

SIXTEENTH ANNUAL REPORT 2001-2002

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Reliance Capital Limited



Reliance Capital Limited

SIXTEENTH ANNUAL GENERAL MEETING

on Saturday, the 6th July, 2002 at Thakorebhai Desai Hall,
Law College Road, Near Law Gardens, Ahmedabad - 380 006
at 12.15 p.m.

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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

BOARD OF DIRECTORS

Shri D. Chaturvedi *Chairman*
Shri D. J. Kapadia
Shri S. S. Thakur
Shri Sandeep H. Junnarkar
Shri Anand Jain *Managing Director*

COMPANY SECRETARY

Shri V. R. Mohan

SOLICITORS & ADVOCATES

M/s. Bhasin & Co.

AUDITORS

M/s. Pathak H. D. & Associates

BANKERS

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

SUBSIDIARIES

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

REGISTRARS & TRANSFER AGENTS

Karvy Consultants Limited,

Hyderabad : 46, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad- 500 034.
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 Sixteenth Annual General Meeting of the Members of Reliance Capital Limited will be held on Saturday the 6th July, 2002 at 12.15 p.m. at Thakorebhai Desai Hall, Law College Road, Near Law Gardens, Ahmedabad 380 006 to transact the following business:

Ordinary Business

- To consider and adopt the Balance Sheet as at 31st March, 2002 and the Profit and Loss Account of the Company for the year ended on March 31, 2002 and the reports of the Board of Directors and Auditors thereon.
- To declare dividend on equity shares.
- To appoint a Director in place of Shri D. J. Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors.

Special Business

- To appoint a Director in place of Shri S. S. Thakur, who was appointed as Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing from a shareholder proposing

his candidature for the office of Director and signifying his intention to move the following resolution, with or without modification, as an Ordinary Resolution :

"RESOLVED THAT Shri S. S. Thakur be and is hereby appointed as a Director of the Company".

- To appoint a Director in place of Shri Sandeep H. Junnarkar, who was appointed as Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing from a shareholder proposing his candidature for the office of Director and signifying his intention to move the following resolution, with or without modification, as an Ordinary Resolution :

"RESOLVED THAT Shri Sandeep H. Junnarkar be and is hereby appointed as a Director of the Company".

By order of the Board of Directors

Registered Office:

Avdesh House, 2nd Floor,
Pritam Nagar, 1st Slope,
Ellisbridge, Ahmedabad - 380 006.
Dated: 22nd April, 2002

V. R. Mohan
Company Secretary

NOTES

- 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.
- 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.
- The Company has already notified the dates of closure of Register of Members and the Transfer Books to be from Saturday the 15th June, 2002 to Saturday the 29th June, 2002 (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.
- Members are requested to send to the Registrars his/her Bank Account details to ensure safe and prompt receipt of dividend warrants and avoid any fraudulent encashment of such warrants.
- Members / proxies should bring the attendance slip duly filled in for attending the meeting.**
- 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.**
- 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.
- 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 warrant on revalidation are payable only at the limited branches of the Bank. The members are advised to encash the dividend warrants within the initial validity period.
- Members are requested to note that all correspondence relating to share transfer should be addressed to its **Registrars and Transfer Agents, M/s. Karvy Consultants Ltd, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034.**
- Shareholders are requested to bring their copy of the annual report to the meeting.
- Re-appointment of Director:

Shri D. J. Kapadia, aged 72, was appointed as a Director on 4th March, 1991. He has held various senior positions in Banks, and is a Finance Consultant. Currently he is the Director of Reliance Capital Asset Management Limited and Reliance Shares and Stock Brokers Limited. He is member of the Audit Committee and Chairman of the Shareholders/Investor Grievance Committee.

EXPLANATORY STATEMENT

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

Item No. 5 & 6

The Board of Directors at their meeting held on 27th July, 2001 had appointed Shri S. S. Thakur and Shri Sandeep H. Junnarkar as Additional Directors of the Company in accordance with Article 135 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. These Directors hold office upto the date of the ensuing Annual General Meeting. The Company has received notices from some members of the Company proposing their respective candidature for the office of the Directors.

Shri S. S. Thakur, aged 73 years, has wide and varied experience in the field of foreign exchange, finance, banking, infrastructure and capital market. He was controller in the Exchange Control Department of Reserve Bank of India. He was advisor to the Zambian Government on behalf of United Nations. He was till recently Chairman of HDFC Bank. He is the member of the Audit Committee of Directors of the Company. Currently he is Director on the board of DSP Merrill Lynch Trustee Co. (Private) Limited, Prima Vetcare Pvt. Ltd., Quantum Information Services Ltd., Shrenuj & Co. Ltd., Lafarge India Limited, Guruji Entertainment Network Limited, OM Kotak Mahindra Life Insurance Company Limited., The Stock Exchange Mumbai, IBS Forex Private Limited and Central Depository Services (India) Ltd.

Shri Sandeep H. Junnarkar, aged 51 years is a science graduate with a degree in Law. He qualified as a Solicitor in the year 1977. Shri Junnarkar has had a brilliant academic career and is Partner in the law firm M/s. Kanga & Co. He is the member of the Audit Committee of Directors of the Company. He is also on the Board of Sterlite Optical Technologies Ltd., Sterlite Industries (India) Ltd., Sunshield Chemicals Ltd., Jai Corp Ltd., Tiliaknagar Industries Ltd., IL & FS Asset Management Company Ltd., Reliance Ports & Terminals Limited, Ambuja Cement Rajasthan India Ltd., Reliance Entertainment Pvt. Ltd., Reliance Life Insurance Company Ltd., Reliance Industrial Infrastructure Limited, Reliance Industrial Investments & Holdings Ltd.

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

Your Directors therefore recommend the said resolution for your approval.

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

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

By order of the Board of Directors

Registered Office:

Avdesh House, 2nd Floor
Pritam Nagar, 1st Slope
Ellisbridge, Ahmedabad - 380 006.
Dated: April 22, 2002

V. R. Mohan
Company Secretary

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the 16th Annual Report, together with the audited statements of accounts of the Company for the year ended 31st March, 2002.

Financial Results :

	(Rs. in crores)	
	Year ended 31-3-2002	Year ended 31-3-2001
Gross Income	548.59	492.20
Gross Profit	156.40	172.92
LESS: Depreciation	55.18	71.97
Profit Before Tax	101.22	100.95
Provision for Taxation	-	7.50
Net Profit	101.22	93.45
ADD : Profit brought forward from the previous year	108.52	119.36
Excess provision for previous year dividend	(0.04)	0.14
Profit available for Appropriation	214.70	212.95
Proposed Dividend including Dividend Tax	37.49	40.73
Transfer to General Reserve	10.23	40.00
Transfer to Debenture Redemption Reserve	-	5.00
Transfer to Capital Redemption Reserve	10.00	-
Transfer to Statutory Reserve Fund	20.25	18.70
Balance carried forward	136.73	108.52

Dividend:

Your Directors have declared dividend of 29% on fully paid Equity shares of Rs.10/- each aggregating to Rs.36.92 crores for the financial year ended 31st March, 2002. The dividend will be paid to all those equity shareholders whose names appear on the Register of Members as on 15th June, 2002.

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 2001-02.

Gross income for the year increased 11.46% to Rs.548.59 crores compared to Rs. 492.20 crores in the previous financial year. Net profit also increased from Rs.93.45 crores to Rs.101.22 crores for the year 2001-02.

Depreciation was lower at Rs. 55.18 crores (previous year Rs.71.97 crores), and the tax provision decreased to Nil (previous year Rs.7.50 crores). Gross profit for the year was lower at Rs.156.40 crores as against Rs.172.92 crores in the previous year.

Resources and Liquidity:

During the financial year 2001-02, RCL redeemed preference shares of Rs. 800 crores as per the terms of the offer.

RCL also redeemed non-convertible debentures (NCDs) to the tune of Rs.700 crores and discount bonds to the tune of Rs.202 crores during the year.

RCL's gross debt:equity ratio, including long term and short term debt, as on 31st March, 2002, is a conservative 1.91:1 well below the comparable levels in the industry.

During the year, the ratings on the company's long term debt were re-affirmed at "AA+" by Credit Analysis and Research Ltd. (CARE). 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 companies with nationwide presence, and a large number of small and medium sized companies with regional focus. These NBFCs provide a variety of services including fund based, and fee based activities, as well as cater to retail and non-retail markets, and niche segments.

The financial sector through the last decade has undergone wide volatility and change. During this period, effective regulations have brought in wide ranging changes on prudential norms and continuous monitoring mechanism, thereby improving overall

industry environment. The NBFCs with high credibility, efficiency, and customer-oriented services will dominate the sector in future.

Business Review:

RCL continued to focus on the infrastructure projects providing immense growth opportunities and substantial tax benefits.

Leasing:

The Company's activity in the leasing business stood at Rs. 22 crores.

Investments in the Infrastructure Sector:

RCL's investment in infrastructure sector included high growth areas of power, telecommunications, ports etc., contributing to the overall economic development. Your company's investment in infrastructure projects stood at Rs. 1,238 crores.

Insurance:

During the year, RCL has taken a new strategic initiative by entering into the life insurance and general insurance business. The company's investments in the insurance sector stood at Rs.78 crores, and upon receipt of approval from the Reserve Bank of India, RCL intends to invest further in this sector.

Opportunities:

The Indian economy provides several attractive growth opportunities with GDP generally forecast to grow by 5%-6% per annum over the next several years. Development of key infrastructure sectors is a focus area for the government, presenting additional opportunities for companies like RCL that are active in the area of infrastructure investments.

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

RCL is well positioned to take advantage of emerging attractive growth opportunities in the Indian economy by offering wide range of products to suit the needs of the Indian consumer.

Challenges:

RCL faces normal market competition in its business. RCL's strong financial position, reflected by healthy credit rating and low debt:equity ratio, and adoption of prudent 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 insurance sector. 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. The number of employees stood at 29.

Subsidiaries:

During the year under review, RCL made investments in Reliance General Insurance Company Ltd. and Reliance Life Insurance Company Ltd., by virtue of which the said two Companies have become the subsidiaries of RCL.

During the year under review RCL divested its holding in Observer Network Pvt. Ltd. and Reliance Net Ltd. The said two companies have ceased to be the subsidiaries of RCL.

As required under Section 212 of the Companies Act, 1956 the audited statements of accounts, alongwith the report of the Board of Directors and the respective Auditors' Report thereon of all the subsidiaries for the year ended 31st March, 2002 are annexed.

DIRECTORS' REPORT - Contd.**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. All the deposit schemes will mature by June, 2002.

At the end of the financial year, there were 444 deposits aggregating Rs.0.47 crore due for repayment, but which remained unclaimed on the due dates. Till the date of this report, deposits aggregating Rs.0.05 crore have been refunded. RCL has intimated the deposit holders individually of their unclaimed amount with a request to return the Fixed Deposit Receipts duly discharged to enable the Company to refund the amount.

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

Directors:

Shri Lalit Bhasin and Shri Mathew Panikar resigned as Directors of the Company w.e.f. 27th July, 2001. Your Directors place on record their appreciation for the invaluable guidance and services rendered to the Company by them.

Shri S. S. Thakur and Shri Sandeep H. Junnarkar were appointed additional directors w.e.f. 27th July, 2001 and their term expires at the ensuing annual general meeting. Their appointment as Directors is recommended by the Company.

Shri D. J. Kapadia - Director of the Company retiring by rotation and being eligible offers himself 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, 2002, 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, 2002 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 note no. 4 & 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.0.39 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, 22nd April, 2002

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Board of Directors
Reliance Capital Limited
Avdesh House, 2nd Floor,
Pritam Nagar, 1st Slope,
Ellisbridge, Ahmedabad - 380 006

We have reviewed implementation of Corporate Governance procedure set by Reliance Capital Limited ("The Company") for the year ended 31st March, 2002 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, 22nd April, 2002

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, 2002. 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:

- independent non-executive directors
- 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	Attendance Particulars	No. of other directorships and committee member/chairmanship				
		Category	Board Meetings	Last AGM	Other Directorships	Committee Memberships
D.Chaturvedi	C	5	YES	3	1	1
D.J.Kapadia	NED	6	YES	2	2	1
Lalit Bhasin *	NED	1	NO	-	-	-
Mathew Panikar *	NED	-	NO	-	-	-
Sandeep H. Junnarkar**	NED	3	-	12	8	-
S. S. Thakur **	NED	2	-	11	7	1
Anand Jain	MD	6	YES	8	1	-

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

* Resigned as Director w.e.f. 27th July, 2001

** Appointed as Additional Director w.e.f. 27th July, 2001

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

During the year the Company has held 6 Board Meetings as against the minimum requirement of 4 meetings. The meetings were held on April 30, 2001, 16th June, 2001, 27th July, 2001, 30th October, 2001, 29th January, 2002 and 4th March, 2002.

Audit Committee:

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

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

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information.
- b. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board, 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.

- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, 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 need for remuneration committee has not arisen since no managerial remuneration is paid

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 Registrars and Transfer Agents and recommends measures to improve the level of investor services.

The Company has authorised Shri D. Chaturvedi, Shri D. J. Kapadia, - Directors 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 13864. Outstanding complaints as on 31st March, 2002 were 163 which were attended and replied to on or before 6th April, 2002.

52 requests for transfer and 72 requests for dematerialisation were pending for approval as on 31st March, 2002 which were approved on or before 1st April, 2002.

General Body Meetings:

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

Year	Location	Date	Time
1998-1999	Thakorebhai, Desai Hall, Ahmedabad	21st September, 1999	11.30 a.m
1999-2000	Thakorebhai, Desai Hall, Ahmedabad	24th June, 2000	11.30 a.m
2000-2001	Thakorebhai, Desai Hall, Ahmedabad	16th June, 2001	11.30 a.m

The Company has not placed any resolution requiring Postal Ballot as required by the Companies (passing of resolution by postal ballot) Rules, 2001/Cause 49 of the Listing Agreement, for Shareholder's approval at this Annual Genral meeting.

CORPORATE GOVERNANCE

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

Means of Communication:

- a. Half yearly report sent to each household of shareholders : Half yearly report for 30th September, 2001 were dispatched to the shareholders
- b. Quarterly results : The Company has published quarterly results in The Business Standard (English) and Jai Hind (Vernacular), both at Ahmedabad.
- c. 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	:	6 th July, 2002 at 12.15 p.m.				
Venue	:	Thakorebhai Desai Hall, Ahmedabad				
2. Financial Calendar 2002-03 (tentative)	:	Annual General Meeting - July 2003.				
		Board Meetings				
		Results for the quarter ending 30 th June, 2002.			Last week of July 2002.	
		Results for the quarter ending 30 th September, 2002.			Last week of October 2002.	
		Results for the quarter ending 31 st December, 2002.			Last week of January 2003.	
		Results for the year ending 31 st March, 2003.			Last week of April 2003.	
3. Book closure date	:	Saturday, 15 th June, 2002 to Saturday, 29 th June, 2002.				
4. Dividend payment date	:	8 th July, 2002				
5. Registered Office:	:	Avdesh House, 2nd floor, Pritam Nagar 1st slope, Ellisbridge, Ahmedabad 380 006. 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 2002-03.				
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		The Stock Exchange Mumbai		The National Stock Exchange of India Ltd.	
	High	Low	High	Low	High	Low
April 2001	69.75	50.00	69.50	51.30	69.55	51.00
May 2001	69.15	59.30	69.50	57.00	69.35	59.35
June 2001	65.80	48.50	65.80	48.35	65.75	47.55
July 2001	55.00	44.00	54.90	43.50	53.80	43.65
August 2001	50.00	45.00	50.45	45.30	50.85	45.00
September 2001	48.95	31.50	46.25	33.10	46.15	33.00
October 2001	47.50	30.50	50.00	35.80	48.00	36.00
November 2001	57.00	45.00	57.35	45.00	56.95	45.20
December 2001	68.00	42.00	65.85	44.70	65.70	44.00
January 2002	57.15	47.00	57.30	51.25	57.50	50.00
February 2002	65.00	51.05	65.00	51.10	64.75	51.20
March 2002	60.00	50.90	59.40	50.00	63.90	51.65

CORPORATE GOVERNANCE

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, 2002

Period	% Change in		RCL relative to Sensex
	RCL share price	Sensex	
Year to Date	-2%	-6%	-8%
Financial Year 2001-2002	-16%	-4%	-12%
Year-on-Year	-16%	-4%	-12%
2 years	-69%	-31%	-387%
3 years	-55%	-7%	62%
5 years	-1%	37%	-4%
10 years	+71%	-19%	-52%

RCL share price performance relative to Nifty based on share price on 31st March, 2002

Period	% Change in		RCL relative to Nifty
	RCL share price	Nifty	
Year to Date	-2%	7%	-9%
Financial Year 2001-2002	-16%	-2%	-14%
Year-on-Year	-16%	-2%	-14%
2 years	-69%	+26%	-43%
3 years	62%	5%	57%
5 years	-4%	17%	-21%

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

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 31st March, 2002.

Category	%
Financial Institutions / Banks / Mutual Funds	2.14
NRI/OCBs	0.46
Bodies Corporate	50.75
Others	46.65
Total	100.00

13. Dematerialisation of Shares : Approximately 85.33% of the equity shares have been dematerialised upto 31st March 2002.
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 : Relevant data of the average daily turnover for the financial year 2001-2002 is given below:

	Bombay Stock Exchange (BSE)	National Stock Exchange (NSE)	BSE + NSE
Shares (in lakhs)	2.38	2.97	5.35
Shares (in Rs. crs)	1.40	1.73	3.13

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

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, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose 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, we report that:
 - (a) we have obtained all the information and explanations, which are to the best of our knowledge and belief, were necessary for the purposes 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 dealt with by this report 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 nos. 4 and 5 of schedule 'N' regarding change in method of depreciation and conversion of investment into stock in trade respectively, give the information as required under the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002, 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, Dated: 22nd April, 2002

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. The Company has granted unsecured loan to 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 the Company to 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, 2002 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) (i) 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, Dated: 22nd April, 2002



BALANCE SHEET AS AT 31ST MARCH, 2002

(Rs. in crores)

	Schedule	As at		As at	
		31 st March, 2002		31 st March, 2001	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS :					
Shareholders' Funds					
(a) Share Capital	A	127.83		137.83	
(b) Reserves & Surplus	B	1,147.99		1,901.91	
			1,275.82		2,039.74
Loan Funds					
(a) Secured Loans	C	678.58		1,448.46	
(b) Unsecured Loans	D	1,756.30		868.31	
			2,434.88		2,316.77
TOTAL			3,710.70		4,356.51
APPLICATION OF FUNDS :					
Fixed Assets					
(a) Gross Block	E	861.01		921.16	
(b) Less: Depreciation		277.30		327.13	
(c) Lease Adjustment A/c		(75.43)		(91.70)	
(d) Net Block		508.28		502.33	
(e) Capital Work-in-Progress		20.17		138.43	
			528.45		640.76
Investments	F		1,945.09		2,299.17
Current Assets, Loans & Advances					
(a) Current Assets	G	918.59		700.01	
(b) Loans & Advances		519.69		928.66	
		1,438.28		1,628.67	
LESS : Current Liabilities & Provisions					
(a) Current Liabilities	H	142.83		150.10	
(b) Provisions		58.29		61.99	
		201.12		212.09	
Net Current Assets			1,237.16		1,416.58
TOTAL			3,710.70		4,356.51
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, 22nd April, 2002

For and on behalf of the Board

Chairman **D. Chaturvedi**
Managing Director **Anand Jain**
Directors { **D. J. Kapadia**
S. S. Thakur
Sandeep H. Junnarkar
Company Secretary **V. R. Mohan**

Mumbai, 22nd April, 2002