

## SEVENTEENTH ANNUAL REPORT 2002-2003



**Reliance Capital Limited**

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**SEVENTEENTH ANNUAL GENERAL MEETING**

on Saturday, the 28<sup>th</sup> June, 2003 at Thakorebhai Desai Hall,  
Law College Road, Near Law Gardens, Ahmedabad - 380 006  
at 2.30 p.m.

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**REGISTERED OFFICE**

Avdesh House, 2nd Floor,  
Pritam Nagar, 1st Slope,  
Ellisbridge,  
Ahmedabad - 380 006

**CORPORATE OFFICE**

Fosbery Road,  
off Reay Road Station (East)  
Mumbai - 400 033

**BOARD OF DIRECTORS**

Shri D. Chaturvedi	<i>Chairman</i>
Shri Anand Jain	<i>Vice Chairman</i>
Shri D. J. Kapadia	
Shri S. S. Thakur	
Shri Sandeep H. Junnarkar	
Shri U. Mahesh Rao	
Shri Amitabh Jhunjhunwala	
Shri Alok Agarwal	

**COMPANY SECRETARY & MANAGER**

Shri V. R. Mohan

**SOLICITORS & ADVOCATES**

Bhasin & Co.

**AUDITORS**

Pathak H. D. & Associates

**BANKERS**

Allahabad Bank  
HDFC Bank Limited  
ICICI Bank Limited  
IDBI Bank Limited  
Punjab National Bank  
Syndicate Bank

**SUBSIDIARIES**

Reliance Capital Asset Management Limited  
Reliance Capital Trustee Co. Limited  
Reliance General Insurance Company Limited  
Reliance Life Insurance Company Limited

**REGISTRARS & TRANSFER AGENTS****Karvy Consultants Limited**

**Hyderabad** : 46, Avenue 4, Street No. 1, Banjara Hills,  
Hyderabad- 500 034.

☎ 91-40-23320251/23320751/23312454.

☎ 91-40-23311968

E-mail: [investor@karvy.com](mailto:investor@karvy.com)

**Mumbai** : Tulsiani Chambers  
10th Floor, Nariman Point  
Mumbai 400 021.

☎ 91-22-22884769/22875951

☎ 91-22-22828454

**Ahmedabad** : 201/203, 'Shail' Opp. Madhusudan House,  
Near Navrangpura, C.G. Road,  
Ahmedabad-380 006.

☎ 91-79-26420422.

**NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Reliance Capital Limited will be held on Saturday, the 28<sup>th</sup> June, 2003 at 2.30 p.m. at Thakorebhai Desai Hall, Law College Road, Near Law Gardens, Ahmedabad 380 006 to transact the following business:

**Ordinary Business**

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2003 and the Profit and Loss Account of the Company for the year ended on 31<sup>st</sup> March, 2003 and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri D. Chaturvedi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Anand Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors.

**Special Business**

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT Shri Amitabh Jhunjhunwala, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation"
7. To consider and if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT Shri Alok Agarwal, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article

135 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation"

8. To consider and if thought fit, to pass, with or without modifications the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Shri V.R. Mohan as Manager designated as "Company Secretary and Manager" for a period of 3 (three) years effective from 7<sup>th</sup> March 2003 on the terms and conditions including remuneration set out in the Agreement to be entered into between the Company and Shri V.R. Mohan, a draft whereof is placed before this meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or Agreement, as may be agreed to between the Board and Shri V.R. Mohan, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**By order of the Board of Directors**

**Registered Office:**  
Avdesh House, 2nd Floor,  
Pritam Nagar, 1st Slope,  
Ellisbridge, Ahmedabad - 380 006  
28th April, 2003

**V. R. Mohan**  
Company Secretary & Manager

**NOTES**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
8. (a) The Company has already notified closure of Register of Members and Transfer Books thereof from Friday, the 23<sup>rd</sup> May, 2003 to Saturday, the 31<sup>st</sup> May, 2003 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares. In respect of shares held in Electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.  
(b) The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 30<sup>th</sup> June, 2003.  
(c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the

Dividend Warrant for an initial period of 3 months only and thereafter, the Dividend Warrant on revalidation is payable only at limited centres/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.

9. (a) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company, under the signature of the Sole/First joint holder, the following information to be incorporated on the Dividend Warrants:  
(i) Name of the Sole/First joint holder and the Folio Number.  
(ii) Particulars of Bank Account, viz.: (a) Name of the Bank (b) Name of Branch (c) Complete address of the Bank with Pin Code Number (d) Account type, whether Savings (SB) or Current Account (CA) (e) Bank Account number allotted by the Bank  
(b) Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/ change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.**

**10. Electronic Clearing Service (ECS) Facility**

With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms, residing in the following cities:

Ahmedabad, Bangalore, Chandigarh, Chennai, Coimbatore, Delhi, Hyderabad, Jaipur, Kolkata, Ludhiana, Mumbai, Pune and Vadodara.

Shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the

**NOTES - Contd.**

prescribed form which can be obtained from the Registrar and Transfer Agents M/s. Karvy Consultants Limited. Requests for payment of dividend through ECS for the year 2002-2003 should be lodged with M/s. Karvy Consultants Limited on or before 15<sup>th</sup> June, 2003.

11. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected their dividends up to the aforesaid financial year are requested to claim their dividend from the Registrar of Companies, Jivabhai Chambers, ROC Bhavan Opp. Rupal Park, Behind Ankur Bus Stop, Ahmedabad - 380009 Gujarat in the prescribed form, which will be furnished on receipt of request by the Registrar and Transfer Agents, M/s. Karvy Consultants Limited.
12. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:-

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31-03-1996	29-06-1996	28-06-2003	28-07-2003
31-03-1997	15-07-1997	14-09-2004	14-10-2004
31-03-1998	30-09-1998	29-10-2005	28-11-2005
31-03-1999	21-09-1999	20-09-2006	20-10-2006
31-03-2000	24-06-2000	23-05-2007	22-06-2007
31-03-2001	16-06-2001	15-06-2008	15-07-2008
31-03-2002	06-06-2002	05-07-2009	04-08-2009

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agents, M/s. Karvy Consultants Limited immediately. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**

13. Non-Resident Indian Shareholders are requested to inform M/s. Karvy Consultants Limited immediately:
  - a) The change in the Residential status on return to India for permanent settlement.
  - b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
14. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
15. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s. Karvy Consultants Limited.
16. Re-appointment / Appointment of Directors:  
At the ensuing Annual General Meeting Shri D. Chaturvedi and Shri Anand Jain Directors retire by rotation and being eligible offer themselves for re-appointment. Shri Amitabh Jhunjhunwala and Shri Alok Agarwal, additional Directors holding office upto the date of this meeting, are proposed to be appointed as Directors liable to retire by rotation. The information or details pertaining to these Directors, to be provided in terms of Clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published elsewhere in this Report.

**EXPLANATORY STATEMENT**

In conformity with the provisions of Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the special business and should be taken as forming part of the Notice.

**Item No. 6 & 7**

The Board of Directors at their meeting held on 7th March 2003 appointed Shri Amitabh Jhunjhunwala and Shri Alok Agarwal as Additional Directors of the Company in accordance with Article 135 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. These Directors hold office upto the date of the ensuing Annual General Meeting. The Company has received notices from some members of the Company proposing their respective candidature for the office of Director.

Keeping in view the experience and qualification of the aforesaid persons, your Directors consider it to be in the interest of the Company if they are appointed as Directors retiring by rotation as per the provision of the Companies Act, 1956.

Your Directors therefore recommend the said resolutions for your approval.

The aforesaid Directors may be deemed to be concerned or interested in the resolution relating to their respective appointments.

None of the other Directors are, in anyway, concerned or interested in the said resolution.

**Item No. 8**

The Board of Directors at their meeting held on 7th March 2003, have, subject to the approval of the Shareholder in general meeting, appointed Shri V.R. Mohan as Manager designated as "Company Secretary and Manager" of the Company for a period of 3 (three) years with effect from 7th March, 2003 on the remuneration determined by the Remuneration Committee of the Board of Directors.

Shri V. R. Mohan aged 49 years is a Company Secretary and his experience in the field spans over two decades. The remuneration payable to Shri V.R. Mohan will comprise salary of Rs.36,300 per month and perquisites and allowances being limited to Rs. 33,000 per month. Shri V. R. Mohan fulfills the conditions for eligibility contained in Part I of Schedule XIII of the Companies Act, 1956.

The perquisites and allowances payable to Shri V.R. Mohan will include House Rent allowance, medical reimbursements, leave travel concession for self and his family including dependants; medical insurance and such other perquisites and/or allowances within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income tax Act, 1961 or any rules thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force). However Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income tax Act, and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the company, shall not be included in the computation of limits for the remuneration which includes salary, perquisites and allowances.

In addition to the above, Shri V. R. Mohan, shall also be eligible to an annual increment not exceeding 15% on the last drawn salary, perquisites and allowances during his tenure as Manager.

The terms and conditions of appointment and payment of remuneration are set out in the Agreement to be entered into between the Company and Shri V. R. Mohan. The Board or any Committee thereof is entitled to revise the salary, allowances and perquisites payable to the Company Secretary and Manager of the Company at any time, such that the overall remuneration payable to the Company Secretary and Manager of the Company shall not exceed the limits specified above.

The aforesaid Agreement may be terminated by either party by giving three months prior notice of termination in writing to the other party.

The draft Agreement to be entered into between the Company and Shri V.R. Mohan is available for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of the ensuing Annual General Meeting.

Your Directors, therefore, recommend the said resolution for your approval.

None of the Directors are, in any way, concerned or interested in the resolution.

The above may also be treated as an abstract of the terms of the contract/agreement between the Company and Shri V.R. Mohan pursuant to Section 302 of the Companies Act, 1956.

**Registered Office:**

Avdesh House, 2nd Floor,  
Pritam Nagar, 1st Slope,  
Ellisbridge, Ahmedabad - 380 006  
28th April, 2003

**By order of the Board of Directors**

**V. R. Mohan**  
Company Secretary & Manager

## DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the 17th Annual Report, together with the audited statements of accounts of the Company for the year ended 31<sup>st</sup> March 2003.

### FINANCIAL RESULTS:

	(Rs in crores)	
	Year ended 31-3-2003	Year ended 31-3-2002
Gross Income	458.78	548.59
Gross Profit	194.28	156.40
Less: Depreciation	91.65	55.18
Profit Before Tax	102.63	101.22
Provision for Taxation	-	-
Net Profit	102.63	101.22
Add: Profit brought forward from the previous year	136.73	108.52
Excess provision for previous year dividend	-	(0.04)
Transferred from Debenture Redemption Reserve	-	5.00
Profit available for Appropriation	239.36	214.70
Dividend including Dividend Tax	41.65	37.49
Transfer to General Reserve	10.30	10.23
Transfer to Capital Redemption Reserve	-	10.00
Transfer to Statutory Reserve Fund	20.60	20.25
Balance carried forward	166.81	136.73

### DIVIDEND:

Your Directors have recommended a dividend of Rs.2.90 per equity share on 12,73,03,261 Equity shares of Rs.10/- each aggregating to Rs 36.92 crore for the financial year ended 31<sup>st</sup> March 2003, which if approved at the ensuing 17<sup>th</sup> Annual General Meeting, will be paid to all those equity shareholders whose names appear in the Register of Members as on 31<sup>st</sup> May 2003 and to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

### MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

#### Financial Review:

Reliance Capital Ltd. (RCL), one of India's leading private sector non-banking financial services companies (NBFCs), has reported satisfactory financial and operating performance during the period under review i.e. financial year 2002-03.

Gross income for the year was Rs.458.78 crores compared to Rs 548.59 crores in the previous financial year. Correspondingly, interest expenses for the year were also lower at Rs. 252.81 crores, compared to Rs. 373.43 crores last year. The decline in level of gross income and interest expenses was on account of reduction in the level of advances/investments, and corresponding reduction in the borrowings of RCL.

Gross profit for the year was up 24.22% at Rs.194.28 crores, as against Rs.156.40 crores in the previous year.

Depreciation was higher at Rs.91.65 crores (Previous Year Rs.55.18 crores), on account of additional depreciation of Rs. 37.38 crores, arising out of the difference between the market value and the written down value of assets for own use. The tax provision continued to be nil.

Net profit increased from Rs.101.22 crores to Rs.102.63 crores for the year 2002-03.

RCL's net worth stood at Rs 1,336.33 crores for the year, as against Rs 1,275.82 crores, an increase of nearly 5 per cent.

#### Resources and Liquidity:

During the year, RCL redeemed non-convertible debentures (NCDs) to the tune of Rs.56.70 crore and discount bonds to the tune of Rs.662.88 crore. RCL's long term debt: equity ratio as on 31<sup>st</sup> March 2003 was 0.33:1, well below the comparable levels in the industry.

Credit Analysis and Research Ltd. (CARE) had rated RCL's outstanding long term borrowings at AA+, indicating that the instruments carrying this rating are of high quality by all standards, and are of high investment grade. Consequent upon the long term borrowings being repaid, no ratings were obtained during the year.

RCL currently does not accept fixed deposits from the public.

#### Industry Structure and Developments:

The Non-Banking Financial Services (NBFC) industry in the private sector in India is represented by a mix of a few large companies with nationwide presence, and a large number of small and medium sized companies with regional focus. These NBFCs provide a variety of services including fund based, and fee based activities, and cater to retail and non-retail markets, and niche segments.

The increased penetration of the banking sector in all segments of the financial services industry, and reduced direct costs of borrowing for high quality borrowers, have greatly reduced business opportunities for NBFCs.

Over the last several years, an effective regulatory framework has been implemented, bringing in wide ranging changes on prudential norms, and a continuous monitoring mechanism, thereby improving the overall levels of investor protection.

#### Business Review:

RCL's operations continue to be mainly focused on the areas of funding of projects in the infrastructure sector, providing immense growth opportunities and substantial tax benefits.

#### Leasing:

RCL did not conduct any leasing activities during the year.

#### Investments in the Infrastructure Sector:

RCL's investments in the infrastructure sector included high growth areas of power, telecommunications, ports etc., contributing to the country's overall economic development. Your company's investment in infrastructure projects stood at Rs.1271crore as on 31<sup>st</sup> March 2003.

#### Opportunities:

The Indian economy provides attractive growth opportunities, with GDP growth forecast at 5%-6% per annum over the next several years. Growth in major infrastructure areas such as the road and port sector, telecom and other urban infrastructure sectors are likely to provide significant business opportunities in the future. The imminent legislation of the new Electricity Bill will also create new opportunities in the areas of generation, transmission and distribution of power.

In addition, the services sector in India is expected to contribute at a faster pace to the overall economy in the future. This is likely to create a positive environment for the financial services industry in India.

RCL is well positioned to identify large infrastructure projects, providing excellent opportunities to deploy funds with attractive levels of returns.

#### Challenges:

The entire NBFC sector faces competitive pressures from the banking sector, which enjoys access to lower cost financing. The spreads in the lending business have also narrowed considerably.

RCL's strong financial position, reflected by its low debt: equity ratio, and adoption of prudent business strategies, have enabled it to consistently post satisfactory performance despite these competitive conditions.

#### Outlook:

RCL intends to maintain its focus on investments in the infrastructure sector, while supporting the growth of its subsidiary companies in the areas of insurance, asset management, etc.

#### Risks and Concerns:

RCL is exposed to specific risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risk, and credit risk. RCL manages these risks by maintaining a conservative financial profile, and by following prudent business and risk management practices.

#### Adequacy of Internal Control:

RCL has a proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorised use or disposition of assets, and that the transactions are authorised, recorded and reported correctly.

RCL ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

The audit committee of the Board of Directors reviews the adequacy of internal controls.

#### Human Resource Development (HRD):

RCL has a team of able and experienced industry professionals. The number of employees stood at 30.

#### SUBSIDIARIES:

As required under Section 212 of the Companies Act, 1956 the audited statements of accounts, along with the respective Reports of the Board of Directors and the respective Auditors' Report thereon of all the subsidiaries for the year ended 31<sup>st</sup> March 2003 are annexed.

During the year, Reliance General Insurance Company Ltd. (RGICL) has booked gross direct premium of Rs 185.67 crore as against Rs 77.46 crore in the previous year. RGICL has earned a net profit after tax of Rs 14.34 crore as against Rs 6.77 crore during the previous year.

Reliance Capital Asset Management Ltd. had total assets under management of Rs. 2,419 crore as on 31<sup>st</sup> March, 2003, and earned a profit after tax of Rs.1.47 crore for the year, compared to Rs. 0.26 crore in the previous year.



## DIRECTORS' REPORT - Contd.

### FIXED DEPOSITS:

During the year, RCL has not accepted or renewed any deposits. All the deposit schemes matured in June 2002.

At the end of the financial year, 173 deposits aggregating Rs.0.21 crore remained unclaimed on the due dates. Till the date of this Report, deposits aggregating Rs.0.03 crore have been refunded.

RCL has intimated the deposit holders individually of their unclaimed amount with a request to return the Fixed Deposit Receipts duly discharged to enable the Company to refund the amount.

RCL has complied with various requirements in terms of the capital adequacy under the guidelines issued by the Reserve Bank of India for Non Banking Financial Companies.

### DIRECTORS:

During the year, Shri Anand Jain resigned as Managing Director, and he continues to be a Non Executive Director designated as Vice Chairman of the Company.

Shri U. Mahesh Rao was appointed as Additional Director with effect from 29<sup>th</sup> July 2002 and has ceased to be a Director from 28<sup>th</sup> April 2003.

Shri Amitabh Jhunjhunwala and Shri Alok Agarwal were appointed Additional Directors with effect from 7<sup>th</sup> March 2003 and their term expires at the ensuing Annual General Meeting. The Company recommends their appointment as Directors.

Shri V.R. Mohan was appointed as Manager under the Companies Act, 1956 designated as Company Secretary and Manager at the Board Meeting held on 7<sup>th</sup> March 2003.

Shri D. Chaturvedi and Shri Anand Jain - Directors of the Company retired by rotation and being eligible offer themselves for re-appointment. The Company recommends their re-appointment as Directors.

Brief resume of the Directors retiring by rotation and of the Additional Directors to be confirmed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership/chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.

### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the accounts for the financial year ended 31<sup>st</sup> March 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2003 and of the profit of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2003 on a 'going concern' basis.

## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

**Auditor's certificate to the members of Reliance Capital Limited on compliance of the conditions of Corporate Governance for the year ended 31<sup>st</sup> March, 2003, under Clause 49 of the Listing Agreement.**

We have examined the compliance of Corporate Governance by Reliance Capital Limited for the year ended 31<sup>st</sup> March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges (hereinafter referred to as Clause 49).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an express opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has, by 31<sup>st</sup> March, 2003, complied in all material respects with the conditions of Corporate Governance stipulated in Clause 49, save and except the

### CONSOLIDATED FINANCIAL STATEMENTS:

In accordance with Accounting Standard 21 relating to Consolidated Financial Statements, your directors have pleasure in attaching the said Consolidated Financial Statements, which form part of this Report and Accounts. These statements have been prepared on the basis of audited financial statements received from subsidiary companies, as approved by their respective Boards.

### AUDITORS & AUDITORS' REPORT:

M/s. Pathak H. D. & Associates, Chartered Accountants, as Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment. Your Company has also received a certificate from M/s. Pathak H. D. & Associates, Chartered Accountants, to the effect that the appointment, if made, would be within the prescribed limits u/s 224(1B) of the Companies Act, 1956.

The Note no. 4 of Schedule N referred to in the Auditors' Report is self-explanatory.

### PERSONNEL:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act 1956, the report and the accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company at its Corporate Office.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars required to be furnished by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:

- (1) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- (2) Foreign Exchange earnings and outgo:
 

Earnings	- Nil
Outgo	- Rs. 0.35 crore

### COMPLIANCE CERTIFICATE:

A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report.

### ACKNOWLEDGEMENTS:

Your Directors wish to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, depositors and other business constituents during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance during the year.

for and on behalf of the Board of Directors  
**D. Chaturvedi**  
 Chairman

Mumbai, 28<sup>th</sup> April, 2003

Chairman of the Audit Committee could not attend the 16<sup>th</sup> Annual General Meeting in view of the reason explained in the report on Corporate Governance.

As required by the Guidance Note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that, the registrars of the company have certified that as on 31<sup>st</sup> March, 2003, there were no investor grievances remaining pending for a period exceeding one month, and as explained to us by the management, the registrars have reported to the Shareholders/Investors' Grievance Committee regularly on the status of such grievances.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management had conducted the affairs of the company.

for Pathak H. D. & Associates  
 Chartered Accountants

**R. S. Vahia**  
 Partner

Mumbai, 21<sup>st</sup> April, 2003

## CORPORATE GOVERNANCE

The Company pursuant to the code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under:

### 1. Company's Philosophy on Code of Governance

The Company's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and lenders.

Company is committed to achieving the highest international standards of corporate governance.

Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

### 2. Board of Directors

The Board of Directors of the Company is comprised of:

- 5 Independent non-executive directors
- 3 Non Independent directors

### Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship, Membership and Chairmanship of Committee in various companies:

Name of the Director	Category	Attendance Particulars		No. of other directorships and committee member/chairmanship		
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
D. Chaturvedi	C	6	No *	2	2	2
Anand Jain	VC	6	No	7	2	-
D. J. Kapadia	NED	6	Yes	1	2	1
S. S. Thakur	NED	6	Yes	9	8	2
S. H. Junnarkar	NED	6	Yes	14	10	-
U. Mahesh Rao	NED	3	No	7	9	1
Amitabh Jhunjhunwala	NED	1	No	5	5	-
Alok Agarwal	NED	1	No	3	-	-

\* The Chairman of Audit Committee could not attend the 16<sup>th</sup> AGM in view of the prevailing then critical health condition of Late Shri Dhirubhai Ambani our Group Chairman

\*\* Appointed as Director w.e.f. 29<sup>th</sup> July, 2002 and resigned w.e.f. 28<sup>th</sup> April, 2003.

\*\*\* Appointed as Director w.e.f. 7<sup>th</sup> March, 2003

C - Chairman, VC - Vice Chairman, NED - Non-Executive Director

### Number of Board Meetings held and the dates on which held:

During the year the Company has held 6 Board Meetings as against the minimum requirement of 4 meetings. The meetings were held on 22<sup>nd</sup> April, 2002, 5<sup>th</sup> July, 2002, 29<sup>th</sup> July, 2002, 28<sup>th</sup> October, 2002, 30<sup>th</sup> January, 2003 and 7<sup>th</sup> March, 2003.

### Information on Directors Re-appointment / Appointment

A brief resume of Directors being re-appointed / appointed at the ensuing Annual General Meeting, the nature of their expertise in specific functional areas and names of the Companies in which they hold Directorship and Membership of Committee of the Board are furnished hereunder :

**Shri D.Chaturvedi (68)** is a Chartered Accountant and is the Senior Partner of M/s. Chaturvedi & Shah, Chartered Accountants. He is on the Board of Reliance Capital Trustee Co. Ltd. He is a member and Chairman of the Audit and Remuneration Committee of the Board of Directors.

**Shri Anand Jain (45)** is a Commerce graduate from Mumbai University with a course in Risk Management at the London Business School. He is on the Board of Trustees of Mumbai Port Trust, a Member of Managing Council of HNH Hospital and Research Centre, Mumbai, an active Member of Young President's Organisation and is the Honorary Counsel of Mongolia in Mumbai. He is also on the Board of Indian Petrochemicals Corporation Limited, Reliance Infocomm Limited and Free Press House Ltd. He is the member of the Shareholder / Investor Grievances Committee and Remuneration Committee of the Board of Directors.

**Shri Amitabh Jhunjhunwala (46)** is a Chartered Accountant and has around 23 years experience in finance and the capital markets. He is the treasurer of Reliance Industries Limited. He is on the Boards of Reliance Capital Asset Management Limited, BSES Limited, BSES Yamuna Power Limited, BSES Rajdhani Power Limited and BSES Telecom Limited. He is the member of the Shareholder / Investor Grievances Committee of the Board of Directors.

**Shri Alok Agarwal (45)** is B.Tech with a Post Graduate Diploma in Management. He has been associated with the Reliance Group for over 10 years and prior to this he was with Bank of America for 12 years. He has wide experience in capital raising transactions both in equity and debt in domestic and international markets. He is on the Boards of Reliance Capital Asset Management Limited, Reliance Telecom Limited and Reliance Industrial Investment & Holding Limited.

### Audit Committee:

The Audit Committee, comprises of four independent non-executive Directors viz. Shri D.Chaturvedi, Shri D.J.Kapadia, Shri S. S. Thakur and Shri Sandeep H. Junnarkar. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

The terms of reference stipulated by the Board to the Audit Committee are, as contained under Clause 49 of the Listing Agreement, as follows:

- a. Overseeing of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.

**CORPORATE GOVERNANCE - Contd.**

- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

During the year, the Committee has met three times. The meetings were held on 22<sup>nd</sup> April, 2002, 28<sup>th</sup> October, 2002 and 30<sup>th</sup> January, 2003. All the committee members were present at all the meetings.

**Remuneration Committee:**

The Remuneration Committee has been constituted comprising of 3 independent, Non-executive Directors viz. Shri D. Chaturvedi, Shri Anand Jain and Shri S. S. Thakur to recommend / review the remuneration package of the Manager based on the performance and defined criteria.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry practice.

**Details of remuneration paid to Manager for the year :**

The Board appointed Shri V. R. Mohan as Manager under Companies Act, 1956 w.e.f. 7<sup>th</sup> March 2003 for a period of 3 years on a gross remuneration comprising of salary, allowances and perquisites of Rs.8,31,600/- per annum.

Besides this Manager is also entitled to Company's contribution to Provident Fund, Superannuation, Gratuity and encashment of leave at the end of tenure, as per the rules of the Company. The aggregate value of salary, allowances and perquisites paid for the year ended 31st March, 2003 to the Manager was Rs.77,373/-.

The remuneration of the Manager is duly approved by the Remuneration Committee and the Board of Directors and is subject to the approval of the Shareholders at the ensuing annual general meeting.

**Shareholders / Investors Grievance Committee:**

- The Company has constituted the Shareholders / Investors grievance committee comprising of Shri D.J.Kapadia, Shri Anand Jain and Shri Amitabh Jhunjunwala.
- The committee oversees the performance of the Registrars and Transfer Agents and recommends measures to improve the level of investor services.
- The Company has authorised Directors and Shri V.R.Mohan - Company Secretary and Manager, severally to approve the share transfers.
- In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorised the Committee to implement and monitor the various requirements as set out in the Code.

- The Board has designated Shri V.R.Mohan, Company Secretary & Manager, as the compliance officer.
- The total number of complaints received and replied to the satisfaction of the shareholders during the year under review was 12,194. Outstanding complaints as on 31<sup>st</sup> March, 2003 were NIL.
- 15 requests for transfer and 111 requests for dematerialisation were pending for approval as on 31<sup>st</sup> March, 2003 which were approved, processed and dispatched on 3<sup>rd</sup> April, 2003.

**Finance Committee:**

The Board of Directors of the Company has constituted the Finance Committee to make recommendations to the Board relating to capital structure and the issuance of securities, guarantees, review banking arrangement and cash management, review and approve certain short-term and long-term investment and other financial transaction.

The Finance Committee meets as and when the need to consider any matter assigned to it arises. Time schedule for holding the meetings of the Finance Committee is finalised, in consultation with the Committee Members.

**General Body Meetings:**

The last three Annual General Meetings of the Company were held as under:

Year	Location	Date	Time
1999-2000	Thakorebhai Desai Hall, Ahmedabad	24 <sup>th</sup> June, 2000	11.30 a.m
2000-2001	Thakorebhai Desai Hall, Ahmedabad	16 <sup>th</sup> June, 2001	11.30 a.m
2001-2002	Thakorebhai Desai Hall, Ahmedabad	6 <sup>th</sup> July, 2002	12:15 p.m.

During the year ended 31<sup>st</sup> March, 2003, there have been no resolutions passed by the Company's shareholders by postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

- a. **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company at large.**  
None of the transactions with any of the related parties were in conflict with the interest of the Company.
- b. **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.**  
None

**Means of Communication:**

- a. Half yearly report sent to each household of shareholders:  
Half yearly report for 30<sup>th</sup> September, 2002 were dispatched to the shareholders.
- b. Quarterly results:  
The Company has published quarterly results in The Business Standard (English) and Jai Hind (Vernacular), both at Ahmedabad.
- c. The Company does not have a website. The Company however posts its financial results on SEBI website sebidifir.nic.in for all quarters.
- d. Management Discussion and Analysis forms part of the Directors' Report which is posted to the shareholders of the Company.

**CORPORATE GOVERNANCE - Contd.****General Shareholder Information:**

1. Annual General Meeting
 

Date and Time	:	28 <sup>th</sup> June, 2003 at 2.30 p.m.
Venue	:	Thakorebhai Desai Hall, Ahmedabad
2. Financial Calendar 2003-04 (tentative) :
 

Results for the quarter ending 30 <sup>th</sup> June, 2003.	Last week of July 2003.
Results for the quarter ending 30 <sup>th</sup> September, 2003	Last week of October 2003.
Results for the quarter ending 31 <sup>st</sup> December, 2003.	Last week of January 2004.
Results for the year ending 31 <sup>st</sup> March, 2004.	Last week of April 2004.
3. Book closure date : Friday, 23<sup>rd</sup> May, 2003 to Saturday, 31<sup>st</sup> May, 2003.
4. Dividend payment date : 30<sup>th</sup> June, 2003
5. Registered Office: :
 

Avdesh House, 2<sup>nd</sup> floor,  
Pritam Nagar 1st slope,  
Ellisbridge, Ahmedabad 380 006.  
☎ (079) 6576895.  
☎ (079) 6578070.
- 6a. Equity shares Listed on Stock Exchanges at :
  1. The Stock Exchange, Ahmedabad
  2. The Stock Exchange, Mumbai
  3. National Stock Exchange of India Limited
- 6b. Annual listing fees : Duly paid to all the above Stock Exchanges for the year 2003-04
7. Stock Code
 

(a) Trading Symbol at	:	The Stock Exchange, Ahmedabad	(Physical Segment)	'49040 RELIANCAPT'
	:	The Stock Exchange, Mumbai	(Physical Segment)	'111 RELIANCE CAP'
	:	National Stock Exchange of India Ltd.	(Physical Segment)	'RELCAPITAL'
(b) Demat ISIN Numbers in NSDL & CDSL	:	Equity Shares <b>INE 013A01015</b>		

**8. Stock Market Data: (in Rs./per share)**

	The Stock Exchange Ahmedabad		The Stock Exchange Mumbai		National Stock Exchange of India Ltd.	
	High	Low	High	Low	High	Low
April 2002	56.70	51.00	57.95	51.10	57.20	50.75
May 2002	63.60	44.00	56.60	43.40	56.00	43.00
June 2002	64.90	48.15	64.90	47.75	64.80	47.60
July 2002	60.50	46.00	60.50	45.00	60.50	45.00
August 2002	57.55	46.00	50.80	46.60	51.50	42.95
September 2002	50.50	45.00	51.00	45.05	51.00	45.00
October 2002	46.50	42.00	46.75	42.55	46.90	42.50
November 2002	54.90	45.00	54.75	45.15	54.80	44.00
December 2002	59.75	52.25	59.50	52.25	59.80	52.50
January 2003	58.60	50.50	58.80	50.10	58.90	50.15
February 2003	64.25	50.25	64.30	50.50	64.40	50.45
March 2003	61.20	49.00	61.20	48.50	61.20	48.50

9. Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty  
During the financial year 2002-03, RCL's share price outperformed the benchmark indices both on BSE and NSE. On BSE, RCL's share price declined by 7% as compared to a decline of 12% of BSE Sensex. Similarly, on NSE, RCL's share price declined by 8% against a decline of 13% of NSE Nifty.

10. Registrars and Transfer Agents : Karvy Consultants Limited  
(Share transfer and communication regarding share certificates, dividends and change of address) 46, Avenue 4, Street No.1  
Banjara Hills  
Hyderabad 500 034

**CORPORATE GOVERNANCE - Contd.**

11. Share Transfer System : Presently, the share transfers in physical form are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, subject to the documents being clear in all respects. The Company has, as per SEBI guidelines with effect from 24<sup>th</sup> March 2000 offered the facility of transfer cum demat. Under the said system, after the share transfer is effected, a letter will be sent to the transferee indicating the details of the transferred shares and in case the transferee wishes to demat the shares he can approach a Depository Participant (DP) with the letter. The DP will, based on the letter, generate a demat request which he will send to the Company along with the option letter issued by the Company. On receipt of the same the Company will demat the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the Company will despatch the share certificates after 15 days

12. Distribution of Shareholding as on 31<sup>st</sup> March, 2003.

Category	%
Financial Institutions / Banks / Mutual Funds	1.89
NRI/OCBs	0.40
Bodies Corporate	51.06
Others	46.65
<b>Total</b>	<b>100.00</b>

13. Dematerialisation of Shares : Approximately 87.49% of the equity shares have been dematerialised upto 31<sup>st</sup> March 2003.
- Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 5<sup>th</sup> April, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

Liquidity : Relevant data of the average daily turnover for the financial year 2002-2003 is given below:

	<b>Bombay Stock Exchange (BSE)</b>	<b>National Stock Exchange (NSE)</b>	<b>BSE + NSE</b>
Shares (in lakhs)	1.65	2.63	4.28
Shares (in Rs. crs)	0.93	1.48	2.41

14. Investor Correspondence : *For Shares held in Physical form* *For Shares held in Demat form*  
for transfer / dematerialisation of Karvy Consultants Ltd. to the Depository Participant  
shares, payment of dividend on 46, Avenue 4, Street No. 1  
of debentures, and any other Banjara Hills,  
query relating to the shares and Hyderabad 500 034  
debentures of the Company. E-Mail: rilinvestor@karvy.com

15. Any query on Annual Report : Reliance Capital Limited,  
Fosbery Road,  
off Reay Road Station (East)  
Mumbai - 400 033

16. Transfer of unclaimed amount to Investor Education and Protection Fund : The investors are advised to claim the unencashed dividends for the year 1995-96 onwards lying in the unpaid dividend accounts of the Company before the same gets credited to the Investor Education and Protection Fund. During the year under review the Company has credited a sum of Rs.20.68 lakhs to the Investor Education and Protection Fund pursuant to section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (awareness and Protection of Investor) Rules, 2001.