"IIFL Finance Limited Q1 FY-24 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to IIFL Finance Limited Q1 FY24 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nirmal Jain. Thank you and over to you sir.

Nirmal Jain: Thank you and a warm welcome to all of you for being on the call. I also have Kapish, who is our CFO and Venkatesh is here today who is our CEO of Microfinance business and they will actually takeover after I give opening remarks.

So as all of us know that Indian economy has been doing well and in fact in a world where most of the economies are in bad shape, India stands out and India's international standing as well as our relationship with the US after PM Modiji's visit has had a dramatic change. In terms of the excitement about India I think it's at all-time high. Also, our economy now is on double engine like many state governments. So, till now we were just depending a lot on consumption but the CAPEX cycle after a long time has revived and therefore the economic growth will have the double boost of CAPEX as well as consumption and the CAPEX probably can lead from here on. There's a feel-good factor as we meet corporates and investors and also the demand for bank credits and the corporate credit in particular is growing. That will have a good impact, cascading impact on the SMEs and the small borrowers that constitute our customers.

Inflation has been under control and therefore we believe that the interest rate cycle in Indian context at least will have a pause and probably will not see more rate hikes. Having said that in this quarter we have seen some of the banks whose MCLR has been going up and when there's a reset there on 1st April, they have increased the interest rate. But going forward we hope that at least it will plateau if not come down in the near term.

In terms of our core businesses, our loan AUM has grown by 29% on a YOY basis, which I think is in line with our targets and a robust growth. First quarter typically is a flat quarter for many businesses but still on a quarter-on-quarter basis our loan AUM has shown a 5% growth. Our profit after tax also after considering for the minority interest has also grown by the similar 29% and prior to minority has gone by 43%. But what is more important to note is that our gross NPAs have been below 2% as per our target and also the loan losses and provisions have now come to normal levels. As we move gradually from direct assignment more towards co-lending, the constitution of income and our profitability is also becoming stronger and maybe we'll have lesser component of upfront from direct assignment. With this I'll hand it over to Kapish, who will take you through the financial numbers line items and then we'll open it for Q&A.

Kapish Jain: Thank you very much Nirmal. Very good afternoon, ladies and gentlemen. For the first quarter of fiscal '24, the consolidated profit after tax before the minority interest is 473 crores, up 43%

YOY and up 3% quarter-on-quarter. We recorded pre provision operating profit of 786.8 crores which is up 20% YoY and up 3% quarter-on-quarter. For the quarter as Nirmal mentioned the consolidated loan AUM grew by 29% on a YoY basis and on a healthy 5% on a Q-on-Q basis at 68,178 crores. This number is even better when I compare on our core book asset growth which comprises of Microfinance, Gold, Home and the Digital loan businesses which has grown by even better at around 6%. This segment now comprises 95.3% of our overall AUM mix which is up by 31% YoY.

On the asset quality side, we have stood fine, our gross NPA at the aggregate level stands at around 1.8% and our net NPA is around 1.1%. It would be pertinent to mention that it is below our guidance of 2% that we have given to the market. So there have been a significant improvement in the asset quality, it's down by 73 basis point on a YoY basis on gross NPA and around 42 basis point on a net NPA basis. The credit provisioning has also been fairly comfortable. The ECL provision on an IndAS basis gives a provision coverage ratio on our NPA at around 159%.

In line with our capital optimization strategy and given that a good share of our portfolio will either qualify under priority sector or hold a zero-risk rate in the bank book, we've been able to pass on these assets to these banks in a very healthy partner relationship that we hold with them, both with regard to co-lending and assignment. And therefore, the total AUM under this arrangement stands at around 39% and like what we mentioned as a guidance earlier, we will be working towards enhancing this share more towards co-lending. And therefore, the share of co-lending has moved up around 133% YoY to around 8,963 crores and it's also moved up 19% just on quarter-on-quarter. The assigned portfolio has moved up by 4% Q-on-Q and 21% quarter-on-quarter and stands at around 17,700. Yes, we have seen precisely during this period of June ‘22 to June ‘23 the bank repos have moved up by 250 basis point and MCLRs have moved up close to 150 basis point. Even then we have seen a very relative muted growth increase on our cost of borrowings. Our cost of borrowing during this period YOY has gone up by 44 basis points and on a quarter-on-quarter it's gone up by 15 basis points because of the action that we have taken on some of our high-cost borrowing by either retiring them or replacing fresh borrowing at lower rates.

Just to give you an update on our liquidity positions; we stand very healthy there. During the quarter we raised close to 4,500 crores through term loans, bonds and refinance, all of long-term nature and around 4,155 crores was raised through direct assignment of loans directly from the Gold and the home loan products and also a fairly decent share of the microfinance products as well. So, some of the key fundraisers includes 175 million that we raised in the form of ECB through HSBC, Union bank of India and Bank of Baroda. One highlight that you would note is we had a public issue of our NCDs. The bulk of this money came in the form of long-term money and they were oversubscribed 1.5 times aggregating around 452 crores for us.

So, our cash and cash equivalent including committed undrawn credit lines from banks and financial institutions stands around 6,510 crores, which is more than adequate to meet not only our near-term liabilities but also to fund our growth. As the results go out in the market, we should be able to get into fresh lines of credit to be negotiated and discuss with our bankers. We also hold a very positive ALM with hardly any kind of exposure on the shorter side of the window. And we stand at a net gearing of around 3.3 which is down at around 3.5. We've been constantly working to see our liquidity position and you see these numbers have come down which is resulting a lower negative carry as well on the balance sheet. So, our annualized ROE for this quarter stands around 19.1% at a consolidated level, supported by a strong ROA of around 3.6%. Our earnings per share for this quarter is around 11.2 per share, which is up 29% YoY and 3% quarter-on-quarter. On the capital adequacy side compared to the regulatory threshold of 15%, we stand at a healthy capital adequacy of around 51.2% in the HFC business, in NBFC it's around 20.6% and in Samasta Microfinance at 20%. We'd like to mention that in HFC our capital adequacy has improved from Quarter 4 because of some of the reduction that we could maintain in our liquidity and therefore some of the investment assets have come down as well. This clearly suggests that we are able to grow ourselves without impacting hugely on our capital position. Given that we work on this capital optimization strategy of on-book and off-book with this I open the floor for further question and answer. Thank you very much for your time.

Moderator: Thank you very much. We now begin the question-and-answer session. The first question is from the line of Anusha from the Dalal & Broacha.

Anusha: I just want to understand with respect to your loan guidance broadly for FY24 is contained at around 25% or 25%-30% what is the outlook there? Secondly on this MFI, how do you see growth panning out and how sustainable is the growth? Because the growth has been quite good at 63% for you and for industry as well. So, from where the growth is coming from and which geographies and how sustainable and how long this can continue? Broadly on the asset quality side for MFI portfolio.

Nirmal Jain: So, Anusha, I think three things you're asking. One is a loan growth guidance; you are right 25% to 30%. The asset quality I think we have achieved significant improvement; from here given the product, there can be a minor improvement. But our net NPA we would like to bring it below 1%. Otherwise more or less we are there. For microfinance maybe you want to have Venkatesh's guidance on loan growth.

Venkatesh N: Anusha, we'll look at close to around 25% to 30% growth this year in terms of our loan book actually.

Nirmal Jain: Last year was on a lower base.

Venkatesh N: Yes, since we are already hovering at, we closed March at around 10,000 odd crores. So, we will be moving it up by around 25% to 30% this year.

Anusha: And from which geographies the growth is more coming from and is it across all the states and districts and how is it?

Venkatesh N: See we have a very calibrated growth in terms of things and within we don't have any huge saturation in one state. So, we will be looking at all the states for growth given our presence in terms of the number of branches. So, with the number of branches we have, we will have a well calibrated growth. So predominantly if we look at the top four states it will be Bihar, Tamil Nadu, Karnataka and Odisha. But UP may come up this time so we have a little focus on the state of UP.

Anusha: Okay and how sustainable is the growth? Any outlook there, you think that it can sustain for a year or 2, the current cycle that we are seeing right now?

Nirmal Jain: So, on the whole microfinance, there have been quite a few reports on microfinance. I think one was by ISEC and there are global reports also. So, the penetration in India is still very much lower than what it can be. Maybe southern states are slightly more saturated or penetrated as compared to rest of India. So, the growth potential 25%-30% can continue for quite some time and in our microfinance business, we are also growing with individual loans and the small, secured loans.

Venkatesh N: See given that right now the overall microfinance industry is around 3.5 lakh crores, we are looking at I mean the overall if you look at today's thing we are looking at 18 lakh crores as a potential market. So, there's a huge thing in terms of the growth aspect of it.

Nirmal Jain: So, to answer your question, this growth can be easily sustained for the next 3 to 5 years.

Anusha: Okay. And in the home loans if you can just further break down to how much was the growth in the pure home loans and in the LAPbook?

Monu Ratra: So, in home loan if you will see we are today in absolute terms we disbursed about 1,900 crores of disbursement we did and we have grown by about 5% in this quarter.

Nirmal Jain: The LAP has grown by 19% YoY and 2% quarter-over-quarter. So, in LAP we are a little cautious because till we bring down our NPA levels to what our target is. We've been growing slowly but the potential for this with the revival in the economy is very strong.

Anusha: And on the margin side I think you have quite the spreads where I guess were maintained for this quarter. So, what outlook you'd be giving to the rest of the fiscal, current levels to continue?

Nirmal Jain: Yes, margins I think will maintain our level. Margins we are fairly confident that we'll be able to maintain the NIM given the product mix that we have.

Anusha: And lastly on the branch expansion side what's the outlook there?

Nirmal Jain: So today there is a branch expansion. Last quarter has happened in Microfinance and housing finance. In Microfinance the larger branches we split them into two from a better control and management point of view. In HFC also I think a significant part of our expansion has already taken place. So going forward this year branch expansion will be slow.

Anusha: But still if you can just put up some number.

Nirmal Jain: So, if you look at our NBFC branches, it basically caters to gold loan and SME. So, we had something like 2,682 branches. As of March, we have added about 36 branches. So, we had 2,718 and they were in the pipeline. HFC branches have gone up by 24 and microfinance we have set up about 85 new branches in the last quarter itself. Now in this full year I think there'll be about, if you look at NBFC we probably have 100-150 new branches. HFC, Monu what is the plan for the rest of the year now?

Monu Ratra: We are expecting to open not more than 15 to 20 branches because in the last 2 years we've had a good footprint of about 180 to 200 branches. So about 20 branches of microfinance we need to consolidate.

Nirmal Jain: So, microfinance will be a little more maybe around 200 more branches will come up. But these are small branches, split branches wherever from branches becoming larger we have to handle the customers and the collection, so there probably we will split them. So, I think that is the plan.

Moderator: Next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: First of all, I wanted to understand what percentage of our portfolio is still left for repricing in that sense.

Nirmal Jain: Repricing from asset side you are saying?

Deepak Poddar: Yes, asset side.

Nirmal Jain: So, in Gold loan, Micro-Finance we don't expect any repricing as such. Incremental loans may be at a different rate but Monu what is the home loan or LAP portfolio that you see?

Monu Ratra: We are all done Nirmal for now, if unless the new rate hike happens it is separate but otherwise, we are done.

Nirmal Jain: Yes, so I don't think we don't expect any repricing as such but the yield may improve with the mix change and the new customers onboarding at maybe slightly better rate in Gold loan and other businesses. But there's no repricing unless as Monu said if there's a rate hike by RBI.

Deepak Poddar: And is there any kind of excess liquidity that you already mentioned that we have reduced? So, any more scope there that we are looking for going forward?

Nirmal Jain: No given the growth in the business and the size of our business we will maintain at these levels.

Deepak Poddar: In terms of NIMs any kind of upside potential that we see I mean ideally it is because of the yield.

Nirmal Jain: What is happening in the NIM, the upside potential will happen primarily because Gold loan in last year second half in most of the March quarter was booked at a very low rate. So, as they come for repricing or renewal then you get a higher price. Similarly in microfinance also the incremental loan because typically 2-year product, so since last year the prices have started moving up. So, the yield may improve there also. Also, in digital loan as we are going granular, we'll see some improvement in yield there also. So, the mix change also because if microfinance has been growing little faster than others then also, we see a weighted average yield moving up.

Deepak Poddar: So, we do feel that there can be an upside potential to the NIM.

Nirmal Jain: Yes, there is some upside potential for yield improvement. But also bear in mind that our cost of funds also will move up more or less in tandem because the banks have… so what happens that for their MCLR rate hikes, there are reset dates. So, some loans, borrowings from banks will be repriced and some more will get repriced during the year. So, there's a slight upward pressure on the cost of funds also. So NIM will be maintained at the level.

Deepak Poddar: Okay understood. You just mentioned I think a couple of questions back that we expect growth, this growth can be sustained for 3 to 5 years. Are we talking about any particular segment or overall, for the company at the company level?

Nirmal Jain: So overall at the company level that can be question mark in response to microfinance. But all our businesses think growth can be maintained and if the economy remains buoyant and the CAPEX of the government goes up which has a cascading impact then probably, we should see growth can accelerate also. At this point in time, I think 25% is a good target for next 2 to 3 years per annum.

Deepak Poddar: So next 2 to 3 years a 25% CAGR growth is quite….

Nirmal Jain: The loan growth that's right.

Deepak Poddar: Achievable target for us.

Nirmal Jain: Because we expanded our network and we make our network more productive and the economy has been fairly robust. So, I think affordable home loan also probably, Monu I think we should see some acceleration now. The last two quarters have been a little sluggish but hopefully things will revive now.

Monu Ratra: Yes, because if you see we have really expanded our footprint into Tier 3, Tier 4 geographies where the impact on affordable housing is lesser and the distribution has been enhanced. So, we should see sustainable growth for affordable housing as well for us.

Nirmal Jain: It's a very longer lead time products and in terms of setting up infrastructure, getting the network right and also the customer. So, output looks good at this point in time.

Deepak Poddar: Understood. And my third question revolves around your credit cost. I mean the credit cost; how do we see the credit cost this year and maybe next year?

Nirmal Jain: So, I think as we have guided that our credit cost will be 150 to 200 basis points over a sustainable basis. So more or less we are in that range now. I mean maybe few basis points here and there and it would remain at the current level.

Deepak Poddar: And lastly on the cost to income how do we see that? I think we have seen some improvement in cost to income but it hovers around 42%-43%. So next 3 to 5 years do you expect some kind of efficiency based on your leverage or the scale that comes with it? So, any kind of improvement that we can see in the cost to income, if that's so how much is the improvement that we are looking?

Nirmal Jain: So, Deepak actually cost to income is one area where we can see significant improvement. So, every business has a different cost to income ratio. So which business grows faster also will have an impact. But our original what we are planning is to glide path to 35% cost to income ratio. But the way things stand today and we have expanded our network and there can be more opportunities. Also at least like HFC has been recently expanded. We'll see some improvement and maybe it takes 2 to 3 years to reach our target of 35%.

Deepak Poddar: But that's excellent. I mean in 2 to 3 years.

Nirmal Jain: Cost to income certainly we should improve because it was all a function of expansion which was quite aggressive till last quarter. So, I think we should see the impact coming from this quarter.

Deepak Poddar: So ideally that's quite an excellent improvement from the current level of 43% going in to 35% in 3 years I think it will improve your ROA, right?

Nirmal Jain: Absolutely.

Moderator: Next question is from the line of Krishnan ASV from HDFC Securities.

Krishnan ASV: I had a query on the co-lending arrangement. I just wanted to understand how does the customers pricing I mean I'm assuming whether it's home loans for instance. So, if a home loan borrower is EBLR linked for the bank, how does the pricing then get distributed between IIFL and your partner lender?

Nirmal Jain: Sorry, what linked you said?

Krishnan ASV: The pricing of the home loan is linked to the EBLR. When the repo rate moves up 50 basis points how does the pricing get distributed between, I mean what is the share that gets distributed to the lender partner versus what is it that you retain?

Monu Ratra: Krishnan if I've understood your question right, you're saying is that we have our own PLR basis our cost of funds. That's how we define it. So obviously it has an imputed impact of the repo rate also built into that into our cost of funds and that's how we do that. So, was your question to say that how is it distributed between the bank and the borrower? Was that the question you said?

Krishnan ASV: So, when you are originating and then co-lending so there is a sharing that's happening that 80% that goes to the bank.

Monu Ratra: Okay so you're talking about specifically co-lending. So, in that case what happens is what we are doing is every time if the bank increases that, so we are resetting that in the same proportion as the share is which is 80-20 that if bank increases something at that level and gets passed on the revised weighted average is calculated and accordingly it's forwarded to the borrowers.

Krishnan ASV: Which means if the bank moves 25 bps you would have to move an identical 25 bps as well.

Monu Ratra: 80% of 25 bps would be 20 bps for that customer.

Krishnan ASV: So, 20 bps of the accretion would go to the bank 5 bps will go to you. Is that so?

Nirmal Jain: Okay what Monu is saying that we are not obliged to move in the same ratio but practically that is what will happen.

Krishnan ASV: Understood. And just in terms of home loans quote Monu if you don't mind just on your co-lending given it's going to be incrementally a larger part of how you mean how this playbook will be for IIFL, could you just throw some light on what is the expectation that what lender partners have from you when you're originating these loans? Are they looking for certain ticket sizes, I mean what is it that you are jointly looking for in your engines and where are you finding that overlap best?

Monu Ratra: So, Krishnan if you know the entire co lending was meant for the PSL book so it any which ways is directed towards enhancing the priority sector loans. So, for us and the banks it is very common what kind of TG and the ticket size they are expecting. And good for us that our any which ways 95% to 97% of our natural business was priority sector loans. So, we didn't have to really redirect our business model vastly in terms of the target group. Now every bank has its own set of credit policies which over a period of time we've been able to map them and put them in sync. So, every bank follows its own credit criteria, which we are able to do. We are not feeling anything out of line that we have to really change or do any course correction for us to do this business. I think naturally our business fits very well into most of the bank's co lending portfolio as well.

Moderator: Next question is from the line of Mona Khetan from Dolat Capital.

Mona Khetan: I was talking about the balance transfers in the housing book. Anything different that you're seeing?

Monu Ratra: No Mona really because any which ways for all the institutions, the rates have been increasing. So, we are not seeing any radical change. It's very consistent as it was about a year or 2 back and it's very consistent, we are not seeing any flight of portfolio of ours. We don't target BT in much, so no abrasion.

Mona Khetan: Got it. And has anything changed on ground when it comes to the competitive intensity in the gold segment? Gold portfolio?

Nirmal Jain: I think in a way competition has eased a little bit. I mean it's still intense but not as cutthroat. So, what had happened last year, that many people started a price war or a teaser rate which were ridiculously low and obviously not sustainable for the customer and then I think most players have understood the futility of it that it's not going to help anybody. So, to that way market has become a little more sensible and the prices are more fair prices rather than the teaser prices which are at a lower than cost then you try to increase it later. So competitive intensity at ease now, it’s there but it's not as bad as it was.

Mona Khetan: And just finally on the demand outlook on ground, that you're seeing across all your core portfolios particularly HL and Gold how is the demand environment at this point?

Nirmal Jain: Demand environment is very good, in particular Gold; microfinance, MSME is very good. Housing also is facing competition that way, is also good and improving. So, demand out of all core products is fairly good. Going forward also it looks like in the next few quarters I think demand will remain strong.

Moderator: Next question is from Line of Navneet Bhaiya, individual investor.

Navneet Bhaiya: It’s great to see good traction in terms of your fundraise via the ECB as well as over subscription on your NCDs. I have just one question on your credit rating. I believe you are a AA by CRISIL right now. So, my question was in your discussions with these credit rating agencies, what are the triggers for an upgradation further of your credit rating to maybe AA+ or even AAA, is it mainly size? And if it is size then what is the size that they look at for an upgradation?

Nirmal Jain: No, you're right, they look at size and the performance. I think on all parameters I believe that we have done well. So maybe the result is a quiet period and then after results we need to follow up. So, it's review time from credit renewal point of view. Typically, it goes step by step, so from AA to AA+ and then it'll take some time to go to AAA. But basically, scale and the quality of assets as well as performance, management team all these criteria are taken into consideration and its time that they take cognizance of these things.

Navneet Bhaiya: So, do you think you'll be eligible for AA+ rating in the next 12 to 18 months? Do you think that could be possible?

Nirmal Jain: I think for sure that we are eligible and we deserve that.

Moderator: Next question is from the line of Saptarshee Chatterjee from Groww Asset Management.

Saptarshee Chatterjee: My question is on the LAP business where in a couple of years we have reduced our ticket size significantly. But what you are saying is the Stage 2 and 1 to 30 DPD remains quite high. So just wanted to know what is happening in business like self-employed segment are having difficulties like cash flows and how we are planning to reduce it then how is our collection infrastructure there?

Monu Ratra: I'll just like to tell you if you will look at our growth of the AUM under this bracket. So, we have had a very moderate growth over the last few years. So really, we've been trying to transform this business from a big-ticket LAP business to more granular LAP business. So, in comparison to home loan, we have seen that since from '21 it was about 5,400 crores, we have reached 6,800 crores whereas HL has grown so much. So, we've not had a denominator effect of it to balance out that. But as we are seeing quarter-on-quarter the quality of recoveries has been improving and the GNPAs have also dropped like they were as high as 4.5 in FY22 and now we're at 2.7. So, we are pretty confident that maybe by the end of this March we should see these numbers to be even below 2% for LAP business as well. And we are fairly in house driven collection setup and we have been pretty successful in containment and now we should see reduction by March '24 for sure.

Saptarshee Chatterjee: And in the microfinance side if you can give some colors like how much would be rural versus urban in the portfolio as well as cycle wise breakup of our microfinance customers and how many customers or what percentage of customers could be exclusive to us or one lender plus us?

Venkatesh N: In terms of our urban and rural mix, we have close to around 70% odd rural and another close to around 8% odd would be semi urban. Even our urban mix we don't actually operate in the proper urban. We are in the peripheries of urban things. So, we are again predominantly you can say, semi-urban and a rural mix kind of a portfolio. If you look at our cycle one customers across board since we are onboarding lot more customers given, we have expanded our branch outreach to new states like UP, we have started AP and we're just going to kickstart Telangana. Right now, our cycle one customers are hovering around close to around 40% odd and the balance of customers would be from our existing cycle. And in this one the new to credit per se would be close to around 18% odd.

Saptarshee Chatterjee: And there what would be like customers would be like we will be the only lender as well as there will be two lenders including us?

Venkatesh N: The new to credit what I mentioned is we are the first lender in that thing.

Saptarshee Chatterjee: In the digital loan portfolio where ticket size is around Rs. 60,000 do we get to know what are the usage of these loans and how do we track that, is it kind of a BNPL loans, therefore?

Nirmal Jain: Most of them are small businesses and they are used for working capital primarily and some of them are like personal loans. But these are all individual self-employed people or professionals and nonprofessionals. So, the predominant use would be more for working capital. So BNPL we don't do much actually because it requires very deep integration with the shopping and e-commerce website and secondly the space is a little crowded. We have done some bit with the partnerships with Zest but that also has now been discontinued. So BNPL is not our focus area.

Saptarshee Chatterjee: And there do we use the 5% FLDG?

Nirmal Jain: RBI has come up with guidelines that is allowing that. So, most of our business is not through partners. 5% FLDG is relevant when you are relying on fintech partner and they basically are sourcing the customers. They are trying to make some preliminary assessment on the quality of the customer. So that is there but it's very limited. So, in our case 5% FLDG business is not much.

Moderator: Next question is from the line of Tushar Sarda from Athena Investments.

Tushar Sarda: I just wanted a little bit more understanding on your cost by assets business line wise. You've given some information on Slides #44 and #45. So, what I see is for gold loan it's almost 5%-5.5% whereas I think the industry operates at around 3%. So, what am I missing here, why does your expenses a little bit on the higher side?

Nirmal Jain: So Muthoot operates at 3%-3.5% Manappuram and other people operate at 6% or maybe thereabouts. So, it's all function of scale because if you look at their size or their average cost is more than 50% higher than ours and as the branches become older you keep getting scale advantage. But if you really look at our operating cost in Gold has come down from 5.6 to 5.1. But the trajectory is to follow Muthoot over a period of time but it is still 2-3 years away and that is what is the same thing which is an earlier question was that the cost to income ratio will come down. Our primary cost in NBFC is Gold loan branches so as this goes down you will see cost to income also coming down. But it's all scale. So, what happens is if we keep setting up new branches then our average productivity per branch remains low relative to Muthoot or established player and then our cost structure is little higher. But it's some time away, it's not going to happen overnight. But I think what we need to see is that it keeps improving or the cost to income ratio keeps going down.

Tushar Sarda: And on microfinance what are your thoughts?

Nirmal Jain: Again, microfinance, we have been able to bring down the cost and lower the cost to income. But if you see this quarter has come down from 7.2 to 6.7. The established layers will be at 5.5-6. So, we'll also have to follow that path. So, we are on the right track. Maybe I can put it that way.

Kapish Jain: Thank you very much ladies and gentlemen for joining and supporting us. I hope it was very interactive conversation that we had today at the end in the Q&A. We're happy to address any further queries. You may reach out to us at our investor relations email and anybody else in the company and we'll be happy to address any queries that you any further have. Thank you very much.

Moderator: Thank you very much on behalf of IIFL Finance Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.