"Bajaj Finance
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Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Finance Q3 FY2020 Earnings Conference Call hosted by JM Financial Institutional 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 the 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 Q3 FY2020 results. To discuss the results, we have on the call Mr. Rajeev Jain, who is the Managing Director; Mr. Sandeep Jain, who is Chief Financial Officer; Mr. Atul Jain, CEO, Bajaj Housing Finance; Mr. Anup Saha, Deputy Chief Executive Officer of Bajaj Finance; Mr. Deepak Bagati, President, Risk and Collections; and Mr. Ashish Panchal, President, Rural business, Insurance & Liabilities. 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. Good evening to all of you. I will be referring to the investor presentation that we have uploaded on our website.

I will quickly jump to panel 4 of our investor presentation which summarizes the quarter that went by. Overall, I would say it is a good quarter despite a slowing demand environment, an episodic provision on a broker account and overall higher credit costs.

We continue to remain focused on portfolio granularity across products and locations in Q3 as well.

Overall, return on assets sustained its momentum due to continued momentum on operating efficiencies. Opex to NIM, on a year-on-year basis, came down to 33.9% versus a year ago at 34.9%.

Return on equity was higher despite large capital raise that we have done, primarily on account of lower corporate tax rate and strong profit momentum. AUM came in at Rs.1,45,092 Crore. Opex to NIM, as I said earlier, down to below 34%. Loan loss to average assets is only red flag fundamentally it came in at 61 basis points. Even if you knock off the episodic provision on a broker account, it came in at 55 basis points. So that's technically 20% higher than a year ago.

PAT growth was strong. PBT growth was 33%. PAT growth on account of corporate tax cut is at 52% at Rs.1,614 Crore. ROE despite the capital raise came in steady looking at 23.5% on an annualized basis.

It is a key question that is in general being asked, how are things looking on the ground? What is the demand environment looking like? I thought I will just give you some texture on how we are seeing things virtually as of January 26, which structurally is an important day for our consumption businesses.

We have dropped thousands of ad words as part of our digital marketing process on our digital assets, across lending and consumption categories, being electronics, mobile, furniture and apparel. Searches happened on those ad words clearly showed a significant demand slowdown in Q3. This is intent to purchase, this is not purchase. Intent to purchase itself was down significantly on a year-on-year basis. However, since December, we are seeing some degree of uptick, which has continued in January so far. Republic Day Sale, which is a big day for most retailers, especially in the electronics and mobile was reasonably strong. we are seeing a structural pattern at this point in time, in consumption categories in the last 30, 40 days. If it was to persist, maybe the process of repair of consumer confidence and consumption pattern has started, but I think we will have a definitive view on that in the next 60 odd days.

Very quickly, I will try and cover the executive summary, which essentially summarize our performance over the last quarter. The highlight on AUM granularity was that sales finance business to the conversation on slowdown grew only by 7%, rest of the businesses grew quite well. Loans against securities lending grew by 5%, mainly on account of us winding down most of our broker exposures as a result of the event that happened, which is in public domain.

On new customer acquisition, despite a 40 million franchise, company continued to acquire 2 million customers every quarter, we added 2.5 million new customers in Q3 as well. Overall, now we have 40.38 million overall franchise and 23.5 million best customers who we want to cross sell various products. Existing customers contributed 68% of the loans, the percentage has remained between 68% and 70% in the first 9 months of the year. We continue to have a growth stance, we added 182 new locations. We further accelerated the geo expansion strategy given the capital raise and tax cuts that we got, and we are opening 200 new locations in Q4 as well . I just want to just make one point, the location is defined as it is a new city, it is not a location. So if I am opening another office in Bombay, it is not a location. Location is defined as addition of a city or a town in India.

On Liquidity, ECB is now 4%. Sequentially, cost of funds is going down, it would have been further down if not for the overhang that sat on the balance sheet on account of the capital raise that we did as a result of that CP book is virtually down to now Rs. 2,000 Crores, and it had impact on overall cost of funds for 45 - 50 days of the Q3.

Consolidated cash buffer was close to Rs.11,500 Crores, We are very well placed on liquidity. We converted $575 million of ECB. So, under automatic route, we can raise $750 million. We have $175 million left, which we will raise, and we had raised the request for additional $650 million which we have received.

Fixed deposit book has crossed the Rs. 20,000 Crore mark, which is 76% growth. 61% of our book is retail, pure retail, with average deposit of Rs.3 lakhs and average tenure of 35 months. We launched SDP (Systematic Deposit Plan) to further utilize our retail deposit program. We continue to work towards growing this part of our balance sheet.

NIM was strong, fees and commission continued to be strong. Operating expenses came down to 34% versus 35% in a year ago.

On credit costs we have taken Rs. 85 Crores exposure on the broker account. We have also taken another Rs. 15 Crores on account of a coffee conglomerate. So overall, we have taken Rs. 100 Crores accelerated exposure provision in Q3.

Gross NPA came in flat, sequentially, net NPA was up 5 basis points, mainly on account of the coffee conglomerate account, otherwise, it would have been flat. Only business that turned red was our auto finance business, we have taken corrective actions and we hope that in next two quarters, we should start to see improvement in the portfolio metrics.

On profitability and capital. we are well covered on capital adequacy now for the next 2 years. ECL provision is now at 101 basis points.

Bajaj Housing Finance continues to grow well, delivered a profit of Rs. 131 Crores in Q3. Bajaj Financial Securities has started business, and we are well on course.

What I will do quickly is to take you through the credit slides for a moment and then open it up for questions.

I am jumping straight to panel 36, which gives by lines of businesses, our credit quality metrics. Gross NPA, net NPA on auto finance business is up ~25 basis points from a year ago and ~12 basis points from a quarter ago. Sales finance is up 6 basis points from a year ago and has improved 16 basis points from a quarter ago.

Consumer B2C businesses have improved from a year ago and improved from a quarter ago. Rural B2B businesses have remained flat from a year ago and improved from a quarter ago. Rural B2C businesses have improved from a year ago and improved from a quarter ago. SME has improved from a year ago and improved from a quarter ago.

Commercial Lending businesses a year ago were all standard. They are at 60 basis points at present. Mortgages are flat from a year ago and have deteriorated by 16 basis points from a quarter ago, mainly contributed by the coffee conglomerate account.

Next panel will give you some texture on NPA movements. Net slippages, adjusted for the coffee conglomerate account; they were actually down from June to September and September to December. Write-offs were in line with the policy. We sold an NPA portfolio on a cash basis and realized Rs. 18 Crores, as you can see in the panel.

On Panel 39. Digital products, we had flagged it as a yellow in two quarters ago, its position has overall improved from two quarters ago. We should see the business get into green sometime by end of the fourth quarter.

Lifestyle has improved, but not that much. But as I have articulated earlier, and if you follow through the previous transcripts, the portfolio is actually very small,.

Salaried customers, in general, continues to be steady. Self-employed customers continue to be troubled, whether it is a small exposure, a loan exposure, a consumption exposure, or a LAP exposure. Self-employed customer continues to be highly stretched, salaried customers in general continues to be reasonably steady so far.

Home loan is pretty steady. Salaried personal loans, very steady, business and professional loans marginally worse off on a year-on-year , loan against property probably mainly IL&FS and coffee conglomerate, otherwise, steady. That is the quarter in a quick summary. We are happy to take questions.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Dhaval Gada from DSP Mutual Fund. Please go ahead.

Dhaval Gada: Congrats on a good set of numbers. I have four questions. The first one is on the Consumer B2B sales finance business. So that book has remained flattish over the last three quarters; could you comment a little bit on the competitive pressure, and if that is the key reason for the growth impact? And how are we tackling that?

The second one was the 0 bucket for the PL cross sell that has been trending higher and is now highest since 2015. What is the threshold after which it turns into yellow or where we tighten credit filters?

The third is on the auto finance business, that has turned red this quarter and was yellow over the past couple of quarters, here we have seen very strong business growth, and our share in Bajaj auto sales has only increased from that point. So how we look at this business?

Lastly, on Panel 30, the growth rate in the cross-sell franchise has been moderating in both absolute and percentage terms. So, is that in line with our expectation? Or that is like a one-off and should sort of catch-up in the coming quarters?

Rajeev Jain: Yes. On B2B we track one metric, What is my share of manufacturer subvention? That number has remained very steady. So, let us take the noise out and let us talk money. My share of manufacturer subvention pool has remained across electronics, mobile, very, very steady. That is point number one.

When we look at the search data for electronics and mobile a year ago, in October, November, December 2018, year-on-year growth for intent was 19%, 8%, 4%. This year, it was 9% minus 6% and 2%.

If I take April to August, that number on an average is minus 8%. And the searches are 130 million searches on an average. So, they are a good representation of what is the consumer mood in terms of buying this product.

Point number two on PLCS, all businesses other than salaried PL, are up structurally by between 25% and 30%, okay. Coming back to PLCS, clearly, the margins are very strong. This is a cross-sell product. A 50 basis points is material but does not change the trajectory of the business. But let me make a point. We have cut between 15% and 17% of the business in the last 5 - 6 months. This is a 36-month loan, takes 9 to 11 months to flow through to the P&L. So if, let us say, we acted between April and June, the impact of it will play between April and June of the coming year, that is really the time that this takes to play out on this panel. So that is point number two.

Point number three on auto finance business, we have turned it red, I have said in the past, this is the only business that is captive. The business is a highly profitable business, sustainably generates equal ROEs to the company ROEs, and we are taking corrective action to bring it back. This business has gone to an 86%, 87% level in December 2016 as well and that was the worst time that it saw.

In general, I also made a point, Dhaval, that what we are seeing now is very close to the demonetisation environment. Across most lines of businesses, if you knock off even the episodic account of the broker account, we will look like 170 to 180 basis points of credit cost in the current year. In that year, we were at 155 basis points. If you adjust ECL to it, we would look like 167 to 168 basis points. So, it is much like a December 2016 kind of number, we should see improvement, but I do want to anchor that there is a small measure of captive orientation in it.

Fourth is cross-sell franchise. We remain committed to add between 7 million to 8 million new customers to the franchise every year. Even in an environment which is extremely slow, we still added 2.5 million. If you look at Panel 30, we were running a Golden Record project in the company that meant that 7,80,000 customers who were duplicates has actually been cleaned out in the current quarter. So that is a mechanics point, but 7 million to 8 million customers a year, we will continue to add to the franchise for a foreseeable period

Dhaval Gada: Just one follow-up. That is related to the first question on B2B sales. So, if HDFC Bank is gaining, and we are maintaining, then is it like the market is getting consolidated, and therefore, it is not our share loss. Is that the summary of the entire last few months in the marketplace?

Rajeev Jain: I do not know who is gaining, who is losing. I am looking at what is my share of the subvention because I have to rely on data to know whether I am winning or losing and I can track the data of 26 top manufacturers in India. I cannot track the data of 50,000 merchants in India and if at all I can track, that will be market intelligence. We have very deep and strategic relationships with manufacturers, it is easier for me to manage that and I will be more credible about it, than what is the market intelligence.

Dhaval Gada: Thanks and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Thank you for taking my question. I had a follow-up on the previous participant's questions on auto finance. You mentioned that you are somewhat like a captive financier. So there is some small consideration there. So where exactly do you play here? Let us say, for commercial 3-wheeler loan, would be only be financing larger, higher CIBIL score fleets? Or would we also finance customers that other NBFCs turn away and would, therefore, come to us for financing?

Rajeev Jain: We have a dominant share being a captive and given that, banks and non-banks continue to pull back and push forward and we have seen that consistently over the last 13 years, especially in this part of our business. We have a dominant share of the sales that happens from the point of sale, whether it is 2-wheeler or it is 3-wheeler or to some extend in commercial vehicle. What you see here is a consolidated picture.

Nagraj Chandrasekar: Got it. What proportion of our book would be each of these products? And what would our average sort of median yields mean for this product?

Rajeev Jain: 2W would be around 5.5% 3-wheeler would be 3% - 3.5% would be. Commercial vehicle will be very, very small, 20 basis points.

Nagraj Chandrasekar: What would our average yields be for this book?

Rajeev Jain: Average yields are quite high. They are in line with what the industry numbers would be anywhere between 23% and 24%.

Nagraj Chandrasekar: Thank you so much.

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

Bhavin Shah: Thanks. I have a couple of questions. You have mentioned you look to add another 7 million, 8 million customers every year. Could you give us some sense of what is the overall available market for you in terms of customers? Can you benchmark it based on per capita income or exactly how? Second question I have is basically on Karvy that it is pretty obvious to an average investor that money that Karvy had lend from you, I mean, the security was not theirs, I think it is pretty obvious and given such a fantastic lending track record that you have, how did you make such a mistake?

Rajeev Jain: Working with retailer ecosystem over last few years, working with public data ecosystem, we have been aggregating data on customers, on prospects in India to reduce friction for them and to help them become our customers by pre-approving them. At this point in time, we are willing to lend to in our assessment between 55 million to 60 million people, we are willing to give money to over and above the 40 million customers that are given money to. This year, we will originate 2 million of these. Last year, from this base came 1.3 million. This year, we will get between 2 million and 2.1 million, they are lower risk, they are happier because the friction is lesser and that has been the strategy for the last 4-5 years because it takes a tremendous amount of effort to originate, organize and stimulate this larger base. So, headroom remains quite large. So that is first part. On karvy, the only point I would make, every loan loss represents an opportunity to learn.

The learning is following, if you ask me. Justification is Rs.22,000 Crore industry, the entire industry runs this way. Regulator allowed it. Regulators started to say in June, debit credit is not allowed, right thing to do. A practice which is going on for the last 20 years. Given that these broking companies were dealing with hundreds of thousands of customers, should have been given more time. To be fair to the regulator, first they said June, 30, then they said August 31, then they said September 30, then they said October 31, in hindsight, on October 31, we should have either squared off all our positions or invoked shares, that is the single point learning, if you ask me, because we are very focused in this business on operational risk, very focused on credit risk. We missed, if I may say so, at one level, the regulatory risk dimension. We thought we have no regulatory risk at this point in time. So that is the learning. We have taken a Rs. 85 Crores provision in karvy. We are working with the company and we will draw a line under this.

Bhavin Shah: But I think my question is slightly different. Bajaj Finance is at a forefront of a lot of things, and areas where regulator probably has not even understood the business lines, and this was a clear case of misappropriation of client funds by Karvy and it was pretty obvious to anyone in this industry that Karvy does not have this kind of stock holding on their own book. I appreciate what you are saying, but it seems like the issue here has been that the credit assessment was not correct?

Rajeev Jain: As I said, and I am not defending at all. Credit assessment that is why I said, the learning to be taken is that regulatory risk we should have acted on. On the point on origination, as I said, the entire industry of Rs. 22,000 Crores exposure runs this way even today. So, that I am clear on my stand, the entire working capital exposures by various banks, even today, run this way

Bhavin Shah: Thank you.

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

Kuntal Shah: Good evening Rajeev. Thanks for the opportunity. An excellent set of disclosure, I think, so nothing in the industry even comes close to it in terms of disclosure. So, my questions are as follows. On the PCR coverage, the same line of business, auto finance is seeing fluctuating PCR from 63% to 55% range in the two last year's corridor. Can you explain that, why? Secondly, what is the status on IL&FS and Tanglin? In Karvy's case, though the overnight regulatory requirement forced a conversion of secured lenders into unsecured and unsecured trade creditors into secured ones, you have access to SEBI, they were all regulated entities. So what was the regulator doing while this thing was happening is a question? And why this sudden change of stance is something perplexing? Thirdly, are payment banks allowed to issue credit cards? And if yes, do you see an opportunity where up to Rs. 1 lakh, you can issue credit cards and then seamlessly migrate that customer to EMI or wallet and be in that part of the business where currently because of the silos, you are not allowed to do so?

Rajeev Jain: So one is the AF, Kuntal. Third is payment bank. Second was IL&FS and Tanglin.

Kuntal Shah: And what are you going to do about IL&FS and Tanglin and Karvy, all the 3 headline accounts, which is giving rise to the worry. See your disclosure standards are best. We do not have any complaints, Rajeev, but these are public names. I am just asking you specific question. I believe, IL&FS and Tanglin's case, it is over collateralized, so you expect money to come through it. It is just the mismatch of selling or disposals versus that? In Karvy's case, this is a legal question, specifically. They were regulated by exchanges. They were regulated by SEBI. What was happening in that? And how suddenly the secured lenders became unsecured and unsecured investors became secured?

Rajeev Jain: Yes. Kuntal, Fundamentally, in the AF business, when we repossess an asset, in general, over the last 13 years, our experience is we realized between 40% and 45% of the value of the asset, okay? Irrespective, actually, of whether it is an entry-level buy or a premium buy. So, the numbers is a function of what the repossessed stock is and what is a sale. So that is why the numbers remain a little, a little volatile in a corridor of 55% to 60%. Payments bank are not allowed to lend. The payments bank are virtually only debit banks, there is no credit. So, it is not allowed at all. Logically, I do not know then how did somebody take a payment bank and believe that they can build a business, but that is for those who opted to apply for a payments bank and become one. On IL&FS. We are working closely with the management; the RFP was issued to sell the buildings. They have received 8 to 10 bids. They have given time till early February to open the bids, and the process is on. We have a Rs. 60 Crores provision on the account. We have Rs.30 Crores lying in the escrow as well and the account is significantly over collateralized. Even at the rate the bids are received, we should be in the money. Having said that, in the last 10 days, if you are tracking, we have filed the affidavit against the NCLT distribution. So, there is some legal noise there. We are tracking that closely, is all I would say. Tanglin, from whatever we hear from public domain and working with a company, we do believe strongly that our account could get resolved in the next 30 days. We have taken a provision in the current quarter just as a matter of prudence rather than anything else. Karvy, we will draw a line. I have said in the investor deck, we have taken Rs.85 Crores exposure, we will draw either way, the company has demonstrated its intent to pay us back and has given us a security. The value of the security is a function of who the buyer is. They are looking to sell. We think next 60 days are critical on the account and we would have drawn a line under it by March 31. Does that answer the three questions?

Kuntal Shah: Yes. Keep up this good disclosure, I think, so it is the best way to earn the investors trust. And I think nothing else comes close, none of your competitors.

Rajeev Jain: Thank you.

Moderator: Thank you. The next question is from the line of Pranav Gupta from Aditya Birla Sun Life Insurance. Please go ahead.

Pranav Gupta: Congratulations on a good set of numbers. Most of my questions have been answered. Just one question, if you could answer. So we continuously keep on hearing and seeing some of the large competitors get very aggressive in the consumer B2C space. If you could highlight how the competitive intensity has been and how we are seeing this space over the next nine to 12 months that would be very helpful.

Rajeev Jain: I do not want to be arrogant. But I would summarize it as more noise than substance.

Pranav Gupta: But if you could just give some qualitative comments on how you see this going forward? That would be really helpful.

Rajeev Jain: Look, fundamentally, if you can deliver to the customer frictionless purchase experience at the point-of-sale, is one part of the puzzle. Second is, can you manage a 25 million customer being banked in a given month is the second part of the puzzle from a risk standpoint and can you collect from 10% to bounce in a given month at Rs.100 cost is the third part of the puzzle. If you can get all the 3 puzzles together, you can deliver the business. It is a hard thing. The purpose of an enterprise is to generate profitability. This business is a multiyear game and quite hard to crack and so is true for many of the financial services business. Maybe, if I take an example, on the other hand, where we have taken as long to start to generate profitability and create scale is a gold loan part of the business. To me, three years ago, it was an easy business and I today appreciate and respect that how hard it is to build the business. That does not mean we have become a large competitor, but we will be at it, and we have finally cracked it and we are scaling the business. So, what I am to the gold loan business, I look at it as lots of competitors are to us in the point-of-sale business, nothing wrong or right about it. It is just a matter of time, maturity and commitment to building the business. Does that sound philosophical or does it answer your query?

Pranav Gupta: Thank you. That answers the question.

Moderator: Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Thank you for taking my question. My first question is on the provisions. So, if you look at the deck that you had provided and we look at the 30-day plus delinquency figure that has increased across the buckets, except for lifestyle?

Rajeev Jain: PL and home loans.

Nirmal Bari: Do we expect the provisions to increase further because the probability of default that we would assign as the loan goes over plus 30 days to plus 60 days would increase in the coming quarter?

Rajeev Jain: Are we seeing stability in flows? Yes. Are we seeing reduction in flows? No, okay. But have they stabilized in the last 2 months? Yes. So that is one part. Credit costs from AR should not increase is what our view is. We probably most likely peak and not taking into account the one-offs, okay? This is adjusted for one-offs on a flow basis, let us say, out of Rs.145,000 Crores, Rs.140,000 Crores balance sheet. On a flow basis, they should not increase, but are they peaked? Yes, but have we started to see improvement? No. I think one more quarter, we will have greater clarity as to what is the horizon for next year, whether we will remain at 180 basis points next year, or will we go back to 160 basis points next year? I think one more quarter will most likely settle this in our heads. And we will then provide that outlook to you as we come with fourth quarter data.

Nirmal Bari: The second question was, would it be possible to give a breakup of the fees income that we are earning, I think between credit cards between our own credit cards, our own loan products and insurance or something of that sort?

Rajeev Jain: On a lighter vein, as I used to tell people, we give credit performance to all the portfolio. In some time we will start sharing the P&L businesswise. Then we will not have anything in the kitty. For credit cards, it is bilateral in nature, both are public companies and we have a good strategic, deep partnership with them.

Nirmal Bari: Thank you Sir.

Moderator: Thank you. The next question is from the line of Kunal Sharma from Perfect Research Value Fund. Please go ahead.

Kunal Sharma: Good evening Sir. I have a couple of questions, listing them together. Number one, is there any client stickiness we have because if the client is getting a loan at a lower cost from another bank or NBFC, then will they stick? Next, what competition what do you see from bank with lower cost of funds, either stepping up on digital and IT spending or tying up with Fintech players to reach the urban consumers and the next with banks like Kotak sounding alarm bells on economic condition and slowing down loan book growth to 7%, we continue to grow robustly? Can you please share your thought process behind it?

Rajeev Jain: On client stickiness. We have 20 million store card customers. In general, the process is really frictionless. Clients will belong to those who reduce friction for them, one, second is price, lower the price of the product or lower the involvement of the buying decisions and lower the friction, he will go after those who are reducing friction, okay? We will land up doing in this year, 26 million, 27 million loans. Out of 27 million, 68% of the loans are existing customers, so in a way, now it is not a one-on-one relationship, but in general, it should tell you the heft of the franchise and the stickiness of the franchise. I can give you data on how our NPS scores are high and so on and so forth. But I keep telling people that the value of the true NPS is, whether the customer is willing to do business with you. If he is willing to do business with you, that is the best NPS that you can get. On third question, on growth view, look we remain a very small part of the overall total credit in India. We will be 140 basis points of total credit in India ending March 2020. So relatively low size, there is 98.6% of the banking system available or total credit available for us to grow. So that is one part. Second, let us look at the scenario of the first nine months. The balance sheet growth started from 41%, went to 38%, has come down to 35%. That means through the door momentum has slowed. During this period, credit costs have gone up, but overall, ROA, we have continued to deliver on. So, the business model is getting stress tested for a slowing growth and higher credit costs, and we are still delivering higher or better or same return ratios. I think that should give a reasonable amount of confidence to investors that we can orchestrate between NIMs, opex and credit costs and ensure growth to deliver a balanced business. I think it is an extremely important point that I thought I should make. On the second point, banks signing up with Fintech. We are hearing the story of Fintech for a long time now. Nothing is happening. So, we have stopped. I keep getting the same SMSs that are floating around what did Internet companies delivered, I mean, losses higher than revenue. So, we have no view on that. Does that answer your question?

Kunal Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.

Ashish Sharma: Thanks for the opportunity. Congratulations on a good set of numbers, Rajeev. Two questions; one, on the fee income, you partially answered. I mean, we do not need the breakup, but I mean traction in all the 4 segments or is distribution income being the key driver? Just one comment on that and second would be on Bajaj Housing Finance Limited. I mean, normalized ROA, Q3 was very strong from an ROA perspective, I mean, even if you could guide, based on the 9 months number, I mean, can we sustain these kind of ROAs for BHFL? That will be the two questions, Sir.

Rajeev Jain: I will just say that we are committed to deliver it between 13.5% and 15% ROE on a fully scaled business as a company. I have said that in the past and Atul and his team are fully aligned to the fact that we are building a sum of parts model in which the mortgage business role is to deliver lower risk, lower ROE, but a tremendous amount of solidity, stability and steadiness to the overall business model and that means coming in at between 13.5% and 15%, we should be able to deliver that in the next fiscal as well. So that is the second question. On first question, fee income, part of it, Ashish, if you look through the numbers closely has a degree of linearity with volumes, the slowing environment meant slowing balance sheet growth meant fee and other income on a relative basis are slower. As the overall demand comes back, you will see some pickup. On a percentage growth basis, we are pretty steady.

Ashish Sharma: Okay. Just clarifying on the BHFL part, you mentioned 13% to 15% ROE. But from an ROA perspective, are we already on a normalized profitability? Or do we see some indication?

Rajeev Jain: No. It is a young business. We will have to give it a time. I think next full year will be the third year of the business. We should see greater normalization on the business in the next year.

Ashish Sharma: Perfect. That will all be Rajeev. All the best for the next quarter. Thank you.

Moderator: Thank you. We will take that as the last question. I would now like to hand the conference back to Mr. Karan Singh for closing comments.

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

Rajeev Jain: Thank you all. Thank you.

Moderator: Thank you very much. On behalf of JM Financial, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.