Reliance Capital Limited
FY13 Earnings Conference Call
16th May 2013

SPEAKERS: Management of Reliance Capital

Moderator: Good afternoon, ladies and gentlemen. I am Souradip Sarkar, the moderator of this call. Thank you for standing by and welcome to the Reliance Capital FY13 Earnings Conference Call. For the duration of presentation, all participants' lines will be in the listening-only mode, and we will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Suresh Ganapathy from Macquarie Capital Securities. Thank you and over to you, sir.

Suresh Ganapathy: Thank you. Good evening, everyone. We have with us the management of Reliance Capital to discuss the FY13 results. So without any further ado, I would like to hand over to Sam and his management team to discuss the numbers briefly. Over to you, Sam.

Sam Ghosh: Thanks, Suresh. Good evening, everyone, and welcome to our FY13 Earnings Conference Call. We have the CEOs from our businesses with us: Anup Rau from Life, Rakesh Jain from General Insurance, K.V. Srinivasan from Reliance Commercial Finance, Vikrant is on the phone from Broking and Distribution, Prateek Jain is here from Asset Management Company, and we have our CFO, Amit Bapna with us.

On the FY13 results, let me present a brief summary of our consolidated results and update on each of our businesses. After that, we will take questions. I hope, all of you have received the results and related documentation.

The total income from operations for the year increased by 13% to Rs.75 billion mainly on account of increase in the top line of General Insurance, Commercial Finance, Asset Management businesses and gains on Reliance Capital Asset Management stake sale to Nippon Life. Consolidated net profit for the year stood at Rs. 8 billion, a growth of 77% as against the previous corresponding period. The increase in profit is driven by gains on Reliance Capital Asset Management stake sale to Nippon Life, decline in loss in the General Insurance business and stable profitability across businesses.

Net worth of Reliance Capital increased by 3% to Rs. 120 billion at the end of FY13.

At Reliance Capital, we have continued our focus on improving the operating performance of our core businesses and ensuring higher contribution from them, towards earnings mix of Reliance Capital.

In our Asset Management business, the Mutual Fund average assets and the management rose by 21% to Rs. 946 billion and continued to maintain share of 12%.

As a result of our focus on the under penetrated retail opportunity across asset classes, we have been able to increase the share of retail debt to 40% of the overall debt AUMs as of 31st March 2013 as compared to 26% in March 2012. The number of SIP and STP accounts are at 1.3 million, being the highest in the industry.

The retail gold fund has Rs. 29 billion in AUMs, maintaining a healthy market share of 24% in the gold fund category.

In Life Insurance, we achieved a profit of Rs. 4 billion in line with FY13. NBAP margins rose to 20.2% as against 15.6 in FY12 driven by a favourable business mix.

In Commercial Finance, the total income for the year increased by 8% to Rs. 21 billion, profit rose by 35% to Rs. 3.4 billion as against 2.5 billion driven by an increase in margins and improved cost efficiency. As guided previously, we have been able improve our yields sequentially and have touched NIMs of 4.9% in Q4. For the full year, NIMs were at 4.3%, an improvement of 23 basis points over FY12.

In General Insurance, the loss for the year decreased to Rs. 928 million as against Rs. 3.4 billion in FY12. The business attained profitability in the last two quarters, and henceforth, we expect the trend of profitability to a profitable growth.

We have given detailed financials and operating parameters for each of our businesses in our presentation and review report.

Reliance Capital Asset Management manages over Rs. 1.7 trillion of assets across its mutual funds, pension fund, managed accounts, and hedge funds. Reliance Capital Asset Management is the largest asset manager in India. Reliance Mutual Fund is amongst the top two mutual funds in India with the market share of 12%. The average assets under management of Reliance Mutual Fund were Rs. 946 billion as of 31st March 2013, an increase of 21%. As mentioned before, in Asset Management, we continue to focus on the under penetrated retail opportunity.

In SIPs and STPs, we continue to have the highest number of accounts in the industry. For the quarter ended 31st March 2013, the Asset Management business generated income of Rs. 2 billion, an increase of 9%, driven by higher mutual fund assets under management and a profit before tax of Rs. 1 billion.

For the year ended 31st March 2013, the Asset Management business generated income of Rs. 7 billion, an increase of 11% and a profit before tax of Rs. 3 billion. Reliance Mutual Fund continues to be amongst the most profitable mutual funds in India.

Reliance Life Insurance continues to be amongst the leading private sector life insurance players in terms of new business premium with a private sector market share of 5%. The total premium for the year was at Rs. 40 billion and the renewable premium at Rs. 27 billion, the new business premium at Rs. 14 billion. Nearly, 78% of the new individual business premium has been contributed by traditional products.

Our focus continues to be medium and smaller towns and cities - addressing the under and un-insured opportunity. In spite of that, we have been able to increase our average ticket size by 14% to over Rs. 14,600 in FY13. Our strategy continues to be to increase the ticket size as well as achieve and maintain our position amongst the top private sector insurers.

Reliance Life Insurance sold 219,000 individual policies in the quarter ended March 31, 2013, a sequential increase of 9% and one of the highest in the private sector. Nearly 5 million individual policies are enforced as on 31st March

2013. The profit before tax for the year was Rs. 4 billion in line with FY12. The declared result of Reliance Capital includes consolidation of 38% stake in the Reliance Life Insurance. The NBAP margins for the year stood at 20.2% as compared to 15.6% in FY12 driven by an improved business mix. Reliance Life Insurance managed over Rs. 182 billion of assets as on 31st March 2013. The distribution networks stood at 1,230 offices across the country and the number of agents were 1,24,000.

Reliance Commercial Finance is amongst the leading lenders in the non-banking finance space. The disbursements for the year increased by 10% to Rs. 87 billion even as we continue our focus on secured yet high margin business. The assets and the management grew by 9% to Rs. 164 billion. Outstanding loan book was at Rs. 137 billion a year-on-year increase of 3%.

Our focus continues to be on secured assets lending to niche segments of home loans and loan against property, business loans, loans for commercial vehicles and infrastructure finance. At the end of the year, 100% of the book was secured. During the year, the business securitised loans of Rs. 22 billion, an increase of 68% compared to the corresponding previous period.

The total income for the quarter was Rs. 5 billion while profit before tax rose by 59% to Rs. 1 billion driven by higher yields. The Q4 net interest margin was 4.9%, an increase of 88 basis points over the previous corresponding period.

For the full year, the total income was Rs. 21 billion, an increase of 8% while profit before tax rose by 35% to Rs. 3 billion. The cost to income ratio dropped to 15% in FY13, an improvement of over 130 basis points over FY12. I am confident that with the upward trend in margins and assets growth, we will continue to see consistent improvement in NIMs and profits.

The gross NPLs were at Rs. 3 billion which translates to 1.7% of assets and the management as compared to 1.9% at the end of December 2012. The coverage ratio including write-offs at the end of March 2013 stood at 62%. Excluding write-offs, the ratio was at 17%.

Reliance Securities is amongst the leading retail equity broking houses in India while Quant Capital caters to the wholesale client segment. The focus at Reliance Securities is on its key business verticals of equity and commodity broking and wealth management. In the broking vertical, the equity broking accounts increased by 4% to 7,15,500 and the average daily equity turnover stood at Rs. 25 billion, a year-on-year increase of 2%. The number of commodities broking accounts increased by 12% to nearly 39,700 and the daily average commodities turnover of Rs. 10 billion

In wealth management, the assets and the management stood at Rs. 10 billion, a year-on-year increase of 77%. For FY13, total income decreased by 5% to Rs. 3 billion while profit rose by 18% to Rs. 376 million on better cost management.

Reliance Money is amongst the leading distributors of financial products and services in India with a distribution network of over 6,200 outlets. Reliance Money sold nearly 5 tons of gold in the year, an increase of 123%. Reliance Money is one of the largest private sector partners for Western Union Money Transfer in India and handled 2.5 million money transfer transactions during the year, a 9% year-on-year increase.

For the full year, revenue rose by 13% to Rs. 1 billion. The business posted a profit of Rs. 73 million for the year, a decline of 69% as compared to FY12 due to increased physical touch points and manpower relations during the year. The number of customers touch points rose by over 115 in FY13.

Reliance General Insurance is amongst the leading private sector general insurance companies in India in terms of business premium with a private sector market share of over 7%. The gross written premium for the year was Rs. 20 billion, an increase of 16%. The gross written premium for the quarter rose by 12% to Rs. 5 billion. The business made a quarterly profit of Rs. 170 million as against the loss of Rs. 2.5 billion in the corresponding previous period and this was the second consecutive quarter of profitable growth.

The combined ratio stood at 115% for the quarter ended 31st March 2013 as compared to 197% for Q4 FY12. The combined ratio for the full year improved to 121% as compared to 145% for FY12.

Our focus in this business is to write profitable business, improve the combined ratio further. The company continues to optimise its product portfolio to other favourable mix and has increased its commercial lines of business. In FY13, the General Insurance business realised a gross written premium of Rs. 4 billion from its commercial lines of business, a year-on-year increase of 23%.

There was no capital infusion in the business. In Q4, the total capital investment till date is Rs. 17 billion.

In conclusion, I would like to say that all our core businesses are on track in terms of operating performance and have started to deliver profitable results on a consistent basis.

Also, the Board of Directors has proposed a dividend of Rs. 8 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 take questions now.

Moderator: Thank you so much, sir. With this we are going to start with the Q&A interactive session. I would request all the attendees and the participants, if you wish to ask any question, kindly press "0" and "1" on your telephone keypad and wait for your name to be announced. And the first question is from Mr. Kunal Shah from Edelweiss. You can go ahead and ask your questions, please.

Kunal Shah: Sir, my question is with respect to the finance and investment. In this quarter, we have reported a loss of 135 odd crores in a particular segment. So all the other businesses have been doing quite well. The core operating businesses have been well on track. But couldn't understand the 135 crores of loss in the finance and investment?

Management: For this, we have a provisioning policy where we have provided according to the provisioning policies. We made it more stringent and hence that 135 crore loss which you see there. So it is against listed and unlisted investments.

Kunal Shah: So what is the overall book value of the investment which we are carrying today?

Management: Listed and unlisted put together would be around 4,500 crores.

Kunal Shah: Okay, 4,500 crores. And how much will be listed within this?

Management: Around 1,100.

Kunal Shah: Okay, and this 135 crores pertains to the listed one?

Management: Around 50% is towards listed because the markets in Q4 got hammered a little bit. So, it should move to the next slab. We have a provisioning based on slabs. If there is a percentage decline, then we make more stringent provisions. So, when the markets improve, we will have a write-back situation also.

Kunal Shah: Okay. And how about the unlisted one?

Management: Wherever we thought that we require further provisioning, we have done it. So I think, the last is over here.

Kunal Shah: But in the listed side, we have done a significant right down even in few quarters back.

Management: Yeah. We have taken a significant one in Q2. But we have a provisioning policy where if a particular share price falls below a certain level, we make more provisions. And we don't have a clawback very, very fast. So, till the market price, the holding price doesn't come back, we don't claw back as well. But this is just a provisioning. It doesn't mean that it's an actual loss in that sense.

Kunal Shah: Okay, and how much was the quantum of provision maybe loss over all this 135 odd crores but there would be some profit also. What is the exact amount of the provisioning, which we have done on the investment?

Management: Look, the entire listed, unlisted provisioning we hold as on date is roughly 400 crores.

Kunal Shah: 400 odd crores. And how much was done in Q4?

Management: And that 400 crores is equal to the negative MTM we have today. So, effectively the entire negative MTM has been provided for in a sense.

Kunal Shah: Okay, okay. But some would have been provided even in Q2?

Management: Q2 would have been maybe 300. And today in this quarter, we would have done another 100 odd crores. So, the chunk of your 135 crores is because of the provisioning.

Kunal Shah: Okay. And apart from that also, there is some loss in this portfolio.

Management: In this portfolio?

Kunal Shah: Yeah. So maybe last time what we highlighted was say almost like 400 odd crores of the losses were booked on the equity side and we had booked almost like 200 odd crores on the outstanding equity book. So this is what we highlighted during the Q2 call.

Management: Correct. So, this quarter would be about 100 for this, balance roughly 25-30 we would have done for our ESOP Trust because we had bought shares from the market for the ESOP Trust and because there were some SEBI regulations which would have made us to sell before 30th June but fortunately that moved on. But we made provisions against that as well.

Kunal Shah: Okay. So, whatever you bought the shares and then whatever was the marked down over the… so, that was also done to the tune of like 30 to 35 odd crores?

Management: Correct.

Kunal Shah: Okay. Post March, do we expect this entire provisioning to get reversed now?

Management: At some point of time, yes. It may not happen in this quarter one but we are quite optimistic. On the listed equity side, our levels will come back and there will be some right backs which will happen over the next few quarters.

Kunal Shah: Okay, okay. And the other thing was on the AMC. So actually if you look at the AMC side, the profits have shot up quite significantly in Q4. So, this is mainly to do with the cost because I think on the revenue side which is almost 195 crores which will be down for some quarter. So, what is exactly leading to that? Maybe like in Q4 also, Q4 FY12 also we saw some decline but this is quite a significant chunk as compared to the quarterly run rate of 120 odd crores. This time it is hardly like 80 odd crores.

Management: I think, on an overall basis, we have been growing the retail debt portfolio. But by going the retail debt portfolio, what happens is we have incurred upfront acquisition cost. In the last few quarters, the retail debt portfolio has grown substantially and for that there has been an upfront acquisitions cost which we have booked. From this business we will come through in the next few quarters. So FY14 Q2 onwards, you will find higher profits from this business. But if you look at the AUMs, it has grown substantially but that all came on the back of the retail debt.

Kunal Shah: Okay. So, on an average maybe like 120 odd crores, what would be the run rate in terms of the expenses on the Asset Management side?

Management: Expense run rate would be almost like 100…

Management: Yeah, 100 to 120.

Kunal Shah: Okay. And one last question was through this staff cost across all the businesses, if you look at it, the expenses have been continuing, probably consumer finance side, let's say based on the AMC side but still if you look at the consolidated level of the staff cost that is going up quarter on quarter. So, definitely there will be some elements on the bonus.

Management: If you look at the consolidated employee benefit expenses, from year-on-year basis it has gone up by 10%. So, that 548 has gone up to 607.

Management: We have added about 1,000 people of the broking and distribution side. Commercial Finance has also added a fair bit of numbers.

Kunal Shah: From FY12 to 13, it's hardly like 10%?

Management: So, that's why I am saying if you look at the annual basis, sometimes, PLIs get paid off at different quarters for different businesses. So that can become lumpy. When you look at the annual basis, it's grown by around 10% and this includes the feet-on-street, the 1,000 people we have hired and a couple of other hirings we have done over the year and includes increments and PLIs.

Kunal Shah: Okay. And one last thing on this gold distribution, I think the tonnes, which we have sold in this quarter is like substantially higher I think if I look at the run rate in the first three quarter and even in the last year. Okay. So what exactly is the game plan out there, the strategy and how do we see it going forward because in the first nine months I think hardly we had done 1.5 tonnes? So, I think almost like 3.5 tonnes would have been sold in the last quarter itself.

Management: In the gold business, we have also diversified into bullion. So, a lot of it, obviously the retail pace has also gone up significantly in the last quarter as you would have seen in the market which is in line with what is happening in the industry. And there is an element of the wholesale pace which is also coming. So, going forward, we continue to see an expansion of this business.

Kunal Shah: The initial three quarters, there was not much of the bullion, which was happening.

Management: Because if you remember in Q3, we launched the Reliance My Gold Plan product with World Gold Council. So, obviously, that product plus pick up in retail gold coin sales plus picked up in wholesale. All three combined, so you are seeing a huge chunk of move in the last quarter. And going forward in this year, you will see a continued growth on all the three segments.

Kunal Shah: Okay. Thank you. I will come up with further questions later. Thank you.

Sourodip Sarkar: Thank you so much. The next question is from Mr. Rajiv Verma from Bank of America. The line has been unmated. You can go ahead and ask your questions please.

Rajiv Verma: Hi, Sam. I just wanted to understand, you know, your outlook for the life insurance business, especially given that you have seen a decline in the new business premium like in the fourth quarter. Also in the context of - you know, you made guidelines that are being proposed starting October.

Management: We do expect to grow our agency business this year and I think we will grow faster in the market. I think we have an encouraging start of the year. I think the April numbers are looking pretty good to begin with. We have added some significant distribution capacity over the last few months and we expect that to come good. As far as changes in guidelines are concerned, you know, there are still discussions on with the regulator and we are hopeful that you know we will find some common ground which will accommodate the interest of the consumers, distributors and manufacturers. So it's too early to still comment because discussions are still going on.

Rajiv Verma: Okay. And I guess just, you know, specific for the quarter anything should we retain to, you know, you also had a decline in the renewal premium if I understand, I mean you saw a lot more foreclosures happening. I mean, if could you just throw some light on that?

Management: Yes, I think a lot of it is also because of the fact that you know there has been a lot of agency attrition and we are an agency company. So, the industry has lost a lot of agents since 2009. So, that obviously had an impact on the persistency not only for us but for the industry. Second is, obviously, the market being volatile and a lot of people have surrendered the ULIP policies wherever they could, whatever gains they could. So, I think the industry as a whole has suffered on these two accounts: loss of agents and distributors and because of the volatile markets.

Rajiv Verma: Right. As a third part, anything to the increasing margins. Where do you see them stabilising?

Management: See, right now, the margins have gone up. I mean, the margins can't be at above 20% at this point in time. Now, in general, the margins could decline by about 4 to 5% for the industry but that again depends on the channel you have, the kind of product which you are able to drive, your processes and assumption etc. But on steady state basis, the estimate is at a industry level decline of about 4% points from where it is today. But having said that, like I mentioned, nothing is closed yet. We still are having discussions to regulate on the proposed change in guidelines starting 1st October. So, it's still too early to comment.

Rajiv Ava: Okay, alright. Thanks.

Moderator: Thank you so much. The next question is from Mr. Manish Shukla from Deutsche Bank. The line has been unmuted. You can go ahead and ask your questions please.

Manish Shukla: Good evening, everyone. Just continuing with the margin question, the business margin in Life Insurance. Can you explain what caused this 400 basis points plus kind of swing this year?

Management: Okay. I think we have changed our product mix. I mean, there is a movement one from ULIP to traditional products and also we are now on non-par products. Customers normally look at a longer duration gain. They want us to invest it for a longer term, which obviously means better margins from manufacturers. Even for a broader picture, you know, ULIP has contributed only 22% for top line. This was the figure for last year. Now compare that to, you know, FY11, it was about half of our business. So, that's really increased the margins moving to traditional.

Manish Shukla: Yeah, sure. But if I look at fiscal 13 versus fiscal 12, the movement is just from 30 to 22 for ULIPs. That's the reason I am trying to understand for a 400-basis kind of margin, so what has really caused it?

Management: We have been able to sell longer tenure products and moved to traditional as well. So, we have been able to sell longer tenure products in the traditional basket.

Manish Shukla: Okay. Secondly, on a q-o-q basis, that is March over December, there is reasonably a big jump in the operating expenses in life insurance, that's excluding commissions. Can you explain what is that swing?

Management: I think there are a couple of things. One is, you know, we did put a lot of energy in building our distribution. We have rebuilt a lot of distribution. We have added significant number of agents for the last three months. That accounts for a large chunk of that cost. So, there is one activity I would attribute that toward the creation of distribution on the agency side and on broker side. And second, you know, we did also have a lot of activities on reaching out to consumers, and you know we have been targeting meeting all the customers as renewals are approaching. We are targeting for example meeting one million customers this year face-to-face. We also set up new proprietary channels on the agency front, which has led to investment on branches and infrastructure. So, distribution creation and customer contact largely have led to this.

Manish Shukla: Distribution in terms of agent should push up your commissions. Right? I'm talking about…

Management: But then including agent costs money. I mean you are hiring them, training them.

Manish Shukla: Still 160 crores swing in one quarter is a very big number coming of a bit of just 290 crores. So, that's a rarely large swing in one quarter.

Management: It is but then you know you would also appreciate that we have added a significant number of agents. I mean, we have added 15,000.

Manish Shukla: Yes, that was my next question but… so, I mean after a long time you have seen a net attrition to your agency network. So, you would stay at this level or you still intend to add more people as you go along?

Management: I think we will have to continue doing that for some time because the agent attrition of the last three years has been very high for the industry. So, we need to continue to do that at least for this fiscal.

Manish Shukla: So, but you do see in the net additions to your agency number in fiscal 14 versus fiscal 13?

Management: Yes, yes, we do.

Manish Shukla: Okay. Lastly, overall on Reliance Capital and capital adequacy you know, tier 1 is about 13%. Just wanted to get your comfort levels there and what's your thought with capital requirements?

Management: I think we will probably… we are doing a couple of things so that capital adequacy goes back at tier 1 level itself to maybe around 15%. And we would have tier 2 and maybe 4 to 5%. So, we should have it back at 20% levels in the next two quarters or so.

Manish Shukla: Can I have the tier 1 and tier 2 numbers as of December 12?

Management: As of December, I think the total would be around 19 or 20%. Currently, it's around 17%.

Manish Shukla: Yeah, so there is 300 basis points depletion in one quarter?

Management: Yeah, 200 and something. That's because the assets size have increased and in case we have done any investments in our subsidiaries or associates that also impacts your CRAR immediately. So what we are trying to do is, maybe, try and reduce the exposure to subsidiaries or exposures and that could be by way of a loan as well, because any loan to a subsidiary for business purposes also impacts your CRAR.

Manish Shukla: Okay, all right. Thank you. Those are my questions. Thanks.

Moderator: Thank you so much, sir. The next question is from Ms. Vibha Batra from ICRA. The line has been unmuted. You can go ahead and ask your questions, please.

Vibha Batra: Thank you. My question is on the growth in Reliance Commercial Finance. If you are to map your portfolio mix, industry would have grown in possibly in excess of 20% and your growth has been less than 10%. What is the reason for growing at the slower pace than industry? And secondly, if you were to segregate your interest margin on the pie that you had given, because one would have lot of investments how you that look?

Management: The decision to keep the growth at 10% for the year was a very conscious one. Now if you recollect our conversations in the previous calls also, we took the call sometime in July 2011, saying that the conditions are going to be in the next few quarters negative in terms of asset growth and capex and which is exactly being borne out by the events subsequently. So we decided to take a slightly conservative call in terms of expanding our business. But what we did in the interim was to concentrate upon improving our margins and our profitability, which is why you will see a 10% growth in asset but about 35% growth in the profits and the substantial 88-point increase in the NIM over the last year. So the effort was basically to conserve your energies for a better time, because to my mind this is probably not the right time to increase your loan book beyond the point.

Having said that, the fact that we have managed the quality of book is pretty clear in the sense that although there is no denominator effect. Our AUM is not very large compared to the same time last year. The growth in NPAs are still pretty much under control at about 1.7%. So that is something which is what we set out to do and then we have been reasonably successful in achieving that.

Vibha Batra: And what would be the strategy for next year?

Management: The strategy for next year clearly is to take a larger growth but probably not much beyond what the capex demand would be in the country. Move more into the lower ticket SME kind of lending and follow a very different kind of an approach as far as our distribution is concerned. And the growth in affordable housing book in a substantial way which is something which we have started to do in Q3 of last year and we will continue that.

Vibha Batra: And your gross NPLs actually increased marginally, but your total provisions I don't know if they are only credit provisions or some other provisions are also there they are reduced. What would explain that?

Management: See, that depends quite a lot on the individual cases that you basically look at. As you are aware, the provisioning policy typically tends to follow the aging of the NPL. Now if you solve a longer

Vibha Batra: You follow only RBI norms and provisioning?

Management: The NPLs as I mentioned on a 90-day basis - We follow a 90-day norm which is applicable to the banks and not a 180-day norm which is what the RBI recommends. If you were to go back to a 180-day norm or gross NPLs, it will be in the region of around 1% or so. I am stating that because you will be able to compare it better with when you compare us with other NBFCs.

Management: And the actual amount of provisioning depends upon the aging of each of these assets. Now as the aging becomes - which is very tricky kind of an NPA then your provisioning amount will be more. So there is a certain bit of churn that tends to happen between each quarter. So it’s very difficult to predict what will be actual amount of NPL from a Q-Q basis, but broadly you can have a greater amount of consistency over 2 to 3 quarters.

Vibha Batra: Okay. But provisioning on standard assets and restructured advances do you follow banking norms or you are following the FC norms?

Management: First of all, we don't do restructuring at all. And as per the NBFC guidelines from the RBI, we don't have a window of restructuring. The movement we restructure an asset it has to be called as a NPA and we have to make a provision accordingly. So we don't have that good treatment which banks get. So we don't do restructuring in the first place.

Second, as far as the standard provisioning is concerned, we do make a provision of as per the RBI norms of 25 basis points which is required. So sometimes what tends to happen is that if you do securitiasation the general provisioning gets released. So then you get a credit back.

Vibha Batra: Okay. Thank you.

Moderator: Thank you, Ms. Batra. The next question is from Mr. Santosh Singh from Espirito Santo. The line has been unmuted. You can go ahead and ask your questions, please.

Santosh Singh: Hi. I have three questions actually starting with the general insurance side of the business. Sir, my question was about what is the third party motor pool loss we are expecting next year, that's the additional provision which we need to do?

Rakesh: Santosh. Hi. This is Rakesh. I think we will be required to do about 65 crores of last, you know, provision branch this time.

Santosh Singh: And we are expecting the combined to be at the same range where we are or we are expecting some decline in the combine?

Rakesh: We expect the combined to significantly improve now. Because lot of exceptional things have started to get over and progressively we have been able to reprise our portfolio as well as, you know, improve our sourcing strategy based on loss experience. So the combine should certainly move towards 100.

Santosh Singh: My second question is about the Life Insurance business. Actually you have given NBP margins. What's the NBP in figure actually in amount in rupee crores for the year?

Management: That's 205. About 200 crores.

Santosh Singh: 200 crores. And second part was since we have seen some sort of increase in expenses in life insurance business, so do we expect the cash profitability to move down in coming years, let's say, in the next year?

Management: No, nothing. I think we will be able to maintain it. We don't see it going down, we see it staying constant.

Santosh Singh: I mean, growth will happen or you are saying the profit will remain positive?

Management: I think we will have growths on top line, but the profit will remain constant.

Santosh Singh: Okay. So we will be talking about similar 380 to 400 crores of profitability.

Management: Correct. Maybe, in that range.

Santosh Singh: Okay. And the final one is about the consolidated accounts. Actually on the balance sheet side, so balance sheet side you have seen investments again moving up. So where is it coming from? Are we again putting money on the equity side or on the debt side we are increasing the investments? Where is it going actually?

Management: See, on the investment side, we have not done too much of investment. Our corporate loan book has gone up a little bit - short-term funding which we will look at unwinding over this financial year.

Management: The investment you are looking at which has gone up is basically the life insurance bit. Otherwise, there is no significant investment we have done.

Santosh Singh: Okay. So not on the debt side? Our borrowings have moved up by over 3,000 crores?

Management: Yeah, roughly 3,000 crores. Yes.

Santosh Singh: Commercial finance is hardly moved up?

Management: Yeah, so we have a little bit on the investment side, a little bit on the corporate loan book which is roughly 1,500 to 2,000 and a little bit on the commercial. Yeah, so all put together it's roughly 3,000.

Santosh Singh: What are the guidance on this investment book because if I look at the entire results actually – If you look at the results that is fine and only the investment side of the business takes away a lot of shine from the results. So, I mean, what your guidance on this investment section?

Management: See, our thinking is that we will surely unwind that. I think we will unwind some of the short-term loans very quickly in the corporate ICDs also. And we will try and bring that book down by end of FY14.

Santosh Singh: Okay. Thank you.

Moderator: Thank you so much. The next question is from Ms. Kajal Gandhi from ICICI Direct. The line has been unmuted. You can go ahead and ask your questions.

Kajal Gandhi: Sir, can you just share on what is this 40-crore and the consolidated P&L which is there?

Management: We have made a provision against one of the subsidiaries. That subsidiary has now got merged into Reliance Capital, so we have reversed the provision.

Kajal Gandhi: Sir, what subsidiary, I mean, if you can share?

Management: Reliance Equities International Private Limited, which was our institutional broking arm earlier.

Kajal Gandhi: Okay. So now we have merged it with standalone company?

Management: Yes.

Kajal Gandhi: Okay. Sir, if you can share also what your renewal premiums are like, I mean, growing at a very lower rate now? So how are you looking at that or if you can share some view on that?

Management: Renewal premium is...

Management: At a very…?

Kajal Gandhi: It's actually, yeah, lower side if we compare to the Q4 FY12, renewal premiums…

Management: Yes, that is right. I think couple of things. One is that, you know, a lot of people have left ULIPs because of the market movement. So, the collections, because of that have been lower. I think given the fact that we moved towards the higher proportion of tradition over the last three years. I think these numbers are bound to improve. And I think the worst will be behind us at the end of this fiscal. We are also doing a lot of other things proactively this year. For example, we make it mandatory that every customer reaches out by calling or making calling compulsory for all the clients. We have direct contact with all customers and conduct physical verification when we issue policies. So these are a couple of things we are doing this fiscal. But also given the fact that ULIP as a proposition would draw a bit where most of the standards are happening. I think the worst will be behind us by the end of this fiscal.

Kajal Gandhi: Okay. Sir, this quarter a lot of movement has been done in the reserves because of these mergers and all those things. Sir, if you can share a movement from last quarter to this quarter, what has been added, what has been deleted?

Management: Sure. I think Abhishek you would take this offline.

Kajal Gandhi: Okay, fine. That's all. Thank you.

Moderator: Thank you so much, ma'am. The next question is from Mr. Nischint from Kotak Securities. The line has been unmuted. You can go ahead and ask your questions, please.

Nischint: Yeah. Hi. This is Nischint here. Most of my questions have been answered. Just one which is pertaining to the lending business. I am trying to understand about the reason for improvement in margins during the quarter.

Management: The reason for improvement in the margins in the quarter is very simple that our growth yields have gone up, while cost of funds are more or less remains the same throughout the year. So it is just that, you know, we have changed the strategy in certain areas. Notably if you look at the commercial vehicles, you know, we have gone far more retail where the pickings are much better. And broadly the realizations on the other products have also been pushed to a reasonable extent.

Nishant: Because if I look at the swing in the product portfolio, the mortgage is one segment which has grown at a fairly fast pace and I would assume that the yields in that segment would be lower than the yields in other product categories.

Management: Not very low. If you look at the overall mortgage yield, this will be in the region of around 14%. So if you look at mortgage, we have a substantial LAP book which is at a much higher rate than the home loans. So that kind of increases the margin a little bit. Margins on the commercial vehicles have also improved to a certain extent because of the shifts which I spoke about to retail. And the SME in any case has been doing pretty well.

Nishant: And on the Infra side?

Management: See, Infra is a very small book. Infra, the average yield is somewhere around 15%, but it's a very small book. It doesn't impact the overall percentages too much. It is only the other segment which I spoke about which impacts more.

Nishant: Okay. Thank you very much.

Moderator: Thank you so much. At this time there are no questions. I would like to hand it over to the management for any final comments or remarks. Over to you, sir.

Management: So thank you very much. I just want to say that this quarter the business had performed very well. And for next financial year also FY14, we expect that each of the businesses to continue with the improvements. Thank you.

Moderator: Thank you attendees for joining in. With this we conclude the conference for today. Wish you all a great evening ahead. You all may disconnect your lines. Thank you so much.