“Arman Financial Services Limited Q2FY16 Results Conference Call”

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MODERATOR:	**MR. DIGANT HARIA - AVP, ANTIQUE STOCK BROKING LTD.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Arman Financial Q2FY16 Results Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the 'Presentation' concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Digant Haria -- AVP, Antique Stock Broking. Thank you and over to you sir.

Digant Haria: A Very Good Evening to all of you. Today, we have with us the management team of Arman Financial to discuss the Second Quarterly Results of the Company, and the management will be represented by Mr. Jayendra B Patel – M.D.; Mr. Amit Manakiwala -- Whole-time Director and Mr. Aalok Patel -- Executive Director. So Mr. Jayendra B Patel will start off with some Introductory Remarks about how the Business Environment Looks and how the Quarter has been and then we will have the floor open for Question-and-Answers. So over to you Mr. Jayendra Bhai.

Jayendra B Patel: Thank you, Digant. Ladies and Gentlemen, thank you for joining us for the Second Investor Conference Call for Arman.

We are happy you took the time out of your busy schedule to discuss the Operational and Financial Results for the Second Quarter ended this year.

I am sharing this meet with Amit bhai, who is the Whole-time Director; Aalok bhai who is the Executive Director and Shri Pinakin bhai who is the Company Secretary of this company.

Last quarter, Investor Conference Call was very successful and we received a lot of meaningful questions. In fact, we ran out of time. So I want to keep my initial talk short and to the point. So hopefully, we will have enough time to get all your questions answered. This Quarterly Call was delayed slightly due to the festive season rush followed by holidays. We will start discussing very briefly with the Quarterly Figures and we will open the call for questions: I hope you have had the chance to review our Results and Press Release. If not, I encourage you to download and view them at your leisure; they are available both on our armanindia.com website and also on the BSE page.

Year-on-year growth on interest income was up by 37% from Rs.13.53 crores to Rs.18.47 crores. Net profit after tax went from Rs.3.18 crores from the 6-months ended previous year to Rs.4.07 crores, a 28% increase, while earnings before interest and taxes increased 40% from Rs.9.28 crores to Rs.12.96 crores. There will be a slight mismatch between income growth and net profit growth as our leverage increases. New portfolio growth is being funded by interest-bearing debt versus equity. Assets under management increased 43% from Rs.97 crores to the same period previous year to Rs.139 crores; Rs.89 crores of that is coming from Microfinance business and the balance Rs.50 crores from our Two Wheelers business. We have crossed 1,24,000 active borrowers this quarter compared to 83,000 the same quarter the previous year with 50% increase. Disbursement figures are just as promising; Microfinance Disbursement for the 6-months ended stood at Rs.86 crores, while Asset Financing stood at Rs.27 crores for a total of Rs.113 crores, ladies and gentlemen, the total Rs.74 crores the same quarter the previous year, this is about 53% increase. So we are talking about from Rs.74 crores to Rs.113 crores Disbursement in first 6-months.

Overall, our operations are going well. We are on the target for meeting our projections for FY16. Indeed, I would like to tell you slightly aside of our targets; our expansion into MP on target and we will continue to open more branches for the remainder of this year. We currently have 47 branches in Microfinance, of which 32 are in Gujarat and 15 are operational in Madhya Pradesh. We have further 7 branches in the pipeline which will open this quarter. In the same quarter the previous we had total of 35 branches. So 47 branches today represent 34% increase.

In our Two-Wheelers division we currently work with 50-plus Dealership and I have 5 branches that serve as the main office. We are pleased to report that we have expanded out of Gujarat State in Two-Wheeler operations as well with the new branch in Indore, Madhya Pradesh and Disbursements have already commenced there. A vast majority of Microfinance portfolio is in a one-year product, although we have slowly started with a two-year product for old clients in selected location. Approximately, 20% of our Disbursement in the last quarter was a two-year product. This should push up the assets under management marginally by the end of this year. Disbursement increased 72% year-on-year in Microfinance from Rs.50 crores to Rs.86 crores. We pride ourselves for asset quality; this is evident by our NPA levels, ladies and gentlemen; consolidated net NPA is Rs.1.2 crores compared to an asset under management of Rs.139 crores… I repeat that again, Rs.139 crores of assets against which we have Rs.1.2 crores of NPA which equals 0.86%. Note that this is slight increase in the NPA percentage due to RBI mandated NPA recognition change in Two-Wheelers portfolio from 180 days to 150 days. Asset quality has not declined; let me also tell you that.

Overall, the industry is doing well. Although the competition has been increasing in certain pockets, financial inclusion space is getting a lot of government support such as Jan Dhan, Small Finance Bank, MUDRA, etc., which should be advantageous to the overall industry. I thank you again and we will now open up the call.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Jatin Kalra from GS Investment. Please go ahead.

Jatin Kalra: I would like to know about your views on the whole Microfinance industry. The whole industry is growing at a very fast rate. Why is this happening? Do we see the industry to grow at such fast rate of 30-40% plus over the next 3-4 years without any hit on the NPA?

Aalok Patel: What is going on with the Microfinance industry right now is that, the informal sector has been replaced by the formal sector. So it is not like we are creating a lot of new debt here or we are putting a big load on the client. Basically, we are replacing informal lending system such as money lenders by formalized sectors like NBFCs and we are doing it in an unsecured way. So financial inclusion space has been receiving a lot of buzz lately, not only in the last few years but also in the last few decades. It is one tool for alleviating poverty, supporting the bottom of the pyramid people who kind of open up small businesses and small enterprises and try to add income or supplementary income, household income by entering into small entrepreneurial activities. So as far as the potential growth is concerned, the market has been set anywhere from somewhere around Rs.50 crores to Rs.70 crores people or somewhere around 20 crores households. So right now I think the total Microfinance industry is somewhere around Rs.5-6 crores if I am not mistaken. So I guess what I am trying to say is that we have only basically scratched the surface right now. I think all in all we are pessimistically probably covering somewhere around 10%-15% of the potential market. So there is a long way to go. Now, whether we can continue growing at 40%-50% perpetuity, that is probably not a likely scenario, but for the foreseeable future I do not think that should be a problem.

Jatin Kalra: And sir any data on how much informal sector still contributes and how much is the formal structure now contribution?

Jayendra B Patel: As far as the informal sector, I do not have the numbers, but I will tell you one thing sir; I was just talking to a GM of IDBI bank and about a week ago, he mentioned that today's Microfinance industry is around Rs.40,000 crores and in the next couple of years, he was saying the market could be around Rs.250,000 crores. So you can see the potential.

Aalok Patel If you also consider that if you look at the entire industry let us say at Rs.40,000-50,000 crores, SIDBI is larger than the entire industry; SIDBI's portfolio is around I think Rs.50,000-60,000 crores. So if you look at overall picture there is a large potential to grow. But, I do not have exact figures as far as the informal sector of how large it is. I do not think anybody will manage giving you an accurate figure. But certainly we can try and get back to you on that.

Jatin Kalra: That is very encouraging sir. Second question would be what would be the effect of these small banks on the whole sector -- will the combination increase for the current players?

Jayendra B Patel: As far as I am concerned, I look at it at a very positive way because whoever has got a license of small finance banks they will be moving out of the small ticket size; small ticket size meaning thereof is Rs.10,000-15,000-20,000 ticket because the infrastructure that they will need and the kind of support they are going to get, then the operating cost and the expenses involved, there you will have to go for the bigger ticket size. I will just give you an example of Bandhan; Bandhan is slowly going out of the small tickets that I cater to. I cater to Rs.15,000 ticket. Having said that sir if all the 10 banks is with 10 bigger MFIs, getting out of this there is going to be vacuum created and I will be happy to fill that vacuum; I will be happy to takeover those clients which is what I am contemplating and I am saying that there is potential for me to grow here. Just to also add to that, I told you that the size of the market is large. There is a very broad pyramid to cover when we talk about MUDRA Bank, their target is one step above the bottom of the pyramid covering 50,000 to 5,00,000 and 5,00,000 to 10,00,000 kind of borrowers. So I would like to think that the small finance banks will probably concentrate more on those sort of loans. The second is that the small finance banks have their own challenges right now such as finding viable deposit model and all of that. So let us see how it works out. But I think there is enough room for all of us to operate.

Jatin Kalra: Our Two-Wheelers Financing was not a good quarter for this one; AUM did not grow much. So what is the future guidance on this Two-Wheelers segment?

Aalok Patel: As far as our Two-Wheeler portfolio is concerned, I think although we are not growing as fast as our Microfinance portfolio, the reason for that is actually quite simple is that the industry itself is quite mature, there are a lot of players already in existence, lot of the manufacturing finances are being quite aggressive in this area, manufacturing, finance such as Hero Finance, Bajaj Finance are being slightly more aggressive than they were. So all in all, the growth potential is little slow at the moment, but that is not to say that it is a bad business, we are still making money on it and we have no desire to discontinue our Two-Wheelers operation.

Jayendra Patel: Sir, there is another reason also that as far as Two-Wheelers industry is concerned, it is growing at about 7%-8%. So on one side you have Microfinance which is phenomenally doing well, on the other side the Two-Wheelers industry is only growing at 7%-8% annually. Another thing sir, if you look at it is the Three-Wheelers; here in Gujarat the government came out with the notification that all the rickshaws which were running on petrol and diesel has to be converted into CNG and we saw the potential and we made a lot of business there as far as Three-Wheelers are concerned. Now all the Three-Wheelers are already converted into CNG. Now all the RTOs in Gujarat are not giving any more licenses to Three-Wheelers. They see that the market is flooded with Three-Wheelers and those Three-Wheelers are already fitted with CNG. So all we are enjoying in the Replacement market as far as Three-Wheelers are concerned. So if you put all these things together, I think the Two-Wheelers, whatever the size we are growing is I think it gives us some justification.

Moderator: Thank you. The next question is from the line of Anil Tulsiram from Contrarian Value Edge. Please go ahead.

Anil Tulsiram: Sir, my question is on your Return on Assets. Your total assets under management for Microfinance is already approaching closer to Rs.100 crores and I understand as per the RBI regulations once you cross Rs.100 crores you need to reduce your interest rate by 2% point. So to sustain the ROA I think we need to control our operating cost which is still around 10% of our assets under management. So here two questions -- what is the sustainable ROA; and what is the sustainable operating cost?

Aalok Patel: That is an interesting question. I was having kind of a hard time hearing you, but it seems that your first part of the question was the fact that we have crossed Rs.100 crores already. That is not quite true. Basically what it comes down to is, only the Microfinance assets on your balance sheet have to cross Rs.100 crores for it to switch from 12% to a 10% margin. So our Microfinance assets under management right now is about Rs.89 crores and on-book is about I think Rs.76 crores. So that is what is on our balance sheet. We have a little room before we need to switch over from 12% to 10%. That can be further delayed by moving some of the assets off balance sheet; up to 50% of it can be moved off balance sheet. So I guess there is a way to delay it even after you cross Rs.100 crores of Microfinance assets. But that being said you are absolutely correct that eventually we will have to reduce our operating cost to kind of make sure that we do not take a big hit from that 2%. If you notice right now we have already started sir; if you look at our balance sheet from last year I think overall salaries quashed and our administrative cost as a percentage of the portfolio has already started decreasing. Another thing which we are doing is we have switched; a lot of our portfolio is going for a two-year higher tickets. So that should help us reduce the operating cost to a certain extent, and then obviously as you grow larger there is going to be economies of scale which will help you out as well. So I am not overly concerned about that 2% cut. What a lot of other MFIs also do and that we plan to do as well is that we supplement some of that loss in income by going into supplementary products. So they sell solar lanterns or they have tie-ups with different companies to sell insurance and things of that sort. So that will help us in a big deal. The bank financing will also probably go down. But, as you know, basically, RBI stipulates that the savings which you receive on your cost of borrowings has to be passed on to the client. So in that respect it has to be our operating cost which will have to go down and I do not foresee that to be a too big of an issue.

Anil Tulsiram: Sir, my next question is on the growth rates. Last time you mentioned that once there is higher penetration in some areas it is not possible for us to enter. As per some newspaper reports, there are a lot of new entrants and couple of Microfinance companies are growing at 100%. So my question is if all these people take away the good areas and we continue to grow at 30%-40%**,** then are we being too conservative that we will not get the good areas. So what are your thoughts on this?

Aalok Patel: I do not think I can particularly say that this is a good area or this is a bad area or all the good areas are gone and what left is the average areas or the bad areas. What it comes down to is what the individual MFIs or the individual Microfinance companies' strategy. So as you know that there are certain Microfinance companies such as Ujjivan or Janlakshmi that which are concentrating only on urban Microfinance. So they are going into urban pockets because it is much easier to grow in urban pockets, although I would argue that urban population does add a little bit of risk to the portfolio. So if you look at companies like us we are mostly concentrated in rural and semi-rural areas; 80% of our portfolio is in rural and semi-rural areas. Second part that comes into play about MFI concentration is the density of population. So I think for capitalist business, what makes sense is that you go into areas where you can grow the fastest with the least amount of risk. So all in all, those areas get crowded first, but just to give you an example, we are opening four branches in Kutch and Bhuj area of Gujarat and there are rarely one or two MFIs in those areas that we are opening branches. So there is still a lot of potential to grow. It is just that in a way you are right that the cream places are getting filled up. So you have to go a little one step down. But I would not call those one step down bad or subprime or sub-par places. It is just that naturally any business is going to take the cream first before they go little lower down.

Anil Tulsiram: Sir, another question is on MSME Finance. In your annual report you also mentioned that going forward company targets loans in the range of 50,000 to 500,000. So from when we plan to start this operation or is it just under the planning stage?

Aalok Patel: In our Annual Report what you were seeing last time we were mentioning about MUDRA Bank, how it opens up kind of an opportunity for us to explore the possibility of doing MSME or basically between 50,000 and 5,00,000 band and right now I do not have an update to give you, we are registered right now with MUDRA, although the Disbursement has not taken place and right now MUDRA is concentrating on 0-50,000 kind of disbursemenst. So they have not really come out with the guidelines that will tell us what the playing field is in the 50,000 to 5,00,000 band. So once that comes out we will try to explore that. But I think that we are at least a couple of quarters away from that. So I do not have any further updates to give you except that we are exploring it.

Anil Tulsiram: The last question if I may, whether it is small banks or payment banks there is lot of emphasis on the technology. In fact, the most successful NBFCs today have leveraged the technology to a lot of extent. So what the company is doing in this to use the technology to reduce the cost or increase the business, for example, if I am taking the NBFC in the other sectors like Bajaj Finance, they have grown faster using the technology which helps in reducing the cost. So these payment banks are coming up which will utilize the technology to a large extent. So any MFI which tie up with this payment banks can collect and disburse the loans faster?

Aalok Patel: Just to give you my input on this, technology is extremely important in Microfinance just because keeping track of all these large number of borrowers with low ticket size, you want to make sure to utilize technology as much as possible to cut down on the cost. But what happens with technology is that there is really no end to how much you can spend after technology for just marginal increase in efficiency, you might be spending crores and crores of rupees. So our strategy with technology has always been that the cost should justify the savings. Now when you are talking about companies like Bajaj Finance or the payment banks and stuff, it is kind of a different ballgame than what we are doing. I am operating in India where there are no banks; the connectivity is poor; the road connection is poor. With all of those factors combined, it sounds very appealing that I can have the mobile technology where I can take biometrics of the customer and it will register everything and instantaneously it will go to my head office and update my servers and my database and I can find out right away. That is all fantastic and I would love to do it. It is just we are a few years away from it being feasible because right now the few MFIs that have switched to such things are facing more problems than saving them, just reconciling it, dealing with issues. The hardware use that comes into play with this technology is very expensive and you are talking about rough use. So you have to replace it every year or two years. So I am a tech guy, I love technology, but everything has its own time and its own limitation.

Moderator: Thank you. The next question is from the line of Swapnil Desai from Tata Capital. Please go ahead.

Swapnil Desai: What I am saying is that, most of our branch expansion has come in MP in last 3-4 quarters, and while the number of branches in Gujarat have almost stabilized and now we are saying that in next 12-18 months we are going to open another 16-18 branches in MP. So all put together we are going to have probably 30-35 branches in Gujarat, similar number of branches in MP. So will it move up? We would have kind of explored those markets fully and we may be looking for entry into third state thereafter or what is your view on that?

Management: From what I understood about your question, you were basically asking about MP expansion as we have opened about 17 branches and we are planning to open another 15 branches or so there. So the number of branches in MP will match the number of branches in Gujarat and that is absolutely correct. So I think we have expanded almost close to Bhopal right now but not quite there and basically we have gone on a semi-circle around Indore as far as our Indore expansion is concerned. But, you are absolutely right that you cannot expand in MP forever. So definitely our plan around the second or the third quarter next year is to expand out of MP as well and expand to a third state. What that state will be? I do not know right now, although there are many contenders that we are working on right now. So once we get little bit more concrete information about that, we will update the investor community. But I do not know where we plan to go next after MP.

Swapnil Desai: We are planning to go for the third state for sure, right you are considering that?

Aalok Patel: Absolutely, I do not think I will be completely happy until we cover the entire India, but the next step will be of course to move out and may be not even move into another one state, but move into two other states. So maybe we can do that as well.

Jayendra Patel: There is also a room for lateral diversification here now that you have broad subject of, not that anything solid has come up but we are also looking at the Housing Finance. It is very premature for me to tell you anything. But then you are a well-wisher of the company and I thought nothing wrong in telling you that this is what we are exploring. I do not have a timeline. But that is something that we have talked to people, we have one gentleman on our board who we recently started on our work; he is an expert on this field and he has headed a nationalized bank as far as the Housing Finance is concerned. Just for your knowledge, expansion is the name of the game and that is the thing of the future as well.

Moderator: Thank you. The next question is from the line of Praful Kumar from Birla Sun Life. Please go ahead.

Praful Kumar: Can you throw some light on the liability side of your business, how it looks, what are you doing to bring that cost down as you scale the business up?

Aalok Patel: As far as the cost goes, cutting your financing cost and cutting the cost of borrowing is a constant effort. When you are in a slightly growth mode or when you are in the case of us where our subsidiary number is a new company, it is basically a standard market. So when you are trying to grow at 40%-50%, cash in the raw material you are always short of it. So that does not leave a very large room for negotiation. But an interesting thing which has happened in the last few weeks only is that now you are seeing that instead of us approaching banks, banks are approaching us. I have started noticing that we are slowly evolving into a company that can negotiate rates to even banks.

Praful Kumar: What is the funding rate today, if you can?

Jayendra B Patel: Weighted average cost is about 14.5%.

Praful Kumar: How much is from banks?

Jayendra B Patel: I would say about 60% is from banks, and about 40%-50% is from other financing institutions.

Aalok Patel: So the issue with that is we have such a good rapport with some of the financial institutions but that money is on tap. Our interest is obviously to get money or lot of our funding from cheap bank funding sort of. But sort of that being available 100%, financial institutions have supported us to a large extent as well although those funds come in slightly more expensive.

Jayendra B Patel: As Aalok bhai just said, as we get more mature and more vintage on our side as far as Namra is concerned, there will be more and more banks, we now have an investment grade rating 'A' and we also have grading as far as Namra is concerned. So we are in sort of a little bit of a negotiating position where in a good bank we can tell him, you can reduce the rate or we can go across the street. That position I think we are not absolutely there, but I personally feel the time to come in the next couple of quarters we should be reaching there.

Aalok Patel: This is a major concern of the industry as a whole as well. I think there is a conference in Bombay also on the 26th day after tomorrow, basically a round table discussion on the same issue about cost of funding even though banks get an advantage of PSL, nothing is stopping the banks even from charging 13% or 14% which sometimes they also do. So the round table discussion is basically just about funding cost. Already the MFI industry has established itself that the risk is very negligible and also the fact that if you are considering this as a PSL lending then you should at least give a slightly subsidized rate and not increase the rate and count it as PSL. So this is a form of concern amongst not only us but all the players in MFI industry

Jayendra B Patel: Now that you have raised the question, let me also tell you that whenever I go to the bank, I always tell them that the Reserve Bank has fixed my output, but my input is not fixed. Banks can charge any amount to a 2-base or 3-over base or 3.5-over base, it depends. I think the time has come probably that somebody looks at it, say, if my output is going to be fixed; my inputs will be fixed too. This is what is coming down to as you grow more old and vintage and you are in a more bargaining seat.

Praful Kumar: Secondly, can you throw some light on your borrowers in terms of your regions in terms of their financial health given the fact that there is a lot of buzz about rural slow down, tier-II to tier-IV property prices very benign. So how are your borrowers if you can give on the ground feedback what is happening in the states you operate?

Aalok Patel: As far as on the borrowers side we are not facing a lot of issues. I think what you are referring to is there are a lot of issues coming on the UP side, there is a lot of problems happening in places like UP and Bihar specifically and specially the MFIs that have made loan to farmers. In Gujarat and MP, we are not facing any such pressure. As a policy, we do not make any Direct Agri Loans.

Praful Kumar: Not on Agri, but generally on the small borrowers because one of the big NBFCs which I met who are very active in MP said that, MP has worsened a lot in the last 6-months in terms of borrower profile and small ticket financing?

Jayendra B Patel: Perhaps. I think whenever there is more supply than the demand you are going to spoil them -- that is the rule of financing. So that probably might have happened in Madhya Pradesh. I do agree with you that general profile of Madhya Pradesh has worsened a little bit, but as far as we are concerned, we are absolutely very conservative and the kind of system and the kind of procedures that we have laid down…

Praful Kumar: Can you give just give me a couple of examples to give confidence of just to understand more you are saying that…?

Jayendra B Patel: Almost nobody does the TVR except for Namra. TVR means telephone verification. Aalok will share some more.

Aalok Patel: So this telephone verification is one thing but the extent we do it on both pre and post disbursement, that is something we do different, plus we have a completely separate credit team and a very centralized system. So a lot of the MFIs I think you will find that the guy who is doing the marketing is doing the credit. That is one of the inherent weaknesses of this industry. So what we have done is that we have spent a little bit extra money on that but we have centralized it. So the guy who is doing the marketing is actually not making the credit decision. So that is one thing. Just to add to Jayendra bhai saying is that one of the reasons why in MP there is a slight decline in the profile because there is a large concentration of different MFIs. So I do not know what large MFI you talk to, but I am guessing that it was more of an urban Microfinance kind of a scenario, whether it is very large, lot of concentration in the urban areas of MP. As I mentioned earlier, we are concentrating more on rural side.

Praful Kumar: Finally, what is the capital position in number, how is it behaving, the way you were growing when will you raise capital? And also the strategic investment that you have in the company, what are the plans for that?

Aalok Patel: So as far as the raising of capital in Namra, Namra for the foreseeable future will continue to be a wholly-owned subsidiary of Arman. This year earlier on there was a restriction of how much money a parent could invest into a subsidiary. So in this July that restriction was removed by the RBI. So mostly we are planning that whatever funds Namra needs will be pumped in through Arman itself. Now I do not know what my state is tomorrow; so do not hold me to that. But that is what it appears to be right now. As far as our capital adequacy ratio is concerned we are quite comfortable right now. We are entering into a couple of different transactions although it has not been finalized. So I cannot give you exact names. We are planning two rounds of tier-II fundraising -- one is in the form of redeemable preferential shares, non-convertible; the other is in form of long term NCD. So I think those two things should get us through the next year and a half, two years at least. When it comes time to raise capital, we will worry about it, there are several options to us available; we can find another strategic investor; we can do such kind of rights issue; we can do QIP, we can do private equity. There are a lot of different options available to us. But idea is that we want to get the best valuation possible and dilute our shareholders ownership and our own ownership only when it is absolutely necessary, not before.

Moderator: Thank you. The next question is a follow-up from the line of Anil Tulsiram from Contrarian Value Edge. Please go ahead.

Anil Tulsiram: Sir, in the Annual Report you mentioned that there is some dilution through Compulsory Convertible Debentures and sweat equity. As per our last discussion you plan to cancel the transaction. So has everything been cancelled or what is the status of the transaction?

Jayendra B Patel: As far as the Compulsory Convertible Debentures, again, the whole issue was that there was a restriction of how much equity that Arman could pump into Namra. After the June or July circular from RBI came out, those transactions were unnecessary or not necessary at all. So the CCDs were never allotted. So that was refunded, and the other equity was pretty much transferred to Arman at cost. So essentially that transaction never went down the way it was supposed to.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: Just wanted two data points; like one is the other expenses have shot up quite sharply from Rs.1 crore to say Rs.1.5 crores. So what is brewing up there?

Aalok Patel: Sometimes not all your expenses come in, in a smooth way. So there are several things -- first of all there is about 30,00,000 increase in sales incentives and that is just primarily we changed our incentive structure for our Two-Wheeler Dealers and especially during the Navratri season and the busier season of our Two-Wheeler Financing, that cost went up slightly, there was also an increase in Professional Fees which is related to lot of the new debt that was added to the balance sheet or lot of the new sanctions that were added to the balance sheet, and lastly, small increase in bad debts as well; bad debt expense related to just writing off a lot of the old bad loans, and most importantly, when RBI shifted its NPA provisions from 180-days to 150-days we have to write off some of the loans 30 days faster than we would have with the new RBI change. So, I think that contributed another I think Rs.10 lakhs more than it should have. But again as Jayendra Bhai has said earlier and reminded me right now, this is not related to any change in asset quality, it is mostly just related to provisioning policy and how quickly you have to write off things.

Digant Haria: What is the loan book size of your Madhya Pradesh portfolio?

Aalok Patel: Loan book size is about Rs.22 crores.

Digant Haria: So Rs.22 crores out of Rs.88 crores is in Madhya Pradesh?

Digant Haria: Sure. There was one more participant who asked a question that what is the percentage of two-year loans in your overall portfolio?

Jayendra B Patel: So the overall portfolio, two-year loans is about 21% of Rs.86 crores, so whatever that comes out to be and MP portfolio is around Rs.19-point something crores. So that is what it is.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor over to Mr. Digant Haria for closing comments.

Digant Haria: Thank you Jayendra bhai, thank you Aalok bhai and Amit bhai for your time and thanks everyone on the call. Hope to connect some day later with you guys. Have a great day.

Jayendra B Patel: Thank you, Digant. Thank you so much.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference call. Thank you for joining us and you may now disconnect your lines.