



## “Bajaj Finserv Q3 FY-16 Results Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Bajaj Finserv Q3 FY16 Results Conference Call hosted by JM Financial Institutional Securities Limited. We have with us today on the call Mr. S. Sreenivasan – CFO, Bajaj Finserv Limited, Mr. Ramandeep Singh Sahni – CFO, Bajaj Allianz Life Insurance, Mr. Milind Choudhari – CFO, Bajaj Allianz General Insurance. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Singh from JM Financial. Thank you and over to you sir.

**Karan Singh:** Thank you. Good morning everybody and welcome to Bajaj Finserv’s earnings call to discuss the 3<sup>rd</sup> Quarter results. May I request Mr. Sreenivasan to take us through the financial highlights subsequent to which we can open the floor for Q&A session. Over to you Sir.

**S. Sreenivasan:** Good morning everybody. Welcome to the conference call which will cover the results for the Quarter 3, a financial year ‘15-16 of Bajaj Finserv Limited and for the nine months ended 31<sup>st</sup> December 2015.

Bajaj Finserv as you know is the holding company for the financial services business of the Bajaj Group. We hold a 57.53% holding in Bajaj Finance Limited which is independently listed and which had its investor presentation and con-call yesterday. We also participate in the protection business, namely, the insurance businesses through Bajaj Allianz General Insurance Co. Limited and Bajaj Allianz Life Insurance Co. Limited, in each of which we have a 74% holding. During the quarter we have become a core investment company under the Reserve Bank of India guidelines which means we are not required to be registered with the Reserve Bank of India anymore.

The highlights for Q3; we had a fairly good quarter. Our consolidated gross revenue was up 12%, our income from operations was up 28% and our profit after tax was up 26%. Given the fact that the market conditions have been fairly volatile, and has been subject to various developments abroad including the downturn in China, we think this is a very good result. The results were largely driven by Bajaj Finance whose profit after tax went up by 58% from 258 crores to 408 crores for the quarter, and Life Insurance, where the profit was up from 99 crores to 191 crores. However I must qualify this by saying that, in the Life Insurance business, till last year, we were transferring the policyholder profits to the shareholders’ account only at the end of the year. This year, in accordance with the regulations, we are transferring it every quarter. The effect of that for the quarter is 49 crores.

In the General Insurance business, after several quarters, we did see a downturn in profit this quarter as compared to the previous year. The drop in profit is predominantly due to the unprecedented floods in Chennai, which caused significant catastrophic losses. The company had approximately 82 crores of an impact on its underwriting result and the profit before tax in the quarter.

In the nine months' period ending 31<sup>st</sup> December 2015, , we grew our revenue 15%. Our consolidated profit after tax is up 37% and we have growth in profit in both Life and Bajaj Finance, General Insurance is lower than last year largely because of the drop in profit in Quarter 3.

In Bajaj Finance Limited, we saw assets under management grow 41%. It is the highest ever quarterly profit that the company has recorded. The net NPAs continue to hold good - we had 0.26% net NPA during the quarter and the company's capital adequacy ratio is quite healthy at 19.5%.

In General Insurance, on the positive side, we saw strong growth in Q3. If you recall, in the first two quarters our growth was somewhat lower because of reduced volume of agricultural business. However, in the third quarter we recorded 14% growth in gross written premium, the net earned premium however has increased only 8% because typically in General Insurance, the net earned premium will grow as the premium gets earned over the policy period. There was a growth of 12% in investment income and our AUM which is basically cash and investments increased to 9090 crores, this is more than 1000 crores additions in the nine-month period.

In Life Insurance, the external environment continues to be uncertain. During the quarter, as per the information that we have, the private sector growth on NB has been only about 1%. Bajaj Allianz life had a new business premium of 538 crores as compared to 572 crores in the same quarter of previous year which is a negative growth of about 6%. The renewal premium was down at 687 crores versus 870 crores. However, this was not completely unexpected because we had seen a number of policies which had completed their premium paying term. We had sold, in the previous years, policies which had limited premium paying terms - so some of them have finished paying premiums. They will continue to enjoy the life cover but they are not required to pay the premium. The profit is up 191 crores versus 99 crores as I said before. The solvency ratio of the company is healthy at 797% as against the regulatory requirement of 150%. The total investments as at 31<sup>st</sup> December stood at 43,300 crores. I will now hand over to the moderator for taking up the question and answers.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Atul Mehra from Motilal Oswal Asset Management.

**Atul Mehra:**

On life insurance business specifically, so now that we have open architecture and it's a newer opportunity for insurance company who haven't been assigned or who haven't been aligned with the bank so they now have the opportunity to go ahead and get aligned with banks and given that Banca as a channel has been the key growth driver for the industry for the past 5-6 years. So how are we placed at this point in time and if you can give some color on the ground in terms of what could be the likelihood comes for us in terms of Banca?

- S. Sreenivasan:** As far as the new guidelines are concerned, they apply to all corporate agents of which the big chunk is basically what we call Bancassurance. In that, now the opportunity is there for each bank to tie-up with up to three Life, General and Health companies - so altogether they could have up to nine partnerships. There are some which we know very clearly will not go for multiple partnerships. Majority of them would be those companies where the insurance companies are promoted by the banks themselves. However, there are a large number of banks which we understand are looking at this very closely. As of now we are not aware of anybody who has actually announced that they want to go for multiple partnerships or actually are inviting request for proposal. We are in discussion with a number of banks. We believe we have strong credentials with these banks because of our past experience of handling very large Bancassurance relationships both in the private sector and public sector, - banks such as Standard Chartered Bank, Syndicate Bank were with us in the past. We also deal with the large number of cooperative and regional rural banks. So, overall we are very well poised. Internally we do have teams which are continuously engaged with these banks. But as of today we are not aware of any bank which has actually announced that they want multiple partnerships.
- Atul Mehra:** How could be the timelines be this because as far as...
- S. Sreenivasan:** Timelines will be dictated by the time taken for policy decisions for the bank to decide that they want multiple partnerships. I believe banks will have to take this through their Boards
- Ramandeep Singh Sahni:** IRDA has actually mandated that before 31<sup>st</sup> of March every corporate agent has to have a policy approved by the board on what direction they want to follow, whether it's a multi-tie up or go with the single partner. So that needs to be done before 31<sup>st</sup> March so I am assuming that before 31<sup>st</sup> March, most of the corporate agents will end up having a policy in place which they need to communicate to IRDA.
- S. Sreenivasan:** Clearly this is an area where we do not believe we have any downside. We have a few partnerships which we do not believe would go for multiple partnerships such as Dhanalaxmi Bank.
- S. Sreenivasan:** So, to summarize what we were saying is that we do not see much downside because the few relationships that we have which are not very big. We do not believe they are moving into multiple tie-ups, however there are significant opportunities; we are engaged with many of them. As and when they come up with specific policy decisions to go for multiple tie-ups we would be trying to tie up with some of them. Even if we get 2 or 3 relationships meeting that would be a significant value is addition to our top-line.
- Atul Mehra:** On the ground if you would look at it so as per some interactions with some of the Banca guys. Normally what tends to happen is because its insurance normally is the complex product to sell, most of the banks they want to perhaps align themselves to a single insurer so that it's simple at the selling level for the entire staff.

- S. Sreenivasan:** This is one way that's what some banks have been doing but there are different types of banks. There are banks which have not been able to gain significant volume out of their customer base or deposit base despite having sizable assets, more so in the public sector banks. We believe that we have products and offerings which will help them close some of the gaps which some of the existing partners may not be able to provide.
- Atul Mehra:** Secondly a related question here is in terms of getting the Banca deals. So we have seen insurance companies which are not having any kind of captive banking arrangement. So there have been equity deals in the past where equity has been issued to the Banca guys for being aligned or sharing value over and above the cap commission rates. So do you think as we want to get more and more Banca deals going forward we would have to share equity with the Banca guys in lieu of getting the distribution piece?
- S. Sreenivasan:** We are not looking at giving equity in our company to any of the Banca partners. Secondly we are not in favor of breaching the regulatory commission caps. Some of these deals were done by some insurers in the past but with these multiple tie-ups I think, the lock-in from the bank is also questionable because anytime they could be forced even by regulation to go into multi-tie-ups; then such arrangements will also find it difficult to be justified....
- Atul Mehra:** In terms of agency in itself, so how is agency as a model now expected to go going forward because historically agency for private life insurance has not been really profitable as a channel?
- S. Sreenivasan:** Agency has undergone a lot of churn over the last few years in terms of the type of agents who are in the system - lot of agents have left, many have come in. The market seems to have favored more of the Bancassurance partners. What we understand lot of the Bancassurance selling happens in the top 20-25 cities. Banca has a greater presence on the higher end, higher ticket size products and the type of customers who buy such products. Agency is still the largest channel among private companies; if you remove the top 3 or 4 big banks sponsored insurers agency continues to dominate. However, attracting agents and building scale for them is taking a lot more time because the remuneration for the agents has undergone changes after the series of product guidelines. The agent has to sell a lot more policies to earn the same level of income. Now we are finding more career agents being recruited ...of course they will take a lot more time to actually reach a level of scale an old LIC agent or others would actually have achieved. This is the state of agency. , Having said that, our agency we believe, is doing reasonably well. Relative to market our performance is fairly good; we are still the number 3 in the market. There are only two companies ahead of us in the private sector space. The Bancassurance companies also - some of the larger ones in Q3 have not fared that well. So there has been a general lull in the market in Q3. We have to wait and see how Q4 evolves and how over the next 2 to 3 years the macro situation changes in terms of higher disposable incomes and higher savings.
- Atul Mehra:** Thirdly in terms of expense of management, with the new set of guidelines that have come in, so we believe there has been another round of change in terms of expense of management

regulations so how would we be placed in terms of complying with the segmental expense of management?

**S. Sreenivasan:** Third round of new draft was published a couple of days ago and there was an existing draft. We have not fully studied it; it has just come couple of days ago. There are several sub-segments in that which you have to add up. We are in the process of studying the impact. But prima facie, it seems it's better than the earlier draft i.e. the previous draft which came in. Overall they have given some time for companies to comply and there are some more conditions which seem to be more favorable. But we have not done a complete impact analysis yet.

**Atul Mehra:** Growth has been really bad for the industry especially this quarter as you spoke about as well, so how do you see growth from here on in next 12 to 15 months at least?

**S. Sreenivasan:** The whole thing depends on how the financial savings in India go. As of now there is a bit of a lull in the macro, equity markets are down. Basically fund flow into financial sector has taken a bit of a setback in the last three months or so. Having said that if we see job growth, disposable incomes going up, there will be more financial savings and savings rate has to come up. We are quite optimistic that over the next 3 to 5 years we will see a significant rise in absolute level of savings and life insurance will get its share of that.

**Moderator:** We will take the next question from the line of Sandeep Baid from Quest Investments.

**Sandeep Baid:** I just had a question on the life insurance business; your surplus on the policyholder's account has been declining quarter-on-quarter for the last few quarters now. When do you think that will see a reversal in the trend?

**S. Sreenivasan:** The fall in the policyholder's profit largely was because, till 2010, we had predominantly 90% unit linked business. Over the last five years we have seen a lot of withdrawals happening and the surrender charges which were a significant proportion of that income has significantly come off. That trend is not yet over; however, we are very positive that within the next one or two years we are likely to see this stabilize and start growing again.

**Sandeep Baid:** For the next 12-18 months you think it will continue to be under pressure?

**S. Sreenivasan:** Difficult to say, it is a function of growth as well as renewals. Obviously growth will have some impact on the new business strain in the first year. So if we grow well we are actually building a long-term business but it may have a temporary hit on the profitability. But we are not really worried because the absolute level of profits at 647 crores is still sizable. So we have the reserves and the ability to ride it out for next couple of years or so.

**Sandeep Baid:** You plan to maintain the high solvency ratio going forward as well?

**S. Sreenivasan:** For the time being yes. I think we keep reviewing every six months or so but we will take a view on that as and when we review.

- Moderator:** We will take the next question from the line of Nidhesh Jain from Investec.
- Nidhesh Jain:** My question is regarding the impact that we have taken on Chennai floods ... it seems like the impact that we have faced last year on account of J&K floods was relatively lesser than the impact that we have seen in Chennai floods, any color on that?
- S. Sreenivasan:** Yes, the impact is 82 crores in Q3 results. Milind you can highlight I think it is all fully reserved, we don't expect anything in Q4.
- Milind Choudhari:** No further impact is expected.
- S. Sreenivasan:** Unfortunately what happened in Chennai was there were two episodes of catastrophes. First we had an incident of flood which lasted for some time. We thought that was over and the initial assessment was not that serious. There were claims but we didn't feel it would be very serious. Then there was the second wave which was much more devastating than the first one. The other issue was Chennai is actually a metropolitan city so there a large number of cars which were underwater and the severity of damages in these cars is a lot higher than what you normally see in a motor accident. So these are the reasons why the losses are higher. Majority of the losses on the net account are retail losses, they are not corporate losses.
- Nidhesh Jain:** In that sense it is different from the J&K flood where I think the majority of the losses were on the commercial lines.
- S. Sreenivasan:** Yes it is. In fact our focus is not on the amount of the losses now it is on how to settle the claim and keep up the goodwill that the company has earned over similar such incidents.
- Nidhesh Jain:** Secondly on open architecture in Bancassurance, have you seen any activity there or do you think there will be any activity?
- S. Sreenivasan:** As of now we are talking to a lot of partners. There are some who say they would like to look at it but each company has to form...each bank has to have a policy on that and put it up to their Board. That will evolve we think over the next 12 to 18 months or so, one by one they will start deciding and as and when they decide we will then look at each case. We are in discussion with all the available partners in the market. There are some very large ones who would definitely not want to go because they have their own large insurance companies. But in the public sector and some smaller private sector banks, we think some of them might want to go. As of now we do not have any clear indication.
- Moderator:** We will take the next question from the line of Manish Shukla from Deutsche Bank.
- Manish Shukla:** On General Insurance even if you were to exclude the Chennai flood impact, the combined ratio is still exceeding 100% so it's after long time that you are showing combined ratio in excess of 100% so this is underlying something else also.

- S. Sreenivasan:** I think the second quarter if you remember last year we had written 400 crores odd of agricultural business which had earned us a sizable reinsurance commission and at attractive loss ratio. This year that had an impact in H1 results actually on a YOY basis.
- Milind Choudhari:** Apart from the Chennai floods there has been impact in terms of this agriculture. Agriculture this year has hit on two counts to us – one is in respect of the volume variance where we have written a lower amount of agricultural premium which is resulting into lower reinsurance commission as far as this line is concerned. Another thing which has also hit this year is that the loss ratios in agriculture have increased. Last year was very good as far as the overall loss ratios are concerned but this year even the agricultural loss ratios have also hit us. So there is another 16-17 crores of hit which is coming from the agricultural side also.
- S. Sreenivasan:** Having said that, it is not one of our core businesses. As we said last year, it is a tactical thing we did. Last year it was very good, this year we have scaled it down. It is highly driven by the rules of the government and the rules under which the tenders are given so this year we have chosen not to compete in certain tenders because we did not find opportunity for making an economic profit in those accounts.
- Manish Shukla:** So both for the Chennai floods as well as the agricultural impact, is almost all of it is done or is there something residual you expect in 4Q as well?
- S. Sreenivasan:** Chennai floods is practically over, agricultural as of now we can't say, it depends.
- Milind Choudhari:** It will depend on what kind of agricultural business we write in the Q4 because the next Rabi season is from January to March so we will have to take a stock based on what we are writing there.
- Manish Shukla:** It's fair to say then given your experience this business will no longer be a focus for you?
- S. Sreenivasan:** It is a tactical thing. There are times when the pricing is attractive based on our assessment of the particular circumstances because it is a state wise and district wise,-- we will pick and choose when we want to do. But it's not our core business, we wouldn't expect this to be a significant proportion of our business in the near future. But year on year we will take a view on this.
- Milind Choudhari:** For this there are again changes which are happening, the Prime Minister has announced a new...
- Manish Shukla:** That was my next question, is there anything that you can participate in that crop insurance.
- Milind Choudhari:** Right now it's only in the primitive stages so no further guidelines or clarifications have come as far as writing is concerned. But I think this will be open to all the insurance companies so it will not require any specific empanelment. But anyways the process in terms of bidding, we have to go state wise. The premiums will be lower this year because they are contemplating to reduce the premiums but I think coverage might increase because they want to cover 50% of the farmers in the first year.

- Manish Shukla:** One question on Life Insurance, in terms product mix strategy traditional versus ULIP or within traditional PAR, non-PAR, any change of strategy specifically given where the equity market volatility is or the expense ratio guidelines, the two put together does that have a broader impact on how do you want to approach the product mix?
- S. Sreenivasan:** I wouldn't say so. To some extent product mix is a function of what the customer wants or what the market wants. Clearly as the stock markets started attracting more money we found the market also moving more towards risk products like unit linked products. As of now we have a fair balance, we are not heavily exposed to unit linked just because the markets are high. Secondly our surrenders have come off significantly, in fact they are hardly I think for the nine-month period –Raman?...
- Ramandeep Singh Sahni:** They are about 2000 crores compared to 5000.
- S. Sreenivasan:** So they have come off about 60%-70%. Our UL AUM is holding fairly at steady levels. Going forward, the product mix -it is not something what the company wants to do; it is also a function of what the market wants and how it goes. Clearly, we have to sell all the products now. As far as the expense guidelines are concerned we had a new set of guidelines coming day before yesterday and we are still analyzing the impact. We wouldn't think that would have a particular impact on the product mix strategy as such.
- Ramandeep Singh Sahni:** That's right. Because I think amongst the other players we are the ones who sell a good amount of group protection and the guidelines have been very positive on group protection because a group term which is a one year renewable term, they have increased the limits from 5% to 15% and on group credit protection, they have increased the limit from 5% to 10% so which will largely help us compared to the other players in the market. So Sreeni is right in saying that I don't think our product strategy will be impacted with the change in the guidelines.
- Manish Shukla:** Second question on the Life is in terms of agency channel, what are your plans in terms of either expansion of agency reach while you continue to work on Banca, how are you approaching the agency?
- S. Sreenivasan:** In the Agency channel, basically our agency structure is getting re-built. We are quite happy with the way it has got built in terms of the quality of recruitment of sales people and the quality of new agents that we are getting. We also have identified certain pockets where we are weak, particularly in the larger cities which are dominated by Banca. Many of them do have strong agency market, but relative to our other rural and other smaller town presence, our performance there is relatively weak. We have now a very senior person looking into it for the last three months or so. Next year going forward that will be our focus area to basically target that market. It is not about the number of agents, now it is more about getting more productive agents and getting existing agents to earn a higher income which will give them a sustainable career.

**Ramandeep Singh Sahni:** So Sreeni is right in saying that I think where we were lagging now we are trying to concentrate on those markets. So we have a very segmented approach being followed from this year onwards where we are giving targets to each of our guys in the locations to have that particular pie in the market share of that location rather than look at the entire country as one unit so this will take us a long way.

**Moderator:** We will take the next question from the line of Bharat Sheth from Quest Investment.

**Bharat Sheth:** This question is on Healthcare, what kind of initiative that we have taken a strategy to grow that Healthcare so that can overall increase the weightage in our total General Insurance pie?

**S. Sreenivasan:** There are three segments in the Health Insurance business. One is the government-sponsored schemes which are largely state government driven as of now. There is some proposal that eventually there might be a central government sponsored scheme as well. The second is Corporate Health Insurance which is the largest segment of the pie. I would think that about 50%-52% of the total Health Insurance market actually comes from the corporate employee benefits schemes which largely companies cover their employees for Health Insurance. This is largely very popular in the service industry like IT, ITES, banking, financial services etc. The third segment is what we call retail health which is largely sold through multi-line agents, individual agents and banks. We are growing the third segment pretty fast; we have very strong distribution channels there. We think that is also from our experience the most profitable segment because these are people who need Health Insurance and who are buying Health Insurance. As far as the Corporate Health is concerned the loss ratios are quite high for the market, the others are about 90% or so in loss ratios, and this is a segment where we are choosy; we go for more value seeking customers who want to provide employees with good service-backed health benefits. As far as the government schemes are concerned as of now it still doesn't seem to be profitable and we are evaluating those schemes. We will be entering as and when we find there is a suitable profitable opportunity. I think over time Health will become almost as big as motor, today about 45% of the market is motor and about 25% is health. We do believe that health as a proportion of the total market will increase from the current levels over the next 5 to 10 years.

**Bharat Sheth:** And what is our size in Motor vis-à-vis Health?

**S. Sreenivasan:** Depends because as we said we are segmented so we don't participate. As of now we are not participating in any government health schemes. We are effectively in other segments of the market. Within that we are stronger in the retail as compared to the corporate.

**Milind Choudhari:** Individual Health Insurance business, there is a lot of thrust and a lot of focus because we have a huge customer base. Every year we issue almost more than 60 lakh policies so we have a huge customer base and this Individual Health Insurance business is much more sticky. The renewals are coming-- most of them are almost assured so we are actually focusing in terms of the individual health business because particularly Corporate Group Health Insurance is year to year

it could sway from one company to another depending on market situation and the quotations. But retail health is a more sustainable business that's why we are focusing in terms of agency as well as bank for Individual Health Insurance business.

**Bharat Sheth:** On the Life side, earlier we had a tie-up with some small banks which were temporarily for whatever issue we were not able to bring the business so that has revived?

**S. Sreenivasan:** We do have tie-ups among the private banks with Dhanalaxmi Bank. We also have a lot of these microfinance institutions, cooperative banks and regional rural banks. One of those segments, regional rural banks for time being we had to slow down because the new product guidelines, the product was not suitable for those banks. However, with the new corporate agency guidelines allowing them also to have multiple corporate agencies, we are engaged in dialogue with them. Nobody has taken a decision yet but we are quite hopeful that we have a suite of individual products for the micro and financial inclusion segments which will help us drive this business going forward. We are still the largest player in that segment by far and we would like to keep our strong position there going forward.

**Ramandeep Singh Sahni:** In case your reference was with respect to Dhanalaxmi Bank, we had an issue going on with them in the past years which we have resolved. They have started business from this month onwards. So they've renewed their corporate agency license with us this month and the business has commenced.

**Bharat Sheth:** We are now talking of improving our direct business in life insurance through channel partners and changing the product mix also, going for more traditional. What is the strategy that you are targeting for next three years traditional vis-à-vis ULIP and all?

**S. Sreenivasan:** Product mix is designed by the customer makes a choice. Three years ago there was hardly any market for unit linked products except for guaranteed unit linked products. Now there is a big demand. There are companies which are selling even 80%-90% of their business from unit linked. We now had for the third quarter about 57% was unit linked and about 43% was traditional out of our individual product mix. We think this kind of balance is required for a sustainable model and it is not we are driving a particular number but we would like to have a balance. In terms of the market we still have to wait and see that the market in third quarter as I mentioned before was not very strong, private sector growth was only 1%. So we would like to wait and see how the market evolves over the next couple of years.

**Bharat Sheth:** One of the reasons for new premium was because of this group business which you said there is a change in guideline.

**S. Sreenivasan:** That is not during the quarter that was an older case. But during the quarter generally market has been tepid

**Ramandeep Singh Sahni:** But the good thing for us has been that though overall in the quarter we have a de-growth of 6% on new business but if you look at the individual rated business which is what the market sees,

there has been a growth of about 5%. So that's the good news for us because as we mentioned in the past we are trying to move away from the dependence we have on group to do more of individual business.

**Bharat Sheth:** And how is January?

**S. Sreenivasan:** January we don't have a number yet, we will know over the next few days.

**Moderator:** We will take the next question from the line of Gala from Panav Advisors.

**H.R. Gala:** I just wanted to know two things, how much of the loss we have booked in the General Insurance from the Chennai floods?

**S. Sreenivasan:** 82 crores in the quarter.

**H.R. Gala:** To what extent were we covered under the... you must have reinsured or things like that...

**S. Sreenivasan:** This is net of reinsurance...Because in Chennai as I was explaining before most of the losses were retail losses from motor cars. There were about 5000 odd cars which were damaged. There the reinsurance element is not very high because it is a retail loss and well spread out.

**H.R. Gala:** Are we likely to receive some more claims in this fourth quarter also?

**Milind Choudhari:** Definitely not on account of Chennai floods as such basically because even if there are further losses, they will go to the reinsurance account in terms of the recovery, no impact will be on P&L.

**H.R. Gala:** My second question pertains to this life insurance, there have been that new guidelines which are coming about the expense allocation ratio between PAR and non-PAR so to what extent we will be impacted?

**S. Sreenivasan:** This guideline is a third draft...we still have to wait for the final guidelines. Having said that the draft came day before yesterday and we have not done a full impact analysis yet. But our initial reaction is it is better than the second draft.

**H.R. Gala:** But in any way our exposure to the participating policies is not very high as I understand, right?

**S. Sreenivasan:** As of now it is not high but couple of years ago it was higher so that particularly is not the problem. It's an aggregate amount allowed to spend as a company and they have given some three years' time also to comply with that.

**Milind Choudhari:** As far as the allocations in PAR and non-PAR is concerned, guidelines say that it has to be fair and the policy has to be approved by the board and audited by the auditors. In anyways our

allocation methodology is pretty fair between PAR and non-PAR, we don't believe that there should be any impact because of that on us.

**H.R. Gala:** Because I think some of the insurance companies who have got higher exposure to PAR they are shivering because there have been allegations that lot of expenses are getting allocated to the participating policies and these people don't get much return out of that.

**S. Sreenivasan:** No comment on that.

**H.R. Gala:** Another question pertains to how has been the treasury income in this nine months' period?

**S. Sreenivasan:** For which company?

**H.R. Gala:** I'm talking about life insurance.

**S. Sreenivasan:** Life insurance the shareholders profit which largely represent the income on the shareholders fund because the policyholder fund we get only the next surplus after investment will come and net off claims, expenses and everything.

**Ramandeep Singh Sahni:** If you want to know about investment income, on shareholders fund it has moved up to 550 crores compared to 471 crores, growth of about 18% which is in line with the AUM growth actually.

**S. Sreenivasan:** And in the General Insurance side there is 12% growth in treasury income and there is a very strong accretion to our AUM.

**H.R. Gala:** So this growth has come from basically the debt securities or equity securities?

**S. Sreenivasan:** Largely it is in debt securities.

**H.R. Gala:** Going ahead you see that the life insurance premium growth, etc., could remain muted as you said in reply to an earlier question even for a few more quarters, am I right sir?

**S. Sreenivasan:** That depends on how the macro evolves... for Life Insurance to be driven for high growth you need job creation, you need a higher salaries in the hands of people and you need more disposable income which in turn leads to higher savings and financial savings should attract more of that money. That was happening till about a couple of quarters ago but last quarter because of various events, stock market crash and all that there has been a temporary slowdown. We think if interest rates go significantly lower the attraction of alternative low risk investments like FDs and others will significantly drop in the customers mind. We think the conditions are favorable for life insurance to grow the next 3 to 5 years.

**Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Karan Singh for closing comments.

**Karan Singh:** On behalf of JM Financial I would like to thank Mr. Sreenivasan and the senior management team of Bajaj Finserv and all the participants for joining us on the call.

**S. Sreenivasan:** Thank you everybody.

**Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.