

### RESULTS REVIEW

#### Share Data

Market Cap	Rs. 675.4 bn
Price	Rs. 2,749.45
BSE Sensex	20,812.65
Reuters	RLCP.BO
Bloomberg	RCFT IN
Avg. Volume (52 Week)	0.8 mn
52-Week High/Low	Rs. 2,799 / 559.5
Shares Outstanding	245.6 mn

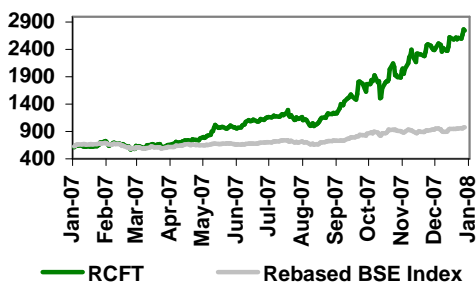
#### Valuation Ratios (Consolidated)

Year to 31 March	2008E	2009E
EPS (Rs.)	40.7	48.0
+/- (%)	32.3%	18.0%
PER (x)	67.6x	57.3x

#### Shareholding Pattern (%)

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

#### Relative Performance



### RELIANCE CAPITAL

Hold

#### Growth with diversity

Reliance Capital's Q2'08 results were in line with our expectations, with consolidated net profit rising 4.2% yoy to Rs. 2 bn. The various business domains have shown impressive results. The life insurance business saw its new business premium increasing 309.1% yoy to Rs. 4.5 bn. On the other hand, general insurance business too continued to grow steadily with a 100% yoy increase in gross written premium to Rs. 4.2 bn. The growth in insurance premium was accompanied by a massive branch expansion which took place over the year. Reliance's newly formed ventures – Reliance Money and Reliance Consumer Finance also performed well within a short span of time since inception. While the former reached an average daily volume of Rs. 16.5 bn, the latter disbursed loans worth Rs. 22.8 bn to around 26k customers.

The Company is following an aggressive growth strategy and eyeing a large market share in virtually all the domains in which it is operating. It is paying special attention to the life insurance business where it will be infusing between Rs. 15-18 bn over the next 3 years. We see a huge growth potential for the Company in the future. However, the current market price seems to have captured all the growth prospects and thus we maintain our Hold rating on the stock.

#### Result Highlights

##### Reliance Mutual Fund

The mutual fund business performed remarkably well with a whopping 145.9% yoy increase in assets under management to

#### Key Figures (Consolidated)

Quarterly Data	2Q'07	1Q'08	2Q'08	YoY %	QoQ%	H1'07	H1'08	YoY %
Total Income (mn)	5,369	11,762	9,527	77%	(19)%	8,931	21,289	138%
Operating Profit (mn)	2,160	3,781	2,411	12%	(36)%	3,480	6,192	78%
Net Profit (mn)	1,920	3,253	2,001	4%	(38)%	3,050	5,253	72%
Gross written prem (bn)	2.1	5.3	4.2	100%	(21)%	3.8	9.5	150%
New business prem (bn)	1.1	2.0	4.5	309%	125%	2.5	6.5	160%
AUM (bn)	286.5	598.6	704.4	146%	18%	286.5	704.4	146%
<b>Per Share Data (Rs.)</b>								
EPS	8.6	13.1	8.1	(5)%	(38)%	13.7	21.2	55%
Net Worth Per Share	248.5	223.9	230.4	(7)%	3%	248.5	230.4	(7)%

*Incredible rise in assets  
under management*

Rs. 704.4 bn, against an industry growth of 65%. This also led to an increase in the market share from 10% to 15% over the year. Further, in order to tap overseas markets, the Company sold a 5% stake to Eton Park Capital Management; a US based Hedge Fund for Rs. 5 bn, thus valuing the business at Rs. 100 bn.

*Broad-based growth in  
insurance business*

### **Reliance Life Insurance**

Reliance life insurance saw its new business premium increasing 309.1% yoy to Rs. 4.5 bn, led by a 123.3% rise in new policies issued to 172K. However, business from single premium policies has increased from 16% last year to 27% in this quarter. The numbers of branches have more than doubled over the year to 339. Further, the Company has received approval from IRDA to open additional 401 branches. In order to fuel future growth of the Company, Reliance Capital will infuse between Rs. 15-18 bn over the next 3 years.

*Rapid expansion in  
general insurance*

### **Reliance General Insurance**

Reliance general insurance showed a robust performance with gross written premium witnessing a 100% yoy increase to Rs. 4.2 bn, led by a 90.7% yoy rise in the policies issued to 830K. This, in turn, is attributed to the rapid expansion of the business, in terms of a more than four fold increase in the number of branches over the year to 200.

*Consumer finance – large  
disbursals in a small amount  
of time*

### **Reliance Money**

Since its formal launch in April 2007, Reliance Money has reached a daily average volume of Rs. 16.5 bn, led by a customer base of around 200K spread over 700 towns across India. Further, the Company has entered into an agreement with Corporation Bank to enhance its customer base.

### **Reliance Consumer Finance**

Reliance Consumer Finance began operations in May 2007, and has made total disbursals of Rs. 22.8 bn since then. Loans to SMEs, at 28.9% of the total, accounted for the majority of disbursals, followed by

auto loans at 27.2%. At the end of Q2'08, it had a total customer base of around 26K.

### Prospects

#### **Portfolio Management Services – doing things differently**

Reliance Capital will be launching its Portfolio Management Services by mid – January. It will be providing the services even to those individuals who have an investible surplus of just Rs. 500K. Thus, it is likely to capture a large share of the growing business of wealth management.

*PMS business – ready to change the rules of the game*

### Outlook

Reliance Capital is running on a strong business model and is making foray into diverse finance activities, thus equipping itself to become a financial powerhouse. It has made commendable progress on many fronts, including, most importantly, the huge expansion in business in its newly formed ventures – Reliance Money and Consumer Finance. More growth plans from various business domains are on the anvil. The life insurance business is set to receive a sum of Rs. 15-18 bn from the parent company – Reliance Capital to meet its expansion plans. The Company is also making a foray into portfolio management services (PMS). With a unique business model, catering to individuals with surplus as low as Rs. 5 lakhs, the PMS business seems to be all set to capture a large market share.

*A financial powerhouse in the making*

At the current price of Rs. 2,749.45, Reliance Capital is trading at a forward P/E of 67.6x FY08E and 57.3x FY09E.

#### **Key Figures (Consolidated)**

<b>Year to March</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>	<b>CAGR (%)</b>
(Figures in Rs mn, except per share data)					(FY07-09E)
Total Income	9,471	21,579	41,431	69,190	79.1%
Net Profit	5,714	7,032	9,986	11,783	29.4%
Gross written premium	1,623	9,122	17,514	27,322	73.1%
New business premium	1,936	9,321	17,710	28,336	74.4%
AUM (bn)	247	463	1,019	2,038	109.8%
<b>Per Share Data (Rs.)</b>					
EPS	26.2	30.7	40.7	48.0	24.9%
PER (x)	105.0x	89.5x	67.6x	57.3x	-

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