“Srei Infrastructure Finance Limited Q3 FY19 Earnings Conference Call”

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Moderator: Good day ladies and gentlemen and very warm welcome to the Srei Infrastructure Finance Limited Q3 FY19 Earnings Conference Call hosted by Maybank Kim Eng Securities India Private Limited. From the management we have with us today Mr. Sunil Kanoria – Vice Chairman, Srei Infrastructure Finance, Mr. D.K Vyas – Managing Director, Srei Equipment Finance Ltd, Mr. Rakesh Bhutoria – CEO, Srei Infrastructure Finance Limited, Mr. Sanjeev Sancheti – Chief Strategy Officer, Srei Infra, Mr. Sandeep Sultania – CFO, Srei Infra and Mr Amit Agarwal, Vice President - Investor relations.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. Sunil Kanoria for his opening remarks. Thank you and over to you sir.

Sunil Kanoria: Thank you. Welcome all good afternoon. Friends as you know the last quarter has been challenging vis-à-vis the previous quarter or the previous half year because post the fiasco in September the liquidity and access to funding for NBFCs and for us also came to almost to a grinding halt so this quarter our volume of business has come down for the December quarter, what we were doing almost 4,500 crores business in our equipment business on a quarter to quarter basis is down to about 2,500 crores approximately as a result the profitability has also got impacted the overall growth has got impacted, the focus of the company primarily was to ensure that we keep and set on liquidity due to our prudent policies which we have been following almost for (+20) years on strong ALM so we do not have a ALM mismatches, we did not take money from short and long so those challenges have not been there, even our interest rate risk we had managed it well so our cost of fund had gone up so during this quarter we increased our benchmark rate by 2% and we also hold no foreign exchange risk so these are few risk which we have ensured to maintain over the last 20 years so during this challenging time also we are weathering the challenge due to our prudent norms on risk management. Although we are forgoing the growth and the profitability for some time.

We hope going forward some of the new structures which we have created will again drive the business going forward is one, the co-lending program as you many know the Reserve Bank of India allowed co-lending by banks with NBFCs in September end or so. We have been working with the bank and we have signed up with various banks on the co-lending program so which allows us to get higher returns on our portfolio without providing much of capital and funding so we take 20% of the funding and 80% is provided by the co-lending banker. And we earn on the overall 100% because we continue to manage that portfolio. So that we believe in the good help to us in terms of ensuring to continue to be in the market and be able to serve our customers in the segments where we are operating. It may take some time for all the banks to start to build up but that is where we believe going forward will be the way for us.

The second which we have in order to ensure that the Srei Equipment business also gets reflected independently and the shareholders of Srei Infra gets right perspective of Srei Equipment so we have also announced two weeks back the demerger of the equipment financing business from Srei Infra and hope to get it listed through that process. So that Srei Equipment can build and grow on its own strength. So that is basically on the Srei Equipment side. As a result, if you see our profitability for quarter was 69 crores on PAT.

Coming on Srei Infra per se as we have been maintaining that our intent is to gradually rationalize and reduce the loan book and not grow the book but focus on recoveries, focus on releasing capital out of investments which are there and focus on the profitability so that is the efforts going on during this quarter also. So, we have had a profit of 23 crores in this quarter vis-à-vis 31 crores the previous year same quarter. We are also seeing gradual recoveries from many of the cases which has gone into NCLT we hope in next few months we would see more write-backs from some of these provisions which we have made earlier and recoveries of capital.

The focus also for the business is to move on the fee-based business not use our balance sheet but to focus on the return of equity. We hope that gradually with the new team in place and as you may know we have had a new CEO who has joined us a couple of months back who is driving the initiative towards focus on the return on equity and focus on fee earning through our capability of understanding the infra space and also developing capabilities on the leading opportunities which are there in the market not using our balance sheet but using third-party capital.

So these will be the focus areas for the finance business and this is how we are moving forward on our journey. I think these are some highlights. I think it will be best to now get questions from anyone whom we can answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Just one question I had on the asset quality. We have been at a very steady remarks of improving asset quality but this quarter we see it deteriorating sequentially so if you can explain is there some one-off happening or?

Sunil Kanoria: Basically, it has been one-off what happens is that some old cases which are there which falls suddenly into a second loop then your provision amount goes up, so it is basically because of that we have not had any new slippages.

Ravi Mehta: Okay, so when I look at your Slide #34 that 3.2% gross NPA moving to 4% in equipment finance business.

Sunil Kanoria: Two things, one is my portfolio has shrunk because we are so lot of portfolio, so my overall portfolio comes down the percentage goes up. So that and then one or two old cases which slips with time then you start to make little higher provisions so it is from that perspective.

Ravi Mehta: So it is any meaningful on the absolute basis.

Sunil Kanoria: On the absolute it is not much meaningful. Only one case was it was just one-off as I said which gets into the second loop where you have to increase the spreads but otherwise not.

Ravi Mehta: And how do you see directionally it is stable or some one-offs can be expected given the environment.

Sunil Kanoria: Basically what happens tomorrow very difficult to say but the way we have seen in the last one and half, two years our equipment financing business has been an overall steady improvement only, the past is gradually coming down and the way we see today going forward is that many of those old right offs we expect recovery is there. Say for example Essar is a big case where we have had provisions we will recover 100% of our money the day it gets sorted out so I would say that we should see going forward as resolutions happen some recoveries. So therefore the challenges which were there in the past that is not recurring, going forward if any sectorial or anything happens further that is a different matter but we have learnt risk management much better over the challenging time so we hope and expect that we should be able to perform better on those grounds.

Ravi Mehta: This comment on expectations of write-backs and recoveries happening. It should be more on the infra finance business or?

Sunil Kanoria: More on Infra but even in equipment there will be a few like in equipment also in Essar we have some so we will get some recoveries there also.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir what is our policy on securitization basically going forward.

Sunil Kanoria: That will continue we have been doing that and this December quarter also we have done both securitization and assignment of receivables. And I think that will only gain momentum plus co-lending so these will be the three mechanism of continuously doing business. Because see if we look at how we differentiate ourselves with the bank, our strength is managing the assets, understanding the asset and managing asset the equipment’s and that is why our equipment finance business is strong and we have a very strong market share in the country therefore we want to capitalize and focus on that. The asset may sit in anyone’s book but if we are sourcing originating it and managing it and we have the skill sets of that over now last 30 years I think that is where we create our value in the market.

Deepak Poddar: Sir is there any percentage of our AUM that you want to keep it as a securitize maybe 20% - 25%.

Sunil Kanoria: Well I won't mind even 100%. If it happens if the market is there, for me our ecosystem, our strength basically as I said is ability to manage the market, ability to understand the market and ability to take risk and manage that in the asset side. So therefore as a non-bank and that has been our drive for the last 25 years that we know the liability side is not our post strength, we can we are not a bank we cannot have we will be depended on wholesale funding mostly very small we may have the retail money through bonds so therefore the best way is to go to people who have the best cost of capital and focus on where our strengthare.

Deepak Poddar: Thanks. So given the current scenario and the risk for the NBFCs due you see kind of wholesale funding a problem for us going forward or that can impact the growth for us kind of thing.

Sunil Kanoria: See in the last 30 years we have seen many of these challenges. When NBFC late 90s also there were some fiascos in the NBFC sector and everything came to halt for some time, we had our ability we went global, got international support and we built up the business in the toughest time in the late 90s so again there are challenges in the system but because of our prudent norms and mechanism however today environment has changed a lot more than what it was 20 years back and today tools aremuch more available than what it was in those days. So as I said that we believe in co-partnering, co-lending programs, we believe in securitization, we believe in assignments so these are tools through which we want to be relevant and continually grow in the market but yes to get that adjustment maybe one of the quarters of impact on our growth in the business. Which we saw in December we may have some more impact this quarter by the time we are able to address. When there is a storm we have to lie low, let the storm get over then we will wake up again.

Deepak Poddar: Right. And how is the equipment finance industry as such growing.

Sunil Kanoria: So the growth till September was very good it was (+25%),in the December quarter, November-December the sales came down because we had to cut down out business. There is a later demand, demand is very strong problem is the financial market, the financial sector has got into a challenge and therefore the financial sector has not been able to meet up the demand which is there.

Deepak Poddar: So this 25% you mentioned is of the equipment finance industry growth right?

Sunil Kanoria: Sale of equipment's in the country till September.

D.K. Vyas: So now that growth rate has come down now the last two months growth rate in this quarter has been around 10% only so what used to grow at 25-30% the growth rate has come down to 10%.

Sunil Kanoria: And Vijay was saying the growth has not come down because the demand is not there, the growth has come down because there is no supply, no supply of money because we were having 35% of the market share so when we had to slow down in the last quarter and in the last five month now, four months basically. So therefore there is a part vacuum.

Deepak Poddar: Right. Sir but as you mentioned you expect in one or two quarters the supply issue should get resolved and the growth should come back is that a fair thing.

Sunil Kanoria: That we hope also one more factor which we will see is because of the elections, now the country getting election many states and many projects decision making has slowed down so again that will have some impact in terms of the overall growth in the next one or two quarter before it starts to again pickup.

Deepak Poddar: So when things normalize so what sort of growth are we looking at?

Sunil Kanoria: 25% comfortably this sector has to grow, with the economy growing at 7% also you may suppress it but the latent demand is there. It should grow minimum 25% if not more.

Deepak Poddar: Right. And we are looking to grow as per basically market grow.

Sunil Kanoria: Yes. And the impediment of liability side which is there that we are offsetting through co-lending programs, by assignment and securitization so I do not want to be dependent upon wholesale funding on my balance sheet.

Sanjeev Sancheti: Okay. Sir also in asset light model to be able to leverage on our strengths.

Deepak Poddar: Understood and when things normalize like for individually the business, what sort of ROA these businesses can see basically the infra as well as the equipment finance individually.

D.K.Vyas: Equipment finance business and ROA has seen around in the peak time we have shelf around 2.25% we have touched that peak of, we had corrected we came three, four years back it was reduced we reached to 1.6 now it is around 1.4-1.5% in the normal market scenario it will be around 2.25%.

Deepak Poddar: Right. So is that we also want to achieve again going forward how is that.

D.K.Vyas: Yes, that is the objective as Mr. Sunil said because of lines of credit available through co-lending and other means of liability side getting lined up I think we should be back to the normal kind of growth rate and one quarter later and maybe we should be able to achieve the same kind of ROA.

Deepak Poddar: And what about the infra business?

Sunil Kanoria: See the infra business is not a homogenous business like the equipment finance business so to put numbers of ROA is difficult but suffice to say that going forward we are looking at a very high return local capital intensity type of approach so the ROAs are expected to go up going forward given our focus on high yielding transactions.

Moderator: Thank you. The next question is from the line of Parvesh Gupta and Individual Investor. Please go ahead.

Parvesh Gupta: Sir regarding the demerger which is happening providing we go ahead this 100% demerger why this structure of sales are retaining 22%?

Sunil Kanoria: So basically two things there, one primarily as you know that Srei Equipment in the past was a part of Srei Infra only. And there are lot of synergies between both the businesses so we have kept a certain stake in Srei Infra so that going forward we can also get a liquidity event in Srei Infra one to be able to have its capital released as it builds up that is one of the drivers and the synergies between both the businesses so that the relationship working continues and the synergies continue with both the businesses.

Parvesh Gupta: Sir but that is anyways because the shareholders are the same so I think ideally it would have been a 100% demerger because all the synergy talk and all.

Sunil Kanoria: The liquidity release would not have happened in Srei to Srei Infra, through this it will get access to liquidity.

Parvesh Gupta: So Srei Infra would want to sell the 22% stake in Srei Equipment.

Sunil Kanoria: At some point of time and steadily yes.

Parvesh Gupta: Okay. And secondly sir the gross NPAs have come up again this quarter while we were on a reduction pass.

Sunil Kanoria: Yes, I just explained to the previous, there two things have happened one is our overall loan book is now coming down, you may see that even in the March going forward because I am selling my portfolio. So my overall portfolio in my book is reducing so the percentage will go up and second one or two past which was already NPA once it gets into a second lag you have to increase the provisions so therefore that has happened because some we were expecting resolutions like I gave an example of Essar, so that resolution has not happened we are waiting for it, once it happens we will get our full money but in our books we have to provide further as it gets into the second stage, second and third stage so therefore we have made those provisions, so basically these are the two factors.

Parvesh Gupta: No, but why did it increase in equipment business.

Sunil Kanoria: I am talking in equipment only. And infra basically again the slippages in infra the old cases only we have not seen any new case in the last few years whatever we have done limited business zero risk in that .But in the past which is there and which keeps going if it gets lift and the resolutions don't happen at the right time then you have to make more provisions.

Parvesh Gupta: Understood sir. And sir finally on the professionalism from management now you inducted a new CEO. But if we see the stock price last 15-16 years stock price is now at the same level sir. 2005 February and 2019 February the stock prices are same, so isn't it the time for the promoters to completely step aside and give it to a professional management to run it.

Sunil Kanoria: Well, we have brought in the management we have enhanced the board it is, I probably do not believe that it is just that the pure professional mangers companies can do very well it is a combination of both. And also you have to factor the environments which you one go through, in 97 the entire NBFC sector had gone through a major challenge there were lot of companies which went under and we sustain, we survived and we grew. It is after 21 years that we saw another fiasco in the NBFC sector primarily after 97. So it is a challenge when a storm comes you have to come out of it. You have to lie low for some time, these are difficult times, there are disruption happening, we believe that as a family, in foundation we have a long-term objective in a business, we are not there for short term we do not see short term quarter to quarter only, we are seeing long-term sustainability of our business. And have built up the strength and ability to withstand challenges. Yes, if a Tsunami comes we will get impacted, but we have the strength to come back again.

Rakesh Bhutoria: And if I may add we are going through unprecedented challenges as an economy right now. And as financial markets as a whole, so what you see in the stock markets or all the negativism around NBFCs, etc is affecting just about everybody and everyday there is a different set of rumors floating around. So what is important in the circumstances is the backing of a strong promoter family which stays on course for the long-term and that is what we are using this crises opportunity so to say in the macro economy so strengthen ourselves, reinvent ourselves and hopefully come out much stronger.

Parvesh Gupta: Understood sir and sir in terms of ALM we have a positive ALM so can you just comment on what are the liabilities that we have let say this quarter and then in the next six months and this calendar year and versus that what is the asset which you will be able to get to pay those liability.

Sunil Kanoria: Let me explain once again, way back in 97 when our international institutions came in as our equity holder invested in us. We were put in certain risk matrices in the company, much more before what RBI and all came with, so ALM risk, interest rate risk and foreign exchange risk, we were not allowed to take so if I am lending three years my average maturity 22 months I have to have 22 months of my liability. So, I look at today my assets and liabilities are well matched we do not have that mismatch. On what my repayments are and what my liability profiling is. So the quarter numbers, monthly number we do not have it specifically at the moment. But we can share that if required by my team but as a policy for 21 years now we do not have that mismatches.

Parvesh Gupta: Understood. And sir are there any pledge shares and what is the kind of if you can give some color on the debt which promoters have right now.

Sunil Kanoria: The second our foundation and our shareholders under hour constitution itself we are not allowed to pledge our shares and raise money so we have zero pledge of any of our companies, we have no debt at our family companies.

Moderator: Sir it seems the line for the participant is disconnected. Until he joins in we will just take the next question. So we have next question from the line of Shubhankar Ojha from SKS Capital. Please go ahead.

Shubhankar Ojha: Sir can you share one data point what is the incremental cost and the yield for Equipment and Infra separately.

Sunil Kanoria: So on the equipment our increment cost of fund for the nine months is 9.4 it has not gone up much it has been marginal but I would say the impact of the increases which happened would happen more in this quarter. And that is the reason why from 1st of November we increase our PLR by 2% point. And for Infra our cost of fund is about 10% which has again gone up, marginally for the December quarter but our view is that this quarter the impact of the past would increase a little more and that is a reason why also apprehending that we have increased our benchmark rate by 2%.

Shubhankar Ojha: Isn’t it too sharper hike 200 basis points.

Sunil Kanoria: Yes, so what we in October we took this decision and Alco took this decision the environment was very - very challenging, the fiasco’s had just happened that time and there was basically not much of visibility what will happen and we did our studies and worked out and we saw that our cost of fund would go up by definitely 1% point in the near term. Plus, over 1% and therefore we felt that. Second is that in this environment you need to increase the liquidity so liquidity has a cost so we added that also into our cost of funds that with that therefore we felt that it will be prudent to go for a 2% increase.

Shubhankar Ojha: And sir after this 200-basis point hike what will be our spread now?

Sunil Kanoria: So well at the moment in December it has been 13.3 for infra yield. Spreads will be around 4% equipment and about 3.3% in infra.

Shubhankar Ojha: About 3%?

Sunil Kanoria: Impact will be shown in a lag.

Shubhankar Ojha: Yes, I understand so after this probably next year or quarter four maybe.

Sunil Kanoria: Yes.

Moderator: Thank you. The next question is from the line of Abhishek Jain from DB Equities. Please go ahead.

Abhishek Jain: Sorry, I got disconnected. Sir you said you have some exposure to Essar can you quantify the number.

Sunil Kanoria: I am sorry as a policy we do not quantify numbers.

Abhishek Jain: Okay. And second question is there is little bit about perception issues we are getting facing amongst by investors what is the management doing to improve the perception of the company amongst the investors.

Sunil Kanoria: Basically, our efforts to engage with investors on a continuous basis, focus one on our business, ensure that when you get into a Tsunami or a storm when come in how do you ensure that you protect the organization and protect our people and protect our long-term interest of our shareholders. And yes these are challenging times our perception because the market perceives us as a infra player and when infra companies gone into challenge, infra financial institution so the perception has hit us the effort is to basically to engage and have more open communication with our various stakeholders and that is the effort we are trying to do.

Abhishek Jain: Sir one more question, you are talking about raising Rs.500cr in terms of equity in Srei Equipment. When is it likely to be completed and any idea on the valuation sir.

Sunil Kanoria: It is in good progress, little early to say because we just started the exercise two weeks back when we started to work on it so very early to say but we have good interest coming in, people are interested in story and our business which we have created so let's hope, let's see what we can do.

Abhishek Jain: Sir we have seen some increase in provision in this quarter are you going to see this Q4 to be better or Q4 will be the same kind of run rate.

Sunil Kanoria: See, I explain that the reason why the percentage of NPA goes high because our loan book is coming down our books, and going forward also my loan book will come down. So as percentage this may not change much, but in absolute term and then we have had one or two old slippages which was there that have slipped from one stage to another and we have increased the provisioning so these have been the primarily two factors the business on the perspective of whatever we have been doing last few years, business has been strong and we have not had a challenge there.

Moderator: Thank you. The next question is from the line of Dhiraj Sachdev from Roha Asset Management. Please go ahead.

Dhiraj Sachdev: You mentioned about the gross NPA is moving in both the side of the businesses because of the fall in assets or lower assets but can we assume that this is the peak of the gross NPA cycle and going forward as the disbursement improves etc from subsequent quarters itself the gross NPA trend should be lower in both the businesses.

Sunil Kanoria: Yes, I explained that if tomorrow like the way I am selling my portfolio if I my portfolio size is my book assets come down by 20% then even I don't do anything and add I think this percentage will go up.

Dhiraj Sachdev: Yes, but if you are selling all the good assets and keeping the bad ones then is it a right strategy.

Sunil Kanoria: No, it is not good or bad people will not buy my portfolio as it is I have a liability which is all secured by two bankers and all so they do not take that asset also if the bad is there then I have to make the provision but it is basically that is why the quantum of the portfolio which is bad that is not increasing substantially it is affected changes.

Dhiraj Sachdev: The absolute NPAs in both the business will not change that is the best we can assume right?

Sunil Kanoria: That is the hope which we have that is a last two years also we have seen the downward trend only, so unless one or two slippages happens is a different matter.

Dhiraj Sachdev: Are they big ones which are where you are worried about?

Sunil Kanoria: At the moment we do not see but you see many things happen sudden in the market so you do not have a guarantee of the future but we know we can manage it if there is a challenge.

Dhiraj Sachdev: And in the infra book I think it infra book is about what 13,000 crores balance sheet size?

Sunil Kanoria: Yes.

Dhiraj Sachdev: ROE obviously are for many years pretty low a single digit so anything that we are doing there to improve that?

Sunil Kanoria: So two things one is we have reduce our portfolio size further and we are in the basically working out for recoveries and all and many of the resolutions which are in the market environment we are hoping that in the next few months it would get resolved and if it does we will get major write-backs so that is there, third which where the focus is on to look at our fee earning and assets which we don't sit on our hook that is the way we are trying to see how we can get better profitability and improve our ROEs. So the focus is on the ROE going forward.

Dhiraj Sachdev: And what kind of disbursement growth are we looking at in both the businesses if you can.

Sunil Kanoria: Well in infra as I said that we do not want to grow our book so it is the reduction mode only and in the Equipment whether the asset is my book or not but the overall business which I do I want it to grow December quarter was low because of the entire environment we hope that we should be able to pick up his months, this quarter over the previous quarter and grow with the market through co-lending programs, through assignment and securitization. So it is kind of a reinventingourselves in the current environment and I would say that we have to wait and watch what happens with the elections also because the environment also depends a lot on what the ecosystem and what the elections would bring in.

Dhiraj Sachdev: But you do not see any stress on the funding side now you are able to raise money.

Sunil Kanoria: Money we are basically selling most of our portfolio that is the key driver and co-lending program through co-lending we are seeing lot of interest, lot of banks are wanting to do co-lending because I do not see liquidity a problem see what has happened today in the financial sector in India liquidity is reasonably there, liquidity is not a major the more challenging is the risk aversion so therefore one has to reinventitself to see how he overcome that. So we are overcoming that through selling the portfolio overcome that through co-lending programs that does not consume much of capital but still be in the business and grow my business. So those are changes which is happening, the change when it happens does not happen suddenly, the process has started interest is strong, we hope that in the next coming months we should be able to build on to that.

Dhiraj Sachdev: Just one thing while the Infra is a big opportunity and is growing but are we seeing a demand for the equipment in Infra financing even in the current environment and we are not able to lend because our equity has got stressed or stopped so in this over the next couple of quarters what could be, I missed that part maybe I must have asked it earlier as well what kind of conservative disbursement growth can we do.

Sunil Kanoria: See as is said that market was growing till September very strong. In December quarter it slowed down, it was growing at 25% sales of equipment and as you know Srei was always a 35% market share, we have lost market share to some extent and we have done in December quarter, but the sales also came down to about 10 to 12% in December quarter, because we were out we were a major player, even the last one month we have seen the sales coming down not because the demand is not there, the demand is being suppressed because access to funding is not easy now. So we are trying to overcome that, we are in the midstof that I would not want to give any number of this thing because when you are in the middle of a Tsunami you do not know what is the collateral damage after the Tsunami goes away so let's wait and watch how things progress, we at the moment areensuring that we are able to hold on fort through our conservative practices and focus inward in ensuring protection of our business and our stakeholders.

Moderator: Thank you. The next question is from the line of Darshan Deora from Indvest Capital. Please go ahead.

Darshan Deora: My question was generally the NBFC space has been like you said lot of risk aversion from the lenders and after the ILFS Fiasco and I know the NBFC representatives had also met the government to make a representation regarding the situation. Wanted to get the managements view are we expecting any positive steps from the government which can sort of elevate the current situation?

Sunil Kanoria: Well I had taken a small delegation to the Prime Minister a few weeks back and I have taken a delegation to the new governor, we had good interactions, good discussion we shared our perspectives about the sector and industry and how important the sector is to the system and the economy, there have been challenges we have given certain suggestions on our policies they have beenreceptive, some short term they are primarily focusing on some short term measures some of the longer term solutions may take it's time specially with the government, this government being in an election mode now but in the short run they are working hard they are interacting with institutions, they are trying to work out to ease out policies so if you see the co-lending program which was not there earlier allowed. They brought that policy because the industry was lobbying hard with the RBI on that so some ease ups are happening on ECB there have been some ease ups recently so slowly we are seeing through interactions to see some policy things to be favorable because they are aware that this sector is important for the system and the economy.

Moderator: Thank you. The next question is from the line of Parvesh Gupta anIndividual Investor. Please go ahead.

Parvesh Gupta: Sir one more question on your operating cost so if I see your employee expense and other expense, they seem to be on a run rate of 20% growth, so what is the reasoning behind it and how can we control cost because our ROA numbers are partially depressed because we have a lot of operating cost.

Sunil Kanoria: You see as I said that till September the growth was so strong and it was like the way all the trends were that it is doing to be strong for quite some time therefore we had to add resources and people also and we were in a gearing growth two years back we were on a slow growth and cost were coming down then last one and half years we started to ramp up out cost so now that things have changed again so we are starting to come down the focus is there but it will take time, it will take me one or two quarters to bring down cost when you go up then to suddenly bring it down it does not happen in a day, but the effort is there to realign the business to the new environment.

D.K.Vyas: And in this quarter compared to September quarter it has come down compared to September quarter if you see December quarter the man power has come down so trend has already started.

Parvesh Gupta: Sir man power cost has come down but your admin cost has gone up in the similar manner.

Sanjeev Sancheti: No, Equipment Finance business overall processing expenditure on a whole has also gone down if you look at the presentation it has gone down from 117 to 105. And that process is an ongoing process as Mr. Kanoria said and for this we will see further improvements in the quarters to come.

Parvesh Gupta: Understood and sir in the P&L I can see one category of net gain on de-recognition of financial instruments which is 158 crores.

Sanjeev Sancheti: So actually what has happened is after the IndAS the various set of incomes from financial assets get categorized into various different forms it is a very technical thing ultimately it is all interest income out of your assets it gets classified into different forms so that is why in the presentation we made it simply because IndAS the report requirement is very-very different for the same item even for cost of provision there are four line items they sit in four line items so we have clubbed it together in the presentation. So presentation will give you the clear picture of what we are earning from operating assets andwhat are the other incomes. So these are all operating income out of our underlying interest bearingassets.

Moderator: Thank you.

Sanjeev Sancheti: If there are no further questions can we close the call.

Moderator: Sure sir there are no further questions in queue so over to you for any closing comments.

Sunil Kanoria: Thank you very much everyone for coming on the call and let’s hope that things will improve in the system. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Maybank Kim Eng Securities India Private Limited that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.