

RESULTS REVIEW
Share Data

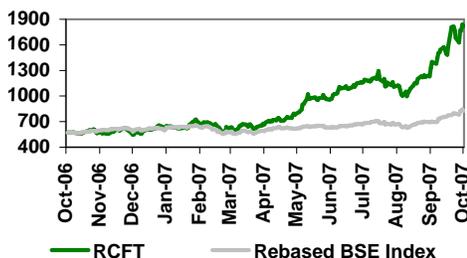
Market Cap	Rs. 446.4 bn
Price	Rs. 1817.15
BSE Sensex	18,419.04
Reuters	RLCP.BO
Bloomberg	RCFT IN
Avg. Volume (52 Week)	0.7 mn
52-Week High/Low	Rs. 1,917.5 / 530
Shares Outstanding	245.6 mn

Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	46.1	69.2
+/- (%)	50.1%	50.0%
PER (x)	39.4x	26.3x

Shareholding Pattern (%)

Promoter	52
FII's	30
Institutions	3
Public & Others	15

Relative Performance

RELIANCE CAPITAL
Hold
Capitalising on 'RELIANCE'

Reliance Capital reported robust 1Q'08 numbers, with consolidated net profit increasing 188% yoy to Rs. 3.3 bn. During the quarter, the Company reported above average industry growth and given the heavy investment in its employees, we expect Reliance Capital to continue to maintain the current growth rate in future. Revenue in the asset management business grew strongly by 63% yoy to Rs. 666 mn and AUM increased 127% to Rs. 598.6 bn. In addition, general insurance business's gross written premium rose by 223% yoy to Rs. 5.3 bn, thus enabling the Company to strengthen its market share in the incremental business premium. Life insurance business reported a growth of 85% in gross written premium with branches increasing from 158 to 342. During the quarter, the Company formally launched its broking and distribution business and within a span of 2 months, it achieved an average daily volume of Rs. 6 bn with 1 lakh customers.

The Company has strong dynamics in the form of excellent management, huge potential in insurance business, and expanding reach, however, all the positives have already been factored in the current market price. Hence at the current levels, the stock seems to be fully valued and thus we downgrade our rating to Hold.

Result Highlights
Reliance Mutual Fund

Reliance mutual fund continues to be the leader with market share

Key Figures (Consolidated)

Year to March	1Q'07	1Q'08	YoY %	FY06	FY07	YoY %
Total Income (mn)	3,562	11,762	230.2%	9,471	21,579	127.9%
Total Expenditure (mn)	2,429	8,513	250.5%	3,757	14,547	287.2%
Net Profit (mn)	1,130	3,253	187.7%	5,714	7,032	23.1%
AUM (bn)	263.1	598.6	127.5%	246.7	463.1	87.7%
Gross written premium (bn)	1.6	5.3	231.3%	1.6	9.1	462.0%
New business premium (bn)	1.3	2.0	53.8%	1.9	9.3	381.5%
Per Share Data (Rs.)						
EPS	5.1	13.2	161.1%	26.5	30.7	16.0%
Net Worth Per Share	194.0	219.1	12.9%	189.0	215.0	13.8%
PER (x)	-	-	-	68.6x	59.1x	-

of 15% in 1Q'08. The total asset under management increased 127% yoy to Rs. 589.6 bn with equity and debt contributing 67% and 33% respectively. The Company has a distribution reach across 300 towns/cities in India with 3.4 mn customers as of June 07.

Only 2nd life insurance company in India with ISO 9000

Reliance Life Insurance

Reliance life insurance gross premium increased 85% yoy to Rs. 2.6 bn. New business premium increased 53.8% yoy to Rs. 2 bn as the number of policies more than doubled to 105,726. However, the Company's business from single premium reduced from 30% to 10% in 1Q'08.

Expanding distribution reach

Reliance General Insurance

Reliance general insurance showed robust performance with gross written premium increasing 223% yoy to Rs. 5.3 bn. As of 30 June 2007, the Company has 85 branches and has IRDA approval for starting another 115 branches. The Company's sector-wise premium contribution has shifted from fire insurance to motor which contributed 53% in the quarter.

Performance dependent on buoyancy of capital markets

Reliance Money

During the quarter, Reliance formally launched its broking and distribution business. As of June 07, the Company had a daily average volume of Rs. 6 bn with one lakh customers. Further, we expect, the Company to gain market share on account of low pricing strategy. In addition, the Company has entered into agreements with CMC, DTDC and Barista for enhancing distribution and has 4,000 outlets in over 700 towns/cities.

Aiming to become one stop shop for all financial products

Outlook

Reliance Capital is expanding aggressively and gaining market share in all lines of business. The Company is likely to garner substantial market share in stock broking on account of low pricing strategy and leveraging the group wide retail presence. In addition, the insurance market in India is still under penetrated and thus we expect it to be a major growth driver in the future. However, huge proprietary investment in equity can be a risk and can affect the financial performance negatively in adverse market conditions.

The Company has strong dynamics in the form of excellent management, huge potential in insurance business, and expanding reach. However, all the positives have already been factored in the current market price. Though we downgrade our rating to Hold but any correction in the stock price should be considered as a potential buying opportunity.

Key Figures (Consolidated)

Year to March	FY06	FY07	FY08E	FY09E	CAGR (%)
(Figures in Rs mn, except per share data) (FY07-09E)					
Total Income	9,471	21,579	32,368	48,552	50.0%
Net Profit	5,714	7,032	11,329	16,993	55.5%
Gross Direct Premium	1,623	9,122	27,360	68,400	173.8%
Annual Equivalent Premium	853	7,219	25,266	63,166	195.8%
AUM (bn)	246.7	463.1	694.6	1,041.9	50.0%
Per Share Data (Rs.)					
EPS	26.5	30.7	46.1	69.2	50.0%
PER (x)	68.6x	59.1x	39.4x	26.3x	

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