Equitas Holdings Limited

Q3 FY18 Results Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Equitas Holdings Limited Q3 FY18 Earnings Conference Call.

We have with us today Mr. S. Bhaskar – Executive Director & CEO, Equitas Holdings Limited; Mr. P. N. Vasudevan – Managing Director, Equitas Small Finance Bank Limited; Mr. Sridharan N. – Chief Financial Officer, Equitas Small Finance Bank Limited; Mr. Raghavan H.K.N. – President-Outreach and Inclusive Banking, Equitas Small Finance Bank; Mr. Murthy V.S. – President-Emerging Enterprises and SME Bank, Equitas Small Finance Bank; Mr. Sanjeev Srivastava – President & Country Head – Branch Banking Liabilities, Product and Wealth, Equitas Small Finance Bank; Mr. Natarajan M. – EVP & Head-Treasury, Equitas Small Finance Bank; Mr. Dheeraj M. - Head–Strategy & IR, Equitas Small Finance Bank and Ms. Srimathy R. – Chief Financial Officer, Equitas Holdings 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 the 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. S. Bhaskar. Thank you and over to you, sir.

S. Bhaskar: Good afternoon everyone. Welcome to the Equitas Holdings Limited's Q3 FY18 Earnings conference call.

During Q3, the operation of the bank progressed well. The total advances as of December 2017 stood at Rs. 7,720 crores, which is up by 7.5% on a YoY basis. This was on the back of strong growth in non-MFI portfolio. Net Interest Income for Q3 grew 3% YoY to Rs. 235 crores. However, we reported a Loss of Rs. 30 crores for the quarter, as we fully provided for impacted microfinance portfolio.

Now I handover the call to P. N. Vasudevan to share more details of the Q3 performance.

P. N. Vasudevan: Thank you, Bhaskar. Good evening to all of you and thank you for dialing in to our call. I know it has been a busy day with the budget announcement. The budget focuses strongly on rural growth and agriculture & MSME segments. This is good for Equitas because over the years we have built a very strong presence in products like microfinance, Micro-LAP, agriculture and business loans, which focus on these segments and rural geographies.

In Q3, the bank has made a provision of Rs. 70 crores on the microfinance portfolio and with this, the impacted portfolio is fully provided for. Our non-microfinance portfolio saw considerable asset quality improvement from Q2 to Q3FY18, as collection efficiency improved in vehicle finance. GNPA improved to 4.1% from 5.3% in Q2.

Our overall GNPA now stands at 4.95% down from 5.76% in the previous quarter. The Micro Finance portfolio has been brought down to about 32% of our advances, as of 31st December 2017. This is in line with our overall strategy, which we have been explaining over the last few quarters. We had mentioned if you remember, quite some time back that our intent was to bring the microfinance portfolio down to about a third by March 2019 but after the demonetization our plan had changed and we wanted to bring it down to about a third by March 2018, advancing the plan by one year.

So, we have more or less reached that level by December 2017. It has come down to 32%. So from here we expect our microfinance portfolio to kind of stabilize. In the fourth quarter, we expect microfinance portfolio to more or less remain stable at the level it is. And from the next financial year first quarter onwards, we expect microfinance to start growing again, albeit at a slower pace than the rest of the book, because of which the percentage of microfinance may continue to drop while the portfolio itself may start growing from the first quarter of next year.

Coming to our NIM, we saw a dip from 9.3% in Q2 to 8.7% in Q3. However, spreads on our advances books remain stable between quarter 2 and quarter 3. The reduction in NIM is largely due to increase in our treasury investments; in which we had raised the money and before the requirement of the money and disbursement for the business, part of these are parked in treasury assets.

Our liability front continues to grow well. We have grown our total liability by Rs. 600 crores during the quarter out of which 55% was in CASA. In November, we had launched a "Wings" Premium Account and within two months, we have been able to acquire around 12,000 customers with a portfolio outstanding of about Rs. 170 crores and average balances of each account being in the range of around Rs. 1.3 lakhs.

Our overall CASA now stands at 33% of total deposits, up from 28% in Q2. And our total deposits has now moved to about Rs. 3,700 crores which is about 45% of the total borrowings. We have a customer base of 2.2 lakhs on the liability side.

So with this, I would like to handover to the operator and we will be happy to take any questions from your end. Thank you so much.

Moderator: Thank you. Ladies and gentlemen. We will now begin the question-and-answer session.

We will take the first question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir, on the operating expense this year I think we will be able to close to Rs. 900 crores. What is the expectation of operating expense growth from that level for next year?

P. N. Vasudevan: See, as we mentioned last quarter also, our operating expense is kind of at its peak level. We have opened 375 liability branches in the current year and we do have nearly about 600 asset offices from where we do our lending businesses. As we had mentioned earlier also, we do not really expect to open too many branches in the coming year. There will be a few branches; we may open strategically.

But it will not be too many numbers, so we expect a fairly stable operating cost going forward. Of course our usual increment for staff as well as normal increase in the expenses should arise, but otherwise we do not see a significant increase due to branch expansion in the coming years.

Nidhesh Jain: Is it reasonable to expect 10% to 15% growth in Opex for FY19?

P.N. Vasudevan: Yes, maybe 15% plus.

Nidhesh Jain: And secondly, on vehicle finance, the growth that we are witnessing is actually slightly lower than what the other players operating in CV finance have posted in Q3. So is there anything particular to us that our growth is slower than the industry?

P. N. Vasudevan: See, we have started new commercial vehicle finance, that is the new LCV financing, about a quarter back but till then we were only doing the used commercial vehicle. And in used commercial vehicle financing typically it's the driver turning owner or a first time buyer, that is the customer we have been dealing with in the last six, seven years. Post demonetization, there was an impact on collections in the beginning of the year and business had slowed down and then again July-August we had an issue on collections.

If you remember we did mention it in the last call also, and so there was a dip in the disbursement as far as the used commercial vehicle financing was concerned, while the new vehicles continue to do well and the new vehicle market actually has been growing well for the manufacturers also in the current year. So because of that the growth has been a little tempered; because for us almost 95% of the book currently is used CV financing.

Going forward of course as you said, we have started this new light commercial vehicle funding so hopefully that should start kicking in as we go forward and the refinance for the fleet operators is again something we had referred to last time; we started it in the last quarter so that also should kick in. So going forward, we may be slightly more in line with the market trend in terms of growth in CV financing.

Nidhesh Jain: And sir lastly on the gold loan, also quarter-on-quarter basis there is no growth?

P. N. Vasudevan: Gold loans we have just launched it on a pilot basis in about 100 branches so we will test it for some time, we will get our systems to fall in place and be comfortable with the product. Moreover, gold loan is a product, which is sold through the liability branches. We do not have any sales team going out and sourcing customers. It is principally walk in business that is being serviced, so there are certain awareness campaigns, which is going on locally within the neighborhood of the branches.

Therefore, it takes time for the neighborhood people to, one, realize that there is a branch of a bank, which has come up, and two, realize that this bank offers gold loan. So it takes some time for that message to kind of percolate on the neighborhood and we are also not very keen to push it very hard in terms of volume at this point, because while gold is very safe from a lending perspective, but the processes are something that one has to really get very comfortable with. So we will just allow our process to settle down comfortably before we push for growth in this portfolio.

Moderator: Thank you. The next question is from the line of Vishal Rampuria from HDFC Securities. Please go ahead.

Vishal Rampuria: Can you give us the specific disbursement numbers for non-MFI book?

Dheeraj M: The overall disbursement was about Rs. 1,580 crores in that MFI is about Rs. 1,200 crores.

Vishal Rampuria: And one more data point to ask you. How much will be your retail deposits within your term deposits?

Sanjeev Srivastava: We have a total term deposit of Rs. 2,500 crores out of which retail deposit is Rs. 580 crores, which is like 23% is our retail term deposits.

Vishal Rampuria: Okay and sir also on the call you mentioned about this Wings premium account, where you are able to garner 12,000 customers. Can you explain, can you just give more insight about what kind of product you have launched and how you are able to garner strong customer acquisition?

Sanjeev Srivastava: So this is basically a 50,000 variant accounts so it is especially designed for entering into the much affluent segment, so there are lots of freebies which are coming in. Like we are the first bank offering home assurance for 2 lakhs. At this moment typically if you look at the premium accounts of various other banks they talk about accident insurance, share insurance etc but nobody had any thought on the home assurance part.

While it is a requirement for most of the customers and not that everybody takes a home insurance, so we bundled it here, that is doing well for us. We have exclusive visa lounges, we have bundled it with the visa signature card which is coming free for these sort of customers it has many benefits like Book My Show vouchers. We have got lounge access and then we are giving 25% discount on lockers. Then we are anyway offering higher attractive interest rate compared to some other more private sector banks, we are offering 6% for below Rs. 10 lakhs and 6.5% for above 10 lakh.

So all these product features make it a very unique and best-in-class product, which we are going ahead and sourcing it. As we said that in two months' time, we have acquired 12,000 customer accounts and we have built a portfolio of Rs. 170 crores.

Vishal Rampuria: Okay. So in last two quarters we have seen a strong traction in terms of CASA numbers. So how do you see these numbers moving forward over the next two, three quarters?

Sanjeev Srivastava: So the intent is to grow much higher. I can only say that you will see even better traction.

Vishal Rampuria: Is it that most of the bigger banks, they have already cut their savings rate and also because of that and since you are offering higher rate we are also able to garner more deposits more savings accounts?

Sanjeev Srivastava: So that is one, second you can appreciate that, ours is a new network. We have to justify and leverage the branches and that can only be done when we go out aggressively and get the customers in. So there is a higher productivity in our sales team, the branches are looking to build-up more and more customers and there is more urge and hunger to do it, and that we are probably doing it in a better number of accounts. In Q3, we added 69,000 new customers compared to 58,000 customers in Q2.

Vishal Rampuria: And sir one last question to ask you on non-interest income. You mentioned PPT around Rs. 6 crores income is from liability fees. Is it completely third party fees, third party commission income?

Sanjeev Srivastava: If you say third party plus debit card plus alternate channel income while the fee has not really grown because two months we did not obtain approvals from RBI, so we were not focusing on third party distribution. However, we made this income from alternate channels as well as debit card, which is a good thing. So we have moved to visa from September onwards. For Visa card there are three variants, which are basically priced at Rs. 250, Rs. 500 and Rs. 999, so we are selling those cards along with the savings account and making money. Only for Wings accounts visa signature is free, for others we are basically making money on them.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Our yields have been maintained very well despite the microfinance portfolio running down so do we see the same kind of yields, will we be able to maintain across so many products as we grow from say an AUM of Rs. 7,700 crores right now to eventually a Rs. 10,000 crores, Rs. 11,000 crores AUM?

P N Vasudevan: See, right now the yields have been maintained and the fact was that there is a drop in the microfinance portfolio. That is because, in spite of the fact that we have introduced new products in the last three, four quarters and the yield on those products are definitely lower than microfinance or used commercial financing or micro LAP. In spite of that the reason why we have maintained the yield is because it takes time for any of these portfolio remix to have its impact on the NIM. It does not really happen immediately.

So as we go forward what you will see is that one is that our microfinance, as I had mentioned earlier, we have reached a level which we had targeted so this quarter (Q4), microfinance will kind of stabilize and from next quarter it will start growing even if at a slower pace than other products. So it will still help from a yield perspective. The other thing will be that the other products which we have introduced they will also start, it is already reached about 10% of our advances now and that is only going to keep moving further up as we go forward, and those products will definitely be at a lower yield.

So you will see that the yield will come down even though it may be a little bit helped by microfinance coming back in terms of growth, but still there has got to be a decrease in the overall yield as we keep moving forward quarter-to-quarter. But proportionately on the other side, our cost of funds is also coming down and it should keep going down as our deposit base builds up and replaces our grandfathered borrowings, which are at a higher cost. So that would help offset, to some extent, yield reduction. Second thing, of course would be that the cost of operation of the new product is less than the cost of operation of the old product, because typically the ticket sizes are much larger in the new ones, compared to the old ones.

So you will see that our net spread might be probably maintained at very similar levels while our gross yield has to see some kind of a downward reduction over a period of time.

Digant Haria: And now because you have taken up the entire microfinance related losses, next quarter should actually be the first quarter when there are no issues related to microfinance and when the entire Opex related to banking is also taken. So now if you have to think of next four or eight quarters, how do these ratios shape up like in terms of NIMs, Opex, or ROAs, like how do we see those things going ahead?

P.N. Vasudevan: See, without getting into too much of specific numbers because as of now we are not really giving forward statement. So without getting into too much of numbers but broadly from a directional perspective, what we had mentioned in the last call and the previous call, more or less holds true even today - that our branches are fairly in place. Any incremental branches are going to be only a small delta and not a very major number of branches, which means that cost is not going to be really running forward from a branch expansion perspective.

In terms of products, again we have practically all the full range of products available in place today so there is no product launch cost that we will have to look at. Of course, there may be some incremental cost of some specialized staff on credit and things like that, but otherwise it is not a major launch cost that we have to look from a product perspective. And micro finance as I told you is going to start growing from the next quarter even if at a lower pace as other product. So overall, yes, I think we have probably reached our lowest level in terms of our financial performance and probably it should start going up from here.

Digant Haria: And sir, the last question is on whatever happened in the microfinance space like the states of Maharashtra which had the highest defaults and that too district level defaults is there any improvement out there or is it just a loss caused at least those villages or those few talukas?

Raghavan HKN: So the states, which are severely impacted, which contributed a lot of PAR, was the State of Maharashtra as you rightly said. And from last quarter to this quarter, we have seen a pretty good improvement in terms of reduction of PAR 0+ days. And very important point to be noted is that the expected collections are the regular collection levels of 99.5%, which is basically pre-demonetisation levels. So this means your PAR is like a regular normal, which used to be pre-demonetisation. Pre-demonetisation level always the one day due was around say about 0.5 and it has reached that level. That means in terms of stability definitely collections have been very stable there. And ground level situations have also improved dramatically there.

Digant Haria: Right, so only those few villages which were completely defaulting those would be the ones which would never come back but otherwise we are back to pre-demon in terms of?

Raghavan HKN: Yes that is true. What is happening is that, some of the clients in PAR 90+ today, we see a traction, customers coming and then starting to pay off. Their dues, it is very difficult for these clients to cumulatively pay that money and then get out of NPA; that is not possible. So what we are seeing as a positive sign is that – one, because they are now under a cash crunch - because of the defaults they are not getting the same kind of a funding which they used to get - they have now realized that, all those loan waivers were wrong information, so many of the clients are coming back and say they want to get their loans to be normalized. So they are coming in and paying back. So we might see this behavior also become contagious in a positive way and then people might start regularizing their payments.

Moderator: Thank you. The next question is from the line of Amit Rane from Quantum Securities. Please go ahead.

Amit Rane: My question is on what is our cost of deposits and cost of borrowings separately?

P.N. Vasudevan: You have any other question?

Amit Rane: Sir, and our yield on investment as well?

P.N. Vasudevan: That we will take it now. Natarajan will take the second question.

Natarajan M: Yield on SLR is around 6.48 and on the non SLR it is 7.76.

Amit Rane: And sir, can you give maturity profile of our borrowings because what I am expecting is that our borrowings to deposit mix will modify going forward, right as we are getting so much deposits inflows? So that is not getting reflected actually, even the borrowings are going up so that is why I am asking? Sir, my question is like how do you see the borrowings to deposit mix modifying going forward?

P.N. Vasudevan: See basically as I said earlier our deposit is now about 45% of our total borrowings which means 55% is our old grandfather loans and other borrowings. Grandfathered are basically refinances from SIDBI NABARD and the NCDs that we had availed before we became a bank. We do not carry forward any bank borrowings because we have repaid all of them after we became a bank. Now these borrowings have a maturity that will stretch over the next, I think it will stretch over another two years plus, slightly more than two years for the refinance also. So, over this two-year plus period these borrowings will get replaced by the deposits and as the borrowings get replaced, obviously we will see our overall cost of funds coming down as these replacements keep happening.

Amit Rane: Right and sir the data point?

P.N. Vasudevan: First point we will come back to you. Let us go on to the next caller for the moment.

Amit Rane: And sir, one more question I have. Sir geography wise do we have any levers available in our pricing strategy for the non-MFI portfolio to protect our yields?

P.N. Vasudevan: See, utilising geographic differences for protecting our yield; see basically the difference in lending rates for any product, the difference in lending rates from a metro to a semi urban will not be too much. The difference is, generally speaking, in any product anywhere between 50 basis points to 75 basis points. So, from a geography perspective, that is all the difference that you will generally find. It will not be really much beyond that. If you take any product let us say you are lending at 13% in Mumbai, it might be close to the same rate in Pune and Kolhapur; as you go to smaller location like Sangli or somewhere maybe it will be 13.5%. But from a geography perspective you do not really expect that you will have a significant difference from our lending rate perspective.

Amit Rane: And sir just one confirmation. Disbursement in non-MFI is Rs. 1,200 crores, right?

P.N. Vasudevan: Actually that number is Rs. 1,120 crores.

Amit Rane: Rs. 1,120 crores disbursements in non-MFI?

P.N. Vasudevan: That is right. The other point we will come back during the call.

Moderator: Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: I have just three questions. One, on the non-MFI book just two things here, one is it possible for us to get a little bit more granular in terms of NPAs at least for a couple of critical products that you have? And second, are you guys actually profitable in these products from a lending side as we speak today and if yes, what kind of profitability are we talking about either in terms of ROAs or if you are looking at RORWA or ROE whichever metrics that internally that you guys are following?

P.N. Vasudevan: Okay, so without getting into specific numbers I can tell you from a directional, from an approach perspective. All the loan products that we have, all the asset products that we have we have an internal transfer pricing mechanism by which the money is given to the asset division at a cost which takes care of our cost of funds as well as the cost of raising that money and then each product has its own ROA requirement.

So, each product has to meet its ROA requirement. The lending rates can vary based on the operating cost as well as their expected delinquency. But at the end of the day the ROA of each product is fairly well defined in each product note and the products will be required to deliver that and they are monitored from that perspective. So each product does have an individual ROA targets and they are monitored from that perspective.

MB Mahesh: The reason I am asking is that there might be in certain businesses where you have put in a significant upfront investment in terms of people and probably a little bit more especially on the people side. So just trying to understand have you reached peak profitability numbers as we speak today?

P.N. Vasudevan: Not really. See some of the old products would be at their normal stable levels of ROA like if you take the used commercial vehicle financing, if you take the M-LAP, if you take the micro finance these are all products that are under normal levels of ROA, which is expected from that product. And, if you take a product like the business loan we introduced about a year back now, it is moved I would say about 50% towards what its normal stable expected levels. And the working capital that we have not yet launched I think we mentioned that in the last call if I remember right.

We will be launching our working capital, which is a CCOD facility for these small and medium companies that is expected to be launched by April and as we launch that, it is not going to be reaching its normal peak level of ROA obviously immediately. It will take its own normal progression towards becoming stable from a returns perspective.

So if you want to sum it up, you can say that the old products which have been done by us for the last five or seven to ten years, they are all at their normal stable levels of returns. And the new products are at various levels and typically I mean any product you take it typically they take about a year-and-a-half to two. One-and-a-half years is the time at which you can really reach your best level of productivity and efficiency. And one-and-a-half to two years by which it should have peaked.

MB Mahesh: And the second question on the MFI business, given the fact that you have seen a contraction in business you are still saying that the ROEs have not fallen? You have to adjust for the provisions that you have done but I am just saying at least at the operating profit level you have not seen a decline in profitability?

P.N. Vasudevan: Yes, because I think Raghavan has been talking about this in the earlier calls if I remember right. We have actually significantly redeployed the MFI staff to our M-LAP and agri products, because our M-LAP and agri loans are basically cross sell product to the top-end of FI customer base. So same customer profile, same geography and using the network and relation we have with the community and the customer has enabled the redeployment. So, they basically cross sell product and so the MFI staff are significantly being used for those products. So even though the MFI book has been contracting, I mean forgetting for the moment the provisions, it is still at a very stable level of returns.

MB Mahesh: Second question is your finance cost that you report in this quarter and the last quarter there is a difference in number. Has there been any reclassification here? Last quarter the numbers for Q2 shows finance cost as 9.2 and this quarter Q2 numbers shows as 8.7? And the same thing is actually true in the yield on loans as well. So the NIMs are different so just trying to understand, has there been any reclassification here?

Dheeraj: Which slide, Mahesh, slide number 40?

MB Mahesh: If you go to Slide 45 in Q2 presentation, your finance cost shows 8.7 and your margin shows 9.3, but if you go to Slide 40 this quarter the finance cost shows as 9.2 and your margin shows as 8.9?

Okay while we are answering this question the third question is just the employee side. Is it possible for us to give a headcount and how much have you deployed on the asset side as well as on the liability side?

Dheeraj: The total number is around 13,500 employees and approximately around 3,500 is on liability. The rest is on assets.

MB Mahesh: Okay this should be great. If you can just answer that finance cost at any point during the call that will be great.

Dheeraj: And that is a mistake in slide 40. Q2 presentation numbers are were right. It is a typo in the Q3 presentation, Q1 numbers are presented under Q2 in slide 40.

MB Mahesh: Okay 9.3% margins has come down to 8.8%, is it?

Dheeraj: Yes.

Moderator: Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Sir, firstly in terms of when we look at the PAR of MFI loans on book and may be out of the loan book so there is a gap of Rs. 30 crores, Rs. 32 crores. So would we see any kind of impact of that on the revenue or on the provisioning going forward or that is also largely done with?

Sridharan N: No, on the PAR above 90 on the securitised book, actually there is a reduction in the EIS which has now come to an end actually. We had three securitized transactions and that also we are closing in January. There would not be any impact in the Q4.

Kunal Shah: So in terms of may be whatever is the MFI 0-day 202 and on book 170 so on the balance 30 also there might not be any risk on either the interest or provision?

Sridharan N: Yes, there will be no impact. In fact the Q3 impact was very little actually, Rs. 1.89 crores reduction in the EIS and there will be the other three securitised transactions are being closed in January. So there will not be any impact actually further in Q4.

Kunal Shah: And secondly in terms of the GNPL numbers for MFI book. So since it is largely provided for so in terms of this GNPL number will it be just a matter of time wherein we will be just writing it off and there could be a sharp decrease in the GNPLs on the MFI book because this quarter also it is rising marginally but again larger part of provisioning is done. So may be based on the tax benefit we will be writing at some point in time and we will see a substantial decline in the GNPL number?

P.N. Vasudevan: Absolutely you are right. We have right now provided the 100% provision taking into consideration the income tax benefits and other things we will be writing it off may be in one year or this year or next year actually.

Kunal Shah: And lastly, in terms of last time also you highlighted that sequentially we could see some kind of rise in the other OPEX largely because of the roll out of the product.

So would that be the base or maybe we should assume that this increase which has been there in Q3 this is may be non-recurring and it should settle somewhere around Rs. 65 crores to Rs. 70 crores of the other expenditure? How should we look at it? So the base should be Q2 or may be Q3 in terms of the other OPEX?

Sridharan N: See if you look at the OPEX for Q1, Q2, Q3 there has been a marginal increase in Q3 as compared to Q2. That is not because of any increase in other expenses but the sale of securities which caused a loss of around Rs. 5.5 crores which has been taken into expenses actually. And basically in the case of bank accounts in the P&L it is shown adjusted in the other income, whereas we are reporting the holding company as a non-bank so it is including the losses as expenses.

That is the reason for about Rs. 5.5 crores of the increase in the OPEX expenses and the second part is there are expenses which is relating to the business. For example the brokerage or DSA commission which you pay; that increases in proportion to the business. These are about Rs. 2 crores. So basically there was a Rs. 9 crores increase which has been explained for. Otherwise the OPEX expenses will be remaining stable.

Kunal Shah: Okay so only Rs. 5.5 crores out of this would be non-recurring?

Sridharan N: Rs. 5.5 crores is non-recurring.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question on the microfinance business. We have a microfinance book of Rs. 2,400 crores and we are almost 96% provided for gross NPA so one is, what is the quarterly disbursement for the microfinance segment? And secondly, what kind of medium term growth outlook we have in the microfinance book as such?

P.N. Vasudevan: What is the second question?

Manish Ostwal: What is the growth outlook what rate we can grow the microfinance book over the medium term?

Raghavan HKN: I will say if you look at it from quarter 1 to quarter 2 the book dropped by Rs. 350 crores and quarter 2 to quarter 3 the book dropped by Rs. 150 crores. So that means if you look at it the rate at which it was dropping has come down by almost all 50%. That is basically because from quarter 2 to quarter 3, the disbursement which were around Rs. 350 crores now has raised to Rs. 470 crores.

So disbursement is going up then you will see the rate at which it is going to drop it will come down. In terms of growth we see it will probably go to a normal level. It is very difficult to give you a number as far as this number is concerned but what we will do is that as Vasu was telling it will start growing at a normal rate which generally it used to grow.

Manish Ostwal: And secondly, with this non-microfinance gross NPA book loans we have already provided 36% so how much provisioning we are expected to do more?

Sridharan N: In the case of non-microfinance we have provided as per whatever the requirements that is as per the norms.

Manish Ostwal: Why I am asking this question because some of our peers already provided very heavily in the last few quarters whereas in case of Equitas we have provided in this quarter so whether we are behind the curve on provisioning of the non-microfinance book or we are not in there because in microfinance segment it seems to us that behind the curve on provisioning?

P.N. Vasudevan: Say in the non-MFI first of all of course they are secured so there is the basic level of security behind this segment. And it is around 37% of the PCR today and we also have a floating provision which we have put in some time back. So if you count that of course the percentage of PCR would go up further. And the PCR would be obviously the normal levels of PCR many of the banks have for this kind of a portfolio typically is around 45% plus. So I think we will also somewhere be reaching towards that over a period of time.

Manish Ostwal: Okay and last question on the operating expenses growth side. How do you see the growth in that line for FY19 or medium term perspective?

P.N. Vasudevan: Yes, I think we had that question sometime back from someone else. As I said earlier I think the OPEX the normal increase should be about may be 15% plus, between 15% &18%. That should be the thing. Because we do not expect significant expansion in branch so that way we may not have a sharp increase in the expenses other than what is more like normal expenses increase.

Moderator: Thank you. Ladies and gentlemen, due to time constrain that was the last question. I now hand the conference over to Mr. Bhaskar for his closing comments.

Sridharan N: So there was a reply pending from our side on the deposit front, on the borrowing cost. For the third quarter for the deposits it was 6.7% and for the other borrowings it is 8.9%.

S. Bhaskar: On behalf of the management team I thank you all for your interest in our performance and joining the call. We look forward to your continued interest and participation. Thank you.

Moderator: Thank you. Ladies and gentlemen. With that we conclude today's conference. Thank you for joining and you may now disconnect your lines.