

**Annual Report  
2007 – 08**

Report Junction.com

# Profile

Reliance Capital Limited is a part of the Reliance Anil Dhirubhai Ambani Group, India's second largest business house.

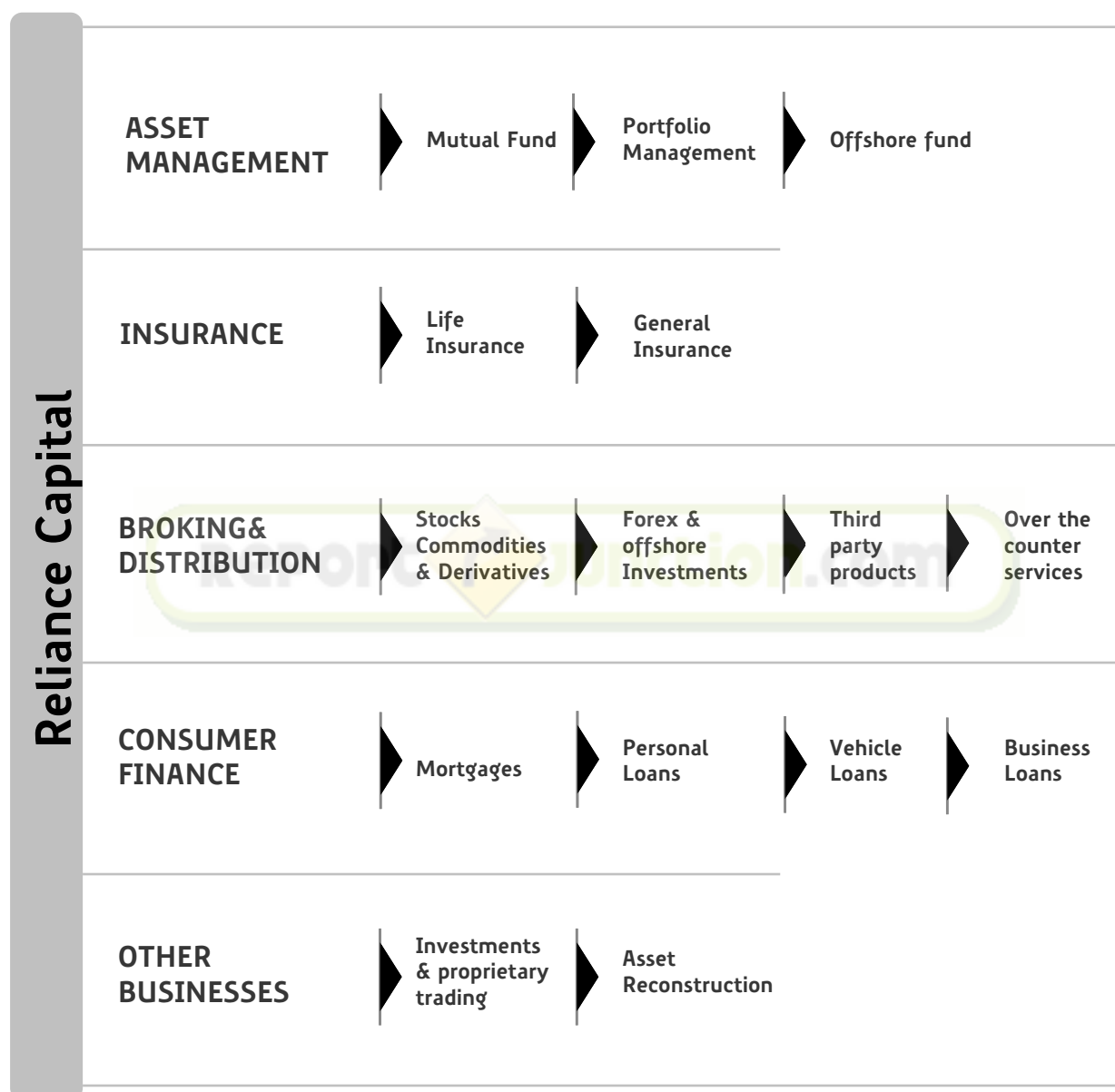
Reliance Capital, incorporated in 1986, is one of India's leading and fastest growing private sector financial services companies, and ranks among the top 3 private sector financial services and banking companies, in terms of network.

Reliance Capital has interests in asset management and mutual funds, life and general insurance, private equity and proprietary investments, stock broking, depository services, distribution of financial products, consumer finance 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 the 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.

## Business mix



**Creating India's leading financial superstore**

# Reliance Capital Limited

## Letter to Shareowners



**"Growth has no limit. I keep revising my vision.  
Only when you dream it, you can do it."**

**- 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 2007-08.

In a short span of three years since the re-organisation of the Reliance Group in June 2005, our Company has emerged as a leading Indian financial powerhouse. We are today the largest mutual fund (Reliance Mutual Fund) as well as the largest brokerage & financial distributor (Reliance Money) in the country. We continue to remain the fastest growing private sector player in the insurance industry. We are among the top 3 general insurers and top 4 life insurers in the private sector. Our Company has a market capitalisation in excess of Rs.35,000 crore and a shareholder base of over 1.3 million.

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 and depository services, consumer finance and financial products distribution.

We have over 14 million customers, served by 9,700 outlets in over 4,300 cities and towns, representing one of the largest distribution networks in the financial services space.

Our Company is an integral part of the Reliance Anil Dhirubhai Ambani Group, India's second largest business house. Our goal is not just to build a great enterprise for our stakeholders but a great future for India – the new India of the new millennium – an India that desires real and rapid change and seeks a quality of life that is second to none.

Today, each of us can claim with great pride that the Reliance Anil Dhirubhai Ambani Group touches the life of one in ten Indians, every single day.

Across different companies, our group enjoys the support of a customer base of over 150 million and a shareholder base of over 11 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.

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.4,919 crore** (US\$ 1.2 billion), against Rs.2,158 crore in the corresponding period, **an increase of 128 per cent.**
- **Consolidated Net profit of Rs.1,009 crore** (US\$ 251 million), against Rs.703 crore in the corresponding period, **an increase of 44 per cent.**
- **Total Income of Rs.2,080 crore** (US\$ 516 million), against Rs.884 crore in the corresponding period, **an increase of 135 per cent.**
- **Net Profit of Rs.1,025 crore** (US\$ 254 million), against Rs.646 crore in the corresponding period, **an increase of 59 per cent.**
- **Consolidated Earnings per share (EPS) of Rs.41.08** (US\$ 1.02), against Rs.30.88 in the corresponding period, **an increase of 34 per cent.**
- **Earning per share (EPS) of Rs.41.75** (US\$ 1.04), against Rs.28.39 in the corresponding period, **an increase of 47 per cent.**
- **Total Assets of the company stood at Rs.15,374.31 crore** (US\$ 3.8 billion).
- **Total Net worth of the company stood at Rs.5,927.5 crore** (US\$ 1.5 billion).

Your Company's short term borrowing program has been assigned a rating of "A1+" by ICRA, the highest credit rating given by ICRA. Fitch assigned the borrowing program a rating of "F1+", which stands for the highest credit quality and indicates the

## Letter to Shareowners

strongest capacity for timely payment of 'financial commitment' - a resounding re-affirmation of our unwavering and long-standing commitment to financial prudence and conservatism.

Our robust financial numbers have enabled us to recommend and increase dividend to 55%.

### Achievements during the year

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

Reliance Mutual Fund (RMF) further consolidated its unchallenged leadership position in the country, expanding its market share to 17 per cent at the end of March 2008 from 14 per cent at the end of March 2007. We managed assets worth Rs.90,938 crore (US\$ 22.8 billion) as on March 31, 2008, as against Rs.46,307 crore a year ago, an **increase of 96 per cent** against an industry average of 63 per cent.

Reliance Life Insurance is amongst the top four private sector life insurance companies in India. The new business premium grew at 195 per cent, from Rs.932 crore to Rs.2,751 crore (US\$ 684 million).

Reliance General Insurance is amongst the top three private sector general insurance companies in India. Its gross direct premium for the year ended March 31, 2008 was Rs.1,946 crore (US\$ 484 million) as against Rs.912 crore in the corresponding period, an increase of 113 per cent.

Reliance Money has emerged as the largest brokerage and distributor of financial products in India with more than 2 million customers and the largest distribution network in the country. With annual revenues of Rs.239 crore (US\$ 59 million), it achieved break even in the first year of operations.

Reliance Consumer Finance, which saw its commercial launch in May 2007, marked our entry into the rapidly expanding consumer finance segment. Our consumer finance portfolio includes a wide range of products, including personal loans, vehicle loans (car and commercial), home loans, loan against property and SME loans. As on March 31, 2008, the loan book size was of Rs.7,120 crore (US\$ 1.8 billion).

In February 2008, our Company received the approval of the Reserve Bank of India for launching our asset reconstruction business. Reliance Capital has 49% shareholding in Reliance Asset Reconstruction Company Ltd. This company will be in the business of managing and resolving distressed debt and will commence operations in the current financial year.

The current year will also see us making a foray into investment banking and institutional broking.

### 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 further 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.

### Corporate Governance

We have adopted the Reliance Anil Dhirubhai Ambani Group Corporate Governance Policies and Code of Conduct which has prescribed a set of systems, processes and principles conforming to the international standards, aimed at promoting the interests of all our stakeholders.

### Social Commitments

The Company continued to contribute actively to community welfare activities and took up several initiatives and measures related to education and healthcare.

### Our Commitment

Our founder, the legendary Dhirubhai H. Ambani, gave us a simple mantra: to aspire to the highest global standards of quality, 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  
April 29, 2008

## Reliance Capital Limited

### Highlights – at a glance

(Rs. in crore)

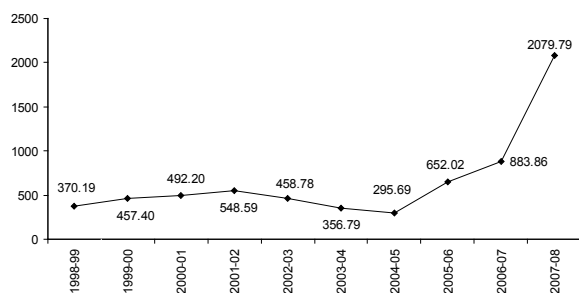
Year ended March 31	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Turnover	2 079.79	883.86	652.02	295.69	356.79	458.78	548.59	492.20	457.40	370.19
Earnings Before Depreciation, Interest & Tax (EBDIT)	1 596.68	782.88	619.00	290.06	348.27	447.09	529.83	475.06	450.87	360.09
Depreciation	17.09	7.07	23.19	27.77	42.09	91.65	55.18	71.97	84.94	98.87
Profit after Tax	1 025.45	646.18	537.61	105.81	105.79	102.63	101.22	93.45	90.56	90.46
Equity Dividend %	55.00	35.00	32.00	30.00	29.00	29.00	29.00	29.00	28.00	28.00
Dividend Payout	158.04	100.58	81.32	38.19	36.92	36.92	36.92	36.96	35.70	34.75
Equity Share Capital	246.16	246.16	223.40	127.84	127.97	127.83	127.83	127.83	126.93	123.98
Reserves and Surplus	5 779.07	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
Net Worth	5 927.50	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
Total Assets	15 374.31	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
Market Capitalisation	30 168.62	16 415.64	11 568.99	2 272.42	1 675.35	618.69	670.24	796.22	2 174.04	417.07
Number of Employees	216	196	140	21	27	30	29	34	25	28

### KEY INDICATORS

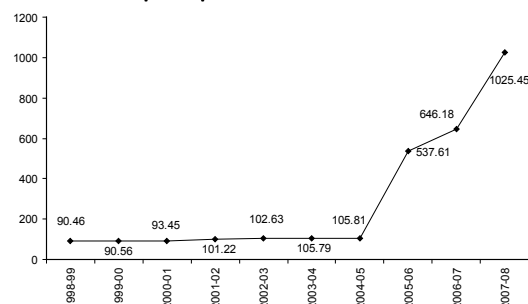
Year ended March 31	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
EBDIT/Gross Turnover %	76.77	88.58	94.94	98.10	97.61	97.45	96.58	96.52	98.57	97.27
Net Profit Margin %	49.31	73.11	82.45	35.78	29.65	22.37	18.45	18.99	19.80	24.44
Earnings Per Share (Rs.)	41.75	28.39	24.64	8.31	8.31	8.06	7.91	7.33	7.04	7.04
Book Value Per Share (Rs.)	245.29	210.12	184.97	112.95	109.96	104.97	100.22	160.24	93.21	88.37
Debt : Equity Ratio	1.5:1	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

Highlights – at a glance

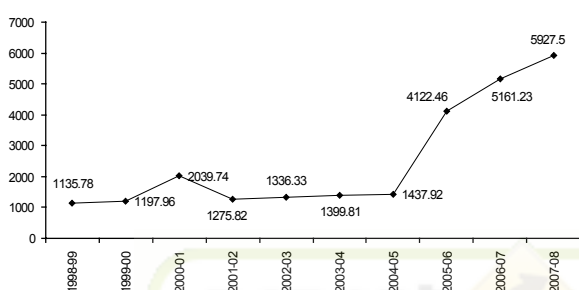
Turnover (Rs. in crore)



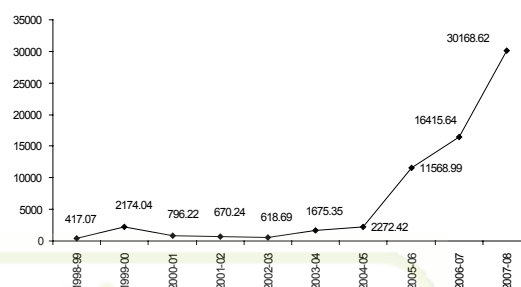
Profit After Tax (Rs. in crore)



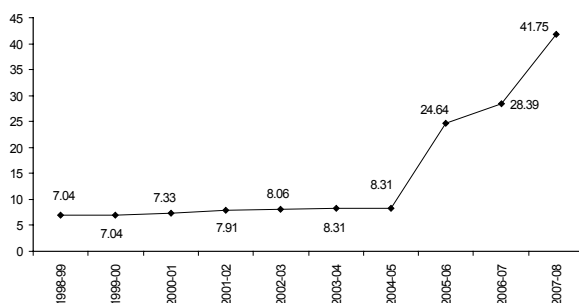
Net Worth (Rs. in crore)



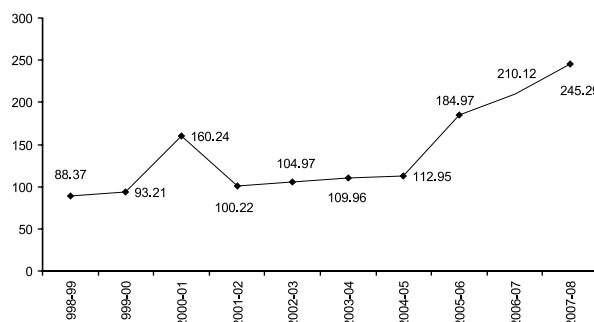
Market Capitalisation (Rs. in crore)



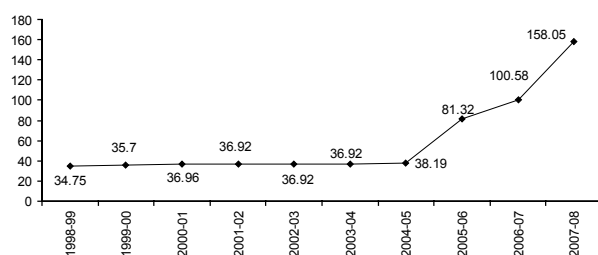
Earning Per Share (Rs.)



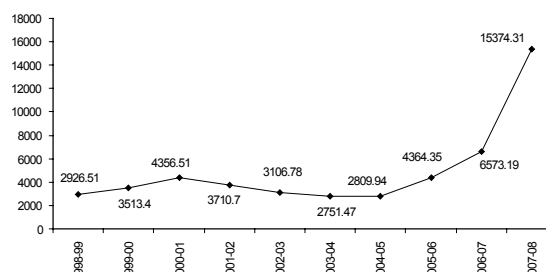
Book Value Per Share (Rs.)



Dividend Payout (Rs. in crore)



Total Assets (Rs. in crore)



# Reliance Capital Limited

## Board of Directors

Shri Anil D. Ambani - Chairman  
Shri Amitabh Jhunjhunwala - Vice Chairman  
Shri Rajendra P. Chitale  
Shri C. P. Jain

## Company Secretary & Manager

Shri V. R. Mohan

## Auditors

M/s. Chaturvedi & Shah  
M/s. BSR & Co.

## Registered Office

H Block, 1st Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710  
Maharashtra, India

## Registrar & Transfer Agent

Karvy Computershare Pvt. Ltd.  
Plot No. 17-24, Vittal Rao Nagar  
Madhapur, Hyderabad 500 081  
Andhra Pradesh, India  
Website: [www.karvy.com](http://www.karvy.com)

## Investor Helpdesk

Toll free no. (India): 1800 4250 999

Telephone : +91 40 2342 0815-25

Fax : +91 40 2342 0859

Email: [rcinvestor@karvy.com](mailto:rcinvestor@karvy.com)

Post your request at

<http://kcpl.karvy.com/adag>

## Contents

## Page No.(s)

Letter to Shareowners .....	04
Highlights – at a glance .....	06
Notice of Annual General Meeting .....	09
Directors' Report .....	11
Management Discussion and Analysis .....	14
Auditors' Certificate on Corporate Governance Report .....	21
Corporate Governance Report .....	22
Investor Information .....	30
Auditors' Report on Financial Statements .....	39
Balance Sheet .....	42
Profit and Loss Account .....	43
Schedules forming part of the Financial Statements .....	44
Accounting Policies to the Financial Statements .....	54
Notes to the Financial Statements .....	56
Cashflow Statement .....	70
Statement of Interest in Subsidiary Companies .....	72
Auditors' Report on Consolidated Financial Statements ...	74
Details of Subsidiary Companies .....	75
Consolidated Balance Sheet .....	76
Consolidated Profit and Loss Account .....	77
Schedules forming part of the Consolidated Financial Statements .....	78
Accounting Policies to the Consolidated Financial Statements .....	88
Notes to the Consolidated Financial Statements .....	93
Consolidated Cashflow Statement .....	103
Shareholders' Satisfaction Survey-2008 .....	105
Attendance Slip & Proxy Form .....	107

22nd Annual General Meeting on Tuesday, September 16, 2008 at 11:00 a.m.,  
at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020

The Annual Report can be accessed at [www.reliancecapital.co.in](http://www.reliancecapital.co.in)



## Notice

Notice is hereby given that the twenty second Annual General Meeting of the members of Reliance Capital Limited will be held on Tuesday, September 16, 2008 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, 2008, 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 Amitabh Jhunjunwala 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."

### Special Business

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised, in accordance with section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money, from time to time, at their discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company (apart from temporary loans obtained from the

Company's Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) by a sum not exceeding five times of the then paid up capital of the Company and its free reserves and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may think fit."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**

"RESOLVED THAT in accordance with the provisions of section 293(1)(e) and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) and other applicable provisions, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this Resolution) to contribute to any institute, body, trust, society, association of persons, funds for any charitable or other purposes, not directly relating to the business of the Company or the welfare of the employees, any amount the aggregate of which will, in any financial year, shall not exceed Rs.100 crore or five percent of the Company's average net profit as determined in accordance with the provisions of section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater."

By order of the Board of Directors

V. R. Mohan  
Company Secretary & Manager

Registered Office :

H Block, 1st Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710  
April 29, 2008

## 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 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. Relevant documents referred to in the accompanying Notice are open for inspection by the members 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 Meeting.
7. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956, relating to special business to be transacted at the Meeting is annexed hereto.

# Reliance Capital Limited

## Notes

8. a. The Company has already notified closure of Register of Members and Transfer Books thereof from Friday, June 20, 2008 to Friday, June 27, 2008 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares for the year ended March 31, 2008. 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 Meeting, will be paid after the Meeting.  
c. Members may please note that the dividend warrants shall be payable at par at the designated branches of the Bank for an initial period of three months only. Thereafter, the dividend warrants 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.
9. 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.
10. Re-appointment of Director  
In terms of Article 154 of the Articles of Association of the Company, Shri Amitabh Jhunjhunwala, Director, retires by rotation at the ensuing Meeting 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 report on corporate governance forming part of this annual report.
11. Members are advised to refer to the section titled "Investor Information" provided in this Annual Report.
12. Members are requested to fill in and send the Feedback Form provided in this Annual Report, to aid the Company in its constant endeavour to enhance the standards of service to investors.
13. Pursuant to Circular No.SEBI/CFD/DIL/LA/2/2007/26/4 dated April 26, 2007, issued by the Securities and Exchange Board of India, the statement containing the salient features of Balance sheet, Profit and Loss Account and Auditors' Report (Abridged Financial Statements), is sent to the members, along with the Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the full Annual Report may write to the Registrar and Transfer Agent of the Company.

## Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.

### Item No. 5

As per the provisions of section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a public company shall not, except with the consent of company in general meeting, borrow money together with the money already borrowed, if any (apart from the temporary loans obtained from the company's bankers in the ordinary course of business), exceeding the aggregate of the paid up capital and its free reserves.

The members at the Annual General Meeting of the Company held on September 15, 1997 had, inter alia authorised the Board to borrow upto a sum of Rs.5,000 crore in excess of its paid up capital and free reserves. The business activities of the Company are increasing especially with the take off of the consumer finance business and keeping in view the requirements for the business, it is proposed to enhance the borrowing limits at any time, up to five times of the aggregate of the then paid up capital of the Company and its free reserves, as specified in the resolution set out at item No. 5 of the Notice.

Your Directors therefore commend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

### Item No. 6

In terms of the provisions of section 293(1)(e) of the Companies Act, 1956, the Board of Directors of a public company shall not, except with the consent of company in general meeting, contribute to Charitable and other funds not directly relating

to the business of the Company or to the welfare of its employees, in excess of Rs.50,000 or 5% of its average net profits as determined in accordance with the provisions of section 349 and 350 of the Companies Act, 1956, during the three financial years, immediately preceding, whichever is greater.

The members at the Annual General Meeting of the Company held on December 30, 1994 had approved a limit upto Rs.2 crore per annum for the said purpose. In view of the Company's increased responsibility towards social, philanthropic and other causes of public utility, it would be appropriate to enhance the said limits. It is therefore, proposed to seek the approval of shareholders for increasing the limit of contribution towards charitable purposes as specified in the resolution set out at item No. 6 of the Notice.

Your Directors therefore commend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**By order of the Board of Directors**

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

Registered Office :

H Block, 1st Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710  
April 29, 2008