

FIFTEENTH ANNUAL REPORT 2000-2001

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Reliance Capital Limited

**FIFTEENTH ANNUAL GENERAL MEETING**

on Saturday, the 16th June, 2001 at Thakorebhai Desai Hall,
Law College Road, Near Law Gardens, Ahmedabad - 380 006
at 11.30 a.m.

BOARD OF DIRECTORS

Shri D. Chaturvedi *Chairman*
Shri D. J. Kapadia
Shri Lalit Bhasin
Shri Mathew Panikar
Shri Anand Jain *Managing Director*

CONTENTS**Page No.(s)**

| | |
|---|-------|
| Index and Company Information | 2 |
| Notice of Annual General Meeting | 3 |
| Directors' Report | 4-5 |
| Compliance Certificate on Corporate Governance | 5 |
| Corporate Governance | 6-8 |
| Auditors' Report | 9 |
| Balance Sheet | 10 |
| Profit & Loss Account | 11 |
| Schedules Annexed to Balance Sheet and Profit & Loss Account and Notes on Accounts | 12-25 |
| Cashflow Statement | 26 |
| Statement pursuant to Section 212 | 27 |
| Particulars as to Company Subsidiaries | 28-53 |
| Dematerialisation of Securities | 54 |
| Proxy Form and Attendance Slip | 55 |

COMPANY SECRETARY

Shri V. R. Mohan

SOLICITORS & ADVOCATES

M/s. Bhasin & Co.

AUDITORS

M/s. Pathak H. D. & Associates

BANKERS

Allahabad Bank
Bank of America
HDFC Bank Limited
Punjab National Bank
Syndicate Bank

SUBSIDIARIES

Reliance Capital Asset Management Limited
Reliance Capital Trustee Co. Limited
Reliance Net Limited
Observer Network Private Limited

REGISTERED OFFICE

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

CORPORATE OFFICE

Mittal Chambers
Ground Floor,
228, Nariman Point,
Mumbai - 400 021

REGISTRAR & TRANSFER AGENT**Karvy Consultants Limited,**

Hyderabad : 46, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad- 500 034.
Tel 91-40-3320251/3320751/3312454.
Fax No. 91-40-3311968
E-mail: *investor@karvy.com*

Mumbai : Tulsiani Chambers
10th Floor, Nariman Point
Mumbai 400 021, India.
Tel. Nos. 91-22-2884769/2875951
Fax No. 91-22-2828454

Ahmedabad : 201/203, 'Shail' Opp. Madhusudan House,
Near Navrangpura, C.G. Road,
Ahmedabad-380 006,
Tel.No. 91-79-6420422.



NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Reliance Capital Limited will be held on Saturday, June 16, 2001 at 11.30 a.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 March 31, 2001 and the Profit and Loss Account of the Company for the year ended on March 31, 2001 and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares and to note payment of dividend on preference 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.

By order of the Board of Directors

V. R. Mohan
Company Secretary

Registered Office:

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

Dated: April 30, 2001

Notes:

1. A member entitled to attend and vote at the meeting 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 proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. Documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days except Sundays and Holidays between 11:00 a.m. and 1:00 p.m. upto the date of Annual General Meeting.
3. The Company has already notified the dates of closure of Register of Members and the Transfer Books to be from Friday the 1st June, 2001 to Saturday the 16th June, 2001 (both days inclusive) for payment of dividend. The dividend in respect of equity shares held in the electronic form will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.
4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, and holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
5. Members are requested to send to the Registrars his/her Bank Account details to ensure safe and prompt receipt of dividend warrants. This is in view of the fraudulent encashment of such warrants.
6. **Members / proxies should bring the attendance slip duly filled in for attending the meeting.**
7. **Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.**
8. The Company has already transferred unclaimed dividend declared for 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. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Gujarat.
9. Members are requested to note that the Dividend Warrants are payable at par at the branches as printed overleaf of Dividend Warrant within the initial validity period of 3 months. Thereafter, the Dividend within the initial validity period.
10. Members are requested to note that all correspondence relating to share transfer should be addressed to its **Registrar and Transfer Agents, M/s. Karvy Consultants Ltd. 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034.**
11. Re-appointment of Directors:
Shri D. Chaturvedi, aged 66, was appointed as a Director on 15th June, 1990. He is a Chartered Accountant and has wide experience in the field of finance. He is the chairman of the Board of Directors and the Audit committee of Directors of the Company. Currently he is the Director of Reliance Consultancy Services Ltd., Reliance Capital Trustee Co. Limited and Pradeep Sandeep Investment & Trading Co. Ltd. He is also Partner in M/s. Chaturvedi & Shah, Chartered Accountants.
Shri Anand Jain, aged 43 was appointed as Director on 4th March, 1991. He has extensive experience in industry, trade and finance. He was appointed as the Managing Director of the Company in January 1995 and re-appointed in January 2000. He is the member of the Shareholders/Investors Grievances Committee. He is also on the Board of Reliance Transport & Travels Ltd., Jai Yatayat Ltd., Surela Investment & Trading Pvt. Ltd., Ruchi Properties Pvt. Ltd., Free Press House Ltd., Reliance Capital Asset Management Ltd., Tally Solutions Pvt. Ltd. and Observer India Limited.

By order of the Board of Directors

V. R. Mohan
Company Secretary

Registered Office:

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

Dated: April 30, 2001



DIRECTORS' REPORT

To The Members

Your Directors have pleasure in presenting the 15th Annual Report, together with the audited statements of Accounts of the Company for the year ended March 31, 2001.

Financial Results :

| | (Rs. in crores) | |
|---|-------------------------|-------------------------|
| | Year ended 31-3-2001 | Year ended 31-3-2000 |
| Gross Income | 492.20 | 457.40 |
| Gross Profit | 172.92 | 185.50 |
| LESS: Depreciation | 71.97 | 84.94 |
| Profit Before Tax | 100.95 | 100.56 |
| Provision for Taxation | 7.50 | 10.00 |
| Net Profit | 93.45 | 90.56 |
| ADD : Profit brought forward from the previous year | 119.36 | 126.49 |
| Excess provision for previous year dividend | 0.14 | 0.06 |
| Profit available for Appropriation | 212.95 | 217.11 |
| Proposed Dividend including Dividend Tax | 40.73 | 39.63 |
| Transfer to General Reserve | 40.00 | 40.00 |
| Transfer to Debenture Redemption Reserve | 5.00 | - |
| Transfer to Statutory Reserve Fund | 18.70 | 18.12 |
| Balance carried forward | 108.52 | 119.36 |

Dividends:

Your Directors have declared dividend of 29% on fully paid Equity shares of Rs.10/- each and 10% (prorata dividend) on Preference shares of Rs.100/- each aggregating to Rs.36.96 crores for the financial year ended March 31, 2001. The dividend will be paid to all those equity shareholders whose names appear on the Register of Members as on June 1, 2001.

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 2000-01.

Gross income for the year increased 7.6% to Rs. 492.20 crores compared to Rs. 457.40 crores in the previous financial year. Net profit also increased from Rs. 90.56 crores to Rs. 93.45 crores.

Depreciation was lower at Rs. 71.97 crores (previous year Rs. 84.94 crores), and the tax provision decreased to Rs. 7.50 crores (previous year Rs. 10 crores). Gross profit for the year was lower at Rs. 172.92 crores as against Rs. 185.50 crores in the previous year.

Resources and Liquidity:

RCL raised Rs. 800 crores during the year by way of private placement of preference shares with corporate bodies. RCL redeemed non-convertible debentures (NCDs) and discount bonds to the tune of Rs. 206 crores during the year.

RCL's gross debt: equity ratio, including long term and short term debt, as on March 31, 2001, is a conservative 1.81:1 - well below the comparable levels in the industry.

During the year, the ratings on the company's long term debt were reaffirmed at "AA+" from Credit Analysis and Research Ltd. (CARE), indicating that the instruments carrying this rating are of high quality by all standards, and are of high investment grade.

RCL's short term borrowing programme is rated "PR1+" by CARE, the highest credit rating that may be assigned to short term debt instruments.

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 and national level companies, and a large number of small and medium sized, regional and local companies. These NBFCs provide a variety of services including fund based, and fee based activities, as well as cater to retail and non-retail markets, and niche segments.

The imposition of stricter registration and other regulatory compliance requirements over the years, has led to better investor protection, and an improved overall industry environment.

Business Review:

RCL continued to focus on the promising areas of big-ticket leasing and infrastructure sector investments, providing attractive growth opportunities and substantial tax benefits.

Leasing:

RCL increased its presence in the leasing business by Rs.184.45 crores during the year, providing plant & machinery, computers, aircraft, and speedboats on lease.

Investments in the Infrastructure sector:

During the year, RCL invested an additional Rs. 1,184 crores in the infrastructure sectors of telecommunications and power, with substantial tax benefits.

RCL has, till date, invested an aggregate amount of over Rs. 1,400 crores in infrastructure sector projects in the field of power, ports, and telecommunications, etc., contributing to infrastructural development.

Opportunities:

The Indian economy provides several attractive growth opportunities with GDP generally forecast to grow by 5%-7% per annum over the next several years. Development of key infrastructure sectors is a focus area for the government, which presents additional opportunities for companies like RCL that are active in areas of infrastructure investments.

The services sectors in India are generally expected to grow at a faster pace compared to the overall economy in the future. This is likely to create a positive environment for the financial services industry in India.

During the year, RCL has also obtained approval from the Reserve Bank of India (RBI) for financial participation in the insurance sector, which has recently been opened up to the private sector.

RCL is well positioned to take advantage of emerging attractive growth opportunities in the Indian economy in view of its healthy credit rating and low debt: equity ratio.

Challenges:

RCL faces normal market competition in its business. RCL's healthy financial position and adoption of suitable business strategies have enabled it to consistently post satisfactory performance despite competitive conditions.

Outlook:

RCL is likely to maintain its focus on infrastructure investments and corporate leasing.

The company will also seek attractive opportunities in other growth areas in the financial services sector.

Risks and Concerns:

RCL is exposed to the normal industry risk factors of interest rate volatility, economic cycle, 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. During the year, RCL further invested in human resources, with the number of employees increasing from 25 to 34.

DIRECTORS' REPORT - contd.

This is with a view to strengthen its presence in existing businesses, and for taking advantage of the emerging growth opportunities in the financial services sector.

Subsidiaries:

As required under Section 212 of the Companies Act, 1956 the audited statements of accounts alongwith the report of the Board of Directors of the respective Auditors report thereon of the Company's subsidiaries for the year ended March 31, 2001 are annexed.

Fixed Deposits:

During the year, RCL has not accepted or renewed any deposits. RCL continued to prepay the deposits at the request of the deposit holders.

At the end of the financial year, there were 172 deposits aggregating Rs.0.18 crore due for repayment but which remained unclaimed on the due dates. Till the date of this report, deposits aggregating Rs.0.02 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 and rating for fixed deposit schemes under the guidelines issued by the Reserve Bank of India for Non Banking Financial Companies.

Directors:

Shri D.Chaturvedi and Shri Anand Jain are retiring by rotation and being eligible offer themselves for re-appointment.

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:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That 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 at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

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(1-B) of the Companies Act, 1956.

The Accounting policy A of Schedule M and note no. 5 of Schedule N referred to in the Auditors' Report are self-explanatory.

Personnel:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with 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 is 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.

Conservation of Energy, 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. 104.72 crores |

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 would like 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, April 30, 2001.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Board of Directors
Reliance Capital Limited
Mittal Chambers, Ground Floor,
228, Nariman Point,
Mumbai - 400 021

We have reviewed implementation of Corporate Governance procedure set by Reliance Capital Limited ("The Company") for the year ended 31st March 2001 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verifications and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

for Pathak H. D. & Associates
Chartered Accountants

R. S. Vahia
Partner

Mumbai, April 30, 2001



CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance and is to be implemented on or before March 31, 2001. The Company has accordingly implemented the code.

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 inter-actions 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:

- ➔ 4 independent non-executive directors
- ➔ 1 executive director

Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director 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 | Yes | 3 | 1 | 1 |
| D.J.Kapadia | NED | 6 | Yes | 2 | 2 | - |
| Lalit Bhasin | NED | 2 | No | 2 | 0 | - |
| Mathew Panikar | NED | 0 | No | 1 | - | - |
| Anand Jain | MD | 6 | Yes | 8 | 1 | - |

C: Chairman, NED: Non-Executive Director, MD: Managing Director

Number of Board of Directors Meeting 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 April 27, 2000, June 24, 2000, July 28, 2000, October 23, 2000, January 31, 2001 and March 14, 2001. The maximum time gap between any two meetings was not more than two calendar months.

Audit Committee:

The Company has constituted an Audit Committee, comprising three independent non executive Directors viz. Shri D.Chaturvedi, Shri D.J.Kapadia and Shri Lalit Bhasin. 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:

- Oversight of the Company's financial reporting process and the disclosure of its financial information.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the board, focussing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement 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.

- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions.
- Discussion with internal auditors any significant findings and follow up there on.
- 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.
- 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.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

During the year, the Committee has met three times. All the committee members were present at all the meetings.

Remuneration Committee:

The Company has one Executive Director who is not paid remuneration by the Company.

Shareholders / Investors Grievance Committee:

- The Company has constituted the Shareholders / Investors grievance committee comprising of Shri D.J.Kapadia and Shri Anand Jain.
- The committee oversees the performance of the Registrar and Transfer Agent and recommends measures to improve the level of investor services.
- The company has authorised Shri D.J.Kapadia, Director and Shri V.R.Mohan, Company Secretary severally to approve the share transfers.
- The Board has designated Shri V.R.Mohan, Company Secretary, as the compliance officer.
- The total number of complaints received and replied to the satisfaction of the shareholders during the year under review was 16,495. Outstanding complaints as on 31st March, 2001 were 3 which were attended and replied to on or before April 3, 2001. 219 requests for transfer and 60 requests for dematerialisation were pending for approval as on 31st March, 2001 which were approved on or before April 9, 2001.

General Body Meetings:

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

| Year | Location | Date | Time |
|-----------|------------------------------------|----------------------|------------|
| 1997-98 | Thakorebhai, Desai Hall, Ahmedabad | 30th September, 1998 | 11.30 a.m. |
| 1998-99 | Thakorebhai, Desai Hall, Ahmedabad | 21st September 1999 | 11.30 a.m. |
| 1999-2000 | Thakorebhai, Desai Hall, Ahmedabad | 24th June, 2000 | 11.30 a.m. |

Note:

No postal ballots were used / invited for voting at these meetings in respect of special resolutions passed as there were no such provisions in the Companies Act, 1956. The Company shall comply with the requirements relating to postal ballot as and when the relevant guidelines in this connection are issued.

**CORPORATE GOVERNANCE - contd.**

- 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 : This will be implemented for the half year ending September 30, 2001.
- b. Quarterly results : The Company has published quarterly results in The Economic Times (English) and Gujarat Samachar (Vernacular), both at Ahmedabad.
- c. Management Discussion and Analysis forms part of the Directors' report which is posted to the shareholders of the Company.

General Shareholder Information:

| | | |
|---|---|--|
| 1. Annual General Meeting | | |
| Date and Time | : | June 16, 2001 at 11.30 a.m. |
| Venue | : | Thakorebhai Desai Hall, Ahmedabad |
| 2. Financial Calendar 2001-02 (tentative) | : | Annual General Meeting - June 2002. |
| | | Board Meetings |
| | | Results for the quarter ending June 30, 2001. Last week of July 2001. |
| | | Results for the quarter ending September 30, 2001. Last week of October 2001. |
| | | Results for the quarter ending December 31, 2001. Last week of January 2002. |
| | | Results for the year ending March 31, 2002. Last week of April 2002. |
| 3. Book closure date | : | Friday, June 1, 2001 to Saturday, June 16, 2001. |
| 4. Dividend payment date | : | June 18, 2001. |
| 5. Registered Office: | : | Avdesh House, 2nd floor, Pritamnagar 1st slope, Ellisbridge, Ahmedabad 380006. Telephone : (079) 6576895. Fax : (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. Listing of Deep Discount Bonds and Non Convertible Debentures | : | National Stock Exchange of India Limited on Wholesale Debt Market Segment. |
| 6c. Annual listing fees | : | Duly paid to all the above Stock Exchanges for the year 2001-02. |
| 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 INE 013A01015 |
| 8. Stock Market Data: | | |
| | The Stock Exchange Ahmedabad | |
| | High | Low |
| April 2000 | 173.00 | 107.10 |
| May 2000 | 119.50 | 68.50 |
| June 2000 | 143.00 | 105.00 |
| July 2000 | 128.00 | 85.00 |
| August 2000 | 110.80 | 83.15 |
| September 2000 | 124.50 | 88.05 |
| October 2000 | 94.45 | 73.75 |
| November 2000 | 97.70 | 79.50 |
| December 2000 | 104.50 | 82.25 |
| January 2001 | 101.00 | 87.00 |
| February 2001 | 116.00 | 85.65 |
| March 2001 | 97.10 | 58.00 |
| | The Stock Exchange Mumbai | |
| | High | Low |
| April 2000 | 175.00 | 121.00 |
| May 2000 | 115.00 | 92.10 |
| June 2000 | 141.95 | 107.00 |
| July 2000 | 128.70 | 84.60 |
| August 2000 | 110.90 | 82.55 |
| September 2000 | 124.90 | 87.50 |
| October 2000 | 94.75 | 74.00 |
| November 2000 | 97.60 | 79.20 |
| December 2000 | 104.50 | 82.20 |
| January 2001 | 101.40 | 87.80 |
| February 2001 | 116.35 | 85.50 |
| March 2001 | 97.50 | 56.00 |
| | The National Stock Exchange of India Ltd. | |
| | High | Low |
| April 2000 | 173.80 | 106.80 |
| May 2000 | 119.20 | 68.50 |
| June 2000 | 142.45 | 108.35 |
| July 2000 | 128.40 | 83.10 |
| August 2000 | 111.25 | 82.55 |
| September 2000 | 124.90 | 88.00 |
| October 2000 | 94.90 | 73.75 |
| November 2000 | 98.00 | 79.25 |
| December 2000 | 104.75 | 81.00 |
| January 2001 | 101.45 | 86.60 |
| February 2001 | 116.00 | 85.05 |
| March 2001 | 97.65 | 57.00 |



CORPORATE GOVERNANCE - contd.

9. Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty

RCL share price performance relative to BSE Sensex based on share price on 31st March, 2001

| Period | % Change in | | RCL relative to Sensex |
|--------------------------|-----------------|--------|------------------------|
| | RCL share price | Sensex | |
| Year to Date | -29% | -9% | -20% |
| Financial Year 2000-2001 | -63% | -28% | -35% |
| Year-on-Year | -63% | -28% | -35% |
| 2 years | +83% | -4% | +87% |
| 3 years | -2% | -7% | +5% |
| 5 years | -19% | +7% | -26% |
| 10 years | +123% | +209% | -86% |

RCL share price performance relative to Nifty based on share price on 31st March, 2001

| Period | % Change in | | RCL relative to Nifty |
|--------------------------|-----------------|-------|-----------------------|
| | RCL share price | Nifty | |
| Year to Date | -28% | -9% | -19% |
| Financial Year 2000-2001 | -63% | -25% | -38% |
| Year-on-Year | -63% | -25% | -38% |
| 2 years | +93% | +7% | +86% |
| 3 years | 0% | +3% | -3% |
| 5 years | -21% | +17% | -38% |

10. Registrar 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

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 24th 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 March 31, 2001.

| Category | % |
|---|---------------|
| Financial Institutions / Banks / Mutual Funds | 2.25 |
| NRI/OCBs | 0.56 |
| Bodies Corporate | 53.37 |
| Others | 43.82 |
| Total | 100.00 |

13. Dematerialisation of Shares : Approximately 84% of the equity shares have been dematerialised upto 31st March 2001.
Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. April 5, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).
Liquidity : Company's Shares are among the most liquid and actively traded shares on the Indian stock exchanges. Relevant data for the average daily turnover for the financial year 2000-01 is given below:

| | Bombay Stock Exchange (BSE) | National Stock Exchange (NSE) | BSE + NSE |
|-------------------------------|-----------------------------|-------------------------------|-----------|
| In no. of shares (in lakhs) | 13.77 | 12.88 | 26.65 |
| In value terms - (Rs. Crores) | 14.08 | 13.24 | 27.32 |

14. (i) 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
shares, interest and redemption : Banjara Hills
of debentures, and any other : Hyderabad 500 034
query relating to the shares and : E-Mail: rilinvestor@karvy.com
debentures of the Company.

15. Any query on Annual Report : Secretarial Department
Mittal Chambers, Ground Floor,
228, Nariman Point, Mumbai 400 021.

AUDITORS' REPORT

To
The Members of
Reliance Capital Limited

We have audited the attached Balance Sheet of 'Reliance Capital Limited' as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable to the Company.
2. Further to our comment in the Annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which is to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - (c) the Balance sheet and Profit & Loss Account referred to in this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss account comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- (e) As per the information and explanations given to us, none of the Directors of the company are disqualified from being appointed as a Director under clause 'g' of sub-section (1) of Section 274 of the Companies Act, 1956.
- (f) in our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and Profit and Loss Account together with the notes thereon, and in particular note no. 5 of schedule 'N' regarding amount withdrawn from General Reserve, subject to Accounting Policy (A) of Schedule 'M' relating to interest on allotment / call money in arrears being accounted by the Company as and when received, give the information as required under the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001, and
 - (ii) in case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

for **Pathak H. D. & Associates**
Chartered Accountants

R. S. Vahia
Partner

Mumbai, April 30, 2001

ANNEXURE TO AUDITORS' REPORT

Re: Reliance Capital Limited

(referred to in paragraph 1 of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and locations of fixed assets. Most of the fixed assets of the Company have been leased. The Assets on lease have been certified by the respective lessees as to their physical existence and good working conditions. The fixed assets other than the assets on lease have been physically verified by the management during the year. No material discrepancies were noticed on such verifications, as compared to available records.
2. None of the fixed assets has been revalued during the year.
3. As explained to us, the Stock-in-Trade (Investments) has been physically verified by the management at reasonable intervals.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As explained to us, no discrepancies have been noticed on physical verification of stocks as compared to book records.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.
7. The Company has not taken any loans, secured or unsecured from Companies (except from the subsidiary companies) firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has taken unsecured loan from a company under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956. In our opinion, the terms and conditions of the above loans are prima-facie not prejudicial to the interest of the Company.
8. The Company has not granted any loans, secured or unsecured to Companies (except to subsidiary companies) firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956 and / or to the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956. In our opinion, the terms and conditions of the above loans are prima-facie not prejudicial to the interest of the Company.
9. In respect of loans and advances in the nature of loan given by Company to the parties other than subsidiary Companies, they are generally repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable except the loans classified as non performing assets.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of plant and machinery, equipment and other assets.

11. According to information & explanations given to us there are no transactions of purchase of goods & material and sale of goods, materials & services made in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. In our opinion and according to the information and explanation given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
13. In our opinion, the Company has an Internal Audit system commensurate with its size and nature of its business.
14. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
15. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty were outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
16. According to the information and explanations given to us no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
17. Being a Finance Company the provisions of Section 3(1) (d) of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.
18. In our opinion and according to the information and explanations given to us, adequate documents and records have been maintained by the Company in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities.
19. The provisions of any special statute applicable to chit fund, nidhi or mutual benefit society do not apply to the Company.
20. The Company has maintained proper records of transactions and contracts in respect of trading in shares, debentures and other securities and timely entries have been made therein. The Investments are held by the Company in its own name except for certain shares which are lodged for transfer or held with valid transfer forms or are pending for rectification of bad deliveries.

for **Pathak H. D. & Associates**
Chartered Accountants

R. S. Vahia
Partner

Mumbai, April 30, 2001



BALANCE SHEET AS AT 31ST MARCH, 2001

| | Schedule | As at 31st March, 2001 | (Rs. in crores) As at 31st March, 2000 |
|---|----------|---------------------------|--|
| Sources of funds | | | |
| Shareholders' Funds | | | |
| (a) Share Capital | A | 137.83 | 126.93 |
| (b) Reserves & Surplus | B | 1,901.91 | 1,071.03 |
| | | <u>2,039.74</u> | <u>1,197.96</u> |
| Loan Funds | | | |
| (a) Secured Loans | C | 1,448.46 | 1,547.84 |
| (b) Unsecured Loans | D | 868.31 | 767.60 |
| | | <u>2,316.77</u> | <u>2,315.44</u> |
| Total | | <u><u>4,356.51</u></u> | <u><u>3,513.40</u></u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| (a) Gross Block | E | 921.16 | 849.30 |
| (b) Less: Depreciation | | 327.13 | 371.35 |
| (c) Lease Adjustment A/c | | (91.70) | (50.22) |
| (d) Net Block | | <u>502.33</u> | <u>427.73</u> |
| (e) Capital Work-in-Progress | | <u>138.43</u> | <u>296.87</u> |
| | | <u>640.76</u> | <u>724.60</u> |
| Investments | F | <u>2,295.23</u> | <u>1,290.25</u> |
| Current Assets, Loans & Advances | | | |
| (a) Current Assets | G | 703.95 | 768.26 |
| (b) Loans & Advances | | 928.72 | 879.72 |
| | | <u>1,632.67</u> | <u>1,647.98</u> |
| Less: Current Liabilities & Provisions | | | |
| (a) Current Liabilities | H | 150.16 | 96.92 |
| (b) Provisions | | 61.99 | 52.51 |
| | | <u>212.15</u> | <u>149.43</u> |
| Net Current Assets | | <u>1,420.52</u> | <u>1,498.55</u> |
| Total | | <u><u>4,356.51</u></u> | <u><u>3,513.40</u></u> |
| Accounting Policies | M | | |
| Notes to the Accounts | N | | |

As per our report of even date

For **PATHAK H.D. & ASSOCIATES**

Chartered Accountants

R. S. Vahia

Partner

Mumbai, April 30, 2001

For and on behalf of the Board

Chairman

D. Chaturvedi

Managing Director

Anand Jain

Directors

D. J. Kapadia**Lalit Bhasin**

Company Secretary

V. R. Mohan

Mumbai, April 30, 2001