'Reliance Capital Q3 FY11 Results Conference Call'

February 14, 2011

Organized by Enam Securities Private Limited

Operator:

Thank you for standing by and welcome to the Q3 FY11 earnings conference call of Reliance Capital hosted by Enam 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. Swaminathan B. Over to you, sir.

Mr. Swaminathan:

Good morning everyone. We at Enam Securities are happy to host the 3Q FY11 earnings call for Reliance Capital. We are joined by Mr. Sam Ghosh, CEO of Reliance Capital and the entire top management. I request Mr. Ghosh to introduce the team and give us a brief about the results before taking questions. Over to you, sir.

Mr. Sam Ghosh:

Thank you very much. Good morning to all of you.

We have with us here today all the CEOs of our respective businesses. I will start with Sundeep Sikka from the asset management Company, K.V. Srinivasan from our commercial finance company, Vikrant Gugnani from our securities company as well as distribution company, and Mr. Malay Ghosh from our life insurance company, and Mr. Vijay Pawar from our general insurance company. Besides that our CFO, Mr. Amit Bapna is here, and Savli Mangle our Investor Relations Head. With that we will start the conference call.

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.

The total income from operations for the quarter ended December 31, 2010 was Rs. 13.7 billion. The total costs for the quarter decreased by 16% year on year to Rs. 4.2 billion, in line with maintaining leaner cost of operations across all businesses at Reliance Capital.

The net profit has increased by 68% to Rs. 1.1 billion. I am extremely happy to inform you that this quarter, the entire profits of Reliance Capital have been contributed by our core businesses of asset management, commercial finance and retail broking and distribution.

I am also very pleased to highlight, that all the measures that were taken across our businesses to improve operating performance and profitability have been successful. Each of our business has continued to demonstrate upward trends in growth AND profits.

In commercial finance, the profits have significantly increased by over 100% to Rs. 793 million. In this business, we have always focused on asset quality. Today 95% of the book is secured as against 79% a year ago. Over the next two quarters, 100% of the book will be totally secured. The Gross NPLs have declined by 63% to Rs. 1.9 billion. And the provisioning continues to decrease. This quarter, it declined by 60% to Rs. 276 million.

In broking and distribution, I am very happy to inform you that the profits in the third quarter are equal to the first half of the current financial year. The profit for the third quarter was Rs. 108 million – a 30 fold year on year increase. This gives me tremendous confidence that all the steps taken by this business in the past year, have been in the right direction.

In asset management, we have continued to see improving trends in asset gathering due to our retail focus. The retail participation across debt and equity classes continues to increase. The number of systematic investment plans and systematic transfer plans have grown 74% and long term debt has crossed 19% of total debt AUM. The business achieved a profit of Rs. 913 million – a quarter on quarter increase of 30%.

In life insurance, the focus is on tapping the underpenetrated insurance market in India and traditional insurance products. This quarter, 50% of the premium was from traditional product platform. The company did not require any capital infusion this quarter and I am very pleased to tell you all that our life insurance business has been profitable in the current quarter and will be profitable in the next financial year and will no longer require capital infusion except for solvency margin. I am also very happy to mention that the NBAP margin for the year till date increased to over 18%, as against 17.9% for the half year.

In general insurance, the losses continue to decrease sequentially. This quarter, the losses decreased by 14% from the previous quarter, demonstrating all the steps to bring down losses are paying off.

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. 1.4 trillion of assets across its mutual fund, portfolio management services and offshore funds. Reliance Mutual Fund continues to be India's No.1 Mutual Fund with a market share of over 15%. The average assets under management of Reliance Mutual Fund were at Rs. 1,021 billion at the end of the quarter ended December 31, 2010. The number of investor folios stood steady at 7.2

million, amongst the highest in the mutual fund industry with a market share of over 15%. The number of systematic investment plan and systematic transfer plan accounts has grown over 70% year on year to 1.9 million. Reliance Mutual Fund adds on an average 100,000 SIPs every month. For the quarter ended December 31 2010, the asset management business generated income of Rs. 1.9 billion – a quarter on quarter increase of 5%. For the quarter, the asset management business declared a profit before tax of Rs. 913 million – quarter on quarter increase of 30%. I am happy to share with you the focus on long term retail debt and leaner cost of operations has increased the profitability. The PBT to average AUM improved to 36 basis points – a year on year increase of 33%.

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 8.0%. The total premium for the quarter stood at Rs. 15 billion. The renewal premium for the quarter was at Rs 9 billion – a year on year increase of 25%. The new business premium for the quarter was Rs. 6 billion. We managed Rs. 174 billion of assets – year on year growth of 50%. I am very happy to inform you that the new business achieved profit for the nine months was Rs. 2.7 billion. This translates to increased margin of over 18%. In the presentation, we have disclosed details on the operating assumptions made in the calculation of NBAP. This quarter, our life insurance business did not require any capital infusion. The capital invested till date is Rs. 31 billion.

Reliance Commercial Finance is amongst the leading lenders in the non banking finance space. The profit before tax increased by over 100% to Rs. 793 million from Rs. 381 million of the corresponding previous period. The net interest income for the quarter was Rs. 1.3 billion - year on year increase of 19%. The average net interest margins were at 5.4% based on capital adequacy of 16% and the average cost of borrowing was at 8.7%. The assets under management grew 30% to Rs. 123 billion. The disbursements for the quarter increased 63% year on year to Rs. 23 billion. This quarter, the business did not securitize any of its loans. 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 December 31, 2010 was Rs. 102 billion – a year on year increase of 64%. As mentioned before, today 95% of our total loan book is secured. The net interest income for the quarter grew 50% year on year to Rs. 1.2 billion. It achieved a profit before tax of Rs. 894 million for the quarter ended December 31, 2010 – a decline of 2% as there was no securitization profit booked this quarter. If we exclude the securitization profit booked in the previous quarter, the profit from business operations significantly increased by 70% year on year.

The outstanding unsecured loan book at the end of December 2010 was Rs. 5 billion – a 68% year on year decline. The loss was brought down to Rs. 101 million as against a loss of Rs. 527 million for the corresponding previous period – a year on year decline of 81%. The provisioning for the quarter, declined 74% year on year to Rs. 169 million.

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 651,000 broking accounts. Its daily average equities turnover stood at Rs. 18 billion – a 20% quarter on quarter increase. And the daily average commodities broking turnover was Rs. 4 billion – an 80% quarter on quarter increase. In wealth management, the assets under management as on December 31, 2010 increased by over 100% year on year to Rs. 1.8 billion. In investment banking, in the nine months of the current financial year, as a syndicate member, we handled three issues mobilizing a total amount of Rs. 6 billion, while IPO funding garnered Rs. 35 billion. Reliance Securities achieved revenues of Rs. 392 million for the quarter – a year on year increase of 75%. The profit before tax increased significantly to Rs. 37 million as against Rs. 1 million for the corresponding previous period.

Our distribution business, branded as Reliance Money, is amongst the leading distributors of financial products and services in India. It has a pan India presence with a distribution network of nearly 6,200 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. Reliance Money sold over 670 kilos of gold in the quarter ended December 31, 2010 – a year on year increase of over 280%. Reliance Money achieved revenues of Rs. 274 million for the quarter – a quarter on quarter increase of over 200%. And a profit before tax of Rs. 71 million for the quarter as against a loss of Rs. 0.6 million in 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 9.6% The Gross Written Premium for the quarter ended December 31, 2010 increased by 13% quarter on quarter to Rs. 4.2 billion. The business also brought down its loss by 14% to Rs. 242 million as compared to Rs. 282 million in the previous quarter. The combined ratio (with pool) was 124 % as against 118% for the quarter ended September 30, 2010. This was on account of providing for nine months of third party motor pool losses in the quarter, in line with the change in the accounting of pool losses. The 39% year on year increase in the investment book includes the money managed by the third party motor pool, refunded back to Company, as per changes in the accounting pool. During the quarter, no capital infusion was needed by the business. The total capital invested till date is Rs. 11 billion.

And finally a quick update on our exchange business:
Reliance ExchangeNext, a subsidiary of Reliance Capital has acquired a 26% stake, as an anchor investor, in the Indian Commodity Exchange Limited, ICEX. This is a screen based online derivatives exchange for commodities. All the regulatory approvals are in place. ICEX has pedigreed investors and with Reliance Spot Exchange will be able to offer comprehensive range of integrated products. ICEX will enable physical delivery to its members while Reliance Spot Exchange members can hedge their positions, creating

immense benefit for the members of both exchanges and upgrade the existing ecosystem. Reliance Spot Exchange has now daily transactions being executed on its exchange auction platform. The total delivery transacted has crossed 6,500 metric tonnes.

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 changing the earnings mix and focusing on profitable growth will result in ROE in the range of 16 to 20% from its businesses.

Thank you very much. We can now take questions.

Operator:

Thank you sir.

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

Mr. Kunal Shah:

Yes, hello sir, congratulations. Good set of numbers.

Mr. Sam Ghosh:

Thank you.

Mr. Kunal Shah:

Sir, firstly on the life insurance side, just wanted to get a clarity on the opex ratio, definitely we have incurred profits, so how has been the trend in opex during the quarter?

Mr. Malay Ghosh:

The opex for the quarter ended is significantly lower than that what was earlier. For the quarter it was around 22%.

Mr. Kunal Shah:

Okay, this is as compared to 29% in Q2.

Mr. Malay Ghosh:

Yes.

Mr. Kunal Shah:

Okay. And now what would be the outlook on the premiums, may be initially we started guiding of it in low single digits, seeing the trend definitely it has been on the negative side. So, I think this quarter may be not particularly for Q4 but going forward in FY10 what is the outlook in terms of premium growth and margin?

Mr. Malay Ghosh:

I think as on the 31st December for the whole year the new business was actually negative at around 8%. We hope that we will be able to keep it at that stage or improve for the current year.

Mr. Kunal Shah:

What is the growth rate you are looking for in FY12.

Mr. Malay Ghosh:

Next year the industry will grow at 10 to 15%, we hope to do better than the industry.

Mr. Kunal Shah:

Okay, and in terms of margins?

Mr. Malay Ghosh:

In terms of margin also the guidance continues, we are at 18% NBAP today, and it will not go down below 16% that is how the products have been kept.

Mr. Kunal Shah:

Okay. And in terms of consumer financing now the contribution in the overall revenue, the earnings pie is now going up, so I think now it is almost contributing 50%. So, what is the outlook over there in terms of growth and net interest margin?

Mr. KV Srinivasan:

The net interest margin for the last quarter was 5.4%. We would expect the net interest margin to remain more or less within this range of may be another 20 basis point up or down, so it will range between 5.2 to 5.6 depending upon the money market conditions going forward. As far as growth prospect is concerned, as we have always maintained that it is very closely linked to the overall growth in the Indian economy and the credit growth and definitely being a player focused upon some of the growth areas our growth rate should be significantly higher than the overall credit growth in the economy. So, achieving a growth rate around 30% would be an expectation.

Mr. Kunal Shah:

Sir you have disbursed Rs 2,300 crores in this quarter, but still if I look at the overall loan book we have not done any securitization during the quarter, but on book AUMs are just going from 10,000 to say 10,600. So, repayment seems to be much higher at Rs 1,600 which is almost 16 to 17% of the outstanding book as against 6 to 8% range which we have seen in the previous quarter. So, were there any particular repayments which have happened in this quarter that we are not seeing the accretion happening to the overall AUMs on book?

Mr. KV Srinivasan:

Two-three things, one is that the focus of the business as far as the growth areas are concerned are those three which is basically the mortgage, equipment, and SME. Those have been growing at a rapid pace, but where you see significant coming down is on the unsecured book, so that has reduced because towards the tail the principle recovery tends to be much faster, so it is typically much faster than what you would have seen even last year.

Mr. Kunal Shah:

Sir, but overall pie of personal loans is just like Rs 300 crores and if I see the run down then it is only Rs 90 crores of this Rs 1,600 crores of repayment. So, what other chunk is there? Any significant chunk is there may be in mortgages or auto or something or any side?

Mr. KV Srinivasan:

No, not really, only that one significant reduction in the book that we have done is you know anticipating a certain instability in the market place we have also reduced our loan against securities book by about half, so which used to be okay, so it is never very large but is around 5% of the total book, it has now come down to about 2%. So, that is one significant area we have reduced.

Mr. Kunal Shah:

Okay, so from this Rs 500 crores it would have come up to approximately 200 crores.

Mr. KV Srinivasan:

That is right.

Mr. Kunal Shah:

Okay, and sir what about standard asset provisioning of this 0.25% which was mandated by RBI. So, if I look at overall provisioning that is still Rs 26 crores, so we were already carrying some general asset provisioning or we have not done anything in this quarter?

Mr. KV Srinivasan:

For the past two years we have been following this policy of providing for standard assets, so the implication on this is zero.

Mr. Kunal Shah:

Okay, and what was the range of standard asset provisioning?

Mr. KV Srinivasan:

Close to about 30 basis points.

Mr. Kunal Shah:

30 basis points we have been doing it. And sir one last question, how much on the IPO financing, we mentioned Rs 3,500 for 9 months and I think in first half it was say Rs 760, so Rs 2,500 crores of IPO financing, what revenues we have booked on this?

Mr. Vikrant Gugnani:

The revenues varied depending on IPO to IPO and also depending on the customer to customer, but it typically is in the range of about 50 basis points to 1%.

Mr. Kunal Shah:

So 1% of this Rs2,700 odd crores we can say it for this quarter or so?

Mr. Vikrant Gugnani:

Well it depends on what are the IPOs that come out and how it runs.

Mr. Kunal Shah:

Okay, thank you sir.

Operator:

Thank you sir. Once again, participants who wish to ask a question, please press *1 on your telephone and wait for your name to be announced.

I repeat, participants who wish to ask a question, please press *1 on your telephone and wait for your name to be announced.

At this time, there are no further questions from the participants.

We have received on question that is from Mr. Shashin Upadhyay from Alchemy. You may go ahead sir.

Mr. Shashin Upadhyay:

Hi. Just wanted to have a sense of the borrowings that would be effectively maturing this quarter, if you could some sense on that?

Mr. Amit Bapna:

We have roughly Rs 2,000 crores of maturity coming up in the balance period but we have bank lines which are undrawn and which will take care of our maturities to a large extent.

Mr. Shashin Upadhyay:

Okay. If I were to get some sense of how the yield has kind of moved up and what kind of product rates are we targeting hereon in terms of various businesses?

Mr. KV Srinivasan:

The overall yield for the last quarter was around 12.5% on the overall loan book. Now, therefore compared to a cost of debt of around 8.7, we have maintained a fairly healthy margin of around 3.7%. So, by and large we expect that margin to be maintained irrespective of how the interest rate moves up in the economy. Now, most of our loan products are on a floating rate basis. So, therefore for us to pass on the increased cost is not difficult at all.

Mr. Shashin Upadhyay:

Okay, thanks.

Operator:

Thank you sir. Once again, participants who wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Next on line we have Mr. Vikas Garg from Fidelity Mutual Fund. You may go ahead sir.

Mr. Vikas Garg:

Hi, good morning to all of you. Just a couple of questions on the consumer funding business. Could you please provide us a breakup of your entire AUM in the Reliance Commercial Finance Company, Reliance Home and what would be the book which is still there on the Reliance Capital books?

Mr. KV Srinivasan:

The Reliance Home Finance the book is around Rs 2,300 crores, and the SME book would be around Rs 2,300 crores as well. Loans against property is around Rs 2,300 crores as well. Commercial vehicles and construction equipment would be of Rs 1,700 crores, auto is around Rs 500 crores. The rest of it is split between trade advance, loans against securities and micro-finance.

Mr. Vikas Garg:

Okay, fine. Actually my question was what is the book at that Reliance Consumer Finance that is the subsidiary of Reliance Capital which is into the commercial lending.

Mr. KV Srinivasan:

Reliance Commercial Finance business has about Rs 2,600 crores of assets, but you may have seen in the media that we have already filed for merger of this Reliance Commercial Finance Private Limited into Reliance Capital. So, if that is approved by the court, then the entire amount of assets will be sitting on the Reliance Capital balance sheet itself except for the home loans portion of Rs 2,300 crores which I talked about which will be continuing in the Reliance Home Finance Company.

Mr. Vikas Garg:

But what is the rethinking behind this kind of a move, earlier I think it was decided that the Reliance Capital would be just made as a holding company and not undertaking any kind of lending business per se. What has changed now in terms of the thinking?

Mr. Amit Bapna:

Part of the RBI regulations you know we have restrictions on the group exposures and single party, so we wouldn't be able to capitalize Reliance Commercial Finance Private Limited to the extent we would like it to and . . .

Mr. Sam Ghosh:

I think just to say that earlier I thought that being a 100% subsidiary this will be really approved that you can have down streams can be exempt from this group exposure limits, but obviously from the RBI perspective this is not the case.

Mr. Amit Bapna:

Also what is more important is that we have been indicating that we are looking at the infrastructure funding space in a very serious manner which would involve taking much higher ticket exposures than what we have been hitherto taking so which is very important for us to therefore have a very large capital base, otherwise your exposure limits will become a problem. So, as an enabling measure we said that rather than trying to house it in a subsidiary and facing issues on capital infusion on a quarter on quarter basis, we said that we will house that particular business in Reliance Capital itself so that we can leverage upon the 8,000 crores of net worth that we have.

Mr. Vikas Garg:

Okay. So, as such there are no plans to float a separate subsidiary for the infrastructure financing business.

Mr. Amit Bapna:

Not at this movement.

Mr. Vikas Garg:

Okay, fine. And also could we please provide us the mix of your borrowings in terms of short term and long term?

Mr. Amit Bapna:

We have bank lines which are almost 45%, you know in a consolidated basis it will be around 55%, the balance 45 would be a mix of long-term NCD issuances and CD.

Mr. Vikas Garg:

These bank lines would be entirely long term or . . .

Mr. Amit Bapna:

Long term, yes, 3 years to 5 years, sometimes 7 years as well.

Mr. Vikas Garg:

Okay. So, in terms of the ALM mismatch let us say in less than one year bucket, are we talking about a positive number or . . .

Mr. Amit Bapna:

No, the ALM mismatch would be almost zero here. RBI says 15% is allowed, but we are way below that.

Mr. Vikas Garg:

Okay, fine. And again on the consumer funding book, I am not sure if you have provided us segment wise gross NPAs in the presentation.

Mr. KV Srinivasan:

It would be there as part of the two segments on secured and unsecured, but I can tell you that the secured book gross NPAs is 1.2% and the unsecured book it is almost running off, so I do not think it is a story that we need to talk about. So, the secured book gross NPAs is 1.2 which I would say is fairly low.

Mr. Vikas Garg:

Right. And in terms of the loans which would have been provided to any other corporates which are not in the nature of you know consumer funding like in the form of SMEs or loan against properties, have we seen any kind of a delinquencies or delay in the payments over there and how big is that book?

Mr. KV Srinivasan:

As I said the loans against property book is about Rs 2,300 crores and the SME book is also of similar size. Now we have not seen anything which is of concern as far as the NPA is concerned, they are again reflective of the overall percentage of 1.2 that I talked about.

Mr. Vikas Garg:

Okay, fine. No, would you have also some kind of a loan given to big corporate which would not come under SME or lap portfolio?

Mr. Amit Bapna:

Part of the RCL corporate loan book we have almost Rs 2,000 crores there and there are no delinquencies there.

Mr. Vikas Garg:

Okay. And out of that Rs 2,000 crores how much would be to the group companies?

Mr. Amit Bapna:

None.

Mr. Vikas Garg:

Okay. Thanks very much. That is it from my side. Thank you very much.

Operator:

Thank you sir. Next question comes from Mr. Nischint Chavathe from Kotak Securities. You can go ahead sir.

Mr. Nischint Chavathe:

Hi. I just wanted to understand, are there any unrealized gains or losses in the investment book at this point in time?

Mr. Amit Bapna:

No, none.

Mr. Nischint Chavathe:

And I think during the quarter in terms of capital gains we have not booked anything, right.

Mr. Amit Bapna:

Nothing, no capital gains.

Mr. Nischint Chavathe:

Okay. You know just on the insurance side, I think there is a fairly sharp increase in the average ticket size of the insurance policy. Any comment on that and you know what kind of a guidance would you give going forward on this?

Mr. Malay Ghosh:

It is because the minimum premium for regular ulip policies have gone up and also single premium ulips, that is the reason the thing has gone up. Normally, last quarter of any year life insurance business the average premiums as it is go up. We expect the average premium for the whole year to be between Rs 15,000 to 17,000.

Mr. Nischint Chavathe:

Okay, got that. You know for the NBFC business, I was just trying to understand, I mean what proportion of the loan book has a clause which will help you to reprice the loan or which will help you to pass on the interest rates?

Mr. KV Srinivasan:

Around 65 to 70% of the book is on a floating rate basis and of the rest about one-third runs off in a year in any case, so virtually we are talking only about 17 to 18% of the book being of a nature which cannot be priced within one year's time.

Mr. Nischint Chavathe:

So, this would essentially be should I say CVs and autos?

Mr. KV Srinivasan:

That is right.

Mr. Nischint Chavathe:

Okay, and in terms of growth, I mean can you give some sense on the segment-wise growth because you did kind of mention about some focus on infrastructure and I just think that is the key reason why you want to merge back this entity to the parent company. So, any sense of you know where do you see each of the segment wise kind of a growth?

Mr. KV Srinivasan:

The infrastructure business will possibly not take off until the beginning of the next financial year, so from this year's perspective I think the mortgages as well as the SME business should see growth rates of around 35%. The commercial vehicles book also should be more or less in that region of around 30% or so. The auto we will keep it flat for the current financial year.

Mr. Nischint Chavathe:

Okay, fine thanks.

Operator:

Thank you sir. Next question comes from Mr. Anubhav from Morgan Stanley. You may go ahead sir.

Mr. Anubhav:

Hi, this is Anubhav. Just wanted to ask you, what would be the 13-month persistency ratio for the life insurance?

Mr. Malay Ghosh:

The 13-month persistency ratio I will not be able to give you off hand as on date. We measure conservation ratio as mandated by IRDA, which is around 71%.

Mr. Anubhav:

Sir, just like because I look at the premium breakup, the single premium business has gone up substantially because a lot of things have been sold over the shelf and the first year premiums major of the chunk comes from single premium policies and rest most of the things remaining constant and nothing much has changed, how come like I am trying to just understand that NBAP ratios have gone up, like what is there behind it because your opex also is not like…., could you just give us some color on that?

Mr. Malay Ghosh:

It is mostly on the basis of the product mix that we have today, 50-50%. Single premiums have higher NBAPs by the very definition of it because 10% of it is taken in the calculation, and also we sell relatively longer term policies and it is easier to hold on to a NBAP level that we want to achieve.

Mr. Sam Ghosh:

So, I suppose though NBAP margins may be on the higher side, you could look at the new business to achieve profit which also has increased.

Mr. Anubhav:

Okay. And lastly like you had launched a health insurance product under the life insurance company. How is that product doing and what are the premium volumes and how does it look going forward?

Mr. Malay Ghosh:

We have sold so far a little over 15,000 policies. We are going slow on that cautiously to see our experience in this. I hope in the January-February-March quarter, the sale of health insurance will pick up.

Mr. Anubhav:

Okay, and one more thing like because in your NBAP assumptions the tax rate which you have taken is 14.2%. If the new DTC comes into play, what kind of impact do you look at the NBAP margins?

Mr. Malay Ghosh:

We have not really calculated it as of now.

Mr. Anubhav:

Just a ball park number, how much would you?

Mr. Sam Ghosh:

We have said that that it will not be less than 16%, we hope that it will be around that.

Mr. Anubhav:

Okay, thank you.

Operator:

Thank you sir.

Once again, participants who wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press hash or the pound key.

Certainly, there are no further questions from the participants end sir.

Mr. Sam Ghosh:

Thank you very much.

Operator:

Sorry sir. We have received one more question. Mr. Sameer you can go ahead sir.

Mr. Sameer:

Hello.

Mr. Sam Ghosh:

Hi.

Mr. Sameer:

Hi, this is Sameer from J.M. Financial.

Mr. Sam Ghosh:

Yes Sameer.

Mr. Sameer:

Yes, just wanted to understand the reasons for the losses on the health insurance bit.

Mr. Vijay Pawar:

The health insurance business as it is we have revised our premium rates, but the losses were very high, but the trend is quite good because the other companies have filed to increase the premium and only in the quarter two I think we had a dip in the premium but we have picked up the premium in quarter three and the growth wise it is quite good and we were able to bring down the claim ratios also substantially to 150% from 190%. So, I think the quarter four looks quite good for us.

Mr. Sameer:

So, you mean that the ticket size would also increase in the segment?

Mr. Vijay Pawar:

Absolutely, yes. The growth rate as it is in the health segment is going about 20% and we would be catching up with this in the next financial year. There would be a nominal growth rate against the last year's completion and I am very sure that the loss ratio also will come down from 150% at the end of quarter four to 140%.

Mr. Sameer:

So, what are the costs that you are controlling currently to make that combined ratio go down?

Mr. Vijay Pawar:

Basically we have started our own in-house management of the claims and then we have also developed hospital networks of our own where we have negotiated rates to bring down the rates.

Mr. Sameer:

Okay, got it. So, what is the full year target growth rate that you are aiming?

Mr. Vijay Pawar:

Overall or you mean only health?

Mr. Sameer:

Health.

Mr. Vijay Pawar:

Health, we would be in a position to complete about Rs 250 crores.

Mr. Sameer:

Fine.

Mr. Vijay Pawar:

Yes, thank you.

Operator:

Thank you sir. Certainly, there are no further questions from the participants end.

Mr. Swaminathan:

Thanks everyone. Thanks to management and participants for coming on the call. Thanks everyone.

Mr. Sam Ghosh:

Thank you very much everybody.

Operator:

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