

**JIGNESH & CO.**

Chartered Accountants

A-31, Kailash Nagar, Shankar Lane, Kandivali (W), Mumbai - 400 067.  
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Date: February 25, 2016

To,  
The Board of Directors  
**Reliance Capital Limited**  
H Block, 1<sup>st</sup> Floor, Dhirubhai Ambani Knowledge City,  
Navi Mumbai 400 710

**Reliance Gilts Limited**  
Reliance Centre, 19, Walchand Hirachand Marg,  
Mumbai 400 001

Dear Sirs,

**Subject: Report on the proposed demerger and vesting of Commercial Finance Business of Reliance Capital Limited to its wholly owned subsidiary Reliance Gilts Limited pursuant to the Scheme of Arrangement under the relevant provisions of the Companies Act, 1956.**

We are informed by the Management of Reliance Capital Limited ("RCap" or the "Transferor Company" or the Company) that it proposes to demerge its Commercial Finance Business ("CF Business") to its wholly owned subsidiary, Reliance Gilts Limited ("RGL" or the "Transferee Company"), with effect from the appointed date, pursuant to a Scheme of Arrangement between Reliance Capital Limited and Reliance Gilts Limited and their shareholders ("Scheme") under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 ("the Act"). For this purpose, we have been requested to issue this Report in accordance with the Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India.

The Scheme is intended to demerge the Commercial Finance division to its wholly owned subsidiary. All the assets and liabilities of the Commercial Finance division shall be transferred at book value. There will be no further cash consideration or issuance of shares.

Accordingly, this Report is being issued for the regulatory purposes at the request of the Management of the Company.

This Report is structured under the following broad heads:

- Background
- Information sources
- Salient features of the Scheme
- Valuation Analysis
- Conclusion
- Scope Limitation

## **1 Background**

### **1.1 Reliance Capital Limited**

1.1.1 Reliance Capital Limited was incorporated on 5<sup>th</sup> day of March 1986 in the State of Gujarat under the provisions of the Companies Act, 1956 under the name "Reliance Capital & Finance Trust Limited".



Subsequently, the name of the Company was changed to "Reliance Capital Limited" with effect from 6<sup>th</sup> day of January, 1995. The registered office of the Company was shifted from the State of Gujarat to the State of Maharashtra pursuant to the order of the Company Law Board, Western Region Bench, Mumbai dated 2<sup>nd</sup> day of November, 2006 and was registered the same with the Registrar of Companies, Maharashtra, Mumbai on 20<sup>th</sup> day of November, 2006.

1.1.2 RCap is one of India's prominent private sector financial services companies. RCap has interests in asset management, mutual funds, pension funds, life and general insurance, proprietary investments, stock broking and depository services, wealth management, home and commercial finance, financial products distribution, asset reconstruction and other related activities in financial services.

1.1.3 The shares of RCap are listed on the BSE Limited and National Stock Exchange of India Limited.

## **1.2 Reliance Gilts Limited**

1.2.1 RGL is a registered Non Banking Financial Company (NBFC) and is a wholly owned subsidiary of RCap.

1.2.2 The registered office of RGL is situated at Reliance Centre, 19, Walchand Hirachand Marg, Mumbai 400 001.

## **2 Information Sources**

2.1 For the purposes of determining the valuation of CF Business, we have relied on the following sources of information and documents of both the companies:

- Memorandum and Articles of Association;
- Audited Financial Statement for the last three years;
- Management certified statement of assets and liabilities of CF Business as on March 31, 2015;
- Management certified position of the assets and liabilities of CF Business for the period ended on December 31, 2015;
- Latest shareholding pattern;
- Draft Scheme; and
- Our discussions with management representatives.

## **3 Salient features of the Scheme**

3.1 The Scheme envisages demerger and vesting of the CF Business of RCap to RGL. The Rationale for the Scheme is as under:

All operating businesses of RCap, except the CF Business, are held in its wholly or majority owned subsidiaries. Accordingly, to align the overall operating structure, it is proposed to transfer the CF division of the Company into a Wholly Owned Subsidiary. This will also facilitate the treatment of the Company as a Core Investment Company (CIC) in terms of applicable RBI regulations.

3.2 Appointed date for the proposed transfer is 1<sup>st</sup> day of April, 2016 or such other date as may be decided by the High Court.

3.3 With effect from the Appointed Date, the whole of the undertaking and properties, debts, liabilities, duties, obligations, contracts, employees, etc. of the CF Business of RCap shall be demerged and vested in RGL.

## **4 Valuation Analysis**



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- 4.1 As stated above, the entire exercise is a restructuring exercise to achieve the objectives stated in the Scheme.
- 4.2 Since the Transferee Company is a wholly owned subsidiary of the Transferor Company, the Transferee Company shall not be required to issue any shares or pay any consideration to the Transferor Company or its shareholders.
- 4.3 Since the Transferee Company is a wholly owned subsidiary of the Transferor Company, the interest of the shareholders of the Transferor Company will not be in any way prejudicially affected.

### 5 Conclusion

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, since the Transferee Company is a wholly owned subsidiary of the Transferor Company, the Transferee Company shall not be required to issue any shares or pay any consideration to the Transferor Company or its shareholders and the interest of the shareholders of the Transferor Company will not be in any way prejudicially affected.

### 6 Scope Limitation

- 6.1 We have relied on the representations made to us by the management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.
- 6.2 Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
- 6.3 We further assume that the management of all the companies has brought to our attention all material transactions, events or any other factors having an impact on the valuations.
- 6.4 This report has been prepared for the management of the Companies solely for the purpose of determining the valuation of the division for the proposed Scheme of Arrangement between Reliance Capital Limited and Reliance Gilts Limited and their respective shareholders. This report should not be used for any other purpose.

Yours faithfully,  
For M/s. Jignesh & Co,  
Chartered Accountants

*J. L. Kapasi*

Jignesh Kapasi  
Proprietor  
Membership No 100213

