



“Cholamandalam Financial Holdings Limited
Q4 FY2019 Earning Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Cholamandalam Financial Holdings Limited Q4 FY2019 Earning Conference Call hosted by Axis Capital 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you Sir!

Praveen Agarwal: Thank you Janis. I would like to welcome everyone on this call. We have with us Mr. Sridharan Rangarajan, President and Group CFO of the Murugappa Group, Mr. S. Gopalarathnam, Managing Director, Cholamandalam MS General Insurance, Mr. Arul Selvan, Executive Vice President and Chief Financial Officer, Cholamandalam Investment And Finance, Mr. N. Ganesh, Chief Financial Officer, Cholamandalam Financial Holdings Limited. I would request Mr. Sridharan to take us through the key highlights of the results post, which we will open, the floor for Q&A. Over to you, Mr. Sridharan!

Sridharan Rangarajan: Thank you Praveen. Good afternoon to all of you and first of all thank you all for participating in the earnings call. To start with, let me touch few key highlights and then we will have a Q&A. I have pleasure with me to join in the call Mr. Gopalarathnam, MD of Cholamandalam Insurance, Mr. Arul Selvan, CFO of Chola Finance, Mr. S. Venugopalan, CFO, Cholamandalam Insurance and we also have Mr. Ganesh, CFO, our Holdings Company. I hope you had a chance to go through the presentation that we shared with you and I am also sure that you have gone through in detail in the presentation of Cholamandalam Finance that was shared on April 30, 2019.

So, first few updates, the name of the company is -changed from TI Financial Holdings to Cholamandalam Financial Holdings to reflect the brand of its subsidiary associates and joint venture. -CFHL has adopted Ind-AS for the first time in FY2019 for the preparation of standalone and consolidated financial statements in accordance -with the roadmap prescribed by the -MCA for NBFCs. The NBFC subsidiary, which is Chola Finance and Service Joint Venture Chola MS Risk have also adopted Ind-AS as per the regulatory requirement. The insurance subsidiary, which is Chola MS General Insurance continue to prepare financial statement under the I-GAAP.

They would adopt Ind-AS as per the IRDA guidance; however, Ind-AS financial statements were provided to the holding company for the purposes of consolidation by them. There is no significant financial impact of Ind-AS adoption in the standalone financial statements. Even though the stake in Chola Finance is less than 50%, it is treated as subsidiary under Ind-AS because of the defacto -control concept in Indian Accounting Standard, earlier it used to be treated as an associate under the I-GAAP. However, it continues to be an associate under the companies act. Ind-AS has significant

impact of the consolidated financial statements of the company with respect to financial instrument measurements, valuation, impairment and the recognition.

Now, I come to the standalone financial performance of -CFHL. The company's income consists of income by the way of division, interest and royalty for brand usage. For the year ended March 31, 2019, the company has made a profit before tax of Rs.70.91 Crores after providing for a tax for 4.38 Crores. The profit after tax is 66.53 Crores being a NBFC statutory reserve of 20% of PAT has been created. The consolidated results of the company consists of the results of Cholamandalam Investment and Financial Company Limited and Cholamandalam MS General Insurance Limited as their subsidiaries and Cholamandalam MS Services Limited as a joint venture.

At a consolidated level the revenue from operations for the year ended March 31, 2019 is 10926 Crores and a PAT of 1415 Crores. For year ended March 2019, the disbursement of Cholamandalam Investment and Financial Company Limited grew up 21% from Rs.25114 Crores to Rs.30451 Crores. Profit after tax grew up by 29% from 918 Crores to 1186 Crores. Asset quality - stage III as at the end of March 2019 was at about Rs.1439 Crores as compared to Rs.1476 as at the end of March 2018 a reduction of Rs.38 Crores. Stage III assets as a percentage, the total gross assets improved to 2.7% in March 2019 from 3.4% in March 2018.

Average ratio- for stage III has also improved to 38% as of March 2019 from 34.3% in March 2018. The capital adequacy ratio at the end of Q4 2019, was at 17.56%, Tier I being 12.57. During the year, the industry faced liquidity constraints due to restrictive supply of market funds despite the market – condition, the could obtain - - funds because of its balance sheet strength, asset quality, Murugappa Group backing and its effective banking relationship and deploy optimally. Further the company has been maintaining cash to support at least one month of disbursement. In case of Cholamandalam MS General Insurance Company for the year ended March 2019, the company achieved a gross return premium of Rs.4428 Crores registering a year-on-year growth of 8%.

Here, I would like to present three data points. The first H1 and H2 growth of Chola MS are for the year FY2017, 35% and 22%. For the financial year 2018, 46% and 18% and financial year 2019, which is the current financial year, which we are talking about H1 was negative 4% and H2 was positive 21%, of course overall 8%.

The second data point crop and fire insurance contributed to 21% in FY2018 degrew by 40% while rest of the products grew up by 14%.

The third data point, retail partners, traditional tighter channels and government contributed to 39% in financial year 2018 and that degrew by 10% while the rest grew up by 18%, so broadly we faced one gearing up to MSIP took sometime for us affecting H1 growth, two DHFL contributed to 180 Crores

to us in financial year 2018 and since they started their - insurance company the loss of business affected us though we started bringing new partners with effect this year. Going forward, this will be compensated.

Three, some of the Banca partners were in PCA, it is getting sorted out now and it will be better this year - FY2020. To a large extent, our H2 growth of 21% is encouraging and would get back to the higher growth this year. During the year combined ratio was 104.6%, this was largely contributed by higher TP component in the last two years, inflation in TP and crop clients of financial year 2018 and 2019 were far higher. Investment income for the year is 539 Crores and the investment corpus is around 7600 Crores. Retail has been the dominant growth strategy with motor and health insurance contributing over 75% of the premium mix.

Profit after tax reduced by 3% to 198 Crores due to the write off and provisioning made on certain investment for the full year. Cholamandalam insurance is working on a good strategy of a) improving the product mix within auto, b) improving the OD component, c) significant focus on health insurance, d) augmenting with channel partners aiming at agency and e) high digital focus. This will help insurance business to grow faster and profitable in the years to come.

Cholamandalam MS Risk Services, which is the third component for this consolidated financial, it is small, but Niche Company reported a profit after tax 3.52 Crores for the year.

With these comments, I would like to now open for Q&A. My colleagues, Mr. Gopalathnam, Venugopalan and Mr. Arul Selvan are here, so we will be able to clarify questions from you. Thank you.

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 Avinash Singh from SBICAP Securities. Please go ahead.

Avinash Singh: A few questions, the first one regarding your growth, now I understand and appreciate that what was the things going on with your distribution partners. Now I look in the FY2020, there are two things, one is that overall automobile based CV or the personal vehicles side the sales growth is not looking that bright and the second part of the TP side, where you portfolio TP dependent the regulator has not given any hike so far, and you are also looking on the other hand to cut or almost close on the crop side, so how are you seeing the topline growth in your Cholamandalam MS coming over FY2020 because on the motor we had challenges and on crop you are cutting so that is and also this motor price hike not been given, how is it going to impact the profitability that is one? The second one is particularly on IL&FS of course you have disclosed I guess, close to 170 Crores of exposure, what is the status of provisioning? Where we are provisioning and what is our expectation? So these are my two questions and another I will come as followup?

S.S. Gopalarathnam: Good afternoon Mr. Avinash Singh. Gopalarathnam here. On your first question, the drivers for growth of the year 2019-2020 in motor will be largely two-wheelers. We entered into two-wheelers in the second half and that is going to significantly add to the topline this year. I do agree that passenger car market is very sluggish, but at the same time we have a very large exposure in the commercial vehicles, tractors, school buses, where our presence is very widespread, therefore we do not get direct impact by the new vehicle sales, our presence in market renewals or market vehicles is quite high, particularly we have now more than 470 smart offices, which are procuring largely the market business, therefore I do not foresee much of a problem of growth in the current year, but month of April we have grown by almost 18%, so we hope that during this year our overall growth could be anywhere between 15% and 20%. As far as our motor TP is concerned it has a temporary issue. We hope that in another few weeks IRDA will make the announcement of price increase. As far as, IL&FS provisioning is concerned, we have made provision in the last fiscal and we are reviewing the situation and development during the current fiscal and we do not mind providing more if the situation warrants that is what we are really planning that.

Avinash Singh: So, what is the status of our provision, how many provisions we are made so far?

Sridharan Rangarajan: We have done about 25% at this stage and wherever unsecured 100% we have provided.

Avinash Singh: So, you have total 170 Crores here, is that book divided into secured and unsecured?

Sridharan Rangarajan: Yes.

Avinash Singh: Another quick one, you have provided that Ind-AS, GAAP to Ind-AS has sort of translated to some 2018 and 2019, if I see FY2018, of course you have given whatever sort of the impact we have come, but if I look at FY2018, your PAT in the Ind-AS is going down by some 40 Crores odd in FY2019 a sort of increasing if you were to, can you just help me understand the components, which is leading to this sort of volatility GAAP to Ind-AS in these two years?

S. Venugopalan: Actually, this represent movement of market value between the periods. Investments were classified into 'Held to maturity' (HTM) and Fair value through P&L buckets. In HTM, fair valuation is not routed through P&L but in case of bucket relating to FVTP, it is routed through P&L. Also the movement in market value in Equity is routed through P&L as per IND AS.

Avinash Singh: Thank you.

Moderator: Thank you. We take the next question from the line of Amresh Mishra from HSBC Mutual Fund. Please go ahead.

- Amresh Mishra:** Thanks for taking my question. Just wanted in context of the last question where you have mentioned about 15% to 20% growth, I just wanted to get your thoughts around solvency, because that has remained around about 160% odd closer to the 150%, so how do you look at solvency, will you be infusing more capital into the business because the 20% growth and if the ROE is less than 20% going ahead or we would be very close to threshold and this is in the context of larger peers who have like 200% plus solvency, if you can just throw some light as to how do you look at the mix of growth in solvency in your business, that is my first question and I will come back with couple of more questions.
- S.S. Gopalarathnam:** As I mentioned the growth plan for the next two years will anywhere between 15% and 20%, so we are thinking of bringing in capital at least before the second quarter and we do not want solvency to be the reason for affecting growth and therefore we will definitely try to bring in capital by Q2.
- sridharan:** I think both the partners are committed for this and I think both will not be constrained by infusing capital.
- Amresh Mishra:** In the context of crop insurance, which you just mentioned that in your opening comments that if was 21% crop plus something is in FY2018 and which is coming down, incrementally from a mix perspective, how do we look at crop insurance, do you see that coming down further in our total mix or there is a name around these levels, so just wanted some additional clarity in terms of like what you mentioned in terms of crop insurance, how do we look at it?
- S.S. Gopalarathnam:** We have exited crop insurance for the fiscal year 2019-2020. We have not renewed our contracts and we do not want to bid for any of the programs of crop insurance, whether it is Kharif or Rabi for the year 2019-2020, that means it will become 0, but having said that we are also developing retail crop insurance products, which will be some kind of top up over the government program, which will be economically priced and fully reinsurance supported and there is a company called MFI Guaranteed Weather. This company is in US. This is the part of Mitsui network and they are going to help us this year to evolve and develop retail crop insurance products, so in the long-term if at all we are present in crop insurance it will be a pure retail, not government programs, which essentially sits on top of a government program.
- Amresh Mishra:** Sir, just one more question, if you can just broadly give us in terms of mix in the motor OD and TP business, currently like what would be the mix between passengers two wheelers and CVs any numbers around that if you can just help us?
- S.S. Gopalarathnam:** See, the last year mix is not relevant because two-wheeler is getting added in a significant manner. We started two-wheeler from October, so we ramped it up to 1 lakh policies in March, and current year target is 2-lakh policies per month, so it has significantly changed the mix, of course we were

almost 60% commercial and rest 40% noncommercial vehicles, which will undergo change once two-wheeler comes in.

sridharan: As stated earlier the strategy is that motor is the significant part of the market, so now the question is that how we have to get into this market in a profitable way by changing the mix, region and also the profile what we are taking, so that is what Mr. Gopalarathnam was telling now the mix has changed and how it will become profitable in the years to come.

Amresh Mishra: Noncommercial, when you say what it would be, it would be 60% commercial we understand, but when you 40% noncommercial what it would be?

S.S. Gopalarathnam: In commercial we reckon essentially what is called PCCV and GCCV, passenger carrying commercial vehicle and goods carrying commercial vehicle, noncommercial will mean private cars, tractors, then category of miscellaneous vehicles, which is all the earth moving equipments, dumpers, pickers, etc., there are almost 53 categories of miscellaneous vehicles, and those kind of things.

Amresh Mishra: That is it from side. I have three more question, I will come back in the queue.

Moderator: Thank you very much. Next question is from the line of Bhavin Shah from Kotak Investment. Please go ahead.

Bhavin Shah: I have a few questions. One is from a industry perspective and our market share across various segments particularly in the health and motor OD, it seems that our growth has been quite muted and as you mentioned a bit on the distribution channel earlier in the call, if you could give us a little bit more colour into that and some understanding of what happened and what is our plan going forward for both of these?

S.S. Gopalarathnam: The first is, the MISIP regulation has been a major event that happen in the industry in the last 18 months and this was implemented from November 2017 where there was a cap on the intermediate and now for the first the time, the auto dealers became IRDA registered licensed entities. the first impact of MISIP was the discount level and due to which the pricing came down. because the intermediation payout levels were controlled before the dealers and OEMs were pushing for a higher discounts on motor OD, and that got implemented. In the first half of the year, the growth was impacted due to MISIP regulation but having said that as Mr. Sridharan mentioned that the second half on fourth quarter, particularly fourth quarter our growth rate came back to 30%, while the second half was 21%, Q4 was almost 30%, so we brought back the growth.

Bhavin Shah: On the distribution side, particularly Banca NBFCs, do we have any exclusive arrangements with any of them and particularly if you were to look at share amongst the various partners if you could give us

a sense on any large concentration with any of the banks or NBFCs for our business and any change in terms expected or ongoing discussions on that?

S.S. Gopalarathnam: If you look at the slide on current partnerships, which was given, most of the partnerships are open architecture where more than one partners are there except in two, one is of course part of Murugappa Group, which is Chola, where we are exclusive partner for all lines of business and in banks we have an exclusive partnership in IndusInd Bank. Other than these two by and large everywhere it is open architecture where two to three partners are there.

Bhavin Shah: And particularly IndusInd would be how large for us if you could share and any ongoing discussions are there regarding you know because somewhere the IndusInd wants to get into this by stake acquisition or some other form?

S.S. Gopalarathnam: See we renewed the contract IndusInd for the next five years last year, so up to 2023 for the first time in industry it is the first where the third phase of extension happened, so we are protected till 2023 as per the current contract and as far as currently the exposure IndusInd is between 18% and 20% and we expect that in three years time this concentration will come down to around 10% because of broad basing more such partners and also the growth of the SMO channels smart offices which is our channel, so proliferation of our more channels and growth in our channel always will add to reduce concentration risk on IndusInd bank for us.

Bhavin Shah: As a new contract is also exclusive with IndusInd?

Sridharan Rangarajan: Yes for the next five-year up to 2023.

Bhavin Shah: Yes, and two points related to distribution. One is do we have we got any tie up with Maruti now that was probably it above?

gopal: Yes Maruti we signed tie up and business is expected from June. Currently, the IT integration work discussions have started, so in the month of another 30 days we will complete the IT integration and June middle or so the business will start.

Bhavin Shah: On around competition a lot of trend we are seeing around digital part of the insurance. You have new firms like ACKO Digit funded and we are seeing a lot of online only kind of competitive intensity increasing. How are we looking at this and what is our thought to cope up with digital insurance companies?

gopala: Now we have setup two important divisions exclusive office center within Chola MS from April 1, one is Health Accident Travel, we call it HAT and the second one is Digital. Now digital is now becoming a separate SBU within Chola MS. Actually, April 1, we have moved into a SBU culture in

Chola MS. We have shifted from a functional organization to a profit center organization, so now we have motor, SME, commercial, health accident, travel, government and rural and digital, five SBUs in Chola MS. These SBU heads are profit center heads who will completely control business, underwriting claims, products, actuarial, IT and everything. Digital is very large piece and we are looking recently we are signed up with Mobikwik for a partnership with them. This is the second one to do after ICICI Lombard. So digital partnership is a large piece of our digital strategy. Digital we are looking at in four ways one is what we call D2C Digital to Customer, digital partnerships, digital renewals, and digital technology and interfaces with other functions within Chola MS so we are trying to look in three or four dimensions digital, it will become a large piece in the next three years, almost 10% of the business will come in digital in the next three to four years.

Bhavin Shah: On the P&L side couple of questions that arise. If you were to look at your claims ratios across segments especially relative to competition and to previous year I mean we do not have that data in the presentation but some sense from your side as to how the claims ratios have moved for us particularly relative to competition on various subsegments?

S.S. Gopalarathnam: See we will have the best claim ratios across all LOBs other than crop and motor third party. In every single line of business Chola MS claim ratio is measured as NIC/NEP will be the lowest and in crop last year we have almost provided 120% but we have a secondary reinsurance protection, which will stop our loss at 120% and motor third party because of our mix third party is almost 40% and because of that the weightage the loss ratio is high. Moto TP takes a higher share in the overall NIC/NEP of the company. So barring these two in every other line of business our NIC/NEP will be one of the best in the industry.

Bhavin Shah: Thank you, Thank you very much.

Moderator: Thank you. The next question is from the line of Pratik Poddar from Reliance Nippon Life. Please go ahead.

Pratik Poddar: Sir Couple of questions. One is in health if I were to look at your growth versus the industry we have been underperforming. Why is that Sir?

S.S. Gopalarathnam: We have got three segments. One is retail health, group health and government health. We are not present in government health. We are not present in group health. Group health we do very limited just to satisfy our Japan-Korea customers because we are giving a bouquet to them and commercial customers we almost away from group health. Group health has got a very poor loss ratio track record and we do not want to waste our time in dressing it and burning underwriting profits, so our presence is largely in retail and therefore the overall ratio of health seems less. Even though I mentioned that we have setup a separate division from April 1, HAT whose main job is to really take the retail health

to a next level largely focusing on the agency, we have a very strong bancassurance in retail health, but now we are really going to grow very significantly in the agency channel and that will be our future growth engine as far as the health is concerned in addition to the digital channel.

sridharan: It will be a renewed focus on health. We would develop products, digital processes and also the retail network. I think we will see this benefit in at least the next three years to come. They would behave as if it is an independent company but under the umbrella of Chola MS.

Pratik Poddar: That is good to hear. Just one small question over here is it fair to see like even in the retail health part, we have been underperforming when it comes to the growth seen in standalone health insurers, so going forward with this renewed SBU kind of a structure you would likely be more aggressive in this segment or would like to be more aggressive in the segment and have higher growth?

Sridharan Rangarajan: Correct. I think what Mr. Gopalathnam said is that I think our concentration today is largely health insurance through Banca, retail is very less, and that is what we are changing this strategy. We will continue to have Banca as one of the key partners to grow with this business but retail will be the biggest focus and you will see that happening in the years to come.

Pratik Poddar: Understood. That could be fair. Sir second is if I were to look at your PPT and the channel wise performance, OEM channel is just I mean in the last four, five years, OEM channel has just not grown, in fact it is flat, why is that so, which has to give you significant revenue generator?

S.S. Gopalathnam: Actually OEM channel to be very honest till two years back they were not profitable because of very large payouts to the dealers and also the large loss ratio, but having said that last year we took a rejig in our strategy where we saw the coming in of the long-term policy from IRDA and felt that if we are not in the OEM channels then we are blocked for three years in private cars and five years for two-wheeler, so last year we saw that even six months ahead of September 2018, i.e. in April itself we started kick starting our OEM enrolment programs. Actually last year we got into Hyundai tie-up and also Tata passenger car tie-ups, but from October onwards on the two-wheeler five-year policy came, we started doing two-wheeler strategy in a big way. On coming of long-term policies made us realize that you must get into OEM and stay in the market for three to five years of the new vehicles segment. As I mentioned earlier, we are into Maruti tie up now and the business is likely to commence from June 2019 which would strengthen the OEM channel.

Pratik Poddar: Just once more clarification. What is the retail government channel? I am not aware of it. How do you define retail government channel?

S.S. Gopalathnam: Retail government is largely crop insurance.

- Pratik Poddar:** Sir as you said that your intention is not to underwrite crop, but if I were to look at the numbers of March, unfortunately April numbers are not out. In March I see some bit of crop writing undertaken by us, why is that so?
- S.S. Gopalarathnam:** See all these are already contracted crop insurances. What I am saying on the exiting business going forward. we are exiting from Kharif 2019 and Rabi 2019 that is what we mean by exiting. You know the crop insurance operates in two seasons, Kharif and Rabi.
- Pratik Poddar:** So next season onwards you are out of crop?
- S.S. Gopalarathnam:** In 2019, we have not bid anything in Kharif and Rabi 2019. There is still some carryover premium even this year we may account some 20 to 25 Crores because reconciliation's are going on with various states in terms of money deposited and things like that therefore this first quarter also there could be some spillover accounting to the tune of Rs. 20 to 25 Crores but then they are all Rabi 2018 spillovers, but Kharif 2019 and Rabi 2019 we are out of crop.
- Pratik Poddar:** Sir just to understand you talked about two years ago OEM channel not being profitable and now with the introduction of three and five years to be relevant in the market you have to go into the OEM channel, but does that mean that this is at the cost of profitability?
- S.S. Gopalarathnam:** We have a continuous challenge to grow our book as well as stay profitable. This cannot be that you are doing one at the cost of another. It has to go parallel. We must have some reasonable presence. Also we must be profitable. Particularly in a scenario where all the new cars are going to be done by the OEMs in the new MISP regulation and those new cars are going to have three-year insurance bundled along with a new car sales and two-wheelers new vehicle bundled with five-year sales, there is no way you can stay away from this and that is the reason why we wanted to get into. It is not true that we did not have any OEM relationships earlier. We had Toyota, we had Ashok Leyland, Nissan, few other OEMs, Eicher, Mahindra we were there, last year we added Hyundai, we added Tata, we added Maruti now so that we are across the cross section of OEMs both in the passenger vehicles and commercial vehicle space.
- Pratik Poddar:** But is this ROE dilutive in the sense I mean obviously you have to balance, I understand but like this as of matter of philosophy when you try to underwrite products, what is in the back of mind is it ROE which is governing it or it is growth, what takes precedence of the report?
- Sridharan Rangarajan:** I think it is balance of both. I think that is what Mr. Gopal said. You know in a bouquet of products, region, channel all these would contribute to achieving this balance, growth. We would like to have a profitable growth and that is the aim of the company and we will consider all those elements to that.

- Pratik Poddar:** Is it fair to assume that are we are talking about profitable growth that in the next two to three years when it comes to combined ratio, we could head towards 100% and then eventually lower than that?
- Sridharan Rangarajan:** I am not sure, next two years, but I think we are progressively going towards that and it is not just going there but we need to sustain there, so I think that is what we are trying to really aim for, but the numbers, the years that you are telling is definitely not the one that we should really aim for but I think we will be close to that.
- Pratik Poddar:** That is wonderful to hear. Last two questions, one of your PPT for two-wheelers there is no mention of which auto OEMs we have tied up with so maybe if you could mention that and second is out of your Banca channel how much would be IndusInd and how much would be Chola Investment and Finance?
- Gopal:** As far as two-wheeler is concerned, our strategy is slightly different in the sense there we are not looking at the OEM tie ups has a root to grow two-wheelers largely because some large OEMs have left it free to the dealers to operate. Secondly, the two-wheeler market is also organized in a very different manner where the OEMs do not control much on the dealers across the entire geography of the country therefore leveraging on our SMO channel, we are tying up with the local dealers, so that the servicing can be done locally by our smart offices and that is a unique position we are taking as far as two wheeler is concerned. Actually we are doing very well. In the month of April we have done as much as 30 Crores in two-wheeler, which is largely contributed by the SMO channel in a very big manner?
- Pratik Poddar:** Sorry what do you mean by SMO, smart offices?
- Sridharan Rangarajan:** Smart offices yes.
- Pratik Poddar:** So you are tying with renewals or basically you are saying that you are more dealer focused rather than vision focused in the sense you would not go to every dealer and then kind of increase their mind share and presence with MS, that is the way you are going?
- S.S. Gopalarathnam:** We could not hear you well?
- Pratik Poddar:** What I was asking is the strategy in two-wheelers is it more dealer wise as in every dealer you are trying to go and explain your value added or concept and then take market share within every dealer and have more mind share, that is way you are going rather than the OE way?
- S.S. Gopalarathnam:** Yes correct.

- Pratik Poddar:** That is good to hear. If I may also ask how much would be our long-term book now, in the sense long-term third parties, two wheeler book how much would that be?
- S. Venugopalan:** I think it is just building. It is too early to share these data. as you know this is the scheme, which IRDA has just announced so everyone is working towards that.
- Pratik Poddar:** The question on Banca how much would be Chola Finance and how much would be IndusInd?
- S. Venugopalan:** I think we earlier shared. IndusInd is about 18% to 20% and Chola is around 10% of the total premium..
- Pratik Poddar:** Sir IndusInd would be mostly focused health. It is fair to assume?
- S. Venugopalan:** No both Chola and IndusInd are vehicle lending institution so obviously in motor would be the large piece.
- Pratik Poddar:** Thank you.
- Moderator:** Thank you. Next question is from the line of Shiva Kumar from Unifi Capital. Please go ahead.
- Shiva Kumar:** Thank you for the opportunity. Sir just to reiterate the growth guidance in the premium you said you expect to grow by 15% to 20% this year instead of going slow in the crop insurance, right?
- Sridharan Rangarajan:** Yes.
- Shiva Kumar:** What is the segment, which should make up for the absence of crop insurance?
- Sridharan Rangarajan:** It would be largely the new entry into two-wheelers plus health, accident and travel and more in the property business.
- Shiva Kumar:** Sir this year the combined ratio had spiked up to 104.6, so you said crop chem source was one aspect, which led to that and you also said higher TP component, can you explain how higher TP component is leading to a higher combined ratio?
- Senugopalan:** The Loss Ratio increase is the main component of the combined ratio spike which went up from 72% to 76%. As mentioned earlier, due to higher mix on TP, increased loss ratio on crop are the main two reasons for loss ratio spike.
- S. Venugopalan:**

- Shiva Kumar:** Sir what are the sources of capital raise that you are planning in Q2? Will you be calling for equity from the shareholders?
- Sridharan Rangarajan:** Yes, Both the partners will take the call. we have an excellent JV partners and both of them will take a call.
- Shiva Kumar:** Any plans of making MS Chola Insurance public Sir?
- Sridharan Rangarajan:** No such plan so far in the near future..
- Shiva Kumar:** Sir the status of the health insurance arm, which you have started last year, what is the progress in terms of operations and capitalization?
- S.S. Gopalarathnam:** I think Sridhar mentioned it, the strategy is to create a separate division within company. As I mentioned, we created a new division from April 1, we will operate as though it is a separate company, but it is within Chola MS, so the plan be there would be any separate health insurance company.
- Shiva Kumar:** It will be taking care of all the retail health business, which MS Chola was doing all the while, right?
- S.S. Gopalarathnam:** As a division anyway it is within Chola MS itself.
- Shiva Kumar:** Thank you Sir.
- Moderator:** Thank you Sir. Next question is from the line of Bhavin Shah from Kotak Investment. Please go ahead.
- Bhavin Shah:** You mentioned the growth expectation from two-wheeler. One of the expectations from the industry is electric two-wheelers are expected to gain a significant market over the next few years. Are we kind of there to tap that opportunity?
- Sridharan Rangarajan:** Is it a two-wheeler or electric car?
- Bhavin Shah:** It is electric two-wheeler?
- gopal:** Yes, see two-wheeler is two-wheeler whether it is electric or petrol or diesel. If the OEMs are selling, if the dealers are selling, we are there. We just to piggyback on the dealer who sells the two-wheeler and then we are there to give the protection requirement for the two-wheeler buyers. Having said that and the motor technical claims will have to necessarily get more training in the electrical vehicle compared to the diesel or petrol vehicles so that will be able to service them properly from claims

side. , Hence, we will be making claims department more alert and aware in terms of the technical aspects of claims management in electric two-wheeler. That is an effort, which we will do from the company, but from a business point of view, definitely we will follow the market.

Bhavin Shah: One last question the investment book, do we have any large exposures, which could have any negative surprises like IL&FS, and quantum thereof is there is any?

sridhar: I think as of now by and large IL&FS is a thing which is you know everyone is worried about and I hope once the new government comes there will be some kind of resolution because it is such a too big animal so which has to be resolved properly and I think that is something, which is worrying all of us. I think a positive resolution will really help the industry in particular and both banking and nonbanking as well as the insurance industry.

Bhavin Shah: Actually the question was I mean are there any other such large exposures, which could be under the watch list because we have seen in the recent past right from Essel Group to your DHFL?

Sridharan Rangarajan: We do not have exposure in Essel Group. but I think we are mindful, we are recalibrating our investment decisions, we have put in more filters in terms of investment, but nevertheless given the constraint of what IRDA Investment Regulation tells you have very limited choice to make in terms of where to invest but having learnt the story from IL&FS, we are becoming more and more prudent and careful, so that a learning from that.

Bhavin Shah: What would be yield on the existing investment book right now?

S. Venugopalan: about 7.9%.

Bhavin Shah: And one last question is I mean you know you have capital raise coming in next quarter or two, but finally at a holding company level, what is the thought process to kind of unlock value for shareholders between we have two big entities Chola's, NBFC and the insurance. What has been the thought process right now from management perspective to unlock some value there?

Sridharan Rangarajan: Bhavin, we have not two, but four. There is a home loan book, which is would like to take it to the next level and similarly home insurance book, which we will take it to the next level in insurance, so we are aware of this and we would like to do the best to the shareholders and we will make sure that if the funds are made available to these companies which are making really good growth as well as profitable growth. At the same time, we will also look at how to unlock value so I think the point here is that first our aim and endeavour is to support the growth for all the businesses that CFHL holds and the next is to see how to unlock the value in times to come.

Bhavin Shah: Thank you so much.

Moderator: Thank you. We take the next question from Pratik Poddar from Reliance Nippon Life. Please go ahead.

Pratik Poddar: Just one small question in terms of the capital raise, how do you plan to fund it, in the sense would you use the standalone balance sheet or do we have enough cash on standalone balance sheets to fund the upcoming capital raised by Chola General Insurance?

Sridharan Rangarajan: No, I think as I said in the previous question, in fact I think we have standalone strength but we will also see wherever it is required we will augment the fund raising within the parent company and there are multiple choices that we can exercise.

Pratik Poddar: But there will be no dilution at the holding company level?

Sridharan Rangarajan: I do not think so.

Pratik Poddar: Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was last question today. I would now hand the conference over to Mr. Sridharan for his closing comments.

Sridharan Rangarajan: Thanks. One key thing that we would tell here is that we will have this call continued at least twice a year and obviously you guys can reach us out. We will improve this communication that we have from CHFL. I think we have two strong companies both Chola Finance is galloping and doing at a great speed as well as profitable. We have done wonderful things in terms of this tight liquidity situation they have done a great job. At the same time, Chola Insurance I think but for an aberration of the first half of last year, I think it is one of the finest profitable insurance companies and I think it has got you know re-chartered their growth plan and I think we will share more as we progress in the next two years, but I can tell that you know it has in store a lot of good actions and we will have greater results to come in the coming years. With that I think wish you all the very best and thanks a lot for participating. Bye.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited we concluded this conference. Thank you for joining. You may disconnect your lines now.