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# Transcript

## Q2FY09 Conference Call of IDFC Limited

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*Presentation Session*

***Moderator:*** Good evening ladies and gentlemen. I'm Gopal, moderator for this conference. Welcome to the conference call of IDFC Limited. We have with us today, the Senior Management team of IDFC Limited. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session, at that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Bimal Giri of IDFC, please go ahead sir.

***Bimal Giri:*** Good evening everyone. I welcome you to this conference call organized to discuss our financial results for the first half of financial year 2009 announced earlier today. I have with me Rajiv Lall, Vikram Limaye, and L. K. Narayan. Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to our financial performance were emailed to all of you earlier today. These documents have been posted on our corporate website. I now invite Rajiv to provide key highlights of our performance for the first half.

***Rajiv Lall:*** Good evening to all of you and welcome to our quarterly analyst call. It has been an eventful quarter, an interesting one shall we say, and let me run you through our performance for the first 6 months of this fiscal year. You should have all received an investor presentation and if you have not, it is posted on our website, but here are the highlights. What I want to do is to first run through the financial performance for the first 6 months of this fiscal year and compare it with the same period last year, so H1 of this year versus H1 of last, then we can look at some numbers on a rolling 12-month basis and then we will come to the balance sheet analysis.

On a consolidated basis our operating income was up 29% from 624 crore in H1 2008 to 807 crore in H1 2009. Within that net interest income increased 25% from 329 crore to 412 crore in first half this year versus first half last year. This increase in NII was driven from infrastructure lending primarily, which increased by 43% from 250 crore in first half of 2008 to 356 crore in first half of 2009. NII treasury was lower by 30% from 80 crore first half last year to 56 crore in first half of this year. Second component of our operating income, which is non-interest income increased by 30% from 293 crore in first half 2008 to 382 crore in first half of 2009. This in turn consists of four subcomponents, income from our principal investment activities was up 20% from 127 crore in first half 2008 to 153 crore in first half 2009. Income from Asset management businesses was up 194% from 26 crore in the first half of last year to 77 crore in the first half of this year. Fees for investment banking and broking were down, not surprisingly, from 91 crore in the first half of 2008 to 73 crore in the first half of 2009, and then loan related and other fees increased 61% from 49 crore in first half of 2008 to 79 crore in first half of 2009 and then miscellaneous other income increased from 2 crore to 13 crore over the same period.

Let us come to expenses now, operating expenses increased by 69% that is from 100 corers in the first half '08 to 168 crore in the first half of '09, but this was primarily on account of the consolidation of the IDFC Mutual Fund, which happened during the course of the first 6 months of this year. On a rolling 12-month basis our cost to income ratio has trended up from 20% in the period July '07 to June '08 to 21.5% from October '07 to September '08. Pre-provisioning profits therefore increased by 22% from 525 crore to 639 crore, comparing the two 6-month periods. Provisions, including mark-to-market on treasury and our equity portfolio, increased from 23 crore in first half '08 to 35 crore in the first half of '09. Consolidated profit before tax increased by 20% up from 502 crore to 604 crore in the first half of '09, profit after tax was also up by 20% up from 375 crore in the first half of '08 to 449 crore in the first half of '09. So much for the P&L numbers.

Now let us look at the ROA analysis that we do on a rolling 12-month basis where we compare the 12-month period from July '07 to June '08 with the 12-month period from October '07 to September '08. Over this period, net interest income declined marginally from 2.9% of average total assets to 2.7%. Net interest income from infrastructure were almost the same, but came down a tad from 2.4% to 2.3% and NII from treasury declined from 0.5% to 0.4% of average total assets. Contribution from non-interest income increased from 2.3 % to 2.5% of average total assets. This increase came primarily from a doubling of revenues from our asset management businesses. Operating expenses and provisions were unchanged at 1.1% of average total assets and provisions at 0.3% of average total assets and the return on assets of the ROA as a share of average total assets declined marginally from 2.9% to 2.8%.

Now let us turn to the balance sheet, the size of a balance sheet increased by 28% from around 22,600 crore in the first half of '08 to 28,970 crore in the first half of '09. Our loan book increased by 24% from around 17,400 crore to about 21,670 crore. Our gross approvals actually decreased by 12% from 8,400 odd crore to 7,420 crore, gross disbursement also decreased by 7% from 5,000 crore to about 4,700 crore comparing the two 6-month periods.

On the liability side, our outstanding borrowings increased by 34% from 17,100 odd crore to 22,900 odd crore in the first half of '09.

If you look at now the sectoral composition of our lending business, our overall exposure increased 26% to 35,000 crore and of that energy and transportation remained the dominant exposure sectors comprising 37% and 23% of total exposure respectively. Our outstanding disbursement increased 22% to 23,434 crore. Leverage over the period decreased from 5.2 times as on June 30, '08 to 4.9 times on September 30, '08. ROE has increased marginally from 14.3% to 14.4% on a 12-month rolling basis. As on September 30, 2008, our total capital adequacy was actually 22.2% and of that our Tier 1 capital adequacy was 18.9%, which I presumed from being a dumb thing to do a quarter ago seems like a virtue today.

Now in the last conference call, some of you may recall I did sound cautious about how the rest of the year is going to be. I did say that we would be facing significant headwinds that come from increasing macro risk. I did share with you all that the remainder of the year we will be focused more on managing our existing assets and will be risk averse about booking new assets. Our focus would be on increasing our asset yields more than growing our assets and also on allocating capital to businesses, which overtime generate higher RoE. In retrospect that seems to have been the right thing to do. I believe that our results for the first half year ending September 30, 2008 are reflective of this strategy. You have seen a slow down in our overall balance sheet growth. You have seen a slow down in the growth of our loan book, you have seen a decline in our gross disbursements, and you have seen a decline in our approvals. We have continued over this last quarter basically to focus on profitability and we have focused on conserving capital, given all that is happening around us macro wise, it is safe to say that the environment will remain challenging. We believe that from a capital adequacy position and from a liquidity position, we are extremely well poised to effectively address these challenges and in the coming months common sense dictates that we should focus in order of priority on liquidity then on profitability and last on the growth. So I will leave it at that and open this conference call to any questions.

*Question and Answer Session*

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***Moderator:*** Thank you sir. Ladies and gentleman we will now begin the question and answer session, if you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If a question has been answered before your turn and you wish to withdraw your request you may do so by pressing hash key.

First question comes from Mr. Jatinder Agarwal of ABN AMRO.

***Jatinder Agarwal:*** Good evening sir, just two questions one is on your funding environment. How does the environment look to you as you go ahead and how has it been in the recent past when we had so much of tightness in the system and secondly on your loan book, which is loan against shares if you could give us an update on that part of that book?

***Rajiv Lall:*** Yeah on the funding, I will ask L. K to answer that question.

***L.K. Narayan:*** Yeah, as you are all aware, I think the market has been turbulent. But you would remember, in our previous conversation in the last quarter we were sufficiently anticipating such a scenario and we have borrowed well in advance of our requirement, so in that quarter I had mentioned that our resource raising in Q1 was almost at 50% of the annual budgeted numbers. So in many ways we had foreseen some of this and we had shored up liquidity, and therefore we were not much affected at the margin about the liquidity or the high rates that have been prevailing in this environment. As you are aware there is no ECB access granted to financial intermediaries, so we continue to accept domestic constituencies for all our funding requirements.

**Rajiv Lall:** Although there are indications that we may have access going forward through ECB, I think the RBI is likely to relax that. So we would welcome that if that happens. Now on the loan against share portfolio, the loan against share has a share of total outstanding disbursement that is around 11% and we are reviewing this on pretty much a daily basis and we are actually quite pleased with the shape of that portfolio, not surprisingly there are many names on that portfolio that have required topping up to adequate level of cover given the decline in their stock prices. I think pretty much all of them have topped up even under the very difficult circumstances that the market has been facing and that is because the quality of names that comprise this book is really very select and the stock is essentially quite if not very liquid in almost all of these positions. Beyond that we also do an analysis, because the analysis of cover is a very formulaic analysis, so we are doing a constant analysis of what actually is the condition of the companies themselves, as a credit is there any concern on that and on that we have really no worries in that entire portfolio. So, I mean I can now with some degree of confidence tell you that the loan against share portfolio remains adequately secured with the companies involved in that portfolio according to us and in our considered judgment not being any source of credit concerns.

**Jatinder Agarwal:** Just a related question sir on this book, what could be the loan to value that you would have on a blended basis, probably if you could give a range as such?

**Rajiv Lall:** Well on average, it will be 2 times that is basically what we try and maintain at all times.

**Jatinder Agarwal:** Perfect and what would be the lowest in the pack?

**Rajiv Lall:** The lowest would not be underneath… well there is a range around it, but…

**Vikram Limaye:** No I mean the short of it is that….

**Jatinder Agarwal:** No because I just want to understand that you know there should there no material risk to IDFC as a corporate?

**Vikram Limaye:** Boss there is not.

**Jatinder Agarwal:** Perfect, thanks a lot sir.

**Moderator:** Next question comes from Mr. Mahesh of Edelweiss.

**Mahesh:** Hello. Sir just two questions on the fee income side, one was last time we had income coming from IPO related activities and the QIP side. What was the major driver, which we saw in the IB side and 2) considering that the market was relatively weak, the investment gain seems to be much on the higher side. What was again the driver that we saw here?

**Rajiv Lall:** See on the IB side you want to answer that Vikram.

**Vikram Limaye:** Yeah, I think as we said in the last quarter the comment remains the same for this quarter. The investment banking and broking business has actually held up much better than what people would have anticipated given the environment and that is primarily as a result of; while there has been a decline as we said of 20% half year on half year basis; the reality is that we have still managed to close a few deals in the first half, which have contributed to the investment banking revenues, while broking volumes have declined, we continue to get our share of the broking revenues. So, from a key prospective, I think first half has shaped up quite well given the environment we are talking about. As we said, last quarter as well this is always the rolling quarter comment - the first half may not be reflective of the remainder of the year. It is really a function as we have said all along while in the deal pipeline and mandates and all that continue to be robust, deal closure is certainly an issue. So, while in the first half we have been successful at closing some deals that does not necessarily mean that we will carry over into the second half in terms of closing deals on mandates that we hold and broking volumes as you all are aware what the situation is. So, broking will keep contributing to the revenue line and the investment banking revenue line is really a function of what kind of deals we are able to close in the second half. So, the second part of your question relating to gains on the proprietary book, now again as we have said all along we are not trying to smoothen this out over any period or over any quarter or anything. So, the gains that we have booked have been in market and at levels that we thought were attractive and interesting and those levels were significantly higher than where the current markets are and the gains that we booked were just to give you a context for market levels when we took some money off the table. It was when the index was around 15,000 to 16,000 level earlier in the year and that has got nothing to really do with any index level per se, but really a function where we believe the fair value of some of these stocks are relative to the market price and so that continues to be a part of the our strategy to monitor gains as we go along when we find that prices are interesting. It is not something that we are trying to do on a quarterly basis and any kind of run rate framework.

***Rajiv Lall:*** That said we have held on to some stocks that we wish we had sold.

***Mahesh:*** Was there any carry share booked on this?

***Vikram Limaye*:** No carry in this quarter boss, nobody is selling anything.

***Mahesh:*** Sir just one question on the asset management side. You have started deploying assets, which you had housed, the investments, which was earlier lying in your books into the new fund, which has been launched. That was the reason why you saw a decline in the equity book?

***Vikram Limaye:*** In fact what we have done is we had warehoused certain assets for the project equity fund. Those assets have been transferred to the fund because we announced the closure of the project equity fund. I think the first close of the project equity and so the gain relating to the assets that were on our book that were transferred to the fund have been shown under the same line.

***Mahesh:*** Okay thank you sir.

***Moderator:*** Next question comes from Mr. Gaurav Lohia of K. R. Choksey.

***Gaurav Lohia:*** Sir there is concern on other income side, which consists almost 50% of your total income due to slowdown in capital markets, however, you are still saying that you will be performing well on that. So, can we have outlook on that front?

***Rajiv Lall:*** I think what you mean by other income you are talking about non-interest income. Yeah for non-interest income has several components as you know.

***Gaurav Lohia:*** But most of them are related to capital market.

***Rajiv Lall:*** But there is a very large share that is asset management. Asset management is to do with what we are getting on funds under management, now we have 2.4 billion dollars of funds under management, which are generating annuity like fee. So we have gone from 630 million of assets under the management, fee generating asset, to 2.4 billion in the first half of this year. So, that is a very significant, stable and predictable increase to our fee based income. So, that component remains safe. Now, whatever is on account of other non-interest income, which is to say investment banking, broking, syndications, that inevitably is going to be volatile and there your guess is as good as mine about what happens in the rest of the year. It will be tough in the next 6 months to keep that portion of our fee based income up. Then there is a last bit of non-interest income, which is principal investment and that we will see we might still make some capital gains opportunistically in the next 6 months. Does that answer your question?

***Gaurav Lohia:*** Yeah, thank you sir.

***Moderator:*** Next question comes from Mr. Srikanth Vadlamani of Nomura Securities.

***Srikanth Vadlamani:*** Hi, I had a few questions on some data points and then one or two structured question. On the data points, the AMC has increased sequentially 17 crore to 60 crore. Is that because of that warehousing thing?

***Vikram Limaye:*** No, it is because we closed our 700 million third private equity fund and we announced first close of the project equity fund, when we announced first close we had closed about 525 million and our commitments are now up to almost 900 million. You know how these funds work when you ultimately close the fund that whatever size you close it at, you accrue the management fee on the total corpus of commitment from the date of first close. So, if I have announced the first close of the project equity fund in June and I do a final close of the fund in June of '09 at whatever number that is, the fee on that final close number will accrue from the date of first close that I announced, June '08.

***Srikanth Vadlamani:*** So, on an ongoing basis what is the number we should be looking at? On the quarterly run rate, it should be around 35 to 40 crore.

***Vikram Limaye:*** Like Rajiv pointed out, if you look at the private equity fund, 700 million we already had 650 under management. So, it is about 1.35 billion in private equity and you have project equity, you can assume we are already at 900 million, so you can assume a billion dollars and on an average you can assume 1.75% in fee. We also obviously have the fees we will be get on the asset management business as well as the mutual funds.

***Rajiv Lall:*** That is in addition.

**Srikanth Vadlamani:** Sure, I mean I was just wondering the sequential increase from 17 to 60 crore.

**Rajiv Lall:** That is primarily because of private equity and project equity.

**Srikanth Vadlamani:** In terms of the gains from the principle investment, are you sharing the number of unreleased gains that you now currently have on the principle investment book?

**Rajiv Lall:** You know everything is relative in life and related to last quarter that is not very exciting number.

**Srikanth Vadlamani:** My only worry is that have we exhausted it. Is it this line that we can be…?

**Rajiv Lall:** The short answer is we have not exhausted it. Also, there is…you have to understand unrealized gains that are unlisted investment such as national stock exchange, which are also quite significant, not withstanding market turbulence. So, short point is that we have not insignificant cushion still left on unrealized gains on both listed and unlisted securities.

**Srikanth Vadlamani:** In terms of operating expenses on a Q-on-Q basis, there seems to be almost like a 15% increase. What is the sustainable opex we are looking at? I am comparing Q2 versus Q1, not Q2 versus Q3, sequentially also there is a 15% increase?

**Rajiv Lall:** It will be around 21%. Cost to income ratio.

**Srikanth Vadlamani:** I mean do we look for that to trend down in the future or any sort of cost containment that we are looking at?

**Rajiv Lall:** Well, difficult to say, we are not quite there yet. I am not sure that is where we want to go.

**Srikanth Vadlamani:** At least in terms of cost escalation should we see that tapering off?

**Rajiv Lall:** Yeah, I think that is a fair assumption.

**Srikanth Vadlamani:** Okay. Next question was on the loan against shares. I wanted to understand why there is a material difference in between the exposure in loan against shares and the actual disbursement?

**Vikram Limaye:** Basically, because there are some loans that have being sanctioned that are not yet disbursed.

**Srikanth Vadlamani:** I mean loan against shares, I thought, so you said that you will grant it, because it is more of dynamic thing right, because the share value changes and then you decide how much you want to grant?

**Rajiv Lall:** No. There are certain…at the end of the day these are corporate loans. So, the loan against share is just the way of explaining the underlying security that you have for making these loans, but that does not mean that these loans are given without any condition. So, if certain conditions are not met, we are not going to disburse that loan and that accounts for the difference between the exposure number and the actual disbursed number.

**Srikanth Vadlamani:** Okay. When you say these are corporate loans, who are taking the loans? The corporate is pledging some shares that it owns or it is the promoter who is pledging the share?

**Vikram Limaye:** It is a corporate entity. It may not be the same entity whose shares we own.

**Srikanth Vadlamani:** Okay are these some sort of treasury shares that the corporate is holding in its own name or it is holding some other company's shares?

**Vikram Limaye:** No. No. These are investment companies or corporate entities to whom we are lending money against appropriate security or whatever entity we feel comfortable we ought to be getting shares as security.

**Rajiv Lall:** So, actually to give you a concrete example that in the past, there might be, actually numbers of these cases are for acquisition financing, right. So the promoter group is looking to raise funds so that they can make an acquisition and this is a way in which they have been able to raise funds in essence to fund their equity contribution towards an acquisition.

**Srikanth Vadlamani:** Yeah. That was the doubt. It was more like promoter financing where he is raising money so that he can do whatever activities he wants to do?

**Rajiv Lall:** Well, it is not quite so simple. I mean we do not just give it for whatever activities he wants to do, which is why there can be disconnect between the sanctioned amount, the exposure amount, and the actual disbursed amount. So, that is, I think the typical case is where we have actually entertained this kind of products is for acquisition financing.

**Srikanth Vadlamani:** Just one more question on this is that in terms of actual quantum of this book probably would have one of the largest books in the financial sector with exposure of 3,500 crore very few other players in the financial sectors have. So from that prospect I was sort of worried in terms of, I mean, being the largest, sir it is difficult for you to pick the best because you would have a large market shares?

**Rajiv Lall:** Sorry. Can you repeat that?

**Srikanth Vadlamani:** I mean, a sort of concern I had was that you have one of the largest books in this particular sort of lending as banks are constrained and by the very nature that you have such a large market share for you to pick up the best is a bit of a problem, right, because if you have such a large part of the market, is that the market is very good or you probably should have some sort of…?

**Rajiv Lall:** No, but that is a spurious point. You know, it is like saying that corporate India is underlevered today and therefore there is nobody in the system that has a problematic capital structure. I do not know what other people are doing in their loan against shares book, but we have been very, very deliberate and cautious about what we have done in this book. So, you have to understand the nature of our exposure as I said, these are very high quality names. The underlying credits are very strong. There is no credit problem with any of these companies. Almost, all of them have topped up as their prices have corrected to give us adequate cover and nobody has any kind of default that we have been pressured to sell the shares in the market in order to recover our securities. So, we are actually, as I said, quite confident about the quality of this book. Irrespective of what share in the market, it may or may not have.

**Srikanth Vadlamani:** If you can permit one final question on the disbursement part, the slowing down that we are seeing in this quarter, is this going to continue till we have some clarity on your capital raising?

**Rajiv Lall:** No. I don't think this has anything to do with our capital raising. This has everything to do with our perception of the market. Our perception of the market is that there is a macro risk out there. We do not want to be indiscriminate about growing a loan book at this time. The only reason we sought permission from the AGM going back to July, if you recall for capital raise, was in the event that the rating agencies insisted on a certain tier 1 capital adequacy. So, what we have done in any case is to ensure that our capital adequacy is more than adequate at this time. So we are not even under any rating company pressure to raise additional capital at this point.

***Srikanth Vadlamani:*** Till what level of tier 1 are the rating agencies can be comfortable taking it before capitalization?

***Rajiv Lall:*** That number has been in the public domain for sometime.

***Srikanth Vadlamani:*** Yeah. I mean, it is around current level, at 18%.

***Rajiv Lall:*** No, it is at 20%.

***Srikanth Vadlamani:*** Yeah. So that was the question since you are at 18%, how can you…?

***L. K. Narayanan:*** We are at 19% tier 1.

***Rajiv Lall:*** Yeah. We are at 22.2% total capital adequacy.

***Srikanth Vadlamani:*** Okay, thank you sir. Thanks a lot.

***Rajiv Lall:*** No. Just one more point on that. Hello?

***Moderator:*** Sir, can we take the next questions? Next question comes from Mr. Ashish Sharma of Enam AMC.

***Ashish Sharma:*** Good evening sir and congratulations on a good set of numbers. Just to take the point forward in the capital raising plan in the last conference call and the intermediate meetings of the company you had mentioned that we will sit with the credit rating companies and decide as to what will be the quantum. Any clarity on what would be the quantum out of the 750 million we had taken AGM approval sir?

***Vikram Limaye:*** As we have said historically as well. The 750 was a very broad resolution that covered all types of securities ranging from equity to debt, to quasi equity to everything. More an enabling resolution to enable us to take advantage of any market window that might open up depending on the type of instrument that we believe would make sense from a capital structure perspective and for which there was investor appetite. Please leave that 750 million number aside. That is not an indication of the kind of capital that we want to raise at all. We have said that repeatedly, we are saying it again. It is a broad resolution that we got across the capital structure, so that we are not stuck without internal approval to take advantage of market window.

**Ashish Sharma:** Okay.

**Rajiv Lall:** In any case we do not intend to raise any capital at this time and conversations with rating agencies are ongoing to figure out whether what they are asking for is reasonable or unreasonable, but in the interim, we are not intending to raise any capital.

**Ashish Sharma:** Okay sir. And just to take the asset management fees point forward that 700 million fund, which earlier had got a soft approval and which was formalized in the last month. Now the fee is included. Now, the fee is for 6 months that is included in H1 FY09 sir?

**Rajiv Lall:** Pro rated back to May 1.

**Ashish Sharma:** To May 1. Okay, and asset management fees for even your mutual fund business is also a part of it. Last quarter, it was part for one month only?

**Vikram Limaye:** That is correct. So the asset management business, the fees get accounted from May 31, which is when we closed the acquisition.

**Ashish Sharma:** Okay, but the percentage would be lower. I mean it would not be 1.75%; it would be close to 1% I suppose?

**Rajiv Lall:** Yes, that is correct.

**Ashish Sharma:** Okay and on the principal investment side you had mentioned that there is no carried interest, but can you just give a sense of what would your mix be in capital gains and dividend, would it be majority of capital gain?

**Rajiv Lall:** You are talking about principal gain?

**Ashish Sharma:** Yes sir.

**Vikram Limaye:** This last quarter is basically capital gains, but whether it is capital gains or carried interest. You do not need that much of information.

**Ashish Sharma:** Okay sir. Thanks a lot sir.

**Moderator:** Next question comes from Mr. Manish Karwa from Motilal Oswal Securities Ltd.

***Manish Karwa:*** Hi, I just wanted to know how much of asset management fees have come from the mutual fund arm? I believe it is for one month, but what is the quantum like?

***Vikram Limaye:*** No, I do not think we are getting into individual business details right? Asset Management, as we have said, comprises private equity, project equity, and our public markets platform at this point in time. You are all aware of what the assets under management are on each of those categories. I have given you some sense for what the average management fee should be for the private equity and project equity business. You guys should do some maths and figure out what is the management fees are in the aggregate.

***Manish Karwa:*** Okay, so would it be fair to assume that it is 60 crore of asset management fees, plus say two month earnings of mutual fund arm would be a quarterly run rate for us now?

***Vikram Limaye:*** It all depends, right. I mean I would like to explain, as Rajiv pointed out that the fee on the private equity and project equity is a fairly steady revenue stream, okay it can only go up depending on where we end up closing the project equity fund, but the public markets platform as you know is in the current time, it is a volatile market right now. So from that perspective obviously, the AUM on that does change and then the fee on the AUM would, therefore change depending on what the AUM is.

***Manish Karwa:*** Right, second question would be, in your balance sheet, goodwill has increased because of the mutual fund coming onboard. Now what happens to that Goodwill? Does this Goodwill stay on the balance sheet or do you have to write it down over a period of time?

***Rajiv Lall:*** I think we do not have to write it down as per Indian accounting standards, but for the purposes of calculating capital adequacy 90% of any investment that we have in a subsidiary is taken out of net worth.

***Manish Karwa:*** Okay. Lastly, have you sold anything on the NSE front, if you are disclosing that?

***Rajiv Lall:*** No. You want to buy?

***Manish Karwa:*** Okay. Thanks a lot.

***Moderator:*** Next question comes from Ms. Diana Montero of Economic Times.

**Diana Montero:** Hi I just want to know on an overall strategy perspective for IDFC, what is going to be your strategy going ahead in the next quarter? Are you going to change some things? How are you going to try to make up for the losses from investment banking and broking? Are you going to be a little bit more aggressive in mutual funds?

**Rajiv Lall:** There are no losses, let us get that clear. Just a reduction in income related to the first half of last year. So, we will continue to do what we have been doing. I do not think there is any dramatic change in strategy at all, other than what I made in my opening statement, which is to say that given that we were amongst the first to anticipate the slow down in macro, while everybody else was talking up the huge investment pipeline and everything that is going so wonderfully well with the Indian economy. We, 6 months ago decided to slow down the growth of our book. We continue to remain cautious for exactly the same reasons that we were 6 months ago. In fact if anything there are reasons to be even more cautious than we were 6 months ago and to that extent, there is no change in our strategies whatsoever, as we said earlier this is the time to focus on conserving liquidity, focusing on profitability and not really worrying about asset growth and that is what we will continue to do for the remainder of this year.

**Diana Montero:** Okay. Thank you.

**Moderator:** Next question comes from Mr. Partha Gupta of IIFL Capital.

**Partha Gupta:** Yeah, hi sir, just on the capital issuance. Sir, what is the latest status on that?

**Rajiv Lall:** No capital issuance for the foreseeable future and if there is any update on that we will let you know.

**Moderator:** Next question comes from Mr. Hiren Dasani of Goldman Sachs.

**Hiren Dasani:** Yeah, on the asset quality side, like as you state you have been cautious for a while now and considering the fact that infrastructure per se is somewhat of a…if I were to say monopoly asset wherever they are and the fact that promoters are not overly leveraged, so wouldn't you be less concerned about infra assets compared to the other assets classes in the Indian economy?

**Rajiv Lall:** I do not know. I think it cuts both ways, I think what we have consistently maintained is that the nature of credit quality, risk, and infrastructure is different from cyclical industrial businesses and that should there be a macro slow down that leads amongst other things, let us say delayed construction, diminished cash flows over the life of an asset, in 9 cases out of 10, virtually in 99% of the cases what this leads to is potential elongation of payment period. It rarely leads to write off of assets. It does not normally happen in the case of infrastructure asset unless of course there is fraud or some failure in equipment or some contract just falls through, which is relatively rare. So in that sense you could take the view that relative to certainly your credit card portfolio, automobile financing portfolio, infrastructure portfolio is much safer. On the other hand, relative to a lot of industrial companies, infrastructure companies, their capital structures could be stretched because they have invested in capital expansion programs that are not yet generating cash. So at the group level, these guys may need to improve their capital structures. So there is that aspect to it as well. So if you see what has been happening in the last year and year and a half, a lot of infrastructure companies were actually raising equity capital from frothy public market and that is how they continue to finance their equity contributions towards an escalating capex program. Now what has happened is that that window has closed down for them. So they need to find alternatives also of equity capitals, otherwise their plans will have to slow down.

***Hiren Dasani:*** In some sense when you are doing the loan against shares you are providing that alternative, though it may possibly be a source of capital budget?

***Rajiv Lall:*** That is exactly right and I think it is fair to say that we had already begun to be tightfisted about it. We are going to be even more tightfisted about making that product available to these fellows. So, those people who are particularly ambitious about scaling up their programs, we would expect and hope that they will scale down their ambition in light of the writing on the macro wall, so to speak.

***Hiren Dasani:*** In the loan against shares, the end use may be perfectly genuine, but what is the source of repayment, which we normally factor in?

***Rajiv Lall:*** No. It depends on difference circumstances, from company to company. See a lot of these promoters or the holding companies in which they are in, they have significant interest in companies that are generating cash, so I would not give any names, but what happens is that let's say part of the operations are in the trading business. And that trading business remains reasonably robust and that is generating income all the time so that is a significant share of the cash flow that accrues to the promoter and what he has been doing in the past is, to the extent he is able to, he has been redeploying that cash to fund his equity participation in other projects that he has been doing and he has supplemented that with this loan against shares kind of product. So in many cases, the repayment of the shares will depend on the share of cash flows from holding companies that are accruing to these promoters and in some case it will depend on some kind of capital market event that happens two to three years out whenever the market recovers. This is a combination of things.

***Hiren Dasani:*** Just two things in that case
(a) Would you have recourse to the other cash flows and these kinds of products?
(b) From the technical recognition point of view you would have to recognize them as NPAs - are the repayment schedules so tightly defined?

***Rajiv Lall:*** If there is a default than you have to recognize it as an NPA, so that is the answer to your second question. Answer to your first question is that we do not have recourse to the cash flows. The security is the share.

***Vikram Limaye:*** It is liquid shares as we have said, so default will happen only if the stock declines so rapidly from as we said on average we require a cushion of at least two times.

***Hiren Dasani:*** My question Vikram was more in terms of obviously interest servicing would not be very difficult but the repayment would be like more of a structured in such a manner that those are periodic repayments or those are bullet repayments?

***Vikram Limaye*** It is actually a combination depending on what entity it is.

***Rajiv Lall:*** It is a combination, but to answer your question if the equity raising window from public market remains completely shut down for five years, then I think in some part of the portfolio, we may have problems.

***Vikram Limaye:*** No but as Rajiv said more than a problem the issue really is that are we comfortable with the underlying company? If the underlying companies are the companies that are doing well and from a credit perspective and from a risk perspective we are comfortable with the underlying businesses against which we have lent then to that extent, it is only a question of timing more than anything else in terms of deterioration and value.

***Hiren Dasani:*** One question on the project equity fund side, are we like through with the final close, or are we still looking at more assets in that?

***Rajiv Lall:*** No realistically speaking we are pretty much at final close. Technically speaking, the fund is still raising money and we will be doing so till June 2009. I am not sure how much additional we can expect to come into the funds, but at least the people who are raising money, seem confident that they can get up to about 950 say a billion dollars maybe another 100 odd million dollars in addition to what we have already raised.

***Hiren Dasani:*** I am sorry to come back to the capital raising part but you said it is very clearly rating agencies are looking at 20% tier 1 we have 19% so do we virtually look at the balance sheet level stagnating it where it is, obviously that is the…?

***Rajiv Lall:*** No, I do not think you can come to that conclusion. Just to be clear, there is only one rating agency that has got this view and that we are in constant discussion and negotiation with that rating agency and I do not think that we can come to the conclusion that we are therefore stagnating at this level.

***Vikram Limaye:*** Also the thing to remember is that we are a profitable entity so every year if we are going to add certain number to our net worth that gives us, multiplied by even if you go by the 20% that this one rating agency expects gives you five times that amount every year in terms of capacity at a minimum.

***Hiren Dasani:*** Lastly, over the last couple of weeks whatever actions RBI has taken, are you seeing any change in the debt market for someone like you or is it too early?

***Rajiv Lall:*** I will say it is a bit early. It is still a little early. We should have a better picture over the next couple of weeks. But that said, rates have come down and the RBI has been constructive and also opening avenues to alternative sources of liquidity specifically in the ECB window.

***Hiren Dasani:*** Thanks a lot sir.

***Moderator***: Next question comes from Mr. Rajesh Kothari of Voyager Investments.

**Rajesh Kothari:** First of all congratulations for taking a very good call on the consolidation rather than growth much well ahead of the time. Just two questions from my side, one is by year end and by next year how much you think our leverage will reduce which right now is about 4.9 times?

**Rajiv Lall:** Say about at this level if it comes down, it might come down to 4.7, but it will stay around this level between now and the end of the fiscal year.

**Rajesh Kothari:** Okay. What about next year, sir how do you see in the next year as well?

**Rajiv Lall:** Next year, I think only a very brave person will take a call on the next fiscal year today. Our focus is really on between now and the end of the fiscal year, so I can make motherhood and apple pie statements about how the fundamental of the Indian economy are sound and that next year it will all bounce back, but it is too early to talk about all that. Let's re-visit that for next quarter.

**Rajesh Kothari:** Okay. My second question is in terms of resource mix. If you can just tell us out of total 23,000 crore how much is due over what period of time?

**L. K. Narayanan:** Actually, we have a distribution. If you see our short-term funds are only about 12% of the total resources.

**Rajesh Kothari:** Sir, how you define short-term?

**L. K. Narayanan:** Short term is less than one year.

**Rajesh Kothari:** Okay, it is less than one year. Everything is long-term is everything is a one-year plus?

**L. K. Narayanan:** Beyond 12% everything is greater than one year.

**Rajesh Kothari:** Average duration will be what?

**L. K. Narayanan:** We are assets to liability duration matched so it is about 1.79.

**Rajesh Kothari:** 1.79 years?

**Rajiv Lall:** We have a very liquid treasury; this is all we can tell you.

**Rajesh Kothari:** Okay. Actually, it is of 1-1/2 years roughly am I right?

**Rajiv Lall:** 1.7 years.

**Rajesh Kothari:** Okay and current time you would have inflows to match it out.

**L. K. Narayanan:** Right.

**Rajesh Kothari:** Fine. Thank you sir.

**Moderator:** Next question comes from Mr. Manish Oswal of Darashaw Shah and Co.

**Manish Oswal:** Can you give the details on yield of different asset class?

**Vikram Limaye:** We have given overall spreads. We do not share yield on specific products.

**Manish Oswal:** When you project loan and corporate loan and the loan as in shares.

**Vikram Limaye:** No, we do not give that breakdown.

**Manish Oswal:** Okay sir. The second is what is the borrowing cost right now?

**Vikram Limaye:** We do not give that either. What we have given you in the presentation as you know is overall spread, right, which takes into account what our borrowing costs are.

**L. K. Narayanan:** Yeah, like I mentioned in my opening statement, we had anticipated much of this to happen and therefore, we actually went ahead and borrowed well in advance of our funding requirements and therefore, we have been somewhat astute in what we have done, so we are not really borrowing at these market levels. So, effectively we have managed to contain cost I think.

**Manish Oswal:** Okay, so when you had raised the money at what rate Sir?

**L. K. Narayanan:** As we mentioned before we do not disclose specific borrowing cost.

**Rajiv Lall:** More significantly lower rates than what are currently available in the market.

**Manish Oswal:** Okay, okay, thank you Sir.

**Vikram Limaye:** But just for your benefit or anybody else's benefit, the fact that our spreads have held up if not improved on incremental business indicates that whatever it is that we are borrowing at when even to lend that spreads that are proportionately higher to maintain our spreads.

**Moderator:** Next question comes from Mr. Srinivasan of FCH Capital.

**Srinivasan:** Hello yeah, I am sorry I am being repetitive on this, but in the background of the comments in capital raising and in credit rating your conversations with credit raters, what do you think is the optimum leverage? A 20% seems too high so is it that you will be off. I know you said it would not be 20%, so what do you think the optimum Tier I leverage would be?

**Rajiv Lall:** I think all that is, we are going through tectonic shifts in financial services globally so again, I do not claim to be with that much foresight, that I can tell you what optimal leverage ratio is for a business model such as ours. I mean, I think it is a little ironic that companies that are doing similar kinds of businesses overseas have been operating at leverages close to 30 times, and are now talking about bringing that leverage down to 15 times and everybody says oh my God that is terrific, that is the only way to go and at 15 times people seem to think that that is adequate capital cover for the new business model for these companies globally. All I can say is that historically we have never been at more than 5 times leverage and we know that 30 times leverage is totally infeasible whether 15 times work for us is a question mark. I think common sense would suggest again that given the revised perceptions of all concerned in this new world, which has really turned on its head in the last six months, even 15 times leverage seems too high, but five times is too low.

**Vikram Limaye:** I mean one construct that you should know is that for NDFCs, there is a regulatory cap, prescribed by RBIs, so does not matter what we think is the appropriate leverage.

**Srinivasan:** That is much lower than 20% obviously.

**Vikram Limaye:** It is 15% total capital.

**Srinivasan:** So, we are talking about Tier I of 20.

**Rajiv Lall:** So I know, but I am just saying in the context of framework.

**Srinivasan:** So for 15% Tier I could be seven and a half or let us say 9 or 10. See the where I am coming from is when earlier you were historically operating at 5-5.5 times leverage, but there was always an expectation that your leverage would go up and that would improve the ROE, so price to book for your stock was based on your expected ROE. Now does this mean that you take a very toned down version of your prospective ROE because if you want to generate 20% at five times leverage, you have got to do 4% on asset, which seems quite a huge task–post tax 4%.

***Rajiv Lall:*** So, I mean that is not unreasonable conclusion on your part that if we are to forever operate at 20% Tier 1 capital adequacy it really does not make any sense.

***Srinivasan:*** Absolutely yeah.

***Rajiv Lall:*** That said, you also have to, I am sure you know better than we do, that if any investor in today's world is expecting from a financial services company, ROEs that are 25% on whatever leverage, I think those days are gone, globally.

***Srinivasan:*** So 20% is something that we expect from a lot of Indian Financial Services Companies and even on a 20% a 5 times leverage would be in the 4% net on an asset, seems to be an uphill task.

***Rajiv Lall:*** I do not disagree with you. It is hard to disagree with you on that.

***Srinivasan:*** Okay, and on the asset management side, I guess we do not have an answer for that part.

***Rajiv Lall:*** Sorry, I do not understand that.

***Srinivasan:*** No, the earlier one, we will just leave it there. On the asset management side, when you said 2.4 billion dollars, is this the final close or the first?

***Rajiv Lall:*** This is the penultimate close if you like, I mean for private equity it is final, for project equity it is the penultimate close. For project equity we are close to 900 million. It may trend up to a billion dollars over the next four or five months.

***Srinivasan:*** You do not see a shortfall because of whatever that has been happening with the financial markets outside?

***Rajiv Lall:*** Not at this point. You know, most of the investors are pretty blue chip. We have no indication; of course if the world collapses then all bets are off.

***Vikram Limaye:*** Well, all the capital calls that we made so far have been honored.

***Rajiv Lall:*** If Citibank collapses tomorrow then all bets are off.

***Srinivasan:*** Okay thank you.

***Moderator:*** Next question comes from Mr. Rohit Shimpi of SBI Mutual Fund.

***Rohit Shimpi:*** Yeah, my questions was on asset quality, Rajiv disclosed your net NPA has been 0%, could you give us a flavor on how the incremental delinquency or gross NPA ratio or assets restructured has been behaving for you?

***Rajiv Lall:*** Will you repeat that question please?

***Rohit Shimpi:*** Yeah. If your asset quality report a net NPA is 0%, could you give us some flavor of how the gross NPA or incremental delinquency or restructured loans have been moving for you?

***Vikram Limaye:*** As you know, the NPA situation has not changed for a while, so gross NPA; there has been no additional NPAs that have been provided for, if that's your question?

***Rohit Shimpi:*** Yeah, so all the provisioning would essentially be floating or standard provisions.

***Vikram Limaye:*** No. Relating to non-performing assets, there was only one asset that continues to be only one asset, which has always been the case for the last couple of years, if not long term, so there have been no incremental NPAs that have been provided for is the first part of the answer. The second part of the answer as it relates to restructuring of asset, etc. There have been none so far and while we monitor the book very closely on a regular basis, we do not see anything in there that should cause anyone any kind of alarm or concern based on our most recent review of the book.

***Rohit Shimpi:*** Okay, and are you also required to mark assets technically as NPA in case the commencement date is being delayed despite there being servicing with payments?

***Rajiv Lall:*** Yeah those regulations would apply to us as well.

***Rohit Shimpi:*** Okay, thank you.

***Moderator:*** Mr. Anand Vasudevan. Please go ahead with the question Sir.

***Anand Vasudevan:*** Good evening gentlemen. I just wanted to understand the movement in spreads. Spreads have declined, you know on a rolling quarter basis. If I look at NII in your ROE tree, 20 basis points decline from last quarter rolling to this quarter is quite a significant decline. A bit puzzled by that because if you look at the trends first of all loan growth has slowed and that seems to be because you are trying to maintain profitability. You say that you have borrowed ahead of tight liquidity and you have been liquid in tight environment, so the treasury performance should have been better. Also there is an environment where credit risk spreads are widening, which I would expect that that should have helped in your infrastructure credit spreads. So, why is it that the reported number has actually moved in the other direction, I am trying to understand that?

***Rajiv Lall:*** Well two things, first is the spread number that you have is a composite spread number.

***Anand Vasudevan:*** Yeah, so if I look at either both the treasury and infrastructure, the numbers have moved down actually.

***Rajiv Lall:*** I will let LK answer the question about why treasury spreads have come down, but on the infra spread on an incremental basis, it has held up pretty much to the extent your point about rising credit spreads in this environment is a valid one. We have, however, chosen to in our parlance substitute more A rated credits for low quality credits in our incremental lending. We have chosen safety over increasing the spread from lending to less safe assets if you like. So, we have not gone, again in the market place the widening of spreads that asset use that has occurred applies disproportionately to those names that are, shall we say second tier and while we could have chosen to pursue that market bucket and really expand our spread, we have not done that. On the treasury spread LK.

***L.K. Narayan:*** Yeah, on the treasury, we have continued to borrow at all levels even as the market, though the volume of funds that we have raised in the last month and a half has been significantly less. That said what has happened is I am sure you have seen the market behavior where the volatility in the government securities has been quite phenomenal and therefore, that in turn puts most of the corporate bonds in most treasury portfolio at risk including ours in terms of marking it to market, so what we then did was we at every opportunity that we saw to play for is we liquidated most of our corporate bonds and despite this kind of choppiness and we were quite keen to reduce the MTM volatility and therefore, if you look between Q1 and Q2, Q1 MTM on treasury and therefore the provisioning was higher at about 15 crore, which is now down to 10 crore MTM, so this has been the intervention in treasury.

***Anand Vasudevan:*** Okay. Another question I have is on your loan loss provisioning. Currently in your ROA tree your loan loss provisioning is about 30 basis points and you had said at the beginning of the year that you are in the process of increasing your provisioning to C rated assets. What I would like to understand is on a normalized basis, what should be the loan loss provision?

***Rajiv Lall:*** The way we have been trying to look at it is we want the cumulative loan loss provisions that we have to move up to 1.2%. We wanted to trend that up to at least 1.5% and the device that we found for that in terms of a transparent provisioning policy was to raise the provisioning against standard assets for C rated assets. So to answer your question, we would feel more comfortable if the cumulative loan loss provision were in excess of 1.5% of our loans outstanding.

***Anand Vasudevan:*** And over what period are you targeting to get to 1.5%?

***Rajiv Lall:*** See we want to. This is something actually we are reviewing internally. We want to look at our provisioning policy again to see if this atmosphere of heightened risk continues, do we want to revisit our provisioning policy to accelerate the pace at which we get to 1.5% of loans outstanding, so we will I guess have a more considered view on that the same time next quarter.

***Anand Vasudevan:*** Okay, thank you.

***Moderator:*** Next question comes from Ms. Darshana Joshi of Sahara Mutual Fund.

***Darshana Joshi:*** Good evening sir. Most of my questions had been answered. Just a small data point. How much of our total exposure for loans against share in percentage terms?

***Rajiv Lall:*** About 11%.

***Darshana Joshi:*** 11% of our total loan book, is it? Okay, sir is it possible for you to give me gross NPA figure in absolute term?

***L.K. Narayan:*** Gross NPA is just one asset that we have been historically disclosing, that is about 35 crore.

***Darshana Joshi:*** Okay, that is it from my side sir, thanks.

**Moderator:** We have our last question coming from Mr. Shrey Loonker of Reliance Mutual Fund.

**Shrey Loonker:** Good evening sir. I just wanted to understand that quarter on quarter we are seeing the duration gap between assets and liabilities widening. One question there, do we see it as a trend and second of all how do we rectify that because the gap has been widening on a quarter on quarter basis from Q3 onwards?

**Rajiv Lall:** LK what is our impression….?.

**Shrey Loonker:** Do we need to read a lot into this or…?

**Rajiv Lall:** No, we do not need to read a lot into this. LK will answer that question.

**L.K. Narayan:** What you should look at is the asset and liability duration gap. Because what happens is the asset duration is basically, almost closely coupled with liabilities, because what we do is we accept the asset duration as they arrive and then we are trying to maintain the liability duration around that.

**Shrey Loonker:** I cannot quite hear you sir.

**L.K. Narayan:** No, what I am saying is that we see the asset duration as they come about because these are all structured products that we put out and therefore, the asset duration is given in that sense. Therefore, what we try to do is to match the liability profile around the asset duration, so if you see as of this quarter, our asset duration is 1.8 years and the liability duration is 1.65 years.

**Rajiv Lall:** Compared to… he is saying 1.76 and 1.73.

**Shrey Loonker:** And even if we go back to Q3 when we were almost 2.2 on the asset and liability, we were perfectly matched. All I am concerned about is the divide between the asset-liability duration has been increasing Q on Q.

**L.K. Narayan:** That is simply because of the nature of the market on the liability side, if you see this last quarter the market has become illiquid and if at all bankers were willing the short-term rates and the long-term rates there was a disconnect and nobody was willing to commit rates for a longer term, so the market willingly became a very short majority market. So, at this point in time when liquidity is a big issue, we have to take the majority profiles as we get them and not really as we would desire them.

**Shrey Loonker:** Okay, alright that was one. On the second bit, would it be possible for you all to give us a color of loan book in terms of the project that we have on board. How much of them are actually under implementation. How much is almost on the final stages of completion and how much is actually running, cash flow generating, a brief broad mix would help?

**Rajiv Lall:** I will try to say that most of it is cash generating, two-thirds of it is generating cash. We have to review some information. Give us a few seconds, okay.

**Shrey Loonker:** Sure, no problem.

**Rajiv Lall:** Can we send you an email, these guys are just disputing. There is no point wasting time here.

**Shrey Loonker:** No problem.

**Rajiv Lall:** If you send us an email to the investor relation group, we will respond to you.

**Shrey Loonker:** I will do that. Can I follow it up with a couple of more questions, is that okay with you?

**Rajiv Lall:** Yeah, you can.

**Shrey Loonker:** Yeah, in terms of the incremental borrowing for this first half when most of it has come from Forex loans, I just wanted to have a details….

**L. K. Narayanan:** That is not factually correct. Almost everything is rupee denominated.

**Shrey Loonker:** Unless, I have some numbers wrong out here, which seems to suggest that as of Q4-08, we had around 1800 crore of Forex loans outstanding, which is moved up to 2300 crore odd.

**L.K. Narayan:** You are talking first half of this year versus last year, right?

**Shrey Loonker:** No, I am just comparing incremental first half borrowing profile. No, I am not comparing it versus anything. I am just looking at incremental…

**L.K. Narayan:** Yeah, if you see in this first half effectively we have borrowed more than 5,400 crore, so 500 crore is nothing.

**Shrey Loonker:** Yeah, no actually my numbers are wrong. Incrementally for the first half you mobilize around 600 odd crore, incrementally out of which 500 crore has come from Forex loans, so that chunky proportion. What I am trying to understand is that given the market scenario today since first half we had Forex loans to tap, but given the situation going worse globally…

**L.K. Narayan:** No, between first half and first quarter and this quarter, it is that is what you are saying, there has been no change in borrowing profile because access to foreign currency was restricted even at that point in time.

**Shrey Loonker:** Okay. Let me speak take that off line.

**Rajiv Lall:** That might be in situations where…something which is really….

**Shrey Loonker:** Sure, let me that off line, okay. Just last question Rajiv, do we have a strategy on the StanChart AMC now?

**Rajiv Lall:** Yes, we have a strategy on StanChart AMC, but market is going crazy man, so we had done so much hard work on developing strategy, we started executing on it and then all you fellows started taking money out and completely collapsed the market, so I think we have to think about it some more in the light of these changed circumstances and it is only when this turbulence subsides a little bit that we will have a clearer idea of where we end up. All that said though in a longer term fundamental sense, the strategy really does not change very much relative to what we have been working on because if you look at what has been happening to the mutual fund industry generally, AUMs have been shrinking partly because of declining prices of equity and redemptions on the debt mutual funds. So, our mutual fund is no exception to that. What is interesting and comforting about our mutual fund business today is that we have seen no redemptions in our equity mutual funds that have lost AUM only on account of market price correction and on the debt mutual funds everything is relative I suppose that's the only comfort we can take and in relative terms we seem to be doing much better than some of the larger mutual funds out there, but the redemption numbers from our mutual fund having not been as high, so in a P&L sense redemption from the debt mutual fund does not effect us all that much. For the long-term future of the franchise, we really have to focus on evolution of the equity side of the business and there what has changed really in the last few months is we would see whether secular projections that one was more confident about making in terms of the growth of equity mutual funds in the country generally. What is invested in equity mutual funds is a share of the wallet of average investors. Whether those kind of assumptions have to be fundamentally re-calibrated. So, that is why we may have to revisit the business plan, but it would not, it will take another quarter before we come back to that.

***Shrey Loonker:*** Okay, that is good enough. Great, thanks for taking the question.

***Moderator***: No further questions. Now, I hand over the floor to Mr. Rajiv Lall for closing comments.

***Rajiv Lall:*** Well, thank you all very much for being with us this evening. I hope we have answered all your queries. If you have additional queries, if there are still some things that are not entirely clear to you, please send an email to Bimal Giri and our investor relations team. We will do our best to get back to you and I guess not withstanding the state of the market. I wish you all a happy Diwali and talk to you next quarter. Thank you.

***Moderator***: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you. Have a pleasant evening.