



Religare Enterprises Limited

Q2 FY13 Earnings Conference Call

Thursday, November 08, 2012 at 03:30 pm IST

Kishore Belai: Good afternoon everyone and thank you for joining us on our Second Quarter FY13 results conference call. I am Kishore Belai – Head of Investor Relations at Religare. We are joined on this call today by Mr. Shachindra Nath – our Group CEO, Mr. Anil Saxena – our Group CFO, and the senior management of our portfolio companies. Before we start the proceedings, I'd like to mention that certain statements that may be made on this call may be forward-looking statements and we do not undertake to publicly update them. A statement in this regard has been included in the invitation for this call.

On this call, Mr. Nath will first give you an update on recent strategic developments in the Company and the Company's performance for the quarter. We will subsequently open the lines for Q&A. I now turn the call over to Mr. Nath.

Shachindra Nath: Good afternoon everybody and thank you for joining us on this call. I hope you have been able to study our results presentation which has been uploaded on our website and emailed to you as well.

Before I review the Company's quarterly performance, I want to get you up to speed on two very important strategic developments that have taken place at Religare over the last few weeks. You would surely have come across various reports on these transactions in the media, but let me give you a comprehensive update:

1. The first strategic development is that International Finance Corporation, a member of the World Bank Group, has invested USD 75 million or nearly ₹405 crores – in Religare Enterprises Limited. IFC needs no introduction. It is the largest global development finance institution focused exclusively on the private sector in developing countries. The investment will be in the form of Compulsorily Convertible Debentures that will be converted into equity within 18 months, priced in accordance with SEBI guidelines. Based on REL's current capital structure, the investment will translate into an equity stake of nearly 8%. IFC will nominate a Director on the REL Board.
We see this investment as providing tremendous strategic advantage to Religare in several ways: It opens up the possibility of sharing of knowledge between IFC and Religare, and will allow Religare to benefit from IFC's vast experience in financial markets around the world, particularly in developing countries. It enhances Religare's stature and will help open doors for us. It will help in enhancing Corporate Governance and development of the Board, which IFC is known to facilitate. Our shareholders approved the investment at the Extra-Ordinary General Meeting held on 26th October 2012, and I am happy to report that our Board has allotted the securities to IFC yesterday. Overall, I personally believe that this investment talks volumes for Religare's diversified business model and the franchise that we have painstakingly built over the last ten years.
2. Let me now talk about the second development, which is the induction of Invesco as a strategic partner in Religare Asset Management Company Limited. As many of you would know, Invesco is among the Top-15 asset managers globally. Invesco's total AUM stood at around USD 683 billion as of 30th September, 2012, and they have clients in

over 100 countries. Invesco has agreed to acquire 49% equity in RAMC by way of secondary sale of shares. The valuation has been comparable to transactions we have seen in the recent past, or in fact slightly better, and for good reason:

- Firstly, RAMC has built a formidable platform with proprietary investment processes for both Equity and Debt. RAMC tracks over 280 stocks in house and has developed credit scoring models for 360 companies. As a Fund House, RAMC has built scale on all three platforms – Mutual Fund, PMS, and Offshore.
- Secondly, the Fund has developed a performance track record over the last 3 years. This is a key determinant of the marketability of products particularly through banking and wealth management channels.
- Finally, RAMC has achieved break-even in just three years of operating under the Religare banner. This was enabled by REL as the holding company making the necessary investments in infrastructure, and the team building winning momentum despite the tough operating environment that has prevailed from the time it has been running this business. I believe this is an unparalleled feat that no new AMC has been able to achieve in nearly a decade. This transaction will provide substantial benefits to both sides. While Invesco has been an investor in India through its funds, acquiring a strategic stake in RAMC provides them local manufacturing capability and track record in the high-potential Indian market. RAMC gains access to Invesco's global distribution platform. As I have said on our earlier calls, raising offshore funds is a key focus area for our asset management business, and being able to leverage such a renowned distribution platform is a great win for RAMC. Furthermore, this partnership will encourage the exchange of ideas and knowhow between Invesco and RAMC, and give RAMC the exposure to global best practices in various areas. RAMC will also be able to offer local investors in India, the option to invest in select overseas funds through a fund-of-funds structure. As you can see, this is truly a win-win partnership. The existing management team, ably led by Saurabh Nanavati, will continue to manage the business as they are doing now. The transaction is subject to regulatory approval and the approval processes can take a few months at times.

I think the fact that we have been able to get Invesco as a partner with RAMC is the best recognition of the outstanding work done by the management team over the last four years.

After that update on the strategic developments of the last few weeks, I will now turn to our quarterly performance. Let me first talk about the environment which has created the context for our operating and financial performance in Q2FY13.

As seen on pages #2 and #3 of our results presentation, the undercurrent in the environment remains cautious. Some pockets have seen an improvement in reported numbers, but these reported improvements are deceptive. GDP growth stood at 5.5% in Q1FY13 – while this is a marginal improvement over the previous quarter, the Reserve Bank of India at the latest monetary policy review revised its forecast for FY13 downwards – from 6.5% that it had projected until July to 5.8%, signaling a slowdown in economic activity. In Q2FY13, FII inflows swung back to a positive ₹ 403 billion after net outflows in last quarter. However, these flows are clearly very volatile. Positive FII inflows during the quarter lent some buoyancy to the markets, but the share of Options in the mix increased further to 76% indicating caution among investors. A minor increase was observed in Mutual Fund Industry AUM over the previous quarter which stood at ₹ 7.2 trillion; however, the inflows continued to remain concentrated in Liquid Funds and Debt Funds. In fact, many retail investors have reportedly taken the recent rally as an opportunity to recoup losses or book profits and have exited their equity mutual fund holdings. In the Life Insurance industry, New Business Premium in this quarter was significantly lower year-on-year and IBD deal

volumes remained at the same depressed levels as in the previous quarter. Overall, as I said, the undercurrent remains cautious.

Let me now give you an overview of the consolidated financials of Religare Enterprises, which you will find on Slides #5 to #7:

- Consolidated revenue for Q2 was up 15% year-on-year to ₹ 9,114 million.
- We reported a PBT-level profit of ₹ 1,009 million for Q2FY13 as against ₹ 851 million in Q1FY13, reflecting a consistent improvement in our performance.
- At the PAT level, we reported a profit of ₹ 500 million for the quarter as against an adjusted PAT of ₹ 402 million in Q1FY13, firmly establishing our profitability trajectory.

Let me now give you a brief update on each of our portfolio companies, which is summarized on Slides #8 to #10 of the presentation:

Religare Finvest Limited, which houses our **Lending Business**, has significantly strengthened its Asset Liability Profile. RFL has increased its share of long-term funding sources further during the quarter. Short-term capital market borrowings are reduced by ₹ 15.8 billion during the quarter and the share of short-term capital market borrowings in the overall mix is down from around 24% at the end of Q1 to around 15% at the end of Q2.

Part of the increase in long-term funding has come from a retail issuance of Non-Convertible Debentures (NCDs) which RFL successfully completed during September 2012. As against a basic issue size of ₹ 2.5 billion, RFL garnered total subscriptions of ₹ 3.3 billion.

RFL's CRAR stood 19.02% at the end of the quarter, reflecting a comfortable capital position. RFL made a conscious decision not to grow the lending portfolio during the quarter as it monitored the evolving environment very closely and focused on strengthening the balance sheet and improving operating parameters.

By optimizing the product mix, Net Interest Margin was increased to 4.27%, an increase of 42 basis points over the previous quarter.

Operating efficiency continues to improve as reflected in the decline in Opex/ANR ratio, which came down by 30 bps to 1.72%. Gross and Net NPA on a 90-day basis stood at 1.22% and 0.81% respectively, higher sequentially by 28 and 22 basis points respectively. The increase is largely on account of seasoning of portfolio and we continue to monitor the portfolio and work towards resolution of outstanding cases. However, on a 180-day basis – which is the norm prescribed by RBI for NBFCs – Gross and Net NPAs remained flat.

Religare Asset Management Company Limited, which operates our **India Asset Management business**, recorded a 15% QOQ increase in AUM which is better than industry. The business continues to focus on diligent execution and delivery of superior risk-adjusted returns for its investors.

Religare Health Insurance Company Limited, our **Health Insurance** venture, commenced its operations in July 2012 with a pan-India network of 30 branches in 28 cities covering 124 locations. RHICL generated Gross Written Premium of ₹ 104.4 mn in Q2FY13 and provides health cover to more than 34,000 lives as on 30th September, 2012. The business has the unique ability to combine the expertise of the group in financial services and healthcare delivery to provide distinctive products and services – I had explained this at length on our previous call.

In **Religare Securities Limited**, our **Retail Broking arm**, the efforts towards operational improvements are delivering results with higher brokerage yield coming through on the back of pricing actions and mix optimization. Our equities client base and commodities client base have been increasing steadily and stood at 834,000 and 167,000 respectively as on 30th September, 2012.

Our retail broking business reported a quarter-on-quarter revenue decline of ₹ 60 million or 5%; however, the negative impact at the PBT level was restricted to ₹ 27 million.

In **Religare Macquarie Wealth Management Limited**, our **Wealth Management Joint Venture**, AUM stood at ₹ 28.4 billion as at 30th September, 2012, underpinned by an increase in the number of clients and an improvement in productivity.

AEGON Religare Life Insurance Company Limited, our **Life Insurance JV**, continues to build its franchise with an increase in the customer base to around 240,000 customers from 227,000 in last quarter. Efforts to mine existing customer base are yielding results with 15,300 policies issued in Q2FY13. There is an intense focus on reducing costs and optimizing capital deployment in the business, in light of the new market realities.

Religare Capital Markets Limited continues to improve visibility with the buy-side and is now empanelled with 576 institutional investors globally. RCML's India Cash Equities market share was around 1.8% in Q2FY13, similar to the earlier quarter. Bloomberg has ranked RCML Singapore 2nd by number of deals and 11th by total deal volume out of 23 banks for Singapore equity offerings. You would recall that the consolidated financial statements of **Religare Capital Markets Limited** have been excluded from REL's consolidated financial statements with effect from 1st October, 2011. However, the business continues to remain operationally integrated with the rest of Religare.

To conclude, we have been focusing in the recent past on consolidating and increasing the intrinsic strength of the Religare platform and these efforts have been brought to bear in Q2FY13. I had mentioned on the previous call that we expect the economic outlook to be clouded for some more time and the markets to be challenged – this prognosis continues to hold true. We at Religare will continue to work towards building greater resilience in the platform over the coming months and quarters.

With that, I come to the end of my opening remarks. The senior management of REL, and the senior management of our portfolio companies would be glad to address any queries that you may have.

Kishore Belai: Operator, we can now open the lines for questions.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question answer session. The first question is from Ritesh Nambiar from UTI mutual fund, please go ahead.

Ritesh Nambiar: Just wanted some data point especially some rejig has happened in Religare Global Asset Management which happened last quarter, but if I see the investments which you have done till date, in fact lot of capital is being invested in RGAM any specific reason for it?

Shachindra Nath: There is no change from the last quarter to this quarter. So can you please be specific of what you are referring to?

Ritesh Nambiar: I meant Q1 there was a lumpy 1950 odd crores investments if you could give some clarity on the same?

Shachindra Nath: Okay there is no capital deployment. RGAM Inc. which holds our investments in Northgate and Landmark, two of our affiliates was held directly by Religare Enterprises. We have now created an Indian holdco., RGAM Corporation India, in which our direct holding from REL into RGAM Inc. has been moved. So now RGAM Inc. is held via REL's Indian subsidiary, RGAM Corporation Pvt. Ltd.

Ritesh Nambiar: Okay, but earlier on that money was not allocated or so, how is that?

Shachindra Nath: There is no change in the capital structure or the capital investment.

Anil Saxena: Money was earlier deployed directly from Religare Enterprises which has now moved to one of the subsidiaries.

Ritesh Nambiar: Okay but in net it should have been zero, I mean...

Anil Saxena: It's zero.

Ritesh Nambiar: Okay. Secondly sir if you could give us some clarity on your two of subsidiaries of ours which in the Wealth Management and in the Insurance side, because if I look into the net worth of these companies, this companies would require some infusion.

Shachindra Nath: So our Wealth Management Business requires very minimum capital almost next to negligible because that business operationally now on a month-to-month basis is about to break even.

Basab Mitra: Yeah, structurally I think we are on breakeven now so we don't envisage significant capital infusion. It may require couple of crores that's it. I think we are now in fact breaking even on that business. On the Insurance business probably there is capital infusion required, but that's come down significantly as the business is maturing so I think if you need the exact detail you can always get in touch with Kishore. We don't make forward looking statements on capital requirements. But I can tell you it is slowing down significantly.

Ritesh Nambiar: Sir, lastly I wanted the valuation at which Invesco has if divested stake to Invesco?

Shachindra Nath: For obvious reasons, we have not formally disclosed the valuation which Invesco has given to Religare asset management business, but as I said in the opening remarks that it is comparable to the most recent transaction and is probably better than that.

Ritesh Nambiar: Okay and the rumors floating around on the total consideration if you could give us some clarity on the same?

Shachindra Nath: You would be able to calculate the percentage of AUM by that. You can calculate the net amount, if you see the recent past transaction and if you give a premium to that and then you take our assets under management, you will be able to calculate the total net amount.

Ritesh Nambiar: Okay but one thing I wanted to know on this premium did Invesco get some exit option by any chance on the same investments?

Shachindra Nath: No, it will continue to run as a joint venture. For Invesco, India is a key strategic market. This investment gives them a foothold in a high growth market and in fact they would like the Religare Asset Management platform to be used by their global distribution network for their offshore funds to be managed by this Asset Management Company.

Ritesh Nambiar: Okay. One last question regarding Religare Capital Markets. If individually you could, even though it's not been consolidated on a business level, disclose the numbers, it could give us some clarity?

Shachindra Nath: At the time of the deconsolidation itself we have made it very clear that given that its financials do not impact Religare Enterprises, so as not to confuse the broader investor analyst community, we would not disclose its financials, because some of the people who come in new and analyze the company and are not aware of the history may get confused. And for that reason the financials of that company are not disclosed. But broadly I can tell you that we have done strategic review of that business and that business is on path to break even far quicker than anybody would have expected. Basab do you want to add something?

Basab Mitra: No, I think this is it. As Shachin said, it is on the path to breakeven. I think structurally the opex in the business has come down by almost 80% and I think the business continues to grow its client franchise and that is what this business all about, so we feel very good about the business.

Ritesh Nambiar: Just on deal side, you were one of the top ten brokers as you mentioned in your opening remarks. Just wanted to know what kind of big tickets deals that you do in this half?

Basab Mitra: As we said, we are number two by the number of deals, and number 11 by the size of deals. Our deal flow is very robust in the Singapore platform. But they are largely block trades and tend to be in the \$50 to \$75 to \$100 million range.

Shachindra Nath: And that's actually the market which we concentrate on -- that's the market which we intend to specialize in the long term.

Basab Mitra: Yeah absolutely.

Moderator: Thank you. The next question is from Nischint Chawathe from Kotak, please go ahead.

Nischint Chawathe: This pertains to Religare Finvest. If you could share the number for the provisioning done this quarter, provision plus write-off this quarter?

Kavi Arora: So basically the overall provisioning numbers for the quarter is lower than the previous quarter, you know primarily owing to the reason that we have slowed down on fresh acquisition in last quarter and our asset provisioning has come down. Also the specific provisions...if you look at the most recent NPA numbers we have specific provisions at ₹ 54 crores.

Nischint Chawathe: And your loan book per se has come off a little bit and obviously the outlook is also little cautious. So some sense on what you are seeing and I guess it's more to do with the fact that your SME business loan book has marginally come down so what do you really see out here because as you said your provisioning cost was lower quarter-on-quarter, NPL number has gone up but it's not gone up as much so what is your view or outlook here?

Kavi Arora: Yeah I would elaborate on that. Our key strategy area for growth continues to be SME, we have said that earlier, but we are balancing our portfolios given the way the markets are, especially the capital market portfolios. We will continue to evaluate that, in fact if you look at last quarter, our capital market portfolio has come down by about ₹ 200 crores and we will continue to follow that approach for the rest of the year. The way our book is performing, we are confident that we won't see any increase in our NPA numbers, because obviously we have a clear line of sight on how the assets are performing today. And as Shachin mentioned in his opening remarks, broader macro environment remains challenging and we have a little cautious approach of increasing credit at this point of time. And thus we will be selective in our credit and we have already moved up the chain in terms of the quality of credit that we are taking in our books. We will continue to maintain this till the year end. You may not see a major increase in the assets side, but obviously there will be a rebalancing of assets that we will continue to work on.

Nischint Chawathe: The point I was trying to make was in terms of the operating environment do you see that there is a lot more stress now than what it was in the past? Maybe you are possibly being safe, but you will see a lot more stress now and may be that is the reason you are having this kind of

Kavi Arora: When I look at the peer set and peer group as well I don't see that stress building in the market, especially the segment we operate in. I am not talking about the banking and thus large corporate or the mid corporate and how the NPA levels in the broader banking industry has gone up and restructured assets continue to be much higher. I think the segment what I am referring to the SME as the segment that where we operate we don't see the deterioration in the portfolios of peers as well. So there is no real challenge in the industry that you see. And except that the credit that you are acquiring, we will be a little more cautious about how much you grow in due time.

Nischint Chawathe: Okay so you have not really seen any reasons but you're kind of being cautious as such, is that what you're saying?

Kavi Arora: That's right.

Nischint Chawathe: Okay and just one question to try to understand your asset management strategy. On one side you have global ambitions in this particular segment and at the same time for the India business, you have got a global partner. So

what is the way forward? Globally for the entire business would you possibly have an integration with the global partner or it is just something that will go, because somewhere you are trying to set up your own franchise, set up your own skill sets and now for the India business you have tied up with a new partner?

Shachindra Nath: Yeah, that's a very good question actually, let me give you a perspective. You are right that on one side on global asset management, we are going out and have acquired businesses in US. On the other side, in our India business, we have brought in a large US asset manager to partner with us. And there are very obvious reasons for that. The premise on which our global asset management business was established is that the western capital would continue to move into our part of the world. And substantial portion of that capital moves in alternative investment bucket. And alternative investment managers are very difficult to build on a greenfield basis because it takes a number of years to get size and scale and that's why you are always better off taking a strategic stake or taking a strategic controlling stake in such asset managers. So we see that our investment in franchises like Northgate and Landmark and their LP base would help us to see continuous growth of their business and continuous flow of capital in this part of the world, which means enhancing the value of RGAM as a platform. If you look at Religare Asset Management now that business is very different. Our Global Asset Management business is focused only on alternative asset management which is private equity and similar strategies like funds of funds, secondary private equity, hedge funds, that type. Today we have businesses which are both in some form or nature, PE fund of fund. If you look at Religare Asset Management business, which is a mutual fund business in India and predominantly into fixed income and equities business. Even though in the Indian market, savings are not moving very aggressively into equity market, the growth of pure play domestic mutual fund in short to medium term would continue to remain very much muted and given that you have built a very successful platform, you have a track record and you have a management team which can attract and manage substantial fund volume, it is strategically aligned to bring somebody as a partner who can add to that franchise and bring that global flow of capital to be managed by the same team. So for the two different businesses and for very different reasons, we have adopted a different strategy, but ultimately the common thread among them is that there is a flow of capital happening from west to east and whatever is the best way to capture their capital flow, we are following that strategy. And thus Religare Enterprises, which holds these portfolio companies, is trying to enhance its consolidated value from these portfolio companies.

Nischint Chawathe: And so if at all you have to look at the alternative business in India, that would be done through this domestic businesses or you will not do it from this domestic business?

Shachindra Nath: No the alternative business would continue to be a part of Religare Global Asset Management platform. Religare Asset Management business will continue to remain in the mutual fund business that is regulated by SEBI and it would continue to remain into the same business as it is doing today. Our partnership with Invesco in only those specific areas.

Nischint Chawathe: Okay sure that answers the question. Thank you very much and all the best.

Moderator: Thank you the next question is from Devesh Dokwal from Reliance, please go ahead.

Devesh Dokwal: Sir just looking at the NIM numbers for the NBFC, that has gone up to 4.27 we have not seen much of a moment in the asset under management. In fact it has come down marginally, additionally we have seen increase, in the NPAs, so how do you relate this to the increase in NIM?

Kavi Arora: Let us take the NIM part of the question. For us, NIMs in the business remain around 4%. The Asset Finance is 3.83, Capital Market we have bought 5.3 and an overall entity level, the number has come to 4.27.

Devesh Dokwal: Okay. And just a question on infusion at REL and AMC level have this funds come in or they are still expected?

Shachindra Nath: As I said in the beginning of my opening remarks itself, funds from IFC has been received and we have issued securities yesterday, and the transaction with the Religare Asset Management we have filed for approval, it would take probably few months for those approvals to come in place and then final closure would happen after that.

Moderator: Thank you. The next question is from Ravi Mittal from BNP Paribas, please go ahead.

Ravi Mittal: Just one question, in your financial results in the footnote it is mentioned that the company has acquired some Religare Health Trust Manager Pte. Ltd. Could you throw some light on it?

Shachindra Nath: Yeah, as you would have seen widely reported, we have listed the Healthcare Business Trust, which is the trust mandated to acquire and manage healthcare assets across Asia Pacific, and as a part of the transaction, Fortis Healthcare, which is the sponsor of that Trust, the Trust has taken over certain sets of properties of healthcare management companies of Fortis Healthcare. The trust was listed and was floated sometime back and around 70% of trust equity was diluted. RHTPL is the manager for the Trust. So the entity which is the manager was acquired by RGAM India which is the holding company for our Global Asset Management Platform. So it is more structure-related in nature and there is no major acquisition. I think as soon as we received the SEBI approval, that entity was taken over by RGAM India.

Ravi Mittal: What is the consideration paid for this?

Shachindra Nath: There is no material consideration paid for that. The equity which was infused into that entity was roughly around a million dollars, more of a working capital, and now that manager manages the Trust which is listed on the Singapore Exchange and value of the Trust is roughly around \$450 odd million.

Ravi Mittal: Okay and just if you can throw some light on your exposure to Deccan Chronicle that will be helpful.

Kanchan Jain: Yeah as of the end of quarter one Deccan was outstanding. Beginning quarter two in July there was a default in the payment while Deccan there was enough news in the market about liquidity stress on the company and the amount of debt the company had outstanding. Accordingly we interacted thoroughly with the company as well as other lenders to assess the situation and strengthen our collateral package. As a part of that we have obviously registered mortgage where possible and promoters have made some payment and had transferred certain properties owned by the promoters in their personal capacity. I think the combination of all those actions, the principal outstanding now stands reduced.

Ravi Mittal: And the rest has been recovered?

Kanchan Jain: Rest has been recovered, as on September while it wasn't 90 days we still classified the account as an NPA in the situation and we have taken a provision of 10% in the account. We are still secured by shares, some additional

properties and some additional collateral that was taken while we were discussing with the promoter. Legal action has been initiated and through a combination of legal action as well as discussions with the promoters, we will look to resolve this account over the course of the year.

Shachindra Nath: As a matter of caution, so that people know, we don't intend and we don't normally comment on specific account and our exposures in our NBFC, because they are client confidentiality requirements and also we don't intend to make this is the practice to comment about specific accounts, because we report a gross number. Deccan Chronicle being a specific case widely reported and because it impacts the broader industry per se, we answered the specific questions with respect to Deccan Chronicle, but you should not presume that we would answer questions with respect to any of our specific accounts.

Moderator: Thank you. The next question is from Chandan Gehlot from Deutsche Asset Management, please go ahead.

Chandan Gehlot: Just wanted to get some sense on the disbursements numbers as you mentioned in your opening remarks that the disbursements has slowed down but going forward what kind of disbursements growth we can see I mean is it going to be seen a flat year FY13 in terms of disbursement growth and probably when we can resume to back to our normal growth?

Kavi Arora: The average disbursements over the last 8 to 9 quarters have been in the range about 1400 to 1500 crores and in the last quarter we have disbursed 753 crores. You are seeing some rebalancing of assets which means the disbursements will happen from re-balancing of the assets that we are doing in our other books.

Chandan Gehlot: Sir when you are saying rebalancing in the sense of?

Kavi Arora: Rebalancing in the sense of we are bringing certain books down and we are continuing to disburse our loans to SMEs.

Basab Mitra: We will be doing yield optimizations.

Chandan Gehlot: Okay you mean you are selling down one book and at the same time you are increasing the other book asset?

Kavi Arora: That is right and it has two components to it and as my colleague Basab just mentioned, it is one making yield better which we are replacing assets with the lower yield with the assets you know that we are acquiring at a better yield. So that's one and the other is core and non-core assets, as in our key driver for growth from future are the SME assets and we will continue to do that while some of the other asset categories which are non-core to our strategy we will revalue.

Chandan Gehlot: Okay and another thing just wanted to get in some more sense, are we reducing the disbursement is more because of the environment challenge or it's a combination of some balance sheet management and combination of macro factors?

Kavi Arora: I think this is always combination of factors that goes in. One of the key cornerstones of these actions right now is that the macro environment is little bit challenging as I just mentioned that we have taken the new customer acquisitions from credit perspective to at least couple of notches higher and we will continue to watch the environment as it plays out and then we will come back to look at the disbursement numbers. We continue to have the platform in place, the distribution in place. There is no change that we are making on the ground. As the environment improves and some balance sheet strength on the ALM side that we have been working for last couple of quarters starts showing results, we will obviously be back and look at disbursements in the same number as 1500 odd crores per quarter.

Chandan Gehlot: Okay and another thing which I want to know about the asset quality, quarter-on-quarter it is more or less flat, so just wanted to get a sense I mean are you seeing some more pressure in coming feature or are you seeing this is the peak and from here we can some improvements?

Kavi Arora: I think from overall maturity perspective we have some way to go before we book matures fully. 56% of our book is loan against property, which is long term 10 years loans at the time of origination and thus there will be some more time before we can say the book is now at its fully maturity and would be stable at that level, so you will see you know minor increase from here on and after while it will then be flat and stable after that. And that's just to do a simple back of the envelope calculations of how the assets are maturing and how they have been acquired. I just mention that we have been acquiring 1500 crores per quarter for last 7 to 8 quarters.

Chandan Gehlot: And lastly I just wanted to get a sense on the utilization of the money which you have received recently from IFC, so can you just broadly tell us I mean?

Shachindra Nath: We have not yet allocated fully so we have to obviously look at the final allocation actually. To give you a broad guidance, this money would be utilized towards investment into some of our subsidiaries. Some of these would go towards deleveraging in the subsidiaries for their equity need they have taken debt, so that debt could be repaid and equity would be infused in the subsidiaries and the balance money would be used for the normal organic growth in development of our subsidiaries' businesses.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Shachindra Nath for closing comments.

Shachindra Nath: Thank you for attending this call. If you have any more queries, please feel free to contact Kishore, our Head of Investor Relations – he will be happy to be of assistance. Have a great day ahead.

Moderator: Thank you gentlemen of the management. On the behalf of Religare Enterprises Ltd. that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

Note: This transcript has been edited to improve readability