

# Reliance Capital Limited

**Review report on the results for the quarter ended  
June 30, 2016 (un-audited)**

**August 13, 2016**

**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. 67.00 = US\$ 1.00 for Q1 FY17 profit and loss items and for the balance sheet items as on June 30, 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 June 30, 2016
<b>Reliance Capital Limited (Consolidated)</b>				
Total Revenues	75,441	89,290	99,979	36,630
Profit After Tax	7,465	10,011	11,006	2,065
Net worth	124,831	137,617	153,900	156,338
Total Assets	455,277	474,401	671,118	693,557
<b>Reliance Life Insurance</b>				
Total Premium (Net)	42,567	45,917	43,706	6,496
Profit Before Tax / (Loss)	3,589	1,352	(1,973)	2
<b>Reliance General Insurance</b>				
Gross Written Premium	24,417	27,530	28,680	9,084
Profit Before Tax / (Loss)	641	814	991	363
<b>Reliance Commercial Finance</b>				
Total Revenues	17,802	18,466	18,391	4,849
Profit Before Tax	3,623	3,344	3,116	572
<b>Reliance Home Finance</b>				
Total Revenues	4,304	5,143	8,153	2,362
Profit Before Tax	659	1,062	1,367	301
<b>Reliance Capital Asset Management (Consolidated)</b>				
Total Revenues	7,749	9,551	13,138	3,107
Profit Before Tax	3,521	4,550	5,024	1,222
<b>Broking &amp; Distribution businesses</b>				
Total Revenues	3,499	2,849	2,529	542
Profit Before Tax / (Loss)	(207)	(255)	(912)	3

Particulars	Year ended March 31,			Quarter ended June 30, 2016*
	2014 <sup>+</sup>	2015 <sup>+</sup>	2016 <sup>+</sup>	
<b>Reliance Life Insurance</b>				
New business premium	19,340	20,697	15,583	1,830
<b>Reliance General Insurance</b>				
Combined Ratio (%)	119%	121%	121%	114%
<b>Reliance Commercial Finance</b>				
Loan book size	105,535	103,281	109,401	122,725
<b>Reliance Home Finance</b>				
Loan book size	31,135	50,812	67,918	77,501
<b>Reliance Mutual Fund</b>				
AAUM (Rs. billion)	1,035	1,371	1,584	1,670
<b>Broking &amp; Distribution businesses</b>				
Broking Accounts (Nos.)	723,600	750,900	774,900	780,750

<sup>+</sup> 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 over 160 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)

	Q1 FY17	Q1 FY16	Q4 FY16	FY16
Interest Income	13,021	10,409	10,025	42,410
Capital Gains / Dividend	2,927	1,070	6,521	9,285
Premium Earned	15,592	8,622	6,672	28,621
Management & Advisory Fee	2,955	2,965	3,131	12,267
Brokerage & Commission	819	751	596	2,842
Other Income	1,315	885	1,330	4,554
<b>Total income</b>	<b>36,630</b>	<b>24,701</b>	<b>28,275</b>	<b>99,979</b>
Interest & Finance charges	7,087	6,851	7,265	28,206
Other Expenses	26,292	15,053	13,787	54,448
<b>Total Expenses</b>	<b>33,379</b>	<b>21,905</b>	<b>21,053</b>	<b>82,654</b>
Profit before tax	3,251	2,796	7,223	17,325
<b>Net Profit after Minority Interest &amp; share of profit of associates</b>	<b>2,065</b>	<b>2,006</b>	<b>4,154</b>	<b>11,006</b>
Diluted EPS (Rs.)	8.2	7.9	16.5	43.6

- Total consolidated income of Rs. 36.6 billion (US\$ 546.7 million) against Rs. 24.7 billion in the corresponding previous period - a YoY increase of 48%

- Interest & finance charges for the quarter were Rs. 7.1 billion (US\$ 105.8 million) - an increase of 3% as against the corresponding previous period
- Other expenses for the quarter were Rs. 26.3 billion (US\$ 392.4 million) - an increase of 75% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended June 30, 2016, was Rs. 2.1 billion (US\$ 30.8 million) - a YoY increase of 3%.
- Net debt to equity stood at 1.68 as on June 30, 2016, as compared to 1.79 at the end of Q1 FY16

### Balance sheet

As on June 30, 2016, the company had total assets of Rs. 693.6 billion (US\$ 10.4 billion) - a YoY increase of 40%. The company had a net worth of Rs. 156.3 billion (US\$ 2.3 billion) - a YoY increase of 13%.

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 June 30, 2016, Reliance Nippon Life offered 36 products, of which 26 were targeted at individuals and 10 at affinity and employer groups
- As on June 30, 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 2.1% as against 4.2% in Q1 FY16 (Source: June 2016 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 6.5 billion (US\$ 96.9 million) - a YoY decrease of 13%
- New business premium for the quarter ended June 30, 2016, was Rs. 1.8 billion (US\$ 27.3 million) - a YoY decrease of 39%. Of the individual new business premium, 82% was contributed by traditional products
- Renewal premium rose to Rs. 4.7 billion (US\$ 70.4 million) - a YoY increase of 4%
- **Financial Performance**

	(Rs. Million)			
	Q1 FY17	Q1 FY16	Q4 FY16	FY16
<b>First year premium</b>	1,603	2,711	3,437	14,467
<b>Single premium</b>	227	297	283	1,116
<b>Total new business premium</b>	<b>1,830</b>	<b>3,008</b>	<b>3,720</b>	<b>15,583</b>
<b>Renewal premium</b>	4,716	4,515	10,096	28,398
<b>Total premium (Net of Reinsurance)</b>	6,496	7,465	13,750	43,706
<b>Profit before tax</b>	<b>2</b>	<b>352</b>	<b>(2,553)</b>	<b>(1,973)</b>
<b>Operating Costs (incl. commission)</b>	2,302	3,612	5,822	16,689
<b>Total Funds under management</b>	158,178	159,061	159,696	159,696

- Operating costs (including commission) decreased by 36% to Rs. 2.3 billion (US\$ 34.4 million) for the quarter ended June 30, 2016
- Operating costs (as a percentage of Individual WRP and Renewal premium) decreased from 59% to 39% for the quarter ended June 30, 2016

- The business made a profit of Rs. 2.0 million for the quarter ended June 30, 2016 as against a profit of Rs. 352.2 million in the corresponding previous period
- Average ticket size for the quarter rose by 5% to approx. Rs. 25,500
- The distribution network stood at over 800 offices and approx. 77,000 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 7.5%
- Gross Written Premium for the quarter ended June 30, 2016, was Rs. 9.1 billion (US\$ 135.6 million) - a YoY increase of 5%
- During the quarter, RGI realized a gross written premium of Rs. 2.7 billion (US\$ 40.6 million) from commercial lines of business - a YoY increase of 26%
- **Segment-wise break up of Premium**

Particulars	Q1 FY17	Q1 FY16	FY16
Motor	53%	46%	58%
Health	15%	28%	19%
Fire & Engineering	16%	17%	13%
Marine	2%	3%	2%
Others	13%	6%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

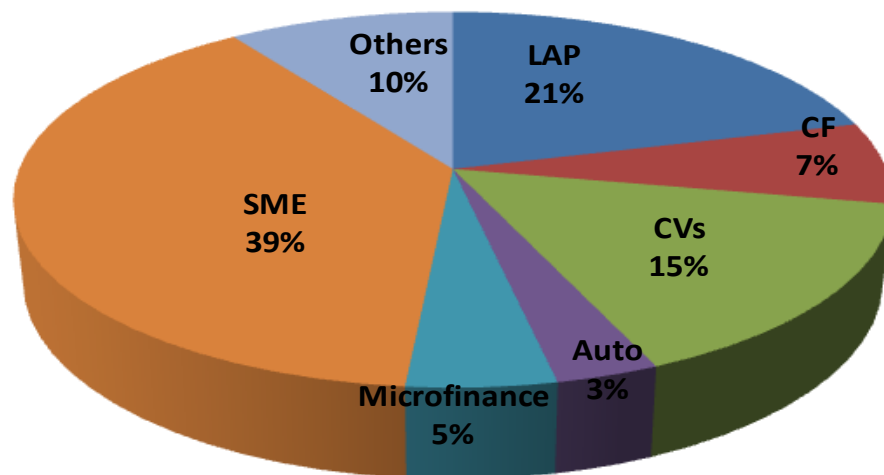
- Number of policies sold in the quarter were 1.0 million
  - Online channel: policies sold rose by 73%, while premium increased by 46%
  - Usage of manual cover-note in Motor segment reduced to 3.3% in Q1 FY17
- **Financial Performance**

	Q1 FY17	Q1 FY16	Q4 FY16	FY16
				(Rs. Million)
<b>Gross Written Premium</b>	9,084	8,627	6,666	28,680
<b>Profit before Tax / (Loss)</b>	<b>363</b>	<b>295</b>	<b>242</b>	<b>991</b>
<b>Combined ratio with pool</b>	114%	115%	122%	121%
<b>Capital infusion</b>	-	-	-	-
<b>Investment book</b>	56,687	51,940	53,814	53,814
<b>No. of policies issued (millions)</b>	1.0	0.9	1.1	3.9
<b>No. of branches</b>	127	127	126	126
<b>No. of agents</b>	21,522	17,997	20,562	20,562

- The combined ratio improved from 115% in Q1 FY16 to 114% for the quarter ended June 30, 2016
- The profit was at Rs. 362.9 million (US\$ 5.4 million) for the quarter ended June 30, 2016 - a YoY increase of 23%
- The solvency ratio for the business was at 1.65 as on June 30, 2016
- The total capital invested is at Rs. 18.4 billion (US\$ 274.2 million)
- The distribution network composed of over 125 branches and 21,500 agents as on June 30, 2016

**Reliance Commercial Finance (standalone)**

- 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 June 30, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended June 30, 2016, were Rs. 16.6 billion (US\$ 247.0 million) - a YoY increase of 10%
- As on June 30, 2016, the assets under management (including securitized portfolio) was Rs. 164.5 billion (US\$ 2.5 billion) as against Rs. 140.8 billion as on June 30, 2015 - a YoY increase of 17%
- As on June 30, 2016, the outstanding loan book was Rs. 122.7 billion (US\$ 1.8 billion) as against Rs. 102.5 billion as on June 30, 2015 - a YoY increase of 20%. This loan book is spread across 52,100 customers from top 44 Indian cities
- **AUM Mix (as on June 30, 2016)**



- During the quarter, RCF securitized loans of Rs. 7.8 billion (US\$ 116.8 million) - a YoY increase of 15%
- Total income stood at Rs. 4.8 billion (US\$ 72.4 million) in Q1 FY17 as against Rs. 4.2 billion in the corresponding previous period - a YoY increase of 14%
- The Net Interest Income for the quarter ended June 30, 2016, was at Rs. 1.7 billion (US\$ 26.0 million) - a YoY increase of 24%
- Average NIMs for the quarter ended June 30, 2016, was 6.8% as against 6.0% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 571.6 million (US\$ 8.5 million) - a YoY increase of 36%
- The cost to income ratio improved from 17.1% in Q1 FY16 to 16.3% in Q1 FY17

- **Financial Performance**

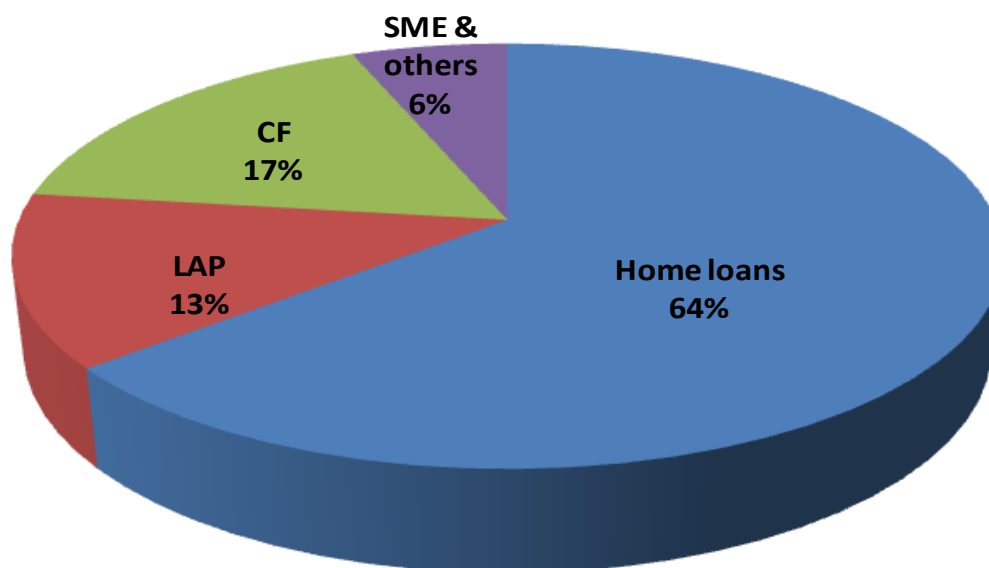
(Rs. Million)

	Q1 FY17	Q1 FY16	Q4 FY16	FY16
Disbursements	16,551	15,057	23,041	81,379
Net Interest Income	1,743	1,408	1,935	6,553
<b>Total Income</b>	<b>4,849</b>	<b>4,242</b>	<b>5,009</b>	<b>18,391</b>
Interest expenses	2,766	2,599	2,530	10,305
Other expenses	790	724	925	3,293
Provisions	721	500	348	1,677
<b>Profit before tax</b>	<b>572</b>	<b>420</b>	<b>1,205</b>	<b>3,116</b>

- Gross NPLs were Rs. 5.6 billion (US\$ 83.9 million), 3.4% of outstanding AUMs, as on June 30, 2016, as against 3.7% as on June 30, 2015
- The coverage ratio (including write-offs) stood at 58% as on June 30, 2016. Excluding write-offs, the ratio was at 23%

### 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 June 30, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended June 30, 2016, were Rs. 15.8 billion (US\$ 235.7 million) - a YoY increase of 54%
- As on June 30, 2016, the assets under management (including securitized portfolio) was Rs. 82.6 billion (US\$ 1.2 billion) as against Rs. 62.3 billion as on June 30, 2015 - a YoY increase of 32%
- As on June 30, 2016, the outstanding loan book was Rs. 77.5 billion (US\$ 1.2 billion) as against Rs. 55.2 billion as on June 30, 2015 - a YoY increase of 40%. This loan book is spread across approx. 20,500 customers from top 43 Indian cities
- **AUM Mix (as on June 30, 2016)**



- Total income stood at Rs. 2.4 billion (US\$ 35.3 million) in Q1 FY17 as against Rs. 1.8 billion in the corresponding previous period - a YoY increase of 28%

- The Net Interest Income for the quarter ended June 30, 2016, was at Rs. 572.2 million (US\$ 8.5 million) - a YoY increase of 4%
- Average NIMs decreased from 4.3% in Q1 FY16 to 3.8% in Q1 FY17
- RHF achieved a profit before tax of Rs. 300.9 million (US\$ 4.5 million) - a YoY decrease of 20%
- The cost to income ratio rose from 13.2% in Q1 FY16 to 16.0% in Q1 FY17

- **Financial Performance**

(Rs. Million)

	Q1 FY17	Q1 FY16	Q4 FY16	FY16
Disbursements	15,794	10,267	12,121	39,217
Net Interest Income	572	549	589	2,289
<b>Total Income</b>	<b>2,362</b>	<b>1,840</b>	<b>2,233</b>	<b>8,153</b>
Interest expenses	1,596	1,179	1,450	5,358
Other expenses	378	242	397	1,264
Provisions	88	41	39	165
<b>Profit before tax</b>	<b>301</b>	<b>377</b>	<b>347</b>	<b>1,367</b>

- Gross NPLs were Rs. 790.3 million (US\$ 11.8 million), 1.0% of outstanding AUMs, as on June 30, 2016
- The coverage ratio (including write-offs) stood at 33% as on June 30, 2016. Excluding write-offs, the ratio was at 24%

### Reliance Nippon Life Asset Management

- Reliance Nippon Life Asset Management (RNLAM) managed Rs. 3.0 trillion (US\$ 44.8 billion) as on June 30, 2016, across:
  - mutual funds\* - Rs. 1.7 trillion (US\$ 24.9 billion)
  - pension funds - Rs. 1.3 trillion (US\$ 18.9 billion)
  - managed accounts - Rs. 14.8 billion (US\$ 220.7 million) and
  - offshore funds - Rs. 39.5 billion (US\$ 589.3 million)
  - alternative investment fund - Rs. 9.5 billion (US\$ 142.3 million)
- \* - average assets under management (AAUM) for the quarter ended June 30, 2016
- RNLAM continues to be the largest asset manager in the country
- RNLAM's income from its operations for the quarter ended June 30, 2016, was at Rs. 3.1 billion (US\$ 46.4 million) - a YoY decrease of 1%
- RNLAM's total expenditure from its operations for the quarter ended June 30, 2016, was at Rs. 1.9 billion (US\$ 28.1 million) - a YoY decrease of 8%
- Profit before tax for the quarter ended June 30, 2016, was Rs. 1.2 billion (US\$ 28.1 million) - a YoY increase of 13%
- PBT margins rose to 39% in Q1 FY17 as against 34% for the corresponding previous period
- Return on equity for the quarter ended June 30, 2016, was 22% as against 24% for the corresponding previous period
- **Financial Performance**

	(Rs. Million)			
	Q1 FY17	Q1 FY16	Q4 FY16	FY16
<b>Total Income</b>	3,107	3,125	3,458	13,138
<b>Total Expenses</b>	1,884	2,048	2,141	8,114
<b>Profit before tax</b>	<b>1,222</b>	<b>1,077</b>	<b>1,317</b>	<b>5,024</b>

### 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 June 30, 2016, was at Rs. 1.7 trillion (US\$ 24.9 billion) as against Rs. 1.4 trillion 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
  - Equity AAUMs form 30% of the overall AAUMs
  - There were 1.4 million Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the quarter - a YoY increase of 5%
- Reliance Mutual Fund has the highest AUM sourced 'outside the Top 15 cities' in the industry
- As on June 30, 2016, there were total 244 schemes - 34 Equity oriented schemes, 201 debt oriented schemes, 8 exchange traded schemes and 1 fund of funds scheme
- At the end of Q1 FY17, RNLAM had a wide distribution network spanning nearly 170 touch points and more than 49,000 empanelled distributors
- Awards and achievements:
  - 'Quality Excellence Award for Most Innovative Company' at the Global Awards for Excellence in Quality Management & Leadership
  - Received awards for 'Progressive Digital Marketing Co. and Digital Application of the Year' at the CMO Asia Awards
  - Amongst the 'Best BFSI Brands' at the Economic Times Best BFSI Brand Summit and Awards 2016



### 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 of over 160 branches
- Equity Broking:
  - Over 780,750 retail broking accounts as on June 30, 2016 - a YoY increase of 3%. Daily average stock exchange turnover stood at Rs. 24.4 billion (US\$ 364.8 million) - a YoY increase of 31%
- Commodity Broking:
  - It has over 65,750 commodity broking accounts as on June 30, 2016 - a YoY increase of 10%. The average daily commodities broking turnover was Rs. 3.6 billion (US\$ 54.3 million) - a YoY increase of 33%
- Wealth Management:
  - AUM as on June 30, 2016, increased to Rs. 27.6 billion (US\$ 412.4 million) - a YoY increase of 66%
- Total income was Rs. 542.2 million (US\$ 8.1 million) for the quarter ended June 30, 2016 - a YoY decrease of 3%
- The business had a profit of Rs. 2.8 million for the quarter ended June 30, 2016, as against a loss of Rs. 168.8 million for the corresponding previous period

- **Financial Performance**

	(Rs. Million)			
	Q1 FY17	Q1 FY16	Q4 FY16	FY16
<b>Total Income</b>	542	557	536	2,529
<b>Total Expenditure</b>	539	726	1,289	3,441
<b>Profit before tax</b>	<b>3</b>	<b>(169)</b>	<b>(753)</b>	<b>(912)</b>

### 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 June 30, 2016, rose to Rs. 14.6 billion (US\$ 217.8 million) as against Rs. 11.3 billion as on June 30, 2015 - a YoY increase of 29%
- The resolutions amounted to Rs. 343.9 million (US\$ 5.1 million) as against Rs. 510.0 million in the quarter ended June 30, 2015 - a YoY decrease of 33%
- Profit before tax for the quarter ended June 30, 2016, was Rs. 15.5 million (US\$ 0.2 million) - a YoY decrease of 65%

## SECTION 3

### CAPITAL MARKET HIGHLIGHTS

#### General information

Shareholding and Financial data as on June 30, 2016	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (June 30, 2016)	252,632,800
Closing market price (Rs.) (June 30, 2016)	399.8
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	3.5
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	1.4
F & O volume (NSE - for the quarter) (No. in million / day)	24.9
F & O value (NSE - for the quarter) (Rs. in billion / day)	9.8
Stock Beta (for quarter ended June 30, 2016)	1.4
Market capitalization as on June 30, 2016 (Rs. billion)	101.0
Market capitalization as on June 30, 2016 (US\$ billion)	1.5
Book value per equity share (Rs.)	618.8

#### Summarized shareholding pattern as of June 30, 2016

Category	No. of shares	Shareholding
Promoters	131,382,303	52.0%
Foreign investors - FIIs, NRIs and others	42,253,322	16.7%
Domestic institutions / Banks / Mutual funds	30,756,166	12.2%
Indian public and others	48,241,009	19.1%
<b>Total</b>	<b>252,632,800</b>	<b>100.0%</b>