

**RELIANCE CAPITAL
ASSET MANAGEMENT LIMITED**

ANNUAL REPORT

2011-12

Directors' Report

To the Members,

Your Directors take pleasure in presenting their Seventeenth Annual Report on the business and operations of your Company, together with the audited Statement of Accounts, for the year ended March 31, 2012.

At the outset, your Directors wish to reiterate your Company's commitment to the highest standards of corporate governance in order to enhance trust of all its stakeholders. Strong and robust corporate governance practices have facilitated your Company in standing up to the continued scrutiny of domestic & international investors and that of the Regulatory authorities.

Your Company endeavors to remain the leading player in the Asset Management business in India and enhance its global footprint as well.

FINANCIALS

The standalone and consolidated financial statements of the Company for the year ended March 31, 2012, have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The financial highlights (on a consolidated and standalone basis) of the Company for the year ended March 31, 2012 are as follows:

(in ₹)

Description	Consolidated		Standalone	
	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
Gross Income	664,68,33,246	733,04,33,399	642,29,00,173	699,22,83,225
Profit before tax	307,60,15,339	294,27,20,756	337,56,18,674	319,27,55,942
Provision for taxation	62,29,07,986	59,90,92,440	62,22,10,605	59,81,60,722
Provision for Deferred Tax Asset/ (Liability)	78,36,514	1,82,20,502	76,82,362	1,81,38,348
Net Profit	246,09,43,867	236,18,48,818	276,10,90,431	261,27,33,568
Balance carried to Balance Sheet	827,10,75,316	581,01,54,693	850,07,94,493	573,97,27,306
Basic EPS of ₹ 10 each	234.15	224.72	262.71	248.59
Diluted EPS of ₹ 10 each	231.94	224.23	260.23	248.04

In accordance with Circular No. 2/2011 dated 8th February, 2011, issued by the Ministry of Corporate Affairs, Government of India, your Board of Directors has resolved on May 9, 2012, to accord their consent for not attaching to the Company's annual accounts, the balance sheets of its subsidiary companies. The Consolidated Financial Statements of the Company, alongwith that of its subsidiaries, for the year ended March 31, 2012 (duly audited by their respective statutory auditors) are forming part of this Annual Report.

The annual accounts of all the subsidiary companies and the related detailed information will be made available to the shareholders of the Company seeking such information at any point of time. The annual accounts of all the subsidiary companies will also be kept at the Corporate Office of the Company, for inspection by the shareholders. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

DIVIDEND

For the financial year 2011-2012, your Directors recommend the declaration and payment of dividend as under:

EQUITY SHARES:

Your Directors have recommended the declaration and payment of dividend of ₹ 140 (Rupees One hundred and forty only) per equity share of ₹ 10 each, thereby entailing the total payout of ₹ 187,44,36,480 (including dividend distribution tax and other applicable taxes/surcharges)

PREFERENCE SHARES:

The Company presently has 19,999 number of fully paid up 1% non-convertible, non-cumulative redeemable Preference shares of the face value of ₹ 100/- each, which were issued last year to the shareholders of Reliance Money Infrastructure Limited, in terms of the scheme of arrangement sanctioned by the Hon'ble High Court of Gujarat at Ahmedabad.

Your Directors have recommended the declaration and payment of dividend of ₹ 1 on each 1% non-convertible, non-cumulative redeemable preference shares of the Company, for the year under review, thereby entailing the total payout of ₹ 23,245 (including dividend distribution tax and other applicable taxes/surcharges)

AMOUNT TO BE CARRIED TO RESERVES

In view of the declaration and payment of dividend to [the equity shareholders] and the 1% non-convertible, non-cumulative redeemable preference shareholders of the Company and in accordance with the provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975, an amount of i.e. ₹ 27,61,09,043 is to be transferred to the General Reserves of the Company.

OPERATIONAL HIGHLIGHTS

As you are aware, the Securities and Exchange Board of India ('SEBI') has:

- (a) Authorised your Company to act as the asset manager of Reliance Mutual Fund, to render asset management services; &
- (b) Granted registration to your Company as Portfolio Manager, to render portfolio management and advisory services to its clients.

ASSET MANAGEMENT:

In terms of the authorization from SEBI, your Company acts as the asset manager to Reliance Mutual Fund ('RMF'), which is the second largest Mutual Fund in India, in terms of the average assets under management ('QAAUM') (as on March 31, 2012).

The QAAUM of RMF, as on March 31, 2012 was approx. ₹ 78,112 crores comprising of ₹ 28,066 crores under Equity, ₹ 31,508 crores under Debt, ₹ 15,887 crores under Liquid asset classes and ₹ 2,651 crores under Gold. The QAAUM of RMF, as on March 31, 2011 was approx. ₹ 101,577 crores comprising of ₹ 33,443 crores under Equity, ₹ 45,632 crores under Debt, ₹ 22,067 crores under Liquid asset classes and ₹ 434 crores under Gold. While the overall QAAUM of RMF has shown negative growth of around 23% during the financial year 2011-12, the QAAUM under the gold asset class has grown by approx. 510%, due to the success of Reliance Gold Savings Fund.

During the year under review, the Indian Mutual Fund Industry witnessed an overall negative growth of approx 5.10% in terms of QAAUM, from an amount of approx. ₹ 7,00,537 crores on March 31, 2011 to an amount of approx. ₹ 6,64,824 crores on March 31, 2012. (Source: AMFI).

NEW SCHEMES LAUNCHED:

During the year under review, RMF launched the following new schemes

- Reliance Dual Advantage Fixed Tenure Fund II
- Reliance Fixed Horizon Fund XX
- Reliance Fixed Horizon Fund XXI
- Reliance Fixed Horizon Fund XXII

As on March 31, 2012, RMF has a well rounded portfolio of 47 schemes under various categories such as Equity, Debt, Liquid, Gold, Exchange Traded Fund, Fixed Maturity Plans and Interval Funds.

RELIANCE DUAL ADVANTAGE FIXED TENURE FUND – II – PLAN A

Reliance Dual Advantage Fixed Tenure Fund – II – Plan A is a 3 year close-ended hybrid scheme that seeks to generate returns and reduce interest rate volatility, through a portfolio of fixed income securities that are maturing on or before the maturity of the Scheme along with capital appreciation through equity exposure. The investment philosophy of the scheme would be to invest into a combination of fixed income instruments maturing on or before the maturity of the scheme and equity & equity related instrument (predominantly through long call options). The fixed income allocation to the portfolio would be predominantly deployed into securities maturing on or before the maturity of the fund. The strategy would be to buy-and-hold the securities, thereby minimizing any interest rate volatility. Therefore, the fixed income portion of the investment would be largely on an accrual basis. The equity portfolio exposure would be in equity & equity-related instruments, primarily through long call options on Nifty, expiry of which would be near the maturity of the scheme. A combination of investments into fixed income instruments and long call option would allow investors to gain from the upside in the equity markets while attempting to limit the loss on the downside.

NEW FEATURES LAUNCHED:

RELIANCE ANY TIME MONEY CARD

Reliance Any Time Money Card is the first and only product of its type in India. Investors get the power of investments along with the convenience of Debit Card. Retail Investors are the major beneficiaries of this innovation. The introduction of the Reliance Anytime Money Card signified the beginning of a new era - not only for Reliance Mutual Fund, but for the entire financial services industry by bridging the perception-benefit chasm between high liquidity - Savings a/c and comparably lower liquidity Mutual Fund investments. Moreover Debit card has become an integral part of every one's life and one of the most preferred modes of

payment. To safeguard investor's interests your Company has introduced complimentary insurance on Reliance Any Time Money Card, which primarily provides for (a) insurance against lost of card liability of upto ₹ 100,000; and (b) insurance against skimming / counterfeit / duplication of cards. HDFC ERGO is the insurance service provider.

PORTFOLIO MANAGEMENT:

Your Company has been rendering Portfolio Management Services ('PMS') since August 2004. It currently offers discretionary and advisory portfolio management services to various categories of clients. The PMS business continued its positive performance through challenging times faced during the year. Your Company emerged as one of the very few portfolio management businesses, which attracted new assets. As at the year end, the total AUM of the Portfolio Management business of the Company (including discretionary and advisory services and also including EPFO portfolio) stood at ₹ 60,913 crores as against ₹ 46,387 crores for the last financial year. The PMS business received a sum of ₹ 17 crores as fee income for the year end March 31, 2012.

During the year, the PMS division introduced several high yield debt offerings under its 'All Season Debt' portfolio. Going forward, the PMS division of your Company will endeavor to identify suitable opportunities for launching equity / fixed income portfolios and rendering investment advisory services. Our focus on providing customized offerings to high net-worth individuals & corporates will continue.

EMPLOYEES PROVIDENT FUND MANAGEMENT (EPFO) MANDATE:

Your Company was one of the four fund houses which were once again granted the mandate to manage the funds on behalf of Employees Provident Fund Organisation ('EPFO'). The Company started managing the EPFO portfolio under this fresh mandate from 1st November, 2011 amounting to ₹ 53,623 crores. The EPFO portfolio as on March 31, 2012, stood at ₹ 59,459 Crores.

NATIONAL PENSION SYSTEM:

The wholly owned subsidiary of the Company in India i.e. Reliance Capital Pension Fund Limited ('RCPFL') was appointed as one of the Pension Fund Managers by the New Pension System Trust, under the National Pension System ('NPS') in 2009.

NPS industry witnessed a rapid growth during the current year, both in terms of subscriber base as well as in respect of the assets under management. The subscribers under NPS schemes, as of 31st March 2012, were in excess of 24.27 lakhs as compared to 13.1 lakhs during the previous year. Further, the subscribers under unorganized sector of NPS

schemes, as of 31st March 2012, were in excess of 69,000 as compared to around 3900 as of previous year.

The overall assets managed by the company under NPS, as of 31st March 2012, were ₹ 15,163 Crores as compared to around ₹ 8,985 crores as at the end of the last year.

Further, the assets under management related to unorganized sector (other than NPS Lite) grew from ₹ 87 crores last year to ₹ 212 crores as of 31st March 2012.

The assets under management of RCPFL during the current fiscal year almost doubled to ₹ 11.15 crores as compared to ₹ 5.62 crores in the last year.

INTERNATIONAL BUSINESS:

The global economy continued to be uncertain through the fiscal year 2011-2012, though a mild recovery has been observed in the US in the past couple of months. According to the IMF, "improved activity in the United States during the second half of 2011 and better policies in the Euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown". However, Euro-zone sovereign debt, sharp escalation in oil prices due to geopolitical uncertainty and rising inflation in emerging markets could disrupt the expected recovery in the World economy.

New regime of Qualified Foreign Investors (QFI), amended mutual fund regulation 24 and the improved global investment climate, collectively have the potential to open *multiple new* opportunities to raise assets from large developed markets and to grow our offshore asset management & advisory businesses. The overseas subsidiaries of your Company are now well placed to develop and offer new solutions in respective geographies in order to capitalize on the emerging trends.

SINGAPORE:

Your Singapore subsidiary, Reliance Asset Management (Singapore) Pte Ltd. ('RAMS'), which established its business in Singapore in the year 2006 undertook significant strides in its business, with focus on both the equity and the debt capabilities.

Equity Capability

During the year under review, RAMS restructured its Equity fund - IEGF to ensure it has a good client value proposition and changed certain terms of the Fund to bring them in line with the market conditions & encourage new investments.

Fixed Income Capability

During the year under review, RAMS achieved significant progress in its Fixed Income capabilities, product development & delivery, fund structuring and fund marketing. RAMS achievements can be summarized as under:

- Successful placing of FMPs worth USD 185+ million through Standard Chartered and Citi, in which the distributing banks added value by providing currency hedge & leverage.
- Developed capability for implementing currency hedge in both onshore and offshore markets, and reduce hedging cost.
- Long term currency swap hedging solution for Nippon - with BAML, for a 5 year currency hedge, which will be useful for developing currency hedged products for the retail Japanese investors, intended to be accessed through distribution tie-ups in Japan.
- Passed onshore due diligence from some of the most demanding counterparties.

MAURITIUS:

The Mauritian subsidiary of your Company, Reliance Asset Management (Mauritius) Limited ('RAMM') continued its focus on rendering of investment management services to India focused collective investment schemes i.e. Emergent India Investments Limited ('EIIIL'), the Mauritius based fund and Reliance Emergent India Fund Limited, the Cayman Islands based fund. A Systematic Transfer Plan (STP) was launched in EIIIL Class B Shares to provide individual investors in Middle East with an added tool, to optimize their investment allocations in Indian equities, in the current volatile and uncertain market conditions.

During the year, RAMM also secured a license for rendering investment advisory services from the Financial Services Commission, Mauritius.

UNITED KINGDOM:

During the financial year 2011-2012, your UK subsidiary, Reliance Capital Asset Management (UK) Plc, has grown in strength and has built a robust advisory business in the GCC region, operating from the DIFC. The business has continued to expand both in terms of the nature of services and the geographies of coverage; has built a rapidly growing corporate advisory business; and has also commenced covering parts of Africa for rendering wealth advisory by its Middle East operations.

MALAYSIA:

Your Malaysian subsidiary, Reliance Asset Management (Malaysia) Sdn Bhd. ('RAMMy'), is licensed by the Securities Commission of Malaysia to undertake Islamic Asset Management activities.

RAMMy has been able to build an intellectual property around Global investments using Shariah principles and has executed four investment management agreements, to manage WSF Reliance Global Shariah Growth Fund (which is one of the best performing funds in its category across the globe), Reliance India Shariah Growth Fund, Reliance China - India Shariah Growth Fund and with Bank Negara Malaysia (Central Bank). The combined assets presently being managed by RAMMy are an approximate amount of USD 90 million.

During the period under review, RAMMy has developed capabilities in management of Sukuk portfolios (Islamic Fixed income) apart from the existing capability in Global Equities. Further, RAMMy has also entered into some critical MOUs with global leaders in the asset management and banking space, to partner for unique products proposed to be launched, notable ideas amongst which are Ladies Investment Fund, Energy Trading Fund and Absolute Returns strategy.

<i>AWARDS AND RECOGNITION</i>

RMF continued to receive various awards and accolades during the year. Few of prominent awards received by RMF are listed below:

1. ICRA Mutual fund Awards 2012

RMF won 4 awards in the 9th Annual ICRA Mutual Fund Awards 2012.

- Reliance Liquidity Fund was ranked "A Seven Star Fund" and awarded "Gold Award" in Open Ended Ultra Short Term Category for 3 year period ending December 31 2011.
- Reliance Equity Opportunities Fund was ranked "A Five Star Fund" in Open Ended Equity - Dynamic for 1 year & 3 year period ending December 31 2011.
- Reliance Growth Fund has received "A Five Star Fund" in Open Ended Equity - Dynamic for 1 year period ending December 31 2011.

2. CNBC- TV -18 CRISIL MUTUAL FUND AWARD 2012

RMF won two awards in the CNBC- TV -18 CRISIL Mutual Fund Award 2012. The awards are:

1. Most Investor Friendly Fund House of The Year; and
 2. Most Innovative Fund of The Year for Reliance Gold Savings Fund
3. Top 50 Financial Inclusion Projects in India
- On January 5, 2012, regarded as the Financial Inclusion Day in India by Skoch Consultancy Services Pvt. Ltd., two (2) projects of Reliance Mutual Fund were rated among Top 50 Financial Inclusion Projects in India during 2011, which are:
- Reliance AnyTime Money Card
 - Edge - The Learning Academy
- These projects have been recognized from the banking and financial services sector for promoting inclusive growth and helping poverty alleviation from across urban and rural India. These projects will be published as best practice case studies in Inclusion magazine and global edition books and included in Skoch Online Knowledge Repository on Best Practices - one of the World's largest online knowledge repositories.
4. RMF was nominated for the ET Retail Awards in the 'Innovative Operating Idea of the year' category for the initiative 'Reliance Any Time Money Card'.
 5. MoneyLife, a personal finance magazine, has awarded the 'Best Fund House 2011' to RMF based on 5 year performance of Equity Funds.
 6. RCAM has been adjudged 'Best BFSI Asset Management Company' by Business & Economy Magazine.
 7. Wealth Forum Advisor Confidence Survey - Best AMC in terms of Innovation (Innovative Products, Services & New Sales Ideas) and amongst the Top 3 in Distributor Engagement, Training & support.
 8. Shine HR Leadership Awards , Star News HR & Leadership Awards
- These awards are a part of the World HRD Congress Initiatives, and presented by Ascent.

The categories in which the Company had participated and have won at Shine are:

- The Award for HR Champion - CEO
- Award for Best Learning & Development Strategy
- Award for Best HR practices in Rewards & Recognition strategies

9. Star News HR & Leadership Awards

The Company won at Star News HR & Leadership Awards:

- Award for Learning & Talent Initiative Excellence
- Award for Best Talent Management Strategy

10. Global HR Excellence Awards

The category in which the Company won at Global HR Excellence Awards is Organization with Innovative HR practices.

11. Asia's Best Employer Brand Awards:

The category in which the Company won at Asia's Best Employer Brand Awards are:

- Award for Innovative Retention Strategy
- Award for Excellence in Training

12. RCAM bagged the Asia's 10th Best Employer of the Year Award for 2011-12.

<i>FUTURE OUTLOOK</i>

The Indian Mutual Fund industry is growing steadily in the financial services sector with 44 AMCs currently operating in the country. The industry AAUM has grown at a CAGR of 25% since 1965 and at a CAGR of 10% in the last three years, with ₹ 6,64,824 crores of average assets as on March 31, 2012.

Your Company intends to aggressively pursue growth opportunities in the fund management and investment advisory space, both at the domestic as well as at the international level. Your Company expects that an emerging market like India would experience a sustained growth rate. Given the country's high household savings rate coupled with the current low levels of investments by retail investors where only less than 3% of the household savings are channeled into capital markets, your Company believes that the Mutual Fund Industry has a huge opportunity for growth and expansion. Being one of the largest players in the Industry, your Company will continue investing in growing the market size, achieving product innovation, educating the investors, increasing the distribution reach and enhancing customer service infrastructure with aggressive expansion strategies.

SUBSIDIARIES

As of 31st March, 2012, your Company had five (5) subsidiaries. Four of such subsidiaries are overseas, one being each in Singapore, Malaysia, U.K. and Mauritius and the fifth subsidiary being in India. All the subsidiaries of the Company are engaged in financial services and related activities.

LANDMARK DEVELOPMENTS

PROPOSED INVESTMENT IN THE COMPANY

During the year, Reliance Capital Limited (RCL), the holding company and your Company entered into Shareholders Agreement and Share Purchase Agreement on March 22, 2012 with Nippon Life Insurance Company, a Japanese mutual company of Japan ("Nippon Life"). In terms of which Agreements, Nippon Life has agreed to acquire an equity stake, of upto 26%, in RCAM through purchase of appropriate number of equity shares of the Company from RCL and / or other shareholders of the Company. The Company is in the process of seeking appropriate regulatory and other approvals for the same.

Nippon Life is a 122 year old Global Fortune 100 company and manages over USD 600 billion (₹ 30 Lakh crore) in assets, amongst the largest total assets in the World for any life insurer. Nippon Life is the 7th largest life insurer in the World and no. 1 private life insurer in Asia and Japan. During the financial year 2010-2011, Nippon Life, also called Nissay, had revenues of ₹ 3,49,834 crore (US\$ 80 billion) and profits of over ₹ 12,199 crore (US\$ 3 billion). It also has an asset management arm, Nissay Asset Management Limited which manages nearly US \$ 60 bn of assets. It has extensive global presence and good standing in the financial markets.

Your Company hopes to benefit substantially from this association with Nippon.

SHIFTING OF REGISTERED OFFICE OF THE COMPANY

During the year, your Company shifted with the approval of relevant authorities, its registered office from 'Reliance House' Near Mardia Plaza, Off C. G. Road, Ahmedabad, Gujarat - 380006 to 'H' Block, 1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai, Maharashtra – 400710.

ISSUE & BUY-BACK OF SHARES BY THE COMPANY

During the year under review, your Company has neither issued any Shares nor carried out any buy-back of any of its outstanding Shares.

FIXED DEPOSITS

During the year, your Company has not accepted any fixed deposits from the public.

DIRECTORS

In terms of the requirements of the provisions of Sections 255 and 256 of the Companies Act, 1956, Mr. S C Tripathi, a Director of your Company, is liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, has offered himself for re-appointment. The Board recommends the re-appointment of Mr. S C Tripathi as a Director of the Company.

BOARD AND COMMITTEE MEETINGS

During the year under review, six (6) meetings of the Board of Directors of the Company were held.

In addition, one (1) meeting of the Committee of Directors was also held.

The functioning of the Board is supplemented by various committees, which have been constituted from time to time, including Audit Committee, Special Committee, Valuation Committee, Investment Committee, Risk Management Committee, Broker Empanelment Committee, Operating Committee, Compliance Committee, Investment Committee for EPFO and Valuation Committee for EPFO. Each of the aforesaid Committees has been constituted in compliance with the applicable statutory provisions to ensure the highest levels of corporate governance and statutory compliances. The minutes of the meetings of each of these Committees are duly placed before the Board for noting and confirmation.

AUDIT COMMITTEE

In compliance with the provisions of Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee, which comprises of all the Directors of the

Company namely Mr. Kanu Doshi, Mr. S. C. Tripathi, Mr. Manu Chadha and Mr. Soumen Ghosh.

During the year, six (6) meetings of the Audit Committee were held.

AUDITORS' OF THE COMPANY – STATUTORY AND INTERNAL

In accordance with the applicable provisions of law, the Company has appointed Statutory and Internal Auditors, who periodically submit their reports, which are placed before the Audit committee for discussion, review and implementation of their recommendations.

STATUTORY AUDITORS

M/s. B S R & Co., Chartered Accountants hold office as Statutory Auditors of the Company until the conclusion of the ensuing Annual General Meeting. The Company has already received a letter from M/s. B S R & Co. communicating their willingness to be reappointed as the Statutory Auditors of the Company and that their re-appointment, if made, would be within the limits, as prescribed under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment as Statutory Auditors of the Company for the financial year 2012-2013.

INTERNAL AUDITORS

M/s. Vinay Doshi & Co., Chartered Accountants were appointed during the year as Internal Auditors of the Company. Your Directors have re-appointed M/s Vinay Doshi & Co., Chartered Accountants as Internal Auditors of the Company, for the financial year 2012-2013.

AUDITORS OF THE SCHEMES OF RELIANCE MUTUAL FUND – STATUTORY AND INTERNAL

In accordance with the applicable provisions of law, the Company has appointed Statutory and Internal Auditors for the various Schemes of Reliance Mutual Fund, who periodically submit their reports, which are placed before the Audit committee for discussion, review and implementation of their recommendations.

STATUTORY AUDITORS

M/s. Haribhakti & Co., Chartered Accountants hold office as Statutory Auditors of the Scheme of Reliance Mutual Fund for the financial year 2011-12. The Board has re-

appointed M/s Haribhakti & Co., Chartered Accountants as the Statutory Auditors of the Scheme of Reliance Mutual Fund for the financial year 2011-12.

INTERNAL AUDITORS

M/s. PriceWaterHouse, Chartered Accountants were appointed during the year as Internal Auditors of the Scheme of Reliance Mutual Fund for the financial year 2011-12. Your Directors have re-appointed M/s. PriceWaterHouse, Chartered Accountants as Internal Auditors of the Scheme of Reliance Mutual Fund, for the financial year 2012-2013.

AUDITORS' REPORT

The notes to the Annual Accounts of the Company, referred to in the Auditors' Report are self-explanatory and do not require any clarification from the Board.

CHANGE IN ACCOUNTING POLICY

During the year, your Company has changed the Accounting policy with respect to Brokerage paid on generating business for schemes with definite lock in period.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

CONSERVATION OF ENERGY

The operations of the Company do not consume high levels of energy. Adequate measures have been taken to conserve energy wherever feasible. Your company uses latest technology and energy efficient equipments. As energy cost forms a very small part of the total costs, the impact on cost is not material.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company is in an Industry, which demands absorption of emerging technologies so as to cater to the needs of its esteemed investors. Your Company has developed methods for absorption and adaptation of developing new technologies, in consonance with the needs of its investors and its own requirements for research & development.

RESEARCH AND DEVELOPMENT

In an industry marked by rapid technological advancements and real time processing, including requiring interacting and servicing with a large set of investors and authorities,

your Company has always been striving to move up the value chain by laying a strong emphasis on its research and development capabilities. This approach had lead to the creation of a number of innovative products by the Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company effected exports worth ₹ NIL.

During the year under review, the Company earned foreign exchange equivalent to ₹ 98,20,864. The Company spent foreign exchange equivalent to ₹ 3,90,81,474.

DIRECTORS' RESPONSIBILITY STATEMENT

As per the requirements of Sub Section (2AA) of Section 217 of the Companies Act, 1956, the Directors confirm that–

- (i) In the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed and that there are no material departures.
- (ii) The Directors have selected such accounting policies in consultation with the Statutory Auditors' and have applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit or loss of the Company for the year under review.
- (iii) The Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts of the Company on a 'going concern' basis.

OUR PEOPLE

Your Company as an organization is committed to creation of knowledge for the benefit of all the stakeholders. It is our firm belief that the growth of an organization is largely dependent on the growth of its individuals. Policies in your Company are employee oriented and devised with our "People First" philosophy in mind. Your Company had 953 number of employees as at March 31, 2012.

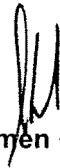
As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to this Directors' Report.

ACKNOWLEDGEMENTS

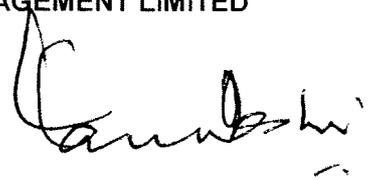
Your Directors wish to place on record their sincere appreciation for the co-operation received from various regulatory and governmental authorities including SEBI, RBI, Registrar of Companies, PFRDA, NPS Trust, EPFO, Custodians, Bankers, Registrars, Shareholders, Investors and all other business constituents during the year under review. We believe all of them have contributed to our continued growth.

Your Directors also wish to place on record their deep appreciation for the total commitment displayed by all the executives, officers and staff, resulting in yet another eventful performance for the year.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
OF RELIANCE CAPITAL ASSET MANAGEMENT LIMITED**



Soumen Ghosh
Director



Kanu Doshi
Director

Place: Mumbai

Dated: May 9, 2012

Auditors' Report

To the Members of Reliance Capital Asset Management Limited

We have audited the attached balance sheet of Reliance Capital Asset Management Limited ('the Company') as at 31 March 2012, and the statement of profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003 and amendments thereto (together referred to as 'the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2 Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the balance sheet, the statement of profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, the statement of profit and loss account and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the Directors, as on 31 March 2012, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

Auditors' Report (*Continued*)

Reliance Capital Asset Management Limited

- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012;
 - b) in the case of the statement of profit and loss account, of the profit of the Company for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

9 May 2012

Reliance Capital Asset Management Limited

Annexure to Auditors' Report – 31 March 2012

(Referred to in our report of even date)

- 1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- 2 The Company is a service company, primarily rendering asset management services to Reliance Mutual Fund and Portfolio Management Services to its customers. Thus, paragraph 4(ii) of the Order is not applicable.
- 3 According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to or from, any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and with regard to the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system. The activities of the Company do not involve the purchase of inventory and sale of goods.
- 5 In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- 6 The Company has not accepted any deposits from the public. Accordingly paragraph 4(vi) of the order is not applicable.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8 The Central Government has not prescribed the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
- 9 (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company's records, the Company has been generally regular in depositing amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Wealth tax, Service tax and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Investor Education and Protection Fund.

Reliance Capital Asset Management Limited

Annexure to Auditors' Report – 31 March 2012 (*Continued*)

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax, Wealth tax, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became applicable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- 10 The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- 11 In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- 12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) are not applicable to the Company.
- 14 Based on information and explanations provided by the management, in respect of dealing and trading in shares and securities, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares and securities have been held by the Company in its own name.
- 15 According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
- 16 According to the information and explanations given to us, the Company has not availed of long term loans. Accordingly, the provisions of clause 4(xvi) are not applicable to the Company.
- 17 According to the information and explanations given to us and based on overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- 18 The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.

Reliance Capital Asset Management Limited

Annexure to Auditors' Report – 31 March 2012 (*Continued*)

- 19 The Company has not issued any debentures during the year.
- 20 The Company has not raised any money by public issues during the year.
- 21 According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **BSR & Co.**
Chartered Accountants
Firm's Registration No: 101248W

N Sampath Ganesh
Partner
Membership No: 042554

9 May 2012

Reliance Capital Asset Management Limited

Balance Sheet

as at 31 March 2012

(Currency: Indian rupees)

	Note	31 March 2012	As at 31 March 2011
EQUITY & LIABILITIES			
Shareholders' Funds			
Share capital	3.1	107,099,900	107,099,900
Reserves & surplus	3.2	11,902,538,670	11,015,907,963
		12,009,638,570	11,123,007,863
Non Current Liabilities			
Long - term provisions	3.3	32,133,777	33,368,748
		32,133,777	33,368,748
Current Liabilities			
Trade payables	3.4	53,575,554	20,000,000
Other current liabilities	3.5	1,032,652,736	1,143,030,865
Short - term provisions	3.6	1,906,324,436	1,905,341,384
		2,992,552,726	3,068,372,249
TOTAL		15,034,325,073	14,224,748,860
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.7	184,280,066	243,590,298
Intangible assets	3.7	10,656,856	8,539,098
Non - current investments	3.8A	2,235,863,613	2,196,936,228
Deferred tax assets	3.9	83,605,605	75,923,243
Long - term loans and advances	3.10	8,267,344,996	3,312,998,410
Other non - current assets	3.11	31,873,626	671,490
		10,813,624,762	5,838,658,767
Current assets			
Current investments	3.8B	3,774,345,214	8,086,567,155
Trade receivables	3.12	89,976,118	82,864,526
Cash & bank balance	3.13	120,014,643	38,227,967
Short - term loans & advances	3.14	223,386,546	173,193,119
Other current assets	3.15	12,977,790	5,237,326
		4,220,700,311	8,386,090,093
TOTAL		15,034,325,073	14,224,748,860
Significant accounting policies and notes to the accounts	2 & 3		

As per our report of even date attached

For **B S R & Co.**

Chartered Accountants

Firm's Registration No. 101248W

For and on behalf of the Board of Directors of
Reliance Capital Asset Management Limited

N Sampath Ganesh
Partner
Membership No. 042554

Soumen Ghosh
Director

Kanu Doshi
Director

Sundeep Sikka
Chief Executive Officer

Milind R. Gandhi
Chief Financial Officer

Mumbai, 9 May 2012

Geeta Chandran
Manager

Reliance Capital Asset Management Limited

Statement of Profit and Loss

for the year ended 31 March 2012

(Currency: Indian rupees)

	Note	Year ended	
		31 March 2012	31 March 2011
Income			
Revenue from operations - management fees	3.16	5,413,422,090	6,269,624,350
Other income	3.17	1,009,478,083	722,658,875
Total revenue		6,422,900,173	6,992,283,225
Expenditure			
Employee benefits expense	3.18	1,180,909,372	1,270,597,326
Administrative and other expenses	3.21	792,612,086	825,448,731
Marketing & publicity expenses	3.22	978,773,539	1,593,932,502
Depreciation	3.7	93,918,933	108,948,201
Diminution in value of long term investments		1,067,569	600,523
Total expenses		3,047,281,499	3,799,527,283
Profit Before Tax		3,375,618,674	3,192,755,942
Current tax (Incl. Short Provision for Tax in respect of earlier years)		(622,210,605)	(598,160,722)
Deferred tax credit		7,682,362	18,138,348
Profit After Tax		2,761,090,431	2,612,733,568
Basic earning per share of Rs. 10 each	3.26	262.71	248.59
Diluted earning per share of Rs. 10 each	3.26	260.23	248.04
Significant accounting policies and notes to the accounts	2 & 3		

As per our report of even date attached
For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

For and on behalf of the Board of Directors of
Reliance Capital Asset Management Limited

N Sampath Ganesh
Partner
Membership No. 042554

Soumen Ghosh
Director

Kanu Doshi
Director

Sundeep Sikka
Chief Executive Officer

Milind R. Gandhi
Chief Financial Officer

Mumbai, 9 May 2012

Geeta Chandran
Manager

Reliance Capital Asset Management Limited

Cash Flow Statement

for the year ended 31 March 2012

(Currency: Indian rupees)

Particulars	2011-12	2010-11
A. Cash flow from operating activities		
Net Profit before tax as per P&L Account	3,375,618,674	3,192,755,942
Adjusted for		
Depreciation	93,918,933	108,948,201
Provision for Wealth Tax	56,800	88,131
Provision for Employee Benefit	2,270,396	(4,225,322)
Dividend Income	(278,577,462)	(340,166,025)
Interest Income	(585,394,195)	(116,772,530)
Interest on income tax refund	(9,292,137)	-
(Profit) / Loss on sale of Investment (Net)	(134,014,217)	(265,367,172)
Net (gain) or Loss on Foreign Currency Transactions & Translations	2,801,690	(227,147)
Diminution in Value of Investments	1,067,569	600,523
Loss on sale of Fixed Assets	1,718,467	4,843,848
	<u>(905,444,156)</u>	<u>(612,277,493)</u>
Operating Profit before Working Capital changes	2,470,174,518	2,580,478,449
(Increase) / Decrease in Long Term Loans & Advances	(95,916,433)	(842,322)
(Increase) / Decrease in Other Non Current Assets	(31,202,136)	(9,575)
(Increase) / Decrease in Trade Receivable	(7,111,592)	82,254,939
(Increase) / Decrease in Short Term Loans & Advances	(50,193,427)	18,614,604
Increase / (Decrease) in Trade payables	33,575,554	20,000,000
Increase / (Decrease) in Other Current Liabilities	(113,179,819)	(536,255,356)
	<u>(264,027,853)</u>	<u>(416,237,710)</u>
Cash generated from Operations	2,206,146,665	2,164,240,739
Taxes Paid	(641,015,495)	(723,637,428)
Refund received	159,169,530	-
	<u>159,169,530</u>	<u>-</u>
Net Cash from Operating Activities	1,724,300,700	1,440,603,311
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(39,435,904)	(71,936,451)
Sale of Fixed Assets	990,980	1,567,154
Inter Corporate Deposit Given	(5,000,000,000)	(2,800,000,000)
Receipt from Reliance Money Infrastructure Ltd. (RMIL) on account of acquisition of Infrastructure Division of RMIL	-	480,894,180
Loan to ESOP Trust	-	(150,450,000)
Loan to Subsidiaries	-	28,783,808
Purchase of Investments	(15,363,268,967)	(42,859,506,020)
Investment in Subsidiaries	(87,778,275)	(135,284,620)
Sale of Investments	19,857,288,447	44,202,930,669
Interest Received	591,203,330	116,296,510
Dividend Received	274,319,999	351,099,259
	<u>274,319,999</u>	<u>351,099,259</u>
Net Cash from / (used in) Investing Activities	233,319,610	(835,605,511)
C. Cash Flow from Financing Activities		
Issue of Share Capital	-	150,450,000
Repayment of loan acquired on account of Infrastructure Division of RMIL	-	(750,000,000)
Dividend paid	(1,875,833,634)	-
	<u>(1,875,833,634)</u>	<u>-</u>
Net Cash from / (used in) Financing Activities	(1,875,833,634)	(599,550,000)
Net increase/(decrease) in cash and cash Equivalents (A+B+C)	81,786,676	5,447,800
Opening Balance of Cash and Cash Equivalents	38,227,967	32,780,167
Closing Balance of Cash and Cash Equivalents	120,014,643	38,227,967
Cash and cash equivalents comprising of :		
Cash on Hand	21,746	17,169
Balance with banks in Current Accounts	119,838,020	38,210,798
Effect of exchange differences on balances with banks in foreign currency	154,877	-
	<u>154,877</u>	<u>-</u>
Total	120,014,643	38,227,967
Note:-		
The non - cash assets acquired on account of acquisition of Infrastructure Division of RMIL in the previous year have been excluded in the above statement.		

As per our report of even date attached
For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

For and on behalf of the Board of Directors
Reliance Capital Asset Management Limited

N Sampath Ganesh
Partner
Membership No. 042554

Soumen Ghosh
Director

Kanu Doshi
Director

Sundeep Sikka
Chief Executive Officer

Milind R. Gandhi
Chief Financial Officer

Mumbai, 9 May 2012

Geeta Chandran
Manager

Reliance Capital Asset Management Limited

Significant accounting policies and notes to the accounts

1 Background

Reliance Capital Asset Management Limited ('the Company') was incorporated on 24 February 1995.

The principal shareholder of the Company as at 31 March 2012 is Reliance Capital Limited.

The Company's principal activity is to act as an investment manager to Reliance Mutual Fund ('the Fund') and to provide Portfolio Management Services ('PMS') to clients under Securities and Exchange Board of India (SEBI) (Portfolio Managers) Regulations, 1993. The Company is registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996. The Company manages the investment portfolio of the Fund and provides various administrative services to the Fund as laid down in the Investment Management Agreement dated 12 August 1997.

2 Significant accounting policies

2.1 Basis of preparation

The accompanying financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006. The financial statements are presented in Indian Rupees.

2.2 Use of Estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes all expenses incidental to the acquisition of the fixed assets.

Depreciation of fixed assets is provided on written down value method in accordance with rates specified in Schedule XIV to the Companies Act, 1956 which are mentioned as under :

Asset Class	Rate %
Office Equipments	13.91
Furniture And Fixtures	18.10
Vehicles	25.89
IT Equipments-Computers & Printers	40.00

Leasehold improvements are amortised over the primary period of the lease on straight-line basis.

Intangible assets comprising of software purchased / developed and licensing costs are amortised over the useful life of the software up to a maximum of three years commencing from the date on which such software is first utilised.

Assets individually costing Rs.5000 or less are fully depreciated in the year of purchase/ acquisition.

The Company provides pro-rata depreciation from the day the asset is put to use and for any asset sold, till the date of sale.

2.4 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.5 Investments

Purchase and sale of investments are recorded on trade date.

Investments are classified as long term or current based on intention of the management at the time of purchase.

Long-term investments are stated at cost of acquisition. Provision for diminution is made to recognise a decline, other than temporary, in the value of investments.

Current investments are valued at the lower of cost or net realisable value. The comparison of cost and net realisable value is done separately in respect of each individual investment.

Reliance Capital Asset Management Limited

Significant accounting policies and notes to the accounts

2.6 Revenue recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

Investment Management Fees (net of service tax)

Investment Management fees are recognised on an accrual basis in accordance with Investment Management Agreement and SEBI Regulations based on average assets under management (AUM) of Reliance Mutual Fund schemes.

Portfolio Management Fees (net of service tax)

Portfolio Management fees are recognised on an accrual basis in accordance with Portfolio Management Agreement entered with respective clients.

Profit or loss on Sale of Investments

The gains/ losses on sale of investments are recognised in the profit and loss account on the trade day. Profit or loss on sale of investments is determined on weighted average cost basis.

Interest income is accounted on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

2.7 Transactions in foreign currency

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

2.8 Employee Benefits

Provident Fund

The Company expenses its contribution to the statutory provident fund, a defined contribution scheme, made at 12% of the basic salary of each employee.

Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Actuarial gains and losses are recognised immediately in the profit and loss account.

Benefits in respect of gratuity, a defined benefit scheme, and superannuation, a defined contribution scheme, as applicable to employees of the Company are annually funded with the Reliance Life Insurance Company Limited and Birla Sun Life Insurance Company Limited respectively.

Leave Encashment

Leave Encashment which is a defined benefit, is accrued based on an actuarial valuation at the balance sheet date carried out by an independent actuary.

Compensated absences

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Reliance Capital Asset Management Limited

Significant accounting policies and notes to the accounts

2.9 New fund offer expenses of schemes

Expenses relating to new fund offer of mutual fund schemes are charged in the profit and loss account in the year in which such expenses are incurred except as mentioned in note 2.15.

2.10 Fund expenses

Expenses incurred (inclusive of advertisement/brokerage expenses) on behalf of schemes of Reliance Mutual Fund are recognised in the profit and loss account unless considered recoverable from the schemes of the Fund in accordance with the provisions of SEBI (Mutual Fund) Regulations, 1996.

2.11 Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as Operating Leases. Operating lease rentals are recognised as an expense on straight line basis over the lease period.

2.12 Tax

Current tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Provision for income tax is recognised on an annual basis under the taxes payable method, based on estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Company.

Deferred tax

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

2.13 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

2.14 Contingencies and provisions

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2.15 Brokerage

With effect from 1 April 2011, the Company has decided to recognise the brokerage paid towards mobilization of close ended schemes based on Company's Assessment of the period for which services are rendered. In case the Company had not changed the accounting policy, the total expenses for the year would have been higher by Rs. 180,532,703 and profit before tax and prepaid expenses for the year would have been lower by the same amount.

Reliance Capital Asset Management Limited

3. Notes to the accounts

(Currency: Indian rupees)

3.1 Share Capital

Particulars	As at	
	31 March 2012	31 March 2011
Authorised		
Equity shares, Rs.10 par value		
11,500,000 (11,500,000) equity shares	115,000,000	115,000,000
Preference shares, Rs.100 par value		
350,000 (350,000) preference shares	35,000,000	35,000,000
	150,000,000	150,000,000
Issued, subscribed and paid up		
Equity Shares, Rs.10 par value		
10,760,000 (10,760,000 shares) equity shares fully paid up	107,600,000	107,600,000
Less : Amount recoverable from Reliance Capital Asset Management Employee Benefits Trust (ESOP Trust), (2,00,000 Equity Shares of Rs.10 each allotted to the Trust during the year 2007-08)	2,000,000	2,000,000
Less : Amount recoverable from ESOP Trust, (50,000 Equity Shares of Rs.10 each allotted to the Trust during the year 2010-11)	500,000	500,000
(Of the above 10,000,000 shares held by Reliance Capital Limited, the holding company)		
	105,100,000	105,100,000
Preference shares, Rs.100 par value		
19,999 (19,999) 1% Non-Cumulative Redeemable Preference shares of Rs.100 each	1,999,900	1,999,900
(Shares issued to erstwhile equity & preference shareholders of RMIL pursuant to Scheme of Arrangement dated 17 February 2011 between the Company & RMIL for acquisition of infrastructure division of RMIL)		
	1,999,900	1,999,900
Total Share Capital	107,099,900	107,099,900

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

The details of equity shareholders holding more than 5% of equity share capital is set out below :

Name of the shareholder	As at			
	31 March 2012		31 March 2011	
	No. of shares	% held	No. of shares	% held
Reliance Capital Limited	10,000,000	92.937%	10,000,000	92.937%

The reconciliation of the number of shares outstanding and the amount of share capital is set out below:

Particulars	As at			
	31 March 2012		31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Equity shares at the beginning	10,760,000	107,600,000	10,710,000	107,100,000
Add / (Less): movement during the year	-	-	50,000	500,000
Equity shares at the end	10,760,000	107,600,000	10,760,000	107,600,000

Particulars	As at			
	31 March 2012		31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Preference shares at the beginning	19,999	1,999,900	-	-
Add / (Less): movement during the year	-	-	19,999	1,999,900
Preference shares at the end	19,999	1,999,900	19,999	1,999,900

The details of preference shareholders holding more than 5% of preference share capital is set out below :

Name of the shareholder	As at			
	31 March 2012		31 March 2011	
	No. of shares	% held	No. of shares	% held
Reliance Securities Limited	1,899	9.50%	1,899	9.50%
Reliance CWT India Limited	1,900	9.50%	1,900	9.50%
Emerging Money Mall Limited	16,200	81.00%	16,200	81.00%

Terms / rights attached to equity shares :

The Company has one class of equity shares having a par value of Rs.10 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after the distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Rights / terms of redemption of Preference Shares :

1. Redemption: To be redeemed at par at the end of 10 years from the date of allotment.

2. Call Option: The Company has an option to redeem the Preference Shares at any time after the end of 6 (six) months from the date of allotment i.e. 21 February 2011. If the call option is exercised by the Company:

a. The company will be liable to pay the amount of the face value of the Preference Shares along with the dividend declared and unpaid, if any, upto the date on which it exercises the call option ("Redemption Amount")

b. The Company's liability to the Preference Shareholders shall stand extinguished from the date of dispatch of the cheques / pay order for the Redemption Amount.

3. Rights of preference shareholders: In the event of liquidation of Company before redemption of preference shares, the holders of preference shares will have priority over equity shares in the payment of dividend and repayment of capital.

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	As at	
	31 March 2012	31 March 2011
3.2 Reserves and Surplus		
Securities Premium Account		
Opening Balance	5,552,850,300	5,402,900,300
Add: Received during the Year	-	149,950,000
	<u>5,552,850,300</u>	<u>5,552,850,300</u>
Less : Amount recoverable from ESOP Trust, (Premium of Rs. 1,990 on 2,00,000 Equity Shares of Rs.10 each allotted to the Trust during the year 2007-08)	398,000,000	398,000,000
Less : Amount recoverable from ESOP Trust, (Premium of Rs. 2,999 on 50,000 Equity Shares of Rs.10 each allotted to the Trust during the year 2010-11)	149,950,000	149,950,000
Balance at the end of the Year	<u>5,004,900,300</u>	<u>5,004,900,300</u>
Capital Redemption Reserve		
Balance at the end of the Year	<u>10,007,000</u>	<u>10,007,000</u>
General Reserve		
Balance at the beginning of the Year	261,273,357	-
Add: Amount transferred from Profit & Loss Account	276,109,043	261,273,357
Balance at the end of the Year	<u>537,382,400</u>	<u>261,273,357</u>
Surplus in Profit & Loss Account		
Balance at the beginning of the Year	5,739,727,306	5,266,100,629
Add : Net Profit after tax for the year	2,761,090,431	2,612,733,568
Profit Available for Appropriations	8,500,817,737	7,878,834,197
Proposed Dividend (refer note no. 3.30)	(1,612,819,999)	(1,614,002,137)
Tax on Proposed Dividend	(261,639,725)	(261,831,497)
Transfer to General Reserve	(276,109,043)	(261,273,357)
Less: Adjustment on account of difference between the value of liabilities plus the amount credited as preference share capital over the value of assets taken over on account of demerger of infrastructure division of RMIL as per High Court order dated 13 January 2011	-	1,999,900
Balance at the end of the Year	<u>6,350,248,970</u>	<u>5,739,727,306</u>
Total Reserves & Surplus	<u>11,902,538,670</u>	<u>11,015,907,963</u>

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	As at	
	31 March 2012	31 March 2011
3.3 Long - term Provisions		
Provision for Employee Benefits:		
Provision for Leave Encashment	32,133,777	33,368,748
	<u>32,133,777</u>	<u>33,368,748</u>
3.4 Trade Payables		
Brokerage Payable (other than micro & small scale enterprises)	53,575,554	20,000,000
	<u>53,575,554</u>	<u>20,000,000</u>
3.5 Other current liabilities		
Statutory Liabilities	22,133,509	32,640,575
Outstanding Liabilities Against Expenses	1,010,519,227	1,110,390,290
	<u>1,032,652,736</u>	<u>1,143,030,865</u>
<p>The Company does not have any outstanding dues towards small scale industrial undertakings as at 31 March 2012. The Company did not have any outstanding dues to any micro or small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 at any point during the year that were outstanding for a period of more than 45 days from the date of acceptance (as certified by the Management).</p>		
3.6 Short - term Provisions		
Provision for Employees' benefit:		
Provision for Leave Encashment	1,266,459	1,167,243
Provision for Compensated Absence Cost	25,219,184	21,813,033
Others	1,879,838,793	1,882,361,108
	<u>1,906,324,436</u>	<u>1,905,341,384</u>

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

3.7 Fixed Assets

Assets	Gross Block (At Cost)				Depreciation				Net Block	
	As at 1.4.2011	Additions	Deductions	As at 31.03.2012	Up to 1.4.2011	During the Year	Deductions	Up to 31.03.2012	As at 31.03.2012	As at 31.3.2011
Tangible assets										
Computer*	134,378,665	22,808,748	454,734	156,732,679	90,897,368	24,897,910	394,630	115,400,648	41,332,031	43,481,297
Vehicle	16,360,168	2,575	269,939	16,092,804	4,547,092	3,053,005	187,282	7,412,815	8,679,989	11,813,076
Office Equipment*	144,630,499	1,806,878	7,607,793	138,829,584	60,921,299	14,971,402	5,509,876	70,382,825	68,446,759	83,709,200
Furniture*	60,725,467	826,612	1,442,015	60,110,064	38,940,829	4,285,932	1,084,483	42,142,278	17,967,786	21,784,638
Leasehold Improvements*	266,993,889	6,175,038	12,963,814	260,205,113	184,191,802	41,012,389	12,852,579	212,351,612	47,853,501	82,802,087
Sub Total	623,088,688	31,619,851	22,738,295	631,970,244	379,498,390	88,220,638	20,028,850	447,690,178	184,280,066	243,590,298
Intangible assets										
Software	22,290,470	7,816,053	-	30,106,523	13,751,372	5,698,295	-	19,449,667	10,656,856	8,539,098
Sub Total	22,290,470	7,816,053	-	30,106,523	13,751,372	5,698,295	-	19,449,667	10,656,856	8,539,098
Grand Total	645,379,158	39,435,904	22,738,295	662,076,767	393,249,762	93,918,933	20,028,850	467,139,845	194,936,922	252,129,396
Previous year :										
<i>Tangible assets</i>	536,627,308	109,044,057	22,582,677	623,088,688	290,024,105	105,645,959	16,171,674	379,498,390	243,590,298	246,603,203
<i>Intangible assets</i>	14,016,543	8,273,927	-	22,290,470	10,449,130	3,302,242	-	13,751,372	8,539,098	3,567,413
Total	550,643,851	117,317,984	22,582,677	645,379,158	300,473,235	108,948,201	16,171,674	393,249,762	252,129,396	

* Includes Fixed Assets acquired pursuant to Scheme of Arrangement dated 17 February 2011 between the Company & RMIL for acquisition of infrastructure division of RMIL having value of Rs.45,381,530 (Gross Block).

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	Face Value	Quantity	Cost / Fair Value	Quantity	Cost / Fair Value
		As at 31.03.2012	As at 31.03.2012	As at 31.03.2011	As at 31.03.2011

3.8 Investments

3.8A Non - current investments

A. Trade Investment (Valued at Cost unless stated otherwise) Unquoted Equity Instruments :

(I) Investment in Subsidiaries (Unquoted, Fully paid Up)

Reliance Asset Management (Mauritius) Limited	USD 10	196,000	87,662,225	196,000	87,662,225
Reliance Asset Management Singapore Pte Limited	SGD 1	2,000,003	57,859,056	2,000,003	57,859,056
Reliance Asset Management (U.K) PLC	GBP 1	2,540,000	189,170,760	2,540,000	189,170,760
Reliance Asset Management (Malaysia) SDN. BHD.	RM 1	9,689,322	279,473,275	3,828,697	191,695,000
Reliance Capital Pension Fund Limited	INR 10	12,000,000	120,000,000	12,000,000	120,000,000
			734,165,316		646,387,041

B. Non - Trade Investment (Valued at Cost less Provision for Diminution)

(I) Investments in Equity Instruments (Quoted)

Reliance Industries Limited	10	49,964	34,254,772	49,964	34,254,772
Reliance Communications Limited	5	24,923	10,518,365	24,923	10,518,365
ICICI Bank Limited	10	4,150	5,005,234	4,150	5,005,234
Kotak Mahindra Bank Limited	5	9,240	5,004,125	9,240	5,004,125
			54,782,496		54,782,496
Less: Provision for Diminution in Value of Investments			2,089,619		1,022,050
			52,692,877		53,760,446

(II) Investments in Mutual Fund (Quoted)

Reliance Growth Fund- Retail plan - Dividend Plan	10	1,478,358	67,500,000	1,478,358	67,500,000
Reliance Growth Fund- Institutional plan - Dividend Plan	10	219,123	110,000,000	219,123	110,000,000
Reliance Vision Fund - Retail Plan -Dividend Plan	10	2,401,851	100,000,000	2,401,851	100,000,000
Reliance Tax Saver (ELSS) Fund -Growth Option	10	2,200,000	22,000,000	2,200,000	22,000,000
Reliance Equity Fund -Retail Plan- Growth Plan	10	29,887	298,871	29,887	298,871
Reliance Equity Opportunities Fund-Retail Plan- Growth Option	10	930,445	9,304,450	930,445	9,304,450
Reliance Equity Opportunities Fund-Institutional Plan- Dividend Plan	10	2,838,308	110,000,000	2,838,308	110,000,000
Reliance Top 200 Fund-Retail Plan - Growth Plan	10	4,889,976	50,000,000	4,889,976	50,000,000
Reliance Natural Resource Fund - Institutional Plan - Growth Option	10	2,268,542	22,685,420	2,268,542	22,685,420
Reliance Infrastructure Fund - Institutional Plan - Growth Option	10	7,500,000	75,000,000	7,500,000	75,000,000
Reliance Small Cap Fund - Dividend Option	10	10,000,000	100,000,000	10,000,000	100,000,000
Reliance Regular Savings Fund - Equity Plan - Institutional - Dividend Plan	10	4,188,766	110,000,000	4,188,766	110,000,000
Reliance Fixed Horizon Fund - XXI Series 21 - Dividend Payout Plan	10	5,000,000	50,000,000	-	-
Reliance Dual Advantage Fixed Tenure Fund I - Plan K-Growth Plan	10	5,000,000	50,000,000	-	-
Reliance Gold Savings Fund-Growth Plan	10	5,000,000	50,000,000	5,000,000	50,000,000
Reliance Regular Savings Fund - Debt Plan - Institutional - Dividend Plan	10	17,136,100	210,407,679	34,205,795	420,000,000
			1,137,196,420		1,246,788,741

(III) Investments in debentures or bonds (Quoted)

6.72% IRFC Tax Free Bonds 20-Dec-2020	100,000	2,500	250,000,000	2,500	250,000,000
8.30% National Highways Authority Of India Bonds	1,000	61,809	61,809,000	-	-
			311,809,000		250,000,000

Total Non Current Investment

2,235,863,613 **2,196,936,228**

Notes:

1. Quoted investments					
Aggregate of Book value			1,501,698,297		1,550,549,188
Aggregate of Market value / Net Asset Value			1,476,663,840		1,575,411,821
2. Unquoted investments					
Aggregate of Book value			734,165,316		646,387,041
3. Provision for diminution in value of investments			2,089,619		1,022,050

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	Face Value	Quantity As at 31.03.2012	Cost / Fair Value As at 31.03.2012	Quantity As at 31.03.2011	Cost / Fair Value As at 31.03.2011
3.8B Current investments					
A. At cost					
Current Portion of Long Term Investment (Unquoted)					
(I) Investment in Preference Shares					
Clearing Corporation of India Ltd - 8% Cumulative Preference Shares - 26.03.13	10	5,000,000	50,000,000	5,000,000	50,000,000
			<u>50,000,000</u>		<u>50,000,000</u>
(II) Investment in Debentures or Bonds					
Unitech Ltd 14% NCD	1,000,000	-	-	34	25,500,000
Goldman Sachs (India) Finance Pvt. Ltd. Redeemable NCD - 10.07.12	10,000,000	5	50,000,000	-	-
			<u>50,000,000</u>		<u>25,500,000</u>
Current Portion of Long Term Investment (Quoted)					
(III) Investment in Mutual Fund (Quoted)					
Reliance Fixed Horizon Fund - XIII Series 5 - Dividend Payout Plan	10	-	-	15,000,000	150,000,000
Reliance Fixed Horizon Fund - XIII Series 6 - Dividend Payout Plan	10	-	-	35,000,000	350,000,000
Reliance Fixed Horizon Fund - XIV Series 1 - Dividend Payout Plan	10	-	-	25,000,000	250,000,000
Reliance Fixed Horizon Fund - XV Series 4 - Dividend Payout Plan	10	-	-	37,000,000	370,000,000
Reliance Fixed Horizon Fund - XV Series 5 - Dividend Payout Plan	10	-	-	30,000,000	300,000,000
Reliance Fixed Horizon Fund - XV Series 6 - Dividend Payout Plan	10	-	-	25,000,000	250,000,000
Reliance Fixed Horizon Fund - XV Series 8 - Dividend Payout Plan	10	-	-	25,000,000	250,000,000
Reliance Fixed Horizon Fund - XV Series 9 - Dividend Payout Plan	10	-	-	50,000,000	500,000,000
Reliance Fixed Horizon Fund - XVI Series 8 - Dividend Payout Plan	10	-	-	25,000,000	250,000,000
Reliance Fixed Horizon Fund - XVI Series 4 - Dividend Payout Plan	10	-	-	25,000,000	250,000,000
Reliance Fixed Horizon Fund - XVI Series 6 - Dividend Payout Plan	10	-	-	20,000,000	200,000,000
Reliance Fixed Horizon Fund - XVII Series 1 - Dividend Payout Plan	10	-	-	30,000,000	300,000,000
Reliance Fixed Horizon Fund - XVII Series 2 - Dividend Payout Plan	10	-	-	42,500,000	425,000,000
Reliance Fixed Horizon Fund - XVII Series 4 - Dividend Payout Plan	10	-	-	20,000,000	200,000,000
Reliance Fixed Horizon Fund - XVII Series 6 - Dividend Payout Plan	10	-	-	155,000,000	1,550,000,000
Reliance Fixed Horizon Fund - XVIII Series 6 - Growth Plan	10	-	-	5,500,000	55,000,000
Reliance Fixed Horizon Fund - XIX Series 4 - Growth Plan	10	5,000,000	50,000,000	-	-
Reliance Fixed Horizon Fund - XXI Series 4 - Dividend Payout Plan	10	60,000,000	600,000,000	-	-
Reliance Fixed Horizon Fund - XXI Series 12 - Growth Plan	10	11,000,000	110,000,000	-	-
Reliance Fixed Horizon Fund - XXII Series 1 - Growth Plan	10	4,000,000	40,000,000	-	-
			<u>800,000,000</u>		<u>5,650,000,000</u>
B. At cost or market value whichever is less					
(I) Investment in Mutual Fund (Quoted)					
Reliance Interval Fund - Quarterly Plan - Series 1 - Institutional - Growth Plan	10	-	-	20,990,295	220,076,943
Reliance Liquidity Fund - Growth Plan	10	-	-	6,778,969	100,052,834
Reliance Liquid Fund - Treasury Plan-Institutional Option - Growth Option	10	34,779,168	899,633,261	-	-
Reliance Liquid Fund - Cash Plan - Growth Option	10	2,627,898	44,711,953	-	-
Reliance Medium Term Fund - Retail - Growth	10	1,351,698	30,000,000	52,715,803	1,071,132,896
Reliance Quarterly Interval Fund - Series II - Institutional - Growth Plan	10	13,762,162	200,000,000	-	-
Reliance Short Term Fund - Retail - Growth Plan	10	77,062,011	1,500,000,000	25,638,891	469,804,482
Reliance Floating Rate Fund - Short Term Plan-Growth Plan	10	-	-	32,392,441	500,000,000
Reliance Income Fund - Retail - Growth Plan	10	6,010,374	200,000,000	-	-
			<u>2,874,345,214</u>		<u>2,361,067,155</u>
Total Current Investment			<u><u>3,774,345,214</u></u>		<u><u>8,086,567,155</u></u>
Notes:					
1. Quoted investments					
Aggregate of Book value			<u>3,674,345,214</u>		<u>8,011,067,155</u>
Aggregate of Market value / Net Asset Value			<u>3,741,391,820</u>		<u>8,039,698,255</u>
2. Unquoted investments					
Aggregate of Book value			<u>100,000,000</u>		<u>75,500,000</u>

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	As at	
	31 March 2012	31 March 2011
3.9 Deferred Tax Assets		
<i>Deferred tax asset arising on account of timing differences in:</i>		
Depreciation on fixed assets	43,075,506	43,606,467
Employee compensation	19,019,071	18,282,441
Straightlining of lease rentals	21,511,028	14,034,335
	83,605,605	75,923,243
3.10 Long - term loans and advances		
Capital Advances (Unsecured, considered good)	6,238,385	5,624,443
Loans and advances to related parties (Unsecured, considered good)		
Intercorporate Deposits	7,800,000,000	2,800,000,000
Other loans and advances (Unsecured, considered good)		
Loans to Employees	7,320,871	10,500,000
Security Deposits	176,860,161	172,220,223
Other Advances	35,652,822	4,671,816
Prepaid Expenses	62,860,677	-
Advance Tax Paid	178,412,080	319,981,928
(net of provision of income tax Rs.2,002,320,507, (Previous year Rs. 1,925,731,143))		
	8,267,344,996	3,312,998,410
3.11 Other Non - Current Assets		
Other Bank Balances		
Fixed Deposits with residual maturity of more than 12 months (including accrued interest)	31,873,626	671,490
	31,873,626	671,490
The above deposits have been liened for business purpose (Refer Note 3.24)	31,873,626	671,490
3.12 Trade receivables		
Unsecured, Considered Good		
Outstanding for more than six months	-	1,919,307
Others	89,976,118	80,945,219
	89,976,118	82,864,526
3.13 Cash & Bank Balance		
Cash & cash equivalents		
Cash on hand	21,746	17,169
Balance with banks in Current Accounts	119,992,897	38,210,798
	120,014,643	38,227,967
3.14 Short - term loans & advances		
Loans and advances to related parties (Unsecured, considered good)	5,629,482	6,817,718
Others (Unsecured, considered good)		
Loans to Employees	7,350,000	7,514,290
Prepaid Expenses	135,551,044	9,786,506
Service Tax Credit-Unutilised	14,841,554	106,394,557
Others	60,014,466	42,680,048
	223,386,546	173,193,119
3.15 Other current assets		
Dividend Receivable	4,257,462	-
Interest accrued on Non Convertible Debentures	8,720,328	5,237,326
	12,977,790	5,237,326

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	Year ended	
	31 March 2012	31 March 2011
3.16 Revenue from Operations - Management Fees		
Investment Management Fees	5,242,230,693	5,971,893,935
Portfolio Management Fees	171,191,397	297,730,415
	<u>5,413,422,090</u>	<u>6,269,624,350</u>
3.17 Other Income		
Dividend on:		
Long Term Investment	276,126,299	158,503,818
Current Investment	2,451,163	181,662,207
Profit on Sale of Investments (Net)		
Long Term Investment	12,722,680	153,722,869
Current Investment	121,291,537	111,644,303
Interest Income		
Long Term Investment	19,037,465	35,722,384
Current Investment	-	53,201,614
Interest on Inter Corporate Deposit	565,007,924	25,291,507
Interest on Income Tax Refund	9,292,137	-
Others	1,348,806	2,557,025
Others	2,200,072	353,148
	<u>1,009,478,083</u>	<u>722,658,875</u>
3.18 Employee Costs		
Salaries, Allowances and Bonus	1,090,458,485	1,190,356,070
Contribution to Provident and other funds	48,168,525	39,831,313
Staff Welfare Expenses	42,282,362	40,409,943
	<u>1,180,909,372</u>	<u>1,270,597,326</u>

3.19 Employees Stock Option Plan (ESOP) :

- (i) a) Pursuant to the shareholder's resolution dated 20 September 2007 the Company introduced Employee Stock Option Plan I - 2007 under which the Company may grant options to its employees from time to time. The grant of options to the employees under the ESOP scheme is on the basis of their performance and other eligibility criteria. The Plan has been amended and restated vide shareholder's resolution dated 3 February 2011.
- b) On 21 December 2007, the Company issued 200,000 equity shares at a price Rs. 2,000 per equity share to Reliance Capital Asset Management Employee Benefits Trust ('The Trust') pursuant to the above Plan.
- (ii) a) Pursuant to the shareholder's resolution dated 3 February 2011, the Company introduced Employee Stock Option Plan II - 2011 under which the Company may grant options to its employees from time to time. The grant of options to the employees under the ESOP scheme is on the basis of their performance and other eligibility criteria.
- b) On 30 March 2011, the Company issued 50,000 equity shares at a price Rs. 3,009 per equity share to the Trust.
- (iii) All above options are planned to be settled in cash or equity at the time of exercise and have maximum period

a) Year 2007

The option under ESOP I - 2007 at an exercise price of Rs. 2,000 per share and vest on a graded basis as follows:

Grant date 28 Sept 2007

Vesting schedule

on completion of 3 years 30%

on completion of 4 years 30%

on completion of 5 years 40%

b) Year 2008

The option under ESOP I - 2007 at an exercise price of Rs. 7,989.1 per share and vest on a graded basis as follows:

Grant date 13 Nov 2008

Vesting schedule

on completion of 3 years 30%

on completion of 4 years 30%

on completion of 5 years 40%

Reliance Capital Asset Management Limited

Notes to the accounts

c) Year 2011

The option under ESOP I - 2007 at an exercise price of Rs. 3,009 per share and vest on a graded basis as follows:

Grant date	30 Mar 2011
Vesting schedule	
on completion of 1 year	30%
on completion of 2 years	30%
on completion of 3 years	40%

d) Year 2011

The option under ESOP I - 2007 and Plan II - 2011 at an exercise price of Rs. 3,009 per share and vest on a graded basis as follows:

Grant date	30 Mar 2011
Vesting schedule	
on completion of 1 year	10%
on completion of 2 years	10%
on completion of 3 years	20%
on completion of 4 years	20%
on completion of 5 years	40%

(iv) The information concerning stock options granted, exercised, forfeited and outstanding at the year-end is as follows:

	As of 31 March 2012		As of 31 March 2011	
	Number of stock options	Weighted average exercise price (Rs.)	Number of stock options	Weighted average exercise price (Rs.)
Number of shares under option:				
a) Year 2007				
Outstanding at beginning of year	69,650	2,000	71,125	2,000
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled or expired	5,850	2,000	1,475	2,000
Outstanding at the year end	63,800	2,000	69,650	2,000
Exercisable at end of year	38,280	2,000	20,895	2,000
b) Year 2008				
Outstanding at beginning of year	-	-	39,550	7,989
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled or expired *	-	-	39,550	7,989
Outstanding at the year end	-	-	-	-
Exercisable at end of year	-	-	-	-
c) Year 2011				
Outstanding at beginning of year	38,050	3,009	-	-
Granted	-	-	38,050	3,009
Exercised	-	-	-	-
Cancelled or expired	4,000	-	-	-
Outstanding at the year end	34,050	3,009	38,050	3,009
Exercisable at end of year	10,215	3,009	-	-
d) Year 2011				
Outstanding at beginning of year	139,800	3,009	-	-
Granted	-	-	139,800	3,009
Exercised	-	-	-	-
Cancelled or expired	7,725	-	-	-
Outstanding at the year end	132,075	3,009	139,800	3,009
Exercisable at end of year	13,208	3,009	-	-

* Cancelled during the year vide Board Resolution dated 2 February 2011

(v) The fair value of the options granted was estimated on the date of grant using the Black- Scholes model with the following assumptions

	Year ended 31 March 2012	Year ended 31 March 2011
Risk free interest rate	8%	8%
Expected life	7 years	7 years
Dividend yield	0.00%	0.00%

(vi) The Company has chosen to account for the Plan by the Intrinsic Value Method. The total expense recognised for the period arising from stock option plan as per Intrinsic Value Method is Rs.Nil (previous year Rs. Nil). The net results for the period, had the Company adopted the Fair Value Method, would have been lower by Rs. 193,412,875 (net of tax saving Rs. 154,864,722) and accordingly basic and diluted EPS would have been lower by Rs. 14.74 and Rs. 14.60 respectively.

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

3.20 Disclosure pursuant to Accounting Standard - 15 (Revised) " Employee Benefits" :

A Defined Contribution Plans:

Amount of Rs. 36,100,424 (previous year: Rs. 33,554,361) is recognised as expense and included in "Employee Costs" - note "3.18" of the Statement of Profit and Loss.

B Defined Benefit Plans:

i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

		Gratuity Benefit - Funded		Leave Benefit - Unfunded	
		2012	2011	2012	2011
a.	Present value of Defined Benefit Obligation at the beginning of the year	30,902,188	27,036,202	34,535,991	44,355,750
b.	Interest cost	2,549,431	2,230,487	2,564,225	3,020,259
c.	Current service cost	6,462,830	6,551,851	20,281,124	36,120,511
d.	Actuarial Losses / (Gains)	4,861,865	(4,308,102)	(23,288,447)	(46,542,143)
e.	Benefits paid	(3,197,496)	(608,250)	(692,657)	(2,418,386)
f.	Present value of Defined Benefit Obligation at the close of the year	41,578,818	30,902,188	33,400,236	34,535,991

ii Changes in the fair value of Plan Assets and the reconciliation thereof:

		Gratuity Benefit - Funded		Leave Benefit - Unfunded	
		2012	2011	2012	2011
a.	Fair value of Plan Assets at the beginning of the year	36,840,578	35,258,519	-	-
b.	Add: Expected return on Plan Assets	3,039,348	2,908,828	-	-
c.	Add / (Less) : Actuarial (Losses) / Gains	(1,910,194)	(761,043)	-	-
d.	Add: Contributions	15,549,880	42,524	692,657	2,418,386
e.	Less: Benefits Paid	(3,197,496)	(608,250)	(692,657)	(2,418,386)
f.	Fair value of Plan Assets at the close of the year	50,322,116	36,840,578	-	-

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the balance sheet:

		Gratuity Benefit - Funded		Leave Benefit - Unfunded	
		2012	2011	2012	2011
a.	Present value of Defined Benefit obligation	41,578,818	34,768,174	33,400,236	34,535,991
b.	Less: Fair value of Plan Assets	50,322,116	38,422,638	-	-
c.	Present value of unfunded obligation	(8,743,298)	(3,654,464)	33,400,236	34,535,991
d.	Net Liability/(Asset) recognised in the Balance sheet	(8,743,298)	(3,654,464)	33,400,236	34,535,991

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

iv. Amount recognised in the Profit and Loss Account are as follows :

		Gratuity Benefit - Funded		Leave Benefit - Unfunded	
		2012	2011	2012	2011
a.	Current Service Cost	6,462,830	6,551,851	20,281,124	36,120,511
b.	Interest Cost	2,549,431	2,230,487	2,564,225	3,020,259
c.	Expected return on Plan Assets	(3,039,348)	(2,908,828)	-	-
d.	Actuarial Losses / (Gains)	6,772,059	(3,547,059)	(23,288,447)	(46,542,143)
e.	Past service costs	-	-	-	-
f.	Effect of curtailment / settlement	-	-	-	-
g.	Adjustments for earlier years Recognised in the Profit and Loss Account	-	-	-	-

v. Broad Categories of plan assets as a percentage of total assets

		Gratuity Benefit - Funded		Leave Benefit - Unfunded	
		2012	2011	2012	2011
a.	Government of India Securities	0.42%	14.39%	UNFUNDED	UNFUNDED
b.	State Government Securities	-	15.94%		
c.	Corporate Bonds	74.11%	59.46%		
d.	Fixed Deposit under Special Deposit Scheme	-	-		
e.	Equity Shares	18.88%	-		
f.	Money market instruments	6.59%	-		
g.	Public Sector Bonds	-	-		
h.	Property	-	10.21%		
		100.00%	100.00%		

vi. Actuarial Assumptions as the Balance sheet date:

		Gratuity		Leave Benefit	
		2012	2011	2012	2011
a.	Discount Rate	8.50%	8.25%	8.00%	7.50%
b.	Expected rate of return on Plan Assets	8.50%	8.25%	-	-
c.	Salary Escalation rate -- Management Staff	5.00%	5.00%	5.00%	5.00%
d.	Attrition rate	1% at each age	1% at each age	1% throughout	1% throughout

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii. General Descriptions of significant defined plans:

a. **Gratuity Plan :**

Gratuity is payable to all eligible employees of the Company on superannuation, death and permanent disablement, in terms of the provisions of the Payment of Gratuity Act 1972 or as per the Company's Scheme whichever is more beneficial.

b. **Leave Plan :**

Encashment of leave can be availed by the employee for the balance in the earned account as on 1 January 2009. All carry forward earned leaves are available for availment but not encashment. Leave can be encashed subject to available balance of more than 15 days.

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

Particulars	Year ended	
	31 March 2012	31 March 2011
3.21 Administrative and Other Expenses		
Legal & Professional Charges	165,121,379	185,697,543
Rent	223,920,919	194,416,907
Conveyance & Travelling	63,401,263	93,409,083
Communication	70,269,749	67,952,223
Filing fees & Stamp duty	13,637,132	17,343,401
Office Administration	70,343,421	56,365,416
Membership & Subscription	27,383,706	28,034,610
Electricity	32,814,913	28,672,018
Seminar & Training	22,431,249	14,452,858
Repairs & Maintenance	28,659,756	19,142,319
Printing & Stationary	21,485,681	21,794,171
Software Repair & Maintenance	30,707,279	28,664,231
Courier Charges	3,290,598	13,175,283
Insurance	7,891,069	7,604,423
Auditors Remuneration:		
Audit Fees	1,100,000	1,100,000
Tax Audit Fees	-	75,000
Certification Matters	126,048	80,410
Out of Pocket Expenses	33,519	31,465
Director Sitting Fees	460,000	580,000
Donation	690,000	915,000
Net (gain) or Loss on Foreign Currency Transactions & Translations	2,801,690	(227,147)
Miscellaneous Expenses	4,267,448	41,237,538
Loss on sale of fixed assets (Net)	1,718,467	4,843,848
Rates & Taxes	56,800	88,131
	792,612,086	825,448,731
3.22 Marketing & Publicity Expenses		
Brokerage and Incentives	785,951,780	1,293,222,402
Marketing Expenses	158,901,515	247,637,828
Advertisement	33,920,244	53,072,272
	978,773,539	1,593,932,502
3.23 Future minimum lease payments in respect of non-cancellable operating lease for premises:		
	2012	2011
a) Not later than one year	28,006,184	82,735,439
b) Later than one year and not later than five years	-	27,406,182
c) Later than five years	-	-
	28,006,184	110,141,621
3.24 Contingent liability and commitments:		
	2012	2011
a) Contingent liability		
Guarantees to Banks and Financial Institutions	101,692,465	6,604,500
Claims against the Company not acknowledged as debts	22,682,732	4,045,732
Income tax demand not acknowledged as debts	10,682,389	10,682,389
	135,057,586	21,332,621
b) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs. 6,238,386 & previous year Rs. 5,624,443)	35,240,308	14,783,784

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

3.25 Related Party Disclosure:

(i) List of Related Parties and their relationship:

Sr. No.	Name of the Related Party	Relationship
1	Reliance Innoventures Private Limited	Ultimate Holding Company
2	Reliance Capital Limited	Holding Company
3	Reliance Asset Management (Mauritius) Ltd	Wholly Owned Subsidiary
4	Reliance Asset Management (Singapore) Pte Ltd	
5	Reliance Capital Asset Management (UK) Plc.	
6	Reliance Capital Pension Fund Limited	
7	Reliance Asset Management (Malaysia) SDN BHD	
8	Reliance General Insurance Company Ltd.	
9	Reliance Money Express Ltd.	
10	Reliance Gilts Ltd.	
11	Reliance Capital Trustee Co Ltd	
12	Reliance Composite Insurance Broking Limited	
13	Reliance Venture Asset Management Private Ltd (formerly Reliance Technology Ventures Pvt. Ltd.)	
14	Reliance Money Precious Metals Private Limited (formerly Reliance Capital Research Pvt. Ltd.)	
15	Reliance Equity Advisors (India) Ltd	
16	Reliance Consultants (Mauritius) Ltd	
17	Reliance Equities International Pvt Ltd	
18	Reliance Home Finance Limited (formerly Reliance Home Finance Pvt Ltd)	
19	Reliance Capital (Singapore) Pte Ltd	
20	Quant Investments Services Private Limited	
21	Reliance Securities Ltd	
22	Reliance Commodities Ltd	
23	Reliance Financial Ltd	
24	Reliance Alternative Investments Services Pvt Ltd	
25	Quant Broking Private Limited	
26	Quant Capital Advisors Private Limited	
27	Quant Capital Finance and Investments Private Limited	
28	Quant Capital Private Limited	
29	Quant Commodities Private Limited	
30	Quant Commodity Broking Private Limited	
31	Quant Securities Private Limited	
32	Reliance Exchangenext Limited	
33	Reliance Infrastructure Finance Private Limited	
34	Reliance Spot Exchange Infrastructure Limited	
35	Reliance Wealth Management Limited	
36	Reliance Investment Banking Services Limited	
37	QOPPA Trading Private Limited	
38	QCAP Trade Private Limited (Formerly Valankulam Investments and Trading Private Limited)	
39	Viscount Management Services (Alpha) Limited	

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

(ii) Transaction during the year with related parties:

Sr. No.	Nature of Transaction	Holding Company	Wholly Owned Subsidiary	Fellow Subsidiary	Total
I	Transactions during the year				
A	Investments in equity shares				
	Reliance Asset Management (Mauritius) Limited		- (66,866,250)		- (66,866,250)
	Reliance Asset Management (U.K) PLC		- (68,418,370)		- (68,418,370)
	Reliance Asset Management (Malaysia) SDN.BHD.		87,778,275 -		87,778,275 -
B	Inter corporate deposit given				
	Reliance Capital Ltd.	5,000,000,000 (2,800,000,000)			5,000,000,000 (2,800,000,000)
	Reliance Financial Limited			- (800,000,000)	- (800,000,000)
C	Repayment of inter corporate deposit				
	Reliance Financial Limited			- (800,000,000)	- (800,000,000)
D	Loan given				
	Reliance Asset Management (Mauritius) Limited		- (25,304,125)		- (25,304,125)
E	Repayment of loan				
	Reliance Asset Management (Mauritius) Limited		- (54,071,584)		- (54,071,584)
F	Refund of security deposit received				
	Reliance Capital Limited	- (3,500,000)			- (3,500,000)

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

(ii) Transaction during the year with related parties:

Sr. No.	Nature of Transaction	Holding Company	Wholly Owned Subsidiary	Fellow Subsidiary	Total
G	Refund of security deposit Reliance Capital Limited	2,500,000 -			2,500,000 -
H	Issue of Preference Shares Reliance Securities Limited			- (189,900)	- (189,900)
I	Repayment of unsecured loan Reliance Capital Ltd.	- (750,000,000)			- (750,000,000)
J	Portfolio Management Fees Reliance Asset Management (Singapore) Pte Ltd		507,846 -		507,846 -
K	Interest income Reliance Capital Ltd. Reliance Asset Management (Mauritius) Limited Reliance Financial Limited	565,007,924 (23,173,699)	- (2,477,961)	- (2,117,808)	565,007,924 (23,173,699) - (2,477,961) - (2,117,808)
L	Interest Expenses Reliance Capital Limited	- (909,589)			- (909,589)
M	Staff Welfare Expenses Medybiz Pvt Ltd			- (35,900)	- (35,900)
N	Rent and Other Expenses Reliance General Insurance Company Ltd.			1,267,011 (1,531,408)	1,267,011 (1,531,408)

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

(ii) Transaction during the year with related parties:

Sr. No.	Nature of Transaction	Holding Company	Wholly Owned Subsidiary	Fellow Subsidiary	Total
O	Insurance Charges Reliance General Insurance Company Ltd.			9,479,698 (10,736,465)	9,479,698 (10,736,465)
P	Travelling expenses Reliance Money Express Ltd.			1,494,493 (1,602,862)	1,494,493 (1,602,862)
Q	Brokerage Reliance Securities Ltd			17,029 (101,905)	17,029 (101,905)
R	Reimbursement of Expenses charged Reliance Capital Limited	767,790 (4,235,840)			767,790 (4,235,840)
	Reliance Capital Pension Fund Limited		3,077,332 (2,992,350)		3,077,332 (2,992,350)
	Reliance Commercial Finance Pvt. Ltd.			- (211,115)	- (211,115)
	Reliance General Insurance Company Ltd.			161,000 -	161,000 -
	Reliance Securities Limited			5,772 -	5,772 -
	Reliance Capital Trustee Co Ltd			- (76,951)	- (76,951)

Reliance Capital Asset Management Limited

Notes to accounts

(Currency: Indian rupees)

(ii) Transaction during the year with related parties:

Sr. No.	Nature of Transaction	Holding Company	Wholly Owned Subsidiary	Fellow Subsidiary	Total
S	Reimbursement of Expenses paid Reliance Capital Limited	21,349,941 (9,398,737)			21,349,941 (9,398,737)
	Reliance Commercial Finance Pvt. Ltd.			- (111,719)	- (111,719)
	Reliance General Insurance Company Ltd.			133,914 (286,772)	133,914 (286,772)
	Reliance Securities Limited			- (320,767)	- (320,767)
T	Management fees Reliance Capital Limited	60,000,000 (65,809,519)			60,000,000 (65,809,519)
II	Balances outstanding at the end of the year				
A	Other current liabilities Reliance Capital Limited	17,060,951 -			17,060,951 -
B	Loans and advances to Related Parties Reliance Capital Limited	7,800,000,000 (2,800,000,000)			7,800,000,000 (2,800,000,000)
	Reliance General Insurance Company Ltd.			5,629,482 (6,634,757)	5,629,482 (6,634,757)
C	Trade Receivables Reliance Asset Management (Singapore) Pte Ltd		507,846 -		507,846 -

Note : Related Party Relationship is as identified by the Company.
(Previous year figures are in brackets)

Reliance Capital Asset Management Limited

Notes to the accounts

(Currency: Indian rupees)

3.26 Earning Per Share (EPS)

	2012	2011
Net profit attributable to equity shareholders	2,761,067,188	2,612,731,084
Weighted average number of equity shares outstanding	10,510,000	10,510,000
Basic EPS	262.71	248.59
Effect of potential equity shares on exercise of employee stock	100,229	23,356
Weighted average number of equity shares outstanding	10,610,229	10,533,356
Diluted EPS	260.23	248.04

The equity shares issued to the ESOP Trust under the Company's ESOP Plan are not considered for calculation of EPS. The options which are considered to be dilutive due to exercise price lower than the fair value of the equity shares are included in calculation of diluted EPS.

3.27 Expenditure in foreign currency (including expenses incurred at Foreign Branch):

	2012	2011
Salary and Benefits	19,375,220	14,329,434
Travelling	3,016,206	2,509,367
Professional Fees & Consultancy	2,344,535	857,764
Other Expenses	14,345,513	10,710,618
	39,081,474	28,407,183

3.28 Earnings in foreign currency:

	2012	2011
PMS Advisory Fees	9,820,864	9,296,389
Interest income	-	2,496,181
	9,820,864	11,792,570

3.29 Segment Reporting

The Company is in the business of providing asset management services to the fund and portfolio management service to clients. The primary segment is identified as asset management services. As such the Company's financial statements is largely reflective of the asset management business and there is no separate reportable segment.

Pursuant to Accounting Standard (AS) 17 Segment Reporting, no segment disclosure has been made in these financial statements, as the Company has only one geographical segment and no other separate reportable business segment.

3.30 Pursuant to the approval of the Board of Directors at its meeting held on 13 April 2012 and subsequent approval of the shareholders in the Extra Ordinary General meeting held on 9 May 2012, the Company has issued 760,000 bonus shares to all its shareholders except to Reliance Capital Limited, the holding company (pursuant to the waiver received from Reliance Capital Limited) in the ratio of 1:1 equity shares of Rs 10 each by way of capitalization of sum standing to the credit of capital redemption reserve in the books of the Company. The proposed dividend relates to shares including bonus shares.

3.31 The financial statements for the year ended 31 March 2011 were prepared as per the then applicable pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31 March 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to the current year's classification.

As per our report of even date attached
For **B S R & Co.**
Chartered Accountants
Firm's Registration No. 101248W

For and on behalf of the Board of Directors of
Reliance Capital Asset Management Limited

N Sampath Ganesh
Partner
Membership No. 042554

Soumen Ghosh
Director

Kanu Doshi
Director

Sundeep Sikka
Chief Executive Officer

Milind R. Gandhi
Chief Financial Officer

Mumbai, 9 May 2012

Geeta Chandran
Manager