Reliance Capital
FY12 Earnings Conference Call
21st May 2012

SPEAKERS: Management of Reliance Capital

Moderator: A very good morning, ladies and gentlemen. I am Souradeep Sarkar, the moderator for this call. Thank you for standing by and welcome to the Reliance Capital Fourth Quarter Financial 2012 Earnings Conference Call. For the duration of the presentation, all participants' lines will be in the listen only mode; and we will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Parag Jariwala from Macquarie Capital Securities. Over to you, sir.

Parag Jariwala: Good morning and hello everyone. It is a pleasure to host the management of Reliance Capital, post their fourth quarter result conference. Thank you very much all of you for participating on it. We have with us Mr. Sam Ghosh, the CEO, Reliance Capital who will represent the company. Along with him we have various vertical heads like Mr. Sundeep, CEO, Reliance Capital Asset Management; Mr Malay, President, Reliance Life Insurance; Mr. K. V. Srinivasan, CEO, Reliance Commercial Finance; Mr. Vikrant, ED, Reliance Securities; Mr. Rakesh, Reliance General Insurance CEO; Mr. Amit, CFO, Reliance Capital.

Mr. Sam, I would like now to handover to you for first brief background to the results and then we can follow it up by questions and answers.

Sam Ghosh: Thank you. Good morning to all of you. I will do a brief summary on our results and then an update on each of our business operations and then we will take questions. I hope all of you have received our results by now. The results and a brief presentation have been uploaded on our website.

The total income from operations for the quarter increased by 25% to Rs. 20 billion mainly on account of gains of Reliance Life Insurance stake sale to Nippon Life and increase in the top line of commercial finance business, broking and distribution businesses.

Consolidated net profit for the quarter stood at Rs. 3.3 billion as against the loss of Rs. 64 million for the previous period. The increase in profit is mainly due to part consolidation of Reliance Life Insurance with Reliance Capital in FY12 and gain on Reliance Life Insurance stake sale to Nippon Life, partially offset by loss in our General Insurance business. The profit of Rs. 3.3 billion is after the negative impact of Rs. 1.8 billion provision for third party pool in General Insurance.

The net worth of Reliance Capital increased by Rs. 39 billion from previous year to Rs. 117 billion at the end of FY12. I am very happy to inform you that, in early October, we successfully completed the strategic stake sale transaction at Reliance Life Insurance with Nippon Life. Nippon Life acquired 26% stake in Reliance Life Insurance for Rs. 31 billion, valuing the business at approximately Rs. 115 billion.

As mentioned earlier, Rs. 3 billion have been invested in Reliance Life Insurance, which will take care of any further capital required for solvency. And the balance - over Rs. 27 billion flow has come to Reliance Capital. Our net debt to equity ratio improved by 27% to 1.56 from 2.14 at the end of previous year. Post stake sale to Nippon Life, Reliance Capital has 74% economic interest in Reliance Life Insurance.

We have also merged Viscount Management Alpha, one of holding companies of Reliance Life, into Reliance Capital. 38% of Reliance Life Insurance is now directly held by Reliance Capital. The increase in profit and reserves, driven by the stake sale and amalgamation of subsidiary, is reflected in FY12 results.

At Reliance Capital, we have continued to focus on improving the operating performance of our businesses and ensuring the businesses increase their contribution towards the earnings mix of Reliance Capital. In life insurance, I am extremely pleased to share that the business has recorded its first full year of profits in FY12. The business has been consistently profitable for the past six quarters. This year, it achieved a profit before tax of Rs. 3.7 billion as against a loss of Rs. 1.3 billion in FY11.

In commercial finance, the total income for the quarter increased by 35% to Rs. 6 billion. While the profit before tax declined 19% to Rs. 756 million as against Rs. 928 million, despite 66% increase in interest costs. With the change in the interest rate cycle, or if the interest rates stay flat, we will definitely see a significant increase in the profits from this business. Nearly 100% of the book is now secured as against 97% at the end of March 2011.

In asset management, the profit before tax in the current quarter stood at Rs. 1 billion as against Rs. 752 million in corresponding previous period - up by 34% year on year. The focus on the untapped retail opportunity across all asset classes has continued. The number of SIPs and STPs at nearly 2 million is the highest in the industry.

The retail gold fund that was launched in February 2010 crossed Rs. 26 billion in average AUMs, garnering a healthy market share of 28% in the gold fund category. We have given detailed financial and operating parameters for each of our major businesses in our presentation and review report.

I will now go through the main highlights in each business. Reliance Capital Asset Management manages over Rs. 1.4 trillion of assets across its mutual fund, pension funds, managed accounts and hedge funds. Reliance Mutual Fund is amongst the top two mutual funds in India with a market share of over 12%. The average assets under management of Reliance Mutual Fund were over Rs. 781 billion as at March 31, 2012.

I am extremely pleased to inform you that we have extended our partnership with Nippon Life to our asset management business. Nippon Life has signed agreements to acquire a 26% stake in our asset management business, for nearly Rs. 15 billion, valuing the business at Rs. 56 billion. This is subject to regulatory approvals. This transaction is the largest investment in any Indian AMC till date, And also the largest FDI in an Indian AMC.

As mentioned before, in asset management, we have continued to focus on the under penetrated retail opportunity. In SIPs and STPs, we continue to garner accounts and are the highest in the industry. For the quarter ended March 31, 2012, the asset management business generated income of Rs. 1.8 billion - a decrease of 13%. And a profit before tax of Rs. 1 billion - up 34% year on year.

For the year ended March 31, 2012, the asset management business generated income of Rs. 6.7 billion - a decrease of 9%. And a profit before tax of Rs. 3.1 billion - up 5% year on year. Reliance Mutual Fund is the most profitable mutual fund in India for consecutive second year.

Moving on to life insurance; Reliance Life Insurance continues to be among the leading private sector life insurance players in terms of new business premium, with a private sector market share of over 5%. The total premium for the year was at Rs. 55 billion and the renewal premium at Rs. 37 billion. The new business premium was at Rs. 18 billion.

Nearly 70% of the new individual business premium has been contributed by traditional products. Our focus continues to be smaller towns and cities - addressing the under and un-insured opportunity. The ticket size as a result has fallen to around Rs. 12,800 and strategy is to sell more number of policies. I am very happy to inform you, that we have maintained leadership position in terms of number of policies sold in the private sector. Reliance Life Insurance sold nearly 1.1 million individual policies in the year ending March 31, 2012. Over 5 million Individual life policies are in force as on March 31, 2012.

The profit before tax for the year was Rs. 3.7 billion, while profit for the last quarter was Rs. 3.5 billion. The declared results of Reliance Capital include consolidation of 38% stake in Reliance Life Insurance. The NBAP margins for the year stood over 15.50 percent. Reliance Life Insurance managed over Rs. 187 billion of assets as on March 31, 2012. The distribution network stood at 1,230 offices across India.

And the number of agents was over 150,000 - a planned year on year decrease of 20%. This was in line with the focus on productivity and performance of agents.

Moving on to Reliance Commercial Finance; Reliance Commercial Finance is amongst the leading lenders in the non banking finance space. The disbursements for the quarter decreased by 50% year on year to Rs. 16 billion, due to prevailing high interest rate environment. The assets under management grew by 9% year on year to Rs. 151 billion. The outstanding loan book was Rs. 132 billion - a year on year increase of 8%.

Our focus continues to be on secured asset lending to niche segments of Home loans and Loans against property, Business loans, Loans for commercial vehicles and construction equipment, Infrastructure financing. At the end of the year, nearly 100% of the book was secured as against 97% at the end of previous year.

During the quarter, Reliance Commercial Finance securitized loans of Rs. 10.5 billion, compared to Rs. 1.5 billion in corresponding previous period. The total income for the quarter increased by 35% to Rs. 6 billion, while profit before tax declined by 19% to Rs. 756 million, despite 66% increase in interest costs. The Q4 net interest margin was 4% and the cost of borrowing was 12%.

For the full year, total income was Rs. 19.5 billion - an increase of 42%, while profit before tax was Rs. 2.5 billion. The cost to income ratio dropped to 16% in FY12 as against 18% in FY11. I am confident that with the change in the interest rates continuing downwards, we will see significant improvement in NIMs and profits.

The gross NPLs were at Rs. 2.2 billion. This translates to 1.5% of the AUM. The coverage ratio at end of March 2012 stood at 68%.

The broking business, Reliance Securities is amongst the leading retail equity brokering houses in India, while Quant Capital caters to the wholesale segment including foreign and domestic institutions, corporations and ultra high network individuals.

The focus at Reliance Securities is on its key business verticals of equity broking, wealth management and investment banking. In the broking vertical, equity broking accounts increased by 3% to 685,000 and average daily equity turnover stood at Rs. 13 billion. The number of commodities broking accounts increased by 4% to over 35,450 and the daily average commodities turnover of Rs. 10 billion, a year-on-year increase of 195%.

In wealth management, assets and management stood at Rs. 5.8 billion, a year-on-year increase of 152%.

For the quarter broking business revenues increased from Rs. 775 million to Rs. 1.7 billion. Q4 profit before tax rose from Rs. 20 million to Rs. 250 million. For FY12, total income increased by 43% to Rs. 3.6 billion and profits rose by 54% to Rs. 320 million.

Reliance money is amongst the leading distributors of financial products and services in India with the distribution network of over 6000 outlets. Reliance money sold over 700 kilograms of gold in the quarter, an increase of 68%. Reliance money is the largest private sector partner of Western Union Money Transfer in India and handled over half a million money transfer transactions during the quarter, a 7% year-on-year increase.

The business achieved revenue of Rs. 353 million for the quarter, year-on-year increase of 118%. The profit before tax for the quarter was Rs. 102 million, a year-on-year increase of 300%. For the full year, revenues rose by 81% to Rs. 1.1 billion. Profit before tax was Rs. 234 million, a year on year increase of 88%.

Reliance General Insurance is amongst the leading private sector general insurance companies in India in terms of business premiums with a private sector market share of over 7%. The gross revenue premium for the year was Rs. 17.1 billion, an increase of 3%. Loss for the year was Rs. 3.4 billion.

The gross written premium for the quarter stood at Rs. 4.2 billion. The loss for the quarter was Rs. 2.5 billion as against Rs. 2.2 billion in corresponding previous period and the combined ratio including third party stood at 197% for the quarter ended 31st March 2012.

This increase in loss and combined ratios mainly on account of strengthening of third party motor claims reserves. Our focus in this business is to write profitable business and improve the combined ratio. The company is optimising its product, portfolio mix and is increasing its commercial lines of business. In fact during the quarter, general insurance business realised the gross written premium of Rs. 658 million from its commercial lines of business, a year-on-year increase of 23%. During the quarter 2.5 billion capital was infused into the business. The total capital invested till date is Rs. 16 billion.

In conclusion, I would like to say that all major businesses are on track and in terms of improving operating efficiencies and focusing on increasing their profits. Our life insurance business has turned profitable with a profit of Rs. 3.7 billion for the year

During the last quarter of FY12, we merged Viscount Management Alpha into Reliance Capital, which held a stake in Reliance Life insurance business. Consequently 38% of Reliance Life Insurance is now directly held by Reliance Capital.

Also the board has proposed a dividend of Rs. 7.50 per share. I am very confident and certain that barring extraordinary circumstances, Reliance Capital's strategy of focusing on profitable growth will result in sustainable ROEs in the range of 16% to 18% from its businesses over the next two years.

Thank you very much. We can now take questions.

Moderator: Thank you so much, sir. With this we are going to start the Q&A interactive session. I would request all the attendees and the participants, if you wish to ask any question, please press "0" "1" on your telephone keypad and wait for your name to be announced.

I would request all the attendees and the participants if you wish to ask any question, please press "0" "1" on your telephone keypad and wait for your name to be announced.

Here comes the first question from Mr. Kunal Shah from Edelweiss. Mr. Shah, you can go ahead and ask your question, please.

Kunal Shah: I just want to get the sense of the overall profits which have come in from life insurance, which have come in from stake sale. Reliance Life has done 370 crore of PBT and 38% of that, so 140 crore would be on account of this consolidation and how much was on account of a stake sale?

Amit Bapna: Kunal, to give effect to the merger order of the high court, the gain have been accounted for in the general reserves directly, most of it. In books we have shown Rs. 450 crore of capital gains.

Kunal Shah: Rs. 450 crore has come in P&L?

Amit Bapna: Yes. Rs. 450 is for the P&L, the rest has been accounted for in the general reserves directly to give effect to the merger order of High Court.

Kunal Shah: How has been the entire deal structure? Sir, if you can just give clarity as to – this is coming mainly from Viscount Alpha.

Amit Bapna: We merged Viscount Alpha with Reliance Capital and so the gains as per the High Court order were supposed to be taken into reserves directly. It is a lengthy thing. So I will discuss that with you post this call.

Kunal Shah: How much has been adjusted from reserves?

Amit Bapna: The reserves have gone up by Rs. 3,800 crore.

Kunal Shah: What has been the impact with respect to another 2,000 crore which should have been in a capital reserves?

Amit Bapna: We adjusted only by Rs. 3,800 crore.

Kunal Shah: The net impact is Rs. 3,800 crore.

Amit Bapna: Yes. It is by lengthy accounting process, so I will explain that to you, it is 5,800 minus 2,000. So 3,800 is the net.

Kunal Shah: So what the 2,000 actually, you will explain to me later?

Amit Bapna: Yes.

Kunal Shah: So in total, how much was the gain, if I look at it then Rs. 3,800 plus Rs. 550 crore in P&L?

Amit Bapna: Rs. 450 crore.

Kunal Shah: Plus 450 crore in P&L?

Amit Bapna: Yes. That is the number effectively. The reserves as well as the capital gain all put together is Rs. 4,200 crore.

Kunal Shah: But how much was the stake, it was 26% at Rs. 3,100 crore?

Amit Bapna: Yes, plus there is a re-evaluation of shares which has happened due to the merger. Because it is a very lengthy accounting piece which is giving effect to the high court order merger, I will explain to you once we have done with the call.

Kunal Shah: The other thing was in this Reliance Securities, has there been some reclassification or something because if I look at the total income for Q4 that seems to be much higher than what we have been reporting in the past few quarters.

Vikrant Gugnani: The impact on total income is because of two businesses which are wealth management as well as investment banking. A fair amount of revenue has come from these two businesses in the last quarter.

Kunal Shah: But if you look at Q4 FY11, Q3 FY12, those numbers have also been reclassified.

Amit Bapna: Correct. Reclassification is because we have added Quant Capital in the broking businesses now. Retail as well as institutional broking put together, that is one; and secondly most of the fee on the investment banking and wealth management has been realised in quarter four. So you are seeing a significant improvement in performance in quarter four.

Sam Ghosh: Just a clarification. We bought Quant Capital about two and a half years ago. They were at about breakeven. This year they started showing profits. So it's okay. We should be looking at our broking as a total unit, both the retail and the distribution together. From now on, it will show together.

Kunal Shah: So if I look at Q3 FY12, now this quarter is showing Rs. 125 crore, last time what we reported was Rs. 40 crore, so you are saying Rs. 85 crore would have come from Quant for Q3, would that not be too high a number, Rs. 85 crore?

Amit Bapna: No, we have got three to four significant investment banking revenues that are coming into this business. You are looking at Q3?

Kunal Shah: Yes. I am just looking at regrouping of Q3 numbers. Last time you reported Rs. 40 crore in Q3, this time it is Rs. 125 crore...

Sam Ghosh: Abhishek, can you just explain that after the call?

Kunal Shah: Any IPO funding, I just look at this Rs. 1,000 crore of IPO funding which has been done. So how much would have been the income on that count?

Vikrant Gugnani: The various IPOs that we did, the average income would have been between 4% to 5%.

Kunal Shah: One question on this other income which is there in the consumer finance business, if I just calculate in terms of the interest income and the other income of Rs. 73 odd crore, so what is that on account of?

KV Srinivasan: On account of processing fee and pre-closure charges.

Kunal Shah: Sorry?

KV Srinivasan: Processing fee and pre-closure charges.

Kunal Shah: That has not been there in previous few quarters because it is in the range of Rs. 20-30 crore, this quarter it has jumped up to Rs. 73 crore, anything extraordinary in that?

KV Srinivasan: No, nothing extraordinary at all.

Kunal Shah: How much is the provisioning in this quarter?

KV Srinivasan: Gross provision for this quarter is Rs. 55 crore.

Kunal Shah: Thanks a lot. I will get back with more questions.

Moderator: Thank you, Mr. Shah. Here comes the next question from Mr. Anubhav Adlakha from Bank of America. Mr. Anubhav, you can go ahead and ask your question, please.

Anubhav Adlakha: My question basically pertains to the life insurance business. You declared a profit of Rs. 3.7 billion for FY12 against the loss of Rs. 1.3 billion. Can you take me through how have you arrived at this profit because the total premiums have declined? Is it due to the operating ratios coming down, commission ratios coming down, because there was a capital infusion of 3 billion. So I am just confused, like how have you arrived at that profit number?

Malay Ghosh: See, this is an operating profit for the year and it had mostly come from the surpluses that have happened in the non par business. And as you have seen that we have put sufficient emphasis on proper product mix, control on expenses and also raising of productivity at all levels that reduces the commission ratios and all that. So it is an effect that comes to any life insurance company after it has run its course of first year expenses, running its course of first seven-eight years.

Anubhav Adlakha: Could you just throw some light on the operating ratios for FY12? At the Opex ratios.

Malay Ghosh: There will be Opex ratio has come down by about 0.5%, the persistencies have improved by about five percentage points, the product mix has gone towards 70% coming from traditional policies. The AUM has retained its position. About a double digit growth in the AUM has also happened. We have also been able to keep the cost under control both on the variable and also on fixed cost. All has resulted into this. You may be seeing that for the last six quarters the company has been profitable on a month-on-month basis; and this figure you can see in our disclosures also appearing on the surplus column.

Anubhav Adlakha: Because the Q4 numbers are still not on the website, so that is why I asked.

Sam Ghosh: It is there today.

Anubhav Adlakha: Thank you.

Moderator: Thank you, Mr. Anubhav. Before we move ahead, I would request once again to all the attendees and the participants, if you wish to ask any questions, please press "0" "1" on your telephone keypad and wait for your name to be announced.

I would request to all the attendees and the participants, if you wish to ask any questions, please press "0" "1" on your telephone keypad and wait for your name to be announced.

Here comes the next question from Mr. Vikrant Khadilkar from JP Morgan. Mr. Vikrant, you can go ahead and ask your question, please.

Vikrant Khadilkar: Hi, my question is on Commercial Finance business. What is the total debt in the company and what is the leverage ratio of only this segment of the entire group?

KV Srinivasan: The total book size of the Commercial Finance business is around Rs. 15,100 crore that is the AUM. On books it is about Rs. 13,200 crore out of which it is funded to the extent of Rs. 11,000 crore by debt and the balance Rs. 2,200 crore as the capital, the allocated capital.

Vikrant Khadilkar: Going forward, which are the businesses that will need the most capital infusion in the next one to two years?

Sam Ghosh: I think if you look at the two businesses which may need some capital, one is Commercial Finance, if they grow their books significantly. And the General Insurance may need about Rs. 100 crore or so.

Vikrant Khadilkar: So if you assume that the commercial finance book will grow by at least 20% in the next one or two years, then what kind of capital requirement will be there?

KV Srinivasan: If it grows by 20% then the capital also will grow roughly by 20% or so because from current level of 2,200, maybe another 300 or 400 crore will be required.

Sam Ghosh: We have adequate capital, anyways, if you notice, sir, our capital adequate ratio is over 20%.

Vikrant Khadilkar: On your loan book composition on SMEs and infrastructure financing, what type of SMEs are these and what kind of loan-to-value ratio is there; and for infrastructure financing how much is there in the power segment and what kind of loan-to-value ratio is there for these two segments?

KV Srinivasan: First of all, our infra-segment is a very small book, it is hardly about Rs. 350 crore. It is just a first baby step that we have taken towards this sector. Of this Rs. 350 crore, roughly around Rs. 200 crore would be in the power but none of them is on Coal, it is mostly on renewable and so on. In all these cases, the loan-to-value ratios could be below 35% or 30%.

As far as the SME book is concerned, we include several sectors like education, healthcare, printing and packaging industries, the food processing industry, etcetera; we have got certain specific industries focus. And loan-to-value in these cases would be typically around 50%.

Vikrant Khadilkar: What kind of collateral will be there?

KV Srinivasan: In smaller ticket cases it will be basically the machinery and the cash flows which are there. Wherever there is an exposure beyond, let us say, 5 crore, it will be necessarily backed up by property collaterals, and loan value in respect of that could not be more than 50%

Vikrant khadilkar: Any loan directly or indirectly given to the parent company or the other companies of ADAG group?

KV Srinivasan: None whatsoever.

Vikrant Khadilkar: Okay, thank you.

Moderator: Thank you, Mr. Vikrant. Here comes the next question from Kajal Gandhi from ICICI Direct. Mr. Gandhi, you can go ahead and ask your question, please.

Kajal Gandhi: Good morning. Sir, I wanted to know what are your guidance on general insurance now, are we expecting further losses in this business now?

Rakesh Jain: If you see the last two years, IRDA has significantly strengthened the reserving for motor pool reserves. Of course it is compensated also by price hikes. The last two years, the motor pool pricing has increased in the first year by 68% and the next year by 15%. The challenge for the industry has been that it has been taking reserves for the past, the last four years, whereas the pricing changes are effective prospectively. As we see now, the old pool has been disbanded by IRDA to a very small decline risk pool and the pricing in the last two years has been reasonably increased. Going forward, we, of course, do not see a similar repeat of what we have seen in the past and I think the entire industry is moving towards a reasonable growth in the bottom line.

Kajal Gandhi: So you expect some kind of profit in FY13 in the business?

Rakesh Jain: I think we are just about coming out. It is better to be cautious but we certainly do not see the miseries what we have seen in the last two years.

Kajal Gandhi: Anything which were yet to, like if you have taken a call to write it off in three years or anything which is pending in the general insurance write offs?

Rakesh Jain: In accordance with IRDA allowed, we took the hit for the first three years completely and for the subsequent two years we have amortised equally over a period of three years, which means we have taken a one third hit in the last financial year, and the balance two thirds will come equally over the next two years.

Kajal Gandhi: What will be that amount?

Rakesh Jain: The amount for each year would be about 63 crore.

Kajal Gandhi: Second thing we wanted to know on the AMC front, the quarter has shown excellent profit in this quarter, what are the basic reasons though the top line is lower as of now?

Sundeep Sikka: Broadly if you see what we have been doing is over a longer period of time our focus has been on the right product mix. If you see overall also the fee realisation in a year has gone up from 57 basis points to 60 basis points and our focus continues to be on long term retail assets. On our calls, we have been sharing with you that focus is on the debt side not on the institutional side but on the retail side where the fee realisation is nearly about 80 to 90 basis point compared to liquid funds where it is 25 to 30 basis points. The objective is to have profitable growth. And I think that system will continue in future also.

Kajal Gandhi: Sir that phenomenon is happening, I think, more than a year already now, what specially happened in this quarter?

Sundeep Sikka: Nothing specific as such. There would be again a lot of marketing expenses and various other expenses also because of the market conditions which we did not go ahead with that, which products has been provisioned, so I think the idea is to get the sweet spot how much to spend, when you are expecting increase in top line. We also have not spent very aggressively on marketing because this was a quarter where the market has been down. We were very clear that we could not get those kinds of results.

Kajal Gandhi: Any guidance on the consumer finance book or the overall lending book, how was it expected?

KV Srinivasan: It will be broadly in line with the overall growth in the debt in the economy which we expect to be around 15 to 16% for the next year.

Kajal Gandhi: Thank you very much.

Moderator: Thank you, Ms. Gandhi. Well here comes the next question from Mr. Kunal Shah from Edelweiss once again. Mr. Shah, you can go ahead and ask your question, please.

Kunal Shah: What is the income on securitisation?

KV Srinivasan: We do not book income front on securitisation, so whatever securitisation we have done like in the past -- Q4 we did about Rs. 1,000 crore securitisation, that will flow over the life of the tenure of the loan.

Kunal Shah: How much will be the income on this?

KV Srinivasan: It will be quite insignificant. It will be in the region of 3.5% to 4% of the total – like we have done, let us say, Rs. 1,000 crore. So maybe 4% of that would flow into the quarter.

Kunal Shah: So Rs. 30/40 odd crore would be there in this quarter.

KV Srinivasan: Whether we did securitisation or not, the same level of income would have come through as interest.

Kunal Shah: This has mainly come in which CVs, Rs. 1,000 crore?

KV Srinivasan: The fact is a part of that would be in CVs and mortgages; CVs and home loans.

Kunal Shah: In case of SMEs, why the portfolio decline has been from Rs. 4,300 crore to almost Rs. 3,300 crore? I think CV and SME both have declined. CV has declined from Rs. 2,300 crore to Rs. 1,600 crore, which I believe would also be on account of securitisation, what has been the reason for fallen SME?

KV Srinivasan: One reason is that the old unsecured business loans which were there have now completely run off, that in itself could be a significant decline. And plus what happens was that because of the adverse interest rates and the higher risk perception, we have intentionally gone a little slow as far as our lending on that sector is concerned. So naturally to the extent of that runoff, the normal runoff, we have not replenished the book.

Kunal Shah: Unsecure portion was not more than 0.6%, 0.7%.

KV Srinivasan: Correct. We had gone a little slow. If you look at the last quarter, the disbursements actually decreased year-on-year, 50% roughly.

Kunal Shah: Maybe incremental disbursements would have been very low in SMEs, CVs, and mortgages would have contributed to this disbursement, whatever has come through of say, Rs. 1,600 odd crore.

KV Srinivasan: CV disbursements were very good but that is normally to the offset to the extent of securitisation. That is why you see a lesser amount of growth in the book as far as the CV is concerned, but on the SME side we went a little slow intentionally.

Kunal Shah: Okay. Thanks a lot.

Moderator: Thank you, Mr. Shah. Well I would request once again to all the attendees and the participants, if you wish to ask any questions, please press "0" "1" on your telephone keypad and wait for your name to be announced.

I would request once again to all the attendees and the participants, if you wish to ask any question, please press "0" "1" on your telephone keypad and wait for your name to be announced.

Well here comes the next question from Mr. Santosh Singh from Espirito Santo. Mr. Singh you can go ahead and ask your question please.

Santosh Singh: I have just one question and that is on current liabilities. If I look at the balance-sheet, other current liabilities is somewhere around Rs. 7,400 crore, what exactly is that line item?

Amit Bapna: Current liability is now – as far as by Schedule six, you have to classify all your loans which are less than 12 months old into current liabilities, etcetera. So we will give you that, that is a very large amount but that are all your liabilities which are maturing in the next 12 months.

Santosh Singh: So that is basically the short term loan borrowings?

Amit Bapna: No, it is a long term, which is maturing in the next 12 months. It will be classified under that head.

So if you had done a five-year NCD five years back and is maturing during the year, it is more than the debt category.

Santosh Singh: It is basically the borrowings and nothing else?

Amit Bapna: No, nothing significant.

Santosh Singh: Thanks.

Moderator: Thank you Mr. Singh. Well here comes the next question from Ms. Kajal Gandhi once again from ICICI Direct. Ms. Gandhi, you can go ahead and ask your question, please.

Kajal Gandhi: Sir, can you share your life insurance EV, if you are giving?

Malay Ghosh: No, life insurance EV has not been calculated as of now. We are waiting for the IRDA's regulation in this regard.

Kajal Gandhi: Sir, if you can give, in terms of your AMC retail debt area which you are seeing is yielding higher margins, what is the comment in that?

Sundeep Sikka: As an absolute number, I will not have the number right now but all we can share with you – our institutional retail is at an all time low.

Kajal Gandhi: But then if any percentage you can share of the total debt.

Sundeep Sikka: I think we can share with you is about 50 to 60% of our debt is now non-liquid and that is the way I will put it.

Kajal Gandhi: Thank you.

Moderator: Thank you, Ms. Gandhi. Well there are no further questions in the queue. However, I would request once again to all the attendees and the participants, if you wish to ask anymore questions please press "0" "1" on your telephone keypad and wait for your name to be announced.

Well, sir, there are no further questions in the queue. I would request Mr. Parag and the Reliance team to take over the floor for the final comments. Over to you, sir.

Parag Jariwala: Thank you very much, everybody, for this call. Thank you very much Mr. Sam and the management team of Reliance Capital. It was a pleasure to have you on the call. Thank you all participants. Mr. Sam, if you want to have some final remarks then it will be great.

Sam Ghosh: Parag, just want to give some final comments. I think most important thing is that, you noticed from our business results that all our businesses have either maintained their profits or have increased their profits. General insurance was only an exception and we know that will be also fixed going forward.

The other issue to highlight is that we have increased the dividend from Rs. 6.50 to Rs. 7.50 which shows that the company going forward does not require substantial capital. As I mentioned earlier, it is only the commercial finance, which may need capital if it grows and the general insurance company which may need minimum capital. So we have a very healthy position if you look at it as well as the asset management stake sale to Nippon obviously will also yield substantial capital gains to the company.

With those few words, thank you very much and we will meet you in due course again.

Moderator: Thank you all the panellists and thank you all the participants for joining the conference call. With this we conclude the conference here itself. Thank you all for your time. Wish you all a great day ahead. You all can disconnect your lines. Thank you so much.