"Magma Fincorp Limited Earnings Conference Call"

October 18, 2011

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Moderator Ladies and gentlemen, good day and welcome to the Magma Fincorp Q2 FY11 earnings conference call hosted by IDFC Securities. As a reminder for the duration of this conference all participants' 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 this conference call please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Pathik Gandotra from IDFC Securities. Thank you and over to you sir.

Pathik Gandotra Good morning everyone, this is Pathik from IDFC Securities and thank you for joining us on the Magma Fincorp Limited Q2 FY12 Results Conference Call. I have with us Mr. Sanjay Chamria - Vise Chairman and MD and Mr. V. Lakshmi Narasimhan - CFO of Magma Fincorp to talk about the company's performance and important events during the quarter ended 30 September. We will begin the call with opening remarks from Mr. Chamria, following which we will have the forum open for interactive Q and A session. Sanjay, I would like to invite you to just make your opening comments and then we can take it from there. Over to you sir.

Sanjay Chamria Hi, thanks Pathik and good morning everyone. And thank you for joining Magma's conference call for the second quarter ended 30th September. Before I get on to the numbers I will briefly like to take you through the key highlights and performance indicators for the quarter. The quarter gone by has seen quite a few policy announcements from the Reserve Bank. Apart from the increase in the policy rates these are aimed at the non-banking sector including the recommendations of the Usha Thorat Committee and setting up of the priority sector committee. The RBI has also in the meantime put out their draft guidelines on securitization as well as direct assignments for banks and we feel that this will also impact the NBFC sector. Coming to the industries performance, during the second quarter the primary sale of cars recorded a de-growth of 4%, commercial vehicles recorded 21% growth of which medium and heavy was 7% and LCVs were 35%. The tractor sales grew 23% and construction equipment industry is estimated to have grown by 22%. So, in the backdrop of the industrial performance of the assets that we finance I now turn to the key highlights of our business and financial performance for the quarter ended September 2011.

Magma has done pretty well in the backdrop of these industry numbers and we have expanded our branch network by adding eighteen more branches during the quarter and now we have 190 branches as a whole. This investment in the expansion of the distribution network should help us in growing faster and improving our market share in the next couple of years. Our disbursements have grown 37% in Q2, to INR 1558 crores on a Y-O-Y basis and for the first half of the year disbursements have increased to 2980 crores, which is again an increase of 36% over the first half of the last fiscal year. Sequentially in Q2 the disbursements have grown by 10% over Q1. Out of the various products, now in car, tractor and construction equipment we have outgrown the industry rate of growth, in car, like we have grown by 82%, whereas the industry de-grew by 4%. Tractors, we have grown by 71% while the industry grew by 23%, construction equipment, we have grown 27% while the industry grew 22%. However, in commercial vehicle we have grown only 3%, while the industry grew 21%. Largely our focus has been in the medium and heavy commercial vehicles which of course, grew only 7% in the industry as well.

Our business growth in the various products has been driven by the philosophy of maintaining healthy spreads, at the same time maintaining the asset quality and growing the same. Accordingly our blended gross yields on a sequential basis have increased by 29bps in Q2 over Q1, and on a Y-O-Y basis in Q2 our yields have grown by 198 basis points. The contribution of the new product, that is, the tractors, used vehicles and SMEs has grown to 23% of the incremental disbursal during this Q2 as compared to 19% for the whole of the last fiscal year and we are on course to achieve our budgeted numbers of 25% contribution from these products during the whole fiscal year.

We now have a very balanced portfolio comprising seven products and one of the products contributing more than 30% in the overall distribution, which kind of insulates Magma's loan disbursals from cyclicality of a particular product. Our strategy of growing the contribution of these high yielding products in a moderate and consistent manners has been further vindicated by the performance of the portfolio with our over all collection efficiency during the quarter being 99.5% and for the first half at 99.8%. Write-off to the AUM, as of percentage is also at 0.24% on an annualize basis and is in line with the write-off percentage for fiscal 2011. In accordance with the guidelines we set out at the beginning of the year, that we would minimize securitizations/assignment and use it more as a treasury tool are loan asset on balance sheet have grown by a healthy 75% and our AUM at the end of Q2 is now at about 11,400 crores. And our own book assets now constitute 66% of the AUM as against 53% last year. With that I now move to the financial aspects of the results.

Consolidated revenues during the quarter increased by 27% to INR 252 crores as compared to INR 199 crores in Q2 of 2011, and for the first half it increased to INR 473 crores as against INR 378 crores in the corresponding period last year. Interest in finance charge have also gone up by 66% owing to higher borrowings to fund the own book asset growth and also as a consequence of increase in the interest rate over the same quarter in the previous year. Our blended cost of fund for the first half was 10.2% and our blended yields net of all payouts was 14.6% thereby giving us a spread of 4.4% for the first half. With the peaking interest rate cycle coming hopefully to an end and with our strategy of growing our own book portfolio, we expect to improve spread from the next two quarters. The PBT for the quarter was INR 30 crores, as against INR 39 crores during the corresponding quarter last year, and for the first half it was INR 55.6 crores as against INR 67.2 crores corresponding period last year. As a consequence of change in the business strategy of growing the own book assets and no up fronting of securitization income, it has resulted in the PAT being down by 19% to INR 21.3 crores as against INR 26.4 crores during the corresponding quarter last year. And for the first half at INR 38.4 crores against INR 44.5 crores in the same period last year. However, it may be worthwhile to note that during the previous year same period, that is the first half the securitization income was INR 57.9 crores, with this year's NIM. On a like-to-like comparison our PBT for the first half is higher by 32%, but for the change in the business strategy and accounting policy. And, it should neutralize from the second quarter of FY13, and rather have a more positive impact due to the larger carry of own books.

Now, I would like to share our outlook for the third quarter. With the primary sale of vehicles and equipments, and tractors expected to remain moderate and more or less in line with the second quarter. We, at Magma have undertaken several initiatives of deepening our presence in the rural and semirural markets, which is by way of opening of more branches and having higher presence in existing such market through more feet on the street, we expect to out-perform the industry growth rate as we have done in the second quarter. My own, and my top management's regular visits to the various rural parts in our country validates our own growth projection and we retain our guidance of achieving 50% growth in the new loan disposals for the current fiscal. However, we are seeing margins coming under increasing pressure and we expect to close the year between 4.5% to 4.6%. We also expect some pressure on recoveries from the customer even though, in our view a write-off would still remain under control and reflect the excellent quality that we have maintained consistently over the last several quarters.

The policy rates in our view are expected to increase another 25 bps during the second half. We will pursue our strategy of customer segmentation and product mix within the credit risk framework and maintain our net spreads as indicated above. With that I would like to end my comments and Lakshmi and myself are happy to take any questions that you all may have. Thank you.

Moderator Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on your touch-tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Anyone who has a question may press * and 1 at this time. The first question is from the line of Sachin Kasera from Lucky Securities. Please go ahead.

Sachin Kasera Thank you for taking my question sir. I had just one basic question on the balance sheet. If I understand it correct, you have historically made some investments in the wind power, if you could give us is that correct and if you could give us a sense of how much money had we actually invested in.?

Sanjay Chamria See, Sachin we invested in the wind energy till about three years ago, okay, and in the last two fiscal and the current fiscal, so which is FY10, FY11 and FY12 we have not made any incremental investments in the wind energy. Our total installed capacity is close to about 19 megawatts. And, this was done in those times to take advantage of the tax breaks that we get and the gross income on account of the sale of power is roughly about 11 to 12 crores a year, and the total outstanding borrowings against the same would be in the range of about 60 odd crores, and that would entail our interest outgo of between 6 to 6.5 crores and that is the total position of wind energy.

Sachin Kasera Just continuing on the same topic, do you plan to kind of, hive it off, sell it or do you just plan to keep it on the books and continue with it and make no incremental investment?

Sanjay Chamria One thing we have clear is that we will not make any incremental investments, and so far as the disinvestment is concerned we are not really in a hurry fact that we would like to sell it off. But, however if we get a good price then, I think it will kind of make sense to dispose of the noncore assets.

Sachin Kasera On the securitization bit, is it now fair to expect that your securitization income will be, you know, negligible or close to zero going ahead in the next two, three, four quarters?

Sanjay Chamria So, as we shared that from April 2011, we have one discontinued securitization as a business strategy. Like a till last year we used to sell down about 52% - 53% of our total origination, and that is down to zero, and we have said that going forward we will use it more as a treasury tool and if at all we securitize, then have also announced that we have changed the accounting policy and we are not going to recognize the income upfront on the sale. And, therefore even if we a sale the income will be recognized over the tenure of the contract just like as if it is an own book assets.

Sachin Kasera Yeah, so fair to assume that the securitization profit to income will reasonably negligible going ahead?

Sanjay Chamria Absolutely.

Sachin Kasera Okay, so given this status on the securitization front, what is your expectation on the kind of ROEs that you can make once you leverage your book fully and you know, with whatever margins and positive income you may have projected.

Sanjay Chamria Well, we are not giving any forward looking projections in terms of the ROE and the ROA. However, the margins on which we are operating which are, I mean, in FY10 it was 5.1 and FY 11 it was 5, in the current year now, it has gone down to 4.4, and with the interest rate cycle peaking, and your strategy of retaining now all the assets on our balance sheet, I think it will kind of help us in improving the margins once you see the reduction in the interest rates happening after the cycle peaking. And therefore, I guess our margins remaining healthy, the ROA ROE should improve once the effect of securitization gets neutralized.

Sachin Kasera Sir, just from my investor point of view, if we kind of, analyze the numbers that we have shown up in the first half of the year and try and get a sense of the average ROE that you will make this year, it comes out to single digits; my previous question was with what assurance or what is the investor looking forward to in Magma Fincorp going ahead in the next two-three years, and that was the perspective of the question before.

Sanjay Chamria Yeah, so therefore I think you can do a simple math, and that is available also in some of the reports coverage on Magma, that if you have 4.5% net interest margins and the leverage which is now regulated by RBI to say about 5-1/2 to 6 times, because you need to maintain a 15% capital adequacy, with the loan loss ratios at about quarter percent of the AUM and the total expenses which are at about 3.5% of the total AUM, you can kind of calculate as to what kind of ROA and the ROE should be produced.

Sachin Kasera So, if you are not going to give any guidance on ROE, may be you could just give us a sense of, when do you expect to reach the, you know kind of, what is your expectation on the peak margin, 4.5 itself or you are likely to improve it to 5 - 5.5, over a period of year or something?

Sanjay Chamria Sachin, in my transcript I think mentioned that, quarter 2 of FY13 is when we expect the impact of change of the business strategy neutralize and rather have a positive impact, because, once you stop this for about six quarters as I said, because the second quarter of

FY13 will be the sixth quarter of the change in the business strategy and then your entire origination more or less is on your balance sheet. Because, even what you securitize, you are amortizing the income. And that is what I said, that then the kind of income would be bulging and the profits would be higher.

Sachin Kasera Sure, thank you for taking my question sir. I will come back if I have more. Thank you.

Sanjay Chamria Sure, thank you.

Moderator Thank you. The next question is from the line of Anuradha S from Ticker Plant**.** Please go ahead.

Anuradha S Yeah, congrats for the good set of numbers. I just want to know what is your view on the NBFC, you need to be treated differently from banks on Usha Thorat?

Sanjay Chamria Yes Anuradha, in fact, the Usha Thorat Committee Recommendations are saying that banks and NBFCs rather should be treated on the same quotings, than being treated differently. And, in addition what it has recommended is, in terms of the capital adequacy the treatment of the NBFC sector should be more conservative than that of banks, and which is what we feel is not the right step to take because, the capital, if you increase the requirement for the sector it will have a negative impact on the ROE. As you know for the banking system there were 9% capital adequacy which, exist at 15% for the NBFCs, and within that the Tier-1 requirement for the banks is at 6% which currently for the NBFCs is 7.5% and the committee recommendation is to take it to 12% and that we have vehemently opposed and said that, that is not the right step. So far as the provisioning requirements are concerned I think they are proposing to bring it at par with the banks by treating NPA at 90 days recognition rather than 180 days, and in terms of the standard provisioning also they are recommending to increase from quarter percent to 0.4%. With regard to the prudential norms on the concentration risk etc, I think they are bring it at par with the banks in terms of the oversight from RBI, again they are saying that over a thousand crore NBFCs should be having a much greater degree of oversight and inspection from the RBI, which I guess are a lot more welcome step and it will improve the confidence of the various stakeholders into the sector. So, it is a mixed kind of a feeling except for the two points which is on the capital adequacy and its deep migration on the provisioning norms to what is similar to banks. The rest I think, the recommendations are pretty much welcome so far as the sector is concerned.

Moderator Thank you. The next question is from the line of Parag Jariwala from Anand Rathi Securities. Please go ahead.

Parag Jariwala Yeah, good afternoon sir. I just wanted to know sir, I appreciate your policy of writing off all the assets where there are problems going on, but for that do you follow 180 days recognition or 90 days recognition?

Sanjay Chamria We follow, Parag, right now 180 days over the assets, for the purpose of writing off because that is what the current NPA guidelines applicable for the sector.

Parag Jariwala Right, so do you see some increase in your delinquency etc, once the 90-day is introduced?

Sanjay Chamria There will not be an increase in the delinquency, there will be an increase in the write-off......

Parag Jariwala Right, right.

Sanjay Chamria ....You know, the NPA recognition is advanced from 180 days to 90 days. Well, obviously I have a pipeline which is there between 91^{st} day and the 180th day. So, which hitherto I am not required to make a provisioning but if the NPA guidelines are, you know, advanced then of course, I will think to make a provision on the same.

Parag Jariwala And sir, one book keeping question is, can you give me your Tier-1 and Tier-2 capital?

Sanjay Chamria Yeah, as on 30th September our Tier-1 is 15% and Tier-2 is 5%, so total is 20%.

Parag Jariwala Right, right. Okay, and sir, can you give me on how much securitization income, you know, booked in FY11?

Sanjay Chamria I think we had mentioned it is about 20%, whole of FY11 Parag it is about 170 crores, for 20%, 19% of our overall income for the last securitization.

Parag Jariwala Okay, okay. And how much spread do you make, I mean when you sell down to the banks and some other companies.

Sanjay Chamria It is function of, when you sell, how do you price it, what are the underlying assets so on and so forth. I think anything in the region of 6.5% is what was last year.

Parag Jariwala Okay, okay sir. Thanks a lot, if there is anything I will come back with a follow up question.

Moderator Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal Good morning sir.

Sanjay Chamria Morning Pankaj.

Pankaj Agarwal Yeah, sir your strategy to securitize less going forward, it looks counterintuitive because, in a regime where RBI has raised Tier-1 capital or is planning to raise Tier-1 capital to 12%, I believe you know, if you securitize more probably will free up your capital more. In an environment where interest rates are rising you will be able to get funding at a cheaper cost. So, it is looking a bit counterintuitive in this environment where you are deliberately, you know, reducing your securitizing.

Sanjay Chamria See Pankaj, one, the strategies that you make are never cast in stone, so I think if you look at in retrospect we decided about a year ago that we would like to reduce the securitization and we raised capital and then we stopped securitization and after that, you see the RBI pronouncements on securitization guidelines and on capital adequacy, then it appears as if we had a, in hindsight we are genius. But, then that is how we wanted to change our business strategy, we wanted to grow our own balance sheet and so that we have a lot more stability in the income and the profitability, then the earlier model of significantly selling down. So, as you know the RBI has also set up a PSL committee and they have come out with a draft guidelines on securitization/ assignment applicable for banks and I am sure they will come with one for the NBFC sector as well. So, I think post that we will have to look at, and take a view with regard to our strategy. Even this, what I was mentioning to a question by on Anuradha, Usha Thorat Committee Recommendations, this is a recommendation which has been made by the committee to the RBI and assuming the worst case scenario that it gets implemented in total, then also there is a three-year window that RBI is talking about in terms of increasing the Tier-1 from 7.5% to 12%. And, if you look at the past, they have always, you know, made it on a step up basis. So, I think their strategy re-think will probably come in once you have the final guidelines in place, and until then we have enough capital with us No.1 and No.2 we have more than enough support on the debt side from over 25 banks and institutions that we deal with. So, we would rather like to do that and then take a view whether it needs to be re-thought about.

Pankaj Agarwal Yeah, I agree on that, you know, given the regulatory regime probably you should go for less securitization but as an economic decision anyway securitization is more ROE, you know the ROE on securitization is much higher than when you are keeping the same loan on your books, right. So, if the regulator allows you and if there is a market for securitization, you know, why should not you go for that, I mean, it gets you cheaper funding, it get you abundant funding, it lowers your capital requirement, that is a bit confusing.

Sanjay Chamria So, you made three observations and I agree with you on one and I do not agree with you on the two. So, I agree with you on the one that it lowers the capital requirement but as I mentioned just some time ago that my capital adequacy is at 20, and 20 also is a misnomer because Tier-1 is 15 and technically I can go down to 7.5 so therefore, I can raise more Tier-2 and increase my capital adequacy to 30% as on date if I like. So therefore, reduction in the capital requirement is not something which is going to influence my decision on sell down and where I do not agree with you is the availability of cheaper funds and the lower cost of fund. As I mentioned just previous to your question, that we have enough and more liquidity in the form of a debt capital from the market and with the improvement in our credit rating anyway now we enjoy AA plus rating which is at par with all the highest and the best companies in India, we have enough and more appetite in the banking system to lend to us, at the cost which is as competitive as if I were to sell down the portfolio and that is the reason I disagree with you on these two comments, however, I agree with you that position may change in future, and if it does change in future, then as I mentioned in my original speech, that securitization will be treated as of treasury, as of funding tool rather than a business strategy.

Pankaj Agarwal And sir, as your, you know, you do not securitize more and your securitization portfolio winds up, probably you will have higher asset on your balance sheet. So, do you see your Tier-1 capital going down over a period of time, if you do not securitize more?

Sanjay Chamria You are right absolutely, because of the act of retaining more on the balance sheet and just like as I was mentioning last year it was 53%, you know on book, now it is up to 66% and by year end it will be more than 75%, if we do not securitize then obviously my Tier-1 will go down, and which is where I am saying Pankaj, once again, that depending upon all the final guidelines of the RBI would be, we will take a call as to, should we securitize or should we not securitize and, if we do so what should be the extent of securitization. At least, today we are in a position, we have the luxury of deciding as to how we want to do it, rather than being forced into it. I think that is the point which I am trying to drive home.

Pankaj Agarwal Okay, and in terms of sir, the delinquency is in 90 - 180-day bucket, what is the proportion line in, let's say if the RBI finalizes these guidelines, you know, NPA recognition between 90 - 180 days, what kind of jump you are seeing in your NPAs?

Sanjay Chamria We will have a baby jump, because last ten quarters we are having cumulative collection efficiency of more than100%, so therefore, the pipeline has almost dried up. To give a specific number, the 90 - 180 is actually less than 1% as on 30th September 2011, so potentially if RBI were to tell us and that too straight from tomorrow, that you know, you advance the NPA recognition from 180 to 90 days, so I have baby jump of less than 1%.

Pankaj Agarwal Okay, okay and sir in terms of ....

Sanjay Chamria Basically Pankaj, you know, we are far better positioned to the industry median of, I think 90 to 180 as per one of the reports by the rating agencies is more than 2%, so I think we are far more comfortably placed on a comparative degree.

Pankaj Agarwal And sir, in terms of your Y-O-Y disbursal growth of 82% in cars, it is kind of bit, you know, disconnect between actual car sales. So, from where these sales coming, you know, because even cars is one of your big portfolio. So, whether it is coming from, you know, rural areas or .....?

Sanjay Chamria Though you are absolutely right Pankaj, when earlier when we had 172 branches at the beginning of the quarter, and now we have 190 branches, out of 172 branches we had 80.5% of the branches from the rural areas and which has now further gone up because all the 18 new branches that we have opened up are also in the rural and semirural market. And, if you also consult and find out from the car manufacturers that growth in the car sale in the interiors is much higher than the growth in the car sales in the metro markets. So, therefore due to our distribution network which is biased towards the rural and semirural, we are getting the benefit of the same and, we are deepening our presence in those sectors only.

Pankaj Agarwal Okay, and in terms of growth in CV portfolio, is there any reason behind you know, lower growth than industry growth in that segment?

Sanjay Chamria Yes, the principle reason as I mentioned you know, is one of course, is the yield. We have seen that the CV sector has witnessed particularly greater degree of pressure on the pricing from some of the players and we wanted to maintain our asset quality primarily, and secondly the yields. Even though, you see, our yields have fallen to 4.4% in the first six months but, I think still they are very healthy. So, we said that we do not want just the growth in the numbers at the cost of impacting the profitability. So therefore, we decided to take a step back so far as CV is concerned and, which is where, Pankaj that we have the most diversified product presence, having seven products and no single product has more than 30% contribution in our product portfolio, kind of isolates us from the cyclicality from different industries.

Pankaj Agarwal Okay thanks a lot sir, thank you very much.

Sanjay Chamria Thanks.

Moderator Thank you. The next question is from the line of Anuradha S from Ticker Plant**.** Please go ahead.

Anuradha S Sir, my call disconnected before that, and I just want to ask you a couple of questions. What is the total own book assets as on September?

Sanjay Chamria It's 7.5 thousand crores.

Anuradha S And could you give me the geographical mix for the disbursements?

Sanjay Chamria The geographical mix, North continues to be the highest, followed by West and South and finally the East. You know, South and West are almost at par, and East we are at about 16%. And that is how it is.

Anuradha S Okay, and what is the borrowings as on 30th September?

Sanjay Chamria North is 31%, West is 28%, South is 25%, and East is 16%. That is how it is. In terms of borrowing you see, it is loaded in favor of working capitals and term loans and NCDs and commercial paper and finally the Tier-2 capital represented by our press sales and sub-debt.

Anuradha S Okay, thank you sir.

Sanjay Chamria Thanks.

Moderator Thank you. The next question is from the line of Subramaniam P.S from Sundaram. Please go ahead.

Subramaniam P.S Hi, good morning everyone. My question is on the strong disbursements that you are seeing in the areas where you operate, some sense on what is the end use especially, you know, in especially car loans and all, what is the end use? Is it for consumption that people are buying these cars out, or is it for business or some color if you could......?

Sanjay Chamria For you know, 16% of our disbursal in the car is for the MUVs and which are largely for the mixed use, especially in the interiors where people would use it during the week for commercial uses of hiring out and on the weekends they use it for the personal purpose. And the balance, you know, car financing that we do are the Segment A and Segment B, which are largely used for the personal purpose.

Subramaniam P.S Okay, this is 60% you said right, for MUV .

Sanjay Chamria 16.

Subramaniam P.S 16, oh so it is, large part of the purchase is for personal use.

Sanjay Chamria That is right.

Subramaniam P.S What has been driving this trend sir?

Sanjay Chamria In the sense?

Subramaniam P.S I mean, why is it that you are seeing more of personal purchases happening in cars in these areas, what has improved affordability in these areas?

Sanjay Chamria Okay, I think that's Subramaniam a larger question, you know, even the asset quality today I find in these areas is far superior because, there is a lot more cash flows in the hands of the customers who we are financing in the rural and the semi urban markets. So, one like when we are dealing with the farmers that we fund the tractors, there we find that the disposable cash in their hands is a lot higher than it used to be before, one, due to the increase in the crop and two, also the increase in the MSP. And, that is reason you sale of FMCG products or the consumer electronics and the passenger car has been rising in these markets compared to the urban markets. And, similarly if I look at the commercial vehicles or construction equipment the deployment in these areas is due to the NREGA scheme, in which you have so many people opting for it. So, there are a lot of developmental projects which are undertaken. And the deployment of these assets are also better, and that is why you see in the second quarter the construction equipment sales went up by 22%. So, I think with more cash available in the hands of these truck operators or the machine operators, the repayments are higher and that is also what is leading to greater consumer spend in their hands.

Subramaniam P.S Any trend changes you are seeing sir, because sometimes you said that farm profitability is actual declining because of higher input costs and plus the pays of incremental NREGA are also coming down, so are you seeing direct impacting, some amount of slowdown?

Sanjay Chamria In fact, you know, I mentioned some time ago Subramaniam that me and my top ten, we have been visiting the rural areas of different parts of the country and you will be very surprised when I visit the house of a farmer or a truck driver, and which I do every month, and meet up with the dealers out there, they do not really know about what is the inflation rate, what is the interest cost, what is the fiscal deposit and all that stuff that we talk about. Here, people simple look at, you know, last year I produced you know, about 100 quintiles of this crop and so much of bales of cotton and this is the price that I got and now I want to buy a second tractor or I had a kacha house and now I want to convert that into a pakka home or I want to add one room. And, I have visited in all the four zones at least, you know, one each State and in different such places. So, you really find that what we talk at a macro level economic scenario and at a micro level where a person is dealing with his daily requirement and farming or where they have those brick kilns, because most of these farmers would also have that, the scenario is very different. Now, in future whether it will change or not change, I think it is difficult for me to comment. But, as on date I find that they are very comfortable in terms of the cash flow, in terms of yields having improved, MSP having improved, and because of NREGA there is another member of the family, he actually gets more employment and also revenue from the government. I am not seeing that trend changing at least in the near future.

Subramaniam P.S Thanks, that is very useful. Thanks a lot.

Sanjay Chamria Thank you.

Moderator Thank you. The next question is from the line of Rahul Vekarai from Axis Mutual Fund. Please go ahead.

Rahul Vekarai Good morning sir, I just wanted to know the breakup of the incremental growth in our assets we give on finance.

Sanjay Chamria Can you Rahul, explain the breakup of the incremental growth means product wise disbursal growth or are you talking about the AUM growth you are talking about?

Rahul Vekarai As a product wise disbursement growth.

Sanjay Chamria Disbursement growth, that I think I mentioned. At car, we grew by 84%, tractors we grew by 84% .....

Rahul Vekarai Sir, sorry to interrupt you, no my question was in terms of as a proportion of my total assets and finance.

Sanjay Chamria Okay, okay.

Rahul Vekarai Because I am not able to view the investor presentation on the website.

Sanjay Chamria Useful point, in the investor PPT you may be able to view.

Rahul Vekarai The PPT is not on the site.

Sanjay Chamria No, it will be put up today, because yesterday actually our board meeting at about 5:36 and then we had this call today morning. So it will be put up today.

Rahul Vekarai Sir, not a problem, I will check from the PPT. Just a rough, any major…..

Sanjay Chamria I can tell you first six months car has overtaken commercial vehicles, as product in terms of business. And followed by commercial vehicles which is second one and the third one is the construction equipments, then tractor has come up as the next largest product, followed by used vehicles and finally SME loans.

V Lakshmi Narasimhan --Then tractor has come up as the next largest product followed by used vehicle and finally SME loans.

Rahul Vekarai The reason I asked this question is because as high yielding products are basically used CV SME sector. And the growth we are seeing is from the comparatively low yielding products. So how do we see this going ahead impacting our net interest margin?

V Lakshmi Narasimhan So like, I was sharing that, we have been growing at pretty regulated manner. FY'09 we had the high yielding contributing 9% which went to 13% in FY'10. Went up to 19% in FY '11 and this we definitely take it to 25%. And in the first six months it is at 22%. And if I look, now I have got the figures with me. On a AUM basis overall 2011 these three products has 17% in the overall AUM. So while my incremental disbursal are at 22%, but on a cumulative AUM basis it is 17%. And going forward in future our intention is very clear that we want to take it to 30% in FY'13 which is the next financial year. And then we want to see us to whether like it impacts our asset quality or not because the normal perception is if you lend more for the high yield things, your credit will increase and the quality will get impacted. Till date we find that our quality is not impacted, but then that is no guarantee for our future performance. So we also want to go step by step and every year increased it by 5% and then take a look at how the performance of the previous portfolio has been.

Rahul Vekarai So the reason for this query was, if you see with the increasing interest costs, fuel prices and the cost of the equipment as well and we also then expect a growth of 30% odd in this three yielding. So that is the reason why this kind of perception in query is coming from.

V Lakshmi Narasimhan No I understand your query, but I think the reply which I have given is the one that I have. And as far as the increase in the fuel price is concerned, that I think impacts all the products and across all the customer segmentation. But we are keeping a close watch in terms of the emerging trends on the portfolio quality. And then accordingly take a decision if we need to make any changes.

Rahul Vekarai Okay sir. Just in your break of borrowings, may I know how much is the proportion in MCDs and CPs?

Sanjay Chamria See overall borrowing as of 30th September is 5889 crores. Your working capital is 50%. CPs-MCDs break up was 25%. Term loan is 16%. Referring shares, update PDI all that put together about 9%.

Rahul Vekarai And in this quarter in particular, what is the cost of the funding that we are seeing in these incremental MCDs and CPs, basically a working capital.

Sanjay Chamria I think incremental cost as of now if you consider, I'm saying incremental cost, we look at it in a different manner. Not like what's the face borrowing for this quarter. So my blending cost up to first half is 10.2. And certain money that we would have picked up during this question, some long term money has come in and even at as low 10.08. So incremental borrowing is coming the about 10.25 to 10.3.

Rahul Vekarai This is a period incremental.

Sanjay Chamria For the second quarter.

Rahul Vekarai For the second quarter?

Sanjay Chamria Right.

Rahul Vekarai And we want the rates, see any these costs coming down or staying. How do you view these costs sir?

V Lakshmi Narasimhan Is there a prediction, well we have predicted about 100 base increase for the year. I think we have crossed that. As Sanjay mentioned in his speech, I think we are at the peak. Probably another 25 to 30 increase in cost will something we expect to happen. And that's what most analysts say. Possibly at the end of Q3, became Q4 is should start stabilizing. Possibly Q1 mix date will start coming down.

Rahul Vekarai That's coming down. Great sir, all the best ahead, thank you.

V Lakshmi Narasimhan Thanks.

Moderator The next question is from the line of Deepti Chauhan from Asit C Mehta. Please go ahead.

Deepti Chauhan Just had one question, just wanted to know basically what have been the yields, segment wise if I can have them and also if I can have the yields for the second quarter. What were your yields on the total book for the second quarter? Sir actually I was just looking for a breakup of the yields segment wise if I can get them.

Sanjay Chamria I will give it to you. I'm speaking of H1 FY'12 right.

Deepti Chauhan Sure. If I can get for the second quarter sir.

Sanjay Chamria Second quarter cars – 14.2, commercial vehicle 13%, construction 13.6%, used commercial vehicles 19%, SME 16.7%, tractor 20.1%, and strategic equipments 12.1%.

Deepti Chauhan Sure and what was the blended yield for the second quarter sir?

Sanjay Chamria 14.8.

Deepti Chauhan All right. That's it from my side. Thank you.

Moderator Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal Sir despite this dispersal growth if I see AUM growth it was hardly 17% on YoY basis. So were there any prepayments?

Sanjay Chamria AUM, you are comparing September 2010 to September 2011 Pankaj?

Pankaj Agarwal Right yeah.

Sanjay Chamria So that's not the percentage that you mentioned now. I think it's close to 66%.

Pankaj Agarwal The AUM growth?

Sanjay Chamria No. not the AUM growth.

Pankaj Agarwal AUM growth is coming around 17% only.

Sanjay Chamria That's how it will be. When you have run offs going on, with your weighted tenure being about three years. It's not unique that it is 15%. I mean, pre-termination if that's what you are looking at that's not contributed to the AUM.

Pankaj Agarwal Sir like, if I see last quarter also you had similar YoY dispersal growth. But still the AUM growth was more than 20%. So this quarter it's much lower than 20%?

Sanjay Chamria I think we will kind of do the numbers and come back to you if there is any abnormality to this.

Pankaj Agarwal Okay sir thanks.

Moderator Thank you. The next question is the line of Jigar Walia from OHM Group. Please go ahead.

Jigar Walia Good morning everyone. Sorry to getting disconnected earlier. My question was largely firstly on the securitization book that you mentioned that the book will be around 25% of the overall by the end of the year. So if you can give some perspective in terms of what is the kind of AUM growth that you factoring for the end of year. And some perspective on how will the securitized book run down up to Q2 FY'13?

Sanjay Chamria Well I think, we have mentioned that we are looking to grow our dispersal by 15% in the year. And we are not looking to aggressively securitize or sell down. We will do it only at treasury tools. So it would be difficult to face to how will it pan out in say March'12 and September'12 for the next fiscal year. In terms of the change in accounting policy I said, that even if we do some kind of a fell down, since we are going to amortize the income and therefore by the quarter 2 of FY'13, it will kind of neutralize and have a more positive impact.

Jigar Walia Okay. My question is of 50% dispersal YoY how much would it be in AUM growth YoY?

Sanjay Chamria That could be anywhere between 25% and 30%. But in the on book and off book, it will largely be a function of if at little we sell down something and if so then how much.

Jigar Walia I mean if at all it can be, then it probably will be only around at Q4 that it could probably help on the treasury side. So it could be a perspective of that. So the 25% that you mentioned is not assuming any new fell down?

Sanjay Chamria The 25% when I'm talking that is only overall AUM which includes both on book and off book because that is in different to the treasury fund.

Jigar Walia No, I mean it does not include any incremental, what is already been securitized and what is already off book and include the 25% is only the old securitized?

Sanjay Chamria No I think we are not getting it right. See today our AUM is 11,000 which includes both on book and off book. And we have grown at 36% in terms of our dispersal in the first half. Second half we wish to grow more than 50, because further year we wished to grow by 50. And so therefore I'm saying that my AUM as on March'12 will be growing by more than 25% compared to March '11. And then I said that because we don't know as to how much we will securitize if at all we will securitize. Therefore the breakup within the two is difficult to say. And but the overall growth of the AUM will be more than 25, because we are looking to grow 50% in terms of the additional dispersals for the year.

Jigar Walia Perfect. In terms of what is already being securitized earlier, what is already off book right now and that will come down completely by Q2 FY'13?

Sanjay Chamria No that will not come down completely by FY'13 Q2. It will still have some residual pieces because as Lakshmi mentioned some time ago that we have a door-to-door maturity of 3.5 years. So whatever I securitize even in say January to March 2011, some part of it will go almost till the end of 2014. However, any sell down that we do from April 1, 2011, onwards, because we are not recognizing the income upfront. Therefore we are taking...

Jigar Walia Okay because of the accounting impact.

Sanjay Chamria That impact I said by Q2 FY'13 the will get completely utilized. It will have a more positive impact because of the positive carry that we will have, both of the on book as well as the off books.

Jigar Walia Right. And as far as the yield is concerned, I believe that the bank has moved to base rate to September last year. So in terms of the hit on the differential yield would be considered, I think this would be the last quarter, next quarter in case if at all you would have secured, differential yield would not be as much of course that it's have gone up by a more than 100 bids. So to that extent, but the differential yield or the benefit of securitization which went up anyway is because of the base rate thing irrespective of the accounting treatment. Q2 would have taken the much of it.

Sanjay Chamria Sir I don't really know if I understand your observation right but I can tell you one certain factual acquisitions. The base rate got kicked in into the Indian market on August 2010. Not September 2000. And two, the impact on our cost of fund started taking in from October 2010 because as on August 2001, when the base rate cost got kicked in, all the existing loans that we had plan is full maturity on the older terms. And only when the renewals came that is where the base rate got implemented. The second observation that you have made is right that even if you ignore the base rate impact then also because the rates have gone up April 2010 till now by about 350 basis points that if still you will have a increment in the cost of fund if starting from the third quarter onwards. Even if I look at between the first quarter and second quarter there is an increase in the cost of fund because second quarter the rates have been increased by I think 75 bps in two rounds.

Jigar Walia Right. Sir one more question if I may right now. Why they focus more on MHCV versus LCV?

Sanjay Chamria It is a question of more a position of each organization. Magma has traditionally focused on medium and heavy commercial vehicles and not so much on the LCVs. While LCVs offer the higher yield, they also a high delinquency. And this has been witnessed by most of the players in the industry. So we always have a greater degree of thrust on the asset quality as compared to the yields. That is the reason that we have a higher market share in the medium and heavy class as compared to the LCVs.

Jigar Walia Right. So as far as the business mix is concerned, is the geography mix and the business mix similar or all the different asset classes that we do, they evenly spread out across geographies because for business like MHCV and all it would be more of a regional or may be at the tolls and checks in stuff. So the geographical mix for different asset would be different?

Sanjay Chamria Yeah it is not never the same like for example construction equipment. Andhra contribute more than 20% all India volumes which is not the same for any other product class. And then north as a territory contributes more than 30% of our overall volumes but in that car contributes the maximum amongst all the products. So I think, it depends upon the primary sale how it is geographically comprised off and secondly it is relative competitive strength and weakness of a player geographically that would also have an impact.

Jigar Walia Sir now that growth is largely on the car segment and all. And if I understand given that it's like interior and within the city and the region. The market for LCVs and cars would be similar , if you are penetrating to the last mile at the car level then probably the same market is also for the LCV marker and that can increase?

Sanjay Chamria Well I don't think so because the cars that you are talking about a market of about 2.6 million to 2.7 million annually. But when you talk LCVs, then you are talking about a market which is about 300,000 units at the most in a year. And secondly, LCV sells largely you will see more around the state capitals and metros because of urban spoke and under the logistics which have been set up. Whereas if you go interiors there you may find more of the old vehicles because older vehicles are phased out on the national highways and then they fly within the state. And as you go interiors you will find more of the used vehicles being financed there. And the of course you will have the truck drivers who will also be buying the new medium and heavy commercial vehicles. But having said I don't think I'm in authoritative position to make a comment that whether there is a positive correlation between the sale of car and LCVs across the geographical lines.

Jigar Walia Thanks a lot and all the best.

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

Aditya Singhania I have two questions. One, when you talk our AUM, is it just the loan book or does include cash as well?

Sanjay Chamria Actually more than 90% in the loan book of course we also have that cash which is kept in the form of a collateral for our FLBG obligations under the assignment. And apart from that we have the freed float because all the collections that we handle from about 190 branches that also would remain in the float on the last year of the month which could be about couple of 100 crores.

Aditya Singhania So to the extent that the securitized book runs downs the first loss piece on the cash also reduces which will reduce AUM growth is my understand broadly correct?

Sanjay Chamria So it has already happened at the significantly like our cash collateral has kind of slumped by more than 40% already as on September 2011 and it is now less than 450 crores.

Aditya Singhania So that because explain why there is a disconnect, some part of disconnect between the AUM growth and the disbursement growth?

Sanjay Chamria I think I have actually pointed out to the guy who asked the question so I don't really know whether it's...

Aditya Singhania Just to continue that could I just then have the exact figure of the loan book and the securitized assets as well and if you could give a YoY or any other comparison.

Sanjay Chamria You are looking at numbers Aditya?

Aditya Singhania Yeah just the exact loan book and the exact securitized assets.

Sanjay Chamria It's on the overall 11378.

Aditya Singhania That's the AUM right?

V Lakshmi Narasimhan Yeah AUM.

Sanjay Chamria 10,315 is the loan book.

Aditya Singhania Okay so 10315 minus loan balance sheet loan book is the securitized book obviously.

Sanjay Chamria Securitized book is about 3900.

Aditya Singhania And could I have the same figures for last year?

Sanjay Chamria For last year?

Aditya Singhania yeah.

Sanjay Chamria Last year March was 5015.

Aditya Singhania Okay, March 2011 was 5015 securitized book.

Aditya Singhania And September last year, if you have that.

Sanjay Chamria 4675.

Aditya Singhania Okay. One more question I had is, I you look at the notes to account 6C, there is a 16.78 crore being income related to future period is recognized over the tenure of the contract. I just wanted to understand if you haven't securitized in the last 6 months, then how do you have income from receivables which will be over the tenure of the contracts? Or am I understanding it incorrectly?

Sanjay Chamria I'm not too sure whether we mentioned we have mentioned we have not securitized. We have sold some tool during the end of second quarter considering that we got a fantastic arbitrage in terms rate and that income is obviously is what is mentioned as 6C in the note.

Aditya Singhania Okay sorry I misunderstood that you haven't at all. Could you tell us what is the amount you did securitized?

Sanjay Chamria If it's relevant then it is 324 crores. So just saying it might lead to whether it is principle or whether future receivable and all that. So just wanted to say if it's relevant, its 324 crores.

Aditya Singhania And just one more question if I may. As I understand the draft guidelines on securitization from RBI, if you do assignment in future assuming it's implemented in the way they have presented. There is no credit enhancement permissible going forward. So in your assessment of conversation with banks, how comfortable are they doing securitization in this mode?

Sanjay Chamria No credit enhancement was more direct assignment route right?

Aditya Singhania yeah exactly on direct assignment.

Sanjay Chamria Right. So each one is waiting for the final guideline to come out. The movement would be more towards the PTC route that is the impression we get at this point in time.

Aditya Singhania From the banks?

Sanjay Chamria Yeah different discussions that we have had.

Aditya Singhania Okay. Alright. Thanks a lot.

Moderator Thank you the next question is from the line of Rahul Vekarai from Axis Mutual Fund. Please go ahead.

Rahul Vekarai Sir just one, I wanted to as is. Sir do we have any exposure towards the Bellari coal mine sector, I mean any CV portfolio. Are we...

Sanjay Chamria Bellary Belt per se our total exposures whether of commercial vehicles or construction equipment all put together is about 60-65 crores.

Rahul Vekarai Right and are we seeing any defaults or any non-payments, or everything is on time?

Sanjay Chamria Yes we are experiencing interest in those things.

Rahul Vekarai On a fair scheme of things they are very not that relevant are they? On a fair scheme of things they are not substantial to have any impact or how do you see it?

Sanjay Chamria See Rahul, in a country like ours, where you have five state going for assembly elections each year then there is certain hesitation right and we are also facing the hesitation in Andhra because of Telangana. The month of September they impacted transportation for almost about 15 days. Especially towards to month and when you have a lot of lumpy collections happening. So that's kind of impact, the performance of the companies or the industries which are based upon. So I think one has to be prepared that every year you will have two to three places where you will have problem wherein we had a collection efficiency of 99.5% in the second quarter in 99.8% in the six months. That factor the stress that we have faced in Telangana as well as well as in Bellary belt. Otherwise we may be we would have had 101% collection in those states.

Rahul Vekarai So it has come down, I just think figures, 89 is it?

Sanjay Chamria 99.8 which is (-.2.) That will give me a heart attack if you tell 89.

Rahul Vekarai Thanks, that’s all.

Moderator Thank you. The next is from Ritesh Nambiar from UTI Mutual Fund. Please go ahead.

Ritesh Nambiar Good morning sir. In fact just wanted to know if you would have continued with same set of policies of which you had followed two quarters before. Then is there a de-growth in PAT by any chance?

Sanjay Chamria If I replace your question with this doesn't mean that if we had followed same policy on securitization strategy and the counting policies. Then do they impact on the P&L? Well I was waiting for this question, then my PAT would have been double of what it is now.

Ritesh Nambiar Okay. How is that sir?

Sanjay Chamria Because we normally securitized 52% of our total origination as evidence in the FY'11 and FY'10 and then we recognize the income of it and we also recognize the expenses up front related to that portfolio. Because this year like total lending we did about close to 3000 crores in the first half. So the 52% of that would be close to 1550 crores and that would have been securitized and if that would have been securitized then like Lakshmi was pointing out that we would have earned an income of about 6%-6.5% that would be close to about 100 crores. Minus whatever expenses that we have amortized that we wouldn't have amortized. We calculated that the impact comes to close to about 53 crores. So out of the PBT, which is about 56 crores would been about 107 crores.

Ritesh Nambiar Okay.

Sanjay Chamria Thank you for asking the question.

Ritesh Nambiar And sir in fact just to know you are not raising any fresh money per se you are quite equipped as far as capital is concerned. So if I read correctly if you are in fact on book assets actually grow which has grown by 40% odd in first two quarters. Then the leverage advantage would flow back to you in the coming quarters?

Sanjay Chamria Yeah this is what I was answering some time back and that would happen with this even if I securitized because if I'm amortizing the impact, then the benefit of the leverage filed by securitizing, I release my capital. Still I will continue to get the benefit. So you are right, we are sufficiently well-capitalized and we sit on the capital adequacy of 20% as on 30th September and we can afford the luxury of not securitizing at least for the next few quarters and there after we may securitize if we get good terms and good pricing and get the benefit of the leverage as well.

Ritesh Nambiar Okay. Sir on the collection efficiency side, generally your trend is last two quarters your collection efficiency is over 100%. Will that trend continue in coming quarters?

Sanjay Chamria No I think that used happen earlier. But if you look at the last 10 quarters, we are almost normalized the curve. And now almost every quarter I think if you look at our investor's presentation for the last year, I think last 12 quarters the lowest we have got is about

99.35 or something. And highest we got was 104%, which of course is the last quarter of the year because there is always a higher thrust on collections. There also you will see that first six months we are at about 99.8, which is close to 100. So I think next six month also it could be around that. May be about 100, 101. So overall for the year, it a yeah cross enter which is what our endeavor would be. It would be the third consecutive year that would have achieved more than 100% collection.

Ritesh Nambiar Sir just on that for the last two investor presentations I'm seeing your slides on 0 day DPDs and 30-day DPD. Just wanted to know if suppose that DPD is computed on a lag basis, what's the percentage like on a lag advances or AUM basis.

Sanjay Chamria That is also the, in slide #21 and slide #22 of the presentation that you have with you where we talk about; in slide #21 on the infant delinquency which is on a lag basis of 1 month for the last six months portfolio and if we talk about the ED which is of last 15 months origination with the three months lag, the outstanding which is for 16 A+. So that I think, we have shared there. However, the position as on 30th September 2011 if you as which is what we have to put up today. Our ID is 4.1% which means 4.1% of portfolio which is originated in the last six months with a lag of one month is the non-current that means even if Rs.1 is outstanding then it will fall under non-current. And that is 4.1% of the portfolio. Whereas if I talk about ED what is last 15 months what we have originated. The three months lag, the portfolio which is sitting in more than two months defaults which is what we call as 60+. That is 0.7% of the total portfolio.

Ritesh Nambiar Okay but as I was coming to the same RBI policy of provisioning and booking and because based on these set of numbers that upside on that RBI move is supposed that happens in a staggered manner may not be very high for you related to other NBFCs.

Sanjay Chamria I would rather put it other way round that the upsides for us should be much higher because say for example if the NPA is advanced from 180 to 190. If I'm sitting with portfolio which is less than 1% sitting in the 90 to 180 then potentially I would too make a provision on that less than 1%. But if the industry average on which I cited one of the rating agencies figure which is at about 2.2% for 90 to 180 then if other place will have to make a provision on 2.2. I will have to make a provision on less than 1. So I think the negative down side is equivalent to an upside. And that is where I think we benefit. But having said that, we are represented to RBI from an industry body that given the customer segmentation to whom we finance and geographically the areas that we finance, the fiscal discipline is not that high and therefore this 90 day norm is not the appropriate to be implemented.

Ritesh Nambiar Sir any color on this securitization guideline wherein which was slightly yield of. Are NBFCs trying to recheck the account tracks by making it all monthly contracts?

Sanjay Chamria See I think that should be a catastrophic mistake if someone would make because when you lend money to the people who are earning their livelihood from the asset and repay, as it is you should have monthly installments and if you look at the entire industry with the exception of only that tractor financing where the farmer does not have the non-farm income, it is historically a monthly installment program only in respect of the farmer who have only farming income who have quarterly or it should link to the profits. But that's small part of the portfolio.

Ritesh Nambiar Okay. Thanks a lot for the insight sir.

Sanjay Chamria Thank you very much.

Moderator Thank you, the next question is from Jigar Walia from OHM Group. Please go ahead.

Jigar Walia yes thanks for the follow-up opportunity. Sir my question pertains to the growth. Our disbursement grew 36% first half and for the full year we are targeting 50%. So in terms of the asset profile, which we grow normally on cars, but I think Q4 onwards it would be doing pretty well. So in terms of the new growth drivers which asset class we would be targeting.

Sanjay Chamria We have grown well in the for asset classes, car is the leading the pack but we have also grown at 84% in tractors and we have grown at 104% in the used vehicles and we have grown at 55% in the SME loans. So I think we have grown pretty well in every asset class except commercial vehicles and construction equipment. So these are the two products in which we have not grown as much and I shared also that is because we didn't want to allow our margins to go down. And we have seen there is an increasing pressure, commercial vehicle and construction equipment. So going to forward in future, I expect the growth will continue to come from cars, tractors construction equipment, and used vehicles. I'm not so sure whether we will have a similar extraordinary growth in SME and commercial vehicles. SME because we also believe that even that current economic uncertainly because it is the only unsecured product that we have in our portfolio. So although it is doing extraordinarily well in terms of an asset quality but we may want to take a more conservative approach.

Jigar Walia Right sir. Sir on CV book disbursement did we see growth coming off in Q2 or it also came off in Q1?

Sanjay Chamria No it actually was pretty much the same in Q1 and Q2. As we saw the pricing pressure, so therefore we decided to restrict ourselves.

Jigar Walia Okay and any upper limit for cars, because it is secured but it is largely non-earning.

Sanjay Chamria No there is no upper limit because the portfolio is doing exceedingly well in terms of quality and in terms of yield. And the ticket size also at 3.5 lakh. It kind of spread our risk over a much wider universe of the customers. So therefore we would not put any upper cap. In terms of market sale also we are at just about 2.8% market share in the cars business in India. So I think we have lot of headroom to grow to grow before we would kind of think of putting any cap on it.

Jigar Walia Right sir. And what kind of LTVs do we do for cars?

Sanjay Chamria Our LTVs are under 70%. Roughly about 66-67%.

Jigar Walia Okay and how much would that be for the other for CVs and….

Sanjay Chamria For car it is 66. Commercial vehicle only on the chassis it is 90, but if you take the body cost into consideration it is about 75%. Construction equipment is 78. Tractor is 62 and used vehicle 72. Overall if we calculate, the SME is unsecured so there is no LTV concept. For all the other six products put together it is 75 which is pretty reasonable.

Jigar Walia Okay thanks a lot sir.

Moderator Sir there are no further questions.

Chinmaya Garg Sir I would look like to thank the entire management team of Magma and participants for participating on the call. Thank you so much everyone.

Sanjay Chamria Thank you Chinmaya.

Chinmaya Garg Thank you sir.

Moderator On behalf of IDFC Securities that concludes this conference. Thank you for joining us, you may now disconnect your lines.