

Shiv Muttoo: Good evening and welcome to L&T Finance Holdings Q1 FY-16 earnings conference call. We have with us on the call today Mr. N. Sivaraman – President and Wholetime Director and other members of the senior management team. We will initiate the call with opening remarks by Mr. Sivaraman followed by an interactive Q&A session. Kindly note that the statements made in today's call could be forward looking in nature and a note to that effect is stated in the presentation sent to you earlier.

I would like to now request Mr. Sivaraman to provide us his views on the results this quarter. Thank you.

N. Sivaraman: Good evening, thank you very much for joining us on this call. I hope the presentation is with all of you. We have structured the presentation on similar lines as the full year presentation of last year while giving some additional updates followed by detailed financial results for the current quarter.

Starting with slide # 4 which is on stable growth in loan assets - the disbursements have been steady and robust resulting in a consistent growth in the overall loans and advances at about 5% per quarter and a 21% growth on year-on-year basis. Disbursements for the quarter are higher by 39%. Throughout this period we have seen B2C segment constituted by tractors, two-wheelers, housing finance and microfinance as well as some amount of mid corporate finance contributing to the growth and disbursements in the Retail segment. In the Wholesale segment we have remained focused on renewable energy which has been one of our strong suit with our ability to assess and disburse quickly. The second aspect has also been the focus on operational assets in the road sector. I am happy to say we have continued to remain pretty focused on this segment and that has helped us.

In the current quarter the disbursements coming from tractors as well as the road projects has been subdued. In tractors it was a result of the market environment as well as our outlook from a credit perspective. As far as the road projects are concerned there have not been many projects which are coming for financial closure on a green field basis. As far as the refinancing of roads is concerned we are working on opportunities - there are proposals pending approval by NHAI for migration of the loan. As and when these are completed we will see growth in disbursements in the road projects.

Moving to the next slide which explains our focus and rebalancing of the portfolio towards client segments and asset segments which in the current context remain healthy. With reference to market sizing, our competitive advantage and the ability to do business with decent economic returns have resulted in the focus shifting from B2B segment to B2C segment over the last five years. We have continued on that journey in the current quarter as well. The B2C segment today constitutes about 59% of the total Retail book. The problem areas where we have seen issues, especially the CE/CV segment have further reduced in the overall exposure to 6% of the Retail book. This is in line with our strategy and focus for the medium-term

and we will continue to follow this process unless the ground realities reflect a different picture.

In the Wholesale business, the operational projects have grown by another 4% in terms of overall share to 51%. While we are not going to have an upper limit on this aspect, but in the current context where green field projects are limited and our focus is on making sure that we are able to lend to quality assets, you might see a further increase in the operational projects as we go forward. But it is also our belief that we will be able to maintain at least 50% of the book coming from operational projects to balance the portfolio. While one could have a question about operational project yielding lesser spreads and consequently impact RoEs, our experience in the last 18 months has been that the RoEs from the operational project have been healthy. While it helps improve the average debt to equity ratio on the balance sheet, it is also aids returns on the back of both low credit costs as well as low operational costs in maintaining these accounts.

In the Wholesale business another important aspect has been that the book has changed towards higher quality credit in the form of renewable power and roads. As we have always maintained, renewable power is a short gestation project. Consequently the visibility on completion, operations as well as the ability of the promoter to put in equity is so high that our risks from this segment are limited to only offtake risk. There is minimal construction risk or operational risk that we carry which has been the reason why we have looked at this sector very actively. We continue to grow and see opportunities and even if not disproportionate market share, we will definitely have a healthy market share in this segment in the future years also.

You will also see a further classification of the “Others” segment in more detail in this slide. We have looked at high quality real estate assets which are commercial infrastructure assets promoted, developed or constructed by high quality corporates and currently under occupation. So we have done lease rental discounting. We have also made a breakthrough in disbursing to the transmission segment which is very competitively priced on an overall basis. We are utilizing our experience in financing the operational projects to handle requirements in this segment. So broadly we can say that the corporate book or what largely constitutes “Others” have consistently narrowed or reduced in terms of overall proportion of the assets. In fact they may not have even increased in absolute amount over the last five years. This shows our focus on quality as we have built our balance sheet and net worth to address large projects and also the fact that we are conscious about the environment as it exists today.

On asset quality, we have continued to improve. The overall GNPA shows a marginal increase on a 180 day basis as compared to the last quarter. I am keeping the reference to 180 days because that is what we have seen for a long period of time and would not miss that anchor. So the gross NPAs have moved up by 30 bps to 2.6% and on a net basis it has increased to 1.6%. The provision coverage on 180 day basis is 40%. You

will recall that during the conversation post the fourth quarter results we had indicated that we will continue to monitor asset quality based on 180 days. The provision will be linked to this number because that is what represents the best assessment of potential losses in the balance sheet and we will continue to monitor that. So, based on 180 days we have 40% provision coverage. We did indicate that the in the composition of NPAs as of 31st March, 2015 the share of NPA assets from the lower end of the overdue became less in the month of March and the provision coverage went up to some extent. We had also indicated that we will maintain provision coverage in the 40-42% range on an overall basis and we are in line with that. On a 150 day basis there is an increase from 2.3% to 3.1% on the gross level and the net level has gone up to 2.0%. But if you really look at it on a 150 days basis and compare it to the previous year, the number is almost flat. That is a clear indication of the outcome that we have been able to achieve based on efforts that we have put on the ground - the change in the collection process and collection focus areas. We continue to maintain healthy provisions in excess over RBI norms on the overall provisioning.

In terms of liability management you will see that the bank loans which are represented by term loans have come down from 40% last year to 24%. We have actively exploited the opportunity available in the capital market to raise debentures and substitute the bank borrowings. Most of the asset growth as well as the repayment of the term loans from the banks have been met by raising capital market borrowings which has helped us bring down the borrowing cost over the last full year plus. The skew towards the commercial papers is well managed in the context of overall ALM.

Increase in equity assets from the investment management business is another heartening feature. While the overall assets have remained flat, the share of equity and hybrid assets has gone up to 42% which is about 7%-8% better than the industry proportion. The other highlight is that the high earning assets, constituted by equity/hybrid and duration fixed income products are at 57% as compared to 39% last year. So clearly this augurs well in terms of future revenue earnings.

Profit growth has been fairly driven by the way we have been able to maintain margins right through the period. We have seen very stable margins and to some extent actually improving on a quarter-on-quarter basis. If you discount the 6% in the second quarter of last year which was driven by certain extraordinary collection of overdue interest as well as some reversal of interest expenses, we have maintained extremely healthy and steady margins right through this period. This has been even as we have enhanced the share of operational assets in the Wholesale book.

PAT without exceptional items continues to see growth on a quarter-on-quarter basis. As a trajectory, I believe if the credit costs do come down in the next three quarters we should be able to maintain a similar pattern for the future quarters as well.

On Performance highlights, I will just focus on few of the parameters rather than getting into the details as we have already covered most of this. Loans and advances have grown by 21%, the NIMs have grown by 22% which actually means that we have been able to maintain the margins. The earnings before credit cost reflected 26% improvement which is based on some optimization in the operating expenses at a consolidated level as well the marginal improvement we have seen in the margins.

We have had a healthy growth in the earnings before credit cost which has enabled us to absorb the fairly significant increase in the credit cost which was 56% on a year-on-year basis. On a year-on-year basis we still report a fairly stable PAT for the lending entities. While you will get some more color as we discuss the individual segments, at the close of last year we did indicate that the farm delinquencies go up in the first quarter and third quarter of the year due to seasonality and that is one thing that has had an impact. Second, last year we had recognition of NPAs on the basis of 180 days while in the current year it is 150 days. While we did provide for income reversal on 150 days plus delinquencies in the fourth quarter as it existed on the fourth quarter, on a year-on-year basis this does have an impact on the overall credit cost. So having done this, in the next few quarters either the 150 plus day remains stable or reducing, so there will be a positive impact from the credit cost that will come through in the Retail book. We also have indicated about the stickiness of the credit cost in the Wholesale book due to the amortization of losses related to the sale of assets to ARC. To those we also need to add the FITL provisions that we make against the restructured asset. So if you look at the quality of the credit cost that we have today compared to the last year it is definitely far better and by stripping the total credit cost of some of these events, then it definitely looks far healthier. We do believe that the credit cost guidance that we had given at the end of last year is definitely in the realm of possibility.

Gross NPAs - we did discuss about it. Despite 150 day recognition there is a reduction of 52 basis points in the gross NPA. RoE for the lending businesses has shown an improvement over Q4, but have been slightly subdued against first quarter of last year primarily on account of the credit costs which we spoke about.

Investment management continued to show growth. Importantly the equity AUM has grown and we have seen an increase in the market share. We have continued with positive PAT numbers for the business and in line with our guidance on what we will be able to achieve.

The next slide, talks about how the PAT contribution. The lending businesses have been flat. As I explained despite fairly stiff increase in the credit cost we have been able to achieve this PAT on the back of stable margins and the increase in assets. The 'Others' segment which is a combination of holding company costs as well as the AMC and some of the other smaller entities have converted themselves into profit this year as compared to the loss last year. The return on equity on a consolidated basis is down by about 80 bps. This is primarily on account of credit costs.

If I convert this based on the leverage it amounts to about 10 bps on a pre-tax basis on return of assets which I think is an easily reversible number and we should see a healthy improvement in the RoE as we progress through the year. The EPS has been stable; this EPS is calculated after accounting for pro rata dividend on the preference share.

I will now hand over to Dinanath Dubhashi, to talk about the Retail business.

Dinanath Dubhashi: Good evening, everybody. As Mr. Sivaraman said, during the last analyst call we had indicated our growth engines and what products we will be focusing on. I will primarily say that that the strategy has worked and all the focus products with the exception of tractors have shown a good growth. Even in tractors we have gained market share and I would talk a little bit about this sector. I am sure there will be lots of questions on this.

Slide # 16 - overall tractor sales of the market fell by about 16% in this quarter. There are many forecasts on how the industry will go from here, but it depends on a lot of things. I will just talk a little bit more about the situation on the ground. I think the rainfall numbers from last week have changed sizably over the last three days to four days. Most areas in the country have received decent rains. Crops have been just saved, in fact in many of the areas. Lot of Kharif sowing has actually not been wasted this year like it was wasted last year. The second factor which affects crop and farmer confidence is the reservoir levels. Throughout the country reservoir levels vary from almost 85% in north that is Punjab etc. to about 14% in Andhra Pradesh, Telangana. Having said that, the reservoir levels are about 33% higher than last year at this time pan India and about 12% higher than the ten year average, giving fair bit of confidence and especially after this week's rain that things may turn positive. The third indication is sowing. Kharif sowing has definitely picked up even though cereal sowing is a little below last year. But other things like pulses etc. the sowing is extremely good and most importantly surviving. So that is the situation. However, the fourth thing which affects mainly collections and also rural demand is the farmer confidence and for that to change after three crops not being great, it will take certain time.

Internally what happens also is that a large cycle of billing happens in the month of May and June and then November-December. That is reason why delinquencies go up in these two quarters. And of course as the billings come down in the second quarter, the positives that I have talked about continue and we are fairly sure of the NPAs coming down. A lot of it is arithmetic because there is hardly any billing in Q2. So the NPAs we are quite sure will come down. As a risk management measure we actually moderated disbursements in what we believe are more high risk geographies which will definitely affect the tractors disbursements as the year goes. So just to talk about this quarter, our tractor disbursement is down by 13% vis-à-vis the industry which is down by 16% showing that we have gained market share. We have tactically strengthened our tie-ups with three manufacturers and that is working both in gaining market share as well as on the collection front.

The second product that we said we will concentrate on is two-wheelers. I think our strategy again is working well here. Our strategies go around manufacturer tie-ups and concentrating on turnaround time. While the industry has grown just by about 1% overall we have grown by about 21% in two-wheelers.

The third growth engine which we talked about was microfinance. As we have been always saying we had used the bad period to strengthen our systems, bring a lot of predictability to what we are doing and microfinance continues to grow at an excellent pace. We have disbursed close to about Rs 500 crores in this quarter in microfinance.

In housing finance we are still a young player in this and of course how the industry behaves concerns us. But relatively less than the bigger players and hence doubling the portfolio is not that much of a problem if you do most things right. SME finance - we majorly started concentrating on this for the last two years. Of course we continue to depend on the strength of our parent, but we have been going beyond our parent and tying up with other players and we have shown smart growth.

The figures on the right of slide show our growth in disbursements. Mid-market continues to be an opportunistic business. We will continue to lend to very selective deals based on trapping cash flows and security. We have had some good deals in this quarter and disbursement growth shows that.

Construction equipment and commercial vehicles - even though we have seen pick-up in certain segments, it is not an all round pick-up. We continue to be very selective on this and obviously defocusing as of now on this segment. So that is the segment wise growth and market outlook on how we have grown.

The next slide # 17 actually shows what I said in numbers. The overall disbursement growth is around 40%. Even if I take out the supply chain finance which is a three month product, it is about 35% Y-o-Y translating to a book growth by around 14%. If you actually take out the CE/CV out of this which we are not focusing on right now the book growth is close to 24%. So the rest of the products that we are focusing on more or less compensates for what we have purposely given up in the tractor segment.

Moving to the next slide # 18 which is on the summary financials – we see that interest income continues to grow smartly by around 11% on TTM basis. But the NIMs in Q1 have gone up by about 24% Y-o-Y and on TTM basis the growth is around 27%. This has happened because of two reasons - treasury has managed to reduce interest rates further and as the product mix shifts more to B2C especially scooters, microfinance, etc naturally the NIMs have gone up. When you come to the next slide # 19, we will see that NIMs have gone up quite substantially over the last three quarters. We would like to guide towards fairly smart numbers but lower than current numbers as we go ahead. Obviously we would like to push growth in products other than tractors and we would definitely pass on some of the benefit to the customer and try to increase market share.

The earnings before credit cost have actually grown by 31% which shows that the rest of the strategy of concentrating on specific products and working on operating expenses is working quite well. Credit cost requires an explanation - from Q1 of FY 15 to Q1 of FY 16 the actual credit cost has increased close to Rs 47 crores. This is almost entirely accounted by the income reversal due the effect of moving from 180 to 150 and the increase in farm delinquencies over last year. So while we say that farm delinquencies are definitely a seasonal phenomenon, this year has definitely been worse than last year. The collection of total billing in May and June has been below last year as a percentage and we expect it to be better as we go ahead. As of now situation looks reversible, things are improving and most importantly the relatively low billing in the second quarter gives us the confidence that the situation will be reversed.

If we talk about gross NPAs - on a like-to-like basis this year the overall increase has remained steady from March at about 4.8% whereas, actually from last year Q1 there has been a reduction from 5.3% to 4.7% at 150 days. And at 180 days, the level between last year and this year remains constant around 3.8% which actually shows that the team has done a lot of work at 150 day level. The 150 day level has actually come down by almost 60 basis points as we to go from last year Q1 to this year Q1. The provision even considering 150 days norms continues to be Rs 131 crores above RBI norms.

If we convert all this to ratios you will see that NIMs are at 7.9% vis-à-vis 7.5% in the sequential last quarter and compared to last year where it was about 6.6% and even on TTM basis there is an increase of about 130 basis points. We have always been guiding towards steady state NIMs of around 7.2% to 7.4%. We may reduce interest rates marginally to gain market share in other products so we would like to continue with that guidance. The number that I would like to draw your attention to is the TTM increase of earnings before credit cost from 3.9% to close to 5% and after our NIMs reduce maybe 4.70% to 4.75% are the numbers that we would like to guide towards for earnings before credit costs. As I have already explained credit costs have gone up from about 1.90% last year to about 2.72% and this almost entirely as the note next to the table says can be explained by the delinquency increase in the farm portfolio. We believe that our strength lies in farm sector and on how to do business. We have actually categorized market by the risk level, moderating growths in various areas, concentrating collection efforts in various areas. We believe that this is our market and as we ride out the cycle definitely this will correct. Actually the correction can even be quite short-term as early as next quarter.

Return on equity is the same at around 11% in this quarter. But again, if we just consider the credit cost increase due to farm as reversible, then we would see easily about couple of percentage points increase in return of equity in the short-term. That is as far as the overall Retail business is concerned.

I would like to continue to talk about the Housing Finance Company separately as it is a young business but over the year we will perhaps start

reporting the entire Retail Finance business together. But to guide analysts properly we are still giving it separately. This business continued to have excellent growth. We have doubled the portfolio. We have also been able to use the stability of a HFC portfolio to increase leverage. I have been getting a lot of questions as to why margins are down, NIMs are down? A simple explanation is that almost entire growth of this year has happened by debt. We have stretched the leverage; obviously as we go ahead we will have to put in equity. But we have used the leverage of this balance sheet quite efficiently. Another thing which has happened is our television campaign which hit most of the channels in the first quarter. We have taken the decision of recognizing the entire expense in the first quarter. So the actual PAT for this first quarter is considering both these factors, one is entire growth funded by debt and obviously, the Rs 8 crores expense taken in one quarter. We would more or less be doubling the portfolio.

As we go to the next slide there is one number that I would like to explain i.e. 1.1% of gross NPA. If you remember, about little more than a year back we took over the portfolio of Citi Financial. This is a blended mix of that portfolio and our organic portfolio. In the organic portfolio the gross NPA is about 0.84% and the weighted average of this and the Citi portfolio is about 1.1%. So obviously the steady state NPAs will be still lower because this still has some of the early assets that we put on as we started the business. But it looks that this business is picking up speed based on our plan. With this I would hand over to Mr. G. Krishnamurthy to take over the Wholesale Finance slides.

G. Krishnamurthy: Thank you very much, Mr. Dinanath Dubhashi. In Wholesale Finance, renewable energy continues to be a focus area for us and this is one sector which is the target area for the government to ramp-up investments. We are seeing a very large growth in investments particularly in solar and the installed capacity has gone up by 42% over the last one year. Currently bidding is on for almost 7 gigawatts of projects. We expect that we will be able to pick up a good part of this business and increase our market share out here. We continue to do refinancing in wind power projects and wind power projects are continuing to see steady investments on a quarter-on-quarter basis.

In roads there has been improvement in pace of contract awarding by NHAI and this should result in more contracts for private sector particularly to some of the EPC contractors and sub-contracts which will improve the order book position, which will then improve the liquidity position of our sector as a whole. So the impact that we see here is more in terms of improvement in our borrower's liquidity profile rather than in terms of incremental business. In a sense we are still looking at whether to take exposures or not for green field roads given the emerging framework which is happening in the sector. And we are still are awaiting resolutions of project issues by NHAI as well as evolving effect of dispute resolution mechanisms before we can take a call. Maharashtra has thrown some surprises in the sector because of their change in stance and expectation that they may exempt passenger vehicles from toll at a lot more plazas and we are awaiting regulatory developments on that side.

Thermal power, there have been some key positives. There has been a substantial increase in coal production by Coal India Limited which augurs well for projects which are coming in to COD just now which can have reasonable assurance of availability of coal. Also during this quarter we have seen a number of meetings and increased activity at a government level to try and resolve the issues in the sector. So we do expect that some of the issues that stalled the thermal projects would get resolved over the next couple of quarters or so. While saying this, the overall financial health of Discoms continues to be a problem and there seems to be no immediate resolution in place and this does pose a systemic risk for all lending to the energy sector.

The key regulatory change this quarter was in terms of IDFs being allowed to fund projects which are other than the tripartite agreement projects which means that IDF can technically finance any operational project which is more than one year whether it is a PPP, with or without a project authority are also whether it is a non-PPP. So this means that there are a number of sectors which are now available to IDF, right from coal thermal to gas to renewables to everything. However, we await clarity on the income taxation aspects because currently IDF is a tax exempt entity. However, these are to be notified by CBDT also before we will be able to take up business in these sectors in the IDF. 50% risk weightage for operational PPP projects has been now extended to all NBFCs not necessarily IFCs or IDFs.

Moving on to next slide, slide # 23 - disbursements, as I keep saying on a quarter to quarter basis are very lumpy and it is difficult to make broad conclusions. In Q1 our disbursement movement happened due to two-three areas, one is in renewables, we had strong growth of Rs 1,000 crore plus and we also disbursed one or two large lease rental discounting deals and that also has resulted in increase in disbursements. Thirdly, we had a large exposure as we took up a transmission project. So, these are new things which happened. While roads disbursements were a bit slow but we expect this to pick up in the next couple of quarters as we start getting faster pace of NHAI approval for tripartite agreements.

Our net disbursements were Rs 1,966 crores and when we say net disbursements what we mean is that this is net of sell downs. So essentially we sold about Rs 600 crores of refinance assets during the year to the banking system. Overall loans and advances level - renewable power now occupies 27% much higher than power thermal which is at 13% and real estate and SEZs, primarily which is LRDs is also a significant chunk now at 10%. If you look at right, the operational projects percentage has gone up to about 51% for the first time. It was 47% in the last quarter and this growth has happened not because of incremental disbursements but more because many of the renewables that we funded last year have been commissioned during Q1 and they have become operational.

Moving on to the next slide # 24 - looking at the P&L on a quarter-on-quarter basis, Q1 FY 16 interest income has grown 28% almost in line with the asset growth of 28%-29%. So essentially what we are seeing is that the

yields have been maintained over the last one year. This is primarily because of stability in the asset quality because earlier the reduction in yields which we had was more as a result of increase in NPAs and now the GNPA's have tempered down, yields are also steady. If you look at the interest expense there again we have saved about 25 bps or so over the last one year. Our debt to equity has gone up from 5.2 to 6.6, which means it has moved 34% whereas the interest cost as an expense has moved up much slower, essentially reflecting the reduction in cost structure that we have. So the spreads actually have improved over the last one year by 15 bps or so but at NIM level it is lower because our gearing has gone up.

Fee income has been increasing consistently. If you look on a TTM basis it is up 93% and if you look on a quarter-to-quarter basis over the last one year it is up 100%. Essentially this reflects our continued performance in underwriting of roads and renewables and subsequent sell downs. Other income also in the quarter at Rs 15 crores is satisfactory while on a TTM basis you will see that there is reduction of 36%. This is more because in the previous year we had a one-time income on sale of equity assets to our private equity fund. This is not there in the current year. Operating expense has been steadily coming down at the percentage level and earnings before credit cost for the quarter at 27% growth Q1 vis-à-vis Q1 of last year. This essentially reflects that the growth in business assets has been reflected right till the earnings before credit cost. Credit cost as such has increased by 75% vis-à-vis last year. It has gone up to Rs 93 crores during the quarter out of which as Mr. Sivaraman said that Rs 30 crores is the loss amortization of the last two ARC sales which is going to continue almost till Q2 of next year. So PAT has been flat for the quarter at Rs 88 crores vis-à-vis the same number in Q1 of last year. At GNPA level, we have maintained GNPA's at about 1.8%, marginal 5 bps increase in GNPA and NNPA and restructured assets have come down by about 8 bps or so. SRs have also come down more as a result of denominator effect. Provision coverage has been maintained at 30%.

Moving on to the next slide # 25 - yields over the last one year have been maintained. Therefore essentially it is conclusive proof that doing more of operational projects does not actually affect us at yield level. In fact we earn much more at yield level from corporate loans as well as from under construction loans but the moment there is an NPA that has a zero yield and therefore the effective yield which gets reflected on the P&L comes around to more or less as that of an operational asset. So in effect the effective yield for operational assets is as good as or even better than the other sectors.

Cost of funds has come down over the last one year from 9.53% to 9.28% on an average basis, so there is a good reduction. NIM as I said has come down essentially because of leveraging. So for this quarter we have 11% RoE which is an improvement on a sequential quarter basis. If you see last year Q1 the RoE was at 11.6% after which it is sequentially coming down throughout the year. So this quarter we have a reversal of this trend and we expect to sustain this momentum moving forward this year. We are adequately capitalized with healthy CRAR in all three entities particularly

because of strong injection of Tier-II over the last one year. We picked-up good amount of subordinated unsecured bonds at fairly competitive rates. With this I will hand over to Mr. Kailash Kulkarni.

Kailash Kulkarni: Good evening and thank you Krishnamurthy. On the investment management side, this quarter has been a quarter which was full of volatility in the equity markets. Overall the industry assets increased by 3% but this despite equity markets being flat throughout the quarter. We have seen sustained sales in equity both on the gross and the net sales side and the industry has seen flows of over Rs 10,000 crore plus on the gross side and about Rs 5,000 crores to Rs 7,000 crores on the net side during this quarter.

On the fixed income side, typically the flows have come in the money market segment. We continue to do well on the equity and the fixed income side. We have a strong base of around 8 lakh customers spread across 500 plus districts. We had focused our entire energy on the duration side on the medium-term to long-term fixed income side and on the equity side. And as you can see in the slide the share of both the segments has gone up in our case. As compared to last quarter 42% of our book is in equity and hybrid and other fixed income has gone up from 12% to 15%. So these are the typically higher earning assets as compared to the money market assets.

In terms of the average assets under management, we continue to hold our rank of 13. However, on the equity side we are now a top 10 player having continuously gained in market share. We have actually strengthened compared to the industry growth rate on the pure equity funds side, if you leave aside arbitrage funds.

The fixed income side on the FMP space has seen a continuous lowering of assets because of the change in the tax laws last year. We have been able to roll over partial FMPs which were up for roll over and the FMP book has seen a declining trend for the industry and for us. Our operating revenue has gone up and also our management fees have shown an increase from 0.46% to 0.49% between this quarter and the last quarter. We continue to believe that the share in equity funds in terms of the money flowing in will be strong in this quarter also. Hence the focus will continue to be building on the equity assets and on the mid to long duration space which includes the accrual space that we are there in.

Moving to the next slide which is the Wealth Management - the business operations are now in nine major cities in India. We have managed to increase our AAUS to Rs 7,143 crores from Rs 6,967 crores which was end of March and increased our client base by about 300 clients during the quarter. We will continue to focus on providing customized solutions to clients in this market. Looking at a client centric point of view we have looked at enhancing the service standards also to ensure better business quality.

N. Sivaraman:

Before I move on to the next slide, I will just give you a piece of information on the Wealth Management business. Despite it being a two to two and half year kind of business, out of the overall Wealth Management services in India it was ranked as one of the top 10 service providers. In fact sixth on the overall basis and there are certain other parameters where we were rated even number one to number three. This is a survey which Asiamoney carried out amongst the constituents based on feedback. So I think we are really building good traction and hopefully in the few years we will see a fairly decent value contribution from this segment.

The next slide #29, talks about the impact of RBI norms. This is largely the same communication we had given at the end of the last year but just to reinforce what is the status of compliance vis-à-vis the RBI norms. Standard asset provision - we had already increased to 30 bps in Retail finance. Wholesale currently runs at about 35 bps for Infra book and 30 bps in the L&T FinCorp book. As we explained the income recognition policy in the Retail book has also changed in line with the RBI NPA recognition norm. Wholesale in any case we have always had a practice of not recognizing income for 120 plus DPD cases. So we still have a distance to go before any impact will come as the result of change in the NPA recognition.

As far as provisioning is concerned we have explained in detail about our provisioning process and the fact that 180+ day accounts truly represent a high probability of loss. Consequently we have always been providing with reference to their 180+ DPD book on a loss given default basis. We will continue to approach provisioning on that basis. This as we would have seen in the Retail presentation gives us adequate loss comfort against any potential losses. So, there is going to be no additional impact on provisioning against principal arising from the change in the NPA recognition norm other than the 180+ DPD cases going up in the current year, i.e. what we have seen in the case of the farm business in the first quarter. In the B2B segment typically the cases are well below 90 days or more than 180 days, however it will deteriorate quite quickly. We are already well covered on that and there is no impact arising from change in NPA recognition norms. In the Wholesale segment as we have always maintained we do have calibrated provisioning starting with 120+ DPD unlike the mid-market and corporate segment in the Retail book. Here it is unlikely that we would not have covered fully with provisioning as it may be required for cases which are 90+.

The next slide talks about our direction and aspiration - this is exactly the same slide that we have given in the last quarter. This is just to reinforce that we will be focused on businesses which offer the scale and competitive advantage to us as well as the opportunity to earn economic returns. While this focus is a result of our learnings of the economic environment it is also where we see profitable growth. Clearly for these to play out on the books it will take some time and I think we have given you a good account of how the composition of the book has undergone change over the last five years. We will continue to move in that direction and make

sure that the goods are delivered truly. With that I conclude the presentation, we will leave it open for question and answers.

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

Kunal Shah: Sir, firstly in terms of credit cost you had mentioned that there is some income reversal from 180 to 150. So when we look at it that differential is almost like Rs 200 odd crores. And last quarter also we did some say income reversal on this. So Rs 40 crores is that the entire amount which is towards that because last quarter also there was Rs 25-30 crores and again this quarter there is another almost Rs 200 crores kind of a differential.

N. Sivaraman: This question is only with reference to the Retail book or the overall consolidated accounts?

Kunal Shah: Yes, Retail. So when we look at say the difference between the 180 day and 150 day in GNPA that differential is like almost the Rs 200 odd crores.

Dinanath Dubhashi: So the last year what we did was obviously up to March so any income for assets which were more than five months overdue would have got reversed. Then whatever remains in 150 for these three months also we will have to do the reversal, right. So, not the entire Rs 40 Cr but as I said about Rs 17 crores is the additional impact of income reversal.

Kunal Shah: Okay. So Rs 17 crores is in this quarter?

Dinanath Dubhashi: Correct.

Kunal Shah: Okay. And balance out of say whatever is the increase that is on account of?

N. Sivaraman: It is mainly due to farm asset.

Kunal Shah: And we have utilized some excess provisioning as well to the extent of 40-50 odd crores during the quarter?

N. Sivaraman: You are asking in the context of the provisions having come down?

Kunal Shah: No, in terms of excess provision which we used to carry last year that was almost like say 230 odd crores?

Dinanath Dubhashi: As RBI requirement goes up this difference will come down so it is not utilization of excess but RBI requirements going up because 10% is required on 150- 180.

Kunal Shah: Okay. So maybe whatever is incremental it is being utilized from there.

Dinanath Dubhashi: Yes, it just arithmetic.

Kunal Shah: Okay. And again in terms of growth how are we looking at the Retail Finance segment as well as on the Wholesale side? What should the AUM growth look like for next two years or so?

N. Sivaraman: I think if you look at business opportunity as explained during the section by Mr. Krishnamurthy. In Wholesale we see opportunity in operational road projects as well as renewables as a key focus area. Given that these are long tenure loans and principle attrition is very slow we should be able to see a very healthy growth of 25-30% in this segment. It is not going to be very difficult to achieve that kind of a growth. In the Retail segment clearly, it is going to be a function of how monsoon plays out, how the tractor segment comes out. Other than that we should be able to see strong growth in the housing segment and microfinance. In the two-wheeler yes, I think as we keep expanding our network and reach there will see incremental growth coming through. So I guess around 15% to 17% kind of growth in Retail book is clearly visible and doable.

Dinanath Dubhashi: Correct. See we have given you product wise growth this time in the first slide. So tractors as I explained we are at -13%. I believe that we would be around the market trend in this year as we actually are stopping disbursement or moderating disbursement in some of the places. The mid-market which shows a 60% growth is the opportunistic business. Depending on exactly how many deals are there, four-five transactions can impact growth figures. But for the rest of the products I think the Q1 growth can be taken as indicative.

Kunal Shah: Okay. And this run down in CV would be almost similar? Sir you highlighted maybe the sustained pick-up would only come from Q4 but maybe on an average what we are seeing in terms of say Rs 300-400 crores kind of run down every quarter. So should it stabilize because this is what we are seeing in case of other players? So whether this stabilization trend would be there and will we continue to see this kind of run down in CV/CE?

N. Sivaraman: As we said while the volume growth on a year-on-year basis has been good in this segment the month on month is not showing any dramatic improvement. On the basic operating parameters which define the credit characteristic of this segment in the form of freight offtake or which in turn gets driven by the mining operations and construction activities in the country. We are not seeing any great pick-up in that. So we will continue to remain cautious about approach to this segment and we look at doing deals which are selective, which helps us maintain presence rather than being of any significant growth orientation at this point of time. We are happy to miss out the initial period of growth if it comes through but since the presence is always there we can get back into doing this business if it looks to be interesting and attractive to us.

Moderator: Thank you. Our next question is from the line of Nitin Kumar from Prabhudas Lilladher. Please go ahead.

- Nitin Kumar:** Sir, on the consolidated P&L statement our admin and other expenses have increased by roughly 50% sequential from Rs 86 crores to nearly Rs 128 crores, so if you can just explain that?
- N. Sivaraman:** The Retail growth has come from B2C products which are consisting of housing, microfinance, and two-wheelers. All three of them are very people intensive and that is what is really contributing to the increase in the growth. If you look at the operating expenses in the Wholesale business level it has remained almost flat.
- Dinanath Dubhashi:** Retail also has remained flat and actually if you see the percentages to book, this parameter of expense will lead you wrongly if the product mix is changing drastically. So if the product mix is changing to more Retail and higher NIMs product then the ratio to look is the contribution before credit cost. And if you see across businesses the contribution before credit cost has gone up so, which basically means that my expenses are going up lower than the income. So as I expand network, as I build the housing business, as I grow the microfinance business naturally expenses are going to go up but income is growing faster.
- Nitin Kumar:** But still if I try to reconcile it with the expenses that we have reported in the Retail business or the housing and the Infra business separately then there is some other element to it also because you can like subtract the allowances in the write-offs from this line from the total expenses and then still there will be a good difference that to be left to account for?
- N. Sivaraman:** See I think while we will be happy to kind of correlate this. Maybe I will ask Ajay to explain to you separately or maybe send a separate page to all of you linking this P&L account to the way the reporting in the analyst presentation so that will be easier. Suffice to say that our growth and expenditure on the overall is driven by the expansion of the B2C network and the consequent expenses around manpower as well as admin expenses.
- Nitin Kumar:** Okay and I know we have just done a preference share raise. But do we plan to raise equity capital also during the current financial year?
- N. Sivaraman:** One is that we are at about 14% kind of Tier-I capital adequacy in most of the entities. So as long as the growth is in the region of the 15-20% for the current year then on a consolidated level we would not need capital for the current year. We will utilize all our cash balances that exist today. But if we want to prepare ourselves for the next year and year after then definitely we need to look at raising capital.
- What we are doing currently is engage with a few select investors who are willing to take medium to long term view about the business, not necessarily as classical capital market investors, so that they can be far more patient and really look at investing at a value different from the capital market. That is the way we are looking at it. But there is nothing that is a done deal as of today. As and when it is completed we will tell you. But we

will take care to ensure that the existing investors are not diluted in a significant manner. The way we will approach is to ensure that the structure of capital in future will also be in a calibrated manner depending on growth needs rather than money coming in all upfront.

Nitin Kumar: Okay and sir lastly, like we have been showing a very strong growth in the housing finance business. So is this growth all organic this quarter? And secondly, can you like throw some light on the credit cost. What could be the stable credit cost? I think it has increased sharply. Last year also 1Q was relatively high in terms of credit cost. So, what could be your stable credit cost here?

Dinanath Dubhashi: So first question is yes, we can easily confirm that growth is entirely organic this quarter. Inorganic we would announce it separately so it is entirely organic this quarter. I also explained that the credit cost is a mix of two - one is the portfolio we took from Citi Financial. As it runs off there are two aspects which come in - one is the recovery that we do which comes into the income and then the credit cost related to the NPAs. If we take the GNPA as of today in this it is around 0.8%, I would think over the next two to three years, we would look at a 0.5-0.6% kind of GNPA ratio. Secondly, we have to remember that business started about two years back and in the beginning of the cycle of building up, certain areas especially in the Western part of the country we acquired two or three large account NPAs. So if we take about Rs 35 crores of NPAs in the organic book, these three accounts themselves are around Rs 15-16 crores. After that other than these two factors the GNPA's are quite comparable to what the industry would be. If you see the Q1 this year the credit cost is around 1% as you rightly said, TTM is at around 0.6 we would not think that the credit cost in the next two-three years we will be much different than this 0.5-0.6 kind of percentage.

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

Nishchint Chawathe: Just one point, I actually did not follow - I mean what was the reason for rise in gross NPLs in Housing Finance business from around 0.07% to 1% on a quarter-on-quarter basis? I guess you explained this but I did not really fully follow this.

N. Sivaraman: The gross NPA as of Q4 was 0.93% in the Housing Finance Company and it is 1.1% for the first quarter. So it is not such a dramatic increase as one would say. The credit cost has gone up from 0.07% to 1.01%. When we achieve certain reversals we either foreclose or ensure that the accounts become standard in the first quarter as we were able to get some collections or enter into a settlement with these borrowers. So that is reflected in the way the credit cost for the quarter has happened. In fact if you have looked at the number while Q3 resulted in a level of increase in the overall NPA levels, Q4 saw a reduction. So that is also really contributing to the way the credit cost has behaved. What we are trying to explain is that there are accounts in the early stage of our business which

we acquired have turned into NPA, we have the assets as a security with us and we are not fearing any losses.

Dinanath Dubhashi: And the SARFAESI process will take time.

N. Sivaraman: So it is going to take time to resolve it and I think most frequently what happens is that before even we reach the end of the process there is out of court settlement and we are able to get our money back. So what we were guiding is that on a long term basis the credit cost will tend to go down to the industry levels. If you look at TTM 2016 the second column on the right hand side our credit cost is about 0.6%. I would say that as the portfolio matures this will only trend downwards and that is what should be the normal direction of the credit cost so, it is a volatility arising from a quarter with a limited book size.

Dinanath Dubhashi: The small book size - that is the main point Nishchint. The portfolio size increased from Rs. 2,000 to 4,000 Cr. Suddenly in a particular quarter a resolution of Rs. 10 crores or so of NPAs will bring down the credit cost for that quarter. So that is why we have given TTMs which are more comparable numbers.

Nishchint Chawathe: Now moving to the Wholesale business, just to understand what would be the reason for increase in gross NPLs from Rs 384 crores to Rs 420 crores? Any specific sector or something that you can explain?

G. Krishnamurthy: There is a very small Rs 36 crore account which is in the corporate book. So that is part of the regular, so that says there is nothing dramatic or anything which has changed.

N. Sivaraman: There is no directional guidance to that.

Nishchint Chawathe: Sure. And did you sell any assets to ARC or did you restructure any asset during the quarter?

N. Sivaraman: No ARCs, no restructuring.

G. Krishnamurthy: Technically yes, we sold one asset on cash basis at full recovery value including simple interest, penal interest, additional, etc. But that was in the opening NPA book. So it was neither in opening NPA book nor in the closing NPA book that happened during the quarter. Otherwise there is nothing which is impacting the balance there.

Nishchint Chawathe: Sure. And finally, outside the lending businesses and investment management businesses, you have reported profit of around Rs 12 crores from others. So, maybe if you could just give some color on that?

N. Sivaraman: Sure as I explained to you one is that the investment management business ended up creating about Rs 2 crores of profit as compared to the last year first quarter. Certain other operating entities which were incurring losses have recovered out, so that is the second reason. Third is also that

we raised the preference capital which is today not deployed in the businesses which is invested in liquid funds which have also gives us an income. These are the three components which have contributed to the improvement from negative Rs 15 crores to Rs 12 crores in this segment.

Moderator: Thank you. Our next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: On the Wholesale book what will be net worth of the IDF right now? I am just trying to assess as to how much you could lever up at 50%?

G. Krishnamurthy: The net worth is Rs 350 crores and additionally there is preference capital.

N. Sivaraman: So excluding the preference the leverage is about 1.5x as of now. Gearing is at 0.5x.

Saurabh Kumar: Rs 350 crore net worth and how much is the pref?

G. Krishnamurthy: Rs 100 crores

N. Sivaraman: Including preference shares the overall debt to equity is about 2.5x, so the overall leverage is 3.5x. The potential for gearing over here is about 8x to 9x. What it means is that up to about Rs 2,500-2,600 crores there is no need to put any additional equity.

Saurabh Kumar: Okay, so Rs 2,500-2,600 crores you can say.

N. Sivaraman: That is correct.

Saurabh Kumar: Okay. And the second is on Retail Finance. So you mentioned in tractors you will be more cautious on incremental lending. So safe to say that this 14% growth which you see this quarter would probably be lower than this for the full year?

Dinanath Dubhashi: No, for tractors there is a de-growth of 13% in disbursement. The book will continue to grow because it will not run down that fast. So understand that it is not that we are curtailing the business. The way of doing business here is that the entire country in fact, various districts and small areas are divided into risk categories based on last 10 years' monsoon, based on reservoir levels, based on sowing, based on our own portfolio behavior. The targets to the business on a yearly basis and also revised targets on quarterly basis are given based on that. So what will happen is, one the industry is down. Second, in all the areas that we categorize as higher risk and also where we have seen a larger increase in NPA and we think that the entire team has to now collect those are the areas that will we would curtail. That does not mean that overall we are going to curtail the tractor business. If you are looking at a guidance yes, in fact as I said negative 13% growth over last year is more or less what looks likely to continue at this point of time unless situation changes drastically.

Saurabh Kumar: Okay. Just one final question on Return on Equity - so, we have said that we would like to operate this business at near 15% to 16% RoE. So even if you were to normalize for this 80 basis points credit cost and I just look at your earnings before credit cost on Slide #19 and normalized for this 80 basis points. We still would not touch that 16% mark. So what is the missing link beyond this credit cost?

Dinanath Dubhashi: There are other things which will also change but assuming that the credit cost reduces by 80 bps. and gearing increases to around 6-6.5x, arithmetic shows that you have to multiply that 80 basis points by around 5-5.5. So we are looking at just 4 to 4.25% increase in ROE simply because of that. Okay, that is not saying the entire 80 will come down there are many other things that will happen. But we are quite sure of pre-tax ROA increasing by around 70-80 basis points over the next two years which will lead to about 4% to 4.5% increase in ROE.

Saurabh Kumar: Okay and NIM should not move up substantially from here right?

Dinanath Dubhashi: No, that does not look likely to happen. There will be a dual effect one, my B2C portfolio going up and second, I will be reducing rates for moving ahead of competition. We normally guide as I said towards about 7.3-7.5% kind of a range.

Moderator: Thank you. Our next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: First on the Retail portfolio. So on the housing side when I look at the yields and compare it to versus last year I see a substantial drop from 14.4% to 11.8%. I presume this would be also because of portfolio mix that is changing more towards home loans. So can you just help me understand what is the yield differential on LAP and home loans?

Dinanath Dubhashi: So one is the LAP and home loans. Second, there was substantial disbursement of construction finance in the corresponding quarter. So our construction finance has been quite low this quarter. I mean we are not going to go aggressive on construction finance but this quarter has been unusually low. We definitely see construction finance as a percentage increasing from what this quarter was and the yields going up. To answer your specific question, average differential of yields between LAP and home loan is coming down in the market drastically. But it is still likely to be close to 1.75-2% and more. You should look at the TTMs. So TTM is 13.3% to 12.05% adjusted for CF around 1% reduction is what generally the market has also been at.

Rahul Jain: Okay. And what will be the mix likely going forward. Will you continue to run down or perhaps decrease the proportion of LAP portfolio going forward?

Dinanath Dubhashi: No, for disbursements this quarter we are not being able to keep up our projected LAP disbursements because the LAP market seems to be going

overly aggressive right now. More or less we will be settling down at that 65-35 ratio.

Rahul Jain: Okay, got it. Second question is on your delinquencies in the farm segment. So would you be able to share some numbers as to what would be the NPA ratio on the tractor portfolio and the past dues in 120 day bucket or 90 day bucket?

Dinanath Dubhashi: What I can talk about is 150 and 180 because it is giving some indications. So I will first talk about the entire Retail and then just juxtapose it with farm. So on a 180 day basis between last Q1 and this Q1 the overall NPA has remained at around 3.8% whereas farm has gone up from around 2.2% to about 3.8%. So that is the impact of farm. So actually the NPAs of others i.e. their percentage have actually come down. On a 150 day basis our overall platform NPAs have actually come down from 5.3% to 4.7% whereas farm is at around 5%. We see an unusual impact of farm. As I said clearly one is seasonal, we had a very high billing as any other tractor finance company in this quarter. But also the percentage that we collected out of these two months billing is below last two to three years' average clearly showing nervousness among the farmers to part with money. We see that slowly smoothening out and also obviously simply collection efforts in the second quarter when there is no billing we will bring down the NPAs.

Rahul Jain: If I can extend this a bit further. Is this because of unseasonal rainfall that we witnessed in Feb-March month especially in Rajasthan, MP and all, has that dented the sentiments and therefore your collection efficiency?

Dinanath Dubhashi: If you want a simple answer, yes. If you want a more detailed answer naturally any event happening like this will dent the sentiments there is no question. It is the effect of many things. So number one as I said erratic monsoon last year and this year in various areas. Last year, Kharif crop in large tractor markets saw at least two sowings going waste. Each sowing costs about Rs. 5,000-7,000 per acre to the farmer. So it is more of a loss rather than a lost crop in Kharif and the unseasonal hailstorm affecting the Rabi crop, the Wheat. This is the dual effect. Then this year good rainfall in the starting led to immediate sowing happening and then rainfall disappeared for some time. Even though it has come now and a lot of crop especially the Soya crop in MP is doing well and that has been saved. But when continuously for three seasons this has happened, the farmer is a bit nervous to part with money. Some good things that we are seeing is that I would not give you the exact numbers but close to 45-50% of my NPAs in terms of numbers have actually made part payments. So which shows actually more liquidity issues than lack of intention. That is where you see more confidence than what the numbers show in my voice because if you see the portfolio in detail I am seeing quite positive.

Rahul Jain: Okay, interesting. Just one last question on that same point as in on your overall Retail portfolio when the DPD changes next year how much provisioning increase will happen because of that any ballpark estimate because the coverage ratio I think is about mid 40?

Dinanath Dubhashi: Definitely the income reversal impact will be there whether we will take this year or next year that of course we will decide as the year goes down. It will depend as the year goes what will be the 120 to 150 level; it is too early to say that. Last year the same questions were being asked about 150 and we have achieved close to 20% reduction in 150 levels over the last one year. So the behavior on the ground also changes as it goes. So giving the exact impact in terms of rupees will be too premature. We will comment on it as we arrive at the end of the year for the income reversal. As far as provisions are concerned I think Mr. Sivaraman explained in the beginning that forget NPAs but for the entire book we calculate whatever is the ageing, we actually calculate probability of default and loss given default and look at what is the provision that we are carrying on the entire book. We are at around 2.2-2.3% provision level of the entire book which we think we are comfortable. Whenever the actual classification of 120 to 150 or 90 changes, what will happen is that the provision coverage on NPA will change but on the overall book as a portfolio we believe that we are carrying in a provision considering statistical and analytical tools.

Rahul Jain: Got it. Just on the Wholesale side just two questions. One is how much of your restructured is in its moratorium period in this year? And second one is your slide mentioned about problem in Discoms which of course is well-flagged and well-known. But in that back drop, how comfortable you are taking over some of these operating projects which might be supplying to these distribution companies so, these are my two questions. Thanks a lot.

G. Krishnamurthy: Okay. On restructured my first number is about 30% in case I need to revisit this I will come back to you. On Discoms, today the issues are with three specific Discoms - Rajasthan, UP and Tamil Nadu and the issues are where banks have a direct exposure at a lending level. So it is a question of interest and principle payments where there is a problem. As of now we do not see substantial deterioration in payments to renewables from these states assets because these are part of opex and if there is a problem this will be the next issue which will come up. Now having said this, what we also have done, even wind for example we have absolute portfolio limits geography wise and in some of the states including Maharashtra, Rajasthan we have been slow on greenfield for some time now. It has been for a few quarters we have not really pushed for greenfield because we are apprehensive of PPA being signed. On operational projects we have enough credit safety mechanism built in on the Wind portfolio and on solar counterparty is substantially central government, we have not funded too much of state government projects so far. So the counterparties are ACCI or NVVN, etc. and in that sense we just do not expect any issues at all in solar.

Rahul Jain: Okay, just one final question if I may ask. How much of this gearing can go up on our Wholesale book?

N. Sivaraman: Between not just the Wholesale book but at all the operating entity levels our desire is to keep Tier-I at about 12.5% and get about 3.5-4% by way of Tier-II that is our goal. Some of the steps that we have taken over the last 15 months have been around improving the stability of the balance sheet

by focusing on the kind of assets that we want to build on our balance sheet and also increasing the provision coverage over the last 15 months. This we expect will give comfort to the rating agencies to allow us to take a higher leverage. Our immediate goal will be to take the overall leverage to about 8x from around 7.25x-7.5x at the moment. We should take care of the current year and then hopefully the environment and our own balance sheet will reflect far better and then we can go back to the rating agency with request for additional gearing levels.

Moderator: Thank you. Our next question is from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Sir, firstly for our tractor portfolio which will be the top four or five geographies where we will be lending and how much percentage of the tractor portfolio would be comprised of these?

Dinanath Dubhashi: So precise numbers I would not be able to give you. We can indicate the major geography where we participate. It will not be possible to give exposure at the geography level. Madhya Pradesh, Maharashtra, Karnataka, AP, would be the highest. We have good enough exposures in Punjab, Haryana as well, growing now in Bihar and Uttar Pradesh.

Devam Modi: All right. But majorly the first four what you have pointed out that would be the major part?

Dinanath Dubhashi: Yes. In Madhya Pradesh we are market leaders.

Devam Modi: Correct. So sir out of the total say 150 DPD of Rs 1,004 crores GNPA, how would it be roughly split across our seven segments on the Retail Finance side?

Dinanath Dubhashi: Why don't you contact Ajay, we can see what all granular details we can give you. But as I said, we actually monitor our portfolio fully not only just by our portfolio quality but various factors and we actually monitor very closely how disbursements and portfolio are growing.

Devam Modi: But would it be an appropriate guess that out of the total Rs 1,004 crores the rural products would be one of the major contributors?

Dinanath Dubhashi: Rural book is around roughly Rs 6,000 crores, out of which 3.8% is more than 180DPD. I gave you those numbers sometime back to some other question.

Devam Modi: And what would be the percentage on mid-market finance?

N. Sivaraman: Devam, I think there is a level of disclosure we have at the moment, right. And we have also talked about the ways each of the book is performing directionally. I think it will be inappropriate for us to get into too many details given that these are non-public.

- Devam Modi:** And sir, what is the total percentage of stressed asset in our Wholesale book that is GNPA plus restructured asset?
- G. Krishnamurthy:** This is also given. This is also there in the presentation Slide #24 gives you a net NPA, net restructured and net SR, all three are available out there.
- Devam Modi:** So in that the net restructured assets we have been seeing some sort of movement coming down on overall stressed business, are you seeing it going down on the Infra Finance side?
- G. Krishnamurthy:** It is I would say more stabilizing I will not say it is not going down and yes, denominator effect is kicking in, incremental provisioning is kicking in. Yes, so incremental slippages of standard in RSA have come down. But then there will be slippages from restructured into NPA moving forward this year definitely, as some of the restructured assets are getting to aging more than two years some of these there is a potential for slipping into NPA.
- Devam Modi:** Okay, sure. And finally on the investment management side, when we look at the numbers which have been reported, compared to what was reported last quarter there is a change in the revenues and all those things. So is there some change in the reporting methodology or something like that or what is the change over there?
- N. Sivaraman:** No, some of the expenses which used to be charged at the fund level have been moved to the AMC thanks to the way the service tax is being levied, right. Consequently, the management fee also has gone up. So if you look at the next level there is no dramatic difference in operating revenue what we are talking about. There is no major difference.
- Devam Modi:** Okay, so basically retrospectively you adjusted the numbers accordingly because in your presentation you were talking of FY15 operating revenue of about Rs 130 plus crores and this one it is around Rs 99 crores?
- N. Sivaraman:** To make sure that the comprehension is easy so we regrouped all of these.
- Devam Modi:** Okay and finally sir, what kind of steady state credit cost would we because I understand there is a lot of things that are moving around in the underlying sectors because of which the credit costs have been pretty volatile but going ahead once things stabilize, what kind of steady state credit cost would we target for Retail and Wholesale Finance business?
- N. Sivaraman:** See as we move towards the complying with the RBIs set of NPA recognition norms there will be some lumpy effect in some of the quarters. But if you look at it on a steady state basis our belief is that the Retail book should have about 1.3% to 1.5% kind of credit cost and the Wholesale book once the sticky things in the form of amortization of ARC related losses and the FITL provisioning on restructured book, once they are fully run down we will see this credit cost coming down below 1% around the 0.75 percentage kind of level; that is our outlook. But for the Wholesale as I keep saying that the stickiness will have to go away before we will be able

to see that on the balance sheet. It could be around four quarters or six quarters before we see that number. Retail, hopefully I think with things stabilizing, the farm book improving we should see this happening during the current year itself.

Devam Modi: Okay, great and sir is there any provision coverage ratio that we are targeting for both of these segments?

N. Sivaraman: Well we have always maintained that in the Retail book we will do around 40% to 42%. This is something that we have talked about right through the last three to four quarters. On the Wholesale it will be around 30% number that we will target. This is based on our experience and assessment on embedded losses in the NPA accounts.

Moderator: Thank you. I now hand the conference to the management for closing comments. Over to you, sir.

Management: Thank you. It has been an extensive session and thanks for asking all those insightful questions so that we do provide the sufficient clarity about whatever is missed in during our presentation. Thanks, I hope that it provides you with the level of clarity on the overall performance and understanding the same. Feel free to write to us or to Ajay and make sure that all your questions are well clarified. Thank you.

Moderator: Thank you very much. On behalf of L&T Finance Holdings Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.