“Magma Fincorp Limited Q1 FY 2017 Results Conference Call”

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ANALYST: **MR. UMANG SHAH – RESEARCH ANALYST - EMKAY GLOBAL FINANCIAL SERVICES**

MANAGEMENT: **MR. SANJAY CHAMRIA - VICE CHAIRMAN & MANAGING DIRECTOR – MAGMA FINCORP LIMITED**
MR. KAILASH BAHETI – CHIEF STRATEGY OFFICER – MAGMA FINCORP LIMITED
MR. SUMIT MUKHERJEE – HEAD OF ABS FINANCING DIVISION – MAGMA FINCORP LIMITED

Moderator: Ladies and gentlemen, welcome to the Q1 FY2017 Results call of Magma Fincorp hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. 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 would now like to hand the conference over to Mr. Umang Shah, The Research Analyst of Emkay Global. Thank you and over to you Sir!

Umang Shah: Thank you. Good morning everyone and we welcome everyone on the Q1 FY2017 Earnings Conference Call for Magma Fincorp. We thank the management for giving us this opportunity to host the call. We have with us today, Mr. Sanjay Chamria, Vice Chairman and Managing Director, Mr. Kailash Baheti, the Chief Strategy Officer and we have Mr. Sumit Mukherjee who is heading the ABS financing division at Magma Fincorp. Without much ado I would now hand over the call to Mr. Sanjay Chamria for his opening remarks. Over to you Sir!

Sanjay Chamria: Thanks Umang. Good morning everyone. I welcome you all to the Q1 of FY2017 Earnings Call of Magma. Thank you for taking time to join the call. First some thoughts on the economy, after an extended period of difficult economic conditions in the country we seem to be on the verge of meaningful turnaround with a general feel good factor triggered by multiple developments namely a good monsoon, higher government outlay in the rural India, sharp increase in the MSP of few crops like pulses, higher infra allocation and release of OROP benefits and the impending release of the Seventh Pay Commission.

Normal monsoon and increased infra spending is already upped the sentiments, which can be corroborated by 6% YOY increase in the sowing area of Kharif crop, 15% increase in the domestic tractor sales in Q1 of FY2017 and a strong demand for construction equipment like tippers, excavators and the backhoe loaders.

We therefore expect the rural economy to do much better from October onwards with the onset of the harvesting season, festival demand and the money trickling in the hands of the common man from all the above factors coming into play.

Now our view on the preceding quarter. As outlined in the past our strategy of focusing on high ROA product for a profitable growth continued in this Q2, we continued to keep our focus on agriculture, used assets and burgeoning SME segment.

In mortgages we have been successful in reducing the ticket size by reaching out to the informal customer segment in the tier towns, which is our main targeted segment. Our ATS from mortgage business in the Q1 has come down to Rs.16 lakhs compared to around Rs.20 lakhs in FY2017.

These segments now contribute 62% of our total disbursal and 59% of the total book. It has been helping us to diversify our risk profile and improve the margins, though expenses remain slightly on the higher levels due to the lower ticket size and extensive presence in the tier towns.

Our new business structure for the asset-backed finance rolled out in December 2015, which is built on branch banking model has stabilized. We have started witnessing better trends in terms of all major operating parameters like growth, quality of book and efficiency. One of the important measures of success for the new business structure are to ensure that in overall collections we achieve a handshake at 90 DPD meaning the absolute amount at 90 DPD should not increase.

We are happy to share that in the first eight months, which is from December 2015 to July 2016 baring three months we either achieved the net roll back or nearly achieved the handshake in the other five months. Taking cue from the encouraging results in ABF business we adopted the same business structure that is merging of the disbursal and collection up to 90 DPD for the SME and the mortgage vertical as well since April 2016. Our feedback on this transaction has been promising with the roll forward rates being lower than the last year's average despite a slugging economy.

The sales team is able to leverage its deeper relationship with the customers to get out the delayed EMIs more effectively and is sourcing far more conscientiously as the feedback loop of slowing industry segment is coming back to the team faster. We now cater to 1900 talukas in India in 400 plus districts and expect to reap the benefits of this presence and technology deployment with a gradual improvement in the economy starting from the second half of the year.

Asset-backed financing business witnessed disbursal growth of 12% YOY in the Q1 and after the slow April month growth has picked up from May to July for the ABF business. The average growth for these months have been 15% YOY; however, the overall disbursement of the company remains at modest 2.5% largely due to the decline in the mortgage business disbursal as we focused on small ticket size in the tier towns as stated earlier.

Strong trends continued in the SME business both in terms of growth and quality of the business, disbursement in the SME grew by strong 25% YOY. Our strategy of increasing penetration of mortgage and the SME business into the ABF branches in the coming quarters will drives sequential disbursal growth.

Provisioning for NPAs and write off have almost peaked now, as a net accretion to the NPA slowed down significantly in the last two quarters and we now expect the recoveries to flow in from October onwards. Sequential increase in the gross NPAs on 120 DPD is about 8.7% in Q1 and this was largely due to the seasonally weak Q1 and decline in the AUM.

Most of the customers like the farmers in the rural India are still holding cash, waiting for the next crop realization. We believe the roll backwards from the NPA accounts will start improving in the second half of the current fiscal post harvest of the Kharif crop.

As mentioned earlier with the improvement in the overall rural macros with both normal monsoon and the public spending we expect the return ratios to improve significantly in the second half.

I would like to inform you about the board reconstitution. Mr. Mayank Poddar, the Founder and the Co-Promoter of Magma expressed the desire to relinquish his position as a Chairman of the company, which the board reluctantly accepted. The board acknowledged and appreciated Mr. Poddar's huge contribution as a Chairman of Magma in building the company over many years to reach its pre-eminent position in the Indian rural market place.

The board wanted Mr. Poddar's imminent knowledge in legal and the other areas to be available to the company and requested him to accept the position of Chairman Emeritus and continue as a Director of the Board of the Company, which he has accepted.

The board then unanimously elected Mr. Narayan Seshadri who has been on the board as a Chairman of the Company. The board recognizing Mr. Seshadri's knowledge of the sector and the company believes that with his active participation in the governance of the company would play an important role in steering the company with the help of the board in times of increased competitive pressures arising from new and emerging technology driven business models. Mr. V. K. Viswanathan who serves on the Board of various companies including BOSCH, Bharti Airtel, HDFC Life was also appointed as an additional independent director in place of Mr. Singhvi who resigned. Mr. Viswanathan with his vast experience in various sectors will enhance of the governance of the company and bring new insights to the business.

I would like to share the key highlights of our performance for Q1 and its impact on our results. We continue to improve the share of used assets, tractor, SME and the mortgage in our product portfolio and the share has now increased to 59% of the total loan book while disbursal during the quarter and these assets have contributed 62% of total disbursals.

There has been a modest growth of 2.5% YOY in disbursal in Q1 after a period of five consecutive quarters of degrowth. However, ABF and SME recorded a growth 12% and 25% respectively in Q1, AUM decline 2% QOQ to Rs.17796 Crores. The NIMs have improved from 6.4% to 6.9% YOY in Q1, we expect the NIM for the full year of FY2017 to be above 7%. Our continuous effort to contain the costs are bearing fruits, cost on absolute basis declined by approximately Rs.9 Crores YOY for the quarter, however, due to the decline in the AUM the opex to AUM ratio remain flat at 3.47%.

Our credit cost at Rs.88 Crores was broadly flat YOY as mentioned in the initial comments gross and net NPA at 8.7% and 6.9% on 120 DPD is largely due to the decline in loan book and seasonally weak quarter. With the visible green shoots in the rural economy these ratios are expected to improve in the second half of the current fiscal.

As a result of improved NIMs, flat opex and the credit losses on a YOY basis the PAT has increased by 2% YOY to Rs.47.6 Crores, would expect better results with improving rural economy as we have already addressed operating efficiencies and product mix resulting in higher yields. Kailash and I will now be happy to take any questions that you all may have.

Moderator: Thank you. We will now begin the question and answer session. We will wait for a moment while the question queue assembles. We have the first question from the line of Anita Rangan from HSBC AMC. Please go ahead.

Anita Rangan: Good morning. Just want to understand that your loan book has declined, so what are the segments, which you are going to focus going forward? I mean, what are key segments of focus? Second thing is when you say that your asset quality is expected to improve and which is expected post monsoon, what are the kinds of trends which you are expecting going forward and in your portfolio what do you expect the ultimate loss, can you give a sense on that? Thank you.

Sanjay Chamria: Nita, I think your line was very, very unclear, so I think you are asking the question in view of the declining loan book what are the product focus areas where we are going to grow in near future and second your question was with regard to the, can you repeat your second part?

Anita Rangan: Second part I wanted to understand is that what would be like Your NPAs have peaked up, what would be decline in NPA, so what is the kind of NPAs we can expect in the year end and ultimate loss in the portfolio what is the kind of expectation on the ultimate loss?

Sanjay Chamria: As I shared also in my opening comments. The focus areas of the company over the last two years has been the mortgage, SME, tractor and the used assets and three years ago this disbursal was less than 40% and we said that in the next three years timeframe, which is by FY2018 we want to take it to 70% of the total disbursal and also the loan book, so currently we are at about 62% of the total disbursal and 59% of the loan book, so going into the future also we will continue our focus on these four products whereas our focus will reduce on the new asset classes in car, CV and CE and therefore we expect that to be in the range of 30%. In terms of the NPAs as I mentioned that in the last two quarters, which is the January, February and March and April, May, June, we have seen that the accretion to the NPAs in gross amount has almost peaked and stabilized and earlier it was increasing at the rate of 150, 200 Crores a quarter and in the last two quarters total growth is about Rs.100 Crores, so therefore this has sort of stabilized and we expect that from second half of this year with the benefits coming in from the Kharif crop realization and the increased rural spending the disposable income increasing in the hands of our principal customer segment which is dependent on the rural markets that there should be absolute amount reduction in the NPAs and this is where we expect to see a significant flow back in the provisioning as well as the interest income because whatever that becomes NPA you do not recognize the interest income. Coming to your third question in terms of the credit cost to the overall ROA is currently at peak level of 2.2%, so this year also I expect it to remain at that level, but with the cleaning up of all of these things from next year onwards I would expect to see a moderation and in a more stable and the normal scenario, given the product mix that we are dealing with I would expect the credit losses to be in the range of 1.25% as against 2.2% that we are currently having.

Moderator: Thank you. The next question is from the line of Jaiprakash Toshniwal from India First Life Insurance. Please go ahead.

Jaiprakash Toshniwal: Good morning Sir. What would be the steady state ROA target for the business for the next two years, post next two years what is the target would be for ROA?

Sanjay Chamria: Jaiprakash, like currently we are at about 1.2% and we have shared even in the earlier calls that we are targeting 1.7% to 1.8% and this improvement from 1.2% to 1.7% we hope to achieve on the back of three things, one is the improvement in the NIMS, which is now hovering around 6.9% to 7% and we hope this to stabilize anywhere between 7.25% and 7.5%. The opex which is now steadied down and is now at about 3.5% and we think this may go down by another 20, 25 basis point not now in terms of absolute amount reduction, but with the growth in the loan book, which has kind of degrown by about 7%. And the third is the reduction in the credit losses, which is currently at about 2.2% that should go down to about 1.25%, so on the back of these three things wherein there is a lot of coordinated effort and the strategies by the company, we should be seeing 1.7%, 1.8% ROA.

Jaiprakash Toshniwal: So which means the ROE should be capped around 16% kind of level, is it my assumption correct?

Sanjay Chamria: Yes so that will be a function the leverage that we have and obviously we are comfortable at a leverage which is anywhere between 5.5 and 6 times and which is what is also allowed as per the regulatory guideline, so from a current 10% ROE obviously we would look to touch and cross 15% once we are able to do a ROA, which is 1.7%, 1.8%.

Jaiprakash Toshniwal: Sir my question is what is the current capital adequecy that you see at the mortgage finance business and what kind of investment we would be required in next two years for this business?

Sanjay Chamria: We are currently sitting at more than 23% capital adequacy for our mortgage business and the reason overall parent company we are sitting at a capital adequacy of more than 20%, so therefore we do not have any eminent capital requirement either at a parent company or at a housing finance subsidiary and it is good enough for sustaining the growth momentum.

Jaiprakash Toshniwal: Perfect Sir, thank you.

Moderator: Thank you. The next question is from the line of Nishesh Jain from Investec. Please go ahead.

Nidhesh Jain: Good morning, can you share some color on asset quality in the segment wise in terms of gross NPA or credit cost, segment wise credit cost or gross NPAs?

Sanjay Chamria: Mr. Jain, I think this may be a little more detailed, so what I will suggest that Sanket who is heading our investor relations and Atul who is currently in Singapore, so I think they can meet up separately with you and provide the details.

Nidhesh Jain: Secondly Sir, CE and CV are low ROA business for us as I understand, so as they are running down the ROAs are likely to improve, so is there any mix change guidance on ROA improvement?

Sanjay Chamria: Which is exactly what I answered to the question by your predecessor that the new car, new CV and the CE these three are a low ROA product and two years ago their contribution was more than 55%, today it has gone to 40% and in the next two years we hope to further bring it down to 30%. So one the product mix itself would result in higher NIMs and two, with the credit scenario improving we see the moderation in the credit cost from 2.2% to about 1.25%. The combination of these should lead to an improvement in the ROA and definitely we expect within the new car, CV, CE segment the contribution of CV and CE going down more sharply.

Nidhesh Jain: Okay Sir, that is it from my side.

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

Deepak Poddar: Thank you very much Sir. As you mentioned earlier that we are looking for a credit cost improvement from currently may be 2.2% to 1.25% by FY2018 and accordingly we also mentioned that ROA we are expecting improvements about 1.7% to 1.8%, so I was just wondering that when we see credit cost improvement of about 1% with NIMs also improving above 7% our ROA should have improve much more right in terms of our target?

Sanjay Chamria: Yes you are absolutely right and therefore I said there are three things that we expect that likely to contribute to the ROA improvement and one of which is the credit cost, second is the NIM and third is the opex and there is an interplay involved, but however, it is rare that all three will click and therefore even if one does not then also you are reasonably confident in certain that this will improve and you reach a targeted level. The second point is also that the improvement that we spoke about, which is 40, 50 basis point in the NIMs and about 1% in the credit cost is pre-tax, so there would be a 35% tax as well, so then ROA when we calculate eventually it will be at a post tax level.

Deepak Poddar: But if all these three clicks, we can, all the three factors that you mentioned clicks for us then you can easily see a ROA greater than 2% for us right?

Sanjay Chamria: Of course, if all the three can click wherein we get 25 BPS improvement in the opex, 50 BPS improvement in the NIMs which is 75 and 1% improvement in the credit cost, so that becomes 175 and post tax will be about 1.1% or so, so obviously then it crosses 2%.

Deepak Poddar: I understood fair enough and my second and last question is on your AUM growth at the end of last year we mentioned we are looking at AUM growth of about 10% to 12%, are we sticking to that or is there any change to that?

Sanjay Chamria: After five quarters of degrowth in the disbursal in the Q1 reversed that though there is only a marginal 2.5% growth wherein again I gave a granular idea that the ABF grew by 12%, the SME grew by 25%, in the mortgage because of all these changes that we are doing, we are reducing the ticket size and creating a more tier town presence and therefore the average ticket size has now fallen to Rs.16 lakhs, so we hope that in the coming three quarters the growth accelerations will happen and therefore we will end up the year, but it may be overall for the year a single digit growth wiping off the 2% deficit that we have recorded in Q1, but obviously we will not be reaching 12% to 15% growth that we originally targeted.

Deepak Poddar: So a single digit may be a higher single digit is what we might be targeting?

Sanjay Chamria: It could be a low single digit also because today our complete focus is on how to arrest the credit quality, make sure that that is absolutely good in the new origination and two also to recover money from the existing NPAs and with the model that we are currently following our sales team is also handling the collection up to the 90 DPD, so the message and the signal that we have given to our team is that no matter even if the growth is lower, but we would rather like to mentioned the existing portfolio quality and improve on this and existing customers should be paying money and therefore there should be a higher effort on the same.

Deepak Poddar: I understand, what is your gross NPA on 90 DPD, which is 8.7 as on 120 DPD?

Sanjay Chamria: I do not have it right now at hand, may be Sanket can provide you later on.

Deepak Poddar: That is it from my side. All the very best.

Moderator: Thank you. The next question is from the line of Shivang Mahajan from Asit C Mehta. Please go ahead.

Shivang Mahajan: Good morning. Thanks for opportunity Sir. My first question is like if I breakdown the disbursements like baring the mortgage segments the growth in disbursement seems to be fine, but the reason you mentioned about the mortgage segment is like the decrease in ticket size, so if I grill down the ticket size is reduced to 15 to 18 lakhs, from Rs.15 lakhs to Rs.25 lakhs average ticket size whereas the LTV has been increased to 45% to 50% from 45%, so like is it the only reason behind the 40% decrease in the disbursements in model segment or there is something else?

Sanjay Chamria: So one, let me just do some correction, the average ticket size has fallen from Rs.20 lakhs in FY2016 to Rs.16 lakhs in Q1, so there is a 25% reduction in the ticket size, so the reduction of 43% in the disbursal, 25% is explained because of the reduction in the ticket size. This is completely intended and as per the direction of the company. The second is we have also moved away from the larger city to the tier town presence and obviously in the tier town presence you need to originate a more direct business than the DSA referred business, so that also has been taking some time to develop and therefore we expect that from the Q2 onwards we should be able to wipe out that deficit as well.

Shivang Mahajan: So the run rate seems to be around this range, somewhere around Rs.200 Crores to Rs.250 Crores for another quarters?

Sanjay Chamria: Yes in the current quarter we would look at, Q1 we did nearly 200, so in Q2 we would aim to do about 250 plus or so because the change in the direction that we have done should help us now improve the run rate of disbursals.

Shivang Mahajan: Fine Sir and another question is like your bank proportion of your borrowing seems to be very high at 74%, so given to the scenario like many of the NBFCs are moving towards capital market, so how is your strategy towards it?

Sanjay Chamria: So we have traditionally been having a higher dependence on the bank borrowing and this is nothing new, in fact if you look at last year also, March also it was 74% and it has remained at 74% in the Q1 of this year and we also do a fair amount of sell downs in which as you know due to the distribution tax, the mutual funds were not operating in this market, but now in this years budget it has been bought at par with a banking system and once they start warming up and buying the securitized paper you will see the contribution of the capital markets growing up also.

Shivang Mahajan: So any particular guidance on it?

Sanjay Chamria: No particular guidance I would like to give because we are largely guided by as to what is the cost of fund that we are targeting and the overall ALM mismatch that we are comfortable with and we would rather place importance on these two things rather than targeting a particular mix between the bank versus the capital market.

Shivang Mahajan: How is much our incremental cost of funding on total?

Sanjay Chamria: Incremental cost of funding is around the same, we ended the year first time below 10% and right now also it is hovering around 10% the incremental cost.

Shivang Mahajan: And the last question is like can we get the proportion of recourse and non-recourse portfolio within securitized position?

Sanjay Chamria: Significant part of it is actually without recourse.

Shivang Mahajan: Can you say it is more than two-third?

Sanjay Chamria: I would not know off hand, I am told that it is about two-thirds.

Shivang Mahajan: Thank you. All the very best Sir.

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

Nischint Chawathe: Two questions, one was on the tax rate and I was curious you know why did the tax rate fall this quarter as compared to the previous one?

Sanjay Chamria: Kailash would you reply to this question?

Kailash Baheti: Tax rate would not have fallen this quarter. So may be we will take this question again off line.

Nischint Chawathe: The guidance for cost to income ratio you kind of had a discussion on this, but broadly would you be in a sense to give some guidance as to what happens to this ratio by the end of the quarter because somewhere we are looking at linear improvement which sort of does not seem to happen at least in this quarter?

Kailash Baheti: Our opex ratio has remained more or less stagnant this quarter, but the loan book has decreased, so our net opex has actually decreased by about Rs.9 Crores.

Nischint Chawathe: But I would guess that your loan book had decreased last quarter also right, I mean it has been a couple of quarters in which, for the last quarters your loan book has been decreasing despite that there was an improvement in the ratio, but there was some kind of reverse trend in this particular quarter?

Kailash Baheti: Absolute number has still decreased of course the ratio has slightly increased.

Sanjay Chamria: In terms of the rationalization in the structure resulting in the cost reduction is now complete so we do not expect actual amount of opex go down any further and the improvement in the cost income ratio or the opex AUM ratio these two things that we track will now be depended on the growth in the loan book, which has not happened in the Q1 for the reasons that I was talking on the call so in the coming quarters starting from the second quarter as the loan book stabilizes and then starts to we would then see gradual improvement in the cost to income or the opex to AUM ratio.

Nischint Chawathe: Thank you very much.

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

Aadesh Mehta: Sir, in terms of your operating cost or they are any one off this quarter?

Sanjay Chamria: No there are not.

Aadesh Mehta: Sir, how much growth can we support without increasing our opex?

Sanjay Chamria: So in terms of the disbursal you see we are currently in SME we are operating at more than 100% so we do not expect any improvement to happen their without addition to the head count, but in the mortgage and the ABF business we have inherent capacity of at least about 25%, which means growth of 25% in the disbursal can happen without increasing in the cost.

Aadesh Mehta: Okay Sir and Sir in terms of collection efficiency where are we currently now?

Sanjay Chamria: We are in the Q1 at 94.2%.

Aadesh Mehta: Okay, and last year this was at similar levels are right?

Sanjay Chamria: It was 93.8% so there is marginal improvement of 0.4% between the two quarters on Y-o-Y basis.

Aadesh Mehta: Sir, in mortgages so what kind of disbursement growth we would be looking and from this segment?

Sanjay Chamria: As I was the talking sometime back that in mortgage we have been reducing in the ticket size as we have already achieved the same in the other segment which in the SME and the

ABF, mortgage we have achieved now and now it is our comfort range because we wanted to keep it around 15 lakhs so it is at 16 lakhs in Q1. So that obviously resulted in we going down in the disbursement and henceforth now we hope to maintain run rate of roughly about 100 Crores so if the end up the year at about 1200 Crores so this is what we are looking at and net-net there will be a marginal growth this year in the overall loan book in the mortgages but then with the new look portfolio of about 15 to 16 lakhs in terms of the ticket size and in terms of the customer segment also it is more the informal segment in the tier towns, which we achieved in the current year.

Aadesh Mehta: Right Sir, around 1200 Crores of disbursal is what we should be expecting from this book.

Sanjay Chamria: Yes.

Aadesh Mehta: Sir, regarding your liability mix, I know you have addressed this in the earlier questions, but just wanted to know in terms of raising money from the debt market what challenges we could be facing because for other NBFCs what we have seen very easily they have migrated from bank borrowing to bonds, but what is preventing us from doing that in a very scalable way?

Sanjay Chamria: So as I mentioned that you know we typically have a longer term liens from the bank and we have also seen that these tend to be lot more stable in nature like the working capital by way of cash credit or the three to five-year term loans and then we do the sell down which also is about 30 to 35 of our overall loan book so three sources come from the banking system and therefore we have tended to always depend and rely more heavily on the banking system rather than the capital markets and in terms of the capital market we are accessing more lower tenure which is up to one year funding by way of the commercial paper or by way of a short-term bonds from the capital markets rather than the longer term bonds.

Aadesh Mehta: Okay Sir, but are we facing any challenges to raise three bonds are something like that?

Sanjay Chamria: No it is always the function of just that cost of bond.

Aadesh Mehta: Okay Sir, what pricing?

Sanjay Chamria: It is not that we want to raise it, but it is not there is any challenge per se.

Aadesh Mehta: Sir what pricing could we get on if suppose you are raiser three year bond up today what pricing could we get?

Sanjay Chamria: Atul is not here today. He is actually on a road show, he would be more appropriate person to answer but my guess is that it will be between 9.5% and 9.75% for a three-year bond.

Aadesh Mehta: Thank you Sir. That is from my side.

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

Umang Shah: Thanks for the opportunity. I had a couple of questions. One was in terms of our expansion in terms of branches so we have seen after quite a few quarters that we have added our couples of branches; however, our head count has gone below 9000 people if you could just elaborate a little bit in terms of our expansion strategy how do we see are network rollout happening through the rest of the fiscal and you also mentioned that there is not much of scope in terms of absolute cost rationalization if you could just throw a little more light in terms of branch as well as people addition in context of that?

Sanjay Chamria: It is an interest question Umang. See in the last two quarters after almost about two years we have added about 60 branches and we are current year about 257 branches while at the same time being successful to keep the head count on the check so what we did was through a very huge technology deployment we have positioned our guys into the talukas where they can service the customers and channels lot more effectively from their home rather than coming to office every day and we have opened more small, small branches in the talukas and the subdistricts were which can act as the hub and the guys with the technology there are acting as a spoke and that is reason that there has not been any increase in the head count on the other hand there has been on marginal reduction, but this reduction also is more temporary in nature because as the demand picks up in the market, we will also be replenishing and may be around again 9000 people or so and going forward as well still we are scope to open another 20 to 15 branches creating our deeper presence at subdistricts and taluk levels but without adding to be head count this also has those reduce the commuting distance for our field guys and thereby they spend more productive time with the customers either for collection, or for giving them new loans and also visiting the channels much more regularly and thereby providing them better service. So the outlook wise, I would expect the more number of branches to get opened up once these 50 branches stabilize and terms of the head count it still remaining had about 9000 or so.

Umang Shah: That is quite helpful and Sir my second question was relating to the mortgages business, you in fact in your opening comments you have given a detail kind of an overview, but just wanted to understand that have been proactive in terms of reducing the average ticket size or is that the business trends that you are seeing is it because of more competition or may be some asset quality pressure we are taking the kind of decision to kind of go slower in that business if you could just give some colour on that?

Sanjay Chamria: So this is I have said even in my earlier calls that we saw the delinquency pressures and rate pressures more in the higher ticket size so even earlier we were not concentrating much on that but whatever business that was coming in from the higher ticket size we have almost put a complete stop to that and directed our efforts to originate more from the tier towns. So this is not accidental or default that we have achieved average ticket size of 16 lakhs in fact in this year's plan more than 50 lakhs sourcing that we do the expectation is that it would be just about 5% or so and 95% of our total 1200 Crores origination will be below 50 lakhs in terms of single ticket size exposure and they average will be about 15 lakhs. So it is clearly by design with a view to source the informal segment of customers in the tier town rather than having higher ticket presence.

Umang Shah: Okay understand so at least from the overall portfolio standpoint asset quality for us continues to remain fairly al right in this portfolio at this point in time.

Sanjay Chamria: That is right.

Umang Shah: Tanvi, you can just check if there are any more questions in the queue?

Moderator: Sir, there are no further questions in the queue you may close the call.

Umang Shah: Thank you so much. We thank the management for giving us this opportunity and Sanjay Sir, if you would want add any closing comments.

Sanjay Chamria: Thanks very much to all of you of our attending the call and look forward to engaging with you again for the second quarter. Thank you very much.

Umang Shah: Thank you and have a good day.

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