"Shriram City Union Finance Limited 3Q FY2015 Earnings Conference Call"

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ANALYST: **MR. AMEY SATHE – INSTITUTIONAL EQUITIES, BANKS AND NBFCS - JM FINANCIAL LIMITED**

MANAGEMENT: **MS. SUBHASRI SRIRAM - EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – SHRIRAM CITY UNION LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Shriram City Union Finance Q3 FY2015 Earning Conference Call, hosted by JM Financial Institutional. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amey Sathe from JM Financial. Thank you and over to you Mr. Sathe!

Amey Sathe: Thanks a lot. Good morning everyone and welcome to the Shriram City Union Earnings Call to discuss the third quarter FY 2015 results. To discuss the results we have on the call Ms. Subhasri Sriram, who is the Executive Director and CFO of the Company. May I request Madam to take us through the financial highlights subsequent to which we can open the floor for Q&A session? Over to you Sir!

Subhasri Sriram: Thank you Amey. Good morning all. Thank you for joining us in this call. I know all of us are waiting for the post new government and we are all looking forward to seeing some spectacular numbers in all our businesses. I think we have just made a very small beginning from this quarter. On a standalone basis Shriram City for the quarter ended December 2014 as recorded an income from operations of Rs.895 Crores, which is a growth of 12.5% as compared to the quarter ended December 2013.

Net interest income recorded 22% growth on a year-on-year basis and is now at Rs.567 Crores for the quarter ended December 2014. Profit after tax for the quarter was at Rs.143 Crores as against Rs.129 Crores same period previous year, recording a 10.7% growth on a year-on-year basis.

As of December 2014, assets under management were at 16177 Crores. The important point here to note is our small enterprise finance portfolio recorded a year-on-year growth of 17% followed by two-wheelers, 16%. Our gold was almost flat compared to December 2013 and actually see a small negative growth on quarter-on-quarter basis, but we continue to see a degrowth in our auto and personal loan portfolio during this Q2.

Small enterprise finance contributes 53% of our total assets, which you would recall is our main focus in product lines that we in the long run see it more than 70% of our portfolio to be from small enterprise finance.

Two wheeler loans at 18%, loan against gold were 17% of the book and all other loans, auto loans, personal loans is together is about 12%. Loans disbursed during Q3 FY 2015 were 4537 Crores. On a quarter-on-quarter basis disbursals grew by about 9.2%. Disbursals small enterprise finance grew by 12% during the quarter as compared to quarter ended December 2013. On a quarterly basis as compared to September 2014, the disbursals in this segment recorded a 31% growth. On a year-on-year basis, loan against gold has grown at 28%. On a year-on-year basis, loan against gold has grown at 28% and on a quarterly basis this segment as I mentioned has seen a degrowth of about 15%.

During the quarter yield on assets from total assets under management has seen a degrowth of about 15%. During the quarter yield on assets under management continues to be very healthy. It is now at 28.58% as compared to 22.19% during the previous quarter. Net interest margin for the quarter ended December 2014 was at 14.3% as against 13.34% in the previous quarter ended September 2014.

Gross NPA loans have increased marginally to 3.02% from 2.89% as of previous quarter. Gross NPA excluding gold loans were at 0.35% as against 2.86% in the previous quarter. In absolute terms gross NPA as of December 2014 was at 461 Crores. There has been an increase of 48 Crores in non-gold portfolio and overall increase of 46 Crores as compared to the previous quarter.

Covering ratio remains healthy at 79% and it was at 84% for the non-gold portfolio alone. During the quarter, write offs were at 84 Crores as compared to 76 Crores during the previous quarter and coverage ratio including the write-off stands at 82% as of December 2014. We continue to have a very healthy capital adequacy of over 30% and tier I constituting over 25%. In spite of this we were able to maintain our return on networth. The return on average networth is at 14.49% and return on assets post tax at 3.38%.

There is no fresh securitization transactions executed during this quarter and hence the order book assets have reduced and now stand at 5.7% of the total AUM.

Our subsidiary Shriram Housing Finance, the assets under management as of December 2014 was at 586 Crores, a growth of 21% on a quarter-on-quarter basis and reported a profit of 4.83 Crores. The company currently operates out of 61 branches.

Disbursals during the quarter was at 125 Crores as compared to 69 Crores same time last year. Loan amount continues to be around 10 lakhs per customer and we continue to focus on our non-urban, non-started flooded class customers. The company has obtained credit rating of AA+ from CARE and a AA from India Ratings during this quarter and has been able to raise long-term bonds from the market at a very competitive rates.

The company’s average lending rates it is around 16% and has been able to maintain a loan to assets value of over 54%. Profit for the quarter is lower than December 2013 and

September 2014 mainly and only on account of reduction in investable surplus and that the interest income for investment income has been completely reduced and at the same time the company has gone to borrowings and has resulted in interest costs.

This together is around 7.5 Crores and this is to the extent explains why the company's profit after tax is lower than December 2013 and September 2014 numbers. This company continues to maintain over 20% growth over quarter-on-quarter basis and we are very confident that the Company should be able to close the business fiscal almost double of the balance sheet as it comes as of March 2014.

Thank you all. I am happy to answer your question.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: Firstly in terms of say consumer durables we have completely stopped disbursements on that and discontinued. So what has been the outlook? What has been the key reason? Second is since now overall mix is shifting towards relatively higher or small business loans so how about the ALM side, maybe shifting away from say relatively shorter tenure, say gold is also coming off, consumer durables has also come off and that is moving towards the more small enterprise finance. So, in terms of ALM how are we placed?

Subhasri Sriram: From an ALM we always had a very healthy in terms of liability side, it was always our liability tenure was much longer than our asset tenure even today if my liability average tenure of liability is over 24 months well in the case of loan book it is around 16 to 17 months. This is on account of gold and other products where it is all these loans are monthly amortized. Yes you are right the company is focusing on longer duration assets and also assets which have a repetitiveness of transaction. This is what our focus will be in the long run where we work in relationship based rather than a transaction based. So we realized some of the products are largely transaction driven and not a long-term association. Gold is a commodity driven asset, so we continue to focus on our enterprise finance and that is probably one reason besides the economics of the consumer durable financing where the resources are spent on a shorter duration assets where we have an opportunity to invest in longer duration assets. I think that is the reason why we have slowed down or gradually exiting the white good financing.

Kunal Shah: So incrementally also we will not be doing consumer?

Subhasri Sriram: Not at this point of time.

Kunal Shah: In terms of whatever franchise or say in terms of the staff and everything investments, which have been done into this business, so how are we allocating?

Subhasri Sriram: That is the reason that we did this gradually and at every stage we have moved to the two wheeler segment because from a marketing point of view it is very similar segment. So both white good and two-wheeler the marketing happens at the showroom. So the executives who were at the showroom, who are at the dealer points have sorted working for the two-wheeler segment. While the other resources of recovery and back office continued to support other products. They are not product specific. So we are not here to send anybody home and resources have been very effectively used for building a two-wheeler portfolio.

Kunal Shah: So maybe mainly relationship is what we are looking out for and that is the reason?

Subhasri Sriram: Even in the two-wheeler more than 70% of our customers are self-employed because we largely concentrate our two-wheeler business also in semi-urban and tier II towns. So we are building and working towards building are relationships with customers and associating with customers which should translate into long-term association and long-term business in these markets both in terms of Shriram Housing and Shriram City's Enterprise Finance.

Kunal Shah: But in terms of say the competition or say the industry or that this is not something which has been a threat or something?

Subhasri Sriram: Absolutely note. In fact I think in white goods, now that we have moved out, probably there is no competition for the only other financier is there in the market other than the credit cards and EMI payments by credit cards. So competition has never been an issue.

Kunal Shah: When you are doing relatively well.

Subhasri Sriram: Very well. I totally agree with you.

Kunal Shah: My concern was as to why we are moving out as to why we are moving out because maybe the other players are really doing well on this front?

Subhasri Sriram: No. It was not that. The market is so large for all of us typically this segment it is at least in two wheelers there is 40% penetration for finance. In the case of white goods, the penetration is less than 5%. So the market is extremely large and growing, rapidly growing. There is no reason for competition or pressure of competition. It is purely the company's resources in terms of manpower and costs. We felt that there is a long run. It is better that we put our resources in building a long-term business rather than spend on today's income or current quarter income. I think as a philosophy we are not too comfortable with trying to leverage those customers because in this construction the tenure is only eight months.

Typically it is a 12 months moved to four advanced EMIs. So it is too shorter period of time to get into an association with the customers. So we realized though there are, I understand there are other financials who will try to cross sell, up sell with these customers probably yes Shriram was not up to speed on that part of the business that we needed a little more time to spend work with the customers and that is the reason that we continue to focus on two-wheelers and sort of diverted our attention or refocused on the two wheeler segment rather than white good finance.

Kunal Shah: In terms of say the proportion, which we are looking in the business and now it is almost like say 50% of the AUM so where do we see maybe would that continue to be a key growth driver and we will see?

Subhasri Sriram: Absolutely. If at all I have in the past, we have always stated that our growth if I say we look at growth we are looking at growth as a segment. This will continue to be the focus of Shriram City and as I said earlier in my presentation that it will even should in the course of time, should be more than 70% of the book and the balance 30% will constitute two wheeler and other products, gold.

Kunal Shah: So this can even move to as high as 70%?

Subhasri Sriram: 70%.

Kunal Shah: Thank you.

Moderator: Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Thank you for the opportunity. Good morning Madam. I have two questions. Firstly at what point of time should we expect to see a 20% kind of disbursement growth in our portfolio excluding gold because that is our long-term AUM growth target and secondly this 48 Crores of increase in gross NPL in the non-gold portfolio is one of the sharpest increase we have seen in the last three to four quarters. So can you give us some color on what segments drove this increase and how do you see them going forward? Related to that can you give me the net NPA in percentage terms for the non-gold portfolio?

Subhasri Sriram: First to answer your question about 20% growth, yes, I think non-gold or I will put it, Karthik that SME and two-wheeler is growing at 20% on a year-on-year basis. You should be seeing it in by 2015-2016, next fiscal year. That these two products will maintain a steady state. We are trying to about 17% to 18% growth. We should be able to touch the 20% growth in these two products on a consistent basis in the next couple of quarters and we should be able to maintain that for at least as I said for one to two years. Gold as I said is not going to be a large. On the auto and personal loan, yes we have seen some degrowth which has actually dragged our entire AUM growth. Unfortunately, we do not have a forward number for that product because personal loan is not a very right now we not pushing it because the price sensitivity and the market right now is not ready for that segment, but in due course of time, yes we would like to get back to the personal loan and auto loans. Once the auto space also stabilizes we should be able to take advantage of the growth because once you see the economy picking up at that pace, there will be room for companies like us also who are not necessarily the main players in the auto loan segment, we are just waiting for that turnaround. That should be very dramatic too, good growth we should see there, but desperately on the SME and two-wheeler we are inching close to 20% and we should be able to achieve it very soon. As regards to your question on NPLs. It has been on largely on account of small enterprise loans. There were some loans which are not anything specific to any location or any segment or any customers, but as I said earlier in my earlier things, there have been small slippages here and there in the segment. We really are not seeing any permanent erosion there and there we continue to be confident that over a period of time this should recovered. But if you ask me whether this is March quarter we do not have an answer at this point of time because customers the situation and the challenges they are I cannot say that they will get resolved before March, but definitely sooner or later.

Karthik Chellappa: Net NPA number Madam excluding the gold loan portfolio?

Subhasri Sriram: Net NPA other than gold?

Karthik Chellappa: Yes.

Subhasri Sriram: Excluding gold net NPA as of December 2014 is 0.48%.

Karthik Chellappa: Just one followup if I look at our tenure for floating rate loans that has been consistently coming down and now it is about 17.5 months, so obviously I think we are positioning for the rate cut cycles. How long would you like to take this tenure especially on the floating rates?

Subhasri Sriram: I think these are bit of a statistical issues because it is a question of loans which are getting paid off during a particular period of quarter, which could either be a fixed or floating, but I would put it this way the company is concentrating at this point of time focusing on incremental borrowing to be on a shorter duration and more floating specific. After a very long time, during this quarter we have gone to the commercial paper market, in fact both at the end of the quarter and during this beginning of this quarter we have gone to the ECBs. We have gone to the ECB market and in fact we have worked to convert level of cash credit limits to commercial paper limits with our bankers. So we continue to leverage that product two which in the recent past we are not worked at, so it is to also some extent that we have kept away from securitization products because these are fixed rate borrowings and hopefully we should do both securitization and more shorter-duration borrowings during March quarter.

Karthik Chellappa: Thank you Madam.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Just two questions; first this employee cost for our standalone operations they have gone up if I look at on a YoY basis they have gone up of close to 45% so just can you throw some light on this part?

Subhasri Sriram: If you compare the employee cost on YoY basis it would have gone up at went up close to 45% but we should see it along with the opex as such several period after several quarters but during last one year we have continued to migrate our employees from our associate companies who are working for Shriram City to want of Shriram City. So if you compare the December 13, 2014 numbers with employee cost and opex with December 14, 2014 numbers of employee cost and opex the increase is about 21%.

Digant Haria: Secondly we saw very good growth in the SME segment so I think the growth level that we have been talking about since the long time that has come so if you could throw some more light on like which regions which areas do you see this growth coming from and specifically how is Andhra Pradesh behaving the entire the Telangana plus Andhra Pradesh combo how was that behaving?

Subhasri Sriram: First one is the global scene across geographical locations. I would not say that any specific geography is doing better than the other one. Second one is Andhra and Telangana I think it is an old story now, both have settled down and local market is not taking this as any specific event. I think it is news for us. It is a day-to-day affair for him. The other good satisfying development is some of the initiatives, which we have been taking in developing the SME business for the enterprise finance and non-Shriram chit locations has started paying up for us now. That is in the western side of India, northern regions. Gradually we see that and those growth are actually on a comparative from their scale, it is frankly 100% growth from YoY basis though they still have not made a significant percentage in total portfolio, but definitely those efforts which we have put in people, product, process, markets which we have developed in the last five years, started paying off so we see a lot of opportunity growth in the next couple of quarters from these nontraditional Shriram locations also.

Digant Haria: So Madam from these nontraditional launched networks should the proportion which right now is 30% should it increase from something like 40% to 45%?

Subhasri Sriram: It should but it is all question of it is a race between the southern region and the north so you could as the economy picks up and market is developing even the states and even the branches in south should be able to deliver more than they have done in the past. Some of them have frankly I would say are not delivering at some this performance and so there is a lot of upside in this market to.

Digant Haria: Lastly one on this margins there was a sharp margin expansion so even in terms of yields in borrowing cost, the borrowing cost is quite obvious but this yield expansion where does that come from?

Subhasri Sriram: I think it is largely continue to be because the two-wheeler and enterprise growth which is more than 17%, 18% and degrowth in gold is sort of just showing up in the yields, the gold is the lower yield portfolio for us.

Digant Haria: Thank you, Madam.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just dwelling on the same cost question that the earlier caller had asked as well. We are seeing now the cost income ratio has moved up from about 38.7% odd a year ago to 41% so we are just trying to see whether there is any structural change in the way the cost have actually moved up I know you mentioned about Opex as a whole but just your thoughts because now the run rate is around about 100 odd Crores, 110 odd Crores in terms of the employee cost also 700 a year back, so are we to do with this new run rate now versus.

Subhasri Sriram: The employee cost is the new number I think what is not showing up or not measuring up to this employee cost there is a growth in business. So we are not seeing any reduction in the bill cost, I think what needs to be done is more business.

Shyam Srinivasan: So you are saying you will now work with around the 40 plus cost income ratio rather than what we have in the past.

Subhasri Sriram: We will now do more business to make the cost income ratio back to 36%.

Shyam Srinivasan: My second question is on securitization you mentioned briefly that Q4 any sense of what kind of numbers you are looking at in Q4.

Subhasri Sriram: Not actually because of the lot of developments which have happened with the banking sector need for PSL assets since are based non-PSL assets and agri assets and other things we are evaluating option before us in terms of opportunity to securitize at what terms, what rate and also considering that there is quite a bit of capital on the balance sheet what is the tradeoff between the capital cost and interest rates we have offers with us we are evaluating it if we pointed extremely beneficial not withstanding that we do not need a capital relief at this point of time, but it is still attractive in terms of discount to the base rate to the bank we will evaluate.

Shyam Srinivasan: Thank you.

Moderator: Thank you. The next question is from the line of Adesh Mehta from Ambit Capital. Please go ahead.

Adesh Mehta: You have guided that our SME book could be around 70% going forward in the midterm so what could be a similar number for gold loans madam.

Subhasri Sriram: Balance left is 30%. We have two-wheeler which will be at 20% so I do not see gold has been to even not more than 10%, 12% of the balance sheet in the long run.

Adesh Mehta: So in terms of this small ticket business loans so if you do your internal budgeting what kind of opex does that business require would it be around between 5% and 6% of its disbursements or how do we budget that?

Subhasri Sriram: If you see our loan book of three years and on an per annum basis, it should not be more than 3% but considering that we have an expense accounting model where all expenses upfronted, there is a bit of a shift between year one and year three and to some extent today we are suffering from the economic slowdown. There have been delays in payments there have been a more efforts to collect so that is also bit of a strain on the opex right now for us. So as I said that what use to be about 10%, 12% of the customers needing effort today it is more than 15%, 16% of the customer needing effort, that much more is a strain on the opex.

Adesh Mehta: Basically what I was asking was like now that the proportion of SME book should go up going forward would the opex to AUM ratio would also increase?

Subhasri Sriram: No, it will actually come down over a period of time, it is a question of study state in a growth rate, if we are growing a 20%, 30%, 20% consistently you may not see the immediately impacting because for every incremental business there is an upfront cost but this which at over a period of time we should be able to see the benefit in the at least in the net margins in the ROAs we should see more beneficial.

Adesh Mehta: And madam in terms of the NPAs in a small ticket business loans are you seeing any trend in across any geography or any business segment.

Subhasri Sriram: No it is actually across, in the city whether it is a 2 lakhs customer or 20 lakhs customers the percentage we challenge is whether you secured or unsecured whether you secured it is property or a business, you see we have just done a lot of test on that it is almost as of there is just not difference at all. We have compared the geographies, as we have compared product, customer segments, we compared collateral, tenure we did not come up with any unique characteristic say, it is across from our safe they even is very, very uniform.

Adesh Mehta: Okay that is it madam thank you very much.

Moderator: Thank you. The next question is from the line of Sunil Tirumalai from Credit Suisse. Please go ahead.

Sunil Tirumalai: Madam I have a few questions, firstly one I just wanted to confirm on the gold disbursements has it grown 27% YoY am I reading the number right.

Subhasri Sriram: Yes.

Sunil Tirumalai: So my question is that, is that really the focus or not because it actually grown faster in terms of disbursement, that is the forward looking statement?

Subhasri Sriram: The board is actually should YoY is the too farer period to be evaluate. Gold is typically preferred to evaluate on a QoQ basis because gold price one year old is a very different market at that point of time. So what is the more trends and more evaluation is the QoQ and there you will see a negative growth of 15%

Sunil Tirumalai: On the SME segment you explained that much of the increase in NPAs and the non-gold book was driven by SME segment, what kind of normalized credit cost or normalized NPA levels do you work with in that segment what you budget into your yield of 16%, 17%?

Subhasri Sriram: We actually would be eventually in a steady state and in fully developed markets where we have had a 15 years portfolio four, five cycles completed, we are looking at a credit cost not more than 1.5% on an annualized basis. Today we are somewhere close to about 2%. We should work towards a little over 2% right now. We should bring it back to 1.5%, so this 3.02% gross NPLs should go back to 2.75% - 2.8%. Now the million dollar question in the challenge for us is to do this comparison today with 180 days and to do this comparison on 190 days basically, because there is a challenge of presentation and actual credit cost.

Sunil Tirumalai: You gave this 1.5%?

Subhasri Sriram: I am talking of credit cost.

Sunil Tirumalai: I was also coming to the 90 day transition so what are you thinking in terms of timeline of changing the reporting and in terms of how do you manage trying to manage the coverage?

Subhasri Sriram: At this point of time, not a day more than earlier than what the Reserve Bank of India has said. We will strictly follow the timelines given, we are at this point of time the management is not considering or the board has not considering any accelerated move in terms of compliance. So we will do it 16%, 17%, 18% as been advised by Reserve Bank.

Sunil Tirumalai: What kind of flexibility or flexible are you on the coverage?

Subhasri Sriram: Yes, we will reevaluate our coverage's from 70% - 80% coverage. We will evaluate whether that that high coverage is required and move slightly considers a lower level but we did debate about it we have not decided at this point of time, we still have about five more quarters. We will in the course of texture we will decide on what is the adequate coverage required in the long-term, where we moved to 80 days now.

Sunil Tirumalai: Thank you very much for that.

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

Nischint Chawathe: Madam, just trying to understand things from a slightly longer-term perspective, when you maybe better penetration of banks because of the financial inclusion programs and the subsidies getting transferred through the bank accounts possibly winning that bank accounts will be little bit more active in interior India. How do you really see this? What kind of a competition do you really see this because of that and is there anything that you are really building in the business or building in at this point of time, to really counter that over a period of time?

Subhasri Sriram: Nischint, we are into micro-finance. The customers of us are not into the subsidy market. We are not into the poverty elevation. Our customers are not into this. They are not necessarily bank borrowers but does not all our customers are bank financial literate and they do have bank account and operate bank accounts or the savings account. So the initiatives of government in this are completely of no specific relevance or connection to my enterprise finance part of the business. Yes it might be a little bit though an point in gold loan segment, and when customer need this support gold has an alternative funding options when there are other options given by the government, but definitely we are not seeing the government projects of any serious competition to our enterprise finance.

Nischint Chawathe: How would you foresee competition enterprise finance even with this or otherwise?

Subhasri Sriram: See we will definitely look forward to competition because that will help people compare products, we will educate about these products. Many at times in the enterprise finance the challenge to the customers awareness about his financial needs because many at times he concludes even before attempting that nobody will lend to him. That is the mistake which goes to in the market, that the customers have like they are the businesses like theirs are not the preferred by the bankers and they do not understand there are other lenders in the market who would look at them differently, so I would say it is good for Shriram there are more competition because somebody is going to spend my advertisement budget.

Nischint Chawathe: Thank you very much.

Moderator: Thank you. The next question is from the line of Rohit Gajare from UTI Asset Management. Please go ahead.

Rohit Gajare: I have two questions; first question is on the gold loan aspect of business from the commentary, I believe that you guys are trying to de-emphasize on that product can you tell me few reasons why you feel that you should not have too much concentration on that business? Second is on the SME business about who would be your competition in the markets that you are in and what is the nature of your credit appraisal processes for SME loans and how do you look at credit growth how should we look at branch expansion and SME loan growth over there something in those lights?

Subhasri Sriram: First on the gold, I continue to reiterate that we are not de-emphasizing or reducing the interest in that segment. What we are only saying and repeatedly saying is extremely focusing and investing in the resources of the company in the small enterprise finance and building a two-wheeler portfolio. Gold, we believe is irrespective of the management push into the market. The growth is seen from the commodity price movement and other macroeconomic developments rather than the company pushing the product on its own. We believe it is not a product where we can influence the customer behavior for a gold loan and we are not that larger such player in the gold loan segment, we able to influence the customer behavior and customer interest in that product so to that extent we are if you may use the word as the de-emphasize is probably that is the way it could be interpreted but our branches, and our manpower in gold loan continue to be there branches are continue to be looking for customers and no branches we have closed for gold loan business.

Rohit Gajare: But earlier you mentioned about trying to get more annuity out of your products so is gold loan less of an annuity at more of a transactional product?

Subhasri Sriram: That we have said it at several times that in the gold loan also we are looking at the SMEs, the trading community who pledges the gold and seeing whether we can convert them into one long-term association. So we are as opposed the market players of gold loan where it is an one minute loan, or a three minute loan or a very attractive LTV where the customers are incentivized to pledge we are actually having a slightly lower LTV not a very speedy transaction but definitely we look at seeing the customer being building a long-term association or walking into Shriram for many other products including saving products rather than only for a gold loan. The second question about our enterprise finance and growth in enterprise finance, the branch expansions are not the primary focus. They happen on a natural process. We do not forcefully open branches there is no specific target open branches. Branches opening and expanding is a natural process as and when existing branch reaches a particular maturity, as and when employees are readily available to take additional responsibilities, branches get opened automatically. They deserve to our branch and therefore branches get opened and when they open a branch we do not normally start with SME business, it always start with two wheeler business just as you know expanded in West Bengal. We open the two-wheeler business and over a period of time we develop the other products in that market. In terms of credit growth, there will be both way of doing more business, more with macroeconomic development in the existing markets of Shriram while some of the efforts, which we have been put in working at in the last few years building two wheeler portfolio in non-Shriram specific locations are slowly developing to be a good potential market for our enterprise finance loans also. People are getting positioned there, product has been launched, but nevertheless this is not big, big numbers in the long run because initially, we do not give them powers for lending larger loan amount typically they start with the couple of lakh loans then gradually move towards other higher loan amount it will take a while but I think we are doing this step in the right direction.

Rohit Gajare: Just a quick point over there, but it is in the two wheeler basically be done out of the dealership and not out of the branch or no that is what how would be our population model works?

Subhasri Sriram: No two wheeler is done out of the showroom only but in a two-wheeler business unlike most of the lenders in two-wheeler space we do not be typically depend up on this CIBIL score or simple salaried class customers where you can do on the spot delivery. We have different model in two-wheeler space though origination happens at dealer showroom. We typically go around verifying the customer at its residence, validating his background before the loan is disbursed. So typically we do with the tire two, tire three towns where there is not a fast track delivery process. That ensures that we have people who know the two-wheeler customers, place of residence or place of business and that gives them the knowledge about this market first who is who in the market, what is the market more in terms of a branch topographic that helps us to build other businesses around that space. So first and foremost we have recovery team in place before we start lending in SME business, because they are the team which is building the two wheeler business there.

Rohit Gajare: Thank you very much.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand the floor over to Mr. Amey Sathe for closing comments.

Amey Sathe: On behalf of JM Financial, I would like to thank Ms. Subhasri Sriram of Shriram City Union and all the participants for joining us for the call today. Thanks and good bye!

Moderator: Thank you. On behalf of JM Financial that concludes this conference. Thank you for joining us. You may now disconnect your lines.