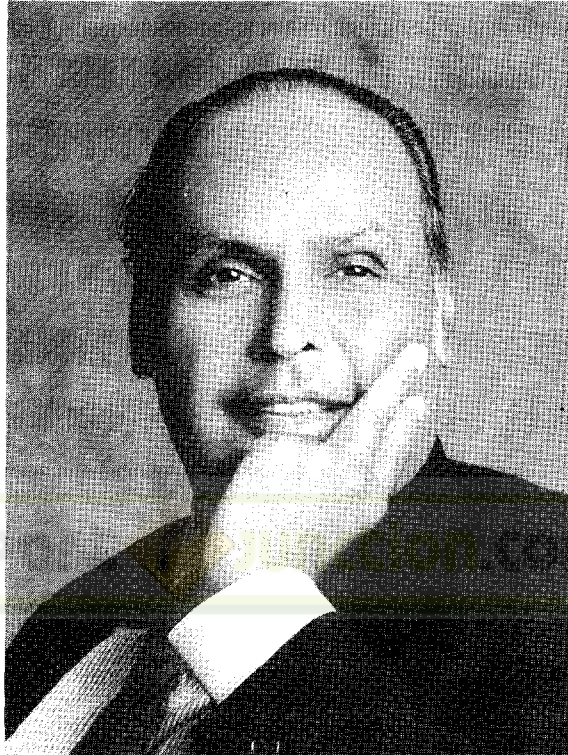


NINETEENTH ANNUAL REPORT 2004 - 2005



Reliance Capital Limited



“If you can dream it, you can do it.”

Dhirubhai H. Ambani

(28th December, 1932 - 6th July, 2002)

Reliance Group - Founder and Visionary


Reliance Capital Limited
NINETEENTH ANNUAL GENERAL MEETING

on Wednesday, the 17th August, 2005, at 10:30 a.m., at Village Meghpar / Padana, Taluka Lalpur, Dist. Jamnagar - 361 280, Gujarat.

CONTENTS	Page No. (s)
Index and Company Information	1
Notice of Annual General Meeting	2 - 3
Directors' Report	4 - 6
Corporate Governance	7 - 12
Auditors' Certificate on Corporate Governance	13
Auditors' Report	14 - 15
Balance Sheet	16
Profit and Loss Account	17
Schedules forming part of Balance Sheet and Profit and Loss Account	18 - 25
Notes to the Accounts	26 - 35
Cashflow Statement	36
Statement of Interest in Subsidiaries	37
Particulars as to Company's Subsidiaries	38 - 88
Auditors' Report on Consolidated Financial Statements	89
Consolidated Balance Sheet	90
Consolidated Profit and Loss Account	91
Schedules forming part of Consolidated Balance Sheet and Profit and Loss Account	92 - 97
Notes on Consolidated Accounts	98 - 105
Consolidated Cash Flow Statement	106
Nomination Form	107 - 108
List of Investor Service Centres	109
Notes	110
Attendance Slip and Proxy Form	111

REGISTERED OFFICE

Village Meghpar / Padana,
Taluka Lalpur,
Dist. Jamnagar - 361 280, Gujarat.
Tel.: 91-288-3011556.
Fax: 91-288-3011598.

CORPORATE OFFICE

Fosbery Road,
off Reay Road Station (East),
Mumbai - 400 033.
Tel.: 91-22-30411000.
Fax : 91-22-30411067.

BOARD OF DIRECTORS

Shri Anil D. Ambani - Chairman (w.e.f. 19th June, 2005)
Shri Amitabh Jhunjhunwala
Shri Rajendra P. Chitale (w.e.f. 19th June, 2005)
Shri D. Chaturvedi*
Shri Anand Jain*
Shri D. J. Kapadia*
Shri S. S. Thakur**
Shri Sandeep H. Junnarkar*
Shri Alok Agarwal*
(*upto 19th June, 2005 / **upto 18th July, 2005)

COMPANY SECRETARY & MANAGER

Shri V. R. Mohan

SOLICITORS & ADVOCATES

Bhasin & Co.

AUDITORS

Pathak H. D. & Associates.

BANKERS

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

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 Computershare Private Ltd.

Hyderabad : 46, Avenue 4, Street No. 1, Banjara Hills,
Hyderabad - 500 034.
☎ 91-40-23320666, 23320711, 23323037
☎ 91-40-23323058
Email: rclinvestor@karvy.com
Website: www.karvy.com

Mumbai : Tulsiani Chambers
10th Floor, Nariman Point
Mumbai 400 021.
☎ 91-22-30325645, 30325624
☎ 91-22-22855731

Jamnagar : 241, City Arcade,
Near DSP Building,
Jamnagar - 361 001
☎ 91-288-2557862-65
☎ 91-288-2553106



Reliance Capital Limited

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Reliance Capital Limited will be held on Wednesday, 17th August, 2005 at 10.30 A.M., at the Registered Office of the Company, at Village Meghpur / Padana, Taluka Lalpur, Dist. Jamnagar - 361 280, Gujarat, to transact the following business:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2005, 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 and note payment of interim dividend on preference shares.
3. To appoint a Director in place of Shri Amitabh Jhunjhunwala, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Pathak H. D. & Associates, Chartered Accountants, the retiring Auditors of the Company, 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 at a remuneration to be decided 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 Shri Anil D. Ambani, who was appointed as an additional director of the company by the Board of Directors pursuant to section 260 of the Companies Act, 1956 and Article

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

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

"RESOLVED THAT Shri Rajendra P. Chitale, who was appointed as an additional director of the company by the Board of Directors pursuant to section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom the Company has received notice in writing under section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

By Order of the Board of Directors

V. R. Mohan

Company Secretary & Manager

Mumbai

Dated: 18th July, 2005

Registered Office:

Village Meghpur / Padana

Taluka Lalpur, Dist. Jamnagar - 361 280

NOTES

1. A member entitled to attend and vote at 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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of Annual Report to the Meeting.
4. Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
8. (a) The Company has already notified closure of Register of Members and Transfer Books thereof from Wednesday, June 1, 2005 to Friday, June 10, 2005 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares for the year ended 31st March, 2005. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.

- (b) The dividend on Equity Shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after August 17th, 2005.

- (c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation is 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. a) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company under the signature of the Sole/First joint holder, the following information to be incorporated on the Dividend Warrants:

- (i) Name of the Sole/First joint holder and the Folio Number.
- (ii) Particulars of Bank Account, viz.: (a) Name of the Bank (b) Name of Branch (c) Complete address of the Bank with Pin Code Number (d) Account type, whether Savings (SB) or Current Account (CA) (e) Bank Account number allotted by the Bank

- (b) Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

**NOTES CONTD.**

10. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Shareholders who have so far not claimed or collected their dividends up to the aforesaid financial year are requested to claim their dividend from the Registrar of Companies, Gujarat, Jivabhai Chambers, ROC Bhavan, Opp. Rupal Park, Behind Ankur Bus Stop, Ahmedabad - 380009, Tel. No. 27437597 / 27438531, Fax No. 27428785 in the prescribed form, which will be furnished on receipt of request by the Registrars and Transfer Agents, Karvy Computershare Private Limited.
11. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1998 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. The Company has already transferred the unclaimed dividend for the year ended 31st March, 1997 to the IEPF.

Information in respect of such unclaimed dividend, for the last date of claiming is given below:-

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend
31.03.1998	30.09.1998	29.09.2005
31.03.1999	21.09.1999	20.09.2006
31.03.2000	24.06.2000	23.06.2007
31.03.2001	16.06.2001	15.06.2008
31.03.2002	06.07.2002	05.07.2009
31.03.2003	28.06.2003	27.06.2010
31.03.2004	10.07.2004	09.07.2011

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

12. Non-Resident Indian Shareholders are requested to inform Karvy Computershare Private Limited immediately:
- The change in the Residential status on return to India for permanent settlement.
 - The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
13. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Meeting.
14. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrars and Transfer Agents, Karvy Computershare Private Limited.

15. Re-appointment / Appointment of Directors:

At the ensuing Annual General Meeting, Shri Amitabh Jhunjhunwala, Director of the Company retires by rotation and being eligible offers himself for re-appointment. Shri Anil D. Ambani and Shri Rajendra P. Chitale, additional directors hold office upto this Annual General Meeting and are proposed to be appointed as Directors under section 257 of the Companies Act, 1956. The information or details pertaining to these Directors, to be provided in terms of Clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published elsewhere in this Annual Report.

By Order of the Board of Directors

V. R. Mohan

Company Secretary & Manager

Mumbai

Dated: 18th July, 2005

Registered Office:

Village Meghpar / Padana

Taluka Lalpur, Dist. Jamnagar - 361 280

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts relating to special business:-

Item no. 5 & 6

The Board of Directors at the meeting held on 19th June, 2005, appointed Shri Anil D. Ambani and Shri Rajendra P. Chitale as Additional Directors of the Company, in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 135 of the Articles of Association of the Company. Pursuant to Section 260, the above directors hold office upto the date of ensuing Annual General Meeting. The Company has received notice(s) from a member of the Company under section 257 of the Companies Act, 1956 proposing the respective candidature for the office of the Director.

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

Your Directors therefore recommend the said resolutions for your approval.

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

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

By Order of the Board of Directors

V. R. Mohan

Company Secretary & Manager

Mumbai

Dated: 18th July, 2005

Registered Office:

Village Meghpar / Padana

Taluka Lalpur, Dist. Jamnagar - 361 280



Reliance Capital Limited

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 19th Annual Report, together with the audited statement of accounts of the Company for the year ended 31st March 2005.

Financial Results:

(Rs in crore)

	Year ended 31-3-2005	Year ended 31-3-2004
Gross Income	295.69	356.79
Gross Profit	138.98	147.88
Less: Depreciation	27.77	42.09
Profit Before Tax	111.21	105.79
Provision for Taxation	5.40	-
Net Profit	105.81	105.79
Add: Profit brought forward from the previous year	188.49	166.81
Profit available for Appropriation	294.30	272.60
Dividend including Dividend Tax	43.64	41.65
Transfer to General Reserve	24.65	21.31
Transfer to Statutory Reserve Fund	21.18	21.15
Transfer to Capital Redemption Reserve	0.13	-
Balance carried forward	204.70	188.49

Dividend:

Your Directors have recommended a dividend of Rs. 3 per Equity Share on 12,73,06,244 equity shares of Rs 10 each aggregating to Rs 38.19 crore for the financial year ended March 31, 2005 which if approved at the ensuing Annual General Meeting, will be paid to (i) all those Equity Shareholders whose names appear in the Register of Members as on June 10, 2005 and (ii) to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited.

Your Directors have paid an Interim Dividend (pro-rata) on 12,500 - 5% Cumulative Redeemable Non- Convertible Preference Shares Rs 100/- each aggregating to Rs 4,453 for the period 1st April, 2004 till the date of redemption.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance :

Reliance Capital Ltd.'s (RCL's) gross income for the financial year ended 31st March, 2005 was Rs 295.69 crore, compared to Rs 356.79 crore in the previous year.

The operating profit (PBDIT) of the Company was at Rs 290.06 crore.

Interest expenses for the year declined to Rs 151.08 crore, compared to Rs 200.39 crore, primarily on account of substitution of higher cost borrowings with lower cost debt.

Depreciation was at Rs 27.77 crore compared to Rs 42.09 crore in the previous year.

Provision for taxation during the year was Rs 5.40 crore.

Net profit marginally increased to Rs 105.81 crore from Rs 105.79 crore in the previous year.

During the year ended 31st March, 2005, the Company has adjusted impairment loss of Rs. 5.92 crores against the General Reserves, in terms of Accounting Standard (AS - 28) on Impairment of Assets, issued by The Institute of Chartered Accountants of India.

An amount of Rs 21.18 crore was transferred to Statutory Reserve Fund pursuant to Section 45IC of the Reserve Bank of India Act, 1934, and an amount of Rs 24.65 crore has been transferred to the General Reserve during the year under review.

The Company's Net worth as on 31st March, 2005 stood at Rs 1437.92 crore, as against Rs 1,399.81 crore last year.

Resources and Liquidity:

RCL's long-term debt equity ratio as on 31st March, 2005 was 0.05:1, which is very conservative. Consequent upon all rated debt being repaid in full, no ratings were obtained during the year.

The Company, redeemed its 12,500 - 5% Cumulative Redeemable Non- Convertible Preference Shares Rs 100/- each at a premium of Rs. 7900 per share.

The Board has proposed a preferential offer of equity shares and/or equity related securities to AAA Enterprises Private Limited and long term institutional investors, to further strengthen the Company's financial position, and to generate long term resources for its future growth plans upto an aggregate amount of Rs. 3,000 crores.

Industry Structure and Developments: -

The operations of Non Banking Financial Companies (NBFCs) are being regulated and supervised by Reserve Bank of India in terms of powers conferred under chapter III- B of Reserve Bank of India Act, 1934. The regulatory and supervisory framework for NBFCs have been continuously strengthened in order to ensure strong and healthy functioning, limiting the excessive risk taking practices protecting the interest of the deposit holders.

The NBFC sector in India has become very mature with reduced dependence on acceptance of public deposits as part of its overall funding. The NBFC sector is now 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.

In recent years, NBFCs are witnessing strong competition in their traditional areas of retail lending from Banks and Financial Institutions. Banks, which have innate advantage of lower cost of funds, are taking an increasing share in retail financing and providing strong competition to NBFCs.

The Reserve Bank of India also intends towards moving to a phase of non- acceptance of public deposits by NBFCs over the years.

In this scenario, NBFCs are now under pressure to cut costs and to develop a focussed marketing approach on selected customer segments by offering more personalized services. The entry of strong NBFCs in insurance and banking have been some of the major developments in this sector.

Business Review:

RCL's operations continue to be mainly focused on the areas of funding of projects in the infrastructure sector, contributing to the country's overall economic growth and development. The investment

**DIRECTORS' REPORT - CONTD..**

portfolio of the Company is structured in a manner to realize the highest post tax returns on investments. As on 31st March, 2005, your company's investment in infrastructure projects stood at Rs 1,071 crore.

Opportunities:

With GDP growth forecast of 6 - 7% over the next few year, the Indian economy will continue to provide several attractive growth opportunities. The increased thrust on the infrastructure sector, including power, roads, ports, telecom and other urban infrastructure projects, will continue to provide excellent investment opportunities in the future.

In addition, the services sector which is growing at rapid pace and contributes substantially to GDP, will provide many new opportunities for the financial services industry in India.

Challenges:

The NBFC sector continues to face competitive pressures from the banking sector and financial institutions, due to their increased penetration in the consumer financing market, with comparatively low cost of funds at their disposal. The spreads in the lending business have also narrowed considerably, bringing risk-adjusted margins to generally unviable levels.

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

Outlook:

The financial services sector is one of the key growth sectors of the economy. Globally, 5 of the top 20 Fortune 500 companies are financial services companies. 21% of total revenues and 27% of total profits of all Fortune 500 companies are generated by the financial services sector, the largest by any single sector.

RCL intends to actively pursue growth opportunities in the fast growing financial services sector in the country, to become a full service financial services company with activities encompassing, inter alia, asset management and mutual funds, life and general insurance, and other financial services.

Risks and Concerns:

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

Adequacy of Internal Control:

An extensive system of internal controls is practiced by RCL to ensure that all its assets are safeguarded and protected against loss from unauthorized 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 Directors reviews the adequacy of internal control.

Human Resource Development :

RCL has a team of able and experienced professionals. The number of employees as on 31st March, 2005, stood at 21.

Subsidiaries:

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors and the respective Auditors' Report thereon of all the subsidiaries for the year ended 31st March, 2005 are annexed together with the statement relating to company's Interest in the Subsidiary Companies.

During the year, Reliance General Insurance Company Ltd., (RGICL) has booked gross direct premium of Rs 161.68 crore, as against Rs 161.05 crore in the previous year. RGICL has earned a net profit after tax of Rs 5.83 crore as against Rs 8.99 crore during the previous year.

Reliance Capital Asset Management Ltd., (RCAM) had total assets under management of Rs 9,542 crore as on 31st March, 2005, an increase of Rs 2,302 crore compared to Rs 7,240 crore in the previous year. RCAM earned a net profit after tax of Rs 12.55 crore for the year under review, compared to Rs 7.46 crore in the previous year.

Fixed Deposits:

During the year, RCL did not accept or renew any fixed deposits.

At on 31st March, 2005, 62 deposit accounts aggregating Rs 0.10 crore remained unclaimed on the due dates.

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

Directors:

Shri Amitabh Jhunjhunwala - Director of the Company retires by rotation and being eligible offers himself for re-appointment.

Shri Anil D. Ambani was appointed as an Additional Director and designated as Chairman of the Company w.e.f. 19th June, 2005. Shri Rajendra P. Chitale, was also appointed as an Additional Director of the Company w.e.f. 19th June, 2005.

Shri D. Chaturvedi, Shri Anand Jain, Shri D. J. Kapadia, Shri Sandeep H. Junnarkar and Shri Alok Agarwal resigned as Directors w.e.f. 19th June, 2005; and Shri S. S. Thakur, resigned as Director w.e.f. 18th July, 2005.

Your Directors place on record their deep appreciation for the invaluable contributions made by Shri D. Chaturvedi, Shri Anand Jain, Shri D. J. Kapadia, Shri Sandeep H. Junnarkar, Shri Alok Agarwal and Shri S. S. Thakur during their tenure as Directors of the Company.

A brief resume of the Director(s) retiring by rotation / seeking appointment at the ensuing Annual General Meeting, nature of their expertise in specific functional areas, and names of companies in which they hold the directorship and the membership/Chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.



Reliance Capital Limited

DIRECTORS' REPORT - CONTD...

Delisting from Ahmedabad Stock Exchange :

The Equity shares of the Company have been voluntarily delisted from the Stock Exchange, Ahmedabad, with effect from 15th October, 2004, pursuant to the approval received from the Exchange, in accordance with the SEBI (Delisting of Securities) Guidelines, 2003.

Directors' Responsibility Statement:

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

- (i) in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts of the company on a 'going concern' basis.

Consolidated Financial Statements:

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

During the year ended 31st March, 2005, the Company sold its entire holding of 50% in Reliance Petroinvestments Limited, which holds 46% equity shares of Indian Petrochemicals Corporation Limited. (IPCL) to Reliance Pharmaceuticals (India) Private Limited and Reliance Nutraceuticals Private Limited, both associates of Reliance Industries Limited. Accordingly, the consolidated financial results for the year ended 31st March, 2005 do not include the working of Reliance Petroinvestments Limited and IPCL. Consequently, the consolidated profits for the year were lower by Rs. 139.58 crores.

Auditors & Auditor's Report:

M/s Pathak H. D. & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from Pathak H. D. & Associates, Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The notes to the accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further comments.

Personnel:

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

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

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

- (1) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.

- (2) Foreign Exchange earnings and outgo:

Earnings	-	Nil
Outgo	-	Rs 0.26 crore

Corporate Governance:

A separate section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

Acknowledgements:

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

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

For and on behalf of the Board of Directors

Anil D. Ambani
Chairman

Mumbai

Dated: 18th July, 2005



CORPORATE GOVERNANCE

The Company pursuant to Clause 49 of the listing agreement with the Stock Exchanges furnishes its report on the code on Corporate Governance.

1. Company's Philosophy on Code of Governance

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

The Company is committed to achieve the highest international standards of Corporate Governance.

The 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

I. Composition and Category

The Board of the Company at present consists of three Directors, all being Non-Executive, two of whom are independent.

II. 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		
	Board Meetings	Last AGM	Other Directorships##	Committee Memberships	Committee Chairmanships
Shri Anil D. Ambani * - (C)	NA	NA	3	1	1
Shri Amitabh Jhun(hunwala - I	3	N	3	4	2
Shri Rajendra P. Chitale * - I	NA	NA	6	8	1
Shri D. Chaturvedi **	5	Y	1	3	2
Shri Anand Jain **	4	N	5	3	1
Shri D. J. Kapadia **	5	Y	1	3	1
Shri S. S. Thakur ***	5	Y	7	10	2
Shri S. H. Junnarkar **	5	Y	13	10	1
Shri Alok Agarwal **	3	N	-	-	-

C - Chairman, I - Independent

*Shri Anil D. Ambani was appointed as the Chairman of the Company w.e.f. 19th June, 2005. Shri Rajendra P. Chitale was also appointed as the Director of the Company w.e.f. 19th June, 2005.

**Shri D. Chaturvedi, Shri Anand Jain, Shri D. J. Kapadia, Shri Sandeep H Junnarkar and Shri Alok Agarwal resigned as Directors w.e.f. 19th June, 2005.

***Shri S.S. Thakur, resigned as Director w.e.f. 18th July, 2005.

(excluding directorship held in Private Limited and Section 25 Companies)

III. Number of Board Meetings held and the dates on which held

During the year ended 31st March, 2005, five Board Meetings were held as against the minimum requirement of four meetings. The meetings were held on April 27, 2004, July 10, 2004, July 22, 2004, October 21, 2004, and January 20, 2005.

The Company has held at least one meeting in every three months and the maximum time gap between any two Board Meetings was not more than four months. None of the directors of the Company was a member of more than ten committees or the Chairman of more than five committees across all public limited companies in which have a director.

For the purpose of considering the limit of the Committees as stated above, only Audit Committee, Shareholders / Investors Grievances Committee and Remuneration Committee across all public limited companies has been considered in accordance with clause 49 of the Listing Agreement.

IV. Information on Directors Appointment / Re-appointment

Brief resume of Directors being re-appointed / appointed at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and names of the companies in which they hold directorship (excluding directorship held in Private Limited and Section 25 Companies) and the membership of committees of the Board is furnished hereunder :

(i) **Shri Anil D. Ambani**, aged 46 years is an MBA from the Wharton School, University of Pennsylvania, USA. He joined Reliance Industries Limited in 1983 as Co-Chief Executive Officer. He is credited with having pioneered many financial innovations in the Indian capital markets. He pioneered India's first forays into overseas capital markets with international public offerings of global depository receipts, convertibles and bonds. He directed Reliance in its efforts to raise, since 1991, around US\$2 billion from overseas financial markets; with a 100-year yankee bond issue in January 1997 being the high point. He has steered the Reliance Group to its current status as India's leading textiles, petroleum, petrochemicals, power, and telecom player. He is the Chairman of the Audit Committee of the Company. He is Chairman and Managing Director of Reliance Energy Limited. He is also on the Board of Reliance Infocomm Limited and Reliance Communications Infrastructure Limited.

(ii) **Shri Rajendra P. Chitale**, aged 44 years, is an eminent Chartered Accountant and Managing Partner, M/s M. P. Chitale & Co. He is also a member of the Takeover Panel, Securities and Exchange Board of India, the Company Law Advisory Committee of Government of India, and the Advisory Group on Derivatives, Securities and Exchange Board of India. He is a Member of the Audit Committee, Shareholders/Investors Grievances Committee and Remuneration Committee of the Company. He is also the Chairman of Audit Committee of Asset Reconstruction Company (India) Ltd., and a member of Audit Committee of NSE, National Securities Clearing Corporation Ltd and Hinduja TMT Ltd. He is also a member of Remuneration Committee of Asset Reconstruction Company (India) Ltd. He is on the Boards of National Stock Exchange of India Ltd (NSE), National Securities Clearing Corporation Ltd., Asset Reconstruction Company (India) Ltd, Gujarat Ambuja Cements Ltd, Hinduja TMT Ltd., Net4Nuts Ltd.



Reliance Capital Limited

CORPORATE GOVERNANCE - CONTD...

(iii) **Shri Amitabh Jhunjhunwala**, aged 49 years is a Chartered Accountant and is having vast experience in the field of financial and capital markets. He is a member of Audit Committee and Chairman of Shareholders / Investors Grievances Committee and Remuneration Committee of the Company. He is also a member of Audit Committee of Reliance Capital Asset Management Limited. He is on the Board of Reliance Capital Asset Management Limited, Sonata Investments Limited and Reliance Life Insurance Company Limited.

3. Board Committees

A. Audit Committee

I. Composition, names of members and Chairperson

The Audit Committee, during the year under review, comprised of four non-executive Directors, majority being independent, viz. Shri D.Chaturvedi, Chairman, (a Chartered Accountant - having financial and accounting knowledge), Shri D.J.Kapadia, Shri S. S. Thakur and Shri Sandeep H. Junnarkar. The Committee has been reconstituted w.e.f. 18th July, 2005 and presently comprises of Shri Anil D. Ambani, Shri Rajendra Chitale and Shri Amitabh Jhunjhunwala. The constitution of the Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and para 9A of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

II. Terms of Reference

The terms of reference of the Audit Committee, as contained under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, are 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, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgment by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
- d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit functions.
- f. Discussion with internal auditors any significant findings and follow up there on.

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

III. Meetings and attendance during the year

During the year ended 31st March, 2005, the Committee has met four times as against the minimum requirement of three meetings. The meetings were held on April 27, 2004, July 22, 2004, October 21, 2004, January 20, 2005. All the then members of the Committee were present at all the above meetings. Representatives of Internal Auditors and Statutory Auditors were invited to be present at the Audit Committee meetings.

B. Remuneration Committee

The Remuneration Committee, during the year under review, comprised of three Non-Executive Directors, majority being independent including the Chairman. viz. Shri D. Chaturvedi, Shri Anand Jain, and Shri S. S. Thakur. The Committee has been reconstituted w.e.f. 18th July, 2005 and presently comprises of Shri Rajendra Chitale and Shri Amitabh Jhunjhunwala.

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

The Company is not paying any remuneration to any of its non-executive directors except sitting fees for attending the meetings of the Board and / or the Committee thereof, the details of which is are given elsewhere in the report.

I. Details of remuneration paid to Manager for the year

The Board appointed Shri V. R. Mohan as Manager, designated as Company Secretary & Manager under Companies Act, 1956 w.e.f. 7th March 2003 for a period of 3 years. The aggregate value of salary, allowances and perquisites paid to Shri V. R. Mohan, Manager for the year ended 31st March, 2005 was Rs. 9,28,476. The above amount is inclusive of Company's contribution to Provident Fund, Superannuation and Gratuity at the end of tenure, as per the rules of the Company.

II. Sitting fees paid to Directors

The Company paid sitting fees to all the Non-Executive Directors at the rate of Rs. 10,000/- for attending each meeting of the Board and / or Committee thereof. The sitting fees paid to the Non-Executive Directors for the year ended 31st March, 2005 were as follows:- Shri D. Chaturvedi - Rs. 90,000/-; Shri D.J.Kapadia