""Reliance Capital Q2 FY11 Results Conference Call"

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Moderator

Ladies and gentlemen good morning and welcome to the Reliance Capital Q2 FY11 results conference call hosted by IDFC Securities Limited. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Pathik Gandotra of IDFC Securities Limited. Thank you and over to you sir.

Pathik Gandotra

Good morning everyone and welcome to the 2nd Quarter earnings conference call for Reliance Capital. We are joined by Mr. Sam Ghosh, the CEO and the top management team. At this moment I would request Mr. Sam Ghosh to introduce his team and give us a brief about their results before taking questions. We at IDFC Securities are very happy to host this conference call.

Sam Ghosh

Good morning and thank you. I will first introduce the team here, so we have with us our CFO, Mr. Amit Bapna from Reliance Capital, then Mr. Sundeep Sikka, CEO of our Reliance Capital Asset Management business, Mr. K.V. Srinivasan, CEO of Commercial Finance, we have re-named our consumer finance business to commercial finance, Mr. Malay Ghosh, CEO of our Life Insurance business, Mr. Vijay Pawar, CEO of our General Insurance business and Mr. Vikrant Gugnani, CEO of our Reliance Securities as well as he looks after Reliance Money.

So with that we will start. Good morning to all of you. I will do a brief summary on our results and 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. For those who haven't, they can view them and a brief presentation on the results on our website. Before I discuss the operating highlights of each business, I would like to give you an overview of the quarterly performance of our Company.

I am delighted to inform you that the operating businesses continue to increase their contribution towards the earnings mix. This quarter, nearly 90% of the profits were from the businesses against 41% last year.

I am also very happy to mention that the profits from our major operating businesses have increased over 50% year on year crossing Rs. 1.3 billion. In the past, the concerns on the lending business were on provisioning and non performing loans. You will be pleased to know that the provisioning has decreased by more than 40% year on year, clearly indicating that they have peaked.

And the gross NPLs declined by 52% year on year. This would translate to significantly higher profits in the coming quarters. The other area of concern in the past was the loss in general insurance business.

I am happy to report that the steps taken to bring down the loss and improve the combined ratio in our general insurance business have paid off. The loss in general insurance decreased by 27% over the previous quarter to Rs. 3 billion. This gives me confidence that the losses in the coming quarters will reduce significantly if not turn profitable.

A brief word on our broking and distribution business. All the steps taken in this business have been successful, yielding good results. The business has demonstrated significant improvement in revenues and profits and I am certain that this trend will continue.

Finally on the asset management and life insurance businesses. These businesses have shown strong growth in the past and continue to demonstrate superior performance. The focus at Reliance Capital has been to create a robust, scalable & profitable business model, across all its businesses. We will continue to ensure that the core operating businesses increase their contribution towards the earnings mix of Reliance Capital.

Moving on to the financial results. The total income from operations for the quarter ended September 30, 2010 was Rs. 13 billion as against Rs. 15 billion for the corresponding previous period – a decrease of 11%. The total costs for the quarter decreased by 12% year on year to Rs. 4 billion, due to the cost rationalization measures carried out across various businesses at Reliance Capital, moving towards leaner cost structures. The net profit was at Rs. 1.1 billion as against Rs. 1.6 billion for the previous quarter – a decrease of 28%. The decrease in total income and profits were mainly owing to lower capital gains and losses in general insurance. The core businesses of asset management, commercial finance and broking & distribution have continued to increase their contribution towards Reliance Capital's revenues.

The total assets of Reliance Capital, as on September 30, 2010 stood at Rs. 301 billion – year on year increase of 18% And the networth increased by 3% to Rs. 80 billion. Reliance Capital ranks among the top 4 Indian private sector financial services groups in terms of net worth. We have not raised any fixed deposits from the public. Reliance Capital had a net debt equity ratio of 2.1 as on September 30, 2010. We have over 21 million customers across all our businesses – through our unparalleled distribution network with over 7,000 outlets across India.

Let me now move onto each of our businesses – starting with our asset management business:
Reliance Capital Asset Management manages over Rs. 1.5 trillion of assets across its mutual fund, portfolio management services and offshore funds.

Moving on to our mutual fund. Reliance Mutual Fund continues to be India's No.1 Mutual Fund with a market share of over 15%. The assets under management of Reliance Mutual Fund grew 11% to Rs. 1.1 trillion end of September 2010.

The focus continues to be on the untapped retail opportunity across all asset classes. As a result the number of systematic investment plan accounts has grown 40% year on year to 1.3 million. Reliance Mutual Fund adds on an average 100,000 SIPs every month. The number of investor folios stood at 7.2 million, amongst the highest in the mutual fund industry with a market share of over 15%. The long term debt assets have increased to nearly 16% of assets under management end of September 2010 as against 3% in September 2009.

For the quarter ended September 30, 2010, the asset management business generated income of Rs. 1.8 billion – a year on year increase of 14%. For the year, the asset management business declared a profit before tax of Rs. 700 million – a year on year increase of 8%

I am happy to share with you that in spite of challenging regulatory environment in mutual fund industry, the profitability to average AUM has been maintained at 30 bps. At the end of September 30, 2010, the business had a wide distribution network spanning across 270 cities and 75,000 touch points in India.

During the quarter, Reliance Mutual Fund raised Rs. 1.7 billion in the newly launched Reliance Emergent India Fund. Also the new fund Reliance Small Cap Fund registered over 65,000 SIP accounts – amongst the highest to be registered by mutual fund NFOs in India. And this is inspite of no marketing or advertising campaigns.

Now I turn to our life insurance business.
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 8.5%. I am very happy to inform you that for the quarter as well, Reliance Life Insurance sold the highest number of policies in the private sector life insurance industry. The number of policies sold in the year was over 616,000 – year on year growth of 27%. The total premium for the quarter stood at Rs. 16 billion – year on year growth of 25%. The renewal premium for the quarter was at Rs 8 billion – a year on year increase of 49%. The new business premium for the quarter ended September 30, 2010 grew at 8% to Rs. 8 billion. As on September 30, 2010, we managed Rs. 166 billion of assets – year on year growth of 61%. As on September 30, 2010, Reliance Life Insurance had over 213,000 agents – a year on year increase 15% operating from 1,248 branches across India.

I am very happy to inform you that the new business achieved profit for the half year was Rs. 2.2 billion. This translates to a slightly improved margin of 17.9% despite regulatory challenges in the life insurance industry, as against the 17.7% for the quarter ended June 30, 2010. In the presentation, we have disclosed details on the operating assumptions made in the calculation of the NBAP margin.

Post the recent regulatory changes on universal life products, we have received approval for a product on the traditional product platform which will enable us to maintain our growth targets and maintain the current margins. Our business targets for new premium growth for the year continues to remain unchanged. This quarter the capital infusion decreased by 23% year on year to Rs. 500 million. The capital invested till date is Rs. 31 billion.

Turning to our Commercial finance business. Reliance Commercial Finance is amongst the leading lenders in the non banking finance space. The objective at Reliance Commercial Finance is not only credit growth per se but the quality of credit sourced. In line with this, the focus is to increase secured asset lending and de-emphasize unsecured loans. We have moved away from unsecured loans and stopped net disbursals since April 2008. The personal loan book was brought down to 3% as on September 30, 2010 as against 10% as on September 30, 2009. In fact today, 93% of our loan book is secured as against 78% a year ago.

As on September 30, 2010, the assets under management grew 34% to Rs. 120 billion and the outstanding loan book grew 21% to Rs. 100 billion. This loan book is well spread across over 119,000 customers from top 16 Indian metros. The disbursements for the quarter were Rs. 20 billion – a year on year increase of 43%. . Reliance Commercial Finance securitized loans of Rs. 4 billion for the quarter ended September 30, 2010. The net interest income for the quarter was Rs. 1.3 billion – year on year increase of 28%. And the profit before tax increased by 168% to Rs. 610 million from Rs. 228 million of the corresponding previous period. The net interest margins were at 5.8% based on capital adequacy of 17% and the average cost of borrowing was at 8.4%. The gross NPLs declined 51% year on year to Rs. 2.5 billion. The provisioning till date was Rs. 882 million translating to a coverage ratio of 72%.

To demonstrate our focus on the secured asset lending, we have split up the Commercial finance business into two segments of businesses – secured loan book and unsecured loan book. The financials for each of these divisions have been given in the presentation.

The outstanding secured loan book as of September 30, 2010 was Rs. 93 billion. The net interest income for the quarter grew 63% year on year to Rs. 1.1 billion. It achieved a profit before tax of Rs. 770 million for the quarter ended September 30, 2010.

In Unsecured loans, the outstanding loan book at the end of September 2010 was Rs. 7 billion – a 62% year on year decline. The loss was brought down to Rs. 160 million as against a loss of Rs. 496 million for the corresponding previous period – a year on year decline of 58%. The provisioning for the quarter, declined 58% year on year to Rs. 278 million.

Moving onto our retail broking business – Reliance Securities. Reliance Securities is amongst of the leading retail broking houses in India. The focus at Reliance Securities is on its key business verticals of broking, wealth management and investment banking.

In the broking vertical, Reliance Securities had 646,000 broking accounts. Its daily average equities turnover stood to Rs. 15 billion. The broking yields increased to 2.5 basis points from 1.7 in the previous quarter – a 47% quarter on quarter improvement. Wealth Management and Investment Banking are two new initiatives of Reliance Securities. In wealth management, the assets under management as on September 30, 2010 increased by over 50% to Rs. 1.2 billion. In investment banking, in the first half of the current financial year, as a syndicate member handled three issues mobilizing a total amount of Rs. 6 billion, while IPO funding garnered Rs. 7 billion. Reliance Securities achieved revenues of Rs. 361 million for the quarter – a quarter on quarter increase of 14%. And a profit before tax of Rs. 52 million – a quarter on quarter increase of 45%.

Looking at our third party distribution business which is branded as 'Reliance Money'. Reliance Money is amongst of the leading third party distributor of financial products and services in India. It has a pan India presence with a distribution network of over 6,100 outlets. Reliance Money has tied up with India Post and World Gold Council to sell gold coins through the post office network across the country. Through its pan India presence, Reliance Money sold over 214 kilos of gold in the quarter ended September 30, 2010 – a year on year increase of over 220%.

Reliance Money achieved revenues of Rs. 86 million for the quarter – a quarter on quarter increase of 36%. And a profit before tax of Rs. 25 million for the quarter. The profit margins improved significantly to 29%– demonstrating our focus on profitable growth across each business vertical.

And finally our general insurance business. 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 9.4% The distribution network composed of 200 branches and over 4,200 intermediaries at the end of September 30, 2010.

The focus at RGI is writing profitable business and not just growing the topline. In line with this, the Gross Written Premium for the quarter ended September 30, 2010 decreased 14% quarter on quarter to Rs. 4 billion. The high combined ratio and losses this quarter were on account of high claims from its health portfolio RGI has re-priced its health products and also significantly reduced its exposure to the unprofitable Group Mediclaim. These steps have enabled the Company to improve its combined ratio and reduce its losses compared to the previous two quarters. The combined ratio including third party pool was 118% as against 124% for the quarter ended June 30, 2010 Reliance General Insurance brought down the loss for the quarter to Rs. 281 million from Rs. 386 million for the quarter ended June 30, 2010. During the quarter, Rs. 470 million was infused into the business. The total capital invested till date is Rs. 11.5 billion.

In conclusion, I would like to say that I am personally very happy to see the operating performance of our core businesses this quarter. It gives me confidence that all the businesses are in line with the plan to focus on profitable growth and to increase their contribution towards the earnings mix.

Thank you very much. We can now take questions.

Moderator
Thank you, our first question comes from the line of Suresh Ganapathy from Macquarie. Please go ahead.

Suresh Ganapathy

Let me begin with the life insurance business. This 18% new business margins, 17.9% to be precise, that you have reported in the first half does that fully incorporate all the regulatory changes which have occurred, in the sense, barring of ULIP and obviously the various cap-on charges also?

Malay Ghosh

Yes, in the month of September only the ULIPs changes have taken place and that has been taken into account.

Suresh Ganapathy

Do we see these margins coming down further because of something which needs to be incorporated, say, some charges which have been capped have not been fully incorporated while taking into these margins calculations, just wanted to know the outlook on these new business margins? Or say ULP, for example Universal Life Policies were giving higher margins so now with the effective ban on those ULPs now you cannot really do that business. So effectively do you think the new business margins can come down further?

Malay Ghosh

Actually the guidance remains the same as I had talked earlier that if the margin comes down it will be only slightly, maybe up to 16% it might come down but the volume will remain good.

Suresh Ganapathy

Okay, so the volume growth guidance this year is about 15%?

Malay Ghosh

Yes.

Suresh Ganapathy

So if I look at the first half your volume growth was 11%, NBP, annualized premium equivalent and if you are talking about 15%, you are talking about possibly a 17% or 18% increase over the second half of previous years. So that is quite a challenging task considering that most of the regulatory changes have come into effect from September so effectively the second half could be a challenging half. Are you still confident that you can maintain a 15% full year growth in new business premium?

Malay Ghosh

Well, I will answer this way, our first half we had about 13% growth in weighted receipt premium where we take single premium at 10% and regular premium at 100%. In the month of September we had this regulatory change in the manner of ULIP, so we lost about 10, 12, 15 days in training etc. even with that it was 13%. In the month of October we saw a growth over September which means that the field has accustomed to the new changes and it is taking it forward. In spite of October being a festival month people could take it and in the space of ULP change we had one product which got impacted and we could get a new product for the same premium segment and with the same allowances and with a long-term measure we could get it approved, it is being launched today. So I do not think that in the new business space on any area we will lose customers for any of these changes. So taking from 13% to 15% in the next six months I hope that it will be okay.

Suresh Ganapathy

Okay. The other question is on AMC business. I understand that you have taken some cost containment measures, can you just outline what are the cost containment measures that you have taken in the AMC business because the profitability has definitely improved pretty sharply probably because of the expenses remaining flat can we expect the trend to continue going ahead on the expenses as well as the overall profitability trend?

Sundeep Sikka

The increase in profitability is not only because of cost rationalization that has taken place. There have been a couple of things. Firstly, post the regulatory changes what we have seen even though there were expectations that the profitability will be hit we have shown in the last two quarters is that actually it has been improving. This is because of two facts, the economics of scales coming into play that is one, better fee realization and the most important thing that is taking place is the product composition is changing for us. So what is happening is when you see, equity was always reduced to give a higher realization, the debt side what we are trying to do is for us the retail debt which is the products like MIP, and long-term debts which gave us profitability about five times more than liquid funds, they are at an all-time high for us. So to give a number, things like MIP and long term debt products which were less than 500 crores just 15 months back, we have about 15,000 crores. And these give a realization of in excess of 70 to 80 basis points compared to a liquid in debt which is to be 20 basis points. So what is happening is, a composition of a debt portfolio is changing and that is as per design. So what we have been doing is even though over the last one year you saw we lost off little market share on the debt side but what we were effectively trying to do is, we were trying to change the composition and trying to increase our retail debt percentage which is showing results now.

Suresh Ganapathy

Okay fine. Can you also let me know what is the notional capital which is invested in the commercial finance business; the 17% CAR which you are talking about translates into what amount of capital?

KV Srinivasan

Rs 1695 crores.

Suresh Ganapathy

Okay. And the unrealized gain on your book currently?

Amit Bapna

Would be around Rs 350 crores.

Suresh Ganapathy

Okay, thanks so much for your time.

Moderator

Thank you. Our next question comes from the line of Vijay Sarathi from BNP Paribas. Please go ahead.

Vijay Sarathi

The NBFC margins that you have reported for the first half of the year. Is it possible for you to give me what it was just for the 2nd Quarter?

Malay Ghosh

We have not calculated that. It is always calculated on YTD basis. But technically if I just answer that, the 1st Quarter was 17.7. 2nd Quarter its 17.9 YTD that means during the quarter it will be higher than 17.

Vijay Sarathi

Okay, fair enough, thank you very much.

Moderator

Thank you. Our next question comes from the line of Alpesh Mehta from Motilal Oswal Securities Limited. Please go ahead.

Alpesh Mehta

I wanted the breakup of your secured finance book that is into home finance and the asset financing in terms of PNL?

Savli Mangle

Alpesh, now what we have done is because both of these are secured assets even if two P&Ls we could help you demonstrate these trends in revenues and profitability between secured book and unsecured book. This is there in the presentation.

Alpesh Mehta

It is there in the presentation but just wanted to know from a P&L perspective. It is just a data point from a housekeeping perspective. Earlier you used to give the P&L of home finance and the asset finance businesses, just wanted the breakup of that?

Savli Mangle

Will give these details to you off-line.

Alpesh Mehta

Okay. And secondly in terms of your Reliance AMC this time you have not given the breakup of your operating expenses, if you can give that?

Amit Bapna

Broadly what we are doing is, of the total cost 50% is salaries and the balance 50% is all your overhead costs, your rentals and other stuff, marketing also.

Alpesh Mehta

Okay and some of our peers have taken a hit regarding the change into the mark-to-market provisioning for the debt market products, have we also done that or we have passed on to the customers?

Sundeep Sikka

Neither have we taken nor have we passed on to the investor. We believe fund management is not just about giving returns but it is also about liquidity management and there was no need for us, the way we were managing with the strong risk management processes that we have, we need not have to take on anything on our books or pass on to the investor.

Alpesh Mehta

Okay, so effectively there was no mark-to-market gain or loss?

Sundeep Sikka

Yes.

Alpesh Mehta

Okay. Thanks a lot.

Moderator

Thank you. Our next question comes from the line of Raj Gopal from Centrum Broking. Please go ahead.

Raj Gopal

Just wanted to understand as far as the housing finance company is concerned, what was the average ticket size of these loans?

KV Srinivasan

It would be in the region of around 75 lakhs.

Raj Gopal

While the NHB has not obviously modified its rules with respect to standard asset provisioning but what is your commentary with respect to potential change in rules and how does it impact profitability for this segment?

KV Srinivasan

See personally I think the issue was far more relevant for banks because they were the ones who had played a fairly pioneering role in the teaser rate regime so I do not think that is a matter of issue for any of the HFCs who is actually if you look at the portfolio of even very large companies the impact of this regime was fairly small. So it really does not impact all that much. Of course, we will wait for NHB's instructions on this matter I do not think we have any cause for concern on that at all.

Raj Gopal

No, from a risk weight perspective obviously your risk weights move up, right?

KV Srinivasan

No, even that is not there. In fact the risk weight regime which is currently there is that anything over 75% LTV and over 50 lakhs anyway has a 75% risk weight margin and anything over 1 crores has a 100% risk weight in any case, so, therefore, I do not see that being the major issue at all and in our specific case if there is any such development from the NHB's side I think we are fairly well-geared to take care of that.

Raj Gopal

Okay. Also from the HFC's perspective you are now doing the housing finance business through the HFC, right?

KV Srinivasan

Yes.

Raj Gopal

No longer through the NBFC?

KV Srinivasan

No.

Raj Gopal

That I understand, it is merely from of consolidation perspective.

KV Srinivasan

Correct.

Raj Gopal

And second thing, with respect to the value unlocking plans that you have had with respect to the life insurance company, where does it stand because obviously in the last entire year you have guided towards getting in a foreign partner and nothing seems to have happened. So where this search headed and what is is the long-term think as far as these businesses are concerned?

Sam Ghosh

Okay on the divestment or bringing in partners on the life insurance side those are the regulatory changes in the last two months so we decided that we would play it a bit slow though there are partners still talking to us and we feel that till we can show quarter-on-quarter the new business margins which we feel we can demonstrate, then only we will try and do a transaction. And hopefully this transaction will take place in the next financial year. On the general insurance side I think we have much further progressed, we will obviously try and ensure that we can close the transaction by end of this financial year if possible or at least make an announcement.

Raj Gopal

Okay and also you had also mentioned that by the end of the year you would also streamline the holdings within the life insurance company because you had indicated that that would become a more transparent structure. So I believe you have not gone ahead and executed on that, right?

Sam Ghosh

Yeah, that is correct. The primary reason was we were waiting to complete this transaction, with that we will also streamline the structure so we will do it together.

Raj Gopal

Okay you will do that together not independently?

Sam Ghosh

No. That is happening early next financial year.

Raj Gopal

Okay not a problem, thanks.

Moderator

Thank you. Our next question is from the line of Vivek Verma from Edelweiss. Please go ahead.

Kunal Shah

Hello this is Kunal from Edelweiss. With respect to this Universal Life product the ban by IRDA, what is your overall outlook, what is strategy in life insurance post that and what is the kind of NBAP margins we would be guiding, say, one year down the line or one and a half years down the line from current levels of 18%?

Malay Ghosh

See the ULP guidelines are actually awaited, in a day or two it should come and the draft guideline that was given on ULP they do not make many changes to our existing product basket. Only one product is impacted and as I told in my previous answer to a reply to somebody, that we have got a product in that same premium space with the same kind of returns to the customers and same type of allowances for distribution. So we do not think that the ULP changes will significantly impact our product mix. We will still have a fair balance between Unit Link Policies and traditional policies. To answer your second question on NBAP margin, previously also we have guided that our effort is to have higher NBAP as a volume rather than concentrating on NBAP percentage. So in the whole new business that we do we have looked at coming to a situation where ULIP and non-ULIP will have a healthy mix. We will have significant presence both in higher premium market as also in lower premium market. We will continue to have focus on more number of sales and we will be able to manage a healthy NBAP margin too and which will not go down below 16% that is how we look at it.

Kunal

Okay. And the other question was with respect to this commercial financing, the way the disbursements have gone up in this quarter, what is the outlook over there and definitely the other thing is with respect to provisioning, if you see the overall provisioning credit cost is coming off this quarter is Rs 41 odd crores and that too out of this Rs 28 odd crores is coming from unsecured. So once these books rundown you would be seeing relatively much lower credit costs. So what is your outlook on ROEs in this business, pre-tax ROEs which we look out for in commercial finance?

KV Srinivasan

See the growth in the books depend upon a few factors, of course, our own performance which we can draw some inferences from what we have done in the first half of the year but substantial part of the impact on the market outlook also depends upon the IIP numbers and the kind of credit growth that we have been seeing in the papers about. Now a lot depends upon how the IIP numbers shape up and the credit demand actually picks up in the second half because that is where the busy season kicks in. So it is a little difficult for us to state at this stage on what would be the year end growth in the business would be but broadly as we have always been maintaining that our growth of book size would be a little better than the average growth in the market. As far as the NPLs are concerned certainly with the running down of the unsecured, the overall provisioning should come down substantially.

Kunal

Okay. Any new products we are planning to launch within this commercial finance segment?

KV Srinivasan

Basically in the past we have focused pretty heavily on the SME front. Now clearly we are focusing upon infrastructure funding as a natural extension of construction equipment and SME books. So we are putting together plans to focus upon the infrastructure lending segment as well.

Kunal

Okay and just a few data points. Firstly, how much would be the securitization gain which would be booked in this quarter?

KV Srinivasan

Zero.

Kunal

Okay and normally we used to give the breakup of this finance and investments in the overall revenues. So of this Rs 293 crores how much would be the profit on investments and dividend and interest?

Amit Bapna

If you look at capital gains we have had Rs 40 crores of capital gains but that is purely out of our mutual fund investments etc. but there has been no equity capital gains we have booked in this quarter and balance is all our interest incomes from various corporate lending.

Kunal

Okay. So these Rs 40 crores would be booked in AMC or it would be booked in finance and investments?

Amit Bapna

No, finance and investments because that's our investments in various AMCs across, various mutual funds across India.

Kunal

Sir, revenues in AMC does it contain any profit on investments or something?

Sundeep Sikka

Revenues in AMCs are primarily management fee.

Kunal

Yeah but any investment profits?

Sundeep Sikka

It is very little because whatever is the capital that we have which is again deployed back into the mutual fund so as a percentage it would be less than 3% or 4%.

Amit Bapna

Loan cash surplus is invested in mutual funds.

Kunal

Okay, thank you sir.

Moderator

Thank you. Our next question is from the line of Vikesh Gandhi from DSP Merrill Lynch. Please go ahead.

Vikesh Gandhi

What would be the total unrealized gains on your investment book and the book value of that?

Amit Bapna

On the listed front the book value would be around Rs 1600 crores and unrealized gains would be around Rs. 300 -350 crores.

Vikesh Gandhi

And how much would unlisted?

Amit Bapna

Unlisted would be around Rs 2800 crores.

Vikesh Gandhi

Is this the book value?

Amit Bapna

Yes.

Vikesh Gandhi

Okay. And on the life insurance, wanted to understand what is the current mix of ULIPs and non-ULIPs?

Malay Ghosh

As on 31st October it is 50:50.

Vikesh Gandhi

Okay and the entire book on an outstanding basis would be?

Malay Ghosh

Last year it was 94% ULIP and 6% non-ULIP.

Vikesh Gandhi

Okay. Alright thank you.

Moderator

Thank you. Our next question is from the line of Kajal Gandhi from ICICI Securities. Please go ahead.

Kajal Gandhi

Sir, broadly I would like to know in the broking segment we have come out with this separate disclosures from distribution and other things. And the second thing why are the volumes down so much quarter-on-quarter as compared to industry which is spurted on the same?

Vikrant Gugnani

We have Reliance Securities which focuses on broking business and we have the brand Reliance Money which focuses on the distribution business. What we have done since last year is we made two separate teams responsible for both the businesses the distribution businesses and open architecture third-party distribution business while the broking business continues to focus on all manufactured products so that's the reason now that we are clearly pointing out that there are two verticals contributing to the P&L.

Kajal Gandhi

But till now Reliance Equities International is nowhere in the…

Sam Ghosh

This is the purely retail broking business we are talking about our institutional broking business is under Quant Capital.

Kajal Gandhi

Okay, till now you have not made any disclosures?

Amit Bapna

Yeah that's the company which has become a subsidiary very recently this quarter and it's very small right now so we will probably start covering Quant maybe from next year onwards. It is very insignificant as of now.

Kajal Gandhi

Okay and my second question?

Vikrant Gugnani

To answer your second question, the focus of the entire broking business is on profitability and improving yields that is why you have seen the yield go up from 1.7 basis points to 2.5. The second reason also is as of last week we finally completed our migration on the new trading platform. There would be a natural dip in volumes because of the operational activity of shifting 640,000 customers from one platform to the other. So those were the two reasons because we weeded out all the customers as well as the franchisees which are not delivering productive returns.

Kajal Gandhi

Sir but how much of your fixed broking structure customers or volumes have shifted now to the broking business?

Vikrant Gugnani

100% is now at the variable.

Kajal Gandhi

Okay. And what is your guidance on this loan book growth that we are seeing on the commercial finance?

KV Srinivasan

See as I said it critically depends upon the overall economic parameters like the IIP numbers and the credit growth in the market place. Past two months IIP data obviously has not been pretty heartening but whatever the final numbers turn out to be it will depend very critically on the economic performance in the second half which is when the busy season really picks up. But whatever is the economic parameter, the loan book growth let us say 20% we would certainly be in excess of that.

Kajal Gandhi

Okay sir, thank you.

Moderator

Thank you. Our next question is from the line of Subramaniam PS from Sundaram Mutual Fund. Please go ahead.

Subramaniam PS

Wanted to know on the commercial finance business are you looking at any new products on the secured lending space, currently the mortgage finance is the only product that you have, so anything apart from that?

KV Srinivasan

In fact mortgage is not the only product; in fact the mortgage is relatively smaller compared to the other products put together. We do have commercial vehicles and construction equipments, and we have SME which is a secured book as well as mortgages. Now, as I mentioned earlier we are looking at extending the experience that we have gained out of doing the SME business as well as the construction equipment business into the infrastructure lending space for which we are putting together our plans and in due course we will implement them.

Subramaniam PS

Are you also looking at loans against gold because we are already seeing a few ads on Reliance?

KV Srinivasan

Loans against gold, yeah, in a very different way than the market. We are not competing with the retail space at all. For us the proposition is one of value unlocking and not of lender of last resort. So as of now it's a very insignificant portion which is why we are not talking about it.

Subramaniam PS

Okay in a different way, could you elaborate?

KV Srinivasan

Basically aimed at the higher income or the High Networth kind of customers who have made gold investments for the sake of holding so it is like unlocking value in a particular property, it is similar to that. The customer who walks-in for a loan against gold in a desparate situation is not our customer.

Subramaniam PS

Okay, thank you very much sir.

Moderator

Thank you. Our next question is from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe

This pertains to Reliance Money, just trying to understand that it appears that you made a loss at the Reliance Money, I guess the distribution SBU, what happened there?

Vikrant Gugnani

That is because of some cost allocations that were currently combined and now that we have segregated and started showing it separately. So that is a marginal cost allocation that has come-in but going forward that will get nullified because of the volumes of the business that we have a picked up over last quarter or so.

Nischint Chawathe

Okay this was something like a onetime cost or basically more on the cost allocation and that's…

Vikrant Gugnani

Finally because after Diwali season we were stocking up for gold so a lot of working capital got blocked which is reflected in the September quarter but the revenue will be booked in the next quarter.

Nischint Chawathe

Okay and the margin funding facility is booked in Reliance Securities. It's not housed in the commercial as in the NBFC?

Vikrant Gugnani

No, it's under the Reliance Broking business.

Nischint Chawathe

Okay, thank you very much.

Moderator

Thank you. As there are no further questions, I would like to hand the floor over to Ms. Chinmaya for closing comments.

Chinmaya

Hi. Thank you everyone, thanks to the management and the participants for participating in the call. Thanks very much.

Sam Ghosh

Thank you very much.

Malay Ghosh

Thanks.

Moderator

Thank you. On behalf of IDFC Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.