IIFL Finance Limited

(formerly IIFL Holdings Limited)

Consolidated Financial Results – Q2FY21

Conference Call Transcript

November 4, 2020

Management

Mr. Nirmal Jain – Chairman
Mr. Rajesh Rajak – Chief Financial Officer
Mr. Monu Ratra – CEO, IIFL Home Finance
Mr. Venkatesh N – Managing Director, Samasta Microfinance

Moderator: Ladies and gentlemen, good day and welcome to the IIFL Finance Limited Q2 FY2021 Earnings Conference Call. 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to the management team for the opening comments. Thank you and over to you!

Rajesh Rajak: Good afternoon everyone. On behalf of team IIFL Finance I thank all of you for joining us on this call. I am Rajesh Rajak – CFO accompanied by Mr. Nirmal Jain – our Chairman, Mr. Monu Ratra, IIFL Home Finance CEO and Mr. N. Venkatesh – Managing Director, of Samasta Microfinance.

IIFL Finance net profit was Rs 205.1 Cr in Q2FY21, up 582% QoQ and 178% YoY, after impact of Covid related general provision. We recorded our highest ever pre-provision operating profit of Rs. 563 Cr. during the quarter, up 42% QoQ and 103% YoY, driven by higher off balance sheet asset income, volume growth and higher NIM.

Loan AuM grew 7% QoQ and 17% YoY to Rs 40,843 Cr. Core segments grew faster at 19% y-o-y to ₹35,636 Cr.

Retail loans, including consumer loans and small business finance constitute 89% of our loan book.

Our Tier-I CAR stands at 15.0% and total CAR at 18.7%

A strong characteristic of our loan book is the large proportion of loans that are compliant with RBI's priority sector lending norms. About 65% of our HL, 47% of Business loans and 89% of our MFI loans are PSL compliant. In aggregate nearly 42% of our loans are PSL compliant.

The large share of retail and PSL compliant loans are of significant value in the current environment where we can sell-down these loans to raise long-term resources.

Our Average cost of borrowing declined 23 bps q-o-q to 9.1%

Consolidated GNPAs and NNPAs stood at 1.81% and 0.77% of loans respectively. As against 1.95% and 0.86% respectively in Q1FY21

Provision coverage (incl. standard assets provision), under IndAS norms, on stage 3 assets was 240% for the quarter. Coverage excluding Covid related general provision stands at 114%

Return on assets for the year was 2.4% and ROE was 17.1%

During the quarter, we partnered with CSB Bank for gold loan co-origination, for sourcing and managing retail gold loan assets.

LIQUIDITY UPDATE: During the quarter, we raised Rs 1,402 Cr through term loans and refinance from banks.

Loans of Rs 2,702 Cr were securitized/assigned during the quarter. Cash and cash equivalents and committed credit lines from banks and institutions of Rs 4,927 Cr were available as on September 30, 2020. We continue to have nil exposure to commercial paper. We have a positive ALM, whereby inflows cover or exceed expected outflows across all buckets.

Digitization and Analytics: We continue to focus on digitization and analytics to improve customer experience and enable a convenient one-stop shop for customer's credit and investment needs.

In addition to digital gold loan launched last quarter, for home loans, we have integrated our sales mobile application with real time ITR validation, document e-signing etc., as a part of customer on-boarding process for faster and contactless disbursements.

IIFL Loans App is being increasingly used for various transactions by customers and has been especially beneficial since the lockdown, giving customers ease and convenience of access. We have about 1,75,000 avg active users on the app for the month of September.

Thank you for listening to the update.

Nirmal Jain: I will just make a few comments before we open the floor for Q&A. Welcome everybody on this earnings call. I know on the COVID front our participants are well informed as well as our investors and analysts, but from IIFL Finance point of view, as you would have seen in our presentation the two key metrics- which are collection efficiency and disbursement, for all four core products that indicate robust recovery in our business.

Collection efficiency is based on billing for the month and it does not include collection of overdues. Therefore the macro environment is improving for us, though it may not be representative of the whole economy due to interplay of sectoral trends, competition and liquidity.

I will give a heads up on our strategic transformational business model, which I have discussed in my earlier earnings call as well. So, this is again driven by COVID and it is just a coincidence that the abbreviation is also COVID, which stands for Capital Optimized Value Innovation Driven business model. When we look at banks today they have ample risk capital and we have access to customers and the skill to underwrite as well as the scale that we can achieve with our branches and our network. So, I think banks and we are like partners where we can acquire customers, for banks it will be profitable in acquisition of retail and priority sector loans and we can leverage our capital more effectively.

Uniquely placed in the industry today is this business model. Not only due to the certain space that we have but also due to a few disadvantages we have vis-à-vis other industry players. So, first strengths- more than 17,000 trained and skilled people, time tested proprietary technology, very well-equipped processes for backend operations, effective collection & recovery, our legal servicing and 4 million customers.

Also we have a culture of value innovation which is not some radical invention but seemingly small significant initiatives that save costs and gives customers a great experience. Now the disadvantages that I had referred to - so if you look at the industry how since banks or NBFCs like Bajaj, Mahindra or Tata or L&T- they can borrow at less than 6% and for the same tenure we raise something like 8% to 9%, closer to 9% interest cost and therefore for us it is easier to assign and partner with the banks where banks expect 9% to 10% return, than somebody whose cost of fund is much lower.

Also when we look at start ups who are trying to get into this model, but they do not have infrastructure, they do not have the experience or the network of people to source and service the loan. I think now with this I come to a few more things that I want to talk about based on the previous call. While liquidity has improved significantly, everybody worries that liquidity can be frozen again, but the new model that we are working on, liquidity can be taken care of.

I was talking about Fintech. We have partnered with a number of them and we continue to expand the network to provide them platform with access to capital, debt capital in particular and better processes and we are fine tuning our APIs to onboard Fintechs very quickly.

As the model develops and matures, we can extend our partnership proposition with mutual fund, insurance companies and also to certain international funding institutions who are looking to support small businesses and affordable housing. Based on our last quarter's results that we would have seen, a third of our total income is without use of risk capital or without actually leveraging our balance sheet or for want of better say we can call it non-fund income, and this income will take care of more than 90% of our operating costs.

Coming to CRE, as actually seen in our portfolio, we had made great progress with a few investors who are interested in the clients of the portfolio and as we have guided in our earlier call, we expect to consummate the transaction by December 2020. Our cost optimization as far as fixed cost is concerned, is on track; however, if the volume grows the digital cost may rise, but that will bring higher profits as well. Further to our last call, when the visibility of recovery was not seen in the economy, we had indicated no branch expansion will happen, but now we are reviewing our strategy for expansion as well as investments in branding.

Coming to provisions, we are carrying adequate provision for loan losses as well as Covid related contingencies of close to Rs. 1300 Crores which is, I think is going to be more than adequate. Although last quarter we did not expect COVID provisioning to continue this quarter but we have conservatively followed RBI guidelines for providing 10% for restructured cases although we do not have any restructured cases, but about a third of our CRE book is what we call DCCO, where we can reschedule the payments. When your pre-provision operating profit is at an all time high we can afford the luxury of the building cushion for all eventualities.

Excluding COVID provision, our loan losses were at around 90 bps and this trend should continue in the longer term as well. In the wake of COVID crisis, I think our businesses will enjoy tailwind for at least three to four years. Liquidity is expected to be benign and interest rates low, the way it happened after global financial crisis in 2008. This is a boon for retail lenders operating in markets which is not very price sensitive, and at the same time unprecedented liquidity crunch in the last two years in India has compelled industry consolidation and thereby reviewed the competition intensity.

I cannot agree more with what Albert Einstein said decades ago that 'In the midst of every crisis there is a great opportunity' and we shall try our best to seal this. Thanks. With this I hand it over to the operator for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhiram Iyer from Deutsche CIB Center Private Limited. Please go ahead.

Abhiram Iyer: Thank you. Mr. Jain. First of all congratulations for a good set of results. It is always nice to hear you talk. My first query has to do with the liquidity buffer and the upcoming payments so, if we look at the last time we had a presentation in June, we said that our liquidity, cash and undrawn lines would cover payments up till February 1, which was roughly around eight months from that time. Now we are saying that it is pretty much the same way, that the aggregator liquidity will cover only up till Feb 2021. So there seems to be a shortage of three months of liquidity with respect to upcoming payments from last time around. So, could you just throw some light on this on why this is the case? That would be my first question.

Nirmal Jain: Actually what you are saying is right, but I will tell you why and how it has happened and what we plan to do. Liquidity is available from the banking system and you do not want to keep extraordinary cushion because there is a huge negative carry, you borrow at 8%, 9% and you could have a surplus at 2% to 3% and having said that if you see our last quarter our total AUM has gone up by 7% which is almost like maybe 2,500 Crores and obviously that is taken the opportunity which was there in the market to grow our book and profitability also and that is why we see that the cushion which was there, is now maybe about six months, but as we speak and also in the month of October and going forward I think this is building up, but the amount which used to be because if you look at the last quarter we had something like 3,745 Crores which is close to 5000 Crores now.

Abhiram Iyer: Basically the way to think about would be the loans have increased and therefore the amount of shorter-term maturity is coming up that sort of increases as well?

Nirmal Jain: So shorter term we raise money in the liquidity window of Government of India through SBI and that is the surplus that is why you are seeing in the next three months and that actually has been used partly to pay high cost loans also so that will be able to reduce our cost of funding and partly to meet the growth in our loan book also.

Abhiram Iyer: Sir, the second question I had was on collection efficiencies. So, if I look at your numbers for September especially on the businesses in microfinance level while they have obviously improved from the moratorium period, it still sort of lower than your peers. So, could you just highlight some paths ahead and what were these percentages in October, so that we could just have a much better sense?

Nirmal Jain: Venkatesh is our CEO for microfinance. Venkatesh, do you want to take this?

N. Venkatesh: In terms of our collection percentage, we on par with any of the competitors at the operating geography. We do not count the net off figures. We go about the actual collections. So, our collections look a little bit off, but we are on par with any of our competition in all the geographies which we are working.

Nirmal Jain: One point to be understood, the way we have put our collection efficiency number is based on billing for the month. So, supposing you are taking September month, then whatever is due in September out of which how much you have received that is our collection efficiency and we have not taken into account in the numerator, the money is collected from earlier installment, earlier billing, and that also probably might give you a little different perspective to the number.

Abhiram Iyer: Can you give me the numbers for October?

N. Venkatesh: The October numbers we are clocking in close to around 88%.

Abhiram Iyer: Just one last question before I probably jump back on the queue. Your CRAR has sort of come down and it is roughly around 18.5% levels now. So, are there any plans in shoring this up somehow through an equity infusion or any of that sort?

Nirmal Jain: It is a good question. If you look at our CRAR then significant part of our business almost 60% of our business is through subsidiary companies and there it is significantly higher. It is like 23% to 27%. So that will take care of growth that can happen in say home loan, LAP or microfinance. Now coming to NBFC the CRAR has gone down primarily because the gold loan has grown significantly last quarter and we could assign these assets only after typically 4 months, because by the time you start negotiating and audit everything it will be four to five months old. So securitization has not kept pace with the new origination of loan, but I think they will be taken care off. So with respect to capital adequacy I don't think so there is any stress there. and also as we are trying to consummate the real estate transaction by December, that will also release the capital in the NBFC company which is the holding company.

Abhiram Iyer: Thank you very much.

Moderator: Thank you. The next question is from the line of Anita Rangan from HSBC Asset Management. Please go ahead. As there is no response from the current participant, we will move on to the next that is from the line of Chetan Cholera from Pragya Equities. Please go ahead.

Chetan Cholera: Congratulations for the good set of numbers. Looking at the stock price, what I feel the market either is not believing in your numbers, or expecting some big hit from our portfolio. Any explanation from your side on it and what steps are we going to take to change the perception of our company?

Nirmal Jain: I think as far as perception of our company is concerned, analyst call is what we do and in fact we meet investors, but maybe because of COVID meetings have been few and far and at this point in time, we do not have any plans for raising capital so we are not doing any roadshows. But perceptions in this market is like a pendulum and we have seen in many companies and it is not something which is very unique and coming to the second part of your hypothetical question we are very conservative in providing for any risk that come from CRE or any portfolio for that matter. So our provisions are more than adequate, and we do not expect any challenge there.

Chetan Cholera: Any thought for buyback or something?

Nirmal Jain: No in an NBFC company if the debt equity is more than 2:1 I do not think buyback will be permissible under law. I think that is from our understanding, but we can check that. So, buyback is not permissible for the companies with more than 2:1 debt to equity ratio. So buy back is unlikely.

Chetan Cholera: Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Luv Sharma from Lombard Investment Managers. Please go ahead.

Luv Sharma: Thank you everybody for this presentation. A couple of questions from me. First one looking at the disbursement trends for this quarter so apart from gold loan, SME book has also picked up, and home loans, would you be able to share some more details about what are you seeing with respect to the home loan and the SME book from the last time what you discussed we did see that in SME is a sector where we do see some pressure. So just to understand how are you looking at cash disbursement in this sector?

Monu Ratra: We are seeing an uptick in the home loan disbursements. As we see the market out there is very much responsive to it as we have seen in other finance companies, so that we will continue to take it forward in a robust manner. As far as SME loans is concerned, we will be very cautious and these numbers of some growth which could also be an illustration of the GECL loans that have got booked in this. So we continue to be watchful of the SME loans, but at the same time we believe that in immediate times to move up, which we will surely be doing from this quarter.

Luv Sharma: For the SME book would you be able to share how much of this Rs. 515 Crores is actually from the government guarantee scheme?

Monu Ratra: Out of 515 Crores, government guarantees would be around 200 Crores.

Luv Sharma: I think one more question in terms of the trends of securitization going forward. Any specific sectors, which you are looking to focus on versus others?

Nirmal Jain: All our core products will securitize, assign and also look for co-lending practices. So, home loan, business loan or gold loan and even microfinance. As a strategy we focus on products which are meant for the team to buy or where there is market for securitisation.

Luv Sharma: So in case of let us say for this quarter 2700 Crores securitization which you have conducted would you be able to share the breakdown across segments?

Nirmal Jain: Breakdown across segment, I think it is home loan and gold loan primarily, no business loans were securitized.

Luv Sharma: Just last one question from me, you touched upon the topic of the sale of the real estate, construction loans, etc., is the plan to fully divest this book and if so could you share some details as to what kind of a structure you are looking at with some of the peers for example, have been doing kind of an AIF structure where the existing book parked outside the NBFC assets. So any colour there would be very useful?

Nirmal Jain: I think there is a similar structure of AIF and you are normally seen as the sponsor of around 30-40% of the book and the remaining gets transferred. So, it is very difficult to talk about it right now, but structure will be similar to the few transactions that has happened in the industry.

Luv Sharma: And you were looking to fully divest this book?

Nirmal Jain: Not exactly because in our book about may be 1000 Crores or so will be very small ticket loan, 10 Crores, 20 Crores, 30 Crores that we are not going to divest and that part is also doing well, there is no stress in the part of our assessment, so we will divest only the larger loan.

Luv Sharma: Can I check how much that would be amount in terms of the AUM?

Nirmal Jain: I think as of 4000-odd Crores, we have 3000 Crores will be the larger book.

Luv Sharma: Thank you so much.

Moderator: Thank you. The next question is from the line of Kush Bharat Sonigara from Mahindra Mutual Fund. Please go ahead.

Kush Bharat Sonigara: Thanks for the opportunity. Could you just give some sense, how has business loan asset performed? So, if you can give some numbers as well maybe cumulative collection efficiencies to have a better sense on that?

Nirmal Jain: I think the numbers are there in our presentation. We are doing monthly collection efficiency and we have also given the stage II, stage III in each segment. So business loan is also we have given and this time we also shared the secured and unsecured split also. So, if you look at our presentation all the data is there in that.

Kush Bharat Sonigara: But what I understand is your calculation of collection efficiency does not take into account the arrears of last month. So, am I right on that part?

Nirmal Jain: Yes, but any earlier about three months becomes GNPA. So, when you look at the GNPA number that will tell you what is due for 90 days and not collected.

Kush Bharat Sonigara: As such generally how is the segment doing now? How are the delinquency levels? How is the on-ground situation now?

Nirmal Jain: It has improved a lot, because if you see the business loan, collection efficiencies in September was 75%+ contradictory to popular perception that business loans are in a very bad shape but if 75% of them are paying then it is not that bad at all. So there has been some help from the government guarantee scheme also where 20% of top up loans were guarantee of government, but on the whole it is looking good and maybe this quarter or next quarter I think we think that even the new business loans will gather momentum. Banks, NBFCs are cautious about extending new loans but whatever trend we are seeing is not bad.

Kush Bharat Sonigara: Second is with regard to your CRE book, so I think as you mentioned December timeline is what we are adhering to and I am assuming that we would have a fair sense of what valuations we are getting, so any incremental write down on that 3000-odd Crores of the book which we are looking to sell anything or which is likely to come up in the next quarter or any substantial write downs do you see over there?

Nirmal Jain: No. We do not see any write downs. This quarter as we have explained that the DCCO would become clear only after moratorium is over. Then only we will know that how many payments have been deferred because of delayed commercial operations because in the first 3-4 months of the financial year everything was sort of locked down and all. But if you really look at it then we carry almost about 600 Crores of provision for this CRE book alone. At the start it may be about 100 Crores, 200 Crores we have written off, so all these things are put together I do not expect and also based on whatever negotiations we are doing till now, we do not expect any further write down or even the requirement for additional provisions in this book. Even if it is there it will be nominal. You know we are on track in terms of what is the valuation of book and actual recovery is much more than that.

Kush Bharat Sonigara: Thank you so much.

Moderator: Thank you. The next question is from the line of Vikas Agarwal from Bank of America, Merrill Lynch. Please go ahead.

Vikas Agarwal: Thank you. Congratulations Mr. Jain for a good set of results. Just a couple of questions from my side; one is on the GNPA, you mentioned that the current GNPA is 1.8%, how different would it be considering the Supreme Court ruling of non recognition of NPA? If you can share some colour on that?

Nirmal Jain: I think 1.8% would have been 2.77% if we would have not considered the Supreme court order, so the CRE loans deferment that we have given would probably would have come into that. So the 1.81% number would have been 2.77% if the Supreme Court ruling would not have taken place.

Vikas Agarwal: Sir, my second question is on the funding raise of 1400 Crores during the quarter. Can you give some breakup in terms of what are the sources and what portion of that is through the government guarantee scheme or other schemes?

Nirmal Jain: I think our sources are primarily banks and government directive scheme, the TLTRO would not be significant. So are you referring to TLTRO or anything else? The bond will be about Rs.500 or less. For government there is a partial credit guarantee scheme for assignment of loans but the conditions are such that we always found it better to do without this scheme. There is a cost also along with other things. The borrowing and the government guarantee scheme is one thing but what we are lending to our SME businesses under government guarantee scheme that Monu has given an estimate number of around 200 Crores is a different thing. When we lend 20% top up at 14% or less to our SME customers then there is a guarantee by the government as well

Vikas Agarwal: I am done. Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Deepak from Sapphire Capital. Please go ahead.

Deepak: Thank you very much Sir for the opportunity. I just wanted to know now you did mention that we have been conservative, and our provisions are more than expected, and in the last three quarters I think overall we have provided close to about 800 Crores of COVID provision. Sir the second half what sort of COVID provision do we expect?

Nirmal Jain: That is what I am saying again we don't know how the Covid situation will pan out with the opening up and we need not get into a major lockdown or problem in terms of the project gets stalled or businesses again gets stalled. So, it is unlikely that we will have a lot of more COVID provisions going forward. This quarter the provision that you are seeing is primarily 10% on the DCCO cases which is like we have followed the restructuring norms; however, these cases are not technically restructured. So, I would say that we should not expect much of COVID provisions going forward.

Deepak: So that means that your credit costs should normalize going forward?

Nirmal Jain: That is right. Our credit costs and our provisions on the longer term should not be more than 80 to 90 basis points of our loans.

Deepak: Annually.

Nirmal Jain: So, quarter you can take about 20% to 25 basis points you are right.

Deepak: Thank you very much. That is it from my side.

Moderator: Thank you. We will move on to the question that is from the line of Chirag Sureka from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Good afternoon Mr. Jain. This is Vivek actually. I have three questions and one accounting related question if I can just ask in sequence. The first question is to Mr. Venkatesh in terms of microfinance on the ground how do you see? There is always a theme of rural being very good which is being spoken about, and your collection efficiency has gone up to 88% in October, what will be the next thing that it will take it back to the 98% kind of levels. So that is question number one for Venkatesh. The second question is for Nirmal. As you said that you are keeping a slightly lower liquidity though you have kept a fair amount of liquidity still. Is it because of your confidence in assignment transactions and collection efficiencies that is driving a decision, and do you see the as such the government schemes end, the banks are more receptive to giving to NBFCs in a standalone basis their confidence? So that is the second question. In relation to that what is the margin of safety that you will continue to keep till at least March. Then the last question is this other income of 96 Crores which was there, could you somebody from the finance team explain what this other income is? Thank you.

N. Venkatesh: In terms of the rural economy is almost you can say is back to pre-COVID levels and things are improving rapidly and with all this festival season coming up, we see more activity happening in all these sectors across. Where we have issues is very close to the places where we are closer to urban markets, but we are hardly present in those markets, but we are going about earning. If you look at this month also you will be activating a lot more customers from what we activated last month. I think by December we can see almost getting back to very close to what we were pre-COVID that is where we are expecting ourselves to be.

Nirmal Jain: The margin of safety is for about 6-9 months, lower by a month or two and we will make it up very quickly in this quarter itself. Again as I said this cycle is over because of higher than expected loans disbursed last quarter. When we see the margin of safety, we keep it for that purpose only where there are opportunities to do more disbursals that also gets done. Secondly also the bank's deposit rates, or the liquid fund rates i.e negative carry has also gone up, but to answer your question in one line, our endeavor will be to build that up for nine months for the next year as possible. Secondly other in income of 96 Crores probably 41 Crores is… so we had SBI Card shares which we had got in IPO and I think last quarter there was a loss provision on that and this quarter we sold and there is some profit. It was around 41 Cr and other than that as the disbursals have picked up even the cross sell has picked up. So about Rs.56 Crores will be the fee income and the remaining part is that gain that I told you. So Rs.54.69 Crores is the fee income.

Vivek Ramakrishnan: Thank you very much and wishing you all the best for the season.

Moderator: Thank you. The next question is from the line of Murali Khandelwal. Please go ahead.

Murali Khandelwal: A very good afternoon. Sir my question is regarding the home loan. I just want to know how out of total home loan we had disbursed what are the numbers of home loans for which developer are funded by us?

Monu Ratra: The amount of home loans, which we had disbursed because we have not been doing much of developer funding so this could be hardly about 5% to 7% of the total home loans, which we would have disbursed.

Murali Khandelwal: Thank you. Sir my second question is hour cost of funding is around 9.1% and home loan portfolio is around 10.3% so how are you managing such low margins for home loans?

Monu Ratra: This funding is at a group level whereas as far as home loan is concerned you have opportunities to have cost of fund relatively much lower especially from institutions like us or even when we do direct assignment of the pricing is different. So you can clearly say that as far as home loan is concerned, the average cost of fund is at least 70 to 80 BPS lower at the group level cost of funding. Does that answer all your questions?

Murali Khandelwal: Thank you very much.

Moderator: Thank you. The next question is from the line of Gaurav Singhal from DK Partners. Please go ahead.

Gaurav Singhal: Thank you for taking my question and congratulations on the good set of results. I just wanted to check your plans for balance of the year in terms of fund raising and if you have any on balance sheet and total AUM growth target and how much fund raising you are expecting and if you can give some sense of how much fund raising you are planning to do, some bonds and loans and how much you are planning to do from securitization or sell down that will be very helpful?

Nirmal Jain: So actually we have generally not guided on what the loan AUM growth will have, but in our earlier calls we had said that in a year or in the earlier call that we will have our total fund raising plans for about nearly Rs.5000 Crores for six months. This should meet our requirements. The thing is that the derived numbers based on how much the loan growth we have and what are our liquidity we ought to keep and what are the repayment, so it is a very dynamic and evolved comment. So I think from an investor's point of view what is relevant and important is that we keep adequate liquidity and we make sure that there are opportunities in the market then we are able to take that.

Gaurav Singhal: I think in the earlier calls you had also commented on the wide disparity that is between AA cost and the borrowing cost for some of the larger NBFCs and that is still and even our borrowing costs have declined 23 basis points Q-on-Q? There is still a very big gap? I think you have alluded to it earlier in this call as well so just wanted to get your thoughts on what actions we can do as a company to close that borrowing cost gap, which makes us a bit more comparative?

Nirmal Jain: I guess people see the track record and they get more confidence. So it is always like a pendulum when any crisis and anything happens then there is a one-way movement may be what you call aversion to risk. Not only AAA if you see the bank deposits also have gone up significantly many people have just put money in the banks. Even HNI investors in the service arm, wealth management arm but these are phases that happen, and I think it is already happening so the gap in narrowing. There is interest coming. People are looking at papers beyond AAA where they can get slightly higher yield and they foresee that there will not be any risk there so that is always there. It might it will take some time before it gets back to back to normal levels, when I say normal means what it used to be.

Gaurav Singhal: Got it and just one last question, which is gold loan is a very big part of our consolidated assets side what is the impact it has on our ALM and what is the kind of maturity and is that also something we can consider as a source of liquidity in some sense because I am assuming it is a very short term?

Nirmal Jain: It is a short tenure asset and that basically it helps in liquidity because from asset liability mismatch point of view our assets the average tenure is reducing and so technically it will come with a lower cost short term funding, but as the matter of our internal policy we want to keep our, we think okay the gold loan will be short term asset, but it is a continuous business. It is a growing concern and therefore we do not want to reduce the average tenure of our liability over the medium to long term, so we just keep funding for long term liability.

Gaurav Singhal: What is the LTV of our gold loan book? Do you mind just sharing because it is a very competitive business right now, I think every bank and lots of NBFCs are trying to do?

Nirmal Jain: Close to 68%, but effectively it is higher because you see what happens when you take jewelry we value the gold content, but for the borrower or for the customer who is giving his or her jewelry the value is much more because of the making charges and many other things that go with the jewelry, but based on our evaluation it is same.

Gaurav Singhal: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Nirmal Jain: Thank you so much. We really appreciate your time and your interest and if you have any more questions or queries please do feel to get in touch with our investor relations manager Anup Varghese or any of us. Thank you so much and have a good day. A very Happy Diwali to all of you. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Financial Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.