‘Reliance Capital Q1 FY12 Results Conference Call’

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Organized by Macquarie Securities Private Limited

Operator:
Thank you for standing by and welcome to the Reliance Capital Limited 1Q FY12 earnings conference call hosted by Macquarie Capital Securities.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone. Please be advised this conference is being recorded today.

I would like to hand the conference over to Mr. Mudit Painuly, over to you sir.

Mudit Painuly
Yes, hello everybody. With me are the senior management of Reliance Capital, Mr. Sam Ghosh, the CEO Reliance Capital, and his senior management team. So, without further ado, over to you sir.

Sam Ghosh:
Thank you Mudit. Good morning to all of you.

We start with this brief presentation and an update on our results on each of our businesses and then we will take some questions.

I will just introduce you to our management team who is here. We have got Malay Ghosh here from Reliance Life Insurance, Sundeep Sikka from Asset Management company, K.V. Srinivasan from Commercial Finance and Home Finance company, Vijay Pawar from General Insurance, Vikrant Gugnani from Reliance Securities and Reliance Money, and finally Amit Bapna our CFO as well Savli who all of you know.

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. The total income from operations for the quarter, increased by 18% to Rs. 15 billion, mainly on account of increase in the topline of all our businesses. The net profit stood at Rs. 348 million – a year on year decrease of 55%. This was mainly on account of high interest rate environment.

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. I am extremely happy to inform you that this quarter, the entire profits of Reliance Capital have been contributed by our major businesses. The operating profits from these businesses have increased by 78% year on year to over Rs. 1 billion.

For the detailed split of operating profits from major businesses, you can refer to the slide 5 of the investor presentation that has been sent to you.

In commercial finance, the profits increased by 61% to Rs. 583 million. The asset quality has continued to improve. The Gross NPLs have declined by 44% to Rs. 1.5 billion.
And the provisioning decreased by 74% to Rs. 133 million. 98% of the book was secured as against 90% at the end of June 2010. Over the next two quarters, 100% of the book will be secured. In life insurance, I am extremely pleased to share that for the third consecutive quarter, Reliance Life Insurance was profitable and did not need fresh capital infusion. The business achieved a profit of nearly Rs. 80 million as against a loss of Rs. 1.2 billion. In fact the surplus arising in the non participating business is over Rs. 900 million. This will be recognized as profit in the current year. The company has been making consistent monthly profits since September 2010. And I am confident this business will be profitable for the full year. I am also very happy to inform you that last Friday, IRDA released the final guidelines for divestment in life insurance companies. This week, we will be filing the additional information needed, as per these guidelines. And expect to close the transaction with Nippon Life over the next couple of months. In asset management, the operating profits increased by 23% year on year to Rs. 709 million. The focus on the untapped retail opportunity across all asset classes continues to gain momentum. The number of SIPs and STPs have grown over 52% to over 2 million – the highest in the industry. And the retail gold fund launched by RMF in February crossed Rs. 13 billion in AUMs in less than six months. In broking and distribution, I am very happy to inform you that the profits have increased by 70% to Rs. 57 million. And finally in general insurance, the losses continue to decrease, demonstrating all the steps taken in this business are beginning to show results. This quarter, the losses decreased by 22% year on year to Rs. 301 million.

We have given detailed financials and operating parameters for each of our major businesses in our presentation and review report. I will go through some of the main highlights in each business:

Reliance Capital Asset Management manages over Rs. 1 trillion of assets across its mutual fund, managed accounts and hedge funds. Reliance Mutual Fund continues to be India’s No.1 Mutual Fund with a market share of nearly 14%. The average assets under management of Reliance Mutual Fund were over Rs. 1,000 billion at the end of the quarter ended June 30, 2011. I am happy to inform you that in the month of July, RCAM was re-appointed as one of the asset managers to manage EPFO money, for a period of 3 years starting from September. RCAM will manage 20% corpus of over Rs. 3.5 trillion EPFO fund. For the quarter ended June 30, 2011, the asset management business generated income of Rs. 1.7 billion – an increase of 2%. And a profit before tax of Rs. 709 million – increase of 23%. I am also happy to share with you that the focus on long term retail debt, leaner cost of operations and higher yield products has increased the operating profit margins to 42% from 35% for the corresponding previous period.

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 5.3 %. The total premium for the quarter was nearly Rs. 11 billion. And the renewal premium grew by 37% to Rs. 8 billion. The new business premium was at nearly Rs. 3 billion. The profit for the quarter was nearly Rs. 80 million as against a loss of Rs. 1.2 billion.

And the surplus arising in the non participating business is over Rs. 900 million. This will be recognized as profit in the current year. I am happy to mention that the operating costs decreased by 37% at nearly Rs. 3 billion for the quarter. We managed over Rs. 177 billion of assets – year on year growth of 23%. The distribution network increased to 1,252 offices across India. And the number of agents were over 177,000 – a year on year decrease of 11%. This was in line with the focus on productivity and performance of agents. As mentioned before, this quarter as well, the company did not require any fresh capital infusion. The total capital invested till date is Rs. 31 billion.

Reliance Commercial Finance is amongst the leading lenders in the non banking finance space. The disbursements for the quarter increased 58% year on year to Rs. 20 billion. The assets under management grew by 28% year on year to Rs. 143 billion. The outstanding loan book was at Rs. 130 billion – a year on year increase of 42% The total income for the quarter increased by was Rs. 4.2 billion - year on year increase of 38% and the profit increased by 61% to Rs. 583 million The average net interest margins were at 4.3% and the average cost of borrowing was at 10.3%. The gross NPLs declined by 44% to Rs. 1.5 billion. This translates to 1.1% of the AUM. The provisions declined by 74% to Rs. 133 million and the coverage ratio stood at 82%. This quarter, the business did not securitize any of its loans.

Reliance Securities is amongst of the leading retail equity broking houses in India. The focus at Reliance Securities is on its key business verticals of equity broking, wealth management and investment banking. In the broking vertical, Reliance Securities had over 660,000 equity broking accounts. And the average daily equities turnover stood at Rs. 12 billion. The number of commodities broking accounts increased by 14% to 36,500. And the daily average commodities turnover of over Rs. 6 billion. In wealth management, the assets under management stood at Rs. 2.3 billion – a year on year increase of over 140%. The business achieved revenues of Rs. 332 million – a year on year increase of 2% and a profit before tax of Rs. 30 million.

Reliance Money is amongst the leading distributors of financial products and services in India with a distribution network of over 6,600 outlets. Reliance Money sold over 430 kilos of gold in the quarter – an increase of over 250%. Reliance Money is the largest private sector partner for Western Union Money Transfer in India and handled over 500,000 money transfer transactions during the quarter – a 14% year on year increase.
The business achieved revenues of Rs. 156 million for the quarter – a year on year increase of over 140%. And a profit before tax of Rs. 27 million – a year on year increase of over 860%. I am happy to inform you that the significant shift in profitability is due to the focus on higher margin products and leaner cost of operations. This has translated to a healthy profit margin of 17% for the quarter, a significant improvement from 4% for the corresponding previous period.

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 Gross Written Premium increased by 22% year on year to Rs. 5 billion. I am very pleased to share with you that our focus on writing profitable business and improving the underwriting practices at Reliance General Insurance has started to yield results. The loss reduced to Rs. 301 million, a year on year decline of 22% and the combined ratio including third party motor pool was 130% - a year on year increase of 5%. This was mainly on account of additional provisioning for third party commercial motor pool losses. During the quarter, Rs 1 billion of capital was infused into the business. The total capital invested till date is Rs. 12 billion.

In conclusion, I would like to say that I am personally very happy with the continued strong operating performance of our major businesses. This gives me tremendous confidence and I am certain that, barring extraordinary circumstances, Reliance Capital's strategy of focusing on profitable growth will result in ROE in the range of 16 to 20% from its businesses in the current year.
Thank you very much. We can now take questions.

Operator:
Certainly sir. At this time, participants if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press hash or the pound key. First in line we have Kunal Shah from Edelweiss. You may go ahead please.

Kunal Shah:
Hello sir, good morning.

Sam Ghosh:
Good morning Kunal.

Kunal Shah:
Yes, sir firstly on this life insurance, and a fairly good thing that you have shared about the opex in this quarter, sir definitely appreciate that, but sir I just want to understand sir how the NBAP margins have behaved in this quarter as compared to that of say 12 to 13% in Q4?

Malay Ghosh:
Kunal, good morning, Malay here. We have not calculated our NBAP for the quarter, in fact that we discontinued because of shifting product mixes and many other industry changes. Our present focus being cash flow profitable and also more and more into traditional business, I think at the end of the year only the NBAP will shape up. I think we will be able to keep our NBAP margin forecast of about 15% for the year.

Kunal Shah:
Okay, so for this full year we expect it to be around about 15%.

Malay Ghosh:
Yes.

Kunal Shah:
And how would be the mix between various policies, traditional ULIP and all in this quarter?

Malay Ghosh:
For the last quarter?

Kunal Shah:
Yes, I mean in Q1.

Malay Ghosh:
In Q1, in fact our disclosure has been up on our website and it is about 70% from the traditional and 30% from ULIP, and in 70% traditional majority is coming from participating policies.

Kunal Shah:
Okay. And sir what would be the outlook on the commercial financing business in terms of growth as well as profitability?

KV Srinivasan:
Yes, it is basically in line with the expected growth in the economy as far as credit growth is concerned. Now overall it is expected that the credit will grow by about 18 to 19% for this year. So, ours will be slightly better than that, possibly I would expect anything between a 25 to 26% kind of a growth in the fresh disbursements.

Kunal Shah:
Okay. And sir how much would be the lending rate hikes which would have been taken and do we see the credit cost almost at the bottom considering the environment which we are in or we believe that it could continue at a pretty much similar levels for FY12. So, any asset quality stress or any slowdown in terms of disbursements which we see during the course of the disbursal?

KV Srinivasan:
See, first quarter we have not seen any slowdown. On the contrary we have had about 58% increase in the disbursals year on year. However, we also expect the interest rate scenario to stabilize and possibly ease off in second half. So, I would expect growth to happen in second half not necessarily in Q2. I also do not believe that we have yet seen the bottom in terms of the gross NPL situation; however, the dramatic decrease that we have seen in the past one and one-half years will not happen because the unsecured book which was basically the cause for gross NPLs being high, that has got wound down. I would expect gross NPLs to stay in a range of 1.1 to 1.2% of the loan book for the rest of the year as well.

Kunal Shah:
Okay. And sir, a few accounting clarifications which I needed, as to if I look at standalone and consolidated, in standalone there is profit of 139 crores and in

consolidated it boils around to say 33 to 34 crores, okay. So, one would be definitely the general insurance which would be there, okay, but apart from that sir any . . .

Amit Bapna:
The primary reason is the dividend which the asset management company has paid to Reliance Capital. So, it is reflecting in the standalone. In the consolidated you have to minus it because it is from a subsidiary to the parent.

Kunal Shah:
So, how much would that be?

Amit Bapna:
150 crores.

Kunal Shah:
And sir if I look at the commercial finance in the standalone as well as in the consolidated, it is like, actually like, okay, I think commercial finance is there.

Amit Bapna:
No, that is commercial finance is in capital.

Kunal Shah:
Okay, so this 47 crores gets reflected over here and some proportion gets into the consolidated product. Okay. And sir this finance and investments of this loss of 23 to 24 crores which is there in the consolidated, so that is also primarily because 150 crores is getting knocked off.

Amit Bapna:
That is getting knocked off, yes.

Kunal Shah:
Okay, sir. Yes, thanks a lot.

Operator:
Thank you sir. Next in line we have Sunaina D'Cunha from Birla Mutual Fund. You may go ahead please.

Sunaina D'Cunha:
Good morning. I just had a couple of questions. Firstly, what is the total debt that we have on our book on a consolidated level, the gross debt?

Amit Bapna:
On Reliance Capital it would be 18,000 plus the home finance of around 2,000.

Sunaina D'Cunha:
And how is it compares versus March ending?

Amit Bapna:
Similar levels.

Sunaina D'Cunha:
Similar levels is it?

Amit Bapna:
Yes.

Sunaina D'Cunha:
This is the gross debt is it?

Amit Bapna:
Yes.

Sunaina D'Cunha:
Okay, because I think the press release actually is talking about net debt of about 20,000 crores.

Amit Bapna:
Yes, so we will have investments in mutual funds, FDs, etc. So the cash and cash equivalent would be around 2,000. So, it will be net will be around 2,000 lower.

Sunaina D'Cunha:
Okay, so total debt would then be about 22,000 but cash about 2,000.

Amit Bapna:
Yes.

Sunaina D'Cunha:
What about the cash that is actually lying in the mutual fund over this list?

Amit Bapna:
That is separate, that is in the AMC, that is not in the Capital balance sheet.

Sunaina D'Cunha:
How much would that be?

Amit Bapna:
That will be another 1,000 crores.

Sunaina D'Cunha:
Okay, and what would be the treasury earnings, could you state some of that?

Amit Bapna:
You put them typically in fixed income funds; so, whatever the fixed incomes generate, that would be the return rate.

Sunaina D'Cunha:
Okay, do you all trade actively in that book or is it the passive . . .

Amit Bapna:
No, it is passive.

Sunaina D'Cunha:
What is the target debts which you have say for the next quarter? Do you think that has actually remained as 22,000 crores or would it actually go up?

Amit Bapna:
No, it will not go up substantially because we are looking at the stake sale money coming in, roughly 3,000 crores is coming in of which 2,700 comes into Reliance Capital because it is a secondary sale. So I do not see the debt component going up substantially from there.

Sunaina D'Cunha:
Okay, and how would our loan book look like in terms of growth for the next couple of quarter.

KV Srinivasan:
As I mentioned a little earlier, we expect to see about 25 to 26% growth in the fresh disbursals last year. So, possibly from here onwards the net growth post run off should be in the region of around 3,000 odd crores.

Sunaina D'Cunha:
Okay, if I understand right that in March ending we had about 15,500 crores of debt and now it has increased to about 20,000 crores of debt. What could be the reason behind that?

Amit Bapna:
Sorry, from which, when was that, you are talking about for March?

Sunaina D'Cunha:
That is right March 2011.

Amit Bapna:
It was about 18,000 or so.

Sunaina D'Cunha:
Okay. So it was about 18,000 you are saying, which is gross again or net?

Amit Bapna:
It would be net.

Sunaina D'Cunha:
Net debt was 18,000 crores which has now grown to 20,000 crores?

Amit Bapna:
Yes

Sunaina D'Cunha:
Okay. Thanks very much. That is it from our side.

Operator:
Thank you sir. Once again, participants if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. Next in line, we have question Nischint Chawathe from Kotak Securities. You may go ahead please.

Nischint Chawathe:
Yes, hi. Can you give us the number for overall equity investments at the end of the quarter?

Amit Bapna:
Equity investments would be around 1,600 crores.

Nischint Chawathe:
This is basically the prop book at 1,600 crores?

Amit Bapna:
Yes.

Nischint Chawathe:
And all the strategic and you know the non-prop strategic investment, etc., put together?

Amit Bapna:
The non-prop strategy, you know, there is one which is investments in group companies.

Nischint Chawathe:
Yes, that would be . . .

Amit Bapna:
That would be roughly…., look our listed equities would be around 2,500 crores.

Nischint Chawathe:
Okay.

Savli Mangle:
And this Nischint includes the strategic investments, and whereas the corporate loan book at about1,500 crores.

Amit Bapna:
And then the group company would be about 6,000 or so

Nischint Chawathe:
Okay. So you are talking about overall investment, but if I look at only equity investments, this would be I mean what would be the number like 10%?

Amit Bapna:
Listed equities will be 1,600.

Nischint Chawathe:
No listed and unlisted both put together. I am just kind of . . .

Amit Bapna:
Unlisted is about 2,500 . Listed and unlisted both put together would be around 4,000 crores.

Nischint Chawathe:
Okay, I mean I am just trying to understand this, you know. On a consolidated basis, how does one really look at your leverage and what is the point of time when you may possibly want to look at further raising capital. So, I am just trying to understand you know that . . .

Amit Bapna:
No, see, what our thinking is that once the Nippon Life deals goes through then we have cash coming in. After that we may decide to liquidate some of our listed equities that help us reduce our debt and then we will decide how to go forward after that depending on whether the banking license has come through, etc..

Nischint Chawathe:
Okay. No, I mean my point is what is our consolidated net worth right now?

Amit Bapna:
Consolidated around 7,800.

Nischint Chawathe:
7,800 and we are talking about equity investments of roughly 10,000 crores?

Amit Bapna:
Yes, if you were to take, yes.

Nischint Chawathe:
I mean, and we are also talking about debt investment book of roughly around 15,000 odd crores I mean you know in the sense. The NBFC business loan book of roughly whatever you know 15,000 possibly by the end of the year or so. So, I mean even if I add let us say something like 3,000 crores post tax coming in from the Nippon deal, even then what we are saying is roughly 8,000 goes to 11,000 and you know what we are talking about is 10,000 crores of equity investments, 11,000 crores of net worth, and you know 15,000 crores of debt investment book, so does that kind of tally right or am I missing something.

Amit Bapna:
No, so that all of the 7,800 crores of net worth, we have equity investments of 10,000, right, so there is a gap somewhere. So, we reduce the gap by getting this money in.

Nischint Chawathe:
Yes, so the money that comes into will be roughly whatever roughly 3,000?

Amit Bapna:
Okay, okay 2,700 crores.

Nischint Chawathe:
So, that is what my point is, you know in that case you know I guess because since we have a AAA rating and all, you know some verify if I try to kind of you know adjust out the equity investments and try to look at the structure, I think the way you had invested as it earlier well, you know everything will be like you know the Reliance Capital will be a holding company and all the SBUs because I think the complication that we are in currently, you know, what is happening is because since we have merged the NBFC business back into the parent company, we are finding it slightly complicated to calculate it, but I am just basically trying to figure out you know what is the free net worth that is available to the NBFC investment book, sorry the NBFC business, had the NBFC been a separate SBU and you know what kind of a leverage are we currently or whatever you know post the deal running on that. Basically, that is what I am trying to figure out.

Amit Bapna:
Okay, so . . . .

Savli Mangle:
Nischint, what I will do is I will give you a call, we will discuss this off line in detail, yes?

Nischint Chawathe:
Okay. Thanks bye.

Operator:

Thank you sir. Next in line we have follow-up question from Mukesh from Birla Mutual Fund. You may go ahead please.

Mukesh:
I just wanted to understand on an trailing basis, are there any negative gaps in the less than six months and less than one-year buckets?

KV Srinivasan:
No, we are positive.

Mukesh:
For the entire NBFC as well as . . .

Amit Bapna:
All put together we are positive.

Mukesh:
All put together.

Amit Bapna:
Because we do not have too much of short come debts on our books.

Mukesh:
And how would the total debt be divided amongst say mutual funds banks and other sources?

Amit Bapna:
Bank would be 8,500, you will have NCDs of 6,300, you will have commercial papers of 3,800 which is less than 15% of the total borrowings.

Mukesh:
So, that is around 18,000 crores?

Amit Bapna:
Yes.

Mukesh:
As compared to the gross debt of 22,000?

Amit Bapna:
Yes.

Mukesh:
I thought that would be around 18,000 crores and the balance is . . .

Amit Bapna:

These are broad numbers which is around 18,500, plus we have home finance which is around 2,500, so it will add up to 21,000, we will give you the exact numbers, they will add up.

Mukesh:

Okay, thank you.

Operator:

Thank you sir. I repeat participants if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. At this time, there are no further questions from the participants. I would like to hand the floor back to Mudit Painuly for final remarks. Over to you sir.

Mudit Painuly

Yes, just before we conclude, I had a question just on the life insurance. Why exactly such a sharp slowdown evident there, what exactly do you see growth panning out and you know I was under the impression that much of the restructuring was done in the last few quarters, but evidently there has been a sharp slow down both in terms of sales and many of the agents have been let go. So, could you just give a flavor on where exactly do you see things panning out in terms of growth, in terms of product mix, margins, etc.?

Malay Ghosh:

See the slow down that we are looking on the books is actually because we are comparing a different kind of time with this quarter. Last year if you remember, unit linked guidelines were to be you know new guidelines were to be effective from 1st of September. So, April to August was a brisk sale of unit linked and unit linked pension, which no longer are there. In fact last year was a kind of different year where first six months of the year was about 50% of the full year's business, not just for us but for the whole industry. This is not normal. What is normal is first quarter is about 8 to 10% and second quarter about 15 to 20% and that is how the seasonality goes for a normal year in life insurance. In fact, you will see the growth in the industry and in our company coming back from September onwards and the second half of the year we will see good growth in terms of you know when you compare it with the previous year. The second part of our question is about product mix. Reliance Life have been trying to balance the product mix for more than five quarters now. In fact, last year was a good year with 50% from traditional and 50% for ULIP. Current year we expect to maintain that; however, in the first quarter it has been slightly biased towards traditional. Towards the end of the year you would see more in ULIP coming because the pension sector is being you know new guidelines are coming where guarantees will not be required and so we will be able to get into that sector. I think going forward we will come to about 50% from ULIP and about 50% from traditional and that way we may end the year at about a different growth of 10 to 15%, that is what we are looking at.

Mudit Painuly:

Okay fine. So, operator are there any questions?

Operator:

Sir, I am having two more, shall we take it up?

Mudit Painuly
Yes.

Operator:
Next in line we have Kunal Shah from Edelweiss. You may go ahead please.

Kunal Shah:
Yes, sir, I just wanted to ask regarding the status on the Nippon deal, as to when do we expect it to fructify and the amount also to come in and at what stage it is currently?

Sam Ghosh:
It is actually being done today I think of course we are filing with the regulator the application for divestment for additional information. We have already filed our application earlier but IRDA has come out with the new guidelines on Friday with a new application form. So we will apply based on that new application form and then it should take us we hope that next month and a half or so, we will try to get approval from IRDA, and then the RBI will take may be another six to eight weeks after that.

Kunal Shah:
Okay, so IRDA and RBI, both of, means approval from both of them is required.

Sam Ghosh:
Correct, because this is a secondary sale, we will need RBI approval.

Kunal Shah:
Okay, and nothing from ministry?

Sam Ghosh:
Nothing from ministry, because that now has come under section 6A, so it comes fully under IRDA. Earlier IRDA wanted to refer to ministry because of 6AA.

Kunal Shah:
But now it is not required.

Sam Ghosh:
Now IRDA is taking it under 6A, they are going to give approval.

Kunal Shah:
Okay, so only two approvals, okay. Yes thank you.

Operator:

Thank you sir. Next in line we have Veekesh Gandhi from DSP Merrill Lynch. You may go ahead please.

Rajeev Verma:
Yes, hi, this is Rajeev. Just wanted to know two things. One is I think you have partially answered that. You know the outlook for the margins in the insurance business sounds to be very volatile and as you change your product mix, can we assume that margins are starting to stabilize and you are actually looking at some improvement or are we likely to see pressures sustaining there? And secondly, I guess for the broader businesses as a whole, we will obviously see some pressure on the revenue across the business lines. Where do we see that stabilizing and you know potentially seeing that improving going forward?

Malay Ghosh:
See, about the margins, our aim is to stabilize at around 15% for the business because you know we have two considerations, one is the cash flow and the other is NBAP, and both of them can be you know and our aim will be to manage it around 15% with a balanced mix between participating and nonparticipating business. About the growth, we are confident that the growth towards the end of the year we will be able to get a growth path of about 10 to 15%, and thereafter it will be a steady growth. The industry has been moving from an investment oriented approach to life insurance and savings oriented approach.

Sundeep Sikka:
I think from the asset management side we have been seeing you know in the last two years there have been a lot of regulatory changes, and if you break down the entire industry in two parts, one is which is more institutional which is more a function of the liquidity in the system. However, on the retail side we have seen emergence of new asset classes and I think we have been over the last two years have been focusing on the retail debt and gold. We clearly see a lot of you know growth coming you know from all these asset classes, and yes I think last two years have not been on a top line basis, they have not been very exciting. But from the bottom line point of view if you see, over the last two years, we have doubled our profits from 133, the last year standalone India profit was you know 261 crores, and we believe with the right product mix that we have the profitability will keep increasing.

KV Srinivasan:
As far as the commercial finance business is concerned, we see interest rates nearing the peaks, may be the second half would be far more stable than the first half has been so far. Good thing is that we are able to pass on most of the rates increases because most of our products are on a floating rate basis. So, although there is some you know maximum of about one quarter catch up that needs to be done, overall we should see pretty stable margins of around 5% net interest margins throughout the year.

Vikrant Gugnani:

On the broking and distribution side, while there has been a definite slowdown in the market overall on the broking volumes, we continue to be profitable because of the cost controls over the last two years and we are actually growing our market share. And similarly on the distribution side, the aggressive ramp up on distribution of third party as well as gold, and the results are obvious in our bottom line.

Vijay Pawar:
General insurance side, mainly the motor and health are two portfolios which are basically under pressure as far as the pricing is concerned. With the revision of the TP premiums, third party premium, and also the corrections taking place in the health portfolio, I think the growth is coming and the profitability is also coming. We are bringing down the losses which are at this current level to further down, and hoping that the general insurance industry will do better in the second quarter.

Rajeev Verma:
Right, okay, thanks a lot. I appreciate.

Operator:
Thank you sir. Certainly, there are no further question sir.

Mudit Painuly
Yes, Sam, any last words?

Sam Ghosh:
I think this quarter I think as most of our CEOs have mentioned, we will go through obviously because the industry situation will be stable but business by business I think profitability will increase, but quarter three and quarter four certainly we should see growth in all our businesses plus for the increase in profitability.

Mudit Painuly
Thank you very much.

Operator:
Thank you sir. That does conclude our conference for today. Thank you for participating on Reliance Conference Bridge. You may all disconnect now.