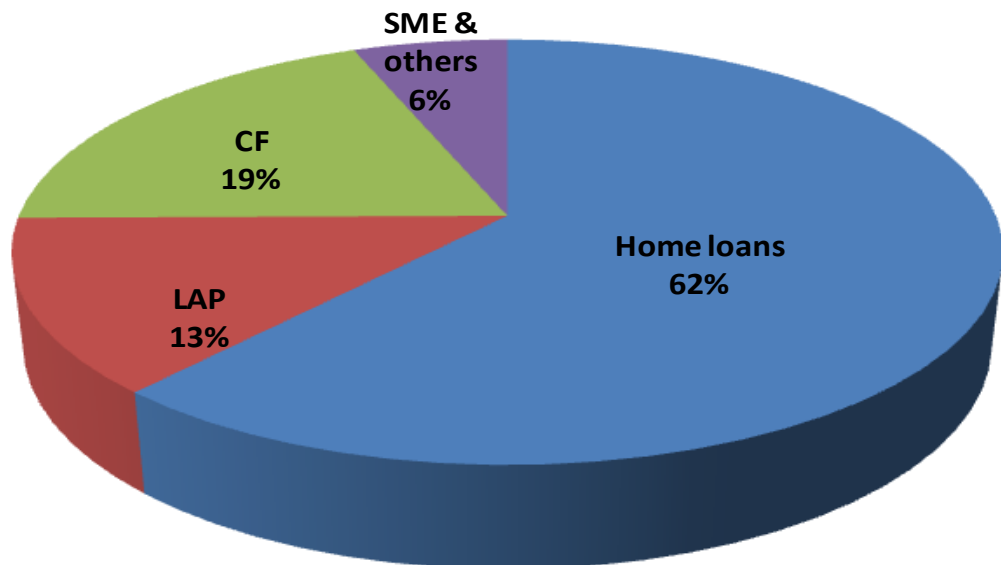
(Rs. Million)

	Q3 FY17	Q3 FY16	Q2 FY17	FY16
Disbursements	17,257	21,971	16,109	81,379
Net Interest Income	1,487	1,646	1,549	6,553
Total Income	4,820	4,561	4,961	18,391
Interest expenses	2,651	2,589	2,809	10,305
Other expenses	808	798	814	3,287
Provisions	558	389	599	1,677
Profit before tax	804	785	739	3,122

- Gross NPLs were Rs. 6.0 billion (US\$ 88.9 million), 3.7% of outstanding AUMs, as on December 31, 2016, as against 3.4% as on December 31, 2015
- The coverage ratio (including write-offs) stood at 48% as on December 31, 2016. Excluding write-offs, the ratio was at 17%

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 December 31, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended December 31, 2016, were Rs. 12.0 billion (US\$ 176.9 million) - a YoY increase of 31%
- As on December 31, 2016, the assets under management (including securitized portfolio) was Rs. 96.6 billion (US\$ 1.4 billion) as against Rs. 68.9 billion as on December 31, 2015 - a YoY increase of 40%
- As on December 31, 2016, the outstanding loan book was Rs. 84.6 billion (US\$ 1.2 billion) as against Rs. 63.2 billion as on December 31, 2015 - a YoY increase of 34%. This loan book is spread across 28,200 customers from top 43 Indian cities
- **AUM Mix (as on December 31, 2016)**



- Total income stood at Rs. 2.7 billion (US\$ 39.5 million) in Q3 FY17 as against Rs. 2.1 billion in the corresponding previous period - a YoY increase of 29%

- The Net Interest Income for the quarter ended December 31, 2016, was at Rs. 628.8 million (US\$ 9.2 million) - a YoY increase of 7%
- Average NIMs, adjusted for NPA reversals, decreased from 4.3% in Q3 FY16 to 3.5% in Q3 FY17
- RHF achieved a profit before tax of Rs. 345.2 million (US\$ 5.1 million) - a YoY increase of 3%
- The cost to net income ratio rose from 43.6% in Q3 FY16 to 50.8% in Q3 FY17

- **Financial Performance**

	(Rs. Million)			
	Q3 FY17	Q3 FY16	Q2 FY17	FY16
Disbursements	12,029	9,217	15,935	39,217
Net Interest Income	629	590	583	2,289
Total Income	2,689	2,087	2,655	8,147
Interest expenses	1,798	1,388	1,812	5,358
Other expenses	453	305	437	1,264
Provisions	93	59	88	165
Profit before tax	345	335	318	1,361

- Gross NPLs were Rs. 1.1 billion (US\$ 15.8 million), 1.1% of outstanding AUMs, as on December 31, 2016
- The coverage ratio (including write-offs) stood at 30% as on December 31, 2016. Excluding write-offs, the ratio was at 21%

Reliance Nippon Life Asset Management

- Reliance Nippon Life Asset Management (RNLAM) managed Rs. 3.4 trillion (US\$ 49.4 billion) as on December 31, 2016, across:
 - mutual funds* - Rs. 2.0 trillion (US\$ 28.8 billion)
 - pension funds - Rs. 1.4 trillion (US\$ 20.0 billion)
 - managed accounts - Rs. 14.1 billion (US\$ 207.9 million) and
 - offshore funds - Rs. 14.2 billion (US\$ 209.4 million)
 - alternative investment fund - Rs. 12.1 billion (US\$ 177.6 million)
- * average assets under management (AAUM) for the quarter ended December 31, 2016
- RNLAM continues to be the largest asset manager in the country
- RNLAM's total income for the quarter ended December 31, 2016, was at Rs. 3.6 billion (US\$ 52.7 million) - a YoY increase of 5%
- RNLAM's total expenditure for the quarter ended December 31, 2016, was at Rs. 2.1 billion (US\$ 30.3 million) - a YoY increase of 4%
- Profit before tax for the quarter ended December 31, 2016, was Rs. 1.5 billion (US\$ 22.3 million) - a YoY increase of 8%
- PBT margins rose to 42% in Q3 FY17 as against 41% for the corresponding previous period
- Return on equity for the quarter ended December 31, 2016, was stable at 25% as against the corresponding previous period
- Financial Performance**

	(Rs. Million)			
	Q3 FY17	Q3 FY16	Q2 FY17	FY16
Total Income	3,582	3,398	3,609	13,138
Total Expenses	2,063	1,990	2,135	8,114
Profit before tax	1,518	1,408	1,474	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 11.6%
- The AAUM for the quarter ended December 31, 2016, was at Rs. 2.0 trillion (US\$ 28.8 billion) as against Rs. 1.6 trillion for the corresponding previous period - a YoY increase of 25%

- 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 1.6 million Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the quarter - a YoY increase of 10%
- Reliance Mutual Fund has the highest AUM sourced 'outside the Top 15 cities' in the private sector
- As on December 31, 2016, there were total 246 schemes - 34 Equity oriented schemes, 196 debt oriented schemes, 15 exchange traded schemes and 1 fund of funds scheme
- At the end of Q3 FY17, RNLAM had a wide distribution network spanning 170 touch points and more than 52,600 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 over 800 customer touch points
- Equity Broking:
 - Over 791,600 retail broking accounts as on December 31, 2016 - a YoY increase of 3%. Daily average stock exchange turnover stood at Rs. 26.0 billion (US\$ 381.9 million) - a YoY increase of 61%
- Commodity Broking:
 - It has over 71,000 commodity broking accounts as on December 31, 2016 - a YoY increase of 13%. The average daily commodities broking turnover was Rs. 2.5 billion (US\$ 37.0 million) - a YoY decrease of 26%
- Wealth Management:
 - AUM as on December 31, 2016, increased to Rs. 35.9 billion (US\$ 527.5 million) - a YoY increase of 68%
- Total income was Rs. 810.0 million (US\$ 11.9 million) for the quarter ended December 31, 2016 - a YoY increase of 19%
- The business had a profit of Rs. 139.2 million (US\$ 2.0 million) for the quarter ended December 31, 2016, as against a profit of Rs. 5.8 million for the corresponding previous period

- **Financial Performance**

(Rs. Million)

	Q3 FY17	Q3 FY16	Q2 FY17	FY16
Total Income	810	680	791	2,529
Total Expenditure	671	674	585	3,441
Profit before tax	139	6	206	(912)

Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt / assets. The focus of the business continues to be on the distressed assets in the SME and retail segments
- The assets under management as on December 31, 2016, rose to Rs. 15.1 billion (US\$ 222.1 million) as against Rs. 13.2 billion as on December 31, 2015 - a YoY increase of 14%
- The resolutions amounted to Rs. 591.1 million (US\$ 8.7 million) as against Rs. 350.0 million in the quarter ended December 31, 2015 - a YoY increase of 69%
- Profit before tax for the quarter ended December 31, 2016, was Rs. 24.1 million - a YoY decrease of 24%

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on December 31, 2016	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (December 31, 2016)	252,632,800
Closing market price (Rs.) (December 31, 2016)	431.2
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	2.9
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	1.4
F & O volume (NSE - for the quarter) (No. in million / day)	21.6
F & O value (NSE - for the quarter) (Rs. in billion / day)	11.0
Stock Beta (for quarter ended December 31, 2016)	1.8
Market capitalization as on December 31, 2016 (Rs. billion)	108.9
Market capitalization as on December 31, 2016 (US\$ billion)	1.6
Book value per equity share (Rs.)	639.2

Summarized shareholding pattern as of December 31, 2016

Category	No. of shares	Shareholding
Promoters	13,13,82,303	52.0%
Foreign investors - FIIs, NRIs and others	4,63,44,789	18.3%
Domestic institutions / Banks / Mutual funds	2,95,28,242	11.7%
Indian public and others	4,53,77,466	18.0%
Total	252,632,800	100.0%