

Annual Report
2006-07



profile

Reliance Capital Limited is a part of the Reliance – Anil Dhirubhai Ambani Group.

Reliance Capital, incorporated in 1986, is one of India's leading and fastest growing private sector financial services companies, and ranks among the top 3 private sector financial services and banking companies, in terms of net worth.

Reliance Capital has interests in asset management and mutual funds, life and general insurance, private equity and proprietary investments, stock broking and other activities in financial services.

Mission: Excellence in financial services

- To attain global best practices and become a world-class financial services enterprise – guided by its purpose to move towards greater degree of sophistication and maturity.
- To work with vigour, dedication and innovation to achieve excellence in service, quality, reliability, safety and customer care as the ultimate goal.
- To earn the trust and confidence of all stakeholders, exceeding their expectations and make the Company a respected household name.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organisation.
- To contribute towards community development and nation building.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and above all, people.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.

To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

LETTER TO SHAREOWNERS



**"Think big, think fast, think ahead.
Ideas are no one's monopoly."**

- Dhirubhai H. Ambani

My dear fellow Shareowners,

It gives me great pleasure to share with you the highlights of our Company's performance during the year 2006-07.

I am delighted to share with you that in a span of less than 2 years from the date of the reorganization of the Reliance group in June 2005, our company has become one of the 20 most valuable private sector companies in India, with a market capitalization in excess of Rs. 25,000 crore and a shareholder base of over 1.3 million investors.

Our Company now ranks among the top 3 private sector banking and finance companies on all major parameters, with interests in asset management and mutual funds, life and general insurance, private equity and proprietary investments, stock broking, distribution of financial products, and other financial services.

We have over 5 million customers, served by 2,700 outlets in over 625 cities and towns, representing one of the largest distribution networks in the financial services space.

Our company is an integral part of the Reliance ADA Group, India's third largest business house.

Across different companies, the group enjoys the support of a customer base of over 100 million, and a shareholder base of over 7 million - the largest for any group in the country.

This proud association defines our vision and values. It defines who we are, what we stand for and what we aspire to achieve.

Reliance Capital, like the Reliance ADA Group, embodies the essential ethos of our young nation - the new resurgent India of the 21st century. Our goal is not just to build a great enterprise for our stakeholders but a great future for our country - to give millions of young Indians the means to fulfill their dreams, the power to shape their own destiny and to realize their true and diverse potential.

We are not just about scale and size; we are about the pursuit of excellence, the integrity of our values and the quality of our services.

Performance Review

You will be happy to learn that during the year, our Company achieved substantial improvement in its financial and operational performance.

The salient points are:

- **Consolidated Total Income of Rs. 2,158 crore** (US\$ 495.0 million), against Rs. 947 crore in the corresponding period last year, **an increase of 128%**
- **Consolidated Net Profit of Rs. 703 crore** (US\$ 161.3 million), against Rs. 572 crore during the previous year, **an increase of 23%**
- **Total Income of Rs. 884 crore** (US\$ 202.08 million), against Rs. 652 crore last year, **an increase of 36%**
- **Net Profit of Rs. 646 crore** (US\$ 148.2 million), against Rs. 538 crore during the previous year, **an increase of 20%**
- **Consolidated Earning per share (EPS) of Rs. 30.89** (US\$ 0.71), against Rs. 26.19 in the corresponding period last year, **an increase of 18%**
- **Earning per share (EPS) of Rs. 28.39** (US\$ 0.65), against Rs. 24.64 in the previous corresponding period, **an increase of 15%**
- **Total Assets of the company stood at Rs. 6,769 crore** (US\$ 1.51 billion)
- **Total Net worth of the company stood at Rs. 5,161 crore** (US\$ 1.18 billion)

Reliance Capital Limited

LETTER TO SHAREOWNERS (Contd...)

Reliance Capital has consistently enjoyed the highest levels of credit rating from the leading rating agencies in the country. Our short term borrowing programme has been assigned the A1+ and F1+ ratings by ICRA and Fitch respectively, indicating the lowest level of credit risk, and the strongest capacity for timely discharge of all financial obligations.

Achievements during the year

The year under review saw our Company reach new milestones in growth across various businesses.

Reliance Mutual Fund emerged as India's no.1 mutual fund, with assets under management to the tune of Rs. 46,307 crore as on March 31, 2007 – a growth of nearly 87 per cent over the previous year.

Over the same period, Reliance Life Insurance and Reliance General Insurance emerged as two of India's fastest growing insurance companies, with annual growth in excess of 349 and 422 per cent respectively, as against the industry average of 110 and 22 per cent respectively.

In April 2007, we formally launched Reliance Money, a comprehensive online financial services and solutions portal, which provides our customers with investment and trading access to equities, equity options, commodities futures, mutual funds, IPOs, life and general insurance products, offshore investments and credit cards. The range of offerings, the ease of access and the sheer technological edge which Reliance Money brings is unparalleled in the history of the Indian financial and capital markets.

The current year will herald the launch of our retail consumer finance business.

Future growth drivers

Our future growth will be propelled by the quality of our human capital, the use of cutting-edge technology, and our extensive distribution reach.

Technology, together with human and intellectual capital, will be the key differentiators for our Company going forward. We will use them as strategic tools to reduce the cost of delivery, improve the speed of execution and enhance customer experience at every point of interface.

"Reliance" is amongst the most trusted brand names in India. We will leverage this brand equity to increase our market share and launch innovative products and services. We will strengthen and expand our already extensive distribution reach to further penetrate the Indian market and reach sections of people who have hitherto been denied the benefits of informed investment advice and world class financial services.

Our Commitment

Our founder, the legendary Dhirubhai H. Ambani, gave us a simple mantra: to aspire to the highest global standards of quality and efficiency, operational performance, and customer care.







We remain committed to upholding that vision.

Dhirubhai exhorted us to think big.

We will think bigger. Indeed, not just bigger but better, creating ever greater value for all our stakeholders.



Anil D. Ambani
Chairman
May 28, 2007

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Hyderabad : Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081.  91-040-2342 0815-25  91-040-2342 0859 Email: rclinvestor@karvy.com Website: www.karvy.com		
Mumbai : Andheri Office 7, Andheri Industrial Estate, off. Veera Desai Road, 843/311, Andheri (West), Mumbai - 400 053.  022-26730799/022-26730843  022-26730152		
Fort Office 16/22 Bake House, Ground floor, Near MSC Bank, Behind Rythm House Fort Mumbai - 400 023.  022-66382666/022-66381746  022-66331135/022-22040171		
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**21st Annual General Meeting on Tuesday, July 3, 2007 at 11:00 a.m.,
at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.**

Reliance Capital Limited

FINANCIAL HIGHLIGHTS

(Rs. in crore)

FINANCIAL HIGHLIGHTS

Year Ended March 31	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Turnover	883.86	652.02	295.69	356.79	458.78	548.59	492.20	457.40	370.19	301.33
Earnings Before Depreciation, Interest and Tax (EBDIT)	782.88	619.00	290.06	348.27	447.09	529.83	475.06	450.87	360.09	284.93
Depreciation	7.07	23.19	27.77	42.09	91.65	55.18	71.97	84.94	98.87	79.81
Profit After Tax	646.18	537.61	105.81	105.79	102.63	101.22	93.45	90.56	90.46	106.45
Equity Dividend%	35.00	32.00	30.00	29.00	29.00	29.00	29.00	28.00	28.00	28.00
Dividend Payout	100.58	81.32	38.19	36.92	36.92	36.92	36.96	35.70	34.75	34.75
Equity Share Capital	246.16	223.40	127.84	127.97	127.83	127.83	127.83	126.93	123.98	123.97
Reserves and Surplus	4 915.07	3 849.58	1 310.08	1 271.84	1 208.50	1 147.99	1 901.91	1 071.03	1 011.80	989.11
Net Worth	5 161.23	4 122.46	1 437.92	1 399.81	1 336.33	1 275.82	2 039.74	1 197.96	1 135.78	1 113.08
Total Assets	6 573.19	4 364.35	2 809.94	2 751.47	3 106.78	3 710.70	4 356.51	3 513.40	2 926.51	2 111.11
Market Capitalisation	16 415.64	11 568.99	2 272.42	1 675.35	618.69	670.24	796.22	2 174.04	417.07	819.36
Number of Employees	196	140	21	27	30	29	34	25	28	38

KEY INDICATORS

Year Ended March 31	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
EBDIT / Gross Turnover%	88.58	94.94	98.10	97.61	97.45	96.58	96.52	98.57	97.27	94.56
Net Profit Margin%	73.11	82.45	35.78	29.65	22.37	18.45	18.99	19.80	24.44	35.33
Earnings Per Share (Rs.)	28.39	24.64	8.31	8.31	8.06	7.91	7.33	7.04	7.04	8.28
Book Value Per Share (Rs.)	210.12	184.97	112.95	109.96	104.97	100.22	160.24	93.21	88.37	86.60
Debt : Equity Ratio	0.28:1	0.06:1	0.05:1	0.42:1	0.33:1	1.91:1	1.81:1	1.93:1	1.58:1	0.90:1

NOTICE

Notice is hereby given that the Twenty-First Annual General Meeting of the Members of Reliance Capital Limited will be held on Tuesday, July 3, 2007 at 11.00 A. M., at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, to transact the following business:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at March 31, 2007, Profit and Loss Account for the year ended on that date 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 Rajendra P. Chitale who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants, and M/s. BSR & Co., Chartered Accountants, be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed by the Board of Directors."

By order of the Board of Directors

V. R. Mohan

Company Secretary & Manager

Registered Office :

H Block, 1st Floor,
Dhirubhai Ambani Knowledge City,
Koparkhairane, Navi Mumbai 400 710.
April 23, 2007

NOTES

1. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll, 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. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. Members/Proxies should fill the Attendance Slip for attending the meeting.
4. 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.
5. Members who hold shares in electronic 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 to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.
6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
7. (a) The Company has already notified closure of Register of Members and Transfer Books thereof from Friday, June 1, 2007 to Friday, June 15, 2007 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares for the year ended March 31, 2007. 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 the Annual General Meeting (AGM) i.e. July 3, 2007.
- (c) Members may please note that the Dividend Warrants shall be payable at par at the designated branches of the Bank printed on the reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation shall be payable only at limited centres / branches of the said Bank. The members are therefore, advised to encash Dividend Warrants within the initial validity period.
8. Non-resident Indian members are requested to inform Karvy Computershare Private Limited immediately on:
 - a. the change in the residential status on return to India for permanent settlement.
 - b. the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
9. Re-appointment of Director:
At the ensuing Annual General Meeting, Shri Rajendra P. Chitale, Director of the Company retires by rotation and being eligible offers himself for re-appointment. The details pertaining to the Director required to be provided pursuant to clause 49 of the listing agreement is furnished in the Statement on corporate governance published elsewhere in the annual report.

Reliance Capital Limited

DIRECTORS' REPORT

Dear Shareowners,

Your Directors have pleasure in presenting the 21st Annual Report and the audited accounts of the Company for the year ended March 31, 2007.

Financial Results:

The performance of the Company for the financial year ended March 31, 2007 is summarized below:

	Year Ended March 31, 2007 (Rs. in crore)	Year Ended March 31, 2007 (US\$ In millions)	Year Ended March 31, 2006 (Rs. in crore)	Year Ended March 31, 2006 (US\$ In millions)
Gross Income	883.86	202.77	652.02	146.16
Gross Profit	740.25	169.83	573.79	128.63
Less: Depreciation	7.07	1.62	23.19	5.20
Profit before Tax	733.18	168.21	550.60	123.43
Provision for Taxation	87.00	19.96	13.00	2.91
Net Profit	646.18	148.25	537.61	120.51
Add: Profit brought forward from the previous year	499.69	114.63	204.70	45.89
Excess provision of Dividend	21.93	5.03	-	-
Profit available for Appropriation	1 167.80	267.91	742.31	166.40
Dividend including Dividend Tax	100.58	23.07	81.32	18.23
Transfer to General Reserve	64.62	14.82	53.77	12.05
Transfer to Statutory Reserve Fund	129.24	29.65	107.53	24.10
Balance carried forward	873.36	200.36	499.69	112.01

The Company's gross income for the financial year ended March 31, 2007 increased to Rs. 883.86 crore, from Rs. 652.02 crore in the previous year, registering a growth of over 35.56 per cent.

The operating profit (PBDIT) of the Company increased 26.48 per cent to Rs. 782.88 crore during the year from Rs. 619 crore in the previous year.

Interest expenses for the year declined 5.69 per cent to Rs. 42.63 crore, from Rs. 45.20 crore, in the previous year.

Depreciation was at Rs. 7.07 crore as against Rs. 23.19 crore in the previous year.

Provision for taxation during the year was Rs. 87 crore.

Net profit for the year increased by over 20 per cent to Rs. 646.18 crore from Rs. 537.60 crore in the previous year.

An amount of Rs. 129.24 crore was transferred to Statutory Reserve Fund pursuant to section 45-IC of the Reserve Bank of India Act, 1934, and an amount of Rs. 64.62 crore was transferred to the General Reserve during the year under review.

The Company's Net worth as on March 31, 2007, stood at Rs. 5,161.23 crore, as against Rs. 4,122.46 crore last year.

Dividend:

Your Directors have recommended a dividend of Rs. 3.50

(35 per cent) per equity share on 24,56,32,800 equity shares of Rs. 10 each, for the financial year ended March 31, 2007, which, if approved at the ensuing Annual General Meeting, will be paid to (i) all those members whose names appear in the Register of Members of the company after giving effect to all valid share transfers in physical form lodged with the company before June 1, 2007 and (ii) to those members whose names appear as beneficial owners, are furnished by the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

Management Discussion and Analysis of Financial Condition:

Management Discussion and Analysis of financial condition and results of operations of the Company for the year under review, as required under clause 49 of the listing agreement with the Stock Exchanges, is given as a separate statement forming part of the annual report.

Scheme of Amalgamation and Arrangement:

During the year, in terms of the Scheme of Amalgamation and Arrangement between the Company, Reliance Capital Ventures Limited (RCVL) and their respective shareholders and creditors, as approved by the Hon'ble High Court of Gujarat at Ahmedabad and the Hon'ble High Court of Judicature at Bombay vide their respective orders dated June 23, 2006 and June 22, 2006, RCVL stood amalgamated with the Company with effect from July 17, 2006. In terms of the Scheme, the Company issued

DIRECTORS' REPORT - (Contd...)

and allotted 5 (five) equity shares of the face value of Rs. 10 each, for every 100 (one hundred) equity shares of the face value of Rs. 10 each held in RCVL, and the entire shareholding of the Company held by RCVL stood cancelled, thus resulting in a net increase of 10,66,555 equity shares of Rs. 10 each in the paid up capital of the Company.

Issue of Shares against warrants:

During the year 2,17,00,000 equity shares of Rs. 10 each of the Company were allotted to the promoter group upon exercise of outstanding warrants held by them. The said shares were issued at the stipulated price of Rs. 228 per equity share, aggregating to Rs. 494.76 crore.

Open Offer under SEBI Takeover Regulations:

On April 18, 2007, the Company announced an open offer to the Shareholders of TV Today Network Limited to comply with the procedural requirement of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The open offer shall be for acquisition of the mandatory 20% share capital of TV Today Network Limited from the existing shareholders, at a price of Rs. 130.50 per share, amounting to approximately Rs. 151.38 crore. The said open offer is intended to facilitate increasing the Company's existing shareholding of approximately 12% to beyond the stipulated threshold of 15% and will not result in any change in the management and/or control of TV Today Network Limited.

Subsidiaries:

During the year, Reliance Venture Asset Management Private Limited, Travelmate Services (India) Private Limited, Medybiz Private Limited, Net Logistics Private Limited, Reliance Capital Research Private Limited and Reliance Technology Ventures Private Limited have become subsidiaries of the Company.

In terms of the approvals granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Details of Subsidiaries', forming part of the Annual Report. Further, pursuant to Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report includes financial information of its subsidiaries.

Fixed Deposits:

The Company has neither accepted nor renewed any fixed deposits during the year.

The deposits remaining unclaimed on the due dates as on March 31, 2007, were 39 deposit accounts aggregating to Rs. 0.04 crore.

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 repay the amount.

Directors:

In terms of Article 154 of the Articles of Association of the Company, Shri Rajendra P. Chitale, Director of the Company, retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

Shri Udayan Bose ceased to be a Director with effect from December 23, 2006. Your directors place on record their deep sense of appreciation for the invaluable contribution made by Shri Udayan Bose during his tenure as Director of the Company.

A brief resume of the Director retiring by rotation and seeking re-appointment at the ensuing Annual General Meeting, nature of his expertise in specific functional areas, and names of companies in which he holds directorship and/or membership/ chairmanship of committees of the board, his shareholdings, etc. 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 March 31, 2007, the applicable accounting standards have been followed and that there are no material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 March 31, 2007, and of the profit of the Company for the year ended on that date;
- (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 annual accounts of the company on a 'going concern' basis.

Consolidated Financial Statements:

In accordance with Accounting Standard (AS-21) on Consolidated Financial Statements read with Accounting Standard (AS-23) on Accounting for Investments in Associates, your Directors provide the audited Consolidated Financial Statements in the Annual Report. These statements have been prepared on the basis of financial statements received from subsidiary and associate companies, as approved by their respective Boards.

Auditors & Auditor's Report:

M/s. Chaturvedi & Shah, Chartered Accountants, and M/s. BSR & Co., Chartered Accountants, as Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letters from M/s. Chaturvedi & Shah, Chartered Accountants and M/s. BSR & Co., Chartered

DIRECTORS' REPORT - (Contd...)

Accountants, to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

Particulars of Employees:

In terms of the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company at its Registered Office.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

Particulars required to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are as under:-

(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. 4.25 crore

Transfer of Unclaimed Dividend to IEPF:

Pursuant to the provisions of section 205A of the Companies Act, 1956, the dividend declared which remained unclaimed for a period of 7 years has been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to section 205C of the said Act.

Corporate Governance:

The report on Corporate Governance as stipulated under clause 49 of the listing agreement with the Stock Exchanges, forms part of the Annual Report.

A Certificate from the Auditors of the Company M/s. Chaturvedi & Shah and BSR & Co., Chartered Accountants, confirming compliance with conditions of Corporate Governance as stipulated under the aforesaid clause 49, is annexed to this Report.

Acknowledgements:

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies 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



Anil, D. Ambani
Chairman

Mumbai
April 23, 2007