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Publication : Business Line
Date : 22.07.2009
Edition : Mumbai

Page No. : 12

Reliance Cap plans stake sale in life insurance arm

Eyes private equity, investment banking biz

Our Bureau

Mumbai, July 21

Reliance Capital is considering a stake sale or an IPO in its life insurance business, and may also enter private equity and investment banking business.

An IPO, a strategic stake sale or a financial stake sale or a combination of these options is being considered for the four-year-old Reliance Life Insurance, said Mr Anil Ambani, Chairman of Reliance Capital, at the company's annual general meeting here on Tuesday.

"A final decision in this matter will be taken shortly," he said.

Reliance Life Insurance has emerged among the top four private life insurance players in the country. But the company is yet to break even, and the IPO plans would take time. Also, the Insurance

Regulatory Development Authority is yet to issue guidelines for IPOs for private sector life insurance companies.

During the last fiscal, Reliance Life Insurance generated new business premium of over Rs 3,500 crore, registering an annual increase of over 28 per cent.

The company has over three million policies in force. Reliance Capital's distribution network consists of 1,145 branches and 1.5 lakh agents.

Reliance Capital is also gearing to enter the investment banking business.

"Over the next 12 months, we plan to take our first steps in the world of investment banking. Given the scale and magnitude of our relationship across corporate India and the sheer size and reach of our distribution network, we are ideally positioned to cre-

ate a significant presence in this business," Mr Ambani said.

Reliance Capital has also drawn out plans for starting a private equity business.

DOMESTIC FUND RAISING

"The company has already commenced domestic fund raising for its first private equity fund with special focus on high net worth individuals and financial institutions," Mr Ambani said.

"This is a departure from the current norm, as domestic private equity players in India tend to raise most of their money in offshore markets. Our approach, as always, is first to cater to the needs of under-served domestic investors, before we set out overseas."

The focus of the private equity business will be on growth capital, buyouts, minority investment and acquisition financing.

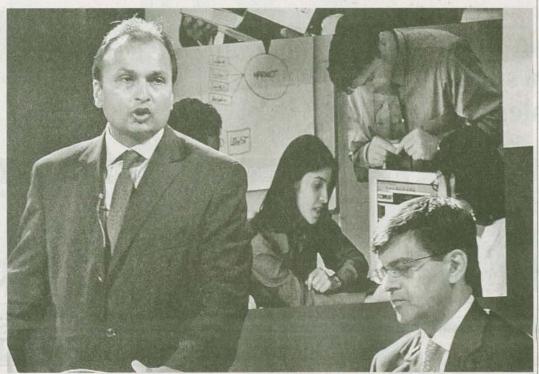
"We will put money in sunrise and growth sectors alike," Mr Ambani added.

Reliance Capital's other businesses include mutual fund, general insurance, retail and institutional equity broking, and consumer finance.

Reliance Mutual Fund was appointed as one of the six asset mangers by the Pension Fund Regulatory and Development Authority to manage funds under the new pension scheme.

An enabling resolution for a QIP placement by the company was passed at the AGM. A spokesperson said there are no immediate plans for a QIP but that the shareholder approval would be valid for 12 months.

On Tuesday, Reliance Capital closed 1.65 per cent lower at Rs 869.30,on the BSE.



Mr Anil Ambani, Chairman, Reliance Capital, addressing the annual general meeting in Mumbai on Tuesday as Mr Amitabh Jhunjhunwala, Vice-Chairman, looks on. – Paul Noronha