L&T Finance Holdings

Q2 FY21 Earnings Call Transcript

October 23, 2020

Moderator:

Ladies and gentlemen, good day, and welcome to L&T Finance Holdings Q2 FY21 Earnings Conference Call. We have with us today, Mr. Dinanath Dubhashi – Managing Director and CEO and other members of the senior management team.

Before we proceed, as a standard disclaimer, some of the statements made on today's call may be forward-looking in nature, and a note to that effect is provided in the Q2 results presentation sent out to all earlier. I would now invite Mr. Dinanath Dubhashi to share his thoughts on the company's performance and the strategy of the company going forward. Thank you, and over to you, Sir.

Dinanath Dubhashi:

Thank you. A very good morning to all of you. Thank you for joining this call, and my compliments to all of you for the ongoing festive season, which is hopefully bringing on some good news in all the gloom and doom which presided before. We are happy that we had sort of predicted that this festive season will be good, and that's what is actually playing out on the ground. We're quite happy with that. But before starting with the call, I want to say a special thank you actually to the people who are not on the call, and that is my ~22,000 employees. These are people who don't understand important but complicated financials like profit after tax, ROE, credit cost, stage 1, stage 2, they don't understand all that. They only understand going out there and doing business and they understand going out there and doing collections, they understand giving good service to the customer if they are in the branches or in head office. And while it is normally their job to do this, why am I thanking them on an analyst call, is very clearly this time they have gone beyond the normal call of duty. I'm very grateful that each one of them has literally put their lives at risk. Going out there, meeting people, getting the collections, convincing people to get finance from us. For us, for management, sitting here and calculating all ratios, calculating all deliverables like what is moratorium, what is collection efficiency, these are mere numbers. But if you go beyond any collection efficiency number, a large part of it will be a personal meeting which would have happened between my team member and the customers to collect that money. And that has put people’s lives at risk at times like that. So just would like to put there a thank you for their sheer grit, resilience, adaptability that they have put to show these kind of numbers that we have been able to give.

We can have opinions about the PAT, credit cost, stage 1 and stage 2, etc. The important thing is business is done by business fundamentals, which is the speed with which sales are recovering, the speed with which collections are recovering and I would like to talk about that first because that is the biggest positive coming out of these results, and I would genuinely like to talk about that.

A few lessons that we have seen:

1. Anything that you have started preparing for during COVID or during the lockdown will never help and would have not have helped anybody, it is only because the business fundamentals were strong right from the beginning. A few things like tremendous concentration on data analytics, tremendous concentration on dealer relationships, and tremendous concentration on managing ALMs well - these are the reasons why I would think that not only we have been able to manage the lockdown, manage COVID, but today coming out with business fundamentals doing extremely, extremely well. And that's something I would take as the first lesson, that always do the right things and do things right, irrespective of how the environment is. And that's what I think has been one of the biggest learnings.

2. The second learning is that we have chosen our sectors of concentration well. If we take a few steps back, in fact, a few years back, you would see that whenever the country's economy has been in problem, the first sector always to lead the recovery has been the rural sector and this time too, it has not been an exception. Again, it is the rural sector that is very clearly leading the economy. During the results at the end of last quarter, I had talked about green shoots in the rural economy. Today, those green shoots have developed into a nice healthy plant and our leadership positions, strengthening positions in the rural sector are actually tremendously helping us, actually getting out of any problems that were there during the lockdown. So these are, I would think, the key messages that we'd like to talk before coming to the results or to the presentation.

Now the results are very interesting. Last time I spoke about month-on-month improvements between April, May, and June. This time, it is not only month-on-month improvement, but even quarter-on-quarter improvement and in some cases, even year-on-year improvements. So, if you take all these ratios, you will see tremendous impetus coming month-on-month surely, quarter-on-quarter surely, but in some cases, even year-on-year, i.e. is Q2 FY21 upon Q2 FY20 that impetus is there. I mean if you are looking at a sort of turnaround or are we coming out of the woods, these are early indicators. We had not thought that in any parameter, we will actually show an improvement over last year. We are actually showing that. I will highlight some of them as we go ahead. We have tried to cover the maximum in the presentation, give as many numbers as possible in the presentation so that you get that feeling.

But if I have to put 3 big messages of this result, and why we believe that not only that Q2 is our good set of numbers, but more importantly, what makes us confident of Q3, Q4 being better? And what makes us tremendously confident of FY22 being an excellent year for us. And that truly, we can put FY21 back as ok - normally, cycles are once in 5 years, it happens. This was much more than a cycle, a nightmare. But it looks like we are getting out with the nightmare and very cheerfully, hopefully saying good morning. And what are the 3 things which make us confident of that is:

1) Resilient balance sheet

   What are the signs of a resilient balance sheet? One is GS3 has continuously reduced. And for both GS3 and NS3, we have reached at the lowest ever level. NS3, we are at some 1.69%. This is lowest ever number. Now here, it is important to understand that, of course, a large part of this reduction is because for 6 months DPD has not moved and most definitely, these numbers will go up in Q3 and Q4. There is no doubt about that. I mean, they're not going to keep coming down as billings have started. We had only 1 month of billing in the moratorium accounts. All other accounts it was working, but in moratorium accounts only 1 month of billing and that is obviously some NPAs are going to increase as we go ahead. So there comes the important point – are we well prepared for that? And that's the journey that we have started in Q4 and we have continued going ahead. PCR, we have kept at around 69%. So that protects us well and then kept making additional provisions. This quarter, we have made 512 crores of additional provisions, taking our total additional provisions on standard book to around 1,750 crores. Now this is additional, more than the normal standard provisions that we make. If you take the normal standard provisions also in this, then it is close to 2.4%, about 2,200 crores, which makes our stage 1 and stage 2 provisions quite strong as we go ahead. Why is it necessary? Are we being prepared for the worst? Yes, perhaps we are being prepared for the worst. Does that mean we are expecting all this to become NPAs? Most definitely not.

I will just give you an example. In Micro Loans collection efficiency for September has reached 90%. Till 22nd of October, the collection efficiency is well on the way of being more than that. But even out of people who have not paid in September, close to 37% have paid in October. But yes, certainly, as an example, in Micro Loans, there have been certain breaks in habits. People who were paying at 99.5% to 99.8% today have some issues, three kinds of issues. One is loss of livelihood; second is break of habit; and third is because of some political interventions etc. they're becoming toxic delinquent. Here as month goes, we will come to know more and more as to what the percentage of each is. As you know, we do lots of data analytics for this. But the ball is in play, and we will know how these people behave as we go ahead and hence, we believe that we should be totally prepared. And what we have done is, against the collection efficiency of 90%, we have made 9.2% provisions on the standard Micro Loans portfolio. That would mean that worst-case scenario moratorium-related issues, we would have provided for. The future provisions will depend on how things develop in Q3 / Q4. Generally speaking, across portfolios, we have tried to do that. Even in Housing, we have built about 518 crores now of incremental provisions on standard book, about 2%. So that's the first part.

2) Liability

The second part is the liability side. Now as you would know, the entire lexicon of NBFC's was about liquidity. Liquidity, cost of liquidity, excess liquidity, negative carry - these were the words that were always talked about till the first quarter. Our current presentation also has that. But the clear message is that amount of liquidity we keep on the balance sheet is a subject of mean liquidity available, also the standard deviation of liquidity available. And now if you see the dependability of liquidity available, especially to top notch NBFCs, thankfully we are a part of that sector of about 10 or so NBFCs. Liquidity and availability of liquidity has stopped being the concern. I think we can call curtains to that and we can now say that from Q3 onwards the concentration will be on reducing to the minimum, the negative carry to whatever model defines and tells us and also reducing cost of funds. And that's how we look at Q3/Q4 very optimistically. Our NIMs plus fees, which have already come back to just at the bottom of our guided number of 6.5%, will surely improve from here as we go ahead. So that's the second message.

3) Market

Third message is about the market. Two sectors which have definitely picked up is Farm and Infrastructure especially in renewables. And very clearly, the company is very well placed to take advantage of that. I will talk more about how we got No.1 position etc. I didn't talk about it in Q1 because it was only a June phenomenon. But now for 4 months continuously, we are No.1 in the market and in fact, in the month of September, in the overall Rural business together, we have done our best ever September disbursements. That is now a change in language. You would see in Q1, I was hardly talking about disbursements at all. But we have started talking about disbursements now. We are very keen on picking up the disbursements as we go ahead. In Renewables also, we have been able to do close to 3,000 crores of disbursements. We have said that we are not going to put too much balance sheet on it. So what does it mean? It means that our sell down has been good. It is, again, the best ever quarterly sell down. Now this is not only our mood, but this shows that the market mood is changing. Sell down has been at the minimum, in 3 digits over the last few quarters and

I'm not saying a 4,000 crore sell down is sustainable, but it shows the coming back of demand. So very clearly, the Troika of what is required for good performance of NBFC 1) good liquidity and hence definite possibility of cost of funds going down further 2) a well-provided balance sheet - does that mean that no provisions are needed after that? Of course not. But it gives us the confidence that we are well provided with a strong balance sheet 3) Well placed to take advantage of the pickup in some of the businesses, is what the major message in these results are going to be.

This time, I'm going to talk a little bit more about each of the industries. Hopefully, it will answer some of your questions.

1) Rural

Here, I'm talking about the industry and then I will talk about ourselves, how we are taking advantage of it. Now rural - it has become a part of everybody's commentary as to how rural is taking forward and how rural is going to save the country and things like that. The message we want to give is that while monsoon is a very important part and a good monsoon is a very important part of this rural pickup, why do we believe that actually many of these things are structural, right? And why this being structurally is important, is that a bad monsoon will come. I mean once in 3/4 years a bad monsoon comes. And today's Indian farmer as a whole has the resilience to take at least one bad monsoon, the answer to that is Yes. I'm not only talking about this year. I'm talking about how Indian agriculture has changed structurally. What are the seasonal factors? Monsoon - excellent across, you will see 9% above normal rainfall in almost 85% of the country.

Sentiment because of that remaining very strong. Reservoir levels - not only the reservoir levels at end of monsoon, if I can call it end of monsoon, is at 88%. But this year, the more important fact is at the beginning of the monsoon, the reservoir levels were at 40%. And that, genuinely establishes sentiment. Because of that, the Kharif sowing has been 5% above normal. I mean 5% is huge in India and which actually indicates a bumper Kharif crop. Lots of issues about harvesting, reaching the mandi etc. which were the doubts for the Rabi crop; the Governments, local bodies have solved it. So we don't see any problems there coming in for the Kharif crop. So we genuinely expect this year the farmer to have much more money in hands.

In a very ironic way, the lockdown has also helped because normally the first marriage season, which is Apr - May and probably the second marriage season, Nov - Dec, it is not going to be possible to spend too much money in weddings, marriages etc. And generally speaking, the wealth in the hands of the Indian farmer is more. Now the structural things, it's not party political. But still, direct benefit transfer, affordable housing, Jal Jeevan, Aayushman Bharat, toilets, hospital facilities - these things have improved drastically, and whoever I have met one-to-one amongst you have always been saying that when the farmer gets extra money, the proportion of that now going to these absolute necessities is structurally reducing because these necessities are available to the Indian farmer now in a more dependable manner and are either free or cheap, right? And that's why discretionary spending of the farmer is changing, and that's why our analytics teams are absolutely confident. We were confident enough about 4/5 months back to call a turnaround in agriculture, and we are happy that's what is happening.

Tractor sales, as you would have seen, in Q2, are 41% above Q2 last year and most definitely, it looks like a good festive season coming as well. In 2W, the story is a little mixed. But if you take motorcycles, which is understood to be mainly dependent on rural demand, and especially if you take September, you can see the major pickup in demand. September Y-o-Y numbers are 17% up. So very clearly, all indicators moving towards a good rural demand. And even on the collection side, the collection efficiency of industry, and let us say, the microfinance industry because these are numbers that are given. Many times, you don't know the numerator, denominator etc.

But let us take those numbers. They have constantly improved from June, July, August, now to about 80%. So generally speaking, whichever parameters you say, and in microfinance, of course, there are nuances, but those nuances are same for June, July and August. So whatever the nuances, these numbers, industry numbers are continuously improving. That's the message that we want to put.

Now vis-à-vis that, how is our performance. And that's something that I would now like to talk about for Rural. So just in Rural, if you see, if you take Farm, as I said, we have gained market share. We are No.1 in Farm Equipment finance, and these are very clearly based on our criteria - not loosening LTV, not reducing interest rate, going for our target customers, our counter. But this is where the data analytics has come to the fore, with data analytics very clearly showing us based on collections, based on portfolio quality, which are the counters we want to go back and go for, and that is where we have gone. This time, we have given data like what is the monthly disbursements we have done. And very clearly, we believe that at least for some time the No.1 position that we have got in this is sustainable and we are taking full advantage of the situation.

The second is the Two wheelers, we are doing well again. The disbursements are up close to 16% Y-o-Y in September and moving forward.

Micro loans, of course, it remains negative Y-o-Y, a big improvement over Q1 because Q1, we hardly did anything. Q2, we have done close to about 1,400 crores, which is about 50% of what we did last quarter. And what that shows is there is a big upside here, which can come in Q3. In Q3, as we are getting more confidence as the data analytics is throwing up that we can do more business in certain areas, we can definitely push there.

So that's as far as business is concerned for Rural.

As far as collections are concerned, it has been a really good story. In fact, the Rural book has increased Y-o-Y by about 7% despite very strong disbursements, especially because there were even stronger collections. And I'm not cribbing about it. I'm quite happy that collections are so strong. If you take product by product, collections have improved drastically. In fact, in Farm, they are back to pre-COVID levels. We are back at collection efficiency, on-time collection efficiency of 89%, which is absolute pre-COVID levels collection efficiency. Two wheelers, yes, collection efficiency has improved drastically but it is not back to pre-COVID level. And we are hoping that since it is improving, we will reach there. Two-wheelers have one issue that is, cheque bounces are not back to the pre-COVID level at all. Yes, they are falling month-on-month, but they are still at a raised level compared to pre-COVID. What it means is our collection team has to spend more effort, money etc. to collect. So be it, but we are maintaining overall collection efficiency and the GS3 well. Micro Loans, I talked about from the CE numbers in July, August, which were between 65% to 70%. The collection efficiency has now improved to around 90%. And we are quite hopeful that it will be continuously improving. One number I have given is 37% customers who have not paid in September have actually till now already paid in October. So it is continuously improving. We are strengthening our collection structure to handle flow-forwards for zero DPD. This is a very, I would say, a very rhythm business, right? This business, 99.8% of the customers are supposed to pay on the day due and hence, the collection machinery is based on that. This machinery finds it difficult to understand how the customer is 8 days, 10 days, 12 days delayed. So you have to change the character of the collection machinery which we are doing. And we believe that from now on, it is only going to improve. And also the collections. And as I have said earlier, we are already carrying provisions of close to 9.2% there. So generally speaking, I would think that Farm - all good news; Two wheelers - recovered well; Micro Loans - recovering well, and we are well prepared for that. So what this has led to is a book growth of close to 19% in Farm and close to 12% in Two wheelers. And there is a small drop of 5% in Micro Loans, which we hope that it will turn around as we go ahead. So that's as far as rural is concerned.

2) Infrastructure

This industry is so much maligned industry. Let me remind you that where we are is largely in renewable energy and road refinance. And let us talk about those parameters. So if you take new auctions, in these 9 months, they are more than 2x that of the entire calendar year of 2019. State liquidity has been helped by the liquidity packages given by the Government. Pickup in energy demand is excellent. In fact, it is higher, especially in the renewable energy, which have been given the 'Must Run' status. It is actually higher than the pre-COVID levels. So any parameter you take, you take NHAI awards, you take toll collections, they are back to levels which where we are seeing pre-COVID. And when we talk about our collections, I will talk about that a little bit.

So what we have done here in disbursements, is very strong reaching almost Q2 FY20 level. But here, a very important number is that of sell down. So you would see for the last 4 quarters, actually, the sell down - 3 quarters, it has been around 500 crores. Even Q2 FY20, it was about 1,700 crores. We managed to do Rs. 4,000 crores of sell down in this quarter. I can tell you today that this kind of number is not sustainable. I look at it as a bounce back of demand and close to between Rs. 1,500 to Rs. 2,500 crores of sell down is what we are quite confident of doing every quarter, which will enable us to do good amount of business. Now as far as collections is concerned here, there are some even better numbers - in terms of power generation, in terms of special liquidity window available and, of course, in terms of the DSRA available with us, I had always said that we are well covered in this and practically all our Infra accounts are at 0 DPD. We maintain that from FY12, there is no addition to GS3 in this business. An interesting number is of toll collections, annuities were anyways on, but even toll collections in September, they're 8% higher than pre-COVID months. And this is something which makes us quite happy and quite gung-ho about the future.

3) Housing

This is where we believe that the pickup is slowest, though some very early green shoots but very early. The players in this industry are largely builders, individuals and not large corporates and hence more vulnerable. So obviously, this industry is going to take that much more time to come out of the issues. So most certainly, right now, the call we have taken is even though we are seeing green shoots, at least for FY21, we may not be doing any new underwritings here. Entire concentration will be on completing our projects and making sure that there are no accidents in this portfolio. There are a few things which are making us cautiously optimistic about this sector. One is increase in absorption of number of units in this quarter compared to the last quarter. Also new launches, and new launches this time in the right kind. I mean nobody is launching the 3 crores, 4 crores, 5 crores, 10 crores flats any more. It is all in middle income, lower income, which has government schemes, that kind of launches are happening. And even those are substantially up than Q1. But yes, definitely, again, to catch pre-COVID numbers, there is a long way to go. That is why I'm calling it early turnaround. Some of the measures which are done by RBI (the interest rates on home loans), stamp duty cuts in a state like Maharashtra, some other states also considering it. If you take our disbursements on this, there is no big news here, except for saying that our targeted segment, which is salaried home loans, we have done decently well. Our home loan book is up by 11% and within that, the salaried home loans book is up by 22%. What is down is LAP and obviously, what is down is real estate since we are doing no new business.

Now the important part here is the collections part, what are the positives that I'm seeing in my real estate portfolio, especially. Home loans, a very good reduction in debtors, generally, we don't see huge issues there. There is nothing that is out of the ordinary. But Real Estate, we have to be very careful. So our focus, always has been on Cat A and there we see good resumption of activity. So obviously, all the projects that we are in, the construction activity has started. Even the sales in our portfolio are actually back to close to 70%-75% of pre-COVID levels. I'm talking about purely of our portfolio. Still a long way to go. Industry sales as such are just back to about 50%, long way to go. As I said very early, I don't want to sound extremely optimistic about this sector. The one thing I say that the confidence that we have in our portfolio is reasonably good and as I said, our try always is that our projects are completed on time and there are no issues there. What are some of the indicators of that? Number one, our escrow collections in September are back to pre-COVID levels and that is earlier than what we thought. The escrow collections were 30%-40% in June, in July 53%, August 65% and September at 100% of pre-COVID levels. I don't know whether it's a one-off, I don't know how sustainable. We will have to see, it's ball in play. But the number I would like to give more importantly is that of the projects which were in moratorium, 75% of that, we are actually getting prepayments. Small absolute numbers, but we are actually getting prepayments. And this is something which is making us quite optimistic.

4) Mutual Fund

Good growth in AUM, good growth in equity AUM, the sector of course has net negative sales. But luckily, the market has done well. Our strategies have done well. Our funds have moved back to quartile 1, quartile 2 and that portends well for the AUMs there. This business, as usual contributes Rs 50 - 55 crores PAT per quarter to the overall profit. And given the total PAT of 265 crores this quarter after all the provisions, extremely good contribution from mutual fund also.

So that largely covers the way we have been managing sales, collections. Both of that is making us very optimistic for Q3 and Q4. I will not be doing justice to my Treasury, if I don't talk about the cost of funds reduction. 17 bps cost of funds reduction over last quarter and close to 30 bps cost of fund reduction over the last year and this is despite over last year, the reduction of commercial paper percentage. As we go ahead, we will surely reduce the tremendous excess liquidity that we have been maintaining as we are getting very sure of liquidity coming. That as well as reduction in cost of funds will give a further flip to NIMs + Fees. Now NIMs plus fees is a parameter that we talk about always. It has reached 6.49%. Q1, as you know, this number was disastrous, it was some 5.7%, where we talk about a range of 6.5% to 7%. We have now reached close to 6.5%. And, as early as Q3, we believe we will be ahead of this.

There is one thing that I would like to highlight here, that considering the current Supreme Court case that is going on, we have actually derecognized the interest-on-interest on loans less than 2 crores. This amount is Rs. 83 crores, and based on that, if the case comes in a way that government reimburses, that's a upside that we have. But showing our normal conservatism, we have taken the step of derecognizing interest on interest on all loans below 2 cores. So that's what we have done.

Operating cost is a good reduction over last year. If we normalize it for one-off GST, operating cost is down by close to 8% over last year. Over last quarter, there is actually an increase of Rs. 35 crores, but this is very interesting because this increase of Rs. 35 crores actually has a decrease in fixed cost of Rs. 17 crores and an increase of Rs. 52 crores in business related cost. These are costs for more incentives, more collection charge - these are the variable costs, contributing even more to increase in bottom-line.

I have talked already about the additional provisions we have taken, which we believe makes us fairly strong and after that, the PAT that we have reported is Rs. 265 crores. If we adjust the PAT for this additional provision, this number is just arithmetic, I don't think you should take this number seriously, but then the PAT is ~Rs. 600 crores, just to show the run rate, and the ROE is close to 15.6%. The extra provisions we have made, perhaps a part of it at least, will become real provisions in Q3, Q4. So I don't want to treat all that as just profit to be adjusted. But it's just a number, which I'm putting in front of you. With that, I'm ending my opening remarks.

Once again, on the important question that you may have that - is the worst over for the industry and are we out of the woods? I would think that the answer is mixed, in some industries that we are in like Farm, even perhaps Two wheelers, Infra, I believe the worst is over. In industries like Micro Loans, I would think good signs but ball in play. We'll have to study more, provide well and play out of our skins for collections. Real Estate is the last – that's still some time to the dawn, and we have to be completely prepared for that. Again, there, we have made provisions and concentration is on project management and collections there. So that would be the synopsis of where I see each of the industry. We have put our strategy on disbursements, our collection strategy in our presentation, based on that where are we concentrating? How we are concentrating? How we have defined this industry?

Just to summarize, I will say 3 things. On slide 15 of the presentation, we have actually classified it the way I talked about. In conclusion, I will only say upsides coming from - good business potential in our areas, coming from reduction in cost of liquidity and protection of downside coming from - good provisions made and good collection performance, makes us very optimistic as we step confidently into the festive season. Thanks, all of you. God bless you. I am open for questions.

Moderator:
Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Alpesh Mehta from Motilal Oswal Securities. Please go ahead.

Alpesh Mehta:
Hi Sir, good morning. Congrats on the good set of numbers. Sir, I have 3 questions. First is on your Farm product, how do you see the competitive intensity into this particular product because I believe that some of the captives were facing certain issues, at least in the last 6 months, maybe from a liquidity perspective. So that would have helped you to gain some market share. And how are the OEMs behaving as far as the subventions are concerned in this particular segment, especially Tractors and Two wheelers? That's the first question. Second question, if you can give some data points related to what percentage of your customers from product-wise, right, have not paid at least 1 EMI in the last 6 months? And how do you relate that with the provision that you had done into that particular category? And lastly, on the borrowings front, you have briefly touched upon that. But now looking at the current market situation, it feels that it's a good time to increase the share of CPs to some extent, considering your portfolio mix as well. So are you open to increasing the share of CPs in the overall borrowing? And what was the marginal cost of borrowing for the second quarter? And how do you see that for the full year now? These are my 3 questions.

Dinanath Dubhashi:

Okay. I will answer many of these in spirit, okay? Your first question is about Farm. Very good question. I wonder how to answer it without taking names of competitors because that's what I don't like to do. But the first assumption that people faced liquidity constraints. Who are in the top 5? It is us, Kotak, HDFC Bank, Cholamandalam and Mahindra, I wonder liquidity constraints anywhere, right? How there will be liquidity constraints? Yes, I think one of the players perhaps they've have had some other issues regarding portfolio quality etc. The important part what you have to understand that it is not necessary that particular player, we have gone and taken their share because the type of business they do is different. It is not good or bad. It's a very different segment than what we do. Our segment will be little larger farmers, much lower LTV, higher margin, lower yields, that kind of segment. Right now, our market share is 15%, right? So it's not as if our market share has suddenly gone through the roof. From 14% it has increased to ~15%, it has not gone up to some 20%. So, it's not so much that we are gaining market share, it is just that, some people are definitely dropping off, which is obvious. But also, we are riding the industry growth, getting the good type of customers and capturing the right counter. And that has always been our strategy. These nos doesn’t mean anything, but what actually means is that we have been able to do good business and the industry is picking up. And most important is that the collections are back. That is fantastic and that portends well for the entire industry. And this industry definitely needed that fillip. So, it’s not that if somebody else's collection efficiency is not good, I will be happy. No, it's not that. I think the industry needs to expand, tractor market needs to come back. And it is very important that all of us have good collection efficiency and all of us do our type of business because this is the time rural economy is coming up, farmer needs credit and we should all be there. If that answers your question.

Alpesh Mehta:
Just related to this, assuming that there is a large captive financier, obviously, in India earlier quarter pre-COVID he must be doing some other OEMs as well. At least in this quarter, the focus would be more towards the parent and sales rather than doing the other OEMs. So is there a possibility that we would have gained more market share in the other areas?

Dinanath Dubhashi:
Unfair question to ask me on a call, no? It's better that you ask them what business are they doing or not doing.

Alpesh Mehta:
I was just trying to check what is....

Dinanath Dubhashi:
We know the answer and you as well know it but there are tremendous relationships and good relationships in the industry and I won't like to be speaking anything bad like this. Let us put it this way, every company goes through a phase which defines their strategy for that particular time. We had a phase where we were disbursing only Retail and not doing any Infrastructure finance business. Does that mean we were giving up on Infra or becoming weak on Infra? Nothing like that. So, I will give you the answer which relates to me. If I start to become happy that the previous No.1 is no longer there in that non-OEM market, I mean they can come back anytime. I have to strengthen my fortress once having captured it, that’s my try should be. I should not become complacent that any player has emptied some part of the market. I should move in, take advantage of that and then fortify myself, so that should be my try. That's what I can say.

Alpesh Mehta:
Second question was related to what percentage of the customers have not paid one EMI?

Dinanath Dubhashi:
There are some indicators, Anuj will give you later. Obviously, we are not giving this kind of product-wise numbers. Otherwise, we would have put it in the presentation. We have already given so many numbers in the presentation. I will just give you one example. Micro Loans, for example, it would be about 8% that have not paid a single EMI from April in this year

till September. And out of that, close to 40% (exact no is 37% have actually paid till 23rd of October). At the same time, there is a small number, now this perhaps, I don't think anybody appreciates that there is a small number, which paid in August but didn't pay in September. There is also a small number which paid in September but didn't pay in October. So neither we should declare victory or declare doom on month-on-month numbers. The main point to understand in Micro Loans business is that, this was for every player a customer, every month or every week, whoever has weekly product will pay a fixed amount on that day. That is this business model. And this business is now grappling with numbers like 8%, 9% etc. who are paying late, right? The best of companies. For some companies, this number is as high as 20% but are paying late. And the important thing is, it is just 1 month, It is just September, right? Important thing is how we adjust to this new phenomenon? How we manage our team, manage our analytics to make sure where to concentrate collections? And how to get this back to normal as soon as possible. And also on the other hand, keeping the balance sheet ready. That, if it doesn't come back, if a part of this portfolio goes bad, then what do I do and how do I provide. So it will always be a two-pronged strategy of collection efforts and analytics on one side and provision on other side. I gave you one number, which is the number for Micro Loans. It's about 8% customers who would not have paid 1 EMI in the last 6 months as on 30th September.

Alpesh Mehta:
And lastly, on the borrowing side.

Dinanath Dubhashi:
On borrowing side, Q1 and Q2 are the lowest level of CPs. We will slowly take it up. I mean, it won't go to numbers like 16% and all, which were pre-ILFS, but it will definitely get into double digits.

Alpesh Mehta:
And, what would be the marginal cost of funds for the second quarter? Because I believe a large part of those funding that you raised was the long-term. So marginal cost of fund for the second quarter itself.

Dinanath Dubhashi:

Okay. So long-term marginal cost was about 7.5%.

Moderator:
Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah:
Just on the real estate side, last time we had said that 10% to 12% is somewhere, maybe we can expect some kind of DCCO extension. So would it be fair to assume that, that could be the number which can get actually restructured in some way or the other? Or maybe it is lower or higher than that say particularly on the real estate side that will be useful.

Dinanath Dubhashi:
Okay. So DCCO is different than this onetime restructuring. But yes, DCCO will be maybe a little lower than that, maybe in single digits, but not too much lower than that, about 8% to 9% maybe. It is still ball in play. We have done a few. It won't be more than 10%. And onetime restructuring is something that I can confirm, nobody asked that question, at this point of time, we have zero across balance sheet. We have not done any. We are strictly discouraging that. We will take calls in this quarter if we are absolutely convinced of something in Retail. We will definitely not do Micro Loans or something like that. I mean we would prefer to call them GS3 and write them off. And Farm is anyways not eligible. So we will see some Home

Loans etc. possibly. And project loans, we will do only if forced because of this 25%, 75% multiple banking. Luckily, RBI has now kept Real Estate out of it. So, we are not too keen on doing any onetime restructuring definitely. And at this point of time, I can confirm not only on 30th September but on 23rd of October, the number is 0.00%.

Moderator:

Thank you. Next question is from the line of Subrat Dwibedy from SBI Insurance. Please go ahead.

Subrat Dwibedy:

On the segment-wise overdue side, if you could give some colour. So let's say, for Rural, Housing and Infrastructure finance, each of the segments, what was the zero plus DPD as on September versus September of last year?

Dinanath Dubhashi:

So okay, I will give you for this September. And I will give you total retail at this point of time. I've given lots of indications, right, in collection efficiency also. So stage 1 of retail is about 95% of the total book and which is provided close to 3% provision already, 3.1% on that. Stage 2 is close to 2% of the total book and which is provided about 39%. Does that answer your question? The remaining 3% is obviously stage 3, which is provided close to 80%. This is Rural plus retail Housing.

Subrat Dwibedy:

Sure, sir. So we see recovery happening in these sectors, Rural, retail Housing etc. But on the Wholesale side, you mentioned in Infra, you have 0 DPD even now.

Dinanath Dubhashi:

And Real Estate, I mentioned that there are prepayments coming. So I had already confirmed last time and that confirmation is valid that both the wholesale businesses, I have got enough cash in the DSRA right now to make sure that there is no incremental stage 3 coming in this year from the moratorium point of view. We don't expect any accidents to happen this year. In fact, the collections, I would say, if you take collections over billing in Real Estate, in September, that has already reached 113%. So we have collected 13% more than billings of September in Real Estate. So for DPD reason, we may not see any issues in the wholesale portfolio. And wholesale anyway, collection efficiencies and all are numbers which are perhaps not important. It is billing versus collections every month. And the only thing which is important is 0 DPD on that. And that's what I'm speaking of. So that's why largely we are talking about retail, which are rhythm businesses.

Subrat Dwibedy:

Right. Sir, you clarified that you would strongly discourage restructuring. But have any real estate developers etc. approached you for restructuring? And how do you process it operationally?

Dinanath Dubhashi:

1 or 2, as I told you, a few we have done the DCCO extension. The DCCO extension is very clearly where we believe that it is not the developer's fault necessarily. It is lack of demand or more importantly, delay of permissions. There about, I would think, 6 or 7 projects we have done DCCO extension. So beyond that, I think may be, 1 or 2 developers have approached us, and we are being very discouraging. That doesn't mean we will not do till December, but overall, it will not go beyond the number that I had indicated because as management direction, I don't want to do it.

Subrat Dwibedy:

Sir, what was the number you had indicated for restructuring?

Dinanath Dubhashi:

Kunal spoke about it that it will overall DCCO and all together is 10% - 12% is what I had indicated last time. This time, it will be even lower than that. It will be in single digits. That is Real Estate. In Infra, it's 0, nothing.

Subrat Dwibedy:

Got it. And sir, one last question. Gross Stage 3 for Housing portfolio has actually slightly increased absolute value wise in Q2 despite the Supreme Court ruling that NPAs can't be recognized after 31st August. So what exactly has happened there?

Dinanath Dubhashi:

Supreme Court ruling is for NPA, not GS3. GS3 is a state of mind. NPA is what is reported. So in what we report to RBI, report to credit bureaus, we are not supposed to report, obviously. But GS3 is what the management believes. And hence, that is the maximum number. So we not being a bank, I don't have to declare 2 numbers, GS3 and NPA because GS3 is the higher number anyway.

Moderator:

Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah:

On renewable side, Rs. 2,500 crores of disbursement. If you can just throw some light in terms of is there any concentration out there? How many projects? And is it more kind of sustainable trend? Or should we expect it or there was some change in focus for infra.

Dinanath Dubhashi:

So these kind of details, some color on those, Anuj will give you later. As far as sustainability is concerned, in Infra, we have always had more business to do than what we want to do. So this time, we were able to push it so much because of the strong collections. Remember, strategically, we want to keep that book in containment so that our retailisation grows. So it has always been not lack of business to do. I can state very confidently, any renewable project in the country, if we want to do it we will do it. Our balance sheet, how much we can give, that is the constant part. So we have to see industry, how many new projects are coming, how many new auctions are declared, that is better indicator of the sustainability. We believe it is sustainable. Now Rs. 2500 crores we will do, that we don't know. That will depend on how much we want to do quarter-on-quarter.

Kunal Shah:

And just one question on the collection side. If you can highlight what has been the collection efficiency in LAP and Home Loan?

Dinanath Dubhashi:

So once again, because retail Home Loans, going and collecting was still a problem till August, but being urban, going and collecting was difficult. September onwards that has really started. But the kind of debtor reduction that we have done has been extremely good. I would term the bounce rates that I can give as one of the indicators rates. It's an important indicator.

Pre-COVID, the bounce rate in this portfolio was about 16%. In the middle of the problem, it went up to 34%. It is now back in early 20s. It has to, again, come back to 15%-16%. So that we expect should happen in Q3. So again, we don't think that something suddenly will go wrong here. We have got it in good control. We've seen good rhythm. But I will be able to speak more confidently in Q3.

Kunal Shah:
Okay and LAP?

Dinanath Dubhashi:
Same. LAP it is a little more, it being self-employed; the issue is a little worse than Home Loans. But again, the portfolio is very small. The LAP portfolio is ~Rs. 4,000 crores. So again, don't expect any big issues coming out.

Kunal Shah:
Sure. And one last thing in terms of the sell down. Which portfolio, maybe in which segment was the sell down?

Dinanath Dubhashi:
It has been across, mainly roads and renewables.

Kunal Shah:
Mainly roads and renewables. And any fee income?

Dinanath Dubhashi:
Fee income you get when you underwrite not actually when you sell down. So the fee income is shown because you get a particular fee and then your book goes down. That is why the fee-to-book percentage increases. So when you actually sell you don't get a fee.

Moderator:
Thank you. The next question is from the line of Jignesh Shial, Emkay Global. Please go ahead.

Jignesh Shial:
Very good performance this time. Just I want to dissect on the provisioning and all. My question is 2 sides. One, now since COVID is still going on and all and still rural is doing relatively better, but urban gradually should normalize. What's your sense over the growth numbers? I mean I assume that even now our Rural will continue to do well. But even we are seeing Housing is picking up and all. So what's your sense over the full year book numbers would be approximately for FY21? And if you can just give me a bit of a highlight about how we are seeing FY22 would be happening or where the book would be like 33%, 33%, 33% that we were planning it earlier? And which are the portfolios where you see that there would be a little extra numbers would come up.

Dinanath Dubhashi:
Thank you. Very good question. So right now, I don't know how to speak about book growth in this year because normally book growth is a good derivation of disbursement growth. Because you know how much EMI is due and you can easily calculate the book growth based on disbursement. This time, because I'm collecting backlog, the better I do, the better I collect, actually the book growth will come down, and which is a good problem to have. So I'm actually not too fussed about

the book growth this year, right? I mean I actually talk about the 4 metrics. 1) Liquidity, which always comes first whose importance has become a little bit less 2) Profitability 3) Asset quality, and then finally 4) Growth. We will be paying maximum attention to asset quality now. And these are the 4 things of strategy. I believe that these are the 4 stretegic things and the relative importance can go up and down based on the situation. Just about one quarter back, clearly, liquidity was the first. Now definitely, asset quality is the first. Our concentration on collections, provisioning, lots of data analytics to see ECL etc. will be maximum at this point of time. Second is profitability, how we manage our fees, how we manage expenses, how we get productivity will be the second. Liquidity will still, of course, remain there, third. And even now, I'm not letting my team think in terms of balance sheet growth at this point of time. I don't want the team to manage balance sheet growth so much, but manage basic inputs into the business, which is disbursements and collections. So at this point of time, in very short term, very difficult to predict what will be the book growth because if I say book growth 10%, for example, and if I do more collections, it will be 7%. And I should be very happy about it. And it's a funny situation, which is not a normal situation. I will still talk about some indicators. And I will break the overall growth because very simple, my balance sheet is static. Overall balance sheet is -1%, focused balance sheet is 1%, which are, frankly, even in COVID, not good numbers. So let us try and break this up and see where we are going. So Farm equipment book, 19% up despite very strong collection because disbursement is up 60%. And this trend will definitely, we believe, will be strong in Q3 at least, if not Q4. Two wheelers, we are still waiting for the real pickup to come. To be very frank, the Puja holidays pickup is not of the orders that we had expected. And I'm giving very recent trends, I mean Puja holidays are starting today. So we would have expected a complete rush, maybe people are scared of COVID. The pickup is not as much as we had expected. But still, we believe the disbursement growth would be better than -1% in Q3, Q4. So which will increase the book growth as well.

The big upside may actually come from Micro Loans, as more and more collection statistics, our model is very simple, we don't do anything by gut feeling, which is a big liberation that the management has got because as we become more senior, we think that we know more than numbers, which is almost never true. So hopefully, we have programmed ourselves to think only numbers. The numbers didn't encourage us to do business in Micro Loans in Q1. It has encouraged us to do good business in Q2, and they are looking even more encouraging in Q3. Whether I will reach the levels of Q3 last year, I don't know. But it will not be 50% of last year, that I know for sure. It will be a much higher percentage of last year, which will definitely lead to a positive book growth in Micro Loans is what I think at this point of time. If my collection efficiency from 90% becomes 99.8% and because of that the book growth doesn't happen, I will be thrilled.

Home loans, for sure, there will be a book growth, but how much is our home loan book? It is very small. The big one, strategic one, Real Estate, the book will continuously come down at least for say, 1 year from now because next 6 months, surely, we are not doing new underwriting. This is again the same thing, not a strategic call. We are actually concentrating on making sure that each one of our ~114 projects goes well, we finance them well and you see about Rs. 150 – Rs. 180 crores that kind of disbursements every quarter that we are doing, making sure that projects get completed on time, sold on time. There are projects where we have taken over the sales actually. There are projects where L&T Realty-appointed brokers have taken over the sales. So we are not leaving too much to the developers, and we are not at their mercy. We are taking it over and making sure that these projects get completed.

Infra, we will give it some balance sheet, not too much balance sheet as we go ahead.

So overall what would happen with that, will there be positive book growth in FY21 overall? I would think so, but it will be maybe 4-5%. But important are these factors, are the sub books that I talked about, clearly moving towards Retail, clearly moving towards Rural. Infra, very positive, but as a percentage of book may not grow. And Real Estate as a percentage of book will come down. And defocused as a percentage of book, continuously coming down. So that is the way this 3-4% book growth which is possible in FY21 will actually look like and which will turn out to be good on profitability. As far as FY22 is concerned, we believe that our retail book growth will be actually closer to high-teens. And hence, the overall book growth will be hopefully in double digits. Does that answer your question? Right now, this collection focus is not allowing me to talk about book. I don't know whether to be happy about book growth or not because I would like to collect much more and say book growth doesn't matter.

Jignesh Shial:
Understood. That's very well, a pretty good strategy, sir. My second question is, this is something that I discussed with Anuj yesterday and if you can highlight a little bit more on this. But if I see, NIM was anyhow expected as supposed to be seeing an uptick. But even on your rural side, we are seeing a sizable growth in the fee income side as well. So now if I see it, with the disbursement, your fee income is almost equivalent to last year. So I'm sure that apart from the disbursement, there is a cross-sell which has also been happening out here. So if you can throw some more light on this, how this particular fee income, NIMs is anyhow expected to grow with the liquidity being available and even normalizing your negative carry going away. If you can throw some light over how we are trying to ramp up the fee income side, especially on the retail and the rural side, that will be little helpful.

Dinanath Dubhashi:
Thank you. Very strategic question. I must compliment you. So number one, as you rightly said, NIMs will surely go up from here. How much I don't know for 2 reasons. One is, I have derecognized some income, that will not be the case in Q3, Q4. One, hopefully, Supreme Court will decide. Second, now, there is no moratorium. So the income will be there as we go ahead. And second is interest cost will come down, both negative carry, and the negative carry is down by as much as 20 crores in Q2 over Q1 itself, it will come down further. And second, cost of funds itself will come down. Some part, I may pass on, especially in festive season. But the NIMs plus fees getting at least somewhere in the middle of our 6.5% to 7% NIMs plus fees range is definitely possible. So that is the first upside we are looking for. Now fees, you are absolutely right. Our strategy is tremendous amount of fee, cross-sell etc. And I will tell you my target. And one, that target is something we reached and then fell off. My target as a good corporate, and this is a very bank like target, not an NBFC like target, is all my operating expenses should come out of my fees. We had reached there, stayed there for 2-3 quarters, and then we dropped off because of Covid. But the strategy and the push to the new fees vertical, which we have formed is this, that the entire Opex should come out of it, first. So, then I do credit cost, provisions, I do tax and rest of it is my profits. Maybe very naive kind of a model but it's a good fundamental model. So that's what I try and push. So there are some successes and some not so successful. Our push for the disbursement related fees, subventions etc. is very successful. Our push for cross-selling products at the time of disbursements is very successful - it's outstandingly successful. I mean there is no question about that. What we have to do much more is cross-selling through the life of the product. Our consumer loans is now the first product of that attempt that through the life of the product keep cross-selling. We have done a product called EMI Protekt in Farm, which we are doing with one of the insurance companies, is that for a particular days in a season, if the insured person remains hospitalized, the EMI will be paid by the insurance company. It's a very nice product. We have designed it with the insurance company. So these are some of the products that we are pushing mid-life because, while we were very happy with our fee engine, when we realized that when disbursements does not happen then the fee also goes down and which is not a good thing to have. So from every crisis you have to learn something. And our learning is now our cross-selling mid-life has to increase. Too early to speak about it, but your question was so good that I thought I will say it. So hopefully, 3-4 quarters down the line, we should be able to flaunt some numbers. Does that answer your question?

Moderator:

Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund. Please go ahead.

Karthik Chellappa:

Congratulations on the increasing momentum month on month. So I have two questions. Firstly, on Micro Loans, in your presentation you alluded to 3 risks which are basically loss of livelihoods, loss of habit and political interference. The question is twofold, is that which are the states where you see political interference, number one. And number two, what proportion of your top-up loans disbursed are to the borrowers with more than 1 borrowing relation?

Dinanath Dubhashi:

Okay. I can answer the first question. The second one, I can get you the data. But more than one, there will be quite a few. I mean only our absolute new to credit customers which we have will be one, but they will also as soon as they establish credit record with us, they will go and borrow from someone else. So more than 1 borrowing will be quite a few, but we will get back to you with that number. The second one is we are seeing some political interference in Assam and a little bit in South Maharashtra at this point of time. It's not too much. It's not suddenly which is threatening the entire portfolio but yes, if not controlled can become an issue. So that's answering your second question, very specifically. About the first question, I will tell you very strategically. We don't like to be the third relationship anywhere, so we are either the first or the second. Many times what happens is after we give the loans, suppose we give the second loan, they will go and borrow from someone else the third. In that case, we don't renew. And hence, our existing customers' rejection can be one of the indicators of that. So our existing customers' rejections, we renew around 40%, 45%. So that means rejections will be close to 55% to 60% of existing customers. So when we get into a relationship, we make sure that we are the first or the second. But at any point of time, that customer would have then gone and borrowed from the third, we don't renew those customers. But specifically, I wanted to answer more strategically, the number, Anuj will share with you. It's a number we can share. No issues. I just don't have the numbers straight away right now.

Karthik Chellappa:

Across Tractor and 2W, how much is market share across OEM? Say across Hero, Honda, TVS, etc., how much do we compare with the actual market share of OEMs on the ground?

Dinanath Dubhashi:

Yes, a very good question. Other than some very specific exceptions, we are actually throughout OEMs and reasonably well entrenched into the OEMs. Like, for example, Hero in spite of having Hero Fincorp or the own financier, close to 30% will be Hero, more or less. Honda will still be the maximum, but Hero will have almost corresponding to its market share. So Hero's market share is what, 39% around. And in our disbursements, it will be around 30%. So largely follows the market share of the OEM. There may be 1 or 2 exceptions.

Karthik Chellappa:

And for tractors, sir?

Dinanath Dubhashi:

Tractors, say, so Mahindra will be close to 40% of our total disbursements, which largely reflects their market share.

Moderator:

Thank you. The next question is from the line of Akriti Kakkar from Goldman Sachs. Please go ahead.

Dinanath Dubhashi:

I will answer Karthik's question now more accurately. In our OEM mix, 50% is Mahindra Group and Sonalika, 18%. So largely, reflecting the market share of the OEMs. If Karthik is online, he will get the answer.

Akriti Kakkar:

About the housing segment? Just your thoughts on the housing segment would be over the next 2 to 3 years and do this make a core part of your strategy?

Dinanath Dubhashi:

We do very clear analysis of each of our businesses that the industry should be doing well, number one, and should be large enough. Second is, we should build a “Right to Win” in that industry. And third, we should make money in that industry continuously. We believe that Housing business, which is a mix of Real Estate funding and Home Loans is an industry which will do well. Currently, it is not doing too well. It will do well in the long-term. Being L&T and knowing how to manage the projects, how to control builders, we have a very clear right to win. And we are also making good profits. So we put both these businesses together. So most certainly, it passes all criteria, and it will continue to be a strong part of the strategy. What we are going through in the current year is a seasonal or a temporary adjustment to that strategy. At this point of time, if I majorly grow my Real Estate book, it will not be the right thing to do. So there will be times even in the long-term strategy, there will be time to play safe and make sure that your portfolio remains in good state rather than worrying about growth. So does that answer your question?

Akriti Kakkar:

Just wanted to know in the real estate segment, what could be the Real Estate loss rates? And how are you thinking about LGD?

Dinanath Dubhashi:

More than LGD, the issue of probability of default is important. The whole idea about PD LGD is about statistics. I have always said that Real Estate lending is not a spectator’s sport. If I write a cheque and then wait for the money to come back, the PD will be extremely high in this business as some of the players have found out. It is very clearly, a high risk business. Even at our yields, it is 13.5% - 14% yields. And then you have to over manage the projects to get your money back. So our portfolio till now has been extremely well behaving. If at all, something becomes NPA, our asset cover as well as receivable cover, on the average will be definitely 1.5 and above. And even in absolute stress scenarios, I believe that the LGD will be maybe 10% to 20%, if something goes wrong with the project. And why it is so low? It's because that my parent or us who have the capacity to take over the project, even complete the project and aggressively sell our existing projects. We are doing it in a couple of projects where we are actually selling the inventory at a good price at a good discount. And having a good receivables cover, actually make sure that we may actually come out without any loss in those projects. Having said that, as we have told, we already made provisions of close to Rs. 500 crores on standard portfolio that we have right now and we will keep making more over the next year in this portfolio. So we are always ready for it.

Akriti Kakkar:

One last confirmation, please. Would there be any sell downs apart from the Infra segment and also were there any buyouts in this quarter?

Dinanath Dubhashi:

No, I don't think any buyouts in this quarter. Sell down, we would love to do sell down of Infra and Real Estate. We had done a few projects. But right now, obviously, there is no appetite for Real Estate. As far as retail sell down is concerned, we will see later. When liquidity was tight, we were actually thinking of some securitizations etc. Right now, we don't see a need for that. Maybe as a tactic sometime here and there, we will do, but definitely not as a strategy because we are looking at increasing our retail portfolio further.

On Karthik's question, if Karthik is back, our Honda share in our disbursement is 37% and Hero is 24%.

Moderator:

Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe:

Just one question. Most of my questions are answered. What was the moratorium on the book in August end?

Dinanath Dubhashi:

So August, Micro Loans was ~65% collection efficiency. So moratorium was 1 minus that. Farm was ~10%, Two Wheeler ~20% and HL/LAP was ~25%

Moderator:

Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Dinanath Dubhashi for closing comments.

Dinanath Dubhashi:

Thank you. I think a lot has been discussed and most of what I wanted to summarize, I summarized in the beginning. I would like to just tell you that the team, not only the management team, the overall team is feeling extremely positive. There is no doubt that situations come where we all feel that are the problems going to end etc.? Right now, we are not worried too much about whether the problems are ending or not, there are still problems. We know for sure that we are totally prepared if any more problems are coming. We are totally motivated to make sure that the effect on us of those problems are less. And most importantly, we are totally enthusiastic to make sure that we take advantage of all the opportunities that are coming in the segment. I believe, firmly, that you can be prepared about problem, but time has passed that we keep talking about the problem. I think time is back to talk about the opportunity and grab those opportunities. With these closing remarks, I will wish all of you a very happy festive season, Happy Dussehra, Happy Diwali, Happy Eid. All the best. Stay safe. Stay happy. Hope to meet some of you one-to-one during the quarter. And hope to meet you again with excellent Q3 in 3 months. Thank you.

Moderator:

Thank you. On behalf of L&T Finance Holdings, we conclude this conference. Thank you all for joining. You may now disconnect your lines.