

Reliance Capital Limited

**Review report on the results for the quarter ended
September 30, 2014 (un-audited)**

November 14, 2014

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. 60.60 = US\$ 1.00 for Q2 FY15 profit and loss items and Rs. 61.60 = US\$ 1.00 for balance sheet items as on September 30, 2014. 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	2012	2013	2014	Quarter ended September 30, 2014
Reliance Capital Limited (Consolidated)				
Total Revenues	66,269	75,186	75,441	20,845
Profit After Tax	4,578	8,119	7,465	2,175
Net worth	116,963	120,054	124,831	129,043
Total Assets	353,430	405,881	455,277	445,937
Reliance Life Insurance				
Total Premium (Net)	54,702	40,153	42,567	11,984
Profit Before Tax / (Loss)	3,726	3,804	3,589	526
Reliance General Insurance				
Gross Written Premium	17,548	20,362	24,417	6,481
Profit Before Tax / (Loss)	(3,416)	(928)	641	248
Reliance Commercial Finance				
Total Revenues	19,450	21,168	22,100	5,797
Profit Before Tax	2,537	3,420	4,295	954
Reliance Capital Asset Management (Consolidated)				
Total Revenues	6,647	7,346	7,749	2,235
Profit Before Tax	3,076	2,896	3,521	1,142
Broking & Distribution businesses				
Total Revenues	3,810	3,781	3,499	715
Profit Before Tax	554	448	(207)	1

Particulars	Year ended March 31,			Quarter ended September 30, 2014*
	2012 ⁺	2013 ⁺	2014 ⁺	
Reliance Life Insurance				
New business premium	18,093	13,766	19,340	5,863
Reliance General Insurance				
Combined Ratio (%)	145%	121%	119%	120%
Reliance Commercial Finance				
Loan book size	132,386	136,524	136,668	140,503
Reliance Mutual Fund				
Average Asset under Management (Rs. billion)	781	946	1,035	1,221
Broking & Distribution businesses				
Broking Accounts (Nos.)	683,500	710,000	723,600	735,600

⁺ 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 CNX Nifty Junior and MSCI India.

Reliance group is amongst India's leading business houses with over 200 million customers. It has a strong presence across a wide array of high growth consumer facing businesses of financial services, telecom, energy, power, infrastructure and media and entertainment.

Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial 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 FY15	Q2 FY14	Q1 FY15	FY14
Interest Income	9,896	9,065	9,530	36,814
Capital Gains / Dividend	1,007	793	719	1,521
Premium Earned	6,481	5,832	7,830	24,372
Management & Advisory Fee	1,967	1,783	1,851	6,991
Brokerage & Commission	789	573	892	2,664
Other Income	705	643	613	3,079
Total income	20,845	18,690	21,436	75,441
Interest & Finance charges	6,603	6,268	6,838	25,011
Other Expenses	11,610	10,783	13,012	41,960
Total Expenses	18,213	17,051	19,850	66,971
Profit before tax	2,632	1,639	1,586	8,470
Net Profit after Minority Interest & share of profit of associates	2,175	1,808	1,636	7,465
Diluted EPS (Rs.)	8.9	7.4	6.7	30.4

- Total consolidated income of Rs. 20.8 billion (US\$ 344.0 million) against Rs. 18.7 billion in the corresponding previous period - a YoY increase of 12%

- Interest & finance charges for the quarter were Rs. 6.6 billion (US\$ 109.0 million) - an increase of 5% as against the corresponding previous period
- Other expenses for the quarter were Rs. 11.6 billion (US\$ 191.6 million) - an increase of 8% as against the corresponding previous period
- Profit after tax, minority interest and share of profit of associates for the quarter ended September 30, 2014 was Rs. 2.2 billion (US\$ 35.9 million) - a YoY increase of 20%.
- Net debt to equity stood at 1.81 as on September 30, 2014, as compared to 1.80 at the end of Q2 FY14

Balance sheet

As on September 30, 2014, the company had total assets of Rs. 445.9 billion (US\$ 7.2 billion) - a YoY increase of 7%. The company had a net worth of Rs. 129.0 billion (US\$ 2.1 billion) - a YoY increase of 4%.

It enjoys the highest ratings of '**A1+**' by ICRA and CRISIL, for its short term borrowing program and '**CARE AAA**' by CARE for its long term borrowing program.

Reliance Life Insurance

- Reliance Life Insurance (RLI) offers products that fulfill savings and protection needs of customers. As on September 30, 2014, Reliance Life offered 24 products, of which 17 were targeted at individuals and 7 at group business
- As on September 30, 2014, Reliance Life Insurance had 8 optional rider offerings to provide comprehensive risk protection to customers. Of these, 6 was for Individual Business Segment and the rest for the Employee Benefits Business Segment
- RLI is amongst the leading Indian private sector insurers (in terms of new business premium) with a private sector market share of 7.6% (Source: September 2014 data, IRDA website)
- Total premium (net of reinsurance) for the quarter was Rs. 12.0 billion (US\$ 197.8 million) - a YoY increase of 11%
- New business premium for the quarter ended September 30, 2014, was Rs. 5.9 billion (US\$ 96.7 million) - a YoY increase of 15%. Of the new business individual premium, 74% was contributed by traditional products
- Renewal premium rose to Rs. 6.2 billion (US\$ 102.8 million) - a YoY increase of 8%
- Operating costs (excluding commission) were at Rs. 3.5 billion (US\$ 57.7 million) for the quarter ended September 30, 2014 - a YoY increase of 1%
- RLI achieved a profit before tax of Rs. 525.6 million (US\$ 8.7 million), for the quarter ended September 30, 2014 - a YoY decrease of 61%. The declared results of Reliance Capital include consolidation of 48% stake of RLI
- **Financial Performance**

	(Rs. Million)			
	Q2 FY15	Q2 FY14	Q1 FY15	FY14
First year premium	5,560	4,820	5,410	18,363
Single premium	303	267	130	977
Total new business premium	5,863	5,087	5,540	19,340
Renewal premium	6,230	5,782	4,192	23,494
Total premium (Net of Reinsurance)	11,984	10,769	9,679	42,567
Profit before tax	526*	1,356*	344	3,589*
Operating Costs (excl. commission)	3,497	3,452	3,611	13,982
Total Funds under management	188,969	175,250	191,160	183,278

* Including policyholder's surplus transferred to shareholders' account

- Average ticket size for the quarter rose to over Rs. 27,300 - a YoY increase of 39%
- The distribution network stood at over 900 offices across India
- Achievements and initiatives:
 - Reliance Life Insurance was voted as one of the 'Top 200 Best Brands in India' in a survey conducted by Economics Times and Nielsen
 - Reliance Life Insurance was voted as one of the Top 4 'Most Trusted Life Insurance companies in India' in a survey conducted by Brand Equity and Nielsen

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 7.4%
- Gross Written Premium for the quarter ended September 30, 2014, was Rs. 6.5 billion (US\$ 106.9 million) - a YoY increase of 11%
- During the quarter, RGI realized a gross written premium of Rs. 1.4 billion (US\$ 23.2 million) from commercial lines of business - a YoY increase of 32%
- **Segment-wise break up of Premium**

Particulars	Q2 FY15	Q2 FY14	Q1 FY15
Motor	59%	58%	51%
Health	18%	23%	22%
Fire & Engineering	10%	10%	16%
Marine	2%	1%	3%
Others	11%	7%	8%
Total	100%	100%	100%

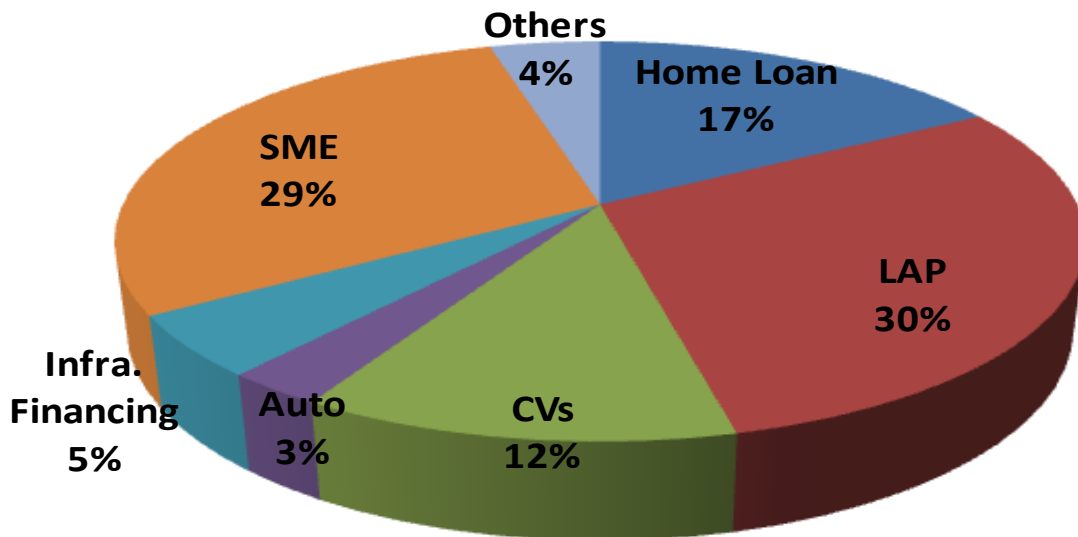
- Number of policies sold in the quarter rose by 29% to nearly 1.1 million
 - Usage of manual cover-note in Motor segment reduced from 9% in Q2 FY14 to 5% in Q2 FY15
- **Financial Performance**

	Q2 FY15	Q2 FY14	Q1 FY15	FY14
	(Rs. Million)			
Gross Written Premium	6,481	5,832	7,865	24,417
Profit before Tax / (Loss)	248	162	243	641
Combined ratio with pool	120%	120%	114%	119%
Capital infusion	150	-	-	-
Investment book	47,343	36,705	44,946	38,427
No. of policies issued (millions)	1.1	0.8	1.1	3.7
No. of branches	127	127	127	127
No. of intermediaries	16,058	13,398	15,562	15,547

- Online channel: Gross premium rose by 33%, while total policies sold increased by 59% over the corresponding previous period
- The combined ratio remained stable at 120% as against the corresponding previous period
- The profit was at Rs. 247.7 million (US\$ 4.1 million) for the quarter ended September 30, 2014, as against a profit of Rs. 161.6 million in the corresponding previous period - a YoY increase of 53%
- The solvency ratio for the business improved to 1.53 as on September 30, 2014
- The total capital invested is at Rs. 17.6 billion (US\$ 286.0 million)
- The distribution network composed of 127 branches and over 16,000 intermediaries as on September 30, 2014
- Achievements and initiatives:
 - Won 'Star of the Industry' awards (2014) for innovation in "Quality of Service Delivery" and "Product", organized by CMO India
 - Organised the National Conference Infrastructure Industry, which was attended by around 120 delegates from over 100 infrastructure companies

Reliance Commercial Finance

- Reliance Commercial Finance (RCF) offers a wide range of products which include Home loans, Loans against property, SME loans, Commercial vehicle loans, and Infrastructure 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, 2014, 100% of the outstanding book was secured
- The disbursements for the quarter ended September 30, 2014, were Rs. 26.4 billion (US\$ 435.4 million) as against Rs. 20.1 billion for the corresponding previous period - a YoY increase of 31%
- As on September 30, 2014, the assets under management (including securitized portfolio) was Rs. 187.4 billion (US\$ 3.0 billion) as against Rs. 161.0 billion as on September 30, 2013 - a YoY increase of 16%
- As on September 30, 2014, the outstanding loan book was Rs. 140.5 billion (US\$ 2.3 billion) as against Rs. 132.0 billion as on September 30, 2013 - a YoY increase of 6%. This loan book is spread across 69,000 customers from top 42 Indian metros
- **Loan Book Mix (as on September 30, 2014)**



- Personal loans (only to employees) formed a miniscule 0.05% of the outstanding loan book at the end of the quarter
- Total income stood at Rs. 5.8 billion (US\$ 95.7 million) in Q2 FY15 as against Rs. 5.4 billion in the corresponding previous period - a YoY increase of 8%
- The Net Interest Income for the quarter ended September 30, 2014, was at Rs. 1.7 billion (US\$ 27.4 million) - a YoY increase of 4%
- Average NIMs for the quarter ended September 30, 2014, rose to 5.5% as against 5.3% for the corresponding previous period
- RCF achieved a profit before tax of Rs. 954.5 million (US\$ 15.8 million) - a YoY increase of 5%
- The cost to income ratio for the quarter was at 16.9% as against 16.5% in Q2 FY14
- **Financial Performance**

	(Rs. Million)			
	Q2 FY15	Q2 FY14	Q1 FY15	FY14
Disbursements	26,386	20,141	20,412	98,039
Net Interest Income	1,663	1,601	1,671	7,069
Total Income	5,797	5,364	5,615	22,100
Interest expenses	3,571	3,327	3,448	13,308
Other expenses	978	883	953	3,619
Provisions	293	245	379	877
Profit before tax	954	908	836	4,295

- Gross NPLs were at 2.4% of outstanding AUMs at Rs. 4.4 billion (US\$ 72.1 million)
- The coverage ratio (including write-offs) stood at 55% as on September 30, 2014. Excluding write-offs, the ratio was at 19%

Reliance Capital Asset Management

- Reliance Capital Asset Management (RCAM) managed Rs. 2.2 trillion (US\$ 36.0 billion) as on September 30, 2014, across:
 - mutual funds* - Rs. 1.2 trillion (US\$ 20.1 billion)
 - pension funds - Rs. 898.6 billion (US\$ 14.8 billion)
 - managed accounts - Rs. 16.7 billion (US\$ 274.8 million) and
 - offshore funds - Rs. 47.4 billion (US\$ 782.4 million)

* - average assets under management for the quarter ended September 30, 2014

- RCAM continues to be the largest asset manager in the country
- RCAM's income from its operations for the quarter ended September 30, 2014, was at Rs. 2.2 billion (US\$ 36.9 million) - a YoY increase of 20%
- RCAM's total expenditure from its operations for the quarter ended September 30, 2014, was at Rs. 1.1 billion (US\$ 18.0 million) - a YoY decrease of 9%
- Profit before tax for the quarter ended September 30, 2014, was Rs. 1.1 billion (US\$ 18.8 million) - a YoY increase of 71%
- PBT margins rose to 51% in Q2 FY15 as against 36% for the corresponding previous quarter

- **Financial Performance**

(Rs. Million)

	Q2 FY15	Q2 FY14	Q1 FY15	FY14
Total Income	2,235	1,869	2,070	7,749
Total Expenses	1,093	1,203	1,183	4,228
Profit before tax	1,142	667	887	3,521

- Highlights for the quarter:
 - Retail debt forms over 28% of overall debt AUMs
 - 100% of RMF's equity schemes have beaten the benchmark in the 6-months as well as one-year time frame
 - Launched 'Reliance Japan Equity Fund', RMF's first International offering and a first-of-its-kind product, focusing specifically on the Japanese markets
 - Started the 'Investor Connect' initiative, through which investor meets were organized across India

- Conducted nearly 600 investor awareness programmes (IAPs), covering nearly 17,000 participants in the quarter
 - Over 90% of the IAPs were conducted in B15 locations to improve awareness levels in smaller locations

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 12%
- The AAUM for the quarter ended September 30, 2014, was at Rs. 1.2 trillion (US\$ 20.1 billion) as against Rs. 932.5 billion for the corresponding previous period - a YoY increase of 31%
- RMF continues to be one of the most profitable Mutual Funds in India
- Continued focus on the untapped retail opportunity
 - Gold Savings Fund
 - The ETF + FoF was Rs. 17.7 billion (US\$ 292.7 million) in AAUM for the quarter ended September 30, 2014
 - RMF had a 23% market share in gold AUMs as on September 30, 2014
- As on September 30, 2014, there were total 63 schemes - 26 Equity oriented schemes, 29 debt oriented schemes, 7 exchange traded schemes and 1 fund of funds scheme
- At the end of Q2 FY15, RCAM had a wide distribution network spanning over 170 touch points and more than 43,500 empanelled distributors

Broking business

- Reliance Capital's 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
- Equity Broking:
 - Over 735,600 retail broking accounts as on September 30, 2014 - a YoY increase of 2%
 - Daily average stock exchange turnover stood at Rs. 17.6 billion (US\$ 290.6 million) - a YoY increase of 28%
- Commodity Broking:
 - It has over 48,500 commodity broking accounts as on September 30, 2014 - a YoY increase of 18%
 - The average daily commodities broking turnover was Rs. 3.3 billion (US\$ 54.8 million) - a YoY increase of 5%
- Revenues of the broking business stood at Rs. 455.4 million (US\$ 7.5 million) for the quarter ended September 30, 2014 - a YoY increase of 25%
- Profit before tax for the quarter ended September 30, 2014, was Rs. 50.2 million (US\$ 0.8 million) - a YoY increase of 115%

- **Financial Performance**

(Rs. Million)

	Q2 FY15	Q2 FY14	Q1 FY15	FY14
Total Income	455	366	390	1,385
Total Expenditure	405	342	369	1,614
Profit before tax	50	23	22	(229)

- Achievements and initiatives:
 - Received the “Asia Customer Game Changer Award” for Best Customer Experience Management at Asian Customer Festival 2014
 - Received the “Excellence Award for Innovation in Technology and Customer Experience” by Institute of Economic Studies

Distribution business - ‘Reliance Money’

- The distribution business of Reliance Capital, branded as ‘Reliance Money’, is a comprehensive financial services and solutions provider, providing customers with access to mutual funds, life and general insurance products, loans, and other premium financial products such as PMS, private equity, REITs, etc.
- As on September 30, 2014, Reliance Money had a pan India distribution network of over 4,600 outlets
- Wealth Management:
 - In wealth management, client needs are assessed to create customized financial investment opportunities
 - The AUM as on September 30, 2014, increased to Rs. 9.7 billion (US\$ 156.8 million) - a YoY increase of 32%
- Reliance Money’s revenues stood at Rs. 259.3 million (US\$ 4.3 million) for the quarter ended September 30, 2014 - a YoY decrease of 26%
- The business made a loss of Rs. 49.3 million (US\$ 0.8 million) for the quarter ended September 30, 2014
- **Financial Performance**

(Rs. Million)

	Q2 FY15	Q2 FY14	Q1 FY15	FY14
Total Income	259	352	257	1,447
Total Expenditure	309	360	272	1,419
Profit before tax	(49)	(8)	(15)	28

Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt / assets
- Banks continued to aggressively sell NPAs during the quarter. Banks sold NPAs of approx. Rs. 70 billion (acquisition by ARCs approx. at Rs. 25 billion) during the quarter.
- The assets under management as on September 30, 2014, rose to Rs. 10.5 billion (US\$ 171.1 million) as against Rs. 732.1 million as on September 30, 2013

SECTION 3

CAPITAL MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on September 30, 2014	
Code/ Exchange	500111 / BSE RELCAPITAL / NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (September 30, 2014)	245,632,800
Closing market price (Rs.) (September 30, 2014)	455.4
Combined volume (NSE & BSE) (for the quarter) (No. in million / day)	3.8
Combined value (NSE & BSE) (for the quarter) (Rs. billion / day)	2.1
F & O volume (NSE - for the quarter) (No. in million / day)	26.5
F & O value (NSE - for the quarter) (Rs. in billion / day)	15.5
Stock Beta (for quarter ended September 30, 2014)	1.7
Market capitalization as on September 30, 2014 (Rs. billion)	111.8
Market capitalization as on September 30, 2014 (US\$ billion)	1.8
Book value per equity share (Rs.)	525.3

Summarized shareholding pattern as of September 30, 2013

Category	No. of shares	Shareholding
Promoters	132,982,303	54.1%
Foreign investors - FIIs, NRIs and others	49,704,194	20.2%
Domestic institutions/ Banks / Mutual funds	18,976,255	7.7%
Indian public	43,970,048	17.9%
Total	245,632,800	100.0%