Reliance Capital Ltd Q4 FY18
Earnings Conference Call

April 27, 2018

SPEAKERS: Management of Reliance Capital Limited

Moderator: Ladies and gentlemen Good day and welcome to Reliance Capital Limited. Q4 FY2018 Post-Earnings Conference Call hosted by Reliance securities limited. As a reminder all participant lines will be in the listen only mode. 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Asutosh Mishra from Reliance Securities. Thank you and over to you sir.

Asutosh Mishra: Thank you. Good morning everyone and welcome to the Reliance Capital 4Q FY18 Earning Conference call. Today we have with us Mr. Anmol Ambani – ED, Reliance Capital, along with CEO of respective business, other senior team member to discuss 4QFY18 Earnings and Key Business Strategies going forward. So over to you sir.

Anmol Ambani: Good morning to all of you and welcome to our FY2018 Earnings Conference Call. We have the CEOs from our businesses with us. Sundeep Sikka from the Asset Management Business, Devang Mody from Reliance Commercial finance, Ravindra Sudhalkar from Home finance, Rakesh Jain from Reliance General Insurance, Ashish Vora from Reliance Nippon Life Insurance, Gopkumar from Broking and Distribution segment as well as Reliance Capital's CFO, Amit Bapna.

I am very happy to say that total income for the year increased by 13% to Rs.199 billion. and profit rose by 21% to Rs. 13.1 billion**.**

In terms of operating performance, the core businesses have achieved significant growth in top line with a strong improvement in profitability.

Now we will present a brief update on our core businesses performance. Beginning with Sundeep Sikka from Reliance Nippon Life Asset Management.

Sundeep Sikka: Good morning everyone. I am very happy to state Reliance Nippon Life Asset Management is one of the largest Asset managers with Rs.4 trillion of assets under management, an increase of 13%.

Reliance Mutual Fund, is one of the largest players in mutual fund industry with a focus on high-yielding assets. As a result, share of our equity assets rose from 27% to 36% for the quarter ended March 31st, 2018. The number of systematic investment plans also rose to more than 2.5 million, resulting in an annualized SIP inflow of approximately 90 billion. We continue to be amongst the leaders in beyond 15 cities segment. This segment contributed AUMs of more than 513 billion, an increase of 25%.

Reliance Mutual Fund has added highest retail asset of 206 billion. Currently it manages overall retail assets of 732 billion. amongst the highest in the industry. Digital purchases have more than doubled to 335,000 for the quarter ended March 31st, 2018.

RNAM is one of the largest players in the ETF space with a 17.5% market share, and average assets under management of Rs. 133 billion for the quarter ended March 31, 2018. RNAM is the only AMC to have 16 years of track record in managing ETFs.

On our international business, we closely work with Nippon Life Insurance. As on March 2018, RNAM manages and advises on assets worth approximately Rs. 87 billion from offshore regions. Reliance AIF has a commitment of over Rs. 20 billion across various AIF schemes as on March 31, 2018. For the year ended March 31, 2018, RNAM's total income increased by 26% to Rs. 18.1 billion. Profit before tax rose by 25% to Rs. 7.3 billion in FY18. Return on equity was at 25% in FY18

The Board of Directors has proposed a dividend of Rs. 1 per share. It is in addition to the interim dividend of Rs. 5 per share, distributed in February 2018.

I would now invite Mr. Devang Mody from Reliance Commercial Finance for his comments.

Devang Mody: Good morning everybody. We have adopted a customer facing brand of Reliance Money for Reliance Commercial Finance, the objective is to focus on our current strength as well as transform our self into diversified new age financial service provider. This new brand better resonates our target segments, which is both commercial as well as SME customers. And also, with our retail customers.

Now on the results, the AUM was largely flat at 165 billion, while the outstanding loan book rose by 10% to 137 billion. Our Portfolio rebalancing strategy is progressing well and AUM growth was subdued as a result of run-off in our non-focus areas like loan against property, construction finance and commercial vehicles, which during the start of the financial year contributed close to 40% of AUM. The total income for the year increased by 9% to 21 billion. The gross NPA on 90 days basis improved materially to 2.6% versus 3.7% as on March 2017.

We have progressed well on resolution, settlement of some of the sticky accounts thereby reducing GNPA and Net NPA percentage. Profit before tax reduced to 2.8 billion compared to 3.4 billion in FY17. The decline can be attributed to low growth in assets due to portfolio rebalancing, accelerated write-off and settlement of few accounts and investment into retail business. The Net Interest Margin in FY 18 improved from 5.6% to 5.9%.

As laid out in earlier quarters, we continue towards realignment of our portfolio in line with our long-term growth strategy. We entered the space of retail financing in Quarter 3 FY18 and initiated lending in 2-wheeler, personal and used car segment. We have also launched digital lending platform for retail segment in last quarter which has mobile based application a capability, backed by APIs as well as decision engines. During last year disbursement in retail segment was Rs. 2.8 billion. We expect to rapidly expand in retail segment in the coming quarter, thereby creating significant presence over the years.

I would now invite Ravindra Sudhalkar from Reliance Home Finance for his comments.

Ravindra Sudhalkar: Good morning. Reliance Home Finance Limited is in the business of home loans, including the affordable segment, loan against property and construction funding. In FY18, the Assets under management grew by 47% to Rs. 164 billion. During the period, the disbursements increased by 19% to Rs. 87 billion. 51% of the assets under management were contributed by the home loan and the affordable home loan segments. 75% of the Home Loan disbursements cater to the self-employed segment.

The total income for the year increased by 46% to Rs. 17 billion. The profit before tax rose by 97% to Rs. 2.7 billion. The net interest margin for the year, after adjusting for NPA reversals, rose to 3.9%. Our guidance continues to remain in the range of 3.5% as we grow our portfolio in the affordable home loan segment. The cost to net income ratio improved from 55% in FY17 to 38% on account of higher productivity and increased efficiency. As on March 2018, the gross NPAs remained stable at 0.8% of the assets under management. The coverage ratio at end of March 2018 improved to 49% as against 40% as on March 2017.

The Company had a capital adequacy ratio of 19.7% as on March 2018, with a Tier I ratio of 12.6%. Reliance Home Finance continues to enjoy the highest rating of 'A1+' for its short term borrowing program, and 'AA+' for its long term borrowing program.

We are operational in over 125 locations in the country through the hub and spoke model, and would continue to expand this footprint.

The Board of directors has proposed a dividend of Rs. 1 per share.

I would now invite Mr. Rakesh Jain form Reliance General Insurance for its comments

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Rakesh Jain: Thanks Ravi. Good morning. The General insurance industry witnessed strong growth of 17% in FY18, growing across multiple segments, primarily health and motor. 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 7.7%. The Gross Written Premium rose, better than the industry, to Rs. 51 billion - an increase of 28%. Also, premium from preferred segments such as private cars, health and travel as well as commercial lines continued to grow in line or better than the industry.

Profit for the year increased by 27% to Rs. 1.7 billion. The combined ratio improved from 120% in FY17 to 111% for the year. For the period ended March 31, 2018, the combined ratio for the short-tail business continued to be approx. 100%. The investment book increased by 19% to Rs. 80 billion as on March 2018. For the year ended March 31, 2018, the return on equity improved from 11% to 12.4%. The solvency ratio is maintained at 168% as against the regulatory minimum of 150%.

Our focus has been to improve profitability as well as our market share. The company continued to diversify its distribution network with a strong line-up of bancassurance partnerships with major banks. The company has registered a sharp increase in online channel with 40% growth in premium collected and 34% growth in number of policies sold in the year.

As on March 2018, we have the largest agency forces in the private sector with approximately 27,900 retail agents and 128 branches. Reliance General Insurance has concluded distribution tie-ups with over 20 financial institutions. Also, the company has aligned itself with several automotive manufacturers. The Company is under discussion for similar tie-ups to further augment its reach across the country.

And now I invite Ashish Vora From Reliance Nippon Life Insurance for its comments.

Ashish Vora: Thanks Rakesh and good morning everyone. I am very happy to share that our journey of quality and profitability continues in a steady manner and we have achieved significant improvement across key metrics in the company.

The total premium was at Rs. 40 billion while renewal premium increased by 6% to Rs. 32 billion. As a conscious business strategy, we continue to stay focused on the traditional product segments which forms 75% of the individual new business premium in FY18 therefore, supporting profitability. Value of new business increased by 46% to Rs. 3 billion in the last fiscal. The business achieved NBAP margin of 37.7% which is the highest in the industry. Overall, persistency rose sharply from 65% to 72% as of March 2018. The business continues to focus on agency and proprietary channels which have a persistency upward of 70%.

Our continued growth in renewal premium along with higher persistency demonstrate our emphasis on improving the quality of business and customer centricity. In FY18 the business made a small profit of Rs. 5 million as compare to our loss of Rs. 611 million in FY 2017.

Sum assured of policies enforced was at Rs. 962 billion. There are approximately 3 million. policies enforced at this time and we operate though our network of 750 officers with over 65,000 active advisors across India. With support from better agency productivity, higher persistency, and improved margins we expect to improve our profitability and increase our market share in the private sector.

Total funds under the management grew by 11% in the last fiscal to Rs. 191 billion as of March 2018. The business employs the traditional method for calculating embedded value. As of March 2018, the embedded value rose by 6% to Rs. 32.2 billion. Reliance Nippon Life successfully initiated the distribution tie-up with Bank of Maharashtra in the last fiscal. In the last quarter we began business across 1,880 branches of the bank.

I would now like to invite Gopkumar from the Broking and Distribution segment for his comments.

B. Gopkumar: Good morning. Thank you, Ashish. Reliance Securities is among the leading equity broker and distributor of financial products and services in India. The full year, the equity broking account increased by 7% or 855,600 accounts. Our average daily stock exchange turnover rose by 44% to Rs. 53 billion. The average daily turnover in the cash - equity segment rose by 28% over 3 million. Our mobile market share is at 11%. 97% of our broker accounts are digitally opened and the clients are able to trade on the same day. The number of commodity broking account rose by 27%, approximately over 1,02,000 accounts. And the average daily turnover in commodities rose by 23% to Rs. 3 billion.

In wealth management business, our asset under management stood at 61 billion. an increase of 47%. For the year the total income increased by 13% at Rs. 3.5 billion. the business had a profit of 495 million in financial year 2018, increase of 19% while the return on equity was 19%.

Now I would like to invite Anmol for his closing remarks.

Anmol Ambani: Thanks Gop. We continue to be solely focused on the financial services sector. We aim to achieve leadership positions in core businesses and scale new heights. We expect to improve our market ranking across businesses over the next few quarters, as well as achieve a Return on Equity in the range of 15% to 18% in each of them. Also, the independent listing of Reliance General Insurance is expected to create further value for our shareholders.

The Board of Directors has proposed a dividend of Rs.11 per share.

With those comments, we would now like to take your questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Anirudh Agarwal, from AAA Investments. Please go ahead

Anirudh Agarwal: I had a few questions on your general insurance business. So, what has been your experience on the crop insurance side? Some of the insurers were talking about higher losses. How has your experience been?

Rakesh Jain: See crop insurance business by the nature of it is like a catastrophe business. You will have a degree of variances happening each year. Structurally speaking, this business requires a spread of risk and in Reliance what we have tried to do is that we have gone and done businesses across multiple agro-climatic zones, multiple geographies, doing business across the Kharif and the Rabi seasons. The spread of risk is important, so that your kind of average out any kind of variances in the weather patterns. We have in the last 2 years of this new scheme Pradhan Mantri Fasal Bima Yojana, I have said in the previous quarter also, the first year was a fantastic year. The year which is going by is not as good as the first year. But we are quite good in terms of a positive bottom line and I think we continue to be conservatively reserved. We generally reserve ourselves fully till the season ends. So that even if there is any adversity at a certain stage, it does not come as a shock in terms of accounting. So, overall our experience is reasonably positive for both the years, and we continue to build a diversified strategy in this.

Anirudh Agarwal: Okay. By positive bottom line you mean a positive underwriting or positive operative profit?

Rakesh Jain: Positive underwriting. I must also add just for the sake of explaining this, that the crop insurance portfolio this year, we have undergrown the industry growth rate. Our growth in the crop insurance has been about 8%, and my belief is that the industry has grown around 17% or 18%. Again we have not chased this business for growth at the cost of where we could not really see the risk well.

Anirudh Agarwal: Okay. And what about the reinsurance rates. Has the reinsurance rates hardened this year?

Rakesh Jain: See Reinsurance is a function of experience and this experience is generally embedded at the domestic level as well as the global level. Some of the catastrophic rates and all this year has been harder across the world because of the events which have taken place in the US and all. Structurally when these close down to any market, it really gives them that bit of upward lift or a downward lift. Now this year is the year wherein we are balancing some bit in the rate, but then what we generally see is that the portfolios which have behaved well for them, they have been able to absorb the rate increases better. The portfolios which have not really generated returns for the reinsurers, I guess the experience can be bit more tough. For us, it has been quite neutral.

Anirudh Agarwal: And one question on your growth prospect in the General Insurance business going forward. So what kind of growth rates can we expect for the next say 3-5 years? And which segments will contribute the most to that?

Rakesh Jain: It will be difficult for me to quantify the growth rate, but I can say that the industry is quite promising. It is growing between 15% to 20% and we expect to grow around those line.

Anirudh Agarwal: At which segments specifically?

Rakesh Jain: We are growing all across. India is an opportune country to be in at this time and insurance penetration is really quite low.

Anirudh Agarwal: Okay. Because in motor the third-party hikes have been lowered this year. So, do we see that having an effect or you think that's alright.

Rakesh Jain: I think more than third party it's like a seasonal thing, it is experience-driven and also it depends on the focus and the tie-ups you have in place. So obviously there will be a limited impact, but it will not be a body blow.

Moderator: Thank you. The next question is from the line of Shiv Kumar from Unify Capital. Please go ahead.

Shiv Kumar: My first question is to Ashish with regards to Reliance Nippon Life Insurance. It's very positive to note the transformation that we are seeing in the various operating metrics, but I just wanted to get more sense on the marketing strategy of the company and what is stopping Reliance Nippon Life Insurance to get more banks onboard for Bancassurance. Because Bank of Maharashtra to be frank doesn't instill much confidence in terms of distribution reach?

Ashish Vora: Your question is really around what stopped us getting more banks on board. So, as you know Bancassurance is an old business in the country and a large part of Bancassurance is really held by the captive players. As in the promoting group is a bank which also promote life insurance company. And the only opportunity for banks to take more insurers is after the open architecture came into the country over just about 2 years ago. As you know, in the private segment, not many banks have opted to go for the open architecture option. And therefore, the market credibly remains tied-up with the singular player that the bank has been for the last 12 or 15 years. The only opportunity Bank of Maharashtra is actually opening up at this time is PSU banks where there is interest in open architecture. Because traditionally there have been with only LIC and therefore, they see an opportunity of now tying up with the private insurance companies. So, while we point agree that the private bank is the larger opportunity and we remain focused in trying to get more banks on board, at least those agreeing to go for open architecture, but at the immediate time the opportunity is larger with the RFPs of PSUs coming in. Other, there are actually another 2 or 3 PSUs that are lined up in getting the RFPs out. This year itself over the next 60 to 90 days I would think we would see closures of at least 2. In my mind therefore, while we continue to work on the private side, assembling 3 or 4 PSU banks is reasonable distribution strategy and a profitable one from the next 3 to 4 years.

Shiv Kumar: Sir I assume that you are also focusing on smaller private banks and also the recently emerging SFBs?

Ashish Vora: Yes. We work with Equitas, and we do have many of the smaller banks. I don't mention them in here because the volumes that's they generate are small and the banks are in nascent stage. We have worked with Equitas in significant manner. Equitas is a private bank that has gone for open architecture. They have 3 partners. We are one of them, and we do generate about more than a third of the business of insurance for them.

Shiv Kumar: When you say the persistency of 72% at FY18, which number are you referring to. Is it 13 months or a 5 year.

Ashish Vora: Both numbers referred to are the 13th month persistency 65% and 72% number.

Shiv Kumar: My next question is with regards to General Insurance. So, what is the time lines for hitting the market?

Rakesh Jain: I think we are ready in terms of all the approvals. We are just perhaps watching some of the market development s and take a view.

Shiv Kumar: Okay. So, you are good to go right!

Rakesh Jain: It is just the time lines which we need to internally decide.

Shiv Kumar: And my final question is with regard to the group per se. Because Reliance Capital balance sheet is still carrying those investment in 3rd party companies, and also some of the group companies. And frankly in spite of the very good performance in the underlying subsidiaries this particular balance sheet figure has been over hang on the stock's performance. So, can you share some specific actionable deadlines by which you will be able to unwind some of this and may be pay down some of the debt.

Amit Bapna: We are working on monetizing most of our non-core investment. We have exited Sula vineyard in Q4. We are at various stages of Exit. By the next four quarters you will see significant exits and de leverage.

Shiv Kumar: Yes sir. But as a shareholder, I just want to share this fee back that, that particular thing has been a strong over hang on this stock. because we see that the underlying subsidiaries were doing really well, and all the new management has taken over as doing a really good job, but this particular thing has been affecting the stock performance. I would hope you take this feedback from the shareholders.

Amit Bapna: Sure.

Moderator: Thank you. The question is from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi: Two-three things I wanted to ask was, in this standalone balance sheet now with the fact that we have the AMC money coming through and you have done some stake sales also, why is that your overall debt, like borrowing in terms of both long term and short term put together has not come down. Short term is declining but then the long term is on the higher side. So, what is the reason that we have not seen a decline there?

Amit Bapna: I think we have done some small exits so far. Couple of larger ones are at advanced stages. Once we complete those transactions you will start seeing significant decline in the balance sheet size. We are confident over next 2-4 quarters. You will see a decline there.

Kajal Gandhi: Sir but we have the AMC money coming through, correct? Of these segments on the IPO and the stake sale earlier of Nippon. So that money is also not getting reflected.

Amit Bapna: The AMC part of the IPO was primary. We sold only 1% and balance was sold by Nippon life. So, there is not significant money which came in from AMC transaction.

Kajal Gandhi: Sir, what is the amount that has come in from the Sula Vine stake sale?

Amit Bapna: Around 270 crores.

Kajal Gandhi: That's the gain or?

Amit Bapna: No that's the transaction inflow.

Kajal Gandhi: Sir, what would be the gain?

Amit Bapna: Roughly 100 crores.

Kajal Gandhi: Okay. And this is on commercial finance. What will be the outlook now for growth that we are doing all the restructuring? By when we should see growth coming back. Because the bottom line is also being consistently going down. So how we are going to see some revival there?

Devang Mody: Two things, I think as far as growth outlook is concerned, coming this fiscal which is FY19, we will be on our charted growth trend trajectory. As far as bottom line is concerned as last 2 quarters we have invested in growing the retail business and also gone for aggressive settlement of some of the NPA accounts which has led to bottom line reducing, but our process of strengthening our balance sheet continues. So, in this financial year, we should be on growth trajectory, both in AUM as well as in profits.

Kajal Gandhi: So what kind of ROA are you looking at?

Devang Mody: All the long-term growth strategy we aim as upwards of 15% ROE. It will depend on how our mix start changing. There is a mix of businesses there. retail business Slightly higher ROE. But slightly higher embedded loss and larger ticket businesses were lower ROE, but lower beta in the portfolio. So as our mix progresses, our ROEs will start improving.

Moderator: Thank you. The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar: My questions are basically in Q2 I had asked about the investment book. At that time, it was told that it is about Rs. 14,000 crores to Rs. 15, 000 crores. And I think it was said that it will be wound up quite soon, that is by the end of the year. But that has not happened yet. In the sense that some exits have been done. Can you tell us what is the; I think you have answered some of it, but I would like to get in to a bit specific as to what is the remaining amount which is to be unwound yet, and what is the new time period we are looking at. I think the pace of the sale is still a bit too slow, then what was basically guided. Are we not getting the prices and you know, why is there a big delay in this?

Amit Bapna: No. Basically like you said, these are all primarily unlisted investment. They do take time. Even the ones we have exited took couple of quarters for us to close the transaction. So, they are at various stages, some of them are advanced stages. We over the next 2 to 4 quarters should significantly realize cash from all of those investments.

Jiten Parmar: Or are we still working with that we will be able to realize that 14000 to 15000 crores which we had talked in Q2.

Amit Bapna: Yes, we expect to realize that entire amount towards the coming 2 quarters.

Jiten Parmar: Basically, another thing is that this Reliance General Insurance, you have answered the question that it will be listed. So, will it be a IPO or will it be a demerger or what will it be.

Rakesh Jain: I think we have gone for the IPO, our filings will be there in all those lines.

Jiten Parmar: I think one question which will be there on all share holders' mind, the company is sort of getting more into a holding company type of structure.. Then what happens is that the company gets a big holding company discount. And essentially the shareholders are not rewarded because of that. I think, at certain things where it is possible to demerge I think demerger creates more value for the shareholders. So, shouldn't that be looked into?

Amit Bapna: I think the effect would be similar. I think we will continue to be holding company for all the large businesses that we spoke about. And there will be enough value for shareholders, going forward as well. **Jiten Parmar:** Okay. My final question is basically to the Reliance Communication. Last time we discussed, and it was mentioned that is about 1500 crores. So, anything on that front, what is the status on that.

Amit Bapna: Yes, I think we expect a resolution in this quarter.

Jiten Parmar: Okay. Great. I think that's all I need to ask. Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir in our balance sheet, standalone we had a 6500-crore odd exposure to entities of associate companies/related parties. So, what has been the income realized or in that front this quarter end this year.

Amit Bapna: No. We have realized the full whatever that coupon was on those debentures. We have realized that full amount.

Sarvesh Gupta: So, 11% of around 6500 crores has been booked.

Amit Bapna: Yes.

Moderator: Thank you. The next question is from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi: Sir one more question on this Reliance Naval. What could be our exposure there, being the group company?

Amit Bapna: Zero.

Kajal Gandhi: No exposure that we carry in any form in this company.

Amit Bapna: No.

Kajal Gandhi: And apart from Reliance Communications, which are the other group companies that we are having exposure to?

Amit Bapna: We Reliance Capital was always promoters for our entertainment businesses. Our primary exposure is to those entertainment business, nothing beyond that. Whatever else is there, has been disclosed in the annual report in the past and will continue to be reported.

Kajal Gandhi: What is on the LI front? Are we looking at now what will be the protection mix of ours in the life insurance business?

Ashish Vora: What do you mean by protection? Do you mean Term?

Kajal Gandhi: Yes, term business. Whatever is in the term or credit life or whatever segments which you are into.

Ashish Vora: Right. In our product mix, a very large proportion comes out of guarantees. Now Guarantees is a combination of some protection, there is a mortality element in that. But there is a saving element with a guaranteed return. That is very large proportion of our sale. Then we sell some endowments and a reasonable amount of ULIPs. Pure term in itself is not a very large part of our portfolio. Bulk of customers actually ended up buying guarantees from us. We are in the process of filing new products on the online term side, and therefore going forward we will expand somewhat in the protection space. I must also tell you that we have found the strategy of attaching riders to be very effective in the last year. So, the consumer preference is more to take some amount of term through the rider strategy as an add on, rather than pure protection as a standalone purchase.

Kajal Gandhi: Okay. Are these large guarantees the reason for your higher NBT margin? Because the margins that you have disclosed is not what anybody in the industry has?

Ashish Vora: Indeed. That is actually one of the reasons of supporting the higher margin. The other reason of course besides higher non par, is the fact that we were able to move to larger amount of longer pay. The third reason of higher margins of course also is the higher ticket size that we were able to do. So, the whole movement to last year to this year of margin change has 3 or 4 of these underlying factors. Of course, that is all on the back of the Non par, strategy or the guarantee strategy that we follow.

Kajal Gandhi: Can it not be detrimental in the future, being higher guarantee because Industry as we see is not many players has looked for guaranteed products actually.

Ashish Vora: Right. So, this is being a question in earlier quarters as well and I had explained our point of view on this. Reliance Nippon Life continues to be a tail player and we operate through 750 branches across a very wide geography of India. So, we have significant presence. Tier 3 and Tier4 towns. So, when you look at urban India, then you look at Metros. The preference there of course is little more towards ULIPs and there is a risk-taking ability of investing in the equity market. But as you go lower into India, the consumer preference appears to shift to more of assured return and less of risk taking ability. And that is one of the reasons why we continue to follow a higher guarantee strategy because that aligns better to our customer segment and our distribution strategy. There was a question earlier on banks and Bancassurance. So, if you are able to do a large private bank tie-up, the strategy for that bank would of course be very different. We would follow a higher ULIP Strategy there, because urban banking community does attract, higher amount of larger income segments. So, we have to play the game depending upon the distribution strategy and ensuing customer stats.

Kajal Gandhi: Sir you don't see any major competition in these cities where you are saying you are a good player for guarantees?

Ashish Vora: There is lesser competition there. I am not saying there is no competition. So LIC has presence in all these cities. So, do one or two other life insurance players. Incidentally the strategy of other private players in these cities is also more guarantee oriented.

Moderator: Thank you. The next question is from the line of Samarth Patel, and individual investor. Please go ahead.

Samarth Patel: In the past you have talked about divesting our non-core holdings and one such holding is there in one of the listed funds. That is Prime Focus. So, do we have any plans to get out of this holding?

Amit Bapna: Yes, we are working on exiting our holding in Prime focus.

Samarth Patel: Will that be an open market selling or will we find another strategic investor? How will that be?

Amit Bapna: It might be a mix of both. We are discussing on various strategies and hopefully in a month we should have an exit.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the conference over to Mr. Asutosh Mishra for closing comments.

Asutosh Mishra: Thank you all investors for actively participating in the call and thanks to the management team for giving their perspective. Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen on behalf of Reliance Securities that concludes this conference. Thank you for joining us. And you may now disconnect your lines.