Religare Enterprises Limited

Q4 FY15 results conference call

Monday, June 1, 2015 at 4:00 p.m. IST

Kishore Belai: Good afternoon everyone and welcome to our fourth quarter and full-year FY15 earnings conference call.

We are joined on this call today by Mr. Shachindra Nath, our Group CEO, Mr. Anil Saxena, our Group CFO, Mr. Sunil Garg, Head of Group Treasury and the senior management of our portfolio companies.

Before we start the proceedings, I'd like to mention that certain statements that may be made on this call may be forward-looking statements and we do not undertake to publicly update them. A statement in this regard has been included in the presentation.

On this call, Mr. Nath will first give you an update on the Company's performance for the quarter and the year, will thereafter share the vision for the future. We will subsequently open the lines for Q&A. I now turn the call over to Mr. Nath.

Mr. Shachindra Nath: Thank you, Kishore. Good afternoon everybody and thank you for joining us on this call. I hope you have been able to study our results presentation which has been uploaded on our website.

As you know Religare Enterprises Limited (REL) is the investment holding company for an integrated financial services business that predominantly operates in India. While most of you will be broadly familiar with our businesses there are perhaps some elements that not everyone is familiar with. So let me take a couple minutes to explain our structure and the businesses that we operate in.

REL, the listed company, does not itself house any business. The businesses are housed in subsidiaries or joint ventures in which REL holds equity. Through its subsidiaries and JVs, REL operates across four verticals within the financial services industry and this has been represented on slide 2 of the presentation.

- We are present in the **Lending** vertical through our subsidiary Religare Finvest Limited or RFL, a Non-Banking Finance Company that provides debt capital to Small and Medium Enterprises to help them augment their growth.
  - At the close of the financial year, RFL had a loan book of ₹132.7 billion or over USD 2 billion. As a specialist SME lender, RFL has developed a proprietary credit assessment framework that underwrites loans based on detailed forecasts of its customers' cash flows. Further, typically around 90% of this SME loan book is secured and most often the security is in the form of mortgage of immovable property, thereby ensuring a high quality book
  - RFL's subsidiary, Religare Housing Development Finance Corporation Limited has recently forayed in to financing of affordable housing. After conducting an extensive pilot in the Delhi NCR region, RHDFC has steadily expanded its presence to selected markets in Rajasthan, Gujarat, Madhya Pradesh, and Maharashtra.
- In our second vertical, which is the **Capital Markets** vertical, we are present across the client spectrum.
  - In the Retail space, Religare Securities Limited or RSL, along with its subsidiary Religare Commodities Limited, provides broking services in equities, currencies and commodities through multiple channels, viz. branches, call centres, internet, and mobile. In addition, RSL distributes a variety of financial products to fully meet its client's financial need.
  - In the Institutional and Corporate space, Religare Capital Markets Limited provides equities brokerage services to domestic and foreign Institutional investors as also Investment Banking services with an emphasis on serving mid-sized Corporates.
  - For high net worth individuals and family offices, Religare Wealth Management Limited, a subsidiary of RSL, offers a comprehensive suite of advisory based wealth management solutions.
- In the **Asset Management** vertical, Religare has fiduciary asset totaling over USD 23 billion – or ₹1.45 lakhs crores – under its management
  - Religare Global Asset Management, our global alternative asset management arm had assets under management of nearly USD 20 billion as at March 31, 2015.
  - In India, Religare Invesco Asset Management Company Private Limited, our joint venture with Invesco, manages a mutual fund in India and had average total assets of ₹210 billion or USD 3.3 billion under its management during Q4 FY15.

- Our fourth vertical, which is **Insurance,** is operated through Religare Health Insurance Company Limited, one of the five standalone health insurance companies in India, which started operations in 2012. This business has been designed to operate with a multi-channel strategy and we have a balanced distribution mix including agency, corporate agents, direct and through the bancassurance channel where we already have tie-ups with three leading banks.
    - While we have a joint venture with AEGON in the life insurance space, we have expressed our desire to exit this joint venture and I had spoken about this on our previous call. I am pleased to inform that we have entered in to a definitive agreement with Bennett, Coleman and Company Limited, which is an existing shareholder, to acquire our 44% shareholding in the JV Company and the transaction would get consummated after necessary regulatory approvals.

As you would appreciate, Religare has a balanced portfolio of balance sheet-driven annuity and high operating leverage businesses. Today we service over 1.47 million customers from 1,694 locations through more than 7,250 employees. On a consolidated basis our net worth as of March 31, 2015 was nearly ₹39.09 billion and we generated consolidated revenue of ₹41.9 billion in FY15.

Each of our portfolio companies are managed by their respective CEOs and management teams on a day-to-day basis. The role of REL – the listed holding company – is summarized on slide 3 and consists of

- Providing capital to the portfolio companies;
- Ensuring that the Brand and Group ethos are safeguarded;
- Determining the Governance Structures, Risk Management and Control mechanisms for the portfolio companies; and
- Undertaking performance management

Slide 4 shows you the buildup of REL portfolio over the years: we have consistently grown our portfolio of businesses by investing in adjacencies, organically and also for some businesses inorganically, where the strategy so demands, such as in our Global Asset Management business.

To summarize, REL operates as an investment holding company for various financial services business and aims to create equity value in each of its portfolio companies. I hope this give you a good idea of the REL structure and REL’s objectives.

Let me now turn to our financial performance:

An overview of the consolidated financials of Religare Enterprises is on Slide 6 to 8. Let me take you briefly through some of the highlights of the results for Q4FY15.

- Revenue for Q4 FY15 was at ₹11,755 million compared to ₹11,332 million in Q3 FY15 up 4% quarter-on-quarter and up 25% from the fourth quarter of the earlier year which was ₹9,406 million, with all businesses contributing towards the growth.
- Profit before Tax was ₹1,310 million for Q4FY15 as against ₹2,107 million for Q3FY15, a decrease of 38% quarter-on-quarter. As I had mentioned at the last call, the PBT for Q3 FY15 included catch-up fees in our Global Asset Management business. These fees are lumpy by their very nature and if we strip these out, the PBT performance for Q4FY15 has been in line with Q3FY15. The quarterly PBT reflects an increase of 57% over the normalized PBT of ₹837 million reported in Q4FY14.
- Normalized profit after tax that is PAT adjusted for dividends paid out to shareholders of a subsidiary for Q4 FY15 was ₹618 million as against ₹933 million in Q3FY15, a decrease of 34% quarter-on-quarter and ₹225 million in Q4FY14 an increase of 175% year-on-year. Again, the Q-on-Q decline is essentially due to the high base formed by the receipt of catch up fee in Q3FY15.

For FY15 as a whole:

- Revenue has grown by 21% year-on-year at ₹41.9 billion compared to ₹34.7 billion in FY14. We have seen all-round growth across all verticals.
- Normalized PBT was ₹5,193 million in FY15 as against ₹2,725 million in FY14, a growth of 91% year-on-year and normalized PAT stood at ₹2,111 million in FY15 versus ₹480 million in FY14, an increase of 340%.
- On a reported basis the PAT for FY15 was ₹1,538 million against a loss of ₹693 million in the earlier year.

I am very pleased that the consolidation and turnaround which we have started around three years back has shown strong results. On a reported basis, in FY13 our consolidated revenue was ₹34.9 billion and a consolidated PAT loss was ₹5.54 billion. Subsequently in FY14, our consolidated revenue was ₹34.72 billion and the consolidated PAT loss was ₹693 million whereas in FY15 on revenue of ₹41.9 billion we have delivered consolidated PAT of ₹1.54 billion which includes the operating loss of approximately ₹894 million in our Health Insurance business. As you know, our Health Insurance business is in investment mode and we will go through the normal gestation cycle that the insurance business entails.

In sum, we have now established REL on a firm trajectory of profitability and the full effect of the actions we have taken over the last three years will be visible going forward. I will come to our outlook for future shortly.

Let me now give you a brief update on each of our portfolio companies which is presented on Slide 9 to 31 of the presentation:

- To start with **Religare Finvest Limited**, our NBFC, which houses the SME-focussed lending business reported revenue of ₹5,928 million in Q4 FY15, a growth of 9% over the previous quarter's revenue of ₹5,451 million, driven by an increase in the loan book. Quarterly PAT for Q4FY15 was ₹648 million as against ₹682 million in Q3 FY15 a decrease of 5% due to an increase in the credit costs during the quarter.
  For FY15 we witnessed revenue growth of 7% year-on-year to ₹21.6 billion compared to ₹20.2 billion in FY14 whereas the PAT has grown 19% year-on-year to ₹2,568 million compared to ₹2,167 million reflecting the operating efficiencies that we are generating in the business, both from scale and from better management of our borrowing costs.
  FY15 has been a year of strong disbursement for RFL with the period end loan book increasing year-over-year by 29% from ₹102.8 billion to ₹132.7 billion and the full reflection of this book size growth will be visible in our revenues of FY16.
  All our metrics continue to track to our plans and reflect the strength of our business, be it net interest margin, the ratio of Operating Expenditure to Average Net Assets, or Non-Performing Assets. While the Reserve Bank of India has provided a transition time to three years for NBFCs to move to 90-day NPA recognition, we have been recognizing NPA at 90 days for over past three years. Gross NPA on a 90-day basis stood at 2.24% and net NPA at 1.69% as at March 31, 2015. RFL continues to actively work on reducing the spread on its borrowing and optimizing the mix of liabilities.

- **Religare Securities Limited, Religare Commodities Limited and Religare Comtrade Limited**, our retail broking businesses, reported combined revenue of ₹1,382 million in Q4FY15, a growth of 19% over the previous quarter's revenue of ₹1,157 million, driven by an increase of delivery volumes during the quarter, reflecting core growth in the business. PAT for Q4 FY15 was ₹115 million compared to a loss of ₹17 million in Q3 FY15.

For FY15 as a whole, the revenue was ₹4.82 billion as against ₹3.81 billion in the earlier year, an increase of 27% as the overall market conditions improved during the year, while PAT was ₹249 million compared to ₹263 million in FY14, a marginal decrease of 5%.

In Q4FY15 the equity market share improved with increase in retail participation, and acquisition capabilities of the business have been paying off with over 38,000 customers being on-boarded in FY15.

- **Religare Wealth Management Limited**, which is a subsidiary of Religare Securities Limited, reported revenue of ₹123 million, a growth of 82% over Q3 FY15 revenue of ₹68 million on the back of a substantial increase in the assets under management. Significant part of the incremental revenue has flown down to the profit line and the business has therefore reported a profit of ₹5 million against a loss of ₹15 million in earlier quarter.

  For FY15 as a whole, revenue was ₹308 million as against ₹216 million in Q4FY14, an increase of 42% and PAT was negative ₹37 million compared to a negative of ₹110 million in FY14. AUM of the business stood at ₹44 billion as at March 31, 2015 with significant traction in core product like equity mutual funds, PMS and alternative investments, as the business built a focus solution-driven approach in positioning products to the client.

- **Religare Capital Markets Limited** continues to focus on creating a sustainable platform for the business. As at March 31, 2015, the business was empanelled with 491 Institutional investors globally. During the quarter, the business concluded some noteworthy transactions, including two QIP programs in India aggregating to ₹6 billion and a USD 67.3 million book build placement in Singapore.

- In our domestic asset management business, **Religare Invesco Asset Management Company Private Limited**, our India asset management business, we reported revenue of ₹239 million in Q4FY15 up from ₹175 million reported in Q3 FY15, an increase of 37% quarter-on-quarter. PAT was ₹29 million in Q4FY15 compared to a negative of ₹15 million in Q3FY15. But I would like to point out that the improvement in reported profitability is due to certain non-recurring items and to that extent not representative of core performance.

  In FY15 revenue was ₹789 million compared to ₹861 million in FY14 a decrease of 8% year-over-year and our PAT was positive ₹6 million against negative of ₹44 million in the earlier year. Average assets under management for Q4FY15 were ₹210 billion compared to ₹145 billion in Q4FY14 reflecting a growth of 45% year-over-year in assets under management.

- In **Religare Global Asset Management**, our multi boutique alternative asset management platform our total assets under management of the affiliates as at March 31, 2015 stood at USD 19.85 billion or around ₹1.25 lakh crores. For the quarter, RGAM Inc. reported revenue of ₹1,964 million compared to ₹2,957 million in Q3FY15 a decrease of 34% Q-on-Q and a PAT after minority interest of ₹276 million compared to ₹680 million in Q3 FY15, decrease of 59% QOQ. As I had mentioned earlier during the last call, the Q3FY15 financials include the impact of the catch up fee which are lumpy in nature and therefore decline in profit on the Q-on-Q basis is due to the higher base.

  For FY15, the revenue was ₹7,984 million compared to ₹5,565 million in FY14 an increase of 43% year-over-year driven by an increase in assets under management and PAT grew 147% to ₹1,371 million from ₹555 million in the earlier year.
- **Religare Health Insurance Company Limited**, our health insurance business, has been consistently delivering on its plans. RHICL has clocked gross written premium of ₹1,031 million in Q4FY15 compared to ₹673 million, an increase of 53%, taking the cumulative GWP for FY15 to ₹2,758 million compared to ₹1,523 million in FY14, up 81% year-over-year. The network of hospitals providing cashless treatment to customers is growing and stood at 4,400 at the end of the financial year.

  The total paid up capital of our health insurance business stood at ₹3.5 billion making it one of the most efficient health insurance start-ups in the country in terms of premium income generated for every rupee invested.
- **AEGON Religare Life Insurance Company Limited**, our life insurance JV, continues to build its franchise with an increase in the customer base of our 380,000 customers and crossed the ₹5 billion-mark in annual premium income.

  During Q4FY14, the total income was ₹2.8 billion with a growth of 18% over the corresponding quarter of the previous year. For FY15, the total income was ₹8 billion as against ₹5.7 billion in FY14 with over 65,000 policies written during the financial year.

  As I mentioned, Religare has expressed its intent to exit this joint venture. We have since entered in to a definitive agreement with AEGON and Bennett Coleman and Company Limited, the other partner in the joint venture whereby BCCL will acquire our entire stake in the joint venture. The transaction is subject to regulatory approval and we expect in to close in the next four months or so.

Looking back at FY15, it has been a year of growth for Religare Enterprises in its portfolio businesses:

- Our Lending business delivered better profitability than the earlier year
- Our Retail Broking business has started delivering profits as a result of the efforts put in for more than three years now
- The India Asset Management business is around the breakeven level operationally. AUM has grown significantly
- The Global Asset Management business has been successful in raising new funds in the two largest affiliates and this has started to reflect in the growth in profits of RGAM.
- Health Insurance is a sunrise business and has created the right platform for sustained multiyear growth although currently it is in its investment phase.

I firmly believe that we have reached an inflection point as far as our consolidated financial performance is concerned and this is the phase when all the hard work that has been put in over the last two to three years to make our businesses more efficient will reach fruition. Therefore I think this is the right time for me to lay out the vision for each of our businesses in Religare Enterprises on a consolidated basis for next five years:

- Our **Lending** business is focused on the large yet underserved SME sector and studies confirmed that there is enormous headroom for growth in this space. Furthermore, given the operating efficiencies from scale and relentless focus on reducing our borrowing cost, I believe this business can deliver return on equity of 17% to 18% in three to five years.
- In our **Retail Broking** business, over the last three years we have examined every single cost item and single mindedly pursued efficiency. We believe that the business can potentially triple its absolute profit in three years if the market conditions are supportive. This business is already self-sufficient in capital and does not require any support from REL.
- In our **India Asset Management** joint venture, we are targeting growing faster than the industry and with some more scale, we will deliver consistent profitability.
- In our **Global Asset Management** business, most of our assets are overseas and we believe that we can grow EBITDA in USD terms at a compounded rate of around 20% over the next five years.
- In **Health Insurance**, we are poised to become profitable in FY18. Five years from now we should be able to provide a return on invested capital of around 20% per annum.

On a consolidated basis, considering the differing state that each of our businesses are at, I believe we have a gradual but consistent path of delivering mid-teens ROE at REL level in five years from now. This is, of course on a reported profitability basis. As I had mentioned at the start, REL's objective is to ensure that if portfolio companies create equity value for REL and I believe that by delivering on the return metrics I have outlined above, we will be moving firmly in that direction.

With that I come to an end of my opening remarks. The senior management of REL, our portfolio companies and I would be glad to address any queries that you may have.

Kishore Belai: Operator, we can now open the lines for questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Nishchint Chawathe of Kotak Securities. Please go ahead.

Nishchint Chawathe: I had a couple of questions to begin with on the lending business. If you could give some colour in terms of what is happening out there as far as the margins are concerned and what is happening out there in terms of the trend in NPLs are concerned? We know that we have seen a kind of slight improvement in the fourth quarter but still kind of trying to understand as to what has happened on a YOY basis?

Kavi Arora: First of all your question on NPAs as you have seen quarter-on-quarter from last quarter 2.59% which was in absolute amount of ₹343 crores has come down to 2.24% this ₹316 crores of total stock of NPA. I repeat again this is NPA reported on 90-day basis while the industry which is still at 180 days last year this industry needs to move to 150 days. So I just put that in context. On the NIMs as you asked, the NIMs have been steady at 4.9%. Extraordinary items in the last quarter is what has taken it down, which is we have taken accelerated write-off in some of the loan against shares accounts in last quarter last year. Normalized for that, we have been steady between 4.7% and 4.9%, and we have always maintained those are the NIM levels where we will operate.

Nishchint Chawathe: No, just to clarify, I think on a similar basis 2.24% was 1.62% last year so is that the right reading and then I was basically trying to understand the reason for the difference?

Kavi Arora: Yes sure, that is absolutely right and as the portfolio is seasoned obviously with the macro environment being where it is and the challenges there are in the cash flows at the SMEs level, so we have seen the growth in terms of NPA numbers vis-à-vis the last year. We believe if you compare with the overall market, 2.1% to 2.2% is a very good number on NPAs overall at 90 days reported and I think we will be able to maintain at around 2% give or take 10 bps up or down given how the environment improves.

But the important point is that compared to the NPAs in the earlier year, the NPA contribution in our overall portfolio last year has shifted significantly in terms of that our NPA contribution today is largely from secured loans to SMEs which are secured by a collateral, and just to tell you that at a portfolio level we have 2x cover on the assets but when we look at NPAs since they are amortizing loans, our cover on NPA asset is actually 2.4x and the point being the transmission of NPA number into loss has very less probability compared to overall industry compared to our book two or three years ago when it was largely coming from commercial assets. I hope that kind of gives you a little bit of colour on the overall NPA.

Nishchint Chawathe: So broadly you would still kind of expect that the growth next year would also be similar kind of 30% sort of a number even if the state of economy remains where it is?

Kavi Arora: Yes, so I am just saying that it will stay around 2% the NPA level and the assets we are saying that we will be growing over more than 20% for sure.

Nishchint Chawathe: And maybe if you could just give quick colour in terms of the ticket size and the yield that you are charging on the LAP segment?

Kavi Arora: On the secured loans to SMEs our acquisition yields are in the range of 14.3% to 14.5% – from earlier times around 15% has come down and that is largely because the interest rates in the market and that will be coming off. On ticket size, we have been steady around ₹2 crores on ticket for customers on new acquisitions.

Nishchint Chawathe: And just moving to the wealth business, just little curious in terms of understanding as to what is driving the losses out there I know it is a very marginal number but still trying to understand as to how the P&L is constructed. A little bit of colour on the wealth business in terms of how the expenses are played out or how the income is driven and why there is a marginal loss. I know it is just a marginal number but just trying to understand a little bit of the model in terms what is the driver of income and how that entire P&L gets constructed.

Sriram Iyer: So right now if you look at the FY15 versus FY14 as Shachindra Nath pointed out, ₹21 crores of income has moved to ₹30.7 crores of income. That is the growth in income that we have seen in the last year. Majority of the income that came through in the year FY15 was obviously from the mutual fund business which is the primary driver of income for us. Close to 62% of the income has come from mutual funds the remaining 38% comes from other products which includes AIFs, VCFs, real estate funds and so on and so forth. So that is the construct as far as the income line is concerned.

The expense is largely people expense which is how most wealth management firms you would see on the expense side. Majority of the expense close to 68% to 70% of the expense will be people expense and that is what the expense side looks like. As Shachindra Nath also pointed out, the last quarter for us was profitable we delivered marginal profit of ₹5 million in Q4 and we hope to maintain that run-rate though there has been a significant drop in mutual fund income on account of change in the pay-out structure. That will have some impact in the short term but in the medium to long term we hope to get back on track as far as the profitability is concerned.

Shachindra Nath: I would just add one thing. You should remember that this business used to be a joint venture with Macquarie around two years back and 1.5 years back, we acquired Macquarie's stake in that business. Since then we have successfully been able to transition this business as a 100% Religare branded business. Obviously the way the business operates, your primary cost is your front-end advisors and then you have an investment advisory team and servicing team. We generally believe that the business has the strength to increase this advisor base which can deliver more profitability on slightly longer term basis.
So this year given that all the fundamentals of the business are good we have good quality clientele coming in and we have been able to build a very healthy mix of assets under management and a good client base. We have the opportunity to not only to scale the investment advisor base but also scale their assets under management. And over a period of time, this is a business which will generate annuity and we are very focused in building annuity-led income under our securities business and that is what it would deliver over the next two to three years.

Nishchint Chawathe: And in this year how much would be the annuity income? I am just trying to get a broad sense.

Shachindra Nath: Of this revenue, it is predominantly the fee income and not much of annuity is coming through this. But gradually this year our focus has been to build AUM with flows annuity in next few years.

Nishchint Chawathe: And within the employee expenses what would be the break up between fixed and variable?

Shachindra Nath: We do not have that data right at the moment. Relative terms size of the business is very small but you can split it around Sriram, if I am not wrong it is 30:70; 30% will be variable and 70% fixed.

Sriram Iyer: So the way we look at it is cost-to-income ratio on an overall level at a let us say an RM and advisor level that ratio tends to be 38% for us; 38% to 39% not at an aggregate level is what I am referring to. So on ₹100 of revenue ₹38 is what you would compensate in the form of fixed plus variable and the ratio of fixed to variable there would be of course it would vary from RM to RM but it would typically be 60:40 to 70:30.

Shachindra Nath: We would be happy to take you in more detail if you want on this business.

Nishchint Chawathe: Yes, I get that. We will just take it offline because it is a very small business. Just two quick questions on the Health side. What would be the share of our business from the B2C segment or the segment where you are basically not doing a group policy?

Shachindra Nath: So our business is predominantly structured and focus around B2C. So the way we have designed our business and the way the focus is that predominantly in the next two to three years majority of our business, we would like to get from direct customer basis obviously acquired through multi-channel approach. It can come through agents; it can come through bancassurance; it can come through our direct branches. Currently 62% of our business is direct and non-group related business. Even in group we tend to focus more on what we call small and medium size corporates and enterprises than the large corporates. So out of our overall business the large corporate business is very insignificant.

Nishchint Chawathe: Finally just any particular number in terms of volume for the Institutional equities business per day or something like that if you could guide?

Kishore Belai: Nischint, in the cash market, for institutional trading we have a market share of about 1.2% on an average for the quarter.

Nishchint Chawathe: And just one final question was on the life insurance side. Would it be possible for you to give any indication on the valuation out there for the transaction?

Shachindra Nath: No, not at the moment.

Moderator: Thank you very much. Our next question is from Subir Sen of Birla Mutual Fund. Please go ahead.

Subir Sen: Just wanted to know in REL standalone what would be the debt and how will it be going forward?

Shachindra Nath: This is ₹725 crores

Subir Sen: And how much of this will be long term versus short term?

Shachindra Nath: All of it is long term.

Subir Sen: And it will remain at the similar level going forward?

Shachindra Nath: It would keep coming down.

Moderator: Thank you very much. Our next question is from Namesh Chhangani of Axis Capital. Please go ahead.

Namesh Chhangani: My question is related to Finvest, your NBFC business. During this quarter on a sequential basis we have seen a higher operating and admin expenses. So could you throw some light on why this has risen so much?

Kavi Arora: The volume acquired during the quarter has been highest amongst all of the year. We take all our cost of acquisition upfront and there is no amortization or anything that we do over the term of the asset. So increase is largely because of increase in our business, where we have just seen a sharp rise in last quarter.

Namesh Chhangani: Could you tell me what was the disbursement during this quarter and what was it during previous quarter?

Kavi Arora: The disbursement in the last quarter has gone up to ₹2,300 crores up from nearly ₹1,750 crores to ₹1,800 crores in the previous quarter.

Namesh Chhangani: And my second question is related to your health insurance. We have seen an increase in claims this time although the business is still in the growing phase, but just want to know that what kind of assumption one should take on your claim front and what is your experience now as your book is getting mature?

Pankaj Gupta: In the last quarter, the claims ratio has marginally gone up. The book size is small and that is more to do with reserving and not with the actual claims. And as per the pricing whatever has been priced, the book is maturing well. So it is something like on a blended basis around 60%, so the entire year we have closed the year with 61% as compared to 80% in the previous financial year.

Namesh Chhangani: So what kind of assumption you are building in for this claims part in health insurance?

Shachindra Nath: So as I said at the beginning that in 2018 we expect the business to break even, which means our combined ratio should come at least to 100%. So I think so in that basis you can model it. We expect the claim ratio to be either in the same range or slightly lower than that. And that is predominantly because we continue to maintain our mix largely in retail business. And as the size of the GWP expands, you will see that that benefit would flow through and we will be able to meet our operating cost and the claim ratio put together below 100%.

Namesh Chhangani: And on this global AMC business are we planning to have any more of one launches or any funds which are likely to be closed during this year FY16?

Shachindra Nath: So as you know that we have two large asset management businesses in the US. One is Northgate which is largely a venture capital private equity fund of funds and private equity direct business. It is more towards a direct platform. There are more new funds which have been launched which all have done the first closes. Landmark raised around USD 5.8 billion during the current financial year and now has substantial assets under management. They would deploy this money over a period of next 18 months and launch a new fund. We have launched a series of small but very unique offerings around India and Asia.

We have an Asia Private Equity healthcare fund called Quadria which is closing at USD 310 million with co-investment commitment of around USD 300 million. We have a credit fund which would roughly close around USD 100 million I think during this quarter. We have a new product which is around real estate under REITs which is coming up. So they would not change the financial number big time, but our assets under management would grow significantly and it would not come in big sizes as from Landmark but you cannot take quarterly views in this business. But in next two years we expect the entire REL AUM you to grow by at least $3 billion on an organic basis.

Namesh Chhangani: And the last thing is on your total borrowings and what would be your borrowing at the Finvest level and at a consolidated level?

Shachindra Nath: The holding company borrowing we have given, it is roughly around at a standalone basis at ₹725 crores and at an RFL level and then we have borrowing in RGAM.

Namesh Chhangani: RFL what number you said?

Bipin Kabra: Total borrowing at RFL level in all forms would be in the range of about ₹12,500 crore.

Namesh Chhangani: Total consolidated borrowing?

Shachindra Nath: So roughly around ₹16,000 crores is consolidated borrowing and that includes borrowing at Religare Securities, Religare Finvest, Religare Global Asset Management, and holding company borrowing which is the standalone company borrowing.

Namesh Chhangani: And what is capital commitment for each of the businesses for next two years?

Shachindra Nath: So if you look at it business-by-business, Religare Securities as I said in my opening remarks is well-capitalized. It does not need capital from us. Religare Finvest also it is throwing back significant amount of cash to augment its growth we believe that it will be able to service through its retained earnings itself. Health Insurance obviously in next two years would need capital but that capital should be smaller. It should be in the range of ₹150 crore to ₹190 crore in total. We are 90% shareholder of that. In RGAM, unless and until we acquire something new we would not need significant amount of new capital except that there are capital commitments towards our GP interest or you have to put some money as an LP to each of your new offerings but we expect all of that to be serviced by our cash flows itself.

Namesh Chhangani: So we are not expecting any significant capital investment in any of the business except Health Insurance?

Shachindra Nath: Health insurance and if we expand RGAM then probably it would need capital.

Namesh Chhangani: And we are also going to receive some consideration from our life insurance venture sale so what are the plans on that like would we be reducing our borrowing numbers or anything on that front?

Shachindra Nath: Yes, we would be reducing our borrowing numbers and the balance would go towards investment in to some of our businesses.

Shachindra Nath: Thank you very much for participating in this call. If you have any more questions, please feel free to contact Kishore Belai, our Head of Investor Relations. Thank you very much. Have a good day.

Note: *This transcript has been edited to improve readability*