# "Bajaj Finance Q3 Financial Year 2016 Results Conference Call"

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**Moderator**: Ladies and gentlemen, good day and welcome to the Bajaj Finance Q3 FY2016 Results Conference Call, hosted by JM Financial Institutional Securities Limited. As a reminder, all participants' line 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. Karan Singh from JM Financial. Thank you and over to you Sir!

**Karan Singh**: Thank you. Good evening, everybody and welcome to Bajaj Finance's earnings call to discuss the third quarter results. To discuss the results, we have on the call Mr. Rajeev Jain, who is the Managing Director, Mr. Pankaj Thadani, who is the Chief Compliance Officer, and Mr. Sandeep Jain, who is now the CFO. Congratulations Sandeep on becoming the CFO. May I request Mr. Rajeev Jain to take us through the financial highlights, subsequent to which we can open the floor for Q&A session. Over to you, Sir!

**Rajeev Jain:** Thank you, Karan. Ladies and gentlemen good afternoon and welcome to the call. You may have seen the press release. We have also put the updated quarter three investor presentation on the website in our investor section. You may have access that as well. I will be referring to that presentation for the purpose of this call.

Overall the company had a very strong quarter. The total income we delivered a highest ever profit of 408 Crores in a quarter. On a quarter-on-quarter basis it was a 58% growth. We ended the quarter with a balance sheet of 43500 Crores.

The new customers acquired were very strong, largest that we have acquired in a quarter. We cross 2 million customers, 2.1 million customers in a quarter we acquired across all our businesses in the company. The total income was strong which grew at 39%, loan loss and provision growth came in only at 35%. This also included a onetime charge that we actually took to fully provision a stressed infra account in Q3 to the tune of 17 Crores.

The gross NPA and net NPA number as a result of fully providing further account number one and two as a result of our selling mortgage assets, NPA mortgage assets to the tune of 82 Crores which is sold down improved the gross NPA and net NPA numbers to substantially the gross NPA ending Q3 came in at 1.29% and net NPA numbers came in at 26 basis points.

On a year-on-year basis the 1.29% gross NPA number last year same time was 1.5% and net NPA number last year same time was 49 basis points. Capital adequacy remained strong on a nine-month basis we have actually not gone to capital. Our balance sheet growth has been 40%, our net income growth has actually been 44%. So we have been pretty strong on capital conservation.

Our estimate was that as we raise capital we would see reduction in our return on equity. I think on a full year basis it is looking like we will continue to come in the corridor of a 20% return on equity for us a company on a full year basis. So that is really the broad headline point.

I will just spend two minutes on overall management commentary. I am referring to the page 18 of the investor presentation. Overall two-wheeler and three-wheeler business grew on a year-on-year basis for the first time. If you also refer in the same presentation to our assessment as a company, which is on page 13, we turn the two-wheeler and three-wheeler business to a green because one on a base effect is beginning to play. For the first time the business grew. It grew in the quarter by 6% over the last six, seven quarters it has actually been degrowing.

The credit performance issue that we had in the three-wheeler portfolio also came into control in the third quarter and we have now largely washed that off. So two-wheeler and three-wheeler business for the quarter for the first time in the last seven quarters improved and management assessment was it is a green in our assessment and both of them grew.

The consumer durable business continued to grow well. We are 18%, 19% of the market of consumer electronic sold. We came in at just a tad below 15 lakh accounts, 14.6 lakh accounts. We launched a new app as you are aware. It gave us 200000 logins and 140000 approvals 60000 of those customers took the loan. That is a more meaningful number and we are analyzing as to how do we ensure that in general if we do 14.5 lakh accounts we approve 90% of people that we approve take between 85% and 90% in this case it is only 30% so we are analyzing and working on the renewed version of ensuring that it gets to be 85%, 90%.

EMI card a large driver for our good credit performance and credit growth, across the 5 million mark we now have 5 million, 5.1 million EMI cards. More than 50% of the quarter sales in consumer durable, digital and lifestyle financing happens with existing customer, wherein the loss rates of new to Bajaj versus existing customers is 1/3rd so that tells you about why and as this number moves up the credit quality improves further.

Digital products very strong growth we are well and course to cross 1 million mobile phone financing. It is our estimate that close to 6% of Apple phone sold in India finance by us at this point in time.

Lifestyle finance we invested three ago in this business. It is well on course next year to deliver 250000 accounts. The average ticket size in this business is double the size of our consumer durable business so which fundamentally means it is 0.5 million account equivalent business on an apple-to-apple basis, continue to grow well, furniture is a very large category.

Salaried personal loans, home loans continued to grow well. E-commerce the seller finance business we disbursed 82 Corers in the quarter. We continued to work with them on a identifying opportunities in the consumer finance space and hopefully next fiscal you will see pay by EMI card pay option with one or two or many other sellers in the next fiscal as we get there.

Personal loan cross sell, personal loan sold to our existing customers continue to grow well. We have invested in a significantly more sophisticated risk model, which is ensuring faster growth, and much better credit through the door if you would observe on slide 26 and 27 of our portfolio metrics, which I mentioned there.

Rural lending our base is very low so growth rates are high but clearly the investments of the last three years are beginning to yield results. So you should see we will end this year with 2.5% of our balance sheet coming from between 2.5% and 3% of balance sheet coming from rural that should grow to 5%, 6% next year and probably stabilize at 7%, 8% two years from now.

MSME is the first set of the business so we remain slow. In the quarter we did only 65 Crores of sales. SME business is business loans, professional loans continue to do well. As profession we are now targeting charted accountants as well in a preapproved model that we have created which has proprietary algorism that we have created to help them with a great ease to take a professional loan.

Loan against property we took a very big strategic decision. We have essentially decided we were very clear in the beginning of the year that mortgage business increasingly given the competitive intensity does not leave scope for us to deal with distributors. There is no money for us to leave on the table for distributors. We started going the direct way in April we went direct with salaried home loans which was the youngest business and the smallest volume.

We took the next step with self-employed home loans in August which degrew in this quarter as a result of the direct to customer strategy in this quarter we have taken the decision in effective December 1, 2015 that loan against property we will also not deal with new customers, so across the entire mortgage line of business now, mortgage lines of business is whether it is home loans, loans against property, self employed home loans, we only deal with our customers.

Now the reason we were able to take this call is because as I mentioned and we published that data on slide 12 company has 7.87 million 750 plus bureau tested customers. We have mortgage outstanding of over 300000 Crores today in the banking system. We were essentially only targeting these clients at the company and grow our mortgage business. It would ensure lower losses because it is existing customer, longer duration which we lower attrition, higher cross sell and better pricing power because this client is not in the market. So we took the decision because we wanted to make sure that the next fiscal is not lost on us but as a word of caution in the current quarter this business would also probably degrow between 15% and 20% on a year-on-year basis and then should be back to growth from the next fiscal onwards.

Self employed degrew as I mentioned to you in the quarter. Infra we are now down to 312 Crores. One account is fully provisioned. We only have one account and this to the tune of 150 Crores which in the entire balance sheet I could argue I would probably worry about as a company otherwise I would argue that there are no blind spots in the entire portfolio other than this 150 Crores account that we have.

At this point in time it is current let me advice that point of caution as well but as we go forward we are nervous about that it may turn out to be nothing but it is important the way we feel as management it is important I articulate that as well. LAP continuous to grow well, commercial business are growing, fixed deposit, the liability side 6% of the balance sheet now is contributed by retail fixed deposits.

We are now investing in building our corporate liabilities channel and we think in a three to four year horizon our direct to customer so I would like to call it because there is retail fixed deposits, there will be corporate fixed deposits there will be retail customers and corporate customers in a three year horizon anywhere between 18% and 22% of the balance sheet could come from direct customer as a company in two to three year horizon.

That is why we are investing in channels like IFA on base 22. Gross NPA, net NPA I talked about very strong performance of the year. Provisioning coverage is now at 80%. It is I think the highest we have been is at 83%, 84%. We are just a tad below that interest cost remained reasonably strong. Having said that the last 60 days have not been great our interest cost. The ten-year G-Sec is back at 785 which is where it was in August September so clearly money markets have been very, very tight. It would be an understatement negatively liquidity is at all time high so there are some cause for concern as we get into fourth quarter end in to the next fiscal.

Some of it may ease as a year goes by but it is very uncertain to forecast at this point in time as to how the interest rate environment would look. The RBI governor has said policy remains accommodative but I think there are many ifs and buts in that so we will watch this space.

So that is really on the quarter just two minutes on credit performance in slide 26 and 27. We have added a new legend there which gives our assessment of what we think the 26 is all green, page 27 other than the LAP portfolio we said it is yellow given the state of the real estate markets, given the state of even those who default and how long they take to pay in a management assessment standpoint it is a yellow, in our view rests are all green. So that brings you to the end of the commentary and myself, Sandeep and Pankaj are here to take questions.

**Moderator**: Thank you very much. We will now begin the question and answer session. First question is from the line of Kuntal Shah from Sage One Investment. Please go ahead.

**Kuntal Shah:** Rajeev, congrats for good numbers. Just a question, you have launched five new products in this quarter can you just throw some light on what is the expectation and what are the use on that.

**Rajeev Jain:** Five new products where?

**Kuntal Shah:** Five new products have been launched in 2016 one of them is SME business?

**Rajeev Jain:** Yes that is right. Clearly Kuntal we had raised capital saying two things. We want to diversify our balance sheet further. We had said at that point in time that in the consumer business we would like to dominate. In the SME businesses we would like to consolidate and the commercial and the rural we would like to grow and invest in. So it is part of that strategy so it has been as a result of that the commercial business which is today 10%, 11% of the balance sheet we would like it to grow to in a three year horizon 15%, 16% of the balance sheet so that is point one and rural which is 2.5% of the balance sheet we would like to grow to 8% to 9% of the balance sheet so that our diversifications thought process.. In line of that in the commercial business this year we have launched lending to financial institutions group which is a business we think we understand well because we make 44000 of our assets go to work we have launched corporate finance which is largely large ticket lease rental discounting or lending to well known promoters against marketable securities is really how we are looking in corporate finance to be. That is the second business. The light engineering vertical that we have launched actually this year that is not finding mention here because we will not there in quarter three and they are just beginning to book assets and MSME rural actually we will break rural into MSME and consumer rural from next quarter so these are the four new lines Kuntal that we have actually launched. We also launched what we call dealer banker. We work with 20000 retailers. We have identified the top 200 retailers in India who have a very large wallet. We do a lot of business with them which means you are insight with them so in the commercial side of the business we have also launched what we call it dealer banker business. So these are the five new lines that we have launched and they have no material impact today. We invest in lines with a view to three to five year growth horizon as you can see financial institutions grew 236 Crores of lending is the total AR on a 44000 Crores AR. So numbers are not meaningful today. They are investments made with a three to four year view. They will not be meaningful even next year but that is really what our approach has been to building businesses. We invest today with a three to four year view try and make sure that investment is right which when I say investment is right if you over invest then you chase the assets if you under invest in terms talent then you never deliver the strategy so we invest with a reasonably top talent in the business and slowly as we gain scale we back them up with more resources. So that is really where we are, it is commercial. E-commerce seller finance we are doing. Full year basis we end up doing probably 300 Crores of sellers finance. Seller finance in itself is not a material number, material line. The view is consumer finance, but the e-commerce guys who say they are agile and nimble we are learning that they can be like offline saying we will take six months to make changes to our technology platform. I can make changes as well in the technology platform. So e-commerce is a means to end to deliver consumer so that is where it is. Last point can each one of these, or will each one of these be in a five year horizon $0.5 billion each the answer is yes and that is really the objective of investing today.

**Kuntal Shah:** Rajeev how does Bajaj Finance now increase its non-fund based revenues free products, distribution and there was a report that banking license are going to be on available probably your view or comments on the same?

**Rajeev Jain:** Our cross sell rates are very strong. We are the largest bankers partner for BALIC. We are now amongst the largest general insurance partner for MAGIC. We work with two other insurance companies. Insurance is a large distribution fee income pool for all banks, specially private banks so that is one part. Two, overall using technology our orientation has been how do we create, convert term loan products into what we call flexi product which virtually work like an overdraft product but also come with an annual fee so today for our personal loan business, for our mortgage business we offer what we call a flexi product which comes at a 20 basis points annual fee but it allows the customer it can come in both forms, it can come in drop line OD form, it can come in OD form. The rates are marginally higher but it allows him to pay down when he want, and borrow when he wants, now these are fee based transitioning the business from a lending business to an engagement based business or a transaction banking business so that is really our fee pools well grow. We are growing the wealth business but the margins are very small there so that is why the overall distribution teams are not really too interested in selling the wealth products that is the third line we also sell whole host of counseling products so last quarter we do not publish the data but we sold 20000 financial fitness reports. Each one of them comes with our cost of customers Rs.1300 so 1300 x 20000 = 2.5 Crores, because the knowledge service business the margins are to be higher, so we are fully aware Kuntal that fee income pools must grow and company has its GNA to grow full pool. Banking guidelines I read the article as well it said likely in June on tab it did not have anything new horizon norm so I will wait for it me to fully know and then we will play by the year. Could we rush the answer is no.

**Kuntal Shah:** I will join the queue. Thank you.

**Moderator:** Thank you. Next question is from the line of Ashish Sharma from ENAM Asset Management. Please go ahead.

**Ashish Sharma:** Rajeev congratulations on a good set of numbers and also on being the best CEO on the MBFC category. Just two questions, first one on the growth aspect I think we continue to sort of outgrow our internal guidance itself of 25% to 30% sort of AUM growth and then we have seen this quarter even adjusting for the seasonal impact this 41% AUM growth is quite strong and I just wanted to check with you given that we were seeing that the macro recovery which we had anticipated is this is on a different trajectory. It is slow and little anaemic and given the state of affairs do you think that this kind of sort of run rate can be maintained or not?

**Rajeev Jain:** Which run rate?

**Ashish Sharma:** This strong AUM growth of 40%.

**Rajeev Jain:** I do not know so two things. We as a company given our small size remain decoupled from external environment. We are very small. We have 60 basis points of banking system. It really does not matter. We are coupled only with credit performance so two things and that credit performance view requires that our internal benchmarks are very high on credit which technically means we plan only for 25% balance sheet growth. Our credit performance continues to be stronger so we continue to allow business to grow faster. In the same panel #13 if you see loans against property for the last it has grown 14% it will degrow 20% this quarter. So I would continue to guide that one on a larger base next year continue to work with that 25% balance sheet growth somewhere and a 20% net income number if we continue to outperform we are not going to hide it we will share it with everybody but we want to continue to have the right to pull back that is my consistent point that I maintain I must have the right to pull back.

**Ashish Sharma:** But in your assessment there is no logic to sort of a strengthen or sort of a harshen the underwriting standard so as to sort of a normalized growth it is not an environment?

**Rajeev Jain:** We are not driven by that as I said in macro. We have driven by that on micro. There is a business sitting here which on December 15, I cut 20% of the business so that you hear me right, but I said if you continue the same trajectory nine months down the line it will be red I cut 22% of their business so if it is requiring x from December 15 it is acquiring 0.8x but I have to continue to deliver to my shareholders a 25% balance sheet work, if I had a 40% view can I take that decision you give me an answer the answer is reasonable no is not it.

**Ashish Sharma:** Just on this 82 Crores NPA entry would there have been any P&L write back?

**Rajeev Jain:** Is there are write back yes, is there a gain to the extent of 5, 6 Crores yes but we will go and sit in the balance sheet not in the P&L we are not allowed to write-back.

**Ashish Sharma:** Yes, so there is a confusion that.

**Rajeev Jain:** Yes we had "provided over", and above what we sold it at but we are not allow to take that as a write back you will see it in annual report there will be a number of 7 Crores are listed there which goes to prove our provisioning orientation remains reasonably strong that even when we went and sold it what we call of stressed value we still had accounted for what our provisioning view was account-by-account.

**Ashish Sharma:** Sure, and just lastly Rajeev initially you mentioned that so you are talking about only mortgage segment being sold only to the existing customers not with the LAP or is it for LAP also?

**Rajeev Jain:** No when I say mortgage I meant 80% of that was LAP and 20% of that was actually self-employed home loans that is what it was.

**Ashish Sharma:** So this will only sold to the internal customers not to the new customers.

**Rajeev Jain:** Incrementally is it you are asking?

**Ashish Sharma:** Yes?

**Rajeev Jain:** Going forward yes. We will do all mortgage business. Self-employed home loan, salaried home loan and loan against property all three will only be sold to existing customers going forward it is already doing it is being done that way for the last 60 days now.

**Ashish Sharma:** Just lastly this e-commerce tie-up we have talked about it earlier you all said that in discussion with we were for a tie-up but what is the sort of a current situation or current status?

**Rajeev Jain:** As I said earlier they are interested they have to change their platform. So they are working on changing the platform once they are ready we are ready we are ready earlier when they were so we are waiting.

**Ashish Sharma:** You talked about in your initial comments about the tie-ups in terms of we have seen in the markets we have tie-up with something like an ease on for a prepaid card?

**Rajeev Jain:** That is an over ran card.

**Ashish Sharma:** So we should see the similar type sort of tie-ups with other retailers?

**Rajeev Jain:** Sometime in March we will be making some announcements on two new categories, one new category that we were launch and another fee based opportunity so we will be making those announcements sometime in March most likely.

**Ashish Sharma:** Thank you Rajeev and all the best.

**Moderator:** Thank you. Next question is from the line of Ravi Reddy as an Individual Investor. Please go ahead.

**Ravi Reddy:** Rajeev company is going with good growth we wish you make at sometime 4 and 6 are in coming quarters too. Mr. Rajeev we know your stamina also but my point how are you deal with risk management please say something about that? The company is going so big so how you will make this scheme now no, in future less NPA and less gross NPA remains so what is your planning in the company first time.

**Rajeev Jain:** We continue to invest in improving sophistication and the way we manage risk. I think we have used the analytics in a big way over years to take risk out but let me make a before that let me make a point that four years ago or I think now it is five years ago we try to publish every quarter page 26, 27 and 28 because lots of people used to ask us that how can you give a Rs.30000 loan and still collect from 98.5% of them we do not believe you so is that okay fine you do not have to believe us our majority shareholders believe us because I we do a risk review with them which runs into 600 pages now but let me simplify the position either we start to share with the street by portfolio performance so we share that in all transparency. You can see it on page 26 and 27 how over the last eight quarters portfolios have moved. We continue so that is third point we do not want to ever forget as a company with that we are in the business of risk management we are not in the business of lending. Lending is very we to do. Managing risk is a tougher thing to do so. We believe we are not in the business of lending. We are in the business of risk management. We are not here to give money. We are here to give money to people who do not want money, collect money for those who thought they can pay and make money for our shareholders. That is really what our business is so that is at a philosophical level. Fourth we continue to invest significantly in new areas of risk like we are right now investing in operational risk management. We continue to deepen our risk infrastructure whether it is technology, analytics, people in a big way. There are examples we continue to invest in areas like scorecards. So if a salaried personal loan customer took a loan from us two years ago we would approve 60% of them and 40% would not even know from many days as to what happened to their application. We created a algorithm based scorecard which the salesperson only keys in and the approval but it means the gross and annual income of the person should be Rs.10 lakh per annum otherwise we do not give the personal loan so we do not even give a loan to a client with less than Rs.1 million in top five cities and so it is a mix of various things philosophical point we know we run business of risk and we continue to ensure there is enough prudence and we are chasing growth, Mr. Reddy.

**Ravi Reddy:** Thank you very much. Welcome and nice reply. I am satisfied. Thank you.

**Moderator:** Thank you. Next question is from the line of Amit Ganatra from Religare Investment. Please go ahead.

**Amit Ganatra:** This rural lending business the slide says that you offer basically 12 odd products in consumer and MSME business categories, so does it mean that typically it is the geography is rural but the products are similar or there is appropriate product?

**Rajeev Jain:** The answer is absolutely yes. Only one product that we do in fact two products we do gold loans there we have in fact now started urban gold loans in greater than 25 cities. We have just launched in 25th to 75th city basically gold loans for existing customers. We had 35000 walk-ins into our branches every month, 11000 Crores is the outstanding gold loan on our portfolio today. So my 13 million franchise and these clients have 11000 Crores of gold loans. So for our existing customer from greater than 25 markets, we launched our pilot in April this year for ten cities that pilot is worked well. We are now launching 50 so we will be offering urban gold loans what we call from 25 markets to 85 markets effective 1st of February we have started to offer and only to our existing customers, pilot product that was not there that is a rural product. Another product that we do in rural which we do not do in urban refinance of against motor vehicles so you may have a car against which we could monetize and borrow money so these are the only two products that we offer in rural that we do not offer in urban otherwise all urban products are actually offered in rural.

**Amit Ganatra:** So this 1159 Crores?

**Rajeev Jain:** Then the answer is yes, that we put in different assets.

**Amit Ganatra:** No the question was that, within the different assets.

**Rajeev Jain:** Yes it is a mix of 12 different assets.

**Amit Ganatra:** The largest would be.

**Rajeev Jain:** Largest would be consumer durable followed by gold loans, but the numbers would not be there too far off so it will not be like there is something called 500 Crores there the maximum will be 200 Crores.

**Amit Ganatra:** what is this RM business the number 13 RM business?

**Rajeev Jain:** RM business is basically if you go to slide 21 see relationship management business is these are in top 20000 relationships in the company which are HNI relationships on an average they have a 5 Crores mortgage in the industry or with us or they have a 50 lakh car loan which means from a segmentation basis their wallet is very large we started four years ago a RM business model they offer multiple products across loans, investments and insurance to these 20000 relationships and a separate business all together.

**Amit Ganatra:** So now are showing it basically separately here?

**Rajeev Jain:** Yes, in fact that give us the confidence Amit that if we gave LAP to existing customers the performance is far superior, if we gave a home loan to a self employed who has a large relationship with us and perform well with us it is a disproportionately better performance and that really give us the confidence to go to.

**Amit Ganatra:** Just last question on this LAP that credit quality portfolio composition slide why you have mentioned it as yellow the buckets are not showing any signs of profit?

**Rajeev Jain:** That is my point we think even the margin profile in this business a 99.25% stable sustainable number now that is my assessment and most people in the mortgage industry may not agree with their assessment itself but I believe the margin profile requires anywhere between 99% and 99.25% current book if you see if you go back from September 2014 onwards it has been in between 98.8% and 98.67% I as a business manager would like this to be between 99% and 99.25% and that is how we given the yellow that is one point two only 2.5%, 3% of the clients bounce every month on the portfolio but those who bounce take very long to pay even in the month, that tells you the overall stress the definition of stress is not be stay in like two months.

**Amit Ganatra:** Sir initial reflex that you basically started?

**Rajeev Jain:** If the client is being in 30 year having bounce on fifth is a red flag, a client who pays me on the 10 to 15 to 20th to 25th to 30th his classification would and all of them are green they paid me but in our internal risk metrics it would be a red.

**Amit Ganatra:** Thank you. I will come back with more questions.

**Moderator:** Thank you. Next question is from the line of Sunil Tirumalai from Credit Suisse. Please go ahead.

**Sunil Tirumalai:** Thank you very much. Congrats on great numbers. Sir I have a few questions, firstly I am not sure if I am reading too much into what you are reporting but when you give the IRR range across businesses and I look at the same slide from a couple of quarters ago, I notice that other than the top four rows of consumer and digital etc., most of the large segments or meaningful segments have seen 50 to 200 basis points reduction in IRR and I am just trying to understand what is happening there is the competition widespread or are you moving to different segments or if you just said such change in the presentation you made after a long time and I am just reading too much into it?

**Rajeev Jain:** No you are not reading too much it is by design. Clearly retail assets as a category is warming up, warmed up much more in the mortgage side of the business to a point where I do not think it is economic in the way it is conducted today that it is making money. So people will resort to you various means which are charging fees, and charges if you want to exit and so on and so forth so clearly that has seen substantial drop, so the LAP business, the home loan business, home loan salaried business, LAS business these are chunky businesses which all banks would like to do easier to do require far lower risk sophistication so you will see the drop to be more substantial there and it is a truth what people are not realizing if they drop it to we are dropping it so far down that it may be uneconomic.

**Sunil Tirumalai:** Yes Sir, but given that you are working in a market phase and you have to take?

**Rajeev Jain:** That is an important point and that is why look if I compromise an yield Sunil eventually I will comprehensive in the credit so there is only another way which means I have to take out cost and now I go back to the conversation that I was doing earlier that is why I have to go to D2C. I cannot run a 16% ROE business in LAP which I have run for the last seven years by giving by charging 100 basis points of the customers and paying 90 basis points to the distributors. I have to charge 100 basis points to the customer spend only 20 basis points as a result of my internal sales cost and flow 80 basis points into the P&L. If I deal with existing customer my per file cost of processing which with distributor business use to be Rs.25000 comes down to Rs.9000 now that cost also has flow in loan loss is lower I know that cost also will flow in that is how I get back to 15%, so if I want to do it in a stupid way I will keep dropping price and price I have no control over I want the best customer because that as I mentioned earlier I am in the business of risk, risk and pricing have direct correlation. We should not forget that principal. I have to be amongst the best priced players but I have to deliver ROE only way to do that is to reorganize my business given the direction that the external environment is driving me to.

**Sunil Tirumalai:** Sir, my question was basically in the same side if I look at the growth rate in each of these segments if I keep aside LAP and self employed home loans pretty much all other segments where the yields you are reporting as falling are also the ones where you are growing quite faster.

**Rajeev Jain:** I know it is a very important point that is a good point I am happy you are mentioning it. The moment I reorganize the business what I mentioned to you they will be back to grow this is exactly the point. I am not chasing growth for the sake of growth if the business does not mean hurdle ROE, I would not do it but that does not mean hear me that I am waiting. I am working on it from April and let me make a point to you the LAP business, the home loan, self employed business we will be back to 25% upward growth because we are reorganizing the business. Our size of the balance sheet will LAP is only 9000 Crores, I continue to believe the external environment is stressed as far as LAP is concerned but the market is very large right price only to existing customers at right cross sell rate me targeting the customer rather than customer going to market it can still grow 25% in a new avatar from April the answer is yes so we are fixing the business we are not waiting for environment to change we are fixing the business is the movement has fixed it adds to grow.

**Sunil Tirumalai:** The next question I have is on the capital position you mentioned that you are comfortable on the capital situation but the fact is that your growth rate is far ahead of your ROE and your reported numbers show the sharp decline at tier 1 even on a one quarter basis and on a simple back of the envelope calculation I see 50 basis points plus capital consumption every quarter so are we headed for another capital raising in a year and a half or two years or even earlier than that if the growth rate continue at this space that is my second question?

**Rajeev Jain:** Two three things clearly I am committed to not raising capital for two, two and a half years. We are six months into capital raise. I would not raise capital for two between two and two and a half years, not for anything else it is not a mandate from majority shareholders. I just believe that we are going to be lot more prudent in the way we use capital so you will see us if the mortgage business has to grow we will rely more on assignment that is one part. Two tier two capital the brand lends itself to be raised tier two capital in the last quarter to the tune of 290 Crores. We would like to raise close to between 750 and 1000 Crores of tier two capital year-on-year from next year onwards so that is point two. Three, we are generating reasonable ROE. I think these are the three tools we will see as play to try and ensure we do not need capital we do not go to market to raise capital for the next two to two and a half years. HFC will have another role to play April onwards by April we would be ready. That is one part of readiness quotient in the home loan self-employed and home loan salaried business that we will see as play out as well and I must make an important point which did not mention it you want me to grow home loan self employed and home loan salaried by 40% right now, I can grow let me make a point to you. I can drop my price and I can grow I do not have profit issues. We are delivering much higher profit than we can. We look at each one of the line as a line which must deliver between 13% and 14% minimum hurdle rate of return and equity if we do not deliver we shall not give any capital. So I do not have credit issues in home loan self employed or home loan salaried both are very small businesses less than both put together are less than 4600 Crores I can grow them by 35%, 40% right now I am telling you but not in an optimal ROE sense for both these businesses which is what you are fixing by April we fix it will grow.

**Sunil Tirumalai:** Just a last question more of an accounting thing just wanted to reconcile the GNPA, net NPA figures which seem to suggest QOQ drop in absolute provision figure with the asset sale that you have done and is it related to that or is there something else?

**Pankaj Thadani:** What we have basically done is the mortgage was sell down that we have done of 82 Crores that was virtually provided to the tune of almost 40%, 45% and 50% so that has helped us in terms of did you see the number on the gross NPA side at the same time net NPA side as well 10 and 7 basis points plus also the provisioning on the while the account Rajeev mentioned which is 17.5 Corers also helped us in terms of reducing the net NPA when the gross NPA did not change because of that will be definitely moved out because of that provisioning.

**Sunil Tirumalai:** No I think my question is that the block of provision has come down by about 10, 11 Crores quarter-to-quarter?

**Rajeev Jain:** Yes there is improvement structurally. There is a structural improvement as well that is the fact, so that 1.49 to 1.26 to the point that Sandeep is making 10 basis points is because of sell down so that brings us down to 1.39%, it works to 1.26% that is improvement clearly growth in AR as well and on current AR as well so both these are drivers.

**Sunil Tirumalai:** So improvement in the sense that you actually reverse some provisions or what?

**Pankaj Thadani:** No, gross NPA improvement would mean that the provisioning absolute number of accounts and the outstanding beyond bucket five or 150 days pass due has come down now it can happen because of few reasons one is the absolute number has come down or because my denominator has gone up.

**Sunil Tirumalai:** Thank you very much.

**Moderator:** Thank you. Next question is from the line of Aadesh Mehta from Ambit Capital. Please go ahead.

**Aadesh Mehta:** Good evening Sir and congratulations on a great set of numbers. Sir just wanted to know in terms of this unsecured loans, which we are doing, and where we are growing very fast what kind of credit costs are we budgeting in, in our hurdle rate estimates?

**Rajeev Jain:** The way you see the 80 lines of businesses Aadesh we run what we call product profitability model, which fundamentally means that the redline at which we would shut business then below that we create what we call annual operating plan hurdle rates because so let us say a business can have 100 basis points loss but the through the road it is telling me last year performance telling me my loss rates are only 60 basis points then I would say how will that become 40 basis points. So business is like construction equipment that will land up closing once, because we breached PPM lines. The PPM model told us that the portfolio performance told us we breached the product profitability metrics then we also look that the external environment and said in the light of the improvement in the next near-term horizon the answer was no, then we looked around and we said are we strategically so that forces us to ask strategic questions. I have had three scenarios in the last eight years where we have breached it. In 2008 we shut a personal computer financing business then we shut the construction equipment business and infra business. So that is really our approach to management of risk is by each line of the businesses.

**Aadesh Mehta:** So Sir let me put it other way what we are seeing now and sub 1% delinquency in this portfolios even on a zero days pass due so what could eventually prompt us to grow slow on this businesses as well?

**Rajeev Jain:** Which business are you referring to?

**Aadesh Mehta:** I am referring to small business loans and personal loans more specifically.

**Rajeev Jain:** When you say as I mentioned I would like to keep the leverage to pull back when I would like if any of our risk metrics deviate so fundamentally I understand the concern let me make a point the entire whoever is from the investor community is there you could argue that look you are growing 40 you are guiding for 25. I am not guiding for anything. I am telling you that at a fundamental level we have a business of risk we think a 25% anything above 25% number if I build it into our business model can cause us to chase assets we would not like to do that so that is point two. Point three we continue to pull back and push forward on an ongoing basis looking at the portfolios so I am not able to forecast that it would not happen in any of the businesses. You guys are forecasting that it would not happen at any of the business is looking behind. Unfortunately I am looking for future and I am not looking for the past and I know I am in a different place and you guys are but I would counsel all of you that we continue to guys that we work with the 25% balance sheet growth and a 20% net income growth can it happen in a given quarter yes it can please do not say them to ask that you did not tell us, they telling you.

**Aadesh Mehta:** Thank you Sir. Sir one more question there was lending to financial institutions so which kind of institutions would this be?

**Rajeev Jain:** It can be anybody who is lower than AA+ where I have an arbitrage opportunity to earn 2% post tax ROA.

**Aadesh Mehta:** So this was primarily the NBFCs or MFIs what kind of?

**Rajeev Jain:** The answer is yes.

**Aadesh Mehta:** It could be MFIs as well.

**Rajeev Jain:** Yes, it can be NMFI, it can be NBFCs actually these are the two.

**Aadesh Mehta:** Sir one question in terms of clarification regarding the NPA sell down you did so just to clarify the original exposure was of around 82 Crores of which you had already provided around 40% to 50% and net of those provisions you made some gain of around 7 Crores right?

**Rajeev Jain:** Which would go and sit in the balance sheet can be knocked off against future losses not against anything else?

**Aadesh Mehta:** So the gains would be routed through the balance sheet but the reversal in provisions they would flow through?

**Rajeev Jain:** There is no reversal in provision. Asset is being knocked out and against that whatever is the discount has also be knocked out right so there is no impact, in fact 1 Crore outstanding loan the loan also went off and my provision of Rs.30 and it also went off.

**Aadesh Mehta:** But from the reversal there would be around 30 Crores of reversals right in terms of provisioning?

**Rajeev Jain:** Aadesh 1 Crore of loan with outstanding I have provided Rs.30 somebody gave me only 70, I adjusted it against the principle outstanding that is it, that is all I close the loan provisioned already Rs.30.

**Sandeep Jain:** In a way my balance sheet will also show that outstanding is 70 only because on the asset side I have Rs.100 outstanding on the other hand, I will have also Rs.30 of provisioning from balance sheet point of view it will become zero only.

**Aadesh Mehta:** No but from a P&L point of view there would be some reversals as well right.

**Rajeev Jain:** That is right.

**Aadesh Mehta:** If that is going up from the gross NPA.

**Rajeev Jain:** Yes because the asset has gone right. The provision has also gone, the asset is also gone, both are gone. The only thing if we had not provisioned it Rs.100 would have gone only 70 would have come 30 would have gone to the P&L. We had provided for it we have to there was no P&L impact so anybody who sells down an asset without having to provision for it then has to flow it through the P&L. In our case we had not provided 30 we had actually provided 40 that is why 7 Crores is what you will see in the annual accounts which will appear as against this 82 Crores.

**Aadesh Mehta:** Right but my question was that the balance 30, which you had provided earlier, that would not directly come to balance sheet right?

**Rajeev Jain:** No it has gone, it is a loss taken at provision earlier it moves to…

**Sandeep Jain:** Aadesh that provision was already flown into the P&L when the provision was actually got created.

**Aadesh Mehta:** Sir what is the cash consideration received on this transaction?

**Rajeev Jain:** Our disclosure agreement June does not allow us Aadesh on that that is in the region of whatever.

**Aadesh Mehta:** Thank you.

**Moderator:** Thank you. The next question is from the line of H.R. Gala from Pranav Advisors. Please go ahead.

**H.R. Gala:** Congratulations for very good set of numbers, just I wanted to know now since banks they have adopted or either going to adopt the marginal cost for fixing their interest rate how are we going to realign our interest rates with our clients.

**Rajeev Jain**: We are not required to have an MCLR but we are going to have our MCLR. That is the first point and given the size of the balance sheet we may or may not become a bank, but as I said we are a bank-like, so effective April 1, we will also have an MCLR. It will be by maturities that we would offer loans to our clients. It will be published on our website and it will be only for variable products. So identical to MCLR now there are two parts to it, one from us offering loans we intend to become more transparent than we have been as a result of using MCLR. That is point one. Point two, clearly as the objective of this is better transmission. We are going to look at the maturities that the banks are offering and are you going to seek those maturities. So it should lead to transmission. That is the purpose of this. So we are going to tell banks, your two-year bucket looks to be more attractive to me. I want a two-year loan. He may or may not give, but at least I will ask.

**H.R. Gala:** I understand. Second question was you said that our gold loans are around 11000 Crores.

**Rajeev Jain**: Gold loan balance sheet our customers we have 13 million customers. We have balances of 11000 Crores with the banking system or the NBFCs as outstanding.

**H.R. Gala:** Not for Bajaj Finance?

**Rajeev Jain**: We have less than 300.

**H.R. Gala:** In our case how much it is around 300?

**Rajeev Jain**: It will be 300 Crores, 250 Crores.

**H.R. Gala:** I was surprised that it cannot be 11000 Crores.

**Rajeev Jain**: It is 250 to 300 Crores.

**H.R. Gala:** My last question is we have total assets under management of 43452 Crores and the slide #13 you have given the key portfolio metrics. In that if we add up it comes to 30000 so which are the things which we are not adding in that 18 classes?

**Rajeev Jain**: Q3 FY 2016. I think you are looking at Q2?

**H.R. Gala:** I am looking at Q2 only. I am looking at slide #14 assets under management at the end of December is 43452 Crores.

**Rajeev Jain**: When you are adding 18 to 19, 37440 it is adding up. It could have been a mistake from our side. So typos can happen so not to worry at all.

**H.R. Gala:** Because Q3 2015 you have given.

**Rajeev Jain**: It can happen. For a moment when it is about number even I also thought maybe we could have made a mistake.

**H.R. Gala:** Normally what happens is the latest number is always the first column.

**Rajeev Jain**: That is fine.

**H.R. Gala:** Thank you very much. Wish you all the best.

**Moderator**: Thank you. The next question is from the line of Umang Shah from Emkay Global. Please go ahead.

**Umang Shah**: Rajeev, congratulations on a great quarter. I just had a question regarding retailer finance, which is included in consumer durables. What exactly is this line?

**Rajeev Jain**: Retailer finance is basically we give what we call these are retailer finance liens. So fundamentally let us say, if you take a retailer would have 100 Crores per month, which mean 50 Crores every 14 days is what is churning. I will give him a 50 Crores lien.

**Umang Shah**: So it is more like a working capital lien?

**Rajeev Jain**: Yes, it is a working capital lien against the business I know he is going to book based on my last two-year performance with him.

**Umang Shah**: So, the disbursements for the quarter stand at around 750-odd Crores. So this would be a part of the 5800 Crores overall disbursement that we are showing in consumer durables right?

**Rajeev Jain**: This is separate.

**Umang Shah**: So this would come under with line item?

**Rajeev Jain**: It will come under consumer durable from AR standpoint. The AR on an average is half of it or less than half actually. This AR churns. It is like every 14 days it is churning. So, it would sit in the consumer durable financing line.

**Umang Shah**: So, just for a better understanding, 5844 Crores of deployments that we have shown for consumer durable…?

**Rajeev Jain**: It is only loans to customers.

**Umang Shah**: This is only loans to customers and these 1700 Crores the clarification, which you had given a couple of quarters back, obviously that number is not figuring into this disbursement.

**Rajeev Jain**: It is shown in disbursal. That is exactly. In fact we will probably to publish this also as AR, but at least it is not exactly to the point this, I mean LAP business and in purchase order financing business which also churn every 60 days it used to show our disbursements higher than they were. So this is one of those. You are absolutely right. The average balance sheet will be 1753 means it takes the balance sheet around 550-odd Crores, 550 to 566 Crores.

**Umang Shah**: So even the average tenure for this would be similar to the consumer durable loans only?

**Rajeev Jain**: Between 14 and 21 days.

**Umang Shah**: Between 14 and 21 days so it is like a rolling product kind of a thing.

**Rajeev Jain**: That is correct, absolutely.

**Umang Shah**: Just a second clarification, which I wanted was under rural lending the IRRs we have shown the range is 14% to 35%, just wanted to understand what kind of products would be there?

**Rajeev Jain**: A consumer durable customer can get a personal loan if you correlate that to personal loan cross sell point number five. You see 33%. So that is how this number, actually it is not 35% it is 33% only.

**Umang Shah**: Just last data point, which I wanted. In our infra lending books, obviously we have been making smaller one time provisions for quite sometime whenever we have a good quarter, what could be the outstanding PCR on the overall infra lending book now?

**Rajeev Jain**: We have now charged off one account that we had out of 312 Crores, balance we have one account as I mentioned of 150-odd Crores rest of the book is current. So we do not have to provide anything. We have not done any lending for the last two and a half years or virtually three years as you are aware, so that account of 150 Crores is also current today. We will take a call sometime in the fourth quarter or in the first quarter. We are looking to sell it down, we will see.

**Umang Shah**: Just to understand it better, so out of 300 you are saying 150 Crores account is current and the rest you have fully provided for?

**Rajeev Jain**: Not fully provided. They are fully current. So the entire 312 Crores is current that is first point. In that one account of 150 Crores, which is current with us today, is we are apprehensive about. So if we manage to sell it down we may take a haircut at a point in time if it turns into an NPA we will take an accelerated provision. If it remains standard and continues then we keep praying that we are doing right now.

**Umang Shah**: So just to put it other way what would be your pool of accelerated provisions outstanding that we have made so far?

**Rajeev Jain**: To the tune of 60 Crores that is what we made, so to the point rising in this quarter I have taken 17.5 Crores and fully provided for an account that account is not even doubtful as yet. It would turn awful in fourth quarter. I am fully provided for that account in that sense.

**Umang Shah**: 60 Crores is outstanding pool of accelerated provisions that we have.

**Rajeev Jain**: Yes.

**Umang Shah**: Thank you so much and wish you all the best.

**Moderator**: Thank you. Next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

**Kunal Shah**: Congratulations Sir good set of numbers. On the SME business when we look at it in terms of say the presence so that is expanding quite significantly this quarter also we have added almost like say 50 odd branches. So would we see this say the proportion of this particular segment being a slightly longer turnover as well as compared to that of consumer durable plus we are investing in terms of branches and all. So the proportion of this business would actually go up.

**Rajeev Jain**: So our view is we are we would like to offer all our products in all our branches. So the answer to your question is yes you would see continued sustain expansion of taking all our products to all our branches. We start normally the branch with a consumer business. We see the market performance distributed across hundreds of customers then we slowly start to take the SME business in. So at a point in time two years from now all our branches should have all our products being offered because that really how operating leverage will come in.

**Kunal Shah**: The proportion would also change may be this particular SME business?

**Rajeev Jain**: As I said proportion for us is determined by performance of the portfolio. If the portfolio has performed well we grow if they do not perform well we do not grow.

**Kunal Shah**: Secondly in terms of when we look at it say now say the customers are also slightly shifting towards e-commerce I do not know if you have replied to this but I suppose if the market is shifting in terms of the buying consumer durables from e-commerce how are we placed for in terms of obviously we are increasing the touch points but how do we see the impact of say the ecommerce on the overall business from slightly longer term perspective.

**Rajeev Jain**: If you see I mean it is an e-retailer right. So I work with 20000 retailers if one of the e-tailer want to work with me it will be 20001 and 20002. I mean today the largest offline retailer also get a turnover of 4000, 5000 Crores in India in the consumer electronic space. So it will be 20001 for us. We are very happy to work with all retailers whether it is e-tailer or offline retailer. As long as they are interested in they see value in partnering with us. That is it. We clearly see value in partnering. They got to value because we are moving 20% of the metal in the consumer electronic space. They have got to realize that and start to move.

**Kunal Shah**: Is there any kind of a market share gain, which we are particularly seen in case of consumer durables?

**Rajeev Jain**: The answer is yes because industry has grown 30%.

**Kunal Shah**: That is what so when we look at in terms of growth it is like so may be one is obviously the penetration but within the may be the consumer durable which is getting the financed as well. Have we seen significant amount?

**Rajeev Jain**: The answer is yes. Now these numbers do not published right so it is very difficult to make meaningful sense out of them. So it is all estimates.

**Kunal Shah**: Just again to ask in terms of when we look at in terms of deployment so these are like 5800 and when we look at the again this 5900 so it seems like it is just getting joining within a particular quarter?

**Rajeev Jain**: Acquisition model that is why banks are not interested. 25 million if you get, and get an asset turnover of 5000 Crores in four months, then there is no interest at all, and for us it is a customer acquisition business and it is very tough to make money in the business. You continue to set that.

**Kunal Shah**: No it is like may be in terms of tenure also it is slightly getting lower.

**Rajeev Jain**: I mean average maturity is four, five months.

**Kunal Shah**: Four, five months, thanks.

**Moderator**: Thank you. Next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

**Mayur Parkeria**: Good evening Sir and thank you for taking my question. Congratulations and a good set of number. Couple of numbers, which we are looking at, is if you can just put a highlight on how we should look at it on one side we have two million customers, which we acquired in the quarter. One slide says about one million customers are from cross sale opportunities right?

**Rajeev Jain**: That is correct.

**Mayur Parkeria**: On the third side we have the cross sell franchise at 7.87 million and on.

**Rajeev Jain**: The franchise at 14 million.

**Mayur Parkeria**: The cross sell franchise I said and then we have the EMI card as 5.1 million. So can you just put an understanding as to which number we should look at as a real franchise from strategic perspective.

**Rajeev Jain**: 7.87 million is the real franchise.

**Mayur Parkeria**: How do you see the growth in this moving number, which are the 2 million, 1 million and even let us say two to three year down the line?

**Rajeev Jain**: You will see the 7.87 million by April become 8.5 million that is what you will see 6 to 7 lakhs growth you will see. These numbers were 6.87 million. You see the number that going back to slide #12 6.04 million in December 2014. The real franchise has grown by 1.8 million customers new to Bajaj with the bureau score of 750 and above in one year by March December grow to 8.1 million. This is the true franchise.

**Mayur Parkeria**: So 7.87 million customers are still there where we have a potential to do cross sell.

**Rajeev Jain**: No these 7.87 million customers have a bureau score of 750 which is defined as the best bureau score. Number two, they have loans from home loans, personal loans, credit card, auto loan, gold loan, outstanding in the banking system to the tune of they have 3 lakh Crores of mortgages outstanding. 120000 Crores is the personal loan outstanding that is the value of franchise and that is really what we are going after.

**Mayur Parkeria**: So now this 2 million numbers which is there as of the quarter how do you see that growing in the next three years in terms of or even if you have to say last year we did overall I think around 4.5 million customers if I am not wrong the overall. So in three years time how do you see this growing in terms of the number the customers?

**Rajeev Jain**: 15% to 20% Y-o-Y.

**Mayur Parkeria**: That number you see 15% to 20% growing Y-o-Y.

**Rajeev Jain**: Yes. CIBIL has 100 million customers. I have 8 million and my goal is to keep growing until we get to 100.

**Mayur Parkeria**: I think that is all from my side. Thanks so much.

**Moderator**: Thank you. The next question is from the line of Amit Ganatra from Religare Investments. Please go ahead.

**Amit Ganatra**: The break up of this portfolio that you have provided on slide #13, if one has to understand correctly, first six items till salaried personal loans are consumer financed business?

**Rajeev Jain**: Salaried home loans also you have to add.

**Amit Ganatra**: Sir till six it is consumer finance?

**Rajeev Jain**: Six and then under you will see 11 number as well.

**Amit Ganatra**: Salaried home loans?

**Rajeev Jain**: Yes.

**Amit Ganatra**: That is also the part of the consumer finance business?

**Rajeev Jain**: Then from seventh onwards, seventh, eighth, and ninth is SME and then from 12 onwards till 17 is commercial. Sorry, in 13, Amit 13 the respective assets will go and sit in respective businesses. LAP, HL and BL of the 13th business goes and sits in respective businesses. So largely SME you should add that SME, largely SME.

**Amit Ganatra**: Seven, eight, nine is SME?

**Rajeev Jain**: Seven, eight, nine, ten, and thirteen are SME. Actually we will reorganize it. I think it is a useful point. It will help. We will break that as consumer, SME and commercial for easy reckoner.

**Amit Ganatra**: Because you see you are giving some sort of a guidance that commercial business will become from 11 to we are thinking that it should become like 16% odd right?

**Rajeev Jain**: Yes, in a three year horizon.

**Amit Ganatra**: So which is the business you are largely referring to this?

**Rajeev Jain**: I am referring to vendor financing, financial institution group, corporate financing, and specialty chemicals. These are the five lines of the business.

**Amit Ganatra**: Here just a question that in terms of IRRs these are all low IRRs businesses?

**Rajeev Jain**: Yes, but they are low churn businesses.

**Amit Ganatra**: So this is basically gives you balance sheet scale. Is that the reason?

**Rajeev Jain**: It also gives me lower churn.

**Amit Ganatra**: So it gives you then scale to your balance sheet otherwise the other…?

**Rajeev Jain**: Of course it gives. No, need not be scale. It gives me, of course, it has to give me, it gives me, you are absolutely right, it gives me lower higher scale, lower opex, and lower churn and we see it to get to as I said 14% to 15% of the balance sheet in a three-year horizon.

**Amit Ganatra**: But just for understanding is this also mean some sort of a replacement towards LAP because LAP is now not growing?

**Rajeev Jain**: LAP let me reiterate is a strategic asset class. It is an excellent asset class to give growth capital to SMEs. It has significantly large potential over a medium-to-long-term horizon, companies will just have to identify what the sweet spot is, what is the right way to conduct the business to make sure it has a 15% to 16% ROE. That is all.

**Amit Ganatra**: Why I am asking this is that suppose?

**Rajeev Jain**: We want both. We do not want overtly invested in real estate, real estate means real estate sector, right. At the end of the day it is real estate sector.

**Amit Ganatra**: If this 11 suppose becomes 16 over next three years consumer lending would still become higher than what it is, 42%?

**Rajeev Jain**: Let me tell you the mix. Mix is likely to be between 35% and 37% for consumer, between 40% and 45% for SME, 7% to 8% for rural and another 13% to 14%. I hope the number is adding to 100.

**Amit Ganatra**: But then that means significant slowdown potential in the consumers? Because the mix will change considering whatever is the year growth?

**Rajeev Jain**: Remember one more thing, the growth rates of these new asset classes will be faster. The consumer businesses as they scale also would slow down. Logically, as the scale grows.

**Amit Ganatra**: That is what the thought process is in terms of whatever you are guiding that the consumer business can slow down your commercial businesses, will accelerate in terms of growth because some of the new items have been added and the SME business you are saying that post the changes that you have made, post April that should also basically be back?

**Rajeev Jain**: Yes.

**Amit Ganatra**: Just last question, this professional loans and business loans, these are what, these are secured?

**Rajeev Jain**: They are unsecured loans. Loans given to doctors and chartered accountants.

**Amit Ganatra**: And business loans?

**Rajeev Jain**: Business loans is also unsecured in nature, given to SME.

**Amit Ganatra**: So within SME actually what is the secured?

**Rajeev Jain**: LAP, self employed home loans, RM.

**Amit Ganatra**: Lastly, this loan against securities and vendor financing does not show any disbursement this quarter, so is it clubbed?

**Rajeev Jain**: As we have mentioned, the previous person was asking we used to show disbursement, because rolls over very quickly. We do PO financing, purchase order financing which is invoice the discounting, which happens in every 45 days. So disbursement is of no consequence. Similarly LAP a client takes the money for 60 days and pays it back, goes back as a new disbursal, so it is not a fair thing to show, it is not a correct representation. That is the point.

**Amit Ganatra**: It is going in disbursement, but you still showing in as secured?

**Rajeev Jain**: Yes, similar to retailer finance, 1753 Crores balance sheet is only 456 Crores. I was just checking, 453 Crores, 456 Crores.

**Amit Ganatra**: For that 456 Crores where is it sitting, in consumer durable finance or somewhere else?

**Rajeev Jain**: I think in consumer durables.

**Amit Ganatra**: So basically this business which is happening, but it is sitting in the AUM, it is now not sitting in the disbursement, because the churn?

**Rajeev Jain**: That is correct, absolutely because this is churning so rapidly. It is a misrepresentative.

**Amit Ganatra**: Thanks.

**Moderator**: Thank you. Ladies and gentlemen as there are no further questions, I would now hand the conference to Mr. Karan Singh for the closing comments. Thank you and over to you Mr. Singh!

**Karan Singh**: On behalf of JM Financial, I would like to thank Mr. Rajeev Jain and the senior management of Bajaj Finance and all the participants for joining us on the call. Thank you and good bye.

**Rajeev Jain**: Thank you all. Thank you.

**Moderator**: Thank you very much. Ladies and gentlemen on behalf of JM Financial that concludes this conference. Thank you for joining us. You may now disconnect your lines.