Reliance Capital Ltd Q1 FY19 Earnings Conference Call

September 12, 2018

SPEAKERS: Management of Reliance Capital Limited

Moderator: Ladies and gentlemen, good day and welcome to the Reliance Capital Limited Q1 FY19 Earnings Conference Call, hosted by Reliance 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ashutosh Mishra from Reliance Securities Limited. Thank you and over to you, sir.

Ashutosh Mishra: Thank you, Janis. Good morning, everyone. Welcome to Reliance Capital Q1 FY19 Earnings Conference Call. Today we have with us Mr. Anmol Ambani – ED, Reliance Capital, along with other senior team members to discuss earnings and key business strategies going forward. Over to you, Anmol.

Anmol Ambani: Good morning to all of you and welcome to our Q1 FY19 Earnings conference Call. We have the CEOs from our businesses with us; Devang Mody from Reliance Commercial Finance; Ravindra Sudhalkar from Home Finance; Rakesh Jain from Reliance General Insurance; Ashish Vohra from Reliance Nippon Life Insurance and Gopkumar from the Broking and Distribution segment, as well as Reliance Capital CFO, Amit Bapna. Also we have Prateek Jain, CFO, Reliance Nippon Life Asset Management with us.

We have made a transition to Ind AS with effect from April 1, 2018. Hence, the consolidated results confirm to the revised standards. However, since Ind AS is not applicable to insurance companies, the standalone results of Reliance General Insurance and Reliance Nippon Life Insurance are based on IRDAI reporting.

I am very happy to state that the total income for the quarter increased by 4% to 46.4 billion, and profit rose to 2.7 billion. In terms of operating performance, the core businesses have achieved significant improvement in profitability.

Now we would present a brief update on our core businesses performance, beginning with Prateek Jain from Reliance Nippon Life Asset Management.

Prateek Jain: I am very happy to state that Reliance Nippon Life Asset Management is one of India's largest asset managers, with Rs. 4.1 trillion of assets under management, an increase of 12% over the corresponding quarter. Reliance Mutual Fund is one of the largest players in the mutual funds space, with a focus on high yielding assets. As a result, share of equity asset rose from 29% to 37% for the quarter ended June 30, 2018. The number of systematic investment plan (SIP) folio grew from 2.8 million resulting in annualized SIP book of approximately Rs. 100 billion. We continue to be among the leaders in 'Beyond top 30 cities' segments, this segment contributes AUM of more than Rs. 390 billion, over 16% of the total assets were sourced from this segment as against an industry average of 14%.

Reliance Mutual Fund has added highest retail assets of Rs. 196 billion, currently it manages overall retail assets of Rs. 780 billion among the highest in the industry. Digital purchases grew by 36% to 1,46,000 for the quarter ended June 30, 2018. RNAM is one the largest players in the ETF space with a 15.4% market share and average asset under management of Rs. 129 billion for the quarter ended June 30, 2018. RMF is the only AMC to have 16 years of track record in managing ETF.

On our international business, we closely work with Nippon Life Insurance. As of June 2018, RMF manages and advises assets worth approximately Rs. 83 billion from offshore regions. Reliance AIF has a commitment of Rs. 22 billion across various AIF schemes as on June 2018. For the quarter ended June 2018, RMF's total income increased to Rs. 4.2 billion while profit before tax grew to 6% to Rs. 1.6 billion.

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

Devang Mody: Thanks. We have rebranded Reliance Commercial Finance as Reliance Money as the consumer facing brand, focusing on our current strengths as well as transforming our company into diversified new age financial service provider, both in the commercial as well as retail space. The AUM increased by 6% to Rs. 188 billion while the outstanding loan book rose by 16% to Rs. 168 billion. Total income for quarter increased marginally to Rs. 5.2 billion. Profit before tax rose by 47% to Rs. 723 million. Net interest margin was steady at 5.8% versus 6.1% in corresponding quarter last year. Cost-to-income ratio remained stable at 32% for this quarter.

As on June 2018 the gross NPA improved significantly to 2.9%, versus 4.1% in corresponding quarter last year on a 90 days basis, also our net NPA ratio is at 1.1% as on 1Q FY19. Our provisioning coverage ratio now improved to 63% from 50% for end of this quarter. The business caters to over 75,000 customers in 150 cities in India. We continue to re-balance our portfolio and improve asset quality. We also entered retail finance space in FY18 and have initiated lending in two wheeler and personal loan segment.

In retail segment our strong growth is backed by a state of our operations platform, which we have created over period of last two quarters. Our lending platform is built on Salesforce.com workflow. All retail loans are disbursed using FICO decision engine. This creates very agile risk management capability for our future growth.

For the quarter ended June 30, 2018, we have disbursed over 27,000 retail loans, leveraging this digital lending platform from over 1,000 distribution points. We continue to expand in retail segment and create significant presence in this space in coming quarters.

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

Ravindra Sudhalkar: Thanks, Devang. Reliance Home Finance Limited, this is a business of home loans, including the affordable segment, loan against property and construction funding. In Q1 FY19 the assets under management grew by 21% to Rs. 156 billion. The total income for the quarter increased by 5% to Rs. 4.1 billion. It should be noted that the interest income was up by 20%. However, adjusting it against the IndAS impact on investment and securitization, the net impact is 5%.

The profit before tax rose by 56% to Rs. 724 million. The net interest margin for the quarter, after adjusting for NPA reversals, was at 3.2%. Our guidance continues to remain in the range of 3.2% to 3.5% as we grow our portfolio in the affordable home loan segment. As on June 2018, the gross NPAs remained stable at 0.8% of the assets under management. This is the sixth consecutive quarter that this number is at 0.8%.

The company had a capital adequacy ratio of 21% as on June 2018, with a Tier-1 ratio of 14%. Reliance Home Finance continues to enjoy highest rating of 'A1+' for its short-term borrowing program and AA+ for its strong long-term borrowing program. We are operational in approximately 140 locations in the country through the hub and spoke model and would continue to expand this footprint.

I would now invite Rakesh Jain from Reliance General Insurance.

Rakesh Jain: Thanks, Ravi. The general insurance industry witnessed a strong growth of 12% in Q1 FY19, 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 market share of about 8.8%. The gross written premium rose, better than the industry to Rs. 16 billion, an increase of 23%. Also, premium from preferred segments such as private cars, health and travel, as well as commercial lines continue to grow in line, or better than the industry.

For the quarter ended June 30, 2018, profits rose by 30% to Rs. 574 million. The combined ratio for the quarter remained stable at 104%. For the quarter ended June 30, 2018, the combined ratio for short tail business continued to be below 95%. The investment book increased by 20% to Rs. 83 billion as on June 2018. For the quarter ended June 2018, the return on equity rose from 14% to 16%. The solvency ratio is maintained at 161% as against regulatory minimum of 150%. The company has registered a sharp increase in online channel with 32% growth in premium collected and 24% growth in number of policies sold in the quarter.

Our focus has been to improve profitability as well as our market share. The company continues to diversify its distribution network with a strong line up of Bancassurance partnership with major banks. As on June 2018, we have the largest agency force in the private sector with over 28,000 retail agents and 129 branches across the country. Reliance General Insurance has concluded distribution tie-ups with over 35 financial institutions and also the company has aligned itself with several strong automotive manufacturers.

I would now invite Ashish Vohra from Reliance Nippon Life Insurance for his comments.

Ashish Vohra: Thanks, Rakesh. I am very happy to say that our journey of quality and profitability continues in a steady manner, a manner in which we had predicted earlier and the coverage across key metrics has been on predicted lines.

The total premium in this quarter increased by 8% to Rs. 7.5 billion, while Renewal Premium increased by 6% to Rs. 5.5 billion. Individual WRP rose by 23% to Rs. 1.7 billion in Q1 FY19, the growth rate is more than the industry growth rate for the quarter.

As a conscious business strategy, we continue to stay focused on the traditional product segment, which forms 69% of the individual new business premium in Q1 FY18, therefore supporting profitability. Overall, persistency rose sharply from 66% to 71% as of June 2018. The business continues to focus on agency and proprietary channel which have a persistency of over 70%. Continued growth in renewal premium along with high persistency, demonstrates our emphasis on improving the quality of business even further.

In Q1 FY19, the business made a marginal profit of Rs. 3 million as compared to a loss of Rs. 138 million in Q1 FY18. Sum assured of policies in force rose to Rs. 965 billion. There are approximately 3 million policies in force. We operate the company through a network of 750 offices and 52,000 active advisors across India. With support from better agency productivity, higher persistency and improved margins we expect to improve profitability and continue to grow in market share.

Total funds under management grew by 11% in this quarter to Rs. 193 billion as of June 2018. The business employs the traditional method of calculating embedded value as of March 2018, the embedded value was Rs. 32.2 billion.

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

B. Gopkumar: Thank you, Ashish. Reliance Securities is a leading equity broker, a distributor of natural product and services in India. The number of equity broking accounts increased by 5% approx through 8,60,000 clients. Average daily turnover from equity segment rose by 29% to Rs. 51 billion. Average daily turnover in cash segment grew by Rs. 3 billion for the quarter ended June 30, 2018. 97% of the new broking accounts are digitally open and clients are able to trade on the same day. A number of commodity broking accounts rose by 21% to 104,000. Average commodity turnover rose by 36% to Rs. 3 billion. In wealth management business, our assets under management stood at Rs. 51 billion, an increase of 29%. For the quarter, the total income increased by 10% at Rs. 821 million. The business had a profit of Rs. 77 million in Q1 FY19, an increased by 316%. Now I would like to invite Anmol to give his closing remarks.

Anmol Ambani: Thanks, Gop. We continue to be solely focused on the financial services' sector. We aim to achieve a leadership position in core businesses. 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.

With these comments, we would now like to take your questions. Thank you.

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi: Sir, firstly would like to know about the adjustments that have happened, so where are these MTM and e-sale provisions coming from, which assets? And the opening net worth as on today?

Management: Based on ECL provisions we have done across all the exposures we had, we have been conservative and hence you have seen that impact in Q1 of the previous financial year. Net worth remains similar to where we were in the past.

Kajal Gandhi: Sir, can you quantify the number? First thing, on this Rs. 400 crores, so is it relating to the group exposure that we were having on the ICDs and which are there under stress, is it related to that? And how much overall we need to provide on these assets?

Management: So, whatever we needed to we have already done, and you can see that in the Q1 results of the previous financial year. That is why that number is negative as of now.

Kajal Gandhi: Sir, MTM has been created on which investments?

Devang Mody: So, these are ECL provisions on loan exposures and that is what is reflecting there.

Kajal Gandhi: ECL is there around 400 so there is MTM on investments also around 200 crores, is that also loan or is it some investment?

Devang Mody: There would be some investments in group companies where there would be a fair valuation downwards as well. So we have CCDs exposures, so some part is in ECL format in loans and some part is fair valuation of the CCDs.

Kajal Gandhi: And second thing on your CF business, also the provisions rising there and home finance the growth is coming down.

Devang Mody: So, commercial finance if you see on year-on-year basis as we have actually reduced GNPA and we have accelerated provisioning as well as through recovery our net NPA is down 1.1%. So incremental assets are significantly lower provisioning, some of the traditional power exposures which we had from last three years which was part of GNPA in last 18 months, some of them we have recovered and some of them we have provided fully. That is what is leading to reduction in net NPA as well as increase in provisioning coverage ratio.

Kajal Gandhi: As IndAS has already come in the financing business, is it that all the past problems that were in the CF books are now taken care of?

Devang Mody: I think I would not call that there was past problems in commercial finance book, yes GNPA and net NPA was at aggravated level, some of it is passed through P&L and some of it has recovered. So, yes, we are at 1.1% net NPA, which would be benchmark or amongst the best among asset finance companies.

Kajal Gandhi: And on the home finance what is the growth?

Ravindra Sudhalkar: So on the home finance front if you look at it, compared the last June there was growth in the AUM. However, if you look at sequentially there was a slight de-growth. As I have mentioned earlier we have early warning signal mechanism at Reliance Home Finance. Although this is not mandated by the National Housing Bank but we do it on a regular basis and we take a stock of accounts which we need to retrieve early. And there were certain accounts which we have retrieved early wherein we could see spreads coming in the years to come. Which is why on a sequential quarters there is slight correction on the AUM. However, year-on-year there is a growth in the AUM.

Kajal Gandhi: Sir, were these from LAP book?

Ravindra Sudhalkar: No, so this was from the CF book wherein there were certain projects wherein we could see that the sales were not happening, wherein we had asked the builders to come and pay us back the loan amount. There was only one LAP case. But as you are aware, on the LAP front our ticket size is fairly lower than the market and most of the exposures which we have reduced in quarter one were CF exposures.

Kajal Gandhi: So will we be back on track on your 30% - 40% growth in the coming quarters?

Ravindra Sudhalkar: Yes, we will be back on track.

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

Sarvesh Gupta: I had few questions on the annual report which was published for FY18. So, sir if I look at your standalone balance sheet our stated objective has been that we will reduce the debt levels on the standalone balance sheet and we will also monetize the investments. Now when I see the FY18 balance sheet our net debt has approximately increased rather than decreased, as per our stated objective by around Rs. 2,000-odd crores and our investments in land has increased by say around Rs. 1,200 crores.

Moderator: Excuse me, Mr. Gupta, your audio is breaking up.

Sarvesh Gupta: So my question was, our net debt has actually increased rather than going down in our standalone balance sheet. And also our accrued interest is quite high for FY2018 at around Rs. 1650 crores versus just Rs. 120 crores in FY17. So how are we looking at things shaping up here in terms of net debt as well as investments in non-subsidiary companies?

Management: So in standalone we have seen a marginal increase in the net debt, but this here you should see as significant reduction in net debt. We have started monetizing couple of our investments including we are monetizing a gaming business of ours, we got in roughly Rs. 1,500 crores from there. We exited Yatra, are in the process of existing couple of our other private equity investments, so you should see a decline going forward in this space.

Sarvesh Gupta: But our major block is this long-term loans and advances which are almost Rs. 6,000 crores – Rs. 7,000 crores in nature and they seem to remain steady. So any guidance that you can give for that?

Management: Yes, so we maintain that we over the next 12 to 24 months you will start seeing a decline in this thing because eventually all this liquidation will help in getting these money back.

Sarvesh Gupta: And given our accrued interest are we getting this money?

Management: We are getting them.

Moderator: Thank you. We have the next question from the line of Parag Jariwala from White Oak Capital. Please go ahead.

Parag Jariwala: Sir, I have two questions, one with regards to the extension of earlier question. What actually made Reliance Capital's debt level to go up, despite the fact that you have highlighted that a couple of investments you have liquidated? So have we invested somewhere else or what exactly? And secondly, you have issued a press release stating that there could be a private equity transaction in Reliance Home, so can you further elaborate what size exactly you are looking at, timeline, with the kind of investor, etc?

Ravindra Sudhalkar: On the press release I would not like to add anything beyond what we have mentioned earlier which says that we have entered into exclusive discussions with overseas investor for a potential equity investment by the investor in RHFL along with an appropriate governance framework, this is what we had announced earlier. And at this point in time I think we would maintain our announcement.

Parag Jariwala: So, by when you think that the home finance business will require capital, I mean what Tier I you are comfortable with?

Ravindra Sudhalkar: Currently we are adequately capitalized, but this is what we thought we should inform and we are doing this.

Parag Jariwala: No, but we are growing in upwards of 30% - 40% so there is capital burning, so at what like….

Ravindra Sudhalkar: Currently we are well capitalized for next 12 months at least. This transaction we are keeping in mind for the future, because we have and we have stated earlier that our aspiration is to grow this book significantly over the next couple of years.

Parag Jariwala: And my first question?

Ravindra Sudhalkar: And to answer your first question, a lot of our money has been invested which does not accrue regular income and hence you have seen some amount of growth in the debt levels. But like we said we have already started significant monetization of our assets from Codemaster, Yatra, etc, so you should see this number coming off from this year onwards.

Parag Jariwala: So there is no fresh investment, non-core investment we have created?

Ravindra Sudhalkar: No, we are not doing anything.

Moderator: Thank you. We have the next question from the line of Shivkumar from Unify Capital. Please go ahead.

Shivkumar: Sir, my question is with regards to the commercial finance and home finance arm, basically I was bit concerned with regard to the capital market borrowing given the steep rise in the yield curve. So what is the current cost of borrowing and what is the current leverage at both these arms?

Ravindra Sudhalkar: So, talking about Reliance Home Finance, the cost of debt has just marginally gone up, as on June 2017 we were at 8.6% as a cost of debt, we are currently at 8.8%.

Shivkumar: And your leverage would be what currently?

Ravindra Sudhalkar: We are closer to about 7 times.

Devang Mody: Commercial Finance let me answer, yes, capital market cost of incremental funding has gone up sharply. We run materially positive Alco, so our borrowings are long denominative, so there is not much upward increase in our cost of funds at this point of time. But yes, as we go forward there will be upward increase in cost of funds, most of our book is variable priced and hence as appropriate we will also do the adjustment and pass on the increased cost of funds. We are at 17.8% CAR, so approximately 5.2 times of leverage in commercial finance.

Shivkumar: And incremental cost of borrowing for commercial finance?

Devang Mody: Currently incremental cost of borrowing for commercial finance depends on instrument to instrument, anywhere from 9.1% to 9.5%. Where we are we have around 6% net interest margin, so this shift while it is a important shift but it does not change the nuances of the business.

Shivkumar: And sir staying with commercial finance, now that you have slightly picked up traction in the two wheeler finance, retail personal loans, so what has been the year-over-year growth segment wise if you can share? And what are your yearend targets in terms of AUM growth?

Devang Mody: So, I think retail lending is very new, so year-on-year growth will look very spectacular. I think what is important is we are 3% of AUM because these are lower ticket lending and our growth is exponential, so we would want to end with 10% AUM coming from retail in this fiscal.

Shivkumar: And how was the trend in SME loan, because you are trying to de-grow that segment?

Devang Mody: SME has not been de-growing, we have been de-growing commercial vehicles and LAP segment, the SME segment has been growing robustly and that market play offers lot of opportunities and we are very happy with the progress we have made in that segment lending.

Shivkumar: And how is the quality of book in SME segment, because most of the banks and NBFCs were seeing some stress in the SME segment of their loans, so how has it been for you?

Devang Mody: SME segment is fairly steady in terms of quality of GNPA and net NPA as well as flow rates or incremental book. I think we are fairly small and we are niche in our play, so in our market places there is not much impact of increased loss rates.

Shivkumar: And the final question would be on the general insurance part, so what is the combined ratio towards which the company is working towards for FY19 year end and maybe going forward by FY20?

Rakesh Jain: I think with each passing year Reliance General Insurance has diversified its business opportunities and has also done incremental tie-ups for that, including various banks like YES Bank, IndusInd Bank, Andhra Bank and UCO Bank. Structurally it is like a buildup which we do which brings this incremental improvement. If you really see our track record for last two years every year we have improved the combined ratio between 4% to 5% and I think we are fairly in line about this in the current year as well going forward too.

Shivkumar: And sir the recent changes in the motor insurance policies, would that make you revise your growth targets for the premium?

Rakesh Jain: The way the long-term motor policies have been introduced is the policies are issued for longer duration than one year, but the premium accounting is done on an annual basis. So if you issue a three year policy you would actually account for one-third of the premium. So, from a gross premium point of view there would not be any change vis-à-vis one year policy for entire market as well as for us. Having said that, you are likely to get the entire three year premium, so there should be improvement in the AUMs, and to that extent the corresponding revenues.

Shivkumar: Sir, in the 44% motor business how much will be third party and how much will be own damage?

Rakesh Jain: The split is more or less half.

Moderator: Thank you. We have the next question from the line of Nidesh Jain from Investec Capital. Please go ahead.

Nidesh Jain: Sir, can you share the corporate loan book number as of FY18 and as of June 2018 and the same number for non-core investment as of March 2018 and June 2018?

Devang Mody: So, they will be similar to March numbers, no major change..

Nidesh Jain: And what sort of reduction we expect by end of FY19 in both of these numbers in terms of quantum?

Devang Mody: You should see significant reduction going forward from this year.

Nidesh Jain: By end of FY19?

Devang Mody: Yes, FY19 onwards you will see reduction, by FY20 significant would have been completed. But this year itself you should see reduction happening.

Nidesh Jain: On Reliance Home Finance I noticed share of construction finance book has actually gone up sequentially.

Ravindra Sudhalkar: Yes.

Nidesh Jain: As you mentioned the decline in growth is because you have slowed down your growth in construction spends book but share has gone up.

Ravindra Sudhalkar: So, I would like to put it in two parts, firstly if you look at the contribution of LAP in the incremental business that we have done in the last quarter, the contribution of LAP to the overall business has come down from level of 35% in the same quarter of last year to the level of 6% this year. While in the overall book yes there were certain accounts which we have attired but we have also showed certain accounts. So as an endeavor as a prudent practice we would continue to attired accounts where we see stress coming up far ahead of account getting into GNPA or anything else. So, as a prudent practice we would continue doing that. But going forward if you want to know where we would be on a mid-term to long-term, we would be closer to 55% on home loan and affordable books, directionally we would be there.

Moderator: Thank you. We have the next question from the line of Amit Desai from HNI. Please go ahead.

Amit Desai: My question is, have we changed accounting method from this quarter?

Management: Yes, we have moved to IndAS from this quarter onwards.

Amit Desai: Now actually when I see the last financial year's quarter actually it was in profit and now we compare with a new accounting standard it became a negative. So why sudden change of few hundred crores from profit to loss? Is there anything which converts that profit into loss, I did not get that actually?

Management: So, last year we reported on Indian GAAP, this year it is IndAS. While we did IndAS there were some transition provision we needed to do under ECL, etc, so we have done that and you can see that impact in Q1 of last year.

Amit Desai: So if we use the same methodology which used last year will this year's or this quarter's profit will be more by a couple of hundred crores?

Management: No, not necessarily, it will be similar.

Amit Desai: My second question is, exposure to Rcom, I think somewhere there is a mention that Reliance Capital has exposure to Rcom, now Rcom is basically repaying all its debt, so does it mean that Reliance Capital will also get the money from Reliance?

Management: Yes, we should get some, yes.

Amit Desai: Now one suggestion actually, last 11 years I am basically holding Reliance Capital but appreciation has not happened, every investor wants the share to appreciate. Now, recently Reliance Capital has given Reliance Home finance as a bonus share, now will there be a discussion in the management to give next shares of Reliance General Insurance as a part of Reliance Capital or will it be a listing of those shares?

Management: We cannot comment on this yet.

Amit Desai: Last question, recently there was a news that some other investor would be investing money into Reliance Home Finance, will it be dilution of equity or will it be selling of Reliance Capital's 25% stake in RHFL?

Management: This will be primary infusion for growth of that business, so there will be a dilution.

Moderator: Thank you. We have the next question from the line of Nitin Garg from Aviva Life. Please go ahead.

Nitin Garg: My question is pretty much the same, it has been more than one year that our company is under credit watch. Sir, can you throw some light on that, what is the way forward and what are the developments which is happening?

Management: Since the results are out now we will have discussions and we will see what best we can do to take care of our rating.

Nitin Garg: Are they satisfied, if you had a…

Management: We will have a discussion with them going forward.

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

Kajal Gandhi: Sir, did we have any DTA write back on account of IndAS, because this is what has been seen in many of the financing companies? And on the digital lending side how is the experience panning out?

Management: So there is no write back of DTA in any of our businesses.

Kajal Gandhi: Sir, we are seeing commercial and home finance digital lending surge.

Devang Mody: Two things, digital lending is a very wide terminology, where we are focused is on two parts, one is forging partnership with digital ecosystem players like we have announced our tie-up with Pay-U, it is an asper company having very large customer base and how can we work with them to create solutions for their customers, thereby also growing our business. Second part is using digital assets of mobility which is processing and application using mobile phones, using APIs to Aadhar and all other ecosystem players, to be able to underwrite or disburse effectively, there our progress has been good as we have mentioned in our investor presentation that our platform is ready, it has processed 27,000 loans in last quarter and it is growing very rapidly. So, I hope I have answered your question, there will be opportunities in getting more customers from digital ecosystem like partnership with Pay-U which we have done and also using digital assets to underwrite and lend better improving customer experience as well as operating experience, that is not our operating platform improvement level. So, both we have progressed well and experience is quite good. When you work on a business rule engine you have much more agility in risk management. Just now the business is too small but these are good capabilities to have for future.

Kajal Gandhi: Sir, what is the ticket size in SME loans that you are giving through digital?

Devang Mody: Our SME loans, we are processing our SME applications through digital assets, we are not sourcing SMEs from digital lending platform. Our average sales are approximately Rs. 45 lakhs to Rs. 50 lakhs, because it differs segment to segment, equipment finance is at Rs. 20 lakhs – Rs. 25 lakhs and SME loans backed by property as a collateral are around Rs. 1 crores.

Kajal Gandhi: Sir, are you also eligible to do Mudra loans or it is only the banks?

Devang Mody: Even we can originate Mudra loans, we already worked with SIDBI on that program, but we are not very large in that space at this point of time because there are certain restrictions on price which gets charged, etc, etc. So we are studying that space, we work with SIDBI very closely. Currently our Mudra loan portfolio is not very large.

Kajal Gandhi: Sir, how is your experience on these fresh, digital lending in terms of repayments or the asset quality issues or anything?

Devang Mody: I think our total book is less than Rs. 5 crores, these are too early observations I think depending on partnership to partnership the proposition on pricing as well as on delinquency building. So far we are happy with what we have seen in terms of early bounces, etc.

Kajal Gandhi: Sir, last question on this debt side which was getting answered we have already got money from 2 large ticket sizes, the gaming company, that we have paid off to repay the debt than what has lead to increase, that is what I wanted to understand, ideally it should have come down?

Devang Mody: This money has come in in this financial year, we were talking about last financial year in that sense.

Kajal Gandhi: So, June quarter is the debt down than March quarter?

Devang Mody: Yes.

Kajal Gandhi: Because you have not reported the number.

Devang Mody: Yes.

Moderator: We have the next question from the line of Rohit Chopra from Sigma Street. Please go ahead.

Rohit Chopra: Just wanted to check, your FY18 annual report, the net worth reported in that, that would include all the IndAS adjustments?

Management: No, FY18 was Indian GAAP.

Rohit Chopra: So would you be able to say what is the impact on net worth on account of this IndAS adjustments?

Management: No, we will report that in September.

Rohit Chopra: And then just follow-up question on this Codemaster, so the profit on the transaction would not be reflected in the Reliance Capital consolidated accounts?

Management: No, we have got our debt exposure.

Rohit Chopra: so the money has been received then?

Management: Yes.

Rohit Chopra: And then you talked about Reliance General IPO in your opening remarks, is there any timeline on that or are you just awaiting appropriate market conditions?

Rakesh Jain: We are just looking at market conditions and we are ready to launch our issue as we see. And I must also emphasize here that we have all approvals, both from SEBI and IRDA in place.

Rohit Chopra: And just one final question, because of this IndAS it is a new ting for many of us, whatever had to happen assuming steady state has it happened, so the Q2 results will they be, I mean one of the participants talked about a large swing from profit last year to loss for the same period last year, so this Q2 will it sort of be a steady state and we will be able to just compare steady state or will there again be swings on account of IndAS?

Management: We cannot comment on the Q2 numbers, we have not worked on that. But for this financial year numbers are steady state.

Rohit Chopra: So, what I am trying to figure out will this IndAS volatility will it continue in the coming quarters, assuming things stay steady state?

Management: It may for the previous financial year.

Moderator: Thank you. Well, that seems to be the last question for today. I would now like to hand the conference over to Ashutosh Mishra for his closing comments.

Ashutosh Mishra: Thank you everyone for actively participating in the call, and thanks to the management for giving the perspective. Thank you.

Moderator: Thank you very much. Ladies & gentlemen, on behalf of Reliance Securities Limited we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.