

SEPTEMBER 16, 2016

**CARE REAFFIRMS THE RATING ASSIGNED TO THE LONG-TERM DEBT PROGRAMME OF
RELIANCE CAPITAL LTD. FOR ENHANCED LIMITS**

Ratings

| Instrument/Facility | Rated Amount (Rs. crore) | Ratings ¹ | Remarks |
|--------------------------|--|---|--|
| Long-term Debt Programme | 25,000 (Enhanced from Rs.22,000 crore) | CARE AAA (Triple A) (Credit watch) | Continues on "credit watch" |
| Total Facilities | 25,000 (Rupees Twenty Five Thousand crore only) | | |

Rating Rationale

The rating continues to be on 'credit watch' following the announcement of proposed Scheme of Arrangement for demerger of Commercial Finance Division of Reliance Capital Ltd. (RCL) into its wholly owned subsidiary, Reliance Gilts Ltd. (proposed to be changed to Reliance Commercial Finance Ltd.). Subsequent to the demerger, RCL may convert itself into Core Investment Company and its Commercial Finance assets shall be entirely transferred into its subsidiary. The Scheme of Arrangement for demerger is subject to the approval of High Court and the Regulator, Reserve Bank of India. CARE would take a view on the rating on completion of demerger process.

Reliance Capital Ltd. (RCL) is the flagship company of Reliance group in the financial services space. The ratings continue to factor in RCL's experienced management, well diversified revenue profile, and strong business franchise of subsidiaries/ associates in Asset Management, Life Insurance, General Insurance, Commercial and Housing Finance businesses. The ratings also draw comfort from RCL's demonstrated ability to unlock value in its investments. The ratings further factor in volatility in RCL's income profile by virtue of variability of its investment income and risk emanating from its high exposure to group companies, some of which are yet to turn profitable. RCL's capitalization & gearing levels, liquidity profile, profitability, asset quality and group exposures are its key rating sensitivities.

Background

Reliance Capital Ltd. (RCL), a part of the Reliance Group, is one of India's leading private sector financial services companies. It ranks amongst the top private sector financial services companies in terms of net worth. RCL currently has a dual business profile of a Holding / Investment Company and lending NBFC. Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home finance; equities & commodities broking; investment banking; wealth management services; distribution of financial products; exchanges; private equity; asset reconstruction; proprietary investments and other activities in financial services.

During FY16 (refers to the period April 1 to March 31), RCL's consolidated net profits increased by 10% y-o-y to Rs.1101 crore (P.Y.: Rs.1001 crore) on account of rise in revenue streams across all key segments namely finance & investments, general insurance, asset management & commercial finance. The surge in income from finance & investments segment during FY16 is driven by 14% stake sale in RCAM to Nippon Life Insurance.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During Q1FY17, RCL reported consolidated PAT of Rs.207 crore (Q1FY16: Rs.201 crore) on total income of Rs.3663 crore (Q1FY16: Rs.2457 crore).

Note: Mr. V. K. Chopra, one of CARE's Rating Committee Member, is a Director on the board of Reliance Capital Pension Fund Ltd which is subsidiary of Reliance Capital Ltd. To comply with the regulations, the Member has not participated in the rating process and in the Rating Committee Meeting.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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