"Reliance Capital Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Reliance Capital Q2 FY'12 Earnings Conference Call hosted by Edelweiss Securities. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kunal Shah from Edelweiss Securities. Thank you and over to you Sir.

Kunal Shah: Thank you. Good evening all of you. This is Kunal Shah from Edelweiss Securities. We have with us Mr. Sam Ghosh, CEO of Reliance Capital along with other senior management team members to discuss the second quarter fiscal 2012 earnings. So without much ado would like to hand it over to you Sir.

Sam Ghosh: Thank you Kunal. I will just introduce the people who are here. We got Amit Bapna, our CFO, we have got Vikram Gugnani here from our Reliance Securities and Reliance Money, Rakesh Jain who has joined us recently for Reliance General Insurance, K. V. Srinivasan, CEO, Commercial Finance and Home Finance and on call we have Sundeep Sikka for Asset Management and Malay Gosh for Life Insurance.

Good evening 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.

The total income from operations for the quarter increased by 19% to Rs. 15 billion, mainly on account of increase in the topline of commercial finance and broking and distribution businesses. The net profit stood at Rs. 334 million, as against Rs. 1 billion for the corresponding previous period. This was mainly on account of high interest rate environment during the quarter.

We have continued to focus on improving the operating performance of our businesses and ensuring the businesses increase their contribution towards the earnings mix of Reliance Capital.

In life insurance, I am extremely pleased to share that for the fourth consecutive quarter, Reliance Life Insurance was profitable and did not need fresh capital infusion. The business achieved a profit of Rs. 82 million as against a loss of Rs. 416 million. In fact the surplus arising in the non participating business is over Rs. 675 million. This will be recognized as profit in the current year. Reliance Life Insurance will be profitable for the full year.

In commercial finance, the profits stood at Rs. 547 million. The asset quality has continued to improve. The gross NPLs have declined by 26% to Rs. 1.8 billion. And the provisioning has decreased by 51% to Rs. 198 million. This is despite the additional one time provisioning made, on account of the new regulations by NHB. 99% of the book was secured as against 93% at the end of September 2010. Over the next two quarters, 100% of the book will be secured.

In asset management, the operating profits stood at Rs. 656 million. The focus on the untapped retail opportunity across all asset classes has continued. The number of SIPs and STPs have grown over 41% to 2 million – the highest in the industry. The long term debt to Total Debt average AUM has increased to 38% as against 27% for the corresponding previous period. The retail gold fund that was launched in February crossed Rs. 19 billion in average AUMs in six months. We have given detailed financials and operating parameters for each of our major businesses in our presentation and review report. Before we talk about the main highlights in each business, I would like to take you through some developments that have happened recently. In the past we talked about value unlocking plans in some of our businesses.

I am very happy to inform you that we successfully completed the strategic stake sale transaction at Reliance Life Insurance with Nippon Life, in early October. Nippon Life has acquired 26% stake in Reliance Life Insurance for Rs. 30 billion. This transaction has been completed in two investment stages - primary and secondary. Rs. 3 billion has been invested in Reliance Life Insurance, that will take care of any further capital needed for solvency. And the balance - Rs. 27 billion flow to Reliance Capital. We will utilize these proceeds to bring down debt and the high interest cost at Reliance Capital.

The Board of Directors of Reliance Life has inducted Mr. Takeshi Furuichi as a Non Executive Director and Nippon nominee on the Board of Reliance Life. Mr. Takesh Furuichi is the representative Director, Senior Managing Executive Officer and Chief Investment Officer of Nippon Life Insurance. He has been with Nippon Life for over 34 years and held many senior positions within the company, apart from being a Director in many Japanese firms. We have also signed a MOU with Nippon Life to explore additional areas of partnership in our asset management business. We will be looking at equity participation and international distribution partnership with Nippon Life.

During the quarter, CRISIL assigned its 'CRISIL A1+' rating to the short term debt program of Reliance Capital's and its subsidiary Reliance Home Finance.

I am also pleased to inform you that Rakesh Jain has been appointed as the new CEO of Reliance General Insurance. This is subject to IRDA approval. Rakesh has over 17 years of industry experience and joins our Company from ICICI Lombard. He succeeds Vijay Pawar who will continue to provide inputs and guide the company as a Non Executive Director on the Board of Reliance General Insurance.

I will now go through the main highlights in each business:

Reliance Capital Asset Management manages over Rs. 930 billion of assets across its mutual fund, managed accounts and hedge funds. Reliance Mutual Fund is amongst the top two mutual funds in India with a market share of 13%. The average assets under management of Reliance Mutual Fund were over Rs. 907 billion for the quarter ended September 30, 2011. For the quarter ended September 30, 2011, the asset management business generated income of Rs. 1.6 billion – a decrease of 8%. And a profit before tax of Rs. 656 million – a decrease of 6%. This was on account of a 13% decline in the average AUMs. I am happy to inform you that despite this decline, the operating profit margins have improved to 40% due to the focus on long term retail debt and higher yield products.

Reliance Life Insurance continues to be among the leading private sector life insurance players in terms of new business premium, with a private sector market share of over 5%. The total premium for the quarter was at Rs. 13 billion. And the renewal premium grew by 10% to Rs. 9 billion. The new business premium was at Rs. 4 billion.

The profit for the quarter was Rs. 82 million as against a loss of Rs. 416 million. And the surplus arising in the non participating business is over Rs. 675 million. This will be recognized as profit in the current year. I am happy to mention that the operating costs decreased by 31% at nearly Rs. 3 billion for the quarter. We managed over Rs. 167 billion of assets – year on year growth of 1%.

The distribution network increased to 1,252 offices across India. And the number of agents were over 165,000 – a year on year decrease of 23%. 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 was Rs. 31 billion. This is prior to the receipt of Rs. 30 billion from Nippon Life, of which Rs 3 billion will be invested in Reliance Life Insurance Company.

Reliance Commercial Finance is amongst the leading lenders in the non banking finance space. The disbursements for the quarter increased 20% year on year to Rs. 23 billion. The assets under management grew by 25% year on year to Rs. 150 billion. The outstanding loan book was at Rs. 139 billion – a year on year increase of 39%. During the quarter, Reliance Commercial Finance securitized loans of Rs. 1 billion. The profit from this securitization will be booked over the tenure of the loans.

The total income for the quarter increased by 51% to Rs. 5 billion. The profit before tax stood at Rs. 547 million – a decrease of 10% year on year. This was on account of a 110% increase in interest costs. The average net interest margins were maintained at 4.1% and the average cost of borrowing was at 11.4%.

The gross NPLs declined by 26% to Rs. 1.8 billion. This translates to 1.2% of the AUM. The provisions declined by 51% to Rs. 198 million. This is despite the additional one time provisioning made on account of the changes in provisioning norms mandated by the NHB. The coverage ratio at end of September 2011, stood at 80%.

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 670,000 equity broking accounts. And the average daily equities turnover stood at Rs. 12 billion. The number of commodities broking accounts increased by 11% to over 36,800. And the daily average commodities turnover of Rs. 8 billion – a year on year increase of over 200%.

In wealth management, the assets under management crossed Rs. 2 billion – a year on year increase of over 80%. The business achieved revenues of Rs. 343 million and profit before tax of Rs. 22 million.

Reliance Money, is amongst the leading distributors of financial products and services in India with a distribution network of over 6,100 outlets. Reliance Money sold over 240 kilos of gold in the quarter – an increase of 13%. Reliance Money is the largest private sector partner for Western Union Money Transfer in India and handled over 550,000 money transfer transactions during the quarter – a 10% year on year increase. The business achieved revenues of Rs. 215 million for the quarter – a year on year increase of 150%. The total expenses increased by over 200% to Rs. 194 million. This was mainly on account of significant incremental investments in the gold business and increasing the branch network for insurance distribution. The profit before tax for the quarter was Rs. 21 million.

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 8%. The Gross Written Premium stood at Rs. 4 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. 287 million as against Rs. 301 million in the previous quarter. And the combined ratio including third party motor pool improved to 123% as against 130% in the quarter ended June 30, 2011.

During the quarter, Rs 350 million of capital was infused into the business against Rs. 1 billion for the corresponding previous period – a decline of 65%. The total capital invested till date is nearly Rs. 13 billion.

In conclusion, I would like to say that I am personally happy with the continued 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 sustainable ROEs in the range of 16 to 18% from its businesses over the next two years. Thank you very much. We can now take questions.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Nitin Saigal from Bridge Capital. Please go ahead.

Nitin Saigal: Hi guys I just missed what you said at the end did you say 16% to 18% ROE across the business in the next few years?

Sam Ghosh: Yes that is correct in the next couple of years we should achieve that.

Nitin Saigal: Help us understand the breakdown of that because you obviously have a lot of businesses that have lot of different underlying drivers whether it is Life or Mutual Fund. Could you help us - give us some of detail on how you plan to get there?

Sam Ghosh: See, if you look at our asset management business we have put in capital of about Rs 10 Crores rather and ROE is obviously significantly above that. Even if you add shareholders fund that have accumulated over the period of time, I think we are currently at ROE of over 30%. If you look at our Life Insurance business this year, we hope to achieve a ROE of about 8% to 10% and going forward, by next year we should certainly be above 15% and then if we go to commercial finance, this year I think we are aiming for about 12% to 14% and going forward, because this being a tough year going forward by the next year 16% to 18%. Then we move on to broking and distribution. There I think we have put in about Rs.400 Crores capital and in future even we should hit ROE of about 10% or 11%. And going forward, certainly we expect that it should increase significantly based on market conditions improving. Finally on general insurance I think though we have put in about Rs.1,300 Crores. Going forward at least we should aim to break even in the coming year and the following years that we should try for at least 10% to 15% depending on how quickly we can turn the business around and to achieve over have 10% at least ROE.

Nitin Saigal: As you mentioned ROE, had you have talked about crystallizing value and you've gotten the Nippon Life JV what are the plans because you have an interesting combination with very different businesses. Do you have any other plans to try and do similar things, other stake sales?

Sam Ghosh: Yes, on the asset management side as I mentioned we are in discussion with Nippon Life regarding a stake sale in the asset management business. That I think we will try and we want to see whether we can come to some conclusion by the end of this financial year. The other one is the General Insurance Business. I think we will try and bring a partner at least for 26% that is one of the goals, which RBI have also put for us and we are trying to achieve that.

Nitin Saigal: Okay but in general holding structures is going to be the same and how can you actually separate the businesses entirely?

Sam Ghosh: No, that we will continue as Reliance Capital. We will continue being the parent company with our subsidiary companies under it. Each of the companies we may bring in partners as I just mentioned. Reliance Capital will remain listed entity.

Nitin Saigal: Thanks.

Sam Ghosh: Sorry just as one more clarification. The only structural change is going to be we will try and make Reliance Life a subsidiary of Reliance Capital so and it will not be a very large subsidiary to begin with but we are going with the way forward would be to make it our 74% subsidiary maybe in two years time.

Nitin Saigal: Thanks.

Moderator: Thank you. The next question is from the line of Santosh Singh from Espirito Santo. Please go ahead.

Santosh Singh: Hello sir, I have a couple of questions one is on the money, which you have got so how much debt have you already bought from the market?

Amit Bapna: Not significant but we have large maturities in November, December over the next three to four months so we will be using this money to repaying the debt.

Santosh Singh: Okay and the second question is on the general insurance side. Sir what is our claims ratio and the expense ratio on that?

Rakesh Jain: The combined ratio has moved down from 130% to 123% in Q2 and primarily the claims have improved predominately from 86% to 83% and expense ratio has remained above 40% flat for both the two quarters so it is primarily a focus on driving quality topline rather than driving growth and bring down the expense ratio and over a period of time we believe that we want to pick up businesses, which are quality driven rather than the topline driven. So expense ratio may remain high for some time if we don't chase extraordinary growth and the larger growth will come from improving the claim ratio.

Santosh Singh: What if the expense ratio remains in the 40% range and how do you think you can break even in this year?

Sam Ghosh: We have not mentioned that we have to break even this year. This year we show a loss you can see that.

Santosh Singh: Yes, even the next year also if it remains at 60% claims ratio, it is possible to bringing down to 60%?

Rakesh Jain: No, I think we have deliberately not wanted to grow till we improve the asset quality that we declared, which we are doing. There is a focus in the next three months put down processes and procedures built on technology platform. So my sense is operating efficiencies and quality of book will both help in the next year to reach break even. But the expenses will come down; it will come from the existing levels to around 25% levels. The industry runs about anywhere between 20% to 27-28% depending on scale of operations and the efficiency which we achieve**,** so will certainly come close to that.

Santosh Singh: Finally on commercial finance the NIMs are declining quite sometime around 120 basis points over the last one year, now what could be the main reason behind it, I do understand that it is the higher interest rate but how much you have been will able to pass on that cost and if have not been able to do that, do you expect that to pass on the cost in the next quarter or something like that?

KV Srinivasan: Part of the NIM compression was preplanned because of the winding down of the unsecured portfolio itself, obviously that would mean that you are letting go of 18%, 20% kind of businesses. So a part of that was very well planned in any case, the other one was that the cost rise which has been happening, in Q4 last year and mostly in Q1 and Q2. Whatever cost increases that happened almost 80% of that got passed on in Q2. I will give you an example. If you compare the Q1 cost of funds and Q2 cost of funds there has been an increase of about 110 basis point whereas the compression of NIM has been only to the extent of 20 basis point so which means we have been able to recover 90 BPS by passing it on. So this is fairly efficiently working now. Given the fact that we are at the top end of the interest rate cycle, whatever corrections that we are making in terms of new business coming in at higher percentage etc., will only go towards the improving the NIM here onwards.

Santosh Singh: Sir what is the average NIM you are expecting for the year?

KV Srinivasan: For this particular year we will look at round 4.25 or so.

Santosh Singh: One more question if I can ask in towards what could be the reason for 50% tax rate?

Amit Bapna: 50% tax?

Santosh Singh: Yes, if I look the PAT that tax rate is around 50% at the consolidated level?

Amit Bapna: If you look at the six monthly numbers, it is not 50%

Santosh Singh: For this quarter?

Amit Bapna: For the quarter what has happened this provisioning which gets this also, we are on MAT right now. So if you look provisioning they get disallowed for MAT purpose but if you look at the six monthly numbers you will find it evened out here.

Santosh Singh: Thank you.

Moderator: Thank you. The next question is from the line of Seshadri Sen from JP Morgan. Please go ahead.

Seshadri Sen: Three questions, one is there have been a few regulatory issues surrounding your businesses, the pension changes on the Life Insurance side which happened recently as well as lot of movement from the NHB and RBI on your lending business. If you could throw some color in the context of these where do you see the specially the NHB changes to your mortgage business? And secondly have you crystallized in terms of the profit that will come from the sale to Nippon Life? What would the tax implications be? Would you be paying the tax or investing it in the tax saving instruments?

K. V. Srinivasan: The NHB changes basically were in two parts. One was on account of the provisioning which basically were mandated at 0.4% general provisioning on all standard assets which is the one time correction that we have had to take, which resulted in hit of around Rs 11 Crores that we have already included in our books. That is a nonrecurring issue. So other than that there is one more circular which has come out which talks about a kind of a uniform pricing. Now there is some level of understanding that we still need to get in terms of what this uniform pricing actually mean. Now, so long as we are allowed to price the risks the way we perceive it, I think there should be no difference from the ground level because of the particular circular. The intention to my mind is more to prevent arbitrary price increases on loans after the customer actually walks in at a cheap price. So it is to avoid backdoor entry as far as the teaser rates are concerned. That is the real intention rather than anything else. So to that extent we don't have any concerns at all because the regulation are in the right direction and we have anyway never practiced this whole concept of teaser rate and so and so forth. Second factor is that given that our focus area is more on account of the self-employed segment in which we do have a fair amount of head start, we do not expect much of change coming in across through that. As far as RBI is concerned there were really no changes, so there are not any major changes, which we expect from the RBI side. We are still watching any move as far as the securitization guidelines are concerned. Now the one that has come out as a draft is basically applicable to the banks. In any case if you were to apply that entire guidelines in toto, we will have no implications simply because we never used to recognize the profit upfront in the respect of securitization anyway. So what you are talking about the profits that we show are the sustainable run of the mill kind of profit that we keep showing so therefore there are no really no concerns coming across. The other factor is the Usha Thorat Committee where we are one of things that recommending is the change in the provisioning norms from 180-day norms to 90 days norms. We welcome that. In fact we are anyway following the 90-day norms and we have been maintaining the general provisioning as any bank would, so we have absolutely no change which will be visible as our book is concerned should such things be implemented.

Sam Ghosh: Malay you want to talk about the pension product guidelines what are the implications to you??

Malay Ghosh: About the pension thing the guidelines has come only yesterday or day before. We are working on this and seeing what product can be brought, it is welcome thing that the mandatory guarantee has been withdrawn.

Sam Ghosh: Okay, we will talk about the Rs 3,000 Crores. In terms of sale of the Reliance Insurance share holding maximum proceeds have gone into Viscount Alpha, which is one of the SPVs. We are in the process of merging Viscount Alpha with Reliance Capital. This we hope the High Court order comes sometime in Q4 and at that time we will be looking at opportunities for investing in tax-free bonds etc.

Seshadri Sen: Thanks.

Moderator: Thank you. The next question is from the line of Mudit Painuly from Macquarie. Please go ahead.

Mudit Painuly: One of your housekeeping question. What the equity component of your AUMs now in the Reliance Mutual Fund?

Sam Ghosh: Is Sundeep there? Can you come again?

Sundeep Sikka : It is Rs 31,500 crores

Mudit Painuly: Okay fine, and regarding your life insurance margins, what level have they stabilized compared to last quarter? At what levels are they and where can we expect them to go basically? Could you throw some color on that?

Malay Ghosh: If you're asking about NBAP margin, in the last quarter we had said that we would expect it to be stabilizing at about 15% and we do not see any change in that as of now.

Mudit Painuly: Can you throw some color on what are the various components of the life insurance sales that we have been doing this quarter in terms of ULIP, participatory, non-participatory, how much each would constitute basically?

Malay Ghosh: For the first half, April to September 61% business has come from traditional, 39% has come from ULIP, in traditional about 50% of the traditional has come from participating, about 50% from nonparticipating and you know for the whole portfolio we have about 22% coming from single premium.

Mudit Painuly: What would be the margin of these single premium products?

Malay Ghosh: I would not like to discuss that. We can obviously discuss that offline when you come to our office.

Mudit Painuly: Okay, with regard to your agent force has the rationalization reached a level where you would be comfortable or is there something more to come how do see that going forward?

Malay Ghosh : See, I will tell you more important is in the times like this more important is productivity. We have about 60,000 active agents of the total of 170,000. So, that is how agency pans out of the present thing. Recruitment of agents is a continuous process for agency force and also churning out those people who find out a later date that this is not their cup of tea is also a normal process. The percentage turnover for our company has been I would say significantly lower than the industry.

Mudit Painuly: Should we expect this agency force to continue to decline?

Malay Ghosh: For the current year I expect to stabilize that around 190,000 in fact we will grow from this position.

Mudit Painuly: What are the OpEx ratios currently you have and what are you targeting basically?

Malay Ghosh: For the year the target is to go below to 20% and as of today it is 24% looks comfortable. In fact we will go lower than the target.

Mudit Painuly: Thanks.

Moderator: The next question is from the Veekesh Gandhi from Bank of America Merrill Lynch. Please go ahead.

Veekesh Gandhi: Hi sir, the question for life insurance. Sir just wanted to get your feel on now that we have basically seasoned on almost a year of change in regulations, so how do you feel incremental growth for yourself and for the industry panning out for the next may be at least six months?

Malay Ghosh: The November to March will be a growth phase for the industry because it will be apple-to-apple comparison and though the growth would not completely take away big growth of the previous time. We expect the industry to be, you know, flat with the current financial year compared to the last year, so about signal digit growth or a single digit negative growth will be in my view the industries new business results for the current year. We think that the renewal premiums growth for the industry will be better than last year, which is likely to be double-digit growth for the current year. Going forward next year onwards, I think it will be you know about 500 to 600 basis points higher than the GDP growth rate. It will be about to 12% to 15% going forward from the next three years.

Veekesh Gandhi: I believe Sir, when you are talking about all these numbers it is reflective only of the private sector, right?

Malay Ghosh: Obviously yes.

Veekesh Gandhi: The other thing I just wanted to get a feel on his how are your margins behaving in term of NBAP?

Malay Ghosh: There are two concerns, one is about capital deployment and cash flow and the other is about NBAP, which is actually you know arrived at with the assumptions that we have. The life insurance industry has to balance between participating and nonparticipating business, between traditional and ULIP business to achieve both ends. A reasonable assumption of the NBAP will be around 15% going forward keeping these things in balance. We are looking at in our company very low dependence on the capital, very comfortable cash low, investment in areas where profitable growth will be possible and also having a growth higher than the industry both in new business and renewal going forward.

Veekesh Gandhi: Thank you.

Moderator: The next question is from the Hiren Dasani Goldman Sachs. Please go ahead.

Hiren Dasani: Sir, on your commercial finance book of Rs 150 billion, you disclosed 45% is the mortgages so are these all home loans or LAP?

KV Srinivasan : 50% of those 45% is home loans and balance is LAP and lease rental discounting.

Hiren Dasani: On the mortgages piece this 50% of that 45% what would be average yield you would be earning?

KV Srinivasan: Home loan side, home loan the average would be in the region of around 12.5%.

Hiren Dasani: I understand that there is some confusion on this new loan versus old loan pricing? But, there should not be any confusion on the prepayment penalty removal that is clear that they are saying that as long as sub floating rate loan there is no longer prepayment penalty?

KV Srinivasan: Yes, absolutely, I don't think there is any confusion there.

Hiren Dasani: Would not you expect some sort of a downward reprising on this one because people will say that otherwise I can very well go to other lender?

KV Srinivasan: See, in any case the churn is a fact of life. The fact is that you will not down price a loan simply because the customer is going away if it is unremunerative, so somewhere along the line you tend to discover the equilibrium and I think we have a fairly clear strategy in terms of which consumer we will try to retain and which consumer we will not try to retain. We still need to see how the industry really stabilizes. My sense is that you know after the initial blips of churn here and there over a period customers will realize that it does not really pay to keep on churning their loans. I think it is something, which is not so much of threat in my opinion in the longer run.

Hiren Dasani: People may not churn, but at least they can always threaten to walk away if you don't reduce for these consumers so that is the whole point I am trying to understand?

KV Srinivasan: See, again they are in any case free to walk out even today so I don't think there is any possibility of doing that. That is why I said you know if you want even somebody were to hold a threat against to you, you will only re-price it if it makes sense. So it cannot be that entirely you will go in with the market and essentially downprice in your entire portfolio. So I do not think that is going to happen nor is it going to happen 100% of the consumer will walk in and say hey, I am prepaying the loan. It does not work like that.

Hiren Dasani: Thanks. On the life insurance side of this Rs.31 billion infusion by Nippon how much would go to be company and how much would be fresh infusion of capital and how much would be this stake sale?

Amit Bapna : Rs.300 Crores is the primary issuance and balance is secondary stake sale.

Hiren Dasani: Somewhere I heard that you would use this money for debt reductions so how much tax you will pay?

Sam Ghosh: The tax amount is not going to be very large, but of the Rs.2,700 Crores at least Rs.2,500 Crores will go towards debt reduction.

Hiren Dasani: Would it be fair to assume that has and when the Viscount Alpha is consolidated with or rather it is merged with the parent company the effective ownership of Reliance Life will continue to remain 74%?

Sam Ghosh: Yes effective will be Reliance Capital will hold 38% directly, 26% by Nippon Life, and balance 36% by the other Viscount Company.

Hiren Dasani: But that 36% other Viscount companies are effectively owned by Reliance Capital?

Sam Ghosh: Yes, the structure remains similar to as it is today. That will also be in due course merged so that we can hold 74% at some point.

Hiren Dasani: Sure it would be fair to assume that the effective ownership of Reliance Capital in Reliance Life Insurance will remain at 74%?

Sam Ghosh: Correct.

Hiren Dasani: Thank you very much.

Moderator: Thank you. The next question is from the line Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: I mean, what explains the decline in AUM for the life insurance company?

Malay Ghosh: It is a mostly market related and I think some redemptions also.

Nischint Chawathe: Any sense or any outlook or any guidance on this?

Malay Ghosh: We think that you know as it will actually be related to market mostly it will be difficult to have a forecast on what it will be. But our present sales, new business is about 60% in traditional and 40% in ULIP which I think will continue. In fact about 55% will come from for the whole year we think about 55% to come from traditional and 45% on ULIP. We think this third and fourth quarter will be significant for new business as also significant for the renewal. And if the market grows from where it is to a different level by the end of

March, that also helps. So our target was, our thought was that we will reach about 20,000 Crore this year and lets see where it goes.

Nischint Chawathe: Of the incremental flows this year from renewal and new business, how much of it in your sense, rough estimate, would go to equities?

Malay Ghosh: The renewals mostly is from ULIP. 90% of the renewal is from ULIP and 70% of that is in equity.

Nischint Chawathe: New business is roughly 50-55. Would been a traditional, which is gone nothing but largely…?

Malay Ghosh: Yes, out of traditional the significant part of the first year goes into helping expenses and cash flow and reserves actually build up from third year onwards.

Nischint Chawathe: Any outlook on the NPLs for the finance business?

KV Srinivasan: I think we have today at a gross NPL ratio of around 1.2%, which definitely must be one of the lower figures that you will see in the industry. I would expect to continue with that sort of a ratio and given that most of our difficulties as far as whatever little unsecured business is concerned has been taken care of and that we have got an 80% coverage as far as the gross NPLs is concerned if you add back the technical write off, I don't expect to see that being a cause for concern nor I am seeing any signals in the market place, or from the behaviour pattern of the current loans that are there on the books any reasons for us to be concerned about that.

Nischint Chawathe: Finally one bookkeeping question, as on September 30 how much would be the equity investments on the balance sheet?

Amit Bapna: Equity investments listed is around Rs 1,600 crore and you will have unquoted at Rs 2,800 crores.

Nischint Chawathe: So your overall equity investments would be around Rs. 4,400 crores. Okay fine thank you very much. All the best.

Moderator: Thank you. The next question is from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi: Good evening sir. I wanted to know if we could have the break up of the broking business income that is shared like Rs 34 Crores?

Vikrant Gugnani: What you mean breakup?

Kajal Gandhi: In terms of brokerage and other income because I assume that there is another income in that also?

Vikrant Gugnani: There is no funding income. No, we don't do margin financing it is clear broking right now.

Kajal Gandhi: Okay sir, should we assume that nearly Rs 30-31 Crores is pure brokerage in that?

Vikrant Gugnani: Yes, almost pure brokerage because we have a little bit of wealth management business in there. So if you want the entire details we will forward that.

Kajal Gandhi: What is the yield because of late you have completely shifted under the floating rate platform?

Vikrant Gugnani: Yields vary it between 2 and 2.5 so that varies because that is more as an option as more and more business comes into option depending on the market the yields drop in and delivery picks up.

Kajal Gandhi: Distribution income continues to be majorly from gold loan and money transfer?

Vikrant Gugnani: Yes majorly from gold and money transfer.

Kajal Gandhi: Thank you.

Moderator: Thank you. The next question is from the line of Shashin Upadhayay from ICICI Securities. Please go ahead.

Shashin Upadhyay: Just one question what is the loan growth assumption that we had taken for this year?

KV Srinivasan: Around 20%.

Shashin Upadhyay: Are we kind of, you know, given the change in the regulatory scenario is there kind of a built in of prepayment that you have done while we assume 20% so it's purely….?

KV Srinivasan: This is built in. We know what is the pattern of prerepayment that has been happening. So have built reasonable assumptions from that when we talk about 20%.

Shashin Upadhyay: So if you could kind of, give me some kind of indication as on what kind of prepayment would have happened in current year?

KV Srinivasan: On a monthly basis we get somewhere around Rs 45 to 50 Crores of prepayment.

Shashin Upadhyay: That is it from my side. Thank you.

Moderator: Thank you. As we have no further questions I would like to hand the floor back to Mr. Kunal Shah for the further questions. Please go ahead.

Kunal Shah: Few questions from my side. As far as general insurance is concerned with respect to this third party pool are we done with say in most of the recognition of losses or do we see it coming through in Q4 again for this fiscal as well?

Sam Ghosh: This is you are talking about this 153% that was provided for as per RBI guidelines.

Rakesh Jain: See IRDA still have not come out with further advices on this and I think they are working that out. So whatever comes to that extent you know we may have to take it. But I presume last year, what they did they covered up most of it so hopefully what should come that should be very marginal.

Kunal Shah: So it would not be that high as what we have reported last year?

Rakesh Jain: Looks unlikely.

Kunal Shah: Thank you. Sir thanks a lot for the time and all the best for future quarter and thank you all the participants for participating in the call. Have a pleasant evening. Thank you.

Moderator: Thank you gentlemen of the management. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call.