

**RELIANCE NIPPON LIFE ASSET
MANAGEMENT LIMITED**

ANNUAL REPORT

2016-17

Directors' Report

To the Members,
Reliance Nippon Life Asset Management Limited
(Formerly known as Reliance Capital Asset Management Limited)

Your Directors take pleasure in presenting their Twenty Second Annual Report on the business and operations of your Company, together with the audited financial statements, for the year ended March 31, 2017.

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 one of the leading players 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, 2017, have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles in India and in line with the provisions of the Companies Act, 2013 (Act). The financial highlights (on a consolidated and standalone basis) of the Company for the year ended March 31, 2017 are as follows:

(In Rs.)

Description	Consolidated		Standalone	
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2016
Gross Income	14,359,148,829	13,138,198,886	14,004,372,147	12,710,696,654
Profit before exceptional item and tax	5,813,129,696	5,023,996,209	5,821,090,313	4,962,743,794
Exceptional Items	-	-	-	4,028,535
Profit Before Tax	5,813,129,696	5,023,996,209	5,821,090,313	4,958,715,259
Provision for taxation	1,744,999,424	1,275,869,007	1,727,093,206	1,257,800,000
Provision for Deferred Tax Asset/	48,489,352	16,273,942	46,246,393	(838,962)

Description	Consolidated		Standalone	
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2016
(Liability)				
Profit After Tax before share of minority shareholders	4,019,640,921	3,764,401,144	4,047,750,714	3,701,754,221
Share of Minority Shareholders	-	66,056	-	-
Net Profit	4,019,640,921	3,764,335,088	4,047,750,714	3,701,754,221
Balance carried to Balance Sheet	11,116,795,338	10,099,836,996	11,266,005,325	10,220,937,190
Basic EPS of Rs.10 each	348.93	326.77	351.37	321.33
Diluted EPS of Rs.10 each	348.93	326.77	351.37	321.33

The Consolidated Financial Statements of the Company, along with that of its subsidiaries, for the year ended March 31, 2017 (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.

DETAILS OF MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments affecting the financial position of the Company since the date of the financial statements i.e. March 31, 2017.

DIVIDEND

EQUITY SHARES:

Your Directors are pleased to recommend the payment of dividend of Rs. 215/- (Rupees Two Hundred Fifteen Only) per equity share of Rs. 10/- each, thereby entailing the total payout of Rs. 2,981,018,202 /- (including dividend distribution tax and other applicable taxes/surcharges).

PREFERENCE SHARES:

Your Directors are pleased to recommend the declaration and payment of dividend of Rs. 6/- (Rupees Six only) on each 6% Non-Cumulative, Non Convertible, Redeemable Preference Shares of the Company, for the year under review, thereby entailing the total payout of Rs. 21,664,377/- (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 Shareholders of the Company and in accordance with the provisions of Section 123 of the Act, your Directors do not propose any amount to be transferred to the General Reserves of the Company.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENT

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Act are provided as part of the notes to the Financial Statements.

MATERIAL DEVELOPMENTS

CHANGE OF NAME OF THE COMPANY

Pursuant to an Agreement entered into amongst the major Shareholders of your Company i.e. Reliance Capital Limited and Nippon Life Insurance Company, during the year the name of the Company was changed from 'Reliance Capital Asset Management Limited' to 'Reliance Nippon Life Asset Management Limited'.

ACQUISITION OF SCHEMES OF GOLDMAN SACHS MUTUAL FUND

During the year, your company consummated the transaction to take over the asset management rights of the schemes of Goldman Sachs Mutual Fund in India ("GSMF"), from the asset management company and the trustee Company of GSMF. Overall 12 (twelve) schemes were transferred to your Company. The said transfer of schemes was also accompanied with taking over a team of 20 people/ employees of GSMF. With the acquisition of the said schemes, along with human capital of a cumulative work experience of 290 years, your Company has augmented its strength in exchange traded fund space and your Company hopes to grow from strength to strength in this niche space.

COMPLIANCE CULTURE & RISK MANAGEMENT

Your Company is essentially Compliance centric and has a huge focus in this direction. The Compliance function is manned by a dedicated and experienced team of professionals. The Compliance team regularly conducts various educative training programs for various segments within the organization. Your Company thrives towards a culture of 'Total Compliance' and it has a 'Zero Tolerance' policy for non-compliances.

Your Company has a comprehensive Risk Management Policy that envisages an enterprise risk management framework and clearly sets out the objectives & elements of risk management within the organization, including the constitution of a Risk Management department (reporting directly to the CEO and to the Board of Directors), a Risk Management Committee (RMC) and the underlying mechanisms & processes to be used for identification, monitoring and reporting of various categories of risks including credit, market, liquidity and operational risks. There are well documented & Board approved policies & processes which are in place. In addition, proper & adequate Insurance Policies and business continuity planning have also been adequately put into place.

You will note that the basic revenue model of an asset management company is charging of management fees on assets under management provided by the investors. In case of an eventuality where the Company repeatedly fails to comply with regulatory norms with regard to investment restrictions and/ or code of conduct, or if there are repeated & glaring instances of fraud/ front-running then the same may be a catastrophic risk for the enterprise. However, your Directors would like to assure you that such risks are being mitigated by putting into place robust & time tested policies & processes, qualified & professional manpower to run these processes under the aegis & guidance of your Board of Directors, Board Committees and various other internal committees, consisting of its senior employees.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Auditor reports to the Audit Committee.

The Internal Auditor monitors and evaluates the efficacy and adequacy of the internal control system in the Company, its compliance with operating systems, accounting procedures and policies. Based on the report of the Internal Auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

The Risk Management department follows up on pending audit issues and ensures that corrective actions are timely taken. Audit observations, if any, and corrective actions thereon, are also presented to the Audit Committee of the Board.

OPERATIONAL HIGHLIGHTS

ASSET MANAGEMENT:

In terms of the authorization from SEBI, your Company acts as the asset manager to Reliance Mutual Fund ("RMF"), which is the third largest Mutual Fund in India, in terms of the Quarterly Average Assets under Management (QAAUM) as on March 31, 2017.

The QAAUM of RMF as on March 31, 2017 was approx. Rs.210,891 Crores comprising of Rs. 57,011 Crores of Equity, Rs. 103,137 Crores of Debt, Rs. 37,995 Crores of Liquid Funds and Rs. 12,748 Crores of ETF assets. It may be noted that the QAAUM of RMF as on March 31, 2016 was approx. Rs. 158,408 Crores comprising of Rs. 47,668 Crores of Equity, Rs. 75,422 Crores of Debt, Rs. 33,543 Crores of Liquid Funds; and Rs. 1,775 Crores of ETF assets.

Overall QAAUM of RMF has shown positive growth of around 33.1% during the financial year 2016-17, while the Indian Mutual Fund Industry witnessed an overall positive growth of approx 35.2% in terms of QAAUM (Source: AMFI).

NEW SCHEMES LAUNCHED:

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

Scheme Name	Type	Structure
Reliance Fixed Horizon Fund – XXXI	Debt	Close - ended
Reliance Fixed Horizon Fund – XXXII	Debt	Close - ended
Reliance Fixed Horizon Fund - XXXXIII	Debt	Close - ended
Reliance Dual Advantage Fixed Tenure Fund X	Debt	Close - ended
Reliance ETF Long Term Gilt	ETF	Open - ended

As on March 31, 2017, RMF has a well rounded portfolio of 90 schemes under various categories such as Equity, Debt, 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 the year. As at the year end, the total AUM of the PMS business (including discretionary and advisory services and also including EPFO and CMPFO portfolio) stood at Rs.1,42,510 Crores as against Rs. 1,23,631 Crores for the last financial year.

Going forward, the PMS division of your Company will endeavor to identify suitable opportunities for launching equity portfolios and rendering investment advisory services. Our focus on providing customized offerings to high net-worth individuals & corporates will continue via PMS in Financial Year 2017-18.

Your Company is one of the four fund houses who are managing the prestigious Employees Provident Fund Organization (EPFO) mandate since last few years. As on March 31, 2017, the EPFO portfolio stood at Rs. 1,21,748 Crores and CMPFO stood at Rs. 20,762 Crores.

ALTERNATIVE INVESTMENT BUSINESS:

Alternative Assets remains an area of great interest in investment management space. The term Alternative Assets, is generally used to describe all assets other than the conventional listed equity and investment grade debt. Hence, this includes non-conventional/ non-benchmarked strategies in equities, non-investment grade debt/ high yield debt, assets like real estate, commodities, distress debt, etc. Reliance AIF Management Company Limited ("RAIF"), which is a subsidiary of your Company, is engaged in this business of managing alternative investment funds. During the year, RAIF has undertaken final closure of Reliance Yield Maximiser AIF Scheme III, its third scheme in the Secured Real Estate space. To date, a total commitment of ~ Rs. 1,300 Crores has been raised across all offerings. During the year, RAIF has aimed to diversify across asset classes and have launched two additional schemes in the Sector Agnostic Debt and Commercial Real Estate space respectively. Going forward, RAIF will continue to focus on profitable growth and include more asset classes.

RELIANCE INFRASTRUCTURE INVIT FUND:

We are pleased to inform you that during the year, the Company has been appointed as the Investment Manager for Reliance Infrastructure InvIT Fund, an infrastructure investment trust registered with the Securities & Exchange Board of India. Reliance Infrastructure InvIT Fund is proposing to raise funds by way of public offer and shall make investments in the

infrastructure assets. In this regard, your Company has secured the requisite approval of SEBI regarding the Investment management activity in respect of Infrastructure Investment Trust.

NATIONAL PENSION SYSTEM:

Reliance Capital Pension Fund Limited ("RCPFL"), a subsidiary of your Company is acting as one of the Pension Fund Managers for managing the pension assets under the National Pension System ("NPS").

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 March 31, 2017 were in excess of 1.54 crores as compared to 97.50 Lakhs during the previous year. Further, the subscribers under private sector of NPS schemes as of March 31, 2017 were 10.22 Lakhs as compared to 6.88 Lakhs as of previous year i.e. March 31, 2016.

The overall assets managed by the NPS industry, as of March 31, 2017, were Rs. 1,74,558.15 Crores as compared to around Rs. 1,18,303.78 Crores as at the end of the last year. Further, the assets under management related to Private sector grew from Rs. 3,564 Crores last year to Rs. 7,069 Crores as of March 31, 2017. The assets under management of RCPFL during the current fiscal year has gone up to Rs. 168.97 Crores as compared to Rs. 111.22 Crores in the last year.

INTERNATIONAL BUSINESS:

Global Economic Environment

Year 2016-17 has been an eventful year from the Global social and economic perspective. From concerns around hard landing of the Chinese economy to Brexit event to a rise in the negative yield-bearing assets globally to the stupendous demonetization drive in India to the US presidential election victory of Donald Trump, the year has been action-packed to say the least.

Despite the volatility, Indian economy appears well primed to continue its journey towards a sustainable recovery with the Nifty starts recovering in the last quarter of the year 2016-17.

After a lackluster out-turn in the year 2016-17, economic activity is projected to pick up pace in 2017-18, especially in emerging markets and developing economies. The economic recovery in India is strongly supported by favorable factors like fiscal stability, lower inflation, policy reforms like demonetization, passage of the GST bill, modification in FDI policy and continued Government spending.

Offshore Opportunities

Foreign Portfolio investor ("FPI") flows in Indian equities stood at a 5 years low of INR 187Bn in 2016-17. Further, FPIs remained net sellers to the extent of INR 443Bn in fixed income markets during the calendar year 2016. Interestingly, Domestic Institutional Investors ploughed in INR 372bn into Indian equities during the year surpassing the net flows from FPIs. However, with clarity in the Union Budget on capital gain taxation and indirect transfers, FPIs turned net buyers.

Other Opportunities

The international subsidiaries of your Company manage a wide range of India investment funds through which overseas investors can participate in the India growth story. Your Company extends its services through offices in Singapore, Mauritius and Dubai.

Non-Binding Advisory Services

Under its non-binding advisory mandate, your Company provides advisory services to various offshore entities and the assets under the advisory business as on March 31, 2017 is Rs 5,576 crores

Singapore

Your Singapore subsidiary, Reliance Asset Management (Singapore) Pte Ltd. ('RAMS'), which established its business in Singapore in the year 2006 has closed the financial year 2016-17 with 238,925,148 USD assets under management.

After having successful launch of UCITS equity fund in Luxembourg which is being advised by your Company, RAMS continued its efforts through the launch of new products with over 127,432,306 USD raised from offshore investors this year.

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.

CORPORATE SOCIAL RESPONSIBILITY

As part of its initiatives under "Corporate Social Responsibility ("CSR"), the Company has undertaken projects in the areas of promoting preventive health care in accordance with Schedule VII of the Act.

The Annual Report on CSR activities is annexed herewith as **Annexure - A**.

AWARDS AND RECOGNITION

During the year, your Company and the Reliance Mutual Fund have been bestowed with the following awards and recognitions:

- **Stevie Award** in the following categories:
 - Innovation in Customer Service - Financial Services Industries (Status: Silver Stevie Winner)
 - National Sales Team of the Year (Status: Bronze Stevie Winner);
- Reliance Mutual Fund featured in Best BFSI Brands 2016 by Economic Times;
- Finnoviti Award 2017 for 'Simply Save & Instant Redemption' mobile solutions;
- National Awards for Excellence in Digital Marketing & Social Media - Best Progressive Digital Marketing Company;
- National Awards to Reliance Mutual Fund for Excellence in Digital Marketing & Social Media - Simply Save - Digital Application of the year;
- BBC Knowledge - National Digital Marketing Awards - Best Financial Website to Reliance Mutual Fund;
- BBC Knowledge - National Digital Marketing Awards - Best Consumer Mobile App to Reliance Mutual Fund;
- Asset Benchmark Research Awards - Top Investment Houses in Asian Local Currency Bonds, India, Rank 3;