"CanFin Homes Limited Q4 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the CanFin Homes Limited Q4 FY2019 earnings conference call hosted by Investec Capital Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Utsav Gogirwar from Investec Capital Services. Thank you and over to you Mr. Gogirwar!

Utsav Gogirwar: Thanks Bharat. Good morning all. Welcome to the Q4 FY2019 earnings conference call of CanFin Homes Limited. To discuss the financial performance of CanFin Homes Limited and to address your queries we have with us today Mr. Sarada Kumar Hota, Managing Director of CanFin Homes, Mr. Shreekant Bhandiwad, Deputy Managing Director, and Mr. Atanu Bagchi, CFO & DGM. I would now like to hand over the call to Mr. Hota for his opening comments. Over to you Sir!

Sarada Kumar Hota: Thank you Utsav. Good morning to all of you. Q4 is ended, the numbers have been published day before yesterday and we have uploaded the investor presentation as well. This was the first fully audited all the four quarters, the numbers have been restated under Ind-AS so at the outset I will tell that yes normally we used to upload the numbers and the investor presentation simultaneously, but there was a delay this time because of the preparation of the numbers and the restating and uploading it took a little time, but because there was a holiday yesterday I suppose all our investors and the analysts they would have gone through the numbers.

The important points I would like to touch in my presentation that Q4 of current year it was one of the finest quarter's post demonetisation, RERA and GST. In the last 12 quarters this was the first time that the company has recorded some 20% growth in the sanctions as far as the quarterly numbers are concerned. Disbursements have gone up by 12% and the growth in outstanding has gone by 19%. Quarter-on-quarter sequentially if you compare with Q3 sanction disbursement and outstanding, the sanctions have gone up 17%, disbursements have gone up by 18% and the incremental outstanding loan book has gone up by 28% against Rs.634 Crores of increase in loan book during Q3, Q4 has been Rs.812 Crores, so there is a big positive as far as the loan book growth is concerned, so that demonstrates and it speaks that growth is back and one of the key factors for this is all the new branches we had opened they have started yielding and simultaneously our home state of Karnataka during last quarter it has shown a very positive sign of double digit growth under both approvals as well as the outstanding incremental loan book growth, so we are pretty hopeful about going forward this trend will continue and the quarters and the years leading to housing for all by 2022 should be all positive.

When you come to the other numbers asset quality is one more area where there was a big positive both in terms of quantum as well as in percentage terms the company has shown improvement over Q3. Q3 we had 0.71% gross NPA it has come down to 0.62% and net NPA has come down from 0.5% to 0.43%, so there is a nine basis point drop in the percentage points. As far as the quantum is concerned in absolute quantum also there is some Rs.11 Crores odd reduction in the gross NPA level, so these are the big positives. That apart on the earnings side, Q1 and Q2 of current year has seen NII growth of something like 2% whereas Q3 and Q4 we have continued to grow at around 5%. The aggregate NII for the company is at Rs.530 Crores that is again a record number for the company and the margins we have been in a position to hold onto. It is almost at 3.14% to 3.15% even though compared to the last year same time number 3.53% there is a drop of 39 basis points in the margin, but sequentially if we see in Q1 it was 3.18%, September it was 3.17%, December it was 3.18% and then Q4 at the yearend we are in a position to hold on 3.14%. This has come about mainly because we have been in a position to hold on to our cost. Yields, it has come under tremendous pressure on account of the competition you cannot continue to hold down your rates if you want to grow currently nearly at a very high level. Another thing is your company is into involved resetting of rate of interest, so last year October when we increased the rate from 8.95% earlier to 9.5%. For your reference, I will like to remind that till March 2018 the rate of interest housing loan rate was 8.5%, in April we had increased to 8.95% and in October to 9.5%, so the entire incremental yield that has to accrue to the company is yet to reflect in our yields because the company is into annual resetting mode so all the loans sanctioned during the last year April, May, June, July, August and September will come for repricing at the anniversary month end. The loans granted in April will come for repricing on May 1, 2019, May sanctions will come on June 1, 2019 that way we are expecting that the yields should improve going forward, but the cost will be again determined by the market that how the market is playing. So far we have been in a position to hold on to our cost and this particular quarter if you see the numbers 7.90% cost of funds as against 7.89% in the previous quarter is phenomenal. We are very, very satisfied it is something, the credits should go to Mr. Bagchi and our accounts team. He is sitting with me.

One more from the positive points under Ind-AS the total income has been impaired to the extent of processing fee that has been amortized over the entire loan life. The average asset life for us is around 20 years then only 120th of that processing fee has accrued to current year income and the 19 shares have gone to subsequent years.

Going forward because this was the first year to that extent our income in impaired, which is reflected in terms of the lower fee income, the lower PBT as well as PAT it is reflected everywhere. That has an impact on the ROA, the ROE as well as the cost to income ratio. The cost remains around the same level whereas the cost to income ratio, the income has come down by that extent of around Rs.25 Crores to Rs.26 Crores or Rs.28 Crores was precisely the number for current year, which has been amortized for the subsequent period Rs.28 Crores odd. Rs.28.7 Crores or so we have given the number. One more change was the company was allowed to make 20% of the profit to special window every year that we do. We transfer out of our profit under section 36 (1) (viii) of Income Tax Act. On that we are making a deferred tax that we used o provide for. Now under Ind-AS that is not required and that amount has been moved to equity, so ROE is depressed because the returns are reduced on account of processing fee amortized whereas the equity has improved. That is where the debt equity of the company has come down to single digit and that helps the company in terms of its borrowing power, that helps the company in terms of a single digit leverage that has come to it gives a psychological comfort. Of course the company is not comfortable nor we have dropped our plan of further improving the debt equity. That is how we had a plan of raising up to Rs.1000 Crores capital provision we had taken. Maybe going forward the company will plan that from the present debt equity ratio of leverage ratio of 9.37 times how we can bring it down to something like 7.5% or 8%, so that plan is there that has been discussed above. The cost to income ratio is 16.30%, the ROE of 18.16% and the ROA of 1.76% that is what I wanted to explain that if you recast it under the IGAAP it goes well with our fast track record of around 2% ROA, 20% plus ROE and around 15% cost to income ratio. These are the positive.

Capital adequacy of the company has gone on improving further to 9.56%, Tier-1 ratio is 17.75% and as far as internal accruals of the company are concerned that has been very good so both the leverage as well as the capital adequacy has improved over the last 12 quarters. Sequentially it has never dropped that is a very positive for the company. I suppose from my side these are the key points. We have explained in our presentation that how Q4 number when it is restated under Ind-AS what is the total impact compared to the last year because the previous year's numbers till December 2017 those were stated and published under GAAP and only the March 2018 was published under Ind-AS. Now the numbers have been restated, so quarterly numbers we are not that worried about because during Q4 of current year we have taken some one time hit and that was well thought out ones, it will be prudent to make the balance much more stronger, some disputed tax items amounting to Rs.5.5 Crores and some additional CSR expenses. That CSR expense is of course there is remedy for that, but going forward we will try that how we can spread it over the quarters, so quarterly numbers really are particularly under PAT. I am not that worried positively the PBT has grown. Even the quarterly numbers the PBT is positive. It is over from my side. Any queries we would like to answer to the best of our capability.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Thank you for taking my question.

Moderator: I am sorry to interrupt Mr. Bari. We would request you to please speak a bit louder or close to the handset.

Nirmal Bari: Thanks for taking my questions. My first question is on this annual resetting of interest rates, so last year we had seen in the Q1 that our yields had dropped suddenly because of this annual reset and our significant part of the loan book was getting reset by the end of Q4 or Q1, so will we see the same phenomenon this year also where we will see this lag that was there in annual reset to come by Q1 itself?

Sarada Kumar Hota: Welcome Mr. Bari. Last year if you remember in Q1 that was the time when the rate of interest was just increased, so in annual resetting it will accrue at the anniversary year end. This year if there is a reduction in rate of interest even the reduction will come with a lag or if there is an increase suppose from the present base rate is 9.5%, the lowest rate that we will afford to salaried S1 the low risk category borrower is 9.5%, suppose the rate of interest goes off further that increase will accrue with a lag, but for six months already whatever loans had come for repricing during last year April, May, June, July, August, those loans have been repriced. Now the thing is because there are two rate of interest increase, one in the month of April and one in the month of October, those two increases will accrue itself.

Nirmal Bari: Yes, so my question was on that only whether there is a higher proportion of loans, which go for resetting in the month of March, April, May, June?

Sarada Kumar Hota: Naturally, you can calculate otherwise. I told you in my opening remarks that last year look April we increased the rate from 8.5% to 8.95% and second time it was 8.95% to 9.5%, so all those loans, which were granted in April last year might be still 8.5%, now those 8.5% rate of interest or 8.95% rate of interest will be reset to 9.5% now, so there will be 55 basis points increase in yield from that chunk of business, so monthly if you track our numbers that how much we sanction in a month and disburse in a month it is something in the range of around Rs.550 Crores sanction or Rs.450 Crores to Rs.470 Crores of disbursement every month that much amount will come for repricing.

Nirmal Bari: Okay, thanks that is helpful. The second question is you told in the commentary that Karnataka has also shown very positive sign, so if you can add some more comments on it and positive signs in terms of have the sanctions and disbursements also started growing at double digit in Karnataka?

Sarada Kumar Hota: That is what I told you.

Nirmal Bari: On ground situation.

Sarada Kumar Hota: Overall growth, the annual growth for Karnataka till now it is 6.5% and minus Karnataka the disbursement growth is 12.6%, outstanding growth is 22% against 16.7% of outstanding loan book if you exclude Karnataka it is 22%, so for the full year if you see Karnataka to loan book has grown by 6.5%, but Q4 to Q4 I am looking at the incremental loan book, till Karnataka it carries some almost 31% of my entire loan book is there in Karnataka, so naturally one with sitting at bigger pie and older pie, the repayments will be much more. The incremental growth would not be that big unless the sanctions are higher. One positive during Q4 is Karnataka, my Karnataka cluster has shown a sanction increase of 12% year-on-year, this figure was negative for the first three quarters. The sanction figure was lower compared to or same compared to the previous year same quarter, it is Q1 over Q1, Q2 over Q2 like that and that is how the incremental loan book growth for Karnataka has been positive that is something in the range of 18% year-on-year as far as the loan book growth is concerned, so they have come back almost the Q4 growth rate if you see the conversion of disbursement into loan book has been fairly good. One major reason may be, we take over some of the highest in Karnataka as well, in Bangalore particularly that has cooled off. One set of called cooled off, conversion of if you disburse Rs.100 Crores your loan book may not grow by Rs.100 Crores because we have got normal repayments and repayments are bit higher in where the loan book is matured loan book and old loan book, but certainly the increments have improved.

Nirmal Bari: And Sir, the on ground situation in Karnataka in terms of the supply side issues that we were seeing?

Sarada Kumar Hota: That has started getting retraced because you cannot hold on to such the supply side issues over the period, it is bound to improve, it has to improve, because some new projects, which has started last year or immediately after the RERA there was a lull, there are no new projects, not many new projects, but going forward certainly all those projects, because CanFin not in those big 1000, 2000 unit projects, CanFin lengths into small projects of 40 units, 50 units, 100 units maximum where the delivery time is much faster, so projects which were initiated last year their stocks are getting ready, so going forward I suppose the supply side also get it right. It should not be less so and Q4 otherwise our new accruals would not have been so good in Karnataka.

Nirmal Bari: So, we are already seeing an improvement?

Sarada Kumar Hota: Yes, we are seeing, there are positive work green shoots have come.

Nirmal Bari: And Sir, what was our incremental cost of borrowing during the quarter, we said that the blended cost of borrowing, cost of funds were 7.90%, but on an incremental basis?

Sarada Kumar Hota: On an incremental basis, it has really come down compared to Q3 you will be happy.

Nirmal Bari: Is it lower than 7.9% or is it higher than that?

Sarada Kumar Hota: It is around that level only.

Nirmal Bari: Okay and Sir finally there was an increase in the tax rate, which I presumed was due to…

Sarada Kumar Hota: There is no tax rate increase, there is an increase because the percentage is showing higher around 42.5% against around 34%, it should be 33%, 34.9% it should be, not more than that because we have disclosed that there is a one time. The old prepaid, the previous period tax rate expenses, which you lend that we have taken and last year in we had a retrieval of tax from Rs.3.3 Crores. Current year there is additional about Rs.5.42 Crores the cumulative impact in Q4 what you are saying and in the year what you are saying is Rs.8.7 Crores.

Nirmal Bari: Okay and this was entirely due to Ind-AS.

Sarada Kumar Hota: That is not due to Ind-AS that is due to some previous period disputed items which line we wanted to provide for it in the book.

Nirmal Bari: Okay, but next year onwards it should get normalized to 34%, 35%?

Sarada Kumar Hota: Q3 number you compare it is 34.9% or so.

Nirmal Bari: Okay, thank you Sir. If I have more questions I will come back in the queue.

Moderator: Thank you. The next question is from the line of Ritika Dua from Elara Capital. Please go ahead.

Ritika Dua: Sir, firstly congratulation especially on the spread front and my questions are also on that. Sir you were sharing that we have taken these two hikes in the year like one in April last year and those will come for repricing this year, so obviously we are looking at yields inching up, how is your view on spread in the light of the liabilities repricing starting FY2020?

Sarada Kumar Hota: As far as liabilities are concerned, it again depends on the composition of your liability, till the first half of last year during the previous two-and-a-half years the company had not borrowed, not taken funds from NHB because we are getting cheaper funds elsewhere. Right now if you see the percentage has increased from 7%, which was posted in last quarter, this quarter 13% is the share of NHB Refinance and the bank borrowings have gone up. Bank borrowings will be around the NCLR barring from structured products, which will be linked to external benchmark, but NHB borrowing particularly under affordable housing, the blended cost of funds that remains low. So even in liability side, the cost last year around from Rs.1500 Crores, which has come late, it is not reflected fully in the cost that is going to even keep the cost under control going forward, so where we are sourcing from that again is important. The mix of your liability is important similarly the mix of efforts is important, but when you take funds under the affordable housing fund if you get some funds, there what happens is automatically you will have to reduce the rate of interest on those loans against which you borrow, so that pulls down the overall yield, but my spread is guaranteed there. We are allowed 3% to 3.5% spread we maintain in those things so that is protected. So if you go by the cost of funds going forward I suppose the cheaper funds that we have been in a position to secure during the second half of last year. Current year it will have impact of full 12 months that is not there last year and we do not have really any – so very cheaper funds which are going to come for repricing at a very high rate, rates are really cooled off a bit if you see in money market rates and going forward we are expecting that the last two policy rate cuts are yet to be passed on by the banks it does not because any policy rate reduction does not help the HFCs and NBFCs directly unless the banks reduce the NCLR, the banks are yet to pass on. Let us see going forward how wet face, but we are pretty optimistic that is we should be in a position to hold on to these rates.

Ritika Dua: Sure Sir, similarly like how you helped with like how the blended number for the banks funding looks like, could you help with how the blended numbers for may be NHB and your NCD, CP combined looks as of today, what is the blended cost there?

Sarada Kumar Hota: Certainly if the bank costs are 8% and plus and my overall cost is 7.9% you can work out.

Ritika Dua: Sure Sir, what is the CP share as of today I mean as of March?

Sarada Kumar Hota: It is something like 12%, 12.5%, last year it was 15% in March. One thing it is up to 15%, 18% we are comfortable, but because the market is talking so much about, so we are keeping it low only two periods psychological comfort, otherwise again most of our CPs are one year CPs.

Ritika Dua: Sure, looking at your discussion, can one say and assume that definitely spreads are looking up now?

Sarada Kumar Hota: It should be because there is an eminent repricing of the portfolio going forward because of the annual resetting.

Ritika Dua: And Sir, can I ask one data keeping questions on that, what percentage of the liabilities repricing in FY2020 and what would be the blended cost there?

Sarada Kumar Hota: You ask Mr. Bagchi later.

Ritika Dua: Second question on the growth front good growth and you were already sharing that Karnataka is improving, Sir some bit on the mix while I understand it is coming of a low base, but then there is consistent growth in the top up personal loan and particularly for this quarter there was a growth in the commercial housing loans though and non-salaried has been on our side, Sir any comments on the three if you could, how do you see the growth coming from these three in terms of as a revenues to grow?

Sarada Kumar Hota: Really if you see in the loan book it is 90% is housing, I am worried that housing only is because the pace of growth of housing has been much faster compared to the non-housing, so when the non-housing was till two years back it is used to be something like 12.5%, 13% that sort of a mix was managed by the company to keep the returns a bit higher, but over the last 10, 12 quarters, the growth rate of individual home loan is much faster and leading to FY2022, the housing for all, it is obvious that the growth will come mostly from housing not from non-housing, it is not that non-housing book is not growing, non-housing book is growing, but as far as the growth of housing is concerned that has outpaced the non-housing growth in the total portfolio that is where the non-housing has come down. As far as self employed, the non-salaried book that has gone up to something like 71 salaried and 29 non-salaried and of the selected items it is again around something like 66, one-third, two-third. As the income tax base is increasing for the country and more number of people are filing tax returns. If there is a return available for the income that the income is evident certainly that comes as a new, the catchment area for the company because we do not underwrite where income is not evident. If you are filing a return you are salaried or non-salaried we can underwrite, but still then CanFin remains the darling of the salaried and it will continue to remain like that. So primarily going forward it would not be a builder loan, obviously it will be primarily salaried individual home loan portfolio, which will grow faster.

Ritika Dua: Sure Sir and just last question on capital Sir, why is there a need at the moment, I think we are even meeting the regulatory requirement, which has come up I think probably we do not even need it till the next two years if unless and until you think that the growth is going to surpass significantly?

Sarada Kumar Hota: It is arithmetically true that as long as you are doing a better return on equity from the growth rate your internal accruals are better only higher than the consumption and there should not be any issues, but the thing is somewhere the company has to – if you have to survive in the market and if you have to keep the sentiments of people up because the discussions are too much around all these things. Nowadays the discussion around liquidities, discussion around leverage residuals. When the HFCs allowed 16 times now the NHB regulation fees that yes they are going to tighten it to 12 times going forward from 16 times. Over next three years it will be reduced to 12 times. There are companies who are operating comfortably at 10%, 11%, 12%, even up to 13% leverage there has never been an issue, but now that once bitten twice shy, so you need to be a little careful and last time when we took the permission for capital in FY2017, after March 2017, it was when the debt equity of the company touch 11, it was 11.03 I remember and in the same period you have asked that why you require capital adequacy is 19 plus that time it was 18.5 or so. For a growth capital company does not require to raise capital, but as far as borrowing is concerned the bankers are comfortable to lend, you can command the best pricing in the market if you leverage these below 12 as far as the banks are concerned, now that has come to single digit we are still comfortable, but you should not run to the market to raise capital when you require capital, you should be prepared that is how we are planning, that yes this year sometime we may go to the market to raise some, it will not be Rs.1000 Crores, but some capital to keep the leverage at the level that is comfortable to the bankers and to the investors.

Ritika Dua: Sure Sir, so certainly this year may be is what is your thought?

Sarada Kumar Hota: This year we will go.

Ritika Dua: Great Sir. Thank you so much for your time.

Moderator: Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

Punit Mittal: Thanks for the opportunity. I see last year your provisions were Rs.35 Crores against NP additions of Rs.56 Crores versus this year your NP addition is Rs.68 Crores, but provisions has only been Rs.17 Crores, so our provisions are less, which naturally is good for the bottomline, but is that a good sign, what is your take on that?

Sarada Kumar Hota: I do not know where from you got this, Rs.17 Crores current year NPA provision number it is not there. Last year we had made some additional provision at the year end. It is not because the NPAs required the provision percentage because if I provide for then I was getting tax break on that, so that was the only reason. As I supposed in March conference call also I had explained that the Rs.20 Crores NPA provision we have made last year was only for the purpose of taking the tax benefit because 5% of my total taxable income on that I get for the tax provisions. Earlier we used to get this tax benefit and there is a change in the norm that is why we had provided, but for current year because already we are holding adequate we never required and as such right now the rule is for standard and NPA that comes under Ind-AS it is based on the ECL model. Under ECL you require to provide that much is calculated based on the PD, LGD and EAD respectively, but till such time the NHB guideline is we have to provide the basic requirement, the minimum require under IRAC the erstwhile income recognition and asset classification norms, the prudential norms, the standardized rate of 15% for standard or for the D1, D2 and D3 at the rate of 25%, 40% and 100%. So that is how the company has provided extra not because the ECL require because the prudential norm requires that much only is provided and we do not require beyond this because 100% of the asset for the company are security bagged unless additional provision is required there is no point really we should provide more and block the net worth because right now what is much more important for a company is the capital, your net owned funds, so that borrowing remains comfortable and the leverage ratio it remains lower.

Punit Mittal: Okay, thanks. The second question is I see your loan book increase is about Rs.2600 Crores this year, which is approximately about 50% of the disbursement that you have done about Rs.5500 Crores, now for this year FY2020 you are guiding about Rs.4600 Crores growth in loan book, which again if you take around the same percentage the disbursement should be around Rs.9200 Crores, but in the liquidity position that you mentioned you are assuming a disbursement of Rs.1800 Crores per quarter, so there is a gap of about Rs.2000 Crores odd, it is because you are expecting that to be filled by the capital raise or is it because you are expecting a lower prepayment?

Sarada Kumar Hota: It is precisely your last word is correct. Last year there is a dramatic shift in the prepayments and particularly the takeovers and balance transfers during the second half. Somewhere that is why a I had told this particular line that once in a while this measure controls such as maybe unethical things of hosting. Post IL&FS and post liquidity crisis in September-October of last year all of a sudden there are many players who were into hosting others book that has stopped. So the conversion of your disbursement into loan book has been fairly good. If you are seeing 50% in the conversion, in that 50% was not appealing in the first half year. It is really the second half year it will be much better compared to the first half year. If you see my quarterly numbers I disburse Rs.5554 Crores and the outstanding loan book went up by Rs.812 Crores, it may come to something like 58%, 60%, it will come. So we are expecting that going forward this number will be better, so the repayments, the prepayments and takeovers that have pulled up, so conversion of our disbursements into loan book should be fair enough. That apart on increased loan book, higher loan book, your interest accruals as well as in the new loans because there will be a moratorium, so those will be in the gestation period where the EMI would not have started, so the accruals will be much faster.

Punit Mittal: Thank you and my last question is that I think you had declared in your previous board meeting in March that the company will be going for an external search for the CEO, so I wanted to understand what is the timeline and status of that and is the company appointing a committee or in external firm for the search of the CEO?

Sarada Kumar Hota: Yes, the process is on and at right time, appropriate time, we will be disclosing to the market.

Punit Mittal: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Akash Dattani from HDFC Securities. Please go ahead.

Akash Dattani: Good morning and thank you for taking my question. So my question is on the operating expenses particularly staff cost during the quarter, so they have almost doubled quarter-on-quarter, so anything on that you would wish to highlight?

Sarada Kumar Hota: Yes it was mainly because of the AS 15 requirement and please do not look at this quarter-on-quarter that is what I told, there are many disimpacts it comes in the last quarter it is because of AS 15 only. If you see the year-on-year number that fix the staff expenses.

Akash Dattani: Yes, it is lower than the quarter.

Sarada Kumar Hota: That is why I am not worried about the quarterly numbers I told you in the outset.

Akash Dattani: Okay Sir and just one more question if I may ask on the yields bit, so over the past few quarters we see that the quantum of your non-salaried book continues to rise as well as the non-home loan portion, so when would we see this sort of manifesting in the yields?

Sarada Kumar Hota: The non-home loan portion in percentage terms that is really reducing, it is not increased. The non-salaried is concerned, yes, I agree. I will request Mr. Bagchi to take this question and explain.

Atanu Bagchi: As per the self employed professionals and business class are concerned, yes that group is growing. The reason behind it if you go for the income tax authorities declaration Government of India more people are paying income tax now. So more people are coming under income tax net. As per our system is concerned we do not consider any perception based income. We take the income tax return to calculate the income, so that group is growing, so automatically more and more people are coming into our fold, so we are not allergic to the people who are self employed, but we only insist that they should pay tax and they should have a taxable return.

Akash Dattani: Of course, so would that translate into higher yields?

Atanu Bagchi: Yes automatically, it will translate because we charge little higher to the self employed classes.

Akash Dattani: Okay, so with this portion if we expect it to grow that would have positive impact on yields?

Atanu Bagchi: It is growing, it is, if you see continuously it is growing, but at the end time we wish that the salaried class will also grow and it will have a balancing effect because if you see general tendency is like that self-employed class it grows, loan book tenure becomes less, so long time if you see a salaried class is beneficial for us even if the yield rate is little low.

Akash Dattani: And the increase in tax rate earlier there was a mention we heard about the transfer to special reserves under section 36 of the income tax, so there was a mention made regarding the transfer to special reserves and its impact on the deferred tax calculation, could you elaborate on that please?

Atanu Bagchi: In old method, IGAAP method that as per Income Tax 36 1A 20% of your income from the long-term housing loan you can take two year reserve without paying tax.

Akash Dattani: Correct.

Atanu Bagchi: But in this Ind-AS that is one but that is 36 1A, so you have to pay tax even if there is no 36 1A as far as Ind-AS is concerned.

Akash Dattani: But would not that be governed by the Income Tax Act and not by the Accounting Standards, the quantum of tax?

Atanu Bagchi: There is a tax shield available on this and earlier we are creating deferred tax on that, that deferred tax whatever DTL amount was there that is now it has gone back, it will in equity and to that extent you have a tax shield.

Akash Dattani: Is that it has exceeded the amount of reserves outstanding the special reserves have exceeded twice the share capital and other reserves, that is why you all cannot earn from those, is that the reason?

Atanu Bagchi: No.

Akash Dattani: Okay fine that is it from my end. Thank you very much.

Sarada Kumar Hota: Another thing is this particular effect was given by most of the HFCs in the previous quarter CanFin had not done, so in only Q4 we have done.

Akash Dattani: Okay thank you.

Moderator: Thank you. The next question is from the line of Bunty Chawla from B&K Securities. Please go ahead.

Bunty Chawla: Thank you and congratulations on a good set of numbers. Sir just one clarification I need on the page 16, there is a slide of the movement of NPAs. In the lower side you have written during the year 367 accounts Rs.60 Crores and security sold in 46 accounts. So is there meaning that out of that Rs.60 Crores recovery, we have got Rs.47 Crores of the recovery, is the understanding right Sir?

Sarada Kumar Hota: Yes I tell you Mr. Bunty, how it works, the top portion movement of NPA what you are seeing is it does not include supposed one account got into NPA in the month of April, May or June means it was not there in the March 2018 numbers and in between it slipped to NPA and came out of NPA. That number will not be there. Whereas the total during the year is 367 accounts amount is Rs.60.31 Crores we have taken SARFAESI action out of which 307 accounts got upgraded.

Bunty Chawla: Okay.

Sarada Kumar Hota: Without selling the security once you issue the notice on the SARFAESI and start taking action by and large, you upgrade the account, the borrowers they come and customers they used to regularize their account, the sale of security was not a phenomenon in the company earlier, we are not resorting to that but from last year as I told FY2018 onwards, FY2018 June 2017 first week classified a bunch of accounts into NPA only to initiate SARFAESI action. So similarly in June 2018, we had allowed a bunch of NPA to be dropped into NPA so that we can initiate SARFAESI action. Instead of running forward, there is a time when what happens is your cost of followup and cost of recovery that really goes up compared to the earning that you are making. To collect that one EMI my guys needs to visit customer's house three times to four times, it does not work out because there is cost involved even for the staff. So that is where we have been in position, we are okay comfortable with higher NPA number, but the efforts will be less and through the normal process through NAS only collections should come.

Bunty Chawla: Okay so can you share how much currently NPAs accounts are under SARFAESI or you can share the percent how much is that?

Sarada Kumar Hota: In the same slide we have given it is 639 accounts amounting to Rs.95.56 Crores, which is under SARFAESI.

Bunty Chawla: Okay out of it Rs.60 Crores during the year has been collected or means recovered?

Sarada Kumar Hota: Out of that 639 NPA accounts some are pertinent to previous year and current year is 367 accounts, during the year was 367 out of that 639 previous year so if you see the quantum wise some Rs.35 Crores pertaining to previous year and Rs.60 Crores pertaining to current year, which are under SARFAESI action out of Rs.113 Crores of NPA book that your seeing.

Bunty Chawla: Okay Sir. Thank you very much.

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

Abhishek Shah: Thank you for the opportunity. Sir I just have two questions, first is you mentioned that about the annual revision of interest rate for our clients and you could expect unit to go up. So what sort of improvement in NIMs can we expect may be in the coming quarters?

Sarada Kumar Hota: As far as NIMs are concerned because this is arithmetic I could explain you. If you can explain me what is going to be the cost scenario in the market then only I will be in a position to explain what you will be the impact on margins, naturally the company and the management, we have been trying that yes we should hold onto that 3+3-1/4 margins that sort of margins we should be in a position to sustain but because the spread and margins are combined, there is a combined impact of both cost as well as yield, cost is determined by the market now.

Abhishek Shah: Understood Sir.

Sarada Kumar Hota: Supposed banks do pass on in terms of MCLR cut immediately that will accrue to me, otherwise it may not and last year towards the second half the MCLRs had gone up so in last year cost, there is a six-month impact this year, there will be a full year impact that is no reduction in the MCLR and you cannot go on increasing because your yields are determined by competition but cost is determined by the market.

Abhishek Shah: Right exactly, fair enough Sir. Second just a clarification Sir you said around Rs.29 Crores as the impact you to Ind-AS because we are amortizing the processing fees, Sir in the numbers that was taken. So we took Rs.25 Crore hit last year as well because of this?

Sarada Kumar Hota: It is restated correct you are right that is how Rs. 202 Crores were profit under GAAP that has come down and there will be a combined impact of all the adjustments further made under Ind-AS. For March 2018, we have given reconciliation in the presentation?

Abhishek Shah: Right so the impact is only about Rs.3.5 Crores, it is not just wanted to clarify that?

Sarada Kumar Hota: Precisely, that is only Rs.3.5 Crores we have mentioned in our slide #5.

Abhishek Shah: That is all Sir. Other questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Akash Nainani from Macquarie. Please go ahead.

Akash Nainani: All of my questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal: I did not the follow growth rate in Karnataka in Q4. What was the loan book growth in Karnataka?

Sarada Kumar Hota: The loan book growth in Karnataka during Q4 as far as increment is concerned, there was a positive improvement of new approvals were up by 12% in Q4 compared to Q4 of last year. Similarly the incremental loan book growth was at 18% compared to previous year till the previous quarter that used to remain subdued, but overall for the year loan book growth if you see it was 6.5% whereas the company is growing at around 17%.

Yash Agarwal: And you see the overall loan book growth in Karnataka bounced into double-digit now from here?

Sarada Kumar Hota: If Q4 is an indication, if that holds naturally.

Yash Agarwal: What is the percentage Karnataka contribution to the overall loan book currently?

Sarada Kumar Hota: It is around 31%.

Yash Agarwal: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Pranay Rajani from B&K Securities. Please go ahead.

Pranay Rajani: Hi Sir, thanks for providing an opportunity. My question is first on regarding like in the last two quarters we had launched two products, which were a replacement for affordable housing loan. So what is the growth we have witnessed in these products and how are those products going to support the margins going forward?

Sarada Kumar Hota: There was a new fund created at NHB earlier there used to be rural housing fund and urban housing funds separately RHF and UHF. Under that we had two products called Grihalakshmi Rural Housing Scheme, GRHS, and LUH that is the loan for urban housing. Those two funds now there is no refinance, those two were adjourned, replaced by affordable housing fund, AHF is a new fund that was created for refinance too, this affordable segment particularly to LIC and below by NHB under which it assumes the S12 GRHS and LUH the funding under rural housing and urban housing. So under affordable housing, because there is a new line of funding based on those criteria we had rolled out these two products, but it does not mean that proposal only is granted under another product but qualified for this, which has been because that AHF is available from April 1, 2017 onwards. So even the earlier loans when the product was not there all those loans which are realizable, those are qualified to the criteria of affordable housing fund are eligible for refinance and in such cases so we are repricing, we are resetting the rate of interest based on that 3.5% margin that is available to us as and when we are getting the funds.

Pranay Rajani: All right Sir and apart from this on presentation slide #24, you have guided for loan book size of Rs.23000 Crores for the next FY that is 25% growth so how do you plan on achieving this growth?

Sarada Kumar Hota: I will tell you, there are three factors, first thing is Q4 has shown that growth has come back, but current year do not expect this growth rate in Q1 and Q2 because Q1 we have the general elections activity certainly will be somewhere a bit inferior and Q2 also now we have already entered the monsoon season. So the monsoon time is not the time for housing normally Q3 and Q4 holds the maximum for any housing finance company, housing activity overall so in Q1 and Q2 you may see a bit higher growth in nonhousing segment, but Q3 and Q4 will hold maximum under housing and if housing for all by 2022 has to happen, if supply was an issue last year because of the RERA now the RERA has been understood by the market. So new supply once come in the demand is very much there and I have always been telling this and has done by that the demand remains, it is only supply side issue was there, so the companies which do not have liquidity so and who are into housing suppose growth is not an issue going forward and the key drivers again will be Pradhan Mantri Awas Yojana in this CLSS that apart in the interim budget, there are so many additional benefits which have been given both for the home buyer as well as for the builder up to 5 lakhs noted now. Second home earlier if it was sell occupied then till then you are paying a tax on notional rent now that has been exempted. If it is let out earlier this threshold was 1.8 lakhs now that has been increased to 2.4 lakhs so going forward housing for all cannot happen only by home ownership that everybody should own one. Suppose for last three decades I am outside and I own a home but never stay at my home. So I require a leased accommodation or a rental accommodation. So rental housing is going to supplement housing for all, people who are from the countryside and they come to live in a metro for the purpose of their job requirement. For them, you require to create that sort of stock. So going forward you will see both the rental accommodation because second home has been given as tax assumption this time. So people who will having only one house they may prefer to have one more floor or one more second unit, it will cater to the rental need of the people like me and Mr Bagchi and Shreekant.

Pranay Rajani: One last question on the gross NPA funds on a Y-o-Y basis as compared to FY2018, we have seen an increase from 0.4 to 0.62, so where do you see the gross NPA numbers going forward for the next FY considering the same growth rate of 25%?

Sarada Kumar Hota: Gross NPA ratio, always I compare on quarter-on-quarter basis because as I told you, Q1, we had allowed some accounts to drop into NPA so that we can initiate excellent SARFAESI. It is something like this that if an account is becoming a burden on you as far as a cost of keeping that account in standard is concerned, it is better mark it as NPA and go for recovery. So we are not worried about really the year-on-year comparison, but quarter-on-quarter, and sequentially, there is a 10- basis point, almost 9-10 basis point drop in our ratios and the ratios have improved not because of denominator reset but because of absolute reduction in the numerator. So that is the biggest positive. So going forward, our endeavor will be to hold onto these ratios and God willing if the 25% growth in loan book, we are in a position to strike our target, so naturally even the denominator will start playing.

Moderator: Thank you. The next question is from the line of Sivakumar from Unifi Capital. Please go ahead.

Sivakumar: Thank you for the opportunity. Sir, my question again with regards to the NPA levels, because if you remember in Q3, you said that due to multiple festivities coming in Q3, the NPAs lost up to Rs.125 Crores, but in absolute terms we see the decrease is slightly low at just 12 Crores, just more to Rs.113 Crores in Q4, so do you think that there can be much more recovery going forward?

Sarada Kumar Hota: Should be because SARFAESI if I had disclosed the numbers here that speaks, as and when you are in a position to really dispose off these, if I am holding some 95 Crores under SARFAESI Act, then it should come out.

Sivakumar: In the accounts where you have sold the securities, amounting to Rs.9 Crores, what was your recovery of the total outstanding principal plus interest?

Sarada Kumar Hota: Can you please come again. Excuse me, I could not get you. Can you repeat please your question?

Sivakumar: Sir, you have stated that for about 30 accounts amounting to Rs.9 Crores, you have sold the securities, right, the underlying collateral?

Sarada Kumar Hota: Yes.

Sivakumar: So what is your average realization of the outstanding principal and interest of those particular accounts?

Sarada Kumar Hota: Wherever a security is sold, it realizes both, because in NPAs you do not apply further interest and we are not holding too really that old NPAs, so the unapplied interest would not be that much, the recovery is normal for both the principal as well as up-to-date interest, even though interest is not applied on notional basis it is always worked out by the system and to close the account, you need to recover that fully. By and large, we see that we do not have much amount that you require to sacrifice in case of realization, it is pretty good.

Sivakumar: Sir, you have been stating that you are holding excess provisions over the current NPAs, can you quantify those excess provisions and for how long this provision rate will be next to nil?

Sarada Kumar Hota: As far as the provision percentage is concerned for NPAs, there are two compliances we are following as of now. Both NPAs as well as standard asset because under the old system of GAAP, we are following the IRS norms, the prudential norms of income recognition and subclassification. Under that there is a standardized provision rate for standard assets, depending on it is 0.25 or 0.4, 0.1 or 0.75% for nonhousing. Those are prescribed. Similarly, for substandard 15% for doubtful D1, D2 and D3, it is 25% of the deficit, then 40% and then 100% in case of D3 and loss. Those are prescribed whereas under Ind-AS, there is no concept of NPA provision separate and standardized provision separate. Under ECL model, the expected credit loss is worked out and on that you will have to provide. So, if you compare the ECL and the old system, under ECL for any housing finance company, because the entire assets are security backed, the requirement of provision will be much lower, but till such time, till now, the prescription of National Housing Bank is, please continue to provide higher amount, so under ECL even though requirement is much lower, we are providing entire assets based on the prescribed provision reads as per IRS norms, so that is how we have taken some load during this year, that is Rs.0.40 Crores in standard asset and Rs.0.69 Crores under NPA. There will be a surplus always, substantial surplus as far as the ECL model is concerned. As and when these things are going forward, if the ECL model is allowed only and the IRS is removed, then in that case there will be a substantial amount of retrieval.

Sivakumar: So you are comfortable holding net NPA levels at 0.43 levels, but strictly you tend to bring it down as the year progresses right?

Sarada Kumar Hota: There again, last time also I had explained and now I will explain. As long as you are raising profit surplus and if you provide that is no sense really, because earlier the company was keeping net NPAs 0%, for successive eight years we kept. March 2017 was the reason I kept it at 0% NPA, but there is no tax exemption for keeping such higher amount of provision. If I provide Rs. 40 Crores now, or Rs.79 Crores is my net NPA amount, there is no gain. What will happen is out of the profit, if it is kept under provisions to that extent, my net worth and my capital will be decreased, my borrowing power will be reduce, so we always keep the additional provision, now to the extent that you are getting some benefit, so may be going forward when there is adequate profit, we will provide to the extent of the tax exemption available on that.

Moderator: Thank you. The next question is from the line of Krishna Parekh from Alcazar Associates. Please go ahead.

Krishna Parekh: Congratulations on this result, I think you said that you prefer builders with 40 units instead of larger projects, can you please explain this strategy because I thought customer in our down cycle or depressed markets would prefer more reputed builders with the ability to complete larger projects?

Sarada Kumar Hota: I will tell you one more aspect to this allegation. If it is a larger unit of 1000 units or 2000 units, the normal gestation period is something like three, four, or five years, whereas in a smaller unit, the delivery is much faster. In a larger unit, there will be a swimming pool, there will be a gym, there will be a jogging track, whereas in a smaller unit, it will be a gated community, there will be parking, there will be a small gym may be with lesser equipments, may not have a swimming pool and there may not be a jogging track, but what happens is the first time home loan buyer who we do fund, he is not willing to pay that extra premium that is required to take in a reputed builders and big projects, because by and large, they will not come and avail a loan at 9.5% from me, because for them there are many banks which are queuing up. So what happens is the housing finance companies, we do get up to the first-time home loan buyers and I will explain once again this at almost every conference call I have been telling that for a first-time home loan buyer who is in the age group of 25-35, when somebody’s earning is in the range of something like 50,000-60,000 a month, then he is entitled to a loan of 25 Lakhs or 30 Lakhs. At the most, the total equity he can arrange is maybe 5-7 Lakhs, put together if it is in the range of 35-40

Lakhs, then certainly he is not buying a property in any of those big projects of 1000 units or 2000 units. That is from the borrower's point of view. As far as the lender's point of view, we are not willing to block our funds in those three years, four years long fund period, because I do not have that sort of liability. If the liquidity is not an issue for CanFin, it is because if we land in that sort of projects where the borrower from the day we give the loan and from the time when he does the housewarming, the gap is not that much longer. Once he gets the possession of the house, your cash flow kicks in.

Krishna Parekh: Last question Sir on slide #19, you said…

Moderator: Sir, I am sorry to interrupt. Sir I would request you to please come down to the queue because there are others. Thank you. The next question is from the line of Pavan Kumar from Ratnatraya Capital. Please go ahead.

Pavan Kumar: I just wanted to review on the non-salaried proportion going up, so this looks to be more of a tax compliance issue getting cleared off. So going forward, should we expect the 71% of the salaried and professional to further come down?

Sarada Kumar Hota: It may not precisely because one more aspect to this is the salaried space particularly post RERA most of the demand in the salary space is not major yet, because the salaried people are more informed and always they are a bit choosy as far as taking the plans into buying a home is concerned. They keep deferring because already they will be in some rental accommodation, so unless the supply is adequate of RERA compliance properties normally the salaried segment being more informed and having access to the information, they do keep waiting. So to my understanding, in the last two to two and a half years, whatever home loan we have done, the percentage of non-salaried has been a bit higher in the new approvals. This may alter as we go forward unless the supply side starts getting addressed. Because the demand is unmet, this is not met yet in the salaried space, so we are forcing that going forward leading to FY2020, FY2021 and FY2022, the salaried space will play a much larger role as far as the Tier-2, Tier-3 cities are concerned.

Pavan Kumar: How much better are they in non-salaried?

Sarada Kumar Hota: The difference is 35-40 by and large, it is not that great really, the difference is not that high.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from India Infoline. Please go ahead.

Abhishek Murarka: My question is on regulations. Now the RBI is likely to put a cap on the cumulative ALM mismatch especially for the short end on NBFCs, possibly even for HFCs. So you know, in your conversations, what do you expect that cap to be and how are you positioned for it?

Sarada Kumar Hota: Today morning, there is a news article on that, so no speculations. Let it come. Your company is complied and there are no issues, let us see. That is where again, as far as liquidity is concerned, I will tell you one thing. The mismatch will be more avenue any company engages in high gestation loans. For a housing finance company, a housing finance company is supposed to do housing loans. As long as you stick onto housing loans, and more individual home loans, from both capital side plus liquidity side, you are the most comfortable and CanFin is the biggest example for that. It never had an impact of either liquidity or the so much of discussion around that was never an issue rather than CanFin having been in the market, we are also impacted by the discussions around and the negative sentiment that was there are in the market, because in a home loan, your risk rate is something like 35% to 50% risk rate is not okay. So burn rate of capital, for CanFin if you see three years back when I have taken this company, the capital adequacy was around 19%, today it is 19.5%. The leverage was 11 times that has improved now to 9.5. So you can compare. That is why what type of assets you are creating. Yesterday, day before yesterday, there have been so many articles in the news and from the industry veterans, there are advises. If you look at all these, at the end of the day, it is the strength of your balance sheet, it is the quality of your balance sheet that matters. For good players there is no doubt of liquidity, the investor has become choosy. Certainly the costs have gone up because of the negative sentiment. Otherwise as far as liquidity is concerned, liquidity is available very much for those people who are ethical and who are value based and whose balance sheets are stronger.

Abhishek Murarka: Fair enough Sir, but the question is if you do pure home loans there will be longer duration in it and then therefore you will carry a certain ALM mismatch versus people who do short-end loans, corporate loan or developer finance, so..?

Sarada Kumar Hota: Developer Finance, what is the gestation Sir? Two to four years, till such time cash flow would not start. In a home loans, you avail a home loan from me and in a year's time you are having your house warming, you invite me or not but your EMI will start ticking in, so what happens is that is what I was telling, if CanFin gives a loan of, disburses a loan of Rs.450 to Rs.475 or Rs.500 Crores in a month, my repayment in normal course that is through the electronic mode itself what I receive is average Rs.75 Crores per week on 5th, 10th, 15th and 20th my repayment cycles one of which the borrower can choose for the usual repayment is in a month is something like Rs.300, Rs.350, Rs.375 Crores, so your cash flows should be much faster it is not that we give 20-year loan but the average tenure of a home loan on my book is something like five, six, seven years at the most. So now even from the index point of view, the deferred processing fee which has been amortized over a period of 20 years, suppose your loan is getting closed in the fifth year. In fifth year entire thing will accrue, so that is what I told in four to five years it is start unwinding and get back to normalcy for first year, second year, third year you may see a little lower earnings because of processing fee getting amortized, but over a period of five years because by and large I am seeing the portfolio of CanFin it gets repayed, it keeps turning in five to six years' time.

Abhishek Murarka: Okay, okay, right Sir.

Moderator: Thank you. The next question is from the line of Mahesh M who is an Individual Investor. Please go ahead.

Mahesh M: Congratulations for their hard work especially when the peers are struggling and there is so much of integrity issue, the ethical issue, but on the growth and on the incremental integrity and subsequent acts at work. So I had a quick question. So if you look at like last two, three years, the return on the investment in CanFin stock is not so good for various reasons and then the yield also is like about 0.5% to 0.7% any thought on issuing some bonuses to the long-term investors?

Sarada Kumar Hota: Your ROE, your return on investment, if you are taking from your perspective, the return on equity for the company over lat three, four years have gone on improving and last year it was really under the average of 24.1%. Now the ROE appears to be decreased because the processing fee has been amortized so the earnings has come down by that much but the money remains it is the accounting so, similarly in the equity as Mr. Bagchi was explaining the earlier we are allowed to fix 20% of the long-term profit revenue into special reserves without paying tax and so the deferred tax was held, that DTL amount has gone and sat in the equity now. So the equity has also increased. So for your company the borrowing power has improved, the debt equity, the leverage has come down to 9.5 times with used to be in double digit so there are improvement in ROE, the present ROE what we have posted of 18.16 and ROA of 1.76 if you take this to into account it commensurate well with the 2% ROA and around 20% ROE. So CanFin will continue to and it is continuing to deliver return on equity of 20% plus and ROA of around 2% in margin of 3% plus, these are really we are committed to those numbers and we are striving for those numbers.

Mahesh M: Sure Sir, I understood that part. So my question was more about if you look at now the share price performance in last two years, I think it is season?

Sarada Kumar Hota: I think I will not be in a position to answer on the share price or start price because our role is really to create the numbers and give a good set of numbers, many a times the market, how market operates and how the market reacts, those things are many a times not directly to because there is enterprise wide valuation there are many other impacts beyond the company’s fundamental. As long as your company’s fundamental is strong, delivering numbers, I suppose I am concerned, and I am accountable to that aspect.

Moderator: Thank you. The next question is from the line of Pravesh Kochar from Blackstone. Please go ahead.

Pravesh Kochar: I have a small question on the plans on opening branches for next year, last quarter you had mentioned that you are rationalizing some branches in metros and expanding in tier II, tier III so is that the same plan right now that you would be opening new branches and rationalizing existing month and what is the targeted number you are looking at for the year?

Sarada Kumar Hota: That is why right now our numbers are at 189 units, we have explained that we have disclosed that we are opening 20 branches in the first phase itself which has already the premises has been advertised for whereas when it comes to the total number of branches we are telling we will be around 200 we want to be by the year end. So the plan of rationalizing the branches in the metro is from the point of cost cutting part and as far as the new branches expansions are concerned those had been we are trying to operate at a minimum cost as minimum as possible and normally our branches do breakeven, in a less than year's period, once it starts yielding something like a Crore's business in the metro and some Rs.75 Lakh, Rs.50 lakh business for a month, once they start doing that the branch normally breaks even. One more thing is in the last 2-1/2years whatever those 50 plus branches we have opened in the FY2016 to FY2018 it is realistic, new addition is around 65 branches we have added, out of it only 12 were in metro those are in the peripheries of metro. So within the metro whatever branches are there we are trying to centralize already we had started a central processing unit in Bangalore, now Hyderabad we have opened, Delhi and Chennai we are opening, perhaps the collections have been centralized, for the recovery centralized process have been made so the company is working on those lines that the operations in the metros should be much more productive, the overhead cost can be, how it can be cut down, these plans are there very much, a group of our top management they are sitting on that and they are working on, maybe going forward we will see the numbers coming on the quarter ends and year end.

Pravesh Kochar: Right Sir we are currently at a run rate of 1550 in terms of disbursement, Rs.1550 Crores so with those additional end branches or so you expect we can do a run rate of Rs.1800 Crores?

Sarada Kumar Hota: Not that alone even the last year open branches, they will improve because the first year normally you do not expect great numbers because all the new branches are not in the existing geographies most of those were new geographies that was a strategic plan again, but we wanted to restrict our actions in expansion plan to capture new geographies where same thing was not present. So normally in those places to get that the average productivity it takes a little time so may be this year the branches were opened in the previous year and last year they should start playing out and delivering the numbers.

Pravesh Kochar: Thank you and all the best for FY20.

Moderator: Thank you. Ladies and gentleman, due to time constraints that was the last question for today. I would now like to hand the conference over to line of management for closing comments.

Sarada Kumar Hota: Yes, it was a great interaction, every interaction with the analysts and investors it has been a experience of learning something and taking some cue from you. Your some of the points that have emanated some of the questions have got many lessons for the management to take many cue for the management to take about your feelings and your thoughts for the company. I am very happy that it has been so very engaging all the time every quarter when we arrange a conference call and there is much more to explain, apart from our explaining there are so many points really to take from you and certainly in the year ahead now that we have enter already a month of the new financial FY20 that has gone and I refer to and I choose to repeat this that FY2020 is going to be the deck of phase for housing for all. FY2021 the peak and FY2022 should be the consolidation phase. If that has to happen this should be optimistic and we should work towards that housing for all by FY2022, and if that is so your company is pretty well placed to play its role and play its part in that endeavor and definition of the nation. Thank you all.

Moderator: On behalf of Investec Capital Services that conclude this conference. Thank you all for joining us. You may now disconnect your lines.