

Reliance Capital Limited

**Review report on the results for the financial year ended
March 31, 2011 (Audited)
May 30, 2011**

Safe Harbor

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 45.26 = US \$ 1.00 for Q4 FY11 & rate of Rs. 45.58 = US \$ 1.00 for FY11 for profit and loss items and the rate of Rs. 44.65 = US \$ 1.00 for balance sheet items as on March 31, 2011. 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+	Year Ended March 31,		
	2009	2010	2011
Reliance Capital Limited (Consolidated)			
Total Revenues	59,400	61,406	54,985
Profit After Tax (Before One Time Provisioning)*	10,157	4,345	2,912
Net Worth	73,403	77,125	78,097
Total Assets	242,600	254,438	319,939
Reliance Capital Asset Management (Consolidated)			
Total Revenues	4,547	6,817	7,330
Profit Before Tax	1,686	2,680	2,943
Reliance Life Insurance			
Total Premium (Net)	49,153	65,883	65,479
NBAP	6,196	6,203	3,619
Reliance Commercial Finance			
Total Revenues	12,002	13,252	13,368
Profit Before Tax	911	1,350	2,693
Broking & Distribution businesses (Reliance Money)			
Total Revenues	3,520	2,585	2,235
Profit Before Tax	581	149	345
Reliance General Insurance			
Gross Written Premium	19,149	19,797	16,554
Profit Before Tax	(502)	(905)	(3,098)

Particulars+	Year ended March 31,		
	2009	2010	2011
Reliance Mutual Fund			
Average Asset under Management (Rs. billion)	795	1,144	1,106
Reliance Life Insurance			
New business premium	35,140	39,208	30,349
Reliance General Insurance			
Combined Ratio (%)	114%	117%	136%
Reliance Commercial Finance			
Loan book size	85,761	91,658	122,901
Reliance Securities			
Broking Accounts (Nos.)	1,010,000	640,000	663,900

+ All the financial highlights given are based on consolidated audited results

* - One time provisioning of Rs. 1.8 billion (US\$ 40 million) on account of change in provisioning norms for commercial motor third party pool loss in general insurance, as intimated by the regulator.

SECTION 2

AN OVERVIEW

Introduction:

Reliance Capital is one of India's leading private sector financial services companies and ranks among the top 4 private sector financial services and banking groups, in terms of net worth.

Reliance Capital is a part of the Reliance Group and is a constituent of S&P CNX Nifty and MSCI India.

Reliance group is amongst India's leading business houses with over 230 million customers. It has a strong presence across a wide array of high growth Commercial- facing businesses of Telecom, Financial Services, Energy, Power, Infrastructure and Media and Entertainment.

Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial finance; stock broking; investment banking; wealth management services; distribution of financial products; exchanges; private equity; asset reconstruction; proprietary investments and other activities in financial services.

Reliance Capital Asset Management (RCAM)

- Reliance Capital Asset Management managed Rs. 1.5 trillion (US\$ 33 billion) as on March 31, 2011 across:
 - mutual funds* – Rs. 1,016 billion (US\$ 22 billion)
 - pension funds – Rs. 444 billion (US\$ 10 billion)
 - managed accounts – Rs. 19 billion (US\$ 434 million) and
 - hedge funds – Rs. 12 billion (US\$ 271 million)
- * - average assets under management for the quarter ended March 31, 2011
- RCAM's income from its operations for the year ended March 31, 2011 was at Rs. 7.3 billion (US \$ 161 million) – YoY increase of 8%
- Profit before tax for the Year ended March 31, 2011 was Rs. 2.9 billion (US\$ 65 million) – YoY increase of 10%
- Focus on higher margin products and leaner cost of operations has improved PBT to AAUM ratio to 30 bps from 25 bps in previous year – YoY increase of 20%

Reliance Mutual Fund (RMF)

- Reliance Mutual Fund (RMF) has maintained its leadership position in the country. It had a market share of 14.5% at the end of March 31, 2011
- The AAUM for the quarter ended March 2011 was at Rs. 1,016 billion (US\$ 22 billion) as against Rs. 1,144 billion for the corresponding previous period, a decrease of 11%. The mutual fund industry witnessed a decline in Institutional AUM due to hardening in liquidity conditions and RMF's shift in the product mix, with focus on higher margin products has improved its profitability by 20% YoY.
- The high focus on the untapped retail opportunity continues
 - Reliance Mutual Fund launched an unique retail Gold Savings Fund NFO in Q4FY11
 - The fund is the largest and first Gold fund in India
 - More than 200,000 investors participated in this NFO through SIPs and RMF has received a commitment of approximately Rs. 30 billion (US\$ 672 million) over 10 years through these SIPs
 - The number of investor folios in RMF remained steady at 7.3 million as on March 31, 2011, with a market share of over 15% in number of investor folios
 - During the year, the Systematic Investment Plan (SIP) and Systematic Transfer Plan (STP) investor accounts increased by 71% to 1.9 million. During the year, RMF added an average of 100,000 SIPs every month
 - RMF has created a wide distribution network in more than 200 cities and over 75,000 retail touch points in India
 - The focus on Tier 2 & 3 locations and alternate channels has shown results. RMF's market share in terms of AUM garnered from beyond the 100th location in India, is more than 40%
- Reliance Emergent India fund AUM increased by over 850% YoY to nearly Rs. 5 billion (US\$ 106 million)

- Achievements in FY11:
 - RMF has been awarded with 'Best Fund House – Debt Category' by ICRA & Bloomberg UTV
 - RMF won the award for 'Best Asset Management Company' from Business World
 - RMF won the 'Best Mutual Fund House' Award by Outlook Money
 - RMF won 5 Awards - the maximum by any AMC - on different categories in the NDTV Profit Mutual Fund Awards 2010
 - RMF won the Bloomberg UTV award in Investor Education – 'Best Contribution in Investor Education & Category Enhancement of the Year'. During the year, RMF conducted over 4,400 training programs with more than 100,000 participants
 - RCAM is the first AMC to create a separate asset category in Gold for retail investors by launching Gold Savings Fund allowing retail investors to invest as low as Rs. 500 without the need of a DEMAT account
 - ET Intelligence Group awarded RMF with 12 awards including the highest number (5) of Platinum Awards for the various schemes
 - Achieved the highest CSAT (customer satisfaction survey) score conducted by AC Nielsen – the highest in the industry, reflecting the positive experience of customers and distributors

Reliance Life Insurance

- Reliance Life Insurance (RLI) offers products that fulfill savings and protection needs of customers. Reliance Life offers 23 products, of which 18 are targeted at individuals and 5 at group business. Reliance Life is committed to emerge as a transnational Life Insurer of global scale and standard and attaining leadership rankings in the industry within the next few years
- RLI is amongst top 4 in the private sector in terms of individual new business premium with a private sector market share of 8.7% (Source: FY11 data, IRDA website)

- Total premium for the year remained steady at Rs. 65.5 billion (US\$ 1.4 billion) as against Rs. 65.9 billion for the corresponding previous period
- Renewal premium for the year was Rs. 35 billion (US\$ 776 million) as against Rs. 27 billion – an increase of 32%
- New business premium for the year was Rs. 30 billion (US\$ 666 million) as against Rs. 39 billion
- The total funds under management were at Rs. 179 billion (US\$ 4 billion) as on March 31, 2011 against Rs. 137 billion as on March 31, 2010 – an increase of 31%
- The new business achieved profit (NBAP) margin for the year ended March 31, 2011 was Rs. 3.6 billion (US\$ 79 million), translating to a NBAP margin of 16.73%
- The loss for the year ended March 31, 2011 stood at Rs. 1.3 billion (US\$ 28 million) as against Rs. 2.8 billion for the previous corresponding period – a decrease of 54%. In fact, RLIC turned profitable in H2 FY11 with a profit of Rs. 341 million (US\$ 7 million). RLIC will be profitable in FY12
- During the year, capital of Rs. 1.2 billion was infused into the Company, as against Rs. 2.3 billion in FY10 – a decrease of 48%. RLIC did not need fresh capital infusion for the last two quarters of FY11, reflecting successful steps taken towards achieving profitability. The capital invested in this business, till date, is Rs. 31 billion (US\$ 692 million)
- RLIC sold the highest number of individual premium policies in FY11 in the private sector at 1,902,685, across 1,248 branches. The total number of policies in force have crossed 5 million, a YoY growth of 14%
- The number of agents at the end of March 31, 2011 was 189,304 as against 195,565 at the end of March 31, 2010 – a decrease of 3%, in line with the focus on productivity and performance of agents
- Achievements in FY11:
 - In Q4FY11, Nippon Life, Japan's largest private life insurer, signed a definitive agreement to acquire a 26% stake in Reliance Life Insurance, subject to necessary regulatory approvals
 - This is the largest FDI in Indian Financial Services sector and by far, the largest FDI in Insurance sector

- The transaction pegs Reliance Life Insurance valuation at Rs. ~115 billion (US\$ 2.6 Billion). Nippon Life Insurance will invest Rs. 31 billion (US\$ 680 million) to acquire 26% in Reliance Life Insurance
 - Nippon Life is 121 year old life insurance company, 6th largest in the world and largest in Japan. As a strategic partner, Nippon Life will bring vast experience, expertise and global best practices - in areas of product development, underwriting, investment management, distribution, customer relationship management and risk management
- RLIC was assigned 'BWR AAA^{efs}' risk rating from Brickwork Ratings for best Enterprise wide risk management capabilities and financial strength to meet ongoing policyholder obligations. It is the first life insurance company in India to be awarded a high rating from Brickwork, a global reputed risk rating agency
- Superior fund management performance – 17 of the 23 funds outperformed their respective benchmark indices. And the Flagship Equity Fund which is largest ULIP fund in private sector Industry with an AUM of Rs. 94 billion (US \$ 2.1 billion) is amongst the top 3 in fund performance
- During the year, RLIC launched 7 new products – 6 targeted towards individuals and 1 group premium product
 - RLIC made its foray into the health insurance space with the launch of a new health insurance product – 'Reliance Life Care For You', which offers unique and attractive features that are first-of-a-kind in India
- Amongst 'Top 3 Most Trusted Insurance Brands' by ET-Brand Equity Most Trusted Brands Survey 2010. Ranked No 30 amongst 'Most Trusted Service Brands'
- Awarded 'Best campaign 'of the year' and 'Brand excellence' by CMO Asia
- Won the iCGM Enterprise & IT Architecture Excellence Award under the category 'Business Process Management & BPMS' in 2010
- Won the Celent Model Insurer Award 2010 in the area of Service

Reliance Commercial Finance

- Reliance Commercial Finance offers a wide range of products which include Home loans, Loans against property, SME loans, Commercial Vehicle loans, Loans for Construction equipment , Loans against securities and Infrastructure financing
- The focus at Reliance Commercial Finance is not only credit growth per se but the quality of credit sourced. In line with this, the Company has been disbursing only secured asset backed loans and winding down the unsecured loans portfolio
- RCF is amongst the leading lenders in the Indian non banking finance sector
- The disbursements for the year ended March 31, 2011 were Rs. 88 billion (US\$ 1.9 billion) as against Rs. 58 billion for corresponding previous period – an increase of 52%
- As on March 31, 2011, the assets under management (including securitized portfolio) was Rs. 138 billion (US\$ 3.1 billion) as against Rs. 110 billion as on March 31, 2010 – a YoY increase of 25%
- As on March 31, 2011 the outstanding loan book was Rs. 123 billion (US\$ 2.8 billion) as against Rs. 92 billion at the end of March 31, 2010 – YoY increase of 34%. This loan book is spread across 109,833 customers from top 18 Indian metros
- During the year, the Company securitized loans of Rs. 11 billion (US\$ 236 million), as against Rs. 25 billion in previous year – a YoY decrease of 58%
- At the end of March 31, 2011, 97% of outstanding loan book was secured as against 88% at the end of March 31, 2010
- The Net Interest Income for the year ended March 31, 2011 was Rs. 5.1 billion (US\$ 112 million) – YoY increase of 11%
- Reliance Commercial Finance achieved a profit before tax of Rs. 2.7 billion (US\$ 59 million) as against Rs. 1.4 billion for the corresponding previous period – an increase of 99%
- Breaking up the financials into Secured and Unsecured:
 - The Secured book generated a net interest income of Rs. 4.5 billion (US\$ 98 million) for the Year ended March 31, 2011 – a YoY increase of 36%. It achieved a profit before tax of Rs. 3.2 billion (US\$ 71 million) for the Year ended

March 31, 2011, as against Rs. 3.1 billion for the corresponding previous period – YoY increase of 5%. There was no securitization profit booked in FY11. Excluding the securitization profit in FY10, the profit of secured book increased by nearly 65% in FY11 over FY10

- The unsecured loans generated a net interest income of Rs. 654 million (US\$ 14 million) for the year ended March 31, 2011, as against Rs. 1.3 billion for the corresponding previous period. – a decrease of 50%. The loss reduced to Rs. 553 million (US\$ 12 million) from Rs. 1.7 billion for the corresponding previous period – YoY reduction of 68%

Broking businesses:

- Reliance Securities, the equity broking arm of Reliance Capital, is the one of the leading retail broking houses in India, providing customers with access to equities, equity options, wealth management, mutual funds, IPOs, and investment banking
- The key focus at Reliance Securities is on the business verticals of equity broking, wealth management and investment banking
- Equity Broking:
 - It had 663,868 retail broking accounts at the end of March 31, 2011
 - The average daily equity broking turnover stood at Rs. 14 billion (US\$ 310 million) at the end of March 31, 2011
- Wealth Management:
 - In wealth management, client needs are assessed to create customized financial investment opportunities. Customized individual portfolios are based on their diverse investment needs and risk profiles
 - The AUM as on March 31, 2011 has increased to Rs. 1.7 billion (US\$ 38 million) from Rs. 900 million as on March 31, 2010 – an increase of 88%

- Investment Banking:
 - In investment banking, the capital requirements of enterprises are addressed through various instruments- IPOs, private placements, M&A etc
 - In FY11:
 - As Syndicate member, handled 4 issues; total amount mobilized – Rs. 6.2 billion (US\$136 million)
 - IPO funding – Rs. 35 billion (US\$ 784 million)
- Reliance Commodities, the commodity broking arm of Reliance Capital, is one of the leading retail broking houses in India, providing customers with access to the commodities market
 - It had 34,200 commodity broking accounts at the end of March 31, 2011
 - The average daily commodities broking turnover was at Rs. 3 billion (US\$ 68 million).
- The business achieved revenues of Rs. 1.6 billion (US\$ 36 million) for the year ended March 31, 2011 as against Rs. 2.2 billion for the corresponding previous period
- The profit before tax for the year ended March 31, 2011 was Rs. 221 million (US\$ 5 million), as against Rs. 275 million for the corresponding period in previous year

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, money transfer, currency exchange, loans , gold coins and premium products
- As on March 31, 2011, Reliance Money had a pan India distribution network of over 6,200 outlets
- Reliance Money is manufacturer agnostic and distributes mutual funds, life & general insurance products, loans and precious metal retailing

- It has tied up with India Post to sell gold coins through the post office network across the country
- Through its pan India presence, Reliance Money sold over 1,450 kilos of gold in the year ended March 31, 2011 – a 235% YoY increase
- Reliance Money is the largest private sector partner for Western Union Money Transfer in India – Over 2 million money transfer transactions handled during the year – a 20% YoY increase. The market share in FY11 increased to 12% as against 10.7% for the corresponding previous period
- Reliance Money achieved revenues of Rs. 585 million (US\$ 13 million) for the year ended March 31, 2011 – YoY increase of 35%
- The business achieved a profit before tax of Rs. 124 million (US\$ 3 million) for the year ended March 31, 2011, as against a loss of Rs. 126 million for the corresponding previous period

Reliance General Insurance

- Reliance General Insurance (RGI) offers insurance solutions for auto, health, home, property, travel, marine, commercial and other specialty products
- RGI is the amongst the leading private sector general insurance players in India with a private sector market share of 9.4% The focus at RGI continues to be on writing profitable business and improving the combined ratio
- Gross Written Premium for the year ended March 31, 2011 was Rs 17 billion (US\$ 363 million) – a decline of 16% over previous year, in line with the strategy of underwriting strategy at RGI
- The loss for the year ended March 31, 2011 was at Rs. 3.1 billion (US\$ 68 million) as compared to Rs. 905 million for the Year ended March 31, 2010.
- The loss for the year has largely been on account of change in the provisioning norms relating to commercial motor third party pool losses. These third party pool losses have been shared by the industry players in proportion of their total industry market share. RGI has provided for these losses fully during Q4FY11

- The combined ratio (with pool) was 136% this year as against 117% for the year ended March 31, 2010. This was on account of providing for third party motor pool losses in the year, in line with changes in accounting policy for pool losses
- The investment book increased 29% YoY to Rs. 21 billion (US\$ 479 million). This includes the money managed by the Third Party Motor Pool, that has been returned to the Company as per regulatory changes
- During the year, Rs. 1.4 billion (US\$ 32 million) was infused into the business, as against Rs. 2.1 billion in FY10 – a decrease of 32%. The total capital invested till date is Rs. 11.5 billion (US\$ 257 million)
- The distribution network composed of 200 branches and over 4,200 intermediaries and associates, at the end of March 31, 2011

Reliance Exchangenext Ltd (R Next)

- Reliance Exchangenext Limited (R Next), is an initiative of Reliance Capital in the exchange space to set up modern exchanges, in various segments
- During the year, R Next acquired 26%, as an anchor investor, in Indian Commodity Exchange Ltd (ICEX), a screen based online derivative exchange for commodities
 - ICEX has pedigreed investors and along with Reliance Spot Exchange (RSX), will be able to offer comprehensive range of integrated products. ICEX will enable physical delivery to its members while RSX members can hedge their positions, creating immense benefit for the members of both exchanges and upgrade the existing ecosystem
 - R Next aims to make ICEX an unique Commodity Exchange – a choice of all Stake Holders

Reliance Spot Exchange (RSX)

- Reliance Spot Exchange, a wholly owned subsidiary of R Next, is a physical delivery based commodity exchange set up by R Next
- RSX has received state licenses from Gujarat, Karnataka & Rajasthan Governments. The process for obtaining state licenses from Maharashtra, Andhra Pradesh and Madhya Pradesh has been initiated

- Post receiving Licenses from Gujarat, Rajasthan and Karnataka, daily transactions are being executed on the exchange auction platform. The total delivery transacted has crossed 6,500 metric tonnes
- During the year, RSX has received a trademark for 'e-mandi' an innovative electronic solution for auction markets
- RSX aims to bring different markets together on a national electronic platform thereby creating transparency, efficiency and infrastructure for spot markets across India
- Reliance Spot Exchange is an initiative of Reliance Capital in the exchange space to set up modern exchanges, in various segments

Quant Capital

- Reliance Capital has a majority stake in Quant Capital, for which all necessary approvals have been taken. The management team at Quant Capital continues to be responsible for its operations
- Quant Capital focuses on the wholesale client segment of the capital markets which includes foreign and domestic institutions, corporations and ultra high net worth individuals
- Quant Capital has built and implemented state of the art trading, risk and operational platforms. The firm employs nearly 200 professionals with diverse skills sets and has expanded its research and quantitative teams to ensure complete sector coverage across Indian equities

Reliance Equity Advisors (India) Limited (REAL)

- Reliance Equity Advisors, wholly owned subsidiary of Reliance Capital, manages a private equity fund, the Reliance Alternative Investments Fund – Private Equity Scheme I, which has successfully raised funds in the domestic market from Institutional and HNI clients
- The fund's investments in the sectors of education and infrastructure materials respectively are progressing in line with expectations

- REAL continues to evaluate investment opportunities in the promising and fast growing sectors. Some of the other investments in the pipeline include companies in the fast growing sectors of the consumer durables, auto-components, power equipment manufacture, printing & media and fashion & designer apparel amongst others

Reliance Asset Reconstruction

- Reliance Asset Reconstruction Ltd. (Reliance ARC) is in the business of acquisition, management and resolution of distressed debt/assets. The other sponsors/shareholders of Reliance ARC are Corporation Bank, Indian Bank, GIC of India, Dacecroft and Blue Ridge
- The assets under management as on March 31, 2011 were nearly Rs 2 billion (US\$ 44 million) – 12 fold YoY increase

Reliance Venture Asset Management (RVAM)

- Reliance Venture Asset Management, wholly owned subsidiary of Reliance Capital, is the venture capital arm of the Reliance Group with an investment mandate to incubate or invest into high-growth, new business ideas and is stage, sector and geography agnostic
- Ranked 30th in the reputed list of US-based, Red Herring Top 100 Global Venture Capital firms in 2009 out of 1,800 global VC firms, from 32 countries, and across 12 benchmarks, Reliance Venture is the only Indian Corporate Venture Capital firm to feature in the ranking
- RVAM is also a recipient of the "Excellence Award" from India's Institute of Economic Studies, a quasi-government agency started by Members of the Indian Parliament, industry leaders, economists and educational leaders.
- RVAM's portfolio companies are considered as category creators and industry leaders. It has spawned companies including household names such as India's largest online travel website 'Yatra.com', 'Suvidhaa' - India's leading service commerce company, 'Stoke, Inc.' - a leader in multi access convergence network, 'Tessolve' - a leading semi-conductor testing company amongst many others
- The Company has fostered relations with global premier institutions and is the exclusive India partner for MIT and Stanford University for their entrepreneurship and business competitions. RVAM has also funded two start-ups from MIT

- RVAM endeavours to be the preferred choice and premier partner of all its portfolio companies and assures its full commitment to them over an unlimited period of time
- As on March 31, 2011, RVAM managed assets of nearly Rs. 1.9 billion (US\$ 42 million)

SECTION 3

FINANCIAL AND OPERATING HIGHLIGHTS

Key Highlights for the Year ended March 31, 2011

- Total income of Rs. 55 billion (US\$ 1.2 billion) against Rs 61 billion in the corresponding period, a decrease of 10%, mainly owing to decline in general insurance premium and lower capital gains booked during the year
- Net Profit of Rs. 4.7 billion (US\$ 104 million) (before one time provisioning) ,against Rs 4.3 billion in the corresponding period – an increase of 9%
- One time provisioning of over Rs. 1.8 billion (US\$ 40 million) made on account of change in provisioning norms relating to commercial motor third party pool losses in general insurance, as intimated by the regulator. These losses, aggregating to approximately Rs. 70 billion crore (US\$ 1.5 billion) for the entire industry, have been shared by all industry players in proportion to their total market share
- Owing to this provisioning, the Net profit declined by 33% to Rs 2.9 billion (US\$ 64 million) (after one time provisioning),, as against Rs 4.3 billion in the corresponding previous period
- Nearly 100% of operating profits from core businesses as against 56% in FY10
- 43% YoY increase in operating profits of core businesses of asset management, commercial finance and broking & distribution, at Rs. 6 billion (US\$ 131 million)

Summary of Consolidated Financial Statements

(Rs. Million)

	FY11	FY10
Total income	54,985	61,406
Staff costs	4,968	5,354
Other expenditure	12,036	13,909
Reinsurance premium ceded	6,635	7,272
Claims incurred	13,314	11,857
Interest & financial charges	14,629	13,324
Depreciation	500	676
Profit before tax	2,912	5,883
Net Profit after Minority Interest & share of profit of associates	2,912	4,345
Diluted EPS (Rs)	11.85	17.63

Total income:

RCL's consolidated income from operations for the Year ended March 31, 2011 was Rs. 55 billion (US \$ 1.2 billion from Rs 61 billion in the corresponding previous period – a decrease of 10 %, mainly owing to decline in general insurance premium and lower capital gains booked during the year

Operating expenses:

Staff costs for the year ended were Rs. 5.0 billion (US\$ 109 million) as against Rs. 5.3 billion in the corresponding period – a decrease of 7%.

Selling, general & administrative expenses for the Year ended March 31, 2011 were Rs. 12 billion (US\$ 264 million) as against Rs 14 billion in the corresponding previous period – a decrease of 13%.

This was in line with the cost rationalization measures taken across business to create leaner cost structures.

Finance cost and Net profit from operations:

Interest & finance charges for the Year were Rs. 14 billion (US \$ 321 million) as against Rs. 13 billion in the corresponding previous period – an increase of 10%.

Depreciation for the Year was Rs. 500 million (US\$ 11 million) as against Rs. 676 million in the corresponding previous period, a decrease of 26%.

Net Profit of Rs. 4.7 billion (US\$ 104 million) (before one time provisioning) against Rs 4.3 billion in the corresponding period – an increase of 9%

One time provisioning of over Rs. 1.8 billion (US\$ 40 million) made on account of change in provisioning norms relating to commercial motor third party pool losses in general insurance, as intimated by the regulator. These losses, aggregating to approximately Rs. 70 billion crore (US\$ 1.5 billion) for the entire industry, have been shared by all industry players in proportion to their total market share

Owing to this provisioning, the Net profit declined by 33% to Rs 2.9 billion (US\$ 64 million) (after one time provisioning), as against Rs 4.3 billion in the corresponding previous period

Nearly 100% of the operating profits were from core businesses as against 56% in FY10

43% YoY increase in profits of major operating businesses of asset management, commercial finance and broking & distribution, at Rs. 6 billion (US\$ 131 million)

Balance sheet

As on March 31, 2011, the company had total assets of Rs 320 billion (US\$ 7 billion) – YoY increase of 23% and a net worth of Rs. 78 billion (US\$ 2 billion) – YoY increase of 1%

The company had a net debt of Rs 174 billion (US\$ 4 billion) as on March 31, 2011 and equity of Rs. 78 billion (US\$ 2 billion), resulting to net debt to equity ratio of 2.2

BUSINESS WISE PERFORMANCE

RELIANCE CAPITAL ASSET MANAGEMENT

FINANCIAL PERFORMANCE

(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
Total Income	2,058	1,936	1,853	7,330	6,817
Total Expenses	1,306	1,119	940	4,387	4,137
Profit before tax	752	817	913	2,943	2,680

Discussion of financial performance

Total income:

- RCAM's income from its operations for the year ended March 31, 2011 was at Rs. 7.3 billion (US \$ 161 million) from Rs. 6.8 billion in the previous period – a YoY increase of 8%
- Total expenses for the year ended March 31, 2011, grew by 6% YoY to Rs. 4.4 billion (US\$ 97 million). This was on account of the Gold NFO launch in Q4FY11 and expansion of the domestic and international operations
- Profit before tax for the year ended March 31, 2011 was Rs. 2.9 billion (US\$ 65 million) as against Rs. 2.7 billion in the previous year, an increase of 10%
- Focus on higher margin products and leaner cost of operations has improved PBT to AAUM ratio to 30 bps from 25 bps in previous year – YoY increase of 20%

RELIANCE LIFE INSURANCE

- Amongst top 4 in terms of individual new business premium with a private sector market share of 8.7%

FINANCIAL PERFORMANCE
(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
First year premium	6,748	16,255	3,682	22,846	36,302
Single premium	3,549	1,243	2,255	7,503	2,906
Total new business premium	10,297	17,498	5,937	30,349	39,208
Renewal premium	13,045	10,770	8,570	35,362	26,841
Reinsurance ceded	(60)	(43)	(37)	(233)	(166)
Total premium	23,282	28,225	14,470	65,479	65,883
No of policies issued	484,223	734,916	308,923	1,903,067	2,326,154
Average premium per policy (Rs.) (Individual business)	15,944	18,758	18,555	13,973	14,569
Average tenure of policies issued	15.2	14.6	15.2	14.8	14.4
No of branches	1,248	1,247	1,248	1,248	1,247
No of agents	189,304	195,565	215,952	189,304	195,565
Total Funds under management	178,553	136,608	173,548	178,553	136,608
Capital infused	0	1,660	0	1,200	2,310

- Total premium for the year was Rs. 65.5 billion (US\$ 1.4 billion) as against Rs. 65.9 billion for the corresponding previous period
- Renewal premium for the year was Rs. 35 billion (US\$ 776 million) as against Rs. 27 billion – an increase of 32%
- New Business Premium Income was Rs 30 billion (US\$ 666 million) for the year as against Rs 39 billion in the corresponding previous period
- The total funds under management were at Rs. 179 billion (US\$ 4 billion) as on March 31, 2011 against Rs. 137 billion as on March 31, 2010 – an increase of 31%
- The loss for the year ended March 31, 2011 stood at Rs. 1.3 billion (US\$ 28 million) as against Rs. 2.8 billion for the previous corresponding period – a decrease of 54%.

In fact, RLIC turned profitable in H2 FY11 with a profit of Rs. 341 million (US\$ 7 million). RLIC will be profitable in FY12

- During the year, capital of Rs. 1.2 billion was infused into the Company, as against Rs. 2.3 billion in FY10 – a decrease of 48%. RLIC did not need fresh capital infusion for the last two quarters of FY11, reflecting successful steps taken towards achieving profitability. The capital invested in this business, till date, is Rs. 31 billion (US\$ 692 million)
- RLIC sold the highest number of individual premium policies in FY11 in the private sector at 1,902,685, across 1,248 branches. The total number of policies in force have crossed 5 million, a YoY growth of 14%
- The number of agents at the end of March 31, 2011 was 189,304 as against 195,565 at the end of March 31, 2010 – a decrease of 3%, in line with focus on productivity and performance of agents

NEW BUSINESS ACHIEVED PROFIT (NBAP)

New Business Achieved Profit:

Definition

NBAP is defined as present value of future profits for shareholders on account of new business sales, based on a given set of assumptions. Actual experience may differ from these assumptions.

Basis of preparation

The NBAP is calculated net of tax after providing for cost of capital that would be required to support business. The cost of capital is taken as the difference between the nominal value for solvency capital and the present value, at the risk discount rate, of future releases of capital together with investment earnings on the solvency capital.

- **The new business achieved profit for year ended March 31, 2011 was Rs. 3.6 billion (US\$ 79 million)**
- **The new business achieved profit margin for year ended March 31, 2011 was 16.73%**

The assumptions used for calculating NBAP are as follows:

Economic Assumptions:

Particulars	Assumptions p.a.
Cash/ Money Market/ TB	5.00%
Government Securities	7.50%
Corporate Bonds	8.50%
Equities	12.00%
Inflation	5.50%
Risk discount rate	12.50%
Tax rate	14.1625%

Operating Assumptions:

- Operating assumptions such as mortality, morbidity & persistency are based industry & reinsurers experience, using our operating experience where such experience is credible

- Expense assumptions are based on our latest expense projection which reflects recent responses to lower growth environment. The chosen expense loadings are consistent with current pricing assumptions & represent our most recent view of long term expense assumptions
- No allowance has been made for any expense over runs that we experience in the short term
- Projections assume that we pay tax at the full rate of tax, with no credit for existing tax losses

Sensitivity:

The sensitivity of the NBAP to economic assumptions is given below:

(Rs. Million)

Particulars	Base Value	+ 1%	- 1%
Investment return	3,619.17	3,943.91	3,305.01
Risk discount rate	3,619.17	3,262.72	4,013.30

- The investment return sensitivity considers a change in the assumed rate of growth for unit-linked funds, the assumed rate of investment return on non unit cash flows and reserves and on assets supporting the solvency margin, and a change in the rate of expense inflation.

Further consideration:

- NBAP reflects 97.36% of new business written in the year ended March 31, 2011
- The value from group business and part of traditional business has been ignored.. These two business lines represent 1.62% and 1.02% of the annualized new business premium

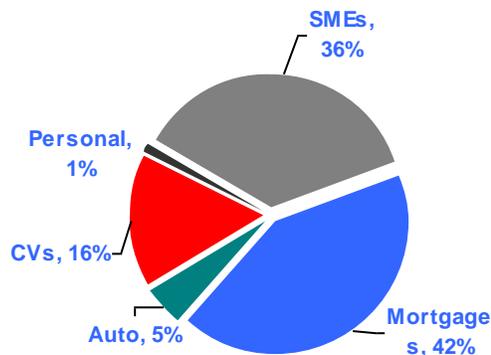
RELIANCE COMMERCIAL FINANCE

Discussion of financial performance

- Reliance Commercial Finance disbursed Rs. 88 billion (US\$ 1.9 billion) of secured loans during the year, as against Rs. 58 billion for the corresponding previous period, increase of 52%
- As on March 31, 2011, the assets under management (including securitized portfolio) was Rs. 138 billion (US\$ 3.1 billion) as against Rs. 110 billion as on March 31, 2010 – increase of 25%
- As on March 31, 2011 the outstanding loan book was Rs. 123 billion (US\$ 2.8 billion), up 34% from Rs.92 billion as at the end of March 31, 2010. This loan book is spread across 109,833 customers from top 18 Indian metros
- At the end of March 31, 2011, 97% of outstanding loan book was secured as against 88% at the end of March 31, 2010
- Personal loans proportion brought down to 1.5% of the outstanding loan book for the Year as against 6% for the corresponding previous period
- During the year, the Company securitized loans of Rs. 11 billion (US\$ 236 million), as against Rs. 25 billion in previous year – a YOY decrease of 58%

LOAN BOOK MIX – as on March 31, 2011

Outstanding Loan book – Rs. 123 billion



FINANCIAL PERFORMANCE
(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
Disbursals	32,115	22,835	23,448	87,820	57,762
Net Interest Income	1,193	1,262	1,364	5,122	4,595
Total Income	3,756	3,255	3,481	13,368	13,252
Total expenses	619	562	659	2,516	3,013
Interest expenses	2,106	1,332	1,759	6,859	6,130
Provisions	103	709	276	1,299	2,759
Profit before tax	928	652	787	2,693	1,350

- The Net Interest Income for the Year ended March 31, 2011 was Rs. 5.1 billion (US\$ 112 million) – YoY increase of 11%
- The profit before tax for the year ended March 31, 2011 was Rs. 2.7 billion (US\$ 59 million) as against Rs. 1.4 billion for the corresponding previous period – an increase of 99%
- The cost to income ratio for the year was 19% as against 23% for corresponding previous period
- The average cost of funds for the year ended March 31, 2011 was 8.8% as against 9.6% for previous period
- Average NIMs for the year stood at 5.3%
- 51% YoY decline in Gross NPLs at Rs. 1.6 billion (US\$ 35 million)
- Provisioning for the year (including write offs) was Rs. 1.3 billion (US\$ 28 million) – YoY decrease of 53%. The provisioning till date stood at Rs. 4.2 billion (US\$ 94 million)
- The coverage ratio at the end of FY11 stood at 81%, compared to 59% at the end of FY10

Secured Book

Outstanding loan book – Rs. 119 billion – 49% YoY increase

(Rs. Million)

	Q4FY11	Q4FY10	Q3 FY11	FY11	FY10
Net Interest Income	1,094	987	1,236	4,468	3,290
Total Income	3,547	2,749	3,235	12,146	10,554
Total expenses	550	412	583	2,168	2,197
Interest expenses	2,024	1,130	1,657	6,374	4,859
Provisions	21	252	107	358	420
Profit before tax	951	956	887	3,247	3,078

- The Secured book generated a net interest income of Rs. 4.5 billion (US\$ 98 million) for the year ended March 31, 2011 – a YoY increase of 36%
- It achieved a profit before tax of Rs. 3.2 billion (US\$ 71 million) for the Year ended March 31, 2011, as against Rs. 3.1 billion for the corresponding previous period – an increase of 5%
- There was no securitization profit booked in FY11. Excluding the securitization profit in FY10, the profit increased by nearly 65% in FY11 over FY10

Unsecured loans

Outstanding loan book – Rs. 4 billion – 67% YoY decline

(Rs. Million)

	Q4FY11	Q4FY10	Q3FY11	FY11	FY10
Net Interest Income	99	275	128	654	1,305
Total Income	209	506	246	1,222	2,698
Total expenses	69	150	76	348	816
Interest expenses	81	203	102	486	1,271
Provisions	82	457	169	941	2,339
Profit before tax	(23)	(304)	(101)	(553)	(1,728)

- The Company has moved away from unsecured loans and stopped net disbursements in this segment since April 2008
- Personal loans brought down to 1.5% for the Year ended March 31, 2011 as against 6% for the corresponding previous period
- The unsecured loans division generated net interest income of Rs. 654 million (US\$ 14 million) for the year ended March 31, 2011, as against Rs. 1,305 million for the corresponding previous period
- 60% YoY decline in provisioning (including write offs) from Rs. 2.3 billion to Rs. 941 million (US\$ 21 million) in FY11
- The loss decreased to Rs. 553 million (US\$ 12.1 million) as against a loss of Rs. 1.7 billion for the corresponding previous period – a decrease of 68%

BROKING BUSINESSES

FINANCIAL PERFORMANCE

(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
Total Income	570	914	392	1,649	2,151
Sub brokerage	92	90	56	252	182
Personnel Costs	149	331	135	511	806
Other expenses	228	351	164	665	888
Profit before tax	101	142	37	221	275

Discussion of financial performance

- The total income stood at Rs. 1.6 billion (US\$ 36 million) for the year ended March 31, 2011 as against Rs. 2.2 billion for the year ended March 31, 2010
- The business achieved a profit before tax of Rs. 221 million (US\$ 5 million) for the year ended March 31, 2011, as against Rs. 275 million for the year ended March 31, 2011
- The focus and thrust continues to be on margin improvement and profitable growth

DISTRIBUTION BUSINESS – ‘RELIANCE MONEY’

FINANCIAL PERFORMANCE

(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
Total Income	162	187	274	585	434
Sub brokerage	82	91	95	267	229
Personnel Costs	18	80	30	70	186
Other expenses	36	67	78	124	145
Profit before tax	26	(51)	71	124	(126)

Discussion of financial performance

- The total income stood at Rs. 585 million (US\$ 13 million) for the year ended March 31, 2011 as against Rs. 434 million for the year ended March 31, 2010 – a YoY increase of 35%
- The business achieved a profit before tax of Rs. 124 million (US\$ 3 million) for the year ended March 31, 2011, as against a loss of Rs. 126 million for the corresponding previous period
- The significant shift in profitability is due to the focus on higher margin products and leaner cost of operations that has translated to healthy profit margin of 21% in FY11

RELIANCE GENERAL INSURANCE

- Amongst leading private sector general insurers in India with private sector market share of 9.4%

FINANCIAL PERFORMANCE

(Rs. Million)

	Q4 FY11	Q4 FY10	Q3 FY11	FY11	FY10
Gross Written Premium	4,373	4,159	4,181	16,554	19,797
Profit before Tax/ (Loss)	(2,187)	(846)	(242)	(3,098)	(905)
Combined ratio with pool	163%	130%	124%	136%	117%
Capital infusion	0	2,100	0	1,420	2,100
Investment book	21,372	16,567	21,109	21,372	16,567
No of policies issued (millions)	0.7	0.8	0.7	2.8	3.3
No of branches	200	200	200	200	200
No of intermediaries	3,567	3,912	4,013	3,567	4,641

SEGMENT WISE BREAK UP

- Premium contribution

Particulars	As at Mar 31, 2011	As at Mar 31, 2010
Motor	65%	67%
Health	15%	12%
Fire	6%	7%
Engineering	4%	5%
Others	10%	10%
Total	100%	100%

Discussion of financial performance

- The focus at RGI continues to be on writing profitable business and improving the combined ratio

- Gross Written Premium for the year ended March 31, 2011 was Rs 17 billion (US\$ 363 million) – a decline of 16% over previous year, in line with the underwriting strategy at RGI
- The loss for the year ended March 31, 2011 was at Rs. 3.1 billion (US\$ 68 million) as compared to Rs. 905 million for the Year ended March 31, 2010.
- The loss for the year has been largely on account of change in provisioning norms relating to commercial motor third party pool losses. These third party pool losses have been shared by the industry players in proportion of their total industry market share. RGI has provided for these losses fully during Q4FY11.
- The combined ratio (with pool) was 136% this year as against 117% for the year ended March 31, 2010. This was on account of providing for third party motor pool losses in the year, in line with changes in accounting policy for pool losses
- The investment book increased 29% YoY to Rs. 21 billion (US\$ 479 million). This includes the money managed by the Third Party Motor Pool, that has been returned to the Company as per regulatory changes
- During the year, Rs. 1.4 billion (US\$ 32 million) was infused into the business as against Rs. 2.1 billion in FY10 – a decline of 32%. The total capital invested till date is Rs. 11.5 billion (US\$ 257 million)
- The distribution network composed of 200 branches and over 4,200 intermediaries and associates at the end of March 31, 2011

- **SECTION 4**

STOCK MARKET HIGHLIGHTS

General information

Shareholding and Financial data as on March 31, 2011	
Code/ Exchange	500111/ BSE RELCAPITAL/ NSE
Bloomberg/ Reuters	RCAPT.IN
No of share outstanding (March 31, 2011)	245,632,800
Closing market price (Rs.) (March 31, 2011)	583.15
Combined volume (NSE & BSE) (for the year) (No. in million/ day)	1.8
Combined value (NSE & BSE) (for the year) (Rs. billion / day)	1.6
F& O volume (NSE – for the 4 th quarter) (No. in million/ day)	9.0
F& O value (NSE – for the 4 th quarter) (Rs. in billion/ day)	4.9
Weightage of Reliance Capital in indices: S&P CNX Nifty MSCI	0.4 0.4
Stock Beta (for year ended March 31, 2011)	1.2
Market capitalization as on March 31, 2011 (Rs billion)	143.2
Market capitalization as on March 31, 2011 (US\$ billion)	3.2
Book value per equity share (Rs.)	314

Summarized shareholding pattern as of March 31, 2011

Category	No of shares	Shareholding%
Reliance Group	132,982,274	54.1%
Foreign investors – FIIs, NRIs and others	55,999,591	22.8%
Domestic institutions/ Banks / Mutual funds	12,029,819	4.9%
Indian public	44,621,116	18.2%
Total	245,632,800	100.00%

Reliance Capital daily stock price & volume (NSE) movement (Source: Bloomberg)



Comparison of Reliance Capital stock movement with peer groups (Data Source: Bloomberg)

