

Company Focus

20 January 2009 | 10 pages

Reliance Capital (RLCP.BO)

Sell: 3Q09 Results – Growth Pressures and Growth Pains

- 3Q09 profits up 11%; significantly lower than estimates** — RCap's 3Q09 profits at Rs1.32bn were up 11% yoy (-43% qoq) and significantly below estimates. The quarter reflected a) growth slowdown in some key segments (life insurance, asset management); b) rising risks in its consumer finance portfolio; c) fully eroded cushion on the investment book (contributes 75% of pretax profits); d) relatively higher cost structure (funding and distribution); and e) inherent leverage to a strong domestic economy/capital markets.
- The pressures on growth** — RCap remains relatively high growth, but the pace is moderating quickly. Growth in key business segments has reduced sharply - life insurance (FY premium growth of 65% in 9MFY09 against 125% in 1H09) and asset management (AUMs down 12% yoy, 11% qoq; equity proportion down to 31% from 34% in 2Q09). We believe a slower growth outlook and equity market weakness is likely to further challenge growth and profitability.
- The pains of growth** — RCap's consumer finance portfolio has grown at a rapid pace (+130% yoy) despite a 6% qoq reduction in the loan book. Gross NPLs in the portfolio have increased to 1.9% of loans (an increase of 89% QoQ). While coverage levels are reasonable (62%) and management has stopped incremental lending, the pace of incremental delinquencies are a concern.
- Leveraged play on domestic economy, equity markets** — RCap's dependence on a buoyant economy, inherently high capital market linkage and its non-bank operating model will likely continue to weigh on the stock. Maintain Sell (3M).

Sell/Medium Risk	3M
Price (20 Jan 09)	Rs417.30
Target price	Rs500.00
Expected share price return	19.8%
Expected dividend yield	1.6%
Expected total return	21.4%
Market Cap	Rs102,503M US\$2,112M

Price Performance (RIC: RLCP.BO, BB: RCFT IN)



Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2007A	7,032	29.95	-7.9	13.9	1.9	14.8	0.8
2008A	10,057	40.85	36.4	10.2	1.6	16.9	1.3
2009E	10,590	43.02	5.3	9.7	1.4	15.0	1.6
2010E	11,123	45.19	5.0	9.2	1.2	14.0	1.8
2011E	11,871	48.22	6.7	8.7	1.1	13.4	2.0

Source: Powered by dataCentral

Manish Chowdhary, CFA¹

+91-22-6631-9853
manish.chowdhary@citi.com

Aditya Narain, CFA¹

+91-22-6631-9879
aditya.narain@citi.com

Naveenan Ramachandran¹

naveenan.ramachandran@citi.com

See Appendix A-1 for Analyst Certification and important disclosures.

Citi Investment Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Non-US research analysts who have prepared this report are not registered/qualified as research analysts with the NYSE and/or NASD. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

¹Citigroup Global Markets India Private Limited

Fiscal year end 31-Mar	2007	2008	2009E	2010E	2011E
Valuation Ratios					
P/E adjusted (x)	13.9	10.2	9.7	9.2	8.7
P/E reported (x)	13.9	10.2	9.7	9.2	8.7
P/BV (x)	1.9	1.6	1.4	1.2	1.1
P/Adjusted BV diluted (x)	1.9	1.6	1.4	1.2	1.1
Dividend yield (%)	0.8	1.3	1.6	1.8	2.0
Per Share Data (Rs)					
EPS adjusted	29.95	40.85	43.02	45.19	48.22
EPS reported	29.95	40.85	43.02	45.19	48.22
BVPS	215.20	268.35	303.93	340.51	378.98
Tangible BVPS	215.20	268.35	303.93	340.51	378.98
Adjusted BVPS diluted	215.20	268.35	303.93	340.51	378.98
DPS	3.49	5.49	6.50	7.50	8.50
Profit & Loss (RsM)					
Net interest income	3,022	5,050	5,907	7,166	8,587
Fees and commissions	2,957	5,672	9,831	12,097	15,511
Other operating Income	15,172	34,331	38,853	47,112	57,043
Total operating income	21,152	45,053	54,590	66,374	81,141
Total operating expenses	-13,035	-32,732	-40,628	-51,280	-64,684
Oper. profit bef. provisions	8,117	12,321	13,962	15,094	16,457
Bad debt provisions	-1	-163	-710	-1,176	-1,605
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	8,115	12,158	13,252	13,918	14,853
Tax	-1,120	-2,089	-2,650	-2,784	-2,971
Extraord./Min. Int./Pref. Div.	37	-12	-12	-12	-12
Attributable profit	7,032	10,057	10,590	11,123	11,871
Adjusted earnings	7,032	10,057	10,590	11,123	11,871
Growth Rates (%)					
EPS adjusted	-7.9	36.4	5.3	5.0	6.7
Oper. profit bef. prov.	31.9	51.8	13.3	8.1	9.0
Balance Sheet (RsM)					
Total assets	74,172	184,202	239,801	304,915	360,501
Avg interest earning assets	53,213	121,083	199,885	256,411	313,002
Customer loans	37,583	102,803	132,600	171,700	201,613
Gross NPLs	0	0	0	0	0
Liab. & shar. funds	74,172	184,202	239,801	304,915	360,501
Total customer deposits	0	0	0	0	0
Reserve for loan losses	0	0	0	0	0
Shareholders' equity	52,974	66,057	74,815	83,821	93,290
Profitability/Solvency Ratios (%)					
ROE adjusted	14.8	16.9	15.0	14.0	13.4
Net interest margin	5.68	4.17	2.96	2.79	2.74
Cost/income ratio	61.6	72.7	74.4	77.3	79.7
Cash cost/average assets	21.5	25.3	19.2	18.8	19.4
NPLs/customer loans	0.0	0.0	0.0	0.0	0.0
Reserve for loan losses/NPLs	na	na	na	na	na
Bad debt prov./avg. cust. loans	0.0	0.2	0.6	0.8	0.9
Loans/deposit ratio	na	na	na	na	na
Tier 1 capital ratio	na	na	na	na	na
Total capital ratio	na	na	na	na	na

For further data queries on Citi's full coverage universe please contact CIR Data Services Asia Pacific at CIRDataServicesAsiaPacific@citi.com or +852-2501-2791

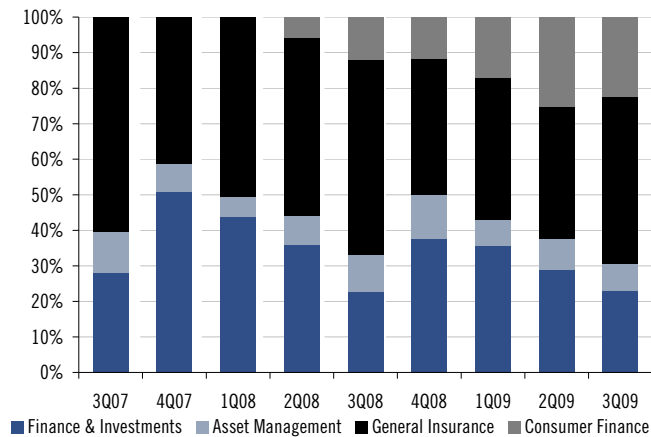


Figure 1. Reliance Capital: 3Q FY09 Results – Highlights (Rupees Million, Percent)

	3Q09	3Q08	YoY %	2Q09	QoQ%	Citi Investment Research Comments
Income from Operations	15,698	11,346	38.4	13,131	19.6	
Other Income	35	210	-83.2	95	-62.8	
Gross Total Income	15,733	11,556	36.2	13,225	19.0	Revenue growth continues with no apparent reduction in pace
Interest expense	(3,725)	(1,342)	177.6	(2,921)	27.6	Higher cost of funding - average cost of funding now at 11.4% against 9.8% in 2Q09
Total Income	12,008	10,214	17.6	10,305	16.5	
Operating Expenses	(10,482)	(8,742)	19.9	(7,428)	41.1	Operating expenses shows a sharp jump QoQ largely due to higher accounting of claims in the non-life insurance segment and other establishment expenses
Pre-Tax Profit	1,526	1,472	3.7	2,877	-47.0	
Tax	(183)	(311)	-41.1	(562)	-67.4	Effective tax rate has come down further to about 12% in 3Q09 (15% for 9MFY09)
Minorities	(20)	0	NM	(23)	-13.7	
Extraordinary Items	(7)	21	NM	3	NM	
Net Profit	1,315	1,182	11.3	2,294	-42.7	Overall significantly below estimates with the pressures on capital market environment reflecting in lower profitability
EPS	5.19	4.86	6.8	9.05	-42.7	
Segmental Revenues (Rsm)	3Q09	3Q08	YoY %	2Q09	QoQ%	
Finance & Investments	3,288	2,607	26	3,690	-11	Some weakness over 2Q09 - expect continued pressures from a weaker secondary market environment
Asset Management	1,111	1,231	-10	1,078	3	Further reductions in AUMs can create some more weakness
General Insurance	6,752	6,331	7	4,745	42	
Consumer Finance	3,225	1,386	133	3,186	1	Relatively cautious approach to lending in 3Q09 - remains fairly stable
Others	1,358	-	NM	527	158	Includes revenues from retail broking and distribution
Total	15,733	11,556	36	13,225	19	
Segmental Revenues (%)	3Q09	3Q08	Δ YoY %	2Q09	Δ QoQ %	
Finance & Investments	21%	23%	-2	28%	-7	
Asset Management	7%	11%	-4	8%	-1	
General Insurance	43%	55%	-12	36%	7	
Consumer Finance	20%	12%	9	24%	-4	
Others	9%	0%	9	4%	5	
PBT (Rsm)	3Q09	3Q08	YoY %	2Q09	QoQ%	
Finance & Investments	1,245	1,568	-21	2,312	-46	Unrealized gains on listed equity portfolio is now Nil
Asset Management	196	282	-30	363	-46	Sharp reduction in profitability despite a relatively lower (12%) reduction in AUMs
General Insurance	(125)	(532)	-76	58	NM	Combined Ratio of 114% - management feels confident of turning this around
Consumer Finance	146	265	-45	143	2	
Others	188	-	NM	33	473	Includes Reliance Money
Total	1,650	1,582	4	2,909	-43	
PBT (%)	3Q09	3Q08	Δ YoY %	2Q09	Δ QoQ %	
Finance & Investments	75%	99%	-24	79%	-4	
Asset Management	12%	18%	-6	12%	-1	
General Insurance	-8%	-34%	26	2%	-10	
Consumer Finance	9%	17%	-8	5%	4	
Others	11%	0%	11	1%	10	

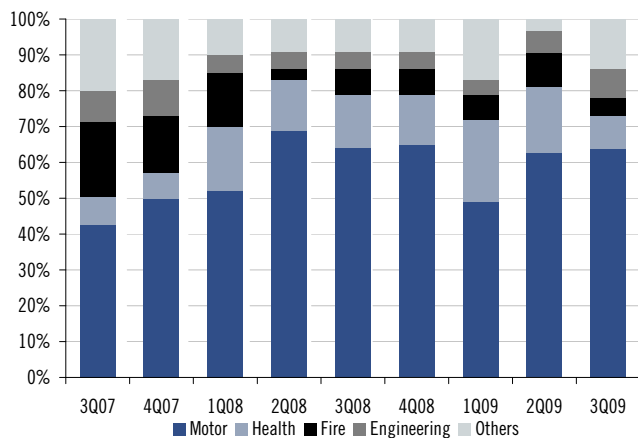
Source: Citi Investment Research

Figure 2. Segmental Composition of Revenue (%)



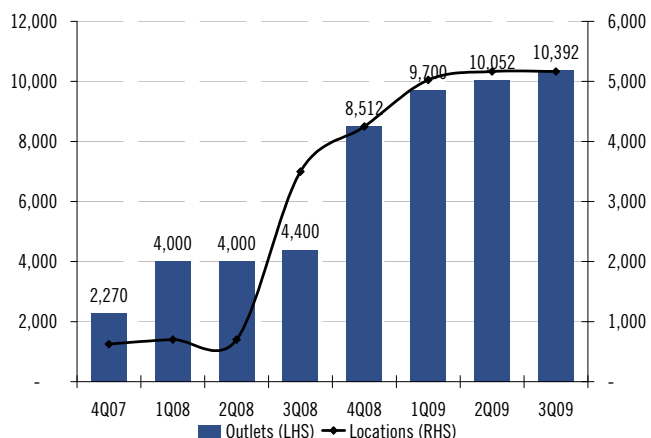
Source: Company Reports

Figure 4. Non-Life Insurance: Segmental Contribution to Premium



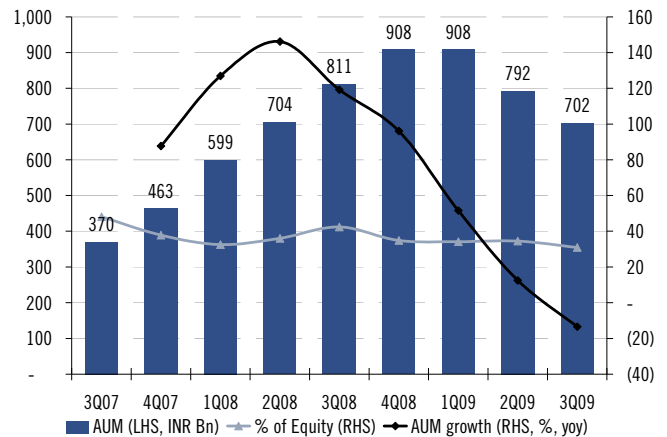
Source: Company Reports

Figure 6. Broking: Tapering growth of Outlets



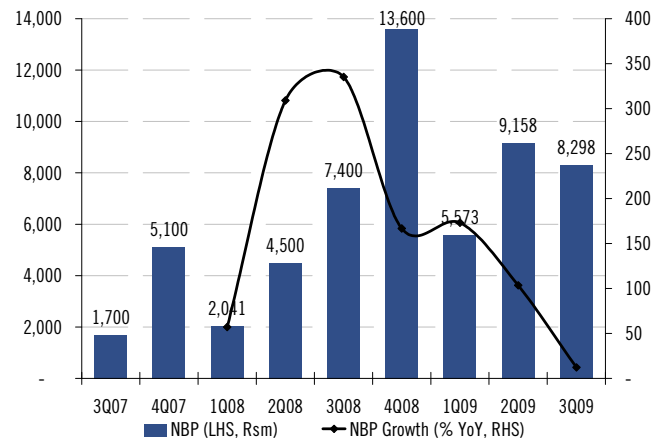
Source: Company Reports

Figure 3. Asset Management – AUM (Rsb), Equity component (%), growth (%)



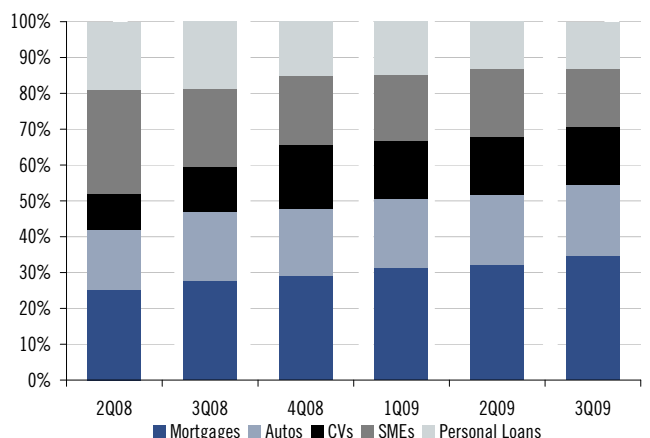
Source: Company Reports

Figure 5. Life Insurance: New Business Premium (Rsm) and growth (%)



Source: Company Reports

Figure 7. Consumer Finance: Segmental Loans Outstanding



Source: Company Reports

Figure 8. Reliance Capital: Profiles of Individual Businesses

Asset Management	3Q09	3Q08	YoY %	2Q09	QoQ%	
AUM (Rsb)	702	811	-13	792	-11	Redemption pressures continue, especially in equity linked products
-Equity (Rsb)	217	344	-37	273	-21	
-Debt (Rsb)	485	467	4	518	-6	
Market Share (%)	17.0%	15.0%	2	14.9%	2	Market share however, has improved during the period
PMS - AUM (Rsb)	273.0	63.0	333	63.0	333	Strong growth - largely a reflection of Rs233bn of incremental funds from EPFO over the last couple of quarters
Offshore Fund (Rsb)	11.9	11.8	0	7.8	52	
Total AUM (Rsb)	987	886	11	863	14	
General Insurance	3Q09	3Q08	YoY %	2Q09	QoQ%	
Gross Written Premium (Rsm)	5,090	5,810	-12	4,298	18	Cautious management stance and focus on higher profitability products
Net Written Premium (Rsm)	4,223	2,483	70	2,922	45	Reflects an increase in retention ratios
Branches	200	218	-8	200	0	
No. of Policies Issued	700,000	1,129,524	-38	475,301	47	Average policy size has improved about 40% YoY; though retail component remains high at about 80%
Life Insurance	3Q09	3Q08	YoY %	2Q09	QoQ%	
NBP (Rsm)	8,298	7,400	12	9,158	-9	Sharp slowdown in FYP growth - cumulative 9M growth is now about 65% against 125% for 1H09
-First Year Premium (Rsm)	7,566	5,846	29	7,843	-4	
-Single Premium (Rsm)	733	1,554	-53	1,315	-44	
Renewal Premium (Rsm)	3,200	1,200	167	2,455	30	
Total Premium (Rsm)	11,498	8,600	34	11,612	-1	
No. of policies issued	600,970	295,913	103	475,301	26	
Funds under mgmt. (Rsm)	49,361	28,600	73	47,569	4	
APE (Rsm)	7,639	6,001	27	7,974	-4	
Agents	142,843	157,080	-9	211,293	-32	A reduction in agency force - largely a weeding out process of non-performing agents
Branches	1,145	736	56	744	54	
Reliance Money	3Q09	3Q08	YoY %	2Q09	QoQ%	
Outlets	10,392	4,400	136	10,052	3	Largest distribution network in India
Locations	5,165	3,500	48	5,165	0	
Broking A/Cs	991,012	385,000	157	970,000	2	Strong additions to customer base continues
Daily Avg Volume (Rsm)	22,000	22,000	0	22,000	0	Volumes stay flat despite a 18% QoQ reduction in industry volumes- increases market share to 3.5%
Customers (Mn)	2.8	NA	NA	2.7	4	
Revenue Split (%)						
Broking	48%	36%	13	52%	-4	
Distribution	20%	28%	-7	27%	-6	
Others	32%	37%	-5	21%	10	
Consumer Finance	3Q09	3Q08	YoY %	2Q09	QoQ%	
Loan Portfolio (Rsm)						
-Mortgages	30,800	10,700	188	30,700	0	
-Autos	17,600	7,500	135	18,600	-5	
-CVs	14,500	4,800	202	15,400	-6	
-SMEs	14,500	8,400	73	17,900	-19	Sharpest reduction in SME portfolio
-Personal Loans	11,600	7,300	59	12,500	-7	Another higher risk segment - sees relatively faster slowdown
Total	89,000	38,700	130	95,100	-6	Relatively low incremental disbursements due to sharply rising cost of funds
Gross NPLs (Rsm)	861	-	NA	884	-3	Sharp increase in NPLs - a cause of significant concern given its relatively recent buildup of loan book
NPL Ratio (%)	0.97%	-	NA	0.93%	0	

Source: Citi Investment Research

Company description

Reliance Capital is India's largest, diversified retail financial services company with a presence in asset management, life insurance, non-life insurance, brokerage, consumer finance and distressed assets. It is part of the Anil Dhirubhai Ambani (ADA) group, which holds a 53% stake in the company. RCap has leveraged its strong brand and large capital base, and has aggressively built a large distribution network in the country. RCap is among the market leaders in all its business segments.

Investment strategy

We rate Reliance Capital Sell/Medium Risk. RCap's key strengths are: a) a presence in under-penetrated, secular growth businesses; b) strong business growth led by supportive capital markets; c) market leadership in most segments, driven by its large distribution network, product focus and strong and aggressive management. However, almost all its businesses and earnings are inherently linked to capital markets. RCap is also significantly exposed to slower economic growth, higher interest rates and weaker asset quality, which could pressure growth and expected returns. Moreover, we believe its profitability will be under pressure medium term due a likely higher cost distribution build-out and increasing competitive intensity. Also, it is among the most expensive financial stocks in India. We believe the stock can be valued higher in a different environment and on a different platform (a banking instead of a finco platform) - in other words, at another time or another price.

Valuation

We have a target price for Reliance Capital of Rs500. We use a sum-of-the-parts methodology to value RCap as it is present in diverse businesses, and each of these businesses is valued based on a different methodology. As many of its businesses are still growing or are not consolidated, we believe P/E or P/BV approaches are not properly reflective of value. We value the AMC business at Rs124 per share (a DCF approach, implying a value of 4.7% of AUM); the life insurance business at Rs294 per share (12x 1-year forward NBAP; 15-20% premium to peers due to higher growth profile); the non-life insurance business at Rs21 per share (10x 1-year forward economic profits, in line with peers); the broking business at Rs22 per share (10x 1-year forward earning, in line with the Sensex), and the consumer finance business at Rs42 per share (1.0x 1-year forward book value, in line with peers). We do not attribute any value to unrealized gains on its investment portfolio due to the continued uncertainty in capital markets.

Risks

We rate Reliance Capital as Medium Risk even though a Speculative Risk rating is suggested by our quantitative risk model, which tracks 260-day historical share price volatility. We believe a Medium Risk rating is appropriate as RCap's businesses, though related to capital markets, are significantly diverse in nature. Key upside risks to our valuations and target price include: a) sustained buoyancy in capital markets; b) an easy liquidity environment or a reduction in interest rates; b) a reversal in the asset quality environment; d) higher than anticipated growth and market share gains in different businesses; and e) early execution of growth plans.

Appendix A-1

Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

IMPORTANT DISCLOSURES

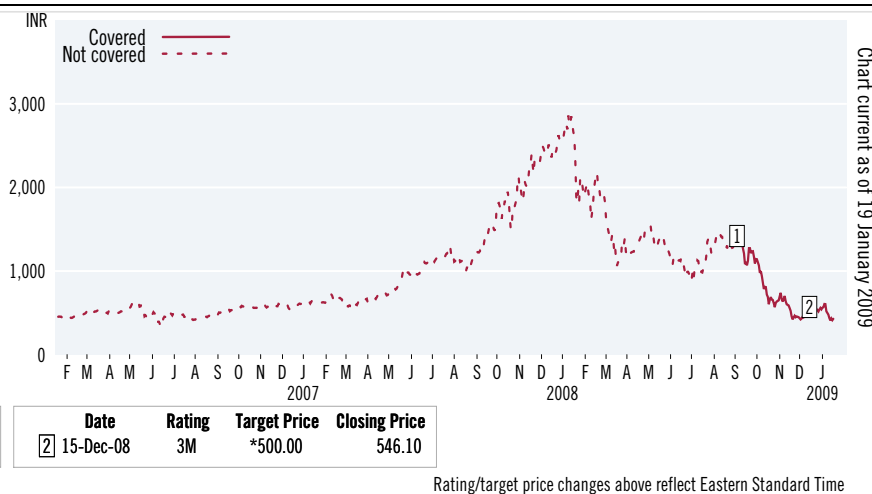
Reliance Capital (RLCP.BO)

Ratings and Target Price History

Fundamental Research

Analyst: Manish Chowdhary, CFA

Covered since September 3 2008



A member of the household of Aditya Narain, CFA, Analyst, holds a long position in the securities of Reliance Capital.

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Reliance Capital. This position reflects information available as of the prior business day.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Reliance Capital.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from Reliance Capital in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Reliance Capital.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Reliance Capital.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: Reliance Capital.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Sales and Trading, and Investment Banking.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Investment Research product ("the Product"), please contact Citi Investment Research, 388 Greenwich Street, 29th Floor, New York, NY, 10013, Attention: Legal/Compliance. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at www.citigroupgeo.com. Private Client Division clients should refer to www.smithbarney.com/research. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Investment Research Ratings Distribution

Data current as of 31 Dec 2008

	Buy	Hold	Sell
Citi Investment Research Global Fundamental Coverage	46%	37%	17%
% of companies in each rating category that are investment banking clients	48%	43%	38%

Guide to Fundamental Research Investment Ratings:

Citi Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of Citi Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings are: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-

Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Guide to Corporate Bond Research Credit Opinions and Investment Ratings: Citi Investment Research's corporate bond research issuer publications include a fundamental credit opinion of Improving, Stable or Deteriorating and a complementary risk rating of Low (L), Medium (M), High (H) or Speculative (S) regarding the credit risk of the company featured in the report. The fundamental credit opinion reflects the CIR analyst's opinion of the direction of credit fundamentals of the issuer without respect to securities market vagaries. The fundamental credit opinion is not geared to, but should be viewed in the context of debt ratings issued by major public debt ratings companies such as Moody's Investors Service, Standard and Poor's, and Fitch Ratings. CBR risk ratings are approximately equivalent to the following matrix: Low Risk Triple A to Low Double A; Low to Medium Risk High Single A through High Triple B; Medium to High Risk Mid Triple B through High Double B; High to Speculative Risk Mid Double B and Below. The risk rating element illustrates the analyst's opinion of the relative likelihood of loss of principal when a fixed income security issued by a company is held to maturity, based upon both fundamental and market risk factors. Certain reports published by Citi Investment Research will also include investment ratings on specific issues of companies under coverage which have been assigned fundamental credit opinions and risk ratings. Investment ratings are a function of Citi Investment Research's expectations for total return, relative return (to publicly available Citigroup bond indices performance), and risk rating. These investment ratings are: Buy/Overweight the bond is expected to outperform the relevant Citigroup bond market sector index (Broad Investment Grade, High Yield Market or Emerging Market), performances of which are updated monthly and can be viewed at <http://sd.ny.ssm.com/> using the "Indexes" tab; Hold/Neutral Weight the bond is expected to perform in line with the relevant Citigroup bond market sector index; or Sell/Underweight the bond is expected to underperform the relevant sector of the Citigroup indexes.

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 20 January 2009 04:00 PM on the issuer's primary market.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Investment Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Investment Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Citi Smith Barney Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in Brazil by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. The Product is made available in France by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product may not be distributed to private clients in Germany. The Product is distributed in Germany by Citigroup Global Markets Deutschland AG & Co. KGaA, which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). Frankfurt am Main, Reuterweg 16, 60323 Frankfurt am Main. If the Product is made available in Hong Kong by,

or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Product is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. The Citigroup Private Bank and Citibank N.A. is regulated by the Hong Kong Monetary Authority. The Product is made available in India by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in Indonesia through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in Italy by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Foro Buonaparte 16, Milan, 20121, Italy. If the Product was prepared by Citi Investment Research and distributed in Japan by Nikko Citigroup Limited ("NCL"), it is being so distributed under license. If the Product was prepared by NCL and distributed by Nikko Cordial Securities Inc. or Citigroup Global Markets Inc. it is being so distributed under license. NCL is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. In the event that an error is found in an NCL research report, a revised version will be posted on Citi Investment Research's Global Equities Online (GEO) website. If you have questions regarding GEO, please call (81 3) 6270-3019 for help. The Product is made available in Korea by Citigroup Global Markets Korea Securities Ltd., which is regulated by Financial Supervisory Commission and the Financial Supervisory Service. Hungkuk Life Insurance Building, 226 Shinmunno 1-GA, Jongno-Gu, Seoul, 110-061. The Product is made available in Malaysia by Citigroup Global Markets Malaysia Sdn Bhd, which is regulated by Malaysia Securities Commission. Menara Citibank, 165 Jalan Ampang, Kuala Lumpur, 50450. The Product is made available in Mexico by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In New Zealand the Product is made available through Citigroup Global Markets New Zealand Ltd. (Company Number 604457), a Participant of the New Zealand Exchange Limited and regulated by the New Zealand Securities Commission. Level 19, Mobile on the Park, 157 Lambton Quay, Wellington. The Product is made available in Pakistan by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in Poland by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Bank Handlowy Warszawa S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the Russian Federation through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder, and regulated by Monetary Authority of Singapore. 1 Temasek Avenue, #39-02 Millenia Tower, Singapore 039192. The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in Spain by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in Taiwan through Citigroup Global Markets Taiwan Securities Company Ltd., which is regulated by Securities & Futures Bureau. No portion of the report may be reproduced or quoted in Taiwan by the press or any other person. No. 8 Manhattan Building, Hsin Yi Road, Section 5, Taipei 100, Taiwan. The Product is made available in Thailand through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. The Product is made available in U.A.E. by Citigroup Global Markets Limited, which is authorised and regulated by the Dubai Financial Services Authority. DIFC, Bldg 2, Level 7, PO Box 506560, Dubai, UAE. The Product is made available in United Kingdom by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in United States by Citigroup Global Markets Inc, which is regulated by NASD, NYSE and the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Investment Research's Products can be found at www.citigroupgeo.com. Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. The Product may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product.

© 2009 Citigroup Global Markets Inc. (© Nikko Citigroup Limited, if this Product was prepared by it). Citi Investment Research is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc and its affiliates and are used and registered throughout the world. Nikko is a registered trademark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim

Reliance Capital (RLCP.BO)20 January 2009

all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST
