

**RELIANCE CAPITAL  
ASSET MANAGEMENT LIMITED**

**ANNUAL REPORT**

**2012-13**

# Directors' Report

## *To the Members,*

Your Directors take pleasure in presenting their Eighteenth Annual Report on the business and operations of your Company, together with the audited Statement of Accounts, for the year ended March 31, 2013.

At the outset, your Directors wish to reiterate your Company's commitment to the highest standards of corporate governance in order to enhance the trust of all its stakeholders. Strong and robust corporate governance practices have facilitated your Company in standing up to the continued scrutiny of domestic & international investors and that of the Regulatory authorities.

Your Company endeavors to remain the leading player in the Asset Management business in India and enhance its global footprint as well.

## **FINANCIALS**

The standalone and consolidated financial statements of the Company for the year ended March 31, 2013, have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The financial highlights (on a consolidated and standalone basis) of the Company for the year ended March 31, 2013 are as follows:

(In Rs.)

Description	Consolidated		Standalone	
	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
Gross Income	734,60,90,153	664,68,33,246	712,67,40,652	642,29,00,173
Profit before exceptional item and tax	289,58,91,680	307,60,15,339	313,68,39,141	337,56,18,674
Exceptional Items	-	-	55,64,11,399	-
Profit before tax	289,58,91,680	307,60,15,339	258,04,27,742	337,56,18,674
Provision for taxation	60,31,71,553	62,29,07,986	60,21,81,156	62,22,10,605
Provision for Deferred Tax Asset/ (Liability)	(28,64,117)	78,36,514	(28,64,663)	76,82,362
Net Profit	228,98,56,005	246,09,43,861	197,53,81,923	276,10,90,431
Balance carried to Balance Sheet	840,99,82,983	612,05,29,793	832,56,07,495	635,02,48,970

Basic EPS of Rs.10 each	206.26	234.15	177.93	262.71
Diluted EPS of Rs.10 each	205.17	231.94	177.00	260.23

In accordance with Circular No. 2/2011 dated 8<sup>th</sup> February, 2011, issued by the Ministry of Corporate Affairs, Government of India, your Board of Directors has resolved on April 19, 2013, to accord their consent for not attaching to the Company's annual accounts, the Balance sheets of its subsidiary companies. The Consolidated Financial Statements of the Company, alongwith that of its subsidiaries, for the year ended March 31, 2013 (duly audited by their respective statutory auditors) are forming part of this Annual Report.

The annual accounts of all the subsidiary companies and the related detailed information will be made available to the shareholders of the Company seeking such information at any point of time. The annual accounts of all the subsidiary companies will also be kept at the Corporate Office of the Company, for inspection by the shareholders. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

#### **DIVIDEND**

For the financial year 2012-2013, your Directors recommend the declaration and payment of dividend as under:

#### **EQUITY SHARES:**

Your Directors have recommended the declaration and payment of dividend of Rs.140 (Rupees One hundred and forty only) per equity share of Rs.10 each, thereby entailing the total payout of Rs. Rs.1,88,68,95,360/- (including dividend distribution tax and other applicable taxes/surcharges)

#### **PREFERENCE SHARES:**

The Company presently has 19,999 number of fully paid up 1% non-convertible, non-cumulative redeemable Preference shares of the face value of Rs.100/- each, which were issued to the shareholders of Reliance Money Infrastructure Limited, in terms of the scheme of arrangement sanctioned by the Hon'ble High Court of Gujarat at Ahmedabad.

Your Directors have recommended the declaration and payment of dividend of Rs.1/- on each 1% non-convertible, non-cumulative redeemable preference shares of the Company,

for the year under review, thereby entailing the total payout of Rs. 23,398 (including dividend distribution tax and other applicable taxes/surcharges)

#### **AMOUNT TO BE CARRIED TO RESERVES**

In view of the declaration and payment of dividend to [the equity shareholders] and the 1% non-convertible, non-cumulative redeemable preference shareholders of the Company and in accordance with the provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975, an amount of i.e. Rs.19,75,38,192/- is to be transferred to the General Reserves of the Company.

#### **OPERATIONAL HIGHLIGHTS**

As you are aware, the Securities and Exchange Board of India ('SEBI') has:

- (a) Authorised your Company to act as the asset manager of Reliance Mutual Fund, to render asset management services; &
- (b) Granted registration to your Company as Portfolio Manager, to render portfolio management and advisory services to its clients.

#### **ASSET MANAGEMENT:**

In terms of the authorization from SEBI, your Company acts as the asset manager to Reliance Mutual Fund ('RMF'), which is the second largest Mutual Fund in India, in terms of the Quarterly Average Assets Under Management ('QAAUM') as on March 31, 2013.

The QAAUM of RMF as on March 31, 2013 was approx. Rs.94,580 crores comprising of Rs. 27,186 crores under Equity, Rs.47,028 crores under Debt, Rs.17,440 crores under Liquid asset classes and Rs.2,926 crores under Gold. The QAAUM of RMF as on March 31, 2012 was approx. Rs.78,112 crores comprising of Rs. 28,066 crores under Equity, Rs.31,508 crores under Debt, Rs.15,887 crores under Liquid asset classes and Rs.2,651 crores under Gold. While the overall QAAUM of RMF has shown positive growth of around 21% during the financial year 2012-13, the QAAUM under the debt asset class has grown by approx. 49%.

During the year under review, the Indian Mutual Fund Industry witnessed an overall positive growth of approx 23% in terms of QAAUM, from an amount of approx. Rs.6,64,824 crores on March 31, 2012 to an amount of approx. Rs.8,16,402 crores on March 31, 2013. (Source: AMFI).

#### **NEW SCHEMES LAUNCHED:**

During the year under review, RMF launched the following new schemes:

- Reliance Dual Advantage Fixed Tenure Fund II
- Reliance Fixed Horizon Fund XX
- Reliance Fixed Horizon Fund XXI
- Reliance Fixed Horizon Fund XXII
- Reliance Fixed Horizon Fund XXIII
- Reliance Yearly Interval Fund
- Reliance Dual Advantage Fixed Tenure Fund III
- R\*Shares CNX 100 Fund

As on March 31, 2013, RMF has a well rounded portfolio of 49 schemes under various categories such as Equity, Debt, Liquid, Gold, Exchange Traded Fund, Fixed Maturity Plans and Interval Funds.

#### **PORTFOLIO MANAGEMENT:**

Your Company has been rendering Portfolio Management Services ('PMS') since August 2004. It currently offers discretionary and advisory portfolio management services to various categories of clients. The PMS business continued its positive performance through challenging times faced during the year. The Company emerged as one of the very few portfolio management businesses, which attracted new assets. As at the year end, the total Assets Under Management (AUM) of the Portfolio Management business of the Company (including discretionary and advisory services and also including EPFO portfolio) stood at Rs.72,233 crores as against Rs.60,913 crores for the last financial year. The PMS business received a sum of Rs.19 crores as fee income for the year end March 31, 2013.

During the year, the PMS division introduced several high yield debt offerings under its 'All Season Debt' portfolio, the key highlight of the year is the successful launch of Reliance Yield Maximizer portfolio which collected more than Rs 500 Crs during this period. Going forward, the PMS division of our Company will endeavor to identify suitable opportunities for

launching equity / fixed income portfolios and rendering investment advisory services. Our focus on providing customized offerings to high net-worth individuals & corporates will continue.

#### **EMPLOYEES PROVIDENT FUND MANAGEMENT (EPFO) MANDATE:**

Your Company was one of the four fund houses which were once again granted the mandate to manage the funds on behalf of Employees Provident Fund Organisation ('EPFO'). The Company started managing the EPFO portfolio under this fresh mandate from 1<sup>st</sup> November, 2011 amounting to Rs.53,623 crores. The EPFO portfolio as on 31<sup>st</sup> March, 2013, stood at Rs. 70,759 Crores.

#### **NATIONAL PENSION SYSTEM:**

The wholly owned subsidiary of the Company in India i.e. Reliance Capital Pension Fund Limited ('RCPFL') was appointed as one of the Pension Fund Managers by the New Pension System Trust, under the National Pension System ('NPS') in 2009. In terms of the revised PFRDA guidelines -2012 on "registration of Pension Funds for Private sector", the Company also obtained certificate of registration to act as "Pension Fund manager for Private Sector" on 23<sup>rd</sup> January 2013 and the Certificate of registration is valid for one year from the date of issue of the certificate. The Pension Fund needs to apply for the renewal annually and PFRDA shall notify the continuity to act as Pension Fund based on the review.

NPS industry witnessed a rapid growth during the current year, both in terms of subscriber base as well as in respect of the assets under management. The subscribers under NPS schemes, as of 31<sup>st</sup> March 2013, were in excess of 44.94 lakhs as compared to 24.27 lakhs during the previous year. Further, the subscribers under Private sector of NPS schemes, as of 31<sup>st</sup> March 2012, were in excess of 2.03 lakhs as compared to around 69000 as of previous year.

The overall assets managed by the NPS industry, as of 31<sup>st</sup> March 2013, were Rs.29,837 Crores as compared to around Rs.15,163 crores as at the end of the last year.

Further, the assets under management related to Private sector (other than NPS Lite) grew from Rs 212 crores last year to Rs. 582 crores as of 31<sup>st</sup> March 2013.

The assets under management of RCPFL during the current fiscal year almost doubled to Rs. 22.52 crores as compared to Rs 11.15 crores in the last year.

During the year under review, your Company has sold 15% stake [consisting of 37, 50,000 equity shares] of RCPFL to Reliance Gilts Limited on December 26, 2012.

## **INTERNATIONAL BUSINESS:**

### **Global economic environment**

The global economy continued to drag on the path of growth recovery helped by extremely easy monetary policy by the major central bankers. From US Federal Reserve, Euro Zone's ECB to Bank of Japan, majority of the central bankers' pumped significant amount of liquidity to support faltering global economy. There are signs of pickup in global growth led by improvement in housing and labor market of US economy. However, Euro-zone continues to be in recession and emerging markets recovery appears to be lackluster. Tail risks such as Euro zone default, China hard landing has significantly receded. Major risk arises from political and policy developments across regions. Going forward we expect financial year 2014 to be a more complicated year for Indian economy and equities as political uncertainty is expected to increase in a not so comforting macro environment

### **New regulatory enabled opportunities**

Foreign Institutional Investors (FIIs) have invested over Rs. 163350.1 crores (Source SEBI Website, US\$ 29.8 billion @54.773) across Indian equity and debt markets in 2012. FIIs Debt limits have been enhanced to US\$ 76 billion and the sub categories have been merged to reflect the new investment environment. The enhanced limits will provide significant opportunities for foreign investors (FIIs and QFIs) to invest in Indian Government securities and corporate bonds.

Reliance Capital Asset Management Limited received approval under Regulation 24 of SEBI (Mutual Funds) Regulations, 1996 that enables mutual fund division of RCAM to advise offshore funds subject to compliance with the relevant and applicable guidelines.

### **Other Opportunities:**

RCAM proposes to significantly increase its business in Japan through Nissay Asset Management, subsidiary of Nippon Life by launching joint products. RCAM has also signed a Memorandum of Understanding with UBS Global Asset Management for product manufacturing and distribution to enhance its International reach.

## SINGAPORE:

Your Singapore subsidiary, Reliance Asset Management (Singapore) Pte Ltd. ('RAMS'), which established its business in Singapore in the year 2006 undertook significant strides in its business, and the assets under management crossed the USD 1billion mark.

### Equity Capability

During the year under review, RAMS launched feeder funds to invest in mutual fund schemes to be managed by Reliance Capital Asset Management Limited, India as well as continued focus to encourage new investments in its Equity fund - IEGF.

### Fixed Income Capability

During the year under review, RAMS achieved significant progress in its Fixed Income capabilities, product development & delivery, fund structuring and fund marketing. RAMS manages an AUM of USD 996 million across 12 funds in the Fixed Income space. The Fixed Income achievements can be summarized as under:

- Successful managing FMPs worth USD 370 million distributed by private banks.
- Developed new product line to invest funds in fixed deposits of overseas branches and subsidiaries of Indian Banks and raised significant AUM through various private banks.
- Developed capabilities for implementing currency hedge in onshore and offshore markets

## MAURITIUS:

The Mauritian subsidiary of your Company, Reliance Asset Management (Mauritius) Limited ('RAMM') continued its focus on rendering of investment management services to India focused collective investment schemes i.e. Emergent India Investments Limited ('EIL'), the Mauritius based.

## MALAYSIA:

Your Malaysian subsidiary, Reliance Asset Management (Malaysia) Sdn Bhd. ('RAMMy'), is licensed by the Securities Commission of Malaysia to undertake Islamic Asset Management activities. RAMMy has been able to build an intellectual property around Global investments using Shariah principles and has executed four investment management agreements, to

manage WSF Reliance Global Shariah Growth Fund (which is one of the best performing funds in its category across the globe), Reliance India Shariah Growth Fund, Reliance China - India Shariah Growth Fund and with Bank Negara Malaysia (Central Bank). WSF Reliance Global Shariah Growth Fund was declared Winner of Islamic Business and Finance Awards 2012, for Best Islamic Global Equity Fund.

## **AWARDS AND RECOGNITION**

RMF received various awards and accolades during the year. Few of the prominent awards received by RMF, are listed below:

### **1. Zee Business Brand Excellence Awards**

RCAM bagged **3 Awards** at the **Zee Business Brand Excellence Awards** held in Mumbai on 22nd November 2012.

- Brand Excellence Award in BFSI Sector - RCAM
- Best Customer Centric Brand Award - RCAM
- CEO of the year Award (Private Sector) - Sundeep Sikka

This event was organized by World Brand Congress along with Stars of the Industry Group. The Zee Business Brand Excellence Award is an independent brand recognition exercise initiated to give recognition to those brands, CEO's and marketers who have achieved extraordinary success from the innovative leadership and effective marketing practices.

### **2. Lipper Awards**

#### **In the Mixed Asset INR Aggressive –**

RRSF – Balanced – Growth ranked Best Fund for 5 year period out of 37 schemes in the class.

#### **In the Equity India Classification -**

Reliance Growth Fund ranked Best Fund for 10 year period out of 7 schemes in the category.

### 3. India Pension Fund Congress 2012

Reliance Capital Pension Fund Ltd (RCPFL, subsidiary of RCAM) won the Best Product Innovation Award in the India Pension Fund Congress 2012. This high profile event was organized by Assocham, Morningstar and Edge Advisory Services along with Investment Pension Asia. This award category had nominations from all pension fund providers in India, including insurance companies like LIC, SBI etc and the award was bagged by RCPFL.

### 4. Corporate Counsel Leadership Summit & Awards, 2013

RCAM's Legal Team was adjudged "Best In-House Legal Team of the Year" in the "Banking & Finance Sector" [Corporate Counsel Leadership Summit & Awards, 2013 held on 25th January, 2013 at Ramada Inn, Mumbai]

### 5. Legal Counsel Congress and Awards, 2013

Mr. Muneesh Sud [Head of Legal, Secretarial & Compliance] was the Runner- up in the "General Counsel of the Year" category of awards [Legal Counsel Congress and Awards, 2013 held on 8th January, 2013 at Trident, BKC, Mumbai].

### 6. 7th Social & Corporate Governance Awards

RCAM has won the **Best Corporate Social Responsibility Practice Award** at the **7th Social & Corporate Governance Awards** at a grand function held on 18th February, 2013 at Taj Lands End, Mumbai.

This is in recognition of RCAM's efforts in the field of CSR.

### 7. Best Conservative Allocation Fund - Reliance Monthly Income Plan

Reliance Monthly Income Plan was awarded Category Winner: Best Conservative Allocation Fund by MORNINGSTAR at the award ceremony held on March 20, 2013

### 8. Asian L&D Leadership Awards Dubai

RCAM bagged the prestigious **Asian Learning & Development Leadership Awards** for **Outstanding contribution to the cause of Learning** in Dubai on 25th September, 2012