"Cholamandalam Financial Holdings Limited
Q2 FY2022 Earnings Conference Call"

November 09, 2021

ANALYST: **MR. SANKETH GODHA – SPARK CAPITAL ADVISORS INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. SRIDHARAN RANGARAJAN – DIRECTOR – CHOLAMANDALAM FINANCIAL HOLDINGS LIMITED**
MR. SURYANARAYANAN V – MANAGING DIRECTOR – CHOLAMANDALAM MS GENERAL INSURANCE COMPANY LIMITED
MR. S VENUGOPALAN – CHIEF FINANCIAL OFFICER - MS GENERAL INSURANCE COMPANY LIMITED
MR. GANESH N – CHIEF FINANCIAL OFFICER – CHOLAMANDALAM FINANCIAL HOLDINGS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 earnings conference call of Cholamandalam Financial Holdings Limited hosted by Spark Capital Advisors India Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanketh Godha from Spark Capital Advisors India Private Limited. Thank you and over to you Sir!

Sanketh Godha: Thank you Steven. Good morning, everybody and welcome to Cholamandalam Financial Holdings Limited Q2 FY2022 results call. To discuss the same, we have on the call Mr. Sridharan Rangarajan, Director, Cholamandalam Financial Holdings Limited, Mr. Suryanarayanan, Managing Director, Cholamandalam MS General Insurance Company Limited, Mr. S Venugopalan, Chief Financial Officer, MS General Insurance Company Limited and Mr. Ganesh N, Chief Financial Officer, Cholamandalam Financial Holdings Limited. May I request Sridharan Sir to give his initial remarks post which we can open the floor for question-and-answer session. Over to you, Sir!

Sridharan Rangarajan: Thank you. Good morning to all of you and I hope you all had a Good Diwali celebration, and you are doing health wise fine. I will just give a quick overview and then we will open up for questions.

As a customary one, I wish to state that we consolidate Cholamandalam Finance, Chola Insurance and Chola MS Risk and purely the consolidated is looked at it from Ind-AS point of view and that is how the consolidation works.

I will cover the standalone financial performance of Cholamandalam Financial Holdings. For the quarter ended September 2021, our company received final dividend of 26.1 Crores from Chola Finance and after considering the finance cost and other expenses, the PBT is 25.19 Crores. The consolidated results of the company consist of as I said Cholamandalam Finance, Cholamandalam MS General Insurance and Chola MS Risk, it consolidated level for the quarter ended September 2021, the revenue increased by 2.4% to 3,583 Crores as compared to the corresponding quarter of the previous year while the profit after tax increased by 29% to 652 Crores primarily due to the reduction in impairment charge in the financial instruments.

Chola Finance was able to capitalise on the favourable trends in the external environment, the waning of second wave increase pace of vaccination and good monsoon led to the expectation of swift revival in economy, this was supported by uptrend in economic indicators like tax collection, power consumption, vehicle registration, highway toll collection and e-way bills etc. The economic revival has led to a sharp recovery in Chola's disbursement and collections in Q2 FY2022.

Disbursements were up by 35% compared to Q2 FY2021. PAT for the quarter ended September 30, 2021, is to Rs.607 Crores compared to Rs.432 Crores in the corresponding quarter of the previous year, registering a 40% growth.

Assets under management remained flat at about 75,063 Crores as at September 30, 2021, as compared to 74,471 Crores as at September 30, 2020. CIFCL's Asset quality as at the end of September 2021 represented by Stage 3 assets stood at 6.16% with a provision coverage of 36.45% as against 6.79% as at June 2021 with a provision coverage of 35.51%.

The restructuring book stood at 4,749 Crores as of September 2021. The capital adequacy ratio as at the end of Q2 was 19.53% against the regulated requirement of 15%.

Chola MS General Insurance registered a GWP of 1,304 Crores in Q2 FY2022, an increase of 11% over corresponding quarter of the previous year driven by increase contribution from new channels and growth in commercial/SME segments.

The company-maintained leadership positions in Motor LOB in Tamil Nadu and Chhattisgarh while regaining it in AP and Telangana. In spite of the increase in GWP in Q2 FY2022, COVID claims to the extent of 66 Crores and accelerated amortization of deferred acquisition cost to the extent of 139 Crores of which normally we would have absorbed Rs. 18 Crores resulting in net impact of 121 Crores, which resulted in the drop in profit before tax by 46% to Rs.52 Crores.

During the quarter, the company received resolution plan-based settlement of dues from DHFL to the extent of Rs. 75 Crores resulting in a surplus over the provision of 38 Crores and the company has made additional provision to the tune of 22 Crores in ILFS and Reliance Capital. The net carrying value of the stress investment Stage 3 is only 12 Crores as September 30, 2021. Solvency as at September 30, 2021, is 1.77 times after considering the disallowance of 166 Crores of tax paid towards contingent tax liabilities, as per IRDA circular requirement.

Chola MS Risk Services is a small but niche company reported a profit of 1.12 Crores as against 0.26 Crores in the corresponding quarter of prior year.

Overall, we feel that the Chola MS General Insurance's most of the pains are already completely addressed and is accelerated amortization of prepaid expenses will result into some more pain in H2. We would fully recover and with that I think we will be behind with all the issues. In fact, the years to come will start giving much more benefit because we are taking all these accelerated absorptions in one year.

I would leave with Mr. Surya to cover that in much more details as you go through in Q&A. Thank you and we will open up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity. Just had couple of questions, one is what is the wanted to reclarify on the COVID claims, in last quarter you mentioned was 146 Crores in Q1 but in this quarter you acquired is **do** we cannot find the number if comes around 200 Crores in Q1, so if you can help me understand?

Venugopalan: In Q2 the COVID product specific was Rs. 54 Crores and non-COVID general product covid claims was to the tune of Rs. 12 Crores, total is 66 Crores is the COVID impact in Q2.

Devansh Nigotia: 146 Crores is Q1 and then we mentioned that it was 200 Crores, so how does this difference come, you can just throw some light on that?

Venugopalan: As I mentioned just now in Q2 overall 66 Crores of impact out of the COVID last was broken into two parts, COVID specific product and COVID general product losses. In H1 it was Rs. 262 Crores out of that 195 Crores comes from the specific product and 67 Crores comes from the general products, totaling to 262 Crores,

Devansh Nigotia: 146 Crores in Q1 that is what you mentioned in last quarter?

Suryanarayanan V: Yes, 141.5 Crores of Q1 under COVID specific product. That has come down to 54 Crores in Q2.

Devansh Nigotia: Okay, basically if I adjust it for our profit for IVR 16 Crores and if I do a net tax adjustment for COVID claims and the deferred acquisition then the PAT comes in the range of I think around 210 Crores, so I mean if you can just help me understand and one more thing so we mentioned that there was a write back of 38 Crores for DHFL and then again there were further provisioning for IL&FS so if you can help us understand that as well?

Suryanarayanan V: On the DHFL side, we received 75 Crores as mentioned by Mr. Sridharan in the opening remarks out of the 157 Crores of exposure towards DHFL we received resolution plan based settlement of Rs. 75 Crores in the form of both Piramal Housing Bonds and cash component, and the surplus of Rs. 38 crs was credited to P&L during this quarter. We have provided 22 Crores additional provision towards Reliance Capital and IL&FS, Reliance Capital 100% we have provided now and IL&FS only 12

Crores we are keeping as carrying value on that, so net and net effect of it 38 Crores minus 22 has flown back to the P&L.

Devansh Nigotia: Okay and so if you look at the normalised PAT I mean if it is significantly higher than what it has been historically, so what are the key two to three things that we see because now even the activity is back to normal, so if you can just throw some light on how this profitability has changed structurally adjusting for this one half?

Venugopalan: **Yes you are right.** I have already mentioned there are two one off impacts during this year, one is the Covid losses and another is the absorption of opening prepaid expenses as per IRDAI direction over the year. However, there are one off benefits in the form of lock down benefits in OD and TP which help in reducing the impact. In the next year, the benefit of such absorption will flow. **Suryanarayanan:** Just to intervene here, on the lockdown related benefits company has stayed conservative and the benefit is recognised through the year, so some level of benefit will flow through right through H2 as well.

Devansh Nigotia: In case of motor TP, if you look at the claim ratio this quarter was 62%, historically that run rate if I go back to pre-COVID level is 90%-95%, so considering that the level of activity in September was back to normal what we see everywhere around and there was also no price increases that had happened, so if you can help us understand how this claim ratio has actually moved in this quarter and how should we look at it going forward?

Suryanarayanan: Yes you are right that activity levels have picked up and you would have noticed that even in terms of the Motor OD loss ratios, the loss ratios have gone up reflecting the higher movement of vehicles and the consequently, the accident levels. However, with respect to Motor Third Party our normal reserving continues at the same level considering the lack of any price increase for the last two years but there is a frequency benefit that we have been seeing in our historical reserving of which a portion is being now considered. This benefit will continue right through the year but the incremental provisioning that we are making with respect to the current underwriting year, factors in adequately the element of non-receipt of any price increase.

Devansh Nigotia: Okay, so there have been few reversals in the claims which is at 62%-63% as against the normal run rate is that is the understanding and that will continue for this year as well?

Suryanarayanan: Another element is that you should have noticed that the portfolio mix is changing continuously. It is going more in favour of two-wheelers and cars and less from commercial vehicles which also has its affect in shaping the Motor Third Party loss ratios.

Devansh Nigotia: Okay and if you look at our health insurance book if we exclude the specific COVID policy that was sold, how would you give a direction on the growth that has been in FY2021 and in Q1 and Q2 FY2022?

Suryanarayanan: Even if you had to look at the health claims intimations, we have seen a steady reduction through Q2; July continued to be high arising from the lag affect but as we go along in August and September, we have seen continuous reduction in the intimation levels which is only pointing out to the fact that the frequency in health claims is reverting back to earlier pre-COVID levels. The average claim size in health has also reduced from last year's level and Q1 levels primarily because of the COVID level of treatment costs have not recurred. Of course, there is a trend of deferred elective procedures that we are seeing by way of say cataract related or any surgical procedures etc. Those elective procedures have been opted by customers now which was not so much the case say perhaps in the last two to three quarters but still we are seeing the overall average going down.

Devansh Nigotia: Actually my question was more on the business growth and premium growth in health products than the claims on health products, so what has been the business growth if I excluded for COVID specific health policies in FY2021 and in Q1 and Q2 of FY2022 and also if you can elaborate on how have you been revamped the whole strategy on health or are we operating in the similar way, the kind of product launches that is happening and some soft points on how the business is actually shaping up?

Suryanarayanan: Adjusting for the COVID related products sale that was there in corresponding Q2, our health business has grown by about 15% in this Q2, so that is the volume adjusted growth, which is perhaps still lower than what the industry is seeing. There are a few corrective measures that have also been put in place. To begin with, we have launched a new product Sarva Shakti which is oriented towards women, you will start seeing more of this product in the days to come. we have expanded our POSP network during this quarter as well. Then there is also some sort of team change that has happened during this quarter.

Devansh Nigotia: Okay and what are the changes, who is heading this business right now background of the health insurance if you can just throw some light?

Suryanarayanan: We operate our Chola Insurance express outlets. The person who was heading the Chola Insurance express outlets is now being brought in from September as the head for the health business for bringing in greater synergy with all the 470 offices plus that we have been operating on the CA format. We believe that this should help in penetrating the market on the heath front as well, we have done it in motor

Devansh Nigotia: Thanks a lot Sir. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: I have a small clarification, if we look into the slide number 50 in the presentation, we see the loss ratio mentioned is 74.9% for H1 FY2022 but if we look at page number 52, the loss ratio overall mentioned is 80.6%, there is discrepancy in the number, if you could just wondering why is it so?

Suryanarayanan V: 74.9% is right Sanketh.

Sanketh Godha: Okay, no issues Sir and just on the deferred acquisition cost again clarification, 138 Crores which you mentioned in the press release, is based on Ind-AS, if I do I-GAAP accounting then what you have provided in the current quarter, is closer to 81 Crores to 82 Crores, right Sir?

Venugopalan: 82 Crores yes, 82 Crores of opening balance, there are two elements to that, one is the opening balance amortization, second is the new long-term balance that is there**,** 82 Crores what you are saying is the opening balance.

Sanketh Godha: And the rest amount is for what Sir?

Venugopalan: New long-term policies written during the Q2.

Sanketh Godha: Okay, so basically 138 Crores if I break it down, 82 is for the opening balance and the rest is towards the new business what you have written during the quarter, right Sir?

Venugopalan: Yes, Sanketh.

Sanketh Godha: Okay. That is it from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Sir, just one question, may be if you can talk a bit about how much of the opening balance is left on the deferred acquisition cost side and when do we see this basically going to down to zero and the impact on future profitability once this becomes zero, that is question number one?

Venugopalan: The opening balance of the prepaid expenses towards long term policy is 326 Crores as of March 2021. As per IRDA letter, we have to fully amortize this in one year period, so by the end of the year, the entire opening balance of 326 Crores will be taken to the P&L, so we have taken in the half year 163 Crores a proportionate amount, remaining 163 Crores will be taken to the P&L in H2, so by the end of the year it will be nil. Also the new long term policies written during the year will also be fully absorbed and there will not be any prepaid costs any more;.

Sridharan : Yes, the impact of the opening balance in the next year will not be there, if this will have an impact of depending on the policies duration, so in the next two years to three years definitely the benefit will be there almost 70% and the remaining in the next ten years, some of the policies are running beyond ten years also so it will taper off. On the new long-term policies, next year onwards any new long-term policy is written that will fully get absorbed into the P&L.\

Suryanarayanan: So, Prateek to an extent what we have to bear in mind is that the pace of growth will determine the benefit that will flow. As we step on the growth level, the absorption level will have to be immediate, so to that extent, yes that impact would stay but from the one time absorption that we are doing, the benefit will easily flow over the next two years to three years because most of the costs are on long term product relating to health, personal. Venu, if you can give an idea of the amount.

S. Venugopalan: First three years to four years 70% of that will get the benefit, out of the 326 Crores, so we can clearly see as around 60 Crores to 70 Crores benefit comes in the form of every year on year benefit.

Sridharan: Roughly, about 75 Crores to 80 Crores per year will be the benefit for the next two years.

Prateek Poddar: Just to clarify these long-term policies are only Health and PA or it includes even motor?

Venugopalan : It includes motor in terms of the long-term 5/3 years in case of the two wheelers and cars. Cars is lesser and there will also be businesses like dwellings which today is capped at ten years in addition to Health and PA long term businesses.

Prateek Poddar: Secondly, you touched upon this but to clarify when you talk about the three measures in terms of introduction of new products increasing your POSP network side and team changes can we expect that the Health business which has underperformed in H1 versus the industry in terms of growth coming back and outperforming?

Suryanarayanan: Definitely, yes we do expect to have much stronger growth on the Health business in H2. Both from the attachment business as well as the retail business both are definitely looking up, we are seeing the uptick. We should see much better volumes in the subsequent periods.

Prateek Poddar: How much challenge with perspective we have seen with our own captive channel has been quite subdued with disbursements normalizing as we have seen can we expect that that channel will come back again and in H2 we can see faster growth from that channel?

Suryanarayanan: Captive channels have been growing in the first half in the backdrop of cars and two wheelers, commercial vehicle sluggishness continues and areas of traditional strength like school buses and others still have not picked up. But then I do not see big improvement in these areas in Q3. Q4 when again schools open in full rather than being optional which is the situation presently, I do see that the opportunity going up there and to a larger extent when the commercial vehicles volumes which has been the main driver of the CIE comes back , the growth will be higher. But even otherwise the CIEs have grown during H1 and more particularly in Q2.

Prateek Poddar: On your long-lasting channel is the IndusInd Bank channel it has degrown in H1 versus last year H1, any specific reason?

Suryanarayanan: It is largely due to the commercial vehicle sluggishness and due to their own other inherent tightness with reference to NPA management which is what in fact their management has also talked about in their call. This situation more collaborates with the lower growth of their commercial vehicle portfolio.

Prateek Poddar: When do you expect the DHFL/Piramal channel to start coming back because that was the substantial channel before DHFL got into trouble for us. When do you expect that is it FY2023 is where you expect them to come back and contribute meaningfully to group?

Suryanarayanan: Chola MS had DHFL as its corporate agenct prior to their problems. That corporate agency agreement still subsists and in fact has been extended by the new management for a year. We should be in discussions with the new management for relaunch of the products.

Prateek Poddar: Any growth from that channel will come only next year or we could see something in Q4 also?

Suryanarayanan: First, we have to agree on the products, the structure and all of that, but I do suppose that it can begin as and when we complete the discussions, and they also start lending, We do not really have to wait until April. We would like to certainly recommence that part of the business at least from January.

Prateek Poddar: Many congratulations on diversifying motor leads from what we were traditionally, one of the other strategic pillars are also to overall diversified line of business mix type. When do we see that health and other lines of businesses which is PE, commercial, etc., are slightly having a higher share within our overall mix and dependence on motor overall reducing?

Suryanarayanan: Yes in motor it is more pronounced with the strong shift towards cars and two wheelers and the reduction in dependence on commercial vehicles. If we look at the other lines of business even the fire line of business, we have been growing at a rate faster than the industry. For instance, in the fire line of business our growth is at about 12.2% as against the industry growth of 7.6% of course it is on a smaller base but then that thrust continues. we are seeing the business both on the Indian commercial corporate front as well as the bank assurance led volumes contributing fairly strongly and even in the other commercial lines, the non-fire lines we have been growing fairly well. Our growth in Q2 was at about 18%. So, those lines have also been growing. Health is the piece where hopefully in H2 we should be able to take it up on par with the industry growth which will mean that on an overall we would have successfully diversified and more importantly we are now getting Chola MS back on the growth path. In Q2 our growth at 12% was higher than the industry growth of 10.7% and this has to be seen in the context where Chola MS does not participate in one-third of the industry, which is largely crop, the government related health as well as the employer–employee group. We do not participate on one-third of the industry, in two-thirds of the industry is where we operate and yet we have a growth rate higher than the industry growth. Clearly, we are on the growth path and even October has been a better month where we had a growth of 15% plus of course industry numbers are awaited, they have not yet come in fully. But we do hope that we will be continuing to grow higher than industry.

Prateek Poddar: Within this growth the diversifying will continue in the sense that growth will be faster in health and other lines of businesses versus motor?

Suryanarayanan: Yes.

Prateek Poddar: From a medium-term perspective how should we think about as you embark on this growth plan? How should we think about as you embark on this growth plan; how should we think about loss ratios and combined ratios?

Suryanarayanan: On these loss ratios, especially in the motor own damage can be an area of pain as we go along because of the competition that is prevalent. But then what we will have going in or favour is the blend of business. Naturally the loss ratios in commercial vehicles are higher and which is where our changing mix is helping. In Motor Third Party as I mentioned earlier the industry very badly needs a price revision and hopefully, we should be able get it at least from April 2022 that should help bring the motor loss ratios under control. Health of course after the pounding that the industry has taken with respect to COVID claims of over Rs.30000 Crores that cumulatively has been paid, we will certainly look for some respite from the regulator either in terms of one time price correction permission of products or some other leeway in fact the industry has been talking of some subsidy from the government relating to health which is what is there even in the papers today. Otherwise, we do believe that the property and other lines are in control, we should be able to the mix of business changing mix and as the bundle business which are traditionally better in terms of loss ratios start getting activated. We see that the loss ratios should stay under control on an overall basis.

Moderator: Thank you. The next question is from the line of Ameya Karambelkar from Kotak Investment Advisors. Please go ahead.

Ameya Karambelkar: Thank you so much for the opportunity. I had a few questions, firstly on motor OD if I look at our loss ratio in that segment in FY2020 essentially prior to the COVID outbreak that was at 61% mark and now in the second quarter we are at 69% odd mark and as you said that there seems to be some pain in that particular industry. Directionally, just wanted to get a pen is it ever likely that we will go back to those 60% - 61% levels or will the loss ratios here continue to remain elevated. That is question number one. Secondly, on motor third party again prior to the COVID outbreak we were from a loss ratio perspective at the 90% odd mark and I understand that we will continue to see some releases in provisions for this year but from a more medium two year to three years perspective at what range can those loss ratios settle? I mean will it be in the early 80% range or 90% plus range, if you could give some colour on that that would be tremendously helpful? Thirdly, from an overall combined ratio and ROE perspective do we have any medium-term aspirations that you can call out because prior to the various issues that clicked us in the past couple of years we were operating at 100% - 101% combined ratio mark. Can we look to get there in the next couple of years that would be very helpful if you can comment on that? Thanks.

Suryanarayanan: The first question was on motor OD you compared it to the FY2020 levels, FY2020 was a pre-COVID situation where even the proportion of new vehicles was fairly good and strong. Naturally, when a new vehicle proportion is high, the premium realization is so much better which helps bring down the loss ratios. But over two years of COVID related impact, the proportion of new vehicles has been low very clearly compared to the past which itself is a reason and cause for the loss ratios to go up. Because the premium realization every single vehicle on an average is coming down and this is in a situation when claim severity has more or less remained the same or gone up due to inflation related labour and spot price increases. The discount levels in the motor own damage business, is fairly high. We have some players operating even at about 80% - 85% discount and therefore the average discounts that are available on the premium pricing has gone up. But then as I mentioned earlier in the call the changing mixes what is expected to bring this under control. Obviously, the dynamics for commercial vehicle, car and the two-wheeler are very different from own damage claims perspective and as the mix changes; we do hope to bring this under control. Second question was on the motor third party levels, at a stable level we do we do expect the loss ratios to be back at around 75% - 76% is what we would expect considering the mix that would be there then. Always we factor in the changing business profile of product mix in the loss rates that we would expect. Third, from an overall COR perspective our intent is to get back to our earlier levels of at least around 101% to 102% of combined ratio. We should be able to get back there. Even in the current year if when we knock out the COVID related claims we are there. That is the COR position even as at the half year levels.

Ameya Karambelkar: Thanks. That is very helpful. Just two quick follow ups, if you can qualitatively call out earlier what was the proportion of new vehicles for us and what is now as you said that has gone down, with the range in which it has moved that would be helpful and two any longer-term ROE aspirations that we have? Thanks that is it from my side.

Suryanarayanan: The proportion normally of new vehicles to overall and of course this varies between the product classes very, very differently. Historically, we used to be around 40% to 45% and that today has come down notwithstanding our surge in two wheelers. Actually, to the premium size the larger chunk comes from commercial vehicles and when that volume is not good the proportion at absolute level of new premium is lower.

Ameya Karambelkar: That is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Preethi. R. S from UTI. Please go ahead.

Preethi R S: My question is in the health portfolio. If I see the next within health and PA including within the health since we have significantly higher market share in personal accident compared to our overall market share. What has worked well for us and going forward is that a segment which we will continue to focus on?

Suryanarayanan: You are right that in personal accident our market share is higher at about 3.6% which is largely from the attachment credit linked volumes that we get from our channels and as we step up and see the revival of finance share channels these volumes will go up back to their earlier levels. We are seeing the trend happening, we have seen that jump even from Q1 to Q2 and we are seeing the trend even in October to that extent the volume step up in PA will be there.

Preethi R S: When you say channels, you are referring to captive channels or even the Banca channels?

Suryanarayanan: Normally PA bundles business comes from the Banca channels.

Preethi R S: What are the usual financial products that this product is bundled with?

Suryanarayanan: It is the credit linked PA that goes with any vehicle financing, it goes with the dwelling financing, so it goes in with all of that.

Preethi R S: The second question is what is current mix between our indemnity products and benefit products within the health portfolio?

Suryanarayanan: That again varies between the agency and the Banca channels. Typically agency channel it would be in the ratio of indemnity to benefit would be about 70:30 and in Banca it would even be like 90:10. So, overall, you can say that it is supposed to be around at 75:25.

Preethi R S: 25% is benefit, right?

Suryanarayanan: 75% of indemnity and 25% in health.

Preethi R S: I just thought the benefits could be actually higher in Banca channel this is actually slightly different to what intuitively one would have thought so, indemnity for higher in the Banca channel?

Suryanarayanan: Because we sell quite a bit of indemnity through our public sector bank method and also through IndusInd Bank. I am talking in terms of the premium size wherein indemnity premium is naturally far larger. We also sell benefit products with the Banca channels it could be hospital cash, or it would be critical illness, but then those ticket sizes are smaller. From a value perspective, premium perspective this is obvious.

Preethi R S: My question is on what is strategy on our collaboration with web aggregators like Policybazaar etc., especially in health products?

Suryanarayanan: We do operate with web aggregators, so we do operate with Policybazaar and across lines whether it is motor or health or even some of the SME lines. We do work with them and do get our volumes from them.

Preethi R S: Is that a strategic channel for us in the longer run how do you see that particular channel?

Suryanarayanan: The way we see it is that we are growing our own direct business at this point in time. The investments are happening, and this also helps us to get an idea about the customer profiles, the geographic profiles, and the experience out of these businesses so, it is something that we would operate.

Preethi R S: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Ashish Sood from InCred. Please go ahead.

Ashish Sood: Good morning Sir. Thanks for the opportunity. I have few questions; first I want to ask whether we are thinking of listing our general insurance unit separately in next one year to two years because we have seen our peers are getting a much higher valuation and seeing the potential of our company, we are not getting a justified valuation. This is my first question. My second question is that since our solvency reaches roughly 1.77 and do you have any plans of raising capital in the near term?

Sridharan Rangarajan: Thanks for asking these two questions. We feel that both the partners are fully involved in business, and we will be able to provide adequate capital as and when it is required for the growth. Currently, we feel that we have good franchise, successful franchise with good profitability where last couple of years we had challenges, we have overcome those challenges and we will put some trajectory of growth going forward and then we will take a relook at it in terms of the need for listing etc., obviously if those regulatory needs we will definitely consider that at that point in time. As far as the combined ratio lot of that is today impacted by extraordinary things and the moment these are going away, we are pretty confident that we will get back to 2+ and which we did last year also and which again back because of the deferred acquisition cost impact etc. Also, we have been impacted because of tax issue that we are facing peculiarly in south because of some irrelevances, and we are fighting through these cases through the normal course. We are very confident because these are very genuine normal industry practice, and we will win. All those releases will also happen in times to come but as and when it is required for the growth the funds are ready and we will be able to fund the growth both the partners are willing to fund the growth.

Ashish Sood: Are you looking to raise funds from the existing partner, or we can see someone new player coming in and infuse capital in the company?

Sridharan Rangarajan: As I said that both the partners are fully involved in business and both of them have good pedigree and capability to invest so, we will first look at the in-house.

Ashish Sood: Towards the holding company we saw this very higher in the future if you might look for listing then shareholders intend more benefits. That is it from me. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint we take that as the last question. I now hand the conference over to the management for their closing comments. Over to you, Sir!

Sridharan Rangarajan: Thanks for your participation. I just want to leave one or two points is that Chola MS, General Insurance had quite a few challenges particularly with regard to investment related challenges. We are behind that completely we are out of it. This DAC related is quite unexpected but I think we will also be behind it at the end of this year. We expect that because of this advance taking of cost obviously there would be a benefit of at least Rs.75 Crores to Rs.80 Crores going forward in next three years every year plus these extraordinary that we are looking at which are investment related and the DAC related will go away from the next year. Growth parts have been well worked out and both in terms of investment in digitization and also people are in full swing. We expect these will come back once the market starts also reviving and we see quite a lot of good signs of revival as the COVID impact slows down and we will have better medicines to tackle this will become normal and will part of our health then the growth will come back. Once the growth comes back, we feel that we will have a very good set of numbers to discuss with you going forward. We will continue to improve our disclosures at times we have done some more information to share with you at this point in time. Hope you find it very useful. Thank you and all the very best. Thanks a lot for your participation.

Moderator: Thank you. Ladies and gentlemen, on behalf of Spark Capital Advisors, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.