



“Cholamandalam Investment & Finance Q4 FY20 Earnings Conference Call”

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MODERATOR: **MR. NISCHINT CHAWATHE - KOTAK SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day. And welcome to the Cholamandalam Investment and Finance Company Limited Q4 FY '20 Earnings Conference Call, hosted by Kotak Securities 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nischint Chawathe from Kotak Securities Limited. Thank you and over to you, sir.

Nischint Chawathe: Thank you. Welcome everybody to the 4Q FY '20 Earnings Conference Call of Cholamandalam Investment and Finance Company Limited. To discuss the financial performance of Chola and to share business updates, we have with us today Mr. Arun Alagappan – Managing Director, Mr. Arul Selvan – Executive Vice President and CFO, Mr. Ravindra Kundu – Executive Director, Mr. Shaji Varghese – President, Housing Finance and Mr. Rupinder Singh – Senior Vice President and Business Head, Home Equity and SME.

I would now like to hand over the call to Arun for his opening comments.

Arun Alagappan: A very good morning to everyone. I take pleasure in presenting to you the Q4 and full year performance of the company for the financial year FY '20. As a key update in relevance to the ongoing COVID-19 related lockdown, I am happy to inform you that over 90% of our branches across the country have commenced operations post lifting of the lockdown in most parts of the country. As a responsible business entity, we have been fully compliant with the government guidelines and have followed due process in restarting our on-ground operations.

The COVID-19 pandemic has managed to impact the lives and livelihoods of people and businesses across the globe. During these testing times, the foremost focus of the company has been to provide sufficient support to its employees, customers and all other stakeholders. The Chola leadership team is committed to navigating this crisis successfully. The company has been actively focusing on realigning its business strategy in the near-term, to mitigate the impact of COVID-19 on the performance. We have developed scenarios to assess the impact of COVID-19 on disbursement, NCL and PBT. We have readied the business execution strategies for the identified scenarios. We have built adequate liquidity to offer moratorium to most of our customers, while not having availed any moratorium from our lenders.

We had been in constant interaction with auto OEMs in assessing their strategies and planning our action to sync with their moves. Some of the key interventions include re-planning product wise, geography wise disbursement strategy, revamping credit policies to ensure sourcing quality, identification of segments which are at relatively higher risk of deterioration and strengthening the collections teams. In addition, the company is also judiciously using this time to invest in enhancing capabilities for long-term growth. Over the past few weeks, multiple digital enhancements have been accelerated into implementation. To quote a few; end-to-end digitization, digital integration with auto OEMs, enhancing digital integration with channel partners, setting up alternative digital collection modes, evaluating options for remote

investigation of field assets using video PD, in shooting digital KYC process, etc., are ongoing at the moment. The company shall fully leverage these enhancements in the coming quarters in order to amplify our competitive advantage.

As a matter of abundant caution, the company has factored in possibility of delay in customer payments post-moratorium, in the economic slowdown is long drawn. Accordingly, the company has created a one-time contingency provision of Rs. 284 crores towards loan agreements where moratorium has been offered. Over and above this, the company has also created a macro provision of Rs. 250 crores to meet contingencies that may arise post moratorium due to the global recession and economic slowdown. In total, the company has created an additional provision of Rs. 534 crores to meet any contingencies that may arise in future due to the COVID-19 shutdown. The total provisions of the company stand at Rs. 1,523 crores as of March 20. The Stage-3 PCR stands at 41.5%.

The company performance, Q4 and full year performance:

Asset under management grew by 16% at Rs. 66,943 crores as compared to Rs. 57,560 crores in FY '19. Aggregate disbursements for the quarter ended March 2020 were at Rs. 5,663 crores as against Rs. 8,893 crores in the previous year, registering a decline of 36%. Aggregate disbursements for the year ended March 2020 were at Rs. 29,091 crores against Rs. 30,450 crores in the previous year, registering a decline of 4%. The drop was primarily due to the lockdown on account of COVID-19 and also attributable to the auto slowdown which was accentuated in Q4.

Profit after tax before one-time provisions were at Rs. 418 crores for the quarter ended March 2020, and Rs. 1,387 crores for the full year, registering a growth of 43% and 17% respectively. On a comparable basis, profit after tax for the quarter ended March 2020 were at Rs. 43 crores, and for the year ended March 2020 were at Rs. 1,052 crores, after creating one-time provision of Rs. 504 crores to cover contingencies due to COVID-19 and macroeconomic downturn.

PBT-ROTA for FY '20, before adjusting one-time COVID-19 and macro provisions was at 3.5% as against 3.7% in FY '19. PBT-ROTA for the quarter before adjusting one-time COVID-19 and macro provisions was a 3.7% for the quarter, as against 3.5% in the same quarter in FY '19. Return on equity was at 15.2% after a one-time provision towards COVID-19 and macros. Return on equity before one-time provision stood at 20% for the FY '20 against 20.9% in FY '19.

Non-performing assets:

Asset quality as on March 2020 for Stage-3 assets has stood at 3.8% with adequate provision coverage of 41.5% ECL provision. Additional COVID-19 and macro provision for Stage-3 assets was Rs. 225 crores for Stage-1 and 2 is Rs. 309 crores.

Moratorium:

Pursuant to the moratorium announced by RBI on EMI repayments initially till May 2020 and further extended to August 2020, the company has framed a Board-approved policy, and accordingly offered moratorium to its customers. Nearly 76% of our customers have availed moratorium considering the uncertainty over the period of lockdown, which has now been further extended, as well as revival or the economic growth post release of lockdown.

Vehicle Finance:

Following are the key pointers on the performance of our Vehicle Finance business in FY '20:

Assets under management for Vehicle Finance business grew by 9% to Rs. 44,206 crores in FY '20 compared to Rs. 40,606 crores in FY '19, in spite of the auto slowdown and COVID-19 lockdown. Vehicle Finance business has clocked a volume of Rs. 4,703 crores for the quarter ended March 2020, as against Rs. 7,383 crores in the previous year. For the full year, the business has done a disbursement of Rs. 23,387 crores as against Rs. 24,983 crores in the previous year, registering a decline of 6% year-on-year. There was a severe decline in the auto industry across product segments, including HCV, LCV, MLCV, car, MUV and two-wheelers. With higher disbursements from used three-wheeler and two-wheeler products, we were able to offset drop in the other traditional segments. This enabled us to restrict de-growth in overall disbursement to 6%.

The PBT on comparable basis before considering the one-time provision of COVID-19 was Rs. 1,342 crores as against Rs. 1,269 crores in FY '19, registering a growth of 6%. After considering the one-time provision of Rs. 398 crores towards COVID-19, the PBT for VF business dropped to Rs. 945 crores. The Vehicle Finance division continued its focus on maintaining asset quality through an aggressive collection strategy, which has helped it restricting grows Stage-3 assets to 2.91% despite FY '20 being a very challenging year.

Moving on to the Home Equity business:

Amidst the challenging macroeconomic situation, AUM for the Home Equity business managed to grow by 11% from Rs. 11,626 crores in FY '19 to Rs. 12,960 crores in FY '20. Disbursement for the year recorded a decline of 5% over previous year. The PBT during the year was Rs. 244 crores as against Rs. 305 crores in the previous year. The drop in PBT was primarily on account of additional provision of Rs. 91 crores made for bracing the COVID-19 impact. PBT before considering additional provisions were at Rs. 334 crores, registering a growth of 10%.

Capital adequacy:

The capital adequacy ratio of the company as on 31st March 2020, was at 20.7% as against regulatory requirement of 15%. During Q4, the company raised Rs. 900 crores of equity capital by issuing 2,81,25,000 shares of face value Rs. 2 at a price of Rs. 320 per share for QIP process,

which was oversubscribed by nearly 4x by marquee investors, both domestic and international. This was followed through by preferential issue of 93,45,794 shares at Rs. 321 per share to the promoters, resulting in further addition of Rs. 300 crores to the net worth. Thus the total net worth increased on account of capital issue was Rs. 1,200 crores during the quarter.

The liquidity position:

The company has not availed moratorium so far on its borrowings, and it does not intend to avail any moratorium benefits. The company has closed March with a cash balance of Rs. 6,446 crores and also has sanctioned lines of Rs. 4,462 crores. Currently, the company has cash in hand and sanctioned lines of around Rs. 10,000 crores as of 31st May, 2020. This adequately covers the need of the ALM process with no negative cumulative mismatches across all time buckets. Even after extending the moratorium to its customers for second phase, the cash position of the company is adequate to meet all its maturities and fixed obligations till September 2020.

The year gone by saw multiple headwinds for the business. But as a silver lining, the challenges also forced us to look into the processes and systems within the company and improve efficiencies wherever possible. This has helped us find new avenues of cost reduction possibilities, impact of which shall be visible in the coming quarters. In addition, the company has committed itself to significant transformation efforts in order to build long-term capabilities and emerge stronger out of this crisis period. These initiatives, I am sure, will hold us good in good stead when the dust settles down and the economy improves.

Thank you all for patiently listening. My colleagues and I would be happy to answer your queries now. Thank you.

- Moderator:** Thank you very much. We will now begin the question and answer session. The next question is from the line of Jignesh Shial from Emkay Global. Please go ahead.
- Jignesh Shial:** Quickly two or three data points if I can get it. The moratorium stood at 76%, can you give us the bifurcation between the Vehicle and your Home Equity?
- Arul Selvan:** 76% is on company level, Vehicle Finance in a similar way, at around 79% and Home Equity will be 66%.
- Jignesh Shial:** Okay, understood. And secondly, in the same manner can you give me Stage-3 for Vehicle and Home Equity? Number as well as percentage. Or if it is there in presentation, just refer me to the slide, that will also be helpful.
- Arul Selvan:** We generally don't give break up between the businesses. The overall Stage-3 number is given in the presentation.
- Jignesh Shial:** Okay. And can I get the gross NPA absolute number on total basis and net NPA absolute number? Do you still maintain it? I will get the percentages.

Arul Selvan: No, it is given there in the value terms also, Stage-3 number is given. It is in slide 29, if you see the presentation.

Jignesh Shial: Sir, the gross NPA number and Stage-3 numbers are different, right? Or this is the same number?

Arul Selvan: No, after RBI has come up with new guidelines on IndAS, now Stage-3 is a number we go by. Thus, GNPA numbers generally will be even lower than this because it does not take into consideration the interest income overdues, actually this is a much better version, this is the larger one.

Jignesh Shial: Got it. Now two questions, this is more related to overall performance and all. How is 76% total moratorium right now, but since May 19 things started to opening up and all, how you are seeing that moratorium book is working? Are we seeing any repayments happening right now? Or moratorium is continuing for the second phase as well? Could we give some colour on this.

And second, I just have a question on margin profile. We have seen a dip, sharp dip sequentially in the yield side as well. So now any specific reason for the dip in yields? As well as, how you are seeing the margin profile going forward with borrowings could be rising because you are not taking your moratorium from the bank. So, how the margin profile will shape up for the next two or three quarters? That is it from my side.

Arul Selvan: Ravi, would you want to answer that?

Ravindra Kundu: Yes. So, we have been tracking all these moratorium delinquent customers, because moratorium non-delinquent customer we are not having anything to collect. But the past dues of the moratorium customer as on 29th February, we are actually chasing them. And we saw good improvement in terms of one or two parameters which we religiously follow. One parameter is NRRB. So what is the meaning of NRRB? It is normalization and rollback. So in normalization or rollback, if the customer is in two bucket and he actually pays only one EMI, it is considered as rollback, if he pays two EMI then it is considered as normalized. So NRRB up to February, before moratorium, for one to two bucket at overall level for Vehicle Finance, which was 11% in February, which has actually in the month of May has gone up to 26%. So, NRRB is going up. Why it is going up? Because the customer do not have current month dues and their billing is stopped. So, the past dues they are paying, so they are going back to the normalcy or they are going down from the bucket where they are. This is one to two. So, two to three also similarly the NRRB is good, it is actually 31% in May, three to four has also gone up from 20% to 31%. This is with respect to the moratorium delinquent customers.

Now come to the non-moratorium delinquent customers. So, in the non-moratorium delinquent customer, it is important to follow or track the roll forward rather than the NRRB. NRRB is also important, but their current month billing is happening. So, the roll forward is important which we are actually holding the customer in the same bucket. So, I saw that actually in the month of February for the non-moratorium customers the roll forward was 6%, it has come down to 1.6%

for one to two bucket. And similarly for two to three it has actually come down from 19% to 3%. So therefore, the roll forward rate for non-moratorium delinquent customer has come down and NRRB, normalization and rollback, for the moratorium delinquent customer has improved. So these are two good parameters which is actually a good sign for portfolio coming into the normalcy. And this has happened during the pure lockdown period. What is the meaning of pure lockdown? Means that lockdown was there, nothing was actually allowed, only the essential goods were getting transported by the customer and especially in the rural market people were doing the job. For example, customers were taking the rice from FCI godown to delivering it to rice mill or in the places where they have to supply. So, such customer only could utilize it. So, the utilization level were very low, in spite of that a lot of customer paid money. What we are expecting is that from June month this utilization will improve and the customers who are actually in moratorium and delinquent, will be able to pay their past dues much better than what they have paid in the month of May. That is what is tracking the moratorium customer.

During this period we have contacted, as Mr.Arun mentioned, more than 10 lakh customer. All 10 lakh customer whom we have given moratorium, initially we were not able to go to the market so we actually asked our collection executive, sales executive to contact the customer over phone and got the Whatzaap message from them with respect to the extension of moratorium or requesting the moratorium facility, and also inquired their well-being and also found whether the vehicle has basically come back to their hometown or still they are on the road. So 90% customers, their vehicle came back in the first lockdown period itself. And subsequently, those vehicles which were left out came back in three months' time. So in short, we are actually closely monitoring our customers, and we are in touch with them. And I feel personally that things are improving significantly.

Jignesh Shial:

But are these moratorium customers now coming back and paying in advance or no such spread is visible right now? I mean, in spite of they are into moratorium, now the things are improving, so instead of continuing moratorium they are paying back, any such situation is visible or nothing as of now?

Ravindra Kundu:

So you are talking about moratorium non-delinquent customers, are they actually coming back and paying their EMI ahead of the time which is actually pushed to the end of the contract. Initially very few, but there are some customers, but they are in thousand as of now. We need to educate them that what is the impact on the interest. So, we are actually planning, as Mr.Arun said, we are working a lot of digital initiatives. So, in this month we are going to give the statement of account digitally to each and every person so that they can understand what is the EMI, what is the interest rate impact on them on account of taking the extension or taking the moratorium facility. And then we will ask the customers also to look into it and come back to us if they want to pay us to reduce their interest burden and then we will further educate them. And once they start also using the vehicle or deploying the vehicle when they start getting their cash flow improves, I am expecting that they will come forward to repay their EMIs what they have taken as of now to the end of the contract.

Moderator: Thank you. Next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir, on slide number 26, when we are giving the bifurcation in terms of provisioning, so for the current year normal provision for Stage-3 we have kept it at around 31%, which was around 37% kind of a trend earlier. So what is the thought process here? Will we see this increasing? Or what of that is covered under COVID? So that is one.

Second is, on slide number 33 and 34 where we are indicating the outlook for the industry. For FY '21, we are indicating that the growth in the final year number would be lesser than FY '19. So, some colour on what is your thought process here? Because this is as per CRISIL, so are we in sync with that expectation?

And thirdly, the scheme that we had rolled out in partnership with Maruti, we are offering two months' EMI moratorium upfront to those loans. So what gives us comfort in giving loans to these segments of customers, when they are already facing some kind of cash crunch? So what is your thought process behind partnership and kind of structure?

Ravindra Kundu: I will just reply you on the Maruti scheme. See, Maruti scheme is nothing but it is just the holiday period for the EMI to start. So always we actually give 30 days' holiday period for the normal customer, every loan is actually funded like that. If you take the loan in the month of June on, say, suppose today, your instalment will start on 5th of July, that is a 30 days moratorium. In this case, we have given them two months' holiday, so the instalment will start from August. And these customers are not having any cash crunch, they were actually having a plan and they were basically planning to buy the vehicle. And mostly these are entry level Maruti cars wherein the customers are situated in the rural market wherein the real economy is not that impacted, and we are not diluting any norm with respect to the LTV or documentation or cash flows or bank statement or KYC or field investigation. The only thing which we are giving opportunity, instead of paying from July 5th, your instalment will start from 5th August. As far as the provisioning is concerned, I think the CFO will reply you.

Arul Selvan: Yes. On the provisioning side, as you know, for IndAS, we need to by the empirical evidence of the loss given default. As you would have also observed, over the last two years our losses have been coming down and this is reflected in the LGD dropping over the period, and that is why it has come down to 31. However, that is exactly the reason why we have also created this macro provision, where we had an empirical evidence of progressively lower losses, given the current circumstances, we wanted to be sure that these losses will not come back and we will not have a higher amount of losses in the coming period. And towards this, we have created the provisions and moved up the provision coverage to 41%. If the losses are contained, we will roll back to the normalcy what we have earlier been seeing.

Rohan Mandora: And sir on the industry outlook, slide 33, 34?

Ravindra Kundu:

Yes, so I am just coming to industry outlook. In fact, we have given it in our investor presentation. However, I would like to reiterate that we expect that there is going to be faster recovery with respect to the rural sector, and it is because there has been a good Rabi harvest, and this is going to support the tractor sales. You know very well, 80% of our businesses happen in the rural market, our branches are mostly situated in Tier-2, Tier-3, Tier-4 town. So therefore, obviously, any increase in the disbursement, any increase in the sales in the tractor business will increase our disbursement. Just to inform you, for the month of May, as far as tractor industry is concerned, tractor industry has sold the same number what they sold last year in the month of May. So therefore, tractor industry is looking better.

Now coming to the light commercial vehicles. The light commercial vehicle, the range is very long, it is wide. It starts from 2.5 tonnes to below 16 tonnes. So, if you segregate this the light commercial vehicle into three segments, one is the pickup segment, and then the traditional LCV 4 tonnes to 7 tonnes type vehicles, and then the vehicles which are basically intermediately commercial vehicles. So, out of these three segments, the pickup segment is going to do very well because they are having opportunity to improve both the side in the small commercial vehicle and the light commercial vehicle side and they are used for the last mile transportation. And again, these are vehicle being used mostly in the rural market. So, obviously, we will get benefitted out of it. Used commercial vehicle will do better because there has been significant increase in the prices of the vehicle after the BS-VI storm rolled out by the manufacturer, the prices have gone up by 20% almost. So therefore, used vehicle is actually going to be sold at a better price and as well as it is going to be useful for the customer from the EMI affordability point of view. And all these customers who have been having a extra vehicle in terms of the increasing their fleet during 2018, 2019, they are also in the process of reducing their fleet because of the GDP and macroeconomic condition. So, those vehicles will come into the market for sale and as well as people will buy it more than buying the new vehicle. When it comes to three-wheeler and small commercial vehicle, actually demand will be impacted due to the nature of the deployment of the last mile transportation. However, the passenger three-wheeler may get a hit in Q1 and Q2, and then after that it will improve.

As far as heavy commercial vehicle and construction equipment is concerned, initially you will see that it will have a huge impact on this because it depends on the GDP, it depends on the industrial production, it depends on the mining activity and all. And all these things are going to be subdued at least up till the rainy season. Post Diwali, November onwards things will start happening, it depends on the road, and infrastructural investment of the government. So, we need to just wait and watch to see what happens after October or November. But till that time I don't think heavy commercial vehicle, construction equipment is going to do better, it is going to be subdued only.

Passenger car, the entry level cars are going to do better, however, the mid-segment and premium car is not going to do better according to us. And that is what we have seen projected by many analysts. Two-wheeler sales also, the entry level two-wheeler sales will go up but the mid-sized two-wheelers, which is expensive, Rs. 1 lakh and above may not actually improve. So, these are

the expectation as of now. And since most of the things are going to happen in our space, where our strength is there, our core areas are there, so therefore we are likely to get benefited, that is what we are expecting.

Rohan Mandora: Sure, sir. And just one data keeping question, what percentage of customers by value would have opted for moratorium at the end of March, April and May respectively? And what was the absolute collections in April and May, if you can share these two data points?

Ravindra Kundu: Come again?

Rohan Mandora: What percentage of customers by value would have opted for moratorium at the end of March, April and May respectively? Like what is 76% right now I think at the end of May, but what was the number in April and March?

Arul Selvan: End of March it was a little lower because the moratorium was extended at the fag end of the month. So March collections were better, because we have multiple billing dates and the billing happened before even the moratorium was announced, those billings we had collected and we retained them. So the March moratorium availment per se was in the range of around 45%, if I am not mistaken. But April and May they have been almost same, because once we announced, that numbers remained the same, that is the same 76% what we have seen now.

Moderator: Thank you. Next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: You were earlier explaining about behavior of the delinquent customers, either who availed of moratorium or who did not avail of the moratorium. And my line actually went blank, so I couldn't really follow. Will you kindly explain that again?

Ravindra Kundu: So the moratorium delinquent customer, who have passed dues as on 29th February, we are actually tracking their performance with respect to NRRB. NRRB is normalization or rollback, the customer who basically reduce their one EMI and rollback to the below account they are called as a rollback. And the customer who basically paid all their dues and become a normal customer is called as normalized. So both put together this parameter we have been tracking significantly. And then we saw that, as compared to, say, February, when the moratorium was not there, our NRRB for one to two buckets used to be 10%, 11% which has gone up to 26% in the month of May, just to be closed, and two to three also is improved. Three to four has also improved from 20% to 30%. When it comes to non-moratorium customers, wherein the current month billing is happening, wherein important is that that we should be able to roll back, but then important is that to not allow those customers to roll forward, because they have two important things to handle, one that the current month due and the past due. So, we saw that the roll forward rate in terms of non-moratorium delinquent customer in the month of February, suppose you take one to two which was 6% has come down to 1.6%. Similarly, in two to three it has come down from 19% to 3.38%. And then again, it has come down from 13.29% to 4.6%.

So, all the customers are paying and actually we have met the customer, this situation is there when the customers vehicles are partially used during these last three months. And we are expecting that in the month of June, July, August, these vehicles will be further used. And during these months they will continue to avail the moratorium. That means their current month EMI will not bill, and therefore, they will have opportunity to clear their dues. So we are expecting that by 30th August when the moratorium gets over, a lot of customer would have completed their repayment of the past dues as on 29th February.

Bharat Shah: Thank you. I got that much better now. And secondly, Rs. 284 crores which is a specific COVID provision, and Rs. 250 crores macro that you have provided for, so by that you mean it is unspecific general provision that you made?

Bharat Shah: The Rs. 250 crores macro provision is an additional kind of a lump sum provision that you are making?

Arul Selvan: Yes, if you see slide 28 we have given the breakups also. Wherever we have Stage-3 assets, for that is this is more focused towards The Stage-3 assets because we are looking at, in case there is a probability that the loss given default of these assets is increased over the next few months after the moratorium is lifted, we want to be protected against the losses.

Bharat Shah: Yes, I have that slide before me, but what my question was, it's a generalized provision lump sum that you have made, right?

Arul Selvan: It is a generalized provision for all The Stage-3 assets, yes.

Moderator: Thank you. Next question is from the line of Amitkumar Premchandani from UTI. Please go ahead.

Amitkumar Premchandani: You had raised capital recently before the COVID started impacting operations. That capital raising was pretty limited. Do you think you may require another round of capital raise?

Arul Selvan: No, we don't think there is any plans immediately of any capital raise. Our capital adequacy is quite strong. We are at around 20% plus overall, and even in the Tire-1 we are at 15% plus.

Amitkumar Premchandani: And on the second moratorium, 76% number is likely to continue for the next three months again? Or you would be more subjective for the second moratorium?

Arul Selvan: The second moratorium will mostly reflect the first moratorium levels. As Ravi was saying earlier, we are trying to educate the customers also by giving them statement of accounts and then the calculators to find out what will be the impact of availing this moratorium. So if the customers get to earn money, they can quickly close down this and then exit the moratorium, that feature is what we are giving. The fact is also that as compared to May beginning versus

now, there has been a lift up of the ban on transportation and a lot of vehicles have started plying. So there is an earning potential that is being seen by our customers as against the initial period of May when there was fear that there is no end to the lockdown expansions. So considering these things, the environment is changing and accordingly the customers' requirement to avail moratorium will also change. So we are already at almost the peak level of availment, so we don't see much increase here from.

Amitkumar Premchandani: Sir, the feedback on the capital part, if you look at the overall leverage number as compared to the other auto financier, your leverage even after the raising is slightly on the higher side. So maybe rights issue would be a good forum to raise capital in the current environment, given 76% under moratorium, and you don't know how much you will default.

Arul Selvan: See, the leveraging has got two implications, the leveraging you have to net off the cash in hand, because if you net off Rs. 6,500 crores of cash in hand, which unfortunately does not take place in either the numerator or the denominator when you are doing the debt-equity. Also the fact that the leveraging will slightly get bumped up in the current period considering that they are having no inflows on account of collection because of the moratorium. So we will wait and watch. As I said, we have internal norms to monitor the capital adequacy, both at the Tier-1 level and at the overall level. As and when we meet across the threshold, we will initiate action, just like how we did in the last year.

Moderator: Thank you. Next question is from the line of Bhavin Dave from Nippon India Mutual Fund. Please go ahead.

Bhavin Dave: Sir, I have a couple of questions. One is based on your collection infrastructure. So considering the moratorium rates are quite high, and we have not seen such levels in our history. How has our current collection infrastructure or collection team taken care of this entire one-time event that we are seeing for the company? And second is on the cost to assets front where we have done a reasonable job over the last two years where the cost to asset has come down from 3 to 2.6. Do we have any further room to improve this by rationalizing cost to some extent? Thank you.

Ravindra Kundu: So, as far as the Vehicle Finance is concerned, the most of the customers, I mentioned that we have already met them twice, once we have actually met them and we have contacted them over phone and got the consent letter. And after that we went to them for collecting the physical consent letter, and then also we started actually following with them for collecting the money. We have more than 7,000 collection executives to similar number in sales executive. Since the number of vehicle sales is actually down as of now, both sales and credit department have been directed to meet the customer to understand their need and also educate them on the moratorium piece. We have 4,000 managers, all of them basically working fully on the collection as of now, because sales activities are significantly lower. So, all of these people are actually within Chola itself and working for either Chola CIFCL or Chola Business Services Limited. So, therefore, things are under control and we are meeting the customers. I have given the behavior of the

customer with respect to moratorium and non-moratorium customer from the normalization, roll back and the roll forward point of view, that also shows that the customers are paying as of now. Our estimate is that, by August when the moratorium period will take over by the time, a lot of customers who have one or two or three installment dues, even more than that, customer will pay and then they will reduce their bucket and they will improve their delinquency level. That is from the collection side.

Bhavin Dave:

And on the cost to assets?

Ravindra Kundu:

Yes, cost to asset, you have seen that we have been continuously working and increasing our productivity and also reducing the cost side. During the last year itself our headcount had gone down, because we have seen that in the middle of the year itself we realized that the number of vehicle sale has come down significantly. So automatically based on that it has been reduced. And second is that, we have also taken a lot of measures to cut down the other operating expenses, for example, travel, conveyance, petty cash expenses for running the branches, branch running cost, electricity cost, communication cost. So, line by line item we are going, by branch by branch we have today Microsoft team wherein we are conducting meeting and showing them their P&L line, line by line by the branch. And significantly it is working, actually a lot of benefit will be visible in this financial year.

Bhavin Dave:

Sure. So, is it fair to assume that this number can improve already more from this 2.6%?

Ravindra Kundu:

Whether the percentage will significantly go up or not, but fundamentally we are working on each line item. Some line items values are very low, for example, we pay, let's say, x amount of rental on account of branches, so that will come down by 10% by changing the offices from big to small. But that will not reduce your OPEX to asset ratio from 2.68 to 2.4, it will reduce a little. So, in essence we are working on reducing the cost, but we need to also have the cost which is required to run the branches. And we also serve our OEMs by providing our manpower, irrespective of they are selling one vehicle or 10 vehicles. Because I cannot just remove the manpower, tomorrow if they start selling 10 vehicle, I will not be in a position to again recruit and train the person and bring that person to convert the cases, and we lose the opportunity in the future. So it's like balancing act, whatever best we can do in terms of cutting down the cost or rather optimizing the cost, we are doing it. You will see the better results.

Moderator:

Thank you. Next question is from the line of Prashant Sridhar from SBI Mutual Fund. Please go ahead.

Prashant Shridhar:

Sir, just wanted two data points, for the month of March, April and May, what would be the bounce rates you are seeing? And what would be the actual collections in crores or that you have seen?

- Arul Selvan:** We don't give bounce rate details. The collections we have already given when we gave the cash flows when we projected it in April. I can repeat it. We have done around Rs. 600 crores of collection as against Rs. 2,700 crores in April.
- Moderator:** Thank you. Next question is from the line of Mayank from Franklin Templeton. Please go ahead.
- Mayank:** The ALM table that you have given in the presentation, is that adjusted for the six month moratorium?
- Arul Selvan:** Yes.
- Mayank:** Okay, got it. And in terms of refinancing and top-up, is there some sort of scheme or loan structures, are you seeing demand from your customers for refinance so that they can get back into business? And what is your thought process around what kind of customers will you be willing to give that to?
- Ravindra Kundu:** So, as far as the refinancing existing customer, it is a BAU, business as usual. As and when they want they fund for their working capital or wants to repair their vehicle or rather paying the road taxes insurance, they go for that. And every year every month we do it normally. So, as of now the disbursement itself is lower and these vehicles have not been operating to the fullest capacity. Once they start operating it, obviously, they will come back for the refinance, which is nothing but taking loan after the principal outstanding goes down to the comfort level. Suppose the customer has taken Rs. 10 lakh and after three years or two years his POS has come down to Rs. 6 lakh, so we give additional Rs. 1 lakh or Rs. 2 lakh which that person can actually utilize it for purchasing tyre or repairing or refurbishing the truck or paying the taxes and all dues, which is a normal course which happens as it is and it is going to start happening in the future also.
- Mayank:** You gave the moratorium numbers on Home Equity and the Vehicle Finance, but that third part of the business which is very small, could you just give some colour on which is the larger part of that business and what is the moratorium level on that?
- Shaji Varghese:** This is Shaji Varghese from Home Loans. The largest part of that business is home loans. Almost 73% customers have chosen for moratorium and remaining 26% of customers have paid the EMI, that is where the moratorium stands in Home Loans.
- Mayank:** Okay. And these are standard Home Loan products or are these like low ticket size Home Loans?
- Shaji Varghese:** Okay. The segment which we service, middle income group, predominantly the end users, mostly around Tier-2, 3 and 4 cities. So we mostly do only in a self-construction or ready property purchase, predominantly for end use. We only have standard straightforward Home Loan product.
- Mayank:** Okay, got it. And the customer profile in this segment, would that largely be salaried?

- Shaji Varghese:** No, largely are self-employed, more than 93% of customers are self-employed here, semi-formal income segment, that's where we are focusing now.
- Moderator:** Thank you. Next question is from the line of Shubhanshu Mishra from BOB Capital Markets. Please go ahead.
- Shubhanshu Mishra:** A couple of questions. First question is with regards to, we are not taking the moratorium from banks, is it more of a posturing? Or is it that we don't want to take moratorium because the banks are not offering? Can you provide some light on that? And the second question is with regards to the home loan, now in FY '12 we had introduced the SME loans and it could not scale up after FY '12, as much as we had expected. What gives you the confidence that we will be able to scale up the home loans? And if we do have a plan, what is the level of scaling up that we have the intent to? The third question is, in two-wheelers, Royal Enfield and Honda, they are low margin products as compared to the rest of the two-wheelers. So why are we entering or why are we doing low margin products? So these are my three questions.
- Arul Selvan:** Okay. I will answer the first question and then I will request to Shaji and Ravi to answer the second and third one. So, on the moratorium thing, yes, it sort of a posturing also. And the more important thing is, these are like repayment of instalment due and shifting it by three months is not going to help me greatly in ALM, so no point in shifting it simply for three months, as well go and borrow a longer tenure loan and then strengthen my ALM going forward. These are already being planned, and as I said, there are lines of borrowings which have been scheduled to be borrowed. So we will go for the longer tenure loans to support the ALM for a higher maturity. Now can I request Shaji?
- Shubhanshu Mishra:** No, have the banks offered you moratorium? Are they giving you moratorium and you have said no?
- Arul Selvan:** Yes initially they did not, there was some confusion, because all the banks were not offering to any NBFC's. But subsequently a lot of banks have started offering. But we are still not continuing to take it.
- Shubhanshu Mishra:** And they were PSU banks or private banks?
- Arul Selvan:** Both.
- Shaji Varghese:** So for home loans, let me first talk about the opportunity which we are seeing. The focus will be to serve the middle income families mostly normally known as the affordable housing. And which is estimated to be around Rs. 3 lakh crores. Now, Chola has established orientation and risk management practices to serve the middle income group families, especially in Tier-3 and Tier-4. Now, the way we are looking at this is to deliver these home loans with an ease and convenience to this segment that's more with the digitally oriented target operating model. So, we are seeing, at least where the opportunity lies. The transaction type focus that I just talked

about, stay away broadly from the under construction within the Tier-1 cities. When it comes to the business projection, which will be more of a forward looking in nature, so which we are kind of staying away at this point, what will be the projection size of the business. But what we want to tell you now is, we have already reached out around close to 200 branches, where we have created a sourcing capacity. We are in the process of setting up the right distribution, technology platform, standard operating procedures, all those fundamentals to sustain this business and scale up, that's the focus now. So let's see how this will translate as time comes.

Shubhramshu Mishra: And how would it be any different from the scaling up of SME business that we have spoken off in FY '12? Because we haven't been able to scale it up as much.

Shaji Varghese: Right, the opportunities are different. When it comes to the home loans business, I don't think it is comparable. There is a large opportunity waiting across two, three and four cities for housing loans. And we expect even when it comes to demand pick up, Tier-3 and Tier-4 should be good enough, and Chola is good at it. So that's how we look forward on housing.

Shubhramshu Mishra: Sure, thanks. My third question?

Ravindra Kundu: I think you asked about the two-wheeler thing, right?

Shubhramshu Mishra: Yes, Royal Enfield and Honda, they are low margin products, why are we doing them? And even the Royal Enfield if we repossess it, the liquidity for that particular vehicle is also low, so just want to understand the rationale of two-wheeler business.

Ravindra Kundu: So, residual value of the vehicle which we repossess is actually better across all brands, that is not the case because it depends upon the make model variant and the customer category and the geography, that is the combination we have to understand that a particular vehicle in a particular market with respect to the customer utilized, and after that repossessed and what is the value coming. For example, Royal Enfield in Kerala if you repossess, you will get a better realization. So, accordingly, our distribution is based on that. So we follow the BDM, business decision making, we just do not do all products, irrespective of the two-wheeler four-wheeler, we don't do everything everywhere. It is all going by the make model variance and customer category and geography, depending upon the probability of default and what has been our expected credit loss in the past for the particular segment. So, that's one. So, we maintain that and thereby we achieve our goal with respect to the NCL and ECL and the loss given default.

Coming to the margin, which is yield you are talking maybe, that is basically, we just started two-wheeler few years back and it is better to the low yield and low risk category of the customer wherein default rates are lower. And then once we actually get into the complete hold in the vehicle then we can actually expand it with respect to the customer segment, geography. and other product, other brands. So, that is the philosophy we follow. We do not just like that increase everywhere and go start doing the business, we cautiously move our baby steps and then do it. And therefore, our objective is to achieve, first, the best quality of portfolio with respect to the

customer category and the mix of the brand as well as the product as well as the geography. So going by that, our experience has been very good. And as of now our portfolio quality is much better than industry. So therefore, we are actually in the right track.

Moderator: Thank you. Next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.

Darpin Shah: So most of the questions have been answered. But if you can throw some light on this MSME scheme, what proportion of the book will be eligible for it? And how are you planning to take it forward?

Arul Selvan: Moratorium scheme?

Darpin Shah: No, MSME.

Arul Selvan: MSME, okay. The extended credit guarantee scheme.

Darpin Shah: Yes.

Arul Selvan: Yes, it will be eligible mostly for the home equity segment, and maybe to some of SRTOs. We are right now getting into the process of registering ourselves as the member lending institution. It needed a Board resolution, we got it passed yesterday and we will register ourselves. And depending on the demand that the MSME segment with whom we are currently holding loans, because that is one of the guidelines, we will take up what is the requirement. This is yet to be assessed and we are right now seeking the demand from their teams. Rupinder, you want to add anything?

Rupinder Singh: Yes. Actually this scheme is for the customers which are in SMA 1 and SMA 0 basically. So, this will cover most of the customer which are less than 90 DPD, that is one. Secondly, you can go up to the 20% of the existing loan subject to the total exposure should not be beyond Rs. 25 crores. So, with these two, three exceptions what this scheme says, most of the home equity customers and also some part of VF as well as home loan customers would be eligible into it. What we need, we are working on is internal policy, keeping in mind what are the LTVs we have to give here, because for a long-term we have to keep all things in mind, though this scheme is 100% guaranteed by the government. So, there are large chunk of customers which will be eligible. And I think that instead of 20% it will be around 12% to 15% overall it will go up on the basis of eligibility and the other criterias which we can see. But yes, another 10 to 12 days, we would be in position to go deeper to evaluate further and be in market to offer to the customer.

Darpin Shah: Okay. And one question to Kundu sir, after the lockdown has opened or partial lockdown has lifted, what activities we are seeing on ground? Which products are seeing much of a demand or inquiries, if you can throw some colour there?

Ravindra Kundu: So as I mentioned, we have forecasted this in the month of April. But fortunately, it is actually looking similar. And it is mentioned in the presentation also, it looks like rural markets, up-country market, Tier-3, Tier-4 towns are coming in normalcy. More than 90% branches are up and running and therefore some disbursement started happening with respect to two-wheeler, tractor, three-wheeler, small commercial vehicle and the pickup segment. And then it will be followed with the used business also once the RTO start working to the fullest capacity. And maybe the last thing will happen HCV which we can actually wait for some more time after five, six months.

Moderator: Thank you. Next question is from the line of Piran Engineer from Motilal Oswal Financial Service. Please go ahead.

Piran Engineer: I just have a couple of questions. Firstly, the initial comments you mentioned about revamping credit policies and strengthening collection scheme, if you could elaborate on that? And secondly, if you don't mind, can you just explain the meaning of this NRRB? I don't want the data points, but I want to understand when you say it was 11% in February and it has gone up to 26% in May, what does it actually mean? And what is the denominator? I don't really understand that.

Ravindra Kundu: No, the denominator are those customers who have been having the dues, and those customers in NRRB is equal to normalization plus rollback put together, so there are two different parameters. Rollback means the customer has got three EMI due, he has paid one EMI, so his bucket has been rolled back to the previous bucket. And the customer has got three EMI due and he has paid all three EMIs. So both put together, the customers are those customers paying either one EMI or the overall EMI. That put together has gone up as against the February trend. And this is the overall delinquent customer as on February versus as on an May. So the definition of denominator is same only.

As far as the collection strengthening is concerned, we have been actually in-house having the entire collection team as well as the collection manager. During this period our sales team members are also working along with the collection, meeting the customer to ensure that they explain them properly about the moratorium facility and then the impact of the interest and all those things so that the customer can come forward and pay their past dues ahead of the time, then there the EMI which is going to be due in the future that also if they can come forward and pay, all these things. So we have strengthened our collection by adding more manpower in terms of sales and sales people are doing their own job also with respect to sales activity, whichever product segment it is happening as of now. And in addition to that, they are meeting all the customers. So we have allocated all delinquent, non-delinquent, moratorium, non-moratorium customers among all 15,000 people, all of them were actually going there. They had already contacted them once and now they are connecting them for collecting the moratorium request physically and the consent form for future, and are also explaining them and also collecting the money

- Piran Engineer:** Okay. And on credit policies, when you say revamp, is it like lowering of LTVs or change of loan tenure?
- Ravindra Kundu:** LTV cannot be reduced, because the customer has got certain money to invest in the vehicle at the beginning of the purchase. What we can do is that we can do the analysis that which customer segment with respect to make model variant and geography, these three variables put together which is doing better, which is not doing better. And therefore, decision making is important where we should put money, where we should not put. And wherever we have to put, we have to see that the probability of default is the lowest and the risk is the lowest. So, that is what is the data based analytics we are using it, and then educating our people to focus more and less with respect to the market, that is one. Second is that, we are also seeing that if there is a cash flow going down in a particular market with respect to any brand and the make model variant, so how can we basically discuss with the OEM to understand that how much support money they can give us in terms of extending the loan, whether they are ready or not, all those things. So, there are two levels, one is that decision making, and also we are trying to reduce our risk by increasing the delinquency effort.
- Moderator:** Thank you. Next question is from the line of Roshan from ICICI Prudential. Please go ahead.
- Roshan Rodrigues:** Sir, just on this NRRB bit. So what you are saying is, despite moratorium your delinquency trends have improve basically, right?
- Ravindra Kundu:** Yes. Moratorium is for the current month. The moratorium is for, like for example, if you take 1.0 it was applicable for March, April, May, some customer has taken three, four, five, some customers taken four, five, some customers have taken only five, or whatever is the combination of three, four, five. Three, four, five is March, April, May. Now, the customer who have delinquency as on 29th February, I am talking about those customer who have paid in what sense how much they have paid, what is the normalization, how much they rollback with respect to the customer who are delinquent.
- Roshan Rodrigues:** So pertaining to that bucket, as of as of now you are saying what are the trends, right?
- Roshan Rodrigues:** Yes.
- Roshan Rodrigues:** From that pool of customers, it will obviously improve, right? With time it will invariably improve, right?
- Ravindra Kundu:** It will further improve, yes. If the customer in the current month billing is not happening, and customers continue to pay the past dues, then obviously the customer will be coming into the normalized condition, so therefore it will become zero.
- Roshan Rodrigues:** Right. By August if it improves, you are saying you are referring to the February end bucket, so February end delinquent customers?

- Ravindra Kundu:** Yes.
- Moderator:** Thank you. Next question is from the line of an Anirvan Sarkar from Principal Asset Management. Please go ahead.
- Anirvan Sarkar:** Sir, one basic question. I am looking at your slide 27, so what does it mean when you say that a part of your Stage-3 assets are in moratorium? Because technically that's not allowed, as far as I understand. So what does it mean exactly?
- Arul Selvan:** Stage-3 assets?
- Anirvan Sarkar:** The Rs. 268 crores number, the last one. Within Stage-3 you have three classification.
- Arul Selvan:** No, Stage-3 is allowed. Why is not allowed?
- Anirvan Sarkar:** I thought the assets have to be standard as of February 29th.
- Arul Selvan:** No, moratorium extension can be given, you cannot reclassify them, you cannot do a DPD freeze on them. So if you look at the RBI guidelines, extending moratorium is not restricted, the asset classification and provisioning is what has been determined from a standard assets point of view. So, internally we had taken a board policy saying that 180 days and above we will not extend moratorium. So, customers who are 180 days and above, we have not extended moratorium. But 90 to 180 falls in Stage-3, for that we have given the moratorium. For that we have created the additional provisions.
- Anirvan Sarkar:** Sure. And just one data keeping question, what is the breakdown of the Gross Stage 3 Asset, I mean, Gross Stage 3 asset between Vehicle Finance and Home Equity?
- Arul Selvan:** So around Rs. 1,256 crores is Vehicle Finance.
- Moderator:** Thank you. Next question is from the line of Nidhesh from Investec Capital. Please go ahead.
- Nidhesh Jain:** Sir, on the moratorium, just one clarification. Whether you have to used opt-in strategy for moratorium where you have asked customers who are availing moratorium? Or you have given moratorium by default? And the way I understood is that in the moratorium 2.0 you still believe that a large portion of this 76% book will continue to be in moratorium, is that correct?
- Arul Selvan:** Yes, we expect many of them to continue. But we need to see, as I said, we are educating them on the implications of the incremental interest etc. But if they feel insecure about the economic situation and they want to keep utilizing this moratorium, they will try and utilize it. Because for them this is a opportunity to not come under CIBIL, etc., because that has been specifically given by RBI, so they will try and utilize it.

- Nidhesh Jain:** And secondly, if you can give some colour on the Home Equity side, similar to what you have discussed on the Vehicle Finance side in terms of roll back, if there is any colour in last two months how the collections are happening on Home Equity, that would be useful.
- Rupinder Singh:** In Home Equity, typically most of these customers, we have an instrument which actually take on a one single date in a month basically. So, moratorium has been offered to the customer who were not able to clear the EMI, that is the first and foremost. So, almost in number of customers, 40% of customers are clearing automatically from account itself. Remaining, we are approaching them and requesting if they can pay to certain extent, or they need a moratorium. So those choices were given. And it was like most of the customers in current scenario look for moratorium and has been provided. Now coming back again, till February 29th there were customers who were in Stage 2 or Stage-3 concern, in a sense they have a one or two EMI dues. So we have a set of those customers and our intention is to collect from those customers in this time typically, so that by the time we are through with this moratorium period, at least we can reduce as far as possible to the maximum extent. Compared to, these customers are very less because number of customers in HE is very less, not even 10% of the VF customer in that sense, right. So, all the branches which includes failed credit collection, they are on the job, they are in touch with these customers. And we are seeing traction, because this is an opportunity for them also, typically for the customer who have one EMI outstanding that they have got a moratorium, and in the meantime they are getting this extension for the couple of months. So, they are able to pay at least one EMI. So, we are finding a lot of rollbacks happening in that sense.
- Moderator:** Thank you. Next question is from the line of Mohit Gupta from CLSA. Please go ahead.
- Amyr Pirani:** Hi, this is Amyr Pirani from CLSA. Sir, just going back to the Maruti scheme, so you are saying that generally you offer a 30 day holiday, and it's just extended to a 60 day holiday in this particular scheme?
- Ravindra Kundu:** That's correct.
- Amyr Pirani:** And the loan to value is being mentioned as 90% on-road, that also is in line with what it was in the past few months?
- Ravindra Kundu:** That is normally we offer.
- Amyr Pirani:** Okay. And so in such a case, given the situation is a bit tight but you are offering an extra month of EMI holidays, would it be fair to say that your underwriting process will be a bit more stringent or you do not see any big stress among borrowers for a Maruti car right now?
- Ravindra Kundu:** Obviously, the filtration processes has been tightened, as I mentioned, that by using the data analytics which market, which customers are paying, which customer categories are doing behavior very good. So, although this scheme has been rolled out, but we have all the rights to basically select the customer based on our preference. And we are using those very prudently to

arrive at a conclusion that if I select a customer with respect to the market and then customer category and the strength of the customer, the probability of default of such customer should be the lowest.

Amyr Pirani: And normally whenever you find such schemes with OEMs, is there any element of risk sharing or subvention from the OEM?

Ravindra Kundu: It actually varies from customer to customer, customer category to customer category, and the product segment and also in the segment what we are actually going to do the business. This is the most lucrative segment, which is the probability of default and the net credit losses are lower. But yes, you are right, we do that.

Amyr Pirani: But in this case, that is not there?

Ravindra Kundu: That is not there, yes.

Amyr Pirani: Okay. Sir, if I can push in one more question very quickly. You mentioned that the used vehicle market, there should be some more demand because MHCV, LCV prices have gone up post BS-VI. But at the same time, there is also a risk of repossession which could increase the supply of these vehicles in the market. So, how does the pricing environment play out in your view? Because on the one hand there is demand, but there is increased supply also potentially.

Ravindra Kundu: No, I didn't follow that. How it is happening, what is the demand and supply?

Amyr Pirani: So, basically, you mentioned that people who are wanting to buy a truck now or expand their fleet, may go for used vehicles because the BS-VI prices of new vehicles have gone up. At the same time, there is a lot of stress amongst truck operators, so a lot of vehicles which were sold in the last one to two years may come in the market through repossession by financial institutions, like yourself also. So the supply of used vehicles also goes up. So, how in your view does the pricing environment for used trucks play out in that scenario?

Ravindra Kundu: First of all, the vehicle sales have significantly come down last year as against the previous year, it is down by 50%. So whatever demand side it is, basically increase the total industry volume, it has been reduced by reducing the overall sales by the OEM itself, and that has been done last year. Second is that repossession or higher delinquency has already occurred in the industry last year, now the delinquency started improving from this financial year, from the Q4. And we have seen that January, February portfolio quality or the repayment capacity has improved. So I don't think that repossession really increase further. However, the demand from the new vehicle side has shrunk like anything, like for example, the 1.5 lakh vehicle have been sold last year as again 3 lakh units, I am talking about the heavy commercial vehicle. And this year it is going to be either flat or it is going to be further reduced. So, the vacuum is getting created by drop in sales of new vehicle. And therefore, there is a scope for used vehicle to be sold, so I don't think the supply will be very high and therefore it will reduce the prices of the used vehicle. Rather, there

is a 20%, 30% of gap between the new vehicle and the owned vehicle cost. And since the EMI affordability is better in the used, it will have a better resale value.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question for today. I will now hand the conference over to Mr. Nischint Chawathe for closing comments.

Nischint Chawathe: Thank you, everyone, for joining us in this call today. And we thank the management for giving us an opportunity to host the call. Thank you.

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