

Reliance Capital Limited

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

October 24, 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 Q2 FY17 profit and loss items and for the balance sheet items as on September 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 Sept 30, 2016
Reliance Capital Limited (Consolidated)				
Total Revenues	75,441	89,290	99,979	49,260
Profit After Tax	7,465	10,011	11,006	2,532
Net worth	124,831	137,617	153,900	159,131
Total Assets	455,277	474,401	671,118	725,230
Reliance Life Insurance				
Total Premium (Net)	42,567	45,917	43,706	10,636
Profit Before Tax / (Loss)	3,589	1,352	(1,973)	1
Reliance General Insurance				
Gross Written Premium	24,417	27,530	28,680	14,516
Profit Before Tax / (Loss)	641	814	991	333
Reliance Commercial Finance				
Total Revenues	17,802	18,466	18,391	4,961
Profit Before Tax	3,623	3,344	3,122	739
Reliance Home Finance				
Total Revenues	4,304	5,143	8,147	2,655
Profit Before Tax	659	1,062	1,361	318
Reliance Capital Asset Management (Consolidated)				
Total Revenues	7,749	9,551	13,138	3,609
Profit Before Tax	3,521	4,550	5,024	1,474
Broking & Distribution businesses				
Total Revenues	3,499	2,849	2,529	791
Profit Before Tax / (Loss)	(207)	(255)	(912)	206

Particulars	Year ended March 31,			Quarter ended Sept 30, 2016*
	2014 ⁺	2015 ⁺	2016 ⁺	
Reliance Life Insurance				
New business premium	19,340	20,697	15,583	3,287
Reliance General Insurance				
Combined Ratio (%)	119%	121%	121%	122%
Reliance Commercial Finance				
Loan book size	105,535	103,281	109,401	112,845
Reliance Home Finance				
Loan book size	31,135	50,812	67,918	79,280
Reliance Mutual Fund				
AAUM (Rs. billion)	1,035	1,371	1,584	1,831
Broking & Distribution businesses				
Broking Accounts (Nos.)	723,600	750,900	774,900	786,800

⁺ 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)

	Q2 FY17	Q2 FY16	Q1 FY17	FY16
Interest Income	13,689	10,986	13,021	42,410
Capital Gains / Dividend	4,103	791	2,927	9,285
Premium Earned	25,228	6,685	15,592	28,621
Management & Advisory Fee	3,489	3,057	2,955	12,267
Brokerage & Commission	1,340	964	819	2,842
Other Income	1,410	1,236	1,315	4,554
Total income	49,260	23,719	36,630	99,979
Interest & Finance charges	7,486	7,008	7,087	28,206
Other Expenses	37,796	13,099	26,292	54,448
Total Expenses	45,282	20,106	33,379	82,654
Profit before tax	3,978	3,613	3,251	17,325
Net Profit after Minority Interest & share of profit of associates	2,532	2,501	2,065	11,006
Diluted EPS (Rs.)	10.0	9.9	8.2	43.6

- Total consolidated income of Rs. 49.3 billion (US\$ 735.2 million) against Rs. 23.7 billion in the corresponding previous period - a YoY increase of 108%

- Interest & finance charges for the quarter were Rs. 7.5 billion (US\$ 111.7 million) - an increase of 7% as against the corresponding previous period
- Other expenses for the quarter were Rs. 37.8 billion (US\$ 564.1 million) - an increase of 189% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended September 30, 2016, was Rs. 2.5 billion (US\$ 37.8 million) - a YoY increase of 1%.
- Net debt to equity stood at 1.71 as on September 30, 2016, as compared to 1.74 at the end of Q2 FY16

Balance sheet

As on September 30, 2016, the company had total assets of Rs. 725.2 billion (US\$ 10.8 billion) - a YoY increase of 47%. The company had a net worth of Rs. 159.1 billion (US\$ 2.4 billion) - a YoY increase of 11%.

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 September 30, 2016, Reliance Nippon Life offered 38 products, of which 28 were targeted at individuals and 10 at affinity and employer groups
- As on September 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 2.7% as against 6.0% in Q2 FY16 (Source: September 2016 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 10.6 billion (US\$ 158.7 million) - a YoY decrease of 16%
- New business premium for the quarter ended September 30, 2016, was Rs. 3.3 billion (US\$ 49.1 million) - a YoY decrease of 45%. Of the individual new business premium, 84% was contributed by traditional products
- Renewal premium rose to Rs. 7.4 billion (US\$ 110.7 million) - a YoY increase of 10%
- **Financial Performance**

	(Rs. Million)			
	Q2 FY17	Q2 FY16	Q1 FY17	FY16
First year premium	3,067	5,629	1,603	14,467
Single premium	220	378	227	1,116
Total new business premium	3,287	6,007	1,830	15,583
Renewal premium	7,416	6,729	4,716	28,398
Total premium (Net of Reinsurance)	10,636	12,629	6,496	43,706
Profit before tax	1	151	2	(1,973)
Operating Costs (incl. commission)	2,558	3,639	2,302	16,689
Total Funds under management	162,706	155,239	158,178	159,696

- Operating costs (including commission) decreased by 30% to Rs. 2.6 billion (US\$ 38.2 million) for the quarter ended September 30, 2016
- Operating costs (as a percentage of Individual WRP and Renewal premium) decreased from 41% to 29% for the quarter ended September 30, 2016

- The business made a profit of Rs. 1.3 million for the quarter ended September 30, 2016 as against a profit of Rs. 151.0 million in the corresponding previous period
- Average ticket size for the quarter declined marginally by 4% to over Rs. 25,700
- The distribution network stood at over 760 offices and approx. 79,000 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 7.2%
- Gross Written Premium for the quarter ended September 30, 2016, was Rs. 14.5 billion (US\$ 216.7 million) - a YoY increase of 116%
- During the quarter, RGI realized a gross written premium of Rs. 9.1 billion (US\$ 135.9 million) from commercial lines of business - a YoY increase of 375%
- **Segment-wise break up of Premium**

Particulars	Q2 FY17	Q2 FY16	FY16
Motor	32%	57%	58%
Health	5%	14%	19%
Fire & Engineering	8%	15%	13%
Marine	1%	2%	2%
Others	55%	13%	8%
Total	100%	100%	100%

- Number of policies sold in the quarter were 1.0 million
 - Online channel: policies sold rose by 53%, while premium increased by 49%
 - Usage of manual cover-note in Motor segment reduced to 2.1% in Q2 FY17
- **Financial Performance**

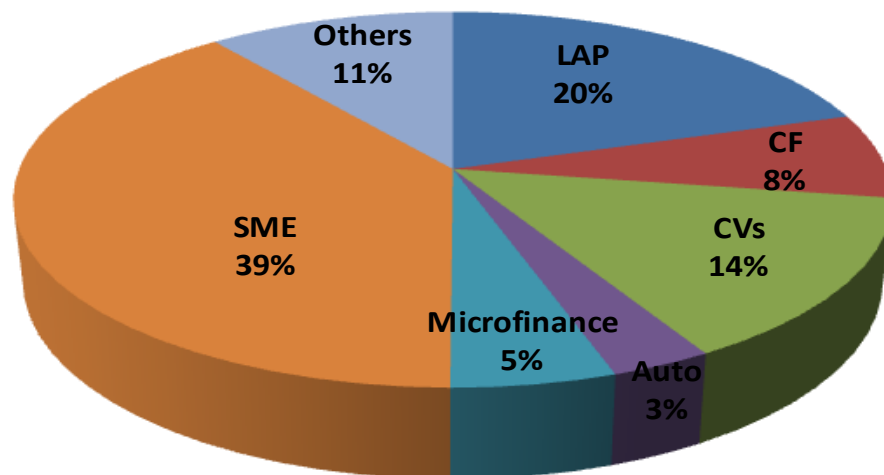
	Q2 FY17	Q2 FY16	Q1 FY17	FY16
				(Rs. Million)
Gross Written Premium	14,516	6,707	9,084	28,680
Profit before Tax / (Loss)	333	300	363	991
Combined ratio with pool	122%	122%	114%	121%
Investment book	62,840	53,444	56,687	53,814
No. of policies issued (millions)	1.0	0.9	1.0	3.9
No. of branches	125	127	127	126
No. of agents	22,570	18,338	21,522	20,562

- The combined ratio was stable at 122% in Q2 FY17 as against the corresponding previous period

- The business strengthened the IBNR reserve by Rs. 737.8 million (US\$ 11.0 million) for the quarter ended September 30, 2016
- The profit was at Rs. 333.4 million (US\$ 5.0 million) for the quarter ended September 30, 2016 - a YoY increase of 11%
- The solvency ratio for the business was at 1.81 as on September 30, 2016
- The total capital invested is at Rs. 18.4 billion (US\$ 274.2 million)
- The distribution network composed of 125 branches and over 22,500 agents as on September 30, 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 September 30, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended September 30, 2016, were Rs. 16.1 billion (US\$ 240.4 million) - a YoY decrease of 24%
- As on September 30, 2016, the assets under management (including securitized portfolio) was Rs. 157.4 billion (US\$ 2.3 billion) as against Rs. 144.3 billion as on September 30, 2015 - a YoY increase of 9%
- As on September 30, 2016, the outstanding loan book was Rs. 112.9 billion (US\$ 1.7 billion) as against Rs. 102.3 billion as on September 30, 2015 - a YoY increase of 10%. This loan book is spread across 51,500 customers from top 44 Indian cities
- **AUM Mix (as on September 30, 2016)**



- During the quarter, RCF securitized loans of Rs. 11.6 billion (US\$ 173.0 million) - a YoY increase of 7%
- Total income stood at Rs. 4.9 billion (US\$ 74.0 million) in Q2 FY17 as against Rs. 4.6 billion in the corresponding previous period - a YoY increase of 8%
- The Net Interest Income for the quarter ended September 30, 2016, was at Rs. 1.5 billion (US\$ 23.1 million) - a YoY decrease of 5%
- Average NIMs for the quarter ended September 30, 2016, was 6.5% as against 6.3% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 739.0 million (US\$ 11.0 million) - a YoY increase of 4%
- The cost to income ratio improved from 18.4% in Q2 FY16 to 16.4% in Q2 FY17

- **Financial Performance**

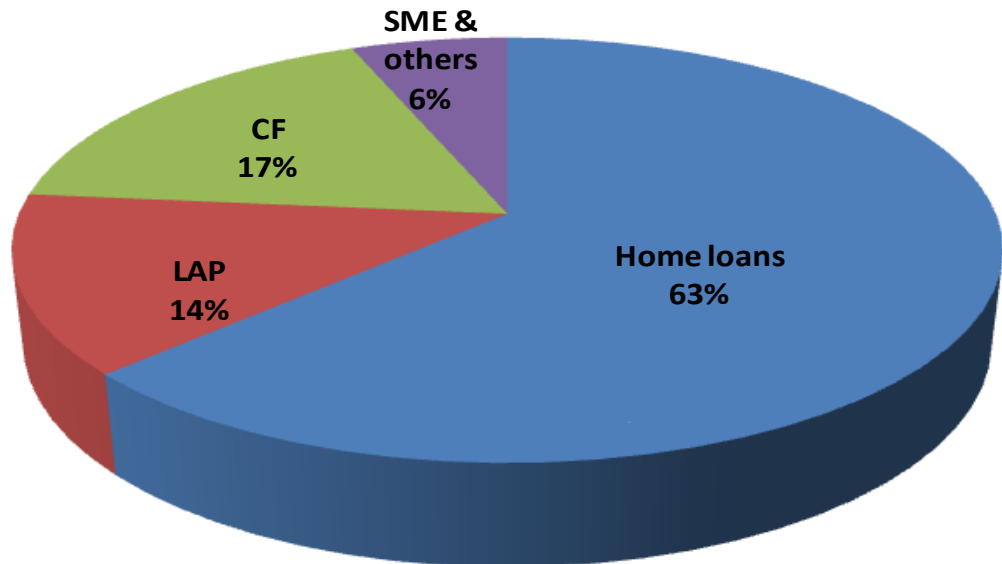
(Rs. Million)

	Q2 FY17	Q2 FY16	Q1 FY17	FY16
Disbursements	16,109	21,310	16,551	81,379
Net Interest Income	1,549	1,627	1,644	6,553
Total Income	4,961	4,577	4,851	18,391
Interest expenses	2,809	2,588	2,769	10,305
Other expenses	814	840	789	3,287
Provisions	599	439	721	1,677
Profit before tax	739	710	572	3,122

- Gross NPLs were Rs. 5.7 billion (US\$ 84.9 million), 3.6% of outstanding AUMs, as on September 30, 2016, as against 3.4% as on September 30, 2015
- The coverage ratio (including write-offs) stood at 57% as on September 30, 2016. Excluding write-offs, the ratio was at 19%

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 September 30, 2016, 100% of the outstanding book was secured
- The disbursements for the quarter ended September 30, 2016, were Rs. 15.9 billion (US\$ 237.8 million) - a YoY increase of 109%
- As on September 30, 2016, the assets under management (including securitized portfolio) was Rs. 92.2 billion (US\$ 1.4 billion) as against Rs. 65.0 billion as on September 30, 2015 - a YoY increase of 42%
- As on September 30, 2016, the outstanding loan book was Rs. 79.3 billion (US\$ 1.2 billion) as against Rs. 58.7 billion as on September 30, 2015 - a YoY increase of 35%. This loan book is spread across approx. 22,900 customers from top 43 Indian cities
- **AUM Mix (as on September 30, 2016)**



- Total income stood at Rs. 2.7 billion (US\$ 39.6 million) in Q2 FY17 as against Rs. 2.0 billion in the corresponding previous period - a YoY increase of 33%

- The Net Interest Income for the quarter ended September 30, 2016, was at Rs. 583.4 million (US\$ 8.7 million) - a YoY increase of 2%
- Average NIMs decreased from 4.5% in Q2 FY16 to 3.6% in Q2 FY17
- RHF achieved a profit before tax of Rs. 317.6 million (US\$ 4.7 million) - a YoY increase of 4%
- The cost to income ratio rose from 16.0% in Q2 FY16 to 16.4% in Q2 FY17

- **Financial Performance**

(Rs. Million)

	Q2 FY17	Q2 FY16	Q1 FY17	FY16
Disbursements	15,935	7,613	15,794	39,217
Net Interest Income	583	573	536	2,289
Total Income	2,655	1,990	2,362	8,147
Interest expenses	1,812	1,341	1,598	5,358
Other expenses	437	319	376	1,264
Provisions	88	26	87	165
Profit before tax	318	305	301	1,361

- Gross NPLs were Rs. 1.1 billion (US\$ 17.1 million), 1.2% of outstanding AUMs, as on September 30, 2016
- The coverage ratio (including write-offs) stood at 28% as on September 30, 2016. Excluding write-offs, the ratio was at 21%

Reliance Nippon Life Asset Management

- Reliance Nippon Life Asset Management (RNLAM) managed Rs. 3.2 trillion (US\$ 48.0 billion) as on September 30, 2016, across:
 - mutual funds* - Rs. 1.8 trillion (US\$ 27.3 billion)
 - pension funds - Rs. 1.3 trillion (US\$ 19.7 billion)
 - managed accounts - Rs. 15.2 billion (US\$ 226.9 million) and
 - offshore funds - Rs. 40.1 billion (US\$ 598.2 million)
 - alternative investment fund - Rs. 11.4 billion (US\$ 169.9 million)
- * average assets under management (AAUM) for the quarter ended September 30, 2016
- RNLAM continues to be the largest asset manager in the country
- RNLAM's total income for the quarter ended September 30, 2016, was at Rs. 3.6 billion (US\$ 53.9 million) - a YoY increase of 14%
- RNLAM's total expenditure for the quarter ended September 30, 2016, was at Rs. 2.1 billion (US\$ 31.9 million) - a YoY increase of 10%
- Profit before tax for the quarter ended September 30, 2016, was Rs. 1.5 billion (US\$ 22.0 million) - a YoY increase of 21%
- PBT margins rose to 41% in Q2 FY17 as against 39% for the corresponding previous period
- Return on equity for the quarter ended September 30, 2016, was stable at 25% as against the corresponding previous period
- **Financial Performance**

	(Rs. Million)			
	Q2 FY17	Q2 FY16	Q1 FY17	FY16
Total Income	3,609	3,157	3,107	13,138
Total Expenses	2,135	1,936	1,884	8,114
Profit before tax	1,474	1,221	1,222	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 11.2%
- The AAUM for the quarter ended September 30, 2016, was at Rs. 1.8 trillion (US\$ 27.3 billion) as against Rs. 1.5 trillion for the corresponding previous period - a YoY increase of 20%

- 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 1.5 million Systematic Investment Plan (SIP) & Systematic Transfer Plan (STP) investor accounts at the end of the quarter - a YoY increase of 11%
- Reliance Mutual Fund has the highest AUM sourced 'outside the Top 15 cities' in the private sector
- As on September 30, 2016, there were total 242 schemes - 34 Equity oriented schemes, 199 debt oriented schemes, 8 exchange traded schemes and 1 fund of funds scheme
- At the end of Q2 FY17, RNLAM had a wide distribution network spanning nearly 170 touch points and more than 51,300 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 of over 160 branches
- Equity Broking:
 - Over 786,800 retail broking accounts as on September 30, 2016 - a YoY increase of 3%. Daily average stock exchange turnover stood at Rs. 26.1 billion (US\$ 389.3 million) - a YoY increase of 50%
- Commodity Broking:
 - It has over 68,100 commodity broking accounts as on September 30, 2016 - a YoY increase of 11%. The average daily commodities broking turnover was Rs. 4.6 billion (US\$ 68.8 million) - a YoY increase of 13%
- Wealth Management:
 - AUM as on September 30, 2016, increased to Rs. 31.9 billion (US\$ 476.1 million) - a YoY increase of 65%
- Total income was Rs. 791.3 million (US\$ 11.8 million) for the quarter ended September 30, 2016 - a YoY increase of 5%
- The business had a profit of Rs. 206.4 million (US\$ 3.1 million) for the quarter ended September 30, 2016, as against a profit of Rs. 3.7 million for the corresponding previous period

- **Financial Performance**

(Rs. Million)

	Q2 FY17	Q2 FY16	Q1 FY17	FY16
Total Income	791	756	542	2,529
Total Expenditure	585	753	539	3,441
Profit before tax	206	4	3	(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 September 30, 2016, rose to Rs. 14.4 billion (US\$ 214.2 million) as against Rs. 12.5 billion as on September 30, 2015 - a YoY increase of 14%
- The resolutions amounted to Rs. 904.8 million (US\$ 13.5 million) as against Rs. 180.0 million in the quarter ended September 30, 2015 - a YoY increase of 403%
- Profit before tax for the quarter ended September 30, 2016, was Rs. 64.5 million (US\$ 1.0 million) - a YoY increase of 58%

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on September 30, 2016	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (September 30, 2016)	252,632,800
Closing market price (Rs.) (September 30, 2016)	546.9
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	4.4
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	2.1
F & O volume (NSE - for the quarter) (No. in million / day)	28.2
F & O value (NSE - for the quarter) (Rs. in billion / day)	13.0
Stock Beta (for quarter ended September 30, 2016)	1.5
Market capitalization as on September 30, 2016 (Rs. billion)	138.2
Market capitalization as on September 30, 2016 (US\$ billion)	2.1
Book value per equity share (Rs.)	629.9

Summarized shareholding pattern as of September 30, 2016

Category	No. of shares	Shareholding
Promoters	13,13,82,303	52.0%
Foreign investors - FIIs, NRIs and others	5,03,23,024	19.9%
Domestic institutions / Banks / Mutual funds	2,66,51,205	10.5%
Indian public and others	4,42,76,268	17.5%
Total	252,632,800	100.0%