Reliance Capital Ltd Q2 FY19
Earnings Conference Call

November 28, 2018

SPEAKERS: Management of Reliance Capital Limited

Moderator: Ladies and gentlemen, good day and welcome to the Reliance Capital Limited Q2 FY2019 Post - Earnings Conference Call hosted by Reliance Securities Limited. As a reminder, all participants 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 phone. Please note that this conference is being recorded. I now hand the conference to Mr. Naveen Kulkarni from Reliance Securities. Thank you and over to you, sir.

Naveen Kulkarni: Thank you.. . Good morning everyone and welcome to the Reliance Capital 2QFY19 earning conference call. Today we have with us Mr. Anmol Ambani – Executive Director, Reliance Capital along with the CEOs of various businesses and other senior members of the management to discuss the "2Q FY19 Earnings and Key Business Strategies Going Forward." So over to you, Mr. Ambani.

Anmol Ambani: Good morning to all of you and welcome to our Q2 FY19 earnings conference call. We have the CEOs from our businesses with us; Sundeep Sikka from Reliance Nippon Life Asset Management; Ravindra Sudhalkar from Home finance, Rakesh Jain from Reliance General Insurance, Ashish Vohra from Reliance Nippon Life Insurance, Devang Mody from Reliance Commercial Finance, Gopkumar from Broking and Distribution segment, as well as Reliance Capital's CFO, Amit Bapna.

As announced in the previous quarter, we have made the transition to Ind AS w.e.f. April 1, 2018. Hence the consolidated results conform to the revised standards. However, since Ind AS is not applicable to the 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 10% to Rs.53 billion and profit rose to Rs. 2.8 billion. In terms of operating performance, the core businesses have achieved significant improvements in profitability.

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

Sundeep Sikka: Thanks, Anmol. I am very happy to state Reliance Nippon Life Asset Management is one of the largest asset managers in India managing assets of Rs.4 trillion which is an increase of 6%. Reliance Mutual Fund is one of the largest players in the mutual fund space with the highest focus on high yielding assets. As a result, the share of equity assets rose from 31% to 37% for the quarter ended September 30, 2018. The number of Systematic Investment Plan folios rose to approximately 2.9 million resulting in annualized SIP inflows of Rs. 102 billion. We continue to be amongst the leaders in 'Beyond top-30 cities' segment. This segment contributes AUM of more than 413 billion, 17% of the total assets was sourced from this segment against the industry average of 15%.

Reliance Mutual Fund has added the highest retail asset of Rs.201 billion in the past 12-months. Currently, it manages overall retail assets of Rs.837 billion which is the highest in the industry. Digital purchases rose by 36% to 1,87,000 for the quarter ended September 30, 2018.

RNAM was awarded the prestigious mandate from Employees' State Insurance Corporation to manage its fund. With the existing mandates of EPFO, Coal Mines Provident Fund, RNAM is the only asset manager with all the four prestigious government mandates. RNAM is one of the largest players in ETF space with the market share of 14% and average assets under management of Rs.132 billion for the quarter ended September 30, 2018. RNAM is the only AMC to have 15-years track record in managing ETF.

On our international business, we closely work with Nippon Life Insurance Japan. As on September 2018, RNAM managers and advisors' assets were approximately Rs.82 billion from offshore region. Reliance AIF has the commitment of approximately Rs.24 billion across various AIF schemes as of September 2018. For the quarter ended September 30, 2018, RNAM's total income increased to over Rs.4 billion, while the profit after tax rose by 12% to Rs.1.1 billion.

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

Devang Mody: Reliance Money continues to focus on existing strength in SME space as well as transforming itself into diversified new age finance solutions provider, both catering to commercial as well as retail space. AUM for the quarter increased by 5% to Rs.177 billion while outstanding loan book rose 20% to Rs.158 billion. The total income for the quarter declined by 5% to Rs.5 billion while profit before tax rose by 15% to Rs.948 million. Net interest margin was at 4.9% and cost of income was 41% for the quarter. There is impact of Ind AS adoption deciding to upfront recognition of income from direct assignment in last year same quarter. As on September 2018 the gross NPA improved to 3.0% against 4.3% year before and net NPA was at 1.4%. The total business caters to around 1.2 lakh customers in 180-cities in India. We continue to re-balance our portfolio and improve asset quality. We initiated lending in two-wheeler, personal loans and used car segments in past quarters. In Retail segment, our calibrated growth is backed by state-of-the-art operations platform. For the quarter ended 30th September, Reliance Money disbursed over 51,000 retail loans leveraging its digital lending platform from over 1,500 distribution points. 100% of our retail loans have been sourced through the digital channel, with real-time evaluation and approval. We will continue to expand in the retail segment, and create significant presence there over the coming quarters.

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

Ravindra Sudhalkar: Reliance Home Finance is in the business of home loans, including the affordable segment, loan against property and construction funding. As on September 30, 2018, the assets under management grew by 17% to Rs.165 billion. In Q2, the disbursements grows by 29% to Rs.26 billion. The total income for the quarter increased by 9% to Rs.5 billion; however, if we exclude the one-time direct assignment income of Rs.150 million and investment inflow of Rs.120 million from the same quarter of the previous year, our total income for the Q2 has grown by 16%. The profit before tax rose by 30% to Rs.1 billion. Net interest margin for the quarter was at 3.8%. Our guidance continues to remain in the range of 3.0-3.5% as we grow our portfolio in the affordable home loan segment. As on September 2018, the gross NPAs remained stable at 0.8% of the assets under management. This is the seventh consecutive quarter that we have stabilized the GNPA at 0.8% level. As on September 2018, RHF had capital adequacy ratio of 20% with a tier-1 of 13%. The networth rose to over Rs.18 billion.

Reliance Home Finance continues to enjoy the highest rating of 'A1+' for its short-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 for his comments.

Rakesh Jain: Good Morning. The General Insurance industry witnessed strong growth of 13% in Q2 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 the private market share of 9.7%. Gross written premium rose, better than the industry, to Rs.20 billion, an increase of 20%. Also, premium from preferred segment such as private cars, health and travel as well as commercial lines continued to grow in line or better than the industry. For the quarter ended September 30, 2018, profit rose by 20% to Rs.560 million, while the ROE grows to 15%. The combined ratio for the quarter improved from 109% in Q2 FY18 to Rs.107%. The combined ratio for short tail business continues to be approximately 100%. The investment book increased by 19% to Rs.86.5 billion as on September 2018. Solvency ratio is maintained at 171% as against regulatory premium of 150%.

The company has registered a sharp increase in online channel with 32% growth in premium collected and 22% 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 distribution network with the strong line up of bancassurance partnership with major banks. As on September 2018, we have largest agency force in the private sector with approx. 29,000 retail agents and 130 branches. Reliance General Insurance has a distribution tie up with over 35 financial institutions including key partnerships with YES Bank and IndusInd Bank. Most of the companies has aligned itself with several strong automotive manufacturers.

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

Ashish Vohra: Good morning, everyone. I am very happy that our journey of quality and profitability in Reliance Nippon Life Insurance continues in a steady manner and we have progressed gross key metrics along expected lines. In Q2 FY'19, individual WRP rose better than the industry to over 2 billion which is an increase of 35% over last year. The industry in this period grew at about 13%. As a conscious business strategy, we continue to stay focused on the traditional product segment, which formed about 69% of individual new business, therefore supporting profitability. Overall persistency rose sharply from 68% to 74% as of September 2018. The business continues to focus on agency and proprietary channels, which have persistency of over 75%. Continued growth in renewal premium, along with high persistency, demonstrates our emphasis on improving the business quality and customer retention. In Q2 FY19, the business made a marginal profit of Rs.11 million as compared to loss of Rs.50 million in Q2 FY18. Sum assured of the policies in force was Rs.711 billion. There are approximately 3 million policies in force and we operate the business through a network of 750 offices and over 59,800 active advisors across India.

With support from better agency productivity, higher persistency and improved margins, we expect to improve the profitability and regain market share in the private sector. Total funds under management grew by 9% to Rs.196 billion as of September 2018.

I now invite Gopkumar from the Brokerage 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 number of equity broking accounts increased by 4% approximately 8,70,000. The overall average daily turnover in equity segment rose by 36% to Rs.56 billion. The average daily turnover in the cash - equity segment was Rs.3 billion for the quarter ended September 30, 2018. 95% of the broking accounts are digitally opened and the clients are able to pay on the same day. The number of commodity accounts rose by 10% to over 1,08,600 accounts. Average commodity turnover rose by 16% to Rs.3.3 billion. Wealth business assets under management stood at

Rs.40 billion. For the quarter, the total income increased by 16% at Rs.877 million. The business had a profit of Rs.85 million in Q2 of FY19 - an increase of 7%.

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

Anmol Ambani: Thank you, Gop. We continue to be solely focused on the Financial Services' sector. We aim to achieve the leadership position in our core businesses. We expect to improve our market ranking across businesses over the next quarters, as well as achieve an ROE in the range of 15-18%, in each of them.

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

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Kunal Bhakta from First Water Capital. Please go ahead.

Kunal Bhakta: My question is more to do with the standalone balance sheet and the plan which is in test to deleverage the same because as I can see there have been a few initiatives taken but it is not clear whether there has been fruition of those initiatives such as the exposure of the parent's balance sheet to the media and entertainment side of the business. So if you could throw some light on what has happened to the various deleveraging initiatives including the sale of the FM Radio businesses and so on and so forth?

Management: So there are a few major contemplated transactions which we are working on, and are at various stages of monetization. We expect to realize over Rs.1,000 crores from our remaining stake in Codemasters, our stake in Prime Focus is valued at around Rs.1,000 crores, the Radio business should get us proceeds of over Rs.1,500 crores, we are looking at doing an IPO in our General Insurance business which is expected to realize around Rs.1,500 crores plus, then we have various private equity investments which are at various stages of exit which should get us over Rs.1,000 crores. So these are all at various stages of exits and over the next few quarters we should see those transactions closing, which should bring down debt at RCAP level.

Kunal Bhakta: Now, if I look at the standalone balance sheet there is about Rs.7,700 crores which has been invested into various group companies in the form of CCDs and whatever access I could get to the financials of those companies, most of that money have been used to fund some of the loss-making businesses. So once these transactions of selling the operating businesses of media and entertainment are through, then probably you may need to revalue your exposure to those group entities. So what is your view on that?

Management: Lot of these exposures through those entities are the businesses we just spoke about. What I earlier spoke about in terms of our exposure to entertainment businesses would be through those entities.

Kunal Bhakta: The standalone entity now is essentially just a core holding company, so you have had a skew of arrangements for transferring the commercial finance book to Reliance Commercial Finance, is that right, there were still some loans and advances in the parent balance sheet even as of March '18, so does some of that also go to any of the subsidiaries or that remains because as I can see there is some Rs.6,500 crores of loans and advances even as on today which is mentioned in the standalone balance sheet?

Management: Yes, so when I spoke about all these investments which we have, these are either to those entities where we hold CCD or through loans and advances. In totality, all these will start coming down once we start monetizing these assets.

Kunal Bhakta: The ones which I am talking about are not related party loans and advances, these are in addition to the group company advances, so if you can throw some light on what these…?

Management: Since we are a CIC, our entire exposure is to the group.

Kunal Bhakta: Thanks. What is the impact on the AMC business in the current quarter as a result of the changes in the expense ratio guideline, has there been any impact in September or it will largely flow in this current quarter?

Management: Broadly, if you see the asset management business, whatever changes in expenses most of them have been passed on to the distributors. I think from our perspective as we had mentioned in the analyst call of the AMC we clearly see the total AUM could be in the range of about 5-6 basis points, on equity which is about 37% of the assets could be about 12-13 basis points and more than that will be compensated by the volumes. So we do not see any significant impact because of that.

Moderator: Thank you. We will take the next question from the line of Sivakumar from Unifi Capital. Please go ahead.

Sivakumar: My question is with regards to the two NBFCs – Reliance Commercial Money and the Home Finance NBFC. So can you share as to what are the AUM targets for FY'19 and even FY'20 for both these NBFCs? How is the liquidity situation out there – will you be able to raise enough debt to kind of support your growth plans in the immediate term?

Ravindra Sudhalkar: I will be speaking with reference to the Reliance Home Finance business. If you typically see what has happened after September is that we are disbursing but however the disbursements have come down to a level of 60% of what we normally use to do which is why it would surely have an impact if you take the impact of one quarter on the overall AUM which is projected; however, we expect this tightness to remain for 45-60-days. So I think beyond December only we would be in a position to comment whether the AUM target is as per what we have planned or whether we are going to slow down.

Management: For Reliance Money, as Ravindra rightly stated, market is very lucid at this point of time and we have a stated objective of 25-30% growth over longer period. I think as the air clears in money markets, then we will be able to guide much better in January.

Sivakumar: Again, coming back to Reliance Home Finance, what will be the share of Construction Finance in the overall AUM?

Management: The overall share of stake is in the region of about 30% in the overall AUM.

Sivakumar: Are there any concerns with regard to that especially given the rumors which have been going on in the market with regards to some stress in the construction finance segment?

Management: For the CF, we have been extremely cautious from day one and we have sourced cases which are in the middle run. So our average ticket size for the construction finance business remains in the region of about Rs.14-16 crores and we entered the funding only when the property was more than 50% completed. So since stuck who are basic core parameters of strength in Construction Finance business currently, we are not facing any stress in the CF portfolio.

Sivakumar: Are you expecting any equity infusion in to Reliance Home Finance? There was some buzz recently but after that there were no updates on that.

Management: Yes, we have announced in the past regarding an overseas investor which had shown interest for primary equity infusion and whenever we have any further updates from this, we will surely come back.

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

Kajal Gandhi: Two, three questions; one, basically can you explain the movement of your net worth now from March '18 to September '18 both on standalone and consol basis because standalone there does not seem to be much dip but consol has declined significantly, almost from

16,000 to 6,800 kind and this breakup in terms of how much is the fair value MTM adjustment, how much is mark down on corporate direct, how much is because of reval reserve, so what is the breakup on that side? Second question is on the RNAM side, if not a quarterly scenario, on a consistent basis, now the earnings will be lower than what your past trajectory was. So is this MTM temporary or permanent?

Management: To take your first question, the earlier published consolidated networth as on 31st March was arrived as per the applicable Indian GAAP, the number now published are under IndAS as applicable, hence two sets of numbers cannot be compared. As required under IndAS provision, various adjustments have been made internally as changes in method of valuation of long-term instruments, ECL provisioning, impact of corporate guarantee, tax related provisions, reversal of goodwill, etc., method of amortization of processing fee and others as well. As a measure of conservatism, we have also fully provided our funded and non-funded exposure to Reliance Communications of Rs.1500 crores. All this is based on conservative view and not a charge. We expect the above provision to reverse in the subsequent years as we make full recovery.

Management: As far as the RNAM mark-to-market you mentioned, I think it is impact of IndAS. The investments which are there now will always be valued at fair value unlike in past. So this is because the markets were volatile because of why this has happened; however, the way you should see the thing the core operating income, while the net profit went up by 12%, the standalone core operating profit went up by 15% and that will be better way to see it because the mark-to-market will keep changing every quarter.

Kajal Gandhi: True but then consistently we are having a decline, and these may not be very long-term instruments, so will we have to take an actual hit on them?

Management: No, these are out of the total treasury of RNAM, these are all mutual funds equity FMPs. So I do not think there is going to be any impact. Like you mentioned earlier, it is just depending on the market movement.

Kajal Gandhi: Sir, what is the group exposure that you have on the RNAM book?

Management: We have an investment of Rs.425 crores which has been there for last one year and as and when maturities come, I think it will run down.

Kajal Gandhi: Two small questions: In the HFC business, this margin of 3.8% which we have given is including the securitization deal income or excluding that? What is the succession plan of Mr. Devang Mody?

Management: So on the Home Finance business, 3.8% is inclusive of the securitization income.

Devang Mody: On your second question, Devang here, for personal reasons I have to move to Pune, where I spent last 12 years. So as far as succession is concerned, we have a large team, we have 1,000 people company and group has substantial resources in financial services, so we have strong bench strength, nothing changes on strategy, strong successor has been identified and will be announced shortly.

Moderator: Thank you. We will take the next question from the line of Arpit Saluja from Philips India Limited. Please go ahead.

Arpit Saluja: One small question to the management remains that since the equity share is trading at a discounted price-to-book value of less than half, so is there any consideration under the board for probable bonus issue or making good to the investors in somewhere?

Management: There has been no discussion on this, we cannot comment on this right now.

Arpit Saluja: However, right now the trading of price-to-book is relatively very lower as compared to the market and the industry standards?

Management: We do not comment on stock price.

Moderator: Thank you. We will take the next question from the line of Senthil Kumar from Aviva Life. Please go ahead.

Senthil Kumar: Can you just reiterate on the breakup of the entire networth shift that happened at the consol level, that Rs.16,000 crores or Rs.6,000 crores, what is the breakup, can you give that right now?

Management: Under IndAS various adjustments have been made like changes in method of valuation of long-term debt instruments, ECL provisioning in some of them, impact of corporate guarantee, tax related provisions, reversal of goodwill, etc., we can give you the detail this thing offline.

Moderator: Thank you. We will take the next question from the line of Kunal Bhakta from First Water Capital. Please go ahead.

Kunal Bhakta: My question is what has been the increase in your cost of fund mobilization at a group level after the credit rating downgrade on end of October – has there been any funds which have been mobilized post 8th October and what is the quantum?

Management: We mobilized significant amount of debt ever since October. Our average cost of funds have gone up by 20 basis points. On an incremental basis, across the industry it could have gone up maybe 60 to 80 basis points.

Kunal Bhakta: What would be the figure from April onwards in terms of the increase in the cost of funds?

Management: As I said, the overall it would have gone up on similar lines of 60 to 80 basis points, on an average our cost of funds have gone up by only 20 basis points.

Kunal Bhakta: Now, there is a slide in a presentation on Reliance Commercial Finance which talks about segment wise LTV and you have mentioned LTV of 92% on micro finance. So what exactly do you mean when you say 92% LTV on micro finance because essentially by default it is an unsecured lending, right?

Management: I think you have a valid question. There is a reason behind it. As you see on the presentation, we have two business segments reported as part of the segment. Approximately 30% of the AUM is lending to microfinance institutions where we have asset cover of 1.2-1.3x.

Kunal Bhakta: But that asset cover will be the portfolio of loans given out by us, right?

Management: That is right. But that is only 30% and balance 70% is unsecured and hence on the composite basis the LTV works out which is what is the level of security of assets of those MFIs and what is the outstanding.

Kunal Bhakta: So we should look at it just like any other microfinance exposure?

Management: That is correct.

Kunal Bhakta: You have a segment called others where it is saying loan against property, developer finance, etc., where the LTV is only 36%. So I am a little curious because normally the standard industry LTV for this kind of finance is much higher.

Management: There is a reason behind it; it is amortizing portfolio and we had acquired these assets six, seven years back, that time the lenders in the loan against property market were not so many and hence it is a residual portfolio, it is running off very fast, we are down 50% year-on-year. So while we gave the exact calculated number and that is why it is coming to 36%.

Kunal Bhakta: So this incrementally is being done through home finance, right, developer finance and all that?

Management:32:38 That is correct.

Kunal Bhakta: In others there is also CV, so you also lend to commercial vehicles, is it?

Management: We used to lend to commercial vehicles. Last 18-months we have not done rupee of disbursements. That is also running down portfolio. So we will have residual Rs.150-400 crores left there.

Kunal Bhakta: This infra lending when you say small project bridge lending, this also is historical, right, this is only 3% of the AUM and you have mentioned 22% LTV, so that would also be a historical portfolio?

Management: Absolutely.

Kunal Bhakta: So you will essentially see the SME book growing to probably 85, 90% over a period of time?

Management: No, I think retail is growing faster. Till the time retail gains momentum in terms of AUM, SME will grow. Over a longer period of time, it will settle around 60, 65%.

Kunal Bhakta: But your average yield on retail is very high. So what is the nature of this – is it unsecured like or some kind of electronics financing and all that or what is it?

Management: Dominant asset is two wheelers and that is why you see the yield to be higher. That is the nature of the business…

Kunal Bhakta: So for that we have the infrastructure in place in terms of let us say service location for a two wheeler financing or it is more of B2B thing where you are tie-ing up with the OEM?

Management: No, we tie-up with OEM, at the same time we have infrastructure in place in all branches we service plus we have very good infrastructure in place centrally for credit underwriting as well as operations…infrastructure means technology and platform.

Moderator: Thank you. We will take the next question from the line of Aditya Kiran from L&T Mutual Fund. Please go ahead.

Aditya Kiran: Two questions; one is on the repayments that are coming up in the second half, if you could share some sense in terms of how it is on the standalone balance sheet and what is the plan in terms of meeting them? Second, I think a couple of weeks there was an article in media that both Reliance Home and Commercial have completed a securitization transaction worth close to Rs.4,000 crores and some long-term financing was raised. So if you could share some updates on that and overall in terms of the liquidity position, that will be helpful?

Management: What you read in the media is right, we have raised almost Rs.3,500-4,000 crores between the two businesses by securitizing the pool in this quarter. The liquidity position as of now is comfortable and we are confident of meeting all our repayments which are coming up over the next few months.

Aditya Kiran: In terms of the standalone debt outstanding, can you share the number as on September 30th on the balance sheet?

Management: The standalone gross debt would be around Rs.20,000 crores.

Moderator: Thank you. We will take the next question from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: Just in terms of the operating businesses, how much of maybe the investments in to life insurance, asset management, commercial finance would be there in the operating and how much would we see on the non-operating side?

Management: Our investments in operating companies would be about Rs.14,000 crores and the balance will be investments in non-core investments which we are looking at monetizing.

Kunal Shah: This Rs.14,000 crores would include like Life Insurance and everything and the balance would be on the non-core side?

Management: Yes.

Moderator: Thank you. We will take the next question from the line of Jiten Parmar from Param Capital. Please go ahead.

Jiten Parmar: Two questions; first one is can you please tell what is the debt to group entities for example specifically RCOM, RPower and Reliance Naval? Second question is basically what is the progress on monetizing the investments as we have been talking about this for quite some time the pace has been slow on this?

Management: Our exposure to Reliance Communications as we have stated earlier is around Rs.1,000 crores fund-based and Rs.500 non-fund-based and our exposure to Reliance Power would be around Rs.1,500 crores, besides that there would be no further exposures to companies you mentioned. We earlier did answer that we are at various stages of exits in our non-core investments, those include Codemasters, Prime Focus, the Radio business, various private equity investments and you should see significant amount of them getting monetized over the next few quarters.

Jiten Parmar: What we have seen is lots of our businesses have lagged in growth during the whole of last year compared to peers for example in commercial finance and so on Was there a specific effort made to basically make the book better?

Management: I think we have stated from last four, five quarters that we intend to diversify into retail segments and as part of that strategy our stated objective is profitable growth and effective risk management and hence in line with that we have decided only focus segment and we are only growing those segments and we have incrementally stopped disbursements in lot of segments, that is leading to rebalancing of portfolio and also effective risk management and hence gross NPA and net NPA is trending down QoQ. It is our stated objective but some of the retail businesses capabilities take little time, but we have still been growing QoQ. Yes, you can qualify that 10-12% growth is lower growth but as we build the infrastructure we will grow rapidly.

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

Kajal Gandhi: As the networth, as a result of adjustment to opening reserves that you had, has got down and your return ratios at even this profit will look better though it is not any change in the profitability that has happened. So how do you see this forward? So now the profit expansion will be there at higher pace or it will be moderately here because you will still achieve the return ratios?

Management: From a pure operating business perspective, we continue to do well and we continue to perform the way we performed over the last couple of years. There is no change in any strategy or any business plan. This is just outcome of the accounting norm.

Kajal Gandhi: But then you will be reporting the return ratios as it will appear correct because on a revised networth?

Management: Yes.

Kajal Gandhi: There will not be any provision write back thing will come into the picture? Second thing is what is the status on the General Insurance IPO?

Management: We are awaiting more favorable market conditions. So we are committed to an IPO and are looking at an expected dilution of about 25%. We will keep you posted as we see this.

Kajal Gandhi: I think as per the recent news that the timeline for the earlier draft prospectus is over, then you have filed the new prospectus?

Management: Yes, that is true, but I think everything is in place for us to reevaluate that quickly.

Moderator: Thank you. We will take the next question from the line of Vishnu Soni from Bharti AXA Life Insurance. Please go ahead.

Vishnu Soni: You mentioned that you have an exposure of Rs.1,500 crores to RCom and RPower each. So what is the strategy to recover it?

Management: RCom is working on a resolution plan. In the next few months we should see that closing and we should be able to recover significant amount. Reliance Power also is an arm's length transaction and we will be looking at recovering this over the next few quarters, there is no challenge.

Vishnu Soni: On the maturities for the next six months which are coming up, so what are the plans to basically repay?

Management: Like I said, in the businesses we have done securitization, we are raising money in those businesses as well, in fact, we have raised over Rs.7,000 crores through market borrowings since July '18, the funds have longer maturity and are dependent on short-term sources such as CP has been declining. So I do not see a challenge in making any of our debt obligations over the next few months.

Vishnu Soni: On the parent company?

Management: The parent company also the maturities are not significant over the next few months and all these monetizations will continue and we will ensure that debt obligations are met and as we speak we are also sitting on cash which will help.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Naveen Kulkarni for closing comments.

Naveen Kulkarni: Thank you, everybody for actively participating in the call and I would like to thank the management for taking their time off and giving their perspective on the business.

Moderator: Thank you. Ladies and gentlemen, on behalf of Reliance Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.