



July 29, 2010

ICRA reaffirms A1+ rating to Reliance Capital Limited's short term debt programme

ICRA has reaffirmed the A1+ (pronounced A one plus) rating to Reliance Capital Limited's (RCL) Rs 100 billion short term debt programme[†].

The rating re-affirmation reflects RCL's association with Reliance Anil Dhirubhai Ambani (ADA) group – one of India's largest business groups, strong reported capitalisation levels amongst Indian Non-Banking Finance Companies, its improving liquidity & revenue profile. The rating also draws comfort from the un-realised gains on its investment portfolio, high financial flexibility being part of ADA group which has strong presence in various businesses in financial service domain like Asset Management, Life Insurance, General Insurance, Equity Broking, Distribution of Financial Products and Proprietary Investments.

RCL's credit strengths are partially offset by relatively short track record in consumer lending operations and decline in the asset quality of its unsecured lending portfolio. ICRA has also taken note of the large part of networth being engaged in the group investments. The rating also takes a note of recent business re-structuring wherein RCL has incorporated two wholly owned subsidiaries for undertaking incremental lending operations. Going forward, RCL will transform itself into a holding company with various lines of businesses being undertaken in its various subsidiaries.

RCL's rating would be sensitive to its ability to improve upon the asset quality of its consumer finance business and to manage its liquidity profile while supporting the group companies besides scaling up the consumer finance business.

About the company Reliance Capital Ltd

RCL is a part of the Anil Dhirubhai Ambani (ADA) faction of the Reliance group, formed by the reorganization of the erstwhile Reliance group. RCL supports the Reliance-ADA group companies in form of equity or debt apart from managing a proprietary book. RCL's subsidiaries are engaged in the business of managing a Mutual fund (which is the largest mutual fund in the country with average assets under management of nearly Rs. 1,013.00 billion during the month of June 2010), general & life insurance business and online equity broking. RCL started its consumer finance business in May 2007 with a focus on secured lending and currently, mortgage, auto, commercial vehicles and business loans form bulk of the portfolio. However, during Q4FY09, RCL has formed two NBFCs for undertaking incremental consumer funding business operations and accordingly, the new businesses are undertaken in its subsidiaries.

On standalone basis, RCL reported a net profit of Rs 3.39 billion on a total income base of Rs 22.20 billion in FY10 as compared with a net profit after tax of Rs 9.68 billion on a total income of Rs 30.17 billion in FY09. While on a consolidated basis, RCL reported a net profit of Rs 4.35 billion on a total income base of Rs 61.44 billion in FY10 as compared with a net profit after tax of Rs 10.16 billion on a total income of Rs 59.84 billion in FY09.

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[†] For complete rating scale and definitions, please refer ICRA's website www.icra.in or other ICRA Rating Publications.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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