Reliance Capital Limited

Q2 FY16 Earnings Conference Call

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SPEAKERS: Management of Reliance Capital

Moderator: Ladies and gentlemen, good day and welcome to the Reliance Capital Q2 FY 2016 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Shah. Thank you and over to you Sir!

Kunal Shah: Thank you. This is Kunal Shah from Edelweiss Securities. Today, we have with us Mr. Sam Ghosh – ED and Group CEO, Reliance Capital along with the entire senior management team to discuss there second quarter earnings and discuss the strategies on the key operating businesses going forward. So over to you Sir!

Sam Ghosh: Thanks Kunal. Good evening to all of you and welcome to our Q2 FY16 earnings conference call. We have the CEOs from our businesses with us; Sundeep Sikka from asset management, K.V. Srinivasan from Commercial Finance, Anup Rau from Reliance Life Insurance, Rakesh Jain from Reliance General Insurance and Gopkumar, the CEO of the broking and distribution segment, as well as Reliance Capital's CFO, Amit Bapna.

Let me present a brief summary of our consolidated results and an update on each of our businesses. After that, we will take questions.

In this quarter, the total income increased by 13% to Rs. 24 billion. The consolidated net profit for the quarter increased by 15% to Rs. 2.5 billion, driven by higher profits in the Asset Management, General Insurance and Commercial Finance segment. The net worth of Reliance Capital increased by 10% to Rs. 142 billion as on September 2015. In the life insurance business, We continue to be the 5th largest player in the private sector, on Individual WRP basis.Profit for the quarter was Rs. 151 million. In general insurance, Gross written premium increased by 3% to Rs. 7 billion. In terms of gross premium, we are amongst the top players in the private sector. Profit from the business rose by 21% to Rs. 300 million. In Commercial Finance, Profit before tax for the quarter rose by 6% to Rs. 1 billion. The return on equity rose to 15.9% in Q2 FY16. In asset management, Our Mutual Fund average assets under management grew by 25% to Rs. 1.5 trillion, with a market share of 12%. We remain the 3rd largest player in the mutual fund industry. Profit before tax grew by 7% to Rs. 1.2 billion driven by higher mutual fund AUMs, mainly on the equity side. We have given detailed financials and operating parameters for each of our major businesses in our presentation and review report. I will now go through the main highlights in each business.

Reliance Life Insurance: In Q2 FY16, Reliance Life Insurance continued to be the 5th largest player in the private sector. New Business Premium rose by 2% to Rs. 6 billion, while Renewal premium increased by 8% to Rs. 7 billion. The industry growth continued to be driven by the ULIP segment. Being an agency-driven insurer, we continue to remain focused on the traditional product segment. Traditional products formed 85% of the Individual New Business Premium as against 74% in Q2 FY15. Total WRP rose by 1% to Rs. 6 billion. However, Individual WRP decreased by 16% to Rs. 2.4 billion due to fall in ULIP sales vis-à-vis Q2 FY15. Our exit from partnerships with third party distributors with poor business persistency, also contributed to the decline in individual premium. In Q2 FY16, the contribution of non-par business in Individual New Business Premium continued to be high at 77%, thereby supporting margins. For the period ended September 30, 2015, NBAP margin is higher than the reported FY15 margin of 27.7%. Overall persistency rose from 53% to 56% in Q2 FY16. The business continues to focus on Agency and proprietary channels, which have better persistency. Profit for the quarter declined to Rs. 151 million as surrender income decreased by Rs. 176 million, while core business profits improved. The declared results of Reliance Capital include consolidation of 48% stake in Reliance Life Insurance. Total funds under management was at Rs. 155 billion as on September 2015. Sum assured of policies in force was over Rs. 1 trillion. There are over 3 million policies in force. Reliance Life Insurance has a network of over 800 offices and 110,000 distribution touch points across India. The final Corporate Agency guidelines enabling open architecture in the bancassurance segment were released by the IRDAI in September 2015. Reliance Life Insurance will gain significantly as a result of the new regulations, as it offers an opportunity to garner a share of the bancassurance market, which was not available to us earlier.

Reliance General Insurance: Reliance General Insurance is amongst the top private sector General insurance companies in India - in terms of gross premium - with a private sector market share of 8%. The Gross Written Premium for the quarter was Rs. 7 billion - an increase of 3%. The combined ratio was relatively flat at 122% in Q2 FY16. The combined ratio for the short-tail business is approximately 100%. Profit for the quarter increased by 21% to Rs. 300 million. The return on equity rose to 12% in the quarter. Our focus in this business has been to improve profitability, while maintaining our market position. The business mix is continuously improving, as the share of commercial lines increased to 29% of the Gross written premium in the quarter. We have outperformed the industry growth in these profitable segments. As on September 2015, we have the largest agency force in the private sector with over 18,000 retail agents and over 125 branches. As mentioned earlier, the final Corporate Agency guidelines will be hugely beneficial in cultivating a profitable market share in the bancassurance segment.

Reliance Commercial Finance: Reliance Commercial Finance continues to focus on secured asset lending to niche segments of mortgage, SME and Commercial Vehicle loans. Disbursements increased by 10% to Rs. 29 billion. The assets under management grew by 12% to Rs. 209 billion. The outstanding loan book rose by 15% to Rs. 161 billion. We securitised loans worth Rs. 11 billion during the quarter. At the end of the quarter, 100% of the book continued to be secure. The total income for the quarter rose by 13% to Rs. 6.6 billion. Profit before tax increased by 6% to Rs. 1 billion. The return on equity was 15.9% for the quarter, as compared to 13.5% in Q2 FY15. The net interest margin was 5.8%, as against 5.5% in Q2 FY15. The cost to income ratio rose from 16.9% in Q2 FY15 to 17.7% for the quarter. The gross NPAs declined from Rs. 5.7 billion as on June 2015 to Rs. 5.4 billion as on September 2015. The gross NPAs are 2.6% of the assets under management, on a 90 day basis, a decrease of 21 basis points. The coverage ratio, including write-offs, at end of September 2015 stood at 54%. Excluding write-offs, the ratio was at 18%.

Reliance Home Finance: Reliance Home Finance Limited is a 100% subsidy of Reliance Capital and caters to the self employed segment in the mortgage sector. Housing finance, including home equity, is a key focus of our lending business and we will continue to grow our housing finance assets in a significant manner in the future. The assets under management grew by 65% to Rs. 65 billion. In Q2 FY16, disbursements increased by 73% to Rs. 8 billion. The outstanding loan book rose by 82% to Rs. 59 billion. The total income for the quarter increased by 74% to Rs. 2 billion, while profit before tax increased by 54% to Rs. 311 million. The net interest margin in the quarter remained stable at 4.5%, as we expand our portfolio more towards the lower ticket-affordable housing business. The return on equity was 15.8% for the quarter, as compared to 11.1% in Q2 FY15. The cost to income ratio improved from 18.6% in Q2 FY15 to 16.0% for the quarter. As on September 2015, the gross NPAs are at 0.9% as compared to 1.5% as on September 2014.

Reliance Capital Asset Management: Reliance Capital Asset Management manages Rs. 2.5 trillion of assets across its mutual fund, pension funds, managed accounts, offshore funds and alternative investment funds. Reliance Capital Asset Management is the largest Asset Manager in India. Reliance Mutual Fund is amongst the top three mutual funds in India, with a market share of 12%. The average assets under management of Reliance Mutual Fund were Rs. 1.5 trillion as on September 2015 - an increase of 25%. The improvement was driven mainly by higher equity AUMs, which rose by 53%, and contributed 34% to the overall AAUMs, as compared to 27% as on September 2014. The number of systematic investment plan and systematic transfer plan folios rose for the fifth consecutive quarter, indicating continued participation in equities by the retail investors. For the period ended September 2015, Reliance Mutual Fund registered the highest absolute growth in retail AUMs amongst the Top 5 AMCs. Reliance Mutual Fund continues to have the highest AUM sourced 'outside the Top 15 cities' amongst private sector AMCs. For the quarter ended September 30, 2015, the business generated an income of Rs. 3 billion - an increase of 41%. The business achieved a profit before tax of Rs. 1.2 billion - an increase of 7%. Reliance Mutual Fund continues to be amongst the most profitable mutual funds in India. Return on equity rose from 23% in Q2 FY15 to 25% for the quarter ended September 2015. Last month, Nippon Life Insurance signed definitive agreements to raise its stake in Reliance Capital Asset Management from 35% to 49% with an investment of Rs. 12 billion. The transaction pegs the asset management business' valuation at Rs. 85 billion. The Boards of both the companies have approved the increase in stake by Nippon Life. The transaction is expected to conclude before March 2016, subject to regulatory approvals. In October 2015, Reliance Capital Asset Management agreed to acquire Goldman Sachs Asset Management's onshore business in India for Rs. 2.4 billion in an all-cash deal, subject to necessary regulatory approvals. The Boards of both the companies have approved the transaction. GSAM India has a strong bouquet of schemes and a talented team, and will add significant value to our asset management business. The transaction is expected to close by FY16. Also, we are happy to share with you that we have been invited by the Coal Mines' Provident Fund Organisation to co-manage the investment of its corpus of about Rs. 750 billion. RCAM is proud to be the only AMC to be selected by all three government funds, i.e. EPFO, NPS and CMPFO. The mandate is recognition of the government's trust in our brand and performance.

Broking businesses: Reliance Securities is amongst the leading retail equity broking houses in India. The focus in this segment is on the key business verticals of equity and commodity broking, and wealth management. The equity broking accounts increased by 4% to nearly 762,600. And the average daily equities turnover stood at Rs. 17 billion. The number of commodities broking accounts rose by 26% to over 61,100. The daily average commodities turnover was at Rs. 4 billion - an increase of 23%. For the quarter, total income was at Rs. 541 million - an increase of 19%. The business had a profit of Rs. 7 million for the quarter.

Reliance Money: Reliance Money is amongst the leading distributors of financial products and services in India with a distribution network of nearly 150 branches. In Q2 FY16, total income decreased to Rs. 216 million, as the company has acquired a corporate agency license for insurance distribution and had exited insurance broking in Q3 FY15. The Company is focused solely on the distribution of our insurance and mutual fund products, as compared to selling all third-party products in the past. The business made a marginal loss of Rs. 3 million in the quarter as against a loss of Rs. 115 million in Q1 FY16. We have completed the restructuring in this business and expect to turn profitable in the coming quarters. Reliance Wealth Management: In wealth management, the assets under management stood at Rs. 19 billion - an increase of 101%.

Reliance Asset Reconstruction: Reliance Asset Reconstruction is in the business of acquisition, management and resolution of distressed debt and assets. As on September 2015, the assets under management rose to Rs. 12.5 billion - an increase of 19%. The profit before tax rose by 70% to Rs. 42 million in the quarter. The return on equity for the business improved from 5% to 8% in Q2 FY16.

In conclusion, I would like to say that, All core businesses are on track in terms of operating performance, and we expect each of our businesses to continue the trend of profitable growth on a consistent basis. Thank you very much. We can now take questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Samir Bhise from Macquarie.

Samir Bhise: Just wanted to get a sense on Life Insurance premiums this quarter? The results are very impressive. So what has happened there?

Anup Rau: I think a couple of things. One is that we were consolidating our distribution, so there was a lot of third party business we stopped doing business with. Second we changed our product strategy so ULIPs are a product category we are not selling. So we are pushing a lot of non-par products. The change in strategy has been since March last fiscal so it has taken some time for it to actually see.

Samir Bhise: But even during say last quarter interaction, we were saying that slowdown could persist for some more time?

Anup Rau: Yes, if you look at our core business has grown. By core what I mean is traditional long-term business that has grown, but then you know the ULIP which was about a quarter to a third of our business last year will continue to shrink and that is going to impact our growth this year.

Samir Bhise: Any range on what kind of premium growth are we looking this year?

Anup Rau: We still have the biggest quarters coming up.

Samir Bhise: Second question is on the commercial finance business. So we have AUM mix given in terms of home loan, LAP and all other segment, in terms of contribution to total AUM, I think there is a gap of around 10% to 12% of the book. Just wanted to get a sense on that, which is not reflected?

KV Srinivasan: Basically when you total it up, there is a gap of some 10% to 12% that primarily comes from the infrastructure segment, which is around 4.5% to 5%. The rest of it is the old car loan portfolio, which is obviously being kept flat at around 4% or so.

Samir Bhise: Infra and old car loan?

KV Srinivasan: Yes that is right.

Samir Bhise: This is a standard portfolio?

KV Srinivasan: Yes, absolutely. Standard portfolio.

KV Srinivasan: Thank you.

Moderator: Thank you very much. We will take the next question from the line of Hitesh Gulati from Heitong. Please go ahead.

Hitesh Gulati: My question is on the corporate loan book. How has the growth been on that? That is the first question. The second question that I have is on the AMC book, we have seen that the income that is the revenue growth has been around 41% but PAT has grown by only 7%. So has there been a lot of effort going into marketing in this quarter specifically and can you throw more light on that?

Amit Bapna: The corporate loan book plus the proprietary investments put together we would be flat as compared to March. Our endeavor like we said is over the next few quarters to try and reduce it. We have been selling a couple of our businesses, which is we exited our exhibition business; we are exiting our film and media services business in RMW. So we are taking steps to reduce the corporate loan book going forward every quarter.

Sundeep Sikka: On your question on the asset management yes, you are right. We have increased the marketing activities and overall I think during this quarter you would have seen a lot of visibility. We have been on TV, radio, Internet also and also we are trying to increase our home ground push. I think over the next couple of quarters we were waiting for the right opportunity for markets and the retail sentiment to become positive. So I think yes there is a little bit of a push but increased push, because of it expenses are a little higher, but we believe I think this will start yielding results from the next quarter onwards.

Shitij Gulati: Thank you.

Moderator: Thanks. We will take the next question from the line of Rakesh Mookim from Barclays. Please go ahead.

Rakesh Mookim: Thank you for taking my questions. Sir, on the Life Insurance Company, you had mentioned that the individual business actually degrew by around 16%. Sir, just wanted to get a sense on how do you see that kind of playing out and what could be the trigger for growth on that portion returning?

Anup Rau: I think if you look at the industry currently, I think most of the players who sell traditional have contracted significantly including LIC. What we are currently seeing is ULIP led growth. In fact for a couple of companies in case if you were to look at the net inflow is actually negative. In case you were to take into account, if you were to talk about new business plus renewals subtract surrenders from that. Now one of the concerns I definitely have is that the Industry NOPs are not doing well. So last year the NOPs have gone up significantly. This year it is up, but that is much on a lower base. In fact we are lower than 2007 currently in terms of number of policies. Now until those numbers start going up and you know the penetration in terms of the number of customers start increasing, I think a lot of this growth is going to be volatile because the ULIP led growth for life insurers frankly is not sustainable. So what we are trying to do is to make sure that our traditional book continues growing and we are confident about growing that. We consciously stayed away from ULIPs. You know almost all the contraction has happened in the ULIP space. Now, it is hard for me to hazard how long the markets will behave the way they are and how long some of the companies which have a bank will continue to push ULIPs, but suffice to say that as and when people stop pushing ULIPs and that proportion starts coming down, I think the numbers will start getting moderated. So it will take some time to build up on growth in terms of number of policies from there.

Rakesh Mookim: Sir, just in terms of a number what would be the amount transferred from the policyholders P&L to the shareholders P&L this quarter?

Sam Ghosh: First quarter we have not transferred anything yet.

Rakesh Mookim: Nothing in the financial year?

Sam Ghosh: For H1.

Rakesh Mookim: Got it. Sir on the general insurance business if I could just check the solvency ratio appears to be quite near the minimum requirement. So do you think there is any need for capital in the near term in that business? And does that limit growth in case you do not see any capital infusion over there?

Rakesh Jain: I think we have consistently been around 1.55. The larger intent has been the business is getting profitable and so it will generate its own capital for growth. So frankly speaking, the profitability is going up this quarter also we are up 21% up in profits and our solvency has moved 3-basis points from Q1 to Q2. So this clearly reflects that we continue to be better on our own. Having said that we do not see too much growth in the market around us for us to really pursue it. So we have been consistently looking at profitable growth and I do not see any problem in growing that at least. Any substantial more than that I think we can go for some nominal amount to capital if required, but I do not see that.

Rakesh Mookim: Sir, in terms of the profitability of the business, bulk of it is coming from the investment portfolio and in declining interest rate scenario do you think that there is a risk to the investment profits?

Sundeep Sikka: Investment income is the source of profit for most of the industry. So it is not very different for us. Having said that I think my investment income becomes important in the Indian context is that when you look at the third party liability claims these claims are settled also with interest to be paid to customers. So when you really look at the claims number, it has two components. One is the claims cost and also the interest cost for the delay in settlement of the claim. So ordinarily speaking the investment income actually goes on to support the interest, which you pay on the claims. So if the interest rates come down, invariably the quote rates for paying on the interest also comes down. So it more or less compensates both ways so we will have a neutral impact on the company as I see.

Rakesh Mookim: Sir, but would the investment portfolio be larger in size than the third party pool?

Sundeep Sikka: Yes of course it will be. So if you really see almost like 60% to 70% of our investments can be earmarked for third party. The rest is for the other lines of businesses.

Rakesh Mookim: Sir, just on the commercial finance business, there is a couple of questions. One is that the repayment or prepayment rate seems to be increasing slightly over the last couple of quarters and when do you see that kind of normalizing?

KV Srinivasan: We do not see any dramatic jump in the last one or two quarters. It has been more or less at the same level and in fact our efforts of retaining the customers have actually become better, so I would say that there is no cause for concern there at all.

Rakesh Mookim: I was asking because AUM and loan growth is higher than the disbursement growth and is there a case where it normalizes going forward?

KV Srinivasan: The loan book has actually being maintained at this level, because of our greater success in securitization. We did about Rs.1,100 Crores of securitization in this quarter itself and that is one of the reasons why the loan book has been kept at this level. In spite of us having probably one of the best quarters in terms of disbursement.

Rakesh Mookim: If you look at the AUM growth it is higher than the disbursement growth even loan portfolio is higher than the disbursement growth?

KV Srinivasan: That has not got to do with the prepayment, but more on the mix front and the way the book has been maturing over a period of time. So, I had not seen any uptick in the prepayment part.

Rakesh Mookim: The last question from my side is that what has been movement in the cost of funds on the commercial financial book; because of the NIM improvement seems to be coming from yields?

KV Srinivasan: Yes, it is gone down over couple of quarters to the extent of 25 to 30-basis points and so what we have done is that effective yesterday, we have also reduced our PLR going forward and passed it on to the customer.

Rakesh Mookim: What is cut in the PLR?

KV Srinivasan: 25-basis points.

Rakesh Mookim: Thank you Sir. That is from my side.

Moderator: Thank you very much. We will take the next question from the line of Prakhar Agarwal from the line of Edelweiss Securities.

Prakhar Agarwal: This is firstly on general insurance bit. We have been on the higher side of our combined ratio and this time also we have seen that is inching up to 122 odd percent, so some sense on that, last time we had highlighted because of some calamities this has inched up and got passed to 122 odd percent?

Rakesh Jain: I think there is a bit of conceptual thing, which needs to be understood here. As I said earlier in another question, the TP book is almost like 80%, 90% of our outstanding claims, and this would be significant for most of the industry. For Reliance General Insurance in proportion it is slightly more, because we have been strong motor players from the past. When you settle a TP claim, you set of the TP claim with interest on that claim also, invariably if you suppose there is a Rs.100 claim and you are settling it after three years and the court settle it at 8% interest per annum, then you will pay 8 x 3 Rs.24, so you will settle it at Rs.124 and the combined ratio will look Rs.124, but what happens is this Rs.24 has corresponding investment income below the line, which goes and offsets this Rs.24, so the end result becomes Rs.100. When you see a combined ratio for Reliance at Rs.122 and a profit of about Rs.30 Crores it is basically more of an accounting impact, it is not that the true profitability of the company is impacted. I see this improving for us as we move on. Given the fact that our proportion of third party business is coming down and non-motor business is growing. For example, if you see in this quarter, the growth of commercial lines business has been very high 36% for us. So, clearly the proportional of business, the strong investment income all this is going to the bottomline of the company and I think the third party accounting side is predominantly to understand it. It is not that the profitability is on the wrong side.

Prakhar Agarwal: On that front, what was the investment income in General Insurance, because the profitability that you said of Rs.30 odd Crores, what proportion of that will be your investment income?

Rakesh Jain: I can tell you the total investment income for us for the quarter was about Rs.125 Crores.

Prakhar Agarwal: On the General Insurance, the gross debt and premium has been bit fairly muted this quarter, so we have not seen that and when I see that in terms of the various segments that you report, so the mix is considerably shifted away from Health Insurance, so from 28% it is gone to 30 odd percent, so anything that you want to highlight on that or it is just a bulk business that has gone out of the work or something like that?

Rakesh Jain: I think in the Health you are right, it is like few big large government projects they have got delayed. Having said that I think from the other standpoint, we are not pursuing too much of motor business and within the motor third party is the growth segment in the industry, so we believe we are creating the non-motor for better profitability in the future. So our growth in the fire business, for example it upwards of 30% and that will contribute to significant amount of combined ratio benefits in the next four quarters.

Prakhar Agarwal: On the financing business, we have seen a margin improvement and that was largely because of your yield improvement, so anything to do with mix change how is that coming your margins your yields on advances has gone up?

KV Srinivasan: Primarily, it has been because the reduction in the cost of funds that is the largest contributor. In terms of mix the percentage of home finance has certainly gone up to a certain extent, so that is only the large change. I would expect the NIMs to be maintained more or less at the same level.

Prakhar Agarwal: Last thing on the Life Insurance, we have seen AUM have been declining and this quarter was no different, so any thought process are the same and your thought process in terms of why are we not focusing on ULIPs as such?

Anup Rau: Starting the worst will be behind us in the next may be nine to 12 months. We did sell a lot of ULIPs prior to do 2011 which are low ticket size and they have finished lock in period, so a lot of that is getting surrendered, now as you are aware we will focus on building a traditional book for the last couple of years and we will be continuing on that part. So, I think over the next nine months you should see this problem go away. The reason why we are selling ULIPs, I think the two issues over here. One is that ULIP product set to be extremely volatile. So in case you have seen for peer companies, which have sold ULIPs, we have seen the market share and market positions, move dramatically over the last five years. The real challenge is that the market start doing well not only does the topline improve, but even the redemptions go up. So like I mentioned earlier for a lot of players, their inflows are actually negative, which is getting these guys in H1, because your new business plus renewals less surrenders is actually negative, it is not a positive number. The other thing is that obviously the affordability of it, unless you have a channel, which can deliver value to the customer by delivering the product at lower charges it is going to be very hard for agency or a direct company to start selling ULIPs at this point in time.

Prakhar Agarwal: Thank you so much Sir.

Moderator: Thank you very much. We will take the next question from the line of Manish Shukla from Deutsche Bank.

Manish Shukla: Good evening everyone and thank you for the opportunity. First is on commercial finance. If I look quarter-on-quarter that is September over June, there is a handsome jump in the CV AUM and LAP AUM. CV book has gone up by about 27% and LAP is about 15%. It is a fairly large part of your AUM, what is driving that? Especially LAP in an environment where there is so much of concern around that particular segment?

KV Srinivasan: Manish, actually one what we have done from this quarter is the mix number has been given for the loan is AUM mix rather than previously we used to give a loan book as an on-balance sheet loan book mix. So I think that is the difference. In fact this CV book has been declining over the last few quarters in absolute numbers as well as in terms of percentage.

Manish Shukla: Sequential how would have LAP moved from AUM to AUM, so the 23% LAP AUM, what would that?

KV Srinivasan: Flat, no change. Not much change.

Manish Shukla: Okay fine. On the Life Insurance, could you again please quantify the extent of surrender profits last year Q2 and again in this quarter?

Anup Rau: So, surrender income has declined by about Rs.18 Crores. If you compare business-to-business profits, we have seen marginal growth.

Manish Shukla: What was the extent of surrender income in the second half last year?

Anup Rau: Not much actually almost all the surrender profits which is about Rs.41 Crores was in H1, we are about Rs.13 Crores in H2.

Manish Shukla: In which period the business profits should translate to bottomline in the second half this year?

Anup Rau: Yes.

Manish Shukla: Just going back to combined ratio in general insurance and the explanation that was given I mean what is surprising in case of Reliance General Insurance if I were to look at last 10 quarters other than the first quarter of the fiscal year every year, combined ratio has been 120 plus. Now, I do appreciate that the settlement is inclusive of interest income, but this seems to be disproportionately large for a long period of time that is point number one and point number two you do get interest income, but then that interest income you are earning any which ways even without the settlement that interest does approve to you. So I am not sure I fully understand the net impact that was explained

Rakesh Jain: I think there are two things. The first quarter is always going to be low for most of the industry, because large portion of corporate businesses get renewed on April 1. For most of the industry, the retail businesses do catch up in the subsequent three quarters, so that is one of the reasons. Having said that I think when you see the Reliance General Insurance and if you compare with all the peer companies, you will see our investment book is also disproportionately higher than most of the people who write or who have written lower business or motor in the past. So if you see our investment income and compare with the two, three companies, which are at the same size, you will see our investment income is also 20%, 30% higher that is predominantly to pay off that interest which you pay on the third party claims.

Manish Shukla: You have claim, which is under dispute and not yet settled. Do you apportion anything as an interest charge through the P&L to it or you recognize only when it settled?

Rakesh Jain: It is recognized on an accrual basis. Let us say, there is Rs.100 outstanding claims, there is an accident, which is intimated today through the court, so we will reserve that amount and that amount of course cash flow wise lies in investments. While it will take two, three years for it to get settled, so you pay with the claim, but at the same time, the money, which you are having it, investment is also fetching you the investment income. So, it is more of a knock off. Unfortunately from an accounting side, these things come independently. If interest received then interest paid were to be knocked off on a matching concept I guess this problem will get resolved, but then we all make our financial the way IRDA prescribes.

Manish Shukla: In your assessment, this will purses for a long time given that log off cases etc?

Rakesh Jain: We are trying to grow the non-motor book, to that extent the other proportions of the book will continue to always have a positive impact on this, but I think this would stay high for us, but simultaneously we are very confident then we will be able to maintain the growth in our ROEs, the way you would have seen in the last few quarters.

Manish Shukla: Would appreciate if you could disclose your investment income every quarter either in the presentation or some?

Sam Ghosh: We can note that.

Manish Shukla: Thank you.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to Mr. Kunal Shah for closing comments.

Kunal Shah: Thanks everyone for participating in the call and thanks everyone in the management for giving their perspective on the operating businesses. Thank you.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.