"India Infoline Limited FY13 Results Conference Call"

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Moderator Ladies and gentlemen good day and welcome to the India Infoline Limited FY13 Results Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call you may signal for an operator by pressing * and then 0 on your touch-tone telephone. Please note this conference is being recorded. We have with us today Mr. Nirmal Jain - Chairman, Mr. R. Venkataraman – Managing Director, Mr. Dhruv Jain – CFO and Ms. Shraddha Kamat – Manager Investor Relations. I would now like to hand the conference over to Mr. R. Venkataraman, thank you and over to you sir.

R. Venkataraman Good afternoon friends on behalf of team India Infoline I thank you for joining us on this call. I am R. Venkataraman – Managing Director and I am accompanied by Nirmal Jain – our Group Chairman, Dhruv Jain – our CFO and Shraddha Kamat – our Manager Investor Relations. As you are aware we are a diversified financial services company and have multiple businesses which are carried on in various subsidiaries. In today's call we will be referring to our consolidated numbers unless otherwise specifically stated, as they give a true and fair representation of our performance.

Further, any of us in today's call may make some forward-looking statement based on our current expectation. Actual results may vary significantly and the accuracy or completeness of these expectations and statements therefore cannot be guaranteed.

On the macroeconomic front it appears as if slowly the worst is behind us. We are seeing wholesale price index decline to the level of 6% or so. Consumer price index is also declining and this is expected to fall below 8% or so. We are a beneficiary of falling gold prices and also the correction in crude oil prices is a big positive for Indian economy especially on the current account deficit front. On the interest rate front we are seeing that policy rates are declining. We believe that slower credit growth on the banking sector will aid in rate cut transmissions in the overall system. The government is showing some urgency though not up to analyst's expectations on the reforms front. The series of diesel price hike we believe is a strong statement although efforts seem to be lacking than kick starting the CAPEX cycle. In the past CAPEX cycle and infrastructure investments had driven overall microeconomic growth in the country. The list of these unknown variables and negative are well known to all. A quick summary; on the politics – elections looming in 2014 or may be earlier, uncertain global environment which may impact FII portfolio inflows and last but not the least this is that time of year that all eyes are focused on the MET department and monsoon forecast. There are challenges faced by financial services sector in the last year in capital market declining cash volume is clearly a concern. Cash volume in financial year '13 was at a level of 9% all time low, equity asset as a part of overall mutual fund sector asset is at 21%, again a low and insurance volumes are also declining especially for the private sector.

These trends have direct impact on revenues although we have reasons to believe that these trends would reverse in the days to come as the overall macroeconomic picture improves. NBFC sector continues to do well. I now hand over to Mr. Dhruv Jain our CFO to take you through the financial performance for the quarter in better detail.

Dhruv Jain Thank you Venkat. Friends in FY13 we recorded highest annual income and net profit of Rs.2665 crores up 41% year-on-year and Rs.279 crores more than double that of last year respectively. Our profit before tax was Rs.400 crores twice that of last year. Our consolidated net worth stood at Rs.1,959 crores as on 31st March 2013. For the quarter ended March 2013 our total income was Rs.734 crores up 5% quarter-on-quarter and 15% year-on-year. Our profit before tax was Rs.116 crores up 9% quarter-on-quarter and 60% year-on-year. Net profit before minority interest was Rs.84 crores up 12% quarter-on-quarter and 73% year-on-year. I will now present a review of each of our various business segments and cost. I will start with broking and related income.

Revenue for the quarter for this segment was Rs.150 crores up 5% quarter-on-quarter and up 2% year-on-year. For FY13 the revenue stood at Rs.552 crores marginally up year-on-year. And equity brokerage our average daily turnover during the quarter was Rs.5477 crores up 6% quarter-on-quarter and marginally up year-on-year. Market share on NSE was at 3.6% in Q4 FY13. In commodities brokerage our average daily turnover was Rs.1,621 crores during the quarter which was marginally up quarter-on-quarter and up 9% year-on-year. Our overall market share in this segment was 3.1% in Q4 FY13.

Now, I will come to financing and investment segment. For Q4 FY13 the income from this segment was Rs.481 crores up 2% quarter-on-quarter and 23% year-on-year. Interest cost has increased in tandem and was Rs.260 crores up 17% quarter-on-quarter and 45% year-on-year. This segment constitutes 66% of total income for the quarter. FY13 our income from this segment was Rs.1,817 crores up 67% year-on-year. Our year end loan book increase to Rs.9,375 crores up 39% from FY12 level. Our loan book comprises secured lending of mortgages, capital market products, gold loans and loan against medical equipment. Share of gold loan in financial assets has fallen from 41% in Q1 to 35% in Q4. We continue to maintain high quality of asset as evident in gross NPA on our overall portfolio at 0.49% and net NPA is 0.17% against the gross NPA of Rs.45.9 crores we have non-standard asset provision of Rs.30.1 crores and hence our net NPA stands at 0.17% .Besides this we have a provision of Rs.22.9 crores for standard assets as per RBI requirement.

Finally, distribution and marketing income – This segment primarily includes distribution of insurance, mutual funds, alternate asset product, bonds etc. In life insurance business our product portfolio is dominated by long-term endowment product. Our income from this segment for the quarter was Rs.101 crores up 25% quarter-on-quarter and up 8% year-on-year. For FY13 income from this segment was Rs.289 crores up 19% year-on-year. Our insurance mobilization for the quarter was Rs.107 crores. The group’s third party mutual fund AUM was closed to Rs.12,000 crores in wealth management and we have over Rs.40,000 crores assets under advise.

Now, I shall take up the major cost head – For the quarter our operating cost was Rs.91 crores an increase of 7% quarter-on-quarter and a marginal decline year-on-year. Operating cost was 12% of revenue for the quarter similar to last quarter. For FY13 operating cost was Rs.333 crores up 29% year-on-year. Employee cost of the quarter was Rs.134 crores with a marginal decline over last quarter and a decline of 15% year-on-year. For FY13 the employee cost was Rs.533 crores up 9% over FY12. Other cost primarily including admin cost were Rs.116 crores for the quarter down 2% quarter-on-quarter about 8% year-on-year. For FY13 other expenses were Rs.444 crores up 26% year-on-year. Our average cost of funds in the quarter was around 12% same as previous quarter. Our short term debts program is top rated even plus by ICRA. ICRA and CRISIL have recovered long term debt as ICRA LAA- and CRISIL AA- respectively.

Our consolidated net debt and as at the quarter end was Rs.7,549 crores and gross debt was Rs.9575 crores, of this secured long term borrowings were Rs.5,080 crores, cash and cash equivalent provision was Rs.2026 crores which includes fixed deposits of Rs.505 crores and mutual funds, government securities, equity shares and bonds of Rs.600 crores. Our gross debt to equity ratio was 4.89 times as of the quarter end and net debt to equity ratio was 3.85 times as of the quarter end. The company has a board constituted asset liability committee which needs to review the asset liability management on a quarterly basis. Our depreciation cost in the quarter was Rs.17 crores and Rs.84 crores for FY13. Other updates, IIFL won best customer service in financial market award organizer franchise India, during this year IIFL closed the largest QFI transaction in India till date of US $110 million. IIFL also launched alternate investment fund during the year and collected Rs.627 crores. Thank you.

R. Venkataraman Now, we can keep the floor open for any questions that our participants might have.

Moderator Thank you very much sir. Participants, we will begin the question and answer session. We have our first question from the line of Sudakar Prabhu from Span Capital please go ahead.

Sudakar Prabhu I had couple of questions. One your loan growth has been pretty impressive for this year what kinds of growth do you see for next year?

Nirmal Jain This would be a forward-looking statement and only thing we can say is that there are two things one, we will try and grow in line with sector or maybe slightly faster than sector and obviously the base has become larger this year as compared to what it was last year.

Sudakar Prabhu Yes and what will be the composition because gold loan now has become more or less stable it's not growing at a faster pace, so would gold loan as a percentage would come down significantly?

Nirmal Jain Yes it should come down and we are trying to add couple of new products. And we are looking at commercial vehicle in SME as a new product.

Sudakar Prabhu Okay is that launched or is it yet to be launched?

Nirmal Jain It's being pilot tested, SME we have been doing actually but it would be more on the collateral of LAP and others but now we are trying to segregate that into separate line of business and we have been pilot testing on the commercial vehicles also. So for last one year we have been working and incubating on this product but over a period of time I think that these two products will get added and therefore the existing product lines will decline in relative share.

Sudakar Prabhu What was the breakup of financial assets in the loan book?

Dhruv Jain The financial assets were, apart from the loan book it, would comprise investment in mutual funds, investment in government securities, fixed deposits and cash and bank balances.

Sudakar Prabhu No, I am talking about in the loan book there is a segment called lending to financial assets?

Nirmal Jain No, that is not loan book that is the balance sheet. So our balance sheet is divided into financial assets and non-financial assets because requirement of RBI for gold loan company is also based on financial assets. So that there are loan assets and then there are treasury assets also.

Sudakar Prabhu Okay so there should be largely the treasury assets.

Nirmal Jain That's right, so these are as he said, they are mutual funds, government securities and bank fixed deposits largely.

Sudakar Prabhu And Nirmal just a question on the asset quality, I mean you guys have done a great job in keeping the NPAs under control but we have seen that when the asset grows, companies find it difficult to control the cost, how strong is the credit and risk segment?

Nirmal Jain I think it's fairly strong and in last seven years it has been borne out by the fact that we have maintained consistently high quality of assets. Another thing is that our focus is mostly on retail assets and if you look at bank's balance sheet, most of the stress is coming from larger infrastructure and big ticket items. The retail assets have been doing well till now. So, it's both it's a choice of the category of assets that you want to play on and secondly process of your credit under writing and recovery and I think over last six-seven years we have been very highly focused on that and that has been working.

Sudakar Prabhu Right and my last question would be on the broking business is there any further scope of cost rationalization or is that more or less over?

Nirmal Jain There is not much scope but there is always some scope but obviously lot of it has already been done so I don't think the cost rationalization will be a significant driver for margin improvement in broking from now.

Sudakar Prabhu Right and lastly, what kind of ROE are you targeting in your overall business, I mean right now you are already at 15% so what would be your aspirations?

Nirmal Jain See the ROE has to improve and our aspiration will be in line with the top leading blue chip companies and it should be north of 20% and obviously that has been I stated motive earlier also and we are moving towards that.

Sudakar Prabhu Thank you and all the best.

Moderator Our next question is from the line of Rithesh Numbair from UTI Mutual Fund, please go ahead.

Rithesh Numbair I had question on this segment wise breakup which you provide in fact I was just going through the distribution and marketing income if I see the trend year-on-year FY13 around 10% - 11% of the revenue contributes 16% - 17% of the PBT while in FY12 it was kind of reverse so in fact what exactly happened in this distribution and marketing income, is there any one off or there was any classification change made here.

Nirmal Jain See you are looking at the quarter numbers or year-on-year numbers?

Rithesh Numbair Year-on-year numbers.

Nirmal Jain See one is that the base or the denominator which includes interest income and the gross interest, the segmental reporting is as per the listing guidelines, which requires interest to be reported gross. So to that extent distorted because if you look at our top line then the interest is significant part of it, so then therefore the ratios do not become as comparable. In the business also we had done significant amount of cost rationalization, improvement in margins. As you are aware that this includes life insurance, mutual fund distribution which has passed through a complete transformation phase in last five years.

Rithesh Numbair Correct, but just to get a color because this industry except for mutual funds insurance had its own problems, so did you increased your distribution market share by any chance or your contribution of high yielding assets by any chance, did you actually improve on that.

Nirmal Jain Distribution and marketing comprises life insurance distribution, mutual fund distribution as well as certain structured products in wealth management advisory services also. So our wealth management business has grown very well last year, so incrementally there would be a significant contribution.

Rithesh Numbair And secondly sir, wanted some color on your gold business in fact how was this incremental quarter been and how was last year's origination loan being because you are quite aggressive last year on the origination side so how was those assets actually, how are those assets performing?

Nirmal Jain Gold business will be performing fairly well and to our satisfactions. So the relative share from Q1 to Q4 has come down as Dhruv pointed out and I think this is in the long term a good product but the relative shares in our total mix should come down. As I said that we are trying to diversify and de-risk business model with multiple products and multiple assets rather than just focusing on one or two. But product by itself has no problem, even RBI in an earlier policy report have appreciated the importance of this as financial inclusion as well as reach of credit to smaller and middle income sections of society, so there is nothing wrong with the product but as I pointed out that product by itself will remain and relative share will come down.

Rithesh Numbair Okay and lastly sir, just on funding side of business some savings on account of interest which actually paid out this year do you see the trend relative to your peers, your interest cost heading in fact the spread between the flagships NBFC and you are reducing and thereby positively contributing on the NII side.

Nirmal Jain Yes, I agree with you.

Rithesh Numbair Okay sir thanks a lot.

Moderator Thank you sir. Our next question is from the line of Vinay Shah from Reliance Mutual Fund, please go ahead.

Vinay Shah Sir, you mentioned the gold loan proportion as portion of your financial assets, if you can give out of total loan portfolio how much the gold loan would be?

Nirmal Jain That you can work out from the same numbers, it would be around 40% or so.

Vinay Shah 40% and this ratio of gold loan as a percentage of portfolio has also declined?

Nirmal Jain I don't have the precise number but yes, so if you look at the numbers we have given financial assets separately. You can take it out and you can rework the percentage but it has now declined and from Q1 to Q4 there is a decline.

Vinay Shah Okay and if you can also give what would be the 30+ dpd in the gold loan business.

Nirmal Jain 30+dpd, I won't have those numbers ready with me, but I think I can disclose whatever we have disclosed publicly and if you want we could give that numbers and make it part of our analyst presentation so that everybody has that. But I don't know whether other people also disclose 30+ dpd.

Vinay Shah Or maybe 90 plus.

Nirmal Jain So, our NPAs are calculated based on that and based on the guidelines of RBI, so maybe what we can do, you can put it on a mail and we can include this part in our presentation because the data it has to go to the exchanges.

Vinay Shah That's okay sir. Next question is we are falling into the SME and CV products. If we go by the recent rating agency releases the CV collection have been coming down and there have been some stress looking on the SME product also, so do we see any pause on this product or we will continue as per business plan**.**

Nirmal Jain No, actually that's the right time to investment and get started because what will happen whenever we have a new product it takes good amount of time to build a portfolio which is sizable and large. So if you start in the worst of the time, you are careful because then what happens these are all cyclical trends so by the time say in three to five years' time the portfolio becomes large that time already you have seen the cycle and the cycle would have turn. So, now actually you can see the worst of it because CRISIL report in detailed that the collection efficiency has gone down less than 95% so the industry is passing through one of the worst phases so now if we start with the small amount it's always more sensible rather than having a large portfolio at the wrong end of the cycle.

Vinay Shah Okay and this SME product, this is what unsecured business or?

Nirmal Jain No it will be secured only, see we have been funding SMEs through our LAP and even our gold loan product segment so if you look at some other companies they report separately the SME against LAP, against gold loan. So what we have done is we are installing a new software and the SME process in terms of their cash flow forecast, their credit evaluations everything else is being done in a different way. So when I say that we are getting into SME, we have been doing SME but what we have been doing more driven by collateral will be now be driven by cash flow but I think that will remain more or less secured only. We don't have any plans to get into unsecured lending at this point in time.

Vinay Shah Okay so security will be more or less kind of LAP or underlying gold or something like that.

Nirmal Jain Yes, so gold will be there in very few exceptional cases, but more of the traditional security for SME is LAP. Then there are many who lend also against working capital, against equipments, machinery and basically whatever projects and investments that SME is doing. So it will become larger but it will remain secured.

Vinay Shah And since we have started lending in SME space what will be the AUM at present and what kind of run rate we look for this product, for this fiscal?

Nirmal Jain Absolutely difficult to estimate at this point in time.

Vinay Shah Okay and the present AUM of SME business?

Nirmal Jain I don't have that separate data because we have been reporting more as Gold and LAP but I think we will have to get the data which at this point of time I don't have. But it is a significant amount because when we had sold part of our LAP portfolio couple of years ago, so I think there is a reasonable percentage of that but I don't have the data with me.

Moderator Thank you our next question is from the line of Pankaj Agarwal from Ambit Capital, please go ahead.

Pankaj Agarwal Sir, your falling share of gold loans in your loan portfolio is it intentional or is it because of market forces like declining gold prices, increased competition, etc.

R. Venkataraman Actually it's a combination of both these sectors, it is one that as a policy, as we have always disclosed in the earlier analysts call, we want to reduce dependence on a single product. So as a part of our overall strategy also we wanted the overall proportion of gold loans to come down and it has also been affected by the overall competition in the market because if you see last year when the new RBI guidelines came, the 60% LTV was applicable to NBFC but not to banks, so banks became aggressive in this sector and so it's a combination of both.

Pankaj Agarwal Okay and in terms of LTVs on your outstanding portfolio what would be the blended LTV at this point of time?

R. Venkataraman It will be less than 60%.

Pankaj Agarwal And this is on the gold value or the jewelry value.

R. Venkataraman Gold value.

Pankaj Agarwal Gold value it's less than 60% and the incremental loans which you are originating, what kind of LTVs you are offering.

R. Venkataraman We are offering as per RBI guidelines.

Pankaj Agarwal So, less than 60% that is gold value.

R. Venkataraman Yes.

Moderator Thank you. Our next question is from the line of Kamal Gillani, an investor please go ahead.

Kamal Gillani I want to know your NIMs have been declining consistently every quarter where do you see the stable trend of this and with CV and SME segment do you think it is likely to decline more?

Nirmal Jain Yes, our NIMs are declining and it may taper off, there may be some more decline but I think in next couple of quarters this should stabilize.

Kamal Gillani Means you expect to maintain closed to the level of the last quarter?

Nirmal Jain As I said there can be some more correction in this but I think a significant amount of that has already happened, but there can be some more fall in this.

Kamal Gillani Okay and I heard in the morning, sir you mentioned that you expect 25% of your credit growth, is it a reasonable expectation or do you likely to perform better than this?

Nirmal Jain Yes, this is a reasonable expectation. To make any futuristic statement is very difficult because it all depends on so many things, which is interest rate, RBI policy the economy performance and the various sectors where we are active and also on your competition, but our endeavor will be to grow at least in line with the sector and to the extent possible grow faster than that but obviously as I said the base has become larger as compared to what last year it was, so compared to last year there will be pressure on growth but we will try and grow at a healthy rate.

Kamal Gillani Okay and sir one more thing recently you have separated your broking business do you see any likely corporate actions or tie-up with some MNC or some banks like Yes Bank which are scouting for partners or is it just reason for banking license things.

Nirmal Jain The restructuring has nothing to do with any tie-ups so there is nothing on the anvil.

Kamal Gillani So, is it related to banking license?

Nirmal Jain It's a part of restructuring which board decided based on more productive and efficient way and of course it also makes structure more compliant with banking guidelines, but regardless of that, as its a probabilistic event, we wanted to do the restructuring.

Kamal Gillani And sir one last question you are planning to start CV lending, I just wanted to know what collateral do expect because CV portfolio is kind of risky and collaterals are hard to get back.

Nirmal Jain So, initially our focus will be lending against new CVs and the collateral is of course the CV itself, the RC book of commercial vehicles.

Kamal Gillani But sir that is a depreciating asset, so do we plan in case of any default recovery would be to the quantum of your outstanding?

Nirmal Jain No, we are working on it so I think it's too premature to say what our experience will be, it's depreciating asset but also earning assets, so they are both fairly straight. We will share our experience but at this point of time it's very early stage.

Kamal Gillani The spread would be higher or lower than the current spread in CV and SME?

Nirmal Jain Will be lower than the gold or the average this thing but what people figure and miss out is the part that gold loan NIM is higher but your cost is also higher because it's a retail distribution model, here the ticket size is slightly larger, so both the things balance each other but NIMs will be lower in this at least to start with, that's what my hypothesis is on this.

Moderator Thank you. Our next question from the line of Rishindra Goswami from Locust Investments please go ahead.

Rishindra Goswami Just few questions, one is just a slight clarification on the total financial asset that you have mentioned on the presentation slide is like 10,888 crore and the mix that you have given out the pie chart basically on the distribution of asset so this is corresponding to what this percentages has been calculated on what base is it 10,888 or 10,030?

Nirmal Jain These are based on 10,888.

Rishindra Goswami On 10,888 right.

Nirmal Jain That's right.

Rishindra Goswami Then just couple of questions on the lending business one is how many branches are currently involved in giving out loans?

Nirmal Jain Approximately 1500.

Rishindra Goswami Approximately 1500 and out of these how many are giving out gold loans.

Nirmal Jain Almost all of them.

Rishindra Goswami And just a few more question on the overall yield side what would be your average yield by product line now currently on your portfolio.

Nirmal Jain Our average yield by product line, see gold would be around 21% - 22% is the rate of interest that we charge, mortgage would be 14% to 15%, healthcare equipment again is around similar and loan against margin fund is around 12%.

Rishindra Goswami And just on the backdrop of the entire NIM compression, I just wanted to understand what lead to this sharp compression over last three four quarters.

Nirmal Jain The interest rates and the yield that we get on gold loan has come down by couple of percentage.

Rishindra Goswami It used to be much higher than this then.

Nirmal Jain Yes, it used to be 23 – 24 it has come down to 21 – 22 type.

Rishindra Goswami And it would be a function of what? The LTV or competition?

Nirmal Jain Both. So, banks have become lot more competitive in the gold loan now.

Rishindra Goswami And so that is what's causing the-

Nirmal Jain That will put the pressure on the yield.

Rishindra Goswami Just a quick question on the mortgage loans about 35% that you mentioned, how much would be LAP versus corporate loans here.

Nirmal Jain Corporate loan percentage I think it would be around 10% of total loans. The remaining will be LAP and there is small part of home loan also

Rishindra Goswami It would be LAP and home loan and 10% would be corporate loan.

Nirmal Jain That's right.

Rishindra Goswami Typically to real estate developer or construction.

Nirmal Jain Yes, both.

Rishindra Goswami Is it reported as a loan, or is it reported as an NCD?

Nirmal Jain When we say capital assets, it includes both. Most of our developer loan would be NCD and some part of it is kept in loan format also but when we think about mortgage both of them are reported together in the mortgage assets.

Moderator We have our next question from the line of Nischint Chawathe from Kotak Securities, please go ahead.

Nischint Chawathe Can you share the number for provisions for the quarter and for the year?

Nirmal Jain Provisions for the quarter is 42 crores.

Nischint Chawathe Okay and that includes standard asset provisions.

Nirmal Jain Yes, this includes standard asset provisioning. The total provisions stand at 45.9 crores at year end and addition to that we have 22.9 crores standard asset provisions.

Nischint Chawathe So, 45 and 22 is what you said.

Nirmal Jain Let me correct myself gross NPAs are 45.9 crores our specific provision is 30.1 crores so that's leave net NPA at 15.8 crores.

Nischint Chawathe Sorry, I am just clarifying I am asking the provisioning made during the year that which have hit the P&L.

Nirmal Jain You want provisions and write offs together or you want only provisions.

Nischint Chawathe Provisions and write offs together which have hit the P&L during the year and during the quarter.

Nirmal Jain See during the quarter as I have said is 42 crores, during the year it will be little over 100 crores, I don't have the number, but we will just figure out. So, during the quarter it's 42 crores.

Nischint Chawathe Okay just trying to understand a little bit on the lending business, specifically gold loans. Do you really I mean I guess you are trying to indicate that at this point of time we should not really be much worried for on the asset quality out there just looking at volatility in gold prices at what price of gold would really be you be kind of start getting worried about the quality over there.

Nirmal Jain Now, it is interesting because after 31st March there was significant fall in gold prices and we have collected mark-to-market margin from most of the customers. We have been originating gold at 60%, so we are still fully covered but some part of portfolio if you take LTV including cost and interest will be between 18% - 19%. We are fairly covered and even if gold prices fall another 10% - 15% this should not cause too much of stress. And we have this interest reversals and write-offs, so when the customer is paying and there is a settlement which the branch managers and territory mangers are authorized to and there is some interest discount that's workout and netted off from interest and that brings down yield, but there is under recovery at the time of auction then it goes into the write-offs.

Nischint Chawathe Okay. Just one more thing on the distribution income line, I mean we are finding it a little difficult to project it and try to figure out as to how it will play out in the future, some color on how would insurance distribution business would have contributed here and how the wealth management would have contributed here, some color from your side would be useful.

Nirmal Jain See so what happens that the wealth management in fact in the last year we have added the largest mutual fund assets in the industry also and in fact more than 5,000 crores, so not only insurance but there is also alternate assets to mutual fund and insurance so three four years ago the significant part was insurance but now is no longer so. And so distribution of alternate assets and all those things also become part of the incoming segment.

Nischint Chawathe And how large insurance distribution at this stage from the revenue in this segment?

Nirmal Jain One second, insurance distribution around 180 to 190 crores is insurance and the remaining part is wealth and mutual fund and other alternative product and everything else, so out of 280 – 290 that we are seeing, 180 is from insurance.

Nischint Chawathe Okay and if I look at the segmental PBT I look at a sharp decline in the segmental PBT for the broking business on a quarter-on-quarter basis so last quarter the segmental PBT from broking business was around 28 crores and now it has come down to around 18.5 crores, how should we read these numbers.

Nirmal Jain See broking last quarter the volumes were not going anywhere but at some in point time it was more than 200 crores also, so the entire broking business has passed through a very difficult phase, which all of us are aware of it. So, the potential of broking business in the good market is significant, what it is seeing is probably the worst of the times.

Nischint Chawathe But anything to read in this, in the quarter-on-quarter moments in this, in this particular segmental contribution?

Nirmal Jain I don’t think so, but this also includes our ECM, our investment banking, so last quarter could have been some of IB transactions which might have contributed a little bit more but other than that the stable margins have not moved much. I think I am not very sure but we can verify or reconfirm but last quarter we had advised Cox & Kings for acquisition of Holidaybreak in Europe so that was one large IB transaction that has happened.

Nischint Chawathe So, and just a small request from our side if you could get the balance sheet for the finance business as well, especially on the semiannual basis or something it would be good to get do further analysis.

Nirmal Jain We will just check and probably we can upload both the balance sheets, either on website or send it to them.

Moderator Thank you sir. We have our next question from the line of Mr. Pankaj Agarwal from Ambit Capital please go ahead.

Pankaj Agarwal What is your outlook on broking business for next year in terms of growth in the business and in terms of competition yields?

Nirmal Jain See I am an eternal optimist and hopeful and so I think that broking business should now recover, but let me caution you. This was my view this last year also and I have been proved wrong, unfortunately. But I think that now it has fallen as much as it could. Of course the margins will not be as good as they were earlier but I think the business can come back, but I mean your view will be as good as mine.

Pankaj Agarwal Okay and in terms of competition do you see competition decreasing going forward because of overall market condition?

Nirmal Jain In broking business?

Pankaj Agarwal Yes.

Nirmal Jain Yes competition is consolidating so I think that most of the margins had been brought down to a significant actions so the competition will consolidate. See, cash market volumes have come down to less than 9% so this business is not as attractive for most of the player and from our point of view if you look at the broking income the equity broking has come down to 10% - 12% because there are remaining components which make up the 20% of the top line.

Moderator Thank you. We have our next question from the line of Mr. Amit Somani from Tata Mutual Fund, please go ahead.

Amit Somani Just want to know what portion of the gold loan book has got LTV of above 90% inclusive of the accrued interest?

Nirmal Jain Above 90?

Amit Somani Inclusive of accrued interest.

Nirmal Jain Yes inclusive of accrued interest I think it will be very insignificant, including accrued interest as well because our focus is mostly to collect interest on a monthly or quarterly basis, so I understand your question that not the cost but including interest. The portion above 90% will be very, very insignificant.

Amit Somani Ok, Thank you.

Nirmal Jain So, we thank all the participants and if you have any more queries you can send it to our investor relations at any point in time, have a good day.

Moderator Thank you sir. On behalf of India Infoline Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines, thank you.