"SREI Infrastructure Finance Limited 1Q FY17 Earnings Conference Call"

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MODERATOR: **MR. MANISH MODI – INSTITUTIONAL SALES, MAYBANK KIM ENG SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the SREI Infrastructure Finance Limited Q1 FY17 Earnings Conference Call hosted by Maybank Kim Eng Securities. 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 would now like to hand the conference over to Mr. Manish Modi - Institutional Sales at Maybank Kim Eng Securities, thank you and over to you sir.

Manish Modi: Thanks Malika. Good afternoon everyone. On behalf of Maybank Kim Eng I welcome you all to this conference call. We are here to discuss the 1st Quarter FY17 results of SREI Infra Finance. From the management team we have Mr. Sunil Kanoria – Vice Chairman, SREI Infra, Mr. D. K. Vyas – CEO, SREI Equipment Finance Limited, Mr. Bajrang Choudhary – CEO, Infrastructure Project Development, Mr. Sanjeev Sancheti – Chief Strategy Officer, SREI Infra, Mr. Kishore Lodha – CFO, SREI Infra and Mr. Amit Agarwal – Investor Relations. I will now hand over the call to Mr. Kanoria to begin the proceedings, over to you sir.

Sunil Kanoria: Thank you. Good afternoon friends. First of all, this quarter has been quite eventful for the company, two major events have happened, one is we were able to complete our divestment of Viom investment in the month of April and we got our entire money which we were supposed to receive approximately 2,931 crores. Secondly, in the middle of June what happened was BNP Paribas, who were our partners in SREI Equipment, swapped there shares from SREI Equipment to SREI thereby SREI acquired the 50% of the SREI Equipment from BNP and has now become 100% subsidiary from middle of June and they are now shareholders at the SREI level with 5% equity in SREI. That helped us to consolidate the earnings of SREI Equipment from 50-100% from middle of June and going forward we will get the benefit of the full consolidation.

In terms of new business also we have seen a positive growth which has started to come especially in our equipment financing business, so overall group disbursement this quarter was about 3,800 crores approximately compared to the previous year same quarter which was about 2,700 crores. What we are basically seeing is in terms of the construction and mining equipment the demand for equipment has had a very strong growth over 40% growth over the previous year in terms of sales of new equipment and that has been driven primarily by strong activity happening in the road sector, in irrigation, in mining and now we start to see activity even in the railway sector. So these are bringing in good amount of EPC contracts to our customers and therefore the demand for equipment has started to build up. We expect the trend to be positive and overall this year we expect a strong growth in this space and SREI being a leader in that space we expect it to grow well and take advantage of this growth coming in.

In terms of the overall net worth, it has gone up to 4,300 crores odd and income consolidated was about 1,114 crores against about 800 crores in the previous year. Profit After Tax and after minority interests for this quarter was 52 crores against 23 crores in the previous year. Again basically we took advantage of the consolidation partly and also the divestments which happened and we utilized that to also make write-offs during this quarter. We also have seen the overall loan portfolio and the net NPA coming down to 1.88%. We have started to see a downward trend and as the growth starts to happening along with being able to better manage the past cost of risk, we believe we shall start seeing quarter-to-quarter improvement.

These are basically some of the key highlights. We also are continuing our efforts in terms of divesting some of our further investments primarily in the road sector and our investment in Sahaj . So these are the two other divestments which we are planning for the current financial year. We hope with the markets in better shape, we should be able to release some capital out of these investments.

In terms of the overall consolidated return on equity, it has also shown an improvement from 3.5% in the previous year same quarter to 7.6%. Our leverage is also quite okay with about a little over 5x and our book value of about Rs. 86 now.

These are some of the key highlights and we will be happy to answer any questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sameer Dalal from Natvarlal & Sons. Please go ahead.

Sameer Dalal: First question is on the SREI Equipment Finance. We have seen a big decline in income from financing activities from Q4 to Q1 while the AUMs have grown. Can you explain that, 580 crores has become 514 crores for the quarter?

Sunil Kanoria: Our NIMs have come down marginally during this quarter and many of the earnings like the overdue interest and all which we recover that happens more during the end of the year, so that income also is less during this quarter.

Sameer Dalal: Can you tell us what was the recovery then of Q4 so we can actually try to do a like-to-like and see how things are?

Sunil Kanoria: We will have to calculate and we can share that with you later?

Sameer Dalal: Fine. The second question is on the provisions that you have done. You have done a huge amount of provisions in the stand-alone in SREI Infrastructure. How much of it was debt written off, how much of it was provisions against NPAs and how much is additional provision which you have done in case of any problems, I mean just some provisional breakup on the provision side?

Sunil Kanoria: Basically what we have done in order to also plan better tax, making it a more tax efficient rather than just making provisions we have written off many of the provisions which are there. So one is basically out of the Viom divestment which happened, so partly whatever write off had to take place we took there, then various loans which we had in the past there instead of making provision we have written off during this quarter. New portfolio we have just added one asset in the new NPL. Primarily, it was our existing NPLs where we have made write-offs.

Sameer Dalal: So the new NPL what was the size of that?

Sunil Kanoria: That was small I think, 14-15 crores.

Sameer Dalal: Now of the three big NPAs that were there, one was Deccan Chronicle, the other was KS Oil, I forget the third name, but what percentage of that have you provided for now as they stand?

Sunil Kanoria: I would not have those details here exactly. We can share it later.

Sameer Dalal: Last question. Can you give an outlook on what you expect your consolidated book to grow at, now because it is more important because you own both the assets in toto, how do you see the consolidated book, the equipment finance or even the infrastructure finance growing over the current year for loan AUM growth?

Sunil Kanoria: Very clearly we are not intending to grow our infra loan book substantially. We don't see that substantial opportunities also, so we will be very cautious in that area and do a limited growth. However, in the equipment financing businesses, we expect a good double-digit growth. As I said, the first quarter in the equipment business saw the economy picking up and having a strong growth, so I won't be surprised to see my new disbursement growth in that to go to 20-25% is what we are envisaging. We would continuously watch whether it was one quarter of a trend or whether it is going to continue. But we definitely see good growth happening in strong double-digit in that space.

Sameer Dalal: Any plans of merging the two entities given that now I mean you own 100% and running the operational cost twice, any plans on what you are going to do with the two entities now?

Sunil Kanoria: No, we have not put any thought on that at all.

Moderator: The next question is from the line of Anita Rangan from HSBC Asset Management. Please go ahead.

Anita Rangan: I have two questions on the SREI Equipment side. The first thing is in your margin analysis which you have provided in your slides, SREI Equipment's gross interest spread and NIMs have come down from levels of (+5%) which have been consistent across four years coming down to 4.73%. Same is the case with NIMs coming below 3%, so why is that? Are you consciously looking for higher quality assets or is it like reversal of income or how is this?

Sunil Kanoria: Two things, one is of course, the better quality and the competition is also there in the market so that is one factor but as I was just saying earlier that other factor is that in this quarter we have not taken overdue interest and all earnings happen generally in the 3rd or 4th quarter, so that income has not come. Please note that one of the components of our NIMs is basically the difference between our cost of funds and cost of lending but also we earn a good amount in our overdue interest which we have from the customers. So that we have not booked it in this quarter excepting whatever little cash we had realized because generally that comes towards the end of the year.

Anita Rangan: In terms of your asset quality can you give a detail of what would be the stock of your repossessed assets and restructured book at the end of the quarter?

D. K. Vyas: In the quarter end March 2016 we have 893 crores of repossessed stock which has come down to 832 crores in June 2016, so it rather reduced. Restructured assets which has 525 crores in the quarter ending March 2016 has come down to 489 crores in the June 2016 quarter, so both are restructured accounts and repo stock has reduced and our gross NPA, net NPA also has reduced.

Moderator: The next question is from the line of Sudhakar Prabhu from Span Capital. Please go ahead.

Sudhakar Prabhu: My first question is again on the equipment finance business, so if I look at the disbursement, the disbursement growth has been pretty high this quarter of 56% but this is actually not reflecting in your interest earning assets which has grown by only 2%. Has there been any higher repayment this quarter? How do you explain this?

Sunil Kanoria: We do securitization which is not in the book, if you add the securitization, this quarter we did good amount of securitization, almost 3400 crores of securitization.

D.K.Vyas : This provision is 1100 crores and our securitization book is 3400 crores.

Sudhakar Prabhu: So combined this you have seen a good growth. Okay, this is one. And secondly the gross NPAs and net NPAs numbers which you have shown in this slide, is this based on 90 days or 120 days?

Sunil Kanoria: 120 days.

Sudhakar Prabhu: What would be the number if you reclassify it on 90 days' basis?

Sunil Kanoria: No significant change because over and above the 120 days, we also make management estimates and make higher provision in certain cases so therefore if we really look at the 120 and 90 days it will not have much of an impact.

Sudhakar Prabhu: The provision which you do is that also based on 120 days?

Sunil Kanoria: Its 120 days.

Sudhakar Prabhu: Thirdly, you also mentioned something about overdue interest not charged, I could not understand this, what exactly is this overdue interest not charged?

Sunil Kanoria: What happens is that whenever over dues are there, there is an interest which comes in. Generally, what happens is we do the accounting of that also and take that as income, for this period normally we take it when the cash comes in which happens in the 3rdand 4th quarter more, so we have not taken that income during this quarter.

Sudhakar Prabhu: You mean to say if the interest is overdue of 120 days you don't charge it to your P&L and you do it only once you actually receive it? Is my understanding right?

Sunil Kanoria: No. I am talking interest overdue before 120 days in a sense just after the instalment is due the money may have come after 30 days, that 30 days interest is not factored here.

D.K.Vyas : Interest on the delayed period, generally has been taken at the year-end then we settle with the customers, etc.

Sudhakar Prabhu: Another question is on your Infrastructure Finance Limited, on slide 21 you have shown that income from investment is around 330 crores. I understand that 200 crores of this from Viom sale what would be the other part of 100 crores odd?

Sunil Kanoria: About 190 crores is from the Viom and about 140 crores from the sale of the SREI shares held by the trust.

Sudhakar Prabhu: In the project finance also the NPA is based on 120 days?

Sunil Kanoria: Yes.

Moderator: Next question is from the line of GD Agarwal from Ashiana Capital. Please go ahead.

GD Agarwal: If you could let us know how should we think about the provisioning for the full year normalized, that would be good?

Sunil Kanoria: As I said that we are expecting the cost of risk which is there not to go up, it would have a gradual reduction over a period of time. It will definitely take a few more quarters to completely come down to my levels of the best times where it was around 1%. Today it is about a little over 2%, my cost of risk, so therefore I would see it steadily moving down in the next coming quarters.

GD Agarwal: The number we were saying was 15 crores per quarter in the standalone and about 60 crores per quarter in the equipment finance, is that the right number to look at, run rate?

Sunil Kanoria: I would say that it is one-time,but overall as a percentage if you look at our asset book our cost of risk would be steady so I would like to put it in that manner.

Moderator: Next question is from the line of Rajeev Pathak from GEECEE Investment. Please go ahead.

Rajeev Pathak: On the equipment finance business, past three quarters have seen a very good disbursement growth so even in December or March quarter we were upwards of 65% now we are 57%. But then the AUM growth has been slightly tepid compared to that because our repayment rates have gone up to (+50%), so what explains this trend over the past three quarters anyway do you see it going so that we can do a 15-20% kind of AUM growth on a 22% disbursement growth?

Sunil Kanoria: As I said that we are starting to see good positive offshoot in our equipment business. The market has started to revive and we are seeing that overall in our portfolio we should be able to grow AUM by 15-20% and our disbursements by 25-30%.

Rajeev Pathak: Then your repayment rates should actually now start coming off?

D.K.Vyas : Actually last two years as we were discussing before this call we have been focusing on reducing our large exposures with the customers so we are going for reducing exposure and taking more reduced exposures than actual normal collection that has also resulted in reduction of our portfolio which I don’t see going forward because more or less we are optimizing it maybe by this year-end so after that it should continue to grow.

Rajeev Pathak: In equipment finance, you have seen a good reduction in the cost of funds, so can you indicate what would be the incremental cost of funds going right now.

Sunil Kanoria: Incremental is below 10%, it’s about 9.6-9.7% on the marginal cost of mine but my past loans are also there so the overall cost is about 10.2%-10.3%.

Rajeev Pathak: Where do you see this going to by the end of this year?

Sunil Kanoria: We are trying to see that my overall average comes down below 10%.

Rajeev Pathak: So you can go back to the 3% spread level?

Sunil Kanoria: That is definitely the target.

Rajeev Pathak: Where do you see the ROEs going forward in the equipment business?

Sunil Kanoria: We start to see an improvement in the ROEs over time as we are able to manage our cost of risk. The key is basically our cost of risk which became high and that was eating into our ROE, so as soon as that happens which we are now starting to see the trend and the growth starts to happen we should be able to address that.

Rajeev Pathak: So a double digit ROE is possible by the end of this year?

Sunil Kanoria: Maybe close to it.

Rajeev Pathak: What would be the stock of the restructured assets in the project finance book?

Sanjeev Sancheti : Last March it was 396, now it is 203.

Rajeev Pathak: So any of the big 3-4 accounts that have moved out of this or those remain?

Sanjeev Sancheti : Obviously from 396 to 203 it is a significant reduction and I don't see anything specific. I am sure it will be a mix of big and small**.**

Rajeev Pathak: So we would have utilized the opportunity of the sale of investments and provided almost 100% on those kind of assets?

Sunil Kanoria: Yes.

Rajeev Pathak: If you look at the investment book there has been a rise in the investments in the transportation segment for your road projects and a bit in some of these subsidiaries so can you guide us where the increase came in?

Sunil Kanoria: The subsidiaries basically on the investment in SREI Equipment, the shares which we bought from BNP Paribas, so that is what that has gone up primarily. And in terms of the roads what happened is we had sub-debt into the road assets, so sub-debt has got converted into borrowings because we are planning an IPO or an exit in the roads, so there is no incremental investment, it was basically conversion of the sub-debt into a warrant structure.

Rajeev Pathak: So correspondingly that would have gone up from your loan book also, there is a reduction in the loan book also, Yes.

Sunil Kanoria: Yes.

Moderator: Next question is from the line of Bhavik Dave from Reliance Mutual Fund. Please go ahead.

Bahumik Dave: The money that we received from Viom, so how exactly was it utilized? Did we reduce our borrowings by any chance?

Sunil Kanoria: Yes, we just paid off our borrowings that reduced our borrowings immediately.

Bahumik Dave: So the buyback that we are doing of some of the debentures that we had, is that using that money?

Sunil Kanoria: Which buyback?

Sanjeev Sancheti: Basically these are the bonds where there is an option to the investor to exit in 5 years, so we have to just offer that buyback. It's just the structure of the product; it's nothing to do with the liquidity situation.

Bhavik Dave: One more thing on your borrowings front what we noticed, if you see, the year ending borrowings were 20,000 crores on a consolidated basis and now it's 25,000 crores, so what amount of borrowings did we decline because the borrowings have increased by 5,000 crores and we have disbursed around 3,500-4,000 crores.

Sunil Kanoria: The borrowings have increased because you see end of June and we are now consolidating 100% of the debt of SREI Equipment which was only 50%. Overall actually if you see there is a reduction.

Moderator: Next question is from the line of Ashwin Balasubramaniam from HSBC Asset Management. Please go ahead.

Ashwin B: First in terms of the repo stock you had mentioned like 890 crores had come down to 832 crores, so if you could give a sense of how much incrementally you would maybe repossessed during the quarter, like how much you would have disposed off if you can mention that. And similarly on the restructured asset out of that 489 crores which is there what will be the large accounts size, the top 3-4 accounts. And also I am assuming that most of this would have been restructured in like 2013-2014 or 2014-2015, so if you had granted a moratorium period that would now probably be coming to an end so how are the repayments which are happening in this portfolio?

Sunil Kanoria: You can say in the quarter about 80-100 crores of repossession is generally what we have done and we have sold a little more so therefore my stock has come down than that, so this basically describes that. In terms of the large assets and all which is there basically there has been some movement but I must say that the movement has been slow. We start to see some cash coming in in some of the cases but I would say that it will take some more quarters before which many of those assets start to do much better.

Ashwin B: So large would be like around 100 crores odd? I just wanted to know in the case of the banking system for instance some of the larger accounts you have to do the strategic debt restructuring kind of restructuring, so does 480 crores include that also?

Sunil Kanoria: That comes under the CDR which is the structured asset.

D.K.Vyas: 489 crores restructured assets are all CDR accounts.

Ashwin B: So that would include all this SDR and all that?

Sunil Kanoria: Yes.

Ashwin B: Also in the equipment finance book, in terms of the different kinds like you have mentioned, so used would be what portion right now?

Sunil Kanoria: Total book will be about 3-4%, disbursements would be about 14-15%.

Ashwin B: So right now also construction mining would largely be about 80-90% total?

Sunil Kanoria: Yes.

Moderator: Next question is from the line of Yash Agarwal from Crest Wealth. Please go ahead.

Yash Agarwal: I want to understand this provisioning a little more in detail that you have taken in the infra financing book. So you have created any contingency provision is it or you have just written off your…..?

Sunil Kanoria: We have written off.

Yash Agarwal: Why is that? Is it a conservative view or you have just….?

Sunil Kanoria: Yes, because in writing off we also save the tax, so we don't want to unnecessarily pay the tax, it's better to write off. When we recover then we will look at it.

Yash Agarwal: So incrementally you don't see most stress given that you have written-off lot of the accounts, right?

Sunil Kanoria: As I have said that the stress on the past loan book would continue for some more quarters in terms of that it will take time for it to get recovered and that will keep my costs of risk higher than what the normal would have been but definitely with a downward trend.

Yash Agarwal: Second question I had is again on the Viom money. I believe you received **2900** crores, right?

Sunil Kanoria: Yes.

Yash Agarwal: So if I see quarter-on-quarter in the infra finance book the borrowing is only down 1300-1400 crores from FY16 number to Q1 FY17, so is it that you have invested this in liquid funds and all is it?

Sunil Kanoria: We have.

Sanjeev Sancheti : 800 crores in liquid fund.

Yash Agarwal: So you intend to keep this or you will repay your high cost borrowings?

Sunil Kanoria: In July it's already been repaid.

Yash Agarwal: In both your books infra and equipment finance, your yields are down significantly quarter-on-quarter. I agree on equipment finance you answered the question but on the infra finance book your yields on average fund is down from 13.4% to 12.2% so what explains such a drastic compression?

Sunil Kanoria: Some of the loans which were high yielding that we have been able to recover and it has come down. I will give you a simple example, we had in this Pipavav, we got most of our money back when that business was sold to Reliance. So many of the high yielding assets are coming down because we are now focusing on better quality portfolios where yields will be lower.

Yash Agarwal: But you expect more compression in spreads or it will stabilize at this level only?

Sunil Kanoria: Now it should stabilize because nothing much beyond coming down from here.

Yash Agarwal: You had also mentioned you took some provision hit on Viom, so anything that you have taken out there? To someone's question on provision you said that you had taken some provision on Viom investment, so is there anything booked there?

Sunil Kanoria: Not exactly from the investments, it's basically the loans which were there as we had said in the past also that there were various loans which were given against the Viom shares so whatever we have realized and there has been a certain write off.

Yash Agarwal: What would that amount be?

Sunil Kanoria: I would not have that exactly on the tip; I will tell the team to share.

Moderator: The next question is from the line of Aditya Singhania from Enam Holdings. Please go ahead.

Aditya Singhania: On the equipment finance business I note that even with very large growth in disbursements, the operating expenditure is flat year over the year as well as quarter over quarter so how should we see this?

Sunil Kanoria: There has been a huge focus and target to ensure that we are able to improve our productivity and keep our operating cost low and focus on technology to reach our customers and manage efficiencies.

Aditya Singhania: So if you could help us with like maybe two years, three-year kind of guidance what kind of improvement in ROA can we see on account of improvement in operating expenditure?

Sunil Kanoria: If you look, today the OPEX as a cost is almost 1.6-1.7%. Our internal target is that how in the next three years we can bring it down to 1%.

Aditya Singhania: So you are saying that in FY19 you should be operating at 1%, target?

Sunil Kanoria: That's the internal target we have set, we are hoping to improve our productivity and using technology, invest little more in technology to bring in efficiencies.

Aditya Singhania: Just on the provisions, this question was asked earlier as well I am sorry but I didn't quite understand. You have done 60 crores of provision in write offs in the equipment finance this quarter, is this a level we should expect for the rest of the year on a quarterly basis or do you expect this to be lower as we go through the year?

Sunil Kanoria: We would definitely attempt to bring it down. I think the past challenges would take some more time to get addressed and as we are moving from four months then to three months, so we may not see much of a positive impact there, it may take some more quarters for the absolute number. But as a percentage with the growth happening we expect the overall NPL percentage to be better.

Aditya Singhania: The 1% number that you said as a cost of risk that is you expect to reach that over maybe one or two years?

Sunil Kanoria: To my mind it will take 2 to 3 years.

Aditya Singhania: You are obviously sounding very positive on the equipment sales driven by the various sectors you mentioned; could you give us a slightly longer-term outlook on that beyond FY17?

Sunil Kanoria: I will give you the simple assessment that you see the construction mine equipment sale at a peak in the country in 2012 when the economy was doing well, had gone up to 34,000 crores, in March 2016 it closed at 21,000 crores. There has been a massive negative for four years continues down. Now this year we are starting to see an improvement. I expect that with the economic positive environment and the government's drive on the infra and the government spending in infra on a year-on-year basis I won't be surprised if in three years' time this 21,000 goes to 40,000 to 50,000 crores.

Aditya Singhania: In three years to 40,000 to 50,000 crores?

Sunil Kanoria: Yes anywhere between.

Aditya Singhania: In FY19?

Sunil Kanoria: Market needs that because the challenge would be basically the capacity of the contractors as they call me to take-on. But I feel that is what was projected in the good days when the economy was growing at +7%. Now again it started to grow and the momentum picking up I think we will see next few years' 25-30% growth on the equipment sales year-on-year.

Aditya Singhania: You are saying 2 to 3 years you should see ~~(~~+25%~~)~~ kind of growth in equipment sales?

Sunil Kanoria: Absolutely, on a CAGR basis.

Aditya Singhania: How have you seen growth in the new vehicle segment impact the value of used or second-hand vehicles?

Sunil Kanoria: It's been positive. We saw about an 11% improvement in our sales of construction equipment in this quarter over the previous period.

Aditya Singhania: Sorry, 11% I didn't understand, what was that?

Sunil Kanoria: What happens is that the used-equipment sales which we do when we are repossessing in most asset classes we see 8-10% improvement in prices.

Aditya Singhania: Same equipment from let's say one year ago to now 8-10% increase?

Sunil Kanoria: Yes.

Moderator: Thank you. The next question is from the line of Sameer Dalal from Natwarlal & Sons. Please go ahead.

Sameer Dalal: Your infrastructure sale interest income has also seen a big decline to 12% and you said that because of certain high interest earning loans being repaid the average interest rate has come down. Is it fair to assume that going forward now the 12-2.5% will be what you get if any loans are given, given you are looking at only quality assets? In that case are you focusing at all on reducing your cost of borrowing and what are the steps you are taking to reduce the cost of borrowing to ensure that your spreads increase again?

Sunil Kanoria: Yes, definitely the cost of borrowing as you rightly said with the focus on the quality of asset we don't see improvement in our yields much, it will be in the range of 12-13%. Where we are looking at is on our cost of funds and that is a factor of rating we have brought down to a certain extent below 10% on our marginal costing, if you look at today we are borrowing at about 9.5-9.6% and further reduction would happen through improvement of my rating.

Sameer Dalal: Any money that you borrowed at higher rates coming up for redemption where you may be able to borrow at your 9.5%lower rate, how soon can we see your cost of borrowing coming down and would that also mean that your cost of borrowing for the equipment finance is also coming down? So on a consol basis what kind of cost of borrowing can we expect for the current financial year and probably if you can give your thoughts on how much you could save on that side?

Sunil Kanoria: My cost of borrowing is coming down, my marginal cost in both the businesses have come down and it will keep coming down a certain extent, but just let me tell you that we do not have very high cost of borrowing in our books because even if it is there it is matched with my asset size. What we basically do is most of our assets are floating to my cost of money. So if my cost of funds comes down substantially, I also pass it on. We do it twice a year in 1st of July and 1st of January. So therefore we don't run interest rate risk much and therefore the benefit if it is on a continuous basis we start to also pass it on, like in January we had brought down our cost of our PLR, our benchmark rate by 25 basis points. So therefore the cost of money will come down by 10-20 basis points but major will come down through my rating improvement.

Moderator: Next question is from the line of Sarvesh Gupta from Trivantage Capital. Please go ahead.

Sarvesh Gupta: We have seen very high growth in the disbursement for the equipment finance business, so if you can throw some color on that would be great? And secondly can you comment on the segment wise growth so which segments of equipment finance are you seeing some traction and how are the growth rates panning out there?

Sunil Kanoria: This is what I just had explained that it is primarily the construction and mining equipment which constitutes almost 85-90% of my disbursement that has seen a strong growth in the market. In the first quarter the sales of construction mining equipment over previous year in the country has been over 40%. We see a good trend continuing during the year, more particularly driven by equipment required in roads, in irrigation, in mining and now in railways. So these are sectors which the government has pushed a lot of EPC and government spending and that is driving the demand for equipment again. The capacity in the country with the contractors are limited because they got hit in the past so this is low so that is gradually recovering, new players are coming in, existing ones are working out to manage. So if that constraint was not there I would have seen a much higher growth but nevertheless we will see a strong growth coming in there. The second area we have a small exposure in the agri equipment, we work with few vendors on the agri equipment side. That is also showing now a little positive sign. We are into a little bit of medical equipment so there is steady growth happening there too. So the overall economy and the asset sales have improved.

Sarvesh Gupta: Are the utilizations also seeing higher levels in these equipment which is kind of giving more cash to the owners of these equipment?

Sunil Kanoria: Absolutely, many of the assets are lying idle and therefore earnings were not there. Now many of them have started to get deployed. So definitely that is giving a positive sign.

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

Sunil Kanoria: These were the areas that I think we have covered well. Thank you very much everyone who have joined the call.

Manish Modi: On behalf of Maybank thank you everyone. Thank you Mr. Kanoria and team to take this call forward. Thanks everyone.

Moderator: Thank you very much. Ladies and gentlemen, with this we conclude the conference call. Thank you for joining us and you may now disconnect your lines.