

RELIANCE Capital
Anil Dhirubhai Ambani Group

**Annual Report
2009-10**





Dhirubhai H. Ambani

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

Reliance Group - Founder and Visionary

Profile

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

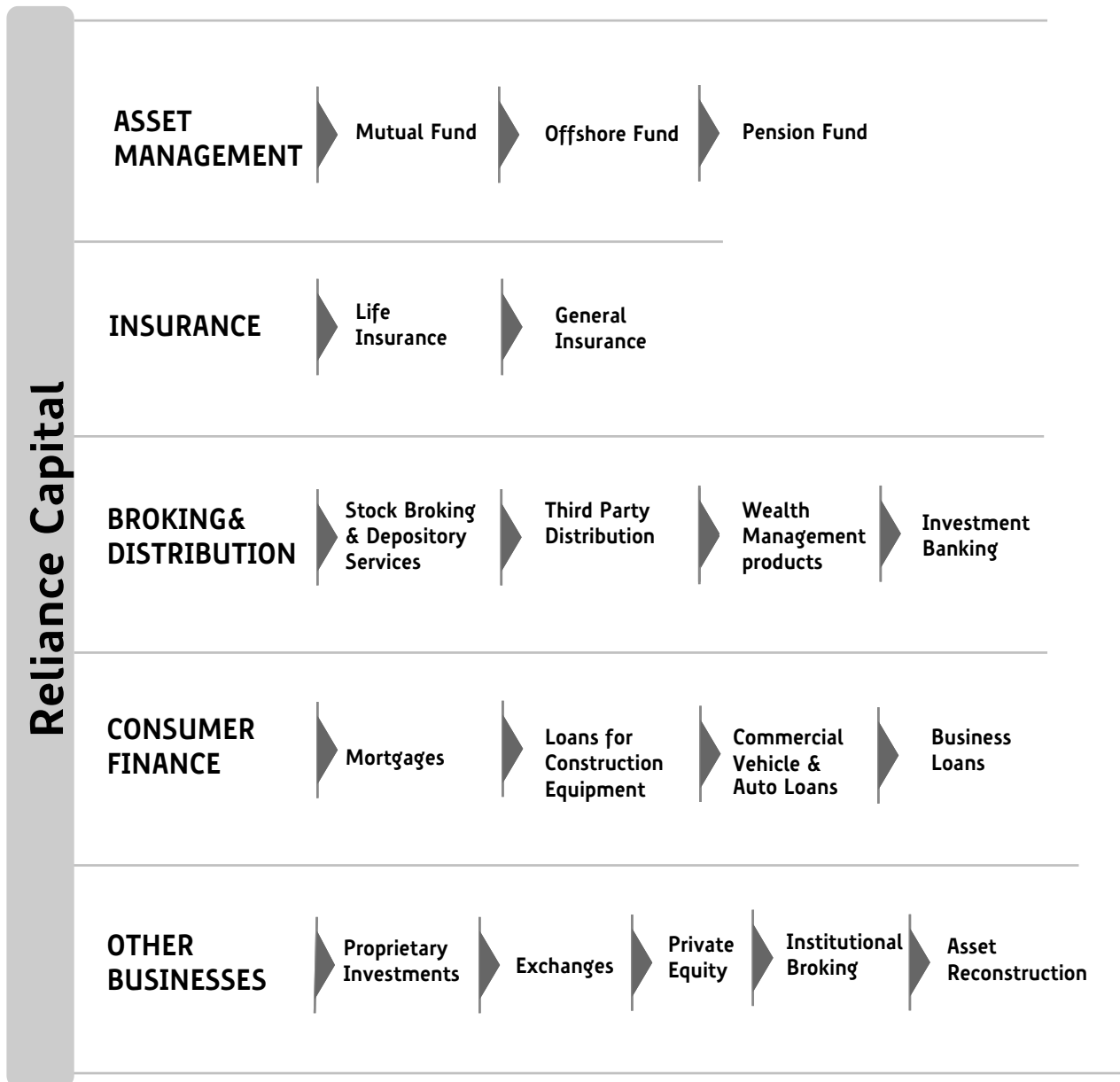
Reliance Capital, incorporated in 1986, is one of India's leading and fastest growing private sector financial services companies, and ranks among the top 3 private sector financial services and banking companies, in terms of networth.

Reliance Capital has interests in asset management, mutual funds, pension funds, life and general insurance, private equity and proprietary investments, stock broking and depository services, investment banking, wealth management, home and consumer finance, financial products distribution, venture capital, exchanges, asset reconstruction and other activities in financial services.

Mission: Excellence in financial services

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

Business mix



Creating India's leading financial superstore

Letter to Shareowners



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

- Anil Dhirubhai Ambani

My Dear fellow Shareowners,

It gives me great pleasure to share with you the highlights of our Company's performance during the year 2009-10.

It was our founder, late Shri Dhirubhai Ambani's lifelong dream to bring the fruits of financial empowerment to millions of ordinary Indians, and, in the process, enable Reliance Capital to emerge as one of India's leading financial services players.

Today, we are well on our way to translating that dream into reality. Reliance Capital is now India's fastest-growing financial services company, serving over 20 million customers.

Our Company is amongst the leading private sector banking and finance companies on all major parameters. We have interests in asset management, mutual funds, pension funds, life and general insurance, private equity, venture capital, stock broking and depository services, investment banking, wealth management, home and consumer finance, financial products distribution, exchanges, asset reconstruction and other activities in financial services.

Our customer base, amongst the largest in India in financial services, is spread across five thousand towns and cities, served by over six thousand distribution outlets and half a million business partners.

Reliance Mutual Fund is the country's largest mutual fund for the third year in a row. We continue to be amongst the fastest growing private sector players in the insurance industry. We have emerged as the third largest private sector life insurer and are amongst the leading private sector general insurers in the country.

Performance Review

The key financial highlights on a consolidated basis are:

- **Total income of Rs.6,141 crore** (US \$ 1.4 billion), against Rs.6,019 crore (US \$ 1.2 billion) in the corresponding previous period, **an increase of two per cent**
- **Net profit of Rs.435 crore** (US \$ 96.4 million), against Rs.1,016 crore (US \$ 199.4 million) in the corresponding previous period
- **Earnings per share (EPS) of Rs.17.64** (US \$ 0.39), against Rs.41.35 (US \$ 0.81) in the corresponding previous period
- **Total Assets of the Company stood at Rs.26,033 crore** (US \$ 5.8 billion), against Rs.24,081 crore (US \$ 4.7 billion) in the corresponding previous period, **an increase of eight per cent**

- **Total net worth was Rs.7,712 crore** (US \$ 1.7 billion) as against Rs.7,424 crore (US \$ 1.5 billion) in the corresponding previous period, **an increase of four per cent**

You will be happy to learn that during the year, our Company achieved significant improvement in its financial and operational performance across its businesses. The businesses of asset management and consumer finance have increased their contribution towards revenues and profitability. In the financial year ended 2010, the decrease in absolute profits was on account of lower capital gains realized, as the thrust is on increasing contribution in profitability from the operating businesses. Over time, there will also be substantial gains for Reliance Capital from planned unlocking of value by way of partial stake sales in some of our businesses.

The year 2009-10 saw the emergence of a new set of regulatory changes in some financial services sectors that affected industry growth. We used these changing times to swiftly move towards leaner cost structures, stringent risk management practices and improved operating efficiencies. Our earlier strategy of being amongst the top players in each of our operating businesses was judiciously calibrated to align with a renewed focus on profitability.

I am very happy to inform you that our efforts in this direction have paid off. Our asset management and consumer finance businesses have increased their profitability while our life insurance business has brought down its capital requirement by a substantial 81 per cent, and is well on course to break even in the current financial year.

Highest credit ratings

Our Company's short term borrowing program is assigned a rating of "A1+" by ICRA, the highest credit rating given by ICRA. Another credit rating agency, Fitch, assigned the borrowing program a rating of "F1+", which stands for the highest credit quality and indicates the strongest capacity for timely payment of "financial commitment" – a resounding re-affirmation of our unwavering and long-standing commitment to financial prudence and conservatism.

A third agency, CARE, assigned the long term debt program a rating of "CARE AAA". Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.

These robust financial numbers have enabled us to maintain, subject to confirmation at the AGM, the dividend at Rs.6.50 a share.

Letter to Shareowners

Achievements during the year across some of our key operating businesses:

The year under review has seen our operating businesses grow from strength to strength despite the continual regulatory changes in some financial services' sectors.

Reliance Capital Asset Management (RCAM) managed nearly Rs.1,50,000 crore (US \$ 33.2 billion) across its mutual fund, pension funds, managed accounts and hedge funds, a year on year increase of 32 per cent. RCAM's profit after tax increased by 46 per cent at Rs.184 crore (US \$ 40.8 million) as against Rs.126 crore (US \$ 24.7 million) in the corresponding previous period.

RMF continued to be India's No.1 Mutual Fund with a market share of 14.8 per cent. The average assets under management (AAUM) for Reliance Mutual Fund (RMF) increased from Rs.80,963 crore (US\$ 15.9 billion) to Rs.1,10,412 crore (US \$ 24.5 billion), an increase of 36 per cent. The number of investor folios have remained steady at 75 lakh despite recent changes in the regulatory environment.

RCAM was appointed as one of the fund managers by the Employees Provident Fund Organization (EPFO). A highly prestigious account, EPFO has entrusted Rs.34,837 crore (US \$ 7.7 billion) to RCAM, for investment management. Reliance Capital Pension Fund Ltd., a wholly owned subsidiary of RCAM was also appointed as one of the six asset managers by the Pension Fund Regulatory and Development Authority (PFRDA) to manage money under the New Pension Scheme (NPS).

Reliance Asset Management (Singapore) Pte. Ltd. is a wholly owned subsidiary of Reliance Capital Asset Management Ltd. It currently manages six India dedicated funds. The AUMs as on March 31, 2010 end stood at US \$ 202 million as against US \$ 127 million as on March 31, 2009, a growth of 59 per cent.

Reliance Life Insurance (RLI) emerged as the third largest private sector life insurer (in terms of weighted received premium) at Rs.3,660 crore (US \$ 810.8 million), a year on year increase of 17 per cent, as against the industry average in the private sector of 13 per cent. RLI has maintained its position amongst the top four (in terms of monthly new business premium) private sector life insurance companies in India with a market share of 10.2 per cent. RLI garnered new business premium of Rs.3,921 crore (US \$ 868.6 million) for the year as compared to Rs.3,514 crore (US \$ 689.7 million) in the previous year, an increase of 12 per cent - in line with private sector industry growth. The total funds under management increased by 117 per cent to Rs.13,661 crore (US \$ 3.0 billion).

Reliance General Insurance has maintained its position amongst the top three (in terms of monthly gross written premium) private sector general insurance companies in India with a market share of 14 per cent. Reliance General Insurance's gross written premium for the year ended March 31, 2010 was up by 3 per cent at Rs.1,980 crore (US \$ 438.6 million) as against Rs.1,915 crore (US \$ 375.9 million) in the corresponding previous period.

Reliance Consumer Finance offers a wide range of products which include Home loans, Loans against property, SME loans,

Commercial Vehicle loans, loans for Construction equipment, etc Reliance Consumer Finance has emerged as one of the leading lenders in the Indian non banking space with 47 per cent increase in disbursements at Rs.5,776 crore (US \$ 1.3 billion). Backed by our long-standing conservative approach, Reliance Consumer Finance has developed stringent in-house credit risk management systems to ensure the highest quality of credit. The outstanding loan book grew by 7 per cent to Rs.9,170 crore (US \$ 2.0 billion) as on March 31, 2010, compared to Rs.8,576 crore (US \$ 1.7 billion) as on March 31, 2009. This loan book is spread across 1,17,955 customers from top 16 Indian metros. The profit before tax grew 48 per cent at Rs.135 crore (US \$ 29.9 million) as against Rs.92 crore (US \$ 18.1 million) for the corresponding previous period.

Future Plans

We have drawn up exciting growth plans for the next three to five years:

- Increase our customer base - from twenty million to fifty million.
- Increase the distribution reach - from five thousand to twenty thousand cities and towns.
- Increase number of business partners - from half a million to one million.
- Evaluate opportunities to enter the banking sector, in accordance with the evolving regulatory framework.

Together, these initiatives will further accelerate our growth and lead to substantial value creation for each of us.

Corporate Governance

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

Social Commitments

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

Our Commitment

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

We remain committed to upholding that vision.

Dhirubhai exhorted us to think big. With your continued support, we will think bigger. Indeed not just bigger but better, creating ever greater value for all our stakeholders.



Anil Dhirubhai Ambani
Chairman

Reliance Capital Limited

Highlights – at a glance (Standalone)

(Rs. in crore)

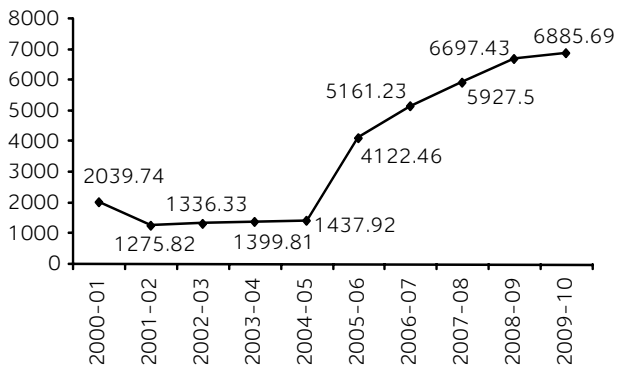
Year ended March 31	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Turnover	2 389.88	3 014.45	2 079.79	883.80	52.02	295.69	356.79	458.78	548.59	492.20
Earnings Before Depreciation, Interest & Tax (EBDIT)	1 706.09	2 335.17	1 596.68	782.88	619.00	290.06	348.27	447.09	529.83	475.06
Depreciation	18.16	21.22	17.09	7.07	23.19	27.77	42.09	91.65	55.18	71.97
Profit after Tax	339.42	968.02	1 025.45	646.18	537.61	105.81	105.79	102.63	101.22	93.45
Equity Dividend %	65.00	65.00	55.00	35.00	32.00	30.00	29.00	29.00	29.00	29.00
Dividend Payout	186.80	186.80	158.04	100.58	81.32	38.19	36.92	36.92	36.92	36.96
Equity Share Capital	246.16	246.16	246.16	246.16	223.40	127.84	127.97	127.83	127.83	127.83
Reserves and Surplus	6 712.90	6 560.28	5 779.07	4 915.07	3 849.50	1 310.08	1 271.84	1 208.50	1 147.99	1 901.91
Net Worth	6 885.69	6 697.43	5 927.50	5 161.23	4 122.46	1 437.92	1 399.81	1 336.33	1 275.82	2 039.74
Total Assets	20 028.30	21 135.17	15 374.31	6 573.19	4 364.35	2 809.94	2 751.47	3 106.78	3 710.70	4 356.51
Market Capitalisation	18 536.68	8 684.35	30 168.62	16 415.64	11 568.99	2 272.42	1 675.35	618.69	670.24	796.22
Number of Employees	54	48	216	196	140	21	27	30	29	34

KEY INDICATORS

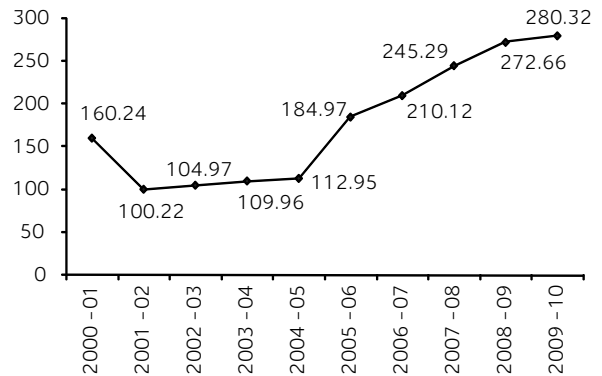
Year ended March 31	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
EBDIT/Gross Turnover %	71.39	77.47	73.91	88.58	94.94	98.10	97.61	97.45	96.58	96.52
Net Profit Margin %	14.20	32.11	49.31	73.11	82.45	35.78	29.65	22.37	18.45	18.99
Earnings Per Share (Rs.)	13.82	39.41	41.75	28.39	24.64	8.31	8.31	8.06	7.91	7.33
Book Value Per Share (Rs.)	280.32	272.66	245.29	210.12	184.97	112.95	109.96	104.97	100.22	160.24
Debt : Equity Ratio	1.57:1	2:1	1.5:1	0.28:1	0.06:1	0.05:1	0.42:1	0.33:1	1.91:1	1.81:1

Highlights – at a glance (Standalone)

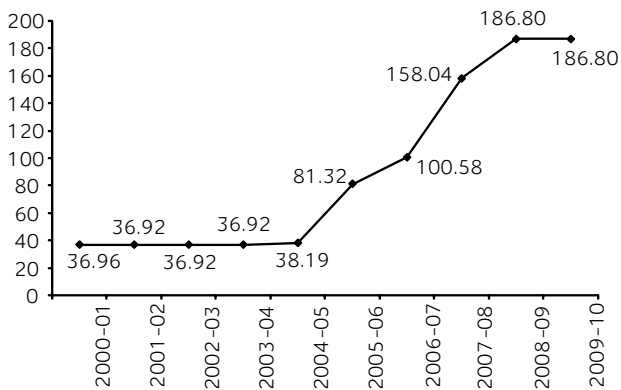
Net Worth (Rs.in crore)



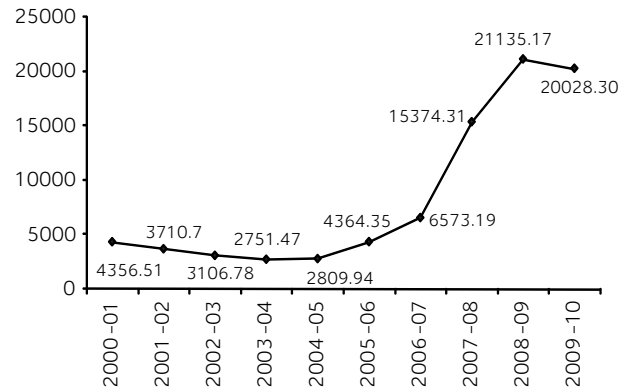
Book Value Per Share (Rs.)



Dividend Payout (Rs.in crore)



Total Assets (Rs.in crore)



Reliance Capital Limited

Notice

Notice is hereby given that the twenty fourth Annual General Meeting of the Members of **Reliance Capital Limited** will be held on Tuesday, September 28, 2010 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Power Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020, to transact the following business:

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at March 31, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Shri Rajendra P. Chitale who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration. No. 101720W) and M/s. B S R & Co., Chartered Accountants (Firm Registration. No. 101248W), be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

Special Business

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

"RESOLVED THAT Dr. Bidhubhusan Samal, who was appointed as an Additional Director of the Company 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 a 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 a Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT Shri V. N. Kaul, who was appointed as an Additional Director of the Company 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 a 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 a Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution:**
 - a) "RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges and subject to the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR"), the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot equity shares/fully convertible debentures/partly convertible debentures/non convertible debentures with warrants/any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities" or "Securities"), to the Qualified Institutional Buyers (QIBs) as per the SEBI ICDR, whether or not such QIBs are Members of the Company, on the basis of placement document(s), at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion determine, in consultation with the Lead Managers, Advisors or other intermediaries, provided however that the aggregate amount raised by issue of QIP Securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 15% of the then issued and subscribed equity shares of the Company.
 - b) RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible