



**“Bajaj Finserv
Q4 FY2021 Earnings Conference Call”**

April 29, 2021



ANALYST: MISS BUNNY BABJEE - JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED

MANAGEMENT: MR. S SREENIVASAN – CHIEF FINANCIAL OFFICER-BAJAJ FINSERV LIMITED
MR. TAPAN SINGHEL – CHIEF EXECUTIVE OFFICER-BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED
MR. TARUN CHUGH - CHIEF EXECUTIVE OFFICER-BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED
MR. RAMANDEEP SINGH SAHNI - CHIEF FINANCIAL OFFICER - BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED
MR. BHARAT KALSI - CHIEF FINANCIAL OFFICER - BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED

Please note that the transcript has been edited for the purpose of clarity and accuracy.

Moderator: Ladies and gentlemen, good day and welcome to Bajaj Finserv Q4 FY2021 Result Conference Call hosted by JM Financial Institution Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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 Miss. Bunny Babjee from JM Financial Institution Securities Limited. Thank you and over to you Madame!

Bunny Babjee: Thank you. Good morning everybody and welcome to Bajaj Finserv Earnings Call to discuss the Q4 and Full Year FY2021 results. To discuss the same, we have on the call Mr. Sreenivasan, CFO, Bajaj Finserv Limited; Mr. Tapan Singhel, CEO, Bajaj Allianz General Insurance Limited; Mr. Ramandeep Singh Sahni, CFO, Bajaj Allianz General Insurance Limited; Mr. Tarun Chug, CEO, Bajaj Allianz Life Insurance Limited and Mr. Bharat Kalsi, CFO, Bajaj Allianz Life Insurance Limited. May I request Mr. Sreenivasan to take us through the financial highlights, post which we will have the Q&A session. Over to you Sir!

Sreenivasan: Thank you, Bunny. I hope all of you can hear me very well. Good morning everyone. We hope in these tough times everybody is well. We wish you all good health as we go along.

Before we get into the results, I would like to make some hygiene disclosures. As before, in this call, we will largely be concentrating on the consolidated results as well as the results of our insurance operations through Bajaj Allianz General Insurance (BAGIC) and Bajaj Allianz Life Insurance (BALIC) and, where material the standalone results of our Company, BFS. Bajaj Finance (BFL), which is another major subsidiary of ours, has already had its Conference Call. However, if there are any high-level questions on BFL, we would be glad to take that as well.

We will not be taking any questions on the status of Allianz's stake in our insurance companies. The status has remained the same as at the end of the previous quarter and there is no change there.

Any statements that may look like forward looking statements are just estimates and do not constitute an assurance or indication of any future performance result.

A remark on IND-AS: As required by regulation, BFS has adopted Indian Accounting Standards (Ind AS) from FY19.

The insurance companies are not covered under Ind AS. They have prepared Ind AS financials only for the purpose of consolidation. Accordingly, for BAGIC and BALIC, standalone numbers reported below are based on non-Ind AS accounting standards (Indian GAAP) as applicable to insurance companies.

Our results, press release accompanying the results and our investor deck have been uploaded on our website yesterday evening. I hope you have all had a chance to go through that otherwise I would strongly recommend that you go through that.

Just a few points our investor deck: For your information, we have upgraded the disclosures in our investor presentation with more details about Finserv and our business model. It also includes a few additional disclosures – New Business Value and Embedded Value of BALIC and its movement; a brief on our approach to risk, the reserving triangles for BAGIC and ESG (Environment, Social and Governance) - our approach and initiatives. The detailed report on ESG will be published along with the Annual report for FY21 as part of our Business responsibility Report and I would strongly recommend all of you to go through that when it is available.

As we start FY 2022, I would like to highlight here that both our insurance businesses will be completing 20 years of service to policyholders in FY 2022. We are pleased to see the significant progress both companies have made. We remain among the top insurance group in India in terms of market presence, number of customers acquired, customer service, brand and profitability. I would also like to point out that both our insurance companies are among the lowest in terms of capital infused by shareholders, a testimony to efficient utilization of capital.

Let me now come to the performance for Q4 FY2021 and for the full year FY2021.

Overall, we saw greater momentum in Q4 as the level of activity reached pre-COVID levels across most of our businesses. During 2nd half of the year as economy started showing signs of revival, our businesses had shifted their focus to recovering growth while remaining cautiously optimistic and continuing to manage risk. Building on the momentum from Q3, our businesses did well in Q4 – both on growth and profitability front.

Towards the end of Q4, there was a resurgence in COVID-19 cases. Based on the learnings and experience from the first wave, all our businesses have further augmented their digital capabilities which, along with greater digital acceptance by the customers should, we hope, help overcome challenges and deliver a strong performance in FY2022.

Let me now touch upon each of our business starting with General Insurance.

In general insurance, BAGIC's growth was lower than industry during the 1st half but is back on track as seen from the fact that during H2 FY21 BAGIC grew by 8.1% vs a de-growth during H1. During Q4, BAGIC's GWP grew by 5%. Excluding crop and Govt. Health, GWP grew by 11% in line with the industry growth of 10.8%.

BAGIC continues its approach to calibrated growth i.e. seeking to grow in preferred segments which are Private cars, 2 wheelers, commercial lines – property and engineering; and retail health while remaining cautious on group Health. Within Commercial vehicles, passenger vehicles, a segment in which BAGIC has had a strong presence, is yet to reach close to pre-COVID levels.

To give some more details - continuing from the turnaround seen in the Motor segment during Q3, in Q4, Motor 2-wheeler and Motor 4-wheeler reported a growth of 27.9% and 21.4% respectively, while growth in commercial vehicles (CV) is not back to pre-COVID levels yet but is coming back gradually.

The growth in commercial lines for the first three quarters of the FY21 was a mix of IIB based rate hikes for Property (fire) and pure growth. As property price increase benefit was accrued since Q4 FY20, the base for Q4 was already mostly at the higher rate. Notwithstanding this, commercial lines have shown a strong growth during the quarter with Property (Fire) growing at 23%, engineering grew by 64% and Liability grew by 20%.

The demand for retail health insurance in H1 was partly driven by sale of COVID related health policies but availability of vaccine and price hike by BAGIC (along with peers) has led to lower growth in retail health. BAGIC registered a growth of 9.1% during the quarter. While COVID claims affected loss ratios, they were to a large extent compensated by fewer non-COVID claims.

The crop insurance business was profitable – final results of Rabi crop will be known in May, but initial indications are for a reasonably good season.

BAGIC reported a strong insurance operating result with a combined ratio of 96.6%. However, since Q4 of FY 20 was a very strong quarter with just 93.8% Combined ratio, the underwriting profit was lower in the quarter. Underwriting profit for FY 21, however, increased to ₹ 237 crore in FY21 from a loss of ₹ 11 crore in FY20, which, we hope will be amongst the best in the industry. As we reiterate in our calls, General insurance is a highly seasonal business with high degree of quarter on quarter volatility and needs to be seen in terms of consistency over a cycle of 3-4 years.

The company continues to be conservative in its Motor Third Party ultimate loss provisions and further strengthened reserves in the year to account for possible interest on delayed court judgments due to the pandemic. Provisions were also strengthened in the Old book arising out of the Motor Third Party Pool which was disbanded in 2012. Overall, BAGIC's reserving remains comfortably prudent as can be seen from reserving triangles.

Overall BAGIC has had an excellent year with a 33% growth in Profit after tax and a 20.3% return on equity. **The Profit after tax of ₹ 1,330 Cr in FY21. This is the highest ever full year PAT that BAGIC has reported.**

In summary, it has been a very good, balanced year for BAGIC.

Let me now come to Life Insurance.

In the case of Life insurance, since December 2020, the industry was continuously reporting a strong growth month on month. As a result, Q4 was a good quarter for the industry and industry's Individual rated new business grew by 29% (Private players grew by 40%) on the back of lower base given the negative growth observed in Q4 FY20, especially in March FY2020 post the lockdown. Despite all the challenges during the year, BALIC consistently reported an industry beating growth. We have seen that month-on-month, quarter-on-quarter and for the full year. BALIC was amongst the fastest growing life insurers in the top 10 players finishing with a growth of 63% in Q4 and 28% in FY21 in terms of Individual rated premium.

Given the uncertainty due to pandemic, the demand for guaranteed products remained high throughout the year and hence contribution of Non-par savings to the product mix stands at 24% for the quarter and 29% for FY21. Retail term protection's contribution to product mix was moderate and stood at 4% for the quarter and 6% for FY21.

With equity markets recovering in Q3, demand for ULIP had improved and had picked up momentum. But during the fourth quarter, the union budget announced that amount received from redemption of ULIPs with annual premium more than 2.5 lakhs will be taxed as long-term capital gains. With this announcement, the demand for ULIP was expected to be impacted. The impact of this on the industry will be fully known in FY2022. Though early trends in February and March 2021 showed increasing demand for ULIPs as a category. Yes, there has been some dip in the over 2.5 lakhs ticket size, but overall performance of ULIPs has been very strong. It has also been compensated by a stronger performance in the below 2.5 lakhs ticket size segments. As a result, ULIP's contribution to the total product mix was 44% during the quarter.

During the quarter, BALIC launched its new unique competitive retirement product, Guaranteed Pension Goal, to strengthen its position in the retirement space during March 2021. This is an annuity product in which you can have deferred annuity, you can have regular premium annuity, single premium with various deferment options and so on. This product has received strong initial response and contributed 4% of product mix during the quarter. With this, BALIC's product offering is complete across all segments of term, savings, ULIPs and annuities.

On the back of quarter on quarter industry beating new individual rated premium growth, revival of group protection business, clocking 34% growth during Q4 – which I must emphasize was helped by strong disbursement growth from banks and NBFCs - and a 25% growth in renewal premiums during the year, BALIC ended the year with an all-time high record Gross Written premium of Rs 12,025 crore.

New Business Value, net of expense overruns, the key metric of profitability for life insurance, increased by 59% to Rs 361 crore.

13th month persistency which was somewhat lower in H1 has rebounded and BALIC ended the year with 80% persistency, a tad higher than the previous year but still some way to go there as we go into the next full year.

BALIC's PAT for Q4 FY21 at ₹ 234 crore was significantly higher than Q4 of FY 20 of ₹ 38 crore, on the back of higher capital gains and better operating result on the policyholders' account.

Overall an excellent year for BALIC.

Finally, both the insurance companies are financially among the most solvent – BALIC with 666% solvency and BAGIC with 345% - and hence are well poised to weather any external adversity. During the quarter, both companies paid dividends - Rs. 166 Crores from BALIC and about Rs.138 Crores from BAGIC.

Both BAGIC and BALIC continue to utilize their digital properties and continue to emerge stronger through this crisis. We have seen a substantial increase in the digital penetration across several parts of the distribution and service chain across both our insurance businesses.

Further details regarding BAGIC & BALIC's digital capability are covered in the investor deck uploaded on the website yesterday.

Let me now come to Bajaj Finance (BFL).

BFL has already had its investor call and hence, we will only broadly touch upon BFL results. Quarter 4 was a good quarter for the company with most lead financial indicators normalizing to pre-COVID levels. BFL's business transformation plan is on track and company expects to launch 3-in-1 financial services in phased manner by August and September.

After near standstill in first two quarters of the year, new loans booked by BFL during Q3 and Q4 FY21 were 6.04 million and 5.47 million respectively as against 7.67 million and 6.03 million in Q3 and Q4 FY20 – a significant improvement in H2 over H1. The Company's diversified business model has enabled it to revert to pre-Covid levels of AUM growth. BFL remains cautious on its Wallet and Retail EMI cards businesses based on its assessment of risk metrics.

In FY21, BFL recorded an all-time high annual pre-provisioning operating profit of ₹ 11,961 crore and made loan loss provisions including expected losses of ₹ 5,969 crore as compared to ₹ 3,929 crore. This is one difference between NBFCs and banks because NBFCs have to provide expected losses across the whole lifecycle of the loans. This is within the earlier guidance given by BFL of about ₹ 6,300 crore as credit cost during FY21. BFL continued to balance growth vis a vis risk and collections, while maintaining strong liquidity and capital adequacy. BFL carries a management overlay of ₹ 840 crore in its provisions for expected credit losses.

In addition, BFL experienced continued improvement in portfolio quality in Q4 and new volumes originated across businesses during Q4 has risk metrics better than the ones originated prior to covid.

Gross NPA and Net NPA (ECL Stage 3), recognized as per extant RBI prudential norms and provisioned applying the expected credit loss (ECL) method prescribed in Ind AS, as of 31 March 2021 stood at 1.79% and 0.75% respectively. Standard assets provisioning (ECL stage 1 and 2) stood at 1.81% including additional provision on standard assets as against ~1% during pre-pandemic condition.

While pre-provision operating profit was higher for the year, BFL ended the year with a PAT of Rs ₹ 4,420 crore which was 16% less than FY 20. H2 results obviously were better than H1. Overall, PAT for Q4 FY2021 was more than Q4 FY2020 on account of lower provision during the quarter (₹ 1,231 Cr in Q4 FY21 vs ₹ 1,954 Cr in the previous year).

Capital adequacy ratio (including Tier-II capital) as of 31 March 2021 was very strong and stood at **28.34%**. The Tier-I capital stood at 25.1%. For Bajaj Housing Finance Limited (BHFL), a 100% mortgage subsidiary of BFL, the capital adequacy ratio (including Tier-II capital) stood at **21.3%**.

In summary, with improved bounce rates, higher collection efficiency and overlay positions, BFL is positioned to navigate any temporary stress and company is entering FY22 on a strong footing.

Only risk to the serious bounce back that we have seen in our businesses will really be a national level lockdown similar to that one we saw last year. Although we are at better position than last year, but national lockdown will have some effect or statewide lockdown in the top five state or six states. Otherwise we believe all our companies are in a very good position to handle the near-term volatility because of the external situation. For those who have not gone through the BFL investor deck, I would urge you to go through that that when you have time.

To summarize the consolidated results for the quarter, consolidated total income for Q4 for BFS was ₹ 15,387 Crores versus ₹ 13,294 Crores, a strong growth there. Consolidated profit after tax was ₹ 979 Crores versus ₹ 194 Crores which is almost five times that I will explain to you why it is though. Bajaj Finance's consolidated profit after tax ₹ 1,347 Crores versus ₹ 948 Crores, the General Insurance profit after tax ₹ 273 Crores versus ₹ 304 Crores and Life Insurance profit after tax of ₹ 234 Crores versus ₹ 38 Crores.

For the whole year, we closed with total income of ₹ 60,592 Crores i.e. exceeding ₹ 60,000 Crores as against ₹ 54,351 Crores last year and consolidated profit after tax of ₹ 4,470 Crores versus ₹ 3,369 Crores. As mentioned before, the general insurance profit after tax was ₹ 1,330 Crores, 33% higher and highest in its history. In life insurance, ₹ 580 Crores as against ₹ 450 Crores, a really strong growth. For BFL, ₹ 4,420 Crores vs ₹ 5,264 Crores, as I mentioned earlier.

The consolidated results include one adjustment because the insurance companies are in India GAAP and we do IND-AS. The equity investments that they hold on the shareholders accounts for BALIC and the equity investments held by BAGIC are treated as fair value through profit and loss accounts and therefore last year in Q4 of FY2020 we saw big fall in the stock market resulting in charge into the consolidated results. But, during the year the Sensex has rebounded by 68% and the performance of the equity portfolios have also been pretty good. This has resulted in increase in the consolidated profit after tax of ₹ 892 Crores for FY2021 compared to a decrease of ₹ 451 Crores in Q4 and FY2020. I thought I should

highlight that. The mark to market adjustment however for Q4 FY21 is not very significant in relation to the size of our balance sheet and P&L.

The second wave: Finally, India is swarmed by second wave of COVID with daily infection rates of the kind not seen in the first wave. It is difficult for us to predict how long second wave will last and with what intensity and when it will subside to manageable levels. But as business people for us, it is to look at this as a risk and see how we can manage it. The risk of this is expected to remain elevated in Q1 and Q2 as per our current assessment. With strong solvency well above the required capital supported by healthy liquidity, continued focus on risk and collections, digitized processes and improved cost structures, we are in a better shape than we were last year to phase any adverse events. We will take the events as they come along in Q1 and Q2. Thank you for your patience and I now open the floor for questions and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer, session. The first question is from the line of Prakash Kapadia from Anived Portfolio Manager. Please go ahead.

Prakash Kapadia: Thanks for taking my question. I had two questions, you did mention that it is difficult to quantify the impact of growth especially due to the second wave but if I look at the General Insurance sector most of the peak states, top five states be it Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat all are facing cases and intensity of COVID much larger than the first wave. So, what kind of an outlook for growth you are looking at for the sector and for us that is the first question, and on the crop segment if you could give us some colour because it is a high contributor for us in general insurance so what is our stand on crop going forward?

S Sreenivasan: Thank you for your question. The first one I will take - The issue is not with COVID. Obviously, we offer health insurance policies and therefore there will be some amount of COVID claims. The issue is whether you have lockdown as that is what affects business lot more than the pandemic itself. As of now, we are seeing a limited lockdown. It is not like the lock down that we saw last year. There is reasonable movement of people. Insurance companies are exempted in some of these states. They are treated as an essential service. But in terms of growth, we will have to wait and see, for example will cars stop selling? I mean to say it is the wrong time to talk about growth. Because any business now will be focusing on the balance sheet and prioritizing cash flow and profitability over growth and taking the events as they come. Lot of the general insurance business is asset based such as car insurance or property insurance. Obviously, if the level of activity in the economy reduces, all the businesses will get affected. Then, like others, we will also be affected on growth. But as we have seen last year, the General Insurance business is very diverse and

there are pockets where you will have better performance such as there may be lower claims if fewer cars are running on the roads. We have seen in the last fifteen days if we go on the roads - we live in Pune, we can see that it is about 20% of the traffic that you normally see. But these are temporary, you would rather see growth and full traffic than this temporary thing. Now, I'll ask Tapan to add to this and also answer the question on crop.

Tapan Singhel:

Thank you, Sreeni. I think both the questions are very relevant. So, if you look at overall for the industry last year the growth hovered around 2% or so. So, the industry does have an impact because the car sales as Sreeni was mentioning if they go down, it does impact as car sales is a big component of the business and if you look at other expansion from economic perspective of industries being set up or marine insurance or transactions happening at that level - if those go down there would be an impact on the business. But like Sreeni mentioned that it is very significant if complete lock down happens, if complete lockdown does not happen then there would be impact but not to such an extent. But it all also depends on the mood and the sentiments, so we will have to watch for the next 2-3 months. But yes, compared to normal circumstances the growth would be lower but compared to last year growth may be same or bit higher. Now, coming to crop, we have been doing crop business from the past, in fact, from the time the government started new crops scheme i.e. since past 5-6 years and have been doing consistently. We have tried to maintain our share in the crop business as we do for overall market share. We look at overall market share up to 7%. The crop business share would be around that about 8%-9% or 6%-7% depending how the year goes and how the tender goes because the role of tender is there. So, we maintain that at all points of time with no change in our philosophy and how we look at crop business going forward.

Prakash Kapadia:

Thanks, I will join back again.

Moderator:

Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors LLP. Please go ahead.

Hasmukh Gala:

Congratulations to Mr. Sreenivasan and the team for giving really good numbers. I have a couple of questions. Sir, my first question is sort of a clarification for the profit number which we report in BALIC and BAGIC for 2021 versus 2020. I think that we had last year more than Rs.100 Crores odd worth of some special provisions which I think are not there in current year if I am not wrong. So, I think the real comparison of PAT will be slightly different based on the numbers which were last reported.

S Sreenivasan:

It is something about investment provision?

Hasmukh Gala:

Yes, the provision for DHFL and Corporate Bonds and all that?

S Sreenivasan: That is not in the last quarter.

Hasmukh Gala: Yes, that was in the last quarter basically. So, taking that off, if you really compare in BALIC, our PAT has increased only by 1%. Sir, correct me if I am wrong, and in case of BAGIC, it has increased by 20% and not 33%. I mean I'm referring to those numbers. That was my first question, just need a clarification. The second question is as far as BALIC is concerned how do you see the growth now in the individual business because if you see today, group constitutes almost 60% of our total new business premium. So, how do you see the movement in the individual rated premium amongst different products that we have so that the real margin can improve. That is my second question. And third question is you talked about BFL that they are into this digitalization and technology transformation process. So, are they on the way to become a Fintech type of company? So, these are the questions.

S Sreenivasan: I will broadly take the question on the individual versus group and the question on BFL. The question on the numbers clarification, I think the CFO's will take it and then Tarun can add to what I say on the individual versus group. If you see our proportion of individual to group over the last few years has been significantly tilted towards individual business. In fact, growth in individual rated premium remains a primary priority for the company. But however, that does not mean we do not grow our group business, there are opportunities present and because it is profitable and because we have been historically doing that business. If you look at the last ten years that at one point in time we were the only players in the group protection which was really big. So, we will continue to seek growth opportunities there. But we will seek better growth in the individual premium segment where you have the opportunity to create more sustainable long-term business and with the focus on NBV as well as topline through a balance product mix. Tarun can add to that later. Coming to the question on BFL, it is a difficult question. BFL is a manufacturer of products and solutions. Obviously, technology is becoming more and more important and therefore they are investing heavily so they are having platform for cross-sell and sell more to the customers in more meaningful manner through their own marketplace, but they will remain the manufacturer of financial products, and as, they will be lending money there will be a requirement to keep risk capital. We have another entity under Bajaj Finserv (BFS), Bajaj Finserv Direct which will do the other thing. It is a pure tech platform and they will provide the tech platform to BFL while at the same time they will also be an open market player i.e. open architecture company which is fully customer centric and we have been attracting customers to go through those platforms for all our verticals including lending and companies in the market can participate in there. The combination of the two is what will make it very powerful. Because one is manufacturer they cannot really sell other companies' products but platform company can do that work for us and together we want to create a holistic experience for our Finserv customers.

- Hasmukh Gala:** So, will that Fintech activity remain in some separate subsidiary, like I think you have created one subsidiary under Bajaj Finserv?
- S Sreenivasan:** Yes, firstly we have separate subsidiary. You can call it a Fintech if you want but we do not use that terminology, we just see that as a vehicle to acquire the customer with technology as an enabler. But if you want to call it as Fintech you may call it so. But that requires more capital initially for building the platform that we are developing internally for the group and BFL will continue to offer technology-based support to their existing customers in lending.
- Tarun Chugh:** Thanks for your question. I think Sreeni correctly talked about the focus on individual business and the growth of 28% was largely what we talked about in the prelude to the Q&A session so that is what we will keep focusing on and as you are aware the VNB largely from individual products is what is important and provides for sustainable cash flows in the future as well. So, that is where the focus will remain. As a company, we are focused towards ensuring a balanced channel and product mix. I think that was the first step and now that we have achieved this and with the launch of the pension plan, we are well placed in all need segments of customers as well. Here on, the focus is towards VNB and profitability of course and the basic risk elements of core alliance of a product mix and channel mix has now been taken care of. So, yes, the product mix will be significant lever for the VNB if I might put it this way, but we will always remain focused on the customer and not necessarily kind of just try to tweak our product mix only for the VNB purpose because we are here looking at a sustainable business for long-term.
- Hasmukh Gala:** Correct. So, generally how will you look at the VNB margin which was at 12.3% in FY2021 and say if you compare with companies like HDFC Life they reported a 26% VNB margin. So, how will be our journey to reach to that level say double digit 20% may not be 26%?
- Tarun Chugh:** I cannot make any statement which is a forward-looking and also comparative with the competition. Every company has its own capability, history and lineage. I think what you should see is positive trajectory in the last three years and we intend to be directionally in the same way, of course last year was a significant fillip but that was a good aberration in our favour. But directionally we shall remain positive and beyond that I cannot comment.
- Hasmukh Gala:** Thank you very much. Wish you all the very best. I will join in the queue.
- Moderator:** Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah:

Good afternoon to everyone. My question is more on long-term strategy rather than these quarter result. Essentially on the insurance piece which is basically a business of risk and protection. Most insurance firms tend to put centrality to the insurance as the core part and of course for valid reasons because the protection and risk control is the core business of the insurance firms. But I would like to submit that investments and managing the investments is equally critical function in any insurance business. So far in India by and large we have seen investment function kind of peripheral one rather than a central one in the operations of the insurance firms. So, if you talk about the core part of operation, BAGIC has consistently been very prudent and extremely competent in the way it is managing the risk with combined ratio always favourable well below 100 and therefore it also enjoys negative cost kind of a float of the money and even though contracts are relatively of a shorter term but the core part of the contract money is something which is forecastable, renewable therefore large part of that money insurance float is a long-term money. Equally in life, any cases core underwriting profits is high and there is a long-term non-ULIP portion, there is a long-term investment float. Now, managing this entire float through fixed income is unlikely to ever give any meaningful significant returns and therefore return on equity can't be magnified on that float. Therefore, judicious well balanced, risk controlled, increased long-term equity capability and equity component in the investment portfolio of both the businesses is very vital to raise bar on return on equity and to really improve the strength and the caliber of both the insurance businesses. Because the core part, BAGIC has always been very strong and BALIC after initial hiccups, in last some time, the business has been very nicely ramping up. So, what are the strategic thoughts on the investment management? Earlier on the fixed income we had some hiccups, we went through that. That phase is behind, and I am glad about it that there are no hemorrhages on account of fixed income portfolio. But even with the best job on the fixed income it will still produce meaningfully low returns and unless there is a well calibrated equity management strategy of a long-term nature with a judicious percentage of the overall investment portfolio committed there, the return on equity is in zero or negative float which is the core advantage of investment of the insurance business. How do we propose to take that advantage?

S Sreenivasan:

Thank you, Bharat. I will take that question. In insurance, we are not asset managers. This is the mistake that lot of people make. We are liability managers. If you come to life insurance, our job is to manage liabilities and unlike mutual funds or PMS and other people, we have to give guarantees. There are tight regulations on how different buckets of the money can be invested and a large proportion of this money has to necessarily go into government of India bonds or housing or infrastructure or social structure - there is a detailed regulation on that. The purpose of that is to ensure that because of volatility, the policyholders who are getting their money out are not affected. To some extent ULIP's can be compared to mutual fund except that ULIPs always come with the bundled life cover and it has to have a minimum term of five years. So, I do not know how much of money of the

other competing industries actually stays for five years - may be quarter or may be one third but not like us where more than half the money stays for five year and now with new regulation I think most of its stays for 5 years. So, in terms of BALIC, in terms of the policyholder returns, I think we rank amongst the best. ULIP this year may not have been good but if I look at three year-five year performance, I do not think it is inferior to mutual funds either.

Bharat Shah:

Just an interruption, my comments are on non-ULIP business not on ULIP.

S Sreenivasan:

Yes, non-ULIP business, we have to provide guarantees, we have to protect them and there are very strong ALM based management principles that have to be adopted. You have to hedge your risk and you work on the margin. Then finally you come to the shareholder funds, we are in a unique position that we have some surplus capital and in that you can talk about ROE but over what period do you measure ROE, when you invest in the financial markets. Because if you invest in equity, you have to take the volatility. If I look at the period between say 2017 to 2019, if you look at the index at least, I think fixed income did outperform equities even on a five-year basis. For a long period, fixed income was more superior to equity. - We saw in March last year what happened because these are not the times when you have to put in capital - because we are a solvency heavy industry - while it may not be applicable to us as an industry, I do not think companies can say that market fell, so I want more capital, and nobody will give that. In terms of GI business, it's a bit different. The entire money is one bucket and while there is an internal demarcation, I think all the money is of the shareholders. However, majority of the liabilities are short-term. You have significant exposure to reinsurance and while you may assume that all the reinsurers are of high quality and well rated. There are occasions in the international markets when there are heavy headwinds from the reinsurance side as well. So, if God forbid even 5% of your reinsurance panel goes under then you will need the liquidity to pay the claims immediately. This works bottoms up, there is a big science behind how much should be the allocations. There is a leeway - again it is highly regulated that I think around 75% has to be in fixed income as per regulation and both insurance industries are big contributors to the entire funding of the fiscal deficit of the government as well along with the SLR of the banks. So, overall as we look at it we have been increasing exposure to the equity as and when we grow our surplus. If you see now BAGIC has grown to about 7% equity mix - as we go forward, we will continue to increase it. We will see the right time to increase it as well because when prices are looking very high there is no point in increasing exposure to the equity that call of course, the investment team will take and there is no strategy there, it is more about the investment performance. Same with BALIC, we already have I think 20% of our surplus in equities. I mean at the moment we may be a bit lower but 20% is what we look at. Within that we have not bifurcated between what is required for solvency and what is not required from the surplus perspective because with more guaranteed products, the

consumption of capital will increase. You must have seen some other companies are actually raising money in the market to meet solvency requirements because of the higher proportion of the non-participating and the guaranteed products and term as well requires capital at about 0.3% of the sum assured. So, this again is worked by the actuaries and the investment team together and as and when the surplus comes, we do our review every quarter and may be once a year to decide whether we need to increase it or not. So, directionally that is the approach I am taking. But as I said, these are liability managers therefore the liability makes up the duration, the need for liquidity, the impacts of credit defaults potentially on the non-financial investments like reinsurance and the reasonable margins for that all these contribute to deciding how much you have surplus. Within that obviously you can say it is each company's risk appetite to see how much you want in equity or debt. May be there is some leeway i.e. you could say why not 20% can become 25% but can it become 35% - I do not think so. In BAGIC, may be this 7% can go up to 15% - yes, 20% - may be but more than 20%, I doubt. This is something we also discuss with Allianz as well because globally they have seen all kinds of cycles - equity, debt, solvency crisis i.e. all kinds of cycles, the write-off of sovereign debt and therefore we get input from them as well before we decide. Does that answer your question Bharat?

Bharat Shah:

Yes, thank you for that. I have 2-3 points on that. I am not talking about ULIP part. Obviously, ULIP is what is dedicated as per the objectives. I am talking about non-ULIP part. I completely accept that liability management is the first show in ensuring prudent sustainable, solid and confidence inspiring capability to stand by. Liability mitigation is absolutely core, especially, in life insurance where long-term confidence in the viability of the insurer is very vital. So, unequivocally that is completely correct. My near point is for general insurance, given our very prudent underwriting policy that has been consistent for the long time. We have been in a situation of a favorable combined ratio all through i.e. well below 100%. Therefore essentially, we have been in a negative float situation. I accept that most of the contracts there are of yearly duration or thereabouts. But given the set of a core portion out of even those short-term contracts is renewable by experience - what we know is that it essentially is long-term money, therefore long-term float is a negative cost. Now, if we multiply that i.e. if we compound that float at the rate of 5% and 6% compared to if you are able to do it at 9% or 10%, it will make a world of difference to the return on equity. Therefore, steady well carved out, controlled risk equity exposure with a strong capability, without in anyway mitigating liability management capability of the core insurance businesses is something I believe is possible to carve out and possible to kind of really make it work over a period of time. There will be volatility, there will be increased points where it will cause discomfort in future but through that over the period of time in a controlled well-planned way, I would say that is route through which hard superior return on equity can be generated without compromising on risk standards or without deviating anything away from our core need of protecting liability?

S Sreenivasan: Agreed, Bharat. If you look at our long-term average return for the last five years, they were bit closer to 8% to 9%. , It has is dropped due to lower rates. In the last year, may be a bit lower because we are required by regulation to keep 75% in fixed income. So, after keeping at least 75% in fixed income and whether you put 15% or 25% in equity, after considering the kind of extra returns on equity coupled with the volatility, I do not know how many basis points it will make in the total return – I suspect it may move it by 1% or so. That compounding in my arithmetic is clear to all of us and we do that on a regular basis. But we have been delivering that kind of investment returns and lastly, we also do not go by the IRDAs solvency. We also maintain internally at target solvency which is higher. As you know most of our risk-based capital requirements are not risk based and they are based on norms of premiums and claims. I was saying that this is a highly regulated industry and 75% you have to keep in fixed income anyway and within the 25% you have to decide - do I keep 15%, do I keep 10%, do I keep 20%? It depends on how much excess capital you have not the absolute amount of capital. The solvency capital is not risk based in India, it is an old norm that they are following but, the moment they go into risk based which they have already announced what we call economic capital. There are chances that the required capital may go up as well. So, all you can really invest in equity is the high proportion of the surplus capital. Over and above what we call a target solvency that we maintain, we are doing that on a regular basis. I could give you the numbers. Bharat you have the return on Shareholders fund for last few years or Raman.

Ramandeep Singh Sahni: Sreeniv for BAGIC this year we did about 7.7% and last year comparative was 8% almost.

S Sreenivasan: Before that we were doing around 8.5% to 9%.

Ramandeep Singh Sahni: Yes, but these numbers that I shared are on book value basis if I take market value this year is 11% and last year was 8%

S Sreenivasan: 11% and 8% okay and I think BALIC is similar as well right, Bharat.

Bharat Kalsi: Yes, Sreeni this is upward of 12%.

S Sreenivasan: So, Bharat we have been increasing it in a calibrated fashion and given the requirements of an excess capital and how much it is and what we need to keep for supporting our business and that is how it is.

Bharat Shah: Okay, point noted, I thought I will just leave my point for thinking.

S Sreenivasan: Yes, you want anything more, we can have call later and we can explain to you what the historical returns are and how we have managed them and what changes we made.

- Bharat Shah:** Sure, and I was referring to basically non-mandatory part of the investment.
- S Sreenivasan:** Basically, you were referring to excess capital of the shareholder - That is what I have got excess capital of shareholders.
- Bharat Shah:** Yes, we will take it up. Thank you.
- Moderator:** Thank you. The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.
- Hitesh Gulati:** Thank you for taking my question and congratulations on a good set of numbers. Sir, my question is in motor TP claims ratio, we have seen an increase this year which also mentioned that we have strengthened our reserves in motor TP segment because we expect future claims to be higher because courts have given such orders. But if you look at the reserving trend there is still a release this year. So, is my understanding correct or is there something wrong that I am looking at?
- Ramandeep Singh Sahni:** You are right. If you look at the loss triangle, there is a release of upwards of Rs. 300 Crores and that reflects on approach of conservation in the past reserving. However, if you compare the number versus last year it is dip of about Rs. 100 Crores and that is where the indication of strengthening comes. So, overall while we have strengthened it but there is still a release. So, it is a temporary thing but on long-term basis, we will still be close to what we have been delivering in the past. You have seen in the past few years, we have delivered almost a release of 5% to 7% almost every year and hopefully that trend should continue.
- S Sreenivasan:** I would like to add that, release happens when you settle claims less than what you reserved. So, as a policy you can see from a triangle that our reserving at the point of claim and for the management being generally conservative which is why you release when the claim is actually settled. Now, this is part and parcel of every GI business. Some companies may have more and more charge if they have not reserved prudently, those who reserve prudently will have more releases, but those releases will come every year. When you reserve more, it is not necessary that net-net the reserves have increased that means the release can be lower in that particular year because on the settled claims you will have releases, on the expected losses you would have increases. The two will offset but that offset net amount after offset is about Rs.100 Crores lower than last year that is what Raman is saying.
- Tapan Singhel:** Exactly, if you look at the claim settlement this year has been lower because of courts being closed and that's why you see that difference. We are a prudent company and our reserving

as you can see from the triangles is right. So, once we settle claims then the difference gets released that is how you look at it. The other thing why we are strengthening it is if you look at there is a particular judgement - the Keerti judgment in which the court now says that notional income for all unemployed will be taken for calculating the amount to paid. Now, that means the quantum of claims is going to move up in the TP segment for entire industry across and that is why the strengthening part. I think Sreeni has explained very beautifully in terms of there are two different things i.e. reserving for different set and release done a different set of the business.

Ramandeep Singh Sahni: Also, just to add on the release which Tapan indicated. Our claims settled had gone down and that is to the extent of almost 30% lower than last year. Last year we settled about 31,000 claims this year we settled only about 20,000 claims so, that is the kind of impact we saw.

Hitesh Gulati: Sir can you also quantify the quantum of COVID claims paid by you in the life and general insurance business?

Ramandeep Singh Sahni: Overall, till date we have paid almost Rs.400 Crores of claims while registered are a bit more but paid is actually close to Rs.400 Crores.

Hitesh Gulati: So, this is in general?

Ramandeep Singh Sahni: Yes, general.

Bharat Kalsi: In case of life, we have paid 1,335 claims, worth Rs.73 Crores for FY2021.

Hitesh Gulati: Just about operating assumption change that you have taken in embedded value that is related to mortality only - is that understanding correct?

Bharat Kalsi: With respect to mortality there is not much of a variance, but it is because of change in persistency assumptions for one of the product line which is slightly negative and then we have moved to effective tax rate which is positive and hence the net number is a plus of Rs. 16 Crore. In assumption change, primarily we have kept Rs.39 Crores as COVID reserves and we have also strengthened our IBNR by around Rs.18 Crores.

Hitesh Gulati: Thank you Sir. That is, it from my side.

Moderator: Thank you. The next question is from the line of Madhukar Laddha from Elara Capital. Please go ahead.

Madhukar Laddha: Thank you for taking my question. First, on BAGIC the higher claim provisioning is happening mainly on the TP side and this is because courts are now considering notional income as Tapan explained. So, what is our expectation of price hikes in FY2022 and what are we seeing on competition on the OD segment. Second question on health, loss ratios have improved in the fourth quarter and what would be the main drivers there and I think that we are still growing in the group health segment - what are we actually seeing there and finally for BALIC, my question is how the Axis Bank channel is doing and what are our expectations for that channel going into FY2022. Do we have like targets in mind? Is there sort of a written agreement between the two partners of how much growth should be there on a year-on-year basis? Thanks.

Tapan Singhel: If you look at the TP price increase, it should come from the regulator. It is not something that market controls, it will still be controlled by regulator. Last year there was no TP price increase. This year till now there has been no announcement. So, on how much will it be - I do not think that anybody can tell you in terms how much will it be, or will it happen/ will it not happen. It will be speculative in nature if we make a guess on that. But when we run businesses, we always start with a philosophy that okay, if there is no price hike then how do we look at business or how do we go about it. If it happens then good, then we can recalibrate and relook into our business model and how do we take on the business. That would be my answer to your TP price hike because it is controlled it is not market price driven, it has to come from the regulator. Last year it did not happen, this year till now there is no announcement. If you look at the OD premium movement which had happened, this is controlled by the market. So, depending on the risk i.e. the way the company sees a particular risk for particular vehicles and the business philosophy, they would decide i.e. discount OD or harden it as time progresses. This is market controlled and so, this fluctuates. Sometimes for example, when you see like last year the first 2 – 2.5 months there was complete lock down and the loss ratios fell down so the discount in OD moved up and then again, the losses started moving up so, there will be some strengthening happening again. So, it fluctuates as the year progresses. So, nothing fixed that for the whole year this is what the discount or this is how the price hiking will happen. So it will keep on moving and depending on how the loss ratio moves, individual company will decide on how they want to move. That is how it is looked at.

Madhukar Laddha: Just to end it up on this point - what is the competitive intensity? Are we seeing any improvement because now for one year we have not seen price hike and economic activity had sort of come back? So, will we see some improvement than the pressure in OD prices from competition. Some sense on that?

Tapan Singhel: As I told you, every company has its own philosophy where they want to be. So, there are some companies which would heavily discount where their philosophy would be to work on

discounts, some companies would be adding value in terms of claim settlement - they would be looking at servicing their customers well and they would not be heavily discounting. So, it is not a fixed trend that you will see.

Madhukar Laddha: No, I understand that. But I was looking for any trend if you are seeing?

Tapan Singhel: Yes, let's say hypothetically there are ten companies in the market. Now, four of them were discounting till yesterday and six were not discounting to the level four were discounting. Now, from these four, three may actually move to hardening because they would have suffered more losses and from the above six, two may have moved to discounting more. It is a moving target between companies. You never find that the market is moving up or down. So, you will always have that change in the market, especially after 2007 when free pricing happened, in any year you will find some companies which are heavily discounting and then if they suffer losses they start strengthening, there would be some company which will be prudent, there would be some company which will fluctuate depending on the strategy which is there. So, it is very difficult to say how the market will move. Because I would want the market to correct and become more sustainable, we have seen how solvency has become an issue in the industry for quite some companies. We have seen how companies have been losing money and that is not good for the industry because companies typically which lose money, there the customer service gets affected which is what we have seen in terms of grievance ratios moving up. So, if you ask for my personnel opinion, I would say fair price in the market and a very good service to the customers is what it should be. But I cannot predict in terms of how companies would react to different scenarios because it is a moving target for every company and the strategy which is there. So, if you ask me will it move up or go down for individual companies, yes, they can decide how it goes. Overall, there will always be some movement happening - it is moving target.

S Sreenivasan: Let me just add to that. I think if you see the market till 2012, I think people were losing money on third party, most companies were losing money. We were pretty much making money in most of the years except one year when that pool loss had happened. But thereafter when the rate hike happened, people started making money and more companies started becoming profitable. I think more than two-thirds of the market was profitable couple of years ago. Now, if rate increases do not happen and some companies are not managing their third party claims properly, they will be under pressure to find other sources of profit. So, one could logically argue that this would result in better price discipline in other segments like motor OD or property. But depending on how much capital is available to burn and whether their goal is to just get market share in terms of GWP – different companies have different ways of looking at their goals. As long as there is capital to burn, you can build the business by just writing business at a loss for some time till the capital runs out.

Madhukar Laddha: We have seen an improvement in the health loss ratios in Q4 - what are the main drivers? and the group health also seems to have done well. So, what are we seeing there on the market side?

Tapan Singhel: If you look again at the health portfolio, there are two ways to look at it. If a company is going very aggressively, they get new business and new business has much lower loss ratios than the older book. In health portfolio, you should look at year wise loss ratios. The 1st year ratio for the health is always much lower than it is for 4th year loss ratio for any company because that is how the health portfolio moves. So, if you would see a company which has high growth and loss ratio is moving up then that is an area of concern because that means the older books is getting pretty bad as it is progressing, or you have a lot of claims in the 1st year itself. So, typically if you look at BAGIC, we have a moderate growth i.e. we do not have very high growth and do not have a very low growth i.e. negative growth. On a moderate growth, typically loss ratio improvement happens – typically, it will happen for two reasons; one is the segmentation of customers and your price. If you look at us, we did a price hike early on. So, if you combine that together and the segmentation of the risk that you take, you would have an improvement in loss ratio. In group health also, Sreeni mentioned earlier, if you look at our growth, we may not overboard in terms going and picking any business. We have customers whom we service in a corporate business and we also have individual customers who look at us from our servicing perspective. We were the first in the year 2004 to set up our own HAT network of servicing customers directly which was called the Health Administration Team, and, on that basis, we priced our risk and that is how we serve the customers. So, that is why you see this difference is there. So, basically as a company, we are a company which would be prudent in underwriting and very focused on customer obsession in servicing. If you look at our claims settlement ratios, our grievance ratio – which is amongst the least in the industry and all other relevant ratios, that is where the obsession would be - customer delight has to be very high and that is why for most of the questions if you put this parameter as a judgement parameter, the answer would come there as to why and how, a bit clearer and how do we look at.

Madhukar Laddha: On the group segment?

Tapan Singhel: If you look at it, we write risk which we feel comfortable at the price and customers which want pretty good servicing to be done, they come to us and that is how we write it. There is nothing that we say that we do not write. If you look at BAGIC, we write all lines of businesses and we do business through all channels which are possible. But we do business where the customer values high servicing, customer obsession and solution providing for the customer and that is how we look at it. So, group also we do it, but we are not overboard or aggressive on group and picking up any business for the sake of picking up.

S Sreenivasan: Let me just add one thing to that? When we are talking about group health, I think there may be companies operating at more than 100% loss ratio. Insurance is a business where the customer feels they have risk otherwise they will not buy insurance. Similarly, insurance companies also feel there is a chance that they will make money and that chance can reasonably be calculated or assessed. When you know that you have to take 100 and have to pay more than 100, then that is not insurance because that is a certainty. So, we only write business where our expectation is that we have a fair chance making money. So, normally if the cost is 90%, we get a bit conservative and when it is lower we can get a bit more aggressive but today you know the times are not great for writing blind non-underwritten policies like group because you don't know how many COVID claims will come and all that. So, one has to be careful, but we have a pricing policy and if people accept that price, then we go ahead with that and if people do not accept it, we will withdraw. There is no other benefit on group as there is no float. It is a short-tail business not like motor TP where you can invest the money for 2-3 years, there is nothing like that. Claims start coming in immediately after the policy is written because of the large group of people. It is not even like retail health. So, it is a business one has to look at in a bit differently and that is how we have done all the changes.

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

Nischint Chawathe: Couple of questions from my side. We just discussed about the health claims and your pricing going up etc., but I was curious whether this is what has driven the big change in the fourth quarter. I would understand the broad strategy but is this what the reason for because is it that the quarter-on-quarter change in the claims ratio for health is pretty sharp?

S Sreenivasan: One is obviously the price increase which has affected from October 1, and for the renewal policy from January 1.

Nischint Chawathe: So, that could be the sole reason for the big change?

S Sreenivasan: That is one of the changes. Raman any other reason or Tapan?

Ramandeep Singh Sahni: I will take it Sreeni. So on the health piece, one reason obviously is the fact that from January 1, we had all policies on retail side, in about 60%-70% of our flagship products being sold with a price increase, the second one is on GMC like you have seen and like Tapan explained, we have been conservative there and picking up only the good accounts so that is also the second reason. Third is the non-COVID claims have also gone down to some extent. So, I think the summation of all these three has led to the loss ratio coming down in Q4.

Nishchint Chawathe: In fact, non-COVID claims have gone down?

Ramandeep Singh Sahni: Yes, non-COVID also, while COVID has been there for a while now but non-COVID has gone down because of the situation, people are fearing going to the hospitals. As we have seen the past these claims comes back after a while when things start opening up so that is something which we will have to wait and watch.

S Sreenivasan: The two are in opposite directions, when COVID claims increase non-COVID claims come down because hospitals have limited capacity and people do not want to go to hospital

Nishchint Chawathe: Because, I thought compensation for non-COVID claims going up in Q4 totally for the industry because lot of surgery etc. as you can see some kind of moderation in COVID numbers.

Ramandeep Singh Sahni: They have sequentially moved, Nischint, you are right. They have sequentially moved up but versus last quarter of last year it is still low.

Nischint Chawathe: Fair point. Just moving on if you could explain the table in slide 55. I am trying to understand how should one be reading this provisioning going up from 466 to 580?

Ramandeep Sahni: Here the issue on hand is that the increase is almost about Rs.100 Crores which I will explain. So, if you see the delta between the claims paid till last year has gone up by about Rs.49 Crores and if you see the total provision that has also gone in the opposite direction by about Rs.54 Crores. So, the summation of these two is actually the strengthening of Rs.100 Crores. So, the provision movement and the claims paid movement delta adds up to the strengthening of Rs.100 Crores.

Nischint Chawathe: Just moving on to the life side. If you could give some colour in terms of how do you see business form Axis Bank. I think it ramped up quite a lot this year. While agency I think from the full year basis was almost flat. So, if you could give some colour in terms of how do you see that playing out? Obviously, we know that there are uncertainties around the second wave etc., but still do we see a very similar ramp up this year as well that is for BALIC?

Tarun Chugh: Axis is going to ramp up of course given the base effect. We were largely in one vertical and now we are slowly adding to some branch banking branches as well and that is going to help in the ramp up. So, it is going to pull up our company growth very clearly. It is going to be higher than the industry average. But we are very clear that we have to look at profitability as well and keep a balanced channel mix, I mean we have been through that phase of BALIC where there was dependence on the agency channel, one channel

contributed to upward of 80%. So, how we intend to differentiate ourselves from the large life insurance companies is that, there the dependence on one partner is so high that increases the risk. So, we will be always focused on keeping this in a balanced way.

Nischint Chawathe: Sure, just on the EV walk side on the operating variance side, I believe you said that persistently experience was a bit negative in one of the products. But actually, if I see the operating variance on a net-net basis is positive. So, I believe the other two lines have been more positive - how should we think about it?

Bharat Kalsi: Two things as I said, there is one non-par saving product line wherein there is a negative impact of persistency assumptions change. And secondly we have moved to effective tax rate, which is a positive contributor. So, the way we have taken the effective tax rate change is in two forms, one whatever was the unwinding for this year that has gone to our ROEV or an operating variance, other one is on the future profits which is on the opening VIF and unwind of that that we have taken as a separate line item. So, you would see that there is another Rs.89 Crores which we have not taken into ROEV. So, those are the two things one Effective Tax Rate change impact and other one is persistency on one product line which is sitting in the ROEV and operating variance.

Nischint Chawathe: Perfect, just one last clarification, the reduction in unwinding rate purely reflects the movement in the interest rates?

Bharat Kalsi: We follow consistent unwinding rate. So, there is no reduction or change in unwinding rate.

Nishchint Chawathe: If I look at effective unwinding rate i.e. expected return in force upon opening EV that ratio has come down to around 7% in 2021 from 7.6% in 2020 and around 8% in 2019?

Bharat Kalsi: Should not be the case. We consistently follow 8% only but let me come back to you separately on this.

Nischint Chawathe: Perfect. Thank you very much and all the best.

Moderator: Thank you. Due to time constraint that was the last question. I would now like to hand the conference over to Miss. Bunny Babjee.

Bunny Babjee: Thank you. On behalf JM Financial, I would like to thank Mr. Sreenivasan Sir and Senior Management team of the insurance businesses and all the participants that are attending the call. Thank you and have a good day and safe stay.

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