"IIFL Holdings Limited Results Conference Call"

May 14, 2014

MANAGEMENT:	**MR. NIRMAL JAIN – CHAIRMAN, IIFL HOLDINGS LIMITED.** **MR. R. VENKATARAMAN – MANAGING DIRECTOR, IIFL HOLDINGS LIMITED.** **MR. DHRUV JAIN – CFO, IIFL HOLDINGS LIMITED.** **MR. AMIT MEHENDALE – CFO, INDIA INFOLINE LIMITED.**
MODERATOR:	**MS. SHRADDHA KAMAT – MANAGER, INVESTOR RELATIONS, INDIA INFOLINE LIMITED.**

Moderator: Ladies and gentlemen good day and welcome to IIFL Holdings Limited results conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. We have with us today Mr. Nirmal Jain – Chairman, Mr. R. Venkataraman – Managing Director, Mr. Dhruv Jain – CFO for IIFL Holdings Limited, Mr. Amit Mehendale – CFO for India Infoline Finance Limited and Ms. Shraddha Kamat – Manager, Investor Relations. At this time, I would like to hand the conference over to Ms. Shraddha Kamat. Thank you and over to you ma'am.

Shraddha Kamat: Good afternoon. On behalf of team IIFL, I thank you for joining us on this call. I am Shraddha Kamat – Manager, Investor Relations accompanied by Mr. Nirmal Jain – Group Chairman, Mr. R. Venkataraman – Our Managing Director, Mr. Dhruv Jain – CFO for India IIFL Holdings Limited and Mr. Amit Mehendale – CFO for India Infoline Finance Limited.

As you are aware, we are a diversified financial services company and have multiple businesses which are carried on in various subsidiaries. In today's call, we would be referring to our consolidated numbers unless otherwise specifically stated as we give a true and fair representation of our performance. Further, any of us in today's call may make some forward looking statements based on management's current expectation. Actual results may vary significantly. The accuracy of completeness of these expectations therefore cannot be guaranteed.

I will now hand over to Mr. R. Venkataraman – Managing Director, IIFL Group to give an overview of the macro environment and discuss our financial performance for the quarter. Over to you sir.

R. Venkataraman: Good afternoon. The outlook for the market and economy depends significantly on the outcome of the ongoing general elections, this will know for sure on May 16th. Majority and stable government can bring in much needed political stability and undo the policy inertia that has set in. There are expectations about much needed structural reforms. Should that happen, economy growth can be kick-started significantly. Stalled projects can also come on line and business confidence will improve. The prospects of lower than normal rainfall is a key near term risk for the country. Retail inflation has stubbornly remained high. This coupled with RBI stance implies that interest rates will remain on hold for extended period especially if food inflation rises. Medium to long-term prospects in our lending business is linked to overall credit growth and economic recovery. Capital market is showing some signs of recovery whereas commodities related businesses continue to face headwinds. Our wealth business continues to grow well and we are among the leading wealth managers in the country with asset under advice in excess of 58,000 crores.

Among other updates, India Infoline Housing Finance Limited, the housing finance subsidiary of India Infoline Finance Limited issued unsecured redeemable non-convertible debentures in the nature of subordinated debt eligible for tier 2 capital. The issue was Rs. 100 crores size with an option to retain 100 over subscription of Rs. 100 crores. We are pleased to say that the bond received overwhelming response and it was oversubscribed more than 2 times.

IIFL Private Wealth was voted as the best private banking services overall in India by industry peers in the recent Euromoney Private Banking and Wealth Management survey 2014. IIFL Wealth was also ranked number one in many categories like best relationship management, corporate advisory for private banking clients, range of investment products, specialized services for entrepreneurs, fixed income, portfolio management, real estate and hedge fund investment. With this, I will now hand over to Amit Mehendale, our CFO for an overview of our NBFC business.

Amit Mehendale: Thanks. For Q4FY14, income from fund based activity segment was Rs. 534 crores, up 5% quarter-on-quarter and 11% year-on-year. Interest cost was Rs. 304 crores, up 2% quarter-on-quarter and 17% year-on-year. This segment constitutes 68% of total income for the quarter. For FY14, income from the segment was Rs. 2,027 crores and interest cost was Rs. 1,153 crores. Our quarter end loan book increased to Rs. 10,890 crores, up 16% year-on-year. Our loan book comprises secured lending of mortgages, capital market products, gold loans, loan against medical equipments, and commercial vehicles. Mortgage loans form 47% of the loan book and continued to grow steadily and become our focus area.

We will continue to maintain high quality of assets. This is evident in low level of NPA. Our gross NPAs and net NPAs stood at 0.86% and 0.33% respectively as at the year end. Against gross NPAs of Rs. 93.9 crores, we have a nonstandard asset provision of 57.7 crores and hence our net NPA stands at 0.33%. Besides this, we have a provision of 31 crores for standard assets as per statutory requirement. Our average cost of funds for the quarter was 11.7%. Cost of funds was lower in the quarter due to rollover of CPs as well as securitization. Dependent on short-term borrowings has also reduced significantly. Share of CPs in total borrowings has come down from 33% in Q4FY13 to 21% in Q4FY14. I will now hand over to Dhruv for an overview for the businesses.

Dhruv Jain: Thank you Amit. For the quarter ended March 2014, our total income was Rs. 788 crores, up 14% quarter-on-quarter and up 7% year-on-year. Our profit before tax was Rs. 125 crores which was up 24% quarter-on-quarter and up 8% year-on-year. The net profit was Rs. 81 crores, up 21% quarter-on-quarter and marginally up year-on-year. For the year ended March 2014, our total income was Rs. 2,837 crores. Profit before tax was Rs. 420 crores and profit after tax was Rs. 278 crores.

I will now present a review of each of our other business segments in **cost 6.57**. I will now start with the financial product distribution income. This segment primarily includes distribution of insurance, mutual funds, alternate asset products, bonds etc. In life insurance business, our product portfolio is dominated by long-term endowment product. Our income from this segment for the quarter was Rs. 172 crores, up 78% quarter-on-quarter and up 44% year-on-year. Mutual fund AUM mobilized by IIFL group is close to Rs. 16,000 crores. IIFL Wealth was emerged as one of the leading players in the space with asset under advice **is** close to Rs. 58,000 crores.

I now move on to the capital market activity income. The revenue for the quarter for this segment was Rs. 75 crores, down 8% quarter-on-quarter and 43% year-on-year. Capital market activities comprise income from equities, commodities, currencies, investment banking etc. Market volumes have picked up since March 2014 and therefore this segment can witness substantial growth.

I now take up the major costs head. For the quarter, our operating costs were Rs. 87 crores, an increase of 36% quarter-on-quarter and a decline of 4% year-on-year. For FY14, our operating costs were Rs. 314 crores, a decline of 6% year-on-year. Operating cost was 11% of revenue for the quarter and for FY14. Employee costs for the quarter was Rs. 130 crores, up 11% quarter-on-quarter and down 3% year-on-year. For FY14, our employee cost was Rs. 494 crores, a decline of 7% year-on-year. Other costs primarily include admin costs were at Rs. 125 crores for the quarter, up 37% quarter-on-quarter and 8% year-on-year. For FY14, the total admin costs Rs. 388 crores, a decline of 13% year-on-year. Depreciation cost in the quarter was Rs. 16 crores and Rs. 68 crores for year. Our consolidated net debt as at the quarter end was Rs.

8,527 crores and gross debt of Rs. 10,520 crores. Of this, secured long-term borrowings were Rs. 7,025 crores. Cash and cash equivalent position was Rs. 1,993 crores which includes fixed deposits of 455 crores and mutual fund, equity shares and bonds of Rs. 633 crores. Our gross debt-to-equity ratio was 4.88 as of quarter end and net debt-to-equity ratio was 3.96 as of the quarter end. I now leave the floor open for any questions.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Pooja Swami of Span Capital. Please go ahead.

Pooja Swami: Sir my first question is on your yield, what would be your yield for your different loan assets?

R. Venkataraman: Overall the yield for the entire book is 18.4% and so if you want the breakup, for gold it is about 21%-22%, for mortgage it is 16%, capital market is 15%, healthcare and medical equipment is about 14%.

Pooja Swami: So sir now when your gold loan LTV has come in par with the banks, do you see your overall yield also should improve going forward right?

R. Venkataraman: No, the yield has not improved, but I think we expect overall growth in the loan book in line with credit growth.

Pooja Swami: And sir what would be your strategy for improving your NBFC business going forward. Do you need some capital for the growth?

R. Venkataraman: Actually as we had articulated in the past also, the elements of the NBFC strategy are focus on retail. We want to grow and focus on the retail loans in various segments as we have told before also including home loan mortgages, gold loans commercial vehicles. We want to focus and build an operationally efficient business so that our cost-to-income ratio improves. As we said, we have a multiproduct diversified

NBFC. We are targeting segments which are under-banked and where we face relatively less competition of the banks because as of now all banks are also focusing on the entire spectrum of retail products and we will be leveraging on technology to bring our costs down. Having said that, these are the elements of our strategy and to your second question regarding whether we need capital to grow, as of now if you look at our capital adequacy ratio, we are at 17.7% which is very comfortable. Out of this 17.7%, roughly 12.7% is tier 1 and 5% is tier 2 and so we have room to grow the tier 2 so that we do not dilute equity to manage our growth. So as of now on the capital front, we are comfortable and I do not think we will be diluting to grow in the near term.

Pooja Swami: But your loan portfolio is expected to grow at similar levels, 10% or you would see it increasing going forward?

R. Venkataraman: See actually last year, if you see year-on-year growth on the loan book was 16%. Going ahead, we should see the loan book to grow at similar levels.

Pooja Swami: And sir your NIMs and spreads, both have seen an improvement from previous levels, but have you factored in the costs of borrowing reduction in this or you see it further improving your NIMs and spreads?

R. Venkataraman: The cost of funds has dropped and to that extent NIMs and yields have improved.

Pooja Swami: So it is factored in all over you say?

R. Venkataraman: Yes, it is factored in the number.

Pooja Swami: And sir last question last year excluding your capital market if you see, your income growth has been quite good at about 15%-18% kind of range. Now when you see the capital market conditions also improving and the commodities market also improving their volumes, do you see the overall income growth would be in the range of 20% for coming year?

R. Venkataraman: If you look at our numbers for last year, then as you rightly pointed out we have seen our capital market activities facing significant headwinds and we have seen a significant decline year-on-year basis of about 37%. As we speak right now, it is too early for us to take a call whether we are seeing buoyancy happening in capital markets. We will come to know on a lighter vein on Friday when the outcome of the general elections are announced whether we will see continued buoyancy in this capital market. So as of now, your guess is good as mine whether we will see a comeback of the good times.

Moderator: Thank you. Our next question is from Viral Shah of ICRA. Please go ahead.

Viral Shah: My questions just surrounding the capital market side of the business. Have you seen any traction in retail participation over the last 1 or 2 months on that side of the business and if yes, how sustainable do you think that would be?

R. Venkataraman: In the recent past, given the buoyancy in the capital markets, yes we have seen some amount of interest coming back in the capital markets from retail investors. So as of now, it is difficult to extent the data forward and confidently say that green shoots of recovery are there or not, but as I said earlier also, we are waiting. There is some interest among the retail investors in capital markets. We are seeing client interest coming back, client participation gradually increasing, but for a sustained rally I think we have to wait to see the outcome of the elections as well as overall pickup in the economy before we see mass retail participation.

Moderator: Thank you. Our next question is from Rahul Vekaria of Axis Mutual Fund. Please go ahead.

Rahul Vekaria: My first question is regarding the growth and loan book of 800 crores QonQ. Just wanted to understand where is the growth come from, in which particular asset class?

Nirmal Jain: So there is growth in all asset classes, but relatively speaking, our gold loan growth would appear higher because it had three quarters of degrowth or flat loan book.

Rahul Vekaria: This is going to be our focus going ahead as well considering the yield is the highest yielding asset in our book and that is why we are focusing now to maintain that margins. Is the way that we should look at it or the trend that we observe the end of the quarter, last quarter?

Nirmal Jain: I would say that mortgage remains our thrust that has been witnessing steady growth. Even last quarter, we had a fairly robust growth in our mortgage book as well, but some part of the portfolio is securitized. I think our gold because of the difference base we are seeing spike but at the same time, if you look back at last one year, the first three quarters gold loan book did not grow or had a degrowth. There was a change in RBI stance because earlier it appeared that RBI stance was somewhat antagonistic or not encouraging the gold loan portfolio with NBFCs, but I think there was a bit of a change in that when they improved the LTV from 60% to 75%. Simultaneously there is one more thing which is banks did not have this restriction of LTV, so they brought banks on similar level playing field and so I think now RBI looks at gold loan also as an asset class which can drive inclusion. So this should grow steadily over longer term.

Rahul Vekaria: So our average LTV on the gold loan book would be how many days roughly?

Nirmal Jain: LTV 75% now. The gold loan typically has contractual period of about a year, but the behavioral period is about 3 to 4 months.

Rahul Vekaria: LTV?

Nirmal Jain: LTV, the upper limit is 75%, but on an average it is around 60%-65% now.

Rahul Vekaria: Sir coming to our mortgage book, what will be the breakup of the 47% into home loans and LAP? How much percent of total loan book would be home loan and how much of it would be LAP?

Nirmal Jain: So home loan would be around 15% of portfolio and remaining will be LAP.

Moderator: Thank you. Our next question is from Nischint Chawathe of Kotak Securities. Please go ahead.

Nischint Chawathe: First on the capital market related businesses, just trying to understand how many branches do you currently have for the broking business?

Nirmal Jain: Around 150 odd branches.

Nischint Chawathe: So just trying to understand this, so basically I think what you had explained last time is that you will be doing some business through your branches and the balance will be done through the advisory channel.

Nirmal Jain: Our key USP will be advisory and not just the execution brokerage and which is again research driven advice.

Nischint Chawathe: Now that we are looking at buoyancy in equity markets and expecting equity markets to do well possibly. It will imply that equity market volumes will also go up. How well positioned are we to really capitalize on this opportunity? Given the fact the branch network has come down and what really happens because the reason why I am asking this question is that if I look at it on a quarter-on-quarter basis, your capital market related income has gone down, although the overall broking volumes may have gone up a little bit for the industry. So I am just kind of trying to understand where we would be positioned vis-à-vis the industry if at all things have to kind of pickup?

Nirmal Jain: It is a very good question, I am happy that you asked it. In fact we had been the leading brokers if you go by the revenue and whatever we have built in last 13-14 years, it will be a pity if we are not able to leverage and seize the opportunity. What we have done is that we have restructured our business. Now we have 14 or 16 call centers. One call center in every state and the smaller clients are being serviced from that and the number of branches we might have reduced, but in terms of number of cities, we cover all major cities, more or less. We still cover 70-80 cities that pretty much account for more than 90% of volumes. So actually, as the bull market takes off we will be far better placed to service the client that are larger and so if you look at very small customers or marginal customers, we may lose our market share and that may be the initial feeling, but if you look at the overall picture, I do not think that we should be losing market share. When market volumes pick up, we should be very well placed to participate in that and even if we go by our cash market share, particularly for retail business, there was a bit of decline when we announced the restructuring, but may be in last two months I think we are back to normal and we are back to where we were and we look forward to growing the volumes further. When you look at the market volume, they are basically combination of retail as well as institutional volumes. In institutional volumes, if we talk about long only funds or long-term investors then we are very well placed there. If volumes come from long-term investors that is mutual funds and FIIs as well as the cash market volumes in retail, then we are well placed to leverage that opportunity. So I will share this, we have been losing our market share as options, but we have been gaining our market share in cash market.

Nischint Chawathe: Any specific trend to read in the QoQ movement in the capital market income because that has gone down by I think 7%-8%.

Nirmal Jain: It is a transitional phase, I think the number of days was also fewer in this quarter and market volumes picked up only towards the late March, I guess. So it is pretty much that January-February were not great months.

Nischint Chawathe: Since you have been disclosing the data for last 2 or 3 quarters if you could give the breakup of capital market related income into broking income and retail and institution?

Nirmal Jain: We have given the broad breakup, which remains similar. Also in our broking income, in capital market segment, I will just go back to your original question. We have been impacted significantly by a drop in commodity and currency brokerage. So the drop what you are seeing is not so much from equities, but more from commodity and currency.

Nischint Chawathe: And any color if you could give for the quarter, for the year, what would be the proportion of equity broking income in the entire segmental income since you had given all these data points in the past.

Nirmal Jain: So equity now is around 80%-85%, but when commodities and currencies are doing well, equity is just above 60%.

Nischint Chawathe: So basically 80%-85% essentially mean for the quarter?

Nirmal Jain: Yes.

Nischint Chawathe: Just on the distribution, in terms of again we are trying to understand little bit as to what would be the contribution of private wealth here vis-à-vis insurance distribution?

Nirmal Jain: Wealth you are saying?

Nischint Chawathe: In the distribution. When I look at the distribution income, what would be the contribution of private wealth versus the…..

Nirmal Jain: Two-thirds from the private wealth and one-third would be insurance and other business.

Nischint Chawathe: That is essentially again for this quarter is what you are saying.

Nirmal Jain: That's about delta in this quarter. We had quite a few good FMPs as well as structured products in AIF; larger share is from private wealth.

Nischint Chawathe: So basically what you are saying is roughly around two-third of the 172 odd crores that we can see is from private wealth is what you are saying.

Nirmal Jain: Incrementally in this quarter, of about 75 crores out of that, two-thirds will be from private wealth. So if you see this quarter vis-à-vis last quarter, the income is up by almost 75 crores.

Nischint Chawathe: And finally I think on the lending business, your lending yields are fairly high on the higher side of the industry because you are focused on such asset classes while if I look at your overall ROEs and ROEs is somewhere in the range of around 2% odd and kind of 12% odd ROE levels. So how do we really see a trajectory hereon because we have seen almost two years where we have been at similar levels? So there has been an impressive reduction in operating expenses during the quarter, but still how do you see that kind of trending on next may be 1 or 2 years?

Nirmal Jain: See, the NIM improvement will have to come from the reduction in cost of funds. So unfortunately, our cost of fund is higher than what it ought to be primarily for, one is that we have component of subordinated bonds and some of the bonds issues were raised at higher rate and secondly our rating improved last year, but we still have to bring down the cost of the interest rate with the banks, the process is on, but if you look at our yields on the weighted average basis is around 18% or so which is pretty much in line with the industry. So improvement in NIM will have to come from reduction in cost of borrowing and cost-to-income ratio will also fall as our volumes grow. We are not expanding our branches and I think that will continue through this year because we had a massive expansion of branches in '11-12, '12-13 which has slowed down last year and may be in this year probably we will not add any significant number of branches. So that will allow us to improve our per-branch productivity and bringing down cost-to-income ratio. Cost of fund is something which is again a function of raising on one hand and also the seasoning of the books. So as the time period goes, it becomes easier to negotiate with the lender. I think I will add, we have started the process for example in last quarter we securitized some of our PSL portfolio at very fine rates around 7.5%-8% to 10%-10.5% depending on the asset class. So something like this we do more, I think we will be able to bring down cost of fund on a weighted average basis.

Nischint Chawathe: And just finally for the quarter, what were the provisioning expenses?

Nirmal Jain: So it was 23 crores which is 12 crores higher than the previous quarter.

Nischint Chawathe: And anything specific to read in this, what is it that and I think your gross NPAs also have gone up fairly sharply during the quarter.

Nirmal Jain: So last year gross NPA has gone up and as I said last quarter was 0.80% which is to my mind reflective of overall economic conditions in the country, but under those circumstances I think our gross NPAs compared very well with the peer growth and so the provision amount has increased because the gross NPA has increased. So our net NPAs remained at similar levels.

Moderator: Thank you. Our next question is from Nikhil Paranjpe of ICICI Prudential. Please go ahead.

Nikhil Paranjpe: Basically first question on the NBFC business, now we have seen in the last quarter growth coming back to the gold loan business. So where do we see this as percentage of the overall portfolio should just go back to closer to 45 odd percent which historical high it was at.

Nirmal Jain: It is a good question and there are many times I get ask this question. Now to be very honest, it is very difficult for us to control the relative share because every business has a different business head, although the way they are given targets, the thrust is on mortgage. But sometimes there is a more demand, a particular product class does better then we cannot accurately forecast. Having said this, strategically we are moving towards the business model where home loan and mortgages will become the dominant part of our loan book. Commercial vehicle on the small base will grow faster. In fact last year was one of the years when we tried to hold back this particular asset class because the macroeconomic variables were not good. The commercial vehicle industry itself was facing tremendous pressure, but my personal feeling is that the scenario will change this year. So if you ask my own view, then mortgages and commercial vehicles' relative shares should grow in the coming financial year.

Nikhil Paranjpe: So gold loan will not probably grow, is that what you are trying to say the gold loan growth will.

Nirmal Jain: I am saying gold loan will grow in absolute terms, but in relative term. Because of our strategic thrust but nobody can forecast the precise number.

Nikhil Paranjpe: Right and essentially in gold loan basically because of the regulatory hurdles and, etc., the scale of business was slightly scaled down or the growth was very muted. So in terms of number of branches, were they reduced and now have they again increased, how is that working out or in terms of the workforce which is there in gold loan business?

Nirmal Jain: Actually the number of branches was reduced and now as the regulatory regime has changed and it requires RBI's approval to set up new branches. So we applied and we have got approval for setting up 7 new branches which we will be setting up in this quarter.

Nikhil Paranjpe: And overall in terms of growth, earlier Venkat mentioned that essentially for the growth, equity will not be required because the capital adequacy is currently at 17.7%. So essentially what sort of a growth number broadly you are kind of targeting and in context to that, what is the debt-equity at which you will probably be comfortable?

Nirmal Jain: So capital adequacy of 17-odd percent comprises Tier-1 and Tier-2.

Nikhil Paranjpe: Right, Tier-1 is 12.7, I guess.

Nirmal Jain: So I think it is above 12. So Tier-1, we are very comfortable. For Tier-2, we can always raise subordinated debt or some other instrument. In terms of volume growth, in fact last year we grew 16%. So will grow more or less in line with the industry because we are a multiproduct company, so industry will comprise weighted average on various asset classes that we operate in, but I think maybe I would guess that industry should also grow at about 20%-25% in a good year and things improve, as all of us are looking forward to.

Nikhil Paranjpe: What sort of a gearing level you will be comfortable?

Nirmal Jain: I think our gearing level is fairly comfortable; it is less than 4 on a net basis. So I mean we will be comfortable till 5-6x also, should not be a problem.

Nikhil Paranjpe: And in the mortgage part of the business, how much would be the real estate exposure or the high ticket builder kind of an exposure?

Nirmal Jain: It will be around 15% of our overall book.

Nikhil Paranjpe: 15% of the overall book.

Nirmal Jain: Yes.

Nikhil Paranjpe: And another question on basically the distribution income which has seen a sharp rise in this quarter, so how do we read into that and what would be the sustainability of that?

Nirmal Jain: See, the last quarter is seasonally good quarter for distribution business because life insurance on one hand as well as many mutual fund products, FMPs, tax saving scheme they come in the last quarter. So it is a seasonal business and obviously the last quarter will be peak. So if you look at the first quarter, then there will be decline on a QOQ basis.

Nikhil Paranjpe: And one final question on actually IIFL Holdings standalone numbers. There is some sort of negative tax number there this year for the full year, so just wanted to essentially –

Nirmal Jain: So actually there was a transfer of business from IIFL Holdings to India Infoline Limited which is a broking entity. So what happens is that, because we depreciated 33%. Book value, when we transferred, was significantly lesser than the tax value. Hence, it becomes the deferred tax asset.

Nikhil Paranjpe: So currently what are the activities which are going in the holding company, now nothing is it?

Nirmal Jain: No, it is a basically a holding company. So it holds all the stakes in all the operating entities and other than that, it is also a sponsor of alternate investment funds that are distributed by other platform.

Moderator: Thank you. Our next question is from Kajal Gandhi of ICICI Direct. Please go ahead.

Kajal Gandhi: Sir can you share what are your plans on the banking license because once it opens up the taps, will you be applying immediately?

R Venkataraman: See as of now, we are waiting further guidelines from the Reserve Bank of India. There has been a media report which says that the RBI is going to come out with new set of guidelines for new bank licenses as well as differentiated banking guidelines and so on and so forth. So as of now, we are waiting for the guidelines. As and when the guidelines apply, we will evaluate those guidelines and then analyze our own strengths and weaknesses and make a fit and proper business plan and then apply to the RBI for necessary approvals.

Kajal Gandhi: Sir secondly your slide on the capital market business, the chart shows the cash turnover, can you share the number for that?

R Venkataraman: Actually I do not have the information right now with me, but I will ask my Investor Relations team to send you the details of the chart, the numbers.

Kajal Gandhi: Sir what is your market share this quarter and FY14 in equity turnover daily?

R Venkataraman: It will be roughly in the range of 3.5%.

Kajal Gandhi: Sir in commodities market share?

R Venkataraman: Commodities will be roughly in the range of about 4% for the full year on the MCX.

Kajal Gandhi: 3.5% your equity is only NSE or it is both?

R Venkataraman: Yes.

Kajal Gandhi: Only NSE. And sir one last thing, what is your plan for three years on the loan book size?

R Venkataraman: See, as we said earlier also, we have plans to grow this business as a multiproduct NBFC and we hope to grow on a steady basis without compromising on the asset quality. As I said in the earlier remarks also, overall loan book is linked to the state of the economy and overall credit growth in the economy. So we hope to grow faster than the economy over a three year period.

Moderator: Thank you. We have a follow up question from Nikhil Paranjpe of ICICI Prudential. Please go ahead.

Nikhil Paranjpe: Just a follow up question actually on your liability side. Now we have seen the liability side improving dependence on commercial paper coming down from 33% to 21%. Just wanted to check if there is some sort of a policy or some sort of a prudential norm which we want to maintain in terms of share of commercial paper in your liability profile?

Nirmal Jain: So we have a detailed policy which is laid down by our ALM Committee and vetted by Board. We have a Rs. 800 crores of bank credit lines and overdraft limits which are always available. So there are two things. One is based on our asset liability profile, because our gold loan book is about 35% of our book, capital market is 7%-8%, they have a maturity of less than a year, but within that also, we will make sure that our commercial paper dependence is fully covered by our cash or OD payments on a monthly basis. In terms of numbers, I think we will bring it down to 15%.

Nikhil Paranjpe: Okay because last year basically two things happened. One, the gold loan business itself is not growing, so one that. So essentially gold loan business perfectly gets matched with the CP book that you can have and second thing, the business itself was not growing. So it was probably easier to bring down the CP borrowing.

Nirmal Jain: So only a part of gold loan book is financed by CP. So we are trying to bring it down to a very prudential level and if you have a monthly staggered CP maturity then any one month is fully covered by unutilized OD limits.

Moderator: Thank you. Our next question is from Natasha Lavia of ICICI Bank. Please go ahead.

Natasha Lavia: My question really is around the NPA. Could you give me largely the gross NPA belonging to which portfolio size?

Nirmal Jain: Primarily mortgages. It is a function of economy because for some assets, even if we have good collateral, the borrower basically faces some problems and large part of our portfolio is SME. So they become delinquent because they are not able to service interest on principal, but I think my personal view is that if economy recovers then pressure on this will ease.

Natasha Lavia: So largely mortgage and then followed by which portfolio?

Nirmal Jain: Gold.

Natasha Lavia: Gold alright. So even though the gold tenure is between 3 to 4 months, you would still see it being the second largest.

Nirmal Jain: So the mortgage and gold, primarily NPAs comprise of these two because other than that, we have hardly any NPA and gold also although we have the collateral, but if it is not serviced for more than 6 months, it gets classified

Natasha Lavia: Do you plan to launch any NCDs this year?

Nirmal Jain: Yes, that's quite likely.

Natasha Lavia: And where do you see the borrowing breakup really heading for this year in terms of NCD versus loans?

Nirmal Jain: Actually we will have certain growth in our balance sheet which will require funding, but mostly it will get funded by of course the bank loan, NCD and mutual funds and we basically think that interest rate will head southward and we will be able to get better rates. If you look at our profile of resources, then as commercial paper has come down from 33% to 21%, whereas the NCDs proportion in last one year has gone up from 18% to 31% of our book. So I think these are healthy levels may be 30%-35% NCD and similar level of term loans and then relative share of securitization, which is 6%, will also increase.

Natasha Lavia: And lastly what would be the market share of the NBFC knowing that it is a multiproduct NBFC?

Nirmal Jain: I think it will be miniscule, will be very small.

Moderator: Thank you. Our next question is from Rishendra Goswami of Locus Investment. Please go ahead.

Rishendra Goswami: Just a quick question on what was the provisioning expense for the full year?

Nirmal Jain: Provisioning expense for the full year were 43 crores.

Rishendra Goswami: 43 crores for the full year?

Nirmal Jain: Yes.

Rishendra Goswami: And just a clarification on the distribution income, just want to clarify if I got it correct. For the quarter, you mentioned two-thirds is from the private banking side and one-third from insurance.

Nirmal Jain: The incremental part of it, yes.

Rishendra Goswami: Got it and would the mix be similar for the full year number as well?

Nirmal Jain: Yes, will be similar.

Rishendra Goswami: Two-thirds and one-third.

Nirmal Jain: Yes. So when you say wealth, it also includes mutual fund sale fee and mutual fund income because incrementally we have been one of the largest distributors of mutual fund also. So it will comprise mutual fund, it will comprise AIF, structured products, FMPs etc.

Rishendra Goswami: Right, all those distribution.

Nirmal Jain: Because the wealth advisory by itself is not, but it includes everything else.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments. Over to you sir.

R Venkataraman: I just take this opportunity to thank all the analyst community for participating in our conference call. If you have any more queries, please feel free to send it to our investor relationship and have a nice day.

Moderator: Thank you. On behalf of IIFL Holdings Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.