



Reliance Capital Limited
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Report of the Audit Committee of Reliance Capital Limited recommending the draft Scheme of Arrangement between Reliance Capital Limited and Reliance Gilts Limited and their respective shareholders and creditors at its meeting held on February 25, 2016 at Reliance Centre, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001.

Present

Shri Rajendra P. Chitale	:	Chairman
Shri Amitabh Jhunjhunwala	:	Member
Dr. Bidhubhusan Samal	:	Member
Shri V. N. Kaul	:	Member
Smt. Chhaya Virani	:	Member
Shri Soumen Ghosh	:	Executive Director & Group CEO

In Attendance

Shri V. R. Mohan	:	President & Company Secretary
Shri Amit Bapna	:	Chief Financial Officer

Background:

A meeting of the Audit Committee of Reliance Capital Limited ("**RCap**" or the "**Transferor Company**") was held on February 25, 2016 to consider and recommend the proposed demerger and vesting of the Commercial Finance Business ("**CF Business**") of RCap into Reliance Gilts Limited ("**RGL**" or "**the Transferee Company**"), a wholly owned subsidiary of RCap w.e.f. April 1, 2016 to be implemented in terms of a Scheme of Arrangement between Reliance Capital Limited and Reliance Gilts Limited and their respective shareholders and creditors pursuant to the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Companies Act, 1956 ("**the Scheme**").

As per the directions issued by the Securities and Exchange Board of India vide its Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("**Circular**"), a report from the Audit Committee of the Listed Company recommending the draft Scheme of Arrangement under the Companies Act, 1956 taking into consideration, *inter alia*, the Valuation Report and the Fairness Opinion is required. This report of the Audit Committee is made in order to comply with the requirements of the Circular.

The following documents were placed before the Audit Committee ("**Documents**"):

- Draft Scheme of Arrangement;
- Valuation Report dated February 25, 2016 issued by M/s Jignesh & Co., Independent Chartered Accountants;
- Fairness Opinion dated February 25, 2016, issued by Dalmia Securities Private Limited, an Independent Merchant Banker providing the Fairness Opinion on the Valuation Report prepared by M/s Jignesh & Co., Chartered Accountants; and
- Audited financial statements of RCap and RGL for the year ending March 31, 2015.



Proposed Scheme of Demerger:

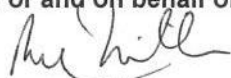
Salient features of the proposed Scheme were as under:

- a. RCap is a Systemically Important Non-deposit Taking Non Banking Financial Company ("NBFC-ND-SI") registered with the Reserve Bank of India ('RBI'). It is listed on both the BSE Limited and the National Stock Exchange of India Limited. RCap has interests in asset management and mutual funds, life and general insurance, commercial and home finance, stock broking, wealth management services, distribution of financial products, asset reconstruction, proprietary investments and other activities in financial services;
- b. RGL is a wholly owned subsidiary of RCap. RGL is a Non Banking Financial Company ("NBFC") registered with RBI;
- c. The Scheme of Arrangement provided for demerger and vesting of the Commercial Finance Business ("CF Business") of RCap to RGL with an appointed date of April 1, 2016;
- d. Upon the coming into effect of the Scheme and with effect from the Appointed Date, the entire CF Business of RCap comprising of all the properties, assets and liabilities which are relateable to CF Business (as specifically provided for in the Scheme) stand demerged and vested in RGL;
- e. Since RGL is a wholly owned subsidiary of RCap, RGL shall not be required to issue any shares or pay any consideration to RCap or its shareholders; and
- f. The Scheme would be effective pursuant to the approval of the Scheme by relevant authorities including the Securities and Exchange Board of India ("SEBI") through the designated stock exchange and the Hon'ble High Court of Judicature at Bombay.

Recommendation of the Audit Committee:

Having considered the Documents, the valuation report and fairness opinion, the Audit Committee do hereby unanimously recommend the Draft Scheme, *inter-alia*, for favorable consideration by the Board of Directors of the Company, BSE Limited, the National Stock Exchange of India Limited and the Securities and Exchange Board of India.

For and on behalf of the Audit Committee of Reliance Capital Limited



Rajendra P. Chitale
Chairman of Audit Committee

Place : Mumbai
Date : February 25, 2016

