

Reliance Portfolio Management Concentrated Option

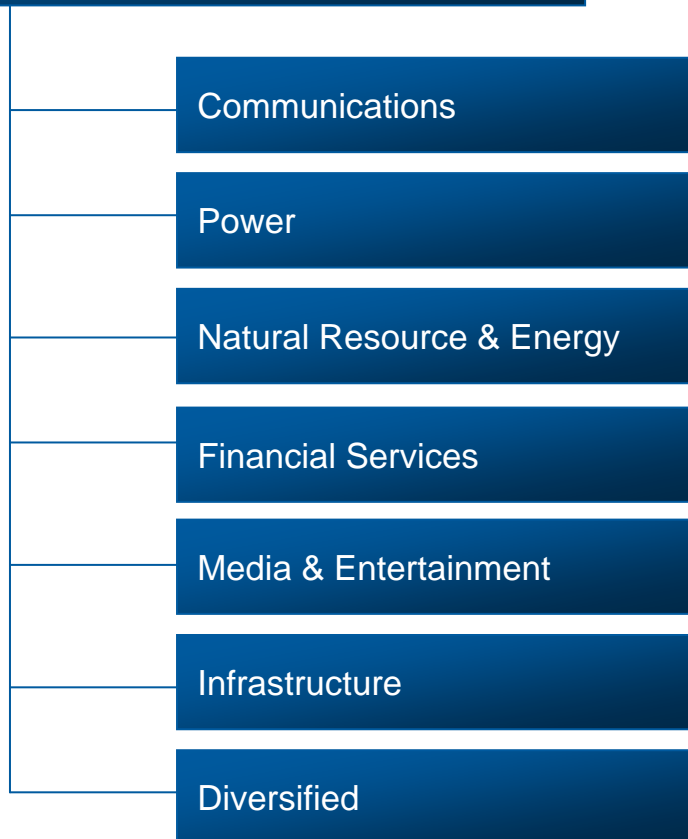
Aug 2007

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Our Lineage

Reliance - Anil Dhirubhai Ambani Group

Reliance - Anil Dhirubhai Ambani Group



- £ Over 50 million customers – by far the largest in India.
- £ 8 million individual shareholders – among the largest in the world.
- £ Group assets of over US\$ 7 billion and Group net worth of over US\$ 6 billion.
- £ Zero net debt at Group level.
- £ Group market capitalization of over US\$ 35 billion
- £ Flagship stocks included in Sensex, Nifty and MSCI.

Correct as on March 31, 2007

Business Structure

Reliance - Anil Dhirubhai Ambani Group

Reliance Capital Limited

- £ Wholly Owned Subsidiary of R-ADAG.
- £ Net worth in excess of US\$ 1.25 billion.
- £ Market Capitalization of US\$ 7 billion.

Reliance Capital Asset Management Limited

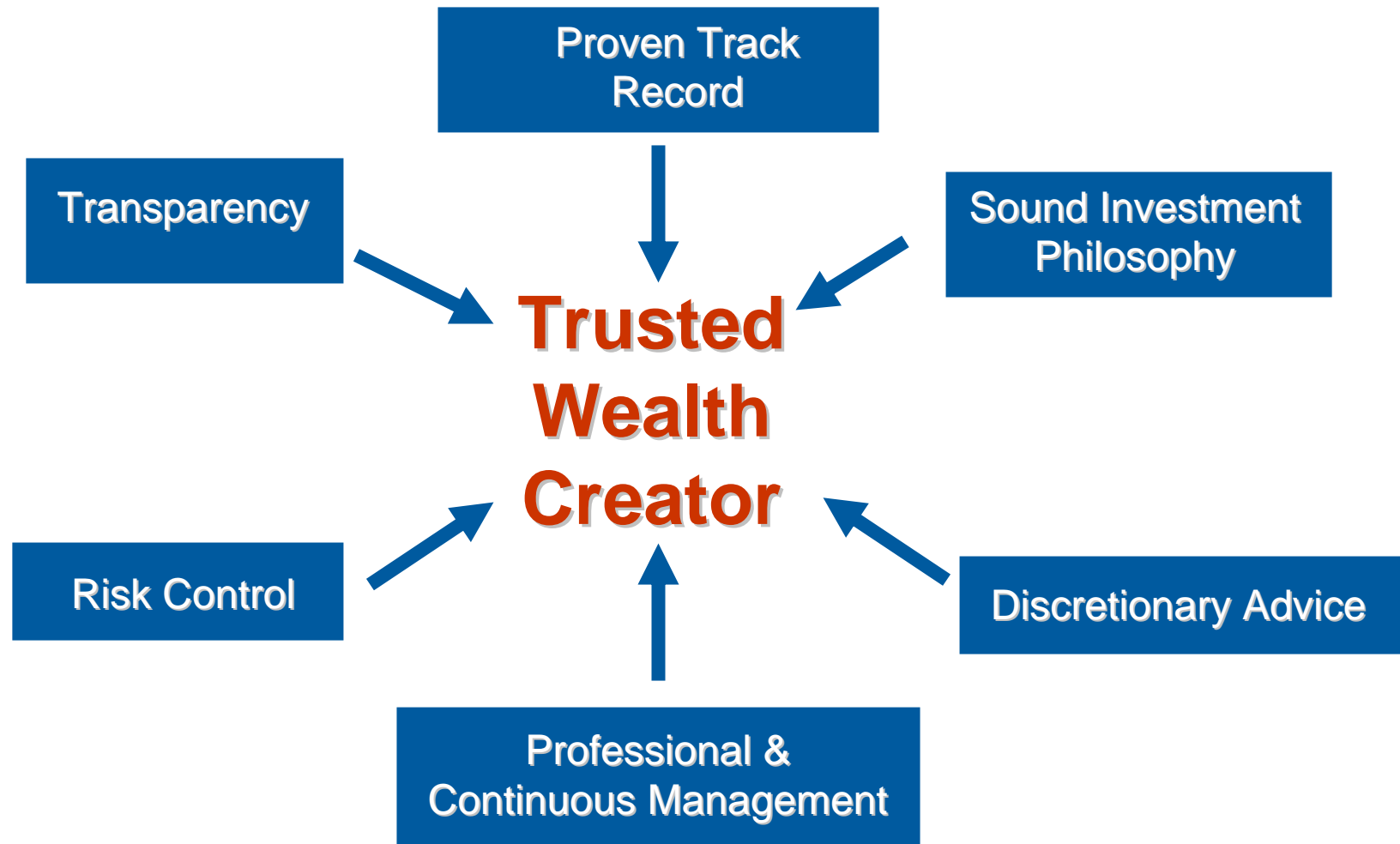
- £ Wholly Owned Subsidiary of Reliance Capital Ltd.
- £ Investment Manager for Reliance Mutual Fund.
- £ Manages Assets worth US\$16 bn as of July 07.

Correct as on July 31, 2007

Reliance Portfolio Management Services (RPMS)

- £ Reliance Portfolio Management Services (RPMS) is an exclusive and premium financial service offering for select individuals and institutions.
- £ Reliance Portfolio Management Services (RPMS) is a premium managed account offering handling assets (Discretionary & Advisory) close to **US\$ 930 mn** as on July 31, 2007 for select investors.
- £ RPMS currently offers Discretionary & Advisory Services to its exclusive customers. RPMS backed by its proven track record offers suite of equity, fixed income & structured products that would fit an individual's personal investment goals and risk preferences.

ADVANTAGE - Reliance Portfolio Management



Investment Philosophy

- £ **Endeavour to generate absolute returns:** Important facet to our approach is pursuing a robust and disciplined investment process to generate absolute returns consistently over a long term.

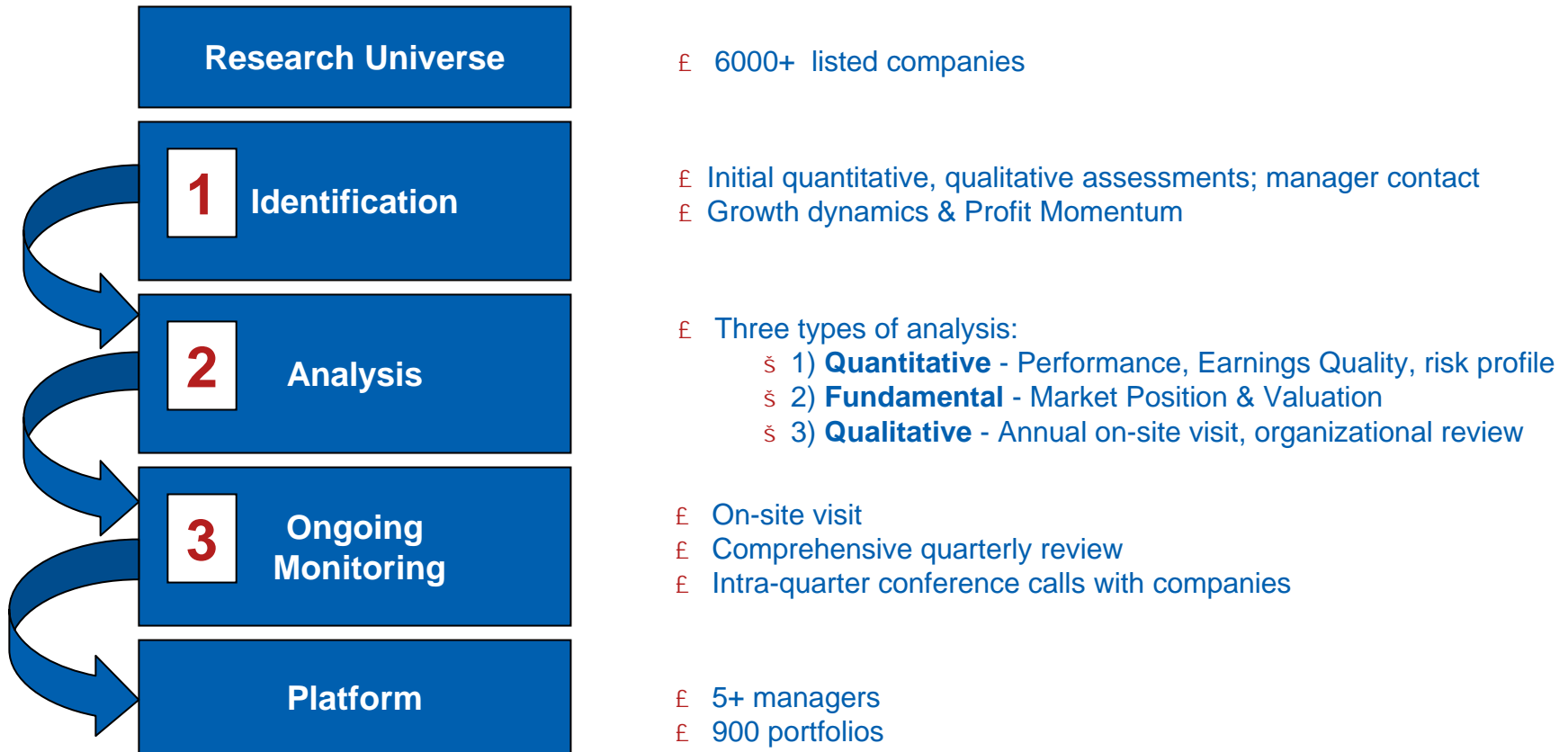
- £ **Portfolio Management approach**
 - An intensive research based, bottom-up, stock picking approach
 - Value-investing with a growth bias.
 - A sharp focus on under-researched/undiscovered ideas which we believe are compelling opportunities.

- £ **Flexible Cash Allocation:** An efficient allocation among assets with a flexibility to apportion 100% to cash at the right time to wait for a good investment idea at the right price.

Investment Strategy

- £ **Focus on select/clear stock opportunities:** Investments in stocks where there is a clear earnings visibility.
- £ **Relatively concentrated portfolio:** A Portfolio composition of not more than 15-20 stocks of what we believe are compelling opportunities.
- £ **Usage of Derivatives as a tool:** Selective use of derivatives in various options as an investment tool for hedging and portfolio re-balancing.
- £ **Cash as an effective tool:** Use cash as an effective portfolio management tool as we believe investors cannot outperform the market by staying invested all the time. We use cash to grab market opportunities when they arise.

Research Process At-A-Glance

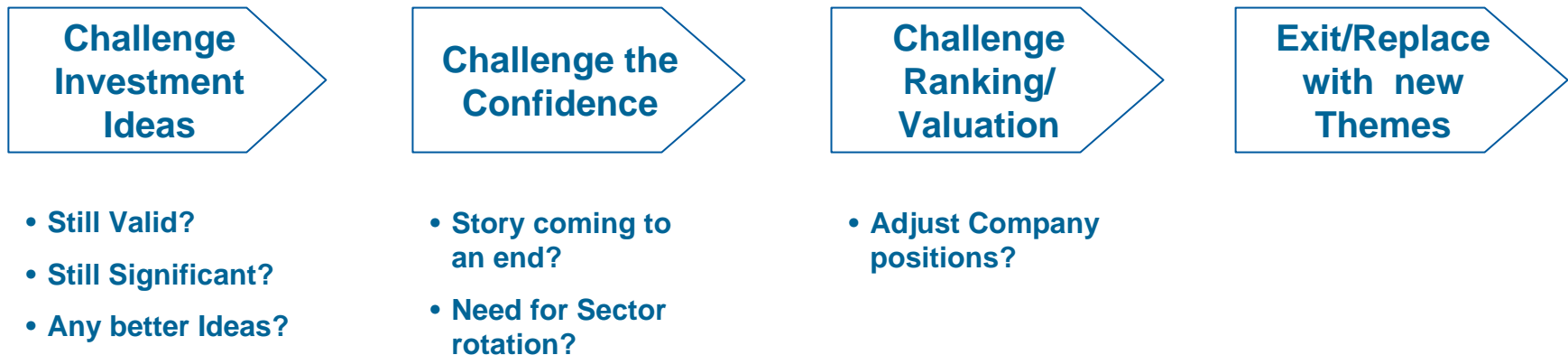


Investment Process

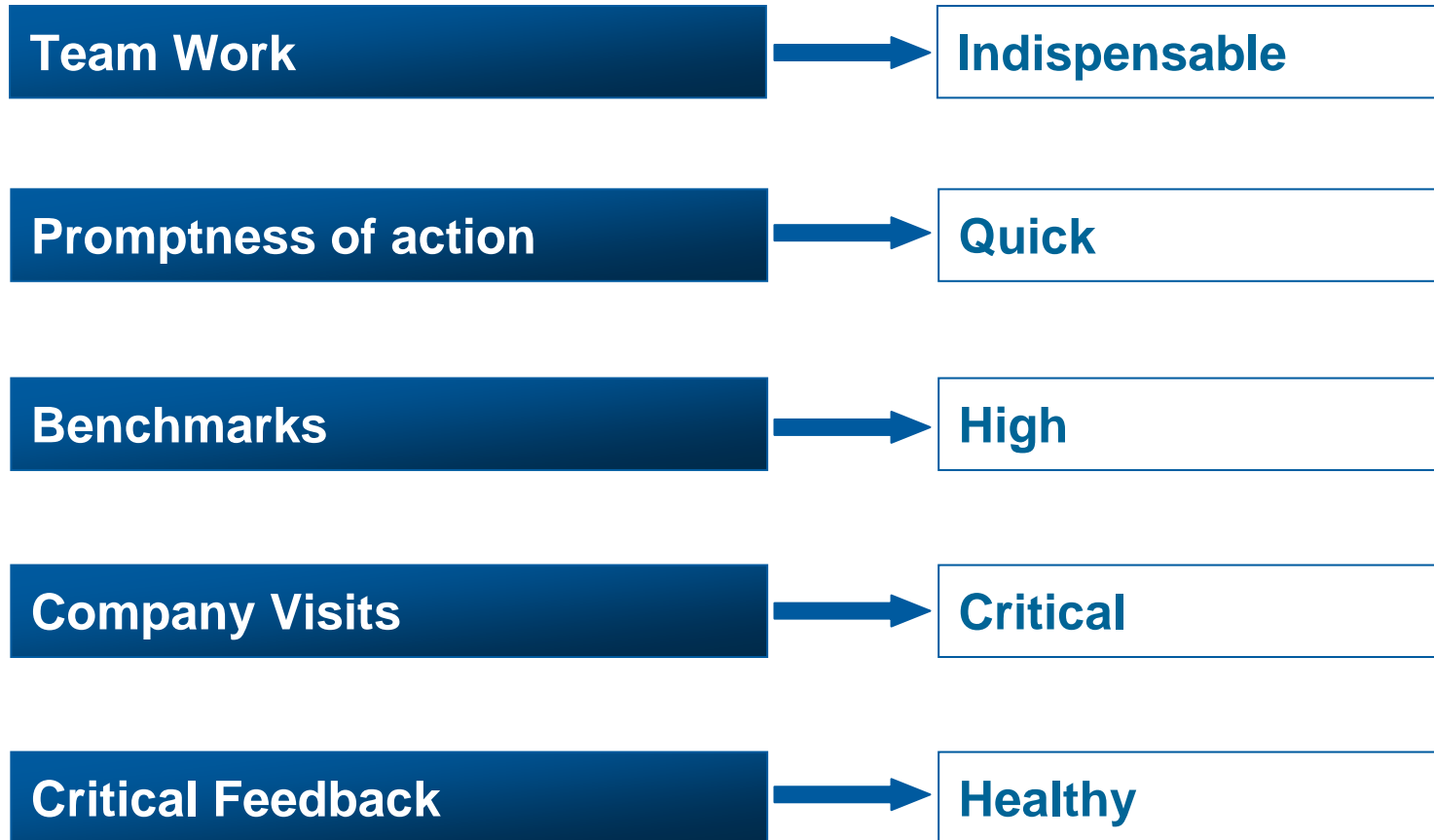
Company and Analyst Meetings



Parallel validity check and Search for new Ideas



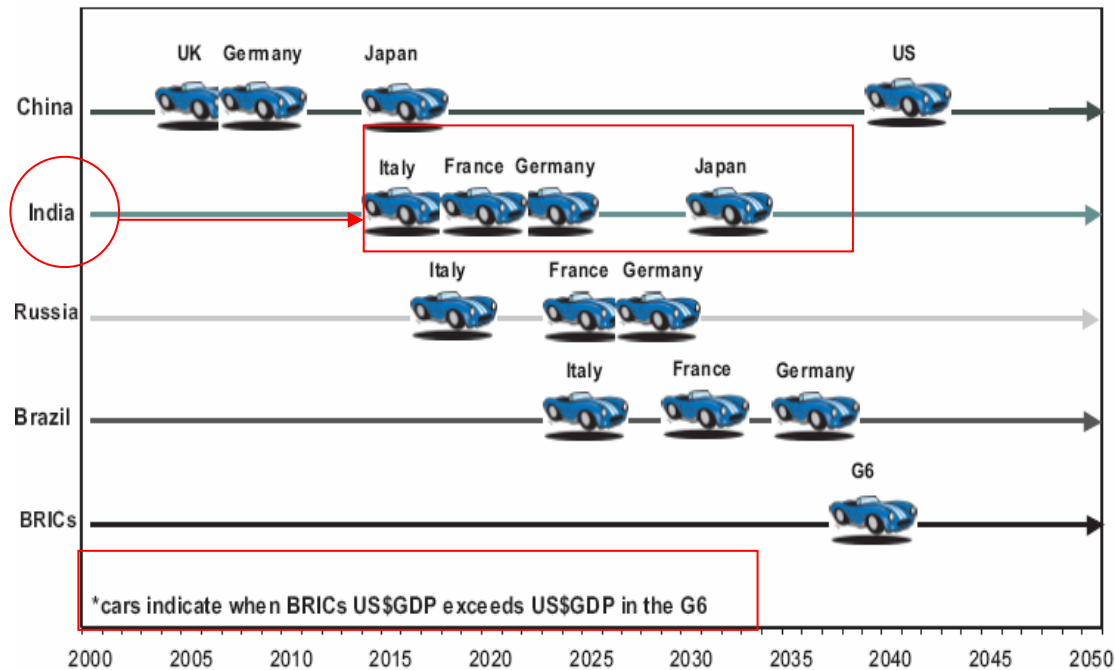
Our Beliefs



India Story

India poised to be third largest economy

Overtaking the G6: When BRICs' US\$GDP Would Exceed G6

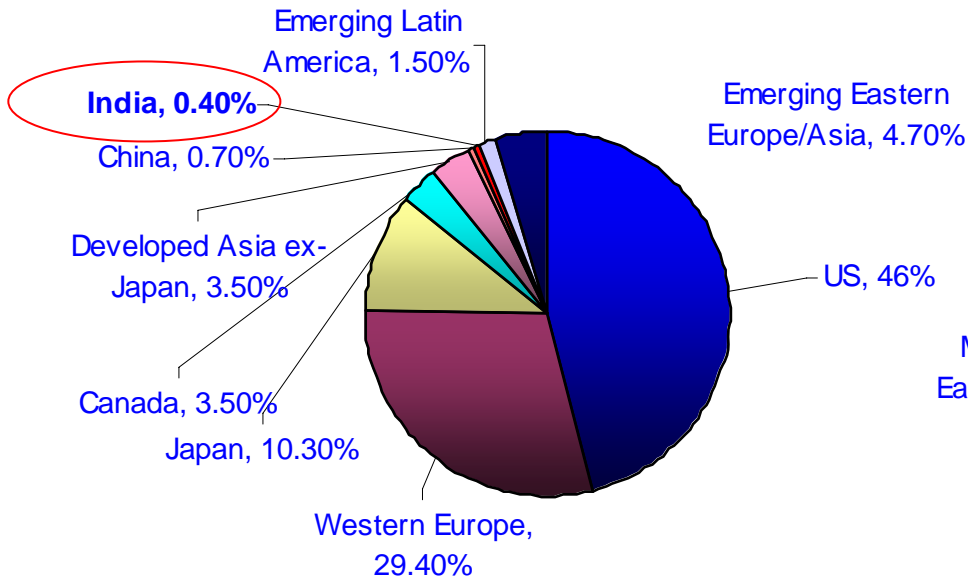


Source: Goldman Sachs Report

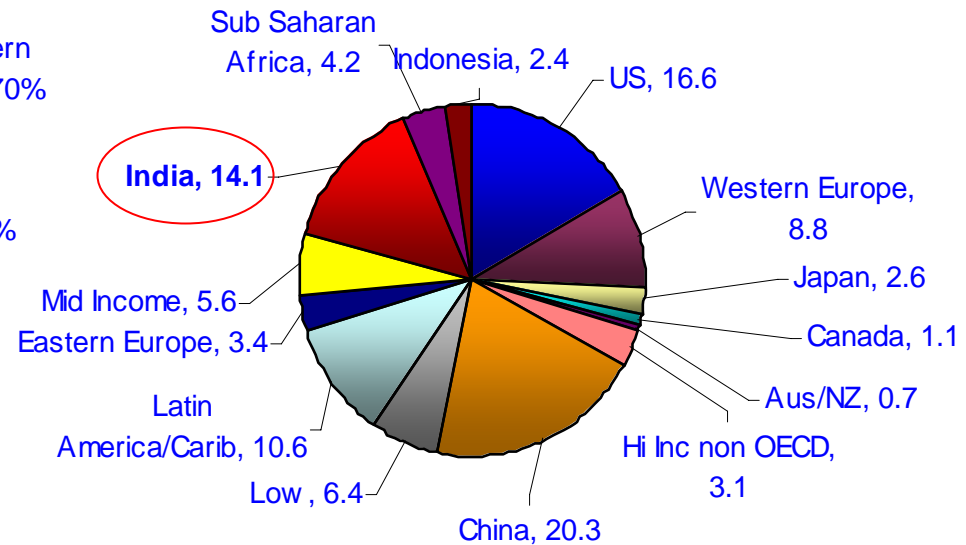
By 2032, India will be world's third largest economy, next only to the U.S. and China

And the third largest equity market by 2050

Stock Market Capitalization 2006



Stock Market Capitalization 2050



Source: Siegel, Jeremy, Future for Investors (2005)

The rapidly changing India...

PAST

- £ Under Developed Economy
- £ Slow rate of growth
- £ Bureaucracy
- £ Lack of infrastructure

PRESENT

- £ Developing Economy
- £ Huge Infrastructure Investment
- £ Rising Aspirations...
- £ Matched with improved confidence

FUTURE

- £ One of the fastest growing economies
- £ State of art infrastructure
- £ Global scale of operations
- £ International centre of excellence for most skills

What would drive the future...

Avg GDP growth heading northwards

1900-1950	1.0%
1950-1980	3.5%
1980-2002	6.0%
2002-2006	8.0%

Slowing population growth

1951-1980	2.2%
1981-1990	2.1%
1991-2000	1.8%
2001-2010E	1.5%

Rising literacy rate

1950	17%
1990	52%
2000	65%
2010E	80%

The result of the above could be significant rise in the income levels continuing India on the the consumption led growth trajectory

Source: CSO

Foreign Institutional Flows

₹ India's market cap	: \$1 tn
₹ As % of global market cap	: 1.8%
₹ India's GDP	: 2.0% of global GDP
₹ India's GDP on PPP basis	: 6.3% of global GDP
₹ Foreign exposure to India	: 0.4% of global equity market cap

Source: Bloomberg, IMF World Economic Outlook April 2007

**If the allocation were to increase to 1% of global equity market cap,
that would mean an additional inflow of US \$330bn !!**

Domestic Flows too will continue

Year	Estimated* #(p.a)				
	2008	2009	2010	2011	2012
GDP	44,80,000	50,18,000	56,20,000	62,94,000	75,52,800
Savings @ 21%	9,41,000	10,53,000	11,80,000	13,22,000	15,86,000
Equity Inflows @ 5 %	47,000	52,600	59,000	66,100	79,300

- £ Total Household Savings in next 5 years estimated at Rs. 60,82,000 Crs
- £ Current allocation to Equities is 2% of the total household savings.
- £ Equities on tax adjusted basis is still the best savings option
- £ If allocation were to rise to a modest 5% of savings, domestic inflows in equities will be a staggering **Rs 3,04,000 crs**

* Savings rate is estimated to grow in line with the real GDP growth rate, which is estimated at 8% CAGR

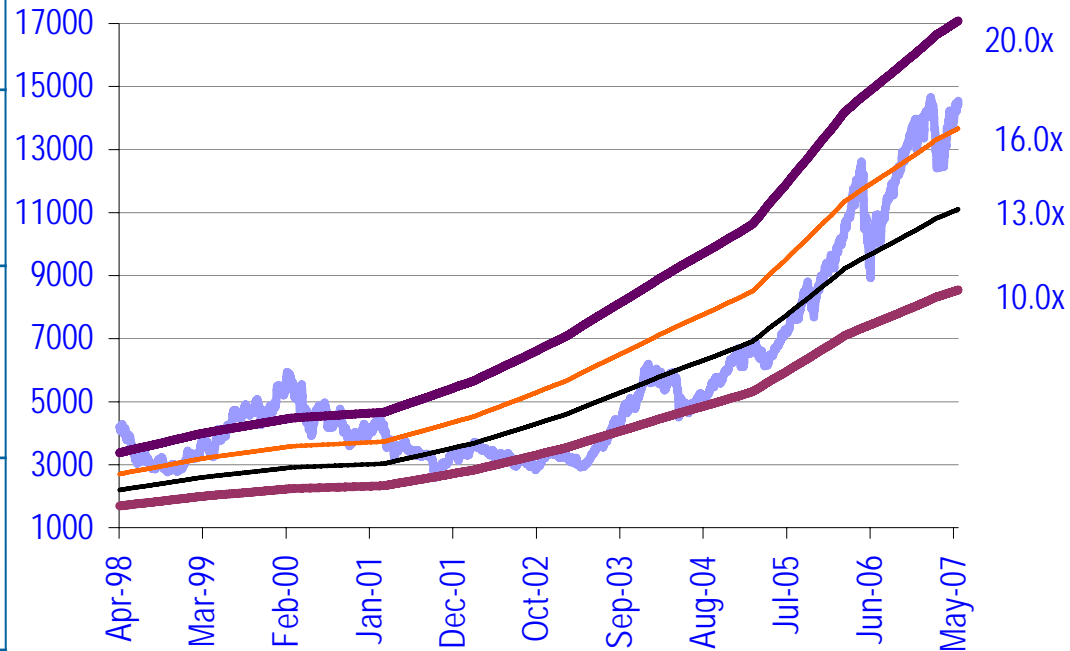
These are only estimates & actuals may vary

(Source: www.abnamro.com)

Three Year Sensex EPS Scenario

SENSEX EPS SCENARIOS

Growth	15%	20%	25%
FY07(E)	740		
<i>P/E</i>	19.6		
FY08(E)	851	888	925
<i>P/E</i>	17.0	16.3	15.7
FY09(E)	979	1066	1156
<i>P/E</i>	14.8	13.6	12.5
FY10(E)	1125	1279	1445
<i>P/E</i>	12.9	11.3	10.0



Source: Bloomberg, Mkt At 14500 levels

Near Term Concerns

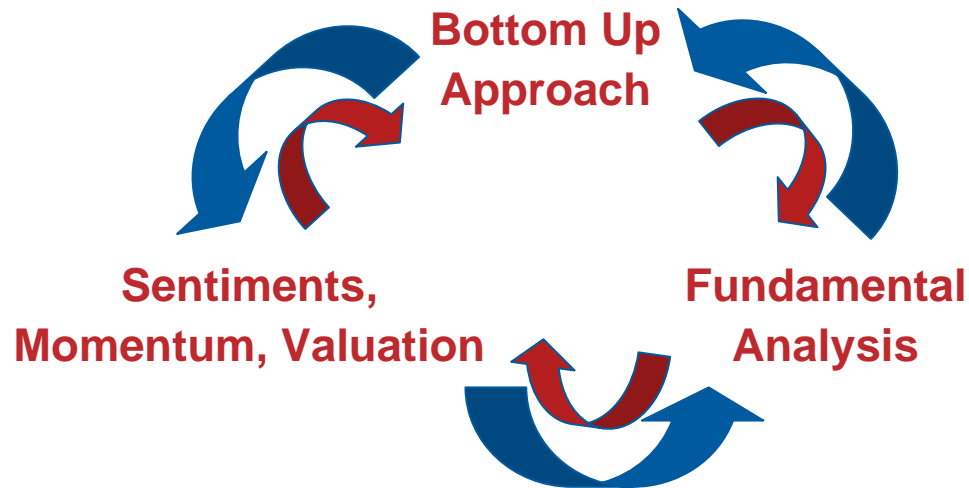
- £ Global market volatility due to sub prime issue & Yen carry trade
- £ Concerns in US over slowdown in economy due to credit slowdown & liquidity crunch
- £ Indian Coalition Government under pressure from allies on the Indo-US Nuclear Agreement could lead to political instability
- £ Last 3 years has seen earnings of Sensex companies rise by 29% CAGR, much above analysts expectations and leading to frequent upgrades. From here on, earnings growth is expected to be more modest.
- £ A slew of fresh public offerings will suck out money supply that otherwise would have been deployed in the secondary markets
- £ Monsoons - below normal can cause concerns

Concentrated Investment Strategy

“Wide diversification is only required when investors do not understand what they are doing ”

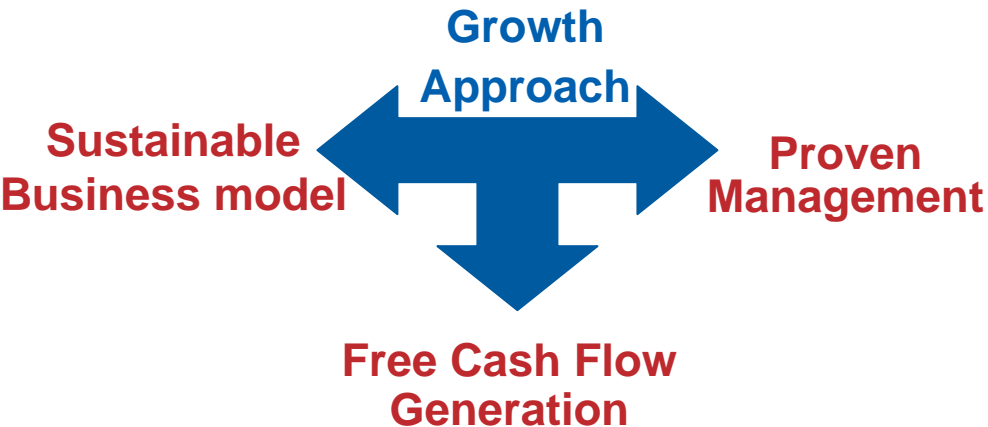
- Warren Buffet

Concentrated Investment Strategy



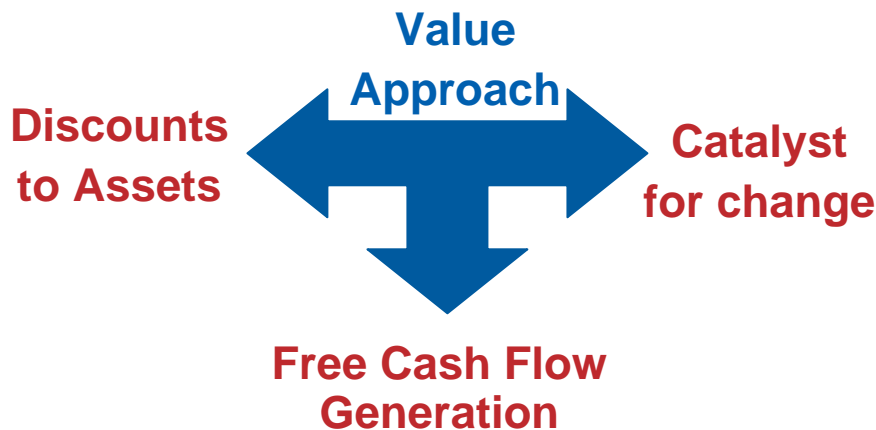
- £ Take advantage of disparity among the peer group companies
- £ Fundamentally strong but relatively under-owned companies currently overlooked / ignored/ under researched
- £ Long term growth potential stock at a reasonable price
- £ Identifying stocks with an underlying theme/ idea for the future. Enter these stocks at early stage & exit them on the maturity of the theme/ idea
- £ Opportunity arising out of special situations which could be stock specific or event driven

Fundamental Analysis: Concentrated Portfolio



€ Growth Metrics

- EPS Growth over next few years
- PE valuation among peers & history
- Balance Sheet Strength
- Cash Flow Analysis



€ Value Metrics

- CMP v/s Cash Flow Analysis
- Discount to Asset value or low P/BV
- High Dividend yielding history
- Catalyst in the near term for sector

Stock Selection Process: Concentrated Portfolio

High Growth

- ∅ EPS Growth
- ∅ Strong Cash Flow

Growth

- ∅ Relative P/E to peers
- ∅ Prospective Earnings Growth
- ∅ Strong Balance Sheet

Deep Value

- ∅ Low P/BV
- ∅ Discounted Asset Value

- £ Generally companies cannot be purely classified as deep value nor high growth
- £ These extremes require different valuation methodologies:
there may be no growth, no earnings, or neither.
- £ For most stocks the task is to value earnings growth

Concentrated Opportunities – Markets



Nifty Stocks	Closing Price as on		Absolute % Returns
	29/03/2006	29/03/2007	
Bharti Airtel	394.2	761.1	93.07%
Reliance Inds.	793.95	1356.1	70.80%
S A I L	76.65	112	46.12%
ICICI Bank	598.05	855.6	43.06%
Reliance Comm.	299.9	419	39.71%
Larsen & Toubro	1211.95	1616.1	33.35%
TCS	949.63	1247	31.31%
Infosys Tech.	1519.05	1991	31.07%
HDFC Bank	746.95	933.05	24.91%
A B B	2923.75	3507.2	19.96%

While NIFTY was a steady performer returning 13.2% (in absolute terms) for FY 06-07, some individual stocks rose sharply

Characteristics of Concentrated Portfolio

- £ A concentrated portfolio of approx. 12 to 15 high quality stocks
- £ Rigorous company analysis guided by fundamentals of the stock
 - Growth Investing: Companies available reasonable valuation
 - Value Investing: Discounted asset value compared to enterprise value
- £ Risk - Reward Trade Off: High Risk High Return
- £ Bottom Up approach to selection of stocks
- £ Derivatives & Cash will be used as effective portfolio management tools
- £ Better Risk Adjusted Returns: The ability to sit on Cash to the extent of 100% of the portfolio, would enable the fund manager to tide over the volatility & provide better risk adjusted performance vis-à-vis mutual funds

Concentrated Option – Plan A

The investment objective of concentrated option is to achieve long term capital appreciation from equity and equity related investments. This investment option endeavors to invest disproportionate corpus in large and mid cap high – growth companies that would be able to compound wealth over medium to long term.

Investment Time Horizon: 24+ months

Product Tranche Size: 100 Crs.

Minimum Investment Amount

- Resident Indian – INR 100 Lacs

- Tranche 1: INR 50 Lacs

- Tranche 2**: INR 25 Lacs

- Tranche 3**: INR 25 Lacs

- Non Resident Indians – INR 100 Lacs

* RPMS will have Greenshoe Option of 50 Crs. **Tranches 2 & 3 will be called upon on identifying compelling investment ideas over the next 2 year period.

Concentrated Option – Plan B

The investment objective of concentrated option is to achieve long term capital appreciation from equity and equity related investments. This investment option endeavors to invest disproportionate corpus in large and mid cap high – growth companies that would be able to compound wealth over medium to long term.

Investment Time Horizon: 24+ months

Product Tranche Size: 100 Crs

Minimum Investment Amount

- Resident Indian – INR 300 Lacs

- Tranche 1: INR 200 Lacs

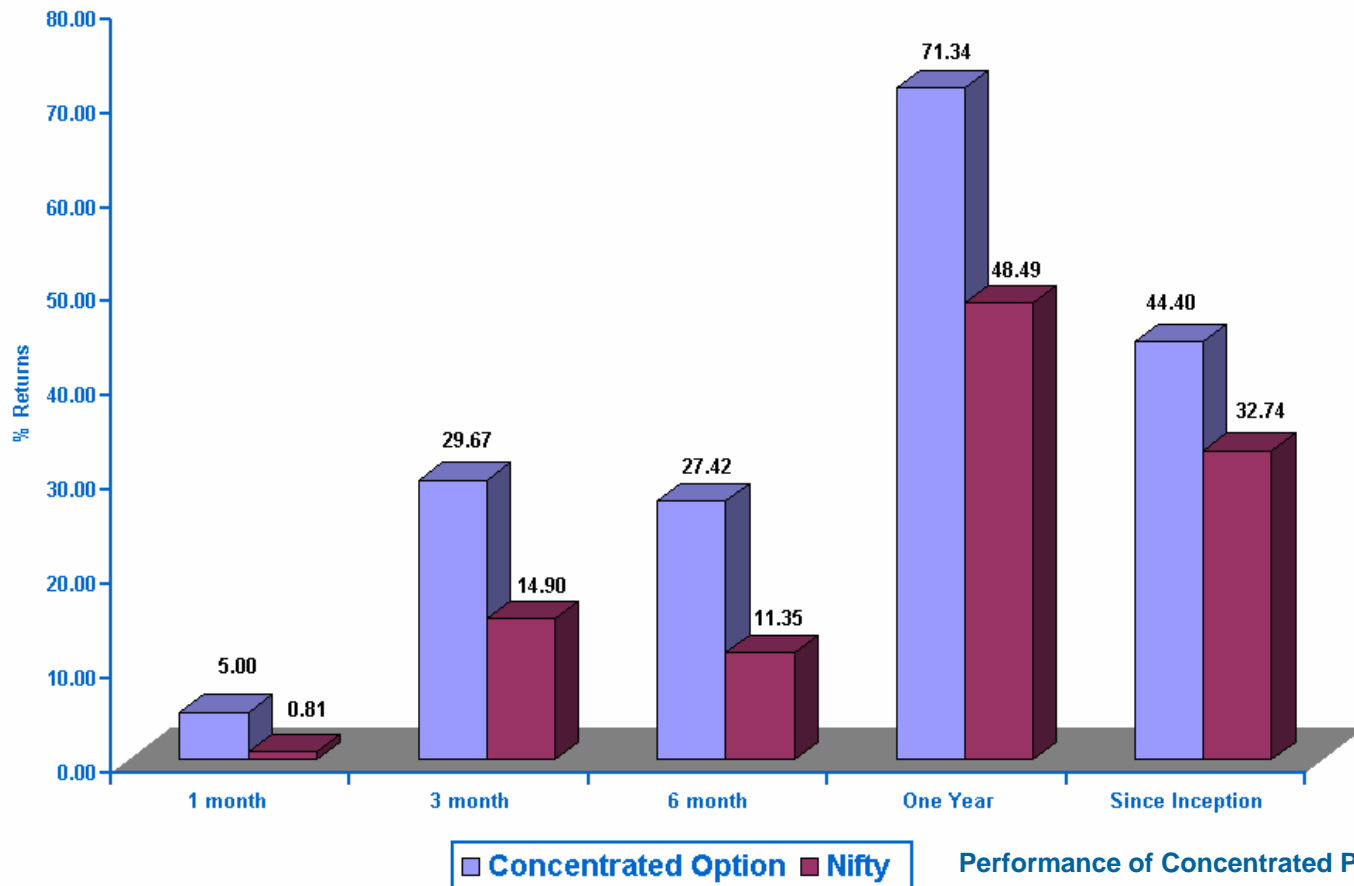
- Tranche 2*: INR 50 Lacs

- Tranche 3*: INR 50 Lacs

- Non Resident Indians – INR 300 Lacs

* RPMS will have Greenshoe Option of 50 Crs. **Tranches 2 & 3 will be called upon on identifying compelling investment ideas over the next 2 year period.

Absolute Freedom Option – Concentrated Portfolio



Performance of Concentrated Portfolio as on June 20, 2007

*The Performance & Portfolio of individual investors may vary depending on the timing of the the entry of the investor in the Concentrated Portfolio.

** Investments in securities are subject to market risks and includes price fluctuation risks. The past performance of the Portfolio Manager in any Scheme/option is not indicative of the future performance in the same Scheme/option or in any other scheme / option either existing or that may be offered. There is no assurance that past performances indicated in earlier Schemes/options will be repeated.

Pricing Structure

£ Plan A : 50 Lacs up to 2 Crs.

§ **Upfront Charges: 1.00%**

§ **Annualized Fees *: 1.50%**

* Annualized charges will only be charged on the amount deployed in equity & equity related instruments (Cash & equivalent will not be charged).

§ **Variable Fees ** (Hurdle Rate - 15%): 20% of Profit over Hurdle Rate**

§ **Exit Charge: Before 12 months – 2.50%, Between 12 to 24 months – 1.50%**

§ **Other Expenses: 0.15% (On Actuals)**

£ Plan B: 2 Crs & Above

§ **Upfront Charges : 0.50%**

§ **Annualized Fees *: 1.50%**

* Annualized charges will only be charged on the amount deployed in equity & equity related instruments (Cash & equivalent).

§ **Variable Fees ** (Hurdle Rate - 15%): 15% of Profit over Hurdle Rate**

§ **Exit Charge: Before 12 months – 2.50%, Between 12 to 24 months – 1.50%**

§ **Other Expenses: 0.15% (On Actuals)**

** Variable Charges will only be charged over the Hurdle Rate of 15% & will be charged on Mar 31 of every year. Variable Charges will follow the High Watermarking Strategy every Financial Year.

*** Other expenses like Custody Charges, Audit Fees will be charged annually but restricted to a max. of 15 bps

Investment Features

£ Mode of Inflow: Inflow can be in the form of cash and / or securities:

In case of cash:

- Domestic Investors: Cheque should be drawn in favor of 'Reliance Capital Asset Management Ltd A/C PMS'
- NRI Investors: Cheque should be drawn in favor of the account holder

In case of securities:

- Domestic Investors: Securities are transferred from the client's DP ID to RCAM's DP ID
- NRI Investors: The client can select only one Authorised Dealer for the purpose of investment under PIS (Portfolio Investment Scheme).

£ Through the Discretionary Client Agreement the client provides Reliance Capital Asset Management Ltd. the authority to take investment decisions and execute obligations on his behalf

Business Partners

We work with reputed business partners who bring skilled expertise in their respective fields

- £ **Custodian & Fund Accountant** : The Custody and Fund Accounting processes are managed by Deutsche Bank AG, a global service provider, who is the global frontrunner in the area of custody and fund accounting
- £ **Auditors**: The Statutory Auditor for Reliance Capital Asset Management is M/s. Dalal & Shah, Chartered Accountants and the Internal Auditor for Portfolio Management Scheme is M/s. Price Waterhouse, one of the largest professional services firm in India

Investor Touchpoints

£ **Newsletter**

A newsletter informing you about the fund manager's portfolio strategy and the equity market outlook. It will also provide International and Indian market trends and sector reviews

£ **Web Access**

- <https://www.reliancepms.com> provides access 24x7
- Reports accessible from the website:
 - § Holdings Statement
 - § Statement of Financial Position (Balance Sheet) on request
 - § Statement of Financial Performance (Profit and Loss) on request
 - § Capital Transaction Report
 - § Trade Transaction Report

£ **Emails:** Receive regular email updates like:

- Performance Appraisal Statement on request
- Portfolio Appraisal Report on request
- Transaction Statement on request

I be exposed to various risks depending on the investment objective, investment strategy and the asset allocation. The investment objective, investment strategy and the asset allocation may differ from client to client. However, generally, highly concentrated portfolios with lesser number of stocks will be more volatile than a portfolio with a larger number of stocks. Portfolios with higher allocation to equities, will be subject to higher volatility than portfolios with low allocation to equities. Risk arising out of non-diversification, if any- Diversified portfolios (allocated across companies and broad sectors) generally tend to be less volatile than non-diversified portfolios Given below are some of the common risks associated with investments in fixed income and money market securities. These risks include but are not restricted to: Interest Rate Risk, Liquidity or Marketability Risk, Credit Risk, Reinvestment Risk. The Portfolio Manager has previous experience / track record of more than three years since August 2004 in providing Portfolio Management Services by virtue of having commenced its activities after obtaining no-objection from the SEBI – Investment Management Department vide letter no. IMD/PSP/17209/2004 dated August 5, 2004. Please read the Disclosure Document before investing. .

Thank you
