“Cholamandalam Financial Holdings Limited
Q3 FY2023 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 Earnings Conference Call of Cholamandalam Financial Holdings hosted by DAM Capital Advisors 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. Sanket Chheda from DAM Capital Advisors. Thank you and over to you.

Sanket Chheda: Thank you. A very good morning to all of you. We have with us the entire management team of Cholamandalam Financial Holdings to discuss the Q3 results so we are accompanied by Mr. Sridharan Rangarajan, Director, Mr. N. Ganesh, who is the CFO, Mr. V. Suryanarayanan, who is MD Chola General Insurance and we have Venugopalan, who is CFO Chola MS General Insurance, so without further delay I would hand over the call to the management for their opening remarks followed by question and answer so over to you Sir!

Sridharan Rangarajan: Good morning to all of you. This is Sridhar. I have with me my colleagues Suryanarayanan, MD and Mr. Venugopalan CFO of Chola General Insurance and Ganesh our CFO of the company. The consolidated results of the company consists of Cholamandalam Investment Company Limited, Cholamandalam MS General Insurance Limited as subsidiaries and Cholas MS Services Limited as JV. The total income for the quarter ended December 2022 increased by 28% to 4777 Crores while profit after tax increased by 33% to 720 Crores. Cholamandalam Investment and Finance Company you might have attended the call and entire details on the presentation and the transcripts are well available. Chola has delivered the best ever disbursal, collection, and profitability in Q3 FY2023. Chola has gained market share across product segment in vehicle finance and other business unit. AUM as of December 31st 2022 stood at about 103189 Crores. This is a milestone. The company holds strong liquidity position, ROE is at 19.1% and the CAR as of December 31st 2022 was at 17.75%. Cholamandalam MS General Insurance registered a gross premium of 1625 Crores in Q3 FY2023, an increase of 23% over the previous year driven by growth across channels and partners. The company continues to have dominant presence in motor segment and strategically diversifying across motor ecosystem. In Q3 the industry grew by 18.5% with sector player by 52.3%. YTD December 2022 industry grew by 16.2% and private sector players grew by 21.6%. The same period Chola MS delivered a growth of 27.5%. In Motor Chola MS improved the market share from 4.9% to 5.3% in PA growth the market share to 4.9% in business the growth is it about 37%.

YTD December motor representing 69.3 percentage of the portfolio grew by 24.5%. Commercial representing 14.3% of the portfolio grew by 37%, health accident travel and personal accident representing 16.4% of the portfolio grew by 38%. Within motor two wheeler and passenger car share is 21% and 36% respectively. Commercial vehicles at 44%. The company's long term policies growth **inaudible 4:50** absorb the full cost for all long term policies. However, the UPR get earned over the long term policies creating an embedded value in balance sheet. Solvency ratio as of December end is at 2.06 compared to the same period last year which was about 1.86. Profit after tax for Q3 FY2023 was Rs.43 Crores against 18 Crores of last year. YTD PAT was at 116 Crores as against 62 Crores in the same period last year. With these comments I would like to now open up for question and answer. Thank you once again.

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

Devansh Nigotia: Thanks for the opportunity. Just couple of questions. Sir one is case of our motor book so we have significantly build the two wheeler and PV book and that has come at a very cost where do you we see this mix settling in terms of our targeted mix between PV, two wheeler, and commercial vehicle any thoughts if you can share.

V. Suryanarayanan: Good morning. Presently the two wheeler mix is about 21-22% or so and the passenger cars are about 35% or so. Over the medium term with the buoyancy in commercial vehicles emanating, we would expect to see commercial vehicles roughly at about 50% of the book and balance between two wheelers and cars. We have also seen the regulator coming up with a draft exposure on long term relating to tractors. If that were to come through then we could see growth even in the tractor segment as well, but broadly 50% commercial vehicles and non commercial vehicles at 50 is the mix that we see going forward.

Devansh Nigotia: So we have achieved the targeted mix that we were looking for the long period of time and we have achieved that.

V. Suryanarayanan: I think given our channel presence which is well diversified across vehicle categories together with the financial tie ups including the sister company relationship, we would expect the mix to settle at around this level.

Devansh Nigotia: How do you see the competitive intensity in motor insurance both in OD as well as two wheeler and if vehicle by if you can share you commentary how is the intensity right now.

V. Suryanarayanan: See the competitive intensity is at its peak across categories. It is not that it is any way greater or lower in any particular product segment within motor. Quite naturally the peak competition would be in the cars and two wheelers, especially in the new vehicle space in the OEM segment. It would be relatively lower in the commercial vehicle space and the key is having long standing relationships with financial partners. Thankfully Chola MS has the partnerships in place which should help us.

Devansh Nigotia: So we find the competitive intensity high in PV and two wheeler and that is above that we have built in last one to two years so just little comment on targeted combined ratio that we want to achieve and also you are thinking in terms of risk, reward and pricing in different vehicle segments so can you just share your thought process.

V. Suryanarayanan: The competitive intensity with respect to pricing and discounts has meant that the own damage LRs have remained at an elevated level for almost all players. Chola MS has been by virtue of its mix and granular choice has been able to contain the motor OD loss ratios fairly well. For instance in Q3 we are at about 68% so which we have been able to reduce it from Q2 level and from Q1 as well. I think this level is more or less the stable level with maybe another 1% improvement to possibly come through. This is where we expect this to settle for the time being unless the discount situation improves. As I have always maintained in the past, the motor third party LRs would also depend on the kind of price increase that the government is considering for the ensuing year from April on which the overall motor COR would depend. But then let us also understand that it is thea motor portfolio which brings in the investment book for generating the investment income.

Devansh Nigotia: How do we see we the competitive intensity in terms of remunerating the distribution channel because we have seen opex being elevated in motor across all the players so is it easing or is it still at peak or can you share some direction on where is it heading.

V. Suryanarayanan: The competitive intensity is there and it is a function of choice as to where we want to grow and how much we want to grow. We have already seen some larger players tone down growth in the motor segment and in fact even if we look at our growth, our growth in motor is on par with that of the industry in that we are just about maintaining market share. Coming back to your question on market sourcing cost, market aggression is there but then we would have to manage our cost to stay only with our choices as to product categories within motor and lines of business that we want to be in and also the geographies that we want to operate.

Devansh Nigotia: That is it from my side. I will just come back in the queue.

Moderator: Thank you. We have our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Thank you for the opportunity. Sir we mentioned that last quarter we took some corrective measures with respect to health and PA to improve our loss ratio but if you look at the third quarter number it still remains little on the higher side around 71%, marginal improvement compared to what we have done in the second quarter so just wondering whether it comes with a lag or is it because the majority seems to be higher of pricing competition let us say higher loss ratio that is my first question.

V. Suryanarayanan: So on the health LR we have made some correction with respect to pricing, both in our retail products as well as the products that we offer to our public sector bank tie ups. There has been a price correction of about anywhere between 20 to 25% which has been done and we do expect that the benefit of such price increase will start reflecting the LRs as we go along.

Sanketh Godha: It is more to be get reflected in the next year rather than getting reflected in the current year because this will run off whenever you see double digit right that is the way I should understand.

V. Suryanarayanan: Yes the larger effect would be seen in the next year, but we should start seeing the trend even for Q4.

Sanketh Godha: Okay Sir got it and second question is the basic expense of management because in the new regime of expense management which is proposed by the IRDA it says that you cannot breach the number management is 30 and today we are at 40 so any path you want to guide us to how you will ultimately achieve 30, whether we will increase our exports to wholesale businesses. Currently we are 84-85% in the retail services opex so any thoughts if you can share how we gradually will move in that direction without deteriorating our combine.

V. Suryanarayanan: There are two, three dimensions to this. First is that the present method of computation includes the long term premium that we are collecting especially in motor which is not reflected in the top line. The cost is absorbed without the premium getting reflected in the topline. As an industry we have represented to the regulator that while evaluating and computing this limit we should see this in total. The second element is that the company may consider an entry into the crop insurance business which can help in toning down and providing the balance for the ensuing year. The Board of the Company has deliberated this and probably we should have greater clarity as we freeze our business plan some time later next month. The third dimension is that the regulator has also given indications of a glided path for reduction over a three year period and to that extent it is not that the reduction is expected overnight. We are seeing some economies of scale kicking in, in terms of our own operating expenses If we look at our expense structure, Q3 is lower than what it was in Q1 so from Q1 to Q2 we had a 3% drop and from Q2 to Q3 we have had a 1.9% drop so this benefit should start also helping. but to answer your question whether all these will take us to 30 overnight next year, the answer is probably no, but we would well be on the glide path towards converging to the stipulated number over a three-year time frame.

Sanketh Godha: So basically is it safe to assume that maybe somewhere around FY2026 or 2027 you will ultimately achieve closer to 30 kind of figure in the opex ratio.

V. Suryanarayanan: That would also be a regulatory requirement. The window is three years so we would need to have our plans drawn up to converge to that by that time frame.

Sanketh Godha: Just wanted to understand that in crop you intend to have it very closer to your overall market share of the company your exposure or are you are okay to go little overboard and also want to understand that in crop given you are re-looking it will be more into that 80:20 formula where you will do or you are okay to do the normal way of doing crop also.

V. Suryanarayanan: We would like the crop insurance to be somewhere in the 10 to 12% range in terms of composition to topline. Number two we will also have to clearly look at the guidelines, the crop insurance guidelines that the government is expected to come up with relating to the various methods and the loss corridor options that are available and there are pros and cons for operating under the loss corridor method as well as the conventional PMFBY scheme which will have to be evaluated.

Sanketh Godha: Okay fair Sir and the another question was basically when I see your one of the slide were you mentioned that your market share in the new two wheeler is 8% which I believe at the start of the year that is in 1Q FY2023 was 10% so it has come up a bit so anything to read is it the conscious decision where you have lowered your market share because of the intense competition or in general it has become a crowded space and that is why you saw a reduction in the market share and if I want to connect it with the Chola Insurance express offices which have come down from last year of around 500 officers to 350 kind of officers has that also played a role just a broader picture if you can or both are unrelated basically if you can tell me on those lines it will be helpful.

V. Suryanarayanan: See the market share in two wheelers is function of the competitive intensity and the economic viability given the pricing and discounts. so we have pruned our presence in some geographies and some product categories models taking a granular look at the loss experience and the related sourcing costs. While we have stepped up and got into newer location some locations which probably have not really grown or have not lived up to the potential so we have also taken the call to reduce our presence. I believe constant evaluation of market related opportunities that exist is what the teams have been doing.

Sanketh Godha: But that is predominantly the reason why your motor loss ratios have come down to 68 calculations, the recalibration of that.

V. Suryanarayanan: It is a function of that as well very clearly because we have made our choices and those choices seem to be working in terms of managing the overall loss ratio and these are not one quarter choices. These are continuous choices that we make because any choice that we make lives with us and casts its shadow for at least one year and in case of long term it will have its shadow for 3-4 years so these are continuous choices that the teams make.

Sanketh Godha: Got it Sir and maybe finally if I can ask a data keeping question how much of our total premium is now from long term in our GWP in the current nine months or quarter of FY2023.

Venugopalan: The position as of December 2022 we are carrying 1381 Crores as Motor long term premium. The embedded long term premium is around 9.8% of the total GWP.

Sanketh Godha: 9.8% is right Sir.

V. Suryanarayanan: 9.8%. For our Q3 it was about 9.7 so it has more or less settled now at about 9.7-9.8%.

Sanketh Godha: Got it perfect Sir. That is it from my side. These are the questions. Thank you.

Moderator: Thank you. We have our next question from the line of Yash Mehta from Steinberg Asset Management. Please go ahead.

Yash Mehta: Thanks for the opportunity. One question on what was reported last year if I were to look at March presentation in 2022 there were two one off, 200 Crores of COVID claims and 263 Crores of IRDA order impact on write off before acquisition cost balance that 463 Crores ideally should not have continued in the current year so one would have expected that about 100 odd Crores per quarter would be added to the bottom line of the company from last year to this year, but the actual translation has been closer to 20% of that in terms of improvement in what our absolute numbers are, how do you reconcile the one offs and look at the steady state profitability because even today our ROE is not reflecting the old ROE levels, pre COVID ROE levels.

S Venugopalan: To answer the question on the 463 Crores which you have talked about as a part of health COVID claims and pre paid expenses which we have written off in the last year 2021-2022, see there were benefits that were flowing the last year and there were costs associated onetime cost there is one time benefit also flowed in the last year that was not there in the current year like lock-down benefit and prepaid cost absorption, and you know very well that the motor third party there is an inflation compared to previous year and without much premium increase. Second part is also that the growth is around 28%. The long term share we have already said that around 9 to 10% on the mix is also there. Coupled with that there is no prepaid concept that was followed in 2022-2023, the entire absorption is taken into the P&L part. I am not putting the numbers here. There is an element of continued level of the growth in absorbing the cost also. This will create an embedded value there as the earnings will come into the next year without cost.

Yash Mehta: So do you see let us say improvement in our ROE from here on because the way it seems you are increasing the share of crop business and that is probably not as profitable as the overall business today and on top of that we are kind of adding let us say the long term policies continue so just want to understand if our ROE will see pick up and where do you see it stabilizing.

S Venugopalan: Definitely the ROE will pick up because the growth in 2022-2023 is around 28% we are more than the industry from the point of view of GWP growth that is why the earnings will take time coupled with long term premium growth. It will take long time for us to take the profitability so ROE will improve in the next periods onwards but we have already improved in terms of that. You already said that 20% of improvement is there which is low due to upfront absorption of cost in terms of high growth and long term policies growth. However, in the coming years definitely we will see that the ROE to improve because already growth based acquisition cost is absorbed in the current year.

Yash Mehta: What we have seen is your partners like IndusInd Bank and Chola their disbursements on vehicle finance have been absolutely stunning for the last quarter odd but when we look at that translating into our growth from these channels it is not really coming through that well so are there nuances which I am missing here in terms of why our growth from these channels is not reflecting the growth that they have seen in their books because they have started lending to acquire these vehicles so ideally one should see them selling insurance on this vehicle.

V. Suryanarayanan: Your observation is partially right to the extent that in the case of new vehicles the control over the insurance is with the dealers whether it is cars or two wheelers where the OEMs have a greater say. The financiers ability over the customers would come in only in the case of used vehicles certainly and in case of new vehicles in the later years.. The immediate increase in disbursements is not going to reflect directly in an insurance premium.

Yash Mehta: Given let us say the implications of the expense on management regulation that the regulator has now come up with, we consistently for the last two years have had money from shareholders account getting transferred to the revenue account how do you see the implications of this on us because this is relevant to us because we are above the 30% mark, how do you see it, is it positive or is it negative. How do you approach this regulation and what benefit you gain across subsidize better because I am just trying to understand from the strategic perspective.

V. Suryanarayanan: From a pure strategic perspective it provides relief on the compliance related aspects greatly. From a market perspective the sourcing cost is not really going to reduce immediately. so it is more a question of how nimble players are in choosing the geographies that are profitable and yet are able to manage both the loss ratios and the costs. so the game is all about managing your overall combined ratio and not really to look at any element in isolation. so we cannot say that you may have a higher cost, but if you are loss ratios are okay then it justifies. so the economic view is what players would start taking.. In that sense freeing up the EOM and the flexibility being given to insurers and insurer boards would be a welcome step.

Yash Mehta: Fair enough. I will come back for other questions thank you.

Moderator: Thank you. We have our next question from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: So you just mentioned that you have taken 20 to 25% price increase in health insurance and similar comments have been there from one of the listed player as well so can you help us understand how is the regulator's response to this price increase and how also other players in the industry are responding to this type of price increase. Is everyone taking 20 to 25% increase or is it only few players.

V. Suryanarayanan: Players have stepped up prices in the health segment . The PSU players have effected increases and so have large private sectors players which is also inevitable given the medical inflation that is prevalent. The regulators own publication is suggestive of 12 to 14% medical inflation and in renewals as age of the insured advances, the age linked pricing goes up. so it is inevitable that prices go up in the health sector.

Devansh Nigotia: Okay but this 20 to 25% price increase is beyond the price increase that happens on change in age bracket is that the correct understanding.

V. Suryanarayanan: The correction is not an annual correction but a correction after a period of time to catch up with the inflation over the period since last effected.

Devansh Nigotia: Okay and how has the claim experience being with the motor TP six months regulation that had come in place. How are we seeing the settlements happening on the ground with the courts?

V. Suryanarayanan: Actually we have Madras High Court which has endorsed the law which has come in from April 1st. so we would need to see as to how other high courts also appreciate and endorse this particular amendment. For the moment what we are seeing is some improvement in faster reporting of claims but we will have to still wait and see as to how the other leading courts in the country take a view on this and that would be critical to the way the ultimate loss ratios shape up. The law is clear now it is up to the courts as to how they implement the law.

Devansh Nigotia: So by that you mean that only Tamil Nadu is following the six month intimation and not is being followed by all the states.

V. Suryanarayanan: Tamil Nadu has come up with a judgment upholding the six month time limitation very clearly so similar upholding will have to come in other states and then yes there could always be appeals that could be to the Supreme Court. we believe that this matter will get settled by this Supreme Court sooner than later.

Devansh Nigotia: Okay I am not sure, still confused because I am just trying to understand how. So let us say settlements which are happening after six months across India can you help us understand how is the claim experience not only in Tamil Nadu but even in other states either rejection of claims because they exceeded the six month limit.

V. Suryanarayanan: Now let me explain this. The time limit is only for intimation of the claim. Settlements, court proceedings can take longer so there is no time limit as to the settlement itself. The time limit for limitation only brings in a higher level of certainty as to the liability, as to how many claims are actually reported then it is a function of the prevalent severity for the nature of accident or whether it is a death or an injury and the earning potential of the individual concerned who had suffered it so that would determine the ultimate loss. Time limitation only brings in finality and certainty as to the number of claims that an insurer would have to pay for ultimately. The timing of payment for a company would be shorter if it favours more negotiated settlement and would be different if the insurer waits for the court decision then it will take longer.

Devansh Nigotia: I am just trying to understand that have there been any reduction of claims which has exceeded six months time limit so already by October there should be five months where we have seen such cases right. I am not sure if you are able to understand my question.

S Venugopalan: In Tamil Nadu as Madras High Court has clearly given a verdict for both prior to 1st April 2022 accidents and post 1st Apr 2022 accidents to restrict the intimation to 6 months and to be strictly followed by the MACTs and we are also seeing it closely from the point of view in Tamil Nadu State. We are also looking at the other states to strictly implement new motor vehicle rules but having said that it is too early at this stage to come out with a clear level or how this will happen or how the MACTs are to going to take it up and how the high courts are going to take but we are monitoring each of the MACT cases very closely in terms of that. We will definitely appeal those cases wherever it is being admitted by MACTs, that is the process internally we have. We will be implementing the new process strictly.

Devansh Nigotia: So for it to be implanted pan India it will still take time. It is only the Madras Court that has come up with a rule.

S Venugopalan: Yes, it is the Madras High Court which has clearly clarified. In MACT many of the other states are also following the six months limitation. Wherever the six months is not adhered to by some MACTs, we will appeal against that.

Devansh Nigotia: If you also elaborate on the strategy X motor on fire insurance, personal accident, and health insurance what is our strategy going forward. What does the target focus. What are the kind of policy you are looking to launch. If you could share some soft points.

V. Suryanarayanan: In fire insurance we have grown well in the nine months to date thanks to our bank assurance partnerships and the general credit growth that is happening in the banks which has been a large driver. We also have some headwinds as we can see potentially some price contraction in the fire insurance space. This together with the kind of losses that global reinsurers have taken means that the reinsurance costs can go up. This will have to be priced in by all insurers when they offer their products to the customers, but nevertheless it is a segment that will keep growing and we would want to grow there also as a part of our strategy to increase our proportion of non motor business. The personal accident is something which goes well with our bundled products along with our motor and other related insurances that we sell. We have maintained good pace and growth this year and we hope to keep that going and sustain the 5% market share.

Devansh Nigotia: In case of health insurance.

V. Suryanarayanan: Health again we have been growing faster in the attachment and bundled space as also the volume that we get on indemnity business from banking segment. The agency segment during the last quarter saw our new product launch which is called the Flexi Supreme which is doing well in the market and we do expect the growth to come in. As I have said before ideally we would want our indemnity benefit mix to be at about 50:50. Today it is actually loaded more in favor of benefit so that mix readjustment will come by faster growth in the indemnity over the benefit products.

Devansh Nigotia: How would you comment on the competition in health insurance as of now is the competition easing or the competitive intensity is higher can you elaborate on the direction of competition.

V. Suryanarayanan: In General insurance , in every line there is competition. It is not that any particular line has less competition and in health it is more. You have five more players who are competing in that space and who are focusing on that line as the only line of business. So, the intensity is no different in the health line of business as compared to motor or as compared to fire. It is again a question of the appetite for that business and naturally as general insurance players, we have other lines of businesses which have the relative advantages. motor has certain advantage, fire business a certain advantage and so does health so the relative choices always come into play.

Devansh Nigotia: Just last question we mentioned that the new investment book that you are building you are building it at 7.2 to 7.4 and 7.6% interest rate so what is the expected investment yield that we are expecting in FY2024 and FY2025.

S Venugopalan: See the interest rates are going up and the incremental investments are being deployed at higher yields that is why we are talking about this 7.6% deployment. Still the older books are carrying at the lower yield and hence by end of Mar 24, we are expecting to end with an yield of around 7% yield by end of March 2024. March 2025 again we need to think about what the interest rate outlook and inflation and other aspects would be. However, it will be more than 7% in 24-25 basically because the older investment will be invested in high yield so though exactly cannot be quantified, it would be more than 7% for March 2025.

Devansh Nigotia: Okay that is from me. Thanks a lot.

Moderator: Thank you. We have our next question from the line of Parag Thakkar from Anvil Wealth. Please go ahead.

Parag Thakkar: Thanks a lot for taking my question. I think my question is not on insurance business. My question is on Chola Financial Holding valuation. My question to the entire Chola Financial Holding team is while you are building the business of insurance taking so much of pain, the valuation of Chola Financial Holding does not even reflect the single percentage out of your Chola MS Insurance business value because if you see 46% stake in Chola Investment and Finance that itself is worth 29,000 Crores while your current market share is only 11,650 Crores so you are already getting a huge discount to your holding in Chola Investment and Finance share and I do not know for 50 minutes we are discussing only MS General Insurance business. After taking so much of pain you have built up that business but actually for a shareholder this business is available for free so my question is what we are thinking to unlock this value whether any buyback or promoter trying to increase stake what is to be done to unlock this value because see Bajaj Holding, Maharashtra Scooters various holding company stocks are there where the value has unlocked. For example I can give you in Bajaj Holding the promoters themselves kept increasing their stake and so the value finally market realized some value and now it trades at 40% discount to its value in Bajaj group shares while you are trading at 1/3 of your investment only in Chola Finance and in Cholas MS General Insurance whatever 200 Crores whatever you are going to make is absolutely available for free and where you have 60% stake. So my question is what we are thinking as a company to unlock this value.

Sridharan Rangarajan Thank you Mr. Parag for asking this question. So our job is to explain to the investor community and I think I just want to take this call as probably the question also is see we have come a long way in building this fine insurance portfolio. There were some challenges in the last couple of years. We have all overcome that. Business has done very well. The growth has come back. We used to grow at CAGR of 20% plus except the last couple of years back. We are back into that growth trajectory. We feel that the investment book size that what we have built we can work on improving the yield which I think we will do in the coming years which will definitely augur well in terms of the profitability of this portfolio that what we are building. Insurance as industry has got a long term potential and I think we feel that will also augur well for this portfolio and I think the last ratio is currently what we are seeing is coming down. I think the work that the team is doing in terms of portfolio change that comes in terms of product as well as in terms of the geography that they are doing will also help to bring the loss ratios coming down. So in a play where the group is there combined with the loss ratios coming down and the investment deal going up and with the embedded value what we have created in the balance sheet for the long term business that we have got, I think the profitability will go up in the next couple of years. You will start seeing this franchise building such a good return to the investors. I would leave at this stage beyond which commenting on that would not be appropriate in this call. I feel that this is a choice that the investor should make and I think we have as you rightly said that probably the investor like you would probably have observed it right and I think it will start circulating down and more people will start buying the shares and our job is to deliver the performance.

Parag Thakkar: That I appreciate but the only thing is Chola Finance is doing so well. This quarter result was absolutely phenomenal so Chola Finance right now for example I do not know how investors missed this that if you are buying Chola Holding you are getting Chola Finance at 10P and the underlying entity is doing so well, but it was just my point in order to unlock value there is something which management also has to think on that line very rightly and I really appreciate that you commented about the sincere growth prospects of Cholas MS but my point is that Chola MS is not getting any value only as of now.

Sridharan Rangarajan Parag I think you point are well taken. As I said that the investor should take a calculated position both in terms of the performance of the Cholas Finance as well as Chola General Insurance. Since it is a holding company obviously they would look at both and our job is present these portfolio choices that we have and as you rightly said that the performance of the NBFC is done superbly well, insurance has also done well and I think my positive feeling is that investors community will start appreciating that going forward.

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

Prateek Poddar: In parts and bits this question has been answered but just from a holistic perspective we have seen substantial pullback in the opex ratio as well as improvement in the loss ratio despite the growth which we have witnessed this quarter. Just wanted to ask you in terms of sustainability of these numbers going forward.

V. Suryanarayanan: Yes these are choices that we have made and I see no reason why there should be any change in the direction as well as what we have put through in Q3.

Prateek Poddar: Got it and Sir with this new guideline pricing as an important lever will no longer be a major way to grow, in your view what will be the other aspects for let us say Chola to outperform the industry growth.

V. Suryanarayanan: Definitely, potential for growth is very much there given the thrust as to penetration and general economic growth which will be there. Chola MS strength is also in its prsencein the tier 3 markets and we would want to penetrate the market further. we also have the prospect of about another 5-6 players entering the scene and from a competition intensity we have discussed this few times even in this call it is only going to be on the rise and it will all start in the metros and other markets . so the key as I would see is also in building our presence and strength in the tier 3 markets for sustainability.

Prateek Poddar: Got it Sir this really helpful. Thanks and all the best.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you Sir.

Sridharan Rangarajan: I just like to summarize a few points. One, insurance has done a growth which is back to about 25 plus percentage aggressive higher than the market growth, investment portfolio reaching about close to 14,500 probably at the year end. We will have a portfolio mix work done on the investment side as well. Product choices, region choices very careful work is being done. At this point in time the leadership at all levels is fully available and we have fully revamped team in place investment as far as the IT, infrastructure, as well as applications the key project is undertaken and I think it will take about couple of years for us to change the course in a far better way than what we are currently having it. All this will augur well for this insurance business and with that I thank you all for participating in the call, all the very best. Thank you.

Moderator: Thank you. On behalf of DAM Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect you lines.