

May 6, 2025

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Dear Sir/Madam,

Sub: - Earnings conference call transcript

Please find attached herewith a transcript of the earnings call held on Tuesday, April 29, 2025. The same is available on the website of the Company and can be accessed at the following link:

https://files.iiflcapital.com/assets/Q4_FY_25_Earnings_Call_Transcript_d33015a4a2.pdf

Kindly take the same on record and oblige.

Thanking you,

Yours faithfully,

**For IIFL Capital Services Limited
(Formerly IIFL Securities Limited)**

**Meghal Shah
Company Secretary**

Encl: As above

IIFL Capital Services Limited (Formerly known as IIFL Securities Limited)

Corporate Identity Number: **L99999MH1996PLC132983**

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“IIFL Capital Services Limited Q4 FY '25 Earnings Conference Call”

April 29, 2025



**MANAGEMENT: MR. R. VENKATARAMAN – MANAGING DIRECTOR AND
CO-PROMOTER – IIFL CAPITAL SERVICES LIMITED
MR. RONAK GANDHI – CHIEF FINANCIAL OFFICER –
IIFL CAPITAL SERVICES LIMITED**



*IIFL Capital Services Limited
April 29, 2025*

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '25 Earnings Conference Call of IIFL Capital Services Limited.

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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. Venkataraman – Managing Director – IIFL Capital Services. Thank you, and over to you, sir.

R. Venkataraman: Thank you, and good afternoon, and welcome to the Q4 FY '25 Analyst Call of IIFL Capital. I am R. Venkataraman – Managing Director and Co-Promoter of IIFL Capital, and I am accompanied by Ronak Gandhi – our CFO.

We are living in volatile times and heightened geopolitical tensions continue to be a significant near-term risk. Macroeconomically speaking, India is still on a strong wicket, but geopolitical risks remain a concern.

As you know, IIFL Capital is a focused Indian capital market and wealth management financial planning player. Our legacy business was retail broking and we are on a way to transform this to a wealth management practice with a focus on asset accumulation and not merely transactional income.

To reflect the changed focus, the name of the company was changed from IIFL Securities to IIFL Capital Services Limited. We believe that we have all the pillars to successfully transform the legacy broking business into a wealth practice, be it brand equity, Rs. 2,500 crores of net worth, distribution reach across India, a critical base of customers, cutting-edge research, as well as technology for high quality user experience.

To facilitate this transformation, we recently hired Raghav Gupta and Prakash Bulusu. They have taken charge as joint CEOs to grow this business. They are experienced private bankers and prior to joining IIFL, they had long careers with ASK group in the private wealth business. The initial signs of this transformation are encouraging.

The other update is that Nemkumar joined the IIFL Capital in 2007, June of 2007, and was the Founding member of the institution equities business. Under his dynamic leadership, IIFL institutional equities comprising institutional broking and investment banking has scaled up extremely well over the years. Given the current focus on the affluent wealth business and to have this focus on business development, he has been redesignated as Chief Growth Officer and the board has accepted his resignation for the post of Managing Director. Subsequently, I have taken charge as Managing Director in the month of March.

Ms. Rekha Warriar, Independent Director, has been appointed as the Chairperson of the Board. This ensures the roles of the Chairperson and Managing Director are separate, which is a good corporate governance practice. She has been associated with the company since 2019 as an Independent Director. With over 30 years of experience in Reserve Bank of India, she will provide the company with invaluable guidance on corporate governance, regulatory compliance and other initiatives.

Coming to the results for the full year:

Consolidated results for FY '25, revenues was Rs. 2,567 crores, which was up 15% year-on-year. First, I will talk about the full year number and then I will talk about the quarterly number.

So, coming to the full year, total institution broking and banking, the revenue was virtually flat compared to last year, more or less at about Rs. 640 crores, and retail brokerage was up marginally at about Rs. 650 crores. And this retail broking has been impacted for the last quarter because of regulatory changes related to the expiry of derivatives and that has affected the F&O business. And of course market volatility in the JFM quarter also affected business.

Distribution income that has increased from Rs. 387 crores to Rs. 509 crores, up 32% and mainly because of increased focus on asset allocation, which was the key focus area. Other income was up significantly 132% from Rs. 70 crores to Rs. 162 crores. And that was primarily because of mark-to-market gains on BSE shares, some investments in AIF and also gain on sale of real estate property. We booked the profit of about Rs. 45 crores because of gain on sale of real estate. The increase in interest income by 27% from Rs. 329 crores to Rs. 419 crores was primarily because of increase in the margin funding book.

Coming to cost, manpower costs are up 29%, which is at Rs. 591 crores from Rs. 457 crores. And that was primarily because of hiring of the new wealth RM. And as a result, the average head count was up to 2032 versus 1,880. And also we had granted ESOP of almost Rs. 90 crores to senior management.

Depreciation declined by 52% from Rs. 114 crores to Rs. 55 crores. And that is, if you remember, last year, fourth quarter, we had written off the entire investment we had made in Karvy acquisition. And because of this, it has fallen down.

Fees and commission expense increased marginally from Rs. 477 crores to Rs. 496 crores. Basically, these expenses are pass out marketing expenses paid for customer acquisition to external wealth partners for distribution income.

Admin costs decreased 9% from Rs. 353 crores to Rs. 321 crores because of marginal benefits of cost optimization. And as a result, profit after tax went up almost 40%, from Rs. 513 crores to Rs. 713 crores.

Now coming to the quarterly numbers. For the quarter ended March 31, 2025, if you compare March 31, '24 with March 31, '25, which is year-on-year basis, total revenue decreased 20% approximately from Rs. 704 crores to Rs. 573 crores, primarily due to fall of exchange volumes due to tightening of norms for derivatives expiry as well as muted primary market conditions. And as a result, institutional and banking revenues also decreased from Rs. 215 crores to Rs. 97 crores. And because of which our IB income has seen some decline.

Retail brokerage was down from Rs. 194 crores to Rs. 117 crores, but distribution income increased by almost 62% from Rs. 117 crores to Rs. 190 crores.

Other income also increased from Rs. 18 crores to Rs. 36 crores, mainly because of mark-to-market or investments made in AIF and BSE and as well as some profits booked on other financial instruments.

Interest income declined marginally from Rs. 105 crore to Rs. 97 crore. Employee expenses increased 33% from Rs. 122 crore in last Q4 FY '24 to Rs. 163 crores in Q4 FY '25 due to ESOPs, increase in headcount and bonus provision.

Our depreciation fell sharply 75% from Rs. 63 crores to Rs. 16 crores, mainly because of the impact of Karvy hit we had taken in last year. And that I have already spoken about it earlier.

Fees and commission expense fell from Rs. 129 crores in Q4 FY '24 to Rs. 108 crores in Q4 FY '25. Admin expenses also fell from Rs. 98 crores to Rs. 80 crores as a result of some cost optimization. Due to this, primarily driven by the revenue decline, the PAT fell from Rs. 181 crores to Rs. 128 crores in Q4 FY '25.

If you compare December quarter with March quarter, revenue again fell Rs. 646 crores in December to Rs. 533 crores in March, down 11%. Institutional broking fell and that was primarily driven by a steep decline in investment banking income. And then retail brokerage also fell from Rs. 150 crores to Rs. 117 crores, which was down 23%.

Distribution income increased because of more focus on getting cross-sell income. Interest income fell from Rs. 111 crores to Rs. 97 crores because of a relative decline in the MTM book.

Employee cost increased from Rs. 149 crores to Rs. 163 crores, mainly because of headcount and bonus provision, depreciation was flattish, fees and commission expenses was also virtually flat from about Rs. 118 crores to 108 crores.

Admin expenses increased marginally from Rs. 71 to Rs. 80 crores because of spending in marketing as well as technology. As a result, PAT declined from Rs. 197 crores in Q3 FY '25 to Rs. 128 crores in March quarter FY '25.

Now, coming to some market turnover numbers. Our average daily turnover was Rs. 1,92,871 crores in Q4FY25 of which cash was Rs. 2,535 crores and derivatives was Rs. 1,90,336 crores. And this was almost Rs. 3 lakh crores in the Q4 of FY '24. And as I explained earlier, this was because of the tightening of derivative norms, particularly related to expiry of indices. And in March 31, 2024, F&O volumes were Rs. 2,96,975 and cash was Rs. 3,120 crores, which was down almost 36%. And the same number was Rs. 2,78,267 in the December quarter, which was Rs. 2,75,520 in F&O versus cash of Rs. 2,747, again down almost 31%.

Now coming to income tax, the income tax authorities had conducted search activity during the month of January '25 at the registered office and other premises of the company. We extended full cooperation with income tax officials during the search and provided all details, clarification documents. We have not received any subsequent communication from the department regarding the outcome of the search. Hence, the impact on financial statements, if any, is not determinable.

Dividend, the Board of Directors on February 11 declared a dividend of Rs. 3 per share. And this has been already paid and the same was considered as the final.

And with this, I come to the end of my opening remarks, and we will be more than happy to answer any query that you may have. Thank you so much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: Thanks for the opportunity, sir. Can you share some trends on the retail ADTO market share for us in FY '25 over FY '24 last two to three year trends? That is one.

Second is, as we are now changing our strategy and building more towards wealth management, can you speak about how the approach towards business will change as we move towards wealth management business and away from our broking business?

R. Venkataraman: Sorry. Okay, overall market share for Q4 FY '25 was about 0.96%. Overall total on the exchange NSE volume and which was about 2.62% in cash and 0.96% in F&O. And the same was about virtually flattish for Q3 FY '25 at about 2.61% and actually F&O was about 0.87%. So the trend is more or less the same if you look at the last 3-4 quarters. The cash is more or less roughly at about 2.6-2.7% and F&O is about 0.86% to 0.96%.

Nidhesh: Is this data including institutional business as well or is it just for retail?

R. Venkataraman: Everything.

Nidhesh: Okay. And how are the trends on the retail business, if you can share that?



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- R. Venkataraman:** See, retail, I don't have things separately on the retail part of it, but I will get back to you on the retail market share.
- Nidhesh:** Sure, sure. And secondly, we are going to have to share with the change in strategy and moving more towards wealth business, how will that change the approach towards business? Let's say, how we look at the customer level profitability or overall profitability in that context?
- R. Venkataraman:** See, basically what we think is that if you look at the way we are positioned, so if you look, we have a significant presence in investment banking and institutional broking business. And we think that this is a synergistic to the wealth practice because if you have client relationships at client level, you have multi-level offering to the client which helps us to deepen market share, it helps us to get deal origination as well as cross-selling. It's a synergistic benefit of the franchise.
- We also get some benefit on economics of scale, and also we share lot of market intelligence and research. And the way historically we have been structured, or we have been positioned, is that we have focused more on transaction income. And the entire firm was driven for, I would say, with the focus on transaction. And asset gathering was not a very, I would say, was not a measured metric.
- So the big shift I would say in the mindset is that the focus will be more on asset gathering, focus will be more on selling, I would say, annuity products like mutual funds, AIF and PMF. And so basically we believe that the entire broking industry has become a tech driven and hence the role of the RM is more towards client acquisition, servicing and asset gathering. So, this I would say is the big mindset change that will happen in the next 12 months.
- Nidhesh:** And will that have an impact on the cost to income ratio for us?
- R. Venkataraman:** Yes, of course, it will have some impact on the cost to income ratio in the short term simply because as the build-out is happening, there will be an increase in manpower cost and that has been evident because our manpower cost has risen. But this is a cost to pay for the long-term gains and we are cognizant of it and we will incur that cost.
- Nidhesh:** And lastly, if you can share the data in terms of institutional revenue breakup in terms of brokerage and fee income for the full year.
- R. Venkataraman:** I think the full year income for broking, roughly full year income was about Rs. 640 crores for institutional.
- Nidhesh:** Can you break up this Rs. 600 odd crores in institutional equities / broking business and fee income/ investment banking business?



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- R. Venkataraman:** This is a combination of institutional broking and banking. I think the ratio will be about 60-40, right? Roughly it will be about 60-40.
- Nidhesh:** Okay, Thank you, sir. That's it from my side.
- R. Venkataraman:** Thank you.
- Moderator:** Thank you.
- R. Venkataraman:** Actually, sorry, to that other question, if you send an email to our investor relationships or ronak.gandhi@iiflcapital.com, we will answer that.
- Moderator:** Okay, thank you, sir. He has gone back to the call.
- R. Venkataraman:** No problem.
- Moderator:** We have our next question from the line of Pavan Kumar, an individual investor. Please go ahead. Mr. Kumar, are you there?
- Pavan Kumar:** Hi, I am here. So, there is a significant jump in distribution income from Rs. 100 crores to Rs. 257 crores, despite the distribution AUM growing from 262 billion to 313 billion. So, it's about like a 19.5% or 20% growth in the AUM. But the jump in the revenue is significant. Can you explain how that is? I am referring to PPT slide number 17.
- R. Venkataraman:** One second. Yes, that is because we also had some amount of transactional income booked in that because we had distributed certain shares of unlisted, certain unlisted shares, especially NSE. So that gain has been booked there.
- Pavan Kumar:** Got it, sir. Could you be able to quantify the NSE or unlisted transaction income share and what would be the MFPMS and AIF distribution?
- R. Venkataraman:** That I can tell you how much is that mutual fund and AIF. Out of the total distribution assets are about Rs. 31300 crores. We have about mutual funds of roughly Rs. 14,500 crores and more or less roughly about Rs. 7,000-8,000 crores of PMS and AIF and the rest is fixed income. So, this is a rough distribution of the assets, cross-sell assets.
- Pavan Kumar:** Got it, sir. So, what would be the revenue or the yield on these MF plus PMS plus AIF assets?
- R. Venkataraman:** Actually, on a blended basis, I think the yield will be about 0.75, 0.8, 0.9x.
- Pavan Kumar:** 0.75% to 0.8% would be the blended yield.
- R. Venkataraman:** Yes.

- Pavan Kumar:** And sir, on the insurance side, you have about the income that, not the income, I mean the reported premium that you have reported, like the life insurance premium is around Rs. 735 crores. Is this entirely first year premium? If so, what would be the renewal?
- R. Venkataraman:** Yes, first year premium. Sorry, sorry, it is not Rs. 735 crores. It is Rs. 73 crores.
- Pavan Kumar:** 73, yes, sorry, Rs. 73 crores. What would be the renewal? Pardon me, sir. I missed you. What would be the renewal premium? Hello. Sir, I missed you. Can you please repeat it? What would be the renewable premium?
- R. Venkataraman:** So this is not renewal premium. It's the first-year premium.
- Pavan Kumar:** I understood. What would be the renewal premium is the question.
- R. Venkataraman:** I don't have the data right in front of me. I will share it with you. If you can send an email to ronak.gandhi@iiflcapital.com, I will share that with you.
- Pavan Kumar:** Understood, sir. I will do that. And in terms of the cost to income ratio, you were mentioning to the earlier question, what would be the cost to income this year for FY '25 and what is your guidance for FY '26? Can you give numerical numbers?
- R. Venkataraman:** We are not giving any forward-looking statement. That's why I won't be able to comment on the cost to income ratio for FY '26.
- Pavan Kumar:** Got it, sir. And for FY '25 full year, what is the sub-brokerage charges as percentage of overall retail brokerage? Retail brokerage Rs. 650 crore revenue, right? Out of that, how much is paid out to sub-brokerage?
- R. Venkataraman:** See, actually, the retail brokerage income of about Rs. 650 crores, roughly about 45% comes from sub-brokerage.
- Pavan Kumar:** Okay. Thank you, sir. So, out of this 45% that you get, how much you pay?
- R. Venkataraman:** See, the industry norm is anywhere from about 75% to 90%, depends upon the scale of the sub-brokers, relationship and other qualitative factors.
- Pavan Kumar:** Got it, sir. Thank you.
- Moderator:** Thank you. A reminder to all participants, you may press star and one to ask a question. We have our next question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Hi, good afternoon, sir.



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- R. Venkataraman:** Good afternoon, Prayesh.
- Prayesh Jain:** Sir, just on this wealth management business, you know, we had earlier seeded 360 One or you know, we had started this business way back and we did it via getting the two, getting people on board. And similarly, the strategy now that we are doing or what's the strategy then and where is the RM count today for the ultra HNI piece in particular?
- R. Venkataraman:** Basically, as I mentioned earlier, we have all the pillars to succeed because we have the brand, we have the balance sheet, we have the technology, we have the client reach. So, and given the way the broking industry is panning out and what is happening to the entire transaction space, it is imperative for us to do this transformation. And as of now, we have about 450 of the affluent RMs and roughly about 50, I would say, HNI or Ultra-HNI RMs.
- Prayesh Jain:** Sir, could you repeat those numbers?
- R. Venkataraman:** 50.
- Prayesh Jain:** Five zero, fifty in the ultra-HNI? And then...
- R. Venkataraman:** Ultra-HNI, yes.
- Prayesh Jain:** Okay. And how many more do we plan to add in the next, say, one year or so?
- R. Venkataraman:** I think in the next one year, the headcount will go from 50 to about 100 or 120.
- Prayesh Jain:** Okay. And sir, on this insurance premium, life insurance premium has come down quite sharply now. Obviously, we cannot compare it with the FY '23 base because of the change in taxation at that point of time. But even then, on a Y-o-Y basis, even then this year, it's kind of down. How do you see this kind of business picking up from here on?
- R. Venkataraman:** See, actually we think that this business will not show a big spike, but it should get back to a slowly upper sloping graph in the mid-teens.
- Prayesh Jain:** Okay, And sir, just one last question on the IB business. You know, how much of the IB business that we were getting earlier was with respect to the relationship that we had earlier with 360 One and how much of the business we were doing organically?
- R. Venkataraman:** See, actually, it's very difficult to differentiate between what was organic and what was relationship-driven because even if you have a relationship, unless you have a proven capability to execute, nobody trusts their fundraising plans with you. So, we think that we got most of the business from banking part of it because we have a strong research, we have linkages with both domestic and foreign institutions, and third, which is extremely important, distribution amongst

all the channels. So, yes, there were references. But I think the deal closure happened because of our own strength. And so hence that is the reason why it is very difficult for me to give an exact number how much came because of that and how much came because of this.

Prayesh Jain: Got that. And sir, last question, do you think that the pain on the retail side from a broking standpoint is now behind and you know that the implications of all the regulations are now behind us, should we see an upward trajectory if the markets are supportive?

R. Venkataraman: My view is that the short term, I would still say that there will be some amount of recalibration happening. But if you don't have a short term, maybe one or two quarter view, I believe that given the low penetration of equity participation in the country, we will soon, and of course, as you rightly pointed, if the markets are supportive, we should see an upward sloping graph. But at least for the next one or two quarters, I am still unconstructed and I think because of volatility, we should see some amount of headwinds.

Prayesh Jain: Got that. Thank you so much, sir.

R. Venkataraman: Thank you.

Moderator: Thank you. Before we move on to the next question, a reminder to all participants, if you wish to ask a question, you may press star and one on your touchtone phone. We have our next question from the line of Kshitij Taraf from Tusk Investments. Please go ahead.

Kshitij Taraf: Hi, good afternoon. Wanted to understand on the asset management side, you have made a few key hires and you mentioned this in your presentation as well and we see an IIFL FinTech fund with a Rs. 400-odd crore AUM if I am not wrong. So, could you just share some light on the plans and the hiring thereof and how much do you look to scale this to and what's the plan ahead?

R. Venkataraman: See, on the asset management side, actually we have one FinTech fund, which has been with us for almost 2-3 years. We also have a derivatives advantage fund, which is again not exactly a long-short fund, but something similar. And we also have an equity fund which we are going to reposition. So, we have already recruited a fund manager for equities and he has joined us. And so, at this point in time, I would say that we are roughly close to about Rs. 800 crores –Rs. 900 crores of assets under management and this we think should easily double in the next one year.

Kshitij Taraf: Thank you. That's helpful. And are you planning to launch mutual funds as well?

R. Venkataraman: No, it's unlikely, at least in the next 12 months it's unlikely. At this point in time, whatever discussion we had with the board, it looks unlikely.

Kshitij Taraf: All right. And with respect to wealth, are there any new offerings we saw, there are things such as estate planning mapped out there. What's the size of the opportunity you see? And also,

because the competition over here is intensifying across the country, what would be your sort of unique differentiation in space?

R. Venkataraman: See, first of all, I would say that this competition in India in any business is given. But what we have to look at is the size of the opportunity, and we are not selling credit cards in Singapore. So that's the way I tell everyone that that is the cause of optimism, because India is a vast country and I think we are just seeing the beginning of the industry and the growth. Coming to what we think are our unique, so you are right that we have started succession planning trust. These are important, I would say, services to be offered to the HNI, ultra-HNI segment. And we also started a family office offering. So these are, I would say, essential offerings, especially for targeting the HNI, Ultra HNI segment.

And as I mentioned earlier, we think that we have the element of success because we have a brand, we have balance sheet, we have relationships, we have a critical mass of customers. And last but not least is, high cutting-edge research. And the fact that we have a strong banking and institutional equities practice, which effectively reinforces the relationship, because in some case we can help the HNI's monetize wealth, and in the other case they can also invest. So these we think are maybe the critical elements for our success.

Kshitij Taraf: Understood. Thank you so much.

R. Venkataraman: Thank you so much.

Moderator: Thank you. We have our next question from the line of Pranay from Johnson & Johnson. Please go ahead.

Pranay: Hi, sir. Good afternoon. Thank you for this opportunity. My first question is, basically in wealth management piece, what sort of a cash burn do we expect, and where do we see this wealth thing in next three years?

R. Venkataraman: See, it's very difficult to give a cash flow number, because it's a function of team build out, business moat, etc. And I said that, at this point in time, we are doing a build out space. So my feeling is that since it is very difficult for me to make a forward-looking statement, so the key element to track is how our cross-sell assets grow. And we think that this should be a path which will rise. So, obviously, in the short term, because of people take time to join and become productive, there will be some amount of burn simply for the employee, on the employee cost part of it.

Pranay: Okay. And, sir, my next question is, basically one of our subsidiaries has invested in Avanti Feeds, they have taken a 4%, 4.5% stake. So what has the rationale behind IIFL Capital and IIFL Facilities investing in this?



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R. Venkataraman: No, no, this is a wrong information. It was taken for selling purposes, and this is already off our books.

Pranay: Okay. So, we do not own any more shares in Avanti Feeds?

R. Venkataraman: We do not own Avanti Feeds as of now.

Pranay: Either IIFL Capital or IIFL Facilities?

R. Venkataraman: Be it IIFL Capital, IIFL Facilities, or whichever company you spoke about, we do not have Avanti Feeds.

Pranay: Okay. Thank you so much, sir.

R. Venkataraman: Thank you.

Moderator: Thank you.

R. Venkataraman: If people have come to the end of the question, I would like to thank all the participants for participating and also asking questions. If you have any follow-on questions, please feel free to reach out to our investors desk. And thank you so much for joining us today, and I really appreciate your time. Thank you.

Moderator: Thank you. On behalf of IIFL Capital Services, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.