Reliance Capital Limited

Q2 FY18 Earnings Conference Call

15th November, 2017

SPEAKERS: Management of Reliance Capital

Moderator: Ladies and gentlemen good day and welcome to the Reliance Capital Limited Q2 FY2018 Post Earnings conference call hosted by Reliance Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Asutosh Mishra of Reliance Securities. Thank you and over to you Mr. Mishra!

Asutosh Kumar Mishra: Good morning everyone. Thank you Karuna and welcome to the Reliance Capital 2Q FY2018 Earnings Conference Call. Today, we have with us Mr. Anmol Ambani, ED Reliance Capital, along with the entire senior management team to discuss 2Q FY2018 earnings and strategy on the key businesses. So over to you Anmol!

Anmol Ambani: Good morning to all of you, and welcome to our Q2 FY 2018 earnings conference call. We have the CEOs from our businesses with us: Sundeep Sikka from the Asset Management business, Ravindra Sudhalkar from the Home Finance, Devang Mody from Reliance Commercial Finance, Ashish Vohra from Reliance Nippon Life Insurance, and Gopkumar from Broking and Distribution segment as well as Reliance Capital's CFO, Amit Bapna.

I am delighted to report that the total income for the quarter increased by 7% to Rs.52.5 billion and the profit rose by 39% to Rs.3.5 billion. In terms of operating performance, all businesses have achieved significant growth in topline and a strong improvement in profitability. All shareholders of Reliance Capital received shares in Reliance Home Finance in a 1:1 ratio. The RNAM issue was subscribed from the very minute that it was launched. At the end of the offer period of October 27, 2017 the issue had been oversubscribed by over 81 times the book size and received bids of over Rs.1 trillion. In the retail segment, we received over 1630000 retail applications, an oversubscription of 4.5 times. Today, the company has a strong base of over 3.5 lakh shareholders.

Now we will present a brief update on our core business performance, beginning with Reliance General Insurance. The general insurance industry witnessed a strong growth of 14% in Q2, growing across multiple segments, primarily health and motor. Reliance General Insurance is amongst the top private sector general insurance companies in India in terms of gross premium, with a private market share of 9.3%. The gross written premium rose better than the industry, to Rs.17 billion, an increase of 16%. Also, premium from the preferred segments, such as private cars, health and travel, as well as commercial lines, continued to grow in line or better than the industry. For the period ended September 30, 2017, non-motor product mix improved to 60%. Profit for the quarter increased by 40% to Rs.465 million. The combined ratio reduced from 122% in Q2 FY2017 to 109% for the quarter. The combined ratio for the short tail business continued to be approximately 100% in the quarter. The investment book increased by 16% to Rs.73 billion as of September 2017. For the quarter, the return on equity improved from 12% to 14%. Our focus has been to improve profitability as well as market share. The company received mandates of Pradhan Mantri Fasal Bima Yojana in five states. The company has been the leader integrating Aadhaar authentication in policy sourcing and claim system. RGI is the first insurer in the industry to introduce this self-endorsement facility for customers. The new services will enrich the customer experience by simplifying the process for changes in policy documents.

The company has entered new Banca tie-ups in Q2 with Equitas small finance bank, taking the total of bank assurance tie-ups to 11. The company has registered a sharp increase in the online channel, with 74% growth in premium collected and 79% growth in the number of policies sold in the quarter.

As of September 2017, we are one of the largest insurance sources in the private sector with over 26200 retail agents and 128 branches. The Reliance General Insurance has concluded distribution tie-ups with over 20 financial institutions. The company is under discussion for similar tie-ups to further augment its reach across the country. I would now like to invite Sundeep Sikka from Reliance Nippon Life Asset Management for his comments.

Sundeep Sikka: Thanks, Anmol. The MF industry maintained its strong growth momentum in this quarter and as an industry average AUM reached a record high of Rs.21 trillion. In this context, I am very happy to share that Reliance Nippon Life Asset Management is India's largest asset manager with assets under management of Rs.3.8 trillion, which is an increase of 21%. The number of systematic investment plans and systematic transfer plans also rose to 2.2 million resulting in an annualized SIP and STP inflows in excess of Rs.70 billion. RNAM has 6.2 lakh ETF folios with an AAUM of Rs.134 billion for the quarter ended September 30, 2017. RNAM has 23% market share in the ETF segment. As of September 2017, Reliance Mutual Funds has AUM sourced "outside the top 15 cities" to the tune of Rs.471 billion, a 15% growth since March 2017. For the quarter ended September 30, 2017, total income increased by 21% to Rs.4.4 billion. Profit before tax rose by 20% to Rs.1.8 billion in Q2 FY2018. Return on equity improved from 25% to 29% in Q2 FY2018.

On November 6, 2017, RNAM was listed on the stock exchange as being the first asset management company in India to be listed in the record time of six months. It is the most valued asset management company in India, with a market cap of approximately Rs.180 billion. I would now like to invite my colleague, Devang Mody from Reliance Commercial Finance, for his comments.

Devang Mody: Thanks, Sundeep. Last quarter, we rebranded Reliance Commercial Finance as Reliance Money, focusing on our current strengths as well as transforming itself into diversified new-age lending solutions provider, both in commercial as well as consumer finance space. The AUM for last quarter grew by 3% to Rs.163 billion, while outstanding loan book grew by 12% to Rs.127 billion. Disbursements for the quarter were Rs.16 billion driven primarily by 33% growth in the SME segment. The total income for the quarter increased to Rs.5 billion, profit before tax rose by 7% to Rs.923 million driven by higher asset growth, other income improvement and net interest margin. Partially offset by marginal rising of opex ratio. The net interest margin improved from 5.4% to 5.5% in Q2 FY2018. As on September 2017, the gross NPA HAS declined by 8% as against June 2017 to 6.6 billion, that is 4.1% of assets under management on 90 days basis. The coverage ratio including write-offs at the end of the September 2017 stood at 48%, excluding write-offs the ratio was 19%. In Q2, we made strong progress towards rebalancing our portfolio in line with our long-term strategy. We continue to see good traction in SME loan growth. We took a significant step in our retail-lending foray with launch of digital lending platform for our two-wheeler business. We expect to rapidly expand the retail segment and create significant presence in this segment over coming quarters. I will now invite Ravindra Sudhalkar from Reliance Home Finance for his comments.

Ravindra Sudhalkar: Thanks, Devang. Reliance Home Finance is in the business of home loans including the affordable segment, loan against property and construction funding. In Q2 of FY2018, the assets under management grew by 53% to Rs.141 billion. During the period, the disbursements increased by 26% to Rs.20 billion. 51% of the assets under management were contributed by the home loan and the affordable home loan segments. 73% of the home loan disbursements catered to the self-employed segment. The total income for the quarter increased by 53% to Rs.4 billion. The profit before tax rose by 85% to Rs.589 million. The return on equity rose from 14.1% to 15.5% for the quarter. The net interest margin for the quarter after adjusting for NPA reversals was 3.9%.

Our guidance continues to remain in the range of 3.5%, as we grow our portfolio in the affordable home loan segment. The cost-to-income ratio improved by over 13%, from 52% in Q2 of FY2017 to 39% on account of higher productivity and increased efficiency. As of September 2017, the gross NPAs remained stable at 0.8% of the assets under management. The coverage ratio, including the write-offs at the end of September 2017 stood at 45%, excluding the write-offs the ratio was 28%. The company had a capital adequacy ratio of 21.4% as on September 2017 with a Tier 1 ratio of 13.2%. Reliance Home Finance continues to enjoy the highest rating of A1+ by ICRA for its short-term borrowing program and AA+ by CARE and Brickwork for its long-term borrowing program. We are operational in 100 locations in the country through the hub-and-spoke model and we continue to expand this footprint. I would now invite Ashish Vohra from Reliance Nippon Life Insurance for his comments.

Ashish Vohra: Good morning. In Reliance Nippon Life Insurance, I am happy to state that the business transformation continues in a steady manner. Earlier in the calls, we had shared our agenda and our objective of creating value through measured means of transformation. We have delivered expected results in Q2 as a consequence. Individual new business premium and renewal premium increased by 3% each to Rs.1.7 billion and Rs.7.6 billion respectively. As a result of the initiatives to improve the agency productivity, individual WRP rose by 4% to Rs.1.7 billion the growth was driven by the agency and face-to-face channels, while contribution of low-quality business from third-party distributors continued to decline, therefore resulting in a higher persistency for us. Overall, 13-month persistency rose sharply from 61% last year to 68% in Q2 of this year. The business continues to focus on agency and proprietary channels, which have persistency of 70% and 83% respectively. Continued growth in our renewal premium along with higher persistency demonstrates our emphasis on improving the business quality and customer retention. As a conscious business strategy towards bottomline orientation, we continue to stay focused on the traditional product segment, which forms 83% of the individual new business premium in Q2 FY2018 therefore supporting margins. Margins have therefore grown substantially with the movement towards long-pay products.

Therefore, in this quarter, we have a significant growth in the value of new business. In Q2 FY2018, the business has made a small loss of Rs.50 million. This is essentially driven by the need for provisioning for guarantees as a measure of abundant caution and therefore makes our business more robust and stable. The sum assured of policies in force was at Rs.937 billion. There are approximately 3 million policies in force through a network of about 750 offices and nearly 70000 active advisors across India. With support from better agency productivity, higher persistency and improved margins, we expect to improve the profitability and regain market share in the private sector. In earlier calls, we have shared regarding our focus on bank assurance. I am happy to share that Reliance Nippon Life Insurance has won its first PSU bank assurance partner.

The results were declared by Bank of Maharashtra last week and we, along with another private insurer, are the first entrants into the open architecture space in any PSU bank. That brings us access to nearly 2000 branches of Bank of Maharashtra throughout the country, and therefore gives us reason to believe that in the coming quarters and in the next year we will see business growth coming out of this segment. The total funds under management grew by 11% to Rs.180 billion as on September 2017 and this is essentially on account of our being able to retain more customers as more and more loyalty programs get rolled out into the market. The business employs the traditional method of calculation of embedded value. As of September 2017, the embedded value rose to Rs.31.5 billion from Rs.30.4 billion as of March 31, 2017. That is an increase of about Rs.1.1 billion in embedded value in H1. I would now invite Gopkumar from the Broking and Distribution segment for his comments.

B. Gopkumar: Thank you, Ashish. Reliance Securities is amongst the leading retail equity broker and distributor of financial products and services in India. For the quarter, the total income increased by 5% at Rs.834 million. The business had a profit of Rs.132 million in Q2 FY2018 against a profit of Rs.70 million in Q1 FY2018. The return on equity was at 20% for the quarter. The number of equity brokers increased by 6% or to 8,34,000. Overall daily turnover of equity segment rose by 52% to Rs.41 billion.

Our mobile market share is at 12%. Presently, over 95% of broking accounts are digitally opened and the clients are able to trade on the same day. The number of brokering accounts rose by 38% on the commodity side to over 93800 and the daily average commodities turnaround was at Rs.3 billion. In the wealth management business, the assets under management stood at Rs.50 billion an increase of 58%. Going forward, we expect to continue this trend of profitability. Now I would like to invite Anmol for his closing remarks.

Anmol Ambani: Yes, thanks, Gop. The listing of RNAM and RHF unlocks substantial value for all stakeholders. We expect to create further value for our shareholders through the announced listing of Reliance General Insurance. We are on track for its independent listing by March 2018. We are extremely focused on the financing services sector and are targeting to achieve leadership position across all core businesses. We expect to improve our market value over the next few growth quarters as well as achieve a return on equity in the range of 15% to 18% in each of them. With those comments, we will now like to take your questions. Thank you.

Moderator: Sir we open it up for questions?

Anmol Ambani: Yes.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with question and answer session. First question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Firstly, in terms of the Commercial Finance business. So there, actually the AUMs are coming up, disbursements were also quite low on a quarter-on-quarter basis. So how are we seeing is there any, say, restructuring in any of the product segment or there is a refocus, which is happening within the commercial finance and what would be the broader plan out there?

Devang Mody: I will take that question, Devang here. See, as per our stated strategy as we draw the plan for growth of lending business, we had a stated strategy of rebalancing our portfolio. Our strategy is to ensure that we play in the segments where we can get market relevance for robust growth for coming years. As part of that strategy, we stopped disbursing in commercial vehicle space, where we have seen 41% year-on-year reduction in AUM. We want to remain focused on SME lending, where the market space is quite large and we have underwriting capability to be able to get to relevance in certain ecosystems of SME. So this rebalancing will continue for rest of the year. Commercial vehicles space, we have not booking any incremental assets, so we will continue to decelerate the AUMs and we will refocus our energy on SME as well as launch retail business in coming quarters.

Kunal Shah: And anything on LAP?

Devang Mody: LAP, as far as the strategic decision, incremental LAP is getting booked in Reliance housing finance. So LAP portfolio also this quarter has reduced by 35% y-o-y because incremental bookings are not happening in that portfolio.

Kunal Shah: And secondly, in terms of the overall exposure to Reliance Communications from RCap through the group entities, so where in terms of the fund-based, non-fund based, the overall exposure, which we have at the company?

Amit Bapna: We have around Rs.1000 Crores of fund-based and around Rs.500 Crores of non-fund based exposure, primarily to the Infratel business of RCom.

Kunal Shah: In terms of the equity investments, which were there, is it a markdown during the quarter?

Amit Bapna: Yes, to the current share price.

Kunal Shah: CMP out of maybe whatever?

Amit Bapna: No, it is up to September 30, 2017 share price.

Kunal Shah: Overall, in terms of the other investments, which are there. So through any of these lending, maybe in terms of there were like a few CCDs, which were raised across three of the entities in FY2017, so be it in terms of Crest Logistics or say Value Services or Alpha Services, so which is maybe the CCDs are pertaining to which businesses?

Amit Bapna: These are like I said; we were promoters of media and entertainment businesses. These are exposures to a lot of them. You would not see media and entertainment directly on the balance sheet. So, these are in the process of running down. Significant parts will get run off by March 2018.

Kunal Shah: Sir, this would be MediaWorks, BIG Entertainment and broadcast?

Amit Bapna: Yes.

Kunal Shah: Wherein the overall exposure would be round about Rs.6,500 odd Crores in terms of both equity as well as debt?

Amit Bapna: Yes.

Kunal Shah: Thank you.

Moderator: Thank you. Next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.

Hitesh Gulati: My question is on asset management business. So, I just wanted to know what is the breakup of distribution. So, for instance, what percentage of the distribution comes from banks and brokers and so on?

Sundeep Sikka: Broadly, we have a very well diversified distribution. For us, I think, while our strength lies in our IFAs, we have 58000 IFAs. At this point of time, roughly about no distributor for us is more than 4% of our assets and between as a breakup, in IFAs, the national distributors, the contribution is about 70%; 30% comes from banks and within banks all three private sector banks, public sector banks and foreign banks are also there. So, it is a very well diversified distribution model.

Hitesh Gulati: Thank you Sir.

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

Nischint Chawathe: For the mutual fund business, if you could give the breakup of income into AMC and other treasury income, etc.?

Sundeep Sikka: Broadly for us, for this quarter, if you were to look at it, about Rs.384 Crores is the revenue from operations and other income is Rs.52 Crores.

Nischint Chawathe: And for the half year?

Sundeep Sikka: For the half year, it is also about Rs.750 Crores revenue from operations and Rs.80 Crores. So it is about 92% to 95% of the business is from operations and balance is other income.

Nischint Chawathe: Sure. The second question is on the EV growth. Broadly, it looks like the entire new business value accretion is offset by the negative variances or overhangs in the business. So just trying to understand, if you could share any thoughts on when does it really improve?

Ashish Vohra: Yes, so your assessment on accretion versus erosion is only partially correct. Like I mentioned, we have taken a provision in the last quarter, in Q2, towards interest rates and that again is not necessarily driven by sharp changes in the market. It is more a measure of abundant caution since we write guarantees and a substantial portion of our business is guarantees, and it has been our stated position that we will be conservative in that area. So if you take a future outlook, and I presume that is what you were leading towards. If interest rates remain where they are, we would not need to take any more provisioning on that and therefore, new business growth or even more important than that margin growth out of the business should correlate much higher towards EV accretion on the business.

Nischint Chawathe: Sure. Finally, in the broking and distribution business, I am just curious, what do you really mean by mobile market share of 12%?

B. Gopkumar: This is the overall percentage of volume that happens on the mobile. We have 12% market share on that and the market almost 4% of the market is in mobile. The one happens in both exchanges. So that 12% belongs to us.

Nischint Chawathe: Sure. Those were my questions Sir! Thank you very much and all the best.

Moderator: Thank you. Next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: My question is on borrowings at the standalone balance sheet level. What is the quantum of outstanding borrowings that we have on the standalone balance sheet level and what is the trajectory of deleveraging our standalone balance sheet?

Amit Bapna: Yes, we have a net debt of around Rs.15,000 Crores. We are working on exiting all our non-core businesses, including the media and entertainment space, private equity, etc. Significant reductions will happen by March 2018 and we hope to achieve almost full reduction by March 2019.

Nidhesh Jain: That is it from my side.

Moderator: Thank you. Next question is from the line of Manish Manwani from Bonanza Portfolio. Please go ahead.

Manish Manwani: I had two questions and both are related to the management perception among the investor community. As you see, the shareholder wealth has declined day by day and we do not see any communication from the company side. As you see, the stock is traded at less than one fourth valuation of all our peer companies. So, any thought on your side?

Anmol Ambani: We do not comment on the share price.

Manish Manwani: No, it is not on the share price I will tell you. It is related to the management perception among the investor community any brand building or any re-brand building?

Anmol Ambani: We are ensuring that all the businesses continue to do well, which is the case in this current quarter. All businesses have done well. We cannot really comment on the stock price. Our aim is obviously to grow businesses and to become market leaders in all the businesses we are in.

Manish Manwani: Thanks a lot. That is, it from my side.

Moderator: Thank you. Next question is from the line of Shiv Kumar from Unifi Capital Please go ahead.

Shiv Kumar: Sir, what is the timeline for the listing of Reliance General Insurance?

Amit Bapna: So, we have filed the RFP with the regulator. We are awaiting the final approval. We should be able to list it before March.

Shiv Kumar: Coming to Reliance Commercial Finance, can you give us the breakup at the segment level in the sense of the GNPA especially at the gross level the NPAs are at 4.1%. So what will be the NPAs at each of the segment levels, for SME, construction finance, infra lending and vehicle finance?

Devang Mody: So, the NPAs, I think we have an infra portfolio specifically traditional power exposures, which was done some three to four years ago. Only that segment is at around GNPA level of 10%. Rest all segments are anywhere from 2% to 3%.

Shiv Kumar: Specifically, for construction finance, Sir, what will be the GNPAs?

Devang Mody: For construction finance, our GNPA is less than 2%.

Shiv Kumar: What will be the coverage at the gross level for GNPA of 4.1%?

Devang Mody: I have mentioned that including write-offs, we are at 48%, excluding write-offs we are at 19%.

Shiv Kumar: Sir, regarding, I think, this question has already been asked, but I just wanted to bring it up again. The disbursements have been on the lower side for Q2. Do you expect this trend to continue for the coming quarters because obviously the rundown of the LAP segment is one reason behind it, but when do you see it again picking up?

Devang Mody: At this point of time, we are focused on developing operating platforms to launch retail businesses and also developing propositions, which can help us grow in long-term. Some of that is coming through in SME segment at this point of time, but that is largely offset by some of the segments, which we have stopped doing business in. As we start growing our retail book, we will get to a growth trajectory of double-digit AUM growth Y-O-Y in coming quarters.

Shiv Kumar: Any numbers or any segment share, which you can share with us in terms of retail segment's growth?

Devang Mody: Retail is smaller ticket and hence, to gain material scale in AUM percentage will take time, but the trajectory will be up obviously because we do not have any retail lending at this point of time. Over long period of time, we would want to have a balanced portfolio, but that will depend on how we are able to execute and how market offers opportunity. It is slightly early to say a guide anything at this point of time.

Shiv Kumar: Thank you.

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

Kajal Gandhi: Sir, couple of things. If you can share the breakup of the capital gains, how much is the stake sale money in this and also how much is expected in the next quarter as capital gains on account of this IPO? Secondly, if you can also share on the housing finance, where is the growth coming from, in which areas and which geography?

Ravindra Sudhalkar: I will take the housing finance question first. The growth is actually coming from the affordable housing segment. As I have told you earlier, the ticket size of affordable housing segment for Reliance Home Finance's loans approved is Rs.28 lakhs. So that is what we call affordable housing. So that is where the growth is coming from and as we grow further the growth also would be in the affordable housing because while the overall industry is growing at the rate of 18% to 20%, we are seeing the affordable housing finance growing at a rate, which is upwards of 30%. So, the growth for Reliance Home Finance would come from the affordable housing segment as we move forward.

Kajal Gandhi: But the total disbursement of Rs.2000 Crores only Rs.300 Crores has come from there, correct?

Ravindra Sudhalkar: Yes, there were a lot of market disruptions. If you look at it, RERA was, it just came in the last quarter and at Reliance Home Finance we were extremely cautious not to disburse. Even the par disbursements, we have not given to any project, which was not RERA-registered. So I think this was a harsh step taken by us, but that was in the right direction for the future and if you look at it from this quarter onwards you will see a significant ramp-up in the affordable housing finance space.

Kajal Gandhi: Sir, I just wanted to understand in this Rs.2000 Crores what is that sum of which you are saying this, is not there and affordable is there then what else is there?

Ravindra Sudhalkar: In this segment, of course there were builder loans, there were loans against properties, there were loans, which were where the clients had applied for resale, so there were multiple loans, but when it came to giving loans to projects wherein the person, wherein the client is buying from a builder, we ensured that the monies went only to those builders who are RERA-registered and as far as the location-wise growth is concerned, if you look at it 60% of our overall portfolio is in the Western region comprising of Kolkata and Maharashtra, 18% to 20% is in the North, 15% is in the South and close to 5% to 7% is in the East and going forward also you will see growth coming from the Western region.

Kajal Gandhi: Capital gains?

Amit Bapna: Yes, the capital gains on the transaction in Q2, net capital gain are Rs.150 Crores and we expect similar number in Q3 as well.

Kajal Gandhi: Rs.150 Crores out of the Rs.378 Crores is money that we received?

Amit Bapna: Yes. Also, there is a tax implication and we have written off part of the RCom equity stake, so that is why it is approximately Rs.150 Crores net of that.

Kajal Gandhi: And this you are saying Rs.150 Crores also only in the next quarter also?

Amit Bapna: Yes.

Kajal Gandhi: That should also be on the higher side correct?

Amit Bapna: No, so the offer for sale was a very small percentage in the IPO because it was primarily a primary issuance.

Kajal Gandhi: Out of Rs.370 Crores, almost Rs.100 Crores or slightly there must be the taxations. So another Rs.100-odd Crores you have provided?

Amit Bapna: Yes.

Kajal Gandhi: Thank you.

Moderator: Thank you. Next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Jiten Parmar: My question is basically few questions. First one is on the Reliance Commercial Finance. You mentioned gross NPA is 4.1%, what is the net NPA?

Ravindra Sudhalkar: Net NPA as of Q2 is 3.3%.

Jiten Parmar: Now, my next question is basically on the guarantees and exposures provided to Reliance Communications are there any guarantees, which are given, and what is the total exposure to Reliance Communications for Reliance Capital?

Amit Bapna: I answered that earlier as well. Our fund-based exposure is around Rs.1,000 Crores primarily to the tower business and non-fund based is around Rs.500 Crores.

Jiten Parmar: That is including the subsidiaries and everything?

Amit Bapna: Yes.

Jiten Parmar: The next question is, is there sense of a rating downgrade for Reliance Capital because of the Reliance Communications issue?

Anmol Ambani: There is no rating downgrade.

Jiten Parmar: Last question is on the prop book. What is the book size of the prop book and what is the current value of the prop book and any plans to basically monetize that?

Amit Bapna: We have answered that question also in the past. It is approximately Rs.15,000 Crores and we are in the process of exiting all of it in the next 18 months. Significant parts would be by March 2018 itself.

Jiten Parmar: So one of the investments is basically in Prime Focus and that is by Reliance MediaWorks. Now is that a 100% subsidiary?

Amit Bapna: Yes, it is not 100% subsidiary, but in economic interest it is 90%-plus.

Jiten Parmar: That is all from my end. Thank you for answering my questions.

Moderator: Thank you. Next question is from the line of Vikrant Mehta from Moolchand Healthcare. Please go ahead.

Vikrant Mehta: I just wanted to ask a followup question to the question asked earlier on the prop book. You all have said you have a book value of Rs.15,000 Crores what do you expect to be the realized value when you exit this?

Amit Bapna: It should be the same.

Vikrant Mehta: So there would be no gains there. That is one question. Second question I have is, is there any underlying guarantee provided to RCom and the reason I am asking this because we have seen huge stock price volatility and we are not able to understand why. We have almost seen 40% erosion in the last month or two, so is there any beyond this Rs.1500 Crores exposure, is there any possible guarantee or any other?

Amit Bapna: None.

Vikrant Mehta: Now on the Rs.1500 Crores what amount do you expect to realize, is it going to be an entire write-off or do you not expect to realize anything?

Amit Bapna: No, I think a significant amount of funds should come back, because it is primarily to the tower business and whenever the stake sale in the tower business happens or the business gets sold we should be able to realize this.

Vikrant Mehta: Do you expect to see this operating growth trajectory continue like you have seen the great results in the last two quarters, is that a realistic expectation or is it just one-off capital gains from some of these listings?

Anmol Ambani: No, this is pure growth from our businesses and our focus is to continue to grow our businesses profitably in the long-term.

Vikrant Mehta: Thank you.

Moderator: Thank you. Next question is from the line of Anuj Gupta from Perfect Research. Please go ahead.

Anuj Gupta: Since now our company is a core investment company, what is our strategy in future for deployment of cash flows received at the holding company level?

Amit Bapna: We basically are looking at exiting all our non-core investments and all the cash proceeds will come to deleverage the standalone balance sheet.

Anuj Gupta: After exiting how will you deploy it in our different businesses any kind of idea?

Amit Bapna: Businesses are well capitalized. We will need only capital for our lending businesses. RHF is already listed. The Board can take the decision to do whatever they need to for fundraising. At RCap standalone level, all the proceeds, which come in from exits of non-core businesses will go to deleverage the balance sheet.

Anuj Gupta: Sir, what is the right debt-to-equity ratio strategy for achieving the sale?

Amit Bapna: Debt-to-equity ratio is around 2.3. At a consolidated level it is 2.3 and like I said the only business, which will obviously continue to borrow is our two lending businesses because that is their business. Otherwise, we want to deleverage at the standalone level going forward.

Anuj Gupta: How much investment is currently in non-core investments and when will it be in the process of getting sold off?

Amit Bapna: Like I said, the investment in non-core is Rs. 14,000 Crores to Rs. 15,000 Crores and we have given a target for March 2019. Significant should be by March 2018 itself.

Anuj Gupta: Thanks a lot.

Moderator: Thank you. Next question is from the line of Rohit Harlalka from Bharti AXA General Life Insurance. Please go ahead.

Rohit Harlalka: Good morning. My question is with regards to exposure to Reliance Communications. So could you help us with the breakup of your fund-based exposure and basically, nature of the arrangement and is that debt currently being serviced?

Amit Bapna: Yes, so we have not seen an issue so far and there is a breakup in the sense, like I said, there are two companies, one is Infratel, which is a significant exposure and a small part is to Reliance Communications.

Rohit Harlalka: Are these secured exposures?

Amit Bapna: These are also given in the annual report for you to read.

Rohit Harlalka: Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand over the floor over to Asutosh Mishra for closing comments. Over to you, Sir!

Asutosh Mishra: Thank you everyone for participating in the call and thanks to management for giving their perspective on the operating businesses. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of the Reliance Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.