# Equitas Holdings Limited
Q3FY17 Earnings Conference Call
February 2, 2017

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**Moderator:** Good day and welcome to the Q3 FY17 earnings conference call of Equitas Holdings Limited. We have with us PN Vasudevan – MD and CEO Equitas Small Finance Bank Limited; Bhaskar S – ED and CEO, Equitas Holdings Limited; S Vasudevan – CFO, Equitas Holdings Limited; Sridharan N – CFO, Equitas Small Finance Bank Limited; Raghavan HKN – Head, Consumer Banking Equitas Small Finance Bank Limited; Murthy VS – Head, Vehicle Finance and LAP, Equitas Small Finance Bank Limited and Dheeraj Mohan – Head Strategy and IR. As a reminder all participant lines will be in the listen-only mode and there will 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 * followed by 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Bhaskar S, ED & CEO, Equitas Holdings Limited. Thank you and over to you sir.

**Bhaskar S:** Thank you. Good afternoon, welcome all of you to the Earnings Call for third quarter FY17. We had a reasonably good third quarter with the AUM of the bank growing at 30% over third quarter of FY16. As you are aware the operating environment was a bit challenging during the latter part on the quarter hence this has affected the disbursements and collections especially in the Micro Finance operations of the bank. As a prudent measure, the bank has enhanced its provision cover for the NPA during the quarter. Due to this, our consolidated PAT grew by only 4% over corresponding quarter of last year. For 9 months ending December

2016, the consolidated ROA and ROE stood at 2.71% and 11.41% respectively. With this, I request Mr. PN Vasudevan to elaborate on the banking operations.

PN Vasudevan: Thank you Bhaskar, the liabilities rollout is in full steam. As of December, we had 112 branches and 40 ATMs installed in those branches. We had a 6,500 customer base on the deposits and CASA is about 2.3% of the total deposits as of December. We are on course to complete the rest of the roll out by first quarter of the next financial year, as you know, we are looking at 412 new liability branches, hopefully that should be completed by end of first quarter of FY18. We also made a good progress on digital banking. Our internet and mobile banking has been rolled out and is in place for customers to use. Our wallet app has also been rolled out for internal testing; may be shortly it will be rolled out for customers to download. We have also started the POS acquiring business, which has gone live in the month of December. Our deposits as of December 2016 stood at Rs.760 crore, out of which about just under Rs.20 crore was CASA deposits.

Q3 did dampen the advance side of the bank, which I will touch upon shortly. On the liability side, the demonetisation did have some benefit for us. We feel that the opportunity is going to be good, going forward, as the demand for POS machine is increasing from merchants and this could be a good opportunity not just for fee income but also getting the current account along with that. With our liability network increasing, I think we will be well placed to benefit from that. Also, there is a larger demand from customers in terms of basic deposit accounts being opened because of the cash getting phased out of the system. All this is well for us for someone who is a new starter. We are not having the liability that baggage of any of the past constraints may pull us down. Our technology platform is something that has been designed over the last one year, so that really enables us to move very fast in terms of making changes and rolling out new services and products for the customers. So we believe that this entire demonetisation could probably be a kind of a boon to us from the liabilities side, where we do see that our whole rollout of our deposits based on the other services should really move much faster than probably what it could have done otherwise. On the advances side, as you all know, Micro Finance customers predominantly transact in cash. Hence, in Q3, there was an impact in a few States where we operate, where the Micro Finance industry went through certain levels of stress. We were also impacted in this process and you would have also seen that, in the presentation that we have sent out, in terms of delinquency which have risen during this last quarter. Our overall collection efficiency for the quarter was still reasonable. Our Micro Finance collection efficiency for the quarter was 98.4% which is of course lower than 99.5%, till September. But, still it was something it has gone down but may be still reasonable. The Micro Finance PAR stood at Rs.136 crore at the end of the quarter, whereas PAR > 30 days was at 1.02% of the loan outstanding Micro Finance and PAR > 1 day was 3.85% at Rs.136 crore, translating to 3.85% of the Micro Finance portfolio. Collections in other products did have a little bit of impact due to demonetisation but overall it is quite comfortable and the speed of recovery in all other products is generally much faster. So we don't really see much of an issue as far as rest of the products are concerned. Interestingly, while our Micro Finance disbursement was down by 25% during the quarter because of all these issues, we managed to shift the entire 100% of disbursement to bank mode; earlier before demonetisation, 70% of disbursement of Micro Finance was being done by cash. Post $8^{th}$ of November, we shifted to complete bank mode, so all MF disbursement since $9^{th}$ of November has actually gone into the bank accounts of the customer and cash has completely been stopped as far as disbursement in Micro Finance is concerned. Of course in all other products, we generally do not disburse in cash. It is always through bank mode.

As of Q3FY17, our AUM comprises of nearly 50%, that is 49% in Micro Finance, 26% in used commercial vehicles, 21% in micro and small enterprise offerings and 4% in housing finance. This is largely in line with what we had been working towards in terms of our distribution of portfolio. Few new products were introduced during the last quarter, like business loan, gold loan and agri loan. We expect we will see an accelerated growth as we have strengthened these businesses and some of the staff who might get released in Micro Finance because of the lower likely disbursement in Micro Finance will actually now be handling some of these new products. This will have some level of cost optimisation as we accelerate growth of our new products. We utilised the RBI dispensation on asset classification in Q3FY17 while an additional provision of Rs.15 crore was made from a prudential perspective. So it was a quarter with a PAT of Rs.45 crore after the above additional provision. While we would refrain from giving estimates at this juncture which we normally do not give; however, just to kind of give an overall direction, we expect disbursements in all other products to pick up in the quarter four and you all know quarter four is a peak season from a lending perspective. So we expect all our other products to pick up and come back fairly to normal levels because demonetisation aspect has more or less worn off and the cash availability has practically come back to normal level. I mean, it may not have yet come back fully but more or less, it is there in place. So we don't expect any issue as far as all other products are concerned and we should expect or look forward to seeing a good Q4, which normally happens in any year. However, Micro Finance disbursement will continue to remain subdued going forward as well. On our CSR initiatives, we continue to play a very meaningful role in the lives of hundreds of thousands of underprivileged people with whom we deal. And that is something that has grown and carried out very strongly over the last quarter, also. Also in case any of you would like to support us in this CSR initiative, please do reach out to our CFO and we will be very happy for any contribution that you could make for these purposes. Now I hand over to S Vasudevan for taking us through the financial numbers. Thank you.

**S Vasudevan:** Good afternoon, our AUM growth year-on-year in MF was 21%, UCV growth of 33% and MSE offerings by 61% and housing by 15%. Our NII growth in Q3FY17 was 48% on year-on-year basis. Our average cost of funds for FY16 was 11.4%, which has come down to 10.2% for Q3. We expect the finance to cost to further go down as we ramp up our deposits through the year by expansion of our liability branches pan India. Our consolidated Opex cost for Q3 increased to Rs.171 crore against Rs.141 crore for Q2. The Opex includes the liability staff coming on board as well as the Opex cost of the 112 branches and some costs of other branches which are to commence in the following quarter. As mentioned by Mr. PN Vasudevan, our asset quality parameters continue to be reasonably stable as of December 2016. Our GNPAs stood at 2.46% as of December versus 2.54% as of the previous quarter. We have utilised the RBI special dispensation on asset classification providing 90 days additional time for classification of NPA. Without this dispensation, our GNPA would have been 2.98% as of December. Slide 8 provides the complete details of the NPA details. Our credit cost was at Rs.29.4 crore for Q3FY17. As earlier mentioned by Mr. PN Vasudevan, an additional provision of Rs.15 crore was made on a prudent basis, which enhance our provision coverage to 68.6% from 53.9% as of the previous quarter. Our ROA was at 2.04% for Q3 compared to 2.37% for Q2 and our ROE was at 8.18% for Q3 versus 8.67% for Q2. We can start with the Q&A session, back to the moderator.

**Moderator**: Thank you sir. Participants we would like to inform that we have Mr. Narayan, Head Treasury on the call as well. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Dhaval Gada from Sundaram Mutual Fund, please go ahead.

**Dhaval Gada**: Hi sir, thanks for the opportunity. I have three questions. Firstly, sir if I look at numbers given in your presentation, it suggest that there is very limited improvement in December billing, so I just wanted to check how is the January billing trend looking like? Is it like better than November or is it in between November and December or is it worse than December? This is the first question.

**PN Vasudevan:** Okay, see if you look at this particular collection efficiency for the month of November, 96.81% was the efficiency and then it moved up till 99.29% which means basically there is some improvement as far as the November collection is concerned. In December it is 96.31%, which has marginally gone up by 30 bps, as of January. Now the thing is that in the last couple of weeks what we have seen is that across the States, especially the States of Karnataka and Madhya Pradesh, the rate at which the defaults were there has now kind of stopped, and almost come to a normal situation where further defaults are not taking place. And in terms of circulation of cash today that has substantially improved. So we will be able to see some improvement in the coming weeks and we are only hoping that things will improve. And as of now the indications are there from the field that some collections of the old outstandings have also started coming. So we will have to keep updated and see how the next two months this will unfold.

**Dhaval Gada**: Right, so can I sort of say that the January billing efficiency was equal to the November efficiency or is it similar to December? Sir just want to understand whether it was above 97% or below 96%?

**PN Vasudevan:** I think it will be difficult to give the January figure as of now.

**Dhaval Gada:** Okay. Has it rose up or is it similar, just qualitatively.

**PN Vasudevan:** Even telling something, that would also be giving a number.

**Dhaval Gada**: Okay fine sir. Just a follow up on the asset quality. What do you see the ultimate sort of, I mean you highlighted what your PAR > 1 day is at this point and that could be the probably the worst case that was based on what you have been suggesting but just in terms of base case what is the kind of provision one has to sort of, in your view, one could build in the assumption given the changes that have happened post demonetisation? Can you just throw some color on the credit cost?

**PN Vasudevan:** I think in terms of provisions it was highlighted by S Vasudevan, at this point of time the board thought prudent to provide some Rs.15 crore as of now. I think it would be too early to actually budget anything. You know it is very difficult to actually predict. I think in another couple of weeks from now, we will get a hang of it, because just now the money circulation have started coming in. And yes, seeing some positive signals. It don't think it's right time to assume some numbers.

**Dhaval Gada**: Secondly on growth sir, when do you expect the normalisation for the MFI book and on the non-MFI disbursement? We were talking about 35% to 40% pre-third quarter. So, is that growth that we will look at in fourth quarter and beyond? Just wanted some color on that front

**PN Vasudevan:** If you look at it, as an organisation we have been always talking about a growth of 20 to 25 odd percent in terms of the Micro Finance business and given if the situation improves, it will be in a similar situation. But I think it will take couple of months to actually get back to that kind of a growth because we need to kind of tide over this particular stress which is there and post that I think it will become normal, it all depends upon how things will unfold in the next couple of weeks and 2 months. Even there, I think giving a guidance as to how it is going to happen is going to be as good as your guess is as good as mine.

**Dhaval Gada**: Right, sir the base case one should work is at least one quarter per the MFI space is that correct.

**PN Vasudevan:** I think we should give this coming quarter also to see how it settles down.

**Dhaval Gada**: Right and as far as the non-MFI piece is concerned, how do you see it? I mean 35%, 40% growth in that space is possible?

**PN Vasudevan:** Yes, I think the non-MFI space will bounce back faster, because one is that the number of clients will be under control and the impact of monetary ease will have a faster impact on this segment. And also in terms of the businesses which will start churning on, the recovery can become faster. Hence, we expect definitely the fourth quarter being the peak quarter in terms of disbursements. We expect it to be better and good.

**Dhaval Gada**: Right. Just one more thing on the vehicle portfolio, even though the collections are above 80% we have seen some downward trajectory in terms of collection for the vehicle portfolio. So is it sort of concerning or is it like normal state of business in terms of collections for the vehicle portfolio? Please throw some color on that part.

**Murthy VS:** Yes, see its Murthy here. I handle vehicle finance here. See it is definitely a momentary thing for November and December and what we could see in November, definitely there was some issue on the movement of goods due to demonetisation. This impacted repayment in November and December. In January month, we have seen in the first week itself some improvement over December, so we are hoping that the actual numbers in January at a ground level looks better than December.

**Dhaval Gada**: Right, fine sir, and just last thing on Opex, what is the plan for branch? Have we changed any sort of roadmap given the changes that have happened in the environment? Have you changed in major way the branch expansion going to be? And do you expect the Opex to be normalise after fourth quarter? So can one expect normalisation of operating cost by after the fourth quarter?

**Raghavan**: This is Raghavan. See we have a license to put up 412 liability branches and it will probably be completed by the first quarter end of next financial year. This is the roadmap as of now in terms of establishing the branches. As of December, we have 112 branches operational and there is no change in terms of the further plan. We are very confident that we will establish branches as per this plan, so in terms of loading of all expenses, we should expect somewhere around the second quarter of next financial year. You can expect the entire loading of this branch expenses there, so at that point of time, you can see some kind of a stable Opex cost coming in.

**Dhaval Garda**: Okay fine sir, thanks and all the best.

**Moderator**: The next question is from the line of Anirban Sarkar from Equirus, please go ahead.

**Anirban Sarkar**: I have a question regarding the yield on advances, so I did not see it in the presentation, is it with you sir?

**S Vasudevan:** Yes Vasudevan here, it is there in the respective slides actually, slide #21 for Micro Finance and slide #22 for UCV, so every slide has the average yield for the respective products.

Anirban Sarkar: At the consolidated level on the overall book what could be the yield sir?

S Vasudevan: 19.7%

Anirban Sarkar: Is it a third quarter yield or the 9-month yield sir?

S Vasudevan: It is for the quarter.

Anirban Sarkar: I see that in that case if it is 19.7%, that means your spreads are kind of gone up by almost 200 basis points, because the yields have slightly increased on a quarter-on-quarter basis and the cost of fund has gone down almost 180 basis points, so the spreads have almost expanded by 200 basis points but the NIM has expanded by 46 basis point, so on a QOQ basis, I don't quite understand the math there sir.

S Vasudevan: The NIM factors the SLR yield actually, so that's why you don't see the same expansion in the NIM actually.

PN Vasudevan: The NIM is based on total assets which (the denominator) includes nearly 30% of assets which are into investments where the yield is much lower that is why you will not be able to tally it completely because of the fact that about 30% of the total assets earn probably 6.5% to 7%.

Anirban Sarkar: Alright sir, thank you for this and sir my other question is regarding the cost to income ratio outlook. Does that change as we go into the next quarter?

PN Vasudevan: See currently our cost to income is around 63% approx., it might marginally move up a little bit as Raghavan was explaining. It will take us another may be 1.5 quarters more to reach the steady state operating cost, you know once all the branch rollouts are completed, so you might say going up a little bit but it should stabilise very close to may be 65% to 70% is what probably it may touch at the max and then it may start coming down may be over the next few quarters. We are closer to the peak more or less.

Anirban Sarkar: That is it from my side sir, thank you.

Moderator: The next question is from the line of Saurav Das from Franklin Templeton, please go ahead.

Saurav Das: Thanks for the opportunity, I have a few questions. My first point is regarding collection efficiencies, this is referring to slide #5, where you have given month wise and certain geography wise trends and I see that while Tamil Nadu has behaved reasonably well but you see a significant drop in collections in December in Maharashtra as well as in Karnataka. So I wanted to get a sense that what worsened so significantly in December? What are the initiatives which we have been taking? And any outlook on these States? Any specific geography wise trends which we need to watch out for?

Raghavan: Yes, this is Raghavan. See in the month of November as a small finance bank, we were authorised to collect the specified bank notes and it continued upto December also and that was an advantage for us in terms of collections. What has happened is in the month of December, especially the state of Maharashtra, to be highlighted here is that the State is going through a local body election. It started somewhere in the last week of November, the elections have started and it is going to end somewhere around fourth week of February. So there is a lot of disturbance especially in the Vidharba area and the Nasik belt, these are the two areas where it has been severely affecting and there are lot of political interference also. So I think we have to wait and see until the February end, once the elections are over and we expect the political interferences to come down and then expect things to normalise. We are just waiting for that to happen. So in that regional aspect, I think Maharashtra especially Vidharbha seems to be on the boil there.

**Saurav Das**: Anything on Karnataka?

**Raghavan:** Karnataka if you look at it, especially the bordering districts of Maharashtra which is Belgaum and then Bijapur are the worst affected and rest of it, if you look at Chitradurga and then couple of Talukas around Chitradurga are worst affected but otherwise in Karnataka things have got contained. Unlike Maharashtra, there are no local elections, hence the incentive for politicians to keep that boiling is not there, so hence the issues in terms of Karnataka has in the last couple of weeks got contained.

**Saurav Das**: So when we choose districts to operate in we have large checklist through which we filter out districts which includes political interference. Because local body elections I presume is a regular affair so are these districts witnessing such an interference for the first time in many years? And does that also change our outlook in operating in those districts over a period of time?

**Raghavan**: If you look at it, you know there is no district, where there is no politics. It is the heart of our system and this is the first time actually where such a large scale of political leadership has taken over the mantle in terms of this Micro Finance industry but otherwise we have not seen anywhere in the past, the entire political system working against it. I think on the other hand, I should actually tell that the Maharashtra Government has been very cooperative and the Chief Minister himself in Yawatamal in one of the public meetings has praised the Micro Finance industry and then told that they are doing a good service and that people should support the Micro Finance companies, is what he actually openly said. So to that extent in terms of Government interference or Government going behind us is not there. Especially a lot of work that has been done by MFIN as an organisation where they have engaged the Government, Finance Minister as well as Chief Minister and in fact the Finance Minister has sent a letter to all the district collectors in Maharashtra that the NBFC-MFIs are a legal entity authorised by the RBI hence they should be allowed to operate and it should not be disturbed. So I think there is a lot of positive help that we have got from the Government, especially the state of Maharashtra.

Saurav Das: That is good to know.

Raghavan: In terms of how things will unfold, I think at this point of time the factors that actually led to this kind of a situation has to be analysed in detail and then see where is that you know what are the factors that we need to focus in terms of ensuring that this particular model sticks together and does not succumb to these kind of political interferences. We will have to be steady and I don’t think there is any quick fix as of now to look at it.

Saurav Das: When you are looking at some of the individual lending operations, the payment behaviors and comparing it with MFI, is there any difference in your segments in the same geography? Let’s say those affected districts is the collection efficiency of your other products be equally bad?

Raghavan: See the other products that we have is similar kind of a Micro Finance segment, but it is a Micro SME that we have given. We have not seen such of a stress at all and there is no correlation to establish between the kind of defaults in Micro Finance and individual lending. Absolutely no correlation.

Saurav Das: In the same geography also?

Raghavan: Yes.

**Saurav Das**: Okay and on some of the new segments which you have entered which is two-wheeler and gold, if you can just highlight, what are some of those four or five reasons why you have chosen to enter those segments? I do understand yield is definitely one of them but apart from that where are synergies between customer, segments, overlaps, collections and acquisition teams? If you can highlight some of that?

**Raghavan**: Okay, I will come to the two-wheeler first. Two-wheeler is not something where we are pursuing as target, it is just an offering which is there available only for the Micro Finance clients who wish to avail a two-wheeler, as we know these clients for almost two to four years. The ticket size is not more than 50 to 60,000 Rupees. So it is not a product which we are going to change the segment and then do it, not at all, it is just a product available, so that you have an array of products, you know, that is one and number two. As far as loan against the gold is concerned, I think there is a substantial opportunity, I think with the kind of branch network that we will be there at about 412 branches, for us to offer loan against gold and especially the agri-gold loan is definitely a good product to pursue.

**Saurav Das**: Ok, so two wheelers I understand complete overlap with MFI. On gold, it could be independent to the MFI operations.

**Raghavan**: That is why as far as the loan against gold is concerned, we will be rolling out through the liability branches.

**Saurav Das**: So it is more obviously a walk-in sort of customer base.

**Raghavan**: It will be actually two things, one is that as an NBFC, in terms of what I have, in terms of reach that we have, we are going to have 3 million clients plus also the general clients, the bank outlets can actually target, so we have a lot of opportunities to cover there.

Saurav Das: Got it and finally on liabilities, sir from September till December with some tailwinds of demonetisation, also helping deposit accretion so this Rs.760 crore number if you can broadly give us some sense of it broadly tracking your expectations. Are there any initial challenges which you have now sort of overcome? Are these numbers broadly the run rate which we should expect for the near term? Or how do we look at this?

PN Vasudevan: Yes, we started with the bank on 5$^{th}$, September. We opened only three branches and ran only three branches until almost middle of November because we wanted to test process and systems with employee accounts, so only somewhere until end of November or early December we have started opening branches and we have 112 branches running as of December but they were not fully productive because significant number of these have been opened during the month of December. Now this is the quarter where all the 112 should be fully functional and this is the time to really see the performance. There are various metrics on measuring the liability performance like your CASA growth per month, number of new accounts opened per day per branch, third party fee income that is generated per branch per month, the kind of locker income that is generated per branch, so there is a lot of measures of liability performance, so you know obviously we have data of the entire competition on all these parameters and as we roll out these branches, obviously there are some level of benchmarking and strategising in terms of what do we think that we should be aiming at. So from a performance perspective I think these 112 branches, when they perform for the first 3 months probably will give us an indicator or an idea of how our liability strategies are really falling into place.

Saurav Das: Excellent and of the Rs.740 crore of term deposits, how much could be retail if you can just highlight and what is your definition of retail?

**PN Vasudevan**: Retail is less than 1 crore and the bulk is Rs.1 crore and above. If my memory is right Rs.560 crore is bulk and the remaining deposits are retail deposits.

**Saurav Das**: Great, thank you so much and I will come back in the queue in case I have any more questions.

**Moderator**: The next question is from the line of Ravi Singh from Ambit Capital, please go ahead.

**Ravi Singh**: Sir thanks, my questions have largely been answered. One question I have is that beyond the cash crunch and the political intervention which are external factors for the customers you are working with, have you noticed any stress among the customers in terms of job losses, income losses in the household? Is there any source of stress arising from those factors and what is your outlook on that risk factor?

**Raghavan:** As of now, there is not any study that has been conducted as of now to kind of establish whether job losses are less for these kind of any defaults, whether that has actually contributed to this but by-and-large, I think I am sure many of the small business people would have lost business basically because they are all individual entrepreneurs. These are the people who don't have their own, let us say they don't employ people, so job loss might not be the case but the thing is business loss will definitely will be the thing because they are all small traders.

**Ravi Singh**: Right, okay, that is helpful, thanks.

**Moderator:** Any further question Mr. Singh.

**Ravi Singh**: No, that is it, thank you.

**Moderator:** The next question is from the line of Kaitav Shah from SBI Caps Securities, please go ahead.

**Kaitav Shah:** Thank you for taking my question. I just wanted to understand more on your deposit mobilisation strategy if you can elaborate more on that going forward?

**PN Vasudevan:** Yes, as I said earlier, you know there are certain methods which are there in the market for competition so we are benchmarking against that to see how we measure ours. In terms of strategy for mobilising deposits, one is the branch, physical branch network that itself is a strategy because the physical branch does attract the customers by itself. Second thing is that from a savings account perspective there are certain tweaking that we have done in our product to make it as a selling point when the sales staff needs a potential customer. There are a few selling points that we have put into our products of course from our interest rate perspective. We do offer 6% for savings accounts which may be 3 or 4 other banks in the country are offering. But majority banks are still at 4%. So that is one difference from a client perspective. I would not get into the product details but there are few other product tweakings that we have done which gives a potential sales pitch from the sales staff to our customer and in terms of current account we are basically a lending organisation converted into a bank and we do have a very large customer base. It is not just a Micro Finance customer, but we also have around approximately 200,000 customers who are either vehicle operators or small business operators. So there is a big amount of push that we would be doing to open accounts for current accounts for such business people. This could potentially give us some benefit from the current account perspective. Third is that today there is large amount of demand for the POS machine at merchant establishments and that is something that we have really moved very fast on it. We have already rolled out as I said earlier about 115 POS machines were deployed in the month of December. We started deploying only by the mid of December and in few branches we focused and we are able to deploy about 115 of the machine which obviously meant that we have so many current accounts coming in from them and now the demand continues to be very high. We have placed some orders for the machines which are in short supply in the market today, but we have anyway placed the orders and there is some amount of effort that will go on the POS machine acquiring side which will again translate to hopefully some balances on the current account side. As far as deposits is concerned our interest rates compared to may be some of the leading banks would may be higher by about 0.5% or so. We have some planned perspective so that there are some attractions for them to put deposit but I am sure that you know the market better than me. The demand for deposits today in the market is not very high because the banks are flushed with liquidity and credit growth is not very strong. So there is a good amount of traction as far as the deposits are concerned.

Kaitav Shah: Ok thank you and my second question is in terms of the affected areas, what is the ground reality as of today?

PN Vasudevan: I can't get the point ground reality means… in terms of what?

Ketal Shah: Both collection and disbursement?

PN Vasudevan: You mean for Micro Finance or generic?

Ketal Shah: From Micro Finance point of view sir.

PN Vasudevan: Ok from Micro Finance, yes, in the area which are impacted there, there is a little semblance of discipline coming back because we continue to meet our customers in these areas, whether they are making the payment or not. The first challenge of course is to get the customer clusters back to meet again even if they don't make a payment it is not a big issue but first to getting them to come back to meet is the first level of target that we are working on. And the fact that over the last 2 to 2.5 months there has been no loan waiver announced by the Government or anybody. The customers also begin to understand that there will be no loan waiver. This was told to them by some of the local politicians or local anti-social elements so they are also coming around and understanding that probably loan waiver does not exist or is not going to come around. And also the 90 day moratorium given the RBI is going to expire sometime in the month of February. So maybe they will probably start coming back after that and I am just estimating that we have to wait and watch how the customers are going to pay actually. But may be towards the end of February and March. It will be a good indicator of how many of them comes back to the same position of saying that I have borrowed and I have to repay it back. As far as disbursement in these areas are concerned, obviously disbursements have taken a back stage that is not the priority or a focus today for us in this areas. However, we will still continue to serve those customers who meet all our requirements of qualifying for our subsequent loans. So customers who are completely meeting all our requirements for the subsequent loans that we are still processing, while we are not really processing new clients from such areas.

**Moderator:** The next question is from the line of Dhaval Gala from Birla Sun Life Mutual Fund, please go ahead.

**Dhaval Gala:** Hello sir, thanks for the opportunity. First, how would you look at demonetisation and will this change the strategy which we had for Equitas as a small finance bank from a 3 to 5 year perspective? Second question being on the affordable housing piece, lot of things which has come in the budget and the push which keeps coming in seems to be more for ticket sizes between Rs.3 to 10 lakh type. Will you have any particular strategy? And will this fit into, I mean, we were also in similar size or similar structure so will we have a bit of relief when it comes to housing finance growth?

PN Vasudevan: Ok Dhaval. In terms of 3 to 5 years, the impact of demonetisation is too early to say, but just to repeat what we have been saying in the past that Micro Finance was 100% in 2010. In 2011, we decided to diversify and we said in 5 years timeframe we should aim at Micro Finance being 50% of the overall book. So by 2015, in fact we did reach 53% or 54% levels of Micro Finance and other products were contributing the balance. Then in 2016 again we have informed in the past also, our intent is that over the next 3 years by maybe 2019, Micro Finance should be about a third of the overall book and the remaining being other products. That is what we have been saying in the last 1 year. So as of now there is not much change from that perspective but again it depends on how the market and how the portfolio behaves and perform. So we will keep tweaking our approach based on actual ground level realities and portfolio performances. But by and large, I think we are well geared to keep diversifying our books and which in a way also reduces the impact of stress on any one particular product and over the next 2 to 3 years I think we should see good growth in some of the new products that we have just introduced and that would automatically bring the contribution of existing product including Micro Finance further down. In terms of the affordable housing, we have been in that space now for 2.5 years. We do understand that segment quite well. The LIG segment that is what is basically the target of the Government for all the subsidies and the things like that. So we do understand that segment well, we have some book on that and the LIG book has actually performed very well. Our NPA performance of the LIG part of our home loan book is very good actually. The GNPA is around 0.2% to 0.3%, that is it. So we do understand that segment well but unfortunately the mandatory requirement of the regulator is that the customer should have a building plan approval from their local authorities and in that segment it is impossible for them to get it. So it is difficult, complicated and so costly that they prefer to just take a loan against property at a much higher rate rather than go for a home loan even though there are so many benefits of lower rates and subsidies. So that's the challenge for scale up. We are there in the market, we understand that business and the benefits are pretty good as announced by the Government. So we will be continuing to focus on that. Next we will see what happens if people are able to get building plan approvals, then that could be a good portfolio that we have been looking to grow. Thank you Dhaval.

Dhaval Gala: Sir just a clarification, currently what we do in the housing finance space, I mean how much would be LIG and how much would be outside of the 240 to 250 crore portfolio?

Raghavan: The LIG portfolio is Rs.70 crore out of overall book of Rs.264 crore.

Dhaval Gala: Correct and just to ask you more on long term question on Micro Finance, we were among the first one to have fairly lower interest rates to Micro Finance borrowers, which was at 26 to 26.5, may be very early on.

Raghavan: 25.5%.

Dhaval Gala: Early in 2007-2008, what would be a rate in your mind if I am asked to understand that your cost of funds have first come down, they would further come down the more liability franchise becomes like more of small private sector banks? What would be the rate you would like to offer and would you want to cut rate for this Micro Finance borrowers in times to come?

Raghavan: Definitely, see the Micro Finance is a standalone product and the infrastructure which works on that, has a particular cost, so that cost over a period of time will also keep coming down plus the cost of funds if they come down, definitely we will reduce. I think that has always been our objectives that we will have to pass on the benefits of reduction in cost to the client.

Dhaval Gala: But why has that not moved materially in the last say year or year and a half time?

Raghavan: I think before converting into a small finance bank, we had already reduced 150 bps

PN Vasudevan: So we are operating at 22% before we became a bank and we still are operating at 22%. Basically our cost of funds before we became a bank was 12% so we were operating at 22%, today, now cost of funds may be is in the range of 10.5 or so on a weighted cost basis and might go down further as we go by but the biggest difference between today to our pre bank situation is that during pre-bank my cost of raising the money was zero, we just had 3 staff in the company who were going around and raising money from the bank while today we have 3000 staff raising money for the bank so the cost of raising funds has to be added to the interest cost. While the interest cost will go down over the next 2 to 3 quarters, overall landed cost of the money is not going to change may be in the immediate term. It may only change over a 1.5 to 2 year period so as and when we see that benefit, that is when we will be in a position to give that back to the customers.

Dhaval Gala: Ok, sir that does not come in an aggressive manner in the next few quarters?

PN Vasudevan: See it is a quite mathematical stuff. As far as we are concerned if we see the landed cost of funds going down naturally we will pass it on. See our intent and desire is to always try and benefit our clients to the maximum extent we can. This is definitely our intent and desire but the rest is taken over by mathematics.

**Dhaval Gala:** Ok sir, thanks a lot for your answer sir.

**PN Vasudevan:** Thank you.

**Moderator:** The next question is from the line of MB Mahesh from Kotak Securities, please go ahead.

**MB Mahesh:** Good afternoon sir. My first question is in continuation of the previous one. There has actually been an increase in your yield on advances across the portfolio, so for example in MF in the Micro Finance space is up from 20% to 20.4% and the same is true in UCV & MSME as well. How should we read into it given that you have taken some cuts in the interest rates?

**Bhaskar S:** I think it could be mainly because of the denominator affect because there has been a securitisation portfolio in the previous quarter which has moved, so the denominators are not exactly comparable. The composition of off-book and on-book has to be factored. So to that effect, change in the lending rate is mainly on account of the denominator.

**MB Mahesh:** But it should be neutral right? Whether it is on balance sheet or off balance sheet?

**Bhaskar S:** Average yield is always calculated on the on-books assets and not off-books.

**MB Mahesh:** Sir in the sense, for example in Micro Finance space, the yield will be same across, whether it is on-book and off-book.

**Bhaskar S:** No, the ratio is basically calculated on-book, we are not calculating on the total AUM.

**MB Mahesh:** Ok, sir the second question is on slide #5, when you say your collection efficiency for the month of December was 96.2%, but 97.2% of customers had paid so does that mean you had a very marginal shortfall in collection efficiency because the difference between the two is just about the one.

**PN Vasudevan:** We are talking about the December as a whole was 96.2%.

**MB Mahesh:** As compared to the zero and partial collections being 97.2%.

**PN Vasudevan:** Yes basically the centre level collections which you are talking about is an indication as to how many centres are there which have paid 100%. So zero collection is 2.8% it has actually increased if you look at it and partial collections has been 7% of the centres and 97.2%, so basically 2.8% of the centres have not paid – not people but centres.

**MB Mahesh:** Ok. Sir when you extend this to slide #6 where you have said that in the month of January it has remained more or less same, this 2.8% who have not paid, it continues to remain at that level?

**PN Vasudevan:** I think we need to analyse the January month and then we need to get back. We have the figures till December. We will have to work out on January and then come back to you.

**MB Mahesh:** Ok, just one qualitative information, when you said collections against current month EMI divided by current month EMI due, this EMI due will include the past as well?

**Raghavan**: No it will not, it is standalone for that month.

**MB Mahesh:** Ok. I am just kind of extending the question on two counts, one is on the ground given that there has been a fair amount of problems for the sector as a whole, how are you seeing competitors reacting on their respective portfolios? One is respect to how are they looking at in terms of disbursements to in the Micro Finance space and two, when you speak to bankers, what is their outlook on how comfortable are they in terms of giving liquidity? And do you think that if banks are not willing to extent liquidity, do you see another round of problems coming and hitting the sector?

**Raghavan:** I think for the second question, we have stopped talking to the bankers after September $5^{th}$ because we ourselves have become a bank, so we have little information on that and second in terms of how competitors are reacting, we had a lot of information but it is very difficult to tell you that whether it is authentic or something like that. I don't have any authentic information as to how they are actually approaching this particular subject.

**MB Mahesh:** But is this discussion happening at a sector level at the MFIN level?

**Raghavan:** I agree entire MFIN is together; at an MFIN level is engaged with different State Governments in terms of ensuring that you know there is not much of a disturbance and how we can actually overcome this issue. I think the MFIN has really done a phenomenal job in the last one and a half months during this crisis.

**MB Mahesh:** No I get that part, they have done an amazing work on the ground. The worry also goes on the liquidity part of these companies because they don't have access to liquidity as much as probably you and some of the leading players have. So the challenge is that the leading players still contribute to not more than about 30% of the overall market share. So you are always worried whether the 70% has an impact on the rest 30% as well?

Raghavan: Actually it is reverse, the eight Micro Finance companies got converted into the small finance bank, contribute almost 60%, so the large ones actually contribute almost about 65 to 70%. The reverse is true that is point number 1. Number 2, in terms of actually at this point in time, the entire organisation of MFIN is engaging in ensuring that things have stabilised. I think once things gets stabilised then the disbursement parts will come may be in the next couple of weeks or three weeks, four weeks. At that point of time, probably the second challenge which is actually going and then working at the bankers and then getting funds on the banks and start. I think at this point of time all the MFIN companies are working towards ensuring that the ground level things are kind of cooled down.

MB Mahesh: Sorry, I don't probably get the right answer. How are you saying that there is no problems to competitors at this point of time and that will not create any secondary level damage or do we say that we don't have any information right now?

PN Vasudevan: See the point is that we will not be really able to give you a lot of information about competition. You will have to pay separately for that!!!

MB Mahesh: No the idea was you guys are on the ground so you have lot more information than us.

PN Vasudevan: It is not fair on your part to ask us to talk about our competitors and really talk about what they do on ground. I don't think that is fair. I mean we cannot really tell you about our competitors. See I can talk in general. In general, if you look at the industry today, the larger players are still disbursing, that much I can tell you. People have put in more questions, more filters, etc. etc., that is also another reality and the disbursements are still happening, that is also a reality. Some of the smaller MFIs are also disbursing but not as much. So from a generic perspective, yes there has been anyway lot of drop in disbursements. In our own case, if you have seen our disbursements have dropped by about 25% over the last quarter. So that is the reality for everybody, whether the bank funding is available for smaller MFIs is something that we will have to find out from them only. But generally that banks do immediately kind of try to take a step back whenever there are issues in the environment, as to what is happening in a particular market, so to that extent yes there might be some cash flow reduction to the smaller MFI but they have weathered that in the past so they might weather it now again hopefully.

MB Mahesh: Sure, that is helpful sir, thanks a lot.

PN Vasudevan: Ok.

Moderator: The next question is from the line of Dhaval Gada from Sundaram Mutual Fund, please go ahead.

Dhaval Gada: Yes, thanks again sir. Sir just a couple of things, one on that yield question. I mean last quarter, you had given a slide where you had given category wise, segment wise interest income, it would be great if you could provide that this time as well so that we could just calculate the yields and get back the answer?

S Vasudevan: Yes, we will be able to provide you offline.

Dhaval Gada: Yes ok fine sir, the second thing is that on affordable housing I understand we were in the process of hiring someone for that segment. Have you sort of finalised and what is the status in terms of accelerating our space on this affordable housing segment?

**PN Vasudevan:** Yes, I think in page number 25, we have also mentioned that head of housing finance has been on boarded. He has joined us so let's wait for the magic to come now.

**Dhaval Gada**: Fine sir and just one more thing on Slide #5 the Tamil Nadu collection numbers that you have given efficiency, the cumulative number is 99.7% but the monthly collection numbers are below that number, so just wanted to understand what I am missing.

**PN Vasudevan:** That was may be extra collection, which might have happened out of some past overdues.

**Dhaval Gada**: Ok and lastly on what would be the rate on the bulk deposit that we have mobilised and what is our overall view on the yield?

**PN Vasudevan:** Currently we have a deposit rate which differs based on tenures, starting from may be 5% or something like that for very short tenure, going up to 8.85% for the highest slab which is about 3 years tenure, that is a rate that is currently on the website if you happen to go to. Anyway you know the rates of all other banks have been dropping in the last may be 2 to 3 weeks so we are also discussing on our ALMs some days and calls might be getting taken on that way.

**Dhaval Gada**: Sir, What was the blended cost of these bulk deposits for us?

**PN Vasudevan:** See that is not really the card right now because as we said earlier out of Rs.760 crore of deposits about Rs.560 crore were bulk deposits, which are not based on the card rate but negotiated rate. These rates are based on tenure and many other factors.

**Moderator**: Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal, please go ahead.

**Alpesh Mehta**: Good afternoon sir. First question is related to your securitisation policy, after converting into a bank what is the policy that the management will be adopting.

**Narayan**: Hello this is Narayan. Post conversion to a bank we were not in a position to do securitisation, but there are two important routes which come into play, one is the funded portion which we can do via the interbank participation certificate route and other is the non-fund based area where we can do via the PSLC route. These are the two routes which we are exploring as after becoming bank, there are some impediments with regards to the rates, so securitisation may not be the major factor. Post conversion to the bank the two factors will be that the funded part will be done via IBPC and non-funded part will be via the PSLC route.

**Alpesh Mehta**: Have we done any PSLC after converting into a bank in the last quarter.

**Narayan**: Yes, we have done it in the first quarter which was for 4 or 5 days. Whatever was there in the quarter ending September, we made a descent income on that. In the quarter ending December, we did PSLC trades close to Rs.1,200 crore which yielded an income of Rs.12.96 crore.

**Alpesh Mehta**: Of this Rs.40 crore, roughly Rs.40 crore of other income includes Rs.13 crore of PSLC.

**Narayan**: Yeah PSLC contributes about Rs.13 crore and profit on sale of investments contributes about Rs.12.68 crore.

**Alpesh Mehta**: Okay, second question is related to the MSME portfolio sorry to drag that. What kind of behavior have you seen specifically in the States of Maharashtra and Karnataka? Where are you seeing a problem in the collection efficiency for Micro Finance portfolio? The MSME portfolio customers are largely similar to that of Micro Finance customers, any behavioral shift between the customers again.

**Raghavan**: We don't see any correlation between the Micro Finance default and the SME default. I think this SME defaults are quite under control and the recovery is also a lot better.

**Alpesh Mehta**: Sir in case of Micro Finance, because of some political influence those guys are not repaying right now, similar kind of customers would also have same behavior for the MSME portfolio, will that be a fair….

**Raghavan**: The difference is that the JLG is a group behavior and SME is actually an individual loan, so there is a fundamental difference between a group behavior and individual behavior, that itself is a marked difference.

**Alpesh Mehta**: Okay sir. Is it fair to say that incrementally even though we would be lending more to the Micro Finance customers, the same Micro Finance customer for MSME portfolio, there would be difference in the behavior and much more that the behavior would be much better in terms of asset quality for the same customer segment?

**Raghavan**: SME is backed by security that is an important factor, which we need to understand. Hence, the behavior of repayment will definitely be different from an unsecured loan, that is number one and number two, if we look at Maharashtra, the SME loan is a cross sell loan and only 45% of my Micro Finance clients have availed this particular product, rest all are for similar profile but they are not the Micro Finance clients.

**Alpesh Mehta**: And at the portfolio level what percentage of your customers would be the Micro Finance customers in terms of cross-sell?

**Raghavan**: On an average it will be roughly around 60%.

**Alpesh Mehta**: After you shifted completely to the online format of disbursement or the bank format of disbursement, how has it been? We spoke with some of the competitors they are saying that it is easier to disburse but for the customers it is difficult to withdraw money from the bank, that is it was the case was in December, have you noticed certain or similar kind of behavior for your customer.

**Raghavan**: There are two things, one is that when you offer this particular disbursement, what happens is that the clients who are actually having a banking relationship will actually come forward to take the disbursement through bank, that's point number 1. And number 2, if you look at it in the last couple of weeks as the cash crunch has eased, the circulation is a lot better, so hence what will happen is that you know from a financial inclusion perspective also, it will be better to actually disburse through bank and it is also safe.

**Alpesh Mehta**: Okay and when we talk about disbursement through bank is it through our own bank or are you putting money into some other bank of that customer?

**Raghavan**: We are putting money into that customer's bank as of now. We will establish more number of our branches; we will definitely look into this. We will also look at opening an account and then we are also coming up with the RD product for them, so that when the relationship officer goes for collection, he will also create an RD product for them, it will be like creating a saving habit for them and that will definitely happen in the days to come.

**Alpesh Mehta**: Okay and lastly on Slide #15, when NIM is calculated what is the denominator for this margin calculation?

**Raghavan**: Slide #15. It is total asset.

**Alpesh Mehta**: Its total average asset, it is only assets or off balance sheet items are also included.

**S Vasudevan:** Only the balance sheet assets.

**Alpesh Mehta**: And that is average total assets right? It is very difficult to believe your total assets on a quarter-on-quarter basis have declined and your margins have improved by 20 basis points but NII is up by almost 15%. The math is somewhere not tallying.

**Bhaskar S**: We will come back on this point. Basically that denominator includes total assets, i.e. loan assets, plus also the SLR and CRR assets.

**Alpesh Mehta**: Yeah but that would be a part, when we report the balance sheet that total asset numbers would include all this.

**S Vasudevan**: Yes, that is right.

**Alpesh Mehta**: So, if I have to look at the last quarter number it was Rs.9000 crore, this quarter it is Rs.8,600 crore that should be the denominator.

**S Vasudevan**: Total asset has come down from Rs.9, 010 crore to Rs.8,630 crore

**Alpesh Mehta**: …and our margins have hardly improved by 20 basis points but our NII is up by 15%. So somewhere there is something, I will take it offline. Thank you.

**Moderator**: The next question is from the line of Amit Ganatra from Invesco AMC, please go ahead.

**Amit Ganatra**: Can you provide the MFI outstanding AUM across these regions, Tamil Nadu, Maharashtra, Karnataka and also the percentage of outstanding portfolio.

**PN Vasudevan:** Well we have not given that so far.

**Amit Ganatra**: You have provided the disbursement data right. That is there in the presentation.

**PN Vasudevan:** Disbursement is given in Slide # 35.

**Amit Ganatra**: Yeah, I saw that but AUM I think.

**PN Vasudevan:** No the AUM is State-wise.

**Amit Ganatra**: AUM I think it was there in the offer document, total loans, and geographical spread of total loans.

**PN Vasudevan:** You want AUM State-wise or disbursement.

**Amit Ganatra**: No, I want the AUM but I only want the Micro Finance AUM State-wise.

**PN Vasudevan:** You want Micro Finance State-wise. Well we have the data what we will do is we will see whether we can add it into our presentation, later, if possible.

**Amit Ganatra**: Ok, one more question is that the fees income or other income of Rs.40 crore this quarter was around Rs.28 crore last quarter. What does this Rs.40 crore of other income comprises of?

**S Vasudevan:** It comprises of loan processing fee income of about Rs.16 crore and treasury income which Mr. Narayan mentioned of about Rs.24 to 25 crore. The rest is less than a crore actually, other income from loss assets recovered etc.

**Amit Ganatra**: So, Rs.25 crore is the profit on sale of G-SEC or something like that?

**S Vasudevan:** Gain on G-Secs is Rs.12.68 crore, PSLC fee income is Rs.13 crore.

**Amit Ganatra**: PSLC income is Rs.13 crore. Okay, so that gets accounted as under treasury is it?

**S Vasudevan:** Correct.

**Amit Ganatra**: Coming back to this collection efficiency question. Say the customer has not been able to pay EMI for the month of November, now when you go for December month collection how does it work operationally?

**Raghavan:** I think the collection when you go for that month basically it is for example let us say if a customer has not paid for the month of say November and if he is able to pay for both November and December it is fine. If he does not pay then the collection that has been done in December will get allocated for November.

**Amit Ganatra**: In that case considering the kind of customers that we deal with. I mean once you know there is some sort of irregularity in terms of payment it is difficult for collection efficiency to improve meaningfully because that has been the nature of the customers that we are dealing with.

**Raghavan:** See there are two things, one is that in terms of Micro Finance yeah with small customers, you know it will be very difficult for them to pay two installments together and as far as the SME is concerned those customers which are there, they are sometimes definitely capable of paying two installments as and when the cash flows they will definitely be better in some of the months and at those months they will pay the balance installments and square it off.

**Amit Ganatra**: No I am talking more of Micro Finance customers.

**Raghavan:** MF customers, paying two installments together is slightly tough but what we are seeing is that, just to give an example, we had floods last year in Chennai. Close to 60,000 clients actually availed two instalment holiday and what we said is that "okay fine". If it is a 24 months installments tenure, we said during the 25th and 26th month pay these instalments. So that you know they also get relieved, but we found that out of 60,000 close to 45,000 clients paid these two installments within the tenure itself, so sometimes what happens is that you need to give that time to them. There will be couple of months where the cash flows will be a lot better, business would be a lot better, we will have better savings and they will square it up.

**Amit Ganatra**: Now in that regard then how are you dealing with clients in Maharashtra or Karnataka or Madhya Pradesh, whereby you know that there is this 8% drop in collection? I think you know how to deal with those lines. Are providing them more time or they are not coming for meetings at all, what is the ground reality?

**Raghavan:** Mix of it, initially for the first couple of weeks they were not coming for the meetings. There are set of centres where the meetings take place and our endeavor is to go back there and convene the meeting, then have a dialogue with them and talk to them and communicate to them continuously. Post that what happens is that once you start coming to the meeting at some point of time we kind of negotiate with them and then come to a conclusion as to how the payments can be structured.

**Amit Ganatra**: But what happens to those customers, suppose if you negotiate with them and then you get to some sort of settlement, do they get rated as defaulters in your credit bureau, I mean how does it work for those.

**Raghavan:** Yeah definitely, see for example even in case of negotiate, okay fine, say November and December you could not pay, okay fine, keep it as pending probably 25th and 26th instalment which is there you pay so that you will get enough time, now till such time, definitely they will be treated as defaulter, because every week the credit bureau report goes, so the status is updated and they will be in the default list.

**Amit Ganatra**: Last question is that except for Tamil Nadu even in other States your collection efficiency has dropped in the month of December, so how to look at this, is it that there is political interference now in almost all the States that you are operating?

**Raghavan:** No what we have felt is that at least prima facie when you look at ground level, it is in the Bundelkhand area of Madhya Pradesh where there is political interference. Vidharbha and Nasik also face some political interference, in North Karnataka there is political interference. Even though if somewhere there is no political interference, all these TVs, media is there, they keep telling you. So it is not necessary that there is one place and it is actually ring-fenced to only particular district because of particular interest. The kind of media interference we have, we get a lot of information. Based on that it can become contagious also.

**Amit Ganatra**: No but I am referring to other States, basically I think there would be Gujarat and all those States.

**Raghavan:** I think in places like Gujarat, definitely the impact of cash crunch was pretty much felt but what happens is that in terms of when you compare let us say Maharashtra or Gujarat, Gujarat is really for the real reason there was a cash crunch, whereas Maharashtra also had a cash crunch but it has got kind of pushed beyond limits by the politicians.

**Amit Ganatra**: So in that case for example, Gujarat would now be better?

**Raghavan:** We expect it to be better.

**Amit Ganatra**: Okay, thank you.

**Moderator**: Ladies and gentleman that was the last question. I would like to hand the conference over to the management for closing comments. Mr. Bhaskar S, would you like to provide any closing comments.

**S Vasudevan:** Before Mr. Bhaskar gives the closing comment, just to clarify on the yield for the various products in Q3 in relation to Q1 & Q2. In Q2, the yield was impacted by the interest reversals on converting to a bank actually, so it had a dip compared to the Q1 and in Q3 it recovered actually. In Q3, we did not recognise the interest reversals on NPA for accounts covered under RBI dispensation; so it is a combination of two factors – Q2 interest reversal due to bank transformation and Q3 due to partial non recognition of interest reversals on NPA, so the yield has improved compared to the previous quarter. With this, I handover to Mr. Bhaskar.

**Bhaskar S:** Thank you all for taking your time off to participate in this conference call. Thank you.

**Moderator**: Thank you members of the management. Ladies and gentleman on behalf of Equitas Holdings Limited that concludes this conference, thank you for joining us, you may now disconnect your lines.